

**Agency Budget Comparison**

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

| Agency Budget Comparison      |                      |                      |                      |                      |                        |                        |                      |                   |
|-------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|----------------------|-------------------|
| Budget Item                   | Base Fiscal 2012     | Approp. Fiscal 2013  | Budget Fiscal 2014   | Budget Fiscal 2015   | Biennium Fiscal 12-13  | Biennium Fiscal 14-15  | Biennium Change      | Biennium % Change |
| FTE                           | 163.50               | 163.50               | 166.00               | 166.00               | 163.50                 | 166.00                 | 2.50                 | 1.53%             |
| Estimated Impact of HB 2*     |                      |                      | (6.20)               | (6.20)               |                        | (6.20)                 | (6.20)               |                   |
| <b>Net Estimated FTE*</b>     |                      |                      | <b>159.80</b>        | <b>159.80</b>        |                        | <b>159.80</b>          | <b>(3.70)</b>        |                   |
| Personal Services             | 10,247,829           | 11,562,314           | 10,596,658           | 10,615,211           | 21,810,143             | 21,211,869             | (598,274)            | (2.74%)           |
| Operating Expenses            | 15,220,553           | 16,856,170           | 15,904,145           | 15,921,645           | 32,076,723             | 31,825,790             | (250,933)            | (0.78%)           |
| Equipment & Intangible Assets | 921,444              | 12,556               | 966,768              | 921,444              | 934,000                | 1,888,212              | 954,212              | 102.16%           |
| Local Assistance              | 620,260,239          | 642,976,162          | 697,121,987          | 725,234,311          | 1,263,236,401          | 1,422,356,298          | 159,119,897          | 12.60%            |
| Grants                        | 142,889,668          | 140,292,700          | 157,907,123          | 159,467,123          | 283,182,368            | 317,374,246            | 34,191,878           | 12.07%            |
| Transfers                     | 1,675,840            | 1,479,139            | 2,390,840            | 2,425,840            | 3,154,979              | 4,816,680              | 1,661,701            | 52.67%            |
| <b>Total Costs</b>            | <b>\$791,215,573</b> | <b>\$813,179,041</b> | <b>\$884,887,521</b> | <b>\$914,585,574</b> | <b>\$1,604,394,614</b> | <b>\$1,799,473,095</b> | <b>\$195,078,481</b> | <b>12.16%</b>     |
| General Fund                  | 622,881,959          | 645,440,345          | 700,115,453          | 728,548,656          | 1,268,322,304          | 1,428,664,109          | 160,341,805          | 12.64%            |
| State Special                 | 9,571,786            | 9,572,692            | 10,593,048           | 10,293,109           | 19,144,478             | 20,886,157             | 1,741,679            | 9.10%             |
| Federal Special               | 158,761,828          | 158,166,004          | 174,179,020          | 175,743,809          | 316,927,832            | 349,922,829            | 32,994,997           | 10.41%            |
| <b>Total Funds</b>            | <b>\$791,215,573</b> | <b>\$813,179,041</b> | <b>\$884,887,521</b> | <b>\$914,585,574</b> | <b>\$1,604,394,614</b> | <b>\$1,799,473,095</b> | <b>\$195,078,481</b> | <b>12.16%</b>     |

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

**Agency Description**

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

For additional information please refer to the agency profile.

**Agency Highlights**

| <b>Office of Public Instruction<br/>Major Budget Highlights</b>   |
|---|
| <ul style="list-style-type: none"> <li>◆ The biennial all funds budget for OPI increased \$195.1 million, with a general fund increase of \$160.3 million, a state special increase of \$1.7 million, and federal special increase of \$33.0 million.                             <ul style="list-style-type: none"> <li>● The general fund increase is misleading because it does not include changes in the guarantee account. If those changes are included, the difference is \$106.0 million</li> </ul> </li> <li>◆ The biennial budget for state level activities increased by \$1.4 million or 2.5% as compared to the previous biennium due to numerous adjustments, the largest of which are:                             <ul style="list-style-type: none"> <li>● Increased funding for the Montana Digital Academy</li> <li>● Statewide present law adjustments</li> <li>● School based health programs</li> </ul> </li> <li>◆ These increases in general fund are partially offset by a reduction in federal funds due to completion of the State Longitudinal Data System</li> </ul> |

**Office of Public Instruction (continued)**

**Major Budget Highlights**

- ◆ In local education activities, the legislature passed HB 2 and SB 175. In HB 2 there was:
- ◆ A general fund increase above base spending in FY 2012 of \$180.1 million and an increase for all funds of \$213.4 million. Significant present law general fund adjustments in HB 2 include the following:
  - Annualization of entitlements and funding components and adjustments for average number belonging (ANB) to FY 2013 levels, \$32.7 million
  - Inflation of the basic and per-ANB entitlements, \$22.2 million
  - SB 372 reimbursement block grants, \$20.5 million
  - Guarantee account revenue adjustments, \$94.5 million
  - Other categorical adjustments, \$0.7 million
- ◆ Significant general fund new proposals in HB 2 include:
  - Inflation applied to special education and the at-risk payment, \$2.1 million
  - Chapter 55 implementation, \$0.5 million
  - An increase in career and technical education, \$1 million
  - A one-time only payment for school technology, \$1 million
  - Adjustments to HB 2 for impacts of SB 96. SB 96 lowered the tax rate and increased the exemption on business equipment. SB 96 also increased reimbursements to school districts and the county education accounts by \$7.9 million. The resulting general fund GTB savings were estimated to be \$3.1 million. SB 96 changed the line items in HB 2 for reimbursement block grants and for Base Aid by the same amounts respectively
- ◆ The legislature added \$15.0 million federal funds for a new striving readers competency and literacy program, along with \$0.8 million administrative costs
  - SB 175 changed school law in a number of ways more fully discussed in the Summary of Legislative Action section of this narrative. Among other impacts, the bill:
    - Applies statutory inflation - 0.89% in FY 2014 and 2.08% in FY 2015 to per ANB entitlements only; cost is in HB 2
    - Increases the basic entitlements and creates multiple basic entitlements per district
    - Creates new data for achievement payment of \$10 per ANB in FY 2014, \$15 per ANB in FY 2015 and \$20 per ANB in FY 2016 and beyond
    - Appropriates \$25.8 million for aspects of the bill except the change to the basic entitlements
    - Transfers \$22.9 million from the state general fund ending fund balance in FY 2013 to a new state special account; half of that is transferred each year to the guarantee account to pay for the increase in the basic entitlement
    - Appropriates \$22.3 in excess oil and gas revenue from a new oil and gas distribution account to pay for districts that are eligible because of oil and gas development impacts but that have no or little oil and gas revenues

**Summary of Legislative Action**

*SB 175*

SB 175 contained several changes to the K-12 funding system:

- BASE Aid Additions
  - Data for achievement payment - \$10 per ANB in FY 2014, \$15 per ANB in FY 2015, and \$20 per ANB thereafter. The data for achievement payment is deposited in the district general fund and is added to a district’s base and maximum budgets. It has no local match. It is to be used by a school district to pay for access fees or other costs associated with participation in the statewide data system administered by OPI or comparable system operated by a private vendor.
  - Natural resource development payment (NRD) - \$3 million in FY 2015, thereafter an amount sufficient to offset increases in base taxes caused by changes in the per-ANB and basic entitlements. This level will be in effect until the NRD payment reaches 50% of the amount of oil and gas revenue deposited in the state general fund in FY 2012 (i.e. 50% of \$98.3 million), after which the NRD payment is fixed at that amount. The NRD payment is above direct state aid and offsets base taxes and GTB. It is not added to the base budget or the maximum budget.
- Inflation – the bill:
  - Applies the statutorily defined inflation factors (0.89% in FY 2014 and 2.08% in FY 2015) to the per-ANB entitlements; the appropriation for this is in HB 2
  - Directs that the superintendent shall propose statutorily defined inflation adjustments to the quality educator payment, the achievement gap payment, the Indian education for all payment, and the at risk payment beginning in FY 2016
- New Basic Entitlement
  - Under previous law each district had one basic entitlement. Under SB 175 multiple basic entitlements are available. Each district is allowed at least one basic entitlement. For elementary districts the first 250 budgeted ANB receive one basic entitlement; for middle school it is 450 ANB and for high school 800 ANB. Elementary districts receive additional basic entitlements for each 250 ANB, middle school for each 450 ANB, and high school for each 800 ANB. The second and subsequent basic entitlement increments are rounded up to the nearest tenth. The dollar value of the basic entitlement for FY 2014 through FY 2016 is as follows:

| <b>New K-12 basic Entitlement</b>                 |                |                |                |
|---|----------------|----------------|----------------|
| <u>Level of District</u>                          | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> |
| Elementary, 1 <sup>st</sup> increment             | \$40,000       | \$ 40,000      | \$50,000       |
| Elementary 2 <sup>nd</sup> & subsequent increment | \$20,000       | \$20,000       | \$25,000       |
| Middle School 1 <sup>st</sup> increment           | \$80,000       | \$80,000       | \$100,000      |
| Middle school 2 <sup>nd</sup> and subsequent incr | \$40,000       | \$40,000       | \$50,000       |
| High School 1 <sup>st</sup> Increment             | \$290,000      | \$290,000      | \$300,000      |
| High School 2 <sup>nd</sup> and subsequent incr.  | \$120,000      | \$120,000      | \$150,000      |

- ANB and Enrollment Issues
  - ANB will be calculated from three enrollment counts (the first Monday in October, December, and February compared with two counts under previous law
  - Anticipated unusual enrollment increases will be funded with state direct state aid and GTB when the year to year enrollments increase by the smaller of 4% or 40 students. The additional state aid will be paid for the number of students in excess of these limits. Previous state aid was allowed for unusual enrollment increases of 6% or more

- Oil and Gas Revenue Issues
  - For all years in the future the maximum in oil and gas revenue a district may retain is 130% of its maximum budget
  - For fiscal years 2014 through 2016 districts with maximum budgets of less than \$1.5 million may retain 150% of their maximum budgets in oil and gas revenue
  - For all years in the future a district must budget in its general fund the lesser of 25% of its prior year receipts of oil and gas revenue or the general fund net levy requirement. The district may budget 50% of its 25% below the base budget and 50% in the over-base area. The remaining 75% may be budgeted in any budgeted fund. These provisions do not apply if the district has:
    - A budget of \$1 million or less
    - A maximum budget that exceeds 105% of the combination of its adopted budget plus its oil and gas revenue
    - A maximum budget of \$1 million or more has had an unusual enrollment increase in the prior year
    - Issued oil and natural gas as revenue bonds; the district may apply all of its oil and gas revenue to payment of the bonds' debt service for the next 12-month period
  - If the district has an unusual enrollment increase in the prior year, the limit on oil retention by a district (either 130% or 150%) may be increased by \$45,000 times the additional ANB for one year
  - The excess oil and gas revenue not allowed to be retained by a school district must be sent to the state for deposit in a new oil and gas distribution account. OPI will distribute money from this account to districts that qualify under the concentric circles provisions of SB 175
  - Concentric circles – From FY 2014 through FY 2016, districts that overlap or are contiguous to districts that have excess oil and gas revenue from horizontally completed wells within the last 3 years, but have no or little oil and gas revenue, will receive oil and gas revenue from the oil and gas distribution account in a “concentric circle” pattern, with those further away having lower priority. A concentric circle eligible district may receive up 130% of its maximum budget from OPI through this account. The distribution to neighboring districts within a county or within a neighboring county will continue until the amount of money in the distribution account is exhausted or all eligible districts have been filled to 130% of their maximum budgets. If there is any money left over in the distribution account it must be distributed 70% to the guarantee account, 25% to the county school oil and natural gas impact account, and 5% to the state school oil and natural gas impact account. After FY 2016, the concentric circle districts will no longer receive funds from the oil and gas distribution account, and the excess oil and gas revenue is distributed 70% to the guarantee account, 25% to the county school oil and natural gas impact account and 5% to the state school oil and natural gas impact account
- Oil and Gas Revenue Bonds – SB 175 allows districts to sell revenue bonds backed by oil and gas revenues as long as the debt limits in 20-9-406, MCA are met. The bonds may not exceed 3 times the annual amount of oil and gas revenues. The debt service on the bonds may not exceed 35% the total oil and gas revenue received in the preceding year. If in any year oil and gas revenues are not sufficient to pay the debt service a district may levy a tax deficiency levy
- Ending Fund Balances – Previous law required that by July 1, 2016 the combined ending fund balances of all budgeted funds except the building reserve fund, the debt service fund, and the bus depreciation fund not exceed 300% of a district's maximum budget. SB 175 changes this date to July 1, 2020
- County school oil and natural gas impact account – 80% of any money distributed from this account must be distributed based on quality educators in a district
- Excess interest and income in the guarantee account – The amount of interest and income that may be used for direct state aid in any year is capped at \$56 million. Any interest and income above that amount is called excess interest and income. Excess interest and income must be distributed to all school districts. 50% must be distributed on a quality educator basis and 50% must be reserved in the guarantee account for later appropriation by the legislature as part of the natural resource development payment. The amount distributed on a quality educator basis must be deposited in the miscellaneous programs fund and be used for repairs categorized as safety, damage mitigation, and code requirements as specified in the facilities condition inventory prepared by the Montana Department of Administration pursuant to section 1, Chapter 1, Special Laws of December 2005

- Borrowing Mill Levy Authority – a district may increase its general fund over-base budget levy without a vote of the people if the district simultaneously reduces the budget levy by a like amount in another non-voted fund. The ongoing authority for the non-voted increase in the over-base budget levy must be decreased to the extent that the district imposes any increase in other non-voted property tax levies
- New Data Task Force – SB 175 creates a task force to review, monitor, and provide input to the Office of Public Instruction to enhance the statewide k-12 data system
- Transfer of state general fund ending fund balance before June 30, 2013 – SB 175 transfers \$22,950,178 from the state general fund to a new state special holding account. There will be transferred from this new account \$11,475,089 in FY 2014 and again in FY 2015 to the guarantee account to pay for the increased costs of the new basic entitlement
- Appropriations – There are three appropriations in SB 175: 1) \$25.8 million to cover the additional costs other than the basic entitlement; 2) \$22.3 million from the new oil and gas distribution account to distribute oil and gas revenue to the concentric circle eligible districts; and 3) \$13,522 from the state general fund to OPI for costs associated with the new data task force

The table below shows the financial impact of SB 175.

| SB175 - Fiscal Note As the Bill Left the House in Millions   |   |                        |                        |
|--|---|------------------------|------------------------|
| 04/17/13   |   |                        |                        |
| Provision  | FY 2014 Cost                            | FY 2015 Cost           | Biennial Cost          |
| Inflation (0.89% in FY 2014; 2.08% in FY 2015)   | In SB 175 but is Present Law, See Below |                        |                        |
| Inflation on 5 Components (Starts in FY 2016)  | -                                       | -                      | -                      |
| Data for Achievement Payment (\$10 per ANB FY14, \$15, FY15, then \$20 in FY16)  | \$1.474                                 | \$2.211                | \$3.685                |
| Basic Entitlement (Elem: \$40k; MS: \$80k; HS: \$290k) With Multiple BE's  | 11.582                                  | 10.983                 | 22.565                 |
| Natural Resource Development K-12 Funding Payment  |   |                        |                        |
| NRD Payment - State Cost   | -                                       | 3.000                  | 3.000                  |
| NRD Payment - GTB Savings  | -                                       | (1.500)                | (1.500)                |
| Excess Interest and Income above \$56 million  | -                                       | -                      | -                      |
| Require districts to budget only 25% of oil and gas revenue  | 0.807                                   | 0.825                  | 1.632                  |
| Count Students 3 times a year  | -                                       | 0.449                  | 0.449                  |
| Unusual Enrollment Increase of the lower of 4% or 40 ANB   | 2.249                                   | 2.328                  | 4.577                  |
| Share Excess Oil and Gas with Neighboring Districts  | 8.194                                   | 7.402                  | 15.596                 |
| Implementation Costs   | <u>0.250</u>                            | <u>0.250</u>           | <u>0.500</u>           |
| <b>Total Cost</b>  | <b><u>\$24.556</u></b>                  | <b><u>\$25.948</u></b> | <b><u>\$50.504</u></b> |
| Appropriation - General Fund for Base Aid  |   |                        | 25.800                 |
| Transfer Ending Fund Balance at end of FY 2013 to SS to pay for basic entitlement, pay out of GA   |   |                        | 22.950                 |
| Appropriation for K-12 data task force   |   |                        | <u>0.014</u>           |
| <b>Total Appropriations to pay for SB 175</b>  |   |                        | <b><u>\$48.764</u></b> |
| Appropriation from new State Oil and Gas Distribution Fund, Revenue. This appropriation is excess oil and gas money that would have been deposited in the guarantee account and the two impact accounts under previous law. The loss of this money from the guarantee account is included in the \$25.8 million general fund appropriation |   |                        | <u>\$22.300</u>        |

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 6.20 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Funding**

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

| Total Office Of Public Instruction Funding by Source of Authority<br>2015 Biennium Budget |                        |                          |                         |                        |                   |
|---|------------------------|--------------------------|-------------------------|------------------------|-------------------|
| Funds   | HB 2                   | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources      | % Total All Funds |
| General Fund  | \$1,428,664,109        | \$0                      | \$0                     | \$1,428,664,109        | 74.5%             |
| State Special Total   | 20,886,157             | -                        | 114,133,518             | 135,019,675            | 7.0%              |
| Federal Special Total   | 349,922,829            | -                        | -                       | 349,922,829            | 18.2%             |
| Proprietary Total   | -                      | 4,422,656                | -                       | 4,422,656              | 0.2%              |
| Current Unrestricted  | -                      | -                        | -                       | -                      | 0.0%              |
| Other Total   | -                      | -                        | -                       | -                      | 0.0%              |
| <b>Total All Funds</b>  | <b>\$1,799,473,095</b> | <b>\$4,422,656</b>       | <b>\$114,133,518</b>    | <b>\$1,918,029,269</b> |                   |
| Percent - Total All Sources   | 93.8%                  | 0.2%                     | 6.0%                    |                        |                   |

Almost 94% of the total budget is appropriated in HB 2. Non-budgeted proprietary funds support the centralized services functions and are discussed in the State Level Activities Program. Statutory appropriations are from the guarantee account for distribution to schools and are discussed in the Local Education Activities Program.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                      |                        |                   | -----Total Funds----- |                      |                        |                   |
|--------------------------|------------------------|----------------------|------------------------|-------------------|-----------------------|----------------------|------------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015   | Biennium Fiscal 14-15  | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015   | Biennium Fiscal 14-15  | Percent of Budget |
| Base Budget              | 622,881,959            | 622,881,959          | 1,245,763,918          | 87.20%            | 791,215,573           | 791,215,573          | 1,582,431,146          | 87.94%            |
| Statewide PL Adjustments | 179,648                | 195,139              | 374,787                | 0.03%             | 336,068               | 356,640              | 692,708                | 0.04%             |
| Other PL Adjustments     | 74,436,679             | 97,872,597           | 172,309,276            | 12.06%            | 81,979,435            | 106,975,304          | 188,954,739            | 10.50%            |
| New Proposals            | 2,617,167              | 7,598,961            | 10,216,128             | 0.72%             | 11,356,445            | 16,038,057           | 27,394,502             | 1.52%             |
| <b>Total Budget</b>      | <b>\$700,115,453</b>   | <b>\$728,548,656</b> | <b>\$1,428,664,109</b> |                   | <b>\$884,887,521</b>  | <b>\$914,585,574</b> | <b>\$1,799,473,095</b> |                   |

**Other Legislation**

**HB 3** – HB 3 is the supplemental bill. The Local Education Activities Program in OPI had two supplementals for FY 2013. The first was due to the veto of HB 316 from the 2011 legislative session, which left the general fund short in paying for BASE Aid. This supplemental was \$39.9 million. The second supplemental was due to a shortage during the 2011 session in the amount of reimbursement block grants that were appropriated in response to the business equipment tax cuts. This supplemental was for \$3.7 million.

**HB 39** – HB 39 clarifies several provisions in law instituted by SB 329 from the 2011 legislative session. HB 39:

- o Eliminates the current law distribution of excess school district fund balance payments to the state school oil and gas impact account (5%) and the county school oil and gas impact fund (25%) in 20-9-104. HB 39 continues the allocation of 70% of the monies to the guarantee account, but redirects 30% of the monies to the school facility

and technology account. It is expected that the impact accounts will lose \$55,107 per year starting in FY 2014 and the school facility and technology account will realize revenue of the same amount

- Eliminates the July 1, 2016 sunset that a district must remit to the state ending fund balances in excess of 15% of its maximum general fund budget.
- States that within 120 days following the end of the fiscal year, the Department of Revenue shall determine if the criteria for distribution of the county school oil and natural gas impact fund, including the average price for a barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil price per barrel during a calendar quarter, have been met. The legislature did not appropriate any money from this account in the 2015 biennium.

**SB 96** – SB 96 reduces taxes on class 8 business equipment by: 1) raising the exemption from \$20,000 to \$100,000 and allowing all taxpayers to claim the exemption; and 2) raising the threshold at which the tax rate of 1.5% applies from \$3 million in market value to \$6 million in market value. The new provisions are expected to begin January 1, 2014.

SB 96 reimburses local jurisdictions for their loss of revenue. For counties, cities, and TIF districts the reimbursements will begin in May of 2014 (\$3.785 million) for property that is not liened to real property. A full year's reimbursement (\$5.941 million) will take place in FY 2015. School districts and the county education accounts will receive all their reimbursement in FY 2015 (\$7.932 million). Of this amount, \$3.0 million is one-time only.

The reimbursements to the school district general fund and the county retirement funds will save guaranteed tax base in each of these funds. The revised fiscal note estimates that the total GTB savings will be \$1.778 million.

SB 96 contains two changes to appropriations in HB 2. SB 96: 1) increases reimbursement block grants in HB 2 by \$7,931,716 in FY 2015; and 2) reduces BASE Aid for the GTB savings by \$3,053,710.

**HB 377** – HB 377 alters certain provisions relating to the retirement of members of the Teachers' Retirement System (TRS). HB 377 raises the employer contribution by 1% starting in FY 2014 and an additional 0.1% for each year thereafter for 10 years. As a result, school districts will see their TRS contributions increase and the state will see its retirement guaranteed tax base cost increase. The bill contains appropriations to OPI for the increase in retirement GTB of \$2,061,932 for FY 2014 and \$2,370,191 for FY 2015.

HB 377 also reduces the amount of reserved ending fund balance districts may carry forward each year in their retirement funds. Previous law allowed up to 35% of a district's final retirement fund budget for the ensuing school fiscal year. In HB 377, this limit was dropped to 20%. This will free up \$14.7 million that will be deposited in the TRS fund.

**HB 454** – HB 454 alters certain provisions relating to the retirement of members of the Public Employees Retirement System (PERS). HB 454 raises the employer contribution by 1% starting in FY 2014 and an additional 0.1% for each year thereafter for 10 years. As a result, school districts will see their PERS contributions increase and the state will see its retirement guaranteed tax base cost increase. The bill contains appropriations to OPI for the increase in retirement GTB of \$377,500 for FY 2014 and \$431,750 for FY 2015.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison   |                            |                                 |                                   |  |                                 |                                   |  |  |
|-------------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item                   | Base Budget<br>Fiscal 2012 | Executive Budget<br>Fiscal 2014 | Legislative Budget<br>Fiscal 2014 | Leg - Exec.<br>Difference<br>Fiscal 2014 | Executive Budget<br>Fiscal 2015 | Legislative Budget<br>Fiscal 2015 | Leg - Exec.<br>Difference<br>Fiscal 2015 | Biennium<br>Difference<br>Fiscal 14-15 |
| FTE                           | 163.50                     | 165.50                          | 166.00                            | 0.50                                     | 165.50                          | 166.00                            | 0.50                                     |  |
| Estimated Impact of HB 2*     |                            |                                 | (6.20)                            | (6.20)                                   |                                 | (6.20)                            | (6.20)                                   |  |
| <b>Net Estimated FTE*</b>     |                            |                                 | <b>159.80</b>                     | <b>(5.70)</b>                            |                                 | <b>159.80</b>                     | <b>(5.70)</b>                            |  |
| Personal Services             | 10,247,829                 | 10,637,504                      | 10,596,658                        | (40,846)                                 | 10,656,589                      | 10,615,211                        | (41,378)                                 | (82,224)                               |
| Operating Expenses            | 15,220,553                 | 15,655,590                      | 15,904,145                        | 248,555                                  | 15,657,077                      | 15,921,645                        | 264,568                                  | 513,123                                |
| Equipment & Intangible Assets | 921,444                    | 921,444                         | 966,768                           | 45,324                                   | 921,444                         | 921,444                           | 0  | 45,324                                 |
| Local Assistance              | 620,260,239                | 697,908,478                     | 697,121,987                       | (786,491)                                | 717,494,806                     | 725,234,311                       | 7,739,505                                | 6,953,014                              |
| Grants                        | 142,889,668                | 157,907,123                     | 157,907,123                       | 0  | 159,467,123                     | 159,467,123                       | 0  | 0                                      |
| Transfers                     | 1,675,840                  | 1,975,840                       | 2,390,840                         | 415,000                                  | 1,975,840                       | 2,425,840                         | 450,000                                  | 865,000                                |
| <b>Total Costs</b>            | <b>\$791,215,573</b>       | <b>\$885,005,979</b>            | <b>\$884,887,521</b>              | <b>(\$118,458)</b>                       | <b>\$906,172,879</b>            | <b>\$914,585,574</b>              | <b>\$8,412,695</b>                       | <b>\$8,294,237</b>                     |
| General Fund                  | 622,881,959                | 701,105,034                     | 700,115,453                       | (989,581)                                | 720,706,853                     | 728,548,656                       | 7,841,803                                | 6,852,222                              |
| State/Other Special           | 9,571,786                  | 9,597,379                       | 10,593,048                        | 995,669                                  | 9,597,446                       | 10,293,109                        | 695,663                                  | 1,691,332                              |
| Federal Special               | 158,761,828                | 174,303,566                     | 174,179,020                       | (124,546)                                | 175,868,580                     | 175,743,809                       | (124,771)                                | (249,317)                              |
| <b>Total Funds</b>            | <b>\$791,215,573</b>       | <b>\$885,005,979</b>            | <b>\$884,887,521</b>              | <b>(\$118,458)</b>                       | <b>\$906,172,879</b>            | <b>\$914,585,574</b>              | <b>\$8,412,695</b>                       | <b>\$8,294,237</b>                     |

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature appropriated a general fund budget for OPI that is \$6.8 million above the executive, and \$8.3 million above the executive for all funds. The following summarizes the changes in general fund.

The local education activities program is above the executive by \$5.2 million and the state level activities program is above the executive by \$1.6 million, as shown in the table below.

| Comparison of Executive OPI Budget and Final Legislative Action - 2015 Biennium - General Fund |  |                          |                            |                    |
|--|--|--------------------------|----------------------------|--------------------|
|  |  | Executive Recommendation | Legislative Recommendation | Difference         |
| <b>General Fund</b>  | <b>Distribution to Schools Program</b>   |                          |                            |                    |
|  | Present Law Adjustments  |                          |                            |                    |
|  | PL901 - K-12 Base Aid - Annualization  | \$32,700,182             | \$32,700,182               | \$0                |
|  | PL902 - K-12 Base Aid - Inflationary Increase  | 22,213,959               | 22,213,959                 | 0                  |
|  | PL950 - Guarantee Account - Lower Revenue  | 86,102,670               | 94,516,164                 | 8,413,494          |
|  | PL915 - School Block Grants - SB 372   | 20,500,730               | 20,500,730                 | 0                  |
|  | Other Present Law Adjustments  | <u>692,123</u>           | <u>692,123</u>             | <u>0</u>           |
|  | Total Present Law Adjustments  | <u>\$162,209,664</u>     | <u>\$170,623,158</u>       | <u>\$8,413,494</u> |
|  | New Proposals  |                          |                            |                    |
|  | NP 2 - Special Education Inflation   | \$0                      | \$1,615,296                | \$1,615,296        |
|  | NP 2 - GTB Associated w/ Special Ed  | 0                        | 325,322                    | 325,322            |
|  | NP 2 - At Risk Inflation   | 0                        | 193,926                    | 193,926            |
|  | NP 905 - Chapter 55 Professional Development & Stipends (OTO/RST)                        | 0                        | 500,000                    | 500,000            |
|  | NP 914 - Career and Technical Education  | 0                        | 1,000,000                  | 1,000,000          |
|  | NP 976 - School Technology (OTO)   | 6,000,000                | 1,000,000                  | (5,000,000)        |
|  | NP 975 - Increase Quality Educator Payment, then inflate                                 | 6,673,030                | 0                          | (6,673,030)        |
|  | NP996 - Adjust Reimbursement Block Grants for SB96                                       | 0                        | 7,931,716                  | 7,931,716          |
|  | NP996 - Adjust Base Aid for SB 96  | <u>0</u>                 | <u>(3,053,710)</u>         | <u>(3,053,710)</u> |
|  | Total New Proposals - Distribution to Schools  | \$12,673,030             | \$9,512,550                | -\$3,160,480       |
|  | Total General Fund Adjustments - Distribution to Schools                                 | <u>\$174,882,694</u>     | <u>\$180,135,708</u>       | <u>\$5,253,014</u> |
| <b>General Fund</b>  | <b>State Level Activities</b>  |                          |                            |                    |
|  | PL 607 - Montana Digital Academy   | \$600,000                | \$1,465,000                | \$865,000          |
|  | PL 616 - National Board Certified Teachers   | 54,000                   | 84,000                     | 30,000             |
|  | PL 626 - Audiological Services   | 136,372                  | 136,372                    | 0                  |
|  | New Proposals  |                          |                            | 0                  |
|  | NP 54 - 2% Vacancy Savings   | 0                        | (173,351)                  | (173,351)          |
|  | NP 606 - Chapter 55 Amendments to School Accreditations                                  | 0                        | 181,306                    | 181,306            |
|  | NP 612 - Disaster Recovery and Data System Maintenance                                   | 0                        | 175,800                    | 175,800            |
|  | NP 622 - Staffing for OPI Information Systems  | 0                        | 304,139                    | 304,139            |
|  | NP 628 - School Based Mental Health (OTO)  | <u>0</u>                 | <u>215,684</u>             | <u>215,684</u>     |
|  | Total State Level Activities - General Fund  | <u>\$790,372</u>         | <u>\$2,388,950</u>         | <u>\$1,598,578</u> |
|  | Total OPI Budget, General Fund - Comparison of Executive with Legislative Recommendation | \$175,673,066            | \$182,524,658              | \$6,851,591        |

### Present Law Adjustments

The legislature includes present law adjustments for local education activities of \$170.6 million, \$8.4 million above the executive. This difference is due entirely to general fund added due to lower expected guarantee revenue as a result of lower expected oil and gas bonus payments.

The legislature increased present law adjustments in the state level activities program. The executive proposed an increase of \$600,000 in the Montana digital academy. The legislature includes \$1.5 million due to higher expected enrollment. The executive proposed \$54,000 in stipends for national board certified teachers. The legislature appropriated \$84,000.

### New Proposals

The legislature funds \$3.2 million less than the executive in new proposals in the local education activities program, and \$1.6 million more than the executive in the state level activities program.

In the local education activities program, the executive proposed \$6 million in one-time only funds for school technology and \$6.7 million for an increase in the quality educator payment of \$240 in FY 2014 and inflation in FY 2015. The legislature includes only \$1 million in one-time only technology for school districts. The legislature made no change to the current quality educator payment.

In addition, the legislature added the following new proposals in local education activities, totaling \$8.5 million: 1) inflation for special education and the at-risk payment - \$2.1 million; 2) Chapter 55 professional development and stipends - \$0.5 million; 3) career and technical education - \$1 million; 4) an adjustment to reimbursement block grants for the passage of SB 96 - \$7.9 million; and 5) an adjustment to BASE Aid for reduced GTB due to reimbursements in SB 96 - \$3.1 million.

The executive proposed no new initiatives in the state level activities program in the general fund. The legislature funded four new proposals totaling \$703,578. They are: 1) 2% vacancy savings, (\$-173,351); 2) money to implement Chapter 55 amendments to school accreditation - \$181,306; 2) disaster recovery and data system maintenance - \$175,800; 3) staffing for OPI's information system - \$304,139; and 4) funding for a mental health coordinator - \$215,684.

### **Language and Statutory Authority**

The legislature passed the following language in HB 2:

“OPI Administration includes a reduction in general fund of \$86,615 in fiscal year 2014 and \$86,736 in fiscal year 2015, state special revenue of \$4,331 in fiscal year 2014 and \$4,337 in fiscal year 2015, and federal special revenue of \$125,592 in fiscal year 2014 and \$125,768 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.”

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

“All revenue up to \$1.8 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121, MCA, is appropriated as provided in Title 20, chapter 7, part 5, MCA.”

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

**Program Budget Comparison**

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

| Program Budget Comparison     |                     |                     |                     |                     |                       |                       |                    |                   |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|--------------------|-------------------|
| Budget Item                   | Base Fiscal 2012    | Approp. Fiscal 2013 | Budget Fiscal 2014  | Budget Fiscal 2015  | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change    | Biennium % Change |
| FTE                           | 163.50              | 163.50              | 166.00              | 166.00              | 163.50                | 166.00                | 2.50               | 1.53%             |
| Personal Services             | 10,247,829          | 11,562,314          | 10,596,658          | 10,615,211          | 21,810,143            | 21,211,869            | (598,274)          | (2.74%)           |
| Operating Expenses            | 13,912,344          | 15,735,335          | 14,596,007          | 14,613,481          | 29,647,679            | 29,209,488            | (438,191)          | (1.48%)           |
| Equipment & Intangible Assets | 921,444             | 12,556              | 966,768             | 921,444             | 934,000               | 1,888,212             | 954,212            | 102.16%           |
| Transfers                     | 1,168,000           | 1,168,000           | 1,883,000           | 1,918,000           | 2,336,000             | 3,801,000             | 1,465,000          | 62.71%            |
| <b>Total Costs</b>            | <b>\$26,249,617</b> | <b>\$28,478,205</b> | <b>\$28,042,433</b> | <b>\$28,068,136</b> | <b>\$54,727,822</b>   | <b>\$56,110,569</b>   | <b>\$1,382,747</b> | <b>2.53%</b>      |
| General Fund                  | 9,874,513           | 9,904,346           | 11,246,328          | 11,267,181          | 19,778,859            | 22,513,509            | 2,734,650          | 13.83%            |
| State Special                 | 235,786             | 236,692             | 257,048             | 257,109             | 472,478               | 514,157               | 41,679             | 8.82%             |
| Federal Special               | 16,139,318          | 18,337,167          | 16,539,057          | 16,543,846          | 34,476,485            | 33,082,903            | (1,393,582)        | (4.04%)           |
| <b>Total Funds</b>            | <b>\$26,249,617</b> | <b>\$28,478,205</b> | <b>\$28,042,433</b> | <b>\$28,068,136</b> | <b>\$54,727,822</b>   | <b>\$56,110,569</b>   | <b>\$1,382,747</b> | <b>2.53%</b>      |

**Program Description**

The State Level Activities program provides leadership, programs and services to support Montana’s students, families, educators and public schools. The program includes the Office of the State Superintendent and supports Montana public education through the following functions; career and technical education, measurement and accountability, health enhancement and safety, special education, Indian education, school finance, educational opportunity and equity, centralized services and information and technology. The Montana Digital Academy (MTDA) is budgeted within OPI but is administered through the University of Montana. The Superintendent of Public Instruction or a designee sits on the governing board of the MTDA.

**Program Highlights**

| <b>Office of Public Instruction State Level Activities</b>   |  |
|--|--|
| <b>Major Budget Highlights</b>   |  |
| <ul style="list-style-type: none"> <li>◆ The biennial budget increases by \$1.4 million or 2.5% as compared to the previous biennium.                             <ul style="list-style-type: none"> <li>◆ General fund increases by \$2.7 million due primarily to;                                     <ul style="list-style-type: none"> <li>• Increased funding for the Montana Digital Academy (\$1.5 million),</li> <li>• Implementation of new accreditation standards (\$181,000 / 1.0 FTE),</li> <li>• IT projects and systems maintenance (\$350,000 / 1.5 FTE),</li> <li>• Teacher stipends (\$84,000),</li> <li>• School based health programs (\$352,000),</li> <li>• Statewide present law adjustments (\$375,000)</li> <li>• Additional, additional vacancy savings applied by legislature (\$173,000).</li> </ul> </li> <li>◆ Federal funds decrease by \$1.4 million due primarily to the completion of the State Longitudinal Data System, which was funded through federal grants.</li> </ul> </li> </ul> |  |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Office Of Public Instruction Funding by Source of Authority<br>2015 Biennium Budget - State Level Activities |              |                          |                         |                   |                   |               |                    |
|--|--------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds  | HB 2         | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund   | \$22,513,509 | \$0                      | \$0                     | \$22,513,509      | 37.2%             |               |                    |
| State Special Total  | \$514,157    | \$0                      | \$0                     | \$514,157         | 0.8%              |               |                    |
| 02001 School Lunch Program   | \$200,990    | \$0                      | \$0                     | \$200,990         | 0.3%              |               |                    |
| 02402 Traffic & Safety Education   | \$313,167    | \$0                      | \$0                     | \$313,167         | 0.5%              |               |                    |
| Federal Special Total  | \$33,082,903 | \$0                      | \$0                     | \$33,082,903      | 54.7%             |               |                    |
| 03002 Public Instruction   | \$33,082,903 | \$0                      | \$0                     | \$33,082,903      | 54.7%             |               |                    |
| Proprietary Total  | \$0          | \$4,422,656              | \$0                     | \$4,422,656       | 7.3%              |               |                    |
| 06067 Advanced Drivers Education   | \$0          | \$275,634                | \$0                     | \$275,634         | 0.5%              |               |                    |
| 06512 Indirect Cost Pool   | \$0          | \$4,147,022              | \$0                     | \$4,147,022       | 6.9%              |               |                    |
| Total All Funds  | \$56,110,569 | \$4,422,656              | \$0                     | \$60,533,225      | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>   | <b>92.7%</b> | <b>7.3%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

Over half of the program is funded with federal funds. Federal revenue is the portion of federal grants received by the department for those administrative costs related to federal education initiatives, including curriculum development, special education, K-12 education, and vocational programs. General fund accounts for 37%, which is used primarily for administrative cost with the exception of those funds designated for the operation of the Montana Digital Academy. State special revenue comes from the revenues paid to the department for shipping, handling, and other related costs for the school lunch program. Traffic and safety funds are a percentage of driver’s license fees.

The following table provides HB 2 funding by function sorted by general fund.

| Office of Public Instruction 2015 Biennium Budget<br>by Agency Function |                     |                       |                         |                     |                         |                         |
|---|---------------------|-----------------------|-------------------------|---------------------|-------------------------|-------------------------|
|   | General Fund        | State Special Revenue | Federal Special Revenue | Biennium Total      | Percent of General Fund | Percent of Total Budget |
| Superintendents Office  | \$5,140,762         |                       | \$6,081,849             | \$11,222,611        | 22.8%                   | 20.0%                   |
| Montana Digital Academy   | 3,801,000           |                       |                         | 3,801,000           | 16.9%                   | 6.8%                    |
| Accreditation Division  | 2,470,235           |                       | 1,090,740               | 3,560,975           | 11.0%                   | 6.3%                    |
| Information Technology Services   | 2,357,962           |                       | 2,961,241               | 5,319,203           | 10.5%                   | 9.5%                    |
| Indian Education  | 2,264,947           |                       | 242,022                 | 2,506,969           | 10.1%                   | 4.5%                    |
| State Distribution To Schools   | 1,645,553           |                       |                         | 1,645,553           | 7.3%                    | 2.9%                    |
| Measurement And Accountability  | 1,612,436           |                       | 656,193                 | 2,268,629           | 7.2%                    | 4.0%                    |
| Legal Services  | 1,058,442           |                       |                         | 1,058,442           | 4.7%                    | 1.9%                    |
| Special Education   | 998,719             |                       | 8,708,423               | 9,707,142           | 4.4%                    | 17.3%                   |
| Career Technical & Adult Education                                      | 561,143             |                       | 1,750,633               | 2,311,776           | 2.5%                    | 4.1%                    |
| Curriculum Services   | 407,624             |                       | 159,742                 | 567,366             | 1.8%                    | 1.0%                    |
| Health Enhancement And Safety   | 194,686             | 514,157               | 3,450,477               | 4,159,320           | 0.9%                    | 7.4%                    |
| Educational Opportunity And Equity                                      |                     |                       | \$7,981,583             | \$7,981,583         | 0.0%                    | 14.2%                   |
| Grand Total   | <u>\$22,513,509</u> | <u>\$514,157</u>      | <u>\$33,082,903</u>     | <u>\$56,110,569</u> | <u>100.0%</u>           | <u>100.0%</u>           |
|   | 40%                 | 1%                    | 59%                     | 100%                |                         |                         |

**Program Narrative**

The budget includes an increase of 2.5 FTE at a total cost of \$0.5 million personal services and related operating expenses:

- o 1.5 FTE to manage and maintain data systems related to Montana's Statewide Longitudinal Education Data System

- o 1.0 FTE accreditation specialist to assist school districts in implementing the new accreditation standards that go into effect July 2013.

Funding for these FTE is one-time-only and will not be included in the base budget for the next biennium.

The Montana Digital Academy (MTDA) provides middle school and high school students the opportunity to take classes online. Course enrollment is forecast to grow at an annual rate of 17.6% over the biennium. The budget contains a transfer of \$3.8 million general fund to the University of Montana to administer the MTDA, of which \$2.3 million is base funding and \$1.5 million is one-time-only funding to cover the expected growth.

One-time-only funding for school based health care programs added \$0.35 million general fund. The funds cover inflationary costs related to audiological testing for K-12 students and funds to contract for school based mental health coordination services.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                     |                       |                   | -----Total Funds----- |                     |                       |                   |
|--------------------------|------------------------|---------------------|-----------------------|-------------------|-----------------------|---------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015  | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015  | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 9,874,513              | 9,874,513           | 19,749,026            | 87.72%            | 26,249,617            | 26,249,617          | 52,499,234            | 93.56%            |
| Statewide PL Adjustments | 179,719                | 195,184             | 374,903               | 1.67%             | 336,139               | 356,685             | 692,824               | 1.23%             |
| Other PL Adjustments     | 810,489                | 875,513             | 1,686,002             | 7.49%             | 811,535               | 876,510             | 1,688,045             | 3.01%             |
| New Proposals            | 381,607                | 321,971             | 703,578               | 3.13%             | 645,142               | 585,324             | 1,230,466             | 2.19%             |
| <b>Total Budget</b>      | <b>\$11,246,328</b>    | <b>\$11,267,181</b> | <b>\$22,513,509</b>   |                   | <b>\$28,042,433</b>   | <b>\$28,068,136</b> | <b>\$56,110,569</b>   |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                              | -----Fiscal 2014----- |                  |                 |                  | -----Fiscal 2015----- |             |                    |                 |                  |                    |
|--|-----------------------|------------------|-----------------|------------------|-----------------------|-------------|--------------------|-----------------|------------------|--------------------|
|  | FTE                   | General Fund     | State Special   | Federal Special  | Total Funds           | FTE         | General Fund       | State Special   | Federal Special  | Total Funds        |
| Personal Services                                    |                       |                  |                 |                  | 712,242               |             |                    |                 |                  | 732,295            |
| Vacancy Savings                                      |                       |                  |                 |                  | (433,075)             |             |                    |                 |                  | (433,881)          |
| Inflation/Deflation                                  |                       |                  |                 |                  | 5,053                 |             |                    |                 |                  | 12,507             |
| Fixed Costs  |                       |                  |                 |                  | 51,919                |             |                    |                 |                  | 45,764             |
| <b>Total Statewide Present Law Adjustments</b>       |                       | <b>\$179,719</b> | <b>\$25,593</b> | <b>\$130,827</b> | <b>\$336,139</b>      |             | <b>\$195,184</b>   | <b>\$25,660</b> | <b>\$135,841</b> | <b>\$356,685</b>   |
| DP 50 - Initial Motion to FY 2012 Base               | 0.00                  | (179,719)        | (25,593)        | (130,827)        | (336,139)             | 0.00        | (195,184)          | (25,660)        | (135,841)        | (356,685)          |
| DP 51 - Adjustment for Statewide Personal Services   | 0.00                  | 413,940          | 19,876          | (154,649)        | 279,167               | 0.00        | 422,648            | 20,073          | (144,307)        | 298,414            |
| DP 52 - Adjustment for Statewide Operations          | 0.00                  | 13,409           | 178             | 44,734           | 58,321                | 0.00        | 14,762             | 252             | 44,581           | 59,595             |
| DP 53 - Base Funding Switch                          | 0.00                  | (247,327)        | 5,539           | 241,788          | 0                     | 0.00        | (241,899)          | 5,335           | 236,564          | 0                  |
| DP 607 - Montana Digital Academy (Rst/OTO/Bien)      | 0.00                  | 715,000          | 0               | 0                | 715,000               | 0.00        | 750,000            | 0               | 0                | 750,000            |
| DP 616 - National Board Certified Teachers (Rst/OTO) | 0.00                  | 27,000           | 0               | 0                | 27,000                | 0.00        | 57,000             | 0               | 0                | 57,000             |
| DP 626 - Audiological Services (Rst/OTO/Bien)        | 0.00                  | 68,186           | 0               | 0                | 68,186                | 0.00        | 68,186             | 0               | 0                | 68,186             |
| <b>Total Other Present Law Adjustments</b>           | <b>0.00</b>           | <b>\$810,489</b> | <b>\$0</b>      | <b>\$1,046</b>   | <b>\$811,535</b>      | <b>0.00</b> | <b>\$875,513</b>   | <b>\$0</b>      | <b>\$997</b>     | <b>\$876,510</b>   |
| <b>Grand Total All Present Law Adjustments</b>       | <b>0.00</b>           | <b>\$990,208</b> | <b>\$25,593</b> | <b>\$131,873</b> | <b>\$1,147,674</b>    | <b>0.00</b> | <b>\$1,070,697</b> | <b>\$25,660</b> | <b>\$136,838</b> | <b>\$1,233,195</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment establishes a fund switch between fund types to fund base operations.

DP 607 - Montana Digital Academy (Rst/OTO/Bien) - The legislature approved an increase of general fund totaling \$1,465,000 for the biennium. This increase is to address the growing enrollment in the courses offered by the Montana Digital Academy.

DP 616 - National Board Certified Teachers (Rst/OTO) - The legislature approved general fund to provide for stipends to Montana teachers who achieve certification from the National Board for Professional Teaching Standards per 20-4-134, MCA.

DP 626 - Audiological Services (Rst/OTO/Bien) - The legislature approved an increase of \$136,372 general fund for the 2015 biennium to fund increased contract costs of the statewide program.

**New Proposals**

| New Proposals  | -----Fiscal 2014----- |                  |                  |                  |                  | -----Fiscal 2015----- |                  |                  |                  |                  |             |
|--|-----------------------|------------------|------------------|------------------|------------------|-----------------------|------------------|------------------|------------------|------------------|-------------|
|  | Program               | FTE              | General Fund     | State Special    | Federal Special  | Total Funds           | FTE              | General Fund     | State Special    | Federal Special  | Total Funds |
| DP 54 - Additional Vacancy Savings                         |                       |                  |                  |                  |                  |                       |                  |                  |                  |                  |             |
| 06   | 0.00                  | (86,615)         | (4,331)          | (125,592)        | (216,538)        | 0.00                  | (86,736)         | (4,337)          | (125,768)        | (216,841)        |             |
| DP 606 - Chpt. 55 Amendments to School Accred (Rst/OTO)    |                       |                  |                  |                  |                  |                       |                  |                  |                  |                  |             |
| 06   | 1.00                  | 92,513           | 0                | 0                | 92,513           | 1.00                  | 88,793           | 0                | 0                | 88,793           |             |
| DP 621 - Disaster Recovery and Data Syst. Maint. (Rst/OTO) |                       |                  |                  |                  |                  |                       |                  |                  |                  |                  |             |
| 06   | 0.00                  | 110,562          | 0                | 0                | 110,562          | 0.00                  | 65,238           | 0                | 0                | 65,238           |             |
| DP 622 - Staffing OPI Information Sys. (OTO)               |                       |                  |                  |                  |                  |                       |                  |                  |                  |                  |             |
| 06   | 1.50                  | 155,422          | 0                | 0                | 155,422          | 1.50                  | 148,717          | 0                | 0                | 148,717          |             |
| DP 627 - Striving Readers State Admin (Rst/Bien/OTO)       |                       |                  |                  |                  |                  |                       |                  |                  |                  |                  |             |
| 06   | 0.00                  | 0                | 0                | 393,458          | 393,458          | 0.00                  | 0                | 0                | 393,458          | 393,458          |             |
| DP 628 - School Based Mental Health (OTO)                  |                       |                  |                  |                  |                  |                       |                  |                  |                  |                  |             |
| 06   | 0.00                  | 109,725          | 0                | 0                | 109,725          | 0.00                  | 105,959          | 0                | 0                | 105,959          |             |
| <b>Total</b>   | <b>2.50</b>           | <b>\$381,607</b> | <b>(\$4,331)</b> | <b>\$267,866</b> | <b>\$645,142</b> | <b>2.50</b>           | <b>\$321,971</b> | <b>(\$4,337)</b> | <b>\$267,690</b> | <b>\$585,324</b> |             |

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 606 - Chpt. 55 Amendments to School Accred (Rst/OTO) - The legislature approved \$181,306 of general fund for the 2015 biennium to assist Montana school district personnel regarding the implementation of new rules of Chapter 55 Standards of Accreditation. The appropriation includes personal services and operating budgets for 1.0 FTE accreditation specialists.

DP 621 - Disaster Recovery and Data Syst. Maint. (Rst/OTO) - The legislature approved \$175,800 one-time-only and restricted general fund for the 2015 biennium to build disaster recovery capabilities and pay for ongoing maintenance of existing systems.

DP 622 - Staffing OPI Information Sys. (OTO) - The legislature approved \$304,139 general fund for 1.50 FTE positions and related operating expenses to support the management of Growth and Enhancement of Montana Students (GEMS), Terms of Employment, Accreditation, and Master Schedule (TEAMS) and Achievement in Montana (AIM).

DP 627 - Striving Readers State Admin (Rst/Bien/OTO) - The legislature approved \$786,916 federal funds for the 2015 biennium for the agency to administer and provide technical assistance to K-12 school district sub-grantees receiving Striving Readers Comprehensive Literacy Grants under the Montana Striving Readers Project (MSRP). MSRP is a statewide collaborative effort to improve literacy from birth through grade 12.

DP 628 - School Based Mental Health (OTO) - The legislature approved general fund of \$109,725 in FY 2014 and \$105,959 in FY 2015 for the Office of Public Instruction to contract for services to coordinate School Based Mental Health programs. The appropriation for the Developmental Services Division in the Department of Public Health and Human Services was reduced by a like amount to provide the funding. Total funding for the biennium is \$215,684 general fund.

**Proprietary Rates**

**Proprietary Program Description**

*Indirect Cost Pool*

OPI's internal service fund is used to pool internal and statewide central service type costs that are charged back to all of the department's state and federally funded programs using a pre-approved indirect cost rate (17%).

The indirect cost pool covers the expenses incurred by the 22.3 FTE who provide payroll, personnel, accounting, budgeting, data management, financial reporting, and purchasing and mail services to the rest of the agency. The rate also covers fees charged for services provided by other departments, including but not limited to warrant writing, worker's compensation fees, audit fees, rent, and grounds maintenance. The pool also covers termination payouts for all staff, except the superintendent and the superintendent's staff.

| Indirect Cost Pool Budget |                        |                           |                           |                                |
|---------------------------|------------------------|---------------------------|---------------------------|--------------------------------|
|                           | Actual<br>FY 2012 Base | FY 2014<br>Budget Request | FY 2015<br>Budget Request | Biennial Budget<br>2014 - 2015 |
| FTE                       | 22.27                  | 22.27                     | 22.27                     | 22.27                          |
| 61000 Personal Services   | \$1,707,013            | \$1,293,909               | \$1,296,160               | \$3,485,367                    |
| 62000 Operating Costs     | <u>752,020</u>         | <u>819,430</u>            | <u>737,523</u>            | <u>1,569,919</u>               |
| Total Cost                | <u>\$2,459,033</u>     | <u>\$2,113,339</u>        | <u>\$2,033,683</u>        | <u>\$4,147,022</u>             |

*Advanced Driver Education program*

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

All costs for the program are covered by fees charged to participants. Expenses include instructor expenses (salaries, travel, and per diem), vehicle maintenance and operating expenses (fuel and repairs), classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, and support services).

| Advanced Driver Education Budget |                  |                  |                  |
|----------------------------------|------------------|------------------|------------------|
|                                  | FY 2014          | FY 2015          | Biennial Budget  |
| FTE                              | 1.68             | 1.68             | 1.68             |
| 61000 Personal Services          | \$73,519         | \$73,464         | \$146,983        |
| 62000 Operating Costs            | 52,270           | 52,405           | \$104,675        |
| 63000 Equipment & Intangibles    | <u>11,988</u>    | <u>11,988</u>    | <u>\$23,976</u>  |
| Total Cost                       | <u>\$137,777</u> | <u>\$137,857</u> | <u>\$275,634</u> |

**Program Budget Comparison**

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

| Program Budget Comparison |                      |                      |                      |                      |                        |                        |                      |                   |
|---------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|------------------------|----------------------|-------------------|
| Budget Item               | Base Fiscal 2012     | Approp. Fiscal 2013  | Budget Fiscal 2014   | Budget Fiscal 2015   | Biennium Fiscal 12-13  | Biennium Fiscal 14-15  | Biennium Change      | Biennium % Change |
| Personal Services         | 0                    | 0                    | 0                    | 0                    | 0                      | 0                      | 0                    | n/a               |
| Operating Expenses        | 1,308,209            | 1,120,835            | 1,308,138            | 1,308,164            | 2,429,044              | 2,616,302              | 187,258              | 7.71%             |
| Local Assistance          | 620,260,239          | 642,976,162          | 697,121,987          | 725,234,311          | 1,263,236,401          | 1,422,356,298          | 159,119,897          | 12.60%            |
| Grants                    | 142,889,668          | 140,292,700          | 157,907,123          | 159,467,123          | 283,182,368            | 317,374,246            | 34,191,878           | 12.07%            |
| Transfers                 | 507,840              | 311,139              | 507,840              | 507,840              | 818,979                | 1,015,680              | 196,701              | 24.02%            |
| <b>Total Costs</b>        | <b>\$764,965,956</b> | <b>\$784,700,836</b> | <b>\$856,845,088</b> | <b>\$886,517,438</b> | <b>\$1,549,666,792</b> | <b>\$1,743,362,526</b> | <b>\$193,695,734</b> | <b>12.50%</b>     |
| General Fund              | 613,007,446          | 635,535,999          | 688,869,125          | 717,281,475          | 1,248,543,445          | 1,406,150,600          | 157,607,155          | 12.62%            |
| State Special             | 9,336,000            | 9,336,000            | 10,336,000           | 10,036,000           | 18,672,000             | 20,372,000             | 1,700,000            | 9.10%             |
| Federal Special           | 142,622,510          | 139,828,837          | 157,639,963          | 159,199,963          | 282,451,347            | 316,839,926            | 34,388,579           | 12.18%            |
| <b>Total Funds</b>        | <b>\$764,965,956</b> | <b>\$784,700,836</b> | <b>\$856,845,088</b> | <b>\$886,517,438</b> | <b>\$1,549,666,792</b> | <b>\$1,743,362,526</b> | <b>\$193,695,734</b> | <b>12.50%</b>     |

**Program Description**

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

**Program Highlights**

| <b>Office of Public Instruction – Local Education Activities</b>  |
|---|
| <b>Major Budget Highlights</b>  |
| <p>The legislature passed HB 2 and SB 175. Both funded local education activities. In HB 2 there was:</p> <ul style="list-style-type: none"> <li>◆ A general fund increase above base of \$180.1 million in local education activities.</li> <li>◆ An increase for all funds of \$213.4 million in the local education activities program.</li> <li>◆ Significant present law general fund adjustments in HB 2 include the following:                             <ul style="list-style-type: none"> <li>• Annualization of entitlements and funding components and adjustments for ANB to FY 2013 levels, \$32.7 million</li> <li>• Inflation of the basic and per-ANB entitlements of \$22.2 million</li> <li>• SB 372 reimbursement block grants, \$20.5 million</li> <li>• Guarantee account revenue adjustments, \$94.5 million</li> <li>• Other categorical adjustments, \$0.7 million</li> </ul> </li> <li>◆ Significant general fund new proposals in HB 2 include:                             <ul style="list-style-type: none"> <li>• Inflation applied to special education and the at-risk payment, \$2.1 million</li> <li>• Chapter 55 implementation, \$0.5 million</li> <li>• An increase in career and technical education, \$1 million, contingent on HB 86</li> <li>• A one-time only payment for school technology, \$1 million</li> <li>• Adjustments to HB 2 for impacts of SB 96. SB 96 lowered the tax rate and increased the exemption on business equipment. SB 96 also increased reimbursements to school districts and the county education accounts by \$7.9 million. The resulting general fund GTB savings were estimated to be \$3.1 million. SB 96 changed the line items in HB 2 for reimbursement block grants and for Base Aid by the same amounts respectively.</li> </ul> </li> </ul> |

| <b>Office of Public Instruction – Local Education Activities (Continued)</b>   |  |
|--|--|
| <b>Major Budget Highlights</b>   |  |
| <ul style="list-style-type: none"> <li>◆ The legislature added \$15.0 million federal funds for a new striving readers competency and literacy program, along with \$0.8 million administrative costs</li> </ul>   |  |
| In addition to a number of statutory changes, SB 175:  |  |
| <ul style="list-style-type: none"> <li>◆ Applies statutory inflation - 0.89% in FY 2014 and 2.08% in FY 2015 to per-ANB entitlements only; cost is in HB 2</li> <li>◆ Increases the basic entitlements and creates multiple basic entitlements per district</li> <li>◆ Creates new data for achievement payment of \$10 per ANB in FY 2014, \$15 per ANB in FY 2015 and \$20 per ANB in FY 2016 and beyond</li> <li>◆ Appropriates \$25.8 million for aspects of the bill except the change to the basic entitlements</li> <li>◆ Transfers \$22.9 million from the state general fund ending fund balance in FY 2013 to a new state special account; half of that is transferred each year to the guarantee account to pay for the increase in the basic entitlement</li> <li>◆ Appropriates \$22.3 in excess oil and gas revenue from a new 1 and gas distribution account to pay for districts that are eligible because of oil and gas development impacts but that have no or little oil and gas revenues</li> </ul> |  |

**Program Narrative**

*Comparison to 2013 Biennium*

The main table does not give an accurate reflection of the actual increase in general fund between biennia for two reasons:

- 1) The guarantee account which pays for Base Aid is not shown, and
- 2) The general fund appropriated for the 2013 biennium assumed the passage of HB 316, which increased the revenue going to the guarantee account, thereby reducing the amount of general fund required to fund BASE Aid in HB 2. When the Governor vetoed the bill, the legislature was required to pass a general fund supplemental of almost \$39.9 million, in FY 2013, but this is not shown in the table above.

The following table shows both the general fund and the guarantee account, and adjusts FY 2013 to reflect the supplemental appropriation required due to the veto of HB 316.

| Biennial Comparison for OPI - Distribution to Schools - State GF (HB 2) and Guarantee Account. |              |                   |         |            |
|--|--------------|-------------------|---------|------------|
|  | General Fund | Guarantee Account | SB 175  | Total      |
| 2012   | \$613.01     | \$103.37          | \$0.00  | \$716.38   |
| 2013   | \$679.12     | \$65.50           | \$0.00  | \$744.62   |
| 2014   | \$688.87     | \$57.47           | \$25.80 | \$772.14   |
| 2015   | \$717.28     | \$54.67           | \$22.95 | \$794.90   |
| 2013 Biennium  | \$1,292.12   | \$168.87          | \$0.00  | \$1,460.99 |
| 2015 Biennium  | \$1,406.15   | \$112.13          | \$48.75 | \$1,567.03 |
| Biennial Difference  | \$114.03     | (\$56.74)         | \$48.75 | \$106.04   |
| Biennial Percent Growth  | 8.8%         | -33.6%            |         | 7.3%       |

SB 175

SB 175 changed school law in a number of ways. The bill:

- Applies statutory inflation - 0.89% in FY 2014 and 2.08% in FY 2015 to per-ANB entitlements only; Cost is in HB 2
- Increases the basic entitlements and creates multiple basic entitlements per district
- Creates new data for achievement payment of \$10 per ANB in FY 2014, \$15 per ANB in FY 2015 and \$20 per ANB in FY 2016 and beyond
- Creates a data task force
- Counts students three times per year compared with two times under previous law
- Pays state share for anticipated unusual enrollment increases from one year to the next of at least 4% or 40 students
- Shares excess oil and gas retained by state with districts that have enrollment impacts but no direct oil and gas revenue
- Starting in FY 2015 creates a natural resource development payment
- Caps the amount of interest and income in the guarantee account that may be used for direct state aid; 50% of excess I&I is reserved for appropriation in the following session and 50% is distributed to school districts on quality educator basis to be used for maintenance and repairs
- Allows districts to sell revenue bonds backed by oil and gas revenue
- Appropriates \$25.8 million for aspects of the bill except the change to the basic entitlements
- Transfers \$22.9 million from the state general fund ending fund balance in FY 2013 to a new state special account; half of that is transferred each year to the guarantee account to pay for the increase in the basic entitlement
- Appropriates \$22.3 million in excess oil and gas revenue from a new oil and gas distribution account to pay for districts that are eligible because of oil and gas development impacts but that have no or little oil and gas revenues

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Office Of Public Instruction Funding by Source of Authority<br>2015 Biennium Budget - Local Education Activities |                 |                          |                         |                   |                   |               |                    |
|--|-----------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds  | HB 2            | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund   | \$1,406,150,600 | \$0                      | \$0                     | \$1,406,150,600   | 75.7%             |               |                    |
| State Special Total  | \$20,372,000    | \$0                      | \$114,133,518           | \$134,505,518     | 7.2%              |               |                    |
| 02018 Guarantee Fund   | \$0             | \$0                      | \$112,133,518           | \$112,133,518     | 6.0%              |               |                    |
| 02218 School Facility Imprvmnt Acct  | \$17,172,000    | \$0                      | \$2,000,000             | \$19,172,000      | 1.0%              |               |                    |
| 02402 Traffic & Safety Education   | \$1,500,000     | \$0                      | \$0                     | \$1,500,000       | 0.1%              |               |                    |
| 02584 State School Oil & Gas Impact Acct   | \$1,700,000     | \$0                      | \$0                     | \$1,700,000       | 0.1%              |               |                    |
| Federal Special Total  | \$316,839,926   | \$0                      | \$0                     | \$316,839,926     | 17.1%             |               |                    |
| 03170 Grant Clearance Discretionary  | \$316,839,926   | \$0                      | \$0                     | \$316,839,926     | 17.1%             |               |                    |
| Total All Funds  | \$1,743,362,526 | \$0                      | \$114,133,518           | \$1,857,496,044   | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>   | <b>93.9%</b>    | <b>0.0%</b>              | <b>6.1%</b>             |                   |                   |               |                    |

| HB 2 Distribution to Schools, General Fund, State Special, and Federal Funds |                      |                                 |                           |                      |                                 |                           |                      |
|--|----------------------|---------------------------------|---------------------------|----------------------|---------------------------------|---------------------------|----------------------|
| Description  | Base Budget 2012     | PL Base Adjustments Fiscal 2014 | New Proposals Fiscal 2014 | Total Fiscal 2014    | PL Base Adjustments Fiscal 2015 | New Proposals Fiscal 2015 | Total Fiscal 2015    |
| <b>Base Aid Summary</b>  | <u>\$601,287,856</u> | <u>\$21,139,312</u>             | <u>\$70,399</u>           | <u>\$622,497,567</u> | <u>\$33,803,980</u>             | <u>(\$2,798,787)</u>      | <u>\$632,293,049</u> |
| HB 2 General Fund  | \$497,963,015        | \$66,996,557                    | \$70,399                  | \$565,029,971        | \$82,462,899                    | (\$2,798,787)             | \$577,627,127        |
| Guarantee Account (statutory appropriation)                                  | \$103,324,841        | (\$45,857,245)                  | \$0                       | \$57,467,596         | (\$48,658,919)                  | \$0                       | \$54,665,922         |
| <b>HB 2 General Fund</b>   |                      |                                 |                           |                      |                                 |                           |                      |
| <b>Base Aid</b>  |                      |                                 |                           |                      |                                 |                           |                      |
| Direct State Aid   | \$284,387,890        | \$58,094,840                    | \$0                       | \$342,482,730        | \$69,267,622                    | \$0                       | 353,655,512          |
| GTB - School General Fund  | 140,621,720          | 5,173,714                       | 70,399                    | 145,865,833          | 8,443,453                       | (2,798,787)               | 146,266,386          |
| GTB - School Retirement  | 28,690,929           | 3,970,463                       | 0                         | 32,661,392           | 5,001,811                       | 0                         | 33,692,740           |
| Quality Educator   | 37,836,280           | (793,660)                       | 0                         | 37,042,620           | (793,660)                       | 0                         | 37,042,620           |
| Indian Ed for All  | 3,009,641            | (2,956)                         | 0                         | 3,006,685            | (1,722)                         | 0                         | 3,007,919            |
| Close Achievement Gap  | 3,226,800            | 542,600                         | 0                         | 3,769,400            | 527,800                         | 0                         | 3,754,600            |
| School District Audits   | 189,755              | 11,556                          | 0                         | 201,311              | 17,955                          | 0                         | 207,350              |
| At Risk Payment  | 5,000,000            | 0                               | 44,500                    | 5,044,500            | 0                               | 149,426                   | 5,149,426            |
| Special Education  | 41,596,065           | 51,266                          | 370,661                   | 42,017,992           | 51,266                          | 1,244,635                 | 42,891,966           |
| Transportation   | 12,216,253           | 100,000                         | 0                         | 12,316,253           | 200,000                         | 0                         | 12,416,253           |
| Instate Treatment  | 775,372              | 12,428                          | 0                         | 787,800              | 12,428                          | 0                         | 787,800              |
| Career and Technical Education   | 1,000,000            | 0                               | 500,000                   | 1,500,000            | 0                               | 500,000                   | 1,500,000            |
| Adult Basic Ed   | 524,998              | 2                               | 0                         | 525,000              | 2                               | 0                         | 525,000              |
| Gifted & Talented  | 250,000              | 0                               | 0                         | 250,000              | 0                               | 0                         | 250,000              |
| School Food  | 663,861              | 0                               | 0                         | 663,861              | 0                               | 0                         | 663,861              |
| Reimbursement Block Grants   | 52,164,499           | 6,404,631                       | 0                         | 58,569,130           | 14,169,926                      | 7,931,716                 | 74,266,141           |
| State Tuition Payments   | 712,614              | 73,044                          | 0                         | 785,658              | 112,327                         | 0                         | 824,941              |
| Advancing Agricultural Education in Montana                                  | 140,769              | (11,809)                        | 0                         | 128,960              | (11,809)                        | 0                         | 128,960              |
| Chapter 55 Prof Development & Stipends (OTO/RST)                             | 0                    | 0                               | 250,000                   | 250,000              | 0                               | 250,000                   | 250,000              |
| School Technology (OTO/RST)  | 0                    | 0                               | 1,000,000                 | 1,000,000            | 0                               | 0                         | 0                    |
| <b>Total General Fund</b>  | <u>\$613,007,446</u> | <u>\$73,626,119</u>             | <u>\$2,235,560</u>        | <u>\$688,869,125</u> | <u>\$96,997,039</u>             | <u>\$7,276,990</u>        | <u>\$717,281,475</u> |
| <b>State Special Revenue</b>   |                      |                                 |                           |                      |                                 |                           |                      |
| Traffic Safety Distribution  | \$750,000            | \$0                             | \$0                       | \$750,000            | \$0                             | \$0                       | \$750,000            |
| Sch Facility & Technology Account - Debt Service                             | \$8,586,000          | \$0                             | \$0                       | \$8,586,000          | \$0                             | \$0                       | \$8,586,000          |
| State School Oil and Gas Impact Account (2584)                               | \$0                  | \$0                             | \$1,000,000               | \$1,000,000          | \$0                             | \$700,000                 | \$700,000            |
| <b>Total State Special</b>   | <u>\$9,336,000</u>   | <u>\$0</u>                      | <u>\$1,000,000</u>        | <u>\$10,336,000</u>  | <u>\$0</u>                      | <u>\$700,000</u>          | <u>\$10,036,000</u>  |
| <b>General Fund Appropriations in Bills other than HB 2</b>                  |                      |                                 |                           |                      |                                 |                           |                      |
| HB 454 - PERS Pension Bill - Retirement GTB                                  | \$0                  | \$0                             | \$377,500                 | \$377,500            | \$0                             | \$431,750                 | \$431,750            |
| HB 377 - TRS Pension Bill - Retirement GTB                                   | \$0                  | \$0                             | \$2,061,932               | \$2,061,932          | \$0                             | \$2,370,191               | \$2,370,191          |
| Subtotal - Base Aid In Pension Bills   | <u>\$0</u>           | <u>\$0</u>                      | <u>\$2,439,432</u>        | <u>\$2,439,432</u>   | <u>\$0</u>                      | <u>\$2,801,941</u>        | <u>\$2,801,941</u>   |
| SB 175 - Base Aid (Biennial)   | <u>\$0</u>           | <u>\$0</u>                      | <u>\$25,800,000</u>       | <u>\$25,800,000</u>  | <u>\$0</u>                      | <u>\$0</u>                | <u>\$0</u>           |
| <b>State Special Revenue Appropriations in Other Bills</b>                   |                      |                                 |                           |                      |                                 |                           |                      |
| SB 175 - Oil & Gas Dist Acct - Concentric Circles (Biennial)                 | <u>\$0</u>           | <u>\$0</u>                      | <u>\$22,300,000</u>       | <u>\$22,300,000</u>  | <u>\$0</u>                      | <u>\$0</u>                | <u>\$0</u>           |
| <b>Funding</b>   |                      |                                 |                           |                      |                                 |                           |                      |
| Total General Fund   | \$613,007,446        | \$73,626,119                    | \$2,235,560               | \$688,869,125        | \$96,997,039                    | \$7,276,990               | \$717,281,475        |
| Total State Special  | 9,336,000            | 0                               | 1,000,000                 | 10,336,000           | 0                               | 700,000                   | 10,036,000           |
| Total Federal  | 142,622,510          | 7,541,710                       | 7,475,743                 | 157,639,963          | 9,101,710                       | 7,475,743                 | 159,199,963          |
| <b>Total Distribution to Public Schools</b>                                  | <u>\$764,965,956</u> | <u>\$81,167,829</u>             | <u>\$10,711,303</u>       | <u>\$856,845,088</u> | <u>\$106,098,749</u>            | <u>\$15,452,733</u>       | <u>\$886,517,438</u> |
| <b>Statutory Appropriations</b>  |                      |                                 |                           |                      |                                 |                           |                      |
| Guarantee Account - Direct State Aid   | \$103,324,841        | (\$45,857,245)                  | \$0                       | \$57,467,596         | (\$48,658,919)                  | \$0                       | \$54,665,922         |
| Guarantee Account - SB 175 - Loss of Excess Oil and Gas                      | \$0                  | \$0                             | (\$8,194,684)             | (\$8,194,684)        | \$0                             | (\$7,402,843)             | (\$7,402,843)        |
| Guarantee Account - DSA - SB 175 - Basic Entitlement                         |                      |                                 | \$11,475,089              | \$11,475,089         | \$0                             | \$11,475,089              | \$11,475,089         |
| School Facility and Technology Account - Timber for Tots                     | 1,000,000            | 0                               | 0                         | 1,000,000            | 0                               | 0                         | 1,000,000            |
| <b>Total Statutory</b>   | <u>\$104,324,841</u> | <u>(\$45,857,245)</u>           | <u>\$3,280,405</u>        | <u>\$61,748,001</u>  | <u>(\$48,658,919)</u>           | <u>\$4,072,246</u>        | <u>\$59,738,168</u>  |

| Federal Appropriations for OPI Program 9 in HB 2         |                      |                     |                    |                    |                     |                    |                    |
|--|----------------------|---------------------|--------------------|--------------------|---------------------|--------------------|--------------------|
|  | Base Budget          | PL Base Adjustments | New Proposals      | Total              | PL Base Adjustments | New Proposals      | Total              |
|  | 2012                 | Fiscal 2014         | Fiscal 2014        | Fiscal 2014        | Fiscal 2015         | Fiscal 2015        | Fiscal 2015        |
| Federal Special Revenue                                  |                      |                     |                    |                    |                     |                    |                    |
| Federal School Foods Programs                            | 33,908,716           | 1,579,287           | -                  | 35,488,003         | 3,089,287           | -                  | 36,998,003         |
| ESEA - Title I - Improving Basic Program - Disadvantaged | 42,895,975           | 3,136,584           | -                  | 46,032,559         | 3,136,584           | -                  | 46,032,559         |
| ESEA - Title I - Achievement                             | 1,754,518            | -                   | -                  | 1,754,518          | -                   | -                  | 1,754,518          |
| ESEA - Title I - School Improvement                      | 213,000              |                     |                    | 213,000            |                     |                    | 213,000            |
| ESEA - Title I - Migrant Education                       | 913,664              | 1,348               | -                  | 915,012            | 1,348               | -                  | 915,012            |
| ESEA - Title I - Neglected & Delinquent                  | 124,923              | -                   | -                  | 124,923            | -                   | -                  | 124,923            |
| ESEA - Title I - Part B - Even Start                     | 74,348               | (74,348)            | -                  | -                  | (74,348)            | -                  | -                  |
| ESEA - Title I - SIG 1003G                               | 924,439              | 2,075,561           | -                  | 3,000,000          | 2,075,561           | -                  | 3,000,000          |
| ESEA Title II - Teacher & Principal Training             | 12,912,385           | -                   | -                  | 12,912,385         | -                   | -                  | 12,912,385         |
| ESEA Title II - Math & Science                           | 768,678              | 1,322               | -                  | 770,000            | 1,322               | -                  | 770,000            |
| ESEA Title II - Part D - Ed Technology                   | 395,779              | (395,779)           | -                  | -                  | (395,779)           | -                  | -                  |
| ESEA Title III-Language Acquisition                      | 657,833              | -                   | -                  | 657,833            | -                   | -                  | 657,833            |
| ESEA Title IV - Part B - 21st Cent Schools               | 5,520,646            | 79,354              | -                  | 5,600,000          | 129,354             | -                  | 5,650,000          |
| ESEA Title IV - Drug Free Schools                        | 69,220               | (69,220)            | -                  | -                  | (69,220)            | -                  | -                  |
| Title VI - Rural Low Income                              | 224,356              | 644                 | -                  | 225,000            | 644                 | -                  | 225,000            |
| IDEA - Children w/ Disabilities Part B                   | 35,825,753           | 1,174,247           | -                  | 37,000,000         | 1,174,247           | -                  | 37,000,000         |
| IDEA - Preschool   | 1,195,409            | 4,591               | -                  | 1,200,000          | 4,591               | -                  | 1,200,000          |
| IDEA - Part D  | 134,641              | 359                 | -                  | 135,000            | 359                 | -                  | 135,000            |
| Adult Basic Education                                    | 1,004,183            | 5,817               | -                  | 1,010,000          | 5,817               | -                  | 1,010,000          |
| Carl Perkins   | 2,831,914            | 29,860              | -                  | 2,861,774          | 29,860              | -                  | 2,861,774          |
| Carl Perkins State Leadership                            | 38,226               | -                   | -                  | 38,226             | -                   | -                  | 38,226             |
| Learn and Serve Montana                                  | 10,098               | (10,098)            | -                  | -                  | (10,098)            | -                  | -                  |
| Education of Homeless Children                           | 147,819              | 2,181               | -                  | 150,000            | 2,181               | -                  | 150,000            |
| Migrant Incentive  | 75,987               | -                   | -                  | 75,987             | -                   | -                  | 75,987             |
| Striving Readers Comp Literacy (RST)Blen(OTO)            |                      |                     | 7,475,743          | 7,475,743          |                     | 7,475,743          | 7,475,743          |
| <b>Total Federal Special</b>                             | <b>\$142,622,510</b> | <b>\$7,541,710</b>  | <b>\$7,475,743</b> | <b>157,639,963</b> | <b>\$9,101,710</b>  | <b>\$7,475,743</b> | <b>159,199,963</b> |

The following table shows the projected average number belonging (ANB) through the 2015 biennium. As shown, K-8 are expected to increase slightly, while 9-12 continues to decline.

| Average Number Belonging (ANB) And Certified FTE in Montana Schools   |      |                |        |                |        |                |         |                |               |
|---|------|----------------|--------|----------------|--------|----------------|---------|----------------|---------------|
| Fiscal Year   | K-6  | Percent Change | 7-8    | Percent Change | 9-12   | Percent Change | Total   | Percent Change | Certified FTE |
| <b>Current Year ANB</b>   |      |                |        |                |        |                |         |                |               |
| A   | 1998 | 85,374         | 27,068 |                | 51,432 |                | 163,874 |                |               |
| A   | 1999 | 83,030         | -2.7%  | 26,822         | -0.9%  | 51,885         | 0.9%    | 161,737        | -1.3%         |
| A   | 2000 | 81,175         | -2.2%  | 26,556         | -1.0%  | 52,025         | 0.3%    | 159,756        | -1.2%         |
| A   | 2001 | 79,854         | -1.6%  | 26,114         | -1.7%  | 51,507         | -1.0%   | 157,475        | -1.4%         |
| A   | 2002 | 78,090         | -2.2%  | 25,537         | -2.2%  | 50,794         | -1.4%   | 154,421        | -1.9%         |
| A   | 2003 | 76,060         | -2.6%  | 25,080         | -1.8%  | 50,357         | -0.9%   | 151,497        | -1.9%         |
| A   | 2004 | 74,315         | -2.3%  | 25,150         | 0.3%   | 50,003         | -0.7%   | 149,468        | -1.3%         |
| A   | 2005 | 73,229         | -1.5%  | 24,956         | -0.8%  | 49,466         | -1.1%   | 147,651        | -1.2%         |
| A   | 2006 | 71,985         | -1.7%  | 24,540         | -1.7%  | 49,302         | -0.3%   | 145,827        | -1.2%         |
| A   | 2007 | 71,639         | -0.5%  | 23,805         | -3.0%  | 48,809         | -1.0%   | 144,253        | -1.1%         |
| A   | 2008 | 76,118         | 6.3%   | 23,041         | -3.2%  | 48,440         | -0.8%   | 147,599        | 2.3%          |
| A   | 2009 | 77,047         | 1.2%   | 22,618         | -1.8%  | 47,502         | -1.9%   | 147,167        | -0.3%         |
| A   | 2010 | 77,575         | 0.7%   | 22,241         | -1.7%  | 46,152         | -2.8%   | 145,968        | -0.8%         |
| A   | 2011 | 78,292         | 0.9%   | 22,053         | -0.8%  | 44,984         | -2.5%   | 145,329        | -0.4%         |
| A   | 2012 | 79,128         | 1.1%   | 21,947         | -0.5%  | 44,247         | -1.6%   | 145,322        | 0.0%          |
| A   | 2013 | 80,046         | 1.2%   | 22,146         | 0.9%   | 43,626         | -1.4%   | 145,818        | 0.3%          |
| F   | 2014 | 80,782         | 0.9%   | 22,228         | 0.4%   | 43,683         | 0.1%    | 146,693        | 0.6%          |
| F   | 2015 | 81,257         | 0.6%   | 22,593         | 1.6%   | 43,323         | -0.8%   | 147,173        | 0.3%          |
| <b>Budgeted ANB</b>   |      |                |        |                |        |                |         |                |               |
| A   | 2006 | 73,573         |        | 25,242         |        | 50,082         |         | 148,897        |               |
| A   | 2007 | 72,763         | -1.1%  | 24,643         | -2.4%  | 49,612         | -0.9%   | 147,018        | -1.3%         |
| A   | 2008 | 76,826         | 5.6%   | 24,076         | -2.3%  | 49,246         | -0.7%   | 150,148        | 2.1%          |
| A   | 2009 | 77,753         | 1.2%   | 23,353         | -3.0%  | 48,642         | -1.2%   | 149,748        | -0.3%         |
| A   | 2010 | 78,325         | 0.7%   | 22,874         | -2.1%  | 47,660         | -2.0%   | 148,859        | -0.6%         |
| A   | 2011 | 78,973         | 0.8%   | 22,510         | -1.6%  | 46,482         | -2.5%   | 147,965        | -0.6%         |
| A   | 2012 | 79,769         | 1.0%   | 22,290         | -1.0%  | 45,466         | -2.2%   | 147,525        | -0.3%         |
| A   | 2013 | 80,650         | 1.1%   | 22,457         | 0.7%   | 44,598         | -1.9%   | 147,705        | 0.1%          |
| F   | 2014 | 82,371         | 2.1%   | 22,523         | 0.3%   | 44,074         | -1.2%   | 148,968        | 0.9%          |
| F   | 2015 | 82,595         | 0.3%   | 22,717         | 0.9%   | 43,337         | -1.7%   | 148,649        | -0.2%         |
| Beginning in FY 2006, budgeted ANB for each district is the larger of current year ANB and three-year averaged ANB. |      |                |        |                |        |                |         |                |               |
| Full-time kindergarten began in FY 2008   |      |                |        |                |        |                |         |                |               |

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                      |                        |                   | -----Total Funds----- |                      |                        |                   |
|--------------------------|------------------------|----------------------|------------------------|-------------------|-----------------------|----------------------|------------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015   | Biennium Fiscal 14-15  | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015   | Biennium Fiscal 14-15  | Percent of Budget |
| Base Budget              | 613,007,446            | 613,007,446          | 1,226,014,892          | 87.19%            | 764,965,956           | 764,965,956          | 1,529,931,912          | 87.76%            |
| Statewide PL Adjustments | (71)                   | (45)                 | (116)                  | 0.00%             | (71)                  | (45)                 | (116)                  | 0.00%             |
| Other PL Adjustments     | 73,626,190             | 96,997,084           | 170,623,274            | 12.13%            | 81,167,900            | 106,098,794          | 187,266,694            | 10.74%            |
| New Proposals            | 2,235,560              | 7,276,990            | 9,512,550              | 0.68%             | 10,711,303            | 15,452,733           | 26,164,036             | 1.50%             |
| <b>Total Budget</b>      | <b>\$688,869,125</b>   | <b>\$717,281,475</b> | <b>\$1,406,150,600</b> |                   | <b>\$856,845,088</b>  | <b>\$886,517,438</b> | <b>\$1,743,362,526</b> |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                                  | -----Fiscal 2014----- |                     |               |                    |                     | -----Fiscal 2015----- |                     |               |                    |                      |
|--|-----------------------|---------------------|---------------|--------------------|---------------------|-----------------------|---------------------|---------------|--------------------|----------------------|
|  | FTE                   | General Fund        | State Special | Federal Special    | Total Funds         | FTE                   | General Fund        | State Special | Federal Special    | Total Funds          |
| Inflation/Deflation                                      |                       |                     |               |                    | (71)                |                       |                     |               |                    | (45)                 |
| <b>Total Statewide Present Law Adjustments</b>           |                       | <b>(\$71)</b>       | <b>\$0</b>    | <b>\$0</b>         | <b>(\$71)</b>       |                       | <b>(\$45)</b>       | <b>\$0</b>    | <b>\$0</b>         | <b>(\$45)</b>        |
| DP 50 - Initial Motion to FY 2012 Base                   | 0.00                  | 71                  | 0             | 0                  | 71                  | 0.00                  | 45                  | 0             | 0                  | 45                   |
| DP 52 - Adjustment for Statewide Operations              | 0.00                  | (71)                | 0             | 0                  | (71)                | 0.00                  | (45)                | 0             | 0                  | (45)                 |
| DP 901 - K-12 BASE Aid - Annualization (Bien)            | 0.00                  | 16,034,188          | 0             | 0                  | 16,034,188          | 0.00                  | 16,665,994          | 0             | 0                  | 16,665,994           |
| DP 902 - K-12 BASE Aid - Inflationary Increase (Bien)    | 0.00                  | 5,093,568           | 0             | 0                  | 5,093,568           | 0.00                  | 17,120,391          | 0             | 0                  | 17,120,391           |
| DP 912 - Special Education - MOE (Bien)                  | 0.00                  | 51,266              | 0             | 0                  | 51,266              | 0.00                  | 51,266              | 0             | 0                  | 51,266               |
| DP 915 - SB 372 Block Grant Reimbursements (Bien)        | 0.00                  | 6,375,365           | 0             | 0                  | 6,375,365           | 0.00                  | 14,125,365          | 0             | 0                  | 14,125,365           |
| DP 917 - School District Audit Filing Fees (Bien)        | 0.00                  | 11,556              | 0             | 0                  | 11,556              | 0.00                  | 17,595              | 0             | 0                  | 17,595               |
| DP 918 - Pupil Transportation (Bien)                     | 0.00                  | 100,000             | 0             | 0                  | 100,000             | 0.00                  | 200,000             | 0             | 0                  | 200,000              |
| DP 919 - State Tuition Payments (Bien)                   | 0.00                  | 73,044              | 0             | 0                  | 73,044              | 0.00                  | 112,327             | 0             | 0                  | 112,327              |
| DP 920 - Countywide School Transport Block Grants (Bien) | 0.00                  | 29,266              | 0             | 0                  | 29,266              | 0.00                  | 44,561              | 0             | 0                  | 44,561               |
| DP 932 - Federal Grant Award Adjustment - Pgm 09 (Bien)  | 0.00                  | 0                   | 0             | 7,541,710          | 7,541,710           | 0.00                  | 0                   | 0             | 9,101,710          | 9,101,710            |
| DP 933 - General Fund Appropriation Adjustments (Bien)   | 0.00                  | 692                 | 0             | 0                  | 692                 | 0.00                  | 666                 | 0             | 0                  | 666                  |
| DP 950 - Guarantee Account (Bien)                        | 0.00                  | 45,857,245          | 0             | 0                  | 45,857,245          | 0.00                  | 48,658,919          | 0             | 0                  | 48,658,919           |
| <b>Total Other Present Law Adjustments</b>               | <b>0.00</b>           | <b>\$73,626,190</b> | <b>\$0</b>    | <b>\$7,541,710</b> | <b>\$81,167,900</b> | <b>0.00</b>           | <b>\$96,997,084</b> | <b>\$0</b>    | <b>\$9,101,710</b> | <b>\$106,098,794</b> |
| <b>Grand Total All Present Law Adjustments</b>           | <b>0.00</b>           | <b>\$73,626,119</b> | <b>\$0</b>    | <b>\$7,541,710</b> | <b>\$81,167,829</b> | <b>0.00</b>           | <b>\$96,997,039</b> | <b>\$0</b>    | <b>\$9,101,710</b> | <b>\$106,098,749</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the base adjustment the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 901 - K-12 BASE Aid - Annualization (Bien) - The legislature approved \$32.3 million general fund to annualize K-12 BASE Aid to the FY 2013 level of funding in the 2015 biennium.

DP 902 - K-12 BASE Aid - Inflationary Increase (Bien) - The legislature approved \$22.2 million general fund for the present law inflationary adjustment for K-12 BASE Aid for the 2015 biennium. The present law adjustment increases the basic and per-ANB entitlements by 0.89% in FY 2014 and by 2.03% in FY 2015 in accordance with 20-9-326, MCA, which requires annual inflation-related adjustments to the basic and per-ANB entitlements.

DP 912 - Special Education - MOE (Bien) - The legislature approved \$102,532 for the 2015 biennium to meet the MOE requirements of the IDEA.

DP 915 - SB 372 Block Grant Reimbursements (Bien) - The legislature approved \$20.5 million for the 2015 biennium to provide reimbursement to school districts through the block grant program established under 15-1-123(3), MCA, and reimbursement to county school retirement and county transportation for the reduction of class eight property tax revenue due to a rate reduction of class eight properties as per SB 372 of the 2011 session.

DP 917 - School District Audit Filing Fees (Bien) - The legislature approved \$29,151 of general fund for the 2015 biennium to fund school district audit filing fees. This increase would allow OPI to pay fees to the Department of Administration as required by 2-7-514(2), MCA. The projection assumes school district revenues, which are the basis for the fees, will increase 3% each year.

DP 918 - Pupil Transportation (Bien) - The legislature approved \$300,000 of general fund for the 2015 biennium to fund the state obligation for pupil transportation required under 20-10-145, MCA. This amount is matched by county property taxes.

DP 919 - State Tuition Payments (Bien) - The legislature approved \$185,371 of general fund for the 2015 biennium to fund the increased costs of state tuition payments to K-12 school districts. This request funds OPI's statutory obligation for tuition payments under 20-5-324, MCA, for students placed in a school district outside their district of residence by a state agency or court at \$712,614 in FY 2014 and \$824,941 in FY 2015. Tuition obligations are projected to increase an average of 5% each year.

DP 920 - Countywide School Transport Block Grants (Bien) - The legislature approved \$73,827 for the 2015 biennium to cover the 0.76% increase in countywide school transportation block grants as described in 20-9-632, MCA. During the FY 2011 legislative session, the annual 0.76% increase was eliminated for school district block grants in 20-9-630, MCA. However, the annual increase still applies to the countywide school transportation block grants but was not appropriated for in FY 2012 and FY 2013. Funding for this increase is included in the supplemental bill passed by the legislature for the 2013 biennium.

DP 932 - Federal Grant Award Adjustment - Pgm 09 (Bien) - The legislature approved a federal funding increase of \$7.54 million in FY 2014 and \$9.1 million in FY 2015 for a total biennial increase of \$16.6 million. The following federal grant awards are adjusted: 1) School Foods - \$1.6 million in FY 2014 and \$3.1 million in FY 2015; 2) Title programs - \$2.7 million in FY 2014 and FY 2015; 3) School Improvement grants - \$2.1 million in each year; 4) IDEA B - \$1.2 million each year; and 5) miscellaneous grants - \$34,689 each year.

DP 933 - General Fund Appropriation Adjustments (Bien) - The legislature approved a general fund increase for instate treatment, adult basic education, and a reduction to the advancing agriculture education base.

DP 950 - Guarantee Account (Bien) - The legislature approve a biennial increase of \$94.5 million general fund expenditures and a decrease of a like amount of guarantee account expenditures for BASE aid. This decision package aligns estimated revenues with proposed expenses for the special revenue guarantee account (20-9-622, MCA). The 2012 base included \$27.4 million in transfers from other funds and other one-time revenues that are not ongoing sources for this

fund. The guarantee account is statutorily appropriated for distribution to school districts through school equalization aid and is the first source of funding for K-12 BASE Aid.

**New Proposals**

| New Proposals  | -----Fiscal 2014----- |                    |                    |                    |                     | -----Fiscal 2015----- |                    |                  |                    |                     |             |
|--|-----------------------|--------------------|--------------------|--------------------|---------------------|-----------------------|--------------------|------------------|--------------------|---------------------|-------------|
|  | Program               | FTE                | General Fund       | State Special      | Federal Special     | Total Funds           | FTE                | General Fund     | State Special      | Federal Special     | Total Funds |
| DP 2 - Special Ed/ At Risk/GTB                         |                       |                    |                    |                    |                     |                       |                    |                  |                    |                     |             |
| 09   | 0.00                  | 485,560            | 0                  | 0                  | 485,560             | 0.00                  | 1,648,984          | 0                | 0                  | 1,648,984           |             |
| DP 905 - Chpt. 55 Prof. Dvlp.and Stipends (Rst/OTO)    |                       |                    |                    |                    |                     |                       |                    |                  |                    |                     |             |
| 09   | 0.00                  | 250,000            | 0                  | 0                  | 250,000             | 0.00                  | 250,000            | 0                | 0                  | 250,000             |             |
| DP 914 - Career and Technical Education                |                       |                    |                    |                    |                     |                       |                    |                  |                    |                     |             |
| 09   | 0.00                  | 500,000            | 0                  | 0                  | 500,000             | 0.00                  | 500,000            | 0                | 0                  | 500,000             |             |
| DP 928 - Striving Readers Comp Literacy (Rst/Bien/OTO) |                       |                    |                    |                    |                     |                       |                    |                  |                    |                     |             |
| 09   | 0.00                  | 0                  | 0                  | 7,475,743          | 7,475,743           | 0.00                  | 0                  | 0                | 7,475,743          | 7,475,743           |             |
| DP 976 - School Technology (OTO/Rst)                   |                       |                    |                    |                    |                     |                       |                    |                  |                    |                     |             |
| 09   | 0.00                  | 1,000,000          | 0                  | 0                  | 1,000,000           | 0.00                  | 0                  | 0                | 0                  | 0                   |             |
| DP 996 - SB96 Reimbursements and GTB Impact            |                       |                    |                    |                    |                     |                       |                    |                  |                    |                     |             |
| 09   | 0.00                  | 0                  | 0                  | 0                  | 0                   | 0.00                  | 4,878,006          | 0                | 0                  | 4,878,006           |             |
| DP 92584 - State School Oil and Gas Impact Account     |                       |                    |                    |                    |                     |                       |                    |                  |                    |                     |             |
| 09   | 0.00                  | 0                  | 1,000,000          | 0                  | 1,000,000           | 0.00                  | 0                  | 700,000          | 0                  | 700,000             |             |
| <b>Total</b>   | <b>0.00</b>           | <b>\$2,235,560</b> | <b>\$1,000,000</b> | <b>\$7,475,743</b> | <b>\$10,711,303</b> | <b>0.00</b>           | <b>\$7,276,990</b> | <b>\$700,000</b> | <b>\$7,475,743</b> | <b>\$15,452,733</b> |             |

DP 2 - Special Ed/ At Risk/GTB - The legislature appropriated \$2.13 million general fund for the 2015 biennium to increase special education payments and At-Risk payments by the statutory inflation rates of 0.89% in FY 2014 and 2.08% in FY 2015. The increases will be \$370,661 in FY 2014 and \$1,244,635 in FY 2015 for special education; GTB increases of \$70,399 in FY 2014 and \$254,923 in FY 2015; and \$44,500 in FY 2014 and FY 149,426 in FY 2015 for At-Risk payments.

DP 905 - Chpt. 55 Prof. Dvlp.and Stipends (Rst/OTO) - The legislature appropriated \$0.5 million of general fund for the 2015 biennium for the implementation of the revisions of Chapter 55 of the Montana Accreditation Standards. The funding will be used for stipends and professional development for mentors and mentees.

DP 914 - Career and Technical Education - The legislature approved \$1.0 million general fund for the 2015 biennium to support Career and Technical Student Organizations (CTSO), expand their mission to reach more students to increase graduation rates, develop employer demanded soft skills, and create a career and college ready work force that meets the needs of today's technical economy.

DP 928 - Striving Readers Comp Literacy (Rst/Bien/OTO) - The legislature approved \$15.0 million of federal funding for the 2015 biennium to implement the Montana Striving Readers Project (MSRP). The purpose of the MSRP is to further develop and implement a Montana Literacy Plan that makes provisions for literacy at all age/grade levels. The plans are aligned to Montana Standards for English Language Arts and Montana Early Learning Guidelines.

DP 976 - School Technology (OTO/Rst) - An appropriation of \$1.0 million one-time-only in FY 2014 will be made to K-12 schools' technology acquisition and depreciation fund in the same manner as the distributions in 20-9-534(2), MCA.

DP 92584 - State School Oil and Gas Impact Account - The legislature appropriated \$1.7 million from the state school oil and gas impact account to fund schools that are not receiving oil and natural gas production taxes under 15-36-331, MCA but are impacted by contiguous counties that are benefiting from receipt of oil and natural gas production taxes as per 20-9-517, MCA. School districts may apply to the superintendent of public instruction for funds from the account for circumstances that are directly related to impacts resulting from the development or cessation of development of oil and natural gas.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

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

“All revenue up to \$1.8 million in the traffic education account for distribution to schools under the provisions of 20-7-506 and 62-5-121 is appropriated as provided in Title 20, chapter 7, part 5.”

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

**Agency Budget Comparison**

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

| Agency Budget Comparison |                  |                     |                    |                    |                       |                       |                   |                   |
|--------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|-------------------|-------------------|
| Budget Item              | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change   | Biennium % Change |
| FTE                      | 4.00             | 4.00                | 4.00               | 4.00               | 4.00                  | 4.00                  | 0.00              | 0.00%             |
| Personal Services        | 313,107          | 300,687             | 281,072            | 281,395            | 613,794               | 562,467               | (51,327)          | (8.36%)           |
| Operating Expenses       | 80,960           | 107,886             | 94,273             | 77,941             | 188,846               | 172,214               | (16,632)          | (8.81%)           |
| Debt Service             | 1,782            | 1,782               | 1,782              | 1,782              | 3,564                 | 3,564                 | 0                 | 0.00%             |
| <b>Total Costs</b>       | <b>\$395,849</b> | <b>\$410,355</b>    | <b>\$377,127</b>   | <b>\$361,118</b>   | <b>\$806,204</b>      | <b>\$738,245</b>      | <b>(\$67,959)</b> | <b>(8.43%)</b>    |
| General Fund             | 215,806          | 222,033             | 209,128            | 192,932            | 437,839               | 402,060               | (35,779)          | (8.17%)           |
| State Special            | 180,043          | 188,322             | 167,999            | 168,186            | 368,365               | 336,185               | (32,180)          | (8.74%)           |
| <b>Total Funds</b>       | <b>\$395,849</b> | <b>\$410,355</b>    | <b>\$377,127</b>   | <b>\$361,118</b>   | <b>\$806,204</b>      | <b>\$738,245</b>      | <b>(\$67,959)</b> | <b>(8.43%)</b>    |

**Agency Description**

The Montana Constitution in Article X, Section 9 created and empowered the Board of Public Education (BPE) to supervise, serve, maintain, and strengthen Montana's system of free quality public elementary and secondary schools. The board exists to promote high academic achievement for all Montana students.

Activities of the BPE:

- General supervision over the K-12 public school system
- General supervision of the Montana School for the Deaf and Blind
- Establishing accreditation standards for schools
- Establishing the accreditation status for each school
- Overseeing teacher certification
- Standardization of policies and programs

Per 20-2-101, MCA, the board combines with the Board of Regents to create the State Board of Education. The State Board of Education is responsible for general planning, coordination, and evaluation of the state education system, and for developing and submitting to the legislature the unified budget for Montana’s educational system.

**Agency Highlights**

|  |
|--|
| <b>Board of Public Education</b>   |
| <b>Major Budget Highlights</b>   |
| ◆ The biennial budget decreased \$67,959 or 8.4% from the previous biennium due to present law reductions in personnel service expense (\$63,747). |

**Summary of Legislative Action**

The legislature approved a biennial budget of \$738,245. 79% (\$53,511) of the reduction resulted from statewide present law adjustments primarily as a result of significant turnover in FY 2012, with positions filled at a lower salary than had been budgeted for in FY 2013.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison |                         |                              |                                |                                    |                              |                                |                                    |                                  |
|-----------------------------|-------------------------|------------------------------|--------------------------------|------------------------------------|------------------------------|--------------------------------|------------------------------------|----------------------------------|
| Budget Item                 | Base Budget Fiscal 2012 | Executive Budget Fiscal 2014 | Legislative Budget Fiscal 2014 | Leg - Exec. Difference Fiscal 2014 | Executive Budget Fiscal 2015 | Legislative Budget Fiscal 2015 | Leg - Exec. Difference Fiscal 2015 | Biennium Difference Fiscal 14-15 |
| FTE                         | 4.00                    | 4.00                         | 4.00                           | 0.00                               | 4.00                         | 4.00                           | 0.00                               |                                  |
| Personal Services           | 313,107                 | 281,072                      | 281,072                        | 0                                  | 281,395                      | 281,395                        | 0                                  | 0                                |
| Operating Expenses          | 80,960                  | 94,276                       | 94,273                         | (3)                                | 77,946                       | 77,941                         | (5)                                | (8)                              |
| Debt Service                | 1,782                   | 1,782                        | 1,782                          | 0                                  | 1,782                        | 1,782                          | 0                                  | 0                                |
| <b>Total Costs</b>          | <b>\$395,849</b>        | <b>\$377,130</b>             | <b>\$377,127</b>               | <b>(\$3)</b>                       | <b>\$361,123</b>             | <b>\$361,118</b>               | <b>(\$5)</b>                       | <b>(\$8)</b>                     |
| General Fund                | 215,806                 | 209,115                      | 209,128                        | 13                                 | 192,921                      | 192,932                        | 11                                 | 24                               |
| State/Other Special         | 180,043                 | 168,015                      | 167,999                        | (16)                               | 168,202                      | 168,186                        | (16)                               | (32)                             |
| <b>Total Funds</b>          | <b>\$395,849</b>        | <b>\$377,130</b>             | <b>\$377,127</b>               | <b>(\$3)</b>                       | <b>\$361,123</b>             | <b>\$361,118</b>               | <b>(\$5)</b>                       | <b>(\$8)</b>                     |

The legislature accepted the budget as proposed by the executive, except that the legislature did not approve of a proposed change in the way statewide professional development was funded.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Board Of Public Education Funding by Source of Authority<br>2015 Biennium Budget - K-12 Education |               |                          |                         |                   |                   |               |                    |
|---|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds   | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund  | \$402,060     | \$0                      | \$0                     | \$402,060         | 54.5%             |               |                    |
| State Special Total   | \$336,185     | \$0                      | \$0                     | \$336,185         | 45.5%             |               |                    |
| 02122 Advisory Council  | \$226,185     | \$0                      | \$0                     | \$226,185         | 30.6%             |               |                    |
| 02219 Research Fund   | \$110,000     | \$0                      | \$0                     | \$110,000         | 14.9%             |               |                    |
| Total All Funds   | \$738,245     | \$0                      | \$0                     | \$738,245         | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

The BPE is funded through a combination of general fund and state special funds. The general fund funds 54.5% of the board’s budget. The remainder of the funding is provided by fees paid by teachers for certification (45.5%). By statute, these fees are collected by OPI and deposited into two accounts, the Advisory Council and the Research Fund. Two thirds of the fees are deposited in the Advisory Council which supports the activities of the Certification Standards and Practices Advisory Council (CSPAC), and one third is deposited into the Research Fund and used to fund the statutory duties of the BPE and CSPAC.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 215,806                | 215,806            | 431,612               | 107.35%           | 395,849               | 395,849            | 791,698               | 107.24%           |
| Statewide PL Adjustments | (6,708)                | (22,902)           | (29,610)              | (7.36%)           | (18,752)              | (34,759)           | (53,511)              | (7.25%)           |
| Other PL Adjustments     | 30                     | 28                 | 58                    | 0.01%             | 30                    | 28                 | 58                    | 0.01%             |
| New Proposals            | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| <b>Total Budget</b>      | <b>\$209,128</b>       | <b>\$192,932</b>   | <b>\$402,060</b>      |                   | <b>\$377,127</b>      | <b>\$361,118</b>   | <b>\$738,245</b>      |                   |

**Other Legislation**

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative.

| Present Law Adjustments                            | -----Fiscal 2014----- |                  |                   |                 |                   | -----Fiscal 2015----- |                   |                   |                 |                   |
|--|-----------------------|------------------|-------------------|-----------------|-------------------|-----------------------|-------------------|-------------------|-----------------|-------------------|
|  | FTE                   | General Fund     | State Special     | Federal Special | Total Funds       | FTE                   | General Fund      | State Special     | Federal Special | Total Funds       |
| Personal Services                                  |                       |                  |                   |                 | (32,035)          |                       |                   |                   |                 | (31,712)          |
| Inflation/Deflation                                |                       |                  |                   |                 | 40                |                       |                   |                   |                 | 84                |
| Fixed Costs  |                       |                  |                   |                 | 13,243            |                       |                   |                   |                 | (3,131)           |
| <b>Total Statewide Present Law Adjustments</b>     |                       | <b>(\$6,708)</b> | <b>(\$12,044)</b> | <b>\$0</b>      | <b>(\$18,752)</b> |                       | <b>(\$22,902)</b> | <b>(\$11,857)</b> | <b>\$0</b>      | <b>(\$34,759)</b> |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | 6,708            | 12,044            | 0               | 18,752            | 0.00                  | 22,902            | 11,857            | 0               | 34,759            |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | (17,465)         | (14,570)          | 0               | (32,035)          | 0.00                  | (17,289)          | (14,423)          | 0               | (31,712)          |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | 7,272            | 6,041             | 0               | 13,313            | 0.00                  | (1,633)           | (1,386)           | 0               | (3,019)           |
| DP 53 - Base Funding Switch                        | 0.00                  | 3,515            | (3,515)           | 0               | 0                 | 0.00                  | (3,952)           | 3,952             | 0               | 0                 |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>\$30</b>      | <b>\$0</b>        | <b>\$0</b>      | <b>\$30</b>       | <b>0.00</b>           | <b>\$28</b>       | <b>\$0</b>        | <b>\$0</b>      | <b>\$28</b>       |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>(\$6,678)</b> | <b>(\$12,044)</b> | <b>\$0</b>      | <b>(\$18,722)</b> | <b>0.00</b>           | <b>(\$22,874)</b> | <b>(\$11,857)</b> | <b>\$0</b>      | <b>(\$34,731)</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment is to establish a fund switch between fund types to fund base operations.

**Agency Budget Comparison**

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

| Agency Budget Comparison |                    |                     |                    |                    |                       |                       |                  |                   |
|--------------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item              | Base Fiscal 2012   | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change  | Biennium % Change |
| FTE                      | 88.61              | 88.61               | 88.61              | 88.61              | 88.61                 | 88.61                 | 0.00             | 0.00%             |
| Personal Services        | 5,472,749          | 5,567,198           | 5,806,120          | 5,796,401          | 11,039,947            | 11,602,521            | 562,574          | 5.10%             |
| Operating Expenses       | 762,865            | 755,109             | 845,868            | 805,781            | 1,517,974             | 1,651,649             | 133,675          | 8.81%             |
| Transfers                | 11,300             | 0                   | 11,300             | 11,300             | 11,300                | 22,600                | 11,300           | 100.00%           |
| Debt Service             | 28,450             | 0                   | 29,345             | 28,450             | 28,450                | 57,795                | 29,345           | 103.15%           |
| <b>Total Costs</b>       | <b>\$6,275,364</b> | <b>\$6,322,307</b>  | <b>\$6,692,633</b> | <b>\$6,641,932</b> | <b>\$12,597,671</b>   | <b>\$13,334,565</b>   | <b>\$736,894</b> | <b>5.85%</b>      |
| General Fund             | 5,927,138          | 5,971,331           | 6,357,793          | 6,306,952          | 11,898,469            | 12,664,745            | 766,276          | 6.44%             |
| State Special            | 284,311            | 287,061             | 263,080            | 263,220            | 571,372               | 526,300               | (45,072)         | (7.89%)           |
| Federal Special          | 63,915             | 63,915              | 71,760             | 71,760             | 127,830               | 143,520               | 15,690           | 12.27%            |
| <b>Total Funds</b>       | <b>\$6,275,364</b> | <b>\$6,322,307</b>  | <b>\$6,692,633</b> | <b>\$6,641,932</b> | <b>\$12,597,671</b>   | <b>\$13,334,565</b>   | <b>\$736,894</b> | <b>5.85%</b>      |

**Agency Description**

The Montana School for the Deaf and Blind (MSDB), located in Great Falls, is part of Montana’s educational system and under the policy and governance of the State Board of Public Education. The school is a state funded special purpose school with a residential option for children and adolescents whose hearing or sight is a barrier to receiving required and effective education in the public schools of the state.

The school consists of four programs with the following functions:

- 1) Administration - purchasing, accounting, personnel functions, and overall management of the school
  - o 5.0 FTE
  - o 6.6% of the agency budget
- 3) General Services - upkeep and maintenance of school facilities and grounds of the 18.5 acre campus
  - o 4.0 FTE
  - o 7.1% of the agency budget
- 4) Student Services - round-the-clock residential care for children residing at the school, including general supervision, meal services, and support services
  - o 29.7 FTE
  - o 22.8% of the agency budget
- 5) Educational Services – residential, outreach, and mainstream educational programs
  - o 49.9 FTE
  - o 63.5% of the agency budget

**Agency Highlights**

| <b>Montana School for Deaf and Blind<br/>Major Budget Highlights</b>   |
|--|
| <ul style="list-style-type: none"> <li>◆ The biennial budget increases by \$736,894 or 5.9% as compared to the previous biennium primarily due to                             <ul style="list-style-type: none"> <li>● Increased compensation and training for teachers</li> <li>● The legislature accepted all statewide present law adjustments</li> <li>● Replacement of six vehicles with state motor pool lease</li> </ul> </li> <li>◆ The MSDB is statutorily exempt from vacancy savings (17-7-162, MCA)</li> </ul> |

**Summary of Legislative Action**

The legislature approved a biennial budget of \$13.3 million, of which 95% is general fund. Changes are dominated by statewide present law adjustments and increased educator compensation.

Major biennial budget items include:

- \$250,000 to raise compensation of educators and support staff to parity with the various Great Falls school districts
- \$54,000 general fund to compensate staff for extracurricular activities
- \$50,000 to fund in-service professional development
- \$49,000 general fund to replace existing vehicles with state motor pool lease
- \$19,000 general fund to provide five additional travel days for students
- \$25,000 general fund to upgrade the schools equipment library

**Agency Discussion**

Statewide present law adjustment and two new proposals and increase personal services by \$563,000 general fund for the biennium. The budget contains four new proposals that increase general fund operating expenses by \$143,000. The school has debt service related to infrastructure improvements implemented by the Department of Architecture and Engineering.

**Funding**

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

| Total School For The Deaf & Blind Funding by Source of Authority<br>2015 Biennium Budget |                     |                             |                            |                      |                      |
|--|---------------------|-----------------------------|----------------------------|----------------------|----------------------|
| Funds  | HB 2                | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total All<br>Sources | % Total<br>All Funds |
| General Fund   | \$12,664,745        | \$0                         | \$0                        | \$12,664,745         | 95.0%                |
| State Special Total  | 526,300             | -                           | -                          | 526,300              | 3.9%                 |
| Federal Special Total  | 143,520             | -                           | -                          | 143,520              | 1.1%                 |
| Proprietary Total  | -                   | -                           | -                          | -                    | 0.0%                 |
| Current Unrestricted   | -                   | -                           | -                          | -                    | 0.0%                 |
| Other Total  | -                   | -                           | -                          | -                    | 0.0%                 |
| <b>Total All Funds</b>   | <b>\$13,334,565</b> | <b>\$0</b>                  | <b>\$0</b>                 | <b>\$13,334,565</b>  |                      |
| Percent - Total All Sources  | 100.0%              | 0.0%                        | 0.0%                       |                      |                      |

MSDB’s programs are funded with general fund, state special fund and federal fund. State special funds include school trust income and Medicaid reimbursements. Sources of federal funds include the National School Lunch Program and Education Consolidation and Improvement Act, Chapter I. School trust income is estimated at \$246,000 and \$265,000 for FY 2014 and FY 2015, respectively. Revenues from school trusts fluctuate based on the activities occurring on school trust lands.

The school also receives tuition from out of state students. Out of state tuition is based on per capita cost of residential students in the previous biennium and is statutorily appropriated. Unlike other public schools, the school does not have the ability to levy property taxes to support school programs.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2014  | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget |
| Base Budget              | 5,927,138              | 5,927,138             | 11,854,276               | 93.60%               | 6,275,364             | 6,275,364             | 12,550,728               | 94.12%               |
| Statewide PL Adjustments | 194,086                | 167,292               | 361,378                  | 2.85%                | 180,700               | 154,046               | 334,746                  | 2.51%                |
| Other PL Adjustments     | 77,014                 | 52,967                | 129,981                  | 1.03%                | 77,014                | 52,967                | 129,981                  | 0.97%                |
| New Proposals            | 159,555                | 159,555               | 319,110                  | 2.52%                | 159,555               | 159,555               | 319,110                  | 2.39%                |
| <b>Total Budget</b>      | <b>\$6,357,793</b>     | <b>\$6,306,952</b>    | <b>\$12,664,745</b>      |                      | <b>\$6,692,633</b>    | <b>\$6,641,932</b>    | <b>\$13,334,565</b>      |                      |

**Other Legislation**

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Budget Item         | Base<br>Budget<br>Fiscal 2012 | Executive<br>Budget<br>Fiscal 2014 | Legislative<br>Budget<br>Fiscal 2014 | Leg – Exec.<br>Difference<br>Fiscal 2014 | Executive<br>Budget<br>Fiscal 2015 | Legislative<br>Budget<br>Fiscal 2015 | Leg – Exec.<br>Difference<br>Fiscal 2015 | Biennium<br>Difference<br>Fiscal 14-15 |
|---------------------|-------------------------------|------------------------------------|--------------------------------------|--|------------------------------------|--------------------------------------|--|--|
| FTE                 | 88.61                         | 88.61                              | 88.61                                | 0.00                                     | 88.61                              | 88.61                                | 0.00                                     |  |
| Personal Services   | 5,472,749                     | 5,681,120                          | 5,806,120                            | 125,000                                  | 5,671,401                          | 5,796,401                            | 125,000                                  | 250,000                                |
| Operating Expenses  | 762,865                       | 848,042                            | 845,868                              | (2,174)                                  | 807,983                            | 805,781                              | (2,202)                                  | (4,376)                                |
| Transfers           | 11,300                        | 11,300                             | 11,300                               | 0  | 11,300                             | 11,300                               | 0  | 0                                      |
| Debt Service        | 28,450                        | 29,345                             | 29,345                               | 0  | 28,450                             | 28,450                               | 0  | 0                                      |
| <b>Total Costs</b>  | <b>\$6,275,364</b>            | <b>\$6,569,807</b>                 | <b>\$6,692,633</b>                   | <b>\$122,826</b>                         | <b>\$6,519,134</b>                 | <b>\$6,641,932</b>                   | <b>\$122,798</b>                         | <b>\$245,624</b>                       |
| General Fund        | 5,927,138                     | 6,234,967                          | 6,357,793                            | 122,826                                  | 6,184,154                          | 6,306,952                            | 122,798                                  | 245,624                                |
| State/Other Special | 284,311                       | 263,080                            | 263,080                              | 0  | 263,220                            | 263,220                              | 0  | 0                                      |
| Federal Special     | 63,915                        | 71,760                             | 71,760                               | 0  | 71,760                             | 71,760                               | 0  | 0                                      |
| <b>Total Funds</b>  | <b>\$6,275,364</b>            | <b>\$6,569,807</b>                 | <b>\$6,692,633</b>                   | <b>\$122,826</b>                         | <b>\$6,519,134</b>                 | <b>\$6,641,932</b>                   | <b>\$122,798</b>                         | <b>\$245,624</b>                       |

The legislature approved a biennial budget that is 1.9% or \$246,000 higher than the executive request.

- The legislature approved \$250,000 general fund in personal services to raise compensation for teachers
- The legislature did not approve the executive proposal to add \$6,130 general fund related to a proposed change in methodology of funding professional development based on FTE.

**Program Budget Comparison**

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

| Program Budget Comparison<br>Budget Item | Base<br>Fiscal 2012 | Approp.<br>Fiscal 2013 | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 12-13 | Biennium<br>Fiscal 14-15 | Biennium<br>Change | Biennium<br>% Change |
|--|---------------------|------------------------|-----------------------|-----------------------|--------------------------|--------------------------|--------------------|----------------------|
| FTE                                      | 5.00                | 5.00                   | 5.00                  | 5.00                  | 5.00                     | 5.00                     | 0.00               | 0.00%                |
| Personal Services                        | 339,697             | 323,877                | 341,973               | 341,212               | 663,574                  | 683,185                  | 19,611             | 2.96%                |
| Operating Expenses                       | 98,013              | 130,487                | 106,287               | 85,577                | 228,500                  | 191,864                  | (36,636)           | (16.03%)             |
| <b>Total Costs</b>                       | <b>\$437,710</b>    | <b>\$454,364</b>       | <b>\$448,260</b>      | <b>\$426,789</b>      | <b>\$892,074</b>         | <b>\$875,049</b>         | <b>(\$17,025)</b>  | <b>(1.91%)</b>       |
| General Fund                             | 433,483             | 450,418                | 445,460               | 423,849               | 883,901                  | 869,309                  | (14,592)           | (1.65%)              |
| State Special                            | 4,227               | 3,946                  | 2,800                 | 2,940                 | 8,173                    | 5,740                    | (2,433)            | (29.77%)             |
| <b>Total Funds</b>                       | <b>\$437,710</b>    | <b>\$454,364</b>       | <b>\$448,260</b>      | <b>\$426,789</b>      | <b>\$892,074</b>         | <b>\$875,049</b>         | <b>(\$17,025)</b>  | <b>(1.91%)</b>       |

**Program Description**

The Administration Program staff (5.0 FTE), provides purchasing, accounting, personnel functions, and management of business affairs for the school.

**Program Highlights**

| <b>Administrative Program<br/>Major Budget Highlights</b>                     |
|---|
| ◆ Changes to the budget are due entirely to statewide present law adjustments |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total School For The Deaf & Blind Funding by Source of Authority<br>2015 Biennium Budget - Administration Program |                  |                                 |                            |                      |                      |                  |                       |
|---|------------------|---------------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds   | HB 2             | Non-<br>Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| General Fund  | \$869,309        | \$0                             | \$0                        | \$869,309            | 99.3%                |                  |                       |
| State Special Total   | \$5,740          | \$0                             | \$0                        | \$5,740              | 0.7%                 |                  |                       |
| 02050 School Trust Interest/income  | \$5,740          | \$0                             | \$0                        | \$5,740              | 0.7%                 |                  |                       |
| <b>Total All Funds</b>  | <b>\$875,049</b> | <b>\$0</b>                      | <b>\$0</b>                 | <b>\$875,049</b>     | <b>100.0%</b>        |                  |                       |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b>    | <b>0.0%</b>                     | <b>0.0%</b>                |                      |                      |                  |                       |

The program is 6.6% of the total agency budget and is funded predominantly with general fund (99.3%). A small portion (0.7%) of the funding comes from the school trust interest and income account.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 433,483                | 433,483            | 866,966               | 99.73%            | 437,710               | 437,710            | 875,420               | 100.04%           |
| Statewide PL Adjustments | 11,086                 | (10,497)           | 589                   | 0.07%             | 9,659                 | (11,784)           | (2,125)               | (0.24%)           |
| Other PL Adjustments     | 891                    | 863                | 1,754                 | 0.20%             | 891                   | 863                | 1,754                 | 0.20%             |
| New Proposals            | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| <b>Total Budget</b>      | <b>\$445,460</b>       | <b>\$423,849</b>   | <b>\$869,309</b>      |                   | <b>\$448,260</b>      | <b>\$426,789</b>   | <b>\$875,049</b>      |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative.

| Present Law Adjustments                            | -----Fiscal 2014----- |                 |                  |                 |                 | -----Fiscal 2015----- |                   |                  |                 |                   |
|--|-----------------------|-----------------|------------------|-----------------|-----------------|-----------------------|-------------------|------------------|-----------------|-------------------|
|  | FTE                   | General Fund    | State Special    | Federal Special | Total Funds     | FTE                   | General Fund      | State Special    | Federal Special | Total Funds       |
| Personal Services                                  |                       |                 |                  |                 | 2,276           |                       |                   |                  |                 | 1,515             |
| Inflation/Deflation                                |                       |                 |                  |                 | 51              |                       |                   |                  |                 | 92                |
| Fixed Costs  |                       |                 |                  |                 | 7,332           |                       |                   |                  |                 | (13,391)          |
| <b>Total Statewide Present Law Adjustments</b>     |                       | <b>\$11,086</b> | <b>(\$1,427)</b> | <b>\$0</b>      | <b>\$9,659</b>  |                       | <b>(\$10,497)</b> | <b>(\$1,287)</b> | <b>\$0</b>      | <b>(\$11,784)</b> |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | (11,086)        | 1,427            | 0               | (9,659)         | 0.00                  | 10,497            | 1,287            | 0               | 11,784            |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | 2,254           | 22               | 0               | 2,276           | 0.00                  | 1,500             | 15               | 0               | 1,515             |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | 8,203           | 71               | 0               | 8,274           | 0.00                  | (12,308)          | (128)            | 0               | (12,436)          |
| DP 53 - Base Funding Switch                        | 0.00                  | 1,520           | (1,520)          | 0               | 0               | 0.00                  | 1,174             | (1,174)          | 0               | 0                 |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>\$891</b>    | <b>\$0</b>       | <b>\$0</b>      | <b>\$891</b>    | <b>0.00</b>           | <b>\$863</b>      | <b>\$0</b>       | <b>\$0</b>      | <b>\$863</b>      |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>\$11,977</b> | <b>(\$1,427)</b> | <b>\$0</b>      | <b>\$10,550</b> | <b>0.00</b>           | <b>(\$9,634)</b>  | <b>(\$1,287)</b> | <b>\$0</b>      | <b>(\$10,921)</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - This adjustment is to establish a fund switch between fund types to fund base operations.

**Program Budget Comparison**

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

| Program Budget Comparison |                  |                     |                    |                    |                       |                       |                 |                   |
|---------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|-----------------|-------------------|
| Budget Item               | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change | Biennium % Change |
| FTE                       | 4.00             | 4.00                | 4.00               | 4.00               | 4.00                  | 4.00                  | 0.00            | 0.00%             |
| Personal Services         | 173,312          | 166,351             | 183,599            | 183,440            | 339,663               | 367,039               | 27,376          | 8.06%             |
| Operating Expenses        | 264,287          | 288,817             | 250,422            | 252,374            | 553,104               | 502,796               | (50,308)        | (9.10%)           |
| Transfers                 | 11,300           | 0                   | 11,300             | 11,300             | 11,300                | 22,600                | 11,300          | 100.00%           |
| Debt Service              | 28,450           | 0                   | 29,345             | 28,450             | 28,450                | 57,795                | 29,345          | 103.15%           |
| <b>Total Costs</b>        | <b>\$477,349</b> | <b>\$455,168</b>    | <b>\$474,666</b>   | <b>\$475,564</b>   | <b>\$932,517</b>      | <b>\$950,230</b>      | <b>\$17,713</b> | <b>1.90%</b>      |
| General Fund              | 477,349          | 455,168             | 474,666            | 475,564            | 932,517               | 950,230               | 17,713          | 1.90%             |
| <b>Total Funds</b>        | <b>\$477,349</b> | <b>\$455,168</b>    | <b>\$474,666</b>   | <b>\$475,564</b>   | <b>\$932,517</b>      | <b>\$950,230</b>      | <b>\$17,713</b> | <b>1.90%</b>      |

**Program Description**

The General Services Program staff (4.0 FTE) is responsible for general upkeep and maintenance of the school's eight buildings and 18.5 acre campus.

**Program Highlights**

| General Services Program<br>Major Budget Highlights |  |
|---|--|
| ◆   | Operating expenses are reduced primarily by \$14,042 from the FY 2012 base due to net savings from replacement of six vehicles with leases from the state motor pool   |
| ◆   | In the 2013 biennium, the agency conserved operating expense to cover expected termination costs of several long-term employees resulting in a further reduction in the base budget for operating expense of \$35,000. |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total School For The Deaf & Blind Funding by Source of Authority<br>2015 Biennium Budget - General Services |               |                         |                            |                      |                      |                  |                       |
|---|---------------|-------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds   | Non-<br>HB 2  | Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| General Fund  | \$950,230     | \$0                     | \$0                        | \$950,230            | 100.0%               |                  |                       |
| Total All Funds   | \$950,230     | \$0                     | \$0                        | \$950,230            | 100.0%               |                  |                       |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b> | <b>0.0%</b>             | <b>0.0%</b>                |                      |                      |                  |                       |

The program is 7.1% of the total agency budget and is funded entirely with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 477,349                | 477,349            | 954,698               | 100.47%           | 477,349               | 477,349            | 954,698               | 100.47%           |
| Statewide PL Adjustments | 4,338                  | 5,236              | 9,574                 | 1.01%             | 4,338                 | 5,236              | 9,574                 | 1.01%             |
| Other PL Adjustments     | (7,021)                | (7,021)            | (14,042)              | (1.48%)           | (7,021)               | (7,021)            | (14,042)              | (1.48%)           |
| New Proposals            | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| <b>Total Budget</b>      | <b>\$474,666</b>       | <b>\$475,564</b>   | <b>\$950,230</b>      |                   | <b>\$474,666</b>      | <b>\$475,564</b>   | <b>\$950,230</b>      |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative.

| Present Law Adjustments                            | -----Fiscal 2014----- |                  |               |                 | -----Fiscal 2015----- |             |                  |               |                 |                  |
|--|-----------------------|------------------|---------------|-----------------|-----------------------|-------------|------------------|---------------|-----------------|------------------|
|  | FTE                   | General Fund     | State Special | Federal Special | Total Funds           | FTE         | General Fund     | State Special | Federal Special | Total Funds      |
| Personal Services                                  |                       |                  |               |                 | 10,287                |             |                  |               |                 | 10,128           |
| Inflation/Deflation                                |                       |                  |               |                 | (11,150)              |             |                  |               |                 | (9,182)          |
| Fixed Costs  |                       |                  |               |                 | 5,201                 |             |                  |               |                 | 4,290            |
| <b>Total Statewide Present Law Adjustments</b>     |                       | <b>\$4,338</b>   | <b>\$0</b>    | <b>\$0</b>      | <b>\$4,338</b>        |             | <b>\$5,236</b>   | <b>\$0</b>    | <b>\$0</b>      | <b>\$5,236</b>   |
| DP 4 - Reduction for Replacement Vehicles          | 0.00                  | (7,021)          | 0             | 0               | (7,021)               | 0.00        | (7,021)          | 0             | 0               | (7,021)          |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | (4,338)          | 0             | 0               | (4,338)               | 0.00        | (5,236)          | 0             | 0               | (5,236)          |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | 10,287           | 0             | 0               | 10,287                | 0.00        | 10,128           | 0             | 0               | 10,128           |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | (5,949)          | 0             | 0               | (5,949)               | 0.00        | (4,892)          | 0             | 0               | (4,892)          |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>(\$7,021)</b> | <b>\$0</b>    | <b>\$0</b>      | <b>(\$7,021)</b>      | <b>0.00</b> | <b>(\$7,021)</b> | <b>\$0</b>    | <b>\$0</b>      | <b>(\$7,021)</b> |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>(\$2,683)</b> | <b>\$0</b>    | <b>\$0</b>      | <b>(\$2,683)</b>      | <b>0.00</b> | <b>(\$1,785)</b> | <b>\$0</b>    | <b>\$0</b>      | <b>(\$1,785)</b> |

DP 4 - Reduction for Replacement Vehicles - The legislature approved a reduction in general fund of \$7,021 in each year of the 2015 biennium. The reduction reflects savings related to DP - 3 that replaces six school-owned vehicles with high mileage and in poor operating condition with leased vehicles from the state motor pool.

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - The legislature approved adjustments to fund statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - The legislature approved the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**Program Budget Comparison**

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

| Program Budget Comparison |                    |                     |                    |                    |                       |                       |                  |                   |
|---------------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item               | Base Fiscal 2012   | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change  | Biennium % Change |
| FTE                       | 29.74              | 29.74               | 29.74              | 29.74              | 29.74                 | 29.74                 | 0.00             | 0.00%             |
| Personal Services         | 1,200,631          | 1,276,360           | 1,354,381          | 1,353,817          | 2,476,991             | 2,708,198             | 231,207          | 9.33%             |
| Operating Expenses        | 124,704            | 125,546             | 166,721            | 169,133            | 250,250               | 335,854               | 85,604           | 34.21%            |
| <b>Total Costs</b>        | <b>\$1,325,335</b> | <b>\$1,401,906</b>  | <b>\$1,521,102</b> | <b>\$1,522,950</b> | <b>\$2,727,241</b>    | <b>\$3,044,052</b>    | <b>\$316,811</b> | <b>11.62%</b>     |
| General Fund              | 1,309,942          | 1,386,513           | 1,498,102          | 1,499,950          | 2,696,455             | 2,998,052             | 301,597          | 11.18%            |
| Federal Special           | 15,393             | 15,393              | 23,000             | 23,000             | 30,786                | 46,000                | 15,214           | 49.42%            |
| <b>Total Funds</b>        | <b>\$1,325,335</b> | <b>\$1,401,906</b>  | <b>\$1,521,102</b> | <b>\$1,522,950</b> | <b>\$2,727,241</b>    | <b>\$3,044,052</b>    | <b>\$316,811</b> | <b>11.62%</b>     |

**Program Description**

The Student Services program provides around-the-clock residential care for children residing at the school. This includes general supervision, meal services, and support services.

**Program Highlights**

| <b>Student Services<br/>Major Budget Highlights</b>   |  |
|---|--|
| <ul style="list-style-type: none"> <li>◆ The biennial budget increased by \$316,811 or 11.62% as compared to the previous biennium.</li> <li>◆ Personal services increased by \$231,207, primarily due to statewide present law adjustment approved by the legislature.</li> <li>◆ \$63,393 general fund was added to replace six vehicles with leases from the state motor pool. This expense is offset by \$14,042 in maintenance savings in general services.</li> <li>◆ \$19,110 general fund was added to provide an additional five student travel days.</li> </ul> |  |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total School For The Deaf & Blind Funding by Source of Authority<br>2015 Biennium Budget - Student Services |                    |                          |                         |                    |                   |               |                    |  |
|---|--------------------|--------------------------|-------------------------|--------------------|-------------------|---------------|--------------------|--|
| Funds   | HB 2               | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources  | % Total All Funds | MCA Reference | Statutory Category |  |
| General Fund  | \$2,998,052        | \$0                      | \$0                     | \$2,998,052        | 98.5%             |               |                    |  |
| Federal Special Total   | \$46,000           | \$0                      | \$0                     | \$46,000           | 1.5%              |               |                    |  |
| <b>Total All Funds</b>  | <b>\$3,044,052</b> | <b>\$0</b>               | <b>\$0</b>              | <b>\$3,044,052</b> | <b>100.0%</b>     |               |                    |  |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b>      | <b>0.0%</b>              | <b>0.0%</b>             |                    |                   |               |                    |  |

The program is 22.8% of the total agency budget and is funded predominantly with general fund (98.5%). Federal funds are from the national school lunch program.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 1,309,942              | 1,309,942          | 2,619,884             | 87.39%            | 1,325,335             | 1,325,335          | 2,650,670             | 87.08%            |
| Statewide PL Adjustments | 147,399                | 148,266            | 295,665               | 9.86%             | 155,006               | 155,873            | 310,879               | 10.21%            |
| Other PL Adjustments     | 31,206                 | 32,187             | 63,393                | 2.11%             | 31,206                | 32,187             | 63,393                | 2.08%             |
| New Proposals            | 9,555                  | 9,555              | 19,110                | 0.64%             | 9,555                 | 9,555              | 19,110                | 0.63%             |
| <b>Total Budget</b>      | <b>\$1,498,102</b>     | <b>\$1,499,950</b> | <b>\$2,998,052</b>    |                   | <b>\$1,521,102</b>    | <b>\$1,522,950</b> | <b>\$3,044,052</b>    |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative.

| Present Law Adjustments                            | -----Fiscal 2014----- |                  |               |                 | -----Fiscal 2015----- |             |                  |               |                 |                  |
|--|-----------------------|------------------|---------------|-----------------|-----------------------|-------------|------------------|---------------|-----------------|------------------|
|  | FTE                   | General Fund     | State Special | Federal Special | Total Funds           | FTE         | General Fund     | State Special | Federal Special | Total Funds      |
| Personal Services                                  |                       |                  |               |                 | 153,750               |             |                  |               |                 | 153,186          |
| Inflation/Deflation                                |                       |                  |               |                 | 1,256                 |             |                  |               |                 | 2,687            |
| <b>Total Statewide Present Law Adjustments</b>     |                       | <b>\$147,399</b> | <b>\$0</b>    | <b>\$7,607</b>  | <b>\$155,006</b>      |             | <b>\$148,266</b> | <b>\$0</b>    | <b>\$7,607</b>  | <b>\$155,873</b> |
| DP 3 - Replacement Vehicles                        | 0.00                  | 31,206           | 0             | 0               | 31,206                | 0.00        | 32,187           | 0             | 0               | 32,187           |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | (147,399)        | 0             | (7,607)         | (155,006)             | 0.00        | (148,266)        | 0             | (7,607)         | (155,873)        |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | 151,964          | 0             | 1,786           | 153,750               | 0.00        | 151,407          | 0             | 1,779           | 153,186          |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | 1,241            | 0             | 15              | 1,256                 | 0.00        | 2,656            | 0             | 31              | 2,687            |
| DP 53 - Base Funding Switch                        | 0.00                  | (5,806)          | 0             | 5,806           | 0                     | 0.00        | (5,797)          | 0             | 5,797           | 0                |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>\$31,206</b>  | <b>\$0</b>    | <b>\$0</b>      | <b>\$31,206</b>       | <b>0.00</b> | <b>\$32,187</b>  | <b>\$0</b>    | <b>\$0</b>      | <b>\$32,187</b>  |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>\$178,605</b> | <b>\$0</b>    | <b>\$7,607</b>  | <b>\$186,212</b>      | <b>0.00</b> | <b>\$180,453</b> | <b>\$0</b>    | <b>\$7,607</b>  | <b>\$188,060</b> |

DP 3 - Replacement Vehicles - The legislature approved an increase in general fund of \$63,393 in the 2015 biennium to lease six vehicles from the Department of Transportation, Motor Pool Unit. These vehicles replace six school owned vehicles that are in poor condition.

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - The legislature approved adjustments to fund statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - The legislature approved the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - The legislature approved adjustments to establish a fund switch between fund types to fund base operations.

**New Proposals**

| New Proposals         |             |                       |               |                 |                |                       |                |               |                 |                |  |
|-----------------------|-------------|-----------------------|---------------|-----------------|----------------|-----------------------|----------------|---------------|-----------------|----------------|--|
|                       |             | -----Fiscal 2014----- |               |                 |                | -----Fiscal 2015----- |                |               |                 |                |  |
| Program               | FTE         | General Fund          | State Special | Federal Special | Total Funds    | FTE                   | General Fund   | State Special | Federal Special | Total Funds    |  |
| DP 2 - Student Travel |             |                       |               |                 |                |                       |                |               |                 |                |  |
| 03                    | 0.00        | 9,555                 | 0             | 0               | 9,555          | 0.00                  | 9,555          | 0             | 0               | 9,555          |  |
| <b>Total</b>          | <b>0.00</b> | <b>\$9,555</b>        | <b>\$0</b>    | <b>\$0</b>      | <b>\$9,555</b> | <b>0.00</b>           | <b>\$9,555</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$9,555</b> |  |

DP 2 - Student Travel - The legislature has approved \$19,110 for the biennium to pay for five additional travel periods for students living on the school campus. With the five additional travel periods the school would be transporting students home twice per month.

**Program Budget Comparison**

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

| Program Budget Comparison |                    |                     |                    |                    |                       |                       |                  |                   |
|---------------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item               | Base Fiscal 2012   | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change  | Biennium % Change |
| FTE                       | 49.87              | 49.87               | 49.87              | 49.87              | 49.87                 | 49.87                 | 0.00             | 0.00%             |
| Personal Services         | 3,759,109          | 3,800,610           | 3,926,167          | 3,917,932          | 7,559,719             | 7,844,099             | 284,380          | 3.76%             |
| Operating Expenses        | 275,861            | 210,259             | 322,438            | 298,697            | 486,120               | 621,135               | 135,015          | 27.77%            |
| <b>Total Costs</b>        | <b>\$4,034,970</b> | <b>\$4,010,869</b>  | <b>\$4,248,605</b> | <b>\$4,216,629</b> | <b>\$8,045,839</b>    | <b>\$8,465,234</b>    | <b>\$419,395</b> | <b>5.21%</b>      |
| General Fund              | 3,706,364          | 3,679,232           | 3,939,565          | 3,907,589          | 7,385,596             | 7,847,154             | 461,558          | 6.25%             |
| State Special             | 280,084            | 283,115             | 260,280            | 260,280            | 563,199               | 520,560               | (42,639)         | (7.57%)           |
| Federal Special           | 48,522             | 48,522              | 48,760             | 48,760             | 97,044                | 97,520                | 476              | 0.49%             |
| <b>Total Funds</b>        | <b>\$4,034,970</b> | <b>\$4,010,869</b>  | <b>\$4,248,605</b> | <b>\$4,216,629</b> | <b>\$8,045,839</b>    | <b>\$8,465,234</b>    | <b>\$419,395</b> | <b>5.21%</b>      |

**Program Description**

The Education Program provides services in three different settings:

- 1) At the Great Falls campus for students whose impairments prevent them from receiving a quality education in their home school district;
- 2) Through outreach services for students who remain in their home districts; and
- 3) Mainstream services through the Great Falls campus in a joint effort with Great Falls public schools.

The program is also responsible for tracking hearing or visually impaired students from the time of identification through the child’s exit from intervention or educational services.

**Program Highlights**

| <b>Education Program<br/>Major Budget Highlights</b>  |
|---|
| <ul style="list-style-type: none"> <li>◆ The biennial budget increased by \$419,395 or 5.2% as compared to the previous biennium. General fund increases primarily due to:                             <ul style="list-style-type: none"> <li>• \$250,000 was appropriated to bring the compensation for educators and support staff to parity with the local school districts. Compensation is currently at 85% of the market in the Great Falls area</li> <li>• \$53,876 to compensate staff for sponsoring and providing supervision during extracurricular activities</li> <li>• \$50,000 to provide in-service training for staff</li> <li>• \$25,000 to replace and upgrade educational technology used in the school’s lending library.</li> </ul> </li> </ul> |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total School For The Deaf & Blind Funding by Source of Authority<br>2015 Biennium Budget - Education |               |                          |                         |                   |                   |               |                    |
|--|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds  | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund   | \$7,847,154   | \$0                      | \$0                     | \$7,847,154       | 92.7%             |               |                    |
| State Special Total  | \$520,560     | \$0                      | \$0                     | \$520,560         | 6.1%              |               |                    |
| 02243 Medicaid Reimbursements  | \$31,160      | \$0                      | \$0                     | \$31,160          | 0.4%              |               |                    |
| 03012 E.c.i.a. Chapter I   | \$97,520      | \$0                      | \$0                     | \$97,520          | 1.2%              |               |                    |
| Total All Funds  | \$8,465,234   | \$0                      | \$0                     | \$8,465,234       | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>   | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

The program is 63.5% of the total agency budget and is funded predominantly with general fund (92.7%). School trust interest/income provides 94% of state special revenue; the remaining 6% is Medicaid reimbursements the school receives for providing medical care for those Medicaid eligible students. Federal funds are entirely comprised of Education Consolidation and Improvement Act (E.C.I.A.) monies. This federal program provides financial assistance to state and local educational agencies to meet the special educational needs of educationally deprived children.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 3,706,364              | 3,706,364          | 7,412,728             | 94.46%            | 4,034,970             | 4,034,970          | 8,069,940             | 95.33%            |
| Statewide PL Adjustments | 31,263                 | 24,287             | 55,550                | 0.71%             | 11,697                | 4,721              | 16,418                | 0.19%             |
| Other PL Adjustments     | 51,938                 | 26,938             | 78,876                | 1.01%             | 51,938                | 26,938             | 78,876                | 0.93%             |
| New Proposals            | 150,000                | 150,000            | 300,000               | 3.82%             | 150,000               | 150,000            | 300,000               | 3.54%             |
| <b>Total Budget</b>      | <b>\$3,939,565</b>     | <b>\$3,907,589</b> | <b>\$7,847,154</b>    |                   | <b>\$4,248,605</b>    | <b>\$4,216,629</b> | <b>\$8,465,234</b>    |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative.

|   | -----Fiscal 2014----- |                 |                   |                 |                 | -----Fiscal 2015----- |                 |                   |                 |                 |
|---|-----------------------|-----------------|-------------------|-----------------|-----------------|-----------------------|-----------------|-------------------|-----------------|-----------------|
|   | FTE                   | General Fund    | State Special     | Federal Special | Total Funds     | FTE                   | General Fund    | State Special     | Federal Special | Total Funds     |
| Personal Services                                     |                       |                 |                   |                 | 15,120          |                       |                 |                   |                 | 6,885           |
| Inflation/Deflation                                   |                       |                 |                   |                 | (3,423)         |                       |                 |                   |                 | (2,164)         |
| <b>Total Statewide Present Law Adjustments</b>        |                       | <b>\$31,263</b> | <b>(\$19,804)</b> | <b>\$238</b>    | <b>\$11,697</b> |                       | <b>\$24,287</b> | <b>(\$19,804)</b> | <b>\$238</b>    | <b>\$4,721</b>  |
| DP 1 - Extracurricular Compensation (Rst)             | 0.00                  | 26,938          | 0                 | 0               | 26,938          | 0.00                  | 26,938          | 0                 | 0               | 26,938          |
| DP 6 - Upgrade Equipment - Lending Library (Bien/OTO) | 0.00                  | 25,000          | 0                 | 0               | 25,000          | 0.00                  | 0               | 0                 | 0               | 0               |
| DP 50 - Initial Motion to FY 2012 Base                | 0.00                  | (31,263)        | 19,804            | (238)           | (11,697)        | 0.00                  | (24,287)        | 19,804            | (238)           | (4,721)         |
| DP 51 - Adjustment for Statewide Personal Services    | 0.00                  | 13,492          | 1,388             | 240             | 15,120          | 0.00                  | 5,941           | 805               | 139             | 6,885           |
| DP 52 - Adjustment for Statewide Operations           | 0.00                  | (3,431)         | 7                 | 1               | (3,423)         | 0.00                  | (2,179)         | 13                | 2               | (2,164)         |
| DP 53 - Base Funding Switch                           | 0.00                  | 21,202          | (21,199)          | (3)             | 0               | 0.00                  | 20,525          | (20,622)          | 97              | 0               |
| <b>Total Other Present Law Adjustments</b>            | <b>0.00</b>           | <b>\$51,938</b> | <b>\$0</b>        | <b>\$0</b>      | <b>\$51,938</b> | <b>0.00</b>           | <b>\$26,938</b> | <b>\$0</b>        | <b>\$0</b>      | <b>\$26,938</b> |
| <b>Grand Total All Present Law Adjustments</b>        | <b>0.00</b>           | <b>\$83,201</b> | <b>(\$19,804)</b> | <b>\$238</b>    | <b>\$63,635</b> | <b>0.00</b>           | <b>\$51,225</b> | <b>(\$19,804)</b> | <b>\$238</b>    | <b>\$31,659</b> |

DP 1 - Extracurricular Compensation (Rst) - The legislature approved an increase in of \$53,876 for the biennium for compensation of employees who sponsor after school activities.

DP 6 - Upgrade Equipment - Lending Library (Bien/OTO) - The legislature approved \$25,000 general fund in FY 2014 one-time-only to replace and upgrade educational technology used in the school’s lending library.

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - The legislature approved adjustments to fund statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - The legislature approved the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 53 - Base Funding Switch - The legislature approved adjustments to establish a fund switch between fund types to fund base operations.

**New Proposals**

| Program  | -----Fiscal 2014----- |                  |               |                 |                  | -----Fiscal 2015----- |                  |               |                 |                  |
|--|-----------------------|------------------|---------------|-----------------|------------------|-----------------------|------------------|---------------|-----------------|------------------|
|  | FTE                   | General Fund     | State Special | Federal Special | Total Funds      | FTE                   | General Fund     | State Special | Federal Special | Total Funds      |
| DP 5 - In-service Professional Development (Rst/OTO) |                       |                  |               |                 |                  |                       |                  |               |                 |                  |
| 04   | 0.00                  | 25,000           | 0             | 0               | 25,000           | 0.00                  | 25,000           | 0             | 0               | 25,000           |
| DP 7 - Educator Compensation                         |                       |                  |               |                 |                  |                       |                  |               |                 |                  |
| 04   | 0.00                  | 125,000          | 0             | 0               | 125,000          | 0.00                  | 125,000          | 0             | 0               | 125,000          |
| <b>Total</b>   | <b>0.00</b>           | <b>\$150,000</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$150,000</b> | <b>0.00</b>           | <b>\$150,000</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$150,000</b> |

DP 5 - In-service Professional Development (Rst/OTO) - The legislature approved \$50,000 for the biennium to establish an in-service training budget for professional staff.

DP 7 - Educator Compensation - The legislature approved \$125,000 of general fund each year of the biennium (\$250,000 total) to bring compensation for the educational professionals at the School for Deaf and Blind into parity with educational professionals within the Great Falls School Districts.

**Agency Budget Comparison**

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

| Agency Budget Comparison |                    |                     |                    |                    |                       |                       |                   |                   |
|--------------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|-------------------|-------------------|
| Budget Item              | Base Fiscal 2012   | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change   | Biennium % Change |
| FTE                      | 7.00               | 7.00                | 7.00               | 7.00               | 7.00                  | 7.00                  | 0.00              | 0.00%             |
| Personal Services        | 505,301            | 544,373             | 595,624            | 596,717            | 1,049,674             | 1,192,341             | 142,667           | 13.59%            |
| Operating Expenses       | 335,429            | 291,442             | 345,877            | 317,997            | 626,871               | 663,874               | 37,003            | 5.90%             |
| Grants                   | 462,238            | 772,840             | 552,238            | 462,238            | 1,235,078             | 1,014,476             | (220,602)         | (17.86%)          |
| <b>Total Costs</b>       | <b>\$1,302,968</b> | <b>\$1,608,655</b>  | <b>\$1,493,739</b> | <b>\$1,376,952</b> | <b>\$2,911,623</b>    | <b>\$2,870,691</b>    | <b>(\$40,932)</b> | <b>(1.41%)</b>    |
| General Fund             | 451,284            | 448,088             | 576,186            | 476,907            | 899,372               | 1,053,093             | 153,721           | 17.09%            |
| State Special            | 204,321            | 201,903             | 220,123            | 215,923            | 406,224               | 436,046               | 29,822            | 7.34%             |
| Federal Special          | 647,363            | 958,664             | 697,430            | 684,122            | 1,606,027             | 1,381,552             | (224,475)         | (13.98%)          |
| <b>Total Funds</b>       | <b>\$1,302,968</b> | <b>\$1,608,655</b>  | <b>\$1,493,739</b> | <b>\$1,376,952</b> | <b>\$2,911,623</b>    | <b>\$2,870,691</b>    | <b>(\$40,932)</b> | <b>(1.41%)</b>    |

**Agency Description**

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

The Montana Arts Council provides these services through a structure consisting of one division with 7.00 FTE.

**Agency Highlights**

| <b>Montana Arts Council<br/>Major Budget Highlights</b>   |
|---|
| <ul style="list-style-type: none"> <li>◆ The legislative budget decreases slightly overall in the 2015 biennium compared to the 2013 biennium. However, some of the budget line items and funding sources show significant changes between the biennia:                             <ul style="list-style-type: none"> <li>• Personal services expenditures increase as a result of FY 2012 and FY 2013 pay increases continued into the 2015 biennium</li> <li>• General fund increases to fund more arts in the schools grants and to fund a portion of the 2013 biennium pay adjustments</li> <li>• Federal funds are projected to decrease in the 2015 biennium and are subject to sequestration</li> </ul> </li> </ul> |

**Summary of Legislative Action**

The legislature approved a biennial budget for the Montana Arts Council of \$2.9 million in total funds, which is a 1.4% budget reduction from the 2013 biennium. The budget reduction is due primarily to a reduction in federal funds.

General fund increases \$154,000 in the 2015 biennium for two primary reasons:

- Statewide present law adjustments (personal services and operations) funded from general fund total \$66,000
- The legislature added \$90,000 for Arts in Education Grants
  - \$35,000 for the Box Elder Glassblowing program
  - \$55,000 for other Arts in Education grants selected by the council

Due to the agency’s small size, the legislature exempts the agency from vacancy savings.

**Agency Discussion**

The Montana Arts Council administers the cultural and aesthetic project grants approved by the legislature each biennium. The operating expenses related to administering these grants are budgeted in HB 2 while the grants are included in a separate appropriations bill (HB 9) and are not included in the agency budget comparison table above.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison |                            |                                 |                                   |  |                                 |                                   |  |  |
|-----------------------------|----------------------------|---------------------------------|-----------------------------------|--|---------------------------------|-----------------------------------|--|--|
| Budget Item                 | Base Budget<br>Fiscal 2012 | Executive Budget<br>Fiscal 2014 | Legislative Budget<br>Fiscal 2014 | Leg - Exec.<br>Difference<br>Fiscal 2014 | Executive Budget<br>Fiscal 2015 | Legislative Budget<br>Fiscal 2015 | Leg - Exec.<br>Difference<br>Fiscal 2015 | Biennium<br>Difference<br>Fiscal 14-15 |
| FTE                         | 7.00                       | 7.00                            | 7.00                              | 0.00                                     | 7.00                            | 7.00                              | 0.00                                     |  |
| Personal Services           | 505,301                    | 595,624                         | 595,624                           | 0  | 596,717                         | 596,717                           | 0  | 0                                      |
| Operating Expenses          | 335,429                    | 345,801                         | 345,877                           | 76                                       | 317,935                         | 317,997                           | 62                                       | 138                                    |
| Grants                      | 462,238                    | 554,238                         | 552,238                           | (2,000)                                  | 554,238                         | 462,238                           | (92,000)                                 | (94,000)                               |
| <b>Total Costs</b>          | <b>\$1,302,968</b>         | <b>\$1,495,663</b>              | <b>\$1,493,739</b>                | <b>(\$1,924)</b>                         | <b>\$1,468,890</b>              | <b>\$1,376,952</b>                | <b>(\$91,938)</b>                        | <b>(\$93,862)</b>                      |
| General Fund                | 451,284                    | 578,159                         | 576,186                           | (1,973)                                  | 568,886                         | 476,907                           | (91,979)                                 | (93,952)                               |
| State/Other Special         | 204,321                    | 220,111                         | 220,123                           | 12                                       | 215,913                         | 215,923                           | 10                                       | 22                                     |
| Federal Special             | 647,363                    | 697,393                         | 697,430                           | 37                                       | 684,091                         | 684,122                           | 31                                       | 68                                     |
| <b>Total Funds</b>          | <b>\$1,302,968</b>         | <b>\$1,495,663</b>              | <b>\$1,493,739</b>                | <b>(\$1,924)</b>                         | <b>\$1,468,890</b>              | <b>\$1,376,952</b>                | <b>(\$91,938)</b>                        | <b>(\$93,862)</b>                      |

The legislature declined to fully fund the Governor's \$184,000 new proposal request to increase state funds for the arts in education grant program. The legislature approved a \$90,000 biennial, one-time-only appropriation for the arts in education grant program. A portion of this appropriation, \$35,000, is restricted to a grant to the Box Elder schools for its Fine Arts Glass Blowing program.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Montana Arts Council Funding by Source of Authority<br>2015 Biennium Budget - Promotion Of The Arts |               |                             |                            |                      |                      |                  |                       |
|---|---------------|-----------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds   | HB 2          | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| General Fund  | \$1,053,093   | \$0                         | \$0                        | \$1,053,093          | 36.7%                |                  |                       |
| State Special Total   | \$436,046     | \$0                         | \$0                        | \$436,046            | 15.2%                |                  |                       |
| 02009 Cultural And Aesthetic Project  | \$436,046     | \$0                         | \$0                        | \$436,046            | 15.2%                |                  |                       |
| Federal Special Total   | \$1,381,552   | \$0                         | \$0                        | \$1,381,552          | 48.1%                |                  |                       |
| 03016 Nea Funds-basic State Grant   | \$1,271,552   | \$0                         | \$0                        | \$1,271,552          | 44.3%                |                  |                       |
| 03017 Nea Funds-arts In Education   | \$110,000     | \$0                         | \$0                        | \$110,000            | 3.8%                 |                  |                       |
| Total All Funds   | \$2,870,691   | \$0                         | \$0                        | \$2,870,691          | 100.0%               |                  |                       |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b> | <b>0.0%</b>                 | <b>0.0%</b>                |                      |                      |                  |                       |

General fund supports:

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

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

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

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

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

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 451,284                | 451,284            | 902,568               | 85.71%            | 1,302,968             | 1,302,968          | 2,605,936             | 90.78%            |
| Statewide PL Adjustments | 36,158                 | 29,376             | 65,534                | 6.22%             | 104,397               | 84,816             | 189,213               | 6.59%             |
| Other PL Adjustments     | (1,256)                | (3,753)            | (5,009)               | (0.48%)           | (3,626)               | (10,832)           | (14,458)              | (0.50%)           |
| New Proposals            | 90,000                 | 0                  | 90,000                | 8.55%             | 90,000                | 0                  | 90,000                | 3.14%             |
| <b>Total Budget</b>      | <b>\$576,186</b>       | <b>\$476,907</b>   | <b>\$1,053,093</b>    |                   | <b>\$1,493,739</b>    | <b>\$1,376,952</b> | <b>\$2,870,691</b>    |                   |

**Other Legislation**

HB 9 - Establishes priorities for the Cultural and Aesthetic Project Grants. The bill appropriates \$758,650 in interest earnings to the Montana Arts Council for grant awards and allows for the reduction of grants on a pro rata basis if the money in the account proves to be insufficient to fund approved projects in the 2015 biennium. The approved grants include special projects of \$4,500 or less, special projects, operational support, and capital expenditures. The grants are awarded to various cultural and aesthetic projects in communities across Montana.

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                                 |                       |                  |                 |                  |                  |                       |                  |                  |                  |                   |
|---|-----------------------|------------------|-----------------|------------------|------------------|-----------------------|------------------|------------------|------------------|-------------------|
|   | -----Fiscal 2014----- |                  |                 |                  |                  | -----Fiscal 2015----- |                  |                  |                  |                   |
|   | FTE                   | General Fund     | State Special   | Federal Special  | Total Funds      | FTE                   | General Fund     | State Special    | Federal Special  | Total Funds       |
| Personal Services                                       |                       |                  |                 |                  | 90,323           |                       |                  |                  |                  | 91,416            |
| Inflation/Deflation                                     |                       |                  |                 |                  | 737              |                       |                  |                  |                  | 1,369             |
| Fixed Costs   |                       |                  |                 |                  | 13,337           |                       |                  |                  |                  | (7,969)           |
| <b>Total Statewide Present Law Adjustments</b>          |                       | <b>\$36,158</b>  | <b>\$16,371</b> | <b>\$51,868</b>  | <b>\$104,397</b> |                       | <b>\$29,376</b>  | <b>\$13,300</b>  | <b>\$42,140</b>  | <b>\$84,816</b>   |
| DP 50 - Initial Motion to FY 2012 Base                  | 0.00                  | (36,158)         | (16,371)        | (51,868)         | (104,397)        | 0.00                  | (29,376)         | (13,300)         | (42,140)         | (84,816)          |
| DP 51 - Adjustment for Statewide Personal Services      | 0.00                  | 31,283           | 14,164          | 44,876           | 90,323           | 0.00                  | 31,662           | 14,335           | 45,419           | 91,416            |
| DP 52 - Adjustment for Statewide Operations             | 0.00                  | 4,895            | 2,216           | 7,020            | 14,131           | 0.00                  | (2,272)          | (1,028)          | (3,257)          | (6,557)           |
| DP 51142 - Adj for Rent, Newspaper, Computers, Software | 0.00                  | (1,276)          | (578)           | (1,829)          | (3,683)          | 0.00                  | (3,767)          | (1,705)          | (5,403)          | (10,875)          |
| <b>Total Other Present Law Adjustments</b>              | <b>0.00</b>           | <b>(\$1,256)</b> | <b>(\$569)</b>  | <b>(\$1,801)</b> | <b>(\$3,626)</b> | <b>0.00</b>           | <b>(\$3,753)</b> | <b>(\$1,698)</b> | <b>(\$5,381)</b> | <b>(\$10,832)</b> |
| <b>Grand Total All Present Law Adjustments</b>          | <b>0.00</b>           | <b>\$34,902</b>  | <b>\$15,802</b> | <b>\$50,067</b>  | <b>\$100,771</b> | <b>0.00</b>           | <b>\$25,623</b>  | <b>\$11,602</b>  | <b>\$36,759</b>  | <b>\$73,984</b>   |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings at the amount requested by the executive.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 51142 - Adj for Rent, Newspaper, Computers, Software - The legislature reduced the budget for one time only operating costs and increases for building lease and State of the Arts newspaper production and circulation costs.

**New Proposals**

| New Proposals                                |                       |                 |               |                 |                 |                       |              |               |                 |             |
|--|-----------------------|-----------------|---------------|-----------------|-----------------|-----------------------|--------------|---------------|-----------------|-------------|
|  | -----Fiscal 2014----- |                 |               |                 |                 | -----Fiscal 2015----- |              |               |                 |             |
| Program                                      | FTE                   | General Fund    | State Special | Federal Special | Total Funds     | FTE                   | General Fund | State Special | Federal Special | Total Funds |
| DP 300 - Arts In Education Grants (BIEN/OTO) |                       |                 |               |                 |                 |                       |              |               |                 |             |
| 01   | 0.00                  | 90,000          | 0             | 0               | 90,000          | 0.00                  | 0            | 0             | 0               | 0           |
| <b>Total</b>                                 | <b>0.00</b>           | <b>\$90,000</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$90,000</b> | <b>0.00</b>           | <b>\$0</b>   | <b>\$0</b>    | <b>\$0</b>      | <b>\$0</b>  |

DP 300 - Arts In Education Grants (BIEN/OTO) - The legislature added general fund as a biennial, one-time-only appropriation to increase funding for the arts in education program. \$35,000 of the appropriation is restricted to a grant to the Box Elder schools for its Fine Arts Glass Blowing program:

- At least \$30,000 must be allocated for propane and glass costs
- Up to \$5,000 may be allocated to reimburse participating schools for travel expenses
- Funds must be used to supplement, but not supplant, local funding for the program

The remaining \$55,000 of the appropriation is available for other arts in education grants.

### Agency Budget Comparison

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

| Agency Budget Comparison      |                     |                        |                       |                       |                          |                          |                    |                      |
|-------------------------------|---------------------|------------------------|-----------------------|-----------------------|--------------------------|--------------------------|--------------------|----------------------|
| Budget Item                   | Base<br>Fiscal 2012 | Approp.<br>Fiscal 2013 | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 12-13 | Biennium<br>Fiscal 14-15 | Biennium<br>Change | Biennium<br>% Change |
| FTE                           | 28.25               | 28.25                  | 31.75                 | 31.75                 | 28.25                    | 31.75                    | 3.50               | 12.39%               |
| Estimated Impact of HB 2*     |                     |                        | (1.18)                | (1.18)                |                          | (1.18)                   | (1.18)             |                      |
| <b>Net Estimated FTE*</b>     |                     |                        | <b>30.57</b>          | <b>30.57</b>          |                          | <b>30.57</b>             | <b>2.32</b>        |                      |
| Personal Services             | 2,002,399           | 1,721,659              | 1,985,662             | 1,983,411             | 3,724,058                | 3,969,073                | 245,015            | 6.58%                |
| Operating Expenses            | 2,122,110           | 1,997,276              | 2,258,097             | 2,208,024             | 4,119,386                | 4,466,121                | 346,735            | 8.42%                |
| Equipment & Intangible Assets | 28,235              | 7,935                  | 28,718                | 29,103                | 36,170                   | 57,821                   | 21,651             | 59.86%               |
| Grants                        | 295,837             | 719,123                | 2,400,281             | 1,299,888             | 1,014,960                | 3,700,169                | 2,685,209          | 264.56%              |
| Transfers                     | 0                   | 0                      | 0                     | 0                     | 0                        | 0                        | 0                  | n/a                  |
| <b>Total Costs</b>            | <b>\$4,448,581</b>  | <b>\$4,445,993</b>     | <b>\$6,672,758</b>    | <b>\$5,520,426</b>    | <b>\$8,894,574</b>       | <b>\$12,193,184</b>      | <b>\$3,298,610</b> | <b>37.09%</b>        |
| General Fund                  | 2,544,909           | 2,643,606              | 3,207,502             | 3,155,870             | 5,188,515                | 6,363,372                | 1,174,857          | 22.64%               |
| State Special                 | 763,324             | 763,323                | 1,800,386             | 1,799,683             | 1,526,647                | 3,600,069                | 2,073,422          | 135.82%              |
| Federal Special               | 1,140,348           | 1,021,878              | 1,664,870             | 564,873               | 2,162,226                | 2,229,743                | 67,517             | 3.12%                |
| Other                         | 0                   | 17,186                 | 0                     | 0                     | 17,186                   | 0                        | (17,186)           | (100.00%)            |
| <b>Total Funds</b>            | <b>\$4,448,581</b>  | <b>\$4,445,993</b>     | <b>\$6,672,758</b>    | <b>\$5,520,426</b>    | <b>\$8,894,574</b>       | <b>\$12,193,184</b>      | <b>\$3,298,610</b> | <b>37.09%</b>        |

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

Mission Statement: Montana Library Commission (MLC) meets the information needs of Montana government agency management and staff, ensures all Montana citizens have access to information created by their government, supports the role of all Montana libraries in delivering quality library content and services to their patrons, works to strengthen local community public libraries, ensures that Montanans who are visually or physically handicapped are provided access to library resources, and measures its successes by its patrons' and partners' successes.

MLC, authorized in Section 22-1-101, MCA, administers state and federal library funding to operate and maintain the state library, oversees the six library federations located throughout Montana, and develops library oriented statewide long-range planning, policy, and service coordination.

MLC is further authorized in section 90-15-101, MCA to establish a planning framework for the development of the natural resources information system (NRIS), to implement the system, and to establish an ongoing Montana Natural Heritage Program.

Additional responsibilities of the commission include: assisting all tax-supported libraries and local governments wishing to establish or improve libraries; maintaining an audio book library for use by Montanans unable to utilize printed materials; providing access to state publications; and maintaining and providing information related to Montana's plant and animal species and habitat and comprehensive natural resources (land) information.

## Agency Highlights

| <b>Montana Library Commission<br/>Major Budget Highlights</b>   |
|---|
| <ul style="list-style-type: none"> <li>◆ The major factors contributing to the biennial budget increase are:           <ul style="list-style-type: none"> <li>• Transferring the Base Map Service Center to the State Library from the Department of Administration, adding 2.50 FTE and \$1.9 million state special revenue and reducing the Department of Administration budget by a similar amount</li> <li>• Approving the water information system manager position requested by the executive, 1.00 FTE and \$0.15 million one-time-only general fund</li> <li>• Increasing the amount of state funds distributed to local libraries</li> <li>• Fixed cost increases</li> </ul> </li> </ul> |

### Summary of Legislative Action

The legislature provided a significant budget increase for the Montana State Library in the 2015 biennium due primarily to transferring the Base Map Service Center formerly housed in the Department of Administration to the State Library. This move had been recommended by the executive. Other factors driving the budget increase include increasing state funds for distribution to public libraries and adding a water information systems manager as a one-time-only expense that will not be included in the base budget for the 2017 biennium.

General fund increases \$1.2 million in the 2015 biennium due primarily to:

- Fixed cost increases \$411,000
- 1.0 FTE (new) water information systems manager -- \$145,000 OTO
- Increased state funds for distribution to local libraries -- \$586,000

The legislature applied 4% vacancy savings to the Library as recommended by the executive, but exempted the agency from the additional 2% vacancy savings applied by the legislature to most agencies.

### *Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 1.18 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison   |                         |                              |                                |                                    |                              |                                |                                    |                                  |
|-------------------------------|-------------------------|------------------------------|--------------------------------|------------------------------------|------------------------------|--------------------------------|------------------------------------|----------------------------------|
| Budget Item                   | Base Budget Fiscal 2012 | Executive Budget Fiscal 2014 | Legislative Budget Fiscal 2014 | Leg - Exec. Difference Fiscal 2014 | Executive Budget Fiscal 2015 | Legislative Budget Fiscal 2015 | Leg - Exec. Difference Fiscal 2015 | Biennium Difference Fiscal 14-15 |
| FTE                           | 28.25                   | 31.75                        | 31.75                          | 0.00                               | 31.75                        | 31.75                          | 0.00                               |                                  |
| Estimated Impact of HB 2*     |                         |                              | (1.18)                         | (1.18)                             |                              | (1.18)                         | (1.18)                             |                                  |
| <b>Net Estimated FTE*</b>     |                         |                              | <b>30.57</b>                   | <b>(1.18)</b>                      |                              | <b>30.57</b>                   | <b>(1.18)</b>                      |                                  |
| Personal Services             | 2,002,399               | 1,985,662                    | 1,985,662                      | 0                                  | 1,983,411                    | 1,983,411                      | 0                                  | 0                                |
| Operating Expenses            | 2,122,110               | 2,256,956                    | 2,258,097                      | 1,141                              | 2,206,851                    | 2,208,024                      | 1,173                              | 2,314                            |
| Equipment & Intangible Assets | 28,235                  | 28,718                       | 28,718                         | 0                                  | 29,103                       | 29,103                         | 0                                  | 0                                |
| Grants                        | 295,837                 | 2,107,345                    | 2,400,281                      | 292,936                            | 1,006,952                    | 1,299,888                      | 292,936                            | 585,872                          |
| Transfers                     | 0                       | 0                            | 0                              | 0                                  | 0                            | 0                              | 0                                  | 0                                |
| <b>Total Costs</b>            | <b>\$4,448,581</b>      | <b>\$6,378,681</b>           | <b>\$6,672,758</b>             | <b>\$294,077</b>                   | <b>\$5,226,317</b>           | <b>\$5,520,426</b>             | <b>\$294,109</b>                   | <b>\$588,186</b>                 |
| General Fund                  | 2,544,909               | 2,943,455                    | 3,207,502                      | 264,047                            | 2,891,794                    | 3,155,870                      | 264,076                            | 528,123                          |
| State/Other Special           | 763,324                 | 1,800,386                    | 1,800,386                      | 0                                  | 1,799,683                    | 1,799,683                      | 0                                  | 0                                |
| Federal Special               | 1,140,348               | 1,634,840                    | 1,664,870                      | 30,030                             | 534,840                      | 564,873                        | 30,033                             | 60,063                           |
| Proprietary                   | 0                       | 0                            | 0                              | 0                                  | 0                            | 0                              | 0                                  | 0                                |
| <b>Total Funds</b>            | <b>\$4,448,581</b>      | <b>\$6,378,681</b>           | <b>\$6,672,758</b>             | <b>\$294,077</b>                   | <b>\$5,226,317</b>           | <b>\$5,520,426</b>             | <b>\$294,109</b>                   | <b>\$588,186</b>                 |

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislative budget exceeds the executive budget by \$0.6 million for the biennium because additional state funding for distribution to local libraries was included in the legislative budget compared to the executive budget request. This increase, a one-time-only appropriation, is in addition to the \$0.2 million included in the 2015 biennium base budget. See DP 300 in the New Proposal section for more information on this program expansion.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Montana State Library Funding by Source of Authority<br>2015 Biennium Budget - Statewide Library Resources |                     |                          |                         |                     |                   |               |                    |  |
|--|---------------------|--------------------------|-------------------------|---------------------|-------------------|---------------|--------------------|--|
| Funds  | HB 2                | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources   | % Total All Funds | MCA Reference | Statutory Category |  |
| General Fund   | \$6,363,372         | \$0                      | \$0                     | \$6,363,372         | 50.1%             |               |                    |  |
| State Special Total  | \$3,600,069         | \$0                      | \$0                     | \$3,600,069         | 28.4%             |               |                    |  |
| 02026 Nris State Special   | \$567,046           | \$0                      | \$0                     | \$567,046           | 4.5%              |               |                    |  |
| 02340 Coal Sev. Tax Shared Ssr   | \$1,125,602         | \$0                      | \$0                     | \$1,125,602         | 8.9%              |               |                    |  |
| 02779 Montana Land Information   | \$1,907,421         | \$0                      | \$0                     | \$1,907,421         | 15.0%             |               |                    |  |
| Federal Special Total  | \$2,229,743         | \$0                      | \$0                     | \$2,229,743         | 17.6%             |               |                    |  |
| 03018 Library Commission   | \$2,229,743         | \$0                      | \$0                     | \$2,229,743         | 17.6%             |               |                    |  |
| Proprietary Total  | \$0                 | \$497,678                | \$0                     | \$497,678           | 3.9%              |               |                    |  |
| 06021 Mt Shared Catalog  | \$0                 | \$497,678                | \$0                     | \$497,678           | 3.9%              |               |                    |  |
| <b>Total All Funds</b>   | <b>\$12,193,184</b> | <b>\$497,678</b>         | <b>\$0</b>              | <b>\$12,690,862</b> | <b>100.0%</b>     |               |                    |  |
| <b>Percent - Total All Sources</b>   | <b>96.1%</b>        | <b>3.9%</b>              | <b>0.0%</b>             |                     |                   |               |                    |  |

The Montana State Library is funded through a combination of general fund, state special revenue, and federal special revenue.

General fund supports:

- The statewide interlibrary resource-sharing program
- State aid to libraries throughout Montana
- Natural Resource Information System (NRIS)
- General agency operations

State special revenue includes:

- A portion of the coal tax shared account
- Assessments from certain state agencies that use the NRIS
- Revenue from the Montana Land Information account that receives a portion of document recording fees assessed at the local level (see New Proposal DP 201)

Federal funds come primarily from Library Services and Technology Act (LSTA) grants administered through the federal Institute of Museum and Library Services. These federal funds:

- Will be impacted by federal sequestration
- Are formula grants from the federal agency rather than competitive grants
- Require a 2:1 federal: state match and a 5 year plan
- Are used for collection content and access, training and outreach to local libraries, and services to patrons with disabilities
- Were approved by the legislature as a biennial appropriation

This agency includes proprietary funding that does not require an appropriation in HB 2. This funding is discussed in more detail in the Proprietary Rates section later in this narrative.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 2,544,909              | 2,544,909          | 5,089,818             | 79.99%            | 4,448,581             | 4,448,581          | 8,897,162             | 72.97%            |
| Statewide PL Adjustments | 297,408                | 270,857            | 568,265               | 8.93%             | (79,425)              | (105,952)          | (185,377)             | (1.52%)           |
| Other PL Adjustments     | (25,223)               | (25,194)           | (50,417)              | (0.79%)           | 919,132               | (180,860)          | 738,272               | 6.05%             |
| New Proposals            | 390,408                | 365,298            | 755,706               | 11.88%            | 1,384,470             | 1,358,657          | 2,743,127             | 22.50%            |
| <b>Total Budget</b>      | <b>\$3,207,502</b>     | <b>\$3,155,870</b> | <b>\$6,363,372</b>    |                   | <b>\$6,672,758</b>    | <b>\$5,520,426</b> | <b>\$12,193,184</b>   |                   |

**Other Legislation**

HB 13 – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

HB 38 – Transfers the administrative functions and funding of the Montana Land Information Act (MLIA) and the infrastructure of the Base Map Service Center from the Department of Administration to the Montana State Library. This transfer includes 2.50 FTE (see NP 201 below).

HB 203 - Establishes a statutory general fund appropriation to the state library commission to distribute state funds to local libraries and library districts in the amount of \$0.40 on a per capita basis. Coordination language was included in the bill that makes the effective date of the statutory appropriation July 1, 2015 in the event HB 2 was passed with an appropriation for the same purpose and amount (see NP 300 below). The statutory appropriation sunsets July 1, 2017.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                               | -----Fiscal 2014----- |                   |                 |                    |                   | -----Fiscal 2015----- |                   |                 |                    |                    |
|---|-----------------------|-------------------|-----------------|--------------------|-------------------|-----------------------|-------------------|-----------------|--------------------|--------------------|
|   | FTE                   | General Fund      | State Special   | Federal Special    | Total Funds       | FTE                   | General Fund      | State Special   | Federal Special    | Total Funds        |
| Personal Services                                     |                       |                   |                 |                    | (226,835)         |                       |                   |                 |                    | (228,744)          |
| Vacancy Savings                                       |                       |                   |                 |                    | (70,941)          |                       |                   |                 |                    | (70,863)           |
| Inflation/Deflation                                   |                       |                   |                 |                    | (297)             |                       |                   |                 |                    | 557                |
| Fixed Costs   |                       |                   |                 |                    | 218,648           |                       |                   |                 |                    | 193,098            |
| <b>Total Statewide Present Law Adjustments</b>        |                       | <b>\$297,408</b>  | <b>\$0</b>      | <b>(\$376,833)</b> | <b>(\$79,425)</b> |                       | <b>\$270,857</b>  | <b>\$0</b>      | <b>(\$376,809)</b> | <b>(\$105,952)</b> |
| DP 50 - Initial Motion to FY 2012 Base                | 0.00                  | (297,408)         | 0               | 376,833            | 79,425            | 0.00                  | (270,857)         | 0               | 376,809            | 105,952            |
| DP 51 - Adjustment for Statewide Personal Services    | 0.00                  | 96,688            | 0               | (394,464)          | (297,776)         | 0.00                  | 93,065            | 0               | (392,672)          | (299,607)          |
| DP 52 - Adjustment for Statewide Operations           | 0.00                  | 201,065           | 0               | 17,661             | 218,726           | 0.00                  | 178,166           | 0               | 15,896             | 194,062            |
| DP 101 - LSTA Grants (Bien)                           | 0.00                  | 0                 | 0               | 901,325            | 901,325           | 0.00                  | 0                 | 0               | (198,699)          | (198,699)          |
| DP 102 - Inflationary Increase for Statewide Database | 0.00                  | 0                 | 13,000          | 0                  | 13,000            | 0.00                  | 0                 | 13,000          | 0                  | 13,000             |
| DP 103 - Standard Cost Adjustments                    | 0.00                  | 4,432             | 0               | 0                  | 4,432             | 0.00                  | 4,432             | 0               | 0                  | 4,432              |
| DP 104 - NRIS Core Funding Switch                     | 0.00                  | 0                 | 30,000          | (30,000)           | 0                 | 0.00                  | 0                 | 30,000          | (30,000)           | 0                  |
| DP 105 - Correct Adjusted Base Funding                | 0.00                  | (30,000)          | 0               | 30,000             | 0                 | 0.00                  | (30,000)          | 0               | 30,000             | 0                  |
| <b>Total Other Present Law Adjustments</b>            | <b>0.00</b>           | <b>(\$25,223)</b> | <b>\$43,000</b> | <b>\$901,355</b>   | <b>\$919,132</b>  | <b>0.00</b>           | <b>(\$25,194)</b> | <b>\$43,000</b> | <b>(\$198,666)</b> | <b>(\$180,860)</b> |
| <b>Grand Total All Present Law Adjustments</b>        | <b>0.00</b>           | <b>\$272,185</b>  | <b>\$43,000</b> | <b>\$524,522</b>   | <b>\$839,707</b>  | <b>0.00</b>           | <b>\$245,663</b>  | <b>\$43,000</b> | <b>(\$575,475)</b> | <b>(\$286,812)</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 101 - LSTA Grants (Bien) - The legislature increased federal authority to spend estimated Library Services and Technology Act (LSTA) grant awards and realign the biennial appropriation of the awards into the first year of the biennium, resulting in a smaller adjustment in FY 2015.

DP 102 - Inflationary Increase for Statewide Database - The legislature increased funding from the coal tax shared account to the Montana State Library for increased inflationary costs associated with providing statewide access to periodical databases via contracted services.

DP 103 - Standard Cost Adjustments - This decision package reestablishes zero-based insurance costs for talking book library volunteers insurance at \$500 each year of the 2015 biennium. In addition, the legislative budget includes a per diem budget totaling \$3,550 annually for the five commission members and a legal services budget totaling \$8,022 annually for the State Library.

DP 104 - NRIS Core Funding Switch - The legislature approved the executive proposal to reclassify funding from another state agency for the NRIS program from federal funds to state special revenue funds.

DP 105 - Correct Adjusted Base Funding - This adjustment corrects the funding of the adjusted base budget each year of the 2015 biennium. There is no overall impact to the total spending authority for the Montana State Library.

**New Proposals**

| Program   | -----Fiscal 2014----- |                  |                  |                 |                    | -----Fiscal 2015----- |                  |                  |                 |                    |
|---|-----------------------|------------------|------------------|-----------------|--------------------|-----------------------|------------------|------------------|-----------------|--------------------|
|   | FTE                   | General Fund     | State Special    | Federal Special | Total Funds        | FTE                   | General Fund     | State Special    | Federal Special | Total Funds        |
| DP 201 - Base Map Service Center transfer to MSL (Requires Legislation) |                       |                  |                  |                 |                    |                       |                  |                  |                 |                    |
| 01  | 2.50                  | 0                | 954,062          | 0               | 954,062            | 2.50                  | 0                | 953,359          | 0               | 953,359            |
| DP 202 - Water Information System Manager (RST/OTO)                     |                       |                  |                  |                 |                    |                       |                  |                  |                 |                    |
| 01  | 1.00                  | 72,472           | 0                | 0               | 72,472             | 1.00                  | 72,362           | 0                | 0               | 72,362             |
| DP 203 - Talking Book Library Digital Transition (RST/OTO)              |                       |                  |                  |                 |                    |                       |                  |                  |                 |                    |
| 01  | 0.00                  | 25,000           | 0                | 0               | 25,000             | 0.00                  | 0                | 0                | 0               | 0                  |
| DP 204 - Online Information Resources                                   |                       |                  |                  |                 |                    |                       |                  |                  |                 |                    |
| 01  | 0.00                  | 0                | 40,000           | 0               | 40,000             | 0.00                  | 0                | 40,000           | 0               | 40,000             |
| DP 300 - Distribution to Local Libraries (RST/OTO)                      |                       |                  |                  |                 |                    |                       |                  |                  |                 |                    |
| 01  | 0.00                  | 292,936          | 0                | 0               | 292,936            | 0.00                  | 292,936          | 0                | 0               | 292,936            |
| <b>Total</b>  | <b>3.50</b>           | <b>\$390,408</b> | <b>\$994,062</b> | <b>\$0</b>      | <b>\$1,384,470</b> | <b>3.50</b>           | <b>\$365,298</b> | <b>\$993,359</b> | <b>\$0</b>      | <b>\$1,358,657</b> |

DP 201 - Base Map Service Center transfer to MSL - The legislature approved the transfer the Base Map Service Center from the Department of Administration to the State Library. The transfer had been contingent upon HB 38, which was passed and approved. This transfer includes 2.50 FTE and funding authority for Montana Land Information Act coordination, Montana Spatial Data Infrastructure support as approved by the MLIA Council, and MLIA grant funds to local and tribal governments.

DP 202 - Water Information System Manager (RST/OTO) - The legislature approved additional general fund for the state library to add a new position to the NRIS program to operate the Montana Water Information System provided for in 90-15-305, MCA. The legislature conditioned this appropriation as a restricted, one-time-only addition to the budget.

DP 203 - Talking Book Library Digital Transition (RST/OTO) - The legislature added one-time-only funding to support the Montana Talking Book Library’s transition from analog cassettes to digital files. This is a restricted appropriation.

DP 204 - Online Information Resources - The legislature increased the coal tax shared account funding allocation to the State Library for increased funding for online databases.

DP 300 - Distribution to Local Libraries (RST/OTO) - The legislature added general fund to the State Library to increase the budget for the distribution of state funds to local libraries from \$102,830 annually to \$395,766 annually. The new appropriation is a restricted, one-time-only addition to the budget. The base amount of \$102,830 is an ongoing annual expenditure. The table below summarizes the funding available for distribution to local libraries for FY 2012 through FY 2015. Funding is distributed to 84 local libraries and districts in Montana. As discussed in the “Other Legislation” section above, the library will receive a statutory appropriation in the 2017 biennium.

| State Funds Distributed to Local Libraries and Library Districts<br>FY 2012 through FY 2015 |                                      |  |           |           |
|---|--------------------------------------|--|-----------|-----------|
| Fiscal Year   | Per Capita<br>Distribution<br>Amount | State Funds Distributed to Local Libraries |           |           |
|   |                                      | One-Time                                   | On-Going  | Total     |
| FY 2012 Actual  | \$0.10                               | \$0  | \$102,830 | \$102,830 |
| FY 2013 Projected   | \$0.10                               | \$0  | \$102,830 | \$102,830 |
| FY 2014 HB 2 Appropriation  | \$0.40                               | \$292,936                                  | \$102,830 | \$395,766 |
| FY 2015 HB 2 Appropriation  | \$0.40                               | \$292,936                                  | \$102,830 | \$395,766 |
| *FY 2013-2015 Estimated   |                                      |  |           |           |

### Proprietary Rates

#### Proprietary Program Description

The Montana Shared Catalog (MSC) is a cooperative project involving 160+ libraries. Public libraries, school libraries, academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide great service to library customers.

#### Proprietary Rate Explanation

In accord with the written agreement each participating MSC library signs upon joining this library consortium, annual fees assessed each library are established on the basis of a membership-approved cost formula. The goal of the cost formula is to distribute MSC annual operational costs as fairly and evenly as possible based on the following: the individual library's titles count (formula weighting=30%), patron count (formula weighting=30%), circulation count (formula weighting=10%), and an equal share contribution (formula weighting=30%). Libraries that fall below a set threshold in their title counts and patron counts receive a fixed discount in accord with criteria set forth in the cost formula.

**Agency Budget Comparison**

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

| Agency Budget Comparison      |                    |                     |                    |                    |                       |                       |                  |                   |
|-------------------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item                   | Base Fiscal 2012   | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change  | Biennium % Change |
| FTE                           | 59.83              | 59.83               | 60.83              | 60.83              | 59.83                 | 60.83                 | 1.00             | 1.67%             |
| Estimated Impact of HB 2*     |                    |                     | (2.49)             | (2.49)             |                       | (2.49)                | (2.49)           |                   |
| <b>Net Estimated FTE*</b>     |                    |                     | <b>58.34</b>       | <b>58.34</b>       |                       | <b>58.34</b>          | <b>(1.49)</b>    |                   |
| Personal Services             | 3,027,304          | 3,133,626           | 3,147,870          | 3,148,657          | 6,160,930             | 6,296,527             | 135,597          | 2.20%             |
| Operating Expenses            | 1,509,535          | 1,843,501           | 1,849,174          | 1,742,822          | 3,353,036             | 3,591,996             | 238,960          | 7.13%             |
| Equipment & Intangible Assets | 55,361             | 7,159               | 361,054            | 163,605            | 62,520                | 524,659               | 462,139          | 739.19%           |
| Grants                        | 87,120             | 88,389              | 87,120             | 87,120             | 175,509               | 174,240               | (1,269)          | (0.72%)           |
| Transfers                     | 0                  | 0                   | 0                  | 0                  | 0                     | 0                     | 0                | n/a               |
| <b>Total Costs</b>            | <b>\$4,679,320</b> | <b>\$5,072,675</b>  | <b>\$5,445,218</b> | <b>\$5,142,204</b> | <b>\$9,751,995</b>    | <b>\$10,587,422</b>   | <b>\$835,427</b> | <b>8.57%</b>      |
| General Fund                  | 2,824,649          | 2,934,256           | 3,418,356          | 3,118,310          | 5,758,905             | 6,536,666             | 777,761          | 13.51%            |
| State Special                 | 552,247            | 581,831             | 710,814            | 710,577            | 1,134,078             | 1,421,391             | 287,313          | 25.33%            |
| Federal Special               | 752,392            | 765,318             | 720,187            | 719,719            | 1,517,710             | 1,439,906             | (77,804)         | (5.13%)           |
| Other                         | 550,032            | 791,270             | 595,861            | 593,598            | 1,341,302             | 1,189,459             | (151,843)        | (11.32%)          |
| <b>Total Funds</b>            | <b>\$4,679,320</b> | <b>\$5,072,675</b>  | <b>\$5,445,218</b> | <b>\$5,142,204</b> | <b>\$9,751,995</b>    | <b>\$10,587,422</b>   | <b>\$835,427</b> | <b>8.57%</b>      |

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

**Agency Description**

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

**Agency Highlights**

| <b>Montana Historical Society<br/>Major Budget Highlights</b>  |
|--|
| <ul style="list-style-type: none"> <li>◆ The biennial budget increases 8.6% largely due to:                             <ul style="list-style-type: none"> <li>● Three new budget proposals, one that adds a permanent 1.00 FTE and two proposals that are one-time-only</li> <li>● Increased historical interpretation expenses funded from the lodging facility use tax</li> <li>● Vacancy savings in the base year of 7% compared to the budgeted 6%</li> </ul> </li> <li>◆ The legislative budget establishes authority for proprietary funds at a level about 10% above the FY 2012 base level</li> <li>◆ The budget increase is funded from the general fund and the accommodations tax</li> </ul> |

**Summary of Legislative Action**

The legislature approved an 8.6% budget increase for the Montana Historical Society in the 2015 biennium. HB 2 funds for the Historical Society come mostly from general fund (62%), but the agency also receives a 2.6% share of the

Lodging Facilities Use Tax (bed tax), self-generated revenue from donations, publications, merchandise, and museum entrance fees, and federal historic preservation grants.

General fund increases \$778,000 in the 2015 biennium due primarily to:

- o Approval of a 1.0 FTE security guard supervisor -- \$116,000
- o OTO funding for archival shelving -- \$402,000
- o OTO funding for Original Governor’s Mansion interior maintenance -- \$102,000

State special revenue from the bed tax is projected to increase \$150,000 each year. This revenue is restricted by statute to be spent on historical interpretation and the Robert Scriver collection.

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 2.49 FTE for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

**Funding**

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

| Total Montana Historical Society Funding by Source of Authority<br>2015 Biennium Budget |                     |                             |                            |                      |                      |
|---|---------------------|-----------------------------|----------------------------|----------------------|----------------------|
| Funds   | HB 2                | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total All<br>Sources | % Total<br>All Funds |
| General Fund  | \$6,536,666         | \$0                         | \$0                        | \$6,536,666          | 59.7%                |
| State Special Total   | 1,421,391           | -                           | 369,054                    | 1,790,445            | 16.3%                |
| Federal Special Total   | 1,439,906           | -                           | -                          | 1,439,906            | 13.1%                |
| Proprietary Total   | 1,189,459           | -                           | -                          | 1,189,459            | 10.9%                |
| Current Unrestricted  | -                   | -                           | -                          | -                    | 0.0%                 |
| Other Total   | -                   | -                           | -                          | -                    | 0.0%                 |
| <b>Total All Funds</b>  | <b>\$10,587,422</b> | <b>\$0</b>                  | <b>\$369,054</b>           | <b>\$10,956,476</b>  |                      |
| Percent - Total All Sources   | 96.6%               | 0.0%                        | 3.4%                       |                      |                      |

General fund is the primary funding source for this agency.

State special revenue includes:

- o Donations to the Society and the Original Governor's Mansion
- o An allocation of the lodging facility use tax (2.6%)

Federal funds are from the National Park Service for historic preservation. Proprietary funds for the agency are derived from the sale of documents and merchandise, charges for services, rental of lobby and galleries for receptions, and magazine advertising. Proprietary funds are budgeted to decline when compared on a biennial basis.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2014  | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget |
| Base Budget              | 2,824,649              | 2,824,649             | 5,649,298                | 86.42%               | 4,679,320             | 4,679,320             | 9,358,640                | 88.39%               |
| Statewide PL Adjustments | 206,902                | 149,774               | 356,676                  | 5.46%                | 247,556               | 190,654               | 438,210                  | 4.14%                |
| Other PL Adjustments     | 598                    | 623                   | 1,221                    | 0.02%                | 150,719               | 150,709               | 301,428                  | 2.85%                |
| New Proposals            | 386,207                | 143,264               | 529,471                  | 8.10%                | 367,623               | 121,521               | 489,144                  | 4.62%                |
| <b>Total Budget</b>      | <b>\$3,418,356</b>     | <b>\$3,118,310</b>    | <b>\$6,536,666</b>       |                      | <b>\$5,445,218</b>    | <b>\$5,142,204</b>    | <b>\$10,587,422</b>      |                      |

**Other Legislation**

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Budget Item                   | Base<br>Budget<br>Fiscal 2012 | Executive<br>Budget<br>Fiscal 2014 | Legislative<br>Budget<br>Fiscal 2014 | Leg – Exec.<br>Difference<br>Fiscal 2014 | Executive<br>Budget<br>Fiscal 2015 | Legislative<br>Budget<br>Fiscal 2015 | Leg – Exec.<br>Difference<br>Fiscal 2015 | Biennium<br>Difference<br>Fiscal 14-15 |
|-------------------------------|-------------------------------|------------------------------------|--------------------------------------|--|------------------------------------|--------------------------------------|--|--|
| FTE                           | 59.83                         | 60.83                              | 60.83                                | 0.00                                     | 60.83                              | 60.83                                | 0.00                                     |  |
| Estimated Impact of HB 2*     |                               |                                    | (2.49)                               | (2.49)                                   |                                    | (2.49)                               | (2.49)                                   |  |
| <b>Net Estimated FTE*</b>     |                               |                                    | <b>58.34</b>                         | <b>(2.49)</b>                            |                                    | <b>58.34</b>                         | <b>(2.49)</b>                            |  |
| Personal Services             | 3,027,304                     | 3,213,606                          | 3,147,870                            | (65,736)                                 | 3,214,410                          | 3,148,657                            | (65,753)                                 | (131,489)                              |
| Operating Expenses            | 1,509,535                     | 1,850,435                          | 1,849,174                            | (1,261)                                  | 1,744,093                          | 1,742,822                            | (1,271)                                  | (2,532)                                |
| Equipment & Intangible Assets | 55,361                        | 361,054                            | 361,054                              | 0  | 163,605                            | 163,605                              | 0  | 0                                      |
| Grants                        | 87,120                        | 87,120                             | 87,120                               | 0  | 87,120                             | 87,120                               | 0  | 0                                      |
| Transfers                     | 0                             | 0                                  | 0                                    | 0  | 0                                  | 0                                    | 0  | 0                                      |
| <b>Total Costs</b>            | <b>\$4,679,320</b>            | <b>\$5,512,215</b>                 | <b>\$5,445,218</b>                   | <b>(\$66,997)</b>                        | <b>\$5,209,228</b>                 | <b>\$5,142,204</b>                   | <b>(\$67,024)</b>                        | <b>(\$134,021)</b>                     |
| General Fund                  | 2,824,649                     | 3,466,155                          | 3,418,356                            | (47,799)                                 | 3,162,942                          | 3,118,310                            | (44,632)                                 | (92,431)                               |
| State/Other Special           | 552,247                       | 713,159                            | 710,814                              | (2,345)                                  | 713,056                            | 710,577                              | (2,479)                                  | (4,824)                                |
| Federal Special               | 752,392                       | 730,154                            | 720,187                              | (9,967)                                  | 729,677                            | 719,719                              | (9,958)                                  | (19,925)                               |
| Proprietary                   | 550,032                       | 602,747                            | 595,861                              | (6,886)                                  | 603,553                            | 593,598                              | (9,955)                                  | (16,841)                               |
| <b>Total Funds</b>            | <b>\$4,679,320</b>            | <b>\$5,512,215</b>                 | <b>\$5,445,218</b>                   | <b>(\$66,997)</b>                        | <b>\$5,209,228</b>                 | <b>\$5,142,204</b>                   | <b>(\$67,024)</b>                        | <b>(\$134,021)</b>                     |

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislative budget is \$134,000 less than the executive budget request, about 1.3%. The primary difference is that the legislature applied an additional 2% vacancy savings to the agency, in addition to the 4% vacancy savings included in the executive budget.

**Language and Statutory Authority**

The legislature included the following language in HB 2 for the Montana Historical Society:

"Administration Program includes a reduction in general fund of \$47,152 in fiscal year 2014 and \$44,010 in fiscal year 2015, state special revenue of \$2,089 in fiscal year 2014 and \$2,253 in fiscal year 2015, federal special revenue of \$9,950 in fiscal year 2014 and \$9,938 in fiscal year 2015, and proprietary funds of \$6,545 in fiscal year 2014 and \$9,552 in fiscal year 2015. The reduction is equivalent of an additional 2% vacancy savings. The agency may reallocate this reduction in funding among programs when developing 2015 biennium operating plans."

**Program Budget Comparison**

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

| Program Budget Comparison |                    |                     |                    |                    |                       |                       |                 |                   |
|---------------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|-----------------|-------------------|
| Budget Item               | Base Fiscal 2012   | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change | Biennium % Change |
| FTE                       | 17.43              | 17.43               | 18.43              | 18.43              | 17.43                 | 18.43                 | 1.00            | 5.74%             |
| Personal Services         | 871,415            | 945,299             | 949,385            | 948,423            | 1,816,714             | 1,897,808             | 81,094          | 4.46%             |
| Operating Expenses        | 408,447            | 560,417             | 479,960            | 426,067            | 968,864               | 906,027               | (62,837)        | (6.49%)           |
| Transfers                 | 0                  | 0                   | 0                  | 0                  | 0                     | 0                     | 0               | n/a               |
| <b>Total Costs</b>        | <b>\$1,279,862</b> | <b>\$1,505,716</b>  | <b>\$1,429,345</b> | <b>\$1,374,490</b> | <b>\$2,785,578</b>    | <b>\$2,803,835</b>    | <b>\$18,257</b> | <b>0.66%</b>      |
| General Fund              | 888,251            | 929,938             | 1,003,128          | 951,765            | 1,818,189             | 1,954,893             | 136,704         | 7.52%             |
| State Special             | 98,010             | 115,408             | 96,839             | 96,411             | 213,418               | 193,250               | (20,168)        | (9.45%)           |
| Federal Special           | 96,870             | 100,818             | 86,920             | 86,932             | 197,688               | 173,852               | (23,836)        | (12.06%)          |
| Other                     | 196,731            | 359,552             | 242,458            | 239,382            | 556,283               | 481,840               | (74,443)        | (13.38%)          |
| <b>Total Funds</b>        | <b>\$1,279,862</b> | <b>\$1,505,716</b>  | <b>\$1,429,345</b> | <b>\$1,374,490</b> | <b>\$2,785,578</b>    | <b>\$2,803,835</b>    | <b>\$18,257</b> | <b>0.66%</b>      |

**Program Description**

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

**Program Highlights**

| <b>Administration Program<br/>Major Budget Highlights</b>  |
|--|
| <ul style="list-style-type: none"> <li>◆ The legislature increased overall funding to this program less than 1% due to offsetting adjustments:                             <ul style="list-style-type: none"> <li>• Reducing the agency’s personal services budget an additional 2% and allocating the entire reduction to this program, with language that allows reallocation to other programs in the agency operating plan</li> <li>• A budget proposal permanently adding a 1.0 FTE security guard supervisor</li> <li>• Pay adjustments implemented in FY 2012</li> <li>• Vacancy savings in the base year of 11% compared to the budgeted 4%</li> </ul> </li> </ul> |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Montana Historical Society Funding by Source of Authority<br>2015 Biennium Budget - Administration Program |               |                             |                            |                      |                      |                  |                       |
|--|---------------|-----------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds  | HB 2          | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| General Fund   | \$1,954,893   | \$0                         | \$0                        | \$1,954,893          | 69.7%                |                  |                       |
| State Special Total  | \$193,250     | \$0                         | \$0                        | \$193,250            | 6.9%                 |                  |                       |
| 02041 Mt Hist. Society Donations   | \$141,975     | \$0                         | \$0                        | \$141,975            | 5.1%                 |                  |                       |
| 02853 Accommodation Tax  | \$51,275      | \$0                         | \$0                        | \$51,275             | 1.8%                 |                  |                       |
| Federal Special Total  | \$173,852     | \$0                         | \$0                        | \$173,852            | 6.2%                 |                  |                       |
| 03021 Historic Sites Preservation  | \$173,852     | \$0                         | \$0                        | \$173,852            | 6.2%                 |                  |                       |
| Proprietary Total  | \$481,840     | \$0                         | \$0                        | \$481,840            | 17.2%                |                  |                       |
| 06071 Merchandise - Historical Soc   | \$441,223     | \$0                         | \$0                        | \$441,223            | 15.7%                |                  |                       |
| 06073 Historical Society Management  | \$40,617      | \$0                         | \$0                        | \$40,617             | 1.4%                 |                  |                       |
| Total All Funds  | \$2,803,835   | \$0                         | \$0                        | \$2,803,835          | 100.0%               |                  |                       |
| <b>Percent - Total All Sources</b>   | <b>100.0%</b> | <b>0.0%</b>                 | <b>0.0%</b>                |                      |                      |                  |                       |

The legislature funded this program with a combination of general fund, state special revenue funds from membership fees and donations and a portion of the lodging facility use tax, federal funds generated through indirect cost recoveries, and proprietary funds from museum entrance fees and merchandise sales.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2014  | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget |
| Base Budget              | 888,251                | 888,251               | 1,776,502                | 90.87%               | 1,279,862             | 1,279,862             | 2,559,724                | 91.29%               |
| Statewide PL Adjustments | 103,031                | 48,581                | 151,612                  | 7.76%                | 156,048               | 101,295               | 257,343                  | 9.18%                |
| Other PL Adjustments     | 639                    | 669                   | 1,308                    | 0.07%                | 812                   | 812                   | 1,624                    | 0.06%                |
| New Proposals            | 11,207                 | 14,264                | 25,471                   | 1.30%                | (7,377)               | (7,479)               | (14,856)                 | (0.53%)              |
| <b>Total Budget</b>      | <b>\$1,003,128</b>     | <b>\$951,765</b>      | <b>\$1,954,893</b>       |                      | <b>\$1,429,345</b>    | <b>\$1,374,490</b>    | <b>\$2,803,835</b>       |                      |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

|  | -----Fiscal 2014----- |                  |               |                 |                   | -----Fiscal 2015----- |                 |               |                 |                   |
|--|-----------------------|------------------|---------------|-----------------|-------------------|-----------------------|-----------------|---------------|-----------------|-------------------|
|  | FTE                   | General Fund     | State Special | Federal Special | Total Funds       | FTE                   | General Fund    | State Special | Federal Special | Total Funds       |
| Present Law Adjustments                            |                       |                  |               |                 |                   |                       |                 |               |                 |                   |
| Personal Services                                  |                       |                  |               |                 | 125,212           |                       |                 |               |                 | 124,315           |
| Vacancy Savings                                    |                       |                  |               |                 | (39,865)          |                       |                 |               |                 | (39,828)          |
| Inflation/Deflation                                |                       |                  |               |                 | 312               |                       |                 |               |                 | 597               |
| Fixed Costs  |                       |                  |               |                 | 70,389            |                       |                 |               |                 | 16,211            |
| <b>Total Statewide Present Law Adjustments</b>     |                       | <b>\$103,031</b> | <b>\$881</b>  | <b>\$0</b>      | <b>\$156,048*</b> |                       | <b>\$48,581</b> | <b>\$585</b>  | <b>\$0</b>      | <b>\$101,295*</b> |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | (103,031)        | (881)         | 0               | (156,048)*        | 0.00                  | (48,581)        | (585)         | 0               | (101,295)*        |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | 56,350           | 482           | 0               | 85,347*           | 0.00                  | 40,520          | 487           | 0               | 84,487*           |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | 47,320           | 436           | 0               | 71,513*           | 0.00                  | 8,730           | 167           | 0               | 17,620*           |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>\$639</b>     | <b>\$37</b>   | <b>\$0</b>      | <b>\$812*</b>     | <b>0.00</b>           | <b>\$669</b>    | <b>\$69</b>   | <b>\$0</b>      | <b>\$812*</b>     |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>\$103,670</b> | <b>\$918</b>  | <b>\$0</b>      | <b>\$156,860*</b> | <b>0.00</b>           | <b>\$49,250</b> | <b>\$654</b>  | <b>\$0</b>      | <b>\$102,107*</b> |

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**New Proposals**

| Program                                      | -----Fiscal 2014----- |                 |                  |                  |                   | -----Fiscal 2015----- |                 |                  |                  |                   |
|--|-----------------------|-----------------|------------------|------------------|-------------------|-----------------------|-----------------|------------------|------------------|-------------------|
|  | FTE                   | General Fund    | State Special    | Federal Special  | Total Funds       | FTE                   | General Fund    | State Special    | Federal Special  | Total Funds       |
| DP 54 - Additional Vacancy Savings           |                       |                 |                  |                  |                   |                       |                 |                  |                  |                   |
| 01   | 0.00                  | (47,152)        | (2,089)          | (9,950)          | (65,736)*         | 0.00                  | (44,010)        | (2,253)          | (9,938)          | (65,753)*         |
| DP 15001 - Security Guard Supervisor 1.0 FTE |                       |                 |                  |                  |                   |                       |                 |                  |                  |                   |
| 01   | 1.00                  | 58,359          | 0                | 0                | 58,359            | 1.00                  | 58,274          | 0                | 0                | 58,274            |
| <b>Total</b>                                 | <b>1.00</b>           | <b>\$11,207</b> | <b>(\$2,089)</b> | <b>(\$9,950)</b> | <b>(\$7,377)*</b> | <b>1.00</b>           | <b>\$14,264</b> | <b>(\$2,253)</b> | <b>(\$9,938)</b> | <b>(\$7,479)*</b> |

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

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

DP 15001 - Security Guard Supervisor 1.0 FTE - The legislature added general fund and 1.00 FTE for a business operations supervisor to supervise the security staff and daily operations of the museum security office.

### Program Budget Comparison

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

| Program Budget Comparison     |                     |                        |                       |                       |                          |                          |                    |                      |
|-------------------------------|---------------------|------------------------|-----------------------|-----------------------|--------------------------|--------------------------|--------------------|----------------------|
| Budget Item                   | Base<br>Fiscal 2012 | Approp.<br>Fiscal 2013 | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 12-13 | Biennium<br>Fiscal 14-15 | Biennium<br>Change | Biennium<br>% Change |
| FTE                           | 14.75               | 14.75                  | 14.75                 | 14.75                 | 14.75                    | 14.75                    | 0.00               | 0.00%                |
| Personal Services             | 794,895             | 792,509                | 795,555               | 796,615               | 1,587,404                | 1,592,170                | 4,766              | 0.30%                |
| Operating Expenses            | 292,955             | 371,266                | 354,166               | 352,307               | 664,221                  | 706,473                  | 42,252             | 6.36%                |
| Equipment & Intangible Assets | 48,566              | 6,954                  | 354,259               | 156,810               | 55,520                   | 511,069                  | 455,549            | 820.51%              |
| <b>Total Costs</b>            | <b>\$1,136,416</b>  | <b>\$1,170,729</b>     | <b>\$1,503,980</b>    | <b>\$1,305,732</b>    | <b>\$2,307,145</b>       | <b>\$2,809,712</b>       | <b>\$502,567</b>   | <b>21.78%</b>        |
| General Fund                  | 1,037,315           | 1,036,075              | 1,357,146             | 1,158,849             | 2,073,390                | 2,515,995                | 442,605            | 21.35%               |
| State Special                 | 64,999              | 65,000                 | 112,732               | 112,781               | 129,999                  | 225,513                  | 95,514             | 73.47%               |
| Federal Special               | 0                   | 0                      | 0                     | 0                     | 0                        | 0                        | 0                  | n/a                  |
| Other                         | 34,102              | 69,654                 | 34,102                | 34,102                | 103,756                  | 68,204                   | (35,552)           | (34.27%)             |
| <b>Total Funds</b>            | <b>\$1,136,416</b>  | <b>\$1,170,729</b>     | <b>\$1,503,980</b>    | <b>\$1,305,732</b>    | <b>\$2,307,145</b>       | <b>\$2,809,712</b>       | <b>\$502,567</b>   | <b>21.78%</b>        |

### Program Description

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

### Program Highlights

| <b>Research Center<br/>Major Budget Highlights</b>  |
|---|
| <ul style="list-style-type: none"> <li>◆ The legislature approved a biennial 22% budget increase for this program that is driven by: <ul style="list-style-type: none"> <li>• A one-time budget proposal adding \$402,000 general fund to increase the shelving area for the archives by 21%</li> <li>• Projected revenue increase from the accommodations tax that will be used to provide additional accessibility to archival materials</li> </ul> </li> </ul> |

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Montana Historical Society Funding by Source of Authority<br>2015 Biennium Budget - Research Center |               |                          |                         |                   |                   |               |                    |
|---|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds   | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund  | \$2,515,995   | \$0                      | \$0                     | \$2,515,995       | 89.5%             |               |                    |
| State Special Total   | \$225,513     | \$0                      | \$0                     | \$225,513         | 8.0%              |               |                    |
| 02853 Accommodation Tax   | \$225,513     | \$0                      | \$0                     | \$225,513         | 8.0%              |               |                    |
| Proprietary Total   | \$68,204      | \$0                      | \$0                     | \$68,204          | 2.4%              |               |                    |
| 06072 Misc Enterprise-historical Soc  | \$33,826      | \$0                      | \$0                     | \$33,826          | 1.2%              |               |                    |
| 06076 Mhs Library Enterprise Funds  | \$34,378      | \$0                      | \$0                     | \$34,378          | 1.2%              |               |                    |
| Total All Funds   | \$2,809,712   | \$0                      | \$0                     | \$2,809,712       | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

The legislature funded this program primarily from general fund, as well as state special revenue from the lodging facility use tax and proprietary funds. Proprietary revenue comes from the sale of historic photo reproductions and images.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 1,037,315              | 1,037,315          | 2,074,630             | 82.46%            | 1,136,416             | 1,136,416          | 2,272,832             | 80.89%            |
| Statewide PL Adjustments | 19,838                 | 19,542             | 39,380                | 1.57%             | 20,589                | 20,343             | 40,932                | 1.46%             |
| Other PL Adjustments     | (7)                    | (8)                | (15)                  | 0.00%             | 46,975                | 46,973             | 93,948                | 3.34%             |
| New Proposals            | 300,000                | 102,000            | 402,000               | 15.98%            | 300,000               | 102,000            | 402,000               | 14.31%            |
| <b>Total Budget</b>      | <b>\$1,357,146</b>     | <b>\$1,158,849</b> | <b>\$2,515,995</b>    |                   | <b>\$1,503,980</b>    | <b>\$1,305,732</b> | <b>\$2,809,712</b>    |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                              | -----Fiscal 2014----- |                 |                 |                 | -----Fiscal 2015----- |             |                 |                 |                 |                 |
|--|-----------------------|-----------------|-----------------|-----------------|-----------------------|-------------|-----------------|-----------------|-----------------|-----------------|
|  | FTE                   | General Fund    | State Special   | Federal Special | Total Funds           | FTE         | General Fund    | State Special   | Federal Special | Total Funds     |
| Personal Services                                    |                       |                 |                 |                 | 33,810                |             |                 |                 |                 | 34,912          |
| Vacancy Savings                                      |                       |                 |                 |                 | (33,150)              |             |                 |                 |                 | (33,192)        |
| Inflation/Deflation                                  |                       |                 |                 |                 | 745                   |             |                 |                 |                 | 1,398           |
| Fixed Costs  |                       |                 |                 |                 | 19,184                |             |                 |                 |                 | 17,225          |
| <b>Total Statewide Present Law Adjustments</b>       |                       | <b>\$19,838</b> | <b>\$751</b>    | <b>\$0</b>      | <b>\$20,589</b>       |             | <b>\$19,542</b> | <b>\$801</b>    | <b>\$0</b>      | <b>\$20,343</b> |
| DP 50 - Initial Motion to FY 2012 Base               | 0.00                  | (19,838)        | (751)           | 0               | (20,589)              | 0.00        | (19,542)        | (801)           | 0               | (20,343)        |
| DP 51 - Adjustment for Statewide Personal Services   | 0.00                  | 636             | 24              | 0               | 660                   | 0.00        | 1,652           | 68              | 0               | 1,720           |
| DP 52 - Adjustment for Statewide Operations          | 0.00                  | 19,195          | 709             | 0               | 19,904                | 0.00        | 17,882          | 714             | 0               | 18,596          |
| DP 15007 - Lodging Facility Use Tax Revenue Increase | 0.00                  | 0               | 47,000          | 0               | 47,000                | 0.00        | 0               | 47,000          | 0               | 47,000          |
| <b>Total Other Present Law Adjustments</b>           | <b>0.00</b>           | <b>(\$7)</b>    | <b>\$46,982</b> | <b>\$0</b>      | <b>\$46,975</b>       | <b>0.00</b> | <b>(\$8)</b>    | <b>\$46,981</b> | <b>\$0</b>      | <b>\$46,973</b> |
| <b>Grand Total All Present Law Adjustments</b>       | <b>0.00</b>           | <b>\$19,831</b> | <b>\$47,733</b> | <b>\$0</b>      | <b>\$67,564</b>       | <b>0.00</b> | <b>\$19,534</b> | <b>\$47,782</b> | <b>\$0</b>      | <b>\$67,316</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 15007 - Lodging Facility Use Tax Revenue Increase - The legislature increased state special revenue funding from the lodging facility use tax to provide additional accessibility to archival materials for the public and researchers.

**New Proposals**

| New Proposals                                       |             |                  |               |                 |                  |             |                  |               |                 |                  |
|---|-------------|------------------|---------------|-----------------|------------------|-------------|------------------|---------------|-----------------|------------------|
| Program   | FTE         | Fiscal 2014      |               |                 |                  | Fiscal 2015 |                  |               |                 |                  |
|   |             | General Fund     | State Special | Federal Special | Total Funds      | FTE         | General Fund     | State Special | Federal Special | Total Funds      |
| DP 15003 - Research Program Shelving (Rst/Bien/OTO) |             |                  |               |                 |                  |             |                  |               |                 |                  |
| 02  | 0.00        | 300,000          | 0             | 0               | 300,000          | 0.00        | 102,000          | 0             | 0               | 102,000          |
| <b>Total</b>  | <b>0.00</b> | <b>\$300,000</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$300,000</b> | <b>0.00</b> | <b>\$102,000</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$102,000</b> |

DP 15003 - Research Program Shelving (Rst/Bien/OTO) - The legislature added general fund in the 2015 biennium as a restricted, biennial, one-time-only appropriation to replace 9,000 linear feet of regular shelving in the Archives storage area with 12,000 linear feet of compact shelving.

**Program Budget Comparison**

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

| Program Budget Comparison     |                  |                     |                    |                    |                       |                       |                  |                   |
|-------------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item                   | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change  | Biennium % Change |
| FTE                           | 8.05             | 8.05                | 8.05               | 8.05               | 8.05                  | 8.05                  | 0.00             | 0.00%             |
| Personal Services             | 381,462          | 368,727             | 388,800            | 388,849            | 750,189               | 777,649               | 27,460           | 3.66%             |
| Operating Expenses            | 402,055          | 458,302             | 602,862            | 552,117            | 860,357               | 1,154,979             | 294,622          | 34.24%            |
| Equipment & Intangible Assets | 6,795            | 205                 | 6,795              | 6,795              | 7,000                 | 13,590                | 6,590            | 94.14%            |
| <b>Total Costs</b>            | <b>\$790,312</b> | <b>\$827,234</b>    | <b>\$998,457</b>   | <b>\$947,761</b>   | <b>\$1,617,546</b>    | <b>\$1,946,218</b>    | <b>\$328,672</b> | <b>20.32%</b>     |
| General Fund                  | 487,866          | 508,411             | 598,177            | 547,259            | 996,277               | 1,145,436             | 149,159          | 14.97%            |
| State Special                 | 299,739          | 306,192             | 397,573            | 397,795            | 605,931               | 795,368               | 189,437          | 31.26%            |
| Other                         | 2,707            | 12,631              | 2,707              | 2,707              | 15,338                | 5,414                 | (9,924)          | (64.70%)          |
| <b>Total Funds</b>            | <b>\$790,312</b> | <b>\$827,234</b>    | <b>\$998,457</b>   | <b>\$947,761</b>   | <b>\$1,617,546</b>    | <b>\$1,946,218</b>    | <b>\$328,672</b> | <b>20.32%</b>     |

**Program Description**

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

**Program Highlights**

| <b>Museum Program<br/>Major Budget Highlights</b> |  |
|---|--|
| ◆   | The legislature approved a biennial 20% budget increase due to: <ul style="list-style-type: none"> <li>• Projected revenue increases from the accommodations tax that will fund operating expense increases to enhance the agency's ability to collect, preserve, and interpret Montana history</li> <li>• One-time funding adding \$102,000 general fund to complete interior repairs at the original governor's mansion</li> </ul> |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Montana Historical Society Funding by Source of Authority<br>2015 Biennium Budget - Museum Program |              |                          |                         |                   |                   |               |                    |
|--|--------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds  | HB 2         | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund   | \$1,145,436  | \$0                      | \$0                     | \$1,145,436       | 56.4%             |               |                    |
| State Special Total  | \$795,368    | \$0                      | \$83,182                | \$878,550         | 43.3%             |               |                    |
| 02045 Orig Gov's Mansion Restoration   | \$6,350      | \$0                      | \$0                     | \$6,350           | 0.3%              |               |                    |
| 02123 Sites & Signs  | \$0          | \$0                      | \$79,138                | \$79,138          | 3.9%              | 15-65-121     | Direct             |
| 02853 Accommodation Tax  | \$789,018    | \$0                      | \$0                     | \$789,018         | 38.9%             |               |                    |
| 02986 Lewis & Clark License Plates   | \$0          | \$0                      | \$4,044                 | \$4,044           | 0.2%              | 90-1-115      | Direct             |
| Proprietary Total  | \$5,414      | \$0                      | \$0                     | \$5,414           | 0.3%              |               |                    |
| 06077 Mhs Museum Enterprise Funds  | \$5,414      | \$0                      | \$0                     | \$5,414           | 0.3%              |               |                    |
| Total All Funds  | \$1,946,218  | \$0                      | \$83,182                | \$2,029,400       | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>   | <b>95.9%</b> | <b>0.0%</b>              | <b>4.1%</b>             |                   |                   |               |                    |

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

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 487,866                | 487,866            | 975,732               | 85.18%            | 790,312               | 790,312            | 1,580,624             | 81.22%            |
| Statewide PL Adjustments | 35,314                 | 32,397             | 67,711                | 5.91%             | 40,157                | 37,463             | 77,620                | 3.99%             |
| Other PL Adjustments     | (3)                    | (4)                | (7)                   | 0.00%             | 92,988                | 92,986             | 185,974               | 9.56%             |
| New Proposals            | 75,000                 | 27,000             | 102,000               | 8.90%             | 75,000                | 27,000             | 102,000               | 5.24%             |
| <b>Total Budget</b>      | <b>\$598,177</b>       | <b>\$547,259</b>   | <b>\$1,145,436</b>    |                   | <b>\$998,457</b>      | <b>\$947,761</b>   | <b>\$1,946,218</b>    |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

|  | -----Fiscal 2014----- |                 |                 |                 |                  | -----Fiscal 2015----- |                 |                 |                 |                  |
|--|-----------------------|-----------------|-----------------|-----------------|------------------|-----------------------|-----------------|-----------------|-----------------|------------------|
|  | FTE                   | General Fund    | State Special   | Federal Special | Total Funds      | FTE                   | General Fund    | State Special   | Federal Special | Total Funds      |
| Present Law Adjustments                              |                       |                 |                 |                 |                  |                       |                 |                 |                 |                  |
| Personal Services                                    |                       |                 |                 |                 | 23,538           |                       |                 |                 |                 | 23,590           |
| Vacancy Savings                                      |                       |                 |                 |                 | (16,200)         |                       |                 |                 |                 | (16,203)         |
| Inflation/Deflation                                  |                       |                 |                 |                 | (11)             |                       |                 |                 |                 | 4                |
| Fixed Costs  |                       |                 |                 |                 | 32,830           |                       |                 |                 |                 | 30,072           |
| <b>Total Statewide Present Law Adjustments</b>       |                       | <b>\$35,314</b> | <b>\$4,843</b>  | <b>\$0</b>      | <b>\$40,157</b>  |                       | <b>\$32,397</b> | <b>\$5,066</b>  | <b>\$0</b>      | <b>\$37,463</b>  |
| DP 50 - Initial Motion to FY 2012 Base               | 0.00                  | (35,314)        | (4,843)         | 0               | (40,157)         | 0.00                  | (32,397)        | (5,066)         | 0               | (37,463)         |
| DP 51 - Adjustment for Statewide Personal Services   | 0.00                  | 6,453           | 885             | 0               | 7,338            | 0.00                  | 6,388           | 999             | 0               | 7,387            |
| DP 52 - Adjustment for Statewide Operations          | 0.00                  | 28,858          | 3,949           | 0               | 32,807           | 0.00                  | 26,005          | 4,057           | 0               | 30,062           |
| DP 15008 - Lodging Facility Use Tax Revenue Increase | 0.00                  | 0               | 93,000          | 0               | 93,000           | 0.00                  | 0               | 93,000          | 0               | 93,000           |
| <b>Total Other Present Law Adjustments</b>           | <b>0.00</b>           | <b>(\$3)</b>    | <b>\$92,991</b> | <b>\$0</b>      | <b>\$92,988</b>  | <b>0.00</b>           | <b>(\$4)</b>    | <b>\$92,990</b> | <b>\$0</b>      | <b>\$92,986</b>  |
| <b>Grand Total All Present Law Adjustments</b>       | <b>0.00</b>           | <b>\$35,311</b> | <b>\$97,834</b> | <b>\$0</b>      | <b>\$133,145</b> | <b>0.00</b>           | <b>\$32,393</b> | <b>\$98,056</b> | <b>\$0</b>      | <b>\$130,449</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 15008 - Lodging Facility Use Tax Revenue Increase - The legislature increased state special authority from the lodging facility use tax to increase historical interpretation expenditures.

**New Proposals**

| Program   | -----Fiscal 2014----- |                 |               |                 |                 | -----Fiscal 2015----- |                 |               |                 |                 |
|---|-----------------------|-----------------|---------------|-----------------|-----------------|-----------------------|-----------------|---------------|-----------------|-----------------|
|   | FTE                   | General Fund    | State Special | Federal Special | Total Funds     | FTE                   | General Fund    | State Special | Federal Special | Total Funds     |
| DP 15004 - Original Gov's Mansion Repair (Rst/Bien/OTO) |                       |                 |               |                 |                 |                       |                 |               |                 |                 |
| 03  | 0.00                  | 75,000          | 0             | 0               | 75,000          | 0.00                  | 27,000          | 0             | 0               | 27,000          |
| <b>Total</b>  | <b>0.00</b>           | <b>\$75,000</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$75,000</b> | <b>0.00</b>           | <b>\$27,000</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$27,000</b> |

DP 15004 - Original Gov's Mansion Repair (Rst/Bien/OTO) - The legislature added \$102,000 (Bien/OTO) general fund in the 2015 biennium for the purpose of interior work on the Original Governor's Mansion, including plaster repair, window repair, electrical work, and concrete work. The funding will be transferred to the Department of Administration to manage the project.

**Program Budget Comparison**

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

| Program Budget Comparison |                  |                     |                    |                    |                       |                       |                   |                   |
|---------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|-------------------|-------------------|
| Budget Item               | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change   | Biennium % Change |
| FTE                       | 5.00             | 5.00                | 5.00               | 5.00               | 5.00                  | 5.00                  | 0.00              | 0.00%             |
| Personal Services         | 266,964          | 259,259             | 261,575            | 262,862            | 526,223               | 524,437               | (1,786)           | (0.34%)           |
| Operating Expenses        | 168,187          | 181,236             | 163,519            | 163,683            | 349,423               | 327,202               | (22,221)          | (6.36%)           |
| <b>Total Costs</b>        | <b>\$435,151</b> | <b>\$440,495</b>    | <b>\$425,094</b>   | <b>\$426,545</b>   | <b>\$875,646</b>      | <b>\$851,639</b>      | <b>(\$24,007)</b> | <b>(2.74%)</b>    |
| General Fund              | 151,048          | 141,826             | 140,267            | 140,958            | 292,874               | 281,225               | (11,649)          | (3.98%)           |
| Federal Special           | 0                | 0                   | 0                  | 0                  | 0                     | 0                     | 0                 | n/a               |
| Other                     | 284,103          | 298,669             | 284,827            | 285,587            | 582,772               | 570,414               | (12,358)          | (2.12%)           |
| <b>Total Funds</b>        | <b>\$435,151</b> | <b>\$440,495</b>    | <b>\$425,094</b>   | <b>\$426,545</b>   | <b>\$875,646</b>      | <b>\$851,639</b>      | <b>(\$24,007)</b> | <b>(2.74%)</b>    |

**Program Description**

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

**Program Highlights**

| Publications Program<br>Major Budget Highlights |  |
|---|--|
| ◆   | The legislature decreased the biennial budget in this program due largely to applying 4% vacancy savings in the 2015 biennium. Vacancy savings in this program was 1% in the base year compared to the budgeted 4% |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Montana Historical Society Funding by Source of Authority<br>2015 Biennium Budget - Publications Program |               |                          |                         |                   |                   |               |                    |
|--|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds  | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund   | \$281,225     | \$0                      | \$0                     | \$281,225         | 33.0%             |               |                    |
| Proprietary Total  | \$570,414     | \$0                      | \$0                     | \$570,414         | 67.0%             |               |                    |
| 06002 Mhs Publications Enterprise  | \$570,414     | \$0                      | \$0                     | \$570,414         | 67.0%             |               |                    |
| Total All Funds  | \$851,639     | \$0                      | \$0                     | \$851,639         | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>   | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

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

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 151,048                | 151,048            | 302,096               | 107.42%           | 435,151               | 435,151            | 870,302               | 102.19%           |
| Statewide PL Adjustments | (10,778)               | (10,086)           | (20,864)              | (7.42%)           | (10,054)              | (8,602)            | (18,656)              | (2.19%)           |
| Other PL Adjustments     | (3)                    | (4)                | (7)                   | 0.00%             | (3)                   | (4)                | (7)                   | 0.00%             |
| New Proposals            | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| <b>Total Budget</b>      | <b>\$140,267</b>       | <b>\$140,958</b>   | <b>\$281,225</b>      |                   | <b>\$425,094</b>      | <b>\$426,545</b>   | <b>\$851,639</b>      |                   |

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

|  | -----Fiscal 2014----- |                   |               |                 | -----Fiscal 2015----- |             |                   |               |                 |                   |
|--|-----------------------|-------------------|---------------|-----------------|-----------------------|-------------|-------------------|---------------|-----------------|-------------------|
|  | FTE                   | General Fund      | State Special | Federal Special | Total Funds           | FTE         | General Fund      | State Special | Federal Special | Total Funds       |
| Personal Services                                  |                       |                   |               |                 | 5,511                 |             |                   |               |                 | 6,851             |
| Vacancy Savings                                    |                       |                   |               |                 | (10,900)              |             |                   |               |                 | (10,953)          |
| Inflation/Deflation                                |                       |                   |               |                 | 146                   |             |                   |               |                 | 269               |
| Fixed Costs  |                       |                   |               |                 | (4,811)               |             |                   |               |                 | (4,769)           |
| <b>Total Statewide Present Law Adjustments</b>     |                       |                   |               |                 |                       |             |                   |               |                 |                   |
|  |                       | <b>(\$10,778)</b> | <b>\$0</b>    | <b>\$0</b>      | <b>(\$10,054)*</b>    |             | <b>(\$10,086)</b> | <b>\$0</b>    | <b>\$0</b>      | <b>(\$8,602)*</b> |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | 10,778            | 0             | 0               | 10,054*               | 0.00        | 10,086            | 0             | 0               | 8,602*            |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | (5,777)           | 0             | 0               | (5,389)*              | 0.00        | (4,810)           | 0             | 0               | (4,102)*          |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | (5,004)           | 0             | 0               | (4,668)*              | 0.00        | (5,280)           | 0             | 0               | (4,504)*          |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>(\$3)</b>      | <b>\$0</b>    | <b>\$0</b>      | <b>(\$3)*</b>         | <b>0.00</b> | <b>(\$4)</b>      | <b>\$0</b>    | <b>\$0</b>      | <b>(\$4)*</b>     |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>(\$10,781)</b> | <b>\$0</b>    | <b>\$0</b>      | <b>(\$10,057)*</b>    | <b>0.00</b> | <b>(\$10,090)</b> | <b>\$0</b>    | <b>\$0</b>      | <b>(\$8,606)*</b> |

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**Program Budget Comparison**

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

| Program Budget Comparison |                  |                     |                    |                    |                       |                       |                 |                   |
|---------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|-----------------|-------------------|
| Budget Item               | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change | Biennium % Change |
| FTE                       | 5.85             | 5.85                | 5.85               | 5.85               | 5.85                  | 5.85                  | 0.00            | 0.00%             |
| Personal Services         | 226,029          | 285,754             | 284,463            | 284,352            | 511,783               | 568,815               | 57,032          | 11.14%            |
| Operating Expenses        | 111,189          | 129,308             | 125,332            | 125,249            | 240,497               | 250,581               | 10,084          | 4.19%             |
| <b>Total Costs</b>        | <b>\$337,218</b> | <b>\$415,062</b>    | <b>\$409,795</b>   | <b>\$409,601</b>   | <b>\$752,280</b>      | <b>\$819,396</b>      | <b>\$67,116</b> | <b>8.92%</b>      |
| General Fund              | 226,029          | 285,754             | 284,435            | 284,321            | 511,783               | 568,756               | 56,973          | 11.13%            |
| State Special             | 89,499           | 95,231              | 103,670            | 103,590            | 184,730               | 207,260               | 22,530          | 12.20%            |
| Federal Special           | 0                | 0                   | 0                  | 0                  | 0                     | 0                     | 0               | n/a               |
| Other                     | 21,690           | 34,077              | 21,690             | 21,690             | 55,767                | 43,380                | (12,387)        | (22.21%)          |
| <b>Total Funds</b>        | <b>\$337,218</b> | <b>\$415,062</b>    | <b>\$409,795</b>   | <b>\$409,601</b>   | <b>\$752,280</b>      | <b>\$819,396</b>      | <b>\$67,116</b> | <b>8.92%</b>      |

**Program Description**

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

**Program Highlights**

| <b>Education Program<br/>Major Budget Highlights</b>   |
|--|
| <ul style="list-style-type: none"> <li>◆ The legislature increased funding to this program 9% in the 2015 biennium due largely to:                             <ul style="list-style-type: none"> <li>• Vacancy savings of 25% in the base year compared to the budgeted 4%</li> <li>• Projected revenue increase from the accommodations tax that will fund additional interpretive components for classrooms and public programming</li> </ul> </li> </ul> |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Montana Historical Society Funding by Source of Authority<br>2015 Biennium Budget - Education Program |              |                          |                         |                   |                   |               |                    |
|---|--------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds   | HB 2         | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund  | \$568,756    | \$0                      | \$0                     | \$568,756         | 51.5%             |               |                    |
| State Special Total   | \$207,260    | \$0                      | \$285,872               | \$493,132         | 44.6%             |               |                    |
| 02123 Sites & Signs   | \$0          | \$0                      | \$285,872               | \$285,872         | 25.9%             | 15-65-121     | Direct             |
| 02853 Accommodation Tax   | \$207,260    | \$0                      | \$0                     | \$207,260         | 18.8%             |               |                    |
| Proprietary Total   | \$43,380     | \$0                      | \$0                     | \$43,380          | 3.9%              |               |                    |
| 06022 Mhs Education Enterprise Funds  | \$43,380     | \$0                      | \$0                     | \$43,380          | 3.9%              |               |                    |
| Total All Funds   | \$819,396    | \$0                      | \$285,872               | \$1,105,268       | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>  | <b>74.1%</b> | <b>0.0%</b>              | <b>25.9%</b>            |                   |                   |               |                    |

The legislature funds this program primarily from general fund.

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

Proprietary funds are the smallest revenue source for this program and are derived from program fees and education enterprises.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 226,029                | 226,029            | 452,058               | 79.48%            | 337,218               | 337,218            | 674,436               | 82.31%            |
| Statewide PL Adjustments | 58,434                 | 58,323             | 116,757               | 20.53%            | 62,612                | 62,421             | 125,033               | 15.26%            |
| Other PL Adjustments     | (28)                   | (31)               | (59)                  | (0.01%)           | 9,965                 | 9,962              | 19,927                | 2.43%             |
| New Proposals            | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| <b>Total Budget</b>      | <b>\$284,435</b>       | <b>\$284,321</b>   | <b>\$568,756</b>      |                   | <b>\$409,795</b>      | <b>\$409,601</b>   | <b>\$819,396</b>      |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

|  | -----Fiscal 2014----- |                 |                 |                 |                 | -----Fiscal 2015----- |                 |                 |                 |                 |
|--|-----------------------|-----------------|-----------------|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------|-----------------|
|  | FTE                   | General Fund    | State Special   | Federal Special | Total Funds     | FTE                   | General Fund    | State Special   | Federal Special | Total Funds     |
| Personal Services                                    |                       |                 |                 |                 | 70,287          |                       |                 |                 |                 | 70,170          |
| Vacancy Savings                                      |                       |                 |                 |                 | (11,853)        |                       |                 |                 |                 | (11,847)        |
| Inflation/Deflation                                  |                       |                 |                 |                 | 86              |                       |                 |                 |                 | 178             |
| Fixed Costs  |                       |                 |                 |                 | 4,092           |                       |                 |                 |                 | 3,920           |
| <b>Total Statewide Present Law Adjustments</b>       |                       | <b>\$58,434</b> | <b>\$4,178</b>  | <b>\$0</b>      | <b>\$62,612</b> |                       | <b>\$58,323</b> | <b>\$4,098</b>  | <b>\$0</b>      | <b>\$62,421</b> |
| DP 50 - Initial Motion to FY 2012 Base               | 0.00                  | (58,434)        | (4,178)         | 0               | (62,612)        | 0.00                  | (58,323)        | (4,098)         | 0               | (62,421)        |
| DP 51 - Adjustment for Statewide Personal Services   | 0.00                  | 54,535          | 3,899           | 0               | 58,434          | 0.00                  | 54,494          | 3,829           | 0               | 58,323          |
| DP 52 - Adjustment for Statewide Operations          | 0.00                  | 3,871           | 272             | 0               | 4,143           | 0.00                  | 3,798           | 262             | 0               | 4,060           |
| DP 15009 - Lodging Facility Use Tax Revenue Increase | 0.00                  | 0               | 10,000          | 0               | 10,000          | 0.00                  | 0               | 10,000          | 0               | 10,000          |
| <b>Total Other Present Law Adjustments</b>           | <b>0.00</b>           | <b>(\$28)</b>   | <b>\$9,993</b>  | <b>\$0</b>      | <b>\$9,965</b>  | <b>0.00</b>           | <b>(\$31)</b>   | <b>\$9,993</b>  | <b>\$0</b>      | <b>\$9,962</b>  |
| <b>Grand Total All Present Law Adjustments</b>       | <b>0.00</b>           | <b>\$58,406</b> | <b>\$14,171</b> | <b>\$0</b>      | <b>\$72,577</b> | <b>0.00</b>           | <b>\$58,292</b> | <b>\$14,091</b> | <b>\$0</b>      | <b>\$72,383</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government Subcommittee.

DP 15009 - Lodging Facility Use Tax Revenue Increase - The legislature increased state special authority from the lodging facility use tax to produce additional interpretive components for classrooms and public programming.

**Program Budget Comparison**

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

| Program Budget Comparison |                  |                     |                    |                    |                       |                       |                   |                   |
|---------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|-------------------|-------------------|
| Budget Item               | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change   | Biennium % Change |
| FTE                       | 8.75             | 8.75                | 8.75               | 8.75               | 8.75                  | 8.75                  | 0.00              | 0.00%             |
| Personal Services         | 486,539          | 482,078             | 468,092            | 467,556            | 968,617               | 935,648               | (32,969)          | (3.40%)           |
| Operating Expenses        | 126,702          | 142,972             | 123,335            | 123,399            | 269,674               | 246,734               | (22,940)          | (8.51%)           |
| Grants                    | 87,120           | 88,389              | 87,120             | 87,120             | 175,509               | 174,240               | (1,269)           | (0.72%)           |
| <b>Total Costs</b>        | <b>\$700,361</b> | <b>\$713,439</b>    | <b>\$678,547</b>   | <b>\$678,075</b>   | <b>\$1,413,800</b>    | <b>\$1,356,622</b>    | <b>(\$57,178)</b> | <b>(4.04%)</b>    |
| General Fund              | 34,140           | 32,252              | 35,203             | 35,158             | 66,392                | 70,361                | 3,969             | 5.98%             |
| Federal Special           | 655,522          | 664,500             | 633,267            | 632,787            | 1,320,022             | 1,266,054             | (53,968)          | (4.09%)           |
| Other                     | 10,699           | 16,687              | 10,077             | 10,130             | 27,386                | 20,207                | (7,179)           | (26.21%)          |
| <b>Total Funds</b>        | <b>\$700,361</b> | <b>\$713,439</b>    | <b>\$678,547</b>   | <b>\$678,075</b>   | <b>\$1,413,800</b>    | <b>\$1,356,622</b>    | <b>(\$57,178)</b> | <b>(4.04%)</b>    |

**Program Description**

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

**Program Highlights**

| <b>Historic Preservation Program<br/>Major Budget Highlights</b>  |
|---|
| <ul style="list-style-type: none"> <li>◆ The legislature decreased this program’s overall budget 4%</li> <li>◆ The personal services budget decrease in the 2015 biennium is attributable to:                             <ul style="list-style-type: none"> <li>• Vacancy savings of 3% in the base year compared to the 4% budgeted</li> <li>• Employee turnover</li> </ul> </li> </ul> |

**Program Discussion**

Personal services are budgeted to decrease in the 2015 biennium primarily due to:

- Termination pay incurred in FY 2012 that is not carried forward into the 2015 biennium budget
- Turnover in one position resulting in a lower salary budgeted in the 2015 biennium
- 3% vacancy savings in the base year compared to 4% budgeted in the 2015 biennium

While personal services were higher than originally budgeted in FY 2012, operating expenses were less than originally budgeted, offsetting the personal services increases.

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Montana Historical Society Funding by Source of Authority<br>2015 Biennium Budget - Historic Preservation Program |               |                             |                            |                      |                      |                  |                       |
|---|---------------|-----------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds   | HB 2          | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| General Fund  | \$70,361      | \$0                         | \$0                        | \$70,361             | 5.2%                 |                  |                       |
| Federal Special Total   | \$1,266,054   | \$0                         | \$0                        | \$1,266,054          | 93.3%                |                  |                       |
| 03021 Historic Sites Preservation   | \$1,266,054   | \$0                         | \$0                        | \$1,266,054          | 93.3%                |                  |                       |
| Proprietary Total   | \$20,207      | \$0                         | \$0                        | \$20,207             | 1.5%                 |                  |                       |
| 06013 Shpo Enterprise Fund  | \$20,207      | \$0                         | \$0                        | \$20,207             | 1.5%                 |                  |                       |
| Total All Funds   | \$1,356,622   | \$0                         | \$0                        | \$1,356,622          | 100.0%               |                  |                       |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b> | <b>0.0%</b>                 | <b>0.0%</b>                |                      |                      |                  |                       |

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

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2014  | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget |
| Base Budget              | 34,140                 | 34,140                | 68,280                   | 97.04%               | 700,361               | 700,361               | 1,400,722                | 103.25%              |
| Statewide PL Adjustments | 1,063                  | 1,017                 | 2,080                    | 2.96%                | (21,796)              | (22,266)              | (44,062)                 | (3.25%)              |
| Other PL Adjustments     | 0                      | 1                     | 1                        | 0.00%                | (18)                  | (20)                  | (38)                     | 0.00%                |
| New Proposals            | 0                      | 0                     | 0                        | 0.00%                | 0                     | 0                     | 0                        | 0.00%                |
| <b>Total Budget</b>      | <b>\$35,203</b>        | <b>\$35,158</b>       | <b>\$70,361</b>          |                      | <b>\$678,547</b>      | <b>\$678,075</b>      | <b>\$1,356,622</b>       |                      |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                            | -----Fiscal 2014----- |                |               |                   |                    | -----Fiscal 2015----- |                |               |                   |                    |
|--|-----------------------|----------------|---------------|-------------------|--------------------|-----------------------|----------------|---------------|-------------------|--------------------|
|  | FTE                   | General Fund   | State Special | Federal Special   | Total Funds        | FTE                   | General Fund   | State Special | Federal Special   | Total Funds        |
| Personal Services                                  |                       |                |               |                   | 1,057              |                       |                |               |                   | 500                |
| Vacancy Savings                                    |                       |                |               |                   | (19,504)           |                       |                |               |                   | (19,483)           |
| Inflation/Deflation                                |                       |                |               |                   | (50)               |                       |                |               |                   | 49                 |
| Fixed Costs  |                       |                |               |                   | (3,299)            |                       |                |               |                   | (3,332)            |
| <b>Total Statewide Present Law Adjustments</b>     |                       | <b>\$1,063</b> | <b>\$0</b>    | <b>(\$22,238)</b> | <b>(\$21,796)*</b> |                       | <b>\$1,017</b> | <b>\$0</b>    | <b>(\$22,715)</b> | <b>(\$22,266)*</b> |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | (1,063)        | 0             | 22,238            | 21,796*            | 0.00                  | (1,017)        | 0             | 22,715            | 22,266*            |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | 900            | 0             | (18,821)          | (18,447)*          | 0.00                  | 867            | 0             | (19,366)          | (18,983)*          |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | 163            | 0             | (3,434)           | (3,367)*           | 0.00                  | 151            | 0             | (3,369)           | (3,303)*           |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>\$0</b>     | <b>\$0</b>    | <b>(\$17)</b>     | <b>(\$18)*</b>     | <b>0.00</b>           | <b>\$1</b>     | <b>\$0</b>    | <b>(\$20)</b>     | <b>(\$20)*</b>     |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>\$1,063</b> | <b>\$0</b>    | <b>(\$22,255)</b> | <b>(\$21,814)*</b> | <b>0.00</b>           | <b>\$1,018</b> | <b>\$0</b>    | <b>(\$22,735)</b> | <b>(\$22,286)*</b> |

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

### Agency Budget Comparison

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

| Agency Budget Comparison  |                      |                      |                      |                      |                       |                       |                     |                   |
|---------------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|---------------------|-------------------|
| Budget Item               | Base Fiscal 2012     | Approp. Fiscal 2013  | Budget Fiscal 2014   | Budget Fiscal 2015   | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change     | Biennium % Change |
| FTE                       | 93.88                | 93.88                | 93.88                | 93.88                | 93.88                 | 93.88                 | 0.00                | 0.00%             |
| Estimated Impact of HB 2* |                      |                      | (3.91)               | (3.91)               |                       | (3.91)                | (3.91)              |                   |
| <b>Net Estimated FTE*</b> |                      |                      | <b>89.97</b>         | <b>89.97</b>         |                       | <b>89.97</b>          | <b>(3.91)</b>       |                   |
| Personal Services         | 5,328,130            | 6,661,069            | 5,977,602            | 5,976,601            | 11,989,199            | 11,954,203            | (34,996)            | (0.29%)           |
| Operating Expenses        | 4,548,981            | 6,555,917            | 5,898,482            | 5,856,356            | 11,104,898            | 11,754,838            | 649,940             | 5.85%             |
| Local Assistance          | 11,139,820           | 11,030,955           | 13,144,177           | 13,077,785           | 22,170,775            | 26,221,962            | 4,051,187           | 18.27%            |
| Grants                    | 15,713,709           | 21,627,099           | 17,239,037           | 17,852,878           | 37,340,808            | 35,091,915            | (2,248,893)         | (6.02%)           |
| Benefits & Claims         | 30,617,909           | 40,508,723           | 40,617,909           | 40,617,909           | 71,126,632            | 81,235,818            | 10,109,186          | 14.21%            |
| Transfers                 | 179,600,026          | 182,383,158          | 195,845,345          | 197,685,100          | 361,983,184           | 393,530,445           | 31,547,261          | 8.72%             |
| Debt Service              | 43,480               | 43,480               | 67,033               | 67,033               | 86,960                | 134,066               | 47,106              | 54.17%            |
| <b>Total Costs</b>        | <b>\$246,992,055</b> | <b>\$268,810,401</b> | <b>\$278,789,585</b> | <b>\$281,133,662</b> | <b>\$515,802,456</b>  | <b>\$559,923,247</b>  | <b>\$44,120,791</b> | <b>8.55%</b>      |
| General Fund              | 179,551,398          | 179,553,762          | 200,703,383          | 202,609,650          | 359,105,160           | 403,313,033           | 44,207,873          | 12.31%            |
| State Special             | 19,827,019           | 21,274,458           | 20,788,136           | 21,294,893           | 41,101,477            | 42,083,029            | 981,552             | 2.39%             |
| Federal Special           | 47,540,878           | 67,906,142           | 57,222,973           | 57,154,829           | 115,447,020           | 114,377,802           | (1,069,218)         | (0.93%)           |
| Other                     | 72,760               | 76,039               | 75,093               | 74,290               | 148,799               | 149,383               | 584                 | 0.39%             |
| <b>Total Funds</b>        | <b>\$246,992,055</b> | <b>\$268,810,401</b> | <b>\$278,789,585</b> | <b>\$281,133,662</b> | <b>\$515,802,456</b>  | <b>\$559,923,247</b>  | <b>\$44,120,791</b> | <b>8.55%</b>      |

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

### Agency Description

Agency Mission: To serve students through the delivery of high quality, accessible postsecondary educational opportunities, while actively participating in the preservation and advancement of Montana's economy and society.

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative organization of the Montana University System (MUS). The Montana Constitution, Article X, Section 9, grants governance authority over the MUS to the Board of Regents (Regents), with seven members appointed by the Governor. All state funds appropriated by the legislature to the Regents for the support of the MUS are channeled through OCHE. The Constitution charges the Regents with hiring a Commissioner of Higher Education (CHE) who serves as its executive staff. The agency's 11 programs are:

- OCHE Administration\*-General administration of the Montana University System including system level academic, financial, legal, and labor management functions.
- Student Financial Assistance\*-Financial assistance programs for students attending units of the Montana University System. Programs include several state and federal funded grant programs, state support for regional professional student exchange programs, and loan repayment assistance programs.
- Improving Teacher Quality\*-A federally-funded program intended to provide professional development and teacher training that improves teaching methods and teaching skills in the classroom
- Community College Assistance- State funding for community colleges is budgeted in this program. Two-year community colleges in Kalispell, Glendive, and Miles City collectively serve about 2,300 resident full-time students.
- MUS Group Health Insurance-This program administers a system wide group benefit program for MUS campuses, agencies, and programs, and the state's community colleges. Both the employer and the employee participate in the cost of this program.
- Educational Outreach and Diversity Program\*- A primarily federally funded program that serves at-risk and underrepresented populations to increase participation and retention in postsecondary education.
- MUS Self-Insured Workers Compensation- Since July 2003, this program manages the MUS self-insured workers compensation program. All workers compensation insurance for the MUS is provided through this program.

- Workforce Development\*- The OCHE and the Office of Public Instruction coordinate the primarily federal efforts to support vocational education at the secondary and postsecondary levels.
- Appropriation Distribution – State funding for university educational units and agencies is budgeted in this program. The MUS campuses collectively serve approximately 28,800 resident full-time students.
  - University Units\*
    - UM Missoula
    - UM MT Tech
    - UM Western
    - UM Helena
    - MSU Bozeman
    - MSU Billings
    - MSU Northern
    - MSU Great Falls
  - Research and Public Service Agencies
    - Agricultural Experiment Station
    - Extension Service
    - Forest and Conservation Experiment Station
    - Bureau of Mines
    - Fire Services Training School
- Tribal College Assistance- Provides funding to Montana tribal colleges to support a portion of the cost of educating nonbeneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations in Montana.
- Guaranteed Student Loan Program\*-Guarantees student loans that were made by private lenders to higher education students in Montana under the former Federal Family Education Loan Program prior to July 1, 2010. After July 1, all federal student loans will be issued and serviced through the U.S. Department of Education’s William D. Ford Direct Loan Program.
- Board of Regents\*- This program provides travel and per diem expenses for the Board of Regents.

\*Since the 1995 legislative session, the legislature has combined the appropriation for the university educational units and most of OCHE into a single, lump-sum appropriation. Thus, the legislature determines the size of this budget, but the Regents make the ultimate funding allocations to the various university campuses and programs.

**Agency Highlights**

| <b>Montana University System –<br/>Office of the Commissioner of Higher Education<br/>Major Budget Highlights</b>  |
|--|
| <ul style="list-style-type: none"> <li>◆ The Montana University System (MUS) 2015 biennium total funds budget is \$44.1 million higher than the 2013 biennium</li> <li>◆ Increased funding for distribution to MUS educational units and agencies, community colleges, and tribal colleges are the primary drivers of the overall increase</li> <li>◆ The biennial budget also increases due to an anticipated increase in defaulted loans and collections costs in the Montana Guaranteed Student Loan Program</li> </ul> |

**Montana University System –  
Office of the Commissioner of Higher Education  
Major Budget Highlights (continued)**

- ◆ The legislature endorsed the HB 2 portion of the Governor’s proposed Tuition Cap Agreement, increasing state funding \$34.0 million.
  - The state’s share of present law adjustments for the educational units accounts for \$28.2 million. The legislature made the policy choice to fund present law cost increases at the educational units in the same proportion (82%) as the number of Montana resident students and Western Undergraduate Exchange (WUE) students to total students in the Montana University System
  - The legislature restored \$5.2 million general fund in the Student Assistance Program that was part of a funding switch in the 2011 legislative session
  - Present law adjustments for WICHE/WWAMI/Minnesota Dental program were approved as part of the Tuition Cap Agreement
  - The agreement also commits the Montana University System to incorporating a performance funding component into the allocation model used by the Board of Regents for distributing funds to the MUS education units.
- ◆ The legislative budget includes 17 new proposals for the MUS. Significant additions include:
  - \$5.2 million general fund restored in the Student Assistance Program for the Governor’s Best and Brightest Scholarship and Quality Educator Loan Forgiveness programs. Federal funds of a like amount are removed.
  - \$0.9 million to expand the number of WWAMI slots by 10 in the 2015 biennium. It will take four years to fill the pipeline with these additional slots.
  - \$1.0 million one-time-only appropriation for workforce development and two year education
  - \$1.0 million one-time-only for expanded veterinary medical education opportunities
  - \$1.5 million for two new proposals for the Agricultural Experiment Station
  - \$0.6 million for increased funding for the Extension Service and the Local Government Center
  - \$1.3 million for two new proposals for the community colleges
  - \$0.4 million for the Bio-Energy Research Center at MSU-Northern
  - \$0.4 million for increased state support for Family Practice Residency programs

### Summary of Legislative Action

The 2013 Legislature approved \$559.9 million in total appropriated funds in the 2015 biennium, which is a \$44.1 million and 8.6% increase from the 2013 biennium. Of the \$559.9 million in total funds, 74% (\$412.5 million) will be distributed to higher education institutions and agencies: (biennial amounts)

- \$384.4 million to the MUS education units and agencies
- \$26.0 million to the 3 community colleges
- \$2.1 million to Tribal Colleges for state support of non-beneficiary students

5% (\$27.4 million) of the MUS budget is for Student Financial Assistance programs. The types of assistance include

- Grants and scholarships
- Work study
- Student Loan repayment assistance
- Professional student exchange programs (WICHE, WWAMI, Minnesota Dental)

20% (\$114 million) of the MUS budget is for educational outreach & diversity, workforce development, improving teacher quality, and the guaranteed student loan program, all of which are funded from federal grants and federal reimbursements.

The remaining 1% of the MUS budget is for the Board of Regents administrative expenses and the Office of the Commissioner of Higher Education system level staff.

#### *Tuition Cap Agreement*

The 2013 Legislature funded the Governor's proposal for a resident student tuition freeze each year of the 2015 biennium. Funding was provided via HB 2, the general appropriations act, and HB 13, the pay plan bill. The tuition cap agreement is described in more detail in the Appropriation Distribution Program narrative.

The table below summarizes the HB 2 components of the Tuition Cap Agreement.

| Governor's Tuition Cap Agreement -- Adopted by the Legislature -- HB 2 Only* |                               |                     |
|--|-------------------------------|---------------------|
| Budget Item  | Program                       | 2015 Biennium       |
| DP 901-State Contribution to Present Law Base                                | 09 Appropriation Distribution | \$28,226,218        |
| DP 205-Restore Student Assistance General Fund                               | 02 Student Assistance         | \$5,175,780         |
| DP 201-WICHE/WWAMI/MN Dental Present Law Increase                            | 02 Student Assistance         | \$587,417           |
| Total HB 2 Appropriations  |                               | <u>\$33,989,415</u> |

\*The Tuition Cap Agreement also includes full funding of any pay plan bill

#### Board of Regent Action

At its May 2013 meeting, the Board of Regents approved a resident tuition rate freeze for FY 2014 and FY 2015 for the 4-year and 2-year campuses of the Montana University System. The freeze applies only to resident tuition rates<sup>1</sup>.

The board approved a tuition rate increase for one of the three community colleges at the May 2013 meeting, while the remaining two community colleges did not increase tuition rates for FY 2014. The community colleges are not part of the Tuition Cap Agreement.

For the tuition and mandatory fees approved by the Board of Regents at the May 2013 meeting click on the link below. <http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/5102-BOR-Approved-Tuition-Rates.pdf>

<sup>1</sup>The Tuition Cap Agreement applies only to resident tuition. All students must also pay mandatory fees in addition to tuition. The board approved increases in mandatory fees of between 1% and 9% at the MUS campuses except MSU-Northern and Helena College UM which did not request an increase in mandatory fees in the 2015 biennium. Mandatory fees are accounted for in the designated and plant funds while tuition and state funds are accounted for in the current unrestricted fund.

*MUS Educational*

The biennial budget increase for the MUS educational units in HB 2 is \$31.4 million, or 10.3%. The majority of this increase is attributable to present law adjustments that comprise the Tuition Cap Agreement. Approximately \$3.8 million of the biennial increase is for new proposals described in the agency budget highlights table, and in more detail in the Appropriation Distribution Program narrative.

*MUS Research/Public Service Agencies*

The legislative budget biennial change for the five research and public service agencies affiliated with the Montana University System is 4.2%. The legislature added \$3.4 million in new proposals in the 2015 biennium. However, the Governor vetoed two line item appropriations for the Agricultural Experiment Station and Extension Service, reducing the appropriation for these agencies by \$650,000 in the 2015 biennium. Overall, new initiatives remaining in the budget for MUS agencies total \$2.8 million.

*Community College Assistance*

The legislature used the statutory funding formula to calculate a major portion of the general fund appropriation for the community colleges in the 2015 biennium. The formula adjustments, and other adjustments approved by the legislature, added \$4.0 million to the 2013 biennium base budget. Adjustments were included for increased costs of education, increased technical support for converting to Banner accounting software, and one-time-only funding for developing workforce development programs at the eastern Montana community colleges. Overall, the legislature increased the community college budget 18.4% in the 2015 biennium.

*Tribal College Assistance*

The legislative budget for the tribal colleges increased 21.9% in the 2015 biennium to reflect increased enrollment in non-beneficiary students. The funding increase was approved on a one-time-only basis.

*Boilerplate*

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 3.91 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

*Governor's Line-Item Veto*

The Governor vetoed two line items that contained funding for the Agricultural Experiment Station and the Extension Service. Both line items were one-time-only appropriations and were earmarked as follows:

- \$250,000 for the Montana Seed Lab at the Agricultural Experiment Station
- \$400,000 for the Schutter Diagnostic Lab at the Extension Service

**Funding**

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

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget |                      |                             |                            |                      |                      |
|---|----------------------|-----------------------------|----------------------------|----------------------|----------------------|
| Funds   | HB 2                 | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total All<br>Sources | % Total<br>All Funds |
| General Fund  | \$403,313,033        | \$0                         | \$2,721,082                | \$406,034,115        | 54.3%                |
| State Special Total   | 42,083,029           | -                           | 1,978,086                  | 44,061,115           | 5.9%                 |
| Federal Special Total   | 114,377,802          | -                           | -                          | 114,377,802          | 15.3%                |
| Proprietary Total   | 149,383              | 183,643,900                 | -                          | 183,793,283          | 24.6%                |
| Current Unrestricted  | -                    | -                           | -                          | -                    | 0.0%                 |
| Other Total   | -                    | -                           | -                          | -                    | 0.0%                 |
| <b>Total All Funds</b>  | <b>\$559,923,247</b> | <b>\$183,643,900</b>        | <b>\$4,699,168</b>         | <b>\$748,266,315</b> |                      |
| Percent - Total All Sources   | 74.8%                | 24.5%                       | 0.6%                       |                      |                      |

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

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                                    |                      | -----Total Funds----- |                       |                                    |                      |
|--------------------------|------------------------|-----------------------|------------------------------------|----------------------|-----------------------|-----------------------|------------------------------------|----------------------|
|                          | Budget<br>Fiscal 2014  | Budget<br>Fiscal 2015 | Budget<br>Biennium<br>Fiscal 14-15 | Percent<br>of Budget | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Budget<br>Biennium<br>Fiscal 14-15 | Percent<br>of Budget |
| Base Budget              | 179,551,398            | 179,551,398           | 359,102,796                        | 89.04%               | 246,992,055           | 246,992,055           | 493,984,110                        | 88.22%               |
| Statewide PL Adjustments | (394,881)              | (985,574)             | (1,380,455)                        | (0.34%)              | 859,288               | 816,523               | 1,675,811                          | 0.30%                |
| Other PL Adjustments     | 14,688,831             | 16,663,598            | 31,352,429                         | 7.77%                | 26,400,067            | 28,264,660            | 54,664,727                         | 9.76%                |
| New Proposals            | 6,858,035              | 7,380,228             | 14,238,263                         | 3.53%                | 4,538,175             | 5,060,424             | 9,598,599                          | 1.71%                |
| <b>Total Budget</b>      | <b>\$200,703,383</b>   | <b>\$202,609,650</b>  | <b>\$403,313,033</b>               |                      | <b>\$278,789,585</b>  | <b>\$281,133,662</b>  | <b>\$559,923,247</b>               |                      |

**Other Legislation**

HB 5 -- The legislature approved funding for capital projects and improvements for the Montana University System. The bill authorizes \$110.4 million for the 2015 biennium, including \$53.9 million of state funds and \$56.5 million of non-state funds. The table on the following page lists the projects authorized by the 2013 Legislature and the funding amount and source for each project.

| Long Range Building Projects Authorized in HB 5 - 2013 Legislature<br>Montana University System |  |                         |                          |                     |                      |
|---|--|-------------------------|--------------------------|---------------------|----------------------|
| Item  | Project Description                                  | University Unit         | Long Range Building Fund | Authorization Only  | Total Authorization  |
| <u>Capital Projects</u>   |  |                         |                          |                     |                      |
| 1   | Roof Replacement or other renovations                | Great Falls College-MSU | \$1,000,000              | \$0                 | \$1,000,000          |
| 2   | Construct Automotive Tech Center                     | MSU-Northern            | 4,900,000                | 3,000,000           | 7,900,000            |
| 3   | Main Hall Renovation, Phase 3                        | UM-Western              | 4,000,000                | 500,000             | 4,500,000            |
| 4   | Construct Natural Resources Research Center Addition | UM-Montana Tech         | 5,000,000                | 5,000,000           | 10,000,000           |
| 5   | Construct Jabs Hall                                  | MSU-Bozeman             | 0                        | 20,000,000          | 20,000,000           |
| 6   | Construct Athlete Academic Center                    | UM-Missoula             | 0                        | 2,500,000           | 2,500,000            |
| 7   | Construct Gilkey Executive Education Center          | UM-Missoula             | 0                        | 9,300,000           | 9,300,000            |
| 8   | Construct Mansfield Library Student Success          | UM-Missoula             | 0                        | 3,200,000           | 3,200,000            |
| 9   | Construct Sci & Instructional Tech Bldg Addition     | MSU-Billings            | 10,000,000               | 5,000,000           | 15,000,000           |
| 10  | Construct Missoula College UM                        | UM-Missoula             | 29,000,000               | 3,000,000           | 32,000,000           |
| <u>Capital Improvements</u>   |  |                         |                          |                     |                      |
| 1   | General Spending Authority                           | MUS All Campuses        | 0                        | 5,000,000           | 5,000,000            |
| Total HB 5 Authorization  |  |                         | <u>\$53,900,000</u>      | <u>\$56,500,000</u> | <u>\$110,400,000</u> |

**HB 13** – The legislature approved funding for a pay plan for state employees. The bill includes a lump sum appropriation for pay raises that will be determined for their respective employees by the executive, legislative, and judicial branches and the Montana University System. The bill also includes funding for a 10% insurance increase for all employees each year. The legislature did not specify a particular percentage salary increase a state employee should receive, but stipulated that the appropriated funds must be used to increase the base pay of each employee, with particular attention to the lower pay bands and employees who did not receive an increase in the 2013 biennium.

**Executive Budget Comparison**

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

| Executive Budget Comparison |                         |                              |                                |                                    |                              |                                |                                    |                                  |
|-----------------------------|-------------------------|------------------------------|--------------------------------|------------------------------------|------------------------------|--------------------------------|------------------------------------|----------------------------------|
| Budget Item                 | Base Budget Fiscal 2012 | Executive Budget Fiscal 2014 | Legislative Budget Fiscal 2014 | Leg – Exec. Difference Fiscal 2014 | Executive Budget Fiscal 2015 | Legislative Budget Fiscal 2015 | Leg – Exec. Difference Fiscal 2015 | Biennium Difference Fiscal 14-15 |
| FTE                         | 93.88                   | 93.88                        | 93.88                          | 0.00                               | 93.88                        | 93.88                          | 0.00                               |                                  |
| Estimated Impact of HB 2*   |                         |                              | (3.91)                         | (3.91)                             |                              | (3.91)                         | (3.91)                             |                                  |
| <b>Net Estimated FTE*</b>   |                         |                              | <b>89.97</b>                   | <b>(3.91)</b>                      |                              | <b>89.97</b>                   | <b>(3.91)</b>                      |                                  |
| Personal Services           | 5,328,130               | 6,103,504                    | 5,977,602                      | (125,902)                          | 6,102,483                    | 5,976,601                      | (125,882)                          | (251,784)                        |
| Operating Expenses          | 4,548,981               | 5,900,347                    | 5,898,482                      | (1,865)                            | 5,858,393                    | 5,856,356                      | (2,037)                            | (3,902)                          |
| Local Assistance            | 11,139,820              | 12,116,807                   | 13,144,177                     | 1,027,370                          | 12,110,271                   | 13,077,785                     | 967,514                            | 1,994,884                        |
| Grants                      | 15,713,709              | 17,554,595                   | 17,239,037                     | (315,558)                          | 18,168,436                   | 17,852,878                     | (315,558)                          | (631,116)                        |
| Benefits & Claims           | 30,617,909              | 40,617,909                   | 40,617,909                     | 0                                  | 40,617,909                   | 40,617,909                     | 0                                  | 0                                |
| Transfers                   | 179,600,026             | 196,972,141                  | 195,845,345                    | (1,126,796)                        | 198,812,052                  | 197,685,100                    | (1,126,952)                        | (2,253,748)                      |
| Debt Service                | 43,480                  | 67,033                       | 67,033                         | 0                                  | 67,033                       | 67,033                         | 0                                  | 0                                |
| <b>Total Costs</b>          | <b>\$246,992,055</b>    | <b>\$279,332,336</b>         | <b>\$278,789,585</b>           | <b>(\$542,751)</b>                 | <b>\$281,736,577</b>         | <b>\$281,133,662</b>           | <b>(\$602,915)</b>                 | <b>(\$1,145,666)</b>             |
| General Fund                | 179,551,398             | 201,463,308                  | 200,703,383                    | (759,925)                          | 203,429,719                  | 202,609,650                    | (820,069)                          | (1,579,994)                      |
| State/Other Special         | 19,827,019              | 20,488,136                   | 20,788,136                     | 300,000                            | 20,994,893                   | 21,294,893                     | 300,000                            | 600,000                          |
| Federal Special             | 47,540,878              | 57,304,659                   | 57,222,973                     | (81,686)                           | 57,236,531                   | 57,154,829                     | (81,702)                           | (163,388)                        |
| Proprietary                 | 72,760                  | 76,233                       | 75,093                         | (1,140)                            | 75,434                       | 74,290                         | (1,144)                            | (2,284)                          |
| <b>Total Funds</b>          | <b>\$246,992,055</b>    | <b>\$279,332,336</b>         | <b>\$278,789,585</b>           | <b>(\$542,751)</b>                 | <b>\$281,736,577</b>         | <b>\$281,133,662</b>           | <b>(\$602,915)</b>                 | <b>(\$1,145,666)</b>             |

\*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislative budget for the Montana University System is \$1.6 million less in general fund and \$1.1 million less in total funds than the executive budget request. The table below shows the major differences between the executive budget and the legislative budget for general fund and state special revenue.

| Comparison of Executive MUS Budget Adjustments and Legislative Budget Adjustments - 2015 Biennium - State Funds |   |                     |                     |                          |
|---|---|---------------------|---------------------|--------------------------|
| General Fund  |   | Executive Budget    | Legislative Budget  | Legislative - Executive* |
| <u>Present Law Adjustments</u>  |   |                     |                     |                          |
| 02-Student Assist.  | DP 201-WICHE/WWAMI/MN Dental                                    | \$587,417           | \$587,417           | \$0                      |
| 02-Student Assist.  | DP 207-Quality Educator Loan Forgiveness (RST/OTO)              | 486,220             | 486,220             | 0                        |
| 04-Comm Colleges  | DP 403-Community College Audit Costs (BIEN/OTO)                 | 73,852              | 73,852              | 0                        |
| 04-Comm Colleges  | DP 404-Remove Audit from Base                                   | (61,316)            | (122,632)           | (61,316)                 |
| 04-Comm Colleges  | DP 405-State Assistance to Community Colleges (EB DP 402)       | 1,916,902           | 2,638,666           | 721,764                  |
| 09-Distribution   | DP 901 - State Support of Educational Units                     | 28,226,217          | 28,226,217          | 0                        |
| 09-Distribution   | DP 904 - Statewide Present Law Adjustments Agencies             | (752,704)           | (692,555)           | 60,149                   |
| 09-Distribution   | DP 930-Fixed Rate Cost Adjustment                               | 0                   | 146,487             | 146,487                  |
| 09-Distribution   | General Fund Replacement with Six Mill Levy Funds               | (1,616,002)         | (1,616,002)         | 0                        |
| Other OCHE Pgms   | DP 50-Initial Motion to FY 2012 Base                            | 0                   | (235,547)           | (235,547)                |
| Other OCHE Pgms   | DP 51-Adjustment for Statewide Personal Services                | 0                   | 119,526             | 119,526                  |
| Other OCHE Pgms   | DP 52-Adjustment for Statewide Operations                       | 0                   | 117,580             | 117,580                  |
| Other OCHE Pgms   | DP 1301-Board of Regents Per Diem & Mileage                     | 7,198               | 7,198               | 0                        |
| Other OCHE Pgms   | Statewide Present Law Adjustments                               | <u>235,547</u>      | <u>235,547</u>      | <u>0</u>                 |
|   | Total Present Law Adjustments                                   | <u>\$29,103,331</u> | <u>\$29,971,974</u> | <u>\$868,643</u>         |
| <u>New Proposals</u>  |   |                     |                     |                          |
| 01-Administration   | DP 54 - Additional Vacancy Savings                              | 0                   | (88,627)            | (\$88,627)               |
| Other OCHE Pgms   | DP 103-Universal Enrollment (BIEN/OTO)                          | 5,000,000           | 0                   | (5,000,000)              |
| 02-Student Assist.  | DP 202-Veterans' Success (BIEN/OTO)                             | \$2,000,000         | \$1,000,000         | (\$1,000,000)            |
| 02-Student Assist.  | DP 203-WWAMI Expansion  | 515,265             | 515,265             | 0                        |
| 02-Student Assist.  | DP 205-GSL/Student Assistance fund allocation                   | 5,175,780           | 5,175,780           | 0                        |
| 04-Comm Colleges  | DP 401-Ongoing Banner Support                                   | 0                   | 334,436             | 334,436                  |
| 04-Comm Colleges  | DP 406-Workforce Development Programs (OTO)                     | 0                   | 1,000,000           | 1,000,000                |
| 09-Distribution   | DP 902-Energy & Natural Resources Doctoral Pgm (BIEN/OTO)       | 600,000             | 600,000             | 0                        |
| 09-Distribution   | DP 903-Workforce Development & 2-Year Education (OTO)           | 2,000,000           | 1,000,000           | (1,000,000)              |
| 09-Distribution   | DP 905-Veterinary Medicine (BIEN/OTO)                           | 1,000,000           | 1,000,000           | 0                        |
| 09-Distribution   | DP 909-WWAMI Expansion  | 392,909             | 392,909             | 0                        |
| 09-Distribution   | DP 920-Increase Funding for Ag Experiment Station **            | 0                   | 800,000             | 800,000                  |
| 09-Distribution   | DP 921-Increase Funding for Extension Service **                | 0                   | 400,000             | 400,000                  |
| 09-Distribution   | DP 925-Eliminate Vacancy Savings at Ag Experiment Station       | 0                   | 739,616             | 739,616                  |
| 09-Distribution   | DP 935-Bio-Energy Research Center at MSU-N (BIEN/OTO)           | 0                   | 400,000             | 400,000                  |
| 09-Distribution   | DP 950-Family Practice Residency                                | 0                   | 400,000             | 400,000                  |
| 09-Distribution   | DP 951-Local Government Center (OTO)                            | 0                   | 200,000             | 200,000                  |
| 11-Tribal Colleges  | DP 1101 Increase Tribal College Assistance (OTO)                | 0                   | 368,884             | 368,884                  |
| Other OCHE Pgms   | DP 6101-Professional Development Center                         | <u>2,946</u>        | <u>0</u>            | <u>(2,946)</u>           |
|   | Total New Proposals   | <u>\$16,686,900</u> | <u>\$14,238,263</u> | <u>(\$2,448,637)</u>     |
|   | Total General Fund Adjustments-Comparison to Executive          | <u>\$45,790,231</u> | <u>\$44,210,237</u> | <u>(\$1,579,994)</u>     |
| <u>State Special Revenue</u>  |   |                     |                     |                          |
| <u>Present Law Adjustments</u>  |   |                     |                     |                          |
| 09-Distribution   | DP 901 - State Support of Educational Units                     | \$57,719            | \$0                 | (\$57,719)               |
| 09-Distribution   | DP 9071-Motorcycle Safety Equipment Replacement                 | 60,000              | 117,719             | 57,719                   |
| 09-Distribution   | General Fund Replacement with Six Mill Levy Funds               | 1,616,002           | 1,616,002           | 0                        |
| Other OCHE Pgms   | DP 50-Initial Motion to FY 2012 Base                            | \$0                 | \$4,003             | 4,003                    |
| Other OCHE Pgms   | DP 51-Adjustment for Statewide Personal Services                | 0                   | (3,263)             | (3,263)                  |
| Other OCHE Pgms   | DP 52-Adjustment for Statewide Operations                       | 0                   | (740)               | (740)                    |
| Other OCHE Pgms   | Statewide Present Law Adjustments                               | <u>(4,003)</u>      | <u>(4,003)</u>      | <u>0</u>                 |
|   | Total Present Law Adjustments                                   | <u>\$1,729,718</u>  | <u>\$1,729,718</u>  | <u>\$0</u>               |
| <u>New Proposals</u>  |   |                     |                     |                          |
| 02-Student Assist.  | DP 206-Family Education Savings Plan                            | \$99,273            | \$99,273            | \$0                      |
| 09-Distribution   | DP 930-Bureau of Mines Coal & Mine Data Records                 | <u>0</u>            | <u>600,000</u>      | <u>600,000</u>           |
|   | Total New Proposals   | <u>\$99,273</u>     | <u>\$699,273</u>    | <u>\$600,000</u>         |
|   | Total State Special Revenue Adjustments-Comparison to Executive | <u>\$1,828,991</u>  | <u>\$2,428,991</u>  | <u>\$600,000</u>         |
|   | Total MUS Adjustments-Comparison to Executive                   | <u>\$47,619,222</u> | <u>\$46,639,228</u> | <u>(\$979,994)</u>       |
| *Negative difference indicates Legislative Budget is less than Executive Budget                                 |   |                     |                     |                          |
| **Legislative budget amount reflects Governor's HB 2 veto   |   |                     |                     |                          |

*General Fund*

Overall, the executive recommended adjustments totaling \$45.8 million general fund. The legislature approved general fund adjustments totaling \$44.2 million, or \$1.6 million less.

The executive recommended \$29.1 million in present law adjustments funded from general fund for the university system while the legislature added \$30.0 million. The \$0.9 million difference is attributable primarily to correcting an error in the executive budget proposal for the community colleges, removing the vacancy savings adjustment at the Forest and Conservation Experiment Station because it has fewer than 20 FTE in its state budget, and increasing fixed costs at the educational units and agencies due to rate changes approved by the legislature.

The executive recommended \$16.7 million in 9 new proposals funded from general fund. The legislature approved 17 new proposals totaling \$14.2 million general fund. Executive-recommended new proposals not fully funded by the legislature include:

- DP 103-Universal Enrollment - \$5.0 million requested; not funded
- DP 202-Veterans' Success - \$2.0 million requested; \$1.0 million funded
- DP 903-Workforce Development & 2-Year Education - \$2.0 million requested; \$1.0 million funded

New legislative initiatives not in the executive budget include:

- DP 920 and DP 925-Increased Support for the Ag Experiment Station - \$1.5 million
- DP 401 and DP 406-Increased Support for the Community Colleges - \$1.3 million
- DP 921 and DP 951-Increased Support for the Extension Service - \$0.6 million
- DP 935-Bio-Energy Research Center MSU-Northern - \$0.4 million
- DP 950-Increase Family Practice Residency - \$0.4 million

*State Special Revenue*

The legislature adopted the executive's recommendation for present law adjustments funded from state special revenue. The legislature funded a new proposal for the Montana Bureau of Mines with coal bed methane protection state special revenue on a one-time-only basis for the 2015 biennium.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

*1. Language that creates the lump sum appropriation:*

"Items designated as OCHE--Administration (01), OCHE Student Assistance (02), Improving Teacher Quality (03), Educational Outreach and Diversity (06), Workforce Development (08), Appropriation Distribution Transfers (09) [excluding Agriculture Experiment Station, Extension Service, Forest and Conservation Experiment Station, Bureau of Mines and Geology, and Fire Services Training School], Guaranteed Student Loan (12), and the Board of Regents (13) are a single biennial lump-sum appropriation."

*2. Language appropriating all public funds received by MUS:*

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

*3. Language requiring MUS to provide access to MUS Banner Information System:*

"The Montana university system, except the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division banner access to the entire university system's banner information system, except for information pertaining to individual students or individual

employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S.C. 1232g."

*4. Language requiring MUS to provide electronic data required for state's budgeting system:*

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

### Program Budget Comparison

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

| Program Budget Comparison |                     |                        |                       |                       |                          |                          |                    |                      |
|---------------------------|---------------------|------------------------|-----------------------|-----------------------|--------------------------|--------------------------|--------------------|----------------------|
| Budget Item               | Base<br>Fiscal 2012 | Approp.<br>Fiscal 2013 | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 12-13 | Biennium<br>Fiscal 14-15 | Biennium<br>Change | Biennium<br>% Change |
| FTE                       | 23.03               | 23.03                  | 23.03                 | 23.03                 | 23.03                    | 23.03                    | 0.00               | 0.00%                |
| Personal Services         | 2,348,762           | 2,092,394              | 2,244,492             | 2,244,089             | 4,441,156                | 4,488,581                | 47,425             | 1.07%                |
| Operating Expenses        | 663,112             | 770,241                | 725,581               | 697,242               | 1,433,353                | 1,422,823                | (10,530)           | (0.73%)              |
| Transfers                 | 0                   | 36,000                 | 0                     | 0                     | 36,000                   | 0                        | (36,000)           | (100.00%)            |
| Debt Service              | 0                   | 0                      | 23,553                | 23,553                | 0                        | 47,106                   | 47,106             | n/a                  |
| <b>Total Costs</b>        | <b>\$3,011,874</b>  | <b>\$2,898,635</b>     | <b>\$2,993,626</b>    | <b>\$2,964,884</b>    | <b>\$5,910,509</b>       | <b>\$5,958,510</b>       | <b>\$48,001</b>    | <b>0.81%</b>         |
| General Fund              | 2,539,506           | 2,329,395              | 2,580,063             | 2,556,529             | 4,868,901                | 5,136,592                | 267,691            | 5.50%                |
| State Special             | 0                   | 0                      | 0                     | 0                     | 0                        | 0                        | 0                  | n/a                  |
| Federal Special           | 399,608             | 493,201                | 338,470               | 334,065               | 892,809                  | 672,535                  | (220,274)          | (24.67%)             |
| Other                     | 72,760              | 76,039                 | 75,093                | 74,290                | 148,799                  | 149,383                  | 584                | 0.39%                |
| <b>Total Funds</b>        | <b>\$3,011,874</b>  | <b>\$2,898,635</b>     | <b>\$2,993,626</b>    | <b>\$2,964,884</b>    | <b>\$5,910,509</b>       | <b>\$5,958,510</b>       | <b>\$48,001</b>    | <b>0.81%</b>         |

### Program Description

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

### Program Highlights

| <b>Administration Program<br/>Major Budget Highlights</b>  |
|--|
| <ul style="list-style-type: none"> <li>◆ The legislature increased overall funding to this program less than 1% due to offsetting adjustments: <ul style="list-style-type: none"> <li>• Funding Regent-approved across the board pay increases of 1% + \$500 implemented in FY 2012 (additional pay increase of 2% + \$500 was excluded from the personal services snapshot as it was not effective until October 1, 2012)</li> <li>• Increased fixed costs</li> <li>• Applying an additional 2% vacancy savings to the agency and allocating the entire reduction to this program, with language that allows reallocation to other programs in the agency operating plan. Approximately 3/4ths of the federal special revenue reduction shown in this program for the 2015 biennium is attributable to this additional vacancy savings adjustment.</li> </ul> </li> </ul> |

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Administration Program |               |                          |                         |                   |                   |               |                    |
|--|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds  | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund   | \$5,136,592   | \$0                      | \$0                     | \$5,136,592       | 86.2%             |               |                    |
| Federal Special Total  | \$672,535     | \$0                      | \$0                     | \$672,535         | 11.3%             |               |                    |
| 03080 Che Indirect Cost Recovery   | \$672,535     | \$0                      | \$0                     | \$672,535         | 11.3%             |               |                    |
| Proprietary Total  | \$149,383     | \$0                      | \$0                     | \$149,383         | 2.5%              |               |                    |
| 06539 Indirect Costs - Oche  | \$149,383     | \$0                      | \$0                     | \$149,383         | 2.5%              |               |                    |
| Total All Funds  | \$5,958,510   | \$0                      | \$0                     | \$5,958,510       | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>   | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

This program is funded primarily from general fund. About 14% of the funding for the 2015 biennium will come from federal and proprietary revenue to support administrative overhead activities for federal grant programs and proprietary programs administered by other OCHE programs (e.g. Talent Search, GEAR-UP, Perkins, Group Insurance, and MUS Workers Compensation).

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 2,539,506              | 2,539,506          | 5,079,012             | 98.88%            | 3,011,874             | 3,011,874          | 6,023,748             | 101.09%           |
| Statewide PL Adjustments | 84,025                 | 60,623             | 144,648               | 2.82%             | 106,572               | 77,982             | 184,554               | 3.10%             |
| Other PL Adjustments     | 852                    | 707                | 1,559                 | 0.03%             | 1,082                 | 910                | 1,992                 | 0.03%             |
| New Proposals            | (44,320)               | (44,307)           | (88,627)              | (1.73%)           | (125,902)             | (125,882)          | (251,784)             | (4.23%)           |
| <b>Total Budget</b>      | <b>\$2,580,063</b>     | <b>\$2,556,529</b> | <b>\$5,136,592</b>    |                   | <b>\$2,993,626</b>    | <b>\$2,964,884</b> | <b>\$5,958,510</b>    |                   |

The following summarizes the total budget by base, present law adjustments, and new proposals

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                            | -----Fiscal 2014----- |                 |               |                 |                   | -----Fiscal 2015----- |                 |               |                 |                  |
|--|-----------------------|-----------------|---------------|-----------------|-------------------|-----------------------|-----------------|---------------|-----------------|------------------|
|  | FTE                   | General Fund    | State Special | Federal Special | Total Funds       | FTE                   | General Fund    | State Special | Federal Special | Total Funds      |
| Personal Services                                  |                       |                 |               |                 | 120,400           |                       |                 |               |                 | 119,956          |
| Vacancy Savings                                    |                       |                 |               |                 | (98,768)          |                       |                 |               |                 | (98,747)         |
| Inflation/Deflation                                |                       |                 |               |                 | (683)             |                       |                 |               |                 | (385)            |
| Fixed Costs  |                       |                 |               |                 | 85,623            |                       |                 |               |                 | 57,158           |
| <b>Total Statewide Present Law Adjustments</b>     |                       | <b>\$84,025</b> | <b>\$0</b>    | <b>\$19,074</b> | <b>\$106,572*</b> |                       | <b>\$60,623</b> | <b>\$0</b>    | <b>\$14,685</b> | <b>\$77,982*</b> |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | (84,025)        | 0             | (19,074)        | (106,572)*        | 0.00                  | (60,623)        | 0             | (14,685)        | (77,982)*        |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | 14,467          | 0             | 6,061           | 21,632*           | 0.00                  | 14,131          | 0             | 5,988           | 21,209*          |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | 70,410          | 0             | 13,207          | 86,022*           | 0.00                  | 47,199          | 0             | 8,868           | 57,683*          |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>\$852</b>    | <b>\$0</b>    | <b>\$194</b>    | <b>\$1,082*</b>   | <b>0.00</b>           | <b>\$707</b>    | <b>\$0</b>    | <b>\$171</b>    | <b>\$910*</b>    |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>\$84,877</b> | <b>\$0</b>    | <b>\$19,268</b> | <b>\$107,654*</b> | <b>0.00</b>           | <b>\$61,330</b> | <b>\$0</b>    | <b>\$14,856</b> | <b>\$78,892*</b> |

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

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

**New Proposals**

| New Proposals                      | -----Fiscal 2014----- |             |                   |               |                   | -----Fiscal 2015----- |             |                   |               |                   |                     |
|------------------------------------|-----------------------|-------------|-------------------|---------------|-------------------|-----------------------|-------------|-------------------|---------------|-------------------|---------------------|
|                                    | Program               | FTE         | General Fund      | State Special | Federal Special   | Total Funds           | FTE         | General Fund      | State Special | Federal Special   | Total Funds         |
| DP 54 - Additional Vacancy Savings | 01                    | 0.00        | (44,320)          | 0             | (80,406)          | (125,902)*            | 0.00        | (44,307)          | 0             | (80,399)          | (125,882)*          |
| <b>Total</b>                       |                       | <b>0.00</b> | <b>(\$44,320)</b> | <b>\$0</b>    | <b>(\$80,406)</b> | <b>(\$125,902)*</b>   | <b>0.00</b> | <b>(\$44,307)</b> | <b>\$0</b>    | <b>(\$80,399)</b> | <b>(\$125,882)*</b> |

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

DP 54 - Additional Vacancy Savings - The legislature applied an additional 2% vacancy savings to all positions except those exempt in statute or that must be filled 24/7. Language was included in HB 2 that allows the agency to allocate the reduction among programs.

**Language and Statutory Authority**

The legislature approved the following language for HB 2:

"OCHE -- Administration program includes a reduction in general fund of \$44,320 in fiscal year 2014 and \$44,307 in fiscal year 2015, federal special revenue of \$80,406 in fiscal year 2014 and \$80,399 in fiscal year 2015, and proprietary funds of \$1,176 in fiscal year 2014 and \$1,176 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans."

**Program Budget Comparison**

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

| Program Budget Comparison |                     |                     |                     |                     |                       |                       |                  |                   |
|---------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item               | Base Fiscal 2012    | Approp. Fiscal 2013 | Budget Fiscal 2014  | Budget Fiscal 2015  | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change  | Biennium % Change |
| FTE                       | 1.50                | 1.50                | 1.50                | 1.50                | 1.50                  | 1.50                  | 0.00             | 0.00%             |
| Personal Services         | 53,557              | 103,414             | 89,811              | 89,622              | 156,971               | 179,433               | 22,462           | 14.31%            |
| Operating Expenses        | 48,338              | 48,342              | 97,548              | 97,661              | 96,680                | 195,209               | 98,529           | 101.91%           |
| Local Assistance          | 125,000             | 125,000             | 131,000             | 137,000             | 250,000               | 268,000               | 18,000           | 7.20%             |
| Grants                    | 12,068,923          | 13,807,923          | 13,022,685          | 13,686,063          | 25,876,846            | 26,708,748            | 831,902          | 3.21%             |
| Transfers                 | 0                   | 0                   | 0                   | 0                   | 0                     | 0                     | 0                | n/a               |
| <b>Total Costs</b>        | <b>\$12,295,818</b> | <b>\$14,084,679</b> | <b>\$13,341,044</b> | <b>\$14,010,346</b> | <b>\$26,380,497</b>   | <b>\$27,351,390</b>   | <b>\$970,893</b> | <b>3.68%</b>      |
| General Fund              | 9,606,033           | 10,445,767          | 13,191,514          | 13,860,816          | 20,051,800            | 27,052,330            | 7,000,530        | 34.91%            |
| State Special             | 101,895             | 101,824             | 149,530             | 149,530             | 203,719               | 299,060               | 95,341           | 46.80%            |
| Federal Special           | 2,587,890           | 3,537,088           | 0                   | 0                   | 6,124,978             | 0                     | (6,124,978)      | (100.00%)         |
| <b>Total Funds</b>        | <b>\$12,295,818</b> | <b>\$14,084,679</b> | <b>\$13,341,044</b> | <b>\$14,010,346</b> | <b>\$26,380,497</b>   | <b>\$27,351,390</b>   | <b>\$970,893</b> | <b>3.68%</b>      |

**Program Description**

This program includes various types of state-administered financial assistance for postsecondary students in Montana. The types of assistance include need-and merit-based grants, loans, and work study; regional interstate student exchange and assistance, including state support for students attending professional schools which are not available in Montana such as medicine, dentistry and veterinary medicine; and student loan repayment assistance programs. Title 20, Chapters 25 and 26, MCA, govern the program.

**Program Highlights**

| <b>Student Assistance Program<br/>Major Budget Highlights</b>   |
|---|
| <ul style="list-style-type: none"> <li>◆ The legislature approved an overall biennial budget increase of 3.7%</li> <li>◆ Primary budget adjustments impacting the increase include:                             <ul style="list-style-type: none"> <li>◆ \$1.0 million one-time-only increase to implement veterans success programs on the Montana University System campuses</li> <li>◆ \$0.5 million beginning in FY 2015 as an ongoing increase to expand the number of medical education slots in WWAMI by 10 each year. A related decision package is included in the Appropriation Distribution program for increase costs anticipated for Montana State University (See DP 909)</li> </ul> </li> <li>◆ The general fund funding switch implemented by the 2011 Legislature is mostly reversed in the proposed 2015 biennium executive budget</li> </ul> |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Student Assistance Program |              |                             |                            |                      |                      |                  |                       |
|--|--------------|-----------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds  | HB 2         | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| General Fund   | \$27,052,330 | \$0                         | \$0                        | \$27,052,330         | 96.3%                |                  |                       |
| State Special Total  | \$299,060    | \$0                         | \$744,336                  | \$1,043,396          | 3.7%                 |                  |                       |
| 02846 Family Ed Savings Admin Fee  | \$299,060    | \$0                         | \$0                        | \$299,060            | 1.1%                 |                  |                       |
| 02943 Rural Physicians Account   | \$0          | \$0                         | \$744,336                  | \$744,336            | 2.6%                 | 20-26-1501       | Pass Thru             |
| Total All Funds  | \$27,351,390 | \$0                         | \$744,336                  | \$28,095,726         | 100.0%               |                  |                       |
| <b>Percent - Total All Sources</b>   | <b>97.4%</b> | <b>0.0%</b>                 | <b>2.6%</b>                |                      |                      |                  |                       |

The legislature funded this program primarily from general fund via HB 2. The legislature also appropriated state special revenue in HB 2 to administer the college savings program. The 2011 Legislature implemented a funding switch for the 2013 biennium, whereby it reduced a total of \$5,751,600 general fund and replaced it with a like amount of federal funds available from the Montana guaranteed student loan program. For the 2015 biennium, the legislature replaced most of the fund switch back to general fund, adding \$5,175,780 general fund and reducing federal funds by a like amount (DP 205).

The table below summarizes the student assistance program budget for the 2015 biennium.

| Student Financial Assistance Programs<br>Fiscal 2012 through 2015 |                   |                   |                 |                 |                       |                      |
|---|-------------------|-------------------|-----------------|-----------------|-----------------------|----------------------|
| Types of Student Assistance                                       | Actual<br>FY 2012 | Approp<br>FY 2013 | HB 2<br>FY 2014 | HB 2<br>FY 2015 | Biennial<br>\$ Change | Biennial<br>% Change |
| <u>Grants, Loans &amp; Work Study</u>                             |                   |                   |                 |                 |                       |                      |
| MT Higher Education Grants  | \$617,590         | \$612,117         | \$617,590       | \$617,590       | \$5,473               | 0.4%                 |
| Baker Grants (MT Tuition Assistance Pgm)                          | 2,018,774         | 2,018,775         | 2,018,774       | 2,018,774       | (1)                   | 0.0%                 |
| Supplemental Ed. Opportunity Grant*                               | 397,161           | 402,647           | 397,161         | 397,161         | (5,486)               | -0.7%                |
| Perkins Loan*   | 68,280            | 68,280            | 68,280          | 68,280          | 0                     | 0.0%                 |
| Work Study  | 863,003           | 862,989           | 863,003         | 863,003         | 14                    | 0.0%                 |
| Governor's Scholarship Program (Federal)                          | 2,093,000         | 1,947,864         | 0               | 0               | (4,040,864)           | -100.0%              |
| Governor's Scholarship Program (General Fund)                     | 279,000           | 446,206           | 2,372,000       | 2,372,000       | 4,018,794             | 554.2%               |
| Unallocated Federal Authority                                     | 0                 | 373,378           | 0               | 0               | (373,378)             | -100.0%              |
| <u>Professional Student Exchange</u>                              |                   |                   |                 |                 |                       |                      |
| WICHE/WWAMI/MN Dentistry  | 5,305,988         | 5,998,446         | 5,522,640       | 5,676,753       | (105,041)             | -0.9%                |
| WWAMI 10 Slot Expansion   |                   |                   |                 | 515,265         | 515,265               | 100.0%               |
| DP 202 Veterans' Success  | -                 | -                 | 500,000         | 500,000         | 1,000,000             | 100.0%               |
| <u>Student Loan Repayment Assistance</u>                          |                   |                   |                 |                 |                       |                      |
| Institutional Nursing Incentive                                   | 56,237            | 36,307            | 56,237          | 56,237          | 19,930                | 21.5%                |
| Quality Educator Loan Forgiveness (Federal)                       | 494,890           | 1,215,846         | 0               | 0               | (1,710,736)           | -100.0%              |
| Quality Educator Loan Forgiveness (Gen Fund)                      | 0                 | 0                 | 738,000         | 738,000         | 1,476,000             | 100.0%               |
| <u>Administrative Costs</u>                                       |                   |                   |                 |                 |                       |                      |
| Student Assistance Administration                                 | 0                 | 0                 | 37,829          | 37,753          | 75,582                | 100.0%               |
| Family Savings Program  | 101,895           | 101,824           | 149,530         | 149,530         | 95,341                | 46.8%                |
| Total Costs   | \$12,295,818      | \$14,084,679      | \$13,341,044    | \$14,010,346    | \$970,893             | 3.7%                 |
| <u>Funding</u>  |                   |                   |                 |                 |                       |                      |
| General Fund  | \$9,606,033       | \$10,445,767      | \$13,191,514    | \$13,860,816    | \$7,000,530           | 34.9%                |
| State Special Revenue   | 101,895           | 101,824           | 149,530         | 149,530         | 95,341                | 46.8%                |
| Federal Funds   | 2,587,890         | 3,537,088         | 0               | 0               | (6,124,978)           | -100.0%              |
| Total Funding   | \$12,295,818      | \$14,084,679      | \$13,341,044    | \$14,010,346    | \$970,893             | 3.7%                 |

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

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2014  | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget |
| Base Budget              | 9,606,033              | 9,606,033             | 19,212,066               | 71.02%               | 12,295,818            | 12,295,818            | 24,591,636               | 89.91%               |
| Statewide PL Adjustments | 37,829                 | 37,753                | 75,582                   | 0.28%                | 35,852                | 35,727                | 71,579                   | 0.26%                |
| Other PL Adjustments     | 459,762                | 613,875               | 1,073,637                | 3.97%                | 459,762               | 613,875               | 1,073,637                | 3.93%                |
| New Proposals            | 3,087,890              | 3,603,155             | 6,691,045                | 24.73%               | 549,612               | 1,064,926             | 1,614,538                | 5.90%                |
| <b>Total Budget</b>      | <b>\$13,191,514</b>    | <b>\$13,860,816</b>   | <b>\$27,052,330</b>      |                      | <b>\$13,341,044</b>   | <b>\$14,010,346</b>   | <b>\$27,351,390</b>      |                      |

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                              | -----Fiscal 2014----- |                  |                  |                    | -----Fiscal 2015----- |             |                  |                  |                    |                  |
|--|-----------------------|------------------|------------------|--------------------|-----------------------|-------------|------------------|------------------|--------------------|------------------|
|  | FTE                   | General<br>Fund  | State<br>Special | Federal<br>Special | Total<br>Funds        | FTE         | General<br>Fund  | State<br>Special | Federal<br>Special | Total<br>Funds   |
| Personal Services                                    |                       |                  |                  |                    | 39,996                |             |                  |                  |                    | 39,799           |
| Vacancy Savings                                      |                       |                  |                  |                    | (3,742)               |             |                  |                  |                    | (3,734)          |
| Inflation/Deflation                                  |                       |                  |                  |                    | 68                    |             |                  |                  |                    | 132              |
| Fixed Costs  |                       |                  |                  |                    | (470)                 |             |                  |                  |                    | (470)            |
| <b>Total Statewide Present Law Adjustments</b>       |                       | <b>\$37,829</b>  | <b>(\$1,977)</b> | <b>\$0</b>         | <b>\$35,852</b>       |             | <b>\$37,753</b>  | <b>(\$2,026)</b> | <b>\$0</b>         | <b>\$35,727</b>  |
| DP 50 - Initial Motion to FY 2012 Base               | 0.00                  | (37,829)         | 1,977            | 0                  | (35,852)              | 0.00        | (37,753)         | 2,026            | 0                  | (35,727)         |
| DP 51 - Adjustment for Statewide Personal Services   | 0.00                  | 37,829           | (1,575)          | 0                  | 36,254                | 0.00        | 37,753           | (1,688)          | 0                  | 36,065           |
| DP 52 - Adjustment for Statewide Operations          | 0.00                  | 0                | (402)            | 0                  | (402)                 | 0.00        | 0                | (338)            | 0                  | (338)            |
| DP 201 - WICHE/WWAMI/MN Dental                       | 0.00                  | 216,652          | 0                | 0                  | 216,652               | 0.00        | 370,765          | 0                | 0                  | 370,765          |
| DP 207 - Quality Educator Loan Forgiveness (RST/OTO) | 0.00                  | 243,110          | 0                | 0                  | 243,110               | 0.00        | 243,110          | 0                | 0                  | 243,110          |
| <b>Total Other Present Law Adjustments</b>           | <b>0.00</b>           | <b>\$459,762</b> | <b>\$0</b>       | <b>\$0</b>         | <b>\$459,762</b>      | <b>0.00</b> | <b>\$613,875</b> | <b>\$0</b>       | <b>\$0</b>         | <b>\$613,875</b> |
| <b>Grand Total All Present Law Adjustments</b>       | <b>0.00</b>           | <b>\$497,591</b> | <b>(\$1,977)</b> | <b>\$0</b>         | <b>\$495,614</b>      | <b>0.00</b> | <b>\$651,628</b> | <b>(\$2,026)</b> | <b>\$0</b>         | <b>\$649,602</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 201 - WICHE/WWAMI/MN Dental - The legislature increased funding for the 166 current student slots at anticipated increased tuition levels for the WICHE, WWAMI and MN Dental professional student exchange programs.

DP 207 - Quality Educator Loan Forgiveness (RST/OTO) - The legislature added \$243,110 general fund each year of the biennium to fund the current and projected pipeline of students in the program. The legislature anticipates providing loan assistance to 100 new teachers each year of the 2015 biennium in addition to those teachers already in the pipeline. The

legislature established this appropriation as a restricted, one-time-only appropriation for the 2015 biennium. The table below summarizes the actual and projected use of this loan assistance program through the 2015 biennium.

| Quality Educator Loan Forgiveness Assistance Program |     |           |           |           |               |           |           |          |
|--|-----|-----------|-----------|-----------|---------------|-----------|-----------|----------|
| FY 2008 through FY 2015                              |     |           |           |           |               |           |           |          |
| FY   | New | Return Y2 | Return Y3 | Return Y4 | Total Awarded | Cost      |           | \$/Award |
| 2008   | 104 | -         | -         | -         | 104           | \$307,280 | Actual    | \$2,955  |
| 2009   | 37  | 79        | -         | -         | 116           | \$330,785 | Actual    | \$2,852  |
| 2010   | 101 | 21        | 41        | -         | 163           | \$471,754 | Actual    | \$2,894  |
| 2011   | 64  | 49        | 17        | 13        | 143           | \$470,221 | Actual    | \$3,288  |
| 2012   | 98  | 33        | 32        | 4         | 167           | \$494,890 | Actual    | \$2,963  |
| 2013   | 100 | 72        | 49        | 25        | 246           | \$928,245 | Op Budget | \$3,773  |
| 2014   | 100 | 72        | 49        | 25        | 246           | \$738,000 | HB 2      | \$3,000  |
| 2015   | 100 | 72        | 49        | 25        | 246           | \$738,000 | HB 2      | \$3,000  |

This table tracks GRANTS only. Administrative costs are excluded.

**New Proposals**

| Program   | FTE         | Fiscal 2014        |                 |                      |                  | Fiscal 2015 |                    |                 |                      |                    |
|---|-------------|--------------------|-----------------|----------------------|------------------|-------------|--------------------|-----------------|----------------------|--------------------|
|   |             | General Fund       | State Special   | Federal Special      | Total Funds      | FTE         | General Fund       | State Special   | Federal Special      | Total Funds        |
| DP 202 - Veterans' Success - RST/BIEN/OTO             |             |                    |                 |                      |                  |             |                    |                 |                      |                    |
| 02  | 0.00        | 500,000            | 0               | 0                    | 500,000          | 0.00        | 500,000            | 0               | 0                    | 500,000            |
| DP 203 - WWAMI Expansion - 10 Slots                   |             |                    |                 |                      |                  |             |                    |                 |                      |                    |
| 02  | 0.00        | 0                  | 0               | 0                    | 0                | 0.00        | 515,265            | 0               | 0                    | 515,265            |
| DP 205 - GSL/Student Assistance fund allocation (OTO) |             |                    |                 |                      |                  |             |                    |                 |                      |                    |
| 02  | 0.00        | 2,587,890          | 0               | (2,587,890)          | 0                | 0.00        | 2,587,890          | 0               | (2,587,890)          | 0                  |
| DP 206 - Family Education Savings Plan                |             |                    |                 |                      |                  |             |                    |                 |                      |                    |
| 02  | 0.00        | 0                  | 49,612          | 0                    | 49,612           | 0.00        | 0                  | 49,661          | 0                    | 49,661             |
| <b>Total</b>  | <b>0.00</b> | <b>\$3,087,890</b> | <b>\$49,612</b> | <b>(\$2,587,890)</b> | <b>\$549,612</b> | <b>0.00</b> | <b>\$3,603,155</b> | <b>\$49,661</b> | <b>(\$2,587,890)</b> | <b>\$1,064,926</b> |

DP 202 - Veterans' Success - RST/BIEN/OTO - The legislature added a \$1 million restricted, biennial, one-time-only general fund appropriation for the Montana University System (MUS) to provide the services and resources necessary for today's veterans to access and complete college. This funding will help ensure every campus in the MUS provides dedicated services and space to meet veterans' needs by providing resources aimed at increasing the ease of access, transferability of credit, and job placement.

The Montana University System agreed to the following metrics to measure the success of this program:

- Enrollment (total # of veterans enrolled each year)
- Retention Rates (% returning for 2<sup>nd</sup> year of enrollment)
- Completions (# veterans receiving degrees and certificates)
- Workforce Placement (% of veterans receiving degrees and certificates that find) employment in Montana within one year following graduation)

DP 203 - WWAMI Expansion - 10 Slots - The legislature increased funding \$515,265 to expand the Washington-Wyoming-Alaska-Montana-Idaho (WWAMI) medical education exchange program at Montana State University (MSU) by 10 slots. The student assistance program cost to expand the program by 10 slots at University of Washington, School of Medicine (UWSOM) is \$515,265 beginning in FY 2015 and will increase each year until the pipeline (years 2 thru 4) is full which would occur in FY 2017. Direct operating costs to expand the program at MSU are included in DP-909 in program 09.

The table below projects the biennial subsidy cost of this expansion when the student pipeline is full.

| WWAMI Expansion Cost Estimates - 10 Slot Expansion<br>FY 2014 - FY 2019 |     |     |     |     |                     |                     |                           |                   |               |
|---|-----|-----|-----|-----|---------------------|---------------------|---------------------------|-------------------|---------------|
| Pipeline Year   |     |     |     |     | Total # in pipeline | Cost/Student in YR1 | Cost/Student in YR2- YR4* | Total Annual Cost | Biennial Cost |
| FY  | YR1 | YR2 | YR3 | YR4 |                     |                     |                           |                   |               |
| 2014  | 10  | 0   | 0   | 0   | 10                  | \$0                 | \$51,527                  | \$0               |               |
| 2015  | 10  | 10  | 0   | 0   | 20                  | \$0                 | \$51,527                  | \$515,265         | \$515,265     |
| 2016  | 10  | 10  | 10  | 0   | 30                  | \$0                 | \$51,527                  | \$1,030,540       |               |
| 2017  | 10  | 10  | 10  | 10  | 40                  | \$0                 | \$51,527                  | \$1,545,810       | \$2,576,350   |
| 2018  | 10  | 10  | 10  | 10  | 40                  | \$0                 | \$51,527                  | \$1,545,810       |               |
| 2019  | 10  | 10  | 10  | 10  | 40                  | \$0                 | \$51,527                  | \$1,545,810       | \$3,091,620   |

\*This is the amount estimated for FY 15. Future cost per student rates will likely be higher.

The following table shows the legislative budget for the professional student exchange programs. The WWAMI expansion is included in a separate line on the table for illustration purposes only.

| WICHE/WWAMI/MINNESOTA Dental Programs<br>Office of the Commissioner of Higher Education<br>2015 Biennium Legislative Budget                             |               |                         |                  |            |                    |                    |                         |           |                     |            |                    |                    |
|---|---------------|-------------------------|------------------|------------|--------------------|--------------------|-------------------------|-----------|---------------------|------------|--------------------|--------------------|
| PROGRAM   | FY 2014       |                         |                  |            |                    |                    | FY 2015                 |           |                     |            |                    |                    |
|   | Support Fee   | New (1st Year) Students | Cost             | Cost       | Total              | Support 515265     | New (1st Year) Students | Cost      | Continuing Students | Cost       | Total              |                    |
| WICHE   |               |                         |                  |            |                    |                    |                         |           |                     |            |                    |                    |
| Administrative Dues   |               |                         | \$131,000        |            | \$131,000          |                    |                         | \$137,000 |                     |            | \$137,000          |                    |
| Student Assistance:   |               |                         |                  |            |                    |                    |                         |           |                     |            |                    |                    |
| Medicine  | \$30,800      | 6                       | \$184,800        | 20         | \$616,000          | \$800,800          | \$31,500                | 6         | \$189,000           | 18         | \$567,000          | \$756,000          |
| Osteopathic Medicine  | 20,400        | 2                       | 40,800           | 3          | 61,200             | 102,000            | 20,900                  | 1         | 20,900              | 5          | 104,500            | 125,400            |
| Dentistry   | 23,900        | 1                       | 23,900           | 7          | 167,300            | 191,200            | 24,400                  | 1         | 24,400              | 5          | 122,000            | 146,400            |
| Veterinary Medicine   | 30,600        | 9                       | 275,400          | 27         | 826,200            | 1,101,600          | 31,300                  | 9         | 281,700             | 28         | 876,400            | 1,158,100          |
| Podiatry  | 14,200        | 1                       | 14,200           | 0          | 0                  | 14,200             | 14,500                  | 0         | 0                   | 1          | 14,500             | 14,500             |
| Optometry   | 16,400        | 1                       | 16,400           | 3          | 49,200             | 65,600             | 16,800                  | 1         | 16,800              | 3          | 50,400             | 67,200             |
| Occupational Therapy  | 12,600        | 1                       | 12,600           | 1          | 21,000             | 33,600             | 12,800                  | 1         | 12,800              | 1          | 21,333             | 34,133             |
| (Includes 1 @ clinical rate \$21,000 for FY 2014 and \$21,333 for FY 2015)  |               |                         |                  |            |                    |                    |                         |           |                     |            |                    |                    |
| Subtotal (WICHE Student Support)  |               | <u>21</u>               | <u>\$568,100</u> | <u>61</u>  | <u>\$1,740,900</u> | <u>\$2,309,000</u> |                         | <u>19</u> | <u>\$545,600</u>    | <u>61</u>  | <u>\$1,756,133</u> | <u>\$2,301,733</u> |
| TOTAL WICHE (Including Dues)  |               |                         |                  |            |                    | \$2,440,000        |                         |           |                     |            |                    | \$2,438,733        |
| MINNESOTA DENTAL  | 23,900        | 2                       | 47,800           | 2          | 47,800             | 95,600             | 24,400                  | 2         | 48,800              | 4          | 97,600             | 146,400            |
| WWAMI   | 49,784        | 20                      | 0                | 60         | 2,987,040          | 2,987,040          | 51,527                  | 20        | 0                   | 60         | 3,091,620          | 3,091,620          |
| WWAMI-Expansion   | <u>49,784</u> | <u>10</u>               | <u>0</u>         | <u>0</u>   | <u>0</u>           | <u>0</u>           | <u>51,527</u>           | <u>10</u> | <u>0</u>            | <u>10</u>  | <u>515,265</u>     | <u>515,265</u>     |
| TOTAL WICHE/WWAMI/MN DENTAL   |               | <u>53</u>               | <u>\$746,900</u> | <u>123</u> | <u>\$4,775,740</u> | <u>\$5,522,640</u> |                         | <u>51</u> | <u>\$731,400</u>    | <u>135</u> | <u>\$5,460,618</u> | <u>\$6,192,018</u> |
| <b>Notes:</b>   |               |                         |                  |            |                    |                    |                         |           |                     |            |                    |                    |
| 1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two clinical rotations. |               |                         |                  |            |                    |                    |                         |           |                     |            |                    |                    |
| 2) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.                                     |               |                         |                  |            |                    |                    |                         |           |                     |            |                    |                    |

DP 205 - GSL/Student Assistance fund allocation (OTO) - The legislature restored \$2,587,890 in the Student Assistance Program for the Governor's Best and Brightest Scholarship and Quality Educator Loan Forgiveness to general fund each year of the 2015 biennium as part of the Governor's Tuition CAP agreement.

DP 206 - Family Education Savings Plan - The legislature increased the budget of this program by \$49,612 in FY 2014 and \$49,661 in FY 2015 for increased contracted services. Existing fund balance will be used to cover the additional costs.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

"Veterans' Success in OCHE -- Student Assistance Program may be used only to provide space and services to meet veterans' needs for access to and completion of postsecondary education."

**Program Budget Comparison**

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

| Program Budget Comparison |                  |                     |                    |                    |                       |                       |                  |                   |
|---------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item               | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change  | Biennium % Change |
| Personal Services         | 33               | 44,967              | 1,890              | 1,890              | 45,000                | 3,780                 | (41,220)         | (91.60%)          |
| Operating Expenses        | 1,726            | 6,374               | 16,726             | 16,726             | 8,100                 | 33,452                | 25,352           | 312.99%           |
| Grants                    | 323,964          | 254,836             | 373,501            | 323,964            | 578,800               | 697,465               | 118,665          | 20.50%            |
| <b>Total Costs</b>        | <b>\$325,723</b> | <b>\$306,177</b>    | <b>\$392,117</b>   | <b>\$342,580</b>   | <b>\$631,900</b>      | <b>\$734,697</b>      | <b>\$102,797</b> | <b>16.27%</b>     |
| Federal Special           | 325,723          | 306,177             | 392,117            | 342,580            | 631,900               | 734,697               | 102,797          | 16.27%            |
| <b>Total Funds</b>        | <b>\$325,723</b> | <b>\$306,177</b>    | <b>\$392,117</b>   | <b>\$342,580</b>   | <b>\$631,900</b>      | <b>\$734,697</b>      | <b>\$102,797</b> | <b>16.27%</b>     |

**Program Description**

Improving Teacher Quality is a federally funded grant program providing awards to fund partnerships between higher education and high-need K-12 school districts in order to provide professional development and teacher training that improves teaching methods and teaching skills in the classroom.

**Program Highlights**

| Improving Teacher Quality Program<br>Major Budget Highlights |   |
|--|---|
| ◆  | The legislature increased the biennial budget to allow the use of carryover funds |
| ◆  | The federal grant that funds this program is subject to federal sequestration     |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Improving Teacher Quality |               |                          |                         |                   |                   |               |                    |
|---|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds   | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| Federal Special Total   | \$734,697     | \$0                      | \$0                     | \$734,697         | 100.0%            |               |                    |
| 03183 Ed For Econ Security Grant  | \$734,697     | \$0                      | \$0                     | \$734,697         | 100.0%            |               |                    |
| Total All Funds   | \$734,697     | \$0                      | \$0                     | \$734,697         | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 0                      | 0                  | 0                     | 0.00%             | 325,723               | 325,723            | 651,446               | 88.67%            |
| Statewide PL Adjustments | 0                      | 0                  | 0                     | 0.00%             | (33)                  | (33)               | (66)                  | (0.01%)           |
| Other PL Adjustments     | 0                      | 0                  | 0                     | 0.00%             | 66,427                | 16,890             | 83,317                | 11.34%            |
| New Proposals            | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| <b>Total Budget</b>      | <b>\$0</b>             | <b>\$0</b>         | <b>\$0</b>            |                   | <b>\$392,117</b>      | <b>\$342,580</b>   | <b>\$734,697</b>      |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                                   | -----Fiscal 2014----- |              |               |                 | -----Fiscal 2015----- |             |              |               |                 |                 |
|---|-----------------------|--------------|---------------|-----------------|-----------------------|-------------|--------------|---------------|-----------------|-----------------|
|   | FTE                   | General Fund | State Special | Federal Special | Total Funds           | FTE         | General Fund | State Special | Federal Special | Total Funds     |
| Personal Services   |                       |              |               |                 | (33)                  |             |              |               |                 | (33)            |
| <b>Total Statewide Present Law Adjustments</b>            |                       | <b>\$0</b>   | <b>\$0</b>    | <b>(\$33)</b>   | <b>(\$33)</b>         |             | <b>\$0</b>   | <b>\$0</b>    | <b>(\$33)</b>   | <b>(\$33)</b>   |
| DP 50 - Initial Motion to FY 2012 Base                    | 0.00                  | 0            | 0             | 33              | 33                    | 0.00        | 0            | 0             | 33              | 33              |
| DP 51 - Adjustment for Statewide Personal Services        | 0.00                  | 0            | 0             | (33)            | (33)                  | 0.00        | 0            | 0             | (33)            | (33)            |
| DP 301 - Title II Federal Funds Improving Teacher Quality | 0.00                  | 0            | 0             | 66,427          | 66,427                | 0.00        | 0            | 0             | 16,890          | 16,890          |
| <b>Total Other Present Law Adjustments</b>                | <b>0.00</b>           | <b>\$0</b>   | <b>\$0</b>    | <b>\$66,427</b> | <b>\$66,427</b>       | <b>0.00</b> | <b>\$0</b>   | <b>\$0</b>    | <b>\$16,890</b> | <b>\$16,890</b> |
| <b>Grand Total All Present Law Adjustments</b>            | <b>0.00</b>           | <b>\$0</b>   | <b>\$0</b>    | <b>\$66,394</b> | <b>\$66,394</b>       | <b>0.00</b> | <b>\$0</b>   | <b>\$0</b>    | <b>\$16,857</b> | <b>\$16,857</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 301 - Title II Federal Funds Improving Teacher Quality - The legislature added federal authority to spend funds available.

**Program Budget Comparison**

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

| Program Budget Comparison |                     |                     |                     |                     |                       |                       |                    |                   |
|---------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|--------------------|-------------------|
| Budget Item               | Base Fiscal 2012    | Approp. Fiscal 2013 | Budget Fiscal 2014  | Budget Fiscal 2015  | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change    | Biennium % Change |
| Local Assistance          | 11,014,820          | 10,905,955          | 13,013,177          | 12,940,785          | 21,920,775            | 25,953,962            | 4,033,187          | 18.40%            |
| <b>Total Costs</b>        | <b>\$11,014,820</b> | <b>\$10,905,955</b> | <b>\$13,013,177</b> | <b>\$12,940,785</b> | <b>\$21,920,775</b>   | <b>\$25,953,962</b>   | <b>\$4,033,187</b> | <b>18.40%</b>     |
| General Fund              | 11,014,820          | 10,905,955          | 13,013,177          | 12,940,785          | 21,920,775            | 25,953,962            | 4,033,187          | 18.40%            |
| <b>Total Funds</b>        | <b>\$11,014,820</b> | <b>\$10,905,955</b> | <b>\$13,013,177</b> | <b>\$12,940,785</b> | <b>\$21,920,775</b>   | <b>\$25,953,962</b>   | <b>\$4,033,187</b> | <b>18.40%</b>     |

**Program Description**

This program distributes funds appropriated by the Legislature in support of the three community colleges:

- o Miles Community College located in Miles City
- o Dawson Community College located in Glendive
- o Flathead Valley Community College located in Kalispell.

Each community college district has an elected board of trustees. The trustees are subject to the supervision of the Board of Regents, as directed by Title 20, Chapter 15, MCA.

The funding formula and methodology for the state general fund appropriation to the community colleges is outlined in statute at 20-15-310, MCA. 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.

**Program Highlights**

| <b>Community College Assistance<br/>Major Budget Highlights</b>  |
|--|
| <ul style="list-style-type: none"> <li>◆ The legislature approved a \$4.0 million increase in state funds for the 2015 biennium                             <ul style="list-style-type: none"> <li>• \$1.0 million is a one-time-only appropriation to be equally shared between Dawson Community College and Miles Community College to develop workforce development programs to meet workforce needs in Eastern Montana</li> <li>• \$3.0 million is a permanent addition to the budget and includes additional funds for increased costs of education (\$2.6 million) and additional funds to support the recent conversion of 2 community colleges to the same accounting system used by the Montana University System</li> </ul> </li> <li>◆ Statute requires the use of a formula to estimate the state’s contribution toward the projected cost of education. The statutory formula factors are:                             <ul style="list-style-type: none"> <li>• Resident and total student full-time equivalent enrollment</li> <li>• The cost of education, which is rebased biennially</li> <li>• The state percent share</li> </ul> </li> <li>◆ The legislature funded the state share of the cost of education at 50.8%, which is the same percentage used by the 2011 Legislature</li> </ul> |

**Program Narrative**

The general fund appropriation level is determined by a three-factor funding formula that is a calculation of the cost of education, the resident student enrollment level, and the state percent share of funding as determined by the legislature as a matter of public policy.

Student Enrollment

Resident student enrollment is an integral factor in the funding formula. The resident student enrollment at all three community colleges has decreased significantly since the 2011 Legislature. In the 2013 biennium, the actual resident student enrollment reported by the community colleges was less than the enrollment projections used by the legislature to establish the state general fund appropriation. As a result, the community colleges will be required to revert state general fund at the end of FY 2013 due to not meeting the resident student FTE projections for the 2013 biennium.

For the 2015 biennium, the 2013 Legislature projected enrollment at 2,288 FTE each year and included language in HB 2 that requires a reversion of state general fund if the enrollment projections are not met. The table below includes historical and projected resident enrollment for the three community colleges for FY 2000 through FY 2015.

| Community College Resident Enrollment History |        |          |       |       |
|---|--------|----------|-------|-------|
| FY 2000 Actual through FY 2015 Projected      |        |          |       |       |
| FY  | Dawson | Flathead | Miles | Total |
| 2000  | 384    | 1,157    | 452   | 1,993 |
| 2001  | 363    | 1,144    | 494   | 2,001 |
| 2002  | 388    | 1,269    | 495   | 2,152 |
| 2003  | 363    | 1,380    | 455   | 2,198 |
| 2004  | 392    | 1,605    | 489   | 2,486 |
| 2005  | 442    | 1,407    | 513   | 2,362 |
| 2006  | 442    | 1,332    | 442   | 2,216 |
| 2007  | 353    | 1,223    | 442   | 2,018 |
| 2008  | 344    | 1,310    | 405   | 2,059 |
| 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*   | 255    | 1,692    | 341   | 2,288 |
| 2015*   | 255    | 1,692    | 341   | 2,288 |
| 2003 - 2013 Annual Avg Growth                 | -4.9%  | 2.1%     | -3.3% |       |

\*FY 2014 - 2015 legislative projection

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority |               |                          |                         |                   |                   |               |                    |
|---|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| 2015 Biennium Budget - Community College Assistance                   |               |                          |                         |                   |                   |               |                    |
| Funds   | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund  | \$25,953,962  | \$0                      | \$0                     | \$25,953,962      | 100.0%            |               |                    |
| Total All Funds   | \$25,953,962  | \$0                      | \$0                     | \$25,953,962      | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>                                    | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

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

The formula calculation for the state funding appropriated to the community colleges is shown in the table below. In addition to the statutory formula calculations, the legislature also adjusted the budget for audit costs, increased computer system support, and one-time funding for workforce program development. These adjustments are shown as “below the line” adjustments in the table.

| Community College Assistance Program -Legislative Calculation of General Fund Appropriation for the 2015 Biennium |                    |                    |                    |                     |                    |                    |                    |                     |                        |
|---|--------------------|--------------------|--------------------|---------------------|--------------------|--------------------|--------------------|---------------------|------------------------|
| Using Statutory Funding Formula   |                    |                    |                    |                     |                    |                    |                    |                     |                        |
| Includes a Fixed/Variable Cost Calculation at a 75/25 Ratio   |                    |                    |                    |                     |                    |                    |                    |                     |                        |
| Budget Item Factors   | Fiscal Year 2014   |                    |                    |                     | Fiscal Year 2015   |                    |                    |                     | Total Biennial Approp. |
|   | Dawson             | Flathead Valley    | Miles              | Total               | Dawson             | Flathead Valley    | Miles              | Total               |                        |
| Projected Resident Student FTE  | 255                | 1,692              | 341                | 2,288               | 255                | 1,692              | 341                | 2,288               |                        |
| Variable Cost of Education per FTE  | \$2,314            | \$2,314            | \$2,314            | \$2,314             | \$2,314            | \$2,314            | \$2,314            | \$2,314             |                        |
| Fixed Cost of Education   | \$2,793,481        | \$12,185,385       | \$3,885,830        | \$18,864,695        | \$2,793,481        | \$12,185,385       | \$3,885,830        | \$18,864,695        |                        |
| Variable Cost of Education  | \$590,070          | \$3,915,288        | \$789,074          | \$5,294,432         | \$590,070          | \$3,915,288        | \$789,074          | \$5,294,432         |                        |
| Total Cost of Education   | \$3,383,551        | \$16,100,673       | \$4,674,904        | \$24,159,127        | \$3,383,551        | \$16,100,673       | \$4,674,904        | \$24,159,127        |                        |
| State % Share of Cost of Education  | 50.80%             | 50.80%             | 50.80%             | 50.80%              | 50.80%             | 50.80%             | 50.80%             | 50.80%              |                        |
| Calculated Total Funding Budget   | <u>\$1,718,844</u> | <u>\$8,179,142</u> | <u>\$2,374,851</u> | <u>\$12,272,837</u> | <u>\$1,718,844</u> | <u>\$8,179,142</u> | <u>\$2,374,851</u> | <u>\$12,272,837</u> | \$24,545,674           |
| Other Funding:  |                    |                    |                    |                     |                    |                    |                    |                     |                        |
| Legislative Audit (DP 403)  | \$27,940           | \$23,296           | \$22,616           | \$73,852            | \$0                | \$0                | \$0                | \$0                 | \$73,852               |
| Banner Ongoing Support (DP 401)   | 83,244             | 0                  | 83,244             | 166,488             | 83,974             | 0                  | 83,974             | 167,948             | 334,436                |
| Workforce Development Pgms (DP 406)   | <u>250,000</u>     | <u>0</u>           | <u>250,000</u>     | <u>500,000</u>      | <u>250,000</u>     | <u>0</u>           | <u>250,000</u>     | <u>500,000</u>      | <u>1,000,000</u>       |
| Total General Fund Budget   | <u>\$2,080,028</u> | <u>\$8,202,438</u> | <u>\$2,730,711</u> | <u>\$13,013,177</u> | <u>\$2,052,818</u> | <u>\$8,179,142</u> | <u>\$2,708,825</u> | <u>\$12,940,785</u> | <u>\$25,953,962</u>    |

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                     |                       |                   | -----Total Funds----- |                     |                       |                   |
|--------------------------|------------------------|---------------------|-----------------------|-------------------|-----------------------|---------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015  | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015  | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 11,014,820             | 11,014,820          | 22,029,640            | 84.88%            | 11,014,820            | 11,014,820          | 22,029,640            | 84.88%            |
| Statewide PL Adjustments | 0                      | 0                   | 0                     | 0.00%             | 0                     | 0                   | 0                     | 0.00%             |
| Other PL Adjustments     | 1,331,869              | 1,258,017           | 2,589,886             | 9.98%             | 1,331,869             | 1,258,017           | 2,589,886             | 9.98%             |
| New Proposals            | 666,488                | 667,948             | 1,334,436             | 5.14%             | 666,488               | 667,948             | 1,334,436             | 5.14%             |
| <b>Total Budget</b>      | <b>\$13,013,177</b>    | <b>\$12,940,785</b> | <b>\$25,953,962</b>   |                   | <b>\$13,013,177</b>   | <b>\$12,940,785</b> | <b>\$25,953,962</b>   |                   |

**Other Legislation**

**HB 25** - This bill corrects an unintended consequence of the community college statutory funding formula. Prior to passage of this bill, specific costs at the community colleges were funded twice -- once through mandatory and/or permissive mill levies for a specific purpose (i.e. retirement levy, employer health insurance contribution), and an additional 50% (approximately) by the state appropriation.

To prevent this double funding, this bill excludes expenditures funded from these local mill levies from the formula budget base. The legislature held the community colleges "harmless" through 2012 by excluding expenditures from these mill levies that are in excess of the 2012 mill levy levels.

For the 2017 biennium budget, the FY 2014 budget base will include expenditures from the retirement levy and employer health insurance contribution levy capped at the 2012 mill levy levels.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                           |             |                    |               |                 |                    |                       |                    |               |                 |                    |
|---|-------------|--------------------|---------------|-----------------|--------------------|-----------------------|--------------------|---------------|-----------------|--------------------|
| -----Fiscal 2014-----                             |             |                    |               |                 |                    | -----Fiscal 2015----- |                    |               |                 |                    |
|   | FTE         | General Fund       | State Special | Federal Special | Total Funds        | FTE                   | General Fund       | State Special | Federal Special | Total Funds        |
| <b>Total Statewide Present Law Adjustments</b>    |             | <b>\$0</b>         |               |                 | <b>\$0</b>         |                       | <b>\$0</b>         |               |                 | <b>\$0</b>         |
| DP 403 - Community College Audit Costs (BIEN-OTO) | 0.00        | 73,852             | 0             | 0               | 73,852             | 0.00                  | 0                  | 0             | 0               | 0                  |
| DP 404 - Remove Audit from Base                   | 0.00        | (61,316)           | 0             | 0               | (61,316)           | 0.00                  | (61,316)           | 0             | 0               | (61,316)           |
| DP 405 - State Assistance to Community Colleges   | 0.00        | 1,319,333          | 0             | 0               | 1,319,333          | 0.00                  | 1,319,333          | 0             | 0               | 1,319,333          |
| <b>Total Other Present Law Adjustments</b>        | <b>0.00</b> | <b>\$1,331,869</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$1,331,869</b> | <b>0.00</b>           | <b>\$1,258,017</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$1,258,017</b> |
| <b>Grand Total All Present Law Adjustments</b>    | <b>0.00</b> | <b>\$1,331,869</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$1,331,869</b> | <b>0.00</b>           | <b>\$1,258,017</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$1,258,017</b> |

DP 403 - Community College Audit Costs (BIEN-OTO) - The legislative budget includes the legislative audit costs as a biennial, one-time-only appropriation at a 50.8% state share.

DP 404 - Remove Audit from Base - The legislature adjusted the budget to remove the legislative audit costs from the FY 2014 and FY 2015 adjusted base.

DP 405 - State Assistance to Community Colleges - The legislature used the statutory funding formula to establish the state appropriation for the state's three community colleges. The legislature continued to use 50.8% of the cost of education as the state percent share. Resident student FTE enrollment is estimated to be 2,288 each year of the 2015 biennium.

**New Proposals**

| New Proposals                                 |             |                  |               |                 |                  |                       |                  |               |                 |                  |
|---|-------------|------------------|---------------|-----------------|------------------|-----------------------|------------------|---------------|-----------------|------------------|
| -----Fiscal 2014-----                         |             |                  |               |                 |                  | -----Fiscal 2015----- |                  |               |                 |                  |
| Program                                       | FTE         | General Fund     | State Special | Federal Special | Total Funds      | FTE                   | General Fund     | State Special | Federal Special | Total Funds      |
| DP 401 - Ongoing Banner Support               |             |                  |               |                 |                  |                       |                  |               |                 |                  |
| 04  | 0.00        | 166,488          | 0             | 0               | 166,488          | 0.00                  | 167,948          | 0             | 0               | 167,948          |
| DP 406 - Workforce Development Programs (OTO) |             |                  |               |                 |                  |                       |                  |               |                 |                  |
| 04  | 0.00        | 500,000          | 0             | 0               | 500,000          | 0.00                  | 500,000          | 0             | 0               | 500,000          |
| <b>Total</b>                                  | <b>0.00</b> | <b>\$666,488</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$666,488</b> | <b>0.00</b>           | <b>\$667,948</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$667,948</b> |

DP 401 - Ongoing Banner Support - The legislature increased base funding to Dawson and Miles City Community Colleges for operational costs of the Banner data system.

DP 406 - Workforce Development Programs (OTO) - The legislature added one-time-only general fund for the eastern Montana community colleges for workforce development programs. The funding will be shared equally between Dawson Community College and Miles Community college. This funding will be excluded from the cost of education base for the community college funding formula in the 2017 biennium.

**Language and Statutory Authority**

The legislature included the following language in HB 2.

1. *Section 20-15-310 requires the appropriations act appropriating funds to the community colleges to include the variable cost of education and the state percent share of the cost of education*

"The variable cost of education for each full-time equivalent student at the community colleges is \$2,314 each year of the 2015 biennium. The general fund appropriation for OCHE--Community College Assistance (04) provides 50.8% of the fixed costs of education plus 50.8% of the variable cost of education for each full-time equivalent student in each year of the 2015 biennium. The remaining percentage of the budget must be paid from funds other than those appropriated for OCHE--Community College Assistance."

2. *Enrollment reversion language*

"The general fund appropriation for OCHE -- Community College Assistance (04) is calculated to fund education in the community colleges for an estimated 2,288 resident FTE students each year of the 2015 biennium. If total resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the community colleges shall revert general fund money to the state in accordance with 17-7-142."

3. *Legislative audit cost*

"Total audit costs are estimated to be \$145,378 for the community colleges for the biennium. The general fund appropriation for each community college provides 50.8% of the total audit costs in the 2015 biennium. The remaining 49.2% of these costs must be paid from funds other than those appropriated for OCHE -- Community College Assistance -- Legislative Audit. Audit costs charged to the community colleges for the biennium may not exceed \$55,000 for Dawson, \$44,520 for Miles and \$45,858 for Flathead Valley community colleges."

**Program Description**

The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents policy to administer the program as a self-insured, group insurance plan. The Office of the Commissioner of Higher Education administers the plan with the assistance of recommendations from an inter-unit advisory committee. All university system employees and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits, a flexible spending account option, and a wellness program. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis. The community colleges also participate in this program.

**Program Highlights**

| <b>MUS Group Insurance Program<br/>Major Budget Highlights</b>  |  |
|---|--|
| <ul style="list-style-type: none"> <li>◆ The MUS Group Insurance Program is funded with enterprise type proprietary funds and is not included in HB 2</li> <li>◆ The legislature requires the Montana University System to operate the program to maintain the plan on an actuarially sound basis</li> <li>◆ HB 13 allocates funding to the MUS for employer contribution increases in the 2015 biennium</li> </ul> |  |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Mus Group Insurance Program |             |                             |                            |                      |                      |                  |                       |
|---|-------------|-----------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds   | HB 2        | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| Proprietary Total   | \$0         | \$174,541,479               | \$0                        | \$174,541,479        | 100.0%               |                  |                       |
| 06008 Mus Group Insurance Program   | \$0         | \$165,043,309               | \$0                        | \$165,043,309        | 94.6%                |                  |                       |
| 06009 Mus Flexible Spending Account   | \$0         | \$9,487,748                 | \$0                        | \$9,487,748          | 5.4%                 |                  |                       |
| 06010 Che Wellness Account  | \$0         | \$10,422                    | \$0                        | \$10,422             | 0.0%                 |                  |                       |
| Total All Funds   | \$0         | \$174,541,479               | \$0                        | \$174,541,479        | 100.0%               |                  |                       |
| <b>Percent - Total All Sources</b>  | <b>0.0%</b> | <b>100.0%</b>               | <b>0.0%</b>                |                      |                      |                  |                       |

This program is funded with three enterprise type proprietary funds: MUS Group Insurance, MUS Flexible Spending, and CHE Wellness Account. 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.

**Proprietary Revenues and Expenses**

*Revenues*

Revenue in this program comes from:

- Employer-paid contributions toward insurance premiums
- Employee-paid contributions toward insurance premiums
- Employee payments to flexible spending accounts
- Investment earnings on the program funds

*Expenses*

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration (with a total of 4.65 FTE in FY 2012)
- Wellness program expense

The agency projects non-personnel expenses to increase on average 10% per year between FY 2012 and FY 2015. The primary cost drivers impacting claims expense increases are medical provider cost increases and increased utilization due to the increasing average age of insured covered in the plan.

Personnel related administrative costs are projected to increase to assist with the workload to implement and ensure compliance with the Affordable Care Act.

**Proprietary Rate Explanation**

The employer-paid portion of the group insurance premium is statutorily established in Section 2-18-703, MCA. The legislature increased the employer-paid portion of the group insurance premium to \$806 per month per eligible, participating employee in FY 2014 and to \$887 per month per eligible, participating employee in FY 2015. 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.

### Program Budget Comparison

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

| Program Budget Comparison |                    |                     |                    |                    |                       |                       |                      |                   |
|---------------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|----------------------|-------------------|
| Budget Item               | Base Fiscal 2012   | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change      | Biennium % Change |
| FTE                       | 19.90              | 19.90               | 19.90              | 19.90              | 19.90                 | 19.90                 | 0.00                 | 0.00%             |
| Personal Services         | 885,670            | 1,191,254           | 1,091,446          | 1,093,712          | 2,076,924             | 2,185,158             | 108,234              | 5.21%             |
| Operating Expenses        | 992,571            | 947,146             | 1,542,375          | 1,542,547          | 1,939,717             | 3,084,922             | 1,145,205            | 59.04%            |
| Grants                    | 616,624            | 3,861,131           | 616,624            | 616,624            | 4,477,755             | 1,233,248             | (3,244,507)          | (72.46%)          |
| Transfers                 | 1,289,703          | 2,906,297           | 1,289,703          | 1,289,703          | 4,196,000             | 2,579,406             | (1,616,594)          | (38.53%)          |
| <b>Total Costs</b>        | <b>\$3,784,568</b> | <b>\$8,905,828</b>  | <b>\$4,540,148</b> | <b>\$4,542,586</b> | <b>\$12,690,396</b>   | <b>\$9,082,734</b>    | <b>(\$3,607,662)</b> | <b>(28.43%)</b>   |
| General Fund              | 83,218             | 74,112              | 90,971             | 90,782             | 157,330               | 181,753               | 24,423               | 15.52%            |
| Federal Special           | 3,701,350          | 8,831,716           | 4,449,177          | 4,451,804          | 12,533,066            | 8,900,981             | (3,632,085)          | (28.98%)          |
| <b>Total Funds</b>        | <b>\$3,784,568</b> | <b>\$8,905,828</b>  | <b>\$4,540,148</b> | <b>\$4,542,586</b> | <b>\$12,690,396</b>   | <b>\$9,082,734</b>    | <b>(\$3,607,662)</b> | <b>(28.43%)</b>   |

### Program Description

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

### Program Highlights

| <b>Educational Outreach &amp; Diversity Program<br/>Major Budget Highlights</b>  |
|--|
| <ul style="list-style-type: none"> <li>◆ General fund in this program supports the American Indian/Minority Achievement function and is about 2% of total biennial program expenditures</li> <li>◆ The federal grants supporting the Talent Search and GEAR UP programs are not subject to the federal sequestration</li> <li>◆ While federal funds increase in the 2015 biennium from base year expenditures when compared to the 2013 biennium, federal special revenue authority budgeted for the educational outreach function decreases 29%</li> <li>◆ \$4.0 million of authorized, but unexpended, federal GEAR-UP funds from prior years are included in FY 2013 in the budget comparison table, resulting in a higher budget in FY 2013 than either FY 2012 or either year of the 2015 biennium</li> </ul> |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Educational Outreach & Diversity |               |                          |                         |                   |                   |               |                    |
|--|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds  | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund   | \$181,753     | \$0                      | \$0                     | \$181,753         | 2.0%              |               |                    |
| Federal Special Total  | \$8,900,981   | \$0                      | \$0                     | \$8,900,981       | 98.0%             |               |                    |
| 03042 2nd Gear Up Grant  | \$6,442,166   | \$0                      | \$0                     | \$6,442,166       | 70.9%             |               |                    |
| 03411 Gear Up Trio Scholarship   | \$550,000     | \$0                      | \$0                     | \$550,000         | 6.1%              |               |                    |
| 03412 2005 Gear Up Fed School Trust  | \$550,000     | \$0                      | \$0                     | \$550,000         | 6.1%              |               |                    |
| 03806 Talent Search  | \$1,358,815   | \$0                      | \$0                     | \$1,358,815       | 15.0%             |               |                    |
| Total All Funds  | \$9,082,734   | \$0                      | \$0                     | \$9,082,734       | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>   | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

- General fund supports the American Indian/Minority Achievement component of the program
- Federal funds are from two grant sources, neither of which are subject to the federal budget sequestration under the Budget Control Act
  - The Talent Search grant, comprising about 15% of the biennial program funding, has no non-federal matching requirement
  - The GEAR-UP grant, comprising 77% of the biennial budget, requires a 50% non-federal fund match, which is provided through allowable in-kind services

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 83,218                 | 83,218             | 166,436               | 91.57%            | 3,784,568             | 3,784,568          | 7,569,136             | 83.34%            |
| Statewide PL Adjustments | 7,753                  | 7,564              | 15,317                | 8.43%             | 205,580               | 208,018            | 413,598               | 4.55%             |
| Other PL Adjustments     | 0                      | 0                  | 0                     | 0.00%             | 550,000               | 550,000            | 1,100,000             | 12.11%            |
| New Proposals            | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| <b>Total Budget</b>      | <b>\$90,971</b>        | <b>\$90,782</b>    | <b>\$181,753</b>      |                   | <b>\$4,540,148</b>    | <b>\$4,542,586</b> | <b>\$9,082,734</b>    |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                            | -----Fiscal 2014----- |                |               |                  |                  | -----Fiscal 2015----- |                |               |                  |                  |
|--|-----------------------|----------------|---------------|------------------|------------------|-----------------------|----------------|---------------|------------------|------------------|
|  | FTE                   | General Fund   | State Special | Federal Special  | Total Funds      | FTE                   | General Fund   | State Special | Federal Special  | Total Funds      |
| Personal Services                                  |                       |                |               |                  | 251,252          |                       |                |               |                  | 253,614          |
| Vacancy Savings                                    |                       |                |               |                  | (45,476)         |                       |                |               |                  | (45,572)         |
| Inflation/Deflation                                |                       |                |               |                  | (196)            |                       |                |               |                  | (24)             |
| <b>Total Statewide Present Law Adjustments</b>     |                       | <b>\$7,753</b> | <b>\$0</b>    | <b>\$197,827</b> | <b>\$205,580</b> |                       | <b>\$7,564</b> | <b>\$0</b>    | <b>\$200,454</b> | <b>\$208,018</b> |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | (7,753)        | 0             | (197,827)        | (205,580)        | 0.00                  | (7,564)        | 0             | (200,454)        | (208,018)        |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | 7,770          | 0             | 198,006          | 205,776          | 0.00                  | 7,576          | 0             | 200,466          | 208,042          |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | (17)           | 0             | (179)            | (196)            | 0.00                  | (12)           | 0             | (12)             | (24)             |
| DP 601 - Present law increases for OCHE programs   | 0.00                  | 0              | 0             | 550,000          | 550,000          | 0.00                  | 0              | 0             | 550,000          | 550,000          |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>\$0</b>     | <b>\$0</b>    | <b>\$550,000</b> | <b>\$550,000</b> | <b>0.00</b>           | <b>\$0</b>     | <b>\$0</b>    | <b>\$550,000</b> | <b>\$550,000</b> |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>\$7,753</b> | <b>\$0</b>    | <b>\$747,827</b> | <b>\$755,580</b> | <b>0.00</b>           | <b>\$7,564</b> | <b>\$0</b>    | <b>\$750,454</b> | <b>\$758,018</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 601 - Present law increases for OCHE programs - The legislature added \$550,000 authority each year from federal funds for scholarship awards made by the GEAR UP program.

**Program Description**

The Montana Board of Regents created the Montana University System Self-Funded Workers' Compensation Program April 2003 as allowed by the Workers' Compensation Act in Title 39, Chapter 71 of the Montana Codes Annotated. This program, which became effective in July 2003, provides workers' compensation insurance coverage for all university system employees and employees of the Office of Commissioner of Higher Education. The MUS Self-Funded Workers' Compensation Insurance Committee, comprised of nine voting members, one from each of the eight participating campuses of the MUS and one from the Office of the Commissioner of Higher Education, is responsible for policy and management decisions of the program.

**Program Highlights**

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

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Mus Workers Compensation Program |             |                                 |                            |                      |                      |                  |                       |
|--|-------------|---------------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds  | HB 2        | Non-<br>Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| Proprietary Total  | \$0         | \$9,102,421                     | \$0                        | \$9,102,421          | 100.0%               |                  |                       |
| 06082 Mus Self-funded Workers Comp   | \$0         | \$9,102,421                     | \$0                        | \$9,102,421          | 100.0%               |                  |                       |
| Total All Funds  | \$0         | \$9,102,421                     | \$0                        | \$9,102,421          | 100.0%               |                  |                       |
| <b>Percent - Total All Sources</b>   | <b>0.0%</b> | <b>100.0%</b>                   | <b>0.0%</b>                |                      |                      |                  |                       |

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.

**Proprietary Revenues and Expenses**

*Revenues*

Employer-paid premiums and interest earnings on the invested program reserve funds are the primary revenue sources to this program. The agency is projecting a small premium revenue increase in FY 2014 and FY 2015 compared to FY 2012 attributable to employee growth and increased salaries and wages. Worker compensation premium rates in the MUS Self-Funded Workers Compensation Program are projected to remain unchanged, or nearly so, in the 2015 biennium.

*Expenses*

Expenditures include claims and administrative operating expenses. Administrative costs are projected to remain relatively stable in the 2015 biennium; however, each budget year includes an additional year of claims liability and an estimate for claims incurred but not reported, and so overall expenditures are expected to increase moderately during that same time period.

**Proprietary Rate Explanation**

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by the MUS Self-Funded Workers' Compensation Insurance Committee and the administrator. Rate determination considers historical data of MUS claims experience and reserving practices as well as state and national trends in workers compensation and legal and economic environments. The rates and fees for the workers compensation program are defined as those premiums charged to the employer units of the Montana University System that are necessary to fund the operations and the claims payment obligations.

### Program Budget Comparison

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

| Program Budget Comparison |                    |                     |                    |                    |                       |                       |                    |                   |
|---------------------------|--------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|--------------------|-------------------|
| Budget Item               | Base Fiscal 2012   | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change    | Biennium % Change |
| FTE                       | 4.45               | 4.45                | 4.45               | 4.45               | 4.45                  | 4.45                  | 0.00               | 0.00%             |
| Personal Services         | 223,017            | 539,428             | 351,871            | 351,075            | 762,445               | 702,946               | (59,499)           | (7.80%)           |
| Operating Expenses        | 382,490            | 254,159             | 450,412            | 450,100            | 636,649               | 900,512               | 263,863            | 41.45%            |
| Grants                    | 1,862,113          | 2,861,124           | 2,199,700          | 2,199,700          | 4,723,237             | 4,399,400             | (323,837)          | (6.86%)           |
| Transfers                 | 3,275,059          | 3,304,435           | 3,275,059          | 3,275,059          | 6,579,494             | 6,550,118             | (29,376)           | (0.45%)           |
| <b>Total Costs</b>        | <b>\$5,742,679</b> | <b>\$6,959,146</b>  | <b>\$6,277,042</b> | <b>\$6,275,934</b> | <b>\$12,701,825</b>   | <b>\$12,552,976</b>   | <b>(\$148,849)</b> | <b>(1.17%)</b>    |
| General Fund              | 90,067             | 90,067              | 90,067             | 90,067             | 180,134               | 180,134               | 0                  | 0.00%             |
| Federal Special           | 5,652,612          | 6,869,079           | 6,186,975          | 6,185,867          | 12,521,691            | 12,372,842            | (148,849)          | (1.19%)           |
| <b>Total Funds</b>        | <b>\$5,742,679</b> | <b>\$6,959,146</b>  | <b>\$6,277,042</b> | <b>\$6,275,934</b> | <b>\$12,701,825</b>   | <b>\$12,552,976</b>   | <b>(\$148,849)</b> | <b>(1.17%)</b>    |

### Program Description

The OCHE and the Office of Public Instruction coordinate the primarily federal efforts to support vocational education at the secondary and post-secondary levels.

### Program Highlights

| Workforce Development Program |   |
|-------------------------------|---|
| Major Budget Highlights       |   |
| ◆                             | The legislature approved a slight decrease in the 2015 biennium budget for this program due to reduced federal funds. . |
| ◆                             | General fund provides the required state match for grant administration costs and remains level for the 2015 biennium   |
| ◆                             | The federal funds supporting this program are subject to the federal sequestration                                      |

### Funding

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Work Force Development Pgm |               |                          |                         |                   |                   |               |                    |
|--|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds  | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund   | \$180,134     | \$0                      | \$0                     | \$180,134         | 1.4%              |               |                    |
| Federal Special Total  | \$12,372,842  | \$0                      | \$0                     | \$12,372,842      | 98.6%             |               |                    |
| 03163 Perkins Rpos   | \$501,734     | \$0                      | \$0                     | \$501,734         | 4.0%              |               |                    |
| 03215 Carl Perkins Federal Funds   | \$11,871,108  | \$0                      | \$0                     | \$11,871,108      | 94.6%             |               |                    |
| Total All Funds  | \$12,552,976  | \$0                      | \$0                     | \$12,552,976      | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>   | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

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

- Are authorized by the federal Carl D. Perkins Career and Technical Education Improvement Act of 2006
- Are received by the Office of the Commissioner of Higher Education and distributed to postsecondary programs and to the Office of Public Instruction for secondary programs
- Require a dollar for dollar match on funds used for administration

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

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 90,067                 | 90,067             | 180,134               | 100.00%           | 5,742,679             | 5,742,679          | 11,485,358            | 91.50%            |
| Statewide PL Adjustments | 0                      | 0                  | 0                     | 0.00%             | 128,778               | 128,011            | 256,789               | 2.05%             |
| Other PL Adjustments     | 0                      | 0                  | 0                     | 0.00%             | 405,585               | 405,244            | 810,829               | 6.46%             |
| New Proposals            | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| <b>Total Budget</b>      | <b>\$90,067</b>        | <b>\$90,067</b>    | <b>\$180,134</b>      |                   | <b>\$6,277,042</b>    | <b>\$6,275,934</b> | <b>\$12,552,976</b>   |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                              | -----Fiscal 2014----- |              |               |                  | -----Fiscal 2015----- |             |              |               |                  |                  |
|--|-----------------------|--------------|---------------|------------------|-----------------------|-------------|--------------|---------------|------------------|------------------|
|  | FTE                   | General Fund | State Special | Federal Special  | Total Funds           | FTE         | General Fund | State Special | Federal Special  | Total Funds      |
| Personal Services                                    |                       |              |               |                  | 143,516               |             |              |               |                  | 142,686          |
| Vacancy Savings                                      |                       |              |               |                  | (14,662)              |             |              |               |                  | (14,628)         |
| Inflation/Deflation                                  |                       |              |               |                  | (76)                  |             |              |               |                  | (47)             |
| <b>Total Statewide Present Law Adjustments</b>       |                       | <b>\$0</b>   | <b>\$0</b>    | <b>\$128,778</b> | <b>\$128,778</b>      |             | <b>\$0</b>   | <b>\$0</b>    | <b>\$128,011</b> | <b>\$128,011</b> |
| DP 50 - Initial Motion to FY 2012 Base               | 0.00                  | 0            | 0             | (128,778)        | (128,778)             | 0.00        | 0            | 0             | (128,011)        | (128,011)        |
| DP 51 - Adjustment for Statewide Personal Services   | 0.00                  | 0            | 0             | 128,854          | 128,854               | 0.00        | 0            | 0             | 128,058          | 128,058          |
| DP 52 - Adjustment for Statewide Operations          | 0.00                  | 0            | 0             | (76)             | (76)                  | 0.00        | 0            | 0             | (47)             | (47)             |
| DP 801 - Present law adjustments for Perkins Program | 0.00                  | 0            | 0             | 405,585          | 405,585               | 0.00        | 0            | 0             | 405,244          | 405,244          |
| <b>Total Other Present Law Adjustments</b>           | <b>0.00</b>           | <b>\$0</b>   | <b>\$0</b>    | <b>\$405,585</b> | <b>\$405,585</b>      | <b>0.00</b> | <b>\$0</b>   | <b>\$0</b>    | <b>\$405,244</b> | <b>\$405,244</b> |
| <b>Grand Total All Present Law Adjustments</b>       | <b>0.00</b>           | <b>\$0</b>   | <b>\$0</b>    | <b>\$534,363</b> | <b>\$534,363</b>      | <b>0.00</b> | <b>\$0</b>   | <b>\$0</b>    | <b>\$533,255</b> | <b>\$533,255</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 801 - Present law adjustments for Perkins Program - The legislature added federal appropriation authority to spend additional available funds on contracted services and grants.

### Program Budget Comparison

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

| Program Budget Comparison |                      |                        |                       |                       |                          |                          |                     |                      |
|---------------------------|----------------------|------------------------|-----------------------|-----------------------|--------------------------|--------------------------|---------------------|----------------------|
| Budget Item               | Base<br>Fiscal 2012  | Approp.<br>Fiscal 2013 | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 12-13 | Biennium<br>Fiscal 14-15 | Biennium<br>Change  | Biennium<br>% Change |
| Transfers                 | 175,035,264          | 175,993,070            | 191,280,583           | 193,120,338           | 351,028,334              | 384,400,921              | 33,372,587          | 9.51%                |
| <b>Total Costs</b>        | <b>\$175,035,264</b> | <b>\$175,993,070</b>   | <b>\$191,280,583</b>  | <b>\$193,120,338</b>  | <b>\$351,028,334</b>     | <b>\$384,400,921</b>     | <b>\$33,372,587</b> | <b>9.51%</b>         |
| General Fund              | 155,310,140          | 154,820,436            | 170,641,977           | 171,974,975           | 310,130,576              | 342,616,952              | 32,486,376          | 10.48%               |
| State Special             | 19,725,124           | 21,172,634             | 20,638,606            | 21,145,363            | 40,897,758               | 41,783,969               | 886,211             | 2.17%                |
| <b>Total Funds</b>        | <b>\$175,035,264</b> | <b>\$175,993,070</b>   | <b>\$191,280,583</b>  | <b>\$193,120,338</b>  | <b>\$351,028,334</b>     | <b>\$384,400,921</b>     | <b>\$33,372,587</b> | <b>9.51%</b>         |

### Program Description

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education (OCHE) is the conduit through which state funds flow to: 1) the university system units and colleges of technology and other campus related appropriations, and 2) the research/public service agencies.

### Program Highlights

| <b>Appropriation Distribution Program<br/>Major Budget Highlights</b> |   |
|---|---|
| ◆   | The 2015 biennium budget for the MUS educational units and research and public service agencies increases 9.5%, or \$33.4 million, from the 2013 biennium base budget   |
| ◆   | The Governor vetoed two HB 2 line item appropriations impacting the Agricultural Experiment Station and the Extension Service, reducing the \$2.8 million of new legislative proposals for these agencies by \$650,000 in the 2015 biennium   |
| ◆   | Most of the funding that was appropriated in HB 2 as part of the Tuition Cap Agreement for the 2015 biennium is included in this program <ul style="list-style-type: none"> <li>• \$28.2 million general fund was added to the educational units to fund an 82% state share of the present law cost increases in the MUS general operating budget for the 2015 biennium</li> <li>• The agreement also commits the Montana University System to incorporating a performance funding component into the allocation model used by the Board of Regents for distributing funds to the MUS education units.</li> </ul> |

| <b>Appropriation Distribution Program<br/>Major Budget Highlights (continued)</b>  |
|--|
| <ul style="list-style-type: none"> <li>◆ 10 new proposals totaling \$5.90 million general fund were funded for the 2015 biennium. Significant additions include: <ul style="list-style-type: none"> <li>• \$0.8 million for two proposals, focused upon increasing access to medical education for Montana students and increasing the number of physicians practicing in Montana (DP 909 and DP 950)</li> <li>• \$0.6 million for a one-time-only appropriation to develop an energy and natural resources doctoral program at UM Montana Tech (DP 902)</li> <li>• \$1.0 million for a one-time-only appropriation for workforce development and two year education (DP 903)</li> <li>• \$1.0 million for a one-time-only appropriation to expand veterinary medicine opportunities to Montana students (DP 905)</li> <li>• \$2.1 million for four proposals increasing budgets for the Agricultural Experiment Station and Extension Service, and eliminating vacancy savings for the 2015 biennium at the Agricultural Experiment Station (DP 920, DP 921, and DP 925, and DP 951)</li> </ul> </li> </ul> |

### Program Narrative

#### *Tuition Cap Agreement and Performance Funding*

The 2013 Legislature funded the Governor's proposal for a resident student tuition freeze each year of the 2015 biennium. Funding was provided via HB 2, the general appropriations act, and HB 13, the pay plan bill. The Board of Regents will make the final determination of whether to implement the tuition freeze at its May 2013 meeting.

Significant HB 2 components of the tuition cap agreement include:

- 1) \$28.2 million was added in the 2015 biennium for an 82% state share of present law cost increases at the MUS education units. The adjustments included faculty, classified, and contract employee market/merit/inversion pay; mandatory fee waivers, utilities and library inflation, overtime; and fixed costs.
- 2) No adjustment was made for resident or Western Undergraduate Exchange (WUE) student enrollment increases or decreases in the 2015 biennium. State funding will not be increased or decreased as a result of actual enrollment being higher or lower than the FY 2012 resident/WUE level as outlined in 17-7-142, MCA.
- 3) General fund totaling \$2.6 million each year of the 2015 biennium was restored to the Student Assistance Program, reversing a one-time funding switch to federal funds for the 2013 biennium.
- 4) \$0.59 million was added for estimated increased tuition support for the current level of professional student exchange programs (WICHE/WWAMI/Minnesota Dental).

HB 13 Components:

- 1) The agreement relies on a state appropriation to the MUS to fund fully any raises that the legislature approves in a state employee pay plan.
- 2) HB 13 includes funding for increasing employer contributions for health insurance premiums 10% each year of the 2015 biennium (the same increase provided for all eligible state employees).
- 3) HB 13 did not include a specific dollar or percentage across the board pay increase for state employees. Instead, the legislature allocated funds to the branches of government, including a separate allocation for the Montana University System.

- 4) The Montana Board of Regents will make the final determination on how much of the HB 13 funding allocation will be used for increased employer contribution for health insurance premiums and how much will be used for employee pay increases.

Performance Funding:

- 1) The tuition cap agreement also includes a commitment by the Montana University System to incorporate a performance funding component into the allocation model used by the Board of Regents to distribute state funds to the MUS education units.
- 2) Approximately one-half of the FY 2015 present law adjustment -- \$7.5 million -- will be designated for performance funding and distributed based upon progress toward increasing college completions and other related outcomes.

*May 2013 Board of Regents Action on Resident Tuition for 2015 Biennium*

At its May 2013 meeting, the Board of Regents approved a resident tuition rate freeze for FY 2014 and FY 2015 for the 4-year and 2-year campuses of the Montana University System. The freeze applies only to resident tuition rates<sup>2</sup>.

The board approved a tuition rate increase for one of the three community colleges at the May 2013 meeting, while the remaining two community colleges did not increase tuition rates for FY 2014. The community colleges are not part of the Tuition Cap Agreement.

For tuition and mandatory fees approved by the Board of Regents at the May 2013 meeting click on the link below.

<http://leg.mt.gov/content/Publications/fiscal/FR-2015/Additional-Data-Tables/5102-BOR-Approved-Tuition-Rates.pdf>

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Appropriation Distribution |               |                          |                         |                   |                   |               |                    |  |
|--|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|--|
| Funds  | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |  |
| General Fund   | \$343,266,952 | \$0                      | \$2,721,082             | \$345,988,034     | 88.9%             | 19-21-203     | Direct             |  |
| State Special Total  | \$41,783,969  | \$0                      | \$1,233,750             | \$43,017,719      | 11.1%             |               |                    |  |
| 02111 Accommodation Tax Account  | \$0           | \$0                      | \$1,233,750             | \$1,233,750       | 0.3%              | 15-65-121     | Pass Thru          |  |
| 02289 Bureau Of Mines Groundwater  | \$1,332,000   | \$0                      | \$0                     | \$1,332,000       | 0.3%              |               |                    |  |
| 02443 University Millage   | \$38,632,478  | \$0                      | \$0                     | \$38,632,478      | 9.9%              |               |                    |  |
| 02576 Natural Resources Operations Ssr Fund  | \$351,772     | \$0                      | \$0                     | \$351,772         | 0.1%              |               |                    |  |
| 02694 Coal Bed Methane Protection  | \$600,000     | \$0                      | \$0                     | \$600,000         | 0.2%              |               |                    |  |
| 02944 Motorcycle Safety Training   | \$867,719     | \$0                      | \$0                     | \$867,719         | 0.2%              |               |                    |  |
| Total All Funds  | \$385,050,921 | \$0                      | \$3,954,832             | \$389,005,753     | 100.0%            |               |                    |  |
| <b>Percent - Total All Sources</b>   | <b>99.0%</b>  | <b>0.0%</b>              | <b>1.0%</b>             |                   |                   |               |                    |  |

The Appropriation Distribution program is the conduit through which state funds are transferred to the university educational units and the research/public service agencies affiliated with the university units. State funding in this program comes from six sources:

<sup>2</sup>The Tuition Cap Agreement applies only to resident tuition. All students must also pay mandatory fees in addition to tuition. The board approved increases in mandatory fees of between 1% and 9% at the MUS campuses except MSU-Northern and Helena College UM which did not request an increase in mandatory fees in the 2015 biennium. Mandatory fees are accounted for in the designated and plant funds while tuition and state funds are accounted for in the current unrestricted fund.

- 1) State general fund;
- 2) State special revenue from the statewide six-mill property tax levy that is appropriated for the support, maintenance, and improvement of the Montana University System. The legislature increased funding from the statewide six-mill levy \$1.6 million in the 2015 biennium compared to the FY 2012 base six-mill funding. This adjustment offset the amount of general fund that otherwise would have been needed;
- 3) State special revenue from the motorcycle safety account that is funded from motorcycle endorsement fees and motorcycle safety fees that is appropriated for the operation of the Montana motorcycle safety training program at MSU-Northern in Havre;
- 4) State special revenue from the groundwater assessment account that is funded from an allocation of resource indemnity trust interest and an allocation of taxes on mineral production and is used to fund groundwater assessment activities at the Montana Bureau of Mines in Butte;
- 5) State special revenue from an allocation of the natural resources operations account that is funded from resource indemnity trust interest, metal mines tax, and oil and natural gas production tax. This revenue is also used to fund groundwater assessment activities at the Montana Bureau of Mines; and
- 6) State special revenue from a one-time-only appropriation from the coal bed methane protection account for the 2015 biennium only. This funding will be used at the Montana Bureau of Mines for making coal and mine data available online to the public. (See New Proposal DP 930)

State general fund for the education units and the state special revenue from the statewide six-mill property tax levy are appropriated as part of the lump sum appropriation and are distributed by the board of regents to the education units using an allocation formula. State general fund and the state special revenues for the Bureau of Mines are line-itemed in HB 2 for each research or public service agency.

The figure below illustrates the legislative budget for each component of the appropriation distribution program, including the university education units and the research/public service agencies.

| Montana University System Legislative Budget - HB 2<br>Appropriation Distribution Program - 2015 Biennium |                      |                                       |                          |                               |                                       |                          |                               |                        |
|---|----------------------|---------------------------------------|--------------------------|-------------------------------|---------------------------------------|--------------------------|-------------------------------|------------------------|
| Unit  | FY 2012 Base         | State Share<br>Present Law<br>FY 2014 | New Proposals<br>FY 2014 | Legislative<br>Budget FY 2014 | State Share<br>Present Law<br>FY 2015 | New Proposals<br>FY 2015 | Legislative<br>Budget FY 2015 | 2015 Biennium<br>Total |
| <b>Educational Units</b>  |                      |                                       |                          |                               |                                       |                          |                               |                        |
| MSU Gt Falls  | \$5,910,069          | \$345,042                             |                          | \$6,255,111                   | \$343,935                             |                          | \$6,254,004                   | \$12,509,115           |
| UM Helena   | 4,502,265            | 393,138                               |                          | 4,895,403                     | 398,192                               |                          | 4,900,457                     | 9,795,860              |
| UM Missoula   | 49,268,294           | 4,699,207                             |                          | 53,967,501                    | 5,755,303                             |                          | 55,023,597                    | 108,991,097            |
| MSU Bozeman   | 44,490,570           | 4,431,645                             |                          | 48,922,215                    | 5,006,899                             |                          | 49,497,469                    | 98,419,683             |
| UM Tech   | 12,897,465           | 816,031                               |                          | 13,713,496                    | 939,776                               |                          | 13,837,241                    | 27,550,737             |
| MSU Billings  | 18,851,964           | 1,017,468                             |                          | 19,869,432                    | 1,073,698                             |                          | 19,925,662                    | 39,795,094             |
| MSU Northern  | 8,422,062            | 955,049                               |                          | 9,377,111                     | 930,602                               |                          | 9,352,664                     | 18,729,775             |
| UM Western  | 6,576,301            | 597,885                               |                          | 7,174,186                     | 661,116                               |                          | 7,237,417                     | 14,411,603             |
| Motorcycle Safety Program   | 375,000              | 88,994                                |                          | 463,994                       | 28,725                                |                          | 403,725                       | 867,719                |
| <b>New Proposals</b>  |                      |                                       |                          |                               |                                       |                          |                               |                        |
| 902-Energy & Natural Resources Doctoral Program (Biennial/OTO)  |                      |                                       | 300,000                  | 300,000                       |                                       | 300,000                  | 300,000                       | 600,000                |
| 903-Workforce Development & 2-Yr Education (OTO)  |                      |                                       | 500,000                  | 500,000                       |                                       | 500,000                  | 500,000                       | 1,000,000              |
| 905-Veterinary Medicine (BIEN/OTO)  |                      |                                       | 500,000                  | 500,000                       |                                       | 500,000                  | 500,000                       | 1,000,000              |
| 909-WWAMI Expansion (Ongoing)   |                      |                                       | 193,551                  | 193,551                       |                                       | 199,358                  | 199,358                       | 392,909                |
| 935-Bio-Energy Research Center/MSU-N (OTO)  |                      |                                       | 200,000                  | 200,000                       |                                       | 200,000                  | 200,000                       | 400,000                |
| 950-Family Practice Residency (Ongoing)   |                      |                                       | <u>200,000</u>           | <u>200,000</u>                |                                       | <u>200,000</u>           | <u>200,000</u>                | <u>400,000</u>         |
| Subtotal Ed Units   | <u>\$151,293,989</u> | <u>\$13,344,459</u>                   | <u>\$1,893,551</u>       | <u>\$166,531,999</u>          | <u>\$15,138,246</u>                   | <u>\$1,899,358</u>       | <u>\$168,331,593</u>          | <u>\$334,863,592</u>   |
| <b>Research/Public Service Agencies</b>   |                      |                                       |                          |                               |                                       |                          |                               |                        |
| Agricultural Experiment Station   | \$12,455,424         | (\$283,480)                           |                          | \$12,171,944                  | (\$247,372)                           |                          | \$12,208,052                  | \$24,379,996           |
| Extension Service   | 5,338,715            | (138,784)                             |                          | 5,199,931                     | (132,179)                             |                          | 5,206,536                     | 10,406,467             |
| Forest & Conservation Experiment Station  | 1,011,216            | (34,078)                              |                          | 977,138                       | (34,886)                              |                          | 976,330                       | 1,953,468              |
| Bureau of Mines   | 4,198,071            | 157,961                               |                          | 4,356,032                     | 155,364                               |                          | 4,353,435                     | 8,709,467              |
| Fire Services Training School   | 737,849              | (64,294)                              |                          | 673,555                       | (63,089)                              |                          | 674,760                       | 1,348,315              |
| <b>New Proposals</b>  |                      |                                       |                          |                               |                                       |                          |                               |                        |
| 920-Increase Funding for Ag Exper Station (Ongoing)   |                      |                                       | 400,000                  | 400,000                       |                                       | 400,000                  | 400,000                       | 800,000                |
| 921-Increase Funding for Extension (Ongoing)  |                      |                                       | 200,000                  | 200,000                       |                                       | 200,000                  | 200,000                       | 400,000                |
| 925-Eliminate Vacancy Savings for Ag Exper Station  |                      |                                       | 369,984                  | 369,984                       |                                       | 369,632                  | 369,632                       | 739,616                |
| 930-Bureau of Mines Coal & Mine Data Records (RST/OTO)  |                      |                                       | 300,000                  | 300,000                       |                                       | 300,000                  | 300,000                       | 600,000                |
| 951-Local Government Center (OTO)   |                      |                                       | <u>100,000</u>           | <u>100,000</u>                |                                       | <u>100,000</u>           | <u>100,000</u>                | <u>200,000</u>         |
| Subtotal Agencies & Programs  | <u>\$23,741,275</u>  | <u>(\$362,675)</u>                    | <u>\$1,369,984</u>       | <u>\$24,748,584</u>           | <u>(\$322,162)</u>                    | <u>\$1,369,632</u>       | <u>\$24,788,745</u>           | <u>\$49,537,329</u>    |
| Grand Total Costs   | <u>\$175,035,264</u> | <u>\$12,981,784</u>                   | <u>\$3,263,535</u>       | <u>\$191,280,583</u>          | <u>\$14,816,084</u>                   | <u>\$3,268,990</u>       | <u>\$193,120,338</u>          | <u>\$384,400,921</u>   |
| <b>Funding</b>  |                      |                                       |                          |                               |                                       |                          |                               |                        |
| General Fund  | \$155,310,140        | \$12,368,302                          | \$2,963,535              | \$170,641,977                 | \$13,695,845                          | \$2,968,990              | \$171,974,975                 | \$342,616,952          |
| State Special Revenue   | <u>19,725,124</u>    | <u>613,482</u>                        | <u>300,000</u>           | <u>20,638,606</u>             | <u>1,120,239</u>                      | <u>300,000</u>           | <u>21,145,363</u>             | <u>41,783,969</u>      |
| Grand Total Funding   | <u>\$175,035,264</u> | <u>\$12,981,784</u>                   | <u>\$3,263,535</u>       | <u>\$191,280,583</u>          | <u>\$14,816,084</u>                   | <u>\$3,268,990</u>       | <u>\$193,120,338</u>          | <u>\$384,400,921</u>   |

Source: SABHRS data for base year actuals, MBARS for budgeted amounts

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2014  | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget |
| Base Budget              | 155,310,140            | 155,310,140           | 310,620,280              | 90.66%               | 175,035,264           | 175,035,264           | 350,070,528              | 91.07%               |
| Statewide PL Adjustments | (524,488)              | (1,091,514)           | (1,616,002)              | (0.47%)              | 0                     | 0                     | 0                        | 0.00%                |
| Other PL Adjustments     | 12,892,790             | 14,787,359            | 27,680,149               | 8.08%                | 12,981,784            | 14,816,084            | 27,797,868               | 7.23%                |
| New Proposals            | 2,963,535              | 2,968,990             | 5,932,525                | 1.73%                | 3,263,535             | 3,268,990             | 6,532,525                | 1.70%                |
| <b>Total Budget</b>      | <b>\$170,641,977</b>   | <b>\$171,974,975</b>  | <b>\$342,616,952</b>     |                      | <b>\$191,280,583</b>  | <b>\$193,120,338</b>  | <b>\$384,400,921</b>     |                      |

**Other Legislation**

SJ 13 - This joint resolution requests the Montana University System to work in conjunction with the Governor to study and adopt goals and performance measures directed at increasing college completion rates. The resolution further requests that the Montana University System set specific goals by July 1, 2014 to increase college completion rates and develop a state action plan for increasing completion rates. A report to the 64th Legislature, the Governor, and the Board of Regents is also required in the resolution.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                                      | -----Fiscal 2014----- |                     |                  |                    | -----Fiscal 2015----- |             |                      |                    |                    |                     |
|--|-----------------------|---------------------|------------------|--------------------|-----------------------|-------------|----------------------|--------------------|--------------------|---------------------|
|  | FTE                   | General<br>Fund     | State<br>Special | Federal<br>Special | Total<br>Funds        | FTE         | General<br>Fund      | State<br>Special   | Federal<br>Special | Total<br>Funds      |
| <b>Total Statewide Present Law Adjustments</b>               |                       | <b>(\$524,488)</b>  | <b>\$524,488</b> |                    | <b>\$0</b>            |             | <b>(\$1,091,514)</b> | <b>\$1,091,514</b> |                    | <b>\$0</b>          |
| DP 901 - State Support of Educational Units                  | 0.00                  | 13,185,885          | 0                | 0                  | 13,185,885            | 0.00        | 15,040,332           | 0                  | 0                  | 15,040,332          |
| DP 904 - Statewide Present Law Adjustments Agencies          | 0.00                  | (366,218)           | 0                | 0                  | (366,218)             | 0.00        | (326,337)            | 0                  | 0                  | (326,337)           |
| DP 930 - Fixed Cost Rate Adjustments                         | 0.00                  | 73,123              | 0                | 0                  | 73,123                | 0.00        | 73,364               | 0                  | 0                  | 73,364              |
| DP 959 - Adjustment to Correct Reporting                     | 0.00                  | 524,488             | (524,488)        | 0                  | 0                     | 0.00        | 1,091,514            | (1,091,514)        | 0                  | 0                   |
| DP 960 - General Fund Replacement with Six Mill Levy Funds   | 0.00                  | (524,488)           | 524,488          | 0                  | 0                     | 0.00        | (1,091,514)          | 1,091,514          | 0                  | 0                   |
| DP 9071 - Motorcycle Safety Equip Replacement and PL Adjustm | 0.00                  | 0                   | 88,994           | 0                  | 88,994                | 0.00        | 0                    | 28,725             | 0                  | 28,725              |
| <b>Total Other Present Law Adjustments</b>                   | <b>0.00</b>           | <b>\$12,892,790</b> | <b>\$88,994</b>  | <b>\$0</b>         | <b>\$12,981,784</b>   | <b>0.00</b> | <b>\$14,787,359</b>  | <b>\$28,725</b>    | <b>\$0</b>         | <b>\$14,816,084</b> |
| <b>Grand Total All Present Law Adjustments</b>               | <b>0.00</b>           | <b>\$12,368,302</b> | <b>\$613,482</b> | <b>\$0</b>         | <b>\$12,981,784</b>   | <b>0.00</b> | <b>\$13,695,845</b>  | <b>\$1,120,239</b> | <b>\$0</b>         | <b>\$14,816,084</b> |

DP 901 - State Support of Educational Units - The legislature approved funding for the Tuition CAP Agreement (CAP) totaling \$13.2 million in FY 2014 and \$15.0 million in FY 2015 to fund present law adjustments. Items funded with this present law adjustment include faculty, classified and contract employee market/merit/inversion pay, mandatory fee waivers, utilities and library inflation, overtime, statewide present law adjustments, and other base budget operating adjustments. The legislature determined the state portion of the present law adjustments should reflect the portion of resident and Western Undergraduate Exchange (WUE) students in the Montana University System, or 82% of the total.

DP 904 - Statewide Present Law Adjustments Agencies - Included in this adjustment are personal services adjustments, vacancy savings, inflation/deflation, fixed costs, and administrative assessments as they relate to the agencies of the Montana University System (MUS).

DP 930 - Fixed Cost Rate Adjustments - This adjustment reflects the fixed cost rates for risk management and state accounting services (SABHRS) as approved by the General Government joint appropriations subcommittee.

DP 959 - Adjustment to Correct Reporting - This is a technical adjustment that corrects the reporting of the fund switch between general fund and the six-mill levy.

DP 960 - General Fund Replacement with Six Mill Levy Funds - The legislature adopted the executive's six mill levy revenue estimate for the 2015 biennium. This action replaced general fund with a like amount of six mill levy revenue.

DP 9071 - Motorcycle Safety Equip Replacement and PL Adjustm - The legislature increased state special revenue authority for equipment replacement including a 10 year old pickup that is used to haul the motorcycles to offered trainings around the state and replacement of older motorcycles. The legislature also increased state special revenue authority for present law adjustments for the motorcycle safety program.

**New Proposals**

| Program   | FTE         | Fiscal 2014        |                  |                 |                    | Fiscal 2015 |                    |                  |                 |                    |
|---|-------------|--------------------|------------------|-----------------|--------------------|-------------|--------------------|------------------|-----------------|--------------------|
|   |             | General Fund       | State Special    | Federal Special | Total Funds        | FTE         | General Fund       | State Special    | Federal Special | Total Funds        |
| DP 902 - Energy & Natural Resources Doctoral Pgm BIEN / OTO |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 300,000            | 0                | 0               | 300,000            | 0.00        | 300,000            | 0                | 0               | 300,000            |
| DP 903 - Workforce Development and Two Year Education (OTO) |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 500,000            | 0                | 0               | 500,000            | 0.00        | 500,000            | 0                | 0               | 500,000            |
| DP 905 - Veterinary Medicine BIEN / OTO                     |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 500,000            | 0                | 0               | 500,000            | 0.00        | 500,000            | 0                | 0               | 500,000            |
| DP 909 - WWAMI Expansion                                    |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 193,551            | 0                | 0               | 193,551            | 0.00        | 199,358            | 0                | 0               | 199,358            |
| DP 920 - Increase Funding for Ag Experiment Station         |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 400,000            | 0                | 0               | 400,000            | 0.00        | 400,000            | 0                | 0               | 400,000            |
| DP 921 - Increase Funding for Extension Service             |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 200,000            | 0                | 0               | 200,000            | 0.00        | 200,000            | 0                | 0               | 200,000            |
| DP 925 - Eliminate Vac Savings at AES                       |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 369,984            | 0                | 0               | 369,984            | 0.00        | 369,632            | 0                | 0               | 369,632            |
| DP 930 - Bureau of Mines Coal & Mine Data Records (RST/OTO) |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 0                  | 300,000          | 0               | 300,000            | 0.00        | 0                  | 300,000          | 0               | 300,000            |
| DP 935 - Bio-Energy Research Center at MSU-N (Biennial/OTO) |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 200,000            | 0                | 0               | 200,000            | 0.00        | 200,000            | 0                | 0               | 200,000            |
| DP 950 - Family Practice Residency                          |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 200,000            | 0                | 0               | 200,000            | 0.00        | 200,000            | 0                | 0               | 200,000            |
| DP 951 - Local Government Center (OTO)                      |             |                    |                  |                 |                    |             |                    |                  |                 |                    |
| 09  | 0.00        | 100,000            | 0                | 0               | 100,000            | 0.00        | 100,000            | 0                | 0               | 100,000            |
| <b>Total</b>  | <b>0.00</b> | <b>\$2,963,535</b> | <b>\$300,000</b> | <b>\$0</b>      | <b>\$3,263,535</b> | <b>0.00</b> | <b>\$2,968,990</b> | <b>\$300,000</b> | <b>\$0</b>      | <b>\$3,268,990</b> |

DP 902 - Energy & Natural Resources Doctoral Pgm BIEN / OTO - The legislature included \$600,000 of biennial one-time-only general fund to implement the energy and natural resources doctoral program at Montana Tech of the University of Montana.

DP 903 - Workforce Development and Two Year Education (OTO) - The legislature approved \$1.0 million one-time-only general fund in the 2015 biennium to invest in two-year education across Montana. These funds are intended to be used to expand dual enrollment opportunities, increase access and affordability to Montana's two year schools, and ensure ease of transferability from two year to four year degree seekers.

DP 905 - Veterinary Medicine BIEN / OTO - The legislature added \$1 million biennial one-time-only general fund to expand the veterinary medicine program at Montana State University.

DP 909 - WWAMI Expansion - The legislature increased general fund for operating costs at Montana State University (MSU) to expand the Washington-Wyoming-Alaska-Montana-Idaho (WWAMI) program by 10 slots.

DP 920 - Increase Funding for Ag Experiment Station - The legislature added funding to the Agriculture Experiment Station in the 2015 biennium to support investment in research positions, including:

- Horticulture Specialty Crops
- Pulse Crops
- Animal Nutrition
- Wildlife Management

DP 921 - Increase Funding for Extension Service - The legislature added funding to the Extension Service in the 2015 biennium to support investment in extension specialist positions, including:

- Extension Farm Management Specialist
- Beef Management Specialist

DP 925 - Eliminate Vac Savings at AES - The legislature eliminated vacancy savings at the Agriculture Experiment Station for the 2015 biennium. This action added \$739,616 general fund in the 2015 biennium.

DP 930 - Bureau of Mines Coal & Mine Data Records (RST/OTO) - The legislature added restricted, one-time-only funding from the coal bed methane protection state special revenue account to the Montana Bureau of Mines for 3.0 FTE and related expenses to assist with making data records of mines and coal available online to the public.

DP 935 - Bio-Energy Research Center at MSU-N (Biennial/OTO) - The legislature increased one-time-only general fund to support the Bio-Energy Research Center at Montana State University-Northern.

DP 950 - Family Practice Residency - The legislature added general fund to expand medical residency programs in Montana from one to three. With this addition, the total number of medical residency slots will increase from 8 to 24. This appropriation is added to the base and will increase the total base funding in HB 2 for medical residency programs from \$319,366 to \$519,366 annually.

DP 951 - Local Government Center (OTO) - The legislature added one-time-only general fund in the 2015 biennium for support of the Local Government Center at Montana State University - Bozeman.

### **Language and Statutory Authority**

The legislature included the following language in HB 2.

1. *Language containing estimated public funds that will be received by MUS educational units and agencies and deposited to the current unrestricted fund. These revenues are in addition to the state funds contained in line items in HB 2.*

"Revenue anticipated to be received by the Montana university system units and colleges includes interest earnings and other revenues of \$956,891 for each year of the 2015 biennium. These amounts are appropriated for current unrestricted operating expenses as a biennial lump-sum appropriation and are in addition to the funds shown in OCHE—Appropriation Distribution Transfers.

Anticipated interest earnings and other revenue of \$8,500 each year of the 2015 biennium is appropriated to the agricultural experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated interest earnings of \$1,500 each year of the 2015 biennium is appropriated to the extension service for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated interest revenue of \$800 in each year of the 2015 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in OCHE --

Appropriation Distribution Transfers.

Anticipated sales revenue of \$40,000 each year in the 2015 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers.

Anticipated interest revenue of \$200 each year of the 2015 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in OCHE -- Appropriation Distribution Transfers."

2. *Legislative Audit Costs*

"Total audit costs are estimated to be \$530,974 for the university system educational units and public service/research agencies, other than the office of the commissioner of higher education. Audit costs charged to the educational units and public service/research agencies for the 2015 biennium may not exceed \$265,487 for the University of Montana and \$265,487 for Montana State University."

3. *Language that requires the MUS units to transfer funds for bond payments relating to the state energy conservation program*

"OCHE -- Appropriation Distribution Transfers includes \$1,442,114 in FY 2014 and \$1,384,114 in FY 2015 that must be transferred to the energy conservation program account and used to retire the general obligation bonds sold to fund energy improvements or repay loans received for energy improvements through the state energy conservation program. The costs of this transfer in each year of the 2015 biennium are as follows: University of Montana-Missoula, \$468,859 each year; University of Montana- Western, \$147,867 each year; University of Montana-Montana Tech, \$32,099 each year; Helena College, \$64,104 each year; Montana State University-Bozeman \$383,410 in FY 2014 and \$325,410 in FY 2015; Montana State University- Billings \$170,542 each year; Montana State University-Northern, \$85,336 each year; and Great Falls College, \$86,500 each year of the biennium."

4. *Language that requires the MUS to transfer funds to the Montana state library for the natural resource information system.*

"The Montana university system shall pay \$88,506 for the 2015 biennium in current funds in support of the Montana natural resource information system (NRIS) located at the Montana state library. Quarterly payments must be made upon receipt of the bills from the state library, up to the total amount appropriated."

**Program Budget Comparison**

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

| Program Budget Comparison |                  |                     |                    |                    |                       |                       |                  |                   |
|---------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item               | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change  | Biennium % Change |
| Grants                    | 842,085          | 842,085             | 1,026,527          | 1,026,527          | 1,684,170             | 2,053,054             | 368,884          | 21.90%            |
| <b>Total Costs</b>        | <b>\$842,085</b> | <b>\$842,085</b>    | <b>\$1,026,527</b> | <b>\$1,026,527</b> | <b>\$1,684,170</b>    | <b>\$2,053,054</b>    | <b>\$368,884</b> | <b>21.90%</b>     |
| General Fund              | 842,085          | 842,085             | 1,026,527          | 1,026,527          | 1,684,170             | 2,053,054             | 368,884          | 21.90%            |
| <b>Total Funds</b>        | <b>\$842,085</b> | <b>\$842,085</b>    | <b>\$1,026,527</b> | <b>\$1,026,527</b> | <b>\$1,684,170</b>    | <b>\$2,053,054</b>    | <b>\$368,884</b> | <b>21.90%</b>     |

**Program Description**

The Tribal College Assistance program provides funding to tribal colleges to support a portion of the costs of educating non-beneficiary Montana students (non-tribal members) attending the seven tribal community colleges on the reservations in Montana. Section 20-25-428, MCA requires the Board of Regents to provide assistance to tribal colleges “subject to a line item appropriation” by the legislature, up to a maximum of \$3,024 per year for each non-beneficiary student FTE. The statute does not establish a minimum appropriation level.

**Program Highlights**

| <b>Tribal College Assistance<br/>Major Budget Highlights</b>   |
|--|
| <ul style="list-style-type: none"> <li>◆ The legislature approved a 22% biennial one-time-only budget increase in this program</li> <li>◆ Non-beneficiary enrollment reported by the tribal colleges increased 24% from FY 2010 to FY 2012 and is projected to remain at the elevated level through the 2015 biennium</li> <li>◆ Funding for this program is entirely from general fund</li> </ul> |

**Funding**

The following table shows program funding by source of authority for the 2015 biennium as adopted by the legislature.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Tribal College Assistance Pgm |               |                          |                         |                   |                   |               |                    |
|---|---------------|--------------------------|-------------------------|-------------------|-------------------|---------------|--------------------|
| Funds   | HB 2          | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds | MCA Reference | Statutory Category |
| General Fund  | \$2,053,054   | \$0                      | \$0                     | \$2,053,054       | 100.0%            |               |                    |
| Total All Funds   | \$2,053,054   | \$0                      | \$0                     | \$2,053,054       | 100.0%            |               |                    |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b> | <b>0.0%</b>              | <b>0.0%</b>             |                   |                   |               |                    |

Funding is entirely from the state general fund. The table below illustrates a recent history of actual program expenditures, the legislative appropriation for the 2015 biennium, and the changes in average state funds per non-beneficiary student over the same time horizon.

| State Assistance for Montana Tribal Community Colleges<br>FY 2006 through FY 2015 |   |   |           |           |   |
|---|---|---|-----------|-----------|---|
| Fiscal Year   | Number of<br>Nonbeneficiary<br>Montana<br>Students<br>Reported* | State Funds Distributed for Nonbeneficiary Students |           |           | Average State<br>Funds per<br>Nonbeneficiary<br>Student |
|   |   | One-Time  | On-Going  | Total     |   |
| FY 2006 Actual  | 298.11  | \$80,183  | \$400,000 | \$480,183 | \$1,611   |
| FY 2007 Actual  | 307.87  | 419,817   | 0         | 419,817   | 1,364   |
| FY 2008 Actual  | 301.39  | 461,401   | 450,002   | 911,403   | 3,024   |
| FY 2009 Actual  | 312.02  | 493,548   | 450,000   | 943,548   | 3,024   |
| FY 2010 Actual  | 273.13  | 384,944   | 441,002   | 825,946   | 3,024   |
| FY 2011 Actual  | 278.56  | 515,056   | 327,309   | 842,365   | 3,024   |
| FY 2012 Actual  | 339.46  | 0   | 842,085   | 842,085   | 2,481   |
| FY 2013 Estimated   | 339.46  | 0   | 842,085   | 842,085   | 2,481   |
| FY 2014 HB 2  | 339.46  | 184,442   | 842,085   | 1,026,527 | 3,024   |
| FY 2015 HB 2  | 339.46  | 184,442   | 842,085   | 1,026,527 | 3,024   |

\*FY 2013-2015 Number of Nonbeneficiary Montana Students are estimated  
 \*\*Per Section 20-25-428, MCA there is a maximum distribution of \$3,024 per nonbeneficiary student per year

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2014  | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget |
| Base Budget              | 842,085                | 842,085               | 1,684,170                | 82.03%               | 842,085               | 842,085               | 1,684,170                | 82.03%               |
| Statewide PL Adjustments | 0                      | 0                     | 0                        | 0.00%                | 0                     | 0                     | 0                        | 0.00%                |
| Other PL Adjustments     | 0                      | 0                     | 0                        | 0.00%                | 0                     | 0                     | 0                        | 0.00%                |
| New Proposals            | 184,442                | 184,442               | 368,884                  | 17.97%               | 184,442               | 184,442               | 368,884                  | 17.97%               |
| <b>Total Budget</b>      | <b>\$1,026,527</b>     | <b>\$1,026,527</b>    | <b>\$2,053,054</b>       |                      | <b>\$1,026,527</b>    | <b>\$1,026,527</b>    | <b>\$2,053,054</b>       |                      |

**New Proposals**

| Program  | FTE         | -----Fiscal 2014----- |                  |                    |                  | -----Fiscal 2015----- |                  |                  |                    |                  |
|--|-------------|-----------------------|------------------|--------------------|------------------|-----------------------|------------------|------------------|--------------------|------------------|
|  |             | General<br>Fund       | State<br>Special | Federal<br>Special | Total<br>Funds   | FTE                   | General<br>Fund  | State<br>Special | Federal<br>Special | Total<br>Funds   |
| DP 1101 - Increase Tribal College Assistance (OTO) |             |                       |                  |                    |                  |                       |                  |                  |                    |                  |
| 11   | 0.00        | 184,442               | 0                | 0                  | 184,442          | 0.00                  | 184,442          | 0                | 0                  | 184,442          |
| <b>Total</b>                                       | <b>0.00</b> | <b>\$184,442</b>      | <b>\$0</b>       | <b>\$0</b>         | <b>\$184,442</b> | <b>0.00</b>           | <b>\$184,442</b> | <b>\$0</b>       | <b>\$0</b>         | <b>\$184,442</b> |

DP 1101 - Increase Tribal College Assistance (OTO) - The legislature increased state assistance to tribal colleges to \$3,024 per full-time equivalent (FTE) non-beneficiary student (statutory maximum) each year of the 2015 biennium. This increase is conditioned as one-time-only. The ongoing base budget for tribal college assistance would fund each FTE non-beneficiary student \$2,481, assuming the same FTE enrollment level as in the base year FY 2012.

### Program Budget Comparison

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

| Program Budget Comparison |                     |                        |                       |                       |                          |                          |                    |                      |
|---------------------------|---------------------|------------------------|-----------------------|-----------------------|--------------------------|--------------------------|--------------------|----------------------|
| Budget Item               | Base<br>Fiscal 2012 | Approp.<br>Fiscal 2013 | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 12-13 | Biennium<br>Fiscal 14-15 | Biennium<br>Change | Biennium<br>% Change |
| FTE                       | 45.00               | 45.00                  | 45.00                 | 45.00                 | 45.00                    | 45.00                    | 0.00               | 0.00%                |
| Personal Services         | 1,813,441           | 2,683,262              | 2,191,792             | 2,189,913             | 4,496,703                | 4,381,705                | (114,998)          | (2.56%)              |
| Operating Expenses        | 2,398,865           | 4,490,060              | 3,003,053             | 2,989,211             | 6,888,925                | 5,992,264                | (896,661)          | (13.02%)             |
| Benefits & Claims         | 30,617,909          | 40,508,723             | 40,617,909            | 40,617,909            | 71,126,632               | 81,235,818               | 10,109,186         | 14.21%               |
| Transfers                 | 0                   | 143,356                | 0                     | 0                     | 143,356                  | 0                        | (143,356)          | (100.00%)            |
| Debt Service              | 43,480              | 43,480                 | 43,480                | 43,480                | 86,960                   | 86,960                   | 0                  | 0.00%                |
| <b>Total Costs</b>        | <b>\$34,873,695</b> | <b>\$47,868,881</b>    | <b>\$45,856,234</b>   | <b>\$45,840,513</b>   | <b>\$82,742,576</b>      | <b>\$91,696,747</b>      | <b>\$8,954,171</b> | <b>10.82%</b>        |
| Federal Special           | 34,873,695          | 47,868,881             | 45,856,234            | 45,840,513            | 82,742,576               | 91,696,747               | 8,954,171          | 10.82%               |
| <b>Total Funds</b>        | <b>\$34,873,695</b> | <b>\$47,868,881</b>    | <b>\$45,856,234</b>   | <b>\$45,840,513</b>   | <b>\$82,742,576</b>      | <b>\$91,696,747</b>      | <b>\$8,954,171</b> | <b>10.82%</b>        |

### Program Description

The Montana Guaranteed Student Loan Program (MGSLP) operates under federal regulation with federal funds to guarantee student loans that are made by private lenders to higher education students in Montana. MGSLP purchases and services student loans that are in default with the private lender, works with students to prevent default, collects the outstanding balance of the defaulted loan for repayment to the U.S. Department of Education, and provides training and technical assistance to schools and lenders.

Effective July 1, 2010 all new student loans are issued and serviced through the U.S. Department of Education's William D. Ford Direct Loan Program. The Student Aid and Financial Reform Act (SAFRA) passed by Congress terminated the Federal Family Education Loan Program (FFELP). MGSLP will continue its guarantee functions for FFELP student loans issued prior to July 1, 2010.

MGSLP also administers several state and federal grant and scholarship programs and the Montana Family Education Savings Program. Expenditures for the student aid administration services performed by MGSLP are recorded in the Student Assistance Program.

### Program Highlights

| <b>Guaranteed Student Loan Program<br/>Major Budget Highlights</b>   |
|--|
| <ul style="list-style-type: none"> <li>◆ The legislature increased the 2015 biennial budget in anticipation of an increase in the volume of defaulted student loans and associated collection costs</li> </ul> |

### Funding

This program is funded from federal funds from the U.S. Department of Education relating to the operation of the program.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Guaranteed Student Loan Pgm |               |                             |                            |                      |                      |                  |                       |
|---|---------------|-----------------------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds   | HB 2          | Non-Budgeted<br>Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| Federal Special Total   | \$91,696,747  | \$0                         | \$0                        | \$91,696,747         | 100.0%               |                  |                       |
| 03400 Guaranteed Std. Loan-admin.   | \$18,627,375  | \$0                         | \$0                        | \$18,627,375         | 20.3%                |                  |                       |
| 03401 U.s. Dept Ed / Gsl Recall Acct  | \$73,041,174  | \$0                         | \$0                        | \$73,041,174         | 79.7%                |                  |                       |
| 03410 Gear Up Essay Scholarship   | \$28,198      | \$0                         | \$0                        | \$28,198             | 0.0%                 |                  |                       |
| Total All Funds   | \$91,696,747  | \$0                         | \$0                        | \$91,696,747         | 100.0%               |                  |                       |
| <b>Percent - Total All Sources</b>  | <b>100.0%</b> | <b>0.0%</b>                 | <b>0.0%</b>                |                      |                      |                  |                       |

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2014  | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget | Budget<br>Fiscal 2014 | Budget<br>Fiscal 2015 | Biennium<br>Fiscal 14-15 | Percent<br>of Budget |
| Base Budget              | 0                      | 0                     | 0                        | 0.00%                | 34,873,695            | 34,873,695            | 69,747,390               | 76.06%               |
| Statewide PL Adjustments | 0                      | 0                     | 0                        | 0.00%                | 382,539               | 366,818               | 749,357                  | 0.82%                |
| Other PL Adjustments     | 0                      | 0                     | 0                        | 0.00%                | 10,600,000            | 10,600,000            | 21,200,000               | 23.12%               |
| New Proposals            | 0                      | 0                     | 0                        | 0.00%                | 0                     | 0                     | 0                        | 0.00%                |
| <b>Total Budget</b>      | <b>\$0</b>             | <b>\$0</b>            | <b>\$0</b>               |                      | <b>\$45,856,234</b>   | <b>\$45,840,513</b>   | <b>\$91,696,747</b>      |                      |

**Present Law Adjustments**

The "Present Law Adjustments" table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                            | -----Fiscal 2014----- |                 |                  |                     |                     | -----Fiscal 2015----- |                 |                  |                     |                     |
|--|-----------------------|-----------------|------------------|---------------------|---------------------|-----------------------|-----------------|------------------|---------------------|---------------------|
|  | FTE                   | General<br>Fund | State<br>Special | Federal<br>Special  | Total<br>Funds      | FTE                   | General<br>Fund | State<br>Special | Federal<br>Special  | Total<br>Funds      |
| Personal Services                                  |                       |                 |                  |                     | 469,674             |                       |                 |                  |                     | 467,715             |
| Vacancy Savings                                    |                       |                 |                  |                     | (91,323)            |                       |                 |                  |                     | (91,243)            |
| Inflation/Deflation                                |                       |                 |                  |                     | 2,090               |                       |                 |                  |                     | 3,968               |
| Fixed Costs  |                       |                 |                  |                     | 2,098               |                       |                 |                  |                     | (13,622)            |
| <b>Total Statewide Present Law Adjustments</b>     |                       | <b>\$0</b>      | <b>\$0</b>       | <b>\$382,539</b>    | <b>\$382,539</b>    |                       | <b>\$0</b>      | <b>\$0</b>       | <b>\$366,818</b>    | <b>\$366,818</b>    |
| DP 50 - Initial Motion to FY 2012 Base             | 0.00                  | 0               | 0                | (382,539)           | (382,539)           | 0.00                  | 0               | 0                | (366,818)           | (366,818)           |
| DP 51 - Adjustment for Statewide Personal Services | 0.00                  | 0               | 0                | 378,351             | 378,351             | 0.00                  | 0               | 0                | 376,472             | 376,472             |
| DP 52 - Adjustment for Statewide Operations        | 0.00                  | 0               | 0                | 4,188               | 4,188               | 0.00                  | 0               | 0                | (9,654)             | (9,654)             |
| DP 1201 - Present law increases for GSL            | 0.00                  | 0               | 0                | 10,600,000          | 10,600,000          | 0.00                  | 0               | 0                | 10,600,000          | 10,600,000          |
| <b>Total Other Present Law Adjustments</b>         | <b>0.00</b>           | <b>\$0</b>      | <b>\$0</b>       | <b>\$10,600,000</b> | <b>\$10,600,000</b> | <b>0.00</b>           | <b>\$0</b>      | <b>\$0</b>       | <b>\$10,600,000</b> | <b>\$10,600,000</b> |
| <b>Grand Total All Present Law Adjustments</b>     | <b>0.00</b>           | <b>\$0</b>      | <b>\$0</b>       | <b>\$10,982,539</b> | <b>\$10,982,539</b> | <b>0.00</b>           | <b>\$0</b>      | <b>\$0</b>       | <b>\$10,966,818</b> | <b>\$10,966,818</b> |

DP 50 - Initial Motion to FY 2012 Base - The legislature adopted a motion to establish the starting point for budget deliberations as the FY 2012 base. This adjustment removes statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation/deflation.

DP 51 - Adjustment for Statewide Personal Services - This adjustment funds statewide personal services and vacancy savings.

DP 52 - Adjustment for Statewide Operations - This adjustment establishes the fixed cost and inflation/deflation rates as approved by the General Government subcommittee.

DP 1201 - Present law increases for GSL - The legislature increased the budget authority in this program in anticipation of an increase in defaulted loans due to economic conditions and associated collection expenses.

**Program Budget Comparison**

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

| Program Budget Comparison |                  |                     |                    |                    |                       |                       |                 |                   |
|---------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|-----------------|-------------------|
| Budget Item               | Base Fiscal 2012 | Approp. Fiscal 2013 | Budget Fiscal 2014 | Budget Fiscal 2015 | Biennium Fiscal 12-13 | Biennium Fiscal 14-15 | Biennium Change | Biennium % Change |
| Personal Services         | 3,650            | 6,350               | 6,300              | 6,300              | 10,000                | 12,600                | 2,600           | 26.00%            |
| Operating Expenses        | 61,879           | 39,595              | 62,787             | 62,869             | 101,474               | 125,656               | 24,182          | 23.83%            |
| <b>Total Costs</b>        | <b>\$65,529</b>  | <b>\$45,945</b>     | <b>\$69,087</b>    | <b>\$69,169</b>    | <b>\$111,474</b>      | <b>\$138,256</b>      | <b>\$26,782</b> | <b>24.03%</b>     |
| General Fund              | 65,529           | 45,945              | 69,087             | 69,169             | 111,474               | 138,256               | 26,782          | 24.03%            |
| <b>Total Funds</b>        | <b>\$65,529</b>  | <b>\$45,945</b>     | <b>\$69,087</b>    | <b>\$69,169</b>    | <b>\$111,474</b>      | <b>\$138,256</b>      | <b>\$26,782</b> | <b>24.03%</b>     |

**Program Description**

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

**Program Highlights**

| <b>Board of Regents Program<br/>Major Budget Highlights</b>   |
|---|
| ◆ The legislature provided funding for increased operating expenditures in the 2015 biennium for board per diem and mileage reimbursement |

**Funding**

This program is funded entirely by the state general fund.

| Total Commissioner Of Higher Education Funding by Source of Authority<br>2015 Biennium Budget - Board Of Regents-Admin |                      |             |                            |                      |                      |                  |                       |
|--|----------------------|-------------|----------------------------|----------------------|----------------------|------------------|-----------------------|
| Funds  | Non-Budgeted<br>HB 2 | Proprietary | Statutory<br>Appropriation | Total<br>All Sources | % Total<br>All Funds | MCA<br>Reference | Statutory<br>Category |
| General Fund   | \$138,256            | \$0         | \$0                        | \$138,256            | 100.0%               |                  |                       |
| Total All Funds  | \$138,256            | \$0         | \$0                        | \$138,256            | 100.0%               |                  |                       |
| <b>Percent - Total All Sources</b>   | <b>100.0%</b>        | <b>0.0%</b> | <b>0.0%</b>                |                      |                      |                  |                       |

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                    |                       |                   | -----Total Funds----- |                    |                       |                   |
|--------------------------|------------------------|--------------------|-----------------------|-------------------|-----------------------|--------------------|-----------------------|-------------------|
|                          | Budget Fiscal 2014     | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget | Budget Fiscal 2014    | Budget Fiscal 2015 | Biennium Fiscal 14-15 | Percent of Budget |
| Base Budget              | 65,529                 | 65,529             | 131,058               | 94.79%            | 65,529                | 65,529             | 131,058               | 94.79%            |
| Statewide PL Adjustments | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| Other PL Adjustments     | 3,558                  | 3,640              | 7,198                 | 5.21%             | 3,558                 | 3,640              | 7,198                 | 5.21%             |
| New Proposals            | 0                      | 0                  | 0                     | 0.00%             | 0                     | 0                  | 0                     | 0.00%             |
| <b>Total Budget</b>      | <b>\$69,087</b>        | <b>\$69,169</b>    | <b>\$138,256</b>      |                   | <b>\$69,087</b>       | <b>\$69,169</b>    | <b>\$138,256</b>      |                   |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the base budget adopted by the legislature.

| Present Law Adjustments                        | -----Fiscal 2014----- |                |               |                 |                | -----Fiscal 2015----- |                |               |                 |                |
|--|-----------------------|----------------|---------------|-----------------|----------------|-----------------------|----------------|---------------|-----------------|----------------|
|  | FTE                   | General Fund   | State Special | Federal Special | Total Funds    | FTE                   | General Fund   | State Special | Federal Special | Total Funds    |
| <b>Total Statewide Present Law Adjustments</b> |                       | <b>\$0</b>     |               |                 | <b>\$0</b>     |                       | <b>\$0</b>     |               |                 | <b>\$0</b>     |
| DP 1301 - Board of Regents Per Diem & Mileage  | 0.00                  | 3,558          | 0             | 0               | 3,558          | 0.00                  | 3,640          | 0             | 0               | 3,640          |
| <b>Total Other Present Law Adjustments</b>     | <b>0.00</b>           | <b>\$3,558</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$3,558</b> | <b>0.00</b>           | <b>\$3,640</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$3,640</b> |
| <b>Grand Total All Present Law Adjustments</b> | <b>0.00</b>           | <b>\$3,558</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$3,558</b> | <b>0.00</b>           | <b>\$3,640</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$3,640</b> |

DP 1301 - Board of Regents Per Diem & Mileage - The legislature restored per diem expense at the original budgeted amount for the Board of Regent members and increase the budget for mileage reimbursement.