

MONTANA UNIVERSITY SYSTEM OVERVIEW

The purpose of this overview is to provide the legislature a basic understanding of:

- ?? The organization and governance of the Montana University System (MUS).
- ?? University funding.
- ?? How the legislature exercises its constitutional appropriation authority and responsibilities with the Montana University System.
- ?? The major fiscal issues contained in the Legislative Fiscal Division's Legislative Budget Analysis, 2003 Biennium.

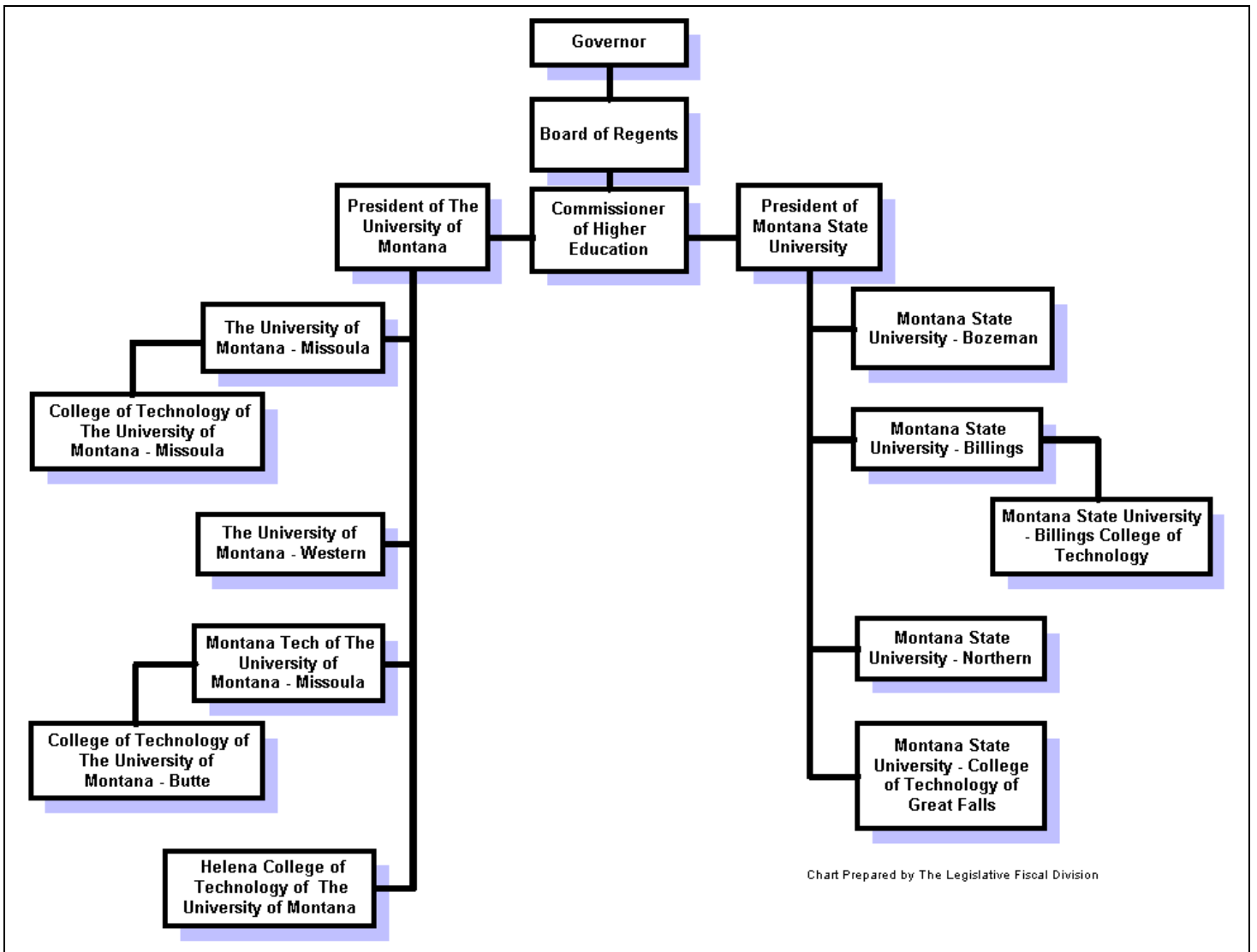
ORGANIZATION AND GOVERNANCE

The Montana University System is comprised of:

- ?? The Board of Regents (BOR).
- ?? The Commissioner of Higher Education (CHE), his staff, and several system-wide programs administered from the Office of the Commissioner of Higher Education (OCHE).
- ?? The University of Montana, with:
 - ☞ Four-year campuses in Missoula, Butte, and Dillon.
 - ☞ Two-year campuses in Missoula, Butte, and Helena.
 - ☞ Two higher education agencies in Missoula and Butte.
 - ☞ Montana State University, with
 - ☞ Four-year campuses in Bozeman, Billings, and Havre.
 - ☞ Three higher education agencies in Bozeman and Great Falls.
- ?? For budget purposes, the Montana University System also includes the community colleges in Kalispell, Glendive, and Miles City. Governance of the community colleges is divided between the Board of Regents and the board of trustees of each community college district.

Figure 1 on the following page displays the major units of the Montana University System.

Figure 1



THE MONTANA UNIVERSITY SYSTEM—AN EXECUTIVE BRANCH DEPARTMENT

The Montana University System is part of the Executive Branch. Article X, Section 9 of the Montana Constitution places the Board of Regents in the Board of Education. Section 2-15-104, MCA counts the Board of Education as one of the 20 Executive Branch departments permitted in Article VI, Section 7 of the Montana Constitution.

BOARD OF REGENTS GOVERNANCE AUTHORITY

Although the Board of Regents is organizationally placed in the Executive Branch, the Montana Constitution grants the board broad governing authority over the Montana University System. Article X, Section 9 of the Montana Constitution provides “the government and control of the Montana University System is vested in the Board of Regents, which shall have full power, responsibility, and authority to supervise, coordinate, manage, and control the... system.” The significance of the Board’s governing authority is discussed in the legislative appropriation section. The board consists of seven members appointed by the governor. The regents’ powers and duties are further described in Section 20-25-301, MCA.

Article X, Section 9 of the Montana Constitution directs the BOR to appoint a Commissioner of Higher Education and to prescribe his term and duties. The Montana Board of Regents of Higher Education Policy and Procedures Manual designates the Commissioner of Higher Education as the chief executive officer of the Montana University System responsible to the Board of Regents. Duties of the commissioner include:

- ?? Executing, administering, and assuring the implementation of Board of Regent policy.
- ?? Supervising and directing unit presidents with regard to the execution, administration, interpretation, and implementation of BOR policy.
- ?? Advising the Board in regard to the selection and removal of unit presidents.
- ?? Preparing a suggested budget for the Montana University System as well as an allocation of state appropriations to the units of the system (*Policy and Procedures Manual*, Montana Board of Regents, Policy 204.3 – Commissioner of Higher Education, Revised November 18, 1999).

UNIVERSITY SYSTEM FUNDING – THE BASICS

The Montana University System receives and spends considerably more than the amount reviewed by the legislature and appropriated in line items in the biennial general appropriations act. This section of the overview describes the fund structure used by the Montana University System and its standards of accounting and financial reporting.

FISCAL 2000 ACTUAL REVENUE AND EXPENDITURES

Table 1 on the following page shows the actual revenue and expenditures of all fund types as reported by the Montana University System in fiscal 2000. The table columns segregate revenue and expenditures by the various fund types described below in the Fund Accounting section. The revenues are divided into “State Funds” (general fund and the six-mill property tax levy) and “University Funds” (all other revenue). State Funds accounted for 18 percent of total revenues in fiscal 2000.

Expenditures are divided into those costs reviewed by the legislature and those not reviewed by the legislature. Expenditures reviewed by the legislature include instruction, research, public service, academic support, student support, institutional support, plant operation and maintenance, and scholarships within the current unrestricted operating fund only. The difference between the State Funds and the expenditures reviewed by the legislature is primarily tuition.

Expenditures from the current unrestricted operating fund (of which the state contributed about 52 percent) comprised approximately 35 percent of total expenditures in the university system in fiscal 2000.

Table 1
MONTANA UNIVERSITY SYSTEM -- FISCAL YEAR 2000 ACTUAL REVENUES AND EXPENDITURES -- ALL FUND TYPES

	Current Unrestricted Operating 31xxx	Current Unrestricted Designated 33xxx	Current Unrestricted Auxiliary 34xxx	Current Restricted 32xxx	Student Loan Fund 4xxxx	Endowment Fund 5xxxx	Plant Funds 7xxxx	Agency Funds 8xxxx	GRAND TOTAL BY SOURCE	Percent of Total
REVENUE										
State Funds	\$ 126,747,093.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,747,093	18.0%
University Funds										
Tuition & Fees	107,889,724	11,460,848	9,755,981	66,964	-	-	9,784,797	203,200	139,161,514	19.7%
Interest & Investment Earnings	2,091,539	888,303	1,345,554	379,648	153,800	66,438	3,081,296	2,840,634	10,847,212	1.5%
Grants/Contracts/Donations	(30,000)	6,657,122	172,270	39,319,579	315,350	10,069	2,137,980	1,524,695	50,107,065	7.1%
Federal Assistance	4,353,785	109,456	27,027	155,653,681	375,325	-	22,938	92,355	160,634,567	22.8%
Sales & Service Revenue	1,152,676	4,285,161	54,599,601	414,035	2,257	-	250,343	199,095	60,903,168	8.6%
Bond Proceeds	-	380,192	-	3,000	-	-	58,670,520	-	59,053,712	8.4%
Other	922,857	12,010,113	2,405,819	68,239	758,768	-	5,095,678	(1,944,345)	19,317,129	2.7%
Other Fees	1,870	19,556,470	463,258	155,837	-	-	1,640,628	119,127	21,937,190	3.1%
Transfers	-	10,009,902	1,535,805	525,748	-	38,937	44,918,404	296,828	57,325,624	8.1%
TOTAL REVENUE BY FUND TYPE	\$ 243,129,544	\$ 65,357,567	\$ 70,305,315	\$ 196,586,731	\$ 1,605,500	\$ 115,444	\$ 125,602,584	\$ 3,331,589	\$ 706,034,274	100.0%
EXPENDITURES										
Reviewed by the Legislature (1):										
Instruction	\$ 120,645,270	\$ 7,451,732	\$ -	\$ 8,657,414	\$ -	\$ 2,400	\$ -	\$ 96,037	\$ 136,852,853	19.8%
Research	14,417,657	16,674,111	(198)	68,227,853	-	-	29,890	-	99,349,313	14.4%
Public Service	7,467,081	6,873,996	839	15,707,787	-	-	-	-	30,049,703	4.4%
Academic Support	25,523,811	1,888,642	-	3,127,440	138,137	-	-	-	30,678,030	4.4%
Student Services	18,556,045	15,165,439	389	3,381,789	-	-	-	189,037	37,292,699	5.4%
Institutional Support	20,909,107	6,926,388	-	2,731,310	-	-	-	(64)	30,566,741	4.4%
Plant Operations & Maintenance	25,506,475	3,047,212	172	97,218	-	-	11,935	-	28,663,012	4.2%
Scholarships	9,359,275	2,056,834	42,000	90,504,495	-	7,850	-	3,118	101,973,572	14.8%
Not Reviewed by the Legislature										
Transfers	-	-	-	-	-	2,690	10,946	-	13,636	0.0%
Auxiliaries	85	60,183	67,952,603	143,558	-	-	-	-	68,156,429	9.9%
Recharge Services	-	1,075,513	(435)	37,417	-	-	-	8,503	1,120,998	0.2%
Student Loans	-	-	3,000	-	356,969	-	-	-	359,969	0.1%
Plant	4,101	8,168	61	49,238	-	-	124,126,710	-	124,188,278	18.0%
Agency	-	55,800	993	256,957	-	-	-	511,242	824,992	0.1%
Unclassified	(15,966)	5,461	(3,419)	(3,687)	-	-	(205,676)	(400,947)	(624,234)	-0.1%
TOTAL EXPENDITURES BY FUND TYPE	\$ 242,372,941	\$ 61,289,479	\$ 67,996,005	\$ 192,918,789	\$ 495,106	\$ 12,940	\$ 123,973,805	\$ 406,926	\$ 689,465,991	100.0%
Percent of Total	35.2%	8.9%	9.9%	28.0%	0.1%	0.0%	18.0%	0.1%	100.0%	
Source: FYE 00 SABHRS										

(1) The legislature reviews these programs funded from the current unrestricted operating fund only. Note that all funds, other than current unrestricted operating funds and plant funds appropriated for long-range building, are appropriated by the legislature in HB 2 language.

FUND ACCOUNTING

The MUS uses the standards of accounting and reporting as described by the National College and University Business Officers (NACUBO) to record revenues and expenditures received and disbursed in the course of business. This fund structure is described below.

A. Current Fund – The current fund accounts for money deposited in the state treasury that is used to pay current operating costs relating to instruction, research, public service, and allied support operations and programs conducted within the Montana University System. The financial activities of the current fund are subdivided, for operational purposes, into the four following subfunds to serve the purpose indicated.

- 1) The Current Unrestricted Operating subfund (generally referred to as the “Current Unrestricted” fund) is used to segregate the portion of the current fund’s financial resources that can be expended for general operations and that is free of externally imposed restrictions, except those imposed by the legislature.

State general fund, the six-mill property tax levy revenue, student tuition, and interest earnings are examples of the monies deposited into this subfund. The state general fund and six-mill levy is the “State Funds” portion of the current unrestricted fund and is the portion appropriated in line items in the general appropriations act. The student tuition, interest earnings, and other revenue is the “University Funds” portion of the current unrestricted fund and is appropriated in language in the general appropriations act.

- 2) The Current Unrestricted Designated subfund (generally referred to as the “Designated” fund) is used to segregate the portion of the current fund’s financial resources that is associated with general operations but is separately classified in order to accumulate costs that are to be recharged as allocated to other funds or subfunds, identifies financial activities related to special organized activities of educational departments that are fully supported by supplemental assessments, and identifies special supply and facility fees that are approved for collection beyond normal course fees and their disposition.

Special course fees, such as those for consumable supplies and materials, breakage, field trips, and off-site services; some special administrative fees, such as those for late payments and providing duplicate records; and recharges are examples of the monies deposited into this subfund.

- 3) The Current Unrestricted Auxiliary subfund (generally referred to as the “Auxiliary” fund) is used to segregate the portion of the current fund’s financial resources that is devoted to providing essential on-campus services primarily to students, faculty, or staff at a fee directly related but not necessarily equal to the cost of the service provided.

Health service and campus recreation fees are examples of the monies deposited into this subfund.

- 4) The Current Restricted subfund (generally referred to as the “Restricted” fund) is used to segregate the portion of the current fund’s financial resources that can be expended for general operations, but only for purposes imposed by sources external to the board of regents and the legislature.

Federal or corporate grants for specific research activities and federal student financial assistance funds are examples of the kind of monies deposited into this subfund.

B. Student Loan Fund – The student loan fund accounts for money deposited in the state treasury that may be loaned to students, faculty, or staff for purposes related to education, organized research, or public service by the Montana University System.

- C. Endowment Fund – The endowment fund accounts for money deposited in the state treasury by the Montana University System where the principal portion of the amount received is nonexpendable but is available for investment, thus producing consumable income. Expendable earnings on endowment funds are to be transferred to the appropriate operating fund pursuant to prevailing administrative requirements.
- D. Plant Fund – The plant fund accounts for those financial resources allocated to or received by the Montana University System for capital outlay purposes or to retire long-term debt associated with construction or acquisition of fixed assets and the net accumulative results of these activities.

Bond proceeds for capital projects as well as revenues pledged to repay revenue bonds (such as net auxiliary facility operating revenues, land grant income, investment income and other sources) are accounted for in this fund.

- E. Agency Fund -- The agency fund accounts for money deposited in the state treasury where the Montana University System acts in the capacity of a custodian or fiscal agent for the individual student, faculty, staff, or qualified organization.

LEGISLATIVE APPROPRIATION AUTHORITY AND THE MONTANA UNIVERSITY SYSTEM

This section of the overview briefly discusses the legislature’s appropriation authority and the Montana University System. For a more complete discussion of this and related issues, the Legislative Fiscal Division suggests the reader obtain *The Structure of Higher Education in Montana: Meandering the Murky Line* -- a legal memorandum published by the Legislative Services Division in September 1999 in response to a request by the Joint Subcommittee on Postsecondary Education Policy and Budget for background on the history of the Board of Regents and an analysis of the constitutional and statutory authority of the Board of Regents and the Montana Legislature over higher education. Excerpts from this report are presented below.

In a 1975 Montana Supreme Court ruling addressing the authority of the newly formed Board of Regents and the scope of the appropriation power of the Montana Legislature, the Court provided guidelines the legislature must consider in the appropriation process (see *The Structure of Higher Education in Montana: Meandering the Murky Line*, Montana Legislative Services Division, September, 1999, pages 21-23¹) including:

- ?? The Board of Regents is subject to the Legislature’s appropriation power and public policy, but the Legislature cannot do indirectly through the means of line item appropriations and conditions what is impermissible for it to do directly.

While the Court recognized the importance of line item appropriations to the legislative process to develop a budget and ensure strict accountability of state funds, it noted line items couldn’t be used to infringe upon the Board of Regents authority to “supervise, coordinate, manage and control the university system”. For example, the legislature cannot eliminate a specific program on a university campus, such as the Pharmacy School, because this is a management decision of the Board of Regents.

- ?? The Legislative appropriation power extends beyond the general fund and encompasses all those public operating funds of state government, but does not extend to private funds received by state government that are restricted by law, trust agreement, or contract.

Student tuition and fees and foundation donations are considered private funds.

¹ This memo is available on the internet at <http://leg.mt.gov/Reports/Services/Legal/opinions/regents.pdf>

- ?? The Legislature may, within reason, attach conditions to University System appropriations that, if accepted by the Board of Regents, bind them to the conditions.

The legislature does condition appropriations to the university system. The following example of condition language has been included in the general appropriations act for several biennia:

“For all university units, except the Office of the Commissioner of Higher Education, the legislature appropriates all funds, other than plant funds appropriated for long-range building projects and current unrestricted operating funds, contingent upon approval of a comprehensive program budget by the Board of Regents by October 1 of each fiscal year.”

Another example of an appropriation condition set by the legislature is contained in HB 2 passed by the Fifty-sixth Legislature. In this example, the legislature requires the reversion of state money if projected enrollments used to establish the appropriation are not achieved.

Examples of appropriation conditions that are unreasonable in the Court’s view include limiting salary increases for university system personnel, and directly attempting to set tuition rates.

- ?? Finally, the Court said that the Regents’ power to govern must be harmonized with the legislature’s power to appropriate, set public policy, and ensure strict accountability of state revenues and expenditures.

LEGISLATIVE APPROPRIATION

For the past three biennia, the legislature has appropriated State Funds to the Montana University System in two forms:

- A. A “lump-sum” appropriation that is comprised of the line item appropriations for:
- 1) The Office of the Commissioner of Higher Education, except the Community Colleges and Tribal College Assistance Programs.
 - 2) The educational units, including the 4-year university campuses and the 2-year colleges of technology, and special programs.

Language in HB 2 consolidates the HB 2 line item appropriations for these programs into a biennial, lump-sum appropriation.

- B. Separate HB 2 line item appropriations for each of the following items:

- 1) The Agricultural Experiment Station.
- 2) The Cooperative Extension Service.
- 3) The Forestry and Conservation Experiment Station.
- 4) The Montana Bureau of Mines and Geology.
- 5) The Fire Services Training School.
- 6) The Community College Assistance program.
- 7) The Tribal College Assistance Program (non-beneficiary students attending a Tribal College).

MAJOR FISCAL ISSUES IN THE 2003 BIENNIUM

The Fifty-seventh Legislature can expect to address several major fiscal policy issues in regard to the Montana University System, including new proposals contained in the Executive Budget, several present law adjustments, and other fiscal issues stemming from previous legislative action and interim legislative studies. The issues raised in the Legislative Budget Analysis narrative for the Montana University System are listed below with corresponding biennial dollar amounts where applicable.

EXECUTIVE BUDGET RECOMMENDATIONS AND ASSUMPTIONS

- ?? Increase state support per resident student \$100 each year of the 2003 biennium -- \$7.5 million general fund.
- ?? Student Aid expansion -- \$2 million general fund.
- ?? Vo-Tech curriculum expansion/updating -- \$800,000 general fund.
- ?? Tuition rate increases – 3 percent annually assumed.

EXECUTIVE PRESENT LAW ADJUSTMENTS

- ?? Resident student projected enrollment increase – \$2.5 million general fund and \$2.4 million tuition (not appropriated).
- ?? Non-resident student enrollment decrease -- \$6.3 million cost savings funded by non-resident tuition (not appropriated).
- ?? Six-mill levy revenue decrease is replaced with state general fund -- \$5.3 million general fund.

OTHER ISSUES

- ?? Projected non-resident tuition decreases exceeding the cost savings -- \$3.3 million.
- ?? Plant operation and maintenance expenditures at the universities and colleges averaged 11.5 percent in fiscal 2000 versus the 13 percent recommended by the Fifty-sixth Legislature.
- ?? Options to address deferred maintenance on university-owned buildings in the Montana University System. Deferred maintenance on audited campuses was found to be “significant” according to a performance audit conducted by the Legislative Audit Division at the request of the Fifty-sixth Legislature.
- ?? Accountability and performance measures – Other states are using accountability practices to measure university system progress toward policy goals and to inform the public, elected officials, business leaders, and students about the universities’ performance. The Montana Legislature and the Board of Regents have debated this issue from time to time for the last ten years, yet no accountability policy has emerged. Is it time to take another look at this issue?

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	73.55	0.00	13.25	86.80	0.00	13.50	87.05	87.05
Personal Services	2,914,768	126,793	476,694	3,518,255	145,546	489,940	3,550,254	7,068,509
Operating Expenses	3,784,903	161,240	4,767,341	8,713,484	137,462	5,049,540	8,971,905	17,685,389
Equipment	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	5,289,315	387,411	0	5,676,726	414,222	0	5,703,537	11,380,263
Grants	9,906,881	683,934	3,635,400	14,226,215	919,256	3,779,800	14,605,937	28,832,152
Benefits & Claims	18,462,439	0	6,812,849	25,275,288	0	9,300,378	27,762,817	53,038,105
Transfers	131,911,080	4,359,815	3,731,676	140,002,571	3,232,538	5,638,926	140,782,544	280,785,115
Debt Service	3,748	0	0	3,748	0	0	3,748	7,496
Total Costs	\$172,273,134	\$5,719,193	\$19,423,960	\$197,416,287	\$4,849,024	\$24,258,584	\$201,380,742	\$398,797,029
General Fund	124,494,535	8,940,017	5,303,405	138,737,957	9,527,888	7,312,555	141,334,978	280,072,935
State/Other Special	15,567,144	(2,746,000)	0	12,821,144	(2,578,000)	0	12,989,144	25,810,288
Federal Special	32,211,455	(474,824)	14,120,555	45,857,186	(2,100,864)	16,946,029	47,056,620	92,913,806
Total Funds	\$172,273,134	\$5,719,193	\$19,423,960	\$197,416,287	\$4,849,024	\$24,258,584	\$201,380,742	\$398,797,029

Agency Description

The Office of the Commissioner of Higher Education (OCHE) is the state-level administrative hub of the Montana University System. (The Montana University System is described on page 1 of the Montana University System Overview and graphically displayed in Figure 1 on page 2 of the Overview.) All State Funds appropriated by the legislature to the Board of Regents for the support of the Montana University System are channeled through the Office of the Commissioner of Higher Education.

For budget purposes, the OCHE is comprised of several programs, including:

- ?? The Board of Regents travel, per diem, and other related costs.
- ?? The Commissioner of Higher Education, his staff, and all costs related to the state-level administration of the Montana University System not accounted for in other OCHE programs.
- ?? State- and federally-funded interstate student assistance and student aid programs administered at the state level, such as the interstate exchange programs for students seeking a medical education, State Work Study, and federal programs that provide grant funds to needy students.
- ?? Three federal grant programs, each with a specific purpose, administered at the state level.
- ?? The Montana University System Group Insurance program.
- ?? The Montana Guaranteed Student Loan program.
- ?? The Community College Assistance program.
- ?? The Tribal College Assistance program.
- ?? The Appropriation Distribution program where the transfer of State Funds to the educational units and agencies is recorded and reported

Agency Discussion

The agency proposed budget presented at the beginning of this narrative includes only State Funds for the Montana University System. Over seventy percent of these funds are transferred to university units and agencies and combined with University Funds, such as tuition, interest earnings, and federal funds, and deposited into the current unrestricted operating fund at each of the campuses and higher education agencies.

Table 2 presents the Executive Budget proposal for the Montana University System general operating budget, including both State Funds and the estimated amount of University Funds that will be available. (See the "Montana University System Overview" for the distinction between State Funds and University Funds.)

Table 2
Montana University System Summary
Executive Budget Recommendation -- 2003 Biennium

Program/Unit	Base Budget Fiscal 2000	PL Base Adjustments Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustments Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
EXPENDITURES								
Office of the Commissioner of Higher Education								
Administration	\$ 1,186,818	\$ 105,390	\$ 33,829	\$ 1,326,037	\$ 84,900	\$ 33,829	\$ 1,305,547	\$ 2,631,584
Student Assistance	7,453,922	478,339	1,120,900	9,053,161	656,157	1,222,800	9,332,879	18,386,040
Dwight D. Eisenhower	216,295	96,449	-	312,744	96,449	-	312,744	625,488
Community Colleges	5,204,315	373,411	-	5,577,726	396,222	-	5,600,537	11,178,263
Talent Search	508,802	5,127	2,579,576	3,093,505	7,959	2,713,164	3,229,925	6,323,430
C.D. Perkins	8,612,391	(809,350)	44,299	7,847,340	(2,449,607)	44,491	6,207,275	14,054,615
Guaranteed Student Loan	22,962,076	234,055	11,496,680	34,692,811	245,948	14,188,374	37,396,398	72,089,209
Board of Regents	43,762	-	-	43,762	-	-	43,762	87,524
Tribal College Assistance	-	-	417,000	417,000	-	417,000	417,000	834,000
Subtotal	\$ 46,188,381	\$ 483,421	\$ 15,692,284	\$ 62,364,086	\$ (961,972)	\$ 18,619,658	\$ 63,846,067	\$ 126,210,153
Education Units								
UM-Missoula	\$ 79,860,093	\$ 1,804,479	\$ -	\$ 81,664,572	\$ 1,842,832	\$ -	\$ 81,702,925	\$ 163,367,497
UM-Tech	14,835,101	384,454	-	15,219,555	417,596	-	15,252,697	30,472,252
UM-Western	6,660,693	270,397	-	6,931,090	293,725	-	6,954,418	13,885,508
UM-Helena COT	3,315,846	169,107	-	3,484,953	180,500	-	3,496,346	6,981,299
MSU-Bozeman	78,266,069	2,204,653	-	80,470,722	2,293,915	-	80,559,984	161,030,706
MSU-Billings	23,017,788	1,075,430	-	24,093,218	1,062,483	-	24,080,271	48,173,489
MSU-Northern	9,999,264	328,030	-	10,327,294	281,528	-	10,280,792	20,608,086
MSU-Great Falls COT	4,246,874	235,760	-	4,482,634	230,188	-	4,477,062	8,959,696
Distance Learning	200,000	-	-	200,000	-	-	200,000	400,000
Family Practice Residency Program	295,600	45,600	-	341,200	45,600	-	341,200	682,400
Motorcycle Safety Education	158,144	205,192	-	363,336	205,404	-	363,548	726,884
Increase	-	2,026,910	199,633	2,226,543	2,927,373	406,883	3,334,256	5,560,799
Decrease	-	(2,513,952)	-	(2,513,952)	(3,838,352)	-	(3,838,352)	(6,352,304)
Other Adjustments & New Proposals	-	44,252	3,671,080	3,715,332	44,254	5,371,080	5,415,334	9,130,666
Subtotal	\$ 220,855,472	\$ 6,280,312	\$ 3,870,713	\$ 231,006,497	\$ 5,987,046	\$ 5,777,963	\$ 232,620,481	\$ 463,626,978
Higher Education Agencies								
Agricultural Experiment Station	\$ 11,930,717	\$ 936,103	\$ 60,000	\$ 12,926,820	\$ 984,701	\$ 60,000	\$ 12,975,418	\$ 25,902,238
Extension Service	6,132,804	233,963	-	6,366,767	259,584	-	6,392,388	12,759,155
Forestry & Conservation Experiment Station	862,543	42,353	-	904,896	45,709	-	908,252	1,813,148
Bureau of Mines & Geology	2,097,452	78,589	-	2,176,041	83,403	-	2,180,855	4,356,896
Fire Services Training School	346,435	54,621	-	401,056	100,834	-	447,269	848,325
Subtotal	\$ 21,369,951	\$ 1,345,629	\$ 60,000	\$ 22,775,580	\$ 1,474,231	\$ 60,000	\$ 22,904,182	\$ 45,679,762
TOTAL COSTS	\$ 288,413,804	\$ 8,109,362	\$ 19,622,997	\$ 316,146,163	\$ 6,499,305	\$ 24,457,621	\$ 319,370,730	\$ 635,516,893
FUNDING								
State Appropriated Funds								
General Fund	\$ 124,494,535	\$ 8,940,018	\$ 5,303,405	\$ 138,737,958	\$ 9,527,889	\$ 7,312,555	\$ 141,334,979	\$ 280,072,937
Statewide Six Mill Levy	14,809,000	(2,746,000)	-	12,063,000	(2,578,000)	-	12,231,000	24,294,000
Other State Special (1)	758,144	205,192	-	963,336	205,404	-	963,548	1,926,884
Federal Special Revenue	32,211,455	(474,824)	14,120,555	45,857,186	(2,100,864)	16,946,029	47,056,620	92,913,806
Subtotal State Funds	\$ 172,273,134	\$ 5,924,386	\$ 19,423,960	\$ 197,621,480	\$ 5,054,429	\$ 24,258,584	\$ 201,586,147	\$ 399,207,627
University Funds								
Tuition & Fees	\$ 107,889,724	\$ 1,869,698	\$ 185,540	\$ 109,944,962	\$ 1,107,186	\$ 185,540	\$ 109,182,450	\$ 219,127,412
Interest earnings	2,149,633	3,504	611	2,153,748	4,141	611	2,154,385	4,308,133
Federal	4,186,158	194,487	10,653	4,391,298	211,754	10,653	4,408,565	8,799,863
Other	1,915,155	117,287	2,233	2,034,675	121,795	2,233	2,039,183	4,073,858
Subtotal University Funds	\$ 116,140,670	\$ 2,184,976	\$ 199,037	\$ 118,524,683	\$ 1,444,876	\$ 199,037	\$ 117,784,583	\$ 236,309,266
TOTAL FUNDS	\$ 288,413,804	\$ 8,109,362	\$ 19,622,997	\$ 316,146,163	\$ 6,499,305	\$ 24,457,621	\$ 319,370,730	\$ 635,516,893

(1) This table includes \$205,192 and \$205,404 in fiscal 2002 and 2003, respectively, that are state appropriated funds but were not included in the Executive Budget.

Budget Overview

The Executive Budget proposal for State Funds for the Montana University System reflects a \$25.3 million, or 14.5 percent, increase in fiscal 2002 over fiscal 2000 base year expenditures and an additional \$4.0 million, or 2.0 percent, increase in fiscal 2003 from fiscal 2002. A portion of this increase, \$11.1 million in fiscal 2002 and \$2.7 million in fiscal 2003, is due to an accounting change in the Guaranteed Student Loan program recommended by the Montana Legislative Audit Division. The residual increase, \$14.2 million, or 8.2 percent, in fiscal 2002 and \$1.3 million, or 0.6 percent, in fiscal 2003, is due to executive present law adjustments and new proposals.

University Funds projected by the executive to be available to fund the general operating budgets of the university units and agencies in the 2003 biennium increase \$2.4 million, or 2.1 percent, in fiscal 2002 over fiscal 2000 base year expenditures and decrease \$0.7 million, or 0.6 percent, in fiscal 2003 from fiscal 2002 expenditures. The projected fluctuation in University Funds is primarily in tuition and reflects the combined effects of an approximate 3 percent tuition rate increase, projected resident student increases, and non-resident student decreases.

Biennium Budget Comparison								
Budget Item	Present Law Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	Present Law Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Biennium Fiscal 00-01	Total Exec. Budget Fiscal 02-03
FTE	73.55	13.25	86.80	73.55	13.50	87.05	0.00	87.05
Personal Services	3,041,561	476,694	3,518,255	3,060,314	489,940	3,550,254	5,903,179	7,068,509
Operating Expenses	3,946,143	4,767,341	8,713,484	3,922,365	5,049,540	8,971,905	8,129,092	17,685,389
Equipment	0	0	0	0	0	0	50,910	0
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	5,676,726	0	5,676,726	5,703,537	0	5,703,537	10,936,315	11,380,263
Grants	10,590,815	3,635,400	14,226,215	10,826,137	3,779,800	14,605,937	20,659,517	28,832,152
Benefits & Claims	18,462,439	6,812,849	25,275,288	18,462,439	9,300,378	27,762,817	47,995,260	53,038,105
Transfers	136,270,895	3,731,676	140,002,571	135,143,618	5,638,926	140,782,544	265,993,317	280,785,115
Debt Service	3,748	0	3,748	3,748	0	3,748	8,121	7,496
Total Costs	\$177,992,327	\$19,423,960	\$197,416,287	\$177,122,158	\$24,258,584	\$201,380,742	\$359,675,711	\$398,797,029
General Fund	133,434,552	5,303,405	138,737,957	134,022,423	7,312,555	141,334,978	251,568,474	280,072,935
State/Other Special	12,821,144	0	12,821,144	12,989,144	0	12,989,144	31,718,144	25,810,288
Federal Special	31,736,631	14,120,555	45,857,186	30,110,591	16,946,029	47,056,620	76,389,093	92,913,806
Total Funds	\$177,992,327	\$19,423,960	\$197,416,287	\$177,122,158	\$24,258,584	\$201,380,742	\$359,675,711	\$398,797,029

New Proposals

The table below summarizes all new proposals requested by the executive. Descriptions and LFD discussion of each new proposal are included in the individual program narratives.

Prgm	Fiscal 2002					Fiscal 2003				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 107 - Change in accounting for indirect costs										
01	0.00	33,829	0	0	33,829	0.00	33,829	0	0	33,829
DP 201 - Increase state supported financial										
02	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 202 - Additional Veterinary Medicine Slot										
02	0.00	43,400	0	0	43,400	0.00	67,800	0	0	67,800
DP 205 - Targeted scholarships for teachers										
02	0.00	77,500	0	0	77,500	0.00	155,000	0	0	155,000
DP 601 - Gear Up Federal Grant										
06	7.00	0	0	2,492,501	2,492,501	7.00	0	0	2,551,864	2,551,864
DP 602 - Academic Specialist - Talent Search										
06	1.00	0	0	39,963	39,963	1.00	0	0	40,135	40,135
DP 603 - Increase based on projected federal authority										
06	1.25	0	0	47,112	47,112	1.50	0	0	121,165	121,165
DP 801 - Carl Perkins - Program Special Position										
08	1.00	0	0	44,299	44,299	1.00	0	0	44,491	44,491
DP 901 - Increase State Support Resident St										
09	0.00	2,500,000	0	0	2,500,000	0.00	5,000,000	0	0	5,000,000
DP 902 - Additional space for research projects at A.E.S.										
09	0.00	46,503	0	0	46,503	0.00	46,503	0	0	46,503
DP 906 - Academic Dev-Technical Programs										
09	0.00	800,000	0	0	800,000	0.00	0	0	0	0
DP 910 - Fee Waivers - resident students 3% increase										
09	0.00	199,633	0	0	199,633	0.00	406,883	0	0	406,883
DP 916 - Non-Beneficiary Students at Tribal Colleges										
11	0.00	417,000	0	0	417,000	0.00	417,000	0	0	417,000
DP 919 - Banner Ongoing Costs										
09	0.00	185,540	0	0	185,540	0.00	185,540	0	0	185,540
DP 1201 - GSL-Additional FTE										
12	3.00	0	0	98,451	98,451	3.00	0	0	98,865	98,865
DP 1204 - GSL-Change in Accounting										
12	0.00	0	0	11,148,229	11,148,229	0.00	0	0	13,839,509	13,839,509
DP 1205 - GSL-Default Resolution Funds										
12	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 1206 - GSL Scholarship/Grant Program										
12	0.00	0	0	150,000	150,000	0.00	0	0	150,000	150,000
Total	13.25	\$5,303,405	\$0	\$14,120,555	\$19,423,960	13.50	\$7,312,555	\$0	\$16,946,029	\$24,258,584

Language Recommendations

Language proposed by the executive to implement the university system budget in all program and agencies includes:

General Instructions

"All university system units, except of the office of the commissioner of higher education, shall account for expenditures consistently within programs and funds across all units and shall use the standards of accounting and reporting as described by the national college and university business officers (nacubo), as a minimum for achieving consistency."

"The Montana university system, except the office of the commissioner of higher education and the community colleges, shall allow the office of budget and program planning and the legislative fiscal division with banner access to the entire university system's Banner information system including data warehouses, except:

- (1) The ability to change data;
- (2) Portions of the banner information system that are the property of third parties (such as alumni associations or foundations); and
- (3) 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, 20 U.S.C. 1232g.

Items 1 through 3 in no way limit the power of the budget director or the legislative fiscal analyst to receive and examine copies of any state government information, including confidential records, in accordance with 5-12-303 and 17-1-132."

"All financial data recorded in the various funds in banner must agree to the financial data as recorded on the state accounting, budgeting, and human resource system (sabhrs), including:

- (1) All statutory and restricted appropriations must be clearly segregated on sabhrs; and
- (2) The budgeted personal services for current unrestricted operating funds on banner must tie to the operating plan for expenditure of funds appropriated in [this act] and other bills, as approved by the board of regents.

The Montana university system shall provide the electronic data required to upload human resource data for the current unrestricted operating funds into the MBARS system. The salary and benefit data provided must agree back to approved board of regents operating budgets."

Lump Sum Appropriation

"University system units are defined in 17-7-102(13). For all university system units, except the office of the commissioner of higher education, all funds (other than plant funds appropriated in [long range planning bill] relating to long-range building and current unrestricted operating funds) are appropriated contingent on approval of the comprehensive program budget by the board of regents by October 1 of each year. For all university system four-year units and colleges of technology, all funds, other than funds appropriated in [long-range planning bill] for long-range building programs, are appropriated as a lump sum for the biennium contingent upon approval of the comprehensive program budget by the board of regents by October 1 of each year. The board of regents shall allocate the appropriations to the individual units according to board policy. The budget must contain detailed revenue and expenditure and anticipated fun balances of current funds, loan funds, endowment funds, and plant funds. After the board of regents approves operating budgets, transfers between units may be made only with the approval of the board of regents. Transfers and related justifications must be submitted to the office of budget and program planning and to the legislative fiscal analyst."

"Items [OCHE (except community colleges) and the units and COTs] are a single biennial lump-sum appropriation."

Resident Enrollment Requirements in the Units and COTs

"The general fund and millage appropriation in item [Appropriation Distribution] is calculated to fund education in the four-year units and the colleges of technology for an estimated 25,004 resident FTE students in fiscal 2002 and 25,207 resident FTE students in fiscal 2003. If actual resident student enrollment is greater than the estimated number for the biennium, the university system shall serve the additional students without a state general fund contribution. If actual resident student enrollment is less than the estimated number for the biennium, the commissioner of higher education shall revert \$1,914 in general fund money to the state for each estimated FTE student who did not enroll."

Tuition, Interest, and Other Revenue Appropriation

"Revenue appropriated to the Montana university system units and colleges of technology includes: (1) state special revenue from interest earnings of \$2,895,116 each year of the 2003 biennium; and (2) tuition and other revenue of \$111,776,530 in fiscal year 2002 and \$113,398,094 in fiscal year 2003. These amounts are appropriated for current unrestricted operating expenses as a biennial lump-sum appropriation and are in addition to the funds shown in item [distribution to the units]."

Energy Conservation Program

"Item [OCHE and University Units Lump-Sum] includes \$428,660 in each year of the biennium that must be transferred to the energy conservation program account and used to retire the general obligation bonds sold to fund energy improvements through the state energy conservation program. The costs of this transfer in each year of the biennium are: university of Montana-Missoula, \$201,000; Montana Tech of the University of Montana, \$28,000; Montana State University-Northern, \$97,000; Montana State University-Billings, \$91,800; and Western Montana College of the University of Montana, \$10,760."

Audit Costs

"Total audit costs are estimated to be \$681,092 for the university system other than the office of the commissioner of higher education. Each unit shall pay a percentage of these costs from funds other than those appropriated in item [Legislative Audit Costs]."

"Total audit costs of the office of commissioner of higher education are estimated to be \$35,514."

Agricultural Experiment Station

"Revenue appropriated to the agricultural experiment station includes: (1) state special revenue from interest earnings and other revenue of \$184,239 in fiscal year 2002 and \$184,705 in fiscal year 2003; (2) federal revenue of \$2,122,369 in fiscal year 2002 and \$2,130,499 in fiscal year 2003, (3) proprietary revenue from sales of \$993,627 in fiscal year 2002 and \$998,135 in fiscal year 2003. These amounts are appropriated for current unrestricted operating expenses and are in addition to the funds shown in item [Agricultural Experiment Station]."

Extension Service

"Revenue appropriated to the extension service includes: (1) state special revenue from interest earnings of \$46,892 in fiscal year 2002 and \$47,070 in fiscal year 2003, and (2) federal revenue of \$2,268,928 in fiscal year 2002 and \$2,278,065 in fiscal year 2003. These amounts are appropriated for current unrestricted operating expenses and are in addition to the funds shown in item [Extension Service]."

Forestry and Conservation Experiment Station

"Interest revenue of \$4,923 in each year of the 2003 biennium is appropriated to the forestry and conservation experiment station for current unrestricted operating expenses. This amount is in addition to that shown in item [Forestry and Conservation Experiment Station]."

Bureau of Mines and Geology

"Proprietary revenue of \$27,310 each year of the 2003 biennium is appropriated to the bureau of mines and geology for current unrestricted operating expenses. This amount is in addition to that shown in item [Bureau of Mines and Geology]."

Fire Services Training School

"Interest revenue of \$4,097 each year of the 2003 biennium is appropriated to the fire services training school for current unrestricted operating expenses. This amount is in addition to that shown in item [Fire Services Training School]."

Community Colleges

"Total audit costs are estimated to be \$64,000 for the community colleges for the biennium. The general fund appropriation for each community college provides 51 percent of the total audit costs in fiscal year 2002. The remaining 49 percent of these costs must be paid from funds other than those appropriated in item [Legislative Audit]. Audit costs for the biennium may not exceed \$20,000 each for Dawson and Miles community colleges and \$24,000 for Flathead Valley Community College."

"Total Summitnet costs are estimated to be \$25,000 each year for the community colleges. The general fund appropriation for the community colleges provides 51 percent of the total Summitnet costs. The remaining 49 percent of these costs must be paid from funds other than those appropriated in [Community Colleges]. Summitnet costs for each year may not exceed \$8,000 each for Dawson and Miles community colleges and \$9,000 for Flathead Valley Community College."

"The general fund appropriation in item [Community Colleges] is calculated to fund education in the community colleges for an estimated 2,064 resident student FTE students in fiscal year 2002 and 2,085 resident student FTE students in fiscal year 2003. If total annual resident FTE student enrollment in the community colleges is greater than 2,064 in fiscal year 2002 and 2,085 in fiscal year 2003, the community colleges shall serve the additional students without a state general fund contribution. If actual resident FTE student enrollment is less than 2,064 in fiscal year 2002 and 2,085 in fiscal year 2003, the commission of higher education shall revert \$2,686 in general fund money from the appropriation in item [Community Colleges] to the state for each estimated FTE student who did not enroll."

Natural Resources Information System (NRIS) - New Language proposed for the 2003 biennium

Item [natural resources information system] includes a total of \$44,253 of general fund for the 2003 biennium for the Montana natural resources information system. The Montana university system must pay an additional \$44,252 for the 2003 biennium in current funds in support of NRIS. Quarterly payments must be made upon receipt of the bills from the state library up to the total amount appropriated."

Program Proposed Budget	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	15.40	0.00	0.00	15.40	0.00	0.00	15.40	15.40
Personal Services	925,606	100,474	0	1,026,080	106,914	0	1,032,520	2,058,600
Operating Expenses	261,212	4,916	33,829	299,957	(22,014)	33,829	273,027	572,984
Total Costs	\$1,186,818	\$105,390	\$33,829	\$1,326,037	\$84,900	\$33,829	\$1,305,547	\$2,631,584
General Fund	1,186,818	105,390	33,829	1,326,037	84,900	33,829	1,305,547	2,631,584
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$1,186,818	\$105,390	\$33,829	\$1,326,037	\$84,900	\$33,829	\$1,305,547	\$2,631,584

Program Description

The Administration Program includes the Commissioner of Higher Education as well as personnel to assist the commissioner in implementing the Board of Regents' policies. Article X, Section 9 of the Montana Constitution requires that the Board of Regents appoint the commissioner and prescribes the incumbent's powers and duties. The commissioner and agency personnel are responsible for providing leadership, technical assistance, and staff support to the Board of Regents and to postsecondary education agencies. Duties include:

- 1) general administration of the university system;
- 2) academic, financial, and legal administration;
- 3) labor relations and personnel administration; and
- 4) student assistance administration.

Funding

Funding for the operation of this program is entirely general fund.

Present Law Adjustments	-----Fiscal 2002-----				-----Fiscal 2003-----					
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					129,564					136,203
Vacancy Savings					(29,090)					(29,289)
Inflation/Deflation					390					784
Fixed Costs					10,310					(16,901)
Total Statewide Present Law Adjustments					\$111,174					\$90,797
DP 101 - Administration – PC Replacement	0.00	3,000	0	0	3,000	0.00	3,000	0	0	3,000
DP 103 - Rent payments per lease schedule	0.00	10,787	0	0	10,787	0.00	10,674	0	0	10,674
DP 105 - Administration - Server Maintenance Contract	0.00	1,650	0	0	1,650	0.00	1,650	0	0	1,650
DP 109 - Spending Personal Services Money in Operations	0.00	(21,221)	0	0	(21,221)	0.00	(21,221)	0	0	(21,221)
Total Other Present Law Adjustments	0.00	(\$5,784)	\$0	\$0	(\$5,784)	0.00	(\$5,897)	\$0	\$0	(\$5,897)
Grand Total All Present Law Adjustments					\$105,390					\$84,900

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law " adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 101 - Administration - PC Replacement - The Executive Budget includes the funds necessary to replace four or five computers, plus peripherals, each year on a three-year replacement schedule.

LFD COMMENT The standard state equipment replacement cycle is four years. The agency has \$5,171 in its base budget for this purpose. Approval of this decision package would bring the total funds available to \$8,171 annually.

DP 103 - Rent payments per lease schedule - The Executive Budget adds general fund each year in reflection of scheduled lease payments.

LFD ISSUE This adjustment results in the state general fund paying all lease costs for the CHE programs, with the exception of the Guaranteed Student Loan Program, which has its own contract. In fiscal 2000, the agency used federal and proprietary funds to pay about 14 percent of the lease costs.

DP 105 - Administration - Server Maintenance Contract - The Executive Budget includes additional funds for increased computer maintenance costs.

DP 109 - Spending Personal Services Money in Operations - The Executive Budget reduces operating expenses by \$21,221 annually as the agency used vacancy savings (unused personal services) to fund increased operating expenses.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
<i>Prgm</i>	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 107 - Change in accounting for indirect costs										
01	0.00	33,829	0	0	33,829	0.00	33,829	0	0	33,829
Total	0.00	\$33,829	\$0	\$0	\$33,829	0.00	\$33,829	\$0	\$0	\$33,829

New Proposals

DP 107 - Change in accounting for indirect costs - The Office of the Legislative Auditor recommends that CHE follow state policies in accounting for indirect costs.

LFD COMMENT The practice used by the CHE prior to the audit recommendation was to collect indirect costs from the federal programs and abate expenditures through the Administration Program. If this decision package is approved, the practice will be to collect indirect costs from the federal programs and deposit the collections into the state general fund. There will be no overall impact to the general fund.

Program Proposed Budget	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
<i>Budget Item</i>								
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	2,500	2,500	0	5,000	5,000	7,500
Local Assistance	85,000	14,000	0	99,000	18,000	0	103,000	202,000
Grants	7,368,922	464,339	1,118,400	8,951,661	638,157	1,217,800	9,224,879	18,176,540
Total Costs	\$7,453,922	\$478,339	\$1,120,900	\$9,053,161	\$656,157	\$1,222,800	\$9,332,879	\$18,386,040
General Fund	7,383,508	463,882	1,120,900	8,968,290	641,700	1,222,800	9,248,008	18,216,298
Federal Special	70,414	14,457	0	84,871	14,457	0	84,871	169,742
Total Funds	\$7,453,922	\$478,339	\$1,120,900	\$9,053,161	\$656,157	\$1,222,800	\$9,332,879	\$18,386,040

Program Description

Title 20, Chapter 26 of the Montana Codes Annotated requires the Commissioner of Higher Education to administer the Resident Student Financial Assistance Program in consultation with the program advisory council authorized by law.

The Student Assistance Program includes three kinds of aid for Montana students:

- 1) Grants and loans;
- 2) State Work Study; and
- 3) Interstate agreements and state support to provide medical-education opportunities for Montana students in out-of-state schools.

Funding

Student assistance programs are funded by the state general fund and federal funds. Funding specific to each program is described in the program details on the following pages. Funding for student assistance programs is included in the lump sum appropriation for the Montana University System.

Table 3 presents an overview of the student assistance programs for the 2001 and 2003 biennia. The Executive Budget proposes a 19 percent increase in funding for the Resident Student Financial Assistance Program.

Table 3
Student Assistance Programs
Fiscal 2000 through 2003

Program	Actual FY 2000	Op Plan FY 2001	Exec. Budget FY 2002	Exec. Budget FY 2003	Biennial % Change
Student Aid Programs					
LEAP (former SSIG)	\$299,835	\$314,292	\$314,292	\$314,292	2.4%
SEOG	463,500	448,470	471,762	475,666	3.9%
Perkins Loans	186,288	213,806	186,288	186,288	-6.9%
Baker Grants/MTAP	1,683,367	1,696,821	1,582,871	1,582,871	-6.3%
Increase Student Aid NP	0	0	1,000,000	1,000,000	100.0%
Teacher Scholarships NP	0	0	77,500	155,000	100.0%
Subtotal	<u>\$2,632,990</u>	<u>\$2,673,389</u>	<u>\$3,632,713</u>	<u>\$3,714,117</u>	<u>38.5%</u>
State Work Study	<u>\$808,915</u>	<u>\$803,610</u>	<u>\$848,034</u>	<u>\$879,955</u>	<u>7.2%</u>
Interstate Assistance					
WICHE Dues	\$85,000	\$88,000	\$99,000	\$103,000	16.8%
WICHE Assistance	1,341,201	1,467,400	1,550,134	1,583,367	11.6%
WICHE Veterinary NP	0	0	43,400	67,800	100.0%
WWAMI	2,600,512	2,731,920	2,757,480	2,857,440	5.3%
Minnesota Dentistry	85,800	102,900	122,400	127,200	32.3%
Subtotal	<u>\$4,112,513</u>	<u>\$4,390,220</u>	<u>\$4,572,414</u>	<u>\$4,738,807</u>	<u>9.5%</u>
Total Costs	<u>\$7,554,418</u>	<u>\$7,867,219</u>	<u>\$9,053,161</u>	<u>\$9,332,879</u>	<u>19.2%</u>
Funding					
General Fund	\$7,383,508	\$7,670,227	\$8,968,290	\$9,248,008	21.0%
Interest Earnings*	100,496	112,121	0	0	n/a
Federal (LEAP)	<u>70,414</u>	<u>84,871</u>	<u>84,871</u>	<u>84,871</u>	<u>9.3%</u>
Total Funds	<u>\$7,554,418</u>	<u>\$7,867,219</u>	<u>\$9,053,161</u>	<u>\$9,332,879</u>	<u>19.2%</u>

*"Excess" interest earned on current unrestricted funds. These funds are appropriated to the university system in HB 2 language.

Present Law Adjustments	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 203 - WICHE/WWAMI/Min. Dentistry Increased Costs	0.00	416,501	0	0	416,501	0.00	558,494	0	0	558,494
DP 204 - Student Aid Inc. Due to Enroll Growth and Match	0.00	47,381	0	14,457	61,838	0.00	83,206	0	14,457	97,663
DP 208 - Rural Physician Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
Total Other Present Law Adjustments	0.00	\$463,882	\$0	\$14,457	\$478,339	0.00	\$641,700	\$0	\$14,457	\$656,157
Grand Total All Present Law Adjustments					\$478,339					\$656,157

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
<i>Prgm</i>	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 201 - Increase state supported financial										
02	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 202 - Additional Veterinary Medicine Slot										
02	0.00	43,400	0	0	43,400	0.00	67,800	0	0	67,800
DP 205 - Targeted scholarships for teachers										
02	0.00	77,500	0	0	77,500	0.00	155,000	0	0	155,000
Total	0.00	\$1,120,900	\$0	\$0	\$1,120,900	0.00	\$1,222,800	\$0	\$0	\$1,222,800

Sub-Program Details

STUDENT GRANTS AND OTHER ASSISTANCE 01

Sub-Program Proposed Budget									
<i>Budget Item</i>	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Operating Expenses	0	0	2,500	2,500	0	5,000	5,000	7,500	
Grants	2,532,494	22,719	1,075,000	3,630,213	26,623	1,150,000	3,709,117	7,339,330	
Total Costs	\$2,532,494	\$22,719	\$1,077,500	\$3,632,713	\$26,623	\$1,155,000	\$3,714,117	\$7,346,830	
General Fund	2,462,080	8,262	1,077,500	3,547,842	12,166	1,155,000	3,629,246	7,177,088	
Federal Special	70,414	14,457	0	84,871	14,457	0	84,871	169,742	
Total Funds	\$2,532,494	\$22,719	\$1,077,500	\$3,632,713	\$26,623	\$1,155,000	\$3,714,117	\$7,346,830	

Program Description

Student assistance programs funded include:

- ?? Leveraging Educational Assistance Partnership (LEAP), formerly the State Student Incentive Grant, which provides grant funds to needy students;
- ?? State matching funds for the federal Supplemental Educational Opportunity Grant (SEOG), which provides grant funds to the neediest of students;
- ?? State matching funds for the federal Carl Perkins Loan Program; and
- ?? Baker Grants/Montana Tuition Assistance Program.

Funding

This subprogram is funded with state general fund and federal funds. LEAP is approximately 25 percent federal funds and 75 percent state general fund. The SEOG and Carl Perkins Loan Fund programs are funded with 75 percent federal funding on the university campuses and 25 percent state general fund. The Montana Tuition Assistance Program is funded with general fund and with excess interest earnings.

Table 4
Student Aid Grant and Loan Programs
Fiscal 1997 - 2003

Program	Actual FY 97	Actual FY 98	Actual FY 99	Actual FY 00	Op Plan FY 01	Exec Budget FY 02	Exec Budget FY 03
LEAP-GF	\$228,081	\$229,562	\$222,862	\$229,421	\$229,421	\$229,421	\$229,421
LEAP-Federal	87,972	140,599	71,876	70,414	84,871	84,871	84,871
Subtotal	\$316,053	\$370,161	\$294,738	\$299,835	\$314,292	\$314,292	\$314,292
SEOG-GF	\$419,020	\$446,571	\$459,125	\$463,500	\$448,470	\$471,762	\$475,666
Perkins Loan-GF			\$244,208	\$186,288	\$213,806	\$186,288	\$186,288
MTAP/Baker Grants- GF		\$84,700	\$68,300	\$1,582,871	\$1,584,700	\$1,582,871	\$1,582,871
MTAP/Baker Grants- Interest*		\$0	\$112,121	\$100,496	\$112,121	\$0	\$0
Subtotal		\$84,700	\$180,421	\$1,683,367	\$1,696,821	\$1,582,871	\$1,582,871
Increase Student Aid-GF-NP	\$0	\$0	\$0	\$0	\$0	\$1,000,000	\$1,000,000
Teacher Scholarships-GF-NP	\$0	\$0	\$0	\$0	\$0	\$77,500	\$155,000
Total	\$735,073	\$901,432	\$1,178,492	\$2,632,990	\$2,673,389	\$3,632,713	\$3,714,117

*"Excess" interest earned on current unrestricted funds. These funds are appropriated to the university system in HB 2 language.

Leveraging Educational Assistance Partnership

Table 4 shows LEAP funding from fiscal 1997 through that requested for fiscal 2003. These awards, which average \$600 per grant, are for financially needy, full-time resident students attending a unit of the Montana University system. As the table shows, the federal share of LEAP funding declined from approximately \$141,000 in fiscal 1998 to \$70,414 in fiscal 2000. At the same time, the legislature and the OCHE, through transfers of funds, have maintained the state general fund share at between \$220,000 and \$230,000 per year. The grant was originally 50 percent state funds and 50 percent federal funds, but as the federal funds declined, federal regulations required a state maintenance effort at the \$220,000 level. The Executive Budget includes federal spending authority for the 2003 biennium of \$84,871 per year, which is the budgeted federal funding level for fiscal 2001.

Supplemental Educational Opportunity Grant

Table 4 shows the SEOG funding from fiscal 1997 through that requested for fiscal 2003. The SEOG awards, which average \$550 to \$600 per student, are supplemental grants made to the neediest of students participating in an undergraduate degree or certificate program. The 25 percent match of state funds is appropriated in HB 2, while the 75 percent matching federal funds are provided through the campuses.

Perkins Loans

Table 4 shows the Perkins Loan state match funding from fiscal 1997 through the requested amount for fiscal 2003. The 25 percent state match is appropriated in HB 2, while the 75 percent federal match is provided through the campuses. Perkins Loans have a maximum of \$1,500, with a 5 percent interest rate.

Montana Tuition Assistance Program

The Montana Tuition Assistance Program provides annual Baker Grants to Montana's low- and moderately-low income, working students in degree programs. In fiscal 2000, approximately 3,700 students in Montana received Baker Grants, which averaged approximately \$450 per student.

	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 204 - Student Aid Inc. Due to Enroll Growth and Match	0.00	8,262	0	14,457	22,719	0.00	12,166	0	14,457	26,623
Total Other Present Law Adjustments	0.00	\$8,262	\$0	\$14,457	\$22,719	0.00	\$12,166	\$0	\$14,457	\$26,623
Grand Total All Present Law Adjustments					\$22,719					\$26,623

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP204 - Student Aid Increase Due to Enrollment Growth and Match - The Executive Budget adds federal spending authority for the LEAP program in order to allow expenditure of anticipated federal funds during the 2003 biennium. The Executive Budget also adds general fund match for the SEOG program to keep pace with projected resident student full-time equivalent enrollment.

Sub Prgm	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Increase state supported financial										
01	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 205 - Targeted scholarships for teachers										
01	0.00	77,500	0	0	77,500	0.00	155,000	0	0	155,000
Total	0.00	\$1,077,500	\$0	\$0	\$1,077,500	0.00	\$1,155,000	\$0	\$0	\$1,155,000

New Proposals

DP205 - Targeted Scholarships for Teachers- The Executive Budget proposes support from the general fund for scholarships targeted for teacher education students. The Executive Budget proposal is based on one of the recommendations of the Governor's Task Force on Teacher Shortage/Teacher Salaries. The task force recommended a targeted scholarship program as a means of keeping graduates of Montana's teacher education programs in the state, particularly in high demand/low supply areas, such as special education, speech pathology, and music education. As conceived by the task force, the scholarship program proposal suggests:

- ?? \$1,500 scholarships for juniors, seniors, or graduate students who are being prepared in high demand/low supply certification or endorsement areas, as determined by the Board of Public Education in consultation with the Office of Public Instruction;
- ?? A limit of 50 new scholarships per year, systemwide;
- ?? Making scholarships renewable for up to one year;
- ?? Creating scholarships that are not necessarily need-based;
- ?? Choosing winners based on academic records, commitment to remain in Montana to teach, and faculty recommendations; and
- ?? Encouraging rather than requiring scholarship recipients to teach in Montana.

LFD COMMENT The last item in the list above appears to contradict the scholarship selection criterion stating that the students chosen will be committed to remaining in Montana to teach. The legislature may want to seek clarification of this point during its deliberation on the proposal.

DP201 – Increase State Supported Student Assistance - The Executive Budget proposes adding \$2.0 million during the 2003 biennium for increased state-supported student assistance, to be allocated to student assistance programs by the Board of Regents.

LFD COMMENT Preliminary information from the Commissioner of Higher Education indicates that \$180,000 of the \$2.0 million will be allocated for increased WICHE dentistry slots and to institute a targeted scholarship program for speech pathology and dental hygiene disciplines. The remaining amount will be allocated such that larger and additional Baker Grants can be made.

Sub-Program Details

WORK STUDY 02

Sub-Program Proposed Budget								
<i>Budget Item</i>	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Grants	808,915	39,119	0	848,034	71,040	0	879,955	1,727,989
Total Costs	\$808,915	\$39,119	\$0	\$848,034	\$71,040	\$0	\$879,955	\$1,727,989
General Fund	808,915	39,119	0	848,034	71,040	0	879,955	1,727,989
Total Funds	\$808,915	\$39,119	\$0	\$848,034	\$71,040	\$0	\$879,955	\$1,727,989

Program Description

The Montana Work Study program is authorized by Title 20, Chapter 25, Part 7, MCA. The purpose of the program is to help reduce financial barriers for attendance at Montana University System units. State law provides that any local governing body, state or local agency, or non-profit organization is eligible to employ Montana Work Study students, as determined by the Board of Regents and within funding limitations. Seventy percent of the appropriated funds must be allocated to students with demonstrated financial need, according to section 504.3 of the Board of Regents Policy Manual.

Funding

Work Study is supported through 70 percent state general fund and 30 percent employer match, with the employer being responsible for any applicable student benefits. Only the state portion is included in HB 2.

Table 5 below summarizes the work study program expenditures since fiscal 1997 and includes the executive proposal for increased funding in the 2003 biennium. According to the Office of the Commissioner of Higher Education, 1,056 students received state work study benefits in fiscal 1999; 968 students received state work study benefits in fiscal 2000.

Fiscal Year	General Fund	Annual % Change
FY 97 Actual	\$688,747	
FY 98 Actual	735,878	6.8%
FY 99 Actual	859,005	16.7%
FY 00 Actual	808,915	-5.8%
FY 01 Op Plan	803,610	-0.7%
FY 02 Executive Budge	848,034	5.5%
FY 03 Executive Budge	879,955	3.8%

	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 204 - Student Aid Inc. Due to Enroll Growth and Match	0.00	39,119	0	0	39,119	0.00	71,040	0	0	71,040
Total Other Present Law Adjustments	0.00	\$39,119	\$0	\$0	\$39,119	0.00	\$71,040	\$0	\$0	\$71,040
Grand Total All Present Law Adjustments					\$39,119					\$71,040

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP204 - Student Aid Increase Due to Enrollment Growth - The Executive Budget adds \$35,651 to this program to compensate for increased enrollments and \$74,509 to compensate for increases in tuition costs.

LFD COMMENT	Tuition costs don't have a direct relationship to how much a student is paid for a part-time job. The legislature may want to request additional justification for this present laws adjustment.
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Sub-Program Details

WICHE/WAMI/MINNESOTA DENTISTRY 03

Sub-Program Proposed Budget								
<i>Budget Item</i>	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0	0	0
Local Assistance	85,000	14,000	0	99,000	18,000	0	103,000	202,000
Grants	4,027,513	402,501	43,400	4,473,414	540,494	67,800	4,635,807	9,109,221
Total Costs	\$4,112,513	\$416,501	\$43,400	\$4,572,414	\$558,494	\$67,800	\$4,738,807	\$9,311,221
General Fund	4,112,513	416,501	43,400	4,572,414	558,494	67,800	4,738,807	9,311,221
Total Funds	\$4,112,513	\$416,501	\$43,400	\$4,572,414	\$558,494	\$67,800	\$4,738,807	\$9,311,221

Program Description

This program includes the costs for the following interstate student assistance programs:

- 1) The Western Interstate Commission on Higher Education (WICHE) Student Exchange Program provides educational opportunities for Montana students in the fields of medicine, osteopathic medicine, dentistry, veterinary medicine, optometry, public health, occupational therapy, and podiatry. The Western Regional Higher Education Compact is authorized in 20-25-801 through 806, MCA. The compact allows reciprocal agreements with member states for the enrollment of students.

- 2) The Washington, Wyoming, Alaska, Montana, Idaho (WWAMI) Program is a cooperative agreement with the University of Washington School of Medicine providing medical education opportunities; and
- 3) The Minnesota Dental Program is a cooperative agreement with the University of Minnesota School of Dentistry providing dental education opportunities.

Funding

All three interstate student assistance programs are funded by the state general fund. General fund included in the Executive Budget for interstate student assistance is detailed in Table 6. The table shows the number of requested new and continuing student slots by profession and the cost of each slot. In addition to present law adjustments for ongoing slots and cost increases, the Executive Budget proposes an additional veterinary slot in WICHE (see DP100 in the New Proposal section of this subprogram narrative.)

Program	-----Fiscal 2002-----				-----Fiscal 2003-----			
	Cost per Slot	New Students	Continuing Students	Total Cost	Cost per Slot	New Students	Continuing Students	Total Cost
WICHE - Administrative Dues				\$99,000				\$103,000
Medicine	\$22,800	6	20	\$592,800	\$22,800	6	18	\$547,200
Dentistry (2)	15,300	1	5	96,900	15,900	1	4	84,800
Optometry	9,900	1	5	59,400	10,300	1	4	51,500
Public Health (3)	5,600	1	1	9,334	5,800	1	2	15,467
Osteopathic Medicine	14,600	2	1	43,800	15,100	1	3	60,400
Veterinary	21,700	10	25	759,500	22,600	10	28	858,800
Occupational Therapy (1)	8,100	1	1	21,600	8,400	1	1	22,400
Podiatry	10,200	<u>1</u>	<u>0</u>	<u>10,200</u>	10,600	<u>0</u>	<u>1</u>	<u>10,600</u>
SUBTOTAL		23	58	\$1,692,534		21	61	\$1,754,167
Minnesota Dentistry	\$15,300	2	6	\$122,400	\$15,900	2	6	\$127,200
WWAMI Medicine (4,5)	45,958	<u>20</u>	<u>60</u>	<u>2,757,480</u>	47,624	<u>20</u>	<u>60</u>	<u>2,857,440</u>
TOTAL		<u>45</u>	<u>124</u>	<u>\$4,572,414</u>		<u>43</u>	<u>127</u>	<u>\$4,738,807</u>

(1) Rates for all continuing occupational therapy students are calculated at 1 2/3 the annual support fee to include support for two required clinical rotations (\$13,500 FY 02 and \$14,000 FY 03)

(2) One (1) dental student is enrolled in a three-year accelerated dental program. Therefore, support is calculated at 1 1/3 the annual support fee each year over a period of three years rather than the normal four year duration (\$20,400 FY 02; \$21,200 FY 03)

(3) One (1) public health student is enrolled in an extended degree program. Therefore, support is calculated at 2/3 the annual support fee each year over a period of three years rather than the standard two year program (\$3,734 FY 02; \$3,867 FY 03)

(4) The WWAMI support fee is calculated as an average per continuing student. Actual support varies by program year.

(5) No additional cost for first year WWAMI students because they attend school at Bozeman

Present Law Adjustments										
-----Fiscal 2002-----						-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 203 - WICHE/WWAMI/Min. Dentistry Increased Costs	0.00	416,501	0	0	416,501	0.00	558,494	0	0	558,494
Total Other Present Law Adjustments	0.00	\$416,501	\$0	\$0	\$416,501	0.00	\$558,494	\$0	\$0	\$558,494
Grand Total All Present Law Adjustments					\$416,501					\$558,494

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP203 - WICHE/WWAMI/Minnesota Dentistry Increased Costs

The Executive Budget provides support from the general fund to cover inflationary increases in the program support costs and to fully fund the student slots funded by the Fifty-sixth Legislature.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
Sub Prgm	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 202 - Additional Veterinary Medicine Slot 03	0.00	43,400	0	0	43,400	0.00	67,800	0	0	67,800
Total	0.00	\$43,400	\$0	\$0	\$43,400	0.00	\$67,800	\$0	\$0	\$67,800

New Proposals

DP100 - Additional Veterinary Medicine Slot

The Executive Budget proposes adding one student slot to the veterinary medicine program in WICHE.

LFD ISSUE	<p>With normal one-slot expansion in the WICHE/WWAMI program, one new slot is added each year of the biennium, with one continuing slot in the second year of the biennium. However, the Executive Budget's new proposal for the 2003 biennium adds:</p> <ol style="list-style-type: none"> 1) one new veterinary slot over the present law base for each year of the 2003 biennium; 2) one continuing veterinary slot over the present law base for fiscal 2002; and 3) two continuing veterinary slots over the present law base for fiscal 2003. <p>There are two "extra" continuing veterinary slots in this proposal because the Commissioner of Higher Education expanded the number of new veterinary slots in fiscal 2001 by three, as versus the two that were funded by the 1999 legislature. Table 7 below shows the number and type of veterinary slots funded by this new proposal.</p>
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Table 7
Additional Veterinary Slots - New Proposal
2003 Biennium Executive Budget

Fiscal Year	New Students	Continuing Students	Total Students	Cost per Slot	Total Cost
FY 2000 HB 2	8	20	28	\$20,400	\$571,200
FY 2001 HB 2	9	22	31	\$20,900	\$647,900
FY 2002 Present Law	9	24	33	\$21,700	\$716,100
FY 2002 NP	<u>1</u>	<u>1</u>	<u>2</u>	21,700	<u>43,400</u>
Total FY 2002 Exec. Budget	<u>10</u>	<u>25</u>	<u>35</u>		<u>\$759,500</u>
FY 2003 Present Law	9	26	35	\$22,600	\$791,000
FY 2003 NP	<u>1</u>	<u>2</u>	<u>3</u>	22,600	<u>67,800</u>
Total FY 2003 Exec. Budget	<u>10</u>	<u>28</u>	<u>38</u>		<u>\$858,800</u>

Program Proposed Budget								
<i>Budget Item</i>	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	3,551	(3,551)	0	0	(3,551)	0	0	0
Operating Expenses	13,591	0	0	13,591	0	0	13,591	27,182
Grants	199,153	100,000	0	299,153	100,000	0	299,153	598,306
Total Costs	\$216,295	\$96,449	\$0	\$312,744	\$96,449	\$0	\$312,744	\$625,488
Federal Special	216,295	96,449	0	312,744	96,449	0	312,744	625,488
Total Funds	\$216,295	\$96,449	\$0	\$312,744	\$96,449	\$0	\$312,744	\$625,488

Program Description

The Dwight D. Eisenhower Math and Science Education Act of 1988 provides funds geared to helping mathematics and science teachers upgrade their teaching skills. Grants are awarded on a competitive basis to Montana's institutions of higher education.

Funding

Funding is entirely federal.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				(3,551)					(3,551)
Total Statewide Present Law Adjustments				(\$3,551)					(\$3,551)
DP 301 - Increase based on Federal grant and carryover	0.00	0	0	100,000	100,000	0.00	0	0	100,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$100,000	\$100,000	0.00	\$0	\$0	\$100,000
Grand Total All Present Law Adjustments				\$96,449					\$96,449

Executive Present Law Adjustments

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DP 301 - Increase based on Federal grant and carryover - The Executive Budget increases federal spending authority in this program in reflection of the anticipated amount of federal funds to become available for grant expenditures during the 2003 biennium.

Program Proposed Budget								
<i>Budget Item</i>	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0	0	0
Local Assistance	5,204,315	373,411	0	5,577,726	396,222	0	5,600,537	11,178,263
Grants	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$5,204,315	\$373,411	\$0	\$5,577,726	\$396,222	\$0	\$5,600,537	\$11,178,263
General Fund	5,204,315	373,411	0	5,577,726	396,222	0	5,600,537	11,178,263
Total Funds	\$5,204,315	\$373,411	\$0	\$5,577,726	\$396,222	\$0	\$5,600,537	\$11,178,263

Program Description

The Community College Assistance Program distributes funds appropriated by the legislature for the support of Montana's three community colleges - Miles Community College, Dawson Community College, and Flathead Valley Community College. Each community college district has an elected board of trustees accountable to and supervised by the Board of Regents in budget and program matters. The local board controls the administration of each college.

Funding

State support for community colleges in the 2003 biennium Executive Budget is \$2,686 per student full-time equivalent (FTE), or 51 percent of the total calculated cost of \$5,273. The Executive Budget estimates FTE will reach 2,064 in fiscal 2002 and 2,085 in fiscal 2003. Legislative audit costs amounting to 51 percent are added to the calculated costs. State funding comes entirely from the general fund, while the remaining community college funding comes primarily from local property taxes and tuition.

Present Law Adjustments	-----Fiscal 2002-----				-----Fiscal 2003-----					
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Fixed Costs					0					0
Total Statewide Present Law Adjustments					\$0					\$0
DP 401 - Community College Enrollment Increase	0.00	373,411	0	0	373,411	0.00	396,222	0	0	396,222
Total Other Present Law Adjustments	0.00	\$373,411	\$0	\$0	\$373,411	0.00	\$396,222	\$0	\$0	\$396,222
Grand Total All Present Law Adjustments					\$373,411					\$396,222

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 401 – Projected Resident Enrollment Increase - The executive present law adjustment for increased community college enrollment reflects: 1) projected resident student FTE increases of approximately 5 percent from fiscal 2001 projected enrollment to fiscal 2002, and an additional 1 percent in fiscal 2003; 2) the annualized average cost per student FTE; and 3) state support calculated at 51 percent of total costs.

**LFD
ISSUE**

Montana's community colleges have experienced enrollment declines in five of the last six years. Preliminary enrollment estimates for fiscal 2001 from the Office of the Commissioner of Higher Education also show a decrease in the number of students from fiscal 2000, the last year for which actual enrollment figures are available. Despite recent enrollment declines, the Executive Budget predicts an enrollment increase each year of the 2003 biennium. Although the community colleges submitted arguments supporting increased funding, neither the Executive Budget nor the community colleges documented the basis for projected enrollment increases.

Table 8 shows the actual historical resident FTE enrollment for fiscal 1994 through 2000, as well as projected FTE enrollment for fiscal 2001 through 2003.

College	Actual Fiscal 1994	Actual Fiscal 1995	Actual Fiscal 1996	Actual Fiscal 1997	Actual Fiscal 1998	Actual Fiscal 1999	Actual Fiscal 2000	Budgeted Fiscal 2001	Projected(1) Fiscal 2001	Executive Budget Fiscal 2002	Executive Budget Fiscal 2003
Dawson	476.6	466.8	410.0	350.2	436.9	419.5	384.3	440.0	358.8		
Flathead Valley	1130.7	1125.4	1129.0	1123.9	1147.6	1180.5	1157.3	1200.0	1122.5		
Miles	552.7	500.8	510.0	523.8	508.0	446.6	451.8	540.0	486.7		
Totals	<u>2159.9</u>	<u>2092.9</u>	<u>2049.0</u>	<u>1997.9</u>	<u>2092.5</u>	<u>2046.6</u>	<u>1993.3</u>	<u>2180.0</u>	<u>1968.0</u>	<u>2064.0</u>	<u>2085.0</u>
Annual % Change		-3.1%	-2.1%	-2.5%	4.7%	-2.2%	-2.6%		-1.3%	4.9%	1.0%

(1) Projected FY 2001 FTE based on Summer and Fall actual enrollment and Spring projected from 4 years' history of spring/fall enrollment ratio

For several years prior to the 2001 biennium, the legislature established the community college appropriation using a two-year average of actual resident student FTE enrollment. In the 2001 biennium, at the community colleges' request, the legislature deviated from past practice and based community college budgets on student FTE enrollments the community colleges said that they could attain. The legislature included HB 2 language requiring the community colleges to return state funds if actual enrollments were less than budgeted. In fiscal 2000, the community colleges returned \$476,162, or over 8 percent, of the state funds. If the fiscal 2001 projected student FTE enrollments in Table 8 are realized, the community colleges will be required to return \$540,600, or over 9 percent, of the state funds at the end of fiscal 2001.

Because the enrollment trend at the community colleges continues to decline, the legislature may want to revise the enrollment estimates used to establish the 2003 biennium appropriation.

Report on Internal Service & Enterprise Funds, 2003 Biennium								
Fund Number	Fund Name		Agency Number	Agency Name	Program Name			
06513 / 06009	MUS Group Insurance Account / MUS Flexible Spending Account		5102	Commissioner of Higher Education				
Fund Balance Information								
	FY96	FY97	FY98	FY99	FY00	Estimated FY01	Estimated FY02	Estimated FY03
Beginning Retained Earnings	5,206,715	4,223,535	503,180	315,328	4,876,662	6,361,164	6,361,164	6,506,074
Increases								
Fee Revenue	(2,238)	-	-	(57,925)	-	-	-	-
Investment Earnings	400,331	318,504	190,522	225,818	402,456	400,000	400,000	400,000
Transfers In	-	-	-	-	-	-	-	-
Miscellaneous, operating	20,278,977	21,215,418	22,063,156	25,719,034	29,278,559	31,706,889	40,969,028	48,996,915
Miscellaneous, other	-	-	-	-	-	-	-	-
Total Increases	20,677,070	21,533,922	22,253,678	25,886,927	29,681,015	32,106,889	41,369,028	49,396,915
(Decreases)								
Personal Services	120,121	118,878	150,428	186,025	153,052	150,334	154,099	154,830
Operations	21,540,129	25,115,317	22,217,187	21,125,617	28,339,383	31,956,555	41,070,019	49,164,808
Transfers Out	-	-	-	-	-	-	-	-
Miscellaneous, operating	-	20,082	8,269	13,951	-	-	-	-
Miscellaneous, error correction	-	-	-	-	-	-	-	-
Total Decreases	21,660,250	25,254,277	22,375,884	21,325,593	28,492,435	32,106,889	41,224,118	49,319,638
Adjustments to Beginning Retained Earnings	-	-	(65,646)	-	295,922	-	-	-
Ending Retained Earnings	4,223,535	503,180	315,328	4,876,662	6,361,164	6,361,164	6,506,074	6,583,351
Total Contributed Capital	-	-	-	-	-	-	-	-
Total Fund Equity	4,223,535	503,180	315,328	4,876,662	6,361,164	6,361,164	6,506,074	6,583,351
Unreserved Fund Balance								
60 Days of Expenses (i.e. total of personnel services, operations, and miscellaneous operating divided by 6)	3,610,042	4,209,046	3,729,314	3,554,266	4,748,739	5,351,148	6,870,686	8,219,940
Fee/Rate Information for Legislative Action:								
						-----Estimated-----		
Requested Rates for Internal Service Funds	xxxx	xxxx	xxxx	xxxx	See below	See below	See below	See below
Because certain employee benefit plans require a large number of individual premiums for a variety of benefit options, because the portion of the premiums paid by the state is statutorily established in 2-18-703, and because the employee-paid portion o								

Program Description

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

Funding

This program is an enterprise fund in which the funding is derived from: 1) employer health insurance premiums; 2) employee-paid premiums; 3) employee payments to flexible spending accounts; and 4) interest earnings on the fund.

Rate Explanation

The Executive Budget includes university system contributions per employee of \$3,900 in fiscal 2002 and \$4,392 in fiscal 2003 reflecting the proposed pay plan. Employee premiums depend on whether the contributor is a current employee, employee dependent, or retiree. Payments to a flexible spending account are at the employee's discretion, subject to a \$10 monthly minimum for those who enroll.

In past years, the legislature has defined the rates and fees for Montana University System employee benefit programs to mean the state contribution and the employee contribution toward employee group benefits necessary to maintain the benefit plan on an actuarially sound basis.

Program Proposed Budget	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	10.95	0.00	9.25	20.20	0.00	9.50	20.45	20.45
Personal Services	385,982	4,687	333,944	724,613	7,151	346,584	739,717	1,464,330
Operating Expenses	122,820	440	145,632	268,892	808	221,580	345,208	614,100
Equipment	0	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Grants	0	0	2,100,000	2,100,000	0	2,145,000	2,145,000	4,245,000
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$508,802	\$5,127	\$2,579,576	\$3,093,505	\$7,959	\$2,713,164	\$3,229,925	\$6,323,430
General Fund	81,995	12,090	0	94,085	12,598	0	94,593	188,678
Federal Special	426,807	(6,963)	2,579,576	2,999,420	(4,639)	2,713,164	3,135,332	6,134,752
Total Funds	\$508,802	\$5,127	\$2,579,576	\$3,093,505	\$7,959	\$2,713,164	\$3,229,925	\$6,323,430

Program Description

Talent Search is a federally-funded program designed to provide career and financial aid counseling to low-income, physically handicapped, or culturally deprived students. Objectives include decreasing the high school dropout rate in targeted high schools and increasing the number of disadvantaged students who enroll in Montana's postsecondary institutions.

In 1999, Montana was one of 21 states selected to receive a five-year grant from the U.S. Department of Education for initiation of a GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) program. The purpose of GEAR UP is to help disadvantaged children and youth develop the educational foundation necessary for success in college.

Funding

The Talent Search Program includes monies from the general fund earmarked for American Indian or minority achievement programming. Additional resources come from federal Talent Search and GEAR UP funds.

Present Law Adjustments	-----Fiscal 2002-----				-----Fiscal 2003-----					
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					15,236					17,778
Vacancy Savings					(10,549)					(10,627)
Inflation/Deflation					440					808
Fixed Costs					0					0
Total Statewide Present Law Adjustments					\$5,127					\$7,959
Grand Total All Present Law Adjustments					\$5,127					\$7,959

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

The Executive Budget restores general fund to this program that was transferred to the Administration Program in fiscal 2000. The general fund transferred to – and expended in – the Administration Program in fiscal 2000 was subsequently eliminated from the budget via DP 94 in the Administration Program.

New Proposals										
-----Fiscal 2002-----						-----Fiscal 2003-----				
<i>Prgm</i>	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 601 - Gear Up Federal Grant										
06	7.00	0	0	2,492,501	2,492,501	7.00	0	0	2,551,864	2,551,864
DP 602 - Academic Specialist - Talent Search										
06	1.00	0	0	39,963	39,963	1.00	0	0	40,135	40,135
DP 603 - Increase based on projected federal authority										
06	1.25	0	0	47,112	47,112	1.50	0	0	121,165	121,165
Total	9.25	\$0	\$0	\$2,579,576	\$2,579,576	9.50	\$0	\$0	\$2,713,164	\$2,713,164

New Proposals

DP 601 - Gear Up Federal Grant - The Executive Budget includes appropriation authority for GEAR UP, which is funded through a federal grant awarded to Montana in September 1999. The award to the Office of the Commissioner of Higher Education is for an anticipated \$11.8 million over a five-year period. Approximately 84 percent of the funds are proposed for use in providing local grants (\$2.1 million each year). The remainder provides for administrative costs, and includes provisions for seven FTE (Full Time Employees).

Per the Office of the Commissioner of Higher Education, at least 3,500 Montana children will be served annually. The program will be operated in partnership with communities and school districts throughout Montana, and will focus on schools where the percentage of students who go on to attend college is low. The program begins working with students when they are in the seventh grade. GEAR UP provides mentors who encourage high hopes and aspirations, and who stress the importance of taking rigorous academic courses in order to prepare for college. The program also helps raise awareness relative to the costs of attending college, and makes families aware of the resources available to help them meet those costs.

GEAR UP objectives include improved test scores, increased enrollment in college preparatory classes, school curriculum changes, and increased parental involvement.

DP 602 - Academic Specialist - Talent Search - The Executive Budget adds approximately \$56,000 in federal spending authority and includes 1.50 FTE annually. These positions are for academic specialists who were designated temporary ("modified") personnel in fiscal 2000.

DP 603 - Increase based on projected federal authority - The Executive Budget increases federal spending authority to the Talent Search Program. This reflects the additional federal funds anticipated for expenditure in the 2003 biennium. Federal funds will be used to add .75 FTE, thus bringing part time positions currently in the field to full time status.

Program Proposed Budget								
<i>Budget Item</i>	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	4.00	0.00	1.00	5.00	0.00	1.00	5.00	5.00
Personal Services	236,581	(53,161)	44,299	227,719	(52,379)	44,491	228,693	456,412
Operating Expenses	210,677	173	0	210,850	131	0	210,808	421,658
Grants	2,338,806	119,595	0	2,458,401	181,099	0	2,519,905	4,978,306
Transfers	5,826,327	(875,957)	0	4,950,370	(2,578,458)	0	3,247,869	8,198,239
Total Costs	\$8,612,391	(\$809,350)	\$44,299	\$7,847,340	(\$2,449,607)	\$44,491	\$6,207,275	\$14,054,615
General Fund	76,528	3,472	0	80,000	3,472	0	80,000	160,000
Federal Special	8,535,863	(812,822)	44,299	7,767,340	(2,453,079)	44,491	6,127,275	13,894,615
Total Funds	\$8,612,391	(\$809,350)	\$44,299	\$7,847,340	(\$2,449,607)	\$44,491	\$6,207,275	\$14,054,615

Program Description

Carl D. Perkins Vocational Education Act funds support vocational education at the secondary and postsecondary levels. This program also administers federal School-to-Work funds.

The Board of Regents is the state agency responsible for administering the Carl Perkins funds. Their duties include providing technical assistance in the field, managing grants, completing performance reviews, filing an annual performance report, and developing and submitting a state plan for the use of the funds.

?? Note: According to SB 393, the Board of Regents must contract with the Superintendent of Public Instruction for administration and supervision of the K-12 vocational education programs.

Funding

Program administration is funded through a combination of:

- ?? federal Carl Perkins vocational education administration funds;
- ?? the required general fund match for the Perkins funds (\$80,000 each year); and
- ?? federal School-to-Work funds, which do not require a general fund match.

Grants to postsecondary institutions and transfers to OPI (Office of Public Instruction) for grants to secondary institutions are funded by:

- 1) Carl Perkins funds of \$5.5 million in fiscal 2002 and \$5.7 million in fiscal 2003, and
- 2) School-to-Work funds of \$1.9 million in fiscal 2002 and \$0.1 million in fiscal 2003.

Present Law Adjustments	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					(48,036)					(47,230)
Vacancy Savings					(5,125)					(5,149)
Inflation/Deflation					130					279
Fixed Costs					43					(148)
Total Statewide Present Law Adjustments					(\$52,988)					(\$52,248)
DP 802 - Adjustment based on projected level of federal grant	0.00	0	0	(756,362)	(756,362)	0.00	0	0	(2,397,359)	(2,397,359)
Total Other Present Law Adjustments	0.00	\$0	\$0	(\$756,362)	(\$756,362)	0.00	\$0	\$0	(\$2,397,359)	(\$2,397,359)
Grand Total All Present Law Adjustments					(\$809,350)					(\$2,449,607)

Executive Present Law Adjustments

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?? Note: Personal services costs decrease because modified (unbudgeted) positions are removed from the base budget.

DP 802 - Adjustment Based on Projected Level of Federal Grant - The present law adjustment shown in the table above reflects a combination of funding adjustments in the two federal grants administered by this program.

- 1) The VoEd Basic Grant is projected to increase by \$0.37 million in fiscal 2002 and by \$0.55 million in fiscal 2003. This is up from fiscal 2000 base year expenditures. The additional monies will be used to fund increased grants and administrative costs.
- 2) The School to Work grant expires June 30, 2002. The appropriation authority needed for anticipated grants as well as carryover for the 2003 biennium is reduced significantly from fiscal year 2000 base expenditures.

New Proposals	-----Fiscal 2002-----					-----Fiscal 2003-----					
	Program	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 801 - Carl Perkins - Program Special Position											
08	1.00	0	0	44,299	44,299	1.00	0	0	44,491	44,491	
Total	1.00	\$0	\$0	\$44,299	\$44,299	1.00	\$0	\$0	\$44,491	\$44,491	

New Proposals

DP 801 - Carl Perkins - Program Special Position - The Executive Budget increases federal Carl Perkins spending authority each year of the 2003 biennium in order to accommodate a 1.0 FTE program specialist. A temporary or "modified" position was created in fiscal 2000; the adjustment in the Executive Budget would make this position permanent.

Program Proposed Budget Budget Item	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0
Transfers	126,084,753	5,235,772	3,731,676	135,052,201	5,810,996	5,638,926	137,534,675	272,586,876
Total Costs	\$126,084,753	\$5,235,772	\$3,731,676	\$135,052,201	\$5,810,996	\$5,638,926	\$137,534,675	\$272,586,876
General Fund	110,517,609	7,981,772	3,731,676	122,231,057	8,388,996	5,638,926	124,545,531	246,776,588
State/Other Special	15,567,144	(2,746,000)	0	12,821,144	(2,578,000)	0	12,989,144	25,810,288
Total Funds	\$126,084,753	\$5,235,772	\$3,731,676	\$135,052,201	\$5,810,996	\$5,638,926	\$137,534,675	\$272,586,876

Program Description

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education (OCHE) includes state appropriated funds intended for distribution to:

- ?? The university units and colleges of technology for general operating budget support, and special programs including,
 - ?? Distance learning activities at the campuses.
 - ?? The family practice residency program at MSU-Bozeman.
 - ?? The motorcycle safety program at MSU-Northern transferred from the Office of Public Instruction to the Board of Regents by the Fifty-sixth Legislature (Chapter 181, L. 1999).
- ?? The research and public service higher education agencies.

As outlined in the Montana University System Overview section, for the past three biennia, the legislature has combined budgets for the OCHE (except community colleges and tribal college assistance) and the university units and colleges into one lump-sum appropriation. The legislative rationale for using a lump-sum appropriation for a significant portion of the Montana University System budget is to give the Board of Regents the flexibility to use funds to accomplish the Regents' policy and management priorities. The budgets for the research and public service higher education agencies have been appropriated in separate line items in HB 2.

The State Funds (general fund and six-mill levy revenue) contained in both the lump-sum appropriation and line item appropriations are transferred to the university system units, combined with University Funds, (such as tuition, interest earnings, and federal funds) and deposited into the current unrestricted operating fund for use in the general operating budget of each unit.

The presentation of the LFD analysis of the Executive Budget for this program is divided into two main sections:

- 1) The proposed Executive Budget for the university units and colleges and associated programs.
- 2) The proposed Executive Budget for the research and public service agencies.

MONTANA UNIVERSITY SYSTEM - UNIVERSITY UNITS AND COLLEGES

The Executive Budget proposal for the Montana University System units and colleges:

- 1) Funds an approximate \$100 per resident student increase in state support in fiscal 2002 and an additional \$100 per resident student increase in fiscal 2003.
- 2) Anticipates an increase in resident students and a decrease in non-resident students.
- 3) Replaces declining six-mill levy revenue with general fund.
- 4) Assumes an annual three percent tuition rate increase in the 2003 biennium.
- 5) Results in a state support increase from 49.8 percent in fiscal 2000, to 51.8 percent (before pay plan) in fiscal 2003.

Total current unrestricted operating fund expenditures for the university units and colleges are presented in the following table.

Program/Unit	Base Budget FY 2000	PL Base Adjustments FY 2002	New Proposals FY 2002	Executive Budget FY 02	PL Base Adjustments FY 2003	New Proposals FY 2003	Executive Budget FY 2003
EDUCATION UNITS							
UM-Missoula	\$ 79,860,093	\$ 1,804,479	\$ -	\$ 81,664,572	\$ 1,842,832	\$ -	\$ 81,702,925
UM-Tech	14,835,101	384,454	-	15,219,555	417,596	-	15,252,697
UM-Western	6,660,693	270,397	-	6,931,090	293,725	-	6,954,418
UM-Helena COT	3,315,846	169,107	-	3,484,953	180,500	-	3,496,346
MSU-Bozeman	78,266,069	2,204,653	-	80,470,722	2,293,915	-	80,559,984
MSU-Billings	23,017,788	1,075,430	-	24,093,218	1,062,483	-	24,080,271
MSU-Northern	9,999,264	328,030	-	10,327,294	281,528	-	10,280,792
MSU-Great Falls COT	4,246,874	235,760	-	4,482,634	230,188	-	4,477,062
Distance Learning	200,000	-	-	200,000	-	-	200,000
Family Practice Residency Program	295,600	45,600	-	341,200	45,600	-	341,200
Motorcycle Safety Education	158,144	205,192	-	363,336	205,404	-	363,548
System-wide Adjustments:							
Resident Student Projected Enrollment Increase	-	1,725,957	-	1,725,957	2,599,695	-	2,599,695
Non-Resident Student Projected Enrollment Decrease	-	(2,513,952)	-	(2,513,952)	(3,838,352)	-	(3,838,352)
Resident Student Fee Waivers Enrollment Increase	-	300,953	199,633	500,586	327,678	406,883	734,561
Stable Funding for NRIS	-	44,252	-	44,252	44,254	-	44,254
Increase State Support \$100/Resident Student	-	-	2,500,000	2,500,000	-	5,000,000	5,000,000
Banner IT Costs	-	-	371,080	371,080	-	371,080	371,080
Academic Dev - Tech Programs	-	-	800,000	800,000	-	-	-
TOTAL COSTS	\$ 220,855,472	\$ 6,280,312	\$ 3,870,713	\$ 231,006,497	\$ 5,987,046	\$ 5,777,963	\$ 232,620,481
FUNDING							
State Appropriated Funds							
General Fund	\$ 95,071,276	\$ 6,951,422	\$ 3,685,173	\$ 105,707,871	\$ 7,252,456	\$ 5,592,423	\$ 107,916,155
Six Mill Levy	14,809,000	(2,746,000)	-	12,063,000	(2,578,000)	-	12,231,000
Other State Special	158,144	205,192	-	363,336	205,404	-	363,548
Subtotal State Funds	<u>\$ 110,038,420</u>	<u>\$ 4,410,614</u>	<u>\$ 3,685,173</u>	<u>\$ 118,134,207</u>	<u>\$ 4,879,860</u>	<u>\$ 5,592,423</u>	<u>\$ 120,510,703</u>
<i>Percent of Total</i>	<i>49.8%</i>	<i>70.2%</i>	<i>95.2%</i>	<i>51.1%</i>	<i>81.5%</i>	<i>96.8%</i>	<i>51.8%</i>
University Funds							
Tuition & Fees	\$ 107,889,724	\$ 1,869,698	\$ 185,540	\$ 109,944,962	\$ 1,107,186	\$ 185,540	\$ 109,182,450
Interest Earnings	1,913,590	-	-	1,913,590	-	-	1,913,590
Other	1,013,738	-	-	1,013,738	-	-	1,013,738
Subtotal University Funds	\$ 110,817,052	\$ 1,869,698	\$ 185,540	\$ 112,872,290	\$ 1,107,186	\$ 185,540	\$ 112,109,778
<i>Percent of Total</i>	<i>50.2%</i>	<i>29.8%</i>	<i>4.8%</i>	<i>48.9%</i>	<i>18.5%</i>	<i>3.2%</i>	<i>48.2%</i>
TOTAL CURRENT UNRESTRICTED OPERATING FUNDS	\$ 220,855,472	\$ 6,280,312	\$ 3,870,713	\$ 231,006,497	\$ 5,987,046	\$ 5,777,963	\$ 232,620,481

The Executive Budget proposes a 3.6 percent annual increase in State Funds for the university units and colleges from fiscal 2000 base year expenditures to fiscal 2002, and an additional 2.0 percent increase in fiscal 2003. Factors contributing to this increase include statewide present law adjustments, other present law adjustments reflecting projected enrollment changes, and increased state funding for the Montana University System proposed by the Governor.

University Funds are estimated to increase approximately 0.9 percent annually between fiscal 2000 and fiscal 2002 and decrease 0.7 percent in fiscal 2003 due to the projected decrease in non-resident students in the 2003 biennium. Although the Executive Budget estimates a three percent annual tuition increase, the Executive Budget reserves a portion of the additional tuition to fund pay plan costs which are not shown in the table. See LFD Issue 1 for a discussion on the impact of the projected non-resident student decrease.

Total current unrestricted funds (state and university combined) are estimated to increase 2.3 percent annually from fiscal 2000 base year expenditures to fiscal 2002 and an additional 0.7 percent in fiscal 2003.

LFD BUDGET ANALYSIS

The LFD general budget comments and issues regarding the Montana University System educational units are listed and discussed in this section. Additional detail is provided in the present law analysis that follows. Budget issues include:

- 1) Fiscal impact of projected student enrollment changes.
- 2) Estimated tuition rate increase.
- 3) Differences between the executive budget and official legislative revenue estimates for the statewide six-mill levy revenue projections for the 2003 biennium.
- 4) Actual plant operation and maintenance expenditures as a percent of the total operating budget compared to the fifty-sixth legislature's recommendation.
- 5) Deferred maintenance issues raised by the legislative audit division.
- 6) Accountability and performance measures.

LFD ISSUE

LFD Issue 1 -- Fiscal Impact of Projected Student Enrollment Changes

The Influence of Enrollment on the MUS Budget

The present law general operating budget of the Montana University System units and colleges is determined by applying pay plan, inflation, and fixed cost adjustments to base budgets, similar to other state agencies. In addition, current budgeting practice considers projected student enrollment changes to be a workload change. Therefore, a present law adjustment is calculated to determine the fiscal impact to the base budget.

The calculation of the fiscal impact of enrollment changes reflects the concept that some costs of serving students are sensitive to, and therefore fluctuate with, the number of students served, while other costs are insensitive to enrollment changes. For many years, the legislature has considered instruction, student services, and scholarships & fellowships (fee waivers) costs to be enrollment-sensitive.

**LFD ISSUE
CONTINUED**

Calculating the Fiscal Impact of Projected Enrollment Changes

An average cost, or rate, per student is calculated from base year enrollments and base year instruction and student services expenditures (fee waivers are calculated separately for resident students, but are included in the rate for non-resident students). This rate is applied to the projected enrollment changes from the base year to calculate present law adjustments for enrollment changes.

The legislature adopted the policy that funding enrollment-related present law adjustments reflects the residency status of the student FTE:

- 1) For resident students, the present law adjustment costs are paid either by state general fund or shared by state general fund and tuition:
 - a) Fee waiver adjustments are funded 100 percent with general fund.
 - b) Instruction and student services costs adjustments are shared by state general fund and tuition. The general fund share per student is determined by subtracting the average resident tuition rate from the average cost.
- 2) For non-resident students, the present law adjustment costs are funded 100 percent from tuition.

The calculation of the present law adjustments contained in the Executive Budget for student enrollment projection changes is presented in Table 10.

Table 10 Calculation of Enrollment-Related Present Law Adjustments Montana University System -- Executive Budget Proposal 2003 Biennium				
Projected Enrollment Changes	Actual FY 2000	Projected FY 2001	Executive Budget FY 2002	Executive Budget FY 2003
Resident FTE Enrollment	24,603	24,873	25,004	25,207
Change from FY 2000		270	401	604
Non-Resident FTE Enrollment	6,892	6,767	6,370	6,096
Change from FY 2000		(125)	(522)	(796)
Total FTE Enrollment	31,495	31,640	31,374	31,303
Change from FY 2000		145	(121)	(192)
Calculation of Enrollment-Based Present Law Adjustment	Resident FY 2002	Resident FY 2003	Non-Resident FY 2002	Non-Resident FY 2003
Projected Enrollment Change	401	604	(522)	(796)
Cost of Instruction per Student FTE*				
General Fund	\$ 1,914	\$ 1,914	\$ -	\$ -
Tuition	2,390	2,390	4,816	4,816
Total	<u>\$ 4,304</u>	<u>\$ 4,304</u>	<u>\$ 4,816</u>	<u>\$ 4,816</u>
Present Law Adjustment				
General Fund	\$ 767,514	\$ 1,156,056	\$ -	\$ -
Tuition	<u>958,390</u>	<u>1,443,560</u>	<u>(2,513,952)</u>	<u>(3,833,536)</u>
Total	<u>\$ 1,725,904</u>	<u>\$ 2,599,616</u>	<u>\$ (2,513,952)</u>	<u>\$ (3,833,536)</u>
*The non-resident cost per student exceeds the resident cost per student by \$512 per year due to fee waivers being included in the non-resident rate.				

**LFD ISSUE
CONTINUED**Estimating the Tuition Revenue Impact of Projected Enrollment Changes

Changes in projected enrollment will impact tuition and fee revenue. Tuition and fees charged and collected by the Montana University System are under the control of, and are the responsibility of, the Board of Regents. The legislature remains keenly interested in student tuition and fees since this revenue, combined with state appropriated funds, becomes the funding support for the general operating budgets of the university system.

Resident Students

Estimating the tuition revenue impact of projected enrollment changes is a function of the average tuition rate (which will be different for resident and non-resident students) multiplied by the enrollment change. The estimated tuition revenue impact for resident students is shown on the present law adjustment table in the "University Funds" column for DP 907.

Non-Resident Students

The average tuition rate for non-resident students exceeds the average cost of instruction, student services, and fee waivers. Therefore, when non-resident student enrollments change, the revenue impact is also felt in other areas of the budget. As noted earlier, in the 2003 biennium, non-resident student enrollments are estimated to decline and the legislature can expect the instruction, student services, and non-resident fee waiver costs to decrease. The average cost savings per non-resident student is projected to be \$4,816.

The average tuition rate per non-resident student in fiscal 2001 is \$7,328². When non-resident enrollment increases, the difference of \$2,512 (\$7,328 - \$4,816) is tuition revenue that is deposited into the current unrestricted fund and used for general operating expenditures. In the 2003 biennium, the projected enrollment reduction in non-resident students indicates that for every non-resident student that doesn't enroll, the university system will lose \$2,512. The Executive Budget projects 522 fewer non-resident student FTE in fiscal 2002 compared to the base year, and 796 fewer non-resident student FTE in fiscal 2003 compared to the base year. The estimated non-resident tuition revenue loss in excess of cost savings is \$3.3 million in the 2003 biennium, before inflation or tuition rate increases.

The revenue loss occurs on the "University Funds" side of the Current Unrestricted Operating Budget ledger. The Regents' options for addressing the shortfall include budget (expenditure) reduction, backfilling the revenue loss with tuition increases, or seeking alternative funding sources, such as additional state funding. The Executive Budget backfills the revenue loss with a portion of the tuition revenue from the estimated tuition rate increase.

**LFD
ISSUE****LFD Issue 2 – Estimated Tuition Rate Increase**

The Executive Budget includes the assumption that tuition rates for all students will increase three percent annually in the 2003 biennium from the fiscal 2001 level. With the projected enrollment for the 2003 biennium, the additional tuition revenue estimated to be available to support the general operating budget in the 2003 biennium totals \$9.2 million.

The Executive Budget allocates \$3.3 million of the estimated tuition increase to offset projected non-resident tuition losses and \$0.4 million towards new proposals, leaving \$5.5 million of estimated tuition revenue available to share in other costs in the 2003 biennium, such as proposed pay plan costs.

Table 11 summarizes the fiscal impact of the projected enrollment and anticipated tuition rate increase assumed in the Executive Budget.

²² Calculated from tuition model documentation submitted with budget request.

Table 11
 Enrollment and Tuition-Related Adjustments to Budget Revenues and Expenditures
 and Calculation of Estimated Net Tuition Revenue Available for Pay Plan
 Montana University System -- Executive Budget Proposal

	-----FISCAL 2002-----			-----FISCAL 2003-----			-----2003 BIENNIIUM-----		
	State Funds	University Funds	Total Funds	State Funds	University Funds	Total Funds	State Funds	University Funds	Total Funds
BASE FUNDING	\$ 110,038,420	\$ 110,817,052	\$ 220,855,472	\$ 110,038,420	\$ 110,817,052	\$ 220,855,472	\$ 220,076,840	\$ 221,634,104	\$ 441,710,944
<i>Adjustments For Enrollment & Tuition:</i>									
Resident Enrollment Increase	-	958,390	958,390	-	1,443,560	1,443,560	-	2,401,950	2,401,950
Non-Res. Enrollment Decrease	-	(3,825,216)	(3,825,216)	-	(5,833,088)	(5,833,088)	-	(9,658,304)	(9,658,304)
FY 01 Tuition Rate Increase	-	3,574,797	3,574,797	-	3,381,072	3,381,072	-	6,955,869	6,955,869
3% Annual Increase 2003 B	-	3,050,496	3,050,496	-	6,130,217	6,130,217	-	9,180,713	9,180,713
Subtotal	\$ -	\$ 3,758,467	\$ 3,758,467	\$ -	\$ 5,121,761	\$ 5,121,761	\$ -	\$ 8,880,228	\$ 8,880,228
Additional State Funds	\$ 8,095,787	\$ -	\$ 8,095,787	\$ 10,472,283	\$ -	\$ 10,472,283	\$ 18,568,070	\$ -	\$ 18,568,070
Total Funding Adjustments	\$ 8,095,787	\$ 3,758,467	\$ 11,854,254	\$ 10,472,283	\$ 5,121,761	\$ 15,594,044	\$ 18,568,070	\$ 8,880,228	\$ 27,448,298
TOTAL FUNDING	\$ 118,134,207	\$ 114,575,519	\$ 232,709,726	\$ 120,510,703	\$ 115,938,813	\$ 236,449,516	\$ 238,644,910	\$ 230,514,332	\$ 469,159,242
BASE EXPENDITURES	\$ 110,038,420	\$ 110,817,052	\$ 220,855,472	\$ 110,038,420	\$ 110,817,052	\$ 220,855,472	\$ 220,076,840	\$ 221,634,104	\$ 441,710,944
<i>Adjustments For Enrollment & Tuition:</i>									
<i>Enrollment-Related</i>									
Resident Increase	\$ 767,514	\$ 958,390	\$ 1,725,904	\$ 1,156,056	\$ 1,443,560	\$ 2,599,616	\$ 1,923,570	\$ 2,401,950	\$ 4,325,520
Non-Resident Decrease	-	(2,513,952)	(2,513,952)	-	(3,833,536)	(3,833,536)	-	(6,347,488)	(6,347,488)
Resident Fee Waivers	300,953	-	300,953	327,678	-	327,678	628,631	-	628,631
<i>Tuition Rate Increase-Related</i>									
Resident Fee Waivers	199,633	-	199,633	406,883	-	406,883	606,516	-	606,516
Subtotal	\$ 1,268,100	\$ (1,555,562)	\$ (287,462)	\$ 1,890,617	\$ (2,389,976)	\$ (499,359)	\$ 3,158,717	\$ (3,945,538)	\$ (786,821)
<i>Other Expenditures:</i>									
Statewide Present Law Adj	\$ 3,672,167	\$ 3,727,153	\$ 7,399,320	\$ 3,779,042	\$ 3,853,716	\$ 7,632,758	\$ 7,451,209	\$ 7,580,869	\$ 15,032,078
Other Present Law Adj	(330,020)	(301,893)	(631,913)	(382,916)	(356,554)	(739,470)	(712,936)	(658,447)	(1,371,383)
Other New Proposals	3,485,540	185,540	3,671,080	5,185,540	185,540	5,371,080	8,671,080	371,080	9,042,160
Subtotal	\$ 6,827,687	\$ 3,610,800	\$ 10,438,487	\$ 8,581,666	\$ 3,682,702	\$ 12,264,368	\$ 15,409,353	\$ 7,293,502	\$ 22,702,855
Total Expenditure Adjustments	\$ 8,095,787	\$ 2,055,238	\$ 10,151,025	\$ 10,472,283	\$ 1,292,726	\$ 11,765,009	\$ 18,568,070	\$ 3,347,964	\$ 21,916,034
TOTAL EXPENDITURES	\$ 118,134,207	\$ 112,872,290	\$ 231,006,497	\$ 120,510,703	\$ 112,109,778	\$ 232,620,481	\$ 238,644,910	\$ 224,982,068	\$ 463,626,978
Net Revenue Available for Pay Plan	\$ -	\$ 1,703,229	\$ 1,703,229	\$ -	\$ 3,829,035	\$ 3,829,035	\$ -	\$ 5,532,264	\$ 5,532,264

**LFD
ISSUE****LFD Issue 3 – Six-Mill Levy Revenue**

The Executive Budget anticipates a decrease in revenue available from the statewide six-mill levy and replaces the shortfall with a like amount of state general fund. The amount of six-mill levy revenue estimated by the Executive Budget to be available for the 2003 biennium is \$313,000 higher than the amount estimated by the standing interim Revenue and Taxation Committee. The revenue estimates endorsed by the Revenue and Taxation Committee form the basis for House Joint Resolution each session and is the official revenue estimate used by the legislature. Adopting the estimate of the Revenue and Taxation Committee would add \$313,000 general fund to the Executive Budget – there would be no expenditure impact. If the six-mill levy estimate in the Executive Budget is adopted and the revenue does not materialize in the 2003 biennium, state-funded expenditures would have to be reduced or other University Funds would have to make up the difference.

**LFD
ISSUE****LFD Issue 4 – Plant Operation and Maintenance Expenditures**

The Fifth-sixth legislature included language in HB 2 recommending “a minimum of 13 percent of the total current unrestricted operating funds for the units and the college of technology be spent on operations and maintenance [in program 7] because an increasing level of deferred maintenance has followed: (1) construction of a substantial number of new buildings in recent years; and (2) a decline in the proportional amount of the current unrestricted funds spend on operations and maintenance. This percentage is recommended to ensure more timely maintenance that should result in a lower level of deferred maintenance in university system buildings.”

Table 12 shows the actual amount of current unrestricted operating funds spent on plant operation and maintenance for the units and the colleges of technology in fiscal 2000 and the amount budgeted by the university system in fiscal 2001. Overall, the average amount spent in fiscal 2000 and budgeted in fiscal 2001 equals 11.5 percent of the total current unrestricted operating budget, up from 11.4 percent in fiscal 1999 but down from 12.2 percent in fiscal 1995. The fiscal 2000 percentages ranged from a low of 10.0 percent at UM-Missoula to a high of 14.2 percent at UM-MT Tech.

**LFD ISSUE
CONTINUED**

In order to spend 13 percent of the total current unrestricted operating budget on plant operation and maintenance in fiscal 2000 the units and colleges of technology would have had to reallocate approximately \$3.4 million from other programs, such as instruction, support, research, and public service.

Table 12
Total Current Unrestricted Expenditures by Program
Montana University System -- Fiscal 2000 Actual and 2001 Budgeted

	UM-Missoula	MSU-Bozeman	UM-MT Tech	MSU-Billings	MSU-Northern	UM-Western	Gt. Falls COT	Helena COT	TOTAL
Fiscal 2000 Actual									
Instruction	\$ 43,965,277	\$ 42,475,366	\$ 8,370,974	\$ 12,437,636	\$ 4,816,532	\$ 3,265,212	\$ 2,262,497	\$ 1,715,062	\$ 119,308,556
Research	908,159	618,468	47,463	124,852	-	-	-	-	1,698,942
Public Service	773,218	1,090,313	-	275,909	-	-	19,996	-	2,159,436
Academic Support	10,404,722	9,015,158	1,249,603	2,078,916	1,038,758	464,059	516,611	470,243	25,238,070
Student Services	5,813,329	6,392,932	1,538,258	1,936,372	1,324,575	788,593	404,279	294,349	18,492,687
Institutional Support	6,640,690	5,989,666	860,089	2,471,571	954,661	1,019,605	411,686	365,041	18,713,009
Plant O & M	7,972,364	9,380,925	2,105,746	2,772,208	1,227,247	795,303	543,455	430,316	25,227,564
Scholarships & Fellowships	3,382,334	3,303,241	658,862	920,324	637,491	327,921	88,270	40,835	9,359,278
Other Programs	-	-	4,106	-	-	-	80	-	4,186
TOTAL	\$ 79,860,093	\$ 78,266,069	\$ 14,835,101	\$ 23,017,788	\$ 9,999,264	\$ 6,660,693	\$ 4,246,874	\$ 3,315,846	\$ 220,201,728
Plant O & M as a									
% of Total Expenditure:	10.0%	12.0%	14.2%	12.0%	12.3%	11.9%	12.8%	13.0%	11.5%
Fiscal 2001 Budgeted									
Instruction	\$ 45,739,508	\$ 44,510,380	\$ 8,803,876	\$ 13,345,280	\$ 5,089,856	\$ 3,514,718	\$ 2,332,458	\$ 1,891,778	\$ 125,227,854
Research	890,406	605,866	52,079	88,660	-	-	-	-	1,637,011
Public Service	746,317	744,574	-	238,346	-	-	19,869	-	1,749,106
Academic Support	10,455,386	9,176,812	1,265,101	2,177,955	1,061,655	534,365	596,742	532,616	25,800,632
Student Services	5,777,589	6,071,001	1,505,313	1,978,183	1,252,283	799,590	357,693	349,103	18,090,755
Institutional Support	6,459,571	5,496,780	868,982	2,668,420	1,015,541	1,134,664	377,157	332,220	18,353,335
Plant O & M	8,151,374	9,901,456	2,174,227	2,788,889	1,165,977	844,158	600,742	454,429	26,081,252
Scholarships & Fellowships	3,185,722	3,601,243	717,910	946,711	702,763	355,724	85,000	40,000	9,635,073
Other Programs	-	-	-	-	-	-	-	-	-
TOTAL	\$ 81,405,873	\$ 80,108,112	\$ 15,387,488	\$ 24,232,444	\$ 10,288,075	\$ 7,183,219	\$ 4,369,661	\$ 3,600,146	\$ 226,575,018

**LFD
ISSUE****LFD Issue 5 – Deferred Maintenance Audit Findings**

The Fifty-sixth Legislature required the Legislative Auditor, at the direction of the Legislative Audit Committee, to conduct at least three performance audits of the university and college of technology campus physical plant and grounds and maintenance operations during the 2001 biennium and report the results of the performance audit to the Legislative Audit Committee and the public prior to the 2001 legislative session. The committee released the audit in November 2000.

The audit identified a number of issues surrounding deferred maintenance (DM) at the university and college of technology campuses. According to the audit report, total estimated deferred maintenance liabilities exceed \$89 million at the four campuses included in the audit. The report states:

“A number of factors are contributing to the campus deferred maintenance liabilities. Some of these factors include budgetary limitations, campus-level priority, balancing building maintenance with funding other functions within facilities management such as utilities, construction of new buildings, and lack of major maintenance funding.”³

The audit contains two recommendations. The first recommendation is for the Board of Regents and addresses management issues discussed in the audit. The second recommendation is for the legislature and addresses deferred maintenance funding. The recommendations are presented below. For a complete report of the audit issues, please refer to the November 2000 Legislative Audit Division report “University Facilities Management (Physical Plants)”. A summary of the audit is available on the internet at the following address: <http://leg.mt.gov/audit/summary/OOP-03.htm>.

Recommendation #1 on page 50 of the report states:

“We recommend the Board of Regents establish a comprehensive facilities funding plan for the Montana University System which includes:

Comprehensive Facility Condition Inventory (FCI) processes which are consistent and coordinated throughout the system to ensure accurate and complete information.

Requirements for facilities management budget and Long-Range Building Program (LRBP) requests to incorporate FCI information as part of prioritization.

Requirements for ensuring facilities management reporting procedures allow for unit-to-unit comparisons and system-wide measurements of deferred maintenance (DM) reduction strategies and efforts.”

Recommendation #2 on page 54 of the report states:

“We recommend the legislature examine the LRBP and establish an increased and consistent funding source to address deferred maintenance liabilities.”

Finally, the report comments, “If the legislature and other applicable parties wish to fully identify and begin to systematically address the growing DM liability, strategies and specific fund resources will need to be developed.”⁴

³ University Facilities Management (Physical Plants), Legislative Audit Division, Helena, Montana, November 2000, p. S-1.

⁴ Ibid., p. S2.

**LFD
ISSUE****LFD Issue 6 – Accountability and Performance Measures**

HB 142, passed by the 1991 legislature (Ch. 526, L. 1991), created a joint committee on postsecondary education policy and budget (now a subcommittee of the Education and Local Government Interim Committee) to develop a formalized structure for policy-level communication between the legislature and the Board of Regents. One of the legislative goals identified by the committee was the development and use of outcome assessment as an accountability tool for higher education. Although “outcome assessment”, “performance measures”, and “accountability processes” related to the university system have been discussed and debated since that time, no clear legislative policy has emerged.

A recent study by the North Dakota Legislative Council staff for the North Dakota Higher Education Committee reported the accountability practices used in other states for its higher education system. In Arizona, Oregon, and Hawaii, accountability or performance measures are used to evaluate progress towards public policy goals, such as improving the quality and effectiveness of undergraduate education, enhancing the employability of graduates, and expanding access by students of different circumstances. In Washington, the legislature required the university system to measure and report progress towards legislative goals of distance education and education provided through technology.⁵

An interim legislative committee in North Dakota, the Higher Education Committee, undertook a university funding study during the 2001 biennium interim. One of the committee’s recommendations is to provide a lump sum appropriation to the State Board of Higher Education (if determined to be constitutional) for reallocation to the various units of the North Dakota University System to increase management flexibility of the Board. Tied to the recommendation is the observation that the “development of acceptable financial accountability measurements was determined to be key to allowing the University System the flexibility recommended by the Higher Education Roundtable report”.⁶ (Note: Although the term “financial accountability” was used, non-financial accountability measurements were also included in the final report.) The final report clearly suggests that, in North Dakota, the budget and appropriation flexibility granted through a lump sum appropriation has a price tag – accountability.

Ten years ago the Montana Legislature took a first step towards budget flexibility and accountability when it formed the Joint Committee on Postsecondary Education Policy And Budget and consolidated program budgets at the vocational-technical centers (pre-college of technology vernacular) into single appropriations for each unit. Two years later the legislature took another step towards budget flexibility by consolidating program budgets for the university units. In 1995, the legislature moved to full lump sum appropriation by consolidating the appropriations for the university units, colleges of technology, and most of the programs in the Office of the Commissioner of Higher Education into one appropriation.

Although the legislature and the Board of Regents have debated accountability practices and outcome measures regarding the university system for several years, there are no formal accountability or performance measures or reporting processes in place for the legislature to evaluate the effectiveness of the taxpayers’ investment in higher education. (The LFD notes the Executive Budget does include “program indicators” for the Montana University System, including resident FTE enrollment, percent of budget devoted to instruction, and the number of credits awarded by examination at the university units, colleges of technology, and community colleges. Some of these indicators, such as resident FTE enrollment, are output measures rather than outcome measures.)

⁵ Financial Accountability Measurement Practices in Other States, Appendix D, North Dakota Legislative Council, Bismark, ND, p.1.

⁶ North Dakota Legislature Higher Education Committee, “Higher Education Final Report”, November 2000, <http://www.state.nd.us/lr/99minutes/hefinal.html>, December 8, 2000.

**LFD ISSUE
CONTINUED**

Therefore, the question for legislative consideration is:

Does the Montana Legislature want to revisit accountability practices and outcome measures in regard to the Montana University System?

If the legislature wishes to pursue accountability practices and outcome measures, they may consider the following options:

- 1) Request the interim Joint Committee on Postsecondary Education Policy and Budget work with the Board of Regents during the 2003 biennium interim to identify high priority public policy goals for the Montana University System and develop appropriate accountability standards and performance measures for use by the Fifty-eighth Legislature.

The Joint Committee would have a deadline of December 2001 to identify public policy goals and appropriate accountability standards and performance measures, including benchmarks. When the Montana University System submitted its 2005 biennium budget request, it would be required to report progress towards public policy goals, using fiscal 2002 as its first reporting period.

- 2) The Fifty-seventh Legislature could identify the public policy goals it considers highest priority for the Montana University System; identify meaningful, related performance measures during the legislative session with the assistance of the Board of Regents; and require the Board of Regents to report progress towards achieving the goals to the Fifty-eighth Legislature.
- 3) A third option is a combination of the first two: The Fifty-seventh Legislature could identify a short list of public policy goals for the Montana University System; identify meaningful, related performance measures during the legislative session (with the assistance of the Board of Regents); and require the Board of Regents to report progress towards achieving the goals to the Fifty-eighth Legislature.

In addition, the Fifty-seventh Legislature could request the Joint Committee on Postsecondary Education Policy and Budget to identify, if deemed appropriate and necessary by the committee, additional public policy goals for the Montana University System and meaningful, related performance measures for presentation to the Fifty-eighth Legislature.

Education Units Present Law Adjustments	-----Fiscal 2002-----			-----Fiscal 2003-----		
	State Funds	University Funds	Total Funds	State Funds	University Funds	Total Funds
DP 900 - Statewide Present Law Adjustments	\$ 3,672,167	\$ 3,727,153	\$ 7,399,320	\$ 3,779,042	\$ 3,853,716	\$ 7,632,758
DP 904 - Water, Sewer & Garbage rate increases	53,319	48,326	101,645	55,844	49,858	105,702
DP 907 - Resident Enrollment Marginal Cost increase	767,567	958,390	1,725,957	1,156,135	1,443,560	2,599,695
DP 909 - Resident Fee Waiver Increase due to Enrollment Growth	300,953	-	300,953	327,678	-	327,678
DP 912 - Adjust UM for GF transfer from FY01 to FY00	(828,351)	-	(828,351)	(828,351)	-	(828,351)
DP 913 - Bozeman Sidewalks & Ray Bjork Lease	94,767	73,376	168,143	39,107	21,998	61,105
DP 914 - Stable Funding for Natural Resource Info. System	22,126	22,126	44,252	22,127	22,127	44,254
DP 915 - O & M for New Buildings	77,274	45,079	122,353	77,274	45,079	122,353
DP 917 - Annualize cost of Family Practice Residency	45,600	-	45,600	45,600	-	45,600
DP New 1 - Account for Motorcycle Safety in CUO	205,192	-	205,192	205,404	-	205,404
DP New 2 - Non-Resident Enrollment Marginal Cost reduction	-	(2,513,952)	(2,513,952)	-	(3,838,352)	(3,838,352)
Other Adjustments	-	(490,800)	(490,800)	-	(490,800)	(490,800)
Six-Mill Levy Revenue Decrease/GF Replacement*	see footnote	-	-	see footnote	-	-
Total Present Law Adjustments	\$ 4,410,614	\$ 1,869,698	\$ 6,280,312	\$ 4,879,860	\$ 1,107,186	\$ 5,987,046

*The Executive Budget replaces six-mill property tax revenue with general fund--\$2,746,000 in FY 02 and \$2,578,000 in FY 03--due to a projected revenue decrease in the six-mill levy.

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

LFD COMMENT

The present law adjustment table shows the proposed funding for each adjustment by State Funds and University Funds. The University Funds portion is included in the table to present a complete picture of adjustments to the general operating budget. Only the State Funds portion is included in the Executive Budget.

DP 900 - Statewide Personal Services, Fixed Cost, Inflation - Statewide adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items will be applied globally to all agencies.

LFD COMMENT

The statewide present law adjustments include vacancy savings of \$2.2 million each year of the 2003 biennium. General fund reductions are 49.3 percent of the total vacancy savings, or \$1.1 million each year of the 2003 biennium. The Executive Budget applied a three percent vacancy savings rate to salaries and non-insurance benefits for all employees, except faculty, where no vacancy savings was applied.

DP 904 - Campus Water, Sewer, and Garbage Increases - The Executive Budget adds \$109,163 of state general fund in the 2003 biennium for expected cost increases in city and county services in Missoula, Butte, and Dillon. University Funds would also participate in this cost increase as shown in the present law table.

DP 907 - Resident Enrollment Growth - The Executive Budget adds \$1.9 million general fund in the 2003 biennium for the state's share of additional costs due to projected resident student enrollment increases. University Funds would also participate in this cost increase as shown in the present law table.

DP 909 - Fee Waivers - Projected Resident Students - The Executive Budget adds \$0.6 million general fund in the 2003 biennium for increased fee waiver costs due to projected enrollment growth.

LFD COMMENT Prior to the 1999 session, resident fee waivers were funded with both state general fund and resident tuition. The Fifty-sixth Legislature chose to fund resident fee waivers with 100 percent general fund so that resident students paying tuition would not have to subsidize other resident students receiving fee waivers.

Although the Executive Budget justified this present law adjustment on the basis of enrollment growth, there is another factor driving the cost of this present law adjustment. The cost of this present law adjustment also reflects the increased value of fee waivers for resident students currently enrolled due to the average 4.36 percent tuition rate increase between fiscal 2000 and 2001.

DP 912 - Remove UM Missoula Carry-forward Amount - The Executive Budget reduces the base year state-funded expenditures at the University of Montana - Missoula by the amount of State Funds it transferred from its fiscal 2001 appropriation to fiscal 2000.

DP 913 - Bozeman Sidewalks and Ray Bjork Lease - The Executive Budget adds \$39,107 of State Funds each year of the biennium for increased lease costs at the Helena College of Technology and \$55,660 of State Funds in fiscal 2002 only for the construction of sidewalks required by the City of Bozeman. University Funds would also participate in this cost increase as shown in the present law table.

DP 914 - Stable Funding for N.R.I.S. - The Executive Budget adds \$22,126 State Funds in fiscal 2002 and \$22,127 State Funds in fiscal 2003 for financial support of the Natural Resources Information System managed by the Montana State Library. A comparable amount of University Funds would also participate in this cost increase as shown in the present law table.

LFD COMMENT For a complete discussion of the NRIS funding request, see the budget narrative for the Montana State Library in Volume IV of the Legislative Budget Analysis 2003 Biennium.

DP 915 - O & M. for New Buildings - The Executive Budget adds \$77,274 of State Funds each year of the biennium for increased operations and maintenance costs for new space at the Renne Library at Montana State University - Bozeman and the Rural Tech Education Center at UM - Western. University Funds would also participate in this cost increase as shown in the present law table. The Long Range Planning Joint Appropriations Subcommittee of the Fifty-sixth Legislature reviewed and approved the new space costs included in this present law adjustment.

DP 917 - Annualize Cost of Family Practice Residency - The Montana Family Practice Residency program mission is to train family physicians to practice in underserved areas of rural Montana. The Executive Budget adds \$45,600 general fund each year of the 2003 biennium to increase the fiscal 2000 base budget to the fiscal 2001 appropriation authorized by the Fifty-sixth Legislature.

DP New1 - Account for Motorcycle Safety in Current Unrestricted Operating Fund - This adjustment adds \$410,596 of state special revenue motorcycle safety revenue in the 2003 biennium to operate the motorcycle safety education program. See LFD Comment below.

LFD COMMENT

The Fifty-sixth Legislature transferred the Motorcycle Safety Education Program from the Office of Public Instruction to the Board of Regents. Motorcycle endorsement fees and motorcycle registration fees are the primary sources of revenue for this program. In fiscal 2000, the OCHE transferred \$158,144 of motorcycle safety funds to MSU-Northern; these funds were deposited into and accounted for in the current unrestricted designated fund, rather than the current unrestricted operating fund. The Executive Budget proposes to record the financial activity of this program in the current unrestricted operating fund beginning with fiscal 2002. With the requested adjustment, the total budgeted amount for the motorcycle safety program would be \$363,336 each year of the 2003 biennium.

This adjustment is included in the University Funds portion of the Executive Budget but should be shown in the State Funds portion, as this is state revenue.

DP New2 - Non-Resident Enrollment Marginal Cost Reduction - Instructional costs and fee waivers are reduced to reflect the expected cost savings from the decline in non-resident enrollment. Because this adjustment is funded from University Funds, this adjustment is not included in the Executive Budget nor does it need to be acted upon by the legislature. The adjustment is presented for informational purposes only. See LFD Issue 1 for more discussion about student enrollment changes and the impact on the MUS budget.

Other Adjustments - The Executive Budget includes several other adjustments funded from University Funds that result in an overall reduction of \$490,800 annually. The main type of adjustment in this category is reconciliation between the state accounting system and the university accounting systems.

Six-Mill Levy Revenue Decrease/General Fund Replacement - The Executive Budget projects a \$5.3 million biennial reduction in the statewide six-mill levy compared to the fiscal 2000 base budget and restores the mill levy reduction with a like amount of state general fund. There is no overall impact in the total amount of state dollars going to the Montana University System as a result of this adjustment.

LFD COMMENT

See LFD Issue 3 for more discussion of the statewide six-mill levy revenue estimate.

Education Units New Proposals	-----Fiscal 2002-----			-----Fiscal 2003-----		
	State Funds	University Funds	Total Funds	State Funds	University Funds	Total Funds
DP 901 - Increase State Support \$100/Resident Student	\$ 2,500,000	\$ -	\$ 2,500,000	\$ 5,000,000	\$ -	\$ 5,000,000
DP 906 - Academic Development Tech Programs	800,000	-	800,000	-	-	-
DP 910 - Resident Fee Waiver Increase due to tuition rate increase	199,633	-	199,633	406,883	-	406,883
DP 919 - Banner Ongoing Costs	185,540	185,540	371,080	185,540	185,540	371,080
Total New Proposals	<u>\$ 3,685,173</u>	<u>\$ 185,540</u>	<u>\$ 3,870,713</u>	<u>\$ 5,592,423</u>	<u>\$ 185,540</u>	<u>\$ 5,777,963</u>

Executive New Proposals

DP 901 - Increase State Support Resident Student FTE - The Executive Budget adds \$7.5 million general fund over the 2003 biennium to increase state support at the university units and colleges by \$100 per resident student in fiscal 2002 and an additional \$100 per resident student in fiscal 2003. The executive states the increase is for a wide range of needs, including operating budgets, library and student services, information technology investment, physical plant maintenance and capital equipment.

DP 906 - Academic Dev-Technical Programs - The Executive Budget adds \$0.8 million general fund in fiscal 2002 only for developing academic programs at the colleges of technology and the community colleges. The funds would be used to develop new programs and update existing programs to meet workforce needs.

DP 910 - Fee Waivers - Resident Students 3% Increase - The Executive Budget adds \$606,516 general fund for increased resident fee waiver costs due to estimated 3 percent per year tuition rate increases in the 2003 biennium.

LFD COMMENT Prior to the 1999 session, resident fee waivers were funded with both state general fund and resident tuition. The Fifty-sixth Legislature chose to fund resident fee waivers with 100 percent general fund so that resident students paying tuition would not have to subsidize other resident students receiving fee waivers.

DP 919 - Banner Ongoing Costs - The Executive Budget adds \$371,080 general fund in the 2003 biennium to fund ongoing costs associated with implementing the Banner Higher Education Administrative Information System for student records, human resources, and finance. University Funds in the current unrestricted operating fund would also participate in the new proposal as shown in the new proposal table.

LFD COMMENT Justification for this new proposal indicates that University Funds outside of the current unrestricted operating fund would also be used to fund additional costs associated with the Banner system. The table below summarizes the university system request.

Table 13
Allocation of Banner New Proposal Costs
Montana University System -- Executive Budget Proposal
2003 Biennium

Allocation of Banner Costs	Executive Budget FY 2002	Executive Budget FY 2003
Total Banner New Proposal Cost	\$ 742,159	\$ 742,159
Allocate One-half cost to Non-CUO Funds	<u>(371,080)</u>	<u>(371,080)</u>
Remainder to Current Unrestricted Operating Fund	<u>\$ 371,079</u>	<u>\$ 371,079</u>
State Funds Portion - 50% of remainder	\$ 185,540	\$ 185,540
University Funds Portion - 50% of remainder	185,539	185,539
Total Current Unrestricted Operating Fund	<u>\$ 371,079</u>	<u>\$ 371,079</u>

MONTANA UNIVERSITY SYSTEM – RESEARCH AND PUBLIC SERVICE AGENCIES

The Executive Budget proposal for each of the university system’s research and public service agencies is presented in this section of the budget analysis. The legislative appropriations for these agencies are line-itemed separately in HB 2.

Executive Proposed Budget	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Biennial Budget Fiscal 02-03
FTE	239.56			239.56			239.56	239.56
Personal Services	10,038,201	677,527	0	10,715,728	726,630	0	10,764,831	21,480,559
Operating Costs	1,727,890	28,576	60,000	1,816,466	28,071	60,000	1,815,961	3,632,427
Equipment	162,728	230,000	0	392,728	230,000	0	392,728	785,456
Debt Service	1,898	0	0	1,898	0	0	1,898	3,796
Total Costs	\$11,930,717	\$936,103	\$60,000	\$12,926,820	\$984,701	\$60,000	\$12,975,418	\$25,902,238
State Funds								
General Fund	8,875,976	704,106	46,503	9,626,585	739,600	46,503	9,662,079	19,288,665
Subtotal State Funds	8,875,976	704,106	46,503	9,626,585	739,600	46,503	9,662,079	19,288,665
University Funds								
Federal Funds	2,003,119	108,598	10,652	2,122,369	116,728	10,652	2,130,499	4,252,868
Sales & Service	874,228	117,166	2,233	993,627	121,674	2,233	998,135	1,991,762
Interest and Other	177,394	6,233	611	184,238	6,699	611	184,704	368,943
Subtotal University Funds	3,054,741	231,997	13,497	3,300,235	245,101	13,497	3,313,339	6,613,573
Total Current Unrestricted Operating Fund	\$11,930,717	\$936,103	\$60,000	\$12,926,820	\$984,701	\$60,000	\$12,975,418	\$25,902,238

Agency Description

The Montana Agricultural Experiment Station was established at Montana State University-Bozeman by the legislature in 1893 under Hatch Act authorization enacted by the U.S. Congress. The agency is the agricultural research component of the land-grant university's three-part mission of teaching, research, and service.

The Fort Keogh Livestock and Range Research Laboratory at Miles City is a cooperative program of the U.S. Department of Agriculture, Agricultural Research Service, and the state through the Montana Agricultural Experiment Station. The purpose of the laboratory is to improve efficiency of livestock production from rangeland resources.

Funding

In addition to state general fund, the agency is funded from other current unrestricted funds, including: 1) federal Hatch Act and regional research funds, 2) sales and service revenue, and 3) interest and other revenue. Federal funds are awarded by formula for federally approved research projects.

Present Law Adjustments	-----Fiscal 2002-----			-----Fiscal 2003-----				
	FTE	State Funds	University Funds	Total Funds	FTE	State Funds	University Funds	Total Funds
Personal Services		994,050	408,640	1,402,691		1,031,255	422,058	1,453,313
Vacancy Savings		(227,732)	(93,618)	(321,350)		(229,104)	(93,765)	(322,869)
Inflation/Deflation		10,518	4,324	14,842		8,968	3,671	12,639
Fixed Costs		4,214	1,733	5,947		5,425	2,220	7,645
Total Statewide Present Law Adjustments		781,050	321,079	1,102,130		816,544	334,184	1,150,728
DP 2 - MAES Farm Equipment and Vehicles - OTO	0.00	230,000	0	230,000	0.00	230,000	0	230,000
DP 3 - Correct Personal Services Calculation	0.00	(312,979)	(90,835)	(403,814)	0.00	(312,979)	(90,835)	(403,814)
DP 7 - Increase Recharge Payments To Main Campus	0.00	6,035	1,752	7,787	0.00	6,035	1,752	7,787
Total Other Present Law Adjustments	0.00	(76,944)	(89,083)	(166,027)	0.00	(76,944)	(89,083)	(166,027)
Grand Total All Present Law Adjustments	0.00	\$704,106	\$231,997	\$936,103	0.00	\$739,600	\$245,101	\$984,701

Present Law Adjustment

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law " adjustments are standard categories of adjustments made to all agencies and legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

LFD COMMENT	The present law adjustment table shows the proposed funding for each adjustment by State Funds and University Funds. The University Funds portion is included in the table to present a complete picture of adjustments to the general operating budget. Only the State Funds portion is included in the Executive Budget.
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DP 2 – MAES Farm Equipment and Vehicles – OTO – The Executive Budget includes an additional \$230,000 annually in the 2003 biennium as a one-time-only appropriation for equipment purchases at the Agricultural Experiment Station. The executive noted that continued deferral of equipment replacement has caused serious inability to adequately and reliably perform the current level of research projects.

LFD ISSUE	The Montana Agricultural Experiment Station underspent its equipment budget in fiscal 2000 by approximately 24 percent and reallocated unused equipment funds to operating expenses. The legislature may want the Montana Agricultural Experiment Station management to explain why funding provided by the legislature for equipment in fiscal 2000 was spent elsewhere.
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DP 3 – Correct Personal Services Calculations – The Executive Budget adjusts personal services in order keep 1) requested personal services within the pay plan funded by the 56th legislature, and 2) the overall budget from inappropriately increasing.

DP 7 – Increase Recharge Payments To Main Campus – The Executive Budget adjusts the base year expenditures to allow for increased recharges to the main campus to the fiscal 2001 level.

New Proposals Description	-----Fiscal 2002-----			-----Fiscal 2003-----				
	FTE	State Funds	University Funds	Total Funds	FTE	State Funds	University Funds	Total Funds
DP 5 - Additional Space for Operations	0.00	46,503	13,497	60,000	0.00	46,503	13,497	60,000
Total New Proposals	0.00	\$46,503	\$13,497	\$60,000	0.00	\$46,503	\$13,497	\$60,000

DP 5 – Additional space for operations – The Executive Budget proposes adding \$60,000 annually for additional laboratory space for the experiment station. The space to be occupied is new space in the Ag Bioscience building owned by Montana State University.

**LFD
 COMMENT**

The Fifty-sixth Legislature intended the operation and maintenance of the Ag Bioscience building be paid 50 percent from current unrestricted funds and 50 percent from other university funds. The rental payment from the AES to MSU is considered “other university funds”.

Executive Proposed Budget								
	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Biennial Budget Fiscal 02-03
FTE				0.00			0.00	0.00
Personal Services	5,546,186	214,888	0	5,761,074	235,490	0	5,781,676	11,542,750
Operating Coses	574,606	19,158	0	593,764	24,177	0	598,783	1,192,547
Equipment	12,012	(83)	0	11,929	(83)	0	11,929	23,858
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$6,132,804	\$233,963	\$0	\$6,366,767	\$259,584	\$0	\$6,392,388	\$12,759,155
State Funds								
General Fund	3,897,593	153,346	0	4,050,939	169,659	0	4,067,252	8,118,191
Subtotal State Funds	3,897,593	153,346	0	4,050,939	169,659	0	4,067,252	8,118,191
University Funds								
Federal Funds	2,183,039	85,889	0	2,268,928	95,026	0	2,278,065	4,546,993
Interest and Other	52,172	(5,272)	0	46,900	(5,101)	0	47,071	93,971
Subtotal University Funds	2,235,211	80,617	0	2,315,828	89,925	0	2,325,136	4,640,964
Total Current Unrestricted Operating Fund	\$6,132,804	\$233,963	\$0	\$6,366,767	\$259,584	\$0	\$6,392,388	\$12,759,155

Agency Description

The Extension Service was established in 1914 as a result of the federal Smith-Lever Act. The Extension Service mission is disseminating and encouraging practical use of research about agricultural production and marketing, family and consumer science, and human resource development. It serves 54 of the 56 Montana counties through 52 county extension offices. The central operations are housed on the Bozeman campus. Background materials for its educational efforts are developed from available research information by faculty at the Extension Service, the Agricultural Experiment Station, and Montana State University departments.

Funding

The general operating budget of the Extension Service is funded from general fund in HB 2 line items, federal Smith-Lever Act funds in HB 2 language, and interest earnings and other revenue in HB 2 language.

Present Law Adjustments	-----Fiscal 2002-----			-----Fiscal 2003-----				
	FTE	State Funds	University Funds	Total Funds	FTE	State Funds	University Funds	Total Funds
Personal Services		199,421	94,683	294,104		212,054	103,289	315,343
Vacancy Savings		(109,009)	(51,756)	(160,765)		(108,536)	(52,866)	(161,402)
Inflation/Deflation		43	21	64		(217)	(106)	(323)
Fixed Costs		1,671	793	2,464		2,383	1,160	3,543
Total Statewide Present Law Adjustments		92,126	43,741	135,867		105,684	51,477	157,161
DP 4 - Correction of Culbertson Hall Space	0.00	14,609	8,336	22,945	0.00	17,364	9,908	27,272
DP 5 - Personal Services Benefits	0.00	116,111	66,254	182,365	0.00	116,111	66,254	182,365
DP 6 - Banner/SABHRS Reconciliation	0.00	(6,677)	(3,810)	(10,487)	0.00	(6,677)	(3,810)	(10,487)
DP 7 - Banner/SABHRS Reconciliation	0.00	4,462	2,546	7,008	0.00	4,462	2,546	7,008
DP 8 - Tech Transfer Position Operations Adjustment	0.00	(3,405)	0	(3,405)	0.00	(3,405)	0	(3,405)
DP 10 - Adjust for Moving PS to Operating	0.00	(63,880)	(36,450)	(100,330)	0.00	(63,880)	(36,450)	(100,330)
Total Other Present Law Adjustments	0.00	61,220	36,876	98,096	0.00	63,975	38,448	102,423
Grand Total All Present Law Adjustments	0.00	\$153,346	\$80,617	\$233,963	0.00	\$169,659	\$89,925	\$259,584

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies and legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

LFD COMMENT	The present law adjustment table shows the proposed funding for each adjustment by State Funds and University Funds. The University Funds portion is included in the table to present a complete picture of adjustments to the general operating budget. Only the State Funds portion is included in the Executive Budget.
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DP 4 - Correction of Culbertson Hall Space - The Executive Budget adjusts rent paid by the Extension Service to the main campus for 4,995 square feet of space in Culbertson Hall to accurately reflect current space used. During a space review in March 2000, an error was discovered whereby the Agricultural Experiment Station was paying for space used by the Extension Service. The Extension Service began paying for the space in fiscal 2001. The rental budget for the Agricultural Experiment Station was adjusted to reflect this change.

DP 5 - Personal Services Benefits - The Executive Budget adjusts benefits to accommodate special allowances for Extension Service staff, such as health insurance for split appointments, and higher retirement benefits and a thrift savings plan for employees on federal appointment covered by the Federal Employee Retirement System.

DP 6 & 7 -- BANNER/SABHRS Reconciliation – These adjustments are proposed because the financial records of the university system accounting system and the state accounting system did not tie at the end of the state fiscal year. Since the state budget system uses the state accounting system as its data source, adjustments are proposed to correct the differences.

DP 8 - Tech Transfer Position Operations Adjustment - The Executive Budget reduces base expenditures \$3,405 for expenditures relating to the one-time-only appropriation for the Montana Beef Network.

DP 10 - Adjust for moving Personal Services to operating expenses - The Executive Budget adjusts personal services in order to keep: 1) requested personal services within the pay plan funded by the Fifty-sixth Legislature, and 2) the overall budget from inappropriately increasing.

Executive Proposed Budget	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Biennial Budget Fiscal 02-03
FTE	13.44	0.00	0.00	13.44	0.00	0.00	13.44	13.44
Personal Services	711,094	41,305	0	752,399	44,427	0	755,521	1,507,920
Operating Coses	151,449	1,048	0	152,497	1,282	0	152,731	305,228
Equipment	0	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$862,543	\$42,353	\$0	\$904,896	\$45,709	\$0	\$908,252	\$1,813,148
State Funds								
General Fund	858,444	41,529	0	899,973	44,885	0	903,329	1,803,302
Subtotal State Funds	858,444	41,529	0	899,973	44,885	0	903,329	1,803,302
University Funds								
Interest and Other	4,099	824	0	4,923	824	0	4,923	9,846
Subtotal University Funds	4,099	824	0	4,923	824	0	4,923	9,846
Total Current Unrestricted Operating Fund	\$862,543	\$42,353	\$0	\$904,896	\$45,709	\$0	\$908,252	\$1,813,148

Agency Description

The Montana Forestry and Conservation Experiment Station was established by the legislature in 1937 as a non-profit organization for the scientific investigation of natural resource problems. The station, which is established in 20-25-241, MCA and directed by the Dean of the School of Forestry, is the research unit of the University of Montana School of Forestry. Purposes of the program include studying forestland resources, timber, and relationships between forests and water, pasturage, and recreation. Research is conducted at Lubrecht Experimental Forest and at other locations in Montana in cooperation with private, state, and federal agencies.

Funding

The general operating funds of the Forestry and Conservation Experiment Station come from the general fund as appropriated in HB 2 as well as interest on university funds and other revenue appropriated in HB 2 language.

Present Law Adjustments	-----Fiscal 2002-----			-----Fiscal 2003-----				
	FTE	State Funds	University Funds	Total Funds	FTE	State Funds	University Funds	Total Funds
Personal Services		79,397	824	80,221		82,519	824	83,343
Vacancy Savings		0	0	0		0	0	0
Inflation/Deflation		167	0	167		261	0	261
Fixed Costs		678	0	678		818	0	818
Total Statewide Present Law Adjustments		80,242	824	81,066		83,598	824	84,422
DP 1 - Insurance Reallocation	0.00	21,760	0	21,760	0.00	21,760	0	21,760
DP 4 - Motor Pool Rates	0.00	203	0	203	0.00	203	0	203
DP 6 - Adjust for Personal Services	0.00	(60,676)	0	(60,676)	0.00	(60,676)	0	(60,676)
Total Other Present Law Adjustments	0.00	(38,713)	0	(38,713)	0.00	(38,713)	0	(38,713)
Grand Total All Present Law Adjustments	0.00	\$41,529	\$824	\$42,353	0.00	\$44,885	\$824	\$45,709

Present Law Adjustment

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law " adjustments are standard categories of adjustments made to all agencies and legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

LFD COMMENT The present law adjustment table shows the proposed funding for each adjustment by State Funds and University Funds. The University Funds portion is included in the table to present a complete picture of adjustments to the general operating budget. Only the State Funds portion is included in the Executive Budget.

DP 1 - Insurance Reallocation - To properly allocate health insurance costs for employees who work for both the UM-Missoula and the Montana Forest and Conservation Station (MFCES), a prorated adjustment is necessary. The proper increase in the cost of insurance for MFCES is \$21,760 or \$43,520 for the biennium.

LFD COMMENT A like amount was removed from the UM-Missoula research program budget.

DP 4 - Motor Pool Rates - Motor Pool rates increased 6 percent effective September 1, 2000. This request includes only that portion of costs charged to state appropriated accounts. Total costs are expected to rise by \$406 during the 2003 biennium.

DP 6 - Adjust for P.S – In fiscal 2000, the agency spent funds budgeted for personal services on operating costs. The Executive Budget "allowed" the higher base operating expenses, but reduced requested personal services to compensate for the operating expense expansion.

Agency Proposed Budget	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2000	Total Exec. Budget Fiscal 2000	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
FTE	34.16	0.00	0.00	34.16	0.00	0.00	34.16	34.16
Personal Services	1,604,895	70,574	0	1,675,469	75,388	0	1,680,283	3,355,752
Operating Expenses	478,322	8,015	0	486,337	8,015	0	486,337	972,674
Equipment	14,066		0	14,066		0	14,066	28,132
Debt Service	169		0	169		0	169	338
Total Costs	\$2,097,452	\$78,589	\$0	\$2,176,041	\$83,403	\$0	\$2,180,855	\$4,356,896
State Funds								
General Fund	1,470,263	78,468	0	1,548,731	83,282	0	1,553,545	3,102,276
RIT allocation	600,000	0	0	600,000	0	0	600,000	1,200,000
Subtotal State Funds	2,070,263	78,468	0	2,148,731	83,282	0	2,153,545	4,302,276
University Funds								
Sales & Service	27,189	121	0	27,310	121	0	27,310	54,620
Subtotal University Funds	27,189	121	0	27,310	121	0	27,310	54,620
Total Current Unrestricted Operating Fund	\$2,097,452	\$78,589	\$0	\$2,176,041	\$83,403	\$0	\$2,180,855	\$4,356,896

Agency Description

The Bureau of Mines and Geology is a public service and research agency stationed at Montana Tech of the University of Montana in Butte. It disseminates information through publications and replies to individual inquiries. Work includes field and laboratory study and compilation of statistics on all mineral resources, metallic and nonmetallic minerals, fuels, and ground water in Montana.

Funding

The general operating budget of the Bureau of Mines and Geology is funded from three sources: 1) general fund; 2) resource indemnity trust (RIT) funds limited by statute to \$600,000 per year for the Groundwater Assessment program; and 3) revenue from the sale of maps and publications. State general fund and RIT funds are appropriated to the Office of the Commissioner of Higher Education for disbursement to the Bureau of Mines and Geology. Sales revenue is appropriated to the bureau in HB 2 language because funds are collected directly by the higher education agency.

LFD ISSUE	<p>Title 15, Chapter 38, MCA, establishes the Resource Indemnity Trust into which the resource indemnity and ground water assessment tax, as well as the oil and gas tax are deposited. As outlined in statute, in the 2001 biennium, the Groundwater Assessment Program at the Bureau of Mines received \$600,000 for the program: \$300,000 from RIT interest earnings, and \$300,000 from a direct allocation of the tax. The Fifty-sixth Legislature mandated change to the amount of funding for the Groundwater Assessment Program once the RIT principal balance has reached \$100 million. When the \$100 million milestone is reached (and certified according to law), the Groundwater Assessment Program will receive up to \$666,000 annually: \$300,000 from RIT interest earnings, and \$366,000 from a direct allocation of the tax. Current revenue projections adopted by the Revenue and Taxation Committee in November 2000 show that the increased funding available for the Groundwater Assessment Program is anticipated for fiscal 2003.</p> <p>The Executive Budget includes \$600,000 each year of the 2003 biennium for the Groundwater Assessment Program. The legislature may want to increase appropriation authority in fiscal 2003 to allow for the increased funding.</p>
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Present Law Adjustments	-----Fiscal 2002-----			-----Fiscal 2003-----				
	FTE	State Funds	University Funds	Total Funds	FTE	State Funds	University Funds	Total Funds
Personal Services		92,948	121	93,069		99,382	121	99,503
Vacancy Savings		(47,435)	0	(47,435)		(47,627)	0	(47,627)
Inflation/Deflation		(714)	0	(714)		(714)	0	(714)
Fixed Costs		0	0	0		0	0	0
Total Statewide Present Law Adjustments		44,799	121	44,920		51,041	121	51,162
DP 1 - Administrative Assessment Cost Increase	0.00	10,000	0	10,000	0.00	10,000	0	10,000
DP 2 - Add Base Position	0.00	34,820	0	34,820	0.00	34,964	0	34,964
DP 3 - Add Base Position	0.00	12,615	0	12,615	0.00	12,663	0	12,663
DP 7 - Motor Pool Rate Increase	0.00	2,000	0	2,000	0.00	2,000	0	2,000
DP 8 - Reduce Groundwater to Appropriation	0.00	(25,766)	0	(25,766)	0.00	(27,386)	0	(27,386)
Total Other Present Law Adjustments	0.00	33,669	0	33,669	0.00	32,241	0	32,241
Grand Total All Present Law Adjustments	0.00	\$78,468	\$121	\$78,589	0.00	\$83,282	\$121	\$83,403

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies and legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

LFD COMMENT The present law adjustment table shows the proposed funding for each adjustment by State Funds and University Funds. The University Funds portion is included in the table to present a complete picture of adjustments to the general operating budget. Only the State Funds portion is included in the Executive Budget.

DP 1 – Administrative Assessment Cost Increase - This request is to fund the increased administrative assessment charge by Montana Tech for use of the facilities, campus services including security, and other shared administrative costs. The rate becomes effective in fiscal 2001.

DP 2 & 3– Add Base Position - The Executive Budget restores “duplicative” vacancy savings to the bureau’s budget. When submitting its budget, the bureau – unlike all other university units and agencies – applied vacancy savings prior to budget submission. Because the Executive Budget applies vacancy savings as a statewide present law adjustment to all agencies with more than 20 FTE, the bureau’s personal services budget was reduced twice for vacancy savings.

DP 7 – Motor Pool Rate Increase - The Executive Budget adds \$2,000 per year for an eight percent increase in motor pool rates as a result of higher gasoline prices.

DP 8 – Reduce Groundwater to Appropriation - Groundwater revenue is limited by statute. The Executive Budget reduces groundwater expenses to fit within the available funds.

LFD COMMENT See Funding Issue.

Executive Proposed Budget								
	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Biennial Budget Fiscal 02-03
FTE	6.17	0.73	0.00	6.90	0.73	0.00	6.90	6.90
Personal Services	270,202	47,104	0	317,306	48,291	0	318,493	635,799
Operating Coses	53,339	195	0	53,534	(3,779)	0	49,560	103,094
Equipment	22,894	7,322	0	30,216	56,322	0	79,216	109,432
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$346,435	\$54,621	\$0	\$401,056	\$100,834	\$0	\$447,269	\$848,325
State Funds								
General Fund	344,057	52,902	0	396,959	99,115	0	443,172	840,131
Subtotal State Funds	344,057	52,902	0	396,959	99,115	0	443,172	840,131
University Funds								
Interest and Other	2,378	1,719	0	4,097	1,719	0	4,097	8,194
Subtotal University Funds	2,378	1,719	0	4,097	1,719	0	4,097	8,194
Total Current Unrestricted Operating Fund	\$346,435	\$54,621	\$0	\$401,056	\$100,834	\$0	\$447,269	\$848,325

Program Description

The Fire Services Training School, authorized in 20-31-102, MCA, and located at the Great Falls College of Technology, organizes, supervises, and coordinates training and education for state fire services personnel in accordance with local needs and the standards established by the Board of Regents. The school: 1) administers and maintains a resource center for use by localities; 2) provides regional, local, and statewide training programs for fire services personnel; 3) develops courses and training materials; 4) maintains a network of unsalaried field instructors; and 5) offers a fire services professional certification program. The school is attached to the Montana Extension Service for administrative purposes.

Funding

The general operating budget of the Fire Services Training School is funded from: 1) general fund appropriated in HB 2; and 2) interest appropriated in HB 2 language.

Present Law Adjustments	-----Fiscal 2002-----			-----Fiscal 2003-----				
	FTE	State Funds	University Funds	Total Funds	FTE	State Funds	University Funds	Total Funds
Personal Services		13,502	1,719	15,221		14,581	1,719	16,300
Vacancy Savings		0	0	0		0	0	0
Inflation/Deflation		(403)	0	(403)		(403)	0	(403)
Fixed Costs		3,945	0	3,945		(29)	0	(29)
Total Statewide Present Law Adjustments		17,044	1,719	18,763		14,149	1,719	15,868
DP 1 - FSTS Phased In Increase	0.73	39,205	0	39,205	0.73	39,313	0	39,313
DP 3 - Banner/SABHRS Reconciliation	0.00	(297)	0	(297)	0.00	(297)	0	(297)
DP 4 - Mobile Training Lab Tractor Replace	0.00	0	0	0	0.00	49,000	0	49,000
DP 5 - Remove OTO expenditures	0.00	(3,050)	0	(3,050)	0.00	(3,050)	0	(3,050)
Total Other Present Law Adjustments	0.73	35,858	0	35,858	0.73	84,966	0	84,966
Grand Total All Present Law Adjustments	0.73	52,902	1,719	54,621	0.73	99,115	1,719	100,834

Executive Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget included in the executive present law. "Statewide Present Law " adjustments are standard categories of adjustments made to all agencies and legislative decisions on these items will be applied globally to all agencies. A description of each item is included in the "Agency Budget Analysis Roadmap" section that begins this volume. The other numbered adjustments in the table correspond to the narrative descriptions.

LFD COMMENT	The present law adjustment table shows the proposed funding for each adjustment by State Funds and University Funds. The University Funds portion is included in the table to present a complete picture of adjustments to the general operating budget. Only the State Funds portion is included in the Executive Budget.
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DP 1 - Phase-in FTE – The Fifty-sixth Legislature authorized additional instructors to be phased in for the Fire Services Training School in the 2001 biennium. This adjustment adds the additional amount to fully fund the increase authorized by the last legislature.

DP 3 - Banner/SABHRS Reconciliation – This adjustment is necessary because the financial records of the university system accounting system and the state accounting system did not tie at the end of the state fiscal year. Since the state budget system uses the state accounting system as its data source, adjustments were necessary to correct the differences.

DP 4 - Mobile Training Lab Tractor Replacement – The Executive Budget includes funds in fiscal 2003 to replace a tractor for the mobile training lab used by the agency to train fire fighters in Montana communities.

DP 5 - Remove OTO expenditures – This adjustment removes expenditures that were not removed from the base and were associated with the accreditation one-time-only appropriation authorized by the Fifty-sixth Legislature.

Program Proposed Budget									
<i>Budget Item</i>	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Grants	0	0	417,000	417,000	0	417,000	417,000	834,000	
Total Costs	\$0	\$0	\$417,000	\$417,000	\$0	\$417,000	\$417,000	\$834,000	
General Fund	0	0	417,000	417,000	0	417,000	417,000	834,000	
Total Funds	\$0	\$0	\$417,000	\$417,000	\$0	\$417,000	\$417,000	\$834,000	

Program Description

Section 20-25-428, MCA requires the Board of Regents to provide financial assistance to tribally-controlled community colleges for the resident non-beneficiary students enrolled, if the legislature has specifically appropriated funds for that purpose.

Funding

The 56th Legislature appropriated \$417,000 general fund each year of the 2003 biennium for this program, on a one-time-only basis. Because it was a one-time-only appropriation, it cannot be included in the base budget for the 2003 biennium. The Executive Budget proposes the same level of funding for each year of the 2003 biennium.

<i>Program</i>	-----Fiscal 2002-----					-----Fiscal 2003-----					
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds	
DP 916 - Non-Beneficiary Students at Tribal Colleges	11	0.00	417,000	0	0	417,000	0.00	417,000	0	0	417,000
Total	0.00	\$417,000	\$0	\$0	\$417,000	0.00	\$417,000	\$0	\$0	\$417,000	

New Proposals

DP 916 - Non-Beneficiary Students at Tribal Colleges - DP 916 - Non-Beneficiary Students at Tribal Colleges

The Executive Budget proposes the establishment of the level of funding provided during the previous biennium for non-beneficiary students attending tribal colleges. The 1999 Legislature established this funding as a one-time-only appropriation.

LFD COMMENT	<p>In 1995, the legislature appropriated \$1.4 million from the general fund to the Board of Regents for the 1997 biennium as financial support for non-beneficiary students attending tribal colleges. The legislature was concerned with ensuring that students had continued access to the tribal colleges, which was expressed in the "whereas" clauses in the appropriations bill (HB 544). No funds were appropriated for this purpose by the 1997 legislature; the 1999 legislature appropriated \$417,000 per year for the 2001 biennium.</p> <p>In fiscal 2000, \$417,000 was allocated to the tribal colleges on behalf of the 286.29 non-beneficiary student full-time equivalent (FTE) certified by the tribal colleges. This represents approximately \$1,457 per non-beneficiary FTE.</p>
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Program Proposed Budget	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03
<i>Budget Item</i>								
FTE	43.20	0.00	3.00	46.20	0.00	3.00	46.20	46.20
Personal Services	1,351,898	78,344	98,451	1,528,693	87,411	98,865	1,538,174	3,066,867
Operating Expenses	3,143,991	155,711	4,585,380	7,885,082	158,537	4,789,131	8,091,659	15,976,741
Equipment	0	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	18,462,439	0	6,812,849	25,275,288	0	9,300,378	27,762,817	53,038,105
Debt Service	3,748	0	0	3,748	0	0	3,748	7,496
Total Costs	\$22,962,076	\$234,055	\$11,496,680	\$34,692,811	\$245,948	\$14,188,374	\$37,396,398	\$72,089,209
Federal Special	22,962,076	234,055	11,496,680	34,692,811	245,948	14,188,374	37,396,398	72,089,209
Total Funds	\$22,962,076	\$234,055	\$11,496,680	\$34,692,811	\$245,948	\$14,188,374	\$37,396,398	\$72,089,209

Program Description

The Montana Guaranteed Student Loan Program (MGSLP) administers the Federal Family Education Loan Program (FFELP) in Montana. The Federal Family Education Loan Program is a cooperative effort between the federal government and private lenders, through which funds are provided to students for the costs associated with a postsecondary education. MGSLP guarantees loans made by Montana lenders. MGSLP's guarantee makes it feasible for lenders to loan money to students who might otherwise be unable to borrow.

MGSLP's services include application processing, disbursement services, a toll-free customer service phone line, default prevention counseling, claim processing, collection of defaulted student loans and the administration of the Montana High School Honor Scholarship Program.

Funding

This program is funded with a combination of federal and private revenues from the loan services provided.

Present Law Adjustments									
-----Fiscal 2002-----					-----Fiscal 2003-----				
FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services				96,959					106,306
Vacancy Savings				(38,793)					(39,073)
Inflation/Deflation				(1,044)					(126)
Fixed Costs				1,755					563
Total Statewide Present Law Adjustments				\$58,877					\$67,670
DP 1203 - GSL-Increase Service Fees	0.00	0	0	155,000	0.00	0	0	158,100	158,100
DP 1208 - GSL - Overtime Pay	0.00	0	0	20,178	0.00	0	0	20,178	20,178
Total Other Present Law Adjustments	0.00	\$0	\$0	\$175,178	0.00	\$0	\$0	\$178,278	\$178,278
Grand Total All Present Law Adjustments				\$234,055					\$245,948

Executive Present Law Adjustments

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DP 1203 - GSL-Increase Service Fees - The Executive Budget adds \$155,000 in fiscal 2002 and \$158,100 in fiscal 2003 to the Guaranteed Student Loan Program. This increase is to cover anticipated cost increases in the agency's contract for professional and administrative services, relative to maintaining the software servicing system and the database for the agency student loan portfolio.

LFD COMMENT The agency spent approximately \$727,000 for these contracted services in fiscal 2000. The requested adjustment represents, approximately, a 21 percent increase from the base budget. The current contract expires October 2001. For this reason, the fiscal 2002 adjustment could be reduced 25 percent to reflect the delayed effective date of the new contract.

DP 1208 - GSL - Overtime Pay - The Executive Budget restores the funds to meet overtime pay expenditures at the level experienced in fiscal 2000.

LFD COMMENT Overtime pay is automatically removed from base year expenditures and must be re-justified to the legislature each biennium. Overtime pay is typically not budgeted separately from other personal services. This program has experienced sufficient vacancy savings in each of the last three years to pay for the level of overtime pay requested.

New Proposals	-----Fiscal 2002-----					-----Fiscal 2003-----					
	Prgm	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
DP 1201 - GSL-Additional FTE	12	3.00	0	0	98,451	98,451	3.00	0	0	98,865	98,865
DP 1204 - GSL-Change in Accounting	12	0.00	0	0	11,148,229	11,148,229	0.00	0	0	13,839,509	13,839,509
DP 1205 - GSL-Default Resolution Funds	12	0.00	0	0	100,000	100,000	0.00	0	0	100,000	100,000
DP 1206 - GSL Scholarship/Grant Program	12	0.00	0	0	150,000	150,000	0.00	0	0	150,000	150,000
Total		3.00	\$0	\$0	\$11,496,680	\$11,496,680	3.00	\$0	\$0	\$14,188,374	\$14,188,374

New Proposals

DP 1201 - GSL-Additional FTE - The Executive Budget proposes the addition of three FTE, who would provide additional default reduction services, expand the availability of financial aid services via the Internet, and expand agency scholarship and grant programs to Montana students. Specific positions include one FTE default prevention counselor, one FTE webmaster, and one FTE scholarship coordinator.

DP 1204 - GSL-Change in Accounting - Prior to FY 2000, MGSLP recorded the defaulted student loan dollars collected at net value (total dollar amount received less the amount to be remitted to the Department of Education as per federal regulation). The Legislative Auditor has suggested that the accounting method be changed to reflect the gross receipt of funds as revenue, and the amount remitted to the Department of Education as expenditure. As a result, the agency needs the expenditure authority to make this accounting change, which is estimated at \$11.1 million for fiscal 2002 and \$13.8 million for fiscal 2003. This decision package carries no overall fiscal impact.

DP 1205 - GSL-Default Resolution Funds - The Executive Budget proposes adding \$100,000 in spending authority to the MGSLP budget annually, in order to provide new default reduction services and activities. Funding comes from interest earned on reserved funds earmarked for transfer to the federal government in September 2002, as required by the federal Balanced Budget Act of 1997.

**LFD
COMMENT**

The federal government allows the MSGLP to use the interest earned on recalled reserve funds for "new" default reduction activities, or default reduction activities not currently provided by the agency.

DP 1206 - GSL Scholarship/Grant Program - The Executive budget proposes the institution of two new scholarship/grant programs to be funded from the MGSLP agency operating fund:

- 1) \$50,000 annually for targeted low-income students as part of the state's match for the GEAR UP program (see the Talent Search program narrative); and
- 2) \$100,000 annually for an agency educational grant/scholarship for approximately 50 low-income Montana residents attending a Montana college or university.

**LFD
COMMENT**

The scholarship and grant program proposed in the Executive Budget is a new initiative of the Montana University System. Both programs are proposed to be ongoing. The GEAR UP program targets middle and high schools in high poverty areas. The proposal includes the award of 50 \$250 college savings plans for student essay contest winners as well as the provision of a basic calculator, financial aid and financial planning information for approximately 3,450 students and their parents.

The \$100,000 scholarship proposal is intended for students who are deemed to be at risk of withdrawing from school for financial reasons. The maximum scholarship amount would be \$1,000. As many as 100 students would benefit from this proposal each year.

Program Proposed Budget									
<i>Budget Item</i>	Base Budget Fiscal 2000	PL Base Adjustment Fiscal 2002	New Proposals Fiscal 2002	Total Exec. Budget Fiscal 2002	PL Base Adjustment Fiscal 2003	New Proposals Fiscal 2003	Total Exec. Budget Fiscal 2003	Total Exec. Budget Fiscal 02-03	
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Personal Services	11,150	0	0	11,150	0	0	11,150	22,300	
Operating Expenses	32,612	0	0	32,612	0	0	32,612	65,224	
Total Costs	\$43,762	\$0	\$0	\$43,762	\$0	\$0	\$43,762	\$87,524	
General Fund	43,762	0	0	43,762	0	0	43,762	87,524	
Total Funds	\$43,762	\$0	\$0	\$43,762	\$0	\$0	\$43,762	\$87,524	

Program Description

The Board of Regents has full power, responsibility, and authority to supervise, coordinate, manage, and control the university system. In addition, the board supervises and coordinates other public educational institutions as assigned by law.

Funding

Funding is entirely from the general fund.

	-----Fiscal 2002-----					-----Fiscal 2003-----				
	FTE	General	State Special	Federal Special	Total Funds	FTE	General	State Special	Federal Special	Total Funds
Personal Services					(11,150)					(11,150)
Total Statewide Present Law Adjustments					(\$11,150)					(\$11,150)
DP 131 - Regents' Per Diem	0.00	11,150	0	0	11,150	0.00	11,150	0	0	11,150
Total Other Present Law Adjustments	0.00	\$11,150	\$0	\$0	\$11,150	0.00	\$11,150	\$0	\$0	\$11,150
Grand Total All Present Law Adjustments					\$0					\$0

Executive Present Law Adjustments

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DP 131 - Regents' Per Diem - The Executive Budget includes per diem expenses for Board of Regents members, based on actual fiscal 2000 expenditures. Per diem is a zero-based item. The adjustment is made to reestablish the statutorily-required expenditure. Regents are paid \$50 per meeting day plus expenses, as per 20-2-113, MCA.