

# COMMISSIONER OF HIGHER EDUCATION

## Section E

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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#### -----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

#### -----Committee Members-----

##### House

Representative David Bedey (Chair)  
Representative Brad Barker  
Representative Llew Jones  
Representative Connie Keogh  
Representative Eric Matthews

##### Senate

Senator John Fuller (Vice Chair)  
Senator Matt Regier  
Senator Jonathan Windy Boy

#### -----Fiscal Division Staff-----

Julia Pattin  
Katie Guenther  
Kurt Swimley  
Alexandra Ghosh

**Agency Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Agency Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		Percent
	FY 2025	FY 2026	FY 2027	Amount		
PB	11.00	11.00	11.00	0.00		0.0%
Proprietary Funds	175,504,663	168,720,511	168,722,578	(13,566,237)		(3.9%)
<b>Total Funds</b>	<b>175,504,663</b>	<b>168,720,511</b>	<b>168,722,578</b>	<b>(13,566,237)</b>		<b>(3.9%)</b>
Personal Services	1,155,149	1,149,221	1,151,230	(9,847)		(0.4%)
Operating Expenses	24,432,324	24,432,144	24,432,202	(302)		(0.0%)
Benefits & Claims	149,872,471	143,094,427	143,094,427	(13,556,088)		(4.5%)
Debt Service	44,719	44,719	44,719			0.0%
<b>Total Expenditures</b>	<b>175,504,663</b>	<b>168,720,511</b>	<b>168,722,578</b>	<b>(13,566,237)</b>		<b>(3.9%)</b>
<b>Total Ongoing</b>	<b>175,504,663</b>	<b>168,720,511</b>	<b>168,722,578</b>	<b>(13,566,237)</b>		<b>(3.9%)</b>
<b>Total One-Time-Only</b>						<b>0.0%</b>

**Agency Highlights**

**Office of the Commissioner of  
Higher Education**

**Major Budget Highlights**

The Office of the Commissioner of Higher Education's 2027 biennium proposed proprietary budget is approximately \$13.6 million less in the 2027 biennium than the FY 2025 base budget

- The Montana University System (MUS) Group Insurance Program budget request is approximately \$6.8 million less in both FY 2026 and FY 2027 than the FY 2025 base biennium. There are two funds budgeted in this program:
  - The MUS Group Insurance Program fund has estimated expenses that are approximately \$6.8 million less in FY 2026 and FY 2027 than was estimated for FY 2025. Almost all of the reduction is estimated to impact benefits and claims authority
  - The MUS Flexible Spending Account is estimated to have identical expenses in FY 2026 and FY 2027 as are estimated for FY 2025
- The proposed MUS Worker's Compensation Program budget for FY 2026 and FY 2027 is similar to the FY 2025 base budget. This program has one budgeted fund, the MUS Self-Funded Workers' Compensation fund

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Commissioner of Higher Education 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0 175,504,663</b>	<b>104.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0 175,504,663</b>	<b>104.0%</b>
Statewide PL										
Personal Services	0	0	0	(5,928)	(0.0%)	0	0	0	(3,919)	(0.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	(180)	(0.0%)	0	0	0	(122)	(0.0%)
<b>Total Statewide PL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,108)</b>	<b>(0.0%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(4,041)</b>	<b>(0.0%)</b>
Present Law (PL)										
New Proposals	0	0	0	(6,778,044)	(4.0%)	0	0	0	(6,778,044)	(4.0%)
	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,784,152)</b>	<b>(4.0%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,782,085)</b>	<b>(4.0%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0 168,720,511</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0 168,722,578</b>	

Funding

The following table shows proposed agency funding for all sources of authority.

Total Commissioner of Higher Education Funding by Source of Authority 2027 Biennium Budget Request							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
<b>01100 General Fund</b>	<b>622,353,237</b>	<b>1,000,000</b>		<b>8,177,875</b>	<b>631,531,112</b>	<b>57.8%</b>	
02443 University Millage	71,986,532				71,986,532	6.6%	
02943 Rural Physicians Account				3,335,360	3,335,360	0.3%	
02111 Accommodation Tax Account				2,932,888	2,932,888	0.3%	
02027 STEM Scholarships				2,111,054	2,111,054	0.2%	
02944 Motorcycle Safety Training	1,160,318				1,160,318	0.1%	
Other State Special Revenue	3,654,647				3,654,647	0.3%	
<b>State Special Revenue Total</b>	<b>76,801,497</b>		-	<b>8,379,302</b>	<b>85,180,799</b>	<b>7.8%</b>	
03215 Carl Perkins Federal Funds	13,951,935				13,951,935	1.3%	
03042 2nd GEAR UP Grant	13,768,862				13,768,862	1.3%	
03400 Guaranteed Std. Loan-Admin.	4,649,842				4,649,842	0.4%	
03412 GEAR UP Federal Schol 2005	3,290,686				3,290,686	0.3%	
03806 Talent Search	2,122,811				2,122,811	0.2%	
Other Federal Special Revenue	114,068				114,068	0.0%	
<b>Federal Special Revenue Total</b>	<b>37,898,204</b>		-	-	<b>37,898,204</b>	<b>3.5%</b>	
06008 MUS Group Insurance Program			301,147,260		301,147,260	27.5%	
06009 MUS Flexible Spending Account			26,793,976		26,793,976	2.5%	
06082 MUS Self-Funded Workers Comp			9,501,853		9,501,853	0.9%	
06539 Indirect Costs OCHE	1,446,930				1,446,930	0.1%	
<b>Proprietary Fund Total</b>	<b>1,446,930</b>		<b>337,443,089</b>	-	<b>338,890,019</b>	<b>31.0%</b>	
<b>Total of All Funds</b>	<b>738,499,868</b>	<b>1,000,000</b>	<b>337,443,089</b>	<b>16,557,177</b>	<b>1,093,500,134</b>		
<b>Percent of All Sources of Authority</b>	<b>67.5%</b>	<b>0.1%</b>	<b>30.9%</b>	<b>1.5%</b>			

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

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

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

**Agency Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	11.00	11.00	11.00	11.00
Personal Services	1,045,773	1,103,615	1,155,149	1,149,221	1,151,230
Operating Expenses	8,222,372	24,239,305	24,432,324	24,432,144	24,432,202
Benefits & Claims	121,768,958	149,872,471	149,872,471	143,094,427	143,094,427
Debt Service	44,721	44,722	44,719	44,719	44,719
<b>Total Expenditures</b>	<b>\$131,081,824</b>	<b>\$175,260,113</b>	<b>\$175,504,663</b>	<b>\$168,720,511</b>	<b>\$168,722,578</b>
Proprietary Funds	131,081,824	175,260,113	175,504,663	168,720,511	168,722,578
<b>Total Funds</b>	<b>\$131,081,824</b>	<b>\$175,260,113</b>	<b>\$175,504,663</b>	<b>\$168,720,511</b>	<b>\$168,722,578</b>
<b>Total Ongoing</b>	<b>\$131,081,824</b>	<b>\$175,260,113</b>	<b>\$175,504,663</b>	<b>\$168,720,511</b>	<b>\$168,722,578</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Agency Description*

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

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

Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-e/office-of-commissioner-of-higher-education/> for additional information about the agency’s organization structure, historical expenditures, goals and objectives, and recent studies and audits.

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

Overall, the Office of the Commissioner of Higher Education expended 74.8% of its \$175.3 million proprietary budget as of the end of FY 2024. This is slightly higher than typical expenditure levels, but not an uncommon expenditure level. The five-year average expenditure rate for the MUS Group Insurance Program and the Workers’ Comp Program between FY 2019 and FY 2024 was 65.6% (excluding FY 2021, as the COVID-19 pandemic affected expenditure rates for that year). Of these, FY 2022 had a high rate of 73.8% while FY 2023 had a low rate of 56.9% expenditures. Lower expenditure rates are common for these funds, as they are budgeted so that more funds are available than are needed in an average year, but may be needed in the event of high benefit and claims expenses.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

The proprietary FY 2025 appropriations for OCHE were similar to the FY 2024 appropriations.

**Program Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison					
Budget Item	Base Budget FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	10.00	10.00	10.00	0.00	0.0%
Proprietary Funds	170,753,076	163,969,587	163,971,649	(13,564,916)	(4.0%)
<b>Total Funds</b>	<b>170,753,076</b>	<b>163,969,587</b>	<b>163,971,649</b>	<b>(13,564,916)</b>	<b>(4.0%)</b>
Personal Services	1,031,989	1,026,708	1,028,717	(8,553)	(0.4%)
Operating Expenses	22,809,481	22,809,317	22,809,370	(275)	(0.0%)
Benefits & Claims	146,872,471	140,094,427	140,094,427	(13,556,088)	(4.6%)
Debt Service	39,135	39,135	39,135		0.0%
<b>Total Expenditures</b>	<b>170,753,076</b>	<b>163,969,587</b>	<b>163,971,649</b>	<b>(13,564,916)</b>	<b>(4.0%)</b>
<b>Total Ongoing</b>	<b>170,753,076</b>	<b>163,969,587</b>	<b>163,971,649</b>	<b>(13,564,916)</b>	<b>(4.0%)</b>
<b>Total One-Time-Only</b>					<b>0.0%</b>

**Program Highlights**

<b>MUS Group Insurance Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The MUS Group Insurance Program is funded with an enterprise fund, which is a type of proprietary fund. It is not appropriated in HB 2</li> <li>• The MUS Group Insurance Program's 2027 biennium appropriations are approximately \$13.6 million, or 4.0%, lower than the FY 2025 base budget in order to align appropriations with actuarial trends related to claims and program expenses</li> <li>• The Montana University System is required to operate the program to maintain the plan on an actuarially sound basis</li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Mus Group Insurance Program 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>170,753,076</b>	<b>104.1%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>170,753,076</b>	<b>104.1%</b>
Statewide PL										
Personal Services	0	0	0	(5,281)	(0.0%)	0	0	0	(3,272)	(0.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	(164)	(0.0%)	0	0	0	(111)	(0.0%)
Total Statewide PL	0	0	0	(5,445)	(0.0%)	0	0	0	(3,383)	(0.0%)
Present Law (PL)	0	0	0	(6,778,044)	(4.1%)	0	0	0	(6,778,044)	(4.1%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,783,489)</b>	<b>(4.1%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(6,781,427)</b>	<b>(4.1%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>163,969,587</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>163,971,649</b>	

The executive is proposing a decrease of approximately \$6.8 million in FY 2026 and \$6.8 million in FY 2027 below the FY 2025 base appropriations. The changes are almost entirely due to a change package the executive has requested to align appropriations with actuarial trends to claims and program expenses. Notably, proposed funds for benefits and claims from the MUS Group Insurance Program fund are lower than were requested in FY 2024 and in FY 2025. This change is intended to bring total authority more in line with what would be needed in the event of catastrophic claims, actual expenses are still increasing within the program and are expected to continue to increase. Proposed statewide present law adjustments for personal services also reduce expenditures by approximately \$5,000 in FY 2026 and \$3,000 in FY 2027.

**Funding**

The following table shows proposed program funding for all sources of authority.

Commissioner of Higher Education, 05-Mus Group Insurance Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0.0%	
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	
06008 MUS Group Insurance Program	0	0	301,147,260	0	301,147,260	91.8%	
06009 MUS Flexible Spending Account	0	0	26,793,976	0	26,793,976	8.2%	
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$327,941,236</b>	<b>\$0</b>	<b>\$327,941,236</b>	<b>100.0%</b>	
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$327,941,236</b>	<b>\$0</b>	<b>\$327,941,236</b>		

*Non-Budgeted Proprietary Funds*

The MUS Group Insurance Program is funded with enterprise type proprietary funds. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. These funds are discussed in more detail in the Proprietary Rates section of the narrative.

**Program Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	10.00	10.00	10.00	10.00
Personal Services	929,571	986,404	1,031,989	1,026,708	1,028,717
Operating Expenses	7,205,810	22,632,247	22,809,481	22,809,317	22,809,370
Benefits & Claims	120,137,690	146,872,471	146,872,471	140,094,427	140,094,427
Debt Service	39,134	39,135	39,135	39,135	39,135
<b>Total Expenditures</b>	<b>\$128,312,205</b>	<b>\$170,530,257</b>	<b>\$170,753,076</b>	<b>\$163,969,587</b>	<b>\$163,971,649</b>
Proprietary Funds	128,312,205	170,530,257	170,753,076	163,969,587	163,971,649
<b>Total Funds</b>	<b>\$128,312,205</b>	<b>\$170,530,257</b>	<b>\$170,753,076</b>	<b>\$163,969,587</b>	<b>\$163,971,649</b>
<b>Total Ongoing</b>	<b>\$128,312,205</b>	<b>\$170,530,257</b>	<b>\$170,753,076</b>	<b>\$163,969,587</b>	<b>\$163,971,649</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*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.

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

The MUS Group Insurance Program is funded with non-budgeted proprietary funds and not included in HB 2. Approximately \$128.3 million, or 75.2% of the FY 2024 non-budgeted proprietary funds were expended. This is in line with the five-year average from FY 2017 through FY 2023 of 69.7% (FY 2021 is excluded in this comparison due to abnormal expenditures associated with the COVID-19 pandemic). Most of the unexpended authority was appropriated for benefits and claims or operating expenses. This program is budgeted so that more funds are available than are necessary in a typical year but may be needed in the event of unusually high amounts of claims and expenses.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

Appropriations for FY 2025 were approximately \$223,000, 0.1% higher in FY 2025 than in FY 2024. Slightly higher appropriations in FY 2025 are due to higher adjustments used in the FY 2025 statewide present law inflation adjustment.

The Group Insurance Program is funded with two enterprise proprietary funds: MUS Group Insurance and MUS Flexible Spending.

**MUS Group Insurance Program - 06008**

*Proprietary 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. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis. The community colleges also participate in this program.



Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency Number	Agency Name	Program Name		
06008	MUS Group Insurance	51020	Office of the Commissioner of Higher Education	MUS Group Insurance		
			Actual	Budgeted	Proposed	Proposed
			FY 2024	FY 2025	FY 2026	FY 2027
<b>Operating Revenues</b>						
<b>Fees and Charges</b>						
	BOI Investment Earnings		5,231,251	5,250,000	5,350,000	5,450,000
	Contributions/Premiums		105,045,206	110,000,000	110,000,000	110,000,000
	Prescription Rebates		10,834,542	13,000,000	15,000,000	17,000,000
	<b>Total Operating Revenues</b>		<b>121,110,999</b>	<b>128,250,000</b>	<b>130,350,000</b>	<b>132,450,000</b>
<b>Expenses</b>						
	Personal Services		959,116	1,031,989	1,026,708	1,028,717
	Other Operating Expense					
	Operating Expense		7,166,991	22,086,914	22,086,751	22,086,804
	Benefits & Claims		116,644,507	134,198,049	127,420,005	127,420,005
	Debt Service		4,989	39,135	39,135	39,135
	<b>Total Operating Expense</b>		<b>124,775,603</b>	<b>157,356,087</b>	<b>150,572,599</b>	<b>150,574,661</b>
	<b>Operating Income (Loss)</b>		<b>(3,664,604)</b>	<b>(29,106,087)</b>	<b>(20,222,599)</b>	<b>(18,124,661)</b>
	Nonoperating Revenues		-	-	-	-
	<b>Total Nonoperating Revenues (Expenses)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Income (Loss) Before Contributions and Transfers</b>		<b>(3,664,604)</b>	<b>(29,106,087)</b>	<b>(20,222,599)</b>	<b>(18,124,661)</b>
	<b>Change in Net Position</b>		<b>(3,664,604)</b>	<b>(29,106,087)</b>	<b>(20,222,599)</b>	<b>(18,124,661)</b>
	<b>Beginning Net Position - July 1</b>		<b>99,843,831</b>	<b>96,179,227</b>	<b>67,073,140</b>	<b>46,850,541</b>
	Prior Period Adjustments					
	Change in Net Position		(3,664,604)	(29,106,087)	(20,222,599)	(18,124,661)
	<b>Ending Net Position - June 30</b>		<b>96,179,227</b>	<b>67,073,140</b>	<b>46,850,541</b>	<b>28,725,880</b>

Revenues

Revenue in this program comes from:

- Employer-paid contributions toward insurance premiums
- Employee-paid contributions toward insurance premiums
- Employee payments to flexible spending accounts

The agency is projecting steady revenues in the 2027 biennium. The revenue projections exclude any premium rate increases or state share increase.

Expenditures

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration

The Office of the Commissioner of Higher Education receives actuarial reports regarding the MUS Group Insurance Program. These reports provide projections with low and high trend scenarios. The tables below show both trend assumptions as provided by Actuaries Northwest, LLC in its June 30, 2024 actuarial report.

Commissioner of Higher Education MUS Group Insurance Program Low Trend Assumptions by Actuaries Northwest, LLC						
	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	\$ Change 25B - 27B	% Change 25B - 27B
Medical Claims	\$ 82,796,761	\$ 87,764,566	\$ 93,030,440	\$ 98,612,267	\$ 21,081,380	12.4%
Rx Claims	19,872,963	21,661,529	23,611,067	25,736,063	7,812,638	18.8%
Part D	(3,231,725)	(3,522,580)	(3,839,612)	(4,185,177)	(1,270,485)	18.8%
Dental Claims	5,520,415	5,741,231	5,970,880	6,209,716	918,950	8.2%
Vision Claims	1,010,824	1,041,149	1,072,383	1,104,555	124,965	6.1%
Screenings/Vaccines	1,276,958	1,289,727	1,302,624	1,315,651	51,590	2.0%
Change in IBNR	86,274	614,816	660,742	706,897	666,549	95.1%
<b>Total Claims Expense</b>	<b>\$ 107,332,469</b>	<b>\$ 114,590,439</b>	<b>\$ 121,808,525</b>	<b>\$ 129,499,970</b>	<b>\$ 29,385,588</b>	<b>13.2%</b>

Commissioner of Higher Education MUS Group Insurance Program High Trend Assumptions by Actuaries Northwest, LLC						
	Actual FY 2024	Projected FY 2025	Projected FY 2026	Projected FY 2027	\$ Change 25B - 27B	% Change 25B - 27B
Medical Claims	\$ 82,796,761	\$ 90,248,469	\$ 98,370,832	\$ 107,224,206	\$ 32,549,808	18.8%
Rx Claims	19,872,963	22,257,718	24,928,644	27,920,082	10,718,045	25.4%
Part D	(3,231,725)	(3,619,532)	(4,053,876)	(4,540,341)	(1,742,960)	25.4%
Dental Claims	5,520,415	5,851,640	6,202,738	6,574,902	1,405,586	12.4%
Vision Claims	1,010,824	1,061,365	1,114,433	1,170,155	212,399	10.3%
Screenings/Vaccines	1,276,958	1,289,727	1,302,624	1,315,651	51,590	2.0%
Change in IBNR	86,274	765,209	775,836	852,742	777,096	91.3%
<b>Total Claims Expense</b>	<b>\$ 107,332,469</b>	<b>\$ 117,854,596</b>	<b>\$ 128,641,232</b>	<b>\$ 140,517,398</b>	<b>\$ 43,971,564</b>	<b>19.5%</b>

*Proprietary Rates*

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

The MUS Group Insurance Program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

**MUS Flex Spending Account - 06009**

*Program Description*

The flexible spending account is an optional selection for each employee to participate in or not. Employees can elect to set aside a certain amount of their pay into accounts to pay dependent care and out-of-pocket medical costs. The "set aside" funds are withdrawn from employee pay prior to assessment of taxes, effectively lowering employee taxable pay. Employees must submit claims to use the funds deposited in the accounts for allowable expenses. The funds are managed by a third party and are distributed to employees as claims are made.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency Number	Agency Name	Program Name		
06009	MUS Flexible Spending	51020	Office of the Commissioner of Higher Education	MUS Group Insurance		
			Actual FY 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
<b>Operating Revenues</b>						
<b>Fees and Charges</b>						
	Contributions/Premiums		4,199,699	13,396,988	13,396,988	13,396,988
<b>Total Operating Revenues</b>			4,199,699	13,396,988	13,396,988	13,396,988
<b>Expenses</b>						
	Personal Services		-	-	-	-
	Other Operating Expense					
	Operating Expense		74,467	722,566	722,566	722,566
	Benefits & Claims		3,493,183	12,674,422	12,674,422	12,674,422
<b>Total Operating Expense</b>			3,567,650	13,396,988	13,396,988	13,396,988
<b>Operating Income (Loss)</b>			632,049	-	-	-
<b>Income (Loss) Before Contributions and Transfers</b>			632,049	-	-	-
<b>Change in Net Position</b>			632,049	-	-	-
<b>Beginning Net Position - July 1</b>			997,141	1,629,190	1,629,190	1,629,190
	Prior Period Adjustments					
	Change in Net Position		632,049	-	-	-
<b>Ending Net Position - June 30</b>			1,629,190	1,629,190	1,629,190	1,629,190

**LFD COMMENT**

Expenses included in the table above for FY 2025 through FY 2027 include authority for all employees to participate in the flexible spending account program.

*Revenues*

Revenue in this program comes from:

- Employee payments to flexible spending accounts

The agency is projecting level revenues for managing the accounts.

*Proprietary Rates*

The third-party vendor charges an administrative fee for managing the accounts.

The flexible spending account program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(5,281)	0.00	0	0	0	(3,272)
DP 3 - Inflation Deflation	0.00	0	0	0	(164)	0.00	0	0	0	(111)
DP 501 - MUS Group Insurance Authority Adjustment	0.00	0	0	0	(6,778,044)	0.00	0	0	0	(6,778,044)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6,783,489)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6,781,427)</b>

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

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 501 - MUS Group Insurance Authority Adjustment -

The executive proposes an adjustment of proprietary authority to align actuarial trends to claims and program expenses.

**Program Base Budget Comparison**

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Program Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	1.00	1.00	1.00	0.00	0.0%	
Proprietary Funds	4,751,587	4,750,924	4,750,929	(1,321)	(0.0%)	
<b>Total Funds</b>	<b>4,751,587</b>	<b>4,750,924</b>	<b>4,750,929</b>	<b>(1,321)</b>	<b>(0.0%)</b>	
Personal Services	123,160	122,513	122,513	(1,294)	(0.5%)	
Operating Expenses	1,622,843	1,622,827	1,622,832	(27)	(0.0%)	
Benefits & Claims	3,000,000	3,000,000	3,000,000		0.0%	
Debt Service	5,584	5,584	5,584		0.0%	
<b>Total Expenditures</b>	<b>4,751,587</b>	<b>4,750,924</b>	<b>4,750,929</b>	<b>(1,321)</b>	<b>(0.0%)</b>	
<b>Total Ongoing</b>	<b>4,751,587</b>	<b>4,750,924</b>	<b>4,750,929</b>	<b>(1,321)</b>	<b>(0.0%)</b>	
<b>Total One-Time-Only</b>					<b>0.0%</b>	

**Program Highlights**

<b>MUS Workers' Compensation Program Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• The MUS Workers' Compensation Program is funded with an enterprise fund, which is a type of proprietary fund. It is not appropriated in HB 2</li> <li>• The MUS Workers' Compensation Program's 2027 biennium proposed appropriations are similar to FY 2025 base budget</li> <li>• Premium rates are based on actuarial principles and are reviewed by the MUS Workers' Compensation Insurance Committee</li> </ul>

**Executive Request**

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Mus Workers Comp Program 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
<b>Base Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,751,587</b>	<b>100.0%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,751,587</b>	<b>100.0%</b>
Statewide PL										
Personal Services	0	0	0	(647)	(0.0%)	0	0	0	(647)	(0.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	(16)	(0.0%)	0	0	0	(11)	(0.0%)
<b>Total Statewide PL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(663)</b>	<b>(0.0%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(658)</b>	<b>(0.0%)</b>
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
<b>Total Adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(663)</b>	<b>(0.0%)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(658)</b>	<b>(0.0%)</b>
<b>Total Requested Budget</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,750,924</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>4,750,929</b>	

The executive requests for the FY 2027 biennium are similar to the FY 2025 base budget. Approximately \$600 less appropriations are requested in each fiscal year of the biennium for statewide present law personal services adjustments, as well as small reductions for inflation and deflation.

**Funding**

The following table shows proposed program funding for all sources of authority.

Commissioner of Higher Education, 07-Mus Workers Comp Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	0	0	0	0	0	0.0%
<b>State Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
<b>Federal Special Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>
06082 MUS Self-Funded Workers Comp	0	0	9,501,853	0	9,501,853	100.0%
<b>Proprietary Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,501,853</b>	<b>\$0</b>	<b>\$9,501,853</b>	<b>100.0%</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$9,501,853</b>	<b>\$0</b>	<b>\$9,501,853</b>	

*Non-Budgeted Proprietary Funds*

The MUS Workers' Compensation Program is funded with an enterprise type proprietary fund. As such, the legislature does not appropriate funds or approve rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies any concerns with the financial position of the fund. This fund is discussed in the Proprietary Rates section of the narrative.



**Program Actuals and Budget Comparison**

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	1.00	1.00	1.00	1.00
Personal Services	116,202	117,211	123,160	122,513	122,513
Operating Expenses	1,016,562	1,607,058	1,622,843	1,622,827	1,622,832
Benefits & Claims	1,631,268	3,000,000	3,000,000	3,000,000	3,000,000
Debt Service	5,587	5,587	5,584	5,584	5,584
<b>Total Expenditures</b>	<b>\$2,769,619</b>	<b>\$4,729,856</b>	<b>\$4,751,587</b>	<b>\$4,750,924</b>	<b>\$4,750,929</b>
Proprietary Funds	2,769,619	4,729,856	4,751,587	4,750,924	4,750,929
<b>Total Funds</b>	<b>\$2,769,619</b>	<b>\$4,729,856</b>	<b>\$4,751,587</b>	<b>\$4,750,924</b>	<b>\$4,750,929</b>
<b>Total Ongoing</b>	<b>\$2,769,619</b>	<b>\$4,729,856</b>	<b>\$4,751,587</b>	<b>\$4,750,924</b>	<b>\$4,750,929</b>
<b>Total OTO</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

*Program Description*

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

*FY 2024 Appropriation Compared to FY 2024 Actual Expenditures*

Actual expenditures of the MUS Workers Compensation Program in FY 2024 totaled approximately \$2.8 million, or 58.6% of appropriations. Approximately \$1.4 million of unspent authority was designated for benefits and claims, and approximately \$600,000 had been designated for operating expenses. The five-year average from FY 2019 through FY 2023 is 32.7%. Expenditures in this program vary based on workers' compensation claims.

*FY 2024 Appropriations Compared to FY 2025 Appropriations*

FY 2025 appropriations were similar to appropriations in FY 2024. Slightly increased appropriations were due to higher statewide present law adjustments for personal services and inflation/deflation in FY 2025 than in FY 2024.

MUS Self-Funded Workers' Compensation - 06082

Proprietary Program Narrative

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency Number	Agency Name	Program Name		
06082	MUS Self Funded WC	51020	Office of the Commissioner of Higher Education	MUS Workers' Compensation		
			Actual FY 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
<b>Operating Revenues</b>						
<b>Fees and Charges</b>						
	Contributions/Premiums		3,103,178	3,150,000	3,250,000	3,315,000
	BOI Investment Earnings		549,155	500,000	495,000	490,000
	Grants / Transfers			9,000	9,100	9,100
<b>Total Operating Revenues</b>			3,652,333	3,659,000	3,754,100	3,814,100
<b>Expenses</b>						
	Personal Services		119,079	123,160	122,513	122,513
	Other Operating Expense					
	Operating Expense		1,021,651	1,622,843	1,622,827	1,622,832
	Benefits & Claims		1,661,355	3,000,000	3,000,000	3,000,000
	Other Operating Expenses		712	5,584	5,584	5,584
<b>Total Operating Expense</b>			2,802,797	4,751,587	4,750,924	4,750,929
<b>Operating Income (Loss)</b>			849,536	(1,092,587)	(996,824)	(936,829)
<b>Total Nonoperating Revenues (Expenses)</b>			849,536	(1,092,587)	(996,824)	(936,829)
<b>Income (Loss) Before Contributions and Transfers</b>			849,536	(1,092,587)	(996,824)	(936,829)
<b>Change in Net Position</b>			849,536	(1,092,587)	(996,824)	(936,829)
<b>Beginning Net Position - July 1</b>			10,851,688	11,701,224	10,608,637	9,611,813
Change in Net Position			849,536	(1,092,587)	(996,824)	(936,829)
<b>Ending Net Position - June 30</b>			11,701,224	10,608,637	9,611,813	8,674,984

This program is an enterprise fund in which the funding is derived from premiums and investment earnings. Expenditures include claims, reinsurance premiums, debt service, and administrative costs. Debt service is for the bonds that were issued to establish the claim reserve for the program.

*Rate Explanation*

Premium rates for the program are based upon commonly accepted actuarial principles developed by a qualified actuary and reviewed by an oversight committee comprised of university system representatives and the administrator of the State of Montana Risk Management and Tort Defense Division.

Historically, the rates for this program are based on total payroll for two classes of employees: high risk and low risk

The MUS Workers' Compensation Program is funded with an enterprise fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

**Present Law Adjustments**

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(647)	0.00	0	0	0	(647)
DP 3 - Inflation Deflation	0.00	0	0	0	(16)	0.00	0	0	0	(11)
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$663)</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$658)</b>

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

DP 1 - Personal Services -

The executive proposes adjustments to the present law personal services budget.

DP 3 - Inflation Deflation -

The executive proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.