

OFFICE OF PUBLIC INSTRUCTION

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	153.27	153.27	153.27	0.00	0.0%
General Fund	600,133,936	591,432,973	649,927,482	41,092,583	3.4%
State/Other Special Rev. Funds	454,279,835	541,602,027	546,548,468	179,590,825	19.8%
Federal Spec. Rev. Funds	173,965,649	184,338,767	184,349,812	20,757,281	6.0%
Total Funds	1,228,379,420	1,317,373,767	1,380,825,762	241,440,689	9.8%
Personal Services	14,402,364	15,216,679	15,236,187	1,648,138	5.7%
Operating Expenses	20,821,785	22,439,477	25,857,556	6,653,463	16.0%
Local Assistance	1,024,600,340	1,100,236,059	1,160,141,112	211,176,491	10.3%
Grants	165,696,503	175,703,657	175,778,012	20,088,663	6.1%
Transfers	2,818,239	3,737,706	3,772,706	1,873,934	33.2%
Debt Service	40,189	40,189	40,189		0.0%
Total Expenditures	1,228,379,420	1,317,373,767	1,380,825,762	241,440,689	9.8%
Total Ongoing	1,228,379,420	1,316,873,767	1,379,625,762	239,740,689	9.8%
Total One-Time-Only		500,000	1,200,000	1,700,000	0.0%

Agency Highlights

Office of Public Instruction Major Budget Highlights
<p>The Office of Public Instruction's (OPI) 2027 biennium HB 2 budget request is approximately \$241.4 million or 9.8% above the FY 2025 base budget. Significant changes are listed below by program:</p> <ul style="list-style-type: none"> • An increase above the FY 2025 base budget in the State Level Activities Program, totaling approximately \$10.1 million. Major highlights include: <ul style="list-style-type: none"> ◦ Increases for PowerSchool subscription costs related to the database modernization project, IT subscription costs, the Montana Digital Academy Clearinghouse, high school assessment funding, and several other smaller programs ◦ A fund switch from general fund to state special revenue for 2.50 positions budgeted (PB) and their associated personal services costs for administering the teacher licensure system • An increase above the FY 2025 base budget in the Local Education Activities Program, totaling approximately \$231.4 million. Major highlights include: <ul style="list-style-type: none"> ◦ Increases for the K-12 BASE aid inflationary adjustment, countywide school retirement, teacher pay incentives, major maintenance aid, and debt service assistance ◦ Decreases in general fund and increases in state special revenue for K-12 BASE aid for increased revenue from the 95 mills due to the property reappraisal cycle and for the proposed transfer of non-levy revenue associated with the 95 mills from the general fund to the school equalization and property tax reduction (SEPTR) state special revenue account, contingent on legislation ◦ Increases in general fund and decreases in state special revenue for K-12 BASE aid to backfill lost property tax revenue from the 95 mills due to the proposed implementation of homestead and comstead property tax exemptions, contingent on legislation and a proposed increased business equipment tax exemption, also contingent on legislation <p>These changes will be discussed in greater detail in the State Level Activities Program and Local Education Activities Program sections of this report.</p>
Legislative Action Items
<ul style="list-style-type: none"> • Historically, certain appropriations and programs within the Local Education Activities Program have been approved with restricted and/or biennial designations. The legislature may wish to add these designations to these programs, which will be discussed in greater detail within the applicable sections of this report • The legislature may wish to change two appropriations to bring them in line with the HJ 2 revenue estimate for the 95 mills

- The state special revenue appropriation for K-12 BASE aid
- The general fund appropriation for county school retirement
- The legislature may wish to change the K-12 BASE aid general fund appropriation to account for the HJ 2 revenue estimate for the statutorily appropriated guarantee account, which offsets general fund appropriations

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.

Office of Public Instruction 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
Base Budget	600,133,936	454,279,835	173,965,649	1,228,379,420	93.2%	600,133,936	454,279,835	173,965,649	1,228,379,420	89.0%
Statewide PL										
Personal Services	1,042,723	22,805	(753,384)	312,144	0.0%	1,054,883	22,807	(743,867)	333,823	0.0%
Fixed Costs	894,715	(711)	(169,246)	724,758	0.1%	772,352	(700)	(169,096)	602,556	0.0%
Inflation Deflation	(1,425)	(684)	(4,252)	(6,361)	(0.0%)	(963)	(462)	(2,874)	(4,299)	(0.0%)
Total Statewide PL	1,936,013	21,410	(926,882)	1,030,541	0.1%	1,826,272	21,645	(915,837)	932,080	0.1%
Present Law (PL)	(60,635,364)	83,856,885	10,800,000	34,021,521	2.6%	(9,606,702)	91,237,960	10,800,000	92,431,258	6.7%
New Proposals	49,998,388	3,443,897	500,000	53,942,285	4.1%	57,573,976	1,009,028	500,000	59,083,004	4.3%
Total HB 2 A	(8,700,963)	87,322,192	10,373,118	88,994,347	6.8%	49,793,546	92,268,633	10,384,163	152,446,342	11.0%
Total Requested Budget	591,432,973	541,602,027	184,338,767	1,317,373,767		649,927,482	546,548,468	184,349,812	1,380,825,762	

Statewide Present Law Adjustment for Personal Services

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

- Legislative changes – This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program:

Office of Public Instruction FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)				
Program	Legislative Changes	Management Changes	Total Budget Modifications	Decision Package 1
06 State Level Activities	\$283,860	\$28,284	\$0	\$312,144
09 Local Education Activities	-	-	-	-
Grand Total	\$283,860	\$28,284	\$0	\$312,144

All of the Office of Public Instruction's personal services funding and positions budgeted (PB) are funded under the State Level Activities Program, so the Local Education Activities Program does not have a personal services adjustment. The increased statewide present law adjustment for personal services is due to legislative and management changes:

- Decreases from legislative changes were primarily the result of a decrease to back out federal personal services funding for modified positions. The state personal services budgeting process does not reinstate funding for personal services expenditures for modified PB. The funding for these modified PB is often reinstated as part of a separate decision package (see DP 605). Other smaller decreases were due to longevity adjustments. These decreases were partially offset by increases for benefits
- Management changes were primarily made up of increases from the pay plan and from hiring positions at different wage rates, along with some smaller increases for market adjustments, promotions, and other smaller pay changes. These increases in management changes were partially offset by greater budgeted vacancy savings

Elected Official Request

As an elected official, the Superintendent of Public Instruction has the opportunity to request budget items independent of the executive proposal, for consideration by the legislature. Specific details regarding the superintendent's proposal will become available once the new superintendent takes office in January 2025.

Funding

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

Total Office of Public Instruction 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
01100 General Fund	1,239,660,455	1,700,000			1,241,360,455	44.0%
02302 STATE EQUALIZATION AID ACCT	1,021,228,439				1,021,228,439	36.2%
02018 Guarantee Fund				110,872,870	110,872,870	3.9%
02218 School Facility & Tech Account	32,000,000			2,000,000	34,000,000	1.2%
02487 School Fac State Spcl Revenue	30,462,000				30,462,000	1.1%
02402 Traffic & Safety Education	3,624,599				3,624,599	0.1%
Other State Special Revenue	835,457			68,166	903,623	0.0%
State Special Revenue Total	1,088,150,495	-	-	112,941,036	1,201,091,531	42.6%
03170 Grant Clearance Discretionary	331,470,782				331,470,782	11.8%
03002 Public Instruction	37,217,797				37,217,797	1.3%
Federal Special Revenue Total	368,688,579	-	-	-	368,688,579	13.1%
06512 Indirect Cost Pool			7,220,582		7,220,582	0.3%
06067 Advanced Drivers Education			255,788		255,788	0.0%
Proprietary Fund Total	-	-	7,476,370	-	7,476,370	0.3%
Total of All Funds	2,696,499,529	1,700,000	7,476,370	112,941,036	2,818,616,935	
Percent of All Sources of Authority	95.7%	0.1%	0.3%	4.0%		

HB 2 Appropriations

General Fund - General fund accounts for almost half of all HB 2 spending for OPI, and a majority of general fund dollars are passed through to local school districts, primarily as K-12 BASE aid.

State Special Revenue - State special revenues from the 95 school equalization mills, which are the second largest funding source for OPI, are used to fund a large portion of the K-12 BASE aid appropriation. State special revenue also funds certain costs for traffic and safety education, teacher licensure, and school lunches. For additional detail, please see the funding description at the program level.

Federal Special Revenue - OPI receives federal grants that support public education, school nutrition, education for the disadvantaged, special education, professional development for educators, and various other functions. For additional detail, please see the funding description at the program level.

Non-Budgeted Proprietary Funds

Proprietary funds are used for the indirect cost pool and the advanced drivers' education program. For additional detail, please see the funding description at the program level.

Statutory Appropriations

State Special Revenue - A statutory appropriation of state special revenue collected from revenue and interest on common school trust lands is used to fund a large portion of the K-12 BASE aid appropriation. Statutory appropriations of state special revenue also fund certain costs for school facilities, innovative educational programs, and special needs education savings accounts. For additional detail, please see the funding description at the program level.

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	153.27	153.27	153.27	153.27
Personal Services	12,798,606	13,877,493	14,402,364	15,216,679	15,236,187
Operating Expenses	14,171,180	17,234,795	20,821,785	22,439,477	25,857,556
Local Assistance	902,127,261	932,253,505	1,024,600,340	1,100,236,059	1,160,141,112
Grants	162,378,868	165,247,825	165,696,503	175,703,657	175,778,012
Transfers	2,973,276	3,020,365	2,818,239	3,737,706	3,772,706
Debt Service	39,594	39,594	40,189	40,189	40,189
Total Expenditures	\$1,094,488,785	\$1,131,673,577	\$1,228,379,420	\$1,317,373,767	\$1,380,825,762
General Fund	497,363,554	513,216,754	600,133,936	591,432,973	649,927,482
State/Other Special Rev. Funds	428,766,432	444,874,668	454,279,835	541,602,027	546,548,468
Federal Spec. Rev. Funds	168,358,799	173,582,155	173,965,649	184,338,767	184,349,812
Total Funds	\$1,094,488,785	\$1,131,673,577	\$1,228,379,420	\$1,317,373,767	\$1,380,825,762
Total Ongoing	\$1,094,260,320	\$1,131,339,885	\$1,228,379,420	\$1,316,873,767	\$1,379,625,762
Total OTO	\$228,465	\$333,692	\$0	\$500,000	\$1,200,000

Agency Description

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 400 school districts. The core responsibilities of the agency include licensure of educators, accreditation of schools, administration of statewide student assessments, distribution of state and federal grants/aid to schools, collection and reporting of data, and dissemination of information about K-12 education.

Agency staff provide technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, academic standards and curriculum, school finance, and school law. The staff also administer a number of federally funded programs and provide a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Office of Public Instruction's HB 2 budget for FY 2024 was comprised of general fund, state special, and federal special revenue. OPI expended 96.8% of its approximately \$1.1 billion HB 2 modified budget in FY 2024. The majority of general fund and state special revenue appropriations for OPI are biennial, meaning they can be spent at any time over the biennium. Local assistance authority made up the majority of OPI's HB 2 modified budget for FY 2024, at approximately \$932.3 million or 82.7%. Local assistance is paid out to school districts throughout the year and was 96.8% expended, leaving \$30.1 million of the appropriation (primarily K-12 BASE aid) unexpended at fiscal year end. For additional details, please see the appropriation comparison at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations are approximately \$96.7 million or 8.5% higher than the FY 2024 total appropriation, primarily due to increases in local assistance for K-12 BASE aid and retirement guaranteed tax base aid in the Local Education Activities Program. The differences will be discussed in greater detail at the program level.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

The figure below illustrates the beginning FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2025 base budget was agreed upon by the Office of Budget and Program Planning and the Fiscal Division to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Office of Public Instruction Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
<u>Division</u>	<u>Legislative Budget</u>	<u>Executive Modifications</u>	<u>Base Budget</u>	<u>Percent Change</u>
<u>State Level Activities</u>				
Personal Services	\$14,402,364		\$14,402,364	0.0%
Operating Expenses	16,986,378	132,568	17,118,946	0.8%
Grants	750,000		750,000	0.0%
Transfers	2,135,737	(10,000)	2,125,737	-0.5%
Debt Service	162,757	(122,568)	40,189	-75.3%
Total	\$34,437,236	\$0	\$34,437,236	0.0%
<u>Local Education Activities</u>				
Operating Expenses	\$3,227,375	\$475,464	\$3,702,839	14.7%
Local Assistance	1,025,075,804	(475,464)	1,024,600,340	0.0%
Grants	164,946,503		164,946,503	0.0%
Transfers	692,502		692,502	0.0%
Total	\$1,193,942,184	\$0	\$1,193,942,184	0.0%
Agency Total	\$1,228,379,420	\$0	\$1,228,379,420	0.0%

The Office of Public Instruction made several executive modifications to the legislative budget for the State Level Activities Program:

- A transfer of approximately \$123,000 between debt service and operating expenses in order to correctly record lease payments
- A transfer of approximately \$10,000 between transfers-out and operating expenses in order to correctly record expenditures for the teacher licensure system

In the Local Education Activities Program, the only notable change was a transfer of approximately \$475,000 from local assistance to operating expenses in order to correctly record expenditures for school nutrition payments.

HB 2 Language -

LFD COMMENT

Historically, certain language has been included in HB 2 for the Office of Public Instruction. The legislature may wish to include this language in HB 2 again:

"All revenue up to \$1.5 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated for the 2027 biennium as provided in Title 20, chapter 7, part 5."

"All appropriations for federal special revenue appropriations in OPI Administration (06) and in Distribution to Public Schools (09) are biennial. All general fund appropriations in Distribution to Public Schools (09) are biennial except for major maintenance aid and debt service assistance."

"Any excess funds from the school major maintenance aid account in 20-9-525(6) transferred to the school facility and technology account are appropriated for the 2027 biennium for the purpose of state debt service assistance in 20-9-367."

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	153.27	153.27	153.27	0.00	0.0%
General Fund	15,526,319	18,408,044	21,868,946	9,224,352	29.7%
State/Other Special Rev. Funds	680,659	729,708	730,348	98,738	7.3%
Federal Spec. Rev. Funds	18,230,258	18,603,376	18,614,421	757,281	2.1%
Total Funds	34,437,236	37,741,128	41,213,715	10,080,371	14.6%
Personal Services	14,402,364	15,216,679	15,236,187	1,648,138	5.7%
Operating Expenses	17,118,946	18,733,523	22,151,602	6,647,233	19.4%
Grants	750,000	750,000	750,000		0.0%
Transfers	2,125,737	3,000,737	3,035,737	1,785,000	42.0%
Debt Service	40,189	40,189	40,189		0.0%
Total Expenditures	34,437,236	37,741,128	41,213,715	10,080,371	14.6%
Total Ongoing	34,437,236	37,741,128	40,513,715	9,380,371	13.6%
Total One-Time-Only			700,000	700,000	0.0%

Program Highlights

State Level Activities Program Major Budget Highlights

The State Level Activities Program's 2027 biennium HB 2 budget request is approximately \$10.1 million or 14.6% above the FY 2025 base budget. Major highlights include:

- A net increase for the statewide present law adjustment for personal services, made up of increases in general fund and state special revenue and a decrease in federal special revenue
- A net increase for the statewide present law adjustment for fixed costs, made up of an increase in general fund and decreases in state special revenue and federal special revenue
- Decreases in general fund, state special, and federal special revenue for the statewide present law adjustment for inflation/deflation
- An increase in general fund for PowerSchool subscription costs related to the database modernization project
- Increases in general fund for IT subscription costs, the hearing conservation program, the Montana Digital Academy Clearinghouse, Montana Advisory Council on Indian Education meeting costs, school nutrition state match, and high school assessment funding
- Increases in federal special revenue authority to support federally funded part-time modified PB and to cover the costs of administering additional federal grant funding
- A fund switch from general fund to state special revenue for 2.50 PB and their associated personal services costs for administering the teacher licensure system

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.

	State Level Activities 2027 Biennium HB 2 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
Base Budget	15,526,319	680,659	18,230,258	34,437,236	91.2%	15,526,319	680,659	18,230,258	34,437,236	83.6%
Statewide PL										
Personal Services	1,042,723	22,805	(753,384)	312,144	0.8%	1,054,883	22,807	(743,867)	333,823	0.8%
Fixed Costs	894,715	(711)	(169,246)	724,758	1.9%	772,352	(700)	(169,096)	602,556	1.5%
Inflation Deflation	(1,425)	(684)	(4,252)	(6,361)	(0.0%)	(963)	(462)	(2,874)	(4,299)	(0.0%)
Total Statewide PL	1,936,013	21,410	(926,882)	1,030,541	2.7%	1,826,272	21,645	(915,837)	932,080	2.3%
Present Law (PL)	(17,111)	27,639	800,000	810,528	2.1%	(18,501)	28,044	800,000	809,543	2.0%
New Proposals	962,823	0	500,000	1,462,823	3.9%	4,534,856	0	500,000	5,034,856	12.2%
Total HB 2 Adjustments	2,881,725	49,049	373,118	3,303,892	8.8%	6,342,627	49,689	384,163	6,776,479	16.4%
Total Requested Budget	18,408,044	729,708	18,603,376	37,741,128		21,868,946	730,348	18,614,421	41,213,715	

All of the Office of Public Instruction's agency level operations, administrative funding, and positions budgeted (PB) are budgeted under the State Level Activities Program. Because this funding is budgeted within one program, the agency has some flexibility to move funding within the program among these categories as needed without executive modifications as long as the categories do not have other restrictions, such as restricted line item appropriation designations or federal spending requirements. The categories are shown to provide a better understanding of the allocation for the various functions of the program. The figures below summarize the proposed State Level Activities Program budget by purpose by fiscal year:

State Level Activities Proposed HB 2 Budget by Category					
Category	Fund Type	Actuals FY 2024	Budget FY 2025	Proposed FY 2026	Proposed FY 2027
Administration	General Fund	\$9,621,336	\$12,088,948	\$14,027,977	\$17,453,879
	State Special Revenue	204,371	325,422	343,334	343,559
	Federal Special Revenue	3,305,421	5,338,296	4,738,051	4,740,137
	Total	13,131,128	17,752,666	19,109,362	22,537,575
Audiology	General Fund	814,879	561,634	629,330	629,330
Indian Language Preservation	General Fund	750,000	750,000	750,000	750,000
Montana Digital Academy	General Fund	2,077,863	2,125,737	3,000,737	3,035,737
Teacher Licensure	State Special Revenue	175,238	355,237	386,374	386,789
Carl Perkins Grant	Federal Special Revenue	464,431	559,956	483,513	484,537
School Nutrition	Federal Special Revenue	2,733,290	2,481,593	3,378,366	3,380,144
Special Education Programs	Federal Special Revenue	3,829,541	5,371,058	5,521,519	5,525,388
Title Programs	Federal Special Revenue	3,486,312	4,479,355	4,481,927	4,484,215
Total Funds		\$27,462,682	\$34,437,236	\$37,741,128	\$41,213,715

Of the \$34.4 million FY 2025 base budget allocation, 51.6% of HB 2 funding was budgeted for the general administration of the Office of Public Instruction. This funding is comprised of general fund, state special revenue, and federal special revenue. The general administration of OPI includes function for assessment, career and technical education, content standard and instruction, health education, health and safety enhancement, information and data technology, legal services, memberships to national education organizations, student support services, school improvement grants, and other grants to local school districts. Also included are the personal services costs for sending out K-12 funding to local school districts and administering or implementing certain programs including the Administrative Review and Training (ART) Grant, Adult Basic Education, Indian Education for All, Substance Abuse and Mental Health Services (SAMHSA), and the Youth Risk Behavior Survey (YRBS).

In addition to the general administration of OPI, other general fund appropriations for the State Level Activities Program include:

- Audiology - the Individuals with Disabilities Education Act (IDEA) requires schools to have a system in place for children suspected of having disabilities, including hearing loss, through the age of 21. The OPI Hearing Conservation Program is the primary method for schools to ensure proper identification of students with hearing impairments. OPI and the Department of Public Health and Human Services (DPHHS) administer the program, which mandates hearing screenings for children in kindergarten, 1st grade, and either 9th or 10th grade. The public school takes on the primary responsibility for conducting screenings, but OPI contracts with audiologists to provide hearing screenings and provides the hearing screening equipment
- The Montana Indian Language Preservation Program (ILP) - the ILP program was established to support efforts of Montana tribes to preserve native languages and to meet the state's educational goal of preserving the cultural integrity of American Indians under the Montana constitution. During the 2025 biennium, eight tribal nations received an award of \$187,500 for language preservation activities, including the creation of digitized language products, recordings of stories and book publishing, online classes, development of interactive language dictionaries, and curriculum development for summer language immersion classes
- The Montana Digital Academy (MTDA) - MTDA was established by the legislature in 2009 as a supplemental online program for students attending K-12 schools in Montana. The MTDA offers online courses and instruction to supplement local school coursework, primarily for high school and middle school students. Since the MTDA is not a traditional school and is not designed as a primary avenue for providing a student's education, it does not take enrollments directly from students or their parents. Typically, all funds for the MTDA are expended by OPI in a one-time payment to the MTDA at the beginning of each fiscal year. The MTDA can then expend the funds as needed throughout the school year, but those expenditures are not shown as part of the OPI budget

State special revenue for OPI includes administrative costs and the teacher licensure system:

- Teacher Licensure - the new TeachMT teacher licensure system was created with federal COVID-19 funding from the Elementary and Secondary School Emergency Relief Fund (ESSER). However, the system has ongoing costs for upkeep and maintenance that are not funded with federal dollars and are instead supported by a state special revenue account which collects teacher licensure fees

In addition to the general administration of OPI, federal funding includes the Carl Perkins career and technical education grant, school nutrition funding, special education programs, and the Title Programs:

- Carl Perkins Grant - a federal program that provides funding to states in order to more fully develop the academic, career, and technical skills of secondary and post secondary students who elect to enroll in career and technical education (CTE) programs
- School nutrition funding - federal programs provide funding for school lunch programs, school breakfast programs, summer food service programs, fresh fruit & vegetable program, and other school nutrition programs
- Special education - the Individuals with Disabilities Education Act (IDEA) funds special education and related services for children ages 3–21 in public schools
- Title programs - these programs are the major federal educational programs authorized under the Elementary and Secondary Education Act (ESEA) and the Every Student Succeeds Act (ESSA)
 - Title I, Part A: Improving Basic Programs - provides funding for additional academic support and learning opportunities to help low-achieving children meet state standards in core academic subjects
 - Title I, Part C: Migrant Education - provides formula grants to establish and improve education programs for migratory children

- Title I, Part D: Neglected or Delinquent - provides funding to improve educational services for neglected or delinquent children and youth in local and state institutions
- Title II, Part A: Supporting Effective Instruction - provides funding to prepare, train, and recruit high-quality teachers, principals, and other school leaders
- Title III: English Learners - provides funding for language instruction for English learners and immigrant students
- Title IV: Student Support & Academic Enrichment - supplements local, state, and other federal funds to support academic enrichment and student success
- Title V: Rural Education Achievement Program (REAP) - includes two programs: the Small Rural School Achievement (SRSA) program and the Rural and Low-Income School (RLIS) program. The SRSA program addresses the needs of rural school districts that lack the personnel and resources needed to compete effectively for federal competitive grants and receive formula grant allocations in amounts too small to be effective in meeting their intended purposes. The RLIS program provides funds to rural school districts that serve concentrations of children from low-income families
- Title IX: Homeless Children & Youth - this program provides funding to ensure that homeless children and youth have equal access to the same quality public education as provided to their peers living in stable housing

Funding

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

Office of Public Instruction, 06-State Level Activities Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	39,576,990	700,000	0	0	40,276,990	46.6%
02001 School Lunch Program	62,294	0	0	0	62,294	4.1%
02197 ESA ADMINISTRATIVE ACCT	0	0	0	68,166	68,166	4.5%
02357 LICENSURE FEES	773,163	0	0	0	773,163	50.6%
02402 Traffic & Safety Education	624,599	0	0	0	624,599	40.9%
State Special Total	\$1,460,056	\$0	\$0	\$68,166	\$1,528,222	1.8%
03002 Public Instruction	37,217,797	0	0	0	37,217,797	100.0%
Federal Special Total	\$37,217,797	\$0	\$0	\$0	\$37,217,797	43.0%
06067 Advanced Drivers Education	0	0	255,788	0	255,788	3.4%
06512 Indirect Cost Pool	0	0	7,220,582	0	7,220,582	96.6%
Proprietary Total	\$0	\$0	\$7,476,370	\$0	\$7,476,370	8.6%
Total All Funds	\$78,254,843	\$700,000	\$7,476,370	\$68,166	\$86,499,379	

HB 2 Appropriations

General Fund - General fund supports about half of the State Level Activities Program budget, with the remainder supported by state special revenue, federal special revenue, and proprietary funds.

State Special Revenue

School Lunch Program Account

Revenues for the School Lunch Program are generated through reimbursements for the costs of shipping, handling, and other related costs of school food commodities used in the program.

Traffic and Safety Education Account

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

Licensure Fee Account

The licensure fee account collects fees from teacher licensure applications in order to fully fund the operations of the teacher licensure system (HB 403, 2023 Legislative Session).

Federal Special Revenue - Federal funds support just under half of the State Level Activities Program total budget authority. The program receives federal funding for:

- Administrative Review and Training (ART) grants
- Adult basic education
- Assessment
- Career and technical education (via the Carl Perkins Grant)
- Education of homeless children
- Individuals with Disabilities Education Act (IDEA)
- National Assessment of Educational Progress (NAEP)
- National Center for Education Statistics (NCES)
- National Education Association (NEA)
- School nutrition
- Substance Abuse and Mental Health Services (SAMHSA)
- Low income students (Title I)
- Student achievement (Title II)
- English learners and immigrant students (Title III)
- Student support and academic enrichment (Title IV)
- Rural Education Achievement Program (Title V)
- Youth Risk Behavior Survey (YRBS) and school health priorities
- Various other purposes

Non-Budgeted Proprietary Funds

Indirect Cost Pool Account

The OPI indirect cost pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, and budgeting to all of OPI's state and federally funded programs, using a pre-approved indirect cost rate. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the fees and charges that support the revenues for the program. For a more detailed discussion of rates, revenues, and expenditures for the account, please see the non-budgeted proprietary funds analysis, which is included in a separate report.

Advanced Drivers' Education Program Account

The advanced drivers' education program is a seasonal, hands-on, behind-the-wheel crash avoidance program operated by the health enhancement and safety division of OPI at a training facility in Lewistown. The one-day and half-day course provides training to school bus drivers, driver education teachers, state employees, ambulance drivers, firefighters, road crews, and others who drive as a part of their employment. Revenues are generated from workshop fees collected from program users. For a more detailed discussion of rates, revenues, and expenditures for the account, please see the non-budgeted proprietary funds analysis, which is included in a separate report.

*Statutory Appropriations*State Special Revenue**ESA Administrative Account**

HB 393 (2023 Legislative Session) established a program for special needs education savings accounts (ESAs), which are statutorily appropriated. ESAs are used to reimburse parents for certain educational costs of children with disabilities under the Individuals with Disabilities Education Act.

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	153.27	153.27	153.27	153.27
Personal Services	12,798,606	13,877,493	14,402,364	15,216,679	15,236,187
Operating Expenses	10,868,701	13,549,299	17,118,946	18,733,523	22,151,602
Grants	1,677,918	2,177,919	750,000	750,000	750,000
Transfers	2,077,863	2,077,863	2,125,737	3,000,737	3,035,737
Debt Service	39,594	39,594	40,189	40,189	40,189
Total Expenditures	\$27,462,682	\$31,722,168	\$34,437,236	\$37,741,128	\$41,213,715
General Fund	13,264,078	13,383,200	15,526,319	18,408,044	21,868,946
State/Other Special Rev. Funds	379,609	492,204	680,659	729,708	730,348
Federal Spec. Rev. Funds	13,818,995	17,846,764	18,230,258	18,603,376	18,614,421
Total Funds	\$27,462,682	\$31,722,168	\$34,437,236	\$37,741,128	\$41,213,715
Total Ongoing	\$27,234,217	\$31,388,476	\$34,437,236	\$37,741,128	\$40,513,715
Total OTO	\$228,465	\$333,692	\$0	\$0	\$700,000

Program Description

The State Level Activities Program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing statutorily prescribed duties.

The program:

- Supports the superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board
- Is responsible for the distribution and accounting of state and federal funds provided to school districts
- Maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system
- Provides assistance and information to school districts

The program also administers all federal grants received by OPI, including curriculum assistance, special education, Every Student Succeeds Act (ESSA), career and technical education (CTE), and other educational services.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The State Level Activities Program expended 86.6% of its approximately \$31.7 million HB 2 modified budget in FY 2024. Personal services and operating expense authority made up the majority of the program's HB 2 modified budget for FY 2024, at approximately \$13.9 million and \$13.5 million, respectively.

The unexpended amount for the program totaled approximately \$4.2 million and can be attributed to lower than expected expenditures for:

- Several federal grants due to the timing of the grant expiration dates, which often do not align with the state fiscal year end. These federal funds were collectively under expended by approximately \$4.0 million
- A one-time-only appropriation for audiology equipment, which was under expended by approximately \$105,000
- An appropriation for traffic education, which was under expended by approximately \$81,000

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations for the State Level Activities Program are approximately \$2.7 million or 8.6% higher than the FY 2024 total appropriations. This increase is the net result of the following major changes:

- An increase of \$2.0 million for the teacher residency program
- An increase of approximately \$508,000 for the pay plan
- An increase of approximately \$180,000 for the teacher licensure system
- An increase of approximately \$114,000 for inflationary costs
- An increase of approximately \$67,000 for personal services
- An increase of approximately \$48,000 for inflationary increases for the Montana Digital Academy
- A decrease of approximately \$334,000 due to a one-time-only appropriation in FY 2024 only for audiology equipment
- A decrease of approximately \$45,000 for the administration of special needs education savings accounts
- Various other small differences amounting to approximately \$162,000

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	1,042,723	22,805	(753,384)	312,144	0.00	1,054,883	22,807	(743,867)	333,823
DP 2 - Fixed Costs	0.00	894,715	(711)	(169,246)	724,758	0.00	772,352	(700)	(169,096)	602,556
DP 3 - Inflation Deflation	0.00	(1,425)	(684)	(4,252)	(6,361)	0.00	(963)	(462)	(2,874)	(4,299)
DP 604 - Increase Federal Grant Authority - Program 06	0.00	0	0	800,000	800,000	0.00	0	0	800,000	800,000
DP 612 - Subscriptions Cost Increase	0.00	136,811	0	0	136,811	0.00	137,997	0	0	137,997
DP 615 - Hearing Conservation Program (HCP) Infl Inc	0.00	67,696	0	0	67,696	0.00	67,696	0	0	67,696
DP 616 - Teacher Licensure Adjustment	0.00	(221,618)	27,639	0	(193,979)	0.00	(224,194)	28,044	0	(196,150)
Grand Total All Present Law Adjustments	0.00	\$1,918,902	\$49,049	(\$126,882)	\$1,841,069	0.00	\$1,807,771	\$49,689	(\$115,837)	\$1,741,623

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

**LFD
COMMENT**

The federal special revenue portion of this decision package is negative due to the state personal services budgeting process, which does not reinstate funding for personal services expenditures for modified PB. OPI uses modified PB to staff federal grant programs. The funding for these modified PB is often reinstated as part of a separate decision package (see DP 605).

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

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

DP 604 - Increase Federal Grant Authority - Program 06 -

The executive requests federal special revenue authority for the administrative costs of federal grants awarded to OPI.

DP 612 - Subscriptions Cost Increase -

The executive requests a general fund appropriation beginning in FY 2027 to cover the cost of new software subscriptions and increases to existing software subscriptions for OPI's Information Technology unit's operations.

DP 615 - Hearing Conservation Program (HCP) Infl Inc -

The executive requests a general fund appropriation to fund a 4.0% contractual increase for the statewide Hearing Conservation Program (HCP). The Division of Special Education administers the HCP for the Office of Public Instruction.

DP 616 - Teacher Licensure Adjustment -

The executive requests an adjustment to the budget to reflect the operating costs of the teacher licensure system and the transfer of 2.50 PB from general fund authority to state special revenue.

**LFD
COMMENT**

HB 403 (2023 Session) removed teacher license fees as a source of funding for the Board of Public Education and redirect the funds to a state special revenue account for OPI's teacher licensure system. Statute requires the superintendent of public instruction to make a recommendation for teacher licensure fees sufficient to generate the revenue required to administer the program; the Board of Public Education is then responsible for setting the licensure fee amount based on the superintendent's recommendation. According to OPI, the 2.50 PB responsible for administering the program were funded with general fund for the 2025 biennium. The executive is requesting to transfer the funding for these PB to the state special revenue account funded by teacher licensure fees in order to fully comply with the new law.

Licensure fee revenue also exceeded operational costs in FY 2024. The executive is requesting an overall decrease to the program to align operating costs with revenues, which is why the decision package does not net to zero. A fund balance table for the account is shown below:

Office of Public Instruction Teacher Licensure Fee Account Fund Balance		
	Actuals FY 2024*	Year-to-Date FY 2025**
Beginning Fund Balance	\$0	\$247,350
Revenues	\$422,587	\$121,567
Licenses and Permits	422,587	121,567
Disbursements	(\$175,237)	(\$215)
Personal Services	(105,138)	0
Operating Expenses	(70,099)	(215)
Ending Fund Balance	\$247,350	\$368,702

*The account was newly created in FY 2024 (HB 403, 2023 Legislature)

**As of December 4, 2024

The amounts in this decision package are based on OPI's September 2024 teacher licensure fee system report, which can be found here: <https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Section-E/Interim/OPI-Teacher-Licensure-Report-Sept2024.pdf>. A breakdown of the executive request is shown below:

Office of Public Instruction Summary of DP 616 - Teacher Licensure Adjustment			
Fund Type		Proposed FY 2026	Proposed FY 2027
General Fund	General Fund Base Budget	\$221,618	\$224,194
	DP 616 (Fund Switch)	(221,618)	(224,194)
	Total General Fund Adjustments	(221,618)	(224,194)
	Total General Fund	\$0	\$0
State Special Revenue	State Special Revenue Base Budget	358,735	358,745
	DP 616 (Fund Switch)	221,618	224,194
	DP 616 (Reduction)	(193,979)	(196,150)
	Total State Special Revenue Adjustments	27,639	28,044
	Total State Special Revenue	\$386,374	\$386,789
Total Funds		\$386,374	\$386,789

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
Fiscal 2026						Fiscal 2027				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 605 - Federal Personal Services Authority	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 606 - Montana Digital Academy	0.00	875,000	0	0	875,000	0.00	910,000	0	0	910,000
DP 607 - Indian Ed for All - MACIE Meeting Costs	0.00	15,000	0	0	15,000	0.00	15,000	0	0	15,000
DP 608 - PowerSchool Subscription	0.00	0	0	0	0	0.00	2,837,033	0	0	2,837,033
DP 609 - School Foods Match for New EBT Program	0.00	72,823	0	0	72,823	0.00	72,823	0	0	72,823
DP 610 - High School Assessment Funding (OTO)	0.00	0	0	0	0	0.00	700,000	0	0	700,000
Total	0.00	\$962,823	\$0	\$500,000	\$1,462,823	0.00	\$4,534,856	\$0	\$500,000	\$5,034,856

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

DP 605 - Federal Personal Services Authority -

The executive requests a federal special revenue appropriation for personal services to support part-time modified PB. Changes in state and federal laws do not allow the agency to contract for these services, and the state personal services funding process does not reinstate personal services expenditures for these workers. This funding is typically requested every biennium.

DP 606 - Montana Digital Academy -

The executive requests an ongoing general fund appropriation for the Montana Digital Academy (MTDA) clearinghouse in order to maintain its operations and enhance schools' opportunities to offer flexible learning environments and options to students.

LFD COMMENT

The Montana Digital Academy clearinghouse was created by the Legislature (HB 749, 2023 Session) to provide schools with access to digital content, online courses, proficiency assessment, and other educational services from MTDA and third-party providers. It was previously funded with a one-time-only appropriation through the Office of the Commissioner of Higher Education budget.

DP 607 - Indian Ed for All - MACIE Meeting Costs -

The executive requests a general fund appropriation for meeting and travel costs associated with the Montana Advisory Council on Indian Education (MACIE). Currently, the board meets eight times a year with two in-person meetings and 21-25 people serving on the council.

LFD COMMENT

The MACIE was created by the Montana Board of Public Education in 1984 to advise the Board and the Superintendent of Public Instruction on matters related to Indian education, including culture, language, and Indian Education for All. The council is composed of representatives of the twelve tribal nations in Montana and other groups involved in Indian education programs. The costs of MACIE for FY 2024 and FY 2025 are covered by the State Level Activities Program general fund appropriation, which is included in the base budget request for FY 2026 and FY 2027.

DP 608 - PowerSchool Subscription -

The executive requests an ongoing general fund appropriation beginning in FY 2027 for the database modernization project's PowerSchool subscription costs. Database modernization requirements from HB 367 (2023 Session) required commercial off-the-shelf (COTS) products to be purchased with federal funding, and OPI secured a contract to meet the requirements to repair, improve, or replace existing data systems. The executive is requesting this funding to ensure the continuation of the sharing of data between school districts, state education officials, and other state agencies.

**LFD
COMMENT**

The legislature may want to understand how the PowerSchool program will allow data access to the legislative branch and the contributing agencies of the Education and Workforce Data Governance Board members. This will enable the legislature to evaluate if there are any legislative actions needed to assist OPI or the other members of the Education and Workforce Data Governance Board with the data sharing needs of the state.

DP 609 - School Foods Match for New EBT Program -

The executive requests a general fund appropriation for the state match portion of the school foods summer Electronic Benefit Transfer (EBT) program.

**LFD
COMMENT**

The summer EBT program provides grocery-buying benefits to low-income families with school-aged children during the summer months of June, July, and August, when schools are closed for the summer break. Congress authorized the summer EBT as a permanent program on December 23, 2022, and it is a newly provided program in the state of Montana. The first round of benefits were issued in the fall of 2024, with federal approval since the payments were not made during the summer months. DPHHS and OPI will share the responsibilities of implementing the summer EBT, with DPHHS serving as the lead agency for federal purposes. OPI will manage the application process, validate eligibility, and handle client communications.

The program benefits are 100.0% federally funded; however, federal funding may only be used to fund up to 50.0% of the administrative costs of operating the program, so OPI is requesting a general fund appropriation to cover the remaining administrative expenses of the program.

DP 610 - High School Assessment Funding (OTO) -

The executive requests a one-time-only general fund appropriation in FY 2027 only to provide ACT testing with writing to 11th grade students in public high schools as the high school assessment requirement. These exams have previously been provided with now expired federal funding from the Gaining Early Awareness and Readiness for Undergraduate Program (GEAR UP) and then Elementary and Secondary School Emergency Relief (ESSER). OPI may receive additional federal grant funding in the future, which is why the request is one-time-only.

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
General Fund	584,607,617	573,024,929	628,058,536	31,868,231	2.7%
State/Other Special Rev. Funds	453,599,176	540,872,319	545,818,120	179,492,087	19.8%
Federal Spec. Rev. Funds	155,735,391	165,735,391	165,735,391	20,000,000	6.4%
Total Funds	1,193,942,184	1,279,632,639	1,339,612,047	231,360,318	9.7%
Operating Expenses	3,702,839	3,705,954	3,705,954	6,230	0.1%
Local Assistance	1,024,600,340	1,100,236,059	1,160,141,112	211,176,491	10.3%
Grants	164,946,503	174,953,657	175,028,012	20,088,663	6.1%
Transfers	692,502	736,969	736,969	88,934	6.4%
Total Expenditures	1,193,942,184	1,279,632,639	1,339,612,047	231,360,318	9.7%
Total Ongoing	1,193,942,184	1,279,132,639	1,339,112,047	230,360,318	9.6%
Total One-Time-Only		500,000	500,000	1,000,000	0.0%

Program Highlights

Local Education Activities Program Major Budget Highlights
<p>The Local Education Activities Program's 2027 biennium HB 2 budget request is approximately \$231.4 million or 9.7% above the FY 2025 base budget. Major highlights include:</p> <ul style="list-style-type: none"> • An increase in general fund for the K-12 BASE aid inflationary adjustment • An increase in general fund for countywide school retirement in FY 2027 only, triggered by increased revenue from the 95 mills • An increase of general fund for increased teacher pay • Changes to major maintenance aid including: <ul style="list-style-type: none"> ◦ Increases in general fund and state special revenue funding ◦ A net-zero fund switch from general fund to state special revenue for a portion of the major maintenance aid appropriation, contingent on legislation <p>Property tax related fund shifts:</p> <ul style="list-style-type: none"> • A decrease in general fund and an increase in state special revenue for K-12 BASE aid due to increased revenue from the 95 mills due to the property reappraisal cycle • A decrease in general fund and an increase in state special revenue for K-12 BASE aid to move non-levy revenue associated with the 95 mills to the SEPTR state special revenue account, contingent on legislation • An increase in general fund and a decrease in state special revenue for K-12 BASE aid to backfill lost revenue from the 95 mills due to the implementation of homestead and comstead property tax exemptions, contingent on legislation • An increase in general fund and a decrease in state special revenue for K-12 BASE aid to backfill lost revenue from the 95 mills due to an increased business equipment tax exemption, contingent on legislation <p>Other notable changes include:</p> <ul style="list-style-type: none"> • An increase in general fund to offset revenue decreases in the statutorily appropriated guarantee account • Increases in general fund for the at-risk student payment, the transformational learning program, in-state treatment, state tuition, the Indian language immersion program, and cell phone-free schools • An increase in state special revenue for debt service assistance • An increase of federal special revenue authority for additional federal grant funding • A decrease in general fund to move workforce innovation grants for adult basic education to the Department of Labor and Industry
Legislative Action Items

- Historically, certain appropriations and programs within the Local Education Activities Program have been approved with restricted and/or biennial designations. The legislature may wish to add these designations to these programs again
- The legislature may wish to change two appropriations to bring them in line with the HJ 2 revenue estimate for the 95 mills
 - The state special revenue appropriation for K-12 BASE aid
 - The general fund appropriation for county school retirement
- The legislature may wish to change the K-12 BASE aid general fund appropriation to account for the HJ 2 revenue estimate for the statutorily appropriated guarantee account, which offsets general fund appropriations

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.

Local Education Activities 2027 Biennium HB 2 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
Base Budget	584,607,617	453,599,176	155,735,391	1,193,942,184	93.3%	584,607,617	453,599,176	155,735,391	1,193,942,184	89.1%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	(60,618,253)	83,829,246	10,000,000	33,210,993	2.6%	(9,588,201)	91,209,916	10,000,000	91,621,715	6.8%
New Proposals	49,035,565	3,443,897	0	52,479,462	4.1%	53,039,120	1,009,028	0	54,048,148	4.0%
Total HB 2 Adjustments	(11,582,688)	87,273,143	10,000,000	85,690,455	6.7%	43,450,919	92,218,944	10,000,000	145,669,863	10.9%
Total Requested Budget	573,024,929	540,872,319	165,735,391	1,279,632,639		628,058,536	545,818,120	165,735,391	1,339,612,047	

The Local Education Activities Program serves as a pass-through program for state funding and certain federal funding for local school districts in Montana. A large portion of the state funding for K-12 education is included in the base budget and is not included in the decision packages proposed by the executive. The categories are shown to provide a better understanding of the allocation for the various functions of the program. Although this funding is budgeted within one program, the agency has limited flexibility to move funding within the program among these categories; most of the state funded school funding components are appropriated with restrictions, and most of the federal funds have federal spending requirements. The figures below summarize the entire proposed Local Education Activities Program budget by purpose by fiscal year:

Local Education Activities					
Proposed HB 2 Budget by Category					
Category	Fund Type	Actuals FY 2024	Budget FY 2025	Proposed FY 2026	Proposed FY 2027
K-12 BASE Aid	General Fund	\$445,056,683	\$537,976,469	\$476,148,840	\$529,127,551
	State Special	412,163,210	435,529,000	508,197,319	513,031,120
	Total	857,219,893	973,505,469	984,346,159	1,042,158,671
School Major Maintenance	General Fund	7,940,842	10,578,100	7,720,443	7,935,306
	State Special	1,828,464	1,570,176	15,175,000	15,287,000
	Total	9,769,306	12,148,276	22,895,443	23,222,306
School Nutrition	General Fund	687,954	695,954	695,954	695,954
	Federal Special	33,009,152	45,041,119	55,041,119	55,041,119
	Total	33,697,106	45,737,073	55,737,073	55,737,073
Adult Basic Education	General Fund	525,000	525,000	0	0
Advanced Opportunities	General Fund	3,249,321	4,000,000	4,000,000	4,000,000
Advancing Ag Ed	General Fund	93,121	151,960	151,960	151,960
At Risk Students	General Fund	6,029,867	6,213,340	6,399,740	6,591,732
CTE Match CSTO	General Fund	903,000	903,000	903,000	903,000
CTE - State Match	General Fund	1,500,000	1,500,000	1,500,000	1,500,000
Coal Mitigation	General Fund	1,693,274	1,693,274	1,693,274	1,693,274
Early Literacy	General Fund		1,500,000	1,500,000	1,500,000
Gifted and Talented	General Fund	332,003	350,000	350,000	350,000
Indian Language Immersion	General Fund	96,970	96,970	264,970	269,970
Instate Treatment	General Fund	2,614,525	3,006,885	3,010,000	3,010,000
National Board Certification	General Fund	148,000	178,588	178,588	178,588
Recruitment and Retention	General Fund	252,092	666,000	666,000	666,000
School Safety	General Fund	85,700	100,000	600,000	600,000
State Tuition Payments	General Fund	211,643	60,911	249,911	249,911
Teacher Pay Incentive	General Fund			52,504,462	54,073,148
Transformational Learning	General Fund	2,262,443	2,412,614	2,489,235	2,563,590
Transportation Aid	General Fund	10,417,038	11,998,552	11,998,552	11,998,552
Debt Service Assistance	State Special	13,345,149	15,000,000	16,000,000	16,000,000
Traffic Education	State Special	1,050,000	1,500,000	1,500,000	1,500,000
Carl Perkins Grant	Federal Special	3,427,177	1,620,338	1,620,338	1,620,338
Special Education	Federal Special	41,808,175	20,234,251	20,234,251	20,234,251
Title Programs	Federal Special	75,112,740	40,184,627	40,184,627	40,184,627
Other Federal Programs	Federal Special	1,182,560	48,655,056	48,655,056	48,655,056
Total Funds		\$1,067,026,103	\$1,193,942,184	\$1,279,632,639	\$1,339,612,047

K-12 BASE aid is the largest appropriation for OPI, accounting for \$973.5 million of the HB 2 FY 2025 base budget. There is an additional statutory appropriation for K-12 BASE aid from the guarantee account, which is described in greater detail in the Funding section of this report. K-12 BASE aid is made up of the state funding components that support school district general funds and some funding for countywide school retirement costs:

- The five fully state-funded components:
 1. Quality Educator Payment - A per-PB payment for teachers and other licensed professionals
 2. At Risk Payment - A payment to schools to address at-risk students or students who are affected by an environment that negatively impacts performance and threatens the likelihood of promotion or graduation. The funding is distributed in the same manner as federal Title I funds. The at-risk payment is considered part of BASE aid, but receives a separate line item appropriation in HB 2
 3. Indian Education For All Payment - A payment made per Average Number Belonging (ANB) to fund the state's constitutional commitment to the preservation of American Indian cultural integrity
 4. American Indian Achievement Gap Payment - A per American Indian student payment for the purpose of closing the performance gap that exists between American Indian students and non-Indian students
 5. Data for Achievement - A per-ANB payment used by school districts to pay for costs associated with student data systems
- Special Education Payment - An amount per ANB regardless of the count of special education students. Portions of the special education appropriation go to cooperatives and to reimbursements for high-cost students. This payment is 100.0% state-funded, but a local match is required
- Direct State Aid - This payment is made up of the Per-ANB and Basic entitlements, and it is 44.7% state-funded; the remainder is funded by state guaranteed tax base (GTB) aid and local revenue sources, which include local property taxes, local non-levy revenue, tuition payments, and/or fund balance reappropriated from the prior year. The amount of GTB and the various local revenue sources depends on the tax base of the school district and the number of students being educated in the district
 - Basic Entitlement - A set amount per district based on whether it is an elementary school district, middle school district, or high school district. Districts with higher enrollment are eligible for additional basic entitlement "increments"
 - Per Average Number Belonging (ANB) Entitlement - A per-ANB dollar amount driven by the greater of the prior year's enrollment or a three-year average. ANB is a proxy for school district enrollment
- District General Fund Guaranteed Tax Base (GTB) Aid - A state subsidy for school district BASE budget mill levies used to equalize property wealth across the state. GTB aid provides a subsidy per mill to eligible districts
- Retirement (GTB) Aid - A state subsidy for countywide retirement mill levies used to equalize property wealth across the state. GTB aid provides a subsidy per mill to eligible counties
- Significant Enrollment Increase Payment - A payment to districts with significant enrollment increases compared to the anticipated enrollment during the school district budgeting process

K-12 BASE Aid Summary

K-12 BASE aid makes up the majority of OPI's funding. The executive typically requests an inflationary increase for BASE aid every biennium. However, the inflationary increase is only a portion of the total K-12 BASE aid appropriation; the majority of the BASE aid appropriation is included in the base budget, and there are also several additional decision packages other than the inflationary increase that will affect K-12 BASE aid funding. The executive request for K-12 BASE aid, which includes the base budget, the inflationary increase, and other adjustments, is detailed below:

K-12 BASE Aid Summary - FY 2026							
Description	Base Budget FY 2025		Adjustments FY 2026		Total Budget Request FY 2026		
	General Fund	State Special	General Fund	State Special	General Fund	State Special	Total
Total Base Aid	\$537,976,469	\$492,371,773	(\$61,827,629)	\$70,923,679	\$476,148,840	\$563,295,452	\$1,039,444,292
HB 2 - General Fund & SEPTR	537,976,469	435,529,000	(61,827,629)	72,668,319	476,148,840	508,197,319	984,346,159
Statutory - Guarantee Account	-	56,842,773	-	(1,744,640)	-	55,098,133	55,098,133
HB 2 BASE Aid - General Fund & SEPTR							
DP 904 - K-12 BASE Aid Inflationary Increase	\$446,595,242	\$435,529,000	\$9,096,050	\$0	\$547,072,519	\$435,529,000	\$982,601,519
Direct State Aid	46,326,310	435,529,000	9,590,096	0	55,916,406	435,529,000	491,445,406
GTB - School General Fund	286,975,226	0	(8,965,645)	0	278,009,581	0	278,009,581
GTB - School Retirement	89,410,512	0	6,975,206	0	96,385,718	0	96,385,718
Special Education	47,180,203	0	358,330	0	47,538,533	0	47,538,533
Quality Educator	51,633,038	0	871,424	0	52,504,462	0	52,504,462
Indian Ed for All	3,854,497	0	55,093	0	3,909,590	0	3,909,590
Close Achievement Gap	5,057,074	0	143,042	0	5,200,116	0	5,200,116
Data for Achievement	3,689,609	0	53,504	0	3,743,113	0	3,743,113
Significant Enrollment Increases	3,500,000	0	0	0	3,500,000	0	3,500,000
Audit	350,000	0	15,000	0	365,000	0	365,000
DP 917 - Guarantee Account Adjustment	\$0	\$0	\$1,744,640	\$0	\$1,744,640	\$0	\$1,744,640
DP 918 - Equalization Aid Account Adjustment	\$0	\$0	(\$72,399,422)	\$72,399,422	(\$72,399,422)	\$72,399,422	\$0
DP 919 - County Retirement Adjustment	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DP 921 - 95 Mill Non-Levy Revenue	\$0	\$0	(\$14,733,873)	\$14,733,873	(\$14,733,873)	\$14,733,873	\$0
DP 925 - Business Equipment Tax Adjustment	\$0	\$0	\$1,050,000	(\$1,050,000)	\$1,050,000	(\$1,050,000)	\$0
DP 926 - Homestead Property Tax Adjustment	\$0	\$0	\$13,414,976	(\$13,414,976)	\$13,414,976	(\$13,414,976)	\$0
Statutory BASE Aid - Guarantee Account							
Direct State Aid	0	56,842,773	0	0	0	56,842,773	56,842,773
DP 917 - Guarantee Account Adjustment	\$0	\$0	\$0	(\$1,744,640)	\$0	(\$1,744,640)	(\$1,744,640)

K-12 BASE Aid Summary - FY 2027							
Description	Base Budget FY 2025		Adjustments FY 2027		Total Budget Request FY 2027		
	General Fund	State Special	General Fund	State Special	General Fund	State Special	Total
Total Base Aid	\$537,976,469	\$492,371,773	(\$8,848,918)	\$76,434,084	\$529,127,551	\$568,805,857	\$1,097,933,408
HB 2 - General Fund & SEPTR	537,976,469	435,529,000	(8,848,918)	77,502,120	529,127,551	513,031,120	1,042,158,671
Statutory - Guarantee Account	-	56,842,773	-	(1,068,036)	-	55,774,737	55,774,737
HB 2 BASE Aid - General Fund & SEPTR							
DP 904 - K-12 BASE Aid Inflationary Increase	\$446,595,242	\$435,529,000	\$42,985,166	\$0	\$580,961,635	\$435,529,000	\$1,016,490,635
Direct State Aid	46,326,310	435,529,000	23,054,581	0	69,380,891	435,529,000	504,909,891
GTB - School General Fund	286,975,226	0	5,056,934	0	292,032,160	0	292,032,160
GTB - School Retirement	89,410,512	0	10,057,614	0	99,468,126	0	99,468,126
Special Education	47,180,203	0	1,784,654	0	48,964,857	0	48,964,857
Quality Educator	51,633,038	0	2,440,110	0	54,073,148	0	54,073,148
Indian Ed for All	3,854,497	0	146,140	0	4,000,637	0	4,000,637
Close Achievement Gap	5,057,074	0	289,230	0	5,346,304	0	5,346,304
Data for Achievement	3,689,609	0	140,903	0	3,830,512	0	3,830,512
Significant Enrollment Increases	3,500,000	0	0	0	3,500,000	0	3,500,000
Audit	350,000	0	15,000	0	365,000	0	365,000
DP 917 - Guarantee Account Adjustment	\$0	\$0	\$1,068,036	\$0	\$1,068,036	\$0	\$1,068,036
DP 918 - Equalization Aid Account Adjustment	\$0	\$0	(\$79,780,092)	\$79,780,092	(\$79,780,092)	\$79,780,092	\$0
DP 919 - County Retirement Adjustment	\$0	\$0	\$24,600,000	\$0	\$24,600,000	\$0	\$24,600,000
DP 921 - 95 Mill Non-Levy Revenue	\$0	\$0	(\$12,649,004)	\$12,649,004	(\$12,649,004)	\$12,649,004	\$0
DP 925 - Business Equipment Tax Adjustment	\$0	\$0	\$1,512,000	(\$1,512,000)	\$1,512,000	(\$1,512,000)	\$0
DP 926 - Homestead Property Tax Adjustment	\$0	\$0	\$13,414,976	(\$13,414,976)	\$13,414,976	(\$13,414,976)	\$0
Statutory BASE Aid - Guarantee Account							
Direct State Aid	0	56,842,773	0	0	0	56,842,773	56,842,773
DP 917 - Guarantee Account Adjustment	\$0	\$0	\$0	(\$1,068,036)	\$0	(\$1,068,036)	(\$1,068,036)

For more information on K-12 BASE aid, please see the school district general fund brochure: <https://leg.mt.gov/content/Publications/fiscal/2025-Biennium/Special-Topics/School-Funding/School-District-General-Fund-Brochure-FY25.pdf>

Summary of Other State K-12 Funding

The state also funds a number of other K-12 programs that are not included in K-12 BASE aid:

- Adult Basic Education - an adult education program that receives federal grant funding under the Adult Education and Family Literacy Act (AEFLA) and Title II of the Workforce Innovation and Opportunity Act (WIOA); the state provides an appropriation of state match for the federal funding
- Advanced Opportunities - a program that provides personalized career and technical education opportunities for middle and high school students
- Advancing Agricultural Education - a sequential set of course offerings for students in middle school and high school. The program is designed to develop knowledge, skills, attitudes, and experiences in and about agriculture
- Coal Mitigation - a school block grant to mitigate for coal-fired generating unit closure in eligible districts
- Career and Technical Student Organizations (CTSOs) - Montana currently has seven CTOSs, which provide career and technical education (CTE) opportunities for students. The CTOSs are Montana Future Farmers of America (FAA), Business Professionals of America (BPA), Distributive Education Clubs of America (DECA), Family Career & Community Leaders of America (FCCLA), Future Health Professionals (HOSA), SkillsUSA, and the Technology Student Association (TSA)
- CTE State Match - formulaically distributed state CTE funding for local school districts

- Debt Service Assistance - state equalization aid that is used to pay a portion of a school district's bond debt, including principal and interest payments and agent fees, and/or special improvement district payments (SIDs). The funding is available to school districts contingent upon whether or not the district has a mill value per ANB that is less than the corresponding statewide mill value per ANB
- Early Literacy - funding for targeted intervention programs for children older than 4, in order to improve early literacy outcomes
- Gifted and Talented - a program of services to consistently identify and meet the needs of high ability/high potential students
- Indian Language Immersion - a program to support efforts of Montana tribes to preserve and perpetuate Indian languages in the form of spoken, written, sung, or signed language
- In-State Treatment - payments for the educational costs of Montana K-12 students at children's psychiatric hospitals and residential treatment facilities
- National Board Certification - funding for stipends to qualified teachers who hold a current certification with the National Board for Professional Teaching Standards
- Recruitment and Retention - funding to help teachers pay back educational loans
- School Nutrition - state matching funds for federal school nutrition funding
- School Major Maintenance - state equalization aid that is used to pay a portion of a school district's major maintenance project costs. The funding is dependent on the district type and the number of ANB and local property wealth
- School Safety - includes existing school safety grants and a new proposal for cell phone-free schools
- State Tuition Payments - the state's portion of tuition payments for Montana K-12 students at children's psychiatric hospitals and residential treatment facilities
- Teacher Pay Incentive - a new proposal to increase teacher pay
- Transformational Learning - a program that provides a flexible system of pupil-centered learning
- Transportation Aid - state aid to help districts pay for the costs of getting students from home to school and back

**LFD
COMMENT**

Historically, all K-12 funding components that are funded either fully or partially by the state general fund are adopted with a restricted designation, meaning that they cannot be used for any other purpose. Most of these funding components have also been appropriated with a biennial designation, meaning they can be spent at any point over the biennium. Because public school budgets for the second year of the biennium are not yet established, the Office of Public Instruction requires some flexibility over the biennium in order to make the correct payment amounts for K-12 funding components to local school districts. The legislature may wish to add these designations to these programs again:

- K-12 BASE Aid (Restricted/Biennial)
- Adult Basic Education (Restricted/Biennial)
- Advanced Opportunities (Restricted/Biennial)
- Advancing Agricultural Education (Restricted/Biennial)
- At-Risk Student Payment (Restricted/Biennial)
- Coal Mitigation (Restricted/Biennial)
- CTE Career and Technical Student Organizations (Restricted/Biennial)
- CTE State Match (Restricted/Biennial)
- Debt Service Assistance (Restricted)
- Gifted and Talented (Restricted/Biennial)
- Indian Language Immersion (Restricted/Biennial)
- In-State Treatment (Restricted/Biennial)
- National Board Certification (Restricted/Biennial)
- Recruitment and Retention (Restricted/Biennial)
- School Food (Restricted/Biennial)
- School Major Maintenance (Restricted)
- School Safety Grants (Restricted/Biennial)
- State Tuition Payments (Restricted/Biennial)
- Transformational Learning (Restricted/Biennial)
- Transportation Aid (Restricted/Biennial)

The legislature may also wish to apply one or both of these designations to general fund appropriations that are newly included as part of the base budget or newly proposed as part of the 2027 biennium executive budget request:

- Early Literacy - newly included in the base budget per HB 352, 2023 Session
- Cellphone Free Schools - new proposal
- Teacher Pay Incentive - new proposal

Funding

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

Office of Public Instruction, 09-Local Education Activities Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,200,083,465	1,000,000	0	0	1,201,083,465	44.0%
02018 Guarantee Fund	0	0	0	110,872,870	110,872,870	9.2%
02218 School Facility & Tech Account	32,000,000	0	0	2,000,000	34,000,000	2.8%
02302 STATE EQUALIZATION AID ACCT	1,021,228,439	0	0	0	1,021,228,439	85.1%
02402 Traffic & Safety Education	3,000,000	0	0	0	3,000,000	0.3%
02487 School Fac State Spcl Revenue	30,462,000	0	0	0	30,462,000	2.5%
State Special Total	\$1,086,690,439	\$0	\$0	\$112,872,870	\$1,199,563,309	43.9%
03170 Grant Clearance Discretionary	331,470,782	0	0	0	331,470,782	100.0%
Federal Special Total	\$331,470,782	\$0	\$0	\$0	\$331,470,782	12.1%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$2,618,244,686	\$1,000,000	\$0	\$112,872,870	\$2,732,117,556	

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

HB 2 Appropriations

General Fund - General fund supports a large portion of the distribution to school districts, primarily as K-12 BASE aid, with the addition of some state and federal funds.

State Special Revenue

School Equalization and Property Tax Reduction (SEPTR) Account

The school equalization and property tax reduction (SEPTR) account receives property tax revenue from the state 95 mills, which are levied for school equalization. This money is then distributed to school districts as K-12 BASE aid.

School Facility State Special Revenue Account

The school facility and technology account supports state subsidies for school debt service from facilities bonds, technological improvements, and other infrastructure and facility needs. The school facility and technology account is funded from hydroelectric power site rent under the provisions of 77-4-208(2), MCA and timber harvest income from school trust lands under the provisions of 20-9-516(2)(a), MCA. The school facility state special revenue account receives interest from the school facility sub-trust within the state coal trust. This money is then distributed to school districts to help support major maintenance.

Traffic & Safety Education Account

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

Federal Special Revenue - Federal funds support approximately \$165.7 million of the Local Education Activities Program total budget authority. The program receives federal funding for:

- Adult basic education
- Career and technical education (via the Carl Perkins Grant)
- Education of homeless children
- Individuals with Disabilities Education Act (IDEA)
- School nutrition
- Low income students (Title I)
- Student achievement (Title II)
- English learners and immigrant students (Title III)
- Student support and academic enrichment (Title IV)
- Rural Education Achievement Program (Title V)

Statutory Appropriations

State Special Revenue

Guarantee Account

The guarantee account is a state special revenue account dedicated to school funding, which receives revenue generated from common school trust lands and the subsequent interest on the common school trust account. Revenues are primarily generated from interest off the trust in addition to agriculture and extraction industry leases. Revenue is statutorily appropriated for school funding per 20-9-622, MCA and offsets general fund received by OPI.

School Facility and Technology Account

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

Innovative Educational Program Account

School districts can receive tax credit donations and may retain these donations up to a cap. If tax credit donations exceed the limit set in statute, excess revenues are transferred to the innovative educational program account at OPI. OPI then distributes the funds to school districts for advanced opportunity aid.

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
Operating Expenses	3,302,479	3,685,496	3,702,839	3,705,954	3,705,954
Local Assistance	902,127,261	932,253,505	1,024,600,340	1,100,236,059	1,160,141,112
Grants	160,700,950	163,069,906	164,946,503	174,953,657	175,028,012
Transfers	895,413	942,502	692,502	736,969	736,969
Total Expenditures	\$1,067,026,103	\$1,099,951,409	\$1,193,942,184	\$1,279,632,639	\$1,339,612,047
General Fund	484,099,476	499,833,554	584,607,617	573,024,929	628,058,536
State/Other Special Rev. Funds	428,386,823	444,382,464	453,599,176	540,872,319	545,818,120
Federal Spec. Rev. Funds	154,539,804	155,735,391	155,735,391	165,735,391	165,735,391
Total Funds	\$1,067,026,103	\$1,099,951,409	\$1,193,942,184	\$1,279,632,639	\$1,339,612,047
Total Ongoing	\$1,067,026,103	\$1,099,951,409	\$1,193,942,184	\$1,279,132,639	\$1,339,112,047
Total OTO	\$0	\$0	\$0	\$500,000	\$500,000

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Local Education Activities Program expended 97.1% of its approximately \$1.1 billion HB 2 modified budget in FY 2024. Local assistance authority made up the majority of the program's HB 2 modified budget for FY 2024, at approximately \$932.3 million or 84.8%.

Local assistance (primarily made up of K-12 BASE aid) is paid out to school districts throughout the year and was 96.8% expended as of fiscal year end, leaving \$30.1 million of the appropriation unexpended. The unexpended amount is partially due to revenue in the statutorily appropriated guarantee account coming in higher than expected, which offset expenditures from the state general fund. Additionally, OPI reports that the need for direct state aid was lower due to lower than expected enrollment numbers and due to the statute changes for significant enrollment increases that did not materialize to the extent of the estimate. OPI also reports that the school district general fund guaranteed tax base (GTB) aid and retirement GTB aid were lower than expected, related to differences in non-levy revenue, fund balance reappropriated, and taxable valuation. Smaller sources of variation reported by OPI are due to lower PB numbers for districts, which reduced the state's quality educator payments, and districts entering non-operation status (e.g. Sand Springs, Garfield County), as well as adjustments relating to new legislation and other items.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations for the Local Education Activities Program are approximately \$94.0 million or 8.5% higher than the FY 2024 total appropriations. This increase is the net result of the following major changes:

- An increase of approximately \$54.6 million for K-12 BASE aid
- An increase of approximately \$36.5 million for an increase to the retirement GTB multiplier (HB 587, 2023 Legislative Session)
- An increase of approximately \$2.7 million for increases to the district general fund GTB multiplier that accompanied a reduction in the business equipment property tax rate
- An increase of approximately \$0.8 million for public charter schools
- An increase of approximately \$0.4 million for community choice schools
- An increase of approximately \$0.2 million for the at-risk student payment
- An increase of approximately \$0.2 million for starting teacher salaries
- An increase of approximately \$0.2 million for significant enrollment increases
- An increase of approximately \$0.2 million for part-time student enrollment
- A decrease of approximately \$3.4 million to offset projected guarantee account revenues
- A decrease of approximately \$0.2 million for in-state treatment payments
- Various other small differences amounting to approximately \$1.8 million

The majority of general fund appropriations for OPI are biennial, meaning they can be spent at any time over the biennium.

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 904 - K-12 BASE Aid Inflationary Increase	0.00	9,096,050	0	0	9,096,050	0.00	42,985,166	0	0	42,985,166
DP 905 - At Risk Payment Inflationary Increase	0.00	186,400	0	0	186,400	0.00	378,392	0	0	378,392
DP 906 - NRD K12 Facilities Major Maintenance Aid	0.00	317,343	10,429,824	0	10,747,167	0.00	644,206	10,429,824	0	11,074,030
DP 907 - State Transformational Learning Pmt Adjustment	0.00	76,621	0	0	76,621	0.00	150,976	0	0	150,976
DP 909 - State Tuition Increase	0.00	189,000	0	0	189,000	0.00	189,000	0	0	189,000
DP 910 - In State Treatment Adjustment	0.00	3,115	0	0	3,115	0.00	3,115	0	0	3,115
DP 911 - Increase Federal Grant Authority - Program 09	0.00	0	0	10,000,000	10,000,000	0.00	0	0	10,000,000	10,000,000
DP 917 - Guarantee Account Adjustment	0.00	1,744,640	0	0	1,744,640	0.00	1,068,036	0	0	1,068,036
DP 918 - Equalization Aid Acct Adjustment	0.00	(72,399,422)	72,399,422	0	0	0.00	(79,780,092)	79,780,092	0	0
DP 919 - County Retirement Adjustment	0.00	0	0	0	0	0.00	24,600,000	0	0	24,600,000
DP 920 - Debt Service Adjustment	0.00	0	1,000,000	0	1,000,000	0.00	0	1,000,000	0	1,000,000
DP 923 - Indian Language Immersion Adjustment	0.00	168,000	0	0	168,000	0.00	173,000	0	0	173,000
Grand Total All Present Law Adjustments	0.00	(\$60,618,253)	\$83,829,246	\$10,000,000	\$33,210,993	0.00	(\$9,588,201)	\$91,209,916	\$10,000,000	\$91,621,715

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

DP 904 - K-12 BASE Aid Inflationary Increase -

The executive request for the K-12 BASE aid increase includes funding for the growth from statutory inflationary increases (20-9-326, MCA) at 3.0% in FY 2026 and 3.0% in FY 2027 and the growth in enrollment. The statutory inflationary increases apply to the basic entitlement, per-ANB entitlement, quality educator payment, Indian education for all payment, data for achievement payment, special education allowable cost payment, and American Indian achievement gap payment. This request is contingent on passage and approval of HB 15.

LFD COMMENT

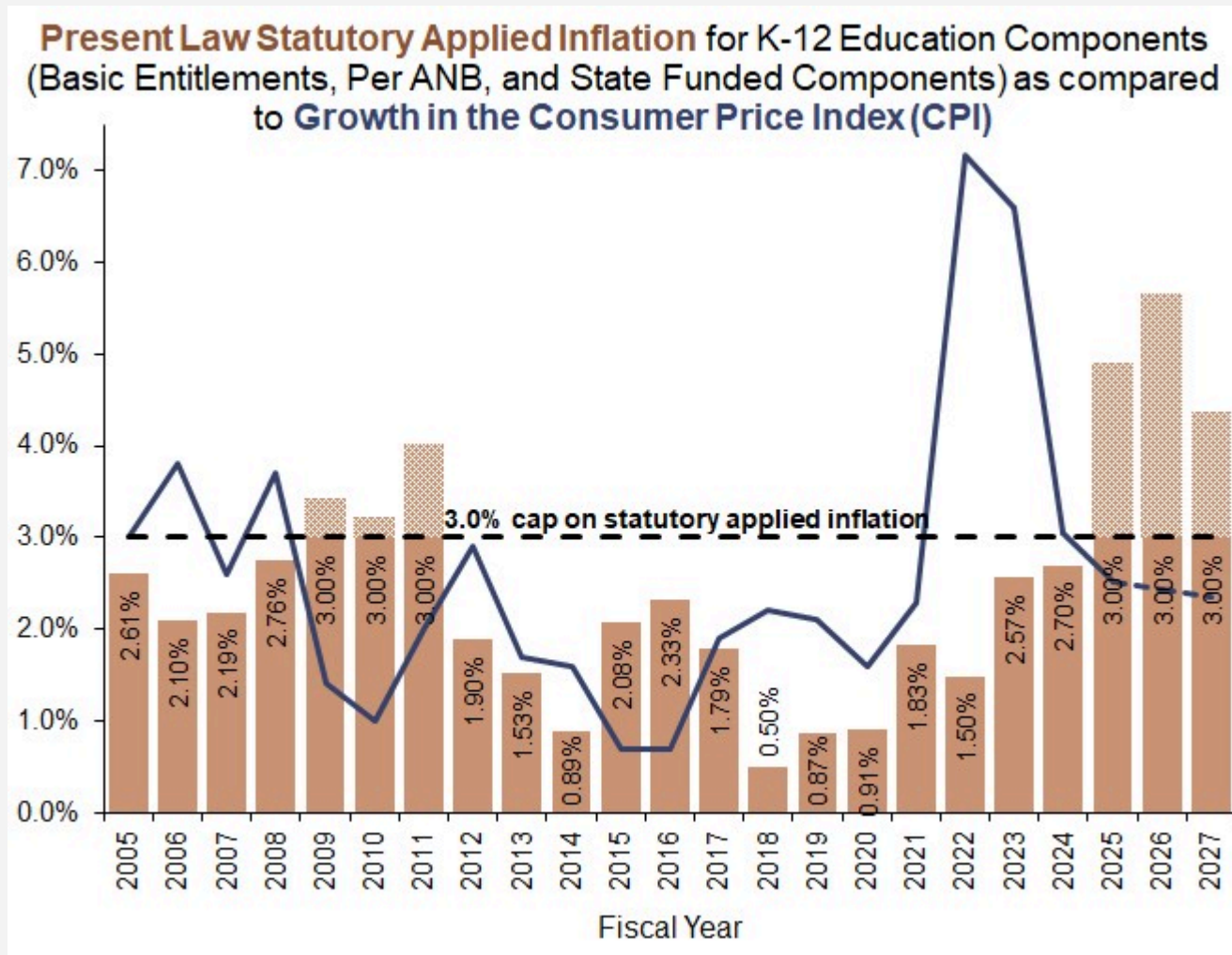
Inflationary Increases

Statute requires that certain components of school funding include a present law adjustment for inflation in the superintendent's budget request (20-9-326, MCA). Anticipated inflationary increases in the 2027 biennium are 3.0% in FY 2026 and 3.0% in FY 2027, based on the IHS Markit forecast from August 2024. These growth rates are higher than previous biennium growth rates, which were 2.7% in FY 2024 and 3.0% in FY 2025.

Statute requires the use of a three-year average of inflation to determine superintendent's request to the executive for the K-12 inflation rate, which is then capped at 3.0%. Due to the lag from the three-year average, the statutory applied inflation calculation for both FY 2026 and FY 2027 results in a K-12 inflation rate above the cap (5.67% for FY 2026 and 4.36% for

FY 2027), so the inflation rates are set at 3.0%. If the three-year average inflation rate had not been capped, K-12 BASE aid would have increased by an additional \$17.2 million in FY 2025. The K-12 BASE aid inflationary adjustment would also increase by approximately \$27.3 million in FY 2026 and approximately \$42.6 million in FY 2027 if the uncapped three-year average inflation rates were used for the 2027 biennium. The legislature may adopt different K-12 inflation rates than those proposed by the executive.

The following graphic illustrates the present law statutorily applied inflation (based on the IHS Markit forecast from August 2024, per statute) and current forecast of CPI (as of November 2024):

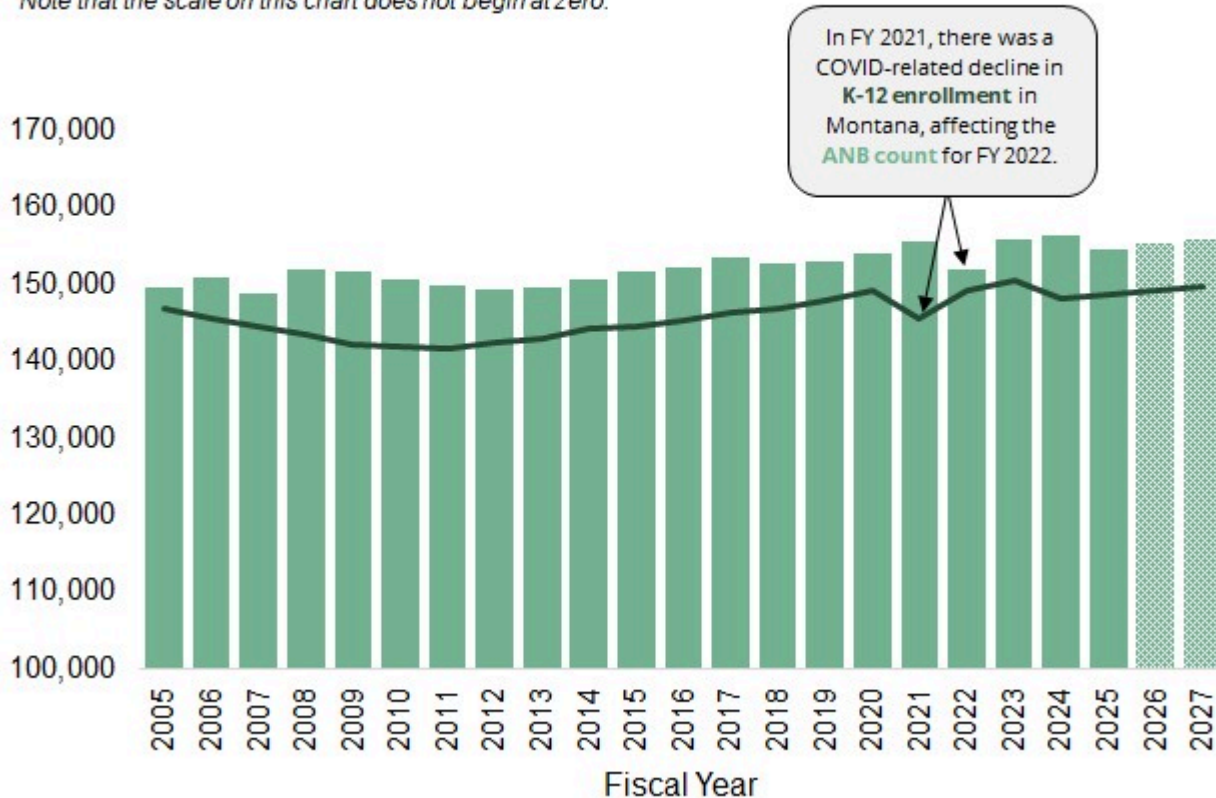


Enrollment

State K-12 BASE aid to school districts is calculated based on average number belonging (ANB), which is a metric for enrollment. ANB counts are taken twice in each school year, once on the first Monday in October and once on the first Monday in February. The current year ANB number (the average of the current year October and February ANB counts) and three-year average ANB (the average of current year ANB and ANB for two years prior) can be used to determine the state K-12 BASE aid. Under current law, the ANB number (either current-year or three-year average) which results in the largest budget is used to create the budget for the following year. In order to create the Governor's budget, the actual October ANB count is typically averaged with an estimate for the following February ANB count that has not yet occurred. Then, once the second ANB count occurs in February, the budget can be updated by the legislature via a decision package to HB 2. Budgeting for the second year of the biennium typically uses estimated ANB counts as well.

K-12 enrollment (ANB) is projected to grow moderately over the next biennium.

Note that the scale on this chart does not begin at zero.



Retirement

HB 587 (2023 Session) requires that 55.0% of any increased revenue from the 95 school equalization mills be used to reduce local property taxes through equalization mechanisms for FY 2026 and beyond. The bill implemented this change for FY 2025 with a "hardcoded" increase in the GTB multiplier; the estimated impact was \$36.5 million. However, due to retirement fund budgets and differences between the projected and actual taxable values, the actual impact for FY 2025 was approximately \$46.4 million.

DP 905 - At Risk Payment Inflationary Increase -

The executive requests general fund local assistance authority to support inflationary increases for the at-risk student payment. These increases represent a 3.0% increase for both FY 2026 and FY 2027, which are the same inflationary rates associated with the present law adjustment for K-12 BASE aid.

DP 906 - NRD K12 Facilities Major Maintenance Aid -

The natural resource development (NRD) K-12 facilities payment (20-9-635, MCA) is used to support major maintenance projects in public schools. The executive requests an increase of general fund and state special revenue local assistance in order to meet the statutorily required growth in each year of the biennium, per 20-9-635, MCA.

LFD COMMENT

The natural resource development K-12 school facilities payment is a general fund appropriation to support school major maintenance aid (per 20-9-635, MCA). For FY 2024 and beyond, the NRD is calculated as

the greater of \$10.0 million increased by an inflationary adjustment (per 20-9-326, MCA) or 5.0% of the oil and natural gas production taxes deposited in the general fund (per 15-36-331(4), MCA) for two fiscal years prior. The present law for major maintenance aid must consist of the general fund appropriation for the natural resource development K-12 school facilities payment and a state special revenue appropriation for the projected revenue in the school major maintenance account (per 20-9-525, MCA).

DP 907 - State Transformational Learning Pmt Adjustment -

The executive requests general fund grant authority to adjust the state transformational learning payment for 3.0% inflationary increases related to the per educator component of the calculation, per 20-7-1602(9), MCA.

DP 909 - State Tuition Increase -

The executive requests general fund local assistance authority to increase the state tuition payment, as required per 20-5-323 and 20-5-324, MCA.

DP 910 - In State Treatment Adjustment -

The executive requests a general fund appropriation to meet the in-state inpatient treatment payment needs, as required in 20-7-435, MCA.

DP 911 - Increase Federal Grant Authority - Program 09 -

The executive requests \$10.0 million in federal special revenue local assistance authority in each year of the biennium to adjust for increases in federal grant awards OPI distributes to school districts and other local education agencies administered by the OPI.

DP 917 - Guarantee Account Adjustment -

The executive requests an increase in general fund to offset reductions in revenue in the guarantee account. The guarantee account (per 20-9-622, MCA) is the first source of funding for state equalization aid and is statutorily appropriated.

**LFD
ISSUE**

This decision package is based on the executive forecast for the guarantee account, not the HJ 2 estimate adopted by the Revenue Interim Committee (RIC) in November 2024. If HJ 2 values were used, this decision package would need to be reduced by \$3,923,000 general fund in FY 2026 and by \$3,815,000 general fund in FY 2027, and the total adjustment would reflect a reduction of \$2,178,360 general fund in FY 2026 and a reduction of \$2,746,964 in FY 2027.

Guarantee Account Executive Estimate vs. Adopted HJ 2 Estimate - 2027 Biennium (\$ in millions)			
	FY 2026	FY 2027	Biennium Total
HJ 2 (as adopted by the Nov. 2024 RIC)	\$59.021	\$59.590	\$118.612
Executive Estimate	55.098	55.775	110.873
Difference	\$3.923	\$3.815	\$7.739

Legislative Options:

- Adjust the appropriation to bring the guarantee account adjustment in line with HJ 2. This change would involve decreasing the general fund appropriation for K-12 BASE aid to account for increased revenue in the guarantee account, which is statutorily appropriated
- Adopt the executive budget without changing the appropriation for K-12 BASE aid

DP 918 - Equalization Aid Acct Adjustment -

The executive requests an increase to state special revenue authority for the state equalization and property tax reduction (SEPTR) account, which receives revenue from the 95 state equalization mills. This change is requested to account for projected revenue with an offsetting reduction of general fund. The SEPTR account (per 20-9-336, MCA) is the second source of funding for state equalization aid.

**LFD
ISSUE**

This decision package is based on the executive forecast of the 95 mills, not the HJ 2 estimate adopted by the Revenue Interim Committee (RIC) in November 2024. If HJ 2 values were used, the state special revenue amounts in this decision package would need to be increased by \$3,360,000 in FY 2026 and by \$1,088,000 in FY 2027, and the total adjustment would reflect a decrease in general fund and a corresponding increase in state special revenue of \$76,029,422 in FY 2026 and \$80,868,092 in FY 2027.

School Equalization & Property Tax Reduction Account (95 Mills) Executive Estimate vs. Adopted HJ 2 Estimate - 2027 Biennium (\$ in millions)			
	FY 2026	FY 2027	Biennium Total
HJ 2 (as adopted by the Nov. 2024 RIC)	\$511.558	\$516.397	\$1,027.956
Executive Estimate	507.928	515.309	1,023.237
Difference	\$3.630	\$1.088	\$4.719

Legislative Options:

- Adjust the appropriation to bring the SEPTR account appropriation in line with HJ 2. This change would involve a corresponding decrease to the general fund appropriation for K-12 BASE aid
- Adopt the executive budget without changing the appropriation for the SEPTR account

DP 919 - County Retirement Adjustment -

The executive requests additional funding for K-12 BASE aid for county retirement, per 20-9-336, MCA, for FY 2027 only.

**LFD
ISSUE**

HB 587 (2023 Session) requires that 55.0% of any increased revenue from the 95 school equalization mills be used to reduce local property taxes through equalization mechanisms for FY 2026 and beyond. The bill implemented this change for FY 2025 with a "hardcoded" increase in the GTB multiplier from 1.21 to 1.89; the estimated impact was \$36.5 million. However, due to retirement fund budgets and differences between the projected and actual taxable values, the actual impact for FY 2025 was approximately \$46.4 million.

This decision package for FY 2026 and FY 2027 implements the HB 587 calculation by adjusting the retirement GTB multiplier according to the formula in 20-9-336, MCA. The decision package is based on the preliminary executive forecast of the 95 mills rather than the HJ 2 estimate adopted by the Revenue Interim Committee (RIC) in November 2024. According to the executive's preliminary revenue estimate, no adjustment is included for this decision package for FY 2026 as the change in taxable value in the formula did not require an adjustment. However, if HJ 2 values were used, this decision package would need to be increased by \$6,271,000 in FY 2026 and by \$13,864,000 in FY 2027, and the total adjustment would reflect increases in general fund of \$6,271,000 in FY 2026 and \$38,464,000 in FY 2027.

School Equalization & Property Tax Reduction Account (95 Mills) County School Retirement GTB Calculation (\$ in millions)				
	FY 2025	FY 2025	FY 2026	FY 2027
95 Mill Revenue (HJ 2 estimate)	\$430.222	\$441.624	\$511.558	\$516.397
Increase from Prior Year		11.402	69.935	4.839
55% of the Increase - Following Year County Retirement			\$6.271	\$38.464

Legislative Options:

- Adjust the appropriation to bring the county retirement adjustment in line with HJ 2
- Adopt the executive budget without changing the appropriation for county retirement

DP 920 - Debt Service Adjustment -

The executive requests state special revenue authority to increase debt service assistance to the projected need.

LFD COMMENT	The school facility and technology account, which funds debt service assistance, received \$32.9 million in revenue in FY 2024. This revenue was significantly higher than the FY 2023 revenues, which were \$9.1 million. The large revenue influx for FY 2024 was due in part to the resolution of a lawsuit related to riverbed leases, which resulted in a large one-time deposit into the fund.
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School Facility and Technology Account			
	FY 2022	FY 2023	FY 2024
Starting fund balance	\$4,914,654	\$9,111,733	\$14,663,539
Revenue	\$7,447,020	\$9,051,806	\$32,891,446
Disbursements	(\$3,249,941)	(\$3,500,000)	(\$14,345,149)
Ending fund balance	\$9,111,733	\$14,663,539	\$33,209,836

In the mid-2000s when the program was fully funded and school district debt obligations were lower than they are currently, the program covered approximately a quarter of statewide school debt obligation. In recent years, the program has covered less than 5.0% of the statewide school debt obligation, and from FY 2017 through FY 2020 the program was not funded at all. Recent legislative efforts, including the creation of a school facilities fund within the coal tax trust (HB 321, 2023 Session), should help ensure more robust funding of the program going forward.

DP 923 - Indian Language Immersion Adjustment -

The executive requests general fund grant authority to increase participation in the Indian Language Immersion program (20-7-1404, MCA).

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
-----Fiscal 2026-----						-----Fiscal 2027-----				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 914 - Move Workforce Innovation Grants to DLI	0.00 (525,000)	0	0	(525,000)		0.00 (525,000)	0	0	0	(525,000)
DP 916 - Cell Phone Free Schools (BIEN/OTO)	0.00 500,000	0	0	500,000		0.00 500,000	0	0	0	500,000
DP 921 - 95 Mill Non Levy Revenue	0.00 (14,733,873)	14,733,873	0	0		0.00 (12,649,004)	12,649,004	0	0	0
DP 922 - Teacher Pay Incentive	0.00 52,504,462	0	0	52,504,462		0.00 54,073,148	0	0	0	54,073,148
DP 924 - SMMA Adjustment	0.00 (3,175,000)	3,175,000	0	0		0.00 (3,287,000)	3,287,000	0	0	0
DP 925 - Business Equipment Tax Adjustment	0.00 1,050,000	(1,050,000)	0	0		0.00 1,512,000	(1,512,000)	0	0	0
DP 926 - Homestead Property Tax Adjustment	0.00 13,414,976	(13,414,976)	0	0		0.00 13,414,976	(13,414,976)	0	0	0
Total	0.00 \$49,035,565	\$3,443,897	\$0	\$52,479,462		0.00 \$53,039,120	\$1,009,028	\$0	\$54,048,148	

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

DP 914 - Move Workforce Innovation Grants to DLI -

The executive requests a reduction in fund authority to move the adult basic education workforce innovation and opportunities grants to the Department of Labor and Industry (DLI). The request is contingent on related legislation.

LFD COMMENT

Specific details regarding the proposed legislation and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 916 - Cell Phone Free Schools (BIEN/OTO) -

The executive requests one-time-only, biennial general fund grant authority for small grants to K-12 public schools to purchase secure systems so that cell phones are inaccessible to students during school hours.

DP 921 - 95 Mill Non Levy Revenue -

Contingent on related legislation (LC 0080), the executive requests a fund switch to redirect non-levy revenue associated with the 95 mills from the state general fund to the state equalization and property tax reduction (SEPTR) state special revenue account.

LFD COMMENT

Non-levy revenue is revenue from a source other than property tax levies that generally has a connection to property taxation. Certain non-levy revenue associated with the 95 school equalization mills, primarily made up of coal gross proceeds and federal forest reserve funds, must be transferred to the state for K-12 BASE aid funding. HB 587 (2023 Session) redirected property tax revenue from the 95 mills from the general fund to the newly created SEPTR account. The legislation did not revise the deposit of non-levy revenue listed in equalization statutes, so it is still deposited into the general fund under current law.

Specific details regarding the proposed legislation and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 922 - Teacher Pay Incentive -

Contingent on related legislation (LC 0262), the executive requests general fund grant authority for increased teacher pay, which will be directed to the bottom one-third of the teacher pay scale in each school district through state grants.

**LFD
COMMENT**

HB 143 (2021 Session), also known as the "TEACH Act," created an incentive for school districts to increase starting teacher salaries by establishing a goal of ten times the quality educator payment as the benchmark for competitive base pay. The quality educator payment is one of several components of Montana's school funding formula that typically receives an annual inflationary adjustment. The TEACH Act incentive to increase starting teacher pay involves adding an additional quality educator payment, which is fully state funded, to the school district's general fund budget for teachers in the first three years of their teaching career. Additional funding for the TEACH Act was added to the budget for OPI in the 2023 Legislative Session.

Specific details regarding the proposed legislation and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 924 - SMMA Adjustment -

Contingent on related legislation, the executive requests a fund switch for state major maintenance aid from the general fund to state special revenue.

**LFD
COMMENT**

Specific details regarding the proposed legislation and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 925 - Business Equipment Tax Adjustment -

Contingent on related legislation (LC 0446), the executive requests a fund switch for K-12 BASE aid from the state equalization and property tax reduction (SEPTR) state special revenue account to the state general fund in order to make adjustments to business equipment tax exemptions.

**LFD
COMMENT**

For tax year (TY) 2000, business equipment valued at \$5,000 or less was exempt from property taxation in Montana. In 2005, the Legislature increased that exemption to \$20,000 of market value. Beginning in 2014, the Legislature took a different approach and exempted the first \$100,000 of business equipment for all taxpayers. HB 303 (2021 Session) increased the business equipment property tax exemption from \$100,000 to \$300,000 beginning in TY 2022, and HB 212 (2023 Session) increased the business equipment property tax exemption from \$300,000 to \$1.0 million beginning in TY 2024. Under current law, businesses whose statewide market value of equipment is \$1.0 million or less are exempt from business equipment tax, and businesses whose statewide market value is greater than \$1.0 million only pay property taxes on their market value above \$1.0 million. If the proposal results in a net taxable value reduction for the state, the revenue from the 95 mills will also be reduced and the state general fund would backfill the reduction in property tax revenue.

Specific details regarding the proposed legislation to revise the business equipment tax exemption and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

DP 926 - Homestead Property Tax Adjustment -

Contingent on related legislation (LC 0173), the executive requests a fund switch for K-12 BASE aid from the state equalization and property tax reduction (SEPTR) state special revenue account to the state general fund in order to make adjustments for homestead property tax exemptions.

**LFD
COMMENT**

Prior to FY 2015, Montana had homestead and comstead exemptions that were tied to the phase in value of property based on the six-year property reappraisal cycle. HB 157 (2015 Session) changed the reappraisal cycle from a six-year cycle to a two-year cycle and eliminated Montana's homestead and comstead exemptions but provided local property tax relief through an increase in guaranteed tax base (GTB) aid.

Homestead exemptions can be implemented in various ways; however, in August 2024, the Governor's Property Tax Advisory Council (PTAC) recommended adjusting the statutory tax rate for primary residences and long term rentals under a dollar threshold, while increasing the rate for all other residential property. The PTAC created a similar recommendation for tiered rates on commercial property as part of a comstead exemption proposal. If the proposal results in a net taxable value reduction for the state, the revenue from the 95 mills will also be reduced and the state general fund would backfill the reduction in property tax revenue. Specific details regarding the proposed legislation, which may differ from the PTAC recommendation, and its funding, expenditures, and implementation mechanisms will become available once the legislation has been introduced and the provisions of the bill are fully outlined.

BOARD OF PUBLIC EDUCATION

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	3.00	3.00	3.00	0.00	0.0%
General Fund	580,585	568,646	568,591	(23,933)	(2.1%)
State/Other Special Rev. Funds	11,563			(23,126)	(100.0%)
Total Funds	592,148	568,646	568,591	(47,059)	(4.0%)
Personal Services	278,418	278,038	278,039	(759)	(0.1%)
Operating Expenses	313,730	290,608	290,552	(46,300)	(7.4%)
Total Expenditures	592,148	568,646	568,591	(47,059)	(4.0%)
Total Ongoing	592,148	568,646	568,591	(47,059)	(4.0%)
Total One-Time-Only					0.0%

Agency Highlights

Board of Public Education Major Budget Highlights

The Board of Public Education's 2027 biennium appropriations are approximately \$47,000 or 4.0% less than the FY 2025 base budget. Significant changes include:

- The elimination of state special revenue funds, which the Board is no longer authorized to spend
- Reductions in fixed costs

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.

Board of Public 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
Base Budget	580,585	11,563	0	592,148	104.1%	580,585	11,563	0	592,148	104.1%
Statewide PL										
Personal Services	11,130	0	0	11,130	2.0%	11,131	0	0	11,131	2.0%
Fixed Costs	(23,062)	0	0	(23,062)	(4.1%)	(23,121)	0	0	(23,121)	(4.1%)
Inflation Deflation	(7)	0	0	(7)	(0.0%)	(4)	0	0	(4)	(0.0%)
Total Statewide PL	(11,939)	0	0	(11,939)	(2.1%)	(11,994)	0	0	(11,994)	(2.1%)
Present Law (PL)	0	(11,563)	0	(11,563)	(2.0%)	0	(11,563)	0	(11,563)	(2.0%)
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(11,939)	(11,563)	0	(23,502)	(4.1%)	(11,994)	(11,563)	0	(23,557)	(4.1%)
Total Requested Budget	568,646	0	0	568,646		568,591	0	0	568,591	

Statewide Present Law Adjustment for Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP1) has been broken down into three categories, as follows:

- Legislative changes - This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes - This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications - This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Board of Public Education FY 2026 Statewide Present Law Adjustment for Personal Services - DP1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
K-12 Education	6,847	4,283	-	11,130
Total	\$6,847	\$4,283	-	\$11,130

The Board of Public Education is incurring a positive statewide present law adjustment for personal services. This is due to both legislative increases for longevity and other benefits increases and management decisions such as market rate adjustments.

Funding

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

Total Board of Public 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
01100 General Fund	1,137,237				1,137,237	100.0%
State Special Revenue Total	-	-	-	-	-	0.0%
Federal Special Revenue Total	-	-	-	-	-	0.0%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	1,137,237	-	-	-	1,137,237	
Percent of All Sources of Authority	100.0%	0.0%	0.0%	0.0%		

The executive HB 2 request totals \$1.1 million, which is 100.0% general funded. Prior to 2023, the Board of Public Education (BPE) was funded with both general fund and state special revenue. Due to HB 403 (2023 Session), the Board of Public Education is now fully funded by general fund. HB 13 (2023 Session) provided the Board of Public Education state special revenue within the pay plan, but they no longer have spending authority for those funds.

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	3.00	3.00	3.00	3.00
Personal Services	258,488	264,988	278,418	278,038	278,039
Operating Expenses	138,462	317,200	313,730	290,608	290,552
Total Expenditures	\$396,950	\$582,188	\$592,148	\$568,646	\$568,591
General Fund	395,807	576,445	580,585	568,646	568,591
State/Other Special Rev. Funds	1,143	5,743	11,563	0	0
Total Funds	\$396,950	\$582,188	\$592,148	\$568,646	\$568,591
Total Ongoing	\$396,950	\$582,188	\$592,148	\$568,646	\$568,591
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Board of Public Education is authorized by Article X, Section 9 of the Montana Constitution, and exercises general supervision over the public school system and such other public educational institutions as may be assigned by law.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Board of Public Education’s modified HB 2 budget of approximately \$582,000 was 68.2% expended in FY 2024. Personal services were 97.5% expended. Operating expenses were 43.7% expended. HB 2 authority provided an appropriation to the agency related to HB 549 (2023 Session). This appropriation was given to support the implementation of the Public Charter School Act. BPE requested approval from the Office of Budget and Program Planning to create a modified position to support the implementation of HB 549. The agency used existing budget authority to hire a program officer at the start of FY 2025. The cost of this position is approximately \$78,000 and with this addition, expenditures should be closer to appropriations for the second year of the biennium.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is approximately \$10,000 or 1.7% greater than the FY 2024 appropriation. The difference is largely explained by an increased adjustment in the pay plan and a decreased adjustment in operating expenses.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

The figure below illustrates the beginning FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2025 base budget was agreed upon by the Office of Budget and Program Planning and the Fiscal Division to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Board of Public Education				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 K-12 EDUCATION				
6100 Personal Services	\$278,418		\$278,418	0.0%
6200 Operating Expenses	313,730		313,730	0.0%
Total	592,148		592,148	0.0%
Agency Total	\$592,148		\$592,148	0.0%

As seen in the table above, the executive did not make modifications to the legislative budget from the 2023 Session.

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	11,130	0	0	11,130	0.00	11,131	0	0	11,131
DP 2 - Fixed Costs	0.00	(23,062)	0	0	(23,062)	0.00	(23,121)	0	0	(23,121)
DP 3 - Inflation Deflation	0.00	(7)	0	0	(7)	0.00	(4)	0	0	(4)
DP 9 - Remove State Special Revenue Authority	0.00	0	(11,563)	0	(11,563)	0.00	0	(11,563)	0	(11,563)
Grand Total All Present Law Adjustments	0.00	(\$11,939)	(\$11,563)	\$0	(\$23,502)	0.00	(\$11,994)	(\$11,563)	\$0	(\$23,557)

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

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

DP 9 - Remove State Special Revenue Authority -

As discussed earlier, the Board of Public Education receives no state special revenue funding following legislation passed by the 2023 Legislature. Therefore, this request reduces state special revenue funding by \$11,563 per year and zeros the agency state special revenue appropriation.

COMMISSIONER OF HIGHER EDUCATION

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	50.22	50.22	50.22	0.00	0.0%
General Fund	294,618,262	311,476,981	311,876,256	34,116,713	5.8%
State/Other Special Rev. Funds	34,517,406	38,171,423	38,630,074	7,766,685	11.3%
Federal Spec. Rev. Funds	18,423,077	18,841,378	19,056,826	1,052,050	2.9%
Proprietary Funds	723,465	723,465	723,465		0.0%
Total Funds	348,282,210	369,213,247	370,286,621	42,935,448	6.2%
Personal Services	6,423,672	6,012,156	6,048,431	(786,757)	(6.1%)
Operating Expenses	8,285,485	8,375,323	8,387,593	191,946	1.2%
Equipment & Intangible Assets	11,063	11,063	11,063		0.0%
Local Assistance	17,804,881	18,204,022	18,927,866	1,522,126	4.3%
Grants	19,747,079	20,515,265	21,592,018	2,613,125	6.6%
Transfers	295,358,604	315,092,960	314,316,772	38,692,524	6.6%
Debt Service	651,426	1,002,458	1,002,878	702,484	53.9%
Total Expenditures	348,282,210	369,213,247	370,286,621	42,935,448	6.2%
Total Ongoing	348,282,210	368,638,247	369,861,621	41,935,448	6.0%
Total One-Time-Only	4,000,000	575,000	425,000	(7,000,000)	(87.5%)

Agency Highlights

**Office of the Commissioner of Higher Education
Major Budget Highlights**

The Office of the Commissioner of Higher Education's 2027 biennium budget request is approximately \$20.9 million greater in FY 2026 and \$22.0 million greater in FY 2027 than the FY 2025 base budget. Significant proposals include:

- Increasing general fund appropriations by \$16.5 million in FY 2026 and \$15.4 million in FY 2027 for present law adjustments related to personal services, higher education fixed costs, and inflation in the Appropriation Distribution Program
- Increasing general fund appropriations by \$2.3 million in FY 2026 and \$2.7 million in FY 2027 for present law adjustments related to personal services, fixed costs, and inflation in the Agency Funds Program
- Decreasing general fund appropriations and increasing six-mill state special revenue appropriations by \$3.3 million in FY 2026 and \$3.8 million in FY 2027. The revenues in the state special revenue fund are expected to grow due to reappraisal
- Increasing general fund appropriations and state special revenue appropriations by approximately \$1.0 million in FY 2026 and by \$2.0 million in FY 2027 in the Student Assistance Program. Increases are driven by cost changes in the professional student exchange programs such as increased support fee costs and additional students in these programs
- Increasing general fund appropriations by \$392,000 in FY 2026 and \$1.1 million in FY 2027 for the statutory calculation of the community college funding formula
- One-time-only general fund appropriations in the Administration Program of \$1.0 million through the 2027 biennium for start-up costs to develop a hybrid online J.D. program at the University of Montana

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
Base Budget	294,618,262	34,517,406	18,423,077	348,282,210	94.3%	294,618,262	34,517,406	18,423,077	348,282,210	94.1%
Statewide PL										
Personal Services	(340,577)	(12,983)	(97,264)	(450,824)	(0.1%)	(324,001)	(12,332)	(91,814)	(428,147)	(0.1%)
Fixed Costs	18,360	0	0	18,360	0.0%	27,440	0	0	27,440	0.0%
Inflation Deflation	(826)	0	(425)	(1,251)	(0.0%)	(558)	0	(287)	(845)	(0.0%)
Total Statewide PL	(323,043)	(12,983)	(97,689)	(433,715)	(0.1%)	(297,119)	(12,332)	(92,101)	(401,552)	(0.1%)
Present Law (PL)	19,923,762	0	515,990	20,439,752	5.5%	20,905,113	0	725,850	21,630,963	5.8%
New Proposals	(2,742,000)	3,667,000	0	925,000	0.3%	(3,350,000)	4,125,000	0	775,000	0.2%
Total HB 2 Adjustments	16,858,719	3,654,017	418,301	20,931,037	5.7%	17,257,994	4,112,668	633,749	22,004,411	5.9%
Total Requested Budget	311,476,981	38,171,423	18,841,378	369,213,247		311,876,256	38,630,074	19,056,826	370,286,621	

Statewide Present Law Adjustment for Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP1) has been broken down into three categories, as follows:

- Legislative changes - This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes - This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications - This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Office of the Commissioner of Higher Education FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1
01 Administration Program	\$ (23,905)	\$ (185,449)	\$ (186,200)	\$ (395,554)
02 Student Assistance Program	(13,917)	41,050	-	27,133
06 Education Outreach & Diversity	(1,529)	29,709	-	28,180
08 Work Force Development Program	(19,184)	(2,746)	-	(21,930)
12 Guaranteed Student Loan Program	(11,971)	(71,082)	-	(83,053)
13 Board of Regents-Admin Program	-	(5,600)	-	(5,600)
Total	\$ (70,506)	\$ (194,118)	\$ (186,200)	\$ (450,824)

The proposed statewide personal services present law adjustment (DP 1) decreases appropriations by approximately \$397,000 in FY 2026. The decrease in the legislative changes category is largely due to reduced expenditures for benefits across programs. The decrease in the management decisions category is due to several positions that were either terminated or rehired at lower pay rates, though there were pay increases for other positions as well. The decrease in funding as a result of budget modifications is due to a program transfer and is discussed in the Administration Program section.

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
01100 General Fund	622,353,237	1,000,000		8,177,875	631,531,112	57.8%
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%
State Special Revenue Total	76,801,497	-	-	8,379,302	85,180,799	7.8%
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%
Federal Special Revenue Total	37,898,204	-	-	-	37,898,204	3.5%
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%
Proprietary Fund Total	1,446,930	-	337,443,089	-	338,890,019	31.0%
Total of All Funds	738,499,868	1,000,000	337,443,089	16,557,177	1,093,500,134	
Percent of All Sources of Authority	67.5%	0.1%	30.9%	1.5%		

HB 2 Appropriations

Approximately two-thirds of the funding proposed by the executive for the Office of the Commissioner of Higher Education is appropriated in HB 2. Approximately one-third of the proposed funding does not require an appropriation as the authority comes from enterprise-type proprietary funds. The remaining one percent is statutory appropriation authority.

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

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

These funds are discussed in the Legislative Fiscal Division Section E Proprietary Budget Analysis.

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.

Statutory Appropriations

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

- Montana Rural Physicians Incentive Program
- STEM Scholarships
- UM Accommodations Tax Revenue

More detail about statutory appropriations is provided in the program analyses below.

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	50.22	50.22	50.22	50.22
Personal Services	5,044,628	5,894,814	6,423,672	6,012,156	6,048,431
Operating Expenses	4,557,928	9,622,306	9,635,485	8,375,323	8,387,593
Equipment & Intangible Assets	10,311	11,063	11,063	11,063	11,063
Local Assistance	16,315,492	16,315,927	17,804,881	18,204,022	18,927,866
Grants	16,103,231	18,558,987	19,847,079	20,515,265	21,592,018
Transfers	271,194,718	276,213,828	297,908,604	315,092,960	314,316,772
Debt Service	244,521	651,439	651,426	1,002,458	1,002,878
Total Expenditures	\$313,470,829	\$327,268,364	\$352,282,210	\$369,213,247	\$370,286,621
General Fund	266,687,624	273,133,217	298,618,262	311,476,981	311,876,256
State/Other Special Rev. Funds	35,011,519	35,110,764	34,517,406	38,171,423	38,630,074
Federal Spec. Rev. Funds	11,144,469	18,300,918	18,423,077	18,841,378	19,056,826
Proprietary Funds	627,217	723,465	723,465	723,465	723,465
Total Funds	\$313,470,829	\$327,268,364	\$352,282,210	\$369,213,247	\$370,286,621
Total Ongoing	\$311,917,848	\$324,548,364	\$348,282,210	\$368,638,247	\$369,861,621
Total OTO	\$1,552,981	\$2,720,000	\$4,000,000	\$575,000	\$425,000

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 95.8% of its \$327.3 million HB 2 modified budget in FY 2024. General fund appropriations of \$273.1 million were 97.6% expended, which is in line with typical expenditures at the end of the fiscal year. Federal special revenue appropriations of \$18.3 million were 60.9% expended, and state special revenue funds of \$35.1 million were 99.7% expended.

Lower federal special revenue expenditures were seen in two programs: Education Outreach and Diversity Program and Guaranteed Student Loan Program. Lower expenditures in these programs are typical. These and other low-expenditure areas are explained below:

- HB 5 appropriated approximately \$3.6 million to OCHE to account for the operations and maintenance of new facilities authorized as part of the state's long-range building program. At the end of FY 2024, no expenditures had been made. This is to be expected, as the construction of these projects have not been completed yet, and appropriations were set aside to ensure that there is sufficient funding once the buildings are completed
- HB 10 appropriated approximately \$6.6 million for the CyberMontana cybersecurity initiative. As of the end of FY 2024, \$3.0 million, or 45.2% of appropriations were expended. This was a biennial appropriation, so it is expected that not all funds will be expended by the end of FY 2024
- The Education Outreach & Diversity program expended 42.4% of its approximately \$9.7 million appropriation. Most funding within this program comes from federal grants which span several years, and lower expenditures in these programs are often due to the timing of grant activities. Specific details are provided at the program level
- The Guaranteed Student Loan Program expended 34.9% of its approximately \$2.4 million appropriation. This is typical, as the program no longer manages actual student loans, and instead administers financial literacy and education activities. This program is funded entirely with federal funds from the U.S. Department of Education
- The Montana Rural Physicians Incentive Program state special revenue fund received approximately \$1.7 million in FY 2024 which was 53.8% expended. Lower expenditure rates are not unusual for this program. The number of physicians participating in this program can vary from year to year, and disbursements can vary depending on how physician participation other loan repayment programs affect the needs for disbursements

FY 2024 Appropriations Compared to FY 2025 Appropriations

The HB 2 FY 2025 appropriations for OCHE were approximately \$25.0 million, or 7.6% higher than appropriations in FY 2024. Much of this increase is due to higher general fund appropriations in HB 13 for increasing MUS employee pay, which appropriated approximately \$11.3 million more in FY 2025 for this purpose. Other notable differences include:

- Approximately \$9.4 million of appropriation increases in FY 2025 due to funding for risk management and tort defense being added back into the base budget. This funding had been eliminated for FY 2024 as a one-time-only reduction which resulted in savings, but the base budget was adjusted for FY 2025
- HB 2 appropriations for OCHE in FY 2025 included \$1.4 million in one-time-only appropriations for the 1-2 Free Program that were not included in the FY 2024 appropriation
- Approximately \$1.5 million increased appropriations for Community College Assistance in FY 2025 over FY 2024 as a result of the statutory funding formula calculation for Dawson Community College, Flathead Valley Community College, and Miles Community College
- Approximately \$1.0 million increased appropriations in FY 2025 for present law increases for the professional student exchange program

Comparison of FY 2024 Legislative Budget to FY 2024 Base

The figure below illustrates the beginning FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2025 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Office of the Commissioner of Higher Education Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
Administration Program				
Personal Services	\$ 3,744,063	\$ 186,200	\$ 3,930,263	5.0%
Operating Expenses	1,012,873	-	1,012,873	0.0%
Equipment & Intangible Assets	11,063	-	11,063	0.0%
Transfers	22,773	-	22,773	0.0%
Debt Service	175,193	-	175,193	0.0%
Total	4,965,965	186,200	5,152,165	3.7%
Student Assistance Program				0.0%
Personal Services	406,060	-	406,060	0.0%
Operating Expenses	440,884	-	440,884	0.0%
Local Assistance	169,000	-	169,000	0.0%
Grants	13,019,810	-	13,019,810	0.0%
Transfers	115,631	-	115,631	0.0%
Total	14,151,385	-	14,151,385	0.0%
Community College Assistance Program				0.0%
Local Assistance	16,421,848	1,214,033	17,635,881	7.4%
Transfers	1,214,033	(1,214,033)	-	-100.0%
Total	17,635,881	-	17,635,881	0.0%
Education Outreach & Diversity Program				0.0%
Personal Services	1,450,055	-	1,450,055	0.0%
Operating Expenses	4,910,476	-	4,910,476	0.0%
Grants	3,377,000	-	3,377,000	0.0%
Debt Service	57,328	-	57,328	0.0%
Total	9,794,859	-	9,794,859	0.0%
Workforce Development Program				0.0%
Personal Services	394,371	-	394,371	0.0%
Operating Expenses	76,942	-	76,942	0.0%
Grants	2,431,869	-	2,431,869	0.0%
Transfers	3,552,678	-	3,552,678	0.0%
Debt Service	23,490	-	23,490	0.0%
Total	6,479,350	-	6,479,350	0.0%
Appropriation Distribution Program				0.0%
Transfers	254,596,736	(186,200)	254,410,536	-0.1%
Total	254,596,736	(186,200)	254,410,536	-0.1%
Research and Development Agencies				0.0%
Transfers	37,256,986	-	37,256,986	0.0%
Total	37,256,986	-	37,256,986	0.0%
Tribal College Assistance Program				0.0%
Grants	918,400	-	918,400	0.0%
Total	918,400	-	918,400	0.0%

Guaranteed Student Loan Program				0.0%
Personal Services	231,023	-	231,023	0.0%
Operating Expenses	2,168,661	(387,028)	1,781,633	-17.8%
Debt Service	8,387	387,028	395,415	4,614.6%
Total	2,408,071	-	2,408,071	0.0%
Board of Regents				0.0%
Personal Services	11,900	-	11,900	0.0%
Operating Expenses	62,677	-	62,677	0.0%
Total	74,577	-	74,577	0.0%
Agency Total	\$ 696,564,420	\$ -	\$ 696,564,420	0.0%

There were several executive modifications made to the budget passed by the 2023 Legislature which affected the FY 2025 base budget. These include:

- The reclassification of approximately \$1.2 million of appropriations within the Community Colleges Program so that the appropriation could be utilized by the community colleges
- The reclassification of approximately \$387,000 of appropriations for long-term software subscriptions within the Guaranteed Student Loan Program from operating expenses to debt service as per accounting standards
- A program transfer of approximately \$186,000 from the Appropriation Distribution Program which utilized regents priority funds to fund a position to support the Long-Range Building Program in FY 2025

HB 2 Language -

LFD COMMENT

Historically, certain language has been included in HB 2 for the Office of the Commissioner of Higher Education. The legislature may wish to include this language, or similar language, in HB 2 again:

"Items designated as OCHE Administration Program, Student Assistance Program, Educational Outreach and Diversity, Workforce Development Program, Appropriation Distribution, Guaranteed Student Loan, and Board of Regents Administration are designated as biennial appropriations."

"General fund money, state and federal special revenue, and proprietary fund revenue appropriated to the board of regents are included in all Montana university system programs. All other public funds received by units of the Montana university system (other than plant funds appropriated in House Bill 5 relating to long-range building) are appropriated to the board of regents and may be expended under the provisions of 17-7-138(2). The board of regents shall allocate the appropriations to individual university system units, as defined in 17-7-102(15), according to board policy."

"The Montana university system, except for the office of the commissioner of higher education and the community colleges, shall provide the office of budget and program planning and the legislative fiscal division Banner access to the entire university system's information system, except for information pertaining to individual students and individual employees that is protected by Article II, sections 9 and 10, of the Montana constitution, 20-25-515, or the Family Educational Rights and Privacy Act of 1974, 20 U.S. C. 1232g."

"The Montana university system shall provide the electronic data required for entering human resource data for the current unrestricted operating funds into the internet budgeting and reporting system. The salary and benefit data provided must reflect approved board of regents operating budgets."

"The community college FTE decrease funding factor is \$3,125 for fiscal year 2026 and \$3,125 for fiscal year 2027. The community college FTE increase funding factor is \$6,500 for fiscal year 2026 and \$6,500 for fiscal year 2027. The community college weighting factors for the 2027 biennium are 1.50 for CTE FTE, 1.00 for general education FTE, 0.50 for early college FTE, and 0.25 for concurrent enrollment FTE."

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

"The general fund appropriation for Community College Assistance is calculated to fund education in the community colleges for an estimated 1,911 resident FTE in fiscal year 2026 and 1,996 in fiscal year 2027. If total weighted resident FTE student enrollment in the community colleges is greater than the estimated number for the biennium, the community colleges must receive a reimbursement for the underpayment from the community college FTE adjustment account. If actual resident FTE student enrollment is less than the estimated numbers for the biennium, the community colleges shall pay a fee equal to the overpayment amount to be deposited in the FTE adjustment account in accordance with 20-15-328."

In the line below, fund amounts have not been updated from the amounts requested for the 2025 biennium. The legislature should review amounts for the state energy conservation debt service program if the language is requested.

"Funding to be transferred to the state energy conservation program debt service account for energy improvements are as follows: Transferred funding for each year of the biennium to retire bonded projects are MSU Northern \$16,200 in fiscal year 2026 and \$16,200 in fiscal year 2027, MSU Billings \$45,519 in both fiscal year 2026 and fiscal year 2027, MSU Great Falls \$86,500 in fiscal year 2026 and \$80,000 for fiscal year 2027. Funding to be transferred for each year of the biennium for state energy revolving projects are MSU Billings \$55,323, MSU Northern \$69,099, and Miles Community College \$23,553. Montana State University transfers are \$254,753 in fiscal year 2026 and \$253,822 in fiscal year 2027."

"Total audit costs are estimated to be \$358,000 for the community colleges for the biennium. Audit costs charged to the community colleges for the biennium may not exceed \$60,500 for Flathead Valley Community College, \$188,000 for Miles Community College, and \$110,000 for Dawson Community College. Total audit costs for UM - Missoula is \$549,653 and MSU - Bozeman is \$542,688."

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	23.28	23.28	23.28	0.00	0.0%
General Fund	4,428,701	4,625,706	4,500,094	268,398	3.0%
Proprietary Funds	723,465	723,465	723,465		0.0%
Total Funds	5,152,166	5,349,171	5,223,559	268,398	2.6%
Personal Services	3,930,263	3,534,709	3,549,757	(776,060)	(9.9%)
Operating Expenses	1,012,874	1,030,433	1,039,773	44,458	2.2%
Equipment & Intangible Assets	11,063	11,063	11,063		0.0%
Transfers	22,773	597,773	447,773	1,000,000	2,195.6%
Debt Service	175,193	175,193	175,193		0.0%
Total Expenditures	5,152,166	5,349,171	5,223,559	268,398	2.6%
Total Ongoing	5,152,166	4,774,171	4,798,559	(731,602)	(7.1%)
Total One-Time-Only	3,900,000	575,000	425,000	(6,800,000)	(87.2%)

Program Highlights

Administration Program Major Budget Highlights

The Administration Program's 2027 biennium requested appropriations are approximately \$268,000, or 2.6% higher than the FY 2025 base budget. Significant proposals include:

- A one-time-only appropriation of \$1.0 million throughout the biennium to develop a hybrid online J.D. Program at the University of Montana's law school
- Statewide present law adjustments that decrease general fund appropriations by approximately \$732,000 as compared to the previous biennium
 - DP 1 personal services adjustments reduce appropriations by approximately \$776,000
 - DP 2 fixed cost adjustments increase operating expense appropriations by approximately \$46,000
 - DP 3 adjustments for inflation lower operating expense appropriations by approximately \$1,000 as a result of adjustments to state motor pool rates

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.

Administration Program 2027 Biennium HB 2 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
Base Budget	4,428,701	0	0	5,152,166	96.3%	4,428,701	0	0	5,152,166	98.6%
Statewide PL										
Personal Services	(395,554)	0	0	(395,554)	(7.4%)	(380,506)	0	0	(380,506)	(7.3%)
Fixed Costs	18,360	0	0	18,360	0.3%	27,440	0	0	27,440	0.5%
Inflation Deflation	(801)	0	0	(801)	(0.0%)	(541)	0	0	(541)	(0.0%)
Total Statewide PL	(377,995)	0	0	(377,995)	(7.1%)	(353,607)	0	0	(353,607)	(6.8%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	575,000	0	0	575,000	10.7%	425,000	0	0	425,000	8.1%
Total HB 2 Adjustments	197,005	0	0	197,005	3.7%	71,393	0	0	71,393	1.4%
Total Requested Budget	4,625,706	0	0	5,349,171		4,500,094	0	0	5,223,559	

The executive is requesting an increase of approximately \$197,000 in FY 2026 and \$71,000 in FY 2027 above the FY 2025 base appropriations. Changes include:

- One-time-only appropriations of \$575,000 in FY 2026 and \$425,000 in FY 2027 to develop a hybrid online J.D. program at the University of Montana law school. The hybrid program would aid in meeting Montana's need for lawyers in rural areas and would become operational in academic year 2027-2028
- Overall statewide present law reductions. Most of these reductions are due to decreases in personal services, and result from management decisions and a program transfer that reduced overall personal services authority by approximately \$186,000 in FY 2027 and FY 2027

Funding

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

Commissioner of Higher Education, 01-Administration Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	8,125,800	1,000,000	0	0	9,125,800	86.3%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06539 Indirect Costs OCHE	1,446,930	0	0	0	1,446,930	100.0%
Proprietary Total	\$1,446,930	\$0	\$0	\$0	\$1,446,930	13.7%
Total All Funds	\$9,572,730	\$1,000,000	\$0	\$0	\$10,572,730	

HB 2 Appropriations

The Administration Program is primarily funded with general fund. The remaining funding in the 2027 biennium is from a budgeted proprietary fund. The proprietary fund receives revenues from an indirect costs rate charged to other programs and supports the administrative overhead activities for those programs (e.g., Talent Search, GEAR-UP, Perkins, MUS Group Insurance, and MUS Workers' Compensation).

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	23.28	23.28	23.28	23.28
Personal Services	3,429,718	3,583,342	3,930,263	3,534,709	3,549,757
Operating Expenses	1,251,318	2,369,114	2,362,874	1,030,433	1,039,773
Equipment & Intangible Assets	10,311	11,063	11,063	11,063	11,063
Transfers	626,488	1,055,598	2,572,773	597,773	447,773
Debt Service	155,311	175,193	175,193	175,193	175,193
Total Expenditures	\$5,473,146	\$7,194,310	\$9,052,166	\$5,349,171	\$5,223,559
General Fund	4,845,929	6,470,845	8,328,701	4,625,706	4,500,094
Proprietary Funds	627,217	723,465	723,465	723,465	723,465
Total Funds	\$5,473,146	\$7,194,310	\$9,052,166	\$5,349,171	\$5,223,559
Total Ongoing	\$4,140,160	\$4,694,310	\$5,152,166	\$4,774,171	\$4,798,559
Total OTO	\$1,332,986	\$2,500,000	\$3,900,000	\$575,000	\$425,000

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Administration Program expended approximately \$5.5 million, or 76.1% of its FY 2024 appropriations as of the end of FY 2024. The bulk of unspent authority was restricted authority designated for the Seamless System initiative, which developed and implemented a single learning management system for the Montana University System and community colleges. As of the end of FY 2024, approximately \$724,000 of the \$1.5 million budget was expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Appropriations for the Administration Program are approximately \$1.9 million, or 25.8% larger for FY 2025 than for FY 2024. There is a restricted, one-time-only general fund appropriation of \$1.4 million for FY 2025 in the Administration Program for the One-Two-Free program, which allows for up to six credits to receive dual credit for free for eligible high school students. Personal Services authority also increased as a result of an approximately \$186,000 program transfer from Appropriation Distribution to support a modified PB in FY 2025.

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	(395,554)	0	0	(395,554)	0.00	(380,506)	0	0	(380,506)
DP 2 - Fixed Costs	0.00	18,360	0	0	18,360	0.00	27,440	0	0	27,440
DP 3 - Inflation Deflation	0.00	(801)	0	0	(801)	0.00	(541)	0	0	(541)
Grand Total All Present Law Adjustments	0.00	(\$377,995)	\$0	\$0	(\$377,995)	0.00	(\$353,607)	\$0	\$0	(\$353,607)

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Administration Program	
Office of the Commissioner of Higher Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (23,905)
Management Changes	(185,449)
Total Budget Modifications	<u>(186,200)</u>
Total	<u>\$ (395,554)</u>

Legislative changes in this program include increased appropriations for longevity and benefits and a reduction in appropriations to account for the previous indirect cost increases passed by the 2023 legislature, which results in negative overall adjustments. Management changes are negative due to reductions in pay associated with turnover within positions in the program. There was a budget modification in FY 2025 that transferred personal services authority into the Administration Program for a modified PB. The negative modification here reduces the personal services adjustment by the amount budgeted for that position (since authority had increased in the base budget by the same amount).

LFD COMMENT

The \$186,200 reduction in personal services authority was due to a technical issue where funding was moved to support a modified position in FY 2025. Since that base funding transfer was captured in the calculation, funding is reduced by an equivalent amount. However, the modified PB and funding for that position was not budgeted for FY 2026 and FY 2027. The DP 1 calculation results in a reduction of approximately \$186,200 of in each fiscal year without increasing funding by an equivalent amount elsewhere.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

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

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 106 - Online J.D. Program (OTO)	0.00	575,000	0	0	575,000	0.00	425,000	0	0	425,000
Total	0.00	\$575,000	\$0	\$0	\$575,000	0.00	\$425,000	\$0	\$0	\$425,000

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

DP 106 - Online J.D. Program (OTO) -

The executive requests general fund authority to provide start-up funding to develop a hybrid online J.D. Program at the University of Montana's law school. The development of a hybrid online J.D. program will aid in meeting Montana's need for lawyers in rural areas and would focus on agricultural law, natural resources law, and Indian law. The program would become operational in academic year 2027-2028.

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	3.00	3.00	3.00	0.00	0.0%
General Fund	13,781,373	14,467,317	15,473,745	2,378,316	8.6%
State/Other Special Rev. Funds	370,013	707,030	707,681	674,685	91.2%
Total Funds	14,151,386	15,174,347	16,181,426	3,053,001	10.8%
Personal Services	406,060	433,193	435,372	56,445	7.0%
Operating Expenses	440,885	507,767	508,200	134,197	15.2%
Local Assistance	169,000	176,352	184,023	22,375	6.6%
Grants	13,019,810	13,591,404	14,588,200	2,139,984	8.2%
Transfers	115,631	115,631	115,631		0.0%
Debt Service		350,000	350,000	700,000	0.0%
Total Expenditures	14,151,386	15,174,347	16,181,426	3,053,001	10.8%
Total Ongoing	14,151,386	15,174,347	16,181,426	3,053,001	10.8%
Total One-Time-Only					0.0%

Program Highlights

Student Assistance Program Major Budget Highlights

The Student Assistance Program's 2027 biennium budget request is approximately \$3.1 million, or 10.8% higher than the base FY 2025 budget. Changes include:

- Statewide present law adjustments account for an approximately \$56,000 increase in appropriation requests. These are split between personal service increases of \$82,000 in the general fund, and a decrease of \$25,000 in state special revenue appropriations
- A funding request to support the central application system for the MUS. This proposal would provide authority of \$350,000 in each fiscal year to utilize funds collected from non-resident student application fees
- A present law increase of approximately \$646,000 in FY 2026 and \$1.7 million in FY 2027 for the professional student exchange program. These adjustments primarily provide grant funding for students who participate in exchange programs

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.

Student Assistance Program 2027 Biennium HB 2 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
Base Budget	13,781,373	370,013	0	14,151,386	93.3%	13,781,373	370,013	0	14,151,386	87.5%
Statewide PL										
Personal Services	40,116	(12,983)	0	27,133	0.2%	41,644	(12,332)	0	29,312	0.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	40,116	(12,983)	0	27,133	0.2%	41,644	(12,332)	0	29,312	0.2%
Present Law (PL)	645,828	0	0	645,828	4.3%	1,650,728	0	0	1,650,728	10.2%
New Proposals	0	350,000	0	350,000	2.3%	0	350,000	0	350,000	2.2%
Total HB 2 Adjustments	685,944	337,017	0	1,022,961	6.7%	1,692,372	337,668	0	2,030,040	12.5%
Total Requested Budget	14,467,317	707,030	0	15,174,347		15,473,745	707,681	0	16,181,426	

The executive is requesting an increase in general and state special revenue funds of approximately \$1.0 million in FY 2026 and \$2.0 million in FY 2027 above FY 2025 base appropriations. The increase is primarily due to requested present law adjustment for the professional student exchange program offered to Montana residents. The figure below summarizes the proposed budgets for the student assistance programs for the 2025 biennium.

Commissioner of Higher Education Student Assistance Program 2027 Biennium Executive Budget Across Functional Areas General Fund and State Special Revenue Only						
Budget Item	Appropriated FY 2024	Appropriated FY 2025	Requested FY 2026	Requested FY 2027	Change 25-27 Bien.	% Change 25-27 Bien.
<u>Grants, Loans, Work Study</u>						
Supplemental Ed Opportunity	\$ 737,160	\$ 737,160	\$ 737,160	\$ 737,160	\$ -	0.0%
Work Study	815,781	815,781	815,781	815,781	-	0.0%
Foster Care Youth Assistance	56,132	115,631	115,631	115,631	59,499	34.6%
Central Application System	-	-	350,000	350,000	700,000	0.0%
<u>Professional Student Exchange</u>						
WICHE	2,935,750	2,950,892	3,198,077	3,539,225	850,660	14.5%
WWAMI	5,874,930	6,542,280	7,020,593	7,328,676	1,932,059	15.6%
MN Dentistry	175,500	179,400	123,188	126,884	(104,828)	-29.5%
WIMU Veterinary Program	1,128,240	1,151,940	1,177,260	1,201,980	99,060	4.3%
ICOM	501,000	768,000	836,250	1,163,503	730,753	57.6%
<u>Student Loan Assistance</u>						
Institutional Nursing Incentive	43,388	43,388	43,388	43,388	-	0.0%
<u>Administrative Costs</u>						
Student Assistance Admin	417,495	470,819	400,020	401,548	(86,746)	-9.8%
Family Savings Program (SSR)	<u>360,542</u>	<u>364,220</u>	<u>357,030</u>	<u>357,681</u>	<u>(10,051)</u>	-1.4%
Total Costs	<u>13,045,918</u>	<u>14,139,511</u>	<u>15,174,378</u>	<u>16,181,457</u>	<u>4,170,406</u>	15.3%
<u>Funding</u>						
General Fund	12,685,376	13,775,291	14,467,317	15,473,745	3,480,395	13.2%
State Special	<u>360,542</u>	<u>364,220</u>	<u>707,030</u>	<u>707,681</u>	<u>689,949</u>	95.2%
Total Funding	<u>\$ 13,045,918</u>	<u>\$ 14,139,511</u>	<u>\$ 15,174,347</u>	<u>\$ 16,181,426</u>	<u>\$ 4,170,344</u>	15.3%

The 2027 biennium appropriations for the Western Interstate Commission for Higher Education (WICHE) program are proposed to increase by approximately \$851,000, or 14.5% when compared to the 2025 biennium. The increase in appropriations is primarily due to increased support fees for several of the programs.

The 2027 biennium appropriations for the Idaho College of Osteopathic Medicine (ICOM) program are proposed to increase by approximately \$731,000, or 57.6% when compared to the 2025 biennium. The increase in appropriations is primarily due to additional slots being added for students in FY 2026 and in FY 2027. The 2019 Legislature passed HB 716 which directed the Office of the Commissioner of Higher Education to negotiate the terms of a memorandum of understanding between the Board of Regents and the Idaho College of Medicine. The bill stated that "if the college is accredited by July 1, 2022, the program will make up to 10 slots available for Montana residents that fiscal year, with an additional maximum of 10 slots available each additional fiscal year until the program has a total of up to 40 slots for Montana residents." The executive is requesting funding for 10 new slots for new students in each fiscal year in addition to funding for continuing students. The program is expected to be fully loaded in FY 2027.

The 2027 biennium appropriations for the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program are proposed to increase by approximately \$1.9 million, or 15.6% when compared to the 2025 biennium. The increased funding request is related to student support fee changes from the University of Washington, which is largely due to tuition increases. According to OCHE, the University of Washington manages clinical sites, preceptorships, and all associated administrative costs that are built into the support fee.

Office of the Commissioner of Higher Education Student Assistance Program Support Fees for Professional Student Exchange Programs				
	FY 2025	FY 2026	FY 2027	2027 Biennium Growth Compared to FY 2025 Base
WICHE				
Medicine (Allopathic)	\$ 35,700	\$ 38,875	\$ 40,566	11.3%
Osteopathic Medicine	25,600	27,875	29,088	11.3%
Dentistry	29,900	32,550	33,966	11.2%
Veterinary Medicine	35,400	38,550	40,227	11.3%
Podiatry	17,750	19,325	20,166	11.2%
Optometry	20,575	22,400	23,374	11.2%
Occupational Therapy	15,625	17,025	17,766	11.3%
Minnesota Dental	29,900	30,797	31,721	4.5%
WWAMI	72,692	75,963	79,381	6.9%
Idaho College of Osteopathic Medicine	25,600	27,875	29,088	11.3%
WIMU	38,398	39,242	40,066	3.3%

Funding

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

Commissioner of Higher Education, 02-Student Assistance Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	29,941,062	0	0	0	29,941,062	81.4%
02027 STEM Scholarships	0	0	0	2,111,054	2,111,054	30.8%
02350 Single Application Portal	700,000	0	0	0	700,000	10.2%
02846 Family Ed Savings Admin Fee	714,711	0	0	0	714,711	10.4%
02943 Rural Physicians Account	0	0	0	3,335,360	3,335,360	48.6%
State Special Total	\$1,414,711	\$0	\$0	\$5,446,414	\$6,861,125	18.6%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$31,355,773	\$0	\$0	\$5,446,414	\$36,802,187	

HB 2 Appropriations

The Student Assistance Program is funded primarily with general fund in HB 2. State special revenue supports the administration of the Family Education Savings Program. The state special revenue fund receives revenue from annual account maintenance fees paid by non-resident participants and Board of Investments earnings.

Statutory Appropriations

The Student Assistance Program has statutory appropriations from two state special revenue funds, which include:

- The Montana Rural Physicians Incentive Program (MRPIP)
- Science, technology, engineering, math, and healthcare (STEM) scholarships

MRPIP provides a financial incentive for physicians to practice in rural areas or medically underserved areas by paying up to \$150,000 of student loan debt. Funding for the program comes from fees paid by medical students in the professional student exchange programs and state general fund. Statutes governing MRPIP also allow administrative costs to be paid up to 10.0% of the annual fees assessed.

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

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	3.00	3.00	3.00	3.00
Personal Services	305,332	356,233	406,060	433,193	435,372
Operating Expenses	380,408	435,017	440,885	507,767	508,200
Local Assistance	164,000	164,435	169,000	176,352	184,023
Grants	11,858,418	12,047,718	13,019,810	13,591,404	14,588,200
Transfers	37,283	55,697	115,631	115,631	115,631
Debt Service	0	0	0	350,000	350,000
Total Expenditures	\$12,745,441	\$13,059,100	\$14,151,386	\$15,174,347	\$16,181,426
General Fund	12,481,315	12,695,729	13,781,373	14,467,317	15,473,745
State/Other Special Rev. Funds	264,126	363,371	370,013	707,030	707,681
Total Funds	\$12,745,441	\$13,059,100	\$14,151,386	\$15,174,347	\$16,181,426
Total Ongoing	\$12,745,441	\$13,059,100	\$14,151,386	\$15,174,347	\$16,181,426
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Student Assistance Program is primarily funded with general fund in HB 2. The appropriations in HB 2 of approximately \$13.1 million were 97.6% expended as of the end of FY 2024.

Appropriations for grants comprise the majority of the Student Assistance Program's budget in FY 2024. Appropriations totaled approximately \$12.0 million and were 98.4% expended. Grants are primarily for the professional student exchange program, and appropriations for that program of \$10.5 million were 98.5% expended. The agency may transfer authority between orgs within a program to address needs for exchange program activity. Expenditures by individual student exchange program vary and include:

- The Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) Medical Education Program had appropriations of \$5.9 million in HB 2 that were \$6.1 million expended. This is because student slots WAAMI are completely filled, and tuition has increased
- The Western Interstate Commission for Higher Education (WICHE) Professional Student Exchange Program had appropriations of approximately \$3.0 million that were \$2.6 million expended. WICHE has several options that students can choose depending on their field, and that all have a different student support fee. Expenditures can fluctuate from year to year
- The Washington-Idaho-Montana-Utah (WIMU) Veterinary Program had appropriations of \$1.1 that were fully expended
- The Minnesota Dental Program (MN Dental) program had appropriations of approximately \$179,000 that were \$117,000 expended. MN Dental is seeing a decline in students selecting this option. Since WICHE also has dentistry, students have more options
- The Idaho College of Osteopathic Medicine (ICOM) program had appropriations of approximately \$501,000 that were \$338,000 expended. ICOM was new in the 2023 biennium and is still in the process of building to fill all slots. All 40 slots are expected to be filled in FY 2027

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$1.1 million, or 8.4% higher than the FY 2024 appropriation. This is primarily due to a present law increase associated with support for first year and continuing student slots and anticipated increases in tuition levels for each professional student exchange program.

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	40,116	(12,983)	0	27,133	0.00	41,644	(12,332)	0	29,312
DP 201 - Professional Student Exchange Programs	0.00	645,828	0	0	645,828	0.00	1,650,728	0	0	1,650,728
Grand Total All Present Law Adjustments	0.00	\$685,944	(\$12,983)	\$0	\$672,961	0.00	\$1,692,372	(\$12,332)	\$0	\$1,680,040

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Student Assistance Program	
Office of the Commissioner of Higher Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (13,917)
Management Changes	41,050
Total Budget Modifications	-
Total	<u>\$ 27,133</u>

Legislative changes in this program include increased funding for longevity and benefits and a reduction to account for increased personal services funding which resulted from HB 833, which was passed by the 2023 legislature and appropriated funds to administer the teacher residency program. Increased appropriations attributable to management changes are largely the result of pay rate changes, as well as some promotion and retention adjustments.

DP 201 - Professional Student Exchange Programs -

The executive requests continued state support to fund first year and continuing student slots at anticipated increased student support fees for the WICHE, WWAMI, MN Dental, WIMU, and ICOM professional student exchange programs.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 204 - Central Application System	0.00	0	350,000	0	350,000	0.00	0	350,000	0	350,000
Total	0.00	\$0	\$350,000	\$0	\$350,000	0.00	\$0	\$350,000	\$0	\$350,000

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

DP 204 - Central Application System -

The executive requests funding to support the central application system for the Montana University System. This proposal will provide authority to utilize the application fees collected from non-resident students applying to the Montana University System via the single application portal. Non-resident students are required to pay the application fee to apply, while it remains free for all resident students. The fees collected in the state special revenue account will be used to offset a portion of the annual operating costs of the central application system and for the OCHE to administer and manage the program.

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
General Fund	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Total Funds	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Local Assistance	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Total Expenditures	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Total Ongoing	17,635,881	18,027,670	18,743,843	1,499,751	4.3%
Total One-Time-Only					0.0%

Program Highlights

Community College Assistance Program Major Budget Highlights	
<p>The Community College Assistance Program's 2027 biennium budget request is approximately \$1.5 million, or 4.3% higher than the base FY 2025 budget. This request includes:</p> <ul style="list-style-type: none"> Increased general fund appropriations of approximately \$33,000 in FY 2026 and \$1.1 million in FY 2027 for present law adjustments for Dawson Community College, Flathead Valley Community College, and Miles City Community College \$359,000 of appropriations for audit costs in FY 2026 The executive request includes several modifications to the community college funding formula from the formula used in the 2025 biennium. These include: <ul style="list-style-type: none"> An increase in the weight used for general education Full Time Equivalent (FTE) is from 1.00 to 1.35 An higher "FTE increase funding factor" of \$6,500, as opposed to \$6,250 used previously 	
Legislative Action Items	
<ul style="list-style-type: none"> The executive's request calculation for the adjusted base of each community college uses the unweighted FTE difference in the calculation, rather than the weighted FTE difference The executive's request uses different FTE weights and a different FTE increase than was approved by the 2023 legislature. These changes should be reviewed by the legislature 	

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.

Community College Assistance 2027 Biennium HB 2 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
Base Budget	17,635,881	0	0	17,635,881	97.8%	17,635,881	0	0	17,635,881	94.1%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	391,789	0	0	391,789	2.2%	1,107,962	0	0	1,107,962	5.9%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	391,789	0	0	391,789	2.2%	1,107,962	0	0	1,107,962	5.9%
Total Requested Budget	18,027,670	0	0	18,027,670		18,743,843	0	0	18,743,843	

The executive is requesting an increase of approximately \$392,000 in FY 2026 and \$1.1 million in FY 2027 above the FY 2025 base appropriations. The executive calculated a present law adjustment for Dawson, Flathead Valley, and Miles community colleges using the funding formula included in statute.

The executive is proposing the following factors in the community college funding formula:

- FTE funding factor
 - \$6,500 – Increase in FTE
 - \$3,125 – Decrease in FTE
- FTE Weights
 - 1.50 – Career and Technical Education (CTE)
 - 1.35 – General Education
 - 0.50 – Dual Enrollment – College
 - 0.25 – Dual Credit – High School

Using these factors, the executive proposes present law adjustment increases that total approximately \$1.1 million throughout the 2027 biennium. In addition, the executive request includes funding for community college audit costs that total approximately \$359,000 in FY 2026.

Funding

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

Commissioner of Higher Education, 04-Community College Assistance Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	36,771,513	0	0	0	36,771,513	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$36,771,513	\$0	\$0	\$0	\$36,771,513	

HB 2 Appropriations

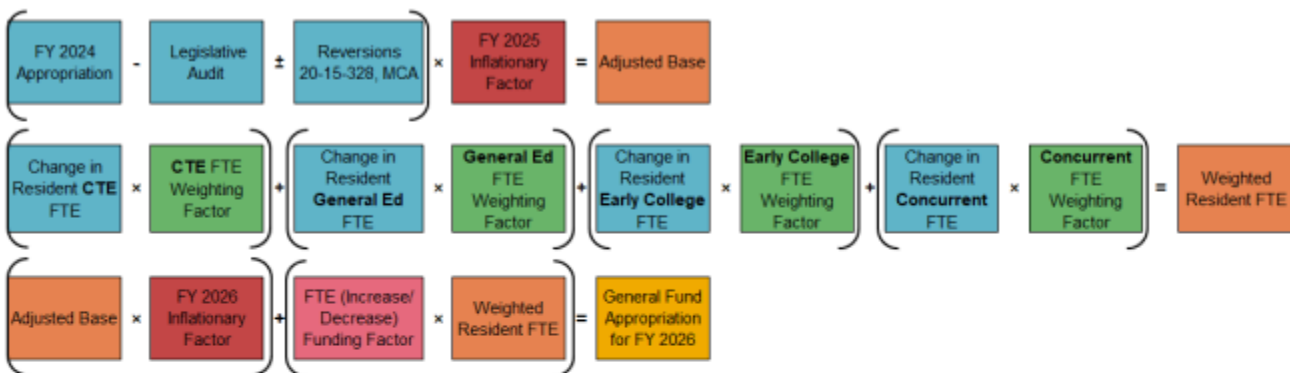
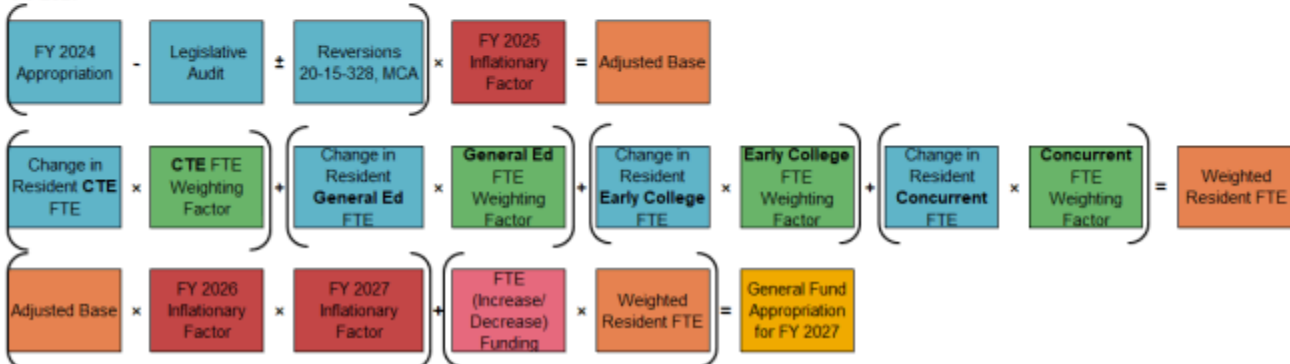
The Community College Assistance Program is entirely funded in HB 2 with general fund. The state general fund appropriations for each community college are primarily provided using a funding formula that is defined in Montana statute (20-15-310, MCA). The purpose of the community college funding formula is to provide a tool for the legislature to establish the state general fund appropriation for the community colleges each biennium. There are two primary components to the funding formula: the prior biennia base budget plus inflation, and funding for additional FTE by area of study.

For the 2027 biennium, the community college funding formula begins with state appropriations from FY 2024 for each community college. This base is then adjusted for legislative audit appropriations and reversions as calculated in 20-15-328, MCA. The result is then multiplied by inflation factors.

The community college funding formula includes weighted FTE in certain areas of study. The community colleges estimate resident FTE in four areas: career and technical education (CTE), general education, early college, and concurrent enrollment. The legislature establishes weights to apply to each area of study. Weighted FTE are then multiplied by either a decreasing or increasing FTE funding factor. The factors adopted by the 2023 legislature include:

- FTE weighting factor
 - 1.50 – career and technical education
 - 1.00 – general education
 - 0.50 – early college
 - 0.25 – concurrent enrollment
- FTE funding factor
 - \$3,125 – decrease in FTE
 - \$6,250 – increase in FTE

The following graphic represents the funding formula:

FY 2026**FY 2027**

The table below shows actual resident FTE in FY 2024 for each community college and projected resident FTE in FY 2026 and FY 2027 by area of study.

Community College Assistance Program Community College Funding Formula Actual and Projected Resident FTE			
	Actual FY 2024	Projected FY 2026	Projected FY 2027
Dawson Community College			
Career and Technical Education	80	90	95
General Education	76	105	105
Early College	5	10	10
Concurrent Enrollment	39	40	50
Total	200	245	260
Flathead Valley Community College			
Career and Technical Education	601	700	700
General Education	401	430	440
Early College	71	90	95
Concurrent Enrollment	80	112	131
Total	1,153	200	1,366
Miles Community College			
Career and Technical Education	155	155	160
General Education	176	185	195
Early College	22	28	30
Concurrent Enrollment	45	40	45
Total	398	408	430

The tables below show the community college funding formula calculation for the 2027 biennium using the FTE projections provided by the community colleges.

Community College Assistance Program 2027 Biennium General Fund Appropriation Statutory Funding Formula and Legislative Audit Appropriations				
FY 2026				
	Dawson	Flathead Valley	Miles	Total
FY 2024 Base Resident Student FTE				
Career and Technical Education	80	601	155	836
General Education	76	401	176	653
Early College	5	71	22	98
Concurrent Enrollment	39	80	45	164
Total	200	1,152	399	1,751
FY 2026 Projected Resident Student FTE				
Career and Technical Education	90	626	155	871
General Education	105	430	185	720
Early College	10	90	28	128
Concurrent Enrollment	40	112	40	192
Total	245	1,258	408	1,911
FY 2024 Appropriation	2,252,424	10,262,889	3,458,079	15,973,392
FY 2024 Projected Resident FTE - 25B	270.00	1,203.00	392.00	1,865.00
FY 2024 Actual Resident FTE - 25B	200.00	1,152.00	399.00	1,751
FY 2024 Actual FTE Adjustment	(218,750)	(159,375)	45,500	(332,625)
Adjusted Base	\$ 2,094,684	\$ 10,406,619	\$ 3,608,686	\$ 16,109,990
FY 2024 Inflationary Factor	3.0%	3.0%	3.0%	3.0%
FY 2026 Adjusted Base with Inflationary Factor	\$ 2,157,525	\$ 10,718,818	\$ 3,716,947	\$ 16,593,290
Adjustment for Weighted FTE				
Career and Technical Education	\$ 99,158	\$ 245,408	\$ (1,950)	\$ 342,615
General Education	256,230	258,599	75,728	590,558
Early College	15,600	63,148	18,298	97,045
Concurrent Enrollment	1,788	51,399	(7,524)	45,663
Total	\$ 372,775	\$ 618,553	\$ 84,552	\$ 1,075,880
Funding Formula Total	\$ 2,530,300	\$ 11,337,371	\$ 3,801,499	\$ 17,669,170
Other State Funding				
Legislative Audit	\$ 110,000	\$ 60,500	\$ 188,000	\$ 358,500
Total FY 2026 Appropriation	<u>\$ 2,640,300</u>	<u>\$ 11,397,871</u>	<u>\$ 3,989,499</u>	<u>\$ 18,027,670</u>

FY 2027				
	Dawson	Flathead Valley	Miles	Total
FY 2024 Base Resident Student FTE				
Career and Technical Education	80	601	155	836
General Education	76	401	176	653
Early College	5	71	22	98
Concurrent Enrollment	39	80	45	164
Total	200	1,152	399	1,751
FY 2027 Projected Resident Student FTE				
Career and Technical Education	95	651	160	906
General Education	105	440	195	740
Early College	10	95	30	135
Concurrent Enrollment	50	120	45	215
Total	260	1,306	430	1,996
Adjusted Base with FY 2026 Inflationary Factor	\$ 2,157,525	\$ 10,718,818	\$ 3,716,947	\$ 16,593,290
FY 2027 Inflationary Factor	3.0%	3.0%	3.0%	3.0%
FY 2027 Adjusted Base with Inflationary Factor	\$ 2,222,250	\$ 11,040,383	\$ 3,828,455	\$ 17,091,088
Adjustment for Weighted FTE				
Career and Technical Education	\$ 147,908	\$ 489,158	\$ 46,800	\$ 683,865
General Education	256,230	346,349	163,478	766,058
Early College	15,600	79,398	24,798	119,795
Concurrent Enrollment	18,038	64,399	601	83,038
Total	\$ 437,775	\$ 979,303	\$ 235,677	\$ 1,652,755
Funding Formula Total	\$ 2,660,025	\$ 12,019,686	\$ 4,064,132	\$ 18,743,843
Other State Funding	\$ -	\$ -	\$ -	\$ -
Total FY 2027 Appropriation	\$ 2,660,025	\$ 12,019,686	\$ 4,064,132	\$ 18,743,843

**LFD
ISSUE**The Adjusted Base Calculation Uses an Incorrect Measurement for the FTE Adjustment Calculation

The executive used unweighted FTE in the FTE adjustment step to establish an adjusted base for each college and for each fiscal year. 12-15-310, MCA, specifies that actual weighted FTE should be used to establish an adjusted base. This is directed in 20-15-328, MCA which specifies that the difference in funding between colleges' projected weighted FTE and the funding that would have resulted had actual weighted FTE been used shall determine any overpayment or underpayment to the community college for that fiscal year. The executive calculation uses unweighted actual FTE multiplied by the appropriate FTE increase or decrease factors, rather than weighted FTE. Using the weighted FTE adjustment in the statutory formula with the same proposed weights and funding factors results in appropriations that are approximately \$210,000 lower in FY 2026 and \$215,000 lower in FY 2027. The tables below lay out the calculations using the weighted FTE calculation to determine the adjusted base.

The tables below show the community college funding formula calculation for the 2027 biennium using a weighted FTE adjustment to adjust the FY 2025 base appropriations and using the weights and FTE funding factors proposed by the executive.

Community College Assistance Program 2027 Biennium General Fund Appropriation Statutory Funding Formula and Legislative Audit Appropriations				
FY 2026				
	Dawson	Flathead Valley	Miles	Total
FY 2024 Base Resident Student FTE				
Career and Technical Education	80	601	155	836
General Education	76	401	176	653
Early College	5	71	22	98
Concurrent Enrollment	39	80	45	164
Total	200	1,152	399	1,751
FY 2026 Projected Resident Student FTE				
Career and Technical Education	90	626	155	871
General Education	105	430	185	720
Early College	10	90	28	128
Concurrent Enrollment	40	112	40	192
Total	245	1,258	408	1,911
FY 2024 Appropriation	2,252,424	10,262,889	3,458,079	15,973,392
FY 2024 Projected Weighted Student FTE Change	12.50	48.75	47.25	108.50
FY 2024 Actual Weighted Student FTE Change	(70.88)	0.65	58.51	(12)
FY 2024 Actual Weighted FTE Adjustment	(299,625)	(300,625)	70,375	(529,875)
Adjusted Base	\$ 2,011,383	\$ 10,261,132	\$ 3,634,308	\$ 15,906,823
FY 2024 Inflationary Factor	3.0%	3.0%	3.0%	3.0%
FY 2026 Adjusted Base with Inflationary Factor	\$ 2,071,724	\$ 10,568,966	\$ 3,743,337	\$ 16,384,027
Adjustment for Weighted FTE				
Career and Technical Education	\$ 99,158	\$ 245,408	\$ (1,950)	\$ 342,615
General Education	256,230	258,599	75,728	590,558
Early College	15,600	63,148	18,298	97,045
Concurrent Enrollment	1,788	51,399	(7,524)	45,663
Total	\$ 372,775	\$ 618,553	\$ 84,552	\$ 1,075,880
Funding Formula Total	\$ 2,444,499	\$ 11,187,519	\$ 3,827,889	\$ 17,459,907
Other State Funding				
Legislative Audit	\$ 110,000	\$ 60,500	\$ 188,000	\$ 358,500
Total FY 2026 Appropriation	\$ 2,554,499	\$ 11,248,019	\$ 4,015,889	\$ 17,818,407

FY 2027				
	Dawson	Flathead Valley	Miles	Total
FY 2024 Base Resident Student FTE				
Career and Technical Education	80	601	155	836
General Education	76	401	176	653
Early College	5	71	22	98
Concurrent Enrollment	39	80	45	164
Total	200	1,152	399	1,751
FY 2027 Projected Resident Student FTE				
Career and Technical Education	95	651	160	906
General Education	105	440	195	740
Early College	10	95	30	135
Concurrent Enrollment	50	120	45	215
Total	260	1,306	430	1,996
Adjusted Base with FY 2026 Inflationary Factor	\$ 2,071,724	\$ 10,568,966	\$ 3,743,337	\$ 16,384,027
FY 2027 Inflationary Factor	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>	<u>3.0%</u>
FY 2027 Adjusted Base with Inflationary Factor	\$ 2,133,876	\$ 10,886,035	\$ 3,855,637	\$ 16,875,548
Adjustment for Weighted FTE				
Career and Technical Education	\$ 147,908	\$ 489,158	\$ 46,800	\$ 683,865
General Education	256,230	346,349	163,478	766,058
Early College	15,600	79,398	24,798	119,795
Concurrent Enrollment	18,038	64,399	601	83,038
Total	\$ 437,775	\$ 979,303	\$ 235,677	\$ 1,652,755
Funding Formula Total	\$ 2,571,651	\$ 11,865,338	\$ 4,091,314	\$ 18,528,303
Other State Funding	\$ -	\$ -	\$ -	\$ -
Total FY 2027 Appropriation	<u>\$ 2,571,651</u>	<u>\$ 11,865,338</u>	<u>\$ 4,091,314</u>	<u>\$ 18,528,303</u>

FTE Adjustment Account

State statute (20-15-328, MCA) establishes a statutorily appropriated state special revenue account. At the end of each fiscal year, there is a reconciliation of the appropriation distributed using projected weighted FTE and actual weighted FTE. OCHE will determine the fiscal impacts that would have resulted had the actual weighted FTE been used to determine the appropriation and determine any overpayment or underpayment to each community college for the fiscal year. Any overpayment is deposited into the state special revenue account. Any underpayment will be distributed from the state special revenue account to the applicable community college.

Payments from Dawson Community College and Flathead Valley Community College are anticipated for FY 2024, and the first payments will be made by October 15, 2025.

The table below shows resident FTE by community college from FY 2013 through FY 2027.

Commissioner of Higher Education Community College Assistance Program Resident FTE History				
	Dawson Community College	Flathead Valley Community College	Miles Community College	Total
FY 2013	234	1,714	311	2,259
FY 2014	220	1,557	288	2,065
FY 2015	201	1,458	277	1,936
FY 2016	154	1,414	317	1,885
FY 2017	165	1,452	348	1,965
FY 2018	183	1,414	361	1,958
FY 2019	205	1,406	383	1,994
FY 2020	224	1,364	396	1,984
FY 2021	249	1,223	375	1,847
FY 2022	259	1,114	355	1,728
FY 2023	203	1,097	384	1,684
FY 2024	200	1,152	399	1,751
FY 2025*	134	1,118	334	1,587
FY 2026*	245	1,258	408	1,911
FY 2027*	260	1,306	430	1,996
* FY 2025 through FY 2027 resident FTE are the projections used to establish HB 2 appropriations				

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
Local Assistance	16,151,492	16,151,492	17,635,881	18,027,670	18,743,843
Total Expenditures	\$16,151,492	\$16,151,492	\$17,635,881	\$18,027,670	\$18,743,843
General Fund	16,151,492	16,151,492	17,635,881	18,027,670	18,743,843
Total Funds	\$16,151,492	\$16,151,492	\$17,635,881	\$18,027,670	\$18,743,843
Total Ongoing	\$16,151,492	\$16,151,492	\$17,635,881	\$18,027,670	\$18,743,843
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The funds appropriated by the legislature for this program are distributed to support Montana's three community colleges: Miles Community College, Dawson Community College, and Flathead Valley Community College. Each community college district has an elected board of trustees. The Regents have statutory authority to control the community colleges in Title 20,

Chapter 15, MCA.

Bitterroot Valley Community College

The registered voters of the proposed community college district in Ravalli County approved the establishment of a community college district in May 2020. Following this approval, the 2021 Legislature passed and approved Senate Joint Resolution 15, which approved the establishment of the Bitterroot Valley Community College. No operational levy has since been passed in Ravalli County and the community college does not have a set date to open.

FY 2024 Appropriation Compared to FY 2024 Actuals

The FY 2024 appropriations of approximately \$16.2 million are entirely funded in HB 2 with general fund and were 100.0% expended as of the end of FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$1.5 million, or 9.2% higher than the FY 2024 appropriation. This was primarily due to higher enrollment projections for each community college and an upwards inflationary adjustment for base funding calculated in the community college funding formula.

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 401 - Community College PLA										
0.00	33,289	0	0	33,289	0.00	1,107,962	0	0	1,107,962	
DP 402 - Community College Audit Costs										
0.00	358,500	0	0	358,500	0.00	0	0	0	0	
Grand Total All Present Law Adjustments										
0.00	\$391,789	\$0	\$0	\$391,789	0.00	\$1,107,962	\$0	\$0	\$1,107,962	

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

DP 401 - Community College PLA -

The executive requests increased funding based on the statutory funding formula for Community Colleges.

DP 402 - Community College Audit Costs -

The executive requests appropriations for audit costs for the Community Colleges. The estimated costs are provided by the community colleges per 5-13-402, MCA.

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	18.24	18.24	18.24	0.00	0.0%
General Fund	155,871	176,307	176,315	40,880	13.1%
Federal Spec. Rev. Funds	9,638,988	9,646,568	9,649,859	18,451	0.1%
Total Funds	9,794,859	9,822,875	9,826,174	59,331	0.3%
Personal Services	1,450,055	1,478,235	1,481,481	59,606	2.1%
Operating Expenses	4,910,476	4,910,312	4,910,365	(275)	(0.0%)
Grants	3,377,000	3,377,000	3,377,000		0.0%
Debt Service	57,328	57,328	57,328		0.0%
Total Expenditures	9,794,859	9,822,875	9,826,174	59,331	0.3%
Total Ongoing	9,794,859	9,822,875	9,826,174	59,331	0.3%
Total One-Time-Only					0.0%

Program Highlights

Education Outreach & Diversity Major Budget Highlights

The Education Outreach & Diversity Program's 2027 biennium requested appropriations are approximately \$59,000 or 0.3% higher than the FY 2025 base budget. Proposed changes include:

- Statewide present law adjustments increase general fund and federal special revenue appropriations by approximately \$28,000 in FY 2026 and \$31,000 in FY 2027. These increases are primarily due to personal services adjustments

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.

Education Outreach and Diversity 2027 Biennium HB 2 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
Base Budget	155,871	0	9,638,988	9,794,859	99.7%	155,871	0	9,638,988	9,794,859	99.7%
Statewide PL										
Personal Services	20,461	0	7,719	28,180	0.3%	20,461	0	10,965	31,426	0.3%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(25)	0	(139)	(164)	(0.0%)	(17)	0	(94)	(111)	(0.0%)
Total Statewide PL	20,436	0	7,580	28,016	0.3%	20,444	0	10,871	31,315	0.3%
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%
Total HB 2 Adjustments	20,436	0	7,580	28,016	0.3%	20,444	0	10,871	31,315	0.3%
Total Requested Budget	176,307	0	9,646,568	9,822,875		176,315	0	9,649,859	9,826,174	

The executive is requesting an increase of approximately \$28,000 in FY 2026 and \$31,000 in FY 2027 above the FY 2025 base appropriations. The increase is primarily due to the statewide present law adjustment for personal services.

Funding

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

Commissioner of Higher Education, 06-Education Outreach and Diversity Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	352,622	0	0	0	352,622	1.8%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03042 2nd GEAR UP Grant	13,768,862	0	0	0	13,768,862	71.4%
03203 EOC Grant	114,068	0	0	0	114,068	0.6%
03412 GEAR UP Federal Schol 2005	3,290,686	0	0	0	3,290,686	17.1%
03806 Talent Search	2,122,811	0	0	0	2,122,811	11.0%
Federal Special Total	\$19,296,427	\$0	\$0	\$0	\$19,296,427	98.2%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$19,649,049	\$0	\$0	\$0	\$19,649,049	

HB 2 Appropriations

The Education Outreach & Diversity Program authority in HB 2 is mainly comprised of federal special revenue and some general fund authority. The general fund supports the American Indian / Minority Achievement component. The federal special revenue supports Educational Talent Search and GEAR UP from three sources:

- The GEAR UP grant comprises 88.4% of the biennial budget and requires a 50.0% non-federal match. The non-federal match is provided through allowable in-kind services
- The Talent Search grant comprises 10.8% of the biennial program funding and has no non-federal matching requirements
- The Educational Opportunity Centers (EOC) grant comprises 0.5% of the biennial budget and has no cost sharing or matching requirements

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	18.24	18.24	18.24	18.24
Personal Services	855,324	1,373,545	1,450,055	1,478,235	1,481,481
Operating Expenses	2,066,383	4,891,389	4,910,476	4,910,312	4,910,365
Grants	1,134,490	3,377,000	3,377,000	3,377,000	3,377,000
Debt Service	57,332	57,333	57,328	57,328	57,328
Total Expenditures	\$4,113,529	\$9,699,267	\$9,794,859	\$9,822,875	\$9,826,174
General Fund	147,256	148,155	155,871	176,307	176,315
Federal Spec. Rev. Funds	3,966,273	9,551,112	9,638,988	9,646,568	9,649,859
Total Funds	\$4,113,529	\$9,699,267	\$9,794,859	\$9,822,875	\$9,826,174
Total Ongoing	\$4,113,529	\$9,699,267	\$9,794,859	\$9,822,875	\$9,826,174
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Educational Outreach and Diversity Program is primarily a federally funded program to decrease the dropout rate of disadvantaged students in high schools and increase their enrollment and retention in post-secondary education. The Educational Outreach and Diversity Program has four components providing services to target populations:

- Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) is an early intervention and scholarship program that provides mentoring, counseling, and outreach to build academic success that will lead to postsecondary education enrollment and achievement. The program provides these services to an entire cohort of students at participating schools starting in seventh grade, and the program services follow that cohort through high school completion
- Educational Talent Search (ETS) creates a long-term academic contract with middle school students that subsequently provide academic support, skills building, and counseling to encourage the planning, preparation and pursuit of a postsecondary education
- Educational Opportunity Centers (EOC) help unemployed workers, low-wage workers, and returning high school and college students enter or continue a program of postsecondary education
- American Indian/Minority Achievement (AIMA) is responsible for American Indian and minority retention in the university system, oversight for the campus diversity plans, and implementation of Indian Education for All programs. An overall objective of the program is to help the MUS increase the number of American Indian and other minority students who earn credentials from Montana colleges and universities

FY 2024 Appropriations Compared to FY 2024 Actual Expenditures

The Education Outreach & Diversity program expended 42.4% of its approximately \$9.7 million appropriation. Most funding within this program comes from federal grants which span several years, and lower expenditures in these programs are often due to the timing of grant activities. Federal grants in this program provide support for the GEAR UP program which helps students to prepare for postsecondary education after high school graduation, and the Educational Talent Search program, which provides support for youth to complete high school and enroll in higher education institutions. GEAR UP had appropriations of approximately \$8.5 million in FY 2024, which was 41.3% expended. Talent Search had appropriations of approximately \$1.1 million in FY 2024, which was 43.1% expended. Remaining authority comes from HB 2 and provides funding for the American Indian/Minority Achievement (AIMA) program. AIMA received appropriations of approximately \$148,000 and was 99.4% expended in FY 2024. These expenditure amounts are in line with historical spending patterns.

FY 2024 Appropriation Compared to FY 2025 Appropriation

FY 2025 appropriations for the Education Outreach & Diversity Program were similar to the FY 2024 appropriations. Slightly higher appropriations were due to higher statewide present law adjustments for personal services and operating expenses in FY 2025.

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	20,461	0	7,719	28,180	0.00	20,461	0	10,965	31,426
DP 3 - Inflation Deflation	0.00	(25)	0	(139)	(164)	0.00	(17)	0	(94)	(111)
Grand Total All Present Law Adjustments	0.00	\$20,436	\$0	\$7,580	\$28,016	0.00	\$20,444	\$0	\$10,871	\$31,315

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Education Outreach & Diversity Program Office of the Commissioner of Higher Education FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (1,529)
Management Changes	29,709
Total Budget Modifications	-
Total	<u>\$ 28,180</u>

Reduced funds attributable to legislative changes are largely due to reduced appropriations for longevity in this program. Increased funding attributable to management decisions is primarily driven by changes in pay rates in positions that underwent turnover or were newly hired, and some increases in base pay, retention adjustments, and promotion adjustments.

DP 3 - Inflation Deflation -

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

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	4.20	4.20	4.20	0.00	0.0%
General Fund	103,331	111,926	115,284	20,548	9.9%
Federal Spec. Rev. Funds	6,376,019	6,869,908	7,082,027	1,199,897	9.4%
Total Funds	6,479,350	6,981,834	7,197,311	1,220,445	9.4%
Personal Services	394,371	406,149	421,950	39,357	5.0%
Operating Expenses	76,942	82,618	85,025	13,759	8.9%
Grants	2,431,869	2,628,461	2,708,418	473,141	9.7%
Transfers	3,552,678	3,840,084	3,956,976	691,704	9.7%
Debt Service	23,490	24,522	24,942	2,484	5.3%
Total Expenditures	6,479,350	6,981,834	7,197,311	1,220,445	9.4%
Total Ongoing	6,479,350	6,981,834	7,197,311	1,220,445	9.4%
Total One-Time-Only					0.0%

Program Highlights

Work Force Development Program Major Budget Highlights

The Work Force Development Program's 2027 biennium requested appropriations are approximately \$1.2 million or 9.4% higher than the FY 2025 base budget. Proposed changes include:

- Increased federal special revenue appropriations totaling approximately \$516,000 in FY 2026 and \$726,000 in FY 2027 to utilize the Perkins grant
- Decreasing federal special revenue appropriations by \$22,000 in FY 2026 and \$20,000 in FY 2027 in the statewide present law adjustment, primarily for personal services
- An increase of approximately \$9,000 in FY 2026 and \$12,000 in FY 2027 for the minimum maintenance of effort requirements for the Perkins grant

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.

Work Force Development Program 2027 Biennium HB 2 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
Base Budget	103,331	0	6,376,019	6,479,350	92.8%	103,331	0	6,376,019	6,479,350	90.0%
Statewide PL										
Personal Services	0	0	(21,930)	(21,930)	(0.3%)	0	0	(19,727)	(19,727)	(0.3%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	(171)	(171)	(0.0%)	0	0	(115)	(115)	(0.0%)
Total Statewide PL	0	0	(22,101)	(22,101)	(0.3%)	0	0	(19,842)	(19,842)	(0.3%)
Present Law (PL)	8,595	0	515,990	524,585	7.5%	11,953	0	725,850	737,803	10.3%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	8,595	0	493,889	502,484	7.2%	11,953	0	706,008	717,961	10.0%
Total Requested Budget	111,926	0	6,869,908	6,981,834		115,284	0	7,082,027	7,197,311	

The executive is requesting an increase of approximately \$502,000 in FY 2024 and \$718,000 in FY 2025 above the FY 2025 base appropriations. Increased federal appropriation authority is due to a present law proposal requesting additional authority for the Perkins grant. Increased general fund appropriations are the result of a present law proposal requesting additional general fund appropriations of approximately \$9,000 in FY 2026 and \$12,000 in FY 2027 for the minimum maintenance of effort requirements for the Perkins grant.

Funding

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

Commissioner of Higher Education, 08-Work Force Development Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	227,210	0	0	0	227,210	1.6%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03215 Carl Perkins Federal Funds	13,951,935	0	0	0	13,951,935	100.0%
Federal Special Total	\$13,951,935	\$0	\$0	\$0	\$13,951,935	98.4%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$14,179,145	\$0	\$0	\$0	\$14,179,145	

HB 2 Appropriations

The HB 2 appropriations for the Work Force Development program are primarily comprised of federal special revenue. These federal funds are authorized by the federal Carl D. Perkins Career and Technical Education Improvement Act of 2006. They are administered by the Office of the Commissioner of Higher Education, granted to postsecondary programs, and transferred to the Office of Public Instruction for secondary programs. These funds require a maintenance of effort on funds used for administration.

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

FY 2024 Appropriations Compared to FY 2024 Actuals

FY 2024 appropriations of approximately \$6.5 million were 99.7% expended. General fund appropriations were entirely expended, and approximately \$15,000 of unexpended federal special revenue fund authority was split between personal services, operating expenses, and transfer categories.

FY 2025 Appropriation compared to FY 2024 Appropriation

The FY 2025 HB 2 appropriation for the work force development program was not significantly different than the FY 2024 appropriation.

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	4.20	4.20	4.20	4.20
Personal Services	344,334	348,554	394,371	406,149	421,950
Operating Expenses	89,197	91,650	76,942	82,618	85,025
Grants	2,115,872	2,115,869	2,431,869	2,628,461	2,708,418
Transfers	3,879,987	3,888,674	3,552,678	3,840,084	3,956,976
Debt Service	23,498	23,498	23,490	24,522	24,942
Total Expenditures	\$6,452,888	\$6,468,245	\$6,479,350	\$6,981,834	\$7,197,311
General Fund	107,879	107,878	103,331	111,926	115,284
Federal Spec. Rev. Funds	6,345,009	6,360,367	6,376,019	6,869,908	7,082,027
Total Funds	\$6,452,888	\$6,468,245	\$6,479,350	\$6,981,834	\$7,197,311
Total Ongoing	\$6,452,888	\$6,468,245	\$6,479,350	\$6,981,834	\$7,197,311
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriations Compared to FY 2024 Actuals

FY 2024 appropriations of approximately \$6.5 million were 99.7% expended as of the end of FY 2024. General fund appropriations were entirely expended, and approximately \$15,000 of unexpended federal special revenue fund authority was split between personal services, operating expenses, and transfer categories.

FY 2025 Appropriation compared to FY 2024 Appropriation

The FY 2025 HB 2 appropriation for the work force development program was not significantly different than the FY 2024 appropriation.

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	(21,930)	(21,930)		0.00	0	0	(19,727)	(19,727)
DP 3 - Inflation Deflation										
0.00	0	0	(171)	(171)		0.00	0	0	(115)	(115)
DP 801 - Perkins Federal Award Increase										
0.00	0	0	515,990	515,990		0.00	0	0	725,850	725,850
DP 802 - Perkins MOE Increase										
0.00	8,595	0	0	8,595		0.00	11,953	0	0	11,953
Grand Total All Present Law Adjustments										
0.00	\$8,595	\$0	\$493,889	\$502,484		0.00	\$11,953	\$0	\$706,008	\$717,961

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Guaranteed Student Loan Program	
Office of the Commissioner of Higher Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (11,971)
Management Changes	(71,082)
Total Budget Modifications	-
Total	<u>\$ (83,053)</u>

Legislative changes in this program reduce appropriations for longevity, benefits and an adjustment to account for increased personal service funds from DP810 which was approved by the 2023 legislature. Appropriation changes attributable to management decisions include reductions in pay for positions as a result of turnover or new hire rates within the program and vacancy savings within this program. There were also some increases in pay for performance and reclassification adjustments.

DP 3 - Inflation Deflation -

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

DP 801 - Perkins Federal Award Increase -

The executive requests additional federal authority for the Perkins program in FY 2026 and in FY 2027 to meet the requirements of the federal grant award.

DP 802 - Perkins MOE Increase -

The executive requests funding to increase the minimum maintenance of effort requirement for the Perkins grant for FY 2026 and for FY 2027. The Perkins state allocation has increased thus increasing the minimum required maintenance of effort.

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
General Fund	221,383,111	234,594,413	233,045,083	24,873,274	5.6%
State/Other Special Rev. Funds	33,027,425	36,344,425	36,802,425	7,092,000	10.7%
Total Funds	254,410,536	270,938,838	269,847,508	31,965,274	6.3%
Transfers	254,410,536	270,938,838	269,847,508	31,965,274	6.3%
Total Expenditures	254,410,536	270,938,838	269,847,508	31,965,274	6.3%
Total Ongoing	254,410,536	270,938,838	269,847,508	31,965,274	6.3%
Total One-Time-Only					0.0%

Program Highlights

Appropriation Distribution Major Budget Highlights

The Appropriation Distribution Program's 2027 biennium request is approximately \$32.0 million, or 6.3%, higher than the 2025 biennium. Significant proposals include:

- Increasing general fund appropriations by approximately \$16.5 million in FY 2026 and \$15.4 million in FY 2027 for present law adjustments for personal services, higher education fixed costs, inflation, and legislative audit costs
- A fund switch that increases state special revenue appropriations from the six-mill university levy account by \$3.3 million in FY 2026 and \$3.8 million in FY 2027, and decreases general fund appropriations by the same amount each fiscal year

Program Discussion –

The legislature directly appropriates general fund and the six-mill levy to the Montana University System (MUS). The MUS receives additional funding that is not appropriated or approved by the legislature and is not reflected in the table above. This funding includes but is not limited to tuition, federal research grants, financial aid, campus building projects, debt service, and auxiliary funds. Total funding for the MUS is anticipated to be \$2.2 billion in FY 2025. For the education units, the education and general operating costs are funded with state funds (general fund and the six-mill levy) and student tuition. The legislature establishes the state appropriations during the legislative session.

The Board of Regents (Regents) establishes the final budget, including tuition rates, after the legislature adjourns. The Board of Regents is the sole authority in setting the tuition rates for the MUS. Tuition is not controlled or appropriated by the legislature. Tuition fills the “gap” between the Regents’ approved expenditure budget for education units and the state funds appropriated by the legislature.

While the Montana Constitution grants governance authority to the Regents, the power to appropriate state funds remains with the legislature. Appropriating funds provides the legislature the authority to attach policy decisions and accountability measures to the funding.

State funds remain an important component of MUS funding because:

- State general fund is the second largest source of revenue for the current unrestricted fund (tuition is the largest)
- General fund appropriations in HB 2 provide a vehicle for the legislature to have a public policy impact on the MUS

The legislature considers many factors to develop the MUS appropriation, which may include:

- FY 2024 appropriations, expenditures, and funding
- FY 2025 base appropriations
- State funds available
- Legislative priorities
- Executive recommendations
- Board of Regents' priorities
- Shared policy goals
- Projected student enrollment

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

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.

Appropriation Distribution 2027 Biennium HB 2 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
Base Budget	221,383,111	33,027,425		0 254,410,536	93.9%	221,383,111	33,027,425		0 254,410,536	94.3%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	16,528,302	0	0	16,528,302	6.1%	15,436,972	0	0	15,436,972	5.7%
New Proposals	(3,317,000)	3,317,000	0	0	0.0%	(3,775,000)	3,775,000	0	0	0.0%
Total HB 2 Adjustments	13,211,302	3,317,000	0	16,528,302	6.1%	11,661,972	3,775,000	0	15,436,972	5.7%
Total Requested Budget	234,594,413	36,344,425		0 270,938,838		233,045,083	36,802,425		0 269,847,508	

The executive is requesting an increase of approximately \$16.5 million in FY 2026 and \$15.4 million in FY 2027 above the FY 2025 base appropriations. The increase is mainly due to the requested present law adjustments of \$16.5 million in FY 2026 and \$15.4 million in FY 2027 for personal services, higher education fixed costs, and audit costs. The general fund appropriation request is partially offset by a proposed fund switch to state special revenues from the six-mill levy.

The proposed budget does not include any changes for the Family Practice Rural Residency programs or the Motorcycle Safety Program.

Commissioner of Higher Education Appropriation Distribution Program MUS Budget Request Compared to November Executive Budget Recommendation				
Unit Request	CUR FY 2024 ACTUAL	CUR FY 2025 OP PLAN	CUR FY 2026 REQUEST	CUR FY 2027 REQUEST
MSU	\$ 271,588,739	\$ 287,306,646	\$ 294,509,405	\$ 300,746,195
MSU-BILLINGS	40,048,812	40,805,280	44,023,350	44,971,010
MSU-NORTHERN	14,792,527	16,051,089	16,871,219	17,054,602
GREAT FALLS MSU	11,242,962	11,697,325	11,728,641	11,897,730
UM	141,953,979	147,720,562	156,529,705	158,426,927
MT TECH	29,115,354	31,542,488	31,259,877	31,705,628
UM-WESTERN	16,539,494	17,114,196	17,095,731	17,423,419
UM-HELENA	8,376,864	9,449,858	9,238,048	9,422,924
Less: one-time-only appropriations	-	-	-	-
TOTAL	533,658,731	561,687,444	581,255,976	591,648,435
State Funding Requested				
General Fund	198,699,634	209,355,523	237,911,413	236,820,083
State Special	33,047,266	32,447,266	32,447,266	32,447,266
Tuition/Other	301,911,831	319,884,655	310,897,297	322,381,086
Less: one-time-only appropriations	-	-	-	-
Total	533,658,731	561,687,444	581,255,976	591,648,435
Executive Budget Recommendation				
General Fund	N/A	N/A	234,594,413	233,045,083
State Special	N/A	N/A	35,764,266	36,222,266
Tuition/Other	N/A	N/A		
Total	-	-	270,358,679	269,267,349
Difference - Request to Recommendation				
General Fund	N/A	N/A	(3,317,000)	(3,775,000)
State Special	N/A	N/A	3,317,000	3,775,000
Tuition/Other	N/A	N/A	-	-
Total	\$ -	\$ -	\$ -	\$ -

The Office of the Commissioner of Higher Education has projected a total current unrestricted operating budget (CUR) for the education units of \$581.3 million in FY 2026 and \$591.6 million in FY 2027. The agency requested state funds totaling \$270.4 million in FY 2026 and \$269.3 million in FY 2027 to support its current unrestricted operating budget in the 2027 biennium.

The executive requests state support equal to the total amount requested by the agency in each fiscal year. The executive's general fund request is \$7.1 million less and six-mill levy state special revenue request is \$7.1 more for the 2027 biennium than the Board of Regents' request, which results in the same total amount of state funding. With this request, the executive is proposing a fund shift from general fund to the six-mill levy of \$3.3 million in FY 2026 and \$3.8 million in FY 2027. The HJ 2 revenue forecast predicts the six-mill levy revenue collections to be sufficient to cover this proposal. The table below shows the projected fund balances in FY 2026 and FY 2027 using the HJ 2 revenue estimates as adopted by the Revenue Interim Committee and expenditures as proposed by the executive.

Office of the Commissioner of Higher Education Appropriation Distribution Program Six-Mill Levy 2027 Biennium Projections				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$ 3,871,402	\$ 2,525,736	\$ 895,746	\$ 1,265,561
Revenue	31,701,600	31,397,435	36,134,082	36,434,112
Transfers-out	<u>(33,047,266)</u>	<u>(33,027,425)</u>	<u>(35,764,266)</u>	<u>(36,222,266)</u>
Ending Fund Balance	<u>\$ 2,525,736</u>	<u>\$ 895,746</u>	<u>\$ 1,265,561</u>	<u>\$ 1,477,407</u>

Funding

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

Commissioner of Higher Education, 09-Appropriation Distribution Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	467,639,496	0	0	8,177,875	475,817,371	86.2%
02111 Accommodation Tax Account	0	0	0	2,932,888	2,932,888	3.9%
02443 University Millage	71,986,532	0	0	0	71,986,532	94.6%
02944 Motorcycle Safety Training	1,160,318	0	0	0	1,160,318	1.5%
State Special Total	\$73,146,850	\$0	\$0	\$2,932,888	\$76,079,738	13.8%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$540,786,346	\$0	\$0	\$11,110,763	\$551,897,109	

HB 2 Appropriations

The Appropriation Distribution Program receives predominately HB 2 general fund appropriations. The majority of these appropriations are transferred through OCHE to MUS campuses as determined by the Board of Regents. The legislature can determine the amount of funds to be appropriated overall and has the authority to place specific restrictions on funds, but the Board of Regents has the sole authority to determine how appropriations are distributed to campuses.

The Appropriation Distribution Program also receives some funding from state special revenues:

- University 6-Mill Levy
- Motorcycle Safety Training

The statewide six-mill levy is a statewide property tax authorized in statute (15-10-108, MCA). The levy originated in 1920 and since 1948 has been a key component of university funding. It is presented to voters statewide for approval every ten years and was last voted on in November 2018. Funds are generated by a mill levy tax on property statewide and are distributed to campuses as determined by the Board of Regents. The levy revenue is used to fund the education and general operating expenses of the Montana University System educational units.

The Motorcycle Safety Training fund contains funds from money collected and accrued from motorcycle safety training courses, motorcycle endorsement fees, motorcycle safety fees, and designated grants are deposited in the state motorcycle safety account and support the motorcycle safety program at MSU Northern in Havre.

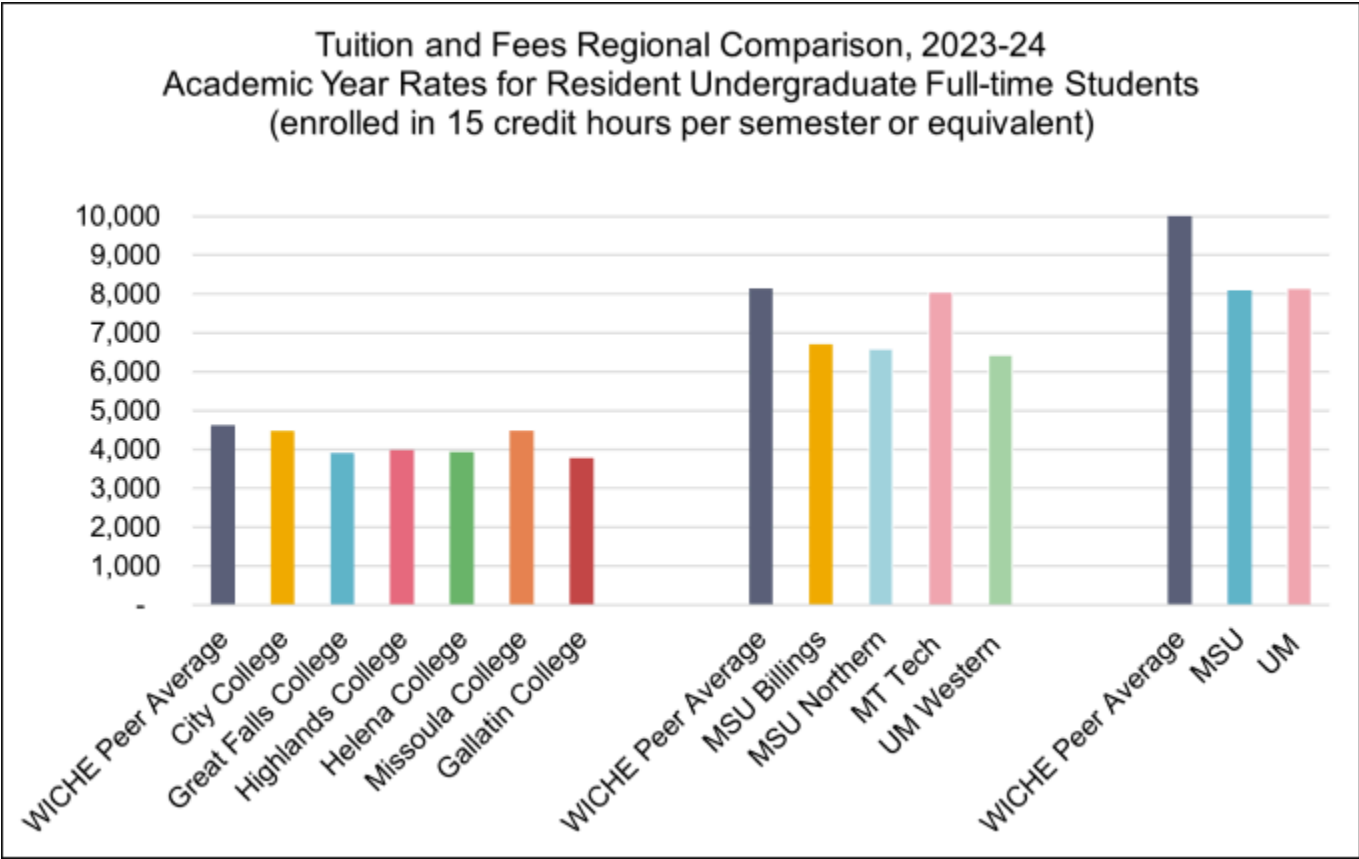
Statutory Appropriations

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

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

Tuition

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



Performance Funding

The 2015 Legislature designated funds for the MUS based upon performance metrics. The Board of Regents has continued this commitment to include a performance funding component in the allocation model used to distribute state funds to the education units. For the 2025 biennium, \$30.0 million was designated for performance funding and distributed upon progress toward increasing college completions, retention, success of under-represented student populations, and other metrics. The table below shows the impact of performance funding since FY 2022 by campus.

Montana University System Impact of Performance Funding					
Campus	FY 2022		FY 2023		FY 2025
MSU Bozeman	\$	5,561,800	\$	5,556,481	\$ 5,507,042
Gallatin College		274,021		270,986	273,143
MSU Billings		1,244,023		867,552	531,806
City College		385,980		192,342	412,078
MSU Northern		533,197		531,788	549,431
Great Falls College		228,194		531,780	380,545
UM Missoula		3,089,196		3,474,282	2,468,809
Missoula College		588,411		138,337	621,493
MT Tech		476,761		192,980	771,603
Highlands College		160,317		138,744	199,056
UM Western		581,500		315,897	630,804
Helena College		347,884		349,706	463,224
Total Funding	\$	13,471,284	\$	12,560,875	\$ 12,809,034

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
Transfers	230,826,203	235,304,998	254,410,536	270,938,838	269,847,508
Total Expenditures	\$230,826,203	\$235,304,998	\$254,410,536	\$270,938,838	\$269,847,508
General Fund	197,198,778	201,677,573	221,383,111	234,594,413	233,045,083
State/Other Special Rev. Funds	33,627,425	33,627,425	33,027,425	36,344,425	36,802,425
Total Funds	\$230,826,203	\$235,304,998	\$254,410,536	\$270,938,838	\$269,847,508
Total Ongoing	\$230,826,203	\$235,304,998	\$254,410,536	\$270,938,838	\$269,847,508
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Appropriation Distribution Program in the Office of the Commissioner of Higher Education (OCHE) is the conduit through which state funds flow to the university system units. This program includes state funding for the Montana University System educational units, the Family Practice Rural Residency programs located at MSU Billings and University of Montana in Missoula, and the Motorcycle Safety Program located at Helena College.

The MUS campuses collectively serve approximately 23,000 resident full-time students. University units include:

- UM Missoula
- UM MT Tech
- UM Western
- UM Helena
- MSU Bozeman
- MSU Billings
- MSU Northern
- MSU Great Falls

FY 2024 Appropriations Compared to FY 2024 Actual Expenditures

As of the end of FY 2024, approximately \$230.8 million, or 98.1% of appropriations were expended. Most of the unspent authority was designated for operations and maintenance for newly constructed buildings authorized for MUS institutions (HB 2305, 2023). Appropriations amounting to approximately \$3.6 million for operations and maintenance were not expended as the construction is not yet complete. Authority for the large MUS campus transfer is biennial, and remaining unspent authority may be expended in FY 2025. Restricted biennial appropriations of approximately \$627,000 were also expended for legislative audit costs for the Montana University System.

FY 2024 Appropriation Compared to FY 2025 Appropriation

Appropriations for FY 2025 are approximately \$18.9 million, or 8.1% larger than FY 2024 appropriations. This includes an appropriation increase of approximately \$12.3 million for the lump sum transfer to MUS campuses and an increase of approximately \$3.6 million for the operations and maintenance of new buildings once completed. The campus appropriation increase was largely a result of pay plan adjustments appropriated in HB 13, 2023. No funds for a legislative audit were appropriated for FY 2025.

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 901 - Montana University System PLA	0.00	11,384,407	0	0	11,384,407	0.00	10,526,476	0	0	10,526,476
DP 902 - MUS LAD Audit Costs	0.00	282,249	0	0	282,249	0.00	0	0	0	0
DP 903 - MUS Fixed Cost Increases from State	0.00	4,861,646	0	0	4,861,646	0.00	4,910,496	0	0	4,910,496
Grand Total All Present Law Adjustments	0.00	\$16,528,302	\$0	\$0	\$16,528,302	0.00	\$15,436,972	\$0	\$0	\$15,436,972

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

DP 901 - Montana University System PLA -

The MUS requests funding to annualize various personal services costs, fixed costs, and inflationary costs for all Montana University System (MUS) units at the current unrestricted rate. This change package simulates change packages SWPL 1 & 3 for all other agencies.

DP 902 - MUS LAD Audit Costs -

The executive requests general fund appropriations for Legislative Audit Costs for the Montana University System in FY 2026.

DP 903 - MUS Fixed Cost Increases from State -

The decision package is requested to provide funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include audit fees, information technology services, etc. The rates charged for these services are approved in a separate portion of the budget.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
-----Fiscal 2026-----						-----Fiscal 2027-----				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 904 - University Millage Fund Switch										
	0.00	(3,317,000)	3,317,000	0	0	0.00	(3,775,000)	3,775,000	0	0
Total	0.00	(\$3,317,000)	\$3,317,000	\$0	\$0	0.00	(\$3,775,000)	\$3,775,000	\$0	\$0

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

DP 904 - University Millage Fund Switch -

The executive requests a funding adjustment for the MUS based on revenue in the 6-mill, state special revenue account. The request decreases general fund in FY 2026 and in FY 2027 and increases University Millage state special revenue by equivalent amounts in both years.

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 FY 2026 FY 2027		Biennium Change from Base Amount Percent	
General Fund	36,137,018	38,480,666	38,828,916	5,035,546	7.0%
State/Other Special Rev. Funds	1,119,968	1,119,968	1,119,968		0.0%
Total Funds	37,256,986	39,600,634	39,948,884	5,035,546	6.8%
Transfers	37,256,986	39,600,634	39,948,884	5,035,546	6.8%
Total Expenditures	37,256,986	39,600,634	39,948,884	5,035,546	6.8%
Total Ongoing	37,256,986	39,600,634	39,948,884	5,035,546	6.8%
Total One-Time-Only					0.0%

Program Highlights

Agency Funds Major Budget Highlights	
<p>The Research and Development Agencies' 2027 biennium requested appropriations are approximately \$5.0 million, or 6.8% higher than the FY 2025 base budget</p> <ul style="list-style-type: none"> The executive request includes an increase of general fund appropriations of approximately \$2.3 million in FY 2026 and \$2.7 million in FY 2027 for present law adjustments for personal services, higher education fixed costs, and inflation 	

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.

Agency Funds 2027 Biennium HB 2 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
Base Budget	36,137,018	1,119,968	0	37,256,986	94.1%	36,137,018	1,119,968	0	37,256,986	93.3%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
Present Law (PL)	2,343,648	0	0	2,343,648	5.9%	2,691,898	0	0	2,691,898	6.7%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	2,343,648	0	0	2,343,648	5.9%	2,691,898	0	0	2,691,898	6.7%
Total Requested Budget	38,480,666	1,119,968	0	39,600,634		38,828,916	1,119,968	0	39,948,884	

The executive is requesting an increase of approximately \$2.3 million in FY 2026 and \$2.7 million in FY 2027 above the FY 2025 base appropriations. The increase is due to the present law adjustment for personal services, fixed costs, and inflation.

The following figure compares the agency budget request to the funding requested by the executive for the Research and Development Agencies.

Commissioner of Higher Education Research and Development Agencies Agency Budget Request Compared to Executive Budget Recommendation				
Agency Request	CUR FY 2024 ACTUAL	CUR FY 2025 OP PLAN	CUR FY 2026 REQUEST	CUR FY 2027 REQUEST
ES	\$ 7,755,663	\$ 7,967,962	\$ 8,486,722	\$ 8,602,516
AES	20,046,673	20,459,681	21,838,938	22,029,362
FIRE	1,384,386	1,301,325	1,418,878	1,428,804
MBMG	5,862,702	6,537,448	6,243,821	6,260,409
FCES	1,533,953	1,595,008	1,612,275	1,627,793
Less: one-time-only appropriations			-	-
TOTAL	36,583,377	37,861,424	39,600,634	39,948,884
State Funding Requested				
General Fund	34,824,278	35,813,596	38,480,666	38,828,916
State Special	1,119,698	1,119,698	1,119,968	1,119,968
Other	639,401	928,130	-	-
Less: one-time-only appropriations			-	-
Total	36,583,377	37,861,424	39,600,634	39,948,884
Executive Budget Recommendation				
General Fund	N/A	N/A	38,480,666	38,828,916
State Special	N/A	N/A	1,119,968	1,119,968
Total	-	-	39,600,634	39,948,884
Difference from Request to Recommendation				
General Fund	N/A	N/A	-	-
State Special			-	-
Total	\$ -	\$ -	\$ -	\$ -

The Office of the Commissioner of Higher Education has projected a total current unrestricted operating budget (CUR) of \$39.6 million in FY 2026 and \$39.9 million in FY 2027. The executive's budget request is identical to the agency's budget request for the Research and Development Agencies.

Funding

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

Commissioner of Higher Education, 10-Agency Funds Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	77,309,582	0	0	0	77,309,582	97.2%	
02289 Bureau Of Mines Groundwater	1,142,000	0	0	0	1,142,000	51.0%	
02432 Oil & Gas ERA	600,000	0	0	0	600,000	26.8%	
02576 Natural Resources Operations	497,936	0	0	0	497,936	22.2%	
State Special Total	\$2,239,936	\$0	\$0	\$0	\$2,239,936	2.8%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$79,549,518	\$0	\$0	\$0	\$79,549,518		

HB 2 Appropriations

The general operating budgets for the Research and Development Agencies are funded with general fund appropriations. The remaining funding comes from state special revenue. State special revenues for the program are comprised of revenues from the resource indemnity trust (RIT) interest, oil and gas and metal mines tax. The agencies also use non-state revenues to support their general operating budgets; these revenues are not appropriated in HB 2.

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
Transfers	35,824,757	35,908,861	37,256,986	39,600,634	39,948,884
Total Expenditures	\$35,824,757	\$35,908,861	\$37,256,986	\$39,600,634	\$39,948,884
General Fund	34,704,789	34,788,893	36,137,018	38,480,666	38,828,916
State/Other Special Rev. Funds	1,119,968	1,119,968	1,119,968	1,119,968	1,119,968
Total Funds	\$35,824,757	\$35,908,861	\$37,256,986	\$39,600,634	\$39,948,884
Total Ongoing	\$35,704,757	\$35,788,861	\$37,256,986	\$39,600,634	\$39,948,884
Total OTO	\$120,000	\$120,000	\$0	\$0	\$0

Program Description

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

The Research and Development Agencies consist of:

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Research and Development Agencies are funded in HB 2 with general fund and state special revenue. The HB 2 budget of approximately \$35.8 million was 99.8% expended as of the end of FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$1.3 million or 3.8% higher than the FY 2024 appropriation. This difference in the total appropriations is due to the pay plan approved in HB 13 and a higher present law adjustment approved by the legislature for FY 2025.

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 1001 - Research & Development Agencies PLA										
0.00	2,185,377	0	0	2,185,377		0.00	2,535,546	0	0	2,535,546
DP 1002 - SWPL Research & Development Agencies										
0.00	158,271	0	0	158,271		0.00	156,352	0	0	156,352
Grand Total All Present Law Adjustments										
0.00	\$2,343,648	\$0	\$0	\$2,343,648		0.00	\$2,691,898	\$0	\$0	\$2,691,898

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

DP 1001 - Research & Development Agencies PLA -

The executive requests funding to annualize various MUS personal services costs, MUS fixed cost, and inflationary costs. This change package simulates the statewide present law adjustments for personal services and inflation changes packages for all other agencies.

DP 1002 - SWPL Research & Development Agencies -

The executive requests funding to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include audit fees, information technology services, etc. The rates charged for these services are approved in a separate portion of the budget.

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 FY 2026 FY 2027		Biennium Change from Base Amount Percent	
General Fund	918,400	918,400	918,400		0.0%
Total Funds	918,400	918,400	918,400		0.0%
Grants	918,400	918,400	918,400		0.0%
Total Expenditures	918,400	918,400	918,400		0.0%
Total Ongoing	918,400	918,400	918,400		0.0%
Total One-Time-Only	100,000			(200,000)	(100.0%)

Program Highlights

Tribal College Assistance Program Major Budget Highlights	
<p>The Tribal College Assistance Program's FY 2026 and 2027 ongoing appropriations request are identical to the FY 2025 base budget</p> <ul style="list-style-type: none"> The executive has not requested a one-time-only appropriation for High School Equivalency Test (HiSET) preparation funding, which previously recieved funding each biennium since it was first funded in 2019 	

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.

Tribal College Assistance Program 2027 Biennium HB 2 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
Base Budget	918,400	0	0	918,400	100.0%	918,400	0	0	918,400	100.0%
Statewide PL										
Personal Services	0	0	0	0	0.0%	0	0	0	0	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	0	0	0	0	0.0%	0	0	0	0	0.0%
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%
Total HB 2 Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	918,400	0	0	918,400		918,400	0	0	918,400	

The executive request is identical to the FY 2025 base budget.

Funding

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

Commissioner of Higher Education, 11-Tribal College Assistance Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,836,800	0	0	0	1,836,800	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,836,800	\$0	\$0	\$0	\$1,836,800	

HB 2 Appropriations

The HB 2 appropriation for the Tribal College Assistance Program is entirely funded with general fund.

Funding is provided for nonbeneficiary students attending one of the seven tribal colleges in Montana. The table below illustrates the recent history of actual program expenditures, the executive's recommendations for the 2027 biennium, and the changes in the average state funds per nonbeneficiary student.

Commissioner of Higher Education Tribal College Assistance Program State Funding Nonbeneficiary Montana Students Attending Tribal Community Colleges				
Fiscal Year		Number of Nonbeneficiary Montana Students Reported	State Funds Distributed for Nonbeneficiary Students	Average State Funds per Nonbeneficiary Student
FY 2016	Actual	239.75	786,380	3,280
FY 2017	Actual	240.34	788,315	3,280
FY 2018	Actual	295.67	837,875	2,834
FY 2019	Actual	296.13	837,875	2,829
FY 2020	Actual	260.56	837,875	3,216
FY 2021	Actual	214.04	702,047	3,280
FY 2022	Actual	236.54	775,851	3,280
FY 2023	Actual	269.73	837,875	3,106
FY 2024	Actual	272.70	894,456	3,280
FY 2025	Actual	238.58	782,536	3,280
FY 2026	Budgeted	280.00	918,400	3,280
FY 2027	Budgeted	280.00	918,400	3,280
**Per Section 20-25-428, MCA there is a maximum distribution of \$3,280 per nonbeneficiary student per year.				

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
Grants	994,451	1,018,400	1,018,400	918,400	918,400
Total Expenditures	\$994,451	\$1,018,400	\$1,018,400	\$918,400	\$918,400
General Fund	994,451	1,018,400	1,018,400	918,400	918,400
Total Funds	\$994,451	\$1,018,400	\$1,018,400	\$918,400	\$918,400
Total Ongoing	\$894,456	\$918,400	\$918,400	\$918,400	\$918,400
Total OTO	\$99,995	\$100,000	\$100,000	\$0	\$0

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Tribal College Assistance Program is funded entirely with general fund. Approximately \$944,000, or 97.6% of the FY 2024 appropriations for the Tribal College Assistance Program were expended. \$99,995 of the one-time-only appropriation of \$100,000 for HiSET training and classes was expended. This amounted to distributions of \$14,285 per campus. The remaining \$918,000 of funding was for non-beneficiary students attending tribal colleges. In FY 2024, there was a distribution for 272.70 nonbeneficiary students, which was 7.30 lower than estimated. This resulted in a total distribution of approximately \$894,000, which is the maximum allowable.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is the same as the FY 2024 appropriation.

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	1.50	1.50	1.50	0.00	0.0%	
Federal Spec. Rev. Funds	2,408,070	2,324,902	2,324,940	(166,298)	(3.5%)	
Total Funds	2,408,070	2,324,902	2,324,940	(166,298)	(3.5%)	
Personal Services	231,023	147,970	147,971	(166,105)	(35.9%)	
Operating Expenses	1,781,632	1,781,517	1,781,554	(193)	(0.0%)	
Debt Service	395,415	395,415	395,415		0.0%	
Total Expenditures	2,408,070	2,324,902	2,324,940	(166,298)	(3.5%)	
Total Ongoing	2,408,070	2,324,902	2,324,940	(166,298)	(3.5%)	
Total One-Time-Only					0.0%	

Program Highlights

Guaranteed Student Loan Program Major Budget Highlights

The Guaranteed Student Loan Program's 2027 biennium requested appropriations are approximately \$166,000, or 3.5% lower than the FY 2025 base budget

- The executive proposes a reduction of federal special revenue appropriations of approximately \$83,000 in FY 2026 and FY 2027 due to statewide present law adjustments for personal services and inflation

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.

Guaranteed Student Loan Program 2027 Biennium HB 2 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
Base Budget	0	0	2,408,070	2,408,070	103.6%	0	0	2,408,070	2,408,070	103.6%
Statewide PL										
Personal Services	0	0	(83,053)	(83,053)	(3.6%)	0	0	(83,052)	(83,052)	(3.6%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	(115)	(115)	(0.0%)	0	0	(78)	(78)	(0.0%)
Total Statewide PL	0	0	(83,168)	(83,168)	(3.6%)	0	0	(83,130)	(83,130)	(3.6%)
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%
Total HB 2 Adjustments	0	0	(83,168)	(83,168)	(3.6%)	0	0	(83,130)	(83,130)	(3.6%)
Total Requested Budget	0	0	2,324,902	2,324,902		0	0	2,324,940	2,324,940	

The executive is requesting a decrease of approximately \$83,000 in FY 2026 and in FY 2027 from the FY 2025 base budget. This reduction is primarily due to statewide present law adjustments for personal services.

Funding

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

Commissioner of Higher Education, 12-Guaranteed Student Loan 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%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03400 Guaranteed Std. Loan-Admin.	4,649,842	0	0	0	4,649,842	100.0%
Federal Special Total	\$4,649,842	\$0	\$0	\$0	\$4,649,842	100.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$4,649,842	\$0	\$0	\$0	\$4,649,842	

HB 2 Appropriations

The Guaranteed Student Loan Program is funded entirely with federal funds from the U.S. Department of Education. Funding is provided to support financial aid awareness and outreach as well as other financial aid related activities benefiting students.

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	1.50	1.50	1.50	1.50
Personal Services	107,320	221,240	231,023	147,970	147,971
Operating Expenses	717,487	1,772,784	1,781,632	1,781,517	1,781,554
Debt Service	8,380	395,415	395,415	395,415	395,415
Total Expenditures	\$833,187	\$2,389,439	\$2,408,070	\$2,324,902	\$2,324,940
Federal Spec. Rev. Funds	833,187	2,389,439	2,408,070	2,324,902	2,324,940
Total Funds	\$833,187	\$2,389,439	\$2,408,070	\$2,324,902	\$2,324,940
Total Ongoing	\$833,187	\$2,389,439	\$2,408,070	\$2,324,902	\$2,324,940
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Guaranteed Student Loan Program (GSL) provides financial aid awareness and related outreach and other financial aid-related activities for the benefit of students. GSL is authorized under Title 20, Chapter 26, MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Guaranteed Student Loan program is funded entirely with federal special revenue. The HB 2 budget of approximately \$2.4 million was 34.9% expended as of the end of FY 2024.

The loan portfolio for the Guaranteed Student Loan Program was transitioned to a federally approved loan servicing provider as of October 2017. The 2019 Legislature approved a reduction in federal funds to correspond with this transition. The remaining federal funding and 1.50 PB were approved to support financial aid awareness and outreach as well as other financial aid related activities benefiting students. Expenditures have historically been low after this transition.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation increased slightly due to higher present law adjustments than in FY 2024.

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	(83,053)	(83,053)		0.00	0	0	(83,052)	(83,052)
DP 3 - Inflation Deflation										
0.00	0	0	(115)	(115)		0.00	0	0	(78)	(78)
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	(\$83,168)	(\$83,168)		0.00	\$0	\$0	(\$83,130)	(\$83,130)

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Guaranteed Student Loan Program	
Office of the Commissioner of Higher Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (11,971)
Management Changes	(71,082)
Total Budget Modifications	-
Total	<u>\$ (83,053)</u>

Funding adjustments attributable to legislative changes in this program are mostly due to reductions in employee benefits. Reductions attributable to management changes are largely a result of vacant position expense changes.

DP 3 - Inflation Deflation -

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

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 FY 2026 FY 2027		Biennium Change from Base Amount Percent	
General Fund	74,576	74,576	74,576		0.0%
Total Funds	74,576	74,576	74,576		0.0%
Personal Services	11,900	11,900	11,900		0.0%
Operating Expenses	62,676	62,676	62,676		0.0%
Total Expenditures	74,576	74,576	74,576		0.0%
Total Ongoing	74,576	74,576	74,576		0.0%
Total One-Time-Only					0.0%

Program Highlights

Board of Regents - Admin Major Budget Highlights	
The Board of Regents-Admin Program's 2027 biennium requested appropriations are identical to the FY 2025 base budget	

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.

Board of Regents-Administration 2027 Biennium HB 2 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
Base Budget	74,576	0	0	74,576	100.0%	74,576	0	0	74,576	100.0%
Statewide PL										
Personal Services	(5,600)	0	0	(5,600)	(7.5%)	(5,600)	0	0	(5,600)	(7.5%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(5,600)	0	0	(5,600)	(7.5%)	(5,600)	0	0	(5,600)	(7.5%)
Present Law (PL)	5,600	0	0	5,600	7.5%	5,600	0	0	5,600	7.5%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Requested Budget	74,576	0	0	74,576		74,576	0	0	74,576	

The executive request includes a reduction of general fund appropriations for personal services of \$5,600 in both FY 2026 and FY 2027 and a present law increase in both years for the same amount. The statewide present law adjustment is due to a technical issue, and the present law adjustment is meant to correct that issue. Further details are explained below.

Funding

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

Commissioner of Higher Education, 13-Board of Regents-Administration Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	149,152	0	0	0	149,152	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$149,152	\$0	\$0	\$0	\$149,152	

HB 2 Appropriations

The Board of Regents is funded entirely with general fund.

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
Personal Services	2,600	11,900	11,900	11,900	11,900
Operating Expenses	53,135	62,352	62,676	62,676	62,676
Total Expenditures	\$55,735	\$74,252	\$74,576	\$74,576	\$74,576
General Fund	55,735	74,252	74,576	74,576	74,576
Total Funds	\$55,735	\$74,252	\$74,576	\$74,576	\$74,576
Total Ongoing	\$55,735	\$74,252	\$74,576	\$74,576	\$74,576
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriations Compared to FY 2024 Actuals

The FY 2024 appropriation of approximately \$74,000 was approximately 75.1% expended. Of the \$18,000 of unspent authority, approximately \$9,000 of personal services authority and \$9,000 of operating expenses authority remained unexpended.

FY 2025 Appropriation Compared to FY 2024 Appropriation

The FY 2025 appropriation was not significantly different than the FY 2024 appropriation.

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	(5,600)	0	0	(5,600)		0.00	(5,600)	0	0	(5,600)
DP 1301 - Fixed Cost Per Diem Account Adjustment										
0.00	5,600	0	0	5,600		0.00	5,600	0	0	5,600
Grand Total All Present Law Adjustments										
0.00	\$0	\$0	\$0	\$0		0.00	\$0	\$0	\$0	\$0

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Additional factors contributing to the budget request include the removal of per diem allowance for the Board of Regent's during the snapshot process and a technical adjustment due to the incorrect personal services account used during turnaround. A coordinating present law change package DP 1301 corrects this technical accounting issue by adjusting base funding for the Board of Regents.

DP 1301 - Fixed Cost Per Diem Account Adjustment -

The executive requests appropriations to correct a technical issue for the allocation of per diem authority related to HB 314 from the 2023 Session. During the turnaround process the incorrect personal services account was used resulting in a shortfall in the account used for SWPL 1.

MONTANA SCHOOL FOR DEAF & BLIND

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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 FY 2025	Requested Budget FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	88.28	89.28	89.28	1.00	0.6%
General Fund	9,526,225	9,865,711	9,900,183	713,444	3.7%
State/Other Special Rev. Funds	317,269	305,735	305,735	(23,068)	(3.6%)
Federal Spec. Rev. Funds	206,809	206,809	206,809		0.0%
Total Funds	10,050,303	10,378,255	10,412,727	690,376	3.4%
Personal Services	8,953,793	9,155,325	9,189,407	437,146	2.4%
Operating Expenses	1,067,059	1,160,315	1,160,705	186,902	8.8%
Transfers	1,000	1,000	1,000		0.0%
Debt Service	28,451	61,615	61,615	66,328	116.6%
Total Expenditures	10,050,303	10,378,255	10,412,727	690,376	3.4%
Total Ongoing	10,050,303	10,378,255	10,412,727	690,376	3.4%
Total One-Time-Only					0.0%

Agency Highlights

Montana School for Deaf and Blind Major Budget Highlights
<p>The Montana School for Deaf and Blind's 2027 biennium ongoing budget request is approximately \$690,000 or 3.4% higher than the 2025 biennium budget. This increase includes:</p> <ul style="list-style-type: none"> Approximately \$494,000 in new proposals for the 2027 biennium, including: <ul style="list-style-type: none"> 1.00 new PB (Positions Budgeted) for an Administrative Assistant in the Administration Program Increases in the general fund for longevity pay An increase in statewide present law adjustments for personal services Additional use of motor pool vehicles for outreach staff Stipends for staff who advise students' extracurricular activities

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.

School For the Deaf & Blind 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
Base Budget	9,526,225	317,269	206,809	10,050,303	96.8%	9,526,225	317,269	206,809	10,050,303	96.5%
Statewide PL										
Personal Services	12,807	0	0	12,807	0.1%	21,152	0	0	21,152	0.2%
Fixed Costs	97,209	0	0	97,209	0.9%	98,355	0	0	98,355	0.9%
Inflation Deflation	(6,305)	0	0	(6,305)	(0.1%)	(4,261)	0	0	(4,261)	(0.0%)
Total Statewide PL	103,711	0	0	103,711	1.0%	115,246	0	0	115,246	1.1%
Present Law (PL)	0	(11,534)	0	(11,534)	(0.1%)	0	(11,534)	0	(11,534)	(0.1%)
New Proposals	235,775	0	0	235,775	2.3%	258,712	0	0	258,712	2.5%
Total HB 2 Adjustments	339,486	(11,534)	0	327,952	3.2%	373,958	(11,534)	0	362,424	3.5%
Total Requested Budget	9,865,711	305,735	206,809	10,378,255		9,900,183	305,735	206,809	10,412,727	

Statewide Present Law Adjustment for Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP1) has been broken down into three categories, as follows:

- Legislative changes - This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes - This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications - This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

School for Deaf and Blind FY 2026 Statewide Present Law Adjustment for Personal Services - DP 1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1
01 Administration	\$11,482	\$9,536	\$0	\$21,018
02 General Services	13,969	16,544	-	30,513
03 Student Services	43,269	51,763	-	95,032
04 Education	167,479	(301,235)	-	(133,756)
Total	\$236,199	(\$223,392)	\$0	\$12,807

The proposed statewide personal services present law adjustment (DP 1) is the result of a few different factors. Management decisions, including program transfers, reclassifications, and hiring at higher rates than previously budgeted contributed to slightly less than half of the statewide present law adjustment. Legislative changes increased primarily due to greater longevity and benefits costs.

Funding

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

Total School For the Deaf & Blind 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
01100 General Fund	19,765,894				19,765,894	95.1%
02050 School Trust Interest/Income	611,470				611,470	2.9%
State Special Revenue Total	611,470		-	-	611,470	2.9%
03064 EHA, Part B	238,438				238,438	1.1%
03012 E.C.I.A. Chapter I	105,722				105,722	0.5%
03167 National School Lunch	69,458				69,458	0.3%
Federal Special Revenue Total	413,618		-	-	413,618	2.0%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	20,790,982	-	-	-	20,790,982	
Percent of All Sources of Authority	100.0%	0.0%	0.0%	0.0%		

The School for Deaf and Blind is funded primarily through the general fund, but also through state special revenue, and federal special revenue. State special funds include school trust income & interest and Medicaid reimbursements. The LFD estimates school trust income will be sufficient to support the executive's proposal for its use. Revenues from school trusts fluctuate based on the activities occurring on school lands. Students under the care of the MSDB may be Medicaid eligible and the school is reimbursed for those services covered by Medicaid.

Sources of federal funds include the National School Lunch Program, which provides subsidized meals for low-income children.

Unlike other public schools, the school does not have the ability to levy property taxes to support school programs.

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	88.28	88.28	89.28	89.28
Personal Services	8,376,346	8,418,812	8,953,793	9,155,325	9,189,407
Operating Expenses	1,084,027	1,164,285	1,067,059	1,160,315	1,160,705
Transfers	0	1,000	1,000	1,000	1,000
Debt Service	28,450	28,451	28,451	61,615	61,615
Total Expenditures	\$9,488,823	\$9,612,548	\$10,050,303	\$10,378,255	\$10,412,727
General Fund	9,000,736	9,107,127	9,526,225	9,865,711	9,900,183
State/Other Special Rev. Funds	293,441	304,975	317,269	305,735	305,735
Federal Spec. Rev. Funds	194,646	200,446	206,809	206,809	206,809
Total Funds	\$9,488,823	\$9,612,548	\$10,050,303	\$10,378,255	\$10,412,727
Total Ongoing	\$9,488,823	\$9,612,548	\$10,050,303	\$10,378,255	\$10,412,727
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Montana School for the Deaf & the Blind (MSDB) provides educational opportunities for Montana's students who are deaf, hard of hearing, blind, visually impaired, and deafblind. Children and youth from preschool through high school can attend MSDB as residential or day students on the Great Falls campus, where specialized instruction is combined with opportunities to attend classes in the public schools. MSDB also serves as a statewide resource center for families, school districts, and professionals serving students who are deaf, hard of hearing, blind, visually impaired, and deafblind. Additionally, outreach consultants serve hundreds of students and families in communities across Montana and MSDB offers additional outreach programs on campus.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Montana School for Deaf and Blind's modified HB 2 budget of approximately \$9.6 million was 98.7% expended as of the end of FY 2024. Personal services were 99.5% expended and operating expenses were 93.1% expended. The agency also expended the entire debt service appropriation of \$28,500 general fund.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations are approximately \$438,000 or 4.5% higher than the FY 2024 total appropriation, primarily due to the pay plan and a program transfer from the Education Program to the Administration, General Services, and Student Services Programs. The increase is the net result of the following differences in appropriations for each program:

- Administration: A decrease of approximately \$9,000
- General Services: An increase of approximately \$33,000
- Student Services: A decrease of approximately \$14,000
- Education: An increase of approximately \$427,000

For additional details regarding these appropriation differences, please see the appropriation comparison at the program level.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

The figure below illustrates the beginning of FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the executive (as authorized in statute) during the interim. The 2025 base budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

School for the Deaf and Blind Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget					
	Legislative Budget	Executive Modifications	Base Budget	% Change	
01 ADMINISTRATION PROGRAM					
6100 Personal Services	\$503,100	\$0	\$503,100	0.0%	
6200 Operating Expenses	218,612	-	218,612	0.0%	
Total	721,712	-	721,712	0.0%	
02 GENERAL SERVICES					
6100 Personal Services	349,222	-	349,222	0.0%	
6200 Operating Expenses	303,811	-	303,811	0.0%	
6600 Transfers	1,000	-	1,000	0.0%	
6900 Debt Service	28,451	-	28,451	0.0%	
Total	682,484	-	682,484	0.0%	
03 STUDENT SERVICES					
6100 Personal Services	1,888,603	-	1,888,603	0.0%	
6200 Operating Expenses	237,969	-	237,969	0.0%	
Total	2,126,572	-	2,126,572	0.0%	
04 EDUCATION					
6100 Personal Services	6,212,868	-	6,212,868	0.0%	
6200 Operating Expenses	306,667	-	306,667	0.0%	
Total	6,519,535	-	6,519,535	0.0%	
Agency Total	\$10,050,303	\$0	\$10,050,303	0.0%	

There were no executive modifications to the legislative budget.

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	5.00	6.00	6.00	1.00	10.0%	
General Fund	718,318	963,601	988,375	515,340	35.9%	
State/Other Special Rev. Funds	3,394	3,394	3,394		0.0%	
Total Funds	721,712	966,995	991,769	515,340	35.7%	
Personal Services	503,100	682,468	708,896	385,164	38.3%	
Operating Expenses	218,612	284,527	282,873	130,176	29.8%	
Total Expenditures	721,712	966,995	991,769	515,340	35.7%	
Total Ongoing	721,712	966,995	991,769	515,340	35.7%	
Total One-Time-Only					0.0%	

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none"> The Administration Program's 2027 biennium budgeted general fund appropriations are approximately \$515,000 or 35.9% greater than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> An increase in personal services appropriations due to statewide present law adjustments A new proposal requesting \$54,467 for 1.00 PB in FY 2026 and \$51,667 for 1.00 PB in FY 2027 for an administrative assistant to assist half-time in the business office and half-time with outreach staff record keeping A new proposal for longevity adjustment for pay increases amounting to \$106,683 for FY 2026 and \$132,420 for FY 2027

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.

Administration Program 2027 Biennium HB 2 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
Base Budget	718,318	3,394	0	721,712	74.6%	718,318	3,394	0	721,712	72.8%
Statewide PL										
Personal Services	21,018	0	0	21,018	2.2%	21,709	0	0	21,709	2.2%
Fixed Costs	63,115	0	0	63,115	6.5%	64,261	0	0	64,261	6.5%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	84,133	0	0	84,133	8.7%	85,970	0	0	85,970	8.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	161,150	0	0	161,150	16.7%	184,087	0	0	184,087	18.6%
Total HB 2 Adjustments	245,283	0	0	245,283	25.4%	270,057	0	0	270,057	27.2%
Total Requested Budget	963,601	3,394	0	966,995		988,375	3,394	0	991,769	

Funding

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

School For the Deaf & Blind, 01-Administration Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,951,976	0	0	0	1,951,976	99.7%
02050 School Trust Interest/Income	6,788	0	0	0	6,788	100.0%
State Special Total	\$6,788	\$0	\$0	\$0	\$6,788	0.3%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,958,764	\$0	\$0	\$0	\$1,958,764	

The Administration Program is funded entirely through HB 2 and the pay plan. The Administration Program is funded almost entirely with general fund, at 99.5%. The school also receives interest and income from school trust lands which funds less than 1% of the program's budget.

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	5.00	5.00	6.00	6.00
Personal Services	505,889	506,713	503,100	682,468	708,896
Operating Expenses	222,713	223,668	218,612	284,527	282,873
Total Expenditures	\$728,602	\$730,381	\$721,712	\$966,995	\$991,769
General Fund	725,208	726,987	718,318	963,601	988,375
State/Other Special Rev. Funds	3,394	3,394	3,394	3,394	3,394
Total Funds	\$728,602	\$730,381	\$721,712	\$966,995	\$991,769
Total Ongoing	\$728,602	\$730,381	\$721,712	\$966,995	\$991,769
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Administration Program staff provide purchasing, accounting, personnel functions, and management of the business affairs for the school.

FY 2024 Appropriation Compared to FY 2024 Expenditures

The Administration Program's HB 2 budget of approximately \$730,000 was 99.8% expended as of the end of FY 2024. Personal services were 99.8% expended. Operating expenses were 99.6% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations were \$8,669 or 1.2% lower than FY 2024 total appropriation. This is largely due to differences in the pay plan, as well as a program transfer from the Education Program to the Administration Program. The decrease is the net result of the following changes:

- An increase of approximately \$20,400 for inflation and deflation adjustments
- An increase of approximately \$2,000 resulting from smaller changes in personal services, as well as adjustments for inflation and deflation
- A decrease of \$31,000 resulting from a program transfer

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	21,018	0	0	21,018		0.00	21,709	0	0	21,709
DP 2 - Fixed Costs										
0.00	63,115	0	0	63,115		0.00	64,261	0	0	64,261
Grand Total All Present Law Adjustments										
0.00	\$84,133	\$0	\$0	\$84,133		0.00	\$85,970	\$0	\$0	\$85,970

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Montana School for the Deaf and Blind	
Administration	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$11,482
Management Decisions	9,536
Budget Modifications	-
Total	\$21,018

The Administration Program is incurring a positive statewide present law adjustment for personal services. This is primarily due to management changes for pay increases due to reclassifications and hiring new positions at higher rates, as well as budgeting for overtime. Legislative changes also increased primarily due to greater benefits and longevity costs.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
-----Fiscal 2026-----						-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 9 - Business Office Administrative Assistant	1.00	54,467	0	0	54,467	1.00	51,667	0	0	51,667
DP 15 - Longevity Adjustment	0.00	106,683	0	0	106,683	0.00	132,420	0	0	132,420
Total	1.00	\$161,150	\$0	\$0	\$161,150	1.00	\$184,087	\$0	\$0	\$184,087

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

DP 9 - Business Office Administrative Assistant -

The executive requests general fund for 1.00 PB for an administrative assistant to assist half-time in the business office and half-time with outreach staff record keeping.

DP 15 - Longevity Adjustment -

The executive requests general fund for longevity pay increases. Prior to 2024, these employees had not received longevity as part of the pay plan.

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	4.57	4.57	4.57	0.00	0.0%
General Fund	682,484	747,091	747,929	130,052	9.5%
Total Funds	682,484	747,091	747,929	130,052	9.5%
Personal Services	349,222	379,735	380,573	61,864	8.9%
Operating Expenses	303,811	304,741	304,741	1,860	0.3%
Transfers	1,000	1,000	1,000		0.0%
Debt Service	28,451	61,615	61,615	66,328	116.6%
Total Expenditures	682,484	747,091	747,929	130,052	9.5%
Total Ongoing	682,484	747,091	747,929	130,052	9.5%
Total One-Time-Only					0.0%

Program Highlights

General Services Program Major Budget Highlights

- The General Services Program's 2027 biennium budgeted general fund appropriations are approximately \$130,000 or 9.5% greater than the FY 2025 base budget. Significant changes include:
 - An increase in personal services appropriations due to statewide present law adjustments
 - An increase in debt service appropriations of \$66,328, or a 116.6% increase

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.

	General Services 2027 Biennium HB 2 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
Base Budget	682,484	0	0	682,484	91.4%	682,484	0	0	682,484	91.2%
Statewide PL										
Personal Services	30,513	0	0	30,513	4.1%	31,351	0	0	31,351	4.2%
Fixed Costs	34,094	0	0	34,094	4.6%	34,094	0	0	34,094	4.6%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	64,607	0	0	64,607	8.6%	65,445	0	0	65,445	8.8%
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%
Total HB 2 Adjustments	64,607	0	0	64,607	8.6%	65,445	0	0	65,445	8.8%
Total Requested Budget	747,091	0	0	747,091		747,929	0	0	747,929	

Funding

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

School For the Deaf & Blind, 02-General Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,495,020	0	0	0	1,495,020	100.0%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,495,020	\$0	\$0	\$0	\$1,495,020	

The General Services Program is funded entirely through HB 2 and the pay plan.

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	4.57	4.57	4.57	4.57
Personal Services	330,370	331,465	349,222	379,735	380,573
Operating Expenses	287,024	288,159	303,811	304,741	304,741
Transfers	0	1,000	1,000	1,000	1,000
Debt Service	28,450	28,451	28,451	61,615	61,615
Total Expenditures	\$645,844	\$649,075	\$682,484	\$747,091	\$747,929
General Fund	645,844	649,075	682,484	747,091	747,929
Total Funds	\$645,844	\$649,075	\$682,484	\$747,091	\$747,929
Total Ongoing	\$645,844	\$649,075	\$682,484	\$747,091	\$747,929
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The General Services program maintains all buildings and property on campus. This includes all custodial work and any maintenance of the buildings and grounds.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The General Service's HB 2 budget of approximately \$649,000 was 99.5% expended as of end of FY 2024. Personal services were 99.7% expended and operating expenses were 99.6% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations were approximately \$33,000 or 4.9% greater than FY 2024 appropriations. This difference is largely explained by adjustments in the pay plan, a program transfer from the Education Program to the Administration Program, as well as a one-time-only reduction for Risk Management and Tort Defense that was removed in FY 2024, but then added back in FY 2025. The total appropriations increase is the net result of the following changes:

- An increase of approximately \$75,000 for Risk Management and Tort Defense
- An increase of approximately \$17,000 for adjustments to the pay plan
- A decrease of \$50,000 resulting from a program transfer
- A decrease of approximately \$8,000 resulting from smaller changes in personal services, as well as adjustments for inflation and deflation

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	30,513	0	0	30,513	0.00	31,351	0	0	31,351
DP 2 - Fixed Costs	0.00	34,094	0	0	34,094	0.00	34,094	0	0	34,094
Grand Total All Present Law Adjustments	0.00	\$64,607	\$0	\$0	\$64,607	0.00	\$65,445	\$0	\$0	\$65,445

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Montana School for the Deaf and Blind	
General Services	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$13,969
Management Decisions	16,544
Budget Modifications	-
Total	<u>\$30,513</u>

The General Services Program is incurring a positive statewide present law adjustment for personal services. This is largely due to management changes due to hiring two positions at greater rates than what was originally budgeted. MSDB is exempt from vacancy savings per 17-7-162, MCA.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

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	25.21	25.21	25.21	0.00	0.0%
General Fund	2,091,843	2,185,688	2,190,419	192,421	4.6%
Federal Spec. Rev. Funds	34,729	34,729	34,729		0.0%
Total Funds	2,126,572	2,220,417	2,225,148	192,421	4.5%
Personal Services	1,888,603	1,983,635	1,987,981	194,410	5.1%
Operating Expenses	237,969	236,782	237,167	(1,989)	(0.4%)
Total Expenditures	2,126,572	2,220,417	2,225,148	192,421	4.5%
Total Ongoing	2,126,572	2,220,417	2,225,148	192,421	4.5%
Total One-Time-Only					0.0%

Program Highlights

Student Services Program Major Budget Highlights

- The Student Services Program's 2027 biennium appropriations are approximately \$192,000 or 4.5% greater than the FY 2025 base budget. This is largely driven by an increase in personal services.

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.

Student Services 2027 Biennium HB 2 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
Base Budget	2,091,843	0	34,729	2,126,572	95.8%	2,091,843	0	34,729	2,126,572	95.6%
Statewide PL										
Personal Services	95,032	0	0	95,032	4.3%	99,378	0	0	99,378	4.5%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(1,187)	0	0	(1,187)	(0.1%)	(802)	0	0	(802)	(0.0%)
Total Statewide PL	93,845	0	0	93,845	4.2%	98,576	0	0	98,576	4.4%
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%
Total HB 2 Adjustments	93,845	0	0	93,845	4.2%	98,576	0	0	98,576	4.4%
Total Requested Budget	2,185,688	0	34,729	2,220,417		2,190,419	0	34,729	2,225,148	

Funding

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

School For the Deaf & Blind, 03-Student Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	4,376,107	0	0	0	4,376,107	98.4%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
03167 National School Lunch	69,458	0	0	0	69,458	100.0%
Federal Special Total	\$69,458	\$0	\$0	\$0	\$69,458	1.6%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$4,445,565	\$0	\$0	\$0	\$4,445,565	

The Student Services Program is funded primarily with general fund appropriations. The small portion of federal funds is made up of subsidies provided by the National School Lunch Program.

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	25.21	25.21	25.21	25.21
Personal Services	1,898,744	1,902,994	1,888,603	1,983,635	1,987,981
Operating Expenses	186,872	237,336	237,969	236,782	237,167
Total Expenditures	\$2,085,616	\$2,140,330	\$2,126,572	\$2,220,417	\$2,225,148
General Fund	2,050,887	2,105,601	2,091,843	2,185,688	2,190,419
Federal Spec. Rev. Funds	34,729	34,729	34,729	34,729	34,729
Total Funds	\$2,085,616	\$2,140,330	\$2,126,572	\$2,220,417	\$2,225,148
Total Ongoing	\$2,085,616	\$2,140,330	\$2,126,572	\$2,220,417	\$2,225,148
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Student Services Program provides residential care for children living at the school.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Student Service's HB 2 budget of approximately \$2.1 million was 97.4% expended as of the end of FY 2024. Personal services were 99.8% expended, while operating expenses were 78.7% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 Appropriations were approximately \$14,000 or 0.65% lower than FY 2024 total appropriations. This difference is largely due to differences in the pay plan, as well as the program transfer from the Education program. Additionally, some of the difference can be explained by an increase in personal services. The overall decrease is the net result of the following changes:

- An increase of approximately \$93,000 to the pay plan
- An increase of approximately \$8,000 to personal services
- A decrease of \$115,000 resulting from the program transfer from the Education Program

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	95,032	0	0	95,032	0.00	99,378	0	0	99,378
DP 3 - Inflation Deflation	0.00	(1,187)	0	0	(1,187)	0.00	(802)	0	0	(802)
Grand Total All Present Law Adjustments	0.00	\$93,845	\$0	\$0	\$93,845	0.00	\$98,576	\$0	\$0	\$98,576

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Montana School for the Deaf and Blind	
Student Services	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$43,269
Management Decisions	51,763
Budget Modifications	-
Total	\$95,032

The Student Services Program is incurring an increased statewide present law adjustment attributed to management changes. During the 2025 biennium the program authorized pay increases for market rate adjustments and hired new employees at greater rates than what was previously budgeted. Additionally, vacant positions were budgeted at a higher rate for this biennium. Some of the increased adjustment is offset due to funding from the previous legislative session for the Family Engagement Opportunities program. This is not included during the snapshot, as that personal services funding was not made for ongoing PB pay changes. MSDB is exempt from vacancy savings per 17-7-162, MCA.

DP 3 - Inflation Deflation -

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

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 FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	53.50	53.50	53.50	0.00	0.0%
General Fund	6,033,580	5,969,331	5,973,460	(124,369)	(1.0%)
State/Other Special Rev. Funds	313,875	302,341	302,341	(23,068)	(3.7%)
Federal Spec. Rev. Funds	172,080	172,080	172,080		0.0%
Total Funds	6,519,535	6,443,752	6,447,881	(147,437)	(1.1%)
Personal Services	6,212,868	6,109,487	6,111,957	(204,292)	(1.6%)
Operating Expenses	306,667	334,265	335,924	56,855	9.3%
Total Expenditures	6,519,535	6,443,752	6,447,881	(147,437)	(1.1%)
Total Ongoing	6,519,535	6,443,752	6,447,881	(147,437)	(1.1%)
Total One-Time-Only					0.0%

Program Highlights

Education Program Major Budget Highlights	
<ul style="list-style-type: none"> The Education Program's 2027 biennium appropriations are approximately \$147,000 or 1.1% less than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> A decrease in personal services appropriations due to statewide present law adjustments for personal services Requests for increased motor pool vehicle use and stipends for staff who advise students' extracurricular activities 	

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.

Education 2027 Biennium HB 2 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
Base Budget	6,033,580	313,875	172,080	6,519,535	101.2%	6,033,580	313,875	172,080	6,519,535	101.1%
Statewide PL										
Personal Services	(133,756)	0	0	(133,756)	(2.1%)	(131,286)	0	0	(131,286)	(2.0%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(5,118)	0	0	(5,118)	(0.1%)	(3,459)	0	0	(3,459)	(0.1%)
Total Statewide PL	(138,874)	0	0	(138,874)	(2.2%)	(134,745)	0	0	(134,745)	(2.1%)
Present Law (PL)	0	(11,534)	0	(11,534)	(0.2%)	0	(11,534)	0	(11,534)	(0.2%)
New Proposals	74,625	0	0	74,625	1.2%	74,625	0	0	74,625	1.2%
Total HB 2 Adjustments	(64,249)	(11,534)	0	(75,783)	(1.2%)	(60,120)	(11,534)	0	(71,654)	(1.1%)
Total Requested Budget	5,969,331	302,341	172,080	6,443,752		5,973,460	302,341	172,080	6,447,881	

Funding

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

School For the Deaf & Blind, 04-Education Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	11,942,791	0	0	0	11,942,791	92.6%
02050 School Trust Interest/Income	604,682	0	0	0	604,682	100.0%
State Special Total	\$604,682	\$0	\$0	\$0	\$604,682	4.7%
03012 E.C.I.A. Chapter I	105,722	0	0	0	105,722	30.7%
03064 EHA, Part B	238,438	0	0	0	238,438	69.3%
Federal Special Total	\$344,160	\$0	\$0	\$0	\$344,160	2.7%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$12,891,633	\$0	\$0	\$0	\$12,891,633	

The Education Program is funded with 92.4% general fund. The residential education program is funded with general fund, state special revenue funding from the school's trust lands, Medicaid reimbursement for services provided to students who qualify for Medicaid, and federal funds designated for the assistance of state and local educational agencies to meet the special educational needs of educationally deprived children.

Program 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	53.50	53.50	53.50	53.50
Personal Services	5,641,343	5,677,640	6,212,868	6,109,487	6,111,957
Operating Expenses	387,418	415,122	306,667	334,265	335,924
Total Expenditures	\$6,028,761	\$6,092,762	\$6,519,535	\$6,443,752	\$6,447,881
General Fund	5,578,797	5,625,464	6,033,580	5,969,331	5,973,460
State/Other Special Rev. Funds	290,047	301,581	313,875	302,341	302,341
Federal Spec. Rev. Funds	159,917	165,717	172,080	172,080	172,080
Total Funds	\$6,028,761	\$6,092,762	\$6,519,535	\$6,443,752	\$6,447,881
Total Ongoing	\$6,028,761	\$6,092,762	\$6,519,535	\$6,443,752	\$6,447,881
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Education Program provides an education for children with hearing and/or sight loss that prevents them from receiving a quality education in their local schools. The Education Program serves visually and hearing-impaired children who remain in their local school districts by providing deaf/blind educational support services to the students' local schools. The program also offers "mainstream" programs for on-campus students in a joint effort with the Great Falls Public Schools. Additionally, pursuant to 20-8-102(3), MCA, the school is charged with the responsibility of tracking a child identified as hearing or visually impaired from the time of impairment identification through the child's exit from intervention or educational services.

FY 2024 Appropriations Compared to FY 2024 Expenditures

The Student Service's HB 2 budget of approximately \$6.1 million was 98.9% expended as of the end of FY 2024. Personal services were 99.4% expended, while operating expenses were 93.3% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 Appropriations were approximately \$427,000 or 7.0% higher than FY 2024 total appropriations. This difference is largely due to differences in the pay plan, operating expenses, as well as the program transfer from the Education program. The overall increase is the net result of the following changes:

- An increase of approximately \$228,000 for the pay plan
- An increase of \$205,000 resulting from two program transfers from the Education Program to other programs
- A decrease of approximately \$6,000 resulting from adjustments in personal services and operating expenses

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	(133,756)	0	0	(133,756)	0.00	(131,286)	0	0	(131,286)
DP 3 - Inflation Deflation									
0.00	(5,118)	0	0	(5,118)	0.00	(3,459)	0	0	(3,459)
DP 400 - Reduce Unfunded State Special Authority									
0.00	0	(11,534)	0	(11,534)	0.00	0	(11,534)	0	(11,534)
Grand Total All Present Law Adjustments									
0.00	(\$138,874)	(\$11,534)	\$0	(\$150,408)	0.00	(\$134,745)	(\$11,534)	\$0	(\$146,279)

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

Montana School for the Deaf and Blind	
Education	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$167,479
Management Decisions	(301,235)
Budget Modifications	-
Total	(\$133,756)

The Education Program is incurring a decrease in statewide present law adjustment for personal services primarily due to management changes. As discussed earlier, there was a program transfer from the Education Program to the School's other programs, which would contribute to this negative present law adjustment in management decisions. Additionally, the agency did not utilize all of its HB 13 authority. Authority received from the last legislative session for additional OTO funding for family advisors and extra-curricular compensation does not continue. MSDB is exempt from vacancy savings per 17-7-162, MCA.

DP 3 - Inflation Deflation -

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

DP 400 - Reduce Unfunded State Special Authority -

This request is to reduce agency state special revenue authority by \$11,534 in each year of the 2027 biennium to remove authority that has not been funded for a number of years.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
-----Fiscal 2026-----						-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 5 - Additional Outreach Motor Pool Vehicles	0.00	44,250	0	0	44,250	0.00	44,250	0	0	44,250
DP 100 - Extracurricular Compensation	0.00	30,375	0	0	30,375	0.00	30,375	0	0	30,375
Total	0.00	\$74,625	\$0	\$0	\$74,625	0.00	\$74,625	\$0	\$0	\$74,625

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

DP 5 - Additional Outreach Motor Pool Vehicles -

The School for the Deaf and Blind (MSDB) requests to lease six motor pool vehicles for staff. The 2023 Legislature approved four new outreach consultants and one transition coordinator, and due to increased travel, the outreach director requests a motor pool vehicle. These vehicles were not requested when the new staff were approved so the agency deferred other expenses to pay for vehicles in the 2025 Biennium.

DP 100 - Extracurricular Compensation -

The executive requests stipends for staff who advise student extracurricular activities such as sports, clubs, and class sponsors. This is an ongoing personal services cost that is requested each biennium as it is not part of the base budget.

MONTANA

ARTS

COUNCIL

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	7.00	7.00	7.00	0.00	0.0%
General Fund	627,688	673,602	674,242	92,468	7.4%
State/Other Special Rev. Funds	228,012	222,947	223,404	(9,673)	(2.1%)
Federal Spec. Rev. Funds	808,086	802,127	802,738	(11,307)	(0.7%)
Total Funds	1,663,786	1,698,676	1,700,384	71,488	2.1%
Personal Services	761,676	774,224	775,854	26,726	1.8%
Operating Expenses	344,381	311,723	311,801	(65,238)	(9.5%)
Grants	512,238	567,238	567,238	110,000	10.7%
Debt Service	45,491	45,491	45,491		0.0%
Total Expenditures	1,663,786	1,698,676	1,700,384	71,488	2.1%
Total Ongoing	1,663,786	1,698,676	1,700,384	71,488	2.1%
Total One-Time-Only					0.0%

Agency Highlights

Montana Arts Council Major Budget Highlights
<ul style="list-style-type: none"> The 2027 biennium budget request for the Montana Arts Council is approximately \$71,000 or 2.1% greater than the FY 2025 base budget. Significant changes include: <ul style="list-style-type: none"> Adjustments to statewide present law, including increases to personal services and decreases in fixed costs, and inflation and deflation A new proposal for an increase in the general fund to fulfill a federal dollar-for-dollar match requirement

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.

Montana Arts Council 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
Base Budget	627,688	228,012	808,086	1,663,786	97.9%	627,688	228,012	808,086	1,663,786	97.8%
Statewide PL										
Personal Services	5,742	993	5,813	12,548	0.7%	6,312	1,450	6,416	14,178	0.8%
Fixed Costs	(14,765)	(6,039)	(11,682)	(32,486)	(1.9%)	(14,715)	(6,045)	(11,704)	(32,464)	(1.9%)
Inflation Deflation	(63)	(19)	(90)	(172)	(0.0%)	(43)	(13)	(60)	(116)	(0.0%)
Total Statewide PL	(9,086)	(5,065)	(5,959)	(20,110)	(1.2%)	(8,446)	(4,608)	(5,348)	(18,402)	(1.1%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	55,000	0	0	55,000	3.2%	55,000	0	0	55,000	3.2%
Total HB 2 Adjustments	45,914	(5,065)	(5,959)	34,890	2.1%	46,554	(4,608)	(5,348)	36,598	2.2%
Total Requested Budget	673,602	222,947	802,127	1,698,676		674,242	223,404	802,738	1,700,384	

Statewide Present Law Adjustment for Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP1) has been broken down into three categories, as follows:

- Legislative changes - This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes - This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications - This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

Montana Arts Council FY 2026 Statewide Present Law Adjustment for Personal Services - DP1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
Promotion of the Arts	10,421	2,127	-	12,548
Total	\$10,421	\$2,127	-	\$12,548

Statewide present law adjustments to personal services are primarily comprised of legislative changes and some smaller management changes. Legislative changes are primarily due to increased benefits as well as longevity adjustments. Management changes are due to increased pay for market adjustments and reclassification.

Funding

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

Total Montana Arts Council 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
01100 General Fund	1,347,844				1,347,844	39.7%
02009 Cultural and Aesthetic Project	446,351				446,351	13.1%
State Special Revenue Total	446,351	-	-	-	446,351	13.1%
03016 NEA Funds-Basic State Grant	1,604,865				1,604,865	47.2%
Federal Special Revenue Total	1,604,865	-	-	-	1,604,865	47.2%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	3,399,060	-	-	-	3,399,060	
Percent of All Sources of Authority	100.0%	0.0%	0.0%	0.0%		

HB 2 Funding

The Montana Arts Council (MAC) is funded through a combination of general fund, state special revenue, and federal special revenue.

General Fund

The Montana Arts Council's general fund authority in the 2027 biennium request totals approximately \$1.3 million, which is 39.7% of the total authority requested for the agency in HB 2. General fund supports:

- A portion of the agency operations and services to the state's art community
- Arts grants and several other grant programs available to non-profit arts organizations, schools, and other eligible entities

State Special Revenue

State special revenue comes from the Cultural and Aesthetic Trust, which is a statutory trust account that is funded with a 0.63% distribution from the coal severance tax. The interest earnings from the trust are deposited into a state special revenue account to be used for protection of works of art in the State Capitol and for other cultural and aesthetic projects (15-35-108, MCA).

- Supports the agency's administration and the preservation of the state's cultural heritage
- Grants awards through HB 9 Cultural and Aesthetic projects

The Cultural and Aesthetic Project Account projected fund balance is outlined below.

Cultural and Aesthetic Project Account (02009) 2027 Biennium Fund Balance Projection				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$904	\$148,654	\$253,047	\$234,831
Revenues	648,340	641,590	681,709	716,918
Total Expenditures	500,596	537,197	699,926	729,926
Prior Period Adjustments	6	-	-	-
Ending Fund Balance	\$148,654	\$253,047	\$234,831	\$221,824

As seen in the table above, the fund balance in the account is projected to remain positive. Requested expenditures are increased for the 2027 biennium when compared to current structures. There is an appropriation expiring at the end of the 2025 biennium of approximately \$560,000 total, or \$280,000 annually, resulting from HB 9 (2023 Session). HB 9 established appropriations for cultural and aesthetic grants and will be proposed again for the 2027 biennium. This fund balance table depicts the projections with the HB 9 proposal included.

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	7.00	7.00	7.00	7.00
Personal Services	706,597	706,584	761,676	774,224	775,854
Operating Expenses	363,513	367,837	344,381	311,723	311,801
Grants	512,238	512,238	512,238	567,238	567,238
Debt Service	45,491	45,491	45,491	45,491	45,491
Total Expenditures	\$1,627,839	\$1,632,150	\$1,663,786	\$1,698,676	\$1,700,384
General Fund	611,241	615,567	627,688	673,602	674,242
State/Other Special Rev. Funds	221,393	221,387	228,012	222,947	223,404
Federal Spec. Rev. Funds	795,205	795,196	808,086	802,127	802,738
Total Funds	\$1,627,839	\$1,632,150	\$1,663,786	\$1,698,676	\$1,700,384
Total Ongoing	\$1,627,839	\$1,632,150	\$1,663,786	\$1,698,676	\$1,700,384
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Montana Arts Council (MAC) is authorized by Title 22-2-101, MCA, to promote and support artistic and cultural activities and institutions statewide. The council administers the Cultural and Aesthetic Project grants and other grants approved by the legislature, stewards the Montana Laureate program, and makes recommendations to the Governor and the legislature on arts-related issues. Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-e/montana-arts-council/> 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

The Montana Arts Council (MAC) modified HB 2 budget of approximately \$1.6 million was 99.7% expended as of the end of FY 2024. The small portion of the remaining appropriation was primarily in general fund. Personal services were 100.0% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$32,000 or 1.9% greater than the FY 2024 appropriation. The difference is primarily due to the pay plan derived from HB 13. While the total difference is minimal, the difference between expenditure categories is larger with significant differences in personal services and operating expenses. This is due to a budget modification from FY 2024 whereby approximately \$26,000 was moved from personal services to operating expenses in order to pay for contracted services and stipends for the Poet Laureate Anthology.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

The figure below illustrates the beginning FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2025 base budget was agreed upon by the Office of Budget and Program Planning and the Fiscal Division to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Montana Arts Council				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
	Legislative Budget	Executive Modifications	Base Budget	% Change
01 PROMOTION OF THE ARTS				
6100 Personal Services	\$278,418		\$278,418	0.0%
6200 Operating Expenses	313,730		313,730	0.0%
6600 Grants	512,238		512,238	0.0%
6900 Debt Service	45,491		45,491	0.0%
Total	592,148		592,148	0.0%
Agency Total	\$592,148		\$592,148	0.0%

As seen in the table above, the executive did not make modifications to the legislative budget from the 2023 Session.

HB 2 Language -

LFD COMMENT	Historically, certain language has been included in HB 2 for the Montana Arts Council. The legislature may wish to include this language in HB 2 again: "All HB 2 federal funding appropriations for the Montana Arts Council are biennial appropriations."
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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	5,742	993	5,813	12,548	0.00	6,312	1,450	6,416	14,178
DP 2 - Fixed Costs	0.00	(14,765)	(6,039)	(11,682)	(32,486)	0.00	(14,715)	(6,045)	(11,704)	(32,464)
DP 3 - Inflation Deflation	0.00	(63)	(19)	(90)	(172)	0.00	(43)	(13)	(60)	(116)
Grand Total All Present Law Adjustments	0.00	(\$9,086)	(\$5,065)	(\$5,959)	(\$20,110)	0.00	(\$8,446)	(\$4,608)	(\$5,348)	(\$18,402)

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

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

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
Fiscal 2026						Fiscal 2027				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 5 - Federal Match Increase	0.00	55,000	0	0	55,000	0.00	55,000	0	0	55,000
Total	0.00	\$55,000	\$0	\$0	\$55,000	0.00	\$55,000	\$0	\$0	\$55,000

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

DP 5 - Federal Match Increase -

The Arts Council requests a general fund increase each year of the 2027 Biennium to fulfill their federal match requirement. This funding is for a long-standing program, Strategic Investment Grants (SIG), which provides microgrants to awardees across the state.

MONTANA STATE LIBRARY

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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-----

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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 FY 2025	Requested Budget		Biennium Change from Base	
		FY 2026	FY 2027	Amount	Percent
PB	30.46	30.46	30.46	0.00	0.0%
General Fund	3,347,459	3,603,213	3,614,036	522,331	7.8%
State/Other Special Rev. Funds	3,047,959	3,127,717	3,138,219	170,018	2.8%
Federal Spec. Rev. Funds	1,512,387	1,554,978	1,554,978	85,182	2.8%
Total Funds	7,907,805	8,285,908	8,307,233	777,531	4.9%
Personal Services	3,112,404	3,309,051	3,329,548	413,791	6.6%
Operating Expenses	4,155,161	4,336,617	4,337,445	363,740	4.4%
Grants	475,000	475,000	475,000		0.0%
Debt Service	165,240	165,240	165,240		0.0%
Total Expenditures	7,907,805	8,285,908	8,307,233	777,531	4.9%
Total Ongoing	7,907,805	8,285,908	8,307,233	777,531	4.9%
Total One-Time-Only	900,000			(1,800,000)	(100.0%)

Agency Highlights

Montana State Library Major Budget Highlights
<p>The Montana State Library's 2027 biennium HB 2 budget request is approximately \$778,000 or 4.9% above the FY 2025 base budget. Major highlights include:</p> <ul style="list-style-type: none"> • An increase for the statewide present law adjustment for personal services, made up of general fund, state special revenue, and federal special revenue • An increase in general fund for the statewide present law adjustment for fixed costs
Legislative Action Items
<ul style="list-style-type: none"> • The legislature may wish to adjust appropriations to account for declining revenues in the Montana land information state special revenue 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.

Montana State Library 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
Base Budget	3,347,459	3,047,959	1,512,387	7,907,805	95.4%	3,347,459	3,047,959	1,512,387	7,907,805	95.2%
Statewide PL										
Personal Services	74,298	79,758	42,591	196,647	2.4%	84,293	90,260	42,591	217,144	2.6%
Fixed Costs	182,204	0	0	182,204	2.2%	182,790	0	0	182,790	2.2%
Inflation Deflation	(748)	0	0	(748)	(0.0%)	(506)	0	0	(506)	(0.0%)
Total Statewide PL	255,754	79,758	42,591	378,103	4.6%	266,577	90,260	42,591	399,428	4.8%
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%
Total HB 2 Adjustments	255,754	79,758	42,591	378,103	4.6%	266,577	90,260	42,591	399,428	4.8%
Total Requested Budget	3,603,213	3,127,717	1,554,978	8,285,908		3,614,036	3,138,219	1,554,978	8,307,233	

Statewide Present Law Adjustment for Personal Services

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

- Legislative changes – This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications – This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program:

Montana State Library FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)				
Program	Legislative Changes	Management Changes	Total Budget Modifications	Decision Package 1
01 Statewide Library Resources	\$78,716	\$117,931	\$0	\$196,647
Grand Total	\$78,716	\$117,931	\$0	\$196,647

The increase in the statewide present law adjustment for personal services is due to legislative and management changes. Legislative changes were made up of increases for benefits and longevity costs. Management changes were primarily made up of increases for the pay plan, reclassification of positions, and hiring new positions at different wage rates. These increases in management changes were partially offset by greater budgeted vacancy savings.

Budget Allocation by Category

The Montana State Library's funding is budgeted under one program, Statewide Library Resources. With only one program, it can be challenging to review how much funding is allocated to and expended for the various functions that the State Library serves. In the 2023 interim, the Section E Interim Budget Committee looked at different ways of reviewing the State Library's budget and expenditures in more detail: <https://archive.legmt.gov/content/Publications/fiscal/2023-Interim/IBC-E/LFD-Memo-MSL-Program-03-16-22-Final.pdf>

The Legislative Fiscal Division identified three higher level categories, based on function, to view how the budget is allocated, including: central services; patron and local library development services; and Geographic Information System (GIS), data, and information programs. The category of central services includes the state librarian's office and administrative services for the agency, such as human resources, accounting, and information technology services. Patron and local library development services include the talking book library, consulting and learning services provided to local libraries, and statewide projects such as courier services and subscriptions managed by the Montana State Library for public libraries. GIS, data, and information programs include the Montana Natural Heritage Program, GIS mapping, the Montana State Reference Network, and other information and data-related programs and services.

The following figure shows the Montana State Library's HB 2 FY 2024 expenditures, the FY 2025 executive base budget, and the proposed HB 2 budget for FY 2026 and 2027 for the three categories. Because the Montana State Library's funding is budgeted in one program, the agency can move funding within the program among these categories as needed without executive modifications. The categories are included to provide a better understanding of the allocation for the various functions.

Montana State Library Budget Allocation by Category				
	Actuals FY 2024	Budget FY 2025	Proposed FY 2026	Proposed FY 2027
Central Services	\$2,008,770	\$3,586,079	\$3,769,574	\$3,773,731
Patron & Local Library Development Services	\$2,575,123	\$2,246,345	\$2,176,604	\$2,183,270
Patron Services	244,983	153,026	701,396	705,220
Consulting & Learning	856,109	625,784	167,400	167,400
Statewide Projects	1,474,031	1,467,535	1,307,808	1,310,650
GIS, Data, & Information Programs	\$2,449,772	\$2,975,381	\$2,339,730	\$2,350,232
MT Geospatial Land Information Act (MGIA)	565,440	1,233,082	627,673	629,995
Information Products	671,533	1,043,392	610,599	612,883
Information Management	753,386	402,924	752,805	756,816
MT Natural Heritage Program	459,413	295,983	348,653	350,538
Total Funds	\$7,033,665	\$8,807,805	\$8,285,908	\$8,307,233

For the FY 2025 base budget allocation, 40.7% of HB 2 funding for the Montana State Library is budgeted in central services. Funding for patron and local library development services comprises 25.5% of the FY 2025 base budget, and the remaining 33.8% of the FY 2025 base budget is allocated for GIS, data, and information programs. The Montana State Library will likely move some of the funding allocated to central services to other categories as needed. The percent allocated to each category changes slightly in the proposed FY 2026 and 2027 budget. For the 2027 biennium, approximately 45.5% of the State Library's proposed HB 2 budget is allocated to central services, 26.3% is allocated to patron and local library development services, and 28.3% is allocated to GIS, data, and information programs.

Funding

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

Total Montana State Library 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
01100 General Fund	7,217,249			1,084,226	8,301,475	41.4%
02779 Montana Land Information	4,434,004				4,434,004	22.1%
02021 911 Funding				1,023,937	1,023,937	5.1%
02046 Coal Sev. Tax Library	1,020,606				1,020,606	5.1%
02094 Digital Library Services	811,326				811,326	4.0%
State Special Revenue Total	6,265,936	-	-	1,023,937	7,289,873	36.3%
03018 IMLS	3,109,956				3,109,956	15.5%
Federal Special Revenue Total	3,109,956	-	-	-	3,109,956	15.5%
06021 MT Shared Catalog			955,342		955,342	4.8%
06025 MT State Reference Network-RTN			407,546		407,546	2.0%
Proprietary Fund Total	-	-	1,362,888	-	1,362,888	6.8%
Total of All Funds	16,593,141	-	1,362,888	2,108,163	20,064,192	
Percent of All Sources of Authority	82.7%	0.0%	6.8%	10.5%		

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

HB 2 Authority

General Fund

General fund supports just under half of the Montana State Library's operations including:

- General agency operations
- The statewide interlibrary resource sharing program
- Natural resource information system (NRIS)
- The Montana natural heritage program

State Special Revenue

Montana Land Information Account

The Montana land information account receives a portion of the document recording fees assessed at the local level. It is used to fund GIS and land information services and grants including Montana geospatial information grants, GIS architecture, and the Montana Cadastral. Increased home sales during the COVID-19 pandemic lead to a significant increase in fee collections for the account. This additional revenue was used to provide one-time-only funding in the 2021 Legislative Session and the 2023 Legislative Session to launch the Montana Real Time Network, now the MTSRN, which is discussed in greater detail in the Non-Budgeted Proprietary Funds section below.

LFD ISSUE

The table below provides information on the revenues, expenditures, and fund balances for the Montana land information state special revenue fund from FY 2019 through FY 2024. The 2021 Legislature approved a fee increase

from \$0.75 to \$1.50 starting in FY 2022, which resulted in increased revenue to the fund. However, revenues for the account have declined since their peak in FY 2022, and revenues were unable to support the full appropriation from the fund for FY 2024. The Montana State Library provided a report with additional detail on the recordation fee collections to the legislature in June 2024: <https://archive.legmt.gov/content/Publications/fiscal/2025-Biennium/Section-E/Interim/MT-Geospatial-Info-Act-Recordation-Fee-Collections-June2024.pdf>

Montana State Library Montana Land Information Account Fund Balance						
	FY 2020	FY 2021	FY 2022*	FY 2023	FY 2024	FY 2025**
Beginning Fund Balance	\$1,001,261	\$1,058,165	\$1,463,415	\$1,546,284	\$560,323	\$696,856
Revenues	\$945,343	\$1,343,197	\$2,040,765	\$1,330,761	\$1,224,335	\$394,410
Investment Earnings	17,973	2,049	1,700	43,214	35,972	2,942
Charges for Services	927,370	1,341,148	2,039,065	1,287,547	1,188,363	391,468
Disbursements	(\$888,439)	(\$937,946)	(\$1,959,722)	(\$2,340,500)	(\$1,087,803)	(\$290,894)
Personal Services	(533,185)	(553,284)	(1,095,141)	(1,208,100)	(891,525)	(263,416)
Operating Expenses	(172,306)	(233,113)	(628,730)	(681,448)	(38,608)	(27,478)
Equipment	-	-	-	(11,372)	-	-
Grants	(182,948)	(151,549)	(235,851)	(228,062)	(157,670)	-
Transfers Out	-	-	-	(211,517)	-	-
Ending Fund Balance	\$1,058,165	\$1,463,416	\$1,544,458	\$536,545	\$696,855	\$800,372

*Fee change from \$0.75 to \$1.50

**As of December 4, 2024

The legislature may wish to adjust appropriations to account for declining revenues in the Montana land information state special revenue fund.

Legislative Options:

- Adjust the appropriation from the Montana land information account to bring it in line with anticipated revenues for the fund and increase funding for MSL from another revenue source
- Adjust the appropriation to bring it in line with anticipated revenues for the fund without appropriating additional funding
- Adopt the executive budget without changing the appropriation from the Montana land information account

Coal Severance Tax Library Account

The coal severance tax library account is used for general operations, statewide technology contracts, and the library federation grants to assist local libraries in providing basic services.

LFD COMMENT

The coal severance tax library account is established in 22-1-202, MCA to be administered by the state library for providing basic library services. The account receives 0.93% of coal severance tax collections (per 15-35-108 (3), MCA), which statute states must be allocated for provision of basic library services for the residents of all counties through library federations and for payment of the costs of participating in regional and national networking.

Montana State Library Coal Severance Library Account Fund Balance						
	FY 2020	FY 2021	FY 2022*	FY 2023	FY 2024	FY 2025**
Beginning Fund Balance	\$227,061	\$119,766	\$86,999	\$372,042	\$727,317	\$481,316
Revenues	\$406,343	\$369,854	\$795,343	\$856,592	\$664,303	\$71,077
Coal Tax	406,343	369,854	619,043	856,592	664,303	71,077
Non-budgeted Transfers	-	-	176,300	-	-	-
Disbursements	(\$513,638)	(\$402,621)	(\$510,300)	(\$501,317)	(\$910,303)	(\$318,853)
Personal Services	-	-	(40,122)	(50,801)	(81,235)	(15,321)
Operating Expenses	(288,638)	(177,621)	(245,178)	(125,516)	(484,448)	(203,532)
Grants	(225,000)	(225,000)	(225,000)	(225,000)	(244,620)	-
Debt Service	-	-	-	(100,000)	(100,000)	(100,000)
Ending Fund Balance	\$119,766	\$86,999	\$372,042	\$727,317	\$481,317	\$233,540

*HB 374 (2021 Session) authorized the non-budgeted transfer in FY 2022

**As of December 4, 2024

The large non-budgeted transfer in FY 2022 was intended to offset declining revenues in the account, per the HB 374 (2021 Session) fiscal note.

Digital Library Services Account

The digital library services account receives assessments paid by certain state agencies that use the NRIS/Geographic Information Systems (GIS). The fund has a fixed cost component that is charged to 17 agencies, the Governor's Office, and the Legislative Branch. Funding from this fixed cost for FY 2024 totaled approximately \$399,000, and proposed fixed cost assessments remain the same for the 2027 biennium.

Federal Special Revenue

Federal special revenue is comprised of Library Services and Technology Act (LSTA) grants administered by the Institute of Museum and Library Services (IMLS). These funds:

- Are a formula grant to the Montana State Library from the IMLS rather than a competitive grant
- Require a two to one federal/state match and a five-year plan
- Are used for collection content and access, training and outreach to local libraries, and services to patrons with disabilities

Non-Budgeted Proprietary Funds

Montana Shared Catalog

The Montana Shared Catalog (MSC) is a cooperative project involving approximately 180 libraries across Montana. Public libraries, school libraries, academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide improved service to library customers. The Montana State Library became the fiscal agent for the MSC in FY 2008. The source of the funding is from member fees paid by the libraries to belong to the MSC. For a more detailed discussion of rates, revenues, and expenditures for the account, please see the non-budgeted proprietary funds analysis, which is included in a separate report.

Montana State Reference Network

The Montana State Reference Network (MTSRN) is the state-owned real time positioning network, operated with the cooperation of partners that include tribal nations, the Montana Department of Transportation, Montana State Library, counties, educational institutions, and private entities who maintain, operate, or otherwise contribute to the operation of this statewide array global navigation satellite systems (GNSS) reference stations. This growing statewide GNSS network consists of permanently located global positioning system (GPS) receivers that generate real-time, high-accuracy GPS positioning. Montana State Library analyzes rates charged to subscribers on a biannual basis. Rates are reflective of projected program costs and number of program subscribers. For a more detailed discussion of rates, revenues, and expenditures for the account, please see the non-budgeted proprietary funds analysis, which is included in a separate report.

For the 2025 biennium, the legislature also appropriated \$500,000 per fiscal year of state special revenue authority for additional start-up and ongoing costs related to the Montana real-time network in HB 2.

Statutory Appropriations

General Fund

Statutory authority for the agency includes general fund for state aid to public libraries, as authorized under 22-1-327, MCA. This appropriation sunsets July 1, 2029.

State Special Revenue

9-1-1 GIS Mapping Account

Statutory appropriations for the Montana State Library are made up of state special revenue from fees imposed for 9-1-1 mapping services; in accordance with 10-4-304(5), MCA, the Montana State Library's 9-1-1 GIS mapping account receives a transfer of \$450,000 of state special revenue each fiscal year through FY 2030. Next generation 9-1-1 will migrate from analog technology intended for traditional wireline phones to an all IP-based architecture capable of communicating with any network connected device. This modernized 9-1-1 system will rely on GIS data to route emergency calls to the correct 9-1-1 call center.

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	30.46	30.46	30.46	30.46
Personal Services	4,182,159	4,653,163	3,112,404	3,309,051	3,329,548
Operating Expenses	2,141,991	3,195,626	5,055,161	4,336,617	4,337,445
Equipment & Intangible Assets	0	7,155	0	0	0
Grants	444,275	495,742	475,000	475,000	475,000
Debt Service	265,240	265,240	165,240	165,240	165,240
Total Expenditures	\$7,033,665	\$8,616,926	\$8,807,805	\$8,285,908	\$8,307,233
General Fund	3,163,191	3,205,884	3,347,459	3,603,213	3,614,036
State/Other Special Rev. Funds	2,441,653	3,907,330	3,947,959	3,127,717	3,138,219
Federal Spec. Rev. Funds	1,428,821	1,503,712	1,512,387	1,554,978	1,554,978
Total Funds	\$7,033,665	\$8,616,926	\$8,807,805	\$8,285,908	\$8,307,233
Total Ongoing	\$6,455,994	\$7,716,926	\$7,907,805	\$8,285,908	\$8,307,233
Total OTO	\$577,671	\$900,000	\$900,000	\$0	\$0

Agency Description

The Montana State Library (MSL) is composed of programs that provide information services to all branches of state government, its agencies, local counterparts, and individuals seeking information and materials that are not found in their local libraries.

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

MLC is authorized in section 90-1-401, MCA, to develop a standardized, sustainable method to collect, maintain, and disseminate information in digital formats about the natural and artificial land characteristics of Montana. MLC is further authorized in section 90-15-101, MCA, to establish a planning framework for the development of the natural resources information system (NRIS), to implement the system, and to establish an ongoing Montana Natural Heritage Program.

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

Please refer to the agency profile for additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits: <https://www.legmt.gov/lfd/committees/section-e/montana-state-library/>

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Montana State Library expended 81.6% of its \$8.6 million HB 2 modified budget in FY 2024. Personal services and operating expense authority made up the majority of the program's FY 2024 HB 2 modified budget, at approximately \$4.7 million and \$3.2 million, respectively. Personal services were 89.9% expended at fiscal year end, and operating expenses were 67.0% expended. The unexpended amount for the program totaled approximately \$1.6 million and can be attributed to:

- Lower than expected revenues in the Montana land information account, which accounted for approximately \$1.5 million of the unexpended authority. The decline in revenues is directly a result of a significant drop in the number of legal documents recorded at the local level and is discussed in greater detail in the Funding section of this report
- The timing of federal grant expiration dates, which often do not align with the state fiscal year end. Federal special revenue for the IMLS was under expended by approximately \$75,000

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 total appropriations for the Montana State Library are approximately \$191,000 or 2.2% higher than the FY 2024 total appropriations. This increase is the net result of the following differences:

- An increase of approximately \$121,000 for the pay plan
- An increase of approximately \$41,000 for the statewide present law adjustment for inflation/deflation
- An increase of approximately \$14,000 for the statewide present law adjustment for personal services
- An increase of approximately \$15,000 due to how the one-time-only reduction for risk management and tort defense in the 2025 biennium was added back to the budget for the 2027 biennium

There was also a significant net-zero transfer between personal services and operating expenses between FY 2024 and FY 2025, primarily due to how modified PB are funded. In FY 2024, the Montana State Library moved approximately \$1.3 million from appropriations for operating expenses to personal services to re-establish 10.49 modified HB 2 PB. As modified PB are not included in the budget for personal services and the transfer was made for FY 2024 only, the personal services budget transfer reverted to operating expenses for FY 2025.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

The figure below illustrates the beginning FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2025 base budget was agreed upon by the Office of Budget and Program Planning and the Fiscal Division to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Montana State Library				
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget				
<u>Division</u>	<u>Legislative Budget</u>	<u>Executive Modifications</u>	<u>Base Budget</u>	<u>Percent Change</u>
<u>Statewide Library Resources</u>				
Personal Services	\$3,112,404		\$3,112,404	0.0%
Operating Expenses	4,320,401	(165,240)	4,155,161	-3.8%
Grants	475,000		475,000	0.0%
Debt Service	0	165,240	165,240	100.0%
Agency Total	\$7,907,805	\$0	\$7,907,805	0.0%

The Montana State Library made one executive modification to the legislative budget, which transferred approximately \$165,000 from operating expenses to debt service in order to correctly record expenditures for a new building lease agreement.

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	74,298	79,758	42,591	196,647		0.00	84,293	90,260	42,591	217,144
DP 2 - Fixed Costs										
0.00	182,204	0	0	182,204		0.00	182,790	0	0	182,790
DP 3 - Inflation Deflation										
0.00	(748)	0	0	(748)		0.00	(506)	0	0	(506)
Grand Total All Present Law Adjustments										
0.00	\$255,754	\$79,758	\$42,591	\$378,103		0.00	\$266,577	\$90,260	\$42,591	\$399,428

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

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

MONTANA HISTORICAL SOCEITY

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----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	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	78.84	79.84	79.84	1.00	0.6%
General Fund	3,859,910	2,524,661	2,503,241	(2,691,918)	(34.9%)
State/Other Special Rev. Funds	3,420,963	4,949,778	4,950,830	3,058,682	44.7%
Federal Spec. Rev. Funds	1,024,101	1,013,471	1,015,570	(19,161)	(0.9%)
Proprietary Funds	1,046,527	1,042,926	1,043,259	(6,869)	(0.3%)
Total Funds	9,351,501	9,530,836	9,512,900	340,734	1.8%
Personal Services	6,018,272	6,139,413	6,149,760	252,629	2.1%
Operating Expenses	2,963,309	2,971,503	2,993,220	38,105	0.6%
Equipment & Intangible Assets	94,886	94,886	94,886		0.0%
Grants	87,120	87,120	87,120		0.0%
Debt Service	187,914	237,914	187,914	50,000	13.3%
Total Expenditures	9,351,501	9,530,836	9,512,900	340,734	1.8%
Total Ongoing	9,351,501	9,480,836	9,512,900	290,734	1.6%
Total One-Time-Only	107,535	50,000		(165,070)	(76.8%)

Agency Highlights

Montana Historical Society Major Budget Highlights
<p>The executive requests an increase of approximately \$179,000 in FY 2026 and \$161,000 in FY 2027 over the FY 2025 base budget. Notable highlights include:</p> <ul style="list-style-type: none"> • Proposed fund switches of approximately \$1.4 million in both FY 2026 and FY 2027 from general fund appropriations to state special revenue fund appropriations. These fund switches are proposed to shift fund sources to the new Montana Heritage Center state special revenue account, which receives a share of the distribution of accommodation taxes and is intended to be used for the operations and maintenance of the Montana Heritage Center • Statewide present law adjustment increases HB 2 personal services appropriations by approximately \$297,000 in FY 2026 and \$308,000 in FY 2027. These adjustments are discussed in more detail at the program level • Statewide present law adjustment decreases HB 2 operation expenses appropriations by approximately \$264,000 in FY2026 and \$240,000 in FY 2027. These adjustments are discussed in more detail at the program level • Budget adjustments to switch state special revenue sources from the accommodations tax account to the newly created Montana heritage center state special revenue account. Appropriation requests were incorrectly coded in several programs during the initial agency request, and several changes seek to change funding to the Montana Heritage Center Account, which designates funds to be used for the operation of the new heritage center
Legislative Action Items
<ul style="list-style-type: none"> • The executive base budget incorrectly funds some operations and maintenance appropriations with the state special revenue accommodations tax fund, rather than the newly created Montana Heritage Center Account. A fund switch (DP 5) is proposed in several programs to correct this issue

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.

Montana Historical Society 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
Base Budget	3,859,910	3,420,963	1,024,101	9,351,501	98.1%	3,859,910	3,420,963	1,024,101	9,351,501	98.3%
Statewide PL										
Personal Services	166,753	69,641	43,917	297,804	3.1%	172,851	71,803	45,753	308,150	3.2%
Fixed Costs	(189,124)	0	(54,246)	(264,464)	(2.8%)	(164,953)	0	(54,081)	(240,045)	(2.5%)
Inflation Deflation	0	0	(301)	(301)	(0.0%)	0	0	(203)	(203)	(0.0%)
Total Statewide PL	(22,371)	69,641	(10,630)	33,039	0.3%	7,898	71,803	(8,531)	67,902	0.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	(1,312,878)	1,459,174	0	146,296	1.5%	(1,364,567)	1,458,064	0	93,497	1.0%
Total HB 2 Adjustments	(1,335,249)	1,528,815	(10,630)	179,335	1.9%	(1,356,669)	1,529,867	(8,531)	161,399	1.7%
Total Requested Budget	2,524,661	4,949,778	1,013,471	9,530,836		2,503,241	4,950,830	1,015,570	9,512,900	

The executive requests an increase of \$179,000 in FY 2026 and \$161,000 in FY 2027 over the FY 2025 base appropriations. Statewide present law personal services appropriation adjustments account for the majority of the requested increases and are proposed to increase by approximately \$606,000 throughout the 2027 biennium. These proposed increases are offset by statewide present law fixed cost adjustments which would decrease operation expense appropriations by approximately \$505,000 throughout the 2027 biennium.

A new proposal for a fund switch would replace approximately \$2.8 million of general fund appropriations with state special revenue account appropriations from the Montana Heritage Center state special revenue account. This is discussed in further detail in the funding section below.

The executive request includes proposals that would re-authorize appropriations for the state special revenue MTHS membership fund and the state special revenue original governor's mansion fund, as well as a reduction in appropriations for the Lewis & Clark license plate fund. These are discussed in more detail at the program level.

The executive requests 1.00 PB for the 2027 biennium, contingent on the passage of funding for customer service database software in HB 10. This is discussed in further detail in the Administration Program section below.

The executive requests several funding switches between the accommodations tax state special revenue account and the newly created Montana Heritage Center state special revenue account. These would correct the original funding request from the agency and are discussed in more detail at the program level.

Statewide Present Law Adjustment for Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP1) has been broken down into three categories, as follows:

- Legislative changes - This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes - This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications - This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

The figure below shows the analysis of the executive budget for personal services for each program.

MT Historical Society FY 2026 Statewide Present Law Adjustment for Personal Services (DP1)				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP 1
01 Administration Program	\$ 503	\$ 45,577	\$ -	\$ 46,080
02 Library & Archives Program	24,910	55,560	-	80,470
03 Museum Program	(4,450)	28,623	-	24,173
04 Publications Program	13,714	25,412	-	39,126
05 Outreach & Education Program	22,983	41,055	-	64,038
06 State Historic Preservation Office Program	17,583	26,334	-	43,917
Total	\$ 75,243	\$ 222,561	\$ -	\$ 297,804

Personal services account for \$6.0 million, or 64.4% of the FY 2025 appropriation. The executive proposes a statewide present law increase of \$298,000 for FY 2026 and \$308,000 for FY 2027. These personal services adjustments are a result of several activities that occurred during the last session and during FY 2024 and FY 2025:

- The 2023 legislature approved funding for 24.46 additional PB in the 2025 biennium, with 12.64 added in FY 2024 and 11.82 more phased in for FY 2025. Pay changes and benefits expenses associated with these positions are accounted for in the personal services adjustment
- The Montana Historical Society negotiated with the Montana Federation of Public Employees union and agreed upon salary adjustments to ensure adequate pay and to maintain current employees. Various negotiated pay adjustments, reclassification pay adjustments, retention pay adjustments, and supervisory pay adjustments, resulted in personal services adjustments across programs. Some benefits expenditures are also associated with salaries and also increased as a result

The executive is also proposing 1.00 PB to increase staffing on the agency, contingent on the passage of legislation in HB 10. This is discussed below in the Administration program.

Funding

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

Total Montana Historical Society 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
01100 General Fund	4,977,902	50,000			5,027,902	23.8%
02853 Accommodation Tax	5,332,052				5,332,052	25.3%
02850 Montana Heritage Center Operat	4,565,098				4,565,098	21.6%
02123 Sites & Signs				1,798,099	1,798,099	8.5%
02041 MHS Membership				258,878	258,878	1.2%
02045 Original Governor's Mansion				5,772	5,772	0.0%
Other State Special Revenue	3,458			2,200	5,658	0.0%
State Special Revenue Total	9,900,608	-	-	2,064,949	11,965,557	56.7%
03021 Historic Sites Preservation	2,029,041				2,029,041	9.6%
Federal Special Revenue Total	2,029,041	-	-	-	2,029,041	9.6%
06002 MHS Publications Enterprise	759,681				759,681	3.6%
06071 Merchandise - Historical Soc	669,460				669,460	3.2%
06013 SHPO ENTERPRISE FUND	449,130				449,130	2.1%
06073 Historical Society Management	77,356				77,356	0.4%
06022 MHS Education Enterprise Funds	53,960				53,960	0.3%
Other Proprietary Fund	76,598				76,598	0.4%
Proprietary Fund Total	2,086,185	-	-	-	2,086,185	9.9%
Total of All Funds	18,993,736	50,000	-	2,064,949	21,108,685	
Percent of All Sources of Authority	90.0%	0.2%	0.0%	9.8%		

HB 2 Appropriations

General Fund

Approximately \$4.9 million, or 26.2%, of HB 2 ongoing appropriations proposed by the executive for the FY 2027 biennium are funded with state general fund. General fund appropriations are distributed to each program except the State Historic Preservation Office Program.

State Special Revenue Funds

The Montana Historical Society receives revenues from the lodging facility use tax (15-65-121, MCA). After the general fund receives its portion of the lodging facility use tax, 2.6% is distributed the MTHS for historical interpretation, 1.0% is distributed to the agency for the roadside signage program, and 2.7% or \$1.0 million, whichever is less, is deposited in the heritage preservation and development account that must be used to pay costs associated with historical interpretation and the Robert Scriver collection.

Before December 31, 2024, a 20.0% portion of the revenue collected on the sale or use of accommodations and campgrounds was deposited into an account for the construction of the Montana Heritage Center. This account no longer receives deposits. Beginning in January 2025 the distribution of accommodations taxes changed, and the Montana Heritage Center Operations Account now receives a 6.0% portion of the revenue collected on the sale or use of accommodations and campgrounds (15-68-102, MCA). This money may only be used for expenses incurred in the operation and maintenance of the Montana Heritage Center.

**LFD
ISSUE**

The executive is proposing to utilize funds from the 02853 Accommodation Tax state special revenue account across several programs in FY 2024 and FY 2025. The table below shows the projected fund balances in FY 2026 and FY 2027 using the HJ 2 revenue estimates as adopted by the Revenue Interim Committee and expenditures as proposed by the executive.

Montana Historical Society Historical Interpretation Account 2027 Biennium Projections				
	Actual FY 2024	Appropriated FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$ 2,626,685	\$ 2,626,685	\$ 1,621,248	\$ 594,604
Revenue	1,632,753	1,589,867	1,638,301	1,706,681
Expenditures	(1,252,875)	(2,595,304)	(2,664,945)	(2,667,107)
Ending Fund Balance	\$ 2,626,685	\$ 1,621,248	\$ 594,604	\$ (365,822)

The revenues projected in FY 2026 and FY 2027 for this account grow moderately based upon total accommodation tax collections across Montana. It is projected that there is sufficient fund balance and revenues in FY 2026 to support the proposed expenditures from the historical interpretation account. In FY 2027, it is estimated that the fund will be negative by approximately \$366,000. Options include:

- Reduce the 02853 Accommodations Tax account appropriation in FY 2026 or FY 2027 and increase general fund appropriations to cover proposed expenditures
- Reduce the 02853 Accommodations Tax account appropriation in FY 2026 or FY 2027 and increase 02850 Heritage Center Operations & Maintenance account appropriations for permissible expenditures
- Adopt the appropriations as requested by the executive

In FY 2025 the Heritage Center Operations and Maintenance account will begin receiving disbursements of accommodations taxes. Through several decision packages discussed at the individual program level, the executive is proposing to fund the Montana Heritage Center operations and maintenance, which may include the Veterans' and Pioneer Memorial Building. The table below shows the projected fund balances in FY 2026 and FY 2027 using the HJ 2 revenue estimates as adopted by the Revenue Interim Committee and expenditures as proposed by the executive.

Montana Historical Society Heritage Center Operations & Maintenance Account 2027 Biennium Projections				
	Actual FY 2024	Appropriated* FY 2025	Proposed FY 2026	Proposed FY 2027
Beginning Fund Balance	\$ -	\$ -	\$ 745,546	\$ 2,311,062
Revenue	-	1,569,476	3,848,620	4,006,418
Expenditures	-	(823,930)	(2,283,104)	(2,281,994)
Ending Fund Balance	\$ -	\$ 745,546	\$ 2,311,062	\$ 4,035,487
*Appropriations for this account begin on Jan 1 2025. The FY 2025 appropriation only appropriates funds for part of the fiscal year.				

The Montana Historical Society receives a receives a small amount of state special revenue from the sale of Lewis and Clark medallions and bronze replicas of the "We Proceeded On" bronze relief located in the Senate chamber. This state special revenue funding is used for the care and maintenance of the original bronze relief.

Federal Special Revenue Funds

The Montana Historical Society receives federal special revenue appropriations in HB 2 for historic sites and preservation. The majority of these revenues fund the state historic preservation office program, but a portion is also distributed to the administration program.

Proprietary Funds

The Montana Historical Society has several HB 2 proprietary funds. Proprietary revenues are fees for goods and services to external customers and support the costs of providing those goods and services. Proprietary fund revenues include magazine subscriptions, the sale of books published by the Historical Society, merchandise sales, and photography sales.

Statutory Appropriations

The Montana Historical Society has several state special revenue funds that are statutorily appropriated. These include:

- Sites and signs state special revenue fund
- Lewis and Clark license plates state special revenue fund

The statutory appropriations will be discussed in further detail at the program level.

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	78.84	78.84	79.84	79.84
Personal Services	4,253,142	5,100,622	6,018,272	6,139,413	6,149,760
Operating Expenses	2,172,815	2,585,568	3,070,844	2,971,503	2,993,220
Equipment & Intangible Assets	115,348	144,886	94,886	94,886	94,886
Grants	86,978	87,120	87,120	87,120	87,120
Transfers	10,000	10,000	0	0	0
Debt Service	312,608	326,022	187,914	237,914	187,914
Total Expenditures	\$6,950,891	\$8,254,218	\$9,459,036	\$9,530,836	\$9,512,900
General Fund	4,014,120	4,440,172	3,967,445	2,524,661	2,503,241
State/Other Special Rev. Funds	1,299,373	1,914,642	3,420,963	4,949,778	4,950,830
Federal Spec. Rev. Funds	879,414	982,345	1,024,101	1,013,471	1,015,570
Proprietary Funds	757,984	917,059	1,046,527	1,042,926	1,043,259
Total Funds	\$6,950,891	\$8,254,218	\$9,459,036	\$9,530,836	\$9,512,900
Total Ongoing	\$6,758,076	\$8,046,395	\$9,351,501	\$9,480,836	\$9,512,900
Total OTO	\$192,815	\$207,823	\$107,535	\$50,000	\$0

Agency Description

The Montana Historical Society (MTHS) is an agency of state government that exists for the use, learning, culture and enjoyment of the citizens of, and visitors to, the State of Montana. MTHS acquires, preserves and protects historical records, art, archives, museum objects, historical places, sites and monuments. MTHS maintains a library and historical museum, provides educational programs and services for teachers and the general public and publishes the state historical magazine and books. MTHS administers the preservation and antiquities acts, supports commissions with state historical orientation and provides technical assistance to all Montana museums, historical societies, preservation programs and owners of historic resources.

Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-e/montana-historical-society/> 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**Significant Differences**

The HB 2 budget of approximately \$8.3 Million was 83.7% expended as of the end of FY 2024.

The Administration Program had approximately \$2.7 million in HB 2 appropriations in FY 2024 which were 75.3% expended as of the end of FY 2024. Personal Services appropriations comprised 68.7% of the program's HB 2 appropriations and were 72.5% utilized. Fewer PB were filled than were budgeted for during much of FY 2024. 15.00 of the 24.46 additional PB authorized for the 2025 Biennium were in the Administration Program. Many newly authorized PB were not filled until later in FY 2024, and there was some turnover within the agency.

Appropriations from the accommodation tax state special revenue account of approximately \$1.9 million were 66.8% expended. Of the approximately \$614,000 remaining appropriations from the accommodation tax distribution, approximately \$548,000 of unexpended authority was designated for personal services.

Minor Differences

Approximately \$190,000 of appropriations from the sites and signs special revenue account granted to the Museum Program was transferred to the State Historic Preservation Office (SHPO) as jurisdiction was determined for SHPO for some projects to meet the criteria for installation or maintenance of roadside historical signs and historic sites. Approximately \$78,000, or 41.3% of the \$190,000 of transferred authority was expended at the end of the fiscal year.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The overall FY 2025 appropriation is approximately \$1.1 million, or 13.4% higher than the FY 2024 appropriation. General fund appropriations are budgeted at approximately \$533,000 less in FY 2025 than in FY 2024. This is offset by an increase in appropriations of approximately \$1.6 million of state special revenues from accommodations taxes. Beginning on January 1, 2025, the distribution of accommodations tax revenues changed, and a portion of the accommodation tax revenues are distributed into a fund for the operations and maintenance of the Montana Heritage Center.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

The figure below illustrates the beginning FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2025 base budget was agreed upon by the Office of Budget and Program Planning and the Fiscal Division to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

Montana Historical Society						
Comparison of the FY 2025 Legislative Budget to the FY 2025 Base Budget						
	Legislative Budget		Executive Modifications		Base Budget	% Change
Administration Program						
Personal Services	\$	2,267,361	\$	67,863	\$ 2,335,224	3.0%
Operating Expenses		<u>907,376</u>		-	<u>907,376</u>	0.0%
Total		3,174,737		67,863	3,242,600	2.1%
Library & Archives Program						
Personal Services		1,254,096		-	1,254,096	0.0%
Operating Expenses		659,715		1,124	660,839	0.2%
Equipment & Intangible Assets		<u>89,215</u>		<u>(1,124)</u>	<u>88,091</u>	-1.3%
Total		2,003,026		-	2,003,026	0.0%
Museum Program						
Personal Services		928,682			928,682	0.0%
Operating Expenses		478,996		-	478,996	0.0%
Equipment & Intangible Assets		6,795		-	6,795	0.0%
Debt Service		<u>187,914</u>		-	<u>187,914</u>	0.0%
Total		1,602,387		-	1,602,387	0.0%
Publications Program						
Personal Services		390,227		-	390,227	0.0%
Operating Expenses		<u>276,746</u>		-	<u>276,746</u>	0.0%
Total		666,973		-	666,973	0.0%
Outreach & Education Program						
Personal Services		464,358		-	464,358	0.0%
Operating Expenses		<u>265,303</u>		-	<u>265,303</u>	0.0%
Total		729,661		-	729,661	0.0%
State Historic Preservation Office						
Personal Services		713,548		(67,863)	645,685	-9.5%
Operating Expenses		374,049		-	374,049	0.0%
Grants		<u>87,120</u>		-	<u>87,120</u>	0.0%
Total		1,174,717		(67,863)	1,106,854	-5.8%
Agency Total	\$	9,351,501	\$	-	\$ 9,351,501	0.0%

The Montana Historical Society had two budget modifications to the FY 2025 base budget. One of these was a program transfer that moved 1.00 PB from the State Historic Preservation Office Program to the Administration program. This position's duties were determined to fit better within the Administration program after restructuring within the agency. The other change moved approximately \$1,000 from the equipment and intangible assets account to the operating expenses account within the Library & Archives program. The dollar amounts in that account had been determined as not sufficient to capitalize equipment, as per governmental accounting standards. These adjustments affected several programs but had a net-zero overall impact across the agency.

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	30.68	31.68	31.68	1.00	1.6%
General Fund	1,574,637	312,616	284,094	(2,552,564)	(81.1%)
State/Other Special Rev. Funds	1,154,651	2,556,939	2,556,842	2,804,479	121.4%
Federal Spec. Rev. Funds	141,812	141,812	141,812		0.0%
Proprietary Funds	371,500	373,343	373,473	3,816	0.5%
Total Funds	3,242,600	3,384,710	3,356,221	255,731	3.9%
Personal Services	2,335,224	2,204,641	2,207,876	(257,931)	(5.5%)
Operating Expenses	907,376	1,130,069	1,148,345	463,662	25.5%
Debt Service		50,000		50,000	0.0%
Total Expenditures	3,242,600	3,384,710	3,356,221	255,731	3.9%
Total Ongoing	3,242,600	3,334,710	3,356,221	205,731	3.2%
Total One-Time-Only	107,535	50,000		(165,070)	(76.8%)

Program Highlights

Administration Program Major Budget Highlights
<ul style="list-style-type: none">• The administration program’s 2027 biennial budget request includes \$206,000 more ongoing appropriations than the base budget• As of Jan 1, 2025, the administration program receives funding from the 4% sales tax on accommodations and campgrounds for the operations and maintenance of the Montana Heritage center. With this funding, the executive requests a fund switch from general fund appropriations to state special revenue appropriations<ul style="list-style-type: none">◦ The request includes a decrease in general fund appropriations of approximately \$1.3 million in FY 2026 and in FY 2027◦ The request includes an increase in state special revenue appropriations of approximately \$1.3 million in FY 2026 and in FY 2027• The administration program request includes an increase of 1.00 PB and approximately \$96,000 in FY 2026 and \$93,000 of funding in FY 2027 to employ a database administrator, contingent on the passage and approval of customer service management software in HB 10• The request includes restricted one-time-only general fund in FY 2026 to extend the lease of facilities while renovations continue at the Heritage Center and Veteran's Building
Legislative Action Items
<ul style="list-style-type: none">• The executive base budget incorrectly funds some operations and maintenance appropriations with the state special revenue accommodations tax fund, rather than the newly created Montana Heritage Center Operations & Maintenance Account. A fund switch (DP 5) is proposed to correct this issue

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.

Administration Program 2027 Biennium HB 2 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
Base Budget	1,574,637	1,154,651	141,812	3,242,600	95.8%	1,574,637	1,154,651	141,812	3,242,600	96.6%
Statewide PL										
Personal Services	21,868	22,369	0	46,080	1.4%	23,921	23,420	0	49,314	1.5%
Fixed Costs	(50,266)	0	0	(50,266)	(1.5%)	(29,190)	0	0	(29,190)	(0.9%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(28,398)	22,369	0	(4,186)	(0.1%)	(5,269)	23,420	0	20,124	0.6%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	(1,233,623)	1,379,919	0	146,296	4.3%	(1,285,274)	1,378,771	0	93,497	2.8%
Total HB 2 Adjustments	(1,262,021)	1,402,288	0	142,110	4.2%	(1,290,543)	1,402,191	0	113,621	3.4%
Total Requested Budget	312,616	2,556,939	141,812	3,384,710		284,094	2,556,842	141,812	3,356,221	

The Administration Program requests an increase of approximately \$142,000 in FY 2026 and \$114,000 in FY 2027 over the FY 2025 base appropriations.

Proposed changes include:

- A fund shift of approximately \$1.3 million each fiscal year from general fund to the Montana heritage center state special revenue fund
- Approximately \$15,000 in FY 2026 and \$39,000 in FY 2027 of statewide present law adjustments for personal services and fixed costs
- \$50,000 of one-time-only appropriations in FY 2026 to extend the lease of facilities while renovations at the Heritage Center and Veteran's Building continue
- An additional 1.00 PB to be funded with \$199,000 of state special revenue fund

**LFD
COMMENT**

The executive has separately proposed the re-authorization of the Montana historical society membership state special revenue fund. This fund is set to statutorily terminate as of FY 2026. The executive proposes re-authorizing the program at similar funding of \$129,000 of special revenue funds for both FY 2026 and FY 2027. These funds are not appropriated in HB 2.

Funding

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

Montana Historical Society, 01-Administration Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	546,710	50,000	0	0	596,710	8.5%
02041 MHS Membership	0	0	0	258,878	258,878	4.8%
02188 Senate Art	3,458	0	0	0	3,458	0.1%
02850 Montana Heritage Center Operat	3,299,008	0	0	0	3,299,008	61.4%
02853 Accommodation Tax	1,811,315	0	0	0	1,811,315	33.7%
State Special Total	\$5,113,781	\$0	\$0	\$258,878	\$5,372,659	76.8%
03021 Historic Sites Preservation	283,624	0	0	0	283,624	100.0%
Federal Special Total	\$283,624	\$0	\$0	\$0	\$283,624	4.1%
06071 Merchandise - Historical Soc	669,460	0	0	0	669,460	89.6%
06073 Historical Society Management	77,356	0	0	0	77,356	10.4%
Proprietary Total	\$746,816	\$0	\$0	\$0	\$746,816	10.7%
Total All Funds	\$6,690,931	\$50,000	\$0	\$258,878	\$6,999,809	

HB 2 Appropriations

The Administration Program is primarily funded in HB 2 with general fund. The program receives additional funding from the Lodging Facilities Use tax for historical interpretation and the Scriver collection. As of January 1, 2025, the program receives funding from the 4.0% sales tax on accommodations and campgrounds for the operations and maintenance of the Montana Heritage Center. The program receives a small amount of state special revenue from the sale of Lewis and Clark medallions and bronze replicas of the "We Proceeded On" bronze relief located in the Senate chamber. This state special revenue funding is used for the care and maintenance of the original bronze relief.

The program also receives proprietary funds from museum entrance fees, lobby rentals, and merchandise sales.

LFD

COMMENT

In previous fiscal years, the Administration Program had one statutorily appropriated state special revenue fund. The Montana Historical Society membership fund received revenue from the purchase of memberships to the MTHS. The funding was used for the improvement, development, and operation of the MTHS. As of June 30, 2025, this account is set to terminate, and appropriations are set to cease. The executive has requested a separate decision package to re-authorize the account at similar funding levels. These funds are not appropriated in HB 2.

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	30.68	30.68	31.68	31.68
Personal Services	1,332,301	1,836,561	2,335,224	2,204,641	2,207,876
Operating Expenses	533,300	689,480	1,014,911	1,130,069	1,148,345
Transfers	10,000	10,000	0	0	0
Debt Service	138,108	138,108	0	50,000	0
Total Expenditures	\$2,013,709	\$2,674,149	\$3,350,135	\$3,384,710	\$3,356,221
General Fund	1,506,727	1,745,908	1,682,172	312,616	284,094
State/Other Special Rev. Funds	171,384	498,509	1,154,651	2,556,939	2,556,842
Federal Spec. Rev. Funds	109,817	131,026	141,812	141,812	141,812
Proprietary Funds	225,781	298,706	371,500	373,343	373,473
Total Funds	\$2,013,709	\$2,674,149	\$3,350,135	\$3,384,710	\$3,356,221
Total Ongoing	\$1,878,886	\$2,539,326	\$3,242,600	\$3,334,710	\$3,356,221
Total OTO	\$134,823	\$134,823	\$107,535	\$50,000	\$0

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Administration Program was budgeted at approximately \$2.7 million of appropriations for FY 2024 and expended approximately \$2.0 million. The largest difference in appropriations and expenditures was in personal services, which was budgeted at approximately \$1.8 million and expended approximately \$1.5 million. Much of this was because many of the new positions that had been approved for in FY 2024 were not directed to be filled until partway through the fiscal year. There were also some internal turnovers and hiring setbacks midway through FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Administration Program is budgeted at approximately \$3.4 million for FY 2025, or approximately \$676,000 more than FY 2024. Most of this increase is funded through state special revenue funds. The Montana Heritage Center operations state special revenue account appropriated approximately \$270,000 for Heritage Center operations which are currently budgeted for personal services. The accommodation tax account provides approximately \$386,000 more appropriations in FY 2025, most of which are budgeted for personal services to support 7.00 additional PB in FY 2025.

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	21,868	22,369	0	46,080	0.00	23,921	23,420	0	49,314
DP 2 - Fixed Costs	0.00	(50,266)	0	0	(50,266)	0.00	(29,190)	0	0	(29,190)
DP 5 - Standard Budget Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	(\$28,398)	\$22,369	\$0	(\$4,186)	0.00	(\$5,269)	\$23,420	\$0	\$20,124

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Administration Program Montana Historical Society FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 503
Management Changes	45,577
Total Budget Modifications	-
Total	<u>\$ 46,080</u>

Legislative changes in this program account for reduced appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes are a result of pay adjustments and salary adjustments for newly approved positions in the FY 2025 biennium.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 5 - Standard Budget Adjustment -

The executive requests a zero-impact package that moves \$270,159 personal services authority from the state special revenue accommodations tax fund (02853) to the state special revenue Montana Heritage Center Operations account (02850) in 22-3-1304, MCA, to be used only for expenses incurred in the operation and maintenance of the Montana Heritage Center, which may include the Veterans' and Pioneer Memorial Building. This funding was miscoded in the agency standard budget which developed the starting point for the 2027 budget.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
-----Fiscal 2026-----						-----Fiscal 2027-----				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 11 - Fund Switch to O&M Accom Tax										
0.00	(1,283,623)	1,283,623	0	0		0.00	(1,285,274)	1,285,274	0	0
DP 12 - Temporary Relocation Rent (RST/OTO)										
0.00	50,000	0	0	50,000		0.00	0	0	0	0
DP 5170101 - Museum CSM Database Manager										
1.00	0	96,296	0	96,296		1.00	0	93,497	0	93,497
Total	1.00	(\$1,233,623)	\$1,379,919	\$0	\$146,296	1.00	(\$1,285,274)	\$1,378,771	\$0	\$93,497

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

DP 11 - Fund Switch to O&M Accom Tax -

15-68-820, MCA, directs 6.0% of the accommodation sales and use tax to MTHS for operation and maintenance of the Montana Heritage Center beginning January 1, 2025. This request switches personal services appropriations and operating expense appropriations in the administration program from general fund to the state special revenue Montana Heritage Center operations fund.

DP 12 - Temporary Relocation Rent (RST/OTO) -

This request is for restricted one-time-only general fund of \$50,000 in FY 2026 to extend the lease of facilities while renovations continue at the Heritage Center and Veteran's Building.

DP 5170101 - Museum CSM Database Manager -

Contingent on passage and approval of related customer service management (CSM) software in HB 10, MTHS requests 1.00 PB for a database administrator to manage the CSM. This includes one-time-only funding in FY 2027 of \$2,800 for the new employee office package. This would be funded by state special revenue Montana heritage operations accommodations tax.

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 FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	16.50	16.50	16.50	0.00	0.0%
General Fund	1,205,140	1,203,070	1,207,189	(21)	(0.0%)
State/Other Special Rev. Funds	762,666	776,346	776,953	27,967	1.8%
Proprietary Funds	35,220	35,220	35,220		0.0%
Total Funds	2,003,026	2,014,636	2,019,362	27,946	0.7%
Personal Services	1,254,096	1,334,566	1,338,136	164,510	6.6%
Operating Expenses	660,839	591,979	593,135	(136,564)	(10.3%)
Equipment & Intangible Assets	88,091	88,091	88,091		0.0%
Total Expenditures	2,003,026	2,014,636	2,019,362	27,946	0.7%
Total Ongoing	2,003,026	2,014,636	2,019,362	27,946	0.7%
Total One-Time-Only					0.0%

Program Highlights

Library & Archives Program Major Budget Highlights
<ul style="list-style-type: none"> The executive requests approximately \$28,000 additional funding in the FY 2027 biennium over the FY 2025 base budget Increased expenditures in each fiscal year are due to statewide present law adjustments totaling approximately \$12,000 in FY 2026 and \$16,000 in FY 2027 <ul style="list-style-type: none"> The statewide personal services adjustment increases appropriations by \$80,000 in FY 2026 and by \$84,000 in FY 2027 The statewide fixed costs adjustment decreases appropriations by \$69,000 in FY 2026 and by \$68,000 in FY 2027
Legislative Action Items
<ul style="list-style-type: none"> The executive base budget incorrectly funds some operations and maintenance appropriations with the state special revenue accommodations tax fund, rather than the newly created Montana Heritage Center Operations & Maintenance Account. A fund switch (DP 5) is proposed to correct this issue.

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.

Library and Archives Program 2027 Biennium HB 2 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
Base Budget	1,205,140	762,666	0	2,003,026	99.4%	1,205,140	762,666	0	2,003,026	99.2%
Statewide PL										
Personal Services	66,790	13,680	0	80,470	4.0%	69,753	14,287	0	84,040	4.2%
Fixed Costs	(68,860)	0	0	(68,860)	(3.4%)	(67,704)	0	0	(67,704)	(3.4%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(2,070)	13,680	0	11,610	0.6%	2,049	14,287	0	16,336	0.8%
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%
Total HB 2 Adjustments	(2,070)	13,680	0	11,610	0.6%	2,049	14,287	0	16,336	0.8%
Total Requested Budget	1,203,070	776,346	0	2,014,636		1,207,189	776,953	0	2,019,362	

The Library & Archives program requests appropriations that are \$12,000 higher in FY 2026 and \$16,000 in FY 2027 than the FY 2025 base budget. This is due to increased personal services adjustments of \$80,000 in FY 2026 and \$84,000 in FY 2027 and fixed cost reductions of \$69,000 in FY 2026 and \$68,000 in FY 2027. Statewide present law adjustments are discussed further below.

Funding

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

Montana Historical Society, 02-Library and Archives Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,410,259	0	0	0	2,410,259	59.7%
02850 Montana Heritage Center Operat	605,584	0	0	0	605,584	39.0%
02853 Accommodation Tax	947,715	0	0	0	947,715	61.0%
State Special Total	\$1,553,299	\$0	\$0	\$0	\$1,553,299	38.5%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06072 MHS Photo Archives Enterprise	33,628	0	0	0	33,628	47.7%
06076 MHS Library Enterprise Funds	36,812	0	0	0	36,812	52.3%
Proprietary Total	\$70,440	\$0	\$0	\$0	\$70,440	1.7%
Total All Funds	\$4,033,998	\$0	\$0	\$0	\$4,033,998	

HB 2 Appropriations

The Research Center is primarily funded with general fund. The program also receives state special revenue from the lodging facility use tax for historical interpretation and the Robert Scriver collection, the lodging sales tax for the operations and maintenance of the Montana Heritage Center, and funding from two proprietary funds that receive revenue from the sale of historical photo reproductions and images and research requests.

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	16.50	16.50	16.50	16.50
Personal Services	883,967	1,026,975	1,254,096	1,334,566	1,338,136
Operating Expenses	491,110	572,760	660,839	591,979	593,135
Equipment & Intangible Assets	109,500	138,091	88,091	88,091	88,091
Total Expenditures	\$1,484,577	\$1,737,826	\$2,003,026	\$2,014,636	\$2,019,362
General Fund	1,183,008	1,312,328	1,205,140	1,203,070	1,207,189
State/Other Special Rev. Funds	274,047	390,273	762,666	776,346	776,953
Proprietary Funds	27,522	35,225	35,220	35,220	35,220
Total Funds	\$1,484,577	\$1,737,826	\$2,003,026	\$2,014,636	\$2,019,362
Total Ongoing	\$1,436,577	\$1,689,826	\$2,003,026	\$2,014,636	\$2,019,362
Total OTO	\$48,000	\$48,000	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Library & Archives program expended approximately \$1.5 million of its \$1.7 million FY 2024 appropriation. Most of the unspent authority was budgeted for personal services and was not expended due to delayed hiring of some new positions that were approved for FY 2024 and internal turnover within the agency.

FY 2024 Appropriations Compared to FY 2025 Appropriations

Overall, the FY 2025 appropriation is approximately \$265,000 higher than the FY 2024 appropriation. The primary difference is in personal services and was due to additional 2.00 PB which were appropriated for FY 2025.

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	66,790	13,680	0	80,470	0.00	69,753	14,287	0	84,040
DP 2 - Fixed Costs									
0.00	(68,860)	0	0	(68,860)	0.00	(67,704)	0	0	(67,704)
DP 5 - Standard Budget Adjustment									
0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments									
0.00	(\$2,070)	\$13,680	\$0	\$11,610	0.00	\$2,049	\$14,287	\$0	\$16,336

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Library & Archives		
Montana Historical Society		
FY 2026 Statewide Present Law Adjustment for Personal Services		
Legislative Changes	\$	24,910
Management Changes		55,560
Total Budget Modifications		-
Total	\$	80,470

Legislative changes in this program account for reduced appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes are a result of negotiated pay adjustments, retention adjustments and salary adjustments for newly approved positions as of the 2025 biennium.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 5 - Standard Budget Adjustment -

The executive requests a zero-impact impact package that moves \$302,792 operating expense authority from the state special revenue accommodations tax fund (02853) to the state special revenue Montana Heritage Center Operations account (02850) in 22-3-1304, MCA, to be used only for expenses incurred in the operation and maintenance of the Montana Heritage Center, which may include the Veterans' and Pioneer Memorial Building. This funding was miscoded in the agency standard budget which developed the starting point for the 2027 budget.

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 FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	11.75	11.75	11.75	0.00	0.0%
General Fund	457,179	364,575	366,869	(182,914)	(20.0%)
State/Other Special Rev. Funds	1,142,129	1,229,361	1,229,674	174,777	7.7%
Proprietary Funds	3,079	3,079	3,079		0.0%
Total Funds	1,602,387	1,597,015	1,599,622	(8,137)	(0.3%)
Personal Services	928,682	952,855	953,688	49,179	2.6%
Operating Expenses	478,996	449,451	451,225	(57,316)	(6.0%)
Equipment & Intangible Assets	6,795	6,795	6,795		0.0%
Debt Service	187,914	187,914	187,914		0.0%
Total Expenditures	1,602,387	1,597,015	1,599,622	(8,137)	(0.3%)
Total Ongoing	1,602,387	1,597,015	1,599,622	(8,137)	(0.3%)
Total One-Time-Only					0.0%

Program Highlights

Museum Program Major Budget Highlights	
<ul style="list-style-type: none"> • The executive request for the Museum Program reduces expenditures by approximately \$8,000 from the previous biennium • The request includes statewide present law personal services adjustments of \$49,000 over the FY 2027 biennium • The request includes statewide present law fixed cost reductions of \$57,000 over the FY 2027 biennium • The executive requests a fund switch that would <ul style="list-style-type: none"> ◦ Increase appropriations from the state special revenue Montana heritage center account by \$79,000 in both FY 2026 and FY 2027 ◦ Reduce general fund appropriations by \$79,000 in both FY 2026 and FY 2027 	
Legislative Action Items	
<ul style="list-style-type: none"> • The executive base budget incorrectly funds some operations and maintenance appropriations with the state special revenue accommodations tax fund, rather than the newly created Montana Heritage Center Operations & Maintenance Account. A fund switch (DP 5) is proposed to correct this issue. 	

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.

Museum Program 2027 Biennium HB 2 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
Base Budget	457,179	1,142,129	0	1,602,387	100.3%	457,179	1,142,129	0	1,602,387	100.2%
Statewide PL										
Personal Services	16,196	7,977	0	24,173	1.5%	16,754	8,252	0	25,006	1.6%
Fixed Costs	(29,545)	0	0	(29,545)	(1.9%)	(27,771)	0	0	(27,771)	(1.7%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(13,349)	7,977	0	(5,372)	(0.3%)	(11,017)	8,252	0	(2,765)	(0.2%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	(79,255)	79,255	0	0	0.0%	(79,293)	79,293	0	0	0.0%
Total HB 2 Adjustments	(92,604)	87,232	0	(5,372)	(0.3%)	(90,310)	87,545	0	(2,765)	(0.2%)
Total Requested Budget	364,575	1,229,361	0	1,597,015		366,869	1,229,674	0	1,599,622	

The Museum program requests HB 2 appropriations that are approximately \$5,000 less in FY 2026 and \$3,000 less in FY 2027 than the FY 2025 base appropriation. Reductions are due to statewide present law fixed cost reductions of approximately \$30,000 in FY 2026 and \$28,000 in FY 2027. These reductions are offset by increased statewide present law personal service adjustments of \$24,000 in FY 2026 and \$25,000 in FY 2027.

The executive requests a fund switch of approximately \$79,000 in both FY 2026 and FY 2027. This proposal would reduce general fund appropriations to this program and increase state special revenue funds from the state special revenue Montana Heritage Center account by an equivalent amount.

**LFD
COMMENT**

On January 1, 2025, per SB 338 (2019), the distribution of accommodation tax changed. Previously, 20.0% of the accommodation tax went to the long-range building program for construction of the Heritage Center. In 2025, the Historical Society receives a 6.0% distribution of total accommodation tax for the staffing, operations, and maintenance of the Heritage Center. For more information on the accommodation tax please see this [brochure](#).

Funding

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

Montana Historical Society, 03-Museum Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	731,444	0	0	0	731,444	16.7%
02045 Original Governor's Mansion	0	0	0	5,772	5,772	0.2%
02123 Sites & Signs	0	0	0	1,187,693	1,187,693	32.5%
02850 Montana Heritage Center Operat	660,506	0	0	0	660,506	18.1%
02853 Accommodation Tax	1,798,529	0	0	0	1,798,529	49.2%
02986 Lewis & Clark License Plates	0	0	0	2,200	2,200	0.1%
State Special Total	\$2,459,035	\$0	\$0	\$1,195,665	\$3,654,700	83.2%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06077 MHS Museum Enterprise Funds	6,158	0	0	0	6,158	100.0%
Proprietary Total	\$6,158	\$0	\$0	\$0	\$6,158	0.1%
Total All Funds	\$3,196,637	\$0	\$0	\$1,195,665	\$4,392,302	

HB 2 Appropriations

The Museum Program is primarily funded in HB 2 with general fund and the accommodation tax state special revenue fund. This program receives some funding from Lodging Sales Tax disbursements. This program also has proprietary funding, which receives revenue from the sale of books, copies, and photographs, as well as the rental of traveling exhibits.

Statutory Appropriations

The Museum Program has two state special revenue funds that are statutorily appropriated. These include:

- The sites and signs account, which is established in 15-65-121(2)(a), MCA. This fund receives 1.0% of the lodging facility use tax for the installation or maintenance of roadside historical signs and historic sites
- The Lewis and Clark license plates account, which is established in 90-1-115, MCA. This fund receives 25.0% of the revenue from the sale of Lewis and Clark bicentennial license plates. Funding must be used to support projects related to Lewis and Clark

LFD COMMENT

The executive has separately requested a reduction of approximately \$62,000 per year of appropriations for the Lewis & Clark license plate state special revenue account. These funds are not appropriated in HB 2.

LFD COMMENT

The Original Governor's Mansion fund has been a statutorily appropriated state special revenue fund in previous biennia. The account is set to terminate on June 30, 2025. Money was allocated into the account from tours of the mansion and was used for the improvement, development, and operation of the mansion.

The executive has separately requested to re-establish the Original Governor's Mansion fund in FY 2026 and FY 2027 and authorize appropriations of approximately \$3,000 of state special revenue in each fiscal year. These funds are not appropriated in HB 2.

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	11.75	11.75	11.75	11.75
Personal Services	604,902	691,688	928,682	952,855	953,688
Operating Expenses	540,086	575,525	478,996	449,451	451,225
Equipment & Intangible Assets	5,848	6,795	6,795	6,795	6,795
Debt Service	174,500	187,914	187,914	187,914	187,914
Total Expenditures	\$1,325,336	\$1,461,922	\$1,602,387	\$1,597,015	\$1,599,622
General Fund	675,048	725,083	457,179	364,575	366,869
State/Other Special Rev. Funds	647,917	733,760	1,142,129	1,229,361	1,229,674
Proprietary Funds	2,371	3,079	3,079	3,079	3,079
Total Funds	\$1,325,336	\$1,461,922	\$1,602,387	\$1,597,015	\$1,599,622
Total Ongoing	\$1,315,344	\$1,436,922	\$1,602,387	\$1,597,015	\$1,599,622
Total OTO	\$9,992	\$25,000	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Museum Program is funded in HB 2 with general fund, state special revenue, and proprietary funds. The HB 2 modified budget of \$1.5 million was 90.7% expended at the end of FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation was approximately \$140,000 greater than the FY 2024 appropriation. The majority of the increase was in personal services funding and was used to fund an additional 2.00 PB in FY 2025. In FY 2025 the Museum Program was appropriated approximately \$408,000 more state special revenue funds and general fund appropriations were reduced by approximately \$268,000.

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	16,196	7,977	0	24,173	0.00	16,754	8,252	0	25,006
DP 2 - Fixed Costs	0.00	(29,545)	0	0	(29,545)	0.00	(27,771)	0	0	(27,771)
DP 5 - Standard Budget Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	(\$13,349)	\$7,977	\$0	(\$5,372)	0.00	(\$11,017)	\$8,252	\$0	(\$2,765)

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Museum Program Montana Historical Society FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ (4,450)
Management Changes	28,623
Total Budget Modifications	-
Total	\$ 24,173

Legislative changes in this program account for reduced appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes are largely a result of negotiated pay adjustments and retention adjustments.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 5 - Standard Budget Adjustment -

The executive requests a zero-impact package that moves \$250,979 operating expense authority from the state special revenue accommodations tax fund (02853) to the state special revenue Montana Heritage Center Operations account (02850) in 22-3-1304, MCA, to be used only for expenses incurred in the operation and maintenance of the Montana Heritage Center, which may include the Veterans' and Pioneer Memorial Building. This funding was miscoded in the agency standard budget which developed the starting point for the 2027 budget.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals										
-----Fiscal 2026-----						-----Fiscal 2027-----				
PB	General Fund	State Special	Federal Special	Total Funds		PB	General Fund	State Special	Federal Special	Total Funds
DP 11 - Fund Switch to O&M Accom Tax										
	0.00	(79,255)	79,255	0	0	0.00	(79,293)	79,293	0	0
Total	0.00	(\$79,255)	\$79,255	\$0	\$0	0.00	(\$79,293)	\$79,293	\$0	\$0

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

DP 11 - Fund Switch to O&M Accom Tax -

15-68-820, MCA, directs 6.0% of the accommodation sales and use tax to MTHS for operation and maintenance of the Montana Heritage Center beginning January 1, 2025. This request switches \$79,255 in FY 2026 and \$79,293 in FY 2027 for personal services in the museum program from general fund to the state special revenue Montana Heritage Center operations fund.

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 FY 2026 FY 2027		Biennium Change from Base Amount Percent	
PB	5.00	5.00	5.00	0.00	0.0%
General Fund	281,790	305,266	305,446	47,132	8.4%
Proprietary Funds	385,183	379,739	379,942	(10,685)	(1.4%)
Total Funds	666,973	685,005	685,388	36,447	2.7%
Personal Services	390,227	429,353	429,653	78,552	10.1%
Operating Expenses	276,746	255,652	255,735	(42,105)	(7.6%)
Total Expenditures	666,973	685,005	685,388	36,447	2.7%
Total Ongoing	666,973	685,005	685,388	36,447	2.7%
Total One-Time-Only					0.0%

Program Highlights

Publications Program Major Budget Highlights
<ul style="list-style-type: none"> The executive's FY 2027 biennial request is approximately \$36,000 over the FY 2025 base budget. The request includes: <ul style="list-style-type: none"> Increases of \$39,000 in both FY 2026 and FY 2027 for statewide present law personal services adjustments Decreases of \$21,000 in both FY 2026 and FY 2027 for statewide present law fixed cost adjustments

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.

Publications Program 2027 Biennium HB 2 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
Base Budget	281,790	0	0	666,973	97.4%	281,790	0	0	666,973	97.3%
Statewide PL										
Personal Services	23,476	0	0	39,126	5.7%	23,656	0	0	39,426	5.8%
Fixed Costs	0	0	0	(21,094)	(3.1%)	0	0	0	(21,011)	(3.1%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	23,476	0	0	18,032	2.6%	23,656	0	0	18,415	2.7%
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%
Total HB 2 Adjustments	23,476	0	0	18,032	2.6%	23,656	0	0	18,415	2.7%
Total Requested Budget	305,266	0	0	685,005		305,446	0	0	685,388	

The Publications program requests increased appropriations totaling approximately \$18,000 in FY 2026 and \$18,000 in FY 2027 over the FY 2025 base appropriation. Changes include:

- Increased appropriations due to statewide present law adjustments for personal services of \$39,000 in FY 2026 and \$39,000 in FY 2027. Proposed increases are split between general fund and proprietary funds, with proposed general fund increases of approximately \$23,000 in FY 2026 and \$24,000 in FY 2027, and proposed proprietary fund increases of \$16,000 in both FY 2026 and FY 2027
- Decreased proprietary fund appropriations in operating expenses due to statewide present law adjustments for fixed costs of \$21,000 in FY 2026 and \$21,000 in FY 2027.

Funding

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

Montana Historical Society, 04-Publications Program Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	610,712	0	0	0	610,712	44.6%
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%
06002 MHS Publications Enterprise	759,681	0	0	0	759,681	100.0%
Proprietary Total	\$759,681	\$0	\$0	\$0	\$759,681	55.4%
Total All Funds	\$1,370,393	\$0	\$0	\$0	\$1,370,393	

HB 2 Appropriations

The Publications Program is funded with general fund and proprietary funds. The proprietary funding receives revenues from subscription sales for the magazine and sales of books published by the program.

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	5.00	5.00	5.00	5.00
Personal Services	392,976	395,154	390,227	429,353	429,653
Operating Expenses	208,788	253,655	276,746	255,652	255,735
Total Expenditures	\$601,764	\$648,809	\$666,973	\$685,005	\$685,388
General Fund	289,863	292,365	281,790	305,266	305,446
Proprietary Funds	311,901	356,444	385,183	379,739	379,942
Total Funds	\$601,764	\$648,809	\$666,973	\$685,005	\$685,388
Total Ongoing	\$601,764	\$648,809	\$666,973	\$685,005	\$685,388
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Publications Program expended approximately \$602,000, or 92.7% of its approximately \$649,000 appropriations in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Publications Program received approximately \$667,000 of appropriations in FY 2025, or 2.8% more than in FY 2024. The increase was due to Statewide Present Law Adjustments.

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	23,476	0	0	39,126	0.00	23,656	0	0	39,426
DP 2 - Fixed Costs	0.00	0	0	0	(21,094)	0.00	0	0	0	(21,011)
Grand Total All Present Law Adjustments	0.00	\$23,476	\$0	\$0	\$18,032	0.00	\$23,656	\$0	\$0	\$18,415

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Publications Program Montana Historical Society FY 2026 Statewide Present Law Adjustment for Personal Services		
Legislative Changes	\$	13,714
Management Changes		25,412
Total Budget Modifications		-
Total	\$	39,126

Legislative changes in this program account for a small increase in appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes are largely a result of negotiated pay adjustments and retention adjustments.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

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 FY 2026 FY 2027		Biennium Change from Base Amount Percent		
PB	6.91	6.91	6.91	0.00	0.0%	
General Fund	341,164	339,134	339,643	(3,551)	(0.5%)	
State/Other Special Rev. Funds	361,517	387,132	387,361	51,459	7.1%	
Proprietary Funds	26,980	26,980	26,980		0.0%	
Total Funds	729,661	753,246	753,984	47,908	3.3%	
Personal Services	464,358	528,396	528,969	128,649	13.9%	
Operating Expenses	265,303	224,850	225,015	(80,741)	(15.2%)	
Total Expenditures	729,661	753,246	753,984	47,908	3.3%	
Total Ongoing	729,661	753,246	753,984	47,908	3.3%	
Total One-Time-Only					0.0%	

Program Highlights

Outreach & Education Program Major Budget Highlights
<ul style="list-style-type: none"> The executive request for the Outreach & Education program budget is approximately \$48,000 greater than the FY 2025 base budget. This request includes: <ul style="list-style-type: none"> Increased personal services appropriations of \$129,000 throughout the FY 2027 biennium due to statewide present law personal services adjustments Decreased operating expenses appropriations of \$81,000 throughout the FY 2027 biennium due to statewide present law fixed cost adjustments

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.

Outreach and Education Program 2027 Biennium HB 2 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
Base Budget	341,164	361,517	0	729,661	96.9%	341,164	361,517	0	729,661	96.8%
Statewide PL										
Personal Services	38,423	25,615	0	64,038	8.5%	38,767	25,844	0	64,611	8.6%
Fixed Costs	(40,453)	0	0	(40,453)	(5.4%)	(40,288)	0	0	(40,288)	(5.3%)
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	(2,030)	25,615	0	23,585	3.1%	(1,521)	25,844	0	24,323	3.2%
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%
Total HB 2 Adjustments	(2,030)	25,615	0	23,585	3.1%	(1,521)	25,844	0	24,323	3.2%
Total Requested Budget	339,134	387,132	0	753,246		339,643	387,361	0	753,984	

The Outreach & Education program requests increased appropriations amounting to approximately \$24,000 in FY 2026 and \$24,000 in FY 2027 over the FY 2025 base budget. Changes are due to statewide present law adjustments for personal services and fixed costs. These include:

- Increased appropriations of \$64,000 in FY 2026 and \$65,000 in FY 2027 for statewide present law personal services adjustments. These increases are split between general fund and state special revenue funds, with proposed general fund appropriation increases of \$38,000 in FY 2026 and \$39,000 in FY 2027, and proposed state special revenue increases of \$26,000 in FY 2026 and \$26,000 in FY 2027
- Decreased general fund appropriations for operating expenses of approximately \$40,000 in both FY 2026 and FY 2027 for statewide present law fixed cost adjustments

Funding

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

Montana Historical Society, 05-Outreach and Education Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	678,777	0	0	0	678,777	32.1%	
02123 Sites & Signs	0	0	0	610,406	610,406	44.1%	
02853 Accommodation Tax	774,493	0	0	0	774,493	55.9%	
State Special Total	\$774,493	\$0	\$0	\$610,406	\$1,384,899	65.4%	
Federal Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
06022 MHS Education Enterprise Funds	53,960	0	0	0	53,960	100.0%	
Proprietary Total	\$53,960	\$0	\$0	\$0	\$53,960	2.5%	
Total All Funds	\$1,507,230	\$0	\$0	\$610,406	\$2,117,636		

HB 2 Appropriations

The Education Program is primarily funded in HB 2 with general fund and the accommodation tax state special revenue fund. This program also has proprietary funding, which receives revenue from:

- The Montana Historical Conference; the revenues are used for expenses associated with the conference
- Special tours; revenues are used for operating expenses associated with the tours
- Elementary and middle school textbook sales; revenues are used for expenses related to textbook reproduction and teacher training

Statutory Appropriations

The Education Program has one state special revenue fund that is statutorily appropriated. The sites and signs fund established in 15-65-121(2)(a), MCA, receives 1.0% of the lodging facility use tax for the installation or maintenance of roadside historical signs and historic sites.

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	6.91	6.91	6.91	6.91
Personal Services	366,044	442,561	464,358	528,396	528,969
Operating Expenses	211,490	238,263	265,303	224,850	225,015
Total Expenditures	\$577,534	\$680,824	\$729,661	\$753,246	\$753,984
General Fund	356,841	361,856	341,164	339,134	339,643
State/Other Special Rev. Funds	206,025	292,100	361,517	387,132	387,361
Proprietary Funds	14,668	26,868	26,980	26,980	26,980
Total Funds	\$577,534	\$680,824	\$729,661	\$753,246	\$753,984
Total Ongoing	\$577,534	\$680,824	\$729,661	\$753,246	\$753,984
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The Outreach & Education Program expended approximately \$578,000, or 84.8% of its approximately \$681,000 appropriations in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Publications Program received approximately \$730,000 of appropriations in FY 2025, or 7.2% more than in FY 2024. The increase was due to Statewide Present Law Adjustments and an additional 0.82 PB budgeted in FY 2025.

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	38,423	25,615	0	64,038	0.00	38,767	25,844	0	64,611
DP 2 - Fixed Costs	0.00	(40,453)	0	0	(40,453)	0.00	(40,288)	0	0	(40,288)
Grand Total All Present Law Adjustments	0.00	(\$2,030)	\$25,615	\$0	\$23,585	0.00	(\$1,521)	\$25,844	\$0	\$24,323

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Education Program	
Montana Historical Society	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 22,983
Management Changes	41,055
Total Budget Modifications	-
Total	<u>\$ 64,038</u>

Legislative changes in this program account for a small increase in appropriations for longevity and increased appropriations for benefits. Upwards adjustments captured as management changes due to a combination of negotiated pay adjustments, retention adjustments, promotion adjustments, and pay adjustments for positions that are new for the FY 2025 biennium or went through a transfer or rehiring process.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

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	8.00	8.00	8.00	0.00	0.0%
Federal Spec. Rev. Funds	882,289	871,659	873,758	(19,161)	(1.1%)
Proprietary Funds	224,565	224,565	224,565		0.0%
Total Funds	1,106,854	1,096,224	1,098,323	(19,161)	(0.9%)
Personal Services	645,685	689,602	691,438	89,670	6.9%
Operating Expenses	374,049	319,502	319,765	(108,831)	(14.5%)
Grants	87,120	87,120	87,120		0.0%
Total Expenditures	1,106,854	1,096,224	1,098,323	(19,161)	(0.9%)
Total Ongoing	1,106,854	1,096,224	1,098,323	(19,161)	(0.9%)
Total One-Time-Only					0.0%

Program Highlights

State Historic Preservation Office Program Major Budget Highlights

The State Historic Preservation Office (SHIPO) Program's request reduces appropriations by approximately \$19,000 through the FY 2027 biennium from the FY 2025 base year. Changes include:

- Statewide present law personal services increases of \$90,000 through the 2027 biennium
- Statewide present law fixed cost decreases of \$109,000 through the 2027 biennium

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.

State Historic Preservation Office Program 2027 Biennium HB 2 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
Base Budget	0	0	882,289	1,106,854	101.0%	0	0	882,289	1,106,854	100.8%
Statewide PL										
Personal Services	0	0	43,917	43,917	4.0%	0	0	45,753	45,753	4.2%
Fixed Costs	0	0	(54,246)	(54,246)	(4.9%)	0	0	(54,081)	(54,081)	(4.9%)
Inflation Deflation	0	0	(301)	(301)	(0.0%)	0	0	(203)	(203)	(0.0%)
Total Statewide PL	0	0	(10,630)	(10,630)	(1.0%)	0	0	(8,531)	(8,531)	(0.8%)
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%
Total HB 2 Adjustments	0	0	(10,630)	(10,630)	(1.0%)	0	0	(8,531)	(8,531)	(0.8%)
Total Requested Budget	0	0	871,659	1,096,224		0	0	873,758	1,098,323	

The SHIPO program overall requests decreased federal special revenue appropriations of approximately \$11,000 in FY 2026 and \$9,000 in FY 2027 from the FY 2025 base year. Notable changes include:

- Increased federal special revenue appropriations of \$44,000 in FY 2026 and \$46,000 in FY 2027 for statewide present law personal services adjustments
- Decreased federal special revenue appropriations in operating expenses of \$54,000 in FY 2026 and \$54,000 in FY 2027 for statewide present law fixed cost adjustments

Funding

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

Montana Historical Society, 06-State Historic Preservation Office Program Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	0	0	0	0	0	0.0%	
State Special Total	\$0	\$0	\$0	\$0	\$0	0.0%	
03021 Historic Sites Preservation	1,745,417	0	0	0	1,745,417	100.0%	
Federal Special Total	\$1,745,417	\$0	\$0	\$0	\$1,745,417	79.5%	
06013 SHPO ENTERPRISE FUND	449,130	0	0	0	449,130	100.0%	
Proprietary Total	\$449,130	\$0	\$0	\$0	\$449,130	20.5%	
Total All Funds	\$2,194,547	\$0	\$0	\$0	\$2,194,547		

HB 2 Appropriations

The Historic Preservation Program is primarily funded with federal special revenue. This funding is from the National Parks Service for historic site preservation. The program also receives funding from a proprietary fund. The proprietary fund receives revenue from fees for historical preservation assistance and services and is used to enhance and maintain the agency's antiquities database.

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	8.00	8.00	8.00	8.00
Personal Services	672,952	707,683	645,685	689,602	691,438
Operating Expenses	188,041	255,885	374,049	319,502	319,765
Grants	86,978	87,120	87,120	87,120	87,120
Total Expenditures	\$947,971	\$1,050,688	\$1,106,854	\$1,096,224	\$1,098,323
General Fund	2,633	2,632	0	0	0
Federal Spec. Rev. Funds	769,597	851,319	882,289	871,659	873,758
Proprietary Funds	175,741	196,737	224,565	224,565	224,565
Total Funds	\$947,971	\$1,050,688	\$1,106,854	\$1,096,224	\$1,098,323
Total Ongoing	\$947,971	\$1,050,688	\$1,106,854	\$1,096,224	\$1,098,323
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The SHIPO Program expended approximately \$948,000, or 90.2% of its FY 2024 HB 2 appropriation. The majority of unexpended funds had been appropriated to operating expenses, with some additional unexpended personal services appropriations. During this period, 1.00 PB was transferred from the SHIPO Program to the Administration Program, which reduced general fund personal services appropriations and expenditures for this program.

FY 2024 Appropriations Compared to FY 2025 Appropriations

FY 2025 appropriations are approximately \$56,000, or 5.3% greater than the FY 2024 appropriation. This increase was due to higher statewide present law adjustments for personal services, operating expenses, and inflation budgeted for FY 2025.

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	43,917	43,917	0.00	0	0	45,753	45,753
DP 2 - Fixed Costs	0.00	0	0	(54,246)	(54,246)	0.00	0	0	(54,081)	(54,081)
DP 3 - Inflation Deflation	0.00	0	0	(301)	(301)	0.00	0	0	(203)	(203)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	(\$10,630)	(\$10,630)	0.00	\$0	\$0	(\$8,531)	(\$8,531)

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

DP 1 - Personal Services -

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

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

State Historic Preservation Office Program	
Montana Historical Society	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 17,583
Management Changes	26,334
Total Budget Modifications	-
Total	<u>\$ 43,917</u>

Increased personal services adjustments attributable to legislative changes are primarily a result of increased appropriations for benefits and some increases in appropriations for longevity. Increased personal services adjustments attributable to management decisions are primarily the result of negotiated pay adjustment, position reclassification adjustments, and retention adjustments.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

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