

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	27.53	27.53	27.53	0.00	0.0%	
Proprietary Funds	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)	
Total Funds	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)	
Personal Services	2,456,449	2,346,105	2,350,321	(216,472)	(4.4%)	
Operating Expenses	1,338,061	1,432,872	1,323,802	80,552	3.0%	
Equipment & Intangible Assets	11,635	11,635	11,635		0.0%	
Total Expenditures	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)	
Total Ongoing	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)	
Total One-Time-Only					0.0%	

Agency Highlights

Office of Public Instruction Major Budget Highlights
<p>The Office of Public Instruction's 2027 biennium non-budgeted proprietary appropriations are approximately \$136,000 or 1.8% lower than the FY 2025 base budget. Changes include:</p> <ul style="list-style-type: none"> • Decreases for the statewide present law adjustments for personal services and inflation/deflation • Increases for the statewide present law adjustment for 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.

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	0	0	0	3,806,145	100.4%	0	0	0	3,806,145	103.3%
Statewide PL										
Personal Services	0	0	0	(110,344)	(2.9%)	0	0	0	(106,128)	(2.9%)
Fixed Costs	0	0	0	95,240	2.5%	0	0	0	(13,969)	(0.4%)
Inflation Deflation	0	0	0	(429)	(0.0%)	0	0	0	(290)	(0.0%)
Total Statewide PL	0	0	0	(15,533)	(0.4%)	0	0	0	(120,387)	(3.3%)
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 Adjustments	0	0	0	(15,533)	(0.4%)	0	0	0	(120,387)	(3.3%)
Total Requested Budget	0	0	0	3,790,612		0	0	0	3,685,758	

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%		

Non-Budgeted Proprietary Funds

Proprietary funds are used for the OPI indirect cost pool and the advanced drivers' education program. For additional detail, please see the proprietary program descriptions.

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	27.53	27.53	27.53	27.53
Personal Services	2,394,762	2,405,902	2,456,449	2,346,105	2,350,321
Operating Expenses	877,471	1,393,575	1,338,061	1,432,872	1,323,802
Equipment & Intangible Assets	0	0	11,635	11,635	11,635
Total Expenditures	\$3,272,233	\$3,799,477	\$3,806,145	\$3,790,612	\$3,685,758
Proprietary Funds	3,272,233	3,799,477	3,806,145	3,790,612	3,685,758
Total Funds	\$3,272,233	\$3,799,477	\$3,806,145	\$3,790,612	\$3,685,758
Total Ongoing	\$3,272,233	\$3,799,477	\$3,806,145	\$3,790,612	\$3,685,758
Total OTO	\$0	\$0	\$0	\$0	\$0

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

In FY 2024, the Office of Public Instruction expended 86.1% of its \$3.8 million nonbudgeted proprietary appropriation. The majority of these expenditures are in OPI's indirect cost pool fund. These expenditures will be discussed in more detail at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Office of Public Instruction's non-budgeted appropriation authority for FY 2025 is approximately \$7,000 or 0.2% greater than in FY 2024. This difference is primarily due to equipment and intangible assets cost in FY 2025 only in the Montana DRIVE program

Indirect Cost Pool - 06512

Proprietary Program Description

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. The fees approved in HB 2 are the maximum fees that may be charged in the biennium.

Proprietary Program Revenues and Expenses

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

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06512	Indirect Cost Pool	35010	Office of Public Instruction	State Level Activities		
			Actual FY 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues:						
Fees and Charges						
	Federal Indirect Cost Recovery		1,638,537	1,946,717	1,910,035	1,881,778
	Non Federal Ind Cost Recovery		1,405,287	1,692,726	1,720,994	1,720,994
	Total Operating Revenues		3,043,825	3,639,443	3,631,029	3,602,772
Expenses:						
	Personal Services		2,349,206	2,342,897	2,271,481	2,275,695
	Other Operating Expense		811,367	1,290,167	1,296,545	1,282,154
	Total Operating Expense		3,160,573	3,633,064	3,568,026	3,557,849
	Operating Income (Loss)		(116,749)	6,379	63,003	44,923
	Income (Loss) Before Contributions and Transfers		(116,749)	6,379	63,003	44,923
	Change in Net Position		(116,749)	6,379	63,003	44,923
	Beginning Net Position - July 1		170,704	53,955	60,334	123,337
	Prior Period Adjustments					
	Change in Net Position		(116,749)	6,379	63,003	44,923
	Ending Net Position - June 30		53,955	60,334	123,337	168,260
Net Position (Fund Balance) Analysis						
Unrestricted Net Position						

Expenditures

Costs of OPI operations that are paid from the indirect cost pool include:

- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, mail delivery, and resource center services to all OPI programs
- Termination payouts (for vacation, comp time, and sick leave) for all staff, except the state superintendent and personal staff
- Partial costs for services provided to OPI by other state agencies, known as fixed costs
- Operating costs associated with 27.53 FTE, including the cost of rent for space occupied, office supplies, postage, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines, and shared equipment, including maintenance contracts on equipment

Legislative audit costs are appropriated on a biennial basis causing expenditures for the OPI indirect cost pool to be higher in the first year of the biennium.

Revenues

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs.

OPI negotiates an annual predetermined rate with the U.S. Department of Education (DOE). The rates are calculated in accordance with federal regulations and section 17-1-106, MCA. The rate submitted to DOE for FY 2025 is 18.37%. A new negotiation will take place in December 2024 and will be applicable for FY 2026. It is anticipated this rate will remain around 18.37%, which is the submitted rate for FY 2025 and slightly higher than the current legislatively approved rate of 17.0%. OPI is requesting an increase of 2.0% to the legislatively approved restricted and unrestricted rates from 17.0% to 19.0%, based on the federal indirect cost rate determination process as directed by the U.S. Department of Education.

Proprietary Rates

The executive proposes an increase to the Indirect Cost Pool proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	17.0%	18.37%	19.0%	19.0%

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

Advanced Drivers Program (Montana DRIVE) in Lewistown - 06067

Proprietary Program Description

The advanced driver education program (D.R.I.V.E.) is a seasonal, hands-on, behind-the-wheel crash avoidance program operated by the health enhancement and safety division of OPI at a training facility in Lewistown. The one-day and half-day courses 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. In operation since 1979, this program offers its services to employees of government services, fleet managers, and the public.

Proprietary Program Revenues and Expenses

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

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06067	Advanced Drivers Program	35010	Office of Public Instruction	State Level Activities		
			Actual FY 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues:						
Fees and Charges						
	Adv Drivers Fee		171,204	170,000	170,000	170,000
	Other Operating Revenues		27,500	30,000	30,000	30,000
	Vehicles Revenue		-	-	-	-
	Total Operating Revenues		<u>198,704</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Expenses:						
	Personal Services		93,548	113,552	74,624	74,626
	Other Operating Expense					
	General		67,529	41,516	41,620	41,648
	Equipment & Intangibles		-	11,635	11,635	11,635
	Total Operating Expense		<u>161,077</u>	<u>166,703</u>	<u>127,879</u>	<u>127,909</u>
	Operating Income (Loss)		<u>37,627</u>	<u>33,297</u>	<u>72,121</u>	<u>72,091</u>
	Income (Loss) Before Contributions and Transfers		<u>37,627</u>	<u>33,297</u>	<u>72,121</u>	<u>72,091</u>
	Change in Net Position		<u>37,627</u>	<u>33,297</u>	<u>72,121</u>	<u>72,091</u>
	Beginning Net Position - July 1		86,842	124,469	157,766	229,887
	Prior Period Adjustments					
	Change in Net Position		<u>37,627</u>	<u>33,297</u>	<u>72,121</u>	<u>72,091</u>
	Ending Net Position - June 30		<u>124,469</u>	<u>157,766</u>	<u>229,887</u>	<u>301,978</u>
Net Position (Fund Balance) Analysis						
Unrestricted Net Position						

Expenditures

Cost drivers for fees include instructor expenses (includes salaries, travel, and per diem); vehicle maintenance and operating expenses (fuel and repairs), classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Continued facility maintenance is anticipated to be an ongoing cost.

Revenues

Revenues are generated from workshop fees collected from program users. Typically, the program serves 450 to 550 participants a season. The current fee is \$375 per person for a full-day workshop. Program fees should remain within a range of \$375 - \$400 for the biennium. It is anticipated that services will remain approximately the same as present for the 2027 Biennium. Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses, and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. This fee amount should also cover any unusual maintenance costs that are incurred during a season.

Proprietary Rates

The executive proposes an increase to the Montana DRIVE proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	\$375	\$375	\$375 - \$400	\$375 - \$400

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

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.

	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(110,344)	0.00	0	0	0	(106,128)
DP 2 - Fixed Costs	0.00	0	0	0	95,240	0.00	0	0	0	(13,969)
DP 3 - Inflation Deflation	0.00	0	0	0	(429)	0.00	0	0	0	(290)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$15,533)	0.00	\$0	\$0	\$0	(\$120,387)

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

DP 1 - Personal Services -

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

DP 2 - Fixed Costs -

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

COMMISSIONER OF HIGHER EDUCATION

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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	11.00	11.00	11.00	0.00	0.0%	
Proprietary Funds	175,504,663	168,720,511	168,722,578	(13,566,237)	(3.9%)	
Total Funds	175,504,663	168,720,511	168,722,578	(13,566,237)	(3.9%)	
Personal Services	1,155,149	1,149,221	1,151,230	(9,847)	(0.4%)	
Operating Expenses	24,432,324	24,432,144	24,432,202	(302)	(0.0%)	
Benefits & Claims	149,872,471	143,094,427	143,094,427	(13,556,088)	(4.5%)	
Debt Service	44,719	44,719	44,719		0.0%	
Total Expenditures	175,504,663	168,720,511	168,722,578	(13,566,237)	(3.9%)	
Total Ongoing	175,504,663	168,720,511	168,722,578	(13,566,237)	(3.9%)	
Total One-Time-Only					0.0%	

Agency Highlights

**Office of the Commissioner of
Higher Education**

Major Budget Highlights

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

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

Executive Request

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

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

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%			

Non-Budgeted Proprietary Funds

The agency administers two programs funded by enterprise funds:

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

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

Agency Actuals and Budget Comparison

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

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

Agency Description

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

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

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

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

FY 2024 Appropriations Compared to FY 2025 Appropriations

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

Program Base Budget Comparison

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

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

Program Highlights

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

Executive Request

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

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

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

Funding

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

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

Non-Budgeted Proprietary Funds

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

Program Actuals and Budget Comparison

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

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

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

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

FY 2024 Appropriations Compared to FY 2025 Appropriations

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

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

MUS Group Insurance Program - 06008

Proprietary Program Description

The Board of Regents provides faculty and staff with group benefits through the MUS Group Insurance Program. The commissioner is authorized by Board of Regents' policy to administer the program as a self-insured, group insurance plan. All university system employees, retirees, and eligible dependents are offered medical, dental, vision, and group life insurance, as well as long-term disability benefits. Retirees and their enrolled dependents are eligible to continue medical and pharmacy coverage on a self-pay basis. The community colleges also participate in this program.

Proprietary Program Revenues and Expenses

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

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

Revenues

Revenue in this program comes from:

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

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

Expenditures

Significant costs for the program are for:

- Insurance claims payments
- Claims management
- Program administration

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

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

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

Proprietary Rates

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

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

MUS Flex Spending Account - 06009

Program Description

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

Proprietary Program Revenues and Expenses

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

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

LFD COMMENT

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

Revenues

Revenue in this program comes from:

- Employee payments to flexible spending accounts

The agency is projecting level revenues for managing the accounts.

Proprietary Rates

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

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

Present Law Adjustments

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

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

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

DP 1 - Personal Services -

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

DP 3 - Inflation Deflation -

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

DP 501 - MUS Group Insurance Authority Adjustment -

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

Program Base Budget Comparison

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

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

Program Highlights

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

Executive Request

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

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

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

Funding

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

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

Non-Budgeted Proprietary Funds

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

Program Actuals and Budget Comparison

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

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

Program Description

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

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

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

FY 2024 Appropriations Compared to FY 2025 Appropriations

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

MUS Self-Funded Workers' Compensation - 06082

Proprietary Program Narrative

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

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

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

Rate Explanation

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

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

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

Present Law Adjustments

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

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

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

DP 1 - Personal Services -

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

DP 3 - Inflation Deflation -

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

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-----

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	4.62	4.62	4.62	0.00	0.0%	
Proprietary Funds	628,844	680,811	682,077	105,200	8.4%	
Total Funds	628,844	680,811	682,077	105,200	8.4%	
Personal Services	349,278	401,245	402,511	105,200	15.1%	
Operating Expenses	99,815	99,815	99,815		0.0%	
Debt Service	179,751	179,751	179,751		0.0%	
Total Expenditures	628,844	680,811	682,077	105,200	8.4%	
Total Ongoing	628,844	680,811	682,077	105,200	8.4%	
Total One-Time-Only					0.0%	

Agency Highlights

Montana State Library Major Budget Highlights
<p>The Montana State Library's 2027 biennium non-budgeted proprietary request is approximately \$105,000 or 8.4% 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

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	0	0	0	628,844	92.4%	0	0	0	628,844	92.2%
Statewide PL										
Personal Services	0	0	0	51,967	7.6%	0	0	0	53,233	7.8%
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	51,967	7.6%	0	0	0	53,233	7.8%
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 Adjustments	0	0	0	51,967	7.6%	0	0	0	53,233	7.8%
Total Requested Budget	0	0	0	680,811		0	0	0	682,077	

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		-	2,108,163	20,064,192	
Percent of All Sources of Authority	82.7%	0.0%	6.8%	10.5%		

Non-Budgeted Proprietary Funds

Proprietary funds are used for the Montana state reference network and the shared catalog. For additional detail, please see the proprietary program descriptions.

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	4.62	4.62	4.62	4.62
Personal Services	257,761	257,764	349,278	401,245	402,511
Operating Expenses	28,136	95,102	99,815	99,815	99,815
Debt Service	171,447	171,447	179,751	179,751	179,751
Total Expenditures	\$457,344	\$524,313	\$628,844	\$680,811	\$682,077
Proprietary Funds	457,344	524,313	628,844	680,811	682,077
Total Funds	\$457,344	\$524,313	\$628,844	\$680,811	\$682,077
Total Ongoing	\$457,344	\$524,313	\$628,844	\$680,811	\$682,077
Total OTO	\$0	\$0	\$0	\$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

In FY 2024, the Montana State Library expended 87.2% of its approximately \$524,000 non-budgeted proprietary budget. The majority of these expenditures are in the Montana shared catalog account. These expenditures will be discussed in more detail at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Montana State Library's non-budgeted appropriation authority for FY 2025 is approximately \$105,000 or 19.9% greater than in FY 2024. This difference is primarily due to the newly created Montana State Reference Network account, which first recorded expenditures in FY 2025.

Montana Shared Catalog - 06021*Proprietary Program Description*

The Montana Shared Catalog (MSC) is a cooperative project involving 180 libraries. Public libraries, school libraries, academic libraries, medical libraries, and other special libraries have pooled resources to purchase a robust library automation system. Members enjoy the benefits of shared expertise and the ability to provide improved service to library customers. The Montana State Library became the fiscal agent for the MSC in FY 2008.

Proprietary Program Revenues and Expenses

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

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06021	Montana Shared Catalog	51150	Montana State Library	Statewide Library Resources		
			Actual FY 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues:						
Fees and Charges						
	Member Fees		495,380	500,000	500,000	500,000
	Total Operating Revenues		495,380	500,000	500,000	500,000
Expenses:						
	Personal Services		255,116	227,778	225,972	227,238
	Other Operating Expense		106,774	71,315	71,315	71,315
			110,979	179,751	179,751	179,751
	Total Operating Expense		472,869	478,844	477,038	478,304
	Operating Income (Loss)		22,511	21,156	22,962	21,696
	Income (Loss) Before Contributions and Transfers		22,511	21,156	22,962	21,696
	Change in Net Position		22,511	21,156	22,962	21,696
	Beginning Net Position - July 1		(25,452)	(2,941)	18,215	41,177
	Prior Period Adjustments		-	-	-	-
	Change in Net Position		22,511	21,156	22,962	21,696
	Ending Net Position - June 30		(2,941)	18,215	41,177	62,873
Net Position (Fund Balance) Analysis						
Unrestricted Net Position						

Expenditures

Expenditures include:

- Personal services for 2.62 FTE
- The payment of required fees for software licensing
- User interface
- Indexing to make the system run
- Payment for required yearly catalog director station maintenance
- Travel budget for meeting with stakeholders and conference attendance
- Member training
- Equipment replacement

Revenues

The MSC members pay membership dues that are used to pay operating expenses. There are approximately 180 member libraries that pay membership fees each year.

Proprietary Rates

In accordance with the written agreement each participating library signs upon joining this consortium, the annual fee assessed to each library is established on the basis of a membership-approved cost formula. The goal of the cost formula is to distribute MSC operational costs as fairly and evenly as possible based on the following:

- Individual library's title count
- Patron count
- Circulation count
- Equal share contribution

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

Montana State Reference Network - 06025*Proprietary Program Description*

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.

Proprietary Program Revenues and Expenses

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

2027 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06025	Montana State Reference Network	51150	Montana State Library	Statewide Library Resources		
			Actual FY 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues:						
Fees and Charges						
	Subscriber Fees		62,087	150,000	225,000	375,000
	Total Operating Revenues		62,087	150,000	225,000	375,000
Expenses:						
	Personal Services		-	121,500	175,273	175,273
	Other Operating Expense		-	28,500	28,500	28,500
	Total Operating Expense		-	150,000	203,773	203,773
	Operating Income (Loss)		62,087	-	21,227	171,227
	Income (Loss) Before Contributions and Transfers		62,087	-	21,227	171,227
	Change in Net Position		62,087	-	21,227	171,227
	Beginning Net Position - July 1		-	62,087	62,087	83,314
	Prior Period Adjustments		-	-	-	-
	Change in Net Position		62,087	-	21,227	171,227
	Ending Net Position - June 30		62,087	62,087	83,314	254,541
Net Position (Fund Balance) Analysis						
	Unrestricted Net Position					

Expenditures

Expenditures include:

- Payment of required fees for software licensing
- User interface
- Agency support staff and overhead
- Equipment replacement

Revenues

The Montana State Reference Network subscribers pay subscription fees that are used to pay for the operations of the program.

Proprietary Rates

Montana State Library analyzes rates charged to subscribers on a biannual basis. Rates are reflective of projected program costs and number of program subscribers.

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

Present Law Adjustments

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

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	51,967	0.00	0	0	0	53,233
DP 2 - Fixed Costs	0.00	0	0	0	0	0.00	0	0	0	0
DP 3 - Inflation Deflation	0.00	0	0	0	0	0.00	0	0	0	0
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$51,967	0.00	\$0	\$0	\$0	\$53,233

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

DP 1 - Personal Services -

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

DP 2 - Fixed Costs -

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