

### Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	165.86	165.86	163.61	163.61	165.86	163.61	(2.25)	(1.35%)
Personal Services	9,958,949	11,582,397	10,480,373	10,477,879	21,541,346	20,958,252	(583,094)	(2.71%)
Operating Expenses	14,806,100	21,595,012	19,108,106	16,913,268	36,401,112	36,021,374	(379,738)	(1.04%)
Equipment & Intangible Assets	11,839	50,426	11,839	11,839	62,265	23,678	(38,587)	(61.97%)
Local Assistance	564,594,849	713,487,529	614,957,611	649,934,264	1,278,082,378	1,264,891,875	(13,190,503)	(1.03%)
Grants	132,029,203	147,998,651	139,766,183	143,416,183	280,027,854	283,182,366	3,154,512	1.13%
Transfers	409,490	1,490,510	409,490	409,490	1,900,000	818,980	(1,081,020)	(56.90%)
<b>Total Costs</b>	<b>\$721,810,430</b>	<b>\$896,204,525</b>	<b>\$784,733,602</b>	<b>\$821,162,923</b>	<b>\$1,618,014,955</b>	<b>\$1,605,896,525</b>	<b>(\$12,118,430)</b>	<b>(0.75%)</b>
General Fund	560,053,258	722,904,404	617,403,116	652,397,712	1,282,957,662	1,269,800,828	(13,156,834)	(1.03%)
State Special	975,513	979,051	9,572,503	9,572,692	1,954,564	19,145,195	17,190,631	879.51%
Federal Special	160,781,659	172,321,070	157,757,983	159,192,519	333,102,729	316,950,502	(16,152,227)	(4.85%)
<b>Total Funds</b>	<b>\$721,810,430</b>	<b>\$896,204,525</b>	<b>\$784,733,602</b>	<b>\$821,162,923</b>	<b>\$1,618,014,955</b>	<b>\$1,605,896,525</b>	<b>(\$12,118,430)</b>	<b>(0.75%)</b>

### Agency Description

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

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction (OPI) distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 427 school districts. The staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, school curriculum, school finance, and school law. The staff also administers a number of federally-funded programs and provides 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.

### Agency Highlights

<b>Office of Public Instruction Major Budget Highlights</b>	
◆	The table above does not reflect the true biennial change in OPI's budget. When all funds are taken into account the total budget will rise by \$29.3 million in the 2013 biennium compared with the 2011 biennium.
◆	The legislature passed the following legislation with respect to OPI's budget: <ul style="list-style-type: none"> <li>● Funded K-12 education at levels consistent with an inflationary increase from FY 2011 entitlements of 1.0% in FY 2012 and 2.43% in FY 2013, for a total biennial increase in Base Aid of \$24.5 million. The increase in the FY 2013 was contingent upon passage of HB 316, which the Governor vetoed. As a result, the increase in FY 2013 was 1.6%, for a biennial increase in Base Aid of \$19.9 million. The legislature partially paid for this by redistributing to the guarantee account \$18.9 million in oil and gas revenue in excess of 130% of district's general fund maximum budget</li> <li>● Funded a much larger share of direct state aid from the guarantee account in FY 2012 by depositing in that account transfers accomplished in HB 604 (\$27.4 million), riverbed revenues in HB 165 (\$8.5 million), excess oil and gas revenue in SB 329 (\$18.9</li> </ul>

million), in addition to the usual interest and income revenues under current law (\$91.4 million)

- Paid for school debt service reimbursements (\$17.1 million) from the school facility and technology account instead of the general fund.
- Restored the at-risk student payment to \$10 million in the 2013 biennium.
- Made permanent special education funding at \$41.6 million per year.
- Increased transportation and restored other items at their 2011 biennium levels
- Created a new multi-district cooperative program to encourage districts to form purchasing and service pools to enhance efficiency. The appropriation was for \$1.0 million
- Transferred the Montana Digital Academy from the Montana University System to the department and appropriated \$1.2 general fund each year of the biennium

### Summary of Legislative Action

As shown in the main table, general fund in HB 2 is reduced by over \$12.0 million. However, in order to have a full picture of the action taken by the legislature with regard to K-12 education and the change in funding from the 2011 biennium, it is necessary to examine funds in HB 2 in concert with those anticipated to be paid from the statutorily appropriated guarantee account. It is also important to note that general fund expenditures in FY 2010 were significantly lower due to the one-time provision of federal stimulus funds and Otter Creek coal leasing revenues, both of which offset general fund expenditures in that year. The following figure illustrates a complete picture of the biennial changes in the OPI budget.

<b>Biennial Comparison of OPI's Budget - 2013 Biennium v 2011 Biennium</b>				
(in millions)				
Fund	FY 2010	FY 2011	FY 2012	FY 2013
General Fund	\$560.053	\$627.399	\$617.403	\$652.397
State Special	0.975	0.979	9.573	9.573
Guarantee Account	134.317	47.986	111.377	93.548
Federal Stabilization (ARRA)	<u>25.331</u>	<u>67.510</u>	<u>0.000</u>	<u>0.000</u>
Total State Spending/Appropriations	<u>\$720.676</u>	<u>\$743.874</u>	<u>\$738.353</u>	<u>\$755.518</u>
Biennial Difference				\$29.321

### HB 2

The following details the changes made in HB 2 to include all bills passed by the legislature regarding K-12 funding. Among those bills was HB 316. Because HB 316 was vetoed by the Governor, appropriations for Base Aid in HB 2 are incorrect, as explained below.

#### Base Aid

- Restores state general fund appropriations for Base Aid to levels consistent with FY 2011 entitlements
- Increases Base Aid appropriations by 1% in FY 2012 and by 2.43% in FY 2013. The bill that changed the law in this regard was SB 329, which included a contingency that tied the 2.43% increase in FY 2013 to the passage and approval of HB 316. Otherwise the inflation percentage for FY 2013 would fall to 1.6%. The Governor vetoed HB 316, causing the increase for schools to be 1.6%. The table below shows the Base Aid for FY 2012 and FY 2013 at a 1% increase in entitlements in FY 2012 and a 1.6% increase in FY 2013.

<b>K-12 Base Aid - Inflation at 1% in FY 2012 and 1.6% in FY 2013</b>			
Base Aid	Base Budget		
	Fiscal 2010	Fiscal 2012	Fiscal 2013
Direct State Aid	\$226,393,777	\$372,774,600	\$378,403,354
Direct State Aid - HB 645 ARRA	0	14,613,477	14,613,477
GTB - School General Fund	137,838,158	140,356,483	140,997,440
GTB - School Retirement	25,303,383	30,054,086	30,772,993
Indian Ed for All	3,037,041	3,005,965	3,002,232
Close Achievement Gap	3,221,000	3,125,600	3,114,000
Quality Educator	38,000,956	38,339,823	38,339,823
School District Audits	<u>185,135</u>	<u>196,685</u>	<u>202,317</u>
Total Base Aid	<u>\$433,979,450</u>	<u>\$602,466,718</u>	<u>\$609,445,635</u>

- Under-appropriates general fund for Base Aid by \$53.4 million. This is because HB 316 would have redirected US mineral royalty revenue from the general fund to the statutorily appropriated guarantee account, as shown in the table below. The failure of HB 316 means the guarantee account will not have enough revenue to pay for its portion of Base Aid. As a result there will be a supplemental for Base Aid in the 2013 biennium of approximately \$53.4 million. This is illustrated in the following table.

The first panel in the table shows how much was assumed to be expended for Base Aid from general fund Base Aid appropriations and the revenues assumed to flow into the guarantee account had HB 316 passed. It assumes that schools would receive a 2.43% increase in FY 2013, and that HB 2 would require less authority because of the mineral royalty deposits to the guarantee account in HB 316.

The second panel shows how much of Base aid will actually be paid out of the HB2 general fund appropriation and the revenue that will actually flow into the guarantee account and be available to pay for Base Aid with the failure of HB 316. The difference between the first panel and the second panel is the projected supplemental appropriation for Base Aid.

<b>Appropriations in HB2 for Base Aid - Inflation at 1% and 2.43% - With US Mineral Royalties in Guarantee Account</b>		
Guarantee Account DSA Spending	<u>\$111,377,224</u>	<u>\$93,548,495</u>
Guarantee Account Revenue		
Interest and Income	45,126,000	46,256,000
HB 604 - Transfers from other Accounts	27,400,000	0
HB 165 - Streambed Rent Revenue	4,193,000	4,277,000
SB329 - Oil and Gas Revenue	10,905,966	11,399,372
US Mineral Royalties (HB 316)	29,400,000	27,446,000
HB 2 Language Dependent on SB 329 Passing	0	(3,419,812)
HB2 Language dependent upon HB 316 Passing	<u>(5,647,742)</u>	<u>7,589,936</u>
	<u>111,377,224</u>	<u>93,548,495</u>
General Fund Base Aid in HB 2	<u>\$491,089,494</u>	<u>\$520,521,292</u>
General Fund Appropriations and Guarantee Account Assumptions	<u>\$602,466,718</u>	<u>\$614,069,787</u>
<b>Expected Spending on Base Aid - Inflation at 1% and 1.6% - With US Mineral Royalties in General Fund</b>		
Guarantee Account DSA Spending	<u>\$87,624,966</u>	<u>\$58,512,560</u>
Guarantee Account Revenue		
Interest and Income	45,126,000	46,256,000
HB 604 - Transfers from other Accounts	27,400,000	0
HB 165 - Streambed Rent Revenue	4,193,000	4,277,000
SB329 - Oil and Gas Revenue	10,905,966	11,399,372
HB 2 Language Dependent on SB 329 Passing	0	(3,419,812)
HB2 State Lands Revenue	280,441	285,140
SB35 - State Lands Revenue	1,130	7,798
SB409 - State Lands Revenue	(22,350)	(560,827)
SB410 - State Lands Revenue	149,100	614,468
Total Guarantee Revenue	<u>88,033,287</u>	<u>58,859,139</u>
General Fund Base Aid - Actual Expected Spending	<u>\$514,433,431</u>	<u>\$550,591,123</u>
General Fund Appropriations and Guarantee Account Assumptions	<u>\$602,466,718</u>	<u>\$609,103,682</u>
Potential General Fund Supplemental	\$23,343,937	\$30,069,831

At-Risk Student Payment

- Restores the at-risk student payment at \$5.0 million per year in the 2013 biennium. This appropriation had been reduced to \$1 per year in the 2011 biennium

Special Education

- Makes permanent the \$1.284 million in special education that had been appropriated as onetime-only in the 2011 biennium. The appropriation for each year of the 2013 biennium will be \$41.7 million

School Facility Debt Service Reimbursements

- Pays for the school facility debt service reimbursement of \$8.6 million each year of the biennium out of the school facility and technology account instead of the general fund as under previous law

**Other K-12 Items**

- Appropriates an additional \$500,000 for transportation
- Freezes HB 124 block grants at FY 2011 levels, but adds \$6.4 million in reimbursements due to passage of SB 372, which reimburses districts for lost tax base associated with reducing the class 8 business equipment tax rate.
- Approves several small categorical items to their 2011 biennium appropriated levels
- Reduces the advancing agricultural education program to just under \$129,000
- Appropriates \$1.0 million biennially for multi-district cooperatives
- Establishes the Montana Digital Academy in OPI from the university system and funds it at \$1.2 million general fund per year

**SB 329**

SB 329 was the major school funding bill. It does the following:

- Increases the basic and per-ANB entitlements elementary, middle school and high school by 1% in FY 2012 and by 2.43% in FY 2013, increasing Base Aid costs by \$24.5 million. The FY 2013 increase was contingent on passage and approval of HB 316. HB 316 was vetoed by the executive. As a result the inflation factor in SB 329 for FY 2013 was reduced to 1.6%, a reduction of \$4.6 million. This adjustment was not reflected in HB 2. The table below shows inflation at its statutory definition, at the level funded in HB 2, and the actual level of inflation in SB 329 after the HB 316 contingency is taken into account

<b>K-12 Inflation for the 2013 Biennium</b>			
Inflation in SB 329 had HB 316 passed (1% in FY 2012 and 2.43% in FY 2013)			
	<b>FY 2012</b>	<b>FY 2013</b>	<b>Biennial</b>
Direct State Aid	\$3,924,251	\$13,504,137	\$17,428,388
Guaranteed Tax Base Aid	<u>1,597,833</u>	<u>5,499,314</u>	<u>7,097,147</u>
Total State Aid Inflation	<u>\$5,522,084</u>	<u>\$19,003,451</u>	<u>\$24,525,535</u>
Inflation in the Final Version of SB 329 Contingent on Failure of HB 316 (1% in FY 2012 and 1.6% in FY 2013)			
	<b>FY 2012</b>	<b>FY 2013</b>	<b>Biennial</b>
Direct State Aid	\$3,924,251	\$10,217,358	\$14,141,610
Guaranteed Tax Base Aid	<u>1,597,833</u>	<u>4,161,941</u>	<u>5,759,774</u>
Total State Aid Inflation	<u>\$5,522,084</u>	<u>\$14,379,300</u>	<u>\$19,901,384</u>

- Redistributes oil and gas revenues from certain school districts to the guarantee account beginning in FY 2012. A school district will be allowed to retain oil and gas revenues up to 130% of its maximum budget. Any excess will be retained by the Department of Revenue. It is expected that this will generate state revenues of \$10.9 million in FY 2012 and \$11.4 million in FY 2013. Beginning in FY 2013, the excess oil and gas revenue will be deposited 70% in the guarantee fund, 25% in a new county school oil and natural gas impact account, and 5% in a new state oil and natural gas impact account. This section terminates June 30, 2016
  - The monies that flow into the county impact account will be held in the account until certain economic events that depress prices or production, at which time the money will be distributed to the counties in which the production occurs. The state impact account is to be held in the account until a district requests aid due to impacts from increasing oil and natural gas production on school needs. The amount deposited in the state impact fund is capped at \$7.5 million, after which the 5% is allocated to the guarantee account
- Requires school districts to budget oil and gas revenues in the district general fund at 25% of the prior year's actual receipts in FY 2012, at 35% in FY 2013, at 45% in FY 2014 and at 55% for each fiscal year thereafter. All remaining oil and gas revenues may be deposited in any other budgeted district fund. This has a small positive impact on district general fund GTB in the 2013 biennium
- Limits a school district's fund balance reappropriated to 15% of a school district's maximum budget, beginning in FY 2012, with the excess distributed to the state. In FY 2012, the excess will be deposited in the state general

fund. Beginning in FY 2013 and thereafter, the excess will be deposited 70% in the guarantee fund, 25% in a new county school oil and natural gas impact account, and 5% in a new state oil and natural gas impact account. This section of SB 329 allows school districts to transfer any general fund money in excess of 15% of its FY 2011 general fund budget to any other budgeted fund. This section of SB 329 terminates June 30, 2016

- Revises the school district budget amendment law (20-9-161, MCA) by requiring that budget amendment requests that exceed 10% of a district’s general fund budget must be reported to the Education and Local Government interim committee and the Board of public Education regarding why the budget amendment is necessary
- Allows the trustees of the district to adopt an over-BASE budget without a vote if such an adoption will not raise property tax revenue compared with over-BASE property tax revenue in the preceding five years. Previous law allowed trustees only to compare the ensuing year’s over-BASE property tax revenue with the prior year’s amount
- Allows for payments for the school facility debt service reimbursements to be made from the school facility and technology account
- Eliminates HB 124 block grant growth in the district general fund beginning in FY 2012. It was intended that HB 124 block grant growth as applied to the county transportation fund would also be eliminated in SB 329. This elimination was not done in SB 329, but the HB 124 block grant appropriations for FY 2012 and FY 2013 were for the district funds and the county transportation funds were frozen at FY 2011 levels. This will require a supplemental of \$42,324 in FY 2013
- Beginning in FY 2016, limits the combined ending fund balances of all budgeted funds except the building reserve fund, the debt service fund, or the bus depreciation fund to no more than 300% of a district’s general fund maximum budget. If there is an excess it must be distributed to any other school districts in the same county on a per-quality educator basis. If there is only one district in the county, or the distribution to the other districts in a county would put them above the 300% limit, the excess is be deposited in the state guarantee account
- Creates a multi-district cooperative purchasing program that allows two or more districts to execute a multidistrict agreement for cooperative purchases or provide cooperative services. SB 329 appropriates \$1.0 million biennially for multi-district cooperatives formed by December 31, 2012, to be distributed in proportion to each district’s base budget
- Changes the name of the Montana virtual academy to the Montana Digital Academy.
- Creates a Montana pathway to excellence program and require school districts to publish student and teacher performance information on their websites or though other written forms

**Funding**

The following table summarizes funding for the agency, by program and source. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding					
2013 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
06 State Level Activities	\$ 19,803,274	\$ 473,195	\$ 34,499,156	\$ 54,775,625	3.41%
09 Local Education Activities	<u>1,249,997,554</u>	<u>18,672,000</u>	<u>282,451,346</u>	<u>1,551,120,900</u>	<u>96.59%</u>
Grand Total	<u>\$ 1,269,800,828</u>	<u>\$ 19,145,195</u>	<u>\$ 316,950,502</u>	<u>\$ 1,605,896,525</u>	<u>100.0%</u>

**Budget Summary by Category**

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	560,053,258	560,053,258	1,120,106,516	88.21%	721,810,430	721,810,430	1,443,620,860	89.90%
Statewide PL Adjustments	14,833,830	14,839,085	29,672,915	2.34%	704,152	706,377	1,410,529	0.09%
Other PL Adjustments	109,930,942	108,710,392	218,641,334	17.22%	121,038,934	121,256,139	242,295,073	15.09%
New Proposals	(67,414,914)	(31,205,023)	(98,619,937)	(7.77%)	(58,819,914)	(22,610,023)	(81,429,937)	(5.07%)
<b>Total Budget</b>	<b>\$617,403,116</b>	<b>\$652,397,712</b>	<b>\$1,269,800,828</b>		<b>\$784,733,602</b>	<b>\$821,162,923</b>	<b>\$1,605,896,525</b>	

**Other Legislation**

**HB 165** - This bill directs the revenue from riverbed rents to be deposited to the guarantee account until July 1, 2014 at which time it is to be deposited to the school facilities and technology account.

**HB 604**- This bill transfers \$27.4 million of state special revenue funds from the junk vehicle account, orphan share fund, oil and gas privilege and license tax fund, and the coal bed methane protection fund to the guarantee account.

**HB 611** - This bill clarifies the distribution of grants under the Advancing Agriculture Education program.

**SB 329** - This bill was the major school funding bill. See Agency Discussion.

**SB 372** – Effective January 1, 2012, this bill reduces the tax rate on class 8 business equipment from 3% to 2% for the first \$2.0 million of market value of class 8 property owned by an individual or business. The \$2.0 million threshold is raised to \$3 million and the tax rate is reduced to 1.5% the first year after a trigger is reached. The trigger is reached when the sum of collections of corporation income taxes and individual income taxes exceed the prior year's collections by more than 4.0% starting in FY 2013. The soonest that the second tax rate change could begin is in tax year 2014/FY 2015.

Owners of class 8 business equipment that is in excess of the \$2.0 million threshold (or \$3 million threshold if the trigger is hit) would continue to pay the current law tax rate of 3%.

**SB 372** reduces property tax revenue to school districts and to countywide education accounts by reducing the taxable value for class 8 property and reducing the value of class 12 (railroad and airline) property. The bill reimburses county governments, school districts, countywide school accounts and tax increment financing districts at 100% of their losses calculated at levies existing in mid 2012.

The statewide reimbursement amounts to school districts and the countywide education are expected to be \$6.4 million in FY 2013. This will reduce GTB payments to school districts by \$1.6 million in FY 2013 and to countywide education accounts by \$0.2 million in FY 2013.

SJR 28 - The Educational and Local Government interim committee was assigned in this study resolution to examine performance based funding for K-12.

### Executive Budget Comparison

The following table compares the legislative budget in the 2013 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2010	Executive Budget Fiscal 2012	Legislative Budget Fiscal 2012	Leg - Exec. Difference Fiscal 2012	Executive Budget Fiscal 2013	Legislative Budget Fiscal 2013	Leg - Exec. Difference Fiscal 2013	Biennium Difference Fiscal 12-13
FTE	165.86	165.86	163.61	(2.25)	165.86	163.61	(2.25)	
Personal Services	9,958,949	10,676,905	10,480,373	(196,532)	10,674,244	10,477,879	(196,365)	(392,897)
Operating Expenses	14,806,100	16,036,171	19,108,106	3,071,935	16,067,292	16,913,268	845,976	3,917,911
Equipment & Intangible Assets	11,839	11,839	11,839	0	11,839	11,839	0	0
Local Assistance	564,594,849	685,768,117	614,957,611	(70,810,506)	690,860,253	649,934,264	(40,925,989)	(111,736,495)
Grants	132,029,203	139,766,183	139,766,183	0	143,416,183	143,416,183	0	0
Transfers	409,490	409,490	409,490	0	409,490	409,490	0	0
<b>Total Costs</b>	<b>\$721,810,430</b>	<b>\$852,668,705</b>	<b>\$784,733,602</b>	<b>(\$67,935,103)</b>	<b>\$861,439,301</b>	<b>\$821,162,923</b>	<b>(\$40,276,378)</b>	<b>(\$108,211,481)</b>
General Fund	560,053,258	650,266,733	617,403,116	(32,863,617)	654,798,000	652,397,712	(2,400,288)	(35,263,905)
State/Other Special	975,513	48,018,021	9,572,503	(38,445,518)	48,610,569	9,572,692	(39,037,877)	(77,483,395)
Federal Special	160,781,659	154,383,951	157,757,983	3,374,032	158,030,732	159,192,519	1,161,787	4,535,819
<b>Total Funds</b>	<b>\$721,810,430</b>	<b>\$852,668,705</b>	<b>\$784,733,602</b>	<b>(\$67,935,103)</b>	<b>\$861,439,301</b>	<b>\$821,162,923</b>	<b>(\$40,276,378)</b>	<b>(\$108,211,481)</b>

The budget for OPI passed by the legislature differs from the budget proposed by the executive. The table above does not give a correct comparison of the differences between what the executive proposed and what the legislature passed, primarily due to the legislature's expanded funding for Base Aid from the guarantee account.

The executive proposed the following:

- A present law adjustment for general fund Base Aid to make funding consistent with FY 2011 entitlement levels; however the executive under-calculated this adjustment by nearly \$8.5 million. A further overestimate of interest and income into the guarantee account made the general fund present law adjustment short by an additional \$6.4 million. The legislature recognized these increased general fund costs in its appropriations.
- Basic and per-ANB entitlement increases of 1.90% in FY 2012 and 1.53% in FY 2013, increasing Base Aid by \$29.5 million. The legislature adopted entitlement increases of 1% in FY 2012 and 2.43% in FY 2013. The FY 2013 increase was reduced to 1.6% as a result of the Governor's veto of HB 316. As a result the legislature funded inflation at a level that was \$9.6 million below that requested by the executive.
- Removing funding for debt service reimbursements (\$17.2 million) from the general fund and funding this item from the school facility and technology account. The legislature took this action.
- Redirecting streambed rents from the school facility and technology account to the guarantee account. The legislature accomplished this.
- Removing funding for the quality educator payment from the general fund and paying for this Base Aid component from a new Teach Montana account and paying for this payment by diverting from public schools 90 percent of their oil and gas revenues. The executive also proposed inflating the quality educator payment by inflation (1.53%) beginning in FY 2013. The legislature did not adopt these requests and continued to fund the quality educator payment out of the general fund. The legislature did not apply inflation to the quality educator payment. The oil and gas proposal was altered as explained below.
- Restoring permanently the state's special education allowable cost payment to FY 2011 levels (a portion had been one-time-only in the 2011 biennium), and applying inflation (\$2.7 million) to the state's special education



allowable cost payment in both years of the 2013 biennium. The legislature did restore permanently the special education payment to its FY 2011 level, but did not apply inflation to that payment in the 2013 biennium.

- Increasing HB 124 block grants by 0.76% per year in the 2013 biennium as required by statute. The legislature changed statute and did not increase HB 124 block grants by inflation in the 2013 biennium, but held them at their FY 2011 levels, thereby saving the general fund \$1.2 million.
- Restoring the at-risk student payment to \$5.0 million per year. The legislature passed this provision.
- Restoring many categorical items to their FY 2011 biennium levels, as well as increasing transportation slightly. The legislature passed these provisions.

The legislature altered some executive proposals and took other action that was not proposed by the executive:

- The executive proposed to redistribute 90% of districts' oil and gas revenue and deposit this revenue into a new Teach Montana account. The legislature did redistribute some oil and gas revenues from school districts and deposited this revenue in the guarantee account and two impact accounts. Instead of redistributing 90% of the oil and gas revenue from all districts, the legislature required districts to give up to the state oil and gas revenue in excess of 130% of a district's maximum general fund budget. This will affect approximately 10 to 15 districts depending on oil and natural gas prices and production.
- The legislature created a new multi-district cooperative payment (\$1.0 million) to two or more districts that form cooperative associations to purchase goods and provide services.
- The legislature paid for a substantial portion of Base Aid out of the guarantee account by transferring significant balances from other accounts into the guarantee account.

### **Language and Statutory Authority**

The legislature included the following language in HB 2.

“OPI Administration includes a reduction in general fund money of \$9,902 in FY 2012 and \$9,860 in FY 2013. The agency may allocate this reduction in funding among programs when developing 2013 biennium operating plans.”

“All revenue up to \$1.1 million in FY 2012 and \$1.1 million in FY 2013 in the traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5.”

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

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

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	165.86	165.86	163.61	163.61	165.86	163.61	(2.25)	(1.35%)
Personal Services	9,958,949	11,582,397	10,480,373	10,477,879	21,541,346	20,958,252	(583,094)	(2.71%)
Operating Expenses	13,722,264	20,443,953	18,000,529	15,793,166	34,166,217	33,793,695	(372,522)	(1.09%)
Equipment & Intangible Assets	11,839	50,426	11,839	11,839	62,265	23,678	(38,587)	(61.97%)
Local Assistance	0	974,052	0	0	974,052	0	(974,052)	(100.00%)
Grants	0	0	0	0	0	0	0	n/a
<b>Total Costs</b>	<b>\$23,693,052</b>	<b>\$33,050,828</b>	<b>\$28,492,741</b>	<b>\$26,282,884</b>	<b>\$56,743,880</b>	<b>\$54,775,625</b>	<b>(\$1,968,255)</b>	<b>(3.47%)</b>
General Fund	8,966,070	9,217,888	9,898,928	9,904,346	18,183,958	19,803,274	1,619,316	8.91%
State Special	225,513	229,051	236,503	236,692	454,564	473,195	18,631	4.10%
Federal Special	14,501,469	23,603,889	18,357,310	16,141,846	38,105,358	34,499,156	(3,606,202)	(9.46%)
<b>Total Funds</b>	<b>\$23,693,052</b>	<b>\$33,050,828</b>	<b>\$28,492,741</b>	<b>\$26,282,884</b>	<b>\$56,743,880</b>	<b>\$54,775,625</b>	<b>(\$1,968,255)</b>	<b>(3.47%)</b>

### Program Description

The State Level Activities program includes the Office of the State Superintendent and ten divisions of the agency that work together to provide leadership and services to Montana public schools. Those divisions include the Office of the State Superintendent, Accreditation, Career and Technical Education, Measurement and Accountability, Health Enhancement and Safety, Special Education, Indian Education, School Finance, Educational Opportunity and Equity, Centralized Services and Information Technology.

### Program Highlights

<b>State Level Activities Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The biennial budget is \$2.0 million or 3.5% lower than the previous biennium</li> <li>◆ General fund increases by \$1.6 million due primarily to the provision of funds for the digital academy and statewide present law adjustments, partially offset by operational reductions</li> <li>◆ Federal funds decrease by \$3.6 million to adjust authority to anticipated grant revenues, including the Statewide Longitudinal Data System</li> </ul>

### Program Narrative

The table on the next page provides the 2013 biennial budget per division. Two significant changes occurred in the biennial budget:

- General fund was added in the Superintendent's Office for funding the Montana Digital Academy
- Federal authority was added to the Information Technology Division to fund the Statewide Longitudinal Data System.

Office of Public Instruction Biennial Budget by Division										
Agency Function	FY 2012 - Appropriated					FY 2013 - Appropriated				
	GF	SSR	Fed	Total	%	GF	SSR	Fed	Total	%
Superintendent's Office	\$2,979,329	\$0	\$3,815,876	\$6,795,205	24%	\$2,978,880	\$0	\$3,814,015	\$6,792,895	26%
Legal Services	518,274	0	0	518,274	2%	517,544	0	0	517,544	2%
Measurement & Accountability	528,456	0	188,905	717,361	3%	528,810	0	187,851	716,661	3%
State Distribution to Schools	855,724	0	0	855,724	3%	857,660	0	0	857,660	3%
Information Technology	1,164,264	0	3,728,686	4,892,950	17%	1,164,342	0	1,515,303	2,679,645	10%
Indian Education	1,445,699	0	177,353	1,623,052	6%	1,446,074	0	176,506	1,622,580	6%
Curriculum Services	266,397	0	657,786	924,183	3%	268,920	0	655,594	924,514	4%
Accreditation	1,199,006	0	685,457	1,884,463	7%	1,199,409	0	685,329	1,884,738	7%
Health Enhancement & Safety	92,393	236,503	1,390,724	1,719,620	6%	92,178	236,692	1,392,069	1,720,939	7%
Educational Opportunity	0	0	3,509,120	3,509,120	12%	0	0	3,508,826	3,508,826	13%
Special Education	489,217	0	3,391,005	3,880,222	14%	490,146	0	3,393,316	3,883,462	15%
Career Technical & Adult Ed	360,169	0	812,398	1,172,567	4%	360,383	0	813,037	1,173,420	4%
	<u>\$9,898,928</u>	<u>\$236,503</u>	<u>\$18,357,310</u>	<u>\$28,492,741</u>	<u>100%</u>	<u>\$9,904,346</u>	<u>\$236,692</u>	<u>\$16,141,846</u>	<u>\$26,282,884</u>	<u>100%</u>
	34.7%	0.8%	64.4%			37.7%	0.9%	61.4%		

The remaining divisions are predominantly adjusted for statewide present law adjustments and operational reductions.

### Funding

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding Table State Level Activities							
Program Funding		Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000	Total General Fund	\$ 8,966,070	37.8%	\$ 9,898,928	34.7%	\$ 9,904,346	37.7%
	01100 General Fund	8,966,070	37.8%	9,898,928	34.7%	9,904,346	37.7%
02000	Total State Special Funds	225,513	1.0%	236,503	0.8%	236,692	0.9%
	02001 School Lunch Program	86,958	0.4%	96,504	0.3%	96,335	0.4%
	02012 Misc Grants/Contracts-Budgeted	-	-	-	-	-	-
	02219 Research Fund	-	-	-	-	-	-
	02402 Traffic & Safety Education	138,555	0.6%	139,999	0.5%	140,357	0.5%
03000	Total Federal Special Funds	14,501,469	61.2%	18,357,310	64.4%	16,141,846	61.4%
	03002 Public Instruction	<u>14,501,469</u>	<u>61.2%</u>	<u>18,357,310</u>	<u>64.4%</u>	<u>16,141,846</u>	<u>61.4%</u>
	Grand Total	<u>\$ 23,693,052</u>	<u>100.0%</u>	<u>\$ 28,492,741</u>	<u>100.0%</u>	<u>\$ 26,282,884</u>	<u>100.0%</u>

General fund accounts for 38% of the program's budget and is utilized for administrative costs in most programs and to fund the Montana Digital Academy.

State special revenue comes from the revenues paid to the department for shipping, handling, and other related costs for the food commodities program. Traffic and safety revenues are from a percentage of driver's license fees.

Federal revenue is the portion of federal grants received by the department for allowable administrative costs. These grants include curriculum assistance, special education, Elementary and Secondary Education Act (ESEA) administration, and secondary vocational education administration.

### Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	8,966,070	8,966,070	17,932,140	90.55%	23,693,052	23,693,052	47,386,104	86.51%
Statewide PL Adjustments	220,526	225,778	446,304	2.25%	704,325	706,547	1,410,872	2.58%
Other PL Adjustments	(114,878)	(114,878)	(229,756)	(1.16%)	3,259,154	1,046,909	4,306,063	7.86%
New Proposals	827,210	827,376	1,654,586	8.36%	836,210	836,376	1,672,586	3.05%
<b>Total Budget</b>	<b>\$9,898,928</b>	<b>\$9,904,346</b>	<b>\$19,803,274</b>		<b>\$28,492,741</b>	<b>\$26,282,884</b>	<b>\$54,775,625</b>	

### Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					1,157,285					1,154,528
Vacancy Savings					(439,329)					(439,233)
Inflation/Deflation					(10,187)					(5,684)
Fixed Costs					(3,444)					(3,064)
<b>Total Statewide Present Law Adjustments</b>		<b>\$220,526</b>	<b>\$1,990</b>	<b>\$481,809</b>	<b>\$704,325</b>		<b>\$225,778</b>	<b>\$2,179</b>	<b>\$478,590</b>	<b>\$706,547</b>
DP 609 - Federal Grant Award Adjustments	0.00	0	0	3,374,032	3,374,032	0.00	0	0	1,161,787	1,161,787
DP 55140 - 5% General Fund Reduction	0.00	(114,878)	0	0	(114,878)	0.00	(114,878)	0	0	(114,878)
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>(\$114,878)</b>	<b>\$0</b>	<b>\$3,374,032</b>	<b>\$3,259,154</b>	<b>0.00</b>	<b>(\$114,878)</b>	<b>\$0</b>	<b>\$1,161,787</b>	<b>\$1,046,909</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$105,648</b>	<b>\$1,990</b>	<b>\$3,855,841</b>	<b>\$3,963,479</b>	<b>0.00</b>	<b>\$110,900</b>	<b>\$2,179</b>	<b>\$1,640,377</b>	<b>\$1,753,456</b>

DP 609 - Federal Grant Award Adjustments - The legislature approved an increase for the State Longitudinal Data System, which will improve the collection of student performance data from preschool to high school, college and career.

DP 55140 - 5% General Fund Reduction - The legislature reduced the operating budget by \$114,878 in each year of the 2013 biennium. This reduction is a continuation of the 17-7-140, MCA Governor's reductions completed in Spring 2010. The agency made reductions in FY 2011 only that did not affect the base budget. This action reduces the base budget. Consulting and professional services, printing, reference books and materials, minor equipment, non-employee travel, dues, and education grants are all part of the reductions.

**New Proposals**

New Proposals	-----Fiscal 2012-----					-----Fiscal 2013-----					
	Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 605 - USDA Foods - Commodities											
06	0.00	0	9,000	0	9,000	0.00	0	9,000	0	9,000	
DP 610 - Montana Digital Academy (Restricted)											
06	0.00	1,168,000	0	0	1,168,000	0.00	1,168,000	0	0	1,168,000	
DP 650 - National Student Clearinghouse (Restricted)											
06	0.00	7,600	0	0	7,600	0.00	7,600	0	0	7,600	
DP 660 - Travel Reduction											
06	0.00	(5,000)	0	0	(5,000)	0.00	(5,000)	0	0	(5,000)	
DP 95101 - 5% Plan - State Level Activities											
06	(2.25)	(333,488)	0	0	(333,488)	(2.25)	(333,364)	0	0	(333,364)	
DP 95102 - 5% Plan - State Level Activities - SSR											
06	0.00	0	(48,776)	0	(48,776)	0.00	0	(48,776)	0	(48,776)	
DP 96102 - Restore 5% Plan - State Level Activities - SSR											
06	0.00	0	48,776	0	48,776	0.00	0	48,776	0	48,776	
DP 97100 - Reduction in Workers Compensation Costs											
06	0.00	(9,902)	0	0	(9,902)	0.00	(9,860)	0	0	(9,860)	
<b>Total</b>	<b>(2.25)</b>	<b>\$827,210</b>	<b>\$9,000</b>	<b>\$0</b>	<b>\$836,210</b>	<b>(2.25)</b>	<b>\$827,376</b>	<b>\$9,000</b>	<b>\$0</b>	<b>\$836,376</b>	

DP 605 - USDA Foods - Commodities - The legislature approved an increase in state special spending authority for additional costs of storage and shipping of USDA commodities provided to Montana school districts for breakfast programs. School districts receiving the USDA foods will reimburse OPI for the cost of warehousing and shipping the foods.

DP 610 - Montana Digital Academy (Restricted) - The legislature provided a general fund appropriation to support the Montana Digital Academy. The academy had previously been a part of the Montana University System budget.

DP 650 - National Student Clearinghouse (Restricted) - The legislature approved authority to provides funds for data information access to the National Student Clearinghouse for student records. This will assist OPI and the Office of the Commissioner of Higher Education to better track student performance, identify areas with student remediation needs, and more accurately track student dropout/transfer rates.

DP 660 - Travel Reduction - The legislature reduced the travel budget of the Office of Public Instruction by \$5,000 general fund each year of the biennium.

DP 95101 - 5% Plan - State Level Activities - The legislature approved a decrease in program operating expenses. This decrease includes reducing the number of on-site trainings; reduced travel; delayed replacement of computers; discontinued newspaper advertising for open positions; reduced mailing by disseminating material electronically; and reduced grants for curriculum materials and professional development. The agency included this reduction in the statutorily required plan to reduce base expenditures of general fund and certain state special revenue funds by 5%.

DP 95102 - 5% Plan - State Level Activities - SSR – The legislature initially made an unspecified reduction to state special revenue equivalent to 5% of the base budget. These funds were restored in DP 96102.

DP 96102 - Restore 5% Plan - State Level Activities - SSR - The legislature restored the base reductions made in DP 95102 to state special revenue.

DP 97100 - Reduction in Workers Compensation Costs - The legislature reduced general fund support for worker’s compensation costs based upon the anticipated impact of HB 334. The agency may allocate this reduction in funding among programs.

**Proprietary Rates****Proprietary Program Description***Indirect Cost Pool*

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

**Proprietary Revenue and Expenses**

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 an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. The federally approved rate for fiscal years 2011 through 2013 is 17 percent.

The indirect cost pool covers the expenses incurred by the 22.5 FTE, who provide payroll, personnel, accounting, budgeting, data management, financial reporting, and purchasing and mail services to the rest of the agency. The rate also covers fees charged for services provided by other departments, including but not limited to warrant writing, worker's compensation fees, audit fees, rent, and grounds maintenance. The pool also covers termination payouts for all staff, except the Superintendent and their personal staff.

**Proprietary Rates**

OPI negotiates a three year "predetermined rate" with the U.S. Department of Education. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The approved rate for fiscal years 2010 through 2013 is 17 percent.

**Proprietary Program Description***Advanced Driver Education Program*

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

**Proprietary Revenue and Expenses**

Revenues are generated from workshop fees collected from program users. (Authority Title 20 MCA) Typically the program serves 500-600 participants a season. The current fee is \$290 for a full-day workshop per person.

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.). Need for improvements to the facility are pending.

**Proprietary Rates**

The table on the next page summarizes the rates approved by the legislature.

Office of Public Instruction - Advanced Driver's Education Rates			
Rate	Description	Approved Rates	
		FY 12	FY 13
Fee Group A	Rate 1 (per unit) Full-Day Workshop	260-320	260-320
	Rate 2 (per unit) Half-Day Workshop	155-190	155-190
Fee Group B	Rate 4 (per unit) Daily Track Rental - Government	150-200	150-200
	Rate 5 (per unit) Daily/Yearly High Schools	40/600	40/600
	Rate 6 (per unit) Daily Track Rental Non-Profit	330-400	330-400
	Rate 7 (per unit) Daily Private for Profit	2000-2750	2000-2750
Fee Group C	Rate 8 (per unit) Periodic/Extended Non-Exclusive - Gov	Negotiated	Negotiated
	Rate 9 (per unit) Periodic/Extended Non-Exclusive - Non-Profit	Negotiated	Negotiated
Fee Group D	Rate 10 (per unit) Custom Full-Day Workshop	Negotiated	Negotiated
	Rate 11 (per unit) Custom, Other training configurations	Negotiated	Negotiated

### Program Budget Comparison

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

Program Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
Operating Expenses	1,083,836	1,151,059	1,107,577	1,120,102	2,234,895	2,227,679	(7,216)	(0.32%)
Local Assistance	564,594,849	712,513,477	614,957,611	649,934,264	1,277,108,326	1,264,891,875	(12,216,451)	(0.96%)
Grants	132,029,203	147,998,651	139,766,183	143,416,183	280,027,854	283,182,366	3,154,512	1.13%
Transfers	409,490	1,490,510	409,490	409,490	1,900,000	818,980	(1,081,020)	(56.90%)
<b>Total Costs</b>	<b>\$698,117,378</b>	<b>\$863,153,697</b>	<b>\$756,240,861</b>	<b>\$794,880,039</b>	<b>\$1,561,271,075</b>	<b>\$1,551,120,900</b>	<b>(\$10,150,175)</b>	<b>(0.65%)</b>
General Fund	551,087,188	713,686,516	607,504,188	642,493,366	1,264,773,704	1,249,997,554	(14,776,150)	(1.17%)
State Special	750,000	750,000	9,336,000	9,336,000	1,500,000	18,672,000	17,172,000	1,144.80%
Federal Special	146,280,190	148,717,181	139,400,673	143,050,673	294,997,371	282,451,346	(12,546,025)	(4.25%)
<b>Total Funds</b>	<b>\$698,117,378</b>	<b>\$863,153,697</b>	<b>\$756,240,861</b>	<b>\$794,880,039</b>	<b>\$1,561,271,075</b>	<b>\$1,551,120,900</b>	<b>(\$10,150,175)</b>	<b>(0.65%)</b>

### Program Description

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

### Program Highlights

<b>Local Education Activities Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The table above does not reflect the true biennial change in OPI's local education activities budget. Taking into account all funds including the statutorily appropriated guarantee account, the biennial change in OPI's local education budget increases by \$27.7 million.</li> <li>◆ The legislature: <ul style="list-style-type: none"> <li>• Funded K-12 education at levels consistent with an inflationary increase from FY 2011 entitlements of 1.0% in FY 2012 and 2.43% in FY 2013, for a total biennial increase in Base Aid of \$24.5 million. The increase in the second year was contingent upon the passage and approval of HB 316, which the Governor vetoed. As a result, the increase in FY 2013 was 1.6% for a biennial increase in Base Aid of \$19.9 million. The legislature partially paid for this by redistributing to the guarantee account \$18.9 million in oil and gas revenue in excess 130% of district's general fund maximum budget.</li> <li>• Funded a much larger share of direct state aid from the guarantee account by depositing in that account transfers accomplished in HB 604 (\$27.4 million), riverbed revenues in HB 165 (\$8.5 million), and excess oil and gas revenue in SB 329 (\$18.9 million), as well as the usual interest and income revenues under current law (\$91.4 million).</li> <li>• Paid for school debt service reimbursements (\$17.1 million) from the school facility and technology account instead of the general fund.</li> </ul> </li> </ul>



- Restored the at-risk student payment to \$10 million in the 2013 biennium.
- Made permanent special education funding at \$41.6 million per year.
- Increased transportation and restored other items at their 2011 biennium levels
- Created a new multi-district cooperative program to encourage district to form purchasing and service pools to enhance efficiency. The appropriation was for \$1.0 million

**Funding**

The following table shows program funding, by source, for the base year and for the 2013 biennium as adopted by the legislature.

Program Funding	Base FY 2010	% of Base FY 2010	Budget FY 2012	% of Budget FY 2012	Budget FY 2013	% of Budget FY 2013
01000 Total General Fund	\$ 551,087,188	78.9%	\$ 607,504,188	80.3%	\$ 642,493,366	80.8%
01100 General Fund	551,087,188	78.9%	607,504,188	80.3%	642,493,366	80.8%
02000 Total State Special Funds	750,000	0.1%	9,336,000	1.2%	9,336,000	1.2%
02218 School Facility Imprvmnt Acct	-	-	8,586,000	1.1%	8,586,000	1.1%
02402 Traffic & Safety Education	750,000	0.1%	750,000	0.1%	750,000	0.1%
03000 Total Federal Special Funds	146,280,190	21.0%	139,400,673	18.4%	143,050,673	18.0%
03170 Grant Clearance Discretionary	131,666,713	18.9%	139,400,673	18.4%	143,050,673	18.0%
03488 Fed Stabilization Fund - Education	<u>14,613,477</u>	<u>2.1%</u>	-	-	-	-
Grand Total	<u>\$ 698,117,378</u>	<u>100.0%</u>	<u>\$ 756,240,861</u>	<u>100.0%</u>	<u>\$ 794,880,039</u>	<u>100.0%</u>

The following figure shows the funding by item that is included in HB 2 and assumed to be funded statutorily from revenues flowing into the guarantee account.

<b>HB 2 Distribution to Schools, General Fund, State Special, and Federal Funds</b>							
Description	Base Budget 2010	PL Base Adjustments Fiscal 2012	New Proposals Fiscal 2012	Total Fiscal 2012	PL Base Adjustments Fiscal 2013	New Proposals Fiscal 2013	Total Fiscal 2013
<b>Base Aid Summary</b>	<b>\$567,296,789</b>	<b>\$29,722,390</b>	<b>\$5,447,539</b>	<b>\$602,466,718</b>	<b>\$29,388,087</b>	<b>\$17,384,911</b>	<b>\$614,069,787</b>
HB 2 General Fund	433,979,450	118,132,584	(61,022,540)	491,089,494	116,799,509	(30,257,667)	520,521,292
Guarantee Account (statutory appropriation)	133,317,339	(88,410,194)	66,470,079	111,377,224	(87,411,422)	47,642,578	93,548,495
<b>HB 2 General Fund</b>							
<b>Base Aid</b>							
Direct State Aid	226,393,777	96,026,118	(61,022,540)	261,397,355	91,539,028	(28,453,794)	289,479,010
Direct State Aid - HB 645 ARRA	0	14,613,477	0	14,613,477	14,613,477	0	14,613,477
GTB - School General Fund	137,838,158	2,518,325	0	140,356,483	4,733,044	(1,573,762)	140,997,440
GTB - School Retirement	25,303,383	4,750,703	0	30,054,086	5,699,721	(230,111)	30,772,993
Indian Ed for All	3,037,041	(31,056)	0	3,005,985	(34,809)	0	3,002,232
Close Achievement Gap	3,221,000	(95,400)	0	3,125,600	(107,000)	0	3,114,000
Quality Educator	38,000,956	338,867	0	38,339,823	338,867	0	38,339,823
School District Audits	185,135	11,550	0	196,685	17,182	0	202,317
At Risk Payment	0	5,000,000	0	5,000,000	5,000,000	0	5,000,000
Special Education	40,362,884	1,284,447	0	41,647,331	1,284,447	0	41,647,331
Transportation	12,421,927	200,000	0	12,621,927	300,000	0	12,721,927
School Facility Reimbursement	8,586,000	0	(8,586,000)	0	0	(8,586,000)	0
Instate Treatment	763,760	24,040	0	787,800	24,040	0	787,800
Secondary Vo Ed	1,000,000	0	0	1,000,000	0	0	1,000,000
Adult Basic Ed	524,998	2	0	525,000	2	0	525,000
Gifted & Talented	246,982	3,018	0	250,000	3,018	0	250,000
School Food	648,655	15,206	0	663,861	27,731	0	676,386
HB 124 Block Grants	51,757,156	0	393,354	52,150,510	0	6,838,206	58,998,716
State Tuition Payments	639,308	0	0	639,308	0	0	639,308
HB 464 Advancing Agricultural Education in Montana	155,895	0	(26,938)	128,957	(26,938)	0	128,960
Multi-District Cooperatives (Rest/Bien/OTO)	0	0	1,000,000	1,000,000	0	0	1,000,000
<b>Total General Fund</b>	<b>551,087,015</b>	<b>124,659,297</b>	<b>(68,242,124)</b>	<b>607,504,188</b>	<b>123,411,809</b>	<b>(32,005,461)</b>	<b>642,493,366</b>
<b>State Special Revenue</b>							
Traffic Safety Distribution	\$750,000	\$0	\$0	\$750,000	\$0	\$0	\$750,000
Sch Facility & Technology Account - Debt Service	0	0	8,586,000	8,586,000	0	8,586,000	8,586,000
<b>Total State Special</b>	<b>\$750,000</b>	<b>\$0</b>	<b>\$8,586,000</b>	<b>\$9,336,000</b>	<b>\$0</b>	<b>\$8,586,000</b>	<b>\$9,336,000</b>
<b>Federal Special Revenue</b>							
Direct State Aid - HB 645 ARRA	\$14,613,477	(\$14,613,477)	\$0	\$0	(\$14,613,477)	\$0	\$0
Federal School Foods Programs	30,592,519	3,850,000	0	34,442,519	6,000,000	0	36,592,519
ESEA - Title I - Assistance to Disadvantaged	39,097,170	0	0	39,097,170	0	0	39,097,170
ESEA - Title I - Improvement	1,207,500	0	0	1,207,500	0	0	1,207,500
ESEA - Title I - School Improvement	357,592	1,000,000	0	1,357,592	1,500,000	0	1,857,592
ESEA - Title I - Migrant Education	796,747	0	0	796,747	0	0	796,747
ESEA - Title I - Neglected & Delinquent	110,231	0	0	110,231	0	0	110,231
ESEA - Title I - Part B - Even Start	329,427	0	0	329,427	0	0	329,427
ESEA Title II - Teacher & Principal Training	12,646,394	0	0	12,646,394	0	0	12,646,394
ESEA Title II - Math & Science	800,351	0	0	800,351	0	0	800,351
ESEA Title II - Technology	1,333,753	0	0	1,333,753	0	0	1,333,753
ESEA Title III-Language Acquisition	291,415	0	0	291,415	0	0	291,415
ESEA Title IV - 21 st Cent Schools	5,316,566	0	0	5,316,566	0	0	5,316,566
ESEA Title IV - Drug Free Schools	1,084,603	0	0	1,084,603	0	0	1,084,603
ESEA Title V -Innovative Education	11,990	0	0	11,990	0	0	11,990
Title V, Part D Character Education	116,040	(116,040)	0	0	(116,040)	0	0
Title VI - Rural Low Income	223,258	0	0	223,258	0	0	223,258
IDEA - Children w/ Disabilities	31,032,046	3,000,000	0	34,032,046	4,000,000	0	38,032,046
IDEA - Preschool	1,126,777	0	0	1,126,777	0	0	1,126,777
IDEA - Part D	181,751	0	0	181,751	0	0	181,751
WIA Sect 503 Incentive Grant	174,806	0	0	174,806	0	0	174,806
Adult Basic Education	1,020,157	0	0	1,020,157	0	0	1,020,157
Carl Perkins	2,696,007	0	0	2,696,007	0	0	2,696,007
Carl Perkins State Leadership	149,500	0	0	149,500	0	0	149,500
Learn and Serve Montana	21,523	0	0	21,523	0	0	21,523
Reading First	764,956	0	0	764,956	0	0	764,956
Education of Homeless Children	99,244	0	0	99,244	0	0	99,244
Migrant Incentive	84,390	0	0	84,390	0	0	84,390
<b>Total Federal Special</b>	<b>\$146,280,190</b>	<b>(\$6,879,517)</b>	<b>\$0</b>	<b>\$139,400,673</b>	<b>(\$3,229,517)</b>	<b>\$0</b>	<b>\$143,050,673</b>
<b>Funding</b>							
Total General Fund	\$551,087,015	\$124,659,297	(\$68,242,124)	\$607,504,188	\$123,411,809	(\$32,005,461)	\$642,493,366
Total State Special	750,000	0	8,586,000	9,336,000	0	8,586,000	9,336,000
Total Traditional Federal	146,280,190	(6,879,517)	0	139,400,673	(3,229,517)	0	143,050,673
<b>Total Distribution to Public Schools</b>	<b>\$698,117,205</b>	<b>\$117,779,780</b>	<b>(\$59,656,124)</b>	<b>\$756,240,861</b>	<b>\$120,182,292</b>	<b>(\$23,419,461)</b>	<b>\$794,880,039</b>
<b>Statutory Appropriations</b>							
Guarantee Account - Direct State Aid	\$133,317,339	(\$88,410,194)	\$66,470,079	\$111,377,224	(\$87,411,422)	\$47,642,578	\$93,548,495
School Facility and Technology Account	1,000,000	0	0	1,000,000	0	0	1,000,000
<b>Total Statutory</b>	<b>\$134,317,339</b>	<b>(\$88,410,194)</b>	<b>\$66,470,079</b>	<b>\$112,377,224</b>	<b>(\$87,411,422)</b>	<b>\$47,642,578</b>	<b>\$94,548,495</b>

*Average Number Belonging (ANB)*

The following figure shows the ANB assumptions used to fund K-12 education:

Average Number Belonging (ANB) And Certified FTE in Montana Schools									
Fiscal Year	K-6	Percent Change	7-8	Percent Change	9-12	Percent Change	Total	Percent Change	Certified FTE
<b>Current Year ANB</b>									
A	1996		27,195		49,043		163,740		
A	1997	-0.9%	27,399	0.8%	50,586	3.1%	164,679	0.6%	
A	1998	-1.5%	27,068	-1.2%	51,432	1.7%	163,874	-0.5%	
A	1999	-2.7%	26,822	-0.9%	51,885	0.9%	161,737	-1.3%	
A	2000	-2.2%	26,556	-1.0%	52,025	0.3%	159,756	-1.2%	
A	2001	-1.6%	26,114	-1.7%	51,507	-1.0%	157,475	-1.4%	
A	2002	-2.2%	25,537	-2.2%	50,794	-1.4%	154,421	-1.9%	
A	2003	-2.6%	25,080	-1.8%	50,357	-0.9%	151,497	-1.9%	
A	2004	-2.3%	25,150	0.3%	50,003	-0.7%	149,468	-1.3%	
A	2005	-1.5%	24,956	-0.8%	49,466	-1.1%	147,651	-1.2%	
A	2006	-1.7%	24,540	-1.7%	49,302	-0.3%	145,827	-1.2%	
A	2007	-0.5%	23,805	-3.0%	48,809	-1.0%	144,253	-1.1%	
A	2008	6.3%	23,041	-3.2%	48,440	-0.8%	147,599	2.3%	
A	2009	1.2%	22,618	-1.8%	47,502	-1.9%	147,167	-0.3%	
A	2010	0.7%	22,241	-1.7%	46,152	-2.8%	145,968	-0.8%	
A	2011	0.9%	22,053	-0.8%	44,984	-2.5%	145,329	-0.4%	
F	2012	0.9%	21,928	-0.6%	44,227	-1.7%	145,150	-0.1%	
F	2013	1.4%	21,989	0.3%	44,439	0.5%	146,503	0.9%	
<b>Budgeted ANB</b>									
A	2006		25,242		50,082		148,897		
A	2007	-1.1%	24,643	-2.4%	49,612	-0.9%	147,018	-1.3%	12,323
A	2008	5.6%	24,076	-2.3%	49,246	-0.7%	150,148	2.1%	12,648
A	2009	1.2%	23,353	-3.0%	48,642	-1.2%	149,748	-0.3%	12,564
A	2010	0.7%	22,874	-2.1%	47,660	-2.0%	148,859	-0.6%	12,455
A	2011	0.8%	22,510	-1.6%	46,482	-2.5%	147,965	-0.6%	12,603
F	2012	0.8%	22,258	-1.1%	45,449	-2.2%	147,341	-0.4%	12,603
F	2013	0.8%	22,120	-0.6%	44,790	-1.4%	147,156	-0.1%	12,603
Beginning in fiscal 2006, budgeted ANB for each district is the larger of current year ANB and three-year averaged ANB. Full-time kindergarten began in FY 2008									

### Budget Summary by Category

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

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 12-13	Percent of Budget
Base Budget	551,087,188	551,087,188	1,102,174,376	88.17%	698,117,378	698,117,378	1,396,234,756	90.01%
Statewide PL Adjustments	14,613,304	14,613,307	29,226,611	2.34%	(173)	(170)	(343)	0.00%
Other PL Adjustments	110,045,820	108,825,270	218,871,090	17.51%	117,779,780	120,209,230	237,989,010	15.34%
New Proposals	(68,242,124)	(32,032,399)	(100,274,523)	(8.02%)	(59,656,124)	(23,446,399)	(83,102,523)	(5.36%)
<b>Total Budget</b>	<b>\$607,504,188</b>	<b>\$642,493,366</b>	<b>\$1,249,997,554</b>		<b>\$756,240,861</b>	<b>\$794,880,039</b>	<b>\$1,551,120,900</b>	

### Present Law Adjustments

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

Present Law Adjustments	-----Fiscal 2012-----					-----Fiscal 2013-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Inflation/Deflation					(173)					(170)
<b>Total Statewide Present Law Adjustments</b>		<b>\$14,613,304</b>	<b>\$0</b>	<b>(\$14,613,477)</b>	<b>(\$173)</b>		<b>\$14,613,307</b>	<b>\$0</b>	<b>(\$14,613,477)</b>	<b>(\$170)</b>
DP 901 - K-12 BASE Aid - Adjust to FY 2011 Funding Level	0.00	15,108,913	0	0	15,108,913	0.00	14,774,610	0	0	14,774,610
DP 902 - At-Risk Payment Restored (Restricted)	0.00	5,000,000	0	0	5,000,000	0.00	5,000,000	0	0	5,000,000
DP 904 - Special Education Maintenance of Effort	0.00	1,284,447	0	0	1,284,447	0.00	1,284,447	0	0	1,284,447
DP 907 - Pupil Transportation	0.00	200,000	0	0	200,000	0.00	300,000	0	0	300,000
DP 911 - School Lunch State Matching Requirement	0.00	15,206	0	0	15,206	0.00	27,731	0	0	27,731
DP 912 - Federal Grant Award Adjustment - Program 09	0.00	0	0	7,733,960	7,733,960	0.00	0	0	11,383,960	11,383,960
DP 913 - Biennial Appropriations - Program 09	0.00	27,060	0	0	27,060	0.00	27,060	0	0	27,060
DP 914 - Guarantee Account	0.00	88,410,194	0	0	88,410,194	0.00	87,411,422	0	0	87,411,422
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$110,045,820</b>	<b>\$0</b>	<b>\$7,733,960</b>	<b>\$117,779,780</b>	<b>0.00</b>	<b>\$108,825,270</b>	<b>\$0</b>	<b>\$11,383,960</b>	<b>\$120,209,230</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$124,659,124</b>	<b>\$0</b>	<b>(\$6,879,517)</b>	<b>\$117,779,607</b>	<b>0.00</b>	<b>\$123,438,577</b>	<b>\$0</b>	<b>(\$3,229,517)</b>	<b>\$120,209,060</b>

DP 901 - K-12 BASE Aid - Adjust to FY 2011 Funding Level - This present law adjustment of \$34.5 million general fund for the 2013 biennium brings K-12 funding to the FY 2011 levels for the basic and per-ANB entitlement, the quality educator payment, the Indian Education for All payment, the achievement gap payment, and retirement GTB.

DP 902 - At-Risk Payment Restored (Restricted) - The legislature approved \$10.0 million general fund in the 2013 biennium to restore funding for the at-risk student payment found in 20-9-328, MCA.

DP 904 - Special Education Maintenance of Effort - The legislature approved \$3.1 million in the 2013 biennium to increase special education maintenance of effort to the FY 2011 appropriation level. This decision package includes \$1,284,447 in each year of the biennium and increased GTB costs of \$245,459 in FY 2012 and \$250,571 in FY 2013.

DP 907 - Pupil Transportation - The legislature approved increases in the state obligation for pupil transportation required under 20-10-145, MCA. The mileage-driven reimbursements are expected to increase by \$200,000 in FY 2012 and \$300,000 in FY 2013 over base year FY 2010. This amount is matched by county property taxes.

DP 911 - School Lunch State Matching Requirement - The National School Lunch Act requires a state revenue match. The legislature approved an increase of \$15,206 in FY 2012 and \$27,731 in FY 2013 to meet the matching requirements.

DP 912 - Federal Grant Award Adjustment - Program 09 - The legislature approved increased appropriations for K-12 federal grant awards of \$7,733,960 in FY 2012 and \$11,383,960 in FY 2013. The total biennial increase is \$19,117,920. The following federal grant awards are adjusted: School Foods \$3.85 million in FY 2012 and \$6.0 million in FY 2013; IDEA-B \$3.0 million in FY 2012 and \$4.0 million in FY 2013; Title I-School Improvement \$1.0 million in FY 2012 and \$1.5 million in FY 2013; and Character Education a reduction of \$116,040 per year.

DP 913 - Biennial Appropriations - Program 09 - The legislature approved increases in biennial appropriations for adult basic education at \$1.05 million, gifted and talented at \$0.50 million, and in-state treatment at \$1.58 million. Adult basic education base is increased \$2 to \$525,000 per year; gifted and talented base is increased \$3,018 to \$250,000 per year; and in-state treatment base is increased \$24,040 to \$787,800 per year.

DP 914 - Guarantee Account - In FY 2010, the one-time-only bonus paid for the Otter Creek coal lease by Arch Coal Co. on common school trust lands generated \$81,552,854.50. This amount offset general fund K-12 BASE Aid expenditures in FY 2010. This DP reflects the \$81.55 million in the guarantee account which is now paid for from the general fund in each year of the 2013 biennium. In addition HJR 2 established the amount of state lands revenue deposited in the guarantee account and available for BASE Aid will be \$44,907,145 for FY 2012 and \$45,905,917 for FY 2013. For the biennium these estimates are lower by \$12.7 million than regular state lands revenue received in the base year of FY 2010. All together this DP adds \$174.8 million to general fund Base aid costs.

**New Proposals**

Program	FTE	-----Fiscal 2012-----				-----Fiscal 2013-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 955 - Reduction in Advancing Agriculture Ed										
09	0.00	(26,938)	0	0	(26,938)	0.00	(26,938)	0	0	(26,938)
DP 9501 - Multi-district Cooperatives (Rst/Bien/OTO)										
09	0.00	1,000,000	0	0	1,000,000	0.00	0	0	0	0
DP 56005 - Block Grants at FY 2011 Level										
09	0.00	393,354	0	0	393,354	0.00	393,354	0	0	393,354
DP 95103 - School Facility Reimbursement Fund Switch										
09	0.00	(8,586,000)	8,586,000	0	0	0.00	(8,586,000)	8,586,000	0	0
DP 95106 - BASE Aid Fund Switch										
09	0.00	(61,022,540)	0	0	(61,022,540)	0.00	(30,257,667)	0	0	(30,257,667)
DP 95156 - Block Grant Adj for SB372 (Requires Legislation)										
09	0.00	0	0	0	0	0.00	6,444,852	0	0	6,444,852
<b>Total</b>	<b>0.00</b>	<b>(\$68,242,124)</b>	<b>\$8,586,000</b>	<b>\$0</b>	<b>(\$59,656,124)</b>	<b>0.00</b>	<b>(\$32,032,399)</b>	<b>\$8,586,000</b>	<b>\$0</b>	<b>(\$23,446,399)</b>

DP 955 - Reduction in Advancing Agriculture Ed - The legislature reduced the appropriation for Advancing Agriculture Education by \$26,938 each year of the biennium. HB 611 allows an agricultural education program to receive one payment per year.

DP 9501 - Multi-district Cooperatives (Rst/Bien/OTO) - The legislature approved \$1,000,000 for multi-district cooperatives as a general fund restricted, biennial and one-time-only (OTO) appropriation.

DP 56005 - Block Grants at FY 2011 Level - In SB 329, the legislature held block grants at the FY 2011 level of funding of \$52.15 million per year in each year of the 2013 biennium. The adjustments in HB 2 assumed that growth in the transportation block grants would be eliminated in statute. However, SB 329 did not eliminate growth in the transportation block grants. As a result there will be a supplemental in the 2013 legislature for \$42,324.

DP 95103 - School Facility Reimbursement Fund Switch - The legislature removed funding for the school facility reimbursement from the general fund and transferred it to the school facility and technology fund in both FY 2012 and FY 2013.

This required a change in law (20-9-516) in SB 329 to allow the school facility and technology fund to pay for school districts' debt service obligations.

DP 95106 - BASE Aid Fund Switch - The legislature approved a reduction in direct state aid paid from the general fund of \$61.022 million in FY 2012 and \$31.257 million in FY 2013. This decision package combines many provisions from several bills into one. SB 329 approved inflation at 1% in FY 2012 and 2.43% in FY 2013. SB 329 caused certain oil and gas revenue to be deposited in the guarantee account, thereby reducing general fund direct state aid. HB 604 created several transfers from state special funds and deposited them into the guarantee account and therefore direct state aid costs in the general fund were reduced by a like amount. HB 326 caused US mineral royalties to be deposited in the guarantee account, thereby reducing general fund direct state aid costs. Even though HB 316, which was required for the inflation rate in FY 2013 to be 2.43% was subsequently vetoed, this action was not reflected in HB 2. Schools will receive an inflationary increase in FY 2013 of 1.6% rather than the 2.43% funded in HB 2.

DP 95156 - Block Grant Adj for SB372 - SB 372 reduced the tax rate on business equipment from 3% on all taxable business equipment to 2% on the value of the first \$2.0 million for each individual or business, and 3% on the value of equipment in excess of \$2.0 million. SB 372 reimburses all school district accounts and the countywide transportation and retirement accounts for the subsequent lost revenue. The increase in block grants in FY 2013 is expected to be \$6.4 million.

### **Language and Statutory Authority**

The legislature included the following language in HB 2.

"All revenue up to \$1.1 million in FY 2012 and \$1.1 million in FY 2013 in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5."

"All revenue up to \$1.1 million in FY 2012 and \$1.1 million in FY 2013 in the traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5."

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

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