EXHIBIT 7
DATE 1/13/2005
HB

Agency Proposed Budget

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

Agency Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	4.00	0.00	0.00	4.00	0.00	0.00	4.00	4.00
Personal Services	212,729	5,770	3,300	221,799	6,120	3,300	222,149	443,948
Operating Expenses	81,365	50,768	6,700	138,833	46,779	6,700	134,844	273,677
Total Costs	**$294,094**	**$56,538**	**$10,000**	**$360,632**	**$52,899**	**$10,000**	**$356,993**	**$717,625**
General Fund	141,309	18,983	7,000	167,292	17,039	7,000	165,348	332,640
State/Other Special	152,785	37,555	3,000	193,340	35,860	3,000	191,645	384,985
Federal Special	0	0	0	0	0	0	0	0
Total Funds	**$294,094**	**$56,538**	**$10,000**	**$360,632**	**$52,899**	**$10,000**	**$356,993**	**$717,625**

Agency Description

The seven-member Board of Public Education, under authority of Article X, Section 9 of the Montana Constitution, exercises "general supervision over the public school system" including the School for the Deaf and Blind. This includes school accreditation, teacher certification, standardization of policies and programs, and equalization of aid distribution. Board accreditation is the basis for local school district eligibility for state funds. The board shares responsibility with the Board of Regents under Title 20, Chapter 2, MCA for general planning, coordination, and evaluation of the state education system.

Agency Highlights

Board of Public Education
Major Budget Highlights

- Annual funding changes of 22 percent over the base year are due to present law adjustments in personal services and operating expenses
- Additional changes to the base year in operating expenses include a $47,500 decision package tying appropriations to anticipated revenue for studies

Major LFD Issues

- Consider one-time-only funding for out-of-state travel
- Supreme Court decision may result in increased workload

Agency Discussion

In addition to the responsibilities listed in the agency description, the Board of Public Education (BPE) oversees two advisory councils: the Montana Council on Indian Education and the Certification Standards and Practices Advisory Council. BPE executes its statutory responsibilities with two programs: Administration and Advisory Council.

Changes to the base year are attributed to statewide present law adjustments, three decision packages for travel associated with a growing workload due to statewide and federal education issues, and one decision package to tie appropriations to anticipated revenue. The adjustments are discussed in detail in the following program sections.

Funding

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

Total Agency Funding
2007 Biennium Executive Budget

Agency Program	General Fund	State Spec.	Grand Total	Total %
01 Administration	$ 332,640	$ 35,976	$ 368,616	51%
03 Advisory Council	-	349,009	$ 349,009	49%
Grand Total	$ 332,640	$ 384,985	$ 717,625	100%

The Board of Public Education is funded with general fund and state special revenue collected from teacher fees. By statute, the Office of Public Instruction (OPI) Certification/Teacher Licensure Unit is responsible for collecting fees and depositing them in two state special revenue accounts for use by BPE in the Advisory Council Program.

For the 2007 biennium budget, BPE requests 46 percent funding from general fund, and 54 percent funding from state special revenue.

Biennium Budget Comparison

The following table compares the executive budget request in the 2007 biennium with the 2005 biennium by type of expenditure and source of funding. The 2005 biennium consists of actual FY 2004 expenditures and FY 2005 appropriations.

Biennium Budget Comparison

Budget Item	Present Law Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	Present Law Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Biennium Fiscal 04-05	Total Exec. Budget Fiscal 06-07
FTE	4.00	0.00	4.00	4.00	0.00	4.00	4.00	4.00
Personal Services	218,499	3,300	221,799	218,849	3,300	222,149	425,828	443,948
Operating Expenses	132,133	6,700	138,833	128,144	6,700	134,844	223,547	273,677
Total Costs	$350,632	$10,000	$360,632	$346,993	$10,000	$356,993	$649,375	$717,625
General Fund	160,292	7,000	167,292	158,348	7,000	165,348	305,290	332,640
State/Other Special	190,340	3,000	193,340	188,645	3,000	191,645	344,085	384,985
Federal Special	0	0	0	0	0	0	0	0
Total Funds	$350,632	$10,000	$360,632	$346,993	$10,000	$356,993	$649,375	$717,625

New Proposals

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

New Proposals

	Fiscal 2006					Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Out-of-State Travel										
01	0.00	3,000	3,000	0	6,000	0.00	3,000	3,000	0	6,000
DP 3 - Additional Meetings - Board of Education										
01	0.00	4,000	0	0	4,000	0.00	4,000	0	0	4,000
Total	**0.00**	**$7,000**	**$3,000**	**$0**	**$10,000**	**0.00**	**$7,000**	**$3,000**	**$0**	**$10,000**

Agency Issues

When the Montana Supreme Court decision on equitable school funding is known; BPE may face an increase in workload for the 2007 biennium that could not be predicted at the time of budget submission. The legislature may want to consider one-time-only funding, or a restricted contingency for unanticipated workload as a result of the school funding equalization lawsuit. This issue is discussed with DP – 7000 in the Advisory Council section.

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	88,518	32,593	3,300	124,411	32,950	3,300	124,768	249,179
Operating Expenses	52,791	1,378	6,700	60,869	(923)	6,700	58,568	119,437
Total Costs	**$141,309**	**$33,971**	**$10,000**	**$185,280**	**$32,027**	**$10,000**	**$183,336**	**$368,616**
General Fund	141,309	18,983	7,000	167,292	17,039	7,000	165,348	332,640
State/Other Special	0	14,988	3,000	17,988	14,988	3,000	17,988	35,976
Federal Special	0	0	0	0	0	0	0	0
Total Funds	**$141,309**	**$33,971**	**$10,000**	**$185,280**	**$32,027**	**$10,000**	**$183,336**	**$368,616**

Program Description

The Administration Program provides administration, research, clerical functions, and management of business affairs for all programs under the authority of the Board of Public Education. The Board of Public Education exists under Article X, Section 9 of the Montana Constitution, and exercises general supervision of the public school system.

As mandated by 20-2-101 (6), MCA the Board of Public Education and the Board of Regents meet at least twice yearly as the Board of Education. Administration oversees all aspect of business management, research, and proceedings regarding denial, suspension, or revocation of teacher certificates, including investigations, possible hearings, or formal action. BPE meets eight times a year to conduct business related to its constitutional and statutory obligation. It is also required to meet two times annually with the Montana Board of Regents of Higher Education as the Board of Education. (20-2-101 (6), MCA)

Program Highlights

Administration Program
Major Budget Highlights

- Annual funding changes of 30 percent over the base year are due to statewide present law adjustments and $10,000 in new proposals
- Increases in personal services include a new proposal for per diem and present law adjustments that include $26,415 to correct a miscode in salary
- Increases in operating expenses include present law adjustments and new proposals for travel

Major LFD Issues

- Consider one-time-only funding for out-of-state travel

Program Narrative

The 2007 budget request for the administration program of the Board of Public Education is increased over the base year by just over $40,000 each year because of statewide present law adjustments, three decision packages increasing travel and per diem, and statewide adjustments for personal services that include $26,415 to move a miscode of salary from the advisory council to this program. Adjustments for operating expenses include $11,350 for travel.

This program received an appropriation for $15,000 of state special revenue in the 2005 session, which was spent in FY 2004 in another program due to a miscode in salary. As a result, there is a zero in the base year for state special revenue in the budget chart at the top of page one.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommend by the Governor.

Program Funding Table
Administration

Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000 General Fund	$ 141,309	100.0%	$ 167,292	90.3%	$ 165,348	90.2%
02000 State/Other Special Rev. Funds	-	-	17,988	9.7%	17,988	9.8%
03000 Federal Spec. Rev. Funds	-	-	-	-	-	-
Grand Total	$ 141,309	100.0%	$ 185,280	100.0%	$ 183,336	100.0%

This program is funded with general fund and state special revenue authorized by MCA 20-4-109, which allows the agency to use a portion of the revenue collected from teacher fees for activities in support of the board's constitutional and statutory duties, special projects, and research studies of the advisory council.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "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 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					31,243					31,600
Inflation/Deflation					(534)					(533)
Fixed Costs					1,912					(390)
Total Statewide Present Law Adjustments					**$32,621**					**$30,677**
DP 1 - Per diem reinstated	0.00	1,350	0	0	1,350	0.00	1,350	0	0	1,350
Total Other Present Law Adjustments	**0.00**	**$1,350**	**$0**	**$0**	**$1,350**	**0.00**	**$1,350**	**$0**	**$0**	**$1,350**
Grand Total All Present Law Adjustments					**$33,971**					**$32,027**

DP 1 - Per diem reinstated - The account for per diem for BPE members is zero based. Each biennium the agency requests $1,350. This decision package would allow restoration of $1,350 in each year of the biennium to provide board member per diem.

LFD COMMENT

BPE meets eight times a year to conduct business related to its constitutional and statutory obligation. It is also required to meet two times annually with the Montana Board of Regents of Higher Education as the Board of Education. (20-2-101 (6), MCA)

New Proposals

New Proposals	Fiscal 2006					Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Out-of-State Travel										
01	0.00	3,000	3,000	0	6,000	0.00	3,000	3,000	0	6,000
DP 3 - Additional Meetings - Board of Education										
01	0.00	4,000	0	0	4,000	0.00	4,000	0	0	4,000
Total	0.00	$7,000	$3,000	$0	$10,000	0.00	$7,000	$3,000	$0	$10,000

DP 2 - Out-of-State Travel - The Board of Public Education is currently a member of the National Association of State Boards of Education (NASBE), which provides technical support and assistance on a variety of state and federal educational issues such as the No Child Left Behind legislation. This decision package would provide $6,000 in each year of the biennium for board members to travel to NASBE events.

LFD COMMENT

Anticipating the dynamics of state and federal legislation in education, BPE requests additional funding for out-of-state travel for the 2007 biennium. The additional funding would be used for travel to NASBE where staff would gather information on federal legislation related to education. The $6,000 annual request represents an increase of $4,520 over the base year.

LFD ISSUE

The request for out-of-state travel adds $6,000 to FY 2006, the base year for the next biennium. It is not possible to predict if attendance at NASBE meeting will be as imperative in the 2009 biennium as the 2007 biennium. Because of this, if the legislature adds these funds, they may want to designate the funding as one-time-only.

DP 3 - Additional Meetings - Board of Education - This adjustment provides travel and per diem of $4,000 in each year of the biennium to allow the Board of Public Education to meet with the Board of Regents as the Board of Education for two meetings each fiscal year.

LFD COMMENT

As mandated by 20-2-101 (6), MCA, the Board of Public Education (BPE) and the Board of Regents meet at least twice yearly as the Board of Education.

In support of its other statutory responsibilities, BPE is currently funded to meet eight times a year. There is no funding for meetings with the Board of Regents. However, they meet the Board of Education mandate by overlapping the BPE January and July meetings with Board of Regent meetings. As a means to respond to the anticipated workload due to federal legislation and the education lawsuit currently before the Montana Supreme Court, BPE requests funding for two meetings with the Board of Regents in addition to eight meetings to conduct BPE business.

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	2.00	0.00	0.00	2.00	0.00	0.00	2.00	2.00
Personal Services	124,211	(26,823)	0	97,388	(26,830)	0	97,381	194,769
Operating Expenses	28,574	49,390	0	77,964	47,702	0	76,276	154,240
Total Costs	**$152,785**	**$22,567**	**$0**	**$175,352**	**$20,872**	**$0**	**$173,657**	**$349,009**
State/Other Special	152,785	22,567	0	175,352	20,872	0	173,657	349,009
Total Funds	**$152,785**	**$22,567**	**$0**	**$175,352**	**$20,872**	**$0**	**$173,657**	**$349,009**

Program Description

The seven-member Certification Standards and Practices Advisory Council was created by the Legislature in 1987 to study and make recommendations to the Board of Public Education in the following areas: 1) teacher, administrator, and specialist certification standards; 2) the status and efficacy of approved teacher education programs; and 3) the feasibility of establishing teaching certification and the appeals process. The board staff provides administrative, research, and clerical duties to the council. The advisory council is created in 2-15-1522, MCA.

Program Highlights

Advisory Council
Major Budget Highlights

- Annual funding changes of 15 percent over the base year are due to:
  - Statewide present law adjustments
  - A $26,415 correction for a miscode in salary
  - A decision package to tie appropriations to anticipated revenue for studies

Major LFD Issues

- Montana Supreme Court Decision may result in potential use of the Research Fund to address workload and/or costs of the education law suit ruling

Program Narrative

The 2007 budget request for the advisory council program of the Board of Public Education is increased from the base year by present law adjustments, which include an adjustment in personal services of $26,415 to correct the miscode of salary. Adjustments for operating expenses include a decision package of $47,500 each year to tie appropriations to anticipated revenue.

Funding

The following table shows program funding, by source, for the base year and for the 2005 biennium as recommended by the Governor.

Program Funding Table Advisory Council Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
02000 State/Other Special Rev. Funds	$ 152,785	100.0%	$ 175,352	100.0%	$ 173,657	100.0%
Grand Total	$ 152,785	100.0%	$ 175,352	100.0%	$ 173,657	100.0%

This program is funded entirely by state special revenue. By statute, the Office of Public Instruction (OPI) Certification/Teacher Licensure Unit is responsible for collecting fees and depositing them in two state special revenue accounts for use by BPE. MCA 20-4-109 sets the fee for teacher and specialist certificates at $6 per year. $4 is used for expenses of the certification standards and practices advisory council, which makes recommendations regarding standards, policies, and research activities to be undertaken by the board. $2 is used for activities in support of the board's constitutional and statutory duties, special projects, and research studies of the advisory council.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "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 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					(26,823)					(26,830)
Inflation/Deflation					(607)					(604)
Fixed Costs					2,497					806
Total Statewide Present Law Adjustments					($24,933)					($26,628)
DP 7000 - Tie Appropriations to Anticipated Revenue	0.00	0	47,500	0	47,500	0.00	0	47,500	0	47,500
Total Other Present Law Adjustments	**0.00**	**$0**	**$47,500**	**$0**	**$47,500**	**0.00**	**$0**	**$47,500**	**$0**	**$47,500**
Grand Total All Present Law Adjustments					$22,567					$20,872

DP 7000 - Tie Appropriations to Anticipated Revenue - This $47,500 adjustment in FY 2006 and 2007 brings the research fund spending appropriation to $60,000 in each year of the biennium.

LFD COMMENT

Funding for DP-7000 comes from the research fund, one of the accounts funded by the $6 teacher fee collected by the Office of Public Instruction. Although the fund is titled the research fund, MCA 20-4-109 allows it to be used for constitutional and statutory duties, special projects, and research undertaken by BPE. OPI estimates revenues to the research fund at $58,000 in 2006 and $60,000 in 2007. The current fund balance exceeds $130,000.

This decision package is consistent with those that legislative sessions 2001 through 2005 have acted upon. Legislators approved $80,000 for each year of the 2001 biennium, and $60,015 for each year of the biennium in 2003 and 2005 to address issues under the purview of BPE. Possible issues for the coming biennium would include those influenced by the school funding equalization lawsuit presently before the Supreme Court, recruitment of teachers to Montana, standards and accreditation, and those raised by the Montana K-12 School Renewal Commission.

LFD ISSUE

When the Montana Supreme Court decision on equitable school funding is known; BPE may face an increase in workload for the 2007 biennium that could not be predicted at the time of budget submission. In addition, the legislature may request a funding study by an outside party, the cost of which could total between $100,000 to $500,000. Therefore, the legislature may want to consider using unallocated research funds for unanticipated workload or a contribution to other costs as a result of the school funding equalization lawsuit, rather than increasing appropriations for additional studies.

The following figure shows the anticipated balance in the research fund at the end of the 2007 biennium, with the board's total requested expenditures in the 2007 biennium.

Figure 1
Research Fund - Board of Public Education
FY 2002 through FY 2007

Component	Actual FY 2002	Actual FY 2003	Actual FY 2004	Projected FY 2005	Projected FY 2006	Projected FY 2007
Beginning Fund Balance	$69,314	$87,706	$120,039	$132,024	$113,769	$93,409
Revenues	53,005	56,606	55,572	57,128	58,628	60,128
Expenditures						
Administration	12,041	0	0	15,015	17,988	17,988
Advisory Council	27,673	24,273	43,588	60,368	61,000	60,000
Total Expenditures	39,714	24,273	43,588	75,383	78,988	77,988
Adjustments	5,101		1			
Ending Fund Balance	$87,706	$120,039	$132,024	$113,769	$93,409	$75,549

Use of the Research Fund is also raised in the Governor's Office as a possible source of funding for the proposed Commissioner of Education. See Volume 3.