

Exhibit Number: 2.

This exhibit exceeds 10-page maximum; therefore only a small portion of the exhibit is scanned for your research. The original exhibit is on file at the Montana Historical Society and may be viewed there



EXHIBIT 2
DATE 1/17/2005
HB _____

OFFICE OF PUBLIC INSTRUCTION

PO BOX 202501
HELENA MT 59620-2501
www.opi.state.mt.us
(406) 444-3095
(888) 231-9393
(406) 444-0169 (TTY)

Linda McCulloch
Superintendent

**Joint Appropriations Subcommittee on Education
Office of Public Instruction – State-Level Program 06
January 17, 2005
Superintendent Linda McCulloch's Opening Remarks**

Good Morning. For the record I am Linda McCulloch, State Superintendent of Public Instruction for K-12 education.

I am pleased to be here today to tell you about Montana's Office of Public Instruction and the important services we provide to Montana schools and the public. As you will soon learn, I am enormously proud of the work that is being performed by the OPI staff. OPI is a small state agency. I look forward to explaining to you how our efficient operations result in a high level of accountability to the taxpayer and contributes to the high quality of education in Montana's public school system.

Agenda

Today our focus will be on our agency's state funding, or Program 06. We will be defining the OPI's state level activities. After my overview of the state agency, you will have the chance to hear from some OPI staff who will be presenting a summary of their departments. Then, Bob Runkel and I will provide you with an update on how President Bush's No Child Left Behind Act has had a significant impact on how we do business in Montana and on the recently reauthorized Individuals with Disability Education Act (IDEA) 2004.

On Tuesday and Wednesday our focus will shift to OPI's responsibility to Local Education Activities, Program 09, the state funds that are distributed by OPI to our public K-12 schools. While the OPI manages both programs, they are separate in their intended purposes. The K-12 pass through funds, Program 09, are not funds available to fund the Office of Public Instruction, nor should they be. These funds are separate and cannot be co-mingled with office funds and that's exactly the way it should be. Funds are clearly earmarked for either state level activities or local level activities. Our OPI agency budget is much less than 1% of the general fund expenditures for K-12 education - less than 1%!

**Refer to Chart #1*

Background

It is my intention over the next three days to ensure that you have a thorough understanding of what the Office of Public Instruction, your state education agency, does and how it is funded. I believe it is essential that as the legislature moves forward in defining quality and deliberating the associated funding, that you have a solid understanding of OPI's state responsibilities and funding relationship to public schools.

"It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve."

The decisions that this committee makes will affect all students across the state as they participate in Montana's public K-12 education system. These kids are your children, your grandchildren, your constituents, and your neighbors. These kids are my number one priority and are the very reason I am honored to be Montana's State Superintendent.

Overview

So we are all on the same page - when we talk schools in Montana for the current 2004-2005 school year we are talking about 146,519 students, 12,039 certified staff, 436 school districts, and 855 public schools. The decisions you make as Legislators and the decisions I make as State Superintendent impact every child and every household in Montana. The Office of Public Instruction is your direct link to those students and those classrooms. It is the Office of Public Instruction that provides services and support to our public schools. As an elementary school teacher and a school librarian I can attest to the importance of these services since I utilized every OPI resource available to me and to my school to the fullest extent possible, and then some.

****Refer to Facts about Montana brochure***

While there are many official duties as defined in state Constitution and statute for the Office of Public Instruction, in an effort to save time, I'll focus on five primary functions that are essential to ensuring a quality education system for teaching, student performance and financial accounting.

Primary Functions

- 1. Distribution of Funds to Schools:** OPI staff annually distributes more than \$557 million in state aid to 436 school districts. That revenue pays for 60% of classroom expenses. We also facilitate the funding and collection of other local and federal funds by collecting expenditure data. The total administrative cost of that distribution is less than one tenth of one percent. I would challenge anyone to find a state agency or private business that can match that level of cost efficiency.
- 2. Educator Licensure:** It is the State Superintendent and the OPI that is responsible for the licensure of nearly 25,000 educators to assure parents and the public that their children will be taught in classrooms by teachers with the proper training and credentials.
- 3. Leadership/Management:** On a daily basis we provide direct management of the state education agency staff and functions, as well as leadership for K-12 schools. It is also our job to see that the taxpayers' money is properly spent and accounted for in every school district and in our agency's operation.
- 4. Primary Source of K-12 Communication and Information:** We are a primary source of information on K-12 education for the Board of Public Education, the Commissioner of Higher Education, educators, educational associations, legislature, public and media. OPI has a technology infrastructure that uses emerging technology to effectively and efficiently communicate information and exchange data with school districts, as well as the public. In

addition, we host the Board of Public Education webpage, Newslinks, which is a statewide news distribution system, and your Laws Bill System.

5. Accreditation: OPI implements the accreditation standards that are adopted by the Board of Public Education. We help almost 866 public and private accredited schools in Montana to understand and meet these minimum standards.

**Refer to Apple Sheets*

Organizational Chart

OPI has three main departments. Staff will later provide you details on the specific services and functions each department provides to schools, but let me give a brief overview of each department:

The **Office of the Superintendent** is responsible for the leadership, policy direction and overall management of the Office of Public Instruction. The office includes Communications; Legal Division which includes Educator Licensure or Certification); and Personnel.

The **Department of Education Services** provides leadership and supervision to state and federal programs directed toward the classroom. The main areas are Accreditation; Educational Opportunity and Equity; Career, Educational and Adult Education; Health Enhancement and Safety; and Special Education.

The **Department of Operations** provides leadership and supervision to the framework that supports the education system which includes Fiscal Services; Distribution to Schools; and, Information/Technology Services (which includes Network Services, Internet Services, Resource Center and Systems Development).

Within these three departments of the OPI are 51 ½ FTE who are paid with state general fund dollars. I believe you'll agree that the State of Montana sure gets its monies worth from the OPI.

**Refer to Organizational Chart – handout #2*

Funding History

Not unlike the position that schools find themselves in, the OPI is also doing more with less. Let me explain. For some time now there has been a misunderstanding by some Legislators that millions and millions of dollars are being spent on a bloated Helena education bureaucracy. In fact, nothing could be further from the truth. OPI is one of the smallest and most efficient agencies in state government.

Since I took office in January 2001, the OPI has gone through major budget cuts. In the 2001 Session, OPI was the only agency that the Legislature applied a 15% general fund budget reduction. This resulted in a \$128,000 cut to OPI. Lost was a communications to schools position, the Montana Schools newsletter which had been published for more than 40 years, and toll-free telephone lines for the METNET messaging system.

Also in the 2001 Session OPI's budget was disproportionately cut by a 19% reduction for FY2001 to FY2002. This \$1.021 million cut eliminated funding for an automated data collection system and all the funding for school improvement activities.

During the summer of 2002, OPI lost \$223,000 during the Governor's set of cuts and the Legislative Special Session. The following year, during the 2003 Legislative Session, this education agency suffered cuts of \$402,000 for FY'04 and \$407,000 for FY'05 in order to balance the state's budget.

Cuts to the OPI are cuts to Montana's classrooms and students. Over the years, I have directed staff to make recommendations to re-adjust or scale back our budget with an eye towards continuing to meet the needs of our number one priority – our Montana students. We have reorganized our office, laid off staff, and reduced services to schools. Quite frankly, our ability to provide services and resources to serve our schools and our students is stretched to full capacity.

As you will see in our budget presentations this week that as the state support has shrunk, the federal support has increased. It has been suggested in past Legislative Sessions that I use federal funds to replace the state funds to pay for state functions performed by OPI. Further, it was suggested that as a good manager I could make this happen. Perhaps I could, but it would be an act of federal fraud (and, I don't look good in those orange jumpsuits). It would be a violation of federal law for the state of Montana to supplant or replace state expenditures with federal funds to perform state activities that are not federally mandated and are the responsibility of each state. In the bigger picture of funding education in Montana, we are in big trouble if federal funds continue to be considered the only viable solution to Montana's education funding crisis.

Priorities

I'll briefly review some of my priorities and how they have resulted in changes, improvements and policies implemented at the Office of Public Instruction over the past two years.

Services and Resources to Schools

A top priority for me is providing Services and Resources to Schools. This is no small goal since our office as I explained earlier has had four major budget cuts since I took office four years ago. We're consistently trying to more with less. Our schools deserve our very best efforts, which is why I am committed to making sure that my staff has a thorough understanding of how we can best serve schools.

- ✓ Perhaps more well known to you is my **Yellow School Bus Tours** --- an informal way for OPI staff and me to listen and learn about the current situations and diverse needs of our schools, educators, trustees, students and parents all across Montana. We began in 2001 our Yellow School Bus Tours. And, yes, we travel in a real yellow school bus. Seventy-two of the agency staff has been on at least one tour and we've traveled well over 5000 miles. We hear from schools and communities firsthand the strengths and challenges facing our public schools. We also learn how we can better provide services to our schools. Sometimes it's little things like how to better organize forms and applications, sometimes it's larger issues like school funding, accreditation, and so on.

After three years we have an extensive list of school districts that wish to be on the Yellow School Bus Tour. We are making plans for folks to board the bus again this spring and fall.

- ✓ We assign nine OPI staff members to represent the office at the regional **monthly meetings of school superintendents**. This is an invaluable way for OPI to stay in touch with those who operate our schools. And for us to learn the needs of Montana students.
- ✓ In order to get needed **resources to the classroom**, it is our policy to apply for federal or private grants that will help students. In the past four years, we brought in millions of dollars to help with reading skills, American Indian dropout prevention, and character education, provide professional development opportunities, advanced placement classes, and more.

Technology

As a school librarian, optimizing the use of **technology** is important to me. We have worked very hard to promote new and efficient ways of interacting with our schools and students using emerging technology for communication, professional development and meetings. OPI created a unique e-mail account for each school district, county superintendent, and tribal education director, allowing us to communicate regularly with the field, in a timely manner and eliminating the need for paper distributions

✓ We just entered into a pilot project with **Vision-net** for interactive video conferencing from our office for state-wide communications to schools as well as provide professional development and conduct meetings that do not involve expensive travel.

✓ Our **website** serves as a critical tool for not only communicating with schools and the public, but also provides on-line services. Let me share with you a few of our most recent web-based accomplishments:

- This is the second session the Montana Office of Public Instruction and Legislative Services have made available live over the internet, via **video streaming**, Legislative House and Senate floor sessions, as well as select committee hearings. They can be viewed by visiting the OPI website. (www.opi.state.mt.us/Streamer/Legislature/) We are pleased to offer this service to the public, and in particular our schools and students as a means to better understand government and public service. Feel free to let your constituents know of this unique and easy way to keep in touch with what is happening at the Capitol.
- This past year we undertook a significant effort to "modernize" the Educator Licensure system saving both teachers and us time and expense. For decades this system was a paper and staple system. In an effort to live under our tighter budgets and to better serve our customers, our web-based licensure system now hosts an **on-line educator licensure renewal system** and an extensive searchable

database of nearly 25,000 licenses. Educators like the simplicity and ease with which they can enter renewal information directly into our system. After successful completion of the web-based process, a teacher can print their renewed license -- saving staff hours, printing costs and postage. Since its inception in fall 2003, 1,333 educators have renewed their teaching license on-line.

- In applying to OPI for nearly \$78 million dollars in No Child Left Behind funds, school districts have historically had to rely on their typewriter to complete applications -- multiple applications banged out on a rather ancient piece of equipment. The good news is now school districts can submit **ONE consolidated application** on the computer and transmit it electronically to OPI. Recall our Yellow School Bus Tour -- this is just one example of listening and learning from the field what OPI can do to better serve our schools.
- Parents are children's first and most important teacher. For Montana's children to be successful students, a strong school and family partnership is essential. Ten thousand two hundred kindergartners began school this year. And that means not only students began their public education career but for many parents this was their first child entering school. It's an exciting time, but it may also be a bit confusing. OPI created a new webpage to help Montana **parents** with their children's education. Our Parents Page is created to help parents more easily find information about K-12 public education in Montana. The evidence is clear, family involvement in schools matters. It matters a lot. Examples of the types of information available to parents are: getting started in school, resources for special needs children, testing guidelines, help with homework, and career and college references.
- This past fall, we convened an Indian Education Summit - A Call to Action, which brought together nearly 200 educators and community leaders to help me develop an action plan to seek input on how to implement **Indian Education for All** and to eliminate the American Indian student achievement gap. We are using our OPI website as a means to continue the discussion and the work that came out of the Indian Education Summit. The webpage will contain information that was presented to Summit attendees, as well as provide information and updates to the work that will continue on the goals of the Summit.

***Refer to Website Description sheet – handout #3**

✓ We recognize that not all Montana schools have the capacity to purchase computers. Therefore, OPI maintains a “**Surplus Computer Program**” that collects computer equipment from state and federal sources, including the military, as well as private donations, and distributes them to Montana public K-12 schools at no cost to the schools. Schools are very grateful for this service and are eager to point out students using these computers when we visit. It's vital for all Montana students to have access to using and understanding computers in our technological world.

Efficiency

As I mentioned before, OPI is one of the smallest agencies in Montana's state government. But, we administer largest general fund budget in state government. In managing the school financial distribution system our overhead costs of less than 1/10 of 1 percent ensure the maximum amount of state dollars reaches our classrooms.

OPI administers over 60 state and federal grants to school districts and other recipients that help provide enhanced educational opportunities for our children, professional development for our teachers and administrators, services for our special needs children and a safe environment for both students and staff. We strive to make the process of applying for, accounting for and reporting on grants as uniform and simple as possible, while complying with the requirements of the various laws and regulations.

As testament to our commitment to efficiencies and quality OPI received a perfect audit from the Legislative Audit Committee. I am really proud of the financial management of our operations and know how important it is to the overall management of state resources.

READING

I am committed to making sure every child in Montana can read. Research shows that if a student is not reading at the third grade level by the time they finish third grade, it is very difficult and very expensive to catch them up to grade level. If you can't read, you can't do math, social studies, science, and so on and this is a big contributor to dropping out of school. Under the direction of my READ Montana! Initiative launched in 2001, to ensure that all Montana students become successful readers, OPI staff has acquired additional resources and built partnerships.

1. Each year we hold my READ! Montana Summit, affectionately known as "Summit on a Shoestring," bringing together folks from around the state to learn more about reading strategies and outline where we want to go in Montana.
2. In 2003, we were awarded a projected \$20 million over six years in Federal Reading First grants to improve reading in our elementary classrooms for children in kindergarten through third grade. Funding will also benefit schools and students that do not receive school grant awards through professional development and training that can be implemented in their schools and school districts.
3. We've partnered with the Department of Public Health and Human Services' Medicaid and Immunization sections to promote reading and wellness. "The Reading Well - Be Well, Read Well," provides a free book to all newly immunized kindergarteners. We like to think that it will take the "sting out of immunizations."
**Refer to Bookmark*
4. "Food for the Mind" is a collaborative effort with Montana State University's Team Nutrition Program and the Montana Reading Council to give K-3 classrooms a book bag for students to take home for the weekend that is filled with fun books on nutrition and physical activity to enjoy with their parents.

American Indian Education

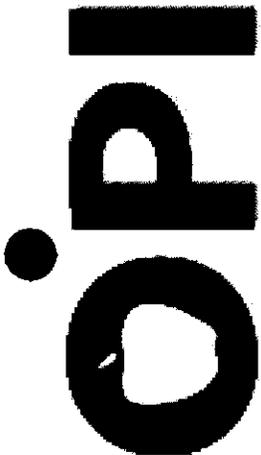
Lastly, another priority for me and my administration is American Indian Education. Almost 50% of Montana's American Indian students do not graduate from school. Our reading grants are in many schools with large populations of Indian students. We've also received a federal grant specifically designed to reduce the dropout rate in six school districts on reservations. Our efforts are beginning to make a dent in the achievement gap of American Indian students. The fastest improving group for the 2004 IOWA tests was American Indian students in grades 4 and 8. The students had significant improvement in 8 of the 10 subjects tested. Rather than go into greater detail with you now, I will outline our Indian Education for All proposal later this morning.

Closing

In closing, this legislature has been charged with defining a quality education. In doing so, you will address a variety of challenges that schools are facing to meet the needs of our students. One of those challenges, quite frankly, is also recognizing the needs of the state education agency to effectively provide services and resources to schools. You will hear over these next few days how the Office of Public Instruction has responded in the past to budget cuts, which have been and continue to be felt by our kids in Montana. You will hear some proposals that shore up our ability to support students and optimal learning in the classroom. These kids, our K-12 public school students, are first, last, and always my main concern.

Educating our children is the best investment we can make in Montana. The key to successful economic development is a quality education system. We can't expect to build a first class Montana economy with a second class school system.

My staff and I are a resource to you as you tackle a multitude of education issues this session. On behalf of 146,519 students in Montana, I thank you for your time and interest today and look forward to further discussion.

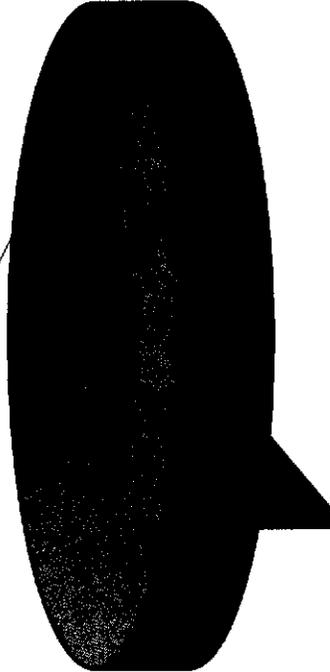


Linda McCulloch, Superintendent
Montana Office of Public Instruction
PO Box 202501
Helena, Montana 59620-2501
Toll Free: 1-888-231-9393, Local: 406-444-3095
www.opi.state.mt.us

**FY04 TOTAL
GENERAL FUND EXPENDITURES
(INCLUDES STATUTORY APPROPRIATION
(GUARANTEE FUND))**

\$556,889,898

Local Education Activities -
Program (09) 99.207% of total



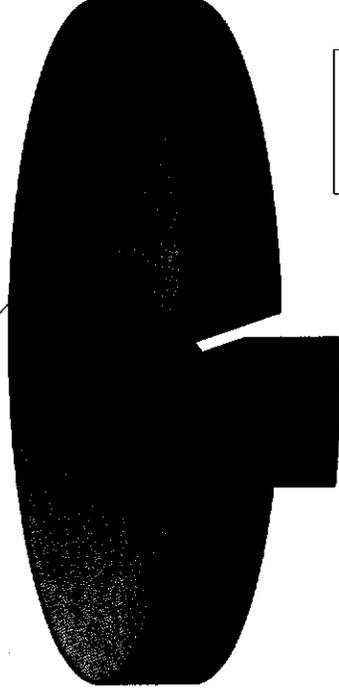
\$4,452,909

State Level Activities -
Program (06) 0.793% of total

**FY04 TOTAL
FEDERAL EXPENDITURES**

\$119,189,282

Local Education Activities -
Program (09) 92.981% of total



\$8,997,052

State Level Activities - Program
(06) 7.019% of total



Office of Public Instruction

● FACT SHEETS MASTER LIST FOR GENERAL FUNDED PROGRAMS ● January 2005

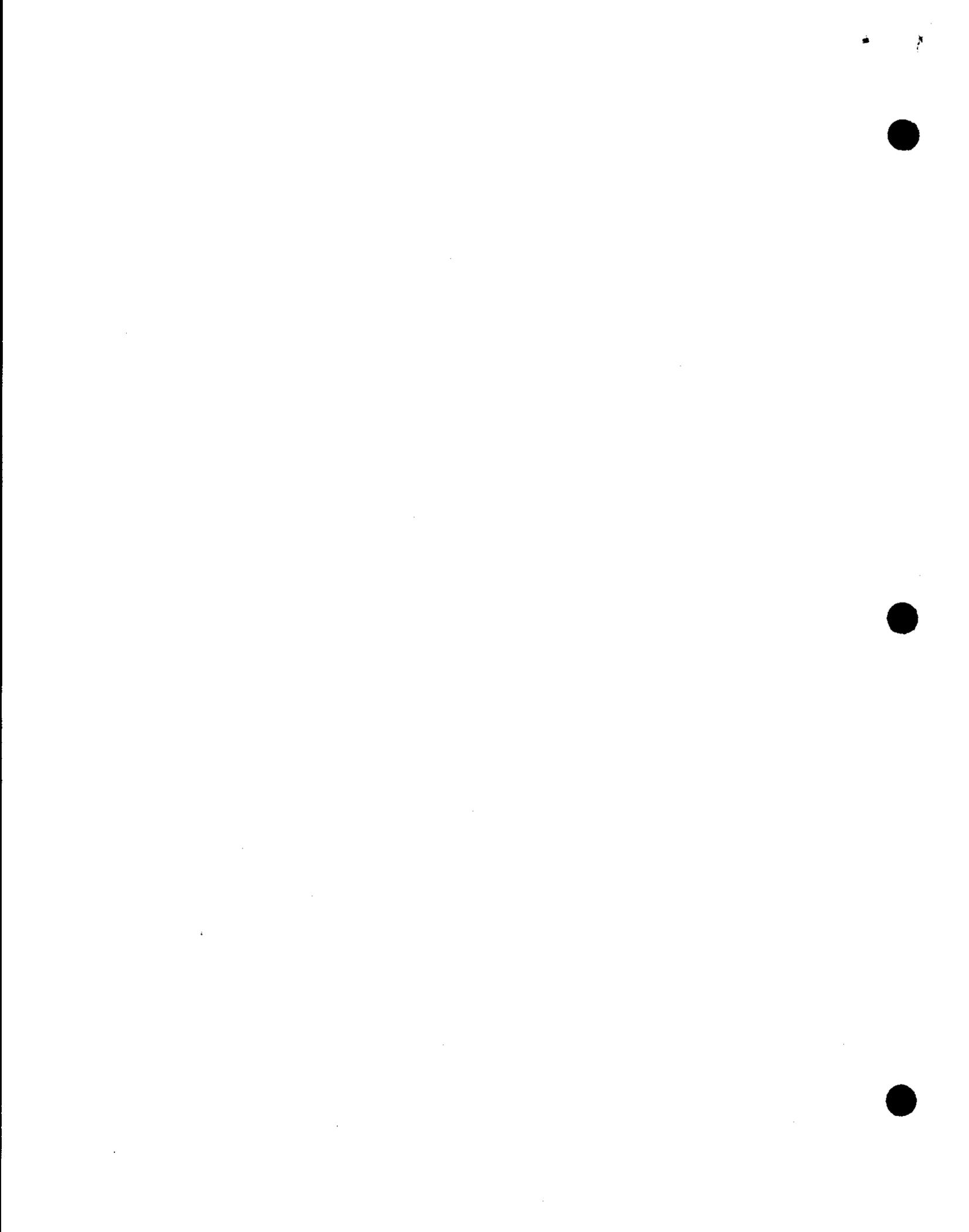
- Accreditation Division
- Audiology: Hearing Conservation Program
- Career and Technical Education Division
- Educator Licensure Program
- General Educational Development (GED) and Adult Basic and Literacy Education Programs
- Gifted and Talented State Grant Program
- Indian Education Program
- Information Technology Division
- Legal Services Division
- Office of State Superintendent
- School Nutrition Program
- Special Education Division
- State Distribution to Schools Division
- Student Assessment Program
- Traffic Education Program



Linda McCulloch, Superintendent

Montana Office of Public Instruction
PO Box 202501
Helena, Montana 59620-2501
www.opi.state.mt.us

January 2005



Office of Public Instruction

Accreditation Division

The Accreditation Division assists, reviews, and monitors 859 K-12 schools and eight teacher education programs at Montana's postsecondary institutions for compliance with school accreditation standards and other rules. The division assists schools, districts, and teacher education programs to align standards, curriculum, instruction, assessment, and professional development. This division's functions include:

- **Implements accreditation standards adopted and required by the Board of Public Education;**
- **Processes and evaluates the annual accreditation status of all 859 Montana schools;**
- **Operates the OPI's electronic Annual Data Collection system to review and recommend accreditation status for all schools;**
- **Reports annually on the accreditation status of all schools to the Board of Public Education, the public, and the news media;**
- **Reviews and approves improvement plans for schools not meeting state accreditation standards (in 2003-04, 151 schools or 17%);**
- **Conducts on-site middle school reviews to determine accreditation recommendations to the Board of Public Education;**
- **Provides regional assistance in the development and monitoring the effectiveness of the Five-Year Comprehensive Education Plan (5YCEP) required of all school districts by the Board of Public Education;**
- **Reviews and recommends the Professional Educator Preparation Program Standards for all educator learning programs at Montana colleges and universities; conducts on-site teacher education unit reviews to determine approval recommendations to the Board of Public Education;**
- **Implements, monitors and evaluates the Small Schools Adequate Yearly Progress process for 502 schools and districts; and**
- **Completes the Montana State Report Card on Quality of Teacher Preparation as required by the U.S. Department of Education ESEA Higher Education Act, Title II.**



Linda McCulloch, Superintendent
Montana Office of Public Instruction
PO Box 202501
Helena, Montana 59620-2501
www.opi.mt.gov



Office of Public Instruction

Audiology: Hearing Conservation Program

The Division of Special Education administers the statewide Hearing Conservation Program. The purpose of the program is to identify children with hearing impairments. The Office of Public Instruction contracts with nine providers (of these, two are school districts, one is a special education cooperative, two are university programs and four are private practice providers) for audiology services. Contractors provide the needed "matching" funds for the program's operation. This program is an excellent example of a public and private partnership for the benefit of Montana children. Functions of the program include:

- **Helps to ensure that Montana children who have been identified as having a hearing impairment are reported back to the schools so that the necessary instructional supports can be provided for the child's successful education;**
- **Assures public schools have ongoing access to qualified audiology providers even in the most rural and remote portions of the state;**
- **Screens approximately 64,000 children a year and refers almost 2,000 children annually for follow-up medical evaluations;**
- **Provides comprehensive hearing evaluation for any child suspected of having a hearing impairment at no cost to the parent;**
- **Provides follow-up to hospital screenings of infants suspected of having a hearing impairment; and**
- **Works with schools and contractors to ensure services are provided in accordance with contracts and technical assistance requirements.**



Office of Public Instruction

Career and Technical Education Division

As career opportunities change, Montana's schools must also prepare students for real jobs in the real world. The Career and Technical Education (CTE) unit helps create an educated Montana workforce by supporting education programs in agriculture, business, family and consumer sciences, health occupations, industrial technology, and marketing. There are 166 Montana high schools (99%) that provide CTE programs. The division's functions include:

- **Assisting with curriculum development for CTE programs;**
- **Planning and providing professional development support for CTE teachers to ensure Montana's programs have current educational content;**
- **Communicating with schools concerning state and federal Career and Vocational/Technical Education funding;**
- **Monitoring federal Carl Perkins and state CTE programs and expenditures;**
- **Maintaining current CTE instructor databases for assistance with recruitment and retention of teachers;**
- **Developing and updating Standards and Guidelines for CTE;**
- **Creating partnerships for CTE programs with business and industry associations and the public; and**
- **Serving as State Advisor for CTE Student Organizations.**
- **Montana Career and Technical Education Facts (2003-04 data):**
 - **Agriculture Education—78 programs serve 4,638 students; 72 FFA chapters - 2,540 members**
 - **Business/Marketing Education—164 programs serve 14,359 students; 76 Business Professionals of America (BPA) chapters - 1,167 members; 13 DECA (An Association of Marketing Students) chapters - 295 members;**
 - **Family and Consumer Sciences Education—115 programs serve 9,020 students; 68 Family, Career and Community Leaders of America (FCCLA) chapters - 1,215 members;**
 - **Industrial Technology Education—134 programs serve 13,646 students; 31 SkillsUSA chapters - 442 members; nine Technology Student Association (TSA) chapters - 96 members;**
 - **Health Occupations Education—five programs serve 212 students; five Health Occupations Students of America (HOSA) chapters - 133 members.**



Office of Public Instruction

● Educator Licensure Program ●

The OPI Legal Counsel provides legal advice and services to the State Superintendent and all divisions within the Office of Public Instruction and administers the Education Licensure Program. The State Superintendent is responsible for issuing all teacher, administrator, and education specialist licenses in Montana. This program ensures educators meet all state certification requirements to provide quality education for Montana's 148,356 school children. The program functions include:

- **Issues and renews nearly 6,000 educator licenses each year;**
- **New system has allowed 1,333 teachers to renew their licenses online to date;**
- **Ensures the information database for over 24,000 licensed Montana educators is current and accurate;**
- **Responds annually to over 8,000 telephone calls, 10,000 email requests, 1,800 letter requests, and 300 office visits regarding educator licensure;**
- **Provides information to the public and news media regarding educator licensure trends;**
- **Updates the OPI Web site on the current certification status of all licensed Montana educators; and**
- **Approves providers of professional development and individual activities for license renewal.**



Linda McCulloch, Superintendent
Montana Office of Public Instruction
PO Box 202501
Helena, Montana 59620-2501
www.opi.mt.gov

