

Exhibit Number: 3

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Office Of Public Instruction

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	125.31	4.35	1.00	130.66	4.40	1.50	131.21	131.21	
Personal Services	6,115,508	631,352	51,599	6,798,459	627,602	75,924	6,819,034	13,617,493	
Operating Expenses	7,432,791	2,394,863	238,970	10,066,624	2,721,148	258,403	10,412,342	20,478,966	
Equipment	76,335	5,000	50,463	131,798	0	50,463	126,798	258,596	
Local Assistance	19,301	4,000	0	23,301	4,000	0	23,301	46,602	
Grants	0	0	0	0	0	0	0	0	
Total Costs	\$13,643,935	\$3,035,215	\$341,032	\$17,020,182	\$3,352,750	\$384,790	\$17,381,475	\$34,401,657	
General Fund	4,452,922	243,552	333,032	5,029,506	260,957	376,790	5,090,669	10,120,175	
State/Other Special	193,936	15,843	8,000	217,779	15,848	8,000	217,784	435,563	
Federal Special	8,997,077	2,775,820	0	11,772,897	3,075,945	0	12,073,022	23,845,919	
Total Funds	\$13,643,935	\$3,035,215	\$341,032	\$17,020,182	\$3,352,750	\$384,790	\$17,381,475	\$34,401,657	

Program Description

The State Level Activities program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing statutorily prescribed duties. The program: 1) supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board; 2) is responsible for the distribution and accounting of state and federal funds provided to school districts; and 3) provides assistance and information to school districts. The program administers all federal grants received by OPI, including: 1) curriculum assistance; 2) special education; 3) Elementary and Secondary Education Act (ESA)/No Child Left Behind (NCLB) administration; 4) secondary vocational education administration; and 5) other educational services.

Program Highlights

OPI Administration Major Budget Highlights	
<ul style="list-style-type: none"> • OPI's Administration budget increases by \$7.1 million during the 2007 biennium compared with fiscal 2004. Federal funds increase \$5.9 million and state general fund increases \$1.2 million. The largest component of the general fund increase is for development of curriculum and teacher training for the Indian Education for All Act. • OPI's Administration program increases by a net of 4.35 FTE, with additions of 0.25 added for the surplus computer program funded by general fund, a reduction of 1.60 FTE general fund due to statewide reductions, and an increase of 5.70 FTE due to present law changes in federal funding. • New proposal FTE total 1.0 additional FTE general fund to develop a curriculum for the Indian Education for All Act. • OPI's general fund administration budget increases due to new proposals in Indian education curriculum development and teacher training, expansion of gifted and talented administration, and the purchase of audiology equipment. 	

Major LFD Issues

- The executive proposes \$0.5 million general fund and 1.0 FTE to develop curriculum materials and teacher training in Indian education. There are no proposals to spend any of this money in the distribution to schools program.

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						
State Level Activities						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 4,452,922	32.6%	\$ 5,029,506	29.6%	\$ 5,090,669	29.3%
02001 School Lunch Program	84,678	0.6%	100,049	0.6%	100,051	0.6%
02012 Misc Grants/Contracts-Budgeted	-	-	-	-	-	-
02402 Traffic & Safety Education	109,258	0.8%	109,730	0.6%	109,733	0.6%
02618 Prof Educator Prep Program	-	-	8,000	0.0%	8,000	0.0%
03002 Public Instruction	8,997,077	65.9%	11,772,897	69.2%	12,073,022	69.5%
03717 Jobs And Growth Tax Relief Act	-	-	-	-	-	-
Grand Total	<u>\$ 13,643,935</u>	<u>100.0%</u>	<u>\$ 17,020,182</u>	<u>100.0%</u>	<u>\$ 17,381,475</u>	<u>100.0%</u>

State Level Activities are funded with a combination of general fund, state special revenue, federal funds, and proprietary funds.

Figure 1
OPI Agency Funding By Function (with New Proposals)
2007 Biennium Executive Budget

Function	Fiscal 2006				Fiscal 2007			
	General Fund	State Special	Federal Special	Total	General Fund	State Special	Federal Special	Total
Superintendent	\$876,212	\$0	\$68,694	\$944,906	\$888,067	\$0	\$68,624	\$956,691
Legal Services	419,811	0	218,956	638,767	419,387	0	219,652	639,039
Information Technology	902,929	0	0	902,929	896,854	0	0	896,854
Distribution to Schools	724,616	0	0	724,616	724,204	0	0	724,204
Curriculum Services	511,148	0	3,390,221	3,901,369	510,588	0	3,391,213	3,901,801
Accreditation	226,137	8,000	527,233	761,370	226,073	8,000	526,552	760,625
Health Enhancement & Safety	56,073	209,779	1,508,453	1,774,305	58,061	209,784	1,508,785	1,776,630
Educational Opportunity & Equity	480,019	0	2,536,395	3,016,414	523,397	0	2,538,816	3,062,213
Special Education	517,613	0	2,894,960	3,412,573	529,274	0	3,191,402	3,720,676
Career Technical & Adult Education	314,948	0	627,985	942,933	314,764	0	627,978	942,742
Total	<u>\$5,029,506</u>	<u>\$217,779</u>	<u>\$11,772,897</u>	<u>\$17,020,182</u>	<u>\$5,090,669</u>	<u>\$217,784</u>	<u>\$12,073,022</u>	<u>\$17,381,475</u>

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.

	Fiscal 2006				Fiscal 2007					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					680,090					674,854
Vacancy Savings					(267,439)					(267,236)
Inflation/Deflation					(4,295)					(4,132)
Fixed Costs					15,980					18,407
Total Statewide Present Law Adjustments					\$424,336					\$421,893
DP 12 - Provide Funding for Surplus Computers for Schools	0.25	38,822	0	0	38,822	0.25	33,808	0	0	33,808
DP 13 - Education Licensure Increased costs	0.00	3,540	0	0	3,540	0.00	3,540	0	0	3,540
DP 16 - Audiology	0.00	22,883	0	0	22,883	0.00	34,477	0	0	34,477
DP 18 - Statewide Student Assessment	0.00	29,250	0	0	29,250	0.00	43,250	0	0	43,250
DP 26 - Growth in Commodities and Cooperative Purchasing	0.00	0	15,000	0	15,000	0.00	0	15,000	0	15,000
DP 27 - Federal Grant Increases	5.70	0	0	2,457,751	2,457,751	5.70	0	0	2,755,494	2,755,494
DP 29 - Indirect Cost of Base Adjustments	0.00	40,877	843	51,651	93,371	0.00	40,336	848	51,769	92,953
DP 30 - Statewide FTE Reduction	(1.60)	(49,738)	0	0	(49,738)	(1.55)	(47,665)	0	0	(47,665)
Total Other Present Law Adjustments	4.35	\$85,634	\$15,843	\$2,509,402	\$2,610,879	4.40	\$107,746	\$15,848	\$2,807,263	\$2,930,857
Grand Total All Present Law Adjustments					\$3,035,215					\$3,352,750

DP 12 - Provide Funding for Surplus Computers for Schools - OPI began administering this program with existing staff and resources after it was authorized by the 1999 Legislature (18-6-101, MCA). As a result of growth in this program, OPI requests increasing an existing 0.25 FTE to a 0.50 FTE, providing storage space, supplies, phone and internet service to the storage facility, and providing funding to lease or purchase, operate and maintain, an older model vehicle for hauling computers from a state agency to the storage facility. The general fund cost for these increases is \$38,822 in FY 2006 and \$33,808 in FY 2007.

DP 13 - Education Licensure Increased costs - The executive recommends a present law adjustment for the Education Licensure program in the amount of \$3,540 general fund in each year of the 2007 biennium for increased costs associated with scanning education licenses, conducting fingerprint-based background checks for initial applicants for an educator license, and for additional mailings to educators.

DP 16 - Audiology - Current contracts for the audiological program total \$355,156. In order to maintain contractor participation, OPI anticipates needing to provide a minimum of a 3 percent increase per year. A 3 percent increase totals \$22,883 in FY 2006 and \$34,477 in FY 2007.

Under the Individuals With Disabilities Education Act (IDEA), schools are required to have an effective child-find system in place for individuals with disabilities birth through 21. The Hearing Conservation Program is the primary method in which public schools identify students who may have a hearing impairment.

**LED
COMMENT**

There is a contingency in the audiology contract that allows less to be contracted in the event of inadequate funding from the legislature.

DP 18 - Statewide Student Assessment - This request is for a present law adjustment to fund the increased costs associated with the Office of Public Instruction's contract with Riverside Publishing Company for administration of the Iowa Test of Basic Skills (ITBS) in grades 4 and 8, and the Iowa Test of Educational Development (ITED) in grade 11. The statewide student assessment is required by the Administrative Rules of the Board of Public Education for the accreditation of schools for grades 4, 8, and 11. The present law base for the Statewide Student Assessment is \$253,250 general fund. The executive proposes to extend the contract with Riverside Publishing Company for fiscal years 2006 and 2007. Riverside Publishing Company has provided a price quote of \$278,000 for fiscal 2006 and \$292,000 for fiscal 2007. The present law adjustment for FY 2006 is \$29,250 and for FY 2007 is \$43,250 general fund.

**LED
COMMENT**

The Iowa Basic tests proposed here have been used in Montana since 2001. The Iowa Tests are norm-referenced tests that measure basic skills. In a norm-referenced test, student achievement is compared to the achievement of students in a national norm group. Montana also uses a criterion-referenced test that was first implemented in FY 2004. A criterion-referenced test is a test aligned to academic content standards. The Montana Criterion-Referenced Test (CRT) is aligned to Montana Content Standards in Reading and Mathematics. In the CRT, Montana student achievement is compared to achievement on those standards. The No Child Left Behind Act requires that adequate yearly progress (AYP) be measured by a criterion-referenced test. OPI has a contract to administer the current CRT with the firm Measured Progress. The contract with Measured Progress is approximately \$2.5 million a year for 5 years and is paid for with federal money. It is usual for criterion-referenced tests to be more expensive than norm-referenced tests. The Board of Public Education has an assessment committee that reviews and recommends assessments to the Board. The committee is currently reviewing the assessment options for after the 2007 biennium.

DP 26 - Growth in Commodities and Cooperative Purchasing - This increase of \$15,000 in state special spending authority for the Commodities and Cooperative Purchasing budget from the current \$85,000 to \$100,000 for each year of the new biennium is the result of growing use of the program by private and public entities.

DP 27 - Federal Grant Increases - This increase of \$15,000 in state special spending authority for the Commodities and Cooperative Purchasing budget from the current \$85,000 to \$100,000 for each year of the new biennium is the result of growing use of the program by private and public entities.

**LED
COMMENT**

The increased spending authority would be used to cover the following: 1) an increase in the amount of commodity foods to be allocated resulting in increased food storage and transportation costs for non-public schools and private residential child care institutions; and 2) increased project costs for the cooperative food purchasing program, specifically, travel and meeting expenses of a newly developed committee of local school personnel that provides input on ordering and processing preferences for foods that are to be available on the state bid.

DP 29 - Indirect Cost of Base Adjustments - This \$5.2 million increase in federal spending authority for grant awards currently administered by the Office of Public Instruction is due to normal increases in federal funding. These funds are used to support the administration of current federal grants and to provide technical assistance to sub-grantees (districts and cooperatives). This is a biennial appropriation.

LED COMMENT

The following figure lists the purposes of the federal money.

Figure 2
Present Law Changes in Federal Grant Administration
2007 Biennium

Grant	Base 2004	Fiscal 2006	Fiscal 2007
Programs Increased			
Individuals with Disabilities Education Act, Part B	\$1,426,512	\$468,536	\$764,205
Individuals with Disabilities Education Act, Supervision	113,256	300,000	300,000
State Assessments	2,634,840	1,151,630	1,153,037
Reading First	209,541	511,322	511,894
Title V, Learn& Serve, Character Ed.	182,053	26,263	26,358
Total	\$4,566,202	\$2,457,751	\$2,755,494

DP 30 - Statewide FTE Reduction - This decision package implements an FTE reduction equivalent to the reductions taken in the 2003 legislative session. This 1.60 FTE and \$49,000 general fund per year would be removed from the budget permanently.

New Proposals

Program	FTE	Fiscal 2006				Fiscal 2007				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Indian Education for All										
06	1.00	248,032	0	0	248,032	1.00	247,873	0	0	247,873
DP 17 - Educator Preparation Unit Reviews										
06	0.00	0	8,000	0	8,000	0.00	0	8,000	0	8,000
DP 53 - Gifted and Talented Assistance										
06	0.00	0	0	0	0	0.50	43,917	0	0	43,917
DP 54 - Audiology equipment - Restricted/OTO										
06	0.00	85,000	0	0	85,000	0.00	85,000	0	0	85,000
Total	1.00	\$333,032	\$8,000	\$0	\$341,032	1.50	\$376,790	\$8,000	\$0	\$384,790

DP 4 - Indian Education for All - This biennial general fund appropriation of \$0.5 million and 1.00 FTE is to respond to the constitutional and statutory obligations to preserve the distinct and unique cultural heritage of American Indians. This appropriation would be used for:

- Annual summit and focus groups to receive/share information concerning issues in the education of American Indian students and to plan for the implementation of Indian Education for All
- Extensive and focused professional development for teachers and administrators
- Development of research based curricular materials and teaching strategies;
- Dissemination of effective practices
- Regular meetings of the Montana Advisory Committee for Indian Education (MACIE) to provide policy advice to the State Superintendent and Board of Public Education; and
- Creation of a Native American Studies curriculum council

**LED
ISSUE**

The Supreme Court found that Montana inadequately provides funds to satisfy Article X, Section 1(2) of the Montana Constitution. Although this proposal allows for the development of curriculum and teacher training, no money in the distribution program has been allocated to Indian education at the district level.

**LED
ISSUE**

The executive allocated \$50,000 in federal Jobs and Growth Reconciliation Act monies to OPI to apply to the Indian Education for All Act. This money was spent in FY2004 and FY2005 for: 1) a summit of educators to discuss strategies for educating Montana students about the distinct and unique cultural heritage of Montana's tribal nations and for closing the achievement gap between Native and non-Native students; 2) production of cultural displays for use by school districts; and 3) development of a brochure explaining Indian education.

DP 17 - Educator Preparation Unit Reviews - OPI requests \$16,000 state special authority to spend the funds paid by campuses of the Montana institutions of higher education for review of educator preparation programs. Programs are reviewed for compliance with the teacher preparation standards adopted by the Board of Public Education. Fees charged for this service are a flat fee of \$500 per campus, plus \$50 for each program to be reviewed.

**LED
COMMENT**

The Montana Board of Public Education adopts the educator preparation program standards that guide the approval process for all teacher preparation programs in Montana. The Montana Professional Educator Preparation Program Standards (PEPPS) are reviewed on a five-year cycle. The current PEPPS are in effect from January 2001 through December 2005.

The Office of Public Instruction supports the implementation and oversees the review of the standards. Developed with the cooperation of preschool through postsecondary educators and Montana's education community and the public, the standards are intended to contribute to the improvement and growth of teacher education programs. The review of educator preparation programs conducted under the standards ensures that prospective educators have completed an approved education program before entering the teaching profession.

DP 53 - Gifted and Talented Assistance - An increase of 0.5 FTE and \$43,917 general fund would be added to the Office of Public Instruction staff in FY 2007 to assist districts in providing gifted and talented education to students throughout the state with technical assistance and support.

DP 54 - Audiology equipment - Restricted/OTO - Replacement of the equipment used to test the hearing of students across the state is requested. Much of the current equipment is beyond its useful life. This \$170,000 general fund one-time-only appropriation would be used to ensure that all equipment used in the state will be functional and up to date.

Proprietary Rates

Proprietary Program Description

OPI Indirect Cost Pool - OPI's internal service fund (A/E 06512) is used to pool internal and statewide central service type costs that are charged back to all of OPI's state and federally funded programs using a pre-approved indirect cost rate.

The Advanced Driver Education program - 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. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, Montana Department of Transportation employees, ambulance drivers, and others who drive as a part of their employment. The program offers its services to employees of government services and to the general public.

Proprietary Revenues and Expenses**Revenue Description**

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. Last fiscal year OPI federal programs contributed \$910,384 towards the cost of "indirects"; general and other state-funded programs contributed \$633,534.

Expense Description

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

- Termination payouts (vacation/comp time/sick leave) for all staff (except the State Superintendent and her personal staff)
- Services provided to OPI by other state agencies for a fee
- Depart. of Admin. (DofA) General Liability Insurance and Employee Bonds
- DofA Warrant writing fees
- DofA Payroll Service fees
- DofA telephone equipment charges
- DofA rent charge for common areas (bathrooms, halls, conference rooms)
- Legislative audit fees
- DofA network service fees
- Fish, Wildlife and Parks grounds maintenance fee
- OPI's share of statewide indirect costs, allocated through a Statewide Cost Allocation Plan (SWCAP) prepared by the Department of Administration
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, word processing, mail delivery and resource center services to all OPI programs. Operating costs associated with 22.15 positions are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines and shared equipment, including maintenance contracts on that equipment.

Working Capital Discussion

Working capital is not considered in the rate determination. Sufficient working capital is needed for cash flow during the first 30 - 45 days of the fiscal year.

Fund Equity and Reserved Fund Balance

There is no requirement to reserve fund balance. Management's objective is to maintain the minimum balance necessary for on-going operations. If a significant balance accumulates because direct expenses increase at a faster rate than indirect expenses, the approved rate will adjust downward to reduce the excess over time.

2007 Biennium Report on Internal Service and Enterprise Funds 2007

Fund	Fund Name	Agency #	Agency Name	Program Name			
6512	Indirect Cost Pool	3501	Office of Public Instruction	State Level Activities			
					Actual	Actual	Actual
					FY02	FY03	FY04
					Budgeted	Budgeted	Budgeted
					FY05	FY06	FY07
Operating Revenues:							
	Nonfederal Indirect cost recoveries				648,954	635,511	633,535
	Federal Indirect Cost Recoveries				819,356	846,091	910,384
	Other Operating Revenues				2,087	2,270	2,171
	Total Operating Revenue				1,471,397	1,483,872	1,546,090
Operating Expenses:							
	Personal Services				1,747,075	998,570	968,660
	Other Operating Expenses				668,954	645,894	605,007
	Total Operating Expenses				2,416,029	1,644,464	1,573,667
	Operating Income (Loss)				(944,632)	(160,592)	(27,577)
	Total Net Assets- July 1 - As Restated				277,884	138,295	(16,660)
	Prior Period Adjustments				805,043	5,637	-
	Total Net Assets - July 1 - As Restated				1,082,927	143,932	(16,660)
	Net Assets- June 30				138,295	(16,660)	(44,237)
	60 days of expenses (Total Operating Expenses divided by 6)				402,672	274,077	262,278
					278,006	289,725	283,734

Advanced Driver Education Program-**Revenue Description**

Revenues are generated from workshop fees collected from participants in the program and from other track users for the use of the facility. Typically the program services 450-550 participants a season. The current fee is \$225 for full-day workshop per person and \$135 for a half-day. There will be anticipated growth in services to participants of 10 percent. This increase is due to an agreement with MDT to conduct a teen research project. It is also expected to see modest growth in other users of the track who pay for its use.

Expense Description

Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses; classroom and track supplies; track lease; program advertising; administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Unexpected increases in fuel costs this last year consumed the revenue projected to support periodic capital and maintenance costs. It is anticipated that an increase in fees is needed to keep abreast of inflation.

Working Capital Discussion

This program is a summer seasonal program that operates 45 - 55 days during June, July and August. The program typically employs four grade 16 instructors for each workshop (10 - 11 hours per day each). A director (.15) and a program specialist (.125) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

Fund Equity and Reserved Fund Balance

In addition to operating expenses during non-revenue months, the program also incurs periodic (every 2 - 5 years) expenditures for replacement of vehicles and facility maintenance/improvement. Payment of these services requires accumulation and carryover of revenues from year to year an amount of approximately 10 - 20 percent of its annual budget.

Proprietary Rate Explanation

OPI negotiates a three-year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The rate approved for FY 2005 through 2007 is 17.3 percent.

Advance Driver Education-

Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. All attempts are made to keep workshop fees low since the potential customers such as bus drivers, volunteer firemen and ambulance drivers have small training budgets. Facility use rates are fixed rates that reflect a share of facility costs to lease and maintain track and buildings.

2007 Biennium Report on Internal Service and Enterprise Funds 2007								
Fund	Fund Name	Agency #	Agency Name	Program Name				
6067	Advanced Drivers Education	3501	Office of Public Instruction	State Level Activities				
			Actual FY02	Actual FY03	Actual FY04	Budgeted FY05	Budgeted FY06	Budgeted FY07
Operating Revenues:								
Fee revenue								
	Revenue from Fee A		-	-	-	-	-	-
	Revenue from Fee B		-	-	-	-	-	-
	Revenue from Fee C		-	-	-	-	-	-
	Revenue from Fee D		-	-	-	-	-	-
	Revenue from Fee E		-	-	-	-	-	-
	Revenue from Fee F		-	-	-	-	-	-
	Net Fee Revenue		101,415	100,928	88,918	131,000	98,000	100,000
	Investment Earnings		-	-	-	-	-	-
	Securities Lending Income		-	-	-	-	-	-
	Premiums		-	-	-	-	-	-
	Other Operating Revenues		-	-	2,685	-	-	-
	Total Operating Revenue		101,415	100,928	91,603	131,000	98,000	100,000
Operating Expenses:								
	Personal Services		48,082	52,213	50,274	57,712	54,302	54,207
	Other Operating Expenses		45,032	40,668	39,864	79,926	42,444	42,940
	Total Operating Expenses		93,094	92,881	90,138	137,638	96,746	97,147
	Operating Income (Loss)		8,321	8,047	1,465	(6,638)	1,254	2,853
Nonoperating Revenues (Expenses):								
	Gain (Loss) Sale of Fixed Assets		-	-	-	-	-	-
	Federal Indirect Cost Recoveries		-	-	-	-	-	-
	Other Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Net Nonoperating Revenues (Expenses)		-	-	-	-	-	-
	Income (Loss) Before Operating Transfers		8,321	8,047	1,465	(6,638)	1,254	2,853
	Contributed Capital		-	-	-	-	-	-
	Operating Transfers In (Note 13)		24,460	-	-	-	-	-
	Operating Transfers Out (Note 13)		-	-	-	-	-	-
	Change in net assets		32,781	8,047	1,465	(6,638)	1,254	2,853
	Total Net Assets- July 1 - As Restated		-	27,984	36,031	38,476	31,838	33,092
	Prior Period Adjustments		(4,797)	-	-	-	-	-
	Cumulative effect of account change		-	-	-	-	-	-
	Total Net Assets - July 1 - As Restated		(4,797)	27,984	36,031	38,476	31,838	33,092
	Net Assets- June 30		27,984	36,031	37,496	31,838	33,092	35,945
	60 days of expenses (Total Operating Expenses divided by 6)		15,516	15,480	15,023	22,940	16,124	16,191

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	125.31	4.35	1.00	130.66	4.40	1.50	131.21	131.21
Personal Services	6,115,508	631,352	51,599	6,798,459	627,602	75,924	6,819,034	13,617,493
Operating Expenses	7,434,615	2,395,039	238,970	10,068,624	2,721,324	258,403	10,414,342	20,482,966
Equipment	76,335	5,000	50,463	131,798	0	50,463	126,798	258,596
Local Assistance	509,984,289	8,466,265	2,170,593	520,621,147	13,899,729	3,090,015	526,974,033	1,047,595,180
Grants	119,604,611	14,082,528	85,000	133,772,139	21,003,299	85,000	140,692,910	274,465,049
Total Costs	\$643,215,358	\$25,580,184	\$2,596,625	\$671,392,167	\$38,251,954	\$3,559,805	\$685,027,117	\$1,356,419,284
General Fund	514,085,061	8,713,666	2,588,625	525,387,352	14,164,535	3,551,805	531,801,401	1,057,188,753
State/Other Special	943,936	15,843	8,000	967,779	15,848	8,000	967,784	1,935,563
Federal Special	128,186,361	16,850,675	0	145,037,036	24,071,571	0	152,257,932	297,294,968
Total Funds	\$643,215,358	\$25,580,184	\$2,596,625	\$671,392,167	\$38,251,954	\$3,559,805	\$685,027,117	\$1,356,419,284

Agency Description

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction (OPI) provides distribution of funding and services to Montana's school-age children and to teachers in approximately 450 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.

Agency Highlights

Office of Public Instruction Major Budget Highlights	
•	The Governor's recommended general fund budget for OPI is substantially present law increases only, and does not address the Court decision which declared the existing funding methodology unconstitutional.
•	OPI's Administration budget increases by \$7.1 million during the 2007 biennium compared with fiscal 2004. Federal funds increase \$5.9 million and state general fund increases \$1.2 million. The largest component of the general fund increase is for development of curriculum and teacher training for the Indian Education for All Act.
•	OPI's budget for distribution to schools increases by \$62.9 million during the 2007 biennium. Of this amount, \$27.8 million is an increase in state general fund and \$35.1 million is an increase in federal authority.
•	In the general fund distribution to schools, the executive proposes to: <ul style="list-style-type: none"> • Increase present law BASE aid by \$16.4 million, which reflects a BASE aid reduction of \$11.9 million for declines in ANB, a BASE aid increase of \$29.0 million for inflation, and adjustments for higher common school revenue estimates (which result in reductions in general