

EXHIBIT 5  
DATE 01/18/2005  
HB 2

## Present Law Adjustments 06

Following Present Law DP 18 – Statewide Student Assessment:

“Good morning Madame Chair and members of the committee; for the record my name is Julia Dilly. I am the Administrator of the Fiscal Services Division with the Office of Public Instruction.

I would like to speak to you about the next three requests included in the Executive budget and found on page E-9 of the LFD summary. The first is DP 26 - Growth in Commodities and Cooperative Purchasing:”

### DP 26 - GROWTH IN COMMODITIES AND COOPERATIVE PURCHASING

This request increases the state special spending authority for the Commodities and Cooperative Purchasing Bid programs by \$15,000 dollars in each year of the biennium. This will bring the level of spending authority up to the amount of revenues currently being collected for these programs.

- The increase will pay for the increased shipping, handling, and food processing costs of commodities allocated to non-public schools and private residential care institutions by the US Dept. of Agriculture.
- It will also pay for increased project costs for the cooperative purchasing bid program. Specifically for the travel and meeting expenses of a newly developed committee of local school personnel that will provide input on the ordering and processing of foods that are available on the state bid.

(talking points)

- Commodities - The State of Montana receives over \$2mil in food commodities from the US Dept of Ag for both public and private schools that participate in the National School Lunch Program. OPI pays the shipping, handling, storage and food processing costs on behalf of the school districts. These costs are paid from the School Food Match - general fund appropriation. Because state law prohibits general fund monies be used for private schools. OPI bills the private schools for their share of the shipping and handling costs. (approx. \$19,000/year). The amount OPI collects from the private schools is becoming greater than the current level of spending authority for this program. Processing costs include taking raw beef and making beef patties, or raw chicken and making chicken nuggets.
- Cooperative Purchasing Bid - Approximately 75% of school districts participating in the lunch program (280) use the Cooperative Bid Program (approximately 210). Districts that participate in this program are able to purchase bid foods from the state bid at a reduced rate. There is over \$2.5 mil per year in bid foods. OPI assesses a 2.5% surcharge per year to administer this program (which results in approx. \$70,000/yr. This request will help pay the 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 available on the state bid. Three locations twice a year and once at the annual conference in Great Falls (Missoula, Great Falls and Miles City). 30 people with 10 in

each location. About 200 items on the bid. Most commonly used items French fries, canned fruits and vegetables. Processed foods like bagels, muffins, cereals.

Madame Chair, and members of the committee, I will speak next to DP 27 – Federal Grant Increases. I need to point out that narrative printed next to this request is for the decision package we just reviewed. You will find the correct narrative for this request next to DP- 29.

#### DP 27 – FEDERAL GRANT INCREASES

This request increases the federal spending authority for OPI's state-level activities by \$2,457,751 in FY06 & \$2,755,494 in FY07. This request is a result of additional funds that we anticipate will be appropriated by Congress for existing federal programs administered by OPI. The request includes 5.70 fte, will be used to support the administration of the grants, and to provide technical assistance to school districts and other local education agencies. This is a biennial appropriation. Grants included in this request found on page E-10, the top chart.

IDEA–New federal monitoring requirements require states to hold schools accountable for improved outcomes for students with disabilities. This increase will allow OPI to provide the technical assistance necessary to support our schools to improve academic performance of students, graduation rates and reduce dropout rates.

IDEA Supervision Enhancement – competitive grant. The former Supervision grant or data enhancement grant is winding down, a new supervision enhancement grant is beginning. This purpose of this grant is to develop an infrastructure that will support a coordinated and comprehensive system of professional development, technical assistance, and information dissemination delivery. It is designed to support the state, districts, and local entities in their efforts to improve student outcomes for all students.

State Assessments – This is a formula grant to states. It is anticipated that President Bush will require through NCLB testing at two additional grades in High School. The funds will pay for the development and training for the testing for the two additional grades.

Reading First-It includes funding for 3.0 fte to provide services to Montana educators served by the grant to establish scientifically based reading programs for students enrolled in kindergarten through grade three. It will support increased professional development to ensure that all teachers have the skills they need to teach these programs effectively. The program also supports the use of screening

and diagnostic tools and classroom-based instructional reading assessments to measure how well students are reading and to monitor their progress.

Title V, Character Ed., Learn & Serve - .70 fte for admin support to these programs

Madame Chair, members of the committee, the narrative for DP 29 does not appear in the LFD book. Jim provided you with the narrative from the Executive budget book.

#### DP 29 – INDIRECT COST OF BASE ADJUSTMENTS

OPI requests funding to pay the indirect cost of general fund, federal, and state special revenue fund base adjustments per the federally approved rate. (17.3%) These include the statewide base adjustments shown in the chart on page E-8 (\$424,336). This is a routine request a few of you may remember from last session.

This request may be more clear when I discuss OPI's Indirect Cost Pool under "Proprietary Rates" later this morning.

Madame Chair that completes my presentation of present law requests. Madalyn will now present the final present law request. Thank you.

General Fund – 40,877

State Special – 843

Federal – 51,651

Total - \$93,371

17-3-111, MCA states, "Grantee agencies shall, in accordance with federal regulations and guidelines and with private grant rules, as appropriate, negotiate indirect cost reimbursement amounts and methodologies and recover indirect costs of federal assistance programs and private assistance programs.