

# Montana State Legislature

**Exhibit Number:** 3

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Office Of Public Instruction

**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
<b>Total Costs</b>	<b>\$643,215,358</b>	<b>\$25,580,184</b>	<b>\$2,596,625</b>	<b>\$671,392,167</b>	<b>\$38,251,954</b>	<b>\$3,559,805</b>	<b>\$685,027,117</b>	<b>\$1,356,419,284</b>
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
<b>Total Funds</b>	<b>\$643,215,358</b>	<b>\$25,580,184</b>	<b>\$2,596,625</b>	<b>\$671,392,167</b>	<b>\$38,251,954</b>	<b>\$3,559,805</b>	<b>\$685,027,117</b>	<b>\$1,356,419,284</b>

**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**

<b>Office of Public Instruction Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• In the general fund distribution to schools, the executive proposes to:             <ul style="list-style-type: none"> <li>• 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</li> </ul> </li> </ul>

<p>fund BASE aid) of \$0.7 million</p> <ul style="list-style-type: none"> <li>• Increase present law special education spending by \$1.5 million, and add new special education spending of \$2.3 million</li> <li>• Increase present law school facility spending by \$0.3 million and new school facility spending by \$2.0 million.</li> <li>• Increase present law transportation spending by \$0.3 million</li> <li>• Increase present law HB 124 block grants by \$1.9 million.</li> <li>• Increase secondary vocational education spending by \$0.6 million</li> <li>• Increase gifted and talented spending by \$0.2 million.</li> <li>• Increase present law biennial appropriations by \$0.4 million</li> </ul> <ul style="list-style-type: none"> <li>• In federal distribution to schools spending the executive proposes to:           <ul style="list-style-type: none"> <li>• Increase spending on special education by \$18.5 million.</li> <li>• Increase spending for the federal school foods program of \$9.9 million</li> <li>• Increase spending on the Elementary and Secondary Education Act (ESEA) program by \$6.8 million primarily for the 21<sup>st</sup> Century Program</li> </ul> </li> </ul>
<b>Major LFD Issues</b>
<ul style="list-style-type: none"> <li>• Higher revenue estimates for Base Aid adopted by the Revenue and Transportation Interim Committee in the guarantee fund could reduce general fund costs by \$6.9 million.</li> </ul>

### Agency Discussion

The Office of Public Instruction budget increases by \$70.0 million in the 2007 biennium, including \$7.1 million for OPI administration and \$62.9 million for distribution to schools. General fund increases are \$1.2 million for OPI administration and \$27.8 million for distribution to schools. Increases for distribution to schools are predominantly present law adjustments based on the current funding formula.

### School Funding Lawsuit

In April 2004, the district court (Sherlock) in Columbia Falls v. Montana found the state share of school district spending inadequate, and found that Montana's funding formula is not reasonably related to the costs of providing a basic system of free quality public elementary and secondary schools. The case was appealed to the Montana Supreme Court in June 2004. In November, the Montana Supreme Court affirmed the Sherlock opinion that the current funding system is not related to educationally relevant factors.

As a result of this decision, the legislature is directed to:

- Define the educationally relevant elements of a basic system of free quality public elementary and secondary schools
- Determine the costs of delivering the resources required by that system for both operating and capital expenses
- Devise a funding formula in law that will determine the state's share of school districts' resources; and
- Revise or augment state and district revenues required to pay for the system.

The effective date of the Sherlock decision is October 1, 2005 and the Supreme Court affirmed that date. However, the Sherlock decision also allows a phase-in of the ultimate remedy to its order.

The executive budget was submitted before the Supreme Court upheld the Sherlock Decision, and the budget is based on present law.

- The executive budget continues the current funding system, and offers no proposals to alter it to reflect the cost of educationally relevant factors.
- The executive budget contains no proposals to fund a study defining educationally relevant factors and the cost of educationally relevant factors.

The Supreme Court also affirmed Sherlock's conclusion that the current funding system violates Article X, Section 1(2) of the Montana Constitution in that it fails to recognize the distinct and unique cultural heritage of American Indians and has shown no commitment in its educational goals to the preservation of Indian cultural identity.

- The executive budget proposes no new program or spending on teaching Indian cultural heritage to non-Indian students at the district level nor does it propose a new program or spending on teaching Indian identity to Indian students. The executive does propose to develop curriculum materials and program definitions in the administration program.

For a further discussion of the school funding lawsuit, please see Volume 1 of the Legislative Budget Analysis, 2007 biennium.

### 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.	Fed Spec.	Grand Total	Total %
06 State Level Activities	\$ 10,120,175	\$ 435,563	\$ 23,845,919	\$ 34,401,657	3%
09 Local Education Activities	<u>1,047,068,578</u>	<u>1,500,000</u>	<u>273,449,049</u>	<u>1,322,017,627</u>	<u>97%</u>
Grand Total	<u>\$ 1,057,188,753</u>	<u>\$ 1,935,563</u>	<u>\$ 297,294,968</u>	<u>\$1,356,419,284</u>	<u>100%</u>

OPI has two programs, state level activities, more commonly known as OPI administration, and local education activities, more commonly known as the distribution to schools program. OPI administration receives approximately 31 percent of its funding from the general fund and state special accounts. The remainder of the OPI administration program is funded by federal funds. The distribution to schools program is funded 79 percent with state funds and the remainder with federal funds. Administration is 2.5 percent of all funds requested and the remainder flows to school districts.

### 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	129.66	1.00	130.66	129.71	1.50	131.21	125.31	131.21
Personal Services	6,746,860	51,599	6,798,459	6,743,110	75,924	6,819,034	12,281,079	13,617,493
Operating Expenses	9,829,654	238,970	10,068,624	10,155,939	258,403	10,414,342	20,854,975	20,482,966
Equipment	81,335	50,463	131,798	76,335	50,463	126,798	128,637	258,596
Local Assistance	518,450,554	2,170,593	520,621,147	523,884,018	3,090,015	526,974,033	1,020,697,780	1,047,595,180
Grants	133,687,139	85,000	133,772,139	140,607,910	85,000	140,692,910	255,203,067	274,465,049
<b>Total Costs</b>	<b>\$668,795,542</b>	<b>\$2,596,625</b>	<b>\$671,392,167</b>	<b>\$681,467,312</b>	<b>\$3,559,805</b>	<b>\$685,027,117</b>	<b>\$1,309,165,538</b>	<b>\$1,356,419,284</b>
General Fund	522,798,727	2,588,625	525,387,352	528,249,596	3,551,805	531,801,401	1,028,977,504	1,057,188,753
State/Other Special	959,779	8,000	967,779	959,784	8,000	967,784	1,891,952	1,935,563
Federal Special	145,037,036	0	145,037,036	152,257,932	0	152,257,932	278,296,082	297,294,968
<b>Total Funds</b>	<b>\$668,795,542</b>	<b>\$2,596,625</b>	<b>\$671,392,167</b>	<b>\$681,467,312</b>	<b>\$3,559,805</b>	<b>\$685,027,117</b>	<b>\$1,309,165,538</b>	<b>\$1,356,419,284</b>

Total spending for both programs in OPI will increase by approximately \$47.3 million between the two biennia. General fund spending increases \$28.2 million, and federal funds increase by \$19.0 million. The general fund increase is slightly misleading because not shown is funding provided by the guarantee fund, which statutorily appropriates common school interest and income and does not appear in HB 2. During the 2005 biennium approximately \$103.4 million will be spent. In the 2007 biennium, it is expected that \$99.0 million will be spent out of the guarantee fund under the executive's recommendation, for a decrease of \$4.4 million.

### 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.

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 6 - Special Education Increase										
09	0.00	885,593	0	0	885,593	0.00	1,805,015	0	0	1,805,015
DP 17 - Educator Preparation Unit Reviews										
06	0.00	0	8,000	0	8,000	0.00	0	8,000	0	8,000
DP 21 - Additional School Facility Reimbursement										
09	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 50 - Additional funding - Gifted and Talented										
09	0.00	85,000	0	0	85,000	0.00	85,000	0	0	85,000
DP 51 - Additional funding - Career & Technical Education										
09	0.00	285,000	0	0	285,000	0.00	285,000	0	0	285,000
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
<b>Total</b>	<b>1.00</b>	<b>\$2,588,625</b>	<b>\$8,000</b>	<b>\$0</b>	<b>\$2,596,625</b>	<b>1.50</b>	<b>\$3,551,805</b>	<b>\$8,000</b>	<b>\$0</b>	<b>\$3,559,805</b>

### Elected Officials New Proposals

As an elected official, the Superintendent of the Office of Public Instruction is authorized in statute to bring new proposals to the legislature, even though the new proposals were not included in the executive's budget. The following new proposals were presented to the executive but were not approved:

#### Program - Administration

- Request for 4 FTE as accreditation/technical assistance specialists - in math, science, reading and early grades - to assist in achieving improvement in these areas. Amount requested - \$0.84 million during the 2007 biennium.

- Request for additional gifted and talented administration of \$52,213 in each year of the 2007 biennium. The executive budget includes \$43,917 in fiscal 2007 only.
- Request for \$33,000 in stipend monies for the National Board Certification Stipends program to fund up to \$3,000 per teacher during the 2007 biennium.
- Request for \$91,000 for the surplus computers program. The executive request is for \$73,000.
- Request for \$7,080 for the education licensure program. The executive request is for \$3,540 per year.
- Request to establish databases of accreditation and student improvement data for use by educators, administrators, and parents. Amount requested was \$92,414 in each year of the 2007 biennium.
- Request to develop a data warehouse with student-centered information that would be useful to students, higher education, and employers. Amount requested was \$0.8 million and an additional 3 FTE. It was expected that federal and competitive grant monies would be \$0.4 million.
- Request of \$0.15 million to pay costs associated with Department of Administration charges for operation of the state accounting, budgeting and human resource system (SABHRS).

#### Program – Distribution to Schools

- Request for a per-educator entitlement of \$1,000 per certified FTE. This would be added to the BASE aid entitlement formula and would cost approximately \$25.7 million during the 2007 biennium.
- Request for voluntary full-day kindergarten for schools that wish to participate. Amount of the proposal would be \$22 million in the 2007 biennium.
- Request for increase in the gifted and talented program. The request is for an additional \$200,000 per year above the base year amount of \$150,000. The executive request is for an additional \$85,000 per year above the base year amount.
- Request for an increase in the state vocational education amount of \$585,000 per year above the current base year amount of \$715,000 per year. The executive request is for an additional \$285,000 above the base year amount.
- Request for additional school facility reimbursement monies in the amount of \$6.8 million during the 2007 biennium. The executive request is for \$2.0 million during the 2007 biennium.

#### Executive Recommended Legislation

The executive recommends two initiatives that require legislation:

- 1) To increase school funding entitlements by the ratio of inflation as required by the statutory definition of present law. Currently the inflation factors in law are required to be placed in the budget proposed by the executive to the legislature, which the legislature may ignore. This would bind the legislature to these inflation factors and would require positive legislative action to rescind.
- 2) To require that OPI repay the tuition for state placed students to districts instead of the county paying these costs from statewide school levies. Currently tuition is deducted from the 55 mills in the county in which a student lives and transferred to the county and school district in which the student is educated. This proposal would require the state to directly fund the costs of the state-placed student out of the general fund of the state.

**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	
<b>Total Costs</b>	<b>\$13,643,935</b>	<b>\$3,035,215</b>	<b>\$341,032</b>	<b>\$17,020,182</b>	<b>\$3,352,750</b>	<b>\$384,790</b>	<b>\$17,381,475</b>	<b>\$34,401,657</b>	
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	
<b>Total Funds</b>	<b>\$13,643,935</b>	<b>\$3,035,215</b>	<b>\$341,032</b>	<b>\$17,020,182</b>	<b>\$3,352,750</b>	<b>\$384,790</b>	<b>\$17,381,475</b>	<b>\$34,401,657</b>	

**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**

<b>OPI Administration Major Budget Highlights</b>	
•	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	-	-	-	-	-	-
<b>Grand Total</b>	<b>\$ 13,643,935</b>	<b>100.0%</b>	<b>\$ 17,020,182</b>	<b>100.0%</b>	<b>\$ 17,381,475</b>	<b>100.0%</b>

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
<b>Total</b>	<b>\$5,029,506</b>	<b>\$217,779</b>	<b>\$11,772,897</b>	<b>\$17,020,182</b>	<b>\$5,090,669</b>	<b>\$217,784</b>	<b>\$12,073,022</b>	<b>\$17,381,475</b>

**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
<b>Total Statewide Present Law Adjustments</b>					<b>\$424,336</b>					<b>\$421,893</b>
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)
<b>Total Other Present Law Adjustments</b>	<b>4.35</b>	<b>\$85,634</b>	<b>\$15,843</b>	<b>\$2,509,402</b>	<b>\$2,610,879</b>	<b>4.40</b>	<b>\$107,746</b>	<b>\$15,848</b>	<b>\$2,807,263</b>	<b>\$2,930,857</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$3,035,215</b>					<b>\$3,352,750</b>

**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.

**FED  
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
<b>Programs Increased</b>			
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
<b>Total</b>	<b>\$4,566,202</b>	<b>\$2,457,751</b>	<b>\$2,755,494</b>

**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	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
<b>Total</b>	<b>1.00</b>	<b>\$333,032</b>	<b>\$8,000</b>	<b>\$0</b>	<b>\$341,032</b>	<b>1.50</b>	<b>\$376,790</b>	<b>\$8,000</b>	<b>\$0</b>	<b>\$384,790</b>

**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