EXHIBIT 6
DATE 1/20/2005
HB

Office Of public Instruction

Agency Highlights

Office of Public Instruction
Major Budget Highlights

- The Martz proposals for OPI administration were accepted by the Schweitzer administration. The Martz proposals added $5.9 million in federal funds and $1.2 million in general fund, with $0.5 million for Indian Education for All.
- The Schweitzer budget proposes an additional $5.3 million general fund for an OPI student database and Indian Education for All. The Schweitzer Indian Education For All proposal of $2.0 million replaces the Martz Proposal for $0.5 million.
- The Martz proposals for OPI's distribution to schools program added $62.9 million, with $35.1 in federal funds and $27.8 million in general fund. The general fund proposals were to bring school Base Aid to present law, which includes accounting for ANB decline and inflation increases of 2.1 percent per year for school entitlements and for special education. In addition, the Martz proposal included $7.5 million for increases in school facility payments, vocational education, and gifted and talented.
- The Schweitzer distribution-to-schools proposals include all the Martz proposals and propose general fund increases of an additional $36.4 million, for a total increase in general fund of $64.2 million. With federal increases of $35.1 million, the increase in the total distribution to schools under the Schweitzer proposals is $99.3 million.

PROGRAM 06 – STATE LEVEL ACTIVITIES

NP 60 – Indian Education for All - The executive requests a general fund appropriation of $1.0 million annually and 3.00 FTE for a new program in the Office of Public Instruction to develop and deliver materials and programs that allow all Montana students to learn about the distinct and unique cultural heritage of American Indians. This proposal replaces NP 4, the Indian Education for All proposal proposed in the Martz budget in which $0.5 million was requested for the biennium.

The activities for which the requested funds would be used include:

1. Development of research-based materials and teaching strategies for the Indian Education for All Act.
2. Development of model curriculum that fulfills the requirements of the Indian Education for All Act and is integrated into nine academic subject areas addressed in the Montana School Accreditation Standards.
3. Develop and implement a comprehensive plan for professional development for implementing the Indian Education for All Act.
4. Infuse Indian Education for All into current content and performance standards.
5. Scholarship and fellowship opportunities for graduate students to conduct research relevant to Indian Education for All in Montana.
6. Educational grants to classroom teachers and tribal college personnel to develop curriculum materials and professional development training for Indian Education for All.
7. Regular meetings of the Montana Advisory Council on Indian Education (MACIE) to provide policy advice to the State Superintendent and the Board of Public Education.

8. Two specialists and an administrative assistant to support the expanded role of OPI.

LFD COMMENT 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.

NP62 – Student Education Information Data System – OTO – The executive requests a biennial general fund appropriation of $2.826 million for the development of a comprehensive education information system to be used by K-12 public schools and the Office of Public Instruction. The system would be used to:

1. Provide information about student achievement and progress toward standards.
2. Enable local districts to benchmark their own educational programs.
3. Allow parents and community members to learn about their schools.
4. Assist policymakers in understanding the relationship among education policies, strategies and outcomes.
5. Maintain an effective method of transferring and accessing accurate and timely educational information among school districts and the educational community.
6. Allow OPI to deliver relevant information to users in a timely and reliable manner.
7. Improve the ability of researchers to study trends for school improvement.
8. Improve the state's ability to collect and report state and federal mandated data.
9. Interact with data systems at the Office of Commissioner of Higher Education and programs in the workforce development arena (including the Department of Labor, Workforce Investment, Department of Revenue, Adult Basic and Literacy Education and TANF).

The proposal includes a request for 4.00 FTE, including a project manager, database administrator, a data resource administrator, and a student record system manager. These staff positions would build applications, maintain the security and integrity of the system, oversee the data collections and train system users. The project manager would also be involved in the creation and convening of focus groups of school personnel that will advise OPI on issues related to capacity, functionality and compatibility.

The proposal also includes funding for a contract with an education software vendor and funding for development of web service architecture.

LFD COMMENT The legislature may want a more detailed and specific listing of the data products it would like to see created, and the reports that it would like presented to the interim education committee. At what level will the information on student performance be aggregated, the classroom, the school and/or the district? Will teacher characteristics data be collected? Will data be collected on parent characteristics? Will financial data be collected at a deeper level than currently, i.e. at the school level rather than at the district level? Will data be collected on the physical characteristics of schools, i.e. square feet per student, or per building? Will a needs assessment of learning deficiencies or resource deficiencies be conducted?

The legislature may also want a detailed pricing list for the data products contemplated in this proposal. Is there information on the cost of these products in other states?

Executive Proposals for OPI - 2007 Biennium
By Fund and Decision Package Number

Present Law Adjustments		Fiscal 2006	Fiscal 2007	Biennium
Decision Package				
	Statewide Adjustments (All Funds)	$424,336	$421,893	$846,229
	General Fund			
DP12	Provide funding for Surplus Computers	$38,822	$33,808	$72,630
DP13	Education Licensure Increased Costs	3,540	3,540	7,080
DP16	Audiology	22,883	34,477	57,360
DP18	Statewide Student Assessment	29,250	43,250	72,500
DP29	Indirect Cost of Base Adjustments	40,877	40,336	81,213
DP30	Statewide FTE Reduction	($49,738)	($47,665)	($97,403)
	Total General Fund	$85,634	$107,746	$193,380
	State Special Funds			
DP26	Growth in Commodities and Cooperative Purchasing	$15,000	$15,000	$30,000
DP29	Indirect Cost of Base Adjustments	843	848	1,691
	Total State Special	$15,843	$15,848	$31,691
	Federal Funds			
DP27	Federal Grant Increases	$2,457,751	$2,755,494	$5,213,245
DP29	Indirect Cost of Base Adjustments	51,651	51,769	103,420
	Total Federal Funds	$2,509,402	$2,807,263	$5,316,665
	Total Present Law Changes	$3,035,215	$3,352,750	$6,425,968

New Proposals		Fiscal 2006	Fiscal 2007	Biennium
	General Fund			
DP4	Indian Education for All (Martz)	$248,032	$247,873	$495,905
DP60	Indian Education for All (Schweitzer)	1,000,000	1,000,000	2,000,000
DP53	Gifted and Talented Assistance	0	43,917	43,917
DP54	Audiology Equipment - OTO	85,000	85,000	170,000
DP62	Student Education Information Data System (Schweitzer) OTO	$2,455,026	$370,974	$2,826,000
	Total General Fund (Schweitzer)	$3,540,026	$1,499,891	$5,039,917
DP17	**State Special - Educator Preparation Unit Reviews**	8,000	8,000	16,000
	Total New Proposals (Schweitzer)	3,548,026	1,507,891	5,055,917
	Total Present Law and New Proposals (Schweitzer)	$6,583,241	$4,860,641	$11,481,885

PROGRAM 09 – LOCAL EDUCATION ACTIVITIES

NP 61 – Increased Entitlements and Special Education – The executive proposes to increase Base Aid to districts by increasing the elementary per-ANB entitlement by $250 per ANB and the high school per-ANB entitlement by $50 per ANB. The entitlement increases will take place in FY 2006 and held constant in FY 2007.

The executive also proposes to increase the state special education payment by $2.7 million (3.5 percent per year) during the 2007 biennium.

The increase in Base aid and special education as a result of this proposal is expected to be $30.7 million during the 2007 biennium.

LFD COMMENT The executive recommends a much larger entitlement increase for elementary (6 percent) than high school (1 percent). This is probably in response to the fact that enrollment declines in elementary exceed enrollment declines in high school. However, the enrollment declines in the 2007 biennium in elementary schools statewide are slightly above 2 percent per year and in high schools statewide around 0.8 percent per year. The Sherlock decision stated that the state had not offered a rational reason for the differences in entitlements between elementary and high school.

NP63 – School Facilities Additional State Contribution to Ensure No Pro-Ration – OTO – The executive proposes to increase the amount available for school facility reimbursements by an additional $4.8 million during the 2007 biennium. This is in addition to $2.0 million in the Martz budget request in DP21.

LFD COMMENT The current school facility program subsidizes debt service on the bonds districts incur for construction of buildings. The facility entitlements are: $300 per ANB for an elementary school district, $370 per ANB for a middle school, and $450 per ANB for a high school. The state's facility reimbursements are distributed to a school district based on its Guaranteed Tax Base (GTB) eligibility, which is measured as the amount by which a district's taxable value per ANB is below 140 percent of the statewide taxable value per ANB. If the state appropriation is not high enough to pay the state match for all eligible districts' debt service, the amount is pro-rated to each district. If all probable bonds are passed by voters during 2007 biennium, the total state facility amount would need to be approximately $11.8 million per year. The increases in DP63 plus the amount in DP21 (Martz budget) yield $11.8 million per year in total state facility entitlements.

NP64 – Class 8 - $20,000 exemption for Business Equipment – The executive proposes to increase the current $5,000 property tax exemption for class 8 business equipment to $20,000. In addition the executive proposes to reimburse school districts for lost revenue associated with this measure, and would incorporate these reimbursements into districts' and counties' HB 124 block grants.

During the 2007 biennium, Reimbursements to schools would total $1.5 million, and district and county GTB would be reduced by $0.56 million.

LFD COMMENT Currently class 8 business equipment is part of the tax base of schools. The property taxes paid to schools by owners of equipment worth less than $20,000 is approximately $1.5 million. In the absence of reimbursements to schools, school mills would "float" upward to recover the lost revenue. With reimbursements, the school mills will remain constant.

LFD COMMENT CONTINED

The reimbursements that the executive contemplates have not been specified in detail. They could become part of HB 124 block grants to schools. HB 124 block grants are distributed to each school fund based on the ratio of the mills associated with the fund to the mills from all school funds. HB 124 block grants grow at a rate of 0.76 percent per year. Or the reimbursements may be done in some other way.

The following table shows the distribution of funds for the distribution program.

Distribution to Schools, General Fund, State Special, and Federal Funds

Description	Base Budget 2004	PL Base Adjustments Fiscal 2006	New Proposals Fiscal 2006	Total Fiscal 2006	PL Base Adjustments Fiscal 2007	New Proposals Fiscal 2007	Total Fiscal 2007
General Fund							
Direct State Aid	$275,803,071	$6,061,843	$9,638,287	$291,503,201	$9,499,752	$9,554,163	$294,856,986
GTB - School General Fund	102,899,850	1,733,881	3,920,345	108,554,076	2,534,189	3,789,674	109,223,713
GTB - School Retirement	23,585,922	-2,067,820	433,973	21,952,075	-1,357,211	419,031	22,647,742
School Facility Reimbursement	8,270,735	140,558	3,372,041	11,783,334	140,558	3,403,643	11,814,936
Special Education	34,867,755	1,535,812	2,102,555	38,506,122	1,535,812	2,944,722	39,348,289
Transportation	12,042,550	100,000	0	12,142,550	200,000	0	12,242,550
Instate Treatment	778,794	196,102		974,896	196,102		974,896
Secondary Vo Ed	715,000	0	285,000	1,000,000	0	285,000	1,000,000
Adult Basic Ed	275,000	0	0	275,000	0	0	275,000
Gifted & Talented	142,151	7,849	85,000	235,000	7,849	85,000	235,000
School Food	648,653	0	0	648,653	0	0	648,653
Other	144,100	7,256	0	151,356	10,270	0	154,370
HB 124 Block Grants	49,458,558	754,633	426,351	50,639,542	1,136,257	1,134,897	51,729,712
Total General Fund	$509,632,139	$8,470,114	$20,263,552	$538,365,805	$13,903,578	$21,616,130	$545,151,847
State Special Revenue							
Traffic Safety Distribution	$750,000	$0	$0	$750,000	$0	$0	$750,000
Total State Special	$750,000	$0	$0	$750,000	$0	$0	$750,000
Federal Special Revenue							
Federal School Foods Programs	$20,655,534	$3,700,000	$0	$24,355,534	$6,150,000	$0	$26,805,534
ESEA - Title I	41,837,295	500,000	0	42,337,295	500,000	0	42,337,295
ESEA Title II - Teacher & Principal Training	15,684,664	675,000	0	16,359,664	675,000	0	16,359,664
ESEA Title III-Language Acquisition	514,494	0	0	514,494	0	0	514,494
ESEA Title IV Drug Free & 21 st Cent Schools	4,304,061	2,200,000	0	6,504,061	2,200,000	0	6,504,061
ESEA Title V & VI - Innovative Ed & Rural	2,199,786	0	0	2,199,786	0	0	2,199,786
ESEA Title X - Ed of Homeless Children	173,500	0	0	173,500	0		173,500
IDEA	27,706,176	6,999,855	0	34,706,031	11,470,626	0	39,176,802
Adult Basic Education	1,239,214	0	0	1,239,214	0	0	1,239,214
Carl Perkins	3,135,477	0	0	3,135,477	0	0	3,135,477
Learn and Serve Montana	30,462	0	0	30,462	0	0	30,462
Emergency School Renovation	312,804	0	0	312,804	0	0	312,804
Reading Excellence	1,395,816	0	0	1,395,816	0	0	1,395,816
Total Federal Special	$119,189,284	$14,074,855	$0	$133,264,139	$20,995,626	$0	$140,184,910
Funding							
Total General Fund	$509,632,139	$8,470,114	$20,263,552	$538,365,805	$13,903,578	$21,616,130	$545,151,847
Total State Special	750,000	0	0	750,000	0	0	750,000
Total Federal Special	119,189,284	14,074,855	0	133,264,139	20,995,626	0	140,184,910
Total Distribution to Public Schools	$629,571,423	$22,544,969	$20,263,552	$672,379,944	$34,899,204	$21,616,130	$686,086,757
Statutory Appropriations							
Guarantee Account - Interest & Income	$47,257,759	$619,241	$0	$47,877,000	$441,241	$0	$47,699,000
Guarantee Account -Timber (HB537)	0	1,700,000	0	1,700,000	1,700,000	0	1,700,000
Total Statutory	$47,257,759	$2,319,241	$0	$49,577,000	$2,141,241	$0	$49,399,000

Executive Proposals for K-12 Distribution to Schools - 2007 Biennium
By Fund and Decision Package Number

Present Law Adjustments		Fiscal 2006	Fiscal 2007	Biennium
Decision Package	**General Fund**			
	Base Aid Changes			
DP01	Reduction Due to Fewer ANB	($3,380,356)	($8,481,001)	($11,861,357)
DP01	Inflation Adjustment (2.1% - FY06; 2.19% FY07)	9,554,956	19,429,308	28,984,264
DP05	BASE Aid Due to Spec Ed Present Law Adjustment	172,545	169,664	342,209
None	Adjustment for Higher Common School Revenue	(619,241)	(441,241)	(1,060,482)
	Total Base Aid Changes	$5,727,904	$10,676,730	$16,404,634
DP19	Transportation	$100,000	$200,000	$300,000
DP05	Special Education	1,535,812	1,535,812	3,071,624
DP20	School Facility	140,558	140,558	281,116
DP23&25	Other Biennial	211,207	214,221	425,428
DP22	HB 124 Block Grants	754,633	1,136,257	1,890,890
	Total General fund	$8,470,114	$13,903,578	$22,373,692
	Federal Increases	$14,074,855	$20,995,626	$35,070,481
	Total Present Law Adjustments	$22,544,969	$34,899,204	$57,444,173

New Proposals		Fiscal 2006	Fiscal 2007	Biennium
	General Fund			
DP06	**Base Aid Changes _ Martz Special Ed Increase**			
DP06	BASE Aid Due to Spec Ed Increase	$122,047	$228,581	$350,628
DP06	Special Education Increase	763,546	1,576,434	2,339,980
DP06	**Total DP06**	$885,593	$1,805,015	$2,690,608
DP61	**Base Aid Changes - Schweitzer Schedule and Spec Ed Increase**			
DP61	Incease Schedules $250/ANB Elem & $50/ANB High School	$9,638,287	$9,554,163	$19,192,450
DP61	School District GTB - $250/ANB Elem & $50/ANB High School + Sp Ed	3,932,778	3,918,887	7,851,665
DP61	County Retirement - due to Gen Fund schedule increases	451,880	466,803	918,683
DP61	Special Ed Increase	1,339,009	1,368,288	2,707,297
DP61	**Total DP61**	15,361,954	$15,308,141	$30,670,095
DP64	**Class 8 - $20,000 exemption - Reimbursement**			
DP64	HB124 Block Grants - County	77,053	205,561	282,614
DP64	HB 124 Block Grants - District	349,298	929,336	1,278,634
DP64	Base Aid GTB Change - County Block Grants	(17,907)	(47,772)	(65,679)
DP64	Base Aid GTB Change - District Block Grants	(134,480)	(357,794)	(492,274)
DP64	**Total DP64**	$273,964	$729,331	$1,003,295
DP21	School Facility Increase - Martz	1,000,000	1,000,000	2,000,000
DP63	School Facility Increase - Schweitzer OTO	2,372,041	2,403,643	4,775,684
DP51	Secondary Vo-Ed Increase	285,000	285,000	570,000
DP50	Gifted and Talented Increase	85,000	85,000	170,000
	Total DP21,63,51,50	$3,742,041	$3,773,643	$7,515,684
	Total General Fund - New Proposals	$20,263,552	$21,616,130	$41,879,682
	Net Change General Fund Over Base (Present Law + New Proposals)	$28,733,666	$35,519,708	$64,253,374
	Net Change All Funds Over Base	$42,808,521	$56,515,334	$99,323,855
	State Spending in the 2004 general fund base budget	$456,015,794	$460,893,154	$509,632,139
	BASE Aid in the Guarantee Fund			$47,257,759
	Total State Spending on K-12 - FY2004			$556,889,898