EXHIBIT 3
DATE 1/5/2011
HB

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Montana Historical Society	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Publications Program	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Change Source of Funding	$294,000	($294,000)	$0

Description of Option: Eliminate General Fund Support for Publishing Program in MHS

Criteria Name: Funding change over time to GF from other source

Summary of Issue
The publication program publishes quarterly editions of Montana, The Magazine of Western History, the Montana Star, and books with the Montana Historical Society Press Imprint. The sale of the publications generates proprietary funds that are used to support the program. As sale revenues have declined related to program costs, the personal service costs of the program have been supported by increasing amounts of general fund. Due to FTE transfers in FY 2010, the percentage of general fund support will increase 48.5 percent from the amount of general fund support approved by the legislature.

How the Fund Balance Would be Impacted
Eliminating general fund support for the Publications Program and requiring the program to operate within the proprietary funds generated by the program would generate $294,000 in general fund savings.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Medium	**Committee:**	ELG
Agency Name:	Montana Arts Council	**Status :**	On-Going	**FTE Impact :**	Y
Program Name:		**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$0	$0	$0

Description of Option: Create a Cultural Education Agency

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
The legislature created the Montana Historical Society, Montana Arts Council, and Montana Library Commission to provide cultural and aesthetic services, grants, and guidance. All three agencies provide educational services to Montana communities, all have centralized services, administrative functions, and state and federal grant programs. The legislature could reduce funding for the agencies through consolidation into a single agency.

How the Fund Balance Would be Impacted
Total general fund appropriated in the 2013 biennium for the 3 agencies is $11.97 million. Reductions in general fund could be realized through efficiencies in consolidation of common programs. For example, all three program have centralized services managers, while the consolidated agency would only require one such position. FTE reductions could also be realized in administrative programs as the new agency would only require one director and one education program.

Further Work Required
Review of the functions within each agency, work load and FTE requirements, federal and state requirements would need to be reviewed. Statutes and board membership would require review.

Legislation Required
Depending on legislative choices in regard to consolidation, statutory changes would be needed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	One-Time	**FTE Impact :**	N
Program Name:		**Mode :**	Research	**MCA :**	20-10-147

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	$1,500,000	$0	$0

Description of Option: Reduce Bus Depreciation Fund for districts utilizing DERA funds

Criteria Name: Program is duplicated elsewhere

Summary of Issue
Twenty three school districts utilized Diesel Reduction Act (DERA) funds under the Stimulus program to assist in purchasing new, cleaner running school buses. Districts that were located in poor air quality regions were the primary targets for this funding. Newer buses produce less emissions and run more efficiently. DERA funded one-half of the purchase price, approximately $1.5 million, therefore allowing districts to retain funds in their bus depreciation funds.

Legislative Fiscal Division
Legislative Budget Options

Section Name: Education
Agency Name: Office Of Public Instruction
Program Name:

Time : Medium
Status : On-Going
Mode : Research

Committee: ELG
FTE Impact : N
MCA :

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	$0	$0	$0

Description of Option: Limit Bus Depreciation Reserve Fund

Criteria Name: Not subject to regular review

Summary of Issue
Statute limits the ability of a district to budget funds for the replacement, remodel or conversion of buses or two way radio systems. The FY 09 ending fund balance for the bus depreciation fund was $37.9 million. There is not a statutory control on how much can be retained in this fund and for what period of time. Revenues are from local levies. Any cap or change in this could reduce local levy revenue.

Firther work required
The ending fund balance would need to be analyzed to determine if there is any excess funds available or if an alternative means to funding bus depreciation would provide savings.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:		**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Create a statewide health insurance pool for school districts

Criteria Name: High cost of provision (with or without comparison to other programs)

Summary of Issue
School districts are facing rising costs of health benefits for their employees. By creating a large buyer pool, costs should decrease for a significant number of districts. Local savings for health benefits would be transferred back to the state or accounted for in a reduction to BASE aid.

Further work required
This issue would need to be fully researched to determine the potential cost of such a pool and the local savings that could be generated and how those savings would be transferred back to the state. HB 124 from the 2005 session (K-12 SHIP) could be a starting point.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	Unassigned
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:		**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Allow school districts access to the state employee benefit plan

Criteria Name: Service recipients have other options to get the service or one similar

mmary of Issue
School districts are facing rising costs of health benefits for their employees. By creating an option for districts to access the state employee benefit plan, costs should decrease for a significant number of districts. Local savings for health benefits would be transferred back to the state or accounted for in a reduction to BASE aid.

Further work required
This issue would need to be fully researched to determine the potential of expanding the state employee benefit pool, including identifying any restrictions under federal health care reform. An estimate of local savings would need to be generated and how those savings would be transferred back to the state.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	$8,400,000	$0	$0

Description of Option: Eliminate Block Grants to K-12 Districts Non-general funds

Criteria Name: Service recipients have other options to get the service or one similar

Summary of Issue
HB 124 block grants are distributed to school districts based on revenues given up to the state in HB 124, passed during the 2001 session. Approximately $4.2 million per year of these block grants are distributed to school district funds other than the district general fund. Eliminating the block grants to these funds will likely result in an increase in property taxes, although not in all cases. For instance the portion distributed to the flexibility fund will likely not result in a property tax increase.

Legislation Required
20-9-630, MCA would need to be changed to eliminate these HB 124 block grants to districts.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	$48,000,000	$0	$0

Description of Option: Eliminate Block Grants to K-12 District General Funds

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
HB 124 block grants are distributed to school districts based on revenues given up to the state in HB 124, passed during the 2001 session. Approximately $44 million per year of these block grants are distributed to school districts' general fund and are utilized in the GTB area of the district general fund. Eliminating the block grants to these funds will result in an increase in state GTB of $20 million per year and an increase of $24 million in property taxes. The net savings to the state would be $24 million per year.

Legislation Required
20-9-630, MCA would need to be changed to eliminate the HB 124 block grants.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Change Source of Funding	$124,000,000	$0	$0

Description of Option: Lower Direct State Aid to K-12 from 44.7 Percent to 30.0 Percent

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
Direct state aid from the state to school districts is calculated as 44.7 percent of the basic and per-ANB entitlements. Lowering the direct state aid to 30 percent would reduce direct state aid and increase state GTB payments. The net result for the state would be a savings of $62 million per year. Local school district property taxes would increase by a like amount.

For every 1 percent reduction in the direct state aid percent, the net savings to the state is $4.2 million.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's share in funding school districts Reducing the state's share of school district funding may risk another adequacy suit.

Legislation Required
20-9-306, MCA would need to be changed to reduce the direct state aid percentage.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Change Source of Funding	$124,000,000	$0	$0

Description of Option: Reduce Basic and per-ANB Entitlements to K-12 by 10 Percent

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
The state could reduce maximum school district general fund budgets by reducing the basic and per ANB entitlements by 10 percent. This would reduce direct state aid and GTB by $62 million per year, or approximately $6.2 million for every 1 percent reduction. This would lower maximum district general fund budgets across the state, and most districts would require increased property taxes to regain their prior year budgets, although in most cases this would require a vote.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's share in funding school districts Reducing the state's share of school district funding may risk another adequacy suit.

Legislation Required
20-9-306, MCA would need to changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	$10,800,000	$0	$0

Description of Option: Eliminate Block Grants to the Extent of Oil & Gas Revenue

Criteria Name: Other

Summary of Issue
School districts receive HB 124 block grants from the state based on revenue given up in 2001 under HB 124. This money is utilized to fund the GTB area of the district general fund and other district funds. Districts with oil and gas revenue in excess of the amount of HB 124 block grants money do not require these block grants to fund their budgets. In some limited cases this may require state GTB backfill. It would require a test each year comparing oil and gas receipts to HB 124 block grants.

Other Factors
This option partly duplicates the other HB 12 block grant options in education. If this option were used the other option would not be used.

Legislation Required
20-9-630, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	77-4-208

Option	General Fund	State Special	Federal Special
Change Source of Funding	$20,389,752	$0	$0

Description of Option: Change Deposit of Riverbed Rents from Facility Account to Guarantee Acct

Criteria Name: Other

Summary of Issue
Starting in FY 2012, current law requires that riverbed rent paid by Avista and PPL be deposited in the school facility and technology account to provide funding for capital purchases by schools going forward. This option would deposit this money in the guarantee account and would be used offset general fund in funding the state's share of current expenses of school districts.

Legislation Required
77-4-208, MCA must be changed in order to direct the deposit of riverbed rents into the guarantee account.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	One-Time	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-542

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	$41,700,000	$0	$0

Description of Option: Eliminate District Flex Fund - Transfer Balances to State

Criteria Name: Other

Summary of Issue
Districts have a flexibility fund which can be used to fund practically everything that can be funded from their general fund. Districts have been rapidly filling up their flex funds without using them and the ending fund balances have grown rapidly. Eliminating the flex fund and redirecting the balances to the state general fund would result in a one-time-only infusion of cash.

Legislation Required
20-9-542, 543,544, MCA would need to be eliminated.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-311

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$36,800,000	$0	$0

Description of Option: Eliminate Full-Time Kindergarten; Restore Half -Day Kindergarten

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
With this option, the state would fund only half day kindergarten. Local districts could continue to offer full day, but would receive only half day support from the state. There are approximately 5,400 students in full time kindergarten status in FY 2010, and there are 580 teachers employed in teaching public school kindergarten in Montana.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's funding of full day kindergarten. Eliminating this feature of school funding may risk another adequacy suit.

Legislation Required
20-9-311, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$2,467,528	$0	($2,467,528)

Description of Option: Eliminate Special Education Maintenance of Effort

Criteria Name: Other

Summary of Issue
In order to avoid losing federal special education aid to Montana's school districts, the state must not reduce its own allocation of special education monies from year to year. While this appropriation was designated as one-time-only by the legislature and consequently will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance. This action may result in loss of a like amount of federal special education funds.

Further Work Required
Requirements for the Individuals with Disabilities Education Act (IDEA) maintenance of effort include allowing local school districts to reduce their fiscal efforts dedicated to special education by up to 50 percent of the increase of the federal funds received. The amount of the maintenance of effort reductions resulting at the local level from the additional IDEA funding received in FY 2010 would need to be calculated to determine the impact of reducing state general fund support on local school districts.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$10,000,000	$0	$0

Description of Option: Continue the Elimination of the At-Risk Payment

Criteria Name: Other

Summary of Issue
The 2009 Legislature eliminated $10 million in general fund support for the at-risk component of the school funding formula due to the $34.2 million increase in Title I funds, as both funding sources support similar programs. The legislature requested the general fund for the school funding component be considered by the 2011 Legislature. While these appropriations will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$10,800,000	$0	$0

Description of Option: Reduce High School Basic Entitlement to $200,000 Beginning in FY 2012

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
The current basic entitlement for high schools will be $253,468 in FY 2011 and beyond. The new basic entitlement for the district general fund would be based on supplying a high school with a minimum of 5 teachers at a cost of $40,000 apiece. The basic entitlement is received by each district and does not depend on the number of children served, although at least one student is implied.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's funding levels Reducing the high school basic entitlement risk another adequacy suit.

Legislation Required
20-9-306, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$3,400,000	$0	$0

Description of Option: Require High Schools to Consolidate under Certain Conditions

Criteria Name: Service recipients have other options to get the service or one similar

Summary Issue
The high school basic entitlement is $253,468 in FY 2011 and beyond. On average the state's share is 65 percent. Requiring high schools that have less than 40 students and that are within 20 miles of another high school to consolidate would save the basic entitlement. There are 10 high schools that meet this condition. The state's share of these savings would be approximately $1.7 million per year.

Legislation Required
Various statutes would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	15-36-332

Option	General Fund	State Special	Federal Special
Revenue Enhancements	$16,400,000	$0	$0

Description of Option: Excess oil and Gas Revenues in School Districts GF returned to State

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
Some school districts receive more oil and gas revenue in their district general fund than is needed to fund the GTB area and the overbase area. This option would require these districts to send to the state general fund any oil and gas revenue in excess of the amount needed to fund the GTB area and overbase area of their general fund.

If districts chose to maintain their prior budgets, they would have to raise the money by asking their voters to approve property tax increases.

Legislation Required
15-36-332, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	One-Time	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-104

Option	General Fund	State Special	Federal Special
Revenue Enhancements	$35,000,000	$0	$0

Description of Option: Require School Districts to Send GF Balances Above Minimum to State

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
School districts may keep up to 10 percent of their ensuing year's general fund budget in reserve. Any money in the reserve in excess of this amount must be reappropriated in the following year. This proposal would require the district to send to the state any amount in excess of the 10 percent. This would require backfill of state GTB and local property taxes.

Legislation Required
20-9-104, MCA would need to be changed

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Spending Deferrals or Suspensions	$1,978,919	$0	$0

Description of Option: Reduce or eliminate HB 124 Block Grant Growth

Criteria Name: Other

Summary of Issue
State law provides for an annual 0.76 percent increase in the county transportation and school district block grants. The funding is provided through the general fund. The LFD included them in the Big Picture report in March due to their on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

How the Fund Balance Would be Impacted
The elimination of the funding would eliminate general fund support for school districts and increase the general fund balance for the state. The reduction could result in increased property taxes to support the services provided by the local school districts.

Legislation required
20-9-630 and 632, MCA would need to be amended to eliminate the inflation increase to the school district block grants

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Medium	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Suspension of Cost of Living/Inflation Increases	$57,139,236	$0	$0

Description of Option: Eliminate the Present Law Adjustment for Inflation

Criteria Name: Other

Summary of Issue
By statute, the Superintendent of Public Instruction includes annual inflation-related adjustments to the basic and per-ANB entitlements, components of the school funding formula. A portion of the funding is to bring the FY 2010 expenditure base up to the FY 2011 funding rates and the remainder provides for inflation increases in FY 2012 and FY 2013. The LFD included the adjustment in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. A decision to discontinue or reduce funding would improve the projected budget imbalance.

How the Fund Balance Would be Impacted
This decision could significantly reduce the expenditures of the general fund for the state. However, local school districts would need to consider whether to reduce the district's general fund or request property tax increases to offset the differences.

Legislation Required
The inflationary adjustments to the basic and per-ANB entitlements for FY 2011 are included in MCA 20-9-236, MCA. If the legislature wished to ensure the local school district general fund reductions due to elimination of state general fund support for the inflationary increases did not result in property tax increases it would need to implement legislation.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Suspension of Cost of Living/Inflation Increases	$22,722,922	$0	$0

Description of Option: Eliminate OTO 2 Percent Inflationary Increases

Criteria Name: Other

Summary of Issue
The 61st legislature increased the school district entitlements for the 2011 biennium by an additional 2 percent on a one-time-only basis. While this appropriation was designated as one-time-only by the legislature and consequently will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Community College Assistance	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Consolidate Administrative and Other Functions at DCC and MCC

Criteria Name: High cost of provision (with or without comparison to other programs)

Summary of Issue
Miles Community College (MCC) and Dawson Community College (DCC) operate at a higher per student cost than Flathead Valley Community College (FVCC). It may be possible to achieve cost efficiencies by consolidating the non-instructional services and functions of MCC and DCC (such as the business office, financial aid office) and/or deliver more higher education programs and courses to eastern Montana via distance learning.

A primary reason driving this differential is that student enrollments at MCC and DCC have been decreasing or flat, while student enrollment at FVCC has been increasing. Student FTE enrollment at the three community colleges has increased 14 percent overall between 1999 and 2009. FVCC has experienced a 26 percent enrollment increase over this period, while DCC enrollment has decreased 3 percent between 1999 and 2009 and MCC enrollment has fluctuated but ended the 1999 to 2009 time interval about where it started. The community colleges serve approximately 2,500 full-time equivalent (FTE) students in three campuses across the state (FY 2009). Flathead Valley Community College serves over 60 percent of the students attending Montana's community colleges.

How the Fund Balance Would be Impacted
State appropriations to the community colleges would be reduced if cost efficiencies were obtained from consolidation. Because community colleges are supported by local tax revenues and student tuition as well as state funds, any cost savings accruing as a result of campus consolidation may have to be "shared" with the other non-state funding entities.

Further Work Required
Additional research in a number of areas would be required to evaluate the cost effectiveness of consolidating community college functions, including communications and information technology infrastructure requirements and needs, the economic impact to the affected local communities, alternative service delivery options, and other issues. Therefore, the actual savings from this option are not yet known. The additional work required to further develop and evaluate this option is significant.

Legal research would also be required to evaluate any legal barriers to consolidation, as the requirements for establishing a community college district and community college operations are contained in state statute.

Legislation Required
There would likely be legislation required to implement this option. The findings of the legal research would help identify the statutory changes needed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Endorse	**MCA :**	19-21-203

Option	General Fund	State Special	Federal Special
Change Source of Funding	$1,000,000	$0	$0

Description of Option: Eliminate General Fund Subsidy of 1% ORP Increase for Non-State Funded Positions

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
HB95 passed by the 2007 Legislature increased the employer's share of the Montana University System's Optional Retirement Program (ORP) (a defined contribution retirement plan) and funded the cost increase with a statutory general fund appropriation, regardless of the fund source that pays the base salary and benefit costs (including ORP) of those positions participating in the program. In FY 2008, approximately 30 percent of the salary and benefit costs of positions participating in the ORP were funded from non-state sources, yet state general fund bore 100 percent of the employer cost increase authorized in HB 95. In FY 2009, approximately $494,000 (29 percent) of the ORP statutory appropriation was transferred to non-state accounts and used to pay the ORP benefit increase for non-state funded positions.

How the Fund Balance Would be Impacted
General fund expenditures would be reduced by approximately $1.0 million each biennium. The increased ORP benefit cost for non-state funded employees would be borne by non-state accounts, such as research and other self-supporting enterprises.

Legislation Required
Current statute funds the employer's additional 1% benefit cost for all ORP participants from the general fund, regardless of the original funding source for the position. Therefore, 19-21-203, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Other	$0	$0	$0

Description of Option: Budget Impact to MUS Ed Units Resulting from State Funding Reduction

Criteria Name: Other

Summary of Issue
The legislature appropriates state funds for the Montana University System each biennium, but the Board of Regents, carrying out its constitutional role, approves the operating budgets for the MUS, which means it determines the expenditure level required to deliver the quality and quantity of postsecondary education it deems appropriate as well as identify the revenue sources (primarily state appropriated funds and tuition which is considered non-state revenue) that will support the operating budget.

HB 645 appropriated $18 million in one-time only funding to the MUS educational units for tuition mitigation and is unlikely to be included in the proposed 2013 biennium executive budget. In the event of a reduction in state appropriated funds, the BOR has two primary choices to balance the operating budgets for the educational units: increase tuition and/or reduce expenditures.

Tuition Impact
Tuition and mandatory fee rates in Montana have nearly doubled in the past ten years, despite the tuition cap (College Affordability Plan) implemented in FY 2008 by the BOR and made possible by increased state funding recommended by the Governor and approved by the 2007 Legislature. The Office of the Commissioner of Higher Education estimates that each 1.0 percent annual increase in tuition rates (resident and nonresident) will increase tuition revenue by $5 million for a biennium. To offset the $18 million in one-time only funds included in HB 645 with a tuition increase, the tuition rate increase would be approximately 3.5 percent annually.

Expenditure Reductions
As noted above, the Board of Regents establishes the expenditure level for the Montana University System educational units when it approves the annual operating budgets at its September board meetings. Expenditures and revenues in the operating budgets must be balanced. In the event of a reduction in state appropriated funds, such as the $18 million in one-time only funds in HB 645 not being continued into the 2013 biennium, in order for the Board of Regents to balance the operating budgets without a tuition rate increase it would need to implement expenditure reductions at the educational units. Expenditure reductions could result from increased efficiencies, program and/or function consolidations, program eliminations, changes in program delivery, and other changes.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Close a unit, department, section or service provided in the educational units

Criteria Name: Other

Summary of Issue
Request the Board of Regents to evaluate system efficiency and bring forth options for reducing or eliminating a unit, department, section or service provided in the educational units of the Montana University System.

How the Fund Balance Would be Impacted
State appropriations to the MUS could be reduced due to unit, department, section or service closure. However, additional state support may be necessary to other parts of the MUS as students are served by other campuses or departments.

Further Work Required
Additional research in a number of areas would be required to evaluate the cost effectiveness of closing a MUS campus, department, section or service, including the evaluation of the need to continue any non-duplicated academic programs, the economic impact to the affected local community, alternative service delivery options, capacity at other campuses to absorb more students, and other issues. Therefore, the actual savings from this option are not yet known. The additional work required to further develop and evaluate this option is significant.

Legislation Required
While the Board of Regents would be the ultimate decision-making entity to close an institution, department, section or service, the legislature could indicate its intent or desire that the BOR close an institution, department, section or service by reducing the lump sum and including a narrative in the HB 2 narrative indicating its intent. Also, the statute that lists the MUS units would have to be amended by the legislature, and this should be done in the HB 2 companion bill.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Change Service Delivery of MSU Extension

Criteria Name: Service recipients have other options to get the service or one similar

Summary of Issue
The Montana Cooperative Extension Service (MSU Extension) may be able to achieve cost efficiencies if it changes its delivery of outreach services.

MSU Extension connects researchers and educators on the MSU campus with a network of extension faculty located in the state's 56 counties and 7 reservations. About 55 percent of the MSU Extension employees are located in county/reservation offices and 45 percent are based at the MSU Bozeman campus.

Similar to cooperative-extension service offices in most other states, the Montana Cooperative Extension Service was originally funded primarily from three sources: state general fund, county support, and federal Smith-Lever formula funds. In recent years, additional federal grants, including grants that support 100 percent of five federally recognized tribal extension programs, have been used to supplement or replace the traditional funding sources.

Cooperative extension service organizations in other states have changed the delivery and financing of their outreach services in response to significant state and/or local funding reductions. One or more of those changes may be appropriate to consider for the MSU Extension. Delivery changes have included: eliminating county offices and replacing them with regional centers, consolidating administrative functions, increased use of toll-free help lines and web sites, program prioritization, and pooling service delivery with neighboring states. Financing changes have included: implementing or increasing fees for services, pooling resources with neighboring states, and obtaining grants from external sources.

How the Fund Balance Would be Impacted
State appropriations to MUS Extension could be reduced if cost efficiencies were obtained from it service delivery system. Because MSU Extension is funded from county and federal funds as well as state funds, any cost savings accruing as a result of changes to its service delivery system may have to be "shared" with the other non-state funding entities.

Further Work Required
Additional research of the various service delivery changes would be required to evaluate the cost effectiveness of the change options. Therefore, the actual savings from changing the service delivery are not known. The additional work required to further develop and evaluate this option is significant.

EXHIBIT
DATE 1/5/2011
HB

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Montana Historical Society	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Publications Program	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Change Source of Funding	$294,000	($294,000)	$0

Description of Option: Eliminate General Fund Support for Publishing Program in MHS

Criteria Name: Funding change over time to GF from other source

Summary of Issue
The publication program publishes quarterly editions of Montana, The Magazine of Western History, the Montana Star, and books with the Montana Historical Society Press Imprint. The sale of the publications generates proprietary funds that are used to support the program. As sale revenues have declined related to program costs, the personal service costs of the program have been supported by increasing amounts of general fund. Due to FTE transfers in FY 2010, the percentage of general fund support will increase 48.5 percent from the amount of general fund support approved by the legislature.

How the Fund Balance Would be Impacted
Eliminating general fund support for the Publications Program and requiring the program to operate within the proprietary funds generated by the program would generate $294,000 in general fund savings.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Medium	**Committee:**	ELG
Agency Name:	Montana Arts Council	**Status :**	On-Going	**FTE Impact :**	Y
Program Name:		**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$0	$0	$0

Description of Option: Create a Cultural Education Agency

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
The legislature created the Montana Historical Society, Montana Arts Council, and Montana Library Commission to provide cultural and aesthetic services, grants, and guidance. All three agencies provide educational services to Montana communities, all have centralized services, administrative functions, and state and federal grant programs. The legislature could reduce funding for the agencies through consolidation into a single agency.

How the Fund Balance Would be Impacted
Total general fund appropriated in the 2013 biennium for the 3 agencies is $11.97 million. Reductions in general fund could be realized through efficiencies in consolidation of common programs. For example, all three program have centralized services managers, while the consolidated agency would only require one such position. FTE reductions could also be realized in administrative programs as the new agency would only require one director and one education program.

Further Work Required
Review of the functions within each agency, work load and FTE requirements, federal and state requirements would need to be reviewed. Statutes and board membership would require review.

Legislation Required
Depending on legislative choices in regard to consolidation, statutory changes would be needed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Close a unit, department, section or service provided in the educational units

Criteria Name: Other

Summary of Issue
Request the Board of Regents to evaluate system efficiency and bring forth options for reducing or eliminating a unit, department, section or service provided in the educational units of the Montana University System.

How the Fund Balance Would be Impacted
State appropriations to the MUS could be reduced due to unit, department, section or service closure. However, additional state support may be necessary to other parts of the MUS as students are served by other campuses or departments.

Further Work Required
Additional research in a number of areas would be required to evaluate the cost effectiveness of closing a MUS campus, department, section or service, including the evaluation of the need to continue any non-duplicated academic programs, the economic impact to the affected local community, alternative service delivery options, capacity at other campuses to absorb more students, and other issues. Therefore, the actual savings from this option are not yet known. The additional work required to further develop and evaluate this option is significant.

Legislation Required
While the Board of Regents would be the ultimate decision-making entity to close an institution, department, section or service, the legislature could indicate its intent or desire that the BOR close an institution, department, section or service by reducing the lump sum and including a narrative in the HB 2 narrative indicating its intent. Also, the statute that lists the MUS units would have to be amended by the legislature, and this should be done in the HB 2 companion bill.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Change Service Delivery of MSU Extension

Criteria Name: Service recipients have other options to get the service or one similar

Summary of Issue
The Montana Cooperative Extension Service (MSU Extension) may be able to achieve cost efficiencies if it changes its delivery of outreach services.

MSU Extension connects researchers and educators on the MSU campus with a network of extension faculty located in the state's 56 counties and 7 reservations. About 55 percent of the MSU Extension employees are located in county/reservation offices and 45 percent are based at the MSU Bozeman campus.

Similar to cooperative-extension service offices in most other states, the Montana Cooperative Extension Service was originally funded primarily from three sources: state general fund, county support, and federal Smith-Lever formula funds. In recent years, additional federal grants, including grants that support 100 percent of five federally recognized tribal extension programs, have been used to supplement or replace the traditional funding sources.

Cooperative extension service organizations in other states have changed the delivery and financing of their outreach services in response to significant state and/or local funding reductions. One or more of those changes may be appropriate to consider for the MSU Extension. Delivery changes have included: eliminating county offices and replacing them with regional centers, consolidating administrative functions, increased use of toll-free help lines and web sites, program prioritization, and pooling service delivery with neighboring states. Financing changes have included: implementing or increasing fees for services, pooling resources with neighboring states, and obtaining grants from external sources.

How the Fund Balance Would be Impacted
State appropriations to MUS Extension could be reduced if cost efficiencies were obtained from it service delivery system. Because MSU Extension is funded from county and federal funds as well as state funds, any cost savings accruing as a result of changes to its service delivery system may have to be "shared" with the other non-state funding entities.

Further Work Required
Additional research of the various service delivery changes would be required to evaluate the cost effectiveness of the change options. Therefore, the actual savings from changing the service delivery are not known. The additional work required to further develop and evaluate this option is significant.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Other	$0	$0	$0

Description of Option: Budget Impact to MUS Ed Units Resulting from State Funding Reduction

Criteria Name: Other

Summary of Issue
The legislature appropriates state funds for the Montana University System each biennium, but the Board of Regents, carrying out its constitutional role, approves the operating budgets for the MUS, which means it determines the expenditure level required to deliver the quality and quantity of postsecondary education it deems appropriate as well as identify the revenue sources (primarily state appropriated funds and tuition which is considered non-state revenue) that will support the operating budget.

HB 645 appropriated $18 million in one-time only funding to the MUS educational units for tuition mitigation and is unlikely to be included in the proposed 2013 biennium executive budget. In the event of a reduction in state appropriated funds, the BOR has two primary choices to balance the operating budgets for the educational units: increase tuition and/or reduce expenditures.

Tuition Impact
Tuition and mandatory fee rates in Montana have nearly doubled in the past ten years, despite the tuition cap (College Affordability Plan) implemented in FY 2008 by the BOR and made possible by increased state funding recommended by the Governor and approved by the 2007 Legislature. The Office of the Commissioner of Higher Education estimates that each 1.0 percent annual increase in tuition rates (resident and nonresident) will increase tuition revenue by $5 million for a biennium. To offset the $18 million in one-time only funds included in HB 645 with a tuition increase, the tuition rate increase would be approximately 3.5 percent annually.

Expenditure Reductions
As noted above, the Board of Regents establishes the expenditure level for the Montana University System educational units when it approves the annual operating budgets at its September board meetings. Expenditures and revenues in the operating budgets must be balanced. In the event of a reduction in state appropriated funds, such as the $18 million in one-time only funds in HB 645 not being continued into the 2013 biennium, in order for the Board of Regents to balance the operating budgets without a tuition rate increase it would need to implement expenditure reductions at the educational units. Expenditure reductions could result from increased efficiencies, program and/or function consolidations, program eliminations, changes in program delivery, and other changes.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Endorse	**MCA :**	19-21-203

Option	General Fund	State Special	Federal Special
Change Source of Funding	$1,000,000	$0	$0

Description of Option: Eliminate General Fund Subsidy of 1% ORP Increase for Non-State Funded Positions

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
HB95 passed by the 2007 Legislature increased the employer's share of the Montana University System's Optional Retirement Program (ORP) (a defined contribution retirement plan) and funded the cost increase with a statutory general fund appropriation, regardless of the fund source that pays the base salary and benefit costs (including ORP) of those positions participating in the program. In FY 2008, approximately 30 percent of the salary and benefit costs of positions participating in the ORP were funded from non-state sources, yet state general fund bore 100 percent of the employer cost increase authorized in HB 95. In FY 2009, approximately $494,000 (29 percent) of the ORP statutory appropriation was transferred to non-state accounts and used to pay the ORP benefit increase for non-state funded positions.

How the Fund Balance Would be Impacted
General fund expenditures would be reduced by approximately $1.0 million each biennium. The increased ORP benefit cost for non-state funded employees would be borne by non-state accounts, such as research and other self-supporting enterprises.

Legislation Required
Current statute funds the employer's additional 1% benefit cost for all ORP participants from the general fund, regardless of the original funding source for the position. Therefore, 19-21-203, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Community College Assistance	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Consolidate Administrative and Other Functions at DCC and MCC

Criteria Name: High cost of provision (with or without comparison to other programs)

Summary of Issue
Miles Community College (MCC) and Dawson Community College (DCC) operate at a higher per student cost than Flathead Valley Community College (FVCC). It may be possible to achieve cost efficiencies by consolidating the non-instructional services and functions of MCC and DCC (such as the business office, financial aid office) and/or deliver more higher education programs and courses to eastern Montana via distance learning.

A primary reason driving this differential is that student enrollments at MCC and DCC have been decreasing or flat, while student enrollment at FVCC has been increasing. Student FTE enrollment at the three community colleges has increased 14 percent overall between 1999 and 2009. FVCC has experienced a 26 percent enrollment increase over this period, while DCC enrollment has decreased 3 percent between 1999 and 2009 and MCC enrollment has fluctuated but ended the 1999 to 2009 time interval about where it started. The community colleges serve approximately 2,500 full-time equivalent (FTE) students in three campuses across the state (FY 2009). Flathead Valley Community College serves over 60 percent of the students attending Montana's community colleges.

How the Fund Balance Would be Impacted
State appropriations to the community colleges would be reduced if cost efficiencies were obtained from consolidation. Because community colleges are supported by local tax revenues and student tuition as well as state funds, any cost savings accruing as a result of campus consolidation may have to be "shared" with the other non-state funding entities.

Further Work Required
Additional research in a number of areas would be required to evaluate the cost effectiveness of consolidating community college functions, including communications and information technology infrastructure requirements and needs, the economic impact to the affected local communities, alternative service delivery options, and other issues. Therefore, the actual savings from this option are not yet known. The additional work required to further develop and evaluate this option is significant.

Legal research would also be required to evaluate any legal barriers to consolidation, as the requirements for establishing a community college district and community college operations are contained in state statute.

Legislation Required
There would likely be legislation required to implement this option. The findings of the legal research would help identify the statutory changes needed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Suspension of Cost of Living/Inflation Increases	$22,722,922	$0	$0

Description of Option: Eliminate OTO 2 Percent Inflationary Increases

Criteria Name: Other

Summary of Issue
The 61st legislature increased the school district entitlements for the 2011 biennium by an additional 2 percent on a one-time-only basis. While this appropriation was designated as one-time-only by the legislature and consequently will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Medium	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Suspension of Cost of Living/Inflation Increases	$57,139,236	$0	$0

Description of Option: Eliminate the Present Law Adjustment for Inflation

Criteria Name: Other

Summary of Issue
By statute, the Superintendent of Public Instruction includes annual inflation-related adjustments to the basic and per-ANB entitlements, components of the school funding formula. A portion of the funding is to bring the FY 2010 expenditure base up to the FY 2011 funding rates and the remainder provides for inflation increases in FY 2012 and FY 2013. The LFD included the adjustment in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. A decision to discontinue or reduce funding would improve the projected budget imbalance.

How the Fund Balance Would be Impacted
This decision could significantly reduce the expenditures of the general fund for the state. However, local school districts would need to consider whether to reduce the district's general fund or request property tax increases to offset the differences.

Legislation Required
The inflationary adjustments to the basic and per-ANB entitlements for FY 2011 are included in MCA 20-9-236, MCA. If the legislature wished to ensure the local school district general fund reductions due to elimination of state general fund support for the inflationary increases did not result in property tax increases it would need to implement legislation.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Spending Deferrals or Suspensions	$1,978,919	$0	$0

Description of Option: Reduce or eliminate HB 124 Block Grant Growth

Criteria Name: Other

Summary of Issue
State law provides for an annual 0.76 percent increase in the county transportation and school district block grants. The funding is provided through the general fund. The LFD included them in the Big Picture report in March due to their on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

How the Fund Balance Would be Impacted
The elimination of the funding would eliminate general fund support for school districts and increase the general fund balance for the state. The reduction could result in increased property taxes to support the services provided by the local school districts.

Legislation required
20-9-630 and 632, MCA would need to be amended to eliminate the inflation increase to the school district block grants

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	One-Time	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-104

Option	General Fund	State Special	Federal Special
Revenue Enhancements	$35,000,000	$0	$0

Description of Option: Require School Districts to Send GF Balances Above Minimum to State

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
School districts may keep up to 10 percent of their ensuing year's general fund budget in reserve. Any money in the reserve in excess of this amount must be reappropriated in the following year. This proposal would require the district to send to the state any amount in excess of the 10 percent. This would require backfill of state GTB and local property taxes.

Legislation Required
20-9-104, MCA would need to be changed

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	15-36-332

Option	General Fund	State Special	Federal Special
Revenue Enhancements	$16,400,000	$0	$0

Description of Option: Excess oil and Gas Revenues in School Districts GF returned to State

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
Some school districts receive more oil and gas revenue in their district general fund than is needed to fund the GTB area and the overbase area. This option would require these districts to send to the state general fund any oil and gas revenue in excess of the amount needed to fund the GTB area and overbase area of their general fund.

If districts chose to maintain their prior budgets, they would have to raise the money by asking their voters to approve property tax increases.

Legislation Required
15-36-332, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$3,400,000	$0	$0

Description of Option: Require High Schools to Consolidate under Certain Conditions

Criteria Name: Service recipients have other options to get the service or one similar

Summary Issue
The high school basic entitlement is $253,468 in FY 2011 and beyond. On average the state's share is 65 percent. Requiring high schools that have less than 40 students and that are within 20 miles of another high school to consolidate would save the basic entitlement. There are 10 high schools that meet this condition. The state's share of these savings would be approximately $1.7 million per year.

Legislation Required
Various statutes would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$10,800,000	$0	$0

Description of Option: Reduce High School Basic Entitlement to $200,000 Beginning in FY 2012

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
The current basic entitlement for high schools will be $253,468 in FY 2011 and beyond. The new basic entitlement for the district general fund would be based on supplying a high school with a minimum of 5 teachers at a cost of $40,000 apiece. The basic entitlement is received by each district and does not depend on the number of children served, although at least one student is implied.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's funding levels Reducing the high school basic entitlement risk another adequacy suit.

Legislation Required
20-9-306, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$10,000,000	$0	$0

Description of Option: Continue the Elimination of the At-Risk Payment

Criteria Name: Other

Summary of Issue
The 2009 Legislature eliminated $10 million in general fund support for the at-risk component of the school funding formula due to the $34.2 million increase in Title I funds, as both funding sources support similar programs. The legislature requested the general fund for the school funding component be considered by the 2011 Legislature. While these appropriations will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$2,467,528	$0	($2,467,528)

Description of Option: Eliminate Special Education Maintenance of Effort

Criteria Name: Other

Summary of Issue
In order to avoid losing federal special education aid to Montana's school districts, the state must not reduce its own allocation of special education monies from year to year. While this appropriation was designated as one-time-only by the legislature and consequently will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance. This action may result in loss of a like amount of federal special education funds.

Further Work Required
Requirements for the Individuals with Disabilities Education Act (IDEA) maintenance of effort include allowing local school districts to reduce their fiscal efforts dedicated to special education by up to 50 percent of the increase of the federal funds received. The amount of the maintenance of effort reductions resulting at the local level from the additional IDEA funding received in FY 2010 would need to be calculated to determine the impact of reducing state general fund support on local school districts.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-311

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$36,800,000	$0	$0

Description of Option: Eliminate Full-Time Kindergarten; Restore Half -Day Kindergarten

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
With this option, the state would fund only half day kindergarten. Local districts could continue to offer full day, but would receive only half day support from the state. There are approximately 5,400 students in full time kindergarten status in FY 2010, and there are 580 teachers employed in teaching public school kindergarten in Montana.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's funding of full day kindergarten. Eliminating this feature of school funding may risk another adequacy suit.

Legislation Required
20-9-311, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	One-Time	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-542

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	$41,700,000	$0	$0

Description of Option: Eliminate District Flex Fund - Transfer Balances to State

Criteria Name: Other

Summary of Issue
Districts have a flexibility fund which can be used to fund practically everything that can be funded from their general fund. Districts have been rapidly filling up their flex funds without using them and the ending fund balances have grown rapidly. Eliminating the flex fund and redirecting the balances to the state general fund would result in a one-time-only infusion of cash.

Legislation Required
20-9-542, 543,544, MCA would need to be eliminated.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	77-4-208

Option	General Fund	State Special	Federal Special
Change Source of Funding	$20,389,752	$0	$0

Description of Option: Change Deposit of Riverbed Rents from Facility Account to Guarantee Acct

Criteria Name: Other

Summary of Issue
Starting in FY 2012, current law requires that riverbed rent paid by Avista and PPL be deposited in the school facility and technology account to provide funding for capital purchases by schools going forward. This option would deposit this money in the guarantee account and would be used offset general fund in funding the state's share of current expenses of school districts.

Legislation Required
77-4-208, MCA must be changed in order to direct the deposit of riverbed rents into the guarantee account.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	$10,800,000	$0	$0

Description of Option: Eliminate Block Grants to the Extent of Oil & Gas Revenue

Criteria Name: Other

Summary of Issue
School districts receive HB 124 block grants from the state based on revenue given up in 2001 under HB 124. This money is utilized to fund the GTB area of the district general fund and other district funds. Districts with oil and gas revenue in excess of the amount of HB 124 block grants money do not require these block grants to fund their budgets. In some limited cases this may require state GTB backfill. It would require a test each year comparing oil and gas receipts to HB 124 block grants.

Other Factors
This option partly duplicates the other HB 12 block grant options in education. If this option were used the other option would not be used.

Legislation Required
20-9-630, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Change Source of Funding	$124,000,000	$0	$0

Description of Option: Reduce Basic and per-ANB Entitlements to K-12 by 10 Percent

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
The state could reduce maximum school district general fund budgets by reducing the basic and per ANB entitlements by 10 percent. This would reduce direct state aid and GTB by $62 million per year, or approximately $6.2 million for every 1 percent reduction. This would lower maximum district general fund budgets across the state, and most districts would require increased property taxes to regain their prior year budgets, although in most cases this would require a vote.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's share in funding school districts Reducing the state's share of school district funding may risk another adequacy suit.

Legislation Required
20-9-306, MCA would need to changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Change Source of Funding	$124,000,000	$0	$0

Description of Option: Lower Direct State Aid to K-12 from 44.7 Percent to 30.0 Percent

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
Direct state aid from the state to school districts is calculated as 44.7 percent of the basic and per-ANB entitlements. Lowering the direct state aid to 30 percent would reduce direct state aid and increase state GTB payments. The net result for the state would be a savings of $62 million per year. Local school district property taxes would increase by a like amount.

For every 1 percent reduction in the direct state aid percent, the net savings to the state is $4.2 million.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's share in funding school districts Reducing the state's share of school district funding may risk another adequacy suit.

Legislation Required
20-9-306, MCA would need to be changed to reduce the direct state aid percentage.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	$48,000,000	$0	$0

Description of Option: Eliminate Block Grants to K-12 District General Funds

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
HB 124 block grants are distributed to school districts based on revenues given up to the state in HB 124, passed during the 2001 session. Approximately $44 million per year of these block grants are distributed to school districts' general fund and are utilized in the GTB area of the district general fund. Eliminating the block grants to these funds will result in an increase in state GTB of $20 million per year and an increase of $24 million in property taxes. The net savings to the state would be $24 million per year.

Legislation Required
20-9-630, MCA would need to be changed to eliminate the HB 124 block grants.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	$8,400,000	$0	$0

Description of Option: Eliminate Block Grants to K-12 Districts Non-general funds

Criteria Name: Service recipients have other options to get the service or one similar

Summary of Issue
HB 124 block grants are distributed to school districts based on revenues given up to the state in HB 124, passed during the 2001 session. Approximately $4.2 million per year of these block grants are distributed to school district funds other than the district general fund. Eliminating the block grants to these funds will likely result in an increase in property taxes, although not in all cases. For instance the portion distributed to the flexibility fund will likely not result in a property tax increase.

Legislation Required
20-9-630, MCA would need to be changed to eliminate these HB 124 block grants to districts.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	Unassigned
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:		**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Allow school districts access to the state employee benefit plan

Criteria Name: Service recipients have other options to get the service or one similar

mmary of Issue
School districts are facing rising costs of health benefits for their employees. By creating an option for districts to access the state employee benefit plan, costs should decrease for a significant number of districts. Local savings for health benefits would be transferred back to the state or accounted for in a reduction to BASE aid.

Further work required
This issue would need to be fully researched to determine the potential of expanding the state employee benefit pool, including identifying any restrictions under federal health care reform. An estimate of local savings would need to be generated and how those savings would be transferred back to the state.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:		**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Create a statewide health insurance pool for school districts

Criteria Name: High cost of provision (with or without comparison to other programs)

Summary of Issue
School districts are facing rising costs of health benefits for their employees. By creating a large buyer pool, costs should decrease for a significant number of districts. Local savings for health benefits would be transferred back to the state or accounted for in a reduction to BASE aid.

Further work required
This issue would need to be fully researched to determine the potential cost of such a pool and the local savings that could be generated and how those savings would be transferred back to the state. HB 124 from the 2005 session (K-12 SHIP) could be a starting point.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Medium	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:		**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	$0	$0	$0

Description of Option: Limit Bus Depreciation Reserve Fund

Criteria Name: Not subject to regular review

Summary of Issue
Statute limits the ability of a district to budget funds for the replacement, remodel or conversion of buses or two way radio systems. The FY 09 ending fund balance for the bus depreciation fund was $37.9 million. There is not a statutory control on how much can be retained in this fund and for what period of time. Revenues are from local levies. Any cap or change in this could reduce local levy revenue.

Firther work required
The ending fund balance would need to be analyzed to determine if there is any excess funds available or if an alternative means to funding bus depreciation would provide savings.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	One-Time	**FTE Impact :**	N
Program Name:		**Mode :**	Research	**MCA :**	20-10-147

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	$1,500,000	$0	$0

Description of Option: Reduce Bus Depreciation Fund for districts utilizing DERA funds

Criteria Name: Program is duplicated elsewhere

Summary of Issue
Twenty three school districts utilized Diesel Reduction Act (DERA) funds under the Stimulus program to assist in purchasing new, cleaner running school buses. Districts that were located in poor air quality regions were the primary targets for this funding. Newer buses produce less emissions and run more efficiently. DERA funded one-half of the purchase price, approximately $1.5 million, therefore allowing districts to retain funds in their bus depreciation funds.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	One-Time	**FTE Impact :**	N
Program Name:		**Mode :**	Research	**MCA :**	20-10-147

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	$1,500,000	$0	$0

Description of Option: Reduce Bus Depreciation Fund for districts utilizing DERA funds

Criteria Name: Program is duplicated elsewhere

Summary of Issue
Twenty three school districts utilized Diesel Reduction Act (DERA) funds under the Stimulus program to assist in purchasing new, cleaner running school buses. Districts that were located in poor air quality regions were the primary targets for this funding. Newer buses produce less emissions and run more efficiently. DERA funded one-half of the purchase price, approximately $1.5 million, therefore allowing districts to retain funds in their bus depreciation funds.

Legislative Fiscal Division
Legislative Budget Options

Section Name: Education
Agency Name: Office Of Public Instruction
Program Name:

Time : Medium
Status : On-Going
Mode : Research

Committee: ELG
FTE Impact : N
MCA :

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	$0	$0	$0

Description of Option: Limit Bus Depreciation Reserve Fund

Criteria Name: Not subject to regular review

Summary of Issue
Statute limits the ability of a district to budget funds for the replacement, remodel or conversion of buses or two way radio systems. The FY 09 ending fund balance for the bus depreciation fund was $37.9 million. There is not a statutory control on how much can be retained in this fund and for what period of time. Revenues are from local levies. Any cap or change in this could reduce local levy revenue.

Firther work required
The ending fund balance would need to be analyzed to determine if there is any excess funds available or if an alternative means to funding bus depreciation would provide savings.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:		**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Create a statewide health insurance pool for school districts

Criteria Name: High cost of provision (with or without comparison to other programs)

Summary of Issue
School districts are facing rising costs of health benefits for their employees. By creating a large buyer pool, costs should decrease for a significant number of districts. Local savings for health benefits would be transferred back to the state or accounted for in a reduction to BASE aid.

Further work required
This issue would need to be fully researched to determine the potential cost of such a pool and the local savings that could be generated and how those savings would be transferred back to the state. HB 124 from the 2005 session (K-12 SHIP) could be a starting point.

Legislative Fiscal Division
Legislative Budget Options

Section Name: Education
Agency Name: Office Of Public Instruction
Program Name:

Time : Low
Status : On-Going
Mode : Research

Committee: Unassigned
FTE Impact : N
MCA :

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Allow school districts access to the state employee benefit plan

Criteria Name: Service recipients have other options to get the service or one similar

mmary of Issue
School districts are facing rising costs of health benefits for their employees. By creating an option for districts to access the state employee benefit plan, costs should decrease for a significant number of districts. Local savings for health benefits would be transferred back to the state or accounted for in a reduction to BASE aid.

Further work required
This issue would need to be fully researched to determine the potential of expanding the state employee benefit pool, including identifying any restrictions under federal health care reform. An estimate of local savings would need to be generated and how those savings would be transferred back to the state.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	$8,400,000	$0	$0

Description of Option: Eliminate Block Grants to K-12 Districts Non-general funds

Criteria Name: Service recipients have other options to get the service or one similar

Summary of Issue
HB 124 block grants are distributed to school districts based on revenues given up to the state in HB 124, passed during the 2001 session. Approximately $4.2 million per year of these block grants are distributed to school district funds other than the district general fund. Eliminating the block grants to these funds will likely result in an increase in property taxes, although not in all cases. For instance the portion distributed to the flexibility fund will likely not result in a property tax increase.

Legislation Required
20-9-630, MCA would need to be changed to eliminate these HB 124 block grants to districts.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	$48,000,000	$0	$0

Description of Option: Eliminate Block Grants to K-12 District General Funds

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
HB 124 block grants are distributed to school districts based on revenues given up to the state in HB 124, passed during the 2001 session. Approximately $44 million per year of these block grants are distributed to school districts' general fund and are utilized in the GTB area of the district general fund. Eliminating the block grants to these funds will result in an increase in state GTB of $20 million per year and an increase of $24 million in property taxes. The net savings to the state would be $24 million per year.

Legislation Required
20-9-630, MCA would need to be changed to eliminate the HB 124 block grants.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Change Source of Funding	$124,000,000	$0	$0

Description of Option: Lower Direct State Aid to K-12 from 44.7 Percent to 30.0 Percent

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
Direct state aid from the state to school districts is calculated as 44.7 percent of the basic and per-ANB entitlements. Lowering the direct state aid to 30 percent would reduce direct state aid and increase state GTB payments. The net result for the state would be a savings of $62 million per year. Local school district property taxes would increase by a like amount.

For every 1 percent reduction in the direct state aid percent, the net savings to the state is $4.2 million.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's share in funding school districts Reducing the state's share of school district funding may risk another adequacy suit.

Legislation Required
20-9-306, MCA would need to be changed to reduce the direct state aid percentage.

Legislative Fiscal Division
Legislative Budget Options

Section Name: Education
Agency Name: Office Of Public Instruction
Program Name: Local Education Activities

Time : Low
Status : On-Going
Mode : Research

Committee: ELG
FTE Impact : N
MCA : 20-9-306

Option	General Fund	State Special	Federal Special
Change Source of Funding	$124,000,000	$0	$0

Description of Option: Reduce Basic and per-ANB Entitlements to K-12 by 10 Percent

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
The state could reduce maximum school district general fund budgets by reducing the basic and per ANB entitlements by 10 percent. This would reduce direct state aid and GTB by $62 million per year, or approximately $6.2 million for every 1 percent reduction. This would lower maximum district general fund budgets across the state, and most districts would require increased property taxes to regain their prior year budgets, although in most cases this would require a vote.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's share in funding school districts Reducing the state's share of school district funding may risk another adequacy suit.

Legislation Required
20-9-306, MCA would need to changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	$10,800,000	$0	$0

Description of Option: Eliminate Block Grants to the Extent of Oil & Gas Revenue

Criteria Name: Other

Summary of Issue
School districts receive HB 124 block grants from the state based on revenue given up in 2001 under HB 124. This money is utilized to fund the GTB area of the district general fund and other district funds. Districts with oil and gas revenue in excess of the amount of HB 124 block grants money do not require these block grants to fund their budgets. In some limited cases this may require state GTB backfill. It would require a test each year comparing oil and gas receipts to HB 124 block grants.

Other Factors
This option partly duplicates the other HB 12 block grant options in education. If this option were used the other option would not be used.

Legislation Required
20-9-630, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	77-4-208

Option	General Fund	State Special	Federal Special
Change Source of Funding	$20,389,752	$0	$0

Description of Option: Change Deposit of Riverbed Rents from Facility Account to Guarantee Acct

Criteria Name: Other

Summary of Issue
Starting in FY 2012, current law requires that riverbed rent paid by Avista and PPL be deposited in the school facility and technology account to provide funding for capital purchases by schools going forward. This option would deposit this money in the guarantee account and would be used offset general fund in funding the state's share of current expenses of school districts.

Legislation Required
77-4-208, MCA must be changed in order to direct the deposit of riverbed rents into the guarantee account.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	One-Time	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-542

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	$41,700,000	$0	$0

Description of Option: Eliminate District Flex Fund - Transfer Balances to State

Criteria Name: Other

Summary of Issue
Districts have a flexibility fund which can be used to fund practically everything that can be funded from their general fund. Districts have been rapidly filling up their flex funds without using them and the ending fund balances have grown rapidly. Eliminating the flex fund and redirecting the balances to the state general fund would result in a one-time-only infusion of cash.

Legislation Required
20-9-542, 543,544, MCA would need to be eliminated.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-311

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$36,800,000	$0	$0

Description of Option: Eliminate Full-Time Kindergarten; Restore Half -Day Kindergarten

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
With this option, the state would fund only half day kindergarten. Local districts could continue to offer full day, but would receive only half day support from the state. There are approximately 5,400 students in full time kindergarten status in FY 2010, and there are 580 teachers employed in teaching public school kindergarten in Montana.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's funding of full day kindergarten. Eliminating this feature of school funding may risk another adequacy suit.

Legislation Required
20-9-311, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$2,467,528	$0	($2,467,528)

Description of Option: Eliminate Special Education Maintenance of Effort

Criteria Name: Other

Summary of Issue
In order to avoid losing federal special education aid to Montana's school districts, the state must not reduce its own allocation of special education monies from year to year. While this appropriation was designated as one-time-only by the legislature and consequently will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance. This action may result in loss of a like amount of federal special education funds.

Further Work Required
Requirements for the Individuals with Disabilities Education Act (IDEA) maintenance of effort include allowing local school districts to reduce their fiscal efforts dedicated to special education by up to 50 percent of the increase of the federal funds received. The amount of the maintenance of effort reductions resulting at the local level from the additional IDEA funding received in FY 2010 would need to be calculated to determine the impact of reducing state general fund support on local school districts.

Legislative Fiscal Division
Legislative Budget Options

Section Name: Education
Agency Name: Office Of Public Instruction
Program Name: Local Education Activities

Time : Low
Status : On-Going
Mode : Research

Committee: ELG
FTE Impact : N
MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	$10,000,000	$0	$0

Description of Option: Continue the Elimination of the At-Risk Payment

Criteria Name: Other

Summary of Issue
The 2009 Legislature eliminated $10 million in general fund support for the at-risk component of the school funding formula due to the $34.2 million increase in Title I funds, as both funding sources support similar programs. The legislature requested the general fund for the school funding component be considered by the 2011 Legislature. While these appropriations will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$10,800,000	$0	$0

Description of Option: Reduce High School Basic Entitlement to $200,000 Beginning in FY 2012

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
The current basic entitlement for high schools will be $253,468 in FY 2011 and beyond. The new basic entitlement for the district general fund would be based on supplying a high school with a minimum of 5 teachers at a cost of $40,000 apiece. The basic entitlement is received by each district and does not depend on the number of children served, although at least one student is implied.

Other Factors
The district court's recent dismissal of the adequacy suit mentioned favorably the state's funding levels Reducing the high school basic entitlement risk another adequacy suit.

Legislation Required
20-9-306, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$3,400,000	$0	$0

Description of Option: Require High Schools to Consolidate under Certain Conditions

Criteria Name: Service recipients have other options to get the service or one similar

Summary Issue
The high school basic entitlement is $253,468 in FY 2011 and beyond. On average the state's share is 65 percent. Requiring high schools that have less than 40 students and that are within 20 miles of another high school to consolidate would save the basic entitlement. There are 10 high schools that meet this condition. The state's share of these savings would be approximately $1.7 million per year.

Legislation Required
Various statutes would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	15-36-332

Option	General Fund	State Special	Federal Special
Revenue Enhancements	$16,400,000	$0	$0

Description of Option: Excess oil and Gas Revenues in School Districts GF returned to State

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
Some school districts receive more oil and gas revenue in their district general fund than is needed to fund the GTB area and the overbase area. This option would require these districts to send to the state general fund any oil and gas revenue in excess of the amount needed to fund the GTB area and overbase area of their general fund.

If districts chose to maintain their prior budgets, they would have to raise the money by asking their voters to approve property tax increases.

Legislation Required
15-36-332, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name: Education
Agency Name: Office Of Public Instruction
Program Name: Local Education Activities

Time : Low
Status : One-Time
Mode : Research

Committee: ELG
FTE Impact : N
MCA : 20-9-104

Option	General Fund	State Special	Federal Special
Revenue Enhancements	$35,000,000	$0	$0

Description of Option: Require School Districts to Send GF Balances Above Minimum to State

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of Issue
School districts may keep up to 10 percent of their ensuing year's general fund budget in reserve. Any money in the reserve in excess of this amount must be reappropriated in the following year. This proposal would require the district to send to the state any amount in excess of the 10 percent. This would require backfill of state GTB and local property taxes.

Legislation Required
20-9-104, MCA would need to be changed

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-630

Option	General Fund	State Special	Federal Special
Spending Deferrals or Suspensions	$1,978,919	$0	$0

Description of Option: Reduce or eliminate HB 124 Block Grant Growth

Criteria Name: Other

Summary of Issue
State law provides for an annual 0.76 percent increase in the county transportation and school district block grants. The funding is provided through the general fund. The LFD included them in the Big Picture report in March due to their on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

How the Fund Balance Would be Impacted
The elimination of the funding would eliminate general fund support for school districts and increase the general fund balance for the state. The reduction could result in increased property taxes to support the services provided by the local school districts.

Legislation required
20-9-630 and 632, MCA would need to be amended to eliminate the inflation increase to the school district block grants

Legislative Fiscal Division
Legislative Budget Options

Section Name: Education
Agency Name: Office Of Public Instruction
Program Name: Local Education Activities

Time : Medium
Status : On-Going
Mode : Research

Committee: ELG
FTE Impact : N
MCA :

Option	General Fund	State Special	Federal Special
Suspension of Cost of Living/Inflation Increases	$57,139,236	$0	$0

Description of Option: Eliminate the Present Law Adjustment for Inflation

Criteria Name: Other

Summary of Issue
By statute, the Superintendent of Public Instruction includes annual inflation-related adjustments to the basic and per-ANB entitlements, components of the school funding formula. A portion of the funding is to bring the FY 2010 expenditure base up to the FY 2011 funding rates and the remainder provides for inflation increases in FY 2012 and FY 2013. The LFD included the adjustment in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. A decision to discontinue or reduce funding would improve the projected budget imbalance.

How the Fund Balance Would be Impacted
This decision could significantly reduce the expenditures of the general fund for the state. However, local school districts would need to consider whether to reduce the district's general fund or request property tax increases to offset the differences.

Legislation Required
The inflationary adjustments to the basic and per-ANB entitlements for FY 2011 are included in MCA 20-9-236, MCA. If the legislature wished to ensure the local school district general fund reductions due to elimination of state general fund support for the inflationary increases did not result in property tax increases it would need to implement legislation.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Office Of Public Instruction	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Local Education Activities	**Mode :**	Research	**MCA :**	20-9-306

Option	General Fund	State Special	Federal Special
Suspension of Cost of Living/Inflation Increases	$22,722,922	$0	$0

Description of Option: Eliminate OTO 2 Percent Inflationary Increases

Criteria Name: Other

Summary of Issue
The 61st legislature increased the school district entitlements for the 2011 biennium by an additional 2 percent on a one-time-only basis. While this appropriation was designated as one-time-only by the legislature and consequently will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	High	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Community College Assistance	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	$0	$0	$0

Description of Option: Consolidate Administrative and Other Functions at DCC and MCC

Criteria Name: High cost of provision (with or without comparison to other programs)

Summary of Issue
Miles Community College (MCC) and Dawson Community College (DCC) operate at a higher per student cost than Flathead Valley Community College (FVCC). It may be possible to achieve cost efficiencies by consolidating the non-instructional services and functions of MCC and DCC (such as the business office, financial aid office) and/or deliver more higher education programs and courses to eastern Montana via distance learning.

A primary reason driving this differential is that student enrollments at MCC and DCC have been decreasing or flat, while student enrollment at FVCC has been increasing. Student FTE enrollment at the three community colleges has increased 14 percent overall between 1999 and 2009. FVCC has experienced a 26 percent enrollment increase over this period, while DCC enrollment has decreased 3 percent between 1999 and 2009 and MCC enrollment has fluctuated but ended the 1999 to 2009 time interval about where it started. The community colleges serve approximately 2,500 full-time equivalent (FTE) students in three campuses across the state (FY 2009). Flathead Valley Community College serves over 60 percent of the students attending Montana's community colleges.

How the Fund Balance Would be Impacted
State appropriations to the community colleges would be reduced if cost efficiencies were obtained from consolidation. Because community colleges are supported by local tax revenues and student tuition as well as state funds, any cost savings accruing as a result of campus consolidation may have to be "shared" with the other non-state funding entities.

Further Work Required
Additional research in a number of areas would be required to evaluate the cost effectiveness of consolidating community college functions, including communications and information technology infrastructure requirements and needs, the economic impact to the affected local communities, alternative service delivery options, and other issues. Therefore, the actual savings from this option are not yet known. The additional work required to further develop and evaluate this option is significant.

Legal research would also be required to evaluate any legal barriers to consolidation, as the requirements for establishing a community college district and community college operations are contained in state statute.

Legislation Required
There would likely be legislation required to implement this option. The findings of the legal research would help identify the statutory changes needed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Endorse	**MCA :**	19-21-203

Option	General Fund	State Special	Federal Special
Change Source of Funding	$1,000,000	$0	$0

Description of Option: Eliminate General Fund Subsidy of 1% ORP Increase for Non-State Funded Positions

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of Issue
HB95 passed by the 2007 Legislature increased the employer's share of the Montana University System's Optional Retirement Program (ORP) (a defined contribution retirement plan) and funded the cost increase with a statutory general fund appropriation, regardless of the fund source that pays the base salary and benefit costs (including ORP) of those positions participating in the program. In FY 2008, approximately 30 percent of the salary and benefit costs of positions participating in the ORP were funded from non-state sources, yet state general fund bore 100 percent of the employer cost increase authorized in HB 95. In FY 2009, approximately $494,000 (29 percent) of the ORP statutory appropriation was transferred to non-state accounts and used to pay the ORP benefit increase for non-state funded positions.

How the Fund Balance Would be Impacted
General fund expenditures would be reduced by approximately $1.0 million each biennium. The increased ORP benefit cost for non-state funded employees would be borne by non-state accounts, such as research and other self-supporting enterprises.

Legislation Required
Current statute funds the employer's additional 1% benefit cost for all ORP participants from the general fund, regardless of the original funding source for the position. Therefore, 19-21-203, MCA would need to be changed.

Legislative Fiscal Division
Legislative Budget Options

Section Name:	Education	**Time :**	Low	**Committee:**	ELG
Agency Name:	Commissioner Of Higher Education	**Status :**	On-Going	**FTE Impact :**	N
Program Name:	Appropriation Distribution	**Mode :**	Research	**MCA :**	

Option	General Fund	State Special	Federal Special
Other	$0	$0	$0

Description of Option: Budget Impact to MUS Ed Units Resulting from State Funding Reduction

Criteria Name: Other

Summary of Issue

The legislature appropriates state funds for the Montana University System each biennium, but the Board of Regents, carrying out its constitutional role, approves the operating budgets for the MUS, which means it determines the expenditure level required to deliver the quality and quantity of postsecondary education it deems appropriate as well as identify the revenue sources (primarily state appropriated funds and tuition which is considered non-state revenue) that will support the operating budget.

HB 645 appropriated $18 million in one-time only funding to the MUS educational units for tuition mitigation and is unlikely to be included in the proposed 2013 biennium executive budget. In the event of a reduction in state appropriated funds, the BOR has two primary choices to balance the operating budgets for the educational units: increase tuition and/or reduce expenditures.

Tuition Impact

Tuition and mandatory fee rates in Montana have nearly doubled in the past ten years, despite the tuition cap (College Affordability Plan) implemented in FY 2008 by the BOR and made possible by increased state funding recommended by the Governor and approved by the 2007 Legislature. The Office of the Commissioner of Higher Education estimates that each 1.0 percent annual increase in tuition rates (resident and nonresident) will increase tuition revenue by $5 million for a biennium. To offset the $18 million in one-time only funds included in HB 645 with a tuition increase, the tuition rate increase would be approximately 3.5 percent annually.

Expenditure Reductions

As noted above, the Board of Regents establishes the expenditure level for the Montana University System educational units when it approves the annual operating budgets at its September board meetings. Expenditures and revenues in the operating budgets must be balanced. In the event of a reduction in state appropriated funds, such as the $18 million in one-time only funds in HB 645 not being continued into the 2013 biennium, in order for the Board of Regents to balance the operating budgets without a tuition rate increase it would need to implement expenditure reductions at the educational units. Expenditure reductions could result from increased efficiencies, program and/or function consolidations, program eliminations, changes in program delivery, and other changes.