

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	165.03	165.03	164.39	164.39	165.03	164.39	(0.64)	(0.39)%
Personal Services	10,984,611	12,093,659	12,466,519	12,459,183	23,078,270	24,925,702	1,847,432	8.01 %
Operating Expenses	14,974,202	12,113,481	15,879,956	16,094,031	27,087,683	31,973,987	4,886,304	18.04 %
Equipment & Intangible Assets	859,986	921,444	859,986	859,986	1,781,430	1,719,972	(61,458)	(3.45)%
Transfers	1,168,000	1,918,000	1,168,000	1,168,000	3,086,000	2,336,000	(750,000)	(24.30)%
Total Costs	\$27,986,799	\$27,046,584	\$30,374,461	\$30,581,200	\$55,033,383	\$60,955,661	\$5,922,278	10.76 %
General Fund	10,206,213	11,655,418	11,487,780	11,492,951	21,861,631	22,980,731	1,119,100	5.12 %
State/Other Special Rev. Funds	211,388	269,223	253,898	253,704	480,611	507,602	26,991	5.62 %
Federal Spec. Rev. Funds	17,438,253	15,121,943	18,481,565	18,683,547	32,560,196	37,165,112	4,604,916	14.14 %
Proprietary Funds	130,945	0	151,218	150,998	130,945	302,216	171,271	130.80 %
Total Funds	\$27,986,799	\$27,046,584	\$30,374,461	\$30,581,200	\$55,033,383	\$60,955,661	\$5,922,278	10.76 %

Program Description

The State Level Activities program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing statutorily prescribed duties. The program: 1) supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board; 2) is responsible for the distribution and accounting of state and federal funds provided to school districts; 3) maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system; and 4) provides assistance and information to school districts. The program administers all federal grants received by OPI, including curriculum assistance, special education, ESEA administration, secondary vocational education administration, and other educational services.

Program Highlights

State Level Activities Major Budget Highlights
<ul style="list-style-type: none"> • General fund increases are due to new proposals for 6.0 FTE and statewide present law personal service adjustments. • The personal services budget includes a statutory 4% vacancy reduction
Major LFD Issues
<ul style="list-style-type: none"> • Proposed funding for the Montana Digital Academy is not sufficient for current or forecasted enrollment in the 2017 biennium.

Program Discussion -

Comparison of the 2015 Legislative Base and the 2015 Appropriation

The following highlights the differences between the FY 2015 appropriations as shown in the main table to the FY 2015 legislative appropriations used for purposes of the budget base, by program.

FY 2015 Appropriation Transactions - State level Activities				
Program	Legislative Appropriation	Legislative Approps OTO	Consolidation of Biennial Approp	Total Executive Implementation
State Level Activities	\$27,434,471	\$1,612,113	(\$2,000,000)	\$27,046,584
Agency Total	\$27,434,471	\$1,612,113	-\$2,000,000	\$27,046,584

The difference between the FY 2015 Legislative Appropriation and the total executive implementation is the transfer of federal budget authority from FY 2015 to FY 2014 (\$2 million). Not included in the legislative appropriation is \$1,612,113 in one-time-only (OTO) funding which includes:

OTO General Fund

- \$68,186 to fund inflationary cost for audiological services
- \$88,793 to fund 1.0 FTE to assist local district personal in implementing new school accreditation standards
- \$57,000 to fund stipends for Montana teachers who achieve certification form the National Board Certification
- \$750,000 to fund expected enrolment increases at the Montana Digital Academy
- \$148,717 to fund 1.5 FTE to support GEMS, TEAM and AIM data information systems
- \$105,959 to fund school based mental health programs

OTO Federal Fund

- \$393,458 to fund administration of federal striving readers grant

Comparison of the FY 2014 actual expenditures to the FY 2015 legislative appropriations

Actual FY 2014 expenditures are below the FY 2015 legislative appropriation due primarily to personal services expense for several modified FTE and higher operating expenses.

Funding

The following table shows proposed program funding by source from all sources of authority.

Office of Public Instruction, 06-State Level Activities Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	22,980,731	0	0	22,980,731	34.64 %	
02001 School Lunch Program	228,854	0	0	228,854	45.09 %	
02402 Traffic & Safety Education	278,748	0	0	278,748	54.91 %	
State Special Total	\$507,602	\$0	\$0	\$507,602	0.77 %	
03002 Public Instruction	37,165,112	0	0	37,165,112	100.00 %	
Federal Special Total	\$37,165,112	\$0	\$0	\$37,165,112	56.03 %	
06067 Advanced Drivers Education	0	302,216	0	302,216	5.32 %	
06512 Indirect Cost Pool	0	5,378,572	0	5,378,572	94.68 %	
Proprietary Total	\$0	\$5,680,788	\$0	\$5,680,788	8.56 %	
Total All Funds	\$60,653,445	\$5,680,788	\$0	\$66,334,233		

Federal funds support 61% of the HB 2 budget, general funds support 38% and state special revenue supports 1%.

State Special revenues fund the School Lunch Program and the Traffic and Safety Education. Revenues for the School Lunch Program are generated through reimbursements for the costs of shipping, handling, and other related costs of school

food commodities used in the program. Traffic and Safety Education revenues are generated through a percentage of driver’s license fees.

For a detailed discussion of programs funded through proprietary funds see the discussion on proprietary rates.

The table below summarizes this HB 2 program by funding source and agency function

Office of Public Instruction 2017 Biennial HB 2 Budget by Function				
<u>Agency Function</u>	<u>General Fund</u>	<u>State Special</u>	<u>Federal Special</u>	<u>Total Biennium</u>
Superintendents Division	\$4,468,982	\$0	\$7,302,573	\$11,771,555
Special Education	1,282,436	0	8,451,066	9,733,502
Information Technology Services	4,011,678	0	4,027,764	8,039,442
Educational Opportunity & Equity	0	0	7,789,339	7,789,339
Health Enhancement And Safety	230,506	507,602	4,584,459	5,322,567
Indian Education	2,627,126	0	1,501,785	4,128,911
Career Technical & Adult Ed	704,002	0	1,676,268	2,380,270
Montana Digital Academy	2,336,000	0	0	2,336,000
Measurement & Accountability	1,496,646	0	600,907	2,097,553
State Distribution To Schools	1,916,434	0	0	1,916,434
Content Standards & Instruction	1,131,239	0	604,400	1,735,639
Accreditation Division	1,311,086	0	419,887	1,730,973
Legal Services	1,009,696	0	0	1,009,696
Curriculum Services	454,900	0	206,664	661,564
Total all Functions	\$22,980,731	\$507,602	\$37,165,112	\$60,653,445

LFD COMMENT

Requested funding is not sufficient to fund anticipated enrollments at Montana Digital Academy.

The executive has requested only base funding for the Montana Digital Academy. The base budget for the academy is \$1,168,000 for each year of the biennium. The 2013 legislature passed HB 210 which provided additional appropriation of \$300,000 for FY 2013 to cover unbudgeted expense related to higher than expected enrollments in the 2013 biennium. The 2013 legislature also approved, in addition to the base funding, one-time-only funding for \$715,000 in FY 2014 and \$750,000 in FY 2015 to cover anticipated enrollment growth for the 2015 biennium.

The table below summarizes MTDA funding and enrolments for the 2015 biennium and the executive request for the 2017 biennium.

Funding for Montana Digital Academy FY 2016 and FY 2017 as proposed by executive (in millions of dollars)				
	Actual FY 2014	Aprop. FY 2015	Request FY 2016	Request FY 2017
Appropriation				
Base Funding	\$1.17	\$1.17	\$1.17	\$1.17
HB 210 Funding	0.00	0.00	0.00	0.00
OTO Funding	0.72	0.75	0.00	0.00
Unexpended Appropriation	(0.31)	0.00	0.00	0.00
Carry Forward	0.00	0.31	0.00	0.00
Total Expended	\$1.57	\$2.23	\$1.17	\$1.17
Enrollments (2015 - 2017 projected)	7,374	8,200	8,800	9,400

Options for the legislature:

- Fund the academy as requested by the executive.
- Provide funding in excess of the executive request to cover anticipated enrollment growth.
- Provide funding in excess of the executive request as OTO funding, this would give the 2017 legislature the opportunity to review and adjust funding.
- The legislature may wish to restrict funding to prevent the agency from using the funding for purposes not discussed with the legislature.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	10,371,525	10,371,525	20,743,050	90.26 %	27,507,090	27,507,090	55,014,180	90.25 %
PL Adjustments	537,048	547,060	1,084,108	4.72 %	2,288,164	2,499,744	4,787,908	7.85 %
New Proposals	579,207	574,366	1,153,573	5.02 %	579,207	574,366	1,153,573	1.89 %
Total Budget	\$11,487,780	\$11,492,951	\$22,980,731		\$30,374,461	\$30,581,200	\$60,955,661	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
-----Fiscal 2016-----					-----Fiscal 2017-----					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
DP 98 - LEG. Personal Services Present Law	0.00	751,809	15,912	(378,657)	389,064	0.00	755,238	15,699	(388,278)	382,659
DP 99 - LEG. Present Law	0.00	(214,761)	(31,237)	2,131,737	1,885,739	0.00	(208,178)	(31,218)	2,343,340	2,103,944
Grand Total All Present Law Adjustments	0.00	\$537,048	(\$15,325)	\$1,753,080	\$2,274,803	0.00	\$547,060	(\$15,519)	\$1,955,062	\$2,486,603

DP 98 - LEG. Personal Services Present Law -

All staff received 3% increase in FY 2014 and are expected to receive a 5% in FY 2015.

The agency is budgeted for 163 FTE and currently has a total of 9.3 FTE (5.6%) vacant for an average of seven months. 2.75 FTE have been vacant for more than one year and one position (0.5 FTE) has been vacant for more than 3 years.

New proposals include increase of 6.00 FTE for an early childhood specialist (1.00 FTE), staff to support the K-20 Data Warehouse and High School Transcript systems (4.00 FTE).

The table below summarizes the personal services statewide present law adjustments received by the agency.

Personal Services Present Law Adjustments					
FY 2016					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	156.54	\$30,108	\$1,113	\$44,858	\$76,078
Executive Implementation of 2015 Pay Increase		89,524	2,472	112,050	204,047
Fully Fund 2015 Legislatively Authorized FTE		86,736	4,337	125,768	216,841
Other		545,441	7,990	(661,333)	(107,902)
Personal Services Present Law Adjustments	156.54	\$751,809	\$15,912	(\$378,657)	\$389,064
FY 2017					
CP 98 PSPL Item	FTE	General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	156.54	\$30,108	\$1,113	\$44,858	\$76,078
Executive Implementation of 2015 Pay Increase		89,524	2,472	112,050	204,047
Fully Fund 2015 Legislatively Authorized FTE		86,736	4,337	125,768	216,841
Other		548,870	7,777	(670,954)	(114,307)
Personal Services Present Law Adjustments	156.54	\$755,238	\$15,699	(\$388,278)	\$382,659

DP 99 - LEG. Present Law -

The table below summarizes Legislative Present Law adjustments (LG PL). Included in the other category are statewide present law adjustments for inflation, deflation, fixed cost.

Legislative Present Law Adjustments				
	FY 2016			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Audiological Services	86,907			86,907
Federal Grant Award Adjustment			500,000	500,000
Other Present Law Adjustments	(301,668)	(31,237)	1,631,737	1,298,832
Legislative Present Law Adjustments	(\$214,761)	(\$31,237)	\$2,131,737	\$1,885,739
	FY 2017			
CP 99 Item	General Fund	State Special	Federal Special	Total Funds
Audiological Services	\$101,308			\$101,308
Federal Grant Award Adjustment			700,000	700,000
Other Present Law Adjustments	(309,486)	(31,218)	1,643,340	1,302,636
Legislative Present Law Adjustments	(\$208,178)	(\$31,218)	\$2,343,340	\$2,103,944

Present Law Adjustments include funding for funding for audiological services, adjustments for anticipated increases in federal grants and adjustments to the indirect cost pool.

- Audiological services - Each year in the public schools 63,000 audiological screenings and examinations are performed each year by various contractors throughout the state. Included in present law is an inflationary adjustment of about 3% in each year of the biennium. The agency is requesting the legislature re-appropriate the one-time-only funding from the previous legislature plus an additional \$52,000 for the biennium. Total expenditures for audiological services in FY 2014 were \$507,000 general fund.
- Federal grants - Present law adjustments include increases in federal grant authority for the school foods, funds to administer IDEA part B and Title I-Part A.
- Other adjustments - Funding for changes in fixed cost such as liability and property insurance, audit services, payroll processing and other services provided other agencies. Also included are adjustments to specific expenditure accounts for inflation or deflation. Both adjustments for fixed cost, inflation and deflation are statewide present law adjustments.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 600608 - Early Childhood Specialist	1.00	88,076	0	0	88,076	1.00	87,919	0	0	87,919
DP 600609 - GEMS/HS Transcripts Staffing	4.00	398,933	0	0	398,933	4.00	398,491	0	0	398,491
DP 600610 - School Staffing/Finance Compliance System Analyst	1.00	92,198	0	0	92,198	1.00	87,956	0	0	87,956
Total	6.00	\$579,207	\$0	\$0	\$579,207	6.00	\$574,366	\$0	\$0	\$574,366

DP 600610 - School Staffing/Finance Compliance System Analyst -

This request is for \$180,154 of general fund for the 2017 biennium for a computer systems analyst to support information systems that track school finance, accreditation and licensure data as well as other data related to school performance. The OPI is required by 20-7-104 MCA to provide transparency and public availability of public school performance data.

DP 600609 - GEMS/HS Transcripts Staffing -

This request is for \$797,424 of general fund for the 2017 biennium to retain the staff needed to support the K-20 Data Warehouse (GEMS) and the High School Transcript system.

DP 600608 - Early Childhood Specialist -

This request is for \$175,995 of general fund for the 2017 biennium to fund an early childhood specialist to work with school districts in implementing pre-school and early grade programs. The budget request is for funding of 1.0 FTE pay band 06, instructional coordinator plus an operating budget of \$15,000 per year to support office rent, telephone, and travel for on-site review of pre-school programs.

**LFD
COMMENT**

The Governor has proposed an early childhood education block grant. The block grant will support local districts that choose to implement half day pre-school programs. DP 608 is in anticipation of this program becoming law. The legislature may wish to approve this decision package contingent on the early childhood education program becoming law.

Other Issues -**Proprietary Program Description**

The State Level Activities program provides the following functions funded with proprietary funds. These programs are described separately along with a discussion of program expenses, revenues, and rates being requested to finance the program. There are two proprietary programs:

- Indirect Cost Pool
- Advanced Driver Education Program

Indirect Cost Pool

The OPI Indirect Cost Pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, or budgeting to all OPI's state and federally funded programs using a pre-approved indirect cost rate. Because the proprietary funds do not require and appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the fees and charges that support the revenues for the program. The fees and charges approved in the general appropriations act are the maximum fees and charges that may be charged in the biennium.

Program Description

OPI's internal service fund is used to pool internal and statewide central service type costs that are charged back to all of the agency's state and federally funded programs using a pre-approved indirect cost rate.

Revenue - Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. OPI negotiated a three year "predetermined rate" with the U.S. Department of Education. The negotiated rate for fiscal years 2014 through 2016 is 15.2 percent. The proposed rate for fiscal year 2017 is 15.2%. The actual rate will be negotiated in December of 2015 and may be higher or lower than the budgeted rate.

Indirect Cost Pool Budget Forecast				
	FY 2014 Actual	FY 2016 Forecast	FY 2017 Forecast	Biennial Forecast
FTE	22.44	24.74	24.74	24.74
61000 Personal Services	\$1,555,084	\$1,677,570	\$1,677,835	\$3,355,405
62000 Operating Costs	<u>\$1,057,731</u>	<u>\$1,046,851</u>	<u>\$976,316</u>	<u>\$2,023,167</u>
Total Cost	\$2,612,815	\$2,724,421	\$2,654,151	\$5,378,572

Expenses – Indirect cost pool covers the expenses incurred by the 22.44 FTE, who provide administrative, finance, accounting and data management services to the rest of the agency. The rate also covers fees charged for services provided by other departments, including but not limited to warrant writing, worker’s compensation fees, audit fees, rent, and grounds maintenance. The pool also covers termination payouts for staff, except the Superintendent and the Superintendents personal staff.

Advanced Driver Education Program

The Advanced Driver Education program (D.R.I.V.E.) is a seasonal, hands-on, behind-the-wheel crash avoidance program operated by the Health Enhancement and Safety Division of the OPI at a training facility in Lewistown. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, state employees, ambulance drivers, firefighters, road crews, and others who drive as a part of their employment. In operation since 1979, this program offers its services to employees of government services, fleet managers, and the general public.

Revenue - Revenues are generated from workshop fees collected from program users (Authority Title 20 MCA). Typically the program serves 450-500 participants a season. The current fee is \$315 for a full-day workshop per person. Program fees should remain within a range of \$315 - \$350 for the 2017 biennium. This should cover any unusual maintenance costs that are incurred during a season. It is anticipated that services will remain approximately the same as present for the 2017 Biennium.

The following table summarizes the total expense forecast for the biennium.

Advanced Drivers Education				
	<u>FY 2015</u> Leg Apro.	<u>FY 2016</u> Request	<u>FY 2017</u> Request	<u>2017</u> Biennium
Personal Services	\$73,464	\$91,033	\$90,877	\$181,910
Operating Expense	<u>52,405</u>	<u>60,185</u>	<u>60,121</u>	<u>120,306</u>
Total Cost	\$125,869	\$151,218	\$150,998	\$302,216

Expense Description - Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses (fuel and repairs), classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Continued facility maintenance is anticipated to be an on-going cost.

Working Capital Discussion - This program is a summer seasonal program that operates 45-55 days during June, July and August utilizing 13 – 16 vehicles. The program typically employs four professional instructors for each workshop (10 - 11 hours per day each) totaling 1.30 FTE. A director (0.15 FTE) and a program specialist (0.23 FTE) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program

requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

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