

Proposed (Unified Budget) Budget

The following table summarizes the executive proposed table by agency and funding source.

Unified Budget	Base FY 2010	Approp. FY 2011	Exec. Request FY 2012	Exec. Request FY 2013	Biennium FY 10 - 11	Biennium FY 12 - 13	Biennium \$ Change	Biennium % Change
Full Time Equivalent (FTE)	461.16	461.16	446.93	446.93	461.16	446.93	(14.23)	-3.09%
3501 Office of Public Instruction	721,810,430	896,204,525	852,668,705	861,439,301	1,618,014,955	1,714,108,006	96,093,051	5.94%
5101 Board of Public Education	384,383	413,221	400,937	406,707	797,604	807,644	10,040	1.26%
5102 Commissioner of Higher Education	240,230,561	264,902,841	266,519,723	276,050,842	505,133,402	542,570,565	37,437,163	7.41%
5113 School for the Deaf & Blind	6,278,484	6,385,358	6,351,366	6,318,450	12,663,842	12,669,816	5,974	0.05%
5114 Montana Arts Council	1,274,192	1,280,792	1,461,300	1,450,058	2,554,984	2,911,358	356,374	13.95%
5115 Montana Library Commission	4,671,608	4,668,378	5,136,697	4,117,321	9,339,986	9,254,018	(85,968)	-0.92%
5117 Montana Historical Society	4,202,780	4,545,008	4,556,910	4,533,241	8,747,788	9,090,151	342,363	3.91%
Total Proposed Budget By Agency	\$978,852,438	\$1,178,400,123	\$1,137,095,638	\$1,154,315,920	\$2,157,252,561	\$2,291,411,558	\$134,158,997	6.22%
01000 General Fund	719,477,679	885,772,254	856,314,462	863,042,676	1,605,249,933	1,719,357,178	114,107,245	7.11%
02000 State Special Revenue Funds	22,137,796	20,908,530	69,389,213	71,423,751	43,046,326	140,812,964	97,766,638	227.12%
03000 Federal Special Revenue Funds	236,345,011	270,630,473	210,474,398	218,933,298	506,975,484	429,407,696	(77,567,788)	-15.30%
06000 Proprietary Funds	891,952	1,088,866	917,565	916,195	1,980,818	1,833,760	(147,058)	-7.42%
Total Proposed Funding	\$978,852,438	\$1,178,400,123	\$1,137,095,638	\$1,154,315,920	\$2,157,252,561	\$2,291,411,598	\$134,159,037	6.22%

Agency Description

The fourteen-member Board of Education (BOE), under authority of Article X, Section 9 of the Montana Constitution, is composed of the Board of Regents of Higher Education (BOR) and the Board of Public Education (BOPE). It is responsible for long-range planning, and for coordinating and evaluating policies and programs for the state's educational systems. The Board of Education is constitutionally required to submit a unified budget request for the state's education system.

Agency Discussion

By statute, the Board of Education is to review and unify the budget requests of the following educational entities:

- Commissioner of Higher Education
- Board of Public Education
- Office of Public Instruction
- Montana School for the Deaf and Blind
- Montana Library Commission
- Montana Arts Council
- Montana Historical Society

The unified budget request is then submitted to the Office of Budget and Program Planning by the state agencies for inclusion in the Governor's executive budget. The drafters of the constitution included the unified budget submittal so that the funding allocations to the various components of the educational system were "threshed out together, so that when the legislature was asked for an amount, there would have been some agreement reached between all phases of education." A unified budget request allows the BOE to determine the total amount of the biennial budget request for the educational system and the amount of the total that they would recommend allocating to each portion of the budget. BOE can prioritize the long range policies for the educational system within the budget. In periods of scarce resources, a unified budget request allows the BOE to determine which programs will be reduced, increased, or postponed until additional resources are available. It also allows BOE to review the various programs and requests for additional funding in the education system as a whole and further its related policies by reflecting them in the budgets requested by the agencies.

The proposed (unified) budget shows the state agency budgets that are required by statute to be part of a BOE submitted unified budget. However, the BOE did not provide a unified budget proposal request to the 2011 Legislature to review.

Rather, the executive proposed a unified budget that does not include the cultural education agencies. Per 2-15-151, MCA the cultural agencies are also allocated to the BOE for the purpose of planning and coordination.

**LFD
ISSUE****Definition of the Unified Budget**

The Montana Constitution requires that a unified budget be submitted for the state's education system. By statute, the legislature has chosen to include the cultural agencies in this definition. This statute has not been updated since 1985. The legislature has the option of revising the definition of the unified budget to remove the cultural agencies from this definition. In doing this, the legislature would examine a unified budget including the Board of Public Education, the Office of Public Instruction, the Commissioner of Higher Education and the School for the Deaf and Blind. A committee bill would be needed to implement this change.

Biennial Changes in the Proposed Unified Budget

The proposed unified budget request totals \$2.3 billion for the 2013 biennium. The request is \$134.2 million higher than the 2011 biennium. The general fund supports 75% of the unified budget in the 2013 biennium. State special revenue accounts for 6.1% and federal funds provides 18.7% of the unified budget. Key issues driving the budget are the following:

- The \$96.1 million increase for OPI represents inflationary adjustments of 1.53% in FY 2012 and 1.9% in FY 2013, adjustments for ANB entitlements, and increases to cover higher than average trust land revenues due to the leasing of Otter Creek coal tracts.
- The \$37.4 million increase for the Commissioner of Higher Education is primarily due to the executive's recommendation for increased funding for the state's community colleges and an increased state percent share for university units' present law adjustments, increased assistance for tribal colleges, reinstating some of the one-time-only appropriations included in HB 645 passed by the 2009 Legislature, and two new initiatives requested by the Governor for dual enrollment and the university units.

The unified budget also incorporates the funding changes associated with American Reinvestment and Recovery Act (ARRA) State Fiscal Stabilization Funds (SFSF) that were appropriated in HB 645 by the 2009 Legislature. HB 645 allowed the university system and the Office of Public Instruction to fund certain of these expenditures with general fund for the 2013 biennium. The funding switch for MUS is \$59.1 million and for OPI the switch is \$29.2 million.

The general fund increase of \$114.0 million is attributed to:

- \$91.6 million for MUS, of which \$59.5 million is the ARRA/general fund switch, and the remaining \$31.5 million increase for increased state funding for community colleges, university units, and tribal colleges.
- \$22.1 million for OPI, which is the net of the ARRA/general fund switch, inflationary increases, decreases in trust land revenues, and the executive proposal to fund quality educator payments with state special revenue.
- Small increases in general fund to the Board of Public Education, the School for the Deaf and Blind, and the Historical Society, offset by decreases in general fund in the Montana Arts Council and the Montana Library Commission.

For detailed discussion on agency budgets within the unified budget, see the funding section of each agency.

Utilizing Shared Policy Goals to Allocate Resources

The 2009 Legislature approved SJR 8 to urge the Board of Regents, Commissioner of Higher Education, Superintendent of Public Instruction, and the Board of Public Education to work with the Education and Local Government Interim committee (ELG) to develop K-20 shared policy goals and accountability measures for the purpose of program evaluation and as a guide for legislative funding decisions. During the interim, representatives from each group worked with a subcommittee of the ELG to develop such goals. The shared policy goals and accountability measures were agreed to at the August 2010 meeting of the ELG. Each component, K-12, K-20, and the Montana University System, has a set of policy goals and accountability measures that relate to the unified budget.

The agreement is actually an understanding that the statewide public education policy goals and related accountability measures will be used as a policy goal setting and assessment tool for policymakers, the state education boards and agencies, and the general public in evaluating the achievement of the policy goals; and that will be used, in conjunction with 20-9-309, MCA, as a guide to drive decision making and funding mechanisms for the state funding that is appropriated to the K-20 public education system by the legislature.

The Legislative Finance Committee recommends that the shared policy goals and accountability measures be considered during the appropriations process. For this purpose, the K-12 and the MUS shared policy goals and accountability measures are included in the agency overview of the Office of Public Instruction and the Office of the Commissioner of Higher Education. The K-20 is discussed here.

K-20 Shared Policy Goals and Accountability Measures		
Shared Policy Goal	Objectives	Accountability Measure
Align high school outcomes with college readiness expectations to facilitate the transition from high school to college	Decrease remediation rates of freshman entering the Montana University System from Montana public high schools	Remediation rates of freshman entering the Montana University System from Montana public high schools steadily decrease. [Measure -- 5 year trend data]
Increase college participation of Montana high school graduates	Increase the percentage of Montana high school graduates who participate in accredited postsecondary education	Increase the percentage of Montana high school graduates enrolling in college. --All postsecondary -All Montana postsecondary .-MUS [Measure -- 5 year trend data]
Expand distance learning opportunities	Create easy access to distance learning opportunities through the development of a virtual academy and through improvements to current virtual college capabilities	Montana high school students who participate in distance learning -Higher Ed baseline distance learning enrollment currently available. -High School baseline distance learning enrollment not currently available, but will be collected starting Fall 2010 [Measure -- 5 year trend data]
Utilize K-20 data to improve student access and achievement	Link K-12 and Higher Education data systems	By June 30, 2013, the electronic link between MUS data and OPI data will be established.

The K-20 shared policy goal, focus on aligning outcomes in the K-12 system to facilitate increased participation in and outcomes of the postsecondary system. The underlying focus with these items is the ability to coordinate and share appropriate data to report on the desired accountability measure. The reporting then will allow policy makers to adjust public policy to achieve desired outcomes. The executive has requests that impact the shared policy goals, such as:

- A request to continue funding for the Montana Digital Academy
- Authority for data sharing initiatives funding through federal grants
- Allocations to the MUS that impact college affordability
- Funds for assessments to increase college readiness of high school students

The legislature has the opportunity to discuss the unified budgets in conjunction with the shared policy goals. Appropriations decisions made by the legislature may impact the ability of the state agencies to achieve the shared goals. The legislature may wish to include in the appropriations discussions deliberations on the impact of funding decisions on these shared goals, and if necessary propose to alter the shared goals to reflect the legislatively approved funding levels.

Shared Policy Goals and Accountability Measures – the Future

Shared policy goals are a function of planning over time to achieve a specific outcome. In order to analyze the impact of shared policy goals and accountability measures, the activity needs to continue past the 2013 interim, as, without the time commitment, the process loses its value. The legislature may wish to formalize the development and management of the shared policy goals and accountability measures by adjusting the responsibilities of the Education and Local Government interim committee. Current statute, 5-5-224, MCA directs the interim committee to consider the progress of the university system toward its long range goals, but not those of the Office of Public Instruction. The legislature may wish to consider adding the responsibility of the shared policy goals for K-20 to this committee. To do this the subcommittee may wish to request a committee bill.