

Agency Budget Comparison

The following table compares 2014 actuals expenditures without one-time appropriations plus 2015 estimated appropriations including one-time appropriations, but excluding certain base appropriations to the 2017 biennial total legislative budget. The comparison is listed by year, type of expenditure, and source of funding. The biennial percent change column has been eliminated to allow for the transition to a comparison of biennial appropriations consistent with SB 140 in the future. The biennial appropriation growth/decline is listed in the agency highlight tables and the expenditure section of Volume 1 of this Fiscal Report.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change
FTE	163.35	163.35	159.54	159.54	163.35	159.54	(3.81)
Personal Services	10,911,428	12,093,659	12,161,087	12,154,479	23,005,087	24,315,566	1,310,479
Operating Expenses	15,926,601	13,421,645	17,058,859	17,277,196	29,348,246	34,336,055	4,987,809
Equipment & Intangible Assets	859,986	921,444	524,323	524,323	1,781,430	1,048,646	(732,784)
Local Assistance	708,640,932	702,936,252	777,271,395	792,884,795	1,411,577,184	1,570,156,190	158,579,006
Grants	143,902,617	159,467,123	149,360,551	150,502,551	303,369,740	299,863,102	(3,506,638)
Transfers	1,833,112	2,425,840	2,508,340	2,508,340	4,258,952	5,016,680	757,728
Total Costs	\$882,074,676	\$891,265,963	\$958,884,555	\$975,851,684	\$1,773,340,639	\$1,934,736,239	\$161,395,600
General Fund	711,200,020	706,638,834	781,767,449	797,390,818	1,417,838,854	1,579,158,267	161,319,413
State/Other Special Rev. Funds	9,614,513	10,305,223	9,654,604	9,654,409	19,919,736	19,309,013	(610,723)
Federal Spec. Rev. Funds	161,260,143	174,321,906	167,462,502	168,806,457	335,582,049	336,268,959	686,910
Total Funds	\$882,074,676	\$891,265,963	\$958,884,555	\$975,851,684	\$1,773,340,639	\$1,934,736,239	\$161,395,600

Agency Description

The Office of Public Instruction (OPI) distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 415 school districts and 825 schools. The core processes of the agency include licensure of educators, accreditation of schools, administration of statewide student assessments, distribution of state and federal grants/aid to schools, collection and reporting of data, and dissemination of information about K-12 education. The department provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, academic standards and curriculum, school finance, and school law. The department also administers a number of federally-funded programs and provides a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

Agency Highlights

**Office of Public Instruction
Major Budget Highlights**

- The legislature utilized the 2015 legislature's base appropriations as the point of comparison for the budgeting process.
 - The 2013 legislature general fund appropriations for ongoing activities were \$713 million in FY 2014 and \$743 million in FY 2015 for a total 2015 biennial appropriation of \$1.46 billion. The legislature established the base budget for each year of the biennium at the level of the FY 2015 appropriation.
 - Total ongoing biennial general fund appropriations increased by \$121 million or 8.3% compared to the 2015 biennium appropriations.
- State Level Activities general fund increased by \$1.2 million or 5.8%
 - \$0.15 million increase - Annualize FY 2014 expenses to FY 2015 base budget funding level.
 - \$0.15 million increase - Present law adjustments for fixed cost, inflation, IT rate adjustments, liability, motor pool adjustments
 - \$0.44 million increase - Present law adjustments for personal services and health insurance
 - \$0.46 million increase - The legislature approved 3.00 new permanent FTE to support the longitudinal data system and high school transcript system
- In addition to the 5.8% increase in general fund detailed above, the legislature approved one-time-only general fund appropriations of \$1.9 million, \$1.7 million above base funding for the biennium to support anticipated enrollments for the Montana Digital Academy and \$0.2 million to support OPI's statewide audiological program.
- HB 2 also includes language directing OPI, in each year of the biennium, to withhold \$100,500 of the appropriation for the Montana Digital Academy unless the academy can show sufficient enrollment by March 1st of each fiscal year.
- Local Education Activities general fund appropriation increased by \$119.8 million or 8.4%
 - \$29.8 million increase - Annualize FY 2014 expenses to FY 2015 base budget funding level
 - \$101.6 million increase - BASE Aid to local schools to support increases in enrollments of 0.6% in each year of the biennium, inflationary increase for BASE aid components of 2.33% in FY 2016 and 1.79% in FY 2017 and decrease in expected BASE Aid support from the guarantee account.
 - \$0.33 million increase - At-Risk student payments
 - \$11.0 million decrease - Funding for block grants, transportation and tuition payments
 - \$0.4 million decrease - Transportation costs
 - \$0.5 million decrease - State tuition payments
- HB2 includes language if SB 157 is passed and approved the BASE is reduced by an additional \$2.3 million general fund resulting in an increase of 8.2% over the 2015 biennium appropriation (Note: The executive signed SB 157 on 04/29/2015).

A detailed description of funding for local education activities can be found at the following link: http://leg.mt.gov/content/Publications/fiscal/FR-2017/section_e/K-12.pdf

- Supplemental Appropriation for the 2015 biennium
 - The legislature appropriated general fund of \$7.9 million for the fiscal year ending June 30, 2015 to fund an anticipated shortfall for local assistance as follows:
 - \$7.5 million of expected shortfall in BASE aid
 - \$400,000 for an expected short fall in block grants

Summary of Legislative Action

The legislature approved an increase in on going general funds of \$121 million or 8.3% compared to the 2015 biennial appropriation. This increase is primarily due to increases in enrollment of about 0.6% in each year of the biennium and the passage of HB 27 school funding legislation that set inflation rates of 2.33% in FY 2016 and 1.79% in FY 2017 which apply to the funding components of BASE Aid.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	1,579,158,267	0	0	1,579,158,267	77.36 %
State Special Total	19,309,013	0	100,625,000	119,934,013	5.88 %
Federal Special Total	336,268,959	0	0	336,268,959	16.47 %
Proprietary Total	0	5,947,726	0	5,947,726	0.29 %
Other Total	0	0	0	0	0.00 %
Total All Funds	\$1,934,736,239	\$5,947,726	\$100,625,000	\$2,041,308,965	
Percent - Total All Sources	94.78 %	0.29 %	4.93 %		

Almost 95% of the total budget is appropriated in HB 2. Non-budgeted proprietary funds support the centralized services functions. Statutory Appropriations are from the guarantee account for distribution to local schools and are discussed in the Local Education Activities Program. General fund provides 77% of total funding for the agency; an increase compared to the previous biennium in which general fund provided 74.5% of the total funding. This is due primarily to funding shifts from federal and statutory funding to the general fund. Of the \$1.6 billion of general fund, 98.5% is for distribution to local schools and the remainder supports state level activities.

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	743,104,941	743,104,941	1,486,209,882	94.11 %	921,862,869	921,862,869	1,843,725,738	95.30 %
PL Adjustments	38,432,508	54,055,877	92,488,385	5.86 %	36,791,686	53,758,815	90,550,501	4.68 %
New Proposals	230,000	230,000	460,000	0.03 %	230,000	230,000	460,000	0.02 %
Total Budget	\$781,767,449	\$797,390,818	\$1,579,158,267		\$958,884,555	\$975,851,684	\$1,934,736,239	

Other Legislation

HB 27 - Increase K-12 BASE aid, entitlements and payments

HB 27 applied inflationary increases of 2.33% in FY 2016 and 1.79% in FY 2017 to the basic entitlement, per-ANB entitlement, quality educator payment, Indian education for all payment, the American Indian achievement gap payment, and the data for achievement payment. Funding for HB 27 is included in HB 2. For details on the increase go to the following link: http://leg.mt.gov/content/Publications/fiscal/FR-2017/section_e/K-12.pdf

SB 252 - Revise K-12 funding laws related to oil and natural gas production taxes

SB 252 removes the requirement that school districts receiving oil and natural gas production tax revenues budget at least 25% of the previous year revenues to the school district's general fund budget. It is anticipated that this will increase the requirement for general fund payments for Guaranteed Tax BASE (GTB) aid by \$2.9 million in the 2017 biennium. SB 252 does not appropriate funds for this anticipated increase in GTB.

SB 260 - Revise education funding laws related to oil and gas production taxes

SB 260 removes the requirement that 70% of the excess oil and natural gas production taxes above the statutory limits school districts are allowed to maintain be deposited to the Guarantee Account and 30% to other state special revenue accounts. The bill requires the funding be distributed to school districts that are directly impacted by oil and natural gas development but receive insufficient oil and natural gas revenues to address the development impacts. SB 260 requires the Office of Public Instruction to establish rules and procedures for distribution of the funds. The guarantee account is statutorily appropriated for the payment of BASE aid to school districts and it is anticipated that the 70% of excess oil and gas tax revenue is about \$4.1 million, this amount will need to be offset by general fund. SB 260 does not include an appropriation for this amount.

SB 157 - Generally revise tax reappraisal laws

SB 157 reduces the frequency of reappraisal from six years to two for class 3 and class 4 property and adjusts the rates at which property is taxed. These changes in taxable value are anticipated to reduce the requirement for guarantee tax base support by \$2.3 million for the biennium.

HB 162 - Revise laws related to the Montana Digital Academy

HB 162 gives the board of the Montana Digital Academy (MTDA) the authority to charge a school district a supplemental fee for the costs of delivering courses that exceed the amount appropriated to the MTDA by the legislature. School districts are prohibited from passing this expense on to students who enroll in MTDA classes required for graduation.

SB 255 - Revise laws for advancing agricultural education

SB 255 changes the basis for payments to school district's agricultural education programs. SB 255 directs that \$1,000 be paid annually for each FTE teacher endorsed in agricultural education who teaches approved agricultural education courses through the local education program. SB 255 increase funding for agricultural education by \$49,000 or an increase of 19% over the previous biennium.

HB 356 - Revise funding for career and vocational and technical education

HB 356 appropriates an additional \$2.0 million in general fund for the expansion of secondary K-12 career and vocational/technical education. This funding is one-time-only.

HB 114 - Revise tax increment finance district remittance laws for schools

HB 114 clarifies how tax increment remittances to school districts are to be budgeted by the local districts. HB 114 allows a school district to budget the remittances from any of the following funds provided the funds have a mill levy for the current school year, general fund, bus depreciation reserve fund, debt service fund, building reserve fund, technology acquisition and depreciation fund.

SB 345 - Revise process for adoption of accreditation standards

SB 345 eliminates the requirement of the Legislative Fiscal Division (LFD) to prepare a fiscal analysis prior to the adoption or amendment of any accreditation standard. SB 345 establishes the requirement that the Superintendent of Public Instruction use a negotiated rulemaking process to develop recommendations to the Board of Public Education regarding changes in the standards of accreditation and prepare an economic impact statement for proposed changes to standards.

SB 272 - Encourage Indian language immersion schools

SB 272 appropriates one-time-only \$45,000 general fund to the Office of Public Instruction to fund schools that develop programs to conduct at least 50% of daily instruction in a Native American language. School districts must be encompassed or adjacent to reservations or have a student population that is at least 10% Native American to be eligible.

SB 128 - Establish decennial school funding study

SB 128 creates a school funding interim commission to be formed in the 2017 biennium and in each successive fifth interim. The commission is to make a re-assessment of educational needs and costs to make recommendations for the school funding model to the following legislature. The commission will consist of twelve members from the legislature and four members from the public. The bill appropriates \$55,000 from the general fund the cost of the meetings during the 2017 biennium.

SJ 10 - Resolution requesting performance audit of data collection by the Office of Public Instruction

Requests the Legislative Audit Committee execute a performance audit of OPI's school data collection systems and procedures and report the results to the 65th legislature.

Executive Budget Comparison

The following table compares the legislative budget for the 2017 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2014	Executive Budget Fiscal 2016	Legislative Budget Fiscal 2016	Leg — Exec. Difference Fiscal 2016	Executive Budget Fiscal 2017	Legislative Budget Fiscal 2017	Leg — Exec. Difference Fiscal 2017	Biennium Difference Fiscal 16-17
FTE	163.35	162.71	159.54	(3.17)	162.71	159.54	(3.17)	(3.17)
Personal Services	10,911,428	12,375,486	12,161,087	(214,399)	12,368,306	12,154,479	(213,827)	(428,226)
Operating Expenses	15,926,601	16,829,917	17,058,859	228,942	17,044,058	17,277,196	233,138	462,080
Equipment & Intangible Assets	859,986	859,986	524,323	(335,663)	859,986	524,323	(335,663)	(671,326)
Local Assistance	708,640,932	794,573,061	777,271,395	(17,301,666)	805,041,692	792,884,795	(12,156,897)	(29,458,563)
Grants	143,902,617	149,203,279	149,360,551	157,272	150,345,279	150,502,551	157,272	314,544
Transfers	1,833,112	1,833,112	2,508,340	675,228	1,833,112	2,508,340	675,228	1,350,456
Total Costs	\$882,074,676	\$975,674,841	\$958,884,555	(\$16,790,286)	\$987,492,433	\$975,851,684	(\$11,640,749)	(\$28,431,035)
General Fund	711,200,020	798,442,862	781,767,449	(16,675,413)	808,916,666	797,390,818	(11,525,848)	(28,201,261)
State/other Special Rev. Funds	9,614,513	9,657,023	9,654,604	(2,419)	9,656,829	9,654,409	(2,420)	(4,839)
Federal Spec. Rev. Funds	161,260,143	167,574,956	167,462,502	(112,454)	168,918,938	168,806,457	(112,481)	(224,935)
Total Funds	\$882,074,676	\$975,674,841	\$958,884,555	(\$16,790,286)	\$987,492,433	\$975,851,684	(\$11,640,749)	(\$28,431,035)

The legislatively approved budget is lower in general fund by \$28.4 million for the biennium as compared to the budget proposed by the executive. The legislature made the following adjustments to the executive proposal.

Statewide education activities (\$1.2 million general fund above the executive proposed budget)

- \$0.5 million below executive proposed budget for personal services
- \$1.7 million above the executive proposed budget for the Montana Digital Academy

Local education activities (\$29.6 million general fund below the budget proposed by the executive)

- \$37.0 million below executive proposed budget for early childhood education
- \$1.0 million below executive proposed budget for raising the legal drop out age
- \$0.4 million below executive proposed budget ANB for nineteen year olds
- \$2.8 million above the executive proposed budget for Direct State Aid as the legislature assumed a lower estimate of the Guarantee Account and an ANB estimate one thousand above executive estimate.

- \$6.0 million above the executive proposal as the legislature choose not to re-direct the NRD payment to the School Facility & Technology account.

Language and Statutory Authority

The legislature included the following language in HB2:

All revenue up to \$1.1 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated as provided in Title 20, chapter 7, part 5.

All appropriations for federal special revenue appropriations in State Level Activities and in Local Education Activities and all general fund appropriations in Local Education Activities are biennial.

For each year of the 2017 biennium, there is an \$832,500 general fund, one-time-only, restricted appropriation available to the Montana Digital Academy over and above the \$1,168,000 base appropriation. The first \$1,900,000 may be requested by the digital academy from the office of public instruction on an as-needed basis. To receive the remaining \$100,500, the digital academy must show proof of at least 6,000 enrollments by March 1 of the fiscal year for the preceding summer session and the fall and spring semesters.

All general and state funds appropriated to local school districts through Local Education Activities for FY 2016 and FY 2017 are restricted for the intended purpose. This includes funding for the following: K-12 BASE Aid, At-Risk Student Payment, Special Education, Gifted and Talented, in-State Treatment, Secondary Vo-ed, Adult Basic Education, Transportation, School Facility Reimbursement, School Food, Reimbursement Block Grants, State Tuition Payments and Advancing Agricultural Education.

The Office of Public Instruction K-12 BASE Aid appropriation is reduced by \$1,060,351 in FY 2016 and \$1,205,462 in FY 2017 if SB 157 is passed and approved. (Note: SB 157 was signed by the executive on 04/29/2015)