

**Program Budget Comparison**

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

Program Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
Operating Expenses	1,308,209	1,120,835	1,308,138	1,308,164	2,429,044	2,616,302	187,258	7.71%
Local Assistance	620,260,239	642,976,162	691,322,364	712,662,242	1,263,236,401	1,403,984,606	140,748,205	11.14%
Grants	142,889,668	140,292,700	157,907,123	159,467,123	283,182,368	317,374,246	34,191,878	12.07%
Transfers	507,840	311,139	507,840	507,840	818,979	1,015,680	196,701	24.02%
<b>Total Costs</b>	<b>\$764,965,956</b>	<b>\$784,700,836</b>	<b>\$851,045,465</b>	<b>\$873,945,369</b>	<b>\$1,549,666,792</b>	<b>\$1,724,990,834</b>	<b>\$175,324,042</b>	<b>11.31%</b>
General Fund	613,007,446	635,535,999	684,069,502	705,409,406	1,248,543,445	1,389,478,908	140,935,463	11.29%
State Special	9,336,000	9,336,000	9,336,000	9,336,000	18,672,000	18,672,000	0	0.00%
Federal Special	142,622,510	139,828,837	157,639,963	159,199,963	282,451,347	316,839,926	34,388,579	12.18%
<b>Total Funds</b>	<b>\$764,965,956</b>	<b>\$784,700,836</b>	<b>\$851,045,465</b>	<b>\$873,945,369</b>	<b>\$1,549,666,792</b>	<b>\$1,724,990,834</b>	<b>\$175,324,042</b>	<b>11.31%</b>

**Program Description**

The Local Education Activities Program is used by OPI to distribute state and federal funds to local education agencies.

**Program Highlights**

<b>Local Education Activities Major Budget Highlights</b>
<p>The executive proposes an increase in OPI’s distribution to schools program of \$195.1 million in state and federal funds in the 2015 biennium when compared to base expenditures in FY 2012. The increase is \$175.3 million when compared to both years of the 2013 biennium</p> <ul style="list-style-type: none"> <li>◆ Of the biennial difference of \$195.1 million, present law general fund spending would increase by \$163.5 million and federal spending would increase by \$31.6 million in the 2015 biennium. The biennial present law increases in the general fund above the FY 2012 base are:                             <ul style="list-style-type: none"> <li>• \$24.7 million in Base Aid to bring Base Aid to FY 2013 levels as adjusted for changes in Average Number Belonging (ANB) and reflecting the 2.43% increase in entitlements legislated in SB 329 for FY 2013</li> <li>• \$95.5 million in Base Aid to replace one-time-only spending from the guarantee account in FY 2012, also reflecting lower ongoing guarantee account revenues in the 2015 biennium</li> <li>• \$22.1 million in Base Aid for inflation applied to the basic and per-ANB entitlements, 0.89% in FY 2014 and 2.08% in FY 2015</li> <li>• \$20.5 million in SB 372 reimbursements to school districts. SB 372 cut tax rates on business equipment and created reimbursements starting in FY 2013. Additional reimbursements will be incurred in FY 2015 when a second tax cut in tax rates for business equipment take place</li> <li>• \$0.7 million in other categorical payments to bring them up to traditionally appropriated levels, special education, state tuition, transportation, and HB 124 block grants</li> </ul> </li> <li>◆ The increase in federal monies of \$31.6 million in the 2015 biennium is made up of: 1) a present law increase of \$16.6 million in increases to school foods, Title 1 (children in poverty), and IDEA (special education); and 2) a new proposal to accept \$15.0 million in federal money to fund a striving readers literacy program.</li> </ul>

**Major LFD Issues**

- ◆ The executive underestimates the amount of revenue deposited in the guarantee account in the 2015 biennium, by approximately \$15.8 million compared with the LFD estimate. The executive forecasts zero bonus payments for options to explore for minerals on state lands, whereas the LFD estimates include approximately \$15.3 million in bonus payments
- ◆ The executive continues paying for school facilities GTB subsidies out of the school facility and technology account in the 2015 biennium at the amount per year that was spent in FY 2012, \$8.6 million. The school facility and technology account may have a negative ending fund balance at the end of FY 2015 as a result

**Funding**

The following table shows funding for the distribution to school programs.

HB 2 Distribution to Schools, General Fund, State Special, and Federal Funds							
Description	Base Budget 2012	PL Base Adjustments Fiscal 2014	New Proposals Fiscal 2014	Total Fiscal 2014	PL Base Adjustments Fiscal 2015	New Proposals Fiscal 2015	Total Fiscal 2015
<b>Base Aid Summary</b>	<u>\$601,287,856</u>	<u>\$18,772,971</u>	<u>\$0</u>	<u>\$620,060,827</u>	<u>\$28,055,188</u>	<u>\$0</u>	<u>\$629,343,044</u>
HB 2 General Fund	\$497,963,015	\$64,432,494	\$0	\$562,395,509	\$77,867,820	\$0	\$575,830,835
Guarantee Account (statutory appropriation)	\$103,324,841	-\$45,659,523	\$0	\$57,665,318	-\$49,812,632	\$0	\$53,512,209
<b>HB 2 General Fund</b>							
<b>Base Aid</b>							
Direct State Aid	\$284,387,890	\$57,156,412	-	341,544,302	\$69,208,516	\$0	353,596,406
GTB - School General Fund	140,621,720	4,258,596	0	144,880,316	4,644,012	0	145,265,732
GTB - School Retirement	28,690,929	3,262,204	0	31,953,133	4,271,188	0	32,962,117
Quality Educator	37,836,280	-790,387	0	37,045,893	-790,387	0	37,045,893
Indian Ed for All	3,009,641	-8,487	0	3,001,154	-10,904	0	2,998,737
Close Achievement Gap	3,226,800	542,600	0	3,769,400	527,800	0	3,754,600
School District Audits	189,755	11,556	0	201,311	17,595	0	207,350
At Risk Payment	5,000,000	0	0	5,000,000	0	0	5,000,000
Special Education	41,596,065	51,266	0	41,647,331	51,266	0	41,647,331
Transportation	12,216,253	100,000	0	12,316,253	200,000	0	12,416,253
Instate Treatment	775,372	12,428	0	787,800	12,428	0	787,800
Secondary Vo Ed	1,000,000	0	0	1,000,000	0	0	1,000,000
Adult Basic Ed	524,998	2	0	525,000	2	0	525,000
Gifted & Talented	250,000	0	0	250,000	0	0	250,000
School Food	663,861	0	0	663,861	0	0	663,861
HB 124 Block Grants	52,164,499	6,404,631	0	58,569,130	14,169,926	0	66,334,425
State Tuition Payments	712,614	73,044	0	785,658	112,327	0	824,941
HB 464 Advancing Agricultural Education in Montana	140,769	-11,738	0	129,031	-11,764	0	129,008
<b>Total General Fund</b>	<u>\$613,007,446</u>	<u>\$71,062,127</u>	<u>\$0</u>	<u>\$684,069,573</u>	<u>\$92,402,005</u>	<u>\$0</u>	<u>\$705,409,454</u>
<b>State Special Revenue</b>							
Traffic Safety Distribution	\$750,000	\$0	\$0	\$750,000	\$0	\$0	\$750,000
Sch Facility & Technology Account - Debt Service	\$8,586,000	\$0	\$0	\$8,586,000	\$0	\$0	\$8,586,000
<b>Total State Special</b>	<u>\$9,336,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,336,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,336,000</u>
<b>Federal Special Revenue</b>							
Federal School Foods Programs	33,908,716	1,579,287	-	35,488,003	3,089,287	-	36,998,003
ESEA - Title I - Improving Basic Program - Disadvantaged	42,895,975	3,136,584	-	46,032,559	3,136,584	-	46,032,559
ESEA - Title I - Achievement	1,754,518	-	-	1,754,518	-	-	1,754,518
ESEA - Title I - School Improvement	213,000	-	-	213,000	-	-	213,000
ESEA - Title I - Migrant Education	913,664	1,348	-	915,012	1,348	-	915,012
ESEA - Title I - Neglected & Delinquent	124,923	-	-	124,923	-	-	124,923
ESEA - Title I - Part B - Even Start	74,348	(74,348)	-	-	(74,348)	-	-
ESEA - Title I - SIG 1003G	924,439	2,075,561	-	3,000,000	2,075,561	-	3,000,000
ESEA Title II - Teacher & Principal Training	12,912,385	-	-	12,912,385	-	-	12,912,385
ESEA Title II - Math & Science	768,678	1,322	-	770,000	1,322	-	770,000
ESEA Title II - Part D - Ed Technology	395,779	(395,779)	-	-	(395,779)	-	-
ESEA Title III-Language Acquisition	657,833	-	-	657,833	-	-	657,833
ESEA Title IV - Part B - 21st Cent Schools	5,520,646	79,354	-	5,600,000	129,354	-	5,650,000
ESEA Title IV - Drug Free Schools	69,220	(69,220)	-	-	(69,220)	-	-
Title VI - Rural Low Income	224,356	644	-	225,000	644	-	225,000
IDEA - Children w/ Disabilities Part B	35,825,753	1,174,247	-	37,000,000	1,174,247	-	37,000,000
IDEA - Preschool	1,195,409	4,591	-	1,200,000	4,591	-	1,200,000
IDEA - Part D	134,641	359	-	135,000	359	-	135,000
Adult Basic Education	1,004,183	5,817	-	1,010,000	5,817	-	1,010,000
Carl Perkins	2,831,914	29,860	-	2,861,774	29,860	-	2,861,774
Carl Perkins State Leadership	38,226	-	-	38,226	-	-	38,226
Learn and Serve Montana	10,098	(10,098)	-	-	(10,098)	-	-
Education of Homeless Children	147,819	2,181	-	150,000	2,181	-	150,000
Migrant Incentive	75,987	-	-	75,987	-	-	75,987
Striving Readers Comp Literacy (RST\Bien\OTO)			7,475,743	7,475,743		7,475,743	7,475,743
<b>Total Federal Special</b>	<u>\$142,622,510</u>	<u>\$7,541,710</u>	<u>\$7,475,743</u>	<u>157,639,963</u>	<u>\$9,101,710</u>	<u>\$7,475,743</u>	<u>159,199,963</u>
<b>Funding</b>							
Total General Fund	\$613,007,446	\$71,062,127	\$0	\$684,069,573	\$92,402,005	\$0	\$705,409,454
Total State Special	9,336,000	0	0	9,336,000	0	0	9,336,000
Total Federal	142,622,510	7,541,710	7,475,743	157,639,963	9,101,710	7,475,743	159,199,963
<b>Total Distribution to Public Schools</b>	<u>\$764,965,956</u>	<u>\$78,603,837</u>	<u>\$7,475,743</u>	<u>\$851,045,536</u>	<u>\$101,503,715</u>	<u>\$7,475,743</u>	<u>\$873,945,417</u>
<b>Statutory Appropriations</b>							
Guarantee Account - Direct State Aid	\$103,324,841	-\$45,659,523	\$0	\$57,665,318	-\$49,812,632	\$0	\$53,512,209
School Facility and Technology Account	1,000,000	0	0	1,000,000	0	0	1,000,000
<b>Total Statutory</b>	<u>\$104,324,841</u>	<u>-\$45,659,523</u>	<u>\$0</u>	<u>\$58,665,318</u>	<u>-\$49,812,632</u>	<u>\$0</u>	<u>\$54,512,209</u>

*Federal Deficit Reduction*

As discussed in the summary section of this narrative, the major federal funding sources of this agency are subject to sequester in the federal Budget Control Act’s current form. The legislature may wish to discuss the potential impact on federal funds in this program, including DP 932 and DP 928.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	613,007,446	613,007,446	1,226,014,892	88.24%	764,965,956	764,965,956	1,529,931,912	88.69%
Statewide PL Adjustments	(71)	(45)	(116)	0.00%	(71)	(45)	(116)	0.00%
Other PL Adjustments	71,062,127	92,402,005	163,464,132	11.76%	78,603,837	101,503,715	180,107,552	10.44%
New Proposals	0	0	0	0.00%	7,475,743	7,475,743	14,951,486	0.87%
<b>Total Budget</b>	<b>\$684,069,502</b>	<b>\$705,409,406</b>	<b>\$1,389,478,908</b>		<b>\$851,045,465</b>	<b>\$873,945,369</b>	<b>\$1,724,990,834</b>	

**Present Law Adjustments**

The “Present Law Adjustments” table shows the changes to the adjusted base budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments	-----Fiscal 2014-----				-----Fiscal 2015-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Inflation/Deflation					(71)					(45)
<b>Total Statewide Present Law Adjustments</b>		<b>(\$71)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$71)</b>		<b>(\$45)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$45)</b>
DP 901 - K-12 BASE Aid - Annualization	0.00	13,676,564	0	0	13,676,564	0.00	11,067,384	0	0	11,067,384
DP 902 - K-12 BASE Aid - Inflationary Increase	0.00	5,084,851	0	0	5,084,851	0.00	16,970,209	0	0	16,970,209
DP 912 - Special Education - MOE	0.00	51,266	0	0	51,266	0.00	51,266	0	0	51,266
DP 915 - SB 372 Block Grant Reimbursements	0.00	6,375,365	0	0	6,375,365	0.00	14,125,365	0	0	14,125,365
DP 917 - School District Audit Filing Fees	0.00	11,556	0	0	11,556	0.00	17,595	0	0	17,595
DP 918 - Pupil Transportation	0.00	100,000	0	0	100,000	0.00	200,000	0	0	200,000
DP 919 - State Tuition Payments	0.00	73,044	0	0	73,044	0.00	112,327	0	0	112,327
DP 920 - Countywide School Transportation Block Grants	0.00	29,266	0	0	29,266	0.00	44,561	0	0	44,561
DP 932 - Federal Grant Award Adjustment - Pgm 09 (Bien)	0.00	0	0	7,541,710	7,541,710	0.00	0	0	9,101,710	9,101,710
DP 933 - General Fund Appropriation Adjustments (Bien)	0.00	692	0	0	692	0.00	666	0	0	666
DP 950 - Guarantee Account	0.00	45,659,523	0	0	45,659,523	0.00	49,812,632	0	0	49,812,632
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$71,062,127</b>	<b>\$0</b>	<b>\$7,541,710</b>	<b>\$78,603,837</b>	<b>0.00</b>	<b>\$92,402,005</b>	<b>\$0</b>	<b>\$9,101,710</b>	<b>\$101,503,715</b>
<b>Grand Total All Present Law Adjustments</b>	<b>0.00</b>	<b>\$71,062,056</b>	<b>\$0</b>	<b>\$7,541,710</b>	<b>\$78,603,766</b>	<b>0.00</b>	<b>\$92,401,960</b>	<b>\$0</b>	<b>\$9,101,710</b>	<b>\$101,503,670</b>

The following table shows the decision packages in the distribution to school programs.

Appropriations for Distribution to Schools - HB 2 - 2013 Session				
Legislative Action for K-12 Distribution to Schools - 2015 Biennium				
By Fund and Decision Package Number				
Program 09				
December 14, 2012				
<b>Present Law Adjustments</b>		Fiscal 2014	Fiscal 2015	Biennium
Decision Package	General Fund			
	Base Aid Changes			
PL950	Guarantee Account	45,659,523	49,812,632	95,472,155
PL901	K-12 Base Aid - Annualization	13,676,564	11,067,384	24,743,948
	Direct State Aid	7,900,694	7,362,665	15,263,359
	General Fund GTB	2,769,940	(292,978)	2,476,962
	Retirement GTB	3,262,204	4,271,188	7,533,392
	Quality Educator	(790,387)	(790,387)	(1,580,774)
	Indian Ed for All	(8,487)	(10,904)	(19,391)
	Close Achievement Gap	542,600	527,800	1,070,400
PL902	K-12 Base Aid - Inflationary Increase	5,084,851	16,970,209	22,055,060
	Direct State Aid	3,596,195	12,033,219	15,629,414
	General Fund GTB	1,488,656	4,936,990	6,425,646
PL 917	School District Audits	11,556	17,595	29,151
PL904	Special Education Maintenance of Effort GTB Impact	0	0	0
	Total Base Aid Changes	\$64,432,494	\$77,867,820	\$142,300,314
PL912	Special Education Maintenance of Effort	51,266	51,266	102,532
PL915	School Block Grants - SB 372	6,375,365	14,125,365	20,500,730
PL920	Countywide School Transportation Block Grants	29,266	44,561	73,827
PL918	Pupil Transportation	100,000	200,000	300,000
PL919	State Tuition	73,044	112,327	185,371
PL933	Advancing Agricultural Education	(11,738)	(11,764)	(23,502)
PL933	Adult Basic Education	2	2	4
PL933	Instate Treatment	12,428	12,428	24,856
	Statewide Present Law Adjustments	(71)	(45)	(116)
	<b>Total General Fund</b>	<b>\$71,062,056</b>	<b>\$92,401,960</b>	<b>\$163,464,016</b>
PL912	Federal Increases	\$7,541,710	\$9,101,710	\$16,643,420
	<b>Total Federal</b>	<b>\$7,541,710</b>	<b>\$9,101,710</b>	<b>\$16,643,420</b>
	<b>Total Present Law Adjustments</b>	<b>78,603,766</b>	<b>101,503,670</b>	<b>180,107,436</b>

DP 901 - K-12 BASE Aid - Annualization - The executive requests \$24.7 million general fund to annualize K-12 BASE Aid to the FY 2013 level of funding in the 2015 biennium.

<b>LFD COMMENT</b>	<p>K-12 Base aid includes direct state aid, guaranteed tax base aid for both the district general fund and the county retirement fund, the quality educator payment, Indian Education for All, and the achievement gap payment. Annualization of these payments adjusts the appropriations for FY 2014 and FY 2015 by: 1) changes in ANB; 2) changes in Indian enrollments; 3) increases in direct state and GTB to account for the 2.43% increase in the basic and per-ANB entitlements between the base year of FY 2012 and FY2013; 4) increases in expected costs associated with retirement; and 5) changes in GTB due to the impact of SB 372. SB 372 will reduce tax rates on class 8 property, which will be reimbursed. The reimbursements will be used by school districts as nonlevy revenue. which will reduce GTB below what it would have been had no reimbursements been made.</p> <p>If this decision package fails, the law (20-9-306) would need to be changed so that the basic and per-ANB entitlements are reduced to FY 2012 levels, or there will be a supplemental request for additional K-12 funding in FY 2015. If this decision package is approved no change in law is required.</p>
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The following table shows actual and projected ANB through the 2015 biennium.

Average Number Belonging (ANB) And Certified FTE in Montana Schools									
Fiscal Year	K-6	Percent Change	7-8	Percent Change	9-12	Percent Change	Total	Percent Change	Certified FTE
<b>Current Year ANB</b>									
A	1998		27,068		51,432		163,874		
A	1999	-2.7%	26,822	-0.9%	51,885	0.9%	161,737	-1.3%	
A	2000	-2.2%	26,556	-1.0%	52,025	0.3%	159,756	-1.2%	
A	2001	-1.6%	26,114	-1.7%	51,507	-1.0%	157,475	-1.4%	
A	2002	-2.2%	25,537	-2.2%	50,794	-1.4%	154,421	-1.9%	
A	2003	-2.6%	25,080	-1.8%	50,357	-0.9%	151,497	-1.9%	
A	2004	-2.3%	25,150	0.3%	50,003	-0.7%	149,468	-1.3%	
A	2005	-1.5%	24,956	-0.8%	49,466	-1.1%	147,651	-1.2%	
A	2006	-1.7%	24,540	-1.7%	49,302	-0.3%	145,827	-1.2%	
A	2007	-0.5%	23,805	-3.0%	48,809	-1.0%	144,253	-1.1%	
A	2008	6.3%	23,041	-3.2%	48,440	-0.8%	147,599	2.3%	
A	2009	1.2%	22,618	-1.8%	47,502	-1.9%	147,167	-0.3%	
A	2010	0.7%	22,241	-1.7%	46,152	-2.8%	145,968	-0.8%	
A	2011	0.9%	22,053	-0.8%	44,984	-2.5%	145,329	-0.4%	
A	2012	1.1%	21,947	-0.5%	44,247	-1.6%	145,322	0.0%	
A	2013	1.2%	22,146	0.9%	43,626	-1.4%	145,818	0.3%	
F	2014	0.9%	22,228	0.4%	43,683	0.1%	146,693	0.6%	
F	2015	0.6%	22,593	1.6%	43,323	-0.8%	147,173	0.3%	
<b>Budgeted ANB</b>									
A	2006		25,242		50,082		148,897		
A	2007	-1.1%	24,643	-2.4%	49,612	-0.9%	147,018	-1.3%	
A	2008	5.6%	24,076	-2.3%	49,246	-0.7%	150,148	2.1%	
A	2009	1.2%	23,353	-3.0%	48,642	-1.2%	149,748	-0.3%	
A	2010	0.7%	22,874	-2.1%	47,660	-2.0%	148,859	-0.6%	
A	2011	0.8%	22,510	-1.6%	46,482	-2.5%	147,965	-0.6%	
A	2012	1.0%	22,290	-1.0%	45,466	-2.2%	147,525	-0.3%	
A	2013	1.1%	22,457	0.7%	44,598	-1.9%	147,709	0.1%	
F	2014	0.4%	22,383	-0.3%	44,047	-1.2%	147,383	-0.2%	
F	2015	0.4%	22,593	0.9%	43,586	-1.0%	147,436	0.0%	
Beginning in FY 2006, budgeted ANB for each district is the larger of current year ANB and three-year averaged ANB.									
Full-time kindergarten began in FY 2008									

The following shows statutory entitlement payments.

School District Entitlements										
Component	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget
<b>Bill Authorizing Entitlement Change</b>	HB63	HB63	SB1 (SS)	SB1 (SS)	HB676	HB676	SB 329	SB329	NA	NA
<b>Basic (Per District) Entitlements</b>										
Elementary	\$20,275	\$20,718	\$21,290	\$21,922	\$22,141	\$22,805	\$23,033	\$23,593	\$23,803	\$24,298
Percent Change	2.1%	2.2%	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
High School	\$225,273	\$230,199	\$236,552	\$243,649	\$246,085	\$253,468	\$256,003	\$262,224	\$264,558	\$270,061
Percent Change	2.1%	2.2%	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
Middle School			60,275	62,083	62,704	64,585	65,231	66,816	67,411	68,813
Percent Change			NA	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
<b>Per ANB Entitlements</b>										
Elementary	\$4,366	\$4,456	\$4,579	\$4,716	\$4,763	\$4,906	\$4,955	\$5,075	\$5,120	\$5,226
Percent Change	8.3%	2.1%	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
High School	\$5,584	\$5,704	\$5,861	\$6,037	\$6,097	\$6,280	\$6,343	\$6,497	\$6,555	\$6,691
Percent Change	4.0%	2.1%	2.8%	3.0%	1.0%	3.0%	1.0%	2.4%	0.9%	2.1%
<b>Per ANB Decrements</b>										
Elementary	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20	\$0.20
High School	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
<b>Per ANB Decrement Stop Loss</b>										
Elementary	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000
High School	800	800	800	800	800	800	800	800	800	800
<b>Quality Educator Payment</b>		\$2,000	\$3,036	\$3,042	\$3,042	\$3,042	\$3,042	\$3,042	\$3,042	\$3,042
<b>At Risk Payment</b>		\$5,000,000	\$5,000,000	\$5,000,000	\$1	\$1	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
<b>Indian Ed For All Payment</b>		\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40	\$20.40
<b>Indian Achievement Gap Payment</b>		\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200
<b>GTB Guarantee Ratio</b>	175%	175%	193%	193%	193%	193%	193%	193%	193%	193%
<b>Base Budget Components</b>										
Direct State Aid	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%	44.7%
Guaranteed tax base aid	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%	35.3%
<b>Special Ed (Millions)</b>	\$38.5	\$39.3	\$40.4	\$41.6	\$41.6	\$41.6	\$41.6	\$41.6	\$41.6	\$41.6
Bill and session year: SB424, 2003. HB 63, 2005; HB1, 2005 SS; SB1 2007SS; 2009 HB 676, 2011 SB 329										
In FY 2010 and FY 2011, the basic and per-ANB entitlements were raised by 3% and 3%, but 2% in the first year was OTO.										

**LFD ISSUE** The LFD, OBPP, and OPI maintain a school funding model that estimates the components of Base Aid. The assumptions have been agreed to by the respective offices at this time. However, new data on ANB in February will change these estimates as the 2013 session progresses.

**DP 902 - K-12 BASE Aid - Inflationary Increase** - The executive requests \$22.0 million general fund for the present law inflationary adjustment for K-12 BASE Aid for the 2015 biennium. The present law adjustment increases the basic and per-ANB entitlements by 0.89% in FY 2014 and by 2.03% in FY 2015 in accordance with 20-9-326, MCA, which requires annual inflation-related adjustments to the basic and per-ANB entitlements.

**LFD  
COMMENT**

The 2011 legislature passed a school funding bill, SB 329, that increased the basic and per-ANB entitlements in FY 2013 by 2.43% unless HB 316 was vetoed. HB 316 was vetoed and the FY 2013 increase in entitlements was reduced to 1.6%. A group representing school districts sued the state and requested an increase in entitlements in FY 2013 of 2.43%. A consent decree was signed by the executive and the suing parties that agreed the correct percentage increase should be 2.43%. The consent decree said: The parties recognize and agree, and the Court by entering this Consent Decree finds, that implementation of this Consent Decree will execute the legislature's school funding formula, which is intended to be "self executing" and "include a mechanism for annual inflationary adjustments" and will avoid litigation between the parties, provide the necessary and required annual inflationary adjustments for public elementary and secondary schools and is in the public interest.

DP 912 - Special Education - MOE - Federal law requires the state to maintain fiscal effort (MOE) from year to year in order to receive funds under the Individuals with Disabilities Education Act (IDEA) Part B. This request is for \$102,532 for the 2015 biennium to meet the MOE requirements of the IDEA. Loss of this maintenance funding would result in an equal loss of federal special education funding for the state under the IDEA program. Total general fund cost for special education is \$41.6 million per year.

**LFD  
COMMENT**

The appropriation for special education in the 2013 biennium was \$41.647 million in each year. Actual spending in the base year was \$51,266 less than appropriated. The executive is requesting that the amounts appropriated in the 2013 biennium be restored in the 2015 biennium. No new amount is being requested.

DP 915 - SB 372 Block Grant Reimbursements - A general fund cost of \$20.5 million for the 2015 biennium is requested to provide reimbursement to school districts through the block grant program established under 15-1-123(3), MCA, and reimbursement to county school retirement and county transportation for the reduction of class eight property tax revenue due to a rate reduction of class eight properties as per SB 372 of the 2011 session. The first distributions were made in FY 2013 and were not in base expenditures. It is anticipated that SB 372 will trigger again in FY 2014 and there will be an additional \$7.75 million block grant reimbursements of \$3.0 million one-time-only and \$4.75 million ongoing to be paid in FY 2015. The ongoing reimbursements will need to be a present law decision package in the 2017 biennium. The appropriation for SB 372 reimbursements in FY 2013 was not adequate and a supplemental is being requested in the amount of \$3.1 million.

**LFD  
COMMENT**

SB 372 in the 2011 session reduced tax rates from 3% on all business equipment to 2% on the first \$2 million in market value of business equipment owned by one owner, and retained the 3% tax rate on the market value of business equipment above that threshold. This tax cut took place starting January 1, 2012. SB 372 also created reimbursements to school districts and each school district fund that experienced losses in tax revenue due to the tax cut. These reimbursements began in FY 2013 and were not in the base year of FY 2012. SB 372 reimbursements will be added to existing HB 124 block grants and will be used by districts in each fund in the same way HB 124 block grants are used.

The ongoing SB 372 reimbursements will be \$6.3 million in FY 2014, and will be held constant in FY 2015 and beyond. SB 329 in the 2011 session eliminated growth of 0.76% in all reimbursements to school districts.

SB 372 created a second tax cut in business equipment starting in the tax year following the fiscal year in which combined income tax and corporate tax receipts exceeds 4% in growth compared to the prior year. The executive expects this to happen in FY 2013, and thus expects tax rates on business equipment will be reduced to 1.5% on the first \$3 million in market value starting January 1, 2014 and that additional SB 372 reimbursements will begin flowing to school districts in FY 2015. FY 2015 SB 372 reimbursements are expected to be \$14.3 million.

DP 917 - School District Audit Filing Fees - This request is for \$29,151 of general fund for the 2015 biennium to fund school district audit filing fees. This increase would allow OPI to pay fees to the Department of Administration as required by 2-7-514(2), MCA. The projection assumes school district revenues, which are the basis for the fees, will increase 3% each year. This brings the biennial general fund cost to \$408,661.

DP 918 - Pupil Transportation - An additional \$300,000 of general fund for the 2015 biennium is requested to fund the state obligation for pupil transportation required under 20-10-145, MCA. This amount is matched by county property taxes.

DP 919 - State Tuition Payments - OPI requests \$185,371 of general fund for the 2015 biennium to fund the increased costs of state tuition payments to K-12 school districts. This request funds OPI's statutory obligation for tuition payments under 20-5-324, MCA, for students placed in a school district outside their district of residence by a state agency or court at \$712,614 in FY 2014 and \$824,941 in FY 2015. Tuition obligations are projected to increase an average of 5% each year.

DP 920 - Countywide School Transportation Block Grants - This is a general fund request for \$73,827 for the 2015 biennium to cover the 0.76% increase in countywide school transportation block grants as described in 20-9-632, MCA. During the FY 2011 legislative session, the annual 0.76% increase was eliminated for school district block grants in 20-9-630, MCA. However, the annual increase still applies to the countywide school transportation block grants but was not appropriated for in FY 2012 and FY 2013. Funding for this increase is included in the supplemental bill requested by the Governor for the 2013 biennium.

DP 932 - Federal Grant Award Adjustment - Pgm 09 (Bien) - OPI requests a federal funding increase of \$7.54 million in FY 2014 and \$9.1 million in FY 2015 for a total biennial increase of \$16,643,420. The following federal grant awards are adjusted: 1) School Foods - \$1.6 million in FY 2014 and \$3.1 million in FY 2015; 2) Title programs - \$2.7 million in FY 2014 and FY 2015; 3) School Improvement grants - \$2.1 million in each year; 4) IDEA B - \$1.2 million each year; and 5) miscellaneous grants - \$34,689 each year .

Federal Grant Awards			
Programs	Base 2012	Increase / Decrease	
		FY 2014	FY 2015
Present Law Adjustments			
Federal School Foods Programs	\$33,908,716	\$1,579,287	\$3,089,287
Title 1 - Improving Ed - Disadvantaged	42,895,975	3,136,584	3,136,584
Title 1 - School Improvement Grants	924,439	2,075,561	2,075,561
IDEA - Children w/ Disabilities	35,825,753	1,174,247	1,174,247
Other Federal Increases	28,518,182	125,476	175,476
Federal Decreases	549,445	(549,445)	(549,445)
<b>Total</b>	<b>\$142,622,510</b>	<b>\$7,541,710</b>	<b>\$9,101,710</b>

<b>LFD COMMENT</b>	These funds are subject to sequester under the current federal Budget Control Act. For a further discussion see the Summary section of this agency's narrative.
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DP 933 - General Fund Appropriation Adjustments (Bien) - This decision package increases general fund costs by \$692 in FY 2014 and \$666 in FY 2015 to establish biennial appropriations in each year at half the amount appropriated for the 2013 biennium. The adjustments are for: 1) instate treatment \$12,428 each year - total appropriation \$775,372 per year; 2) adult basic education \$2 per year - total appropriation \$525,000 per year; and 3) a reduction to the advancing agriculture education base by \$11,738 in FY 2014 and \$11,764 in FY 2015 - total appropriation \$118,488 per year.

**DP 950 - Guarantee Account** - This decision package aligns estimated revenues with proposed expenses for the special revenue guarantee account (20-9-622, MCA). A biennial increase of \$95.5 million general fund expenditures and a decrease of a like amount of guarantee account expenditures create no new funding for K-12 BASE aid in this decision package. The 2012 base included \$27.4 million in transfers from other funds and other one-time revenues that are not ongoing sources for this fund. The guarantee account is statutorily appropriated for distribution to school districts through school equalization aid and is the first source of funding for K-12 BASE Aid.

**LFD ISSUE** The guarantee account is statutorily appropriated. This means spending from the account is equal to revenue flowing into the account. Spending from the guarantee account is for Base Aid and offsets state general fund spending for Base Aid dollar for dollar. The executive estimates that revenues into (and therefore spending out of) the guarantee account will be \$57.7 million in FY 2013 and \$53.5 million in FY 2015, compared with actual spending from the guarantee account in FY 2012 of \$103.3 million.

The Revenue and Transportation committee usually adopts revenue estimates in advance of the session but did not do so at its November meeting. The LFD estimates that guarantee account revenue will be higher than the executive at \$65.3 million in FY 2014 and \$61.7 million in FY 2015, a biennial difference with the executive of \$15.8 million. The executive underestimates the amount of revenue deposited in the guarantee account in the 2015 biennium, by approximately \$15.8 million compared with the LFD estimate. The executive forecasts zero bonus payments for options to explore for minerals on state lands, whereas the LFD estimates include approximately \$15.3 million in bonus payments.

Both offices recognize that around \$4.5 million in power company rents will be deposited in the guarantee account through FY 2014 but then will be deposited in the school facility and technology account starting in FY 2015.

If this decision package is not approved, a supplemental request to pay for FY 2015 Base Aid costs will need to be put before the 2015 Legislature.

**New Proposals**

Program	FTE	Fiscal 2014				Fiscal 2015					
		General Fund	State Special	Federal Special	Total Funds	General Fund	State Special	Federal Special	Total Funds		
DP 928 - Striving Readers Comp Literacy (Rst/Bien/OTO)	09	0.00	0	0	7,475,743	7,475,743	0.00	0	0	7,475,743	7,475,743
<b>Total</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,475,743</b>	<b>\$7,475,743</b>	<b>0.00</b>	<b>\$0</b>	<b>\$0</b>	<b>\$7,475,743</b>	<b>\$7,475,743</b>

**DP 928 - Striving Readers Comp Literacy (Rst/Bien/OTO)** - The OPI requests almost \$15.0 million of federal funding for the 2015 biennium to implement of the Montana Striving Readers Project (MSRP). The purpose of the MSRP is to further develop and implement a Montana Literacy Plan that makes provisions for literacy at all age/grade levels, including challenging transitions from preschool to elementary, elementary to middle school, and middle school to high school that are aligned to Montana Standards for English Language Arts and Montana Early Learning Guidelines, involves collaborating with other agencies, and addresses literacy across the content areas. A rigorous, competitive sub grant application process is used to select district operated K-12 schools and special education preschools and Head Start programs that have a high capacity to implement comprehensive, effective literacy instruction that meets the needs of disadvantaged children and students.

**LFD COMMENT** A request for administration funds, including 2.00 FTE, is included in the State Level Activities Program.

**Language and Statutory Authority**

The executive recommends the following language be included in HB 2:

“The office of public instruction may distribute funds from the appropriation for in-state treatment to public school districts for the purpose of providing educational costs of children with significant behavioral or physical needs.”

“All revenue up to \$1.1 million in the 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 programs in state level activities and in local education activities and all general fund appropriations in local education activities are biennial.”