

Agency Budget Comparison

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

Agency 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
FTE	163.50	163.50	165.50	165.50	163.50	165.50	2.00	1.22%
Personal Services	10,247,829	11,562,314	10,637,504	10,656,589	21,810,143	21,294,093	(516,050)	(2.37%)
Operating Expenses	15,220,553	16,856,170	15,655,590	15,657,077	32,076,723	31,312,667	(764,056)	(2.38%)
Equipment & Intangible Assets	921,444	12,556	921,444	921,444	934,000	1,842,888	908,888	97.31%
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	1,675,840	1,479,139	1,975,840	1,975,840	3,154,979	3,951,680	796,701	25.25%
Total Costs	\$791,215,573	\$813,179,041	\$878,419,865	\$901,340,315	\$1,604,394,614	\$1,779,760,180	\$175,365,566	10.93%
General Fund	622,881,959	645,440,345	694,518,920	715,874,289	1,268,322,304	1,410,393,209	142,070,905	11.20%
State Special	9,571,786	9,572,692	9,597,379	9,597,446	19,144,478	19,194,825	50,347	0.26%
Federal Special	158,761,828	158,166,004	174,303,566	175,868,580	316,927,832	350,172,146	33,244,314	10.49%
Total Funds	\$791,215,573	\$813,179,041	\$878,419,865	\$901,340,315	\$1,604,394,614	\$1,779,760,180	\$175,365,566	10.93%

Mission Statement

The Montana Office of Public Instruction provides vision, advocacy, support, and leadership for schools and communities to ensure that all students meet today's challenges and tomorrow's opportunities.

For additional information please refer to the agency profile.

Agency Highlights

Office of Public Instruction Major Budget Highlights
<ul style="list-style-type: none"> ◆ The executive proposes to increase base funding for the Montana Digital Academy for anticipated enrollment increases. ◆ The executive proposes to 2.00 FTE (OTO) for Striving Readers program ◆ 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 ◆ Of the increase, present law is \$163.5 million general fund and \$31.6 million in federal funds <ul style="list-style-type: none"> ● \$24.7 million to bring Base Aid to FY 2013 levels adjusted for changes in ANB and the 2.43% increase in entitlements mandated in SB 329 ● \$95.5 million to replace one-time-only spending on Base Aid from the guarantee account in FY 2012 and reflecting lower anticipated revenues ● \$22.1 million for inflation applied to the basic and per-ANB entitlements of 0.89% in FY 2014 and 2.08% in FY 2015 ● \$20.5 million in SB 372 reimbursements to school districts ● \$0.7 million in other categorical payments to bring them to traditionally appropriated levels

Legislative Action Issues
<ul style="list-style-type: none"> ◆ The executive underestimates the amount of revenue deposited in the guarantee account ◆ The executive continues paying for school facilities GTB subsidies out of the school facility and technology account at the FY 2012 levels, which could result in a negative fund balance

Agency Discussion

Personal Services

All personal services expense is contained in the State Level Activities Program. Funding sources for personal expenses are shown in the tables below.

- The agency utilized 93% of the budgeted FTE hours in FY 2012, compared to a legislatively imposed 4%
- 24 FTE positions are currently vacant; on average vacant positions have been open for 1.3 years
- 46 positions received targeted pay increases in FY 2012, annualized cost for these increases is \$50,000
- OPI generally advertises positions at 93% of the 2006 or 80% of the 2010 market whichever is higher
- The agency reports that it has generally been successful in recruitment efforts, with the exception of instructional coordinators where they compete for personnel with the school districts
- No retirements that would significantly impact operations are projected at this time

5% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. A summary of the entire 2015 biennium 5% plan submitted for this agency is in the appendix.

IT Systems

State agencies have identified information technology (IT) systems that are critical to the state as a whole or to the agency. Further, state agencies have assessed the age of the systems to establish whether the system is:

- New
- Emerging
- Mature
- Declining
- Obsolete

The Legislative Finance Committee recommended that House Appropriations and Senate Finance and Claims Committee leadership direct the Long Range Planning Subcommittee to meet jointly with each of the appropriate joint appropriations subcommittees to discuss priorities related to critical IT systems, and that state agencies be prepared to discuss:

- Current plans to address obsolescence
- Costs to replace the system
- Costs of maintaining the current system
- Risks associated with both retaining the current system and replacing the system

LFD staff will be prepared to discuss issues related to those systems that have been determined to be either critical to the state as a whole or to the agency and either declining or obsolete. Issues include security, continuity of operations, and funding.

Agency Goals and Objectives

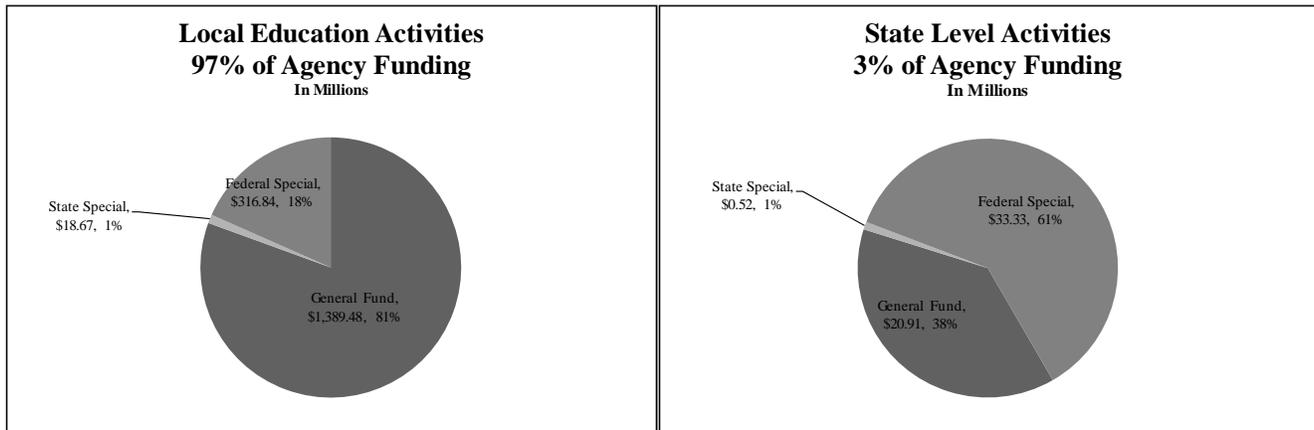
Goals and objectives for the agency can be found in the appendix.

Funding

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

Total Office Of Public Instruction Funding by Source of Authority 2015 Biennium Budget							
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	MCA Reference	Statutory Category
General Fund	\$1,410,393,209	\$0	\$0	\$1,410,393,209	74.3%		
State Special Total	\$19,194,825	\$0	\$113,177,527	\$132,372,352	7.0%		
02001 School Lunch Program	\$200,990	\$0	\$0	\$200,990	0.0%		
02018 Guarantee Fund	\$0	\$0	\$111,177,527	\$111,177,527	5.9%	20-9-622	Direct
02218 School Facility Imprvmnt Acct	\$17,172,000	\$0	\$2,000,000	\$19,172,000	1.0%	20-9-534	Direct
02402 Traffic & Safety Education	\$1,821,835	\$0	\$0	\$1,821,835	0.1%		
Federal Special Total	\$350,172,146	\$0	\$0	\$350,172,146	18.5%		
03002 Public Instruction	\$33,332,220	\$0	\$0	\$33,332,220	1.8%		
03170 Grant Clearance Discretionary	\$316,839,926	\$0	\$0	\$316,839,926	16.7%		
Proprietary Total	\$0	\$4,420,978	\$0	\$4,420,978	0.2%		
06067 Advanced Drivers Education	\$0	\$275,634	\$0	\$275,634	0.0%		
Total All Funds	\$1,779,760,180	\$4,420,978	\$113,177,527	\$1,897,358,685	100.0%		
Percent - Total All Sources	93.8%	0.2%	6.0%				

Total funding is split between two programs as shown below. Total funding for both programs is 79% general fund, 20% federal, and 1% state special.



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	622,881,959	622,881,959	1,245,763,918	88.33%	791,215,573	791,215,573	1,582,431,146	88.91%
Statewide PL Adjustments	179,648	195,139	374,787	0.03%	336,068	356,640	692,708	0.04%
Other PL Adjustments	71,457,313	92,797,191	164,254,504	11.65%	78,999,023	101,898,901	180,897,924	10.16%
New Proposals	0	0	0	0.00%	7,869,201	7,869,201	15,738,402	0.88%
Total Budget	\$694,518,920	\$715,874,289	\$1,410,393,209		\$878,419,865	\$901,340,315	\$1,779,760,180	

Supplemental Appropriations

The table below summarizes those areas that the agency anticipates expenses for the FY 2013 will exceed the appropriation authorized by the 2011 legislature. Detail is provided below.

Supplemental Appropriation Request for the 2013 Legislature	
Subject	Request in Millions
Restore Direct State Aid to General Fund	\$34.70
SB 372 Shortfall	3.70
State Tuition Payments	0.17
Montana Digital Academy *	<u>0.30</u>
Total Supplemental Request	<u>\$38.87</u>

* Executive indicates will be part of the school funding bill

- Restore Direct State Aid to General Fund - A direct state aid supplemental for the local education activities program will be required for the 2013 biennium. At the end of the 2011 session, the school funding bill, SB 329, set the appropriation for direct state aid at a level that was consistent with HB 316 passing. HB 316 moved approximately \$57 million in mineral royalties from the general fund to the guarantee account, thus relieving the general fund of this much in direct state aid spending authority required. However, HB 316 was vetoed by the executive after the legislative session was over. This meant that mineral royalty would not be deposited in the guarantee account and would not be available to pay for \$57 million in direct state aid. However, the general fund appropriation for direct state aid was also short by this amount and thus it was expected that a general fund supplemental of approximately \$57 million would be required. Since the 2011 session, the guarantee account has received unanticipated oil and gas bonus payments that has reduced the amount of the expected supplemental to approximately \$34.7 million.
- SB 372 Shortfall - SB 372 cut tax rates on class 8 business equipment starting tax year 2012. The revenue loss associated with these tax cuts was reimbursed to school districts. However, the amount appropriated for SB 372 reimbursements was short by \$3.7 million.
- State Tuition Payments - This supplemental is \$172,698 for state tuition payments. State tuition payments are payments to school districts for students placed in a school district outside their district of residence by a state agency or court.
- Montana Digital Academy - In the first year of full operation, student enrollments have exceeded the original forecast by 60%. This supplemental funding is requested as one-time-only to meet expenses related to enrollment forecast for FY 2013.

Elected Official Requests

As an elected official, the Superintendent of Public Instruction has the opportunity to request additional budget items. As of this writing, the LFD has been notified of several requests by the Superintendent that are in addition to the requests by the executive. These are summarized in the table below, and detail is provided below the table.

2015 Biennium Appropriation Request of the Superintendent of Public Instruction		
Subject	FTE	Request in Millions
State Level Activities (program 06)		
NP606 Chapter 55 Amendments to School Accreditations	2.00	\$0.33
NP610 School-Based Mental Health Program Coordinator	1.00	0.21
NP621 Disaster Recovery and Data System Maintenance		0.18
NP622 Staffing for OPI Information Systems	<u>2.50</u>	<u>0.48</u>
Total State Level Activities	5.50	\$1.20
Local Education Activities (program 09)		
PL913 Pupil Transportation – High Fuel Costs		\$18.00
NP2 K-12 BASE Aid for special Education		11.30
NP904 Implementing MT Common Core Standards Technology - OTO		34.00
NP905 Chapter 55 Amendments to School Accreditations Professional Development and Stipends		2.00
NP 914 Secondary Vocational Education CTSO		1.00
NP924 Novice Traffic Education School Reimbursement		<u>0.20</u>
Total Local Education Activities	0.00	\$66.50
Grand Total	<u>5.50</u>	<u>\$67.70</u>

State level Activities

- NP606 Chapter 55 - The Superintendent requests \$328,835 of general fund for the 2015 biennium to provide assistance to Montana school district personnel regarding the implementation of new rule of Chapter 55 Standards of Accreditation. The request includes personal services and operating budgets for 2.00 FTE Accreditation specialists.
- NP610 School-Based Mental Health Program Coordinator - The Superintendent requests \$215,684 of general fund for the 2015 biennium to provide coordinating functions for school-based mental health care. The request includes 1.00 FTE School-Based Mental Health Program Coordinator
- NP621 Disaster Recovery and Data System Maintenance - The Superintendent requests \$175,800 in general fund for the 2015 biennium to build disaster recovery capabilities and pay for ongoing maintenance of existing systems for the Office of Public Instruction (OPI).
- NP622 Staffing for OPI Information Systems - The Superintendent requests \$478,601 of general fund to fund 2.50 FTE positions at OPI. The positions include 1.00 FTE Security Officer to support the management of the 70 servers for GEMS; 0.50 FTE School Staffing position to support the collection and posting of data on approximately 20,000 school employees and work with school districts on the reporting of class rosters through the Terms of Employment, Accreditation, and Master Schedule (TEAMS) collection module; and 1.00 FTE Business Analyst for the Achievement in Montana (AIM) unit to work on systems and policy issues related to AIM.

Local Education Activities

- PL913 Pupil Transportation – High Fuel Costs - The Superintendent requests \$18 million of general fund for the 2015 biennium to fund one-third of the increases in pupil transportation costs that have occurred since FY 2004. The request is for \$9 million each year of the 2015 biennium. This funding request includes a 72% increase in the pupil transportation reimbursement rates in 20-10-141 and 20-10-142, MCA. Oil and natural gas production tax

revenues that were previously distributed to school districts are now being allocated to the state guarantee account, thus reducing state general fund support for schools. This proposal is to increase state transportation reimbursements using the general fund savings from the reallocation of oil and natural gas production taxes.

- NP2 K-12 BASE Aid – New Proposal - The Superintendent requests \$11.272 million of general fund for the 2015 biennium to increase K-12 BASE aid and special education payments above the present law adjustment. The proposal extends the inflationary adjustment of 0.89% in FY2014 and 2.14% in FY 2015 to the special education payment, the quality educator payment, the at-risk student payment, the Indian Education for All payment, and the American Indian Achievement Gap payment. The proposal also provides a basic entitlement for each school (elementary, middle, and high school) and includes students who are 19 years of age or older in the enrollment count for the purposes of calculating ANB funding.
- NP904 Implementing MT Common Core Standards (OTO) - The Superintendent requests \$34.095 million of one-time only general fund for the 2015 biennium to support the upfront costs associated with the implementation of the standards in English Language Arts (ELA); Literacy in History/Social Studies, Science, and Technical Subjects; and Mathematics and Mathematical Practice. The funding would be used to promote greater access to digital learning opportunities in Montana classrooms and to support the implementation of on-line assessments aligned to the Montana Common Core Standards.
- NP905 Chapter 55 – Program 09 - The Superintendent requests \$2 million of general fund for the 2015 biennium for the implementation of the revisions of Chapter 55 of the Montana Accreditation Standards. The funding would be used for stipends and professional development for mentors and mentees. OPI anticipates 1,000 new teachers annually and so 1,000 mentees. OPI estimates \$500 for each mentor and mentee. This amount is intended to be used for the extra time and professional development.
- NP 914 Secondary Vocational Education - The Superintendent requests \$1 million general fund for the 2015 biennium to support Career and Technical Student Organizations (CTSO), expand their mission to reach more students to increase graduation rates, develop employer demanded soft skills, and create a career and college ready workforce that meets the needs of today's technical economy. These monies would be distributed to Montana Career and Technical Student Organizations, which currently serve 6,287 students in 314 chapters.
- NP924 Novice Traffic Education School Reimbursement - The Superintendent requests an increase in the revenues and appropriation of \$200,000 in FY 2014 and \$400,000 in FY 2015 in the state traffic education special revenue fund. Per 61-5-121©, MCA, 20.7% of each driver's license fee collected by the Department of Justice is deposited into the state traffic education account and is used to offset costs associated with novice traffic education training. Since 1992, the average cost of per pupil for novice traffic education has seen a 140% increase from \$190 to \$457 per pupil with an annual cost of over \$3.8 million of which the department currently contributes \$750,000. Although program costs have increased, driver's license fee revenues have remained static resulting in a 42.6% decrease in state assistance. Data supports only 67% of eligible students participate in the program, which is directly related to increased participation costs.

Language and Statutory Authority

The agency requests 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 for educational costs of children with significant behavioral or physical needs"

"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, MCA, is appropriated as provided in Title 20, chapter 7, part 5, MCA."

"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."