

Agency Budget Comparison

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

Agency Budget Comparison								
Budget Item	Base Fiscal 2008	Approp. Fiscal 2009	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 08-09	Biennium Fiscal 10-11	Biennium Change	Biennium % Change
FTE	4.00	4.00	4.00	4.00	4.00	4.00	0.00	0.00%
Personal Services	266,842	282,621	295,006	295,057	549,463	590,063	40,600	7.39%
Operating Expenses	109,214	127,254	116,753	118,832	236,468	235,585	(883)	(0.37%)
Total Costs	\$376,056	\$409,875	\$411,759	\$413,889	\$785,931	\$825,648	\$39,717	5.05%
General Fund	209,990	224,324	225,710	228,257	434,314	453,967	19,653	4.53%
State Special	166,066	185,551	186,049	185,632	351,617	371,681	20,064	5.71%
Total Funds	\$376,056	\$409,875	\$411,759	\$413,889	\$785,931	\$825,648	\$39,717	5.05%

Agency Description

Mission Statement: The Board of Public Education shall carry out its constitutional and statutory responsibility in an exemplary manner to exercise general supervision over the public school system and other such public educational institutions as may be assigned by law. In doing so, the Board will cooperate with the Governor and other elected officials, the Board of Regents, Superintendent of Public Instruction, local school boards, the education community and all Montana citizens, including its students.

The seven-member Board of Public Education (BPE), under authority of Article X, Section 9 of the Montana Constitution, exercises "general supervision over the public school system" including the School for the Deaf and Blind. This includes school accreditation, teacher certification, standardization of policies and programs, and equalization of aid distribution. According to statute, the educational program specified by the accreditation standards represents the minimum standards upon which Montana's basic system of free quality public elementary and secondary schools is built. Board accreditation is the basis for local school district eligibility for state funds. The board shares responsibility with the Board of Regents under Title 20, Chapter 2, MCA for general planning, coordination, and evaluation of the state education system.

Agency Highlights

<p>Board of Public Education Major Budget Highlights</p>
<ul style="list-style-type: none"> ◆ Increases for operating costs result from higher information technology costs due to a switch from an OCHE partnership to ITSD services ◆ Retirement payout is anticipated to be over 21 percent of personal services annual budget ◆ BPE was successful with 3 of 4 performance measurement targets related to goal of setting standards for a quality education for Montana public schools ◆ A number of school districts were unsuccessful in attaining minimum standards for quality education
<p>Major LFD Issues</p>
<ul style="list-style-type: none"> ◆ BPE needs to work with partners to develop strategies to reduce the number of schools in advice or deficiency status in relation to accreditation standards

Agency Discussion

BPE consolidated from two programs, the Administration Program and the Advisory Council, to a single program in FY 2008. BPE oversees two advisory councils: the Montana Council on Indian Education and the Certification Standards and Practices Advisory Council.

Non-employee travel costs for BPE board members attending meetings comprise almost 29 percent of the total operating costs for the 2009 biennium. Similar costs are included in the 2011 biennial budget. Increases in operating costs shown in the biennial comparison table reflect the changes in the method of calculating the charges for Information Technology Services Division (ITSD) services. Previously, BPE was able to partner with the Office of the Commissioner of Higher Education (OCHE) for data network services. OCHE will be moving out of a shared office location before the end of the 2009 biennium. Information technology services for BPE will then be provided by ITSD. A portion of these costs are considered a new cost to BPE.

Goals and Objectives

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the Legislative Fiscal Division recommends that the legislature review the following:

- Goals, objectives and year-to-date outcomes from the 2009 biennium
- Goals and objectives and their correlation to the 2011 biennium budget request

2009 Biennium Major Goals:

The following provides an update of the major goals monitored by the Legislative Finance Committee (LFC) during the 2009 interim.

The LFC monitored BPE's goal to set standards for a quality education as defined by law. The measurable objectives (performance measures) selected for review included revise and monitor standards in the following areas:

- Complete amendments to Information Literacy/Library Media, and Technology Content and Performance Descriptor Rules by July 1, 2008, 100 percent of schools to be in compliance by July 1, 2010 as measured by the Annual Accreditation Process

Successes:

- The rules were adopted by the BPE on July 30, 2008

- Complete amendments to the Distance, Online Learning Standards by July 1, 2009. 100 percent of schools to be in compliance by July 1, 2011 as measured by the Annual Accreditation Process.

Successes:

- Amendments were adopted by the BPE September 12, 2008

- Complete amendments to Chapter 57 (Teacher Licensure Standards) by July 1, 2009. 100 percent of schools will be in compliance by July 1, 2011 as measured by the Annual Accreditation Process.

Successes:

- Amendments are scheduled to be adopted March 12-13, 2009 with a potential effective date of March 2009

- Monitor all content and performance standards. 100 percent of schools will be in compliance by the Board of Public Education's March meeting each year as measured by the Annual Accreditation Process. Schools having a regular accreditation have:

- Met applicable accreditation standards
- Appropriately endorsed and assigned licensed staff
- Adequate school programs and resources

Schools which do not meet these requirements are designated as either in advice or deficiency status depending

on the severity and duration of the deviations from the standards. Milestones set by BPE included a target of 10 percent of schools demonstrating progress towards improvement of those schools in advice status and 5 percent of schools demonstrating progress towards improvement of those schools in deficiency status.

Challenges:

- The March report to the BPE on the Annual Accreditation Process showed increases of public schools in advice or deficiency status. In FY 2007, 8 percent of all schools were in advice status and 8 percent were in deficiency status. In FY 2008, 11 percent of all schools were in advice status and 16 percent were in deficiency status. Data presented to the BPE shows that 11 percent or 88 public schools are in advice status. 8 percent of the public students enrolled are attending a school in advice status. 117 public schools or 14 percent of public schools are in deficiency status. 16 percent of total students enrolled in public schools attend a school in deficiency status.
- One of the most common reasons for either advice or deficiency status is misassigned or non-licensed teachers. Data presented to BPE indicates that 159 teachers are misassigned, the teachers are offering instructions in 396 classes out of a total of 37,643 classes taught state-wide. 48 non-licensed teachers are teaching 170 classes in public schools around the state.

2011 Biennium Major Goals

The agency is required by law to submit goals and measurable objectives as part of the budgeting process. The LFD recommends that the legislature adopt specific program goals and corresponding objectives for monitoring during the interim. Identified significant goals are:

- Ensure that all school districts successfully implement Montana's education standards
- Ensure that Montana public schools have a highly qualified workforce

LFD ISSUE

BPE needs to work with partners to develop strategies to reduce the number of schools in advice or deficiency status in relation to accreditation standards

Under the constitution, the BPE is charged with the general supervision of the public school system. The Superintendent (superintendent) of Public Instruction is granted general supervision of public schools and districts of the state. The superintendent recommends standards of accreditation to the BPE. BPE reviews the recommendations and adopts accreditation standards for Montana schools. BPE has worked with the superintendent and the Office of Public Instruction (OPI) to clarify the reasons behind the increasing number of schools in advice and deficiency status. BPE requested OPI identify both number of schools and students affected by deficiencies in accreditation status. In addition, OPI identified the number and types of classes which have misassigned teachers or non-licensed teachers working with students. However, as of October 2008, a defined strategy for reducing the number of schools in advice or deficiency status has not been developed by BPE and OPI. Development of strategies to reduce the number of schools in advice or deficiency status requires a continuing partnership with the Office of Public Instruction and local school district representatives for schools in advice or deficiency status.

Option:

The legislature may wish to consider requesting BPE and OPI provide a plan including additional performance measurements, milestones, timelines, obstacles, costs, and risks associated with reducing the number of schools unable to meet the minimum standards for a quality education over the 2011 biennium.

As part of its budget deliberations during the 2009 legislative session, the Legislative Finance Committee Education Subcommittee recommends the Joint Appropriation Subcommittee on Education discuss BPE's goal to have 100 percent of public schools meeting accreditation standards.

Funding

The following table summarizes the funding for the agency, by program and source, as recommended by the Governor.

Program Funding	Base FY 2008	% of Base FY 2008	Budget FY 2010	% of Budget FY 2010	Budget FY 2011	% of Budget FY 2011
01000 Total General Fund	\$ 209,990	55.8%	\$ 225,710	54.8%	\$ 228,257	55.1%
01100 General Fund	209,990	55.8%	225,710	54.8%	228,257	55.1%
02000 Total State Special Funds	166,066	44.2%	186,049	45.2%	185,632	44.9%
02122 Advisory Council	94,517	25.1%	111,049	27.0%	110,632	26.7%
02219 Research Fund	<u>71,549</u>	<u>19.0%</u>	<u>75,000</u>	<u>18.2%</u>	<u>75,000</u>	<u>18.1%</u>
Grand Total	<u>\$ 376,056</u>	<u>100.0%</u>	<u>\$ 411,759</u>	<u>100.0%</u>	<u>\$ 413,889</u>	<u>100.0%</u>

BPE is funded with general fund and state special revenue collected from teacher certification fees. By statute, the Office of Public Instruction Certification/Teacher Licensure Unit is responsible for collecting fees and depositing them in two state special revenue accounts for use by BPE. The fee for teacher and specialist certificates is set by statute at \$6 per year. Of this total, \$4 of the fee is to be used for expenses of the Certification Standards and Practices Advisory Council. The remaining \$2 is used to support the Board of Public Education’s constitutional and statutory duties, special projects, and research studies of the advisory council.

LFD COMMENT Of the total \$6 teacher certification fee , \$2 goes to fund research projects. However, over the last several years the fund balance has grown. As measured on June 30, 2008, the fund balance was \$112,080. The executive proposes using approximately \$13,000 per year of fund balance to offset program costs for BPE. If revenues and expenditures remain constant, fund balance in the state special revenue account will be expended by FY 2017.

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 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget	Budget Fiscal 2010	Budget Fiscal 2011	Biennium Fiscal 10-11	Percent of Budget
Base Budget	209,990	209,990	419,980	92.51%	376,056	376,056	752,112	91.09%
Statewide PL Adjustments	8,987	9,713	18,700	4.12%	25,473	25,782	51,255	6.21%
Other PL Adjustments	1,300	1,300	2,600	0.57%	1,300	1,300	2,600	0.31%
New Proposals	5,433	7,254	12,687	2.79%	8,930	10,751	19,681	2.38%
Total Budget	\$225,710	\$228,257	\$453,967		\$411,759	\$413,889	\$825,648	

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Governor. “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 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					26,864					26,915
Inflation/Deflation					247					291
Fixed Costs					(1,638)					(1,424)
Total Statewide Present Law Adjustments					\$25,473					\$25,782
DP 2 - Per Diem	0.00	1,300	0	0	1,300	0.00	1,300	0	0	1,300
Total Other Present Law Adjustments	0.00	\$1,300	\$0	\$0	\$1,300	0.00	\$1,300	\$0	\$0	\$1,300
Grand Total All Present Law Adjustments					\$26,773					\$27,082

Agency Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market rate** – BPE estimates it will achieve a target market ratio of 88 percent, after implementing the House Bill 13 pay adjustments in October 2008, relative to the 2008 market survey.
- o **Vacancy** – BPE experiences vacancies related to their administrative assistant positions due a low entry salary, which causes retention and recruitment issues. An attempt to reclassify the position was not successful. BPE applied the legislatively approved 0.6 percent discretionary pay market increase to the position to increase the salary.
- o **Legislatively applied vacancy savings** – Because it employs fewer than 20.0 FTE, BPE is exempt from the legislatively applied vacancy savings.
- o **Pay Changes** – as discussed above, BPE applied the 0.6 percent discretionary pay market increase and a market adjustment based on performance evaluation to their administrative assistant positions to address retention issues for the positions.
- o **Retirements** – BPE anticipates 25 percent of its workforce is eligible for full retirement in the 2011 biennium

LFD COMMENT	The proposed FY 2011 personal service costs for BPE are approximately \$294,000. As of October 2008, BPE estimates the anticipated compensated absence liability for employees qualifying for full retirement in the 2011 biennium would be over 21 percent of the annual personal services budget. As discussed above, due to the small staffing levels within BPE, the agency does not generally generate large vacancy savings. Options for payment of retirement payouts would be for the agency to leave the position open for several months or obtain a transfer from the Governor’s personal services contingency account to cover the costs. At this time the agency does not anticipate eligible employees will be retiring in the 2011 biennium.
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DP 2 - Per Diem - The executive proposes additional funding for board related travel because two of the members are from eastern Montana.

New Proposals

New Proposals Program	-----Fiscal 2010-----					-----Fiscal 2011-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - In-State Travel										
01	0.00	1,799	0	0	1,799	0.00	3,638	0	0	3,638
DP 3 - ITSD New Services										
01	0.00	3,497	3,497	0	6,994	0.00	3,497	3,497	0	6,994
DP 6101 - Fixed Cost Workers Comp Mgmt Pgm										
01	0.00	137	0	0	137	0.00	119	0	0	119
Total	0.00	\$5,433	\$3,497	\$0	\$8,930	0.00	\$7,254	\$3,497	\$0	\$10,751

DP 1 - In-State Travel - Non-employee instate travel has increased by approximately \$3,600 from FY07 to FY08 due to two Board of Public Education members being from eastern Montana.

DP 3 - ITSD New Services - In the past, the Board of Public Education (BPE) has received network and computer services from the Office of the Commissioner of Higher Education (OCHE) as part of their rental agreement. OCHE will no longer provide those network services. Additional ITSD costs will be \$6,994 in each year in the 2011 biennium.

DP 6101 - Fixed Cost Workers Comp Mgmt Pgm - The Workers' Compensation Management program at the Department of Administration was funded by the 2007 Legislature with a one-time-only (OTO) general fund appropriation. For the 2011 biennium and beyond, the executive proposed program will be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.