

Agency Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	112.18	2.00	4.33	118.51	2.00	4.33	118.51	118.51
Personal Services	4,148,254	718,005	166,389	5,032,648	695,708	165,248	5,009,210	10,041,858
Operating Expenses	4,256,465	1,934,861	374,482	6,565,808	2,002,948	468,045	6,727,458	13,293,266
Equipment	53,136	0	0	53,136	25,000	0	78,136	131,272
Local Assistance	462,543,713	(4,230,247)	1,080,467	459,393,933	(10,035,117)	2,170,810	454,679,406	914,073,339
Grants	63,446,126	7,362,287	8,904,925	79,713,338	9,858,135	3,003,061	76,307,322	156,020,660
Debt Service	12,901	(12,901)	0	0	(12,901)	0	0	0
Total Costs	\$534,460,595	\$5,772,005	\$10,526,263	\$550,758,863	\$2,533,773	\$5,807,164	\$542,801,532	\$1,093,560,395
General Fund	466,125,633	(3,616,591)	1,394,966	463,904,008	(9,450,995)	2,646,578	459,321,216	923,225,224
State/Other Special	1,329,585	108,296	35,000	1,472,881	107,743	35,000	1,472,328	2,945,209
Federal Special	67,005,377	9,280,300	9,096,297	85,381,974	11,877,024	3,125,586	82,007,987	167,389,961
Total Funds	\$534,460,595	\$5,772,005	\$10,526,263	\$550,758,863	\$2,533,772	\$5,807,164	\$542,801,531	\$1,093,560,394

Agency Description

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. 20-3-106, MCA states the Superintendent "... has the general supervision of the public schools and districts of the state." Section 20-7-301, MCA, names the Superintendent as "the governing agent and executive officer of the state of Montana for K-12 vocational education". The Office of Public Instruction (OPI) provides services to Montana school-age children and to teachers in approximately 500 school districts. The staff provides technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, school curriculum, school finance, and school law. The staff also administers a number of federally funded programs and provides a variety of information services.

Summary of Legislative Action

The table above shows all HB 2 action pertaining to the Office of Public Instruction. However, HB 2 only includes administration of the OPI office, present law distribution to schools, and a portion of additional legislative action on distribution to schools. The remainder of action on distribution to schools, including changes to the BASE aid schedules, is included in SB 100 and SB 184. Because all three bills must be examined in concert to gain a true picture of legislative action on K-12 education, they are all discussed in the narrative that follows and in the Distribution to Schools program.

The legislature made several changes that impacted total general fund, including: 1) assumption of a reduction in enrollments that reduced funding by \$17.3 million; 2) provision of an increase in school facility payments of \$2.5 million; 3) provision of an increase in transportation funding of \$0.9 million; 4) provision of an increase in special education of \$1.7 million; and 5) provision of an additional \$0.8 million for improving Montana schools. These changes are all reflected in the main table above. In addition and as stated, the legislature provided additional funding for BASE aid increases in SB 100 and SB 184 totaling \$40.4 million. For a further discussion, please see the "Program Narrative" section in the Distribution to Public Schools Program.

In addition to these changes, the legislature provided increased federal funding for grants and administration (\$20.6 million), school to work (\$2.9 million), new teachers to reduce class sizes (\$5.6 million), and comprehensive school reform (\$1.2 million).

Other Legislation

Senate Bill 100 - SB 100 provides for an increase in the BASE aid payments to school districts by:

- 1) increasing the direct state aid percentage from 40 percent to 41.1 percent in fiscal 2000 and 41.8 percent in fiscal 2001 and reducing the guaranteed tax base aid to 38.9 percent of both the basic entitlement and the total per-ANB entitlement in fiscal 2000 and 38.2 percent in fiscal 2001;
- 2) increasing the per-ANB entitlement for an elementary district by 3.5 percent each year to \$3,529 in fiscal 2000 and \$3,653 in fiscal 2001; and

3) increasing the per-ANB entitlement for a high school district by 1.0 percent each year to \$4,821 in fiscal 2000 and \$4,869 in fiscal 2001.

The legislature appropriated \$36.2 million general fund, including \$1.5 million for special education, to implement this bill. For a further discussion, please see the Program Narrative section in the Distribution to Public Schools Program.

Senate Bill 184 - This bill provides for a general revision of property tax law. The bill appropriates \$1.98 million general fund for BASE aid payments due to impacts on relative school district wealth and resulting guaranteed tax base obligations. The bill also appropriates \$2.23 million general fund to OPI to reimburse districts for lost motor vehicle fee revenue due to the passage of SB 260, which reduced the tax rate on light vehicles and fleet vehicles. For a further discussion of this bill, please see the "Tax Policy and Initiatives" section in Volume 1.

Agency Budget Comparison								
Budget Item	Base Budget Fiscal 1998	Executive Budget Fiscal 2000	Legislative Budget Fiscal 2000	Leg - Exec. Difference Fiscal 2000	Executive Budget Fiscal 2001	Legislative Budget Fiscal 2001	Leg - Exec. Difference Fiscal 2001	Biennium Difference Fiscal 00-01
FTE	112.18	118.51	118.51		118.51	118.51		
Personal Services	4,148,254	5,021,713	5,032,648	10,935	4,998,387	5,009,210	10,823	21,758
Operating Expenses	4,256,465	6,577,706	6,565,808	(11,898)	6,779,232	6,727,458	(51,774)	(63,672)
Equipment	53,136	53,136	53,136	0	53,136	78,136	25,000	25,000
Local Assistance	462,543,713	469,035,082	459,393,933	(9,641,149)	474,260,725	454,679,406	(19,581,319)	(29,222,468)
Grants	63,446,126	80,198,338	79,713,338	(485,000)	76,857,322	76,307,322	(550,000)	(1,035,000)
Debt Service	12,901	0	0	0	0	0	0	0
Total Costs	\$534,460,595	\$560,885,975	\$550,758,863	(\$10,127,112)	\$562,948,802	\$542,801,532	(\$20,147,270)	(\$30,274,382)
General Fund	466,125,633	473,093,383	463,904,008	(9,189,375)	478,741,523	459,321,216	(19,420,307)	(28,609,682)
State/Other Special	1,329,585	1,802,881	1,472,881	(330,000)	1,582,328	1,472,328	(110,000)	(440,000)
Federal Special	67,005,377	85,989,712	85,381,974	(607,738)	82,624,949	82,007,987	(616,962)	(1,224,700)
Total Funds	\$534,460,595	\$560,885,976	\$550,758,863	(\$10,127,113)	\$562,948,800	\$542,801,531	(\$20,147,269)	(\$30,274,382)

Executive Budget Comparison

The primary reductions made by the legislature to the executive recommendation are: 1) non-inclusion in HB 2 of recommended BASE Aid schedule increases (\$28.9 million) as schedule increases are provided in SB 100; 2) withdrawal of an increase for traffic education due to lack of projected state special revenues (\$440,000); 3) lack of approval of funding for the Montana Science Institute (\$200,000); 4) lack of approval for continuing professional development (\$56,650); 5) lack of approval of the Improving Montana Schools new proposal in the Distribution Program (\$95,000); 6) a reduction in funding for contracts for the Hearing Conservation Program (\$37,440); 7) the withdrawal of a federal funding request because OPI was not approved for a federal grant (\$1,220,904 and 2.0 FTE); and 8) a reduction in the rates the Department of Administration could charge agencies for fixed costs associated with data network services and building rent. The reduction over the biennium was \$6,234.

The legislature added additional general fund to: 1) upgrade three automated systems used by OPI to manage, analyze, and report K-12 education data (\$360,314); 2) increase funding for secondary vocational education by 10 percent (\$130,000); and 3) increase in BASE Aid due to enrollment projections (\$250,999).

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	112.18	2.00	4.33	118.51	2.00	4.33	118.51	118.51
Personal Services	4,148,254	718,005	166,389	5,032,648	695,708	165,248	5,009,210	10,041,858
Operating Expenses	4,230,178	1,934,861	374,482	6,539,521	2,002,948	468,045	6,701,171	13,240,692
Equipment	53,136	0	0	53,136	25,000	0	78,136	131,272
Local Assistance	13,788	0	0	13,788	0	0	13,788	27,576
Debt Service	12,901	(12,901)	0	0	(12,901)	0	0	0
Total Costs	\$8,458,257	\$2,639,965	\$540,871	\$11,639,093	\$2,710,755	\$633,293	\$11,802,305	\$23,441,398
General Fund	3,857,900	601,794	314,499	4,774,193	572,260	475,768	4,905,928	9,680,121
State/Other Special	329,585	108,293	35,000	472,878	107,740	35,000	472,325	945,203
Federal Special	4,270,772	1,929,878	191,372	6,392,022	2,030,754	122,525	6,424,051	12,816,073
Total Funds	\$8,458,257	\$2,639,965	\$540,871	\$11,639,093	\$2,710,754	\$633,293	\$11,802,304	\$23,441,397

Program Description

The Administration program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing prescribed duties. The program: 1) supports the Superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board; 2) is responsible for the distribution and accounting of state and federal funds provided to school districts; 3) provides operational support to OPI; and 4) provides assistance and information to school districts. The program administers all federal grants received by OPI, including the budgets for: 1) curriculum assistance; 2) special education; 3) Chapter I administration; 4) secondary vocational education administration; 5) Title IV administration; and 6) other educational services including driver's education, school food services, and audiology.

Funding

The Office of Public Instruction's Administration Program is funded with general fund, state special revenue, and federal grants. General fund entirely supports the Superintendent's Office, legal services, teachers certification, accreditation, the administration of the distribution of funding, and information systems. The increase in general fund is primarily due to full funding of positions (minus a 3 percent vacancy savings rate), additional systems development costs, and provision of funding to continue the "Improving Montana Schools" project.

A combination of general fund and federal special revenue provide the funding for measurement and accountability, information technology, curriculum administration, school improvement, education opportunities, the administration of special education, and career vocational and adult services. The large increase in federal funds shown in the table is primarily due to the provision of additional federal funds for the administration of various federal grants. A combination of all three funding sources supports health enhancement and safety. Centralized services is funded through a proprietary account, which does not require an appropriation.

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
	Personal Services			625,616			603,951
	Inflation/Deflation			13,155			11,128
	Fixed Costs			36,993			42,286
	Total Statewide Adjustments			\$675,764			\$657,365
Present Law Adjustments							
2	Contracted Services	.00	24,570	138,749	.00	18,720	132,899
5	GED Workload Increase	.00	6,900	6,900	.00	5,700	5,700
6	Budgeting/Accounting Workshops	.00	8,085	8,085	.00	8,085	8,085
7	Indirect Cost of Base Adjustments	.00	72,698	115,497	.00	72,876	114,373
11	Computer Purchases	.00	6,143	6,143	.00	0	0
12	Federal Grant Award Administration	.00	0	1,631,335	.00	0	1,740,626
15	Delete Maintenance Costs	.00	(122,441)	(122,441)	.00	(122,441)	(122,441)
20	FFA Executive Secretary Fund Switch	.00	0	0	.00	0	0
21	Rate Reduction	.00	(1,215)	(3,102)	.00	(1,223)	(3,132)
30	Automated Systems Development	2.00	183,035	183,035	2.00	177,279	177,279
	Total PL Adjustments	2.00	\$177,775	\$1,964,201	2.00	\$158,996	\$2,053,389
	Present Law Adjustments Total			\$2,639,965			\$2,710,754

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - Contracted Services - The legislature appropriated an increase in contracted services to: 1) compile the School Law Book (\$5,850 general fund); 2) continue the contract for the Hearing Conversation Program (\$18,720 general fund); and 3) contract for a full year for a coordinator for the Motorcycle Education and Safety Program (\$114,179 state special revenue).

DP 5 - GED Workload Increase - The legislature added general fund appropriation authority to support a General Equivalence Diploma workload increase, including conversion of paper transcripts to computer transcripts, and technical assistance and training at field testing sites.

DP 6 - Budgeting/Accounting Workshops - This general fund appropriation allows OPI to continue to provide annual statewide workshops on topics related to school district budgeting and accounting.

DP 7 - Indirect Cost of Base Adjustments - This increase funds the indirect/administration costs associated with the statewide present law adjustments. OPI applies a 17 percent indirect charge for administration on all reporting levels. This 17 percent is charged against total costs for personal services and operating costs. The federal percentage is negotiated with the federal government every three years, and OPI applies the same percentages to programs funded with state revenue sources. The legislature funds this adjustment with: 1) general fund of \$72,698 in fiscal 2000 and \$72,876 in fiscal 2001; and 2) federal funds of \$42,799 in fiscal 2000 and \$41,497 in fiscal 2001.

DP 11 - Computer Purchases - The legislature approved general fund as a one-time-only appropriation in fiscal year 2000 to replace three computers for OPI staff working on the education profile. The agency has adopted a three-year replacement cycle for computer equipment.

DP 12 - Federal Grant Award Administration - Table 1 shows the increases appropriated for various federal grants. Congress appropriated additional funds for existing federal programs administered by the Office of Public Instruction.

Table 1 OPI Federal Grant Increases Present Law Adjustment DP-12		
Grant Title	Fiscal 2000	Fiscal 2001
Common Core Data (CCD/NES)	\$52,241	\$52,241
Title III	69,788	69,788
Title IV (84.186)	45,000	45,000
Aids	77,709	77,709
Byrd Scholarships (84.184)	60,000	60,000
Team Nutrition	244,528	244,528
Title I Migrant	19,290	19,290
Migrant Even Start	4,658	4,658
Title I Low Income	161,307	161,307
Title I Workshop (program income)	26,160	26,160
Title I Even Start	6,487	6,487
McKinney Homeless	5,871	5,871
Title II	27,649	25,649
Estrella	3,448	3,448
Bilingual	17,522	17,522
IDEA B	309,677	420,968
Transition Grant	500,000	500,000
Total	<u>\$1,631,335</u>	<u>\$1,740,626</u>

DP 15 - Delete Maintenance Costs - The legislature approved an annual reduction of \$122,441 general fund appropriation authority. In the base year the agency was responsible for maintenance and finance costs of its new office spaces. In the 2001 biennium, the Department of Administration will maintain the spaces and bill rent costs to OPI. The reduction is due to rent costs being less than maintenance and finance costs associated with debt service in the base year.

DP 20 - FFA Executive Secretary Fund Switch - The legislature line-itemed funding for the support of the FFA executive secretary. No overall change in funding results.

DP 21 - Rate Reduction - The legislature reduced the building rental rates and the rate charged by the Internal Service Division (ISD) for data network services.

DP 30 - Automated Systems Development - The legislature approved \$360,314 general fund and 2.0 FTE as a one-time-only appropriation to upgrade three automated systems used by the Office of Public Instruction to manage, analyze, and report K-12 education data. The appropriation was restricted to this specific purpose and established as a biennial appropriation.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
8	School to Work	1.83	0	162,165	1.83	0	87,628
9	Improving Montana Schools	2.50	314,499	314,499	2.50	475,768	475,768
13	Cooperative Purchasing-School Food	.00	0	35,000	.00	0	35,000
14	Comprehensive School Reform	.00	0	29,207	.00	0	34,897
Total New Proposals		4.33	\$314,499	\$540,871	4.33	\$475,768	\$633,293

New Proposals

DP 8 - School to Work - The legislature approved as a biennial appropriation new federal appropriation authority to develop a School-to-Work system. This funding provides resources to: 1) fund staff to train other agency staff; and 2) provide technical assistance to state, regional, and local School-to-Work stakeholders. The objective is to build a School-to-Work system that will not end when the federal funding is no longer available. OPI will work with local school staff to develop the career counseling/exploration component of School-to-Work. OPI staff will also coordinate and oversee local district grants.

This adjustment includes biennial costs of: 1) \$172,994 for personal services; and 2) \$76,799 for operating expenses. The appropriation adds 1.83 FTE, which includes 0.33 FTE grade 19 administrator, 1.0 FTE grade 16 program specialist, and 0.5 grade 16 program specialist.

DP 9 - Improving Montana Schools - The 1997 legislature approved this project as a performance-based budget and provided a lump sum appropriation. The project was funded with \$350,000 general fund as a restricted biennial appropriation. That legislature funded 4.0 FTE to staff this project. As a performance-based project, the OPI established objectives and performance measures in an attempt to attain its goal of improving Montana Schools.

The 1999 legislature approved \$790,267 general fund as a restricted biennial appropriation and designated it as a one-time-only. This funding authority would be used to expand implementation of some projects and complete other projects linked with OPI's school improvement initiative.

This adjustment adds 2.5 FTE to the 4.0 FTE appropriated by the 1997 legislature. The FTE include 0.5 FTE (grade 9) administrative assistant, 1.0 FTE (grade 9) administrative assistant, and 1.0 FTE (grade 16) education program specialist.

DP 13 - Cooperative Purchasing-School Food - This new state special revenue appropriation authority provides funding for OPI to administer a cooperative purchasing of food project. Districts currently purchase their own school food. This new proposal allows school districts to combine their food orders and award one contract. As a result of volume purchasing, school food will be purchased at reduced prices. A 2.5 percent administrative fee will be assessed by OPI and billed quarterly on food purchased under the cooperative purchasing agreements.

DP 14 - Comprehensive School Reform - This federal funding allows OPI to administer the federal Comprehensive School Reform Demonstration Program at a biennial cost of \$64,104. To receive the federal funding, and in accordance with the U.S. Department of Education grant, OPI must conduct grant competitions to award Comprehensive School Reform Demonstration Program funds to Montana school districts. The federal funds may be used by school districts to implement school reform model programs that are based on reliable research and effective practices. The program is designed to assist those schools that need to substantially improve student achievement, particularly those schools eligible for Elementary and Secondary Education Act (ESEA) Title I funds. OPI will provide technical assistance to Montana school districts in the development and implementation of the grants awarded for this federal program.

Language

"Items [federal funds] are biennial appropriations."

"The superintendent of public instruction is authorized to use up to \$30,000 in general fund money for the 2001 biennium from the appropriation in item 1 [OPI Administration] for national board certification stipends to Montana public school teachers who obtain certification from the national board for professional teaching standards.

An equal one-time stipend of \$5,000 or less for each teacher, as authorized by the superintendent of public instruction, may be provided to each public school teacher who obtains certification from the national board for professional teaching standards if the teacher is:

- (1) a full-time employee of a Montana public school district, as defined in 20-6-101, of an education cooperative, as described in 20-7-451, or of the Montana school for the deaf and blind, as described in 20-8-101;
- (2) a full-time classroom teacher, librarian, or other full-time employee serving in an assignment covered by national board certification assessment; and
- (3) certified to teach in Montana under the provisions of 20-4-103.

A teacher is eligible for the stipend in the school year beginning July 1 after the teacher obtains certification from the national board for professional teaching standards."

Proprietary Rates**Program Description**

OPI Indirect Cost Pool - OPI's internal service fund (A/E 06512) is an indirect cost pool. Services accounted for as indirect costs include all internal payroll, human resources, accounting, budgeting, cash management, financial reporting, procurement, word-processing, mail delivery, library services, and all costs that can not reasonably be identified with a particular program. OPI's indirect cost plan is prepared in accordance with federal regulations and Section 17-3-111(1), MCA.

Revenues and Expenses

Revenues to this account are based on expenditures in the Administration Program. The revenues come from an assessment to all personal services and operations expenditures. Expenses to this fund are the costs of maintaining the internal services.

Rate Explanation

OPI negotiates a three-year "predetermined rate" with the U.S. Department of Education. The federal rate approved for the fiscal years 1999-2001 is 17 percent. The legislature also approved a rate of 17 percent. The agency attempts to maintain 45 days working capital, but does not use working capital as the rate to be approved by the legislature.

Significant Present Law

The indirect cost pool's present law adjustment is slightly more than \$30,000 for each year of the biennium and includes proprietary funding to: 1) lease a van for mail deliveries; 2) provide salary adjustments for two positions; 3) provide a contract to rewrite system interfaces to work with MT PRRIME; and 4) fund distributions of statewide fixed costs.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 1998	PL Base Adjustment Fiscal 2000	New Proposals Fiscal 2000	Total Leg. Budget Fiscal 2000	PL Base Adjustment Fiscal 2001	New Proposals Fiscal 2001	Total Leg. Budget Fiscal 2001	Total Leg. Budget Fiscal 00-01
FTE	.00	.00	.00	.00	.00	.00	.00	.00
Personal Services	0	0	0	0	0	0	0	0
Operating Expenses	26,287	0	0	26,287	0	0	26,287	52,574
Local Assistance	462,529,925	(4,230,247)	1,080,467	459,380,145	(10,035,117)	2,170,810	454,665,618	914,045,763
Grants	63,446,126	7,362,287	8,904,925	79,713,338	9,858,135	3,003,061	76,307,322	156,020,660
Total Costs	\$526,002,338	\$3,132,040	\$9,985,392	\$539,119,770	(\$176,982)	\$5,173,871	\$530,999,227	\$1,070,118,997
General Fund	462,267,733	(4,218,385)	1,080,467	459,129,815	(10,023,255)	2,170,810	454,415,288	913,545,103
State/Other Special	1,000,000	3	0	1,000,003	3	0	1,000,003	2,000,006
Federal Special	62,734,605	7,350,422	8,904,925	78,989,952	9,846,270	3,003,061	75,583,936	154,573,888
Total Funds	\$526,002,338	\$3,132,040	\$9,985,392	\$539,119,770	(\$176,982)	\$5,173,871	\$530,999,227	\$1,070,118,997

Program Description

The Distribution to Public Schools program is used by OPI to distribute various state and federal funds to local education agencies.

Program Narrative

As stated earlier, HB 2 contains only a portion of the increase in funding provided for public schools. In order to provide a more complete picture, all bills providing additional funding are discussed in this section.

The 56th legislature increased total state aid to K-12 districts by \$43.6 million over present law amounts for the 2001 biennium. BASE Aid was increased by \$37.1 million, the state special education appropriation was increased by \$2.8 million, and school facility reimbursements were increased by \$1.5 million. In addition, the legislature appropriated \$2.2 million in motor vehicle reimbursements in fiscal 2001 (to partly offset losses incurred by passage of SB 260).

Beginning in fiscal 2000, BASE aid schedules will be increased. The schedule increases will raise the maximum budget for each school district. The state's share of revenue devoted to funding district general fund budgets is also increased in each year of the biennium. This is accomplished by increasing the percentage the state distributes in direct state aid. In addition, the state increased the amount of state aid for special education for the first time in ten years.

Several bills substantially reduced the property tax base and motor vehicle revenue available for districts. Some of the school district revenue impacts of these bills will be reimbursed by the state, and other revenue impacts will only be partially reimbursed.

The rules regarding voter approval of budget authority were eliminated and replaced by rules requiring voter approval of increases in property tax revenue. These rules will apply to the district transportation fund, adult education fund, bus depreciation fund, any non-operating funds, and the over-BASE portion of the district general fund. Exempt from these rules are the BASE portion of the district general fund, the debt service fund, the building reserve fund and the tuition fund. Also exempt are the county school transportation fund and the county school retirement fund.

Senate Bill 100 - Senate Bill 100 increases the elementary district per-ANB entitlements by 3.5 percent in each year of the 2001 biennium, and increases the high school per-ANB entitlements by 1.0 percent in each year of the biennium. The basic per-district entitlements are not increased. Table 2 shows the amounts by which the entitlements were increased by SB100.

Table 2 K-12 BASE Aid and Special Education Increases House Bill 2, Senate Bill 100 and Senate Bill 184						
	Fiscal 2000			Fiscal 2001		
	Present Law	New Law	Percent Change	Present Law	New Law	Percent Change
Elementary Basic Entitlement	\$18,000	\$18,000	0.0%	\$18,000	\$18,000	0.0%
High School Basic Entitlement	200,000	200,000	0.0%	200,000	200,000	0.0%
Elementary Per-ANB Entitlement	3,410	3,529	3.5%	3,410	3,653	7.1%
High School Per-ANB Entitlement	4,773	4,821	1.0%	4,773	4,869	2.0%
Direct State Aid Share	40.0%	41.1%	2.7%	40.0%	41.8%	4.5%
BASE Aid (Millions)	\$407.34	\$421.71	3.5%	\$401.307	424.041	5.7%
Special Education Appropriation (Millions)	\$32.487	\$33.900	4.3%	\$32.487	33.900	4.3%

SB100 increases the direct state aid's share of the each district's BASE general fund budget. The proportion of a district's BASE budget funded by direct state aid rises from 40 percent as under present law to 41.1 percent in fiscal 2000 and to 41.8 percent in fiscal 2001. As a result, every school district, regardless of wealth, will realize more state BASE aid than under present law. The increase in state BASE aid will average 3.1 percent in fiscal 2000 and 5.9 percent in fiscal 2001. The total increase in BASE aid for the biennium due to SB100 is \$34.8 million. (HB2 and SB184 also increased BASE aid by an additional \$2.3 million during the biennium, as explained below)

Through the schedule increases, SB100 increases the maximum and BASE budgets above what they otherwise would have been. This is important for the many schools that have been experiencing declining enrollment. As enrollment declines, the maximum budget falls. As a result, the number and proportion of districts that have been budgeting at the maximum budget has been increasing dramatically in the last few years. With further enrollment declines expected during the 2001 biennium, the number of districts budgeting at the maximum budget was expected to continue increasing. The schedule increases will relieve that pressure, at least for elementary schools with ANB decreases below 3.5 percent, and for high schools with ANB decreases below 1 percent. Senate Bill 460, explained below, also provides some budgetary relief in this area.

Enrollment declines are expected for fiscal 2000 and fiscal 2001. Table 3 shows the historical and projected ANB totals that underlie the state BASE aid projections upon which the appropriations in SB100 were based. Enrollment declines are expected for many years in the future, assuming no large change in in-migration.

Enrollment declines partially offset increases in the BASE aid schedules. The amount of increased state BASE aid appropriated for the 2001 biennium is \$20.4 million higher than the amount that will be spent during the 1999 biennium. In the absence of

Table 3 Average Number Belonging (ANB) in Montana Schools						
Fiscal Year	Elementary	Percent Change	High School	Percent Change	Total	Percent Change
A	1994		111,497		45,457	156,954
A	1995 *	2.9%	114,772	5.2%	47,818	162,590
A	1996	0.0%	114,734	2.6%	49,045	163,779
A	1997	-0.5%	114,160	3.1%	50,582	164,742
A	1998	-1.5%	112,449	1.7%	51,432	163,881
A	1999	-2.3%	109,861	0.9%	51,892	161,753
E	2000	-2.0%	107,624	0.1%	51,968	159,592
E	2001	-2.2%	105,301	-1.1%	51,414	156,715

* includes for the first time, students who spend more than 1/2 day in special education class

A = Actual; E = Estimated

the enrollment declines, the increase in state BASE aid may have been \$14.3 million higher during the 2001 biennium. (The reduction from the fiscal 1998 base is reflected in present law adjustment #12).

SB100, in conjunction with House Bill 2, increased the state special education appropriation by \$1.4 million over the biennium over the present law level. The new appropriation will be \$33.9 million in each year of the biennium. Increasing the special appropriation will have the effect of increasing BASE aid to schools by an additional \$0.3 million.

Property Tax Bills - Five bills substantially impacted the property tax base on which school districts rely for property tax revenue and motor vehicle revenue. For three of the bills, school districts will receive reimbursements from the state. For two of the bills, only partial reimbursements will be made, and school districts may have to increase mill levies if they are to fully recoup revenue.

Senate Bill 184 authorized reimbursements to school districts for motor vehicle losses and Guaranteed Tax Base (GTB) enhancement. The reimbursements for motor vehicle revenue losses associated with the tax rate reduction on light vehicles (SB260) will be made by OPI during fiscal 2001 in the amount of \$2.2 million. The GTB enhancement (or BASE Aid increase) is \$2.0 million, will occur in fiscal 2000, and is associated with the "reshuffling" of the tax base, which will occur as a result of the tax rate reductions for: 1) business equipment and livestock (SB200); 2) electrical generating property (HB174); 3) telecommunications property (HB128); 4) residential and commercial real estate (SB184).

(See Public School Funding, or Tax Policy Legislation in the Overview for a complete description of these bills)

School Facility Reimbursements - The legislature increased the amount of state aid devoted to school facility construction. Under the school facility reimbursement program, the state reimburses school districts for a portion of their facility construction debt costs. The state has established a formula in statute for providing payments to low wealth districts to assist with debt service payments on district bonds sold after July 1, 1991. The amount spent by the state in fiscal 1999 was \$3.0 million and will be increased by \$500,000 in fiscal 2000, and by \$1,000,000 in fiscal 2001.

Funding

Table 4 is a complete listing of appropriations by fund type included in the Distribution to Schools program. The table also includes funding appropriated in SB 100 and all appropriations for BASE aid in SB 184.

Table 4
Distribution To Schools By Program

Budget Item	Base	PL Base	New	Total			Total	PL Base	New	Total		
	Budget	Adjustments	Proposals	HB 2	SB 100	SB 184	All Sources	Adjustments	Proposals	HB 2	SB 100	All Sources
	1998	Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001	Fiscal 2001	Fiscal 2001
General Fund Appropriation												
Direct State Aid	\$274,987,243	(\$3,452,201)	\$0	\$271,535,042	\$13,315,722		\$284,850,764	(\$7,708,689)	\$0	\$267,278,554	\$23,190,710	\$290,469,264
GTB	118,722,462	(2,179,803)	93,367	116,636,026	(1,017,844)	1,980,000	117,598,182	(4,424,629)	661,404	114,959,237	(645,137)	114,314,100
Retirement GTB	19,257,993	0	0	19,257,993			19,257,993	0	0	19,257,993		19,257,993
Special Education	32,405,137	82,030	487,100	32,974,267	925,582		33,899,849	82,030	981,715	33,468,882	430,967	33,899,849
Transportation	10,309,950	400,000	0	10,709,950			10,709,950	500,000	0	10,809,950		10,809,950
In-state Treatment	759,286	215,610	0	974,896			974,896	215,610	0	974,896		974,896
School Facility Reimbursement	2,500,000	500,000	500,000	3,500,000			3,500,000	500,000	1,000,000	4,000,000		4,000,000
Timber Harvest	1,504,912	135,086	0	1,639,998			1,639,998	255,087	0	1,759,999		1,759,999
Secondary Vocational Ed	649,997	65,003	0	715,000			715,000	65,000	0	714,997		714,997
Adult Basic Ed	250,000	0	0	250,000			250,000	0	0	250,000		250,000
Gifted & Talented	138,133	11,866	0	149,999			149,999	11,867	0	150,000		150,000
Montana Science Institute Grant	0	0	0	0			0	0	0	0		0
Improving Montana Schools	0	0	0	0			0	0	0	0		0
School Food	648,645	0	0	648,645			648,645	0	0	648,645		648,645
School District Audit Filing Fee	133,975	4,024	0	137,999			137,999	8,160	0	142,135		142,135
Total General Fund	\$462,267,733	(\$4,218,385)	\$1,080,467	\$459,129,815	\$13,223,460	\$1,980,000	\$474,333,275	(\$10,495,564)	\$2,643,119	\$454,415,288	\$22,976,540	\$477,391,828
State Special Revenue:												
Traffic Safety Distribution	\$1,000,000	\$3	\$0	\$1,000,003			\$1,000,003	\$3	\$0	\$1,000,003	\$0	\$1,000,003
Federal Special Revenue:												
ESEA Title II Eisenhower Prof. Development	\$1,440,097	\$268,312	\$0	\$1,708,409			1,708,409	\$268,312	\$0	\$1,708,409		\$1,708,409
ESEA Title IV Safe & Drug-Free Schools	1,966,875	0	0	1,966,875			1,966,875	0	0	1,966,875		1,966,875
ESEA Title I	27,122,243	774,937	0	27,897,180			27,897,180	774,937		27,897,180		27,897,180
ESEA Title VI	1,322,279	257,214	0	1,579,493			1,579,493	257,214	0	1,579,493		1,579,493
IDEA	9,532,510	4,452,214	0	13,984,724			13,984,724	6,948,062	0	16,480,572		16,480,572
Adult Basic Education	951,823			951,823			951,823			951,823		951,823
Carl Perkins	2,791,310		0	2,791,310			2,791,310	0		2,791,310		2,791,310
School Food	16,364,560			16,364,560			16,364,560			16,364,560		16,364,560
ESEA Title III Technology Literacy	844,994	1,577,506		2,422,500			2,422,500	1,577,506		2,422,500		2,422,500
Comprehensive School Reform	0		554,925	554,925			554,925		663,061	663,061		663,061
New Teachers for Reduced Class Size	0		5,630,000	5,630,000			5,630,000		0	0		0
School-to-Work	0		2,720,000	2,720,000			2,720,000		2,340,000	2,340,000		2,340,000
Misc School District Grants	<u>397,914</u>	<u>20,239</u>		<u>418,153</u>			<u>418,153</u>	<u>20,239</u>	<u>0</u>	<u>418,153</u>		<u>418,153</u>
Total Federal Special Revenue	\$62,734,606	\$7,350,422	\$8,004,925	\$78,089,952	\$0	\$0	\$78,089,952	\$9,846,270	\$3,003,061	\$75,589,036	\$0	\$75,589,036
Total HB 2 Distributions to Public Schools	\$526,002,338	\$3,132,040	\$9,985,392	\$539,119,770	\$13,223,460	\$1,980,000	\$554,323,230	(\$649,291)	\$5,646,180	\$530,999,227	\$22,976,540	\$553,975,767

Present Law Adjustments		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001	Fiscal 2001
Present Law Description		FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
Statewide Present Law							
Personal Services				0			0
Total Statewide Adjustments				\$0			\$0
Present Law Adjustments							
2	School Facility Payments	.00	500,000	500,000	.00	500,000	500,000
8	Transportation Aid	.00	400,000	400,000	.00	500,000	500,000
10	Timber Harvest for Technology	.00	135,088	135,088	.00	255,088	255,088
12	Adjustment K-12 BASE Aid	.00	(5,632,004)	(5,632,004)	.00	(11,661,009)	(11,661,009)
13	Federal Grant Awards	.00	0	7,350,420	.00	0	9,846,268
14	Biennial Appropriations	.00	309,511	309,511	.00	309,511	309,511
15	School District Audit Filing Fee	.00	4,025	4,025	.00	8,160	8,160
31	Secondary Vocational Education	.00	65,000	65,000	.00	65,000	65,000
Total PL Adjustments		.00	(\$4,218,380)	\$3,132,040	.00	(\$10,023,250)	(\$176,982)
Present Law Adjustments Total				\$3,132,040			(\$176,982)

Present Law Adjustments

The table above shows the changes made by the legislature to the adjusted base budget. Statewide adjustments are standard categories of adjustments globally applied by the legislature to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

DP 2 - School Facility Payments - The legislature approved this general fund appropriation, which continues the funding for the school facility reimbursement project at the fiscal 1999 level. The 1997 legislature funded this program in HB 47 and appropriated \$2.5 million in fiscal 1998 and \$3.0 million in fiscal 1999. The reimbursement is made to low-wealth schools with the following goals: 1) to ensure the safety of students in public schools by promoting safe school facilities; and 2) to promote a measure of taxpayer fairness by subsidizing mill levies for repayment of school bonds in low property wealth school districts.

DP 8 - Transportation Aid - The legislature increased general fund as a restricted appropriation to provide funding for K-12 school transportation. School districts providing student transportation between home and school in excess of three miles are entitled to a state statutory reimbursement based upon rate per mile, bus size, and occupancy, in accordance with the payment schedules set forth in Sections 20-10-141, 20-10-142 and 20-15-145, MCA.

DP 10 - Timber Harvest for Technology - The legislature increased general fund appropriation authority to expand technology acquisition with timber harvest revenues from state school lands. The 1995 legislature enacted HB 201, which designated revenues from increased timber harvests on state school lands for aid to school districts for technology acquisition. Funds from this revenue source can be used to purchase, repair, and provide maintenance for equipment and to provide technology training of school district personnel. The legislature restricted this appropriation to this purpose and designated it a one-time-only appropriation.

DP 12 - Adjustment K-12 BASE Aid - The legislature approved funding to support adjustments for enrollment. Total ANB in fiscal 2000 decreases by 19 to 159,592. In fiscal 2001, the total ANB decreases by 600 to 156,715.

DP 13 - Federal Grant Awards - The legislature approved appropriation authority for anticipated increases in existing federal grants. All of the grant awards are flow-through funds to be distributed to the school districts.

Title I includes specific grants that provide financial assistance to local education agencies to meet the special education needs of educationally deprived children. The act is targeted for school attendance areas with high concentrations of

children from low-income families and for children in local institutions for neglected or delinquent children. Title I grants additionally provide funding for capital expenditures.

Title II grants fund the Eisenhower professional development project, which provides funding to strengthen the economic competitiveness and national security of the country by improving the skills of teachers and quality of instruction in mathematics and science.

Title III is the technology and literacy challenge grant and provides funding for technology education and acquisitions. This grant provides money to each state for competitive grants to school districts with high rates of poverty.

Title VI is the improving schools grant and provides funding to implement promising educational programs that can be supported with state and local funds after those programs have been demonstrated to be effective.

The McKinney Homeless grants provide funding to ensure that homeless children and youths enroll in, attend, and achieve in school.

The IDEA B grants support special education and school improvement projects for students with disabilities. The grants also provide financial assistance to state and local education agencies in meeting training needs of personnel working with students with disabilities.

DP 14 - Biennial Appropriations - The legislature increased general fund for the four project areas: 1) in-state treatment, \$215,610; 2) gifted and talented, \$11,867; 3) special education, \$82,031; and 4) secondary vocational education, \$3. These increases will bring annual funding to one-half of the amounts appropriated as a biennial appropriation in the 1999 biennium.

DP 15 - School District Audit Filing Fee - This adjustment increases general fund for school district audit filing fees. This increase will allow school districts to pay for audit filing fees in accordance with the Department of Commerce's fee schedule, which is based upon school district revenues. Payment of this fee from OPI to the Department of Commerce is required by Section 2-7-514 (2), MCA. This increase assumes district revenues statewide would increase an average of 3 percent each year.

DP 31 - Secondary Vocational Education - The legislature appropriated \$130,000 general fund as a restricted biennial appropriation to increase funding for secondary vocational education by 10 percent.

New Proposals		Fiscal 2000	Fiscal 2000	Fiscal 2000	Fiscal 2001	Fiscal 2001
Description	FTE	General Fund	Total Funds	FTE	General Fund	Total Funds
1 K-12 BASE Aid and Special Education	.00	580,467	580,467	.00	1,170,810	1,170,810
6 School Facility Payments	.00	500,000	500,000	.00	1,000,000	1,000,000
7 School to Work (09)	.00	0	2,720,000	.00	0	2,340,000
9 Comprehensive School Reform (09)	.00	0	554,925	.00	0	663,061
17 New teachers for reduced class size	.00	0	5,630,000	.00	0	0
Total New Proposals	.00	\$1,080,467	\$9,985,392	.00	\$2,170,810	\$5,173,871

New Proposals

DP 1 - K-12 BASE Aid and Special Education - The legislature approved new general fund appropriation authority for special education. The appropriation represents a 1.5 percent increase per year. State general fund spending for special education increases by \$487,100 in fiscal 2000 and by \$981,715 in fiscal 2001. As a result of an increase in special education general tax base (GTB) increases by \$93,367 in fiscal 2000 and \$189,095 in fiscal 2001.

DP 6 - School Facility Payments - The legislature approved new general fund authority to expand the payments to school districts for school facility reimbursement. As a part of school funding equalization, the state makes payments to low-

wealth school districts for debt service payments for school facilities. New bonds are issued by qualifying school districts each year. This is an increase of \$500,000 in fiscal 2000 and \$1,000,000 in fiscal 2001 to extend the aid to school districts for new facilities.

DP 7 - School to Work (09) - The legislature appropriated new federal special revenue appropriation authority to fund a new federally funded school-to-work project. The state's school-to-work plan provides a framework for school-based learning, work-based learning, and connecting activities, based on high standards and the integration of academic and vocational education. Within the scope of the project, it is up to the communities throughout the state to determine how best to use their local resources to develop systems in their communities.

DP 9 - Comprehensive School Reform (09) - The legislature appropriated new federal funding authority to provide for the distribution of federal Comprehensive School Reform Demonstration funds to school districts. The federal funding may be used by school districts to implement school reform model programs that are based on reliable research and effective practices. The program is designed to assist those schools that need to substantially improve student achievement, particularly those schools eligible for Elementary and Secondary Education Act (ESEA) Title I funds. The majority of these funds (95 percent) will be distributed to Montana school districts through a competitive grant process administered by OPI. Provisions of the grant state OPI may use 5 percent of the funding for administrative costs and technical assistance.

DP 17 - New teachers for reduced class size - This new proposal provides new federal funding of \$5.63 million in fiscal 2000 to reduce class sizes. Congress has approved a new program to reduce class sizes by providing support for local districts to hire new teachers. In accordance with federal mandates, the Office of Public Instruction must distribute 100 percent of the funds received to local education agencies, allocating 80 percent by poverty and 20 percent by population. School districts must use the funds to reduce class size by recruiting, hiring and training certified regular and special education teachers. Particular consideration must be given to reducing class size in the early elementary grades. Districts that have already reduced class size in grades 1-3 to 18 or fewer students may use the funds to add special education teachers, further reduce class size in grades 1-8, reduce class size in kindergarten or other grades, or carry out professional development activities.

Language

"The office of public instruction may distribute funds from the appropriation in item [instate treatment] to public school districts for the purpose of providing educational costs of day-treatment services."

"Items [all general funds and all federal funds] are biennial appropriations."

"Item [Timber Harvest for Technology] is for school technology as provided in 20-9-534. The amount expended may not exceed the amount paid into the general fund under the provisions of 20-9-343(3)(a)(ii)."