

Agency Budget Comparison

The following table summarizes the total legislative budget 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	157.36	157.36	165.86	165.86	157.36	165.86	8.50	5.40%
Personal Services	9,072,595	10,455,159	10,232,103	10,328,494	19,527,754	20,560,597	1,032,843	5.29%
Operating Expenses	13,490,967	11,748,162	15,444,239	19,870,911	25,239,129	35,315,150	10,076,021	39.92%
Equipment & Intangible Assets	50,426	59,212	50,426	50,426	109,638	100,852	(8,786)	(8.01%)
Local Assistance	634,042,814	656,324,066	632,588,914	634,306,281	1,290,366,880	1,266,895,195	(23,471,685)	(1.82%)
Grants	126,371,496	159,608,650	138,801,424	143,126,424	285,980,146	281,927,848	(4,052,298)	(1.42%)
Total Costs	\$783,028,298	\$838,195,249	\$797,117,106	\$807,682,536	\$1,621,223,547	\$1,604,799,642	(\$16,423,905)	(1.01%)
General Fund	642,761,421	666,049,445	641,254,571	643,057,619	1,308,810,866	1,284,312,190	(24,498,676)	(1.87%)
State Special	957,495	991,734	984,295	985,051	1,949,229	1,969,346	20,117	1.03%
Federal Special	139,309,382	171,154,070	154,878,240	163,639,866	310,463,452	318,518,106	8,054,654	2.59%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$783,028,298	\$838,195,249	\$797,117,106	\$807,682,536	\$1,621,223,547	\$1,604,799,642	(\$16,423,905)	(1.01%)

Agency Description

Mission Statement: It is the mission of the Office of Public Instruction to improve teaching and learning through communication, collaboration, advocacy, and accountability to those we serve.

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction (OPI) provides distribution of funding and services to Montana's school-age children and to teachers in approximately 431 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, including the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system.

Agency Highlights

Office of Public Instruction Major Budget Highlights
<p>The legislature utilized a mix of state money and federal stimulus money to fund OPI and K-12. The legislature:</p> <ul style="list-style-type: none"> ♦ in HB 676, statutorily increased the basic and per-ANB entitlements by 1 percent in FY 2010 and by 3 percent in FY 2011. The funding for the majority of this increase was made from federal stabilization dollars; ♦ funded on a one-time-only basis an additional 2 percent per year in the basic and per-ANB entitlements utilizing federal stabilization dollars in HB 645, for a total of 3 percent per year increase; and ♦ funded most other elements of K-12 at FY 2008 levels except for special education, HB 124 block grants, and the at-risk payment. The at-risk payment was cut from \$10 million for the biennium to \$2. <p>In total for both HB 2 and HB 645, the appropriations for K-12 for the 2011 biennium increases by \$224.0 million compared with double the FY 2008 base. Of this increase \$177.2 million is appropriated to OPI and \$46.8 million is appropriated to the Department of Commerce. This comparison is misleading since the legislature appropriated \$42.5 million in one-time-only funds to OPI for K-12 in FY 2008, which is not counted in the \$224 million comparison</p>

HB 2 Budget Highlights
<p>HB 2 appropriated \$1.2 million less in general fund to OPI for K-12 than was actually spent in the doubled FY 2008 base. The Base Aid increase that funded the increase in the basic and per-ANB entitlements (\$47.0 million) was offset by a \$40.4 million reduction in Base Aid in HB 2 that was paid for with \$40.4 million in federal stabilization dollars in HB 645. Also offsetting the \$47.0 million increase in Base Aid was a decrease of \$10 million in at risk dollars. In addition HB 2 added \$1.9 million in HB 124 block grants, and \$224,000 in a new program to advance agricultural education in Montana.</p> <p>All other elements of general fund K-12 funding in HB 2 were appropriated at FY 2008 levels.</p> <p>HB 2 also appropriated an additional \$29.2 million in traditional federal funding compared to double the FY 2008 base.</p>
HB 645 Budget Highlights
<p>HB 645 appropriated:</p> <ul style="list-style-type: none"> ◆ \$40.4 million in federal stabilization dollars to pay for a portion of the Base Aid increase associated with a 1 percent increase in the basic and per-ANB entitlements in FY 2010 and the 3 percent increase in FY 2011. ◆ an additional \$21.7 million in federal stabilization dollars for Base Aid to OPI for school districts on a one-time-only basis, which represents an additional 2 percent increase in the basic and per-ANB entitlements in each year of the 2011 biennium. ◆ \$2.4 million biennial to OPI for special education. ◆ \$84.6 million biennial to OPI out of federal stimulus funds. ◆ \$34.8 million biennial to K-12 for deferred maintenance and energy efficiency grants. The money was appropriated to the Department of Commerce, not OPI. \$20 million is to be distributed by formula (the quality educator payments) and the remainder is to distributed to districts on the basis of need as determined by the Department of Commerce through a granting process. <p>HB 152 appropriated \$12 million to school districts for facilities enhancement, and will also be distributed to schools on the basis of need as determined by the Department of Commerce through a granting process.</p>

Summary of Legislative Action

The Office of Public Instruction 2011 biennial budget decreases 1 percent or \$16.4 million when compared to the 2009 biennium. The majority of the decrease is the result of the interplay between HB 2 and HB 645, the bill to implement the federal stimulus package.

Total 2011 Biennium Legislative Appropriations (HB 2, HB 13, HB 645)

The legislative budget for OPI is funded from three appropriation bills – HB 2, HB 13, the pay plan bill, and HB 645. Figure 1 compares the legislative budget in the 2009 biennium to the total legislative budget approved in HB 2, HB 13 and HB 645.

Figure 1
Office of Public Instruction
Biennial Budget Comparision
Total Legislative Apropriation (HB 2, HB 13 and HB 645)

	General Fund	State Special	Federal Special	Total
<u>2009 Biennium</u>				
FY 2008 Base Budget	\$642,761,421	\$957,495	\$139,309,382	\$783,028,298
FY 2009 Adj. Approp	<u>666,049,445</u>	<u>991,734</u>	<u>171,154,070</u>	<u>838,195,249</u>
Total 2009 Biennium	<u>\$1,308,810,866</u>	<u>\$1,949,229</u>	<u>\$310,463,452</u>	<u>\$1,621,223,547</u>
<u>2011 Biennium</u>				
HB 2 - Ongoing	\$1,284,204,204	\$1,964,633	\$318,359,251	\$1,604,528,088
HB 645 - Ongoing -Inflationary Increases w/ 1% and 3%	0	0	40,393,176	40,393,176
HB 645 - One-time- only - 2% Inflationary Increase	0	0	21,710,627	21,710,627
HB 645 - One-time- only - Additional Appropriations	2,517,528	0	85,662,839	88,180,367
HB 13 Pay Plan - Ongoing	92,174	3,580	129,965	225,719
HB 13 Pay Plan - One-time-only	<u>15,812</u>	<u>1,133</u>	<u>28,890</u>	<u>45,835</u>
Total Legislative Appropriation to OPI	<u>\$1,286,829,718</u>	<u>\$1,969,346</u>	<u>\$466,284,748</u>	<u>\$1,755,083,812</u>
Biennial Comparison	(\$21,981,148)	\$20,117	\$155,821,296	\$133,860,265
% Change	-1.68%	1.03%	50.19%	8.26%

OPI's budget increases 8.3 percent when comparing total appropriations of \$1.755 billion in HB 2, HB 13, and HB 645 in the 2011 biennium to total funds in the 2009 biennium of \$1.621 billion. \$68.6 million of the increase supports the FY 2009, FY 2010, and FY 2011 school funding inflationary increases. In addition, school districts in Montana will receive approximately \$85.7 million in additional federal resources in HB 645 in the 2011 biennium to address the educational needs of at-risk students and children with disabilities that impact their ability to learn. The challenge for the school districts will be utilizing the one-time-only federal funding received in the American Recovery and Reinvestment Act of 2009 (ARRA) in a manner that will not incur budgetary constraints in the 2013 biennium.

Of the \$68.6 million approved for inflationary increases, \$48.5 million was for increases to the basic and per-ANB (average number belonging) entitlements of the school funding formula of 3 percent in FY 2010 and an additional 3 percent in FY 2011. In addition, the legislature approved \$20.1 million in inflationary adjustments to bring the FY 2008 expenditures up to the FY 2009 funding rates. General fund support of \$26.8 million for 1 percent of the adjustment in FY 2010 and 3 percent in FY 2011 and \$20.1 million for the FY 2009 adjustments were appropriated in HB 2. However, the legislature approved language in HB 645 reducing general fund support for these inflationary increases in HB 2 by \$40.4 million and using federal stimulus funds to support these costs. The general fund reductions included in HB 645 language are accounted for in the amount of the HB 2 funding above. As a result, the general fund support for OPI decreases between the 2009 biennium and the 2011 biennium while federal fund support increases significantly.

HB 645 also provides \$21.7 million one-time-only federal funds for the remaining 2 percent of the inflationary increases for basic and per-ANB entitlements. The reductions included in HB 2 do not result in reduced support for school districts in the 2011 biennium, but merely changes the funding source of the inflationary adjustments in the 2011 biennium.

Impacts on OPI's 2013 Biennium Budget

As discussed above, 2 percent of the inflationary increases approved in FY 2010 were on a one-time-only basis while the remaining 1 percent and 3 percent in FY 2010 and FY 2011, respectively, were approved as ongoing appropriations. Ongoing appropriations are included in the budget base for the following biennium while one-time-only appropriations are not.

Figure 2 shows the projected impacts of the general fund reductions included in HB 2 and the resulting present law adjustment needed for the 2013 biennium budget. The figure estimates the:

- 2013 biennium budget base
- inflationary increases for components of the school funding formula for the 2013 biennium
- adjustments to continue the at-risk component of the school funding formula at \$5 million each year
- costs of reinstating the FY 2009 maintenance of effort for federal special education funds at \$1.2 million each year

These costs are compared to the 2011 legislative budget to show the impacts of the general fund shift to federal funds contained in HB 645.

Language included in HB 645 allows the \$40.4 million of federal funds supporting inflationary increases in the 2011 biennium to be included in OPI's present law base for the 2013 biennium in the general appropriations act.

Figure 2 Office of Public Instruction Impact on 2013 Biennium Budget				
Item	General Fund	State Special	Federal Special	Total Funds
<u>2011 Biennium</u>				
HB 2 - Ongoing	\$1,284,204,204	\$1,964,633	\$318,359,251	\$1,604,528,088
HB 645 - Ongoing - Inflationary Increases w/ 1% and 3%	0	0	40,393,176	40,393,176
HB 645 - One-time- only - 2% Inflationary Increase	0	0	21,710,627	21,710,627
HB 645 - One-time- only - Additional Appropriations	2,517,528	0	85,662,839	88,180,367
HB 13 Pay Plan - Ongoing	92,174	3,580	129,965	225,719
HB 13 Pay Plan - One-time-only	15,812	1,133	28,890	45,835
Total Legislative Appropriation to OPI	<u>\$1,286,829,718</u>	<u>\$1,969,346</u>	<u>\$466,284,748</u>	<u>\$1,755,083,812</u>
<u>2013 Biennium</u>				
HB 2 Ongoing	\$1,284,204,204	\$1,964,633	\$318,359,251	\$1,604,528,088
HB 13 Pay Plan - Ongoing	92,174	3,580	129,965	225,719
HB 645 Ongoing	40,393,176	0	0	40,393,176
Inflationary Increases	84,679,303	0	0	84,679,303
At-risk school funding formula component	9,999,998	0	0	9,999,998
Special Education Maintenance of Effort	2,467,528	0	0	2,467,528
Total 2013 Biennium Budget	<u>\$1,421,836,383</u>	<u>\$1,968,213</u>	<u>\$318,489,216</u>	<u>\$1,742,293,812</u>
Biennial Comparison	\$135,006,665	(\$1,133)	(\$147,795,532)	(\$12,790,000)
Biennial Change	10.49%	-0.06%	-31.70%	-0.73%

As shown in the figure, the overall present law base is estimated to be \$12.8 million less in the 2013 biennium than in the 2011 biennium due to the effect of the one-time-only federal appropriations. The impact on the general fund for the 2013 biennium is significant, increasing \$135 million when compared to the support provided in the 2011 biennium. \$40.4 million of the increase is due to the legislative decision to shift the costs of the 2011 biennium inflationary increases to federal funds requiring a shift back to general fund in the 2013 biennium. Inflationary increases for the 2013 biennium are calculated at 2.88 percent in FY 2012 and 2.14 percent in FY 2013 at a cost of \$84.7 million over the biennium.

Additional HB 2 Legislative Action

The legislature also approved the following present law adjustments for the K-12 distribution program for OPI in HB 2:

- The guarantee account provides statutory appropriations of interest and income generated on state lands from the Common School Trust to support school districts. Increases to general fund were provided to offset decreases in support provided from interest and income in the guarantee account. Revenue available for Base Aid from interest and income on state lands relative to the amount spent in FY 2008 is a reduction of \$353,351 over the biennium, resulting in a like increase in general fund
- HB 124 increases adds \$1.9 million to increase HB 124 block grants by 0.76 percent each year of the 2011 biennium as prescribed by current law

- Recognition of additional federal funds adds \$29.2 million relative to the amount of federal funds spent in FY 2008. The majority of the increase is in school funds, Title 1 and IDEA funds. The federal Omnibus Appropriations Act of 2009 added \$8.5 million to Montana's share of federal dollars for these three programs
- In HB 645, there is a present law adjustment of \$1.2 million per year for special education to bring the appropriation to FY 2009 levels to satisfy maintenance of effort requirements

The legislature also approved an additional new proposal for the K-12 distribution program for OPI. The at-risk component of the funding formula is allocated to 73 percent of the school districts using the same percentage the school districts receive of federal Title I funds. Unlike other components of the school funding formula, the at-risk payment is by statute the amount of the appropriation approved by the legislature. The legislature reduced the at-risk component of the funding formula by \$9,999,998 in general fund, leaving an appropriation of \$1 each year of the biennium.

The legislature also reduced general fund support for the State Level Activities Program through an unspecified general fund reduction of 2 percent or \$371,676. The legislature further reduced general fund support by \$600,000 to eliminate support for one-time only costs related to the K-12 data system included in the base funding by the executive and \$130,000 for NORM reference tests that are no longer required under either the federal No Child Left Behind Act or the Board of Public Education standards. Vacancy savings were increased from 4 percent to 7 percent over the biennium reducing overall funding support for personal services by \$595,566 over the biennium.

Increases for audiological services, increased federal grant awards, teacher stipends, administrative costs for federal Individuals with Disabilities Education Act (IDEA) funding, and personal services included in HB 13 were also approved in the State Level Activities Program.

Agency Discussion

Further discussion of the additional funds available due to the federal stimulus bill is included in the Other Legislation section of this narrative.

Recommendations to the Legislative Finance Committee (LFC)

The Joint Appropriations Subcommittee on Education recommends that the LFC monitor a 2011 biennium goal related to curriculum specialists in the Office of Public Instruction that was followed during the 2009 biennium. The Joint Appropriations Subcommittee on Education recommends that the LFC and the Office of Public Instruction determine the performance measurements for the 2011 biennium goal and the Office of Public Instruction report on progress on the performance measurements to the LFC.

In previous biennia, the Education and Local Government Interim Committee formed a Joint Subcommittee on Postsecondary Education Policy and Budget that developed shared policy goals and accountability measures with the Montana University System. Two resolutions passed by the legislature recommend expanding this process to the K-12 education system and the education system from kindergarten through graduate school. HJ 6 urges the Board of Public Education and Superintendent of Public Instruction to work with the Education and Local Government Interim Committee to develop K-12 shared policy goals and accountability measures that can be used by the legislature and education community to evaluate progress toward the goals and to guide future funding decisions for the public education system in Montana.

SJ 8 also recommends that shared policy goals and accountability measures be developed for K-20 education (education provided in kindergarten through graduate school). The bill includes improving affordability and availability of distance learning, reducing the remediation rate of students entering Montana's postsecondary education system, and improving the dual enrollment process as goals and measures that may be included.

Quick start energy grants are appropriated in HB 645 and discussed in the Other Legislation narrative. Grants made under this program are to be reviewed by the LFC.

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2011 Biennium Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
06 State Level Activities	\$ 18,380,095	\$ 469,346	\$ 38,134,218	\$ 56,983,659	3.55%
09 Local Education Activities	1,265,932,095	1,500,000	280,383,888	1,547,815,983	96.45%
Grand Total	<u>\$ 1,284,312,190</u>	<u>\$ 1,969,346</u>	<u>\$ 318,518,106</u>	<u>\$ 1,604,799,642</u>	<u>100.00%</u>

The Office of Public Instruction is funded by general fund; state special revenues from the fees and reimbursements in the school lunch program, the traffic and safety education, and professional educator preparation courses; federal special revenues for a variety of programs; and proprietary funds generated from the D.R.I.V.E program and indirect cost reimbursements.

The funding in the guarantee account is statutorily appropriated to local school districts and as a result is not included in HB 2. All distributable income and interest on the common school trust is deposited into the account. The guarantee account is used to pay for direct state aid to local school districts. If revenues from the common school trust increase, the amount of aid paid for by the general fund decreases. In the 2011 biennium, the support provided through the guarantee account is estimated to be \$107,959,347.

Budget Summary by Category

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

Budget Summary by Category								
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	642,761,421	642,761,421	1,285,522,842	100.09%	783,028,298	783,028,298	1,566,056,596	97.59%
Statewide PL Adjustments	552,796	597,807	1,150,603	0.09%	1,041,649	1,110,468	2,152,117	0.13%
Other PL Adjustments	18,070,764	30,963,331	49,034,095	3.82%	31,636,062	49,118,036	80,754,098	5.03%
New Proposals	(20,130,410)	(31,264,940)	(51,395,350)	(4.00%)	(18,588,903)	(25,574,266)	(44,163,169)	(2.75%)
Total Budget	\$641,254,571	\$643,057,619	\$1,284,312,190		\$797,117,106	\$807,682,536	\$1,604,799,642	

Other Legislation

HB 645 – Implements the American Reinvestment and Recovery Act of 2009 (ARRA). Under ARRA Montana's public education system receives appropriations from enhanced federal grants and the State Fiscal Stabilization Fund (SFSF). The Office of Public Instruction receives:

- Enhanced federal appropriations of \$85.7 million over the biennium for districts to support services to at-risk or disadvantaged students and special education services for children identified as having a disability which requires educational accommodations to assist in the child's learning.
- Federal funding support from the SFSF. Total funds in the ARRA for SFSF are \$148.6 million. 81.8 percent of the funds or \$121.6 million is allocated for elementary or secondary funding as well as support for higher education. Under ARRA, funds from the SFSF must be first be used to help restore FY 2010 and FY 2011 support to K-12 public education to the greater of FY 2008 or FY 2009 funding levels. The funds must also be used to allow existing state formula increases to support elementary and secondary education in FY 2010 and FY 2011 and allow funding for phasing in state equity and adequacy adjustments. The legislature provided \$62.1 million of SFSF in HB 645 to support basic and per-ANB entitlement inflationary increases included in the state's primary funding formula for public education.
- Freed up general fund of \$2.4 million for special education maintenance of effort requirements and \$50,000 for deferred maintenance and energy efficiency projects for the Montana Learning Center.

The following table summarizes the funding for OPI appropriated in HB 645.

Total Agency Funding 2011 Biennium Budget				
Agency Program	General Fund	Fed Spec.	Grand Total	Total %
06 State Level Activities	\$ 50,000	\$ 1,066,819	\$ 1,116,819	0.74%
09 Local Education Activities	2,467,528	146,699,823	149,167,351	99.26%
Grand Total	\$ 2,517,528	\$ 147,766,642	\$ 150,284,170	100.00%

Purpose of the Funds

According to the federal Department of Education, included in the ARRA are funds that should be used to improve student achievement, close the achievement gap, help students from various backgrounds achieve high standards, and address four specific areas:

- 1) Making progress toward rigorous college and career-ready standards and high-quality assessments that are valid and reliable for all students, including English language learners and students with disabilities;
- 2) Establishing pre-K to college and career data systems that track progress and foster continuous improvement;
- 3) Making improvements in teacher effectiveness and in the equitable distribution of qualified teachers for all students, particularly students who are most in need; and
- 4) Providing intensive support and effective interventions for the lowest-performing schools.

The Department of Education recommends the funds be used to make short-term investments with the potential for long-term benefits, rather than making ongoing commitments that are not sustainable once the recovery funds are expended. Included in examples of allowable uses of recovery funds are:

- a. Establish a system for identifying and training highly effective teachers to serve as instructional leaders in Title I school-wide programs and modify the school schedule to allow for collaboration among the instructional staff
- b. Establish an intensive, year-long teacher training for all teachers and the principal in Title I elementary schools in restructuring status in order to train teachers to use new reading curriculum that aggressively works on improving students' oral language skills and vocabulary
- c. Provide new opportunities for Title I school-wide programs for secondary school students to use high-quality online courseware as supplemental learning materials for meeting mathematic and science requirements
- d. Use longitudinal data systems to drive continuous improvement efforts focused on improvement to Title I schools
- e. Provide professional development to teachers in Title I schools targeted assistance programs
- f. Use reading or mathematics coaches to provide professional development to teachers in Title I targeted assistance programs
- g. Establish fiscally sustainable extended learning opportunities for Title I-A eligible students in targeted assistance programs, including activities provided before school, after school, during the summer, or over an extended school year

Statutory Changes

HB 645 makes the federal stabilization funds the first source of funding for Base Aid to school districts. It also allows payment by state and local sources of retirement costs for school district employees whose salary or health care is paid for with stabilization funds. Retirement costs of employees paid with other federal funds will continue to be paid for out of federal funds.

Conditions and Limitations

The following figure shows the enhanced federal appropriations provided by the legislature in HB 645.

Office of Public Instruction Enhanced Federal Grants Included in HB 645 2011 Biennium			
	Distribution to School Districts	OPI Administration	Total
Title I, Part A	\$34,234,200	\$415,800	\$34,650,000
IDEA, Part B	36,708,056		36,708,056
IDEA, Part B Preschoolers	1,260,947		1,260,947
Title I - School Improvement	8,894,850	468,150	9,363,000
Title II - D Education Technology	3,048,906	160,469	3,209,375
School Nutrition	247,461		247,461
McKinney - Vento	201,600	22,400	224,000
Total	<u>\$84,596,020</u>	<u>\$1,066,819</u>	<u>\$85,662,839</u>

Approximately half of the Title I, Part A funds and the IDEA, Part B funds or \$35.6 million were released by the federal Department of Education to Montana without application at the end of March 2009. The remaining \$35.7 million of the federal grants for these 2 programs will be made available between July 1 and September 30, 2009 if Montana submits an approvable application. The majority of the federal grants require the local school districts to meet the maintenance of effort requirements and to use the funds to supplement their efforts not supplant state of local funds.

73 percent of local school districts currently receive Title I, Part A funds which are distributed based on four separate formulas. The \$34.2 million in enhanced federal appropriations are to be distributed based on two of the four formulas. Currently 67 percent of districts receive these two formula grants – targeted and incentive grants that are used to distribute the ARRA Title I, Part A funds. The state is required by the Department of Education to reserve 4 percent or \$1.4 million of Title I, Part A funds for school improvement activities. At least 95 percent of the funds reserved for school improvements must be allocated to local school districts.

The bill includes \$36.7 million in enhanced federal appropriations for Individuals with Disabilities Education Act (IDEA), Part B programs. IDEA funds support educational services to students with a disability. IDEA, Part B funds are available only for the excess costs of providing special education and related services to children with disabilities. Local school districts may reduce the level of state and local expenditures by up to 50 percent of the additional federal funds they receive through the IDEA, Part B program as long as the freed-up funds are used for activities supported under the Elementary and Secondary Education Act. Under this regulation, local school districts could permanently reduce their maintenance of effort for special education. The federal Department of Education recommends local school districts use the freed up local funds to make progress on the goals of the SFSF and requires states to report on the uses of the freed up funds. In addition, the Department of Education has issued guidance that requires OPI to determine if school districts are meeting their performance plans for IDEA, Part B. Any districts not meeting targets are prohibited from reducing their maintenance of effort requirements for IDEA, Part B. OPI estimates 59 school districts in Montana will be unable to reduce maintenance of effort requirements. \$1.26 million of IDEA, Part B funds for preschoolers with disabilities ages 3 to 5 are included in HB 645. The funds are subject to the same requirements as IDEA, Part B funds for school age children.

The legislature also approved the following enhanced federal appropriations in HB 645:

- \$8.56 million for Title I-School Improvement Grants to local school districts who have failed to make adequate yearly progress under No Child Left Behind for 5 or more years
- \$3.049 million for Title II-D education technology funds dedicated to incorporation of technology into the classrooms

- \$247,461 for school nutrition programs, from which local school districts can apply to OPI for competitive grants for equipment purchases to update or enhance school meal programs
- \$224,000 for McKinney-Vento homeless assistance funds distributed based on applications from local school districts with homeless children attending their schools

Language included in HB 645 directs OPI as to the methodology for allocating and distributing the funding provided from SFSF funds for basic and per-ANB entitlements in both FY 2010 and FY 2011. In addition language allows the SFSF funding provided to support 1 percent and 3 percent of the inflationary increases to basic and per-ANB entitlements to be included in OPI's present law base for the 2013 biennium in the general appropriations act (HB 2).

Other Funds for School Districts Included in HB 645

Additional general fund of \$35 million is appropriated to the Department of Commerce (Commerce) for improvements to school facilities. \$20 million to school districts based upon the formula for distributing the quality educator payments and \$15 million for quick start energy grants. School districts must use the \$20 million for deferred maintenance on school facilities and for making energy efficiency improvements and must expend the funds by September 30, 2010. School districts must apply for quick start energy grants and request reimbursement for energy saving projects by September 30, 2009.

Under the quick start energy program any funds not obligated for reimbursements by September 30, 2009 are then used for the School Facilities Program Administration and Grants. HB 645 appropriates \$84,000 general fund to this program in addition to any unused funds from the Quick Start Energy Grant Program. The appropriations are to be used in the same manner provided in HB 152.

HB 2 and HB 645 Combined

The figure illustrates HB 2 and HB 645 combined. The first two columns show the appropriations in HB 2 and HB 645 side by side, and the third column shows the total funding for the agency from both bills. A detailed explanation of the impacts to the individual programs, including on-going funding and present law adjustments due to using one-time-only funding from HB 645 in existing programs is presented at the program level when applicable.

2011 Biennium HB 2 and HB 645 Combined Office of Public Instruction			
Fund	HB 2	One-time HB 645 Appropriations	2011 Biennium Revised Total
General Fund	\$1,284,312,190	\$2,517,528	\$1,286,829,718
State Special Revenues	1,969,346	0	1,969,346
Federal Special Revenues	318,518,106	147,766,642	466,284,748
Total Funds	<u>\$1,604,799,642</u>	<u>\$150,284,170</u>	<u>\$1,755,083,812</u>

As discussed in the Summary of Legislative Action Section, HB 645 language reduced \$40.4 million of general fund support for school funding inflationary increases in HB 2 and funded the inflationary increases with an equal amount of federal SFSF funding in HB 645. In all school districts receive 3 percent in FY 2010 for inflationary increases related to basic and per-ANB entitlements and 3 percent in FY 2011. A total of 4 percent (1 percent in FY 2010 and 3 percent in FY 2011) of the funding is included in the calculation of the base budget for the 2013 biennium.

HB 676 - Is the companion bill to HB 2 that implements provisions of the general appropriations act that are not appropriately contained in HB 2. In relation to OPI and school funding, HB 676 amends 20-9-306, MCA relating to the definitions of components of the school funding formula. Specifically, HB 676 increases basic entitlements as follows:

- High school districts – FY 2010 \$246,085 and FY 2011 and beyond \$253,468
- Elementary school districts, K-12 district elementary programs without approved and accredited junior high school, 7th and 8th grade program, or middle school – FY 2010 \$22,141 and FY 2011 and beyond \$22,805
- Approved and accredited junior high schools, 7th and 8th grade programs, or middle schools – FY 2010 \$62,704 and FY 2011 and beyond \$64,585

HB 676 also amends the per-ANB entitlements as follows:

- High school districts – FY 2010 \$6,097 and FY 2011 and beyond \$6,280
- Elementary school districts, K-12 district elementary programs without approved and accredited junior high school, 7th and 8th grade program, or middle school – FY 2010 \$4,763 and FY 2011 and beyond \$4,906
- 7th and 8th grades – FY 2010 \$6,097 and FY 2011 and beyond \$6,280

All amounts are for the first ANB, and funds are reduced by \$.50 per ANB up to the 800th ANB for high school districts and grades 7 and 8, and \$.20 per ANB up to the 1,000th ANB for elementary school districts.

HB 3 – Provides supplemental general fund appropriations for FY 2009. Included in the bill is \$360,000 for pupil transportation. Maximum reimbursement of mileage rates based on the size of bus is outlined in statute. Statute also outlines the maximum amount for individual transportation costs reimbursed to parents or guardians. The state is required by statute to pay ½ of the lesser of the costs of school bus mileage rates and individual transportation costs up or the district's transportation fund budget, whichever is smaller. In FY 2009, the state's costs for pupil transportation exceeded appropriations by \$360,000.

HB 152 – Creates the Quality Schools Facility Grant Program. The purpose of the legislation is to establish a mechanism to distribute grants to public school districts for school facility and technology projects from the school facility and technology account. The funds are to be used to assist schools in addressing major deferred maintenance, energy efficiency, critical infrastructure needs, emergency facility needs, and technological improvements. A listing of recommendations is made to the Governor and approved and authorized through legislative appropriations.

Funding for the school facility and technology account is generated through:

- Money equal to the income attributable to the difference between the average sale value of 18 million board feet and the total income produced from the annual timber harvest on common school trust lands during the fiscal year
- Mineral royalties transferred from the guarantee account
- Rental income received from power site leases starting in FY 2012

Beginning in FY 2010, of these amounts \$1 million a year is statutorily appropriated to OPI for grants for school technology purposes, based on the general fund base budget.

HB 459 – Creates the Montana Virtual Academy (academy) for the purposes of making distance learning opportunities available to all school-age children through public school districts; offering high-quality instructors and courses that are in compliance with educational and distance learning rules, standards, and policies; and emphasizing core subjects under the accreditation standards, offering advanced courses for dual credit, and offering enrichment courses. The Superintendent of Public Instruction is appointed as a member of the board designated to govern the academy.

HB 464 – Creates the advancing agriculture education in Montana program account in the state special revenue fund. Funds in the account must be used to address stability and improvements to agricultural education programs. Each agricultural program that completes the national quality program standard evaluation and submits a plan of improvement is to be paid \$500. Each agricultural program that submits a detailed budget to increase the quality of its program based on the plan of improvement may receive up to \$1,000. Each school that adds agriculture education to its curriculum and hires an endorsed agriculture education teacher must receive \$7,500. Program administrators in Bozeman and Helena must receive \$11,250 annually for the costs of providing one onsite visit to each participating school each year. \$224,000 in general fund for the 2011 biennial cost of the program was included in HB 2 for OPI.

HB 487 – This bill provides that implements and equipment that are rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also provides that farm implements of farm implement dealers and construction equipment of construction equipment dealers that are rented under purchase incentive rental programs that are brought into the state are not subject to property

taxation while they are under purchase incentive rental programs. The bill is effective for tax year 2009. This bill will increase GTB costs for K-12 by \$14,650 in FY 2010 only.

HB 562 – Allows a school district that has property subject to pending property tax protests to waive the district's right to receive its portion of the protested taxes upon settlement of the tax protest and provides that a district that waived its right to receive its portion of protested property taxes will have its guaranteed tax base determined on property value that does not include the value of the protested property. The effect of this bill is unknown.

HB 658 – provides for new tax rates and exemptions for class 3 (agricultural land), class 4 (residential and commercial real estate), and class 10 (timberland). These classes were subject to cyclical reappraisal, a process in which every six years the value of the property is reassessed. As a result of reappraisal, on average statewide, agricultural land rose 26.8 percent, residential property on average rose 55.1 percent, commercial property rose 34.5 percent, and timberland rose 51.7 percent. HB 658 set new statewide rates and exemptions so as to mitigate the value increases in each class statewide. However the distribution of value changes across school districts and the resulting taxable values after mitigation resulted in changed tax bases in many districts. These changes affected the amount of GTB owed by the state to districts. As a result of HB 658, GTB costs will be reduced in FY 2010 by \$577,699 and increased in FY 2011 by \$834,965. See Volume 2, Revenue Estimates for a more detailed review of HB 658.

HJR 6 – urges the Board of Public Education and the Superintendent of Public Instruction to work with the Education and Local Government Committee on developing K-12 shared policy goals and accountability measures that can be used by legislators, the education community, and the public to evaluate progress toward the goals and used by the Montana Legislature to guide its funding decisions.

SB 65 – This legislation makes numerous fiscal changes that affect the various land trusts and how revenues are distributed and used and administrative costs are funded. Affected land trusts include the common school, capital land grant, deaf and blind, and Pine Hills. Because more money will flow to the guarantee account and be available for Base Aid to K-12, the general fund will save around \$280,000 per year during the 2011 biennium. See SB 65 in Volume 2, Revenue Estimates for a more detailed description.

SB 507 – Revises and clarifies laws related to the treatment of navigable river beds. The legislature found that the state had not consistently required payment for riverbed uses over time. The legislation clarifies historical uses of and requires authorization for the use of the bed of the navigable river after the legislation is put into effect. It further requires that persons using the bed of the navigable river acquire a lease, license, or easement. It is expected to reduce Base Aid for K-12 from the general fund by around \$8,000 in FY 2011 only. After that, streambed rents are deposited in the school facility and technology account.

SB 489 – The final resolution of Omimex vs. Montana (ruling of December 2nd, 2008) on February 10, 2009 effectively shifted some class 9 (transmission property of utilities, including pipelines - 12% tax rate) property into class 8 (business equipment - 3% tax rate), reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. As a result of this bill guaranteed tax Base Aid to K-12 will change. GTB will be reduced by \$370,336 in FY 2010 and will be increased by \$194,458 in FY 2011 and beyond. See Volume 2 – Revenue Estimates – for a more detailed description of SB 489.

SJR8 – Urges the Board of Public Education, the Superintendent of Public Instruction, the Board of Regents, and the Commissioner of Higher Education to work with the Education and Local Government Interim Committee on developing K-20 shared policy goals and accountability measures that can be used by legislators, the education community, and the public to evaluate progress toward the goals and by the Montana Legislature to guide its funding decisions. The resolution includes language on goals and measures including:

- Improve affordability and availability of distance learning
- Reduce the remediation rate of students entering postsecondary education
- Improve the dual enrollment process

Executive Budget Comparison

The following table compares the legislative budget in the 2011 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2008	Executive Budget Fiscal 2010	Legislative Budget Fiscal 2010	Leg – Exec. Difference Fiscal 2010	Executive Budget Fiscal 2011	Legislative Budget Fiscal 2011	Leg – Exec. Difference Fiscal 2011	Biennium Difference Fiscal 10-11
FTE	157.36	165.86	165.86	0.00	165.86	165.86	0.00	
Personal Services	9,072,595	10,119,002	10,232,103	113,101	10,148,257	10,328,494	180,237	293,338
Operating Expenses	13,490,967	14,164,353	15,444,239	1,279,886	14,487,590	19,870,911	5,383,321	6,663,207
Equipment & Intangible Assets	50,426	50,426	50,426	0	50,426	50,426	0	0
Local Assistance	634,042,814	668,076,123	632,588,914	(35,487,209)	685,371,433	634,306,281	(51,065,152)	(86,552,361)
Grants	126,371,496	135,304,444	138,801,424	3,496,980	138,129,444	143,126,424	4,996,980	8,493,960
Total Costs	\$783,028,298	\$827,714,348	\$797,117,106	(\$30,597,242)	\$848,187,150	\$807,682,536	(\$40,504,614)	(\$71,101,856)
General Fund	642,761,421	676,995,196	641,254,571	(35,740,625)	694,351,893	643,057,619	(51,294,274)	(87,034,899)
State/Other Special	957,495	965,495	984,295	18,800	965,541	985,051	19,510	38,310
Federal Special	139,309,382	149,753,657	154,878,240	5,124,583	152,869,716	163,639,866	10,770,150	15,894,733
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$783,028,298	\$827,714,348	\$797,117,106	(\$30,597,242)	\$848,187,150	\$807,682,536	(\$40,504,614)	(\$71,101,856)

HB 2 includes \$1.284 billion in general fund or \$87.0 million less than recommended in the Governor's proposed budget, while total funds are \$71.1 million less.

The legislature did not include the following executive proposals in HB 2:

	<u>General fund</u>	<u>Total funds</u>
○ Indirect costs base adjustments	\$ 163,052	\$ 303,925
○ Special education – maintain fiscal effort	2,467,528	2,467,528
○ Pupil transportation – present law	500,000	500,000
○ School facilities reimbursement	1,050,000	1,050,000
○ Biennial appropriations	638,048	638,048
○ Special education – inflation	4,545,555	4,545,555

The special education appropriation to maintain fiscal effort of \$2.4 million was placed in HB 645 and funded from general fund.

The legislature also eliminated the executive's recommended inflationary increase in the basic and per-ANB entitlements of 3 percent per year or \$48.5 million in HB 2. Further reductions contained in language in HB 645 eliminated general fund support of \$13.6 million for inflationary increases related to FY 2009 from appropriations to OPI contained in HB 2.

The legislature increased general fund by \$0.4 million due to decreased common school revenue appropriated in the guarantee account. Fewer educators were included in the legislative budget, resulting in a \$1.1 million decrease in general fund.

In addition, the legislature reduced support for the at-risk component of the school funding formula by almost \$5.0 million general fund each year of the biennium. The at-risk component is distributed to 73 percent of the school districts by allocating the funds using the same percentages as the percentage of federal Title I funds received by the districts. Local school districts receive an additional \$34.65 million in federal funds for at-risk students in HB 645 as part of the stimulus package. These funds are in addition to \$89.1 million in federal Title I funds included in the 2011 biennial budget for at-risk students.

The legislature included a \$0.6 million general fund reduction over the biennium to eliminate support for one-time only costs related to the K-12 data system included in the base funding by the executive. The legislature also included a general fund reduction of \$130,000 over the biennium to eliminate funding for NORM reference tests which are no longer required under the federal No Child Left Behind Act. The legislature did not approve the executive proposal to remove an additional \$520,000 for NORM reference tests as the \$520,000 was not included in OPI's FY 2008 base budget. Statutorily required teacher stipends are fully funded in HB 2 with \$30,000 of additional general fund and \$12,000 of state special revenue funds over the biennium. The legislature included vacancy savings for the Traffic Driver Safety Program and the School Lunch Program at 4 percent rather than the 7 percent recommended by the executive. The programs are funded from state special revenues.

The State Level Activities Program's budget includes a 2 percent unspecified reduction of general fund of \$371,676 over the biennium. The legislature included language allowing OPI to allocate the reduction among its programs.

Additional funding above those recommended in the Governor's budget was included by the legislature including:

- Providing \$4.9 million in additional federal revenues for a statewide longitudinal data system
- Increasing IDEA, Part B federal funds by \$2.4 million for administrative costs associated with the ARRA
- Increasing other federal grants by a total of \$8.5 million for increases to educational programs included in the federal budget
- HB 13 pay plan increases for higher costs of group health insurance and to provide \$450 in one-time payment for employees earning less than \$45,000 annually at \$271,554 in total funds
- \$224,000 in general fund for advancing agricultural education in Montana schools

Language and Statutory Authority

The legislature added the following language to HB 2:

"OPI Administration includes a reduction in general fund money \$185,838 each year of the biennium. The agency may allocate these reductions in funding among programs when developing 2011 biennium operating plans.

BASE Aid reflects an increase in basic entitlement and in the per-ANB entitlements of 1% in fiscal year 2010 and 1% in fiscal year 2011.

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 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 educational activities are biennial."

Note that the second language item regarding an increase in BASE Aid of 1% and 1% is incorrect. The true increase was 1% in FY 2010 and 3% in FY 2011.

The legislature added the following language to HB 645:

"For the 2011 biennium, the first source of funding of the school district guaranteed tax base aid and direct state aid is the federal appropriations for Stabilization Funding for K-12 Education.

Total fiscal year 2010 expenditures from the line item Stabilization Funding for K-12 Education may be included in the base budget for the purposes of 17-7-111 for the 2013 biennium budget in accordance with Section 18. These expenditures may be funded with general fund in the present law base for the 2013 biennium executive budget in accordance with Section 18."

Program Budget Comparison

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

Program 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	157.36	157.36	165.86	165.86	157.36	165.86	8.50	5.40%
Personal Services	9,072,595	10,455,159	10,232,103	10,328,494	19,527,754	20,560,597	1,032,843	5.29%
Operating Expenses	13,490,967	11,744,164	15,444,239	19,870,911	25,235,131	35,315,150	10,080,019	39.94%
Equipment & Intangible Assets	50,426	59,212	50,426	50,426	109,638	100,852	(8,786)	(8.01%)
Local Assistance	503,530	488,801	503,530	503,530	992,331	1,007,060	14,729	1.48%
Total Costs	\$23,117,518	\$22,747,336	\$26,230,298	\$30,753,361	\$45,864,854	\$56,983,659	\$11,118,805	24.24%
General Fund	9,200,157	10,186,159	9,147,207	9,232,888	19,386,316	18,380,095	(1,006,221)	(5.19%)
State Special	207,495	241,734	234,295	235,051	449,229	469,346	20,117	4.48%
Federal Special	13,709,866	12,319,443	16,848,796	21,285,422	26,029,309	38,134,218	12,104,909	46.50%
Other	0	0	0	0	0	0	0	n/a
Total Funds	\$23,117,518	\$22,747,336	\$26,230,298	\$30,753,361	\$45,864,854	\$56,983,659	\$11,118,805	24.24%

Program Description

The State Level Activities 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 statutorily 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) maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system; and 4) provides assistance and information to school districts. The program administers all federal grants received by OPI, including: 1) curriculum assistance; 2) special education; 3) Elementary and Secondary Education Act/No Child Left Behind (ESEA/NCLB) administration; 4) secondary vocational education administration; and 5) other educational services.

Program Highlights

State Level Activities HB 2 Budget Highlights	
<ul style="list-style-type: none"> ◆ The legislative budget for the state level activities increases \$11.1 million between the 2011 and 2009 biennia <ul style="list-style-type: none"> • \$2.1 million of the increase is from statewide present law adjustments • \$10.1 million of the increase is in operating expenses that are mainly supported by federal revenues ◆ A 2 percent general fund reduction of \$371,676 is included as are additional vacancy savings at 7 percent 	
HB 645 Budget Highlights	
<ul style="list-style-type: none"> ◆ \$1.0 million in federal ARRA funds are included for the costs of administering enhanced federal grants to school districts ◆ \$50,000 in general fund is included for deferred maintenance and energy efficiency projects at the Montana Learning Center 	

Program Narrative

The budget for the state level activities increases \$11.1 million between the 2011 and 2009 biennia. Over \$10.1 million of the increase is due to higher operating expenses. The majority of the increases in operating costs are supported by increased federal revenues and to provide for the administrative costs of federal grants.

The legislature provided for increased funding to support audiological services and traffic education. Statutorily required teacher stipends are fully funded in HB 2 with \$30,000 of additional general fund and \$12,000 of state special revenue funds over the biennium. The legislature approved a \$0.6 million general fund reduction over the biennium to eliminate support for one-time only costs related to the K-12 data system included in the base funding by the executive. A general fund reduction of \$130,000 over the biennium to eliminate funding for NORM reference tests which are no longer required under the federal No Child Left Behind Act was also approved.

The legislature approved an unspecified 2 percent general fund reduction of \$371,676 in the State Level Activities Program. Language included in HB 2 allows OPI to allocate the reduction among its programs.

For OPI, the State Level Activities Program contains all FTE for the agency, thus all decisions affecting personal services are recorded in the program budget. The legislature approved increased vacancy savings for OPI, from 4 percent to 7 percent. Total vacancy savings for OPI is \$1.4 million over the 2011 biennium. Other legislative decisions affecting personal services include:

- HB 13 pay plan increases of \$225,719 to support higher group health insurance costs
- HB 13 pay plan increases of \$45,835 to provide a \$450 one-time payment for employees earning \$45,000 or less annually
- Providing \$12,885 for the Fixed Cost Workers Compensation Management Program at the Department of Administration. The legislature funded the program via a fixed cost allocation. The allocation is based on the average number of payroll warrants issued by OPI each pay period.

Federal grant adjustments totaling almost \$9.9 million were also approved by the legislature. \$4.9 million of the increase provides for a multi-year federal grant for a statewide longitudinal data system. \$2.5 million relates to the administrative costs of the Individuals with Disabilities Education Act (IDEA).

HB 645 includes \$1.067 million in federal funding to administer enhanced federal grants to local school districts including Title I, Part A and IDEA, Part B. In addition, the legislature included \$50,000 in general fund to provide for deferred maintenance and energy efficiency projects at the Montana Learning Center.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table						
State Level Activities						
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	\$ 9,200,157	39.8%	\$ 9,147,207	34.9%	\$ 9,232,888	30.0%
01100 General Fund	9,200,157	39.8%	9,147,207	34.9%	9,232,888	30.0%
02000 Total State Special Funds	207,495	0.9%	234,295	0.9%	235,051	0.8%
02001 School Lunch Program	84,986	0.4%	88,028	0.3%	88,310	0.3%
02012 Misc Grants/Contracts-Budgeted	-	-	(3,139)	0.0%	(3,150)	0.0%
02219 Research Fund	-	-	6,000	0.0%	6,000	0.0%
02402 Traffic & Safety Education	122,487	0.5%	143,406	0.5%	143,891	0.5%
02618 Prof Educator Prep Program	22	0.0%	-	-	-	-
03000 Total Federal Special Funds	13,709,866	59.3%	16,848,796	64.2%	21,285,422	69.2%
03002 Public Instruction	13,709,866	59.3%	16,848,796	64.2%	21,285,422	69.2%
Grand Total	\$ 23,117,518	100.0%	\$ 26,230,298	100.0%	\$ 30,753,361	100.0%

General fund supports the majority of the costs of the Superintendent's Office, Indian education, information technology services, and state distributions to schools; approximately half of the costs of legal services, measurement and accountability, and accreditation programs; and a small portion of curriculum services, special education services, career technical and adult education, and health enhancement and safety programs. General fund decreases \$1.0 million between the two biennia. The decreases are due in part to the overall 2 percent reduction of \$0.4 million included by the legislature. The legislature also approved a \$0.6 million decrease for one-time costs for the K-12 data system included in the 2008 base budget and a \$0.13 million decrease for NORM reference tests which are no longer required as federal requirements under No Child Left Behind require other types of student proficiency testing.

State special revenues fund a portion of the costs of the School Lunch Program and the Traffic and Safety Education. Revenues for the School Lunch Program are generated through reimbursements for the costs of shipping, handling, and other related costs of school food commodities used in the School Lunch Program. Traffic and Safety Education revenues are generated through a percentage of the driver's license fee, commercial driver's license fees, and replacement driver's license fees.

The administrative component of numerous federal grants is used to support state level activities. Increased federal grants include Elementary and Secondary Education Act Title I, federal data collection grant, state assessment funds, IDEA, and Carl Perkins funds. In addition, the legislature approved increased federal appropriations of \$0.4 million in FY 2010 and \$4.5 million in FY 2011 to implement a statewide longitudinal data system.

Budget Summary by Category

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

Budget Summary by Category								
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	9,200,157	9,200,157	18,400,314	100.11%	23,117,518	23,117,518	46,235,036	81.14%
Statewide PL Adjustments	552,796	597,807	1,150,603	6.26%	1,041,649	1,110,468	2,152,117	3.78%
Other PL Adjustments	21,938	33,416	55,354	0.30%	1,157,308	1,433,193	2,590,501	4.55%
New Proposals	(627,684)	(598,492)	(1,226,176)	(6.67%)	913,823	5,092,182	6,006,005	10.54%
Total Budget	\$9,147,207	\$9,232,888	\$18,380,095		\$26,230,298	\$30,753,361	\$56,983,659	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “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					1,333,413					1,364,618
Vacancy Savings					(410,937)					(412,184)
Inflation/Deflation					76,728					112,098
Fixed Costs					42,445					45,936
Total Statewide Present Law Adjustments										
	\$552,796		\$617	\$488,236	\$1,041,649		\$597,807	\$673	\$511,988	\$1,110,468
DP 7 - Audiological Services	0.00	21,998	0	0	21,998	0.00	33,485	0	0	33,485
DP 14 - Traffic Education Budget Adjustment	0.00	0	12,000	0	12,000	0.00	0	12,000	0	12,000
DP 19 - Federal Grant Award Adjustments - Program 06	8.50	0	0	1,123,377	1,123,377	8.50	0	0	1,387,784	1,387,784
DP 7101 - Fuel Inflation Reduction	0.00	(60)	0	(7)	(67)	0.00	(69)	0	(7)	(76)
Total Other Present Law Adjustments										
	8.50	\$21,938	\$12,000	\$1,123,370	\$1,157,308	8.50	\$33,416	\$12,000	\$1,387,777	\$1,433,193
Grand Total All Present Law Adjustments										
	8.50	\$574,734	\$12,617	\$1,611,606	\$2,198,957	8.50	\$631,223	\$12,673	\$1,899,765	\$2,543,661

DP 7 - Audiological Services - The legislature approved support for an anticipated 3 percent increase each year of the biennium for the audiological services contract for the Hearing Conservation Program. The Individuals with Disabilities Education Act requires public schools to have an effective child find system in place for children through age 21 who are suspected of having disabilities. The Hearing Conservation Program is the primary method for schools to ensure proper identification of students with hearing impairments.

DP 14 - Traffic Education Budget Adjustment - The bill includes an increase in administrative operating funds of \$12,000 per year for the 2011 biennium to maintain present level traffic education (TE) services to public schools and to eliminate nonrecurring appropriations through personal services contingencies. The TE program provides administrative services to public schools for district-provided driver education programs. In addition to teacher and program approval processes and state reimbursement distributions, these services include supervision and assessment of approved traffic education courses; preparation for teachers of traffic education; development, printing, and distribution of essential instructional materials for traffic education; and any other activities considered necessary by the superintendent of public instruction.

DP 19 - Federal Grant Award Adjustments - Program 06 - The bill provides for an adjustment to federal spending authority for grant awards due to anticipated increases and decreases in federal funding. Funds are used to support the administration of current federal grants and provide technical assistance to schools. The adjustment is \$1,123,377 in FY 2010 and \$1,387,784 in FY 2011. The appropriation is biennial.

DP 7101 - Fuel Inflation Reduction - The legislation reduces funding for gasoline and diesel by the amount these two expenditure categories were increased in the statewide present law adjustment for inflation. The effect is to apply no inflation adjustment to these two expenditure categories.

New Proposals

New Proposals										
Program	FTE	-----Fiscal 2010-----				-----Fiscal 2011-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 26 - Student Assessment										
06	0.00	(64,878)	0	0	(64,878)	0.00	(64,878)	0	0	(64,878)
DP 29 - Reduction for One-Time Costs of K-12 Data System										
06	0.00	(300,000)	0	0	(300,000)	0.00	(300,000)	0	0	(300,000)
DP 30 - Teacher Stipends										
06	0.00	15,000	6,000	0	21,000	0.00	15,000	6,000	0	21,000
DP 31 - Federal Statewide Longitudinal Data Systems										
06	0.00	0	0	395,931	395,931	0.00	0	0	4,509,003	4,509,003
DP 32 - IDEA - Part B Admin - Increased Funds HB 645										
06	0.00	0	0	1,235,815	1,235,815	0.00	0	0	1,235,815	1,235,815
DP 6013 - 2011 Biennium Pay Plan - HB 13										
06	0.00	22,890	886	32,619	56,395	0.00	69,284	2,694	97,346	169,324
DP 6014 - Pay Plan Lump Sum Payment OTO										
06	0.00	15,812	1,133	28,890	45,835	0.00	0	0	0	0
DP 6101 - Fixed Cost Workers Comp Management Program Allocat										
06	0.00	6,901	0	0	6,901	0.00	5,984	0	0	5,984
DP 6105 - 2 percent Unspecified Reduction of General Fund										
06	0.00	(185,838)	0	0	(185,838)	0.00	(185,838)	0	0	(185,838)
DP 8101 - Increasing 4% Vacancy Savings to 7%										
06	0.00	(137,571)	6,164	(165,931)	(297,338)	0.00	(138,044)	6,189	(166,373)	(298,228)
Total	0.00	(\$627,684)	\$14,183	\$1,527,324	\$913,823	0.00	(\$598,492)	\$14,883	\$5,675,791	\$5,092,182

DP 26 - Student Assessment - The legislature approved a general fund reduction of \$64,878 in each year of the biennium which previously supported norm-reference test (NRT) student assessment, commonly known as the Iowa Basics. The NRT, formerly in administrative rules of the Board of Public Education for the accreditation of schools, is no longer required due to changes implemented in federal No Child Left Behind legislation.

DP 29 - Reduction for One-Time Costs of K-12 Data System - The legislature approved a reduction of \$600,000 in operating costs for costs of the K-12 data system which were considered one-time costs.

DP 30 - Teacher Stipends - The bill includes funding to support teacher stipends for Montana teachers who achieve certification from the National Board for Professional Teaching Standards. Statute requires payment of a \$3,000 to assist in the costs of achieving the certification.

DP 31 - Federal Statewide Longitudinal Data Systems - The legislature approved increasing federal appropriation authority to provide for a multi-year federal grant for a statewide longitudinal data system that was awarded to OPI in March 2009. The grant will provide \$395,931 in federal funds in FY 2010 and \$4,509,003 in FY 2011.

DP 32 - IDEA - Part B Admin - Increased Funds HB 645 - The legislature approved increased federal appropriation authority for administrative costs for Individuals with Disabilities Education Act (IDEA), Part B. Under the American Recovery and Reinvestment Act of 2009 (ARRA), the administrative costs for the additional \$36.5 million in IDEA, Part B funds received in the ARRA and appropriated in HB 645 are to be appropriated from the regular IDEA grant appropriated in HB 2.

DP 6013 - 2011 Biennium Pay Plan - HB 13 - The legislature passed a pay plan that provides an additional \$53 per month in health insurance contribution for CY 2010 and an additional \$54 per month for CY 2011. In addition, the legislature provided a one-time-only payment of \$450 for all employees earning less than \$45,000 annually. These costs are included in DP 6014.

DP 6014 - Pay Plan Lump Sum Payment OTO - This DP funds this program's cost of providing a one-time-only payment of \$450 to each full-time employee making less than \$45,000 annually and \$225 for half-time employees making \$21.635 per hour or less.

DP 6101 - Fixed Cost Workers Comp Management Program Allocat - 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 legislature funded the program 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.

DP 6105 - 2 percent Unspecified Reduction of General Fund - This item provides an unspecified reduction in general fund of 2 percent for the agency. Language included in the bill allows the agency to allocate the reduction in funding among programs when developing 2011 biennium operating plans.

DP 8101 - Increasing 4% Vacancy Savings to 7% - The legislature approved an additional 3 percent per year to the 4 percent personal services vacancy savings reduction contained in the statewide present law adjustment.

Proprietary Rates

Proprietary Program Description

The OPI Indirect Cost Pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, or budgeting to all OPI's state and federally funded programs using a pre-approved indirect cost rate.

Funding

OPI Indirect Cost Pool is funded entirely with internal service type proprietary funds. Because the proprietary funds do not require an appropriation, they are not typically included in appropriation tables. Instead, the legislature approves the fees and charges that support the revenues for the program. The fees and charges approved in the general appropriations act are the maximum fees and charges that may be charged in the biennium.

The following decision packages were concurred in when rates for the program were approved.

Present Law Adjustments

DP 0000 - Statewide Present Law Adjustments - A biennium increase of \$355,394 for personal services cost increases and other operating expenses.

Proprietary Rate Explanation

For the 2011 biennium a rate of 16.3 percent was approved.

Program Budget Comparison

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

Program 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
Operating Expenses	0	3,998	0	0	3,998	0	(3,998)	(100.00%)
Local Assistance	633,539,284	655,835,265	632,085,384	633,802,751	1,289,374,549	1,265,888,135	(23,486,414)	(1.82%)
Grants	126,371,496	159,608,650	138,801,424	143,126,424	285,980,146	281,927,848	(4,052,298)	(1.42%)
Total Costs	\$759,910,780	\$815,447,913	\$770,886,808	\$776,929,175	\$1,575,358,693	\$1,547,815,983	(\$27,542,710)	(1.75%)
General Fund	633,561,264	655,863,286	632,107,364	633,824,731	1,289,424,550	1,265,932,095	(23,492,455)	(1.82%)
State Special	750,000	750,000	750,000	750,000	1,500,000	1,500,000	0	0.00%
Federal Special	125,599,516	158,834,627	138,029,444	142,354,444	284,434,143	280,383,888	(4,050,255)	(1.42%)
Total Funds	\$759,910,780	\$815,447,913	\$770,886,808	\$776,929,175	\$1,575,358,693	\$1,547,815,983	(\$27,542,710)	(1.75%)

Program Description

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

Program Highlights

Office of Public Instruction – Distribution to Schools Major Budget Highlights
<p>The legislature utilized a mix of state money and federal stimulus money to fund OPI and K-12. The legislature:</p> <ul style="list-style-type: none"> ◆ in HB 676, increased the basic and per-ANB entitlements by 1 percent in FY 2010 and by 3 percent in FY 2011. The funding for the majority of this increase was made from federal stabilization dollars. ◆ funded on a one-time-only basis an additional 2 percent per year in the basic and per-ANB entitlements utilizing federal stabilization dollars in HB 645, for a total of 3 percent per year increase. ◆ funded most other elements of K-12 at FY 2008 levels except for special education, HB 124 block grants, and the at-risk payment. The at-risk payment was cut from \$10 million for the biennium to \$2. <p>In total for both HB 2 and HB 645, the appropriations for K-12 for the 2011 biennium increases by \$224.0 million compared with double the FY 2008 base. Of this increase \$177.2 million is appropriated to OPI and \$46.8 million is appropriated to the Department of Commerce. This comparison is misleading since the legislature appropriated \$42.5 million in one-time-only funds to OPI for K-12 in FY 2008, which is not counted in the \$224 million comparison.</p>
HB 2 Budget Highlights
<p>HB 2 appropriated \$1.2 million less in general fund to OPI for K-12 than was actually spent in the doubled FY 2008 base. The Base Aid increase that funded the increase in the basic and per-ANB entitlements (\$47.0 million) was offset by a \$40.4 million reduction in Base Aid in HB 2 that was paid for with \$40.4 million in federal stabilization dollars in HB 645. Also offsetting the \$47.0 million increase in Base Aid was a decrease of \$10 million in at-risk dollars. In addition HB 2 added \$1.9 million in HB 124 block grants, and \$224,000 in a new program to advance agricultural education in Montana.</p>

All other elements of general fund K-12 funding in HB 2 were appropriated at FY 2008 levels.

HB 2 also appropriated an additional \$29.2 million in traditional federal funding compared to double the FY 2008 base.

HB 645 Budget Highlights

HB 645 appropriated:

- ◆ \$40.4 million in federal stabilization dollars to pay for a portion of the Base Aid increase associated with a 1 percent increase in the basic and per-ANB entitlements in FY 2010 and the 3 percent increase in FY 2011.
- ◆ an additional \$21.7 million in federal stabilization dollars for Base Aid to OPI for school districts on a one-time-only basis, which represents an additional 2 percent increase in the basic and per-ANB entitlements in each year of the 2011 biennium.
- ◆ \$2.4 million biennial to OPI for special education.
- ◆ \$84.6 million biennial to OPI out of federal stimulus funds.
- ◆ \$34.8 million biennial to K-12 for deferred maintenance and energy efficiency grants. The money was appropriated to the Department of Commerce, not OPI. \$20 million is to be distributed by formula (the quality educator payments) and the remainder is to be distributed to districts on the basis of need as determined by the Department of Commerce through a granting process.

HB 152 appropriated \$12 million to school districts for facilities enhancement, and will also be distributed to schools on the basis of need as determined by the Department of Commerce through a granting process.

Funding

The following table shows program funding, by source, for the base year and for the 2011 biennium as adopted by the legislature.

Program Funding Table Local Education Activities						
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	\$ 633,561,264	83.4%	\$ 632,107,364	82.0%	\$ 633,824,731	81.6%
01100 General Fund	633,561,264	83.4%	632,107,364	82.0%	633,824,731	81.6%
02000 Total State Special Funds	750,000	0.1%	750,000	0.1%	750,000	0.1%
02402 Traffic & Safety Education	750,000	0.1%	750,000	0.1%	750,000	0.1%
03000 Total Federal Special Funds	125,599,516	16.5%	138,029,444	17.9%	142,354,444	18.3%
03170 Grant Clearance Discretionary	125,599,516	16.5%	138,029,444	17.9%	142,354,444	18.3%
Grand Total	<u>\$ 759,910,780</u>	<u>100.0%</u>	<u>\$ 770,886,808</u>	<u>100.0%</u>	<u>\$ 776,929,175</u>	<u>100.0%</u>

The figure below shows the impact on 2011 biennium appropriations for K-12 of all the legislative actions taken during the 2009 legislative session. This includes the impacts of HB 2 and HB 645 combined, as well as HB 152. These bills appropriate funds for OPI and for the Department of Commerce for distribution to school districts.

The bill enacting increases in the basic and per-ANB entitlements was HB 676. HB 676 increased the basic and per-ANB entitlements by 1 percent in FY 2010 and by 3 percent in FY 2011. HB 2 contains the general fund appropriation authority in Base Aid for these increases. However, HB 645 contains language that offsets these general fund appropriations by supplying federal stabilization dollars to pay for Base Aid in the amount of \$40.4 million. In addition, HB 645 contains an appropriation of federal stabilization money of \$21.7 million on a one-time-only basis to increase Base Aid by an additional 2 percent in each year of the 2011 biennium for a total of 3 percent in each year.

Distribution to Schools, General Fund, State Special, and Federal Funds - Legislature							
Description	Base Budget 2008	PL Base Adjustments Fiscal 2010	New Proposals Fiscal 2010	Total Fiscal 2010	PL Base Adjustments Fiscal 2011	New Proposals Fiscal 2011	Total Fiscal 2011
Base Aid Summary	<u>\$565,202,946</u>	<u>\$16,730,757</u>	<u>\$10,717,552</u>	<u>\$592,651,255</u>	<u>\$29,945,401</u>	<u>\$10,993,075</u>	<u>\$606,141,422</u>
HB 2 General Fund	\$511,399,948	\$17,270,888	-\$14,613,477	\$514,057,359	\$29,758,621	-\$25,779,699	\$515,378,870
HB 645 Federal Stabilization	\$0	\$0	\$25,331,029	\$25,331,029	\$0	\$36,772,774	\$36,772,774
Guarantee Account	\$53,802,998	-\$540,131	\$0	\$53,262,867	\$186,780	\$0	\$53,989,778
General Fund							
Base Aid - Enacted in HB 676,Appropriated in HB 2, HB 645							
Direct State Aid	\$313,092,203	\$10,692,252	\$0	323,784,455	\$17,813,851	\$0	330,906,054
GTB - School General Fund	127,482,001	\$5,245,545	0	132,727,546	\$9,770,229	0	137,252,230
GTB - School Retirement	25,761,036	\$1,985,049	0	27,746,085	\$2,861,187	0	28,622,223
Indian Ed for All	3,063,152	-\$27,746	0	3,035,406	-\$51,434	0	3,011,718
Close Achievement Gap	3,293,800	-\$73,000	0	3,220,800	-\$84,000	0	3,209,800
Quality Educator	<u>38,521,876</u>	<u>-\$551,212</u>	<u>0</u>	<u>37,970,664</u>	<u>-\$551,212</u>	<u>0</u>	<u>37,970,664</u>
School District Audits	185,880	0	0	185,880	0	0	185,880
Base Aid Paid for with Federal Stabilization Dollars	0	0	-14,613,477	-14,613,477	0	-25,779,699	-25,779,699
At Risk Payment	4,999,891	109	-4,999,999	1	109	-4,999,999	1
Special Education	40,413,567	1,233,764	0	41,647,331	1,233,764	0	41,647,331
Transportation	12,338,475	0	0	12,338,475	0	0	12,338,475
School Facility Reimbursement	9,744,392	0	0	9,744,392	0	0	9,744,392
Instate Treatment	787,800	0	0	787,800	0	0	787,800
Secondary Vo Ed	1,000,000	0	0	1,000,000	0	0	1,000,000
Adult Basic Ed	524,998	0	0	524,998	0	0	524,998
Gifted & Talented	246,982	0	0	246,982	0	0	246,982
School Food	648,655	0	0	648,655	0	0	648,655
HB 124 Block Grants	50,979,326	777,830	0	51,757,156	1,171,185	0	52,150,511
State Tuition Payments	477,230	0	0	477,230	0	0	477,230
HB 464 Advancing Agricultural Education in Montana	0	0	110,750	110,750	0	113,250	113,250
Total General Fund	<u>\$633,561,264</u>	<u>\$19,282,590</u>	<u>-\$19,502,726</u>	<u>\$633,341,129</u>	<u>\$32,163,679</u>	<u>-\$30,666,448</u>	<u>\$635,058,495</u>
State Special Revenue							
Traffic Safety Distribution	\$750,000	\$0	\$0	\$750,000	\$0	\$0	\$750,000
Quick Start Energy Grants (Commerce)	0	0	14,984,000	14,984,000	0	0	0
Energy Upgrades, distributed by Quality Educator (DOC)	0	0	19,774,000	19,774,000	0	0	0
HB 152 - Grants to Schools for Infrastructure - DOC	0	0	12,000,000	12,000,000	0	0	0
Total State Special	<u>\$750,000</u>	<u>\$0</u>	<u>\$46,758,000</u>	<u>\$47,508,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$750,000</u>
HB 645 - Federal Stabilization for Schools							
Increase in Base Aid (OTO)							
Direct State Aid	\$0	\$0	\$7,636,132	\$7,636,132	\$0	\$7,806,284	\$7,806,284
GTB - School General Fund	0	0	3,081,420	3,081,420	0	\$3,186,791	3,186,791
Total Increase in Base Aid	<u>\$0</u>	<u>\$0</u>	<u>\$10,717,552</u>	<u>\$10,717,552</u>	<u>\$0</u>	<u>\$10,993,075</u>	<u>\$10,993,075</u>
Substitute Federal Stabilization Dollars for General Fund							
Direct State Aid	\$0	\$0	\$10,411,933	\$10,411,933	\$18,306,402		\$18,306,402
GTB - School General Fund	0	0	4,201,544	4,201,544	7,473,297		7,473,297
Total Stabilization Dollars Offsetting General Fund	<u>\$0</u>	<u>\$0</u>	<u>\$14,613,477</u>	<u>\$14,613,477</u>	<u>\$0</u>	<u>\$25,779,699</u>	<u>\$25,779,699</u>
Total Federal Stabilization Support for K-12	<u>0</u>	<u>0</u>	<u>25,331,029</u>	<u>25,331,029</u>	<u>0</u>	<u>36,772,774</u>	<u>36,772,774</u>
HB 645 - Federal Stimulus Appropriations							
School Lunch Equipment	\$0	\$0	\$247,461	\$247,461	\$0	\$0	\$0
Title I- FY 2009	0	0	34,234,200	34,234,200	0	0	0
IDEA - Special Education	0	0	36,708,056	36,708,056	0	0	0
Education Technology - FY 2009	0	0	3,048,906	3,048,906	0	0	0
Title I-A Improvement - FY 2009	0	0	8,894,850	8,894,850	0	0	0
IDEA Part B (Section 619 Preschool) - FY 2010-11	0	0	1,260,947	1,260,947	0	0	0
McKinney-Vento (Homeless Assistance)	0	0	201,600	201,600	0	0	0
Total Federal Stimulus Support	<u>-</u>	<u>-</u>	<u>84,596,020</u>	<u>84,596,020</u>	<u>-</u>	<u>-</u>	<u>-</u>
HB 2 - Traditional Federal Appropriations	<u>125,599,516</u>	<u>12,429,928</u>	<u>0</u>	<u>138,029,444</u>	<u>16,754,928</u>	<u>0</u>	<u>142,354,444</u>
Funding							
Total General Fund	\$633,561,264	\$19,282,590	-\$19,502,726	\$633,341,129	\$32,163,679	-\$30,666,448	\$635,058,495
Total State Special	750,000	0	46,758,000	47,508,000	0	0	750,000
Total Federal Stabilization	0	0	25,331,029	25,331,029	0	36,772,774	36,772,774
Total Federal Stimulus	0	0	84,596,020	84,596,020	0	0	0
Total Traditional Federal	<u>125,599,516</u>	<u>12,429,928</u>	<u>0</u>	<u>138,029,444</u>	<u>16,754,928</u>	<u>0</u>	<u>142,354,444</u>
Total Distribution to Public Schools	<u>\$759,910,780</u>	<u>\$31,712,518</u>	<u>\$137,182,323</u>	<u>\$928,805,622</u>	<u>\$48,918,607</u>	<u>\$6,106,326</u>	<u>\$814,935,714</u>
Statutory Appropriations							
Guarantee Account - Interest & Income	\$53,802,998	-\$540,131	\$0	\$53,262,867	\$186,780	\$0	\$53,989,778
Guarantee Account - Timber	895,804	104,196	0	1,000,000	104,196	0	1,000,000
Total Statutory	<u>\$54,698,802</u>	<u>-\$435,935</u>	<u>\$0</u>	<u>\$54,262,867</u>	<u>\$290,976</u>	<u>\$0</u>	<u>\$54,989,778</u>

Present Law

In HB 2, the legislature approved four present law adjustments for the K-12 distribution program for OPI. The legislature added \$47.0 million for the 2011 biennium to reflect higher funding rates net of fewer students than in the base year of FY 2008 (\$20.1 million) and a 1 percent increase in the basic and per-ANB entitlements in FY 2010 and a 3 percent increase in FY 2011 (\$26.8 million). The present law adjustment also includes biennial downward adjustments for fewer students in the Indian Education for All payment (-\$79,438), the Achievement Gap payment (-\$157,000), and because of fewer educators, a reduction in the Quality Educator payment (-\$1.1 million).

Included in this present law adjustment is reduced revenue available for Base Aid from interest and income on state lands. Interest and income revenue available for Base Aid relative to the amount spent in FY 2008 is a reduction of \$353,351 biennial, resulting in a like increase in general fund.

The second present law adjustment in the general fund was appropriated in HB 645. This increased special education by \$1.2 million per year in the 2011 biennium to bring special education up to FY 2009 levels to satisfy Department of Education maintenance of effort requirements. Since this increase was appropriated in HB 645, the increase is available only for the 2011 biennium.

The third present law adjustment adds \$1.9 million to increase HB 124 block grants by 0.76 percent each year of the 2011 biennium as prescribed by current law.

The fourth present law adjustment is recognition of additional federal funds of \$29.2 million relative to the amount of federal funds spent in FY 2008. The majority of the increase is in school funds, Title 1 and IDEA funds. The federal Omnibus Appropriations Act of 2009 added \$8.5 million to Montana's share of federal dollars for these three programs.

New Proposals

There were several new proposals affecting K-12 passed by the legislature in HB 2, HB 645, and HB 152.

HB 2 reduces the general fund at-risk component of the funding formula by \$9,999,998 for the 2011 biennium.

HB 645 reduced general fund for Base Aid by \$40.4 million and appropriated \$40.4 million in federal stabilization funds to replace the general fund reduction. HB 645 also appropriated an additional \$21.7 million on a one-time-only basis to provide an additional 2 percent increase in the basic and per-ANB entitlements for FY 2010.

HB 645 includes additional appropriation authority of federal stimulus dollars. It contains \$34.7 million for Title I, Part A, \$35.5 million for IDEA-B, \$3.0 million for educational technology, \$1.2 million for IDEA-B (Preschool), and \$0.5 million for school lunch technology and homeless assistance. It also includes an additional \$8.9 million to assist school districts that have been unable to make adequate yearly progress for the last 5 years and are considered to be in restructuring under federal No Child Left Behind requirements.

HB 645 also contains funding for K-12, but is appropriated to the Department of Commerce. HB 645 contains a transfer from the general fund to the school facility and technology account of \$34.034 million. Of this amount, \$20 million (less 1.13 percent) is appropriated to the Department of Commerce for distribution to schools based on the quality educator payment for use by school districts for deferred maintenance and energy efficiency projects. In addition, \$14.950 million is appropriated to the Department of Commerce for quick start energy grants to school districts. The DOC will accept applications from school districts that have a need to improve energy efficiency with priority given to those districts which are operating temporary facilities. The remaining \$84,000 transferred into the school facility and technology account is to be used in the same manner as the funds appropriated in HB 152.

HB 152

The final source of funding for K-12 is \$12 million appropriated in HB 152. For the 2011 biennium only, after receiving and evaluating proposals, the Department of Commerce may award to public school districts school facility project grants, matching planning grants, and emergency grants. Of this appropriation, \$900,000 biennial is to be used for

matching planning grants to public school districts and \$100,000 biennial is to be used for emergency grants to public school districts. The appropriations designated for matching planning grants and for emergency grants may be used only for those purposes and may not be used for grants to public school districts for school facility projects. The remaining \$11 million will be used for the actual grants to schools for facility improvements as defined in HB 152.

The department shall report to the 2011 legislature on all grants approved by the department during the 2011 biennium.

HB 152 also changes the way the timber harvest money on state lands for production above 18 million board feet is distributed to school districts. Under previous law the timber money was statutorily appropriated from the guarantee account to school districts based on Base general fund budgets. Beginning in FY 2010, the timber money will be deposited in the school facility and technology account, and whatever that amount \$1 million will be distributed to schools for technology purchases. It will continue to be distributed based on general fund base budgets.

Finally HB 152 changes the distribution of rental income from power site leases (known as streambed rents) from Avista Corporation and possibly from PPL if the state wins the recent Supreme Court case. Beginning in FY 2012, 95 percent of streambed rents will be deposited in the school facility and technology account, and 5 percent will be deposited in the common school trust. The date in HB 152 for this to happen is January 1, 2011, but this was changed in HB 676 to January 1, 2012.

The legislature also passed HB 464, which creates a program to make improvements in Montana's agricultural education programs. The appropriation is for \$224,000 for the 2011 biennium and is appropriated in HB 2.

The following figure summarizes the distribution of funds to K-12 from all sources for the 2011 biennium. Also included is a comparison to the amount appropriated and spent in the 2009 biennium, including one-time-only monies.

Money for K-12, 2011 Biennium Compared with 2009 Biennium					
	FY 2008 - Actual	FY 2009 - Appropriated	FY 2010	FY 2011	2011 Biennium - 2009 Biennium
General Fund	633,561,264	655,863,286	633,341,129	635,058,495	(21,024,927)
General Fund - OTO's	41,937,916	3,062,084	-	-	(45,000,000)
State Special	-	750,000	47,508,000	750,000	47,508,000
Federal Stabilization to Replace HB2	-	-	14,613,477	25,779,699	40,393,176
Federal Stabilization for 3%,3%, OTO	-	-	10,717,552	10,993,075	21,710,627
Federal Stimulus	-	-	84,596,020	-	84,596,020
Traditional Federal	125,599,516	158,834,627	138,029,444	142,354,444	(4,050,255)
Guarantee Account	54,698,802	64,659,622	54,262,867	54,989,778	(10,105,779)
2009 Biennium Reversions	-	(13,620,888)	-	-	13,620,888
Total - All Funds	<u>855,797,499</u>	<u>869,548,730</u>	<u>983,068,489</u>	<u>869,925,492</u>	<u>127,647,751</u>

Note: FY 2009 appropriated is adjusted for unspent authority in FY 2008 when the appropriations are biennial.

ANB

Average Number Belonging (ANB) is the number of children funded in the distribution to school program. The following figure shows historical and projected ANB for the 2011 biennium. The figure shows current year ANB and budgeted ANB. Budgeted ANB is the larger of current year ANB and three-year average ANB.

Average Number Belonging (ANB) in Montana Schools									
	Fiscal Year	K-6	Percent Change	7-8	Percent Change	9-12	Percent Change	Total	Percent Change
Current Year ANB									
A	1996	87,502		27,195		49,043		163,740	
A	1997	86,694	-0.9%	27,399	0.8%	50,586	3.1%	164,679	0.6%
A	1998	85,374	-1.5%	27,068	-1.2%	51,432	1.7%	163,874	-0.5%
A	1999	83,030	-2.7%	26,822	-0.9%	51,885	0.9%	161,737	-1.3%
A	2000	81,175	-2.2%	26,556	-1.0%	52,025	0.3%	159,756	-1.2%
A	2001	79,854	-1.6%	26,114	-1.7%	51,507	-1.0%	157,475	-1.4%
A	2002	78,090	-2.2%	25,537	-2.2%	50,794	-1.4%	154,421	-1.9%
A	2003	76,060	-2.6%	25,080	-1.8%	50,357	-0.9%	151,497	-1.9%
A	2004	74,315	-2.3%	25,150	0.3%	50,003	-0.7%	149,468	-1.3%
A	2005	73,229	-1.5%	24,956	-0.8%	49,466	-1.1%	147,651	-1.2%
A	2006	71,985	-1.7%	24,540	-1.7%	49,302	-0.3%	145,827	-1.2%
A	2007	71,639	-0.5%	23,805	-3.0%	48,809	-1.0%	144,253	-1.1%
A	2008	76,118	6.3%	23,041	-3.2%	48,440	-0.8%	147,599	2.3%
A	2009	77,047	1.2%	22,618	-1.8%	47,502	-1.9%	147,167	-0.3%
E	2010	77,513	0.6%	22,241	-1.7%	46,128	-2.9%	145,882	-0.9%
E	2011	78,658	1.5%	22,188	-0.2%	45,203	-2.0%	146,049	0.1%
Budgeted ANB									
A	2006	73,573		25,242		50,082		148,897	
A	2007	72,763	-1.1%	24,643	-2.4%	49,612	-0.9%	147,018	-1.3%
A	2008	76,826	5.6%	24,076	-2.3%	49,246	-0.7%	150,148	2.1%
A	2009	77,753	1.2%	23,353	-3.0%	48,642	-1.2%	149,748	-0.3%
E	2010	78,265	0.7%	22,875	-2.0%	47,647	-2.0%	148,787	-0.6%
E	2011	78,826	0.7%	22,431	-1.9%	46,363	-2.7%	147,620	-0.8%

Beginning in fiscal 2006, budgeted ANB for each district is the larger of current year ANB and three-year averaged ANB.

Budget Summary by Category

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

Budget Summary by Category								
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	633,561,264	633,561,264	1,267,122,528	100.09%	759,910,780	759,910,780	1,519,821,560	98.19%
Statewide PL Adjustments	0	0	0	0.00%	0	0	0	0.00%
Other PL Adjustments	18,048,826	30,929,915	48,978,741	3.87%	30,478,754	47,684,843	78,163,597	5.05%
New Proposals	(19,502,726)	(30,666,448)	(50,169,174)	(3.96%)	(19,502,726)	(30,666,448)	(50,169,174)	(3.24%)
Total Budget	\$632,107,364	\$633,824,731	\$1,265,932,095		\$770,886,808	\$776,929,175	\$1,547,815,983	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes to the adjusted base budget made by the legislature. “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
DP 1 - K-12 BASE Aid - Present Law									
0.00	16,730,865	0	0	16,730,865	0.00	29,945,510	0	0	29,945,510
DP 10 - School Block Grants - HB 124									
0.00	777,830	0	0	777,830	0.00	1,171,185	0	0	1,171,185
DP 20 - Federal Grant Award Adj - Program 09									
0.00	0	0	12,429,928	12,429,928	0.00	0	0	16,754,928	16,754,928
DP 100 - Guarantee Account Adjustment									
0.00	540,131	0	0	540,131	0.00	(186,780)	0	0	(186,780)
DP 900 - Base Aid									
0.00	0	0	0	0	0.00	0	0	0	0
DP 901 - At Risk Payment									
0.00	0	0	0	0	0.00	0	0	0	0
DP 905 - Special Education (Restricted/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 906 - Transportation (Restricted/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 907 - School Facility Reimbursement (Restricted/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 908 - Instate Treatment (Restricted/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 909 - Secondary Vo-Ed (Restricted/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 910 - Adult Basic Educatio (Restrict/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 911 - Gifted And Talented (Restrict/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 912 - School Food (Restricted/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 913 - HB 124 Block Grants (Restricted/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 914 - State Tuition Payment (Restrict/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
DP 915 - Traffic Safety Distribution (Restricted/Biennial)									
0.00	0	0	0	0	0.00	0	0	0	0
Total Other Present Law Adjustments									
0.00	\$18,048,826	\$0	\$12,429,928	\$30,478,754	0.00	\$30,929,915	\$0	\$16,754,928	\$47,684,843
Grand Total All Present Law Adjustments									
0.00	\$18,048,826	\$0	\$12,429,928	\$30,478,754	0.00	\$30,929,915	\$0	\$16,754,928	\$47,684,843

This program does not have any associated FTE. See Program 6 for this narrative.

DP 1 - K-12 BASE Aid - Present Law - The legislature approved \$47.0 million for the present law adjustment of K-12 Base Aid in the 2011 biennium. Of this total, \$20.1 million is to bring the FY 2008 expenditure base up to the FY 2009 funding rates, which is also adjusted for a reduction in ANB of 0.64 percent in FY 2010 and an additional 0.78 percent in FY 2011. The cost of a 1 percent and 3 percent increase in the basic and per-ANB entitlements is \$26.8 million for the biennium. In addition, fewer students than in the base year reduces the Indian Education for All payment by \$79,180. Fewer Indian students reduces the Achievement Gap payment by \$157,000. Fewer educators than in the base year reduces the Quality Educator payment by \$1.1 million.

The final present law adjustments for Base Aid reflect the impact of three bills that changed GTB payments to school districts. These were HB 487 (exempt certain inventories from class 8 business equipment taxes), SB 489 (revise taxation of certain centrally assessed pipelines), and HB 658 (property reappraisal). The net impact of these bills was to decrease GTB in FY 2010 by \$0.4 million and increase GTB in FY 2011 by \$0.6 million.

A portion of the \$47.0 million increase in this decision package is offset by language in HB 645. This language reduces HB 2 general fund Base Aid costs by \$40.4 million and HB 645 appropriates \$40.4 million in federal school stabilization monies for Base Aid. This reduction is in a new proposal, DP 645.

DP 10 - School Block Grants - HB 124 - State law (20-9-630 and 632, MCA) provides for an annual 0.76 percent increase in the county transportation and school district block grants. The FY 2008 base is \$50,979,326. The legislature approved a biennial appropriation increase of \$777,830 in FY 2010 and \$1,171,185 in FY 2011.

DP 20 - Federal Grant Award Adj - Program 09 - This biennial appropriation is to adjust federal spending authority in Local Education Activities for anticipated increases and decreases in federal funding. These funds are distributed by OPI to school districts and other local education agencies. The adjustment is \$12.4 million in FY 2010 and \$16.8 million in FY 2011. The legislature added \$2.5 million for the biennium for school foods, \$3.5 million for Title I, and \$2.5 million for IDEA-B. These additions were included in the federal Omnibus Appropriations Act of 2009.

Federal Grant Awards Present Law Adjustments			
Programs	Base 2008	Increase / Decrease	
		Fiscal 2010	Fiscal 2011
Food Programs	\$24,565,933	\$3,075,000	\$4,350,000
Title I, Part A Low Income	1,226,188	\$6,500,000	\$8,500,000
ESEA - Title I - Improvement	34,882,098	\$2,250,000	\$3,000,000
Reading First	1,794,564	700,000	750,000
IDEA - Children w/ Disabilities	33,872,492	750,000	1,000,000
ESEA Title V -Innovative Education	403,828	(403,828)	(403,828)
Comprehensive School Reform	441,244	(441,244)	(441,244)
Total	<u>\$97,186,347</u>	<u>\$12,429,928</u>	<u>\$16,754,928</u>

The figure below shows all the traditional federal appropriations for K-12 for the 2011 biennium.

Distribution to Schools - Traditional Federal Funds							
	Base Budget 2008	PL Base Adjustments Fiscal 2010	New Proposals Fiscal 2010	Total Fiscal 2010	PL Base Adjustments Fiscal 2011	New Proposals Fiscal 2011	Total Fiscal 2011
Federal Special Revenue							
Federal School Foods Programs	\$24,565,933	\$3,075,000	-	27,640,933	\$4,350,000	-	\$28,915,933
ESEA - Title I - Assistance to Disadvantaged	34,882,098	6,500,000	-	41,382,098	8,500,000	-	\$43,382,098
ESEA - Title I - Improvement	1,226,188	2,250,000	-	3,476,188	3,000,000	-	\$4,226,188
ESEA - Title I - Migrant Education	731,756	-	-	731,756	-	-	\$731,756
ESEA - Title I - Neglected & Delinquent	91,361	-	-	91,361	-	-	\$91,361
ESEA - Tital I - Part B - Even Start	490,425	-	-	490,425	-	-	\$490,425
ESEA Title II - Teacher & Principal Training	12,559,983	-	-	12,559,983	-	-	\$12,559,983
ESEA Title II - Math & Science	693,245	-	-	693,245	-	-	\$693,245
ESEA Title II - Technology	1,393,979	-	-	1,393,979	-	-	\$1,393,979
ESEA Title III-Language Acquisition	318,973	-	-	318,973	-	-	\$318,973
ESEA Title IV - 21 st Cent Schools	4,328,339	-	-	4,328,339	-	-	\$4,328,339
ESEA Title IV - Drug Free Schools	1,105,486	-	-	1,105,486	-	-	\$1,105,486
ESEA Title V -Innovative Education	403,828	(403,828)	-	-	(403,828)	-	\$0
IDEA - Children w/ Disabilities	33,872,492	750,000	-	34,622,492	1,000,000	-	\$34,872,492
IDEA - Preschool	1,220,207	-	-	1,220,207	-	-	\$1,220,207
IDEA - SIG	171,174	-	-	171,174	-	-	\$171,174
Adult Basic Education	1,156,305	-	-	1,156,305	-	-	\$1,156,305
Carl Perkins	2,559,872	-	-	2,559,872	-	-	\$2,559,872
Carl Perkins State Leadership	89,000	-	-	89,000	-	-	\$89,000
Learn and Serve Montana	102,013	-	-	102,013	-	-	\$102,013
Reading First	1,794,564	700,000	-	2,494,564	750,000	-	\$2,544,564
Advanced Placement Fee Reimbursement	96,222	-	-	96,222	-	-	\$96,222
Character Education	680,908	-	-	680,908	-	-	\$680,908
Christa McAuliffe	9,431	-	-	9,431	-	-	\$9,431
Comprehensive School Reform	441,244	(441,244)	-	-	(441,244)	-	\$0
Education of Homeless Children	164,530	-	-	164,530	-	-	\$164,530
Foreign Language Assistance	118,444	-	-	118,444	-	-	\$118,444
Local Wellness Program	4,000	-	-	4,000	-	-	\$4,000
Migrant Incentive	173,655	-	-	173,655	-	-	\$173,655
Rural and Low Income Schools	136,859	-	-	136,859	-	-	\$136,859
Homeland Security	17,002	-	-	17,002	-	-	17,002
Total Federal Special	<u>\$125,599,516</u>	<u>\$12,429,928</u>	<u>\$0</u>	<u>\$138,029,444</u>	<u>\$16,754,928</u>	<u>\$0</u>	<u>\$142,354,444</u>

DP 100 - Guarantee Account Adjustment - This reflects an adjustment to the FY 2008 base of \$53,802,998 for Base Aid in the guarantee account and increases general fund expenditure for Base Aid in the amount of \$540,131 in FY 2010 and reduces general fund base aid by \$186,780 in FY 2011. These amounts reflect adjustments to the revenue estimates made in March to HJR 2 by the House Taxation Committee, and the impact of legislation passed by the legislature. The bills impacting guarantee account revenue were HB 2 (less timber revenues to the guarantee account), SB 65 (more interest and income to the guarantee account), and SB 507 (lower streambed rents to the guarantee account)

DP 900 - Base Aid - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 901 - At Risk Payment - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 905 - Special Education (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 906 - Transportation (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 907 - School Facility Reimbursement (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 908 - Instate Treatment (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 909 - Secondary Vo-Ed (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 910 - Adult Basic Education (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 911 - Gifted And Talented (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 912 - School Food (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 913 - HB 124 Block Grants (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 914 - State Tuition Payment (Restrict/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

DP 915 - Traffic Safety Distribution (Restricted/Biennial) - This decision package is a technical adjustment necessary to add a line item to HB 2.

New Proposals

New Proposals -----Fiscal 2010-----						-----Fiscal 2011-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 464 - HB464 Advancing Agricultural Education										
09	0.00	110,750	0	0	110,750	0.00	113,250	0	0	113,250
DP 645 - HB 645 - Offset Base Aid with Fed Stabilization										
09	0.00	(14,613,477)	0	0	(14,613,477)	0.00	(25,779,699)	0	0	(25,779,699)
DP 917 - At Risk Payment Reduction										
09	0.00	(4,999,999)	0	0	(4,999,999)	0.00	(4,999,999)	0	0	(4,999,999)
Total	0.00	(\$19,502,726)	\$0	\$0	(\$19,502,726)	0.00	(\$30,666,448)	\$0	\$0	(\$30,666,448)

DP 464 - HB464 Advancing Agricultural Education - HB 464 creates a program to make improvements in Montana's agricultural education programs and provides for payments to school districts for agricultural education.

Each agricultural education program in the state that completes the national quality program standard evaluation and submits a plan of improvement to OPI's agricultural education specialist must receive a one-time payment of \$500.

Each agricultural program in the state that submits a detailed budget to increase the quality of its agricultural education program may receive a one-time payment of up to \$1,000.

Program administrators in Bozeman and Helena must receive a total of \$11,250 annually for the costs of providing a minimum of one onsite visit each year to each participating school.

Each school that adds agricultural education to its curriculum and recruits and retains an endorsed agricultural education teacher must receive a one-time payment of \$7,500.

The general fund appropriation for this program is \$110,750 in FY 2010 and \$113,250 in FY 2011. This appropriation is biennial.

DP 645 - HB 645 - Offset Base Aid with Fed Stabilization - Contingency language in HB 645 reduces general fund Base Aid using federal stabilization dollars by \$14,613,477 in FY 2010 and by \$25,779,699 in FY 2011. The federal stabilization money may be used to reduce state general fund effort in the 2011 biennium to the extent it does not drop state effort below FY 2006 levels, and must contribute to the regular ongoing formula for providing aid to school districts.

DP 917 - At Risk Payment Reduction - This decision package reduces the at-risk payment in the base by \$4,999,999 in each year of the 2011 biennium. This will reduce district general fund maximum and base budgets by a like amount.

It is the intent of the legislature that the executive include the at-risk payment at \$5,000,000 per year in its 2013 biennium budget submission.