

**Agency Legislative Budget**

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	125.31	4.35	9.00	138.66	4.40	9.50	139.21	139.21
Personal Services	6,115,508	631,352	687,628	7,434,488	627,602	1,036,041	7,779,151	15,213,639
Operating Expenses	7,434,615	2,395,039	3,254,445	13,084,099	2,721,324	1,241,517	11,397,456	24,481,555
Equipment	76,335	5,000	100,463	181,798	0	50,463	126,798	308,596
Local Assistance	509,984,289	8,466,265	28,812,974	547,263,528	13,899,729	28,624,539	552,508,557	1,099,772,085
Grants	119,604,611	14,082,528	923,000	134,610,139	21,003,299	923,000	141,530,910	276,141,049
<b>Total Costs</b>	<b>\$643,215,358</b>	<b>\$25,580,184</b>	<b>\$33,778,510</b>	<b>\$702,574,052</b>	<b>\$38,251,954</b>	<b>\$31,875,560</b>	<b>\$713,342,872</b>	<b>\$1,415,916,924</b>
General Fund	514,085,061	8,713,666	33,252,322	556,051,049	14,164,535	31,160,010	559,409,606	1,115,460,655
State/Other Special	943,936	15,843	11,287	971,066	15,848	16,560	976,344	1,947,410
Federal Special	128,186,361	16,850,675	514,901	145,551,937	24,071,571	698,990	152,956,922	298,508,859
<b>Total Funds</b>	<b>\$643,215,358</b>	<b>\$25,580,184</b>	<b>\$33,778,510</b>	<b>\$702,574,052</b>	<b>\$38,251,954</b>	<b>\$31,875,560</b>	<b>\$713,342,872</b>	<b>\$1,415,916,924</b>

**Agency Description**

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 450 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.

**Agency Highlights**

<b>Office of Public Instruction Major Budget Highlights</b>
<p>The legislature increased funding by \$129.4 million over the doubled 2004 base in the 2007 biennium. Of this amount, \$87.3 million is general fund and \$42.1 million is federal funds. The legislature:</p> <ul style="list-style-type: none"> <li>◆ Increased base aid payments to schools by \$62.2 million general fund and \$4.2 million in the statutorily appropriated guarantee account through 4 main actions: <ul style="list-style-type: none"> <li>• Funded statutory inflationary adjustments and enrollment changes</li> <li>• Increased the per student entitlement by \$100 per high school student and \$250 per elementary student</li> <li>• Instituted 3 year ANB averaging for entitlement payments</li> <li>• Allowed sharing of cash reappropriated between elementary and high schools in unified systems</li> </ul> </li> <li>◆ Added \$25.1 million general fund for other payments to schools <ul style="list-style-type: none"> <li>• Fully funded all present law adjustments in special education, school facility payments, transportation payments, HB 124 block grants, and other</li> <li>• Increased payments for special education, school facility payments, secondary vo-ed, and gifted and talented</li> <li>• Funded Indian Education for All with \$3.4 million and 4.00 FTE,</li> </ul> </li> </ul>

including \$1.1 million for information sharing and \$2.3 million for curriculum development

- Appropriated all additional anticipated federal grants and other payments totaling \$42.1 million, including an additional 5.35 FTE and a new grant for homeland security
- Funded a new student education information database
- Provided retirement GTB increases of \$2.0 million to impact aid districts as a result of the passage of SB 333

### Summary of Legislative Action

The legislature's budget for OPI increases \$129.4 million in the 2007 biennium as compared with the base budget. Of this amount \$87.3 million is general fund and \$42.1 million is federal funds.

The OPI administration budget increases \$12.8 million over the biennium compared with the base budget. Federal funds increase \$6.5 million in present law adjustments and a new proposal for education in homeland security. The increase in general fund is \$6.2 million for:

- Indian Education for All - \$2.3 million
- Student education information database - \$2.8 million
- Other adjustments - \$1.1 million

FTE for OPI is recommended to increase by 13.35, a net of 5.35 for federal employees, 4.0 for Indian Education for All, and 4.0 for the Student Education Information Data System.

OPI's distribution to schools program in the 2007 biennium increases by \$116.7 million, of which \$81.1 million is general fund and \$35.6 million is federal funds. In addition, there is expected to be an additional \$4.2 million in base aid coming from the guarantee fund, which is statutorily appropriated. The federal funds increase is entirely a present law adjustment except for \$546,000 for training in homeland security. The general fund increase in the distribution program in the 2007 biennium consists of the following:

- Present law and new proposal adjustments to base aid for inflation, student declines, increases in base aid due to entitlement increases of \$250 per ANB for elementary and \$100 per ANB for high school, three-year averaging of ANB, sharing of cash reappropriated between elementary and high school, and other bills impacting base aid – \$62.2 million general fund and \$4.2 million guarantee account
- Increases in special education of \$8.1 million
- School facility increases of \$4.3 million
- Secondary vo-ed and gifted and talented increases of \$0.8 million
- Indian Education for All grants to districts for information sharing with other districts - \$1.1 million
- Retirement GTB increases of \$2.0 million in impact aid districts
- Other present law adjustments for transportation, HB 124 block grants and other – \$2.6 million

The federal distribution to schools spending increases include:

- Special education by \$18.5 million
- School foods program by \$9.9 million
- Elementary and Secondary Education Act (ESEA) program by \$6.8 million primarily for the 21<sup>st</sup> Century Program
- Homeland security training by \$546,000

### Other Legislation

**HB 63** – This bill increases the basic and per-ANB entitlements for both elementary and high school by 2.1 percent in FY 2006 and by 2.19 percent in FY 2007. HB 63 further increased per-ANB entitlements by \$250 for elementary and by \$100 for high school. In addition HB 63, allows elementary and high schools to share cash reappropriated beginning in FY 2007.

HB 83 – Under previous law, county superintendents pay K-12 tuition for a child who is placed in licensed foster care or group homes outside the student’s district of residence by the state or a court. Tuition payments are deducted from countywide elementary or high school equalization accounts by the county before monies are remitted to the state.

Under HB 83, the Office of Public Instruction (OPI) will make payments to the school district of attendance. Districts will submit a claim (out-of-district attendance agreement) to OPI at the end of the year of attendance. OPI will make payments of approximately \$336,000 from a general fund appropriation in the year following attendance (FY 2007).

SB 48 – Beginning tax year 2006, SB 48 increases the threshold amount of class 8 property that an entity may own and be exempt from property taxation, from \$5,000 of market value to \$20,000. The reduction in property tax values from the increase in exemption in class 8 property taxable values will impact the state’s obligation to fund the guaranteed tax base aid for school districts and counties. Property tax values decrease by 0.3% in FY 2007. There will be a one-year guaranteed tax base (GTB) cost spike of \$183,000 in FY 2007. The guarantee level is determined by the prior year taxable values applied against current year taxable values. The higher guarantee level in FY 2006 will apply to the lower taxable values in FY 2007 and cause increased state contribution as districts levy more mills to compensate for the drop in taxable values.

SB 276 - This bill replaces the net proceeds tax on bentonite with a production tax. Bentonite production will be taxed on the wet ton at varying rates based on the level of production. The drop in taxable values resulting from SB 276 causes the statewide taxable values to decrease by 0.3 percent, which will cause the statewide guarantee level for the guaranteed tax base aid to be reduced. Of the three districts that currently have taxable values from bentonite and get taxable value decreases from SB 276, two will see increases in state guaranteed tax base aid as the taxable value of the district will fall substantially. The state guaranteed tax base aid would only partially offset the loss in revenue to the school district.

Districts that do not have taxable values related to bentonite, and currently receive guaranteed tax base aid would receive approximately a 0.3% decrease in the amount of guaranteed tax base aid as the state guarantee level will be lower. Approximately 70% of school districts receive guaranteed tax base aid and would be affected by this small reduction.

The net savings to the state from reduced guaranteed tax base aid payments will be \$700 in FY 2006 and \$263,000 in FY 2007. The \$263,000 state savings will continue into future years.

SB 296 - Under the SB 296, land that is under one ownership and that is greater than 20 acres in size, but less than 160 acres in size, could become eligible for agricultural land classification contingent upon meeting the additional requirements provided in this bill. Typically these parcels of land are called “non-qualified agricultural land”.

Under the SB 296, the 20 to 160 acre parcels of land that do not meet the minimum \$1,500 in agricultural related income produced by the land, may qualify as agricultural land if the owner: 1) submits proof that 51 percent of the owner’s annual income is derived from agricultural production; 2) the property taxes are paid by a family corporation, family partnership, sole proprietorship or family trust involved in Montana agricultural production and 51 percent of the entity’s Montana annual gross income is derived from agricultural production or; 3) the owner is a shareholder, partner, owner, or member of a family corporation, family partnership, sole proprietorship, or family trust that is involved in Montana agricultural production and 51 percent of the entity’s Montana annual gross income is derived from agricultural production.

SB 296 is effective July 1, 2005 and the new ownership criteria will be effective in tax year 2006. The reduction in property tax values from SB 296 would impact the state’s obligation to fund the guaranteed tax base aid for school districts and counties. Property tax values decrease by 0.03 percent in FY 2007. There will be a one-year guaranteed tax base (GTB) cost spike of \$21,200 in FY 2007.

SB 333 - In February 2005, the US District Court permanently enjoined the state from complying with Section 20-9-501, MCA (2004) as applied to school district employees paid with federal impact aid. The ruling also requires the state to reimburse, retroactive to July 1, 2004, Montana school districts for the retirement, social security and unemployment insurance costs of these employees in the same manner as if they were paid from state or local funding sources. The

retirement base aid estimates for the 2007 biennium that were developed before the session assumed that the state would save \$1 million per year due to payment of retirement costs by federal impact aid funds. Since this will no longer be the case, base aid costs for the 2007 biennium were increased by \$1 million per year.

Other bills that affected interest and income available for base aid in the guarantee account were HB 2 and HB 22. The impact of these bills combined affected general fund base aid by less than \$10,000 in the 2007 biennium.

**SB 359** – Under current law, the state pays tuition for a student who is placed by a state agency or court in foster care or a group home in a school district other than the child’s district of residence. Once a state-placed student turns 18 years old, he or she becomes a resident of the district where the student lives and so the state no longer pays tuition. Under SB 359, the state will continue to pay tuition for the remainder of the school year when a student turns 18 in the middle of a school year rather than stopping tuition when the student turns 18.

Under previous law, students who spent less than 2 hours per day in class were counted as 0.50 ANB. SB 359 allows a finer breakdown of ANB counts based on hours spent in the classroom. Students who are in class four hours or more are counted as a full ANB, as they were under previous law. Students who spend between 3 and 4 hours per day in class will be counted as 0.75 ANB. Students who spend between 2 and 3 hours per day in class will be counted as 0.50 ANB and students who spend between 1 and 2 hours per day in class will be counted as 0.25 ANB. The net result of these changes is a reduction in ANB.

Under SB 359, enrollment in a basic education program provided by a district at a site other than a school of the district may be included for ANB purposes only if the pupil is offered and is able to receive full access to the complete range of educational services required by accreditation standards. In FY 2004, there were 260 students counted who were offered and able to receive less than full access to a complete range of educational services and were counted as half-time for ANB purposes. Under SB 359, these students will not be counted for ANB.

School districts will offer distance-learning programs and will consequently enroll students who are currently not enrolled in public schools in Montana.

The general fund impact of SB 359 is expected to be a decrease in base aid costs of \$156,000 in FY 2007. The state increase in costs associated with long distance learning students counted in ANB are more than offset by the savings from allowing finer gradations in ANB counting due to hourly attendance.

### 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					
2007 Biennium Legislative Budget					
Agency Program	General Fund	State Spec.	Fed Spec.	Grand Total	Total %
06 State Level Activities	\$ 15,085,172	\$ 447,410	\$ 24,513,810	\$ 40,046,392	2.83%
09 Local Education Activities	<u>1,100,375,483</u>	<u>1,500,000</u>	<u>273,995,049</u>	<u>1,375,870,532</u>	<u>97.17%</u>
Grand Total	<u>\$ 1,115,460,655</u>	<u>\$ 1,947,410</u>	<u>\$ 298,508,859</u>	<u>\$ 1,415,916,924</u>	<u>100.00%</u>

OPI has two programs, State Level Activities, more commonly known as OPI administration, and Local Education Activities, more commonly known as the distribution to schools program. OPI administration receives approximately 31 percent of its funding from the general fund and state special accounts. The remainder of the OPI administration program is funded by federal funds. The distribution to schools program is funded 80 percent with state funds and the remainder with federal funds. Administration is 2.8 percent of all funds requested and the remainder flows to school districts.

**Executive Budget Comparison**

The following table compares the legislative budget for the 2007 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2004	Executive Budget Fiscal 2006	Legislative Budget Fiscal 2006	Leg – Exec. Difference Fiscal 2006	Executive Budget Fiscal 2007	Legislative Budget Fiscal 2007	Leg – Exec. Difference Fiscal 2007	Biennium Difference Fiscal 06-07
FTE	125.31	136.66	137.66	1.00	137.21	138.21	1.00	
Personal Services	6,115,508	7,116,802	7,529,911	413,109	7,136,004	7,874,574	738,570	1,151,679
Operating Expenses	7,434,615	12,907,275	12,988,676	81,401	11,220,473	11,302,033	81,560	162,961
Equipment	76,335	181,798	181,798	0	126,798	126,798	0	0
Local Assistance	509,984,289	538,629,106	547,263,528	8,634,422	545,415,148	552,508,557	7,093,409	15,727,831
Grants	119,604,611	133,772,139	134,610,139	838,000	140,692,910	141,530,910	838,000	1,676,000
<b>Total Costs</b>	<b>\$643,215,358</b>	<b>\$692,607,120</b>	<b>\$702,574,052</b>	<b>\$9,966,932</b>	<b>\$704,591,333</b>	<b>\$713,342,872</b>	<b>\$8,751,539</b>	<b>\$18,718,471</b>
General Fund	514,085,061	546,602,305	556,051,049	9,448,744	551,365,617	559,409,606	8,043,989	17,492,733
State/Other Special	943,936	967,779	971,066	3,287	967,784	976,344	8,560	11,847
Federal Special	128,186,361	145,037,036	145,551,937	514,901	152,257,932	152,956,922	698,990	1,213,891
<b>Total Funds</b>	<b>\$643,215,358</b>	<b>\$692,607,120</b>	<b>\$702,574,052</b>	<b>\$9,966,932</b>	<b>\$704,591,333</b>	<b>\$713,342,872</b>	<b>\$8,751,539</b>	<b>\$18,718,471</b>

The general fund budget passed by the legislature exceeds the original Schweitzer budget by \$17.5 million. The difference is due to the following. The legislature:

- Adopted a subsequent Schweitzer proposal to institute three year averaging of ANB beginning in FY 2006; which increased base aid costs by \$13.9 million
- Added \$0.6 million in OPI agency for Indian Education for All and increases for the pay plan
- Added \$5.6 million in Base Aid by increasing the amount for high school per-ANB entitlements by \$50 above the Schweitzer proposal
- Added \$1.1 million in the distribution program for Indian Education for All
- Eliminated a proposal to reimburse districts for increasing the business tax exemption – savings of \$1.0 million
- Eliminated \$2.8 million in proposed increases in school facility payments.

In addition, the legislature increased federal funding for OPI by \$1.2 million, primarily for training in homeland security and the pay plan.

**Language**

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

“The Office of Public Instruction may distribute funds from the appropriation for instate treatment to public school districts for the purpose of providing for educational costs of children with significant behavioral or physical needs.

All revenue up to \$1.1 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 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.

*The office of public instruction shall include as a part of its work plan priorities for the next biennium the prevention of dropouts and the reduction of dropout rates in Montana’s public schools and report on these efforts to the education and local government interim committee before September 1, 2006.*

Base Aid will be decreased by \$183,000 in fiscal year 2007 if Senate Bill No. 48 is not passed and approved. Base Aid will be decreased in fiscal year 2006 by \$5,008 if House Bill No. 22 is not passed and approved. Base Aid will be decreased by \$21,200 in fiscal year 2007 if Senate Bill No. 296 is not passed and approved. Base Aid will be increased by \$700 in fiscal year 2006 and by \$263,400 if Senate Bill No. 276 is not passed and approved.”

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	125.31	4.35	9.00	138.66	4.40	9.50	139.21	139.21
Personal Services	6,115,508	631,352	687,628	7,434,488	627,602	1,036,041	7,779,151	15,213,639
Operating Expenses	7,432,791	2,394,863	3,254,445	13,082,099	2,721,148	1,241,517	11,395,456	24,477,555
Equipment	76,335	5,000	100,463	181,798	0	50,463	126,798	308,596
Local Assistance	19,301	4,000	0	23,301	4,000	0	23,301	46,602
Grants	0	0	0	0	0	0	0	0
<b>Total Costs</b>	<b>\$13,643,935</b>	<b>\$3,035,215</b>	<b>\$4,042,536</b>	<b>\$20,721,686</b>	<b>\$3,352,750</b>	<b>\$2,328,021</b>	<b>\$19,324,706</b>	<b>\$40,046,392</b>
General Fund	4,452,922	243,552	3,789,348	8,485,822	260,957	1,885,471	6,599,350	15,085,172
State/Other Special	193,936	15,843	11,287	221,066	15,848	16,560	226,344	447,410
Federal Special	8,997,077	2,775,820	241,901	12,014,798	3,075,945	425,990	12,499,012	24,513,810
<b>Total Funds</b>	<b>\$13,643,935</b>	<b>\$3,035,215</b>	<b>\$4,042,536</b>	<b>\$20,721,686</b>	<b>\$3,352,750</b>	<b>\$2,328,021</b>	<b>\$19,324,706</b>	<b>\$40,046,392</b>

**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; and 3) 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 (ESA)/No Child Left Behind (NCLB) administration; 4) secondary vocational education administration; and 5) other educational services.

**Program Highlights**

<b>OPI Administration Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The OPI administration budget increases \$12.8 million over the biennium compared with the base budget. Federal funds increase \$6.5 million in present law adjustments and a new proposal for education in homeland security. The increase in general fund is \$6.2 million for:                             <ul style="list-style-type: none"> <li>• Indian Education for All - \$2.3 million</li> <li>• Student Education Information Database - \$2.8 million</li> <li>• Other adjustments - \$1.1 million</li> </ul> </li> <li>◆ FTE for OPI is recommended to increase by 13.35, a net of 5.35 for federal employees, 4.0 for Indian Education for All, and 4.0 for the Student Education Information Data System</li> </ul>

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

		Program Funding Table State Level Activities					
Program Funding		Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01000	Total General Fund	\$ 4,452,922	32.6%	\$ 8,485,822	41.0%	\$ 6,599,350	34.1%
	01100 General Fund	4,452,922	32.6%	8,485,822	41.0%	6,599,350	34.1%
02000	Total State Special Funds	193,936	1.4%	221,066	1.1%	226,344	1.2%
	02001 School Lunch Program	84,678	0.6%	103,336	0.5%	108,611	0.6%
	02402 Traffic & Safety Education	109,258	0.8%	109,730	0.5%	109,733	0.6%
	02618 Prof Educator Prep Program	-	-	8,000	0.0%	8,000	0.0%
03000	Total Federal Special Funds	8,997,077	65.9%	12,014,798	58.0%	12,499,012	64.7%
	03002 Public Instruction	8,997,077	65.9%	12,014,798	58.0%	12,499,012	64.7%
Grand Total		\$ 13,643,935	100.0%	\$ 20,721,686	100.0%	\$ 19,324,706	100.0%

State Level Activities Program is funded with a combination of general fund, state special revenue funds from commodities and cooperative purchasing, federal funds from a variety of grant sources, and proprietary funds from advanced drivers education.

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative 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 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					680,090					674,854
Vacancy Savings					(267,439)					(267,236)
Inflation/Deflation					(4,295)					(4,132)
Fixed Costs					15,980					18,407
<b>Total Statewide Present Law Adjustments</b>					<b>\$424,336</b>					<b>\$421,893</b>
DP 12 - Provide Funding for Surplus Computers for Schools	0.25	38,822	0	0	38,822	0.25	33,808	0	0	33,808
DP 13 - Education Licensure Increased costs	0.00	3,540	0	0	3,540	0.00	3,540	0	0	3,540
DP 16 - Audiology	0.00	22,883	0	0	22,883	0.00	34,477	0	0	34,477
DP 18 - Statewide Student Assessment - Biennial	0.00	29,250	0	0	29,250	0.00	43,250	0	0	43,250
DP 26 - Growth in Commodities and Cooperative Purchasing	0.00	0	15,000	0	15,000	0.00	0	15,000	0	15,000
DP 27 - Federal Grant Increases	5.70	0	0	2,457,751	2,457,751	5.70	0	0	2,755,494	2,755,494
DP 29 - Indirect Cost of Base Adjustments	0.00	40,877	843	51,651	93,371	0.00	40,336	848	51,769	92,953
DP 30 - Statewide FTE Reduction	(1.60)	(49,738)	0	0	(49,738)	(1.55)	(47,665)	0	0	(47,665)
<b>Total Other Present Law Adjustments</b>	<b>4.35</b>	<b>\$85,634</b>	<b>\$15,843</b>	<b>\$2,509,402</b>	<b>\$2,610,879</b>	<b>4.40</b>	<b>\$107,746</b>	<b>\$15,848</b>	<b>\$2,807,263</b>	<b>\$2,930,857</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$3,035,215</b>					<b>\$3,352,750</b>

DP 12 - Provide Funding for Surplus Computers for Schools - OPI began administering this program with existing staff and resources after it was authorized by the 1999 Legislature (18-6-101, MCA). As a result of growth in this program, the

legislature increased an existing 0.25 FTE to a 0.50 FTE, providing storage space, supplies, phone and internet service to the storage facility, and providing funding to lease or purchase, operate and maintain, an older model vehicle for hauling computers from a state agency to the storage facility. The general fund cost for these increases is \$38,822 in FY 2006 and \$33,808 in FY 2007.

DP 13 - Education Licensure Increased costs - The legislature added \$3,540 general fund in each year of the 2007 biennium for increased costs associated with scanning education licenses, conducting fingerprint-based background checks for initial applicants for an educator license, and for additional mailings to educators.

DP 16 - Audiology - Current contracts for the audiological program total \$355,156. In order to maintain contractor participation, the legislature provided a 3 percent increase per year. A 3 percent increase totals \$22,883 in FY 2006 and \$34,477 in FY 2007.

Under the Individuals With Disabilities Education Act (IDEA), schools are required to have an effective child-find system in place for individuals with disabilities birth through 21. The Hearing Conservation Program is the primary method in which public schools identify students who may have a hearing impairment.

DP 18 - Statewide Student Assessment - Biennial - This addition funds the increased costs associated with the Office of Public Instruction's contract with Riverside Publishing Company for administration of the Iowa Test of Basic Skills (ITBS) in grades 4 and 8, and the Iowa Test of Educational Development (ITED) in grade 11. The statewide student assessment is required by the Administrative Rules of the Board of Public Education for the accreditation of schools for grades 4, 8, and 11. The present law base for the statewide student assessment is \$253,250 general fund. Riverside Publishing Company, which currently has the contract, has provided a price quote of \$278,000 for FY 2006 and \$292,000 for FY 2007. The present law adjustment for FY 2006 is \$29,250 and for FY 2007 is \$43,250 general fund.

DP 26 - Growth in Commodities and Cooperative Purchasing - This increase of \$15,000 in state special spending authority for the commodities and cooperative purchasing budget from the current \$85,000 to \$100,000 for each year of the new biennium is the result of growing use of the program by private and public entities.

The increased spending authority will be used to cover the following: an increase in the amount of commodity foods to be allocated resulting in increased food storage and transportation costs for non-public schools and private residential child care institutions; and increased project costs for the cooperative food purchasing program (specifically, travel and meeting expenses of a newly developed committee of local school personnel that provides input on ordering and processing preferences for foods that are to be available on the state bid.)

DP 27 - Federal Grant Increases - This \$5.2 million increase in federal spending authority for grant awards currently administered by the Office of Public Instruction is due to normal increases in federal funding. These funds are used to support the administration of current federal grants and to provide technical assistance to sub-grantees (districts and cooperatives). This is a biennial appropriation.

DP 29 - Indirect Cost of Base Adjustments - The legislature adds appropriation authority for the indirect cost portion of the general fund, state special revenue fund and federal funds statewide level base adjustments. The general fund requirement is \$81,000 over the biennium. In addition to providing central services within the agency, these adjustments fund increases in statewide cost assessments for the legislative audit, SABHRS costs, a portion of the increases in rent, and others.

DP 30 - Statewide FTE Reduction - This decision package implements an FTE reduction equivalent to the reductions taken in the 2003 legislative session. This 1.60 FTE and \$49,000 general fund per year would be removed from the budget permanently.

**New Proposals**

New Proposals Program	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 17 - Educator Preparation Unit Reviews 06	0.00	0	8,000	0	8,000	0.00	0	8,000	0	8,000
DP 53 - Gifted and Talented Assistance 06	0.00	0	0	0	0	0.50	43,917	0	0	43,917
DP 54 - Audiology equipment - Restricted/OTO 06	0.00	85,000	0	0	85,000	0.00	85,000	0	0	85,000
DP 60 - Indian Education for All 06	3.00	1,155,423	0	0	1,155,423	3.00	1,155,423	0	0	1,155,423
DP 62 - Student Education Information Data System-OTO 06	4.00	2,455,026	0	0	2,455,026	4.00	370,974	0	0	370,974
DP 70 - National Board Certif Stipends-Restricted/Biennial 06	0.00	6,000	0	0	6,000	0.00	6,000	0	0	6,000
DP 74 - Homeland Security Grant 06	1.00	0	0	127,000	127,000	1.00	0	0	127,000	127,000
DP 6010 - 2007 Biennium Pay Plan - HB 447 06	0.00	87,899	3,287	114,901	206,087	0.00	224,157	8,560	298,990	531,707
<b>Total</b>	<b>8.00</b>	<b>\$3,789,348</b>	<b>\$11,287</b>	<b>\$241,901</b>	<b>\$4,042,536</b>	<b>8.50</b>	<b>\$1,885,471</b>	<b>\$16,560</b>	<b>\$425,990</b>	<b>\$2,328,021</b>

DP 17 - Educator Preparation Unit Reviews - The legislature added \$16,000 state special authority to spend the funds paid by campuses of the Montana institutions of higher education for review of educator preparation programs. Programs are reviewed for compliance with the teacher preparation standards adopted by the Board of Public Education. Fees charged for this service are a flat fee of \$500 per campus, plus \$50 for each program to be reviewed.

DP 53 - Gifted and Talented Assistance - An increase of 0.5 FTE and \$43,917 general fund is added to the Office of Public Instruction staff in FY 2007 to assist districts in providing gifted and talented education to students throughout the state with technical assistance and support.

DP 54 - Audiology equipment - Restricted/OTO - Replacement of the equipment used to test the hearing of students across the state is requested. Much of the current equipment is beyond its useful life. This \$170,000 general fund one-time-only appropriation will be used to ensure that all equipment used in the state will be functional and up to date.

DP 60 - Indian Education for All - The legislature adds a general fund appropriation of \$1,155,423 annually and 4.00 FTE to respond to the state’s constitutional and statutory obligations to "learn about the distinct and unique cultural heritage of American Indians".

The goals of the Indian Education office are to: 1) assure that American Indian students and communities receive quality and equitable education; and 2) assure that all students leave the public school system with an understanding of the rich history and contemporary issues of Montana’s Indians. The scope of the Indian Education office staffing and activities related to implementing Indian Education for All include, but are not limited to:

- o Development of research-based curricular materials and teaching strategies for Indian Education for All
- o Development of model curriculum that fulfills the requirements of Indian Education for All and is integrated into the nine academic subject areas addressed in the Montana School Accreditation Standards
- o Development and implementation of a comprehensive plan for professional development for implementing Indian Education for All
- o Infusion of Indian Education for All into current content and performance standards
- o Scholarship and fellowship opportunities for graduate students to conduct research relevant to Indian Education and Indian Education for All in Montana
- o Educational grants to classroom teachers and tribal college personnel to develop curriculum materials or professional development training for Indian Education for All

- Regular meetings of the Montana Advisory Council on Indian Education (MACIE) to provide policy advice to the State Superintendent of schools and the Board of Public Education
- Two specialists and an administrative assistant to support the expanded role of the office

The legislature added an additional \$310,846 for the 2007 biennium for the following: 1) 1.00 FTE for an Indian education specialist to administer grant programs, including benefits and insurance for the biennium; 2) attendance by OPI personnel at a best practices conference; 3) additional travel for attendance at the Montana Advisory Council on Indian Education (MACIE); 4) a public education campaign regarding Indian Education for All Montana to create awareness about the program; and 5) OPI indirect costs of 17.3 percent.

DP 62 - Student Education Information Data System-OTO - The legislature added a biennial general fund appropriation of \$2,826,000 for the development of a comprehensive education information system to be used by K-12 public schools and the Office of Public Instruction.

The system will be used to:

- Provide information about student achievement and progress toward standards
- Enable local districts to benchmark their own educational programs
- Allow parents and community members to learn more about their schools
- Assist policymakers in understanding the relationship among education policies, strategies and outcomes
- Maintain an effective method of transferring and accessing accurate and timely educational information among school districts and the educational community
- Allow OPI to deliver relevant information to users in a timely and reliable manner
- Improve the ability of researchers to study trends for school improvement
- Improve the state's ability to collect and report state and federal mandated data
- Interact with data systems at the Office of the Commissioner of Higher Education and programs in the workforce development arena (including Department of Labor, Workforce Investment, Department of Revenue, Adult Basic and Literacy Education, and Temporary Assistance for Needy Families)

The addition includes 4.0 FTE, including a project manager, database administrator, a data resource administrator, and a student record system manager.

Also included is funding for a contract with an education software vendor and funding for development of web service architecture.

DP 70 - National Board Certif Stipends-Restricted/Biennial - The legislature funded payment of stipends in the amount of \$3,000 per teacher to Montana teachers who achieve certification from the National Board for Professional Teaching Standards. OPI estimates that 15 teachers will be eligible in FY 2007. OPI's base budget includes \$24,000 for stipends.

DP 74 - Homeland Security Grant - The Homeland Security Grant Program is funded by the Corporation for National and Community Service. The objective of the grant is to enhance the safety and security of schools and communities through the Citizen Preparedness through Youth Leadership project. Funds will be used to administer sub grants awarded to six selected schools with service-learning history. Training will be provided to assist students and adults to engage in volunteer service-learning activities that strengthen existing disaster response infrastructures, build linkages between schools and homeland security initiatives. Replicable rural homeland security models will be developed and disseminated. The effectiveness of this grant project will be evaluated by outside evaluators.

DP 6010 - 2007 Biennium Pay Plan - HB 447 - The legislature passed a pay plan in HB 447 that provides an additional 3.5 percent (or \$1,005, whichever is greater) in FY 2006 and additional 4.0 percent (or \$1,188, whichever is greater) in FY 2007, as well as \$46 per month in insurance contributions in calendar 2006 and an additional \$51 per month in calendar 2007. These amounts represent the program's allocation of costs to fund this pay plan.

**Language**

The legislature approved the following language for inclusion in HB2:

"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."

**Proprietary Program Description**

OPI Indirect Cost Pool - OPI's internal service fund (A/E 06512) is used to pool internal and statewide central service type costs that are charged back to all of OPI's state and federally funded programs using a pre-approved indirect cost rate.

The Advanced Driver Education program - This is a seasonal hands-on behind-the-wheel crash avoidance program operated by the Health Enhancement and Safety Division of the Office of Public Instruction. The one-day and half-day refresher courses provide training to school bus drivers, driver education teachers, Montana Department of Transportation employees, ambulance drivers, and others who drive as a part of their employment. The program offers its services to employees of government services and to the general public.

**Proprietary Revenues and Expenses****Revenue Description**

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying an approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs. Last fiscal year OPI federal programs contributed \$910,384 towards the cost of "indirects"; general and other state-funded programs contributed \$633,534.

**Expense Description**

Costs of OPI operations that are paid from the indirect cost pool include:

- Termination payouts (vacation/comp time/sick leave) for all staff (except the state superintendent and her personal staff)
- Services provided to OPI by other state agencies for a fee
- Depart. of Admin. (DofA) general liability insurance and employee bonds
- DofA warrant writing fees
- DofA payroll Service fees
- DofA telephone equipment charges
- DofA rent charge for common areas (bathrooms, halls, conference rooms)
- Legislative audit fees
- DofA network service fees
- Fish, Wildlife and Parks grounds maintenance fee
- OPI's share of statewide indirect costs, allocated through a Statewide Cost Allocation Plan (SWCAP) prepared by the Department of Administration
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, word processing, mail delivery and resource center services to all OPI programs. Operating costs associated with 22.15 positions are paid from the pool, including the cost of rent for space they occupy, office supplies, postage, long distance phone charges, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines and shared equipment, including maintenance contracts on that equipment.

**Working Capital Discussion**

Working capital is not considered in the rate determination. Sufficient working capital is needed for cash flow during the first 30 - 45 days of the fiscal year.

**Fund Equity and Reserved Fund Balance**

There is no requirement to reserve fund balance. Management's objective is to maintain the minimum balance necessary for on-going operations. If a significant balance accumulates because direct expenses increase at a faster rate than indirect expenses, the approved rate will adjust downward to reduce the excess over time.

**Revenue Description**

Revenues are generated from workshop fees collected from participants in the program and from other track users for the use of the facility. Typically the program services 450-550 participants a season. The current fee is \$225 for full-day workshop per person and \$135 for a half-day. There will be anticipated growth in services to participants of 10 percent. This increase is due to an agreement with MDT to conduct a teen research project. It is also expected to see modest growth in other users of the track who pay for its use.

**Expense Description**

Cost drivers for fees include instructor expenses (includes salaries, travel and per diem); vehicle maintenance and operating expenses; classroom and track supplies; track lease; program advertising; administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Unexpected increases in fuel costs this last year consumed the revenue projected to support periodic capital and maintenance costs. It is anticipated that an increase in fees is needed to keep abreast of inflation.

**Working Capital Discussion**

This program is a summer seasonal program that operates 45 - 55 days during June, July and August. The program typically employs four grade 16 instructors for each workshop (10 - 11 hours per day each). A director (.15) and a program specialist (.125) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30 - 45 percent of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July - March.

**Fund Equity and Reserved Fund Balance**

In addition to operating expenses during non-revenue months, the program also incurs periodic (every 2 - 5 years) expenditures for replacement of vehicles and facility maintenance/improvement. Payment of these services requires accumulation and carryover of revenues from year to year an amount of approximately 10 - 20 percent of its annual budget.

**Proprietary Rate Explanation**

OPI negotiates a three-year "predetermined rate" with the U.S. Department of Education every year. The rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. The rate approved for FY 2005 through 2007 is 17.3 percent.

**Advance Driver Education-**

Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. All attempts are made to keep workshop fees low since the potential customers such as bus drivers, volunteer firemen and ambulance drivers have small training budgets. Facility use rates are fixed rates that reflect a share of facility costs to lease and maintain track and buildings.

**Program Legislative Budget**

The following table summarizes the total legislative budget for the program by year, type of expenditure, and source of funding. Also included in the table is HB 447 pay plan allocation.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Operating Expenses	1,824	176	0	2,000	176	0	2,000	4,000
Local Assistance	509,964,988	8,462,265	28,812,974	547,240,227	13,895,729	28,624,539	552,485,256	1,099,725,483
Grants	119,604,611	14,082,528	923,000	134,610,139	21,003,299	923,000	141,530,910	276,141,049
<b>Total Costs</b>	<b>\$629,571,423</b>	<b>\$22,544,969</b>	<b>\$29,735,974</b>	<b>\$681,852,366</b>	<b>\$34,899,204</b>	<b>\$29,547,539</b>	<b>\$694,018,166</b>	<b>\$1,375,870,532</b>
General Fund	509,632,139	8,470,114	29,462,974	547,565,227	13,903,578	29,274,539	552,810,256	1,100,375,483
State/Other Special	750,000	0	0	750,000	0	0	750,000	1,500,000
Federal Special	119,189,284	14,074,855	273,000	133,537,139	20,995,626	273,000	140,457,910	273,995,049
<b>Total Funds</b>	<b>\$629,571,423</b>	<b>\$22,544,969</b>	<b>\$29,735,974</b>	<b>\$681,852,366</b>	<b>\$34,899,204</b>	<b>\$29,547,539</b>	<b>\$694,018,166</b>	<b>\$1,375,870,532</b>

**Program Description**

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

**Program Highlights**

<p><b>Office Of Public Instruction</b></p> <p><b>Local Education Activities – Distribution to Schools Program</b></p> <p><b>Major Budget Highlights</b></p>
<p>OPI’s distribution to schools program in the 2007 biennium increases by \$116.7 million, of which \$81.1 million is general fund and \$35.6 million is federal funds. In addition, there is expected to be an additional \$4.2 million base aid coming from the guarantee fund, which is statutorily appropriated. The federal funds increase is entirely a present law adjustment except for \$546,000 for training in homeland security. The general fund increase in the distribution program in the 2007 biennium consists of the following:</p> <ul style="list-style-type: none"> <li>◆ Present law and new proposal adjustments to base aid for inflation, student declines, increases in base aid due to entitlement increases of \$250 per ANB for elementary and \$100 per ANB for high school, three-year averaging of ANB, sharing of cash reappropriated between elementary and high school, and other bills impacting base aid – \$62.2 million general fund and \$4.2 million guarantee account-</li> <li>◆ Increases in special education of \$8.1 million-</li> <li>◆ School facility increases of \$4.3 million-</li> <li>◆ Secondary vo-ed and gifted and talented increases of \$0.8 million-</li> <li>◆ Indian Education For All grants to districts for information sharing with other districts - \$1.1 million-</li> <li>◆ Retirement GTB increases of \$2.0 million in impact aid districts</li> <li>◆ Other present law adjustments for transportation, HB 124 block grants and other– \$2.6 million</li> </ul> <p>The federal distribution to schools spending increases include:</p> <ul style="list-style-type: none"> <li>◆ Special education by \$18.5 million.</li> </ul>

- ◆ School foods program of \$9.9 million
- ◆ Elementary and Secondary Education Act (ESEA) program by \$6.8 million primarily for the 21<sup>st</sup> Century Program
- ◆ Homeland security training - \$546,000.

**Funding**

The following table shows program funding, by source, for the base year and for the 2007 biennium as adopted by the legislature.

Program Funding Table							
Local Education Activiti							
Program Funding		Base	% of Base	Budget	% of Budget	Budget	% of Budget
		FY 2004	FY 2004	FY 2006	FY 2006	FY 2007	FY 2007
01000	Total General Fund	\$ 509,632,139	80.9%	\$ 547,565,227	80.3%	\$ 552,810,256	79.7%
	01100 General Fund	509,632,139	80.9%	547,565,227	80.3%	552,810,256	79.7%
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	119,189,284	18.9%	133,537,139	19.6%	140,457,910	20.2%
	03170 Grant Clearance Discretionary	119,189,284	18.9%	133,537,139	19.6%	140,457,910	20.2%
Grand Total		<u>\$ 629,571,423</u>	<u>100.0%</u>	<u>\$ 681,852,366</u>	<u>100.0%</u>	<u>\$ 694,018,166</u>	<u>100.0%</u>

State Level Activities Program is funded with a combination of general fund, state special revenue funds from advanced drivers training, and federal funds from a variety of grant sources.

**ANB**

Average Number Belonging (ANB) is the number of children funded in the distribution to schools program. Figure 1 shows historical and projected ANB for the 2007 biennium.

Figure 1							
Average Number Belonging (ANB) in Montana Schools							
Fiscal Year	Elementary	Percent Change	High School	Percent Change	Total	Percent Change	
<b>Actual &amp; Present Law</b>							
A	1996		49,043		163,740		
A	1997	-0.5%	50,586	3.1%	164,679	0.6%	
A	1998	-1.4%	51,432	1.7%	163,874	-0.5%	
A	1999	-2.3%	51,885	0.9%	161,737	-1.3%	
A	2000	-1.9%	52,025	0.3%	159,756	-1.2%	
A	2001	-1.6%	51,507	-1.0%	157,475	-1.4%	
A	2002	-2.2%	50,794	-1.4%	154,421	-1.9%	
A	2003	-2.4%	50,357	-0.9%	151,497	-1.9%	
A	2004	-1.7%	50,003	-0.7%	149,468	-1.3%	
A	2005	-1.3%	49,422	-1.2%	147,607	-1.2%	
E	2006	-1.8%	49,283	-0.3%	145,743	-1.3%	
E	2007	-1.3%	48,738	-1.1%	143,913	-1.3%	
3 - Year	2006	0.6%	49,999	1.2%	148,756	0.8%	
3 - Year	2007	-1.9%	49,294	-1.4%	146,154	-1.7%	

Beginning in fiscal 1995, ANB Includes students who spend more than 1/2 day in special education class.

The legislature in HB 63 during the 2005 session allowed districts to count three-year averages of district ANB beginning in FY 2006. Also shown in the chart are three-year average ANB counts upon which the BASE Aid estimates are built.

Figure 2 provides a more detailed summary of the 2007 biennium appropriations.

**Figure 2**  
Distribution to Schools, General Fund, State Special, and Federal Funds

Description	Base Budget 2004	PL Base Adjustments Fiscal 2006	New Proposals Fiscal 2006	Total Fiscal 2006	PL Base Adjustments Fiscal 2007	New Proposals Fiscal 2007	Total Fiscal 2007
<b>General Fund</b>							
Direct State Aid	\$275,803,071	\$6,061,843	\$16,126,452	\$297,991,366	\$9,499,752	\$14,621,842	\$299,924,665
GTB - School General Fund	102,899,850	1,733,881	\$6,841,455	111,475,186	2,534,189	\$7,140,103	112,574,142
GTB - School Retirement	23,585,922	-2,067,820	\$1,469,670	22,987,772	-1,357,211	\$1,645,030	23,873,741
Special Education	34,867,755	1,535,812	2,102,555	38,506,122	1,535,812	2,944,722	39,348,289
Transportation	12,042,550	100,000	0	12,142,550	200,000	0	12,242,550
School Facility Reimbursement	8,270,735	140,558	1,987,842	10,399,135	140,558	1,987,842	10,399,135
Instate Treatment	778,794	196,102	0	974,896	196,102	0	974,896
Secondary Vo Ed	715,000	0	285,000	1,000,000	0	285,000	1,000,000
Adult Basic Ed	275,000	0	0	275,000	0	0	275,000
Gifted & Talented	142,151	7,849	100,000	250,000	7,849	100,000	250,000
School Food	648,653	0	0	648,653	0	0	648,653
Other	144,100	7,256	0	151,356	10,270	0	154,370
HB 124 Block Grants	49,458,558	754,633	0	50,213,191	1,136,257	0	50,594,815
Indian Education For All	0	0	550,000	550,000	0	550,000	550,000
<b>Total General Fund</b>	<b>\$509,632,139</b>	<b>\$8,470,114</b>	<b>\$29,462,974</b>	<b>\$547,565,227</b>	<b>\$13,903,578</b>	<b>\$29,274,539</b>	<b>\$552,810,256</b>
<b>State Special Revenue</b>							
Traffic Safety Distribution	\$750,000	\$0	\$0	\$750,000	\$0	\$0	\$750,000
<b>Total State Special</b>	<b>\$750,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$750,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$750,000</b>
<b>Federal Special Revenue</b>							
Federal School Foods Programs	\$20,655,534	\$3,700,000	\$0	\$24,355,534	\$6,150,000	\$0	\$26,805,534
ESEA - Title I	41,837,295	500,000	0	42,337,295	500,000	0	42,337,295
ESEA Title II - Teacher & Principal Training	15,684,664	675,000	0	16,359,664	675,000	0	16,359,664
ESEA Title III-Language Acquisition	514,494	0	0	514,494	0	0	514,494
ESEA Title IV Drug Free & 21 st Cent Schools	4,304,061	2,200,000	0	6,504,061	2,200,000	0	6,504,061
ESEA Title V & VI - Innovative Ed & Rural	2,199,786	0	0	2,199,786	0	0	2,199,786
ESEA Title X - Ed of Homeless Children	173,500	0	0	173,500	0	0	173,500
IDEA	27,706,176	6,999,855	0	34,706,031	11,470,626	0	39,176,802
Adult Basic Education	1,239,214	0	0	1,239,214	0	0	1,239,214
Carl Perkins	3,135,477	0	0	3,135,477	0	0	3,135,477
Learn and Serve Montana	30,462	0	0	30,462	0	0	30,462
Emergency School Renovation	312,804	0	0	312,804	0	0	312,804
Reading Excellence	1,395,816	0	0	1,395,816	0	0	1,395,816
Homeland Security	0	0	273,000	273,000	0	273,000	273,000
<b>Total Federal Special</b>	<b>\$119,189,284</b>	<b>\$14,074,855</b>	<b>\$273,000</b>	<b>\$133,537,139</b>	<b>\$20,995,626</b>	<b>\$273,000</b>	<b>\$140,457,910</b>
<b>Funding</b>							
Total General Fund	\$509,632,139	\$8,470,114	\$29,462,974	\$547,565,227	\$13,903,578	\$29,274,539	\$552,810,256
Total State Special	750,000	0	0	750,000	0	0	750,000
Total Federal Special	119,189,284	14,074,855	273,000	133,537,139	20,995,626	273,000	140,457,910
<b>Total Distribution to Public Schools</b>	<b>\$629,571,423</b>	<b>\$22,544,969</b>	<b>\$29,735,974</b>	<b>\$681,852,366</b>	<b>\$34,899,204</b>	<b>\$29,547,539</b>	<b>\$694,018,166</b>
<b>Statutory Appropriations</b>							
Guarantee Account - Interest & Income	\$47,257,759	\$2,315,417	\$0	\$49,573,176	\$1,861,193	\$0	\$49,118,952
Guarantee Account -Timber	0	1,700,000	0	1,700,000	1,700,000	0	1,700,000
<b>Total Statutory</b>	<b>\$47,257,759</b>	<b>\$4,015,417</b>	<b>\$0</b>	<b>\$51,273,176</b>	<b>\$3,561,193</b>	<b>\$0</b>	<b>\$50,818,952</b>

**Present Law Adjustments**

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget made by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

	-----Fiscal 2006-----					-----Fiscal 2007-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - K-12 BASE Aid	0.00	5,727,904	0	0	5,727,904	0.00	10,676,730	0	0	10,676,730
DP 5 - Special Education Increase to FY 2005 level	0.00	1,535,812	0	0	1,535,812	0.00	1,535,812	0	0	1,535,812
DP 19 - Transportation Aid - Increased State Obligation	0.00	100,000	0	0	100,000	0.00	200,000	0	0	200,000
DP 20 - School Facility Reimbursement	0.00	140,558	0	0	140,558	0.00	140,558	0	0	140,558
DP 22 - School Block Grants	0.00	754,633	0	0	754,633	0.00	1,136,257	0	0	1,136,257
DP 23 - School District Audit Filing Fee	0.00	7,256	0	0	7,256	0.00	10,270	0	0	10,270
DP 25 - Biennial Appropriations	0.00	203,951	0	0	203,951	0.00	203,951	0	0	203,951
DP 28 - Increasing Federal authority to anticipated level	0.00	0	0	14,074,855	14,074,855	0.00	0	0	20,995,626	20,995,626
<b>Total Other Present Law Adjustments</b>	<b>0.00</b>	<b>\$8,470,114</b>	<b>\$0</b>	<b>\$14,074,855</b>	<b>\$22,544,969</b>	<b>0.00</b>	<b>\$13,903,578</b>	<b>\$0</b>	<b>\$20,995,626</b>	<b>\$34,899,204</b>
<b>Grand Total All Present Law Adjustments</b>					<b>\$22,544,969</b>					<b>\$34,899,204</b>

DP 1 - K-12 BASE Aid - This addition funds the K-12 BASE Aid present law adjustment as defined by Section 20-9-326, MCA and adjusted for available guarantee fund revenue. It includes inflation on the basic and per-ANB entitlements and changes in enrollment. The inflator for FY 2006 (calculated using CPI-Urban indexes for July 2000 and July 2003) is 2.10 percent. The inflator for FY 2007 (calculated using CPI-Urban indexes for July 2001 and July 2004) is 2.19 percent. ANB (number of students) are anticipated to decline 1.5 percent in FY 2006 and 1.2 percent in FY 2007.

An anticipated increase in the guarantee fund revenues of \$0.6 million in FY 2006 and \$0.4 million in FY 2007 offsets increases in general fund by a like amount. The net increase in general fund cost is \$5.7 million in FY 2006 and \$10.7 million in FY 2007. The total \$16.4 million is a biennial appropriation.

DP 5 - Special Education Increase to FY 2005 level - Special education services to students with disabilities - State and federal laws require schools to provide these services. The Individuals with Disabilities Education Act (IDEA) includes a provision in 34 CFR 300.154(b) that requires state maintenance of fiscal effort. If state appropriations decline from one year to the next, federal funding to the state is reduced dollar for dollar to the amount of the reduction in state funds.

The amount of special education dollars spent in FY 2004 was \$34,900,310, and the amount appropriated for FY 2005 was \$36,436,122 for a difference of \$1,535,812 per year. This is the amount added to the base special education appropriation for FY 2006 and 2007. This is a biennial appropriation.

DP 19 - Transportation Aid - Increased State Obligation - An increase in the state obligation for school district on - schedule transportation costs is anticipated to increase by \$100,000 in FY 2006 and FY 2007. Increased costs are primarily due to changes in the number of bus miles and the size of the buses approved by the county school transportation committee. This is a biennial appropriation.

DP 20 - School Facility Reimbursement - To promote safe school facilities and as a measure of taxpayer fairness, Montana has established a statutory formula for providing state payments to low property tax wealth school districts to assist with debt service payments on school bonds. The state school facility reimbursement expenditure in the base year was \$8,270,735. In FY 2005 the amount available to distribute is \$8,411,293, for a difference of \$140,588 per year. The increase to the FY 2005 level is a present law adjustment. This is a biennial appropriation.

DP 22 - School Block Grants - 20-9-630 and 632, MCA provides for an annual 0.76 percent increase in the county transportation and school district block grants. These block grants originated from HB 124 of the 2001 legislative session and are intended to replace former local sources of revenue to school districts with state general fund. This is a biennial appropriation.

DP 23 - School District Audit Filing Fee - This increase in general fund authority for school district audit filing fees of \$7,256 in FY 2006 and \$10,270 in FY 2007 is to allow OPI to pay school district audit filing. Payment of this fee from OPI to the Department of Administration is required by 2-7-514(2), MCA. This increase assumes school district revenues will increase 3 percent each year. Base year expenditures are \$144,000. This is a biennial appropriation.

DP 25 - Biennial Appropriations - This \$203,951 per year present law adjustment establishes biennial appropriations in each year at half of the amount appropriated for the 2005 biennium. In the base year each of these appropriations spent less than half of the biennial appropriation. The increase maintains the present law amounts. The biennial appropriations include:

- o Instate treatment - \$1,949,792
- o Secondary Vo-ed - \$1,430,000
- o Adult Basic Ed - \$550,000
- o Gifted and Talented - \$300,000
- o School Foods - \$1,297,306

DP 28 - Increasing Federal authority to anticipated level - This \$35 million biennial adjustment in federal spending authority for grant awards currently administered by the Office of Public Instruction adjusts appropriations to the anticipated level of federal revenue. This is a biennial appropriation.

**New Proposals**

New Proposals										
Program	FTE	-----Fiscal 2006-----				-----Fiscal 2007-----				
		General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6 - Special Education Increase										
09	0.00	885,593	0	0	885,593	0.00	1,805,015	0	0	1,805,015
DP 21 - Additional School Facility Reimbursement										
09	0.00	1,000,000	0	0	1,000,000	0.00	1,000,000	0	0	1,000,000
DP 50 - Additional funding - Gifted and Talented										
09	0.00	100,000	0	0	100,000	0.00	100,000	0	0	100,000
DP 51 - Additional funding - Career & Technical Education										
09	0.00	285,000	0	0	285,000	0.00	285,000	0	0	285,000
DP 61 - Increased Entitlements and Special Education										
09	0.00	25,413,484	0	0	25,413,484	0.00	24,297,939	0	0	24,297,939
DP 63 - School Facilities Additional State Contribution										
09	0.00	987,842	0	0	987,842	0.00	987,842	0	0	987,842
DP 75 - Homeland Security Grant - Distribution										
09	0.00	0	0	273,000	273,000	0.00	0	0	273,000	273,000
DP 80 - Indian Education for All Montanans-Biennial										
09	0.00	550,000	0	0	550,000	0.00	550,000	0	0	550,000
DP 81 - Base Aid for Special Education										
09	0.00	241,055	0	0	241,055	0.00	248,743	0	0	248,743
<b>Total</b>	<b>0.00</b>	<b>\$29,462,974</b>	<b>\$0</b>	<b>\$273,000</b>	<b>\$29,735,974</b>	<b>0.00</b>	<b>\$29,274,539</b>	<b>\$0</b>	<b>\$273,000</b>	<b>\$29,547,539</b>

DP 6 - Special Education Increase - In addition to the amount appropriated in FY 2005, the legislature determined that the inflationary adjustment provided in Section 20-9-326, MCA would be applied to special education funding as well as basic and per ANB entitlements. The inflators used are 2.10 percent in FY 2006 and 2.19 percent in FY 2007. The additional general fund requirement is \$2.8 million in the biennium. This is a biennial appropriation.

DP 21 - Additional School Facility Reimbursement - In addition to the present law increase provided for school facility reimbursement, the legislature added \$500,000 in FY 2006 and \$1 million in FY 2007 to be distributed to school districts for school facility bond payments. As additional bonds are passed throughout the state additional state support is needed to keep the proration of eligible costs close to 100 percent. This is a biennial appropriation.

DP 50 - Additional funding - Gifted and Talented - The legislature added \$100,000 general fund per year to the current gifted and talented block grant of \$1 million per year. These funds are used to provide a small amount of earmarked funds for the gifted and talented programs in schools. Most gifted and talented funding services are provided by the district general fund budgets. This is a biennial appropriation.

DP 51 - Additional funding - Career & Technical Education - This addition increases the state vocational education or career and technical education allocation from \$715,000 to \$1,000,000 general fund per year. The funding is to support career and technical education programs to keep pace with the needs of today's technical economy. This is a biennial appropriation.

DP 61 - Increased Entitlements and Special Education - The legislature made an increase in the per-ANB entitlement for elementary school districts of \$250 and for high school districts of \$100. In addition, the legislature made an increase in special education of 3.5 percent. The cost of this addition is about \$50 million for the 2007 biennium.

DP 63 - School Facilities Additional State Contribution - The legislature made an increase in state aid for school facility debt service of \$2.0 million for the 2007 biennium, \$2.8 million below the executive request. This amount will retain the pro-rated amount at 100 percent in the event Billings does not pass a school bond. If the Billings bond does pass the proration amount would drop to around 87 percent.

DP 75 - Homeland Security Grant - Distribution - The Homeland Security Grant Program is funded by the Corporation for National and Community Service. It will provide funding to six selected schools with service-learning history. The objective of the grant is to enhance the safety and security of schools and communities through the Citizen Preparedness through Youth Leadership project. The activities are designed to meet the unique needs of a rural, sparsely populated state. The federal funds available for this program are \$546,000 for the 2007 biennium.

DP 80 - Indian Education for All Montanans-Biennial - The legislature adds \$1.1 million to implement the Indian Education for All Act. The purpose is to provide grants for up to 50 model "Ready to Go" school districts, districts that have demonstrated excellent Indian education programs, and to inform other school districts on the methods used to implement Indian education programs.

DP 81 - Base Aid for Special Education - This decision package is in conjunction with DP 61. In DP 61, special education increases 3.5 percent. This causes an automatic increase in GTB aid to schools. The increase in GTB aid associated with this proposal is \$489,798 for the 2007 biennium.

### **Language**

The legislature approved the following language for inclusion in HB2:

The Governor has indicated his intent to line-item veto the language illustrated in *italic*. However, his authority to do so is questioned and may be challenged through legal action.

"The Office of Public Instruction may distribute funds from the appropriation for instate treatment to public school districts for the purpose of providing for educational costs of children with significant behavioral or physical needs.

All revenue up to \$1.1 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 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.

*The office of public instruction shall include as a part of its work plan priorities for the next biennium the prevention of dropouts and the reduction of dropout rates in Montana's public schools and report on these efforts to the education and local government interim committee before September 1, 2006.*

Base Aid will be decreased by \$183,000 in fiscal year 2007 if Senate Bill No. 48 is not passed and approved. Base Aid will be decreased in fiscal year 2006 by \$5,008 if House Bill No. 22 is not passed and approved. Base Aid will be decreased by \$21,200 in fiscal year 2007 if Senate Bill No. 296 is not passed and approved. Base Aid will be increased by \$700 in fiscal year 2006 and by \$263,400 if Senate Bill No. 276 is not passed and approved.”