

Agency Budget Comparison

The following table compares the 2023 biennium appropriated budget and the adopted budget for the 2025 biennium by type of expenditure and source of funding.

Agency Budget Comparison				
Budget Item	Appropriated Budget 22-23	Legislative Budget 24-25	Biennium Change	Biennium % Change
Personal Services	26,594,024	26,603,035	9,011	0.03 %
Operating Expenses	30,594,456	32,659,449	2,064,993	6.75 %
Local Assistance	1,794,921,091	1,959,995,081	165,073,990	9.20 %
Grants	322,536,870	319,566,409	(2,970,461)	(0.92)%
Transfers	28,652,140	5,608,604	(23,043,536)	(80.43)%
Debt Service	331,414	325,514	(5,900)	(1.78)%
Total Expenditures	\$2,203,629,995	\$2,344,758,092	\$141,128,097	6.40 %
General Fund	1,824,467,915	1,100,538,487	(723,929,428)	(39.68)%
State/Other Special Rev. Funds	31,795,684	897,436,161	865,640,477	2,722.51 %
Federal Spec. Rev. Funds	347,366,396	346,783,444	(582,952)	(0.17)%
Total Funds	\$2,203,629,995	\$2,344,758,092	\$141,128,097	6.40 %
Total Ongoing	\$2,179,543,010	\$2,344,506,421	\$164,963,411	7.57 %
Total OTO	\$24,086,985	\$251,671	(\$23,835,314)	(98.96)%

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) distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 400 school districts. The core responsibilities of the agency include licensure of educators, accreditation of schools, administration of statewide student assessments, distribution of state and federal grants/aid to schools, collection and reporting of data, and dissemination of information about K-12 education. Agency staff provide technical assistance in planning, implementing, and evaluating educational programs in such areas as teacher preparation, teacher certification, school accreditation, academic standards and curriculum, school finance, and school law. The staff also administer a number of federally funded programs and provide 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**

The Office of Public Instruction's 2025 biennium HB 2 adopted budget is \$141.1 million or 6.4% higher than the 2023 biennium budget.

Major changes for the State Level Activities Program are listed below:

- A restricted, biennial appropriation of general fund for the reauthorization of the Montana Indian Language Preservation Program
- A federal special revenue grant award adjustment to support part-time modified FTE
- A one-time-only increase of general fund for the replacement of audiological services equipment
- An increase of 3.00 FTE and associated funding to administer the programs passed in HB 352 and HB 393
- The reduction of 4.00 FTE and associated general fund and federal special revenue
- A fund switch from general fund to state special revenue for the new teacher licensing system, per HB 403

Major changes for the Local Education Activities Program are listed below:

- An inflationary increase of general fund for K-12 BASE Aid
- A decrease in general fund for K-12 BASE Aid to offset increases in the guarantee account
- A state special revenue increase to fully fund debt service assistance
- Increases in general fund and decreases in state special revenue for major maintenance aid
- A fund switch from general fund to state special revenue to transfer the 95 property tax mills into a state special revenue account specifically dedicated to school funding, per HB 587
- An increase of general fund for K-12 BASE Aid due to an increased retirement GTB multiplier, also per HB 587

Agency Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the adopted budget for FY 2024 and FY 2025 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Legislative Fiscal 2024	Legislative Fiscal 2025
FTE	0.00	153.27	153.27	153.27	153.27
Personal Services	11,431,765	12,806,887	13,787,137	13,262,987	13,340,048
Operating Expenses	13,221,917	15,230,793	15,363,663	16,320,722	16,338,727
Local Assistance	870,486,784	875,868,585	919,052,506	933,823,947	1,026,171,134
Grants	148,924,335	160,602,748	161,934,122	159,719,906	159,846,503
Transfers	8,689,395	14,960,766	13,691,374	2,780,365	2,828,239
Debt Service	165,437	168,657	162,757	162,757	162,757
Total Expenditures	\$1,052,919,633	\$1,079,638,436	\$1,123,991,559	\$1,126,070,684	\$1,218,687,408
General Fund	884,693,735	891,242,610	933,225,305	508,648,459	591,890,028
State/Other Special Rev. Funds	9,076,170	14,755,667	17,040,017	444,108,793	453,327,368
Federal Spec. Rev. Funds	159,149,728	173,640,159	173,726,237	173,313,432	173,470,012
Total Funds	\$1,052,919,633	\$1,079,638,436	\$1,123,991,559	\$1,126,070,684	\$1,218,687,408
Total Ongoing	\$1,047,085,620	\$1,067,444,703	\$1,112,098,307	\$1,125,778,003	\$1,218,728,418
Total OTO	\$5,834,013	\$12,193,733	\$11,893,252	\$292,681	(\$41,010)

Summary of Legislative Action

The legislature adopted an increase to the Office of Public Instruction’s total biennial appropriation of approximately \$141.1 million or 6.4% compared to the 2023 biennium appropriation.

For the State Level Activities Program, legislative increases to the agency's budget include:

- An increase for the statewide present law adjustment for personal services, made up of increases in general fund and state special revenue
- An increase in general fund for the statewide present law adjustment for fixed costs and an increase in general fund for an additional fixed costs adjustment to correct an error made in the budgeting process
- Increases in general fund, state special, and federal special revenue for the statewide present law adjustment for inflation/deflation
- An increase in federal special revenue personal services funding to support part-time modified FTE
- An increase of general fund and 2.00 FTE to administer an early literacy targeted intervention program, per HB 352
- An increase of general fund and 1.00 FTE to administer the program for special needs education savings accounts, per HB 393
- A restricted, biennial increase in general fund grants for the Montana Indian Language Preservation Program
- An inflationary increase for the Montana Digital Academy
- A one-time-only increase in general fund in FY 2024 only in order to fund the replacement of audiology equipment used to provide hearing screenings for Montana students
- An increase in state special revenue due to increases in teacher license fees in order to fully fund the operations of the teacher licensure system, per HB 403

The increases to the State Level Activities Program were partially offset by decreases adopted by the legislature, which include:

- A decrease of federal special revenue and 3.00 FTE due to the completion of the Substance Abuse and Mental Health Services Administration (SAMHSA) federal grant
- A decrease of 1.00 FTE and associated personal services expenses for the Comprehensive School and Community Treatment (CSCT) program services-to-schools director, as the program moves back to the Department of Public Health and Human Services
- A decrease in federal special revenue for the statewide present law adjustments for personal services
- An additional 1.0% vacancy savings
- A decrease in state special revenue and federal special revenue for the statewide present law adjustment for fixed costs
- A decrease for the state motor pool rates

For the Local Education Activities Program, legislative increases to the agency's budget include:

- An increase in general fund for the statewide present law adjustment for inflation/deflation
- An increase in general fund for the K-12 BASE Aid inflationary adjustment
- An increase of general fund for K-12 BASE Aid due to an increased retirement guaranteed tax base aid (GTB) multiplier, per HB 587
- Additional increases in general fund for K-12 BASE Aid for:
 - A new significant enrollment increase payment, per HB 36
 - An increase in the GTB multiplier due to changes in taxable value from an increase to the class 8 business equipment property tax exemption, per HB 212
 - A new requirement for school districts to admit children part-time, per HB 396
 - The passage of the Public Charter School Act, per HB 549
 - The establishment of community choice schools, per HB 562
 - An increase to starting teacher salaries, per HB 588
- Increases in general fund for the at-risk student payment, national board certification stipends, and the transformational learning program
- An increase in general fund for major maintenance aid
- An increase of state special revenue to fully fund debt service assistance
- An increase for in-state treatment payments, per HB 171
- An increase for the advanced opportunities program
- An increase for recruitment and retention for the Quality Educator Loan Assistance Program, per SB 70

The increases to the Local Education Activities Program were partially offset by decreases adopted by the legislature, which include:

- A decrease in general fund for K-12 BASE Aid to offset revenue increases in the statutorily appropriated guarantee account
- A decrease in state special revenue for major maintenance aid
- A decrease for state tuition payments, per HB 171
- A decrease for the advanced opportunities program, per HB 257 which includes a separate appropriation for the program

There were also several net-zero changes adopted by the legislature:

- A net-zero change to break out a reduction for the Risk Management and Tort Defense insurance premiums from DP 2 in order to designate the reduction as one-time-only in the budgeting system
- An increase and corresponding decrease for inflationary adjustments, resulting in a net-zero adjustment to inflation
- An increase for the Tribal Computer Scholarship Boost Program and a corresponding decrease to move the program to the Department of Labor and Industry, per HB 346, resulting in a net-zero change to the budget
- A fund switch from general fund to state special revenue to fund ongoing maintenance costs for the teacher licensure system with teacher license fees, per HB 403
- A fund switch from general fund to state special revenue to transfer the 95 property tax mills into a state special revenue account specifically dedicated to school funding, per HB 587

Funding

The following table shows adopted agency funding for all sources of authority.

Total Office of Public Instruction Funding by Source of Authority 2025 Biennium Budget Request - Office of Public Instruction						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	1,100,384,542	153,945	0	0	1,100,538,487	44.64 %
State Special Total	897,434,601	1,560	0	113,241,891	1,010,678,052	41.00 %
Federal Special Total	346,687,278	96,166	0	0	346,783,444	14.07 %
Proprietary Total	0	0	7,288,322	0	7,288,322	0.30 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$2,344,506,421	\$251,671	\$7,288,322	\$113,241,891	\$2,465,288,305	
Percent - Total All Sources	95.10 %	0.01 %	0.30 %	4.59 %		

HB 2 Funding

General Fund

General fund accounts for a majority of spending for OPI, and a majority of general fund dollars are passed through to local school districts, primarily as K-12 BASE aid.

State Special Revenue

The school facility and technology account supports state subsidies for school debt service from facilities bonds, technological improvements, and other infrastructure and facility needs. The school facility and technology account is funded from hydroelectric power site rent under the provisions of 77-4-208(2), MCA and timber harvest income from school trust lands under the provisions of 20-9-516(2)(a), MCA. The school facility state special revenue account receives interest from the school facility sub-trust within the state coal trust. This money is then distributed to school districts to help support major maintenance.

State special 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 program.

The traffic & safety education state special revenue account funds traffic education programs in Montana schools. Traffic and safety education revenues are generated from a percentage of drivers' license and commercial drivers' license fees.

Per HB 587, property tax revenues from the 95 mills will be deposited into a new state special revenue account specifically dedicated to school funding.

Federal Special Revenue

OPI receives federal grants that support public education, school nutrition, education for the disadvantaged, special education, professional development for educators, and various other functions.

Statutory Funding

The guarantee account is a state special revenue fund dedicated to school funding, and its funds are statutorily appropriated. The guarantee account receives revenue generated from common school state land, as well as interest from the common school trust. Revenues are primarily generated from interest off the trust in addition to agriculture and extraction industry leases. Revenues from the guarantee account offset general fund received by OPI.

COVID-19 Authority

All three rounds of federal COVID-19 funding for education were provided to OPI through the Elementary and Secondary School Emergency Relief (ESSER) Fund, but each round of funding has its own specific allocation details.

ESSER I

This allocation is also referred to as CARES I or ESSER I and was provided to OPI from the Governor’s Office through the budget amendment process. The funding was allocated according to federal guidance and, where allowable, OPI’s discretion. OPI received approximately \$41.3 million in these federal coronavirus relief funds, of which \$35.6 million or 86.1% had been expended as of FYE 2022. The remaining funds were expended in FY 2023.

ESSER II

This allocation is also referred to under three other names—Coronavirus Response and Relief Supplemental Appropriations (CRRSA), CARES II, and ESSER II. OPI received approximately \$182.9 million in these federal coronavirus relief funds, which were appropriated in HB 630 during the 2021 Legislative Session. As of the end of FY 2022, OPI had expended about \$77.4 million or 42.3% of HB 630 funding. Most of the remaining funds are available for expenditure through September 2023.

ESSER III

This allocation is also referred to as the American Rescue Plan Act (ARPA) or ESSER III, and the allocation authority was provided in HB 632 during the 2021 Legislative Session. OPI received approximately \$382.6 million in these federal coronavirus relief funds. By the end of FY 2022, OPI had expended about \$51.2 million or 13.4% of HB 632 funding. Most of the remaining funds are available for expenditure through September 2024.

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	932,345,305	932,345,305	1,864,690,610	169.43 %	1,112,098,307	1,112,098,307	2,224,196,614	94.86 %
SWPL Adjustments	420,417	512,026	932,443	0.08 %	(174,123)	76,751	(97,372)	(0.00)%
PL Adjustments	887,042	52,405,347	53,292,389	4.84 %	12,673,112	63,933,346	76,606,458	3.27 %
New Proposals	(425,004,305)	(393,372,650)	(818,376,955)	(74.36)%	1,473,388	42,579,004	44,052,392	1.88 %
Total Budget	\$508,648,459	\$591,890,028	\$1,100,538,487		\$1,126,070,684	\$1,218,687,408	\$2,344,758,092	

Other Legislation

The major changes to K-12 funding for the 2025 biennium are included in HB 2, which appropriates the majority of funding for OPI. Changes to appropriations in HB 2 are primarily due to inflationary increases for K-12 BASE Aid and HB 2 language appropriations for a variety of bills passed by the 2023 Legislature. The following list only includes bills that affect funding:

HB 3 – HB 3 provides supplemental general fund appropriations to meet the state’s statutory obligations for the fiscal year ending June 30, 2023. The appropriation to OPI in the bill is for \$86,000 to cover a projected shortfall in FY 2023 for the National Board Certification payments to Montana teachers.

HB 4 – HB 4 extends all remaining FY 2023 federal budget amendment authority for the Elementary and Secondary School Emergency Relief (ESSER) fund and for the National School Lunch Program into federal fiscal year 2024. The bill also authorizes all remaining FY 2023 federal budget amendment authority for Farm-to-School grants and for the Alternative Student Testing Program to continue into state FY 2025.

HB 13 – HB 13 implements the state employee pay plan for the 2025 biennium.

HB 15 – HB 15 applies an inflationary increase of 2.7% in FY 2024 and 3.0% in FY 2025 to the basic entitlement, per-average number belonging (per-ANB) entitlement, quality educator payment, the Indian education for all payment, the American Indian achievement gap payment, the data for achievement payment, and the special education allowable cost payment; these increases are included in HB 2 (see DP 920). These inflationary rates are also applied to the at-risk student payment, which is also included as an increase in HB 2 (see DP 903).

HB 321 – HB 321 transfers \$71.6 million from the general fund into the school facilities trust in FY 2024 only. Interest generated off the school trust is appropriated in HB 2 for school major maintenance aid and debt service assistance.

HB 332 – HB 332 transfers \$40.0 million from the general fund into a new state school health trust in FY 2024 only in order to provide a one-time-only distribution to qualifying district health insurance trusts and member districts.

HB 352 – HB 352 appropriates \$1.5 million general fund in FY 2025 for an early literacy targeted intervention program. HB 2 also contains a general fund language appropriation for approximately \$154,000 in FY 2024 and \$148,000 in FY 2025 for 2.00 FTE to administer the program.

HB 367 – HB 367 clarifies the use of federal ESSER funds for the database modernization project that were appropriated in HB 630 and HB 632 by the 2021 Legislature. The bill has a net-zero effect on funding.

HB 382 – HB 382 appropriates \$350,000 general fund per year of the biennium to provide grant funding to seven career and technology student organizations (CTSOs).

HB 393 – HB 393 establishes a program for special needs education savings accounts and appropriates \$75,000 general fund in FY 2024 and \$30,000 general fund in FY 2025 for the administration of the program. HB 2 also contains a general fund language appropriation for approximately \$18,000 in FY 2024, \$25,000 in FY 2025, and 1.00 FTE to administer the program.

HB 749 – HB 749 expands the functions of the Montana Digital Academy (MTDA) and creates a clearinghouse to build capacity to serve Montana students. The bill provides an appropriation to the Office of the Commissioner of Higher Education, which will be passed on to the MTDA.

HB 833 – HB 833 appropriates \$2.0 million general fund in FY 2025 to create a teacher residency program in order to improve teacher recruitment and retention.

HB 946 – HB 946 is the companion bill for the Section E Joint Budget Subcommittee on Education. The bill creates reporting requirements for the Office of Public Instruction related to funding for the Advanced Opportunities Program, the Transformational Learning Program, and innovated educational donations.

Executive Budget Comparison

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

Executive Budget Comparison								
Budget Item	Approp. Fiscal 2023	Executive Budget Fiscal 2024	Legislative Budget Fiscal 2024	Leg — Exec. Difference Fiscal 2024	Executive Budget Fiscal 2025	Legislative Budget Fiscal 2025	Leg — Exec. Difference Fiscal 2025	Biennium Difference Fiscal 24-25
FTE	153.27	149.27	153.27	4.00	149.27	153.27	4.00	4.00
Personal Services	13,787,137	13,175,776	13,262,987	87,211	13,242,615	13,340,048	97,433	184,644
Operating Expenses	15,363,663	16,193,147	16,320,722	127,575	16,041,373	16,338,727	297,354	424,929
Equipment & Intangible Assets	0	0	0	0	0	0	0	0
Local Assistance	919,052,506	506,982,728	933,823,947	426,841,219	553,299,404	1,026,171,134	472,871,730	899,712,949
Grants	161,934,122	163,316,393	159,719,906	(3,596,487)	163,480,149	159,846,503	(3,633,646)	(7,230,133)
Transfers	13,691,374	2,733,122	2,780,365	47,243	2,733,122	2,828,239	95,117	142,360
Debt Service	162,757	162,757	162,757	0	162,757	162,757	0	0
Total Costs	\$1,123,991,559	\$702,563,923	\$1,126,070,684	\$423,506,761	\$748,959,420	\$1,218,687,408	\$469,727,988	\$893,234,749
General Fund	933,225,305	518,300,069	508,648,459	(9,651,610)	563,158,944	591,890,028	28,731,084	19,079,474
State/other Special Rev. Funds	17,040,017	10,879,078	444,108,793	433,229,715	12,258,938	453,327,368	441,068,430	874,298,145
Federal Spec. Rev. Funds	173,726,237	173,384,776	173,313,432	(71,344)	173,541,538	173,470,012	(71,526)	(142,870)
Total Funds	\$1,123,991,559	\$702,563,923	\$1,126,070,684	\$423,506,761	\$748,959,420	\$1,218,687,408	\$469,727,988	\$893,234,749
Total Ongoing	\$1,112,098,307	\$702,230,231	\$1,125,778,003	\$423,547,772	\$748,959,420	\$1,218,728,418	\$469,768,998	\$893,316,770
Total OTO	\$11,893,252	\$333,692	\$292,681	(\$41,011)	\$0	(\$41,010)	(\$41,010)	(\$82,021)

The legislature adopted a HB 2 budget that is approximately \$851.1 million higher than the proposed executive HB 2 budget for the 2025 biennium. This large increase is primarily driven by a change in the source of appropriation authority for the fund switch to move the 95 mill property tax revenue from the general fund to a state special revenue account dedicated to school funding, contingent on HB 587 which was signed into law by the Governor. This change was included in the executive budget with a statutorily appropriated state special revenue account, but the legislature chose to adopt a HB 2 state special revenue appropriation in order to improve legislative oversight of the OPI budget. This change has a net zero effect to the OPI budget as a whole; it increases HB 2 appropriations by \$861.6 million and reduces statutory appropriations by the same amount.

There are several other notable differences in the legislative budget as compared to the executive budget:

- An increased adjustment to fully fund debt service assistance
- An increase for a fixed costs adjustment
- An inflationary increase for the Montana Digital Academy
- An adjusted decrease to transfer the 95 mills from the general fund to a statutorily appropriated state special revenue account based on the HJ 2 revenue estimate
- A reduced increase for K-12 BASE Aid inflation due to adjustments to the GTB multiplier based on the HJ 2 marijuana revenue estimate
- A reduction to major maintenance aid to bring the appropriation down to the statutory payment cap
- An additional 1.0% vacancy savings
- A reduction to the proposed motor pool rates
- A reduction to the proposed SABHRS rate
- Two adjustments to the statewide present law adjustment for inflation
- Increases to implement HB 36, HB 171, HB 212, HB 352, HB 393, HB 396, HB 403, HB 549, HB 562, HB 587, HB 588, and SB 70, and decreases to implement HB 257 and HB 346

Language and Statutory Authority

The legislature adopted the following language in HB 2:

"All revenue up to \$1.5 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121 is appropriated for the 2025 biennium as provided in Title 20, chapter 7, part 5."

"All appropriations for federal special revenue appropriations in OPI Administration and in Distribution to Public Schools are biennial. All general fund appropriations in Distribution to Public Schools are biennial except for major maintenance aid and debt service assistance."

"OPI Administration includes a one-time-only reduction in FY 2024 and FY 2025 for a suspension of insurance premium payments to the Risk Management and Tort Defense Division's proprietary fund."

"OPI Administration includes an increase in general fund of \$54,933 in FY 2024 and \$71,349 in FY 2025, an increase in state special revenue of \$1,213 in FY 2024 and \$1,600 in FY 2025, and an increase in federal special revenue of \$110,154 in FY 2024 and \$143,330 in FY 2025. The increase was provided to offset inflationary impacts. The agency may allocate this increase in funding among programs when developing 2025 biennium operating plans."

Additionally, the legislature adopted the following HB 2 language, contingent on the passage and approval of other bills, and the adjustments to HB 2 appropriations are included as decision packages and incorporated in the tables in the fiscal report:

"If HB 36 is passed and approved, K-12 BASE Aid is increased by \$60,288 general fund local assistance in FY 2024 and \$299,696 general fund local assistance in FY 2025."

"If HB 171 is passed and approved, OPI Administration is increased by \$81,300 general fund in FY 2024 and \$78,500 general fund in FY 2025; State Tuition Payments are decreased by \$199,015 general fund in FY 2025; In-State Treatment is increased by \$1,845,330 general fund in each fiscal year of the biennium; and the Office of Public Instruction may increase full-time equivalent positions authorized in HB 2 by 1.00 FTE in FY 2024 and 1.00 FTE in FY 2025."

"If HB 212 is passed and approved, K-12 BASE Aid is increased by \$2,745,568 general fund local assistance in FY 2025."

"If HB 257 is passed and approved, the appropriation for Advanced Opportunities is void."

"If HB 346 is passed and approved, the appropriations for OPI Administration are decreased by \$32,000 general fund local assistance in FY 2024 and decreased by \$32,000 general fund local assistance in FY 2025."

"If HB 352 is passed and approved, OPI Administration is increased by \$153,748 general fund in FY 2024 and \$148,148 general fund in FY 2025, and the Office of Public Instruction may increase full-time equivalent positions authorized in HB 2 by 2.00 FTE in FY 2024 and 2.00 FTE in FY 2025."

"If HB 393 is passed and approved, OPI Administration is increased by \$17,544 general fund in FY 2024 and \$25,241 general fund in FY 2025, and the Office of Public Instruction may increase full-time equivalent positions authorized in HB 2 by 1.00 FTE in FY 2024 and 1.00 FTE in FY 2025."

"If HB 396 is passed and approved, K-12 BASE Aid is increased by \$1,977,675 general fund local assistance in FY 2024 and \$2,199,656 general fund local assistance in FY 2025."

"OPI Administration includes general fund operating expenses reductions of \$166,348 in FY 2024 and \$166,333 in FY 2025. If HB 403 is not passed and approved, the reduction of general fund and the appropriations for Teacher Licensure System are void and the appropriations for OPI Administration are increased by \$166,348 in general fund operating expenses in FY 2024 and \$166,333 in general fund operating expenses in FY 2025. If HB 403 is passed and approved, the appropriation for Teacher Licensure System is increased by \$8,889 state special revenue operating expenses in FY 2024 and increased by \$188,904 state special revenue operating expenses in FY 2025."

"If HB 549 is passed and approved, K-12 BASE Aid is increased by \$816,893 general fund local assistance in FY 2025."

"If HB 562 is passed and approved, K-12 BASE Aid is increased by \$424,542 general fund local assistance in FY 2025."

"If HB 587 is passed and approved, K-12 BASE Aid is increased by \$36,458,256 general fund local assistance in FY 2025. If HB 587 is not passed and approved, K-12 BASE Aid is increased by \$426,054,000 general fund local assistance in FY 2024 and \$435,529,000 general fund local assistance in FY 2025 and is decreased by \$426,054,000 state special revenue local assistance in FY 2024 and \$435,529,000 state special revenue local assistance in FY 2025."

"If HB 588 is passed and approved, K-12 BASE Aid is increased by \$209,361 general fund local assistance in FY 2025."

"If HB 774 is passed and approved, K-12 BASE Aid is increased by \$4,738,597 general fund local assistance in FY 2025."

"If HB 818 is passed and approved and contains an appropriation for Major Maintenance Aid and Debt Service Assistance, the appropriations for Major Maintenance Aid and Debt Service Assistance are void."

"If SB 70 is passed and approved, Recruitment and Retention is increased by \$103,000 general fund in FY 2024 and \$166,000 general fund in FY 2025."

Program Budget Comparison

The following table compares the 2023 biennium appropriated budget and the adopted budget for the 2025 biennium by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 22-23	Legislative Budget 24-25	Biennium Change	Biennium % Change
Personal Services	26,594,024	26,603,035	9,011	0.03 %
Operating Expenses	28,060,831	29,912,350	1,851,519	6.60 %
Grants	1,849,885	1,500,000	(349,885)	(18.91)%
Transfers	4,281,015	4,223,600	(57,415)	(1.34)%
Debt Service	331,414	325,514	(5,900)	(1.78)%
Total Expenditures	\$61,117,169	\$62,564,499	\$1,447,330	2.37 %
General Fund	24,638,353	26,297,316	1,658,963	6.73 %
State/Other Special Rev. Funds	583,202	954,521	371,319	63.67 %
Federal Spec. Rev. Funds	35,895,614	35,312,662	(582,952)	(1.62)%
Total Funds	\$61,117,169	\$62,564,499	\$1,447,330	2.37 %
Total Ongoing	\$59,316,244	\$62,312,828	\$2,996,584	5.05 %
Total OTO	\$1,800,925	\$251,671	(\$1,549,254)	(86.03)%

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:

- Supports the superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board
- Is responsible for the distribution and accounting of state and federal funds provided to school districts
- Maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system
- Provides assistance and information to school districts

The program also administers all federal grants received by OPI, including curriculum assistance, special education, Every Student Succeeds Act (ESSA), career and technical education (CTE), and other educational services.

Program Highlights

**State Level Activities Program
Major Budget Highlights**

The State Level Activities Program 2025 biennium budget proposed by the executive is approximately \$1.4 million or 2.4% higher than the 2023 biennium. Major highlights include:

- A net decrease for the statewide present law adjustment for personal services, made up of increases in general fund and state special revenue and a decrease in federal special revenue
- Increases in general fund, state special, and federal special revenue for the statewide present law adjustment for inflation/deflation
- An increase in federal special revenue personal services funding to support part-time modified FTE
- A restricted, biennial increase in general fund grants for the Montana Indian Language Preservation Program
- A one-time-only increase in general fund in FY 2024 only in order to fund the replacement of audiology equipment used to provide hearing screenings for Montana students
- An increase of general fund and 2.00 FTE to administer an early literacy targeted intervention program, per HB 352
- An increase of general fund and 1.00 FTE to administer the program for special needs education savings accounts, per HB 393
- A decrease of federal special revenue and 3.00 FTE due to the completion of the Substance Abuse and Mental Health Services Administration (SAMHSA) federal grant
- A decrease of 1.00 FTE and associated personal services expenses for the Comprehensive School and Community Treatment (CSCT) program services-to-schools director, as the program moves back to the Department of Public Health and Human Services
- A fund switch from general fund to state special revenue and an additional increase in state special revenue to fund ongoing maintenance costs for the teacher licensure system with teacher license fees, per HB 403

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the adopted budget for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Legislative Fiscal 2024	Legislative Fiscal 2025
FTE	0.00	153.27	153.27	153.27	153.27
Personal Services	11,431,765	12,806,887	13,787,137	13,262,987	13,340,048
Operating Expenses	12,089,978	14,091,055	13,969,776	14,955,668	14,956,682
Grants	409,219	1,137,385	712,500	750,000	750,000
Transfers	2,240,395	2,240,395	2,040,620	2,087,863	2,135,737
Debt Service	165,437	168,657	162,757	162,757	162,757
Total Expenditures	\$26,336,794	\$30,444,379	\$30,672,790	\$31,219,275	\$31,345,224
General Fund	11,497,387	12,249,174	12,389,179	13,164,905	13,132,411
State/Other Special Rev. Funds	222,078	290,437	292,765	476,329	478,192
Federal Spec. Rev. Funds	14,617,329	17,904,768	17,990,846	17,578,041	17,734,621
Total Funds	\$26,336,794	\$30,444,379	\$30,672,790	\$31,219,275	\$31,345,224
Total Ongoing	\$26,144,451	\$29,503,454	\$29,812,790	\$30,926,594	\$31,386,234
Total OTO	\$192,343	\$940,925	\$860,000	\$292,681	(\$41,010)

Funding

The following table shows proposed agency funding for all sources of authority.

Office of Public Instruction, 06-State Level Activities Funding by Source of Authority					
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	26,297,316	0	0	26,297,316	37.65 %
02001 School Lunch Program	151,187	0	0	151,187	15.84 %
02122 Advisory Council	222,372	0	0	222,372	23.30 %
02219 Research Fund	110,309	0	0	110,309	11.56 %
02402 Traffic & Safety Education	470,653	0	0	470,653	49.31 %
State Special Total	\$954,521	\$0	\$0	\$954,521	1.37 %
03002 Public Instruction	35,372,905	0	0	35,372,905	100.17 %
03170 Grant Clearance Discretionary	(60,243)	0	0	(60,243)	(0.17)%
Federal Special Total	\$35,312,662	\$0	\$0	\$35,312,662	50.55 %
06067 Advanced Drivers Education	0	309,179	0	309,179	4.24 %
06512 Indirect Cost Pool	0	6,979,143	0	6,979,143	95.76 %
Proprietary Total	\$0	\$7,288,322	\$0	\$7,288,322	10.43 %
Total All Funds	\$62,564,499	\$7,288,322	\$0	\$69,852,821	

HB 2 Funding

General Fund

General fund supports about a third of the State Level Activities Program budget, with the remainder supported by state special revenue, federal special revenue, and proprietary funds.

State Special Revenue

State special revenues fund the School Lunch Program and the Traffic and Safety Education Program. 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 program. Traffic and Safety Education revenues are generated through a percentage of driver's license fees.

Federal Special Revenue

Federal funds support just over half of the Office of Public Instruction's total budget authority.

Non-Budgeted Proprietary Funding

Proprietary funds are used for the indirect cost pool and the advanced drivers' education program. For a detailed discussion of programs funded through proprietary funds, see the discussion on proprietary rates.

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	11,584,179	11,584,179	23,168,358	88.10 %	29,812,790	29,812,790	59,625,580	95.30 %
SWPL Adjustments	346,541	413,617	760,158	2.89 %	(247,999)	(21,658)	(269,657)	(0.43)%
PL Adjustments	452,827	120,303	573,130	2.18 %	449,433	117,126	566,559	0.91 %
New Proposals	781,358	1,014,312	1,795,670	6.83 %	1,205,051	1,436,966	2,642,017	4.22 %
Total Budget	\$13,164,905	\$13,132,411	\$26,297,316		\$31,219,275	\$31,345,224	\$62,564,499	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the adopted budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	166,434	14,974	(988,087)	(806,679)	0.00	195,341	15,454	(950,093)	(739,298)
DP 2 - Fixed Costs	0.00	47,564	(419)	(25,812)	21,333	0.00	48,783	(417)	(25,712)	22,654
DP 3 - Inflation Deflation	0.00	132,543	4,410	400,394	537,347	0.00	169,493	5,803	519,690	694,986
DP 21 - Fixed Costs Adjustment	0.00	87,707	0	0	87,707	0.00	88,838	0	0	88,838
DP 30 - Motor Pool Rate Adjustment	0.00	(572)	(127)	(3,267)	(3,966)	0.00	(535)	(119)	(3,058)	(3,712)
DP 222 - RMTD Adjustment	0.00	91,436	(805)	(49,620)	41,011	0.00	88,311	(755)	(46,546)	41,010
DP 223 - RMTD Adjustment (OTO)	0.00	(91,436)	805	49,620	(41,011)	0.00	(88,311)	755	46,546	(41,010)
DP 601 - Audiological Services Equipment Replacement (OTO)	0.00	333,692	0	0	333,692	0.00	0	0	0	0
DP 613 - Tribal Computer Boost Scholarship Program	0.00	32,000	0	0	32,000	0.00	32,000	0	0	32,000
Grand Total All Present Law Adjustments	0.00	\$799,368	\$18,838	(\$616,772)	\$201,434	0.00	\$533,920	\$20,721	(\$459,173)	\$95,468

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The legislature adopted adjustments to the present law personal services budget for expected changes, management decisions and budget modifications.

DP 2 - Fixed Costs -

The legislature adopted adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The legislature adopted adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 21 - Fixed Costs Adjustment -

The legislature adopted an adjustment to fixed costs for the Office of Public Instruction to reallocate the proprietary funding back to general fund authority. A portion of the general fund allocation of the statewide present law adjustment for fixed costs was allocated to proprietary funds in DP 2 during the budgeting process. However, these fixed costs are not included in the current approved U.S. Department of Education indirect cost rate, and OPI would not have the ability to recover these costs via the proprietary fund.

DP 30 - Motor Pool Rate Adjustment -

The legislature adopted a reduction to proposed motor pool rates.

DP 222 - RMTD Adjustment -

The legislature adopted an adjustment to the insurance premiums paid to the Risk Management and Tort Defense Division proprietary fund. This decision package eliminates the reduction included in DP 2. This change is necessary to designate the reduction as one-time-only in the budgeting system.

DP 223 - RMTD Adjustment (OTO) -

The legislature adopted an adjustment to the insurance premiums paid to the Risk Management and Tort Defense Division proprietary fund. This decision package designates the reduction as one-time-only.

DP 601 - Audiological Services Equipment Replacement (OTO) -

The legislature adopted one-time-only general fund operating expenses in FY 2024 only, in order to fund the replacement of audiology equipment used to provide hearing screenings for Montana students. The Individuals with Disabilities Education Act (IDEA) requires schools to have a system in place for children suspected of having disabilities, including hearing loss, through the age of 21. The OPI Hearing Conservation Program is the primary method for schools to ensure proper identification of students with hearing impairments. OPI and DPHHS administer the program, which mandates hearing screenings for children in kindergarten, 1st grade, and either 9th or 10th grade. The public school takes on the primary responsibility for conducting screenings, but OPI contracts with audiologists to provide hearing screenings and provides the hearing screening equipment. According to OPI, all of the state's ten audiologists are currently screening with outdated equipment, which is no longer supported by the manufacturer.

DP 613 - Tribal Computer Boost Scholarship Program -

The legislature adopted an appropriation of general fund local assistance to fund the Tribal Computer Programming Boost Scholarship Program. OPI would administer the teacher professional development component as provided in 20-7-106, MCA. HB 644 (2021 Legislative Session) authorized the program with a sunset at the end of FY 2025. HB 346 transferred this program to the Department of Labor and Industry, and HB 2 included contingent language to remove the appropriation from OPI (see DP 1404).

New Proposals

The “New Proposals” table shows new changes to spending.

New Proposals	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 333 - Adjustment to Inflation	0.00	(36,464)	(1,213)	(110,154)	(147,831)	0.00	(46,746)	(1,600)	(143,330)	(191,676)
DP 555 - Additional Vacancy Savings	0.00	(60,737)	(1,622)	(68,077)	(130,436)	0.00	(61,037)	(1,627)	(68,468)	(131,132)
DP 604 - FTE Efficiency	(3.00)	0	0	(135,701)	(135,701)	(3.00)	0	0	(136,082)	(136,082)
DP 605 - Federal Grant Award Adjustments	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 612 - CSCT FTE Reduction	(1.00)	(36,750)	0	(37,255)	(74,005)	(1.00)	(36,831)	0	(37,502)	(74,333)
DP 614 - MT Indian Language Preservation (RST/BIEN)	0.00	750,000	0	0	750,000	0.00	750,000	0	0	750,000
DP 618 - Montana Digital Academy Inflationary Increase (RST)	0.00	47,243	0	0	47,243	0.00	95,117	0	0	95,117
DP 619 - Teacher Licensure System (RST/BIEN)	0.00	0	166,348	0	166,348	0.00	0	166,333	0	166,333
DP 620 - Teacher Licensure System	0.00	(166,348)	0	0	(166,348)	0.00	(166,333)	0	0	(166,333)
DP 1404 - HB 346	0.00	(32,000)	0	0	(32,000)	0.00	(32,000)	0	0	(32,000)
DP 1405 - HB 352	2.00	153,748	0	0	153,748	2.00	148,148	0	0	148,148
DP 1406 - HB 393	1.00	17,544	0	0	17,544	1.00	25,241	0	0	25,241
DP 1408 - HB 403	0.00	8,889	0	0	8,889	0.00	188,904	0	0	188,904
DP 3333 - Additional Adjustment to Inflation	0.00	54,933	1,213	110,154	166,300	0.00	71,349	1,600	143,330	216,279
Total	(1.00)	\$700,058	\$164,726	\$258,967	\$1,123,751	(1.00)	\$935,812	\$164,706	\$257,948	\$1,358,466

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 333 - Adjustment to Inflation -

The legislature adopted an adjustment to inflation included in DP 3.

DP 555 - Additional Vacancy Savings -

The legislature adopted an additional 1.0% vacancy savings.

DP 604 - FTE Efficiency -

The legislature adopted a reduction of federal special revenue personal services authority and 3.00 FTE due to the completion of the Substance Abuse and Mental Health Services Administration (SAMHSA) federal grant, which ended in March of 2022.

DP 605 - Federal Grant Award Adjustments -

The legislature adopted federal special revenue personal services funding to support part-time modified FTE. Changes in state and federal law do not allow the agency to contract for these services and the state personal services funding process does not reinstate personal services expenditures for these workers.

DP 612 - CSCT FTE Reduction -

The legislature adopted a reduction of 1.00 FTE and the associated personal services and operating expenses funding for the Comprehensive School & Community Treatment (CSCT) Program services-to-schools director, as the program moves to the Department of Public Health and Human Services (DPHHS). In the 2021 Legislative Session, the legislature moved the CSCT Program from DPHHS to OPI and approved a restricted, one-time-only appropriation of general fund and state special revenue to be used as state match for federal funds for CSCT. According to the executive, DPHHS has continued to administer the benefit plan, provider network, and claims payments for CSCT throughout the 2023 biennium. The return of CSCT administration to DPHHS would eliminate the third-party collection of the required cash match by OPI.

DP 614 - MT Indian Language Preservation (RST/BIEN) -

The legislature adopted a restricted, biennial general fund increase in grants funding for the Montana Indian Language Preservation Program (MILP). The MILP was established to address the language loss of Native American languages in the state and to preserve Montana tribal heritage. The funding is used for grants to tribal nations to develop and make accessible curricula, audio, and video recordings and reference materials to assist in preserving and perpetuating Indian languages. The program was previously housed in the Department of Commerce, but the program was transferred to the Office of Public Instruction and approved as one-time-only by the 2021 Legislature.

DP 618 - Montana Digital Academy Inflationary Increase (RST) -

The legislature adopted an inflationary increase of general fund transfers for the Montana Digital Academy (MTDA). This inflationary increase provides a pay increase of \$1.50 per hour or 4.0% of salary, whichever is greater, for each of the MTDA's 8.38 FTE.

DP 619 - Teacher Licensure System (RST/BIEN) -

OPI's new TeachMT teacher licensure system was created with federal COVID-19 funding from the Elementary and Secondary School Emergency Relief Fund (ESSER). However, the system will have ongoing costs for upkeep and maintenance that will not be funded with federal dollars. The legislature adopted a restricted, biennial increase of state special revenue operating expenses as part of a fund switch from general fund to state special revenue, in order to use teacher license fees to fund existing operational costs for the teacher licensure system. HB 403 removed teacher license fees as a source of funding for Board of Public Education (BPE) and redirect the funds to a state special revenue account for OPI's teacher licensure system. HB 2 also included contingent language to increase this appropriation for the teacher licensure system (see DP 1408).

Under previous law, teacher license fees were deposited into two state special revenue accounts, both of which funded the activities of the BPE. Historically, about half of BPE's budget was made up of state special revenue from teacher license fees. The legislature approved a general fund increase to the Board of Public Education in order to maintain its current funding level.

DP 620 - Teacher Licensure System -

The legislature adopted a decrease of general fund operating expenses as part of the fund switch from general fund to state special revenue, per HB 403, in order to use teacher license fees to fund existing operational costs for the teacher licensure system.

DP 1404 - HB 346 -

The legislature adopted contingency language if HB 346 was passed and approved, and this decision package implements the coordination language to reduce funding for OPI. HB 346 moves the administration of the Tribal Computer Boost Scholarship Program from the Office of Public Instruction to the Department of Labor and Industry and increases the appropriation for the program.

DP 1405 - HB 352 -

The legislature adopted contingency language if HB 352 was passed and approved, and this decision package implements the coordination language. HB 352 appropriates \$1.5 million general fund in FY 2025 for an early literacy targeted intervention program, and additional funding was included in HB 2 language for 2.00 FTE to administer the program.

DP 1406 - HB 393 -

The legislature adopted contingency language if HB 393 was passed and approved, and this decision package implements the coordination language. HB 393 establishes a program for special needs education savings accounts and appropriates \$75,000 general fund in FY 2024 and \$30,000 general fund in FY 2025 for the administration of the program. HB 2 also contains language in order to fully fund 1.00 FTE to administer the program.

DP 1408 - HB 403 -

The legislature adopted contingency language if HB 403 was passed and approved, and this decision package implements the coordination language. HB 403 redirects teacher license fees from the Board of Public Education to the Office of Public Instruction and increases the license fee to be commensurate with the costs of maintaining the teacher licensure system. HB 2 includes a regular appropriation to move the fees to OPI (see DP 620), but also contains a language appropriation in order to account for the increase in the license fees.

DP 3333 - Additional Adjustment to Inflation -

The legislature adopted an additional adjustment to inflation included in DP 3.

Other Issues**Proprietary Rates**

The State Level Activities Program has two proprietary funds. These programs are described separately along with a discussion of program expenses, revenues, and rates being requested to finance the program. There are two proprietary programs:

- Indirect cost pool
- Advanced driver education program

Indirect Cost Pool – 06512*Proprietary Program Description*

The OPI indirect cost pool is an internal service fund used to allocate various centralized costs such as payroll, accounting, and budgeting to all of OPI's state and federally funded programs, using a pre-approved indirect cost rate. 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 approved in HB 2 are the maximum fees that may be charged in the biennium.

*Program Description*Revenue

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 the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs.

Expenses

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

- Termination payouts (for vacation, comp time, and sick leave) for all staff, except the state superintendent and personal staff
- Partial costs for services provided to OPI by other state agencies, known as fixed costs
- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, mail delivery, and resource center services to all OPI programs
- Operating costs associated with 25.91 FTE, including the cost of rent for space occupied, office supplies, postage, equipment, training, travel, photocopy charges, etc.
- General-use items such as paper, FAX lines, and shared equipment, including maintenance contracts on equipment

It should be noted that the legislative audit costs are appropriated on a biennial basis causing expenditures for the OPI indirect cost pool to be higher in the first year of the biennium.

2025 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06512	Indirect Cost Pool	35010	Office of Public Instruction	State Level Activities		
			Actual FY 2022	Budgeted FY 2023	Adopted FY 2024	Adopted FY 2025
Operating Revenues:						
Fees and Charges						
	Federal Indirect Cost Recovery		1,656,986	1,167,166	1,303,907	1,181,986
	Non Federal Ind Cost Recovery		1,229,780	2,085,839	2,132,070	2,145,864
	Total Operating Revenues		<u>2,886,766</u>	<u>3,253,005</u>	<u>3,435,977</u>	<u>3,327,850</u>
Expenses:						
	Personal Services		1,669,984	2,085,839	2,132,070	2,145,864
	Other Operating Expense		870,428	1,167,166	1,303,907	1,181,986
	Total Operating Expense		<u>2,540,412</u>	<u>3,253,005</u>	<u>3,435,977</u>	<u>3,327,850</u>
	Operating Income (Loss)		<u>346,355</u>	-	-	-
Nonoperating Revenues						
	Accomodation Tax		4,180	-	-	-
	Total Nonoperating Revenue					
	Income (Loss) Before Contributions and Transfers		<u>350,535</u>	-	-	-
	Loans and Lease Payments		1,386	24,930	24,930	24,930
	Change in Net Position		<u>351,921</u>	<u>24,930</u>	<u>24,930</u>	<u>24,930</u>
	Beginning Net Position - July 1		(476,544)	(124,623)	(99,693)	(74,763)
	Prior Period Adjustments					
	Change in Net Position		351,921	24,930	24,930	24,930
	Ending Net Position - June 30		<u>(124,623)</u>	<u>(99,693)</u>	<u>(74,763)</u>	<u>(49,833)</u>
Net Position (Fund Balance) Analysis						
	Unrestricted Net Position					

Rate and Rate Explanation

OPI negotiates an annual predetermined rate with the U.S. Department of Education, calculated in accordance with federal regulations and section 17-3-111(1), MCA. OPI will renegotiate an annual rate for FY 2024 and FY 2025. It is anticipated this rate will be consistent with previous years and remain around 17.0%, which is consistent with the current legislatively approved rate of 17.0%. The agency may not charge more than the lesser of the rate negotiated with the Department of Education and the rate approved by the legislature.

Program Budget Comparison

The following table compares the 2023 biennium appropriated budget and the adopted budget for the 2025 biennium by type of expenditure and source of funding.

Program Budget Comparison				
Budget Item	Appropriated Budget 22-23	Legislative Budget 24-25	Biennium Change	Biennium % Change
Operating Expenses	2,533,625	2,747,099	213,474	8.43 %
Local Assistance	1,794,921,091	1,959,995,081	165,073,990	9.20 %
Grants	320,686,985	318,066,409	(2,620,576)	(0.82)%
Transfers	24,371,125	1,385,004	(22,986,121)	(94.32)%
Total Expenditures	\$2,142,512,826	\$2,282,193,593	\$139,680,767	6.52 %
General Fund	1,799,829,562	1,074,241,171	(725,588,391)	(40.31)%
State/Other Special Rev. Funds	31,212,482	896,481,640	865,269,158	2,772.19 %
Federal Spec. Rev. Funds	311,470,782	311,470,782	0	0.00 %
Total Funds	\$2,142,512,826	\$2,282,193,593	\$139,680,767	6.52 %
Total Ongoing	\$2,120,226,766	\$2,282,193,593	\$161,966,827	7.64 %
Total OTO	\$22,286,060	\$0	(\$22,286,060)	(100.00)%

Program Description

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

Program Highlights

**Local Education Activities Program
Major Budget Highlights**

The Office of Public Instruction’s 2025 biennium HB 2 adopted budget for the Local Education Activities Program is approximately \$139.7 million or 6.5% higher than the 2023 biennium. Major highlights include:

- An increase in general fund for the K-12 BASE Aid inflationary adjustment
- An increase of state special revenue to fully fund debt service assistance
- A decrease in general fund for K-12 BASE Aid to offset revenue increases in the statutorily appropriated guarantee account
- An increase in general fund and a decrease in state special revenue for major maintenance aid
- Increases in general fund for the at-risk student payment, the advanced opportunities act, the transformational learning program, and national board certification stipends
- A fund switch from general fund to state special revenue to transfer the 95 property tax mills into a state special revenue account specifically dedicated to school funding, per HB 587
- An increase of general fund for K-12 BASE Aid due to an increased retirement GTB multiplier, also per HB 587

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the adopted budget for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Legislative Fiscal 2024	Legislative Fiscal 2025
Operating Expenses	1,131,939	1,139,738	1,393,887	1,365,054	1,382,045
Local Assistance	870,486,784	875,868,585	919,052,506	933,823,947	1,026,171,134
Grants	148,515,116	159,465,363	161,221,622	158,969,906	159,096,503
Transfers	6,449,000	12,720,371	11,650,754	692,502	692,502
Total Expenditures	\$1,026,582,839	\$1,049,194,057	\$1,093,318,769	\$1,094,851,409	\$1,187,342,184
General Fund	873,196,348	878,993,436	920,836,126	495,483,554	578,757,617
State/Other Special Rev. Funds	8,854,092	14,465,230	16,747,252	443,632,464	452,849,176
Federal Spec. Rev. Funds	144,532,399	155,735,391	155,735,391	155,735,391	155,735,391
Total Funds	\$1,026,582,839	\$1,049,194,057	\$1,093,318,769	\$1,094,851,409	\$1,187,342,184
Total Ongoing	\$1,020,941,169	\$1,037,941,249	\$1,082,285,517	\$1,094,851,409	\$1,187,342,184
Total OTO	\$5,641,670	\$11,252,808	\$11,033,252	\$0	\$0

Funding

The following table shows proposed agency funding for all sources of authority.

Office of Public Instruction, 09-Local Education Activities Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,074,241,171	0	0	1,074,241,171	44.85 %	
02018 Guarantee Fund	0	0	111,241,891	111,241,891	11.02 %	
02218 School Facility & Tech Account	30,000,000	0	2,000,000	32,000,000	3.17 %	
02402 Traffic & Safety Education	1,500,000	0	0	1,500,000	0.15 %	
02487 School Fac State Spcl Revenue	3,398,640	0	0	3,398,640	0.34 %	
02129 95 Mill Account	861,583,000	0	0	861,583,000	85.33 %	
State Special Total	\$896,481,640	\$0	\$113,241,891	\$1,009,723,531	42.15 %	
03170 Grant Clearance Discretionary	311,470,782	0	0	311,470,782	100.00 %	
Federal Special Total	\$311,470,782	\$0	\$0	\$311,470,782	13.00 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,282,193,593	\$0	\$113,241,891	\$2,395,435,484		

The Local Education Activities Program is funded by a combination of general fund, state, and federal special revenue. The majority of funds are appropriated in HB 2 and the remainder are statutory appropriations.

General Fund

General fund supports the majority of the distribution to school districts, with the addition of some state and federal funds.

State Special Revenue

Guarantee Account

The guarantee account is a state special revenue account, which receives revenue generated from common school trust lands and the subsequent interest on the common school trust account. Revenue is statutorily appropriated for school funding per 20-9-622, MCA.

School Facility and Technology Account

The school facility and technology account supports state subsidies for school debt service from facilities bonds, technological improvements, and other infrastructure and facility needs. The school facility and technology account is funded from public land trust power site rent under the provisions of 77-4-208(2), MCA and timber harvest income from school trust lands under the provisions of 20-9-516(2)(a), MCA.

Traffic & Safety Education Account

The traffic & safety education account funds traffic education programs in Montana schools. Traffic and safety education revenues are generated from a percentage of drivers' license and commercial drivers' license fees.

School Facility State Special Revenue Account

The school facility state special revenue account receives interest from the school facility sub-trust within the state coal trust. This money is then distributed to school districts to help support major maintenance.

School Equalization and Property Tax Reduction Account

Per HB 587, property tax revenues from the 95 mills will be deposited into a new state special revenue account specifically dedicated to school funding.

Federal Funds

Federal funds support school nutrition, education for the disadvantaged, special education, professional development for educators, and various other purposes.

Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	920,761,126	920,761,126	1,841,522,252	171.43 %	1,082,285,517	1,082,285,517	2,164,571,034	94.85 %
SWPL Adjustments	73,876	98,409	172,285	0.02 %	73,876	98,409	172,285	0.01 %
PL Adjustments	434,215	52,285,044	52,719,259	4.91 %	12,223,679	63,816,220	76,039,899	3.33 %
New Proposals	(425,785,663)	(394,386,962)	(820,172,625)	(76.35)%	268,337	41,142,038	41,410,375	1.81 %
Total Budget	\$495,483,554	\$578,757,617	\$1,074,241,171		\$1,094,851,409	\$1,187,342,184	\$2,282,193,593	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the adopted budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	Fiscal 2024					Fiscal 2025				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3 - Inflation Deflation	0.00	73,876	0	0	73,876	0.00	98,409	0	0	98,409
DP 903 - At Risk Payment Inflationary Increase	0.00	158,592	0	0	158,592	0.00	339,563	0	0	339,563
DP 904 - Increase National Board Certification	0.00	75,760	0	0	75,760	0.00	74,352	0	0	74,352
DP 907 - NRD K-12 Facilities Major Maintenance Aid	0.00	2,809,000	(710,536)	0	2,098,464	0.00	3,117,100	(968,824)	0	2,148,276
DP 910 - State Transformational Learning Aid	0.00	193,257	0	0	193,257	0.00	256,854	0	0	256,854
DP 911 - State Advanced Opportunities Aid	0.00	1,151,514	0	0	1,151,514	0.00	1,251,673	0	0	1,251,673
DP 914 - Guarantee Account Adjustment	0.00	(5,464,252)	0	0	(5,464,252)	0.00	(8,860,907)	0	0	(8,860,907)
DP 917 - Debt Service Assistance	0.00	0	12,500,000	0	12,500,000	0.00	0	12,500,000	0	12,500,000
DP 920 - Adjusted K-12 BASE Aid Inflationary Increase	0.00	1,510,344	0	0	1,510,344	0.00	56,106,409	0	0	56,106,409
Grand Total All Present Law Adjustments	0.00	\$508,091	\$11,789,464	\$0	\$12,297,555	0.00	\$52,383,453	\$11,531,176	\$0	\$63,914,629

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 3 - Inflation Deflation -

The legislature adopted adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include: other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 903 - At Risk Payment Inflationary Increase -

The legislature adopted an appropriation of general fund local assistance to support inflationary increases for the at-risk student payment, at 2.7% in FY 2024 and 3.0% in FY 2025. These rates are the same inflationary rates associated with the present law adjustment for K-12 BASE aid.

DP 904 - Increase National Board Certification -

The legislature adopted an increase in general fund local assistance for stipends to qualified teachers who hold a current certification with the National Board for Professional Teaching Standards, per 20-4-134, MCA.

DP 907 - NRD K-12 Facilities Major Maintenance Aid -

The legislature adopted an increase of general fund local assistance and a reduction of state special revenue local assistance in order to meet the statutory required growth for the Natural Resource Development (NRD) K-12 school facilities payment in each year of the biennium, per 20-9-635, MCA. The NRD payment is composed of general fund and state special coal sub-trust interest, and the payment is used to support major maintenance of public school facilities.

DP 910 - State Transformational Learning Aid -

The legislature adopted an appropriation of general fund grants to increase the state transformational learning payment. This increase represents 10.0% of the estimated statewide number of full-time equivalent educators from the fiscal year immediately preceding the year to which distribution of transformational aid applies, per 20-7-1602(8)(b)(iii), MCA.

DP 911 - State Advanced Opportunities Aid -

The legislature adopted an appropriation of general fund grants to increase the state advanced opportunities payment. This increase represents an amount sufficient to provide advanced opportunities aid to 100.0% of districts in FY 2024 and FY 2025, based on the statutory inflationary increases of 2.7% in FY 2024 and 3.0%, as per section 20-7-1506(7), MCA. HB 257 expanded the advanced opportunities programs, and the bill included an appropriation of \$4.0 million per year. HB 2 included coordination language to remove this appropriation and the base budget appropriation for advanced opportunities from HB 2 (see DP 1403).

DP 914 - Guarantee Account Adjustment -

The legislature adopted a reduction in general fund K-12 BASE aid appropriations and an increase in the statutory guarantee account authority to reflect the HJ 2 revenue estimate for the guarantee account. The guarantee account revenue is statutorily appropriated and offsets general fund appropriations for K-12 BASE aid.

DP 917 - Debt Service Assistance -

The legislature adopted state special revenue local assistance authority to fully fund the debt service assistance payment.

DP 920 - Adjusted K-12 BASE Aid Inflationary Increase -

The legislature adopted an adjusted general fund local assistance inflationary increase for:

- Inflationary increases of 2.7% in FY 2024 and 3.0% in FY 2025 for the basic entitlement, per-ANB entitlement, quality educator payment, Indian education for all payment, data for achievement payment, special education allowable cost payment, and American Indian achievement gap payment
- Growth in enrollment (average number belonging, ANB) at 0.98% in FY 2024 and 0.65% in FY 2025
- Changes to the guaranteed tax base (GTB) aid multiplier (20-9-366, MCA) for property tax changes and revenue received from marijuana, at 0.0% in FY 2024 and 7.0% in FY 2025
- An increase for teacher base pay incentives (20-9-324, MCA)

New Proposals

The "New Proposals" table shows new changes to spending.

New Proposals	Fiscal 2024					Fiscal 2025				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 333 - Adjustment to Inflation	0.00	(18,469)	0	0	(18,469)	0.00	(24,603)	0	0	(24,603)
DP 927 - 95 Mills Fund Switch	0.00	(426,054,000)	426,054,000	0	0	0.00	(435,529,000)	435,529,000	0	0
DP 1400 - HB 36	0.00	60,288	0	0	60,288	0.00	299,696	0	0	299,696
DP 1401 - HB 171	0.00	1,845,330	0	0	1,845,330	0.00	1,646,315	0	0	1,646,315
DP 1402 - HB 212	0.00	0	0	0	0	0.00	2,745,568	0	0	2,745,568
DP 1403 - HB 257	0.00	(3,699,487)	0	0	(3,699,487)	0.00	(3,799,646)	0	0	(3,799,646)
DP 1407 - HB 396	0.00	1,977,675	0	0	1,977,675	0.00	2,199,656	0	0	2,199,656
DP 1409 - HB 549	0.00	0	0	0	0	0.00	816,893	0	0	816,893
DP 1410 - HB 562	0.00	0	0	0	0	0.00	424,542	0	0	424,542
DP 1411 - HB 587	0.00	0	0	0	0	0.00	36,458,256	0	0	36,458,256
DP 1412 - HB 588	0.00	0	0	0	0	0.00	209,361	0	0	209,361
DP 1413 - SB 70	0.00	103,000	0	0	103,000	0.00	166,000	0	0	166,000
Total	0.00	(\$425,785,663)	\$426,054,000	\$0	\$268,337	0.00	(\$394,386,962)	\$435,529,000	\$0	\$41,142,038

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 333 - Adjustment to Inflation -

The legislature adopted an adjustment to inflation included in DP 3.

DP 927 - 95 Mills Fund Switch -

The legislature adopted a funding switch for K-12 BASE aid from the general fund to a new state special revenue fund dedicated to school funding, per HB 587. HB 587 redirects property tax revenue from the 95 mills from the general fund to the new state special revenue account specifically dedicated to school funding. The legislature adopted contingent language to increase this appropriation if HB 587 passed (see DP 1411).

DP 1400 - HB 36 -

The legislature adopted contingency language if HB 36 was passed and approved, and this decision package implements the coordination language. HB 36 replaces the anticipated enrollment increase procedure with a significant enrollment increase (SEI) payment based on the October student enrollment count.

DP 1401 - HB 171 -

The legislature adopted contingency language if HB 171 was passed and approved, and this decision package implements the coordination language. HB 171 allows therapeutic group homes providing educational programs to children to be included as qualifying facilities eligible to receive in-state treatment payments. This appropriation includes an increase of in-state treatment funding for both years of the biennium and a reduction of state tuition funding in FY 2025.

DP 1402 - HB 212 -

The legislature adopted contingency language if HB 212 was passed and approved, and this decision package implements the coordination language. HB 212 substantially increases the class 8 business equipment property tax exemption, resulting in a reduction of taxable value. The bill also increases the guaranteed tax base (GTB) aid multiplier.

DP 1403 - HB 257 -

The legislature adopted contingency language if HB 257 was passed and approved, and this decision package implements the coordination language. HB 257 expands the Advanced Opportunities Aid Program, which provides personal learning opportunity payments to K-12 school districts. The bill included coordination language which voids the current appropriation for Advanced Opportunities in HB 2.

DP 1407 - HB 396 -

The legislature adopted contingency language if HB 396 was passed and approved, and this decision package implements the coordination language. HB 396 requires school districts to admit children residing in the district on a part-time basis at the request of a parent.

DP 1409 - HB 549 -

The legislature adopted contingency language if HB 549 was passed and approved, and this decision package implements the coordination language. HB 549 establishes the Public Charter School Act.

DP 1410 - HB 562 -

The legislature adopted contingency language if HB 562 was passed and approved, and this decision package implements the coordination language. HB 562 establishes community choice schools.

DP 1411 - HB 587 -

The legislature adopted contingency language if HB 587 was passed and approved, and this decision package implements the coordination language. HB 587 redirects property tax revenue generated from the 95 mills from the general fund into a new state special revenue account specifically dedicated to school funding and creates a formula for adjusting the guaranteed tax base aid (GTB) ratio based as revenues increase over time; HB 2 includes this fund switch, which has a net-zero effect on funding (see DP 927). The HB 2 language appropriation accounts for increases to the retirement GTB multiplier.

DP 1412 - HB 588 -

The legislature adopted contingency language if HB 588 was passed and approved, and this decision package implements the coordination language. HB 588 revises the TEACH Act, which was passed by the 2021 Legislature to increase starting teacher salaries.

DP 1413 - SB 70 -

The legislature adopted contingency language if SB 70 was passed and approved, and this decision package implements the coordination language. SB 70 broadens the requirements for the Quality Educator Loan Assistance Program.