

Agency Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	26,069,359	26,105,937	36,578	0.14 %
Operating Expenses	30,770,645	28,777,046	(1,993,599)	(6.48)%
Equipment & Intangible Assets	985,523	985,524	1	0.00 %
Local Assistance	1,571,679,181	1,686,704,607	115,025,426	7.32 %
Grants	303,997,352	311,419,852	7,422,500	2.44 %
Transfers	5,008,388	5,036,680	28,292	0.56 %
Total Expenditures	\$1,938,510,448	\$2,059,029,646	\$120,519,198	6.22 %
General Fund	1,578,870,904	1,704,990,646	126,119,742	7.99 %
State/Other Special Rev. Funds	19,079,719	8,316,578	(10,763,141)	(56.41)%
Federal Spec. Rev. Funds	340,559,825	345,722,422	5,162,597	1.52 %
Total Funds	\$1,938,510,448	\$2,059,029,646	\$120,519,198	6.22 %
Total Ongoing	\$1,936,724,424	\$2,057,344,646	\$120,620,222	6.23 %
Total OTO	\$1,786,024	\$1,685,000	(\$101,024)	(5.66)%

Agency Biennium Comparison -

The biennium comparison table shows a total growth of 6.2%, which for the Office of Public Instruction (OPI) is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 5.0%.

Mission Statement

The Office of Public Instruction serves Montana's students, parents, schools, and communities as we prepare each generation for success in careers and college.

Agency Highlights

<p>Office of Public Instruction Major Budget Highlights</p>
<ul style="list-style-type: none"> • The executive request for the Office of Public Instruction (OPI) biennium ongoing budget is approximately \$120.5 million or 6.2% higher than the 2019 biennium budget. The biennial increase is significantly influenced by the 2018 reductions. When compared with the FY 2019 base the increase is \$98.8 million for the biennium <ul style="list-style-type: none"> ◦ The request for State Level Activities has a biennial decrease of roughly 3.3% or \$1.9 million ◦ The request for Local Education Activities has a biennial increase of roughly 6.5% or \$122.5 million, which mostly consists of inflationary increases to school funding components as well as the executive proposal for new pre-k funding • The Superintendent of Public Instruction made an elected official request which also includes restoration of funding to certain programs that was reduced during the previous biennium and funding for school safety training for educators • Present law adjustments for personal services for this agency are negative due to transferring federal funds from operating expenses to fund modified FTE • The executive estimates the amount of revenue deposited in the guarantee account in both FY 2020 and FY 2021 to be approximately \$4.0 million less than the estimate in HJ 2 • The executive request includes a reduction of operating expenses in State Level Activities operations by moving SB 9 restoration funds to items that were cut last biennium into Local Education Activities. The Superintendent requests an alternative to this reduction. See comment in Elected Official Request section
<p>Legislative Action Issues</p>
<ul style="list-style-type: none"> • The executive budget proposes to fund voluntary preschool through the K-12 quality education funding formula, contingent on passage of LC 949. This request totals roughly \$21.9 million over the 2021 biennium • The Superintendent of Public Instruction has submitted an elected official request which includes: <ul style="list-style-type: none"> ◦ Audiology funded at it's current level and included in HB 2 as a restricted line item ◦ All funding for Montana Digital Academy (MTDA) be made ongoing and be included as a single restricted line item. In previous biennia approximately 40.0% of MTDA funding was one-time-only ◦ An appropriation of \$0.5 million per year to provide school safety training to educators by moving general fund from State Level Activities to Local Education Activities • In the executive budget proposal the present law request for school major maintenance is \$6.4 million in FY 2020 and \$7.6 million in FY 2021, which include \$3.8 million of state special revenue from the school major maintenance coal sub trust. LFD's interpretation of statute (20-9-635, MCA) suggests school major maintenance appropriations would be additive, with the \$3.8 million coal trust money being in addition to the executive proposal.

Agency Actuals and Budget Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	156.32	156.32	156.32	156.32
Personal Services	11,035,054	12,226,247	13,843,112	13,053,673	13,052,264
Operating Expenses	15,678,345	15,562,813	15,207,832	14,384,623	14,392,423
Equipment & Intangible Assets	0	492,761	492,762	492,762	492,762
Local Assistance	762,104,637	776,131,503	795,547,678	830,051,832	856,652,775
Grants	150,847,617	151,498,676	152,498,676	155,209,926	156,209,926
Transfers	2,704,420	2,504,211	2,504,177	2,518,340	2,518,340
Total Expenditures	\$942,370,073	\$958,416,211	\$980,094,237	\$1,015,711,156	\$1,043,318,490
General Fund	773,704,820	779,283,557	799,587,347	840,737,890	864,252,756
State/Other Special Rev. Funds	930,522	9,534,870	9,544,849	2,612,145	5,704,433
Federal Spec. Rev. Funds	167,734,731	169,597,784	170,962,041	172,361,121	173,361,301
Total Funds	\$942,370,073	\$958,416,211	\$980,094,237	\$1,015,711,156	\$1,043,318,490
Total Ongoing	\$941,491,986	\$957,538,124	\$979,186,300	\$1,014,868,656	\$1,042,475,990
Total OTO	\$878,087	\$878,087	\$907,937	\$842,500	\$842,500

Agency Discussion

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

The Office of Public Instruction HB 2 modified budget is comprised of general fund, state special, and federal revenue. The agency expended 98.3% of its HB 2 modified budget as of the end of FY 2018. This is in line with anticipated expenditures with the exception of state special funds. This is due to an appropriation of \$8.6 million from the school facility and technology state special revenue fund, which does not have revenues to support the authority.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$980.1 million, which is \$21.7 million or 2.3% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$1.1 million
- SB 294 pay plan increase in FY 2019 of \$97,000
- Increases of approximately \$20.4 million in local assistance and grants.

All appropriations for federal special revenue appropriations in State Level Activities and in Local Education Activities and all general fund appropriations in Local Education Activities are biennial.

Executive Request

The executive requests a funding increase of \$120.6 million from all sources.

Biennial budget changes are primarily due to the executive's recommendation for:

- A \$1.9 million reduction to State Level Activities
- An increase of \$122.5 million to Local Education Activities, primarily for local assistance and grants, of which \$21.7 million is for the provision of preschool in K-12 schools.

Elected Official Request

As an elected official the Superintendent of Public Instruction has the opportunity to request budget items. The superintendent requests that DP 926 be rejected and has submitted an alternative request. The affected values are shown in figure 1. The executive and the superintendent both include special education, secondary vocational education, and additional local education funds that were cut in SB 261 (2017 Regular Session) to be restored.

The differences arise in that the executive requests \$211,250 general fund per year for gifted and talented funding while the Superintendent requests \$500,000 general fund per year to school safety training for Montana educators. To help offset the cost of these requests, the executive is requesting \$978,361 general fund per year be transferred from State Level Activities to Local Education Activities. In contrast the Superintendent requests \$500,000 general fund per year be transferred from State Level Activities to Local Education Activities.

Figure 1

Superintendent Request		
	FY 2020	FY 2021
School Safety		
State Level Activities	(500,000)	(500,000)
School Safety	500,000	500,000
<u>Reinstatement of SB 261 Cuts w/GTB</u>		
Secondary Vo Ed	510,000	510,000
Special Education	217,547	217,547
GTB & Retirement	39,564	39,564
Additional Local Ed Activities	39,350	39,350
<u>Reject DP 926</u>		
State Level Activities	(978,361)	(978,361)
Gifted and Talented	211,250	211,250
Secondary Vo Ed	510,000	510,000
Special Education	217,547	217,547
GTB & Retirement	39,564	39,564
	<u>\$806,461</u>	<u>\$806,461</u>

While the funding is in the executive request, the superintendent proposes that all funding for the Montana Digital Academy (MTDA) be made ongoing as a restricted line item. In previous biennia, approximately \$1.2 million was included in the State Level Activities base with roughly \$800,000 as a one-time-only appropriation. This request does not increase the total amount for this program as proposed by the executive.

While the funding is in the executive request, the Superintendent proposes audiology funding to be a fully funded and restricted in the amount of \$508,000. This amount would be taken out of the State Level Activities line in HB 2 and does not require additional appropriation.

Comparison of the FY 2019 Legislative Budget to the FY 2019 Base

Figure 2 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 base budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 base budget was agreed upon by the executive and legislature to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 2

FY 2019 Legislative Appropriations - Office of Public Instruction				
	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
06 State Level Activities				
61000 Personal Services	12,555,612	1,287,500	13,843,112	10.3%
62000 Operating Expenses	15,134,124	(1,312,500)	13,821,624	-8.7%
63000 Equipment & Intangible Assets	492,762	-	492,762	0.0%
68000 Transfers-out	1,168,000	-	1,168,000	0.0%
Program Total	29,350,498	(25,000)	29,325,498	-0.1%
09 Local Education Activities				
62000 Operating Expenses	1,306,608	-	1,306,608	0.0%
65000 Local Assistance	795,522,678	25,000	795,547,678	0.0%
66000 Grants	152,498,676	-	152,498,676	0.0%
68000 Transfers-out	507,840	-	507,840	0.0%
Program Total	949,835,802	25,000	949,860,802	0.0%
Grand Total	979,186,300	-	979,186,300	0.0%

The legislative action budget includes the FY 2019 budget as adopted during the November 2017 Special Session, specific other house and senate bills, and SB 9 restorations. SB 9 restored general fund appropriations of approximately \$1.1 million to the Office of Public Instruction in FY 2019. Additionally there was one executive modification that transferred \$1.3 million in federal funds from operating expenses to personal services to fund modified FTE for federal grant programs.

5.0% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. The Office of Public Instruction has provided a plan for general fund reductions of approximately \$38.6 million, and state special reductions of approximately \$47,000. The plan includes reductions in local assistance, personal services, and operating expenses, which could impact local school district budgets, staffing, and services to schools. A summary of the entire 2021 biennium 5% plan submitted for this agency is in the appendix.

Agency Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP 1) has been broken down into four categories, as follows:

1. Formula Based

Formula based changes are calculated independent of agency choices, such as: annualize personal services costs including FY 2019 statewide pay plan adjustments, changes to benefit rates, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot, plus rate changes for workers' compensation and unemployment insurance.

A detailed illustration of this methodology is included in the Budget Analysis Appendix.

2. Personal Services Management Decisions

Any agency management decisions that adjusted employee pay or transferred personal services authority between programs. This includes raises or position changes that may increase or reduce a budget, such as hiring FTE at a lower rate to replace retired senior staff or moving FTE and funding between programs.

3. Proposed Reinstatement of Personal Services Base Budget Reductions

Most agencies requested reinstatement of personal services budget reductions taken last session. The single largest reinstatement is due to the lower vacancy savings rate requested by the executive. The FY 2019 personal services base included approximately 6.0% vacancy savings reduction as part of the funding adopted in HB 2. Generally, the executive requested a 2.0% vacancy savings reduction for 2021 biennium.

Agencies funded with general fund may have additional personal services reductions such as those reduced from the triggers in SB 261 from last session.

In some instances, the lower personal services budgets caused agencies to make management decisions that lowered the ongoing cost of personal services. When this occurred, the LFD reflected the lower reinstatement requested rather than the total of all personal services reductions made by the previous legislature.

4. Budget Modifications

This category includes modifications to the FY 2019 personal services budget such as transfer of personal services authority to operating expenses that occurred during the interim. These transfers may impact the overall size of the personal services present law adjustment (DP 1).

The Figure shows the analysis of the proposed changes.

Figure 3

Personal Services Present Law DP 1 - FY 2020					
Program	Formula Based	Management Decisions	Proposed Reinstatement of PS	Budget Modifications	DP1 SWPL
06 STATE LEVEL ACTIVITIES	139,813	(141,752)	-	(1,287,500)	(1,289,439)
Agency Total	\$139,813	(\$141,752)	\$0	(1,287,500)	(\$1,289,439)

Personal services were \$13.8 million or 1.4% of total FY 2019 appropriations. The executive proposes a statewide present law decrease of approximately \$1.3 million in FY 2020 and \$1.3 million in FY 2021, which is partially offset by a proposed increase of \$0.5 million federal funds for personal services in each year of the biennium.

The requested reduction stems from operating plan modifications to the personal services base that transferred federal operating expenses to personal services in order to fund modified FTE for federal grant programs. This had the effect of lowering the personal services base and resulted in DP 1 being negative.

In OPI only Statewide Education Activities uses personal services funding.

Funding

The following table shows proposed agency funding by source of authority.

Total Office of Public Instruction Funding by Source of Authority 2021 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	1,703,305,646	1,685,000	0	0	1,704,990,646	79.29 %	
State Special Total	8,316,578	0	0	85,522,969	93,839,547	4.36 %	
Federal Special Total	345,722,422	0	0	0	345,722,422	16.08 %	
Proprietary Total	0	0	5,897,834	0	5,897,834	0.27 %	
Other Total	0	0	0	0	0	0.00 %	
Total All Funds	\$2,057,344,646	\$1,685,000	\$5,897,834	\$85,522,969	\$2,150,450,449		
Percent - Total All Sources	95.67 %	0.08 %	0.27 %	3.98 %			

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 section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	798,679,410	798,679,410	1,597,358,820	93.69 %	979,186,300	979,186,300	1,958,372,600	95.11 %
SWPL Adjustments	377,937	383,860	761,797	0.04 %	(1,186,687)	(1,180,296)	(2,366,983)	(0.12)%
PL Adjustments	29,939,767	51,416,023	81,355,790	4.77 %	25,970,767	51,539,023	77,509,790	3.76 %
New Proposals	11,740,776	13,773,463	25,514,239	1.50 %	11,740,776	13,773,463	25,514,239	1.24 %
Total Budget	\$840,737,890	\$864,252,756	\$1,704,990,646		\$1,015,711,156	\$1,043,318,490	\$2,059,029,646	

Language and Statutory Authority -

The following language is recommended for inclusion in HB 2.

"The office of public instruction may distribute funds from the appropriation for in-state treatment to public school districts for the purpose of providing educational costs of children with significant behavioral or physical needs."

"All revenue up to \$1.3 million in the traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121, MCA, 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 education activities are biennial."

OPI has statutory appropriations primarily from Guarantee Fund interest and income from common school trust land. This accounts for 3.9% of the total appropriation authority. This authority is used as part of the BASE calculation to offset use of state general funds.

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Personal Services	26,069,359	26,105,937	36,578	0.14 %
Operating Expenses	28,171,017	26,163,796	(2,007,221)	(7.13)%
Equipment & Intangible Assets	985,523	985,524	1	0.00 %
Transfers	3,992,674	4,021,000	28,326	0.71 %
Total Expenditures	\$59,218,573	\$57,276,257	(\$1,942,316)	(3.28)%
General Fund	21,721,811	21,534,039	(187,772)	(0.86)%
State/Other Special Rev. Funds	407,719	490,578	82,859	20.32 %
Federal Spec. Rev. Funds	37,089,043	35,251,640	(1,837,403)	(4.95)%
Total Funds	\$59,218,573	\$57,276,257	(\$1,942,316)	(3.28)%
Total Ongoing	\$57,432,549	\$55,591,257	(\$1,841,292)	(3.21)%
Total OTO	\$1,786,024	\$1,685,000	(\$101,024)	(5.66)%

Program Biennium Comparison -

The biennium comparison table shows a total reduction of 3.3%, which for this program is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the reduction is 5.3%.

Program Description

The State Level Activities program provides leadership and coordination of services to a variety of school and public groups. The staff provides assistance to the Superintendent of Public Instruction in performing statutorily prescribed duties. The program: 1) supports the superintendent's statutory role with the Board of Public Education, Board of Regents, and Land Board; 2) is responsible for the distribution and accounting of state and federal funds provided to school districts; 3) maintains the information systems necessary to assess student achievement and the quality of Montana's elementary and secondary school system; and 4) provides assistance and information to school districts. The program administers all federal grants received by OPI, including curriculum assistance, special education, Every Student Succeeds Act (ESSA) administration, secondary vocational education administration, and other educational services.

Program Highlights

State Level Activities (Program 06) Major Budget Highlights
<ul style="list-style-type: none"> • The executive proposes to allocate \$150,000 of general fund per year to cover administration costs for the preschool program contingent on the passage of LC 949 • The Statewide present law adjustment for personal services is negative due to the agency moving federal funds from operations to personal services to cover modified FTE - this had the effect of lowering the personal services base • The executive requests an increase of \$0.5 million of federal funds in each year of the biennium to reinstate personal services for short term workers. This change package is separate from SWPL 1 • The superintendent proposes the audiological services appropriation of \$508,000 be made restricted, this will not require an additional appropriation. • The executive requests SB 9 restoration funds which were eliminated from the State Level Activities FY 2018 appropriation during the November 2017 Special Session to be moved to Local Education Activities <ul style="list-style-type: none"> ◦ The superintendent requests that that SB 9 restoration funds remain in State Level Activities • The executive requests approximately 40.0% of Montana Digital Academy (MTDA) funding as a one-time-only appropriation for the third biennium in a row <ul style="list-style-type: none"> ◦ The superintendent requests that the entirety of MTDA funding be made ongoing and appear in HB 2 as a single restricted line item

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
FTE	0.00	156.32	156.32	156.32	156.32
Personal Services	11,035,054	12,226,247	13,843,112	13,053,673	13,052,264
Operating Expenses	14,400,889	14,269,793	13,901,224	13,078,000	13,085,796
Equipment & Intangible Assets	0	492,761	492,762	492,762	492,762
Transfers	1,990,497	1,996,337	1,996,337	2,010,500	2,010,500
Total Expenditures	\$27,426,440	\$28,985,138	\$30,233,435	\$28,634,935	\$28,641,322
General Fund	10,423,817	10,423,875	11,297,936	10,764,060	10,769,979
State/Other Special Rev. Funds	180,522	198,870	208,849	245,145	245,433
Federal Spec. Rev. Funds	16,822,101	18,362,393	18,726,650	17,625,730	17,625,910
Total Funds	\$27,426,440	\$28,985,138	\$30,233,435	\$28,634,935	\$28,641,322
Total Ongoing	\$26,548,353	\$28,107,051	\$29,325,498	\$27,792,435	\$27,798,822
Total OTO	\$878,087	\$878,087	\$907,937	\$842,500	\$842,500

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

State Level Activities expended 99.9% of the FY 2018 general fund appropriation and 94.6% of its approximately \$29.0 million in total funds. For FY 2018, 36.0% of the budget was supported by general fund

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$1.2 million, or 4.3% higher than the FY 2018 total appropriation due to:

- November 2017 Special Session reductions in both fiscal years that were subsequently restored by SB 9 for FY 2019, in the amount of \$1.1 million
- SB 294 pay plan increase in FY 2019 of \$97,000

All appropriations for federal special revenue appropriations in State Level Activities are biennial.

Executive Request

The executive requests a decrease of 3.3% or \$1.9 million over the previous biennium budget. The executive requests include:

- An increase in personal services of 0.1%, a decrease in operating expenses of 7.1% and an increase in transfers of 0.7% over the previous biennium
- SB 9 restoration funds to be moved from State Level Activities to support restoration of SB 261 reductions in Local Education Activities
- An additional \$1.0 million in federal authority for the biennium to restore personal services for short-term workers

Figure 4 summarizes the proposed general fund budget by purpose.

Figure 4

State Level Activities Summary by Purpose Proposed General Fund Budget (millions of dollars)	
General Fund	Proposed Budget <u>2021 Biennium</u>
Superintendents Office	\$4.37
Accreditation	0.91
Career Technical & Adult Education	0.73
Content Standards & Instruction	0.85
Health Enhancement	0.07
Indian Education For All	1.38
Information Technology Services	3.81
Legal Services	1.00
Measurement & Accountability	3.53
Montana Digital Academy	2.32
Special Education	0.85
State Distribution To Schools	<u>1.72</u>
Total General Fund	\$21.54

LFD COMMENT The Legislative Audit Division conducted a performance audit of the Office of Public Instruction in May 2016. The audit found that OPI needed to make improvements in its data collection methodology, and establish a formal sustainability plan for maintaining data governance that does not rely solely on federal funding. In a January 2018 follow-up to the audit it was determined that of the 6 recommendations, OPI had partially implemented 3 recommendations and is in the process of implementing the remaining 3 recommendations.

Additional information on the audit can be found at: <https://leg.mt.gov/content/Publications/Audit/Report/18SP-01-follow-up-orig-16P-01.pdf>

Program Personal Services Narrative

The proposed personal services budget for the State Level Activities Program includes \$5.5 million general fund, \$0.2 million state special funds and \$7.4 million in federal funds each year of the 2021 biennium. The executive's request includes a 5.7% reduction below the FY 2019 base to personal services in the State Level Activities program totaling roughly \$1.6 million. This reduction is due to the base being lowered by the transfer of federal funds to personal services to cover the costs of modified FTE, which causes a reduction in the statewide present law requested adjustment.

LFD COMMENT The negative statewide present law adjustment is unusual. The state personal services funding process does not reinstate funding for personal services expenditures for modified FTE, which the agency uses to staff federal grant programs. DP 604 partially addresses this reduction.

Funding

The following table shows proposed program funding by source of authority.

Office of Public Instruction, 06-State Level Activities Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	19,849,039	1,685,000	0	0	21,534,039	34.09 %	
02001 School Lunch Program	142,262	0	0	0	142,262	28.85 %	
02012 Misc Grants/Contracts-Budgeted	0	0	0	0	0	0.00 %	
02019 Educational Improvement	0	0	0	2,500	2,500	0.51 %	
02402 Traffic & Safety Education	348,316	0	0	0	348,316	70.64 %	
State Special Total	\$490,578	\$0	\$0	\$2,500	\$493,078	0.78 %	
03002 Public Instruction	35,251,640	0	0	0	35,251,640	100.00 %	
Federal Special Total	\$35,251,640	\$0	\$0	\$0	\$35,251,640	55.80 %	
06067 Advanced Drivers Education	0	0	325,773	0	325,773	5.52 %	
06512 Indirect Cost Pool	0	0	5,572,061	0	5,572,061	94.48 %	
Proprietary Total	\$0	\$0	\$5,897,834	\$0	\$5,897,834	9.34 %	
Total All Funds	\$55,591,257	\$1,685,000	\$5,897,834	\$2,500	\$63,176,591		

Federal funds support just over half of the Office of Public Instruction's total budget authority, general funds support roughly one third, with the balance supported by state special revenue and proprietary funds.

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. Statutory appropriations are SB 410 donations to public schools and student scholarship organizations.

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.

Program 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 section of the Budget Analysis.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	10,389,999	10,389,999	20,779,998	96.50 %	29,325,498	29,325,498	58,650,996	102.40 %
SWPL Adjustments	377,922	383,841	761,763	3.54 %	(1,186,702)	(1,180,315)	(2,367,017)	(4.13)%
PL Adjustments	(18,000)	(18,000)	(36,000)	(0.17)%	482,000	482,000	964,000	1.68 %
New Proposals	14,139	14,139	28,278	0.13 %	14,139	14,139	28,278	0.05 %
Total Budget	\$10,764,060	\$10,769,979	\$21,534,039		\$28,634,935	\$28,641,322	\$57,276,257	

Present Law Adjustments

The “Present Law Adjustments” table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	286,935	36,153	(1,612,527)	(1,289,439)	0.00	289,984	36,336	(1,617,168)	(1,290,848)
DP 2 - Fixed Costs	0.00	88,441	106	3,061	91,608	0.00	90,699	203	5,818	96,720
DP 3 - Inflation Deflation	0.00	2,546	37	8,546	11,129	0.00	3,158	45	10,610	13,813
DP 604 - Federal Grant Award Adjustment-Pgm 06	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 692 - National Board Certification Stipends RST	0.00	(18,000)	0	0	(18,000)	0.00	(18,000)	0	0	(18,000)
Grand Total All Present Law Adjustments	0.00	\$359,922	\$36,296	(\$1,100,920)	(\$704,702)	0.00	\$365,841	\$36,584	(\$1,100,740)	(\$698,315)

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

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Formula based changes
- Personal services management decisions
- Reinstatement of personal services previously reduced
- Modifications made to the personal services budget in the 2019 biennium

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include food, postage, gasoline, and others.

DP 604 - Federal Grant Award Adjustment-Pgm 06 -

This request is for \$1.0 million for the biennium to restore federal authority for personal services for short-term workers. Changes in state and federal law do not allow the agency to contract for services as in previous years and the state personal services funding process does not reinstate personal services expenditures for these workers.

DP 692 - National Board Certification Stipends RST -

This request reduces the agency State Level Activities Program by \$18,000 per year to move the appropriation to the Local Education Activities Program for stipends to teachers who have received National Board Certification per 20-4-134, MCA. Statutory changes due to SB 115, 2017 Legislative Session, show stipends are estimated to cost \$107,000 in FY 2020 and \$174,500 in FY 2021.

New Proposals

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

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 620 - Montana Digital Academy - RST/OTO	0.00	842,500	0	0	842,500	0.00	842,500	0	0	842,500
DP 621 - Audiological Services Adjustment	0.00	0	0	0	0	0.00	0	0	0	0
DP 926 - SB 9 Restoration Funds	0.00	(978,361)	0	0	(978,361)	0.00	(978,361)	0	0	(978,361)
DP 964 - Provide Preschool in K-12 Schools	0.00	150,000	0	0	150,000	0.00	150,000	0	0	150,000
Total	0.00	\$14,139	\$0	\$0	\$14,139	0.00	\$14,139	\$0	\$0	\$14,139

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

DP 620 - Montana Digital Academy - RST/OTO -

The budget includes \$842,500 per year general fund as a restricted, one-time-only appropriation for the Montana Digital Academy (MTDA). This funding has been one-time-only funding in the past and is in addition to \$1,158,000 per year in the OPI base budget for MTDA.

DP 621 - Audiological Services - Adjustment -

This request is to fund the activities in 20-7-403(12), MCA Duties of the Superintendent of Public Instruction, which requires the superintendent to contract for audiological services for children throughout Montana.

The services are estimated to cost \$508,000 each year of the biennium. The OPI State Level Activities appropriation currently includes a base of \$370,000. The requested amount includes the base as well as \$138,000 per year from funds restored in SB 9 (November 2017 Special Session). The executive proposes to eliminate the one-time-only line item and include this program in the State Level Activities appropriation. This will not require an additional appropriation.

DP 926 - SB 9 Restoration Funds -

The budget includes a reduction of OPI base operating expense by \$978,361 each year from the SB 9 budget restoration. The funds are redirected Local Education Activities in order to restore special education allowable cost base and associated costs reduced in SB 261, restore secondary vocational education base reduced in SB 261, and increase gifted and talented base.

DP 964 - Provide Preschool in K-12 Schools -

The executive budget proposes \$150,000 per year general fund to cover OPI's operating expense for administration of the preschool program. This request is contingent on passage and approval of LC 949.

**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, or 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 the general appropriations act 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. OPI negotiated a three-year "predetermined rate" with the U.S. Department of Education. The negotiated rate for fiscal year 2019 is 17%. For fiscal years 2020-2021 OPI has proposed to keep the rate at 17%, the actual rate will be negotiated in December of 2019 and may be higher or lower than the proposed rate. The agency may not charge more than the lower of the rate negotiated with the Department of Education or the rate approved by the legislature.

Expenses

Indirect cost pool covers the expenses incurred by the 25.85 FTE, who provide administrative, finance, accounting and data management services to the rest of the agency. The rate also covers fees charged for services provided by other departments, including but not limited to warrant writing, workers' compensation fees, audit fees, rent, and grounds maintenance. The pool also covers termination payouts for staff, except the superintendent and the superintendent's personal staff. The table below provides details on the indirect cost pool fund.

2021 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 - Proprietary

	Actual FY 16	Actual FY 17	Actual FY 18	Estimated FY 19	Proposed FY 20	Proposed FY 21
Operating Revenues						
Fees and Charges						
Federal Indirect Cost	1,805,450	1,817,260	1,832,736	1,900,000	1,900,000	1,900,000
Non Federal Indirect Cost	1,153,947	1,157,504	956,483	1,300,000	1,300,000	1,300,000
Total Operating Revenues	2,959,397	2,974,765	2,789,219	3,200,000	3,200,000	3,200,000
Expenses						
Personal Services	1,808,012	2,035,284	1,945,490	1,785,947	1,932,933	1,933,330
Other Operating Expense	1,396,272	1,593,222	1,127,228	745,452	902,712	805,086
Total Operating Expense	3,204,284	3,628,506	3,072,718	2,531,399	2,835,645	2,738,416
Operating Income (Loss)	(244,887)	(653,742)	(283,499)	668,601	364,355	461,584
Nonoperating Revenues						
Accommodation Tax	8,695	8,022	6,941	-	-	-
Total Nonoperating Revenues (Expenses)	8,695	8,022	6,941	-	-	-
Income (Loss) Before Contributions and Transfers	(236,192)	(645,719)	(276,558)	668,601	364,355	461,584
Capital Contributions						
Transfers In						
Transfers Out						
Loans and Lease Payments						
Change in Net Position	(236,192)	(645,719)	(276,558)	668,601	364,355	461,584
Beginning Net Position - July 1	999,532	763,340	117,621	(158,937)	509,664	874,019
Prior Period Adjustments						
Change in Net Position	(236,192)	(645,719)	(276,558)	668,601	364,355	461,584
Ending Net Position - June 30	763,340	117,621	(158,937)	509,664	874,019	1,335,603
Net Position (Fund Balance) Analysis						
Restricted Net Position (Enterprise Funds Only)						
Unrestricted Net Position						

Advanced Driver Education Program - 06067

Proprietary Program Description

The Advanced Driver Education program (D.R.I.V.E.) is a seasonal, hands-on, behind-the-wheel crash avoidance program operated by the Health Enhancement and Safety Division of OPI at a training facility in Lewistown. The one-day and half-day courses provides training to school bus drivers, driver education teachers, state employees, ambulance drivers, firefighters, road crews, and others who drive as a part of their employment. In operation since 1979, this program offers its services to employees of government services, fleet managers, and the public.

Revenue

Revenues are generated from workshop fees collected from program users (Authority Title 20 MCA). Typically, the program serves 450-500 participants a season. The current fee is \$350 for a full-day workshop per person. Program fees should remain \$315-\$350 for the 2021 biennium. This should cover any unusual maintenance costs that are incurred during a season. It is anticipated that services will remain approximately the same as present for the 2021 biennium.

Expenses

Cost drivers for fees include instructor expenses (includes salaries, travel, and per diem); vehicle maintenance and operating expenses (fuel and repairs), classroom and track supplies, track lease, program advertising, and administration (planning, scheduling, registrations, advertising, professional development of staff, support services, etc.). Continued facility maintenance is anticipated to be an on-going cost.

Working Capital Discussion

This program is a summer seasonal program that operates 45-55 days during June, July, and August utilizing 13 – 16 vehicles. The program typically employs four professional instructors for each workshop totaling 1.68 FTE. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized from June through August, with continuing administrative expenses during the remainder of the year. The program requires 30.0 - 45.0% of its annual budget to be carried over into the next fiscal year to cover working expenses to be paid out.

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 and improvement. Payment of these services requires accumulation and an amount of revenue to carryover from year of approximately 10 - 20% percent of its year-end budget.

2021 Biennium Report on Internal Service and Enterprise Funds

Fund 06067	Fund Name Advanced Drivers Education	Agency # 35010	Agency Name Office of Public Instruction	Program Name State Level Activities
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	Actual FY16	Actual FY17	Actual FY18	Budgeted FY19	Budgeted FY20	Budgeted FY21
Operating Revenues						
Fees and Charges						
Adv Drivers Fee	145,593	188,332	158,253	160,000	160,000	160,000
Other Operating Revenues						
Vehicles Revenue	-	-	-	-	-	-
Total Operating Revenues	145,593	188,332	158,253	160,000	160,000	160,000
Expenses						
Personal Services	87,512	54,771	49,455	55,000	55,500	56,000
Other Operating Expense						
General	76,103	68,197	62,064	65,000	65,000	65,000
OPEB	2,904	53,374	42,814	30,000	30,000	30,000
Total Operating Expense	166,518	176,342	154,332	150,000	150,500	151,000
Operating Income (Loss)	(20,925)	11,990	3,921	10,000	9,500	9,000
Nonoperating Revenues						
Nonoperating Expenses						
Other Expense B						
Total Nonoperating Revenues (Expenses)	-	-	-	-	-	-
Income (Loss) Before Contributions and Transfers	(20,925)	11,990	3,921	10,000	9,500	9,000
Capital Contributions						
Transfers In						
Transfers Out						
Change in Net Position	(20,925)	11,990	3,921	10,000	9,500	9,000
Beginning Net Position - July 1	48,611	27,686	39,676	43,597	53,597	63,097
Prior Period Adjustments						
Change in Net Position	(20,925)	11,990	3,921	10,000	9,500	9,000
Ending Net Position - June 30	27,686	39,676	43,597	53,597	63,097	72,097
Net Position (Fund Balance) Analysis						
Restricted Net Position (Enterprise Funds Only)						
Unrestricted Net Position						

Program Biennium Comparison

The following table compares the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 18-19	Requested Budget 20-21	Biennium Change	Biennium % Change
Operating Expenses	2,599,628	2,613,250	13,622	0.52 %
Local Assistance	1,571,679,181	1,686,704,607	115,025,426	7.32 %
Grants	303,997,352	311,419,852	7,422,500	2.44 %
Transfers	1,015,714	1,015,680	(34)	0.00 %
Total Expenditures	\$1,879,291,875	\$2,001,753,389	\$122,461,514	6.52 %
General Fund	1,557,149,093	1,683,456,607	126,307,514	8.11 %
State/Other Special Rev. Funds	18,672,000	7,826,000	(10,846,000)	(58.09)%
Federal Spec. Rev. Funds	303,470,782	310,470,782	7,000,000	2.31 %
Total Funds	\$1,879,291,875	\$2,001,753,389	\$122,461,514	6.52 %
Total Ongoing	\$1,879,291,875	\$2,001,753,389	\$122,461,514	6.52 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Biennium Comparison -

The biennium comparison table shows a total growth of 6.5%, which for this program is significantly influenced by the FY 2018 appropriation reductions. Compared to the FY 2019 base appropriation, the growth is 5.4%.

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 Major Budget Highlights
<p>The executive proposes an increase of \$102.0 million in Local Education Activities over the FY 2019 base, funded primarily with general fund.</p> <p><u>Present law adjustments</u> - increase \$76.5 million in appropriation (\$25.3 million could be considered restorations from reductions made last biennium, which includes \$15.0 million in Gauranteed Tax Base (GTB) restoration)</p> <ul style="list-style-type: none"> • BASE aid inflation - \$70.7 million. Includes inflation adjustments, enrollment adjustments and increases in GTB state funding. • Restoration of the data for achievement payment that was removed last biennium - \$6.5 million • Restore and adjust transportation payment. \$1.7 million is restoration of removed funds, \$0.2 million is for increased need. <p><u>New proposals</u> - increase of \$25.5 million in appropriation</p> <ul style="list-style-type: none"> • Provide preschool - \$21.7 million • Restoration of SB 9 funds - \$ 2.0 million. This funding would be used to primarily restore funding removed in SB 261 (2017 Regular Session) as well as increase gifted and talented funding by \$0.2 million • Add the school inflation adjustment to special education - \$1.9 million
LFD Issues
<ul style="list-style-type: none"> • In the executive budget proposal the present law request for school major maintenance is \$6.4 million in FY 2020 and \$7.6 million in FY 2021, which include \$3.8 million of state special revenue from the school major maintenance coal sub trust. LFD's interpretation of statute (20-9-635, MCA) suggests school major maintenance appropriations would be additive, with the \$3.8 million coal trust money being in addition to the executive proposal • The executive estimates the amount of revenue deposited in the guarantee account in both FY 2020 and FY 2021 to be approximately \$4.0 million less than the estimate in HJ 2

Program Actuals and Budget Comparison

The following table compares FY 2018 actual expenditures to the 2019 biennium appropriated budget and the 2021 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2018	Approp. Fiscal 2018	Approp. Fiscal 2019	Request Fiscal 2020	Request Fiscal 2021
Operating Expenses	1,277,456	1,293,020	1,306,608	1,306,623	1,306,627
Local Assistance	762,104,637	776,131,503	795,547,678	830,051,832	856,652,775
Grants	150,847,617	151,498,676	152,498,676	155,209,926	156,209,926
Transfers	713,923	507,874	507,840	507,840	507,840
Total Expenditures	\$914,943,633	\$929,431,073	\$949,860,802	\$987,076,221	\$1,014,677,168
General Fund	763,281,003	768,859,682	788,289,411	829,973,830	853,482,777
State/Other Special Rev. Funds	750,000	9,336,000	9,336,000	2,367,000	5,459,000
Federal Spec. Rev. Funds	150,912,630	151,235,391	152,235,391	154,735,391	155,735,391
Total Funds	\$914,943,633	\$929,431,073	\$949,860,802	\$987,076,221	\$1,014,677,168
Total Ongoing	\$914,943,633	\$929,431,073	\$949,860,802	\$987,076,221	\$1,014,677,168
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2018 Appropriations Compared to FY 2018 Actual Expenditures

Local Education Activities expended 98.4% of its FY 2018 modified HB 2 budget. Operating costs were 98.8% expended, local assistance was 98.2% expended, grants were 99.6% expended. Local Education Activities typically spends between 98.0% and 99.0% of their total budget, so this is in line with past expenditures.

FY 2018 Appropriations Compared to FY 2019 Appropriations

FY 2019 total appropriations are \$949.8 million, which is \$20.4 million or 2.2% higher than the FY 2018 total appropriation primarily due to:

- Increases of \$36.2 million in BASE aid
- A decrease of \$11.7 million in block grants

Executive Request

The Office of Public Instruction is requesting increases from the base of \$37.2 million in FY 2020 and \$64.8 million in in FY 2021. These increases are discussed in detail in the Present Law and New Proposal sections but are primarily driven by:

- Increase in BASE aid of \$24.6 million in FY 2020 and \$46.2 million in FY 2021. This increase includes the inflationary adjustment of 0.91% in FY 2020 and 1.83% in FY 2021 as well as accounting for expected increases in the number of students. This number also includes increases in guarantee tax base aid (GTB). This increase in GTB is the return of state funding that was removed when the district general fund block grants were cut. This amounts to \$5.0 million in FY 2020 and \$10.0 million in FY 2021 and results in a corresponding decrease in local property taxes.
- A new proposal for voluntary preschool. This proposal is for \$10.3 million in FY 2020 and \$11.4 million in FY 2021.
- A decrease of \$8.6 million in FY 2020 and \$6.1 million in FY 2021 in debt service assistance. These funds come from a state special revenue account from common school trust land. This is not a true expenditure decrease as funds were not available to make the payment in FY 2019, but this adjustment would correspond to expected available revenue for this account in the upcoming biennium.

Funding

The following table shows proposed program funding by source of authority.

Office of Public Instruction, 09-Local Education Activities Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,683,456,607	0	0	0	1,683,456,607	80.65 %	
02018 Guarantee Fund	0	0	0	83,472,969	83,472,969	89.42 %	
02019 Educational Improvement	0	0	0	47,500	47,500	0.05 %	
02218 School Facility & Tech Account	2,500,000	0	0	2,000,000	4,500,000	4.82 %	
02402 Traffic & Safety Education	1,500,000	0	0	0	1,500,000	1.61 %	
02487 School Fac State Spcl Revenue	3,826,000	0	0	0	3,826,000	4.10 %	
State Special Total	\$7,826,000	\$0	\$0	\$85,520,469	\$93,346,469	4.47 %	
03170 Grant Clearance Discretionary	310,470,782	0	0	0	310,470,782	100.00 %	
Federal Special Total	\$310,470,782	\$0	\$0	\$0	\$310,470,782	14.87 %	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$2,001,753,389	\$0	\$0	\$85,520,469	\$2,087,273,858		

Local Education Activities is funded by a combination of general fund, state and federal special revenue. The majority of funds are appropriated by HB 2 and the remainder are statutory appropriations. General fund supports approximately 80.7% of the distribution to school districts, federal 14.9% and state special revenue the remaining 4.5%. Details of state and federal special are described below.

Guarantee Account

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

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

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.

Federal funds

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

Program 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 section of the Budget Analysis.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget	Budget Fiscal 2020	Budget Fiscal 2021	Biennium Fiscal 20-21	Percent of Budget
2019 Base Budget	788,289,411	788,289,411	1,576,578,822	93.65 %	949,860,802	949,860,802	1,899,721,604	94.90 %
SWPL Adjustments	15	19	34	0.00 %	15	19	34	0.00 %
PL Adjustments	29,957,767	51,434,023	81,391,790	4.83 %	25,488,767	51,057,023	76,545,790	3.82 %
New Proposals	11,726,637	13,759,324	25,485,961	1.51 %	11,726,637	13,759,324	25,485,961	1.27 %
Total Budget	\$829,973,830	\$853,482,777	\$1,683,456,607		\$987,076,221	\$1,014,677,168	\$2,001,753,389	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2019 base appropriation to the budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2020-----				-----Fiscal 2021-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 692 - National Board Certification Stipends RST	0.00	107,000	0	0	107,000	0.00	174,500	0	0	174,500
DP 902 - K-12 BASE Aid Inflation	0.00	24,572,480	0	0	24,572,480	0.00	46,158,348	0	0	46,158,348
DP 908 - Restore Transportation Payment	0.00	1,900,000	0	0	1,900,000	0.00	1,900,000	0	0	1,900,000
DP 909 - Federal Grant Award Adjustments-Pgm 09	0.00	0	0	2,500,000	2,500,000	0.00	0	0	3,500,000	3,500,000
DP 910 - Restore Data for Achievement	0.00	3,209,999	0	0	3,209,999	0.00	3,272,947	0	0	3,272,947
DP 920 - At Risk Inflation	0.00	49,721	0	0	49,721	0.00	150,620	0	0	150,620
DP 922 - NRD Major Maintenance Aid	0.00	0	1,617,000	0	1,617,000	0.00	0	2,209,000	0	2,209,000
DP 923 - Debt Service Assistance	0.00	0	(8,586,000)	0	(8,586,000)	0.00	0	(6,086,000)	0	(6,086,000)
DP 960 - Guarantee Account Adjustment	0.00	118,567	0	0	118,567	0.00	(222,392)	0	0	(222,392)
Grand Total All Present Law Adjustments	0.00	\$29,957,767	(\$6,969,000)	\$2,500,000	\$25,488,767	0.00	\$51,434,023	(\$3,877,000)	\$3,500,000	\$51,057,023

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

DP 692 - National Board Certification Stipends RST -

The agency requests \$245,500 new general fund restricted to support stipends for National Board Certified teachers per 20-4-134, MCA. Stipends are to be distributed to the qualifying teacher's school district for distribution to the teacher, therefore, this change package moves base funding of \$18,000 to the agency Local Education Activities program, reducing the agency State Level Activities by the same amount. Additional general fund of \$89,000 in FY 2020 and \$156,500 in FY 2021 is included based upon projections of qualifying teachers.

DP 902 - K-12 BASE Aid Inflation -

This request is for \$70.7 million general fund for the 2021 biennium to support inflation increases per 20-9-326, MCA, of 0.91% in FY 2020 and 1.83% in FY 2021 for the basic entitlement, per-Average Number Belonging (ANB) entitlement, the quality educator payment, the Indian education for all payment, and the American Indian achievement gap payment. ANB counts are projected to increase by 0.9% in FY 2020 and by 1.2% in FY 2021, so the present law adjustment includes funding for both the growth in enrollment (ANB) and the inflationary increases in the statutory funding rates.

DP 908 - Restore Transportation Payment -

The pupil transportation appropriation was reduced by \$1,693,274 and capped in each year of the 2019 biennium at \$10,073,552 during the November 2017 Special Session (SB 2). This request restores that reduction. The request also increases the reduced amount by a total of \$1.9 million per year to meet estimated statutory pupil transportation costs. Statute (20-10-145, MCA) requires the state to reimburse school districts for pupil transportation expenses as established in 20-10-141 and 142, MCA. The total appropriation would be \$11.9 million in each year of the 2021 biennium.

DP 909 - Federal Grant Award Adjustments-Pgm 09 -

The OPI requests a \$6.0 million increase in federal funds appropriations for the 2021 biennium for anticipated increases in federal grant awards that OPI distributes to school districts and other local education entities administered by the OPI. Increases are primarily related to IDEA Part B and Title I Part A.

DP 910 - Restore Data for Achievement -

The data for achievement payment defined in 20-9-325, MCA, was suspended in SB 261, 2017 Regular Session for the 2019 biennium. This request for \$6.5 million general fund for the 2021 biennium restores that payment and provides inflationary increases in each year. The restoration of this payment requires \$3,180,038 each year of the biennium plus inflationary and ANB adjustments of \$29,960 in FY 2020 and \$92,909 in FY 2021. These increases represent a 0.91% increase in FY 2020 and 1.83% in FY 2021 as required for this payment in 20-9-326, MCA.

DP 920 - At Risk Inflation -

Inflation for the at-risk student payment in 20-9-328, MCA, of \$49,721 in FY 2020 and \$150,620 in FY 2021 represents a 0.91% increase in FY 2020 and 1.83% increase in FY 2021 as required for this payment in 20-9-326, MCA. The FY 2019 general fund base appropriation for the at-risk student payment is \$5,463,895.

DP 922 - NRD Major Maintenance Aid -

This request appropriates the interest from the school major maintenance aid state special revenue fund (20-9-380, MCA) for distribution by the Office of Public Instruction to schools as their natural resource development K-12 payment, 20-9-525, MCA.

LFD COMMENT

While the executive is including a general fund appropriation in this request, it is only totals what is included currently in (20-9-635, MCA) if the requested state special is added. If the school major maintenance funding (20-9-635, MCA) was viewed with intention of being a general fund appropriation, this change package would need to be adjusted to \$6.4 million general fund in FY 2020 and \$7.6 million general fund in FY 2021

DP 923 - Debt Service Assistance -

This change package adjusts anticipated revenue available for the purpose of the debt service assistance payment in 20-9-346, MCA. There will be no appropriation in FY 2020 and \$2.5 million in FY 2021.

DP 960 - Guarantee Account Adjustment -

This request is for a general fund decrease of \$0.1 million for the 2021 biennium to offset increased guarantee account state special revenue.

LFD COMMENT

This decision package is based on the executive forecast of the guarantee account. If HJ 2 values were used, this decision package would need to be decreased by \$4.0 million per year of the biennium

New Proposals

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

New Proposals	-----Fiscal 2020-----					-----Fiscal 2021-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 925 - Special Education Inflation	0.00	460,080	0	0	460,080	0.00	1,400,139	0	0	1,400,139
DP 926 - SB 9 Restoration Funds	0.00	978,361	0	0	978,361	0.00	978,361	0	0	978,361
DP 964 - Provide Preschool in K-12 Schools	0.00	10,288,196	0	0	10,288,196	0.00	11,380,824	0	0	11,380,824
Total	0.00	\$11,726,637	\$0	\$0	\$11,726,637	0.00	\$13,759,324	\$0	\$0	\$13,759,324

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

DP 925 - Special Education Inflation -

The executive requests \$1.9 million general fund for the 2021 biennium to increase the special education allowable cost payment (20-9-321, MCA) by the K-12 BASE aid inflation factors in 20-9-326, MCA. The FY 2019 appropriation was \$43,291,924 and the statutory K-12 BASE aid inflation factors of 0.91% in FY 2020 and 1.83% in 2021 are applied to increase the special education appropriation by \$393,957 and \$1,193,409 respectively and create GTB increases of \$66,123 in FY 2020 and \$206,730 in FY 2021.

DP 926 - SB 9 Restoration Funds -

The executive budget requests a portion of the \$1.1 million per year SB 9 restoration funds be used to restore the special education allowable cost base by \$217,547 per year plus \$39,564 GTB and retirement costs in each year of the 2021 biennium; secondary Vo-Ed base by \$510,000 per year; and additional gifted and talented base authority by \$211,250 per year. The special ed base and secondary vo-ed base were reduced as part of the SB 261 reductions. The gifted and talented base appropriation was reduced by \$1,250 in SB 261 reductions and the additional funding would boost the appropriation to a total of \$460,000 per year. Gifted and talented funds have not been increased since FY 2006.

DP 964 - Provide Preschool in K-12 Schools -

The executive budget requests \$8.5 million in FY 2020 and \$11.4 million in FY 2021 general fund to implement a voluntary preschool program funded through the K-12 quality education funding formula. An additional \$1.8 million is requested as one-time-only startup funding to be distributed by direction of the legislation. This request is contingent on passage and approval of LC 949.

LFD ISSUE	This decision package includes both ongoing and one-time-only funding. If both ongoing and one-time-only funding were adopted, it would be cleaner to adopt them as separate decision packages
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