Program Budget Comparison

The following Program Budget Comparison table compares the 2017 biennium appropriated budget to the 2019 biennium adopted budget by type of expenditure and source of funding.

Program Budget Comparison Budget Item	Appropriated Budget 16-17	Legislative Budget 18-19	Biennium Change	Biennium % Change
Personal Services	26,047,345	24,835,771	(1,211,574)	(4.65)%
Operating Expenses	30,722,859	30,324,421	(398,438)	(1.30)%
Equipment & Intangible Assets	1,048,646	1,048,646	0	0.00 %
Transfers	4,001,000	4,001,000	0	0.00 %
Total Expenditures	**$61,819,850**	**$60,209,838**	**($1,610,012)**	**(2.60)%**
General Fund	23,949,488	22,531,776	(1,417,712)	(5.92)%
State/Other Special Rev. Funds	514,491	414,445	(100,046)	(19.45)%
Federal Spec. Rev. Funds	37,355,871	37,263,617	(92,254)	(0.25)%
Total Funds	**$61,819,850**	**$60,209,838**	**($1,610,012)**	**(2.60)%**
Total Ongoing	**$59,966,635**	**$58,414,838**	**($1,551,797)**	**(2.59)%**
Total OTO	**$1,853,215**	**$1,795,000**	**($58,215)**	**(3.14)%**

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
Major Budget Highlights

The legislature approved a 2.6% decrease or $1.6 million in total appropriation compared to the 2017 biennium.

Personal Services - Total appropriation for personal services decreased by 4.7% or $1.2 million

- $0.4 million increase - Annualize FY 2016 appropriation to FY 2017 base funding levels
- $1.6 million decrease - The legislature approved statewide present law adjustments for personal services
- $0.5 million decrease - The legislature approved an additional 2% vacancy savings
- $0.5 million decrease - The legislature approved the elimination of 3.20 FTE as part of budgeted budget reduction
- $1.0 million increase - The legislature approved an increase in federal appropriation for personal services for part-time modified FTE

Operating Expenses - Total appropriation for operating expenses decreased by 1.3% or $0.4 million

- $0.2 million increase - Annualize FY 2016 appropriation to FY 2017 base funding levels
- $0.6 million decrease - The legislature approved targeted budget reduction for operation
- $0.1 million decrease - The legislature approved lower level one-time-only general fund appropriation for audiological services than 2017 biennium
- $0.1 million increase - The legislature approved present law adjustments for fixed costs, inflation, IT rate adjustment, liability insurance, motor pool adjustments, one-time-only general fund appropriation for educators that achieve national board certification, and the partial restoration of FY 2017 budget reductions for operations

Transfers - The legislature approved general fund transfers to the Montana Digital Academy at the same level as the 2017 biennium.

Program Actuals and Budget Comparison

The following table compares the program's FY 2016 actual expenditures with FY 2016 through FY 2019 appropriations.

Program Actuals and Budget Comparison

Budget Item	Actuals Fiscal 2016	Approp. Fiscal 2016	Approp. Fiscal 2017	Legislative Fiscal 2018	Legislative Fiscal 2019
FTE	159.71	159.71	159.71	156.51	156.51
Personal Services	12,538,414	12,837,502	13,209,843	12,377,238	12,458,533
Operating Expenses	14,606,175	15,252,262	15,470,597	15,107,521	15,216,900
Equipment & Intangible Assets	0	524,323	524,323	524,323	524,323
Transfers	2,000,500	2,000,500	2,000,500	2,000,500	2,000,500
Total Expenditures	**$29,145,089**	**$30,614,587**	**$31,205,263**	**$30,009,582**	**$30,200,256**
General Fund	11,885,104	11,891,332	12,058,156	11,186,547	11,345,229
State/Other Special Rev. Funds	230,225	254,339	260,152	206,925	207,520
Federal Spec. Rev. Funds	17,029,760	18,468,916	18,886,955	18,616,110	18,647,507
Total Funds	**$29,145,089**	**$30,614,587**	**$31,205,263**	**$30,009,582**	**$30,200,256**
Total Ongoing	**$28,225,682**	**$29,695,180**	**$30,271,455**	**$29,127,082**	**$29,287,756**
Total OTO	**$919,407**	**$919,407**	**$933,808**	**$882,500**	**$912,500**

Funding

The following table shows adopted program funding by source 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	22,531,776	0	0	22,531,776	34.26 %
02001 School Lunch Program	93,597	0	0	93,597	15.23 %
02012 Misc Grants/Contracts-Budgeted	0	0	0	0	0.00 %
02019 Educational Improvement	0	0	200,000	200,000	32.55 %
02402 Traffic & Safety Education	320,848	0	0	320,848	52.22 %
State Special Total	**$414,445**	**$0**	**$200,000**	**$614,445**	**0.93 %**
03002 Public Instruction	37,263,617	0	0	37,263,617	100.00 %
Federal Special Total	**$37,263,617**	**$0**	**$0**	**$37,263,617**	**56.66 %**
06067 Advanced Drivers Education	0	313,993	0	313,993	5.86 %
06512 Indirect Cost Pool	0	5,044,208	0	5,044,208	94.14 %
Proprietary Total	**$0**	**$5,358,201**	**$0**	**$5,358,201**	**8.15 %**
Total All Funds	**$60,209,838**	**$5,358,201**	**$200,000**	**$65,768,039**	

Federal funds support 61.9% of the HB 2 budget, general funds support 37.4%, and state special revenue supports 0.7%.

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 (2015 legislature) donations to public schools and student scholarship organizations.

For a detailed discussion of programs funded with proprietary funds, see the discussion on proprietary rates.

Budget Summary by Category

The following 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	General Fund				Total Funds			
Budget Item	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget	Budget Fiscal 2018	Budget Fiscal 2019	Biennium Fiscal 18-19	Percent of Budget
2017 Base Budget	11,124,348	11,124,348	22,248,696	98.74 %	30,271,455	30,271,455	60,542,910	100.55 %
SWPL Adjustments	(121,846)	(100,776)	(222,622)	(0.99)%	(788,148)	(734,495)	(1,522,643)	(2.53)%
PL Adjustments	24,674	72,627	97,301	0.43 %	521,780	569,678	1,091,458	1.81 %
New Proposals	159,371	249,030	408,401	1.81 %	4,495	93,618	98,113	0.16 %
Total Budget	**$11,186,547**	**$11,345,229**	**$22,531,776**		**$30,009,582**	**$30,200,256**	**$60,209,838**	

Present Law Adjustments

The "Present Law Adjustments" table shows the changes from the FY 2017 base appropriation to the budget approved by the legislature. "Statewide Present Law" adjustments are standard statewide categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(138,118)	(39,385)	(640,224)	(817,727)	0.00	(121,639)	(38,864)	(615,070)	(775,573)
DP 2 - Fixed Costs	0.00	15,386	291	10,212	25,889	0.00	17,720	360	12,712	30,792
DP 3 - Inflation Deflation	0.00	886	0	2,804	3,690	0.00	3,143	16	7,127	10,286
DP 53 - SWPLA Fixed Cost Reductions	0.00	(7,326)	(78)	(2,816)	(10,220)	0.00	(7,373)	(79)	(2,870)	(10,322)
DP 54 - SWPLA Fixed Cost Reductions Adjustment	0.00	(4,153)	0	0	(4,153)	0.00	(3,393)	0	0	(3,393)
DP 56 - Oracle License Funding Reinstatement	0.00	4,153	0	0	4,153	0.00	3,393	0	0	3,393
DP 618 - National Board Certification (Restricted/OTO)	0.00	0	0	0	0	0.00	30,000	0	0	30,000
DP 619 - National Board Certification	0.00	(18,000)	0	0	(18,000)	0.00	0	0	0	0
DP 633 - Federal Grant Award Adjustments - Pgm 06	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 6271 - Audiological Services (Restricted/OTO)	0.00	50,000	0	0	50,000	0.00	50,000	0	0	50,000
Grand Total All Present Law Adjustments	**0.00**	**($97,172)**	**($39,172)**	**($130,024)**	**($266,368)**	**0.00**	**($28,149)**	**($38,567)**	($98,101)	($164,817)

*"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 approved adjustments to annualize personal services costs including FY 2017 statewide pay plan adjustments and increases to state share costs for health insurance passed by the 2015 Legislature, benefit rate adjustments, and longevity adjustments related to incumbents in each position at the time of the personal services snapshot.

DP 2 - Fixed Costs -

The legislature approved adjustments to provide the funding required in the budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. The rates charged for these services are approved in the section of the budget for the programs that provide the services.

DP 3 - Inflation Deflation -

The legislature approved 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 53 - SWPLA Fixed Cost Reductions -

The legislature reduced fixed costs for warrant writer, rent, and information technology.

DP 54 - SWPLA Fixed Cost Reductions Adjustment -

The legislature approved further reductions in fixed costs for rent and information technology.

DP 56 - Oracle License Funding Reinstatement -

The legislature increased funding for Oracle license costs included in the State Information Technology Service Division. The license costs are allocated through fixed cost adjustments

DP 618 - National Board Certification (Restricted/OTO) -
The legislature approved a one-time-only restricted general fund appropriation of $30,000 in FY 2019 for the $3,000 stipends in 20-4-134, MCA, for teachers who achieve National Board for Professional Teaching Standards certification. Base funding includes $18,000 which brings the total appropriation to $48,000 to fund the 16 teachers that OPI anticipates will be eligible for stipends in FY 2019.

DP 619 - National Board Certification -

The legislature approved a reduction in base funding of $18,000 in FY 2018 only, for the $3,000 stipends in 20-4-134, MCA, for teachers who achieve National Board for Professional Teaching Standards certification. OPI anticipates no teachers will be eligible for stipends in FY 2018.

DP 633 - Federal Grant Award Adjustments - Pgm 06 -

The legislature approved an increase in federal appropriation for personal services authority to cover part-time modified FTE. Changes in state and federal law do not allow the agency to contract for those services as in previous years.

DP 6271 - Audiological Services (Restricted/OTO) -

The legislature approved inflationary increases for contracted audiological services as required by 20-7-403(12), MCA, and for equipment replacement and maintenance.

New Proposals

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

New Proposals	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51 - Additional 2% Vacancy Savings	0.00	(111,844)	(2,544)	(140,821)	(255,209)	0.00	(112,185)	(2,554)	(141,347)	(256,086)
DP 52 - Partial FY 2019 Base Budget Restoration	0.00	0	0	0	0	0.00	90,000	0	0	90,000
DP 555 - Rebase Appropriation	(3.20)	(548,285)	(11,511)	0	(559,796)	(3.20)	(548,285)	(11,511)	0	(559,796)
DP 556 - IT Convergence Savings	0.00	(13,000)	0	0	(13,000)	0.00	(13,000)	0	0	(13,000)
DP 6000 - Montana Digital Academy One Time Only Funding	0.00	832,500	0	0	832,500	0.00	832,500	0	0	832,500
Total	**(3.20)**	**$159,371**	**($14,055)**	**($140,821)**	**$4,495**	**(3.20)**	**$249,030**	**($14,065)**	($141,347)	$93,618

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

DP 51 - Additional 2% Vacancy Savings -

The legislature adopted an additional 2% vacancy savings for the 2019 biennium, resulting in a total 6% vacancy savings for the 2019 biennium.

DP 52 - Partial FY 2019 Base Budget Restoration -

The legislature restored a portion of the 5% base reduction for FY 2019.

DP 555 - Rebase Appropriation -

The legislature approved reductions to the present law budget based on either the 5% reduction plans or FY 2016 reversions.

DP 556 - IT Convergence Savings -

The legislature approved reductions to agency information technology costs for savings generated by migrating information technology assets to the state data center and other enterprise IT solutions.

DP 6000 - Montana Digital Academy One Time Only Funding -

The legislature approved one-time-only general fund appropriation for the Montana Digital Academy. To receive the one-time-only funding in the second year of the biennium the academy must provide a detailed performance and fiscal report to the Legislative Fiscal Committee not later than May of 2018.

Other Issues

Proprietary Program Description

The State Level Activities program provides the following functions funded with 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

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 and charges approved in the general appropriations act are the maximum fees and charges that may be charged in the biennium.

Program Description

OPI's internal service fund is used to pool internal and statewide central service type costs that are charged back to all of the agency's state and federally funded programs using a pre-approved indirect cost rate.

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 2017 is 17%. For fiscal years 2018 – 2020 OPI has proposed to keep the rate at 17%, the actual rate will be negotiated in December of 2017 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, for FY 2017 the agency's rate is 16%.

Expenses – Indirect cost pool covers the expenses incurred by the 22.44 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, worker's compensation fees, audit fees, rent, and grounds maintenance. The pool also covers termination payouts for staff, except the Superintendent and the Superintendents personal staff.

2019 Biennium Report on Internal Service and Enterprise Funds

Agency #	Agency Name:	Program Name:
35010	Office of Public Instruction	State Level Activities

Fund	Fund Name
06512	Indirect Cost Pool

	Actual FY14	Actual FY15	Actual FY16	Budgeted FY17	Budgeted FY18	Budgeted FY19
Operating Revenues:						
Fee and Charges						
Revenue A	6,072	7,096	8,694	8,700	8,700	8,700
Total Operating Revenues	6,072	7,096	8,694	8,700	8,700	8,700
Expenses:						
Personal Services	1,667,549	1,727,305	1,932,041	2,106,754	2,106,754	2,106,754
Other Operating Expenses	989,866	1,005,873	1,209,530	1,000,000	1,000,000	1,000,000
Total Operating Expenses	2,657,415	2,733,178	3,141,571	3,106,754	3,106,754	3,106,754
Operating Income (Loss)	(2,651,343)	(2,726,082)	(3,132,877)	(3,098,054)	(3,098,054)	(3,098,054)
Nonoperating Revenues:						
Other Revenue A	1,168,561	1,168,087	1,153,946	1,200,000	1,200,000	1,200,000
Other Revenue B	1,460,451	1,639,663	1,771,100	1,800,000	1,800,000	1,800,000
Nonoperating Expenses:						
Total Nonoperating Revenues (Expenses)	2,629,012	2,807,750	2,925,046	3,000,000	3,000,000	3,000,000
Income (Loss) Before Contributions and Transfers	(22,331)	81,668	(207,831)	(98,054)	(98,054)	(98,054)
Change in Net Position	(22,331)	81,668	(207,831)	(98,054)	(98,054)	(98,054)
Beginning Net Position - July 1	940,196	917,865	999,533	791,702	693,648	595,594
Change in Net Position	(22,331)	81,668	(207,831)	(98,054)	(98,054)	(98,054)
Ending Net Position - June 30	917,865	999,533	791,702	693,648	595,594	497,540
Net Position (Fund Balance) Analysis						

Advanced Driver Education Program

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 course 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 $315 for a full-day workshop per person. Program fees should remain within a range of $315 - $350 for the 2019 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 2019 biennium.

Expense Description **-** 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 (10 – 11

hours per day each) totaling 1.30 FTE. A director (0.15 FTE) and a program specialist (0.23 FTE) provide administrative support during the year. Most revenue is received in April - June through pre-paid workshop registrations. Most expenses are realized June through August, with continuing administrative expenses during the remainder of the year. The program requires 30 - 45% of its annual budget to be carried over into the next fiscal year to cover working expenses 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/improvement. Payment of these services requires accumulation and an amount of revenue to carryover from year of approximately 10 - 20% percent of its annual budget.