

Agency Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Agency Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	25,890,629	26,813,717	923,088	3.57 %
Operating Expenses	29,975,216	31,126,126	1,150,910	3.84 %
Local Assistance	1,673,270,544	1,791,792,165	118,521,621	7.08 %
Grants	312,459,302	313,405,102	945,800	0.30 %
Transfers	5,076,708	5,036,680	(40,028)	(0.79)%
Total Expenditures	\$2,046,672,399	\$2,168,173,790	\$121,501,391	5.94 %
General Fund	1,692,679,248	1,809,074,482	116,395,234	6.88 %
State/Other Special Rev. Funds	8,321,718	11,894,382	3,572,664	42.93 %
Federal Spec. Rev. Funds	345,671,433	347,204,926	1,533,493	0.44 %
Total Funds	\$2,046,672,399	\$2,168,173,790	\$121,501,391	5.94 %
Total Ongoing	\$2,046,672,399	\$2,168,173,790	\$121,501,391	5.94 %
Total OTO	\$0	\$0	\$0	0.00 %

Mission Statement

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 processes 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. The staff provides 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 provides a variety of information services, including the information systems necessary to assess student achievement and the quality of Montana’s elementary and secondary school system.

Please refer to the agency profile for the Office of Public Instruction at <https://leg.mt.gov/dfd/state-agency-profiles/office-public-instruction/> for additional information about the agency’s organizational structure, historical expenditures, FY 2020 expenditure dashboard, and recent studies, audits, and legislation.

Agency Highlights

Office of Public Instruction Major Budget Highlights
<ul style="list-style-type: none"> • The Office of Public Instruction’s 2023 biennium ongoing budget request is approximately \$121.5 million or 5.9% higher than the 2021 biennium budget. This increase includes: <ul style="list-style-type: none"> ◦ Approximately \$24.2 million in FY 2022 and \$47.8 million in FY 2023 for the K-12 BASE aid inflationary present law adjustment ◦ Approximately \$4.1 million in FY 2022 and \$3.7 million in FY 2023 to offset decreases in the guarantee account ◦ \$2.4 million in both fiscal years for the natural resource development (NRD) K-12 facilities payment ◦ Approximately \$2.1 million in FY 2022 and \$2.2 million in FY 2023 for the transformational learning program ◦ Approximately \$1.7 million in FY 2022 and \$2.6 million in FY 2023 for the advanced opportunities act ◦ Approximately \$243,000 in FY 2022 and \$280,000 in FY 2023 for the statewide present law adjustments for personal services and fixed costs
Legislative Action Items
<ul style="list-style-type: none"> • The executive budget inflationary increase for K-12 BASE aid does not take the October 2020 ANB tally into account • The executive estimates the amount of revenue deposited in the guarantee account in both the 2023 biennium to be approximately \$454,000 less than the estimate in HJ 2

Agency Actuals and Budget Comparison

The following table compares the last full fiscal year actuals, previous biennium appropriations by year, and current annual biennium budget request by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	152.27	152.27	153.27	153.27
Personal Services	11,708,366	12,846,313	13,044,316	13,389,583	13,424,134
Operating Expenses	13,849,411	14,966,166	15,009,050	15,543,066	15,583,060
Local Assistance	817,828,634	824,543,690	848,726,854	883,734,038	908,058,127
Grants	152,733,986	155,756,751	156,702,551	156,702,551	156,702,551
Transfers	2,720,236	2,558,368	2,518,340	2,518,340	2,518,340
Total Expenditures	\$998,840,633	\$1,010,671,288	\$1,036,001,111	\$1,071,887,578	\$1,096,286,212
General Fund	828,559,717	835,780,228	856,899,020	892,482,292	916,592,190
State/Other Special Rev. Funds	2,514,928	2,613,412	5,708,306	5,813,976	6,080,406
Federal Spec. Rev. Funds	167,765,988	172,277,648	173,393,785	173,591,310	173,613,616
Total Funds	\$998,840,633	\$1,010,671,288	\$1,036,001,111	\$1,071,887,578	\$1,096,286,212
Total Ongoing	\$998,840,633	\$1,010,671,288	\$1,036,001,111	\$1,071,887,578	\$1,096,286,212
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Discussion

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The Office of Public Instruction budget is comprised of general fund, state special, and federal special revenue. OPI expended 98.8% of its HB 2 modified budget, approximately \$1.0 billion, as of the end of FY 2020. This is in line with anticipated expenditures for all three fund types.

FY 2020 Appropriations Compared to FY 2021 Appropriations

FY 2021 total appropriations are approximately \$25.3 million or 2.5% higher than the FY 2020 total appropriation, primarily due to increases in the Local Education Activities Program. Major changes include:

- Increases between FY 2020 and FY 2021 in the State Level Activities Program, totaling approximately \$206,000
- Increases between FY 2020 and FY 2021 in the Local Education Activities Program, totaling approximately \$25.1 million

The majority of general fund appropriations for OPI are biennial, meaning they can be spent at any time over the biennium.

LFD COMMENT	The executive is requesting \$4.5 million in general fund supplemental appropriations for K-12 BASE aid for the 2021 biennium to offset an OPI projected revenue shortfall in the guarantee account of \$8.8 million. Also included in the request is a small increase in direct state aid due to higher than forecasted ANB, but the main driver for the supplemental request is the projected shortfall in revenue from the guarantee account. The request for an additional \$4.5 million—based on the budgets already adopted by Montana school districts for FY 2021— represents 0.3% of the 2021 biennium appropriation of \$1.522 billion. This request is included in HB 3.
--------------------	---

Comparison of FY 2021 Legislative Budget to FY 2021 Base

The figure below illustrates the beginning FY 2021 budget as adopted by the 2019 Legislature compared to the finalized 2021 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2021 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2023 biennium budgeting process.

FY 2021 Legislative Appropriations - Office of Public Instruction

	Legislative Action	Executive Modifications per Statutory Authority	Executive Base	% Change from Legislative Action
35010 OFFICE OF PUBLIC INSTRUCTION				
06 STATE LEVEL ACTIVITIES				
61000 Personal Services	13,044,316	-	13,044,316	0.0%
62000 Operating Expenses	13,202,401	492,762	13,695,163	3.7%
63000 Equipment & Intangible Assets	492,762	(492,762)	-	(100.0%)
68000 Transfers-out	2,010,500	-	2,010,500	0.0%
06 STATE LEVEL ACTIVITIES Total	28,749,979	-	28,749,979	0.0%
09 LOCAL EDUCATION ACTIVITIES				
62000 Operating Expenses	1,313,887	-	1,313,887	0.0%
65000 Local Assistance	849,001,354	(100,000)	848,901,354	0.0%
66000 Grants	156,602,551	100,000	156,702,551	0.1%
68000 Transfers-out	507,840	-	507,840	0.0%
09 LOCAL EDUCATION ACTIVITIES Total	1,007,425,632	-	1,007,425,632	0.0%
35010 OFFICE OF PUBLIC INSTRUCTION Total	\$1,036,175,611	\$0	\$1,036,175,611	0.0%

The legislative action budget includes the FY 2021 budget as adopted during the 2019 session. The Office of Public Instruction made several executive modifications to the legislative budget. The most notable changes were:

- A transfer of approximately \$493,000 in federal special revenue appropriations from equipment and intangible assets to operating expenses. This appropriation has been carried forward during the budgeting process from years past, and according to OPI, the agency no longer had a need for this appropriation in equipment and intangible assets
- A transfer of \$100,000 in general fund from local assistance to grants. This appropriation was included in HB 2 as a line-item for school safety money and was set up to be paid as local assistance, rather than grants

Executive Request

The total budget proposed by the executive is approximately \$121.5 million or 5.9% greater than the 2021 biennium budget. These budgetary changes can be seen in the agency biennium comparison table at the beginning of this summary. These biennial budget changes are due to the executive's request for:

- An increase above the FY 2021 base of approximately \$119.6 million, primarily in local assistance and grants, in the Local Education Activities Program
- An approximate \$1.9 million increase above the FY 2021 base to the State Level Activities Program

These changes will be discussed in detail in the State Level Activities Program and Local Education Activities Program sections below.

Elected Official Request

As an elected official, the Superintendent of Public Instruction has the opportunity to request budget items independent of the executive proposal, for consideration by the legislature. There are three components to the elected official request for the 2023 biennium, which will be discussed in detail below.

Elected Official Request - Office of Public Instruction			
2023 Biennium			
Request	FY 2022	FY 2023	Biennium Total
In-State Treatment	787,000	787,000	1,574,000
Allowable Cost & BASE Aid GTB	1,163,055	2,204,613	3,367,668

Special Education Allowable Cost Payment	965,582	1,837,850	2,803,432
State GTB Payments	197,473	366,763	564,236
Teacher Licensing	125,000	125,000	250,000
Agency Total	\$2,075,055	\$3,116,613	\$5,191,668

In-State Treatment

The superintendent requests an appropriation of \$787,000 in general fund in both fiscal years of the 2023 biennium for educational costs of in-state treatment expenses for Montana K-12 students at children's psychiatric hospitals and residential treatment facilities.

Since 1997, OPI has not paid for education services provided to children in residential treatment facilities who are covered by Medicaid. However, Medicaid does not pay for educational services, and these children receive no state funding support for their education. Students with severe emotional disturbances requiring residential treatment may be placed in one of three Montana in-state psychiatric facilities:

- Yellowstone Boys and Girls Ranch
- Shodair Children's Hospital
- Intermountain

Educational services for children who qualify for residential services are funded through state appropriations from the Office of Public Instruction. Statute exempts OPI from paying for education services for children qualifying for Medicaid. While the Superintendent of Public Instruction is not required to pay for educational services because a child is eligible for Medicaid mental health services, neither is the Superintendent prohibited from paying for the educational services. In the 2021 biennium, \$1,575,602 in biennial and restricted general fund authority was provided in HB 2 for in-state treatment services within the budget for OPI. Language in HB 2 allows unspent appropriations for in-state treatment services to be distributed to public school districts to provide for educational costs of children with significant behavioral or physical needs.

In response to the question of how facilities serving students eligible for Medicaid were paid for educational services, the Office of Public Instruction:

- Determined, in consultation with the Department of Public Health and Human Service, that Medicaid did not provide reimbursement for educational services
- Modified the contracts with in-state psychiatric facilities effective July 1, 2019 to provide reimbursement for educational services at \$71.14 per day for six hours of instructional time
- Prorated payments to 50.5% of the amount billed between July 1, 2019 and the end of the 2021 biennium or \$35.57 per day to keep reimbursements within the appropriation. Through the end of May, OPI has made \$656,500 in payments to in-state psychiatric facilities for educational services
- Determined it would request \$1.6 million in general fund supplemental appropriations to make retroactive payments for educational services from July 1, 2019 through the end of FY 2021. The supplemental appropriation would fully reimburse in-state psychiatric facilities for the contracted rate for educational services established in the modified contracts effective July 1, 2019
- Agreed to request increased funding for educational services for in-state psychiatric facilities in the 2023 biennium

As a result of the unforeseen additional spending for in-state psychiatric facilities, OPI was unable to distribute funds to public school districts for educational costs of children with significant behavioral or physical needs in the 2021 biennium.

LFD COMMENT	The Office of Public Instruction also requests \$1.6 million in general fund supplemental appropriations for the 2021 biennium due to reimbursements for educational services provided within in-state psychiatric facilities. This request was not included in the executive proposal for HB 3.
--------------------	--

Allowable Cost Payment & BASE Aid Guaranteed Tax Base (GTB)

The superintendent requests approximately \$2.8 million in general fund over the 2023 biennium to increase the state special education allowable cost payment. The FY 2021 general fund appropriation for the state special education allowable cost payment is approximately \$44.7 million. The inflation factors of 2.16% in FY 2022 and 1.91% in 2023 result in increases above the FY 2021 base, totaling approximately \$966,000 in FY 2022 and approximately \$1.8 million in FY 2023. These increases are based on the same inflation factors associated with the present law adjustments for K-12 BASE aid. Inflationary increases to the state special education allowable cost payment will create an additional increase in state GTB aid payments estimated at approximately \$197,000 for FY 2022 and approximately \$367,000 for FY 2023.

Teacher Licensing

The superintendent requests \$125,000 in general fund in each year of the biennium to partially fund a new teacher licensing system. Montana’s licensing system went into effect in 2009, and the code with which the system was written is obsolete. As a result, the licensing process can be cumbersome for teachers and requires manual administration by the Office of Public Instruction. The requested funding would establish a platform oriented to serving teachers, while improving administrative efficiency and integrating with professional development. The new system would aid licensed teachers and administrators in Montana seeking renewals, in addition to new graduates and those seeking to come to Montana, and could aid in recruitment and retention of teachers in Montana. While it is anticipated that the system will cost about \$400,000, OPI is requesting only \$250,000 from the general fund over the biennium and is looking at other sources for potential revenue for the remainder.

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 \$41.4 million, and state special reductions of approximately \$126,000. 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 2023 biennium 5.0% plan submitted for OPI can be found online at the Section E subcommittee page on “Tab D Materials.”

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 three categories, as follows:

1. Expected Changes - This category includes those adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs including FY 2021 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.
2. Personal Services Management Decisions - Any agency management decisions that adjusted employee pay. 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 between programs.
3. Modifications to the Personal Services Base Budget - Other modifications to the FY 2021 personal services base like operating plan transfers that occurred during the interim may impact the overall size of the personal services present law adjustment (DP 1)

The figure below shows the analysis of the executive budget for personal services compared to the expected personal services budget for each program.

Personal Services Present Law - Office of Public Instruction				
DP 1 - FY 2022				
Program	Expected Changes	Management Decisions	Budget Modifications	DP1 SWPL

06 STATE LEVEL ACTIVITIES	(463,381)	220,071	-	(243,310)
09 LOCAL EDUCATION ACTIVITIES	-	-	-	-
Agency Total	(\$463,381)	\$220,071	\$0	(\$243,310)

These changes will be discussed in detail in the Program Personal Services Section for the State Level Activities Program. The Local Education Activities Program does not have any personal services funding.

Funding

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

Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	1,809,074,482	0	0	0	1,809,074,482	79.98 %
State Special Total	11,894,382	0	0	86,847,707	98,742,089	4.37 %
Federal Special Total	347,204,926	0	0	0	347,204,926	15.35 %
Proprietary Total	0	0	6,904,136	0	6,904,136	0.31 %
Other Total	0	0	0	0	0	0.00 %
Total All Funds	\$2,168,173,790	\$0	\$6,904,136	\$86,847,707	\$2,261,925,633	
Percent - Total All Sources	95.86 %	0.00 %	0.31 %	3.84 %		

HB 2 Funding

General Fund

General fund accounts for a majority of spending for OPI, and nearly all 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 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.

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 usually 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, as well as agriculture and extraction industry leases. Revenues from the guarantee account offset general fund revenue received by OPI.

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 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	856,899,020	856,899,020	1,713,798,040	94.73 %	1,036,001,111	1,036,001,111	2,072,002,222	95.56 %
SWPL Adjustments	503,534	518,472	1,022,006	0.06 %	242,729	280,403	523,132	0.02 %
PL Adjustments	34,890,184	58,948,273	93,838,457	5.19 %	34,954,184	59,278,273	94,232,457	4.35 %
New Proposals	189,554	226,425	415,979	0.02 %	689,554	726,425	1,415,979	0.07 %
Total Budget	\$892,482,292	\$916,592,190	\$1,809,074,482		\$1,071,887,578	\$1,096,286,212	\$2,168,173,790	

HB 2 Language

The executive requests the following language be included 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 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 are biennial. All general fund appropriations in local education activities are biennial, except Major Maintenance Aid and Debt Service Assistance.

The Major Maintenance Aid and Debt Service Assistance restricted line item appropriation is restricted to the major maintenance aid program established in 20-9-525 unless funding requirements for the program are less than the available funds. Any remaining appropriation authority from the restricted appropriations may be used to augment the appropriations for debt service assistance established in 20-9-367."

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Personal Services	25,890,629	26,813,717	923,088	3.57 %
Operating Expenses	27,288,330	28,323,352	1,035,022	3.79 %
Grants	94,200	0	(94,200)	(100.00)%
Transfers	4,021,000	4,021,000	0	0.00 %
Total Expenditures	\$57,294,159	\$59,158,069	\$1,863,910	3.25 %
General Fund	21,597,790	22,841,543	1,243,753	5.76 %
State/Other Special Rev. Funds	495,718	582,382	86,664	17.48 %
Federal Spec. Rev. Funds	35,200,651	35,734,144	533,493	1.52 %
Total Funds	\$57,294,159	\$59,158,069	\$1,863,910	3.25 %
Total Ongoing	\$57,294,159	\$59,158,069	\$1,863,910	3.25 %
Total OTO	\$0	\$0	\$0	0.00 %

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), secondary vocational education, and other educational services.

Program Highlights

State Level Activities Program Major Budget Highlights
<ul style="list-style-type: none"> • The State Level Activities Program 2023 biennium ongoing budget request is approximately \$1.9 million or 3.3% higher than the 2021 biennium budget. This increase includes: <ul style="list-style-type: none"> ◦ Approximately \$243,000 in FY 2022 and \$280,000 in FY 2023 for the statewide present law adjustments for personal services and fixed costs. ◦ Approximately \$25,000 in FY 2022 and \$36,000 in FY 2023 to fully fund audiological services ◦ Federal grant adjustments totaling \$500,000 in each year of the biennium ◦ Approximately \$89,000 in FY 2022 and \$90,000 in FY 2023 for 1.00 FTE to administer the transformational learning and advanced opportunities grant programs ◦ A transfer of \$53,000 in general fund in each year of the biennium to the Local Education Activities Program to combine all Career and Technical Student Organizations (CTSO) funding and separate it from the Career and Technical Education (CTE) state match appropriation

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
FTE	0.00	152.27	152.27	153.27	153.27
Personal Services	11,708,366	12,846,313	13,044,316	13,389,583	13,424,134
Operating Expenses	12,476,413	13,593,167	13,695,163	14,154,179	14,169,173
Grants	86,200	94,200	0	0	0
Transfers	2,000,500	2,010,500	2,010,500	2,010,500	2,010,500
Total Expenditures	\$26,271,479	\$28,544,180	\$28,749,979	\$29,554,262	\$29,603,807
General Fund	10,724,163	10,755,511	10,842,279	11,407,367	11,434,176
State/Other Special Rev. Funds	147,928	246,412	249,306	290,976	291,406
Federal Spec. Rev. Funds	15,399,388	17,542,257	17,658,394	17,855,919	17,878,225
Total Funds	\$26,271,479	\$28,544,180	\$28,749,979	\$29,554,262	\$29,603,807
Total Ongoing	\$26,271,479	\$28,544,180	\$28,749,979	\$29,554,262	\$29,603,807
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2020 Appropriations Compared to FY 2020 Actual Expenditures

The State Level Activities Program modified HB 2 budget of approximately \$28.5 million was 92.0% expended as of the end of FY 2020. Personal services were nearly 91.1% expended. The slightly lower percentage expended in personal services is due to vacant positions. Operating expenses were 91.8% expended.

FY 2020 Appropriations Compared to FY 2021 Appropriations

FY 2021 total appropriations are approximately \$206,000 or 0.7% higher than the FY 2020 total appropriation, primarily due to the pay plan.

Executive Request

The total budget proposed by the executive is approximately \$1.9 million or 3.3% higher greater than the 2021 biennium budget. These budgetary changes can be seen in the agency biennium comparison table at the beginning of this summary.

Personal services were approximately \$13.0 million or 45.4% of total FY 2021 appropriations. The executive proposes an increase in personal services above the FY 2021 base, totaling approximately \$345,000 in FY 2022 and \$380,000 in FY 2023. These changes will be discussed in detail in the Program Personal Services and Present Law Adjustments sections below.

Operating expenses were approximately \$13.7 million or 47.6% of total FY 2021 appropriations. The executive proposes an increase in operating expenses above the FY 2021 base, totaling approximately \$459,000 in FY 2022 and \$474,000 in FY 2023. This increase is the net result of the following changes:

- An increase of approximately \$497,000 in all funds for both fiscal years for the statewide present law adjustment for fixed costs and NRIS/GIS fixed costs
- An increase in general fund of approximately \$25,000 in FY 2022 and \$36,000 FY 2023 to fully fund audiological services
- A decrease of \$53,000 in general fund in both fiscal years to transfer Career and Technical Student Organizations (CTSO) funding to the Local Education Activities Program
- A decrease of approximately \$11,000 in FY 2022 and \$7,000 in FY 2023 in all funds for the statewide present law adjustment for inflation/deflation

These changes will be discussed in detail in the Present Law Adjustments and New Proposals sections below.

The figure below summarizes the proposed general fund budget by purpose.

State Level Activities Summary by Purpose Proposed General Fund Budget (millions of dollars)	
General Fund Only	Proposed Budget <u>2023 Biennium</u>
Superintendent's Office	2,441,718
Accreditation	813,185
Assessment	130,344
Audiology	1,077,589
Career Technical & Adult Education	805,464
Content Standards & Instruction	876,325
Health Enhancement & Safety	175,385
Indian Education For All	1,377,982
Information Data & Technology	7,871,535
Legal Services	1,160,182
Montana Digital Academy	4,001,000
State Distribution To Schools	1,852,239
Student Support Services	258,595
Total General Fund	\$22,841,543

Program Personal Services

The proposed budget for the State Level Activities Program includes an increase in personal services, totaling approximately \$345,000 in FY 2022 and \$380,000 in FY 2023. This increase is the net result of the following changes:

- An increase of \$500,000 in federal grant awards each fiscal year
- An increase of approximately \$89,000 in FY 2022 and \$90,000 in FY 2023 in general fund for 1.00 FTE to administer the transformational learning and advanced opportunities programs
- A decrease of approximately \$243,000 in FY 2022 and \$210,000 in FY 2023 in all funds for the statewide present law adjustment for personal services

The primary drivers of the statewide present law personal services increase (DP 1) are expected, formula-based changes and management decisions. The state personal services funding process does not reinstate funding for personal services expenditures for modified FTE, which OPI uses to staff federal grant programs; these changes are reflected in the expected changes category. The personal services management decisions include broadband pay raises and wage changes due to employee turnover.

State Level Activities Program Personal Services Present Law Request - FY 2022	
DP 1 Personal Services	
Expected Changes	(463,381)
Management Decisions	220,071
Budget Modifications	-
Total Present Law Adjustment	(\$243,310)

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	22,841,543	0	0	0	22,841,543	34.57 %	
02001 School Lunch Program	142,388	0	0	0	142,388	24.34 %	
02012 Misc Grants/Contracts-Budgeted	0	0	0	0	0	0.00 %	
02019 EDUCATIONAL IMPROVEMENT	0	0	0	2,500	2,500	0.43 %	
02402 Traffic & Safety Education	439,994	0	0	0	439,994	75.23 %	
02587 State School Oil & Gas Distrib	0	0	0	0	0	0.00 %	
State Special Total	\$582,382	\$0	\$0	\$2,500	\$584,882	0.89 %	
03002 Public Instruction	35,734,144	0	0	0	35,734,144	100.00 %	
Federal Special Total	\$35,734,144	\$0	\$0	\$0	\$35,734,144	54.09 %	
06067 Advanced Drivers Education	0	0	321,568	0	321,568	4.66 %	
06512 Indirect Cost Pool	0	0	6,582,568	0	6,582,568	95.34 %	
Proprietary Total	\$0	\$0	\$6,904,136	\$0	\$6,904,136	10.45 %	
Total All Funds	\$59,158,069	\$0	\$6,904,136	\$2,500	\$66,064,705		

HB 2 Funding

General Fund

General funds support about one 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.

Statutory Funding

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

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.

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](#).

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	10,842,279	10,842,279	21,684,558	94.93 %	28,749,979	28,749,979	57,499,958	97.20 %
SWPL Adjustments	503,534	518,472	1,022,006	4.47 %	242,729	280,403	523,132	0.88 %
PL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
New Proposals	61,554	73,425	134,979	0.59 %	561,554	573,425	1,134,979	1.92 %
Total Budget	\$11,407,367	\$11,434,176	\$22,841,543		\$29,554,262	\$29,603,807	\$59,158,069	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed 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 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - PERSONAL SERVICES	0.00	410,154	32,860	(686,324)	(243,310)	0.00	424,390	33,151	(667,502)	(209,961)
DP 2 - FIXED COSTS	0.00	94,844	9,160	392,645	496,649	0.00	95,001	9,168	392,852	497,021
DP 3 - INFLATION DEFLATION	0.00	(1,464)	(350)	(8,796)	(10,610)	0.00	(919)	(219)	(5,519)	(6,657)
Grand Total All Present Law Adjustments	0.00	\$503,534	\$41,670	(\$302,475)	\$242,729	0.00	\$518,472	\$42,100	(\$280,169)	\$280,403

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

DP 1 - PERSONAL SERVICES -

The budget includes adjustments to annualize various personal services costs including FY 2021 statewide pay plan, benefit rate adjustments, longevity adjustments related to incumbents in each position at the time of the snapshot, and vacancy savings.

LFD COMMENT The statewide present law adjustment for personal services is negative due to the state personal services budgeting process, which does not reinstate funding for personal services expenditures for modified FTE. OPI uses modified FTE to staff federal grant programs.

DP 2 - FIXED COSTS -

The request includes adjustments to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

DP 3 - INFLATION DEFLATION -

This change package includes adjustments to reflect budgetary changes generated from the application of inflation to specific expenditure accounts. Affected accounts include those associated with the statewide Motor Pool operated by the Department of Transportation.

New Proposals

The New Proposals table shows new changes to spending

New Proposals	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 603 - FULLY FUND AUDIOLOGICAL SERVICES	0.00	25,460	0	0	25,460	0.00	36,129	0	0	36,129
DP 604 - Federal Grant Award Adjustments - Program 06	0.00	0	0	500,000	500,000	0.00	0	0	500,000	500,000
DP 612 - INDIRECT COST BASE ADJUSTMENT	0.00	0	0	0	0	0.00	0	0	0	0
DP 614 - CTE FTE for HB351/HB387	1.00	88,577	0	0	88,577	1.00	89,779	0	0	89,779
DP 616 - NRIS/GIS FIXED COSTS	0.00	517	0	0	517	0.00	517	0	0	517
DP 913 - SEPARATE CTSO FUNDING; MOVE FFA FUNDING TO CTSO	0.00	(53,000)	0	0	(53,000)	0.00	(53,000)	0	0	(53,000)
Total	1.00	\$61,554	\$0	\$500,000	\$561,554	1.00	\$73,425	\$0	\$500,000	\$573,425

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

DP 603 - FULLY FUND AUDIOLOGICAL SERVICES -

The executive requests an increase in general fund operating expenses to fund the activities in 20-7-403(12), MCA, which requires the superintendent to contract for audiological services for children throughout Montana. The amount increases the base funding each year to the amount actually expended in FY2020. In addition, an inflation adjustment of 2.0% per year is requested to keep up with ongoing audiological cost rates and stable funding for the required equipment calibration and repairs.

LFD COMMENT The Individuals with Disabilities Education Act (IDEA) requires schools to have an effective child find system in place for children suspected of having disabilities through age 21. This adjustment would maintain the program and comply with the requirements of IDEA.

DP 604 - Federal Grant Award Adjustments - Program 06 -

The executive requests an appropriation of federal authority to restore the funding for personal services authority to cover part-time modified FTE. 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 612 - INDIRECT COST BASE ADJUSTMENT -

The executive requests an increase to the current operating expenses base to accommodate for increasing fixed costs charged to the pool. The indirect cost pool is an internal service proprietary fund used to allocate various centralized services costs such as payroll, accounting, or budgeting to all of OPI's State Level Activities Program state and federally funded programs, using a federally pre-approved indirect cost rate.

DP 614 - CTE FTE for HB351/HB387 -

The executive requests an increase in general fund to support 1.00 FTE to administer the transformational learning and advanced opportunity programs established in the 2019 legislative session.

**LFD
COMMENT**

During the 2019 legislative session, HB 351 Transformational Learning and HB 387 Advanced Opportunity had supporting fiscal notes that estimated the need of 0.5 FTE for each grant program for administration. Near the end of the session, HB 715 authorized the FTE and funding for fiscal notes, but the FTE for these two bills were left out. OBPP granted a modified FTE through a budget change document for FY 2021, but the funding and FTE for this position will not continue forward into the 2023 biennium. According to OPI, this position will be necessary as long as the grant programs are in effect.

DP 616 - NRIS/GIS FIXED COSTS -

The executive requests an increase in general fund for a new proposed NRIS/GIS usage fixed cost to be paid to the Montana State Library. The 2019 Legislature enacted HB 633 requiring the Legislative Finance Committee (LFC) to conduct a study of the funding of digital library services. The LFC recommended that the Office of Budget and Program Planning include an assessment for the natural resource information system (NRIS) and the geographic information system (GIS) as a fixed cost to state agencies beginning in the 2023 biennium. The assessment is made to those agencies that utilize the NRIS/GIS.

DP 913 - SEPARATE CTSO FUNDING; MOVE FFA FUNDING TO CTSO -

The executive requests a reduction each year to the Career and Technical Education (CTE) state match distribution (formerly Secondary Vo-Ed in HB 2), and an increase for the same amount included with a line-item for a CTE match to Career and Technical Student Organizations (CTSO) to clarify the appropriations. This request includes moving \$53,000 from the State Level Activities Program operating expenses to the Local Education Activities Program local assistance to be included with the costs for CTSOs. Historically, this \$53,000 has been paid to the Future Farmers of America (FFA), a CTSO organization, to pay for the FFA executive director. This decision package will combine all CTSO funding and separate it from the CTE state match appropriation. The net effect of this change package between OPI's programs is zero.

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 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. In FY 2020, OPI federal programs contributed \$1,990,892 towards indirect costs; general and other state-funded programs contributed a combined \$1,153,526. State and federal program payments to the indirect cost pool are recorded using SABHRS account 62827.

OPI negotiates an annual predetermined rate with the U.S. Department of Education. In FY 2020, OPI negotiated a one-year rate of 17.0% for FY 2019. OPI will renegotiate an annual rate for FY 2022 and FY 2023. 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 rate is calculated in accordance with federal regulations and section 17-3-111(1), MCA. 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

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 25.85 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.

Rate and Rate Explanation

OPI negotiates an annual predetermined rate with the U.S. Department of Education. The rate is calculated in accordance with federal regulations and section 17-3-111, MCA. The approved rate for FY 2021 is 17.0%. A new rate will be negotiated in December of 2020 and will be applicable for FY 2022.

Projected Fund Balance, Including Cash Fluctuations

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

Working Capital and Fees Commensurate Analysis

Working Capital is not considered in the rate determination. Sufficient working capital is needed for cashflow during the first 30 to 60 days of the fiscal year.

2023 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 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Operating Revenues:						
Fees and Charges						
	Federal Indirect Cost Recovery		1,832,736	1,900,000	1,900,000	1,900,000
	Non Federal Ind Cost Recovery		956,483	1,300,000	1,300,000	1,300,000
	Total Operating Revenues		<u>2,789,219</u>	<u>3,200,000</u>	<u>3,200,000</u>	<u>3,200,000</u>
Expenses:						
	Personal Services		1,945,490	1,785,947	1,932,933	1,933,330
	Other Operating Expense		1,127,228	745,452	902,712	805,086
	Total Operating Expense		<u>3,072,718</u>	<u>2,531,399</u>	<u>2,835,645</u>	<u>2,738,416</u>
	Operating Income (Loss)		<u>(283,499)</u>	<u>668,601</u>	<u>364,355</u>	<u>461,584</u>
Nonoperating Revenues						
	Accommodation Tax		6,941	-	-	-
	Total Nonoperating Revenue					
	Income (Loss) Before Contributions and Transfers		<u>(276,558)</u>	<u>668,601</u>	<u>364,355</u>	<u>461,584</u>
	Change in Net Position		<u>(276,558)</u>	<u>668,601</u>	<u>364,355</u>	<u>461,584</u>
	Beginning Net Position - July 1		117,621	(158,937)	509,664	874,019
	Prior Period Adjustments					
	Change in Net Position		<u>(276,558)</u>	<u>668,601</u>	<u>364,355</u>	<u>461,584</u>
	Ending Net Position - June 30		<u>(158,937)</u>	<u>509,664</u>	<u>874,019</u>	<u>1,335,603</u>
Net Position (Fund Balance) Analysis						
	Unrestricted Net Position					

Advanced Drivers Program (Montana DRIVE) in Lewistown - 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 to 500 participants a season. The current fee is \$350 for a full-day workshop per person. Program fees should remain \$315 to \$350 for the 2023 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 2023 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 to 55 days during June, July, and August utilizing thirteen to sixteen vehicles. The program typically employs four professional instructors for each workshop (ten to eleven 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 between April and 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 30.0% to 45.0% of its annual budget to be carried over into the next fiscal year to cover working expenses paid out July through March.

Fund Equity and Reserved Fund Balance

In addition to operating expenses during non-revenue months, the program also incurs periodic (every two to five 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 10.0% to 20.0% of its year-end budget.

2023 Biennium Report on Internal Service and Enterprise Funds						
Fund	Fund Name	Agency #	Agency Name	Program Name		
06067	Advanced Drivers Program	35010	Office of Public Instruction	State Level Activities		
			Actual FY 2020	Budgeted FY 2021	Proposed FY 2022	Proposed FY 2023
Operating Revenues:						
Fees and Charges						
	Adv Drivers Fee		158,253	160,000	160,000	160,000
	Other Operating Revenues					
	Vehicles Revenue		-	-	-	-
	Total Operating Revenues		158,253	160,000	160,000	160,000
Expenses:						
	Personal Services		49,455	55,000	55,500	56,000
	Other Operating Expense					
	General		62,064	65,000	65,000	65,000
	OPEB		42,814	30,000	30,000	30,000
	Total Operating Expense		154,332	150,000	150,500	151,000
	Operating Income (Loss)		3,921	10,000	9,500	9,000
Nonoperating Revenues						
	Accommodation Tax		-	-	-	-

Total Nonoperating Revenue				
Income (Loss) Before Contributions and Transfers	3,921	10,000	9,500	9,000
Change in Net Position	3,921	10,000	9,500	9,000
Beginning Net Position - July 1	39,676	43,597	53,597	63,097
Prior Period Adjustments				
Change in Net Position	3,921	10,000	9,500	9,000
Ending Net Position - June 30	43,597	53,597	63,097	72,097
Net Position (Fund Balance) Analysis				
Unrestricted Net Position				

Program Biennium Comparison

The following table compares the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 20-21	Requested Budget 22-23	Biennium Change	Biennium % Change
Operating Expenses	2,686,886	2,802,774	115,888	4.31 %
Local Assistance	1,673,270,544	1,791,792,165	118,521,621	7.08 %
Grants	312,365,102	313,405,102	1,040,000	0.33 %
Transfers	1,055,708	1,015,680	(40,028)	(3.79)%
Total Expenditures	\$1,989,378,240	\$2,109,015,721	\$119,637,481	6.01 %
General Fund	1,671,081,458	1,786,232,939	115,151,481	6.89 %
State/Other Special Rev. Funds	7,826,000	11,312,000	3,486,000	44.54 %
Federal Spec. Rev. Funds	310,470,782	311,470,782	1,000,000	0.32 %
Total Funds	\$1,989,378,240	\$2,109,015,721	\$119,637,481	6.01 %
Total Ongoing	\$1,989,378,240	\$2,109,015,721	\$119,637,481	6.01 %
Total OTO	\$0	\$0	\$0	0.00 %

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	
<ul style="list-style-type: none"> • The Local Education Activities Program 2023 biennium ongoing budget request is approximately \$119.6 million or 6.0% higher than the 2021 biennium budget. This increase includes: <ul style="list-style-type: none"> ◦ Approximately \$24.2 million in FY 2022 and \$47.8 million in FY 2023 for the K-12 BASE aid inflationary adjustment ◦ Approximately \$4.1 million in FY 2022 and \$3.7 million in FY 2023 to offset decreases in the guarantee account ◦ \$2.4 million in both fiscal years for the natural resource development (NRD) K-12 facilities payment ◦ Approximately \$2.1 million in FY 2022 and \$2.2 million in FY 2023 for the transformational learning program ◦ Approximately \$1.7 million in FY 2022 and \$2.6 million in FY 2023 for the advanced opportunities act 	
Legislative Action Items	
<ul style="list-style-type: none"> • The executive budget inflationary increase for K-12 BASE aid does not take the October 2020 ANB tally into account • The executive estimates the amount of revenue deposited in the guarantee account in the 2023 biennium to be approximately \$454,000 less than the estimate in HJ 2 	

Program Actuals and Budget Comparison

The following table compares FY 2020 actual expenditures to the 2021 biennium appropriated budget and the 2023 biennium budget request by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2020	Approp. Fiscal 2020	Approp. Fiscal 2021	Request Fiscal 2022	Request Fiscal 2023
Operating Expenses	1,372,998	1,372,999	1,313,887	1,388,887	1,413,887
Local Assistance	817,828,634	824,543,690	848,726,854	883,734,038	908,058,127
Grants	152,647,786	155,662,551	156,702,551	156,702,551	156,702,551
Transfers	719,736	547,868	507,840	507,840	507,840
Total Expenditures	\$972,569,154	\$982,127,108	\$1,007,251,132	\$1,042,333,316	\$1,066,682,405
General Fund	817,835,554	825,024,717	846,056,741	881,074,925	905,158,014
State/Other Special Rev. Funds	2,367,000	2,367,000	5,459,000	5,523,000	5,789,000
Federal Spec. Rev. Funds	152,366,600	154,735,391	155,735,391	155,735,391	155,735,391
Total Funds	\$972,569,154	\$982,127,108	\$1,007,251,132	\$1,042,333,316	\$1,066,682,405
Total Ongoing	\$972,569,154	\$982,127,108	\$1,007,251,132	\$1,042,333,316	\$1,066,682,405
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -*FY 2020 Appropriations Compared to FY 2020 Actual Expenditures*

The Local Education Program modified HB 2 budget of approximately \$982.1 million was 99.0% expended as of the end of FY 2020. Operating costs were 100.0% expended, local assistance was 99.2% expended, and grants were 98.1% expended. These expenditures are in-line with historical expenditures; the program typically spends between 98.0% and 99.0% of their total budget.

Though local assistance—which accounts for the majority of OPI expenditures—was 99.2% expended and is in line with historical fiscal year end expenditures, the appropriation was large enough that OPI had approximately \$7.0 million in unspent HB 2 general fund authority at the end of FY 2020. All but \$31,000 of the approximately \$7.0 million in unspent general fund authority was biennial, meaning that the agency could spend it in either year of the 2021 biennium. This difference between appropriations and actual expenditures for FY 2020 is primarily due to lower GTB costs (unrelated to the COVID-19 pandemic). The biennial growth calculation for the GTB payment was slightly low for FY 2020, but is anticipated to be slightly higher for FY 2021, as a result of how the biennial appropriation was split between the fiscal years. OPI anticipates that these unspent funds will be expended in FY 2021 primarily due to the GTB payment increase.

FY 2020 Appropriations Compared to FY 2021 Appropriations

FY 2021 total appropriations are approximately \$25.1 million or 2.6% higher than the FY 2020 total appropriation. This increase is the net result of the following major changes:

- An increase of approximately \$21.6 million for K-12 BASE aid adjustment
- An increase of \$2.5 million for debt service assistance
- An increase of approximately \$1.2 million for the biennial appropriation for major maintenance aid
- An increase of \$1.0 million in the federal grant award adjustment
- A decrease of approximately \$1.4 million to adjust for the fall ANB count

Executive Request

The total budget proposed by the executive is approximately \$119.6 million or 6.0% greater than the 2021 biennium budget. These budgetary changes can be seen in the agency biennium comparison table at the beginning of this summary.

Local assistance makes up the majority of the Local Education Activities Budget. It accounted for \$848.7 million or 84.3% of total FY 2021 appropriations. The executive proposes an increase to local assistance above the FY 2021 base, totaling approximately \$35.0 million in FY 2022 and \$59.3 million in FY 2023. This increase is the net result of the following changes:

- An increase of approximately \$24.2 million in FY 2022 and \$47.8 million in FY 2023 in general fund for the K-12 BASE aid inflationary adjustment
- An increase of approximately \$4.1 million in FY 2022 and \$3.7 million in FY 2023 in general fund to offset decreases in the statutorily appropriated guarantee account
- An increase of \$2.4 million in both fiscal years, made up of general fund and state special revenue, for the natural resource development (NRD) K-12 facilities payment
- An increase of approximately \$2.1 million in FY 2022 and \$2.2 million in FY 2023 in general fund for the transformational learning program
- An increase of approximately \$1.7 million in FY 2022 and \$2.6 million in FY 2023 in general fund for the advanced opportunities act
- Additional increases for the state tuition appropriation, at-risk payment inflation, and a Career and Technical Education (CTE) funding transfer from the State Level Activities Program, totaling approximately \$0.5 million in FY 2022 and \$0.7 million in FY 2023

Operating expenses were approximately \$1.3 million or less than 1.0% of total FY 2021 appropriations. The executive proposes an increase in operating expenses above the FY 2021 base, totaling approximately \$75,000 in FY 2022 and \$100,000 in FY 2023, entirely for the national board certification stipends appropriation. Grants and transfers make up the remaining 15.7% of the FY 2021 budget, but the executive is not proposing an increase for grants or transfers in the 2023 biennium.

The figure below summarizes the proposed general fund budget by purpose.

Local Education Activities Summary by Purpose Proposed General Fund Budget (millions of dollars)	
General Fund Only	Proposed Budget <u>2023 Biennium</u>
K-12 BASE Aid	1,622,589,645
Adult Basic Education	1,050,000
Advanced Opportunities	4,238,091
Advancing Ag Ed	303,920
At Risk Students	11,637,769
BEO	200,000
Coal MT	3,386,548
Career and Technical Education - Match CSTO	1,106,000
Career and Technical Education - State Match	3,000,000
Gifted And Talented	700,000
Indian Language Immersion	96,940
In-State Treatment	1,575,602
National Board Certification	175,000
Recruitment and Retention	1,000,000
School Food	1,327,724
Special Education Distribution	89,405,760
School Major Maintenance	15,188,000
State Tuition Payments	961,150
Transformational Learning	4,293,686
Transportation Aid	23,997,104
Total General Fund	\$1,786,232,939

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	1,786,232,939	0	0	0	1,786,232,939	81.35 %
02018 Guarantee Fund	0	0	0	84,797,707	84,797,707	86.39 %
02019 EDUCATIONAL IMPROVEMENT	0	0	0	47,500	47,500	0.05 %
02218 School Facility & Tech Account	5,000,000	0	0	2,000,000	7,000,000	7.13 %
02402 Traffic & Safety Education	1,500,000	0	0	0	1,500,000	1.53 %
02487 School Fac State Spcl Revenue	4,812,000	0	0	0	4,812,000	4.90 %
State Special Total	\$11,312,000	\$0	\$0	\$86,845,207	\$98,157,207	4.47 %
03170 Grant Clearance Discretionary	311,470,782	0	0	0	311,470,782	100.00 %
Federal Special Total	\$311,470,782	\$0	\$0	\$0	\$311,470,782	14.18 %
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.00 %
Total All Funds	\$2,109,015,721	\$0	\$0	\$86,845,207	\$2,195,860,928	

The Local Education Activities Program 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 81.4% of the distribution to school districts, federal funds support 14.2%, and state special revenue supports the remaining 4.5%. Details of state and federal special revenue are described below.

State Special Revenue

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](#).

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget	Budget Fiscal 2022	Budget Fiscal 2023	Biennium Fiscal 22-23	Percent of Budget
2021 Base Budget	846,056,741	846,056,741	1,692,113,482	94.73 %	1,007,251,132	1,007,251,132	2,014,502,264	95.52 %
SWPL Adjustments	0	0	0	0.00 %	0	0	0	0.00 %
PL Adjustments	34,890,184	58,948,273	93,838,457	5.25 %	34,954,184	59,278,273	94,232,457	4.47 %
New Proposals	128,000	153,000	281,000	0.02 %	128,000	153,000	281,000	0.01 %
Total Budget	\$881,074,925	\$905,158,014	\$1,786,232,939		\$1,042,333,316	\$1,066,682,405	\$2,109,015,721	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed 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 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 902 - K-12 BASE AID INFLATIONARY INCREASE	0.00	24,185,449	0	0	24,185,449	0.00	47,799,387	0	0	47,799,387
DP 903 - AT RISK PAYMENT INFLATIONARY INCREASE	0.00	121,867	0	0	121,867	0.00	231,956	0	0	231,956
DP 906 - INCREASE STATE TUITION APPROPRIATION	0.00	372,900	0	0	372,900	0.00	372,900	0	0	372,900
DP 907 - NRD K12 FACILITIES PAYMENT	0.00	2,336,000	64,000	0	2,400,000	0.00	2,070,000	330,000	0	2,400,000
DP 910 - STATE TRANSFORMATIONAL LEARNING AID	0.00	2,123,916	0	0	2,123,916	0.00	2,169,770	0	0	2,169,770
DP 911 - STATE ADVANCE OPPORTUNITIES AID	0.00	1,673,558	0	0	1,673,558	0.00	2,564,533	0	0	2,564,533
DP 914 - GUARANTEE ACCOUNT ADJUSTMENT	0.00	4,076,494	0	0	4,076,494	0.00	3,739,727	0	0	3,739,727
Grand Total All Present Law Adjustments	0.00	\$34,890,184	\$64,000	\$0	\$34,954,184	0.00	\$58,948,273	\$330,000	\$0	\$59,278,273

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

DP 902 - K-12 BASE AID INFLATIONARY INCREASE -

The executive requests \$72.0 million in general fund for the 2023 biennium to support inflationary increases, as directed by 20-9-326, MCA, of 2.16% in FY 2022 and 1.91% in FY 2023 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. The present law adjustment includes funding for both the growth in ANB and the inflationary increases in the statutory funding rates.

LFD ISSUE

The executive budget inflationary increase for K-12 BASE aid does not take the October 2020 ANB count into account. State K-12 BASE aid to school districts is calculated based on ANB (an enrollment metric). ANB counts are taken twice in each school year, once on the first Monday in October and once on the first Monday in February. The current year ANB number (the average of the current year October and February ANB counts) and three-year average ANB (the average of current year ANB and ANB for two years prior) can used to determine the state K-12 BASE aid.

Under current law, the ANB number (either current-year or three-year average) which results in the largest budget is used to create the budget for the following year. Thus, the October 2019 and February 2020 averaged ANB numbers (both occurring in FY 2020) have been used to determine the FY 2021 budget. The October 2020 ANB count and the coming

February 2021 ANB count will be used to budget the upcoming fiscal year, FY 2022. The option to use the current-year ANB or the 3-year average ANB helps school districts—usually those with declining enrollments— adapt to changing enrollments.

In order to create the Governor's budget, the actual October ANB count is typically averaged with an estimate for the following February ANB count that has not yet occurred. Then, once the second ANB count occurs in February, the budget can be updated by the legislature via a change package to HB 2. Budgeting for the second year of the biennium typically uses estimated ANB counts as well.

Due to the COVID-19 pandemic, many school districts in Montana experienced a drop in enrollment in the fall of 2020, possibly due to parental decisions to home school or enroll children in private schools. However, during the budgeting process, this decline in ANB was not factored into the K-12 BASE aid inflationary increase. Due to how state K-12 BASE aid is typically calculated, the decline in enrollment in the current fiscal year would not affect the budget for FY 2021 but would likely result in a smaller increase for FY 2022 than is included in the executive budget. The option to use the three-year average ANB for budgeting purposes will alleviate a portion, but not all of the decline.

It could be reasonable to assume that the majority of students who left Montana's public schools this year may return in fall of 2021, and in this case, the budget for FY 2023 would return to near where it was prior to the enrollment decline.

There are two mechanisms that can help schools adjust their budgets in FY 2022 if their enrollments jump dramatically.

- A school district that anticipates a large increase in ANB (either 4.0% or 40 ANB) in the fall can submit an application for "an anticipated unusual enrollment increase by elementary or high school level" (per 20-9-314, MCA) to OPI. Districts must apply for these types of increases by the June 1st prior to the school year for which they are requesting an increase. After the October count occurs, OPI determines whether the increase materialized as anticipated. If not, there is a claw back of the state money and a return of local money the following year
- School districts also have the option to apply for an unanticipated enrollment increase, which only increases a district's direct state aid (DSA) in the current fiscal year. If OPI approves a district's application, "the superintendent of public instruction shall determine the additional amount of direct state aid or the state transportation reimbursement that will be made available to the applicant district because of the increase in enrollment or additional pupil transportation obligations" (per 20-9-166, MCA). According to OPI, this is a rare occurrence and the answer somewhat depends on the specific situation

School districts who anticipate the return of students in fall 2021 (FY 2022) could use the anticipated enrollment mechanism.

Legislative Options:

- Reduce the appropriation in FY 2022 to account for the decline in ANB, with the assumption that the majority of students responsible for the decline would return to public schools in the fall of 2021
- Gain understanding from the agency and LFD regarding underlying specific K-12 BASE aid funding requirements and adjust the budget as needed
- Adopt the executive budget without changing the appropriation for K-12 BASE aid inflationary increases

LFD COMMENT

The inflationary increase for BASE aid includes funding for both growth in enrollment (ANB) and the inflationary increases in the statutory funding rates. These increases can be broken out as follows:

K-12 BASE Aid Inflationary Increase
Inflation vs. ANB Growth Breakdown

DP 902 - K-12 BASE Aid Inflationary Increase	FY 2022	FY 2023	Biennium Total
Increase Due to Inflation	19,385,892	37,445,066	56,830,958
Increase Due to ANB	4,799,557	10,354,321	15,153,878
Total Inflationary Adjustment	\$24,185,449	\$47,799,387	\$71,984,836

DP 903 - AT RISK PAYMENT INFLATIONARY INCREASE -

The executive requests an increase for inflation for the at-risk student payment general fund increase (per 20-9-328, MCA), totaling \$121,867 in FY 2022 and \$231,956 in FY 2023. The statutory inflation rate per 20-9-326, MCA for K-12 BASE Aid, which includes the at-risk student payment, is 2.16% in FY 2022 and 1.91% in FY 2023 added to the base funding of \$5,641,973.

DP 906 - INCREASE STATE TUITION APPROPRIATION -

The executive requests an increase for the state tuition appropriation due to state tuition rate increases and changes in which districts are funded. The cost of state tuition provided under 20-7-435, MCA, has increased on the per student level and has increased the number of students served.

LFD COMMENT	<p>According to OPI, the Yellowstone Academy— a public school elementary and residential treatment program— was previously paid as a private provider by OPI. However, other public school districts are paid under the Option B or C rates under 20-7-435, MCA. Because the district is a public school, OPI has changed the classification of the program to be consistent with all other public school districts.</p> <p>This school district received \$233,156 in FY 2020 and is estimated to receive \$340,000 in FY 2021 for tuition that had not previously been budgeted for this district. The per student cost was \$1,700 in FY 2019, \$2,500 in FY 2020, and estimated to be \$3,500 in FY 2021. The estimated cost per year is \$750,610; the base appropriation is \$377,675; and the appropriation increase for the 2023 biennium is \$372,900 per year.</p>
--------------------	--

DP 907 - NRD K12 FACILITIES PAYMENT -

The natural resource development (NRD) K-12 facilities payment (20-9-635, MCA) is composed of general fund and state special coal sub-trust interest. The executive requests an increase general fund to meet the statutorily required \$10.0 million appropriation per year of the 2023 biennium.

DP 910 - STATE TRANSFORMATIONAL LEARNING AID -

The executive requests an appropriation of general fund for the transformation learning program (HB 351 from the 2019 Session; now 20-7-16, MCA). The 2021 biennium general fund appropriation was \$2.6 million, but was not included in the base funding. These increases represent 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, as directed in section 20-7-1602(8)(b)(iii), MCA.

DP 911 - STATE ADVANCE OPPORTUNITIES AID -

The executive requests an appropriation of general fund for the Montana Advanced Opportunities Act (HB 387 from the 2019 Session; now 20-7-15, MCA). The 2021 biennium appropriation was \$750,000, but was not included in base funding. These increases represent an amount sufficient to provide advanced opportunities aid to 50.0% of districts in FY 2022 and 75.0% of districts in FY 2023, as per section 20-7-1506(7), MCA.

DP 914 - GUARANTEE ACCOUNT ADJUSTMENT -

The executive requests an adjustment related to the revenue estimated for the guarantee account. The guarantee account receives revenue from production activities on state lands designated to K-12 schools. The guarantee account base is reduced by \$4,076,494 in FY 2022 and reduced by \$3,739,727 in FY 2023. This reduces the revenue estimated in this fund from \$46.3 million to \$42.2 million in FY 2022 and \$42.6 million in FY 2023. An equivalent increase is requested from the state general fund for K-12 BASE aid to offset the losses.

**LFD
ISSUE**

This decision package is based on the executive forecast of the guarantee account, not the HJ 2 estimate adopted by the Revenue Interim Committee (RIC). If HJ 2 values were used, this decision package would need to be reduced by approximately \$176,000 in FY 2022 and approximately \$278,000 in FY 2023.

Legislative Options:

- Reduce the appropriation by approximately \$176,000 in FY 2022 and \$278,000 in FY 2023 to bring the guarantee account adjustment into line with HJ 2
- Adopt the executive budget without changing the appropriation for the guarantee account adjustment

New Proposals

The New Proposals table shows new changes to spending

New Proposals	-----Fiscal 2022-----					-----Fiscal 2023-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 901 - NATIONAL BOARD CERTIFICATION STIPENDS	0.00	75,000	0	0	75,000	0.00	100,000	0	0	100,000
DP 913 - SEPARATE CTSO FUNDING; MOVE FFA FUNDING TO CTSO	0.00	53,000	0	0	53,000	0.00	53,000	0	0	53,000
Total	0.00	\$128,000	\$0	\$0	\$128,000	0.00	\$153,000	\$0	\$0	\$153,000

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

DP 901 - NATIONAL BOARD CERTIFICATION STIPENDS -

The executive requests a general fund operating expenses appropriation for the national board certification teacher stipend program in 20-4-134, MCA. Teachers receiving national board certification or renewal are eligible for a state stipend if they retain certification and continue teaching at an impacted school. The number of teachers receiving certification will continue to grow each year. Funding in the 2021 biennium was one-time-only, and there is no base funding for these stipends.

DP 913 - SEPARATE CTSO FUNDING; MOVE FFA FUNDING TO CTSO -

This request completes the move of \$53,000 from the State Level Activities (Program 6) operating expenses to the Local Education Activities (Program 9) local assistance category to be included with the costs for CTSOs. Historically, this \$53,000 has been paid to the Future Farmers of America (FFA), a CTSO organization, to pay for the FFA executive director. This decision package will combine all CTSO funding and separate it from the CTE state match appropriation. The net effect of this change package between OPI's programs is zero.