

**HB 2 Walter McNutt**

**General appropriations act**

**Chapter: 363      Effective Date: 7/1/11**

HB 2 contains the majority of state agency appropriations for the biennium beginning July 1, 2011. These appropriations include \$750.593 million in FY 2012 and \$794.409 million in FY 2013 for distributions of state and federal aid to local education agencies. For FY 2013, the HB 2 appropriations provide an incomplete picture of the total appropriations to local education activities. In total, HB 2, SB 329, and SB 372 appropriate \$802.470 million for local education activities in FY 2013. As explained below, these appropriations are projected to be \$53.414 million short of the amount needed to fully fund K-12 BASE aid in the 2013 biennium.

The following summary describes appropriations for K-12 Education in HB 2.

#### **K-12 EDUCATION, HB 2:**

- **K-12 BASE Aid**

Appropriates \$485.442 million in FY 2012 and \$526.495 million in FY 2013 for K-12 BASE aid to implement SB 329, which sets funding levels for state support for K-12 schools. The distributions to school districts that are included in the K-12 BASE aid appropriations are the basic and per-ANB entitlements, guaranteed tax base aid, quality educator payments, Indian Education for All payments, American Indian Achievement Gap payments, and school district audit payments.

SB 329 (in coordination with the veto of HB 316) provides a 1.0 percent increase in the basic and per-ANB entitlement in FY 2012 and a 1.6 percent increase in FY 2013. No increases were provided for the quality educator payment, Indian Education for All payment, or American Indian Achievement Gap payment. HB 2 increased funding for school district audit payments by \$11,550 in FY 2012 and \$17,182 in FY 2013. The At-Risk student payment was restored for the 2013 biennium at an appropriation level of \$5 million annually.

The appropriation for K-12 BASE aid shown in HB 2 (page E-1) is \$485.442 million in FY 2012 and \$526.495 million in FY 2013. Additional adjustments were made to the K-12 BASE aid appropriation in SB 372 and SB 329. SB 372 reduced the K-12 BASE aid appropriation by \$1,803,873 for the 2013 biennium and increased the general fund appropriation for HB 124 block grants by \$6,444,852 to implement the property tax replacement plan associated with the reduction in

the class 8 business equipment tax rate. SB 329 increased the K-12 BASE aid appropriation by \$3,419,812 to implement the new state and county school oil and gas impact accounts in FY 2013.

The combined appropriations and funding commitments in HB 2, SB 372, SB 329, and from the guarantee account increase the K-12 BASE aid payments to schools by \$52.519 million in the 2013 biennium above the FY 2010 base expenditure level. Of this \$52.519 million, \$23.198 million is appropriated to bring the FY 2010 base up to the FY 2011 funding level (exclusive of one-time only ARRA funds), \$19.901 million is new funding for K-12 schools, and \$9.420 million is to coordinate with changes in tax laws. Compared to the 2011 Biennium funding levels (including one-time only ARRA funds), the K-12 BASE aid appropriation is increased by \$29.321 million for the 2013 biennium.

HB 316 contained a provision to deposit federal mineral leasing funds in the guarantee account rather than the state general fund (where they are deposited under current law). With the Governor's veto of HB 316 following adjournment of the legislative session, the general fund appropriation for K-12 BASE aid is projected to be \$53.414 million short of the amount needed to fund the statutory funding levels for FY2012 and FY 2013. Under 20-9-351, MCA, the Superintendent of Public Instruction is required to request a supplemental appropriation in the second year of the biennium that is sufficient to complete the funding for K-12 BASE aid.

- **Transportation Aid**

Appropriates \$12.622 million in FY 2012 and \$12.722 million in FY 2013 for state reimbursements to school districts for pupil transportation. These appropriations increase transportation reimbursements by \$500,000 above the FY 2010 base expenditure level. The additional funding is needed to fund costs of bus routes and individual transportation contracts under current statutory mileage reimbursement rates.

- **Special Education**

Appropriates \$41.647 million in FY 2012 and \$41.647 million in FY 2013 for state special education payments to schools. These appropriations are \$2.586 million above the FY 2010 base expenditure level, but equal to the actual funding levels (including one-time only funding) provided to schools in each year of the 2011 biennium.

- **School Facility Payments**  
 Appropriates \$8.586 million in each year of the 2013 biennium for school facility payments to school districts that are eligible for guaranteed tax base aid and have outstanding bonded indebtedness. The appropriations maintain the state funding for school facility payments at the FY 2010 base expenditure level. These payments will be paid from the school facility and technology account established in 20-9-516, MCA.
- **In-State Treatment**  
 Appropriates \$787,800 in each year of the 2013 biennium for education services for students in in-state psychiatric residential treatment facilities. The appropriations increase the state funding for in-state treatment by \$48,080 from the FY 2010 base expenditure level.
- **Secondary Vocational Education**  
 Appropriates \$1,000,000 in each year of the 2013 biennium for secondary vocational education programs. The appropriations maintain the state funding for secondary vocational education at the FY 2010 base expenditure level.
- **Adult Basic Education**  
 Appropriates \$525,000 in each year of the 2013 biennium for adult basic education programs. The appropriations maintain the state funding for adult basic education at the FY 2010 base expenditure level.
- **Gifted and Talented Grant Program – On-going and OTO**  
 Appropriates \$250,000 in each year of the 2013 biennium for school district gifted and talented programs. The appropriations increase the state funding for gifted and talented programs by \$6,036 from the FY 2010 base expenditure level.
- **School Foods**  
 Appropriates \$663,861 in FY 2012 and \$676,386 in FY 2013 for school nutrition programs. The appropriations increase the state funding for school nutrition programs by \$42,937 from the FY 2010 base expenditure level.
- **HB 124 Block Grants**  
 Appropriates \$52.150 million in FY 2012 and \$58.595 million in FY 2013 for block grants to schools and counties. The appropriations increase the state funding for HB 124 block grants by \$7.232 million above the FY 2010 base expenditure level in order to bring the FY 2010 base up the FY 2011 appropriation level and to implement SB 372. SB 329 eliminated the annual 0.76 percent inflator for school

block grants, but did not eliminate the annual inflator for county transportation block grants. As a result, it is estimated that a supplemental appropriation of \$42,324 will be needed in FY 2013.

- **State Tuition Payments**

Appropriates \$639,308 in each year of the 2013 biennium for tuition payments to schools that enroll students placed by state agencies or courts under mandatory attendance agreements. The appropriations maintain the funding for state tuition payments at the FY 2010 base expenditure level.

- **At-Risk Student Payment**

Appropriates \$5 million in each year of the 2013 biennium for at-risk student payments under § 20-9-328, MCA to the school district general funds. This restores funding for the at-risk student payment which was not funded in the 2011 biennium.

- **Traffic and Safety Education**

Appropriates \$750,000 in each year of the 2013 biennium for driver's education programs provided by school districts. The appropriations maintain the state funding for traffic education programs at the FY 2010 base expenditure level. Traffic and Safety Education revenues are generated from a percentage of the driver's license fee and commercial driver's license fees.

- **Advancing Agricultural Education in Montana**

Appropriates \$128,957 in FY 2012 and \$128,960 in FY 2013 from the state general fund to school districts to support secondary agricultural education programs and to implement 20-7-334, MCA.

- **Multidistrict Cooperatives**

Appropriates \$1 million general fund for the 2013 biennium for distribution to schools that participate in multidistrict cooperatives. This one-time-only appropriation will be distributed to schools by the Office of Public Instruction in FY 2013 and will be supplemented by another \$1 million general fund appropriated in SB 329 for the same purpose.

- **Federal Grant Awards**

Appropriates \$139.401 million in FY 2012 and \$143.051 million in FY 2013 for distribution of federal education grant monies to school districts. This spending authority represents an increase of \$19.117 million over the FY 2010 base expenditure level. Increases are projected for federal school foods programs, Title I – School

Improvement, and the Individuals with Disabilities Act. The base expenditure level only includes on-going funding; when compared to the actual FY 2010 expenditures for federal grants, including ARRA funds, the spending authority for the 2013 biennium is reduced by \$10.109 million

## **OPI OPERATIONS AND TECHNICAL ASSISTANCE TO SCHOOLS, HB 2:**

- **OPI Agency Budget**

Appropriates \$8.723 million in FY 2012 and \$8.729 million in FY 2013 from state general fund dollars for OPI state level activities. Across the board reductions resulted in a \$374,915 annual cut to personal services (8% vacancy savings) and a \$261,736 annual cut to operating budgets (5.8% cut). These cuts include a \$5,000 annual cut in travel and a \$9,902 annual reduction in personal services based on anticipated savings due to worker's comp reforms.

- **National Student Clearinghouse**

Appropriates \$7,600 in each year of the 2013 biennium for a contract with the National Student Clearinghouse to track college continuation rates and persistence rates for Montana high school graduates.

- **Montana Digital Academy**

Appropriates \$1.168 million in each year of the 2013 biennium for operation of the Montana Digital Academy, which is located on the campus of the University of Montana. The digital academy makes distance learning opportunities available to K-12 students through public school districts.

- **State Special Revenues for School Lunch Programs and Traffic and Safety Education**

Appropriates \$96,504 in FY 2012 and \$96,335 in FY 2013 for the School Lunch Program. Revenues for the School Lunch Program are generated from reimbursements for the costs of shipping, handling, and other related costs of school food commodities. Appropriates \$139,999 in FY 2012 and \$140,357 in FY 2013 for OPI's administration of Traffic and Safety Education.

- **Federal Grant Award Adjustments**

Appropriates \$18.357 million in FY 2012 and \$16.142 million in FY 2013 for local education activities associated with federal programs administered by the OPI. The appropriations increase spending authority by \$5.5 million over the FY 2010 base expenditure level to provide spending authority for a K-12 longitudinal data systems grant received by OPI and for statewide present law adjustments.

The OPI is statutorily appropriated from the state guarantee account an estimated \$111.377 million in FY 2012 and \$93.548 million in FY 2013 for K-12 BASE aid payments and \$1.0 million in FY 2012 and \$1.0 million in FY 2013 for grants for school technology purchases. Revenues for the state guarantee account are generated from state school trust lands; streambed rent payments; oil and natural gas production taxes; and one-time transfers approved in HB 604. The guarantee account is the first source of funding for the K-12 BASE aid, and monies from the guarantee account offset expenditures that would otherwise be paid from the state general fund.