

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2012	Approp. Fiscal 2013	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 12-13	Biennium Fiscal 14-15	Biennium Change	Biennium % Change
FTE	163.50	163.50	166.00	166.00	163.50	166.00	2.50	1.53%
Estimated Impact of HB 2*			(6.20)	(6.20)		(6.20)	(6.20)	
Net Estimated FTE*			159.80	159.80		159.80	(3.70)	
Personal Services	10,247,829	11,562,314	10,596,658	10,615,211	21,810,143	21,211,869	(598,274)	(2.74%)
Operating Expenses	15,220,553	16,856,170	15,904,145	15,921,645	32,076,723	31,825,790	(250,933)	(0.78%)
Equipment & Intangible Assets	921,444	12,556	966,768	921,444	934,000	1,888,212	954,212	102.16%
Local Assistance	620,260,239	642,976,162	697,121,987	725,234,311	1,263,236,401	1,422,356,298	159,119,897	12.60%
Grants	142,889,668	140,292,700	157,907,123	159,467,123	283,182,368	317,374,246	34,191,878	12.07%
Transfers	1,675,840	1,479,139	2,390,840	2,425,840	3,154,979	4,816,680	1,661,701	52.67%
Total Costs	\$791,215,573	\$813,179,041	\$884,887,521	\$914,585,574	\$1,604,394,614	\$1,799,473,095	\$195,078,481	12.16%
General Fund	622,881,959	645,440,345	700,115,453	728,548,656	1,268,322,304	1,428,664,109	160,341,805	12.64%
State Special	9,571,786	9,572,692	10,593,048	10,293,109	19,144,478	20,886,157	1,741,679	9.10%
Federal Special	158,761,828	158,166,004	174,179,020	175,743,809	316,927,832	349,922,829	32,994,997	10.41%
Total Funds	\$791,215,573	\$813,179,041	\$884,887,521	\$914,585,574	\$1,604,394,614	\$1,799,473,095	\$195,078,481	12.16%

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the following pages.

Agency Description

The Montana Office of Public Instruction provides vision, advocacy, support, and leadership for schools and communities to ensure that all students meet today's challenges and tomorrow's opportunities.

For additional information please refer to the agency profile.

Agency Highlights

Office of Public Instruction Major Budget Highlights
<ul style="list-style-type: none"> ◆ The biennial all funds budget for OPI increased \$195.1 million, with a general fund increase of \$160.3 million, a state special increase of \$1.7 million, and federal special increase of \$33.0 million. <ul style="list-style-type: none"> ● The general fund increase is misleading because it does not include changes in the guarantee account. If those changes are included, the difference is \$106.0 million ◆ The biennial budget for state level activities increased by \$1.4 million or 2.5% as compared to the previous biennium due to numerous adjustments, the largest of which are: <ul style="list-style-type: none"> ● Increased funding for the Montana Digital Academy ● Statewide present law adjustments ● School based health programs ◆ These increases in general fund are partially offset by a reduction in federal funds due to completion of the State Longitudinal Data System

Office of Public Instruction (continued)

Major Budget Highlights

- ◆ In local education activities, the legislature passed HB 2 and SB 175. In HB 2 there was:
- ◆ A general fund increase above base spending in FY 2012 of \$180.1 million and an increase for all funds of \$213.4 million. Significant present law general fund adjustments in HB 2 include the following:
 - Annualization of entitlements and funding components and adjustments for average number belonging (ANB) to FY 2013 levels, \$32.7 million
 - Inflation of the basic and per-ANB entitlements, \$22.2 million
 - SB 372 reimbursement block grants, \$20.5 million
 - Guarantee account revenue adjustments, \$94.5 million
 - Other categorical adjustments, \$0.7 million
- ◆ Significant general fund new proposals in HB 2 include:
 - Inflation applied to special education and the at-risk payment, \$2.1 million
 - Chapter 55 implementation, \$0.5 million
 - An increase in career and technical education, \$1 million
 - A one-time only payment for school technology, \$1 million
 - Adjustments to HB 2 for impacts of SB 96. SB 96 lowered the tax rate and increased the exemption on business equipment. SB 96 also increased reimbursements to school districts and the county education accounts by \$7.9 million. The resulting general fund GTB savings were estimated to be \$3.1 million. SB 96 changed the line items in HB 2 for reimbursement block grants and for Base Aid by the same amounts respectively
- ◆ The legislature added \$15.0 million federal funds for a new striving readers competency and literacy program, along with \$0.8 million administrative costs
 - SB 175 changed school law in a number of ways more fully discussed in the Summary of Legislative Action section of this narrative. Among other impacts, the bill:
 - Applies statutory inflation - 0.89% in FY 2014 and 2.08% in FY 2015 to per ANB entitlements only; cost is in HB 2
 - Increases the basic entitlements and creates multiple basic entitlements per district
 - Creates new data for achievement payment of \$10 per ANB in FY 2014, \$15 per ANB in FY 2015 and \$20 per ANB in FY 2016 and beyond
 - Appropriates \$25.8 million for aspects of the bill except the change to the basic entitlements
 - Transfers \$22.9 million from the state general fund ending fund balance in FY 2013 to a new state special account; half of that is transferred each year to the guarantee account to pay for the increase in the basic entitlement
 - Appropriates \$22.3 in excess oil and gas revenue from a new oil and gas distribution account to pay for districts that are eligible because of oil and gas development impacts but that have no or little oil and gas revenues

Summary of Legislative Action

SB 175

SB 175 contained several changes to the K-12 funding system:

- BASE Aid Additions
 - Data for achievement payment - \$10 per ANB in FY 2014, \$15 per ANB in FY 2015, and \$20 per ANB thereafter. The data for achievement payment is deposited in the district general fund and is added to a district’s base and maximum budgets. It has no local match. It is to be used by a school district to pay for access fees or other costs associated with participation in the statewide data system administered by OPI or comparable system operated by a private vendor.
 - Natural resource development payment (NRD) - \$3 million in FY 2015, thereafter an amount sufficient to offset increases in base taxes caused by changes in the per-ANB and basic entitlements. This level will be in effect until the NRD payment reaches 50% of the amount of oil and gas revenue deposited in the state general fund in FY 2012 (i.e. 50% of \$98.3 million), after which the NRD payment is fixed at that amount. The NRD payment is above direct state aid and offsets base taxes and GTB. It is not added to the base budget or the maximum budget.
- Inflation – the bill:
 - Applies the statutorily defined inflation factors (0.89% in FY 2014 and 2.08% in FY 2015) to the per-ANB entitlements; the appropriation for this is in HB 2
 - Directs that the superintendent shall propose statutorily defined inflation adjustments to the quality educator payment, the achievement gap payment, the Indian education for all payment, and the at risk payment beginning in FY 2016
- New Basic Entitlement
 - Under previous law each district had one basic entitlement. Under SB 175 multiple basic entitlements are available. Each district is allowed at least one basic entitlement. For elementary districts the first 250 budgeted ANB receive one basic entitlement; for middle school it is 450 ANB and for high school 800 ANB. Elementary districts receive additional basic entitlements for each 250 ANB, middle school for each 450 ANB, and high school for each 800 ANB. The second and subsequent basic entitlement increments are rounded up to the nearest tenth. The dollar value of the basic entitlement for FY 2014 through FY 2016 is as follows:

New K-12 basic Entitlement			
<u>Level of District</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Elementary, 1 st increment	\$40,000	\$ 40,000	\$50,000
Elementary 2 nd & subsequent increment	\$20,000	\$20,000	\$25,000
Middle School 1 st increment	\$80,000	\$80,000	\$100,000
Middle school 2 nd and subsequent incr	\$40,000	\$40,000	\$50,000
High School 1 st Increment	\$290,000	\$290,000	\$300,000
High School 2 nd and subsequent incr.	\$120,000	\$120,000	\$150,000

- ANB and Enrollment Issues
 - ANB will be calculated from three enrollment counts (the first Monday in October, December, and February compared with two counts under previous law
 - Anticipated unusual enrollment increases will be funded with state direct state aid and GTB when the year to year enrollments increase by the smaller of 4% or 40 students. The additional state aid will be paid for the number of students in excess of these limits. Previous state aid was allowed for unusual enrollment increases of 6% or more

- Oil and Gas Revenue Issues
 - For all years in the future the maximum in oil and gas revenue a district may retain is 130% of its maximum budget
 - For fiscal years 2014 through 2016 districts with maximum budgets of less than \$1.5 million may retain 150% of their maximum budgets in oil and gas revenue
 - For all years in the future a district must budget in its general fund the lesser of 25% of its prior year receipts of oil and gas revenue or the general fund net levy requirement. The district may budget 50% of its 25% below the base budget and 50% in the over-base area. The remaining 75% may be budgeted in any budgeted fund. These provisions do not apply if the district has:
 - A budget of \$1 million or less
 - A maximum budget that exceeds 105% of the combination of its adopted budget plus its oil and gas revenue
 - A maximum budget of \$1 million or more has had an unusual enrollment increase in the prior year
 - Issued oil and natural gas as revenue bonds; the district may apply all of its oil and gas revenue to payment of the bonds' debt service for the next 12-month period
 - If the district has an unusual enrollment increase in the prior year, the limit on oil retention by a district (either 130% or 150%) may be increased by \$45,000 times the additional ANB for one year
 - The excess oil and gas revenue not allowed to be retained by a school district must be sent to the state for deposit in a new oil and gas distribution account. OPI will distribute money from this account to districts that qualify under the concentric circles provisions of SB 175
 - Concentric circles – From FY 2014 through FY 2016, districts that overlap or are contiguous to districts that have excess oil and gas revenue from horizontally completed wells within the last 3 years, but have no or little oil and gas revenue, will receive oil and gas revenue from the oil and gas distribution account in a “concentric circle” pattern, with those further away having lower priority. A concentric circle eligible district may receive up to 130% of its maximum budget from OPI through this account. The distribution to neighboring districts within a county or within a neighboring county will continue until the amount of money in the distribution account is exhausted or all eligible districts have been filled to 130% of their maximum budgets. If there is any money left over in the distribution account it must be distributed 70% to the guarantee account, 25% to the county school oil and natural gas impact account, and 5% to the state school oil and natural gas impact account. After FY 2016, the concentric circle districts will no longer receive funds from the oil and gas distribution account, and the excess oil and gas revenue is distributed 70% to the guarantee account, 25% to the county school oil and natural gas impact account and 5% to the state school oil and natural gas impact account
- Oil and Gas Revenue Bonds – SB 175 allows districts to sell revenue bonds backed by oil and gas revenues as long as the debt limits in 20-9-406, MCA are met. The bonds may not exceed 3 times the annual amount of oil and gas revenues. The debt service on the bonds may not exceed 35% the total oil and gas revenue received in the preceding year. If in any year oil and gas revenues are not sufficient to pay the debt service a district may levy a tax deficiency levy
- Ending Fund Balances – Previous law required that by July 1, 2016 the combined ending fund balances of all budgeted funds except the building reserve fund, the debt service fund, and the bus depreciation fund not exceed 300% of a district's maximum budget. SB 175 changes this date to July 1, 2020
- County school oil and natural gas impact account – 80% of any money distributed from this account must be distributed based on quality educators in a district
- Excess interest and income in the guarantee account – The amount of interest and income that may be used for direct state aid in any year is capped at \$56 million. Any interest and income above that amount is called excess interest and income. Excess interest and income must be distributed to all school districts. 50% must be distributed on a quality educator basis and 50% must be reserved in the guarantee account for later appropriation by the legislature as part of the natural resource development payment. The amount distributed on a quality educator basis must be deposited in the miscellaneous programs fund and be used for repairs categorized as safety, damage mitigation, and code requirements as specified in the facilities condition inventory prepared by the Montana Department of Administration pursuant to section 1, Chapter 1, Special Laws of December 2005

- Borrowing Mill Levy Authority – a district may increase its general fund over-base budget levy without a vote of the people if the district simultaneously reduces the budget levy by a like amount in another non-voted fund. The ongoing authority for the non-voted increase in the over-base budget levy must be decreased to the extent that the district imposes any increase in other non-voted property tax levies
- New Data Task Force – SB 175 creates a task force to review, monitor, and provide input to the Office of Public Instruction to enhance the statewide k-12 data system
- Transfer of state general fund ending fund balance before June 30, 2013 – SB 175 transfers \$22,950,178 from the state general fund to a new state special holding account. There will be transferred from this new account \$11,475,089 in FY 2014 and again in FY 2015 to the guarantee account to pay for the increased costs of the new basic entitlement
- Appropriations – There are three appropriations in SB 175: 1) \$25.8 million to cover the additional costs other than the basic entitlement; 2) \$22.3 million from the new oil and gas distribution account to distribute oil and gas revenue to the concentric circle eligible districts; and 3) \$13,522 from the state general fund to OPI for costs associated with the new data task force

The table below shows the financial impact of SB 175.

SB175 - Fiscal Note As the Bill Left the House in Millions			
04/17/13			
Provision	FY 2014 Cost	FY 2015 Cost	Biennial Cost
Inflation (0.89% in FY 2014; 2.08% in FY 2015)	In SB 175 but is Present Law, See Below		
Inflation on 5 Components (Starts in FY 2016)	-	-	-
Data for Achievement Payment (\$10 per ANB FY14, \$15, FY15, then \$20 in FY16)	\$1.474	\$2.211	\$3.685
Basic Entitlement (Elem: \$40k; MS: \$80k; HS: \$290k) With Multiple BE's	11.582	10.983	22.565
Natural Resource Development K-12 Funding Payment			
NRD Payment - State Cost	-	3.000	3.000
NRD Payment - GTB Savings	-	(1.500)	(1.500)
Excess Interest and Income above \$56 million	-	-	-
Require districts to budget only 25% of oil and gas revenue	0.807	0.825	1.632
Count Students 3 times a year	-	0.449	0.449
Unusual Enrollment Increase of the lower of 4% or 40 ANB	2.249	2.328	4.577
Share Excess Oil and Gas with Neighboring Districts	8.194	7.402	15.596
Implementation Costs	0.250	0.250	0.500
Total Cost	<u>\$24.556</u>	<u>\$25.948</u>	<u>\$50.504</u>
Appropriation - General Fund for Base Aid			25.800
Transfer Ending Fund Balance at end of FY 2013 to SS to pay for basic entitlement, pay out of GA			22.950
Appropriation for K-12 data task force			0.014
Total Appropriations to pay for SB 175			<u>\$48.764</u>
Appropriation from new State Oil and Gas Distribution Fund, Revenue. This appropriation is excess oil and gas money that would have been deposited in the guarantee account and the two impact accounts under previous law. The loss of this money from the guarantee account is included in the \$25.8 million general fund appropriation			<u>\$22.300</u>

Boilerplate

The boilerplate section in HB 2 includes the following language:

“It is the intent of the legislature that the appropriations for personal services contained in this bill for fiscal year 2014 and fiscal year 2015, except for the reductions contained in decision packages that remove an additional vacancy savings amount, are supported by only the number of FTE that are funded. It is the intent of the legislature that this net level of FTE is the level that will be used to calculate personal services funding in the next biennium.”

The LFD has calculated that this intent language would reduce the current biennium base FTE by 440 statewide and by 6.20 for this agency. The lower level of FTE will be the starting point or base the legislature will use for personal services budget deliberations in the 2017 biennium.

Funding

The following table shows agency funding by source of authority. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Office Of Public Instruction Funding by Source of Authority 2015 Biennium Budget					
Funds	HB 2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
General Fund	\$1,428,664,109	\$0	\$0	\$1,428,664,109	74.5%
State Special Total	20,886,157	-	114,133,518	135,019,675	7.0%
Federal Special Total	349,922,829	-	-	349,922,829	18.2%
Proprietary Total	-	4,422,656	-	4,422,656	0.2%
Current Unrestricted	-	-	-	-	0.0%
Other Total	-	-	-	-	0.0%
Total All Funds	\$1,799,473,095	\$4,422,656	\$114,133,518	\$1,918,029,269	
Percent - Total All Sources	93.8%	0.2%	6.0%		

Almost 94% of the total budget is appropriated in HB 2. Non-budgeted proprietary funds support the centralized services functions and are discussed in the State Level Activities Program. Statutory appropriations are from the guarantee account for distribution to schools and are discussed in the Local Education Activities Program.

Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget	Budget Fiscal 2014	Budget Fiscal 2015	Biennium Fiscal 14-15	Percent of Budget
Base Budget	622,881,959	622,881,959	1,245,763,918	87.20%	791,215,573	791,215,573	1,582,431,146	87.94%
Statewide PL Adjustments	179,648	195,139	374,787	0.03%	336,068	356,640	692,708	0.04%
Other PL Adjustments	74,436,679	97,872,597	172,309,276	12.06%	81,979,435	106,975,304	188,954,739	10.50%
New Proposals	2,617,167	7,598,961	10,216,128	0.72%	11,356,445	16,038,057	27,394,502	1.52%
Total Budget	\$700,115,453	\$728,548,656	\$1,428,664,109		\$884,887,521	\$914,585,574	\$1,799,473,095	

Other Legislation

HB 3 – HB 3 is the supplemental bill. The Local Education Activities Program in OPI had two supplementals for FY 2013. The first was due to the veto of HB 316 from the 2011 legislative session, which left the general fund short in paying for BASE Aid. This supplemental was \$39.9 million. The second supplemental was due to a shortage during the 2011 session in the amount of reimbursement block grants that were appropriated in response to the business equipment tax cuts. This supplemental was for \$3.7 million.

HB 39 – HB 39 clarifies several provisions in law instituted by SB 329 from the 2011 legislative session. HB 39:

- o Eliminates the current law distribution of excess school district fund balance payments to the state school oil and gas impact account (5%) and the county school oil and gas impact fund (25%) in 20-9-104. HB 39 continues the allocation of 70% of the monies to the guarantee account, but redirects 30% of the monies to the school facility

and technology account. It is expected that the impact accounts will lose \$55,107 per year starting in FY 2014 and the school facility and technology account will realize revenue of the same amount

- Eliminates the July 1, 2016 sunset that a district must remit to the state ending fund balances in excess of 15% of its maximum general fund budget.
- States that within 120 days following the end of the fiscal year, the Department of Revenue shall determine if the criteria for distribution of the county school oil and natural gas impact fund, including the average price for a barrel of oil as reported in the Wall Street Journal for west Texas intermediate crude oil price per barrel during a calendar quarter, have been met. The legislature did not appropriate any money from this account in the 2015 biennium.

SB 96 – SB 96 reduces taxes on class 8 business equipment by: 1) raising the exemption from \$20,000 to \$100,000 and allowing all taxpayers to claim the exemption; and 2) raising the threshold at which the tax rate of 1.5% applies from \$3 million in market value to \$6 million in market value. The new provisions are expected to begin January 1, 2014.

SB 96 reimburses local jurisdictions for their loss of revenue. For counties, cities, and TIF districts the reimbursements will begin in May of 2014 (\$3.785 million) for property that is not liened to real property. A full year's reimbursement (\$5.941 million) will take place in FY 2015. School districts and the county education accounts will receive all their reimbursement in FY 2015 (\$7.932 million). Of this amount, \$3.0 million is one-time only.

The reimbursements to the school district general fund and the county retirement funds will save guaranteed tax base in each of these funds. The revised fiscal note estimates that the total GTB savings will be \$1.778 million.

SB 96 contains two changes to appropriations in HB 2. SB 96: 1) increases reimbursement block grants in HB 2 by \$7,931,716 in FY 2015; and 2) reduces BASE Aid for the GTB savings by \$3,053,710.

HB 377 – HB 377 alters certain provisions relating to the retirement of members of the Teachers' Retirement System (TRS). HB 377 raises the employer contribution by 1% starting in FY 2014 and an additional 0.1% for each year thereafter for 10 years. As a result, school districts will see their TRS contributions increase and the state will see its retirement guaranteed tax base cost increase. The bill contains appropriations to OPI for the increase in retirement GTB of \$2,061,932 for FY 2014 and \$2,370,191 for FY 2015.

HB 377 also reduces the amount of reserved ending fund balance districts may carry forward each year in their retirement funds. Previous law allowed up to 35% of a district's final retirement fund budget for the ensuing school fiscal year. In HB 377, this limit was dropped to 20%. This will free up \$14.7 million that will be deposited in the TRS fund.

HB 454 – HB 454 alters certain provisions relating to the retirement of members of the Public Employees Retirement System (PERS). HB 454 raises the employer contribution by 1% starting in FY 2014 and an additional 0.1% for each year thereafter for 10 years. As a result, school districts will see their PERS contributions increase and the state will see its retirement guaranteed tax base cost increase. The bill contains appropriations to OPI for the increase in retirement GTB of \$377,500 for FY 2014 and \$431,750 for FY 2015.

Executive Budget Comparison

The following table compares the legislative budget in the 2015 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2012	Executive Budget Fiscal 2014	Legislative Budget Fiscal 2014	Leg - Exec. Difference Fiscal 2014	Executive Budget Fiscal 2015	Legislative Budget Fiscal 2015	Leg - Exec. Difference Fiscal 2015	Biennium Difference Fiscal 14-15
FTE	163.50	165.50	166.00	0.50	165.50	166.00	0.50	
Estimated Impact of HB 2*			(6.20)	(6.20)		(6.20)	(6.20)	
Net Estimated FTE*			159.80	(5.70)		159.80	(5.70)	
Personal Services	10,247,829	10,637,504	10,596,658	(40,846)	10,656,589	10,615,211	(41,378)	(82,224)
Operating Expenses	15,220,553	15,655,590	15,904,145	248,555	15,657,077	15,921,645	264,568	513,123
Equipment & Intangible Assets	921,444	921,444	966,768	45,324	921,444	921,444	0	45,324
Local Assistance	620,260,239	697,908,478	697,121,987	(786,491)	717,494,806	725,234,311	7,739,505	6,953,014
Grants	142,889,668	157,907,123	157,907,123	0	159,467,123	159,467,123	0	0
Transfers	1,675,840	1,975,840	2,390,840	415,000	1,975,840	2,425,840	450,000	865,000
Total Costs	\$791,215,573	\$885,005,979	\$884,887,521	(\$118,458)	\$906,172,879	\$914,585,574	\$8,412,695	\$8,294,237
General Fund	622,881,959	701,105,034	700,115,453	(989,581)	720,706,853	728,548,656	7,841,803	6,852,222
State/Other Special	9,571,786	9,597,379	10,593,048	995,669	9,597,446	10,293,109	695,663	1,691,332
Federal Special	158,761,828	174,303,566	174,179,020	(124,546)	175,868,580	175,743,809	(124,771)	(249,317)
Total Funds	\$791,215,573	\$885,005,979	\$884,887,521	(\$118,458)	\$906,172,879	\$914,585,574	\$8,412,695	\$8,294,237

*Estimated impact of HB 2 boilerplate language showing net FTE with reductions. See boilerplate language on the previous pages.

The legislature appropriated a general fund budget for OPI that is \$6.8 million above the executive, and \$8.3 million above the executive for all funds. The following summarizes the changes in general fund.

The local education activities program is above the executive by \$5.2 million and the state level activities program is above the executive by \$1.6 million, as shown in the table below.

Comparison of Executive OPI Budget and Final Legislative Action - 2015 Biennium - General Fund				
		Executive Recommendation	Legislative Recommendation	Difference
General Fund	Distribution to Schools Program			
	Present Law Adjustments			
	PL901 - K-12 Base Aid - Annualization	\$32,700,182	\$32,700,182	\$0
	PL902 - K-12 Base Aid - Inflationary Increase	22,213,959	22,213,959	0
	PL950 - Guarantee Account - Lower Revenue	86,102,670	94,516,164	8,413,494
	PL915 - School Block Grants - SB 372	20,500,730	20,500,730	0
	Other Present Law Adjustments	<u>692,123</u>	<u>692,123</u>	<u>0</u>
	Total Present Law Adjustments	<u>\$162,209,664</u>	<u>\$170,623,158</u>	<u>\$8,413,494</u>
	New Proposals			
	NP 2 - Special Education Inflation	\$0	\$1,615,296	\$1,615,296
	NP 2 - GTB Associated w/ Special Ed	0	325,322	325,322
	NP 2 - At Risk Inflation	0	193,926	193,926
	NP 905 - Chapter 55 Professional Development & Stipends (OTO/RST)	0	500,000	500,000
	NP 914 - Career and Technical Education	0	1,000,000	1,000,000
	NP 976 - School Technology (OTO)	6,000,000	1,000,000	(5,000,000)
	NP 975 - Increase Quality Educator Payment, then inflate	6,673,030	0	(6,673,030)
	NP996 - Adjust Reimbursement Block Grants for SB96	0	7,931,716	7,931,716
	NP996 - Adjust Base Aid for SB 96	<u>0</u>	<u>(3,053,710)</u>	<u>(3,053,710)</u>
	Total New Proposals - Distribution to Schools	\$12,673,030	\$9,512,550	-\$3,160,480
	Total General Fund Adjustments - Distribution to Schools	<u>\$174,882,694</u>	<u>\$180,135,708</u>	<u>\$5,253,014</u>
General Fund	State Level Activities			
	PL 607 - Montana Digital Academy	\$600,000	\$1,465,000	\$865,000
	PL 616 - National Board Certified Teachers	54,000	84,000	30,000
	PL 626 - Audiological Services	136,372	136,372	0
	New Proposals			0
	NP 54 - 2% Vacancy Savings	0	(173,351)	(173,351)
	NP 606 - Chapter 55 Amendments to School Accreditations	0	181,306	181,306
	NP 612 - Disaster Recovery and Data System Maintenance	0	175,800	175,800
	NP 622 - Staffing for OPI Information Systems	0	304,139	304,139
	NP 628 - School Based Mental Health (OTO)	<u>0</u>	<u>215,684</u>	<u>215,684</u>
	Total State Level Activities - General Fund	<u>\$790,372</u>	<u>\$2,388,950</u>	<u>\$1,598,578</u>
Total OPI Budget, General Fund - Comparison of Executive with Legislative Recommendation		\$175,673,066	\$182,524,658	\$6,851,591

Present Law Adjustments

The legislature includes present law adjustments for local education activities of \$170.6 million, \$8.4 million above the executive. This difference is due entirely to general fund added due to lower expected guarantee revenue as a result of lower expected oil and gas bonus payments.

The legislature increased present law adjustments in the state level activities program. The executive proposed an increase of \$600,000 in the Montana digital academy. The legislature includes \$1.5 million due to higher expected enrollment. The executive proposed \$54,000 in stipends for national board certified teachers. The legislature appropriated \$84,000.

New Proposals

The legislature funds \$3.2 million less than the executive in new proposals in the local education activities program, and \$1.6 million more than the executive in the state level activities program.

In the local education activities program, the executive proposed \$6 million in one-time only funds for school technology and \$6.7 million for an increase in the quality educator payment of \$240 in FY 2014 and inflation in FY 2015. The legislature includes only \$1 million in one-time only technology for school districts. The legislature made no change to the current quality educator payment.

In addition, the legislature added the following new proposals in local education activities, totaling \$8.5 million: 1) inflation for special education and the at-risk payment - \$2.1 million; 2) Chapter 55 professional development and stipends - \$0.5 million; 3) career and technical education - \$1 million; 4) an adjustment to reimbursement block grants for the passage of SB 96 - \$7.9 million; and 5) an adjustment to BASE Aid for reduced GTB due to reimbursements in SB 96 - \$3.1 million.

The executive proposed no new initiatives in the state level activities program in the general fund. The legislature funded four new proposals totaling \$703,578. They are: 1) 2% vacancy savings, (\$-173,351); 2) money to implement Chapter 55 amendments to school accreditation - \$181,306; 2) disaster recovery and data system maintenance - \$175,800; 3) staffing for OPI's information system - \$304,139; and 4) funding for a mental health coordinator - \$215,684.

Language and Statutory Authority

The legislature passed the following language in HB 2:

“OPI Administration includes a reduction in general fund of \$86,615 in fiscal year 2014 and \$86,736 in fiscal year 2015, state special revenue of \$4,331 in fiscal year 2014 and \$4,337 in fiscal year 2015, and federal special revenue of \$125,592 in fiscal year 2014 and \$125,768 in fiscal year 2015. The reduction is the equivalent of an additional 2% vacancy savings. The agency may allocate this reduction in funding among programs when developing 2015 biennium operating plans.”

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

“All revenue up to \$1.8 million in the state traffic education account for distribution to schools under the provisions of 20-7-506 and 61-5-121, MCA, is appropriated as provided in Title 20, chapter 7, part 5, MCA.”

“All appropriations for federal special revenue appropriations in state level activities and in local education activities and all general fund appropriations in local education activities are biennial.”