

**Agency Biennium Comparison**

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

| Agency Biennium Comparison     |                           |                        |                   |                   |
|--------------------------------|---------------------------|------------------------|-------------------|-------------------|
| Budget Item                    | Appropriated Budget 18-19 | Requested Budget 20-21 | Biennium Change   | Biennium % Change |
| Personal Services              | 483,896                   | 504,248                | 20,352            | 4.21 %            |
| Operating Expenses             | 230,623                   | 191,018                | (39,605)          | (17.17)%          |
| <b>Total Expenditures</b>      | <b>\$714,519</b>          | <b>\$695,266</b>       | <b>(\$19,253)</b> | <b>(2.69)%</b>    |
| General Fund                   | 278,326                   | 329,452                | 51,126            | 18.37 %           |
| State/Other Special Rev. Funds | 436,193                   | 365,814                | (70,379)          | (16.13)%          |
| <b>Total Funds</b>             | <b>\$714,519</b>          | <b>\$695,266</b>       | <b>(\$19,253)</b> | <b>(2.69)%</b>    |
| <b>Total Ongoing</b>           | <b>\$654,519</b>          | <b>\$695,266</b>       | <b>\$40,747</b>   | <b>6.23 %</b>     |
| <b>Total OTO</b>               | <b>\$60,000</b>           | <b>\$0</b>             | <b>(\$60,000)</b> | <b>(100.00)%</b>  |

**Mission Statement**

The Montana Constitution created and empowered the Board of Public Education to supervise, serve, maintain, and strengthen Montana's system of free quality public elementary and secondary schools. The board exists to promote high academic achievement for all Montana students.

**Agency Highlights**

| <b>Board of Public Education<br/>Major Budget Highlights</b>   |
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| <ul style="list-style-type: none"> <li>• The Board of Public Education 2021 biennium ongoing budget request is approximately \$41,000 or 6.2% higher than the 2019 biennium budget</li> <li>• The executive proposes a decrease of \$40,000 in operating expenses from the last biennium budget</li> <li>• The executive requests an increase to personal services of \$20,000 over the biennium                             <ul style="list-style-type: none"> <li>◦ The personal services budget includes a shift of \$24,000 in expenses from state special funds to the general fund.</li> </ul> </li> <li>• The executive is not requesting one-time-only funds for legal fees that were appropriated in the 2019 biennium</li> </ul> |

**Agency Actuals and Budget Comparison**

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

| Agency Actuals and Budget Comparison |                        |                        |                        |                        |                        |
|--------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| Budget Item                          | Actuals<br>Fiscal 2018 | Approp.<br>Fiscal 2018 | Approp.<br>Fiscal 2019 | Request<br>Fiscal 2020 | Request<br>Fiscal 2021 |
| FTE                                  | 0.00                   | 3.00                   | 3.00                   | 3.00                   | 3.00                   |
| Personal Services                    | 220,845                | 237,947                | 245,949                | 252,395                | 251,853                |
| Operating Expenses                   | 83,268                 | 115,150                | 115,473                | 103,438                | 87,580                 |
| <b>Total Expenditures</b>            | <b>\$304,113</b>       | <b>\$353,097</b>       | <b>\$361,422</b>       | <b>\$355,833</b>       | <b>\$339,433</b>       |
| General Fund                         | 118,717                | 136,811                | 141,515                | 172,926                | 156,526                |
| State/Other Special Rev. Funds       | 185,396                | 216,286                | 219,907                | 182,907                | 182,907                |
| <b>Total Funds</b>                   | <b>\$304,113</b>       | <b>\$353,097</b>       | <b>\$361,422</b>       | <b>\$355,833</b>       | <b>\$339,433</b>       |
| <b>Total Ongoing</b>                 | <b>\$286,472</b>       | <b>\$323,097</b>       | <b>\$331,422</b>       | <b>\$355,833</b>       | <b>\$339,433</b>       |
| <b>Total OTO</b>                     | <b>\$17,641</b>        | <b>\$30,000</b>        | <b>\$30,000</b>        | <b>\$0</b>             | <b>\$0</b>             |

**Agency Discussion**

*FY 2018 Appropriations Compared to FY 2018 Actual Expenditures*

The Board of Public Education modified HB 2 budget of approximately \$0.4 million, comprised of general fund and state special revenue, was 86.1% expended as of the end of FY 2018. Personal services were 92.8% expended. Operating expenses were 72.3% expended. Lower operating expenditures were primarily due to lower legal, and audit expenses as well as a reduction in travel expenses.

*FY 2018 Appropriations Compared to FY 2019 Appropriations*

There is a difference of \$8,002 between the FY 2018 appropriation and FY 2019 appropriation for personal services in the Board of Public Education. The difference in personal services is due to state share contribution reductions from special session, SB 261 reductions, and annualization of the 1.0% pay plan increase in the second half of FY 2019.

*Executive Request*

For the 2021 biennium the executive requests an increase to personal services of approximately \$20,000 or 4.2%, and a decrease of operating expenses amounting to roughly \$40,000 or 17.2%. These budgetary changes can be seen in the agency biennium comparison table at the beginning of this summary.

|                    |   |
|--------------------|---|
| <b>LFD COMMENT</b> | <p>One-time-only legal fees</p> <p>In recent biennia the Board of Public Education has had one-time-only appropriations of \$30,000 per year for legal fees. The executive request for the 2021 biennium does not include this appropriation. In FY 2015 - FY 2018 the agency has averaged roughly \$18,500 per year in legal fees and court costs.</p> |
|--------------------|---|

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

Figure 1 illustrates the beginning FY 2019 budget as adopted by the 2017 Legislature compared to the finalized 2019 Base Budget, which includes modifications done by the executive (as authorized in statute) during the interim. The 2019 Base Budget was agreed upon by the executive and legislative branches to be the point from which any changes would be recorded for the 2021 biennium budgeting process.

Figure 1

| FY 2019 Legislative Appropriations - Board of Public Education |                    |   |                |                                  |
|--|--------------------|---|----------------|----------------------------------|
|  | Legislative Action | Executive Modifications per Statutory Authority | Executive Base | % Change from Legislative Action |
| 01 K-12 Education  |                    |   |                |                                  |
| 61000 Personal Services  | 245,949            | -   | 245,949        | 0.0%                             |
| 62000 Operating Expenses                                       | 85,473             | -   | 85,473         | 0.0%                             |
| Program Total  | 331,422            | -   | 331,422        | 0.0%                             |
| Grand Total  | 331,422            | -   | 331,422        | 0.0%                             |

5.0% Reduction Plan

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5.0%. Because this agency has fewer than 20.00 FTE it is exempt from this requirement.

Program Personal Services

| Personal Services Present Law<br>DP 1 - FY 2020 |               |                      |                              |                      |          |  |
|---|---------------|----------------------|------------------------------|----------------------|----------|--|
| Program   | Formula Based | Management Decisions | Proposed Reinstatement of PS | Budget Modifications | DP1 SWPL |  |
| 01 K-12 EDUCATION                               | 4,497         | 35                   | 1,914                        | -                    | 6,446    |  |
| Agency Total                                    | \$4,497       | \$35                 | \$1,914                      | \$0                  | \$6,446  |  |

The personal services table shows the components of DP 1. The table shows a reinstatement of \$1,914 in personal services that had been reduced in SB 261 (2017 session.) The remaining \$4,532 increase includes statewide pay plan adjustments, additional hours in the fiscal year and other standard adjustments.

Agency Personal Services

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

1. Formula Based

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

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

2. Personal Services Management Decisions

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

3. Proposed Reinstatement of Personal Services Base Budget Reductions

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

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

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

4. Budget Modifications

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

The Figure shows the analysis of the proposed changes.

Figure 1

| Board of Public Education Personal Services Present Law Request by Program<br>DP 1 - FY 2020 |                  |                      |                              |                          |          |  |
|--|------------------|----------------------|------------------------------|--------------------------|----------|--|
| Program  | Expected Changes | Management Decisions | Proposed Reinstatement of PS | Modifications to PS Base | DP1 SWPL |  |
| 01 K-12 EDUCATION  | 4,497            | 35                   | 1,914                        | -                        | 6,446    |  |
| Agency Total   | \$4,497          | \$35                 | \$1,914                      | \$0                      | \$6,446  |  |

Funding

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

| Total Board of Public Education Funding by Source of Authority<br>2021 Biennium Budget Request - Board of Public Education |                  |               |                          |                         |                   |                   |
|--|------------------|---------------|--------------------------|-------------------------|-------------------|-------------------|
| Funds  | HB2 Ongoing      | HB2 OTO       | Non-Budgeted Proprietary | Statutory Appropriation | Total All Sources | % Total All Funds |
| General Fund   | 329,452          | 0             | 0                        | 0                       | 329,452           | 47.38 %           |
| State Special Total  | 365,814          | 0             | 0                        | 0                       | 365,814           | 52.62 %           |
| Federal Special Total  | 0                | 0             | 0                        | 0                       | 0                 | 0.00 %            |
| Proprietary Total  | 0                | 0             | 0                        | 0                       | 0                 | 0.00 %            |
| Other Total  | 0                | 0             | 0                        | 0                       | 0                 | 0.00 %            |
| <b>Total All Funds</b>   | <b>\$695,266</b> | <b>\$0</b>    | <b>\$0</b>               | <b>\$0</b>              | <b>\$695,266</b>  |                   |
| <b>Percent - Total All Sources</b>   | <b>100.00 %</b>  | <b>0.00 %</b> | <b>0.00 %</b>            | <b>0.00 %</b>           |                   |                   |

BPE is funded through a combination of general fund and state special funds. In previous biennia the funding was evenly split between general fund and state special funds, however last biennium state special funds made up a larger portion of the budget in order to spend down unused fund balances. For the 2021 biennium the executive proposes to once again even out the funding between general fund and state special funds by shifting the appropriation from state special to the general fund.

The funding for the state special revenue accounts is provided by teacher certification fees of \$6.00 per year. By statute, these fees are collected by OPI and deposited into two accounts: two-thirds of the fees are deposited in the Advisory

Council which supports the activities of CSPAC, and one third is deposited into the Research Fund and used to fund the statutory duties of the BPE and CSPAC.

All revenue to the advisory council fund is expended each year before general fund is expended. As originally created, the research fund was to be a reserve for special projects. Statute was changed to allow for the appropriation of a portion of the fund for operations with the balance reserved for special projects. Historical revenues and expenditures over the last five years are in line with the plan proposed by the executive for both funds.

|                      |  |
|----------------------|--|
| <b>LFD<br/>ISSUE</b> | SWPL 1 for this agency includes a fund switch that shifts \$24,000 in personal services from state special funds to the general fund. This shift of funds should be a new proposal and not included with SWPL 1. |
|----------------------|--|

**Budget Summary by Category**

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary section of the Budget Analysis.

| Budget Summary by Category |                        |                       |                          |                      |                       |                       |                          |                      |
|----------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
| Budget Item                | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|                            | Budget<br>Fiscal 2020  | Budget<br>Fiscal 2021 | Biennium<br>Fiscal 20-21 | Percent<br>of Budget | Budget<br>Fiscal 2020 | Budget<br>Fiscal 2021 | Biennium<br>Fiscal 20-21 | Percent<br>of Budget |
| 2019 Base Budget           | 141,515                | 141,515               | 283,030                  | 85.91 %              | 331,422               | 331,422               | 662,844                  | 95.34 %              |
| SWPL Adjustments           | 31,411                 | 15,011                | 46,422                   | 14.09 %              | 24,411                | 8,011                 | 32,422                   | 4.66 %               |
| PL Adjustments             | 0                      | 0                     | 0                        | 0.00 %               | 0                     | 0                     | 0                        | 0.00 %               |
| New Proposals              | 0                      | 0                     | 0                        | 0.00 %               | 0                     | 0                     | 0                        | 0.00 %               |
| <b>Total Budget</b>        | <b>\$172,926</b>       | <b>\$156,526</b>      | <b>\$329,452</b>         |                      | <b>\$355,833</b>      | <b>\$339,433</b>      | <b>\$695,266</b>         |                      |

**Present Law Adjustments**

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

| Present Law Adjustments                        | -----Fiscal 2020----- |                 |                  |                 | -----Fiscal 2021----- |             |                 |                  |                 |                |
|--|-----------------------|-----------------|------------------|-----------------|-----------------------|-------------|-----------------|------------------|-----------------|----------------|
|  | FTE                   | General Fund    | State Special    | Federal Special | Total Funds           | FTE         | General Fund    | State Special    | Federal Special | Total Funds    |
| DP 1 - Personal Services                       | 0.00                  | 18,446          | (12,000)         | 0               | 6,446                 | 0.00        | 17,904          | (12,000)         | 0               | 5,904          |
| DP 2 - Fixed Costs                             | 0.00                  | 12,896          | 5,000            | 0               | 17,896                | 0.00        | (2,978)         | 5,000            | 0               | 2,022          |
| DP 3 - Inflation Deflation                     | 0.00                  | 69              | 0                | 0               | 69                    | 0.00        | 85              | 0                | 0               | 85             |
| <b>Grand Total All Present Law Adjustments</b> | <b>0.00</b>           | <b>\$31,411</b> | <b>(\$7,000)</b> | <b>\$0</b>      | <b>\$24,411</b>       | <b>0.00</b> | <b>\$15,011</b> | <b>(\$7,000)</b> | <b>\$0</b>      | <b>\$8,011</b> |

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

DP 1 - Personal Services -

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

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

DP 2 - Fixed Costs -

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

DP 3 - Inflation Deflation -

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