

OFFICE OF PUBLIC INSTRUCTION

Section E

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Office of Public Instruction	Montana Arts Council
Board of Public Education	Montana State Library
Office of Commissioner of Higher Education	Montana Historical Society
Montana School for Deaf & Blind	

-----Committee Members-----

<u>House</u>	<u>Senate</u>
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Representative Llew Jones	Senator Jonathan Windy Boy
Representative Connie Keogh	
Representative Eric Matthews	

-----Fiscal Division Staff-----

Julia Pattin
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Agency Base Budget Comparison

The following table compares the base budget with the requested expenditures for the upcoming biennium by type of expenditure and source of funding.

Agency Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	27.53	27.53	27.53	0.00	0.0%	
Proprietary Funds	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)	
Total Funds	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)	
Personal Services	2,456,449	2,346,105	2,350,321	(216,472)	(4.4%)	
Operating Expenses	1,338,061	1,432,872	1,323,802	80,552	3.0%	
Equipment & Intangible Assets	11,635	11,635	11,635		0.0%	
Total Expenditures	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)	
Total Ongoing	3,806,145	3,790,612	3,685,758	(135,920)	(1.8%)	
Total One-Time-Only					0.0%	

Agency Highlights

<p>Office of Public Instruction Major Budget Highlights</p>
<p>The Office of Public Instruction's 2027 biennium non-budgeted proprietary appropriations are approximately \$136,000 or 1.8% lower than the FY 2025 base budget. Changes include:</p> <ul style="list-style-type: none"> • Decreases for the statewide present law adjustments for personal services and inflation/deflation • Increases for the statewide present law adjustment for fixed costs

Executive Request

The following table shows the total executive request with the base budget and the statewide present law adjustments, present law adjustments, and new proposals by source of funding.

Office of Public Instruction 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	0	0	0	3,806,145	100.4%	0	0	0	3,806,145	103.3%
Statewide PL										
Personal Services	0	0	0	(110,344)	(2.9%)	0	0	0	(106,128)	(2.9%)
Fixed Costs	0	0	0	95,240	2.5%	0	0	0	(13,969)	(0.4%)
Inflation Deflation	0	0	0	(429)	(0.0%)	0	0	0	(290)	(0.0%)
Total Statewide PL	0	0	0	(15,533)	(0.4%)	0	0	0	(120,387)	(3.3%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Adjustments	0	0	0	(15,533)	(0.4%)	0	0	0	(120,387)	(3.3%)
Total Requested Budget	0	0	0	3,790,612		0	0	0	3,685,758	

Funding

The following table shows proposed agency funding for all sources of authority.

Total Office of Public Instruction Funding by Source of Authority 2027 Biennium Budget Request						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,239,660,455	1,700,000			1,241,360,455	44.0%
02302 STATE EQUALIZATION AID ACCT	1,021,228,439				1,021,228,439	36.2%
02018 Guarantee Fund				110,872,870	110,872,870	3.9%
02218 School Facility & Tech Account	32,000,000			2,000,000	34,000,000	1.2%
02487 School Fac State Spcl Revenue	30,462,000				30,462,000	1.1%
02402 Traffic & Safety Education	3,624,599				3,624,599	0.1%
Other State Special Revenue	835,457			68,166	903,623	0.0%
State Special Revenue Total	1,088,150,495	-	-	112,941,036	1,201,091,531	42.6%
03170 Grant Clearance Discretionary	331,470,782				331,470,782	11.8%
03002 Public Instruction	37,217,797				37,217,797	1.3%
Federal Special Revenue Total	368,688,579	-	-	-	368,688,579	13.1%
06512 Indirect Cost Pool			7,220,582		7,220,582	0.3%
06067 Advanced Drivers Education			255,788		255,788	0.0%
Proprietary Fund Total	-	-	7,476,370	-	7,476,370	0.3%
Total of All Funds	2,696,499,529	1,700,000	7,476,370	112,941,036	2,818,616,935	
Percent of All Sources of Authority	95.7%	0.1%	0.3%	4.0%		

Non-Budgeted Proprietary Funds

Proprietary funds are used for the OPI indirect cost pool and the advanced drivers' education program. For additional detail, please see the proprietary program descriptions.

Agency Actuals and Budget Comparison

The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	27.53	27.53	27.53	27.53
Personal Services	2,394,762	2,405,902	2,456,449	2,346,105	2,350,321
Operating Expenses	877,471	1,393,575	1,338,061	1,432,872	1,323,802
Equipment & Intangible Assets	0	0	11,635	11,635	11,635
Total Expenditures	\$3,272,233	\$3,799,477	\$3,806,145	\$3,790,612	\$3,685,758
Proprietary Funds	3,272,233	3,799,477	3,806,145	3,790,612	3,685,758
Total Funds	\$3,272,233	\$3,799,477	\$3,806,145	\$3,790,612	\$3,685,758
Total Ongoing	\$3,272,233	\$3,799,477	\$3,806,145	\$3,790,612	\$3,685,758
Total OTO	\$0	\$0	\$0	\$0	\$0

Agency Description

The Superintendent of Public Instruction is an elected official authorized by Article VI, Section 1, of the Montana Constitution. The Office of Public Instruction distributes funding to school districts and provides services to Montana's school-age children and to teachers in approximately 400 school districts. The core responsibilities 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.

Agency staff provide 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 provide 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 additional information about the agency's organization structure, historical expenditures, goals and objectives, and recent studies and audits: <https://www.legmt.gov/lfd/committees/section-e/office-of-public-instruction/>.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, the Office of Public Instruction expended 86.1% of its \$3.8 million nonbudgeted proprietary appropriation. The majority of these expenditures are in OPI's indirect cost pool fund. These expenditures will be discussed in more detail at the program level.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The Office of Public Instruction's non-budgeted appropriation authority for FY 2025 is approximately \$7,000 or 0.2% greater than in FY 2024. This difference is primarily due to equipment and intangible assets cost in FY 2025 only in the Montana DRIVE 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, and 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.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 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	Budgeted	Proposed	Proposed
			FY 2024	FY 2025	FY 2026	FY 2027
Operating Revenues:						
Fees and Charges						
	Federal Indirect Cost Recovery		1,638,537	1,946,717	1,910,035	1,881,778
	Non Federal Ind Cost Recovery		1,405,287	1,692,726	1,720,994	1,720,994
	Total Operating Revenues		3,043,825	3,639,443	3,631,029	3,602,772
Expenses:						
	Personal Services		2,349,206	2,342,897	2,271,481	2,275,695
	Other Operating Expense		811,367	1,290,167	1,296,545	1,282,154
	Total Operating Expense		3,160,573	3,633,064	3,568,026	3,557,849
	Operating Income (Loss)		(116,749)	6,379	63,003	44,923
	Income (Loss) Before Contributions and Transfers		(116,749)	6,379	63,003	44,923
	Change in Net Position		(116,749)	6,379	63,003	44,923
	Beginning Net Position - July 1		170,704	53,955	60,334	123,337
	Prior Period Adjustments					
	Change in Net Position		(116,749)	6,379	63,003	44,923
	Ending Net Position - June 30		53,955	60,334	123,337	168,260
Net Position (Fund Balance) Analysis						
Unrestricted Net Position						

Expenditures

Costs of OPI operations that are paid from the indirect cost pool include:

- Payroll, personnel, accounting, budgeting, data management, cash management, financial reporting, purchasing, mail delivery, and resource center services to all OPI programs
- 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
- Operating costs associated with 27.53 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

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.

Revenues

Indirect cost pool revenues are a function of the amount of expenditures recorded in the State Level Activities Program. Revenues are generated monthly by applying the approved indirect cost rate to the prior month's direct personal services and operating expenditures in both state and federally funded programs.

OPI negotiates an annual predetermined rate with the U.S. Department of Education (DOE). The rates are calculated in accordance with federal regulations and section 17-1-106, MCA. The rate submitted to DOE for FY 2025 is 18.37%. A new negotiation will take place in December 2024 and will be applicable for FY 2026. It is anticipated this rate will remain around 18.37%, which is the submitted rate for FY 2025 and slightly higher than the current legislatively approved rate of 17.0%. OPI is requesting an increase of 2.0% to the legislatively approved restricted and unrestricted rates from 17.0% to 19.0%, based on the federal indirect cost rate determination process as directed by the U.S. Department of Education.

Proprietary Rates

The executive proposes an increase to the Indirect Cost Pool proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds Fee/Rate Information				
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	17.0%	18.37%	19.0%	19.0%

This program is funded with an internal service fund, which is a type of proprietary fund. As such, the legislature approves the maximum rate the program may charge during the biennium. They are not the rates the program must charge.

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.

Proprietary Program Revenues and Expenses

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2027 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 2024	Budgeted FY 2025	Proposed FY 2026	Proposed FY 2027
Operating Revenues:						
Fees and Charges						
	Adv Drivers Fee		171,204	170,000	170,000	170,000
	Other Operating Revenues		27,500	30,000	30,000	30,000
	Vehicles Revenue		-	-	-	-
	Total Operating Revenues		<u>198,704</u>	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>
Expenses:						
	Personal Services		93,548	113,552	74,624	74,626
	Other Operating Expense					
	General		67,529	41,516	41,620	41,648
	Equipment & Intangibles		-	11,635	11,635	11,635
	Total Operating Expense		<u>161,077</u>	<u>166,703</u>	<u>127,879</u>	<u>127,909</u>
	Operating Income (Loss)		<u>37,627</u>	<u>33,297</u>	<u>72,121</u>	<u>72,091</u>
	Income (Loss) Before Contributions and Transfers		<u>37,627</u>	<u>33,297</u>	<u>72,121</u>	<u>72,091</u>
	Change in Net Position		<u>37,627</u>	<u>33,297</u>	<u>72,121</u>	<u>72,091</u>
	Beginning Net Position - July 1		86,842	124,469	157,766	229,887
	Prior Period Adjustments					
	Change in Net Position		<u>37,627</u>	<u>33,297</u>	<u>72,121</u>	<u>72,091</u>
	Ending Net Position - June 30		<u>124,469</u>	<u>157,766</u>	<u>229,887</u>	<u>301,978</u>
Net Position (Fund Balance) Analysis						
Unrestricted Net Position						

Expenditures

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 ongoing cost.

Revenues

Revenues are generated from workshop fees collected from program users. Typically, the program serves 450 to 550 participants a season. The current fee is \$375 per person for a full-day workshop. Program fees should remain within a range of \$375 - \$400 for the biennium. It is anticipated that services will remain approximately the same as present for the 2027 Biennium. Workshop rates are fixed rates evaluated against workshop personnel expenses, operating expenses, and depreciated vehicle costs on a seasonal basis to ensure workshop operating expenses are covered. Inflationary influences are anticipated as best as possible to ensure that inflation does not leave the program in a deficit situation. This fee amount should also cover any unusual maintenance costs that are incurred during a season.

Proprietary Rates

The executive proposes an increase to the Montana DRIVE proprietary rate when compared to the FY 2025 base rates. The figure below shows the rates proposed by the executive for the 2025 biennium.

Requested Rates for Internal Service or Enterprise Funds				
Fee/Rate Information				
	Actual FY 24	Estimated FY 25	Proposed FY 26	Proposed FY 27
Fee Description:	\$375	\$375	\$375 - \$400	\$375 - \$400

This program is funded with an enterprise fund, which is a type of proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

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.

	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	(110,344)	0.00	0	0	0	(106,128)
DP 2 - Fixed Costs	0.00	0	0	0	95,240	0.00	0	0	0	(13,969)
DP 3 - Inflation Deflation	0.00	0	0	0	(429)	0.00	0	0	0	(290)
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	(\$15,533)	0.00	\$0	\$0	\$0	(\$120,387)

*"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 proposes adjustments to the present law personal services budget.

DP 2 - Fixed Costs -

The executive proposes 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: audit fees, Capitol complex rent, information technology services, 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 proposes adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.