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 Montana Association of School Business Officials | Montana Education Association-Montana Federation of Teachers | Montana Quality Education Coalition | Montana Rural Education Association | Montana School Boards Association | School Administrators of Montana

Dear Superintendent Arntzen,

With revenues, substantially below the estimates adopted by the 2017 Legislature forcing Governor Bullock’s decision to invoke budget reduction procedures to restore balance to the state budget pursuant to 17-7-140, we recognize that you will soon be making some difficult decisions regarding where to allocate the cuts for K-12 Public Education. We are hopeful that you share our goal of minimizing the impact of these cuts on Montana’s public schools.

In reading Budget Director Villa’s memo to state agencies from August 30, 2017, we note that the Governor’s office has advised the following:

*“Reductions may be made from any general fund expenditure **not exempted by statute**, including HB 2, any other appropriations bills, statutory appropriations, or language appropriations. . . . Reductions may not exceed 10% of general fund appropriations for any single program.”*

We further understand that the Governor’s Office has recognized your full authority to determine where to allocate your cuts from among all local K-12 funding streams, viewing all those aggregated funding streams as being for a “single program” within the meaning of that term as used in 17-7-140, MCA. In reviewing House Bill 2 appropriations as adjusted by cuts already implemented pursuant to level 4 reductions under Senate Bill 261 (which is the appropriate starting point under 17-7-140, MCA), we note the following line items that appear subject to 17-7-140, MCA:

Local Education Activities	FY18 Amount
Advancing Agricultural Education	\$151,941
In State Treatment	\$787,800
Secondary Vo-Ed (post-SB 261 level 4 reductions)	\$1,500,000
Adult Basic Education	\$525,000
Gifted and Talented	\$250,000
Reimbursement Block Grants (post-SB 261 level 4 reductions)	\$11,556,539
State Tuition Payments	\$402,675
School Food	\$663,861
Transportation	\$11,766,826
Coal Plant Closure	\$1,693,274
Total	\$29,297,916

Ten percent of the total of the above expenditures represents \$2,929,792. Please note that we have deliberately excluded the At-Risk Payment from the identification of state general fund expenditures subject to 17-7-140, MCA above. This is because, notwithstanding how House Bill 2 has been line-itemed by the 2017 and earlier legislatures, the At-Risk Payment is specifically defined in law as part of K-12 "BASE Aid", which is exempt from cuts under 17-7-140(2)(d), MCA. See the definition of BASE aid below for confirmation of this fact:

**20-9-306. Definitions.** As used in this title, unless the context clearly indicates otherwise, the following definitions apply:

- (2) "BASE aid" means:
  - (a) direct state aid for 44.7% of the basic entitlement and 44.7% of the total per-ANB entitlement for the general fund budget of a district;
  - (b) the natural resource development K-12 funding payment for a variable percentage of the basic and per-ANB entitlements above the direct state aid for the general fund budget of a district, as referenced in subsection (10);
  - (c) guaranteed tax base aid for an eligible district for any amount up to 35.3% of the basic entitlement, up to 35.3% of the total per-ANB entitlement budgeted in the general fund budget of a district, and 40% of the special education allowable cost payment;
  - (d) the total quality educator payment;
  - (e) the total at-risk student payment;**
  - (f) the total Indian education for all payment;
  - (g) the total American Indian achievement gap payment; and
  - (h) the total data-for-achievement payment.

We want to make it clear that, if it were our preference, there would be no further cuts to Montana's public schools. The cuts already implemented under Senate Bill 261 have left our members with insufficient resources to assess and report student achievement as required by law (through elimination of the Data for Achievement Payment) with significant cuts on the horizon for CTE programs throughout the state (through the \$500,000 reduction in CTE funding) and with a retraction of the promise of inflation for special education after years of legislative neglect.

With the maximum cuts, allowable for K-12 Public Education under 17-7-140 at just under \$3 million, our recommendation is that you not implement across the board cuts to each of these programs. With the combined fund block grant, currently at \$3 million after the imposition of SB 261 reductions, eliminating the remaining \$3 million in combined fund block grants is the simplest and least painful area where the \$3 million in cuts (assuming a full 10%) could be imposed without further increasing taxes or requiring a further reduction in services to students.

If you have any questions, please let us know.

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