Governor’s Budget Proposal

“Big Picture” Understanding of the Governor’s Proposal and its Potential Impact for Billings Public Schools’ FY12 and FY13 Budgets

Presented to the Board of Trustees for Information and Discussion – December 13, 2010

R. Keith Beeman, Ph.D.
Superintendent
<table>
<thead>
<tr>
<th>Agency</th>
<th>2000 % of State GF</th>
<th>2010 % of State GF</th>
</tr>
</thead>
<tbody>
<tr>
<td>K-12 Public Education</td>
<td>43.64%</td>
<td>37.72%</td>
</tr>
<tr>
<td>Higher Education</td>
<td>11.31%</td>
<td>9.17%</td>
</tr>
<tr>
<td>Health &amp; Human Services</td>
<td>21.13%</td>
<td>19.26%</td>
</tr>
<tr>
<td>Prisons</td>
<td>8.21%</td>
<td>9.75%</td>
</tr>
<tr>
<td>The Rest of State Govt.</td>
<td>15.71%</td>
<td>29.10%</td>
</tr>
</tbody>
</table>
Does the Proposed Budget Represent an Increase in Funding?

- Governor claims $50 million increase. However:
  - $10 million for at-risk students – restore
  - $2.4 million for special education – restore
  - $10.47 million (1.9%) for FY 12 inflationary expenses – entitlement
  - $19 million for (1.53%) FY13 inflationary expenses – entitlement
  - $8 million in miscellaneous funds (e.g. digital academy)
Budget Proposal Contingency

- Quality Educator Payment (approximately $38 million per year) – general fund dollars moved to fund non-education needs
- Proposes to redistribute dollars from local oil and gas revenues from selected school districts to offset the $38 million
Possible Budget Alternatives?

- Advocate for K-12 to get a fair share of state general fund support, including:
  - Otter Creek ($81 million)
  - Education Jobs Fund ($30.7 million)
  - Partial use of Oil and Gas Funds negotiated with impacted school districts
  - Appropriate prioritization of K-12 needs over other spending priorities
Impact on Basic Entitlements

- **Elementary Schools**
  - FY11 (Incl. OTO) $23,257
  - FY12 (Proposed) $23,238
  - FY13 (Proposed) $23,594

- **Middle Schools**
  - FY11 (Incl. OTO) $65,863
  - FY12 (Proposed) $65,812
  - FY13 (Proposed) $66,819

- **High Schools**
  - FY11 (Incl. OTO) $258,487
  - FY12 (Proposed) $258,284
  - FY13 (Proposed) $262,236
Impact on ANB

- Elementary Districts
  - FY11 (Incl. OTO) $5,003
  - FY12 (Proposed) $4,999
  - FY13 (Proposed) $5,075

- High School Districts
  - FY11 (Incl. OTO) $6,405
  - FY12 (Proposed) $6,399
  - FY13 (Proposed) $6,497
Impact on Billings Public Schools

• Budget Assumptions (presently)
  ◦ Governor’s Proposal is Approved
  ◦ Elementary District ANB Flat
  ◦ High School District ANB Decreasing
  ◦ Compensation is Fully Funded
    • Employees receive step, lanes, & longevity
    • Health insurance increases approximately 12%
  ◦ All Positions are Fully Funded (same as FY11)
    • Includes positions funded from ARRA one-time-only returned to the General Fund
• **Budget Assumptions (presently)**
  ◦ Comprehensive insurance increases approximately 10%
  ◦ Utility costs are flat
  ◦ $500,000 for Deferred Maintenance in ES
  ◦ 5% Reserve is Maintained
  ◦ No mill levy increase (budgets at/near cap)
  ◦ Not all one-time-only dollars are replaced
  ◦ Decision of Conoco/Phillips to protest its tax assessment (FY11) is unknown at this time
  ◦ Decision of ExxonMobil to protest its tax assessment (FY12) is unknown at this time in HS
Potential Impact to Elementary District (K-8)

- Elementary (K-8)
  - FY12 Estimated ANB = 10,765 (-20)
    - K-6 ANB = 8,403 (+55)
    - 7-8 ANB = 2,362 (-75)

- Elementary (K-8)
  - FY13 Estimated ANB = 10,808 (+43)
    - K-6 ANB = 8,458 (+55)
    - 7-8 ANB = 2,350 (-12)
## Potential Impact to Elementary District (K-8)

<table>
<thead>
<tr>
<th>Elementary</th>
<th>2010-2011</th>
<th>2011-2012</th>
<th>2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance (including reserves)</td>
<td>3,175,223</td>
<td>4,484,546</td>
<td>3,252,712</td>
</tr>
<tr>
<td>Revenues</td>
<td>64,858,461</td>
<td>65,054,236</td>
<td>65,957,064</td>
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<tr>
<td>Expenditures</td>
<td>63,549,138</td>
<td>67,535,137</td>
<td>69,450,011</td>
</tr>
<tr>
<td>5% for Reserve</td>
<td>3,242,923</td>
<td>3,252,712</td>
<td>3,297,853</td>
</tr>
<tr>
<td>Ending Fund Balance (excluding reserves)</td>
<td>1,241,623</td>
<td>(1,249,067)</td>
<td>(3,538,088)</td>
</tr>
</tbody>
</table>
Potential Impact to High School District (9-12)

- High School
  - FY12 Estimated ANB = 5,311 (-112)
  - FY13 Estimated ANB = 5,202 (-109)
## Potential Impact to High School District (9-12)

<table>
<thead>
<tr>
<th>High School</th>
<th>2010-2011</th>
<th>2011-2012</th>
<th>2012-2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning Fund Balance</td>
<td>1,883,093</td>
<td>1,923,360</td>
<td>1,836,556</td>
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<tr>
<td>(including reserves)</td>
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</tr>
<tr>
<td>Revenues</td>
<td>37,255,658</td>
<td>36,731,128</td>
<td>36,603,193</td>
</tr>
<tr>
<td>Expenditures</td>
<td>37,215,391</td>
<td>38,568,721</td>
<td>39,593,748</td>
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<tr>
<td>5% for Reserve</td>
<td>1,862,783</td>
<td>1,836,556</td>
<td>1,830,160</td>
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<tr>
<td>Ending Fund Balance</td>
<td>60,577</td>
<td>(1,750,789)</td>
<td>(2,984,158)</td>
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<tr>
<td>(excluding reserves)</td>
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</tbody>
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Next Steps

• Board of Trustees
  ◦ Establish position on key legislative issues and provide direction for legislative committee and lobbyists – For Example
    • Redistribution of oil and gas revenues
    • Position of MTSBA on Governor’s Budget
    • Work to seek a revenue compromise/alternative that minimizes impact to school districts

• Superintendent
  ◦ Monitor legislature’s response to Governor’s proposed budget
  ◦ Continue with the budget development process
Questions?