

MINUTES OF THE MEETING  
JOINT SUBCOMMITTEE  
ON EDUCATION APPROPRIATIONS  
MONTANA STATE  
HOUSE OF REPRESENTATIVES

January 8, 1985

Tape 1 Side A

The meeting of the Joint Subcommittee on Education was called to order by Chairman Gene Donaldson on January 8, 1985, at 8:10 A.M. in Room 104 of the State Capitol.

Roll Call: The roll was called and all members were present.

Supplemental Budget Requests from the Office of Public Instruction were the subject of discussion for the meeting.

Chairman Donaldson introduced Pam Joehler and Bill Sykes of the Legislative Fiscal Analyst's Office and Francis Olson and Sib Clack of the Budget Office.

The Chairman discussed those agencies which would be handled by the Subcommittee. The Education Subcommittee will not handle the three cultural agencies: The Historical Society, Arts Council and Library Commission. These agencies will be handled by the Institutions Subcommittee. The Education Subcommittee will handle all areas and levels of education appropriations.

Sen. Haffey (1:A:115) moved that the tentative agenda be adopted, and it was adopted by unanimous vote.

There was discussion regarding the use of inflation factors and the part they should play in the budget. The Chairman also discussed accepting the LFA's budget on personal services, recognizing the possibility that both budget projections could contain some minor errors. The Chairman also discussed the fact that the Subcommittee will deal with the current level budget with modifieds to be handled as separate motions.

Bill Sykes of the Legislative Fiscal Analyst's Office made a presentation regarding the supplementals. The Office of Public Instruction has requested a General Fund

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supplemental of \$52,000 for the 1985 biennium, he said. This includes \$12,363 to be used to match federal school food funds and \$40,414 for Vocational Education. (EXHIBIT NO. 1)

Tom Chesbro (1:A:340), Director of Budget and Accounting for the Office of Public Instruction, spoke regarding the school lunch match. He said that there are two supplemental requests submitted by OPI for School Lunch General Fund match in the amounts of \$2,745 and \$9,618. The latter amount comes about because of an accounting error in Fiscal Year 1983, Mr. Chesbro said. Due to this error, the money was not distributed to the local districts. The \$2,745 amount was under-appropriated by the legislature for the FY 85 biennium, he explained.

Gene Christiaansen (1:A:387), Assistant Superintendent for Vocational Education Services, and John Larson, an attorney with OPI, spoke regarding the \$40,414 audit exception. In balance, the opportunity to fund this repayment agreement with the grant-back provision would be the most economical use of funds, according to Mr. Christiaansen. (EXHIBITS NO. 2 & 3)

Tape 1 Side B

Mr. Chesbro and Mr. Christiaansen (1:B:017) next discussed the \$23,200 supplemental. OPI did not allocate the additional \$23,200 in federal vocational education funds to the five Vo-Tech centers as required by House Bill 2 passed by the 47th Legislature. As a consequence, OPI spent more of the General Fund Contingency established by House Bill 2 for the five Vo-Techs. This resulted in an audit exception with a recommendation that OPI revert \$23,200 to the General Fund. (EXHIBIT NO. 4)

Sen. Haffey (1:B:102) made a motion that the \$23,200 supplemental be approved. It was seconded by Rep. Hand and unanimously approved.


Rep. Hand (1:B:102) made a motion that the supplementals in the amounts of \$9,618 and \$2,745 be approved. This was seconded by Sen. Hammond and unanimously approved.

Sen. Jacobson (1:B:361) made a motion that the \$40,414

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be approved. This was seconded by Sen. Hammond. The motion was approved by six legislators with a negative vote being cast by Rep. Peck.

There being no further business before the Subcommittee, the meeting was adjourned at 9:20 A.M.

  
\_\_\_\_\_  
Gene Donaldson, Chairman

DAILY ROLL CALL

EDUCATION      SUB    COMMITTEE

49th LEGISLATIVE SESSION -- 1985

Date January 8, 1985

[illegible]

# VISITOR'S REGISTER

HOUSE EDUCATION SUB COMMITTEE

BILL

DATE 1-8-85

SPONSOR \_\_\_\_\_

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

January 8, 1985

TO: Representative Gene Donaldson  
Chairman, Education Subcommittee

FROM: Bill Sykes *Bill*  
Assistant Analyst

SUBJECT: Action by Education Subcommittee on Supplementals for the  
Office of Public Instruction

The Education Subcommittee on January 8, 1984 approved four general fund supplementals for the Office of Public Instruction totaling \$75,977 in the 1985 biennium. The supplementals include: (1) \$9,618 for a deficiency in meeting the required state match to federal school food funds in fiscal 1983; (2) \$2,745 for a deficiency in satisfying the required state match to federal school food funds in the 1985 biennium; (3) \$40,414 for a negotiated settlement with the U.S. Department of Education concerning a 1976 audit in which it was determined that 26 local educational agencies failed to satisfy federal regulations on state maintenance of effort--the amount requested is a reduced settlement from the initial repayment requested by the Department of Education of \$1.2 million; and (4) \$23,200 to comply with an audit recommendation of the Legislative Auditor that OPI should have reverted \$23,200 to the general fund in the 1983 biennium as a result of OPI not allocating to the Vocational Technical Centers \$23,200 in additional federal vocational education funds reducing the amount spent by OPI out of the general fund contingency provided in House Bill 2 from Special Session I of the 47th Legislature for the vo-techs.





STATE OF MONTANA  
OFFICE OF BUDGET AND PROGRAM PLANNING  
OPERATIONAL PLAN/BUDGET  
AMENDMENT

EXPLANATION/JUSTIFICATION  
(SEE REVERSE FOR INSTRUCTIONS)

Agency  
Request No.

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of

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AGENCY

CODE

3501

NAME

Office of Public Instruction

THE INFORMATION FOLLOWING IS TO SUPPORT THE ATTACHED OPERATIONAL PLAN/BUDGET AMENDMENT REQUEST

The Office of Public Instruction is requesting a supplemental general fund appropriation of \$40,413.81. The purpose of these funds is to refund to the Federal government for the 1976 audit of the Vocational Education funds which were based on the failure of 26 local education agencies to maintain fiscal effort.

Through a negotiated settlement between the Office of Public Instruction and the United States Department of Education, a payment in this amount will be made on or before August 30, 1985. The payment of this amount does not constitute an admission of error but the payment of this sum is intended solely to give effect to their mutual desire to arrive at an amicable resolution of the issues.

This is the only available source of funding. This request has neither been considered nor rejected by the legislature. No future general funding is committed by this request.

The criteria for this request is that it is mandatory, because of the agreement between this office and the Department of Education to refund this amount of money because of actions taken by this office nine years ago.



U.S. DEPARTMENT OF EDUCATION  
MONTANA OFFICE OF PUBLIC INSTRUCTION

REPAYMENT AGREEMENT

This Agreement is entered into between the Montana State Office of Public Instruction (SEA) and the United States Department of Education (ED). The terms and conditions of the Agreement are as follows:

1. In accordance with provisions "2" through "10" of this Agreement, the SEA agrees to make payment of \$40,413.81 to ED as follows. The payment of this amount, \$40,413.81, will be made on or before August 30, 1985. Notwithstanding the content of the preceding sentence, the SEA at its option to be elected on or before August 1, 1985, may prepay.
2. The SEA and ED agree that ED's acceptance of such \$40,413.81 shall constitute settlement in full of all claims made by ED arising out of an audit conducted by the former Department of Health, Education and Welfare Audit Agency (Audit Control No. 08-90102), which audit is presently the subject of an appeal taken by the SEA to ED's Education Appeal Board (EAB), EAB docket number 4-(69)-81. That audit claim concerns the expenditure by secondary educational LEA's in Montana of the sum of \$165,000 in vocational education funds that ED had distributed to the SEA during fiscal years 1975 and 1976 for Montana vocational-technical education projects.
3. The SEA and ED further agree that said payment and acceptance of the \$40,413.81 as provided in paragraphs "1" and "2" above constitutes neither an admission of fault on the part of the SEA or the LEA's nor admission of error in the audit claims on the part of ED. Rather, the payment and acceptance of this sum by the respective parties is intended solely to give effect to their mutual desire to arrive at an amicable resolution of issues that exist in the appeal before the EAB.
4. Upon execution of this Agreement and ED's receipt of the \$40,413.81, the SEA and ED, Assistant Secretary for Elementary and Secondary Education, will jointly submit to the EAB a motion for dismissal of the appeal filed by the State of Montana, docket number 4-(69)-81. However, under no circumstance will the motion for dismissal filed by both parties occur after November 10, 1985, so as to trigger any further action by the Education Appeal Board (EAB).
5. The SEA and ED further agree that except with regard to any grant-back proposal(s) the SEA may submit as described a paragraph "6" below, and subject to the dismissal of the SEA's appeal by the EAB, ED's acceptance of the full \$40,413.81 as specified in paragraphs "1" and "2" will be the SEA's and Ed's final action regarding the audit claims involved in the EAB appeal.
6. Upon or accompanying each of the installment payments described in paragraph "1" above, the SEA, at its option, may apply for a grant-back of up to 75 percent of such payment in accordance with the terms and conditions of Section 4.56 of the General Provisions Act (20 U.S.C., Section 1234e [supp. 1983] ). ED will provide technical assistance in the preparation of the grant-back application and will accept and review the application so submitted. Any grant-back approved will be funded from federal sources and not subject to maintenance of effort.

7. SEA agrees to repay the \$40,413.81 obligation with nonfederal funds or with federal funds for which there is no accountability required to the federal government.
8. The SEA shall make such payment by check payable to the "U.S. Department of Education" and forwarded to:

U.S. Department of Education  
Office of Financial Management  
Receivables Control Branch  
F.O.B.--6, Room 3085  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202

9. By this Agreement, the SEA certifies that it is presently in compliance with all requirements of law, whether by statute or regulation, that pertain to the administration and implementation of the programs contained in Chapter 1 of the Education Consolidation and Improvement Act of 1981, Pub. L. No. 97-35, as amended.
10. By this Agreement, the Secretary of Education does not condone or permit any violation of law or regulation, whether past, present, or future and, except with regard to the amount of repayment the SEA is to make with regard to audit control number 08-9-102, does not waive any right to bring civil or criminal action in relation thereto. Nor does the SEA waive any defenses or counter claims thereto.

DATED AND SIGNED

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U.S. Department of Education  
Office of the General Counsel

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Assistant Secretary for Vocational  
and Adult Education

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Attorney for the State Office of  
Public Instruction

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Superintendent  
Montana Office of Public Instruction

cmw24



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF THE GENERAL COUNSEL

1976 -  
Audit file

NOV 29 1984

The Honorable Orman W. Ketcham  
Chairperson  
Education Appeal Board  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202

Re: Vocational Education Audit Appeal  
State of Montana  
Docket No. 4--(68)-81  
Audit Control No. 08-90102

Dear Judge Ketcham:

We are enclosing for filing in the above-captioned appeal the original and four copies of a joint Stipulation of the parties to the appeal.

Sincerely,

*Lynette A. Charboneau*

Lynette A. Charboneau

Attorney for the Assistant  
Secretary for Vocational and  
Adult Education

cc: John W. Larson

EDUCATION APPEAL BOARD  
U.S. DEPARTMENT OF EDUCATION

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	)	
Appeal of the	)	Docket No. 4-(69)-81
STATE OF MONTANA	)	Audit Control No. 08-90102
	)	
	)	
_____	)	_____

STIPULATION

The parties in this appeal--the State of Montana (the State) and the Assistant Secretary for Vocational and Adult Education (the Assistant Secretary)--hereby stipulate that:

(1) On January 19, 1981, the Assistant Secretary issued a final letter of determination, requesting the State to return \$165,521.43 to the U.S. Department of Education. Refunds were requested based on two claims: (1) failure of 26 local educational agencies (LEA's) to maintain fiscal effort (\$163,761.43), and (2) overreporting of expenditures (\$1760).

(2) On December 9, 1982, the Assistant Secretary filed a Stipulation with the Chairman of the Education Appeal Board, indicating that section 452(g) of the General Education Provisions Act (GEPA), 20 U.S.C. § 1234a(g), barred recovery of the claim for overreporting (\$1760), reducing the amount demanded in refund to \$163,761.43.

(3) On October 24, 1984, at the prehearing conference for this matter, the parties stipulated that recovery of an

additional \$25,769.50 of the funds in dispute was barred by the statute of limitations. Accordingly, the \$163,761.43 sought for the failure to maintain local fiscal effort has been reduced to \$137,991.93. That amount constitutes payments made during Fiscal Year (FY) 1976 to ineligible LEA's.

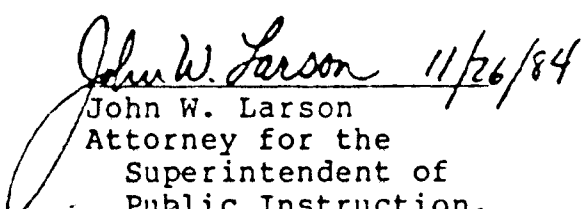
(4) The State has documented that one LEA (Sunburst), for which a \$4938 refund was sought, did not receive any Federal vocational education funds in FY 1976. Therefore, the Assistant Secretary withdraws his claim for \$4938. The State also has documented that \$93,019.12 of the FY 1976 funds are barred from recovery by section 452(g) of GEPA. Each LEA and the portion of the recovery requested for each that is barred is as follows:

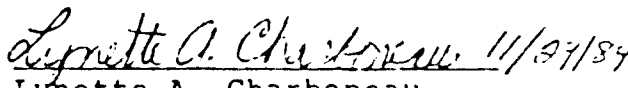
<u>LEA</u>	<u>Amount barred from recovery</u>
1. Belgrade	4,320
2. Broadview	1,179
3. Browning	<del>279</del> \$41,801.00 JAL XAC
4. Clyde Park	311
5. Cut Bank	525
6. Dawson County	3,910
7. Forsyth	1,311
8. Jefferson	930
9. Malta	1,205
10. Ronan	5,113
11. Rosebud	1,708
12. Rudyard	745

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13. Seeley-Swan	775
14. Sidney	6,029
15. Shepherd	2,446
16. Sunburst	4,938
17. Victor	32
18. White Sulphur Springs	305.12
19. Miles Com- munity College	15,081
20. Montana State Prison	4,914
Total	<hr/> \$97,578.12

(5) The recovery requested by the Assistant Secretary is reduced to a new total of \$40,413.81 (\$137,991.93-\$97,578.12).

 11/26/84  
John W. Larson  
Attorney for the  
Superintendent of  
Public Instruction,  
State of Montana

 11/27/84  
Lynette A. Charboneau  
Attorney for the Assistant  
Secretary for Vocational  
and Adult Education

EDUCATION APPEAL BOARD  
U.S. DEPARTMENT OF EDUCATION

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	)	
Appeal of the	)	Docket No. 4-(69)-81
	)	
STATE OF MONTANA	)	Audit Control No. 08-90102
	)	
_____	)	_____

CERTIFICATE OF SERVICE

The undersigned attorney for the Assistant Secretary does hereby certify that on November 29, 1984, a copy of the attached joint Stipulation of the parties was forwarded by mail to the attorney for the State of Montana, Mr. John Larson.

Respectfully submitted,

Lynette A. Charboneau  
Lynette A. Charboneau

Attorney for the Assistant  
Secretary for Vocational and  
Adult Education

1-8-85

Local educational agencies and institutions that did not meet maintenance of effort requirements after adjustments were considered. These schools had no unusual circumstance or, the adjustment was not large enough to allow them to maintain effort within the five percent rule.

LEA or Institution	Year that did not qualify for federal funds and amounts		Total	ADJ. Amt OF PAYBA
	1975	1976		
Hardin HS	\$13,233.87	-	\$13,233.87	2746
Dawson County HS	-	\$6,540.00	6,540.00	<del>2227</del>
Three Forks HS	799.75	-	799.75	
Belgrade HS	-	7,738.00	7,738.00	3418
Browning HS	-	42,180.00	42,180.00	<del>1222</del> 86
Cut Bank HS	1,339.30	945.00	2,284.30	420
Havre HS	5,848.99	-	5,848.99	
Rudyard HS	-	1,341.00	1,341.00	596
Jefferson HS	-	1,674.00	1,674.00	744
Polson HS	822.71	-	822.71	
Ronan HS	-	9,203.00	9,203.00	4090
Lincoln Co. HS	547.00	-	547.00	
Circle HS	3,177.88	-	3,177.18	
White Sulphur Springs HS	-	336.63	336.63	244
Seeley-Swan HS	-	1,394.00	1,394.00	619
Clyde Park HS	-	559.00	559.00	248
Malta HS	-	2,168.00	2,168.00	963
Victor HS	-	57.00	57.00	25



LEA or Institution	Year that did not qualify for federal funds and amount		Total	ADJ. AMT OF PAYED
	1975	1976		
Sidney HS	-	\$11,180.00	\$11,180.00	5151
Forsyth HS	-	2,360.00	2,360.00	1049
Rosebud HS	-	3,074.00	3,074.00	1316
Sunburst HS	-	4,933.00	4,938.00	0
Broadview HS	-	2,122.00	2,122.00	943
Shepherd HS	-	4,403.00	4,403.00	1957
Secondary Total	\$25,768.80	\$102,212.63	\$127,981.43	<del>31,011</del> 24,065
<u>Postsecondary</u>				
Miles Community College	-	\$ 27,356.00	\$ 27,356.00	12,275
Montana State Prison	-	8,424.00	8,424.00	3743
Postsecondary Total	0	35,780.00	35,780.00	16,018
Total	\$25,768.80	\$137,992.63	\$163,761.43	<del>5,000</del> 40,683

$$137,992.63 - 85,399 = 52,594$$

$$137,992.63 - 97,309.63 = 40,683$$



STATE OF MONTANA  
OFFICE OF BUDGET AND PROGRAM PLANNING  
OPERATIONAL PLAN/BUDGET AMENDMENT

FORM CODE	B212
AGENCY REQUEST NO.	1
PAGE	1 of 2
DOCUMENT NUMBER	

FOR FISCAL YEAR 85

REQUEST APPROVAL FOR

Statutory Approp.

Budget Amendment

Building Program

Program Transfer

EXH 4

Leg's. Approp.

Admin. Approp.

XX Supplemental

1-8-85

Other

AGENCY CODE	AGENCY NAME	PROG. CODE	PROGRAM NAME
3501	Office of Public Instruction	03	Vocational Education

EXPENDITURE DETAIL	EXPLANATION AND/OR JUSTIFICATION FOR THIS ACTION SET FORTH ON ATTACHED JUSTIFICATION FORM		CURRENT	INCREASE (DECREASE)	REVISED
	FULL TIME EQUIVALENT EMPLOYEES (F.T.E.)				
	1100	Salaries			
	1200	Hourly Wages			
	1300	Other Compensation			
	1400	Employee Benefits			
	TOTAL PERSONAL SERVICES				
	2100	Contracted Services			
	2200	Supplies and Materials			
	2300	Communications and Transportation			
	2400	Travel			
	2500	Rent			
	2600	Utilities			
	2700	Repair and Maintenance			
	2800	Other Expenses			
	2900	Goods Purchased for Resale			
	TOTAL OPERATING EXPENSES				
	3100	Equipment			
	TOTAL EQUIPMENT				
	TOTAL OPERATING COSTS				
	8100	Transfers	-0-	23,200	23,200
	TOTAL PROGRAM COSTS		-0-	23,200	23,200

FINANCING	Approp. No.	SBAS APPROPRIATION NAME (Limit to 30 Characters)			
	A	Supplement General Fund -1	-0-	23,200	23,200
	B				
	C				
	D				
	E				
	F				
	G				
	TOTAL FUNDING		-0-	23,200	23,200

D. P. ENCODING	Approp. No.	Bill Number	Acct. Entity	Responsibility Center	Expend. Withdrwl.	Expend. Restr.	Cont.	Transaction Description (Limit to 30 Characters)
	A		01100		5205	3100		Supplemental 1
	B							
	C							
	D							
	E							
	F							
	G							

I certify that this action complies with appropriation acts and applicable statutes.



STATE OF MONTANA  
OFFICE OF BUDGET AND PROGRAM PLANNING  
OPERATIONAL PLAN/BUDGET  
AMENDMENT

EXPLANATION/JUSTIFICATION  
(SEE REVERSE FOR INSTRUCTIONS)

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AGENCY

3501

Office of Public Instruction

THE INFORMATION FOLLOWING IS TO SUPPORT THE ATTACHED OPERATIONAL PLAN/BUDGET AMENDMENT REQUEST

The purpose of this document is to obtain general fund support needed in order to comply with the audit recommendation 3 in the Vocational Technical Center audit of June 30, 1984. This recommendation reads as follows:

Distribution of Federal Funds

During fiscal year 1982-1983 OPI was granted \$1,849,794 of Federal Vocational Education Basic Grant money. House Bill 2, Laws of 1981, states:

"if the total federal vocational education funds granted to Montana for fiscal year 1983 exceed \$2,086,590\* the Office of Public Instruction shall, to the maximum extent allowable by federal law, make the additional funds available, (not to exceed \$1,308,000), to the vocational-technical centers. The additional funds shall first be used to reduce contingency amounts."

\*Includes Basic Grant and other types of vocational education funds.

Federal law allows only Basic Grant moneys to be disbursed to vo-tech centers. OPI estimated they would receive \$1,632,960 of Basic Grant moneys. Federal regulations require 20 percent of the Basic Grant moneys to be used for the disadvantaged and 10 percent be used for the handicapped. To comply with the appropriation, the remaining excess should have been given to the centers. The following table represents how the Basic Grant funds should have been distributed.

BASIC GRANT DISTRIBUTIONS  
FISCAL YEAR 1982-83

<u>Basic Grants</u>	<u>How Funds</u> <u>Were Allocated</u>	<u>Proper</u> <u>Allocation</u>	<u>Difference</u>
Post-Secondary	\$1,000,046	\$1,023,246	\$(23,200)
Other*	849,748	826,548	23,200
	<u>\$1,849,794</u>	<u>\$1,849,794</u>	<u>\$ -0-</u>

\*Other Basic Grants are primarily subgrants to secondary schools.

Because House Bill 2 was passed on December 4, 1981, or more than fourteen months before the state plan was approved by the federal government on February 7, 1983, OPI should have been able to submit a plan that was in compliance with the law. If OPI complied with the law, the centers would have received \$23,200 more and other subgrantees \$23,200 less in Basic Grant funds. The additional \$23,200 the centers would have received should have been used to reduce the amount used from the contingency fund discussed on page 4. Instead of using \$73,144 from the contingency fund, OPI should have only used \$49,944. Therefore, OPI should return the \$23,200 to the General Fund.



STATE OF MONTANA  
OFFICE OF BUDGET AND PROGRAM PLANNING  
OPERATIONAL PLAN/BUDGET  
AMENDMENT

EXPLANATION/JUSTIFICATION  
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Office of Public Instruction

THE INFORMATION FOLLOWING IS TO SUPPORT THE ATTACHED OPERATIONAL PLAN/BUDGET AMENDMENT REQUEST

If this request is granted, the transaction required of this office would be to take these funds and immediately return them to the General Fund. This action would not require the state general fund to be reduced since it is only a paper transfer.

If this request is not granted it would leave the Office of Public Instruction no options. In order to comply with the audit, the funding would have to come from current appropriated funds. Since these funds are fully allocated to maintain current level programs, it would probably be necessary to reduce staff within the vocational education unit.

In fiscal year 1982-83, \$1,000,046 of federal funds were granted to the five centers. Therefore, OPI was eligible to use \$78,446 of the contingency fund. OPI submitted a budget amendment requesting the Office of Budget and Program Planning (OBPP) to transfer \$73,144 appropriation authority from the contingency fund to the centers. OBPP approved the request, and the centers received the additional General Fund moneys.

Since the contingency fund appropriation was not reduced, the state's total general fund appropriation authority was increased by \$73,144. General Fund appropriations cannot legally be increased without legislative approval. According to OBPP officials, there are inadequate controls over contingency funds to detect this type of error. In order to comply with the appropriation bill, OBPP should establish procedures to control appropriation authority over contingency funds.

#### RECOMMENDATION #3

WE RECOMMEND THE OFFICE OF BUDGET AND PROGRAM PLANNING ESTABLISH PROCEDURES TO CONTROL APPROPRIATION AUTHORITY OVER CONTINGENCY FUNDS.

#### Distribution of Federal Funds

During fiscal year 1982-83 OPI was granted \$1,849,794 of Federal Vocational Education Basic Grant money. House Bill 2, Laws of 1981, states:

"if the total federal vocational education funds granted to Montana for fiscal year 1983 exceed \$2,086,590\* the Office of Public Instruction shall, to the maximum extent allowable by federal law, make the additional funds available, (not to exceed \$1,308,000), to the vocational-technical centers. The additional funds shall first be used to reduce contingency amounts."

\* Includes Basic Grant and other types of vocational education funds.

Federal law allows only Basic Grant moneys to be disbursed to vo-tech centers. OPI estimated they would receive \$1,632,960 of Basic Grant moneys. Federal regulations require 20 percent of the Basic Grant moneys be used for the disadvantaged and 10 percent be used for the handicapped. To comply with the appropriation, the remaining excess should have been given to the centers. The following table represents how the Basic Grant funds should have been distributed.

BASIC GRANT DISTRIBUTIONS  
FISCAL YEAR 1982-83

<u>Basic Grants</u>	<u>How Funds Were Allocated</u>	<u>Proper Allocation</u>	<u>Difference</u>
Post-Secondary	\$1,000,046	\$1,023,246	\$(23,200)
Other*	849,748	826,548	23,200
	<u>\$1,849,794</u>	<u>\$1,849,794</u>	<u>\$ -0-</u>

\* Other Basic Grants are primarily subgrants to secondary schools.

Because House Bill 2 was passed on December 4, 1981, or more than fourteen months before the state plan was approved by the federal government on February 7, 1983, OPI should have been able to submit a plan that was in compliance with the law. If OPI complied with the law, the centers would have received \$23,200 more and other subgrantees \$23,200 less in Basic Grant funds. The additional \$23,200 the centers would have received should have been used to reduce the amount used from the contingency fund discussed on page 4. Instead of using \$73,144 from the contingency fund, OPI should have only used \$49,944. Therefore, OPI should return the \$23,200 to the General Fund.

RECOMMENDATION #4

WE RECOMMEND OPI:

- A. RETURN \$23,200 TO THE GENERAL FUND IN COMPLIANCE WITH HOUSE BILL 2.