

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON EDUCATION

Call to Order: By Rep. Ray Peck, on January 12, 1989, at
8:00 a.m.

ROLL CALL

Members Present: All with the exception of:

Members Excused: Rep. Bob Marks

Members Absent: None

Staff Present: Keith Wolcott, Senior Fiscal Analyst
Sandra Whitney, Associate Fiscal Analyst
Joe Williams, Budget Analyst, OBPP
Claudia Johnson, Committee Secretary

Announcements/Discussion: None

HEARING ON OFFICE OF PUBLIC INSTRUCTION

Tape No. H/1:000

Presentation and Opening Statement: Nancy Keenan,
Superintendent of Public Instruction, gave a brief
overview of her concerns regarding OPI. This was
followed by introductions of the speakers who would be
testifying on behalf of the Office of Public
Instruction. Ms Keenan stated that education is the
State's largest business with state and local
expenditures exceeding \$640,000,000. The education
business is growing and she felt the awareness about
the underfunded lawsuit is in part responsible for
creating the tremendous demand for the services of the
office. To make the situation even more difficult, the
staff level has been cut continuously since 1983 while
K-12 school enrollments have remained stable. The
problems she faces are in an unacceptable audit report
which includes distribution of school funds based on
inadequate or inaccurate reports; an organizational
structure that doesn't match the budget; a requirement
for curriculum assistance to all grades with no
elementary curriculum staff; incompatible data and word
processing equipment, some of which is incompatible
with the state computer; a staggering legal caseload
with some cases over three years old; and an additional

reduction of nearly eight FTE to make it even more impossible to meet statutory responsibilities. Miss Keenan then explained the needs of her office which are: information needs to be accessible from a common computer base; reorganization with a need to set up accounting to comply with organizational structure; establish the capability to measure the effectiveness of Montana's educational policies; resources to effectively comply with all statutory responsibilities or the responsibilities reduced; demonstrate to the Legislature that the office is effectively using the resources provided to do the job; have as clean an audit as possible; keep staffing at current level with the positions cut from the budget restored and an extra few months to establish a very convincing analysis of the problems they face administering the office.

The remaining critical issues were travel reductions, equipment with a biennial request of approximately \$190,000 which is a decrease from what the previous superintendent requested; modified level requests with the approval of the two mods eliminated in special education and secondary vocational education; and one office in one building.

List of Testifying Proponents and What Group They Represent:

Kathy Fabiano, Administrator, Centralized Services
Greg Groepper, Assist. of Superintendent for Operations, OPI
Gail Gray, Assist. Supt. for Curriculum Services
John Voorhis, Dir. of Teacher Education, OPI
Robert Runkle, Dir. of Special Education, OPI
Leonard Lombardi, Vocational Agriculture Specialist

Presentation and Opening Statement:

Miss Keenan then introduced Ms. Kathy Fabiano, Centralized Services Administrator, who covered the accounting concerns. Miss Fabiano stated that OPI has six programs and OPI would like to put that into one program and handle the accounting as such in HB 100 rather than distribute it out of the six programs. Discussion followed. See Exhibit #1, Exhibit #2, Exhibit #3, Exhibit #4 and Exhibit #5.

Greg Groepper, Assistant Superintendent for operations, OPI stated that The Office of Public Instruction does not want to come to the Subcommittee with an inaccurate set of numbers at the end of this month and then find out four months down the road that they made a serious mistake. OPI is not talking about the distributions to

schools or any special education that goes to these schools, basically they were talking about the five programs that make up approximately \$5.2 million dollars of the OPI budget. OPI wants the Subcommittee to consider a single appropriation for the entire agency rather than appropriation by program for one biennium. This would give them time to set up the 1600 plus responsibility centers in the right order to reflect their organization so they could come before the Subcommittee next session with good numbers.

Tape H/2:000

OPI felt that if they had an agency appropriation for one session, they could give the Subcommittee very good accountable information at the next session. Their intent is not to subvert the legislative process. They would like to start on the right track and get the accounts set up, get out of unacceptable audit decisions which they have had for the last several years and be able to bring back the programs that fit their organizational chart and the accountability they felt the Subcommittee deserved.

(023)

Rep. Peck stated the Subcommittee would be as concerned about the process as they were that OPI was meeting its constitutional responsibility to see that all dollars are spent in a responsible manner. He felt what Mr. Groepper was actually saying was that OPI was not able to give the kind of information under the present program structure that the Subcommittee would want but could provide them a budget at the agency level.

Mr. Groepper responded that Rep. Peck was correct. He felt the Legislature had authority to appropriate at the agency level and put specific language in the appropriations bill that says it can be done for only one biennium to allow OPI to set up an accounting structure to reflect the new organization they expect to setup next biennium. The LFA would then know where the people are, the Subcommittee would know where the dollars were spent and OPI would be on track next session.

(048)

Rep. Peck said his concern was not whether the Subcommittee had the authority to do this, he was sure it did, but he felt the Subcommittee could not delegate that authority anywhere else nor delay. Discussion followed.

(207)

Rep. Peck asked the LFA and the Budget Director to come in and make comments, regarding the OPI's request of more time, to the Subcommittee because it was a very big issue.

(215)

Mr. Groepper then briefly discussed Program 5 which was is the Administrative Services Program. He stated the total computer equipment budget for the program was \$55,691 which was broken down into four general areas. See Exhibit #6. Discussion followed.

(438)

Ms. Gail Gray, Assistant Superintendent for Curriculum Services, gave brief overview of three of the units they have within the office. Theses are Basic Skills, Special Services and Vocational Education. She then introduced John Voorhis.

(448)

John Voorhis, Director of Teacher Education, Certification, and Staff Development for Public Instruction, stated the basic skills portion of the office has historically included nine of the traditional subject area specialists (art, music, math, foreign language, library, health and P.E., social science, science and English) and the activities of certification and accreditation. The primary role of the three entities has been to provide technical assistance and educational leadership for the state. In the area of the curriculum specialists, the activities usually center around two major educational functions which are receiving new programs and traveling to and at the request of school districts. Schools in their particular subject areas to accomplish tasks. He spoke on certification and stated during the period of July 1, 1987 through June 30, 1988, certification received 8996 phone calls and wrote 757 letters, 75% of which related to technical assistance. The final area he spoke on was accreditation stating a considerable amount of time is devoted to providing technical assistance to individuals and districts to meet accreditation standards. See Exhibit #8. Discussion followed.

(589)

Ms. Gray introduced Robert Runkle, Director of Special Education.

(593)

Mr. Runkle spoke to the Subcommittee on special services which includes fourteen program areas. He stated that

the staff for eleven of these programs are funded at or near 100 percent with federal funds. The staff responsibilities in the Special Services Department included technical assistance to schools serving special populations. The responsibilities are to provide technical assistance, education leadership, and to ensure the districts are in compliance with federal program requirements so as not to jeopardize Montana's receipt of federal funds. The two largest programs in the Special Services Department are Chapter 1 and special education. He described each of these. See Exhibit #9.

(703)

Ms. Gray introduced Mr. Leonard Lombardi, Vocational Agriculture Specialist.

Tape I/1:000

Mr. Lombardi's presentation included a screen illustration. He stated OPI divided the presentation into three Vo-Ed program areas. Slide #1 was Alternative and Enrichment Programs which provide services to both the homeless adult and homeless youth and includes Adult Education, Community Education and the Job Training Partnership Act. Slide #2 was titled K-12 Vocational Education Programs. Slide #3 was titled K-12 Vocation Education Programs Areas of Responsibility and Activities with the two major areas being K-12 Vo-Ed and Federal Grants. Slide #4 was titled Carl Perkins Vo-Ed Act - programs which OPI administers. Discussion followed.

Rep. Peck delcared a recess from 9:40 a.m. until 9:50 a.m.

(112)

Ms. Gray discussed the Audiovisual Library stating the Library provides curriculum resource material for all subject areas taught in Montana's private and public schools, (K-12). They have 2,100 titles of which nearly 20 percent are in video format and the remaining are 16mm. See Exhibit #12. Discussion followed.

(303)

Ms. Gray read written testimony from Mr. Curt Hahn, Traffic Education Specialist, regarding the Montana Advanced Driver Education Program. See Exhibit #13. Discussion followed.

(585)

Ms. Gray gave testimony on support for additional travel money above what had been recommended and testimony on support for additional equipment. The five modifications that relate to operations. She addressed

four of the five modifications which were recommended by the Governor's Office and are 100 percent federal funded. She spoke first on the Byrd Scholarship Program modified budget which is to allow OPI to utilize the federal funds to provide \$1,500 scholarships to seventeen students.

Second, the Chapter 1 budget modification which came about as a result of the reauthorization of the Chapter 1 Program which has additional requirements for the state education agency to carry out in their administrative function.

Tape I/2:000

Third was Education for Homeless Children and Youth Act for \$50,000 which included one FTE. Discussion followed.

(146)

Fourth was an \$80,000 request for each year of the 1991 biennium for authority for Title II Math Science Grant which provides money for teachers to acquire additional training in the areas of math, science, foreign language and computer learning. Discussion followed.

(166)

Ms. Gail Gray stated OPI had two additional areas to discuss and stated the first was equipment justification. It was the feeling of OPI that the total amount of the \$207,000 plus what was requested by the previous administration was certainly defensible, but current administration came up with absolute necessities which reduces the figure to \$190,493. See Exhibit #14.

(230)

Mr. Tom McGree, representing U.S. West Company, stated he appreciated the break in Ms. Gail Gray's testimony to allow his testimony. Concerning the Hearing Conservation Program, U.S. West has committed and is in the process of funding \$120,000 for hearing and testing primarily directed to young children and adults. This amount is committed for FY 90 and FY 91 which would supplement existing funding through OPI. U.S. West feels this is a good investment and it is done in all seven of the Mountain Bell states. Of the seven states the number of Montana people tested, exceed the total of all other six states. He felt the program in Montana is an excellent one.

(283)

Ms. Gail Gray continued with explanation of Exhibit #14,

Equipment Expenditure Estimates FY '90-91.

(360)

Rep. Peck dismissed OPI to discuss travel days with the Subcommittee.

There being no further business the Subcommittee was adjourned.

ADJOURNMENT

Adjournment At: 11:00 a.m.


Rep. Ray Peck, Chairman

RP/cj

1021.min

DAILY ROLL CALL

EDUCATION

SUBCOMMITTEE

DATE

Jan 12, 1989

NAME	PRESENT	ABSENT	EXCUSED
REP. RAY PECK, CHAIRMAN	✓		
SEN. SWEDE HAMMOND, VICE CHAIRMAN	✓		
SEN. PAUL BOYLAN	✓		
SEN. JUDY JACOBSON	✓		
REP. MIKE KADAS	✓		
REP. BOB MARKS	<i>excused</i>		
SEN. DENNIS NATHE	✓		

1
DATE Jan. 12, 1984
HB _____

INTRODUCTION

Mr. Chairman If it is agreeable to the committee, I thought it made sense to present our position on the mods the Budget Office cut tomorrow. Since the mods the Budget Office approved are not distributions, we're prepared to make our presentation on those mods today.

If it is agreeable to the Committee, I would like to provide a brief overview of my concerns as the newly elected Superintendent. Then Kathy Fabiano, my Centralized Services Administrator will cover our accounting concerns, followed by Gregg Groepper, Assistant Superintendent for Operations who will cover Administrative Services. Gail Gray, with the aid of a few staff will do a brief overview of her area of responsibilities, and also cover the mods.

It's a pleasure to be here. You folks are probably used to it. I'm pleased we're one of the "new kids" on the block, we've had only 8 days to prepare, and we didn't have to ask for an extension. I'm amazed that on my 8th day in office we're before the Appropriations Subcommittee to start the process of justifying one of the largest budgets in State government.

1. In total expenditures, education is the "Biggest Business " with state and local expenditures exceeding \$640,000,000.

2. Our business is growing. I think the awareness about the underfunded lawsuit is, in part responsible for creating the tremendous demand for the services of our Office.

3. To make the situation even more difficult, our staff level has been cut continuously since 1983, while school enrollments K-12 have remained stable. (Hand out the chart on K-12 enrollments and expenditures).^(A)

PROBLEMS I FACE

1. An unacceptable audit report which includes distribution of school funds based on inadequate or inaccurate reports.
2. An organizational structure that doesn't match the budget

3. A requirement for Curriculum assistance to all grades with no elementary curriculum staff. In fact:

- a. No reading specialist
- b. No language specialist
- c. No elementary curriculum specialist
- d. No full time home ec. specialist

4. Incompatible data and word processing equipment, some of which is incompatible with the state computer.

5. A staggering legal caseload with some cases over 3 years old.

6. And now, as of yesterday, I have an additional reduction of nearly 8 FTE to make it even more impossible to meet my statutory responsibilities. (hand out summary of vacant FTE cut in full Appropriations.) (B)

NEEDS

1. Information needs to be accessible from a common computer base (currently have different operating systems ,Honeywell, Apple, IBM, IBM compatible).
Urgently need to get off Honeywell and on to IBM to interface with state system in all data and word processing.

2. Reorganization. Provide draft org chart. Underscore need to set up accounts to comply with organizational structure. Goal to make expenditure information easier to understand, and also ensure staff do not have more than one boss. ©

3. Need to establish the capability to measure the effectiveness of Montana's educational policies. (Tell the Native American dropout story re. M.S.U.)

4. Either need the resources to effectively comply with all of my statutory responsibilities, or we need to have those responsibilities reduced. Given the public scrutiny of education this is not the time to reduce our role as a resource for Montana's schools, especially Montana's rural schools.

5. We need to demonstrate to you, the Legislature, that we are effectively using the resources you provide to do the job. We can do a better job, but we can't do it with significantly fewer resources than my predecessor. The awareness of education issues has increased demands for our services incredibly for curriculum services.

6. Need to have as clean an audit as possible. As leaders in education we need to set a fiscal example for the school districts.

7. Need to keep my staffing at current level if I'm to do the job I was elected to do. I would ask that the positions cut from my budget be restored. As you can see from the handout, we already have staff in some of them. The only reason they aren't all filled is because we're in the process of first filling the personnel officer position. In his previous position, Ray Shackelford agreed we should be cut no further on staffing. In fact, if you look at the staffing history the Office has had a disproportionate reduction in staffing. I'm asking that we make no further cuts. (Hand out chart comparing our reductions to other agencies.) ^D

8. I was elected on a platform to improve education. I cannot make improvements with significantly fewer resources than my predecessor. If we had a few months we could come in here with a very convincing analysis of the problems we face administering the office.

In my judgement it is far more important to work cooperatively to resolve our differences on the Office budget so we have the time and energy to resolve the school funding problem. That's why we are asking for less than my predecessor did so we can focus energy on solving the foundation funding problem.

REMAINING CRITICAL ISSUES

Travel Reductions You can't be a resource to the districts by sitting in Helena. As we go through the various programs we will provide you a full explanation of why the travel budget requested makes good sense. Increased demands on this office probably justify more money than the Office requested.

Equipment We had to start from scratch on the equipment request. While we don't agree with all the types of equipment originally requested, we'll be prepared to thoroughly justify the equipment request for each program. We are asking for a decrease from what the previous superintendent requested. Our biennial request would amount to approximately \$ 190,000

Modified Level Requests The Governor's Office cut 5 of the 10 mods requested. We would like you to consider approving 2 of the mods the Governor eliminated. (\$7.7M for special education and \$1.8M for secondary vocational education). I'm willing to also withdraw my request for \$50,000 for

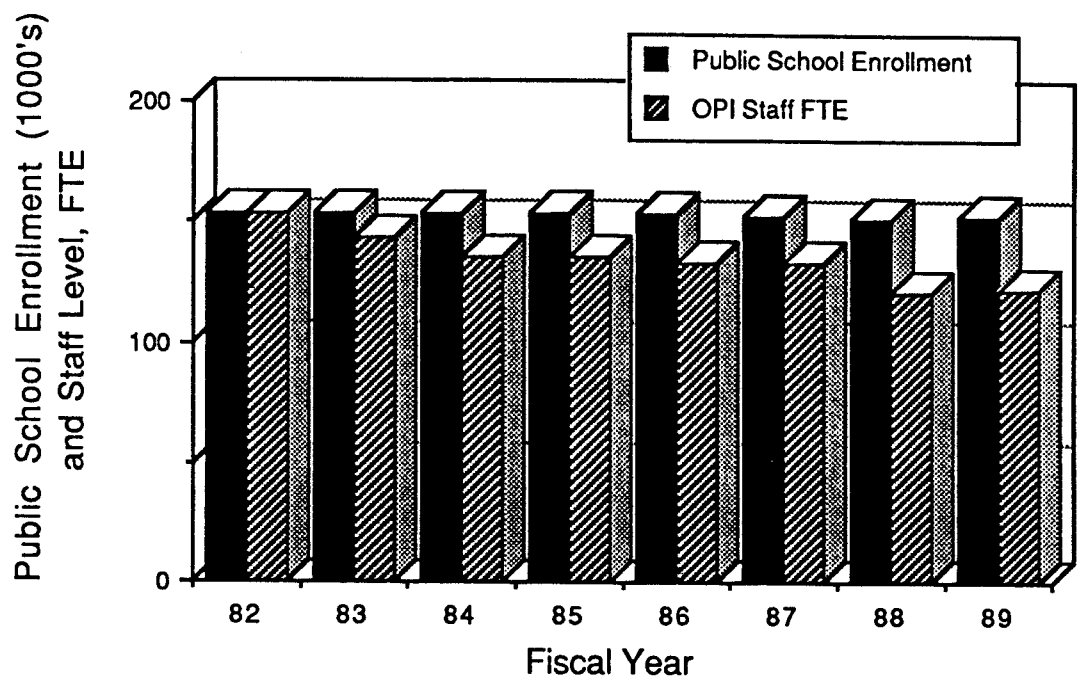
implementation of an assessment program assuming my request for reinstatement of staff is honored. We will be prepared to justify our requests when we get to that point of the discussions.

One Office, One Building The one request not included in the original O.P.I. budget was the resources to put the staff of the Office under one roof. In the short time I've been in office I'm convinced it's the major reason the Office has not performed as efficiently as you would have preferred. It's so important that I am willing to consider giving up my space in the Capital if sufficient resources are provided to house the Office in adequate space in one building. I realize now is not the time to thoroughly discuss this issue. I would just like to indicate my willingness to consider the possibility.

Finally, Mr. Chairman, There are a few people here to make a statement regarding our budget. Mr. Tom McGree from U.S. West concerning the audiology partnership with U.S. West; Mr. Alan Nicholson of the Board of Public Education; and Eric Freaver from the M.E.A. when you get to that point of the hearing.

With that I'd like to turn it over to Kathy Fabiano for a brief discussion of our accounting concerns.

Statewide Public School Enrollment and OPI Staffing Levels, FY 82-89



From Fiscal 1982 to Fiscal 1989 OPI staff FTE declined by 20 percent. Public school enrollment declined by only 1 percent during the same period.

OFFICE OF PUBLIC INSTRUCTION
BUDGETED POSITIONS VACANT THROUGH DECEMBER 1988

Of the positions identified as vacant through December, 3.25 FTE have since been filled by the office's new administration.

<u>Position No.</u>	<u>Title</u>
00075	Secretary
90001	Mail Room Clerk
00058	Legislative Assistant
00145	Attorney

Of the remaining 4.70 FTE vacant through December, 2.70 are General Funded. Critical issues in the office requiring additional staff include:

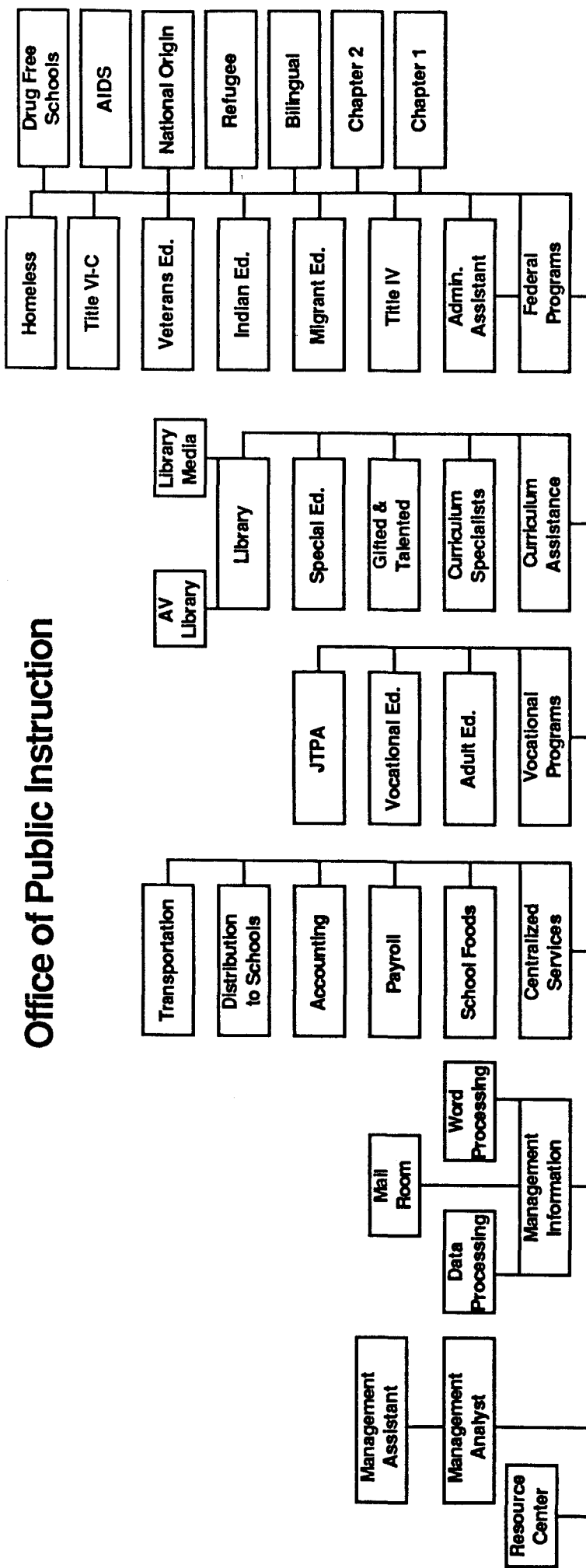
Personnel - The office currently has no staff to oversee personnel actions and ensure compliance with State and Federal employment regulations.

Accounting - The office has received adverse audit opinions for the past four years. Also, there is a need to simplify and reorganize the office's accounting structure in a way which reflects the current organizational structure and improves accountability.

Data Processing - The Legislative Auditor's Office has identified several weaknesses in the office's data processing controls, including inadequate separation of duties.

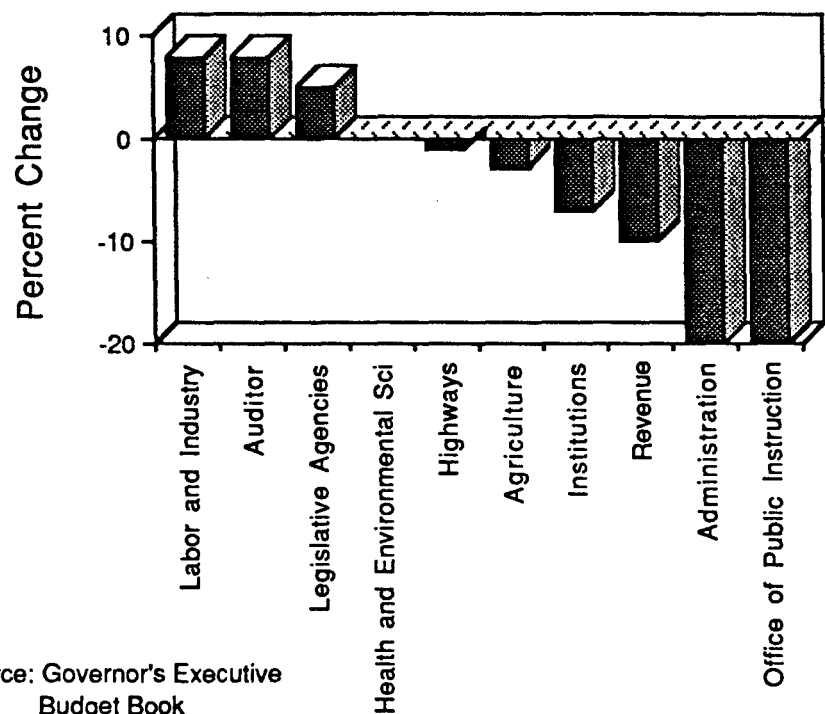
Additionally, there is a critical need for more program staff in the areas of reading, language, elementary curriculum, home economics and accreditation.

Office of Public Instruction



HB
 DATE Jan. 12, 1989
 # 4

Changes in Staffing Levels FY82-89



Source: Governor's Executive Budget Book

EXHIBIT J # 6
DATE June 12, 1989
HB _____

OFFICE OF PUBLIC INSTRUCTION
DATA PROCESSING EQUIPMENT JUSTIFICATION

FY 90-91

The Data processing equipment request for fiscal years 90 and 91 consists of \$ 55,691 which is requested to accomplish the following tasks.

1. \$ 20,635 to complete the installation of a local area network of personal computers in the three OPI office buildings. Partial networks have been completed in the 1300 and 1227 11th ave. locations. These funds would be used to complete those networks, network the Capitol staff, and provide electronic data communications capability between the three buildings.
2. \$ 31,450 to purchase the equipment to allow moving the data files and programs from the current Honeywell computer to an IBM compatible machine. This will provide program staff, legislative staff, and other state agencies access to the data files which they currently do not enjoy.
3. \$ 3,106 to purchase software to allow program staff to communicate with legislative and other state agencies. Currently Wordstar is used for word processing and SuperCalc is used for spreadsheet development. The intent is to purchase WordPerfect for a standard word processing software and Lotus 123 for a standard spreadsheet package. This would allow staff to more easily communicate with other agencies and share files. This purchase is also enhanced by an educational discount OPI will receive to purchase the WordPerfect software.
4. \$ 500.00 to install door locks on the computer room located at 1227 11th ave. Locks would provide better security and resolve an audit deficiency discovered in a recent legislative audit.



EXHIBIT # 7
DATE 1-12-89
HB _____

OFFICE OF PUBLIC INSTRUCTION

Nancy Keenan
Superintendent

STATE CAPITOL
HELENA, MONTANA 59620
(406) 444-3095

January 12, 1989

To: Gail Gray
Assistant Superintendent

From: Roger Swearingen *RS*
JTPA Specialist

Re: Current JTPA Section 123 Funding and Uses

Section 123 of the federal Job Training Partnership Act (JTPA) requires that 8% of the JTPA Title II-A allocation to each state flow to the state education agency to provide direct training services to eligible participants and to facilitate coordination of education and training services. JTPA defines "state educational agency" as the "State board of education or other agency or officer primarily responsible for the State supervision of public elementary and secondary schools". Since the Montana Board of Public Education generally is not authorized to conduct education programs, only the Montana Office of Public Instruction qualifies to receive funds under JTPA section 123.

This financial support is provided through a cooperative agreement between the Governor and the state education agency; the funds revert to the Governor if no cooperative agreement is reached. At least 80% of these funds must be used to provide direct training services to eligible participants. The amount currently provided to the Office of Public Instruction is approximately \$540,000 annually (\$470,000 for direct services, \$70,000 for facilitating coordination); the Department of Labor and Industry retains approximately \$37,000 for administration.

The Office of Public Instruction subgrants with educational institutions and community-based organizations to provide direct training services. Currently available training includes literacy training for youth and adults, dropout prevention and re-enrollment services, school-to-work transition assistance, remedial education and basic skills training, institutional skill training for high demand occupations, and pre-employment skills training. Approximately 650 youth and adults will benefit from training provided with these funds in FY1989.

BASIC SKILLS

The Basic Skills portion of the Office has historically included nine of the traditional subject area specialists (art, music, math, foreign language, library, health & P.E., social science, science and English) and the activities of Certification and Accreditation. *all of which have been funded for by state dollars* The primary role of these three entities *fund.* has been to provide technical assistance and educational leadership for the state.

In the area of the curriculum specialists, their activities usually center around two major educational functions. These two major areas are:

1. Receiving new programs, usually as a result of *a specialist taking a* these leadership efforts *role* in writing proposals to acquire new methodology and contemporary approaches in their subjects, and implementing those proposals into the public schools. One current example would be Health and P.E. and their new programs in the areas of "drug free schools" and "AIDS education." *2nd area of* *of the funding* Traveling to and assisting school districts in their particular subject areas to accomplish some tasks at the request of school districts; e.g., curriculum development, improved instruction, inservice, material acquisition. An example would be in the area of science where last year they provided technical assistance to 195 public and 17 private schools affecting 17,680 students.

In the area of Certification, which many people consider regulatory in nature, during the period of July 1, 1987 through June 30, 1988, Certification received 8996 phone calls and wrote 757 letters, 95% of which related to technical assistance to individuals, districts and other states. A typical example of our assistance in this area might be Teacher Education. This component deals

with standards for each subject area that all colleges training teachers must meet and have reviewed for their graduates to be certified. During the period of January 1, 1988 through December 31, 1988, this involved 58 work days on college campuses that train teachers. Those days included 24 days devoted to some element of the review of college programs, 7 days attending administrative meetings on education issues and policies, 4 workshops, 6 days on Project Excellence, 12 days devoted to implementation of the Mellon Grant, 3 days for assisting in designing college programs and 2 days for discussions on the testing of teachers.

The third and final area of Basic Skills is Accreditation. Accreditation is also seen as a regulatory agency by many people in the public schools. However, a considerable amount of time is devoted to providing technical assistance to individuals and districts to meet accreditation standards. During the 1987-88 school year, the accreditation process involved ^{9 private districts} ~~516~~ ^{public} districts, and ²² ~~786~~ schools within those districts with recommendations being made on their status by the State Superintendent to the State Board of Public Education. As an example of our involvement, 22 schools on advice or probation received a followup visit where assistance was provided to help them meet the minimums. These visits represent 17 days on-site for at least ^{1 of} ~~at least~~ 10 of the specialists. This resulted in several deficiencies being corrected.

Please keep in mind that these are single examples in each area. Each of these areas are heavily involved in several projects. ^{Simultaneously,} That has required extensive prioritization which resulted in some requests simply not being met! In addition to our usual hectic activities, all of the areas I have mentioned also had a heavy involvement in Project Excellence last year.

SPECIAL SERVICES

The special services portion of the office includes fourteen program areas. Staff for eleven of these programs are funded at or near 100% through federal funds.

Staff responsibilities in the Special Services Department include technical assistance to schools serving special populations. Examples of these special populations include programs for migrant students, ~~refugees~~, bilingual students, gifted and talented, and Indian education. Staff responsibilities also include supervision and coordination of programs funded all or in part through federal funds.

The responsibility of the special services staff is twofold: 1) to provide technical assistance and education leadership, and 2) to ensure the districts are in compliance with federal program requirements so as not to jeopardize Montana's receipt of federal funds.

The two largest programs in the Special Services Department are Chapter 1 and special education.

Chapter 1 provides services to children in the areas of reading, math and language arts. Twelve thousand four hundred students (12,400) in 299 school districts are provided these services utilizing ~~12.9~~^{Approx 13} million of federal funds. Services are targeted to educationally deprived students to help them succeed in the regular education

program. During the next biennium, Chapter 1 staff will visit 185 school districts for compliance with federal regulations. In the process, they will also provide on-site program technical assistance to approximately 200 districts.

Special education provides services to handicapped children including learning disabled, speech impaired, mentally retarded, emotionally disturbed and seven other handicapping conditions. Fourteen thousand seven hundred forty-five (14,745) students generate approximately ^{5M} ~~5M~~ million in federal funds to supplement state and local programs serving the handicapped. Office special education staff administer the state and federal funds, ensure school district compliance with state and federal special education laws and rules and provide technical assistance to the schools on ways to implement the regulations within the district and improve the quality of the program for the students. During the next biennium, it is estimated that 163 school districts will receive on-site special education monitoring, compliance, and/or technical assistance visitations.

An example of a program in special services funded principally with state funds is the hearing conservation program. During school year 1987-88, the hearing conservation program served approximately 80,000 people. Audiologists train local district personnel to conduct hearing screenings. For those that fail the screening, the audiologist personally serves the child through evaluation,

referral, counseling, follow-up, and placement. A partnership was developed with the private sector to enable the program to provide quality services. U.S. West granted the program \$120,000 per year to supplement the state's \$310,000 contribution. Office staff administer the program through establishment of guidelines and standards, executing the bid process, and monitoring programs for accountability.

The Special Services Department reaches out to very special populations whose educational needs require specialized services.

Thank you.

co/19



EXHIBIT #10
DATE Jan 12, 1989
HB _____

OFFICE OF PUBLIC INSTRUCTION

Nancy Keenan
Superintendent

STATE CAPITOL
HELENA, MONTANA 59620
(406) 444-3095

Fact Sheet

EDUCATION OF HOMELESS CHILDREN AND YOUTH PROJECT

Definition of "Homeless" Very Broad

The project focuses on "homeless" children as defined by Congress in the Stewart B. McKinney Act. This definition goes beyond the common conception of homeless as street people, transients, or survivalists in the woods.

Definition of "homeless children and youth":

- * Persons who would be entitled to a free public education if they were children of a resident of Montana.
- * Homeless situations include:
 - a. Living on streets or in the outdoors
 - b. Living in cars, caves, or other make-shift shelters
 - c. Living in privately operated or public shelters as temporary accommodations
 - d. Living in short term foster care facilities
 - e. Living with relatives or friends for less than two years

Survey of homeless children and youth in Montana: Data gathered September 1988 through December 19, 1988.

Survey Method: One-thousand two-hundred and fifty (1250) surveys were mailed to school principals, guidance counselors, teachers, law enforcement officers, nurses, social service case workers, and others. To date, 447 respondents have compiled data on 1633 "homeless" kids.

Respondents to the survey provided information from case files, school records, personal knowledge, and other sources.

Respondents identified each homeless child or youth with a three initials and birthdate code. The identifying code helped to assure no duplication in the count.

Survey results compiled to date:

By "homeless" situation:

- a. on the streets - 38
 - b. make-shift shelter - 38
 - c. shelters - 313
 - d. short term foster care - 591
 - e. friends or relatives - 530
 - f. other qualifying homeless situations - 123
- Total: 1633

By school level: Elementary (K-6) - 543
Middle/Jr. High - 270
High School - 820

Areas with the greatest number of homeless children and youth:

Billings	- 348
Missoula	- 284
Helena	- 173
Great Falls	- 129
Lame Deer area	- 112
Fort Belknap Res.-	90

Next phase: A State Plan and Public Response Meetings

In the next few month, OPI will develop a state plan for the Homeless Children and Youth Project. Public meetings will be held at eleven to fifteen locations around the state to gather input for the state plan and to solicit more data on the homeless. A schedule for these meetings will be released later.



OFFICE OF PUBLIC INSTRUCTION

STATE CAPITOL
HELENA, MONTANA 59620
(406) 444-3095

Ed Argenbright
Superintendent

December 28, 1988

Mr. Ed Smith
Department of Education
400 Maryland Avenue Southwest
Washington, D.C. 20202

Dear Mr. Smith:

The enclosed information includes the Stewart B. McKinney Final Report for 1988 and supplemental information to that report.

In Jean's last letter you indicated that the methods used by states to count homeless children and youth differed in number and direction. Our office decided to generate our own survey and needs assessment (sample enclosed). We feel we have accomplished a great deal and are happy with the accuracy of our data as of this date. Our only problem was a low response rate. As with many projects, we would very much like to begin a project like this with the knowledge we have gained since its beginning.

We do feel very confident in the survey instrument, our method of input and the results. We do have an unduplicated count. We used three initials plus a six digit birth date as our identifier. There were only a few respondents to our survey that would not or could not provide that identifier (those numbers are not included in the data--approximately 100 homeless).

Sincerely,

A handwritten signature in cursive script that reads "Terry L. Teichrow".

TERRY L. TEICHROW
Coordinator for Homeless Children and Youth

TLT:cl

enclosures

MONTANA SURVEY INFORMATION

1. Number of Surveys Mailed

760 - Montana schools
490 - Service providers (state, county, local, private, law
enforcement agencies, hospitals, shelters, and
businesses)

1250 - Total

2. Respondents to Survey

447 - Returned

*Two major respondents called to report that they could not research their records before the December 19 deadline. Their responses are not in the report but include approximately 100 homeless.

Respondents

The actual survey respondents include school superintendents, principals, guidance counselors, teachers (elementary, junior high, high school), nurses, sheriffs, police officers, hospital personnel, shelter owners and operators, state social services case workers, managers, etc.

The information they have provided is from case files, school records, computer data base files, personal knowledge and more. The respondents were asked to respond with information over the last full year, not as of a day of the year. We feel this will not overstate or understate because some will enter the system and others will leave.

*These should provide enough information to fulfill questions 1-b, 11-b and 111-b in the final report.

*Our survey contains a group of respondents homeless individuals. (these numbers (262) are not included in the final report.

**STATUS REPORT - EDUCATION OF HOMELESS CHILDREN AND YOUTH
UNDER THE STEWART B. MCKINNEY HOMELESS ASSISTANCE ACT
DEPARTMENT OF EDUCATION**

Form Approved
OMB No.: 1810-0536
Expiration Date: 9/90

GENERAL INSTRUCTIONS

SPECIFICS: Please provide the following information requested pursuant to Section 722(d) of the Stewart B. McKinney Homeless Assistance Act and return to:

Mr. Edward Smith
Office of Elementary and Secondary Education
U.S. Department of Education
400 Maryland Avenue, SW (Room 2030 - MS 6257)
Washington, D.C. 20202

DEFINITIONS: For purposes of this reporting form, the following definitions apply:

"Homeless"- A homeless individual is one who (1) lacks a fixed, regular, and adequate residence or (2) has a primary nighttime residence in a supervised publicly or privately operated shelter for temporary accommodations (including welfare hotels, congregate shelters, and transitional housing for the mentally ill), an institution providing temporary residence for individuals intended to be institutionalized, or a public or private place not designed for, or ordinarily used as a regular sleeping accommodation for human beings (Section 103 (a)(1)(2) of the Act).

The term "homeless" or "homeless individual" does not include any individual imprisoned or otherwise detained by an Act of Congress or a State law (Section 103(c)).

"Child" and "Youth"- Persons who, if they were children of residents of the State, would be entitled to a free public education.

I. (a) List numbers of homeless children and youth in your State according to school-level groups.

<u>School Level</u>	<u>Numbers of Children/Youth</u>
Elementary (K-6)	543
Middle/Jr. High (7-9)	270
High School (10-12)	820
Total	1633

(b) Indicate the source of the information in item I.(a).

Montana State Survey: Homeless Children and Youth

(See page 2 of supplemental for specifics, i.e., Respondents)

Survey data base results. Page 1 of Survey

II. (a) List (in rank and order) numbers of children housed according to the locations of homeless children and youth in your State.
(NOTE: The total number of children should equal the total number in item I.(a)).

<u>Type of Housing</u>	<u>Numbers of Children/Youth</u>
Public operated shelters	
Privately operated shelters	313
Relatives or friends	530
Other (specify) <u>See page 1-b of final report</u>	790

Q. 11.a.

Our survey is broken down into six homeless categories. In our survey public and private shelters are in one group. (313 children)

"Relatives and friends" is a category of its own and is not a near homeless category; it is a homeless category. Our criteria to the respondents was to count them as homeless if they had been with a friend or relative for less than two years. We did not count them if they were over two years in a situation. (530 homeless)

The final report category of other includes the following: (790 homeless)

- a. Living on streets (outdoors) - 38
- b. Semi-homeless (abandoned cars, caves, etc.) - 38
- * e. Foster care (short term) - 591
- * f. Other - 123

*There has been some discussion about whether foster care is homeless. Montana has two types of foster care--immediate and temporary. These are intended to provide a place for children until permanent or long-term care can be found.

*The response used most often in the other category was adequate. Children did not have an adequate home or shelter in 90% of the write-in responses.

Needs Assessment Question # 1

Does your shelter program serve families with dependent children or unaccompanied minors?

- * 22 - Yes
- 302 - No Shelter

* The narrative response to our needs assessment was very strong for the need of shelters, a safe adequate place for children to stay for a short or long-term period.

Questions 9 and 10 of the needs assessment were the most enlightening. The narrative responses were informative and sometimes passionate in their views.

(t) Indicate the source of the information provided in II.(a).

Same as 1-b

(See page 1 of Montana State Survey: Homeless Children and Youth)

III.(a) List in order of numbers of homeless children, those municipalities having the greatest numbers of homeless children and youth.

<u>Name of Municipality</u>	<u>Numbers of Children/Youth</u>
<u>Billings</u>	<u>348</u>
<u>Missoula</u>	<u>284</u>
<u>Helena</u>	<u>173</u>
<u>Great Falls</u>	<u>129</u>
<u>Lame Deer Area</u>	<u>112</u>
<u>Ft. Belknap Reservation</u>	<u>90</u>

(b) Indicate the source of the information provided in III.(a).

Information was obtained by a search of our survey final report. Pre-school not included.

IV. The sum of (a) and (b) should equal the total number reported in item I.(a).

(a) How many homeless children and youth are presently attending school in your State? 1399

(b) How many homeless children and youth are not attending school in your State? 234

(c) Indicate the source of information provided in IV(a) and (b).

The last column of the survey is a response to student attendance in school. See survey form.

V. Indicate the reasons the homeless children and youth are not attending school in your State, and provide the basis for these conclusions.

Needs Assessment Question 5 and 6: See additional page.

This information is gathered from responses by individuals filling out survey. These people work with homeless children on a daily basis. They have the knowledge to provide accurate responses to this question.

(Use additional sheets, if necessary)

Final Report Question V.

(in order of number of responses to needs assessment)

		447 responses

*	Family stres	128 29%
	Drug and alcohol use	103 23%
	Parents keeping children out of school	97 22%
*	Lack quiet/place to study	82 18%
	Fatigue	71 16%
	E & H-getting records/immunizations	67 15%
*	Caring for sibling	61 14%
	Attendance rules	55 12%
*	Lacks transportation	48 11%
	Difficulties transferring between schools	46 10%
	Mainutrition/health/clothing	36 8%
*	Tuition payment problems	20 4%
	District refusing to register students	8 2%

+Those responses with an asterisk had numerous narrative responses in regard to corresponding subject.

Basis For Conclusion

Any time the usual home environment is interrupted for any reason, the student learning process is also interrupted and put at-risk. All of the reasons above affect a student either getting into school, attending on his/her own or staying in a school system as these factors affect their daily life cycle.

VI. (a) List, in order of importance, the special educational needs of the homeless children and youth.

Responses

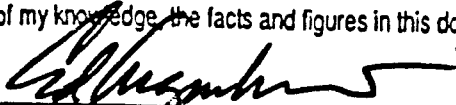
1. Need an advocate for homeless with the schools.	189
2. Teachers need to be more aware and concerned.	93
3. Tutoring available out of schools.	75
4. Safe and adequate housing.	58
5. Day care for siblings.	57
6. Transportation to schools.	44
7. Alternative education site for homeless.	39
8. Counseling, intervention and treatment.	29
9. Training and jobs for parents and youth.	29
10. Need old school records.	22

(From question 7 and 8 on Needs Assessment)

(b) List, in order of importance, the difficulties you have encountered in identifying these needs.

1. Lack of specific knowledge about individuals.	51%
2. Definition not specific enough (too broad).	27%
3. Lack of parent cooperation.	11%
4. Too time consuming to retrieve information.	9%

To the best of my knowledge, the facts and figures in this document are accurate.



Chief State School Officer

12-29-88

Date

FINAL REPORT: ADDENDUM

We believe that the homeless count provided by the survey respondents is accurate. However, it must be noted that the figures in this report reflect only those homeless children and youth reported by those respondents (95.7% response rate). These figures do not reflect the total homeless population. We know that our number is understated based on Veterans Administration and U.S. Census Bureau information. They indicate a large number of families living in areas of Montana that are very hard to count.

Montana calculated a correlation coefficient between the number of homeless children in 56 counties compared with the July 1, 1987 population estimate in each of these counties. Montana has a total population of about 809,000 persons in 56 counties. The correlation coefficient was .85 which was statistically significant and was unlikely to occur by chance. The regression equation was used to calculate the total number of homeless children in Montana based on the total population. Montana is estimated to have 2624 homeless children. This estimate is believed to be accurate because of the very high correlation coefficient.

2624 - Projected Homeless Children and Youth
1693 - Actual, unduplicated count--Homeless Children and Youth
931 - Number of hidden or unreported Homeless Children and Youth

Signature:  Date: 12-30-88

Anaconda Public Schools

EXHIBIT # 11
DATE Jan 12, 1989
HB

MARY JO ORESKOVICH
SUPERINTENDENT
P.O. Box 1281
Anaconda, Montana 59711
Telephone 563-6361

BUSINESS OFFICE
Business Manager/Clerk
J.E. Corrigan
563-8277
SPECIAL SERVICES
Executive Director
Dr. William F. Hickey
563-5101

ANACONDA HIGH SCHOOL
Principal, E.J. Carosone
563-5269
JUNIOR HIGH SCHOOL
Principal, John Stergar
563-6242
LINCOLN SCHOOL
Principal, Stella Currie
563-6141
W.K. DWYER PRIMARY
Principal, Ed Spiegle
563-7365
W.K. DWYER INTERMEDIATE
Principal, Ed Spiegle
563-5562

January 13, 1989

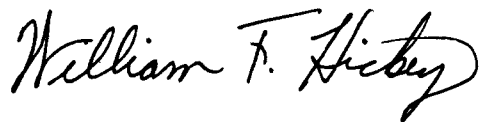
TESTIMONY REGARDING SPECIAL EDUCATION FUNDING

My name is Bill Hickey. I am a school administrator in Anaconda, Montana and I am testifying on behalf of Anaconda Public School District No. 10

Over the last ten years, there has been continuous reduction of state funds for mandated programs in special education. This reduced state funding has resulted in a fierce competition between regular and special education programs for the same local education dollar. Strong state and federal mandates for special education require full, comprehensive and appropriate service for all handicapped children. In Montana, the trend over the last eight (8) years has been to appropriate less money and increase the reliance on local voted levies to run mandated public school programs.

The funding crisis is further exacerbated by Initiative 105 which has restricted school districts ability to raise new revenues to cover increased school costs. The Anaconda Public Schools, like all other public schools in Montana, have received less special education money each year since 1984 and have exhausted all sources of district monies. Over the last two (2) years, essential programs for the handicapped have been terminated and special classrooms are overcrowded. As a district experiences more problems, more complications ensue. A further penalty is looming from the potential inability of the district to maintain its fiscal effort and therefore lose federal funding for the handicapped.

The 1990-91 school year mandates full and appropriate special education services to preschool handicapped. In order to extend our services to this population, essential services for school age handicapped are going to have to be cut. The only answer that we have other than repealing public school special education, is to increase funding levels. A special education funding increase of 7.7 million dollars per year, for each year of the biennium would not fully fund special education, but it would return the state contribution to a level that would allow reasonable, but not excessive funding for the handicapped in Montana's public schools. It is imperative that this legislative body more adequately fund special education and thereby reduce the competition between regular and special children.



William F. Hickey, Ed.D.
Executive Director
Anaconda Public Schools

AUDIOVISUAL LIBRARY

EXHIBIT # 12
DATE Jan. 12, 1989
HB

I. Purpose of AV Library

- A. Provide Curriculum resource materials to Montana schools and other educational institutions
 - 1. Kindergarten - 12th grade, adult
 - 2. Types of schools
 - a. Public
 - b. Private

II. Collection

- A. Number of titles: 2100
- B. Format
 - 1. Video: 20%
 - 2. 16mm: 80%
- C. Effect of AV Library move:
 - 1. Number of titles cut over 1/2
 - 2. Titles retained from highly selected "core" and high useage items
- D. Selection
 - 1. Professionally selected to meet specific curricular needs
 - 2. Items chosen which are not cost effective for schools to buy
- E. Examples of curricular materials
 - 1. 100 traffic education titles
 - 2. 60 drug and alcohol titles
 - 3. 40 titles specific to Montana
 - 4. 200 English/language arts titles

III. Relevance of Collection to districts

- A. Rural schools
 - 1. Small schools could in no other way access so large a collection
 - 2. Rural schools need access to curricular materials, not just "videos"
- B. Medium and large districts
 - 1. Declining educational dollars makes decreased purchasing power
 - 2. Have increasing need for support for specialized areas

IV. Advances in AV Library

- A. Computer System
 - 1. Booking, billing, circulation, stand-alone computer system installed
 - 2. Catalog is now in the computer data base
 - a. Allows for first time subject specific lists of titles to be generated
 - b. New catalog published, teachers updated through newsletters sent to schools
- B. Online Access Through Big Sky Telegraph
 - 1. Catalog now searchable through WMC's electronic system
 - 2. Gives access to rural schools
 - 3. Informal recommendations given online regularly

V. Financial Problems

- A. School budgets frozen
 - 1. Districts have less money to rent materials
- B. Other agency libraries
 - 1. Other agencies provide material free
- C. Loss of collection
 - 1. With loss of 3000 titles, approx. \$12,000 in revenue lost

VI. Cost Saving Measures

- A. Reduction of rent and utilities
- B. Reduction of 1 FTE
- C. Computerization - Stand-alone system
- D. Increasing use of video instead of 16mm:
 - 1. Reduction in postage used
 - 2. Reduction of labor
 - 3. Reduction in amount of storage area needed

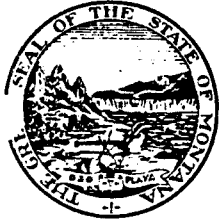


EXHIBIT # 13
DATE Jan. 12, 1989
HB _____

OFFICE OF PUBLIC INSTRUCTION

Nancy Keenan
Superintendent

STATE CAPITOL
HELENA, MONTANA 59620
(406) 444-3095

January 12, 1989

To: Education Appropriations Sub-Committee

From: Curt Hahn, Traffic Education Specialist, OPI

Re: The Montana Advanced Driver Education Program

Montana's Advanced Driver Education Program is in its tenth year of operation and is located on unused runways adjacent to the Lewistown/Fergus County Airport. The program provides training in crash-avoidance skills such as skid control, evasive steering, controlled braking, off-road recovery, and cornering techniques for school bus drivers, driver education teachers, city/county law enforcement personnel, emergency services personnel, fire fighters, state employees et al. The facility is leased from Fergus County by OPI and subsequently rented to other agencies and groups like the Montana Highway Patrol, the Montana Law Enforcement Academy and UPS.

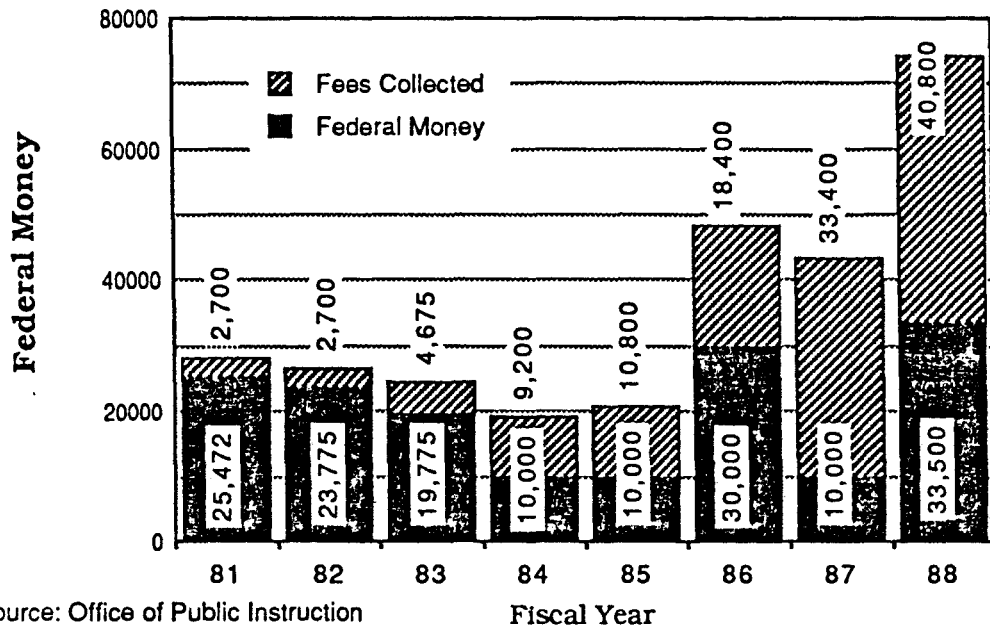
Revenue for this program comes from user fees and federal highway safety funds. No monies have ever been used or appropriated from Montana's general fund. We have been proud of the fact that we have not had to ask for state funding and are self-supporting.

We have tried to manage this program as a business by projecting identified needs and setting aside reserve funds for depreciated equipment and facility improvement. We have been able to accumulate approximately \$100,000 to date and have anticipated spending these monies over the next five years to upgrade our antiquated vehicles and improve the facility. We need to replace three ambulances, two passenger cars and three school buses with newer equipment. We need to bring in electrical power, construct a lighting system for our evasive exercise area, provide a watering system for our skid pad, and purchase a mobile classroom unit.

The fund balance, although apparently not restricted in use by statute, should be considered so. To utilize monies that have been generated specifically for this program by federal highway safety funds and user fees, for another program, would be inappropriate and would spell the demise of a program and service that are needed and not available elsewhere. The growth trends for this program are attached.

This is an important program that has been developed with the help of many dedicated people to provide a needed service at a reasonable cost without the use of state revenue. Please do not consider Option A of Issue 2. Thank you.

Lewistown Driver Education Program Revenue Trends FY 81-88

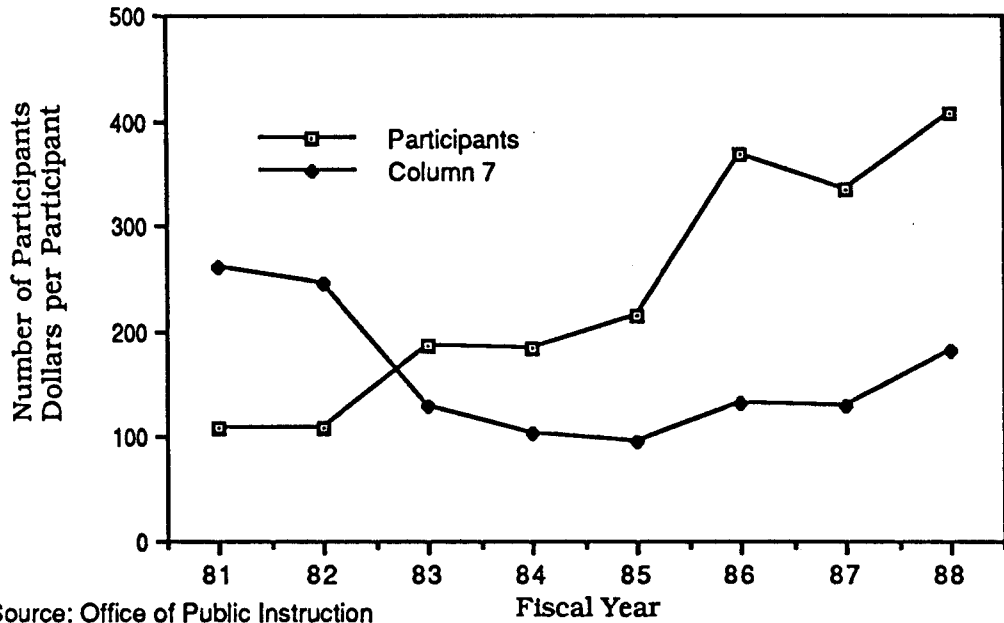


Source: Office of Public Instruction

Total Federal Highway Safety Revenue = \$162,522

Total User Fee Revenue = \$122,675

**Lewistown Driver Education Program
Number of Participants Compared to
Revenue per Participant**



Total Number of Participants = 1,913

Estimated Preponderance of Major Travel Functions

Out-of-Office Staff

- o Inservice Training
- o Guest Monitors

Other Travel

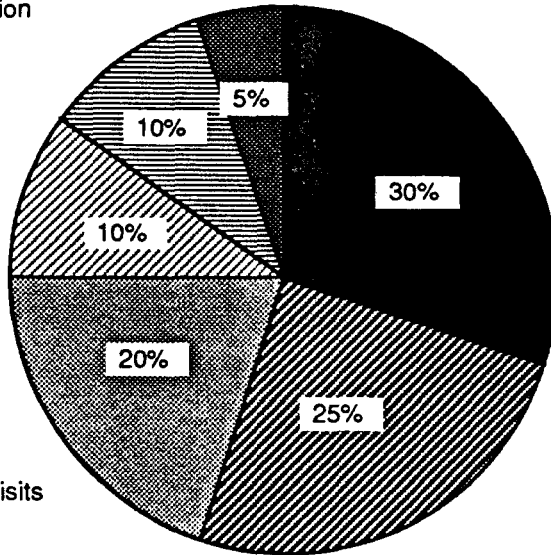
- o Complaint Investigation
- o Certification Review
- o Hearing, etc.

Project Evaluation

- o Grant Activities
- o Quality Assurance

Technical Assistance

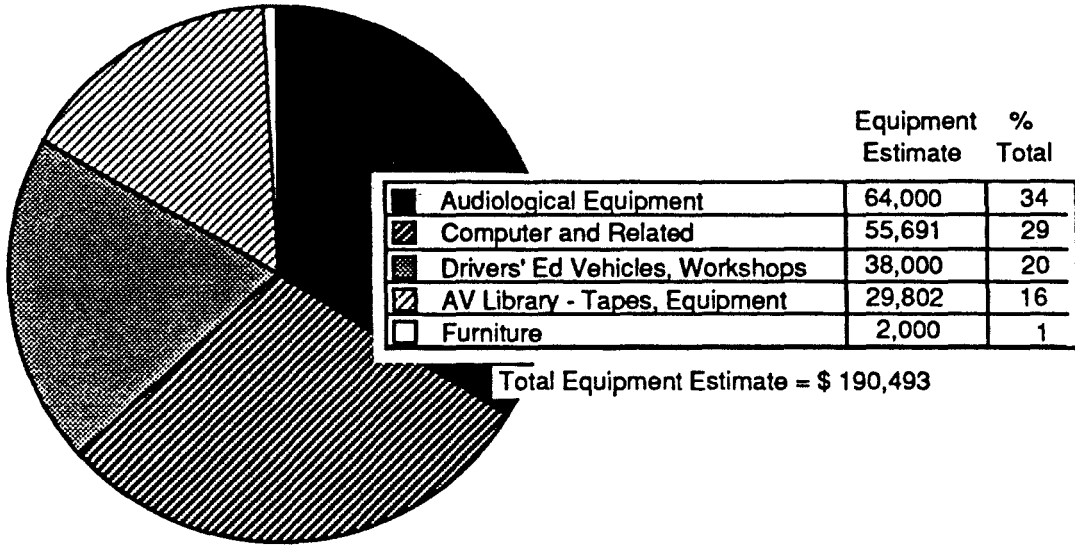
- o Workshops
- o Home and Site Visits



On-site Accreditation

Compliance Monitoring

**Equipment Expenditure Estimates FY 90-91
Office of Public Instruction**



Montana Advanced Driver Education Program—Lewistown
Proposed Expenditures
for
FY 89-FY 93

FY92	Purchase (1) Type I Ambulance	\$19,000
FY91	Purchase (1) Type II Ambulance	\$10,000
FY90	Purchase (1) Type III Ambulance	19,000
FY93	Purchase (2) 4-Door Passenger Cars	18,000
FY92	Purchase (3) School Buses	15,000
FY89	Bring in Electrical Power from County Road	10,000
FY89	Construct a Lighting System for the Evasive Exercise Area	5,000
FY89	Construct a Watering System for the Skid Pad	5,000
FY89	Purchase a Mobile Classroom Unit	5,000
FY93	Pavement Overlay and Repair	20,000
	Total Proposed Expenditure	\$126,000

Source:

Office of Public Instruction
Curt Hahn
Traffic Education Programs
444-4432

January 12, 1989

TO: Gail Gray
FROM: Curt Hahn
RE: Conversation with Al Goke (444-3412)

Al Goke is the Governor's Highway Safety Representative and is responsible for reviewing federal highway safety proposals and granting funding to approved projects. Mr. Goke has provided, since 1981, \$162,522 of federal highway safety program funds to support training and purchase some equipment used in the Montana Advanced Driver Education Program in Lewistown.

On Friday, January 6, 1989, I called Al Goke to (1) alert him to the OPI LFA Current Level Budget Issue 2, Option A, which is suggesting the legislature utilize the fund balance in the Lewistown Advanced Driver Education Program in another program on a "one-time" basis; (2) find out if there are any federal regulations or other restrictions on the use of the federal highway safety funds provided for this program.

I have attached what is referred to as the "common rule" which says in Section 25, Program Income, Part (g)(2), "Program income shall be used for the purposes and under the conditions of the grant agreement." Mr. Goke says that this statement restricts the use of all program income to the Lewistown Advanced Driver Education Program. He will provide additional documentation if needed.

co/19
Attachment

Friday
March 11, 1988

Part III

Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments; Final Rule

Department of Agriculture
Department of Energy
Small Business Administration
Department of Commerce
Department of State
Department of Housing and Urban Development
Department of Justice
Department of Labor
Federal Mediation and Conciliation Service
Department of Defense
Department of Education
National Archives and Records Administration
Veterans Administration
Environmental Protection Agency
Department of the Interior
Federal Emergency Management Agency
Department of Health and Human Services
National Foundation on the Arts and the Humanities
 National Endowment for the Arts
 National Endowment for the Humanities
 Institute of Museum Services

ACTION
Commission on the Bicentennial of the United
States Constitution
Department of Transportation

DEPARTMENT OF AGRICULTURE
7 CFR PARTS 3015 AND 3016

DEPARTMENT OF ENERGY
10 CFR PART 600

SMALL BUSINESS ADMINISTRATION
13 CFR PART 143

DEPARTMENT OF COMMERCE
15 CFR PART 24

DEPARTMENT OF STATE
22 CFR PART 135

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
24 CFR PARTS 44, 85, 111, 511, 570, 571, 575, 590, 850, 882, 905, 941, 968, 970, AND 990

DEPARTMENT OF JUSTICE
28 CFR PART 66

DEPARTMENT OF LABOR
29 CFR PART 97

FEDERAL MEDIATION AND CONCILIATION SERVICE
29 CFR PART 1470

DEPARTMENT OF DEFENSE
32 CFR PART 278

DEPARTMENT OF EDUCATION
34 CFR PARTS 74 AND 80

NATIONAL ARCHIVES AND RECORDS ADMINISTRATION
36 CFR PART 1207

VETERANS ADMINISTRATION
38 CFR PART 43

ENVIRONMENTAL PROTECTION AGENCY
40 CFR PARTS 30, 31, AND 33

DEPARTMENT OF THE INTERIOR
43 CFR PART 12

FEDERAL EMERGENCY MANAGEMENT AGENCY
44 CFR PART 13

DEPARTMENT OF HEALTH AND HUMAN SERVICES
45 CFR PARTS 74 AND 92

NATIONAL SCIENCE FOUNDATION
45 CFR PART 802

NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES

National Endowment for the Arts
45 CFR PART 1157

National Endowment for the Humanities
45 CFR PART 1174

Institute of Museum Services
45 CFR PART 1183

ACTION

45 CFR PART 1234

COMMISSION ON THE BICENTENNIAL OF THE UNITED STATES CONSTITUTION

45 CFR PART 2015

DEPARTMENT OF TRANSPORTATION

49 CFR PART 18

Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments

AGENCIES: Department of Agriculture; Department of Commerce; Department of Defense; Department of Education; Department of Energy; Department of Health and Human Services; Department of Housing and Urban Development; Department of the Interior; Department of Justice; Department of Labor; Department of State; Department of Transportation; **ACTION:** Commission on the Bicentennial of the United States Constitution; Environmental Protection Agency; Federal Emergency Management Agency; Federal Mediation and Conciliation Service; Institute of Museum Services; National Archives and Records Administration; National Endowment for the Arts; National Endowment for the Humanities; National Science Foundation; Small Business Administration; Veterans Administration.

ACTION: Final rule.

SUMMARY: This action finalizes a common rule establishing consistency and uniformity among the Federal agencies shown above in the administration of grants and cooperative agreements to State, local and federally recognized Indian tribal governments.

EFFECTIVE DATE: This rule is effective October 1, 1988, except for the Department of Transportation. See the Department of Transportation agency specific preamble below.

FOR FURTHER INFORMATION CONTACT: See individual agencies below.

SUPPLEMENTARY INFORMATION:
Background

In November 1983, a 20-agency task force under the President's Council on Management Improvement (PCMI), chaired by the Office of Management and Budget (OMB), was established to explore streamlining grants management and review OMB Circular A-102. "Uniform Administrative Requirements for Grants to State and Local Governments."

On June 18, 1984, OMB published a Notice in the Federal Register (49 FR 24958-24959) seeking comments on over 50 issues and possible options for each. Federal agencies, States, local governments, interest groups, business organizations, and nonprofit organizations, as well as members of Congress, submitted several hundred comments.

Five agency-chaired teams studied the comments, existing Federal agency grants administration regulations, and noncodified manuals and handbooks implementing OMB Circular A-102 to draft a government-wide "common" rule. The proposed common rule contained fiscal and administrative requirements for grants to State and local governments (grantees) and subrecipients which are State and local governments (subgrantees). At the same time, OMB and the agencies prepared a revised Circular A-102—directed solely to Federal agencies—containing guidance to Federal agencies on how they should manage the award and administration of Federal grants.

On March 12, 1987, the President directed all affected agencies to simultaneously propose and subsequently adopt a common rule verbatim, except where inconsistent with statutory requirements. The President explained that at the time it was issued "Circular A-102 was a significant step toward simplification of grants management." He went on to say, however, that "after 16 years, some of the provisions are out of date, there are gaps where the standards do not cover important areas, and agencies have interpreted the circular in numerous different ways in their regulations. It is now time for the circular to be revised to reflect developments consistent with our Federalism policies and State and local regulatory relief objectives and the President's Management Improvement Program." The President directed the affected agencies to propose a common rule within 90 days and adopt a final common rule within one year. To meet

or subgrantee does not have employees performing similar work, the rates will be consistent with those ordinarily paid by other employers for similar work in the same labor market. In either case, a reasonable amount for fringe benefits may be included in the valuation.

(2) *Employees of other organizations.* When an employer other than a grantee, subgrantee, or cost-type contractor furnishes free of charge the services of an employee in the employee's normal line of work, the services will be valued at the employee's regular rate of pay exclusive of the employee's fringe benefits and overhead costs. If the services are in a different line of work, paragraph (c)(1) of this section applies.

(d) *Valuation of third party donated supplies and loaned equipment or space.* (1) If a third party donates supplies, the contribution will be valued at the market value of the supplies at the time of donation.

(2) If a third party donates the use of equipment or space in a building but retains title, the contribution will be valued at the fair rental rate of the equipment or space.

(e) *Valuation of third party donated equipment, buildings, and land.* If a third party donates equipment, buildings, or land, and title passes to a grantee or subgrantee, the treatment of the donated property will depend upon the purpose of the grant or subgrant, as follows:

(1) *Awards for capital expenditures.* If the purpose of the grant or subgrant is to assist the grantee or subgrantee in the acquisition of property, the market value of that property at the time of donation may be counted as cost sharing or matching.

(2) *Other awards.* If assisting in the acquisition of property is not the purpose of the grant or subgrant, paragraphs (e)(2)(i) and (ii) of this section apply:

(i) If approval is obtained from the awarding agency, the market value at the time of donation of the donated equipment or buildings and the fair rental rate of the donated land may be counted as cost sharing or matching. In the case of a subgrant, the terms of the grant agreement may require that the approval be obtained from the Federal agency as well as the grantee. In all cases, the approval may be given only if a purchase of the equipment or rental of the land would be approved as an allowable direct cost. If any part of the donated property was acquired with Federal funds, only the non-federal share of the property may be counted as cost-sharing or matching.

(ii) If approval is not obtained under paragraph (e)(2)(i) of this section, no amount may be counted for donated

land, and only depreciation or use allowances may be counted for donated equipment and buildings. The depreciation or use allowances for this property are not treated as third party in-kind contributions. Instead, they are treated as costs incurred by the grantee or subgrantee. They are computed and allocated (usually as indirect costs) in accordance with the cost principles specified in § 22, in the same way as depreciation or use allowances for purchased equipment and buildings. The amount of depreciation or use allowances for donated equipment and buildings is based on the property's market value at the time it was donated.

(f) *Valuation of grantee or subgrantee donated real property for construction/acquisition.* If a grantee or subgrantee donates real property for a construction or facilities acquisition project, the current market value of that property may be counted as cost sharing or matching. If any part of the donated property was acquired with Federal funds, only the non-federal share of the property may be counted as cost sharing or matching.

(g) *Appraisal of real property.* In some cases under paragraphs (d), (e) and (f) of this section, it will be necessary to establish the market value of land or a building or the fair rental rate of land or of space in a building. In these cases, the Federal agency may require the market value or fair rental value be set by an independent appraiser, and that the value or rate be certified by the grantee. This requirement will also be imposed by the grantee on subgrantees.

§ 25 Program Income.

(a) *General.* Grantees are encouraged to earn income to defray program costs. Program income includes income from fees for services performed, from the use or rental of real or personal property acquired with grant funds, from the sale of commodities or items fabricated under a grant agreement, and from payments of principal and interest on loans made with grant funds. Except as otherwise provided in regulations of the Federal agency, program income does not include interest on grant funds, rebates, credits, discounts, refunds, etc. and interest earned on any of them.

(b) *Definition of program income.* Program income means gross income received by the grantee or subgrantee directly generated by a grant supported activity, or earned only as a result of the grant agreement during the grant period. "During the grant period" is the time between the effective date of the award and the ending date of the award reflected in the final financial report.

(c) *Cost of generating program income.* If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income.

(d) *Governmental revenues.* Taxes, special assessments, levies, fines, and other such revenues raised by a grantee or subgrantee are not program income unless the revenues are specifically identified in the grant agreement or Federal agency regulations as program income.

(e) *Royalties.* Income from royalties and license fees for copyrighted material, patents, and inventions developed by a grantee or subgrantee is program income only if the revenues are specifically identified in the grant agreement or Federal agency regulations as program income. (See § 34.)

(f) *Property.* Proceeds from the sale of real property or equipment will be handled in accordance with the requirements of §§ 31 and 32.

(g) *Use of program income.* Program income shall be deducted from outlays which may be both Federal and non-Federal as described below, unless the Federal agency regulations or the grant agreement specify another alternative (or a combination of the alternatives). In specifying alternatives, the Federal agency may distinguish between income earned by the grantee and income earned by subgrantees and between the sources, kinds, or amounts of income. When Federal agencies authorize the alternatives in paragraphs (g) (2) and (3) of this section, program income in excess of any limits stipulated shall also be deducted from outlays.

(1) *Deduction.* Ordinarily program income shall be deducted from total allowable costs to determine the net allowable costs. Program income shall be used for current costs unless the Federal agency authorizes otherwise. Program income which the grantee did not anticipate at the time of the award shall be used to reduce the Federal agency and grantee contributions rather than to increase the funds committed to the project.

(2) *Addition.* When authorized, program income may be added to the funds committed to the grant agreement by the Federal agency and the grantee. The program income shall be used for the purposes and under the conditions of the grant agreement.

(3) *Cost sharing or matching.* When authorized, program income may be used to meet the cost sharing or matching requirement of the grant agreement. The amount of the Federal grant award remains the same.

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VISITOR'S REGISTER

Education

SUBCOMMITTEE

AGENCY(S) OPI

DATE 1-12-89

DEPARTMENT _____

NAME	REPRESENTING	SUP-PORT	OP-POSE
Robert Quinkel	Office of Public Instruction		
Kathy Fabian	"		
Terry Minow	MFT	X	
Louise Lombardi	OPI	X	
John Vocher	OTI	X	
Jill Meier	OPI	X	
Pat Long	OPD		
Eric Jensen	MEA	X	
Alan Nicholson	BLSP Ed.	X	

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR WITNESS STATEMENT
IF YOU HAVE WRITTEN COMMENTS, PLEASE GIVE A COPY TO THE SECRETARY.