

DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES

Section B

JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

-----Agencies-----

Department of Public Health & Human Services

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

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

Josh Poulette
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Agency Base Budget Comparison

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

Agency Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	2,831.92	2,759.62	2,759.62	(72.30)	(1.3%)
General Fund	745,722,273	835,572,797	877,011,698	221,139,949	14.8%
State/Other Special Rev. Funds	275,051,083	293,038,766	285,411,635	28,348,235	5.2%
Federal Spec. Rev. Funds	2,602,793,078	2,292,299,821	2,426,100,383	(487,185,952)	(9.4%)
Total Funds	3,623,566,434	3,420,911,384	3,588,523,716	(237,697,768)	(3.3%)
Personal Services	241,554,183	240,768,980	242,380,653	41,267	0.0%
Operating Expenses	184,474,809	258,778,649	265,855,824	155,684,855	42.2%
Equipment & Intangible Assets	426,370	426,370	426,370		0.0%
Grants	90,667,724	93,849,835	93,956,145	6,470,532	3.6%
Benefits & Claims	3,094,450,620	2,815,094,822	2,973,911,996	(399,894,422)	(6.5%)
Transfers	3,604,708	3,604,708	3,604,708		0.0%
Debt Service	8,388,020	8,388,020	8,388,020		0.0%
Total Expenditures	3,623,566,434	3,420,911,384	3,588,523,716	(237,697,768)	(3.3%)
Total Ongoing	3,623,566,434	3,385,861,146	3,553,245,908	(308,025,814)	(4.3%)
Total One-Time-Only		35,050,238	35,277,808	70,328,046	0.0%

Agency Highlights

Department of Public Health and Human Services Major Budget Highlights
<ul style="list-style-type: none"> • The 2027 biennium HB 2 budget request is 3.3% lower than the 2025 biennium ongoing budget and totals \$7,009.4 million. The requested budget includes a biennial general fund increase of 14.8%, or \$221.1 million, due in part to: <ul style="list-style-type: none"> ◦ Federal Medical Assistance Percentage (FMAP) adjustments, mostly for Medicaid, increase general fund by \$86.7 million over the biennium. The FMAP determines the state and federal shares of Medicaid financing ◦ In the Healthcare Facilities Division, a one-time-only decision package (DP) totaling \$70.3 million, with \$69.9 million in general fund over the biennium for “facility wage and operational standardization.” This DP also reduces positions budgeted (PB) by 97.30 ◦ In the Technology Services Division, increases in information technology costs amount to \$23.6 million general fund across the biennium. These costs include increases for information technology maintenance and operational costs as well as rate increases for information technology services through the Statewide Information Technology Services Division (SITSD) ◦ Caseload adjustments for foster care, guardianship, and adoption account for a \$14.4 million increase in general fund over the biennium ◦ Caseload adjustments for Medicaid, resulting in an increase of \$10.1 million general fund over the biennium • The continuation of the Medicaid expansion program, which terminates in June 2025 absent legislative action. The budget request for Medicaid expansion totals \$2,035.2 million in all funds over the 2027 biennium • Moving the Supplemental Nutrition Assistance Program (SNAP) from HB 2 into a statutory appropriation, which would decrease federal authority in HB 2 by \$345.9 million. If the legislature chooses to make this shift, it will require separate legislation • A package of ten recommendations based on the work of the Behavioral Health System for Future Generations Commission. In FY 2026, this amounts to \$31.0 million state special revenue funds from the account set up in the 2023 Legislative Session. In FY 2027, this amounts to \$23.0 million state special revenue funds and \$46.0 million federal funds • A total reduction of 77.30 HB 2 PB in both years of the biennium. This includes a reduction of 105.30 PB in various programs and the addition of 28.00 PB across the agency
Legislative Action Items
<ul style="list-style-type: none"> • The executive request includes funding for Medicaid expansion, which will

terminate in June 2025 absent legislative action. The legislature may wish to weigh options for the consideration of Medicaid expansion appropriations in the 2025 Session

- HB 872 of the 2023 Session appropriated \$300.0 million for Montana’s behavioral health system. The 2027 biennium executive budget includes a group of ten decision packages, which carry forward many of the recommendations generated by the work of HB 872. The legislature may wish to consider options for future appropriations in this area of the state budget
- The executive budget includes a one-time-only decision package in the Healthcare Facilities Division which adds \$70.3 million in funding while reducing PB by 97.30. The legislature may wish to consider options for improving clarity of legislative intent for any action in this area

Executive Request

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

Department of Public Health & Human Services 2027 Biennium Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	745,722,273	275,051,083	2,602,793,078	3,623,566,434	105.9%	745,722,273	275,051,083	2,602,793,078	3,623,566,434	101.0%
Statewide PL										
Personal Services	1,367,432	(456,432)	(1,225,791)	(314,791)	(0.0%)	1,568,429	(427,401)	(980,036)	160,992	0.0%
Fixed Costs	3,080,106	(170,232)	2,297,770	5,207,644	0.2%	2,624,696	(212,395)	1,990,401	4,402,702	0.1%
Inflation Deflation	(43,809)	(1,202)	(15,900)	(60,911)	(0.0%)	(29,604)	(812)	(10,746)	(41,162)	(0.0%)
Total Statewide PL	4,403,729	(627,866)	1,056,079	4,831,942	0.1%	4,163,521	(640,608)	999,619	4,522,532	0.1%
Present Law (PL)	42,173,625	(5,864,576)	(151,683,221)	(115,374,172)	(3.4%)	83,055,785	(5,050,838)	(63,794,928)	14,210,019	0.4%
New Proposals	43,273,170	24,480,125	(159,866,115)	(92,112,820)	(2.7%)	44,070,119	16,051,998	(113,897,386)	(53,775,269)	(1.5%)
Total HB 2 Adjustments	89,850,524	17,987,683	(310,493,257)	(202,655,050)	(5.9%)	131,289,425	10,360,552	(176,692,695)	(35,042,718)	(1.0%)
Total Requested Budget	835,572,797	293,038,766	2,292,299,821	3,420,911,384		877,011,698	285,411,635	2,426,100,383	3,588,523,716	

Statewide Present Law Adjustment for Personal Services

For more detail, please see the personal services section of the Agency Summary in this report.

Statewide Present Law Adjustment for Fixed Costs

The change in statewide present law adjustments for fixed costs in DPHHS are driven by rate changes for information technology services through the Statewide Information Technology Systems Division (SITSD). This increase is mainly driven by cost increases in rated services and pass through costs, but all rate categories in DPHHS have increased.

Present Law Adjustments

Major present law adjustments in the executive budget request, with combined all-funds adjustments reflected, include:

- Caseload adjustments for traditional Medicaid and Medicaid expansion totaling a reduction of \$131.2 million. These caseload adjustments include the statutory rate increase for physicians
- FMAP adjustments increasing general fund by \$86.7 million and state special revenue by \$5.1 million while reducing federal funds by \$91.8 million
- In the Technology Services Division, a total increase of \$28.4 million for maintenance and operational items
- Caseload adjustments for foster care, guardianship and adoption in the Child and Family Service Division, totaling \$12.9 million

New Proposals

Major new proposals in the executive budget request, with combined all-funds adjustments reflected, include:

- Moving the Supplemental Nutrition Assistance Program (SNAP) from HB 2 into a statutory appropriation, which would decrease HB 2 by a total of \$345.1 million
- In the Behavioral Health and Developmental Disabilities Division, a package of ten changes based on the work of the Behavioral Health System for Future Generations Commission with a total increase of \$100.0 million
- In the Healthcare Facilities Division, a total increase of \$70.3 million for facility wage and operational standardization
- In the Human and Community Services Division, a total increase of \$20.0 million for Summer electronic benefit transfer (EBT)
- In the Early Childhood and Family Support Division, a total increase of \$4.3 million for provider rate increases for Part C Services

Funding

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

Total Department of Public Health & Human Services Funding by Source of Authority 2027 Biennium Budget Request						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	1,642,666,329	69,918,166			1,712,584,495	22.7%
02989 69010-Hospital Utilization Fee	114,977,171				114,977,171	1.5%
02597 Healthy Montana Kids Plan	102,281,036				102,281,036	1.4%
02181 BHSFG	57,316,427				57,316,427	0.8%
02067 Montana HELP Act	55,721,216				55,721,216	0.7%
02772 Tobacco Hlth and Medicaid Init	48,140,706				48,140,706	0.6%
Other State Special Revenue	199,603,965	409,880		5,200,024	205,213,869	2.7%
State Special Revenue Total	578,040,521	409,880	-	5,200,024	583,650,425	7.7%
03583 93.778 - Med Ben FMAP	1,836,582,711			2	1,836,582,713	24.3%
03975 Medicaid Exp HELP Act Benefit	1,691,972,600				1,691,972,600	22.4%
03678 6901-Food Stamp Benefits	(12,000)			345,145,644	345,133,644	4.6%
03582 93.778 - Med Ben 100%				189,112,462	189,112,462	2.5%
03977 Med Exp HELP Act Indian Health	175,763,023				175,763,023	2.3%
Other Federal Special Revenue	1,014,093,870				1,014,093,870	13.4%
Federal Special Revenue Total	4,718,400,204	-	-	534,258,108	5,252,658,312	69.6%
Proprietary Fund Total	-	-	-	-	-	0.0%
Total of All Funds	6,939,107,054	70,328,046	-	539,458,132	7,548,893,232	
Percent of All Sources of Authority	91.9%	0.9%	0.0%	7.1%		

House Bill 2

DPHHS is primarily funded through HB 2 with general fund, state special funds, and federal funds. The majority of funding in this agency is federal funding for the various social assistance programs that DPHHS administers including traditional Medicaid, Medicaid expansion and the Childrens Health Insurance Program (CHIP). DPHHS also administers many smaller programs whose funds do not show up on this summary table but are discussed in further detail throughout the various division level analyses in this report. The state resources in this agency are in large part used as state match to draw down the federal funds in these various health and social assistance programs. The table below shows FY 2024 expenditures from selected state special revenue funds by program. Bolded values are the sum of FY 2024 actuals for each program.

FY 2024 DPHHS Expenditures from Selected State Special Revenue Funds		
<u>Program</u>	<u>Fund</u>	<u>FY 2024 Actuals</u>
04 Director's Office		
	2181 Behavioral Health System for Future Generations Fund	\$ 2,435,055
07 Public Health and Safety Division		
	02987 Tobacco Interest	\$ 651,655
	02790 Statewide Tobacco Settlement	7,502,632
		8,154,287
10 Behavioral Health and Developmental Disabilities Division		
	02772 Tobacco Health and Medicaid Initiatives	\$ 16,359,960
	02597 Healthy Montana Kids	1,076,293
	02987 Tobacco Interest	1,185,192
		18,621,445
11 Health Resources Division		
	02772 Tobacco Health and Medicaid Initiatives	\$ 1,535,682
	02597 Healthy Montana Kids	36,207,725
	02987 Tobacco Interest	3,566,716
	02789 Chip/MCHA Tobacco Settlement Fund	4,855,137
	02989 Hospital Utilization Fee	55,700,479
		101,865,739
22 Senior and Long Term Care Services Division		
	02772 Tobacco Health and Medicaid Initiatives	\$ 14,481,240
	02987 Tobacco Interest	1,112,380
		15,593,620
25 Early Childhood and Family Support		
	02987 Tobacco Interest	\$ 876,772
	02790 Statewide Tobacco Settlement	240,701
		1,117,473
33 Healthcare Facilities Division		
	02987 Tobacco Interest	195,136

The table below gives recent fund revenues, expenditures, and balances for the major state special revenue funds that support DPHHS programs. Projected revenues (HJ 2) are displayed in bold text. Proposed expenditures are underlined. FY 2025 is underlined as a request as well due to FY 2025 being currently underway; FY 2025 projected expenditure values in the table below are the amounts appropriated for these funds in FY 2025.

Selected State Special Revenue Fund Balance Detail (Projections in Bold/Requests Underlined)						
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Tobacco Health and Medicaid Initiatives (02772)*						
Beginning Fund Balance	\$ 9,981,473	\$ 11,681,861	\$ 6,530,915	\$ 406,418	\$ (16,226,594)	\$ (17,071,395)
Revenues	32,956,489	26,115,028	25,947,856	24,062,000	23,435,000	22,373,000
Expenditures	(31,256,101)	(31,265,974)	(32,072,354)	(40,695,012)	(24,279,801)	(23,860,905)
Ending Fund Balance	\$ 11,681,861	\$ 6,530,915	\$ 406,418	\$ (16,226,594)	\$ (17,071,395)	\$ (18,559,300)
Healthy Montana Kids (02597)						
Beginning Fund Balance	\$ 13,241,086	\$ 16,822,280	\$ 22,415,515	\$ 28,449,704	\$ 30,799,186	\$ 28,497,668
Revenues	39,209,226	43,255,187	46,643,660	48,290,000	48,839,000	49,841,000
Expenditures	(35,628,032)	(37,661,952)	(40,609,471)	(45,940,518)	(51,140,518)	(51,140,518)
Ending Fund Balance	\$ 16,822,280	\$ 22,415,515	\$ 28,449,704	\$ 30,799,186	\$ 28,497,668	\$ 27,198,150
Tobacco Interest (02987)						
Beginning Fund Balance	\$ 2,588,598	\$ 5,108,859	\$ 1,716,893	\$ 4,820,218	\$ 9,108,788	\$ 9,837,247
Revenues	9,282,247	7,742,184	11,200,592	11,327,000	12,349,000	13,473,000
Expenditures	(6,761,985)	(11,134,151)	(8,097,266)	(7,038,430)	(11,620,541)	11,620,682
Ending Fund Balance	\$ 5,108,859	\$ 1,716,893	\$ 4,820,218	\$ 9,108,788	\$ 9,837,247	\$ 34,930,929
Chip/MCHA Tobacco Settlement Fund (02789)						
Beginning Fund Balance	\$ 9,925,798	\$ 6,318,120	\$ 3,543,921	\$ 3,259,368	\$ 2,064,462	\$ 696,185
Revenues	5,294,513	5,141,097	4,635,197	4,497,000	4,290,000	4,052,000
Expenditures	(8,902,191)	(7,915,296)	(4,919,750)	(5,691,906)	(5,658,277)	(5,658,635)
Ending Fund Balance	\$ 6,318,120	\$ 3,543,921	\$ 3,259,368	\$ 2,064,462	\$ 696,185	\$ (910,450)
Statewide Tobacco Settlement (02790)						
Beginning Fund Balance	\$ 20,046,121	\$ 21,982,721	\$ 23,543,199	\$ 24,059,202	\$ 41,109,275	\$ 40,677,628
Revenues	10,008,363	9,677,359	8,725,077	8,466,000	8,076,000	7,628,000
Expenditures	(8,071,763)	(8,116,881)	(8,209,074)	8,584,073	(8,507,647)	(8,507,955)
Ending Fund Balance	\$ 21,982,721	\$ 23,543,199	\$ 24,059,202	\$ 41,109,275	\$ 40,677,628	\$ 39,797,673
Hospital Utilization Fee (02989)**						
Beginning Fund Balance	\$ 422,293	\$ 1,354,883	\$ 2,162,136	\$ 2,740,793	\$ 2,740,793	\$ 2,740,793
Revenues	54,988,716	54,910,001	56,292,576	58,049,612	57,436,490	57,540,681
Expenditures	(54,056,126)	(54,102,748)	(55,713,920)	(58,049,612)	(57,436,490)	(57,540,681)
Ending Fund Balance	\$ 1,354,883	\$ 2,162,136	\$ 2,740,793	\$ 2,740,793	\$ 2,740,793	\$ 2,740,793
Behavioral Health System for Future Generations (02181)***						
Beginning Fund Balance	\$ -	\$ -	\$ 70,000,000	\$ 222,564,945	\$ 175,564,945	\$ 142,875,490
Revenues	-	70,000,000	155,000,000	-	-	-
Expenditures	-	-	(2,435,055)	(47,000,000)****	(32,689,455)	(24,626,972)
Ending Fund Balance	\$ -	\$ 70,000,000	\$ 222,564,945	\$ 175,564,945	\$ 142,875,490	\$ 118,248,518

* Though the Tobacco Health and Medicaid Initiatives fund (02772) shows large negatives due to current appropriation levels, the department cannot spend more than is in the fund. Rather, the fund will likely be run to close to zero, will no longer carry a balance and revenues will generally equal expenditures.

**LFD does not project Hospital Utilization Fee (02989) fund revenues but the requests have been included due to the size of the fund.

*** The Behavioral Health System for Future Generations (02181) fund does not have a revenue source but the requests have been included due to the size of the fund.

**** This estimate is based on the Department expending all possible estimated costs on Near-Term Initiatives approved by the Commission and layed out in the Behavioral Health System for Future Generations Commission Final Report. For more details, please see the Behavioral Health and Developmental Disabilities section of this report.

Though DPHHS is funded primarily through HB 2, there are several statutory appropriations in DPHHS as well. These include a few smaller statutory appropriations including the Alcohol Tax Program, the Montana State Hospital statutory bond debt transfer and adoption service fees. Historically, the main statutory appropriation in DPHHS is the Indian Health Services traditional Medicaid Program in the Health Resources Division. This program is 100.0% federally funded and is included in the table above in fund 03582 Med Ben 100%.

In addition to the existing statutory programs in this department, the executive has requested a movement of SNAP benefits into a statutory appropriation. This change would lower the HB 2 budget by \$345.1 million federal funds across the biennium.

Agency Actuals and Budget Comparison

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

Agency Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	2,831.92	2,831.92	2,759.62	2,759.62
Personal Services	218,275,467	229,385,387	241,554,183	240,768,980	242,380,653
Operating Expenses	183,782,454	203,086,341	184,474,809	258,778,649	265,855,824
Equipment & Intangible Assets	439,528	819,039	426,370	426,370	426,370
Grants	103,371,086	103,696,113	90,667,724	93,849,835	93,956,145
Benefits & Claims	2,684,889,375	2,903,555,936	3,094,450,620	2,815,094,822	2,973,911,996
Transfers	4,427,993	6,628,961	3,604,708	3,604,708	3,604,708
Debt Service	12,919,338	9,186,466	8,388,020	8,388,020	8,388,020
Total Expenditures	\$3,208,105,241	\$3,456,358,243	\$3,623,566,434	\$3,420,911,384	\$3,588,523,716
General Fund	677,322,103	694,073,411	745,722,273	835,572,797	877,011,698
State/Other Special Rev. Funds	236,587,039	258,441,365	275,051,083	293,038,766	285,411,635
Federal Spec. Rev. Funds	2,294,196,099	2,503,843,467	2,602,793,078	2,292,299,821	2,426,100,383
Total Funds	\$3,208,105,241	\$3,456,358,243	\$3,623,566,434	\$3,420,911,384	\$3,588,523,716
Total Ongoing	\$3,208,105,241	\$3,456,358,243	\$3,623,566,434	\$3,385,861,146	\$3,553,245,908
Total OTO	\$0	\$0	\$0	\$35,050,238	\$35,277,808

Agency Description

The 2027 biennium budget proposal is a decrease of 3.3% relative to the FY 2025 base. This includes a general fund increase of 14.8% across the biennium. Compared to the FY 2025 base general fund appropriation, the executive request is an increase of 12.0% in FY 2026 and 17.6% in FY 2027. The executive’s total 2027 biennium request totals \$7,009.4 million.

Agency Discussion

The mission of DPHHS is to improve and protect the health, well-being, and self-reliance of all Montanans.

Please refer to the agency profile at <https://www.legmt.gov/lfd/committees/section-b/agency-profile-department-of-public-health-human-services/> for additional information about the agency’s organization structure, historical expenditures, goals and objectives, and recent studies and audits.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024, DPHHS expended 92.8% of the overall HB 2 budget. Of the overall budget, 72.4% is composed of federal special revenue funds which were 91.6% expended at the end of the fiscal year. In contrast, general fund accounts for only 20.1% of the HB 2 budget and those funds were 97.6% expended at fiscal year-end.

The expenditure differences between actuals and the initial appropriation are mainly due to lower spending in benefits and claims. This appropriation makes up 84.0% of the overall HB 2 budget and this expenditure account was 92.5% expended. The surplus within this expenditure account is mainly due to lower federal special revenue expenditures in the Medicaid programs. When budgeting last session, Medicaid benefits and claims faced the uncertainty of the public health emergency unwinding and its impact on enrollment as well as the federal medical assistance percentage (FMAP).

Though benefits and claims accounts for the majority of the difference, the operating expenses appropriation was 90.5% expended. This appropriation is comparatively small and accounts for 5.9% of the overall HB 2 budget. The Healthcare Facilities Division expended more than what was appropriated but lower expenses in other divisions for Healthy Montana Kids program administration and Medicaid program administration made up for any deficits.

Personal services, like operating expenses, is comparatively small and comprises 6.6% of the overall budget and was 95.2% expended. Lower expenditures are due to high vacancy rates throughout the interim, particularly in the Healthcare Facilities Division. For the agency as a whole, 91.2% of the total personal service hours budgeted were utilized.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 appropriation is 4.8% higher than the FY 2024 HB 2 appropriation. The majority of this increase can be attributed to additional provider rate increases in FY 2025 for both Medicaid and non-Medicaid providers. Additionally, Medicaid caseload increases in FY 2025 account for a significant portion of this increase.

Comparison of FY 2025 Legislative Budget to FY 2025 Base

The appendix includes [Figure 1](#), which illustrates the beginning FY 2025 budget as adopted by the 2023 Legislature compared to the FY 2025 base budget, which includes modifications as approved by the approving authority (as authorized in statute) during the interim. The FY 2025 base budget was agreed upon by the Office of Budget and Program Planning and the Fiscal Division to be the point from which any changes would be recorded for the 2027 biennium budgeting process.

The most significant executive modifications to the FY 2025 base budget include:

- A reorganization moved several functions between programs including Office of Health Data and Analytics from the Technology Services Division to the Operations Services Division; consolidated the Healthcare Facilities human resources office into the Director's Office centralizing human resources in the agency; authority and positions budgeted (PB) were moved from the Behavioral Health and Developmental Disabilities Division to Medicaid and Health Services Management Division (MHSM) to create a complex care coordination function; and a transfer of PB to Operations Services Division to fulfill compliance and project management functions. A net total of 11.00 PB were moved in this reorganization
- The Big Sky RX Program was moved from the Health Resources Division to the Senior and Long-Term Care Division. Moving this program transferred \$4.5 million in each fiscal year of the biennium and 1.00 PB
- A consolidation of internal audit, control, risk management and compliance functions in the Operations Services Division from the Office of the Inspector General. The associated authority and 4.00 PB were transferred in this reorganization

Medicaid

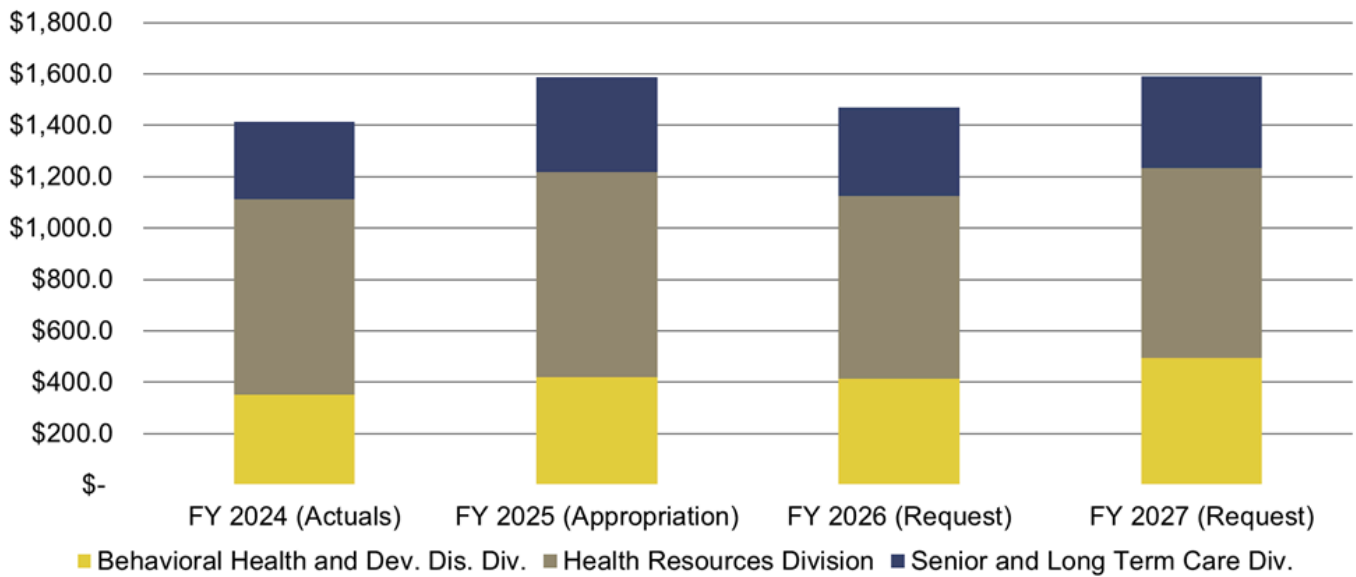
The executive request for the HB 2 Medicaid caseload (benefits and claims only) in the 2027 biennium totals \$5,094.7 million (all funds – see table below). This amount includes Medicaid expansion, which is proposed to be funded in HB 2. Note that this does not include Indian Health Services (IHS) traditional Medicaid expenditures as these expenditures are statutory. The only Medicaid provider rate increase included in the executive budget request is the statutory (MCA 53-6-125) increase for physicians.

Medicaid expenditures are made in the Behavioral Health and Developmental Disabilities Division (BHDDD), Health Resources Division (HRD), and Senior and Long-Term Care Division (SLTC).

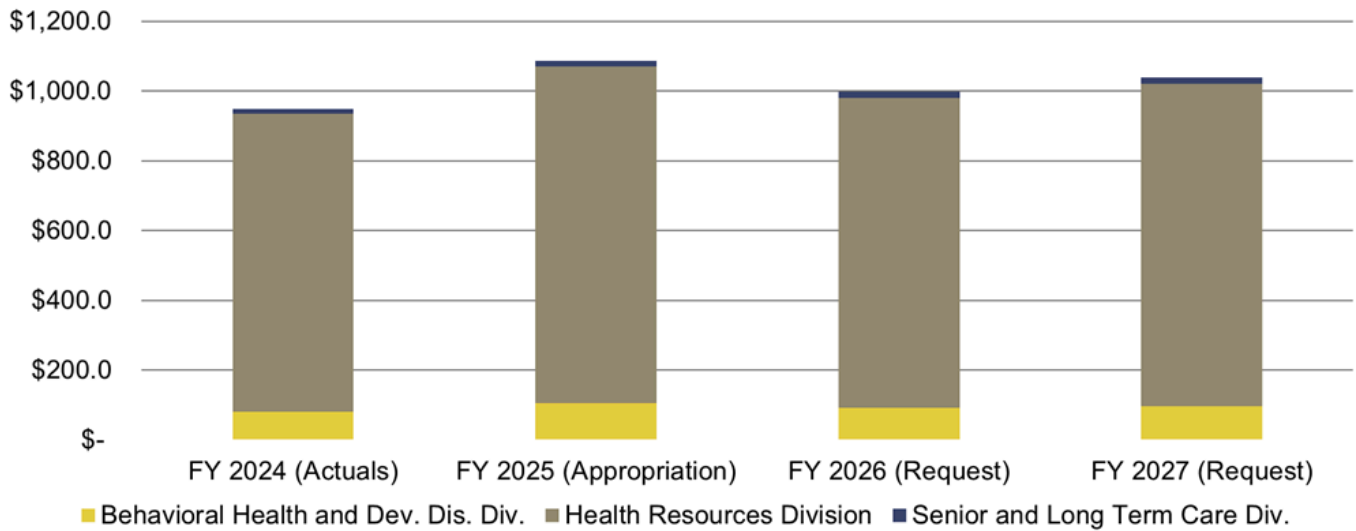
2027 Biennium HB 2 Medicaid Request Benefits and Claims (In Millions)				
	Traditional Medicaid			Total
	FY 2026	FY 2027		
Behavioral Health and Dev. Dis. Div.	\$ 414.7	\$ 493.2	\$	907.9
Health Resources Division	710.2	741.1		1,451.3
Senior and Long Term Care Div.	345.6	354.7		700.3
Total	\$ 1,470.5	\$ 1,589.0	\$	3,059.5
Medicaid Expansion				
	Medicaid Expansion			Total
	FY 2026	FY 2027		
Behavioral Health and Dev. Dis. Div.	\$ 91.8	\$ 96.8	\$	188.6
Health Resources Division	889.3	924.4		1,813.7
Senior and Long Term Care Div.	16.1	16.8		32.9
Total	\$ 997.2	\$ 1,038.0	\$	2,035.2
Grand Total: All Medicaid				
	FY 2026	FY 2027	Total	
	\$ 2,467.7	\$ 2,627.0	\$	5,094.7

The charts below illustrate Medicaid appropriations/requests for the 2025 and 2027 biennia. There are separate visuals for Traditional Medicaid and Medicaid Expansion. Like the table above, the charts below exclude IHS traditional Medicaid spending.

HB 2 Traditional Medicaid Budget:
Benefits and Claims (In Millions)



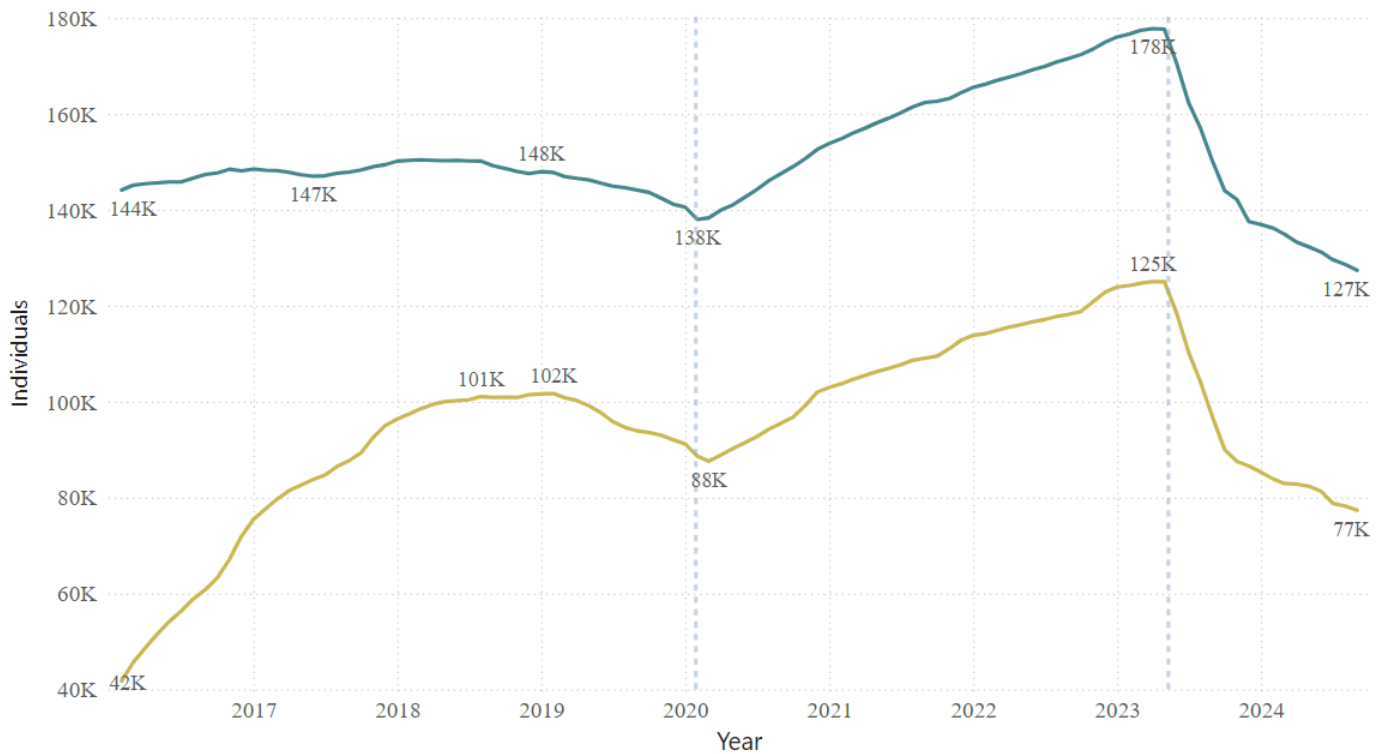
HB 2 Medicaid Expansion Budget:
Benefits and Claims (In Millions)



The graph below shows enrollment in traditional Medicaid and Medicaid Expansion from 2015-2024. Note that both Medicaid programs declined in enrollment during CY 2019 before rising during the COVID-19-induced economic contraction and with the federal prohibitions on disenrollment in the Families First Coronavirus Response Act (FFCRA, 2020). At the end of the public health emergency in April 2023, the federal requirements for continuous enrollment were discontinued. The start (January 2020) and end (April 2023) of the continuous disenrollment requirement are denoted by the dashed lines in the figure below. The agency completed redetermination in January of 2024 ending the period of sharp enrollment decline. Since the end of this redetermination period, enrollment has continued trending downward. More detail on Medicaid follows in the program level analyses for BHDD, HRD, and SLTC.

Enrollment by Program

Program Key ● Expansion ● Traditional



CHIP Present Law Request

The Healthy Montana Kids (HMK - CHIP) present law request for FY 2026 is a \$14.7 million, or 11.2%, decrease compared to the FY 2025 base. The overall HMK (CHIP) present law request for FY 2027 is a \$6.6 million, or 5.7%, decrease compared to the FY 2025 base. The table below breaks down the FY 2024 actual expenditures, FY 2025 base, and executive request by fund type.

2027 Biennium HB 2 CHIP (HMK) Request				
	<u>FY 2024 Actual</u>	<u>FY 2025 Base</u>	<u>FY 2026 Request</u>	<u>FY 2027 Request</u>
General Fund	\$ 6,641,856	\$ 15,793,217	\$ 9,582,060	\$ 11,945,214
State Special Revenue	17,837,388	21,790,551	21,756,922	21,757,280
Federal Funds	74,137,804	93,188,447	84,740,255	90,453,447
Total	\$ 98,617,048	\$ 130,772,215	\$ 116,079,237	\$ 124,155,941

FMAP Changes

Montana’s federal fiscal year (FFY) Federal Medical Assistance Percentage (FMAP) for 2026 is projected to be lower than the FFY 2025 FMAP. According to Federal Funds Information for States (FFIS), the rate is expected to drop from 62.37% to 61.47%. This reduction is a result of comparing the per capita income for Montana to the per capita income for the United States. As Montana’s per capita income increases relative to the per capita income of the United States, the percentage of federal funding received decreases. A decrease in rate will increase the state funds required for Medicaid match.

The executive budget includes several decision packages that compensate for changes in FMAP. The net impact of FMAP decision packages (DPs) for traditional Medicaid increases state funds over the biennium by \$91.8 million: general fund would increase by \$86.7 million while state special revenue would increase by \$5.1 million. FMAP DPs for traditional Medicaid reduce federal fund authority by \$91.8 million over the biennium.

The FMAP for Medicaid expansion is 90.0%, meaning that the federal government reimburses the state for 90.0% of the benefits and claims expenditures incurred under this program.

The table below presents recent and current Montana FMAPs by federal fiscal year (FFY) and state fiscal year (SFY). CHIP is funded with an enhanced federal FMAP (E-FMAP), also detailed in the table below

Montana FMAPs / E-FMAPs, 2022-2026					
	2022	2023	2024	2025	2026
FFY FMAP	64.90	64.12	63.91	62.37	61.47
SFY FMAP ¹	65.08	64.32	63.96	62.76	61.70
FFY E-FMAP	75.43	74.88	74.74	73.66	73.03
SFY E-FMAP	75.55	75.02	74.78	73.93	73.19
Expansion FMAP	90.00	90.00	90.00	90.00	90.00

¹SFY FMAPs account for the difference between SFY and FFY.

CHIP has federal matching rates that are generally about 10 to 11 percentage points higher than those under traditional Medicaid.

The executive has assumed a FMAP of 61.47% for FFY 2027 in building its budget submission for SFY 2027. If the actual FMAP varies from that amount, an impact on the demand for general fund will occur. If the FMAP is lower than 61.47%, more general fund will be needed for the state’s Medicaid and CHIP programs.

Medicaid Expansion

The executive budget includes funding for a reauthorization of the Medicaid expansion program. Under current law, this program terminates in June of 2025, absent legislative action. If the Medicaid expansion program terminates, the impact on the state general fund will likely be quite small. This is primarily the result of two things: one, only a portion of state Medicaid expansion match is general fund currently; and two, an expansion sunset would mean there would be a portion of individuals who would shift onto traditional Medicaid, a program that is more general-fund intensive than expansion due to the higher state match requirement.

In the most recent fiscal year (2024), the Medicaid expansion budget totaled \$1,060.6 million; \$32.7 million of this total was general fund, \$57.1 million was state special revenue, and \$970.8 million was federal funds. HB 658 of the 2019 Session established new/ increased state special revenue sources for Medicaid expansion (inpatient and outpatient hospital fees), reducing the need for general fund to make up the 10.0% state match required for Medicaid expansion.

If Medicaid expansion were to sunset in Montana, the state would need to determine eligibility for traditional Medicaid or other coverage for the current expansion population (per the federal Centers for Medicare and Medicaid Services, or CMS). By DPHHS estimates, about 7,500-10,000 people would shift to traditional Medicaid at the higher state cost – roughly 38.0% state share as opposed to the current 10.0% state share on Medicaid expansion. This shift would cost more general fund in the same range as the \$32.7 million appropriated for Medicaid expansion in FY 2024. A Medicaid expansion sunset would likely save the state budget less than \$5.0 million general fund per year.

**LFD
COMMENT****Legislative Options for Medicaid Expansion Appropriations**

The executive budget request includes Medicaid expansion in the 2027 biennium as part of the base budget with associated present law decision packages. The legislature may wish to reflect potential appropriations for Medicaid expansion differently: under current law, the program terminates June 30, 2025. An option would be to adopt negative present law decision packages to remove Medicaid expansion from the base budget, with the possibility of adding appropriations for Medicaid expansion via new proposal decision packages if a bill reauthorizing Medicaid expansion is passed and approved. Appropriations for Medicaid expansion could also be included in a reauthorization bill, rather than in HB 2.

Historically, LFC recommendations to subcommittees include direction that the appropriations subcommittees make no recommendations or adjustments to HB 2 until required legislation passes, except for K-12 inflation, which is defined as present law, and in alignment with companion bills. The Section B Subcommittee may therefore choose not to make recommendations involving future Medicaid expansion appropriations unless a bill reauthorizing Medicaid expansion has passed.

The Legislative Fiscal Modernization and Risk Analysis (MARA) Committee studied Medicaid expansion impact during the 2025 biennium interim. The Legislative Fiscal Division's (LFD) summary of literature on Medicaid expansion impact can be found [here](#).

Federal action may significantly impact Montana's Medicaid expansion program if the legislature chooses to reauthorize the program. The 2019 Legislature passed community engagement requirements as a part of Medicaid expansion. Those changes have not yet been implemented due to a lack of federal action in responding to such changes. It is possible CMS will take a different course of action with respect to work or community engagement requirements in Medicaid at some point in the future.

HB 872/Behavioral Health System for Future Generations (BHSFG)

The 68th Legislature passed HB 872, creating the Behavioral Health System for Future Generations (BHSFG) state special revenue fund. The fund was created to address gaps and improve the statewide behavioral health (BH) and developmental disabilities (DD) systems. A nine-member commission of legislators and governor appointed members met 15 times between the passage of the bill and the 2025 Legislative Session studying short and long-term initiatives that might address statewide systemic deficiencies. Within that time, 11 near term initiatives, or short-term stabilizing efforts, were approved by the commission and the governor. Implementation of these initiatives has begun with funds appropriated to the department from this account for the 2025 biennium. These include one-time-only targeted investments or grants as well as various pilot programs totaling an estimated \$47.0 million.

In addition to the near-term initiatives, the Commission developed 22 recommendations for long-term systemic improvements in these areas. The commission categorized these recommendations into various phases based on the complexity of implementation and the expected impact of the recommendation. Further discussion on the logic behind the sequencing of these recommendations can be found in Appendix E of the Commission's final report. The governor's HB 2 request includes ten of the recommendations which include all of the phase 1, or foundational recommendations, and phase 2, or BHSFG commissioner identified focus area recommendations. The requested recommendations amount to \$99.0 million in all funds across the biennium. This includes \$53.5 million state special revenue funds and \$45.5 million federal special revenue funds. These funds include both Medicaid and non-Medicaid programs. More information on the BHSFG budget request can be found in the program analysis for the Behavioral Health and Developmental Disabilities Division program analysis.

DPHHS Institutions

DPHHS currently operates a total of seven facilities. The table below shows a biennial summary of the 2027 biennium executive request for DPHHS facilities. The average daily population is based on FY 2024.

2027 Biennium Executive Request for DPHHS Facilities						
	FTE Request	Average Daily Population (FY 2024)	FY 2026 Request	FY 2027 Request	Average Annual Per-Resident Cost	
MT Chem. Dependency Ctr.	51.25	22.27	\$ 6,698,067	\$ 6,805,109	\$ 303,170	
Mental Health Nursing Care Ctr.	95.31	63.96	18,068,359	18,203,793	283,553	
Montana State Hospital	445.19	231.84	83,580,359	83,701,640	360,770	
Intensive Behavior Center (Boulder)	44.41	8.98	7,602,766	7,630,980	848,204	
Montana Vet. Home	130.90	67.44	17,556,560	17,623,004	260,821	
Eastern MT Vet. Home (Contracted)	1.00	55	5,577,449	5,879,333	104,153	
Southwest MT Vet. Home (Contracted)	1.00	43	\$ 6,185,008	\$ 6,599,312	\$ 148,655	

Personal Services - Statewide Present Law Adjustment for Personal Services

In order to explain the factors influencing personal services changes, the proposed statewide personal services present law adjustment (DP1) has been broken down into three categories, as follows:

- Legislative changes - This category includes adjustments explicitly approved by the legislature, such as, changes to benefit rates, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
- Management changes - This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring positions budgeted (PB) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
- Budget modifications - This category includes other modifications to the FY 2025 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or movement of personal services funding to or from another expenditure category (e.g. moving funding from operating expenses to personal services)

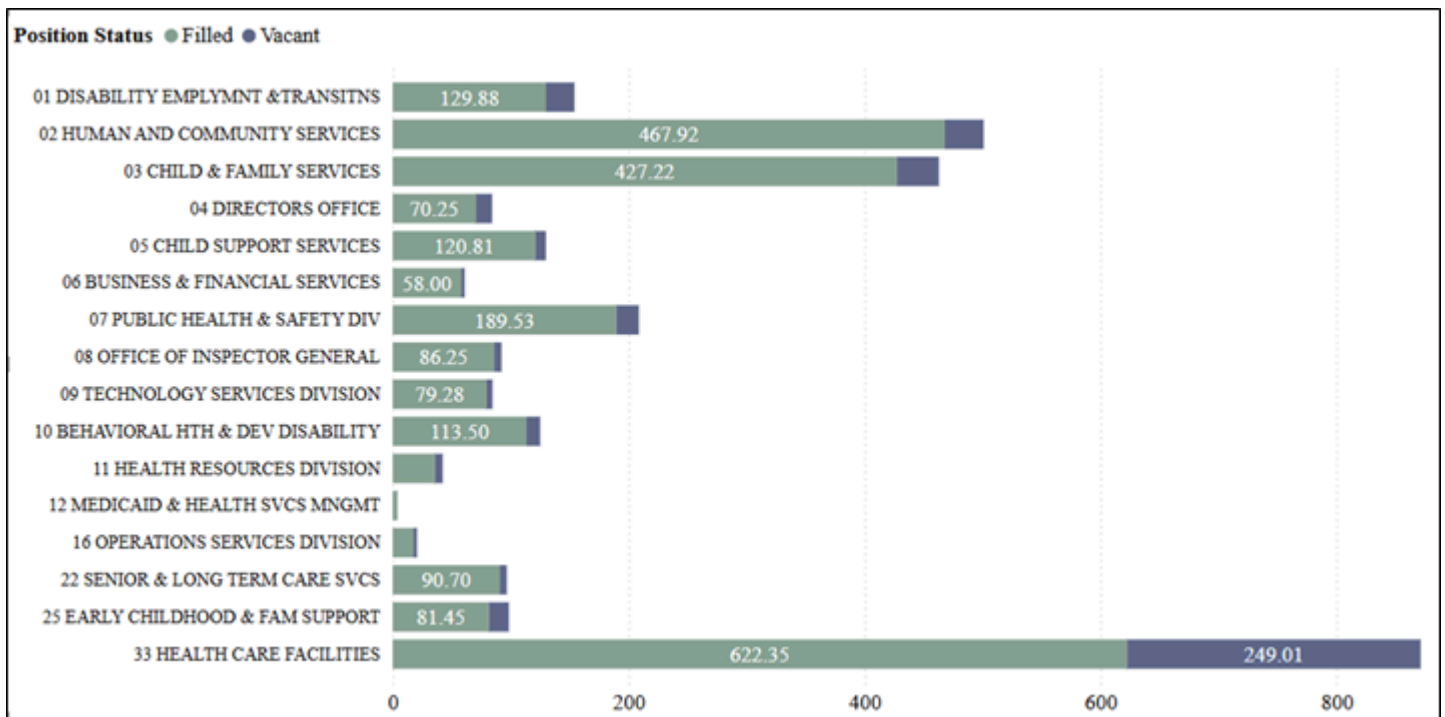
The figure below shows the analysis of the executive budget for personal services for each program.

Department of Public Health and Human Services FY 2026 Statewide Present Law Adjustment for Personal Services (DP 1)				
Program	Legislative Changes	Management Decisions	Budget Modifications	Total DP1
01 Disability and Employment Transitions Division	\$ 184,027	\$ 25,387	\$ (960,000)	\$ (750,586)
02 Human and Community Services Division	591,206	(553,109)	(2,505,308)	(2,467,211)
03 Child and Family Services Division	33,699	(115,051)	237,596	156,244
04 Director's Office	124,524	249,462	124,743	498,729
05 Child Support Services Division	196,849	(63,583)	-	133,266
06 Business and Financial Services Division	59,860	(54,548)	(128,000)	(122,688)
07 Public Health and Safety Division	333,336	231,809	(736,849)	(171,704)
08 Office of the Inspector General	200,118	204,418	213,000	617,536
09 Technology Services Division	86,766	40,117	76,140	203,023
10 Behavioral Health and Developmental Disabilities Div.	187,171	(18,078)	(835)	168,258
11 Health Resources Division	203,379	117,132	18,052	338,563
12 Medicaid Management and Health Services Division	18,274	(39,766)	-	(21,492)
16 Operations Services Division	66,287	131,228	(18,414)	179,101
22 Senior and Long Term Care Division	166,183	413,926	(947,063)	(366,954)
25 Early Childhood and Family Services Division	125,718	92,113	(1,000)	216,831
33 Healthcare Facilities Division	(9,661,864)	799,913	9,936,243	1,074,292
Total	\$ (7,084,467)	\$ 1,461,370	\$ 5,308,305	\$ (314,792)

Personal services were \$241.6 million or 6.7% of total FY 2025 appropriations. The executive proposes a decrease from the FY 2025 base of approximately 0.3% in FY 2026 and an increase of 0.3% in FY 2027.

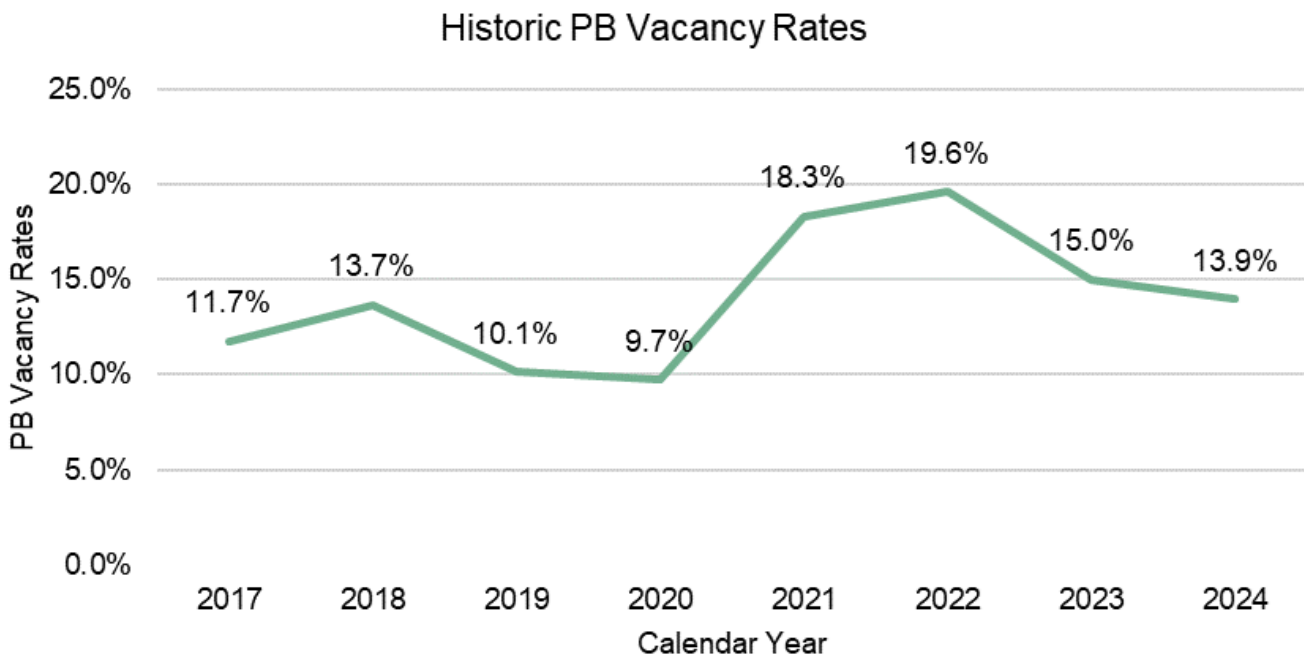
Vacancy Rates

DPHHS continues to see high vacancy rates in the 2025 biennium. Of the department’s total 2,804.90 HB 2 regular PB, 391.10 positions were vacant as of August 1, 2024, which is a vacancy rate of 13.9%. This is a decrease from a vacancy rate that hovered above 19.0% in the fall of CY 2022. The largest share of these vacancies is concentrated in the Healthcare Facilities Division which had a vacancy rate of 28.3% as of August 1, 2024, or 249.41 PB vacant. Over half of these vacancies are located at the Montana State Hospital in Warm Springs. Though most of the vacancies are concentrated in this area, much of the decrease in vacancies as compared to last biennium can be found in this area as well. The snapshot data in FY 2024 shows the Healthcare Facilities Division has 95.34 PB less vacant compared to the snapshot data taken in the fall of CY 2022.



These changes can be seen in the graph below. Though vacancy rates are still high relative to their typical historic rates, the department has shown decreased vacancies relative to the 2023 biennium. As of July 1, 2024, the agency had 391.10 vacant HB 2 regular PB, or about 13.9% of all PB.

Since July 1, 2023, there has been turnover of 433 positions in DPHHS. Employee turnover in the agency has mainly resulted from individuals leaving state employment. The next highest cause of turnover is retirement followed by individuals transferring to other state agencies. To combat the turnover and the high vacancy rates, targeted efforts in the Healthcare Facilities Division have been made to incentivize new hires including pay increases and cash incentives for certain high vacancy positions.



Agency Annual Plans and Performance Reports

HB 190 of 2023 requires agencies to submit annual plans and performance reports. The DPHHS annual plan for FY 2025 is [posted here](#) and the annual performance report for FY 2024 is [posted here](#).

HB 2 Language -

The executive has requested the following language for HB 2:

"If legislation authorizing a statutory appropriation for SNAP benefits (LC 1912) is not passed and approved, the appropriation for the Human and Community Services Division is increased by \$172,572,822 federal funds each year."

69010 - Department Of Public Health & Human Services01-Disability Employment and Transitions

Program Base Budget Comparison

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

Program Base Budget Comparison						
Budget Item	Base Budget		Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	139.07	147.07	147.07	8.00	2.9%	
General Fund	6,778,258	6,761,817	6,760,576	(34,123)	(0.3%)	
State/Other Special Rev. Funds	1,809,133	2,230,477	2,275,628	887,839	24.5%	
Federal Spec. Rev. Funds	23,443,425	22,782,148	22,791,642	(1,313,060)	(2.8%)	
Total Funds	32,030,816	31,774,442	31,827,846	(459,344)	(0.7%)	
Personal Services	11,626,531	11,505,626	11,531,894	(215,542)	(0.9%)	
Operating Expenses	5,001,334	5,366,895	5,394,031	758,258	7.6%	
Grants	719,317	218,287	218,287	(1,002,060)	(69.7%)	
Benefits & Claims	13,510,785	13,510,785	13,510,785		0.0%	
Transfers	411,032	411,032	411,032		0.0%	
Debt Service	761,817	761,817	761,817		0.0%	
Total Expenditures	32,030,816	31,774,442	31,827,846	(459,344)	(0.7%)	
Total Ongoing	32,030,816	31,774,442	31,827,846	(459,344)	(0.7%)	
Total One-Time-Only					0.0%	

Program Highlights

Disability Employment & Transitions Division	
Major Budget Highlights	
<ul style="list-style-type: none"> • The requested budget is a reduction over the 2027 biennium of 0.7%, which is driven by a \$1.3 million decrease in federal funding • Somewhat offsetting overall reductions is a request for 8.00 PB 	

69010 - Department Of Public Health & Human Services01-Disability Employment and Transitions

Executive Request

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

Disability Employment and Transitions 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	6,778,258	1,809,133	23,443,425	32,030,816	100.8%	6,778,258	1,809,133	23,443,425	32,030,816	100.6%
Statewide PL										
Personal Services	(185,469)	(59,093)	(506,024)	(750,586)	(2.4%)	(181,219)	(57,042)	(486,577)	(724,838)	(2.3%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(221)	0	(815)	(1,036)	(0.0%)	(149)	0	(551)	(700)	(0.0%)
Total Statewide PL	(185,690)	(59,093)	(506,839)	(751,622)	(2.4%)	(181,368)	(57,042)	(487,128)	(725,538)	(2.3%)
Present Law (PL)	0	0	(501,030)	(501,030)	(1.6%)	0	0	(501,030)	(501,030)	(1.6%)
New Proposals	169,249	480,437	346,592	996,278	3.1%	163,686	523,537	336,375	1,023,598	3.2%
Total HB 2 Adjustments	(16,441)	421,344	(661,277)	(256,374)	(0.8%)	(17,682)	466,495	(651,783)	(202,970)	(0.6%)
Total Requested Budget	6,761,817	2,230,477	22,782,148	31,774,442		6,760,576	2,275,628	22,791,642	31,827,846	

Funding

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

Department of Public Health & Human Services, 01-Disability Employment and Transitions Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	13,522,393	0	0	0	13,522,393	21.3%	
02159 MT Telecommunications Access	4,352,726	0	0	0	4,352,726	96.6%	
02434 02 Indirect Activity Prog 01	153,379	0	0	0	153,379	3.4%	
State Special Total	\$4,506,105	\$0	\$0	\$0	\$4,506,105	7.1%	
03024 Social Security-Ticket to Work	2,563,832	0	0	0	2,563,832	5.6%	
03226 VR Supported Empl VI-B Youth	330,000	0	0	0	330,000	0.7%	
03365 03 Indirect Activity Prog 01	1,756,961	0	0	0	1,756,961	3.9%	
03554 84.169 - Independent Living 90	700,772	0	0	0	700,772	1.5%	
03555 84.177 - Indep Living Old BLIN	810,040	0	0	0	810,040	1.8%	
03557 VR Supported Empl VI-A Adult	398,988	0	0	0	398,988	0.9%	
03588 93.802 - Disabil Deter Adm 100	9,720,527	0	0	0	9,720,527	21.3%	
03604 84.126 - Rehab-Sec110 A 78.7%	29,292,670	0	0	0	29,292,670	64.3%	
Federal Special Total	\$45,573,790	\$0	\$0	\$0	\$45,573,790	71.7%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$63,602,288	\$0	\$0	\$0	\$63,602,288		

The Disability Employment and Transitions Division (DETD) is funded primarily by a variety of federal funds accounting for 71.7% of the total appropriation authority. Some programs are fully funded with federal funds including disability determinations, while other federally funded programs require varying levels of state match funds. There are eight federal funds with ongoing HB 2 authority in DETD. Most of the federal authority is contained in four programs including:

- Rehab Sec 110 A
- Disability Determination Administration
- Social Security – Ticket to Work
- Indirect Activity Program

69010 - Department Of Public Health & Human Services01-Disability Employment and Transitions

General fund is used to support 21.3% of program costs while state special revenue supports the remaining 7.1%. Portions of each are used to support administrative costs with the remaining general fund being used to support Vocational Rehabilitation; the remaining state special revenue is used to facilitate the Montana Telecommunications Access Program (MTAP).

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	139.07	139.07	147.07	147.07
Personal Services	9,691,411	10,575,649	11,626,531	11,505,626	11,531,894
Operating Expenses	4,357,311	5,768,593	5,001,334	5,366,895	5,394,031
Grants	401,332	268,288	719,317	218,287	218,287
Benefits & Claims	13,246,355	13,880,065	13,510,785	13,510,785	13,510,785
Transfers	483,385	468,432	411,032	411,032	411,032
Debt Service	746,942	761,817	761,817	761,817	761,817
Total Expenditures	\$28,926,736	\$31,722,844	\$32,030,816	\$31,774,442	\$31,827,846
General Fund	7,171,645	7,243,085	6,778,258	6,761,817	6,760,576
State/Other Special Rev. Funds	890,040	1,778,333	1,809,133	2,230,477	2,275,628
Federal Spec. Rev. Funds	20,865,051	22,701,426	23,443,425	22,782,148	22,791,642
Total Funds	\$28,926,736	\$31,722,844	\$32,030,816	\$31,774,442	\$31,827,846
Total Ongoing	\$28,926,736	\$31,722,844	\$32,030,816	\$31,774,442	\$31,827,846
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

DETD advances the independence and employment of Montanans with disabilities. It is guided by the goal of promoting opportunities for rewarding careers and achieving maximum personal potential through informed choice. DETD is composed of five bureaus: Vocational Rehabilitation, Blind and Low Vision Services, Pre-Employment Transition Services, Disability Determination Services, and Operations and Support. The Montana Telecommunications Access Program (MTAP) is administratively attached to DETD. DETD also includes several small programs serving Montanans with disabilities and their families.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The DETD expended \$28.9 million or 91.2% of its FY 2024 appropriation with 99.0% of general funds, 50.0% of state special revenue funds, and 91.9% of federal special revenue funds expended.

DETD utilized 91.6% of appropriated personal services, 75.5% of operating expenses, and 95.4% of benefits and claims authority. These three account categories comprise 95.3% of the division's budget, with the Vocational Rehabilitation Program accounting for 46.2% of these appropriations, which were 87.3% expended in FY 2024.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is approximately 1.0% higher than the FY 2024 appropriation. This is primarily because of a \$1.1 million increase in FY 2025 personal services for the Vocational Rehabilitation Program.

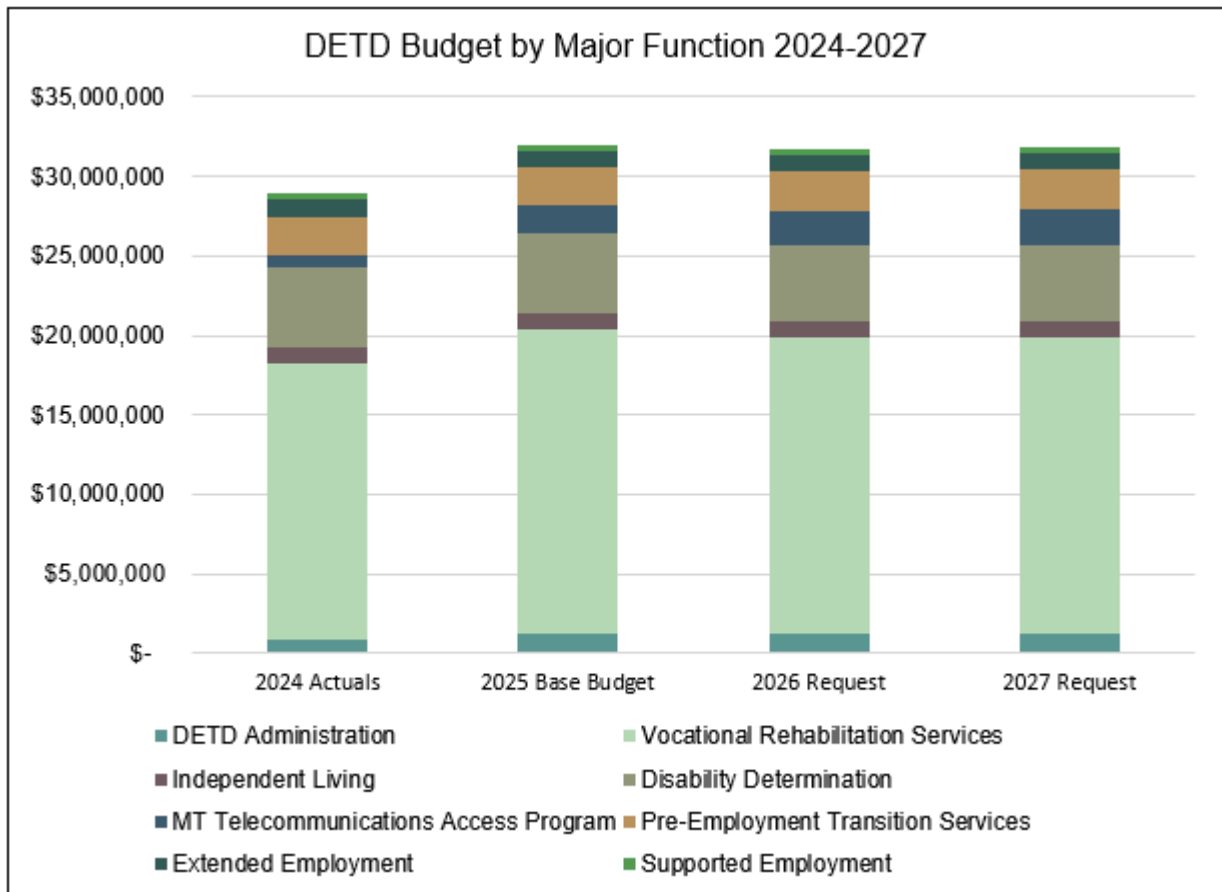
69010 - Department Of Public Health & Human Services01-Disability Employment and Transitions

Program Discussion

DETD is comprised of five bureaus which provide distinct services to Montanans with disabilities:

- General Vocational Rehabilitation Bureau supports eligible individuals with disabilities to find and keep jobs compatible with their abilities
- Pre-Employment Transition Services Bureau offers students with disabilities ages 14-21 an early start with job exploration and self-advocacy training, often with the help of community third-party providers
- Blind and Low Vision Services Bureau assists this specific population in finding employment, learning to live with the disability, and improving their independence
- Disability Determination Services Bureau decides who gets disability benefits through the Social Security Administration
- The Program Supports and Operations Bureau performs various functions including facilitating community rehabilitation programs, the Extended Employment Program, and assists the other bureaus within DETD through business and fiscal management

The figure below presents the DETD budget by major function by fiscal year.



69010 - Department Of Public Health & Human Services01-Disability Employment and Transitions

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(185,469)	(59,093)	(506,024)	(750,586)	0.00	(181,219)	(57,042)	(486,577)	(724,838)
DP 3 - Inflation Deflation	0.00	(221)	0	(815)	(1,036)	0.00	(149)	0	(551)	(700)
DP 1003 - Decreasing Approp for MonTech Program - DETD	0.00	0	0	(501,030)	(501,030)	0.00	0	0	(501,030)	(501,030)
Grand Total All Present Law Adjustments	0.00	(\$185,690)	(\$59,093)	(\$1,007,869)	(\$1,252,652)	0.00	(\$181,368)	(\$57,042)	(\$988,158)	(\$1,226,568)

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Disability Employment & Transitions Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 184,027
Management Changes	25,387
Total Budget Modifications	(960,000)
Total	<u>\$ (750,586)</u>

Budget modifications made in DETD in the 2025 biennium included a House Adjustment which added \$960,000 in personal services for 6.00 modified PB. DP1 removes those modifications while adding funding for pay plan increases, retention adjustments, and some additional smaller increases in personal services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state motor pool and motor pool leased vehicles.

DP 1003 - Decreasing Approp for MonTech Program - DETD -

This present law adjustment removes the appropriation for the MonTECH Program in the Disability Employment and Transitions Division (DETD). Historically, funding for the program passed through DETD, with the University of Montana as the ultimate recipient. The funding stream has changed, and the University of Montana receives funding directly from its federal partner, leaving excess federal appropriation in the DPHHS budget. This package requests a reduction of \$501,030 in federal funds in each year of the biennium.

69010 - Department Of Public Health & Human Services01-Disability Employment and Transitions

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1001 - MTAP Appropriation Increase for Expanded Services - DETD	2.00	0	480,437	0	480,437	2.00	0	523,537	0	523,537
DP 1004 - Vocational Rehab for Clients with SDMI or Co-Occurring Illne	4.00	75,042	0	277,274	352,316	4.00	72,832	0	269,101	341,933
DP 1005 - Vocational Rehabilitation Counselor at MT State Hospital - D	1.00	18,761	0	69,318	88,079	1.00	18,208	0	67,274	85,482
DP 1007 - Independent Living Skills Program for Blind/Low Vision - Hom	1.00	75,446	0	0	75,446	1.00	72,646	0	0	72,646
Total	8.00	\$169,249	\$480,437	\$346,592	\$996,278	8.00	\$163,686	\$523,537	\$336,375	\$1,023,598

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1001 - MTAP Appropriation Increase for Expanded Services - DETD -

The executive requests to add 2.00 PB to expand services for the Montana Telecommunications Access Program (MTAP). This service is funded with state special revenue through assessment of a 10-cent fee collected monthly from users of landlines and cell phones.

DP 1004 - Vocational Rehab for Clients with SDMI or Co-Occurring Illne -

The executive requests to add 4.00 PB for rehabilitation counselors to the budget for the Vocational Rehabilitation Program. The increase will be used to provide and coordinate Individualized Placement and Support (IPS) services for clients who live with a Serious and Disabling Mental Illness (SDMI) or co-occurring diagnosis. The funding source for this position is 78.7% federal funds and 21.3% general fund.

DP 1005 - Vocational Rehabilitation Counselor at MT State Hospital - D -

The executive requests to add 1.00 PB for a rehabilitation counselor to the budget for the Vocational Rehabilitation Program. The increase will be used to provide employment and training services to patients who are residing at or discharging from the Montana State Hospital to increase self-sufficiency and independence. The funding source for this position is 78.7% federal funds and 21.3% general fund.

DP 1007 - Independent Living Skills Program for Blind/Low Vision - Hom -

The executive requests to add 1.00 PB to distribute and provide training on usage of equipment assistive technology for individuals adjusting to blindness and vision loss that are now seeking employment. Due to eligibility requirements, these services are currently only available to individuals wishing to maintain, retain, or advance in employment, or those aged 55 and older. This new proposal would provide services to individuals managing the onset of blindness or low vision who do not fit into the other categories. This proposal totals \$148,092 in general funds for the biennium. This change package is contingent on passage and approval of LC0443.

LFD COMMENT

The Legislative Finance Committee generally recommends that subcommittees not pass contingent DPs until the corresponding bill has passed.

Program Base Budget Comparison

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

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	492.50	504.50	504.50	12.00	1.2%
General Fund	26,830,208	26,645,194	26,547,604	(467,618)	(0.9%)
State/Other Special Rev. Funds	2,179,116	2,120,784	2,124,069	(113,379)	(2.6%)
Federal Spec. Rev. Funds	263,882,023	100,297,652	100,224,848	(327,241,546)	(62.0%)
Total Funds	292,891,347	129,063,630	128,896,521	(327,822,543)	(56.0%)
Personal Services	41,346,407	40,183,796	40,259,489	(2,249,529)	(2.7%)
Operating Expenses	8,011,603	8,705,419	8,462,617	1,144,830	7.1%
Equipment & Intangible Assets	26,000	26,000	26,000		0.0%
Grants	24,366,008	24,149,708	24,149,708	(432,600)	(0.9%)
Benefits & Claims	217,004,998	53,862,376	53,862,376	(326,285,244)	(75.2%)
Transfers	2,122,620	2,122,620	2,122,620		0.0%
Debt Service	13,711	13,711	13,711		0.0%
Total Expenditures	292,891,347	129,063,630	128,896,521	(327,822,543)	(56.0%)
Total Ongoing	292,891,347	129,063,630	128,896,521	(327,822,543)	(56.0%)
Total One-Time-Only					0.0%

Program Highlights

Human and Community Services Division (HCSD) Major Budget Highlights
<ul style="list-style-type: none"> • The HCSD 2027 biennium appropriations are approximately \$327.8 million or 56.0% lower than the FY 2025 base budget. • The executive proposal includes: <ul style="list-style-type: none"> ◦ Movement of Supplemental Nutrition Assistance Program (SNAP) authority from HB 2 into a statutory appropriation decreasing the HCSD HB 2 budget by \$345.1 million in federal funds ◦ Increases to make the federal Summer Electronic Benefit Transfer (EBT) program permanent, totaling \$584,000 general funds and \$19.4 million federal funds over the biennium ◦ 12.00 PB and \$2.3 million total funds for the Medically Needy, Summer EBT, SNAP Education, and EBT programs ◦ Decreases of \$4.9 million in statewide present law adjustments for personal services and inflation/deflation

69010 - Department Of Public Health & Human Services 02-Human and Community Services

Executive Request

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

Human and Community Services 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	26,830,208	2,179,116	263,882,023	292,891,347	226.9%	26,830,208	2,179,116	263,882,023	292,891,347	227.2%
Statewide PL										
Personal Services	(928,499)	(70,919)	(1,467,793)	(2,467,211)	(1.9%)	(901,797)	(67,650)	(1,416,774)	(2,386,221)	(1.9%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(471)	(50)	(1,012)	(1,533)	(0.0%)	(318)	(34)	(683)	(1,035)	(0.0%)
Total Statewide PL	(928,970)	(70,969)	(1,468,805)	(2,468,744)	(1.9%)	(902,115)	(67,684)	(1,417,457)	(2,387,256)	(1.9%)
Present Law (PL)	80,874	12,637	159,219	252,730	0.2%	80,874	12,637	159,219	252,730	0.2%
New Proposals	663,082	0	(162,274,785)	(161,611,703)	(125.2%)	538,637	0	(162,398,937)	(161,860,300)	(125.6%)
Total HB 2 Adjustments	(185,014)	(58,332)	(163,584,371)	(163,827,717)	(126.9%)	(282,604)	(55,047)	(163,657,175)	(163,994,826)	(127.2%)
Total Requested Budget	26,645,194	2,120,784	100,297,652	129,063,630		26,547,604	2,124,069	100,224,848	128,896,521	

The executive HB 2 request for FY 2026 and FY 2027 proposes a total budget decrease of 55.9% and 56.0%, respectively, below the FY 2025 base appropriation. The magnitude of this decrease is a direct result of the division's proposal to move SNAP benefits and claims funding from HB 2 to a statutory appropriation. The executive request also includes increases for the Summer EBT Program, increases to fund overtime in the Office of Public Assistance, and 12.00 additional PB for various social assistance programs, but these are overshadowed by the decreases proposed for SNAP.

69010 - Department Of Public Health & Human Services 02-Human and Community Services

Funding

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

Department of Public Health & Human Services, 02-Human and Community Services						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	53,192,798	0	0	0	53,192,798	8.8%
02099 69010-VISTA-Community Cost Shr	112,513	0	0	0	112,513	2.7%
02375 02 Indirect Activity Prog 02	3,387,099	0	0	0	3,387,099	79.8%
02515 School Lunch OPI/Warehouse	13,327	0	0	0	13,327	0.3%
02688 6901-TANF Overpayments	130,000	0	0	0	130,000	3.1%
02772 Tobacco Hlth and Medicaid Init	2	0	0	0	2	0.0%
02974 Univ Low-Income Energy Assist	601,912	0	0	0	601,912	14.2%
State Special Total	\$4,244,853	\$0	\$0	\$0	\$4,244,853	0.7%
03066 81.042 BPA	1,010,653	0	0	0	1,010,653	0.2%
03072 69010-CNS-Grants-VISTA	432,352	0	0	0	432,352	0.1%
03074 Aging - Nutrition Services HDM	29,774	0	0	0	29,774	0.0%
03109 TANF Benefits	56,831,652	0	0	0	56,831,652	10.4%
03135 HOPWA TriState HELP CFDA14.241	1,046,323	0	0	0	1,046,323	0.2%
03382 03 Indirect Activity Prog 02	48,559,813	0	0	0	48,559,813	8.9%
03497 HCS Summer EBT	19,497,223	0	0	0	19,497,223	3.6%
03519 93.045 - Aging Meals 100%	62,088	0	0	0	62,088	0.0%
03544 10.561 - FS E & T - 50%	434,208	0	0	0	434,208	0.1%
03545 10.561 - FS E & T - 100%	589,664	0	0	0	589,664	0.1%
03546 10.561 - FS Adm - Fed Exp 50%	3,934,392	0	0	0	3,934,392	0.7%
03547 10.568 - Emerg Food Assist 100	1,053,472	0	0	0	1,053,472	0.2%
03548 10.569 - Food Distr - Fed Exp	3,947,517	0	0	0	3,947,517	0.7%
03550 14.231 - Emerg Shelter - HUD 5	1,433,462	0	0	0	1,433,462	0.3%
03552 81.042 - Weather Ben 100%	4,617,491	0	0	0	4,617,491	0.8%
03553 Housing Preservation Grant	2	0	0	0	2	0.0%
03572 93.568 - LIEAP Blk Grt Adm	44,204,380	0	0	0	44,204,380	8.1%
03573 93.569 - CSBG Adm	6,608,740	0	0	0	6,608,740	1.2%
03580 6901-93.778 - Med Adm 50%	4,471,203	0	0	0	4,471,203	0.8%
03678 6901-Food Stamp Benefits	(12,000)	0	0	345,145,644	345,133,644	63.2%
03679 6901-HOPWA CFDA#14-241	1,014,659	0	0	0	1,014,659	0.2%
03965 CSFP	715,864	0	0	0	715,864	0.1%
03974 Medicaid Exp HELP Act Admin	39,568	0	0	0	39,568	0.0%
Federal Special Total	\$200,522,500	\$0	\$0	\$345,145,644	\$545,668,144	90.5%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$257,960,151	\$0	\$0	\$345,145,644	\$603,105,795	

The 2027 biennium budget for HCSD is 20.6% general funds, 1.6% state special revenue funds, and 77.7% federal special revenue funds.

There are two major areas of federal benefits funding for HB 2 included in the table above; Temporary Assistance for Needy Families (TANF) and the Low-Income Housing Energy Assistance Program (LIHEAP) which each constitute 28.3% and 22.0% of federal funding, respectively. Historically, SNAP has been the largest proportion of HB 2 federal funding in this program but a new proposal in the executive request moves this funding into a statutory appropriation authority. For more information on these benefits programs, please refer to the program discussion below. Additional sources of federal funding include the Weatherization Assistance Program (03552) which helps eligible individuals reduce their energy consumption and improve the energy efficiency in their home; programs funded through the Community Services Block Grant; Housing and Urban Development (HUD) emergency shelter funding; Commodity Supplemental Food Program for low-income elderly Montanans; and Housing Opportunities for People with acquired immunodeficiency syndrome (AIDS; HOPWA).

Though most funding in this division goes to benefits, there is a large amount of funding in this division that goes to administration of the programs mentioned above as well as indirect activity. Indirect activity is a federally approved cost allocation formula which is derived from those funds expended on functions benefitting or serving other divisions in the department for other programs. In the HCSD, indirect activity funds the Office of Public Assistance which is responsible for Medicaid eligibility determinations.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	492.50	492.50	504.50	504.50
Personal Services	38,568,387	41,197,505	41,346,407	40,183,796	40,259,489
Operating Expenses	10,749,868	13,827,883	8,011,603	8,705,419	8,462,617
Equipment & Intangible Assets	0	25,000	26,000	26,000	26,000
Grants	28,798,606	31,179,658	24,366,008	24,149,708	24,149,708
Benefits & Claims	193,305,471	197,159,797	217,004,998	53,862,376	53,862,376
Transfers	1,947,486	4,203,010	2,122,620	2,122,620	2,122,620
Debt Service	2,231,163	18,711	13,711	13,711	13,711
Total Expenditures	\$275,600,981	\$287,611,564	\$292,891,347	\$129,063,630	\$128,896,521
General Fund	25,953,882	26,235,897	26,830,208	26,645,194	26,547,604
State/Other Special Rev. Funds	2,334,338	2,759,956	2,179,116	2,120,784	2,124,069
Federal Spec. Rev. Funds	247,312,761	258,615,711	263,882,023	100,297,652	100,224,848
Total Funds	\$275,600,981	\$287,611,564	\$292,891,347	\$129,063,630	\$128,896,521
Total Ongoing	\$275,600,981	\$287,611,564	\$292,891,347	\$129,063,630	\$128,896,521
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The HCSD is led by an administrator and a senior team, comprised of bureau chiefs, and program managers.

The Public Assistance Bureau includes policy, process, and training for eligibility services to clients for Montana's TANF Program, SNAP, and Health Coverage including the Montana Medicaid programs and Healthy Montana Kids (HMK) programs across the state.

The Intergovernmental Human Services Bureau administers the Community Services Block Grant which is used by ten Human Resource Development Councils to provide a wide range of community-based human services. In addition, this bureau provides the Low-Income Home Energy Assistance and Weatherization Program (LIHEAP), as well as, other supports including the Emergency Solutions grant and United States Department of Agriculture (USDA) food commodities.

The Business Operations Bureau coordinates all information technology systems related work for the division including requirements, design, testing, and implementation. The bureau is also responsible for data reporting as well as providing help desk system support for the public assistance staff.

The Fiscal Bureau coordinates, analyzes, implements, and monitors the division budget; purchases supplies and equipment; and assists with grant reporting, contracts, and leases.

Statutory Authority - is in Title 53, Chapter 2, part 2 MCA and 45 CFR

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The HCSD expended 95.8% of the total FY 2024 appropriation with 98.9% of general funds, 84.6% of state special revenues, and 95.6% of federal special revenues.

This 4.2% difference between the FY 2024 appropriation and the FY 2024 actual expenditures can mainly be attributed to the benefits and claims account. Of the \$197.2 million HB 2 benefits and claims appropriation authority in FY 2024, \$193.3 million was expended. This difference is due to lower utilization of SNAP and TANF benefits. Both programs have had declining recipient enrollment. Additionally, transfers out were 46.3% expended, which is almost wholly attributed to lower than budgeted expenditures in the TANF Employment and Training Program.

Personal services were 93.6% expended. The largest portion of this appropriation goes to the Office of Public Assistance (OPA) and of that \$41.2 million appropriation authority. This is due to additional federal special revenue funds added to the budget through indirect activity relative to the start of the fiscal year.

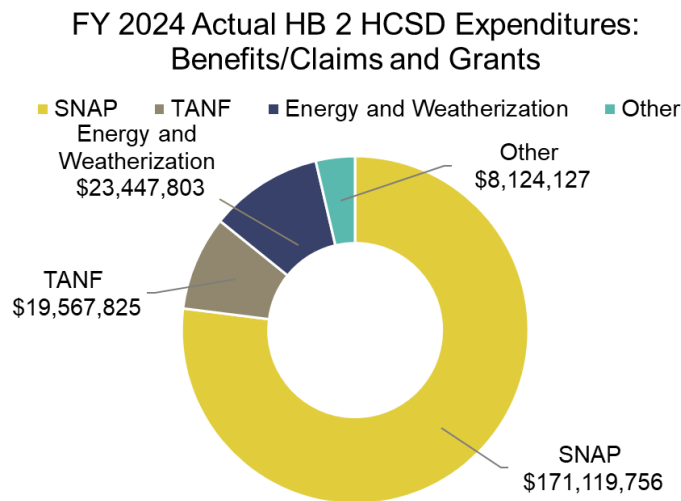
FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation in the HCSD is 1.8% higher than the FY 2024 appropriation. Benefits and claims rose by \$19.8 million with most of this attributable to increases in the TANF benefits appropriation due to increases in federal special revenue funds.

Program Discussion

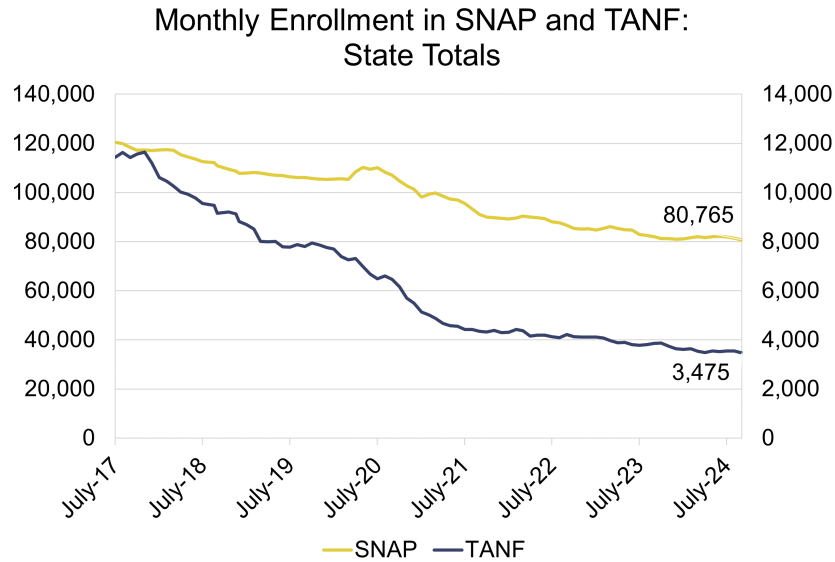
Approximately 60.5% of the HCSD proposed budget is comprised of benefits and claims and grants, while 31.2% of the budget is requested for personal services, the majority of which go to the Office of Public Assistance (OPA). Medicaid eligibility determination functions are the responsibility of HCSD and, more specifically, they fall to the OPA.

Historically, the HCSD budget for benefits and claims has been primarily driven by the SNAP Program, which accounted for just over three quarters of the total. The SNAP Program, formerly the Food Stamp Program, provides food subsidies in the form of an electronic benefit transfer (EBT) for eligible low-income individuals. The other major sources of benefits and claims in this program are the TANF Program, which provides temporary cash assistance to families with children under the age of 18 who fit certain eligibility requirements, and the LIHEAP Program which pays a portion of winter energy bills and assists with furnace emergencies for eligible individuals. The table below illustrates HB 2 actuals for benefits and claims as well as grants in the HCSD for FY 2024.



The benefits and claims at HCSD are non-Medicaid federal funds along with any state match required by the programs administered. For example, TANF funds are distributed in block grants, or annual sums of money distributed to fund a specified purpose or project, to states with a requirement for state match known as maintenance of effort (MOE). MOE provisions include specified state spending levels and general requirements on the use of funds. Each state receiving TANF funds must spend at least 75.0% of the amount spent on welfare and related programs in FY 1994, before TANF was created. Montana must meet specific federal requirements related to program participation to meet the 75.0% requirement, otherwise the MOE can be as high as 80.0%. In addition, if the state fails to meet the MOE requirement, it risks having future TANF appropriations reduced.

Due to the large portion of HCSD budget expenditures in these programs, significant changes to enrollment can have significant impacts on the budget. Though the early stages of the pandemic saw an increase in program participation, the long-term trend of declining enrollment has continued. The table below shows state total monthly enrollment in SNAP and TANF programs.



Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(928,499)	(70,919)	(1,467,793)	(2,467,211)	0.00	(901,797)	(67,650)	(1,416,774)	(2,386,221)
DP 3 - Inflation Deflation	0.00	(471)	(50)	(1,012)	(1,533)	0.00	(318)	(34)	(683)	(1,035)
DP 2004 - Office of Public Assistance Overtime - HCSD	0.00	80,874	12,637	159,219	252,730	0.00	80,874	12,637	159,219	252,730
Grand Total All Present Law Adjustments	0.00	(\$848,096)	(\$58,332)	(\$1,309,586)	(\$2,216,014)	0.00	(\$821,241)	(\$55,047)	(\$1,258,238)	(\$2,134,526)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Human and Community Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 591,206
Management Changes	(553,108)
Total Budget Modifications	<u>(2,505,308)</u>
Total	<u>\$ (2,467,210)</u>

Legislative changes for DP 1 are driven by benefits. Management changes are driven by differences in hiring, pay plan changes, promotions, and retention adjustments. Budget modifications are due to a house adjustment reversal.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 2004 - Office of Public Assistance Overtime - HCSD -

The executive requests authority for overtime in the Office of Public Assistance. The increase is requested to maintain the client caseload in addition to what is funded in SWPL 1.

New Proposals

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 2001 - Summer EBT Administrative and Benefits - HCSD	0.00	352,885	0	9,783,084	10,135,969	0.00	231,235	0	9,661,434	9,892,669
DP 2003 - PB for Medically Needy and Summer EBT Programs - HCSD	12.00	310,197	0	823,954	1,134,151	12.00	307,402	0	821,452	1,128,854
DP 2007 - SNAP Benefits Statutory Appropriation - HCSD	0.00	0	0	(172,572,822)	(172,572,822)	0.00	0	0	(172,572,822)	(172,572,822)
DP 2008 - Realign Appropriation with Revenue Commodity Supplemental Fo	0.00	0	0	(309,000)	(309,000)	0.00	0	0	(309,000)	(309,000)
DP 2009 - Reduce Appropriation for Orphan Fund - HCSD	0.00	0	0	(1)	(1)	0.00	0	0	(1)	(1)
Total	12.00	\$663,082	\$0	(\$162,274,785)	(\$161,611,703)	12.00	\$538,637	\$0	(\$162,398,937)	(\$161,860,300)

**Total Funds” amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2001 - Summer EBT Administrative and Benefits - HCSD -

The executive requests funding to incorporate permanent funding for the Summer EBT Program. The Summer EBT Program, first implemented in FY 2024, provides food assistance to children who are eligible for free or reduced school lunch during the summer when school lunch is unavailable.

DP 2003 - PB for Medically Needy and Summer EBT Programs - HCSD -

The executive requests 12.00 PB for the Medically Needy, Summer EBT, SNAP Education, and EBT programs. The increase is necessary to support compliance with federal and state regulations for these programs. This is funded with approximately 27.0% general fund and 73.0% federal funds.

DP 2007 - SNAP Benefits Statutory Appropriation - HCSD -

The executive requests an adjustment to remove federal Supplemental Nutrition Assistance Program (SNAP) benefits from HB 2 and establish it as a statutory appropriation. This change package is contingent on passage and approval of LC1912.

LFD COMMENT	The Legislative Finance Committee generally recommends that subcommittees not pass contingent DPs until the corresponding bill has passed. If the subcommittee decides to consider this DP, the executive has requested language be added to HB 2 which makes this change contingent upon passage and approval of the relevant legislation.
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DP 2008 - Realign Appropriation with Revenue Commodity Supplemental Fo -

The executive requests a reduction in the appropriation of federal revenue to the commodity supplemental food program to align the appropriation with anticipated expenditures.

DP 2009 - Reduce Appropriation for Orphan Fund - HCSD -

The executive requests a reduction in the appropriation of federal funds for the homeless management information system fund. This fund has a base appropriation of \$1 per year with no active revenue for the past several years. This change package gets rid of this appropriation over the biennium.

Program Base Budget Comparison

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

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	449.97	450.97	450.97	1.00	0.1%
General Fund	69,664,550	79,894,670	80,554,969	21,120,539	15.2%
State/Other Special Rev. Funds	1,478,208	1,473,989	1,471,928	(10,499)	(0.4%)
Federal Spec. Rev. Funds	50,628,895	48,513,163	48,364,516	(4,380,111)	(4.3%)
Total Funds	121,771,653	129,881,822	130,391,413	16,729,929	6.9%
Personal Services	36,865,435	38,020,804	38,136,948	2,426,882	3.3%
Operating Expenses	5,911,903	5,983,722	5,990,157	150,073	1.3%
Grants	4,939,476	5,539,476	5,606,427	1,266,951	12.8%
Benefits & Claims	72,103,213	78,386,194	78,706,255	12,886,023	8.9%
Transfers	593,356	593,356	593,356		0.0%
Debt Service	1,358,270	1,358,270	1,358,270		0.0%
Total Expenditures	121,771,653	129,881,822	130,391,413	16,729,929	6.9%
Total Ongoing	121,771,653	129,881,822	130,391,413	16,729,929	6.9%
Total One-Time-Only					0.0%

Program Highlights

Child and Family Services Division (CFSD) Major Budget Highlights
<ul style="list-style-type: none"> • The requested budget includes an increase over the biennium of 6.9%, which is driven by increases in benefits and claims and personal services • General fund is proposed to increase by 15.2%, driven by lower federal matching rates and increased provision of general-fund intensive services • Caseload for foster care, adoption, and guardianship has stabilized, while general fund appropriations are proposed to increase for those populations • The CFSD budget request includes 1.00 PB and \$1.4 million over the biennium to provide services to support families involved in adoption or guardianship arrangements

Executive Request

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

Child and Family Services 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	69,664,550	1,478,208	50,628,895	121,771,653	93.8%	69,664,550	1,478,208	50,628,895	121,771,653	93.4%
Statewide PL										
Personal Services	84,041	0	72,203	156,244	0.1%	138,018	0	88,098	226,116	0.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(22,239)	0	(5,942)	(28,181)	(0.0%)	(15,028)	0	(4,018)	(19,046)	(0.0%)
Total Statewide PL	61,802	0	66,261	128,063	0.1%	122,990	0	84,080	207,070	0.2%
Present Law (PL)	9,396,698	(4,219)	(2,191,295)	7,201,184	5.5%	9,931,196	(6,280)	(2,357,761)	7,567,155	5.8%
New Proposals	771,620	0	9,302	780,922	0.6%	836,233	0	9,302	845,535	0.6%
Total HB 2 Adjustments	10,230,120	(4,219)	(2,115,732)	8,110,169	6.2%	10,890,419	(6,280)	(2,264,379)	8,619,760	6.6%
Total Requested Budget	79,894,670	1,473,989	48,513,163	129,881,822		80,554,969	1,471,928	48,364,516	130,391,413	

Funding

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

Department of Public Health & Human Services, 03-Child and Family Services Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	160,449,639	0	0	0	160,449,639	61.6%	
02209 Third Party Contributions-F.C.	2,855,501	0	0	0	2,855,501	86.9%	
02376 02 Indirect Activity Prog 03	34,000	0	0	0	34,000	1.0%	
02473 Assault Intervention & Trtmnt	42,250	0	0	0	42,250	1.3%	
02483 Adoption Services / SA	0	0	0	339,140	339,140	10.3%	
02496 Family Preservation Conference	14,166	0	0	0	14,166	0.4%	
State Special Total	\$2,945,917	\$0	\$0	\$339,140	\$3,285,057	1.3%	
03109 TANF Benefits	4,341,114	0	0	0	4,341,114	4.5%	
03224 Access & Visitation Grt 93.597	206,388	0	0	0	206,388	0.2%	
03458 6901 - Chafee - ETV 93.599	808,640	0	0	0	808,640	0.8%	
03522 93.556 - Family Preservation	1,196,286	0	0	0	1,196,286	1.2%	
03526 93.643 - Child Justice	199,802	0	0	0	199,802	0.2%	
03529 IV-E Guardianship	8,834,736	0	0	0	8,834,736	9.1%	
03530 6901-Foster Care 93.658	19,572,190	0	0	0	19,572,190	20.2%	
03531 6901-Subsidized Adopt 93.659	31,825,009	0	0	0	31,825,009	32.9%	
03532 93.669 - Child Abuse	886,580	0	0	0	886,580	0.9%	
03533 93.671 - Domestic Violence	394,972	0	0	0	394,972	0.4%	
03536 93.674 Transition to Adlthd	2,828,878	0	0	0	2,828,878	2.9%	
03593 03 Indirect Activity Prog 03	25,706,264	0	0	0	25,706,264	26.5%	
03594 03 Indirect Activity Prog 04	76,820	0	0	0	76,820	0.1%	
Federal Special Total	\$96,877,679	\$0	\$0	\$0	\$96,877,679	37.2%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$260,273,235	\$0	\$0	\$339,140	\$260,612,375		

This program receives general fund, state special revenue fund, and federal special revenue fund authority. The largest federal funds sources are matching funds for foster care, adoption, and guardianship benefits (and related indirect activity).

Statutory appropriations are made for adoption services. These revenues come from adoption services fees and fund personal services and operating expenses in CFSD. The executive request from this fund is \$339,000 over the biennium. This fund entered FY 2025 with a balance of \$696,000.

Program Actuals and Budget Comparison

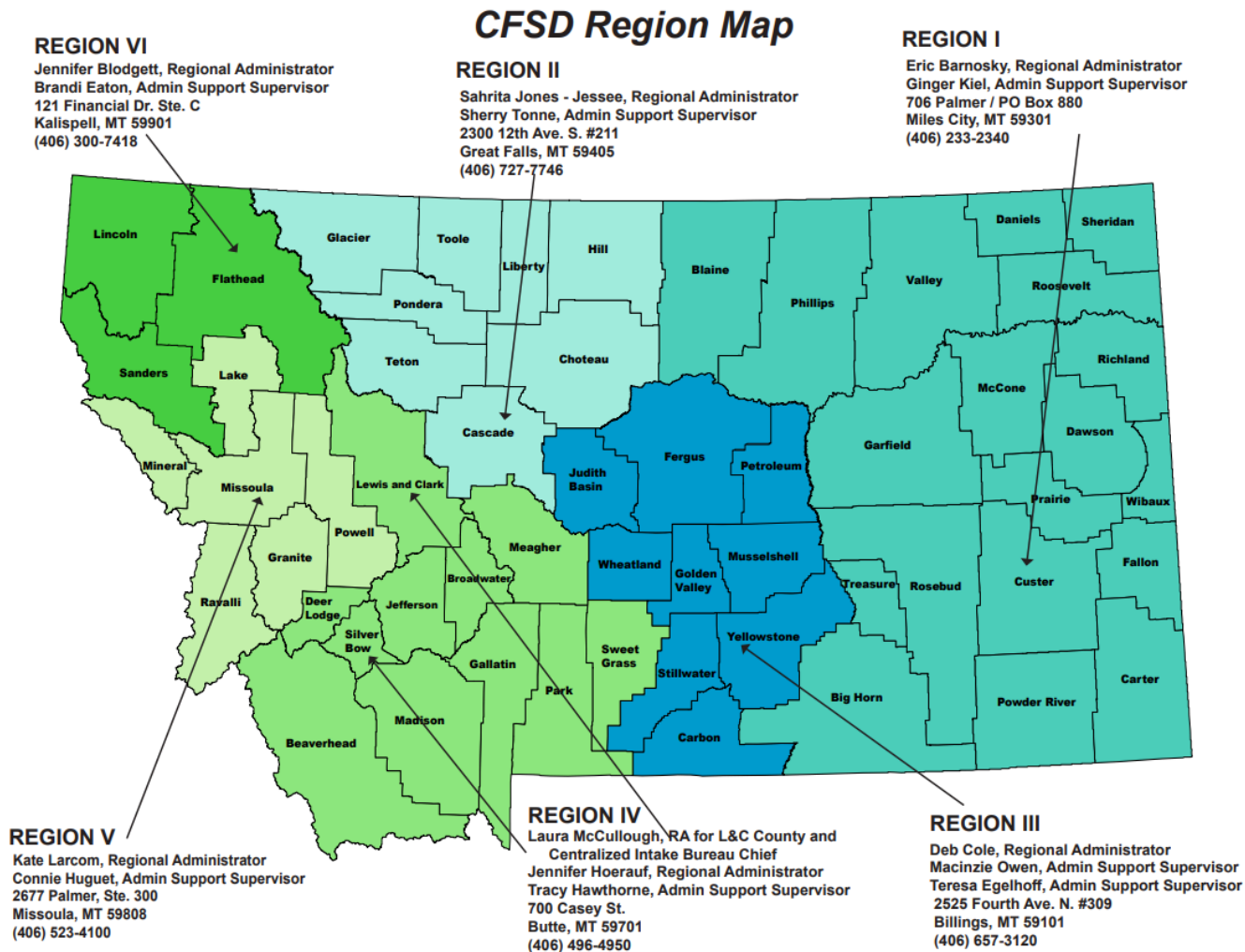
The following table compares FY 2024 actual expenditures, FY 2024 and FY 2025 appropriations, and the expenditures requested for FY 2026 and FY 2027 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	449.97	449.97	450.97	450.97
Personal Services	36,972,808	34,496,745	36,865,435	38,020,804	38,136,948
Operating Expenses	3,260,763	5,924,343	5,911,903	5,983,722	5,990,157
Grants	6,208,033	6,368,044	4,939,476	5,539,476	5,606,427
Benefits & Claims	68,360,030	69,014,315	72,103,213	78,386,194	78,706,255
Transfers	1,608,485	1,429,421	593,356	593,356	593,356
Debt Service	2,898,451	2,939,436	1,358,270	1,358,270	1,358,270
Total Expenditures	\$119,308,570	\$120,172,304	\$121,771,653	\$129,881,822	\$130,391,413
General Fund	72,562,330	72,714,573	69,664,550	79,894,670	80,554,969
State/Other Special Rev. Funds	1,479,697	1,541,584	1,478,208	1,473,989	1,471,928
Federal Spec. Rev. Funds	45,266,543	45,916,147	50,628,895	48,513,163	48,364,516
Total Funds	\$119,308,570	\$120,172,304	\$121,771,653	\$129,881,822	\$130,391,413
Total Ongoing	\$119,308,570	\$120,172,304	\$121,771,653	\$129,881,822	\$130,391,413
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Child and Family Services Division (CFSD) administers child protective services, reunification services, prevention services, adoption and guardianship services, and other programs designed to keep children safe and families strong. CFSD is focused on the overarching goal of improving safety, permanency, and well-being for children. CFSD is comprised of five bureaus: Training, Recruitment and Retention, Fiscal, Business and Technology, Program, and Licensing. CFSD has six regions and 31 offices that administer programs statewide. The division is advised by one state and nine local advisory councils.

Statutory Authority - Titles 41, 42 and 52, MCA 45 CFR, Parts 1355, 1356, 1357 and 1370



FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

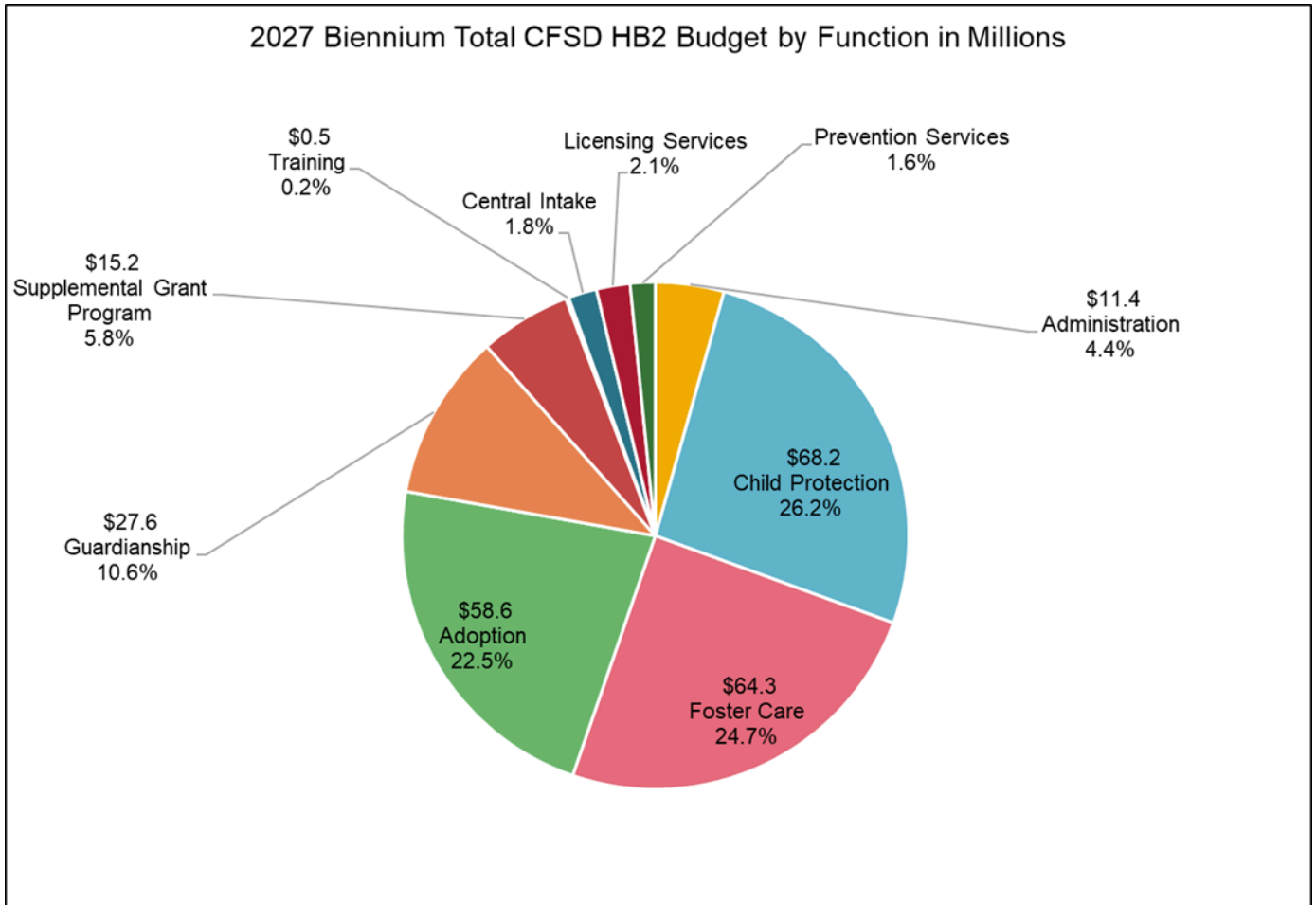
In FY 2024 CFSD expended 99.3% of its overall ongoing HB 2 budget, and 99.8% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

CFSD's ongoing FY 2025 total appropriations are 1.3%, or \$1.6 million higher than the FY 2024 total appropriation of \$120.2 million. This difference is primarily due to increases in personal services and benefits and claims.

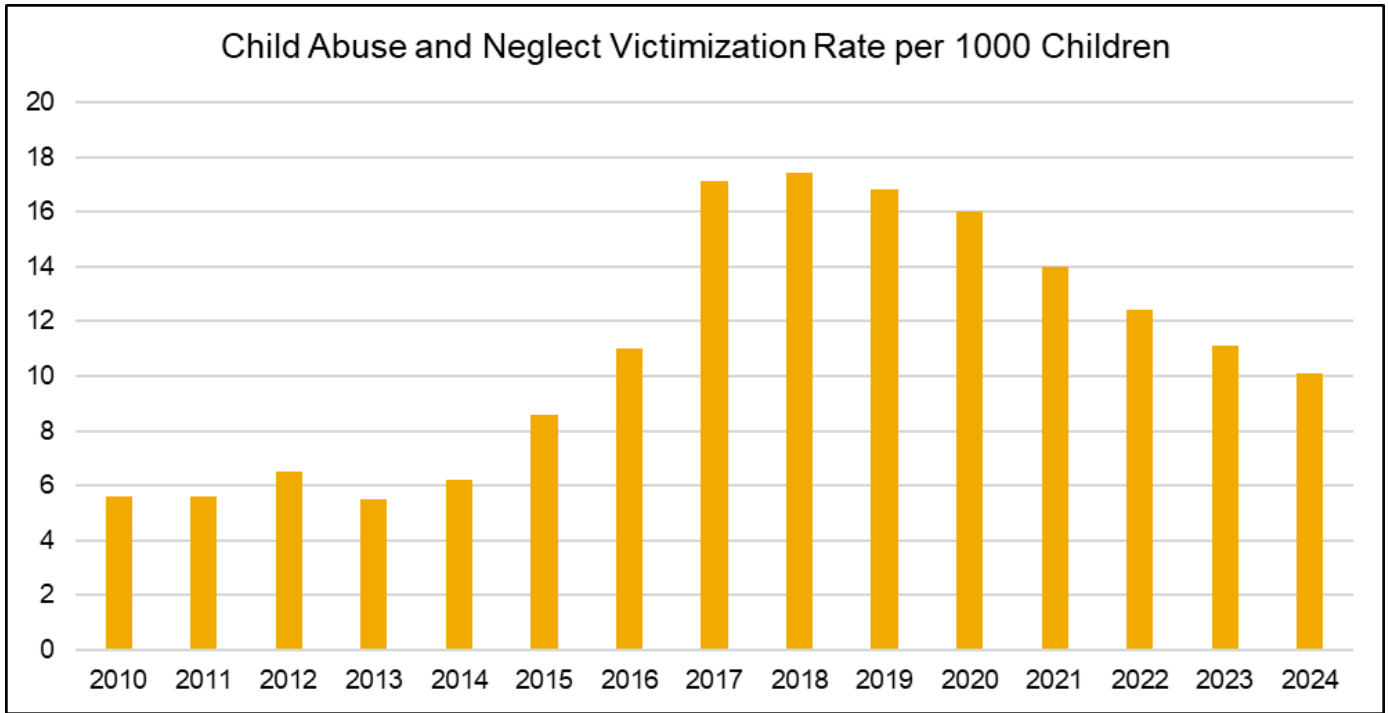
Biennium Budget by Major Function

Personal services comprise 29.3% of the biennium budget request, while benefits and claims make up 60.4%. The CFSD budget request is funded with 61.6% general fund and 37.2% federal funds. The chart below illustrates the major function areas of the 2027 CFSD HB 2 budget request. Child protection functions, foster care, adoption, and guardianship make up the large majority of the request. The legislature approved a 20.00 PB increase for CFSD during the 2023 Session, bringing the total PB for this division to 449.97. This increase was a transfer of PB from the Healthcare Facilities Division.

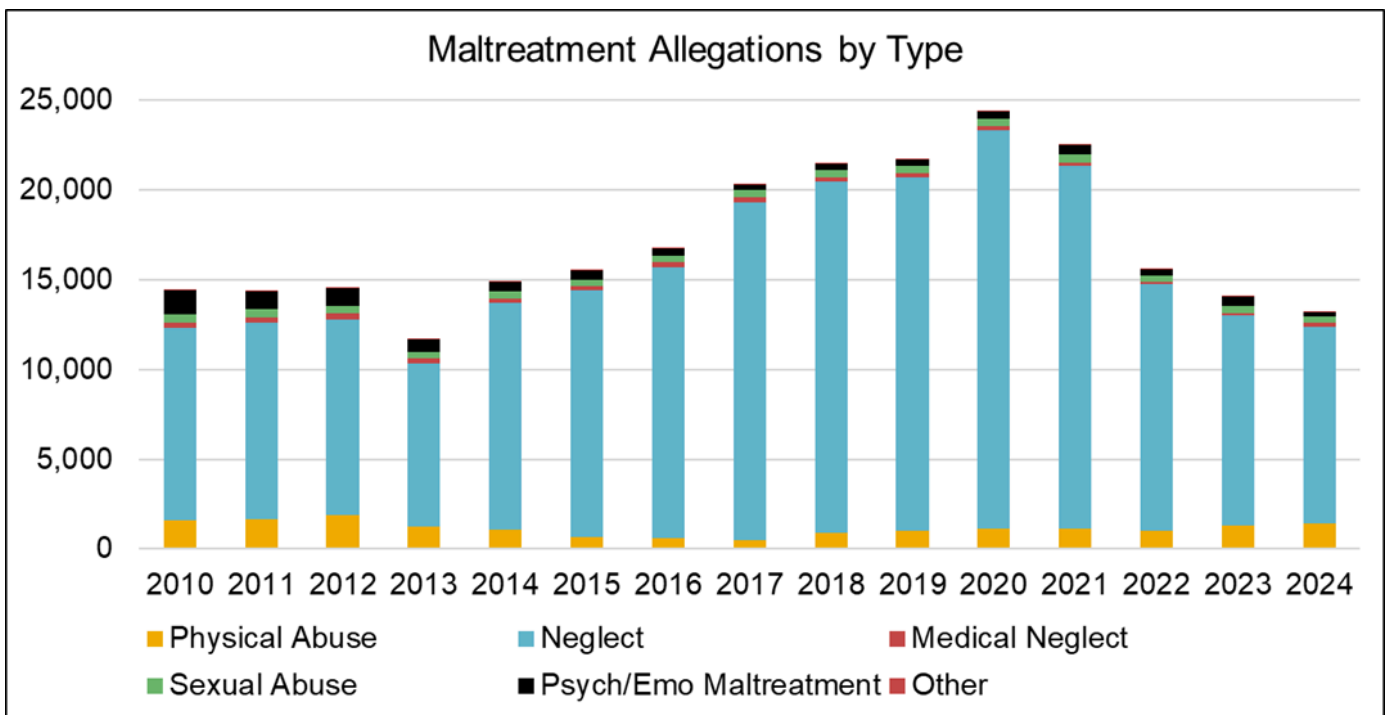


Caseload

Montana experienced rising rates of child abuse and neglect (CAN) beginning about one decade ago. The chart below illustrates this trend with CAN victimization rates: child victims per 1,000 children in a year. For example, in 2017 about 17.1 out of 1,000 children were victimized in Montana (a total of nearly 4,000 CAN victims in calendar year 2017). CAN rates have declined in the past several years after significant increase from 2013-2018.

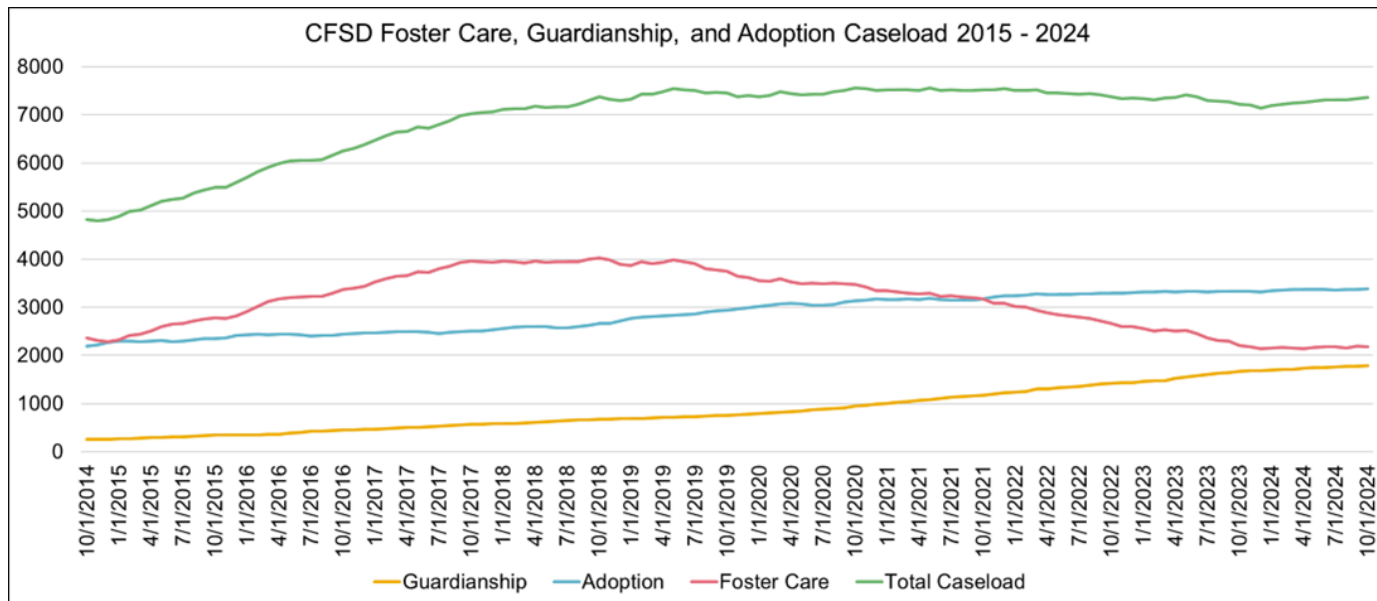


The graph below provides additional detail on the nature of child abuse and neglect allegations in Montana from 2010-24. This graph includes both substantiated and unsubstantiated allegations. The majority of allegations over this time period involve neglect. Neglect allegations have been increasing in real terms over this period as well as proportionally when compared to other types of maltreatment. Note that allegations of physical abuse (in gold) increased from 2017-2024 after declining through the 2012-2017 period. Physical abuse is the second most common allegation type after neglect.



A related trend is the rate at which children who are victims of abuse/neglect are removed from the home. This is generally referred to as “out-of-home-placement” (OOHP) and is an outcome that most research suggests should be avoided when possible as it generally has suboptimal long-run impacts on the child. The OOHP rate started rising in Montana about a decade ago but has stabilized more recently.

The graph below illustrates the caseload associated with OOHP. This graph shows monthly caseload broken down by type (foster care, guardianship, and adoption) from 2015 through the first quarter of FY 2025. Note that the total caseload has leveled off beginning in about the spring of 2019, and that foster care caseload has declined after years of increase, while guardianship and adoption numbers have slowly increased over this period. In the past year, foster care caseload has flattened out, while guardianship and adoption have continued with slow growth.



Families First Prevention Services Act (FFPSA)

FFPSA (2018) permits states to access federal funding for prevention services, or services that are intended to prevent OOHP. DPHHS has created a [webpage](https://dphhs.mt.gov/assets/cfsd/TitleIV-EPreventionPlan.pdf) summarizing their action on FFPSA. The Montana Title IV-E prevention plan is available at <https://dphhs.mt.gov/assets/cfsd/TitleIV-EPreventionPlan.pdf>. This plan was approved by the Administration for Children and Families (ACF) in January 2022.

General Fund Pressures in CFSD

The 2027 biennium CFSD budget request includes a 15.2% increase in general fund with a 4.3% decrease in federal funds. This request continues a trend in fund type utilization at CFSD over the past several biennia, with lower federal matching rates and shifting expenditure categories leading to higher demand for general fund appropriations in this division. The table below provides detail on fund type budgets and expenditures at CFSD since FY 2019.

CFSD Budget and Expenditures by Fund Type in Millions - FY 2019 to 2024

	2019	2020	2021	2022	2023	2024	2025 (YTD)
Budgeted							
General Fund	\$ 53.5	\$ 58.9	\$ 62.0	\$ 63.0	\$ 66.7	\$ 72.7	\$ 69.2
State Special Funds	1.9	2.0	2.1	2.1	2.1	1.9	1.8
Federal Funds	42.4	44.7	50.8	54.6	52.4	50.9	53.1
Total	\$ 97.8	\$ 105.6	\$ 115.0	\$ 119.8	\$ 121.3	\$ 125.4	\$ 124.2
Expended							
General Fund	\$ 53.0	\$ 56.1	\$ 61.7	\$ 62.5	\$ 66.5	\$ 72.3	\$ 27.5
State Special Funds	1.8	1.8	2.0	1.5	1.9	1.6	0.5
Federal Funds	42.2	43.6	41.3	45.5	42.5	49.1	17.9
Total	\$ 97.0	\$ 101.6	\$ 105.0	\$ 109.5	\$ 110.9	\$ 123.0	\$ 46.0

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	84,041	0	72,203	156,244	0.00	138,018	0	88,098	226,116
DP 3 - Inflation Deflation	0.00	(22,239)	0	(5,942)	(28,181)	0.00	(15,028)	0	(4,018)	(19,046)
DP 3001 - Foster Care Caseload Adjustment - CFSD	0.00	4,583,941	(4,219)	(1,385,142)	3,194,580	0.00	4,540,836	(6,280)	(1,296,215)	3,238,341
DP 3002 - Adoption Caseload Adjustment - CFSD	0.00	1,524,493	0	677,456	2,201,949	0.00	1,577,167	0	686,278	2,263,445
DP 3003 - Guardianship Caseload Adjustment - CFSD	0.00	985,978	0	(99,526)	886,452	0.00	1,147,940	0	(46,684)	1,101,256
DP 3004 - Holiday/Overtime/Differential - CFSD	0.00	761,391	0	156,812	918,203	0.00	799,460	0	164,653	964,113
DP 3996 - Guardianship FMAP Adjustment - CFSD	0.00	6,366	0	(6,366)	0	0.00	93,039	0	(93,039)	0
DP 3997 - Adoption FMAP Adjustment - CFSD	0.00	752,196	0	(752,196)	0	0.00	936,177	0	(936,177)	0
DP 3998 - Foster Care FMAP Adjustment - CFSD	0.00	782,333	0	(782,333)	0	0.00	836,577	0	(836,577)	0
Grand Total All Present Law Adjustments	0.00	\$9,458,500	(\$4,219)	(\$2,125,034)	\$7,329,247	0.00	\$10,054,186	(\$6,280)	(\$2,273,681)	\$7,774,225

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Child and Family Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$33,699
Management Changes	(115,051)
Total Budget Modifications	<u>237,596</u>
Total	<u><u>\$156,244</u></u>

Management change negative values are driven by vacancy savings. Executive budget modifications during the 2025 biennium reduced personal services by \$237,596 to align with certain federal requirements, so DP1 adds back this amount.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 3001 - Foster Care Caseload Adjustment - CFSD -

The executive requests funding for foster care caseload in CFSD. This decision package reflects an increase in general-fund intensive foster care services provided by CFSD relative to the base budget.

DP 3002 - Adoption Caseload Adjustment - CFSD -

The executive requests funding for adoption caseload in CFSD.

DP 3003 - Guardianship Caseload Adjustment - CFSD -

The executive requests funding for guardianship caseload in CFSD.

DP 3004 - Holiday/Overtime/Differential - CFSD -

The executive requests funding for overtime in CFSD. The increase is requested to fully fund overtime to maintain client caseload in addition to what is funded in DP 1.

DP 3996 - Guardianship FMAP Adjustment - CFSD -

The executive requests funding changes for guardianship in CFSD. The biennial funding increases general fund and includes an offsetting reduction in federal funds. The total cost for the program does not change.

DP 3997 - Adoption FMAP Adjustment - CFSD -

The executive requests funding changes for adoption in CFSD. The biennial funding increases general fund and includes an offsetting reduction in federal funds. The total cost for the program does not change.

DP 3998 - Foster Care FMAP Adjustment - CFSD -

The executive requests funding changes for foster care in CFSD. The biennial funding increases general fund and includes an offsetting reduction in federal funds. The total cost for the program does not change.

New Proposals

The "New Proposals" table shows new proposals for spending.

	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 3006 - Post Adoption Case Management - CFSD	1.00	685,904	0	0	685,904	1.00	750,517	0	0	750,517
DP 3011 - Replace CPS Owned Vehicles with Leases - CFSD	0.00	85,716	0	19,302	105,018	0.00	85,716	0	19,302	105,018
DP 3015 - Reduce Appropriation for Orphan Fund - CFSD	0.00	0	0	(10,000)	(10,000)	0.00	0	0	(10,000)	(10,000)
Total	1.00	\$771,620	\$0	\$9,302	\$780,922	1.00	\$836,233	\$0	\$9,302	\$845,535

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 3006 - Post Adoption Case Management - CFSD -

The executive proposes to provide services and add 1.00 PB for the Post-Adoption Program in the Child and Family Services Division. The increase is intended to provide case management services for families who have adopted/guardianship of youth from foster care and provides ancillary services (e.g., respite, non-Medicaid services, therapeutic treatment services) for families and assists with preventing adoption/guardianship breakdowns and youth returning to foster care.

DP 3011 - Replace CPS Owned Vehicles with Leases - CFSD -

The executive requests to replace high-mileage vehicles currently owned by CFSD with leased vehicles available through the State Motor Pool to ensure the safety of state workers and children served by CFSD.

DP 3015 - Reduce Appropriation for Orphan Fund - CFSD -

The executive requests to reduce the appropriation of federal funds for the Children's Alliance of MT fund. This fund has a base appropriation of \$10,000 per year with no active revenue for the past several years. This would be a reduction of \$20,000 in federal funds over the biennium.

Program Base Budget Comparison

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

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	79.25	80.25	80.25	1.00	0.6%
General Fund	5,403,662	5,728,542	5,738,143	659,361	6.1%
State/Other Special Rev. Funds	3,380,959	3,351,054	3,351,893	(58,971)	(0.9%)
Federal Spec. Rev. Funds	7,272,740	7,724,167	7,734,347	913,034	6.3%
Total Funds	16,057,361	16,803,763	16,824,383	1,513,424	4.7%
Personal Services	8,432,135	9,074,181	9,092,847	1,302,758	7.7%
Operating Expenses	7,329,112	7,433,468	7,435,422	210,666	1.4%
Grants	219,829	219,829	219,829		0.0%
Benefits & Claims	2,549	2,549	2,549		0.0%
Transfers	68,100	68,100	68,100		0.0%
Debt Service	5,636	5,636	5,636		0.0%
Total Expenditures	16,057,361	16,803,763	16,824,383	1,513,424	4.7%
Total Ongoing	16,057,361	16,803,763	16,824,383	1,513,424	4.7%
Total One-Time-Only					0.0%

Program Highlights

Director's Office Major Budget Highlights
<ul style="list-style-type: none"> • The requested budget includes growth over the biennium of 4.7%, which is driven by increases in personal services, or wages and benefits for employees, and operating expenses • The proposed budget includes an increase of 1.00 PB and \$297,000 for a procurement staff attorney position

Executive Request

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

Director's Office 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	5,403,662	3,380,959	7,272,740	16,057,361	95.6%	5,403,662	3,380,959	7,272,740	16,057,361	95.4%
Statewide PL										
Personal Services	198,347	(39,923)	340,306	498,730	3.0%	207,779	(39,420)	349,037	517,396	3.1%
Fixed Costs	48,748	6,976	42,978	98,702	0.6%	50,319	7,366	45,378	103,063	0.6%
Inflation Deflation	0	0	(904)	(904)	(0.0%)	0	0	(611)	(611)	(0.0%)
Total Statewide PL	247,095	(32,947)	382,380	596,528	3.5%	258,098	(32,054)	393,804	619,848	3.7%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	77,785	3,042	69,047	149,874	0.9%	76,383	2,988	67,803	147,174	0.9%
Total HB 2 Adjustments	324,880	(29,905)	451,427	746,402	4.4%	334,481	(29,066)	461,607	767,022	4.6%
Total Requested Budget	5,728,542	3,351,054	7,724,167	16,803,763		5,738,143	3,351,893	7,734,347	16,824,383	

Funding

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

Department of Public Health & Human Services, 04-Director's Office Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	11,466,685	0	0	0	11,466,685	34.1%	
02181 BHSFG	3,322,852	0	0	0	3,322,852	49.6%	
02377 02 Indirect Activity Prog 04	3,374,065	0	0	0	3,374,065	50.3%	
02382 02 Indirect Activity Prog 06	6,030	0	0	0	6,030	0.1%	
State Special Total	\$6,702,947	\$0	\$0	\$0	\$6,702,947	19.9%	
03523 93.566 - Refugee Soc. Serv	163,370	0	0	0	163,370	1.1%	
03571 93.566 - Off Ref Reset Adm 10	823,997	0	0	0	823,997	5.3%	
03591 03 Indirect Activity Prog 06	136,850	0	0	0	136,850	0.9%	
03594 03 Indirect Activity Prog 04	14,334,297	0	0	0	14,334,297	92.7%	
Federal Special Total	\$15,458,514	\$0	\$0	\$0	\$15,458,514	46.0%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$33,628,146	\$0	\$0	\$0	\$33,628,146		

This program receives general fund, state special revenue fund, and federal special revenue fund authority. Most functions within the Director's Office are cost allocated through indirect cost recoveries to the other divisions within DPHHS.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	79.25	79.25	80.25	80.25
Personal Services	10,543,635	9,573,231	8,432,135	9,074,181	9,092,847
Operating Expenses	1,225,209	3,382,278	7,329,112	7,433,468	7,435,422
Grants	190,136	219,829	219,829	219,829	219,829
Benefits & Claims	28,866	2,549	2,549	2,549	2,549
Transfers	105,868	69,597	68,100	68,100	68,100
Debt Service	252,071	5,636	5,636	5,636	5,636
Total Expenditures	\$12,345,785	\$13,253,120	\$16,057,361	\$16,803,763	\$16,824,383
General Fund	5,720,882	5,755,080	5,403,662	5,728,542	5,738,143
State/Other Special Rev. Funds	772,973	1,192,627	3,380,959	3,351,054	3,351,893
Federal Spec. Rev. Funds	5,851,930	6,305,413	7,272,740	7,724,167	7,734,347
Total Funds	\$12,345,785	\$13,253,120	\$16,057,361	\$16,803,763	\$16,824,383
Total Ongoing	\$12,345,785	\$13,253,120	\$16,057,361	\$16,803,763	\$16,824,383
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Director's Office (DO) provides overall policy development and administrative guidance for the department. The DO includes the Office of Legal Affairs, Office of Human Resources, Office of Strategy and Transformation, and the State Medical Officer, in addition to other executive leaders who report to the Department Director and oversee discrete practices, programs, and offices throughout the agency.

Statutory Authority - Title 2, Chapter 15, part 22 and Title 53, Chapter 19, part 3, MCA.

All termination costs (sick leave payouts, etc.) are funded in this division. Other divisions transfer funds to make the payout. In FY 2024, \$1.9 million in total funds and \$1.0 million in general fund were transferred to and paid from this division. As a consequence, FY 2024 has higher costs that are not included in either FY 2025 or the 2027 biennium but will be reflected in transfers from other divisions as the next biennium unfolds.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 the DO expended 93.2% of its HB 2 budget, and 99.4% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

DO ongoing FY 2025 total appropriations are 21.2%, or \$2.8 million higher than the FY 2024 total appropriation of \$13.3 million. This difference is due to higher appropriations for operating expenses in FY 2025 and is somewhat offset by lower appropriations for personal services in FY 2025. The higher budgeted amount for operating expenses in 2025 is due to DP 3333 (additional adjustment for inflation) from the 2023 Legislative Session being placed in the DO. The agency will move this additional adjustment for inflation appropriation to other divisions as FY 2025 unfolds.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	198,347	(39,923)	340,306	498,730	0.00	207,779	(39,420)	349,037	517,396
DP 2 - Fixed Costs	0.00	48,748	6,976	42,978	98,702	0.00	50,319	7,366	45,378	103,063
DP 3 - Inflation Deflation	0.00	0	0	(904)	(904)	0.00	0	0	(611)	(611)
Grand Total All Present Law Adjustments	0.00	\$247,095	(\$32,947)	\$382,380	\$596,528	0.00	\$258,098	(\$32,054)	\$393,804	\$619,848

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Director's Office FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$124,524
Management Changes	249,462
Total Budget Modifications	<u>124,743</u>
Total	<u><u>\$498,729</u></u>

Legislative changes in DP 1 are driven by benefits increases, while management decisions are driven by reclassification and hiring differential. Executive budget modifications in the 2025 biennia included a reorganization that moved facility human resources from HFD to the DO.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 4001 - Procurement Staff Attorney - Director's Office	1.00	77,785	3,042	69,047	149,874	1.00	76,383	2,988	67,803	147,174
Total	1.00	\$77,785	\$3,042	\$69,047	\$149,874	1.00	\$76,383	\$2,988	\$67,803	\$147,174

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 4001 - Procurement Staff Attorney - Director's Office -

The executive requests the addition of 1.00 PB and associated funding for a staff attorney position in the DO.

Program Base Budget Comparison

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

Program Base Budget Comparison						
Budget Item	Base Budget		Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	129.81	129.81	129.81	0.00	0.0%	
General Fund	3,656,440	3,701,750	3,710,021	98,891	1.4%	
State/Other Special Rev. Funds	363,458	363,458	363,458		0.0%	
Federal Spec. Rev. Funds	8,504,155	8,592,111	8,608,166	191,967	1.1%	
Total Funds	12,524,053	12,657,319	12,681,645	290,858	1.2%	
Personal Services	10,504,717	10,637,983	10,662,309	290,858	1.4%	
Operating Expenses	1,456,890	1,456,890	1,456,890		0.0%	
Equipment & Intangible Assets	21,456	21,456	21,456		0.0%	
Debt Service	540,990	540,990	540,990		0.0%	
Total Expenditures	12,524,053	12,657,319	12,681,645	290,858	1.2%	
Total Ongoing	12,524,053	12,657,319	12,681,645	290,858	1.2%	
Total One-Time-Only					0.0%	

Program Highlights

<p>Child Support Services Division (CSSD) Major Budget Highlights</p>
<ul style="list-style-type: none"> • The requested budget includes growth over the biennium of 1.2%, which is driven entirely by growth in personal services, or wages and benefits for CSSD employees

Executive Request

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

Child Support Services 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	3,656,440	363,458	8,504,155	12,524,053	98.9%	3,656,440	363,458	8,504,155	12,524,053	98.8%
Statewide PL										
Personal Services	45,310	0	87,956	133,266	1.1%	53,581	0	104,011	157,592	1.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	0	0	0.0%	0	0	0	0	0.0%
Total Statewide PL	45,310	0	87,956	133,266	1.1%	53,581	0	104,011	157,592	1.2%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	45,310	0	87,956	133,266	1.1%	53,581	0	104,011	157,592	1.2%
Total Requested Budget	3,701,750	363,458	8,592,111	12,657,319		3,710,021	363,458	8,608,166	12,681,645	

Funding

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

Department of Public Health & Human Services, 05-Child Support Services Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	7,411,771	0	0	0	7,411,771	29.3%
02187 Child Support State Share	726,916	0	0	0	726,916	100.0%
State Special Total	\$726,916	\$0	\$0	\$0	\$726,916	2.9%
03269 Child Support Incentive	2,373,886	0	0	0	2,373,886	13.8%
03570 93.563 - Child Support IVD 66%	14,826,391	0	0	0	14,826,391	86.2%
Federal Special Total	\$17,200,277	\$0	\$0	\$0	\$17,200,277	67.9%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$25,338,964	\$0	\$0	\$0	\$25,338,964	

This program is primarily federally funded. Title IV-D eligible expenditures are funded with two-thirds federal funds and one-third state funds. The non-IV-D federal funding is an incentive payment for reaching specified federal benchmarks. State match for the Title IV-D spending comes from the child support state special revenue fund and the general fund.

State Special Revenue

State special revenue is generated primarily from the retention of collections made on behalf of Temporary Assistance of Needy Families (TANF) participants in addition to small amounts from applications, genetic testing, and federal tax offset fees. Any child support recovered on behalf of TANF recipients is retained by the state at the state share according to the Federal Medical Assistance Percentage (FMAP). No revenue is retained from non-TANF collections, which are simply collected and sent on to the custodial parent.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	129.81	129.81	129.81	129.81
Personal Services	10,117,274	9,908,197	10,504,717	10,637,983	10,662,309
Operating Expenses	1,413,701	1,732,682	1,456,890	1,456,890	1,456,890
Equipment & Intangible Assets	0	21,456	21,456	21,456	21,456
Debt Service	540,967	534,931	540,990	540,990	540,990
Total Expenditures	\$12,071,942	\$12,197,266	\$12,524,053	\$12,657,319	\$12,681,645
General Fund	3,539,349	3,555,832	3,656,440	3,701,750	3,710,021
State/Other Special Rev. Funds	355,924	375,458	363,458	363,458	363,458
Federal Spec. Rev. Funds	8,176,669	8,265,976	8,504,155	8,592,111	8,608,166
Total Funds	\$12,071,942	\$12,197,266	\$12,524,053	\$12,657,319	\$12,681,645
Total Ongoing	\$12,071,942	\$12,197,266	\$12,524,053	\$12,657,319	\$12,681,645
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Child Support Services Division (CSSD) works to improve the economic stability of families through the establishment and enforcement of child support and medical support orders. CSSD is comprised of three bureaus: Budget and Administrative Services, Field Services, and System Program and Training. The division offers services designed to locate parents, establish paternity, establish financial and medical support orders, enforce child support orders, including medical support orders, and modify child support orders.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 CSSD expended 99.0% of its overall ongoing HB 2 budget, and 99.5% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

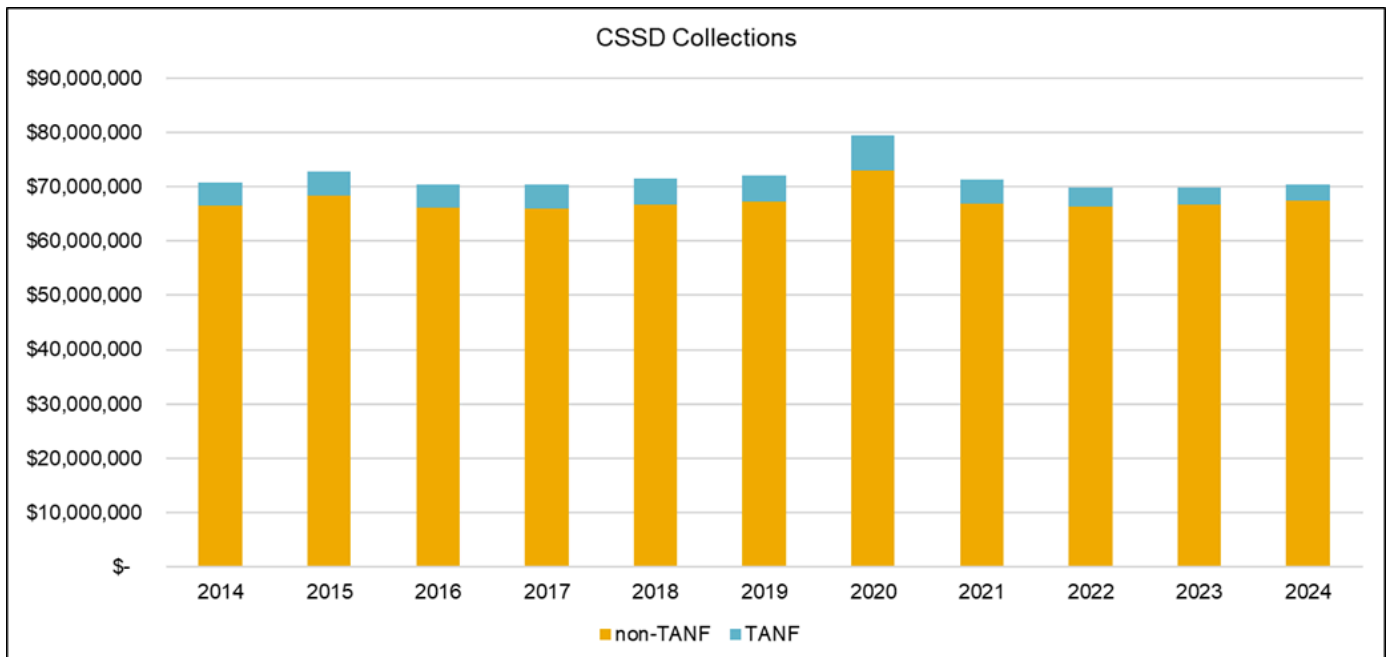
CSSD ongoing FY 2025 total appropriations are 2.7%, or \$327,000 higher than the FY 2024 total appropriation of \$12.2 million. This difference is primarily due to increases in personal services and operating expenses.

Program Discussion

Federal regulation mandates a child support enforcement program under Title IV-D of the Social Security Act in order for states to maintain eligibility for the federal TANF block grant. Collection of child support owed to TANF families is automatically assigned to the state and is used to reimburse federal and state governments for benefits paid to the families. Additionally, child support enforcement services must be provided to any applicant regardless of income level.

In FY 2024, CSSD collected \$71.4 million on behalf of both TANF and non-TANF children and their custodial parents (see chart below). Non-TANF collections were \$67.4 million and TANF collections were \$2.9 million, of which \$848,000 went into the CSSD state special revenue fund.

The FY 2020 collection amount was a significant increase from FY 2019 and was due to CSSD’s ability to access CARES (Coronavirus Aid, Relief, and Economic Security) Act individual economic impact payments in cases where child support payments were owed.



Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	45,310	0	87,956	133,266	0.00	53,581	0	104,011	157,592
Grand Total All Present Law Adjustments	0.00	\$45,310	\$0	\$87,956	\$133,266	0.00	\$53,581	\$0	\$104,011	\$157,592

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Child Support Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$196,849
Management Changes	(63,583)
Total Budget Modifications	-
Total	\$133,266

Legislative changes in DP1 are driven by benefits increases. Management changes values are associated with vacancy savings and backing out HB13.

Program Base Budget Comparison

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

Program Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		Percent
	FY 2025	FY 2026	FY 2027	Amount		
PB	56.00	58.00	58.00	2.00		1.8%
General Fund	5,358,999	5,756,171	5,269,745	307,918		2.9%
State/Other Special Rev. Funds	1,607,484	1,641,774	1,600,600	27,406		0.9%
Federal Spec. Rev. Funds	7,341,275	7,700,185	7,320,836	338,471		2.3%
Total Funds	14,307,758	15,098,130	14,191,181	673,795		2.4%
Personal Services	4,712,515	4,749,007	4,763,463	87,440		0.9%
Operating Expenses	9,587,317	10,341,197	9,419,792	586,355		3.1%
Debt Service	7,926	7,926	7,926			0.0%
Total Expenditures	14,307,758	15,098,130	14,191,181	673,795		2.4%
Total Ongoing	14,307,758	15,098,130	14,191,181	673,795		2.4%
Total One-Time-Only						0.0%

Program Highlights

Business and Financial Services Division (BFSD) Major Budget Highlights
<ul style="list-style-type: none"> • The BFSD 2027 biennium executive request is approximately \$674,000 or 2.4% higher than the FY 2025 base budget. • The executive proposal includes: <ul style="list-style-type: none"> ◦ Decreases in statewide present law adjustments for personal services and inflation/deflation ◦ Increases in statewide present law adjustments for fixed costs ◦ Increases of \$332,000 across the biennium to make 2.0 modified PB permanent

Executive Request

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

69010 - Department Of Public Health & Human Services 06-Business and Financial Services

Business and Financial Services 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	5,358,999	1,607,484	7,341,275	14,307,758	94.8%	5,358,999	1,607,484	7,341,275	14,307,758	100.8%
Statewide PL										
Personal Services	(67,148)	(10,388)	(45,152)	(122,688)	(0.8%)	(61,253)	(9,484)	(37,496)	(108,233)	(0.8%)
Fixed Costs	391,766	35,235	317,158	744,159	4.9%	(98,248)	(6,542)	(67,068)	(171,858)	(1.2%)
Inflation Deflation	(37)	0	0	(37)	(0.0%)	(25)	0	0	(25)	(0.0%)
Total Statewide PL	324,581	24,847	272,006	621,434	4.1%	(159,526)	(16,026)	(104,564)	(280,116)	(2.0%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	72,591	9,443	86,904	168,938	1.1%	70,272	9,142	84,125	163,539	1.2%
Total HB 2 Adjustments	397,172	34,290	272,006	790,372	5.2%	(89,254)	(6,884)	(104,564)	(116,577)	(0.8%)
Total Requested Budget	5,756,171	1,641,774	7,613,281	15,098,130		5,269,745	1,600,600	7,236,711	14,191,181	

The base budget makes up 97.7% of the executive budget request across the biennium. Statewide present law requests account for 4.1% of the budget request driven by an increase in statewide present law adjustments to fixed costs due to increases in legislative audit fees, capitol complex rent, statewide indirect costs, and other increases in smaller areas. These increases are partially offset by fixed cost decreases in insurance and bonds. More information regarding the decreases to statewide present law adjustments for personal services and inflation/deflation can be found in the Present Law section below. The request also proposes an additional 2.00 PB.

Funding

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

Department of Public Health & Human Services, 06-Business and Financial Services Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	11,025,916	0	0	0	11,025,916	37.6%	
02382 02 Indirect Activity Prog 06	3,242,374	0	0	0	3,242,374	100.0%	
State Special Total	\$3,242,374	\$0	\$0	\$0	\$3,242,374	11.1%	
03591 03 Indirect Activity Prog 06	15,021,021	0	0	0	15,021,021	100.0%	
Federal Special Total	\$15,021,021	\$0	\$0	\$0	\$15,021,021	51.3%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$29,289,311	\$0	\$0	\$0	\$29,289,311		

The 2027 biennium budget is split 37.6% general fund, 11.1% state special revenue funds, and 51.3% federal special revenue funds. The entire appropriation for BFSD comes from House Bill 2.

BFSD receives general fund, state special revenue, and federal funds through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefiting or serving other programs in the department. The general fund, like the state special revenue and federal state special revenue received from the cost allocation formula, is used to support internal BFSD functions.

Many of BFSD activities are funded with indirect revenues from all fund types. The exception to this is facility reimbursement activities. General fund is used to support facility reimbursement staff who are responsible for collecting private funds, private insurance, Medicaid, and Medicare from patients receiving services at DPHHS facilities. Funds collected reimburse the general fund as well as state special funds used to support facilities such as the Montana Chemical Dependency Center (MCDC) cost recovery fund.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	56.00	56.00	58.00	58.00
Personal Services	4,471,206	4,057,869	4,712,515	4,749,007	4,763,463
Operating Expenses	9,145,794	10,593,740	9,587,317	10,341,197	9,419,792
Equipment & Intangible Assets	0	5,100	0	0	0
Debt Service	27,442	7,926	7,926	7,926	7,926
Total Expenditures	\$13,644,442	\$14,664,635	\$14,307,758	\$15,098,130	\$14,191,181
General Fund	5,140,496	5,275,510	5,358,999	5,756,171	5,269,745
State/Other Special Rev. Funds	909,666	1,569,190	1,607,484	1,641,774	1,600,600
Federal Spec. Rev. Funds	7,594,280	7,819,935	7,341,275	7,700,185	7,320,836
Total Funds	\$13,644,442	\$14,664,635	\$14,307,758	\$15,098,130	\$14,191,181
Total Ongoing	\$13,644,442	\$14,664,635	\$14,307,758	\$15,098,130	\$14,191,181
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The BFSD manages the development and implementation of agency-wide accounting policies, procedures, and best business practices that support the mission of the Department.

Statutory Authority - Business and Financial Services Division - Title 17, Chapter 1, part 1, and Chapter 2, MCA, and 45 CFR Subtitle A, Part 92, Subpart C92.2, and Title 50 Chapter 15 MCA.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The BFSD expended 93.0% of the total FY 2024 appropriation with 97.4% of general funds, 58.0% of state special revenues, and 97.1% of federal special revenues expended.

Personal services and operating expenses make up 99.9% of this division's budget. Personal services were 110.2% expended but this is balanced out by operating expenses which were 86.4% expended. The overages in personal services include Medicaid administration, facilities reimbursement, and internal agency accounting support and these categories were mirrored with lower expenditures in operating expenses.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is 2.8% lower than the FY 2024 HB 2 appropriation. This can be almost entirely attributed to a reduction in operating expenses from FY 2024 to FY 2025. Several transfers were made from other programs throughout FY 2024 to revenue recovery and cash management as well as internal agency accounting support to address shortfalls in these areas. In addition, there was a reorganization within DPHHS that moved 1.00 PB from BFSD to the Operation Services Division to fulfill a compliance and internal control function, as well as project management associate with workspace planning.

Program Discussion

The BFSD is comprised of two major bureaus that house all the division’s primary services.

The Fiscal Operations Bureau functions include cash management of federal funding sources and state special revenue accounts; managing medical billing for state-owned medical facilities by monitoring expenditures and managing recovery from insurance companies, federal programs and private pay to offset medical costs at the state facilities; managing the cost allocation plan and necessary reporting to ensure the recovery of federal dollars for indirect activity; and this bureau also houses the grants management office which ensures compliance with federal and state regulations, oversees audits, and generally supports the department’s internal financial system oversight.

The Supports Services Bureau houses four primary services for the department. This bureau handles accounts payable which processes payments to vendors and individuals across the state as well as processes travel reimbursements and maintains procurement credit card reconciliations monthly; they offer procurement support for purchase orders ensuring compliance with regulatory guidelines; they maintain the accounts receivable system; and they provide various operational functions such as centralized administration of lease management, records retention and management, mail room functions and surplus property management.

In the 2025 biennium, 1.00 PB was transferred out through a reorganization which consolidated the compliance and internal control function into the Operations Services Division.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(67,148)	(10,388)	(45,152)	(122,688)	0.00	(61,253)	(9,484)	(37,496)	(108,233)
DP 2 - Fixed Costs	0.00	391,766	35,235	317,158	744,159	0.00	(98,248)	(6,542)	(67,068)	(171,858)
DP 3 - Inflation Deflation	0.00	(37)	0	0	(37)	0.00	(25)	0	0	(25)
Grand Total All Present Law Adjustments	0.00	\$324,581	\$24,847	\$272,006	\$621,434	0.00	(\$159,526)	(\$16,026)	(\$104,564)	(\$280,116)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Business and Financial Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 59,860
Management Changes	(54,548)
Total Budget Modifications	<u>(128,000)</u>
Total	\$ (122,688)

1.00 PB was moved out of BFSD contributing to the decrease in management changes along with decreases for vacancy savings and differences in hiring. Budget modifications are negative due to a reversal of a transfer earlier in the biennium that moved personal services authority but no PB. Legislative changes include increases for benefits and statutory changes as well as a small decrease for longevity.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: audit fees, Capitol complex rent, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 6001 - Procurement Officer - BFSD	2.00	72,591	9,443	86,904	168,938	2.00	70,272	9,142	84,125	163,539
Total	2.00	\$72,591	\$9,443	\$86,904	\$168,938	2.00	\$70,272	\$9,142	\$84,125	\$163,539

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 6001 - Procurement Officer - BFSD -

The executive requests 2.00 PB for procurement officers in the Business and Financial Services Division.

LFD COMMENT	These positions are currently hired as modified positions. This proposal fully funds these positions in addition to the funding that has previously been used to fund these positions.
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Program Base Budget Comparison

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

Program Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	153.75	153.75	153.75	0.00	0.0%	
General Fund	3,382,917	3,357,262	3,324,954	(83,618)	(1.2%)	
State/Other Special Rev. Funds	14,394,802	14,441,694	14,433,171	85,261	0.3%	
Federal Spec. Rev. Funds	23,012,520	22,112,051	22,181,569	(1,731,420)	(3.8%)	
Total Funds	40,790,239	39,911,007	39,939,694	(1,729,777)	(2.1%)	
Personal Services	14,120,954	13,949,250	13,977,071	(315,587)	(1.1%)	
Operating Expenses	9,921,150	9,918,772	9,919,543	(3,985)	(0.0%)	
Equipment & Intangible Assets	141,821	141,821	141,821		0.0%	
Grants	13,491,004	12,785,854	12,785,949	(1,410,205)	(5.2%)	
Benefits & Claims	2,704,648	2,704,648	2,704,648		0.0%	
Transfers	346,100	346,100	346,100		0.0%	
Debt Service	64,562	64,562	64,562		0.0%	
Total Expenditures	40,790,239	39,911,007	39,939,694	(1,729,777)	(2.1%)	
Total Ongoing	40,790,239	39,911,007	39,939,694	(1,729,777)	(2.1%)	
Total One-Time-Only					0.0%	

Program Highlights

<p>Public Health & Safety Division</p> <p>Major Budget Highlights</p>
<ul style="list-style-type: none"> The 2027 biennium appropriations are approximately \$1.7 million or 2.1% lower than the FY 2025 base budget, primarily due to a \$1.4 million reduction of excess federal funds authority

69010 - Department Of Public Health & Human Services 07-Public Health and Safety Division

Executive Request

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

Public Health and Safety Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	3,382,917	14,394,802	23,012,520	40,790,239	102.2%	3,382,917	14,394,802	23,012,520	40,790,239	102.1%
Statewide PL										
Personal Services	(24,865)	46,892	(193,731)	(171,704)	(0.4%)	(57,429)	38,369	(124,823)	(143,883)	(0.4%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(790)	0	(1,588)	(2,378)	(0.0%)	(534)	0	(1,073)	(1,607)	(0.0%)
Total Statewide PL	(25,655)	46,892	(195,319)	(174,082)	(0.4%)	(57,963)	38,369	(125,896)	(145,490)	(0.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	(705,150)	(705,150)	(1.8%)	0	0	(705,055)	(705,055)	(1.8%)
Total HB 2 Adjustments	(25,655)	46,892	(900,469)	(879,232)	(2.2%)	(57,963)	38,369	(830,951)	(850,545)	(2.1%)
Total Requested Budget	3,357,262	14,441,694	22,112,051	39,911,007		3,324,954	14,433,171	22,181,569	39,939,694	

Funding

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

69010 - Department Of Public Health & Human Services 07-Public Health and Safety Division

Department of Public Health & Human Services, 07-Public Health and Safety Division							
Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	6,682,216	0	0	0	6,682,216	8.4%	
02199 DHES Food & Consumer	13,928	0	0	0	13,928	0.0%	
02234 Cancer Screening	31,600	0	0	0	31,600	0.1%	
02366 Public Health Laboratory	6,486,257	0	0	0	6,486,257	22.5%	
02379 02 Indirect Activity Prog 07	619,504	0	0	0	619,504	2.1%	
02419 Vital Statistics	879,033	0	0	0	879,033	3.0%	
02462 Food/Lodging License	2,914,381	0	0	0	2,914,381	10.1%	
02512 BRFS Survey Fees	87,116	0	0	0	87,116	0.3%	
02765 Insurance Policies Fees SB278	81,231	0	0	0	81,231	0.3%	
02790 6901-Statewide Tobacco Sttlmnt	16,402,504	0	0	0	16,402,504	56.8%	
02987 Tobacco Interest	1,359,311	0	0	0	1,359,311	4.7%	
State Special Total	\$28,874,865	\$0	\$0	\$0	\$28,874,865	36.2%	
03004 EMS Data Injury	337,326	0	0	0	337,326	0.8%	
03014 MT Retail Food Academy	2,000	0	0	0	2,000	0.0%	
03029 Diabetes Advance Health Equity	1,480,064	0	0	0	1,480,064	3.3%	
03159 Tuberculosis Grant	335,631	0	0	0	335,631	0.8%	
03274 Ryan White Act, Title II	1,727,253	0	0	0	1,727,253	3.9%	
03275 Adult Viral Hepatitis Prevent	744,024	0	0	0	744,024	1.7%	
03336 Food Inspection Program	85,767	0	0	0	85,767	0.2%	
03371 Improving Arthritis Outcomes	376,003	0	0	0	376,003	0.8%	
03402 Addressing Asthma	790,226	0	0	0	790,226	1.8%	
03415 Breast and Cervical Health	2,474,099	0	0	0	2,474,099	5.6%	
03431 Improve Health Diabetes Heart	1,553,249	0	0	0	1,553,249	3.5%	
03540 Ryan White Treatment Rebate	2,014,579	0	0	0	2,014,579	4.5%	
03551 Preventive Health Block Grant	1,897,248	0	0	0	1,897,248	4.3%	
03569 ACA-ELC Non-PPHF	1,997,801	0	0	0	1,997,801	4.5%	
03596 03 Indirect Activity Prog 07	4,444,922	0	0	0	4,444,922	10.0%	
03602 BRFS Program	1,048,870	0	0	0	1,048,870	2.4%	
03607 Tobacco Control Program	2,365,057	0	0	0	2,365,057	5.3%	
03712 6901-Cancer Registries 93.283	653,136	0	0	0	653,136	1.5%	
03788 MT Disability & Health	953,662	0	0	0	953,662	2.2%	
03903 Emergency Preparedness	10,186,427	0	0	0	10,186,427	23.0%	
03904 Bioterr. Hospital Preparedness	2,339,310	0	0	0	2,339,310	5.3%	
03936 Vaccination Program	3,478,981	0	0	0	3,478,981	7.9%	
03937 STD Program	538,034	0	0	0	538,034	1.2%	
03938 Aids Fed. Cat. #13.118	1,871,253	0	0	0	1,871,253	4.2%	
03969 Ryan White ADAP Shortfall	5,075	0	0	0	5,075	0.0%	
03979 69010 Comprehnsv Cancer Contrl	593,623	0	0	0	593,623	1.3%	
Federal Special Total	\$44,293,620	\$0	\$0	\$0	\$44,293,620	55.5%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$79,850,701	\$0	\$0	\$0	\$79,850,701		

The 2027 biennium Public Health and Safety Division (PHSD) budget request is funded by general fund at 8.4%, state special revenue at 36.2%, and federal funds at 55.5%. The entire appropriation for PHSD comes from HB 2 authority. General fund is used to fund a portion of each of the major functions, which are explained in the Program Discussion section below.

The major sources of state special revenue are:

- Tobacco settlement funds and tobacco settlement trust fund interest (see the state special revenue fund balance table in the DPHHS Agency Summary for detail on these funds)
- Public health laboratory fees
- Licensing fees for food manufacturers or food sales establishments (5.0% of an annual license fee of \$115) and penalties for failure to renew licenses in a timely manner

Of the more than 30 funding sources that support PHSD, the majority are federal categorical grants which are allocated to specific activities.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	153.75	153.75	153.75	153.75
Personal Services	12,779,918	12,272,641	14,120,954	13,949,250	13,977,071
Operating Expenses	9,117,965	9,550,353	9,921,150	9,918,772	9,919,543
Equipment & Intangible Assets	252,461	433,930	141,821	141,821	141,821
Grants	12,412,318	13,342,270	13,491,004	12,785,854	12,785,949
Benefits & Claims	2,390,097	2,775,354	2,704,648	2,704,648	2,704,648
Transfers	261,644	346,100	346,100	346,100	346,100
Debt Service	42,245	46,227	64,562	64,562	64,562
Total Expenditures	\$37,256,648	\$38,766,875	\$40,790,239	\$39,911,007	\$39,939,694
General Fund	3,227,687	3,273,806	3,382,917	3,357,262	3,324,954
State/Other Special Rev. Funds	12,311,708	12,975,669	14,394,802	14,441,694	14,433,171
Federal Spec. Rev. Funds	21,717,253	22,517,400	23,012,520	22,112,051	22,181,569
Total Funds	\$37,256,648	\$38,766,875	\$40,790,239	\$39,911,007	\$39,939,694
Total Ongoing	\$37,256,648	\$38,766,875	\$40,790,239	\$39,911,007	\$39,939,694
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The PHSD works to protect and improve the health of Montanans by advancing conditions for healthy living.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The PHSD expended 96.1% of the total FY 2024 appropriation with 98.6% of general funds, 94.9% of state special revenues, and 96.4% of federal special revenues expended.

Personal services, operating expenses, and grants make up 90.7% of PHSD’s budget. The division expended 104.1% of its personal services, 95.5% of its operating expenses, and 93.0% of its grants appropriations.

FY 2024 Appropriations Compared to FY 2025 Appropriations

PHSD FY 2025 HB 2 appropriation is 5.2%, or \$2.0 million, higher than the FY 2024 appropriation of \$38.8 million. Personal services rose by \$1.8 million with much of this attributable to a \$907,00 increase in the Public Health Labs state special revenue appropriation for increased program needs. Excess state special revenue exists because the revenue collected in these specific accounts came in below approved appropriations. Excess general fund exists because state special revenue accounts were maximized where revenue exceeded appropriation which took pressure off the general fund appropriations.

Program Discussion

PHSD houses the Public Health System Improvement Office in addition to its five bureaus: Communicable Disease Control and Prevention; Laboratory Services; Chronic Disease Prevention and Health Promotion; Epidemiology and Scientific Support; and Financial Services and Operations.

69010 - Department Of Public Health & Human Services 07-Public Health and Safety Division

The division provides a wide range of public health services to individuals and communities that are aimed at the prevention of disease and the promotion of health. Services are provided through nearly 300 contracts with public and private providers, including local and tribal public health departments, clinics, hospitals, and other community-based organizations. Programs administered by the division include clinical and environmental laboratory services, chronic and communicable disease prevention and control, public health emergency preparedness, public health system improvement, vital records, epidemiology and scientific support, and emergency medical services and trauma services.

The executive request for the Public Health and Safety Division (PHSD) 2027 biennium budget is \$79.9 million in total funds, with a general fund request of \$6.7 million, state special revenue request of \$28.9 million, and federal funds request of \$44.3 million. Personal services are the largest component of the 2027 biennium request at 35.0%, with grants being 32.0% and represent funds allocated to local entities that contract to provide broad-based public services. Examples include public health education and improvements in emergency preparedness. Benefits and claims are services to individuals who meet specific eligibility criteria and are 6.8% of the total request. Operating expenses make up 24.8%. Figure 1 below shows the 2027 biennium budget request by major function.

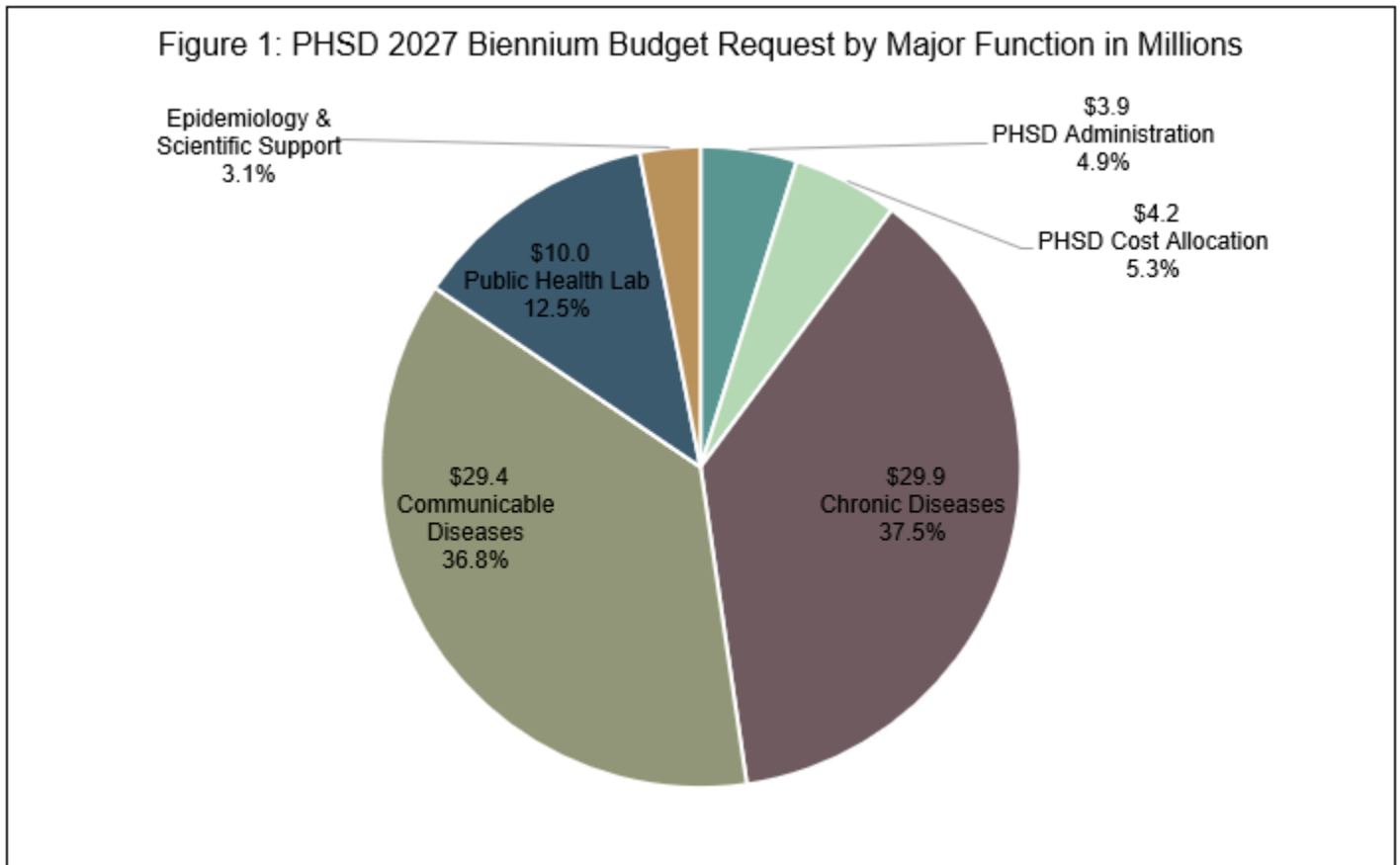
Chronic disease prevention and health promotion is the largest component of the budget request at 37.5% of the total and includes the following functions:

- Cancer control
- Asthma, diabetes, and cardiovascular health
- Emergency medical services and trauma systems
- Tobacco control and prevention

Communicable disease prevention is the second-largest component of the budget request at 36.8% of the total and includes these programs:

- Food and consumer safety
- Communicable disease and epidemiology
- Sexually transmitted disease and human immunodeficiency virus (HIV) prevention

The state public health laboratory is 12.5% of the total, division administration is about 4.9%, and cost allocation is 5.3%. Epidemiology and scientific support functions make up 3.1% of the total.



Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(24,865)	46,892	(193,731)	(171,704)	0.00	(57,429)	38,369	(124,823)	(143,883)
DP 3 - Inflation Deflation	0.00	(790)	0	(1,588)	(2,378)	0.00	(534)	0	(1,073)	(1,607)
Grand Total All Present Law Adjustments	0.00	(\$25,655)	\$46,892	(\$195,319)	(\$174,082)	0.00	(\$57,963)	\$38,369	(\$125,896)	(\$145,490)

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Public Health & Safety Division FY 2026 Statewide Present Law Adjustment for Personal Services		
Legislative Changes	\$	333,336
Management Changes		231,809
Total Budget Modifications		(736,849)
Total	\$	<u>(171,704)</u>

Budget modifications made in PHSD in the 2025 biennium included a pair of House Adjustments which added a net \$736,849 in personal services to adjust the authority within the appropriate funds and subclasses. DP1 removes those modifications while adding funding for pay plan increases, retention adjustments, and some additional smaller increases in personal services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state motor pool and motor pool leased vehicles.

New Proposals

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 7001 - Realign Appropriation for Ryan White ADAP	0.00	0	0	(705,150)	(705,150)	0.00	0	0	(705,055)	(705,055)
Total	0.00	\$0	\$0	(\$705,150)	(\$705,150)	0.00	\$0	\$0	(\$705,055)	(\$705,055)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 7001 - Realign Appropriation for Ryan White ADAP -

The executive proposes to reduce the appropriation of federal funds for the Ryan White acquired immunodeficiency syndrome (AIDS) Drug Assistance Program (ADAP) shortfall fund to align the appropriation with anticipated available funding.

Program Base Budget Comparison

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

Program Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	88.50	88.50	88.50	0.00	0.0%	
General Fund	2,704,940	2,860,587	2,869,307	320,014	5.9%	
State/Other Special Rev. Funds	1,065,729	1,073,186	1,073,401	15,129	0.7%	
Federal Spec. Rev. Funds	6,080,301	6,372,639	6,383,001	595,038	4.9%	
Total Funds	9,850,970	10,306,412	10,325,709	930,181	4.7%	
Personal Services	7,110,747	7,687,923	7,705,166	1,171,595	8.2%	
Operating Expenses	2,101,046	1,979,312	1,981,366	(241,414)	(5.7%)	
Grants	636,577	636,577	636,577		0.0%	
Debt Service	2,600	2,600	2,600		0.0%	
Total Expenditures	9,850,970	10,306,412	10,325,709	930,181	4.7%	
Total Ongoing	9,850,970	10,306,412	10,325,709	930,181	4.7%	
Total One-Time-Only					0.0%	

Program Highlights

<p>Office of Inspector General</p> <p>Major Budget Highlights</p>
<ul style="list-style-type: none"> The 2027 biennium appropriations are approximately \$930,000 or 4.7% higher than the FY 2025 base budget. This increase is driven primarily by present law adjustments for personal services, with some offset by reductions of federal funding to reflect anticipated program funding.

Executive Request

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

Office of Inspector General 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	2,704,940	1,065,729	6,080,301	9,850,970	95.6%	2,704,940	1,065,729	6,080,301	9,850,970	95.4%
Statewide PL										
Personal Services	160,205	7,457	449,874	617,536	6.0%	167,447	7,672	459,660	634,779	6.1%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(4,558)	0	(1,776)	(6,334)	(0.1%)	(3,080)	0	(1,200)	(4,280)	(0.0%)
Total Statewide PL	155,647	7,457	448,098	611,202	5.9%	164,367	7,672	458,460	630,499	6.1%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	(155,760)	(155,760)	(1.5%)	0	0	(155,760)	(155,760)	(1.5%)
Total HB 2 Adjustments	155,647	7,457	292,338	455,442	4.4%	164,367	7,672	302,700	474,739	4.6%
Total Requested Budget	2,860,587	1,073,186	6,372,639	10,306,412		2,869,307	1,073,401	6,383,001	10,325,709	

Funding

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

Department of Public Health & Human Services, 08-Office of Inspector General Funding by Source of Authority							
Funds	Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	5,729,894	0	0	0	5,729,894	27.8%	
02034 Earmarked Alcohol Funds	203,152	0	0	0	203,152	9.5%	
02043 Med Provider Revalidation Fees	1,000	0	0	0	1,000	0.0%	
02380 02 Indirect Activity Prog 08	1,375,733	0	0	0	1,375,733	64.1%	
02497 6901-Lien & Estate - SLTCD	163,650	0	0	0	163,650	7.6%	
02585 Recovery Audit Contract	200	0	0	0	200	0.0%	
02760 Private Alt Adoi Res Programs	402,852	0	0	0	402,852	18.8%	
State Special Total	\$2,146,587	\$0	\$0	\$0	\$2,146,587	10.4%	
03303 Title 18 CLIA	259,893	0	0	0	259,893	2.0%	
03335 FDA Mammography Inspections	190,260	0	0	0	190,260	1.5%	
03359 Recovery Audit Program	200	0	0	0	200	0.0%	
03530 6901-Foster Care 93.658	185,378	0	0	0	185,378	1.5%	
03580 6901-93.778 - Med Adm 50%	1,723,287	0	0	0	1,723,287	13.5%	
03597 03 Indirect Activity Prog 08	2,582,640	0	0	0	2,582,640	20.2%	
03934 Title 19	1,654,067	0	0	0	1,654,067	13.0%	
03935 Title 18	4,452,873	0	0	0	4,452,873	34.9%	
03960 Rural Hospital Flexibility Prog	1,707,042	0	0	0	1,707,042	13.4%	
Federal Special Total	\$12,755,640	\$0	\$0	\$0	\$12,755,640	61.8%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$20,632,121	\$0	\$0	\$0	\$20,632,121		

The Office of the Inspector General (OIG) receives general fund, state special revenue, and federal funds. The entire appropriation for OIG comes from HB 2 authority.

General fund appropriations account for 27.8% of OIG’s 2027 biennium budget and get funneled into a wide range of administrative functions including:

- State match for eligible Medicaid costs
- Title IV-E (foster care)
- Federal discretionary childcare funds
- Community residential facilities
- Program compliance

State special revenues make up 10.4% of the proposed budget and include:

- Alcohol taxes allocated to OIG used to fund staff and operational costs for the Chemical Dependency Licensure Program
- Lien and estate funds used to support services to pursue recoveries for Medicaid costs, mainly for nursing home services
- Recovery audit contract funds used to support audits performed by the program to identify waste, fraud, or abuse in Medicaid

Federal special revenue funds account for the remaining 61.8% of the proposed biennium budget. This funding comes from a variety of federal sources and supports activities pertaining to certifications, licensure, and program compliance. Some of these sources support multiple functions.

Two of the larger federal funds in the division are Title 18 and Title 19, which fund quality assurance certifications. Title 18 covers skilled nursing facilities (SNF) and long-term care (LTC) facilities. Title 19 covers the certification of home health providers. Federal Medicaid and Medicare funds are used to support multiple activities including certification of nursing homes and home health services, a Department of Justice fraud surveillance contract, federal match for the Recovery Audit Program, the nurse aide registry, and more. Clinical laboratory improvement amendments (CLIA) support reviews of laboratories that wish to qualify for federal funding. Rural hospital flexibility grants are used to help local hospitals maintain their critical access hospital (CAH) status.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	88.50	88.50	88.50	88.50
Personal Services	7,298,827	6,780,078	7,110,747	7,687,923	7,705,166
Operating Expenses	1,157,621	2,063,797	2,101,046	1,979,312	1,981,366
Grants	677,192	636,577	636,577	636,577	636,577
Debt Service	56,174	2,600	2,600	2,600	2,600
Total Expenditures	\$9,189,814	\$9,483,052	\$9,850,970	\$10,306,412	\$10,325,709
General Fund	3,168,931	3,188,144	2,704,940	2,860,587	2,869,307
State/Other Special Rev. Funds	219,979	317,067	1,065,729	1,073,186	1,073,401
Federal Spec. Rev. Funds	5,800,904	5,977,841	6,080,301	6,372,639	6,383,001
Total Funds	\$9,189,814	\$9,483,052	\$9,850,970	\$10,306,412	\$10,325,709
Total Ongoing	\$9,189,814	\$9,483,052	\$9,850,970	\$10,306,412	\$10,325,709
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The OIG promotes and protects the safety and well-being of Montanans by providing responsive and independent assessment and monitoring of health and human services programs.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The OIG expended 96.9% of the total FY 2024 appropriation by using 99.4% of general funds, 69.4% of state special revenue authority, and 97.0% of federal special revenues.

The division did expend 107.7% of its personal services appropriation, with all three bureaus exceeding their personal services budgets; however, the program utilized only 56.1% of its operating expenses budget, balancing out the personal services overage as this underutilization mirrors the personal services in each bureau.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation in the OIG is 3.9%, or \$368,000, higher than the FY 2024 appropriation. State special revenue appropriation rose by \$749,000 with most of this attributable to increases in the personal services and operating expenses of the Program Compliance Program.

Program Discussion

OIG provides services related to licensing, fraud, waste and abuse, and ensuring federal compliance. The program is comprised of three bureaus: Certification, Program Compliance, and Licensure.

The Certification Bureau approves various facilities and individuals to perform healthcare services, including the nurse aide registry, clinical laboratories, long-term care facilities, and non-long-term care facilities. In addition, the bureau conducts surveys of healthcare providers and receives and addresses complaints from the public regarding providers.

The Program Compliance Bureau investigates fraud allegations regarding Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid, and Low Income Energy Assistance Program (LIEAP) recipient eligibility. It also conducts random reviews of SNAP and Medicaid recipient eligibility in addition to investigating allegations of Medicaid provider fraud, waste, and abuse. The bureau also ensures compliance with the federal programs through various random reviews or audits of provider payments and Medicaid and CHIP recipient eligibility.

The Licensure Bureau provides licensing services to healthcare facilities as well as a searchable public database of licensed facilities.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	160,205	7,457	449,874	617,536	0.00	167,447	7,672	459,660	634,779
DP 3 - Inflation Deflation	0.00	(4,558)	0	(1,776)	(6,334)	0.00	(3,080)	0	(1,200)	(4,280)
Grand Total All Present Law Adjustments	0.00	\$155,647	\$7,457	\$448,098	\$611,202	0.00	\$164,367	\$7,672	\$458,460	\$630,499

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Office of the Inspector General FY 2026 Statewide Present Law Adjustment for Personal Services		
Legislative Changes	\$	200,118
Management Changes		204,418
Total Budget Modifications		213,000
Total	\$	617,536

The executive requests an increased statewide present law adjustment for personal services due in part to legislative changes for greater benefits and longevity pay. Upwards adjustments captured as management changes are largely a result of negotiated pay adjustments and retention adjustments. Budget modifications made include a House Adjustment which removed \$213,000 in personal services to adjust the authority within the appropriate funds and subclasses. DP1 adds those modifications back.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state motor pool and motor pool leased vehicles.

New Proposals

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 8001 - Realign Appropriation with Revenue Rural Hospital Flex Pgm	0.00	0	0	(115,400)	(115,400)	0.00	0	0	(115,400)	(115,400)
DP 8002 - Realign Appropriation with Revenue Clinical Laboratory Impro	0.00	0	0	(40,360)	(40,360)	0.00	0	0	(40,360)	(40,360)
Total	0.00	\$0	\$0	(\$155,760)	(\$155,760)	0.00	\$0	\$0	(\$155,760)	(\$155,760)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 8001 - Realign Appropriation with Revenue Rural Hospital Flex Pgm -

The executive proposes to reduce the appropriation of federal revenue to the Rural Hospital Flexibility program to align appropriation with anticipated expenditures.

DP 8002 - Realign Appropriation with Revenue Clinical Laboratory Impro -

The executive proposes to reduce the appropriation of federal revenue to the Title 18 Clinical Laboratory Improvement Amendments program to align appropriation with anticipated expenditures.

Program Base Budget Comparison

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

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	66.00	63.00	63.00	(3.00)	(2.3%)
General Fund	25,339,380	30,208,189	40,144,651	19,674,080	38.8%
State/Other Special Rev. Funds	2,306,712	2,373,007	2,517,984	277,567	6.0%
Federal Spec. Rev. Funds	47,874,108	51,629,298	62,394,382	18,275,464	19.1%
Total Funds	75,520,200	84,210,494	105,057,017	38,227,111	25.3%
Personal Services	6,767,040	6,666,355	6,682,400	(185,325)	(1.4%)
Operating Expenses	64,484,160	73,275,139	94,105,617	38,412,436	29.8%
Equipment & Intangible Assets	85,000	85,000	85,000		0.0%
Debt Service	4,184,000	4,184,000	4,184,000		0.0%
Total Expenditures	75,520,200	84,210,494	105,057,017	38,227,111	25.3%
Total Ongoing	75,520,200	84,210,494	105,057,017	38,227,111	25.3%
Total One-Time-Only					0.0%

Program Highlights

<p>Technology Services Division (TSD) Major Budget Highlights</p>
<ul style="list-style-type: none"> • The TSD 2027 biennium executive request is approximately \$38.2 million or 25.3% higher than the FY 2025 base budget. • The executive proposal includes: <ul style="list-style-type: none"> ◦ Increases for information technology maintenance and operational costs that amount to \$28.4 million in all funds across the biennium. This includes \$1.9 million general fund in FY 2026 and \$11.8 million general fund in FY 2027 ◦ Fixed cost increases of \$10.0 million for the biennium ◦ A reduction of 3.00 FTE and \$633,000 across the biennium to consolidate information technology security

Executive Request

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

Technology Services Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	25,339,380	2,306,712	47,874,108	75,520,200	89.7%	25,339,380	2,306,712	47,874,108	75,520,200	71.9%
Statewide PL										
Personal Services	64,985	7,834	130,205	203,024	0.2%	71,608	9,194	138,268	219,070	0.2%
Fixed Costs	3,065,733	(92,627)	1,962,193	4,935,299	5.9%	3,108,253	(90,734)	2,037,197	5,054,716	4.8%
Inflation Deflation	(543)	0	0	(543)	(0.0%)	(367)	0	0	(367)	(0.0%)
Total Statewide PL	3,130,175	(84,793)	2,092,398	5,137,780	6.1%	3,179,494	(81,540)	2,175,465	5,273,419	5.0%
Present Law (PL)	1,893,077	175,581	1,804,489	3,873,147	4.6%	11,776,320	316,686	12,482,926	24,575,932	23.4%
New Proposals	(154,443)	(24,493)	(141,697)	(320,633)	(0.4%)	(150,543)	(23,874)	(138,117)	(312,534)	(0.3%)
Total HB 2 Adjustments	4,868,809	66,295	3,755,190	8,690,294	10.3%	14,805,271	211,272	14,520,274	29,536,817	28.1%
Total Requested Budget	30,208,189	2,373,007	51,629,298	84,210,494		40,144,651	2,517,984	62,394,382	105,057,017	

The base budget makes up 89.7% of the executive budget request in FY 2026 and 71.9% in FY 2027. Across the biennium, statewide present law adjustments account for 5.5% of the requested budget and most this request is for fixed costs paid to the State Information Technology Services Division (SITSD). Present law requests for operational and maintenance information technology costs account for 15.0% of the executive budget requested over the biennium. A new proposal aiming to consolidate information technology security brings the request down by about 0.3%.

The Technology Services Division (TSD) executive request for the 2027 biennium is about \$38.2 million or 25.3% higher compared to the FY 2025 base budget. This includes a 38.8% increase in general fund that totals about \$19.7 million. For all funds this is a 19.2% increase over the base in FY 2026 and an 58.4% increase over the base in FY 2027.

Funding

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

Department of Public Health & Human Services, 09-Technology Services Division Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	70,352,840	0	0	0	70,352,840	37.2%
02381 02 Indirect Activity Prog 09	4,890,991	0	0	0	4,890,991	100.0%
State Special Total	\$4,890,991	\$0	\$0	\$0	\$4,890,991	2.6%
03426 CHIP Program Fed	26,000	0	0	0	26,000	0.0%
03598 03 Indirect Activity Prog 09	91,945,020	0	0	0	91,945,020	80.6%
03974 Medicaid Exp HELP Act Admin	22,052,660	0	0	0	22,052,660	19.3%
Federal Special Total	\$114,023,680	\$0	\$0	\$0	\$114,023,680	60.2%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$189,267,511	\$0	\$0	\$0	\$189,267,511	

All of TSD's biennial funding authority comes from HB 2. About 37.2% of this authority is general fund, 2.6% of this authority comes from state special revenue funding, and the last 60.2% of authority is federal special revenues.

TSD receives most of its federal funds and all its state special revenue funds through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefitting or serving other programs in the department. TSD provides services to every other division within the department in some capacity. This includes the oversight of information technology (IT) systems and improvement projects, data management and governance, as well as security regulation compliance.

There is also a large amount of funding for Medicaid expansion administrative funding, which covers various Montana Program for Automating and Transforming Healthcare (MPATH) operations including but not limited to data management and federal reporting.

The small amount of federal funding for Children’s Health Insurance Program (CHIP) is authorized for an advanced planning document linked to the health Information exchange in this federal program.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	66.00	66.00	63.00	63.00
Personal Services	7,211,600	6,402,275	6,767,040	6,666,355	6,682,400
Operating Expenses	63,967,933	69,073,158	64,484,160	73,275,139	94,105,617
Equipment & Intangible Assets	0	85,000	85,000	85,000	85,000
Debt Service	3,319,670	3,581,800	4,184,000	4,184,000	4,184,000
Total Expenditures	\$74,499,203	\$79,142,233	\$75,520,200	\$84,210,494	\$105,057,017
General Fund	24,337,818	24,684,291	25,339,380	30,208,189	40,144,651
State/Other Special Rev. Funds	2,288,183	2,944,053	2,306,712	2,373,007	2,517,984
Federal Spec. Rev. Funds	47,873,202	51,513,889	47,874,108	51,629,298	62,394,382
Total Funds	\$74,499,203	\$79,142,233	\$75,520,200	\$84,210,494	\$105,057,017
Total Ongoing	\$74,499,203	\$79,142,233	\$75,520,200	\$84,210,494	\$105,057,017
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The TSD manages DPHHS’s information technology systems and infrastructure. TSD is comprised of three bureaus (Project Management, Application Development and Hosting, and Support and Security), three offices (Program Management, Data Management, and Information Security and Compliance), and one program (Medicaid IT Systems/MPATH). TSD services include programming, help desk functions, database support, web development, enterprise architecture, security, project management, data management, and network management. DPHHS’s Chief Information Officer (CIO) leads TSD.

The overall mission of the Technology Service Division (TSD) is to use and improve information technology to protect the health, well-being, and self-reliance of all Montanans. TSD services include programming, help desk functions, database support, web development, enterprise architecture, security, project management, health and data analytics, and network management.

Statutory Authority - Technology Services Division - Title 17 and Title 40, MCA, and Title IV of the Social Security Act, Section 06, P.L. 96-265.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The TSD expended 94.1% of the total FY 2024 appropriation with 98.6% of general funds, 77.7% of state special revenues, and 92.9% of federal special revenues expended.

The overall HB 2 budget is 87.3% operating expenses which were 92.6% expended. Medicaid expansion administration was 68.3% expended which contributed to the underutilization of the appropriated budget.

Personal services are a smaller proportion, or 8.1%, of the overall budget. This category was 112.6% expended in FY 2024. Historic utilization of total PB hours budgeted within this division averages around 99.4% but FY 2024 saw a marginally higher utilization of 100.1%.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is 4.6% lower than the FY 2024 appropriation. This can be completely attributed to a reduction in operating expenses from FY 2024 to FY 2025. Several transfers were made from other programs to meet fiscal year end obligations for MPATH. Compared to the original FY 2024 legislative budget, the FY 2025 appropriation is similar.

Program Discussion

The TSD provides internal support to each division within the department as well as external users including but not limited to providers, tribes, local governments, non-profits, and external vendors. This division is split into six areas.

The Information Systems Bureau manages digital infrastructure, focusing on application modernization, innovation, and enterprise architecture, while ensuring interoperability and supporting legacy systems. The Network Communication Bureau oversees IT network infrastructure, security, technical support, and disaster recovery with a focus on managing hardware, network operations, and service desk functions. The Project Management Bureau coordinates project planning, risk management, and resource allocation for project delivery and quality assurance. The Office of Health Data and Analytics provides data analytics and reporting services, manages data governance and visualization, supports the health information exchange and manages internal onboarding and skills development. The Compliance and Security Office manages information security policies and assessments to ensure regulatory compliance. Lastly, the Montana’s Program for Automating and Transforming Healthcare is the team responsible for operating the legacy claims processing system, Medicaid Management Information System (MMIS), as well as the delivery and support of the commercial-off-the-shelf modular replacement for the legacy system, the Medicaid Enterprise System (MES). They also manage a significant amount of the federal reporting responsibility associated with IT projects.

All funding for long range information technology projects in the department go through this division. The HB 10 appropriations from the 2025 biennium projects are included below.

DPHHS HB 10 Appropriations					
2023 Biennium					
System	Capital Development Funds	State Special Revenue Fund	Federal Special Revenue Fund	Total	
Comprehensive Welfare Information System	\$ 12,537,884	\$ -	\$ 12,537,881	\$ 25,075,765	
Montana Child Support Enforcement Automated System	4,412,940	6,304,200	20,803,860	31,521,000	
SNAP Employment and Training Enterprise Solution	1,400,000	-	1,400,000	2,800,000	
Electronic Benefits Transfer System Replacement	1,250,000	-	1,250,000	2,500,000	
Electronic Health Recods and Billing - State Facilities	25,000,000	2,321,690	285,614	27,607,304	
Montana Healthcare Programs Modularity Project (MES)	4,940,613	-	44,465,517	49,406,130	
Total	\$ 49,541,437	\$ 8,625,890	\$ 80,742,872	\$ 138,910,199	

* DPHHS FY 2025 Biennium HB10 Package. February 1, 2023, presentation to the 2023 Health and Human Services Joint Appropriations Subcommittee.

When these systems are finished and implemented, maintenance and operations (M&O) costs are added to the HB 2 biennial budget. Multiple systems are nearing completion in the coming biennium The table below provides further detail on the 2027 biennium M&O request (DP 9000) for these systems. This includes a breakout by system, by year, and by biennium; it also includes further detail regarding adjustments to existing systems and additions for new system implementation. Decreases in the “Existing System” column are generally due to legacy system replacement.

Maintenance and Operations Request (DP 9000): Breakdown by System						
System	Acronym	2026	2027	2027 Biennium		Total
				New System/System Replacement	Existing System Increase / Decrease	
Montana's Program for Automating & Transforming Healthcare	MPATH	\$ -	\$ 12,592,730	\$20,092,730	(7,500,000)	\$12,592,730
Combined Health Information and Montana Eligibility System	CHIMES	1,873,590	2,598,901	410,000	4,062,491	4,472,491
Comprehensive Child Welfare Information System	CCWIS	-	1,665,773	3,120,000	(1,454,227)	1,665,773
Child Protective Services System	CAPS	170,642	290,845	-	461,487	461,487
System for the Enforcement and Recovery of Child Support	SEARCHS	334,750	855,950	2,450,000	(1,259,301)	1,190,699
Electronic Benefits Transfer	EBT	455,000	485,000	2,030,000	(1,090,000)	940,000
Electronic Health Records and Billing Solution	EHR	-	5,040,000	5,040,000	-	5,040,000
Health Information Exchange/ Big Sky Care Connect	HIE/BSCC	850,000	850,000	1,700,000	-	1,700,000
JIRA/JAMA Software Increase	-	189,165	196,733	-	385,898	385,898
Total		\$ 3,873,147	\$ 24,575,932	\$ 34,842,730	\$ (6,393,652)	\$ 28,449,078

*Breakdowns provided by DPHHS

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	Fiscal 2026					Fiscal 2027				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	64,985	7,834	130,205	203,024	0.00	71,608	9,194	138,268	219,070
DP 2 - Fixed Costs	0.00	3,065,733	(92,627)	1,962,193	4,935,299	0.00	3,108,253	(90,734)	2,037,197	5,054,716
DP 3 - Inflation Deflation	0.00	(543)	0	0	(543)	0.00	(367)	0	0	(367)
DP 9000 - TSD Combined Maintenance & Operational Requests	0.00	1,893,077	175,581	1,804,489	3,873,147	0.00	11,776,320	316,686	12,482,926	24,575,932
Grand Total All Present Law Adjustments	0.00	\$5,023,252	\$90,788	\$3,896,887	\$9,010,927	0.00	\$14,955,814	\$235,146	\$14,658,391	\$29,849,351

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Technology Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 86,766
Management Changes	40,117
Total Budget Modifications	76,140
Total	\$ 203,023

There were several substantial increases in DP 1 including benefits in legislative changes and pay plan increases, retention adjustments, and promotions among other increases in management changes. These increases were in part offset by a reorganization that moved 7.00 PB from TSD.

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget to pay increases in fixed costs assessed by other agencies within state government for the services they provide. Examples include: warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 9000 - TSD Combined Maintenance & Operational Requests -

The executive requests authority for existing maintenance and operations (M&O) costs as well as appropriations needed for new systems implementations within the Technology Services Division (TSD). For new IT systems, M&O costs are estimated during the HB10 request, but costs are not finalized until the contract has been awarded. These costs enter the HB 2 biennial budget when the system becomes operational. This proposal funds anticipated increases in existing vendor contracts for CHIMES, CAPS, SEARCHS and EBT as well as systems implementations / replacements for CCWIS, SEARCHS, HIE, EHR, and various MPATH modules.

System	Acronym
Combined Health Information and Montana Eligibility System	CHIMES
Child Protective Services System	CAPS
System for the Enforcement and Recovery of Child Support	SEARCHS
Electronic Benefits Transfer	EBT
Comprehensive Child Welfare Information System	CCWIS
Health Information Exchange	HIE
Electronic Health Records and Billing Solution	EHR
Montana's Program for Automating & Transforming Healthcare	MPATH

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 9001 - SITSD Security Consolidation	(3.00)	(154,443)	(24,493)	(141,697)	(320,633)	(3.00)	(150,543)	(23,874)	(138,117)	(312,534)
Total	(3.00)	(\$154,443)	(\$24,493)	(\$141,697)	(\$320,633)	(3.00)	(\$150,543)	(\$23,874)	(\$138,117)	(\$312,534)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 9001 - SITSD Security Consolidation -

The executive requests a reduction of 3.00 PB from Technology Services Division (TSD) as part of security consolidation efforts across the Executive Branch. Page R-5 of HB 2 from the 68th Legislature directed the State Information Technology Services Division to work with the Office of Budget and Program Planning to identify and reduce 8.00 PB across state agencies as part of the information technology security consolidation project. 3.00 PB from TSD were identified and are being requested to be removed with this change package.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

Program Base Budget Comparison

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

Program Base Budget Comparison						
Budget Item	Base Budget	Requested Budget		Biennium Change from Base		
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	104.00	104.00	104.00	0.00	0.0%	
General Fund	139,528,384	153,479,833	161,713,362	36,136,427	12.9%	
State/Other Special Rev. Funds	40,409,848	65,495,293	57,476,303	42,151,900	52.2%	
Federal Spec. Rev. Funds	385,165,051	361,876,101	423,271,526	14,817,525	1.9%	
Total Funds	565,103,283	580,851,227	642,461,191	93,105,852	8.2%	
Personal Services	9,072,333	9,458,744	9,740,639	1,054,717	5.8%	
Operating Expenses	4,536,610	27,576,146	14,242,683	32,745,609	360.9%	
Grants	7,878,514	11,034,279	11,037,933	6,315,184	40.1%	
Benefits & Claims	543,257,862	532,424,094	607,081,972	52,990,342	4.9%	
Debt Service	357,964	357,964	357,964		0.0%	
Total Expenditures	565,103,283	580,851,227	642,461,191	93,105,852	8.2%	
Total Ongoing	565,103,283	580,851,227	642,461,191	93,105,852	8.2%	
Total One-Time-Only					0.0%	

Program Highlights

Behavioral Health and Developmental Disabilities Division (BHDD) Major Budget Highlights
<ul style="list-style-type: none">• The BHDD 2027 biennium appropriations are approximately \$93.1 million or 8.2% higher than the FY 2025 base budget.• The executive proposal includes:<ul style="list-style-type: none">◦ Ten recommendations supported by the Behavioral Health System for Future Generations were brought forward in the executive's initial request. In FY 2026, this amounts to \$31.0 million state special revenue funds from the account set up in the 2023 legislative session. In FY 2027, this amounts to \$23.0 million state special revenue funds and \$46.0 million federal funds◦ Federal medical assistance percentage adjustments that increase state general fund obligations for traditional Medicaid by \$8.6 million in FY 2026 and \$9.1 million in FY 2027. State special revenue adjustments that increase obligations by \$2.5 million in FY 2026 and \$2.6 million in FY 2027◦ Traditional Medicaid caseload adjustments totaling a decrease of \$5.8 million in FY 2026 and an increase of \$12.8 million in FY 2027. If adopted, general fund obligations will increase by \$2.2 million in each year of the biennium◦ Decrease in present law adjustments for Medicaid expansion adult mental health services of \$13.8 million all funds in FY 2026 and \$8.8 million all funds in FY 2027◦ An \$8.4 million dollar increase in federal funds to bring the State Opioid Response grant and the Food and Drug Administration Tobacco grant into HB 2. These programs are 100.0% federally funded and have historically been funded through budget amendment
Legislative Action Items
<ul style="list-style-type: none">• Medicaid Expansion decision packages are contingent on legislative action. Currently, Medicaid Expansion is set to sunset on June 30th, 2025

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

Executive Request

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

Behavioral Health & Dev Disability 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	139,528,384	40,409,848	385,165,051	565,103,283	97.3%	139,528,384	40,409,848	385,165,051	565,103,283	88.0%
Statewide PL										
Personal Services	107,213	116,513	(55,469)	168,257	0.0%	119,824	116,794	(43,466)	193,152	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(1,591)	(15)	(1,823)	(3,429)	(0.0%)	(1,075)	(10)	(1,233)	(2,318)	(0.0%)
Total Statewide PL	105,622	116,498	(57,292)	164,828	0.0%	118,749	116,784	(44,699)	190,834	0.0%
Present Law (PL)	11,345,827	(3,559,082)	(27,450,513)	(19,663,768)	(3.4%)	19,066,229	(3,015,875)	(12,055,706)	3,994,648	0.6%
New Proposals	2,500,000	28,528,029	4,218,855	35,246,884	6.1%	3,000,000	19,965,546	50,206,880	73,172,426	11.4%
Total HB 2 Adjustments	13,951,449	25,085,445	(23,288,950)	15,747,944	2.7%	22,184,978	17,066,455	38,106,475	77,357,908	12.0%
Total Requested Budget	153,479,833	65,495,293	361,876,101	580,851,227		161,713,362	57,476,303	423,271,526	642,461,191	

The executive budget request is mainly base budget with adjustments accounting for 2.7% of the overall budget in FY 2026 and adjustments accounting for 12.0% of the overall budget in FY 2027.

After Medicaid redetermination this past interim and large federal fund surpluses in Medicaid, the present law request for FY 2026 includes large reductions in federal funds for both traditional Medicaid and Medicaid expansion. These FY 2026 requests also include shifts from federal funding sources to state special revenue sources and general fund due to further decreases in the Federal Medical Assistance Percentage (FMAP). In FY 2027, Medicaid expansion decreases partially offset increases in traditional Medicaid for a small overall increase in total funds. Though total funds decrease in FY 2026 and only slightly increase in FY 2027, across the biennium there is an increase of \$30.4 million general fund within the present law requests.

With respect to the executive request for new proposals, the largest driver of increases in this area is the governor requested adjustments for the Behavioral Health System for Future Generations (BHSFG) Commission recommendations that were studied and approved by the commission this interim. The \$43.0 million in state special revenue funds for these proposals come from the behavioral health system for future generations state special revenue fund created by HB 872 in the 2023 legislative session. These funds will go to short term start-up and operational costs for these requests. Long-term costs will need to be brought into the base and will be a mixture of state and federal resources. These recommendations will take different time and effort commitments on behalf of the department to be implemented leading to the variation in funding commitments across the biennium.

Aside from these requests, the executive is requesting certain federal grants be brought into HB 2 as well as some fund switches in the Medicaid programs, which do not increase total funds in this program.

Overall, the HB 2 biennial request includes an increase in general fund of \$36.1 million, or a 12.9% increase over the general fund base in BHDD.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

Funding

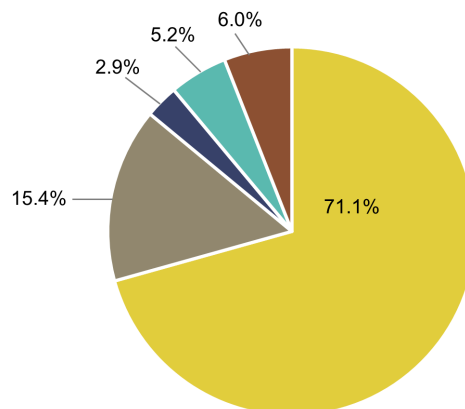
The following table shows proposed program funding for all sources of authority.

Department of Public Health & Human Services, 10-Behavioral Health & Dev Disability						
Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	315,193,195	0	0	0	315,193,195	25.7%
02034 Earmarked Alcohol Funds	6,986,760	0	0	4,860,884	11,847,644	9.3%
02064 HEART-Healing RECOVERY TRTMT	14,516,128	0	0	0	14,516,128	11.4%
02181 BHSFG	53,993,575	0	0	0	53,993,575	42.2%
02338 CSCT OPI State Match	8,319,633	0	0	0	8,319,633	6.5%
02517 02 Indirect Activity Prog 10	184,170	0	0	0	184,170	0.1%
02597 Healthy Montana Kids Plan	6,552,586	0	0	0	6,552,586	5.1%
02772 Tobacco Hlth and Medicaid Init	22,756,098	0	0	0	22,756,098	17.8%
02987 Tobacco Interest	9,662,646	0	0	0	9,662,646	7.6%
State Special Total	\$122,971,596	\$0	\$0	\$4,860,884	\$127,832,480	10.4%
03171 Data Infrastructure Developmnt	338,771	0	0	0	338,771	0.0%
03491 Tobacco Retail Inspctn Program	437,710	0	0	0	437,710	0.1%
03505 93.150 - Mntal Hlth - Homeless	609,950	0	0	0	609,950	0.1%
03507 93.958 - Mntal Hlth - Blk Grt	5,911,316	0	0	0	5,911,316	0.8%
03508 93.959 - ADAD - Blk Grt 100%	15,081,737	0	0	0	15,081,737	1.9%
03563 IVE Prevention Program	2,654,346	0	0	0	2,654,346	0.3%
03579 93.667 - SSBG - Benefits	3,542,280	0	0	0	3,542,280	0.5%
03580 6901-93.778 - Med Adm 50%	10,266,982	0	0	0	10,266,982	1.3%
03583 93.778 - Med Ben FMAP	547,031,342	0	0	0	547,031,342	69.7%
03599 03 Indirect Activity Prog 10	3,215,787	0	0	0	3,215,787	0.4%
03684 State Opioid Response Grant	8,000,000	0	0	0	8,000,000	1.0%
03975 Medicaid Exp HELP Act Benefit	188,057,406	0	0	0	188,057,406	24.0%
Federal Special Total	\$785,147,627	\$0	\$0	\$0	\$785,147,627	63.9%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$1,223,312,418	\$0	\$0	\$4,860,884	\$1,228,173,302	

Funding for BHDD is made up of a combination of general fund, state special revenue funds, and federal funds. Of BHDD's total funding, 91.7% is requested for traditional Medicaid or Medicaid expansion.

Biennial HB 2 Funding Request by Major Function

- Traditional Medicaid
- Medicaid Expansion
- BHSFG (Non-Medicaid Requests)
- BHSFG (Medicaid Requests)
- Other



69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

About 63.9% of BHDD's funding is federal funds. The largest portion of this funding, 69.7%, is from Medicaid benefits and claims at the standard FMAP. Medicaid expansion benefits and claims contribute 24.0% of federal funding that BHDD receives. Medicaid administration costs are also matched by the federal government at a rate of 50.0%, which accounts for 1.3% of federal spending.

BHDD also receives and administers non-competitive federal block grants, which are applied for annually and must be approved, conditional on demonstration of statutory and regulatory compliance, to receive the formula-based funding.

Montana receives \$15.1 million dollars in block grant funding for substance use treatment and prevention; \$5.9 million in block grant funding to provide community-based mental health services; \$3.5 million for the Title XX Social Services block grant; and \$610,000 in block grant funding for Projects for Assistance in Transition from Homelessness (PATH) program.

State special revenue funds make up 7.5% of the executive's funding request. The Tobacco Health and Medicaid Initiative fund source makes up 17.8% of the funding request for BHDD and goes towards funding the home and community based services (HCBS) and the waiver for additional populations (WASP) Medicaid waivers. This has been supplanted as the largest fund source by the behavioral health system for future generations state special revenue fund which accounts for 42.4% of the executive's funding request. About 11.4% of state special revenues fund the Healing and Ending Addiction through Recovery and Treatment (HEART) Act initiative.

The earmarked alcohol funds, which make up 9.3% of state special revenues, are tax revenues from alcohol consumption taxes. These funds are given to DPHHS for state programs that target prevention and treatment related directly to the use or abuse of these products. Most of these funds go to the Prevention Bureau or the Montana Chemical Dependency Center. The rest of state special revenues come from Comprehensive School and Community-based treatment state match, Healthy Montana Kids (HMK), and the tobacco interest.

A small portion of both state special revenue, and federal funds come to BHDD through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefiting or serving other programs in the department.

The bulk of general fund in BHDD fund the state portion of Medicaid and Medicaid expansion benefits administered by the division including waivers, targeted case management, adult and child mental health services, case management services, suicide prevention efforts, and chemical dependency care.

Program Actuals and Budget Comparison

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

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	104.00	104.00	104.00	104.00
Personal Services	9,373,030	8,344,553	9,072,333	9,458,744	9,740,639
Operating Expenses	5,127,387	4,307,084	4,536,610	27,576,146	14,242,683
Grants	14,399,813	9,338,114	7,878,514	11,034,279	11,037,933
Benefits & Claims	434,016,733	498,880,593	543,257,862	532,424,094	607,081,972
Debt Service	258,353	357,964	357,964	357,964	357,964
Total Expenditures	\$463,175,316	\$521,228,308	\$565,103,283	\$580,851,227	\$642,461,191
General Fund	120,634,014	122,608,865	139,528,384	153,479,833	161,713,362
State/Other Special Rev. Funds	31,974,044	38,290,738	40,409,848	65,495,293	57,476,303
Federal Spec. Rev. Funds	310,567,258	360,328,705	385,165,051	361,876,101	423,271,526
Total Funds	\$463,175,316	\$521,228,308	\$565,103,283	\$580,851,227	\$642,461,191
Total Ongoing	\$463,175,316	\$521,228,308	\$565,103,283	\$580,851,227	\$642,461,191
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The BHDD works to enhance the quality of life for individuals with behavioral health challenges and/or developmental disabilities by promoting recovery, resilience, and community integration. BHDD administers a wide range of services. The BHDD consists of four bureaus and two programs: Prevention Bureau, Mental Health Services Bureau, Children's Mental Health Bureau, Operations Bureau, Suicide Prevention Program, and Developmental Disabilities Program.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The BHDD expended 88.9% of the total FY 2024 appropriation with 98.4% of general funds, 83.5% of state special revenues, and 86.2% of federal special revenues expended.

The overall HB 2 budget is 95.7% benefits and claims, and this account was 87.0% expended in FY 2024. This difference is mostly attributable to surpluses in federal Medicaid funds. When budgeting last session, Medicaid benefits and claims faced the uncertainty of the public health emergency unwinding and its impact on enrollment as well as the FMAP.

Personal services, operating expenses, and grants partially offset this difference and are more than 100.0% expended but compared to benefits and claims, these are relatively small proportions of the overall HB 2 budget. Personal services were 112.3% expended. Historic utilization of total PB hours budgeted within this division averages around 90.9%, but FY 2024 saw marginally higher utilization of 93.0%. Operating expenses were 119.0% expended and grants were 154.2% primarily due to overages in the BHDD HB 2 grants in these categories, but this same subclass is under expended in benefits and claims, evening out those differences. These grants include the substance use block grant, mental health block grant, and the social services block grant.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is 8.4% higher than the FY 2024 appropriation. Much of this increase can be attributed to additional provider rate increases in FY 2025 for both Medicaid and non-Medicaid providers. Additionally, previously anticipated Medicaid caseload increases in FY 2025 account for a significant portion of this increase.

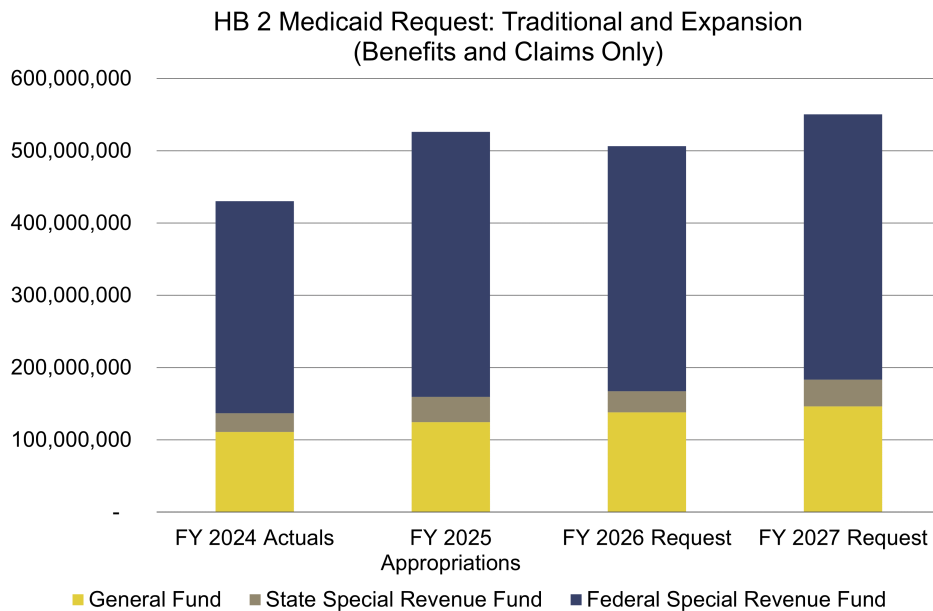
Program Discussion

The BHDD was created in FY 2023 through the consolidation of the non-institutional functions of the former Developmental Services Division (DSD) and the former Addictive and Mental Disorders Division (AMDD).

As discussed in the program description above, BHDD is made up of four bureaus and two programs that provide services to all age groups across the mental health continuums of care as well as those with developmental disabilities. These services include both federal grants and Medicaid state plan services. For a more detailed discussion of DPHHS's complete request please refer to the Medicaid discussion in the Agency summary.

Medicaid Request

The traditional Medicaid and Medicaid expansion request in BHDD totals \$1,075.2 million in benefits and claims over the biennium. The largest portion of the budget is traditional Medicaid which totals \$872.8 million dollars over the biennium. Though the benefits and claims request is slightly lower than the base budget for FY 2025, the FY 2026 request is \$94.3 million higher than the FY 2024 actual expenditures in BHDD.



Medicaid Waivers

There are 4 Medicaid waivers housed in the BHDD:

- The developmental disabilities waiver, also known as the 0208 waiver, provides home and community based (HCBS) services for individuals over the age of 8 with developmental disabilities who qualify for Medicaid and would otherwise need institutional care. It supports around 2,500 people across Montana, covering needs throughout their lives. Over 30 types of services are offered by both traditional provider agencies and family-directed hires. The program's individualized support costs average \$72,000 annually with a large range across individuals. This waiver is housed under the developmental disabilities program within the division
- The severe and disabling mental illness waiver provides long-term supports including but not limited to independent living supports and habilitative services. This waiver, managed by the treatment bureau, is meant to facilitate long-term care services being received in a community setting as opposed to a nursing home or other institutional setting

- The Healing and Ending Addiction through Recovery and Treatment (HEART) waiver requested federal approval to use Medicaid funds for four services that were not reimbursable through Medicaid: evidence-based stimulant use disorder treatment, tenancy support services, reentry services for incarcerated individuals, and substance use disorder treatment for facilities with more than 16 beds. All four components have now been approved. State match for these services come out of the HEART state special revenue fund discussed in the HEART Initiative section below
- The Waiver for Additional Service Populations (WASP) serves two exclusive populations. The first population includes individuals with an SDMI who are enrolled in the state-funded mental health services plan (MHSP) but are otherwise ineligible for Medicaid benefits. Through this waiver they receive standard Medicaid benefits. The second population includes aged, blind, or disabled individuals already eligible for Medicaid and offers dental treatment services above the state plan dental treatment cap. The first population is served in BHDD whereas the second population falls under HRD.

HEART Initiative

In addition to the Medicaid waiver portion of the HEART initiative mentioned above, HB 701 in the 2021 Session set up a state special revenue fund that receives up to \$6.0 million dollars a year from the tax on recreational marijuana. This money can be used to provide statewide programs for substance use disorder prevention, youth suicide prevention, mental health promotion, crisis treatment, and recovery services for substance use and mental health disorders, per 16-12-122 MCA. Total spending for the HEART Initiative for the last two fiscal years is detailed below. These numbers include Medicaid match as well as non-Medicaid programs.

HEART Initiative Expenditures from All Sources of Authority				
Funding Source	Program Type	FY 2023		FY 2024
State Funding	Medicaid	\$	1,106,340	\$ 2,663,809
	Non-Medicaid		<u>2,982,891</u>	<u>4,017,946</u>
	Total		4,089,231	6,681,754
Federal Funding	Medicaid	\$	6,887,559	\$ 12,462,822
	Non-Medicaid		<u>12,121</u>	<u>5,953</u>
	Total		6,899,680	12,468,775
All funds	Total	\$	10,988,911	\$ 19,150,529

Behavioral Health System for Future Generations (BHSFG) State Special Revenue Fund

HB 872 of the 2023 Session created the behavioral health system for future generations fund and transferred \$225.0 million into the fund along with \$75.0 million into the capital development fund for the purpose of stabilizing, studying, and continuing to develop a viable and comprehensive statewide behavioral health and developmental disabilities care system, per 50-1-119 MCA.

The bill also created a commission to study and recommend how the funds are to be used. This commission does not dissolve until the end of FY 2025. Staffed by the DPHHS, the commission met 15 times between the start of the FY 2024 and the publishing of this report. Past meeting materials and recordings can be found on the [commission website](#).

The report published in September of 2024 includes 22 recommendations to bolster the behavioral health and developmental disabilities systems across the state. The cost estimates for each recommendation are broken out in the report. These estimates include initial investments needed to launch the recommendation as well as estimated recurring costs. Any initial costs would be covered by BHSFG state special revenue funds. Recurring costs would have to be integrated into the state's base budget in future biennia. Many recommendations would be able to leverage federal funds so estimated federal share and estimated state share is included as well.

Of the 22 recommendations that were brought forth in the BHSFG Commission final report, ten were included in the executive request. Funding detail is broken out in the linked [appendix table](#) and further detail about each recommendation can be found in the [final report](#). Brief summaries can also be found in the "New Proposals" section of this division.

Overall, the executive has included \$99.0 million in funding requests for these initiatives; this includes \$63.0 million in Medicaid specific funding as well as \$36.0 million in programs outside of the Medicaid portion of the budget. This request includes \$53.5 million in state funding obligations across the biennium that would come out of the state special revenue fund created by HB 872 in the 2023 legislative session. This state special revenue fund does not have a revenue source in statute, nor does it retain its own interest so any ongoing costs will eventually require general fund. As requested, \$23.5 million in state obligation will be brought into the HB 2 budget in the 2027 biennium.

LFD COMMENT

The legislature has several options for addressing the decision packages included in the executive request under HB 872. These decision packages may be approved as presented, modified in their entirety, or amended selectively. Potential options include:

- Adding restrictions to ensure funds are utilized for the purposes outlined in the proposals
- Categorizing the appropriations as one-time-only (OTO) to allow the legislature to evaluate the outcomes of these proposals before incorporating them into the base budget
- Including language to clarify or add legislative intent, providing guidance in the implementation of these funds
- Funding levels may be adjusted
- Other report recommendations may be considered, in lieu of or in addition to

In addition to the recommendations, over the course of the interim 11 near-term initiatives were approved by the commission and subsequently by the governor. DPHHS started implementing these initiatives upon approval. These near-term initiatives were meant to provide for short-term systemic stabilization efforts while the commission studied long-term solutions. Of the 11 approved initiatives, 6 initiatives are documented as one-time-only costs, 4 initiatives are pilot programs, and 1 initiative mentions potential future ongoing operation and maintenance costs. No decision packages are included at present to continue these pilot programs or provide for software operations and maintenance costs. The appropriation DPHHS has used to support these initiatives ends June 30th, 2025.

The commission has not yet issued recommendations for the capital development funding appropriated in the original bill, but \$1.6 million is included in DPHHS's base budget for future operation and maintenance costs. If this funding is not needed or used in this biennium, that amount reverts back to the general fund.

The BHSFG initiative is separate from the HEART initiative though they are tangentially related in their efforts.

Comprehensive School and Community Based Treatment

In addition to the commission and the recommendations, HB 872 also consolidated the funding mechanisms behind the Comprehensive School and Community Based Treatment (CSCT) program, moving all funding for the program back to DPHHS. This program is a Medicaid reimbursable mental health center service provided by a public school district designed and managed by the Children's Mental Health Bureau that primarily serves youth with serious emotional disturbance (SED) diagnosis(es). The services are provided by treatment teams of one licensed or supervised in-training practitioner and up to two behavioral aides. Youth admitted to the program may receive services in school, at home or in the community.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	107,213	116,513	(55,469)	168,257	0.00	119,824	116,794	(43,466)	193,152
DP 3 - Inflation Deflation	0.00	(1,591)	(15)	(1,823)	(3,429)	0.00	(1,075)	(10)	(1,233)	(2,318)
DP 10550 - Medicaid Core Services AMH - BHDD	0.00	737,128	(169,825)	910,435	1,477,738	0.00	1,946,557	(118,208)	2,916,911	4,745,260
DP 10551 - Medicaid Core Services DDP and CMH - BHDD	0.00	2,595,303	(5,602,063)	(4,825,384)	(7,832,144)	0.00	5,503,375	(5,375,819)	203,502	331,058
DP 10552 - Medicaid Core FMAP Adjustment AMH - BHDD	0.00	1,110,445	215,360	(1,325,805)	0	0.00	1,181,654	226,739	(1,408,393)	0
DP 10553 - Medicaid Core FMAP Adjustment DDP and CMH - BHDD	0.00	3,154,959	522,347	(3,677,306)	0	0.00	3,321,268	557,470	(3,878,738)	0
DP 10554 - Medicaid Waiver Services AMH - BHDD	0.00	1,580,789	333,485	3,072,113	4,986,387	0.00	3,255,238	430,510	5,880,168	9,565,916
DP 10555 - Medicaid Waiver Services DDP and CMH- BHDD	0.00	(1,111,917)	(600,000)	(2,747,360)	(4,459,277)	0.00	(97,109)	(600,000)	(1,112,155)	(1,809,264)
DP 10556 - Medicaid Waiver FMAP Adjustment AMH - BHDD	0.00	(258,695)	1,736,849	(1,478,154)	0	0.00	(258,695)	1,785,919	(1,527,224)	0
DP 10557 - Medicaid Waiver FMAP Adjustment DDP and CMH - BHDD	0.00	4,636,619	0	(4,636,619)	0	0.00	4,885,679	0	(4,885,679)	0
DP 10560 - Medicaid Expansion Services AMH - BHDD	0.00	(1,388,412)	4,765	(12,452,825)	(13,836,472)	0.00	(961,346)	77,514	(7,954,490)	(8,838,322)
DP 10564 - Medicaid Expansion FMAP AMH - BHDD	0.00	289,608	0	(289,608)	0	0.00	289,608	0	(289,608)	0
Grand Total All Present Law Adjustments	0.00	\$11,451,449	(\$3,442,584)	(\$27,507,805)	(\$19,498,940)	0.00	\$19,184,978	(\$2,899,091)	(\$12,100,405)	\$4,185,482

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Behavioral Health and Developmental Disabilities Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 187,171
Management Changes	(18,078)
Total Budget Modifications	(835)
Total	<u>\$ 168,258</u>

Legislative changes in DP 1 are driven by benefit increases while management changes are driven by decreases in vacancy savings.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 10550 - Medicaid Core Services AMH - BHDD -

The executive requests funding for caseload growth in the Adult Mental Health (AMH) Program in the Behavioral Health and Developmental Disabilities Division. This adjustment covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 10551 - Medicaid Core Services DDP and CMH - BHDD -

The executive proposes a decrease in caseload in the Developmental Disabilities Program (DDP) and Children's Mental Health (CMH) programs in the Behavioral Health and Developmental Disabilities Division which covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 10552 - Medicaid Core FMAP Adjustment AMH - BHDD -

The executive proposes an adjustment to maintain existing services for Adult Mental Health (AMH) services in the Behavioral Health and Developmental Disability Division. The biennial funding increases the general and state special revenue funds and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 10553 - Medicaid Core FMAP Adjustment DDP and CMH - BHDD -

The executive requests an increase to maintain existing services for the Developmental Disabilities Program (DDP) and Children's Mental Health (CMH) programs in the Behavioral Health and Developmental Disabilities Division. The biennial funding increases the general and state special revenue funds and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 10554 - Medicaid Waiver Services AMH - BHDD -

The executive requests an increase for caseload in the Adult Mental Health (AMH) Program in the Behavioral Health and Developmental Disabilities Division which covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care in the Severe and Disabling Mental Illness (SDMI) Waiver. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 10555 - Medicaid Waiver Services DDP and CMH- BHDD -

The executive proposes decrease of caseload in the Developmental Disabilities Program (DDP) and Children's Mental Health (CMH) programs in the Behavioral Health and Developmental Disabilities Division which covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care in the Developmental Disabilities Waiver. This adjustment does not include any changes in eligibility criteria or allowable plan services.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

DP 10556 - Medicaid Waiver FMAP Adjustment AMH - BHDD -

The executive requests adjustments to maintain existing services for the Adult Mental Health (AMH) Program in the Behavioral Health and Developmental Disabilities Division. The biennial funding increases the general and state special revenue funds and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 10557 - Medicaid Waiver FMAP Adjustment DDP and CMH - BHDD -

The executive requests adjustments to maintain existing services for the Developmental Disabilities and Children's Mental Health Bureaus in the Behavioral Health and Developmental Disabilities Division. The biennial funding increases the general and state special revenue funds and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 10560 - Medicaid Expansion Services AMH - BHDD -

The executive requests adjustments for the decrease of caseload in the Adult Mental Health (AMH) Program in the Behavioral Health & Developmental Disabilities Division which covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Medicaid Expansion. This adjustment does not include any changes in eligibility criteria or allowable plan services.

**LFD
COMMENT**

Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 10564 - Medicaid Expansion FMAP AMH - BHDD -

The executive requests adjustments to maintain existing services for the Adult Mental Health (AMH) Program in the Behavioral Health and Developmental Disabilities Division. The total cost for the program does not change.

**LFD
COMMENT**

Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

New Proposals

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 10001 - State Opioid Response Grant - BHDD	0.00	0	0	4,000,000	4,000,000	0.00	0	0	4,000,000	4,000,000
DP 10002 - FDA Tobacco Grant - BHDD	0.00	0	0	218,855	218,855	0.00	0	0	218,855	218,855
DP 10701 - BHSFG 01. Refine and Reconfigure the Current 0208 Comprehen	0.00	0	950,000	0	950,000	0.00	0	2,894,836	4,558,764	7,453,600
DP 10703 - BHSFG 03. Expand the Service Delivery System to Support Ind	0.00	0	10,630,000	0	10,630,000	0.00	0	3,388,071	5,441,929	8,830,000
DP 10704 - BHSFG 04. Redefine and Reopen E&D Clinics to Support Famili	0.00	0	2,025,000	0	2,025,000	0.00	0	500,000	500,000	1,000,000
DP 10706 - BHSFG 06. Enhance the Targeted Case Management Program - BH	0.00	0	1,335,545	0	1,335,545	0.00	0	750,000	0	750,000
DP 10708 - BHSFG 08. Implement a Care Transitions Program - BHDD	0.00	0	1,115,619	0	1,115,619	0.00	0	991,661	0	991,661
DP 10709 - BHSFG 09. Adopt Electronic Bed Registry and Enhance 988 - B	0.00	0	4,216,850	0	4,216,850	0.00	0	1,046,275	796,275	1,842,550
DP 10717 - BHSFG 17. Redesign Rates to Improve In-State Youth Resident	0.00	0	0	0	0	0.00	0	75,000	75,000	150,000
DP 10718 - BHSFG 18. Invest in School-Based Behavioral Health Initiati	0.00	0	2,725,015	0	2,725,015	0.00	0	4,592,059	2,654,346	7,246,405
DP 10719 - BHSFG 19. Incentivize Providers to Join the BH and DD Workf	0.00	0	8,030,000	0	8,030,000	0.00	0	250,000	0	250,000
DP 10722 - BHSFG 22. Expand and Sustain Certified Community Behavioral	0.00	0	0	0	0	0.00	0	8,477,644	31,961,711	40,439,355
DP 10801 - Refinance MED CORE AMH I-149	0.00	0	0	0	0	0.00	0	0	0	0
DP 10802 - Realign Appropriation for HCBS MH Waiver	0.00	0	0	0	0	0.00	0	0	0	0
DP 10803 - Realign Appropriation for Med Waiver AMH	0.00	2,500,000	(2,500,000)	0	0	0.00	3,000,000	(3,000,000)	0	0
Total	0.00	\$2,500,000	\$28,528,029	\$4,218,855	\$35,246,884	0.00	\$3,000,000	\$19,965,546	\$50,206,880	\$73,172,426

**Total Funds* amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 10001 - State Opioid Response Grant - BHDD -

The executive requests adjustments to add the State Opioid Response grant to the prevention program budget in BHDD. The funding has been requested through the Office of Budget and Program Planning (OBPP) using the Budget Amendment process since 2018. The grant dollars are used to address the opioid crisis by providing resources to Montana communities to increase access to FDA-approved medications for the treatment of opioid use disorder (OUD), and to support the continuum of prevention, harm reduction, treatment, and recovery support services for OUD, and other concurrent substance use disorders. The State Opioid Response Program also supports the continuum of care for stimulant misuse and use disorders, including cocaine and methamphetamine. This service is funded with 100% federal funds.

DP 10002 - FDA Tobacco Grant - BHDD -

The executive requests adjustments to add the federal Food and Drug Administration (FDA) Tobacco grant to the prevention program budget in BHDD. The funding has been requested through the Office of Budget and Program Planning using the Budget Amendment process since 2018. The grant dollars are used to enforce retailer compliance with tobacco regulations. This service is funded with 100% federal funds.

DP 10701 - BHSFG 01. Refine and Reconfigure the Current 0208 Comprehen -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 01 - Refine and Reconfigure the Current 0208 Comprehensive Waiver Services Rates. This recommendation proposes an adjustment in tiered rate methodology from hours of support to an acuity and level of supports based mode. More detail can be found on page 16 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium and includes a continuing Medicaid funding component.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

DP		FY 2026		FY 2027		Biennial Total - All Funds
		State Special Revenue	Federal Special Revenue	State Special Revenue	Federal Special Revenue	
10701	Medicaid	\$ -	\$ -	\$ 2,894,836	\$ 4,558,764	\$ 7,453,600
	Non- medicaid	950,000	-	-	-	950,000
	Total	950,000	-	2,894,836	4,558,764	8,403,600

DP 10703 - BHSFG 03. Expand the Service Delivery System to Support Ind -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 03 - Expand the Service Delivery System to Support Individuals with Complex Needs. This recommendation proposes piloting the START program, procuring training for those in the workforce focused on individuals with complex needs and develop an additional community living service in the 0208 waiver for individuals with complex needs. More detail can be found on page 18 of the [BHSFG Commission Final Report](#). This funding will cover one-time only and initial operations costs for the recommendation during the biennium and includes a Medicaid and non-Medicaid funding component.

DP		FY 2026		FY 2027		Biennial Total - All Funds
		State Special Revenue	Federal Special Revenue	State Special Revenue	Federal Special Revenue	
10703	Medicaid	\$ -	\$ -	\$ 3,388,071	\$ 5,441,929	\$ 8,830,000
	Non- medicaid	10,630,000	-	-	-	10,630,000
	Total	10,630,000	-	3,388,071	5,441,929	19,460,000

DP 10704 - BHSFG 04. Redefine and Reopen E&D Clinics to Support Famili -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 04 - Redefine and Reopen Evaluation and Diagnostics (E&D) Clinics to Support Families More Effectively. This recommendation proposes redefining the intent and scope of E&D clinics as well as launching a pilot program of E&D clinics under these newly defined scope. More detail can be found on page 18 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

LFD COMMENT In the BHS Commission's final report, this recommendation is proposed as a pilot program to give DPHHS an opportunity to "evaluate the effectiveness" of the newly redefined and launched E&D clinics. As requested, DP 10704 includes \$1.0 million dollars in state funding in FY 2026 for this pilot program as well as \$1.0 million in ongoing funding in FY 2027 that will bring this program immediately into the base budget in this biennium. This funding could be recategorized as one-time-only so that the legislature has the chance to consider the success of the pilot program before it becomes a part of the base budget going forward.

DP 10706 - BHSFG 06. Enhance the Targeted Case Management Program - BH -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 06 - Enhance the Targeted Case Management (TCM) Program. This recommendation proposes a reevaluation of the TCM for certain service populations, an expansion of the TCM program as well as incentivization of TCM providers to measure outcomes. More detail can be found on page 21 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

DP 10708 - BHSFG 08. Implement a Care Transitions Program - BHDD -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 08 - Implement a Care Transitions Program. This recommendation proposes the initiation of a new case management program for people transitioning from certain settings. More detail can be found on page 23 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

DP 10709 - BHSFG 09. Adopt Electronic Bed Registry and Enhance 988 - B -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 09 - Adopt Electronic Bed Registry and Enhance 988. The recommendation proposes the implementation of a web-based system to monitor real-time bed availability and inventory statewide resources. This recommendation also proposes formalized agreements with local dispatch centers to facilitate crisis response, as well as provide support for 988 call centers and first responders answering crisis situations. More detail can be found on page 24 of the [BHSFG Commission Final Report](#). This funding will cover one-time only and initial operations costs for the recommendation during the biennium. This funding will cover start-up and initial operations costs for the recommendation during the biennium and includes a continuing Medicaid administration funding component.

DP		FY 2026		FY 2027		Biennial Total - All Funds
		State Special Revenue	Federal Special Revenue	State Special Revenue	Federal Special Revenue	
10709	Medicaid	\$ -	\$ -	\$ 1,046,275	\$ 796,275	\$ 1,842,550
	Non- medicaid	4,216,850	-	-	-	4,216,850
	Total	4,216,850	-	1,046,275	796,275	6,059,400

DP 10717 - BHSFG 17. Redesign Rates to Improve In-State Youth Resident -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 17 - Redesign Rates to Improve In-State Youth Residential Services. This recommendation proposes redefining the rate structure for high acuity youth at in-state youth residential homes as well as provide for smaller residence options for higher acuity youth. More detail can be found on page 32 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

DP 10718 - BHSFG 18. Invest in School-Based Behavioral Health Initiati -

he executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 18 - Invest in School-Based Behavioral Health Initiatives. This recommendation proposes additional investments in school based behavioral health efforts such as one-time investments in school-based multi-tiered system of supports (MTSS) and provide interprofessional training for school staff. More detail can be found on page 33 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium and includes a continuing Medicaid funding component.

DP		FY 2026		FY 2027		Biennial Total - All Funds
		State Special Revenue	Federal Special Revenue	State Special Revenue	Federal Special Revenue	
10718	Medicaid	\$ -	\$ -	\$ 1,663,770	\$ 2,654,346	\$ 4,318,116
	Non- medicaid	2,725,015	-	2,982,289	-	5,707,304
	Total	2,725,015	-	4,646,059	2,654,346	10,025,420

69010 - Department Of Public Health & Human Services 10-Behavioral Health & Dev Disability

DP 10719 - BHSFG 19. Incentivize Providers to Join the BH and DD Workf -

The executive requests adjustments to implement Behavioral Health System for Future Generations (BHSFG) recommendation 19 - Incentivize Providers to Join the Behavioral Health (BH) and Developmental Disabilities (DD) Workforce. This recommendation proposes a tuition reimbursement program targeting the BH workforce and a dual enrollment program for tuition-free college level courses to high school students aimed at preparing students to enter BH and DD professions. More detail can be found on page 34 of the [BHSFG Commission Final Report](#). This funding will cover start-up and initial operations costs for the recommendation during the biennium.

DP 10722 - BHSFG 22. Expand and Sustain Certified Community Behavioral -

The executive requests adjustments to implement Behavioral Health System for Future Generations recommendation 22 - Expand and Sustain Certified Community Behavioral Health Clinics (CCBHC). This recommendation proposes infrastructure and capacity investments for a statewide CCBHC model statewide and provide funding to CCBHC providers to support adherence to SAMHSA CCBHC requirements. More detail can be found on page 37 of the [BHSFG Commission Final Report](#). This funding is all Medicaid funding.

DP 10801 - Refinance MED CORE AMH I-149 -

The executive requests adjustments to refinance Medicaid Core Adult Mental Health in BHDD. This change package requests a reduction of \$2.0 million from I-149 state special revenue fund paired with an offsetting increase in state special tobacco trust interest funds. The total cost for the program is not impacted by this change package.

DP 10802 - Realign Appropriation for HCBS MH Waiver -

The executive requests adjustments to state special revenue funds in the Home and Community Based Services Mental Health Waiver program to align appropriation with anticipated expenditures. This change package requests a reduction of \$1.6 million from I-149 state special revenue fund paired with an offsetting increase in state special tobacco trust interest funds. The total cost for the program is not impacted by this change package.

DP 10803 - Realign Appropriation for Med Waiver AMH -

The executive requests a fund switch in the Medicaid Waiver Adult Mental Health program reduces the state special appropriation for I-149 tobacco and increases general fund support. This change package requests a reduction of state special revenue over the biennium and includes an offsetting increase in general funds. The total cost for the program does not change.

Program Base Budget Comparison

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

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	41.12	41.12	41.12	0.00	0.0%
General Fund	252,485,411	266,623,054	285,569,668	47,221,900	9.4%
State/Other Special Rev. Funds	142,340,451	144,757,505	144,862,634	4,939,237	1.7%
Federal Spec. Rev. Funds	1,416,489,505	1,318,529,955	1,373,714,637	(140,734,418)	(5.0%)
Total Funds	1,811,315,367	1,729,910,514	1,804,146,939	(88,573,281)	(2.4%)
Personal Services	3,477,156	3,815,719	3,823,065	684,472	9.8%
Operating Expenses	15,753,952	16,376,199	16,515,442	1,383,737	4.4%
Benefits & Claims	1,792,081,842	1,709,716,179	1,783,806,015	(90,641,490)	(2.5%)
Debt Service	2,417	2,417	2,417		0.0%
Total Expenditures	1,811,315,367	1,729,910,514	1,804,146,939	(88,573,281)	(2.4%)
Total Ongoing	1,811,315,367	1,729,910,514	1,804,146,939	(88,573,281)	(2.4%)
Total One-Time-Only					0.0%

Program Highlights

<p>Health Resources Division</p> <p>Major Budget Highlights</p>
<ul style="list-style-type: none"> • The 2027 biennium appropriations are approximately \$88.6 million or 2.4% lower than the FY 2025 base budget, primarily within the benefits and claims budget • Due to a change in the Medicaid match rate, general fund authority will increase by \$47.2 million and federal funds authority will decrease by \$140.7 million • Net caseload adjustments to increase authority in general fund by \$11.6 million, state special revenue by \$6.6 million, and decrease authority in federal funds by \$1.7 million • A \$3.0 million fund switch from the general fund would be used to increase state special revenue authority

Executive Request

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

Health Resources Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	252,485,411	142,340,451	1,416,489,505	1,811,315,367	104.7%	252,485,411	142,340,451	1,416,489,505	1,811,315,367	100.4%
Statewide PL										
Personal Services	158,933	30,187	149,443	338,563	0.0%	161,493	31,122	153,294	345,909	0.0%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(45)	(11)	(57)	(113)	0.0%	(30)	(8)	(38)	(76)	0.0%
Total Statewide PL	158,888	30,176	149,386	338,450	0.0%	161,463	31,114	153,256	345,833	0.0%
Present Law (PL)	16,978,755	(613,122)	(98,108,936)	(81,743,303)	(4.7%)	35,922,794	(508,931)	(42,928,124)	(7,514,261)	(0.4%)
New Proposals	(3,000,000)	3,000,000	0	0	0.0%	(3,000,000)	3,000,000	0	0	0.0%
Total HB 2 Adjustments	14,137,643	2,417,054	(97,959,550)	(81,404,853)	(4.7%)	33,084,257	2,522,183	(42,774,868)	(7,168,428)	(0.4%)
Total Requested Budget	266,623,054	144,757,505	1,318,529,955	1,729,910,514		285,569,668	144,862,634	1,373,714,637	1,804,146,939	

Funding

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

Department of Public Health & Human Services, 11-Health Resources Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	552,192,722	0	0	0	552,192,722	14.8%	
02053 Medicaid IGT's	241,540	0	0	0	241,540	0.1%	
02064 HEART-Healing RECOVERY TRTMT	30,000	0	0	0	30,000	0.0%	
02067 Montana HELP Act	55,721,216	0	0	0	55,721,216	19.2%	
02142 Medicaid Third Party Revenue	1,521,924	0	0	0	1,521,924	0.5%	
02311 02 Indirect Activity Prog 11	479,074	0	0	0	479,074	0.2%	
02338 CSCT OPI State Match	600,000	0	0	0	600,000	0.2%	
02597 Healthy Montana Kids Plan	95,728,450	0	0	0	95,728,450	33.1%	
02772 Tobacco Hlth and Medicaid Init	3,337,908	0	0	0	3,337,908	1.2%	
02789 6901-CHIP/MCHA Tobacco Sett Fd	11,316,912	0	0	0	11,316,912	3.9%	
02987 Tobacco Interest	5,665,944	0	0	0	5,665,944	2.0%	
02989 69010-Hospital Utilization Fee	114,977,171	0	0	0	114,977,171	39.7%	
State Special Total	\$289,620,139	\$0	\$0	\$0	\$289,620,139	7.8%	
03426 CHIP Program Fed	175,065,560	0	0	0	175,065,560	6.1%	
03580 6901-93.778 - Med Adm 50%	13,877,810	0	0	0	13,877,810	0.5%	
03582 93.778 - Med Ben 100%	0	0	0	189,112,462	189,112,462	6.6%	
03583 93.778 - Med Ben FMAP	850,566,887	0	0	2	850,566,889	29.5%	
03611 03 Indirect Activity Prog 11	1,641,415	0	0	0	1,641,415	0.1%	
03974 Medicaid Exp HELP Act Admin	2,125,849	0	0	0	2,125,849	0.1%	
03975 Medicaid Exp HELP Act Benefit	1,473,204,048	0	0	0	1,473,204,048	51.1%	
03977 Med Exp HELP Act Indian Health	175,763,023	0	0	0	175,763,023	6.1%	
Federal Special Total	\$2,692,244,592	\$0	\$0	\$189,112,464	\$2,881,357,056	77.4%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$3,534,057,453	\$0	\$0	\$189,112,464	\$3,723,169,917		

The 2027 biennium Health Resources Division (HRD) HB 2 budget request is funded by general fund at 15.6%, state special revenue at 8.2%, and federal funds at 76.2%. General fund pays for the state Medicaid match, state Children's Health Insurance Program (CHIP) match, and Medicare buy-in.

State special revenue authority is 7.8% of the total proposed budget (including statutory expenditures) and includes several sources of revenue. State special revenue is used in the state match for Medicaid and CHIP. Federal funds include Medicaid and CHIP funds. Medicaid is an entitlement fund source, meaning that the federal government will match all eligible expenditures at a certain rate. This rate, known as the Federal Medical Assistance Percentage (FMAP), is determined by comparing the average per capita income of a state to the national average per capita income. The FMAP for Medicaid expansion is 90.0%, meaning that the federal government reimburses the state for 90.0% of the expenditures incurred under this program.

The table below presents recent and current Montana FMAPs by federal fiscal year (FFY). CHIP is funded with an enhanced federal FMAP, also detailed in the table below. Note that the COVID-enhanced FMAP (tied to the federal Families First Coronavirus Response Act) increased the FMAP for all states by 6.2 percentage points, retroactive to January 1, 2020, and changed the Montana FMAP from 64.78% to 70.98% for FFY 2020. This lowered the state share of traditional Medicaid expenditures. This enhanced rate persisted until the Secretary of Health and Human Services declared an end to the COVID-19 public health emergency (PHE) in 2023.

Montana FMAPs											
	FFY 2017	FFY 2018	FFY 2019	FFY 2020	FFY 2020 (COVID enhanced)	FFY 2021	FFY 2022	FFY 2023	FFY 2024	FFY 2025	FFY 2026
Montana Standard FMAP	65.56%	65.38%	65.54%	64.78%	70.98%	65.60%	64.90%	64.12%	63.91%	62.37%	61.47%
Montana E-FMAP for CHIP	98.89%	98.77%	98.88%	86.85%	91.19%	75.92%	75.43%	74.88%	74.74%	73.66%	73.03%
Source: FFIS											

Refer to the state special revenue fund balance table in the DPHHS Agency Summary for detail on the major state special funds used for DPHHS programs. HRD functions supported by state special revenue sources and the major sources of funds are:

State Medicaid match:

- Hospital utilization fee (\$70 per day assessed for each day of an inpatient stay)
- Outpatient hospital tax
- Tobacco revenue from the health and Medicaid initiatives account
- Insurance tax proceeds allocated to the Healthy Montana Kids (HMK) account
- Tobacco settlement trust fund interest

State CHIP match:

- Insurance tax proceeds allocated to the HMK account
- Tobacco state special revenue from the health and Medicaid initiatives account
- Tobacco settlement funds
- Tobacco settlement trust fund interest

Federal funds support 77.4% of the 2027 biennium budget proposal (including statutory expenditures). Federal funding sources include:

- Federal Medicaid matching funds: some at a 50.0% match (Medicaid program administration), some at 100.0% (Indian Health Services, which are the sole statutory appropriation), some at 90.0% (Medicaid expansion) and some at the FMAP rate discussed above (currently 62.37% for FY 2025)
- Federal CHIP matching funds, which are about 11 percentage points higher than the standard FMAP rate

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	41.12	41.12	41.12	41.12
Personal Services	3,283,776	3,567,644	3,477,156	3,815,719	3,823,065
Operating Expenses	8,757,189	15,443,938	15,753,952	16,376,199	16,515,442
Benefits & Claims	1,609,680,876	1,719,172,454	1,792,081,842	1,709,716,179	1,783,806,015
Debt Service	0	2,417	2,417	2,417	2,417
Total Expenditures	\$1,621,721,841	\$1,738,186,453	\$1,811,315,367	\$1,729,910,514	\$1,804,146,939
General Fund	232,549,210	236,743,307	252,485,411	266,623,054	285,569,668
State/Other Special Rev. Funds	129,205,197	133,072,313	142,340,451	144,757,505	144,862,634
Federal Spec. Rev. Funds	1,259,967,434	1,368,370,833	1,416,489,505	1,318,529,955	1,373,714,637
Total Funds	\$1,621,721,841	\$1,738,186,453	\$1,811,315,367	\$1,729,910,514	\$1,804,146,939
Total Ongoing	\$1,621,721,841	\$1,738,186,453	\$1,811,315,367	\$1,729,910,514	\$1,804,146,939
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The HRD administers Medicaid primary care services, HMK for children in low-income families, and the Montana Medicaid Expansion Program. The purpose of the division is to improve and protect the health and safety of Montanans.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 HRD expended 98.2% of its general fund appropriations, 97.1% of its state special revenue, and 92.1% of its federal special revenue funds, for a total of 93.3% of its ongoing HB 2 budget.

Benefits and claims is the division’s major spending category, accounting for 99.3% of total HRD expenditures.

FY 2024 Appropriation Compared to FY 2025 Appropriation

HRD ongoing FY 2025 total appropriations of \$1,811.3 million are 4.2%, or \$73.1 million, higher than the FY 2024 total appropriation of \$1,738.2 million. This difference is primarily due to increases in benefits and claims expenses.

Program Discussion

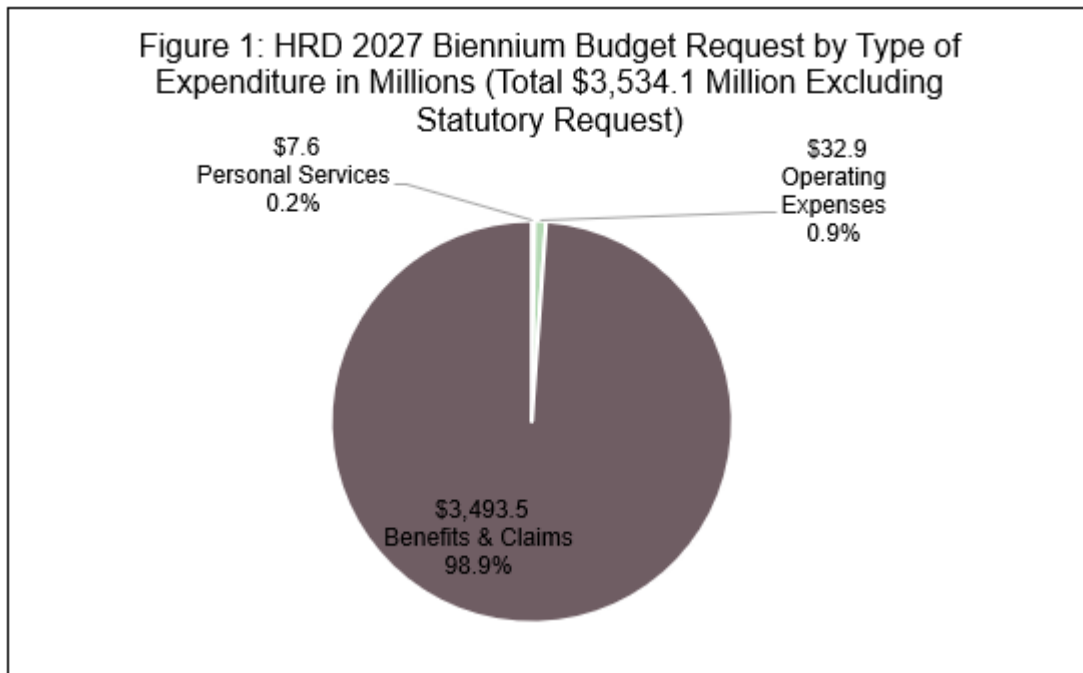
The HRD is comprised of four bureaus: Allied Health Services Bureau, Hospital and Physicians Services Bureau, Member Health Management Bureau, and the Fiscal and Operations Services Bureau.

The main function of the division is to reimburse private and public healthcare providers for a wide range of preventive, primary, and acute care services. The major service providers include: physicians, public health departments, clinics, hospitals, dentists, pharmacies, durable medical equipment, and mental health providers. The division develops tools, measurements, and reports necessary to allow management to administer and control programs and expenditures in the division, and to report those results in an accurate and timely manner to others. The majority of the division’s services are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children, and low-income families.

The division administers a children’s health insurance program, HMK, as a separate health insurance program and contracts with Blue Cross Blue Shield to provide third party administrator services. HMK offers dental and eyeglass benefits which get reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 261.0% of the federal poverty level.

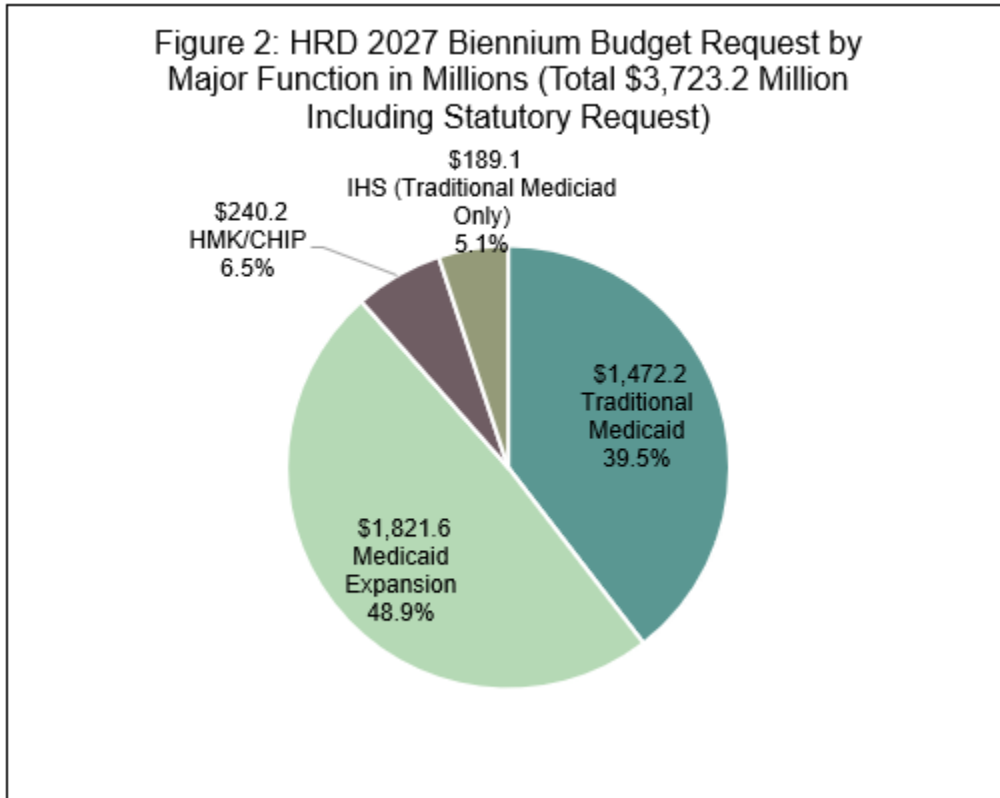
The Montana Medicaid Expansion Program is administered by the division to provide Medicaid coverage to Montanans whose income is below 138.0% of the federal poverty level.

The figure below shows the HRD 2027 biennium HB 2 budget request (not including statutory funding) by expenditure type.



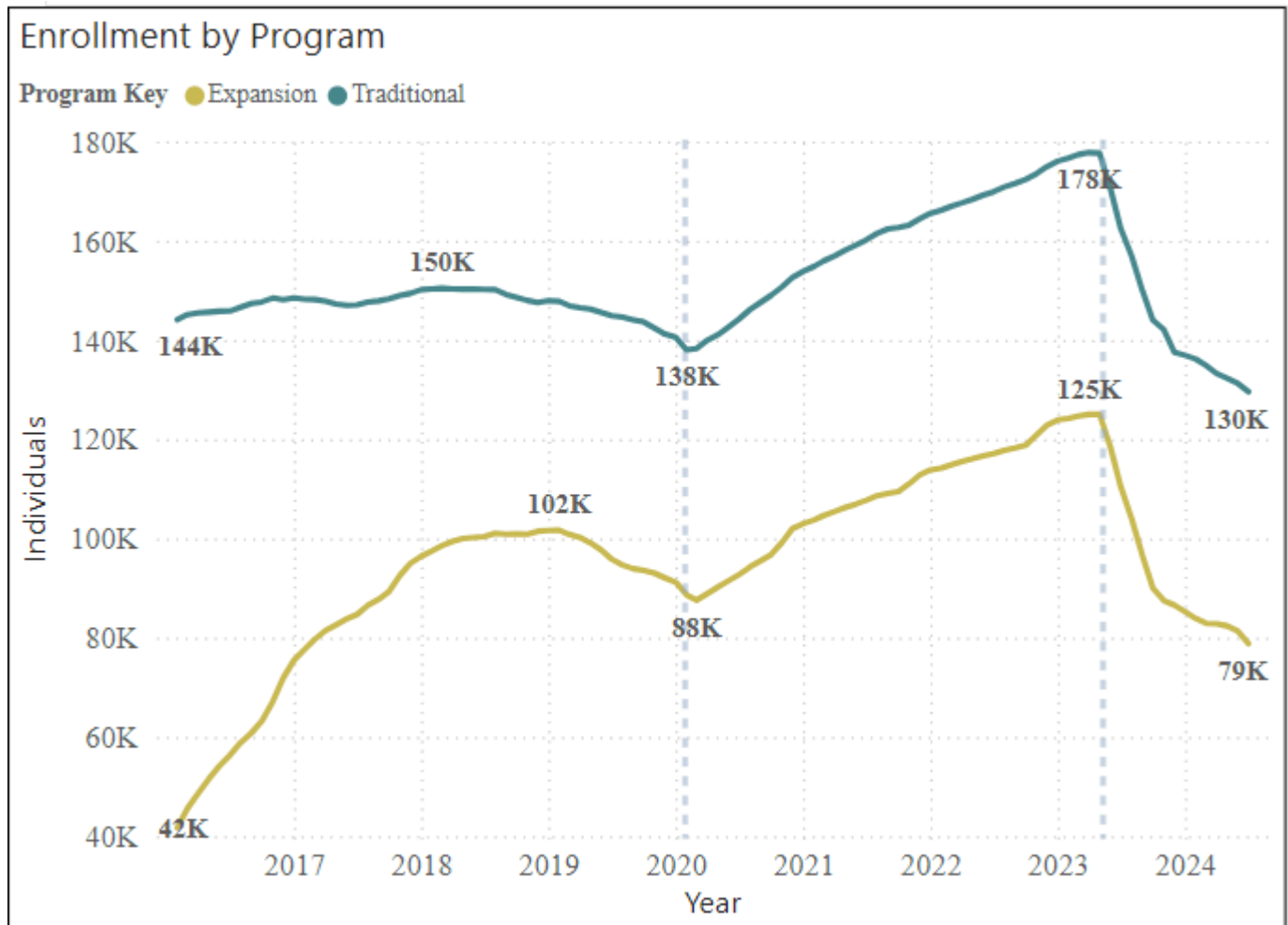
The vast majority, 98.9%, of the HRD budget request supports benefits and claims, or payments for medical services. Operating expenditures are 0.9% and personal services are 0.2% of the total budget request. Other DPHHS divisions include personal services and operating costs that support administration of some HRD programs. For instance, eligibility determination for Medicaid and Healthy Montana Kids (HMK) services is managed by the Human and Community Services Division, and funding for the Medicaid Management Information System (MMIS) claims payment is budgeted in the Technology Services Division.

Figure 2 below displays the HRD 2027 biennium budget request (including statutory funding) by major function. Traditional Medicaid services (including Medicaid administration) are 39.5% of the budget request, while Medicaid expansion makes up 48.9% of the request. HMK services funded from the federal Children’s Health Insurance Program (CHIP) are 6.5% of the total. Indian Health Services, which is 100.0% federal and statutorily funded, makes up the remaining 5.1% of the request.



Enrollment in Medicaid

An important cost driver in Medicaid and CHIP services is the number of enrollees. The figure below shows total enrollment in each Medicaid program from 2016 to 2024.



Several enrollment trends are apparent in both traditional and expanded Medicaid:

- An increase from January 2016 (the first month of Medicaid expansion) through the spring of 2018. At the end of spring 2018 both programs began to flatten out
- A decline in enrollment from the spring of 2019 until the spring of 2020
- An increase coinciding with the COVID-based economic contraction which occurred in the spring and summer of 2020. This increase continued throughout the public health emergency (PHE) because the 2020 Families First Coronavirus Response Act (FFCRA) prohibited states from disenrolling individuals from Medicaid throughout the duration of the PHE. DPHHS also applied this policy to the CHIP population
- Upon conclusion of the PHE, the state was permitted to redetermine participants' eligibility which resulted in steep enrollment declines in both traditional and expanded Medicaid throughout 2023 and 2024

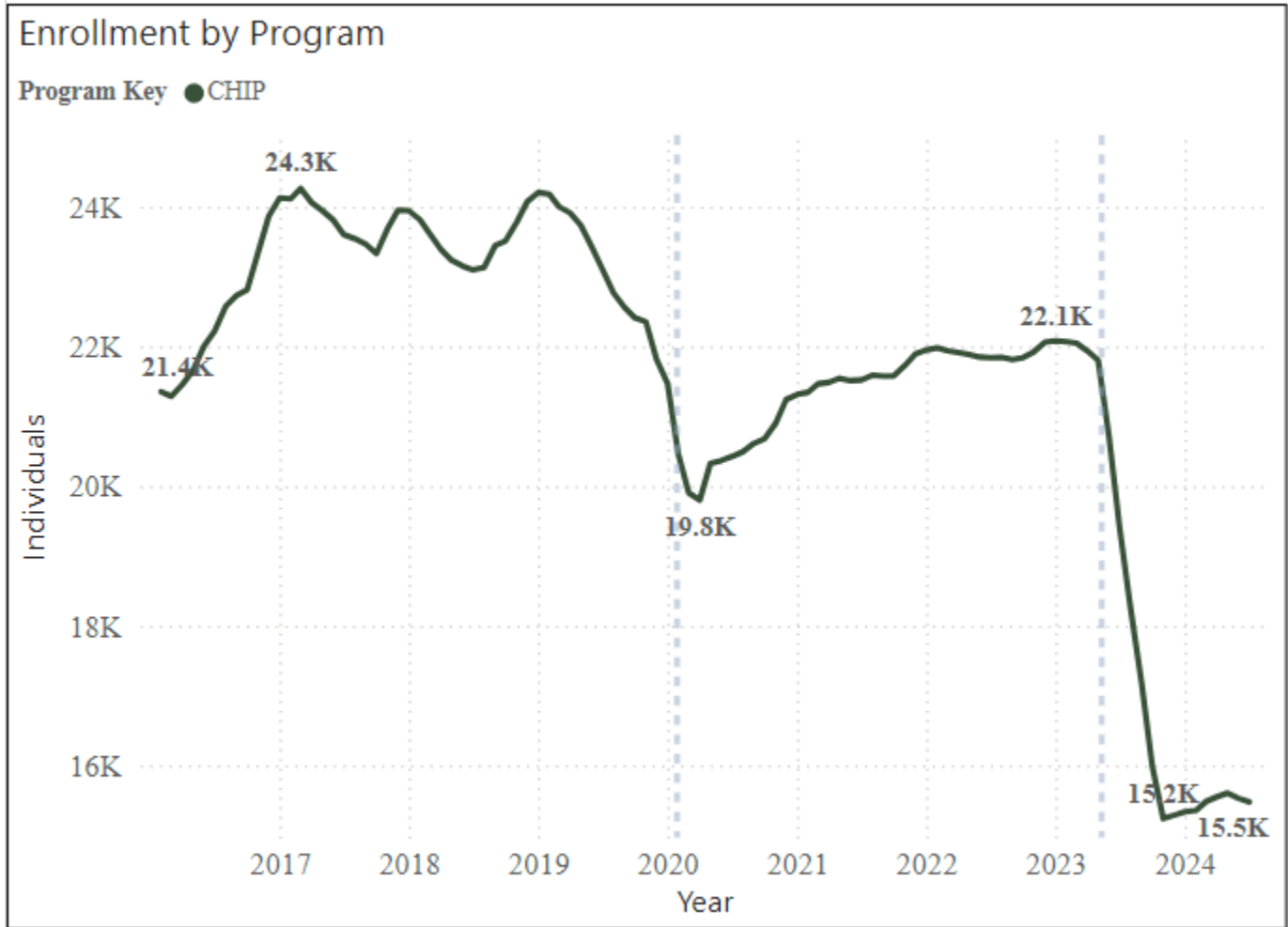
Note that the average per-enrollee annual cost varies significantly by eligibility category. Medicaid enrollees fit into one or more eligibility categories: children, adults, blind/disabled, or elderly/aged. See the table below for detail. The total numbers are displayed as weighted averages.

FY 2023 Average Per-User Annual Medicaid Expenditures		
<u>Age</u>	<u>Category</u>	<u>Amount</u>
< 1	Blind/Disabled	\$89,128
< 1	Child	11,167
1 to 5	Blind/Disabled	18,817
1 to 5	Child	3,028
6 to 18	Blind/Disabled	19,101
6 to 18	Child	4,173
19 to 20	Blind/Disabled	22,589
19 to 20	Adult	3,841
21 to 64	Blind/Disabled	25,302
21 to 64	Adult	5,822
65 +	Aged	27,440
65 +	Blind/Disabled	32,732
Total	Traditional - Core	8,034
All	Plan First	89
All	QMB	3,506
All	SLMB - QI	2,000
Total	Traditional	7,670
All	Expansion	8,458
Total	All Medicaid	7,988
6 to 18	HMK Plus	3,317
Total	All Categories	\$7,884

Source: DPHHS Data

CHIP

The following graph shows CHIP enrollment from 2015-2024. Note that enrollment in CHIP declined over the calendar year 2019 period before leveling out and slightly increasing during the COVID-19 period, then dropping once redetermination began in 2023.



The executive request for CHIP is detailed in the table below. General fund growth in the request for CHIP is associated with a lower federal match for CHIP.

CHIP Expenditures, Base Budget, and 2027 Biennium Request				
	FY 2024 Actuals	FY 2025 Base	FY 2026 Request	FY 2027 Request
General Fund	\$ 6,641,856	\$ 15,793,217	\$ 9,582,060	\$ 11,945,214
State Special Funds	17,837,388	21,790,551	21,756,922	21,757,280
<u>Federal Funds</u>	<u>74,137,804</u>	<u>93,188,447</u>	<u>84,740,255</u>	<u>90,453,447</u>
Total	\$ 98,617,048	\$ 130,772,215	\$ 116,079,237	\$ 124,155,941

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	158,933	30,187	149,443	338,563	0.00	161,493	31,122	153,294	345,909
DP 3 - Inflation Deflation	0.00	(45)	(11)	(57)	(113)	0.00	(30)	(8)	(38)	(76)
DP 11891 - Expansion Core Services - HRD	0.00	(4,200,194)	0	(42,676,153)	(46,876,347)	0.00	(1,327,571)	0	(16,822,553)	(18,150,124)
DP 11892 - Expansion Core HUF FMAP Adjustment - HRD	0.00	0	1,030,241	(1,030,241)	0	0.00	0	1,030,241	(1,030,241)	0
DP 11893 - Expansion Federal Services - HRD	0.00	0	0	(11,773,953)	(11,773,953)	0.00	0	0	(5,376,010)	(5,376,010)
DP 11896 - Expansion Core FMAP Adjustment - HRD	0.00	(1,065,138)	0	1,065,138	0	0.00	(1,065,138)	0	1,065,138	0
DP 11897 - Expansion Hospital Supplemental Payments - HRD	0.00	0	(1,628,006)	(14,652,058)	(16,280,064)	0.00	0	(1,628,006)	(14,652,058)	(16,280,064)
DP 11990 - HMK Caseload - HRD	0.00	(3,912,670)	0	(10,681,400)	(14,594,070)	0.00	(1,758,018)	0	(4,760,401)	(6,518,419)
DP 11991 - Medicaid Core Services - HRD	0.00	3,082,335	3,333,851	7,290,985	13,707,171	0.00	14,320,135	3,239,960	25,026,759	42,586,854
DP 11992 - Medicaid Core HUF FMAP Adjustment - HRD	0.00	0	1,957,059	(1,957,059)	0	0.00	0	2,068,443	(2,068,443)	0
DP 11993 - Medicaid Federal Services - HRD	0.00	0	0	(887,446)	(887,446)	0.00	0	0	(576,949)	(576,949)
DP 11994 - Medicaid Other Services - HRD	0.00	(523,115)	0	0	(523,115)	0.00	1,176,724	0	0	1,176,724
DP 11995 - Medicaid Administration - HRD	0.00	225,739	0	396,621	622,360	0.00	276,242	0	485,324	761,566
DP 11996 - Medicaid Core FMAP Adjustment - HRD	0.00	25,670,285	(3,333,851)	(22,336,434)	0	0.00	26,390,405	(3,239,960)	(23,150,445)	0
DP 11997 - Medicaid Hospital Supplemental Payments - HRD	0.00	0	(1,972,416)	(3,165,423)	(5,137,839)	0.00	0	(1,979,609)	(3,158,230)	(5,137,839)
DP 11998 - HMK FMAP Adjustment - HRD	0.00	(2,298,487)	0	2,298,487	0	0.00	(2,089,985)	0	2,089,985	0
Grand Total All Present Law Adjustments	0.00	\$17,137,643	(\$582,946)	(\$97,959,550)	(\$81,404,853)	0.00	\$36,084,257	(\$477,817)	(\$42,774,868)	(\$7,168,428)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Health Resources Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 203,379
Management Changes	117,132
Total Budget Modifications	18,052
Total	\$ 338,563

The executive requests an increased statewide present law adjustment for personal services due in part to legislative changes for greater benefits and longevity pay. Upwards adjustments captured as management changes are largely a result of negotiated pay adjustments and retention adjustments. Budget modifications made in HRD in the 2025 biennium included a pair of reorganizations which added a net \$18,052 in personal after transferring 1.00 PB and its associated authority to SLTC. DP1 removes those modifications while adding funding for pay plan increases, retention adjustments, and some additional smaller increases in personal services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state motor pool and motor pool leased vehicles.

DP 11891 - Expansion Core Services - HRD -

The executive proposes a decrease to account for the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Medicaid Core. This adjustment does not include any changes in eligibility criteria or allowable plan services. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11892 - Expansion Core HUF FMAP Adjustment - HRD -

The executive proposes an increase to maintain existing services for Expansion Core Hospital Utilization Fee (HUF). The biennial funding increases state special revenue and includes an offsetting decrease in federal funds. The total cost for the program does not change. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11893 - Expansion Federal Services - HRD -

The executive proposes a reduction to account for the projected caseload decrease in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Medicaid expansion. This adjustment does not include any changes in eligibility criteria or allowable plan services. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11896 - Expansion Core FMAP Adjustment - HRD -

The executive proposes this adjustment to maintain existing services for Medicaid expansion. The biennial funding decreases general fund and includes an offsetting increase in federal funds. The total cost for the program does not change. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11897 - Expansion Hospital Supplemental Payments - HRD -

The executive proposes to reduce the appropriation for Medicaid expansion HUF. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 11990 - HMK Caseload - HRD -

The executive proposes a reduction to account for the projected caseload decrease (number of eligible individuals, utilization, acuity levels, and cost per service for medical care) in the Healthy Montana Kids Program. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 11991 - Medicaid Core Services - HRD -

The executive proposes an increase for the projected caseload growth (number of eligible individuals, utilization, acuity levels, and cost per service) for medical care for Medicaid Core Services (standard medical services). This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 11992 - Medicaid Core HUF FMAP Adjustment - HRD -

The executive proposes an increase to maintain existing services for the Medicaid HUF Program. The request adjusts the FY 2025 budgeted expenses from the FY 2025 FMAP (Federal Medical Assistance Percentage) rate of 37.45% state funds and 62.55% federal funds to the FY 2026 rate of 38.39% state funds and 61.61% federal funds, and the FY 2027 rate of 38.53% state funds and 61.47% federal funds. The total cost for the program does not change.

DP 11993 - Medicaid Federal Services - HRD -

The executive proposes a reduction for the decrease of caseload (number of eligible individuals, utilization, acuity levels, and cost per service) for medical care for Federal Medicaid. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 11994 - Medicaid Other Services - HRD -

The executive proposes an increase to maintain existing services for the Medicaid Clawback Program.

DP 11995 - Medicaid Administration - HRD -

The executive proposes to maintain existing services for Medicaid administration.

DP 11996 - Medicaid Core FMAP Adjustment - HRD -

The executive proposes to maintain existing services for Medicaid. The request adjusts the FY 2025 budgeted expenses from the FY 2025 FMAP rate of 37.45% state funds and 62.55% federal funds to the FY 2026 rate of 38.39% state funds and 61.61% federal funds, and the FY 2027 rate of 38.53% state funds and 61.47% federal funds. The total cost for the program does not change.

DP 11997 - Medicaid Hospital Supplemental Payments - HRD -

The executive proposes to reduce the appropriation for the Medicaid Hospital Utilization Fee (HUF).

DP 11998 - HMK FMAP Adjustment - HRD -

The executive proposes to maintain existing services for the Healthy Montana Kids Program. The request adjusts the FY 2025 budgeted expenses from the FY 2025 FMAP rate of 26.07% state funds and 73.93% federal funds, to the state fiscal year (SFY) 2026 rate of 26.81% state funds and 73.19% federal funds, and the SFY 2027 rate of 26.97% state funds and 73.03% federal funds. The biennial funding increases general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 11803 - Realign Appropriation for Med Core HRD	0.00	(3,000,000)	3,000,000	0	0	0.00	(3,000,000)	3,000,000	0	0
Total	0.00	(\$3,000,000)	\$3,000,000	\$0	\$0	0.00	(\$3,000,000)	\$3,000,000	\$0	\$0

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 11803 - Realign Appropriation for Med Core HRD -

The executive proposes a fund switch in the Medicaid Core Program to increase the state special appropriation for I-155 Healthy Montana Kids Program and decrease the general fund support. This change package requests an increase in state special revenue in each year of the biennium and includes an offsetting decrease in general funds. The total cost for the program does not change.

Program Base Budget Comparison

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

Program Base Budget Comparison						
Budget Item	Base Budget		Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	4.00	4.00	4.00	0.00	0.0%	
General Fund	1,362,425	1,353,506	1,353,648	(17,696)	(0.6%)	
State/Other Special Rev. Funds	42,142	41,460	41,470	(1,354)	(1.6%)	
Federal Spec. Rev. Funds	3,879,657	3,867,746	3,867,926	(23,642)	(0.3%)	
Total Funds	5,284,224	5,262,712	5,263,044	(42,692)	(0.4%)	
Personal Services	529,532	508,041	508,366	(42,657)	(4.0%)	
Operating Expenses	4,754,692	4,754,671	4,754,678	(35)	(0.0%)	
Total Expenditures	5,284,224	5,262,712	5,263,044	(42,692)	(0.4%)	
Total Ongoing	5,284,224	5,262,712	5,263,044	(42,692)	(0.4%)	
Total One-Time-Only					0.0%	

Program Highlights

<p>Medicaid and Health Services Management Division (MHSM) Major Budget Highlights</p>
<ul style="list-style-type: none"> • The requested budget is a reduction over the biennium of 0.4%, which is driven by reduction of 4.0% in personal services

Executive Request

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

Medicaid & Health Svcs Mngmt 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	1,362,425	42,142	3,879,657	5,284,224	100.4%	1,362,425	42,142	3,879,657	5,284,224	100.4%
Statewide PL										
Personal Services	(8,898)	(682)	(11,911)	(21,491)	(0.4%)	(8,763)	(672)	(11,731)	(21,166)	(0.4%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(21)	0	0	(21)	(0.0%)	(14)	0	0	(14)	(0.0%)
Total Statewide PL	(8,919)	(682)	(11,911)	(21,512)	(0.4%)	(8,777)	(672)	(11,731)	(21,180)	(0.4%)
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	(8,919)	(682)	(11,911)	(21,512)	(0.4%)	(8,777)	(672)	(11,731)	(21,180)	(0.4%)
Total Requested Budget	1,353,506	41,460	3,867,746	5,262,712		1,353,648	41,470	3,867,926	5,263,044	

Funding

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

Department of Public Health & Human Services, 12-Medicaid & Health Svcs Mngmt Funding by Source of Authority						
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds
01100 General Fund	2,707,154	0	0	0	2,707,154	25.7%
02220 02 Indirect Activity Prog 12	82,930	0	0	0	82,930	100.0%
State Special Total	\$82,930	\$0	\$0	\$0	\$82,930	0.8%
03305 03 Indirect Activity Prog 12	5,400,304	0	0	0	5,400,304	69.8%
03580 6901-93.778 - Med Adm 50%	153,098	0	0	0	153,098	2.0%
03974 Medicaid Exp HELP Act Admin	2,182,270	0	0	0	2,182,270	28.2%
Federal Special Total	\$7,735,672	\$0	\$0	\$0	\$7,735,672	73.5%
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%
Total All Funds	\$10,525,756	\$0	\$0	\$0	\$10,525,756	

MHSM receives general fund, state special revenue fund, and federal special revenue fund authority. The majority of MHSM funding is federal authority from Medicaid administration (50.0% federal match) or indirect activity from the cost allocation plan (CAP). General fund is used for Medicaid administration. Federal funds for Medicaid expansion administration, Medicaid administration, and federal indirect activities are tied to utilization review/Quality Improvement Organization (QIO) contracts which serve the Medicaid programs across the agency.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	4.00	4.00	4.00	4.00
Personal Services	556,231	510,521	529,532	508,041	508,366
Operating Expenses	4,107,923	4,869,043	4,754,692	4,754,671	4,754,678
Total Expenditures	\$4,664,154	\$5,379,564	\$5,284,224	\$5,262,712	\$5,263,044
General Fund	1,426,459	1,440,866	1,362,425	1,353,506	1,353,648
State/Other Special Rev. Funds	92,823	116,169	42,142	41,460	41,470
Federal Spec. Rev. Funds	3,144,872	3,822,529	3,879,657	3,867,746	3,867,926
Total Funds	\$4,664,154	\$5,379,564	\$5,284,224	\$5,262,712	\$5,263,044
Total Ongoing	\$4,664,154	\$5,379,564	\$5,284,224	\$5,262,712	\$5,263,044
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The Medicaid and Health Services Management (MHSM) program is responsible for the overall governance and administration of Montana's Medicaid Program. MHSM is comprised of the Medicaid and Health Services Executive Director, Medicaid Chief Financial Manager, and two Complex Care Coordinators.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 MHSM expended 86.7% of its overall ongoing HB 2 budget, and 99.0% of its general fund budget.

FY 2024 Appropriation Compared to FY 2025 Appropriation

MHSM ongoing FY 2025 total appropriations are 1.8%, or \$95,000 lower than the FY 2024 total appropriation of \$5.4 million. This difference is due to lower appropriations for operating expenses in FY 2025.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(8,898)	(682)	(11,911)	(21,491)	0.00	(8,763)	(672)	(11,731)	(21,166)
DP 3 - Inflation Deflation	0.00	(21)	0	0	(21)	0.00	(14)	0	0	(14)
Grand Total All Present Law Adjustments	0.00	(\$8,919)	(\$682)	(\$11,911)	(\$21,512)	0.00	(\$8,777)	(\$672)	(\$11,731)	(\$21,180)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Medicaid and Health Services Management Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$18,274
Management Changes	(39,766)
Total Budget Modifications	-
Total	<u><u>\$(21,492)</u></u>

The legislative changes are driven by benefits and longevity adjustments while management change reductions are driven by backing out HB13.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

Program Base Budget Comparison

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

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	20.60	20.60	20.60	0.00	0.0%
General Fund	854,603	921,844	924,528	137,166	8.0%
State/Other Special Rev. Funds	685,026	692,036	692,225	14,209	1.0%
Federal Spec. Rev. Funds	1,205,648	1,310,473	1,313,666	212,843	8.8%
Total Funds	2,745,277	2,924,353	2,930,419	364,218	6.6%
Personal Services	2,075,200	2,254,300	2,260,358	364,258	8.8%
Operating Expenses	670,077	670,053	670,061	(40)	(0.0%)
Total Expenditures	2,745,277	2,924,353	2,930,419	364,218	6.6%
Total Ongoing	2,745,277	2,924,353	2,930,419	364,218	6.6%
Total One-Time-Only					0.0%

Program Highlights

<p>Operations Services Division (OSD) Major Budget Highlights</p>
<ul style="list-style-type: none"> • The OSD 2027 biennium proposed budget is approximately \$364,000 or 6.6% higher than the FY 2025 base budget. • The executive proposal includes: <ul style="list-style-type: none"> ◦ Decreases in statewide present law adjustments for inflation/deflation and increases for personal services

Executive Request

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

Operations Services Division 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	854,603	685,026	1,205,648	2,745,277	93.9%	854,603	685,026	1,205,648	2,745,277	93.7%
Statewide PL										
Personal Services	67,265	7,010	104,825	179,100	6.1%	69,941	7,199	108,018	185,158	6.3%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(24)	0	0	(24)	(0.0%)	(16)	0	0	(16)	(0.0%)
Total Statewide PL	67,241	7,010	104,825	179,076	6.1%	69,925	7,199	108,018	185,142	6.3%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	0	0	0	0	0.0%	0	0	0	0	0.0%
Total HB 2 Adjustments	67,241	7,010	104,825	179,076	6.1%	69,925	7,199	108,018	185,142	6.3%
Total Requested Budget	921,844	692,036	1,310,473	2,924,353		924,528	692,225	1,313,666	2,930,419	

The Operations Services Division’s (OSD) 2027 biennium appropriations are approximately \$364,000 or 6.6% higher than the FY 2025 base budget, with an increase in general fund of 8.0%. For all funds, this is a 6.5% increase over the base in FY 2026 and an 6.7% increase over the base in FY 2027. The base budget for this division accounts for 93.8% of the biennial executive request. The only requests for this division are statewide present law adjustments with the budgetary increase being driven by state-wide present law increases for personal services. More detail about the make-up of this request can be found in the Present Law section of this report.

Funding

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

Department of Public Health & Human Services, 16-Operations Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	1,846,372	0	0	0	1,846,372	31.5%	
02221 02 Indirect Activity Prog 16	1,384,261	0	0	0	1,384,261	100.0%	
State Special Total	\$1,384,261	\$0	\$0	\$0	\$1,384,261	23.6%	
03304 03 Indirect Activity Prog 16	2,624,139	0	0	0	2,624,139	100.0%	
Federal Special Total	\$2,624,139	\$0	\$0	\$0	\$2,624,139	44.8%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$5,854,772	\$0	\$0	\$0	\$5,854,772		

OSD receives general fund, state special revenue, and federal funds through a federally approved cost allocation formula that is generally referred to as indirect activity. The funding formula is derived from those funds expended on functions benefiting or serving other programs in the department. General funds are used to meet the match requirement for federally funded activities.

General fund constitutes 31.5% of total appropriation authority while state special revenue and federal funds constitute 23.6% and 44.8% of the authority, respectively.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	20.60	20.60	20.60	20.60
Personal Services	1,767,995	1,932,324	2,075,200	2,254,300	2,260,358
Operating Expenses	178,985	740,968	670,077	670,053	670,061
Total Expenditures	\$1,946,980	\$2,673,292	\$2,745,277	\$2,924,353	\$2,930,419
General Fund	811,214	837,794	854,603	921,844	924,528
State/Other Special Rev. Funds	69,674	672,976	685,026	692,036	692,225
Federal Spec. Rev. Funds	1,066,092	1,162,522	1,205,648	1,310,473	1,313,666
Total Funds	\$1,946,980	\$2,673,292	\$2,745,277	\$2,924,353	\$2,930,419
Total Ongoing	\$1,946,980	\$2,673,292	\$2,745,277	\$2,924,353	\$2,930,419
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The OSD manages DPHHS’s budgeting and operational processes. OSD is comprised of four offices; Budget and Finance, Information Technology (IT) Procurement and Contracts, Research and Data Analytics, and Internal Controls and Compliance. DPHHS’s Chief Financial and Operating Officer (CFOO) leads OSD.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The OSD expended 72.8% of the total FY 2024 appropriation with 96.8% of general funds, 10.4% of state special revenues, and 91.7% of federal special revenues expended.

Personal services were 91.5% expended in FY 2024. This division has utilized 100.3% of PB hours compared to the historical average of 88.0%. This is in part due to overtime and comp hours, which make up for the 3.00 PB vacancies in the division.

Operation expenses, which were 24.2% expended, comprise 27.7% of the overall budget.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 appropriation is 2.7% higher than the FY 2024 appropriation. This is attributable to a rise in cost of personal services due to inflation and pay adjustments.

Program Discussion

Prior to this last fiscal year, the OSD housed three primary functions: the Chief Financial Officer, Office of Budget and Finance and the Office of IT Procurement and Contracting. In FY 2024, two reorganizations occurred transferring 13.00 PB into this division. In the first half of the fiscal year, the Office of Health Data and Analytics and its 7.00 PB were moved from the Technology Services Division. A compliance and internal control position as well as a project management position associated with workspace planning was also moved into OSD with 2.00 PB; 1.00 PB from the Business and Financial Services Division and 1.00 PB from the Director’s Office. Following this change, 4.00 PB were transferred from the Office of the Inspector General in the second half of the fiscal year. This transfer fully consolidated the Internal Audit Control, Risk Management and Compliance functions.

As of August 1, 2024, the OSD has 20.60 HB 2 regular PB, of which 17.60 PB are filled and 3.00 PB are vacant.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	67,265	7,010	104,825	179,100	0.00	69,941	7,199	108,018	185,158
DP 3 - Inflation Deflation	0.00	(24)	0	0	(24)	0.00	(16)	0	0	(16)
Grand Total All Present Law Adjustments	0.00	\$67,241	\$7,010	\$104,825	\$179,076	0.00	\$69,925	\$7,199	\$108,018	\$185,142

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Operations Services Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 66,287
Management Changes	131,228
Total Budget Modifications	<u>(18,414)</u>
Total	<u>\$ 179,101</u>

Legislative changes in DP 1 are driven by benefits while management changes are driven by pay plan adjustments, salary changes and other smaller increases. Two reorganizations brought 12.00 PB into the division. The amount transferred was greater than what was needed for the PB transferred causing a negative adjustment in budget modifications.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

Program Base Budget Comparison

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

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	75.75	79.75	79.75	4.00	2.6%
General Fund	110,420,770	115,118,591	118,809,127	13,086,178	5.9%
State/Other Special Rev. Funds	36,806,754	30,275,484	30,289,986	(13,048,038)	(17.7%)
Federal Spec. Rev. Funds	271,712,100	244,556,736	250,639,980	(48,227,484)	(8.9%)
Total Funds	418,939,624	389,950,811	399,739,093	(48,189,344)	(5.8%)
Personal Services	6,909,213	6,865,954	6,880,228	(72,244)	(0.5%)
Operating Expenses	2,733,471	3,084,643	3,109,252	726,953	13.3%
Grants	14,795,566	14,795,566	14,795,566		0.0%
Benefits & Claims	394,210,268	364,913,542	374,662,941	(48,844,053)	(6.2%)
Transfers	28,500	28,500	28,500		0.0%
Debt Service	262,606	262,606	262,606		0.0%
Total Expenditures	418,939,624	389,950,811	399,739,093	(48,189,344)	(5.8%)
Total Ongoing	418,939,624	389,950,811	399,739,093	(48,189,344)	(5.8%)
Total One-Time-Only					0.0%

Program Highlights

Senior and Long-Term Care Division (SLTC) Major Budget Highlights
<ul style="list-style-type: none"> • The requested budget includes a reduction over the biennium of 5.8%, which is driven almost entirely by a 6.2% reduction in benefits and claims • General fund is proposed to increase by 5.9%, driven by the projected reduction in the federal share of Medicaid (FMAP), as well as higher caseload for the Community First Choice program • The request includes an additional 3.00 PB and \$0.5 million general fund for adult protective services guardianship staff

Executive Request

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

Senior & Long-Term Care Svcs 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	110,420,770	36,806,754	271,712,100	418,939,624	107.4%	110,420,770	36,806,754	271,712,100	418,939,624	104.8%
Statewide PL										
Personal Services	505,420	(6,712)	(865,661)	(366,953)	(0.1%)	516,089	(6,712)	(862,056)	(352,679)	(0.1%)
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	(7,057)	0	(457)	(7,514)	(0.0%)	(4,769)	0	(309)	(5,078)	(0.0%)
Total Statewide PL	498,363	(6,712)	(866,118)	(374,467)	(0.1%)	511,320	(6,712)	(862,365)	(357,757)	(0.1%)
Present Law (PL)	846,370	(2,110,589)	(26,289,246)	(27,553,465)	(7.1%)	4,532,049	(2,096,087)	(20,209,755)	(17,773,793)	(4.4%)
New Proposals	3,353,088	(4,413,969)	0	(1,060,881)	(0.3%)	3,344,988	(4,413,969)	0	(1,068,981)	(0.3%)
Total HB 2 Adjustments	4,697,821	(6,531,270)	(27,155,364)	(28,988,813)	(7.4%)	8,388,357	(6,516,768)	(21,072,120)	(19,200,531)	(4.8%)
Total Requested Budget	115,118,591	30,275,484	244,556,736	389,950,811		118,809,127	30,289,986	250,639,980	399,739,093	

Funding

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

Department of Public Health & Human Services, 22-Senior & Long-Term Care Svcs Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	233,927,718	0	0	0	233,927,718	29.6%	
02053 Medicaid IGT's	6,051,201	0	0	0	6,051,201	10.0%	
02497 6901-Lien & Estate - SLTCD	2,664,634	0	0	0	2,664,634	4.4%	
02772 Tobacco Hlth and Medicaid Init	21,995,360	0	0	0	21,995,360	36.3%	
02783 6901-Traumatic Brain Injury Dn	32,216	0	0	0	32,216	0.1%	
02987 Tobacco Interest	4,224,760	0	0	0	4,224,760	7.0%	
02990 69010-Nursing Home Utilization	25,597,299	0	0	0	25,597,299	42.3%	
State Special Total	\$60,565,470	\$0	\$0	\$0	\$60,565,470	7.7%	
03073 Aging - Farmers Market	197,696	0	0	0	197,696	0.0%	
03074 Aging - Nutrition Services HDM	2,946,813	0	0	0	2,946,813	0.6%	
03116 Nursing Home Civil Penalties	768,310	0	0	0	768,310	0.2%	
03347 APS Pathway to Safety	91,020	0	0	0	91,020	0.0%	
03350 Aging-SHIP-ACL	1,024,832	0	0	0	1,024,832	0.2%	
03512 MFP Demonstration Grant	2,901,115	0	0	0	2,901,115	0.6%	
03514 10.570 - Elderly Feeding 100%	1,952,270	0	0	0	1,952,270	0.4%	
03515 93.041 - Elder Abuse Prev 100%	49,678	0	0	0	49,678	0.0%	
03516 93.042 - Ombudsman Activity 10	219,430	0	0	0	219,430	0.0%	
03517 93.043 - Preventive Hlth 100%	271,778	0	0	0	271,778	0.1%	
03518 93.044 - Aging Sup S & Train 1	3,819,420	0	0	0	3,819,420	0.8%	
03519 93.045 - Aging Meals 100%	4,926,308	0	0	0	4,926,308	1.0%	
03579 93.667 - SSBG - Benefits	725,684	0	0	0	725,684	0.1%	
03580 6901-93.778 - Med Adm 50%	3,420,165	0	0	0	3,420,165	0.7%	
03583 93.778 - Med Ben FMAP	438,984,482	0	0	0	438,984,482	88.6%	
03666 Aging - Caregiver III-E	2,186,569	0	0	0	2,186,569	0.4%	
03975 Medicaid Exp HELP Act Benefit	30,711,146	0	0	0	30,711,146	6.2%	
Federal Special Total	\$495,196,716	\$0	\$0	\$0	\$495,196,716	62.7%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$789,689,904	\$0	\$0	\$0	\$789,689,904		

The table above shows the distribution of funding for the SLTC division. SLTC is funded by general fund, state special revenue, and federal special revenue funds.

The general fund supports:

- State Medicaid match
- Aging services
- Adult protective services
- Administrative costs

General fund expenditures can increase due to:

- Provider rate increases for Medicaid and aging services
- An increased number of Medicaid enrollees
- Higher costs of care for Medicaid enrollees
- Direct care worker wage increases
- Higher state Medicaid matching costs due to the reduction in the federal match rate (FMAP)

Most state revenue sources are used as a match for Medicaid services, including:

- Nursing home utilization fee
- Health and Medicaid initiative tobacco tax revenue
- County intergovernmental transfer revenues (IGT)

Nursing Home Utilization Fee

A portion of the state Medicaid match for nursing homes is paid from a fee assessed for each day of nursing home care.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	75.75	75.75	79.75	79.75
Personal Services	6,501,272	6,293,481	6,909,213	6,865,954	6,880,228
Operating Expenses	2,703,692	3,024,883	2,733,471	3,084,643	3,109,252
Grants	14,624,993	14,339,694	14,795,566	14,795,566	14,795,566
Benefits & Claims	315,790,141	354,131,314	394,210,268	364,913,542	374,662,941
Transfers	0	32,500	28,500	28,500	28,500
Debt Service	212,276	29,081	262,606	262,606	262,606
Total Expenditures	\$339,832,374	\$377,850,953	\$418,939,624	\$389,950,811	\$399,739,093
General Fund	85,166,831	94,427,953	110,420,770	115,118,591	118,809,127
State/Other Special Rev. Funds	33,495,421	36,124,216	36,806,754	30,275,484	30,289,986
Federal Spec. Rev. Funds	221,170,122	247,298,784	271,712,100	244,556,736	250,639,980
Total Funds	\$339,832,374	\$377,850,953	\$418,939,624	\$389,950,811	\$399,739,093
Total Ongoing	\$339,832,374	\$377,850,953	\$418,939,624	\$389,950,811	\$399,739,093
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The SLTC plans, administers, and provides publicly funded long term care services for Montana's senior citizens and persons with disabilities. In addition, the division provides education and support regarding aging and long-term care issues to Montanans of all ages. The division makes services available through four major programs:

- The Office on Aging manages the Older Americans Act which contracts through 10 Area Agencies on Aging to provide meals, transportation, public education, information, and assistance. The Long-Term Care Ombudsman program provides resident centered advocacy in Montana long term care facilities. Other services include Medicare counseling, legal development and life span respite
- The Medicaid Community Services develops and manages programs to pay for in-home care, the Big Sky Waiver, home health and hospice. The Medicaid residential facility section pays for care to Medicaid-eligible individuals in 65 Montana nursing homes as well as manages the Assisted Living benefit under the Big Sky Waiver
- The Adult Protective Services (APS) Program investigates abuse, neglect, and exploitation of Montanans over the age of 60 and individuals over 18 with mental health or developmental disabilities. The guardianship unit provides oversight of the wards of the state placed with APS by the court system. The bureau also provides public education and training on the topics of abuse, neglect, exploitation, and reporting
- The State Supplemental Payments Program pays for a portion of the room and board costs for Supplemental Security Income (SSI) eligible individuals residing in designated residential care facilities

Statutory References: Aging Services, 52-3-201 et seq., MCA, (Protection Services Act for Aged Persons or Disabled Adults), 52-3-501 et seq., MCA, (Montana Older Americans Act), 52-3-801 et seq., MCA, (Montana

Elder and Developmentally Disabled Abuse Prevention Act); P.L.89-75 (Federal Older Americans Act), P.L. 93-66 Section 212, P.L. 93-233 (authorizes states to supplement the Supplemental Security Income Amendments to the (SSI) Payments Program Social Security Act); Medicaid, Title 53, Chapter 6, MCA; Title 19, Social Security Act 42 USC 1396 et. seq. (establishes and authorizes Medicaid Program).

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 SLTC expended 89.9% of its overall ongoing HB 2 budget, and 90.2% of its general fund budget.

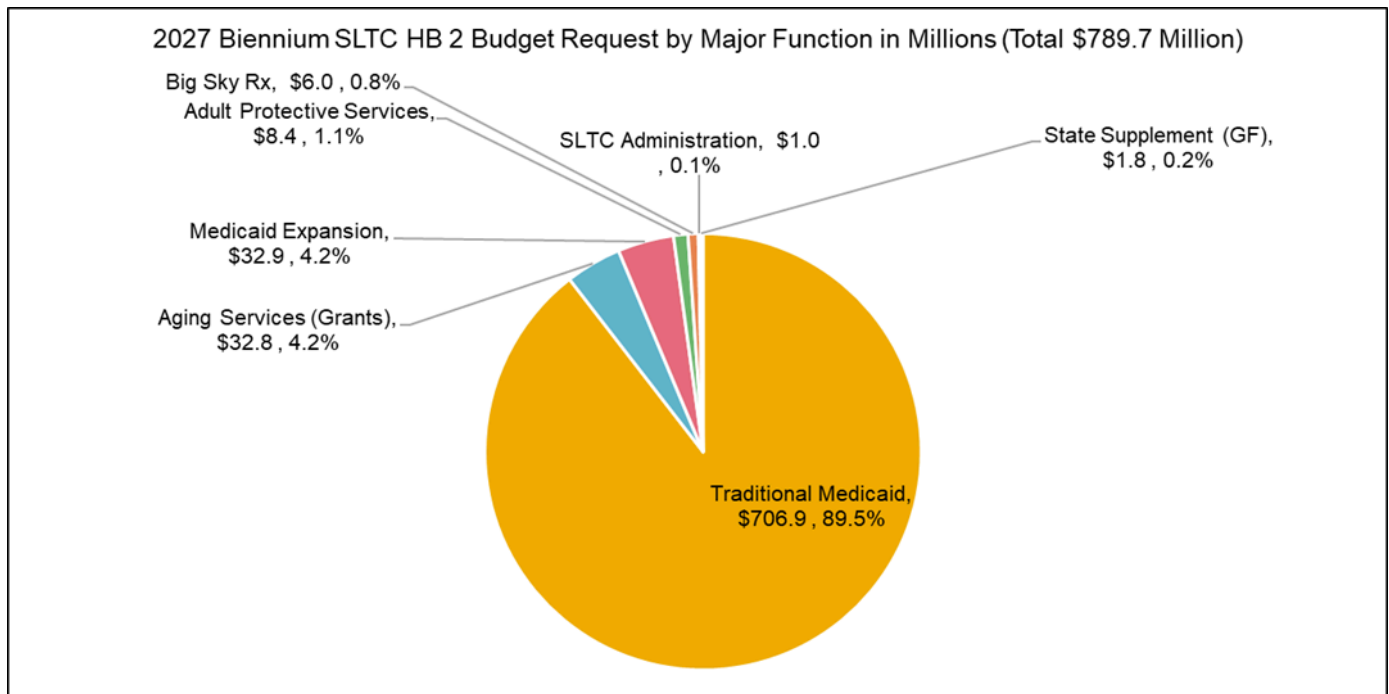
FY 2024 Appropriation Compared to FY 2025 Appropriation

SLTC ongoing FY 2025 total appropriations are 10.9%, or \$41.1 million higher than the FY 2024 total appropriation of \$377.9 million. This difference is primarily due to higher appropriations for benefits and claims in FY 2025.

Program Discussion

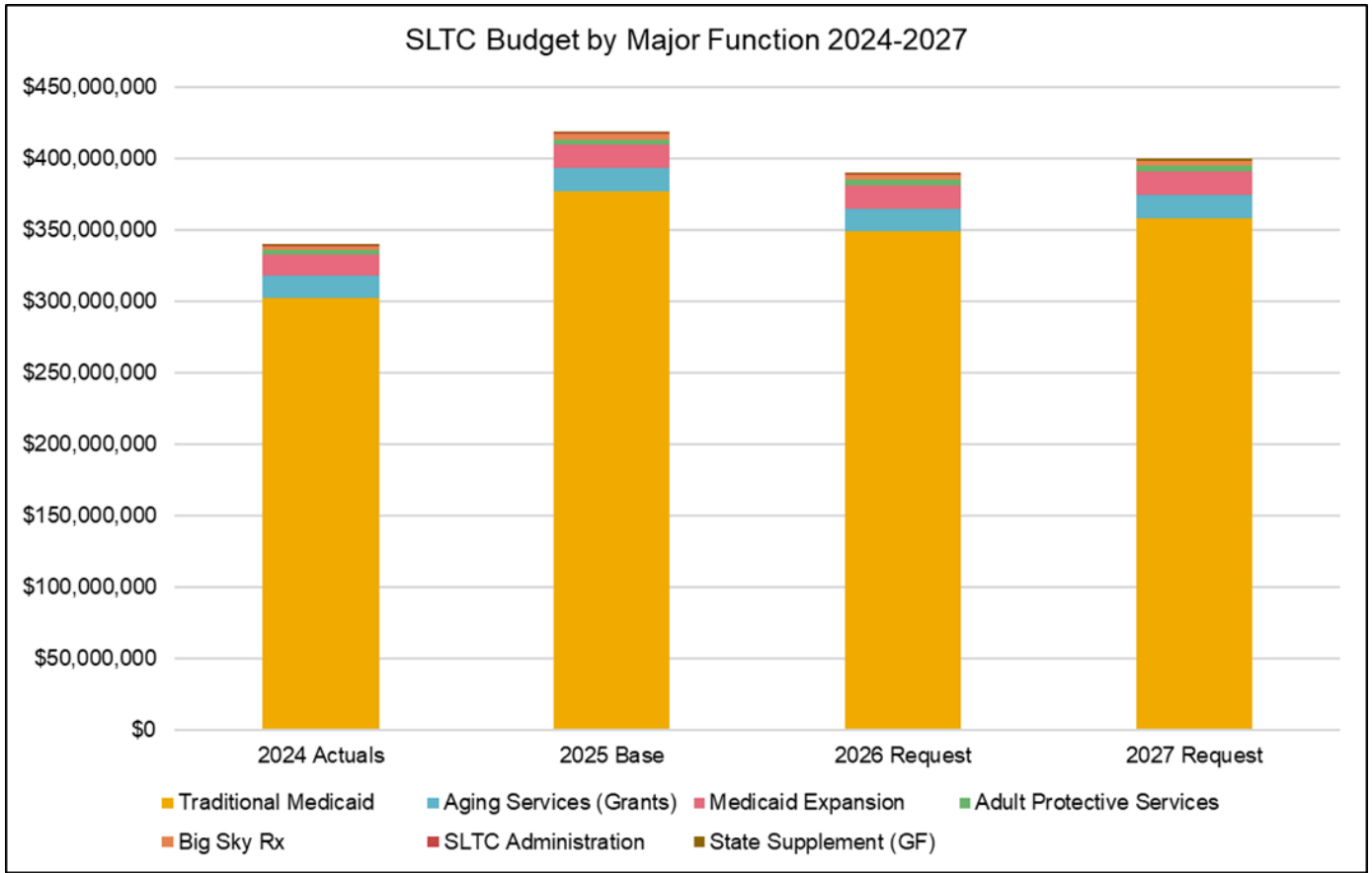
Biennium Budget by Major Function

The figure below shows the SLTC 2027 biennium budget request by major function. Appropriations for Medicaid services are the most significant budgetary item, comprising 89.5% of the 2027 biennium SLTC budget request. Aging services are 4.2% of the request, Big Sky Rx is 0.8%, Adult Protective Services are 1.1%, with division administration making up 0.1% of the total.



SLTC Budget by Major Function: FY 2024-2027

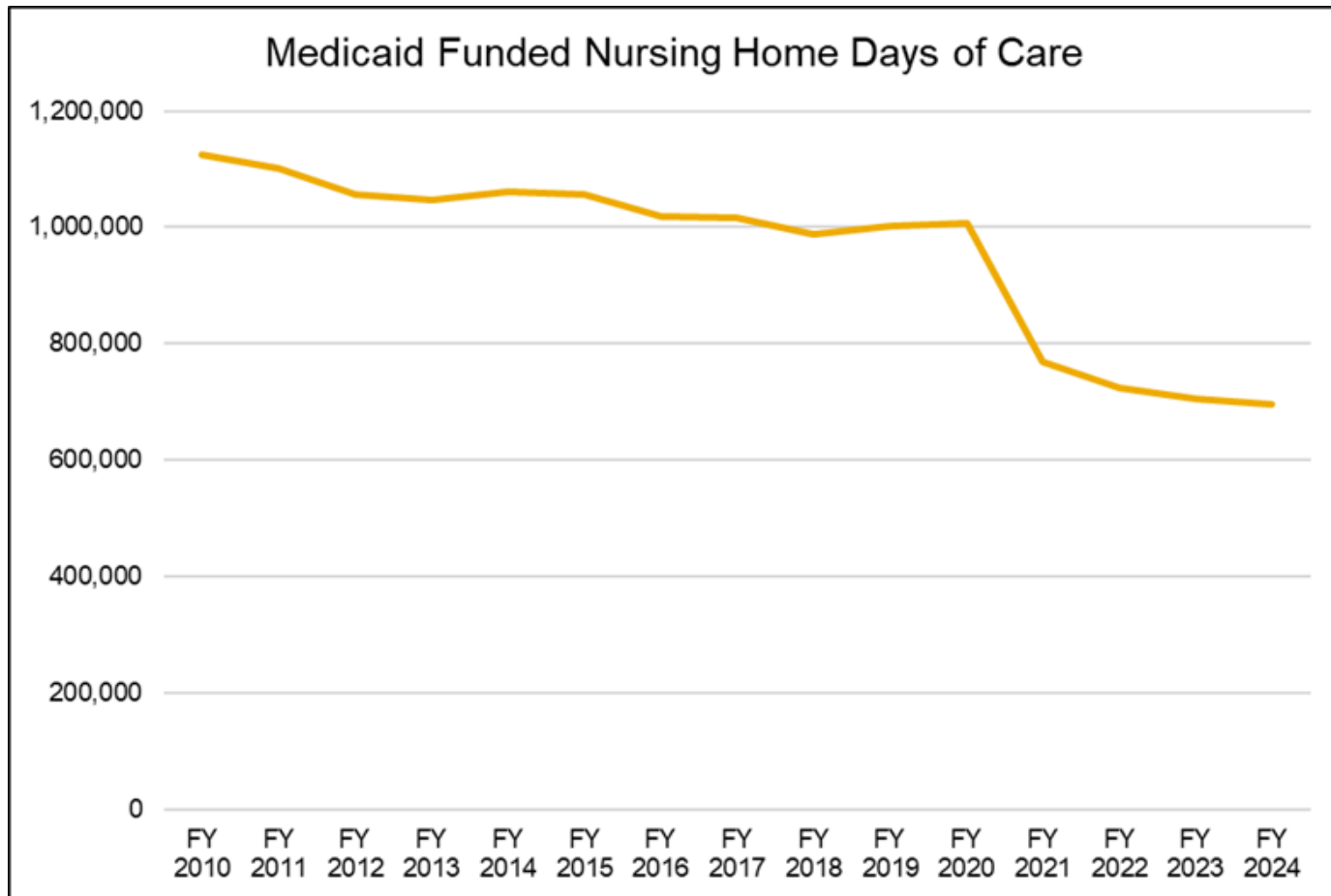
The figure below presents the SLTC division budget by major function by fiscal year. Note that this chart does not include every function performed by SLTC but highlights the major functions.



Nursing home services (including IGT payments) are the majority of Medicaid services expenditures for the division. For the most part, other Medicaid services support the ability of persons, who might otherwise be served in facility-based care, to live in home and community settings while receiving services.

Nursing Home Days of Care

The figure below shows the DPHHS/SLTC figures for Medicaid funded days of nursing home services. Nursing home days of care funded by Medicaid have been declining over the past several biennia, with a larger decrease occurring during the COVID pandemic.



Community First Choice

The 2013 Legislature implemented Community First Choice (CFC), an optional Medicaid service. Prior to FY 2014, most Medicaid funded personal care services were provided in the home-based services category but shifted to the CFC program. CFC has an enhanced federal match, which is six percentage points above a state’s regular federal match rate.

In addition to provision of personal care, CFC requires developing a person-centered service plan, including an emergency contact/response component in the plan, establishing and maintaining a comprehensive continuous quality assurance system specifically for the CFC benefit, collecting and reporting information for federal oversight, and completing an evaluation of the program. As of FYE 2024, Community First Choice served 3,624 persons.

Services available to recipients include case management, homemaker, personal care, adult day care, respite, habilitation, medical alert monitor, meals, transportation, environmental modification, respiratory therapy, nursing services, adult residential care provided in a personal care or assisted living facility, or adult foster home, as well as several specialized services for recipients with a traumatic brain injury. The community-based waiver is managed through allocation of various types of services depending on the health and needs of the individual.

The Big Sky Waiver

The Big Sky Home and Community Based Services Program/Waiver, as defined by DPHHS: “allows people, who would otherwise be institutionalized, to live in their own home and community. The services are made available through the Department of Public Health & Human Services (DPHHS) and the Senior and Long-Term Care Division (SLTC).” DPHHS indicates the Big Sky Waiver served 2,049 persons at FYE 2024. This enrollment figure is similar to the past few FYE counts: 2,195 in FY 2023, 2,197 in FY 2022, 2,144 in FY 2021, 2,071 in FY 2020, and 2,050 in FY 2019.

As of November 2024, the waiting list for the Big Sky Waiver stood at 354 persons, and the average days on the waitlist was 91.5. The 2027 biennium request for Medicaid waiver services is \$137.5 million total funds.

Big Sky Rx

Big Sky Rx is a state funded program that helps Montanans at or below 200.0% of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by SLTC.

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	505,420	(6,712)	(865,661)	(366,953)	0.00	516,089	(6,712)	(862,056)	(352,679)
DP 3 - Inflation Deflation	0.00	(7,057)	0	(457)	(7,514)	0.00	(4,769)	0	(309)	(5,078)
DP 22100 - Medicaid Core Services CFC - SLTC	0.00	1,356,416	0	3,102,236	4,458,652	0.00	2,762,397	0	6,037,043	8,799,440
DP 22101 - FMAP Adjustment Medicaid Core CFC - SLTC	0.00	1,737,899	0	(1,737,899)	0	0.00	1,737,899	0	(1,737,899)	0
DP 22204 - Contractual Adjustments - SLTC	0.00	243,902	0	99,359	343,261	0.00	259,038	0	114,496	373,534
DP 22891 - Expansion Core Services - SLTC	0.00	80,000	0	720,001	800,001	0.00	120,821	0	1,087,387	1,208,208
DP 22892 - Expansion Core Services CFC - SLTC	0.00	(296,739)	0	(523,695)	(820,434)	0.00	(288,128)	0	(317,041)	(605,169)
DP 22991 - Medicaid Core Services - SLTC	0.00	(9,416,388)	(3,037,001)	(19,985,659)	(32,439,048)	0.00	(8,680,310)	(3,037,001)	(18,693,566)	(30,410,877)
DP 22992 - FMAP Adjustment Medicaid Core - SLTC	0.00	5,531,645	0	(5,531,645)	0	0.00	5,828,393	0	(5,828,393)	0
DP 22993 - Medicaid Federal Services - SLTC	0.00	0	0	(45,847)	(45,847)	0.00	0	0	(45,847)	(45,847)
DP 22994 - Medicaid Other Services IGT - SLTC	0.00	0	653,743	1,049,156	1,702,899	0.00	0	656,127	1,046,772	1,702,899
DP 22995 - FMAP Adjustment IGT - SLTC	0.00	0	118,546	(118,546)	0	0.00	0	125,117	(125,117)	0
DP 22996 - Medicaid Waiver Services - SLTC	0.00	(596,177)	0	(956,772)	(1,552,949)	0.00	463,909	0	740,110	1,204,019
DP 22997 - FMAP Adjustment Waiver - SLTC	0.00	1,711,130	0	(1,711,130)	0	0.00	1,807,611	0	(1,807,611)	0
DP 22998 - FMAP Adjustment DCW-HCHCW - SLTC	0.00	223,059	154,123	(377,182)	0	0.00	235,944	159,670	(395,614)	0
DP 22999 - FMAP Adjustment CFC DCW-HCHCW - SLTC	0.00	271,623	0	(271,623)	0	0.00	284,475	0	(284,475)	0
Grand Total All Present Law Adjustments	0.00	\$1,344,733	(\$2,117,301)	(\$27,155,364)	(\$27,927,932)	0.00	\$5,043,369	(\$2,102,799)	(\$21,072,120)	(\$18,131,550)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services	
Senior and Long Term Care Division	
FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$166,183
Management Changes	413,926
Total Budget Modifications	<u>(947,063)</u>
Total	<u><u>\$(366,954)</u></u>

Budget modifications made in SLTC in the 2025 biennium included several House Adjustments. The two largest adjustments added \$833,986 in personal services for modified PB associated with the Money Follows the Person program. DP1 removes those modifications, along with some additional smaller ones, while adding funding for pay plan increases, retention adjustments, and some additional smaller increases in personal services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 22100 - Medicaid Core Services CFC - SLTC -

The executive requests funding for existing services for the Community First Choice (CFC) Program in the Senior and Long-Term Care Division. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 22101 - FMAP Adjustment Medicaid Core CFC - SLTC -

The executive requests funding for existing services for the Community First Choice (CFC) Program in the Senior and Long-Term Care Division. The biennial funding increases general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 22204 - Contractual Adjustments - SLTC -

The executive requests an increase for contracted services in the Senior and Long-Term Care Division.

DP 22891 - Expansion Core Services - SLTC -

The executive requests funding for caseload growth in the Senior and Long-Term Care Division. This request covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Core Expansion. This adjustment does not include any changes in eligibility criteria or allowable plan services. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 22892 - Expansion Core Services CFC - SLTC -

The executive requests funding for caseload changes in the Medicaid expansion Community First Choice Program (CFC) in the Senior and Long-Term Care Division. This decision package covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care. This adjustment does not include any changes in eligibility criteria or allowable plan services. Medicaid expansion continuing into the 2027 biennium is contingent upon legislative action.

DP 22991 - Medicaid Core Services - SLTC -

The executive requests funding changes for a caseload reduction in the Senior and Long-Term Care Division. This decision package covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Core Medicaid.

DP 22992 - FMAP Adjustment Medicaid Core - SLTC -

The executive requests funding changes for existing services in the Medicaid Core Program in SLTC. The biennial funding increases general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 22993 - Medicaid Federal Services - SLTC -

The executive requests funding changes for a caseload reduction in the Senior and Long-Term Care Division. This decision package covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for federal Medicaid. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 22994 - Medicaid Other Services IGT - SLTC -

The executive requests funding to align county fiscal participation for the Intergovernmental Transfer (IGT) Program in the Senior and Long-Term Care Division. This change does not impact services.

DP 22995 - FMAP Adjustment IGT - SLTC -

The executive requests funding changes for existing services in the Medicaid Intergovernmental Transfer (IGT) Program in SLTC.

DP 22996 - Medicaid Waiver Services - SLTC -

The executive requests funding changes for a caseload reduction in the Senior and Long-Term Care Division. This decision package covers the projected change in the number of eligible individuals, utilization, acuity levels, and cost per service for medical care for Medicaid Waiver Services. This adjustment does not include any changes in eligibility criteria or allowable plan services.

DP 22997 - FMAP Adjustment Waiver - SLTC -

The executive requests funding changes for existing Medicaid waiver services in the Senior and Long-Term Care Division. The biennial funding increases general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 22998 - FMAP Adjustment DCW-HCHCW - SLTC -

The executive requests funding changes for existing services in the Direct Care Wage and Healthcare for Healthcare Workers Program in SLTC. The biennial funding increases general fund, increases state special revenue and includes an offsetting decrease in federal funds. The total cost for the program does not change.

DP 22999 - FMAP Adjustment CFC DCW-HCHCW - SLTC -

The executive requests funding changes for existing services in the CFC Direct Care Wage and Health Care for Health Care Workers program in SLTC. The biennial funding increases the general fund and includes an offsetting decrease in federal funds. The total cost for the program does not change.

New Proposals

The “New Proposals” table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 22001 - Aging Services Assessment and Review Program Officer - SLTC	1.00	80,924	0	0	80,924	1.00	80,923	0	0	80,923
DP 22002 - Realign Appropriation with Revenue I-149 BigSky Rx - SLTC	0.00	0	(1,400,000)	0	(1,400,000)	0.00	0	(1,400,000)	0	(1,400,000)
DP 22003 - Adult Protective Services Guardianship PB	3.00	258,195	0	0	258,195	3.00	250,096	0	0	250,096
DP 22004 - Realign Appropriation for MED Nursing Home	0.00	3,013,969	(3,013,969)	0	0	0.00	3,013,969	(3,013,969)	0	0
Total	4.00	\$3,353,088	(\$4,413,969)	\$0	(\$1,060,881)	4.00	\$3,344,988	(\$4,413,969)	\$0	(\$1,068,981)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 22001 - Aging Services Assessment and Review Program Officer - SLTC -

The executive requests 1.00 PB for an aging services assessment and review program officer in the Senior and Long-Term Care Division Aging Services Bureau. This position will be responsible for overseeing the federal Older Americans Act (OAA) including program monitoring and providing technical assistance to Area Agencies on Aging (AAAs). This position is funded entirely with general fund.

DP 22002 - Realign Appropriation with Revenue I-149 BigSky Rx - SLTC -

The executive proposes a reduction of Tobacco Health and Medicaid Initiative (I-149) state special revenue to the Big Sky Rx program to align appropriations with anticipated expenditures. This is a reduction of \$1.4 million in state special revenue in each year of the biennium.

DP 22003 - Adult Protective Services Guardianship PB -

The executive requests 3.00 PB for the Adult Protective Services (APS) Guardianship Program. The position type is Social Services Worker II (SSW). These positions will be responsible for monitoring APS guardianship cases. SSWs are required by law to render an annual report and accounting to the court of origin. At minimum, the SSW conducts in-person visits with wards under guardianship on a quarterly basis to assess the ward’s health and safety and ensure their needs are being met appropriately. The SSW also conducts monthly contacts with the ward’s support network (family, medical provider, support staff, case manager, etc.). APS currently monitors 75 guardianship cases with approximately 10-15 new requests for guardianship monthly. This request is due to an increase in reports received, caseload per staff, and complexity of guardianship caseloads. This request includes \$508,291 in general fund for the biennium.

DP 22004 - Realign Appropriation for MED Nursing Home -

The executive proposes a reduction in the appropriation of state special revenue to the Medicaid Nursing Home program to align appropriation with anticipated expenditures. This is a reduction of \$3.0 million in Tobacco Health and Medicaid Initiative (I-149) state special revenue in each year of the biennium with an offsetting increase in general fund.

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

Program Base Budget Comparison

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

Program Base Budget Comparison					
Budget Item	Base Budget	Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent
PB	60.24	60.24	60.24	0.00	0.0%
General Fund	19,838,404	20,800,892	21,037,975	2,162,059	5.4%
State/Other Special Rev. Funds	4,233,081	3,847,507	3,847,660	(770,995)	(9.1%)
Federal Spec. Rev. Funds	68,619,176	71,120,815	71,249,649	5,132,112	3.7%
Total Funds	92,690,661	95,769,214	96,135,284	6,523,176	3.5%
Personal Services	5,413,020	5,629,851	5,646,317	450,128	4.2%
Operating Expenses	3,967,064	5,979,960	6,293,954	4,339,786	54.7%
Equipment & Intangible Assets	75,000	75,000	75,000		0.0%
Grants	23,621,433	24,470,259	24,505,869	1,733,262	3.7%
Benefits & Claims	59,574,455	59,574,455	59,574,455		0.0%
Transfers	35,000	35,000	35,000		0.0%
Debt Service	4,689	4,689	4,689		0.0%
Total Expenditures	92,690,661	95,769,214	96,135,284	6,523,176	3.5%
Total Ongoing	92,690,661	95,769,214	96,135,284	6,523,176	3.5%
Total One-Time-Only					0.0%

Program Highlights

Early Childhood and Family Services Division (ECFSD) Major Budget Highlights
<ul style="list-style-type: none"> • The ECFSD 2027 biennium proposed budget is approximately \$6.5 million or 3.5% higher than the FY 2025 base budget. • The executive proposal includes: <ul style="list-style-type: none"> ◦ Increases for provider rates in the Part C Early Intervention Program amounting to \$2.0 million total funds in FY 2026 and \$2.3 total funds in FY 2027 ◦ Federal fund adjustments to match grant award levels amounting to \$2.4 million federal funds across the biennium

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

Executive Request

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

Early Childhood and Family Support 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	19,838,404	4,233,081	68,619,176	92,690,661	96.8%	19,838,404	4,233,081	68,619,176	92,690,661	96.4%
Statewide PL										
Personal Services	(424,053)	(52,409)	693,293	216,831	0.2%	(420,507)	(52,406)	706,210	233,297	0.2%
Fixed Costs	0	0	0	0	0.0%	0	0	0	0	0.0%
Inflation Deflation	0	0	(1,526)	(1,526)	(0.0%)	0	0	(1,030)	(1,030)	(0.0%)
Total Statewide PL	(424,053)	(52,409)	691,767	215,305	0.2%	(420,507)	(52,406)	705,180	232,267	0.2%
Present Law (PL)	0	0	0	0	0.0%	0	0	0	0	0.0%
New Proposals	1,386,541	(333,165)	1,809,872	2,863,248	3.0%	1,620,078	(333,015)	1,925,293	3,212,356	3.3%
Total HB 2 Adjustments	962,488	(385,574)	691,767	3,078,553	3.2%	1,199,571	(385,421)	705,180	3,444,623	3.6%
Total Requested Budget	20,800,892	3,847,507	69,310,943	95,769,214		21,037,975	3,847,660	69,324,356	96,135,284	

The executive budget request is mainly base budget with adjustments accounting for 3.2% of the overall budget in FY 2026 and 3.6% of the overall budget in FY 2027. These adjustments are mostly new proposals which include provider rate increases for Part C services, adjustments of authority for various federal grants, and an adjustment of state special revenue authority for children's special health services.

69010 - Department Of Public Health & Human Services 25-Early Childhood and Family Support

Funding

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

Department of Public Health & Human Services, 25-Early Childhood and Family Support Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	41,838,867	0	0	0	41,838,867	21.8%	
02076 PRAMS Suvvey Fees	9,388	0	0	0	9,388	0.1%	
02089 Child Abuse & Neglect Program	317,134	0	0	0	317,134	4.1%	
02225 02 Indirect Activity Prog 25	399,608	0	0	0	399,608	5.2%	
02698 69010-Prevention&Stabilization	1,660,604	0	0	0	1,660,604	21.6%	
02765 Insurance Policies Fees SB278	2,644,357	0	0	0	2,644,357	34.4%	
02772 Tobacco Hlth and Medicaid Init	51,338	0	0	0	51,338	0.7%	
02773 Childrens Special Health Svc.	61,350	0	0	0	61,350	0.8%	
02790 6901-Statewide Tobacco Sttlmnt	613,098	0	0	0	613,098	8.0%	
02987 Tobacco Interest	1,938,290	0	0	0	1,938,290	25.2%	
State Special Total	\$7,695,167	\$0	\$0	\$0	\$7,695,167	4.0%	
03027 WIC (Women,Infants & Children)	13,948,800	0	0	0	13,948,800	9.8%	
03031 Maternal & Child Health	4,673,219	0	0	0	4,673,219	3.3%	
03057 Newborn Hearing Screening	589,955	0	0	0	589,955	0.4%	
03096 Discretionary Child Care	50,630,439	0	0	0	50,630,439	35.6%	
03146 10.577 WIC BF Peer Counseling	447,812	0	0	0	447,812	0.3%	
03206 MIECHV - Service Delivery	114,140	0	0	0	114,140	0.1%	
03236 Child Nutrition	21,847,480	0	0	0	21,847,480	15.3%	
03246 WIC Admin	13,380,083	0	0	0	13,380,083	9.4%	
03250 Child Care Mandatory/MOE	3,597,650	0	0	0	3,597,650	2.5%	
03252 Child Care Matching	11,261,947	0	0	0	11,261,947	7.9%	
03273 Primary Care Services	267,300	0	0	0	267,300	0.2%	
03362 Data Integration	130,120	0	0	0	130,120	0.1%	
03417 PRAMS Pregnancy Risk Assessment	314,260	0	0	0	314,260	0.2%	
03479 CN SPAD CIL	1,780,000	0	0	0	1,780,000	1.3%	
03530 6901-Foster Care 93.658	2,149,146	0	0	0	2,149,146	1.5%	
03534 93.672 - Child Abuse Challenge	493,692	0	0	0	493,692	0.3%	
03539 93.600 Headstart	119,940	0	0	0	119,940	0.1%	
03541 State Loan Repayment Program	300,228	0	0	0	300,228	0.2%	
03556 84.181 - Part H - Early Interv	4,761,172	0	0	0	4,761,172	3.3%	
03579 93.667 - SSBG - Benefits	6,379,036	0	0	0	6,379,036	4.5%	
03625 03 Indirect Activity Prog 25	1,858,626	0	0	0	1,858,626	1.3%	
03677 6901-CACFP 10.558 & 10.560	1,371,876	0	0	0	1,371,876	1.0%	
03690 6901-Rape Prev & Educ 93.126	740,071	0	0	0	740,071	0.5%	
03713 6901-WIC Farmer Market 10.572	104,388	0	0	0	104,388	0.1%	
03823 Oral Health Workforce	697,738	0	0	0	697,738	0.5%	
03827 Personal Resp Education Prgm	411,346	0	0	0	411,346	0.3%	
Federal Special Total	\$142,370,464	\$0	\$0	\$0	\$142,370,464	74.2%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$191,904,498	\$0	\$0	\$0	\$191,904,498		

ECFSD receives general fund, state special revenue fund, and federal special revenue fund authority. The 2027 biennium ECFSD budget request is 21.8% general fund, 4.0% state special revenue fund, and 74.2% federal funds. The major sources of state special revenue are:

- Tobacco settlement funds and tobacco settlement trust fund interest - For additional information see the state special revenue fund balance table in the DPHHS Agency Summary LFD Budget Analysis B-131** 2025 Biennium
- Insurance policies fees - \$1.00 annually for each Montana resident insured under any individual or group disability or health insurance policy

The major sources of federal funding include the discretionary childcare fund at 26.4% of all funding, the child nutrition fund at 11.4%, and WIC (Women, Infants and Children) fund at 7.3%.

Historically, this program has included a small amount of statutory authority for the Title X Family Planning federal grant. This program ended at the end of federal fiscal year (FFY) 2022 and the federal awarding agency is now working directly with a new grantee. Federal authority was not reduced in the 2023 Legislative Session. The statute will sunset on June 30th, 2025. Without this single statutory program, ECFSD is completely funded by HB 2.

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	60.24	60.24	60.24	60.24
Personal Services	6,903,879	5,609,818	5,413,020	5,629,851	5,646,317
Operating Expenses	6,295,583	6,584,048	3,967,064	5,979,960	6,293,954
Equipment & Intangible Assets	0	75,000	75,000	75,000	75,000
Grants	25,658,663	28,003,639	23,621,433	24,470,259	24,505,869
Benefits & Claims	48,069,806	48,539,495	59,574,455	59,574,455	59,574,455
Transfers	21,125	29,900	35,000	35,000	35,000
Debt Service	200,860	110,689	4,689	4,689	4,689
Total Expenditures	\$87,149,916	\$88,952,589	\$92,690,661	\$95,769,214	\$96,135,284
General Fund	8,293,860	8,407,897	19,838,404	20,800,892	21,037,975
State/Other Special Rev. Funds	2,864,560	4,211,556	4,233,081	3,847,507	3,847,660
Federal Spec. Rev. Funds	75,991,496	76,333,136	68,619,176	71,120,815	71,249,649
Total Funds	\$87,149,916	\$88,952,589	\$92,690,661	\$95,769,214	\$96,135,284
Total Ongoing	\$87,149,916	\$88,952,589	\$92,690,661	\$95,769,214	\$96,135,284
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Description

The ECFSD is comprised of three bureaus:

- Early Childhood Services Bureau
- Family and Community Health Bureau
- Fiscal and Operations Bureau

In addition to the three bureaus, this division includes the No Kid Hungry Project, Prevention and Early Intervention Team, and the Children's Trust Fund.

The Early Childhood Services Bureau manages the Best Beginnings Scholarship Program and the child protective services childcare. This division also licenses childcare facilities and provides training and technical assistance across the state. Other programs within ECSB include the Child and Adult Care Food Program which provides reimbursement to childcare providers and Head Starts for the cost of meals served to eligible children and adults, the Head Start Collaboration Grant, and the Montana Milestones Program which works with community partners to support children from birth to age three with developmental delays.

The Family and Community Health Bureau provides a variety of programs targeted at supporting women, infants, children, adolescents, and families. This includes universal newborn screenings and other aid for parents and children through the Maternal Child Health Block Grant. Nutrition and breastfeeding support and education is provided across the state through the Women, Infants, and Children Supplemental Nutrition Program (WIC). In addition, FCHB supports children with special health care needs through parent mentoring, financial assistance, and technical assistance.

The Fiscal and Operations Bureau coordinates, analyzes, implements, and monitors the division budget; purchases supplies and equipment; assists with grant reporting and contracts; manages the division's data systems and provides internal control oversight for the division.

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

The ECFSD expended 98.0% of the total FY 2024 appropriation with 98.6% of general funds, 68.0% of state special revenues, and 99.1% of federal special revenues expended.

Grants in FY 2024 were 91.6% expended. Additional funding was transferred into the Best Beginnings Stars to Quality programs at fiscal year-end to ensure the division could meet grant obligations in this area but not all of this transfer was used.

When looking at the overall budget, the difference in expenditure caused by the lower spending in grants is largely balanced by elevated personal services expenditures. Personal services were 123.1% expended. These elevated expenditures were distributed throughout most functions of the division with most of the over-expenditure occurring in the Stars to Quality Program. For the entire division, current PB hour utilization is at 115.0% of budgeted hours compared to a historical average of 107.4%. This utilization percentage has been trending up since 2020. This division has very few vacancies and overtime hours have been logged.

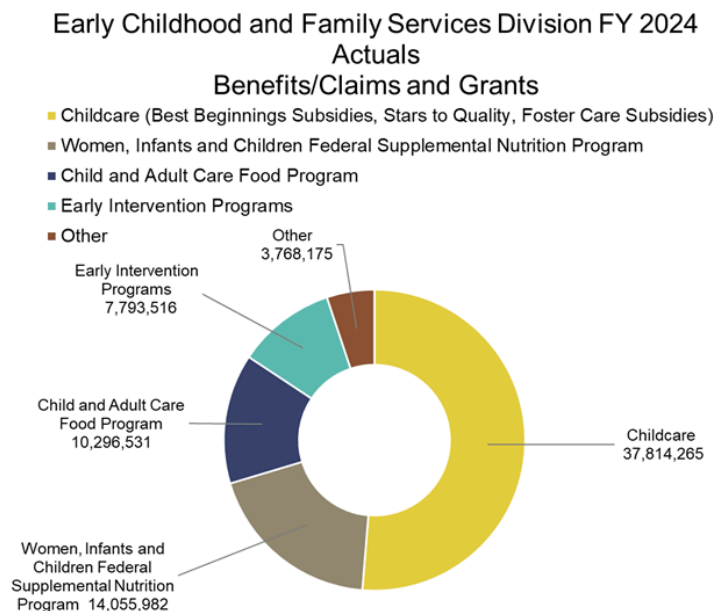
Benefits and claims in this division, which include Best Beginnings childcare subsidies and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), were 99.0% expended.

FY 2024 Appropriations Compared to FY 2025 Appropriations

The FY 2025 HB 2 budget appropriation is 4.2% lower than the FY 2024 appropriation. Relative to the FY 2024 HB 2 appropriation, there is a 39.7% decrease in the appropriation for operating expenses, a 15.6% decrease in the appropriation for grants, and an 22.7% increase in the appropriation for benefits and claims. A transfer of authority occurred to ensure ECFSD was able to meet year end obligations for increased operating expenses in FY 2024. A transfer of authority for FY 2024 increased grants relative to FY 2025.

Program Discussion

The two largest accounts in this division are benefits and claims and grants; below are the largest programs contributing to these accounts in ECFSD.



69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

Childcare

The Best Beginnings Childcare Scholarship Program is housed in ECFSD. This program provides scholarships to low-income families whose children received care provided by a licensed or registered childcare provider or daycare facility. In order for a child to be eligible for this scholarship, their family must earn less than 185.0% of the federal poverty level (FPL) and also meet certain activity requirements specified by the program. Depending on the income level, families are responsible for co-payments that are determined with a sliding fee scale. HB 648 in the 2023 Session capped this program at 9.0% of a family's gross monthly income. This bill also increased the eligibility threshold from 150.0% of the FPL to 185.0% of the FPL and changed provider reimbursement from an attendance-based model to a slot-based model. The bill appropriated an additional \$7.0 million general fund to this program to implement these policy changes which are included in the base this biennium.

Childcare Discretionary Fund: Benefits and Claims					
Source of Authority	Fund Source	2021	2022	2023	2024
HB 2 + Other House and Senate Bills	State	\$ 6,698,476	\$ 6,699,681	\$ 7,544,374	\$ 12,242,249
	Federal	15,045,007	19,474,296	20,772,168	22,849,758
	Total	21,743,484	26,173,977	28,316,542	35,092,007
Pandemic	State	-	-	-	-
	Federal	8,263,039	4,492,471	492,408	1,527,343
	Total				
Total	State	6,698,476	6,699,681	7,544,374	12,242,249
	Federal	23,308,046	23,966,766	21,264,576	24,377,101
	Total	\$ 30,006,523	\$ 30,666,448	\$ 28,808,950	\$ 36,619,350

A small part of this funding goes to the STARS to Quality Program. This is a voluntary provider quality rating and improvement program that aligns quality indicators with support and incentives for childcare providers. Components of this program include workforce development efforts, the quality rating and improvement system, as well as infrastructure to administer the programs, provide training, coaching and technical assistance, and to validate the STARS system. For participating providers, incentives come in the form of quarterly improvement awards and tiered reimbursement percent increases for facilities that serve Best Beginnings Scholarship Families.

The Best Beginnings and Stars to Quality programs are funded with a combination of state match funding and federal sources. Two different federal sources – the Childcare and Development Block Grant and the Social Security Act's Childcare Entitlement to States – make up the main fund for these programs, the childcare development fund. State matching funds and maintenance of efforts funds necessary to draw down these federal funds come from the general fund and the prevention and stabilization fund (02698).

In addition to the contribution of state resources, the state must fulfill use requirements put in place by the federal authorities in order to receive funds from these federal sources. Within the state childcare program, 12.0% of funds must be set aside for quality improvement efforts, such as the STARS to Quality program; no more than 5.0% of federal funds can be used for administrative activities; and at least 70.0% of the remaining funding must be used for direct services, or certificates in Montana.

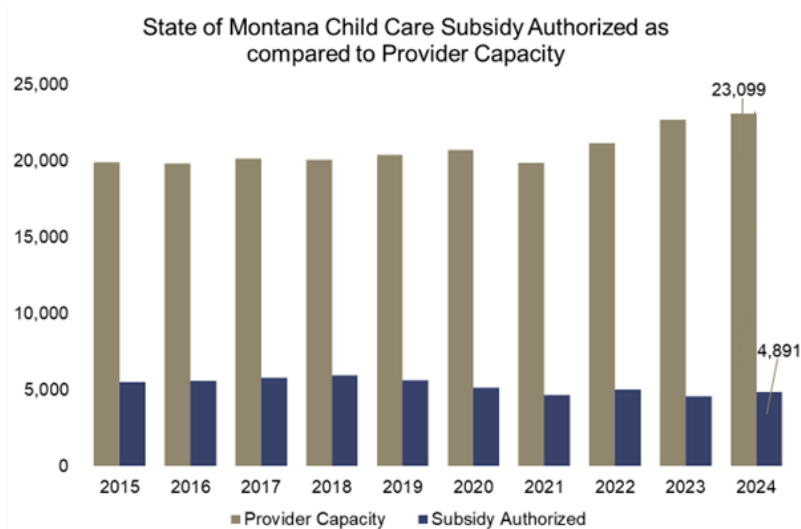
Childcare Discretionary Fund: All Expenditures by Fiscal Year					
Source of Authority	Fund Type	2021	2022	2023	2024
House Bill 2 + Other House and Senate	General	\$ 7,966,263	\$ 7,168,306	\$ 7,582,176	\$ 12,573,715
	State				
	Special	512,666	504,367	629,836	423,684
	Federal	27,766,486	35,289,082	33,703,668	37,359,023
	Total	\$ 36,245,415	\$ 42,961,756	\$ 41,915,680	\$ 50,356,422

In FY 2023, [a market rate survey](#) was completed for the Best Beginnings child care provider rates. Various methodologies were used to assess child care rates and changes from FY 2020 to FY 2023. The study used 75th percentile rates from

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

October 2023 to set the March 2023 Best Beginnings Childcare Scholarship reimbursement rates increasing all rates from their 2020 level. In addition, regression analyses done in the survey support higher childcare rates, or rate premiums, for high growth counties which included Flathead, Gallatin, Lewis and Clark, Missoula, Ravalli, and Yellowstone. Though authorized subsidies have remained relatively consistent throughout the years, these changes will directly impact program expenditures, and more so if enrollment in the program grows.

The chart below shows licensed provider capacity and the number of children authorized for Best Beginnings Childcare subsidies. This same data, as well as data on a county level, and further information can be found on the [Childcare Capacity and Subsidy Authorization interactive dashboard](#) maintained by the Department of Public Health and Human Services.



There are many competing variables that play a part in the child care landscape here in Montana. The Department of Labor and Industry has done analysis on some of these competing factors and the most recent report can be found [here](#).

Supplemental Nutrition Program for Women, Infants and Children

The Supplemental Nutrition Program for Women, Infants and Children (WIC) makes up 13.3% of the division's biennial budget request. According to the United States Department of Agriculture (USDA), this program provides "federal grants to states for supplemental foods, health care referrals and nutrition education for low-income pregnant, breastfeeding, and non-breastfeeding postpartum women, and to infants and children up to age five who are found to be at nutritional risk" (USDA WIC Eligibility Criteria 2021). This program is almost entirely federally funded.

Early Intervention Programs

ECFSD funds multiple programs that fall under the early intervention umbrella.

- Montana Milestones, or Part C of the IDEA Early Intervention Program provides a comprehensive system of early intervention services and supports for families who have infants and toddlers with developmental delays or disabilities or have been diagnosed with an established condition associated with significant delays in development. These services are provided for eligible children from birth to age three
- The Montana Children's Trust Fund supports initiatives to strengthen Montana families and prevent child abuse and neglect
- Fetal, Infant, Child and Maternal Mortality Review and Injury Prevention which is a statewide effort to reduce preventable fetal, infant, child, and maternal deaths
- Healthy Montana Families Home Visiting programs which offer professional home visiting services to low income pregnant, and post-natal women as well as families/caregivers with infants and young children. Multiple home visiting models are implemented across the state so eligibility for the program is broad. This program is federally funded primarily by budget amendment authority through the Maternal Infant and Early Childhood Home Visiting (MIECHV) funding
- Sexual Assault Prevention and Victim Services implement many different efforts to reduce risk factors and increase protective factors associated with sexual violence perpetration and victimization

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

Child and Adult Care Food Program

The Child and Adult Care Food Program (CACFP) is a primarily federally funded program that provides meal reimbursement to institutions who serve meals to enrolled children or adults. This reimbursement rate is determined by the USDA and is based on the number of meals served. Organizations eligible to apply for these reimbursements include licensed childcare centers, Head Start, adult day care or after school programs (no license required).

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	(424,053)	(52,409)	693,293	216,831	0.00	(420,507)	(52,406)	706,210	233,297
DP 3 - Inflation Deflation	0.00	0	0	(1,526)	(1,526)	0.00	0	0	(1,030)	(1,030)
Grand Total All Present Law Adjustments	0.00	(\$424,053)	(\$52,409)	\$691,767	\$215,305	0.00	(\$420,507)	(\$52,406)	\$705,180	\$232,267

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Early Childhood and Family Support Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$ 125,718
Management Changes	92,113
Total Budget Modifications	<u>(1,000)</u>
Total	<u>\$ 216,831</u>

Legislative changes for DP 1 are driven by benefits. Management changes are driven by pay plan increases, promotion adjustments and retention adjustments among other smaller increases. Budget modifications are slightly negative due to the reversal of a house adjustment.

69010 - Department Of Public Health & Human Services25-Early Childhood and Family Support

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 25001 - Provider Rate Adjustment - Part C Services - ECFSD	0.00	1,386,541	0	627,881	2,014,422	0.00	1,620,078	0	707,842	2,327,920
DP 25003 - Adjust Federal Authority to Match Grant Award Level - ECFSD	0.00	0	0	1,181,991	1,181,991	0.00	0	0	1,217,451	1,217,451
DP 25007 - Realign Appropriation for Children's Special Se	0.00	0	(333,165)	0	(333,165)	0.00	0	(333,015)	0	(333,015)
Total	0.00	\$1,386,541	(\$333,165)	\$1,809,872	\$2,863,248	0.00	\$1,620,078	(\$333,015)	\$1,925,293	\$3,212,356

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 25001 - Provider Rate Adjustment - Part C Services - ECFSD -

The executive requests adjustments of authority to support a provider rate increase for Part C of the Individuals with Disabilities Education Act (IDEA). The increase is intended to meet the provider rate increases specified by the Guidehouse Provider Rate Study completed in October 2023. The state has entered new contracts at a rate equal to that recommended by Guidehouse. This change package adjusts the budget to the level supported by the current provider rate.

DP 25003 - Adjust Federal Authority to Match Grant Award Level - ECFSD -

The executive requests adjustments to increase the federal appropriations of various grants in the Early Childhood and Family Services Division.

DP 25007 - Realign Appropriation for Children's Special Se -

The executive requests an adjustment of state special revenue funds for children's special health services to align appropriation with anticipated expenditures.

Program Base Budget Comparison

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

Program Base Budget Comparison						
Budget Item	Base Budget		Requested Budget		Biennium Change from Base	
	FY 2025	FY 2026	FY 2027	Amount	Percent	
PB	871.36	774.06	774.06	(97.30)	(5.6%)	
General Fund	72,112,922	112,360,895	112,683,420	80,818,471	56.0%	
State/Other Special Rev. Funds	21,948,180	18,860,058	18,989,225	(6,047,077)	(13.8%)	
Federal Spec. Rev. Funds	17,682,499	15,314,581	16,039,692	(4,010,725)	(11.3%)	
Total Funds	111,743,601	146,535,534	147,712,337	70,760,669	31.7%	
Personal Services	72,591,248	69,761,446	70,710,093	(4,710,957)	(3.2%)	
Operating Expenses	38,254,428	75,876,163	76,104,319	75,471,626	98.6%	
Equipment & Intangible Assets	77,093	77,093	77,093		0.0%	
Debt Service	820,832	820,832	820,832		0.0%	
Total Expenditures	111,743,601	146,535,534	147,712,337	70,760,669	31.7%	
Total Ongoing	111,743,601	111,485,296	112,434,529	432,623	0.2%	
Total One-Time-Only		35,050,238	35,277,808	70,328,046	0.0%	

Program Highlights

<p>Healthcare Facilities Division (HFD) Major Budget Highlights</p>
<ul style="list-style-type: none"> • The requested budget includes an increase over the biennium of 31.7%, which is driven by an OTO increase in operating expenses • The request includes one-time-only funding of \$70.3 million, with \$69.9 million in general fund over the biennium for “facility wage and operational standardization”, offset by a reduction of 97.30 PB
<p>Legislative Action Items</p>
<ul style="list-style-type: none"> • The legislature may wish to clarify legislative intent for PB reductions and additional facility operations funding if choosing to provide such an appropriation.

Executive Request

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

Health Care Facilities 2027 Biennium HB 2 Base Budget and Requested Adjustments										
	FY 2026					FY 2027				
	General Fund	State Special	Federal Special	Total Funds	% of Budget Request	General Fund	State Special	Federal Special	Total Funds	% of Budget Request
Base Budget	72,112,922	21,948,180	17,682,499	111,743,601	76.3%	72,112,922	21,948,180	17,682,499	111,743,601	75.6%
Statewide PL										
Personal Services	1,614,645	(432,199)	(108,155)	1,074,291	0.7%	1,693,617	(404,365)	(103,709)	1,185,543	0.8%
Fixed Costs	(426,141)	(119,816)	(24,559)	(570,516)	(0.4%)	(435,628)	(122,485)	(25,106)	(583,219)	(0.4%)
Inflation Deflation	(6,212)	(1,126)	0	(7,338)	(0.0%)	(4,199)	(760)	0	(4,959)	(0.0%)
Total Statewide PL	1,182,292	(553,141)	(132,714)	496,437	0.3%	1,253,790	(527,610)	(128,815)	597,365	0.4%
Present Law (PL)	1,632,024	234,218	894,091	2,760,333	1.9%	1,746,323	247,012	1,615,303	3,608,638	2.4%
New Proposals	37,433,657	(2,769,199)	(3,129,295)	31,535,163	21.5%	37,570,385	(2,678,357)	(3,129,295)	31,762,733	21.5%
Total HB 2 Adjustments	40,247,973	(3,088,122)	761,377	34,791,933	23.7%	40,570,498	(2,958,955)	1,486,488	35,968,736	24.4%
Total Requested Budget	112,360,895	18,860,058	18,443,876	146,535,534		112,683,420	18,989,225	19,168,987	147,712,337	

Funding

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

Department of Public Health & Human Services, 33-Health Care Facilities Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	155,126,149	69,918,166	0	0	225,044,315	76.5%	
02023 Private Ins. Medicaid Reim.-Ve	10,044,546	0	0	0	10,044,546	26.5%	
02032 Vets-I&I Lease	35,782	0	0	0	35,782	0.1%	
02034 Earmarked Alcohol Funds	11,337,626	409,880	0	0	11,747,506	31.0%	
02260 Cigarette Tax Revenue	9,835,750	0	0	0	9,835,750	26.0%	
02384 02 Indirect Activity Prog 33	699,363	0	0	0	699,363	1.8%	
02598 MCDL Cost Recovery	4,703,020	0	0	0	4,703,020	12.4%	
02691 6901-MSH/DOC Maint Agreement	280,162	0	0	0	280,162	0.7%	
02959 EMVH Clinic Rent	112,882	0	0	0	112,882	0.3%	
02987 Tobacco Interest	390,272	0	0	0	390,272	1.0%	
State Special Total	\$37,439,403	\$409,880	\$0	\$0	\$37,849,283	12.9%	
03005 EMVH V-A Nursing Reimbursement	10,205,369	0	0	0	10,205,369	32.5%	
03112 Vets-V.A. Reimb	10,432,021	0	0	0	10,432,021	33.3%	
03501 64.014 - Vets St. Domic Care 1	450,696	0	0	0	450,696	1.4%	
03601 03 Indirect Activity Prog 33	406,446	0	0	0	406,446	1.3%	
03976 SWMVH Vets VA reimbursement	9,859,741	0	0	0	9,859,741	31.4%	
Federal Special Total	\$31,354,273	\$0	\$0	\$0	\$31,354,273	10.7%	
Proprietary Total	\$0	\$0	\$0	\$0	\$0	0.0%	
Total All Funds	\$223,919,825	\$70,328,046	\$0	\$0	\$294,247,871		

The 2027 biennium HFD HB 2 budget request is funded by general fund, state special revenue, and federal funds.

General fund pays for administration and facility costs, including personal services and operating expenses.

State special revenue includes several sources of revenue:

- Cigarette Tax Revenue: By statute, 8.3% of cigarette taxes collected are deposited into a state special revenue account for support of veterans’ nursing home costs at state operated veterans’ homes. Statute requires that funds in excess of \$2.0 million in the veterans’ portion of the cigarette tax revenue be transferred to the general fund at the end of the fiscal year. Cigarette taxes are a declining revenue source
- Earmarked Alcohol funds support the Montana Chemical Dependency Center (MCDC) in Butte

Federal funds in the proposed budget are associated with the three veterans’ homes.

Program Actuals and Budget Comparison

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

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2024	Approp. Fiscal 2024	Approp. Fiscal 2025	Request Fiscal 2026	Request Fiscal 2027
PB	0.00	871.36	871.36	774.06	774.06
Personal Services	52,234,218	67,862,856	72,591,248	69,761,446	70,710,093
Operating Expenses	52,215,530	46,199,550	38,254,428	75,876,163	76,104,319
Equipment & Intangible Assets	187,067	173,553	77,093	77,093	77,093
Benefits & Claims	1,000	0	0	0	0
Transfers	0	50,001	0	0	0
Debt Service	2,132,724	787,231	820,832	820,832	820,832
Total Expenditures	\$106,770,539	\$115,073,191	\$111,743,601	\$146,535,534	\$147,712,337
General Fund	77,617,495	77,680,511	72,112,922	112,360,895	112,683,420
State/Other Special Rev. Funds	17,322,812	20,499,460	21,948,180	18,860,058	18,989,225
Federal Spec. Rev. Funds	11,830,232	16,893,220	17,682,499	15,314,581	16,039,692
Total Funds	\$106,770,539	\$115,073,191	\$111,743,601	\$146,535,534	\$147,712,337
Total Ongoing	\$106,770,539	\$115,073,191	\$111,743,601	\$111,485,296	\$112,434,529
Total OTO	\$0	\$0	\$0	\$35,050,238	\$35,277,808

Program Description

The Healthcare Facilities Division (HFD) is responsible for the management and oversight of seven state health care facilities. HFD facilities include the Montana State Hospital (MSH) in Warm Springs, Montana Mental Health Nursing Care Center (MMHNCC) in Lewistown; Montana Chemical Dependency Center (MCDC) in Butte, Montana Veterans’ Home (MVH) in Columbia Falls, Southwest Montana Veterans Home (SWMVH) in Butte (contracted), Eastern Montana Veterans Home (EMVH) in Glendive (contracted), and the Intensive Behavior Center (IBC) in Boulder. HFD clients include Montanans living with mental illness, substance use disorders, developmental disabilities, and/or aging-related health conditions.

FY 2024 Appropriation Compared to FY 2024 Actual Expenditures

In FY 2024 HFD expended 92.8% of its overall ongoing HB 2 budget, and 99.9% of its general fund budget.

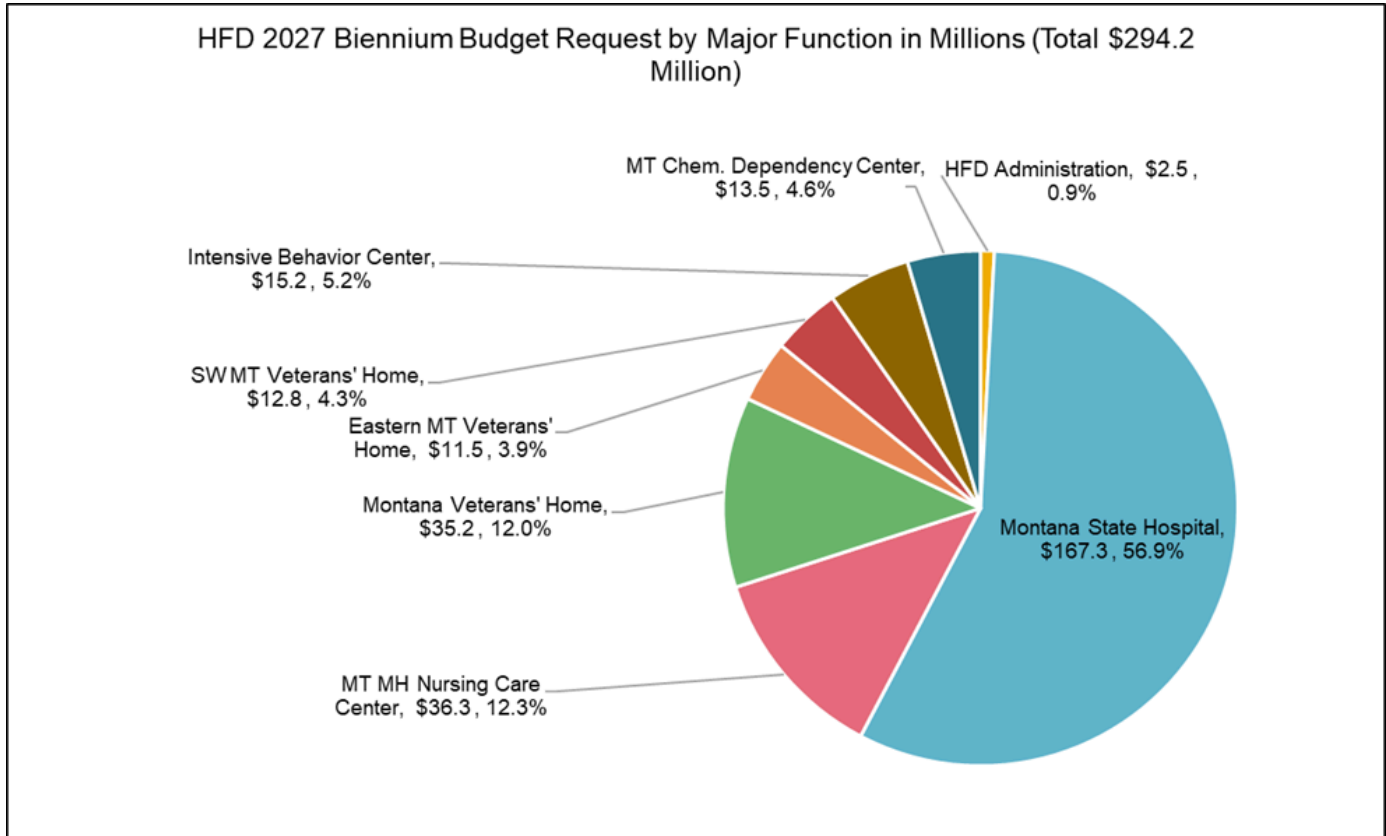
FY 2024 Appropriation Compared to FY 2025 Appropriation

HFD ongoing FY 2025 total appropriations are \$3.3 million lower, or 2.9% lower, than the FY 2024 total appropriation of \$115.1 million. This difference is primarily due to a lower budgeted amount for operating expenses in FY 2025.

Program Discussion

Biennium Budget by Major Function

The HFD 2027 biennium HB 2 budget request is \$294.2 million. The table below illustrates the HFD budget request by major function.

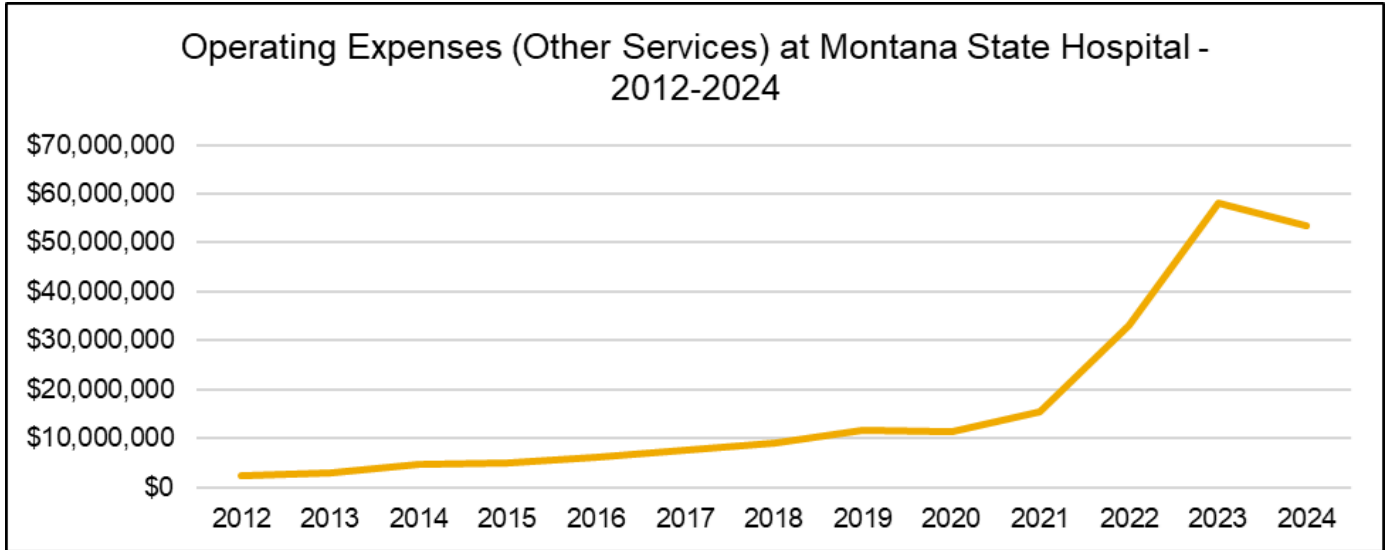


The majority of the HFD budget request supports the seven facilities. Division administration makes up 0.9% of the total.

The Montana State Hospital

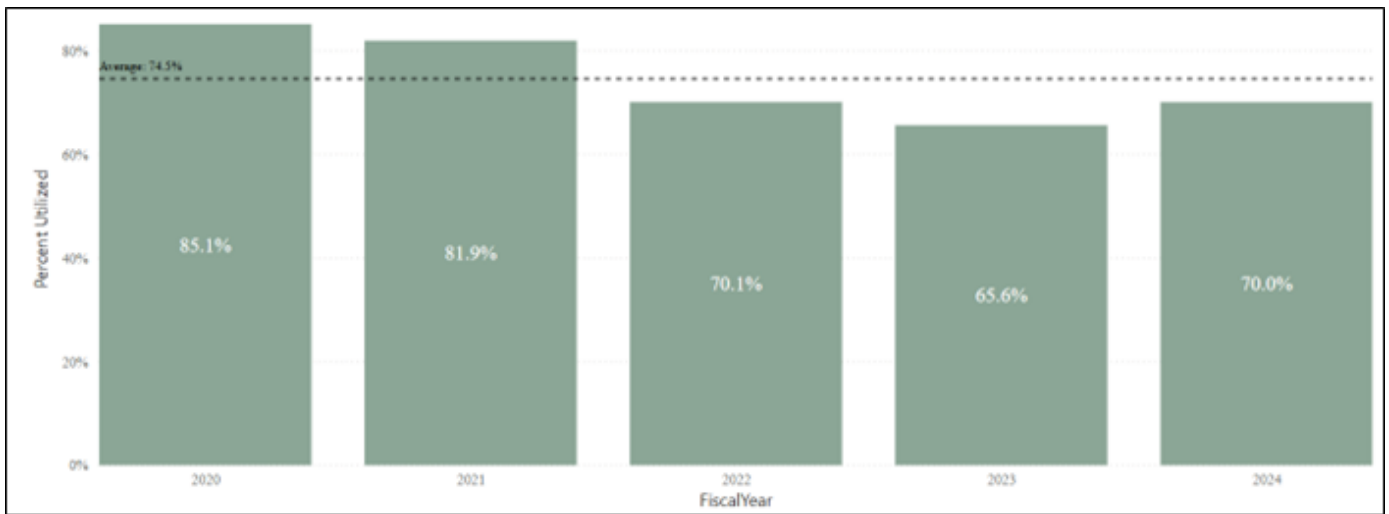
The requested HB 2 budget for the Montana State Hospital is a 56.0% increase in FY 2026 and 56.3% increase in FY 2027 as compared to the FY 2025 base budget for the same facility. During the 2023 biennium interim (April 2022) MSH lost its CMS Medicare/Medicaid reimbursable facility status due to being “out of compliance with CMS basic health and safety requirements.” DPHHS and the Department of Administration (DOA) are in the process of working toward compliance and CMS recertification. The target date for recertification completion is December 2025, and spending as of September 2024 on recertification totaled \$15.3 million.

Difficulties at MSH predate this most recent action by CMS. The facility has had difficulty maintaining adequate staffing levels over the past few biennia. The graph below shows expenditures at MSH on the “other expenses” category of operating expenses. Most, though not all, of this category of expenditure at MSH is on contract labor. Contract labor (traveling nurses and similar types of roles) is used to fill gaps in staffing when state employees are not sufficient to meet staffing level requirements.

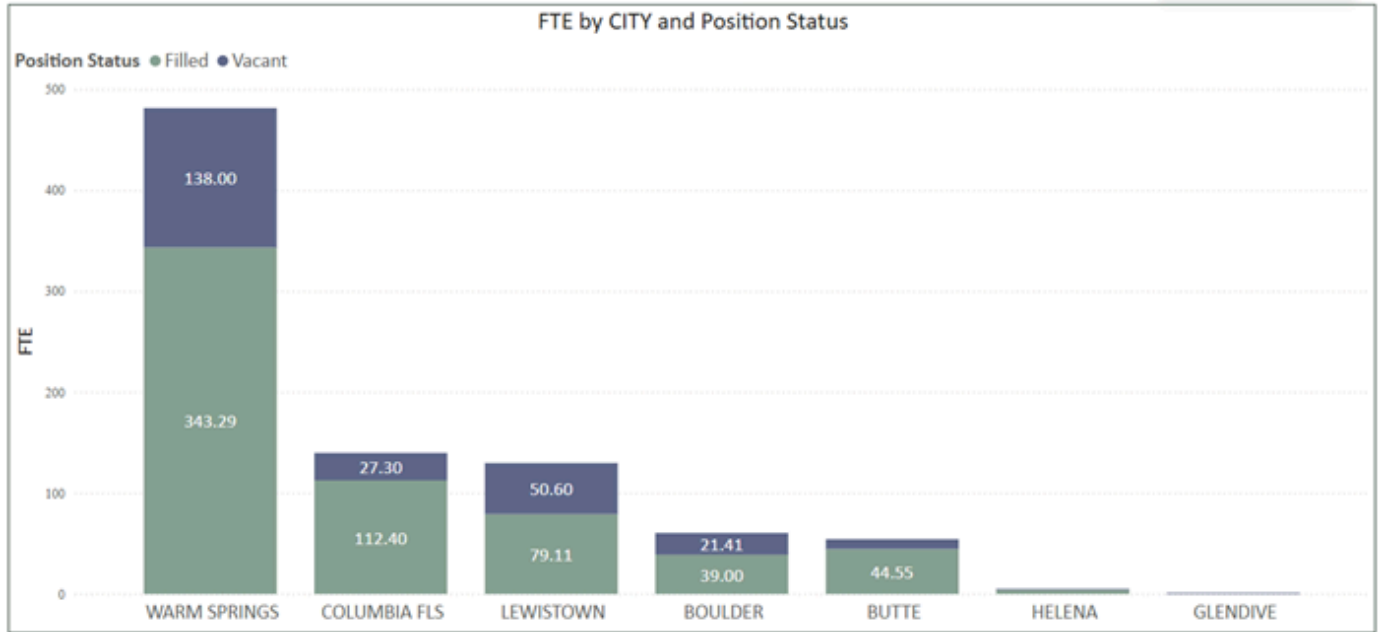


Vacancies and Utilized Hours in HFD

The column graph below shows the percentage of appropriated hours of labor that were utilized at HFD in the FY 2020-2024 period. The drop in utilized hours over time indicates elevated levels of vacancies.



The graph below shows filled and vacant positions for the seven HFD facilities as of August 1, 2024. Overall, the vacancy rate for HFD at this time was 28.6%, or 249.01 PB out of 871.36 PB vacant.



Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	1,614,645	(432,199)	(108,155)	1,074,291	0.00	1,693,617	(404,365)	(103,709)	1,185,543
DP 2 - Fixed Costs	0.00	(426,141)	(119,816)	(24,559)	(570,516)	0.00	(435,628)	(122,485)	(25,106)	(583,219)
DP 3 - Inflation Deflation	0.00	(6,212)	(1,126)	0	(7,338)	0.00	(4,199)	(760)	0	(4,959)
DP 33001 - Overtime/Holiday/Differential - MSH	0.00	495,473	0	0	495,473	0.00	495,473	0	0	495,473
DP 33002 - Overtime/Holiday/Differential - MVH	0.00	0	137,190	69,459	206,649	0.00	0	137,190	69,459	206,649
DP 33003 - Overtime/Holiday/Differential - IBC	0.00	135,203	0	0	135,203	0.00	135,203	0	0	135,203
DP 33004 - Overtime/Holiday/Differential - MHNCC	0.00	177,041	0	0	177,041	0.00	177,041	0	0	177,041
DP 33005 - Overtime/Holiday/Differential - MCDC	0.00	0	65,964	0	65,964	0.00	0	65,964	0	65,964
DP 33006 - Per Deim Request - EMVH	0.00	0	0	590,263	590,263	0.00	0	0	892,372	892,372
DP 33007 - Per Deim Request - SWMVH	0.00	0	0	222,718	222,718	0.00	0	0	637,023	637,023
DP 33009 - Facilities Contracted Services Rate Increase	0.00	824,307	31,064	11,651	867,022	0.00	938,606	43,858	16,449	998,913
Grand Total All Present Law Adjustments	0.00	\$2,814,316	(\$318,923)	\$761,377	\$3,256,770	0.00	\$3,000,113	(\$280,598)	\$1,486,488	\$4,206,003

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2025 biennium

Department of Public Health and Human Services Healthcare Facilities Division FY 2026 Statewide Present Law Adjustment for Personal Services	
Legislative Changes	\$(9,661,864)
Management Changes	799,913
Total Budget Modifications	<u>9,936,243</u>
Total	<u><u>\$1,074,291</u></u>

The significant reductions in legislative changes in DP1 are driven by backing out one-time-only appropriations for HFD passed during the 2023 Session. The Legislature appropriated \$30.0 million general fund in FY 2024 and \$20.0 million general fund in FY 2025 to support facility operation. Of the \$20.0 million in FY 2025, the \$10.0 million appropriated for personal services was backed out of DP 1.

Management changes are driven by promotion, retention, and hiring differential pay. The most significant budget modification in the 2025 biennium moved \$9.7 million out of personal services and into operating expenses to pay for contract labor – DP 1 adds this amount, along with some other smaller changes, back into personal services.

DP 2 - Fixed Costs -

The request includes reductions of \$570,516 in FY 2026 and \$583,219 in FY 2027 to provide the funding required in the budget to pay fixed costs assessed by other agencies within state government for the services they provide. Examples of fixed costs include liability and property insurance, legislative audit, warrant writer, payroll processing, and others. The rates charged for these services are approved in a separate portion of the budget.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include in-state state motor pool and motor pool leased vehicles.

DP 33001 - Overtime/Holiday/Differential - MSH -

The executive requests funding for existing services at the Montana State Hospital in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase is intended to fully fund overtime to maintain required staffing levels at this 24/7 acute care facility in addition to what is funded in DP 1.

DP 33002 - Overtime/Holiday/Differential - MVH -

The executive requests funding for existing services at the Montana Veterans Home in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase fully funds overtime to maintain required staffing levels at this 24/7 facility in addition to what is funded in DP 1.

DP 33003 - Overtime/Holiday/Differential - IBC -

The executive requests funding for existing services at the Intensive Behavior Center in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase is intended to fully fund overtime to maintain required staffing levels at this 24/7 facility in addition to what is funded in DP 1.

DP 33004 - Overtime/Holiday/Differential - MHNCC -

The executive requests funding for existing services at the Montana Mental Health Nursing Care Center in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase is intended to fully fund overtime to maintain required staffing levels at this 24/7 facility in addition to what is funded in DP 1.

DP 33005 - Overtime/Holiday/Differential - MCDC -

The executive requests funding for existing services at the Montana Chemical Dependency Center in HFD. Overtime personal services expenses are removed from the adjusted base when the program's positions are funded. The increase is intended to fully fund overtime to maintain required staffing levels at this 24/7 facility in addition to what is funded in DP 1.

DP 33006 - Per Deim Request - EMVH -

The executive requests an increase in federal authority for the federal Veterans Administration (VA) per diem rates that will be reimbursed for the nursing facility days of care at the Eastern Montana Veterans Home (EMVH) in the Healthcare Facility Division in the 2027 Biennium. The VA per diem rate increases effective October 1st of each year.

DP 33007 - Per Deim Request - SWMVH -

The executive requests an increase in federal authority for the federal Veterans Affairs (VA) per diem rates that will be reimbursed for the nursing facility days of care at the Southwest Montana Veterans Home in the Healthcare Facilities Division in the 2027 biennium. The VA per diem rate increases on October 1st of each year.

DP 33009 - Facilities Contracted Services Rate Increase -

The executive requests funding to maintain operational contracted services at the state-run facilities within the Healthcare Facilities Division. Examples of this include food services and laundry services.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	-----Fiscal 2026-----					-----Fiscal 2027-----				
	PB	General Fund	State Special	Federal Special	Total Funds	PB	General Fund	State Special	Federal Special	Total Funds
DP 33104 - Facility Wage and Operational Standardization (OTO)	(97.30)	34,890,719	159,519	0	35,050,238	(97.30)	35,027,447	250,361	0	35,277,808
DP 33107 - State Special Revenue Funding Switch - MCDC	0.00	0	0	0	0	0.00	0	0	0	0
DP 33108 - State Special Revenue Fund Switch - MSH	0.00	0	0	0	0	0.00	0	0	0	0
DP 33109 - Realign Appropriation for SWMVH VA Reimbursement	0.00	0	0	(2,067,833)	(2,067,833)	0.00	0	0	(2,067,833)	(2,067,833)
DP 33201 - Fund Switch and Realignment for Montana Veterans	0.00	2,542,938	(2,928,718)	(1,061,462)	(1,447,242)	0.00	2,542,938	(2,928,718)	(1,061,462)	(1,447,242)
Total	(97.30)	\$37,433,657	(\$2,769,199)	(\$3,129,295)	\$31,535,163	(97.30)	\$37,570,385	(\$2,678,357)	(\$3,129,295)	\$31,762,733

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 33104 - Facility Wage and Operational Standardization (OTO) -

The executive requests to adjust wages for targeted clinical positions among all facilities and adjust operational funding, including contracted clinical labor in the Healthcare Facilities Division. The adjusted funding request reflects the current operating environment at 24/7 state health care facilities tasked with serving vulnerable populations. These facilities continue to exhibit significant authorized PB vacancy rates, which has led to the contracting of certain clinical positions to ensure patient and staff safety and the mandatory admission of patients, as well as to maintain facility licensure.

Funding associated with contracted clinical labor is requested as one-time-only and will not be included in the base budget, allowing DPHHS to continue reevaluating and reforming facilities operations in subsequent biennia. This package requests \$70.3 million in total funds for the biennium, including \$69.9 million in general fund and \$409,880 in state special funds. This also includes a reduction of 97.30 PB with associated funding. The reduction in personal services funding associated with the removal of 97.30 PB is offset by an increase to both personal services in some areas of the HFD budget (most notably the MT Mental Health Nursing Care Center and the Montana State Hospital) and significant increases in operating expenses for contract staff, most notably at MSH.

LFD ISSUE **Legislative Options for Facility Funding**

While the executive has proposed this as one-time-only (OTO), the interpretation of this for various aspects could be less than clear when determining the base budget for the next biennium. The legislature may wish to clarify their intent regarding any actions taken.

One option for clarification would be to break the components of DP 33104 into several discrete decision packages:

- One-time-only funding for operating expenses (contract staff) at 24/7 facilities
- Ongoing funding for higher wages for state employees at 24/7 facilities
- Ongoing removal of vacant PB and associated funding

Breaking these components apart may permit more clarity on budget components that are intended to be one-time-only versus those intended to be ongoing.

DP 33107 - State Special Revenue Funding Switch - MCDC -

The executive requests to align Medicaid cost recovery funds for the Montana Chemical Dependency Center in the Healthcare Facilities Division. This fund switch increases state special revenue funds for alcohol tax and decreases state special revenue funds for Medicaid cost recovery revenue in each year of the biennium. The total cost for the program is not impacted by this package.

DP 33108 - State Special Revenue Fund Switch - MSH -

The executive requests to align cigarette tax revenue in the Healthcare Facilities Division. This fund switch increases state special revenue funds for alcohol tax and decreases state special revenue funds for cigarette tax revenue in each year of the biennium. The total cost for the program is not impacted by this decision package.

DP 33109 - Realign Appropriation for SWMVH VA Reimbursement -

The executive requests to reduce the appropriation of federal funds to the Southwest Montana Veterans Home to align appropriations with anticipated expenditures.

DP 33201 - Fund Switch and Realignment for Montana Veterans' Home Programs -

The executive requests to realign funding for the Montana Veterans' Home programs. Included in the realignment is a fund switch reducing the use of state special revenue cigarette taxes and federal funds, while increasing general funds.