



## HB 2 SUMMARY

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HB 2 is the appropriations bill for the operations of state government, and includes most agency appropriations, with the exception of:

- Statutory appropriations, (e.g., State Fund, debt service, local government distributions)
- Other appropriations bills (cat-and-dog bills)
- Transfers

An index and cross-walk of agencies to narrative page number and bill page number is in the “Glossary/Index” tab, beginning on page 7.

Note: The bill (HB 645) to appropriate and implement the federal “American Recovery and Reinvestment Act” (federal stimulus) funds for Montana in some cases amends HB 2 for the purpose of replacing general fund with federal stimulus funds, and the amount will likely be well in excess of \$200 million. HB 2 and this narrative do not reflect the total impact of these fund switches. Legislative Fiscal Division staff provides a separate narrative for HB 645 and a reconciliation of the two bills in a separate document.

## STATE BUDGET SUMMARY

The color graphics included in Figures 1 through 6 provide a summarization of HB 2 appropriations through Senate Finance Committee action. The pie charts summarize HB 2 by general program area (agency/function) and by fund type. The bar graphs show the amount of increase in the 2011 biennium budget over the 2009 biennium. Funding for the 2011 biennium in the graphs is as contained in HB 2 only, and does not include other initiatives such as pay proposals and other cat-and-dog appropriation bills. It is further important to note that the bar graph comparisons are on a biennium-to-biennium basis, which is the appropriate (statutorily required) method for comparing increases from biennium to biennium, rather than the method used for budget development (base year only). Thus, the bar graphs should be used for comparison purposes only, and will not tie to the amount of increases reflected in the remainder of this narrative, where increases are measured from the base. As shown in the graphs:

HB 2 appropriations for the 2011 biennium through Senate Finance Committee action total:

- \$3.2 billion general fund (page 2)
- \$7.9 billion total funds (page 3)

HB 2 provides for biennial changes of:

- \$82.3 million general fund increase, or 2.6 percent (1.3 percent per year) (page 3)
- \$250.5 million total funds increase, or 3.3 percent (1.6 percent per year) (page 4)

## INCREASE BY GENERAL PROGRAM AREA

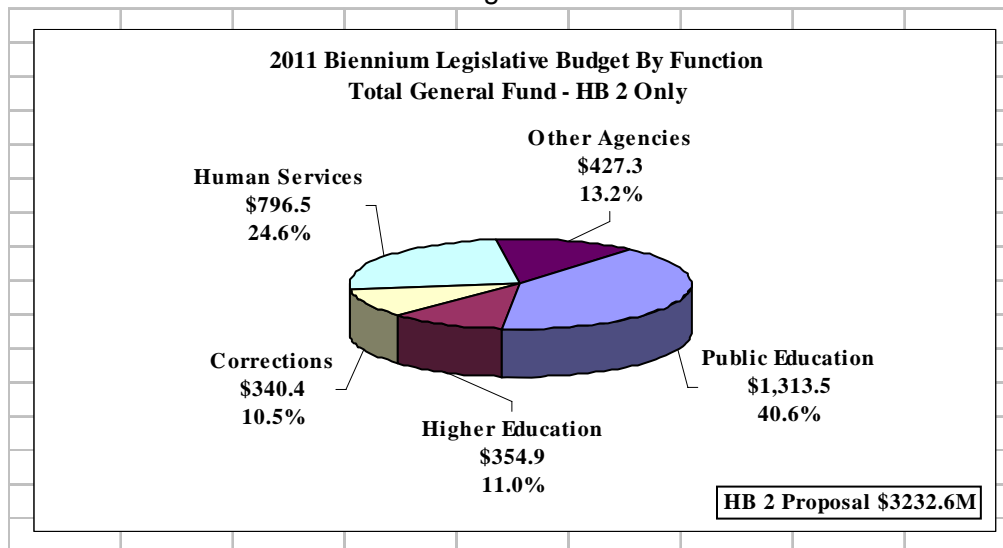
Figure 1 shows the amount and percent of the general fund for major categories:

Budget share:

K-12 and higher education	51.6%
Human services	24.6%
Corrections	10.5%

Together, these total 86.7 percent of the total HB 2 general fund budget.

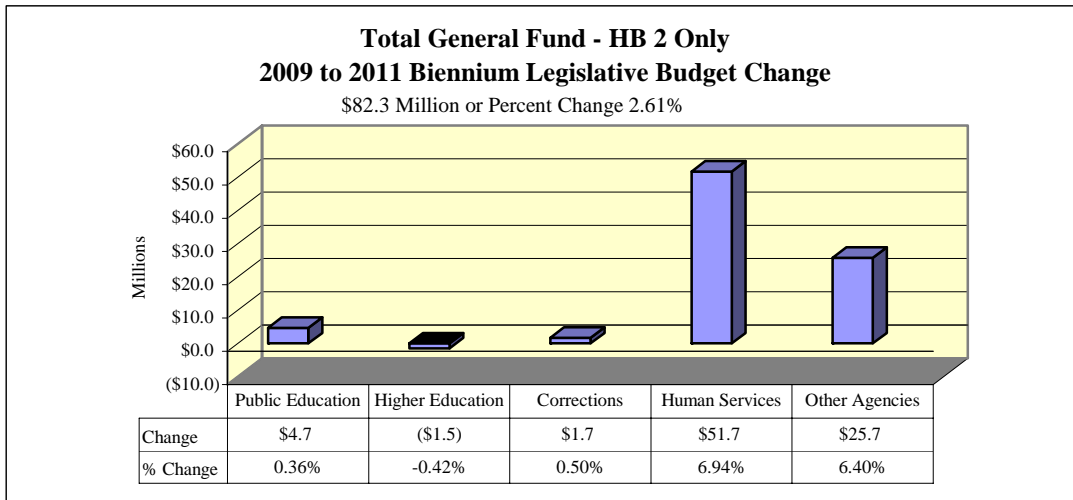
Figure 1



As illustrated in Figure 2, the general fund budget net increase of \$82.3 million is due to the following:

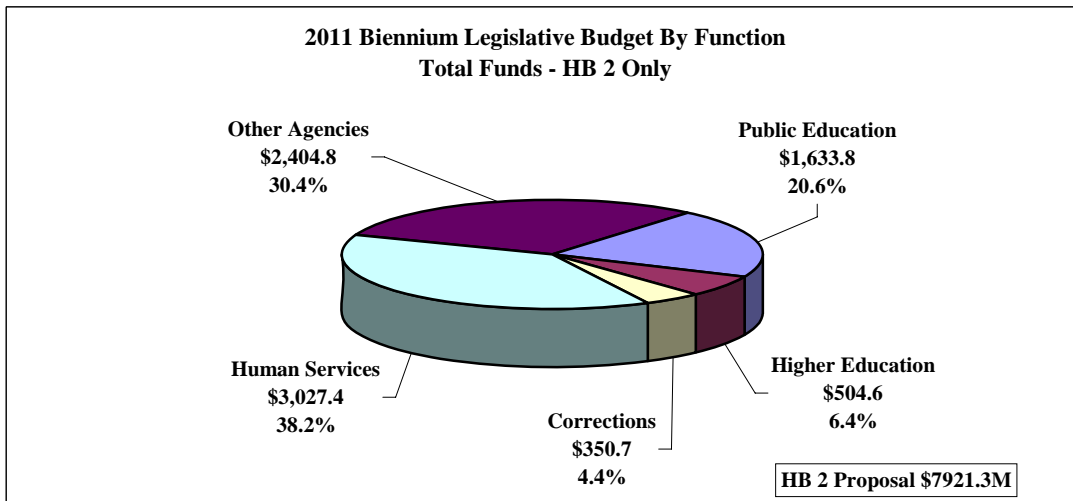
- Human services increases \$51.7 million due primarily to changes in the state matching rate for Medicaid, caseload and services increases (most notably in Medicaid), funding an increase in CHIP eligibility from 175 to 200 percent of the federal poverty level, and annualization of rate increases authorized for FY 2009
- Corrections increases \$ 1.7 million primarily due to the adoption of a 3 percent growth rate in treatment, secure care, and community services, but the projected growth rate is largely negated by a \$6.9 million across-the-board reduction
- Higher education decreases a net \$1.5 million. Increase are provided for full implementation in the 2011 biennium of the Quality Educator Loan Assistance and Governor's Postsecondary Scholarship programs, present law increases for the WICHE/WWAMI/MN Dental program, and the approval of present law increases through FY 2009 only at MUS educational units – These increases are more than offset by a \$7.2 million across-the-board reduction
- Public schools increases \$4.7 million primarily due to increases in the basic and per ANB entitlements of 1 percent a year – This is partially offset by the elimination of at-risk payment adjustments
- All other increases \$25.7 million, primarily due to statewide present law adjustments and for maintenance of certain economic development programs – Decreases include a \$5.0 million across-the-board reduction for agencies in this category

Figure 2



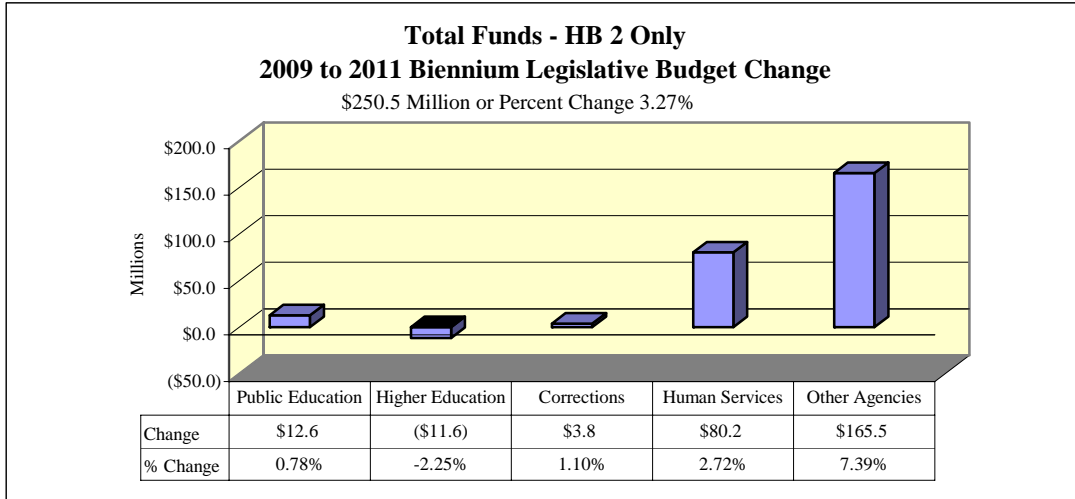
As shown in Figure 3 (Total Funds), the “All Other” and “Human Services” categories comprise a significantly higher share of the pie as compared to the general fund pie chart. This is because a large share of funding for human services, highway construction, and Fish, Wildlife and Parks funding is from non-general fund sources (state and federal special).

Figure 3



The increases in total funds shown in Figure 4 reflect additional state special and federal funding for human services programs as well as for K-12, highway construction, various federal grants, and environmental functions. These increases are described in more detail in the next section.

Figure 4



## FUNDING SUMMARY

Figure 5 shows how HB 2 is funded. General fund provides 40.8 percent and federal funds provide 42.8 percent of total HB 2 funds.

Figure 5

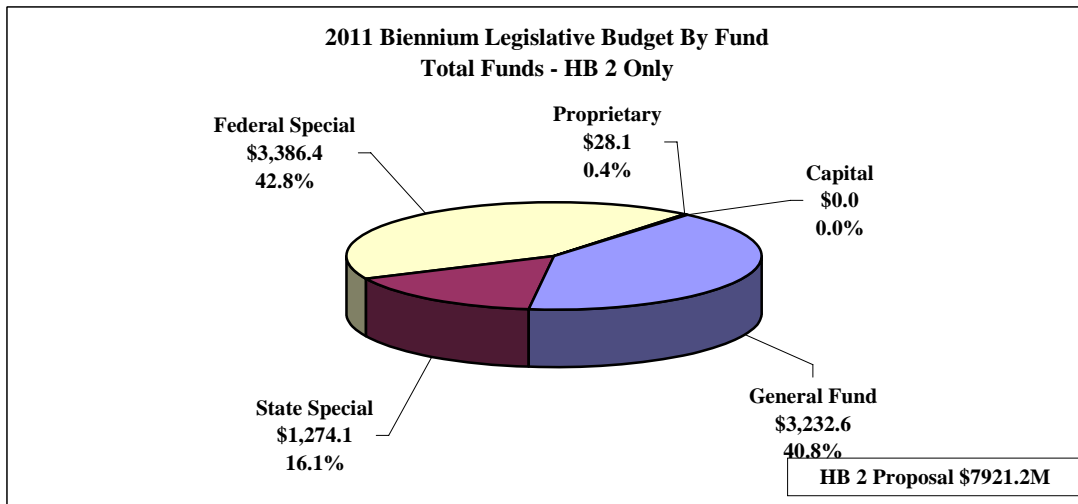


Figure 6 shows the following increases in funding:

Federal funds increase \$98.7 million, or 3.0 percent (this equals 39.4 percent of the total HB 2 increase).

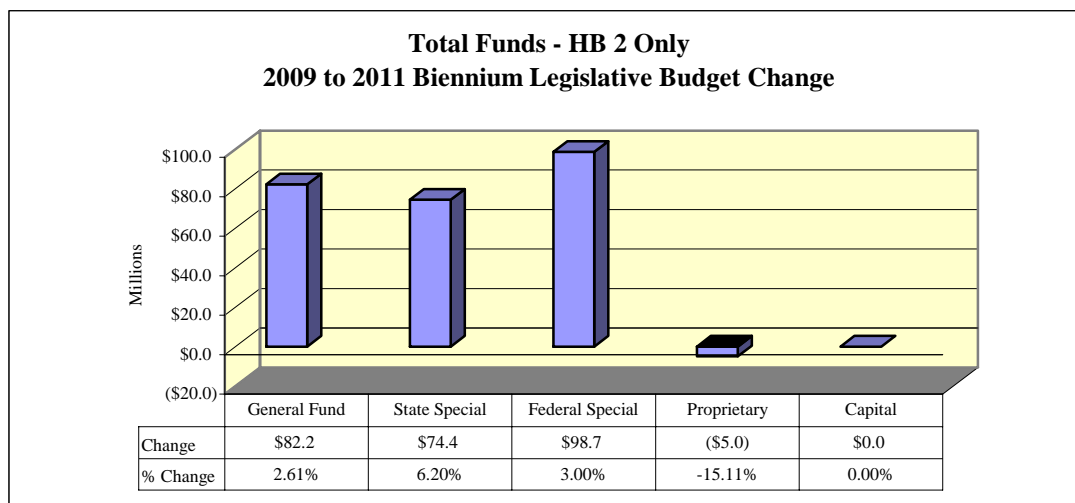
- Human services decreases \$42.0 million, largely due to an accounting adjustment for the matching funds for the hospital bed tax – Offsetting increases are for increased caseloads, annualization of FY 2009 provider rates, service utilization in a number of programs, most particularly in Medicaid, and increased food stamp benefits
- Major increases are due to federal highway funding and various federal grants such as homeland security, housing, and education

State special revenue funds increase \$74.4 million, or 6.2 percent, and include \$25.0 million of one-time-only appropriations. Increases include:

- Increased use of I-149 (tobacco settlement) funds for a variety of human services functions, including Big Sky Rx, CHIP state match, and Medicaid coverage for organ transplants for adults
- Annualization of costs associated with the Insure Montana Program (State Auditor’s Office)
- Six mill levy increases for the Montana University System
- Natural resource remediation projects within the Department of Environmental Quality
- Grants in the Department of Agriculture

General fund increases \$82.3 million, or 2.6 percent, as described in the previous section.

Figure 6



## COMPARISON TO PRESENT LAW AND NEW PROPOSALS

Figure 7 provides a general fund summary, by agency, of the executive budget recommendation compared to legislative action to date as well as the cost of continuing the present law level of operations and services.

The first column shows the present law budget to date contained in HB 2, \$3.271 billion. The second column shows the total executive proposed present law budget, \$3.348 billion, and the third column shows the Senate Finance Committee present law budget recommendation is \$77.6 million below the executive recommendation. The “Executive New Proposals” column shows that the executive budget included \$7.8 million of new proposals. And as shown in the column “Senate F & C New Proposals”, the HB 2 new proposals are a negative \$38.1 million, which is \$45.9 million below the executive recommendation.

Figure 7

Senate Finance & Claims Action Compared to the Executive Total General Fund - HB2 Only - Present Law & New Proposals						
Sub-Committee	Senate F&C Present Law	Executive Present Law	Senate F&C Over/Under	Senate F&C New Proposals	Executive New Proposals	Senate F&C Over/Under
<b>01 General Government</b>	<b>175,838,227</b>	<b>176,297,290</b>	<b>(459,063)</b>	<b>(1,060,137)</b>	<b>7,243,631</b>	<b>(8,303,768)</b>
1104 Legislative Branch	22,750,208	22,750,208	-	835,377	1,247,788	(412,411)
3101 Governors Office	12,356,548	12,356,548	-	(577,654)	(211,332)	(366,322)
3202 Commissioner of Political Practices	894,943	894,943	-	65,377	161,282	(95,905)
5801 Department of Revenue	103,492,445	103,871,286	(378,841)	(8,030,887)	(2,025,183)	(6,005,704)
6101 Department of Administration	14,254,978	14,235,048	19,930	213,365	1,466,685	(1,253,320)
6106 Montana Consensus Council	152,032	152,032	-	(152,032)	(152,032)	-
6501 Department of Commerce	5,531,021	5,631,021	(100,000)	6,402,938	6,261,780	141,158
6602 Labor & Industry	4,825,196	4,825,196	-	339,899	433,165	(93,266)
6701 Department of Military Affairs	11,580,856	11,581,008	(152)	(156,520)	61,478	(217,998)
<b>02 Health &amp; Human Services</b>	<b>806,020,214</b>	<b>811,425,257</b>	<b>(5,405,043)</b>	<b>(9,482,769)</b>	<b>7,366,257</b>	<b>(16,849,026)</b>
6901 Department Public Health & Human Services	806,020,214	811,425,257	(5,405,043)	(9,482,769)	7,366,257	(16,849,026)
<b>03 Natural Resources &amp; Transportation</b>	<b>61,783,940</b>	<b>61,371,011</b>	<b>412,929</b>	<b>1,246,250</b>	<b>1,756,876</b>	<b>(510,626)</b>
5201 Department of Fish, Wildlife & Parks	-	-	-	-	-	-
5301 Department of Environmental Quality	11,889,455	11,889,455	-	(1,549,832)	(33,925)	(1,515,907)
5401 Department of Transportation	-	-	-	2,600,000	-	2,600,000
5603 Department of Livestock	2,289,666	2,289,666	-	660,597	233,377	427,220
5706 Department Nat Resource/Conservation	45,825,291	45,412,362	412,929	(1,414,198)	565,655	(1,979,853)
6201 Department of Agriculture	1,779,528	1,779,528	-	949,683	991,769	(42,086)
<b>04 Judicial Branch, Law Enforcement, Justice</b>	<b>513,252,460</b>	<b>529,414,788</b>	<b>(16,162,328)</b>	<b>(7,102,630)</b>	<b>(971,682)</b>	<b>(6,130,948)</b>
2110 Judiciary	70,754,167	69,759,525	994,642	(1,032,270)	335,299	(1,367,569)
4107 Crime Control Division	4,844,596	5,008,274	(163,678)	(31,000)	64,830	(95,830)
4110 Department of Justice	52,581,986	52,964,988	(383,002)	(466,928)	(482,945)	16,017
6108 Office of Public Defender	40,979,630	40,979,630	-	(1,905,617)	(697,925)	(1,207,692)
6401 Department of Corrections	344,092,081	360,702,371	(16,610,290)	(3,666,815)	(190,941)	(3,475,874)
<b>05 Education</b>	<b>1,713,772,510</b>	<b>1,769,756,796</b>	<b>(55,984,286)</b>	<b>(21,677,966)</b>	<b>(7,595,646)</b>	<b>(14,082,320)</b>
3501 Office of Public Instruction	1,324,809,570	1,367,714,264	(42,904,694)	(11,334,160)	3,632,825	(14,966,985)
5101 Board of Public Education	441,280	441,280	-	3,608	12,687	(9,079)
5102 Commissioner of Higher Education	364,840,730	377,920,402	(13,079,672)	(9,988,600)	(11,120,699)	1,132,099
5113 School For The Deaf & Blind	11,901,451	11,901,456	(5)	(251,043)	(323,236)	72,193
5114 Montana Arts Council	942,400	942,400	-	(18,583)	270	(18,853)
5115 Library Commission	5,134,453	5,134,368	85	300,179	411,090	(110,911)
5117 Historical Society	5,702,626	5,702,626	-	(389,367)	(208,583)	(180,784)
<b>Grand Total</b>	<b>\$3,270,667,351</b>	<b>\$3,348,265,142</b>	<b>(\$77,597,791)</b>	<b>(\$38,077,252)</b>	<b>\$7,799,436</b>	<b>(\$45,876,688)</b>

Figure 8 shows a summary similar to the general fund summary in Figure 7, but for total funds, comparing legislative action to date to the executive proposal by present law and new proposals. As shown in Figure 8, legislative action to date is \$241 million below the executive recommendation for present law, and \$27 million below the executive recommendation of \$71 million for new proposals.

Figure 8

Senate Finance & Claims Action Compared to the Executive Total Funds - HB2 Only - Present Law & New Proposals						
Sub-Committee	Senate F&C Present Law	Executive Present Law	Senate F&C Over/Under	Senate F&C New Proposals	Executive New Proposals	Senate F&C Over/Under
<b>01 General Government</b>	<b>494,562,280</b>	<b>495,361,937</b>	<b>(799,657)</b>	<b>31,791,002</b>	<b>35,949,764</b>	<b>(4,158,762)</b>
1104 Legislative Branch	27,465,601	27,465,601	-	772,186	1,247,788	(475,602)
1112 Consumer Counsel	3,513,837	3,513,837	-	(749,692)	308	(750,000)
3101 Governors Office	12,421,548	12,421,548	-	(577,654)	(211,332)	(366,322)
3201 Secretary of States Office	-	-	-	1,400,000	305,000	1,095,000
3202 Commissioner of Political Practices	894,943	894,943	-	65,377	161,282	(95,905)
3401 State Auditors Office	37,228,103	37,319,072	(90,969)	350,609	339,133	11,476
5801 Department of Revenue	110,712,339	110,911,180	(198,841)	(7,604,647)	(1,598,943)	(6,005,704)
6101 Department of Administration	44,807,318	44,479,371	327,947	382,535	1,659,851	(1,277,316)
6106 Montana Consensus Council	408,682	408,682	-	(408,682)	(408,682)	-
6501 Department of Commerce	61,187,685	61,287,685	(100,000)	9,009,099	6,367,941	2,641,158
6602 Labor & Industry	139,268,655	140,005,973	(737,318)	4,849,731	3,567,604	1,282,127
6701 Department of Military Affairs	56,653,569	56,654,045	(476)	24,302,140	24,519,814	(217,674)
<b>02 Health &amp; Human Services</b>	<b>3,014,105,190</b>	<b>3,210,663,141</b>	<b>(196,557,951)</b>	<b>13,264,356</b>	<b>30,801,051</b>	<b>(17,536,695)</b>
6901 Department Public Health & Human Services	3,014,105,190	3,210,663,141	(196,557,951)	13,264,356	30,801,051	(17,536,695)
<b>03 Natural Resources &amp; Transportation</b>	<b>1,547,620,203</b>	<b>1,525,946,463</b>	<b>21,673,740</b>	<b>10,242,308</b>	<b>12,144,865</b>	<b>(1,902,557)</b>
5201 Department of Fish, Wildlife & Parks	143,800,632	144,133,551	(332,919)	(717,434)	(1,145,376)	427,942
5301 Department of Environmental Quality	119,928,254	120,438,969	(510,715)	8,052,899	9,184,773	(1,131,874)
5401 Department of Transportation	1,127,708,789	1,105,360,486	22,348,303	(623,279)	(1,105,590)	482,311
5603 Department of Livestock	21,100,742	21,124,600	(23,858)	1,413,292	1,144,511	268,781
5706 Department Nat Resource/Conservation	104,283,969	103,991,040	292,929	(1,709,777)	197,854	(1,907,631)
6201 Department of Agriculture	30,797,817	30,897,817	(100,000)	3,826,607	3,868,693	(42,086)
<b>04 Judicial Branch, Law Enforcement, Justice</b>	<b>632,853,647</b>	<b>649,930,801</b>	<b>(17,077,154)</b>	<b>4,263,837</b>	<b>1,094,348</b>	<b>3,169,489</b>
2110 Judiciary	75,574,473	74,454,831	1,119,642	(1,087,917)	279,652	(1,367,569)
4107 Crime Control Division	17,765,408	17,986,378	(220,970)	33,291	129,121	(95,830)
4110 Department of Justice	137,659,573	138,649,434	(989,861)	9,616,259	1,201,026	8,415,233
4201 Public Service Regulation	7,012,764	7,388,439	(375,675)	188,741	(137,394)	326,135
6108 Office of Public Defender	41,066,542	41,066,542	-	(1,405,617)	(697,925)	(707,692)
6401 Department of Corrections	353,774,887	370,385,177	(16,610,290)	(3,080,920)	319,868	(3,400,788)
<b>05 Education</b>	<b>2,187,971,887</b>	<b>2,235,877,126</b>	<b>(47,905,239)</b>	<b>(15,478,225)</b>	<b>(8,743,009)</b>	<b>(6,735,216)</b>
3501 Office of Public Instruction	1,638,064,841	1,672,610,408	(34,545,567)	(4,265,547)	3,291,090	(7,556,637)
5101 Board of Public Education	805,967	805,967	-	10,602	19,681	(9,079)
5102 Commissioner of Higher Education	514,840,118	527,919,790	(13,079,672)	(10,256,760)	(11,388,859)	1,132,099
5113 School For The Deaf & Blind	12,750,616	12,750,616	-	(251,043)	(187,642)	(63,401)
5114 Montana Arts Council	2,564,059	2,564,059	-	(18,134)	719	(18,853)
5115 Library Commission	9,603,276	9,883,276	(280,000)	(219,193)	(108,282)	(110,911)
5117 Historical Society	9,343,010	9,343,010	-	(478,150)	(369,716)	(108,434)
<b>Grand Total</b>	<b>\$7,877,113,207</b>	<b>\$8,117,779,468</b>	<b>(\$240,666,261)</b>	<b>\$44,083,278</b>	<b>\$71,247,019</b>	<b>(\$27,163,741)</b>

## COMPARISON TO THE EXECUTIVE

Figure 9 compares HB 2 general fund appropriations to the executive budget. For the purposes of this comparison, the executive budget is the printed budget submitted by the Governor in November and revised in December. As shown in Figure 9, HB 2 through Senate Finance Committee action is \$123.5 million general fund below the executive budget.

Figure 9

<b>Senate Finance &amp; Claims Action Compared to the Executive Total General Fund Budget - HB2 Only</b>			
Sub-Committee	Senate F&C 2011 Biennium	Executive 2011 Biennium	Biennial Change
<b>01 General Government</b>	<b>174,778,090</b>	<b>183,540,921</b>	<b>(8,762,831)</b>
1104 Legislative Branch	23,585,585	23,997,996	(412,411)
3101 Governors Office	11,778,894	12,145,216	(366,322)
3202 Commissioner of Political Practices	960,320	1,056,225	(95,905)
5801 Department of Revenue	95,461,558	101,846,103	(6,384,545)
6101 Department of Administration	14,468,343	15,701,733	(1,233,390)
6106 Montana Consensus Council	-	-	-
6501 Department of Commerce	11,933,959	11,892,801	41,158
6602 Labor & Industry	5,165,095	5,258,361	(93,266)
6701 Department of Military Affairs	11,424,336	11,642,486	(218,150)
<b>02 Health &amp; Human Services</b>	<b>796,537,445</b>	<b>818,791,514</b>	<b>(22,254,069)</b>
6901 Department Public Health & Human Services	796,537,445	818,791,514	(22,254,069)
<b>03 Natural Resources &amp; Transportation</b>	<b>63,030,190</b>	<b>63,127,887</b>	<b>(97,697)</b>
5201 Department of Fish, Wildlife & Parks	-	-	-
5301 Department of Environmental Quality	10,339,623	11,855,530	(1,515,907)
5401 Department of Transportation	2,600,000	-	2,600,000
5603 Department of Livestock	2,950,263	2,523,043	427,220
5706 Department Nat Resource/Conservation	44,411,093	45,978,017	(1,566,924)
6201 Department of Agriculture	2,729,211	2,771,297	(42,086)
<b>04 Judicial Branch, Law Enforcement, Justice</b>	<b>506,149,830</b>	<b>528,443,106</b>	<b>(22,293,276)</b>
2110 Judiciary	69,721,897	70,094,824	(372,927)
4107 Crime Control Division	4,813,596	5,073,104	(259,508)
4110 Department of Justice	52,115,058	52,482,043	(366,985)
6108 Office of Public Defender	39,074,013	40,281,705	(1,207,692)
6401 Department of Corrections	340,425,266	360,511,430	(20,086,164)
<b>05 Education</b>	<b>1,692,094,544</b>	<b>1,762,161,150</b>	<b>(70,066,606)</b>
3501 Office of Public Instruction	1,313,475,410	1,371,347,089	(57,871,679)
5101 Board of Public Education	444,888	453,967	(9,079)
5102 Commissioner of Higher Education	354,852,130	366,799,703	(11,947,573)
5113 School For The Deaf & Blind	11,650,408	11,578,220	72,188
5114 Montana Arts Council	923,817	942,670	(18,853)
5115 Library Commission	5,434,632	5,545,458	(110,826)
5117 Historical Society	5,313,259	5,494,043	(180,784)
<b>Grand Total</b>	<b>\$3,232,590,099</b>	<b>\$3,356,064,578</b>	<b>(\$123,474,479)</b>

The largest general fund differences between the executive budget and HB 2 occur in the following areas:

- The Office of Public Instruction (\$57.9 million lower) includes a reduction in the proposed 3 percent per year Base Aid increase to 1 percent in HB 2, and does not include funding for special education maintenance of effort requirements or inflationary increases, school facilities reimbursements, at risk payments, pupil transportation, or indirect cost adjustments.
- The Department of Corrections (\$20.1 million lower) is due to a difference in assumptions on the rate of increase in population growth and a 2 percent across-the-board reduction. In general, the bill assumes a population growth rate of 3 percent per year, while the executive budget estimated an overall rate of increase of about 4.6 percent for the same time period. In early February 2009, the department provided revised projections that estimated the annual growth rate in population at 3.35 percent for FY 2010 and 2011 and 1.7 percent for FY 2009. In conjunction with this revision the department suggested adjustments to the executive request reducing funding for the department by \$9.9 million for the biennium. The across-the-board reduction of \$6.9 million nearly negates the population growth rate projection.
- The Department of Public Health and Human Services (\$22.3 million lower) is the result of removal of \$10.2 million funding for overtime and differential pay for 24/7 facilities, an across-the-board reduction of \$7.2 million, a base budget reduction in Child Support Enforcement (shifted to HB 645), switching CHIP state match to state special revenue (\$2.2 million), and reductions in institution costs (\$0.7 million). Reductions are partially offset by funding of \$10.7 million to increase CHIP eligibility from 175 to 200 percent of the federal poverty level.
- The Montana University System (\$11.9 million lower) is primarily due to an across-the-board reduction of \$7.2 million, the legislature not funding present law cost increases for the educational units for FY 2011 biennium, reductions in MSU research and public services funding, and in distance learning. An increase of \$0.9 million is provided for shifting the testing portion of the Brucellosis Action Plan from the Department of Livestock to the Extension Service.
- The Department of Revenue (\$6.4 million lower) due largely to a 6 percent across-the-board reduction.
- The Department of Transportation (\$2.6 million higher) is due to appropriation of carryover general fund for surface transportation litigation in HB 2 rather than in language as requested by the executive.

Figure 10 compares HB 2 total funds appropriations to the executive budget. As shown, legislative action to date is \$267.8 million below the executive budget, with the largest reductions in K-12 education, the Department of Corrections, the Department of Public Health and Human Services, and higher education.

Figure 10

<b>Senate Finance &amp; Claims Action Compared to the Executive Total Funds Budget - HB2 Only</b>			
Sub-Committee	Senate F&C 2011 Biennium	Executive 2011 Biennium	Biennial Change
<b>01 General Government</b>	<b>526,353,282</b>	<b>531,311,701</b>	<b>(4,958,419)</b>
1104 Legislative Branch	28,237,787	28,713,389	(475,602)
1112 Consumer Counsel	2,764,145	3,514,145	(750,000)
3101 Governors Office	11,843,894	12,210,216	(366,322)
3201 Secretary of States Office	1,400,000	305,000	1,095,000
3202 Commissioner of Political Practices	960,320	1,056,225	(95,905)
3401 State Auditors Office	37,578,712	37,658,205	(79,493)
5801 Department of Revenue	103,107,692	109,312,237	(6,204,545)
6101 Department of Administration	45,189,853	46,139,222	(949,369)
6106 Montana Consensus Council	-	-	-
6501 Department of Commerce	70,196,784	67,655,626	2,541,158
6602 Labor & Industry	144,118,386	143,573,577	544,809
6701 Department of Military Affairs	80,955,709	81,173,859	(218,150)
<b>02 Health &amp; Human Services</b>	<b>3,027,369,546</b>	<b>3,241,464,192</b>	<b>(214,094,646)</b>
6901 Department Public Health & Human Services	3,027,369,546	3,241,464,192	(214,094,646)
<b>03 Natural Resources &amp; Transportation</b>	<b>1,557,862,511</b>	<b>1,538,091,328</b>	<b>19,771,183</b>
5201 Department of Fish, Wildlife & Parks	143,083,198	142,988,175	95,023
5301 Department of Environmental Quality	127,981,153	129,623,742	(1,642,589)
5401 Department of Transportation	1,127,085,510	1,104,254,896	22,830,614
5603 Department of Livestock	22,514,034	22,269,111	244,923
5706 Department Nat Resource/Conservation	102,574,192	104,188,894	(1,614,702)
6201 Department of Agriculture	34,624,424	34,766,510	(142,086)
<b>04 Judicial Branch, Law Enforcement, Justice</b>	<b>637,117,484</b>	<b>651,025,149</b>	<b>(13,907,665)</b>
2110 Judiciary	74,486,556	74,734,483	(247,927)
4107 Crime Control Division	17,798,699	18,115,499	(316,800)
4110 Department of Justice	147,275,832	139,850,460	7,425,372
4201 Public Service Regulation	<b>7,201,505</b>	<b>7,251,045</b>	<b>(49,540)</b>
6108 Office of Public Defender	39,660,925	40,368,617	(707,692)
6401 Department of Corrections	350,693,967	370,705,045	(20,011,078)
<b>05 Education</b>	<b>2,172,493,662</b>	<b>2,227,134,117</b>	<b>(54,640,455)</b>
3501 Office of Public Instruction	1,633,799,294	1,675,901,498	(42,102,204)
5101 Board of Public Education	816,569	825,648	(9,079)
5102 Commissioner of Higher Education	504,583,358	516,530,931	(11,947,573)
5113 School For The Deaf & Blind	12,499,573	12,562,974	(63,401)
5114 Montana Arts Council	2,545,925	2,564,778	(18,853)
5115 Library Commission	9,384,083	9,774,994	(390,911)
5117 Historical Society	8,864,860	8,973,294	(108,434)
<b>Grand Total</b>	<b>\$7,921,196,485</b>	<b>\$8,189,026,487</b>	<b>(\$267,830,002)</b>

## HOUSE APPROPRIATIONS COMMITTEE ACTION

Figure 11 provides a summary of general fund amendments adopted by the House Appropriations Committee, which decreased general fund appropriations \$29.1 million. The most significant actions were:

- Section A – Biennial reductions in Section A are attributed to agency wide present law reductions in the Department of Administration (\$1.1 million), the Department of Revenue (\$6.0 million) and the Governor’s Office (\$0.6 million). The Legislative Branch budget was reduced by \$1.0 million, representing the application of two percent vacancy savings and reductions to committee staffing budgets, TVMT, and information technology allowances for legislators. These reductions were offset by an increase of \$2.35 million to the Department of Commerce for economic development programs.
- Section B – The \$9.2 million general fund reduction in the Department of Public Health and Human Services is the result of major items such as the reduction of \$10.5 million in shift differential and overtime pay in state institutions, elimination of \$2.6 million in of Child Support Enforcement base budget (with a stated intent to fund it in HB 645), \$3.5 million in general operating reductions to three divisions, \$1.3 million in funding switches to state special revenue accounts, and a partial offset for one-time only provider rate increases of \$8.6 million. There is contingency language that the \$10.5 million reduction for shift differential and overtime pay is restored if not funded in HB 645.
- Section C – The biennial reduction of \$2.5 million is the cumulative result of an agency-wide reduction of \$1.5 million to the Department of Natural Resources and Conservation and the removal of general fund support from predominantly fee based programs within the Department of Natural Resources and Conservation.
- Section D – An increase of approximately \$286,000 is the net impact of an increase for information technology projects for the Judicial Branch and a reduction of \$37,500 to the Department of Corrections to implement HB 224, loan reimbursement for institutional nurses.
- Section E – The \$10.5 million biennial reduction is attributed to the removal of \$9.9 million for K-12 at-risk payments and a reduction of \$1.3 million in distance learning and research and public services within the Montana University System. These reductions are partially offset by an increase of \$0.7 million in K-12 BASE aid due to changes in revenue estimates.

Figure 11

<b>House Appropriations Committee Action - HB 2</b>	
<b>General Fund</b>	
Final Action	
<b>Section A (General Government)</b>	
Administration - Agency-wide Present Law Reduction	(1,160,142)
Commerce - Indian Country Economic Development (OTO)	1,596,992
Commerce - Main Street Program Grants (OTO)	250,000
Commerce - Energy Infrastructure Promotion and Development	510,000
Governor's Office - Executive Office Present Law Reduction	(366,322)
Military Affairs - Remove funding for IED Natl Guard Training	(750,000)
Labor and Industry - Reduction in Workforce Services	(93,266)
Legislative Branch - TVMT Reduction	(180,000)
Legislative Branch - Legislator Info Technology Allowance Transfer	(180,000)
Legislative Branch - Two percent vacancy savings	(361,563)
Legislative Branch - Committee Support Staffing Reduction	(333,753)
Revenue - Agency-wide Present Law Reduction	<u>(6,005,704)</u>
Section A Total	<u>(7,073,758)</u>
<b>Section B (Health and Human Services)</b>	
DPHHS - Agency-wide - Technical Amendment	1,615
Agency-wide - Removal of FTE Vacant Over 2 years	(381,344)
Agency-wide - Remove Overtime and Differential of 24/7 Facilities	(10,255,075) *
Addictive and Mental Disorders - Implementation of HB 224	(37,500)
Business and Financial Services - General Reduction	(640,000)
Child Support Enforcement - Base Budget Reduction	(2,368,235)
Directors Office - Reduce Human Resources by 5.0 FTE	(249,286)
Disability Services - Group Home and Waiver Reductions	(650,000)
Health Resources - Healthy Kids Montana - Reduced FTE	(303,183)
Health Resources - Funding Switch to Medicaid Initiative Account	(480,981)
Medicaid Programs - Provider Rate Increases (OTO)	8,581,660
Public Health - MIAMI Program Funding Switch	(1,012,259)
Sr. & Long Term Care - Nursing Home Case Load Adjustment	(426,543)
Sr. & Long Term Care - Reduce Waiver Expansion due to Timing	(500,000)
Technology Services - General Reduction	<u>(508,000)</u>
Section B Total	<u>(9,229,131)</u>
<b>Section C ( Natural Resources and Commerce)</b>	
Environmental Quality - Reduce Support of Fee Based Programs	(1,073,060)
Natural Resources & Conservation - Agency-wide Reduction	<u>(1,500,000)</u>
Section C Total	<u>(2,573,060)</u>
<b>Section D (Judicial Branch, Law Enforcement, and Justice)</b>	
Judiciary - Information Technology Support	324,148
Corrections - Implementation of HB 224	<u>(37,500)</u>
Section D Total	<u>286,648</u>
<b>Section E (Education)</b>	
Comm. of Higher Ed - Administration Program	(30,000)
Comm. of Higher Ed - Implement HB 224	75,000
Comm. of Higher Ed - Distance Learning Reductions	(298,907)
Comm. of Higher Ed - MSU Research & Public Services Funding	(1,009,762)
Office of Public Instruction - BASE Aid Change	690,546
Office of Public Instruction - Teacher Stipends	30,000
Office of Public Instruction - Remove at Risk Payments	<u>(9,999,998)</u>
Section E Total	<u>(10,543,121)</u>
<b>Net Decrease in General Fund Appropriations</b>	<b><u>(\$29,132,422)</u></b>
*Contingency language would restore if not funded in HB 645	

## HOUSE FLOOR ACTION

There were no approved amendments to HB 2 general fund in House Floor action.

## SENATE FINANCE COMMITTEE ACTION

Figure 12 provides a summary of general fund amendments adopted by the Senate Finance Committee, which decreased general fund appropriations \$59.0 million. The most significant actions were:

- Statewide – A 2 percent across-the-board reduction in most agencies reduced general fund by a total of \$26.7 million, including \$7.2 million in the University System, \$7.2 million in the Dept. of Public Health and Human Services, and \$6.9 million in the Dept. of Corrections.
- Healthy Kids Initiative – A total of \$10.7 million general fund was added to increase the qualification for the CHIP program from 175% to 200% of the federal poverty level. State special revenue authority for funding at 250% of the federal poverty level was eliminated, as was federal match authority to reduce the funding level to 200%. The stated intent when this amendment was passed was to do a coordinating amendment in HB 676 (HB 2 companion bill) to shift Health Kids Initiative (CI-155) funds from a state special revenue account to the general fund, approximately \$60 million. If HB 676 is amended as proposed, the net general fund impact (of funding from general fund at 200% and a fund switch from state special revenue) would be an approximately \$49.3 million addition to the general fund.
- Provider Rates – Funding for a 1 percent provider rate increase for state health and human services programs was eliminated at a savings of \$8.6 million. Language in HB 2 states that the provider rate funding is restored if a provider rate increase of a least that amount is not funded in HB 645.
- Base Aid Inflation Increase – The Base Aid inflation increase was reduced from 3 percent per year to 1 percent per year, for a savings of \$33.3 million. A stated goal was to fund the 2 percent per year increase in HB 645 in later legislative action.

Figure 12

<b>Senate Finance Committee Action - HB 2</b>	
<b>General Fund</b>	
Final Action	
<b>Section A (General Government)</b>	
Legislative Branch - 2% Across-the-Board Reduction	(478,251)
Legislative Fiscal Div. - Monitor Implementation of Federal Stimulus	151,305
Dept. Administration - Vacancy savings fund switch (to SSR)	13,568
Comm. of Political Practices - 2% Across-the-Board Reduction	(17,905)
Revenue - Eliminate funding for SB 315 - Business tax cut	(1,617,514)
Commerce - 2% Across-the-board Reduction	(108,842)
Military Affairs - 2% Across-the-board Reduction	(233,150)
Section A Total	<u>(2,290,789)</u>
<b>Section B (Health and Human Services)</b>	
DPHHS - Technical Amendment	54,957
DPHHS - 2% Across-the-board Reduction	(7,197,850)
DPHHS - Raise CHIP eligibility to 200% of Federal Poverty Level	10,688,484 *
DPHHS - Eliminate Provider Rate Increase (may fund in HB 645)	(8,581,660) **
Reduce Comm. Waiver Exp. \$200,000, fund Traumatic Brain Injury	---
Reduce Comm. Waiver Exp. \$100,023, fund Transitions Coord.	---
Disability Svcs.-Shift GF to fed funds to adjust Medicaid Match Rate	(190,620)
Section B Total	<u>(5,226,689)</u>
<b>Section C ( Natural Resources and Commerce)</b>	
Environmental Quality - 2% Across-the-board Reduction	(208,513)
Livestock - 2% Across-the-board Reduction	(44,150)
Livestock - Fund Livestock Predator Loss Claims	150,000
Livestock - Shift testing portion of Brucellosis Action Plan to Ext. Svc.	(178,630)
Agriculture - 2% Across-the-board Reduction	(42,086)
Section C Total	<u>(323,379)</u>
<b>Section D (Judicial Branch, Law Enforcement, and Justice)</b>	
Judiciary - 2% Across-the-Board Reduction	(1,422,896)
Crime Control Division - 2% Across-the-board Reduction	(95,830)
Crime Control Division - Increased building rent costs	38,000
Justice - 2% Across-the-board Reduction	(1,044,538)
Public Defender - 2% Across-the-board Reduction	(805,634)
Public Defender - To implement SB 263, fund shift, client reimb.	(500,000)
Public Defender - correct error in workers' compensation funding	97,942
Corrections - 2% Across-the-board Reduction	(6,881,306)
Section D Total	<u>(10,614,262)</u>
<b>Section E (Education)</b>	
Board of Public Education - 2% Across-the-board Reduction	(9,079)
School for the Deaf and Blind - 2% Across-the-board Reduction	(237,763)
Montana Arts Council - 2% Across-the-board Reduction	(18,853)
Montana State Library - 2% Across-the-board Reduction	(110,911)
Montana Historical Society - 2% Across-the-board Reduction	(108,434)
Comm. of Higher Ed - 2% Across-the-board Reduction	(7,224,389)
CHE - Fund testing portion of Brucellosis Action Plan in Ext. Svc.	857,070
Office of Public Instruction - 2% Across-the-Board Reduction	(371,676)
Office of Public Instruction - Reduce Base Aid 3% increase to 1%	(33,286,847)
Section E Total	<u>(40,510,882)</u>
<b>Net Decrease in General Fund Appropriations</b>	<b><u>(\$58,966,001)</u></b>
* If funded at 200%, Approx. \$60 million in SSR fund would not be spent	
** Contingency language would restore if not funded in HB 645	



## **HB 2 NARRATIVE OVERVIEW**

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### **PURPOSE AND FORMAT**

This narrative is an agency-by-agency, program-by-program summary of 2011 biennium appropriations in HB 2. The purpose of this narrative is to provide a resource to aid legislators in taking action on HB 2 by providing an explanation of the appropriations included in the bill. The narrative reflects action through Senate Finance Committee action.

The narrative for each agency begins with an agency summary table comparing total appropriations for the 2011 biennium to the 2008 biennium. Following the agency table is a reference to the pages in the LFD Budget Analysis in which the agency is discussed in more detail. If the analyst felt a global perspective was needed, or a major budget area highlighted, it is included in the agency presentation at the beginning of the agency narrative.

The agency section of the narrative also includes a table comparing HB 2 to the executive budget request, as well as an explanation of significant differences. Agency highlights are included in a table, followed by further discussion if warranted, and a table summarizing funding, by program. A table follows that summarizes the total budget by base, present law adjustments, and new proposals (Present law adjustments are those adjustments to the base necessary to maintain operations under current law – New proposals are to fund new activities, reductions in existing services, or expansions not currently conducted by the agency.) This section ends with a discussion of any agency-wide language included in HB 2, as well as any agency-wide issues.

Explanations of the changes in appropriations from the base for each program within the agency follow. These sections begin with a program summary table comparing total appropriations for the 2011 biennium to the 2008 biennium. Also included is a summary of program funding, followed by a table that summarizes the total budget by base, present law adjustments, and new proposals. A table showing major present law adjustments, and an explanation of those adjustments, follows. A table and explanation outlining all new proposals (if any) follow the present law adjustments section. Finally, a section for language included in HB 2 and for other issues, as applicable, is included.

### **PRESENT LAW ADJUSTMENTS TABLE**

The present law adjustments table shows current level changes from base expenditures that have been included in the bills. As such, the table includes both positive and negative entries, depending upon whether the legislature is appropriating more or fewer funds than were expended in FY 2008. The reader should keep the following in mind when examining this table:

- Because the adjustments represent changes from the base, the entry in the table does not necessarily represent all recommended appropriations for the stated purpose. The table will not indicate any expenditure for the same purpose carried forward in the base. For example, if the agency expended \$1,000 for supplies in the base year of FY 2008, and is requesting an additional \$500 per year, the present law table will show a yearly adjustment of \$500, rather than the total request for supplies of \$1,500.
- The table only includes present law adjustments, while new proposals may include additional or less funding for a similar purpose. For example, the present law table may indicate a reduction in equipment from the level expended in FY 2008. However, additional equipment may be included as a new proposal.

## STATEWIDE PRESENT LAW ADJUSTMENTS

Most present law tables include one or several “statewide present law adjustments”. Statewide adjustments are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency’s control; or 2) other underlying factors. In the 2011 biennium, these adjustments are identified as: 1) inflation; 2) fixed costs (which are those costs charged to agencies to fund the operations of certain centralized service functions of state government, such as data network fees, messenger services, and legislative audit); 3) full funding of personal services (there are a number of reasons why personal services will change, including vacancy savings in the base year, upgrades/downgrades, elimination of termination pay, and annualization of the pay plan implemented by the 2007 Legislature); and 4) vacancy savings. A 7 percent vacancy savings on most executive branch positions is generally included in statewide and other present law adjustments.

Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the “statewide” section of the program present law tables to alert decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based.

## PROPRIETARY FUNDS

Proprietary funds are those funds collected in return for the provision of a service or product, i.e., the provision of computer services to agencies of state government, or services for which a fee is charged, such as legal services. Proprietary funds consist of internal service funds (for operations that provide goods or services to state government on a cost-reimbursement basis) and enterprise funds (for operations that provide goods or services to the public on a user charge basis). HB 576, passed by the 1995 Legislature, removed the requirement that most proprietary funds be appropriated. Instead, the legislature required that internal service fund rates be approved by the legislature, above which the agencies may not adjust during the interim. Enterprise fund rates do not require legislative approval. The Office of Budget and Program Planning (OBPP) must include an analysis of the rates, fund balances, and fund equity in the executive budget.

The agency narratives include all rates approved by the legislature for those programs funded with internal service funds, as well as short descriptions of the primary reasons for any changes in rates approved. The discussions are included within the relevant programs within agencies. The approved rates are also listed in HB 2 (section R), to meet the current statutory requirement that the rates be approved in the general appropriations act.