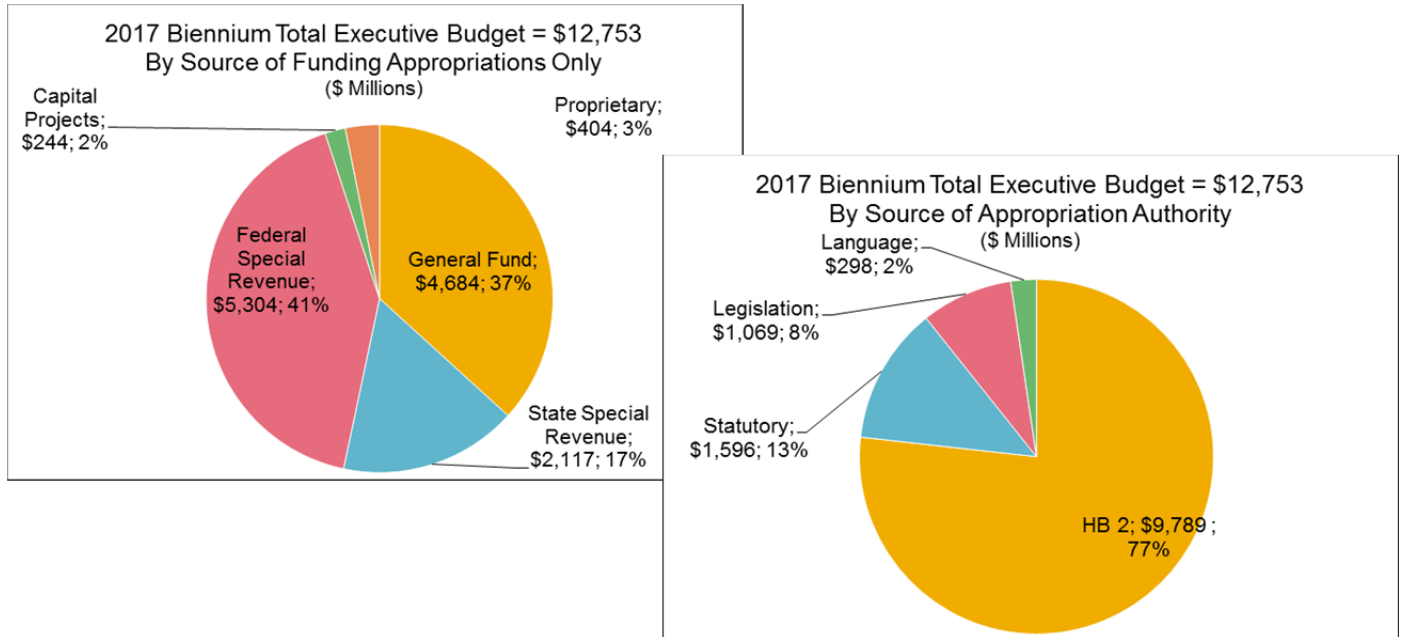


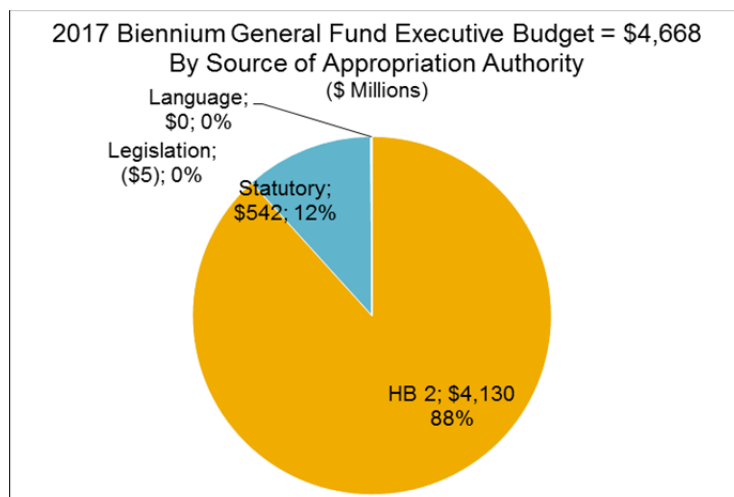
## STATE EXPENDITURES

### Overview: Executive Proposed Spending by Source of Authority

The following charts show the executive budget broken down by source of authority (appropriation source) and funding. HB 2 dominates the appropriation sources for total funds, while federal funds are the largest funding source at 41%.



The figure below shows the general fund budget proposed by the executive by appropriation source of authority. Please note that “Legislation” includes Long-Range Planning.



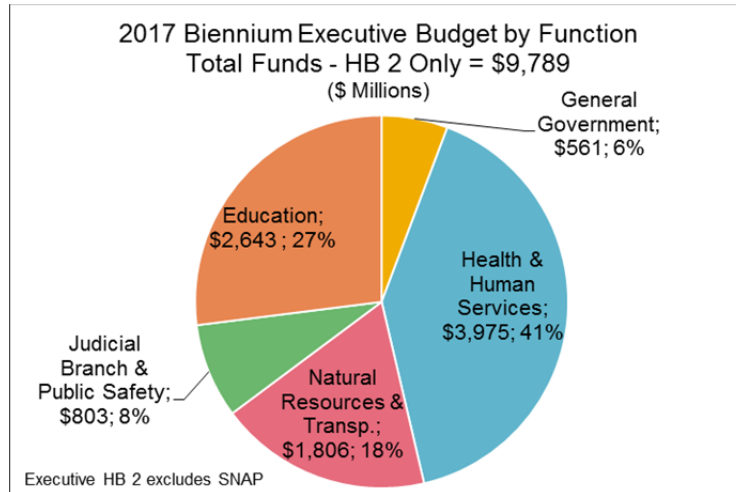
The following sections discuss the various components, beginning with HB 2.

## HB 2 Funding

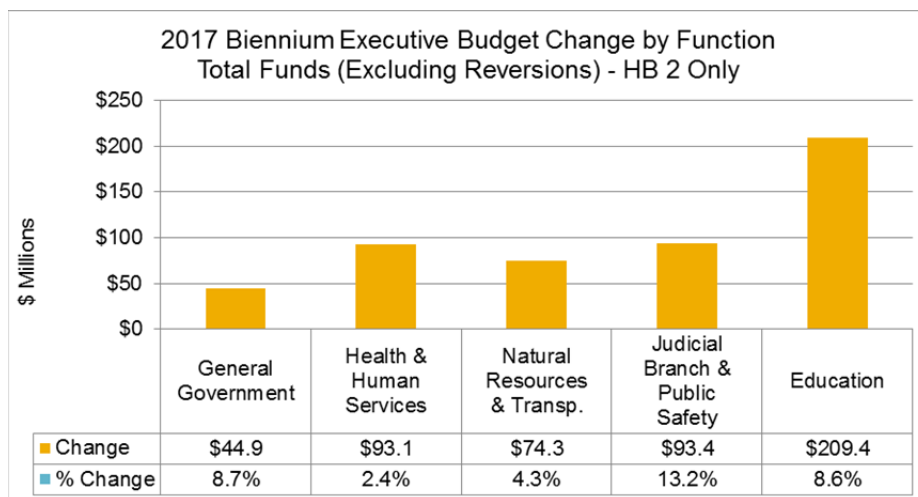
HB 2 is the general appropriations bill, in which about 95% of general fund and 77% of total funds would be appropriated in the 2017 biennium in the executive budget.

### *Funding by Functional Area*

The following figures show the allocation of total funds in HB 2 by functional area and by source of funding. Education and human services account for almost 68% of the total, while federal funds are the largest funding source.



The following chart shows the changes between the 2015 and 2017 biennia in total funds HB 2 by functional area. Note that the preliminary Volume 1 compared the FY 2015 including biennial continuing appropriations. In order to tie to the agency tables in Volume 3-6, these charts do not include continuing appropriations. As a result, these percentage increases appear larger than in the preliminary document.



The following table shows total funding in HB 2 by agency, and compares each to the 2015 biennium. One-time-only (OTO) funds have been segregated from ongoing expenditures. The chart shows both the biennium-to-biennium change (“% Change”) without continuing biennials appropriations in the 2015 biennium, as well as the difference when compared from biennial appropriation to proposed

biennial appropriation (“Approp to Approp Change”). Please note that the 2015 biennium appropriations used to calculate the appropriation to appropriation change do not appear in the table except for at the bottom of the table in the after adjustments totals. The proposed change in funding for the federal Supplemental Nutrition Assistance Program (SNAP) is segregated to show the impact of the change without this factor; the proposed funding change is discussed following the table.

HB 2 Only - All Funds Agency Comparison 2015 versus 2017 Executive Proposed Budget (\$ Millions)						
	2014 Actuals (1)	2015 Executive Budget (2)	2016 Executive Request	2017 Executive Request	% Change	Approp to Approp Change
<b>Ongoing</b>						
Section A: General Government						
11040 Legislative Branch	\$12.832	\$14.901	\$15.254	\$14.774	8.3%	2.2%
11120 Consumer Counsel	1.321	1.454	1.450	1.464	5.1%	1.9%
31010 Governors Office	5.882	6.166	6.653	6.604	10.0%	5.6%
32010 Secretary Of State's Office	-	-	-	-	0.0%	0.0%
32020 Commissioner Of Political Practices	0.490	0.517	0.680	0.671	34.3%	33.3%
34010 State Auditor's Office	8.092	9.310	8.134	7.689	-9.1%	-14.0%
58010 Department Of Revenue	54.375	55.835	58.877	58.465	6.5%	6.1%
61010 Department Of Administration	16.019	17.809	23.093	21.274	31.2%	25.8%
65010 Department Of Commerce	17.182	26.225	30.159	29.540	37.5%	9.0%
66020 Department Of Labor & Industry	71.734	81.519	82.963	83.168	8.4%	3.4%
67010 Department Of Military Affairs	38.463	43.374	48.668	48.692	19.0%	10.4%
Section B: Health & Human Services						
69020 Economic Security Services Branch*	418.040	448.569	252.042	254.972	-41.5%	-43.2%
69040 Directors Office	6.848	4.765	5.769	5.780	-0.6%	45.9%
69060 Operations Services Branch	46.033	52.432	50.779	50.101	2.5%	-3.9%
69070 Public Health & Safety	61.133	66.164	64.115	64.115	0.7%	-2.9%
69110 Medicaid And Health Services Branch	1,339.740	1,431.038	1,562.392	1,662.318	16.4%	15.7%
Section C: Natural Resources & Transp						
52010 Department Of Fish, Wildlife & Parks	72.806	78.175	85.747	85.694	13.6%	10.8%
53010 Department Of Environmental Quality	49.465	58.257	62.058	62.070	15.2%	7.7%
54010 Department Of Transportation	618.120	679.269	657.639	651.048	0.9%	-3.6%
56030 Department Of Livestock	9.971	10.438	12.250	12.209	19.8%	19.0%
57060 Department Of Natural Resources & Con:	56.259	59.100	64.895	64.989	12.6%	9.3%
62010 Department Of Agriculture	15.752	17.779	17.993	17.940	7.2%	2.1%
Section D: Judicial Br. Law Enf & Justice						
21100 Judicial Branch	38.909	42.034	45.173	45.086	11.5%	9.5%
41070 Crime Control Division	7.965	8.646	8.139	8.139	-2.0%	-5.6%
41100 Department Of Justice	84.361	89.337	98.471	99.190	13.8%	12.3%
42010 Public Service Commission	3.610	3.869	4.251	4.028	10.7%	7.5%
61080 Office Of The Public Defender	26.705	25.540	34.021	34.249	30.7%	26.1%
64010 Department Of Corrections	186.140	188.053	210.057	211.329	12.6%	11.1%
Section E: Education						
35010 Office Of Public Instruction	883.560	921.928	975.675	987.492	8.7%	9.9%
51010 Board Of Public Education	0.285	0.384	0.389	0.374	14.1%	-1.2%
51020 Commissioner Of Higher Ed	272.101	292.800	311.678	311.669	10.3%	8.6%
51130 School For The Deaf & Blind	6.741	7.093	7.303	7.272	5.4%	4.4%
51140 Montana Arts Council	1.415	1.429	1.464	1.443	2.2%	1.8%
51150 Montana State Library	5.609	5.320	6.500	5.422	9.1%	2.1%
51170 Montana Historical Society	5.109	5.163	5.682	5.641	10.2%	7.9%
Ongoing Subtotal	4,443.065	4,754.691	4,820.412	4,924.915	6.0%	4.1%
<b>One Time Only</b>						
Section A: General Government	15.021	17.911	9.165	3.929	-60.2%	-63.0%
Section B: Health & Human Services	0.501	7.179	1.517	1.450	-61.4%	-78.2%
Section C: Natural Resources & Transp	2.886	3.519	5.788	5.780	80.6%	31.9%
Section D: Judicial Br. Law Enf & Justice	2.716	1.973	0.546	0.564	-76.3%	-77.8%
Section E: Education	8.960	15.773	7.552	7.527	-39.0%	-54.2%
One-Time-Only Subtotal	30.085	46.354	24.568	19.250	-42.7%	-54.2%
Total Submitted HB 2 Before Adjustments	4,473.150	4,801.045	4,844.980	4,944.165	5.6%	
Reversions and Other Adjustments (3)	184.057	-5.306				
Total Submitted HB 2 After Adjustments	\$4,657.206	\$4,795.739	\$4,850.499	\$4,951.071		3.7%
*SNAP moved to statutory approp						
Total Submitted HB 2 with SNAP Before Adjustments			181.958	181.958	9.5%	
Total Submitted HB 2 with SNAP After Adjustments			\$5,032.457	\$5,133.029		7.5%
(1) FY 2014 contains actual expenditures as contained in IBARS						
(2) Does not include FY 2015 continuing biennial appropriations and OTO are separated						
(3) Under certain laws, agencies have the authority to move appropriations between years. Growth can be greater than the approp to approp comparison when agencies revert (or do not spend) appropriated level of funding in FY 2014.						

## ***Type of Funding***

The largest source of funding for HB 2 operations of state government is federal funds at 42.3% of the total, followed by general fund at 42.1%. Federal funds decrease and general fund increases as a percentage of the budget compared to the previous biennium primarily for two reasons:

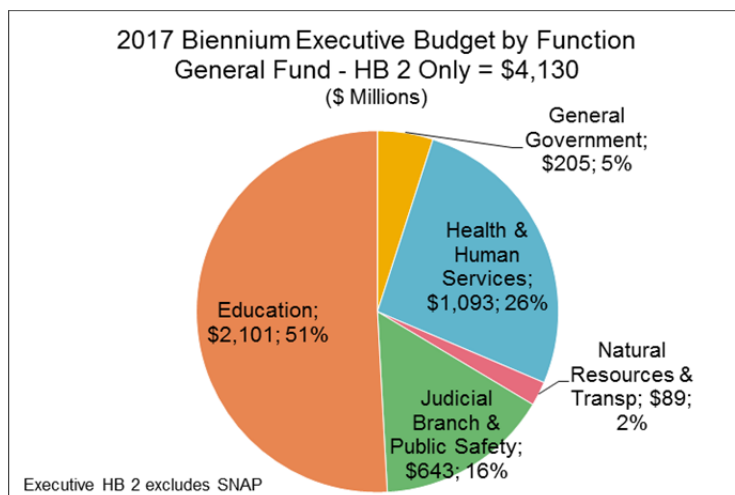
- The executive recommends that a large federally funded function (SNAP) be appropriated in a statutory appropriation, reducing federal funds in HB 2 by \$363.9 million in the 2017 biennium
- General fund would increase at a higher rate not only than federal funds, but of state special revenue as well, further increasing its share compared to other sources

If the impact of the proposed change in SNAP funding was removed, federal funds would be 44.3% of the budget and general fund 40.6%.

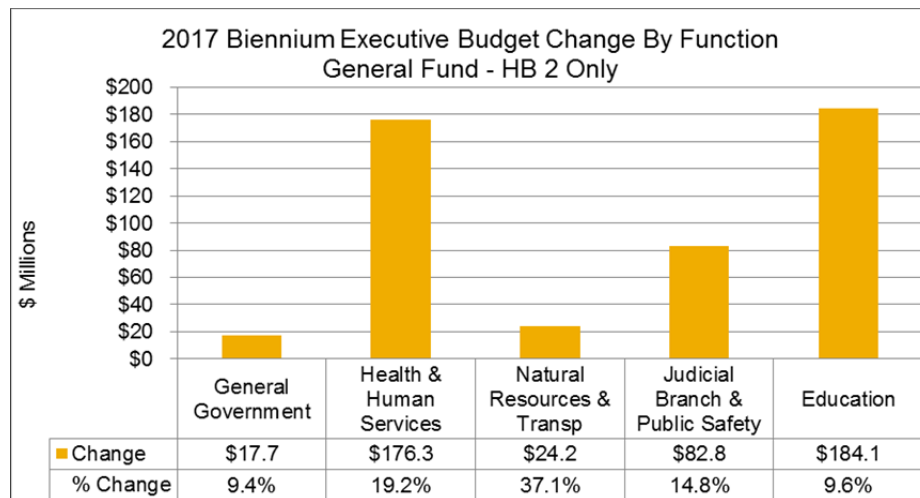
The four primary funding sources in HB 2—general fund, state special revenue, federal funds, and budgeted proprietary funds—are discussed in the following subsections.

## **General Fund**

The following chart shows total HB 2 general fund expenditures as proposed by the executive, by government functional area. Education, human services, and judicial branch and public safety are 93% of the total proposed expenditures.



The following chart shows the total increases from the 2015 biennium, by functional area. As shown, the increases are dominated by human services and education. Note that the preliminary Volume 1 compared the FY 2015 including biennial continuing appropriations. In order to tie to the agency tables in Volume 3-6, these charts do not include continuing appropriations. As a result, these percentage increases appear larger than in the preliminary document.



### Ongoing Expenditures

The Governor would increase ongoing general fund expenditures by over \$500 million, or 14%. Increases for human services, the public defender, corrections, and K-12 education are over 87% of the total increase. Major present law increases and policy proposals include:

- Caseloads and/or population increases in Medicaid and other human services programs, corrections, the public defender, and K-12 education (including all costs associated with SB 175 from the 2013 legislative session)
- Changes in FMAP (the percent of Medicaid expenses paid by the federal government), which increases state costs
- Annualization of K-12 education costs, as well as K-12 inflation and SB 96 block grants
- Funding various present law increases in the Montana University System (MUS) 46% in FY 2016 and 40% in FY 2017
- All personal services (including to implement the direction in the 2015 biennium HB 2 that FTE reflect the personal services budget), including annualization of all stepped in costs of the 2015 biennium pay plan as negotiated by the Governor and elimination of the additional 2% vacancy savings rate adopted by the 2013 Legislature

The Governor is recommending almost \$110 million in ongoing new proposals. Significant new proposals include:

- A 2% provider rate increase in human services and corrections, as well as a direct care worker wage increase and a per-diem increase at the Shelby prison - \$27.9 million
- Pre-Kindergarten - \$37.0 million
- The “First Step” initiative and other mental health proposals - \$14.0 million
- Autism services - \$4.3 million
- Student assistance fund allocation in the MUS - \$5.2 million
- Water Court and Conservation Districts fund switches - \$3.4 million

### One-Time-Only

The Governor proposes \$42 million in OTO appropriations. Significant OTO new proposals include:

- Research in the Montana University and activities in the Department of Commerce for economic development - \$20.5 million
- A sage grouse conservation fund - \$10.0 million
- Bridge funding for the Insure Montana program in the Office of the State Auditor - \$4.7 million

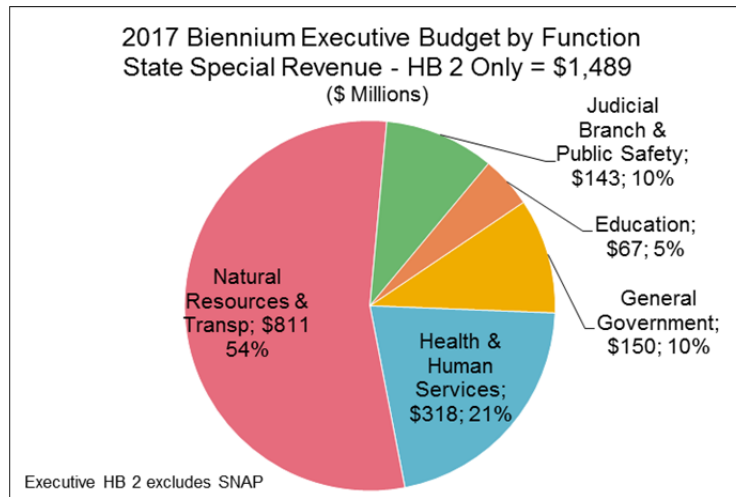
The next figure shows general fund appropriations by agency compared to the 2015 biennium. The notes preceding the All Funds table apply to this table as well.

HB 2 Only - General Fund Agency Comparison 2015 versus 2017 Executive Proposed Budget (\$ Millions)						
	2014 Actuals (1)	2015 Executive Budget (2)	2016 Executive Request	2017 Executive Request	% Change	Approp to Approp Change
<u>Ongoing</u>						
Section A: General Government						
11040 Legislative Branch	\$10.615	\$12.754	\$12.661	\$12.736	8.7%	3.0%
31010 Governors Office	5.882	6.158	6.653	6.604	10.1%	5.7%
32020 Commissioner Of Political Practices	0.490	0.517	0.680	0.671	34.3%	33.3%
58010 Department Of Revenue	50.016	51.523	54.067	53.927	6.4%	6.2%
61010 Department Of Administration	5.131	5.368	8.319	8.173	57.1%	56.0%
65010 Department Of Commerce	3.455	2.037	5.371	4.986	88.6%	65.8%
66020 Department Of Labor & Industry	1.347	1.446	2.485	2.484	77.9%	77.7%
67010 Department Of Military Affairs	5.703	6.087	6.456	6.475	9.7%	7.3%
Section B: Health & Human Services						
69020 Economic Security Services Branch	75.249	79.740	80.199	81.963	4.6%	3.4%
69040 Directors Office	3.128	2.030	2.595	2.601	0.7%	49.9%
69060 Operations Services Branch	16.921	18.203	18.835	18.667	6.8%	3.1%
69070 Public Health & Safety	3.672	3.961	3.865	3.864	1.2%	-1.8%
69110 Medicaid And Health Services Branch	346.953	364.985	421.396	455.870	23.2%	23.4%
Section C: Natural Resources & Transp						
52010 Department Of Fish, Wildlife & Parks	-	-	1.628	1.533		
53010 Department Of Environmental Quality	5.303	5.508	5.761	5.762	6.6%	6.0%
56030 Department Of Livestock	0.984	1.029	2.536	2.537	151.9%	150.6%
57060 Department Of Natural Resources & Con:	23.638	24.793	28.300	28.379	17.0%	15.9%
62010 Department Of Agriculture	0.969	0.986	1.237	1.193	24.3%	22.5%
Section D: Judicial Br. Law Enf & Justice						
21100 Judicial Branch	36.437	39.259	43.457	43.366	14.7%	12.8%
41070 Crime Control Division	2.344	2.411	2.484	2.484	4.5%	3.7%
41100 Department Of Justice	29.279	30.305	35.357	35.525	19.0%	18.5%
61080 Office Of The Public Defender	26.443	25.266	33.760	33.988	31.0%	26.4%
64010 Department Of Corrections	181.629	182.014	204.954	206.228	13.1%	11.9%
Section E: Education						
35010 Office Of Public Instruction	712.686	745.170	798.443	808.917	10.3%	12.4%
51010 Board Of Public Education	0.119	0.207	0.208	0.194	23.2%	-4.9%
51020 Commissioner Of Higher Ed	202.293	214.088	224.934	224.946	8.0%	7.8%
51130 School For The Deaf & Blind	6.416	6.759	6.978	6.947	5.7%	4.8%
51140 Montana Arts Council	0.494	0.493	0.514	0.507	3.3%	3.3%
51150 Montana State Library	2.882	2.954	3.073	3.057	5.0%	4.8%
51170 Montana Historical Society	<u>3.088</u>	<u>3.060</u>	<u>3.516</u>	<u>3.475</u>	<u>13.7%</u>	<u>10.5%</u>
Subtotal	1,763.567	1,839.108	2,020.721	2,068.055	13.5%	14.0%
<u>One Time Only</u>						
Section A: General Government	6.427	11.988	8.275	3.574	-35.7%	-41.1%
Section B: Health & Human Services	0.380	1.263	1.517	1.450	80.6%	37.8%
Section C: Natural Resources & Transp	1.040	1.039	5.313	5.313	411.2%	408.7%
Section D: Judicial Br. Law Enf & Justice	2.440	1.973	0.500	0.500	-77.3%	-78.9%
Section E: Education	<u>8.354</u>	<u>7.603</u>	<u>7.552</u>	<u>7.527</u>	<u>-5.5%</u>	<u>-9.1%</u>
Subtotal	18.641	23.866	23.157	18.364	-2.3%	-9.1%
Total before adjustments	1,782.208	1,862.974	2,043.878	2,086.419	13.3%	
Reversions and Other Adjustments (3)	-4.695	-6.816				
Grand Total	\$1,777.513	\$1,856.158	\$2,043.878	\$2,086.419		13.7%
(1) FY 2014 contains actual expenditures as contained in IBARS						
(2) Does not include FY 2015 continuing biennial appropriations and OTO are separated						
(3) Under certain laws, agencies have the authority to move appropriations between years. Growth can be greater than the approp to approp comparison when agencies revert (or do not spend) appropriated level of funding in FY 2014.						

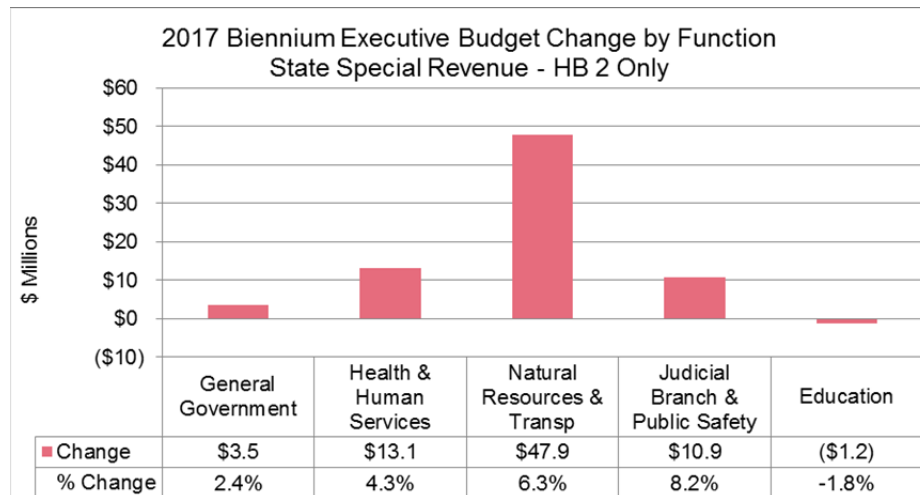
General fund new proposals and present law adjustments are discussed in more detail in Volumes 3-6 of the 2017 Biennium LFD Budget Analysis, and are summarized more fully in Appendix B located online. Each of the OTO proposals is explained more fully in Volumes 3-6, along with any analysis comments or issues.

## **State Special Revenue**

State special revenue is earmarked for specific purposes and totals \$1,488.8 million or 15.2% of total proposed expenditures in the 2017 biennium in HB 2. The following figure shows total state special revenues by function for HB 2 only.



The following shows the proposed change from the previous biennium, by function of state government. The executive budget would add \$74.2 million for a 5.2% increase. Note that the preliminary Volume 1 compared the FY 2015 including biennial continuing appropriations. In order to tie to the agency tables in Volume 3-6, these charts do not include continuing appropriations. As a result, these percentage increases appear larger than the preliminary document.



The executive budget would increase ongoing expenditures by \$91 million or 6.6% from actual and appropriated or 3.2% from the previous appropriated level. Major policy adjustments proposed include the following:

- Annualization of personal services costs, including all stepped in costs of the 2015 biennium pay plan as negotiated by the Governor and elimination of the additional 2% vacancy savings rate adopted by the 2013 Legislature
- A tobacco use prevention program in DPHHS



- Caseload and utilization increases in Medicaid and Healthy Montana Kids
- Various adjustments in Fish, Wildlife, and Parks, the Department of Environmental Quality, and the Department of Natural Resources and Conservation (DNRC)
- Costs of issuance of new license plates and for drivers' license related services in the Department of Justice

Ongoing new proposals show a reduction, primarily due to several funding shifts to the general fund, including a portion of the water court, the diagnostic lab in the Department of Livestock, and the Conservation and Resource Development Division in DNRC.

#### One-Time-Only

Proposed OTO expenditures are \$0.8 million and consist of several positive and negative adjustments, the largest of which is a state water project dam analysis in DNRC.

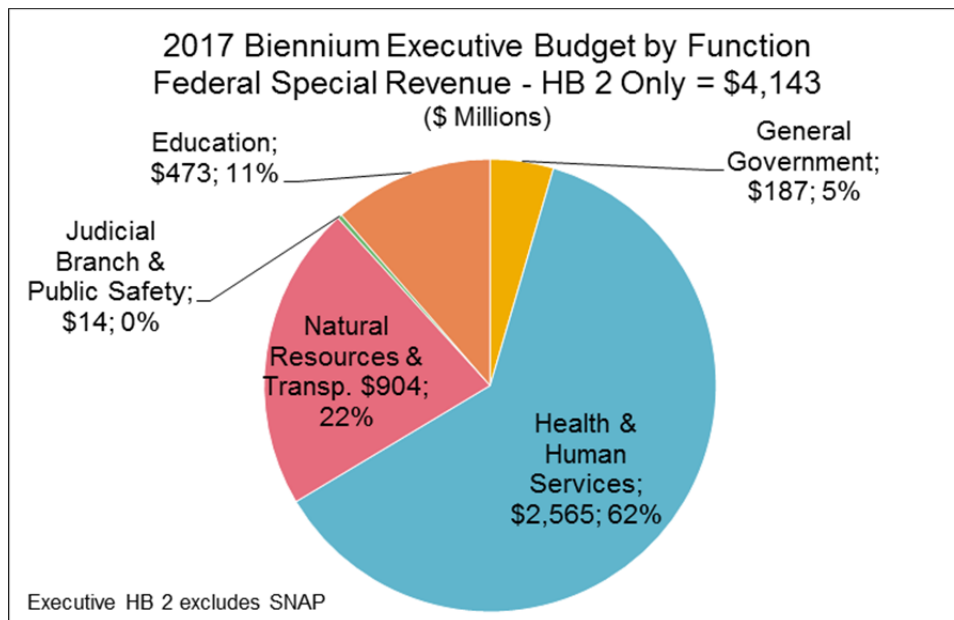
The next figure compares state special revenue appropriations by agency in the proposed 2017 biennium budget to the 2015 biennium. The notes preceding the All Funds table apply to this table as well.

HB 2 Only - State Special Revenue Fund Agency Comparison 2015 versus 2017 Executive Proposed Budget (\$ Millions)						
	2014 Actuals (1)	2015 Executive Budget (2)	2016 Executive Request	2017 Executive Request	% Change	Approp to Approp Change
<u>Ongoing</u>						
Section A: General Government						
11040 Legislative Branch	\$2.217	\$2.148	\$2.593	\$2.038	6.1%	-1.9%
11120 Consumer Counsel	1.321	1.454	1.450	1.464	5.1%	1.9%
31010 Governors Office	-	0.008	-	-	-100.0%	-100.0%
34010 State Auditor's Office	8.092	9.310	8.134	7.689	-9.1%	-14.0%
58010 Department Of Revenue	1.120	1.079	1.252	1.042	4.3%	-2.6%
61010 Department Of Administration	5.843	6.326	6.953	6.883	13.7%	11.0%
65010 Department Of Commerce	3.188	6.307	6.493	6.452	36.3%	-0.5%
66020 Department Of Labor & Industry	40.595	41.848	47.627	47.820	15.8%	15.5%
67010 Department Of Military Affairs	0.688	1.064	0.761	0.758	-13.3%	-29.8%
Section B: Health & Human Services						
69020 Economic Security Services Branch	5.640	6.893	5.813	5.815	-7.2%	-16.6%
69040 Directors Office	0.747	0.587	0.626	0.626	-6.2%	49.0%
69060 Operations Services Branch	2.529	2.520	2.810	2.853	12.2%	13.5%
69070 Public Health & Safety	16.292	16.847	18.152	18.156	9.6%	8.1%
69110 Medicaid And Health Services Branch	121.720	130.699	129.947	133.039	4.2%	1.9%
Section C: Natural Resources & Transp						
52010 Department Of Fish, Wildlife & Parks	54.377	58.113	61.090	61.128	8.6%	6.2%
53010 Department Of Environmental Quality	25.977	31.821	32.016	32.023	10.8%	1.5%
54010 Department Of Transportation	234.078	248.683	254.620	254.897	5.5%	2.3%
56030 Department Of Livestock	7.608	7.962	7.949	7.907	1.8%	1.1%
57060 Department Of Natural Resources & Con:	30.745	32.307	34.328	34.339	8.9%	4.2%
62010 Department Of Agriculture	13.275	14.041	14.950	14.942	9.4%	7.7%
Section D: Judicial Br. Law Enf & Justice						
21100 Judicial Branch	2.352	2.649	1.596	1.600	-36.1%	-38.7%
41070 Crime Control Division	0.113	0.153	0.127	0.127	-4.3%	-16.6%
41100 Department Of Justice	52.219	56.032	60.076	60.627	11.5%	9.5%
42010 Public Service Commission	3.537	3.786	4.178	3.955	11.1%	7.8%
61080 Office Of The Public Defender	0.262	0.274	0.262	0.262	-2.3%	-5.7%
64010 Department Of Corrections	4.444	5.960	4.995	4.995	-4.0%	-16.0%
Section E: Education						
35010 Office Of Public Instruction	9.615	10.305	9.657	9.657	-3.0%	-7.6%
51010 Board Of Public Education	0.165	0.177	0.181	0.181	5.5%	3.4%
51020 Commissioner Of Higher Ed	20.447	21.006	20.711	20.710	-0.1%	-0.2%
51130 School For The Deaf & Blind	0.256	0.263	0.256	0.256	-1.5%	-2.8%
51140 Montana Arts Council	0.223	0.223	0.235	0.229	4.0%	4.0%
51150 Montana State Library	1.738	1.801	1.748	1.741	-1.4%	-3.1%
51170 Montana Historical Society	0.712	0.714	0.722	0.722	1.2%	1.2%
Subtotal	672.135	723.361	742.307	744.934	6.6%	3.2%
<u>One Time Only</u>						
Section A: General Government	8.227	5.569	0.250	0.250	-96.4%	-96.6%
Section B: Health & Human Services	0.068	0.151	-	-	-100.0%	-100.0%
Section C: Natural Resources & Transp	1.801	2.433	0.475	0.467	-77.8%	-85.2%
Section D: Judicial Br. Law Enf & Justice	0.277	-	0.046	0.064	-60.2%	-60.2%
Section E: Education	0.300	0.300	-	-	-100.0%	-100.0%
Subtotal	10.673	8.454	0.771	0.781	-91.9%	-93.0%
Total before adjustments	682.809	731.814	743.078	745.715	5.2%	
Reversions and Other Adjustments (3)	48.562	-0.640				
Grand Total	\$731.371	\$731.175	\$743.078	\$745.715		1.8%
(1) FY 2014 contains actual expenditures as contained in IBARS						
(2) Does not include FY 2015 continuing biennial appropriations and OTO are separated						
(3) Under certain laws, agencies have the authority to move appropriations between years. Growth can be greater than the approp to approp comparison when agencies revert (or do not spend) appropriated level of funding in FY 2014.						

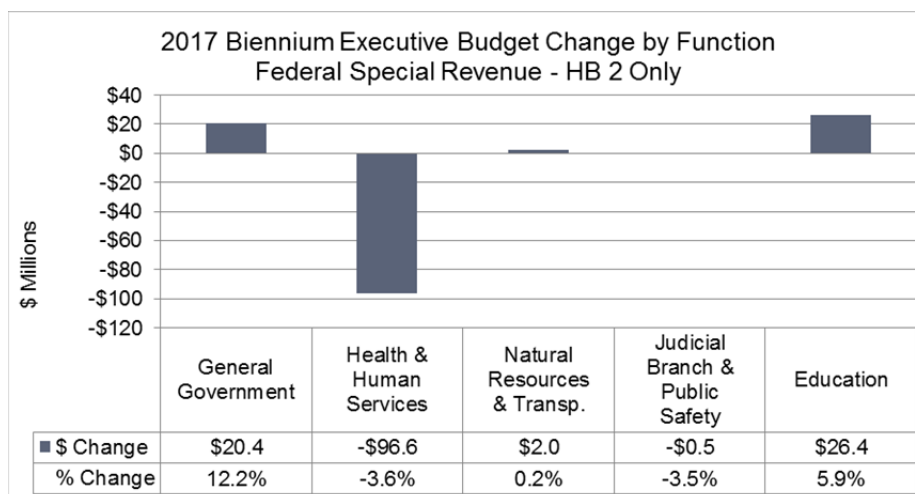
State special revenue new proposals and present law adjustments are discussed in more detail in Volumes 3-6 of the 2017 Biennium LFD Budget Analysis, and are summarized more fully in Appendix B located online. Each of the OTO proposals is explained more fully in Volumes 3-6, along with any analysis comments or issues.

## **Federal Funds**

Federal funds are, as the name implies, received from various federal funding sources. The federal government provides targeted funding that cannot be used except for the general and/or specific purposes intended. It totals \$4,142.6 million or 42.3% of total proposed expenditures in the 2017 biennium. This figure is the net of the Governor's proposal to move SNAP benefits from HB 2 to a statutory appropriation. If this proposal was not included, federal funds would comprise 44.3% of proposed expenditures, and would increase by \$315.6 million or 7.5% from actual and appropriated or 4.0% from the previous appropriated level.



The following shows the proposed change in funding compared to the 2015 biennium. Please note that the figure includes the proposed change in SNAP funding, which results in an overall decrease of \$48.3 million or 1.2%. Note that the preliminary Volume 1 compared the FY 2015 including biennial continuing appropriations. In order to tie to the agency tables in Volume 3-6, these charts do not include continuing appropriations. As a result, these percentage increases appear larger than in the preliminary document.



### Ongoing Expenditures

The executive proposes multiple increases over numerous agencies, with some offsetting reductions. The major increases include the following:

- Caseload increases in Medicaid and other human services programs such as foster care
- Provider rate and direct care worker wage increases in human services and corrections
- Expanded autism services
- A new proposal for unexploded ordnance in the Department of Military Affairs
- Various increases for the Guaranteed Student Loan Program in the Commissioner of Higher Education
- Federal grant and administrative cost adjustments in various agencies
- A taxiway for the Yellowstone airport
- Annualization of personal services costs, including all stepped in costs of the 2015 biennium pay plan as negotiated by the Governor and elimination of the additional 2% vacancy savings rate adopted by the 2013 Legislature

These increases are partially offset by three major reductions:

- The proposed elimination of the HB 2 appropriation for SNAP (food stamp) benefits and establishment of a statutory appropriation for this purpose
- A reduction in the percentage of Medicaid benefit costs (FMAP) the federal government will pay, requiring the state to pay a higher share
- The budget overestimated the FY 2015 amount of funds the state would receive through the federal MAP-21 program in the Department of Transportation. The 2017 biennium budget is based on the lower estimated revenues primarily in construction

### One-Time-Only

The only federally funded OTO appropriation recommended by the Governor is to spend interest income from the Help America Vote Act funds.

The next figure compares federal funds by agency in the proposed 2017 biennium budget to the 2015 biennium. The change in SNAP funding is segregated. The notes preceding the All Funds table apply to this table as well.

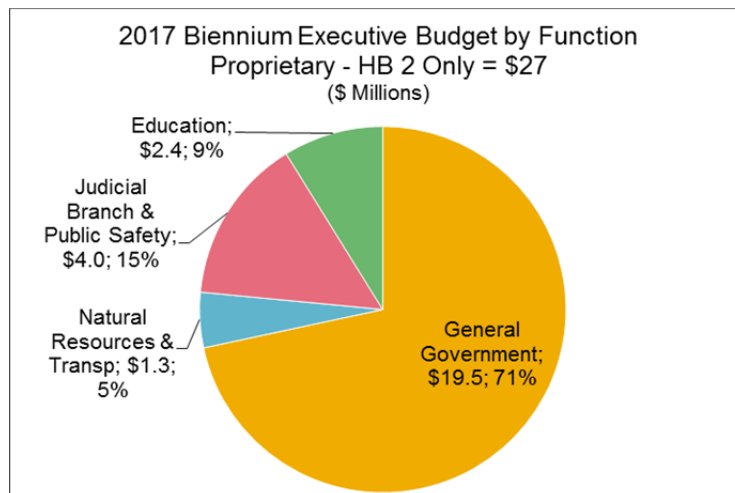
HB 2 Only - Federal Special Revenue Fund Agency Comparison 2015 versus 2017 Executive Proposed Budget (\$ Millions)						
	2014 Actuals (1)	2015 Executive Budget (2)	2016 Executive Request	2017 Executive Request	% Change	Approp to Approp Change
<u>Ongoing</u>						
Section A: General Government						
32010 Secretary Of State's Office	\$0.000	\$0.000	\$0.000	\$0.000	0.0%	0.0%
58010 Department Of Revenue	0.250	0.268	0.241	0.241	-6.8%	-8.1%
61010 Department Of Administration	0.019	0.947	1.558	0.101	71.7%	-12.4%
65010 Department Of Commerce	10.538	17.881	18.294	18.102	28.1%	2.5%
66020 Department Of Labor & Industry	29.792	38.225	32.850	32.863	-3.4%	-12.7%
67010 Department Of Military Affairs	32.072	36.224	41.451	41.459	21.4%	12.1%
Section B: Health & Human Services						
69020 Economic Security Services Branch*	337.151	361.937	166.031	167.194	-52.3%	-53.8%
69040 Directors Office	2.973	2.148	2.548	2.553	-0.4%	41.4%
69060 Operations Services Branch	26.583	31.709	29.135	28.581	-1.0%	-9.2%
69070 Public Health & Safety	41.168	45.356	42.098	42.095	-2.7%	-7.0%
69110 Medicaid And Health Services Branch	871.067	935.354	1,011.048	1,073.409	15.4%	14.7%
Section C: Natural Resources & Transp						
52010 Department Of Fish, Wildlife & Parks	18.429	20.062	23.029	23.033	19.7%	16.4%
53010 Department Of Environmental Quality	18.184	20.927	24.282	24.286	24.2%	17.7%
54010 Department Of Transportation	384.042	430.585	403.019	396.151	-1.9%	-7.1%
56030 Department Of Livestock	1.379	1.447	1.766	1.766	25.0%	24.1%
57060 Department Of Natural Resources & Cons	1.876	2.000	2.268	2.271	17.1%	13.8%
62010 Department Of Agriculture	0.996	2.143	1.143	1.142	-27.2%	-46.2%
Section D: Judicial Br. Law Enf & Justice						
21100 Judicial Branch	0.120	0.126	0.120	0.120	-2.6%	-3.8%
41070 Crime Control Division	5.508	6.082	5.528	5.528	-4.6%	-9.0%
41100 Department Of Justice	1.087	1.149	1.152	1.152	3.0%	1.4%
42010 Public Service Commission	0.073	0.083	0.073	0.073	-6.2%	-6.2%
64010 Department Of Corrections	0.000	0.016	0.000	0.000	-97.0%	-98.5%
Section E: Education						
35010 Office Of Public Instruction	161.260	166.453	167.575	168.919	2.7%	0.4%
51020 Commissioner Of Higher Ed	48.858	57.175	65.507	65.487	23.5%	13.9%
51130 School For The Deaf & Blind	0.069	0.072	0.069	0.069	-1.8%	-3.6%
51140 Montana Arts Council	0.698	0.713	0.715	0.707	0.9%	0.0%
51150 Montana State Library	0.989	0.565	1.679	0.624	48.2%	3.3%
51170 Montana Historical Society	<u>0.736</u>	<u>0.775</u>	<u>0.769</u>	<u>0.769</u>	<u>1.8%</u>	<u>1.3%</u>
Subtotal	1,995.918	2,180.422	2,043.946	2,098.696	-0.8%	-3.8%
<u>One Time Only</u>						
Section A: General Government	0.367	0.353	0.105	0.105	-70.8%	-71.3%
Section B: Health & Human Services	0.053	5.765	-	-	-100.0%	-100.0%
Section C: Natural Resources & Transp	0.045	0.047	-	-	-100.0%	-100.0%
Section D: Judicial Br. Law Enf & Justice	-	-	-	-		
Section E: Education	<u>0.306</u>	<u>7.869</u>	-	-	<u>-100.0%</u>	<u>-100.0%</u>
Subtotal	0.770	14.035	0.105	0.105	-98.6%	-99.2%
Total Submitted HB 2 Before Adjustments	1,996.688	2,194.456	2,044.051	2,098.801	-1.2%	
Reversions and Other Adjustments (3)	140.225	2.599				
Total Submitted HB 2 After Adjustments	\$2,136.913	\$2,197.056	\$2,044.051	\$2,098.801		-4.4%
*SNAP moved to statutory approp						
			181.958	181.958		
Total Submitted HB 2 with SNAP Before Adjustments			2,226.009	2,280.759	7.5%	
Total Submitted HB 2 with SNAP After Adjustments			\$2,226.009	\$2,280.759		4.0%
(1) FY 2014 contains actual expenditures as contained in IBARS						
(2) Does not include FY 2015 continuing biennial appropriations and OTO are separated						
(3) Under certain laws, agencies have the authority to move appropriations between years. Growth can be greater than the approp to approp comparison when agencies revert (or do not spend) appropriated level of funding in FY 2014.						

Federally funded new proposals and present law adjustments are discussed in more detail in Volumes 3-6 of the 2017 Biennium LFD Budget Analysis, and are summarized more fully in Appendix B located online.

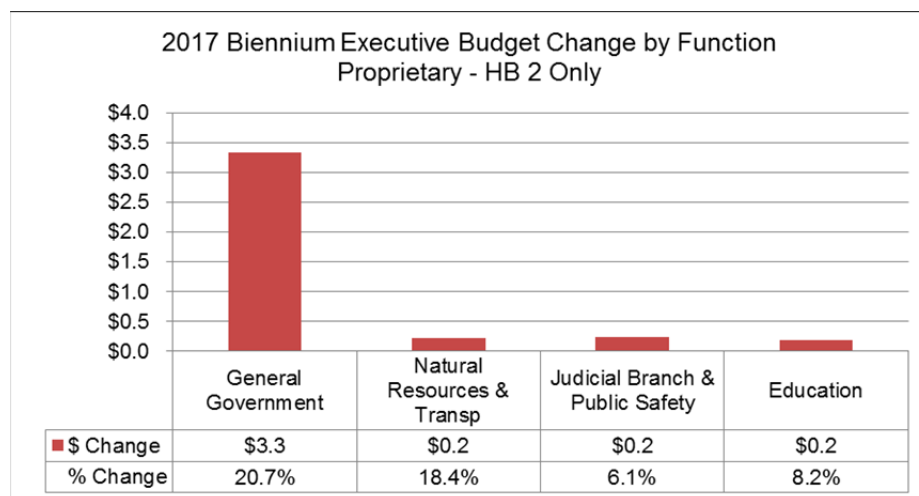
### **Proprietary**

Proprietary funds are designated as either enterprise or internal service funds. Enterprise funds account for operations: (A) that are financed and operated in a manner similar to private business enterprises whenever the intent of the legislature is that costs (i.e. expenses, including depreciation) of providing goods or services to that general public on a continuing basis are to be financed or recovered primarily through user charges; or (B) whenever the legislature has decided that periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes ([17-2-102, MCA](#)). Internal service funds account for the financing of goods or services provided by one department or agency to other departments or agencies of state government or to other governmental entities on a cost reimbursed basis ([17-2-102, MCA](#)).

Statute does not require that most proprietary funds be appropriated. Therefore, any increases in the programs supported with these proprietary funds, which is the great majority, are not reflected in any of the figures. Rather, only those proprietary funds that are appropriated in HB 2 are reflected.



The most significant policy adjustments proposed by the Governor are in the Lottery Division in the Department of Administration for operating costs related to increased sales, and expenses related to gaming systems and terminals.



The next figure compares proprietary funds appropriated in HB 2 in the proposed 2017 biennium budget to the 2015 biennium, by agency.

HB 2 Only - Proprietary Fund Agency Comparison 2015 versus 2017 Executive Proposed Budget (\$ Millions)						
	2014 Actuals (1)	2015 Executive Budget (2)	2016 Executive Request	2017 Executive Request	% Change	Approp to Approp Change
<u>Ongoing</u>						
Section A: General Government						
58010 Department Of Revenue	\$2.989	\$2.965	\$3.316	\$3.255	10.4%	8.3%
61010 Department Of Administration	5.026	5.168	6.263	6.117	21.4%	19.9%
Section C: Natural Resources & Transp						
62010 Department Of Agriculture	0.512	0.610	0.664	0.664	18.4%	10.6%
Section D: Judicial Br. Law Enf & Justice						
41100 Department Of Justice	1.776	1.851	1.886	1.887	4.0%	3.2%
64010 Department Of Corrections	0.066	0.063	0.108	0.106	65.6%	65.6%
Section E: Education						
51020 Commissioner Of Higher Ed	0.503	0.531	0.526	0.526	1.8%	561.7%
51170 Montana Historical Society	<u>0.573</u>	<u>0.614</u>	<u>0.675</u>	<u>0.675</u>	<u>13.7%</u>	<u>10.6%</u>
Subtotal	11.444	11.801	13.438	13.230	14.7%	17.2%
<u>One Time Only</u>						
Section A: General Government	-	-	0.534	-		
Section C: Natural Res & Transp	-	-	-	-		
Section D: Judicial Br. Law Enf & Justice	-	-	-	-		
Section E: Education	-	-	-	-		
Subtotal	-	-	0.534	-		
Total before adjustments	11.444	11.801	13.972	13.230	17.0%	
Reversions and Other Adjustments (3)	-0.035	-0.450				
Grand Total	\$11.410	\$11.351	\$13.972	\$13.230		19.5%
(1) FY 2014 contains actual expenditures as contained in IBARS (2) Does not include FY 2015 continuing biennial appropriations and OTO are separated (3) Under certain laws, agencies have the authority to move appropriations between years. Growth can be greater than the approp to approp comparison when agencies revert (or do not spend) appropriated level of funding in FY 2014.						

## Legislative Options

All of the HB 2 proposals presented by the executive are discussed in detail in Volumes 3-6 of the 2017 Biennium LFD Budget Analysis, including any issues or comments.

## Long-Range Planning

The Long-Range Planning Subcommittee (LRP) analyzes and recommends appropriations and grant authorizations for the executive proposal of capital projects. The capital project budgets include investment in various forms of infrastructure including the acquisition of lands, construction and major maintenance of lands and buildings, maintenance and development of water related infrastructure, reclamation activities, and information technology.

### Executive Proposal

The Governor's budget proposes total funds spending of \$426.6<sup>1</sup> million for LRP budgets. In the 2017 biennium, the legislature will be considering proposals for eleven LRP programs, eight of which, at a proposed cost of \$391.2 million, are included in the executive's "Build Montana" proposal.

The figure below shows a summary of the proposed appropriations for the LRP programs included in the Governor's budget.

Long-Range Planning Budget Comparison (millions)					
Budget Item	Bill #	Appropriations FY 14-15	Proposals FY 16-17	Biennium Change	Biennium % Change
		<u>Approp.</u>	<u>Proposed</u>		
Long-Range Building Program (LRBP)	HB 5	\$175.6	\$233.6	\$58.0	33.0%
State Building Energy Conservation Program (SBECP)	HB 5	3.5	2.5	(1.0)	-28.6%
Long-Range Information Technology Program (LRITP)	HB 10	20.9	20.0	(0.9)	-4.2%
Broadband Infrastructure Development (BbD)	HB 14	0.0	15.0	15.0	-
Treasure State Endowment Program (TSEP)	HB 5	35.0	27.2	(7.8)	-22.3%
Eastern Montana Grant Program (TSEP-EMGP)	HB 5	0.0	45.0	45.0	-
Treasure State Regional Water Program (TSEPRW)	HB 5	17.0	3.3	(13.7)	-80.8%
Renewable Resource Grant and Loan Program (RRGL)	HB 5	54.2	40.4	(13.8)	-25.4%
Reclamation and Development Grant Program (RDGP)	HB 5	6.2	8.0	1.8	28.2%
Cultural and Aesthetic Grant Program (C&A)	HB 9	0.8	0.4	(0.4)	-47.4%
Quality Schools Grant Program (QSFP)	HB 5	12.4	31.2	18.8	151.6%
<b>Total Costs</b>		<b>\$325.5</b>	<b>\$426.6</b>	<b>\$101.1</b>	<b>31.0%</b>
Capital Projects Fund (Capital)		\$66.6	\$15.8	(\$50.8)	-76.3%
General Fund (GF) <sup>1</sup>		11.5	12.0	0.5	4.8%
State Special (SS)		136.8	80.7	(56.1)	-41.0%
Federal Special (FS)		26.2	20.7	(5.5)	-20.9%
Bonds and Loans (Bonds)		24.7	227.2	202.5	819.4%
Proprietary Fund (Prop)		1.0	0.0	(1.0)	-100.0%
Authorization (Author)		58.9	70.2	11.4	19.3%
<b>Total Funds</b>		<b>\$325.5</b>	<b>\$426.6</b>	<b>\$101.1</b>	<b>31.0%</b>

<sup>1</sup>General Funds are transfers to the Long-Range Information Technology Capital Project Funds

The LRBP appropriations would fund the construction of three new buildings, additions and renovations at five state buildings, and a significant reduction of the state's deferred maintenance backlog through the overall budget for building maintenance. New buildings would feature the Montana Heritage Center in Helena. The executive proposal includes investments of \$20.0 million in information technology capital projects, where significant projects for five state agencies will be deliberated by the legislature. Additionally, the executive proposes an investment of \$15.0 million for broadband infrastructure in the state. A significant investment in local government infrastructure is also included in the LRP programs, through the Build Montana program with increases of funding in the various LRP programs that are proposed to be funded with total bond authority of \$227.2 million. For more information on all the LRP programs and projects, refer to Section F of the 2017 Biennium LFD Budget Analysis.

<sup>1</sup> Amounts of the Governor's proposals and Build Montana program include \$70.2 million of "authority" to spend non-state funds for state facilities, which is not an appropriation.



## Statutory Appropriations

Statutory appropriations are, as their name suggests, in statute and are not part of the biennial budgeting process. Because of this, they are not automatically reviewed by the legislature and are not subject to the priority setting process like temporary appropriations (such as those in HB 2). Since the appropriations are in statute, they remain in place until removed or changed by legislation. However, all statutory appropriations are available for the legislature to review and change if desired.

Valid statutory appropriations are listed in [17-7-502, MCA](#). The list provides statutory citations for each statutory appropriation. Statutory appropriations are intended for limited situations, and guidelines for the appropriateness of establishing them are specified in [17-1-508, MCA](#). The Legislative Finance Committee periodically reviews statutory appropriations.

### ***Executive Proposal***

The following table shows each general fund statutory appropriation estimated by the Legislative Fiscal Division (LFD). The LFD estimates are lower than those of the Office of Budget and Program Planning by \$2.3 million in FY 2016 and \$0.4 million in FY 2017. Higher retirement statutory appropriation projections drive this difference.

Information regarding executive proposals that would impact statutory appropriations can be found in the Other Legislation section of this document.

General Fund Statutory Appropriation LFD Estimates, 2014-2017 (\$ Millions)					
MCA Cite	Purpose	2014 (Actual)	2015 (Estimate)	2016 (Estimate)	2017 (Estimate)
<u>Retirement</u>					
15-35-108(9)(a)	Coal Severance to PERS	\$14.745	\$15.873	\$16.201	\$16.605
15-35-108(9)(b)(v)	Coal Severance to PERS (Interest)	21.000	17.373	16.749	19.391
19-3-319	Local Government Retirement Contribution	0.952	0.990	1.030	1.071
19-6-404	MHP Retirement Transfer	1.357	1.411	1.467	1.526
19-6-410	MHP Supplemental Benefit Retirement Transfer	0.262	0.272	0.283	0.295
19-9-702	Police Retirement Contribution	13.049	13.571	14.114	14.678
19-13-604	Firefighters' Association Contribution	13.007	13.527	14.069	14.631
19-17-301	Volunteer Firefighter Fund Contribution	1.818	1.891	1.967	2.045
19-18-512	Fire Department Relief Association Contribution	0.368	0.383	0.399	0.414
19-19-305	Police (Non-PERS) Retirement Contribution	0.205	0.213	0.221	0.230
19-19-506	Police Officer Pension Supplement Contribution	-	-	-	-
19-20-604	Teacher's Retirement Supplemental Contribution	0.821	0.854	0.888	0.923
19-20-607	Teachers' Retirement System Contribution	42.035	42.716	43.425	44.162
19-21-203	MUS Retirement Contribution	<u>1.534</u>	<u>1.577</u>	<u>1.655</u>	<u>1.725</u>
Subtotal		111.152	110.651	112.466	117.698
<u>Economic Development</u>					
15-35-108(9)(b)(i)	Coal Severance to Cooperative Develop Center	0.065	0.065	0.065	0.065
15-35-108(9)(b)(ii)	Coal Severance to Growth Through Ag	0.587	0.625	0.625	0.625
15-35-108(9)(b)(iii)	Coal Severance to Research and Commercialization	1.275	1.275	1.275	1.275
15-35-108(9)(b)(iv)	Coal Severance to Department of Commerce	1.097	1.100	1.100	1.100
15-70-369	Biodiesel Tax Refunds	-	-	-	-
15-70-601	Biodiesel Tax Incentives	-	-	-	-
Subtotal		3.024	3.065	3.065	3.065
<u>Local Assistance</u>					
7-4-2502	Payment of County Attorneys	2.954	2.998	2.954	2.954
15-1-121	Local Government Combined Distribution	118.433	126.583	130.639	134.829
22-1-327	State Aid to Public Libraries	-	-	<u>0.396</u>	<u>0.396</u>
Subtotal		121.387	129.581	133.989	138.178
<u>Other</u>					
10-1-1202	National Guard Death Benefit	-	-	-	-
10-3-310	Incident Response Appropriation	-	-	-	-
10-3-312	Emergency & Disaster Appropriation	0.527	15.973	8.250	8.250
15-1-218	Out of State Collections	0.150	0.170	0.186	0.175
16-11-509	Tobacco Enforcement	-	-	-	-
17-3-106	Return of Federal Grant Interest	0.001	0.001	0.001	0.001
17-3-106	Return of Federal Grant Money (GSD Only)	0.064	0.064	0.064	0.064
17-3-106	Return of Federal Grant Money	0.089	0.100	0.100	0.100
17-6-101	Banking Charges	2.160	2.160	2.160	2.160
17-7-502(4)	Bond Fees & Costs	<u>16.071</u>	<u>16.458</u>	<u>12.816</u>	<u>12.858</u>
Subtotal		19.061	34.926	23.576	23.609
Total		\$254.624	\$278.224	\$273.096	\$282.550

## General Fund Transfers

The Montana Constitution requires that all money paid out of the state treasury – except interest paid on the public debt – be done with an appropriation. However, the state treasury consists of numerous accounts and with proper legislative authorization money may be transferred from one account to another without an appropriation. Like statutory appropriations, these transfers and their authorizations are in statute (or sometimes contained in un-codified legislation) and are not part of the biennial budgeting process. Yet, they impact the amount of money available for the legislature to appropriate for specific programs. The Legislative Finance Committee has approved a policy that the legislature does not enact legislation that transfers general fund in an on-going manner to another account from which it can be appropriated.

### ***Executive Proposal***

The following table shows each general fund non-budget transfers estimated by the Legislative Fiscal Division (LFD). The LFD estimates are lower than those of the Office of Budget and Program Planning (OBPP) by \$132,560 in FY 2016 and \$200,309 in FY 2017.

Two factors drive this difference. First, OBPP estimates an amount of general fund impact for agency non-budgeted activities. By contrast, the LFD assumes that agency non-budgeted general fund activities will net to zero within a fiscal year. This difference results in a higher OBPP number. Second, the LFD projected lower general fund transfers resulting from vehicle fees.

Information regarding executive proposals impacting general fund non-budgeted transfers can be found in the Other Legislation section of this document.

General Fund Non-Budgeted Transfer LFD Estimates, 2014-2017 (\$ Millions)					
MCA Cite	Purpose	2014 (Actual)	2015 (Estimate)	2016 (Estimate)	2017 (Estimate)
Vehicle					
15-1-122(1)	Adoption services	\$0.059	\$0.065	\$0.072	\$0.079
15-1-122(2)(a)	Junk vehicles	1.494	1.514	1.533	1.551
15-1-122(2)(b)	Noxious weeds	1.514	1.534	1.553	1.572
15-1-122(2)(c)(i)	Boat facilities & enforcement, OHV, Parks	0.464	0.471	0.476	0.482
15-1-122(2)(c)(ii)	Snowmobiles	0.101	0.102	0.104	0.105
15-1-122(2)(c)(iii)	Motorboats	0.162	0.164	0.166	0.168
15-1-122(2)(d)	Veterans' Services	0.617	0.625	0.633	0.640
15-1-122(2)(d)	Veterans' Cemetery	0.201	0.203	0.206	0.208
15-1-122(2)(e)	Senior and people with disabilities transportation	0.303	0.307	0.311	0.314
15-1-122(2)(f)	Search & rescue	<u>0.040</u>	<u>0.041</u>	<u>0.041</u>	<u>0.042</u>
Subtotal		4.956	5.026	5.095	5.160
Other Transfers					
15-1-122(3)	Livestock loss reduction and mitigation	0.200	0.200	0.200	0.200
15-1-123 (5)(b)	Lower business equipment tax (MUS SB96)	0.450	0.141	-	-
15-1-123 (5)(b)	Lower business equipment tax (MUS)	0.171	0.375	-	-
17-1-511(2)	Incentives for rural physicians	0.227	0.227	0.227	0.227
39-71-2352(6)	Old state fund shortfall	8.575	8.319	7.466	6.130
76-13-105	Wildfire suppression fund	39.779	3.653	0.183	-
77-1-108(5a)	Trust land administration	0.080	0.080	0.080	-
87-2-801(6)	Purple heart free hunting license	0.000	0.040	0.040	0.040
87-2-803(12d)	Military free hunting license	<u>0.061</u>	<u>incl. above</u>	-	-
Subtotal		49.544	13.035	8.196	6.597
Non-Budgeted Activity					
NA	DPHHS Non-budgeted	0.066	-	-	-
NA	Other Non-budgeted	<u>0.026</u>	-	-	-
Subtotal		0.040	-	-	-
Total		\$54.541	\$18.061	\$13.291	\$11.757

## Other Legislation

Other than HB 2, Long-Range Building, statutory authority, and non-budgeted changes described above, the executive proposes other legislation that would increase general fund by an additional \$128.8 million. The following figure details the amounts by proposal:

General Fund Proposals - Other Legislation Executive Budget 2017 Biennium (\$ Millions)	
Proposal	2017 Biennium
HB 1 - Feed Bill	\$10.4
HB 3 - Supplemental Appropriations	31.6
HB 5 - Build Montana Act	23.1
HB 13 - Pay Plan	42.5
HB 13 - PS Contingency	1.3
HB 14 - Broadband Plan	1.7
Salish Kootenai Water Compact	8.0
LC 398 - Water Adjudication	4.1
LC 631 - Healthy Montana Act	-9.9
LC 717 - Quality Schools Redirect	13.0
LC 1089 - Safe Child Initiative	3.0
<b>Grand Total</b>	<b>\$128.8</b>
Transfers included	

### Executive Proposal

- HB 1 Feed bill – The executive assumes \$10.4 million in the feed bill used to fund the operations of the legislature
- HB 3 Supplemental Bill – The Governor proposes that an additional \$31.6 million be provided to the following agencies that anticipate outspending their appropriation authority in FY 2015:
  - \$94,000 Commissioner of Political Practices to hire outside consultants
  - \$9.4 million Office of Public Instruction for BASE-Aid and block grants
  - \$13.4 million Department of Administration for risk management and tort defense
  - \$1.7 million Office of Public Defender for conflict coordinator program and public defender costs
  - \$7.0 million Department of Corrections for secure facilities
- HB 5 Build Montana Act – The executive assumes \$23.1 million in general fund transfers for infrastructure and other projects
- HB 13 Pay plan and contingency – The Governor proposes a state employee pay plan that would provide:
  - \$0.50 increase to the base salary of each employee per year
  - 10% increase in health benefit contribution beginning on January 1, 2016 and an 8% increase on January 1, 2017
  - Contingency fund of \$1.3 for distribution to agencies that cannot meet their vacancy savings targets and provides \$75,000 for training. The executive has indicated that an amendment will be submitted to update the bill to match their balance sheet
- HB 14 Broadband Plan – The executive proposes the issuance of general obligation bonds for the purpose of funding statewide broadband infrastructure development
- Confederated Salish Kootenai Water Compact – the executive proposes to amend HB 2 to include in Department of Natural Resources and Conservation budget
- LC 398 – Water Adjudication – The executive proposes \$4.1 million to fund water adjudication

- LC 631 Healthy Montana Act – The Governor proposes expanding health care coverage to provide certain low income Montanans access to health care services. Please refer to page 4 and 7 for further information on the impact of the Healthy Montana Act
- LC 717 Quality Schools Account Redirect – The Governor proposes that the natural resource development payment from K-12 BASE-Aid be redirected to the school facility and technology account to fund facility improvements. This redirect impacts the general fund by \$13 million
- LC 1089 Safe Child Initiative – The executive proposes to increase funding by \$3 million for services to protect abused and neglected children

## ***References***

[The Governor's Budget Highlights Fiscal Years 2016-2017 \(Orange Book\)](#)

[The Governor's December 15<sup>th</sup> changes](#)