

Agency Budget Comparison

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison							
Budget Item	Base Fiscal 2014	Legislative Budget 2016	Legislative Budget 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium %
Full Time Equivalents (FTE)	2,923.58	2,872.80	2,945.49	2,923.58	2,945.49	21.91	0.7%
By Branch							
6902 - Economic Security Services	\$418,039,816	\$435,766,813	\$438,092,944	\$869,210,196	\$873,859,757	\$4,649,561	0.5%
6904 - Director's Office	6,848,480	5,578,559	5,584,453	11,613,263	11,163,012	(450,251)	-3.9%
6906 - Operations Services	46,033,250	50,380,210	49,830,247	102,378,706	100,210,457	(2,168,249)	-2.1%
6907 - Public Health and Safety	61,132,663	64,011,978	64,016,215	127,479,478	128,028,193	548,715	0.4%
6911 - Medicaid & Health Services	1,339,739,577	1,528,677,499	1,628,290,212	2,771,257,752	3,156,967,711	385,709,959	13.9%
By Category							
Total Personal Services	170,695,929	184,892,025	187,807,550	348,896,819	372,699,575	23,802,756	6.8%
Total Operating Expenses	106,482,041	118,402,852	118,711,925	232,246,530	237,114,777	4,868,247	2.1%
Total Equipment & Intangible Assets	628,233	779,536	704,536	1,431,227	1,484,072	52,845	3.7%
Total Grants	74,885,046	80,620,209	80,853,920	151,671,056	161,474,129	9,803,073	6.5%
Total Benefits & Claims	1,515,940,213	1,696,881,795	1,794,897,498	3,141,149,859	3,491,779,293	350,629,434	11.2%
Total Transfers	2,939,272	2,546,635	2,546,635	6,029,476	5,093,270	(936,206)	-15.5%
Total Debt Service	223,052	292,007	292,007	515,428	584,014	68,586	13.3%
Total Costs	\$1,871,793,786	\$2,084,415,059	\$2,185,814,071	\$3,881,940,395	\$4,270,229,130	\$388,288,735	10.0%
General Fund							
General Fund	445,923,423	506,391,688	534,229,262	916,104,522	1,040,620,950	124,516,428	13.6%
State/Other Special Rev. Funds							
State/Other Special Rev. Funds	146,927,323	158,074,367	159,956,571	304,624,005	318,030,938	13,406,933	4.4%
Federal Spec. Rev. Funds							
Federal Spec. Rev. Funds	1,278,943,040	1,419,949,004	1,491,628,238	2,661,211,868	2,911,577,242	250,365,374	9.4%
Total Funds	\$1,871,793,786	\$2,084,415,059	\$2,185,814,071	\$3,881,940,395	\$4,270,229,130	\$388,288,735	10.0%

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Legislative Budget Analysis, B-1

Agency Discussion

The 2017 biennium legislative appropriation for the Department of Public Health and Human Services (DPHHS) is \$388.3 million higher than the 2015 biennium. Except for the Public Health and Safety Division and Medicaid and Health Services branch, the appropriations for all other programs and branches of the department show a reduction from the 2015 biennium.

Benefits and claims (funds to support provision of services to persons who meet specific eligibility criteria) increase \$350.6 million, largely due to increases in Medicaid costs. Personal services appropriations increase between biennia due to approval of the executive request for 82.70 new FTE for state mental health facilities and 8.00 new FTE for eligibility determination. FTE increases are partially offset by reductions made to comply with 2013 biennium legislative intent. Appropriations for grants increase due to additional funding for tobacco control and prevention, aging services, and community mental health services.

Major components of the overall increase are:

- o Medicaid enrollment, service utilization, and pharmacy inflation and new proposals to expand Medicaid autism and home and community based services - \$318.0 million total funds, including \$88.5 million general fund
- o A 2% provider rate increase for all providers that do not receive a statutorily required cost of living adjustment - \$55.2 million total funds, including \$18.7 million general fund
- o Additional community services for mental health crisis jail diversion, secure detention psychiatric beds, transitional mental health group homes, and other supports - \$9.8 million general fund
- o A provider rate increase to fund direct care worker wages - \$6.7 million total funds, including \$2.2 million general fund

Increases are partially offset by reductions in lower cash assistance and SNAP (Supplemental Nutrition Assistance Program) costs of about \$31.0 million.

Biennium to Biennium Comparison Using Legislative Appropriations

The following table shows the biennium to biennium comparison for total funds based on the legislative appropriation. The 2017 biennium appropriation for DPHHS is 8.8% greater than the 2015 biennium. That percentage change is smaller than shown on the main table, which uses the FY 2014 actual expenditures instead of the FY 2014 appropriation. Actual expenditures for FY 2014 are lower than the appropriated amount.

Biennial Comparison of Legislative Appropriations				
Budget Item	2015 Biennium	2017 Biennium	Biennium \$ Change	Biennium % Change
Appropriation	\$3,923,800,193	\$4,270,229,130	\$346,428,937	8.8%

Executive Budget Comparison

Executive Budget Comparison								
Budget Item	Base Budget FY 2014	Executive Budget 2016	Legislative Budget 2016	Leg. - Exec. Difference 2016	Executive Budget 2017	Legislative Budget 2017	Leg. - Exec. Difference	Bien. Diff. 16 -17
Full Time Equivalents (FTE)	2,923.58	2,872.80	2,872.80	0.00	2,945.49	2,945.49	0.00	0.00
By Branch								
6902 - Economic Security Services	\$418,039,816	\$253,241,922	\$435,766,813	\$182,524,891	\$256,171,739	\$438,092,944	\$181,921,205	\$364,446,096
6904 - Director's Office	6,848,480	5,768,945	5,578,559	(190,386)	5,780,210	5,584,453	(195,757)	(386,143)
6906 - Operations Services	46,033,250	50,779,235	50,380,210	(399,025)	50,100,954	49,830,247	(270,707)	(669,732)
6907 - Public Health and Safety	61,132,663	64,114,812	64,011,978	(102,834)	64,114,636	64,016,215	(98,421)	(201,255)
6911 - Medicaid and Health Services	1,339,739,577	1,562,708,868	1,528,677,499	(34,031,369)	1,662,568,237	1,628,290,212	(34,278,025)	(68,309,394)
By Category								
Total Personal Services	170,695,929	187,565,687	184,892,025	(2,673,662)	191,548,783	187,807,550	(3,741,233)	(6,414,895)
Total Operating Expenses	106,482,041	116,150,557	118,402,852	2,252,295	118,223,144	118,711,925	488,781	2,741,076
Total Equipment & Intangible Assets	628,233	728,233	779,536	51,303	653,233	704,536	51,303	102,606
Total Grants	74,885,046	82,112,783	80,620,209	(1,492,574)	82,112,783	80,853,920	(1,258,863)	(2,751,437)
Total Benefits & Claims	1,515,940,213	1,546,897,599	1,696,881,795	149,984,196	1,643,033,441	1,794,897,498	151,864,057	301,848,253
Total Transfers	2,939,272	2,932,772	2,546,635	(386,137)	2,932,772	2,546,635	(386,137)	(772,274)
Total Debt Service	223,052	226,151	292,007	65,856	231,620	292,007	60,387	126,243
Total Costs	\$1,871,793,786	\$1,936,613,782	\$2,084,415,059	\$147,801,277	\$2,038,735,776	\$2,185,814,071	\$147,078,295	\$294,879,572
General Fund	445,923,423	528,406,791	506,391,688	(22,015,103)	564,413,772	534,229,262	(30,184,510)	(52,199,613)
State/Other Special Rev. Funds	146,927,323	157,347,468	158,074,367	726,899	160,489,783	159,956,571	(533,212)	193,687
Federal Spec. Rev. Funds	1,278,943,040	1,250,859,523	1,419,949,004	169,089,481	1,313,832,221	1,491,628,238	177,796,017	346,885,498
Total Funds	\$1,871,793,786	\$1,936,613,782	\$2,084,415,059	\$147,801,277	\$2,038,735,776	\$2,185,814,071	\$147,078,295	\$294,879,572

The legislative appropriation for DPHHS is \$294.9 million in total funds above the executive request for the biennium, but \$52.2 million general fund lower. This difference is primarily due to the executive proposal to fund the Supplemental Nutrition Assistance Program (SNAP) with a statutory appropriation. The executive budget did not include ongoing authority for SNAP (\$364 million over the 2017 biennium). After the bill to implement the statutory appropriation change was tabled, the legislature added funds for SNAP in HB 2, which increased the 2017 biennium appropriation by \$363.9 million. If the funding for SNAP is included in the executive budget request, the legislative appropriation would be \$78.7 million below the executive budget.

As noted earlier, the legislative general fund appropriation is lower due to implementation of the enhanced federal match for CHIP. That change lowered legislative general fund appropriations \$47.7 million compared to the executive budget request.

There were other significant changes to the DPHHS budget request that were made after December 15, which included updates for estimated Medicaid and CHIP services in the 2017 biennium. The table below shows the total revisions to the executive request for SNAP, Medicaid services, and CHIP. Taken together the revised executive request is \$373.5 million higher than shown in the main table, which uses the December 15 executive request. Legislative action compared to the revised request is \$78.7 million total funds including \$67.6 million general fund lower.

Comparison of Legislative Appropriation to Executive Budget as Revised After December 15, 2014						
Budget Item	<-----General Fund----->			<-----Total Funds----->		
	FY 2016	FY 2017	2017 Biennium	FY 2016	FY 2017	2017 Biennium
Executive Budget as of Dec. 15, 201	\$528,406,791	\$564,413,772	\$1,092,820,563	\$1,936,613,782	\$2,038,735,776	\$3,975,349,558
Revisions -						
Include SNAP in HB 2	0	0	0	181,958,071	181,958,071	363,916,142
Medicaid/CHIP Updates*	5,299,064	10,079,153	15,378,217	(4,942,314)	14,574,758	9,632,444
Final Executive Budget Request	533,705,855	574,492,925	1,108,198,780	2,113,629,539	2,235,268,605	4,348,898,144
Legislative Appropriation	506,391,688	534,229,262	1,040,620,950	2,084,415,059	2,185,814,071	4,270,229,130
Leg. Approp. Over (Under) Exec. Request	(\$27,314,167)	(\$40,263,663)	(\$67,577,830)	(\$29,214,480)	(\$49,454,534)	(\$78,669,014)
*General fund is approximate.						

The major reasons the legislative appropriation is lower than the executive request (when SNAP and revised Medicaid appropriations are included) are:

- Adopting differences in operating costs to align remaining differences between the executive present law budget request and the FY 2015 legislative appropriation - \$32.8 million lower
- Lowering estimates for Healthy Montana Kids services funded from the Children’s Health Insurance Program (CHIP) - \$32.2 million less
- Lowering estimates for Medicaid enrollment, service utilization, and pharmacy inflation changes - \$29.8 million lower
- Approving half of the proposed provider rate increase to raise direct care worker wages - \$6.6 million

The legislative appropriation for the 2017 biennium is \$67.6 million general fund lower than the revised executive budget due to the following changes:

- Applying the enhanced CHIP match rate (effective October 1, 2015) to present law expenditures:
 - Allowed state special revenue that was requested by the executive for CHIP to be used instead to lower general fund costs for Medicaid services by \$37.9 million over the biennium
 - Lowered the general fund cost of CHIP by \$9.8 million over the biennium
- Approving lower Medicaid services costs - \$15.4 million
- Approving one half the proposed provider rate increase to raise direct care worker wages - \$2.2 million

Agency Highlights

Department of Public Health and Human Services Major Budget Highlights
<ul style="list-style-type: none"> ◆ The 2017 biennium legislative appropriation is \$388.3 million greater than the 2015 biennium budget (FY 2014 actual expenditures plus the FY 2015 appropriation) primarily due to: <ul style="list-style-type: none"> • Medicaid enrollment, service utilization, and pharmacy cost changes - \$318.0 million • A restricted 2% annual provider rate increase for all providers except those that receive a statutorily required cost of living increase - \$55.2 million • Additional mental health community services - \$9.8 million • A provider rate increase to raise direct care worker wages - \$6.7 million • Expansion of state mental health facility services - \$5.0 million and 82.70 new FTE ◆ Increases are partially offset by: <ul style="list-style-type: none"> • Implementation of the enhanced federal CHIP match rate - \$37.9 million • Reductions in some operating costs due to lower federal grant amounts and other

- changes to align the executive present law request with the FY 2015 appropriation - \$32.8 million
- ◆ The legislative appropriation is \$78.7 million lower than the executive budget as revised during the legislative session because the legislature:
 - Adopted lower CHIP enrollment and per child cost changes - \$32.2 million
 - Revised appropriations for SNAP and TANF were reduced from the 2015 appropriation to align with estimates for the 2017 biennium - \$31.0 million
 - Adopted legislative staff estimates for Medicaid changes - \$29.8 million
 - Adopted one half of the executive request for provider rate increases to raise direct care worker wages - \$6.7 million

Agency Funding

The following table shows agency funding by source of authority as adopted by the legislature.

Funding by Source of Authority				
Budget Item	HB 2	Statutory Appropriation	Total All	% Total All Funds
General Fund	\$1,040,620,950	\$0	\$1,040,620,950	24.3%
State Special Revenue Funds	318,030,938	10,413,992	328,444,930	7.7%
Federal Special Revenue Funds	<u>2,911,577,242</u>	-	<u>2,911,577,242</u>	68.0%
Total	\$4,270,229,130	\$10,413,992	\$4,280,643,122	
Percent - Total All Sources	99.8%	0.2%		

DPHHS is funded predominantly with federal funds – 68% over the biennium, with general fund making up 24% of total. Across the department, general fund is used primarily as a matching source to draw down federal funding for various social and medical assistance programs. The required match rates vary by function throughout the department. The primary match rate is the Federal Medical Assistance Percentage (FMAP) which is around one third state and two thirds federal. There are enhanced FMAP rates for some services such the Children’s Health Insurance Program (CHIP). Some state funds are also used for maintenance of effort (MOE), which is spending required in order to receive block grants for services such as Temporary Assistance for Needy Families (TANF) and child care.

General fund is used for:

- State match for Medicaid, foster care, child care, disability, employment, and transition, and child support enforcement activities
- Support of state facilities that provide adult mental health and developmental disability services
- Some community mental health services for adults
- Maintenance of effort for the TANF and child care block grants
- A share of administrative costs

State special revenue is used for:

- State match for Medicaid and CHIP services
- Public health laboratory, tobacco prevention and control, and some public health functions
- Some community mental health services for adults
- Chemical dependency and treatment, including a state facility for adults
- Reimbursement for services provided in two state veterans’ homes
- A share of administrative costs

Federal funds are used for:

- Federal match for Medicaid, foster care, child care, child support enforcement, and disability, employment, and transition activities
- SNAP benefits and Women, Infants, and Children nutrition program
- Various categorical grants that support aging services, public health functions, emergency preparedness, cash assistance and work programs
- Reimbursement for services provided in the two state veterans’ homes
- A share of administrative costs

The difference between the HB 2 column and the Total All Sources column in the “Funding by Source of Authority” table is a statutory appropriation of a portion of the alcohol tax proceeds that are allocated to DPHHS. The statutory appropriation distributes funds to state approved programs for the prevention and treatment of chemical dependency and is included in the Total All Sources amount.

Budget Summary by Category

Budget Item	<-----General Fund----->				<-----Total Funds----->			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	% of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	% of Budget
2015 Budget	\$468,734,721	\$468,734,721	\$937,469,442	90.1%	\$2,002,994,740	\$2,002,994,740	\$4,005,989,480	93.8%
PL Adjustments	18,372,522	33,884,666	52,257,188	5.0%	42,919,866	115,522,891	158,442,757	3.7%
New Proposals	19,284,445	31,609,875	50,894,320	4.9%	38,500,453	67,296,440	105,796,893	2.5%
Total Budget	\$506,391,688	\$534,229,262	\$1,040,620,950	100.0%	\$2,084,415,059	\$2,185,814,071	\$4,270,229,130	100.0%