

## BREAKOUT SESSION – STATE AGENCIES

This session covers all state agencies funded in HB 2, with the exception of K-12 education, which is discussed in more detail in the State and Local Partnerships breakout session.

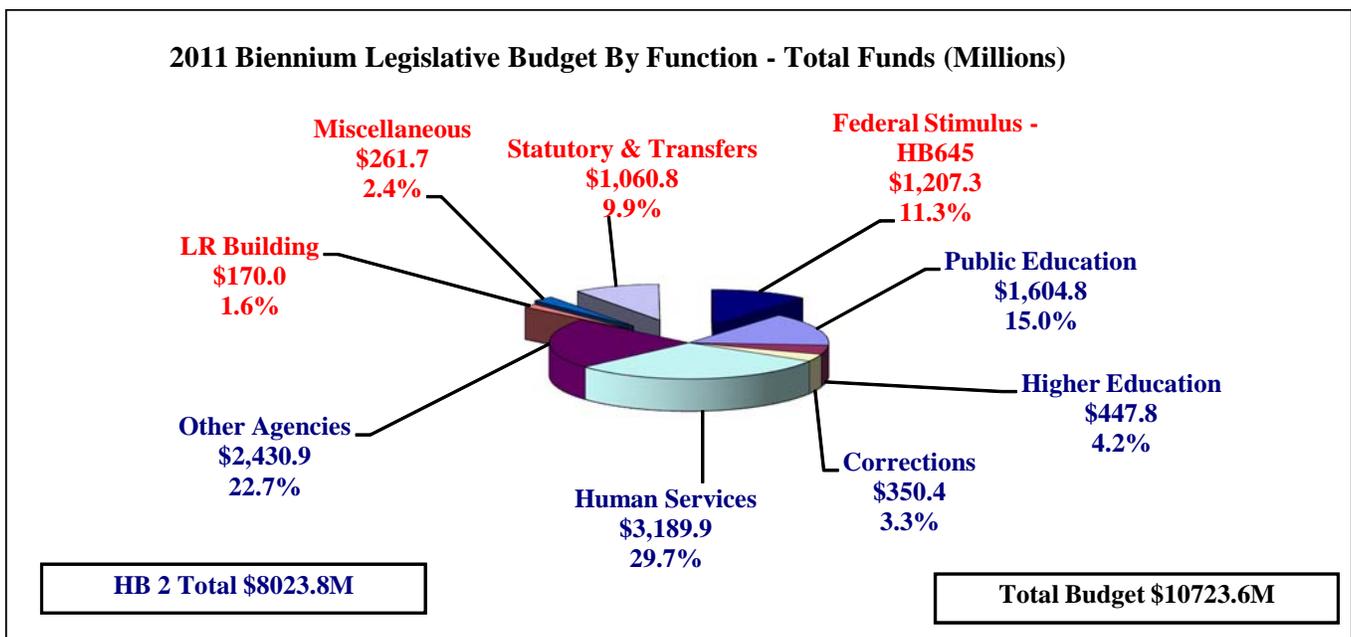
Purpose - Provide a perspective of what a 10 percent structural balance in state government expenditures means.

Sessions do not:

- Suggest how to close or eliminate the structural balance
- Provide specific options

### WHAT DOES STATE GOVERNMENT DO?

The following chart shows total state expenditures by function. As shown, state expenditures are dominated by education, corrections, human services, and “other”, which is dominated by the Department of Transportation. Please note that, unless otherwise noted, charts in this overview incorporate the 2013 biennium as projected by the LFD in the “big picture” report, prior to any action by the 2011 Legislature to address ending fund balance or structural balance. However, the following two figures are as appropriated for the 2011 biennium by the 2009 Legislature, as the LFD does not project non-general fund costs into the 2013 biennium for the “big picture”.

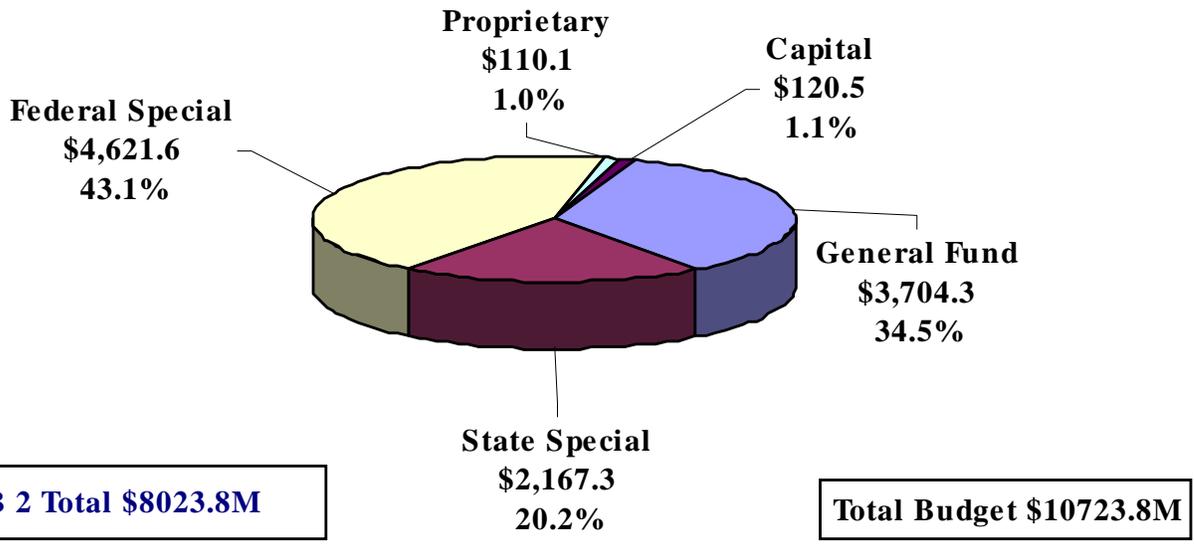


### HOW IS STATE GOVERNMENT FUNDED?

The following pie chart shows the major sources of funding. Please note that the percent share of general fund is reduced and federal funds increased due to the provision of federal stimulus funds (HB 645) in the 2011 biennium.

- General fund supports 34.5 percent of total state government expenditures (traditionally around 40 percent)
- Federal funds support 43.1 percent
- State special revenue an additional 20.2 percent

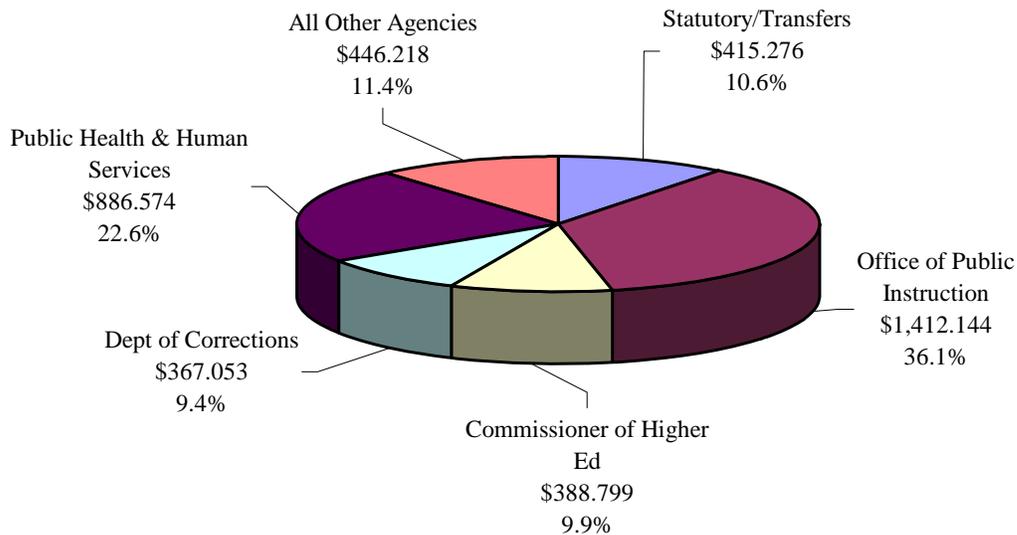
### 2011 Biennium Legislative Budget By Function - Fund Source (Millions)



### WHAT DOES GENERAL FUND PAY FOR?

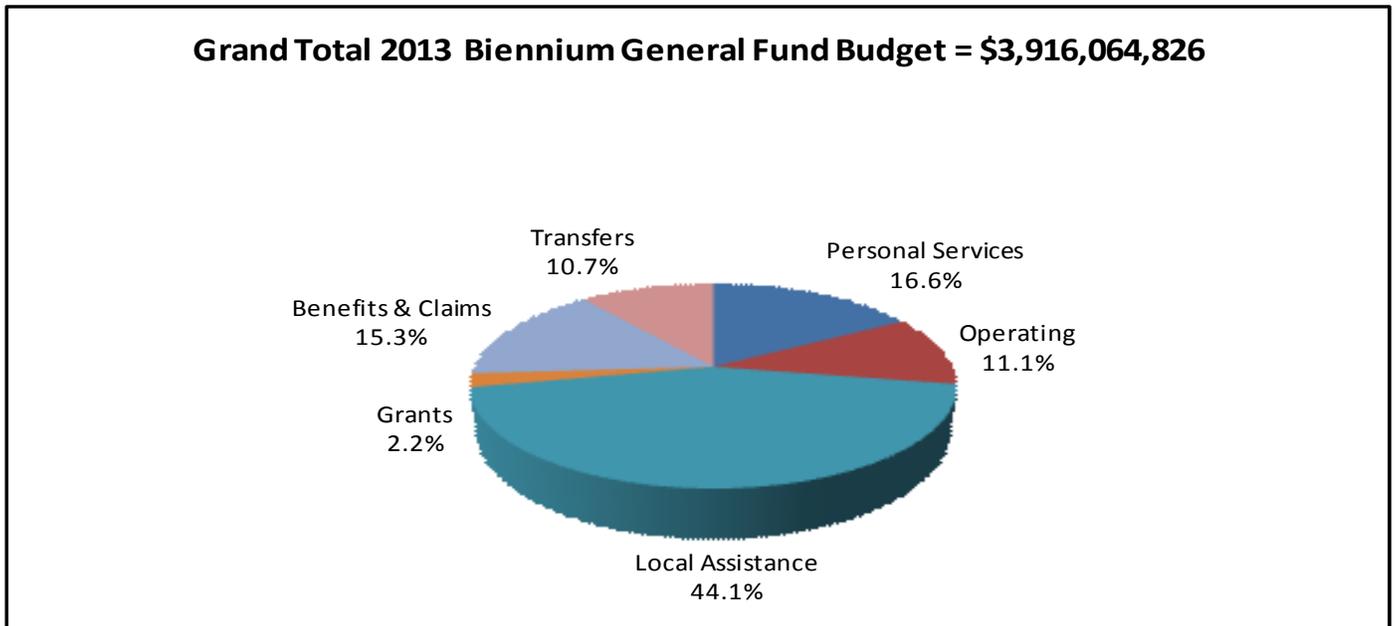
The following chart shows how the general fund is spent and the functions it supports. Please note that this figure incorporates the LFD projection of 2013 biennium expenditures, prior to any policy decisions by the legislature to address ending fund balance or structural balance.

### 2013 Biennium General Fund Budget By Service Type - Total \$3916.065 Million



- 78 percent of total general fund is expended for education, corrections, and human services
- Statutory appropriations are dominated by payments to local governments for entitlement share payment and local pension costs for fire and police. Statutory appropriations are discussed in the “state and local partnerships” breakout session.

The following pie chart shows how general fund is spent by type of expenditure.



- Local assistance consists almost exclusively of BASE Aid and other payments to school districts, local government, entitlement payments, and local pension contributions
- Benefits are dominated by Medicaid and other human resources benefits paid primarily to medical and other service providers

## **STRUCTURAL IMBALANCE AND IMPACT ON STATE GOVERNMENT**

- Structural balance is the ability of ongoing revenues to fund ongoing expenditures
- Structural balance is projected in LFD 2013 biennium “big picture” report to be around a negative 10 percent without legislative action, meaning ongoing revenues used to fund the ongoing expenditures of state government are projected to be 10 percent lower than necessary to support and maintain those services
- Dampened level of revenue growth is expected to continue, meaning state government services as currently defined are not sustainable in the foreseeable future with ongoing revenues

In addition, many short-term reductions have already taken place. Therefore, if a 10 percent reduction is deemed necessary, issues of what state government services will or will not continue by necessity would be part of the discussions.

### **In Summary**

- Almost 80 percent of general fund is expended for education, corrections, and human services
- About 10 percent is for local government entitlement share payments and local pensions
- By type of expenditure, almost half goes to local governments
- If the legislature must reduce expenditures to maintain structural balance, reductions must be considered in those areas

## SPECIFIC FUNCTIONAL AREAS

Consequently, the remainder of this overview provides information to allow legislators to get some sense of what a 10 percent reduction of state government is, and the degree of decisions necessary to reduce expenditures by that level. To that end, it does not discuss specific dollar amounts.

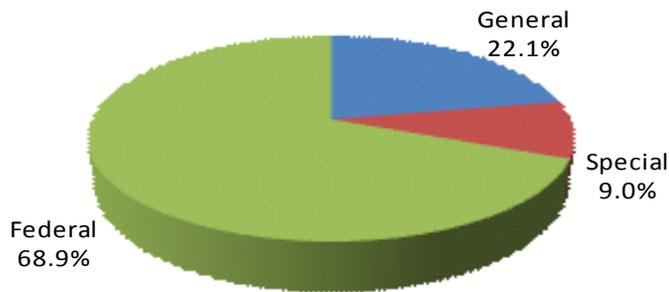
- The discussion does not provide options
- The discussion does not assume that maintenance of structural balance is strictly a matter of reducing expenditures

## Human Services

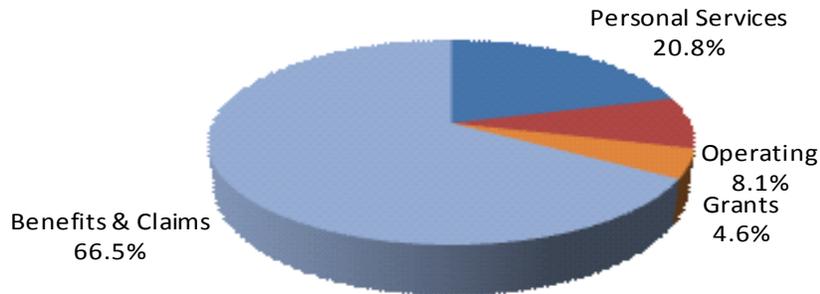
Human services consist of all of the programs provided by the Department of Public Health and Human Services (DPHHS).

- About 23 percent of total projected general fund expenditures in the 2013 biennium.
- General fund was over 22 percent of funding for the agency in the 2011 biennium (please note the figure is lower than historical due to the federal stimulus)
- General fund expenditures are dominated by benefits and claims

### Public Health & Human Services 2011 Biennium Funding

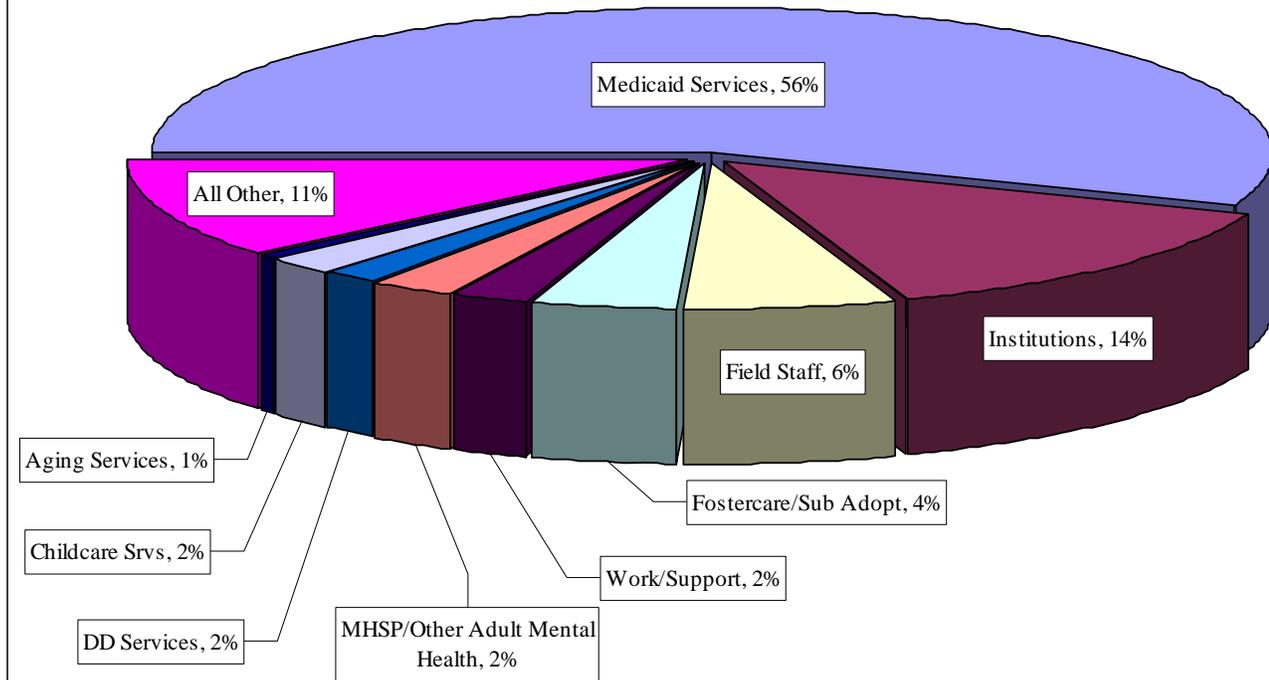


**Public Health & Human Services 2013 Biennium General Fund Budget  
= \$886,573,626**



- Nearly 60 percent pays the state match for Medicaid services
- 14 percent funds three state institutions – state hospital, Montana Developmental Center, and the nursing care center
- 6 percent pays the state match for field staff located throughout the state, such as child and adult protective services workers, eligibility staff, child support enforcement workers, and case managers for persons with developmental disabilities
- 4 percent pays for foster care and subsidized adoption services, including matching eligible federal fund expenditures
- 2 percent funds each of the following non-Medicaid types of services:
  - Work and support
  - Adult mental health services, including the Mental Health Services Plan (MHSP)
  - Development disabilities services
  - Childcare services
- 1 percent funds community aging services
- 11 percent funds the remaining DPHHS functions including:
  - State match for administrative costs eligible for federal reimbursement such as Medicaid, the Supplemental Nutrition Assistance Program (food stamps)
  - Part of the state maintenance of effort for the TANF block grant that pays for cash assistance
  - Public health functions such as low-birth weight prevention, public health labs, Title X clinic assistance
  - Grants for Big Brothers Big Sisters, domestic violence programs, in-home services
  - Accounting, budgeting, and other centralized management functions

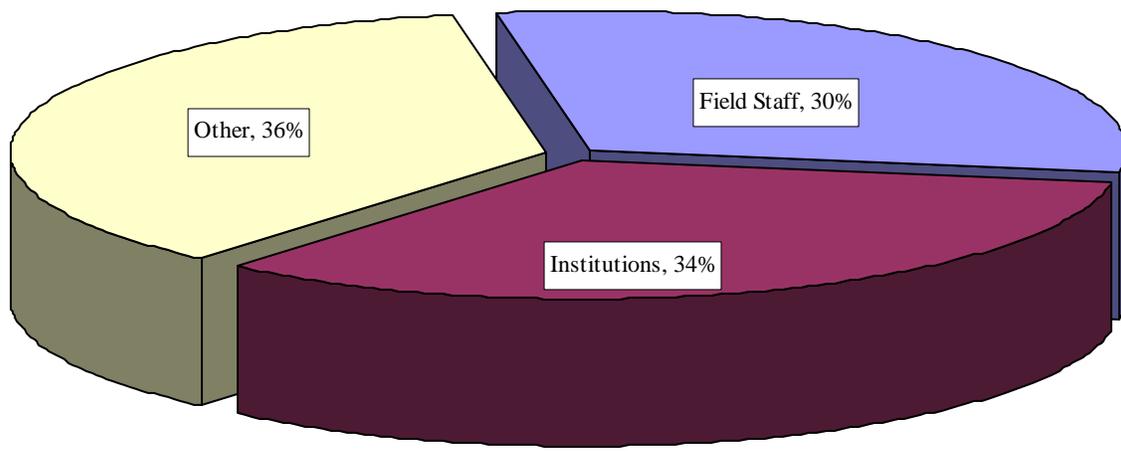
Estimated General Fund - DPHHS 2013 Biennium Budget



2013 biennium FTE funded by the 2009 Legislature are allocated:

- 34 percent to the six state institutions administered by DPHHS
- 30 percent to field staff
- 36 percent to other positions
- Although not graphically represented, 70 percent of the total FTE in DPHHS are located outside of Helena

2013 Biennium FTE Funded in HB 2 - 2,957 Total



## ***10 Percent in Perspective***

In order to achieve a 10 percent general fund spending reduction in DPHHS the legislature can expect:

- Reductions in services, since the majority of general fund is spent for services
- Total spending reductions greater than the general fund savings due to federal matching funds, primarily for Medicaid services
- Potential impacts to local communities since FTE and services are located throughout the state
- Administrative cost savings will not likely achieve a significant general fund reduction, unless the state opts to eliminate programs and functions
- Some reductions may cause cost shifts to other entities or programs
- Longer waiting times for services and longer waiting lists for services

A 10 percent general fund spending reduction in DPHHS is roughly equivalent **to state funding for the following combination of services and functions:**

- Slightly less than all three general fund supported state institutions
- All of the non-Medicaid services: foster care, subsidized adoption, adult mental health, and developmental disabilities services
- All field staff, child care services matching funds, and non-Medicaid aging services
- Any of the following combinations of Medicaid services:
  - All physician and developmentally disabled services
  - All drugs, dental, ambulance, eyeglasses, hearing aids, and durable medical equipment
  - All nursing home and community waiver services
  - All children's mental health, adult mental health, and another \$15 million in general fund reductions elsewhere
- All functions not specified in the pie chart (Estimated General Fund – DPHHS 2013 Biennium)

## **Higher Education**

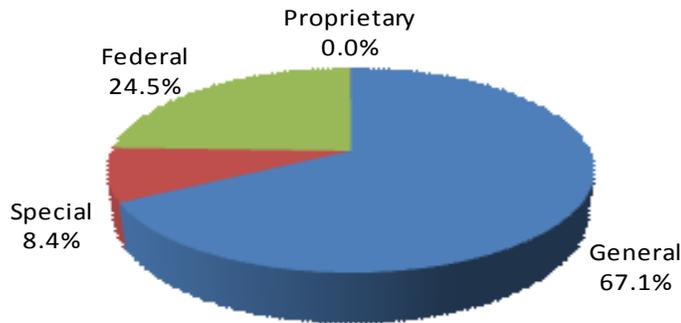
The Montana University System (MUS) delivers postsecondary educational services across the state to resident and nonresident students, conducts research, and provides public services to the state. The MUS is governed by the Board of Regents (BOR), a constitutional board whose members are appointed by the Governor, and confirmed by the State Senate. The Constitution charges the BOR with hiring a Commissioner of Higher Education who functions as the chief executive officer of the MUS and is responsible to the board.

The Montana University System is comprised of:

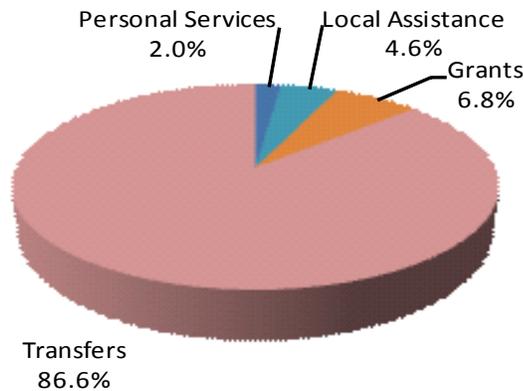
- The Board of Regents
- The Commissioner of Higher Education, his/her staff, and several system-wide programs administered from the Office of the Commissioner of Higher Education (OCHE)
- The University of Montana, with:
  - Four-year campuses in Missoula, Butte, and Dillon
  - Two-year college of technology campuses in Missoula, Butte, and Helena
  - Two research/public service agencies in Missoula and Butte
- Montana State University, with:
  - Four-year campuses in Bozeman, Billings, and Havre
  - Two-year college of technology campuses in Billings and Great Falls
  - Three research/public service agencies in Bozeman and Great Falls
- Two-year community colleges in Kalispell, Glendive, and Miles City. Governance of the community colleges is divided between the Regents and the local board of trustees of each community college district

All state funds appropriated by the legislature to the Regents for the support of the MUS are channeled through OCHE.

### Commissioner of Higher Ed 2011 Biennium Funding

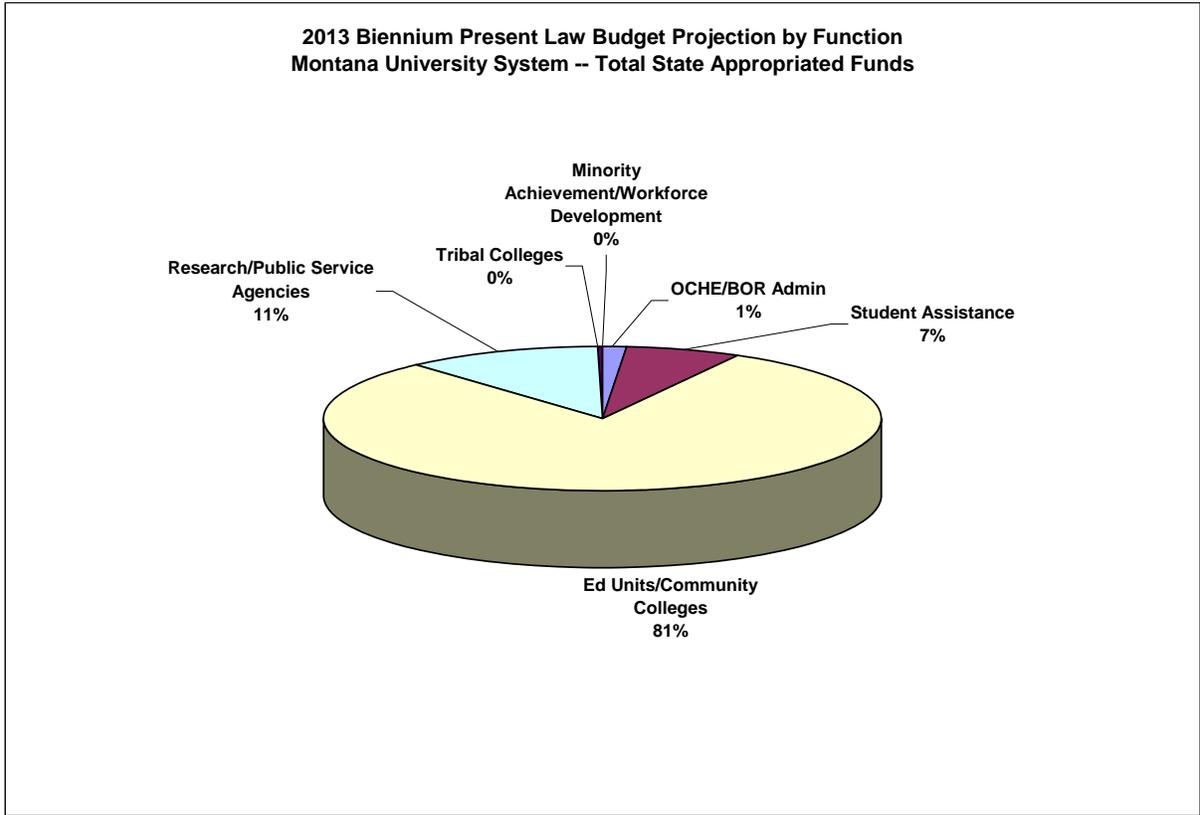


### Commissioner of Higher Ed 2013 Biennium General Fund Budget = \$388,799,076



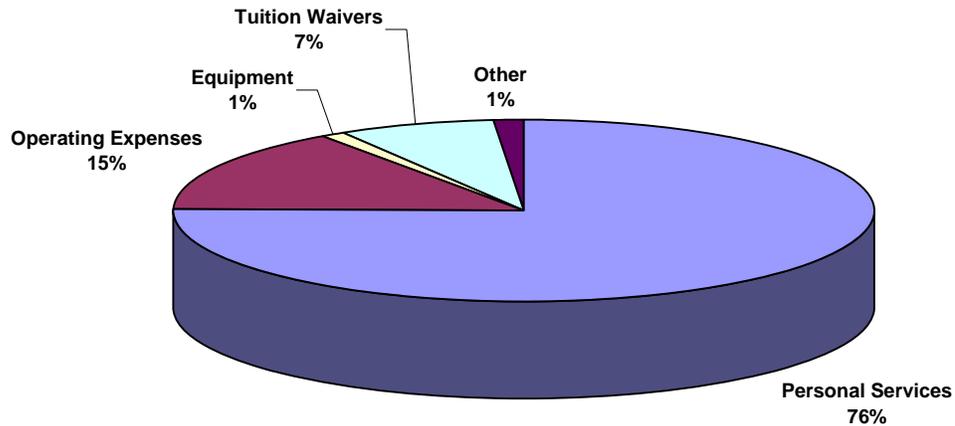
- The Montana University System is substantially funded with general fund
- The state special revenue is mostly the statewide 6 mill levy revenue, which is statutorily restricted for the support of the Montana University System
- The federal funds that support the MUS are for specific grant programs or revenues earned in the Guaranteed Student Loan Program. These federal funds cannot be substituted for general fund
- The vast majority of state appropriated funds, 81 percent, are distributed to the eight MUS education units and three community colleges that collectively serve approximately 45,000 students
- The five research and public service agencies (Agricultural Experiment Station, Extension Service, Fire Services Training School, Bureau of Mines and Geology, and Forest and Conservation Experiment Station) receive about 11 percent of the state appropriated funds
- Approximately 1 percent of total state appropriated funds are for system administration

- The legislature does not appropriate directly to the education units. The state funds are appropriated to the Board of Regents who then determines how funds are allocated. Part of that determination includes a discussion of what it costs to provide the education services and how much should be borne by the students



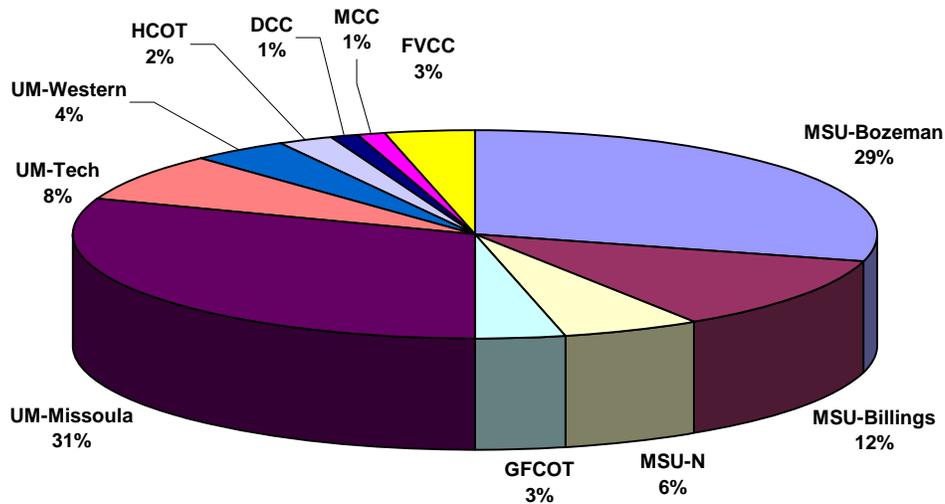
- Over three-fourths of the expenditures at the education units and community colleges are personal services

**MUS Education Units & Community Colleges  
FY 2010 Budgeted Expenditures, by Category**



- In FY 2010, the Board of Regents allocated about 60 percent of the state appropriations (education units + community colleges) to MSU-Bozeman and UM-Missoula
- MSU-Billings, MSU-Northern, UM-Tech, and UM-Western were allocated about 30 percent of the FY 2010 state appropriations
- The community colleges and stand alone colleges of technology were allocated about 10 percent

**State Appropriations by Campus, as Percent of State Appropriations for All Campuses, FY 2010  
Montana University System**



***Ten Percent in Perspective***

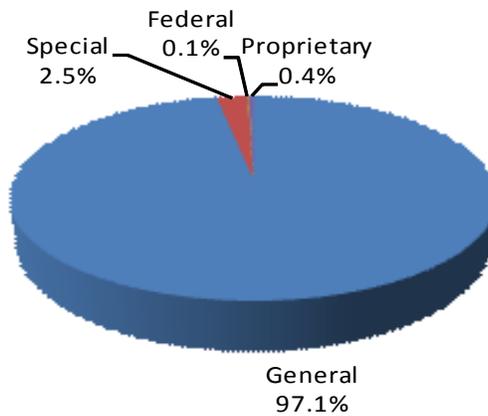
- A 10 percent reduction is the equivalent to the reduction of about 235 faculty positions, or the elimination of the football and men’s basketball programs at the campuses, or the elimination of all state funded student assistance programs, or the closure of two or more smaller campuses

**Corrections**

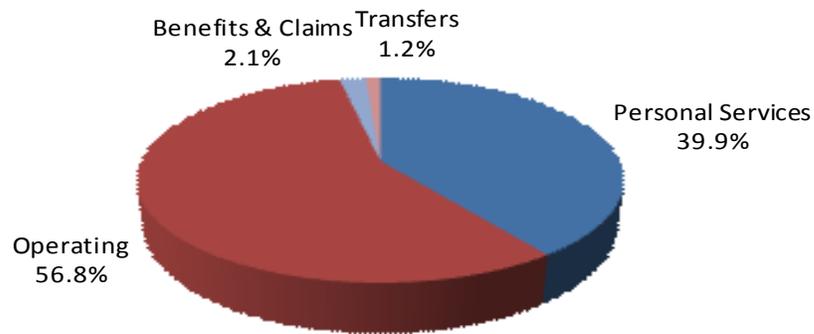
Corrections is all of the funding used to support programs in the Department of Corrections, including secure care facilities such as the Montana State Prison, probation and parole, and various treatment programs.

- Funding for the department is over 97 percent general fund
- Operating expenses include room and board payments to community provider of treatment services and providers of contracted prison beds
- Operating expenses and personal services are almost 97 percent of total expenditures

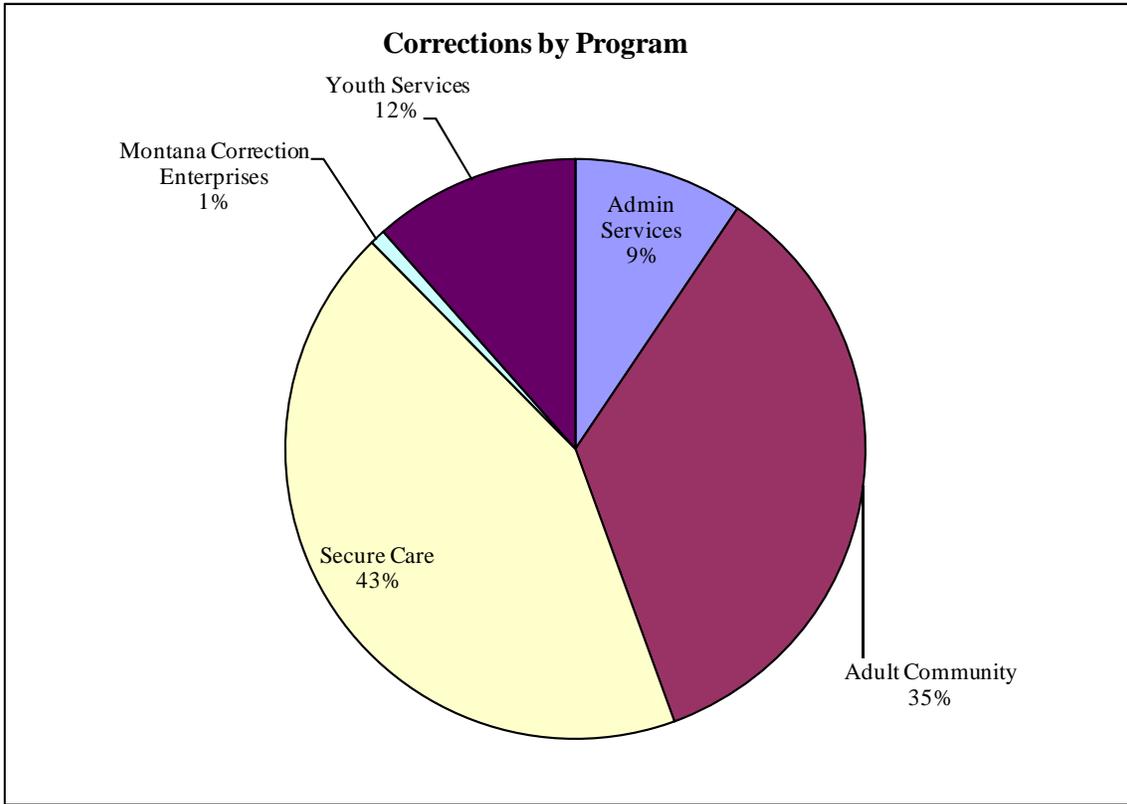
### Dept of Corrections 2011 Biennium Funding



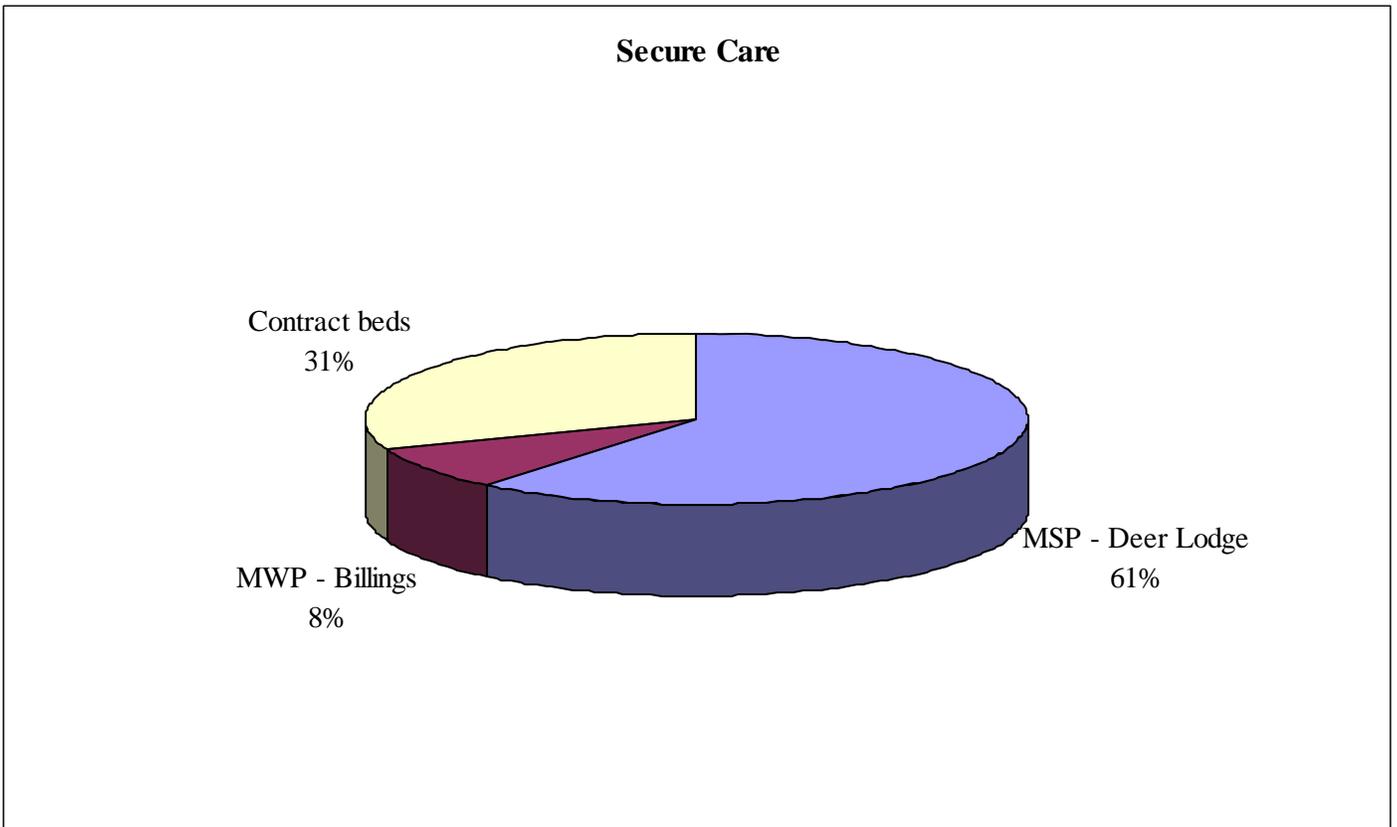
### Dept of Corrections 2013 Biennium General Fund Budget = \$367,053,379



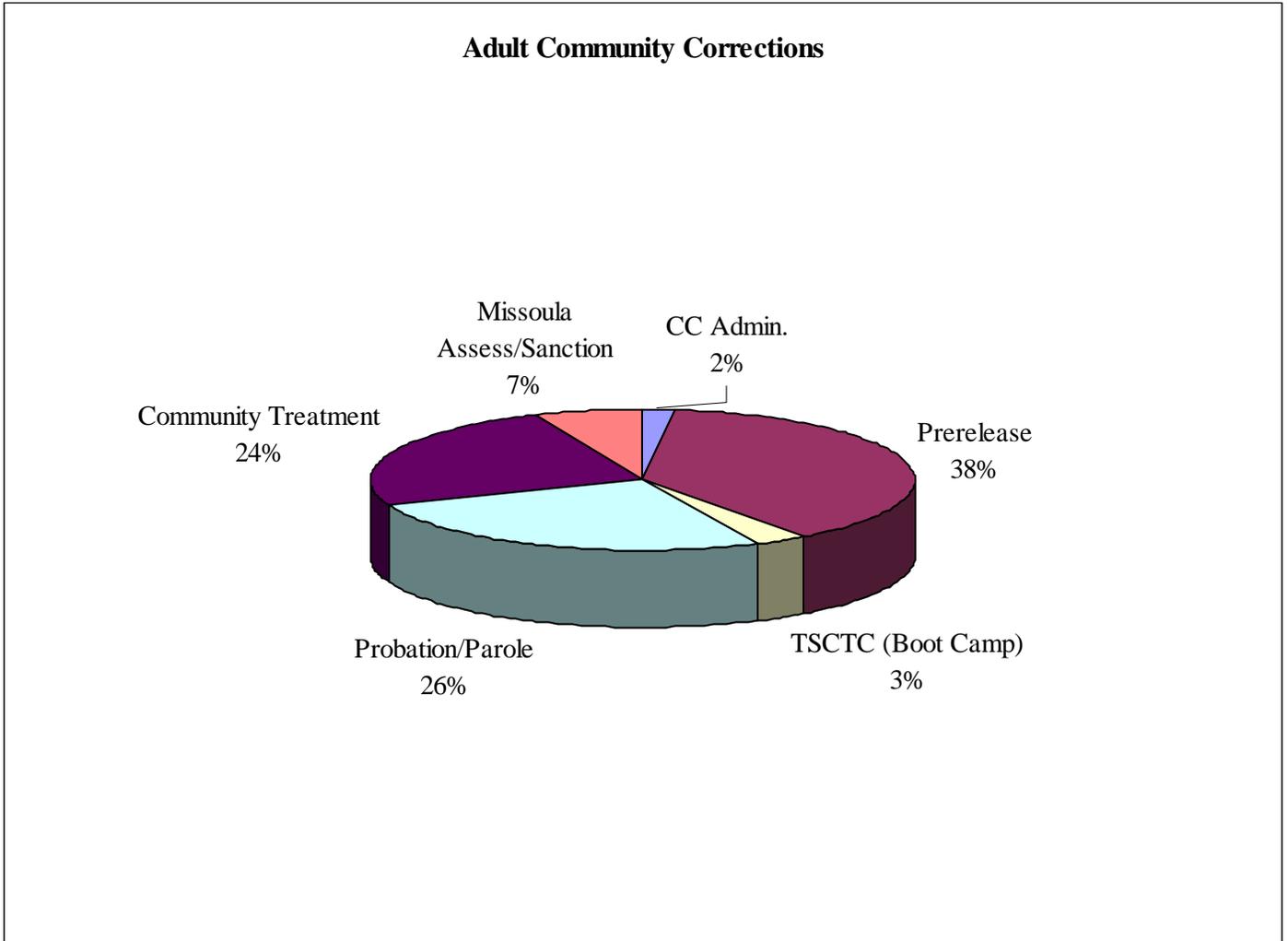
- Majority of the funding is spent for adult community services and secure prison beds
- Youth services spends 12 percent of the funding
- Administrative services such as accounting, information technology, and agency management, and medical services for inmates provided outside of the institutions is 9 percent



- Largest percentage of funding is spent for secure prison beds including Montana State Prison in Deer Lodge, Montana Women’s Prison in Billings and contracted prison facilities



- Adult Community Corrections spends 35 percent of the department's funding



### ***10 Percent in Perspective***

A 10 percent reduction of general fund in this section is roughly equivalent to:

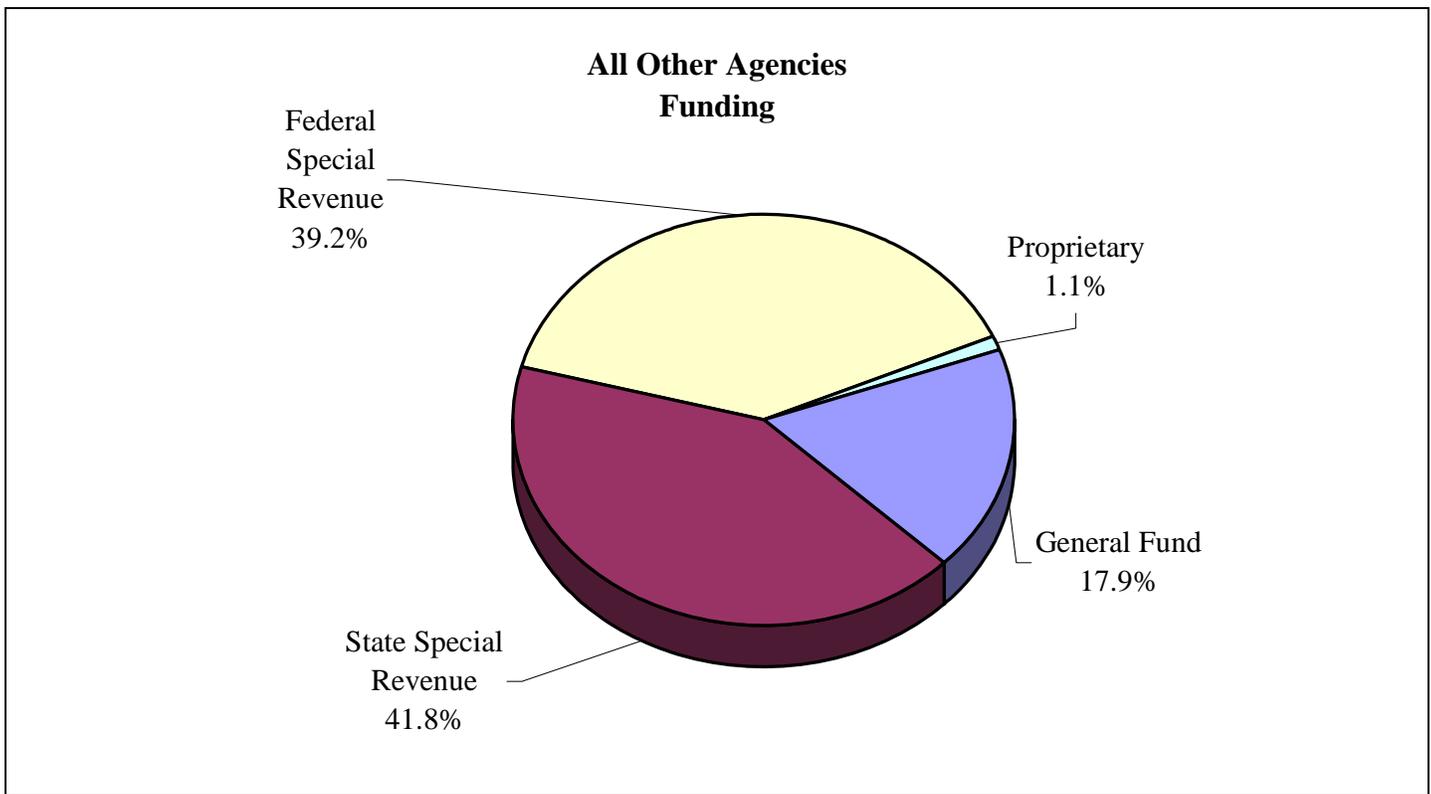
- The cost of administering the department including the cost of outside medical care for inmates
- The cost of adult probation and parole services and the cost of administering the Adult Community Corrections Division
- The cost of community based treatment for adult offenders and the operation of the Missoula Assessment and Sanction Center
- Forty percent of the cost of operating the Montana State Prison in Deer Lodge
- Almost three times the cost of operating the Montana Women's Prison in Billings
- The cost of incarceration of 136 offenders at Montana State Prison based upon the FY 2008 average length of stay of 46 months and cost per day of \$91.97

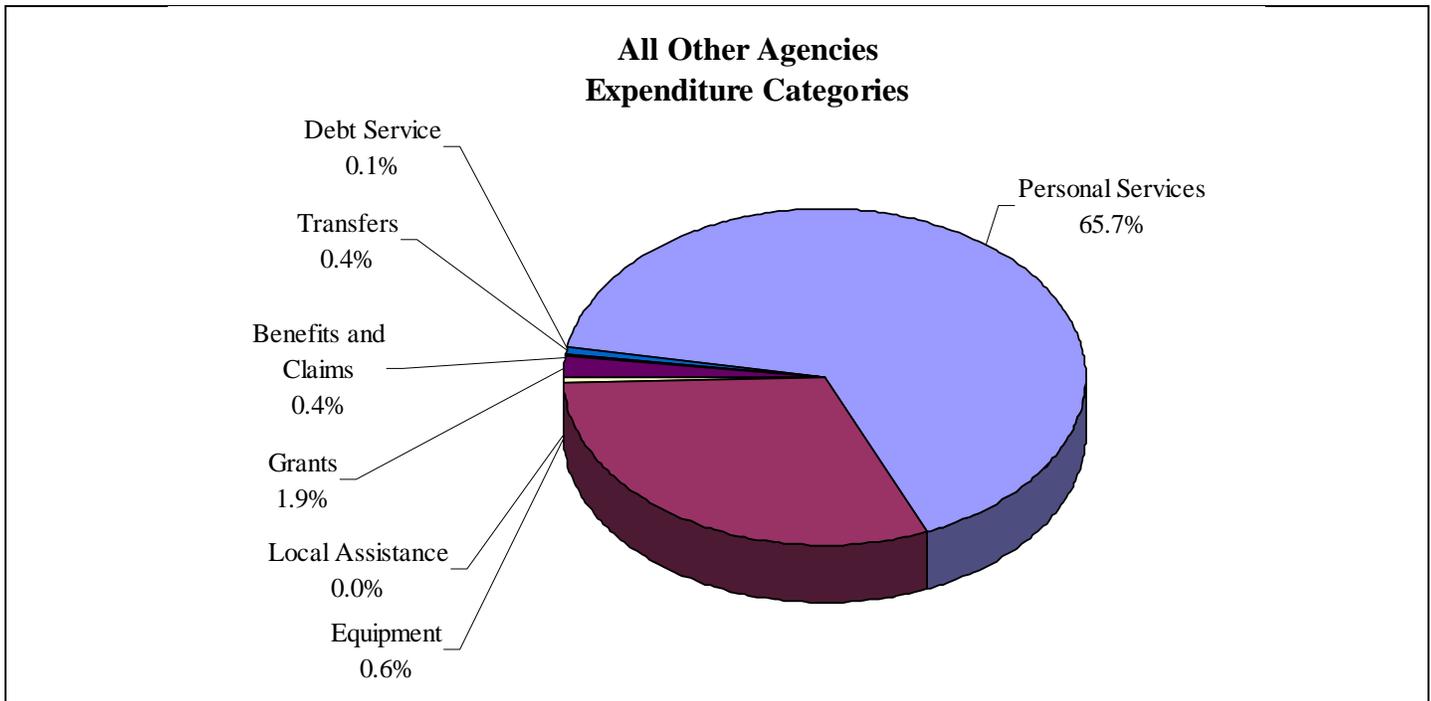
### **Other State Agencies**

This section includes all other agencies funded in HB 2 (general appropriations), HB 13 (pay plan), and HB 645 (federal stimulus) that are not included in the other sections. General fund supports activities in the following agencies assigned to this section:

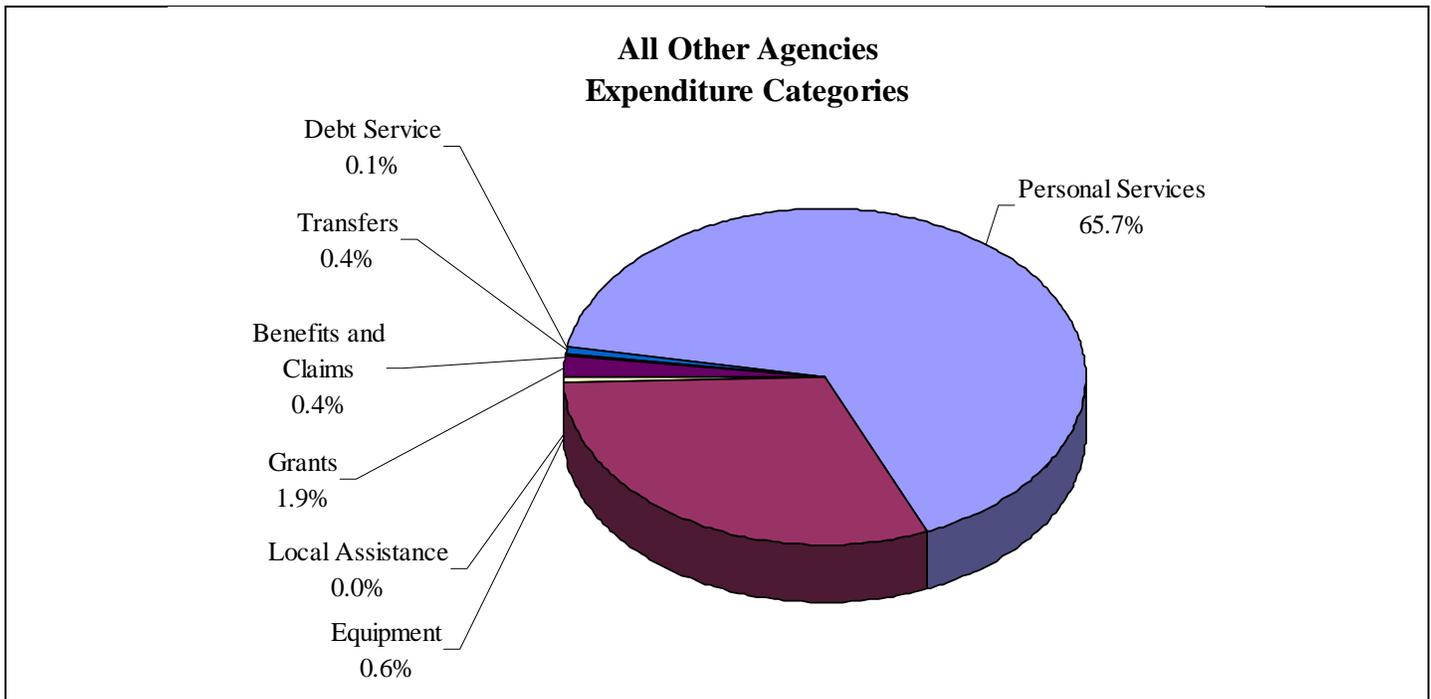
- Legislative Branch

- Judiciary Branch
- Governor's Office
- Commissioner of Political Practices
- Crime Control Division
- Department of Justice
- Board of Public Education
- School for the Deaf and Blind
- Montana Arts Council
- Library Commission
- Historical Society
- Department of Environmental Quality
- Department of Livestock
- Department of Natural Resources and Conservation
- Department of Revenue
- Department of Administration
- Department of Agriculture
- Department of Commerce
- Department of Labor and Industry
- Department of Military Affairs





The following figure shows how general fund in this section is spent by broad function categories.



### **Highlights**

- Combined, this section comprises 13.8 percent of statewide general fund spending funded in these appropriation bills
- General fund expenditures comprise 17.9 percent of total funds in this section
- General fund expenditures are comprised primarily of:
  - Personal services (65.7 percent)

- Operating expenses (30.9 percent)
- General fund primarily supports the following function groupings:
  - Public Safety and Justice (26.1 percent)
  - Tax Administration (23.2 percent)
  - Judiciary (16.3 percent)
  - Environmental and Natural Resources (13.8 percent)
- A 10 percent reduction of general fund in this section is roughly \$22.0 million annually

### ***A 10 Percent Reduction in Perspective***

A 10 percent reduction of general fund in this section is roughly equivalent to:

- The entire administrative function that supports the state's property tax assessment and valuation system
- 90 percent of all general fund appropriated to the Department of Natural Resources and Conservation
- The funding supporting district court operations
- 75 percent of the general fund support for motor vehicle titling and registration and drivers licensing functions (these functions received 40 percent of their total funding from the general fund)
- The entire general fund budget of the Legislative Branch, 82 percent of the total Legislative Branch budget
- The entire budget of the Governor's office, the Commissioner of Political Practices, and the Consumer Council combined
- The general fund budgets of the Department of Commerce for the 2010 Census, administration of the Business Resources, Community Development, and Housing Divisions, the New Worker Training program and the Energy Promotion and Development Divisions in their entirety and the entire general fund budget for the Department of Labor
- Twice the state support for the Army and Air National Guard, Veterans Services, the Youth Challenge Program, and Disaster and Emergency Services