



HB 2 SUMMARY

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 will in some cases amend HB 2 for the purpose of replacing general fund with federal stimulus funds, and the amount will likely be well in excess of \$100 million. HB 2 and this narrative do not reflect the total impact of these fund switches. Legislative Fiscal Division staff will provide 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 House Floor 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 House Floor action total:

- \$3.3 billion general fund (page 2)
- \$8.1 billion total funds (page 3)

HB 2 provides for biennial changes of:

- \$141.2 million general fund increase, or 4.5 percent (2.3 percent per year) (page 3)
- \$482.7 million total funds increase, or 6.2 percent (3.1 percent per year) (page 4)

INCREASE BY GENERAL PROGRAM AREA

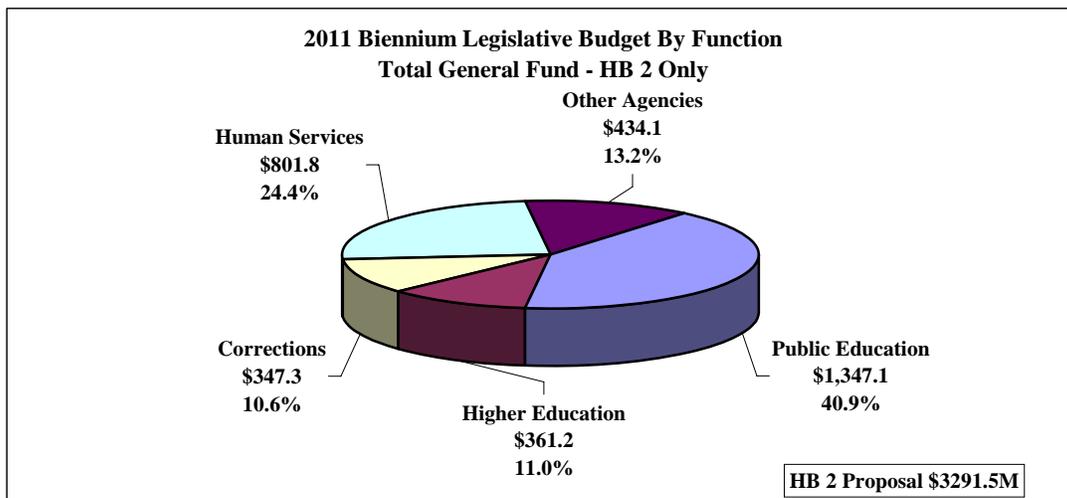
Figure 1 shows the amount and percent of the general fund for major categories:

Budget share:

K-12 and higher education	51.9%
Human services	24.4%
Corrections	10.6%

Together, these total 86.9 percent of the total HB 2 general fund budget.

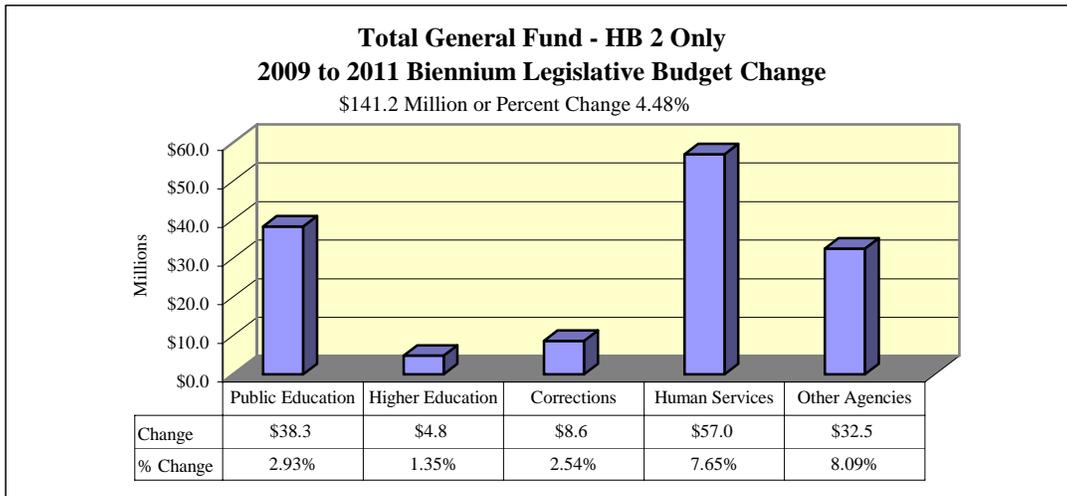
Figure 1



As illustrated in Figure 2, the general fund budget net increase of \$141.2 million is due to the following:

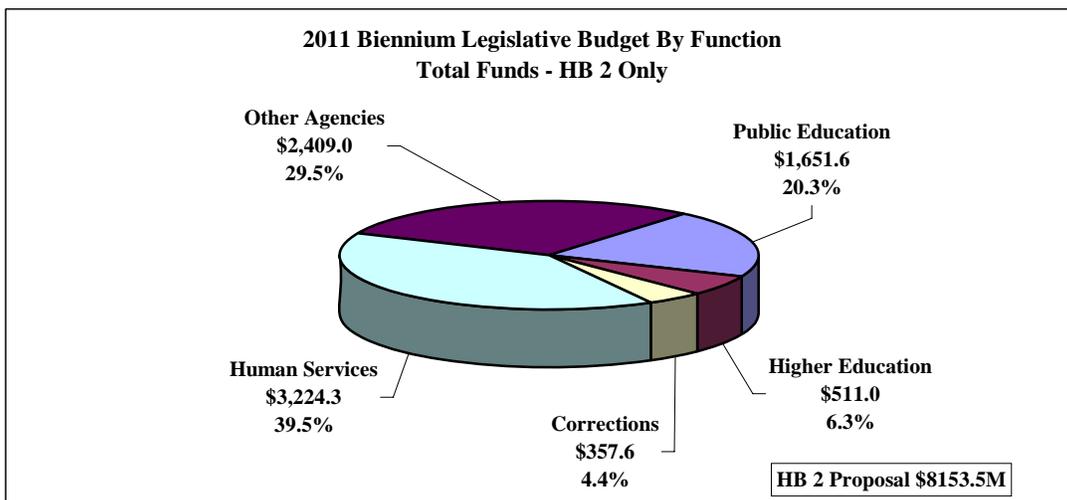
- Human services increases \$57.0 million due primarily to changes in the state matching rate for Medicaid, caseload and services increases (most notably in Medicaid), and annualization of rate increases authorized for FY 2009
- Corrections increases \$8.6 million primarily due to the adoption of a 3 percent growth rate in treatment, secure care, and community services
- Higher education increases \$4.8 million due to 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
- Public schools increases \$38.3 million primarily due to increases in the basic and per ANB entitlements of 3 percent a year - This is partially offset by the elimination of at-risk payment adjustments
- All other increases \$32.59 million, primarily due to statewide present law adjustments and for maintenance of certain economic development programs

Figure 2



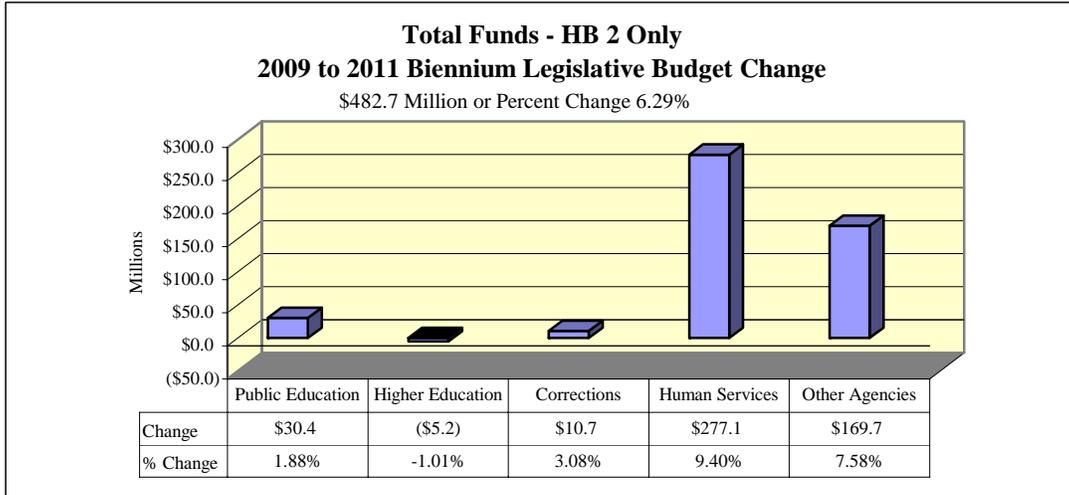
As shown in Figure 3 (Total Funds), the “All Other” and “Human Services” categories comprise a significantly higher share of the pie as compared to the general fund pie chart. This is because a large share of funding for human services, highway construction, and Fish, Wildlife and Parks funding is from 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 40.4 percent and federal funds provide 42.8 percent of total HB 2 funds.

Figure 5

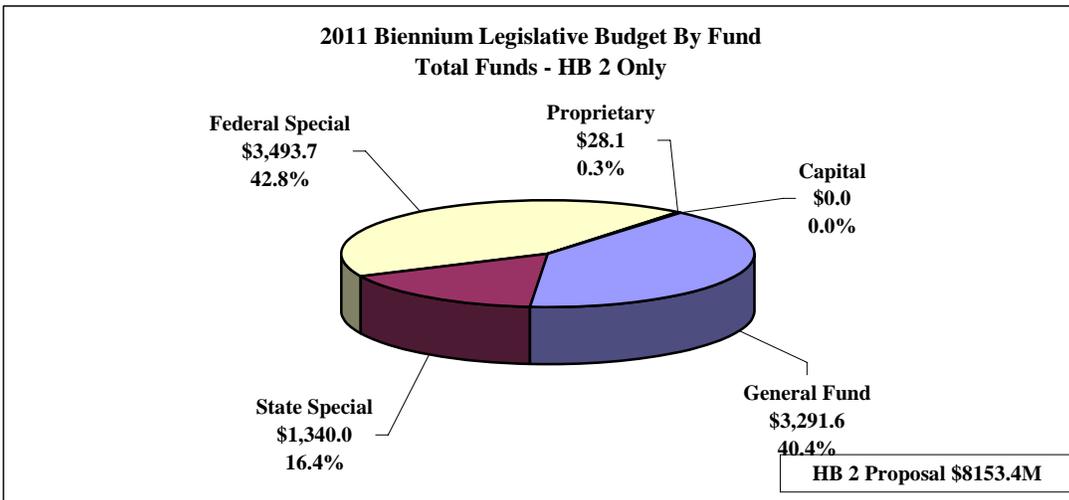


Figure 6 shows the following increases in funding:

Federal funds increase \$206.0 million, or 6.3 percent (this equals 48.5 percent of the total HB 2 increase).

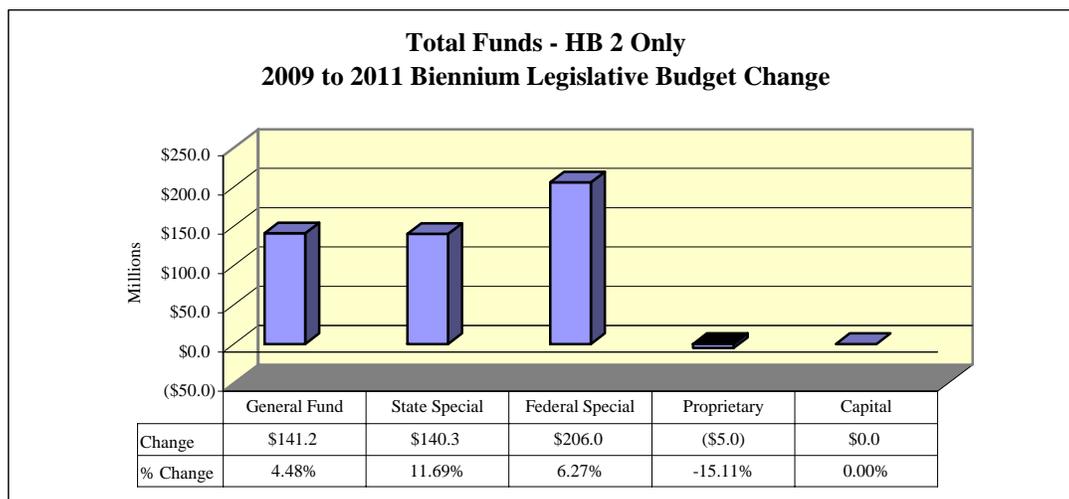
- Human services accounts for \$165.5 million or 80 percent of the total increase, including CHIP expansion match funds (Healthy Kids initiative CI-155), increased caseloads, annualization of FY 2009 provider rates, service utilization in a number of programs, most particularly in Medicaid, and increased food stamp benefits
- Other major increases are due to federal highway funding and various federal grants such as homeland security and housing

State special revenue funds increase \$140.3 million, or 11.7 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 \$141.2 million, or 4.5 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, \$3.293 billion. The second column shows the total executive proposed present law budget, \$3.348 billion, and the third column shows the House Floor present law budget recommendation is \$55.0 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 “House Approps New Proposals”, the new proposals are a negative \$1.7 million, which is \$9.5 million below the executive recommendation.

Figure 7

House Floor Action Compared to the Executive Total General Fund - HB2 Only - Present Law & New Proposals						
Sub-Committee	House Floor Present Law	Executive Present Law	House Floor Over/Under	House Floor New Proposals	Executive New Proposals	House Floor Over/Under
01 General Government	175,478,227	176,297,290	(819,063)	1,590,652	7,243,631	(5,652,979)
1104 Legislative Branch	22,390,208	22,750,208	(360,000)	1,522,323	1,247,788	274,535
3101 Governors Office	12,356,548	12,356,548	-	(577,654)	(211,332)	(366,322)
3202 Commissioner of Political Practices	894,943	894,943	-	83,282	161,282	(78,000)
5801 Department of Revenue	103,492,445	103,871,286	(378,841)	(6,413,373)	(2,025,183)	(4,388,190)
6101 Department of Administration	14,254,978	14,235,048	19,930	199,797	1,466,685	(1,266,888)
6106 Montana Consensus Council	152,032	152,032	-	(152,032)	(152,032)	-
6501 Department of Commerce	5,531,021	5,631,021	(100,000)	6,511,780	6,261,780	250,000
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)	76,630	61,478	15,152
02 Health & Human Services	795,723,146	811,425,257	(15,702,111)	6,040,988	7,366,257	(1,325,269)
6901 Department Public Health & Human Services	795,723,146	811,425,257	(15,702,111)	6,040,988	7,366,257	(1,325,269)
03 Natural Resources & Transportation	61,783,940	61,371,011	412,929	1,569,629	1,756,876	(187,247)
5201 Department of Fish, Wildlife & Parks	-	-	-	-	-	-
5301 Department of Environmental Quality	11,889,455	11,889,455	-	(1,341,319)	(33,925)	(1,307,394)
5401 Department of Transportation	-	-	-	2,600,000	-	2,600,000
5603 Department of Livestock	2,289,666	2,289,666	-	733,377	233,377	500,000
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	-	991,769	991,769	-
04 Judicial Branch, Law Enforcement, Justice	513,214,460	529,414,788	(16,200,328)	3,549,632	(971,682)	4,521,314
2110 Judiciary	70,754,167	69,759,525	994,642	390,626	335,299	55,327
4107 Crime Control Division	4,806,596	5,008,274	(201,678)	64,830	64,830	-
4110 Department of Justice	52,581,986	52,964,988	(383,002)	577,610	(482,945)	1,060,555
6108 Office of Public Defender	40,979,630	40,979,630	-	(697,925)	(697,925)	-
6401 Department of Corrections	344,092,081	360,702,371	(16,610,290)	3,214,491	(190,941)	3,405,432
05 Education	1,747,059,357	1,769,756,796	(22,697,439)	(14,453,931)	(7,595,646)	(6,858,285)
3501 Office of Public Instruction	1,358,096,417	1,367,714,264	(9,617,847)	(10,962,484)	3,632,825	(14,595,309)
5101 Board of Public Education	441,280	441,280	-	12,687	12,687	-
5102 Commissioner of Higher Education	364,840,730	377,920,402	(13,079,672)	(3,621,281)	(11,120,699)	7,499,418
5113 School For The Deaf & Blind	11,901,451	11,901,456	(5)	(13,280)	(323,236)	309,956
5114 Montana Arts Council	942,400	942,400	-	270	270	-
5115 Library Commission	5,134,453	5,134,368	85	411,090	411,090	-
5117 Historical Society	5,702,626	5,702,626	-	(280,933)	(208,583)	(72,350)
Grand Total	\$3,293,259,130	\$3,348,265,142	(\$55,006,012)	(\$1,703,030)	\$7,799,436	(\$9,502,466)

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 \$50.0 million below the executive recommendation for present law, and \$14.4 million above the executive recommendation of \$71.2 million for new proposals.

Figure 8

House Floor Action Compared to the Executive Total Funds - HB2 Only - Present Law & New Proposals						
Sub-Committee	House Floor Present Law	Executive Present Law	House Floor Over/Under	House Floor New Proposals	Executive New Proposals	House Floor Over/Under
01 General Government	494,202,280	495,361,937	(1,159,657)	32,617,257	35,949,764	(3,332,507)
1104 Legislative Branch	27,105,601	27,465,601	(360,000)	1,459,132	1,247,788	211,344
1112 Consumer Counsel	3,513,837	3,513,837	-	308	308	-
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	-	83,282	161,282	(78,000)
3401 State Auditors Office	37,228,103	37,319,072	(90,969)	262,507	339,133	(76,626)
5801 Department of Revenue	110,712,339	110,911,180	(198,841)	(5,987,133)	(1,598,943)	(4,388,190)
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)	6,617,941	6,367,941	250,000
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)	24,535,290	24,519,814	15,476
02 Health & Human Services	3,180,257,461	3,210,663,141	(30,405,680)	44,028,250	30,801,051	13,227,199
6901 Department Public Health & Human Services	3,180,257,461	3,210,663,141	(30,405,680)	44,028,250	30,801,051	13,227,199
03 Natural Resources & Transportation	1,547,720,203	1,525,946,463	21,773,740	10,244,126	12,144,865	(1,900,739)
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)	7,661,412	9,184,773	(1,523,361)
5401 Department of Transportation	1,127,708,789	1,105,360,486	22,348,303	(723,279)	(1,105,590)	382,311
5603 Department of Livestock	21,100,742	21,124,600	(23,858)	1,864,511	1,144,511	720,000
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	30,897,817	30,897,817	-	3,868,693	3,868,693	-
04 Judicial Branch, Law Enforcement, Justice	632,799,363	649,930,801	(17,131,438)	14,416,099	1,094,348	13,321,751
2110 Judiciary	75,574,473	74,454,831	1,119,642	334,979	279,652	55,327
4107 Crime Control Division	17,711,124	17,986,378	(275,254)	129,121	129,121	-
4110 Department of Justice	137,659,573	138,649,434	(989,861)	10,660,797	1,201,026	9,459,771
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	-	(697,925)	(697,925)	-
6401 Department of Corrections	353,774,887	370,385,177	(16,610,290)	3,800,386	319,868	3,480,518
05 Education	2,212,758,734	2,235,877,126	(23,118,392)	(15,630,754)	(8,743,009)	(6,887,745)
3501 Office of Public Instruction	1,662,851,688	1,672,610,408	(9,758,720)	(11,270,435)	3,291,090	(14,561,525)
5101 Board of Public Education	805,967	805,967	-	19,681	19,681	-
5102 Commissioner of Higher Education	514,840,118	527,919,790	(13,079,672)	(3,889,441)	(11,388,859)	7,499,418
5113 School For The Deaf & Blind	12,750,616	12,750,616	-	(13,280)	(187,642)	174,362
5114 Montana Arts Council	2,564,059	2,564,059	-	719	719	-
5115 Library Commission	9,603,276	9,883,276	(280,000)	(108,282)	(108,282)	-
5117 Historical Society	9,343,010	9,343,010	-	(369,716)	(369,716)	-
Grand Total	\$8,067,738,041	\$8,117,779,468	(\$50,041,427)	\$85,674,978	\$71,247,019	\$14,427,959

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 House Floor action is \$64.5 million general fund below the executive budget.

Figure 9

House Floor Action Compared to the Executive Total General Fund Budget - HB2 Only			
Sub-Committee	House Floor 2011 Biennium	Executive 2011 Biennium	Biennial Change
01 General Government	177,068,879	183,540,921	(6,472,042)
1104 Legislative Branch	23,912,531	23,997,996	(85,465)
3101 Governors Office	11,778,894	12,145,216	(366,322)
3202 Commissioner of Political Practices	978,225	1,056,225	(78,000)
5801 Department of Revenue	97,079,072	101,846,103	(4,767,031)
6101 Department of Administration	14,454,775	15,701,733	(1,246,958)
6106 Montana Consensus Council	-	-	-
6501 Department of Commerce	12,042,801	11,892,801	150,000
6602 Labor & Industry	5,165,095	5,258,361	(93,266)
6701 Department of Military Affairs	11,657,486	11,642,486	15,000
02 Health & Human Services	801,764,134	818,791,514	(17,027,380)
6901 Department Public Health & Human Services	801,764,134	818,791,514	(17,027,380)
03 Natural Resources & Transportation	63,353,569	63,127,887	225,682
5201 Department of Fish, Wildlife & Parks	-	-	-
5301 Department of Environmental Quality	10,548,136	11,855,530	(1,307,394)
5401 Department of Transportation	2,600,000	-	2,600,000
5603 Department of Livestock	3,023,043	2,523,043	500,000
5706 Department Nat Resource/Conservation	44,411,093	45,978,017	(1,566,924)
6201 Department of Agriculture	2,771,297	2,771,297	-
04 Judicial Branch, Law Enforcement, Justice	516,764,092	528,443,106	(11,679,014)
2110 Judiciary	71,144,793	70,094,824	1,049,969
4107 Crime Control Division	4,871,426	5,073,104	(201,678)
4110 Department of Justice	53,159,596	52,482,043	677,553
6108 Office of Public Defender	40,281,705	40,281,705	-
6401 Department of Corrections	347,306,572	360,511,430	(13,204,858)
05 Education	1,732,605,426	1,762,161,150	(29,555,724)
3501 Office of Public Instruction	1,347,133,933	1,371,347,089	(24,213,156)
5101 Board of Public Education	453,967	453,967	-
5102 Commissioner of Higher Education	361,219,449	366,799,703	(5,580,254)
5113 School For The Deaf & Blind	11,888,171	11,578,220	309,951
5114 Montana Arts Council	942,670	942,670	-
5115 Library Commission	5,545,543	5,545,458	85
5117 Historical Society	5,421,693	5,494,043	(72,350)
Grand Total	\$3,291,556,100	\$3,356,064,578	(\$64,508,478)

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

- The Office of Public Instruction (\$24.2 million lower) 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 (\$13.2 million lower) is primarily due to a difference in assumptions on the rate of increase in population growth. 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 Department of Public Health and Human Services (\$17.0 million lower) is the result of removal of \$10.2 million funding for overtime and differential pay for 24/7 facilities (shifted to HB 645), a base budget reduction in Child Support Enforcement (shifted to HB 645), switching CHIP state match to state special revenue (\$2.2 million), reductions in institution costs (\$0.7 million), elimination of the end stage renal program (\$0.2 million), elimination of the new proposal to provide staff and funding to continue implementation of a federal demonstration grant to provide community services for children who meet criteria to be served in inpatient psychiatric residential treatment (\$0.1 million) - These reductions are partially offset by provider rate increases of \$8.6 million
- The Montana University System (\$5.6 million lower) is primarily due to the legislature not funding present law cost increases for the educational units for FY 2011 biennium, and reductions in MSU research and public services funding, and in distance learning
- 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 \$35.6 million below the executive budget, with the largest reduction in K-12 education, the Department of Corrections, and the Department of Public Health and Human Services.

Figure 10

House Floor Action Compared to the Executive Total Funds Budget - HB2 Only			
Sub-Committee	House Floor 2011 Biennium	Executive 2011 Biennium	Biennial Change
01 General Government	526,819,537	531,311,701	(4,492,164)
1104 Legislative Branch	28,564,733	28,713,389	(148,656)
1112 Consumer Counsel	3,514,145	3,514,145	-
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	978,225	1,056,225	(78,000)
3401 State Auditors Office	37,490,610	37,658,205	(167,595)
5801 Department of Revenue	104,725,206	109,312,237	(4,587,031)
6101 Department of Administration	45,189,853	46,139,222	(949,369)
6106 Montana Consensus Council	-	-	-
6501 Department of Commerce	67,805,626	67,655,626	150,000
6602 Labor & Industry	144,118,386	143,573,577	544,809
6701 Department of Military Affairs	81,188,859	81,173,859	15,000
02 Health & Human Services	3,224,285,711	3,241,464,192	(17,178,481)
6901 Department Public Health & Human Services	3,224,285,711	3,241,464,192	(17,178,481)
03 Natural Resources & Transportation	1,557,964,329	1,538,091,328	19,873,001
5201 Department of Fish, Wildlife & Parks	143,083,198	142,988,175	95,023
5301 Department of Environmental Quality	127,589,666	129,623,742	(2,034,076)
5401 Department of Transportation	1,126,985,510	1,104,254,896	22,730,614
5603 Department of Livestock	22,965,253	22,269,111	696,142
5706 Department Nat Resource/Conservation	102,574,192	104,188,894	(1,614,702)
6201 Department of Agriculture	34,766,510	34,766,510	-
04 Judicial Branch, Law Enforcement, Justice	647,215,462	651,025,149	(3,809,687)
2110 Judiciary	75,909,452	74,734,483	1,174,969
4107 Crime Control Division	17,840,245	18,115,499	(275,254)
4110 Department of Justice	148,320,370	139,850,460	8,469,910
4201 Public Service Regulation	7,201,505	7,251,045	(49,540)
6108 Office of Public Defender	40,368,617	40,368,617	-
6401 Department of Corrections	357,575,273	370,705,045	(13,129,772)
05 Education	2,197,127,980	2,227,134,117	(30,006,137)
3501 Office of Public Instruction	1,651,581,253	1,675,901,498	(24,320,245)
5101 Board of Public Education	825,648	825,648	-
5102 Commissioner of Higher Education	510,950,677	516,530,931	(5,580,254)
5113 School For The Deaf & Blind	12,737,336	12,562,974	174,362
5114 Montana Arts Council	2,564,778	2,564,778	-
5115 Library Commission	9,494,994	9,774,994	(280,000)
5117 Historical Society	8,973,294	8,973,294	-
Grand Total	\$8,153,413,019	\$8,189,026,487	(\$35,613,468)

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 transfer of \$10.5 million in shift differential and overtime pay in state institutions to HB 645, transfer of \$2.6 million in of Child Support Enforcement base budget to 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.
- 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.

HOUSE FLOOR ACTION

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

Figure 11

House Appropriations Committee Action - HB 2	
General Fund	
Final Action	
Section A (General Government)	
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>
Section B (Health and Human Services)	
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>
Section C (Natural Resources and Commerce)	
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>
Section D (Judicial Branch, Law Enforcement, and Justice)	
Judiciary - Information Technology Support	324,148
Corrections - Implementation of HB 224	<u>(37,500)</u>
Section D Total	<u>286,648</u>
Section E (Education)	
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>
Net Decrease in General Fund Appropriations	<u>(\$29,132,422)</u>



HB 2 NARRATIVE OVERVIEW

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 House Floor 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.