

# Overview of State Expenditures

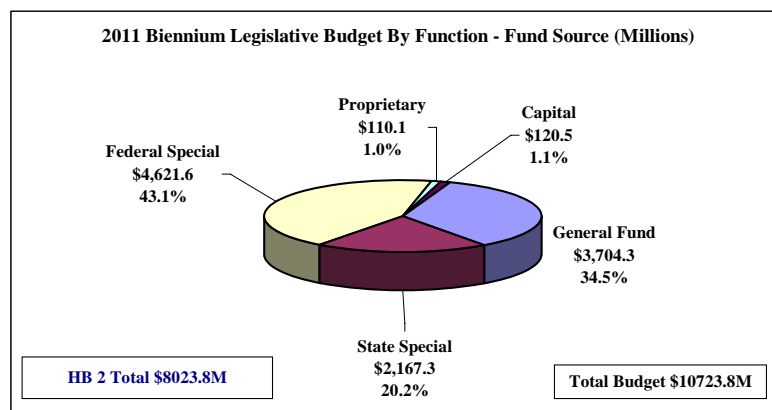


## THE BIG PICTURE – SPENDING ALLOCATIONS BY FUND SOURCE/FUNCTION

### SPENDING BY FUNDING SOURCE

Figure 1 shows the budget allocated by funding source. As shown, federal funds comprise the largest share. Because federal funds grow at a higher rate than general fund, primarily due to the impacts of the federal stimulus, its share of the total has grown from the 2009 biennium. Please note however that much of this growth is one-time-only.

**Figure 1**



### SPENDING BY FUNCTION

Figures 2 and 3 show the budget by function for the general operations of state government and by appropriation type for the remaining budget items. Figure 2 shows the total budget from all fund sources. As shown in the figure, K-12 (public) education, human services, and “other agencies” (primarily due to transportation and various

environmental and wildlife expenditures) consume the largest share of total funds at almost 76 percent.

The largest non-HB 2 expenditures of state government in the 2011 biennium are contained in HB 645, which appropriates all funds anticipated through the American Recovery and Reinvestment Act (ARRA). Please note that this appropriation is one-time-only, although some of the functions funded in this bill are on-going, including certain Medicaid and education expenditures.

**Figure 2**

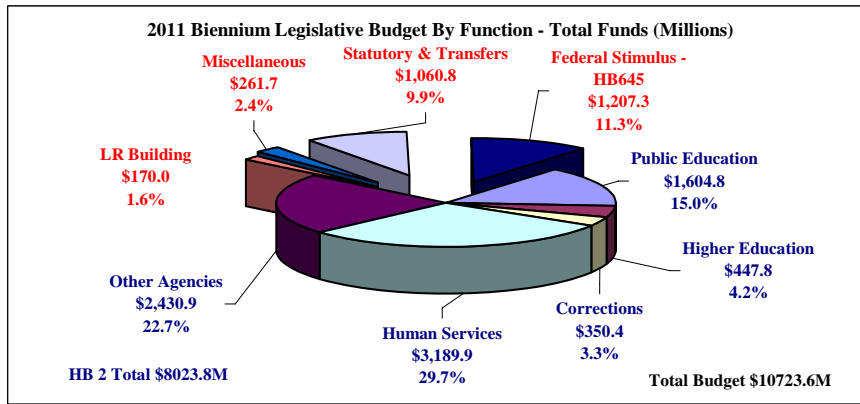
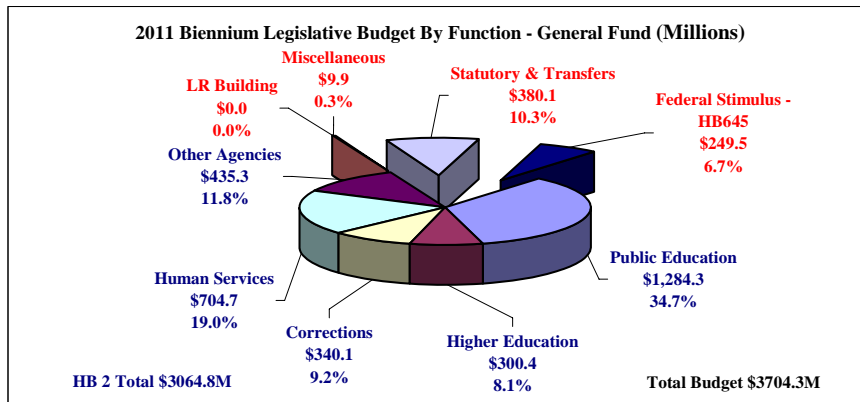


Figure 3 shows the general fund budget. As shown, the largest appropriations are made for K-12 and higher education, human services, “other agencies”, statutory appropriations, and transfers, which comprise almost 84 percent of the budget.

**Figure 3**



## A FURTHER EXAMINATION – THE LEGISLATIVE BUDGET BY CATEGORY

This section provides further detail on the legislative appropriations, broken down by each of the functional and appropriations source categories shown in Figures 4 and 5. Almost 75 percent of the total budget is contained in HB 2, the general appropriations act, which includes the general operating budget of state agencies. This figure is unnaturally low in the 2011 biennium due to the passage of the American Recovery and Reinvestment Act (ARRA), or federal stimulus, which added \$1.3 billion in appropriations of general fund, state special revenue, and federal funds.

The budget is summarized by programmatic function shown in Figures 4 and 5 (public and higher education, corrections, human services, and other) beginning on page 60. HB 645, the federal stimulus bill, is summarized beginning on page 69. Long-range planning is summarized on page 70 and in Section F of Volume 4. Statutory appropriations and non-budgeted transfers are discussed beginning on page 73. “Miscellaneous Expenditures”, which includes all other appropriation bills other than HB 645, and the long range planning bills are listed beginning on page 83.

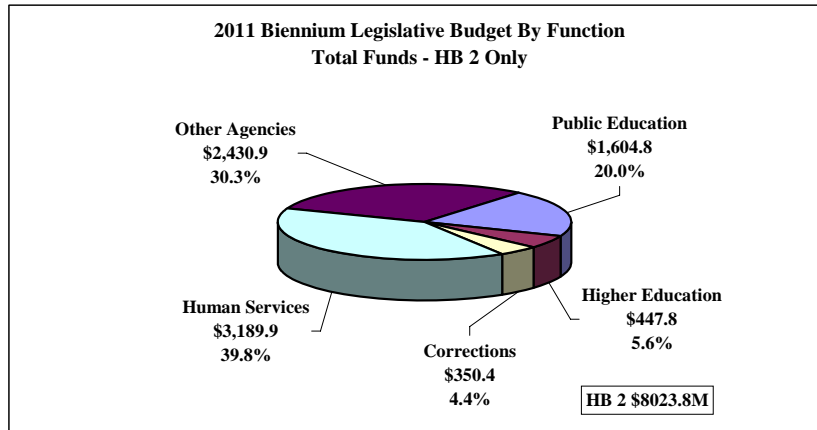
### BUDGET IN HB 2 – GENERAL OPERATIONS OF STATE GOVERNMENT

HB 2 contains about 75 percent of the total budget. As stated, this figure is significantly lower than past biennia due primarily to the appropriation of federal stimulus funds in HB 645 (see Figure 3). If this bill was not included, HB 2 would include 87.8 percent of all appropriations.

#### Allocation by Function

Figure 4 shows the allocation of total funds for expenditures in HB 2 and HB 13, by function, with education, corrections, and human services accounting for about 86 percent of the total. Please note that a portion of ongoing costs of both K-12 and higher education, as well as Medicaid costs in human services, are included in HB 645 in the 2011 biennium and that both of those areas would show both a higher growth rate and a higher percentage of the total if those ongoing costs were included.

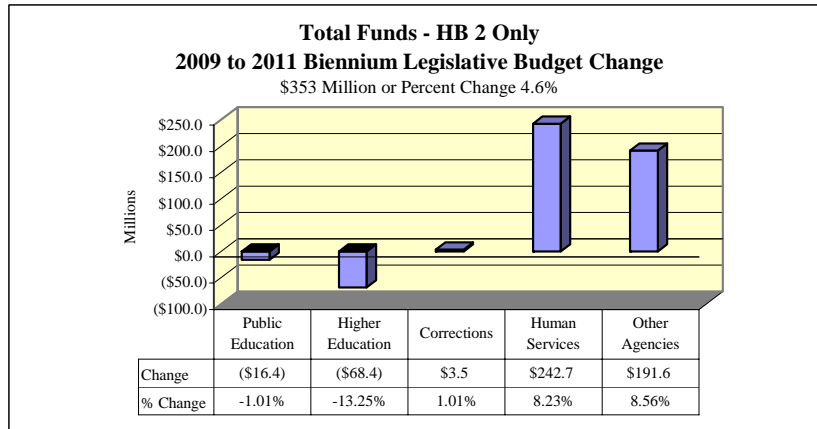
Figure 4



Changes by Function and Fund

Figure 5 shows the changes in funds from the 2009 to the 2011 biennium for all funds, by function. As shown, increases are dominated by human services and “other agencies” due primarily to a biennial increase of \$54.0 million in the Department of Transportation, and increases for environmental remediation and other grants, including homeland security grants. The reduction in human services is due to provisions of funding in HB 645 for current and anticipated increases for certain medical costs.

Figure 5



The decreases shown in education are due primarily to the provision of ongoing funding in HB 645, which totals \$42.9 million for K-12 education (\$52.9 million if the at-risk payment is included) and \$63.3 million for higher education.

The change from the 2009 biennium for ongoing general fund is strikingly different, with a reduction of \$129.2 million, or 4.1 percent. This reduction is due to two primary factors:

- The provision of ongoing expenditures for education and human services and replacement of general fund with federal funds in human services and education

- Reductions in present law and new proposals to balance the budget

**Interaction with HB 645**

In most instances, HB 645 and HB 2 can be viewed independently. However, in certain key areas the bills overlap and a full understanding of changes in funding must be looked at in tandem with HB 645. The following table shows the areas in HB 645 that fund ongoing operations of state government that would normally be funded in HB 2. As this section continues, HB 645 is mentioned in the context of HB 2 changes if warranted.

**Figure 6**

HB 2 and HB 645 Ongoing Costs and Comparison to 2009 Biennium					
Area of Government	HB 2	HB 645	Total	Percent of Total	Increase Over 2009 Biennium
--- General Fund ---					
K-12 Education	\$1,284,266,378	\$2,467,528	\$1,286,733,906	42.4%	(\$22,076,960)
Higher Education	298,901,605	1,277,775	300,179,380	9.9%	(56,269,068)
Corrections	340,370,000	0	340,370,000	11.2%	1,681,622
Human Services	676,360,568	10,614,576	686,975,144	22.6%	(57,863,999)
Other Agencies	<u>421,359,249</u>	<u>0</u>	<u>421,359,249</u>	<u>13.9%</u>	<u>19,739,644</u>
Total	<u>\$3,021,257,800</u>	<u>\$14,359,879</u>	<u>\$3,035,617,679</u>	<u>0</u>	<u>(\$114,788,761)</u>
--- All Funds ---					
K-12 Education	\$1,604,711,807	\$42,860,704	\$1,647,572,511	20.4%	\$26,348,964
Higher Education	446,304,032	63,296,143	509,600,175	6.3%	(6,629,078)
Corrections	350,113,811	0	350,113,811	4.3%	3,221,946
Human Services	3,063,202,180	121,474,915	3,184,677,095	39.5%	237,436,612
Other Agencies	<u>2,386,281,520</u>	<u>0</u>	<u>2,386,281,520</u>	<u>29.6%</u>	<u>146,983,694</u>
Total	<u>\$7,850,613,350</u>	<u>\$227,631,762</u>	<u>\$8,078,245,112</u>	<u>0</u>	<u>\$407,362,138</u>

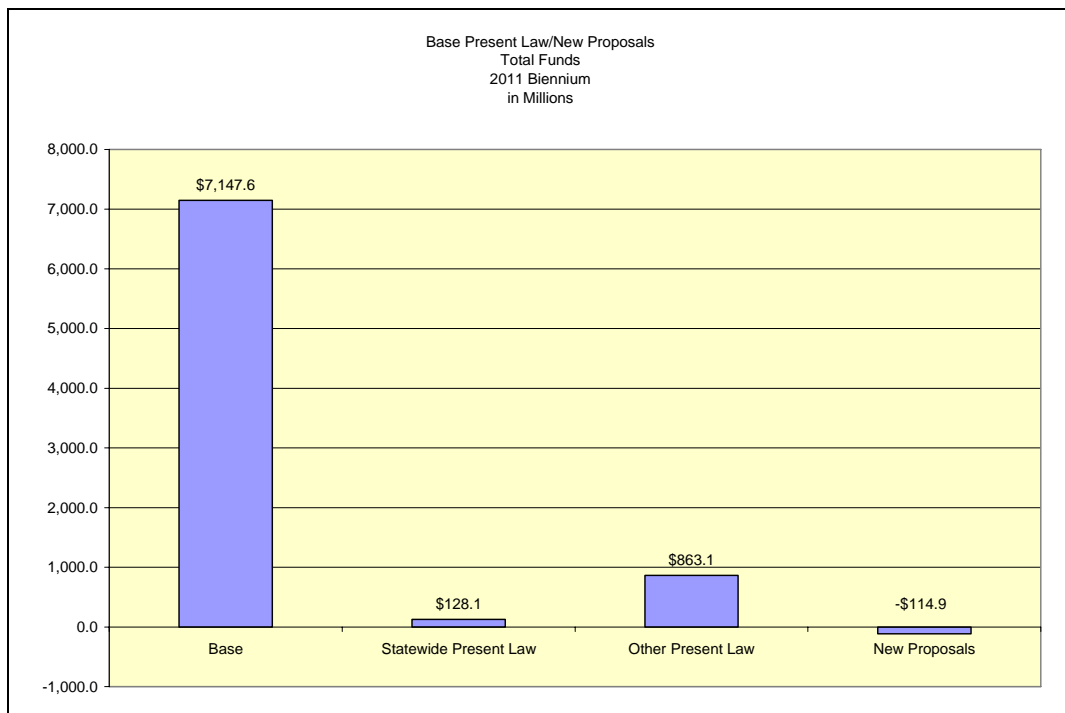
A further discussion begins on page 88 of this volume.

**Present Law vs. New Proposals**

Figure 7 shows the allocation between present law increases and new proposals for all funds in HB 2.

As shown, over 89 percent of total expenditures are for the base, with all increases for present law.

**Figure 7**



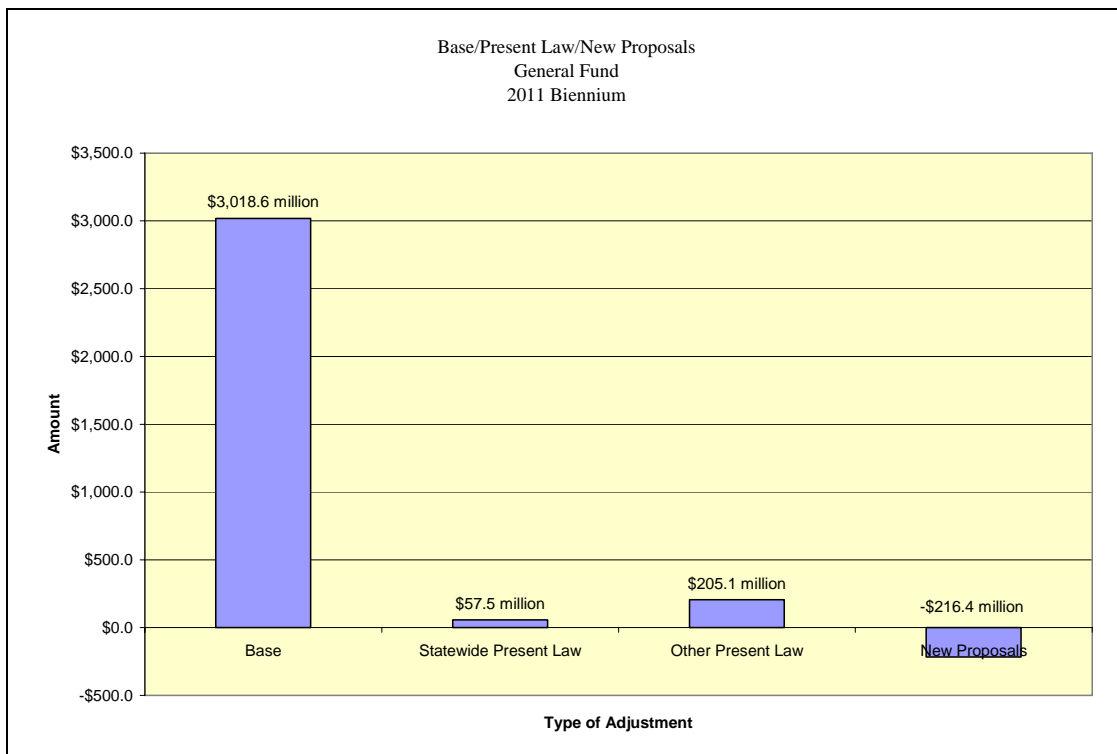
In education and human services, present law increases are also included in HB 645. The following list of significant present law increases also includes those factors:

- Increases in Medicaid caseload (also included in HB 645)
- A total 3 percent per year increase in BASE Aid schedules and maintenance of special education requirements for K-12 education (funded in HB 645)
- Of the present law increases exclusively added in HB 2:
- Implementation of the Health Montana Kids initiative
- Corrections population increases and annualization of programs begun in the 2009 biennium
- Statewide present law adjustments (partially offset in new proposals)
- Environmental remediation

In contrast, general fund base expenditures are over 98 percent of the total, with present law increases a further 9 percent. Overall, general fund new proposals are a net negative 7 percent and significantly lower than in previous biennia for three primary reasons:

- Few new proposals were requested or approved due to the downturn in revenues
- Reductions to present law to balance the budget were included in new proposals, including an increase in the vacancy savings rate and the implementation of an across-the-board general fund reduction to assist in balancing the budget
- Reductions were made in present law for general fund replaced by federal funds in HB 645

**Figure 8**



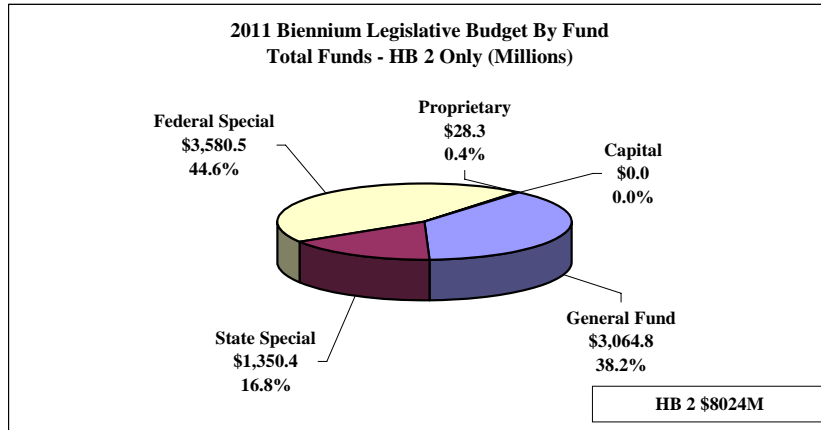
As stated above, please note that new proposals are reduced by an increase in the proposed agency vacancy savings level from 4 percent included in present law to 7 percent for most agencies, and a 2 percent across the board reduction in general fund. Among the limited positive new proposals are the following:

- The state employee pay plan in HB 13
- Surface transportation litigation
- Additional senior services in public health
- Environmental remediation
- Maintenance of certain economic development programs funded in prior years through one-time-only (OTO) appropriations (also funded in HB 645)
- Changes in funding for current activities, including from statutory appropriations to HB 2 appropriations for certain functions of the highway patrol, and funding of homeland security grants in HB 2 rather than budget amendments as in previous biennia

**Type of Funding**

Expenditures are also shown by type of funding. The largest source of funding for state government is federal funds, which also has the largest growth rate, \$200.4 million or 6 percent for ongoing funding from the 2009 biennium.

**Figure 9**

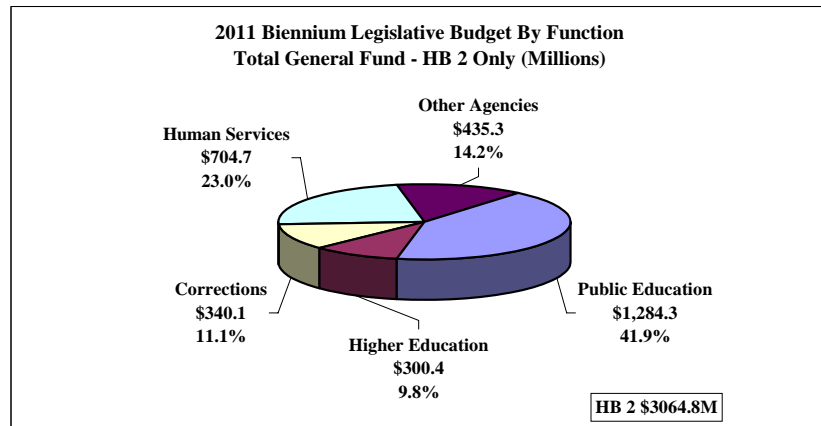


**General Fund Spending**

*Background*

General fund comprises 38.2 percent of total HB 2 funding (\$3.1 million), and is used for a wide variety of programs, although education, human services, and corrections dominate expenditures, as shown in the following figure.

**Figure 10**

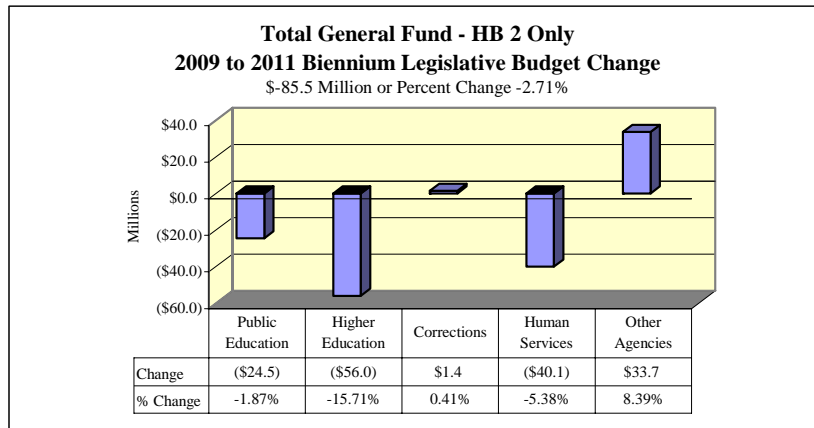


*Spending*

General fund decreases by \$129.2 million, or 4 percent from the 2009 to the 2011 biennium for ongoing expenditures (\$84.5 million total HB 2).



**Figure 11**



Significant changes and other policies of the legislature include the following. Please note that significant ongoing expenditures are included in HB 645 for education and human services, skewing the increases for both of those areas. HB 645 appropriations for ongoing expenditures in those two areas are included in the list:

- A 3 percent increase in BASE Aid schedules and special education for K-12 (funded in large part in HB 645)
- Medicaid caseload and service utilization increases, partially offset by a lower than anticipated growth rate in FY 2009, and further offset by an increase in the federal matching rate (included in HB 645 as federal funds with a similar reduction in general fund in HB 2). Please note that HB 645 includes \$10.1 million general fund for a potential further increase in Medicaid caseload, and general fund in HB 2 was reduced by \$99.0 million in the 2011 biennium and \$50.6 million FY 2009 due to additional federal funds in that bill
- Correctional population increases of around 3 percent per year over the FY 2008 level, partially offset by a lower than anticipated population growth in FY 2009
- Statewide present law adjustments for fully funding personal services (offset by a vacancy savings rate), fixed costs, and inflation. This adjustment is the most and in many instances the only significant general fund adjustment for half of the agencies that receive general fund. Some of the increases are offset by a present law adjustment to eliminate inflation on fuel and a new proposal to increase the vacancy savings rate from 4 to 7 percent

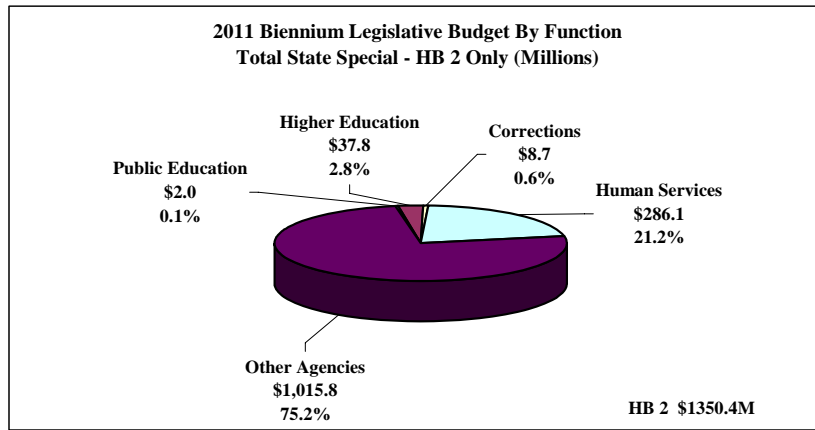
For additional detail, see page A-22 in Appendix A.

### State Special Revenue Spending

#### *Background*

State special revenue earmarked for specific purposes totals \$1.4 billion, and comprises 17 percent of the total budget in the 2011 biennium. The following pie chart shows funds by function. “Other agencies” include transportation, environmental, and wildlife functions, each of which is significantly funded with state special revenue.

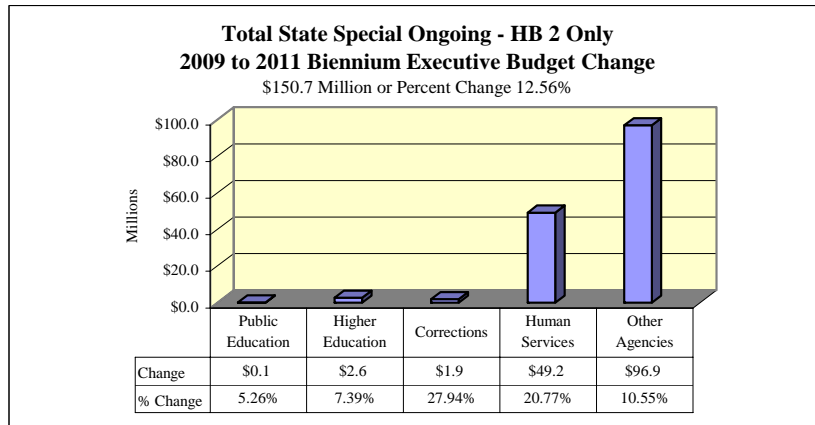
**Figure 12**



**Spending**

State special revenue funds increases by \$113.4 million, or 9.4 percent for ongoing expenditures from the 2009 to the 2011 biennium (\$150.6 million total HB 2).

**Figure 13**



Significant increases and other policies include:

- Implementation of the Healthy Montana Kids initiative (I-155)
- Superfund and other environmental remediation/permitting activities
- General operational increases for various wildlife and environmental programs

For additional detail, see page A-24 in Appendix A.

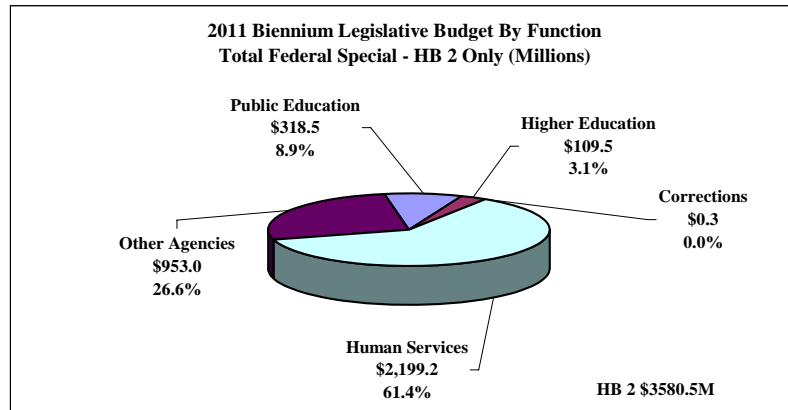
**Federal Funds Spending**

**Background**

Federal funds are, received from various federal funding sources. The federal government provides targeted funding that cannot be used except for the purposes intended. The budget has a total of \$3.6 billion in the 2011 biennium, or 45 percent of

the HB 2 total. Two agencies, Health and Human Services (DPHHS) and Transportation, account for almost 80 percent of the total funding. Please note that these figures do not include any of the funding included in HB 645, the federal stimulus bill.

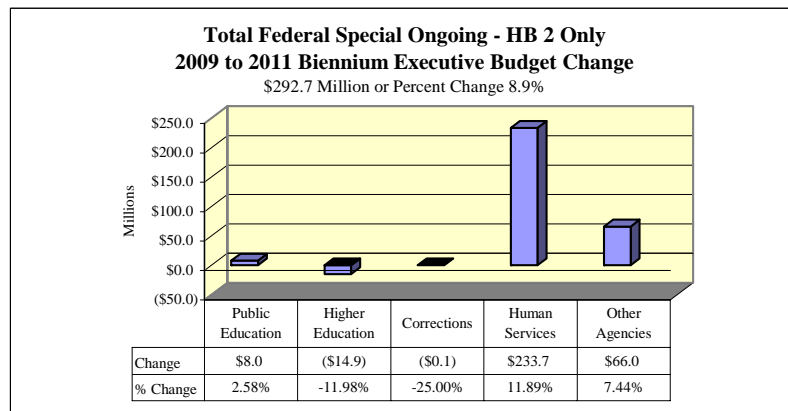
**Figure 14**



**Spending**

Federal funds for ongoing expenditures increase by \$200.4 million, or 6.1 percent between the 2009 and the 2011 biennium (\$292.7 million total HB 2). DPHHS receives \$114.7 million of this increase, primarily for maintenance of current programs. Please note that HB 645 includes an additional \$25.6 million of federal funds due to an increase in anticipated caseload and \$38.4 million for a further potential increase in Medicaid caseload, as well as \$109.0 million due to a temporary increase in the Medicaid match (FMAP) rate.

**Figure 15**



Significant increases and other policies include:

- Medicaid caseload and utilization increases, partially offset by a lower than anticipated growth rate in FY 2009
- Increased federal transportation funding

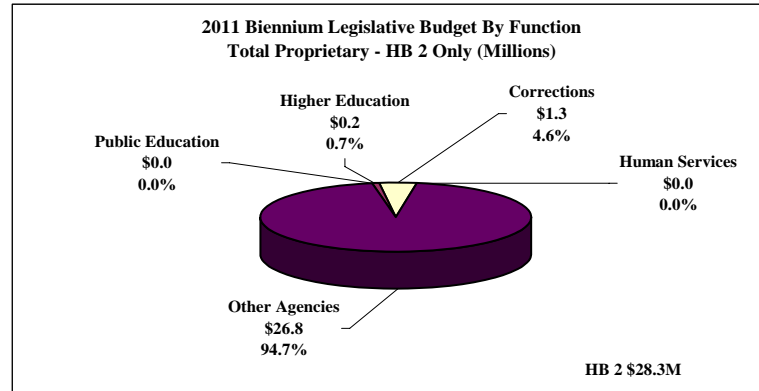
- Homeland security grants that had been added via budget amendment in previous interims

For additional detail, see page A-26 in the Appendix A.

**Proprietary Funds Spending**

Most expenditures of proprietary funds are made in the Department of Administration, Revenue, and Justice.

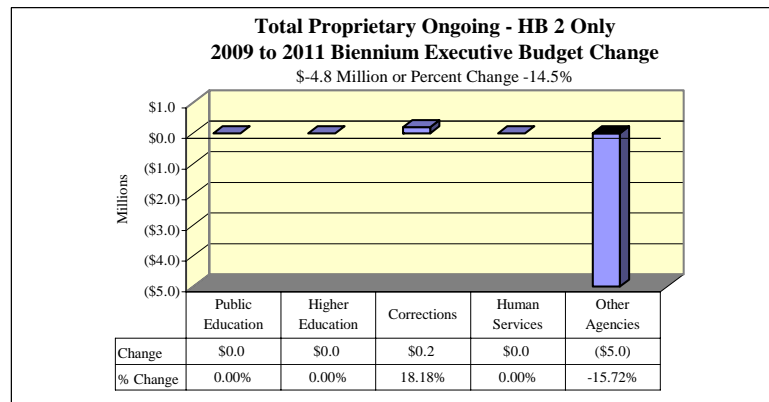
**Figure 16**



Proprietary funds are reduced by \$4.8 million, or 15 percent from the 2009 to the 2011 biennium, primarily because certain functions that had been funded with proprietary funds in the Department Labor and Industry are now appropriated in HB 2.

Please note that these totals are only the portion of proprietary funds appropriated in HB 2, which is a small fraction of the total. The remaining proprietary funds do not require an appropriation in HB 2. Rather, the legislature establishes the maximum rates the proprietary-funded programs may charge programs that utilize the services. If only non-budgeted proprietary funds are examined, the increase totals \$165.5 million or 12 percent. Major increases include various functions, particularly information technology, in the Department of Administration and increases for unemployment insurance.

**Figure 17**



Volumes 3 and 4 of the 2011 Biennium LFD Fiscal Report contain discussion of all non-budgeted proprietary funds in the relevant agencies.

## BUDGET IN HB 645 – FEDERAL STIMULUS FUNDS (SUMMARY)

HB 645 implemented the state’s portion of the American Recovery and Reinvestment Act (ARRA) of 2009, or the federal stimulus bill, and includes 6.7 percent of the general fund and 11.3 percent of total funds appropriated in the 2011 biennium. The following shows the total appropriations included in the bill by funding source: 1) federal specific purpose funds; 2) federal fiscal stabilization funds; and 3) freed-up general fund. A further discussion begins on page 69 of this volume, and specific appropriations are included in Appendix A beginning on page A-16.

**Figure 18**

Summary of Funds in HB 645 (Economic Stimulus) FY 2009 and 2011 Biennium	
Component	2011 Biennium
Federal Specific Purpose Funds	\$904,329,075
Fiscal Stabilization	148,689,792
Freed-Up General Fund*	<u>249,819,396</u>
 Total Funds in HB 645****	 \$1,302,838,263
Remove Medicaid Caseload Contingency	(130,435,091)
Remove Federal Funds due to Freed-Up GF Initiatives**	<u>(36,441,490)</u>
 Total Stimulus-Related Funds	 \$1,135,961,682
Nonbudgeted Anticipated Add'l Unemployment Benefits	<u>207,129,149</u>
 Total Funds Available due to Stimulus	 <u>\$1,343,090,831</u>
*Reflects Governor's veto. Does not include state special revenue generated through freed-up general fund transfers. Includes language appropriations.	
**Direct care worker wage increases and provider rate increase.	
***Bill also includes \$37.2m in state special revenue derived from general fund transfers in the bill and is therefore not doubled in the table.	
****Includes Medicaid spike and language appropriations for informational purposes.	

## BUDGET FOR LONG-RANGE PLANNING

### BACKGROUND.

The Long-Range Planning Subcommittee (LRP) analyzes and recommends appropriations and grant authorizations for capital projects to the legislature. 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. More information related to the LRP budgets is found in Volume 4 Section F of the Legislative Fiscal Report.

### LRP BUDGETS.

The legislature approved total funds spending of \$394.8 million for the LRP budgets. In the 2011 biennium, the legislature appropriated funds for eight programs. The LRP programs include:

- Long-Range Building Program – acquisition, construction, and major maintenance of state owned lands and buildings
- State Building Energy Conservation Program – energy efficiency improvements to state owned buildings
- Long-Range Information Technology Program – major information technology build out and upgrade
- Treasure State Endowment Program – water infrastructure grants to local governments
- Treasure State Endowment Regional Water Program – matching funds for major regional water projects
- Renewable Resource Grant and Loan Program – water conservation grants and loans to local governments
- Reclamation and Development Grant Program – grants for the reclamation of lands degraded by severance activities
- Cultural and Aesthetic Grant Program – arts and historical grants

Figure 19 provides a summary of the legislative appropriations for the LRP programs.

**Figure 19**

Long-Range Planning Budgets 2011 Biennium  
(Dollars in Millions)

Program	General Fund <sup>1</sup>	State Special <sup>2</sup>	Federal Special	Appropriations			Total
				Capital Project	Prop. Fund	Non-Approp Authority	
Long-Range Building Program	\$35.7	\$57.1	\$33.4	\$18.9	\$1.8	\$38.8	\$185.7
State Building Energy Conservation Program	1.5	0.0	21.7	0.0	0.0	0.0	23.2
Consolidated IT Long-Range Building Program <sup>3</sup>	6.0	21.4	65.0	6.9	0.0	0.0	99.3
Treasure State Endowment Program - Grants <sup>4</sup>	8.3	25.4	0.0	0.0	0.0	0.0	33.7
Treasure State Endowment Regional Water Projects	8.0	7.0	0.0	0.0	0.0	0.0	15.0
Renewable Resource Grants	4.1	5.8	0.0	0.0	0.0	0.0	9.9
Renewable Resource Loans	0.0	20.1	0.0	0.0	0.0	0.0	20.1
Reclamation & Development Grants	1.8	5.2	0.0	0.0	0.0	0.0	7.0
Cultural & Aesthetic Grant Program	0.0	0.9	0.0	0.0	0.0	0.0	0.9
<b>Total Long-Range Planning Budget</b>	<b>\$65.4</b>	<b>\$142.9</b>	<b>\$120.1</b>	<b>\$25.8</b>	<b>\$1.8</b>	<b>\$38.8</b>	<b>\$394.8</b>

<sup>1</sup> Total LRP transfers from HB 645 for appropriations for 2011 budgets  
<sup>2</sup> Includes state special revenue appropriation of bond proceeds: \$15 million in Long-Range IT program, \$20.1 million in Renewable Resource Loans program  
<sup>3</sup> Includes \$4.5 million of appropriations contained in HB 645  
<sup>4</sup> HB 645 transfers to the TSEP total \$23.0 million of which \$14.7 was appropriated for grants in the 2009 biennium

**LEGISLATIVE ACTIONS OF NOTE**

**Economic Stimulus: HB 645 and Long-Range Planning**

The legislature passed HB 645, the vehicle for the appropriation of federal funding derived from the 2009 American Recovery and Reinvestment Act (ARRA). The legislation provides OTO general fund transfers of \$78.7 million for infrastructure projects included in the LRP budgets. Of those transfers, \$14.7 million is for Treasure State Endowment projects, authorized by the Sixtieth Legislature and \$63.9 million is to fund projects in the various LRP infrastructure programs during the 2011 biennium. The transfers of HB 645 accounted for half of the \$131.5 million, or 50 percent, increase in the funding of LRP programs when compared to the initial executive budget request.

As the legislature entertained discussions on ways to expend ARRA funds and given the “shovel-ready” requirements of the act, the LRP infrastructure programs appeared to be an ideal way to make use of ARRA funds. In large part, the LRP projects have the advantage of having undergone much of the initial project planning and design work, making it likely that the projects would be more “shovel-ready” than other projects, which may not have moved past the conceptual phase of development.

While the ARRA did not generally direct federal funds to the state government for the purpose of state infrastructure projects, indications are that there will be a greater opportunity for local governments to receive increased federal infrastructure funding directly. Accordingly, the state provision of funds for local infrastructure grant programs is an effective method for leveraging federal funds. The legislature chose to use general fund, “freed-up” by other uses of ARRA funding to increase the number of LRP infrastructure projects. Local government infrastructure projects are funded through various sources which include a variety of state grants, federal grants, debt financing, and local government general funds. Often, the federal government mandates a state match for federal grant funding. With the use of “freed-up” general

fund, the local governments will have the ability to prove that a state match exists, should that be a requirement for the receipt of the federal funds.

Using “freed-up” general funds to expand LRP infrastructure programs will achieve two of the goals of the ARRA, getting the projects started quickly and putting individuals to work, and will create benefits for the state. The goal of getting the funding “on the ground” is more likely to be met, as many of the projects have completed the initial design work and are closer to starting the actual construction work. The goal of putting people to work is met as infrastructure projects create work for a variety of people involved in engineering, surveying, excavating, steel working, construction, pipe laying, and plumbing, just to name a few. While getting people back to work quickly, the state benefits through lower unemployment rates and higher individual and business tax payments.

#### **The Governor’s 20 x 10 Initiative and HB 645**

One instance where federal funds are appropriated through ARRA for state infrastructure work is in the State Building Energy Conservation Program (SBECP). The federal government appropriated funds directly to the state, in this case the Department of Environmental Quality, to make energy conservation upgrades in state buildings. A year prior to the passage of the federal appropriation, the Governor had announced a program by which state agencies were to improve the energy efficiencies of their space by 20 percent by 2010, commonly known as the 20 x 10 Initiative. The ARRA federal funds will provide an estimated \$21.7 million for SBECP projects, replacing the planned general fund use of \$13.4 million for SBECP projects. The legislature also provided a general fund OTO appropriation of \$1.5 million for SBECP projects in HB 645. This appropriation is a state maintenance of effort for federal purposes with the goal of improving the energy efficiency of state buildings.

In the 2011 biennium, the SBECP is tied to the Long-Range Building Program (LRBP). Many of the LRBP projects are developed as a component of the energy upgrades of the SBECP. When buildings are retrofitted to accommodate significant energy upgrades, it is logical to make related deferred maintenance improvements at the same time. Consequently, the legislature expanded the projects of the LRBP with HB 645 transfers of \$35.7 million of freed-up general fund and \$1.3 million of federal funding primarily focused on energy conservation related deferred maintenance.

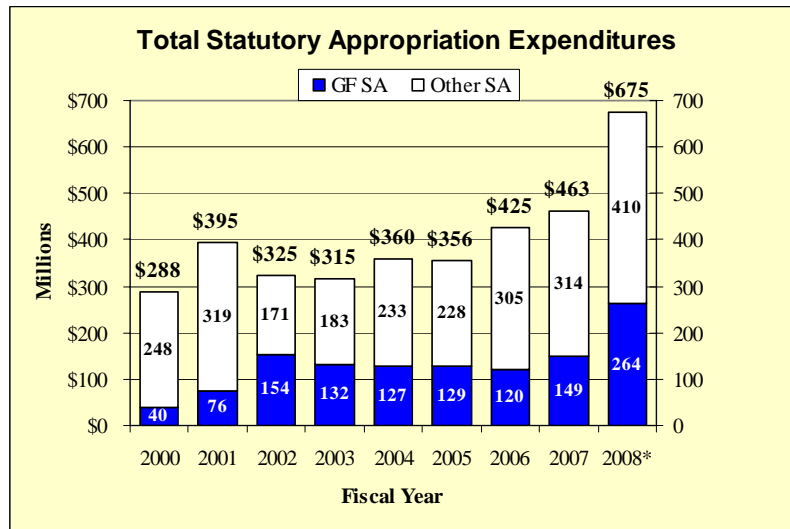


## STATUTORY APPROPRIATIONS

### GENERAL FUND

Statutory appropriations are a special kind of legislative appropriation. Unlike temporary appropriations that expire in two years (such as those in the general appropriations act), statutory appropriations are, as their name suggests, in statute and are not part of the biennial budgeting process. As such, 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. The legislature has made various attempts to not lose sight of these appropriations. Section 17-7-502, MCA, lists statutory citations for each statutory appropriation. Although there are currently 104 sections listed containing 109 separate statutory appropriations, each appropriation listed in statute could have multiple appropriations established on the state accounting system. Of the 104, 28 statutorily appropriate general fund.

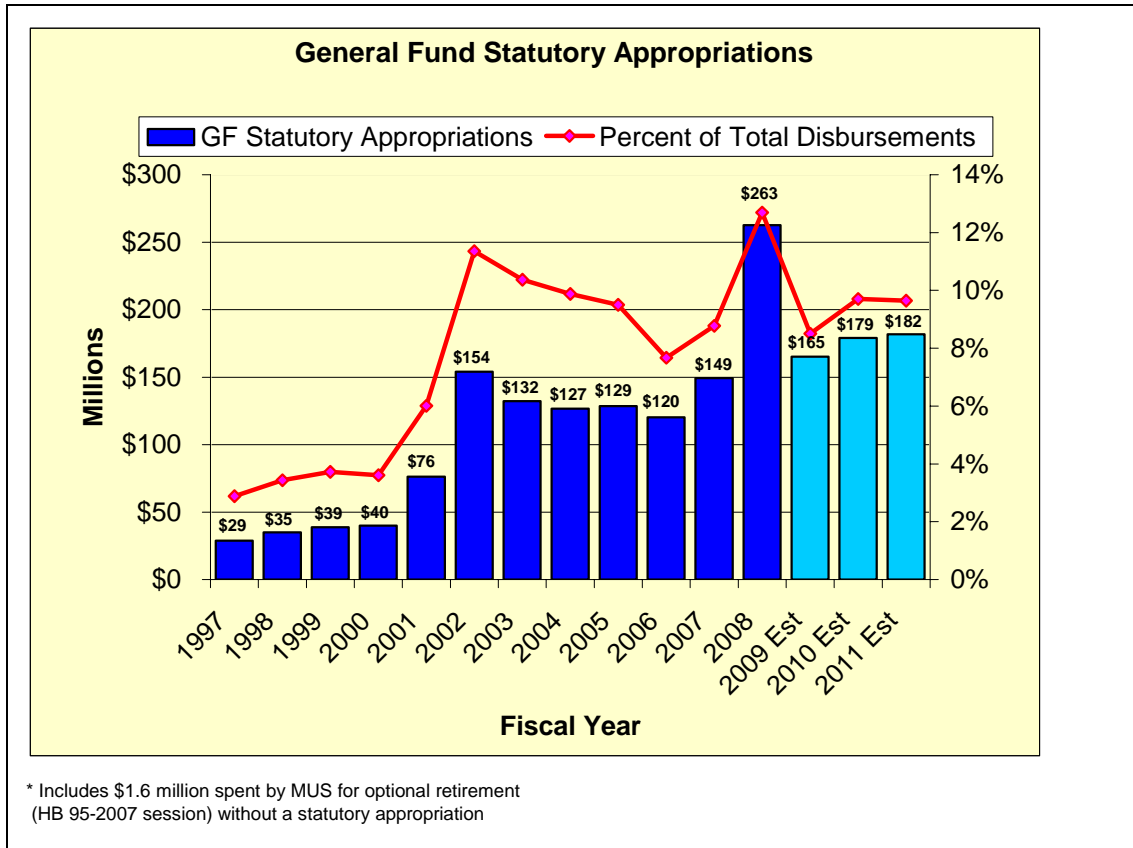
**Figure 20**



\* Includes \$1.6 million spent by MUS for optional retirement (HB 95-2007 session) without a statutory appropriation

Statutory appropriations are intended for limited situations, and guidelines for the appropriateness for establishing them are specified in 17-1-508, MCA. In FY 2008, a total of \$675.0 million was spent with statutory appropriations (Figure 20). The general fund expenditures were \$264.3 million. Total expenditures since FY 2000 were \$3.6 billion, of which \$1.2 billion was general fund. There are approximately 75.00 FTE funded with statutory appropriations, with 53.00 FTE in the Department of Commerce.

Figure 21



The significance of statutory appropriations lies not in the number of them, but rather in the amount of money authorized to be spent and whether the authorizations still reflect the priorities of the current legislature. All statutory appropriations are available for the legislature to review, prioritize, and change if desired. Figure 21 illustrates the amount of general fund spent through statutory appropriations from FY 1997 through FY 2008 and estimated amounts for FY 2009 to FY 2011 including changes made by the 2009 Legislature. From FY 1997 to FY 2008, general fund expenditures from statutory appropriations increased \$235.5 million and, in FY 2008, comprised 12.8 percent of all general fund expenditures. FY 2008 was an unusual year in that \$94.6 million was spent to provide one-time tax rebates (HB 9 in the 2007 May special session). For the 2011 biennium, \$360.1 million general fund is expected to be spent with statutory appropriations, a decrease of \$66.9 million over the estimated \$427.9 million to be spent in the 2009 biennium. The initiation of the local government entitlement program in FY 2002 (enacted by HB 124 in the 2001 session) accounts for most of the large increase shown in FY 2002. The increase in FY 2001 is largely due to payment of wildfire costs incurred during the summer of 2000.

Although the 2009 Legislature did not enact any new general fund statutory appropriations, it did enact the following four laws that increased the amount of general fund appropriated from existing statutory appropriations.

The following bills impact statutory appropriations:

House Bill 123 extends the termination date for the economic development statutory appropriations enacted in the May 2000 special legislative session from June 30, 2010 to June 30, 2019. However, the amounts appropriated for the growth through agriculture program and the appropriated transfer to the research and commercialization state special revenue account are reduced by \$3.0 million in FY 2011 and in each year of the 2013 biennium.

Executive Choice – Due to a projected declining fund balance in the capitol land grant capital projects account, the executive will switch the debt service payments for bonds issued to fund the enterprise system services center from the capitol land grant account to the general fund.

House Bill 5 amends House Bill 5 from the 2005 legislative session (Chapter 560) to add the following statement, "It is the intent of the legislature that the department of administration plan and construct a Montana historical society building at the 6th avenue and Roberts street site in Helena, Montana, with the remaining balance of the \$7.5 million of bonds authorized in Chapter 499, Laws of 2005, and the \$30 million in donation and grant authority in this section." Department of Administration staff state \$1.0 million of the bonding authority approved by the 2005 Legislature will be requested around May 2010 to develop preliminary concept drawings. Yearly bond payments are estimated to be \$80,243. The legislation is effective on passage and approval.

House Bill 674 authorizes the Board of Examiners to issue \$21.0 million of general obligation bonds. Proceeds from the bonds are to be used to purchase real property as determined by the Board of Land Commissioners. Statutorily appropriated general fund debt service payments are based on a \$10.5 million issue in late summer of 2009 at an interest rate of 5.06 percent and a \$10.5 million issue in late spring of 2011 at an interest rate of 5.25 percent. Debt service payments are estimated to be \$1.3 million in the 2011 biennium. The legislation is effective on passage and approval.

Senate Bill 117 was sponsored by the Legislative Finance Committee to clarify, combine and eliminate certain statutory appropriations. To clarify how statutorily appropriated payments from the general fund are to be made for the Montana University System optional retirement program, the legislation authorizes the appropriation to be used by the Board of Regents rather than the Department of Administration. There is no fiscal impact to the general fund from this change. The legislation is effective July 1, 2009.

Figure 22 shows each individual general fund statutory appropriation that has been included in the general fund balance sheet for FY 2009-2011. The largest single

statutory appropriation of general fund occurs under 15-1-121, MCA. Under this law, \$195.6 million is expected to be spent for entitlement payments to local governments and tax increment financing districts in the 2011 biennium. Since statute allows annual increases based on averages of Montana's gross state product and personal income, the amount has grown at an average annual rate of 2.8 percent since 2003. Other large statutory appropriations of general fund in the 2011 biennium include:

- \$95.8 million of transfers to retirement funds (Title 19, MCA)
- \$33.2 million to service the debt on bonding issues approved by the 2009 and previous legislatures (17-7-502, MCA)
- \$16.5 million for emergencies or disasters declared by the governor or the president of the United States
- \$9.1 million of coal trust interest (that is deposited to the general fund) to fund economic development programs (15-35-108, MCA). The statutory appropriations sunset after FY 2019.

Figure 22

General Fund Statutory Appropriation Estimates Fiscal Years 2009-2011 (in Millions)						
MCA Cite	Bill/Purpose	Legislative Session	FY 2009	2011 Biennium		Total
				FY 2010	FY 2011	
<b>Retirement</b>						
19-3-319	Local Government PERD 19-3-319	1985	\$0.732	\$0.820	\$0.919	\$1.739
19-6-404(2)	HB 102-MVD retirement transfer	2005	0.294	0.300	0.305	0.604
19-6-410	HB 102-MHP retirement transfer	2005	1.219	1.344	1.481	2.825
19-9-702	Ins Prem Tax-Fire/Polic Ret 19-9-702-SA	1997	10.096	10.785	11.419	22.204
19-13-604	Prem Tax-Fire/Pol 19-13-604-SA	1997	10.518	11.561	12.377	23.939
19-17-301	Prem Tax-Fire/Pol 19-17-301-SA	1985	1.660	1.764	1.874	3.637
19-18-512(1)	Prem Tax-Fire/Pol 19-18-512-SA	1985	0.360	0.376	0.393	0.769
19-19-305(1)	Prem Tax-Fire/Pol 19-19-305-SA	1985	0.291	0.304	0.317	0.621
19-19-506(4)	Prem Tax-Fire/Pol 19-19-506-SA	1985	0.024	0.025	0.026	0.050
19-20-604	Teachers GABA 19-20-604	1985	0.798	0.838	0.880	1.718
19-20-607	HB 63 - Teachers' retirement system	2007	13.370	16.625	17.460	34.085
19-21-203	HB 95 - Increase MUS employers' retirement contributions	2007	<u>1.684</u>	<u>1.751</u>	<u>1.822</u>	<u>3.573</u>
Sub-total			\$41.046	\$46.492	\$49.273	\$95.764
<b>Economic Development*</b>						
15-35-108(7)(b)(i)	Coop Developmental Center NMC	2000 SS	\$0.065	\$0.065	\$0.000	\$0.065
15-35-108(7)(b)(ii)	Growth Through Agriculture	2000 SS	1.250	1.250	0.000	1.250
15-35-108(7)(b)(iii)	Research & Commercialization	2000 SS	3.650	3.650	0.000	3.650
15-35-108(7)(b)(iv)	Economic Development	2000 SS	<u>1.100</u>	<u>1.100</u>	<u>0.000</u>	<u>1.100</u>
Sub-total			\$6.065	\$6.065	\$0.000	\$6.065
<b>Other</b>						
7-4-2502	HB 12 - Pay county attorney salaries	2007	\$2.409	\$2.565	\$2.573	\$5.138
10-1-1202	HB 136 - Death benefit to national guard beneficiaries	2007	0.000	0.000	0.000	0.000
10-3-312(1)	Emergency Appropriations	1985	4.811	8.250	8.250	16.500
15-1-121(3)	HB 124 - Combined Local Entitlement Distribution	2001	90.607	94.777	99.209	193.986
15-1-121(6)	HB 124 - Local TIF Entitlement Distribution	2001	1.288	0.819	0.785	1.604
15-1-218	HB 680 - DOR to collect out-of-state debt	2007	0.100	0.200	0.400	0.600
15-70-601(1)(b)	HB 756 - Biodiesel tax incentives	2005	0.000	0.000	0.000	0.000
15-70-369(4)	HB 776 - Biodiesel tax refunds	2005	0.000	0.000	0.000	0.000
16-11-509	HB 169 - Fines & cost recovery tobacco settlement	2005	0.027	0.027	0.027	0.054
17-3-106(2)	DofA Cash Management Interest	1993	0.174	0.174	0.174	0.348
17-6-101(6)	BOI Banking Charges	1993	1.500	1.900	1.900	3.800
17-7-502(4)	TRANS Debt Service and Issuance Costs	1985	0.000	0.000	0.000	0.000
17-7-502(4)	Transfer to Debt Service A/B Bond	1985	<u>17.239</u>	<u>17.096</u>	<u>14.757</u>	<u>31.853</u>
Sub-total			\$118.156	\$125.808	\$128.075	\$253.883
<b>Changes to Existing SA - 2009 Legislature</b>						
15-35-108(7)(b)(i)	HB 123 - Coop Developmental Center NMC	2009	\$0.000	\$0.000	\$0.065	\$0.065
15-35-108(7)(b)(ii)	HB 123** - Growth Through Agriculture	2009	0.000	0.000	0.625	0.625
15-35-108(7)(b)(iii)	HB 123** - Research & Commercialization	2009	0.000	0.000	1.275	1.275
15-35-108(7)(b)(iv)	HB 123 - Economic Development	2009	0.000	0.000	1.100	1.100
17-7-502(4)	Executive choice to switch ESSC debt service to GF	2009	0.000	0.408	0.404	0.812
17-7-502(4)	HB 5 - Transfer to Debt Service A/B Bond	2009	0.000	0.000	0.082	0.082
17-7-502(4)	HB 674 - Transfer to Debt Service A/B Bond	2009	0.000	0.366	0.947	1.312
19-21-203(1)	SB 117 - Revision of multiple statutory appropriations	2009	0.000	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Sub-total			\$0.000	\$0.774	\$4.498	\$5.272
Total			<u>\$165.266</u>	<u>\$179.138</u>	<u>\$181.846</u>	<u>\$360.984</u>

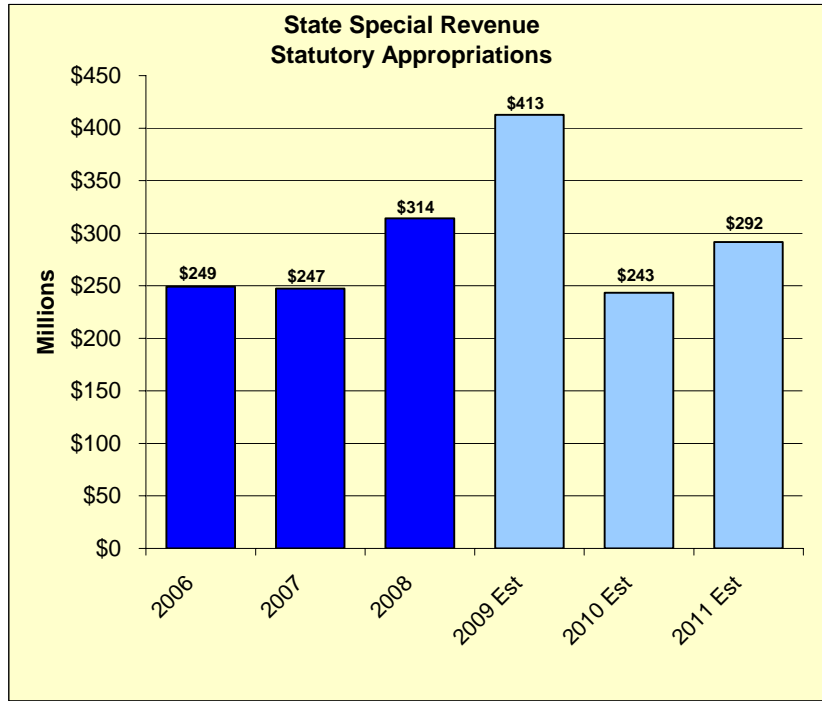
\* These statutory appropriations terminate after FY 2019

\*\* These statutory appropriations increase after FY 2013

**STATE SPECIAL**

It is estimated that \$535.2 million of state special revenue will be spent through statutory appropriations in the 2011 biennium (Figure 23).

**Figure 23**



The 2009 Legislature enacted 25 laws that decrease the amount of state special revenue that is statutorily appropriated in the 2011 biennium by a net \$35.6 million. These laws affect the appropriations by: 1) changing or eliminating existing statutory appropriations; 2) changing the amount of revenue deposited in accounts that are statutorily appropriated; or 3) creating new statutory appropriations. Figure 24 shows the amounts estimated from existing statutory appropriations and from new ones enacted by the 2009 Legislature. The net decrease in appropriations is due to the elimination of the statutory appropriations to spend money in the fire suppression account.

Figure 24

State Special Revenue Statutory Appropriation Estimates Fiscal Years 2009-2011 (in Millions)						
MCA Cite	Bill/Purpose	Legislative Session	FY 2009	2009 Biennium		
				FY 2010	FY 2011	Total
<b>Existing Statutory Appropriations *</b>						
Multiple	Varied dedicated uses	Multiple	\$411.609	\$273.718	\$297.119	\$570.836
<b>Changes to Existing Statutory Appropriations - 2009 Legislature</b>						
10-2-603(3)	HB 306 - Motor vehicle fees to veterans' cemetery acct.	2009	\$0.000	\$0.000	\$0.000	\$0.000
10-4-301(5)	HB 82 - Distribution of 9-1-1 funds	2009	0.000	0.129	0.137	0.266
15-23-706	HB 588 - Eliminate SA for redistribution of coal gross proceeds	2009	0.000	(0.514)	(0.814)	(1.329)
20-9-534(1)	HB 152 - Grants for school tech. from facility account	2009	1.000	1.000	1.000	2.000
20-9-534(1)	HB 152 - Eliminate tech SA from guarantee account	2009	0.000	(2.048)	(2.722)	(4.770)
20-9-622(1)(b)	HB 2 - Less money in guarantee account for school base aid	2009	0.000	(0.125)	(0.064)	(0.189)
20-9-622(1)(b)	SB 65 - More money in guarantee account for school base aid	2009	0.000	0.279	0.281	0.560
20-9-622(1)(b)	SB 475 - Less money in guarantee account for school base aid	2009	0.000	0.000	0.000	0.000
20-9-622(1)(b)	SB 507 - Less money in guarantee account for school base aid	2009	0.000	(0.005)	(0.000)	(0.005)
42-2-105(4)	SB 21 - Additional GF transfers to adoption services account	2009	0.011	0.015	0.016	0.031
44-1-504(2)	SB 117 - Eliminate SA for highway patrol salaries	2009	0.000	(5.227)	(5.105)	(10.333)
53-24-108(1)(a&b)	SB 438 - Alcohol money for treatment of alcoholism	2009	0.000	0.002	0.002	0.004
75-1-1101(3)	SB 62 - Less RIT interest to environmental contingency account	2009	0.000	0.000	(0.175)	(0.175)
76-13-150(5)	HB 154 - Eliminate SA for fire prevention & suppression	2009	0.000	(32.915)	0.000	(32.915)
90-3-103(1)	HB 583 - Transfer \$ out of research & comm. acct. to GF	2009	<u>0.000</u>	<u>(0.250)</u>	<u>(0.250)</u>	<u>(0.500)</u>
Sub-total		2009	\$1.011	(\$39.661)	(\$7.693)	(\$47.354)
<b>New Statutory Appropriations - 2009 Legislature</b>						
10-1-108(3)(b)	HB 127 - Purchase land for Montana national guard	2009	\$0.000	\$0.000	\$0.000	\$0.000
17-3-1xx	HB 645 - Earnings from federal ARRA	2009	0.000	0.000	0.000	0.000
53-9-1xx	HB 108 - DOJ restitution for crime victim compensation	2009	0.000	0.200	0.200	0.400
87-1-xxx	HB 42 - FWP forest management projects	2009	0.000	0.150	0.150	0.300
90-6-331	HB 194 - Hard rock mining payments to counties	2009	0.000	0.340	0.340	0.680
81-x-xxx	HB 655 - Surrender of horses at licensed livestock market	2009	0.000	0.011	0.010	0.021
90-x-xxx	HB 669 - Distress wood products industry revolving loans	2009	0.000	7.308	0.192	7.500
87-1-603	HB 674 - FWP pay taxes to counties for newly purchased land	2009	0.000	0.587	0.642	1.229
87-1-2xx	SB 164 - Maintenance of FWP land and water	2009	<u>0.000</u>	<u>0.819</u>	<u>0.819</u>	<u>1.637</u>
Sub-total			\$0.000	\$9.415	\$2.352	\$11.767
Total			<u>\$412.620</u>	<u>\$243.471</u>	<u>\$291.778</u>	<u>\$535.249</u>

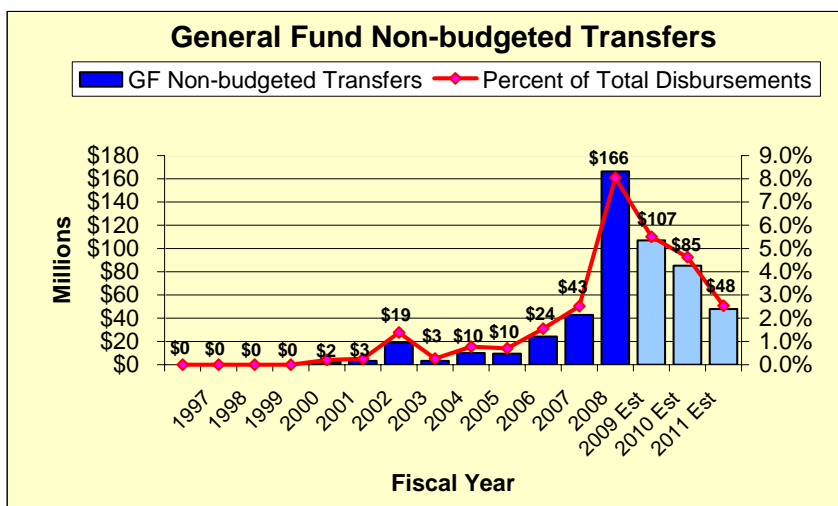
\* Amounts from the executive budget

## GENERAL FUND NON-BUDGETED 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. This results in less money in one account for the programs it funds and more in another. Like statutory appropriations, these transfers and their authorizations are in statute (or sometimes contained in uncodified legislation) and are not part of the biennial budgeting process, yet they affect the amount of money available for the legislature to appropriate for specific programs. Because they are in statute, they remain in place until removed or changed by legislation.

Since FY 2000, increased amounts of money have been transferred out of the general fund to other accounts that fund non-general fund programs. As illustrated in Figure 25, this amount has grown from \$0 in FY 1999 to a high of \$166.4 million in FY 2008 (about 8 percent of total general fund disbursements), and transfers are estimated to be \$133.3 million in the 2011 biennium. An estimated \$106.9 million is to be transferred in FY 2009 (5.5 percent of total general fund disbursements) and includes one-time transfers to other funds of \$98.2 million. Large transfer amounts occur in the 2011 biennium due to legislation enacted by the 2009 Legislature.

Figure 25



House Bill 10 transfers \$6.9 million in the 2011 biennium from the general fund to the long-range information technology program capital projects account. The legislation appropriates money from this account for: 1) efficiency through imagining (DOR) - \$3.4 million; 2) Medicaid management information system replacement (DPHHS) - \$3.5 million; and 3) information management system (Secretary of State) - \$1.5 million. The legislation was effective on passage and approval.

House Bill 645 contains 14 transfers of general fund to various accounts totaling \$114.5 million in the 2011 biennium.

Senate Bill 21 was introduced to fix coordination errors from the 2007 legislative session concerning the FY 2008 bases for general fund transfers to the adoption services state special account (Public Health and Human Services) and the highways non-restricted state special account (Transportation). A one-time transfer of \$11,223 to the adoption services accounts occurs in FY 2009 and the resulting increase to the base amount increases the amounts transferred in the 2011 biennium by \$30,922. The change in the 2008 base for the non-restricted account does not change the general fund transfers from estimated amounts. The one-time transfer is effective on passage and approval and the changes to the bases are effective July 1, 2009. General fund transfers to the non-restricted account are permanently eliminated in House Bill 676.



House Bill 676 permanently eliminates the general fund transfer to the highways non-restricted state special account (Transportation) beginning July 1, 2009.

House Joint Resolution 2 reduces general fund transfers to various state special revenue accounts that are based on percentages of motor vehicle fees deposited to the general fund. Since HJ 2 reduces motor vehicle fee revenue, general fund transfers to the accounts are reduced \$115,000 in FY 2009 and \$225,000 in the 2011 biennium.

Senate Bill 508 creates an online vehicle insurance verification system funded from a new state special revenue “vehicle insurance verification and license plate operating” account. Motor vehicle fee revenue deposited to this account is derived from new fees, increased fees, and earmarking of existing fees. Since the earmarking of fees reduces the amount of revenue deposited to the general fund, general fund transfers to various state special revenue accounts, based on percentages of motor vehicle fees deposited to the general fund, are reduced \$79,682 in FY 2010 and \$106,205 in FY 2011. Sections applicable to the reduction of general fund revenue are effective January 1, 2010.

These transfers reduce the amount of money in the general fund that is available for general fund programs and increase the amount available for other non-general fund programs. Figure 26 shows each non-budgeted general fund transfer that has been included in the general fund balance sheet.

Figure 26

General Fund Non-budgeted Transfer Estimates Fiscal Years 2009-2011 (in Millions)						
Authorization	Name	Legislative Session	FY 2009	FY 2010	2011 Biennium FY 2011	Total
<u>Vehicle/Other Fee Transfers</u>						
15-1-122(1)	DPHHS-Adoption services	2001	\$0.054	\$0.044	\$0.049	\$0.093
15-1-122(2)(c,d)	DOT-Nonrestricted account *	2001	3.096	3.142	3.190	6.332
15-1-122(3)(a)	DEQ-Junk vehicles	2001	1.701	1.693	1.657	3.350
15-1-122(3)(b)	Agriculture-Noxious weeds	2001	1.724	1.716	1.680	3.395
15-1-122(3)(c)(i)	FWP-Boat facilities & enforcement, OHV, Parks	2001	0.529	0.526	0.515	1.041
15-1-122(3)(c)(ii)	FWP-Enforcement, snowmobiles	2001	0.115	0.114	0.112	0.226
15-1-122(3)(c)(iii)	FWP-Motorboats	2001	0.184	0.183	0.179	0.362
15-1-122(3)(d)	MA-Veterans' services	2001	0.735	0.732	0.717	1.449
15-1-122(3)(e)	DOT-Disabled seniors transportation	2001	0.345	0.343	0.336	0.679
15-1-122(3)(f)	MA-Search and rescue	2001	<u>0.046</u>	<u>0.046</u>	<u>0.045</u>	<u>0.091</u>
Sub-total			\$8.527	\$8.539	\$8.479	\$17.018
<u>Other Transfers</u>						
Unknown	DPHHS Nonbudgeted		\$0.248	\$0.248	\$0.248	\$0.496
17-1-511(2)	SB 553 - Incentives for rural physicians	2007	0.057	0.114	0.170	0.284
39-71-2352(6)	Old state fund shortfall	2002 SS	0.000	0.000	0.760	0.760
53-20-171(2)	Developmental disability tax credit excess	2003	Unknown	Unknown	Unknown	Unknown
77-1-108(4a)	HB 19 - To trust land administration account	2007	0.000	0.080	0.000	0.080
87-2-801(6)	SB 166 - To general license acct. purple heart free license	2007	0.001	0.001	0.001	0.001
87-2-803(12c)	SB 243 - To general license acct. national guard free license	2007	0.027	0.027	0.027	0.054
87-2-805(5)	SB 166 - To general license acct. senior & youth free license	2007	0.116	0.000	0.000	0.000
Un-codified	HB 4 - Transfers to capital project funds	2007 SS	97.323	0.000	0.000	0.000
Un-codified	HB 155 - National guard life insurance	2007	0.100	0.000	0.000	0.000
Un-codified	HB 406 - Community health center support	2007	<u>0.650</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Sub-total			\$98.521	\$0.469	\$1.206	\$1.676
<u>New or Changes to Existing Transfers - 2009 Legislature</u>						
Un-codified	HB 10 - To long-range information technology capital projects	2009	\$0.000	\$3.433	\$3.433	\$6.866
Un-codified	HB 645 - To contingent loan account for first-time home buyers	2009	0.000	2.000	0.000	2.000
Un-codified	HB 645 - To senior citizen disability transportation account	2009	0.000	0.300	0.000	0.300
Un-codified	HB 645 - To the long-range building capital projects account	2009	0.000	7.248	6.545	13.793
Un-codified	HB 645 - To the long-range building capital projects account	2009	0.000	1.793	1.793	3.585
Un-codified	HB 645 - To state energy conservation repayment account	2009	0.000	0.750	0.750	1.500
Un-codified	HB 645 - To MUS energy conservation improvements	2009	0.000	6.150	6.150	12.300
Un-codified	HB 645 - To U of M Western main hall	2009	0.000	3.000	3.000	6.000
Un-codified	HB 645 - To state energy conservation account	2009	0.000	0.750	0.750	1.500
Un-codified	HB 645 - To Secretary of State information management system	2009	0.000	0.750	0.750	1.500
Un-codified	HB 645 - To TSEP regional water system	2009	0.000	4.000	4.000	8.000
Un-codified	HB 645 - To TSEP for infrastructure	2009	0.000	11.500	11.500	23.000
Un-codified	HB 645 - To school facility and technology account	2009	0.000	35.034	0.000	35.034
Un-codified	HB 645 - To the renewable resource grants & loans account	2009	0.000	2.074	2.074	4.149
Un-codified	HB 645 - To the reclamation grants & loans account	2009	0.000	0.897	0.897	1.794
15-1-122(1)	SB 21 - To adoption services account to fix error	2009	0.011	0.015	0.016	0.031
15-1-122(2)	HB 676 - Eliminate transfer to DOT unrestricted SSR account	2009	0.000	(3.142)	(3.190)	(6.332)
15-1-122(3)	HJ 2 - Reduced motor vehicle fee revenue reduces transfers	2009	(0.115)	(0.114)	(0.111)	(0.225)
15-1-122(3)	SB 508 - Reduced motor vehicle fee revenue reduces transfers	2009	<u>0.000</u>	<u>(0.080)</u>	<u>(0.106)</u>	<u>(0.186)</u>
Sub-total			(\$0.104)	\$76.359	\$38.251	\$114.610
Total			\$106.945	\$85.367	\$47.936	\$133.303

\* Eliminated by HB 676 effective July 1, 2009

## OTHER APPROPRIATION BILLS

Although a large majority of direct appropriations occur in the general appropriations act (HB 2), other bills may also contain appropriations. Figure 27 lists all bills in which a separate appropriation was made. These appropriations total \$232.3 million general fund and over \$2.0 billion for all funds. The extraordinary size of these appropriations is due to the inclusion of HB 645 totals. The list does not include bills that either establish or change existing statutory appropriations (see page 73). Supplemental appropriations are not included and are discussed in Appendix A. It should be noted that the general fund identified actually understates the general fund impact of these bills because in some instances, money is transferred from the general fund to a different fund account before it is appropriated. Transfers are discussed in this volume on page 79.

The long-range planning bills are discussed in Volume 4, Section F of this report. HB 13 (state employee pay plan) is discussed on page 70 of this volume. The other bills are discussed in the narratives of the impacted agencies in Volumes 3 and 4 of the *2011 Biennium Legislative Fiscal Report*, and a short description of these bills follows.

HB 1 – This legislation, referred to as the “feed bill”, provided \$9.1 million general fund for the legislature for the 2009 session and for pre-session costs for the 2011 session.

HB 52 – This legislation establishes a ground water investigation program and appropriates \$4.2 million general fund for the purpose of collecting and compiling ground water and aquifer data.

HB 135 – This legislation directs the availability to the Department of Natural Resources and Conservation of state funds for mitigation measures required by the Fort Belknap-Montana water rights compact and appropriates that money to the department for the intended purposes. The \$1.0 million in the account is transferred to the account from the general fund by HB 645.

HB 152 – This legislation creates the quality schools facility grant program in the Department of Commerce and appropriates \$12.0 million from the school facility and technology account. The department can deduct its administrative expenses from this amount.

HB 154 – This legislation removed the termination date of the fire suppression account created in a 2007 special session and appropriated up to \$30.0 million from the account for the purposes of fire prevention and suppression.

Figure 27

Other Appropriation Bills FY 2009 and 2011 Biennium										
Bill No.	Short Title	FY 2009			FY 2010			FY 2011		
		General Funds	State Special	Other Funds <sup>1</sup>	General Funds	State Special	Other Funds <sup>1</sup>	General Funds	State Special	Other Funds <sup>1</sup>
<b>Long-Range Planning Bills</b>										
HB 5	Long-Range Building appropriations -- include energy conservation	\$0	\$57,056,400	\$112,944,068	\$0	\$0	\$0	\$0	\$0	\$0
HB 6	Renewable Resource grants and loans	0	12,004,593	0	0	0	0	0	0	0
HB 7	Reclamation and Development grants and loans	0	7,027,122	0	0	0	0	0	0	0
HB 8	Renewable Resource bonds and loans	0	0	0	0	20,058,795	0	0	0	0
HB 9	Cultural and Aesthetic grants	0	0	0	0	915,400	0	0	0	0
HB 10	Long Range Information Technology funding bill	0	21,385,567	70,000,000	0	0	3,366,178	0	0	0
HB 11	Treasure State Endowment appropriations	0	44,351,427	0	0	18,800,000	0	0	0	0
	Sub-Total	\$0	\$141,825,109	\$182,944,068	\$0	\$39,774,195	\$3,366,178	\$0	\$0	\$0
<b>Other Appropriation Bills</b>										
HB 1	Feed bill for legislative session	\$8,628,908	\$0	\$0	\$0	\$0	\$0	\$514,867	\$0	\$0
HB 13	Pay plan for state employees	0	0	0	10,374,759	5,041,078	2,304,656	8,348,899	3,908,199	2,581,423
HB 52	Fund hydrogeologic study	0	0	0	4,200,000	0	0	0	0	0
HB 135	Revise laws implementing the Fort Belknap-Montana Water Rights Compact	0	0	0	0	0	1,000,000	0	0	0
HB 152	Quality schools facility grant program	0	0	0	0	11,602,751	0	0	397,249	0
HB 154	Make fire suppression fund permanent, fund and revise use	0	0	0	0	30,000,000	0	0	0	0
HB 161	Establish the Blackfeet-Montana Water Compact	0	0	0	0	4,000,000	0	0	0	0
HB 224	Loan reimbursement program for state institutional nurses	0	0	0	37,500	0	0	37,500	0	0
HB 258	Funding for insure Montana	0	0	0	0	6,000,000	0	0	0	0
HB 583	Fund food and agriculture innovation centers	0	0	0	250,000	0	0	250,000	0	0
HB 634	Revise law on transportation of mentally ill	0	0	0	0	750,000	0	0	750,000	0
HB 644	Funding for national folk festival	0	0	0	200,000	0	0	0	0	0
HB 645	Implement receipt of and appropriate federal stimulus and recovery funds	(50,646,914)	0	0	154,558,776	0	657,391,692	95,260,620	0	395,627,175
HB 657	Study taxation of oil and natural gas property	0	0	0	13,956	0	0	6,044	0	0
HB 659	Require examination, recommendations for public pension benefit and plan changes	0	0	0	200,000	0	0	0	0	0
HB 674	Generally revise laws relating to state land	0	0	0	0	10,500,000	0	0	10,500,000	0
SB 131	Require DNRC to designate wildland-urban interface	0	0	0	0	0	147,327	0	0	140,527
	Sub-Total	(\$42,018,006)	\$0	\$0	\$169,834,991	\$67,893,829	\$660,843,675	\$104,417,930	\$15,555,448	\$398,349,125
<b>HB 2 Language Appropriations</b>										
	Department of Revenue - Liquor Division	\$0	\$0	\$0	\$0	\$0	\$129,000,000	\$0	\$0	\$141,000,000
	Department of Environmental Quality	0	0	0	0	250,000	0	0	250,000	0
	Department of Natural Resources and Conservation	0	0	0	0	1,600,000	0	0	1,600,000	0
	Crime Control Division	0	0	0	50,000	90,000	3,500,000	50,000	90,000	3,500,000
	Department of Labor and Industry	0	0	0	0	10,000	0	0	10,000	0
	Office of the Superintendent of Public Instruction	0	0	0	0	1,100,000	0	0	1,100,000	0
	Montana University System	0	0	0	0	1,089,413	0	0	1,092,413	0
	Sub-Total	\$0	\$0	\$0	\$50,000	\$4,139,413	\$132,500,000	\$50,000	\$4,142,413	\$144,500,000
	Total All Bills	(\$42,018,006)	\$141,825,109	\$182,944,068	\$169,884,991	\$111,807,437	\$796,709,853	\$104,467,930	\$19,697,861	\$542,849,125

Notes: <sup>1</sup> Other funds might be federal funds, proprietary funds, and/or capital project funds.  
<sup>2</sup> Although long-range building moneys are appropriated in FY 2009, the spending authority continues into the 2011 biennium.  
<sup>3</sup> The amounts appropriated to state agencies for pay plan or employer pension costs are included in the agency tables of the agency budgets in Volumes 3 and 4.

HB 161 – This legislation ratifies Blackfeet Tribe water rights compact and appropriates \$4.0 million state special revenue for water-related infrastructure projects. The \$4.0 million in the account is transferred to the account from the general fund by HB 645.

HB 224 – This legislation establishes a loan reimbursement program for registered professional nurses working at the Montana state prison and Montana state hospital and appropriates \$75,000 general fund to the Board of Regents to provide loan reimbursements as required in the bill.

HB 258 – This legislation appropriates \$6.0 million state special revenue (health and Medicaid initiatives account) to the State Auditor for tax credits, premium assistance payments, and premium incentive payments from the small business health insurance pool.

HB 583 – This legislation establishes a program to be administered by the Department of Agriculture to promote Montana food and agricultural development through support of four centers that have already been established. The bill transfers \$500,000 from the research and commercialization state special revenue account to the state general fund, and appropriates the \$500,000 from the general fund to the program, with \$240,000 each year for center operations and \$10,000 each for administration.

HB 634 – This legislation provides for the transportation of individuals who may be suffering from mental illness to the state hospital for involuntary commitment or treatment, and appropriates \$750,000 each year from a “transportation for involuntary commitment or treatment” account, administered by the Department of Public Health and Human Services. Counties using the service and some third-party payors would pay for the service.

HB 644 – This legislation appropriates \$200,000 general fund to the Department of Commerce for the 2011 biennium to be distributed to Butte-Silver Bow through grants or loans to assist Butte in hosting the National Folk Festival.

HB 645 – This legislation provided for the appropriations and transfers necessary to implement the American Recovery and Reinvestment Act of 2009 in Montana. The bill and impacts are explained in this and other volumes of this publication and so are not completely covered in the figure accompanying this write-up. However, the federal legislation allows states to go back into the current biennium to apply federal funding to Medicaid expenditures which resulted in “freed-up” general fund being reappropriated in the 2011 biennium. Those reductions totaling \$50.6 million in the 2009 biennium are shown in Figure 27 in the general fund column for FY 2009. Other impacts of HB 645 are discussed elsewhere in this volume and in Volumes 3 and 4 within individual agency budgets.

HB 657 – This legislation requires the Revenue and Transportation Interim Committee to appoint a subcommittee to conduct a study of the classification, valuation

and taxation of oil and natural gas property and appropriates \$20,000 general fund to the Legislative Services Division for supporting that effort.

HB 659 – This legislation directs the State Administration and Veterans’ Affairs Interim Committee to examine and recommend to the 62<sup>nd</sup> Legislature funding and benefit changes in the statewide public employees’ and teachers retirement systems. It appropriates \$200,000 general fund to the Legislative Services Division to cover the costs of this study.

HB 674 – This legislation authorizes the creation of state debt through the issuance of general obligation (GO) bonds for purchase and management of real property and appurtenances for sustainable forest management, recreational use, and income-generating potential. The bill provides an authorization to issue up to \$21.0 million in GO bonds and an appropriation of up to \$21.0 million from the public school land acquisition account from the bond proceeds.

SB 131 – This legislation requires the Department of Natural Resources and Conservation to designate and map the wildland-urban interface parcels in each county using certain criteria. It provides an appropriation of \$287,854 of federal special revenue for this purpose. If the department does not receive the federal funds, it is directed to proceed to the extent possible using existing resources.

## LANGUAGE APPROPRIATIONS IN HB 2

The Language appropriations, because of their nonspecific nature, are not included in the summary tables in this volume and Volumes 3 and 4. Those tables only include HB 2 line item appropriations and HB 13 appropriations. As a matter of record, the HB 2 language appropriations are summarized by agency in Figure 28 and are detailed further in Figure 28. The specific language of each appropriation can be found in HB 2 in the narrative portions that follow the affected agencies.

Figure 28

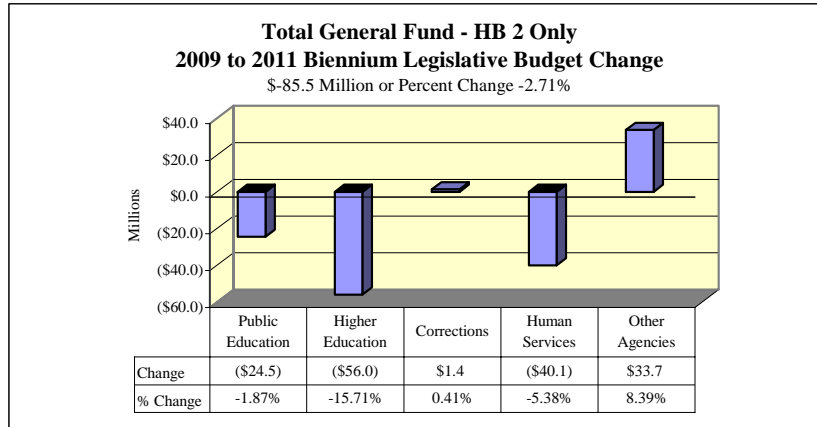
Agency and Language Item	2011 Biennium			FY 2010				FY 2011			
	General Fund	State Special	Other Funds	General Fund	State Special	Federal Special	Other Funds	General Fund	State Special	Federal Special	Other Funds
Department of Revenue											
Liquor Division for Inventories, etc.	\$0	\$0	\$270,000,000 <sup>a</sup>	\$0	\$0	\$0	\$129,000,000	\$0	\$0	\$0	\$141,000,000
Department of Environmental Quality											
Petro Board for Contract Expenses	0	500,000	0	0	250,000		0	0	250,000	0	0
Department of Natural Resources/Conservation											
Coal Bed Methane Account for Water Damage	0	1,000,000	0	0	500,000	0	0	0	500,000	0	0
Broadwater Hydro Repair	0	100,000	0	0	50,000	0	0	0	50,000	0	0
Broadwater Hydro	0	1,000,000	0	0	500,000	0	0	0	500,000	0	0
Repair State Water Projects & Steering	0	500,000	0	0	250,000		0	0	250,000	0	0
Prior Liens	0	600,000	0	0	300,000	0	0	0	300,000	0	0
Crime Control Division											
2009 Biennium Reversions	100,000	180,000	7,000,000 <sup>b</sup>	50,000	90,000	3,500,000	0	50,000	90,000	3,500,000	0
Department of Labor & Industry											
Workers' Comp Court	0	20,000	0	0	10,000	0	0	0	10,000	0	0
Office of Public Instruction											
State Traffic Education Account	0	2,200,000	0	0	1,100,000	0	0	0	1,100,000	0	0
Montana University System											
Interest Earnings & Other Revenue to Units	0	2,084,976	0	0	1,042,488	0	0	0	1,042,488	0	0
Interest Revenue to Experiment Station	0	850	0	0	425	0			425	0	0
Sales Revenue to Bureau of Mines	0	93,000	0	0	45,000	0	0	0	48,000	0	0
Interest Revenue to Fire Training School	0	3,000	0	0	1,500	0	0	0	1,500	0	0
<b>Total</b>	<b>\$100,000</b>	<b>\$8,281,826</b>	<b>\$277,000,000</b>	<b>\$50,000</b>	<b>\$4,139,413</b>	<b>\$4,189,413</b>	<b>\$129,000,000</b>	<b>\$50,000</b>	<b>\$129,050,000</b>	<b>\$3,500,000</b>	<b>\$141,000,000</b>

<sup>a</sup> "Other funds" for the Liquor Division are proprietary funds to maintain inventories, pay freight charges, and transfer profits and taxes to appropriate accounts.  
<sup>b</sup> "Other funds" for the Crime Control Division are federal funds.

## MAJOR EXPENDITURE ALLOCATIONS

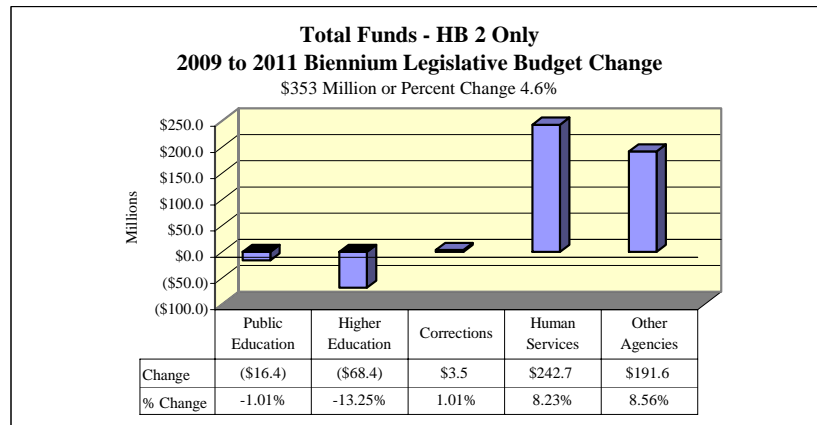
Figures 29 and 30 show the allocation of the biennial changes in HB 2 and HB 13, by function, for general fund and total funds, from the 2009 to 2011 biennium, before consideration of the impact of HB 645.

**Figure 29**



Total fund changes are shown in the following figure.

**Figure 30**



### IMPACT OF HB 645

The figures above summarize HB 2 and HB 13 action. However, HB 645, the bill appropriating funds made available because of the federal American Recovery and Reinvestment Act (ARRA), has a significant impact on the funding of several agencies. In some instances, that bill includes funding for ongoing expenditures that would have been appropriated in HB 2. Therefore, HB 645 is also discussed if it has a bearing on



the HB 2 appropriations. Figure 31 shows the areas where HB 645 includes funding for ongoing costs of state government.

**Figure 31**

HB 645/HB 2 Ongoing Functions in HB 645 FY 2009 through FY 2011					
Area	General Fund	State Special	--- HB 645 --- Federal Funds	Proprietary	Total
<b>DPHHS</b>					
HB 2 Ongoing	\$676,360,568	\$276,660,505	\$2,110,181,107	\$0	\$3,063,202,180
HB 645 Ongoing					
Temporary Federal Match Increase	0	0	71,000,000	0	71,000,000
Potential Caseload Increase	10,072,624	0	25,607,329	0	35,679,953
Medicaid - Indian Eligibility Increase	541,952	0	1,483,646	0	2,025,598
Child Support Enforcement	0	0	4,015,149	0	4,015,149
Human Community Services	0	0	2,043,882	0	2,043,882
Total DPHHS Ongoing	<u>\$686,975,144</u>	<u>\$276,660,505</u>	<u>\$2,214,331,113</u>	<u>\$0</u>	<u>\$3,177,966,762</u>
<b>K-12</b>					
HB 2 Ongoing	\$1,284,266,378	\$1,956,213	\$318,489,216	\$0	\$1,604,711,807
HB 645 Ongoing					
Stabilization Funding for K-12	0	0	40,393,176	0	40,393,176
Special Ed Maintenance of Effort	2,467,528	0	0	0	2,467,528
Total K-12 Ongoing	<u>\$1,286,733,906</u>	<u>\$1,956,213</u>	<u>\$358,882,392</u>	<u>\$0</u>	<u>\$1,647,572,511</u>
<b>Higher Education</b>					
HB 2 Ongoing	\$298,901,605	\$37,772,306	\$109,450,185	\$179,936	\$446,304,032
HB 645 Ongoing					
Community College Assistance	1,277,775	0	0	0	1,277,775
Stabilization Funding for Higher Ed	0	0	59,524,447	0	59,524,447
Replace 6-mill Levy Shortfall*	0	0	2,493,921	0	2,493,921
Total Higher Education Ongoing	<u>\$300,179,380</u>	<u>\$37,772,306</u>	<u>\$171,468,553</u>	<u>\$179,936</u>	<u>\$509,600,175</u>

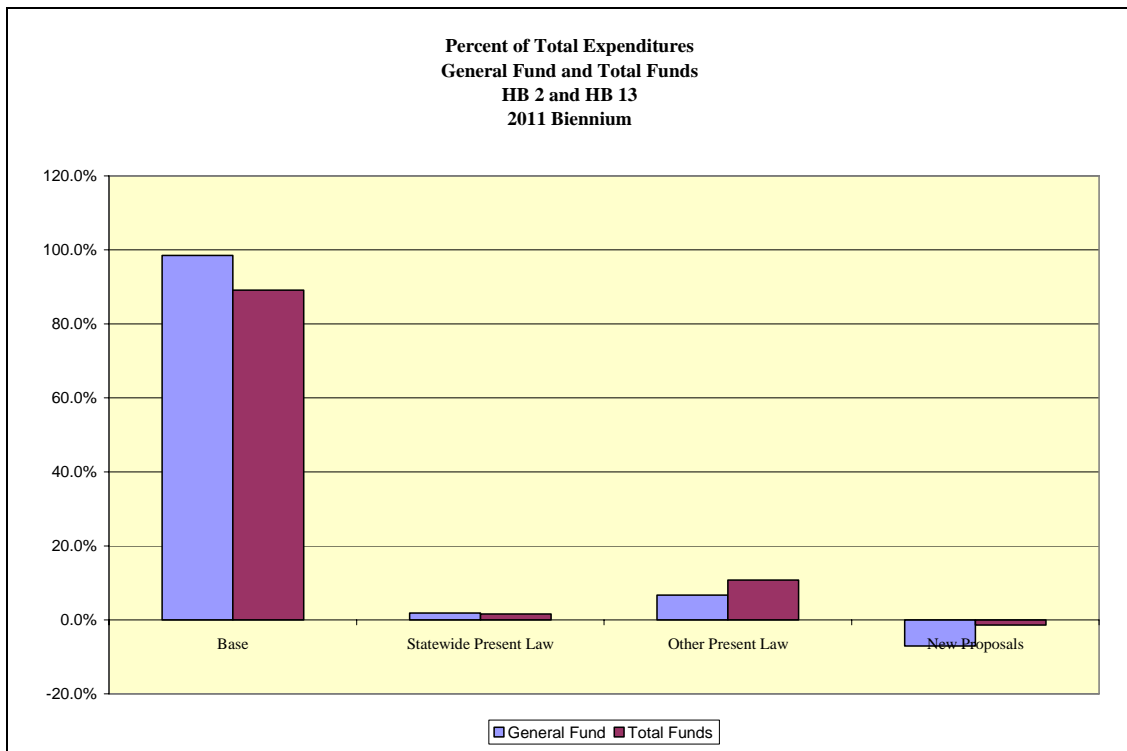
**BUDGET IS GENERALLY A REDUCED PRESENT LAW (MAINTENANCE) PLAN**

Present law is considered to be the funding necessary to maintain operations of state government at the level passed by the previous legislature, including phased-in legislation. The budget passed by the 2009 Legislature is essentially a reduced present law. As shown in the “Further Examination” section, present law comprises over 100 percent of the total increases to the base for all funds and for general fund, and new proposals are negative. The legislature essentially funded present law adjustments, but then reduced those adjustments by across the board reductions in both general fund appropriations, and through an increase in the vacancy savings rate on all funds. At the time of this writing it is not known how, whether, or to what extent agencies will have to reduce operations to remain within budget.

The following shows the allocation of base, statewide present law adjustments, other present law adjustments, and new proposals for general fund and other funds.

Statewide present law adjustments are those adjustments to account for ongoing costs of personal services (including the pay plan passed by the previous legislature, partially offset by a vacancy savings rate), inflation, and fixed costs (discussed on page A-13 of this volume). In addition to the across the board reductions mentioned above, new proposals also include replacement of general fund in education and human services with federal stimulus funds in HB 645, which accounts for the majority of the decrease.

**Figure 32**



To underscore the nature of this budget as maintenance or less, of the 28 agencies receiving general fund, statewide present law adjustments account for the majority and in some cases the only increases provided to 14, or half of all agencies. For total funds, the figure is 12 of 32 agencies.

**COMPARISON TO EXECUTIVE BUDGET**

The total budget is \$291.3 million lower than the proposed executive budget in general fund and \$165.2 million total funds. There are several primary reasons for the differences:

- Increases proposed by the Governor for inclusion in HB 2 are funded in HB 645 (federal stimulus)
- A reduction in the estimated population growth in corrections and various other actions
- Lower estimates of initial costs of Healthy Montana Kids and increased hospital utilization fee revenue due to match changes

- Revised transportation construction program expenditure estimates
- Provision of an across the board reduction in general fund
- Inclusion in the totals of the legislative pay plan (HB 13)

The following figure illustrates the major differences.

**Figure 33**

Comparison of Legislature to December 15, 2008 Executive Budget Major Differences by Program Area - HB 2 2011 Biennium (in Millions)		
Agency/Component	General Fund Over (Und) Exec	All Funds Over (Und) Exec
Total Difference	(\$291.3)	(\$165.2)
General or Statewide		
HB 13 (pay plan)	14.6	25.5
2 percent across-the -board GF reduction	(12.2)	(12.2)
HB 645 Fund Various Costs		
K-12 Education		
Fund 3 and 3 percent inflation increase in Base Aid in HB 645	(48.5)	(48.5)
Fund inflationary increases in HB 645	(13.6)	(13.6)
Eliminate at-risk due to related funding in HB 645	(5.0)	(5.0)
Fund maintenance of effort for special education in HB 645	(2.5)	(2.5)
Higher Education		
Fund base costs in HB 645	(59.5)	(59.5)
Human Services		
Replace Medicaid general fund with federal funds	(97.0)	(97.0)
Commerce and Administration		
Fund various economic development functions in HB 645	(7.0)	(7.0)
Fund high performance computer in HB 645	(2.0)	(2.0)
K-12 Education		
No funding for special education inflation increase	(4.5)	(4.5)
Statewide longitudinal data system		4.9
Increase federal grants		10.9
Guarantee account adjustment	(4.4)	(4.4)
Higher Education		
No funding for other present law	(6.2)	(6.2)
Human Services		
Switch funding from general fund to state special for CHIP	(2.6)	
Enhanced FMAP hospital utilization fee		60.2
Lower Healthy Montana Kids funding		(1.8)
Transportation		
Fund surface transportation litigation in HB 2 rather than language	2.6	2.6
Revise construction program		23.1
Corrections		
Reduce rate of population growth	(15.8)	(15.8)
Fund license plate replacement from enterprise account	(4.0)	(4.0)
Sex offender treatment facility	(4.9)	(4.9)
Contract secure beds annualization	(4.7)	(4.7)
Various other requests reduced or not funded	(7.0)	(7.0)
Restore a portion of 2 percent across the board	1.5	1.5
Increase prerelease, contract bed per diem rates, staff transport	2.2	2.2
Do not reduce funding for juvenile placements and intervention	2.0	2.0
Various		
Unspecified Reduction	(3.0)	(3.0)
Other	(9.8)	5.5

## K-12 EDUCATION RECEIVES AN INFLATIONARY ADJUSTMENT IN HB 2 AND HB 645

The 2009 Legislature approved appropriations for public school funding in three bills: 1) \$1.605 billion in HB 2, the General Appropriations Act; 2) \$0.185 billion in HB 645, a bill that implements the American Recovery and Reinvestment Act 2009 (ARRA); and 3) \$0.012 billion in HB 152, a bill implementing a quality schools facility grant program. The total funding provided in the three bills was \$1.802 billion, \$1.755 billion to the Office of Public Instruction (OPI) and \$0.047 billion to the Department of Commerce (Commerce) for deferred maintenance, energy efficiency projects, and school technology grants in school districts.

### HB 2

FY 2008 base funding for Base Aid, special education, transportation, school facility reimbursement, vocation education, adult basic education, instate treatment, gifted and talented, school foods, school facility grants, state tuition payments, traffic safety, and federal funds were supported in HB 2 at a cost of \$1.566 billion in total funds. Ongoing expenditures decrease by \$16.4 million or 1 percent when compared to the 2009 biennium. This reduction is mainly due to the legislature approving a funding switch of \$40.1 million, eliminating general fund in HB 2 and funding the costs with federal funds in HB 645. This action funded:

- An inflationary increase to the basic and per-ANB (average number belonging) entitlements in the school funding formula of 1 percent in FY 2010 and 3 percent in FY 2011
- \$13.6 million of the present law adjustments to increase the FY 2008 base budget to the FY 2009 levels for inflationary increases to basic and per-ANB entitlements. The remaining \$6.5 million of the funding for the increases remains in HB 2
- Elimination of \$14.2 million of general fund support in HB 2: \$2.5 million for special education maintenance of effort (replaced in HB 645) and almost \$10.0 million for the at-risk component of the school funding formula, with the remaining \$1.6 million from a number of reductions, including increasing vacancy savings from 4 percent to 7 percent and an unspecified general fund reduction

### HB 645

HB 645 provides a total of \$185 million of support for school facilities, with \$150.2 million provided to OPI and \$35 million to Commerce. HB 645 provides:

- Present law adjustments to increase the FY 2008 base budget to provide a 3 percent inflationary increase in FY 2010 and a 3 percent inflationary increase in FY 2011 for basic and per-ANB entitlements - \$48.5 million
- Present law adjustments to increase the FY 2008 base budget to the FY 2009 levels for inflationary increases to basic and per-ANB entitlements - \$13.6 million (\$6.5 million in HB 2)
- Federal grant awards increase - \$85.7 million in enhanced federal appropriations as part of the ARRA
- Distributions to school districts based on the quality educator component for deferred maintenance and energy efficiency improvements - \$20.0 million
- Quick start energy grants for energy savings projects that can be obligated by September 30, 2009 - \$15 million

- Special education maintenance of effort - \$2.5 million

The majority of the funding is one-time-only and will not be considered as part of the 2013 biennium budget for public education funding. 1 percent of the inflationary increase for basic and per-ANB entitlements approved for FY 2010 and 3 percent in FY 2011 are considered ongoing increases to local school districts and are to be included in OPI's present law base for the 2013 biennium. The additional 2 percent increase for FY 2010 is considered one-time-only in the 2011 biennium.

### **HB 152**

HB 152 provides a permanent funding source for school facility and technology projects beyond the current biennium from timber harvests, mineral royalties, and rental income received from power site leases on common school trust lands. HB 152 requires that \$1 million a year in statutory appropriations for technology grants be funded from these sources, with the remainder available for school facility projects. In the 2011 biennium, the legislature appropriated a total of \$12 million in support for school facility and technology projects.

A further discussion of the agency begins on page E-1 of Volume 4 of the 2011 Biennium Legislative Fiscal Report.

## **HIGHER EDUCATION OPERATIONS ARE GENERALLY MAINTAINED IN HB 2 AND HB 645, WITH LIMITED ADDITIONS**

Although HB 2 ongoing expenditures decrease by \$69.9 million or 13.5 percent, the legislature actually increased higher education ongoing funding in the 2011 biennium by a total of \$22.6 million, or 4.4 percent, when compared to the 2009 biennium for all expenditures. Legislative appropriations for general operating budgets of the Montana University System (MUS) were contained in three primary appropriation bills: HB 2 (the general appropriations act), HB 13 (the pay plan bill), and HB 645 (the bill implementing the federal stimulus bill).

### **HB 2/13**

HB 2 and HB 13 together provided a \$68.4 million, or 13.3 percent, decrease in the 2011 biennium from the 2009 biennium because contingency language included in HB 645 required a \$59.5 million biennial general fund reduction in the university education units' budget in HB 2 if HB 645 was passed and approved with ARRA stabilization funding for the same purpose and amount. This action did not result in a budget reduction in total but merely changed the funding source of financial support in the 2011 biennium.

HB 2 funded the university education units at the FY 2009 level, before downward adjustments for increased vacancy savings and a 2 percent across-the-board reduction were assessed to all state agencies. State funding for community colleges and tribal colleges was set at the FY 2008 base budget amount, before a downward adjustment for a 2 percent across-the-board reduction was assessed to all state agencies.

HB 2 includes a \$2.5 million, or 10.2 percent, increase for student assistance programs in the 2011 biennium for inflationary increases for professional student exchange programs (i.e. WICHE), full implementation of the Governor's Postsecondary Scholarship Program and the Quality Educator Loan Assistance Program, and implementation of a new loan assistance program for professional registered nurses.

#### HB 645

HB 645 provides a total of \$91.0 million for the MUS and the Office of the Commissioner of Higher Education (OCHE) from federal stimulus money and state general fund that was made available by using the state fiscal stabilization funds from ARRA to support both K-12 and postsecondary education.

HB 645 includes:

- \$59.5 million of state fiscal stabilization funds for education to stabilize funding for the university education units in the 2011 biennium. This appropriation freed up a like amount of general fund in HB 2
- \$18.2 million of state fiscal stabilization funds for other government services from ARRA for tuition mitigation at the university education units and the community colleges, as well as other financial support for these institutions
- \$13.3 million of freed up general fund for several programs within OCHE and the MUS, including \$2.0 million for new distance learning projects, \$2.0 million for development of a virtual high school, \$1.3 million for inflationary increases at the community colleges, \$5.7 million for tuition mitigation at the university education units, \$0.9 million for Tribal College assistance, and \$1.2 million for other MUS programs

A further discussion begins on page E-92 of Volume 4 of the 2011 Biennium Legislative Fiscal Report.

#### **HUMAN SERVICES ARE MAINTAINED IN HB 2 AND HB 645, WITH A FUTURE REDUCTION REQUIRED**

The 2011 biennium appropriation (HB 2 and HB 13) for the Department of Public Health and Human Services (DPHHS) is \$3.2 billion, which is \$242.7 million more than the 2009 biennium budget. However, the 2011 biennium general fund appropriation is \$40.2 million lower than the 2009 biennium budget because of the temporary increase in the federal Medicaid match rate. The higher federal match rate reduced the general fund needed for Medicaid and Title IV E foster care services by an estimated \$97.0 million in the 2011 biennium and by an additional \$54.0 million in FY 2009.

DPHHS received an additional \$513.8 million in HB 645 for a total 2011 biennium appropriation of \$3.6 billion. HB 645 included both the federal funds appropriations and language reducing the HB 2 general fund appropriations for the enhanced federal match rate. HB 645 also included other appropriations of one-time federal stimulus funds and some functions that are on-going as well as one-time appropriations for some services and provider rate increases.

### On-going Services Funded in HB 645

The legislature appropriated \$37.7 million for on-going Medicaid costs in HB 645, including potential increases in ongoing caseloads. A smaller portion funds eligibility increases due to the ARRA change for Native American Medicaid eligibility - \$2.0 million.

The legislature also appropriated \$4.0 million for Child Support Enforcement services due to an ARRA change in funding sources and \$2.0 million for a child care component of the Human and Community Services Division.

### One-Time Appropriations in HB 2

The legislature made several one-time appropriations in HB 2. The most significant change moved \$22.0 million general fund into a one-time appropriation. This action maintained services during the 2011 biennium, but will reduce the 2013 biennium budget starting point.

The legislature also added language in HB 676 to require DPHHS to adopt a work plan, including goals, objectives, and milestones to evaluate strategies to reduce ongoing state spending in the 2013 budget submission. HB 676 requires the LFC to review the work plan and the DPHHS study at each of its meetings in the 2011 biennium.

Other significant one-time appropriations in HB 2 include:

- Medicaid funding for certain transplants for adults
- A provider rate increase for Medicaid assisted living services
- Additional Medicaid funded community services for the disabled and elderly
- Federal funding for food banks

### One-Time Appropriations in HB 645

HB 645 included several one-time appropriations. The major one-time appropriations in HB 645 fund:

- A 2 percent annual provider rate increase
- A provider rate increase for Medicaid services for the aged and physically disabled to raise direct care worker wages in Medicaid funded services by \$1 per hour including benefits
- NonMedicaid community services for the elderly
- Funding for food banks throughout the state and to address the needs of homeless shelters
- An additional six months of Medicaid eligibility for persons transitioning from Medicaid due to higher earnings
- Grants for community mental health crisis diversion services

A further discussion of the agency begins on page B-1 of Volume 3 of the 2011 Biennium Legislative Fiscal Report.

## CORRECTIONS IS PROVIDED A 3 PERCENT POPULATION INCREASE FACTOR

Ongoing costs of corrections are entirely funded in HB 2, although funding was provided in HB 645 to eliminate vacancy savings on direct supervision staff at the institutions.

Funding for the Department of Corrections increases \$3.5 million or 1.0 percent when the 2009 and 2011 biennia are compared. However, in this comparison the 2009 biennium funding includes appropriations that were provided as biennial appropriations, of which the department is expected to revert between \$15.0 to \$17.0 million general fund. If the 2009 biennium funding level is reduced by \$15.0 million to account for the impact of the expected reversion of funds, 2011 biennium funding increases \$18.5 million or 5.6 percent, with general fund support increasing \$16.4 million or 5.1 percent between the two biennia.

The legislature provided funding to support a 3 percent per year increase in the average daily population (ADP) of offenders, based upon updated population estimates. The legislature also provided funding for provider rate increases, staff transportation, and continued funding of juvenile placements at the base budget level. These increases were partially offset by unspecified reductions of a net \$0.8 million.

A further discussion of the agency begins on page D-85 of Volume 4 of the 2011 Biennium Legislative Fiscal Report.

## TRANSPORTATION REFLECTS ANTICIPATED FEDERAL REVENUES

The 2011 biennium budget for the Department of Transportation is \$57.8 million higher than the 2009 biennium. In addition, the department was appropriated \$235.6 million in federal funds in HB 645 for highway infrastructure construction and transit capital assistance grants as part of the ARRA. The biennium budget growth is due primarily to: 1) federal and state special revenue increases to match and expend higher anticipated federal-aid highway construction funds; and 2) expansion of the state funded construction program to \$10.0 million per year. In the 2009 biennium the state funded construction program was reduced to the minimum level needed to maintain a favorable match rate on federal-aid funding in an action to restore solvency to the state highway fund.

A further discussion of the agency begins on page C-74 of Volume 4 of the 2011 Biennium Legislative Fiscal Report.

## FIRE SUPPRESSION FUNDING

The legislature provided up-front funding of over \$32.9 million for fire suppression costs in the 2011 biennium. This marks a change in funding for these costs.

Until the 2009 biennium, the state portion of fire costs was funded through a combination of a general fund supplemental appropriation, the Governor's emergency fund, and limited other appropriations by the legislature. Until the legislature could



meet and provide the supplemental appropriation, the Department of Natural Resources and Conservation had to fund current costs with its regular operating budget. In the 2009 biennium, the severity of the FY 2008 fire season overwhelmed this mechanism and the legislature was brought into special session to fund those costs. The legislature established the fire suppression state special revenue fund with a transfer of \$40.0 million general fund to cover all costs in FY 2009. The legislature also specified that the account was to terminate at the end of FY 2009 and any remaining balance was to revert to the general fund.

Total FY 2009 state fire costs were less than \$9.0 million, leaving a significant balance in the account. In HB 154, the legislature maintained the account for the 2011 biennium and provided a statutory appropriation to DNRC to spend all remaining funds in the account for 2011 biennium state fire costs.

A further discussion is in the Department of Natural Resources and Conservation beginning on page C-144 of Volume 4.

## LEGISLATIVE PAY PLAN

The legislature passed a pay plan in HB 13. The plan consists of two main parts:

- An increase in insurance contributions of \$53 per month in CY 2010 (FY 2010 for the University System) to \$679 per month and a further \$54 per month in CY 2011 (FY 2011 for the University System) to \$733 per month
- A one-time lump sum payment of \$450 for each employee making \$45,000 per year or less, and \$225 for any part-time employee making less than \$21.64 per hour

In addition, the bill provides \$75,000 for continued training by the Department of Administration and a \$7.0 million (\$4.0 million general fund) contingency fund for agencies that cannot meet the vacancy savings reduction contained in HB 2.

The following figure shows the funding.

**Figure 34**

HB 13 Pay Plan, by Year and Recipient 2011 Biennium									
Entity	-- FY 2010 --			-- FY 2011 --			-- 2011 Biennium --		
	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
<b>--- On-going ---</b>									
<b>Insurance Increase</b>									
Consumer Counsel	\$0	\$1,908	\$1,908	\$0	\$5,760	\$5,760	\$0	\$7,668	\$7,668
Legislative Branch	41,022	0	41,022	123,840	0	123,840	164,862	0	164,862
Judicial Branch	133,322	6,599	139,921	408,240	19,920	428,160	541,562	26,519	568,081
Executive Branch	1,629,967	2,102,554	3,732,521	4,931,731	6,353,518	11,285,249	6,561,698	8,456,072	15,017,770
University System	<u>1,429,997</u>	<u>54,696</u>	<u>1,484,693</u>	<u>2,885,088</u>	<u>110,424</u>	<u>2,995,512</u>	<u>4,315,085</u>	<u>165,120</u>	<u>4,480,205</u>
Subtotal	\$3,234,308	\$2,165,757	\$5,400,065	\$8,348,899	\$6,489,622	\$14,838,521	\$11,583,207	\$8,655,379	\$20,238,586
<b>--- OTO ---</b>									
<b>Lump-Sum Payment</b>									
Consumer Counsel	\$0	\$527	\$527	\$0	\$0	\$0	\$0	\$527	\$527
Legislative Branch	19,744	0	19,744	0	0	0	19,744	0	19,744
Judicial Branch	124,649	3,028	127,677	0	0	0	124,649	3,028	127,677
Executive Branch	1,838,668	2,146,937	3,985,605	0	0	0	1,838,668	2,146,937	3,985,605
University System	<u>1,082,390</u>	<u>29,485</u>	<u>1,111,875</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,082,390</u>	<u>29,485</u>	<u>1,111,875</u>
Subtotal	\$3,065,451	\$2,179,977	\$5,245,428	\$0	\$0	\$0	\$3,065,451	\$2,179,977	\$5,245,428
Training Allowance*	75,000	0	75,000	0	0	0	75,000	0	75,000
Personal Services Contingency*	<u>4,000,000</u>	<u>3,000,000</u>	<u>7,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,000,000</u>	<u>3,000,000</u>	<u>7,000,000</u>
Total	<u>\$10,374,759</u>	<u>\$7,345,734</u>	<u>\$17,720,493</u>	<u>\$8,348,899</u>	<u>\$6,489,622</u>	<u>\$14,838,521</u>	<u>\$18,723,658</u>	<u>\$13,835,356</u>	<u>\$32,559,014</u>
*Biennial appropriations									

The following shows the pay plan by component.

**Figure 35**

HB 13 Pay Plan by Component* 2011 Biennium					
Component	--- 2011 Biennium ---				
	General Fund	State Special	Federal	Proprietary	Total Funds
Insurance Increase	\$11,583,207	\$5,201,352	\$3,311,872	\$142,155	\$20,238,586
Lump-Sum Payment	3,065,451	1,347,925	794,572	37,480	5,245,428
Training	75,000	0	0	0	75,000
Personal Services Contingency	<u>4,000,000</u>	<u>2,400,000</u>	<u>500,000</u>	<u>100,000</u>	<u>7,000,000</u>
Total	<u>\$18,723,658</u>	<u>\$8,949,277</u>	<u>\$4,606,444</u>	<u>\$279,635</u>	<u>\$32,559,014</u>

\*Does not include non-appropriated university funds or proprietary funds.

Because the insurance increase begins at the start of the calendar year for all employees except the university system, the costs will be higher in the 2013 biennium. Estimated total costs are \$20.5 million general fund and \$37.8 million total funds.

**VACANCY SAVINGS**

The legislature applied vacancy savings to the personal services appropriations for most programs and positions of state government. The total reduced is about \$38 million general fund and \$95 million total funds. For most agencies and programs of

state government, the legislature applied a 7 percent vacancy savings rate that consists of two parts:

- A 4 percent rate contained in the statewide present law adjustments
- An additional 3 percent rate contained in new proposals

### Exceptions

There were several exceptions, including: 1) programs with no vacancy savings; 2) programs with the 4 percent but not the 7 percent applied; and 3) programs with less than 4 percent but greater than 0 percent applied.

#### *Programs with no Vacancy Savings*

- Agencies with 20.00 or fewer FTE
- Highway patrol officers (exempted per statute)
- Game wardens (exempted per statute)
- Public Service Commission
- University system faculty

#### *Programs with 4 Percent*

- Human services institutions
- Education, Student Services, and General Services Programs in the School for the Deaf and Blind
- Reserved Water Rights Commission in the Department of Natural Resources and Conservation
- Institutional direct supervision staff in the Department of Corrections (all vacancy savings was removed in HB 645 and overtime was reduced)

#### *Programs with Less than 4 Percent but More than 0 Percent*

- The Legislative Branch and the Judicial Branch were assessed a 2 percent rate
- The Governor's Office was provided additional funding that lowered the vacancy savings rate to 2 percent

**ONE-TIME-ONLY (OTO) EXPENDITURES**

OTO expenditures are those expenditures that the legislature has provided appropriations for that cannot be included in the base used to build the 2013 biennium budget. As a result, they should be funded with OTO revenues. OTO expenditures funded by the legislature in the 2011 biennium total \$310.1 million general fund and \$1,821 million total funds. This high level is due to two primary factors:

- A high beginning fund balance with reduced ongoing revenues
- The provision of economic stimulus funds by the federal government, passed by the legislature in HB 645.

The following shows the general fund OTO expenditures by source.

**Figure 36**

One-Time-Only Appropriations General Fund 2011 Biennium		
Source	FY 2010	FY 2011
HB 2/HB 13	\$25,286,008	\$18,218,448
HB 645	154,258,776	95,260,620
Miscellaneous Appropriations	9,026,456	858,411
Transfers	<u>3,733,000</u>	<u>3,433,000</u>
Total	<u>\$192,304,240</u>	<u>\$117,770,479</u>

While all HB 645 appropriations are OTO, some of these expenditures will be a part of the 2013 budget, including ongoing Medicaid, K-12, and university system funding. The legislature has allowed the executive to include up to \$121.5 million of OTO federal funds in the base, and replace the federal funds with general fund in the present law budget. For a further discussion, see “HB 645 – Federal Stimulus Funds” beginning on page 69 of this volume.

Some of the OTO appropriations in HB 2 and HB 645 fund programs have been ongoing for several biennia, including new worker training, tribal economic development, Made in Montana, and others. While no expenditure in FY 2010 will appear in the base for these functions, the legislature may be asked to continue funding in new proposal requests.

All individual OTO appropriations in HB 2 and HB 13 are discussed within the relevant agency narratives in Volumes 3 and 4.