

ADDITIONAL APPROPRIATION BILLS FOR FY 2014

A Report Prepared for the
Legislative Finance Committee

By
Kris Wilkinson

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INTRODUCTION

The 2013 Legislature passed a number of appropriation bills in addition to HB 2 that affected the budgets of state agencies including:

- HB 13, the state pay plan bill, which provided \$115.5 million in appropriation authority for increases to state employee pay and the state contribution to health insurance costs
- HB 377, a bill impacting teacher's retirement, including \$4.96 million in authority for increased employer contributions
- HB 454, a bill impacting public employees' retirement, which provided \$58.3 million in appropriations for increased employer contributions and transfers to provide additional financial support
- SB 410, a bill providing for a number of \$13.5 million in general fund transfers to various state agencies

HB 13 provided separate appropriations to the separate branches of state government including the Executive Branch. HB 377 and HB 454 provided appropriations to the Office of Budget and Program Planning (OBPP) for allocation to the affected agencies. SB 410 contained appropriations to various state agencies as well as \$7.5 million to the Governor's Office to be allocated as needed. The purpose of this report is to provide the methodology used to allocate this funding to the various state agencies and a summary of the additional authority for each state agency.

Figure 1 on the following page presents the increased appropriations for all bills by state agency, followed by a brief explanation of each.

HB 13

HB 13 provided a lump sum for the Executive Branch and required that the funding be used to increase the base pay for each employee with particular attention to the lower pay bands and those who did not receive a base pay increase in the 2013 biennium. The Governor reached agreement with the various state employee bargaining units in June 2013 on the distribution of the \$84.5 million in appropriations contained in HB 13 for the Executive Branch. The agreement provided for an increase of 3% starting July 1, 2013 and a 5% increase beginning November 15, 2014 for employees in the broadband pay plan. In addition, employees in the blue collar classification plan received raises of \$0.92 an hour beginning July 2013 and an additional \$0.97 an hour beginning in July 2014.

To allocate the funding to the various state agencies the Office of Budget and Program Planning (OBPP) used the personal services snapshot data and applied 3% to the base salaries included in HB 2 for FY 2014. For FY 2015, the personal services funding included the 3% increase and an additional 5% prorated from November through June 2015. Because this raise begins partway through the fiscal year, the annualized cost of this increase in FY 2016 will be about \$35.3 million compared to the \$21.7 million cost in FY 2015.

Funding for health insurance premiums was also allocated to each state agency. It should be noted that the state contribution to health insurance premiums was provided beginning January 2014 and January 2015 as changes in the premiums are effective on January 1st of each year for state agency employees. For employees of the Montana University System the plan year begins on July 1 and increases would be effective at that time.

HB 377

HB 377 provided funding for the increased employer contribution for employees who are members of the Teachers' Retirement System. The bill provided for a supplemental contribution rate increase of 1% applied to current retirement system members and a corresponding increase in the employer contribution of 1% for existing members and 2% for members hired after July 1, 2013. The funding provided in the bill included an increase in school

Figure 1

Additional Appropriation Distributions 2015 Biennium										
Agency	HB 13		HB 377		HB 454		HB 410		Total	
	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015	FY 2014	FY 2015
Legislative Branch*	\$550,235	\$951,595	\$0	\$0	\$77,356	\$85,092	\$0	\$0	\$627,591	\$1,036,687
Consumer Counsel	18,922	51,293	0	0	3,650	4,016	0	0	22,572	55,309
Judicial Branch	911,772	2,503,397	0	0	150,180	165,199	0	0	1,061,952	2,668,596
Governor's Office*	1,893,823	325,963	0	0	34,904	38,398	7,500,000	0	9,428,727	364,361
Secretary of State	0	0	0	0	22,399	24,639	0	0	22,399	24,639
Commissioner of Political Practices	12,756	29,467	0	0	2,207	2,428	0	0	14,963	31,895
State Auditor's Office	171,477	411,419	0	0	41,741	45,915	0	0	213,218	457,334
Office of Public Instruction	366,365	892,676	2,085,343	2,395,942	441,519	502,172	0	0	2,893,227	3,790,790
Department of Justice	1,613,401	3,788,261	0	0	215,985	237,583	0	0	1,829,386	4,025,844
Board of Crime Control	39,227	92,239	0	0	8,382	9,220	0	0	47,609	101,459
Public Service Commission	76,056	183,963	788	867	22,055	24,260	0	0	98,899	209,090
Board of Public Education	8,841	20,418	0	0	1,192	1,310	0	0	10,033	21,728
Office of the Commissioner of Higher Education	6,829,082	17,365,602	191,725	210,898	588,929	647,821	0	0	7,609,736	18,224,321
School for the Deaf and Blind	188,125	436,424	17,592	19,351	18,891	20,779	0	0	224,608	476,554
Montana Arts Council	19,934	47,879	0	0	4,031	4,434	0	0	23,965	52,313
Montana State Library	65,110	149,138	0	0	14,057	15,462	0	0	79,167	164,600
Montana Historical Society	108,861	259,040	0	0	23,371	25,707	0	0	132,232	284,747
Department of Fish, Wildlife, & Parks	1,380,318	3,379,822	0	0	264,006	290,407	0	0	1,644,324	3,670,229
Department of Environmental Quality	878,835	2,129,231	0	0	233,562	256,918	0	0	1,112,397	2,386,149
Department of Transportation	4,482,645	10,925,174	0	0	1,033,505	1,136,854	0	0	5,516,150	12,062,028
Department of Livestock	234,650	579,225	0	0	38,766	42,653	0	0	273,416	621,878
Department of Natural Resources	1,082,792	2,553,664	0	0	259,304	285,234	0	0	1,342,096	2,838,898
Department of Revenue	1,254,177	2,903,928	0	0	273,106	300,418	0	0	1,527,283	3,204,346
Department of Administration	322,377	748,034	0	0	270,019	297,017	0	0	592,396	1,045,051
Montana State Fund	0	0	0	0	178,807	196,688	0	0	178,807	196,688
Office of the Public Defender	449,900	1,028,947	0	0	99,599	109,559	0	0	628,707	1,225,635
Department of Agriculture	219,960	530,632	277	305	53,133	58,449	0	0	273,370	589,386
Department of Corrections	2,289,875	5,315,780	14,342	15,777	240,883	264,970	2,000,000	0	4,545,100	5,596,527
Department of Commerce	111,899	263,937	0	0	105,221	115,743	0	0	217,120	379,680
Department of Labor and Industry	1,436,081	3,562,450	0	0	354,831	390,310	2,000,000	0	3,790,912	3,952,760
Department of Military Affairs	401,615	1,001,180	1,796	1,976	75,910	83,499	0	0	479,321	1,086,655
Department of Public Health and Human Services	<u>5,534,187</u>	<u>13,424,718</u>	<u>1,527</u>	<u>1,680</u>	<u>1,152,939</u>	<u>1,268,231</u>	<u>2,000,000</u>	<u>0</u>	<u>8,688,653</u>	<u>14,694,629</u>
Total	<u>\$32,953,298</u>	<u>\$75,855,496</u>	<u>\$2,313,390</u>	<u>\$2,646,796</u>	<u>\$6,304,440</u>	<u>\$6,951,385</u>	<u>\$13,500,000</u>	<u>\$0</u>	<u>\$55,150,336</u>	<u>\$85,540,806</u>

* Includes funding for personal services contingencies of \$100,000 for the Legislative Branch and \$1,750,000 for the Executive Branch in FY 2014

BASE aid provided to each of the school districts. Of the total appropriation allocated to the Office of Public Instruction shown in Figure 1, \$2.062 million in FY 2014 and \$2.370 million in FY 2015 is for the state BASE aid to schools.

HB 454

HB 454 provided funding for the increased employer contribution for state employees who are members of the Public Employees Retirement System. In addition, the bill requires coal severance tax collections previously deposited into the general fund now be deposited into the pension trust fund and that up to \$21 million of interest income from the coal tax trust fund be deposited into the pension trust fund. The bill increased the supplemental employer contributions from 0.27% to 1.27% in FY 2014. The supplemental employer contribution increases by 0.1% each year until 2024 when the supplemental employer contribution rate would be 2.27%. The bill allows the supplemental employer contribution to expire once the amortization period for the unfunded pension liability is less than 25 years.

SB 410

SB 410 provided supplemental statutory appropriations of general fund for various operational costs for the following state agencies:

- o Department of Corrections - \$2.0 million
- o Department of Public Health and Human Services - \$2.0 million
- o Department of Labor and Industry - \$2.0 million
- o Governor’s Office - \$7.5 million

Each department included the statutory appropriations within its budgets at the beginning of the biennium. Figure 2 show the programs and amounts by agency and fiscal year.

Figure 2

SB 410 Appropriations by Program and Fiscal Year				
Agency	Program	FY 2014	FY 2015	2015 Biennium
Governor's Office	Office of Budget and Program Planning	\$7,500,000	\$0	\$7,500,000
Department of Corrections	Administration and Support Services	2,000,000	0	2,000,000
Department of Labor and Industry	Workforce Services Division	825,000	825,000	1,650,000
	Employment Relations Division	125,000	125,000	250,000
	Office of Community Services	50,000	50,000	100,000
Department of Public Health and Human Services	Director's Office	<u>2,000,000</u>	<u>0</u>	<u>2,000,000</u>
		<u>\$12,500,000</u>	<u>\$1,000,000</u>	<u>\$13,500,000</u>

Funding provided to the Governor’s Office can be transferred to the following state agencies for operational costs:

- o Department of Public Health and Human Services
- o Department of Natural Resources
- o Department of Environmental Quality
- o Department of Administration
- o Department of Commerce
- o Department of Revenue
- o Department of Corrections
- o Department of Labor and Industry
- o Governor’s Office

At the time of this writing, the Governor's Office has not yet determined the allocation of the \$7.5 million in funding.

In addition, SB 410 contained coordination language with HB 2 Medicaid funding in the Department of Public Health and Human Services. Language in HB 2 restricted \$2.05 billion in funding to payment of services for Medicaid enrollees. SB 410 provided that \$60 million of the appropriation for Medicaid funding was unrestricted and could be transferred to other programs within the department.