

LFD Analysis of Proposed Spending Reductions Overview

A Report Prepared for the
Legislative Finance Committee

By
Legislative Fiscal Division

September 29, 2017

Legislative Finance Committee
Oct. 4-5, 2017
Exhibit 1



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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September 29, 2017

Members of the Legislative Finance Committee:

The legislature has provided a statutory requirement that the executive take action to reduce spending in the event of a general fund budget deficit. The executive announced a potential budget deficit on August 30, 2017, and submitted a spending reduction plan to bring the projected ending fund balance above the minimum required by 17-7-140, MCA when using the Governor's Budget Office revenue forecast.

In accordance with 17-7-140, MCA, I submit the Legislative Fiscal Division analysis of the executive spending reduction plan. It is our goal that this analysis will provide the information necessary for committees and legislators to provide informed input to the current budget situation. This report includes:

- An overview of the agency spending reduction recommendations
- Appendix A: The Budget Director's agency spending reduction recommendations in detail along with the Legislative Fiscal Division's analysis and comments on the various components of the executive reduction plan
- Appendix B: A legal memorandum from the Legislative Services Division legal staff summarizing the legal analysis of the proposed reductions
- Data tables

On behalf of the Legislative Fiscal Division, I want to thank the legal staff of the Legislative Services Division for their expert advice and assistance in drafting this document.

Please let me know if there is any further analysis that will be helpful to the committee.

Respectfully submitted,

Amy Carlson
Legislative Fiscal Analyst

INTRODUCTION

EXECUTIVE SUMMARY

Purpose of the Report - 17-7-140, MCA

The authority to appropriate state funds rests solely with the Montana legislature in accordance with the state constitution. That authority cannot be delegated. However, since the legislature only meets regularly in session for 90 days in a two-year period, the legislature adopted a law to ensure that there is a method available to the executive branch to prevent the occurrence of a budget deficit. In the 1993 legislative session, the legislature passed [17-7-140, MCA](#) requiring the Governor to initiate spending reductions if there is a projected budget shortfall that threatens a deficit budget picture.

On August 30, 2017, the Governor's Office formally announced concerns about a budget deficit, and initiated proceedings to implement spending reductions in accordance with 17-7-140. The following describes the statutory requirements of 17-7-140, MCA.

The Governor is required by statute to implement spending reductions in the event of a projected deficit in the general fund ending fund balance, and must direct sufficient reductions to achieve a required minimum ending fund balance. The Governor's Budget Director submitted a spending reduction plan on September 19, 2017 and designated legislative committees are statutorily allowed 20 days to provide comments and recommendations on the proposed plan to the Governor. The Governor can then implement the reduction plan. The Legislative Finance Committee (LFC) will meet on October 4-5, 2017 to evaluate and comment on the executive proposed spending reductions. The Revenue and Transportation Committee (RTIC) met on September 14, 2017 to comment on the executive revenue estimates used to certify a deficit. The motion adopted by the RTIC follows:

The committee acknowledges the importance of responding as soon as possible to this development, but also recognizes that estimating revenue early in the biennium introduces uncertainty into the estimates. Accordingly, the committee recommends the Governor and the Legislative Fiscal Division continue to monitor collections and projections closely.

The Governor tentatively plans to implement the spending reduction plan after taking into consideration the public comments and recommendations of the legislative committees.

The purpose of this report is to provide the Legislative Finance Committee with an independent analysis and summary of the proposed executive spending reduction plan, as required by 17-7-140, MCA. The report provides an overview of the proposed spending reductions, Appendix A provides a complete listing and description of the executive spending reduction plan by agency, as well as LFD staff analysis, comments, and issues on the spending plan. Appendix B includes a legal memorandum from the legislative legal staff summarizing the legal analysis of the proposed reductions.

Executive Ending Fund Balance

The executive projected ending fund balance for the current biennium is (\$84.3) million. The executive revenue estimates used for the executive's projected ending fund balance are lower than HJ 2 by \$282.0 million. For the purpose of implementing 17-7-140 spending reductions, the executive projection is used.

Executive Spending Reduction Plan

The executive spending reduction plan proposes \$366.2 million in reductions including \$227.9 million in general fund and \$136.2 million in proposed reductions to federal matching funds.

The LFD analysis breaks the \$366.2 million in reductions into three groups:

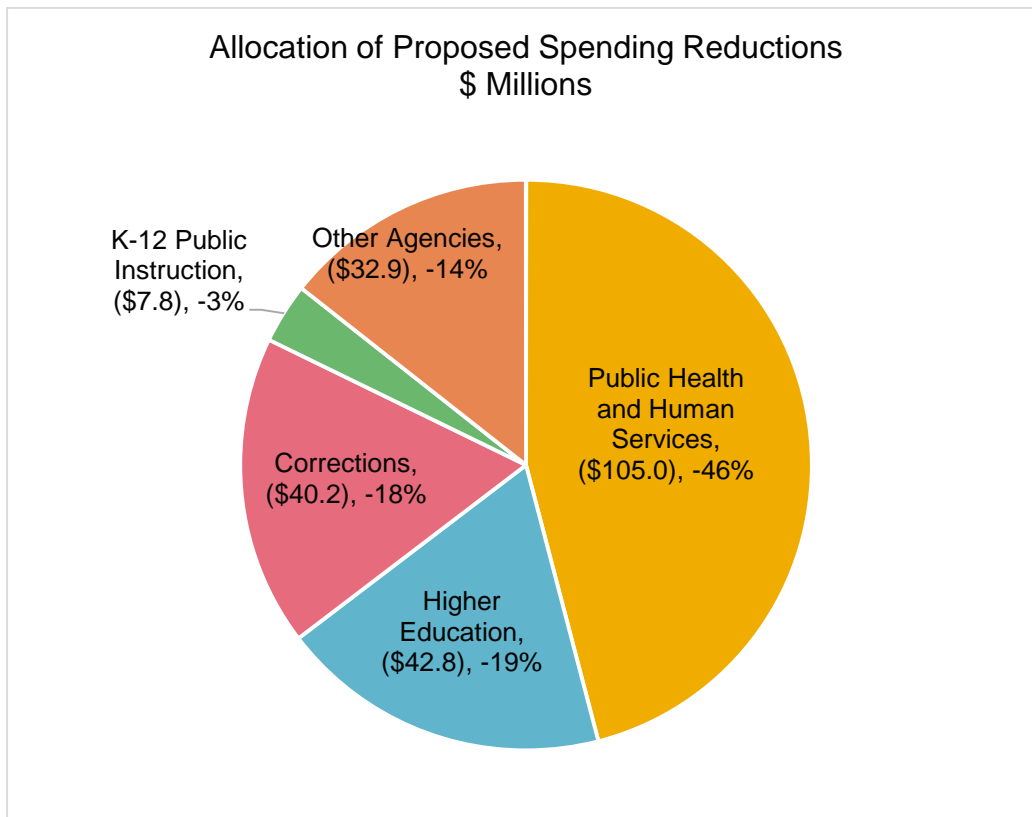
- \$345.6 million of agency reductions per MCA 17-7-140

- \$600,448 in reductions to non-general fund to increase general fund balance
- \$20.0 million of reductions requiring legislative actions, see figure 2

Using executive assumptions of revenue and expenditures, if all proposed executive reductions were implemented, the executive's FY 2019 general fund ending fund balance would improve from (\$84.3) million to \$144.9 million. Statute requires the executive provide an ending fund balance above the minimum balance of 5%. The updated fund balance needs to be 6% or \$142 million. The executive plan, when applying the executive's own revenue estimates and all the proposed executive reductions, meets the required minimum ending fund balance. This does not include legislative and judicial reductions noted on page

Under the executive analysis the reductions average 9.6% of eligible general fund appropriations for state agencies, with reductions of \$105.0 million in human services (45.8% of total) and \$42.8 million in higher education (18.7% of total). Federal funds would be reduced by nearly \$136.2 million due to the loss of matching funds. Items requiring legislative action total \$21.0 million.

The following chart shows the proposed reductions.



Limitations

The spending reduction statute (17-7-140, MCA) requires that general fund spending be reduced in order to ensure a minimum ending fund balance reserve, but provides a number of statutory limitations as to what reductions are allowed. The major limitations to the reductions the executive can make are as follows:

- An agency cannot be required to reduce spending in any program (as defined in the general appropriations act) by more than 10% during a biennium.
- Agencies headed by elected officials or the Board of Regents cannot be required to reduce spending by a percentage greater than that required of the average of all

- other executive branch agencies.
- No reductions can be directed by the Governor in the following categories:
 - Payment of interest and principal and state debt
 - Legislative and Judicial Branch budgets
 - The school BASE funding program, including special education
 - Salaries of elected officials
 - Montana School for the Deaf and Blind

Legislative Role

The final assessment of the deficit projection and the required spending reductions are determined by the Governor, but statute requires specific communication with the Legislative Branch and an opportunity for legislative input prior to making the final directive. The Legislative Finance Committee must be afforded the opportunity to comment on planned spending reductions and the RTIC must be afforded the opportunity to comment on the revenue estimates used to determine the deficit. The statutory requirement for legislative interaction and input is summarized as follows:

- The Governor's Budget Director must notify the RTIC of the estimated amount of the general fund revenue shortfall below the revenue estimate established in the revenue estimating resolution for the affected biennium (this occurred September 14, 2017)
- The RTIC has 20 days from notification of the revenue shortfall to provide the Budget Director with any recommendations concerning the revenue estimates (this occurred on September 14, 2017)
- The budget director must consider the recommendations of the RTIC prior to certifying a projected general fund deficit
- Agencies must submit their assessment of spending reductions to the Legislative Fiscal Analyst (LFA) at the same time they are submitted to the Office of Budget and Program Planning (this submission occurred on September 8, 2017)
- The Governor's Budget Director shall provide a copy of his recommendations to the LFA at the same time they are submitted to the Governor (this occurred on September 19, 2017)
- The Legislative Finance Committee has 20 days from the time the planned reductions are submitted to the LFA to meet and make recommendations to the Governor (scheduled for October 4-5)
- The LFA must provide a copy of the LFD review of the proposed spending reductions to the budget director at least 5 days before the LFC meeting (scheduled for delivery on September 29, 2017)
- The Governor must consider the recommendations of the LFC prior to directing spending reductions

EXECUTIVE PROPOSED REDUCTION PLAN

OVERVIEW

This section provides a summary evaluation of the executive spending reduction plan. It also provides a summary view of the proposed reductions, intended to provide the reader with a general understanding of the major components of the reduction plan. It includes agency expenditure reduction highlights and types of reductions, plus a discussion of the impacts of those reductions.

AGENCY REDUCTION PLANS

The Budget Director is recommending that the Governor require agencies to reduce general fund spending by \$227.9 million over the 2019 biennium. The LFD estimates this equates to an average reduction of 9.6% of general fund expenditures allowed to be reduced under 17-7-140, MCA, or 4.8% of the total 2019 biennium anticipated general fund expenditures.

When considering only HB 2 general fund appropriations for all branches of state government, after the impact of SB 261, the average reduction in total general fund expenditures is 5.9%. The following section discusses the proposed general fund spending reductions for the Executive Branch.

Please note that the School BASE Funding Program including special education expenditures in the Office of Public Instruction, the Montana School for the Deaf and Blind, and the Legislative and Judicial Branches are exempted from reductions by the Governor and are not included as part of the Budget Director's recommendations shown in Figure 1.

Figure 1

Executive Proposed Spending Reductions By Agency General Fund 2019 Biennium			
Agency	2019 Biennium General Fund*	2019 Biennium Reduction**	% Reduction
Governor's Office	\$13,907,450	(\$1,290,839)	-9.282%
Commissioner of Political Practices	1,524,131	(152,414)	-10.000%
Office of Public Instruction	81,187,773	(7,770,617)	-9.571%
Crime Control Division	4,619,158	(461,916)	-10.000%
Department of Justice	68,542,177	(6,560,286)	-9.571%
Board of Public Education	298,995	(29,900)	-10.000%
Commissioner of Higher Education	449,281,893	(42,810,073)	-9.529%
Montana Arts Council	1,056,627	(105,663)	-10.000%
Montana State Library	4,418,359	(441,836)	-10.000%
Montana Historical Society	5,360,705	(230,731)	-4.304%
Department of Environmental Quality	10,389,281	(1,038,935)	-10.000%
Department of Livestock	5,108,311	(511,416)	-10.011%
Department of Natural Resources and Conservation	54,339,812	(2,929,085)	-5.390%
Department of Revenue	105,641,482	(8,535,429)	-8.080%
Department of Administration	14,668,238	(1,459,332)	-9.949%
Office of the Public Defender	64,685,953	(6,471,590)	-10.005%
Department of Agriculture	1,520,586	(152,058)	-10.000%
Department of Corrections	402,028,523	(39,804,051)	-9.901%
Department of Commerce	7,255,023	(725,503)	-10.000%
Department of Labor and Industry	3,581,426	(358,270)	-10.004%
Department of Military Affairs	13,063,876	(1,071,022)	-8.198%
Department of Public Health and Human Services	1,050,308,010	(105,029,491)	-10.000%
Grand Total	\$2,362,787,789	(\$227,165,457)	-9.614%

* SB 261 and workers' compensation appropriation reductions included.

** Program reductions above 10% included.

The overall reduction shown in Figure 1 is calculated using the weighted average. For reductions by agency and program refer Appendix A.

Included in the calculation above are pay plan and the SB 261 triggered general fund appropriation reductions of \$53.6 million the FY 2017 revenues were lower than anticipated in HJR 2. All four trigger levels of reductions outlined in SB 261 were implemented in August 2017. Figure 1 shows each agency's

reduction and percentage of the 2019 biennium HB 2 and SB 294 (pay plan) appropriations after the impacts of SB 261.

The Judicial Branch has voluntarily agreed to reduce its spending by \$3.7 million over the biennium. The Legislative Branch intends to reduce its general fund spending by the same percentage as the average Executive Branch agency expenditure reduction required by the Governor.

Calculation of Percent of Reduction

Several Executive Branch agencies are headed by an elected official, including the Office of Public Instruction and the Department of Justice. The Montana University System (also part of the Executive Branch) is governed by the Board of Regents. According to 17-7-140, MCA, the Governor may not reduce the expenditures of an agency or department headed by an elected official or the Board of Regents "... by a percentage greater than the percentage of general fund spending reductions required for the total of all other Executive Branch agencies."

The calculation of this percentage is not specifically defined in statute, leaving the question of whether the executive has complied with statute open to different interpretations based on how the calculation is made. There are three separate types of issues:

- How to apply the percentage calculation¹ – weighted or non-weighted average
- Which general fund appropriations to include² – HB 2 appropriations only, HB 2 and statutory appropriations, or Executive Branch agency appropriations subject to reduction

¹ *Applying the Percentage Calculation*

There are two major ways to calculate the percentage reduction:

- Non-weighted average – using the percent reduction imposed on each agency equally applied. For example, the Department of Natural Resources and Conservation has HB2/SB 294 appropriations of \$54.3 million in the 2019 biennium and is proposed to be reduced by 5.4%, and the Montana Arts Council with appropriations of \$1.1 million is proposed to be reduced by 10.0%, the average reduction would be 7.7%.
- Weighted average – using the total reduction applied to all agencies to total appropriations. Using the above example the weighted average would be 5.4%

² *General Fund Expenditures to Include*

General fund is appropriated in two primary ways: 1) temporary bills such as HB 2; and 2) statutory appropriations. The legislature also authorizes transfers from and to the general fund that do not require an appropriation. Within temporary appropriations, while HB 2 is by far the largest in most biennia, there are other bills that appropriate general fund for various purposes.

17-7-140, MCA, prohibits the Governor from directing reductions in spending for the following:

- School BASE Funding Program, including special education
- School for the Deaf and Blind
- Legislative Branch
- Judicial Branch
- Salaries of elected officials
- Payment of interest and principal on state debt
- Implied statutory appropriations

The School for the Deaf and Blind is considered an Executive Branch agency while the Legislative and Judicial Branches are not. Even though the Legislative and Judicial branches have indicated voluntary reductions in expenditures, statute does not specify if a portion or all of these appropriations should be included in the calculation of the percentage reduction.

SB 294 included general fund appropriations for a pay plan for state employees in both FY 2018 and FY 2019. While SB 261 decreased certain appropriations contained in this bill, a portion of appropriations within SB 294 remain in place. In addition to appropriations to provide for a 1% pay increase in FY 2019 the bill included appropriation for:

- \$1.0 million to the Governor's Office for personal services contingencies that may arise during the biennium
- \$75,000 to the Department of Administration for the Labor-Management Training Initiative
- \$2.0 million to the Office of the Commissioner of Higher Education for retirement incentives for qualified employees

39-71-403, MCA requires that in any year a workers' compensation premium due from a state agency is lower than the previous year, the appropriation for that state agency must be reduced by the same amount that the workers' compensation premium was

- Which time period to employ³ – beginning of the biennium or at the point in the biennium the reductions are proposed

Office of Budget and Program Planning (OBPP) Assumptions

The executive calculated the general fund spending reduction for the total of all Executive Branch agencies excluding MUS and elected official agencies at 9.571%. This calculation makes the following assumptions:

- Non-weighted average of Executive Branch agencies
- HB 2 and certain SB 294 appropriations were included in the calculation of the appropriations, statutory appropriations, other bills, and authorized transfers were not included
- School for the Deaf and Blind appropriations were excluded from the total appropriations of the Executive Branch
- Pay plan appropriations for the 1% pay increase, after SB 261 reduction impacts, are included but the additional appropriations for personal service contingencies, the Labor-Management Training Initiative, and the retirement incentives are not
- Proprietary reductions for the Liquor Control Division within the Department of Revenue were included. OBPP indicated that since any profits from the division are transferred to the general fund they included the reductions
- Workers' compensation premium reductions of \$30,888 were included in the appropriation amounts. However, an additional \$205,377 in Executive Branch workers' compensation premium reductions were not included in the calculation of Executive Branch appropriations
- Program reductions above the 10% statutory limit were included in the proposed reductions and in the calculation of the percentage of spending reductions. If these reductions are excluded from OBPP calculation the average Executive Branch reduction percentage is reduced. See the narrative on the following page for further information on requirements for reductions by program

Lack of Authority in 17-7-140, MCA

Legal review has identified several areas where the proposed reduction may be outside of the authority granted to the executive under 17-7-140, MCA, some of which necessitate legislative action to complete. Figure 2 lists those reductions by type of issue: 1) those that reduce non-general fund sources; 2) those that reduce programs by more than 10%; 3) those that would require a statutory change; 4) those that may impair a contract. Each are briefly discussed in this section and also discussed in the individual agency narratives. The complete text of the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, is included as Appendix B.

reduced. The statute does not outline the time period that this must occur. Appropriation reductions for workers' compensation premium reductions were made throughout August and September.

SB 261 required triggered reductions to reduce HB 2 general fund appropriations early in August 2017.

³ ***Time Period to Employ***

OBPP has recommended expenditure reductions for both FY 2018 and FY 2019 after consideration of a changes to legislative appropriations that have occurred since the conclusion of the 2017 session. Statute does not specify a time period to employ when making the reductions.

Figure 2

Reductions Outside of 17-7-140, MCA			
Agency	Purpose	General Fund	Other Funds
Reduces Non-General Fund			
Department of Revenue	Liquor Transfers		\$0 (\$600,448)
Department of Commerce	Brownfield Spills Transfer		0 (10,000)
Department of Commerce	Montana Manufacturing Extension Center		0 (200,000)
Subtotal			0 (810,448)
Reduces Program By More Than 10%			
Department of Revenue	Director's Office	(38,640)	0
Department of Revenue	Citizen's Services	(5,353)	0
Montana Historical Society	Museum Program	(180,728)	0
Montana Historical Society	Publications Program	(124,612)	0
Department of Corrections	Secure Custody Facilities - only in FY 19	(425,793)	0
Subtotal		(775,126)	0
Needs Statutory Change			
Department of Commerce	Brownfield Spills Transfer		0 (10,000)
Department of Commerce	Montana Manufacturing Extension Center		0 (200,000)
Montana State Library	Reducing FTE eliminates statutory program	Not determined	
Office of Public Instruction	Statute dictates distribution amount	(5,623,158)	0
Office of Public Defender	Reduction of contract attorneys	(6,471,590)	0
Department of Justice	Statute dictates lab in yellowstone county	(300,000)	0
Department of Corrections	SB 60 - 30 day PSI must be completed in 30 days	(720,000)	0
Department of Corrections	SB 63 - Making law retroactive and application	(6,530,484)	0
Department of Public Health and Human Services	Eliminate comprehensive case management for foster children in three counties. Potential conflict with Fostering Connections to Success and Increasing Adoptions Act of 2008, 110 P.L. 351, 122 Stat. 3949.	(348,840)	0
Subtotal		(19,994,072)	(210,000)
Potential Contract Impairment*			
Department of Public Health and Human Services	Cancels contracts with Child Advocacy Centers across the state	(204,000)	0
Department of Public Health and Human Services	Eliminates contract for orientation and mobility skill instruction	(175,576)	0
Department of Public Health and Human Services	Eliminates funding to support a contracted coordinator to facilitate pre-hearing conferences to engage families in the court process	(93,856)	0
Department of Public Health and Human Services	Eliminates contract that provides coordination activities between dentists and individuals	(60,000)	0
Department of Public Health and Human Services	Eliminates contract with Parents Let's Unite for Kids (PLUK)	(56,906)	0
Department of Public Health and Human Services	Eliminates funding used to provide mentoring services to eligible youth via eight Big Brother Big Sister contracts	(99,992)	0
Department of Public Health and Human Services	Eliminates unmatched general fund portion of contracts supporting domestic violence services.	(235,924)	0
Department of Public Health and Human Services	Eliminates unmatched general fund for In-Home / Prevention service providers. Contracts for providers in communities across the state would be limited to the federal grant amount, and the associated required general fund match.	(1,806,010)	0
Department of Public Health and Human Services	20% reduction in the service contract with Northrup Grumman for the maintenance and operation of the current system in use in Child & Family Services (CAPS)	(515,796)	(145,480)
Department of Public Health and Human Services	10% reduction in the service contracts with Deloitte, supporting the supporting CHIMES benefits eligibility system for Medicaid, SNAP and TANF	(951,016)	(4,260,000)
Department of Public Health and Human Services	Reduce Conduent MMIS & Flexible Rx contract(s) CONSIDERATION and PAYMENTS	(466,396)	(1,399,188)
Department of Public Health and Human Services	Eliminates the state-provided portion of the match required for tribes to draw down federal administrative funds from the Title IV-E program to support child welfare operations on tribal reservations.	(834,000)	0
Department of Public Health and Human Services	Reduces funding reduces provider grants in STARS and child care, reduces professional development incentives for providers; reduces child care and development fund contracts by 1%; and reduces CCUBS maintenance and operations contract with Northrup Grumman by one level of effort.	(994,492)	0
Department of Public Health and Human Services	Reduces contract for providing ongoing support services to persons with severe disabilities who work in a facility or a community-based employment setting.	(570,000)	0
Department of Public Health and Human Services	Reduces TANF Pathways contracts by 10%.	(3,839,224)	0
Department of Corrections	Reduction of MASC bed rate to \$ 69 /day	(1,463,664)	0
Department of Corrections	Reduce treatment provider contracts by 5%	(1,872,344)	0
Department of Corrections	Reduce offender services contracts by 5%	(348,772)	0
Department of Corrections	Reduce pre-release contracts by 5%	(2,331,326)	0
Department of Corrections	Suspend \$9.14 per day payment for Shelby	(3,336,100)	0
Department of Corrections	Reduce Shelby contract by 2%	(566,090)	0

* Listing reflects items that discuss changes to contracts in the description entered by the agency. Other proposals may impact contracts but not be identified by the agency in the description. Thus this listing is not comprehensive.

Non-General Fund Sources

One recommendation, to reduce spending in the Liquor Control Division within the Department of Revenue, would reduce non-general fund sources in order to add to the general fund balance. Review by legislative legal staff has concluded that 17-7-140, MCA specifically authorizes the Governor to reduce general fund spending only. However, it is within the management discretion of the executive to spend less than the appropriation. Therefore, the executive could make these reductions outside of the 17-7-140, MCA framework. Figure 2 shows the reductions outside of 17-7-140, MCA including non-general fund sources by agency. The other two items shown under non-general fund sources require legislative action to occur and are discussed under the category entitled "Need Statutory Change", below.

Program Reductions Above 10%

17-7-140, MCA limits the level of reductions the Governor may require to 10% during the biennium for each program within an agency. OBPP has proposed spending reductions in a number of programs that exceed this limit. Figure 2 shows the agency, program, and level of spending above the 10% statutory level.

The Budget Director included \$775,126 in reductions above the statutory limit in his recommendation to the Governor for proposed spending reductions. These amounts were also included in the calculation used to determine the level of proposed spending reductions for the Office of Public Instruction, the Department of Justice, and the Montana University System. Excluding the spending reductions that are above the statutory limit for programs would reduce the allowed level of spending reductions for state agencies headed by elected officials or the MUS.

Need Statutory Change

The executive cannot implement reductions that require a statutory change.

- Two proposals within the Department of Commerce reduce state special revenue expenditures for grants funded through the big sky economic development fund and transfer that amount to general fund. Montana statute (90-1-205, MCA) specifies the allowable uses of this fund and transfers to the general fund are not included
- Reductions to personal services including FTE could impact statutory programs within the Montana State Library. To eliminate the programs would require changes in statute
- Spending reductions for combined block grants may conflict with 20-9-630, MCA, which outlines the calculation for the block grant amounts

Potential Contract Impairment

State agencies cannot unilaterally amend a contract without the potential of contract impairment. It is unclear from the description on the proposed reductions if the Department of Public Health and Human Services or the Department of Corrections are planning to renegotiate the contracts listed in Figure 2. It should also be noted that the list in Figure 2 may not be comprehensive as the description of the proposed reduction may not refer to existing contracts.

Impacts on Federal Funds

A number of proposals will have a direct impact on the level of federal funds available to the state. The largest is in the Department of Public Health and Human Services (DPHHS) which includes a proposed reduction of \$67.2 million in FY 2018 and \$69.0 million in FY 2019. About 81% is related to Medicaid funding for benefits and claims.

Potential Other Impacts

Other entities, including local governments, could be impacted by the proposed reductions. Please refer to the Part 2 of the report for narrative on other potential impacts.

PROPOSED GENERAL FUND REDUCTIONS BY FUNCTIONAL AREA

Figure 3 shows the general fund and all funds HB 2 appropriations and the proposed reductions by functional area of the HB 2 budget. Of the total HB 2 budget for the Executive Branch agencies, \$1,521.7 million or 39.2% of the budget is for the K-12 BASE School Funding Program and is excluded for purposes of 17-7-140, MCA. As a result of the exclusion, Section E - Education percentage reduction goes from 53.1% of the total to 22.6%. As shown, Section B -Health and Human Services comprises 45.9% of the total general fund reductions while Education is 22.6% and Section D - Judicial, Law Enforcement, and Justice makes up 23.5% of the proposed general fund reductions.

Figure 3

HB 2 Appropriations - Executive Branch Agencies Subject to Reduction Including Pay Plan and SB 261 Reductions				
	Appropriations	% Appropriation	Proposed Reduction	% Reduction
General Fund				
General Government	\$159,651,859	4.1%	(\$13,636,802)	6.0%
Health and Human Services	1,050,308,010	27.0%	(105,029,491)	45.9%
Natural Resources and Transportation	71,366,703	1.8%	(4,631,494)	2.0%
Judicial, Law Enforcement, and Justice	540,094,228	13.9%	(53,723,636)	23.5%
Education	2,063,270,687	53.1%	(51,694,160)	22.6%
All Funds				
General Government	494,966,282	5.9%	(14,476,754)	4.0%
Health and Human Services	4,235,428,721	50.5%	(241,663,689)	66.0%
Natural Resources and Transportation	323,142,990	3.9%	(4,631,494)	1.3%
Judicial, Law Enforcement, and Justice	710,425,427	8.5%	(53,723,636)	14.7%
Education	2,619,281,141	31.2%	(51,694,160)	14.1%

Impacts by Section

The following narrative discusses the impacts of the proposed spending reductions by section including costs shifts to other entities, reductions in federal funds, and proposals that may not be allowable without statutory changes. It should be noted that for the purposes of this discussion, the HB 2 budget reflects Executive Branch agencies, with statutory exclusions provided in 17-7-140, MCA and SB 261 reductions included.

Section A – General Government

General Government makes up 6.8% of the HB 2 appropriations in the 2019 biennium and has 6.1% of the total proposed reductions. Four agencies make up 91.2% of the recommended reductions in General Government: Department of Revenue (DOR), 64.1% of the reduction; Department of Administration, 10.4%; Governor’s Office, 9.2%; and Department of Military Affairs, 8.2%.

Department of Revenue

The executive proposes \$3.2 million each year in personal services reductions and \$1.4 million each year in operating expense reductions for DOR. Impacts include:

- Personal services reductions for the:
 - Director’s Office with expenditures for 12.00 FTE reduced. As of September 26, 2017 the Director’s Office had 5.00 FTE vacant
 - Citizen Services and Resource Management Division with current vacancies left open and fewer temporary employees hired. The Citizen Services and Resource Management Division had 12.70 FTE vacant as of September 26, 2017

- Property Assessment Division (PAD) with current vacancies maintained and personal services expenditures for 80.00 FTE reduced in FY 2018 and 52.00 FTE in FY 2019. PAD had 12.42 FTE vacant positions as of September 26 2017
- Operating expenses reductions by reducing property assessment office hours in various counties and closing other county offices, delaying equipment purchases, and contract renegotiations.

The Business and Income Tax Division, with \$20.6 million in general fund, was excluded from the proposed reductions.

Proposed reductions for DOR also include \$600,000 in proprietary expenditures in the Liquor Control Division. As profits from the division are transferred to the general fund, a reduction in spending should increase the transfer to the general fund.

Department of Administration

Of the \$1.5 million in proposed general fund reductions, \$1.1 million is shifted to proprietary funds. While increased costs to the proprietary funds may not increase rates charged to agencies in the current biennium, DOA has indicated that rate increases in the 2021 biennium may be forthcoming.

Governor's Office

The executive proposes to reduce expenditures by approximately \$1.3 million over the biennium, which results in an 8.7% reduction in FY 2018 and 10.0% reduction in FY 2019. Proposed reductions in personal services total approximately \$947,000 over the biennium and the office anticipates primarily holding positions open during the biennium. As of September 26, 2017 the Governor's Office had 5.50 FTE vacant. Proposed reductions in operating expenses total approximately \$334,000. Decreases in operating expenses primarily include reductions to contract and consulting services, travel, tradeshow participation, catering and food expenses, and the maintenance operating budget in the Air Transportation Program. The executive is also proposing a reduction to expenditures for an econometric data subscription. This reduction will shift expenditures to other state agencies that use this subscription and could increase general fund expenditures for those agencies.

Department of Military Affairs (DMA)

The executive proposes reductions in expenditures of approximately \$1.1 million over the biennium. Proposed personal services reductions total approximately \$391,000 over the biennium and include reducing expenditures for several FTE. DMA had 5.36 FTE vacant as of September 26, 2017. Proposed operating expense reductions total \$639,000 over the biennium and include reducing and/or eliminating maintenance and janitorial services, postponing small construction projects, eliminating the Veteran's Service Outreach Program, as well as other reductions in operating expenses. Proposed reductions in grants total \$41,000 and are in the Scholarship Program.

The Disaster and Emergency Services Program, with \$20.6 million in general fund, was excluded from the proposed reductions.

The Department of Military Affairs receives federal matching funds in several programs, including the ChalleNGe, Army National Guard, and Air National Guard Programs. Total estimated reductions in federal special revenue due to the loss of state matching funds are approximately \$1.5 million over the biennium.

Section B – Health and Human Services

Department of Public Health and Human Services (DPHHS)

Health and Human Services makes up 44.4% of the HB 2 appropriations in the 2019 biennium and has 45.8% of the total proposed reductions. The Budget Director recommends the general fund expenditures for the DPHHS be reduced by 10.0% from the HB 2/SB 294 level. He also recommends a 10.0% reduction from each program within the department. The recommended general fund reduction is \$105.0 million with

\$136.6 million in matching federal funds. In total, the DPHHS reduction is \$241.6 million over the 2019 biennium, 56.3% of which is general fund and 81.1% of which is benefits and claims. The remaining 18.9% is comprised of operating expenses (7.7%), personal services (6.9%) and grants (3.9%).

The majority of the reduction for DPHHS is comprised of three types of components, which make up almost 90.0% of the total reduction:

1. Elimination or reduction of optional Medicaid services
2. Reduced Medicaid provider rates

Elimination or Reduction of Optional Medicaid Services

OBPP recommends the elimination or reduction of certain optional Medicaid services. In order to participate in Medicaid states must offer about fifteen types of benefits to enrollees (mandatory benefits). States may also offer about thirty other optional Medicaid benefits to enrollees; services like dental care, eyeglasses, hospice, and prescription drugs.

OBPP has recommended the elimination or reduction of the following optional services:

- Targeted case management services (TCM)
- Reduction in certain high cost dental services
- Elimination of the Healthcare for Healthcare Workers Program
- Elimination of hospice services
- Elimination of personal assistance services
- Elimination of the Health Improvement Program
- Elimination of the Medicaid Passport to Health Program
- Reduction of services in the Big Sky Waiver

Almost 16.0% of the total general fund reduction is for Medicaid targeted case management services, \$16.7 million in general fund and \$32.0 million in federal funds over the 2019 biennium. Case management consists of services to assist eligible beneficiaries in obtaining medical and other necessary for treatment of their illness. Targeted case management refers to case management that is restricted to specific beneficiary groups. The programs primarily impacted by OBPP's recommendation are the Developmental Services Division (DSD) and the Addictive and Mental Disorders Division (AMDD). TCM services in DSD are proposed to be reduced by \$8.2 million general fund and \$16.5 million federal special revenue. The program effected will be the Children's Mental Health Program, the Developmental Disabilities Program and services for children with special health care needs. TCM services in AMDD could be reduced by \$7.8 million general fund and \$14.5 million federal special revenue. The services effected will be those to individuals with severe disabling mental illness and substance use disorders.

Reduced Medicaid Provider Rates

OBPP recommends the reduction of Medicaid provider rates for certain services. The most significant of these reductions involves payments for outpatient PPS (prospective payment system) hospitals, provider based clinic payments, durable medical equipment (wheelchairs and similar items), and payments for critical access (mostly rural) hospitals.

The remaining 10.0% of the DPHHS reduction is a combination of maintaining vacancies, enforcing furloughs, closing smaller offices, reducing services associated with IT projects, delaying IT projects and contract reductions and eliminations.

Several of the proposals may require contract. As discussed in the legal memorandum from the Legislative Services Division, the state cannot unilaterally amend a contract. To enact changes to contracts without the other party's consent may raise contract impairment issues. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and included as Appendix B.

Section C – Natural Resources and Transportation

Natural Resources and Transportation makes up 3.0% of the HB 2 appropriations in the 2019 biennium and has 2.0% of the total proposed reductions. The Department of Natural Resources and Conservation and the Department of Environmental Quality make up 85.6% of the proposed reductions in Section C.

Department of Natural Resources and Conservation

The Forestry and Trust Lands Division, with \$25.4 million in general fund, was, for the most part, excluded from the proposed reductions. Of the total reductions, 25.6% occurred in personal services, 49.7% in operating expenses, 13.3% in equipment and intangible assets, 9.1% in grants and, 1.1% in debt service. Reductions in personal services occur in the Director's Office and the Water Resources Division and include holding vacant positions open, voluntary furloughs without pay, and reductions to staff hours. The Director's Office has 1.00 FTE open as of September 26, 2017 and the Water Resources Division has 6.25 FTE vacant. Reductions in operating expenses occur in Conservation and Resources Development Division, Forestry & Trust Lands Management Division and Water Resources Division. Reductions in grants occur in Forestry and Trust Lands Management Division.

Department of Environmental Quality (DEQ)

OBPP recommends the general fund expenditures for the Department of Environmental Quality be reduced by 10.0% from the HB 2/SB 294 level. Of the total reductions, 52.0% occurred in operating expense and 48.0% in personal services. Reductions in personal services and operating expenses occur in the Enforcement Division, Waste Management & Remediation Division and the Air Energy & Mining Division. The Water Quality Division proposes to reduce personal services expenditures. DEQ will reduce support for Air Quality Programs in thirteen communities within eight counties.

OBPP proposes to shift the \$70,000 per year cost of the State Recycling Program from the state general fund to solid waste management fees account in the state special revenue fund. The agency collects license fees from operators of solid waste management facilities. Other reductions in services may put pressure on existing fees charged for services.

Section D – Judicial, Law Enforcement, and Justice

Judicial, Law Enforcement, and Justice makes up 22.9% of the HB 2 appropriations in the 2019 biennium and has 22.4% of the total proposed reductions. Department of Corrections (DOC) makes up 74.9% of the proposed reductions with the Department of Justice (DOJ) at 12.2% and the Office of the Public Defender (OPD) at 12.0%.

Department of Corrections

The Budget Director proposes \$40.2 million in reductions for the Department of Corrections. The larger reductions for the biennium include:

- \$6.5 million from applying laws related to SB 63 retroactively – SB 63 reduces supervision for low risk offenders doing well in community programs
- \$5.5 million slated for assistance in removing offenders from county jails – alternative placements and services for offenders would not be available as options
- \$4.4 million for reduction in outside medical costs through pharmacy savings and medical evaluations
- \$3.3 million for Shelby prison reduction in expenditures related to suspension of \$9.14 payment on beds
- \$3.2 million from closure of the Lewistown Infirmary – a 25 bed facility
- \$2.3 million for reduction of pre-release contracts by 5%
- \$2.0 million in expenditures of contingency funding related to county jail hold being below 250
- \$1.9 million for reduction of treatment contracts by 5%
- \$1.5 million for savings related to DOC contracts with Missoula County and rates of \$69.00 per day
- \$1.4 million for counseling and mental health services

- \$1.4 million from cancellation of the 60 bed chemical treatment center at MSP
- \$1.2 million for closure of Youth Transition Center in Great Falls

Several of the proposals may require contract changes to provide for suspension of \$9.14 payment on beds at the Shelby prison, and reductions for pre-release contracts, treatment contracts and DOC contracts with Missoula County. As discussed in the legal memorandum from the Legislative Services Division, the state cannot unilaterally amend a contract. To enact changes to contracts without the other party's consent may raise contract impairment issues. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and included as Appendix B.

Department of Justice

The Budget Director proposes to reduce the Department of Justice spending by \$6.6 million for the biennium. The Budget Director proposes program reductions in personal services, recognizing that as an elected official, the Attorney General has the flexibility to make the proposed reductions in other expenditure categories such as operating expenses. According to DOJ, reducing its general fund spending will require leaving vacant positions unfilled, eliminating overtime, and reducing employee work hours. As of September 26, 2017 DOJ had 29.29 FTE vacant. Of the 29.29 vacant FTE, 15.09 are Highway Patrol Officers, the majority of which became vacant in the last 2 months.

DOJ has indicated that to avoid a reduction in force, it will also be required to reduce operating expenses by reducing or eliminating employee travel, outside council costs, contracts such as 24/7 Program, equipment purchases, grants awarded for prosecution of crimes against children, testing and submission kits, and delay the timeline on current driver's modernization. Other potential reductions include closing the satellite chemistry laboratory in Billings and cancelling plans to build the morgue in Billings.

Office of the Public Defender

OBPP is proposing that the Office of the Public Defender reduce spending by \$6.5 million for the biennium. All reductions are related to reducing OPD contract attorneys. This change will force caseloads to be shifted to existing attorneys and likely create wait times in the judicial system.

Section E – Education

Education also makes up 22.9% of the HB 2 appropriations in the 2019 biennium and has 22.6% of the total proposed reductions. The Commissioner of Higher Education (OCHE) comprises 82.8% of the proposed reductions within the Education agencies, the Office of Public Instruction (OPI) 15.0%, the Montana Historical Society (MHS) 1.0%, and the Montana State Library 0.9.

Commissioner of Higher Education

OBPP proposes general fund expenditure reductions of \$42.9 million for the Office of the Commissioner of Higher Education.

With the exception of Workforce Development, the reduction was applied to all programs that have HB 2 general fund. Workforce Development general fund appropriations of \$180,134 provide the general fund match for the Carl D. Perkins federal grant. The general fund appropriated is the minimum amount allowed for the federal maintenance of effort requirements for the federal grant.

The determination regarding specific reductions will be made at the discretion of the Board of Regents (BOR) once reduction figures are finalized, and impacts will be defined at that time. BOR's next scheduled meeting is November 16 & 17, 2017.

Office of Public Instruction

The Budget Director proposes \$7.8 million in reductions for the Office of Public Instruction. In the State Level Activities Program these reductions are proposed to occur in operating expenses within the Superintendent's Office. Specifics of the reductions are at the discretion of the superintendent and have not been announced. In the Local Education Activities Program, expenditure reductions are proposed in the combined block grants, which is entirely local assistance for school districts.

Montana Historical Society

OBPP recommends expenditure reductions for the Montana Historical Society (MHS) totaling \$536,071 for the biennium or a 10% reduction from the HB 2/SB 294 level. OBPP did not propose reductions in the Education or Historic Preservation Programs with \$404,494 and \$50,190, respectively, in general fund appropriations.

Over 60% of the HB 2 budget for MHS is in personal services. The reductions presented by OBPP will reduce personal services by \$186,135 in FY 2018 and \$236,641 in FY 2019. This would equate to a reduction of 3.00 FTE of their existing workforce. In addition, several employees have volunteered a reduction of hours and/or unpaid leave to fulfill the personal services reductions.

For the biennium, operating expenses would be reduced by \$113,295. MHS will forego IT upgrades and travel and registration fees for the director, along with reducing hours of the museum and research center.

Montana State Library

OBPP recommends the general fund expenditures for the Montana State Library (MSL) be reduced by \$441,836 over the biennium or a 10% reduction to the agency from the HB 2/SB 294 level.

Personal services will be reduced by \$362,131 over the biennium. This will impact funding for 2.00 FTE. Operating expense reductions are 18% of the proposed reductions for both FY 2018 and FY 2019. The \$79,705 in reductions to operating expenses will include cancelling electronic journal subscriptions, delaying payments for software maintenance contracts, and eliminating equipment purchases.

Reductions to personal services involving reductions in FTE could have an impact on statutory programs within MSL. Half of the general fund FTE in this agency are tied to statutorily mandated programs. The Library Commission would have to decide which of the following FTE would be reduced upon final executive decisions:

- State Library Commission Authority, 22-1-103, MCA (3.00 general fund FTE)
- Administration of state publications depository library program -- rulemaking, 22-1-212, MCA (1.00 general fund FTE)
- Natural Resource Information System, 90-15-101, MCA (2.00 general fund FTE)
- Additional operational support, 22-1-102, MCA (5.50 general fund FTE)

For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and included as Appendix B.

The following section outlines the proposed reductions by agency and program.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	58.07	58.07	0.00	0.00	58.07	0.00	0.00	0.00
Personal Services	5,399,035	6,750,046	(475,758)	6,274,288	5,355,073	(470,776)	4,884,297	(946,534)
Operating Expenses	1,306,583	1,343,239	(171,071)	1,172,168	1,285,031	(173,234)	1,111,797	(344,305)
Total Costs	\$6,705,618	\$8,093,285	(\$646,829)	\$7,446,456	\$6,640,104	(\$644,010)	\$5,996,094	(\$1,290,839)
General Fund	6,705,618	7,468,285	(646,829)	6,821,456	6,440,104	(644,010)	5,796,094	(1,290,839)
State/other Special Rev. Funds	0	500,000	0	500,000	200,000	0	200,000	0
Federal Spec. Rev. Funds	0	100,000	0	100,000	0	0	0	0
Other	0	25,000	0	25,000	0	0	0	0
Total Funds	\$6,705,618	\$8,093,285	(\$646,829)	\$7,446,456	\$6,640,104	(\$644,010)	\$5,996,094	(\$1,290,839)
Total Ongoing	\$6,705,618	\$7,893,285	(\$646,829)	\$7,246,456	\$6,440,104	(\$644,010)	\$5,796,094	(\$1,290,839)
Total OTO	\$0	\$200,000	\$0	\$200,000	\$200,000	\$0	\$200,000	\$0

Summary of Proposed Spending Reductions

The Office of Budget and Program Planning (OBPP) recommends general fund expenditures for the Governor's Office be reduced by approximately \$647,000 in FY 2018 and \$644,000 in FY 2019. This results in an 8.7% reduction in FY 2018 and 10.0% reduction in FY 2019 from the HB 2/SB 294 level.

OBPP proposes reduced expenditures in personal services and operating expenses. Personal services comprise approximately 73.0% of proposed general fund reductions and the office anticipates primarily using vacancy savings. Operating expenses comprise approximately 27.0% of the proposed reductions. These primarily include reductions to contract and consulting services, travel, tradeshow participation, catering and food expenses, the maintenance operating budget in the Air Transportation program, an econometric data subscription, as well as other operating expenses.

For a complete narrative description of the proposed reductions, see the program narratives that follow.

Legal Issues

None identified at this time.

Cost Shifts

OBPP proposes reductions to expenditures for an econometric data subscription. This subscription provides data used for revenue estimates, census work, labor statistics, and other economic analysis conducted by the state. OBPP pays for this subscription but it is also used by other agencies. The cost of this subscription would remain the same. This proposal would reduce expenditures in the Governor's Office but cause increased expenditures for other agencies using the service (Legislative Fiscal Division, Department of Commerce and Department of Labor and Industry).

Federal Special Revenue Funds

None identified at this time.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1001 - Personal Services Reduction	0.00	(245,477)	0	0	(245,477)	0.00	(245,477)	0	0	(245,477)
DP 1002 - Operating Expense Reduction	0.00	(31,029)	0	0	(31,029)	0.00	(31,805)	0	0	(31,805)
Total	0.00	(\$276,506)	\$0	\$0	(\$276,506)	0.00	(\$277,282)	\$0	\$0	(\$277,282)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1001 - Personal Services Reduction -

OBPP proposes to reduce general fund by approximately \$245,000 in personal services expenditures each fiscal year. The Governor's Office anticipates primarily using vacancy savings to institute the reduction.

DP 1002 - Operating Expense Reduction -

OBPP proposes to reduce general fund operating expenses by approximately \$31,000 each fiscal year. This proposal would result in reductions in travel, legal contracts, and tradeshow participation.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2001 - Operating Expense Reductions	0.00	(16,639)	0	0	(16,639)	0.00	(16,768)	0	0	(16,768)
Total	0.00	(\$16,639)	\$0	\$0	(\$16,639)	0.00	(\$16,768)	\$0	\$0	(\$16,768)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2001 - Operating Expense Reductions -

OBPP proposes to reduce general fund operating expenses by approximately \$17,000 each fiscal year. This proposal would result in reductions in catering and food expenses.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3001 - Operating Expense Reductions	0.00	(31,187)	0	0	(31,187)	0.00	(31,584)	0	0	(31,584)
Total	0.00	(\$31,187)	\$0	\$0	(\$31,187)	0.00	(\$31,584)	\$0	\$0	(\$31,584)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 3001 - Operating Expense Reductions -

OBPP proposes to reduce general fund operating expenses by approximately \$31,000 each fiscal year. This proposal would result in reductions in the maintenance operating budget for the Air Transportation Program.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4001 - Operating Expense Reductions	0.00	(59,500)	0	0	(59,500)	0.00	(59,500)	0	0	(59,500)
DP 4002 - Personal Services Reductions	0.00	(150,589)	0	0	(150,589)	0.00	(145,251)	0	0	(145,251)
DP 4003 - Allocate Cost of Econometric Data Subscription	0.00	(21,530)	0	0	(21,530)	0.00	(22,391)	0	0	(22,391)
Total	0.00	(\$231,619)	\$0	\$0	(\$231,619)	0.00	(\$227,142)	\$0	\$0	(\$227,142)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 4001 - Operating Expense Reductions -

OBPP proposes to reduce general fund operating expenses by approximately \$60,000 each fiscal year. This proposal would result in reductions in contracted or consulting services, computer replacement, travel, and minor equipment and office supplies.

DP 4002 - Personal Services Reductions -

OBPP proposes to reduce general fund by approximately \$151,000 in FY 2018 and \$145,000 in FY 2019 in personal services. The Governor's Office anticipates primarily using vacancy savings to institute the reduction.

DP 4003 - Allocate Cost of Econometric Data Subscription -

OBPP proposes to reduce general fund operating expenses by approximately \$22,000 in each fiscal year. This proposal would reduce OBPP's expenditures on an econometric data subscription.

LFD COMMENT	OBPP proposes reductions to expenditures for an econometric data subscription. OBPP pays for this subscription but it is also used by other agencies. This proposal would reduce expenditures in the Governor's Office and shift those expenditures to the Legislative Fiscal Division, Department of Commerce and Department of Labor and Industry.
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New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5001 - Personal Services Reduction	0.00	(18,961)	0	0	(18,961)	0.00	(19,005)	0	0	(19,005)
Total	0.00	(\$18,961)	\$0	\$0	(\$18,961)	0.00	(\$19,005)	\$0	\$0	(\$19,005)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 5001 - Personal Services Reduction -

OBPP proposes to reduce general fund by approximately \$19,000 in personal services expenditures each fiscal year. The Governor's Office anticipates primarily using vacancy savings to institute the reduction.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1200 - Budget Reductions	0.00	(33,323)	0	0	(33,323)	0.00	(33,404)	0	0	(33,404)
Total	0.00	(\$33,323)	\$0	\$0	(\$33,323)	0.00	(\$33,404)	\$0	\$0	(\$33,404)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1200 - Budget Reductions -

OBPP proposes to reduce general fund expenditures by approximately \$22,000 in personal services and approximately \$11,000 in operating expenses each fiscal year. The Governor's Office anticipates primarily using vacancy savings to institute the reduction in personal services. The proposed reduction in operating expenses would affect travel expenses.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2012 - Personal Services Reductions	0.00	(38,594)	0	0	(38,594)	0.00	(38,825)	0	0	(38,825)
Total	0.00	(\$38,594)	\$0	\$0	(\$38,594)	0.00	(\$38,825)	\$0	\$0	(\$38,825)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2012 - Personal Services Reductions -

OBPP proposes to reduce general fund by approximately \$39,000 in personal services each fiscal year. This proposal would reduce the expenditures for the Board of Visitors paralegal position from 0.75 FTE to 0.50 FTE, which is located at the Montana State Hospital. This proposal would also reduce expenditures for 0.50 FTE for a social services technician position in the Office of the Mental Health Ombudsman.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	7.00	7.00	0.00	0.00	7.00	0.00	0.00	0.00
Personal Services	480,776	501,266	(56,000)	445,266	503,276	(54,000)	449,276	(110,000)
Operating Expenses	209,828	264,560	(20,583)	243,977	255,029	(21,831)	233,198	(42,414)
Total Costs	\$690,604	\$765,826	(\$76,583)	\$689,243	\$758,305	(\$75,831)	\$682,474	(\$152,414)
General Fund	690,604	765,826	(76,583)	689,243	758,305	(75,831)	682,474	(152,414)
Total Funds	\$690,604	\$765,826	(\$76,583)	\$689,243	\$758,305	(\$75,831)	\$682,474	(\$152,414)
Total Ongoing	\$690,604	\$676,271	(\$76,583)	\$599,688	\$668,684	(\$75,831)	\$592,853	(\$152,414)
Total OTO	\$0	\$89,555	\$0	\$89,555	\$89,621	\$0	\$89,621	\$0

Summary of Proposed Spending Reductions

The Office of Budget and Program Planning (OBPP) recommends general fund expenditures for the Commissioner of Political Practices be reduced by approximately \$76,000 in each fiscal year. This results in a 10.0% reduction from the HB 2/SB 294 level.

OBPP proposes reduced expenditures in personal services and operating expenses in the Commissioner of Political Practices. Personal services comprise 26.9% of proposed general fund reductions in FY 2018 and 28.8% of general fund reductions in FY 2019. The proposed reductions in personal services will be reached using vacancy savings. Operating expenses comprise 73.1% of proposed general fund reductions in FY 2018 and 71.2% of general fund reductions in FY 2019. The proposed reductions in operating expenses affect the agency's State Information Technology Services Division (SITSD) expenditures.

For a complete narrative description of the proposed reductions, see the program narrative that follows.

Legal Issues

None identified at this time.

Cost Shifts

OBPP proposes reductions in SITSD expenditures in the Commissioner of Political Practices. This reduction has the potential to affect the rates other state agencies pay to SITSD.

Federal Special Revenue Funds

None identified at this time.

New Proposals

The “New Proposals” table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - SITSD reduction FY 18 and FY 19	0.00	(20,583)	0	0	(20,583)	0.00	(21,831)	0	0	(21,831)
DP 2 - Vacancy savings FY 18 and FY 19	0.00	(56,000)	0	0	(56,000)	0.00	(54,000)	0	0	(54,000)
Total	0.00	(\$76,583)	\$0	\$0	(\$76,583)	0.00	(\$75,831)	\$0	\$0	(\$75,831)

**Total Funds” amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - SITSD reduction FY 18 and FY 19 -

OBPP proposes to reduce general fund of approximately \$21,000 for SITSD expenditures in each fiscal year. This proposed reduction affects legal holds on email archives. The agency currently does not have a need for legal holds but it could be ordered as a result of litigation in the future.

LFD COMMENT	The proposed reduction to SITSD expenditures in the Commissioner of Political Practices has the potential to affect the rates other state agencies pay to SITSD.
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DP 2 - Vacancy savings FY 18 and FY 19 -

OBPP proposes to reduce general fund of \$56,000 in FY 2018 and \$54,000 in FY 2019. The agency will utilize vacancy savings, which will primarily be related to a Compliance Specialist position.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	648.55	653.88	0.00	0.00	654.52	0.00	0.00	0.00
Personal Services	44,261,558	42,056,002	(3,223,002)	38,833,000	42,392,988	(3,247,717)	39,145,271	(6,470,719)
Operating Expenses	16,093,738	15,105,898	(1,355,135)	13,750,763	15,092,506	(1,354,016)	13,738,490	(2,709,151)
Equipment & Intangible Assets	30,554	30,554	0	30,554	30,554	0	30,554	0
Capital Outlay	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Debt Service	42,810	42,364	0	42,364	42,364	0	42,364	0
Total Costs	\$60,428,660	\$57,234,818	(\$4,578,137)	\$52,656,681	\$57,558,412	(\$4,601,733)	\$52,956,679	(\$9,179,870)
General Fund	55,811,221	52,677,648	(4,279,166)	48,398,482	52,970,402	(4,300,256)	48,670,146	(8,579,422)
State/other Special Rev. Funds	1,017,549	959,482	0	959,482	962,733	0	962,733	0
Federal Spec. Rev. Funds	272,262	262,984	0	262,984	263,600	0	263,600	0
Other	3,327,628	3,334,704	(298,971)	3,035,733	3,361,677	(301,477)	3,060,200	(600,448)
Total Funds	\$60,428,660	\$57,234,818	(\$4,578,137)	\$52,656,681	\$57,558,412	(\$4,601,733)	\$52,956,679	(\$9,179,870)
Total Ongoing	\$59,826,504	\$57,109,818	(\$4,578,137)	\$52,531,681	\$57,433,412	(\$4,601,733)	\$52,831,679	(\$9,179,870)
Total OTO	\$602,156	\$125,000	\$0	\$125,000	\$125,000	\$0	\$125,000	\$0

Summary of Proposed Spending Reductions

OBPP recommends the general fund expenditures for the Department of Revenue be reduced by approximately \$4,600,000 in each fiscal year, which is 8.1% from the HB 2/SB 294 level; reductions occur in four of five programs. OBPP did not recommend any reduction for the Business and Income Taxes Division. OBPP recommends proprietary funds for the Liquor Control Division be reduced by \$600,448. Lower proprietary fund expenditures in the Liquor Control Division should result in a larger liquor profits transfer to the general fund at fiscal year end.

Personal services reductions account for 70.4% of the total proposed reductions in FY 2018 and 70.6% in FY 2019, and operating expense reductions make up the remaining 29.6% in FY 2018 and 29.4% in FY 2019

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

17-7-140, MCA limits the level of reductions the Governor may require to 10.0% during the biennium for each program within an agency. The Director's Office reductions are 0.14% or \$38,640 above the 17-7-140, MCA limit of 10.0%, and the Citizen Services reductions are 0.03% or \$5,353 above the 10.0% limit. Please refer to the LFD Analysis of the Spending Reduction Proposal for further information.

Cost Shifts

None identified at this time.

Federal Special Revenue Funds

None identified at this time.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 101 - Directors Office PS Reduction	0.00	(723,225)	0	0	(723,225)	0.00	(730,274)	0	0	(730,274)
DP 102 - Directors Office Operating Reduction	0.00	(663,108)	0	0	(681,260)	0.00	(661,575)	0	0	(679,683)
Total	0.00	(\$1,386,333)	\$0	\$0	(\$1,404,485)	0.00	(\$1,391,849)	\$0	\$0	(\$1,409,957)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 101 - Directors Office PS Reduction -

The executive recommends maintaining the current vacancy savings and reducing personal services expenditures for 12.00 FTE.

DP 102 - Directors Office Operating Reduction -

The executive recommends reductions to operating expenditures through contract renegotiations and delaying equipment purchases.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 301 - Liquor Control PS Reduction	0.00	0	0	0	(221,821)	0.00	0	0	0	(224,327)
DP 302 - Liquor Control Operating Reduction	0.00	0	0	0	(57,726)	0.00	0	0	0	(57,775)
Total	0.00	\$0	\$0	\$0	(\$279,547)	0.00	\$0	\$0	\$0	(\$282,102)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 301 - Liquor Control PS Reduction -

The executive recommends maintaining current vacancy savings.

DP 302 - Liquor Control Operating Reduction -

The executive recommends reducing operating costs, including licensee education.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 501 - Citizen Services PS Reduction	0.00	(576,941)	0	0	(576,941)	0.00	(580,521)	0	0	(580,521)
DP 502 - Citizen Services Operating Reduction	0.00	(267,807)	0	0	(269,079)	0.00	(267,869)	0	0	(269,136)
Total	0.00	(\$844,748)	\$0	\$0	(\$846,020)	0.00	(\$848,390)	\$0	\$0	(\$849,657)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 501 - Citizen Services PS Reduction -

The executive recommends maintaining current vacancy savings and hiring fewer temporary employees.

DP 502 - Citizen Services Operating Reduction -

The executive recommends reducing operating costs by eliminating the following items: the toll-free number, tax season public service announcements, partnership in montanafreefile.org, and training and related travel expenses.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 801 - Property Assessment PS Reduction	0.00	(1,701,015)	0	0	(1,701,015)	0.00	(1,712,595)	0	0	(1,712,595)
DP 802 - Property Assessment Operating Reduction	0.00	(347,070)	0	0	(347,070)	0.00	(347,422)	0	0	(347,422)
Total	0.00	(\$2,048,085)	\$0	\$0	(\$2,048,085)	0.00	(\$2,060,017)	\$0	\$0	(\$2,060,017)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 801 - Property Assessment PS Reduction -

The executive recommends maintaining current vacancy savings and reducing personal services expenditures for 80.00 FTE for the remainder of FY 2018, with reduced personal services expenditures continued for 52.00 FTE throughout FY 2019.

DP 802 - Property Assessment Operating Reduction -

The executive recommends reducing office hours and potentially closing several county offices.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	144.06	139.75	0.00	0.00	139.75	0.00	0.00	0.00
Personal Services	12,277,023	11,795,718	(561,705)	11,234,013	11,840,015	(623,963)	11,216,052	(1,185,668)
Operating Expenses	8,234,170	6,806,147	(169,152)	6,636,995	5,652,663	(104,512)	5,548,151	(273,664)
Equipment & Intangible Assets	19,500	19,500	0	19,500	19,500	0	19,500	0
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	30,060	30,060	0	30,060	30,060	0	30,060	0
Transfers	0	1,649,000	0	1,649,000	1,657,000	0	1,657,000	0
Debt Service	89,977	0	0	0	0	0	0	0
Total Costs	\$20,650,730	\$20,300,425	(\$730,857)	\$19,569,568	\$19,199,238	(\$728,475)	\$18,470,763	(\$1,459,332)
General Fund	7,640,262	7,383,559	(730,857)	6,652,702	7,284,738	(728,475)	6,556,263	(1,459,332)
State/other Special Rev. Funds	7,041,007	6,623,455	0	6,623,455	6,681,522	0	6,681,522	0
Federal Spec. Rev. Funds	99,011	1,078,084	0	1,078,084	116,324	0	116,324	0
Other	5,870,450	5,215,327	0	5,215,327	5,116,654	0	5,116,654	0
Total Funds	\$20,650,730	\$20,300,425	(\$730,857)	\$19,569,568	\$19,199,238	(\$728,475)	\$18,470,763	(\$1,459,332)
Total Ongoing	\$18,473,758	\$18,651,425	(\$730,857)	\$17,920,568	\$17,542,238	(\$728,475)	\$16,813,763	(\$1,459,332)
Total OTO	\$2,176,972	\$1,649,000	\$0	\$1,649,000	\$1,657,000	\$0	\$1,657,000	\$0

Summary of Proposed Spending Reductions

OBPP recommends the general fund expenditures for the Department of Administration be reduced by approximately \$731,000 in each fiscal year which is 9.9% below the HB 2/SB 294 level. Of the total reductions, 70.5% of the costs reduced in general fund in FY 2018 and 79.1% in FY 2019 have been shifted to proprietary funds. These reductions occurred in personal services in the Director's Office, the State Financial Services Division, the State Information Technology Services Division, and the State Human Resources Division.

Operating expense reductions are 23.1% of the proposed reductions in FY 2018 and 14.3% in FY 2019 in the Director's Office and the Montana Tax Appeal Board. State Human Resources Division personal services reductions make up 9.8% of OBPP proposals in FY 2018 and FY 2019.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

None identified at this time.

Cost Shifts

OBBP proposes to shift \$515,000 of general fund costs in FY 2018 to proprietary funds and \$576,000 in FY 2019. Proprietary funds within the Department of Administration are funded through rates charged to either other programs within DOA, other state agencies, or local governments within Montana. Rates paid by other programs or state agencies use general fund, state and federal special revenue, and other funds. Increasing costs to the proprietary rates funded with general fund may require the program or agency receiving the services to pay for higher costs. A portion of those costs may require additional general fund for the services, either in the current or future biennia. Projected increases in costs to programs and state agencies are discussed in the program narrative of the proposed OBPP reductions that follows. In

addition, the State Financial Services Division proposes to shift costs from the general fund to local governments receiving services from the Local Government Services Bureau.

Impacts to Federal Special Revenue Funds

None identified at this time.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 102 - Reduction Plan for the Director's Office	0.00	(147,397)	0	0	(147,397)	0.00	(206,781)	0	0	(206,781)
DP 103 - Reduction for the Labor - Management Training Initiative	0.00	(65,000)	0	0	(65,000)	0.00	0	0	0	0
Total	0.00	(\$212,397)	\$0	\$0	(\$212,397)	0.00	(\$206,781)	\$0	\$0	(\$206,781)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 102 - Reduction Plan for the Director's Office -

For FY 2018, OBPP proposes to shift up to 1.50 FTE from general fund to the Director's Office internal service fund. In FY 2019 the personal service costs of up to an additional 0.75 FTE would also be shifted to the proprietary fund. Fund balance in the internal service fund would be utilized to offset the additional personal services expenditures. According to DOA, the proprietary rate will not increase in the current biennium but would need to increase in the 2021 biennium to re-establish fund balance.

LFD COMMENT	The management services account within the internal service fund has a fund balance of (\$1.3 million) at FYE 2017 due to pension and other post employment benefit liabilities. As of September 20, 2017 the Director's Office had \$663,000 in cash in the account that could be used to offset the personal services expenditures proposed to shift to the internal service fund. However, depleting these assets could result in higher rates in the subsequent biennia.
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DP 103 - Reduction for the Labor - Management Training Initiative -

OBPP proposes to reduce the Labor-Management Training Initiative expenditures from \$75,000 in general fund to \$10,000. Training in management skills, and handling grievances and arbitrations would be reduced or eliminated.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 301 - 10% Reduction Plan for State Financial Services Division	0.00	(253,264)	0	0	(253,264)	0.00	(254,853)	0	0	(254,853)
Total	0.00	(\$253,264)	\$0	\$0	(\$253,264)	0.00	(\$254,853)	\$0	\$0	(\$254,853)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 301 - 10% Reduction Plan for State Financial Services Division -

OBPP proposes to shift the personal services expenditures of 5.00 FTE used for local government services from the general fund to the local government services audit and reporting account within the enterprise fund for the 2019 biennium. The expenditures would be supported through existing fund balance and current revenues. According to the State Financial Services Division (SFSD), at the end of the 2019 biennium, SFSD will evaluate the need for changing filing fees for financial reports and audits of local government entities as outlined in 2-7-514, MCA.

LFD COMMENT	At the end of fiscal year 2017 the local government services enterprise account had a fund balance of (\$94,349) due to outstanding liabilities for pension costs and other post employment benefits. As of September 20, 2017 the SFSD had \$214,000 in cash in the account that could be used to offset the personal services expenditures proposed to shift to the internal service fund. However, depleting these assets could result in higher rates in the subsequent biennia. The funding shift may require increasing the filing fees charged to local governments for financial reports and audits in future biennia.
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New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----				-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 701 - 10% Reduction Plan for the State Info. Tech. Serv. Division	0.00	(42,836)	0	0	(42,836)	0.00	(43,050)	0	0	(43,050)
Total	0.00	(\$42,836)	\$0	\$0	(\$42,836)	0.00	(\$43,050)	\$0	\$0	(\$43,050)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 701 - 10% Reduction Plan for the State Info. Tech. Serv. Division -

OBPP recommends that the Public Safety Communications Service Bureau general fund expenditures be shifted within the State Information Technology Services Division to the ISD proprietary account for the 2019 biennium.

LFD COMMENT	At FYE 2017, the ISD proprietary account had a fund balance of (\$13.2) million due to outstanding liabilities for pension costs and other post employment benefits. The 2017 Legislature approved \$13.2 million in increased information technology service costs compared to the 2017 base appropriations, in part, to reestablish the working capital fund balance for the account. At the beginning of FY 2018, SITSD rates are established based on the budget established by the 2017 Legislature. However, SITSD has the authority to increase its rates during the interim. The proposal to shift costs from the general fund to the internal services fund may generate higher SITSD agency rates, either in the current or future biennia. In FY 2017, 39.4% of the SITSD rates were paid by the general fund. Assuming the 2019 biennium SITSD rates are paid at the same funding percentage as FY 2017, an increase of \$85,896 in internal services expenditures could result in \$33,839 in additional general fund costs to state agencies. If SITSD is able to absorb the costs within the current rate structure, the impact on the working capital fund balance may result in increases in SITSD rates in the following biennium.
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New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2301 - 10% Reduction Plan for the State Human Res. Division	0.00	(161,044)	0	0	(161,044)	0.00	(162,329)	0	0	(162,329)
Total	0.00	(\$161,044)	\$0	\$0	(\$161,044)	0.00	(\$162,329)	\$0	\$0	(\$162,329)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2301 - 10% Reduction Plan for the State Human Res. Division -

OBPP proposes to leave a Human Resource Specialist position budgeted at \$71,803 in FY 2018 and \$71,854 in FY 2019 vacant for the biennium. The remaining general fund personal service costs of \$89,241 in FY 2018 and \$90,475 in FY 2019 is proposed to be shifted to accounts within the internal service fund. According to the State Human Resources Division (SHRD), the shift may impact the internal service fund rates in the 2021 biennium.

LFD COMMENT	SHRD has two internal service funds for services it provides to other agencies, the intergovernmental training and the human resource information system (HRIS) accounts. At FYE the fund balance in each account was (\$257,000) and (\$2.1 million) respectively due to pension and other post-employment benefit liabilities. As previously discussed these liabilities do not impact the cash balance for the accounts. At FYE the intergovernmental training account had a cash balance of \$52,600 and the HRIS had \$386,000 that could be used to offset the personal services expenditures proposed to shift to the internal service fund. However, depleting the cash could result in higher rates in the 2021 biennium.
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New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3701 - 10% Reduction for the MT Tax Appeal Board	0.00	(61,316)	0	0	(61,316)	0.00	(61,462)	0	0	(61,462)
Total	0.00	(\$61,316)	\$0	\$0	(\$61,316)	0.00	(\$61,462)	\$0	\$0	(\$61,462)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 3701 - 10% Reduction for the MT Tax Appeal Board -

OBPP proposes to suspend non-statutory reimbursements for counties for services and materials in support of the county tax appeal board hearings, including county tax appeal board secretary salary and benefits, office supplies, and phone charges associated with tax appeals. Travel, conference fees, subscriptions, office equipment, printing, and consulting services will be reduced. Costs of transcripts will be shifted to the requesting party.

LFD COMMENT	OBPP proposes to shift general fund costs of up to \$22,540 over the biennium for county tax appeal boards to local governments, and transcript costs to taxpayers. Depending on the number of property tax appeals in a given county, this could result in higher costs to property owners.
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Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions	Approp.	Approp.	Executive	Budget With	Approp.	Executive	Budget With	Biennium
Budget Item	Fiscal 2017	Fiscal 2018	Reductions	Reductions	Fiscal 2019	Reductions	Difference	Reductions
			Fiscal 2018	Fiscal 2018		Fiscal 2019	Fiscal 2019	Fiscal 18-19
FTE	47.06	47.06	0.00	0.00	47.06	0.00	0.00	0.00
Personal Services	4,106,453	3,543,943	0	3,543,943	3,582,659	0	3,582,659	0
Operating Expenses	6,172,158	4,799,234	(82,847)	4,716,387	4,738,863	(82,759)	4,656,104	(165,606)
Equipment & Intangible Assets	0	0	0	0	0	0	0	0
Local Assistance	0	110,000	0	110,000	120,000	0	120,000	0
Grants	20,727,966	20,981,846	(384,707)	20,597,139	20,990,289	(385,190)	20,605,099	(769,897)
Benefits & Claims	358,921	358,921	0	358,921	358,921	0	358,921	0
Transfers	600,000	905,000	0	905,000	905,000	0	905,000	0
Total Costs	\$31,965,498	\$30,698,944	(\$467,554)	\$30,231,390	\$30,695,732	(\$467,949)	\$30,227,783	(\$935,503)
General Fund	5,869,277	3,626,101	(362,554)	3,263,547	3,629,488	(362,949)	3,266,539	(725,503)
State/other Special Rev. Funds	7,374,201	8,963,032	(105,000)	8,858,032	8,956,821	(105,000)	8,851,821	(210,000)
Federal Spec. Rev. Funds	18,722,020	18,109,811	0	18,109,811	18,109,423	0	18,109,423	0
Total Funds	\$31,965,498	\$30,698,944	(\$467,554)	\$30,231,390	\$30,695,732	(\$467,949)	\$30,227,783	(\$935,503)
Total Ongoing	\$29,427,998	\$28,293,944	(\$467,554)	\$27,826,390	\$28,290,732	(\$467,949)	\$27,822,783	(\$935,503)
Total OTO	\$2,537,500	\$2,405,000	\$0	\$2,405,000	\$2,405,000	\$0	\$2,405,000	\$0

Summary of Proposed Spending Reductions

The Office of Budget and Program Planning (OBPP) recommends general fund expenditures for the Department of Commerce be reduced by approximately \$363,000 in each fiscal year. This results in a 10.0% reduction from the HB 2/SB 294 level. OBPP also recommends state special revenue expenditures be reduced by \$105,000 each fiscal year and the amount reduced be transferred to the general fund.

The proposed general fund reductions occur in grants in the Office of Tourism and Business Development and operating expenses in the Community Development Division. Grants comprise approximately 77.0% of the general fund reductions and include reductions to Montana Manufacturing Extension Center (MMEC) grants and Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) grants. Operating expenses comprise approximately 23.0% of the general fund reductions and include reductions to contracted services in the Community Technical Assistance Program (CTAP).

The proposed state special revenue reductions occur in the Office of Tourism and Business Development. These reductions are comprised of grants for MMEC and brownfield spills. OBPP is recommending the amount reduced be transferred to the general fund. An additional discussion is included below in the Legal Issues section.

For a complete narrative description of the proposed reductions, see the program narratives that follow.

Legal Issues

OBPP proposes reducing state special revenue expenditures for grants funded through the Big Sky Economic Development fund and transferring that amount to general fund. Montana statute (90-1-205, MCA) specifies the allowable uses of this fund and transfers to the general fund are not included. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and attached as Appendix B.

Cost Shifts

None identified at this time.

Federal Special Revenue Funds

None identified at this time.

New Proposals

The “New Proposals” table shows new changes to expenditures.

New Proposals	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - OTBD HB 2 Eliminate Manufacturing Extension Line Item	0.00	(100,000)	0	0	(100,000)	0.00	(100,000)	0	0	(100,000)
DP 2 - OTBD HB 2 Reduce SBIR/STTR Grants	0.00	(179,707)	0	0	(179,707)	0.00	(180,190)	0	0	(180,190)
DP 4 - OTBD HB 2 Manufacturing Extension Transfer	0.00	0	(100,000)	0	(100,000)	0.00	0	(100,000)	0	(100,000)
DP 5 - OTBD HB 2 Brownfield Spills Transfer	0.00	0	(5,000)	0	(5,000)	0.00	0	(5,000)	0	(5,000)
Total	0.00	(\$279,707)	(\$105,000)	\$0	(\$384,707)	0.00	(\$280,190)	(\$105,000)	\$0	(\$385,190)

**Total Funds” amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - OTBD HB 2 Eliminate Manufacturing Extension Line Item -

OBPP proposes to eliminate general fund of \$100,000 for Montana Manufacturing Extension Center grants in each fiscal year.

DP 2 - OTBD HB 2 Reduce SBIR/STTR Grants -

OBPP proposes to reduce Small Business Innovation Research and Small Business Technology Transfer Grant Program by approximately \$180,000 in each fiscal year. The typical SBIR/STTR grant awarded by the department is approximately \$30,000.

DP 4 - OTBD HB 2 Manufacturing Extension Transfer -

OBPP proposes to reduce state special revenue of \$100,000 for Montana Manufacturing Extension Center grants in each fiscal year. This proposal transfers the amount reduced from the big sky economic development state special revenue fund to the general fund.

LFD COMMENT The Legislature approved an appropriation of \$200,000 each fiscal year for Montana Manufacturing Extension Center grants from the big sky economic development state special revenue fund. OBPP is proposing to reduce expenditures by \$100,000 each fiscal year and transfer this amount to the general fund. Montana statute (90-1-205, MCA) specifies the purposes for which the big sky economic development fund can be used. Transferring money from this account into the general fund is not one of the purposes outlined in statute. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and attached as Appendix B.

DP 5 - OTBD HB 2 Brownfield Spills Transfer -

OBPP proposes eliminating state special revenue of \$5,000 for brownfield spill grants in each fiscal year. This proposal transfers the amount reduced from the big sky economic development state special revenue fund to the general fund.

LFD COMMENT The Legislature approved an appropriation of \$5,000 each fiscal year for brownfield spills grants from the big sky economic development state special revenue fund. OBPP is proposing to eliminate expenditures for these grants and transfer this amount to the general fund. Montana statute (90-1-205, MCA) specifies the purposes for which the big sky economic development fund can be used. Transferring money from this account into the

general fund is not one of the purposes outlined in statute. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and attached as Appendix B.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3 - CDD HB 2 Reduce CTAP Contracted Services	0.00	(82,847)	0	0	(82,847)	0.00	(82,759)	0	0	(82,759)
Total	0.00	(\$82,847)	\$0	\$0	(\$82,847)	0.00	(\$82,759)	\$0	\$0	(\$82,759)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 3 - CDD HB 2 Reduce CTAP Contracted Services -

OBPP proposes to reduce operating expenses in the Community Technical Assistance Program by approximately \$83,000 in each fiscal year. This proposal will reduce CTAP contracted services.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	693.06	668.16	0.00	0.00	668.16	0.00	0.00	0.00
Personal Services	49,468,232	45,053,048	(80,471)	44,972,577	45,570,856	(80,880)	45,489,976	(161,351)
Operating Expenses	27,439,556	27,053,021	(112,922)	26,940,099	27,095,907	(113,501)	26,982,406	(226,423)
Equipment & Intangible Assets	312,574	312,574	0	312,574	312,574	0	312,574	0
Grants	8,357,289	8,767,792	0	8,767,792	8,767,792	0	8,767,792	0
Benefits & Claims	100,389	100,389	0	100,389	100,389	0	100,389	0
Transfers	311,983	311,983	0	311,983	311,983	0	311,983	0
Debt Service	249,123	247,729	0	247,729	247,729	0	247,729	0
Total Costs	\$86,239,146	\$81,846,536	(\$193,393)	\$81,653,143	\$82,407,230	(\$194,381)	\$82,212,849	(\$387,774)
General Fund	1,940,776	1,787,311	(178,732)	1,608,579	1,795,377	(179,538)	1,615,839	(358,270)
State/other Special Rev. Funds	49,938,933	47,046,396	0	47,046,396	47,390,453	0	47,390,453	0
Federal Spec. Rev. Funds	34,359,437	33,012,829	(14,661)	32,998,168	33,221,400	(14,843)	33,206,557	(29,504)
Other	0	0	0	0	0	0	0	0
Total Funds	\$86,239,146	\$81,846,536	(\$193,393)	\$81,653,143	\$82,407,230	(\$194,381)	\$82,212,849	(\$387,774)
Total Ongoing	\$85,788,812	\$81,846,536	(\$193,393)	\$81,653,143	\$82,407,230	(\$194,381)	\$82,212,849	(\$387,774)
Total OTO	\$450,334	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Summary of Proposed Spending Reductions

The Office of Budget and Program Planning (OBPP) recommends general fund expenditures for the Department of Labor and Industry be reduced by approximately \$179,000 in each fiscal year. This results in a 10.0% reduction from the HB 2/ SB 294 level. OBPP also recommends federal special revenue expenditures be reduced by approximately \$15,000 each fiscal year.

OBPP proposes reduced expenditures in personal services and operating expenses in the Commissioner's Office/ Centralized Services Division, Employment Relations Division, and Office of Community Services. Personal services comprise 37.4% of proposed general fund reductions and will be reached using vacancy savings and reduced staff hours. Operating expenses comprise 62.6% of proposed general fund reductions and affect operating expenses related to supporting personal services expenses in the Office of Administrative Hearings and Office of Community Services as well as travel, outreach and legal expenses in the Human Rights Bureau.

For a complete narrative description of the proposed reductions, see the program narratives that follow.

Legal Issues

None identified at this time.

Cost Shifts

None identified at this time.

Federal Special Revenue Funds

The Office of Community Services receives matching federal funds. The proposed general fund reduction of approximately \$15,000 each fiscal year results in a corresponding reduction of approximately \$15,000 of federal special revenue each fiscal year.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 57 - 10% GF Reductions 17-7-140	0.00	(28,713)	0	0	(28,713)	0.00	(28,784)	0	0	(28,784)
Total	0.00	(\$28,713)	\$0	\$0	(\$28,713)	0.00	(\$28,784)	\$0	\$0	(\$28,784)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 57 - 10% GF Reductions 17-7-140 -

OBPP proposes to reduce general fund of approximately \$24,000 in personal services and \$5,000 in operating expenses each fiscal year. The proposed reduction will be in the Office of Administrative Hearings. Impacts to personal services will depend on caseloads and impacts to operating expense will be related to the expenditures associated with supporting personal services expenses.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 57 - 10% GF Reductions 17-7-140	0.00	(135,358)	0	0	(135,358)	0.00	(135,911)	0	0	(135,911)
Total	0.00	(\$135,358)	\$0	\$0	(\$135,358)	0.00	(\$135,911)	\$0	\$0	(\$135,911)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 57 - 10% GF Reductions 17-7-140 -

OBPP proposes to reduce general fund of approximately \$30,000 in personal services and \$106,000 in operating expenses each fiscal year. The proposed reduction will be in the Human Rights Bureau. The department anticipates using vacancy savings from a retirement to meet the proposed personal services reductions. The proposed operating expense reduction will affect travel, outreach and legal expenses in the bureau.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 57 - 10% GF Reductions 17-7-140	0.00	(14,661)	0	(14,661)	(29,322)	0.00	(14,843)	0	(14,843)	(29,686)
Total	0.00	(\$14,661)	\$0	(\$14,661)	(\$29,322)	0.00	(\$14,843)	\$0	(\$14,843)	(\$29,686)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 57 - 10% GF Reductions 17-7-140 -

OBPP proposes to reduce general fund of approximately \$14,000 in personal services and \$1,000 in operating expenses each fiscal year. The department anticipates using reduced staff hours to meet the proposed personal services reductions. The proposed reduction in operating expense will be related to the expenditures associated with supporting personal services expenses. The Office of Community Services receives federal matching funds and the reduction in general fund will result in a reduction of approximately \$15,000 in federal special revenue each fiscal year.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	200.21	202.78	0.00	0.00	202.78	0.00	0.00	0.00
Personal Services	14,768,871	14,691,943	(195,473)	14,496,470	14,835,921	(195,473)	14,640,448	(390,946)
Operating Expenses	20,399,976	20,195,452	(319,302)	19,876,150	20,193,917	(319,302)	19,874,615	(638,604)
Equipment & Intangible Assets	150,536	150,536	0	150,536	150,536	0	150,536	0
Grants	11,733,943	11,726,301	(20,736)	11,705,565	11,626,301	(20,736)	11,605,565	(41,472)
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	2,596,554	2,598,260	0	2,598,260	2,598,260	0	2,598,260	0
Total Costs	\$49,649,880	\$49,362,492	(\$535,511)	\$48,826,981	\$49,404,935	(\$535,511)	\$48,869,424	(\$1,071,022)
General Fund	6,632,321	6,521,709	(535,511)	5,986,198	6,543,006	(535,511)	6,007,495	(1,071,022)
State/other Special Rev. Funds	779,561	917,544	0	917,544	827,554	0	827,554	0
Federal Spec. Rev. Funds	42,237,998	41,923,239	0	41,923,239	42,034,375	0	42,034,375	0
Total Funds	\$49,649,880	\$49,362,492	(\$535,511)	\$48,826,981	\$49,404,935	(\$535,511)	\$48,869,424	(\$1,071,022)
Total Ongoing	\$49,599,880	\$49,212,492	(\$535,511)	\$48,676,981	\$49,354,935	(\$535,511)	\$48,819,424	(\$1,071,022)
Total OTO	\$50,000	\$150,000	\$0	\$150,000	\$50,000	\$0	\$50,000	\$0

Summary of Proposed Spending Reductions

The Office of Budget and Program Planning (OBPP) recommends general fund expenditures for the Department of Military Affairs be reduced by approximately \$536,000 in each fiscal year. These reductions are proposed for all programs with general fund appropriations, except for Disaster and Emergency Services. This results in an 8.2% reduction from the HB 2/SB 294 level.

OBPP proposes reduced expenditures in personal services, operating expenses, and grants. Personal services comprise 36.5% of proposed general fund reductions and includes reducing expenditures for several FTE. Operating expenses comprise 59.6% of the proposed reductions and include reducing and/or eliminating maintenance and janitorial services, postponing small construction projects, eliminating the veterans service outreach program, as well as other reductions in operating expenses. The remaining 3.9% of the general fund reductions are in grants in the Scholarship program.

For a complete narrative description of the proposed reductions, see the program narratives that follow.

Legal Issues

None identified at this time.

Cost Shifts

None identified at this time.

Federal Special Revenue Funds

The Department of Military Affairs has several programs that receive matching federal funds including the Challenge program, Army National Guard program, and the Air National Guard program. The total estimated reduction in federal special revenue for the department is approximately \$763,000 each fiscal year. In the Challenge program, the reduction of approximately \$111,000 in general fund results in a reduction of approximately \$334,000 in federal special revenue each fiscal year. In the Army National Guard program, the reduction of \$169,000 in general fund results in an estimated

reduction of \$301,000 of federal special revenue each fiscal year. In the Air National Guard program, the reduction of \$42,000 in general fund results in an estimated reduction of \$128,000 of federal special revenue each fiscal year.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 67010 - Proposed Reduction	0.00	(74,304)	0	0	(74,304)	0.00	(74,304)	0	0	(74,304)
Total	0.00	(\$74,304)	\$0	\$0	(\$74,304)	0.00	(\$74,304)	\$0	\$0	(\$74,304)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 67010 - Proposed Reduction -

OBPP proposes to reduce general fund of approximately \$74,000 in personal services expenditures each fiscal year. The Director's Office would initiate a hiring freeze for three positions (two Assistant to the Adjutant General positions and an Administrative Assistant position) to institute these reductions.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 67010 - Proposed Reduction	0.00	(49,267)	0	0	(49,267)	0.00	(49,267)	0	0	(49,267)
DP 6701002 - Proposed FTE Reduction	0.00	(62,183)	0	0	(62,183)	0.00	(62,183)	0	0	(62,183)
Total	0.00	(\$111,450)	\$0	\$0	(\$111,450)	0.00	(\$111,450)	\$0	\$0	(\$111,450)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 67010 - Proposed Reduction -

OBPP proposes to reduce general fund operating expenses by approximately \$49,000 each fiscal year. The Challenge program receives federal matching funds and a reduction in general fund would result in the reduction of approximately \$148,000 in federal special revenue each fiscal year. The department may need to look for alternate locations for the program.

DP 6701002 - Proposed FTE Reduction -

OBPP proposes to reduce general fund expenditures by approximately \$62,000 in personal services each fiscal year. The Challenge program receives federal matching funds and a reduction in general fund would result in the reduction of approximately \$187,000 in federal special revenue each fiscal year. This proposal eliminates expenditures for 4.00 FTE, which affects the staff to student ratios.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 67010 - Proposed Reduction	0.00	(20,736)	0	0	(20,736)	0.00	(20,736)	0	0	(20,736)
Total	0.00	(\$20,736)	\$0	\$0	(\$20,736)	0.00	(\$20,736)	\$0	\$0	(\$20,736)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 67010 - Proposed Reduction -

OBPP proposes to reduce general fund by approximately \$21,000 in each fiscal year for scholarships awarded to Montana National Guard personnel. In FY 2016, 169 students were awarded scholarships ranging from \$300 to \$2,400 for colleges, universities, or other training programs.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 67010 - Proposed Reduction	0.00	(168,730)	0	0	(168,730)	0.00	(168,730)	0	0	(168,730)
Total	0.00	(\$168,730)	\$0	\$0	(\$168,730)	0.00	(\$168,730)	\$0	\$0	(\$168,730)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 67010 - Proposed Reduction -

OBPP proposes to reduce general fund expenditures by approximately \$169,000 in operating expenses each fiscal year. The Army National Guard receives federal matching funds and a reduction in general fund would result in the estimated reduction of approximately \$301,000 in federal special revenue each fiscal year. This proposal would defer major maintenance and postpone small construction projects.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 67010 - Proposed Reduction	0.00	(42,318)	0	0	(42,318)	0.00	(42,318)	0	0	(42,318)
Total	0.00	(\$42,318)	\$0	\$0	(\$42,318)	0.00	(\$42,318)	\$0	\$0	(\$42,318)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 67010 - Proposed Reduction -

OBPP proposes to reduce general fund expenditures by approximately \$42,000 in operating expenses each fiscal year. The Air National Guard receives federal matching funds and a reduction in general fund would result in the estimated reduction of approximately \$128,000 in federal special revenue each fiscal year. This proposal would reduce and/or eliminate building and grounds maintenance contracts, janitorial services, and supply expenditures.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 67010 - Proposed Reduction	0.00	(58,987)	0	0	(58,987)	0.00	(58,987)	0	0	(58,987)
DP 6701031 - Proposed FTE Reduction	0.00	(58,986)	0	0	(58,986)	0.00	(58,986)	0	0	(58,986)
Total	0.00	(\$117,973)	\$0	\$0	(\$117,973)	0.00	(\$117,973)	\$0	\$0	(\$117,973)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 67010 - Proposed Reduction -

OBPP proposes to reduce general fund expenditures by approximately \$59,000 in operating expenses each fiscal year. This proposal would eliminate the veterans service outreach program (approximately \$47,000 each fiscal year), restrict training expenditures, eliminate a program that assists groups that have aligned purposes, and eliminate one Board of Veterans Affairs in-person meeting per year.

DP 6701031 - Proposed FTE Reduction -

OBPP proposes to reduce general fund expenditures by approximately \$59,000 in personal services each fiscal year. This proposal eliminates expenditures for 1.00 FTE. The proposed operating expense and personal services reductions in the Veterans Affairs Division reduce budgeted expenditures from approximately \$1.2 million to \$1.1 million each fiscal year, which is a 10.0% reduction.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	2,935.24	2,935.24	0.00	0.00	2,935.24	0.00	0.00	0.00
Personal Services	196,966,418	191,740,577	(8,351,036)	183,389,541	193,185,954	(8,353,805)	184,832,149	(16,704,841)
Operating Expenses	119,324,121	122,847,029	(9,380,848)	113,466,181	122,084,014	(9,229,526)	112,854,488	(18,610,374)
Equipment & Intangible Assets	731,721	651,721	0	651,721	651,721	0	651,721	0
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	0	0	0	0	0	0	0	0
Grants	78,330,719	79,366,576	(4,654,073)	74,712,503	79,366,579	(4,654,073)	74,712,506	(9,308,146)
Benefits & Claims	1,779,967,830	1,692,031,841	(96,379,966)	1,595,651,875	1,747,146,893	(99,500,360)	1,647,646,533	(195,880,326)
Transfers	3,050,735	2,885,901	(580,001)	2,305,900	2,885,901	(580,001)	2,305,900	(1,160,002)
Debt Service	292,007	292,007	0	292,007	292,007	0	292,007	0
Total Costs	\$2,178,663,551	\$2,089,815,652	(\$119,345,924)	\$1,970,469,728	\$2,145,613,069	(\$122,317,765)	\$2,023,295,304	(\$241,663,689)
General Fund	522,184,237	519,276,637	(51,927,667)	467,348,970	531,031,373	(53,101,824)	477,929,549	(105,029,491)
State/other Special Rev. Funds	164,219,074	156,036,100	(241,849)	155,794,251	155,861,960	(241,312)	155,620,648	(483,161)
Federal Spec. Rev. Funds	1,492,260,240	1,414,502,915	(67,176,408)	1,347,326,507	1,458,719,736	(68,974,629)	1,389,745,107	(136,151,037)
Total Funds	\$2,178,663,551	\$2,089,815,652	(\$119,345,924)	\$1,970,469,728	\$2,145,613,069	(\$122,317,765)	\$2,023,295,304	(\$241,663,689)
Total Ongoing	\$2,176,908,143	\$2,081,478,470	(\$119,345,924)	\$1,962,132,546	\$2,136,107,638	(\$122,317,765)	\$2,013,789,873	(\$241,663,689)
Total OTO	\$1,755,408	\$8,337,182	\$0	\$8,337,182	\$9,505,431	\$0	\$9,505,431	\$0

Summary of Proposed Spending Reductions

OBPP recommends the general fund expenditures for the Department of Health and Human Services (DPHHS) be reduced by 10.0% from the HB 2/SB 294 level. The recommended general fund reduction is \$105.0 million with recognition from OBPP that matching federal funds will be reduced by \$136.2 million due to the reduction in state funds. Federal reductions are discussed in a later section. There is a minimal amount of state special revenue included in the Governor's reduction, all of which is due to proposed eliminated positions across the department, which is funded by general fund and state special revenue.

In total, the DPHHS budget reduction is \$241.7 million over the 2019 biennium, 43.5% of which is general fund. Benefits and claims make up 81.1% of the total reduction, the remaining 18.9% is comprised of operating expenses (7.7%), personal services (6.9%) and grants (3.9%).

The Medicaid Services branch accounts for 77.2% of the general fund reduction. The proposed reduction in this branch is primarily in benefits and claims. The Child and Family Services Division (CFSD), Human and Community Services Division (HCSD) and the Technology Services Division (TSD) make up the majority of the remaining reduction. The reduction from CFSD is in benefits and claims, grants and operating expense. The HCSD reduction is primarily in grants and personal services and the TSD reduction is mostly in operating expense.

The majority of the reduction for DPHHS is comprised of three types of components, which make up almost 90.0% of the total reduction:

1. The elimination or reduction of a variety of optional non-targeted case management Medicaid services
2. Reduced Medicaid provider rates
3. The elimination of optional Medicaid targeted case management services

The elimination or reduction of a variety of optional non-targeted case management Medicaid services

OBPP recommends the elimination or reduction of certain optional Medicaid services. In order to participate in Medicaid states must offer about fifteen types of benefits to enrollees (mandatory benefits). States may also offer about thirty other optional Medicaid benefits to enrollees; services like dental care, eyeglasses, hospice, and prescription drugs. OBPP has recommended the elimination of targeted case management services, another optional benefit. This recommendation is summarized in more detail below.

In addition to case management OBPP has recommended the elimination or reduction of other optional Medicaid benefits. Included in these recommendations for changes to Medicaid benefits is a reduction in certain dental services, the elimination of the Healthcare for Healthcare Workers program, the elimination of hospice services, the elimination of personal assistance services, the elimination of the Health Improvement Program, the elimination of the Medicaid Passport to Health Program, and a reduction of services in the Big Sky Waiver.

Reduced Medicaid provider rates

OBPP recommends the reduction of Medicaid provider rates for certain services. The most significant of these reductions involves payments for outpatient PPS (prospective payment system) hospitals, provider based clinic payments, durable medical equipment (wheelchairs and similar items), and payments for critical access (mostly rural) hospitals.

The elimination of optional Medicaid Targeted Case Management (TCM) services

OBPP recommends reducing the general fund portion of the Medicaid TCM budget by \$16.7 million over the 2019 biennium which represents almost 16.0% of the total general fund reduction. This reduction will eliminate federal funds as well, because the state will lose federal matching dollars for these services. In total the TCM budget will decrease by \$48.8 million, with the federal portion declining by \$32.0 million. The programs primarily effected by OBPP's recommendation are Developmental Services Division (DSD) and the Addictive and Mental Disorders Division (AMDD). TCM in DSD could be reduced by \$8.3 million general fund and \$16.6 million federal special revenue. The services effected will be optional services in the Children's Mental Health Program, the Developmental Disabilities Program and services for children with special health care needs. TCM in AMDD could be reduced by \$7.9 million general fund and \$14.5 million federal special revenue. The services effected will be Severe Disabling Mental Illness and Substance Use Disorder services.

The remaining 10.0% of the DPHHS reduction is a combination of maintaining vacancies, enforcing furloughs, closing smaller offices, reducing services associated with IT projects, delaying IT projects and contract reductions and eliminations.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

Several reductions across the agency involve the elimination or reduction of contracts and/or the reduction of provider rates. These changes could pose potential legal issues depending on the nature of the individual contracts.

Several reductions across the agency involve the elimination of positions and mandatory furloughs. These changes could pose potential legal issues depending on the nature of the individual collective bargaining agreements.

For additional details refer to the legal memorandum by Julie Johnson fo the Legislative Services Division, dated September 29, 2017, and is attached as Appendix B.

Cost Shifts

No apparent cost shifts in the OBPP recommendation at this time.

Federal Special Revenue Funds

The proposed total reduction to the department is \$241.7 million. The proposed OBPP reduction is made up of \$105.5 million general fund, however because the department will be eliminating or cutting Medicaid services and provider rates, federal matching funds for these services will be reduced by \$136.2 million. Of the federal reduction, 88.4% is in the Medicaid Services Branch. This branch's expenditures are primarily in benefits and claims. Similar to the general fund reduction, the remainder of the federal reduction is in CFSD, HCSD and TSD.

69010 - Department of Public Health & Human Services 01-Disability Employment & Transitions

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 690101 - Do not fill positions	0.00	(84,072)	0	(579,030)	(663,102)	0.00	(85,178)	0	(579,030)	(664,208)
DP 690102 - Close satellite offices	0.00	(6,180)	0	(22,832)	(29,012)	0.00	(6,180)	0	(22,832)	(29,012)
DP 690103 - Eliminate all in-person staff trainings	0.00	(21,300)	0	(78,700)	(100,000)	0.00	(21,300)	0	(78,700)	(100,000)
DP 690104 - Reduce rates in community rehabilitation provider (CRP) ag	0.00	(32,229)	0	(119,082)	(151,311)	0.00	(32,229)	0	(119,082)	(151,311)
DP 690105 - Eliminate MT Youth Leadership Forum	0.00	(41,002)	0	(151,498)	(192,500)	0.00	(41,002)	0	(151,498)	(192,500)
DP 690106 - Eliminate MT Youth Transitions	0.00	(42,174)	0	(155,826)	(198,000)	0.00	(42,174)	0	(155,826)	(198,000)
DP 690107 - Eliminate Orientation and Mobility Instruction contract	0.00	(87,788)	0	0	(87,788)	0.00	(87,788)	0	0	(87,788)
DP 690108 - Reduce Extended Employment contract	0.00	(285,000)	0	0	(285,000)	0.00	(285,000)	0	0	(285,000)
Total	0.00	(\$599,745)	\$0	(\$1,106,968)	(\$1,706,713)	0.00	(\$600,851)	\$0	(\$1,106,968)	(\$1,707,819)

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 690101 - Do not fill positions -

Maintains vacancy of 11% of division positions through FY 2019.

DP 690102 - Close satellite offices -

Eliminates satellite office locations in Hamilton, Polson, Browning and Bozeman.

DP 690103 - Eliminate all in-person staff trainings -

Eliminates in-person training's designed to meet federal criteria for implementing a comprehensive system of personnel development. Training's will be delivered via WebEx.

DP 690104 - Reduce rates in community rehabilitation provider (CRP) ag -

Reduces rates in Community Rehab Program agreements from \$64.00/hr to \$37.88/hr for individual services and \$21.90/hr for group services.

DP 690105 - Eliminate MT Youth Leadership Forum -

Eliminates expenditures for week-long seminar at Carroll College to develop self-advocacy and self-determination skills for students with disabilities who have exhibited leadership ability.

DP 690106 - Eliminate MT Youth Transitions -

Eliminates youth transitions program, including the transition website, the annual transitions conference, coordination of regional task forces on transitions, and some pre-employment transition services for students with disabilities.

69010 - Department of Public Health & Human Services01-Disability Employment & Transitions

DP 690107 - Eliminate Orientation and Mobility Instruction contract -

Eliminates contract for orientation and mobility skill instruction for approximately 300 children with low vision or blindness.

DP 690108 - Reduce Extended Employment contract -

Reduces contract for providing ongoing support services to persons with severe disabilities who work in a facility or a community-based employment setting.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	Fiscal 2018				Fiscal 2019					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 690201 - Do Not Fill Positions	0.00	(92,036)	(3,899)	(212,781)	(308,716)	0.00	(92,036)	(3,899)	(212,781)	(308,716)
DP 690202 - Reduce Funding for quality provisions of STARS infrastru	0.00	(497,246)	0	0	(497,246)	0.00	(497,246)	0	0	(497,246)
DP 690203 - Eliminate TANF funding for Second Chance Homes	0.00	(300,000)	0	0	(300,000)	0.00	(300,000)	0	0	(300,000)
DP 690204 - Close Offices of Public Assistance w/ 3 employees or less	0.00	(464,347)	(56,657)	(720,667)	(1,241,671)	0.00	(464,347)	(56,657)	(720,667)	(1,241,671)
DP 690205 - Reduce TANF Pathways contracts	0.00	(1,919,612)	0	0	(1,919,612)	0.00	(1,919,612)	0	0	(1,919,612)
DP 690207 - Restructure Division Management to eliminate redundancy	0.00	(335,553)	(22,746)	(423,590)	(781,889)	0.00	(335,149)	(22,746)	(423,590)	(781,485)
Total	0.00	(\$3,608,794)	(\$83,302)	(\$1,357,038)	(\$5,049,134)	0.00	(\$3,608,390)	(\$83,302)	(\$1,357,038)	(\$5,048,730)

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 690201 - Do Not Fill Positions -

Maintains vacancy of 9% of central office positions through FY 2019.

DP 690202 - Reduce Funding for quality provisions of STARS infrastru

Reduces expenditures for Best Beginnings Advisory Council, limits to one meeting per year; reduces provider grants in STARS and child care; reduces professional development incentives for providers; reduces Child Care and Development Fund (CCDF) contracts by 1%; and reduces Child Care under the Big Sky (CCUBS) maintenance and operations contract with Northrup Grumman by one LOE (level of effort).

DP 690203 - Eliminate TANF funding for Second Chance Homes -

Eliminates expenditures for second chance homes located in Missoula, Billings and Helena. These homes provide services to teen parents. This will allow the TANF Maintenance of Effort to be met at 75% instead of 80%.

DP 690204 - Close Offices of Public Assistance w/ 3 employees or less -

Eliminates office locations in communities with low staffing numbers (0-3 staff per location) in the Office of Public Assistance and reduces motor pool by 50% statewide. Reduces 14 eligibility positions and transfers 14 eligibility staff to larger offices.

DP 690205 - Reduce TANF Pathways contracts -

Reduces TANF Pathways contracts by 10%.

DP 690207 - Restructure Division Management to eliminate redundancy -

Eliminates positions in division management structure, including four Regional Field Managers, one Contract Relations Manager, one Customer Service Supervisor, one QA Call Monitor, and an Associate Administrator. This decision package also consolidates the Field Operations Manager for Miles City and Wolfpoint.

69010 - Department of Public Health & Human Services 03-Child and Family Services Division

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 690301 - Reduce number of cell phones issued in field services	0.00	(22,084)	0	(9,464)	(31,548)	0.00	(22,084)	0	(9,464)	(31,548)
DP 690302 - Eliminate contracts for forensic interviews	0.00	(102,000)	0	0	(102,000)	0.00	(102,000)	0	0	(102,000)
DP 690303 - Restructure division management	0.00	(78,908)	0	(22,714)	(101,622)	0.00	(85,812)	0	(22,714)	(108,526)
DP 690304 - Eliminate services with Second Chance Home/Center for Chil	0.00	(720,100)	0	0	(720,100)	0.00	(720,100)	0	0	(720,100)
DP 690305 - Reduce costs associated with chemical screening	0.00	(1,200,000)	0	0	(1,200,000)	0.00	(1,200,000)	0	0	(1,200,000)
DP 690306 - Suspend development of new case management system - MFSIS	0.00	(599,347)	0	(599,347)	(1,198,694)	0.00	(599,347)	0	(599,347)	(1,198,694)
DP 690307 - Eliminate foster child health / public nurse partnership p	0.00	(174,420)	0	0	(174,420)	0.00	(174,420)	0	0	(174,420)
DP 690308 - Eliminate un-matched general fund in the Title IV-B (In Ho	0.00	(903,005)	0	0	(903,005)	0.00	(903,005)	0	0	(903,005)
DP 690309 - Eliminate un-matched general fund support for the pre-hear	0.00	(46,928)	0	0	(46,928)	0.00	(46,928)	0	0	(46,928)
DP 690310 - Eliminate un-matched general fund contract with Big Brothe	0.00	(49,996)	0	0	(49,996)	0.00	(49,996)	0	0	(49,996)
DP 690311 - Eliminate un-matched general fund in the Domestic Violence	0.00	(117,962)	0	0	(117,962)	0.00	(117,962)	0	0	(117,962)
DP 690312 - Eliminate general fund granted to tribes	0.00	(199,999)	0	0	(199,999)	0.00	(199,999)	0	0	(199,999)
DP 690313 - Eliminate general fund match provided to Tribes for IV-E c	0.00	(417,000)	0	0	(417,000)	0.00	(417,000)	0	0	(417,000)
DP 690314 - Eliminate diaper allowance to foster care providers	0.00	(110,663)	(1,100)	(98,880)	(210,643)	0.00	(110,663)	(1,100)	(98,880)	(210,643)
Total	0.00	(\$4,742,412)	(\$1,100)	(\$730,405)	(\$5,473,917)	0.00	(\$4,749,316)	(\$1,100)	(\$730,405)	(\$5,480,821)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 690301 - Reduce number of cell phones issued in field services -

Eliminates cell phone plans for employees who do not use them regularly in the course of their daily work.

DP 690302 - Eliminate contracts for forensic interviews -

Cancels contracts with Child Advocacy Centers across the state for conducting forensic interviews with children who are victims of abuse or neglect. These responsibilities would either shift back to child protection specialists, or local law enforcement.

DP 690303 - Restructure division management -

Eliminates overlap in division management structure.

DP 690304 - Eliminate services with Second Chance Home/Center for Chil -

Eliminates expenditures to provide housing and treatment services, allowing a parent and a child to remain together in a placement, while the parent completes substance abuse treatment.

DP 690305 - Reduce costs associated with chemical screening -

69010 - Department of Public Health & Human Services 03-Child and Family Services Division

Restructures the service provision of chemical screening services provided to parents of children in state care. Individuals with chemical dependency issues are required to participate in drug testing as part of the reunification process. There are several providers of this service that charge varying, inconsistent rates. By utilizing the RFP procurement process, specific providers could be identified, establishing universal rates.

DP 690306 - Suspend development of new case management system - MFSIS -

Suspends development and deployment of new case management system for Child & Family Services.

DP 690307 - Eliminate foster child health / public nurse partnership p -

Eliminates comprehensive health care case management for foster children in Missoula, Cascade and Yellowstone counties. Currently, this service allows the state to comply with certain provisions of the Fostering Connections Act of 2008. Service providers include Missoula County Health Department, Cascade City-County Health Department, and Riverstone Health. There could be a legal issue with this change if it impacted state compliance with the Fostering Connections Act.

DP 690308 - Eliminate un-matched general fund in the Title IV-B (In Ho -

Eliminate unmatched general fund for In-Home / Prevention service providers. Funds are used to provide prevention and family preservation services, reunification services, and permanency for children. Contracts for providers in communities across the state would be limited to the federal grant amount, and the associated required general fund match.

DP 690309 - Eliminate un-matched general fund support for the pre-hear -

Reduces expenditures to support a contracted coordinator to facilitate pre-hearing conferences to engage families in the court process, increase coordination and use of mediation and alternate dispute resolution methods and promote the concept of team decision-making. In use in the 13th Judicial Court, Yellowstone County.

DP 690310 - Eliminate un-matched general fund contract with Big Brothe -

Reduces expenditures used to provide mentoring services to eligible youth via eight Big Brother Big Sister contracts

DP 690311 - Eliminate un-matched general fund in the Domestic Violence -

Eliminates unmatched general fund portion of contracts supporting domestic violence services. These funds support technical assistance and training to Montana domestic violence shelters, and provide direct funding to cover the cost of shelter expenses. Contracts for shelters in communities across the state would be limited to the federal grant amount, and the available state special revenue funds purposed for these services.

DP 690312 - Eliminate general fund granted to tribes -

Eliminates expenditures intended to equalize services between tribal and non-tribal children in foster care. These funds are used by tribal social service agencies to provide non IV-E eligible services to tribal children in their care, similar to services provided to children in the care of State social services.

DP 690313 - Eliminate general fund match provided to Tribes for IV-E c -

69010 - Department of Public Health & Human Services 03-Child and Family Services Division

Eliminates the state-provided portion of the match required for tribes to draw down federal administrative funds from the Title IV-E program to support child welfare operations on tribal reservations.

DP 690314 - Eliminate diaper allowance to foster care providers -

Eliminates the daily diaper support stipend paid to foster care placement providers.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 690401 - Eliminate non-matched funding for the Children's Trust Fund	0.00	(110,000)	0	0	(110,000)	0.00	(110,000)	0	0	(110,000)
DP 690402 - Restructure Director's Office and Leave Positions	0.00	(178,509)	(13,952)	(124,607)	(317,068)	0.00	(179,709)	(14,045)	(125,445)	(319,199)
Total	0.00	(\$288,509)	(\$13,952)	(\$124,607)	(\$427,068)	0.00	(\$289,709)	(\$14,045)	(\$125,445)	(\$429,199)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 690401 - Eliminate non-matched funding for the Children's Trust Fund -

Eliminates expenditures to support early education and awareness on shaken baby syndrome.

DP 690402 - Restructure Director's Office and Leave Positions -

Restructures legal services provided in other parts of the agency to centralize within Office of Legal Affairs, and vacant positions will not be filled. Restructures the senior management team, and leaves positions in the Director's Office unfilled.

69010 - Department of Public Health & Human Services 05-Child Support Enforcement Division

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 690501 - Do not fill positions	0.00	(178,272)	0	(245,768)	(424,040)	0.00	(178,272)	0	(245,768)	(424,040)
DP 690502 - Mandatory Furlough	0.00	(179,068)	0	(474,409)	(653,477)	0.00	(179,068)	0	(474,409)	(653,477)
DP 690503 - Reduce funding for operations	0.00	(1,923)	0	(3,733)	(5,656)	0.00	(4,174)	0	(8,101)	(12,275)
Total	0.00	(\$359,263)	\$0	(\$723,910)	(\$1,083,173)	0.00	(\$361,514)	\$0	(\$728,278)	(\$1,089,792)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 690501 - Do not fill positions -

10.7% of division positions will be left unfilled.

DP 690502 - Mandatory Furlough -

All remaining staff will be required to reduce working hours by one hour per working day, starting 01/01/2018 thru 6/30/2018 for FY 2018 and a minimum .5 hours per working day for FY 2019.

DP 690503 - Reduce funding for operations -

30% reduction in travel; eliminates CSED implementation of absorbing employer online payment fees

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----				-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 690601 - Do not fill positions	0.00	(222,272)	(14,227)	(235,635)	(472,134)	0.00	(225,171)	(14,369)	(237,992)	(477,532)
DP 690602 - Refinance positions to utilize enhanced funding in LRIT	0.00	(12,000)	0	12,000	0	0.00	0	0	0	0
DP 690603 - Reduce operating expenditures	0.00	(19,800)	(2,250)	(22,050)	(44,100)	0.00	(19,800)	(2,250)	(22,050)	(44,100)
DP 690604 - Mandatory Employee Furlough	0.00	(149,600)	(16,650)	(166,925)	(333,175)	0.00	(141,782)	(15,789)	(158,202)	(315,773)
Total	0.00	(\$403,672)	(\$33,127)	(\$412,610)	(\$849,409)	0.00	(\$386,753)	(\$32,408)	(\$418,244)	(\$837,405)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 690601 - Do not fill positions -

Maintains vacancy for 18% of division positions through FY 2019.

DP 690602 - Refinance positions to utilize enhanced funding in LRIT -

Staff expenditures related to development of Montana's Program for Automating and Transforming Healthcare financial management module are eligible for enhanced funding, reducing general fund expenditures.

DP 690603 - Reduce operating expenditures -

Eliminates all travel, training and temporary services for the division.

DP 690604 - Mandatory Employee Furlough -

All remaining staff will be required to reduce working hours by a minimum of 5 hours per week beginning 10/1/2017 in FY 2018 and a minimum of 4 hours per week in FY 2019.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 690701 - Reduce funding for family planning	0.00	(250,000)	0	0	(250,000)	0.00	(250,000)	0	0	(250,000)
DP 690702 - Reduce Funding for Local Communicable Disease Support	0.00	(32,977)	0	0	(32,977)	0.00	(32,977)	0	0	(32,977)
DP 690703 - Reduce healthcare for individuals with HIV	0.00	(40,452)	0	0	(40,452)	0.00	(40,452)	0	0	(40,452)
DP 690704 - Reduce funding for vaccines for uninsured or underinsured	0.00	(10,115)	0	0	(10,115)	0.00	(10,115)	0	0	(10,115)
DP 690705 - Do not fill positions and reduce operational costs	0.00	(56,327)	0	0	(56,327)	0.00	(57,072)	0	0	(57,072)
Total	0.00	(\$389,871)	\$0	\$0	(\$389,871)	0.00	(\$390,616)	\$0	\$0	(\$390,616)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 690701 - Reduce funding for family planning -

Reduces expenditures to county health services providing contraception, counseling, and health screenings to low income individuals at a local level.

DP 690702 - Reduce Funding for Local Communicable Disease Support -

Reduces operational support for counties and tribes during communicable disease outbreaks.

DP 690703 - Reduce healthcare for individuals with HIV -

Reduces medical insurance assistance to those living with HIV by 21.5%.

DP 690704 - Reduce funding for vaccines for uninsured or underinsured -

Reduces expenditures by 11% to provide vaccines for uninsured/undersinsured adults that do not qualify for federal programs.

DP 690705 - Do not fill positions and reduce operational costs -

Reduce Public Health & Safety Division's operational costs and do not fill some positions.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----				-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 690801 - Do not fill positions	0.00	(134,978)	(6,544)	(267,501)	(409,023)	0.00	(136,328)	(6,609)	(270,176)	(413,113)
DP 690802 - Mandatory Employee Furlough	0.00	(114,708)	(5,562)	(227,330)	(347,600)	0.00	(114,635)	(5,558)	(227,186)	(347,379)
Total	0.00	(\$249,686)	(\$12,106)	(\$494,831)	(\$756,623)	0.00	(\$250,963)	(\$12,167)	(\$497,362)	(\$760,492)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 690801 - Do not fill positions -

Maintains vacancy of 14% of division positions through FY 2019.

DP 690802 - Mandatory Employee Furlough -

All remaining staff will be required to reduce working hours by a minimum of 3 hours per week beginning 10/1/2017 in FY 2018 and a minimum of 2 hour per week in FY 2019.

New Proposals

The “New Proposals” table shows new changes to expenditures.

New Proposals	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 690901 - Reduce usage of SITSD service items	0.00	(197,692)	(45,195)	(269,005)	(511,892)	0.00	(197,692)	(45,195)	(269,005)	(511,892)
DP 690902 - Operating Reductions	0.00	(126,637)	(21,326)	(155,485)	(303,448)	0.00	(138,059)	(21,326)	(155,485)	(314,870)
DP 690903 - Reduction in WAN connections - OPA Offices	0.00	(28,579)	(6,533)	(38,888)	(74,000)	0.00	(28,579)	(6,533)	(38,888)	(74,000)
DP 690904 - Reduce - IT contract for CAPS	0.00	(257,898)	0	(72,740)	(330,638)	0.00	(257,898)	0	(72,740)	(330,638)
DP 690905 - Reduce - IT contracts for CHIMES	0.00	(482,531)	0	(2,250,000)	(2,732,531)	0.00	(468,485)	0	(2,010,000)	(2,478,485)
DP 690906 - Reduction in Force	0.00	(119,700)	(19,950)	(145,350)	(285,000)	0.00	(119,700)	(19,950)	(145,350)	(285,000)
DP 690907 - Eliminate desk phones	0.00	(35,153)	0	(15,065)	(50,218)	0.00	(35,153)	0	(15,065)	(50,218)
Total	0.00	(\$1,248,190)	(\$93,004)	(\$2,946,533)	(\$4,287,727)	0.00	(\$1,245,566)	(\$93,004)	(\$2,706,533)	(\$4,045,103)

Total Funds amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 690901 - Reduce usage of SITSD service items -

Reduction in service engagements for Professional Services/Expert time, Virtual Server, WAN, Data Center, Cabling, Splunk, and Network Connections.

LFD COMMENT	SITSD has indicated this reduction will not shift costs to other agencies, SITSD will absorb the reductions.
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DP 690902 - Operating Reductions -

Eliminates support services and software for Microsoft products, including desktop support. Reduces operating budgets for equipment purchase, service, and maintenance.

DP 690903 - Reduction in WAN connections - OPA Offices -

Reduces Network connections procured for Office of Public Assistance office closures.

DP 690904 - Reduce - IT contract for CAPS -

20% reduction in the service contract with Northrup Grumman for the maintenance and operation of the current system in use in Child & Family Services (CAPS), impacting changes to federal reporting required by law.

DP 690905 - Reduce - IT contracts for CHIMES -

Reduces service contracts with Deloitte by 10%, which support the CHIMES benefits eligibility system for Medicaid, SNAP and TANF. This amount is in addition to a \$2.6 million dollar reduction in previously planned enhancements.

DP 690906 - Reduction in Force -

Three positions will be eliminated, impacting desktop support, system development and operations and maintenance.

DP 690907 - Eliminate desk phones -

Eliminates desk phones for Child & Family Services field workers that have agency-issued cell phones.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 691001 - Eliminate Services - Medicaid Targeted Case Management CMH	0.00	(2,248,848)	0	(4,555,546)	(6,804,394)	0.00	(2,561,009)	0	(5,086,077)	(7,647,086)
DP 691002 - Eliminate Program - DDP Family Education and Support	0.00	(287,000)	0	(300,000)	(587,000)	0.00	(287,000)	0	(300,000)	(587,000)
DP 691003 - Eliminate Program - Evaluation & Diagnosis (E&D) Clinics	0.00	(250,000)	0	0	(250,000)	0.00	(250,000)	0	0	(250,000)
DP 691004 - Add Utilization Review - Medicaid Partial Hospital Program	0.00	(67,702)	0	(144,798)	(212,500)	0.00	(67,702)	0	(144,798)	(212,500)
DP 691005 - Eliminate Services - Non-Medicaid Targeted Case Management	0.00	(70,000)	0	0	(70,000)	0.00	(70,000)	0	0	(70,000)
DP 691006 - Eliminate Services - Supported Employment Leadership Netwo	0.00	(13,700)	0	(21,300)	(35,000)	0.00	(13,700)	0	(21,300)	(35,000)
DP 691007 - Eliminate Contract - Dental Lifeline	0.00	(30,000)	0	0	(30,000)	0.00	(30,000)	0	0	(30,000)
DP 691008 - Eliminate Contract - PLUK Referral Library	0.00	(28,453)	0	0	(28,453)	0.00	(28,453)	0	0	(28,453)
DP 691009 - Reduce Provider Support and Operations	0.00	(183,500)	0	(183,500)	(367,000)	0.00	(183,500)	0	(183,500)	(367,000)
DP 691010 - Add Utilization Review - Medicaid Childrens Mental Health	0.00	(194,290)	0	(419,784)	(614,074)	0.00	(194,290)	0	(419,784)	(614,074)
DP 691011 - Reduce Rates - Medicaid Out-of-State PRTF	0.00	(223,457)	0	(451,543)	(675,000)	0.00	(223,457)	0	(451,543)	(675,000)
DP 691012 - Reduce Grants - Youth Crisis Diversion Grants	0.00	(300,000)	0	0	(300,000)	0.00	(300,000)	0	0	(300,000)
DP 691013 - Limit Services - Medicaid Home Support Services	0.00	(187,049)	0	(374,551)	(561,600)	0.00	(187,049)	0	(374,551)	(561,600)
DP 691014 - Limit Services - Medicaid Outpatient Childrens Mental Heal	0.00	(41,091)	0	(83,909)	(125,000)	0.00	(41,091)	0	(83,909)	(125,000)
DP 691015 - Limit Services - Medicaid Services Therapeutic Group Home	0.00	(49,246)	0	(99,504)	(148,750)	0.00	(49,246)	0	(99,504)	(148,750)
DP 691016 - Reduce Rates - Medicaid Psychiatric and Testing Services	0.00	(30,102)	0	(61,798)	(91,900)	0.00	(30,102)	0	(61,798)	(91,900)
DP 691017 - Eliminate Services - Medicaid Targeted Case Management	0.00	(1,672,203)	0	(3,456,767)	(5,128,970)	0.00	(1,672,203)	0	(3,456,767)	(5,128,970)
DP 691018 - Eliminate Program - Part C	0.00	(2,871,667)	0	(2,148,938)	(5,020,605)	0.00	(2,871,667)	0	(2,148,938)	(5,020,605)
Total	0.00	(\$8,748,308)	\$0	(\$12,301,938)	(\$21,050,246)	0.00	(\$9,060,469)	\$0	(\$12,832,469)	(\$21,892,938)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 691001 - Eliminate Services - Medicaid Targeted Case Management CMH -

Eliminate optional targeted case management services in Children's Mental Health program.

DP 691002 - Eliminate Program - DDP Family Education and Support -

Eliminate the Family Education and Support Program within DDP.

DP 691003 - Eliminate Program - Evaluation & Diagnosis (E&D) Clinics -

Terminates E&D clinics, these clinics specialize in evaluating and diagnosing developmental disabilities in children.

DP 691004 - Add Utilization Review - Medicaid Partial Hospital Program -

Implements prior authorization for the partial hospital program in Children's Mental Health.

DP 691005 - Eliminate Services - Non-Medicaid Targeted Case Management -

Eliminates general fund only targeted case management for non-Medicaid eligible children.

DP 691006 - Eliminate Services - Supported Employment Leadership Netwo -

Eliminates SELN, an advisory group that provides an employment conference for individuals with disabilities and information and research about improvement and development of employment services to the department.

DP 691007 - Eliminate Contract - Dental Lifeline -

Eliminates contract that provides coordination activities between dentists and individuals to improve dental care availability for individuals with a disability.

DP 691008 - Eliminate Contract - PLUK Referral Library -

Eliminates contract with Parents Let's Unite for Kids (PLUK), which funds a referral library for individuals and families who are impacted by disabilities, some specific to Part C. This includes the Training Resource and Information Center (TRIC) and the Family Support Services Information network (FSSIN).

DP 691009 - Reduce Provider Support and Operations -

Reduces staff hours associated with provider and member services support.

DP 691010 - Add Utilization Review - Medicaid Childrens Mental Health -

Implements utilization review of laboratory services for genetics testing in Children's Mental Health.

DP 691011 - Reduce Rates - Medicaid Out-of-State PRTF -

Limits out of state non-hospital facility providers to 133% of the state rate.

DP 691012 - Reduce Grants - Youth Crisis Diversion Grants -

Reduces Youth Crisis Diversion Grants by \$300,00 each year of the biennium.

DP 691013 - Limit Services - Medicaid Home Support Services -

Changes billing practices in Home Support Services (HSS) so that providers can bill only for days where there is direct contact with clients or family.

DP 691014 - Limit Services - Medicaid Outpatient Childrens Mental Heal -

Outpatient sessions would be limited to 10 prior to a child receiving a Serious Emotional Disturbance diagnosis, the current limit is 24.

DP 691015 - Limit Services - Medicaid Services Therapeutic Group Home -

Therapeutic Group Home initial stays would be limited to 120 days prior to requiring utilization review.

DP 691016 - Reduce Rates - Medicaid Psychiatric and Testing Services -

Reduce rates for Medicaid Psychiatric and Testing Services in DSD.

DP 691017 - Eliminate Services - Medicaid Targeted Case Management -

Eliminates optional targeted case management as a State Plan service for DDP.

DP 691018 - Eliminate Program - Part C -

Eliminates the Part C Infant and Toddler program serving developmentally disabled and at-risk children aged 0-36 months.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 691101 - Reduce Program Operations - Medicaid Provider Support	0.00	(150,000)	0	(150,000)	(300,000)	0.00	(150,000)	0	(150,000)	(300,000)
DP 691102 - Eliminate Program Operations - Medicaid Passport	0.00	(37,500)	0	(37,500)	(75,000)	0.00	(37,500)	0	(37,500)	(75,000)
DP 691103 - Eliminate Program - Big Sky Rx	0.00	(315,000)	0	0	(315,000)	0.00	(315,000)	0	0	(315,000)
DP 691104 - Eliminate Program - Medicaid Passport to Health	0.00	(996,757)	0	(1,922,618)	(2,919,375)	0.00	(996,757)	0	(1,922,618)	(2,919,375)
DP 691105 - Eliminate Program - Big Sky Rx	0.00	(3,415,000)	0	0	(3,415,000)	0.00	(3,415,000)	0	0	(3,415,000)
DP 691106 - Eliminate Program - Medicaid Plan First Waiver	0.00	(76,936)	0	(692,424)	(769,360)	0.00	(76,936)	0	(692,424)	(769,360)
DP 691107 - Eliminate Service - Medicaid Targeted Case Management	0.00	(263,920)	0	(500,180)	(764,100)	0.00	(263,920)	0	(500,180)	(764,100)
DP 691108 - Reduce Rates - Medicaid Critical Access Hospitals	0.00	(502,000)	0	(951,388)	(1,453,388)	0.00	(502,000)	0	(951,388)	(1,453,388)
DP 691109 - Reduce Rates - Medicaid Outpatient PPS Hospitals	0.00	(1,695,313)	0	(3,212,947)	(4,908,260)	0.00	(2,288,919)	0	(4,345,628)	(6,634,547)
DP 691110 - Add Utilization Review - Medicaid Physician Administered	0.00	(196,478)	0	(372,364)	(568,842)	0.00	(196,478)	0	(372,364)	(568,842)
DP 691111 - Eliminate - Medicaid Services - dental coverage of high co	0.00	(3,077,534)	0	(5,832,524)	(8,910,058)	0.00	(3,077,534)	0	(5,832,524)	(8,910,058)
DP 691112 - Reduce Rates - Medicaid Provider Based Clinic Payment	0.00	(1,465,404)	0	(2,777,225)	(4,242,629)	0.00	(1,465,404)	0	(2,777,225)	(4,242,629)
DP 691113 - Add Utilization Review - Medicaid Advanced imaging: MRI,	0.00	(260,780)	0	(494,229)	(755,009)	0.00	(260,780)	0	(494,229)	(755,009)
DP 691114 - Reduce Rates - Medicaid Member Mileage Reimbursement	0.00	(202,823)	0	(384,389)	(587,212)	0.00	(202,823)	0	(384,389)	(587,212)
DP 691115 - Reduce Rates - Medicaid Incontinence Supplies	0.00	(251,678)	0	(476,979)	(728,657)	0.00	(251,678)	0	(476,979)	(728,657)
DP 691116 - Reduce Rates - Medicaid Out of State Hospitals (COE)	0.00	(311,000)	0	(589,405)	(900,405)	0.00	(311,000)	0	(589,405)	(900,405)
DP 691117 - Add Utilization Review - Medicaid Genetic and Molecular L	0.00	(148,720)	0	(281,853)	(430,573)	0.00	(148,720)	0	(281,853)	(430,573)
DP 691118 - Reduce Rates - Medicaid Durable Medical Equipment (DME)	0.00	(680,838)	0	(1,290,320)	(1,971,158)	0.00	(680,838)	0	(1,290,320)	(1,971,158)
DP 691119 - Reduce Services - Medicaid Eye Exams & Eyeglass Benefits	0.00	(163,734)	0	(310,308)	(474,042)	0.00	(163,734)	0	(310,308)	(474,042)
DP 691120 - Reduce Services - Medicaid Orthodontia	0.00	(443,656)	0	(840,814)	(1,284,470)	0.00	(443,656)	0	(840,814)	(1,284,470)
DP 691121 - Eliminate Program - Medicaid HIP	0.00	(1,009,243)	0	(1,912,711)	(2,921,954)	0.00	(1,009,243)	0	(1,912,711)	(2,921,954)
DP 691122 - Reduce Rates - Medicaid Comprehensive Primary Care Plus (C	0.00	(345,982)	0	(655,703)	(1,001,685)	0.00	(345,982)	0	(655,703)	(1,001,685)
DP 691123 - Reduce Rates - Change Medicaid NCQA providers to PCMH	0.00	(182,942)	0	(346,711)	(529,653)	0.00	(182,942)	0	(346,711)	(529,653)
Total	0.00	(\$16,193,238)	\$0	(\$24,032,592)	(\$40,225,830)	0.00	(\$16,786,844)	\$0	(\$25,165,273)	(\$41,952,117)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 691101 - Reduce Program Operations - Medicaid Provider Support -

Reduce the number of staff hours providing support services to Medicaid providers.

DP 691102 - Eliminate Program Operations - Medicaid Passport -

Eliminate the Medicaid Passport program (1 FTE and operating costs).

DP 691103 - Eliminate Program - Big Sky Rx -

Eliminate the Staff and Operations for the Medicare Part D premium coverage program (Big Sky RX).

DP 691104 - Eliminate Program - Medicaid Passport to Health -

Eliminate the Medicaid Passport to Health Program. Passport to Health is the primary care case management (PCCM) program for Montana Medicaid and Healthy Montana Kids (HMK) Plus members.

DP 691105 - Eliminate Program - Big Sky Rx -

Eliminate Medicare Part D Benefits (Big Sky RX). Big Sky RX helps about 10,400 Medicare clients pay for Medicare approved prescription drug insurance premiums.

DP 691106 - Eliminate Program - Medicaid Plan First Waiver -

Eliminate the Plan First Waiver, which is a Family Planning waiver that provides a limited benefit package to women ages 19 through 44, able to become pregnant, but not currently pregnant, and up to 211% FPL. Plan First has seen a significant decrease in member enrollment and expenditures in the past three years, particularly with the expansion of Medicaid in Montana, when many women on the waiver became eligible for a comprehensive benefit package.

DP 691107 - Eliminate Service - Medicaid Targeted Case Management -

This change would eliminate Targeted Case Management for Children and Youth with Special Health Care Needs.

DP 691108 - Reduce Rates - Medicaid Critical Access Hospitals -

Reduce reimbursement rates for 46 Critical Access Hospitals (CAHs).

DP 691109 - Reduce Rates - Medicaid Outpatient PPS Hospitals -

Reduce Outpatient Prospective Payment System Hospital rates.

DP 691110 - Add Utilization Review - Medicaid Physician Administered -

Implement prior authorization requirements for certain physician administered drugs. The requests for prior authorization will be reviewed by the existing outpatient drug prior authorization vendor. We can utilize the Medicaid Pharmacist, DUR Board, and Drug Prior Authorization vendor to establish appropriate criteria.

DP 691111 - Eliminate - Medicaid Services - dental coverage of high co -

Eliminate dental coverage of high cost, extensive dental procedures and dentures for the adult Medicaid population. The Department will continue to provide preventive and diagnostic dental services along with a basic restorative package to prevent a cost shift to higher levels of care.

DP 691112 - Reduce Rates - Medicaid Provider Based Clinic Payment -

Reduce Medicaid rates for 11 Outpatient Hospitals and 10 Critical Access Hospitals.

DP 691113 - Add Utilization Review - Medicaid Advanced imaging: MRI, -

Establish utilization review for advanced imaging for Medicaid members (MRI, PET scans, and CT scan) with the goal of reducing the incidence of unnecessary imaging procedures.

DP 691114 - Reduce Rates - Medicaid Member Mileage Reimbursement -

The proposal aligns the Medicaid member mileage reimbursement rate with the Montana standard mileage reimbursement rate for state employees.

DP 691115 - Reduce Rates - Medicaid Incontinence Supplies -

Other state Medicaid programs have applied fee schedule rates to incontinence supplies. In a past study the department determined that it is overpaying for incontinence supplies. In a comparison of Montana's average reimbursement to the average reimbursement rate of 15 other states, who have a set fee schedule rate, Montana's overall reimbursement rate was higher than all states except Indiana. Idaho and Wyoming both use a specific fee-for-service rate for the same services as Montana and those states are reimbursing at an average rate of 25.68% less than Montana. This change sets a reimbursement for incontinence supplies to a set fee schedule amount vs 75% of the Manufacturer's Suggested Retail Price.

DP 691116 - Reduce Rates - Medicaid Out of State Hospitals (COE) -

Reduce Medicaid rates for out of state hospitals. The COE hospitals take our members for services that are typically not provided in Montana as they are much more complex than in-state hospitals can handle. The list of our COE providers: Children's Hospital of Colorado; Seattle Children's Hospital; Providence Sacred Heart; Primary Children's Hospital; University of Utah; Harborview; University of Washington; Seattle Cancer Care Alliance; and Oregon Health.

DP 691117 - Add Utilization Review - Medicaid Genetic and Molecular L -

Establish utilization review for genetic/molecular lab tests for Medicaid members with the goal of reducing the incidence of unnecessary testing.

Members (population/acuity): All members who have genetic or molecular tests ordered could be impacted. Services would not be changed, however, the department would decrease the number of tests that may be ordered inappropriately. National studies have indicated there is a high percentage of inappropriately ordered genetic tests.

DP 691118 - Reduce Rates - Medicaid Durable Medical Equipment (DME) -

Adoption of the CY 2018 Medicare Durable Medical Equipment Prosthetics Orthotics and Supplies (DMEPOS) Fee schedule for the Medicaid Durable Medical Equipment (DME) Program. The Department currently reimburses DME providers based on the 2015 Medicare rates. Montana must align payment with CMS by January 1, 2018.

DP 691119 - Reduce Services - Medicaid Eye Exams & Eyeglass Benefits -

Change member eye exams and eyeglass benefits from once per year to once every two years.

DP 691120 - Reduce Services - Medicaid Orthodontia -

Redefine the medical necessity criteria for Medicaid members under the age of 20 to receive orthodontia benefits to reduce the number of members eligible for the benefit. The Handicapping Labio-Lingual Deviation (HLD) scoring index

would increase from 25 to 30 and will result in denials of approximately 25% of the orthodontia requests that are currently approved.

DP 691121 - Eliminate Program - Medicaid HIP -

Medicaid would end the current Health Improvement Program (HIP) and allow non-patient centered medical home (PCMH) / comprehensive primary care+ (CPC+) providers to bill for chronic care codes and add Urban federally qualified health center (FQHC) HIP. The current HIP has less than 2% of all eligible members currently in active and on demand categories. The program as it currently stands does not provide a benefit to the majority of members who are not high risk or high utilizers. In order for a provider to be reimbursed for the chronic care codes, the member must have multiple chronic conditions and be seen face to face by their primary care provider monthly and after any inpatient hospital admission.

DP 691122 - Reduce Rates - Medicaid Comprehensive Primary Care Plus (C -

Reduce Comprehensive Primary Care Plus (CPC+) per member per month capitation rates. Montana Medicaid currently uses the Medicare rates for reimbursing the per member per month capitation rates for CPC+. These rates are set based on the tract the provider is enrolled in and the stratified risk score of the individual member. Medicaid is the only payor in the CPC+ program who is paying the Medicare rates, all other payers are reimbursing at a lower rate. The rate reduction would reduce the CPC+ monthly capitation rates to match our current Patient Centered Medical Home (PCMH) rates.

DP 691123 - Reduce Rates - Change Medicaid NCQA providers to PCMH -

Allow all National Committee for Quality Assurance (NCQA) certified providers to become Patient Centered Medical Home (PCMH) providers. The majority of all federally qualified health centers (FQHCs) within the state are NCQA certified along with a few additional independent providers who are not already enrolled in comprehensive primary care+ (CPC+).

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 691202 - Reduce - IT Contracts MMIS & Flexible Rx	0.00	(233,198)	0	(699,594)	(932,792)	0.00	(233,198)	0	(699,594)	(932,792)
Total	0.00	(\$233,198)	\$0	(\$699,594)	(\$932,792)	0.00	(\$233,198)	\$0	(\$699,594)	(\$932,792)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 691202 - Reduce - IT Contracts MMIS & Flexible Rx -

Reduce payments for Conduent MMIS & Flexible Rx contracts.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 691601 - Do not fill positions	0.00	(85,741)	(5,258)	(127,691)	(218,690)	0.00	(86,198)	(5,286)	(128,373)	(219,857)
Total	0.00	(\$85,741)	(\$5,258)	(\$127,691)	(\$218,690)	0.00	(\$86,198)	(\$5,286)	(\$128,373)	(\$219,857)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 691601 - Do not fill positions -

Maintains vacancy of 14% of division positions through FY 2019.

New Proposals

The “New Proposals” table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 692201 - Reduce Program Operations -Medicaid Provider Support	0.00	(187,500)	0	(187,500)	(375,000)	0.00	(187,500)	0	(187,500)	(375,000)
DP 692202 - Restructure Operations of Adult Protective Services	0.00	(102,900)	0	(66,000)	(168,900)	0.00	(102,900)	0	(66,000)	(168,900)
DP 692203 - Reduce Services - Medicaid Big Sky Waiver	0.00	(1,143,460)	0	(2,267,143)	(3,410,603)	0.00	(1,143,460)	0	(2,267,143)	(3,410,603)
DP 692204 - Eliminate Program - Medicaid Healthcare for Healthcare Wor	0.00	(1,486,821)	0	(3,639,244)	(5,126,065)	0.00	(1,486,821)	0	(3,639,244)	(5,126,065)
DP 692205 - Add Program - Tribal Big Sky Waivers (Medicaid)	0.00	(518,100)	0	0	(518,100)	0.00	(518,100)	0	0	(518,100)
DP 692206 - Eliminate Services - Medicaid Optional Hospice Services	0.00	(1,377,330)	0	(2,610,308)	(3,987,638)	0.00	(1,567,789)	0	(2,971,264)	(4,539,053)
DP 692207 - Eliminate Services - Medicaid Personal Assistance Services	0.00	(1,573,595)	0	(2,982,268)	(4,555,863)	0.00	(1,573,595)	0	(2,982,268)	(4,555,863)
DP 692208 - Reduce Services - Medicaid Community First Choice	0.00	(927,731)	0	(2,303,818)	(3,231,549)	0.00	(927,731)	0	(2,303,818)	(3,231,549)
Total	0.00	(\$7,317,437)	\$0	(\$14,056,281)	(\$21,373,718)	0.00	(\$7,507,896)	\$0	(\$14,417,237)	(\$21,925,133)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 692201 - Reduce Program Operations -Medicaid Provider Support -

Reduce the number of staff hours providing support for Medicaid providers

DP 692202 - Restructure Operations of Adult Protective Services -

Reorganize Adult Protective Services by closing 1 person offices, discontinue print/mailing of forms, decrease non-service related travel, increase use of electronic meetings.

DP 692203 - Reduce Services - Medicaid Big Sky Waiver -

This option would reduce Medicaid Big Sky Waiver services to the level required by state policies and procedures, set caps on some services, reduce case management team (CMT) budgets and step up case review.

DP 692204 - Eliminate Program - Medicaid Healthcare for Healthcare Wor -

Eliminate add on payment for health care insurance for direct care workers in community based services programs.

DP 692205 - Add Program - Tribal Big Sky Waivers (Medicaid) -

SLTC is working toward getting a tribal waiver program approved by CMS. Most likely this reduction would not occur until FY 2019. Blackfeet and CSKT have shown interest. Workgroup needs to get off the ground. Estimate based on 75 enrolled tribal members being served on CSKT and Blackfeet reservations.

DP 692206 - Eliminate Services - Medicaid Optional Hospice Services -

Eliminate optional hospice service.

DP 692207 - Eliminate Services - Medicaid Personal Assistance Services -

Eliminate Personal Assistant Services (activities of daily living, household support, medical transportation) that are relatively equal to CFC services. Individuals would either lose services or meet NH level of care and go to Community First Choice.

DP 692208 - Reduce Services - Medicaid Community First Choice -

Reduce Community First Choice mileage, household support and streamline authorization.

69010 - Department of Public Health & Human Services33-Addictive & Mental Disorders Division

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 693301 - Increase pay for psychiatrists to generate a decrease in t	0.00	(187,500)	0	(187,500)	(375,000)	0.00	(187,500)	0	(187,500)	(375,000)
DP 693302 - Improve MSH Care - Psychiatrist Salaries	0.00	(600,000)	0	0	(600,000)	0.00	(600,000)	0	0	(600,000)
DP 693303 - Reduce Operating Costs - Montana State Hospital	0.00	(1,061,000)	0	0	(1,061,000)	0.00	(1,144,938)	0	0	(1,144,938)
DP 693305 - Add Utilization Review - Medicaid Substance Abuse Disorde	0.00	(150,972)	0	(285,292)	(436,264)	0.00	(150,972)	0	(285,292)	(436,264)
DP 693306 - Limit Services -Medicaid Mental Health Outpatient Therapy	0.00	(173,100)	0	(326,900)	(500,000)	0.00	(173,100)	0	(326,900)	(500,000)
DP 693307 - Eliminate Services - Non Federally Funded Chemical Depend	0.00	(822,088)	0	0	(822,088)	0.00	(822,088)	0	0	(822,088)
DP 693308 - Reduce Grants - Mental Health Crisis Intervention and Jai	0.00	(536,258)	0	0	(536,258)	0.00	(536,258)	0	0	(536,258)
DP 693309 - Eliminate Services - Medicaid Substance Use Disorder Targe	0.00	(170,681)	0	(170,681)	(341,362)	0.00	(170,681)	0	(170,681)	(341,362)
DP 693310 - Eliminate adult Severe disabling mental illness Targeted C	0.00	(3,758,004)	0	(7,091,037)	(10,849,041)	0.00	(3,758,004)	0	(7,091,037)	(10,849,041)
Total	0.00	(\$7,459,603)	\$0	(\$8,061,410)	(\$15,521,013)	0.00	(\$7,543,541)	\$0	(\$8,061,410)	(\$15,604,951)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 693301 - Increase pay for psychiatrists to generate a decrease in t -

Reduces the number of staff hours associated with support services to Medicaid recipients.

DP 693302 - Improve MSH Care - Psychiatrist Salaries -

Increases pay for psychiatrists to generate a decrease in the number of temporary professional staff, decreasing overall costs.

DP 693303 - Reduce Operating Costs - Montana State Hospital -

Reduces operating costs at Montana State Hospital, while maintaining health and safety of clients and staff.

LFD COMMENT	The Montana State Hospital had of finding of "immediate jeopardy" by CMS in January 2017, realted to a shortage of staff and inadequate facilities.
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DP 693305 - Add Utilization Review - Medicaid Substance Abuse Disorde -

Adds utilization review for intensive substance abuse disorder services.

DP 693306 - Limit Services -Medicaid Mental Health Outpatient Therapy -

Requires a physical assessment asserting Severe Disabling Mental Illness status for more than 12 sessions per year.

69010 - Department of Public Health & Human Services33-Addictive & Mental Disorders Division

DP 693307 - Eliminate Services - Non Federally Funded Chemical Dependence -

Eliminates state only funded chemical dependency treatment services.

DP 693308 - Reduce Grants - Mental Health Crisis Intervention and Jail -

Reduces County Matching Grants awarded for qualifying projects for community jail diversion and crisis intervention, and diversion from the Montana State Hospital.

DP 693309 - Eliminate Services - Medicaid Substance Use Disorder Targeted -

Eliminates Medicaid Substance Use Disorder targeted case management services.

DP 693310 - Eliminate adult Severe disabling mental illness Targeted C -

Eliminates Severe Disabling Mental Illness targeted case management services for adults.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	365.54	366.54	0.00	0.00	366.54	0.00	0.00	0.00
Personal Services	30,512,880	29,065,335	(249,381)	28,815,954	29,397,056	(249,580)	29,147,476	(498,961)
Operating Expenses	31,939,671	29,345,316	(268,938)	29,076,378	30,083,320	(271,036)	29,812,284	(539,974)
Equipment & Intangible Assets	101,740	101,740	0	101,740	101,740	0	101,740	0
Grants	1,635,863	1,635,863	0	1,635,863	1,635,863	0	1,635,863	0
Transfers	2,532,398	3,532,398	0	3,532,398	3,532,398	0	3,532,398	0
Total Costs	\$66,722,552	\$63,680,652	(\$518,319)	\$63,162,333	\$64,750,377	(\$520,616)	\$64,229,761	(\$1,038,935)
General Fund	5,790,643	5,186,062	(518,319)	4,667,743	5,206,095	(520,616)	4,685,479	(1,038,935)
State/other Special Rev. Funds	37,063,594	35,572,064	0	35,572,064	36,486,362	0	36,486,362	0
Federal Spec. Rev. Funds	23,868,315	22,922,526	0	22,922,526	23,057,920	0	23,057,920	0
Other	0	0	0	0	0	0	0	0
Total Funds	\$66,722,552	\$63,680,652	(\$518,319)	\$63,162,333	\$64,750,377	(\$520,616)	\$64,229,761	(\$1,038,935)
Total Ongoing	\$62,972,552	\$63,590,652	(\$518,319)	\$63,072,333	\$64,750,377	(\$520,616)	\$64,229,761	(\$1,038,935)
Total OTO	\$3,750,000	\$90,000	\$0	\$90,000	\$0	\$0	\$0	\$0

Summary of Proposed Spending Reductions**Summary of Proposed Spending Reductions**

OBPP recommends the general fund expenditures for the Department of Environmental Quality be reduced by 10.0% from the HB 2 / SB 294 level. Of the total reductions, 52.0% occurred in operating expense and 48.0% in personal services. Reductions in personal services and operating expense occur in the Enforcement Division, Waste Management & Remediation Division and the Air, Energy & Mining Division. The Water Quality division will reduce personal services expenses. The agency will reduce support for air quality programs in thirteen communities within eight counties.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

None

Cost Shifts

OBPP proposes to shift the \$70,000 per year cost of the state recycling program from the state general fund to solid waste management fees. The agency collects license fees from operators of solid waste management facilities. This may result in a increases in fees charged to the public.

Federal Special Revenue Funds

None

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20 - 17-7-140 Reductions	0.00	(114,319)	0	0	(114,319)	0.00	(115,615)	0	0	(115,615)
Total	0.00	(\$114,319)	\$0	\$0	(\$114,319)	0.00	(\$115,615)	\$0	\$0	(\$115,615)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 20 - 17-7-140 Reductions -

The OBPP proposes to reduce general fund expenditures for operations in both years of the biennium. These reductions include, but are not limited to, data collection support, monitoring, technical assistance and training related to the monitoring of water quality. The services identified are not required by state or federal law.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 30 - 17-7-140 Reductions	0.00	(120,000)	0	0	(120,000)	0.00	(121,000)	0	0	(121,000)
Total	0.00	(\$120,000)	\$0	\$0	(\$120,000)	0.00	(\$121,000)	\$0	\$0	(\$121,000)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 30 - 17-7-140 Reductions -

The OBPP proposes to reduce general fund expenditures for personal services and operations in each year of the biennium through vacancy savings created by retirement and other attrition. Workload will be shifted to existing managers and staff in other divisions.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 40 - 17-7-140 Reductions	0.00	(70,000)	0	0	(70,000)	0.00	(70,000)	0	0	(70,000)
Total	0.00	(\$70,000)	\$0	\$0	(\$70,000)	0.00	(\$70,000)	\$0	\$0	(\$70,000)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 40 - 17-7-140 Reductions -

The OBPP proposes to reduce the general fund expenditures for personal services and operations. The agency plans to shift this general fund expense for the state recycling program to the appropriation from state special revenue, Solid Waste Management Fees (Fund 02157).

LFD COMMENT

The Solid Waste Management Fee fund revenues come from licenses fees collected by the agency from operators of solid waste management systems. The fees are proposed by the agency and approved by the Board of Environmental Review. Assuming that the fee structures remain the same LFD estimates that there are sufficient funds available.

The table below shows the ending fund balance in the solid waste management fund for the last four fiscal years.

02157 Solid Waste Management Fee Fund Balance				
<u>Ledger Account</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Beginning Fund Balance	\$379,190	\$315,992	\$258,864	\$474,640
Revenues	749,758	780,306	987,553	1,072,584
Disbursements	(812,956)	(837,433)	(771,777)	(792,954)
Ending Fund Balance	\$315,992	\$258,864	\$474,640	\$754,269

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 50 - 17-7-140 Reductions	0.00	(214,000)	0	0	(214,000)	0.00	(214,001)	0	0	(214,001)
Total	0.00	(\$214,000)	\$0	\$0	(\$214,000)	0.00	(\$214,001)	\$0	\$0	(\$214,001)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 50 - 17-7-140 Reductions -

The OBPP proposes to reduce the general fund expenditures for personal services and operations. The agency will generate vacancy savings through the consolidation of responsibility for the following positions: fiscal analyst, open-cut mine permitting, and administrative support position.

The agency will also reduce by 10% grant assistance to the eight delegated county air quality programs in Montana. The counties with delegated programs are Butte-Silver Bow, Cascade, Flathead, Lewis & Clark, Lincoln, Missoula, Ravalli, and Yellowstone. Thirteen communities are the primary focus of these county air programs: Butte, Great Falls, Kalispell, Columbia Falls, Whitefish, Helena, East Helena, Libby, Missoula, Seeley Lake, Hamilton, Billings, and Laurel. These County programs typically involve woodstove burning control, road dust control, open burning control, ambient monitoring, administration of local regulations, technical support studies, and state air pollution control plan support.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	2.00	131.62	0.00	0.00	131.62	0.00	0.00	0.00
Personal Services	8,607,013	8,884,440	(83,685)	8,800,755	8,987,978	(84,324)	8,903,654	(168,009)
Operating Expenses	3,740,674	2,576,051	(171,497)	2,404,554	2,444,391	(171,910)	2,272,481	(343,407)
Equipment & Intangible Assets	13,000	0	0	0	0	0	0	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	513,481	384,481	0	384,481	384,481	0	384,481	0
Debt Service	19,967	0	0	0	0	0	0	0
Total Costs	\$12,894,135	\$11,844,972	(\$255,182)	\$11,589,790	\$11,816,850	(\$256,234)	\$11,560,616	(\$511,416)
General Fund	2,721,784	2,551,816	(255,182)	2,296,634	2,562,332	(256,234)	2,306,098	(511,416)
State/other Special Rev. Funds	8,183,541	7,468,444	0	7,468,444	7,406,543	0	7,406,543	0
Federal Spec. Rev. Funds	1,988,810	1,824,712	0	1,824,712	1,847,975	0	1,847,975	0
Total Funds	\$12,894,135	\$11,844,972	(\$255,182)	\$11,589,790	\$11,816,850	(\$256,234)	\$11,560,616	(\$511,416)
Total Ongoing	\$734,234	\$11,829,972	(\$255,182)	\$11,574,790	\$11,816,850	(\$256,234)	\$11,560,616	(\$511,416)
Total OTO	\$12,159,901	\$15,000	\$0	\$15,000	\$0	\$0	\$0	\$0

Summary of Proposed Spending Reductions**Summary of Proposed Spending Reductions**

OBPP recommends the general fund expenditures for the Department of Livestock be reduced by 10.0% from the HB 2 / SB 294 level. Of the total reductions, 67.1% occurred in operating expense and 32.9% in personal services. Reductions in personal services and operating expense occur in the Animal Health Division. The Centralized Services Program will reduce operating expenses.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

None

Cost Shifts

A reduction in the general fund appropriation for rent will be shifted to a state special revenue from Per Capita Fees within the central services program. A shift from general fund to a state special fund may result in an increase in fees charged to the public.

Federal Special Revenue Funds

A reduction of general funds totaling \$184,000 for meat and poultry inspection will result in the loss of matching federal funds within the Animal Health Division.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 10401 - LLB REDUCTION	0.00	(9,185)	0	0	(9,185)	0.00	(9,307)	0	0	(9,307)
Total	0.00	(\$9,185)	\$0	\$0	(\$9,185)	0.00	(\$9,307)	\$0	\$0	(\$9,307)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 10401 - LLB REDUCTION -

The OBPP proposes to reduce general fund expenditures for operations in both years of the biennium. Savings will be achieved through a reduction in travel for the agency and the livestock loss board. The agency will shift the some of the expenditures for rent to Livestock Per Capita fund.

LFD COMMENT

A shift from general fund to state special revenue may require an increase in fees or fewer service delivered for existing fees. For the agency to actually expend these funds depends on a sufficient fund balance and the state special appropriation authority granted to the agency. In recent biennia the revenue from the Per Capita fees have exceeded disbursements by an average of about \$670,000 each year. The table below summarizes the Per Capita Fund for the last two biennium.

02426 Livestock Per Capita Fund Balance				
<u>Ledger Account</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Beginning Fund Balance	\$1,111,499	\$729,250	\$1,157,020	\$2,576,331
Revenues	4,599,086	4,765,595	4,926,875	5,167,783
Disbursements	(5,079,696)	(4,396,845)	(3,507,564)	(3,959,850)
Prior Period Adjustments	98,362	59,020	0	0
Ending Fund Balance	\$729,250	\$1,157,020	\$2,576,331	\$3,784,265

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 40401 - DSA REDUCTION	0.00	(83,685)	0	0	(83,685)	0.00	(84,324)	0	0	(84,324)
DP 40402 - DIAG LAB REDUCTION	0.00	(70,577)	0	0	(70,577)	0.00	(70,564)	0	0	(70,564)
DP 40403 - MEAT INS REDUCTION	0.00	(91,735)	0	0	(91,735)	0.00	(92,039)	0	0	(92,039)
Total	0.00	(\$245,997)	\$0	\$0	(\$245,997)	0.00	(\$246,927)	\$0	\$0	(\$246,927)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 40401 - DSA REDUCTION -

The OBPP proposes to reduce expenditures for testing for brucellosis in the Designated Surveillance Area in the vicinity of Yellowstone National Park.

LFD COMMENT	The proposed level of funding would not support increased testing of cattle should there be an outbreak of brucellosis.
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DP 40402 - DIAG LAB REDUCTION -

The OBPP proposes to reduce general fund expenditures for operating expenses in each year of the biennium through the reduction of testing supplies in the Animal Health Division.

LFD COMMENT	The diagnostic laboratory is used to test for brucellosis and other animal diseases affecting public health. A reduction in general fund for testing supplies may put more pressure on other sources of funding such as the Per Capita fee and lab fees charged to the public.
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DP 40403 - MEAT INS REDUCTION -

The OBPP proposes to reduce general fund expenditures for operating expense in each year of the biennium by reducing vehicle leases and travel.

LFD COMMENT	The meat and poultry inspection program is matched with federal funds. This reduction will result in a loss of an equal amount of federal funds.
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Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	524.36	527.62	0.00	0.00	527.62	0.00	0.00	0.00
Personal Services	40,225,843	38,799,286	(379,655)	38,419,631	39,122,875	(369,804)	38,753,071	(749,459)
Operating Expenses	20,212,320	18,538,917	(723,173)	17,815,744	18,467,846	(731,165)	17,736,681	(1,454,338)
Equipment & Intangible Assets	1,353,066	1,353,066	(195,303)	1,157,763	1,353,066	(195,303)	1,157,763	(390,606)
Capital Outlay	0	0	0	0	0	0	0	0
Local Assistance	3,058,090	3,874,477	0	3,874,477	3,890,936	0	3,890,936	0
Grants	1,640,262	1,575,792	(133,000)	1,442,792	1,521,288	(133,000)	1,388,288	(266,000)
Benefits & Claims	200,000	200,000	0	200,000	200,000	0	200,000	0
Transfers	1,483,743	1,683,743	(18,125)	1,665,618	1,703,743	(18,125)	1,685,618	(36,250)
Debt Service	785,341	785,341	(16,216)	769,125	785,341	(16,216)	769,125	(32,432)
Total Costs	\$68,958,665	\$66,810,622	(\$1,465,472)	\$65,345,150	\$67,045,095	(\$1,463,613)	\$65,581,482	(\$2,929,085)
General Fund	30,450,041	27,136,779	(1,465,472)	25,671,307	27,203,033	(1,463,613)	25,739,420	(2,929,085)
State/other Special Rev. Funds	36,161,767	37,183,670	0	37,183,670	37,342,974	0	37,342,974	0
Federal Spec. Rev. Funds	2,346,857	2,490,173	0	2,490,173	2,499,088	0	2,499,088	0
Other	0	0	0	0	0	0	0	0
Total Funds	\$68,958,665	\$66,810,622	(\$1,465,472)	\$65,345,150	\$67,045,095	(\$1,463,613)	\$65,581,482	(\$2,929,085)
Total Ongoing	\$68,033,358	\$65,148,716	(\$1,465,472)	\$63,683,244	\$65,483,189	(\$1,463,613)	\$64,019,576	(\$2,929,085)
Total OTO	\$925,307	\$1,661,906	\$0	\$1,661,906	\$1,561,906	\$0	\$1,561,906	\$0

Summary of Proposed Spending Reductions**Summary of Proposed Spending Reductions**

OBPP recommends the general fund expenditures for the Department of Natural Resources and Conservation decrease by 5.4% from the HB 2 / SB 294 level. Of the total reductions, 25.6% occurred in personal services, 49.7% in operating expense, 13.3% in equipment and intangible assets, 9.1% in grants and, 1.1% in debt service. Reductions in personal services occur in the Director's Office and the Water Resources Division. Reductions in operating expenses occur in the Conservation and Resources Development Division, Forestry & Trust Lands Management Division and Water Resources Division. Reductions in grants occur in the Forestry and Trust Lands Management Division.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

None

Cost Shifts

None

Federal Special Revenue Funds

None

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2101 - DNRC-DIRECTORS OFFICE 10% Reduction	0.00	(370,425)	0	0	(370,425)	0.00	(360,574)	0	0	(360,574)
Total	0.00	(\$370,425)	\$0	\$0	(\$370,425)	0.00	(\$360,574)	\$0	\$0	(\$360,574)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2101 - DNRC-DIRECTORS OFFICE 10% Reduction -

The OBPP proposes to reduce the general fund expenditures through reductions in personal services, equipment purchase, and will allow certain leases to expire. Of the total reduction, 78% will occur in personal services through vacancy savings, voluntary furloughs without pay, and other reductions to staff hours.

New Proposals

The “New Proposals” table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2301 - DNRC-CARDD 10% Reduction	0.00	(172,275)	0	0	(172,275)	0.00	(172,943)	0	0	(172,943)
Total	0.00	(\$172,275)	\$0	\$0	(\$172,275)	0.00	(\$172,943)	\$0	\$0	(\$172,943)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2301 - DNRC-CARDD 10% Reduction -

The OBPP proposes to reduce the general fund expenditures through reductions in operations and grants. Reductions will occur in conservation districts support through the Sheridan Groundwater study, permitting of projects that impact the natural flow of streams and rivers (310 permitting), and Montana Salinity Control program.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2401 - DNRC-WRD 10% Reduction	0.00	(907,036)	0	0	(907,036)	0.00	(914,355)	0	0	(914,355)
Total	0.00	(\$907,036)	\$0	\$0	(\$907,036)	0.00	(\$914,355)	\$0	\$0	(\$914,355)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2401 - DNRC-WRD 10% Reduction -

The OBPP proposes to reduce the general fund expenditures through reductions in personal services, operations, equipment and tangible assets, and transfers. Savings will be achieved by reducing shared cost for USGS stream gauges and other water measurement work. Other savings in operating expenses will be through reduction in staff training and travel. The agency will forego the replacement of equipment.

LFD COMMENT	<p>Currently DNRC shares the cost with USGS on 43 stream gauges across the state. The average cost to maintain and operate these gauges is about \$13,000 of which the agency pays 57%. DNRC will not budget for 7 of these gauges. The USGS will not subsidize the balance, as a result these gauges are inactive and unsupported as of September 2017. The affected gauges are;</p> <ul style="list-style-type: none"> • Pryor Creek near Huntley, MT • Big Spring Creek near Lewistown, MT • Blackfoot River above Nevada Creek near Helmville, MT • Stillwater River at Lawrence Park at Kalispell, MT • Whitefish River near mouth at Kalispell, MT • Flathead River at Flathead BC • Flathead River at Columbia Falls
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57060 - Natural Resources and Conservation 35-Forestry & Trust Lands Management Division

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 350102 - DNRC-TLMD 10% Reduction	0.00	(15,736)	0	0	(15,736)	0.00	(15,741)	0	0	(15,741)
Total	0.00	(\$15,736)	\$0	\$0	(\$15,736)	0.00	(\$15,741)	\$0	\$0	(\$15,741)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 350102 - DNRC-TLMD 10% Reduction -

The OBPP proposes to reduce the general fund expenditures through reductions in operating expenses for the management of the Montana State University-Morrill Trust lands.

LFD COMMENT

Federal statute prohibits the use of interest and income from the Morrill Trust lands to be used for the cost of managing the trust lands. The 2007 legislature passed HB 19 which prohibited the use of interest and income from the Morrill Trust for the management of the trust lands and created a statutory appropriation of \$80,000 to a state special revenue account each biennium from the general fund for the management of these lands. The table below summarizes the ending fund balance in this account for the last two biennia.

Morrill Trust Land Administration (02297) Ending Fund Balance				
	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Balance	\$462	\$54,796	\$30,590	\$57,450
Revenue (statutory approp. from GF)	80,000	-	80,000	-
Expenditures	(25,947)	(24,206)	(53,140)	(52,656)
Prior Period Adjustments	281	-	-	-
Ending Balance	\$54,796	\$30,590	\$57,450	\$4,794

The agency received an \$80,000 general fund appropriation in each year of the 2019 biennium to augment the state special revenue summarized in the table above. OBPP proposes to reduce this appropriation by \$15,736 in FY 2018 and \$15,741 in FY 2019. This would reduce total funding available for management of the trust lands by 13.1%. Expenditures are, in part, required to prepare for the sale of timber and or grazing leases and as such, a reduction in expenditures may result in lower revenues in future years.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	114.74	114.42	0.00	0.00	114.42	0.00	0.00	0.00
Personal Services	8,232,774	7,848,339	(68,158)	7,780,181	7,931,041	(63,810)	7,867,231	(131,968)
Operating Expenses	4,557,285	5,003,840	0	5,003,840	4,318,764	0	4,318,764	0
Equipment & Intangible Assets	363,889	413,889	0	413,889	413,889	0	413,889	0
Grants	4,816,778	6,164,385	(10,046)	6,154,339	4,840,761	(10,044)	4,830,717	(20,090)
Transfers	129,757	129,757	0	129,757	129,757	0	129,757	0
Total Costs	\$18,100,483	\$19,560,210	(\$78,204)	\$19,482,006	\$17,634,212	(\$73,854)	\$17,560,358	(\$152,058)
General Fund	959,700	782,043	(78,204)	703,839	738,543	(73,854)	664,689	(152,058)
State/other Special Rev. Funds	15,167,533	17,108,832	0	17,108,832	15,209,293	0	15,209,293	0
Federal Spec. Rev. Funds	1,324,589	1,194,885	0	1,194,885	1,208,050	0	1,208,050	0
Other	648,661	474,450	0	474,450	478,326	0	478,326	0
Total Funds	\$18,100,483	\$19,560,210	(\$78,204)	\$19,482,006	\$17,634,212	(\$73,854)	\$17,560,358	(\$152,058)
Total Ongoing	\$17,867,925	\$17,560,210	(\$78,204)	\$17,482,006	\$17,634,212	(\$73,854)	\$17,560,358	(\$152,058)
Total OTO	\$232,558	\$2,000,000	\$0	\$2,000,000	\$0	\$0	\$0	\$0

Summary of Proposed Spending Reductions**Summary of Proposed Spending Reductions**

OBPP recommends the general fund expenditures for the Department of Agriculture be reduced by 10.0% from the HB 2 level. Of the total reductions, 86.8% occurred in personal service and 13.2% in grants. Reductions in personal services occur in the Central Services Division, Agricultural Sciences Division and, Agricultural Development Division. Grants for noxious weed management will be reduced in the Agricultural Sciences Division.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

None

Cost Shifts

Reductions in IT costs, inspection of grain and animal feed will be shifted from the general fund to various state special revenue funds.

Federal Special Revenue Funds

None

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1501 - Program 15, 17-7-140 reductions	0.00	(15,664)	0	0	(15,664)	0.00	(11,035)	0	0	(11,035)
Total	0.00	(\$15,664)	\$0	\$0	(\$15,664)	0.00	(\$11,035)	\$0	\$0	(\$11,035)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1501 - Program 15, 17-7-140 reductions -

The OBPP proposes to reduce general fund expenditures for personal services and shift expenses to existing appropriations for various state special revenue funds.

LFD COMMENT	A shift from general fund to state special revenue may require an increase in fees or fewer services delivered for existing fees. For the agency to actually expend these funds depends on a sufficient fund balance and the state special appropriation authority granted to the agency.
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New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3001 - Program 30, 17-7-140 reductions	0.00	(22,890)	0	0	(22,890)	0.00	(22,945)	0	0	(22,945)
Total	0.00	(\$22,890)	\$0	\$0	(\$22,890)	0.00	(\$22,945)	\$0	\$0	(\$22,945)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 3001 - Program 30, 17-7-140 reductions -

The OBPP proposes to reduce the general fund expenditures for personal services and grants for noxious weed management in each year of the biennium. Personal services expenses will be shifted to the existing appropriation for state special revenue. Grants for noxious weeds are not mandated by statute and will be reduced by 10%. The agency will reduce and shift a portion of the cost of the department's BSE program (mad cow disease) for the inspection of foreign and domestic feed from general fund to feed program state special revenues, fees collected from the agricultural industry.

LFD COMMENT	A shift from general fund to state special revenue may require an increase in fees or fewer service delivered for existing fees. For the agency to actually expend these funds depends on a sufficient fund balance and the state special appropriation authority granted to the agency.
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New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5001 - Program 50, 17-7-140 reductions	0.00	(39,650)	0	0	(39,650)	0.00	(39,874)	0	0	(39,874)
Total	0.00	(\$39,650)	\$0	\$0	(\$39,650)	0.00	(\$39,874)	\$0	\$0	(\$39,874)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 5001 - Program 50, 17-7-140 reductions -

The OBPP proposes to reduce general fund expenditures for personal services and shift expenses to the existing appropriation for state special revenue, sampling and grading fees paid by producers and elevators.

LFD COMMENT	A shift from general fund to state special revenue may require an increase in fees or fewer service delivered for existing fees. For the agency to actually expend these funds depends on sufficient fund balance and the state special appropriation authority granted to the agency.
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Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	17.50	17.50	0.00	0.00	17.50	0.00	0.00	0.00
Personal Services	1,422,689	1,411,580	(22,588)	1,388,992	1,430,168	(16,000)	1,414,168	(38,588)
Operating Expenses	1,007,853	935,013	(26,500)	908,513	958,235	(36,828)	921,407	(63,328)
Equipment & Intangible Assets	12,909	12,909	0	12,909	12,909	0	12,909	0
Grants	4,982,452	9,833,395	(180,000)	9,653,395	9,833,395	(180,000)	9,653,395	(360,000)
Transfers	760,817	2,660,817	0	2,660,817	2,660,817	0	2,660,817	0
Total Costs	\$8,186,720	\$14,853,714	(\$229,088)	\$14,624,626	\$14,895,524	(\$232,828)	\$14,662,696	(\$461,916)
General Fund	2,513,078	2,291,058	(229,088)	2,061,970	2,328,275	(232,828)	2,095,447	(461,916)
State/other Special Rev. Funds	122,176	122,187	0	122,187	122,215	0	122,215	0
Federal Spec. Rev. Funds	5,551,466	12,440,469	0	12,440,469	12,445,034	0	12,445,034	0
Total Funds	\$8,186,720	\$14,853,714	(\$229,088)	\$14,624,626	\$14,895,524	(\$232,828)	\$14,662,696	(\$461,916)
Total Ongoing	\$8,186,720	\$14,653,714	(\$229,088)	\$14,424,626	\$14,695,524	(\$232,828)	\$14,462,696	(\$461,916)
Total OTO	\$0	\$200,000	\$0	\$200,000	\$200,000	\$0	\$200,000	\$0

Summary of Proposed Spending Reductions

OBPP recommends the Montana Board of Crime Control reduces their budget by \$461,916 general fund for the 2019 biennium. These savings come from not filling two positions in FY 2018. Operating expense reductions in FY 2018 and FY 2019 will be related to ITSD costs savings; the sum of these reductions is \$61,916 for the biennium. Additionally, the recommendation would remove \$200,000 each year from funding appropriated in HB 2 for SB 65, which provides housing options for offenders.

Legal Issues

None identified at this time.

Cost Shifts

None identified at this time.

Federal Special Revenue Funds

None identified at this time.

New Proposals

The “New Proposals” table shows new changes to expenditures.

New Proposals	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - 17-7-140 Reduction 41070	0.00	(29,088)	0	0	(29,088)	0.00	(32,828)	0	0	(32,828)
DP 2 - 17-7-140 Reduction 41070 SB065	0.00	(200,000)	0	0	(200,000)	0.00	(200,000)	0	0	(200,000)
Total	0.00	(\$229,088)	\$0	\$0	(\$229,088)	0.00	(\$232,828)	\$0	\$0	(\$232,828)

***Total Funds** amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - 17-7-140 Reduction 41070 -

The reductions for the Montana Board of Crime Control (MBCC) include reductions in FY 2018 funding for \$6,588 in account 61000 (Personal Services) and \$22,500 in account 62000 (operating expenses). Currently MBCC has two vacant positions that have not been filled. The vacancy savings already realized from these two positions will cover the reduction of \$6,588 in FY 2018 to personal services account without creating any undo impact on the agency. The operating expenditure reductions will be covered under contracted services, software maintenance agreements and expected ITSD cost savings related to the MBCC transition to the Department of Corrections (DOC). In FY 2019 MBCC anticipates the two vacant positions to be filled and as such, \$32,828 will be reduced from operating expenses. These reductions will also be covered under contracted services, software maintenance agreements and expected ITSD cost savings related to the MBCC transition to DOC. The agency predicts minimal impacts to their offered programs with these reductions.

DP 2 - 17-7-140 Reduction 41070 SB065 -

This appropriation is one time only to start up a new initiative. The bill has an effective date of 10/1/2017 so has not yet begun. No local programs will be harmed or lose funding. SB 65 states “within available funds” so is not mandatory to be implemented. Further, SB 65 allows for the board to utilize state, federal or private funds. If determined a priority, MBCC staff can pursue federal grant funds and launch the program in future years. The funding reduction is broken down below:

61000 (Personal Services) - (\$16,000)

62000 (Operating Expenses) - (\$4,000)

66000 (Grants) - (\$180,000)

Total reduction in both FY 2018 and FY 2019 will be \$200,000 each year or \$400,000 for the 2019 Biennium.

LFD COMMENT	SB 65 was part of series of bills passed by the 2017 Legislature with the intent of reducing overall costs.
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Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	759.42	770.42	0.00	0.00	770.42	0.00	0.00	0.00
Personal Services	60,843,867	60,330,732	(3,251,833)	57,078,899	60,283,953	(3,227,829)	57,056,124	(6,479,662)
Operating Expenses	36,178,496	36,082,244	(39,935)	36,042,309	36,525,239	(40,689)	36,484,550	(80,624)
Equipment & Intangible Assets	2,355,325	3,195,422	0	3,195,422	2,355,325	0	2,355,325	0
Capital Outlay	0	0	0	0	0	0	0	0
Grants	90,000	90,000	0	90,000	90,000	0	90,000	0
Benefits & Claims	1,121,191	1,121,191	0	1,121,191	1,121,191	0	1,121,191	0
Transfers	11,295	11,295	0	11,295	11,295	0	11,295	0
Debt Service	726,796	951,497	0	951,497	951,497	0	951,497	0
Total Costs	\$101,326,970	\$101,782,381	(\$3,291,768)	\$98,490,613	\$101,338,500	(\$3,268,518)	\$98,069,982	(\$6,560,286)
General Fund	35,768,606	34,411,231	(3,291,768)	31,119,463	34,149,606	(3,268,518)	30,881,088	(6,560,286)
State/other Special Rev. Funds	62,279,197	64,135,769	0	64,135,769	63,948,853	0	63,948,853	0
Federal Spec. Rev. Funds	1,364,087	1,353,014	0	1,353,014	1,351,886	0	1,351,886	0
Other	1,915,080	1,882,367	0	1,882,367	1,888,155	0	1,888,155	0
Total Funds	\$101,326,970	\$101,782,381	(\$3,291,768)	\$98,490,613	\$101,338,500	(\$3,268,518)	\$98,069,982	(\$6,560,286)
Total Ongoing	\$101,227,059	\$100,482,381	(\$3,291,768)	\$97,190,613	\$100,838,500	(\$3,268,518)	\$97,569,982	(\$6,560,286)
Total OTO	\$99,911	\$1,300,000	\$0	\$1,300,000	\$500,000	\$0	\$500,000	\$0

Summary of Proposed Spending Reductions

OBPP recommends reducing the Department of Justice expenditures by \$6.6 million general fund for the biennium. Two programs are not impacted by agency reductions and include the Gambling Control Division and Agency Legal Services, due to the fact that they are not funded by general fund. All program reductions in the department are absorbed by personal services as recommended by OBPP, however, the department recognizes that other expenditure areas, such as equipment and operations, will likely be reduced during implementation of 17-7-140, MCA.

Legal Issues

The department has indicted closure of the satellite chemistry lab in Billings. This would be in violation of a statute indicating Yellowstone County is required to have such a facility. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and attached as Appendix B.

Cost Shifts

The department has indicated that elimination of child hair testing in the Forensic Science Division would occur with the reductions. This would shift costs back to the Department of Public Health and Human Services.

Federal Special Revenue

None identified at this time.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 41101 - Reduction Program 01	0.00	(638,010)	0	0	(638,010)	0.00	(670,283)	0	0	(670,283)
Total	0.00	(\$638,010)	\$0	\$0	(\$638,010)	0.00	(\$670,283)	\$0	\$0	(\$670,283)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 41101 - Reduction Program 01 -

In accordance with 17-7-140, MCA, this agency may only be reduced by the average of the reduction of other executive branch agencies. Therefore, the general fund expenditures in the Legal Services Division will be reduced by 9.571% equal to \$638,010 in FY 2018 and \$670,283 in FY 2019. Although OBPP has proposed all reductions in personal services, other areas such as limiting travel and other operational expenditures may be used to support the reduction.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 41104 - Reduction Program 04	0.00	(424,649)	0	0	(424,649)	0.00	(432,595)	0	0	(432,595)
Total	0.00	(\$424,649)	\$0	\$0	(\$424,649)	0.00	(\$432,595)	\$0	\$0	(\$432,595)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 41104 - Reduction Program 04 -

In accordance with 17-7-140, MCA, this agency may only be reduced by the average of the reduction of other executive branch agencies. Therefore, the general fund expenditures in Program 04 - Justice Information Technology Services will be reduced by 9.571% equal to \$424,649 in FY 2018 and \$432,595 in FY 2019. Although OBPP has proposed all reductions in personal services, other areas such as reducing maintenance contracts and equipment purchases and other operational expenditures may be used to support the reduction.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 41105 - Reduction Program 05	0.00	(711,707)	0	0	(711,707)	0.00	(721,805)	0	0	(721,805)
Total	0.00	(\$711,707)	\$0	\$0	(\$711,707)	0.00	(\$721,805)	\$0	\$0	(\$721,805)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 41105 - Reduction Program 05 -

In accordance with 17-7-140, MCA, this agency may only be reduced by the average of the reduction of other executive branch agencies. Therefore, the general fund expenditures in Program 05 - Division of Criminal Investigations will be reduced by 9.571% equal to \$711,707 in FY 2018 and \$721,805 in FY 2019. Although OBPP has proposed all reductions in personal services, other areas such as reducing grants or other operational expenditures may be used to support the reduction.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 41108 - Reduction Program 08	0.00	(536,775)	0	0	(536,775)	0.00	(373,643)	0	0	(373,643)
Total	0.00	(\$536,775)	\$0	\$0	(\$536,775)	0.00	(\$373,643)	\$0	\$0	(\$373,643)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 41108 - Reduction Program 08 -

In accordance with 17-7-140, MCA, this agency may only be reduced by the average of the reduction of other executive branch agencies. Therefore, the general fund expenditures in Program 08 - Forensic Services Division will be reduced by 9.571% equal to \$536,775 in FY 2018 and \$373,643 in FY 2019. Although OBPP has proposed all reductions in personal services, other areas such as eliminating hair testing, closure of the satellite chemistry lab in Billings and reducing other operational expenditures may be used to support the reduction.

LFD COMMENT	Closure of the chemistry lab in Billings may be in violation of statute. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and attached as Appendix B.
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LFD COMMENT	A cost shift to DPHHS will occur with the elimination of child hair testing, which was part of the agencies original submission for budget reductions.
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New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 41109 - Reduction Program 09	0.00	(832,927)	0	0	(832,927)	0.00	(924,405)	0	0	(924,405)
Total	0.00	(\$832,927)	\$0	\$0	(\$832,927)	0.00	(\$924,405)	\$0	\$0	(\$924,405)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 41109 - Reduction Program 09 -

In accordance with 17-7-140, MCA, this agency may only be reduced by the average of the reduction of other executive branch agencies. Therefore, the general fund expenditures in Program 09 - Motor Vehicle Division will be reduced by 9.571% equal to \$832,927 in FY 2018 and \$924,405 in FY 2019. Although OBPP has proposed a full reduction in personal services, other areas such as reduction of proposed contract for 24/7 testing and other operational expenditures may be used to support the reduction.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 41110 - Reduction Program 10	0.00	(107,765)	0	0	(107,765)	0.00	(105,098)	0	0	(105,098)
Total	0.00	(\$107,765)	\$0	\$0	(\$107,765)	0.00	(\$105,098)	\$0	\$0	(\$105,098)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 41110 - Reduction Program 10 -

In accordance with 17-7-140, MCA, this agency may only be reduced by the average of the reduction of other executive branch agencies. Therefore, the general fund expenditures in Program 10 - Central Services Division will be reduced by 9.571% equal to \$107,765 in FY 2018 and \$105,098 in FY 2019. The determination regarding specific reductions will be made at the discretion of the agency.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 41119 - Reduction Program 19	0.00	(39,935)	0	0	(39,935)	0.00	(40,689)	0	0	(40,689)
Total	0.00	(\$39,935)	\$0	\$0	(\$39,935)	0.00	(\$40,689)	\$0	\$0	(\$40,689)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 41119 - Reduction Program 19 -

In accordance with 17-7-140, MCA, this agency may only be reduced by the average of the reduction of other executive branch agencies. Therefore, the general fund expenditures in Program 19 - Post Council will be reduced by 9.571% equal to \$39,935 in FY 2018 and \$40,689 in FY 2019. The determination regarding specific reductions will be made at the discretion of the agency.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	0.00	271.94	0.00	0.00	271.94	0.00	0.00	0.00
Personal Services	22,333,094	22,584,837	0	22,584,837	22,702,502	0	22,702,502	0
Operating Expenses	12,605,179	10,026,699	(3,263,009)	6,763,690	9,364,753	(3,208,581)	6,156,172	(6,471,590)
Equipment & Intangible Assets	18,554	18,554	0	18,554	18,554	0	18,554	0
Total Costs	\$34,956,827	\$32,630,090	(\$3,263,009)	\$29,367,081	\$32,085,809	(\$3,208,581)	\$28,877,228	(\$6,471,590)
General Fund	34,682,901	32,630,090	(3,263,009)	29,367,081	32,085,809	(3,208,581)	28,877,228	(6,471,590)
State/other Special Rev. Funds	273,926	0	0	0	0	0	0	0
Total Funds	\$34,956,827	\$32,630,090	(\$3,263,009)	\$29,367,081	\$32,085,809	(\$3,208,581)	\$28,877,228	(\$6,471,590)
Total Ongoing	\$2,813,640	\$32,105,090	(\$3,263,009)	\$28,842,081	\$31,585,809	(\$3,208,581)	\$28,377,228	(\$6,471,590)
Total OTO	\$32,143,187	\$525,000	\$0	\$525,000	\$500,000	\$0	\$500,000	\$0

Summary of Proposed Spending Reductions

OBPP recommends a reduction of \$6.5 million general fund expenditures for the biennium. These reductions are related to reducing OPD contract attorneys. This change will force caseloads to be shifted to existing attorneys and likely create wait times in the judicial system.

Legal Issues

none identified at this time

Cost Shifts

none identified at this time

Federal Special Revenue Funds

none identified at this time

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 20 - 17-7-140 MCA Reduction Prog 01	0.00	(2,138,592)	0	0	(2,138,592)	0.00	(2,090,523)	0	0	(2,090,523)
Total	0.00	(\$2,138,592)	\$0	\$0	(\$2,138,592)	0.00	(\$2,090,523)	\$0	\$0	(\$2,090,523)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 20 - 17-7-140 MCA Reduction Prog 01 -

To make this reduction, the agency will discontinue the use of contract attorneys to cut these costs. Cases would be handled by existing attorneys within OPD.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 21 - 17-7-140 MCA Reduction Prog 02	0.00	(190,292)	0	0	(190,292)	0.00	(191,077)	0	0	(191,077)
Total	0.00	(\$190,292)	\$0	\$0	(\$190,292)	0.00	(\$191,077)	\$0	\$0	(\$191,077)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 21 - 17-7-140 MCA Reduction Prog 02 -

To make this reduction, the agency will discontinue the use of contract attorneys to cut these costs. Cases would be handled by existing attorneys within OPD.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 22 - 17-7-140 MCA Reduction Prog 03	0.00	(668,733)	0	0	(668,733)	0.00	(669,255)	0	0	(669,255)
Total	0.00	(\$668,733)	\$0	\$0	(\$668,733)	0.00	(\$669,255)	\$0	\$0	(\$669,255)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 22 - 17-7-140 MCA Reduction Prog 03 -

To make this reduction, the agency will discontinue the use of contract attorneys to cut these costs. Cases would be handled by existing attorneys within OPD.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 23 - 17-7-140 MCA Reduction Prog 04	0.00	(265,392)	0	0	(265,392)	0.00	(257,726)	0	0	(257,726)
Total	0.00	(\$265,392)	\$0	\$0	(\$265,392)	0.00	(\$257,726)	\$0	\$0	(\$257,726)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 23 - 17-7-140 MCA Reduction Prog 04 -

To make this reduction, the agency will discontinue the use of contract attorneys to cut these costs. Cases would be handled by existing attorneys within OPD.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	1,269.02	1,274.52	0.00	0.00	1,274.02	0.00	0.00	0.00
Personal Services	90,658,621	86,601,338	(2,250,375)	84,350,963	87,162,369	(2,715,175)	84,447,194	(4,965,550)
Operating Expenses	114,081,515	118,123,447	(17,175,046)	100,948,401	118,231,011	(18,089,248)	100,141,763	(35,264,294)
Equipment & Intangible Assets	177,852	152,852	0	152,852	152,852	0	152,852	0
Capital Outlay	20,773	20,773	0	20,773	20,773	0	20,773	0
Grants	0	0	0	0	0	0	0	0
Benefits & Claims	540,598	540,598	0	540,598	540,598	0	540,598	0
Transfers	194,467	209,467	0	209,467	195,467	0	195,467	0
Debt Service	308,938	443,932	0	443,932	443,932	0	443,932	0
Total Costs	\$205,982,764	\$206,092,407	(\$19,425,421)	\$186,666,986	\$206,747,002	(\$20,804,423)	\$185,942,579	(\$40,229,844)
General Fund	201,044,505	200,790,445	(19,425,421)	181,365,024	201,407,714	(20,804,423)	180,603,291	(40,229,844)
State/other Special Rev. Funds	4,831,030	5,181,549	0	5,181,549	5,183,473	0	5,183,473	0
Federal Spec. Rev. Funds	0	0	0	0	0	0	0	0
Other	107,229	120,413	0	120,413	155,815	0	155,815	0
Total Funds	\$205,982,764	\$206,092,407	(\$19,425,421)	\$186,666,986	\$206,747,002	(\$20,804,423)	\$185,942,579	(\$40,229,844)
Total Ongoing	\$205,410,409	\$205,602,529	(\$19,425,421)	\$186,177,108	\$206,210,747	(\$20,804,423)	\$185,406,324	(\$40,229,844)
Total OTO	\$572,355	\$489,878	\$0	\$489,878	\$536,255	\$0	\$536,255	\$0

Summary of Proposed Spending Reductions

OBPP recommends reducing the Department of Corrections (DOC) expenditures by \$40.2 million general fund for the biennium. The more substantial cuts for the biennium include:

- \$2.0 million for contingency funding related to county jail hold being below 250
- \$1.5 million for savings related to DOC contracts with Missoula County and rates of \$69.00 per day
- \$5.5 million slated for assistance in removing offenders from county jails – alternative placements and services for offenders would not be available as options
- \$1.4 million for counseling and mental health services
- \$2.3 million for reduction of pre-release contracts by 5.0%
- \$1.9 million for reduction of treatment contracts by 5.0%
- \$1.4 million from the cancellation of 60 bed chemical treatment center at Montana State Prison
- \$3.2 million from the closure of Lewistown Infirmary – a 25 bed facility
- \$6.5 million from applying laws related to SB 63 – SB 63 reduces supervision for low risk offenders doing well in community programs
- \$3.3 million for Shelby prison reductions in funding related to suspension of \$9.14 per day payment on beds
- \$1.2 million for closure of the Youth Transition Center in Great Falls
- \$4.4 million for reduction in outside medical costs through pharmacy savings and medical evaluations

Legal Issues

It has been recommended that the Department of Corrections retroactively apply SB 63. For this to occur, the Legislature would have to amend session law to expressly declare it retroactive.

It has been recommended that the Department of Corrections eliminate pre-sentence positions utilized to support SB 60 which requires a less than 30 day pre-sentence investigation period. DOC is advising they will not be able to meet the 30

day time interval with this change. SB 60 would have to be amended to allow a greater than 30 day time period for pre-sentance investigations.

For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, date September 29, 2017, and attached as Appendix B.

Cost Shifts

none identified at this time

Federal Special Funds

none identified at this time

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1001 - Director's Office Contingent Funding	0.00	(1,000,000)	0	0	(1,000,000)	0.00	(1,000,000)	0	0	(1,000,000)
DP 1002 - Radio Battery Replacement Delay	0.00	(25,000)	0	0	(25,000)	0.00	(25,000)	0	0	(25,000)
DP 1003 - Computer Replacement Delay	0.00	(126,719)	0	0	(126,719)	0.00	(123,342)	0	0	(123,342)
DP 1004 - Cut Fixed Cost ITSD Enterprise Reduction	0.00	(168,294)	0	0	(168,294)	0.00	(168,294)	0	0	(168,294)
Total	0.00	(\$1,320,013)	\$0	\$0	(\$1,320,013)	0.00	(\$1,316,636)	\$0	\$0	(\$1,316,636)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1001 - Director's Office Contingent Funding -

This funding was separated out of the base budget during the 2017 Legislative Session. OBPP has recommended the reduction of this expenditure. The overall 10% reduction to the department may limit the department's ability to reduce county jail holds.

DP 1002 - Radio Battery Replacement Delay -

The Department has 927 handheld P25 radios used for communication within the secure facilities and by Probation and Parole staff in the field. The radios are on a replacement schedule every three years and funding is also used to purchase replacement accessories such as antennas and to repair broken radios. The reduction will delay the replacement schedule.

DP 1003 - Computer Replacement Delay -

MOM POL-PC Replacement Cycle Policy requires that all computers attached to the state network be replaced with a new computer a minimum of once every 5 years. This budget reduction eliminates the funds utilized for computer and technology replacement.

DP 1004 - Cut Fixed Cost ITSD Enterprise Reduction -

This funding was to install new network-based Internet Protocol security cameras at Montana State Prison.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2001 - MASC Per Diem Reduction	0.00	(731,832)	0	0	(731,832)	0.00	(731,832)	0	0	(731,832)
DP 2002 - Reduce all new funding for new PPD beds	0.00	(2,734,579)	0	0	(2,734,579)	0.00	(2,736,381)	0	0	(2,736,381)
DP 2003 - Reduce ancillary services from PRC ontracts	0.00	(686,697)	0	0	(686,697)	0.00	(686,697)	0	0	(686,697)
DP 2004 - SB60 - 6.00 PSI FTE	0.00	(360,000)	0	0	(360,000)	0.00	(360,000)	0	0	(360,000)
DP 2005 - SB65 - Reduce transitional assistance funding	0.00	(282,000)	0	0	(282,000)	0.00	(282,000)	0	0	(282,000)
DP 2006 - Reduce Contracted Services by 5%	0.00	(174,386)	0	0	(174,386)	0.00	(174,386)	0	0	(174,386)
DP 2007 - Reduce PRC contracts by 5%	0.00	(1,165,663)	0	0	(1,165,663)	0.00	(1,165,663)	0	0	(1,165,663)
DP 2008 - Reduce Treatment contracts by 5%	0.00	(936,172)	0	0	(936,172)	0.00	(936,172)	0	0	(936,172)
Total	0.00	(\$7,071,329)	\$0	\$0	(\$7,071,329)	0.00	(\$7,073,131)	\$0	\$0	(\$7,073,131)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2001 - MASC Per Diem Reduction -

DOC contracts with Missoula County for the Missoula Assessment and Sanctions Center (MASC); reducing the bed rate to \$69.00 per day could cause Missoula County to cancel the contract: "In the event that this Contract is terminated by the COUNTY, or as a result of the COUNTY'S noncompliance with the provisions of this Contract, then the COUNTY shall pay back the Department for its share of the capital construction costs of the Facility, plus inflation and less depreciation." Limited records indicate that the capital construction costs provided by DOC in 1998 were approximately \$3.5 million. However, cancellation of the contract will displace 141 offenders who will need to be housed elsewhere in the correctional system.

LFD COMMENT	Contract changes may be subject to contract impairment. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and attached as Appendix B.
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DP 2002 - Reduce all new funding for new PPD beds -

This would eliminate the new funding provided by the 2017 Legislature to reduce the number of state DOC offenders being held in county jails.

DP 2003 - Reduce ancillary services from PRC ontracts -

Removes registered nurse, mental health, and licensed addiction counselor payments from PRC contracts. These services could be covered by Medicaid expansion for PRC inmates and are therefore no longer needed as a supplementary expenditure to PRC per diem rates.

DP 2004 - SB60 - 6.00 PSI FTE -

Eliminating the six new FTE approved by the 2017 Legislature to write presentence investigation (PSI) reports may create issues with the requirement created in SB 60 to complete PSIs in 30 days.

LFD COMMENT The department must comply with SB 60. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, date September 29, 2017, and attached as Appendix B.

DP 2005 - SB65 - Reduce transitional assistance funding -

Eliminating this funding could increase lengths of stay in secure care facilities because assistance to offenders who are being paroled but who need help transitioning into a community, would be eliminated.

LFD COMMENT HB 2 provided an appropriation of \$200,000 each year of the biennium to support transitional housing mandated by SB 65. This expenditure reduction was included in the Montana Board of Crime Control proposals.

At the time of this writing it is unclear as to why the Department of Corrections would also be making reductions based on SB 65 and why the number is greater than the HB 2 appropriation of \$200,000 per year given to support this bill.

DP 2006 - Reduce Contracted Services by 5% -

Reduces offender services contracts in PPD by 5%.

LFD COMMENT Possible Contract Impairment - For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, date September 29, 2017, and attached as Appendix B.

DP 2007 - Reduce PRC contracts by 5% -

This would reduce the rate DOC pays under our contracts by 5% with pre-release centers.

LFD COMMENT Possible Contract Impairment - For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, date September 29, 2017, and attached as Appendix B.

DP 2008 - Reduce Treatment contracts by 5% -

This would reduce the rate DOC pays under our contracts by 5% with treatment providers.

**LFD
COMMENT**

Possible Contract Impairment - For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, date September 29, 2017, and attached as Appendix B.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	Fiscal 2018					Fiscal 2019				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3001 - Close TSCTC and cancel project	0.00	(933,142)	0	0	(933,142)	0.00	(481,751)	0	0	(481,751)
DP 3002 - Close Lewistown Infirmary	0.00	(1,433,385)	0	0	(1,433,385)	0.00	(1,720,062)	0	0	(1,720,062)
DP 3003 - Rate Reduction - Cascade & Dawson per diem	0.00	(455,987)	0	0	(455,987)	0.00	(455,987)	0	0	(455,987)
DP 3004 - Make SB63 retroactive	0.00	(2,752,862)	0	0	(2,752,862)	0.00	(3,777,622)	0	0	(3,777,622)
DP 3005 - Suspend \$9.14 payment on Shelby beds	0.00	(1,668,050)	0	0	(1,668,050)	0.00	(1,668,050)	0	0	(1,668,050)
DP 3006 - Reduce Shelby contract by 2%	0.00	(283,045)	0	0	(283,045)	0.00	(283,045)	0	0	(283,045)
Total	0.00	(\$7,526,471)	\$0	\$0	(\$7,526,471)	0.00	(\$8,386,517)	\$0	\$0	(\$8,386,517)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 3001 - Close TSCTC and cancel project -

The former "boot camp" on the prison campus in Deer Lodge is being converted to a 60-bed chemical treatment unit to help address the backlog of inmates awaiting chemical dependency treatment.

DP 3002 - Close Lewistown Infirmary -

OBPP recommends closure of the Lewistown Infirmary, which serves 25 inmates in need of nursing home care. This clientele would be potentially served elsewhere in DOC facilities.

DP 3003 - Rate Reduction - Cascade & Dawson per diem -

Reduce the daily bed rate to \$69.

DP 3004 - Make SB63 retroactive -

SB 63 revised the laws relating to the supervision of offenders on probation and of defendants serving a deferred or suspended sentence. It allows DOC to shorten the length of community supervision for low-risk offenders doing well in the community. By applying this law retroactively to low-risk offenders, DOC could potentially move additional offenders from prison to community supervision.

LFD COMMENT	Statute would have to be amended by the legislature to make law retroactive. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and attached as Appendix B.
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DP 3005 - Suspend \$9.14 payment on Shelby beds -

Reducing this expenditure could affect the purchase option for this facility available in the contract serving 600 inmates to the DOC.

**LFD
COMMENT**

Action may cause contract impairment. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and attached as Appendix B.

DP 3006 - Reduce Shelby contract by 2% -

OBPP recommends a reduction in Shelby contracts by 2%.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4001 - Personal Services Reduction	0.00	(47,400)	0	0	(47,400)	0.00	(47,400)	0	0	(47,400)
DP 4002 - Operating Expense Reduction	0.00	(46,330)	0	0	(46,330)	0.00	(46,480)	0	0	(46,480)
Total	0.00	(\$93,730)	\$0	\$0	(\$93,730)	0.00	(\$93,880)	\$0	\$0	(\$93,880)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 4001 - Personal Services Reduction -

OBPP recommends a reduction in personal services expenditures by leaving a vacant position open, not approving overtime in the Canteen, and additional inmate welding certification training (reducing inmate pay).

DP 4002 - Operating Expense Reduction -

OBPP recommends a reduction in operating expenditures for supplies, tools, and curriculum needed for the Department of Labor Certification program.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----				-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 5001 - Pine Hills PS reduction	0.00	(337,829)	0	0	(337,829)	0.00	(524,059)	0	0	(524,059)
DP 5002 - Reduce Youth Placement Budget	0.00	(242,000)	0	0	(242,000)	0.00	(242,000)	0	0	(242,000)
DP 5003 - Close Youth Transition Center PS	0.00	(458,873)	0	0	(458,873)	0.00	(732,743)	0	0	(732,743)
DP 5004 - Close Youth Transition Center Operating	0.00	(67,439)	0	0	(67,439)	0.00	(109,356)	0	0	(109,356)
Total	0.00	(\$1,106,141)	\$0	\$0	(\$1,106,141)	0.00	(\$1,608,158)	\$0	\$0	(\$1,608,158)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 5001 - Pine Hills PS reduction -

OBPP recommends reducing the expenditures for 10.00 FTE at the Pine Hills facility supporting vocational programming.

DP 5002 - Reduce Youth Placement Budget -

OBPP recommends closure of the Youth Transition Center in Great Falls.

DP 5003 - Close Youth Transition Center PS -

OBPP recommends closure of the Youth Transition Center in Great Falls.

DP 5004 - Close Youth Transition Center Operating -

OBPP recommends closure of the Youth Transition Center in Great Falls.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6001 - Outside Medical Reduction	0.00	(2,211,631)	0	0	(2,211,631)	0.00	(2,225,295)	0	0	(2,225,295)
Total	0.00	(\$2,211,631)	\$0	\$0	(\$2,211,631)	0.00	(\$2,225,295)	\$0	\$0	(\$2,225,295)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 6001 - Outside Medical Reduction -

OBPP recommends reductions in psychological evaluations, implementing inmate co-pay, and reductions in pharmacy costs by evaluating over-the-counter medications and providing them through the canteen as opposed to outside pharmacies.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 7001 - Board Member Per Diem Reduction	0.00	(49,833)	0	0	(49,833)	0.00	(49,833)	0	0	(49,833)
DP 7002 - Personal Services Reduction	0.00	(46,273)	0	0	(46,273)	0.00	(50,973)	0	0	(50,973)
Total	0.00	(\$96,106)	\$0	\$0	(\$96,106)	0.00	(\$100,806)	\$0	\$0	(\$100,806)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 7001 - Board Member Per Diem Reduction -

OBPP recommends eliminating per diem for the Board of Pardon and Parole members.

DP 7002 - Personal Services Reduction -

OBPP recommends not filling a vacant analyst position at the BOPP.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	159.71	156.51	0.00	0.00	156.51	0.00	0.00	0.00
Personal Services	13,209,843	12,400,046	0	12,400,046	12,555,612	0	12,555,612	0
Operating Expenses	16,777,196	16,393,918	(1,065,376)	15,328,542	16,502,506	(1,082,083)	15,420,423	(2,147,459)
Equipment & Intangible Assets	524,323	492,761	0	492,761	492,762	0	492,762	0
Local Assistance	788,203,873	781,236,226	(2,811,579)	778,424,647	813,697,491	(2,811,579)	810,885,912	(5,623,158)
Grants	150,502,551	151,498,676	0	151,498,676	152,498,676	0	152,498,676	0
Transfers	2,508,340	2,504,177	0	2,504,177	2,504,177	0	2,504,177	0
Total Costs	\$971,726,126	\$964,525,804	(\$3,876,955)	\$960,648,849	\$998,251,224	(\$3,893,662)	\$994,357,562	(\$7,770,617)
General Fund	792,940,503	785,108,570	(3,876,955)	781,231,615	817,744,334	(3,893,662)	813,850,672	(7,770,617)
State/other Special Rev. Funds	9,663,277	9,543,302	0	9,543,302	9,544,849	0	9,544,849	0
Federal Spec. Rev. Funds	169,122,346	169,873,932	0	169,873,932	170,962,041	0	170,962,041	0
Total Funds	\$971,726,126	\$964,525,804	(\$3,876,955)	\$960,648,849	\$998,251,224	(\$3,893,662)	\$994,357,562	(\$7,770,617)
Total Ongoing	\$970,792,318	\$963,643,304	(\$3,876,955)	\$959,766,349	\$997,338,724	(\$3,893,662)	\$993,445,062	(\$7,770,617)
Total OTO	\$933,808	\$882,500	\$0	\$882,500	\$912,500	\$0	\$912,500	\$0

Summary of Proposed Spending Reductions

17-7-140, MCA, indicates that the Office of Public Instruction may only be reduced by the average of the reduction of other executive branch agencies, which is 9.57% from the HB 2/SB 261 level. There are proposed reductions of 9.57% in both the funds to operate the Office of Public Instruction (Program 6) and the funds to be distributed to local school districts (Program 9). However, BASE aid and special education funds directed to local school districts are exempt from the proposed reductions. If these exemptions are taken into consideration the overall general fund budget change is a 0.5% reduction.

In Program 6 these reductions total \$2,147,459 and are proposed to occur in operating expenses within the Superintendent's Office. Specifics of the reductions are at the discretion of the superintendent and have not been announced. In Program 9 these reductions total \$5,623,158 and are proposed to be reduced in the combined block grants, which is entirely local assistance for school districts.

For additional information on the proposed reductions see the program narratives that follow.

Legal Issues

There is a concern that the expenditure reduction in Program 9 may conflict with 20-9-630, MCA which outlines the calculation for the block grants. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, date September 29 2017, and attached as Appendix B.

Cost Shifts

None identified at this time.

Impacts to Federal Special Revenue Funds

None identified at this time.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 601 - 17-7-140 Reduction Program 06	0.00	(1,065,376)	0	0	(1,065,376)	0.00	(1,082,083)	0	0	(1,082,083)
Total	0.00	(\$1,065,376)	\$0	\$0	(\$1,065,376)	0.00	(\$1,082,083)	\$0	\$0	(\$1,082,083)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 601 - 17-7-140 Reduction Program 06 -

In accordance with 17-7-140, MCA, this agency may only be reduced by the average of the reduction of other executive branch agencies. Therefore, the general fund appropriations in Program 06 - State Level Activities will be reduced by 9.571%, or \$1,065,376 in FY 2018 and \$1,082,082 in FY 2019. The determination regarding specific reductions will be made at the discretion of the agency head.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 901 - 17-7-140 Reduction Program 09	0.00	(2,811,579)	0	0	(2,811,579)	0.00	(2,811,579)	0	0	(2,811,579)
Total	0.00	(\$2,811,579)	\$0	\$0	(\$2,811,579)	0.00	(\$2,811,579)	\$0	\$0	(\$2,811,579)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 901 - 17-7-140 Reduction Program 09 -

In accordance with 17-7-140, MCA, this agency may only be reduced by the average of the reduction of other executive branch agencies. Therefore, the general fund appropriations in Program 09 - Local Education Activities will be reduced by 9.571%, or \$2,811,579 in FY 2018 and \$2,811,579 in FY 2019. The determination regarding specific reductions will be made at the discretion of the agency head.

LFD COMMENT	Currently this proposed reduction is applied against the combined block grants for local school districts, which may conflict with 20-9-630, MCA. For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, date September 29 2017, and attached as Appendix B.
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Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	3.00	3.00	0.00	0.00	3.00	0.00	0.00	0.00
Personal Services	235,486	244,348	0	244,348	245,949	0	245,949	0
Operating Expenses	120,485	131,432	(15,689)	115,743	116,066	(14,211)	101,855	(29,900)
Debt Service	1,782	0	0	0	0	0	0	0
Total Costs	\$357,753	\$375,780	(\$15,689)	\$360,091	\$362,015	(\$14,211)	\$347,804	(\$29,900)
General Fund	178,546	156,922	(15,689)	141,233	142,108	(14,211)	127,897	(29,900)
State/other Special Rev. Funds	179,207	218,858	0	218,858	219,907	0	219,907	0
Total Funds	\$357,753	\$375,780	(\$15,689)	\$360,091	\$362,015	(\$14,211)	\$347,804	(\$29,900)
Total Ongoing	\$327,753	\$345,780	(\$15,689)	\$330,091	\$332,015	(\$14,211)	\$317,804	(\$29,900)
Total OTO	\$30,000	\$30,000	\$0	\$30,000	\$30,000	\$0	\$30,000	\$0

Summary of Proposed Spending Reductions

The executive recommends the general fund expenditures for the Board of Public Education be reduced approximately \$15,700 in FY 2018 and \$14,200 in FY 2019, which is 10% below the HB 2/SB 294 level. 100% of the reductions will be taken from operating expenses.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2018 - Budget Reduction	0.00	(15,689)	0	0	(15,689)	0.00	(14,211)	0	0	(14,211)
Total	0.00	(\$15,689)	\$0	\$0	(\$15,689)	0.00	(\$14,211)	\$0	\$0	(\$14,211)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2018 - Budget Reduction -

To accommodate the proposed 10% reduction in general fund the Board of Public Education will be imposing a "no travel to conferences outside of regular board/Council meetings" policy for FY18 and FY19 for staff and Board or Council members. Additionally, it may be necessary to hold up to 2 Board meetings via conference call, and 1 Council meeting via conference call as cost saving measures. The board staff will closely monitor operational costs and office expenditures will be kept to a minimum.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	89.90	89.90	0.00	0.00	89.90	0.00	0.00	0.00
Personal Services	7,380,315	6,837,837	(74,464)	6,763,373	6,892,265	(75,190)	6,817,075	(149,654)
Operating Expenses	7,911,454	7,945,005	(231,034)	7,713,971	7,899,204	(233,034)	7,666,170	(464,068)
Equipment & Intangible Assets	21,315	21,315	(10,588)	10,727	21,315	(10,682)	10,633	(21,270)
Local Assistance	13,390,768	12,972,606	(388,141)	12,584,465	13,014,844	(389,134)	12,625,710	(777,275)
Grants	14,141,466	15,774,113	(1,822,964)	13,951,149	15,929,789	(1,825,698)	14,104,091	(3,648,662)
Benefits & Claims	48,825,537	48,825,537	0	48,825,537	48,825,537	0	48,825,537	0
Transfers	226,601,205	224,469,723	(18,829,421)	205,640,302	223,067,772	(18,919,723)	204,148,049	(37,749,144)
Debt Service	12,682	12,682	0	12,682	12,682	0	12,682	0
Total Costs	\$318,284,742	\$316,858,818	(\$21,356,612)	\$295,502,206	\$315,663,408	(\$21,453,461)	\$294,209,947	(\$42,810,073)
General Fund	231,445,894	225,134,895	(21,356,612)	203,778,283	224,146,998	(21,453,461)	202,693,537	(42,810,073)
State/other Special Rev. Funds	20,913,880	22,022,324	0	22,022,324	21,792,185	0	21,792,185	0
Federal Spec. Rev. Funds	65,383,403	69,170,183	0	69,170,183	69,189,888	0	69,189,888	0
Other	541,565	531,416	0	531,416	534,337	0	534,337	0
Total Funds	\$318,284,742	\$316,858,818	(\$21,356,612)	\$295,502,206	\$315,663,408	(\$21,453,461)	\$294,209,947	(\$42,810,073)
Total Ongoing	\$316,243,474	\$316,403,818	(\$21,356,612)	\$295,047,206	\$315,208,408	(\$21,453,461)	\$293,754,947	(\$42,810,073)
Total OTO	\$2,041,268	\$455,000	\$0	\$455,000	\$455,000	\$0	\$455,000	\$0

Summary of Proposed Spending Reductions

OBPP has proposed general fund expenditure reductions of \$21.4 million for FY 2018 and \$21.5 million for FY 2019 for the Office of the Commissioner of Higher Education (OCHE). By statute, OBPP would apply the average percentage reduced by the executive branch agencies to OCHE. OBPP has calculated this as a 9.571% reduction.

With the exception of Workforce Development, the reduction was applied to all programs that have HB 2 general fund. The reason for no reduction applied to Workforce Development is the minimum maintenance of effort required for the \$5.4 million federal funds for the Carl D. Perkins grant is the entire amount of general fund appropriated for this program.

There are other factors that will impact the current unrestricted budgets for the educational units within OCHE including enrollment, tuition, and six-mill levy. The year-to-date unofficial enrollment for the educational units indicates a decrease in full-time equivalent (FTE) counts. This enrollment figure is below the projections in which budgets were established initially, which could create an additional gap for the Montana University System (MUS) in regards to tuition revenue. The six-mill levy, another major source of MUS funding has experienced lower collection levels than projections, in FY 2017 there was a \$1.0 million shortfall. The MUS is anticipating this shortfall will occur again and would then need to be absorbed by the educational units.

The determination regarding specific reductions will be made at the discretion of the Board of Regents once reduction figures are finalized and the impacts will be defined at that time. Their next scheduled meeting is November 16 & 17, 2017.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

None identified at this time.

Cost Shifts

None identified at this time.

Federal Special Revenue Funds

None identified at this time.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51020 - Mandated Budget Reductions	0.00	(297,389)	0	0	(297,389)	0.00	(300,037)	0	0	(300,037)
Total	0.00	(\$297,389)	\$0	\$0	(\$297,389)	0.00	(\$300,037)	\$0	\$0	(\$300,037)

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 51020 - Mandated Budget Reductions -

OBPP recommends reductions totalling \$297,389 in FY 2018 and \$300,037 in FY 2019. OBPP has recommended the reductions apply to personal services in the amount of \$124,890, operating expenses in the amount of \$451,176, and \$21,270 in equipment. The determination regarding specific reductions will be made at the discretion of the Board of Regents.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51020 - Mandated Budget Reductions	0.00	(903,542)	0	0	(903,542)	0.00	(904,130)	0	0	(904,130)
Total	0.00	(\$903,542)	\$0	\$0	(\$903,542)	0.00	(\$904,130)	\$0	\$0	(\$904,130)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 51020 - Mandated Budget Reductions -

OBPP recommends reductions to grants totalling \$903,542 in FY 2018 and \$904,130 in FY 2019. The determination regarding specific reductions will be made at the discretion of the Board of Regents.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51020 - Mandated Budget Reductions	0.00	(1,227,369)	0	0	(1,227,369)	0.00	(1,230,508)	0	0	(1,230,508)
Total	0.00	(\$1,227,369)	\$0	\$0	(\$1,227,369)	0.00	(\$1,230,508)	\$0	\$0	(\$1,230,508)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 51020 - Mandated Budget Reductions -

OBPP recommends reductions to local assistance totalling \$1.2 million in FY 2018 and FY 2019. The determination regarding specific reductions to each community college will be made at the discretion of the Board of Regents.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51020 - Mandated Budget Reductions	0.00	(12,251)	0	0	(12,251)	0.00	(12,423)	0	0	(12,423)
Total	0.00	(\$12,251)	\$0	\$0	(\$12,251)	0.00	(\$12,423)	\$0	\$0	(\$12,423)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 51020 - Mandated Budget Reductions -

OBPP recommends reductions to personal services totalling \$12,251 in FY 2018 and \$12,423 in FY 2019. The determination regarding specific reductions will be made at the discretion of the Board of Regents.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----				-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51020 - Mandated Budget Reductions	0.00	(16,223,864)	0	0	(16,223,864)	0.00	(16,301,721)	0	0	(16,301,721)
Total	0.00	(\$16,223,864)	\$0	\$0	(\$16,223,864)	0.00	(\$16,301,721)	\$0	\$0	(\$16,301,721)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 51020 - Mandated Budget Reductions -

OBPP recommends reductions to transfers totalling \$16.2 million in FY 2018 and \$16.3 million in FY 2019. The determination regarding specific reductions to each educational unit will be made at the discretion of the Board of Regents.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51020 - Mandated Budget Reductions	0.00	(2,605,557)	0	0	(2,605,557)	0.00	(2,618,002)	0	0	(2,618,002)
Total	0.00	(\$2,605,557)	\$0	\$0	(\$2,605,557)	0.00	(\$2,618,002)	\$0	\$0	(\$2,618,002)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 51020 - Mandated Budget Reductions -

OBPP recommends reductions to transfers totalling \$2.6 million in FY 2018 and FY 2019. The determination regarding specific reductions to each agency will be made at the discretion of the Board of Regents.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51020 - Mandated Budget Reductions	0.00	(80,194)	0	0	(80,194)	0.00	(80,194)	0	0	(80,194)
Total	0.00	(\$80,194)	\$0	\$0	(\$80,194)	0.00	(\$80,194)	\$0	\$0	(\$80,194)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 51020 - Mandated Budget Reductions -

OBPP recommends reductions to grants totalling \$80,194 in FY 2018 and \$80,194 in FY 2019. The determination regarding specific reductions will be made at the discretion of the Board of Regents.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 51020 - Mandated Budget Reductions	0.00	(6,446)	0	0	(6,446)	0.00	(6,446)	0	0	(6,446)
Total	0.00	(\$6,446)	\$0	\$0	(\$6,446)	0.00	(\$6,446)	\$0	\$0	(\$6,446)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 51020 - Mandated Budget Reductions -

OBPP recommends reductions to operating expenses totalling \$6,446 in FY 2018 and \$6,446 in FY 2019. The determination regarding specific reductions will be made at the discretion of the Board of Regents.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	7.00	7.00	0.00	0.00	7.00	0.00	0.00	0.00
Personal Services	676,577	680,178	(20,000)	660,178	688,414	(19,788)	668,626	(39,788)
Operating Expenses	304,707	339,960	(33,927)	306,033	313,898	(31,948)	281,950	(65,875)
Grants	462,238	462,238	0	462,238	462,238	0	462,238	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,443,522	\$1,482,376	(\$53,927)	\$1,428,449	\$1,464,550	(\$51,736)	\$1,412,814	(\$105,663)
General Fund	511,991	539,275	(53,927)	485,348	517,358	(51,736)	465,622	(105,663)
State/other Special Rev. Funds	230,128	234,652	0	234,652	236,542	0	236,542	0
Federal Spec. Rev. Funds	701,403	708,449	0	708,449	710,650	0	710,650	0
Total Funds	\$1,443,522	\$1,482,376	(\$53,927)	\$1,428,449	\$1,464,550	(\$51,736)	\$1,412,814	(\$105,663)
Total Ongoing	\$1,443,522	\$1,482,376	(\$53,927)	\$1,428,449	\$1,464,550	(\$51,736)	\$1,412,814	(\$105,663)
Total OTO	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Summary of Proposed Spending Reductions

OBPP recommends the general fund expenditures for the Montana Arts Council (MAC) be reduced by \$105,663 over the biennium. This is a 10% reduction to the agency from the HB 2/ SB 294 level.

Personal services will be reduced by \$39,788. MAC hired a new director at a lower salary which allows them to absorb this reduction with salary savings.

Operating expenses will be reduced by \$65,875. This reduction will be managed through reduced staff travel, renegotiation of office lease, and new terms for their HR contract.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

None identified at this time.

Cost Shifts

None identified at this time.

Federal Special Revenue Funds

None identified at this time.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----				-----Fiscal 2019-----					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Program 1 Reduction	0.00	(53,927)	0	0	(53,927)	0.00	(51,736)	0	0	(51,736)
Total	0.00	(\$53,927)	\$0	\$0	(\$53,927)	0.00	(\$51,736)	\$0	\$0	(\$51,736)

*"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Program 1 Reduction -

OBPP proposes a reduction in personal services of \$20,000 in FY 2018 and \$19,788 in FY 2019. MAC hired a new director at a lower salary which allows them to absorb this reduction with salary savings. Proposed reductions to operating expenses would be \$33,927 in FY 2018 and \$31,948 in FY 2019. This reduction will be managed through reduced staff travel, renegotiation of office lease, and new terms for their HR contract.

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions								
Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	30.46	30.46	0.00	0.00	30.46	0.00	0.00	0.00
Personal Services	2,288,239	1,848,017	(181,424)	1,666,593	1,862,069	(180,707)	1,681,362	(362,131)
Operating Expenses	2,199,024	1,691,151	(39,705)	1,651,446	1,704,379	(40,000)	1,664,379	(79,705)
Equipment & Intangible Assets	13,697	13,697	0	13,697	13,697	0	13,697	0
Grants	982,210	1,604,678	0	1,604,678	1,604,678	0	1,604,678	0
Total Costs	\$5,483,170	\$5,157,543	(\$221,129)	\$4,936,414	\$5,184,823	(\$220,707)	\$4,964,116	(\$441,836)
General Fund	3,110,763	2,212,452	(221,129)	1,991,323	2,207,070	(220,707)	1,986,363	(441,836)
State/other Special Rev. Funds	1,749,269	1,734,475	0	1,734,475	1,765,719	0	1,765,719	0
Federal Spec. Rev. Funds	623,138	1,210,616	0	1,210,616	1,212,034	0	1,212,034	0
Total Funds	\$5,483,170	\$5,157,543	(\$221,129)	\$4,936,414	\$5,184,823	(\$220,707)	\$4,964,116	(\$441,836)
Total Ongoing	\$5,483,170	\$5,157,543	(\$221,129)	\$4,936,414	\$5,184,823	(\$220,707)	\$4,964,116	(\$441,836)
Total OTO	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Summary of Proposed Spending Reductions

OBPP recommends the general fund expenditures for the Montana State Library (MSL) be reduced by \$441,836 over the biennium. This is a 10% reduction to the agency from the HB 2/SB 294 level.

Personal services will be reduced by \$362,131 over the biennium. This will impact expenditure for 2.00 FTE.

Operating expense reductions are 18% of the proposed reductions for both FY 2018 and FY 2019. The \$79,705 in reductions to operating expenses will include cancelling electronic journal subscriptions, delaying payments for software maintenance contracts, and eliminating equipment purchases.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

There is potential that reductions to personal services including FTE could have impact on statutory programs within MSL. Half of the general fund FTE in this agency are tied to statutorily mandated programs. The Library Commission would have to decide which of the following FTE would be reduced upon final executive decisions:

- State Library Commission Authority, 22-1-103, MCA (3.00 general fund FTE)
- Administration of state publications depository library program -- rulemaking, 22-1-212, MCA (1.00 general fund FTE)
- Natural Resource Information System, 90-15-101, MCA (2.00 general fund FTE)
- Additional operational support, 22-1-102, MCA (5.50 general fund FTE)

For additional details refer to the legal memorandum by Julie Johnson of the Legislative Services Division, dated September 29, 2017, and attached as Appendix B.

Cost Shifts

None identified at this time.

Federal Special Revenue Funds

None identified at this time.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - MSL 10% Reduction Plan	0.00	(221,129)	0	0	(221,129)	0.00	(220,707)	0	0	(220,707)
Total	0.00	(\$221,129)	\$0	\$0	(\$221,129)	0.00	(\$220,707)	\$0	\$0	(\$220,707)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - MSL 10% Reduction Plan -

OBPP proposes to reduce personal services by \$181,424 in FY 2018 and \$180,707 in FY 2019 including expenditures for 2.00 FTE. Proposed reductions to operating expenses would be \$39,705 in FY 2018 and \$40,000 in FY 2019. The \$79,705 in reductions to operating expenses will include cancelling electronic journal subscriptions, delaying payments for software maintenance contracts, and eliminating equipment purchases.

LFD COMMENT

There is potential that reductions to personal services including FTE could have impact on statutory programs within MSL. Half of the general fund FTE in this agency are tied to statutorily mandated programs. The Library Commission would have to decide which of the following FTE would be reduced upon final executive decisions:

- State Library Commission Authority, 22-1-103, MCA (3.00 general fund FTE)
- Administration of state publications depository library program -- rulemaking, 22-1-212, MCA (1.00 general fund FTE)
- Natural Resource Information System, 90-15-101, MCA (2.00 general fund FTE)
- Additional operational support, 22-1-102, MCA (5.50 general fund FTE)

Budget Director's Proposed Reductions

The following table shows the adopted budget for the 2019 biennium, including SB 261 effects, with the Governor's proposed reductions per 17-7-140, by type of expenditure and source of funding.

Proposed Reductions Budget Item	Approp. Fiscal 2017	Approp. Fiscal 2018	Executive Reductions Fiscal 2018	Budget With Reductions Fiscal 2018	Approp. Fiscal 2019	Executive Reductions Fiscal 2019	Budget With Difference Fiscal 2019	Biennium Reductions Fiscal 18-19
FTE	59.39	58.39	0.00	0.00	58.39	0.00	0.00	0.00
Personal Services	3,835,625	3,063,076	(186,135)	2,876,941	3,087,815	(236,641)	2,851,174	(422,776)
Operating Expenses	1,777,035	1,744,121	(83,092)	1,661,029	1,697,528	(30,203)	1,667,325	(113,295)
Equipment & Intangible Assets	94,010	94,010	0	94,010	94,010	0	94,010	0
Grants	87,120	87,120	0	87,120	87,120	0	87,120	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$5,793,790	\$4,988,327	(\$269,227)	\$4,719,100	\$4,966,473	(\$266,844)	\$4,699,629	(\$536,071)
General Fund	3,543,970	2,692,269	(269,227)	2,423,042	2,668,436	(266,844)	2,401,592	(536,071)
State/other Special Rev. Funds	750,688	769,397	0	769,397	766,397	0	766,397	0
Federal Spec. Rev. Funds	808,467	841,391	0	841,391	844,599	0	844,599	0
Other	690,665	685,270	0	685,270	687,041	0	687,041	0
Total Funds	\$5,793,790	\$4,988,327	(\$269,227)	\$4,719,100	\$4,966,473	(\$266,844)	\$4,699,629	(\$536,071)
Total Ongoing	\$5,793,790	\$4,988,327	(\$269,227)	\$4,719,100	\$4,966,473	(\$266,844)	\$4,699,629	(\$536,071)
Total OTO	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Summary of Proposed Spending Reductions

OBPP recommends expenditure reductions for the Montana Historical Society (MHS) totaling \$536,071 for the biennium. This would be a 10% reduction from the HB 2/SB 294 level.

Over 60% of the HB 2 budget for MHS is in personal services. The reductions presented by OBPP will reduce personal services by \$186,135 in FY 2018 and \$236,641 in FY 2019. This would equate to a reduction of 3.00 FTE of their existing workforce. In addition, several employees volunteered a reduction of hours and/or unpaid leave to fulfill the personal services reductions.

For the biennium, operating expenses would be reduced by \$113,295. Reductions would be applied throughout the majority of programs. MHS will forego IT upgrades and travel and registration fees for the director, along with reducing hours of the museum and research center.

OBPP did not propose reductions in the Education or Historic Preservation programs.

For a complete narrative description of the proposed reductions see the program narratives that follow.

Legal Issues

17-7-140, MCA limits the level of reductions the Governor may require to 10% during the biennium for each program within an agency. The Museum Program reductions are \$67,893 above the 17-7-140, MCA limit of 10%. The Publications Program reductions are \$99,519 above the 17-7-140, MCA limit of 10%. Please refer to the LFD Analysis of the Spending Reduction Proposal for further information.

Cost Shifts

None identified at this time.

Federal Special Revenue Funds

None identified at this time.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Prgm 01 10%	0.00	(70,697)	0	0	(70,697)	0.00	(34,182)	0	0	(34,182)
Total	0.00	(\$70,697)	\$0	\$0	(\$70,697)	0.00	(\$34,182)	\$0	\$0	(\$34,182)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Prgm 01 10% -

OBPP proposes general fund reductions to personal services and operating expenses. Personal services reductions of \$56,787 will be realized through reducing security hours and with volunteered unpaid leave in FY 2019 for the director and CSD administrator. The agency will forego travel, training, education, and upgrades to IT equipment and network for the \$48,092 in operating reductions.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2 - Prgm 02 10%	0.00	(65,494)	0	0	(65,494)	0.00	(60,358)	0	0	(60,358)
Total	0.00	(\$65,494)	\$0	\$0	(\$65,494)	0.00	(\$60,358)	\$0	\$0	(\$60,358)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 2 - Prgm 02 10% -

OBPP proposes general fund reductions to personal services and operating expenses. Personal services reductions of \$60,649 will be through volunteered unpaid leave for the program manager. The agency will suspend digital initiatives, reduce research center library hours, and reduce preservation projects for the \$65,203 in operating expense reductions.

New Proposals

The "New Proposals" table shows new changes to expenditures.

New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3 - Prgm 03 10%	0.00	(73,592)	0	0	(73,592)	0.00	(107,136)	0	0	(107,136)
Total	0.00	(\$73,592)	\$0	\$0	(\$73,592)	0.00	(\$107,136)	\$0	\$0	(\$107,136)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 3 - Prgm 03 10% -

OBPP proposes general fund reductions of \$180,728 to personal services. These reductions will be realized through reducing the expenditures for 2.00 FTE and with volunteered unpaid leave in FY 2019 for the program manager.

LFD COMMENT	17-7-140, MCA limits the level of reductions the Governor may require to 10% during the biennium for each program within an agency. The Museum Program reductions are \$67,893 above the 17-7-140, MCA limit of 10%.
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New Proposals

The "New Proposals" table shows new changes to expenditures.

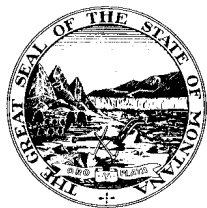
New Proposals	-----Fiscal 2018-----					-----Fiscal 2019-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 4 - Prgm 04 10%	0.00	(59,444)	0	0	(59,444)	0.00	(65,168)	0	0	(65,168)
Total	0.00	(\$59,444)	\$0	\$0	(\$59,444)	0.00	(\$65,168)	\$0	\$0	(\$65,168)

**Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 4 - Prgm 04 10% -

OBPP proposes general fund reductions of \$124,612 to personal services. These reductions will be through reducing 1.00 FTE and with volunteered reduction of hours in FY 2019 for the program manager.

LFD COMMENT	17-7-140, MCA limits the level of reductions the Governor may require to 10% during the biennium for each program within an agency. The Publications Program reductions are \$99,519 above the 17-7-140, MCA limit of 10%.
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Appendix B

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Montana Legislative Services Division Legal Services Office

To: Members of the Legislative Finance Committee
From: Julie Johnson, Staff Attorney
Re: Section 17-7-140, MCA, and Legal Review of Recommended Reductions
Date: September 29, 2017

The budget director has made recommendations to Governor Bullock to reduce general fund expenditures in accordance with § 17-7-140, MCA.¹ The first section of this memo provides a broad overview and background of § 17-7-140, MCA.² The second section of the memo identifies recommendations for reductions made to the Governor that may raise potential legal concerns. The final section addresses considerations for the next legislative session. This memo does not address policy concerns.

I. OVERVIEW AND BACKGROUND OF SECTION 17-7-140, MCA

Article VIII, section 9, of the Montana Constitution requires a good faith attempt on the part of the Legislature to contain appropriations within anticipated revenue, which includes the balance in accounts that are subject to appropriation. The 2003 Legislature enacted Senate Bill No. 483 as Chapter 607, Laws of 2003. This legislation amended § 17-7-131, MCA, to require the legislatively adopted budget to be limited so that a positive ending general fund balance exists at the end of the biennium.

Section 17-7-140, MCA, provides that in the event of a projected general fund budget deficit, the Governor, taking into account certain enumerated criteria, shall direct agencies to reduce spending in an amount that ensures that the projected ending general fund balance for the biennium is a certain percentage of all general fund appropriations for the second fiscal year of the current biennium.³ The percentage depends on when in the biennium the Governor directs the spending reductions:

- 6% of the general fund appropriations for the second fiscal year of the biennium prior to October of the year preceding a legislative session (even-numbered year)
- 3% in October of the year preceding a legislative session (even-numbered year)
- 2% in January of the year in which a legislative session is convened (odd-numbered year)
- 1% in March of the year in which a legislative session is convened (odd-numbered year)

¹ The full text of § 17-7-140, MCA, is attached at the end of this memorandum for reference.

² Jaret Coles with the Legislative Services Division drafted an excellent 17-page memorandum on § 17-7-140 reductions in 2010 when Governor Schweitzer implemented reductions pursuant to the section. Portions of this memo incorporate information contained in his memo dated February 10, 2010.

³ Section 17-7-140, MCA, was enacted by Chapter 787, Laws of 1991, and as initially enacted, gave the Governor authority to reduce individual appropriations during a shortfall, with certain enumerated exceptions. The section was heavily amended following a decision by a state district court, in *Nicholson v. Stephens*, Cause No. BDV-91-1864 (1st Judicial District, 1991), wherein the court concluded the statute failed "to provide adequate guidance to the Governor." *Nicholson*, slip op. at 5.

An agency may not be required to reduce general fund spending for any program, as defined in each general appropriations act, by more than 10% during a biennium. § 17-7-140(1)(b), MCA. Departments or agencies headed by elected officials or the Board of Regents may not be required to reduce general fund spending by a percentage greater than the average percentage of general fund spending reductions required for the total of all other executive branch agencies. § 17-7-140(1)(b), MCA. The Legislature may exempt from a reduction an appropriation item within a program⁴ or may direct that the appropriation item may not be reduced by more than 10%. Id. Section 5 of House Bill No. 2 (HB 2) from the 2017 Session defines a program as follows:

As used in [this act], “program” has the same meaning as defined in 17-7-102, is consistent with the management and accountability structure established on the statewide accounting, budgeting, and human resource system, and is identified as a major subdivision of an agency ordinarily numbered with an Arabic numeral.

Additionally, § 17-7-140(2), MCA, provides that the Governor may not order reductions in spending for:

- (a) payment of interest and principal on state debt;
- (b) the legislative branch;
- (c) the judicial branch;
- (d) the school BASE funding program, including special education;
- (e) salaries of elected officials during their terms of office; and
- (f) the Montana school for the deaf and blind.

Finally, § 17-7-140 (1)(c), MCA, provides:

Reductions in spending must be designed to have the least adverse impact on the provision of services determined to be most integral to the discharge of the agency's statutory responsibilities.

In this case, it is presumed that the Governor will direct reductions just months after the 2017 legislative session has concluded, and therefore, the projected ending fund balance the Governor must ensure is 6% of the general fund appropriations for the second fiscal year of the biennium, which is approximately \$142 million.

Furthermore, as noted above, an agency may not be required to reduce general fund spending for any program by more than 10% during a biennium. § 17-7-140(1)(b), MCA. In the 2017 Session, section 12 of Senate Bill No. 261 provided for budget reductions if certain revenue triggers were met, which they were. These cuts amended session law and reduced nearly all general fund appropriations contained in HB 2. Therefore, the 10% maximum programmatic

⁴ Section 17-7-102(11), MCA, states: ""Program" means a principal organizational or budgetary unit within an agency."

cuts under § 17-7-140, MCA, are based on the appropriations as revised under Senate Bill No. 261 and not the amounts contained in HB 2 at the time it was signed into law.

II. POTENTIAL LEGAL CONCERNS

The majority of the proposed cuts fall squarely within the legal parameters established by § 17-7-140, MCA. However, there are certain recommendations that may raise potential legal concerns and are discussed below. These concerns are distilled into three main categories: (1) statutory conflict; (2) constitutional implications; and (3) contract impairment.

A. STATUTORY ISSUES

Section 17-8-103(2), MCA, explicitly provides that "[i]n no event does a condition or limitation contained in an appropriation act amend any other statute." Therefore, the Governor may not impose a general fund expenditure reduction under the authority granted to the office under § 17-7-140, MCA, that directly conflicts with state law. This is the same restriction that prohibits the Legislature from amending statute in HB 2. Some of the reductions recommended to the Governor appear to conflict with statute and are addressed below in order of the agency's section in HB 2.

SECTION A

1. Department of Commerce

It has been recommended that the Department of Commerce reduce a \$200,000 annual appropriation to the Montana Manufacturing Extension Center by \$100,000 in each year of the biennium and to transfer the difference (of \$100,000 in each year) to the general fund. It has also been recommended that a \$10,000 appropriation for Brownfield spill grants be eliminated and that the \$10,000 be transferred to the general fund. Both of these appropriations are line items in HB 2.

These recommendations appear to conflict with statute as both envision transferring money from a state special revenue account that is funded by coal severance tax trust funds. § 17-5-703(4), MCA. This state special revenue account is codified at § 90-1-205, MCA, which provides:

90-1-205. Economic development special revenue account. (1) There is an economic development state special revenue account. The account receives earnings from the big sky economic development fund as provided in 17-5-703. The money in the account may be used only as provided in this part.

(2) The money in the account is statutorily appropriated, as provided in 17-7-502, to the department. Of the money that is deposited in the account that is not used for administrative expenses:

(a) 75% must be allocated for distribution to local governments and tribal governments to be used for job creation efforts; and

(b) 25% must be allocated for distribution to certified regional development corporations, economic development organizations that are located in a county that is not part of a certified regional development corporation, and tribal governments. (Emphasis added.)

Transferring money from this account into the general fund is not an enumerated purpose in the part. Moreover, neither of these two recommendations constitutes a general fund spending reduction authorized in § 17-7-140, MCA. Rather, both represent a general fund enhancement. An enhancement to the general fund is not authorized in § 17-7-140, MCA, and may conflict with statute as discussed in the "Miscellaneous" section later in this memo.

SECTION B

One of the recommended reductions is to eliminate comprehensive health care case management for foster children in Missoula, Cascade, and Yellowstone Counties. The Department of Public Health and Human Services (DPHHS) has stated that this elimination may result in the state not being compliant with the Fostering Connections to Success and Increasing Adoptions Act of 2008, 110 P.L. 351, 122 Stat. 3949. This federal law amended parts B and E of title IV of the Social Security Act to improve outcomes for children in foster care and improve incentives for adoption, among other purposes. To the extent that eliminating case management in the three counties violates this federal law, the reduction could conflict with statute.

Another recommendation for DPHHS is to reduce provider rates that are set in administrative rule. DPHHS has already proposed rules to reduce certain provider rates, and the Children, Families, Health, and Human Services Interim Committee (CFHHS), which oversees the administrative rulemaking process for DPHHS, has informally objected to the proposed rate reductions. Under the Montana Administrative Procedure Act (MAPA), an informal objection can delay the adoption of a proposed rule up to approximately 6 months. § 2-4-305(9), MCA. At its September 2017 meeting, CFHHS instructed its legal staff to draft a formal objection letter to be discussed at its next meeting in November. If CFHHS does file a formal objection to the rule, DPHHS must file its response within 14 days. § 2-4-406, MCA. If CFHHS files its objection with the Secretary of State, the burden of proving the validity of the rules shifts to DPHHS in the event of a lawsuit challenging the validity of the rule. *Id.* Therefore, any recommendation to reduce rates that are set in administrative rule will be similarly reviewed by CFHHS and be subject to both the informal and formal objection processes under MAPA.

SECTION C

It has been recommended that the Department of Environmental Quality eliminate a full-time equivalent (FTE) who works in the opencut mine permitting process, which the agency acknowledges would put it at risk of missing statutory deadlines set forth in § 82-4-432, MCA.

Nevertheless, the agency would have to meet statutory deadlines unless and until the Legislature amended those deadlines.

SECTION D

1. Department of Justice

General fund expenditure reductions within the Department of Justice will be determined by Attorney General Fox because he is an elected official. § 17-7-140(1)(b), MCA. The Department of Justice is not required to reduce general fund spending by a percentage greater than the average percentage of general fund spending reductions required for the total of all other executive branch agencies. Id.

The agency has recommended the possible closure of the State Crime Laboratory in Billings. However, § 44-3-301(1), MCA, provides that "[t]he laboratory shall establish a Yellowstone County branch." This statute also provides that "[t]he laboratory director shall determine the purposes, duties, and functions of the Yellowstone County branch, but priority must be given to the relief of the backlogs of chemistry and toxicology." The closure of the Billings crime lab appears to conflict with statute.

2. Office of State Public Defender

It has been suggested that the Office of State Public Defender (OPD) reduce general fund expenditures by discontinuing the use of contract attorneys to represent indigent defendants who have been charged with an offense for which incarceration is a possible penalty. OPD acknowledges that the "action may cause speedy trial issues and disruption to the judicial system." The Montana Public Defender Act provides that one of the purposes of the act is to "ensure that adequate public funding of the statewide public defender system is provided and managed in a fiscally responsible manner." § 47-1-102(5), MCA. If OPD is unable to provide adequate representation to indigent defendants without contract attorneys, the proposed reduction could potentially conflict with statute.

3. Department of Corrections

a. Apply Law Retroactively

It has been recommended that the Department of Corrections retroactively apply Senate Bill No. 63 (SB 63); however, it is unclear what portion of the bill the department seeks to apply

retroactively. Nevertheless, the effective date of SB 63 is May 19, 2017, when the Governor signed it into law. Section 1-2-109, MCA, provides that "[n]o law contained in any of the statutes of Montana is retroactive unless expressly so declared." Therefore, in order for SB 63 to be applied retroactively, the Legislature would have to amend session law to expressly declare it retroactive.

b. 30-Day Deadline for Presentence Investigations

It has been recommended that funding for six new FTEs authorized by the Legislature in the 2017 session be eliminated. These FTEs are charged with drafting presentence investigation reports (PSIs). Section 1 of Senate Bill No. 60 amended § 46-18-111, MCA, to, as of October 1, 2017, require that "a preliminary or final presentence investigation and report must be available to the court within 30 days of the plea or the verdict or finding of guilty" except in cases where additional information is required. Unless and until Senate Bill No. 60 is amended, the department must comply with the 30-day deadline for PSIs.

SECTION E

1. Office of Public Instruction

General fund expenditure reductions within the Office of Public Instruction (OPI) will be by Superintendent Arntzen because she is an elected official. § 17-7-140(1)(b), MCA. The Office of Public Instruction is not required to reduce general fund spending by a percentage greater than the average percentage of general fund spending reductions required for the total of all other executive branch agencies. Id.

It has been recommended that OPI reduce the general fund appropriation for combined block grants to school districts by \$2.8 million per fiscal year. These block grants, however, are mandatory under § 20-9-630, MCA. This section provides: "The office of public instruction shall provide block grants to school districts in accordance with this section" and the "combined fund block grant is equal to the amount received in fiscal year 2017. . ." Therefore, in order to make this recommended reduction, the Legislature would have to suspend the block grants for the remainder of the biennium.

As a sidenote, it appears that the majority of OPI's non-exempt general fund appropriations for its Local Education Activities Program (Program 9), which total \$29.4 million in fiscal year 2018, are similarly mandated to be expended under law and cannot be reduced without legislative approval. For example, not only are the combined block grants (which total \$11.7 million for fiscal year 2018) mandatory under § 20-9-630, MCA, but the transportation reimbursements to school districts (which total \$11.8 million in fiscal year 2018) are also

mandatory under § 20-10-141, MCA. The coal-fired generating unit closure mitigation block grant of \$1.69 million in fiscal year 2018 also must be distributed pursuant to section 19 of House Bill No. 647. Therefore, OPI may be challenged in making cuts of \$2.9 million in Program 9 because the majority of its general fund appropriations cannot be reduced without legislative approval.

2. Montana State Library

According to the Montana State Library, the recommended budget reductions for the agency could result in the complete elimination of a statutory program at the State Library. Under § 22-1-212(1), MCA, "[t]he state library shall administer a state publications depository library program to identify, acquire, catalog, preserve, and provide access to state publications." The state library is also charged to "work with all federal, state, local, private, and tribal entities to develop and maintain land information" and to "coordinate the development of geographic information system standards for creating land information." § 90-1-404 (b) and (h), MCA. The loss of additional FTEs may result in the elimination of a statutory program, according to the agency, and could therefore conflict with statute.

3. Montana Historical Society

It has been recommended that the Montana Historical Society reduce general fund expenditures in two of its programs in excess of the 10% maximum, with a reduction of 13.8% to the Museum Program and a reduction of 48.8% to the Publications Program in fiscal year 2018. Recommended reductions to these programs in fiscal year 2019 are 18.8% and 50.5% respectively. However, as discussed in the following section, the Governor cannot direct a cut to a program in excess of 10% pursuant to §17-7-140, MCA. Moreover, any "voluntary" cut to a program above 10% may not be used to calculate the percentage to be applied to "departments or agency headed by elected officials or the board of regents" under § 17-7-140(1)(b), MCA.

MISCELLANEOUS

1. Programmatic Cuts in Excess of 10%

In the case where an agency has offered to make a cut to a program in excess of 10%, the agency may have discretion to make a cut in excess of 10% to one of its programs; however, § 17-7-140, MCA, specifies that the Governor cannot direct a cut to a program in excess of 10%. Additionally, a "voluntary" cut to a program above 10% cannot be used to calculate the average percentage to be applied to "departments or agency headed by elected officials or the board of regents" under § 17-7-140(1)(b), MCA, as doing so would distort the calculation to be applied to those entities. It appears that the recommendations for cut for the following programs, besides

those mention in the section on the Montana Historical Society, exceed 10% per program: (1) Department of Revenue, Director's Office and Citizen's Services; and (2) Department of Corrections, Secure Custody Facilities.

2. Reductions in Expenditures to Other Funds

Section 17-7-140, MCA, addresses reductions in general fund spending, not spending cuts from other funds that eventually increase the general fund balance. There are a couple of instances where the recommendation to the Governor is a reduction of spending from a fund other than the general fund in order to increase the general fund. This potentially does not comport with the express language of § 17-7-140(1), MCA⁵, which provides:

(1) (a) As the chief budget officer of the state, the governor shall ensure that the expenditure of appropriations does not exceed available revenue. Except as provided in subsection (2), in the event of a projected general fund budget deficit, the governor, taking into account the criteria provided in subsection (1)(b), shall direct agencies to reduce spending in an amount that ensures that the projected ending general fund balance for the biennium will be at least 1% of all general fund appropriations during the biennium. An agency may not be required to **reduce general fund spending** for any program, as defined in each general appropriations act, by more than 10% during a biennium. Departments or agencies headed by elected officials or the board of regents may not be required to **reduce general fund spending** by a percentage greater than the percentage of **general fund spending reductions** required for the total of all other executive branch agencies. The legislature may exempt from a reduction an appropriation item within a program or may direct that the appropriation item may not be reduced by more than 10%.

(b) The governor shall direct agencies to manage their budgets in order to **reduce general fund expenditures**. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor shall direct each agency to analyze the nature of each program that **receives a general fund appropriation** to determine whether the program is mandatory or permissive and to analyze the impact of the proposed reduction in spending on the purpose of the program. (Emphasis added.)

⁵ As noted by Jaret Coles in his 2010 memo, "the legislative history suggests that the primary reason for amending section 17-7-140, MCA, was in response to *Nicholson v. Stephens*, Cause No. BDV-91-1864 (1st Judicial District, 1991). In *Nicholson*, Judge Sherlock developed a laundry list of reasons why the previous version of 17-7-140, MCA, was unconstitutional. One of the reasons was for 'its failure to provide adequate guidance to the Governor.' *Nicholson*, slip op. at 5. Another reason was the fact that there was 'no establishment of legislative priorities as to what funds should be safeguarded by the Governor'. Moreover, the court stressed that the statute was too permissive, as there was no requirement on the Governor to act during a deficit. With this background in mind, one can appreciate the importance of the statutory language that limits general fund spending reductions to a 10% level on a program-by-program basis. If section 17-7-140, MCA, is used to reduce spending for funds other than the general fund, then it can be argued that the statute does not provide enough guidance and that it is too permissive."

For example, it has been recommended that the Department of Revenue reduce operating costs for the Liquor Control Division. However, operating costs for this program are paid from proprietary funds, and not the general fund. See HB 2, A-4. Thirty four and a half percent of the net revenue from the sales of liquor licenses are then allocated to the general fund. Section 16-1-404(2)(a), MCA. Therefore, the proposed reduction in operating costs in the Liquor Control Division is not a reduction to general fund expenditures as contemplated in § 17-7-140, MCA, and potentially conflicts with statute.

B. CONSTITUTIONAL CONSIDERATIONS

1. Office of State Public Defender

It has been suggested that the Office of State Public Defender reduce general fund expenditures by no longer using contract attorneys to represent indigent defendants who have been charged with an offense for which incarceration is possible. The Office of State Public Defender has acknowledged that the "action may cause speedy trial issues and disruption to the judicial system." These cuts could implicate both federal and state constitutional rights.

The Sixth Amendment of the United States Constitution and Article II, section 24, of the Montana Constitution guarantee the fundamental right to the assistance of counsel and the right to a speedy trial. *State v. Craig*, 274 Mont. 140, 906 P.2d 683 (1995) (citing *State v. Langford*, 267 Mont. 95, 99, 882 P.2d 490, 492 (1994) (overruled on other grounds by *State v. Gallagher*, 2001 MT 39, 304 Mont. 215, 19 P.3d 817). To the extent that the discontinuation of hiring contract attorneys to represent indigent defendants in Montana impinges on these rights, there may be a constitutional issue.

C. POTENTIAL CONTRACTUAL IMPAIRMENT

The budget director has made recommendations to reduce expenditures that may result in contract impairment issues. The Contract Clause of the Montana Constitution provides that "[n]o ex post facto law nor any law impairing the obligation of contracts . . . shall be passed by the legislature." Art. II, sec. 31, Mont. Const. Similarly, the Contract Clause of the United States Constitution states that "[n]o state shall . . . pass any . . . law impairing the obligation of contracts." Art. I, sec. 10, U.S. Const. The Montana Supreme Court uses a three-part test when analyzing a Contract Clause challenge:

- (1) Is the state law a substantial impairment to the contractual relationship?
- (2) Does the state have a significant and legitimate purpose for the law?

(3) Does the law impose reasonable conditions which are reasonably related to achieving the legitimate and public purpose?

Seven Up Pete Venture v. State, 2005 MT 146, ¶ 41, 327 Mont. 306, 114 P.3d 1009.

Additionally, when a state is a party to a contract or if its self-interest is at stake, a court uses a heightened level of scrutiny when evaluating the third prong of the test. *City of Billings v. County Water Dist.*, 281 Mont. 219, 229, 935 P.2d 246, 252 (1997) (citing *United States Trust Co. of New York v. New Jersey*, 431 U.S. 1, 25-26, 97 S. Ct. 1505, 1519, 52 L. Ed. 2d 92, 111-12 (1977)).

It appears that the budget director has recommended reductions that may impair contracts to which the Department of Corrections and the Department of Public Health and Human Services are parties. It appears that other agencies may seek to renegotiate contracts or reduce the amount of services provided by contractors. While state agencies are allowed to renegotiate contracts, they cannot unilaterally amend a contract without raising a possible impairment of contract issue. The language of each particular contract is controlling.

1. Department of Corrections

a. Limit Payments to County Facilities to \$69

It has been recommended that the Department of Corrections (DOC) limit the amount it pays to a county facility for incarceration to \$69 per day. House Bill No. 2 currently provides: "It is the intent of the legislature that the department of corrections pay no more than \$69 per day to house inmates in county jails." However, it is believed that the DOC has entered into contracts with some counties that require the DOC to pay the "costs of incarceration," which may exceed \$69 per day. Paying less than what is prescribed in the contract may raise an impairment concern.

b. Other DOC Contracts

It has been recommended that the DOC reduce rates that are set in other contracts as well. This includes rates for treatment providers, offender services, prerelease centers, private prisons, and county detention centers. It has also been recommended that the DOC suspend payment of the \$9.14 daily rate provided for in its contract with Corrections Corporation of America. To the extent that a contract has expired or is about to expire, and the provider is being asked to contract for a new lower rate, the DOC can reduce rates if the parties so agree. However, to the extent that the DOC unilaterally reduces rates that are set forth in a current contract, those reductions could raise a potential impairment of contract issue. The language of each individual contract govern the consequences of breaching that contract.

2. Department of Public Health and Human Services

It has been recommended that DPHHS reduce rates set in contract or even eliminate contracts with a variety of providers. Some examples include reducing rates in Community Rehab Programs (CRP) agreements from a flat \$64 per hour to \$37.88 per hour for individual services and \$21.90 per hour for group services, and eliminating a contract for Orientation & Mobility (O&M) skill instruction. While some of these rates may be set in administrative rules, some may be set in contract. To the extent that a contract has expired or is about to expire, the parties can agree to contract for lower rates. However, to the extent that DPHHS unilaterally reduces rates that are set forth in a current contract, those reductions could raise a potential impairment of contract issue. Again, the language of each individual contract would govern the breach of the that contract.

It has been recommended that the Child Support Enforcement Division impose mandatory furloughs. Other agencies have suggested voluntary staff furloughs, which is permissible. However, to the extent that mandatory furloughs run counter to the terms in an employee's collective bargaining agreement with the employer, a potential contract impairment issue exists.

III. CONSIDERATIONS FOR THE NEXT SESSION

Even with an ordered reduction in the spending of appropriations, the appropriations still exist in law until the expiration of the biennium for which the appropriations were made or unless and until the Legislature amends session law in a special session or the regular session starting in January 2019. The Legislature may decide whether to adjust appropriations for the biennium beginning July 1, 2017, to reflect any gubernatorially ordered reductions in spending.

17-7-140. Reduction in spending. (1) (a) As the chief budget officer of the state, the governor shall ensure that the expenditure of appropriations does not exceed available revenue. Except as provided in subsection (2), in the event of a projected general fund budget deficit, the governor, taking into account the criteria provided in subsection (1)(c), shall direct agencies to reduce spending in an amount that ensures that the projected ending general fund balance for the biennium will be at least:

(i) 6% of the general fund appropriations for the second fiscal year of the biennium prior to October of the year preceding a legislative session;

(ii) 3% of the general fund appropriations for the second fiscal year of the biennium in October of the year preceding a legislative session;

(iii) 2% of the general fund appropriations for the second fiscal year of the biennium in January of the year in which a legislative session is convened; and

(iv) 1% of the general fund appropriations for the second fiscal year of the biennium in March of the year in which a legislative session is convened.

(b) An agency may not be required to reduce general fund spending for any program, as defined in each general appropriations act, by more than 10% during a biennium. Departments or agencies headed by elected officials or the board of regents may not be required to reduce general fund spending by a percentage greater than the percentage of general fund spending reductions required for the total of all other executive branch agencies. The legislature may exempt from a reduction an appropriation item within a program or may direct that the appropriation item may not be reduced by more than 10%.

(c) The governor shall direct agencies to manage their budgets in order to reduce general fund expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor shall direct each agency to analyze the nature of each program that receives a general fund appropriation to determine whether the program is mandatory or permissive and to analyze the impact of the proposed reduction in spending on the purpose of the program. An agency shall submit its analysis to the office of budget and program planning and shall at the same time provide a copy of the analysis to the legislative fiscal analyst. The report must be submitted in an electronic format. The office of budget and program planning shall review each agency's analysis, and the budget director shall submit to the governor a copy of the office of budget and program planning's recommendations for reductions in spending. The budget director shall provide a copy of the recommendations to the legislative fiscal analyst at the time that the recommendations are submitted to the governor and shall provide the legislative fiscal analyst with any proposed changes to the recommendations. The recommendations must be provided in an electronic format. The legislative finance committee shall meet within 20 days of the date that the proposed changes to the recommendations for reductions in spending are provided to the legislative fiscal analyst. The legislative fiscal analyst shall provide a copy of the legislative fiscal analyst's review of the proposed reductions in spending to the budget director at least 5 days before the meeting of the legislative finance committee. The committee may make recommendations concerning the proposed reductions in spending. The governor shall consider each agency's analysis and the recommendations of the office of budget and program planning and the legislative finance committee in determining the agency's reduction in spending. Reductions in spending must be designed to have the least adverse impact on the provision of services determined to be most integral to the discharge of the agency's statutory responsibilities.

(2) Reductions in spending for the following may not be directed by the governor:

(a) payment of interest and principal on state debt;

(b) the legislative branch;

(c) the judicial branch;

(d) the school BASE funding program, including special education;

(e) salaries of elected officials during their terms of office; and

(f) the Montana school for the deaf and blind.

(3) (a) As used in this section, "projected general fund budget deficit" means an amount, certified by the budget director to the governor, by which the projected ending general fund balance for the biennium is less than:

(i) 5% of the general fund appropriations for the second fiscal year of the biennium prior to October of the year preceding a legislative session;

(ii) 1.875% in October of the year preceding a legislative session;

(iii) 1.25% in January of the year in which a legislative session is convened; and

(iv) 0.625% in March of the year in which a legislative session is convened.

(b) In determining the amount of the projected general fund budget deficit, the budget director shall take into account revenue, established levels of appropriation, anticipated supplemental appropriations for school equalization aid and the cost of the state's wildland fire suppression activities exceeding the amount statutorily appropriated in 10-3-312, and anticipated reversions.

(4) If the budget director determines that an amount of actual or projected receipts will result in an amount less than the amount projected to be received in the revenue estimate established pursuant to 5-5-227, the budget director shall notify the revenue and transportation interim committee of the estimated amount. Within 20 days of notification, the revenue and transportation interim committee shall provide the budget director with any recommendations concerning the amount. The budget director shall consider any recommendations of the revenue and transportation interim committee prior to certifying a projected general fund budget deficit to the governor.

(5) If the budget director certifies a projected general fund budget deficit, the governor may authorize transfers to the general fund from certain accounts as set forth in subsections (6) and (7).

(6) The governor may authorize transfers from the budget stabilization reserve fund provided for in 17-7-130. The governor may authorize \$2 of transfers from the fund for each \$1 of reductions in spending.

(7) If the budget director certifies a projected general fund budget deficit, the governor may authorize transfers to the general fund from the fire suppression account established in 76-13-150. The amount of funds available for a transfer from this account is up to the sum of the fund balance of the account, plus expected current year revenue, minus the sum of 1% of the general fund appropriations for the second fiscal year of the biennium, plus estimated expenditures from the account for the fiscal year. The governor may authorize \$1 of transfers from the fire suppression account established in 76-13-150 for each \$1 of reductions in spending."

Program Data

Agency Reductions by Program (GF Only) 2019 Biennium		
	FY 2018	FY 2019
Section A - General Government		
31010 Governor's Office		
01 Executive Office Program	(276,506)	(277,282)
02 Executive Residence Operations	(16,639)	(16,768)
03 Air Transportation Program	(31,187)	(31,584)
05 Coordinator Of Indian Affairs	(18,961)	(19,005)
12 Lieutenant Governor's Office	(33,323)	(33,404)
20 Mental Disabilities Bd Visitors	(38,594)	(38,825)
04 Office Budget & Program Planning	(231,619)	(227,142)
31010 Governor's Office Total	(646,829)	(644,010)
32020 Commissioner of Political Prac		
01 Administration	(76,583)	(75,831)
32020 Commissioner of Political Prac Total	(76,583)	(75,831)
58010 Department of Revenue		
01 Director's Office	(1,386,333)	(1,391,849)
05 Citizen Services & Resource Management Division	(844,748)	(848,390)
08 Property Assessment Division	(2,048,085)	(2,060,017)
58010 Department of Revenue Total	(4,279,166)	(4,300,256)
61010 Department of Administration		
01 Director's Office	(212,397)	(206,781)
03 State Financial Services Division	(253,264)	(254,853)
07 Information Tech Serv Division	(42,836)	(43,050)
23 State Human Resources Division	(161,044)	(162,329)
37 Montana Tax Appeal Board	(61,316)	(61,462)
61010 Department of Administration Total	(730,857)	(728,475)
65010 Department of Commerce		
51 Montana Office Of Tourism And Business Development	(279,707)	(280,190)
60 Community Development Division	(82,847)	(82,759)
65010 Department of Commerce Total	(362,554)	(362,949)
66020 Labor & Industry		
03 Commissioner's Office/Csd	(28,713)	(28,784)
04 Employment Relations Division	(135,358)	(135,911)
07 Office Of Community Services	(14,661)	(14,843)
66020 Labor & Industry Total	(178,732)	(179,538)
67010 Dept of Military Affairs		
01 Director's Office	(74,304)	(74,304)
02 Challenge Program	(111,450)	(111,450)
03 Scholarship Program	(20,736)	(20,736)
12 Army National Guard Pgm	(168,730)	(168,730)
13 Air National Guard Pgm	(42,318)	(42,318)
21 Disaster & Emergency Services	-	-
31 Veterans Affairs Program	(117,973)	(117,973)
67010 Dept of Military Affairs Total	(535,511)	(535,511)

Agency Reductions by Program (GF Only)
2019 Biennium

	FY 2018	FY 2019
Section A - General Government Total	(6,810,232)	(6,826,570)
Section B - Health and Human Services		
69010 Public Health & Human Services		
01 Disability Employment & Transitions	(599,745)	(600,851)
02 Human And Community Services	(3,608,794)	(3,608,390)
03 Child & Family Services	(4,742,412)	(4,749,316)
04 Director's Office	(288,509)	(289,709)
05 Child Support Enforcement	(359,263)	(361,514)
06 Business & Financial Services Div	(403,672)	(386,753)
07 Public Health & Safety Division	(389,871)	(390,616)
08 Quality Assurance Division	(249,686)	(250,963)
09 Technology Services Division	(1,248,190)	(1,245,566)
10 Developmental Services Division	(8,748,308)	(9,060,469)
11 Health Resources Division	(16,193,238)	(16,786,844)
12 Medicaid And Health Services Management	(233,198)	(233,198)
16 Management And Fair Hearings	(85,741)	(86,198)
22 Senior & Long-Term Care	(7,317,437)	(7,507,896)
33 Addictive & Mental Disorders	(7,459,603)	(7,543,541)
69010 Public Health & Human Services Total	(51,927,667)	(53,101,824)
Section B - Health and Human Services Total	(51,927,667)	(53,101,824)
Section C - Natural Resources and Transportation		
53010 Dept of Environmental Quality		
20 Water Quality Division	(114,319)	(115,615)
30 Enforcement Division	(120,000)	(121,000)
40 Waste Management & Remediation Division	(70,000)	(70,000)
50 Air, Energy & Mining Division	(214,000)	(214,001)
53010 Dept of Environmental Quality Total	(518,319)	(520,616)
56030 Department of Livestock		
01 Centralized Services Division	(9,185)	(9,307)
04 Animal Health Division	(245,997)	(246,927)
56030 Department of Livestock Total	(255,182)	(256,234)
57060 Dept Nat Resource/Conservation		
21 Director's Office	(370,425)	(360,574)
23 Conservation/Resource Dev Div	(172,275)	(172,943)
24 Water Resources Division	(907,036)	(914,355)
35 Forestry/Trust Lands Div.	(15,736)	(15,741)
57060 Dept Nat Resource/Conservation Total	(1,465,472)	(1,463,613)
62010 MT Dept of Agriculture		
15 Central Management Division	(15,664)	(11,035)
30 Agricultural Sciences Div.	(22,890)	(22,945)
50 Agricultural Development Div.	(39,650)	(39,874)
62010 MT Dept of Agriculture Total	(78,204)	(73,854)
Section C - Natural Resources and Transportation Total	(2,317,177)	(2,314,317)

Agency Reductions by Program (GF Only) 2019 Biennium		
	FY 2018	FY 2019
Section D - Judicial Branch, Law Enforcement, and Justice		
41070 Crime Control Division		
01 Justice System Support Service	(229,088)	(232,828)
41070 Crime Control Division Total	(229,088)	(232,828)
41100 Department of Justice		
01 Legal Services Division	(638,010)	(670,283)
04 Justice Information Technology Services Div.	(424,649)	(432,595)
05 Division Of Criminal Investigations	(711,707)	(721,805)
08 Forensic Services Division	(536,775)	(373,643)
09 Motor Vehicle Division	(832,927)	(924,405)
10 Central Services Division	(107,765)	(105,098)
19 Post Council	(39,935)	(40,689)
41100 Department of Justice Total	(3,291,768)	(3,268,518)
61080 Public Defender		
01 Office Of Public Defender	(2,138,592)	(2,090,523)
02 Office Of Appellate Defender	(190,292)	(191,077)
03 Conflict Coordinator	(668,733)	(669,255)
04 Chief Administrator's Office	(265,392)	(257,726)
61080 Public Defender Total	(3,263,009)	(3,208,581)
64010 Dept of Corrections		
01 Administrative Support Services	(1,320,013)	(1,316,636)
02 Probation & Parole Division	(7,071,329)	(7,073,131)
03 Secure Custody Facilities	(7,526,471)	(8,386,517)
04 Mont Correctional Enterprises	(93,730)	(93,880)
05 Youth Services	(1,106,141)	(1,608,158)
06 Clinical Services Division	(2,211,631)	(2,225,295)
07 Board Of Pardons & Parole	(96,106)	(100,806)
64010 Dept of Corrections Total	(19,425,421)	(20,804,423)
Section D - Judicial Branch, Law Enforcement, and Justice Total		
	(26,209,286)	(27,514,350)
Section E - Education		
35010 Office of Public Instruction		
06 State Level Activities	(1,065,376)	(1,082,083)
09 Local Education Activities	(2,811,579)	(2,811,579)
35010 Office of Public Instruction Total	(3,876,955)	(3,893,662)
51010 Board of Public Education		
01 K-12 Education	(15,689)	(14,211)
51010 Board of Public Education Total	(15,689)	(14,211)
51020 Commissioner of Higher Ed		
01 Administration Program	(297,389)	(300,037)
02 Student Assistance Program	(903,542)	(904,130)
04 Community College Assistance	(1,227,369)	(1,230,508)
06 Educational Outreach & Diversity	(12,251)	(12,423)

Agency Reductions by Program (GF Only) 2019 Biennium		
	FY 2018	FY 2019
09 Appropriation Distribution	(16,223,864)	(16,301,721)
10 Agency Funds	(2,605,557)	(2,618,002)
11 Tribal College Assistance Pgm	(80,194)	(80,194)
13 Board Of Regents-Admin	(6,446)	(6,446)
51020 Commissioner of Higher Ed Total	(21,356,612)	(21,453,461)
51140 Montana Arts Council		
01 Promotion Of The Arts	(53,927)	(51,736)
51140 Montana Arts Council Total	(53,927)	(51,736)
51150 Library Commission		
01 Statewide Library Resources	(221,129)	(220,707)
51150 Library Commission Total	(221,129)	(220,707)
51170 Historical Society		
01 Administration Program	(70,697)	(34,182)
02 Research Center	(65,494)	(60,358)
03 Museum Program	(73,592)	(107,136)
04 Publications Program	(59,444)	(65,168)
51170 Historical Society Total	(269,227)	(266,844)
Section E - Education Total	(25,793,539)	(25,900,621)
Grand Total	-\$113,057,901	-\$115,657,682

Agency Reductions by Program (All Funds)
2019 Biennium

	FY 2018	FY 2019
Section A - General Government		
31010 Governor's Office		
01 Executive Office Program		
01 General	(276,506)	(277,282)
01 Executive Office Program Total	(276,506)	(277,282)
02 Executive Residence Operations		
01 General	(16,639)	(16,768)
02 Executive Residence Operations Total	(16,639)	(16,768)
03 Air Transportation Program		
01 General	(31,187)	(31,584)
03 Air Transportation Program Total	(31,187)	(31,584)
05 Coordinator Of Indian Affairs		
01 General	(18,961)	(19,005)
05 Coordinator Of Indian Affairs Total	(18,961)	(19,005)
12 Lieutenant Governor's Office		
01 General	(33,323)	(33,404)
12 Lieutenant Governor's Office Total	(33,323)	(33,404)
20 Mental Disabilities Bd Visitors		
01 General	(38,594)	(38,825)
20 Mental Disabilities Bd Visitors Total	(38,594)	(38,825)
04 Office Budget & Program Planning		
01 General	(231,619)	(227,142)
04 Office Budget & Program Planning Total	(231,619)	(227,142)
31010 Governor's Office Total	(646,829)	(644,010)
32020 Commissioner of Political Prac		
01 Administration		
01 General	(76,583)	(75,831)
01 Administration Total	(76,583)	(75,831)
32020 Commissioner of Political Prac Total	(76,583)	(75,831)
58010 Department of Revenue		
01 Director's Office		
01 General	(1,386,333)	(1,391,849)
06 Enterprise	(18,152)	(18,108)
01 Director's Office Total	(1,404,485)	(1,409,957)
03 Liquor Control Division		
06 Enterprise	(279,547)	(282,102)
03 Liquor Control Division Total	(279,547)	(282,102)
05 Citizen Services & Resource Management Division		

Agency Reductions by Program (All Funds)
2019 Biennium

	FY 2018	FY 2019
01 General	(844,748)	(848,390)
06 Enterprise	(1,272)	(1,267)
05 Citizen Services & Resource Management Division Total	(846,020)	(849,657)
08 Property Assessment Division		
01 General	(2,048,085)	(2,060,017)
08 Property Assessment Division Total	(2,048,085)	(2,060,017)
58010 Department of Revenue Total	(4,578,137)	(4,601,733)
61010 Department of Administration		
01 Director's Office		
01 General	(212,397)	(206,781)
01 Director's Office Total	(212,397)	(206,781)
03 State Financial Services Division		
01 General	(253,264)	(254,853)
03 State Financial Services Division Total	(253,264)	(254,853)
07 Information Tech Serv Division		
01 General	(42,836)	(43,050)
07 Information Tech Serv Division Total	(42,836)	(43,050)
23 State Human Resources Division		
01 General	(161,044)	(162,329)
23 State Human Resources Division Total	(161,044)	(162,329)
37 Montana Tax Appeal Board		
01 General	(61,316)	(61,462)
37 Montana Tax Appeal Board Total	(61,316)	(61,462)
61010 Department of Administration Total	(730,857)	(728,475)
65010 Department of Commerce		
51 Montana Office Of Tourism And Business Development		
01 General	(279,707)	(280,190)
02 State/Other Spec Rev	(105,000)	(105,000)
51 Montana Office Of Tourism And Business Development Total	(384,707)	(385,190)
60 Community Development Division		
01 General	(82,847)	(82,759)
60 Community Development Division Total	(82,847)	(82,759)
65010 Department of Commerce Total	(467,554)	(467,949)
66020 Labor & Industry		
03 Commissioner's Office/Csd		
01 General	(28,713)	(28,784)
03 Commissioner's Office/Csd Total	(28,713)	(28,784)

Agency Reductions by Program (All Funds) 2019 Biennium		
	FY 2018	FY 2019
04 Employment Relations Division		
01 General	(135,358)	(135,911)
04 Employment Relations Division Total	(135,358)	(135,911)
07 Office Of Community Services		
01 General	(14,661)	(14,843)
03 Fed/Other Spec Rev	(14,661)	(14,843)
07 Office Of Community Services Total	(29,322)	(29,686)
66020 Labor & Industry Total	(193,393)	(194,381)
67010 Dept of Military Affairs		
01 Director's Office		
01 General	(74,304)	(74,304)
01 Director's Office Total	(74,304)	(74,304)
02 Challenge Program		
01 General	(111,450)	(111,450)
02 Challenge Program Total	(111,450)	(111,450)
03 Scholarship Program		
01 General	(20,736)	(20,736)
03 Scholarship Program Total	(20,736)	(20,736)
12 Army National Guard Pgm		
01 General	(168,730)	(168,730)
12 Army National Guard Pgm Total	(168,730)	(168,730)
13 Air National Guard Pgm		
01 General	(42,318)	(42,318)
13 Air National Guard Pgm Total	(42,318)	(42,318)
21 Disaster & Emergency Services		
01 General	-	-
21 Disaster & Emergency Services Total	-	-
31 Veterans Affairs Program		
01 General	(117,973)	(117,973)
31 Veterans Affairs Program Total	(117,973)	(117,973)
67010 Dept of Military Affairs Total	(535,511)	(535,511)
Section A - General Government Total	(7,228,864)	(7,247,890)
Section B - Health and Human Services		
69010 Public Health & Human Services		
01 Disability Employment & Transitions		
01 General	(599,745)	(600,851)
03 Fed/Other Spec Rev	(1,106,968)	(1,106,968)
01 Disability Employment & Transitions Total	(1,706,713)	(1,707,819)

Agency Reductions by Program (All Funds)
2019 Biennium

	FY 2018	FY 2019
02 Human And Community Services		
01 General	(3,608,794)	(3,608,390)
02 State/Other Spec Rev	(83,302)	(83,302)
03 Fed/Other Spec Rev	(1,357,038)	(1,357,038)
02 Human And Community Services Total	(5,049,134)	(5,048,730)
03 Child & Family Services		
01 General	(4,742,412)	(4,749,316)
02 State/Other Spec Rev	(1,100)	(1,100)
03 Fed/Other Spec Rev	(730,405)	(730,405)
03 Child & Family Services Total	(5,473,917)	(5,480,821)
04 Director's Office		
01 General	(288,509)	(289,709)
02 State/Other Spec Rev	(13,952)	(14,045)
03 Fed/Other Spec Rev	(124,607)	(125,445)
04 Director's Office Total	(427,068)	(429,199)
05 Child Support Enforcement		
01 General	(359,263)	(361,514)
03 Fed/Other Spec Rev	(723,910)	(728,278)
05 Child Support Enforcement Total	(1,083,173)	(1,089,792)
06 Business & Financial Services Div		
01 General	(403,672)	(386,753)
02 State/Other Spec Rev	(33,127)	(32,408)
03 Fed/Other Spec Rev	(412,610)	(418,244)
06 Business & Financial Services Div Total	(849,409)	(837,405)
07 Public Health & Safety Division		
01 General	(389,871)	(390,616)
07 Public Health & Safety Division Total	(389,871)	(390,616)
08 Quality Assurance Division		
01 General	(249,686)	(250,963)
02 State/Other Spec Rev	(12,106)	(12,167)
03 Fed/Other Spec Rev	(494,831)	(497,362)
08 Quality Assurance Division Total	(756,623)	(760,492)
09 Technology Services Division		
01 General	(1,248,190)	(1,245,566)
02 State/Other Spec Rev	(93,004)	(93,004)
03 Fed/Other Spec Rev	(2,946,533)	(2,706,533)
09 Technology Services Division Total	(4,287,727)	(4,045,103)
10 Developmental Services Division		
01 General	(8,748,308)	(9,060,469)
03 Fed/Other Spec Rev	(12,301,938)	(12,832,469)
10 Developmental Services Division Total	(21,050,246)	(21,892,938)

Agency Reductions by Program (All Funds)
2019 Biennium

	FY 2018	FY 2019
11 Health Resources Division		
01 General	(16,193,238)	(16,786,844)
03 Fed/Other Spec Rev	(24,032,592)	(25,165,273)
11 Health Resources Division Total	(40,225,830)	(41,952,117)
12 Medicaid And Health Services Management		
01 General	(233,198)	(233,198)
03 Fed/Other Spec Rev	(699,594)	(699,594)
12 Medicaid And Health Services Management Total	(932,792)	(932,792)
16 Management And Fair Hearings		
01 General	(85,741)	(86,198)
02 State/Other Spec Rev	(5,258)	(5,286)
03 Fed/Other Spec Rev	(127,691)	(128,373)
16 Management And Fair Hearings Total	(218,690)	(219,857)
22 Senior & Long-Term Care		
01 General	(7,317,437)	(7,507,896)
03 Fed/Other Spec Rev	(14,056,281)	(14,417,237)
22 Senior & Long-Term Care Total	(21,373,718)	(21,925,133)
33 Addictive & Mental Disorders		
01 General	(7,459,603)	(7,543,541)
03 Fed/Other Spec Rev	(8,061,410)	(8,061,410)
33 Addictive & Mental Disorders Total	(15,521,013)	(15,604,951)
69010 Public Health & Human Services Total	(119,345,924)	(122,317,765)
Section B - Health and Human Services Total	(119,345,924)	(122,317,765)
Section C - Natural Resources and Transportation		
53010 Dept of Environmental Quality		
20 Water Quality Division		
01 General	(114,319)	(115,615)
20 Water Quality Division Total	(114,319)	(115,615)
30 Enforcement Division		
01 General	(120,000)	(121,000)
30 Enforcement Division Total	(120,000)	(121,000)
40 Waste Management & Remediation Division		
01 General	(70,000)	(70,000)
40 Waste Management & Remediation Division Total	(70,000)	(70,000)
50 Air, Energy & Mining Division		
01 General	(214,000)	(214,001)
50 Air, Energy & Mining Division Total	(214,000)	(214,001)
53010 Dept of Environmental Quality Total	(518,319)	(520,616)

Agency Reductions by Program (All Funds) 2019 Biennium		
	FY 2018	FY 2019
56030 Department of Livestock		
01 Centralized Services Division		
01 General	(9,185)	(9,307)
01 Centralized Services Division Total	(9,185)	(9,307)
04 Animal Health Division		
01 General	(245,997)	(246,927)
04 Animal Health Division Total	(245,997)	(246,927)
56030 Department of Livestock Total	(255,182)	(256,234)
57060 Dept Nat Resource/Conservation		
21 Director's Office		
01 General	(370,425)	(360,574)
21 Director's Office Total	(370,425)	(360,574)
23 Conservation/Resource Dev Div		
01 General	(172,275)	(172,943)
23 Conservation/Resource Dev Div Total	(172,275)	(172,943)
24 Water Resources Division		
01 General	(907,036)	(914,355)
24 Water Resources Division Total	(907,036)	(914,355)
35 Forestry/Trust Lands Div.		
01 General	(15,736)	(15,741)
35 Forestry/Trust Lands Div. Total	(15,736)	(15,741)
57060 Dept Nat Resource/Conservation Total	(1,465,472)	(1,463,613)
62010 MT Dept of Agriculture		
15 Central Management Division		
01 General	(15,664)	(11,035)
15 Central Management Division Total	(15,664)	(11,035)
30 Agricultural Sciences Div.		
01 General	(22,890)	(22,945)
30 Agricultural Sciences Div. Total	(22,890)	(22,945)
50 Agricultural Development Div.		
01 General	(39,650)	(39,874)
50 Agricultural Development Div. Total	(39,650)	(39,874)
62010 MT Dept of Agriculture Total	(78,204)	(73,854)
Section C - Natural Resources and Transportation Total	(2,317,177)	(2,314,317)
Section D - Judicial Branch, Law Enforcement, and Justice		
41070 Crime Control Division		

Agency Reductions by Program (All Funds)
2019 Biennium

	FY 2018	FY 2019
01 Justice System Support Service		
01 General	(229,088)	(232,828)
01 Justice System Support Service Total	(229,088)	(232,828)
41070 Crime Control Division Total	(229,088)	(232,828)
41100 Department of Justice		
01 Legal Services Division		
01 General	(638,010)	(670,283)
01 Legal Services Division Total	(638,010)	(670,283)
04 Justice Information Technology Services Div.		
01 General	(424,649)	(432,595)
04 Justice Information Technology Services Div. Total	(424,649)	(432,595)
05 Division Of Criminal Investigations		
01 General	(711,707)	(721,805)
05 Division Of Criminal Investigations Total	(711,707)	(721,805)
08 Forensic Services Division		
01 General	(536,775)	(373,643)
08 Forensic Services Division Total	(536,775)	(373,643)
09 Motor Vehicle Division		
01 General	(832,927)	(924,405)
09 Motor Vehicle Division Total	(832,927)	(924,405)
10 Central Services Division		
01 General	(107,765)	(105,098)
10 Central Services Division Total	(107,765)	(105,098)
19 Post Council		
01 General	(39,935)	(40,689)
19 Post Council Total	(39,935)	(40,689)
41100 Department of Justice Total	(3,291,768)	(3,268,518)
61080 Public Defender		
01 Office Of Public Defender		
01 General	(2,138,592)	(2,090,523)
01 Office Of Public Defender Total	(2,138,592)	(2,090,523)
02 Office Of Appellate Defender		
01 General	(190,292)	(191,077)
02 Office Of Appellate Defender Total	(190,292)	(191,077)
03 Conflict Coordinator		
01 General	(668,733)	(669,255)
03 Conflict Coordinator Total	(668,733)	(669,255)

Agency Reductions by Program (All Funds) 2019 Biennium		
	FY 2018	FY 2019
04 Chief Administrator's Office		
01 General	(265,392)	(257,726)
04 Chief Administrator's Office Total	(265,392)	(257,726)
61080 Public Defender Total	(3,263,009)	(3,208,581)
64010 Dept of Corrections		
01 Administrative Support Services		
01 General	(1,320,013)	(1,316,636)
01 Administrative Support Services Total	(1,320,013)	(1,316,636)
02 Probation & Parole Division		
01 General	(7,071,329)	(7,073,131)
02 Probation & Parole Division Total	(7,071,329)	(7,073,131)
03 Secure Custody Facilities		
01 General	(7,526,471)	(8,386,517)
03 Secure Custody Facilities Total	(7,526,471)	(8,386,517)
04 Mont Correctional Enterprises		
01 General	(93,730)	(93,880)
04 Mont Correctional Enterprises Total	(93,730)	(93,880)
05 Youth Services		
01 General	(1,106,141)	(1,608,158)
05 Youth Services Total	(1,106,141)	(1,608,158)
06 Clinical Services Division		
01 General	(2,211,631)	(2,225,295)
06 Clinical Services Division Total	(2,211,631)	(2,225,295)
07 Board Of Pardons & Parole		
01 General	(96,106)	(100,806)
07 Board Of Pardons & Parole Total	(96,106)	(100,806)
64010 Dept of Corrections Total	(19,425,421)	(20,804,423)
Section D - Judicial Branch, Law Enforcement, and Justice Total	(26,209,286)	(27,514,350)
Section E - Education		
35010 Office of Public Instruction		
06 State Level Activities		
01 General	(1,065,376)	(1,082,083)
06 State Level Activities Total	(1,065,376)	(1,082,083)
09 Local Education Activities		
01 General	(2,811,579)	(2,811,579)
09 Local Education Activities Total	(2,811,579)	(2,811,579)
35010 Office of Public Instruction Total	(3,876,955)	(3,893,662)

Agency Reductions by Program (All Funds)
2019 Biennium

	FY 2018	FY 2019
51010 Board of Public Education		
01 K-12 Education		
01 General	(15,689)	(14,211)
01 K-12 Education Total	(15,689)	(14,211)
51010 Board of Public Education Total	(15,689)	(14,211)
51020 Commissioner of Higher Ed		
01 Administration Program		
01 General	(297,389)	(300,037)
01 Administration Program Total	(297,389)	(300,037)
02 Student Assistance Program		
01 General	(903,542)	(904,130)
02 Student Assistance Program Total	(903,542)	(904,130)
04 Community College Assistance		
01 General	(1,227,369)	(1,230,508)
04 Community College Assistance Total	(1,227,369)	(1,230,508)
06 Educational Outreach & Diversity		
01 General	(12,251)	(12,423)
06 Educational Outreach & Diversity Total	(12,251)	(12,423)
09 Appropriation Distribution		
01 General	(16,223,864)	(16,301,721)
09 Appropriation Distribution Total	(16,223,864)	(16,301,721)
10 Agency Funds		
01 General	(2,605,557)	(2,618,002)
10 Agency Funds Total	(2,605,557)	(2,618,002)
11 Tribal College Assistance Pgm		
01 General	(80,194)	(80,194)
11 Tribal College Assistance Pgm Total	(80,194)	(80,194)
13 Board Of Regents-Admin		
01 General	(6,446)	(6,446)
13 Board Of Regents-Admin Total	(6,446)	(6,446)
51020 Commissioner of Higher Ed Total	(21,356,612)	(21,453,461)
51140 Montana Arts Council		
01 Promotion Of The Arts		
01 General	(53,927)	(51,736)
01 Promotion Of The Arts Total	(53,927)	(51,736)
51140 Montana Arts Council Total	(53,927)	(51,736)

Agency Reductions by Program (All Funds) 2019 Biennium		
	FY 2018	FY 2019
51150 Library Commission		
01 Statewide Library Resources		
01 General	(221,129)	(220,707)
01 Statewide Library Resources Total	(221,129)	(220,707)
51150 Library Commission Total	(221,129)	(220,707)
51170 Historical Society		
01 Administration Program		
01 General	(70,697)	(34,182)
01 Administration Program Total	(70,697)	(34,182)
02 Research Center		
01 General	(65,494)	(60,358)
02 Research Center Total	(65,494)	(60,358)
03 Museum Program		
01 General	(73,592)	(107,136)
03 Museum Program Total	(73,592)	(107,136)
04 Publications Program		
01 General	(59,444)	(65,168)
04 Publications Program Total	(59,444)	(65,168)
51170 Historical Society Total	(269,227)	(266,844)
Section E - Education Total	(25,793,539)	(25,900,621)
Grand Total	-\$180,894,790	-\$185,294,943