



BUDGET BILLS SUMMARY

House Bills 809 and 818 through 820 (hereafter referred to as the “Budget Bills”) are the appropriations bills for the operations of state government, and include most agency appropriations, with the exception of:

- Statutory appropriations, (e.g., State Fund, debt service, local government distributions)
- Other appropriations bills (cat-and-dog bills)
- Transfers

The budget sections included in each Budget Bill are as follows:

HB 818	Legislative Branch
HB 819	Judicial Branch
HB 820	Executive Branch
HB 809	K-12 Education

An index and cross-walk of agencies to bill, narrative page number, and bill page number, is in the “Glossary/Index” tab, beginning on page 7.

STATE BUDGET SUMMARY

The color graphics included in Figures 1 through 6 provide a summarization of the Budget Bill appropriations as amended to date. The pie charts summarize the Budget Bills by general program area (agency/function) and by fund type. The bar graphs show the amount of increase in the 2009 biennium budget over the 2007 biennium. Funding for the 2009 biennium in the graphs is as contained in the four Budget Bills only, and does not include other initiatives such as pay proposals and other cat-and-dog appropriation bills. It is further important to note that the bar graph comparisons are on a biennium-to-biennium basis, which is the appropriate (statutorily required) method for comparing increases from biennium to biennium, rather than the method used for budget development (base year only). Thus, the bar graphs should be used for comparison purposes only, and will not tie to the amount of increases reflected in the remainder of this narrative, where increases are measured from the base. As shown in the graphs:

Budget Bills appropriations for the 2009 biennium through Senate Finance Committee final action total:

- \$3.210 billion general fund (page 2)
- \$7.856 billion total funds (page 3)

The Budget Bills provide for biennial changes of:

- \$592.1 million general fund increase, or 22.6 percent (11.3 percent average per year) (page 3)
- \$989.9 million total funds increase, or 14.4 percent (7.2 percent average per year) (page 4)

INCREASE BY GENERAL PROGRAM AREA

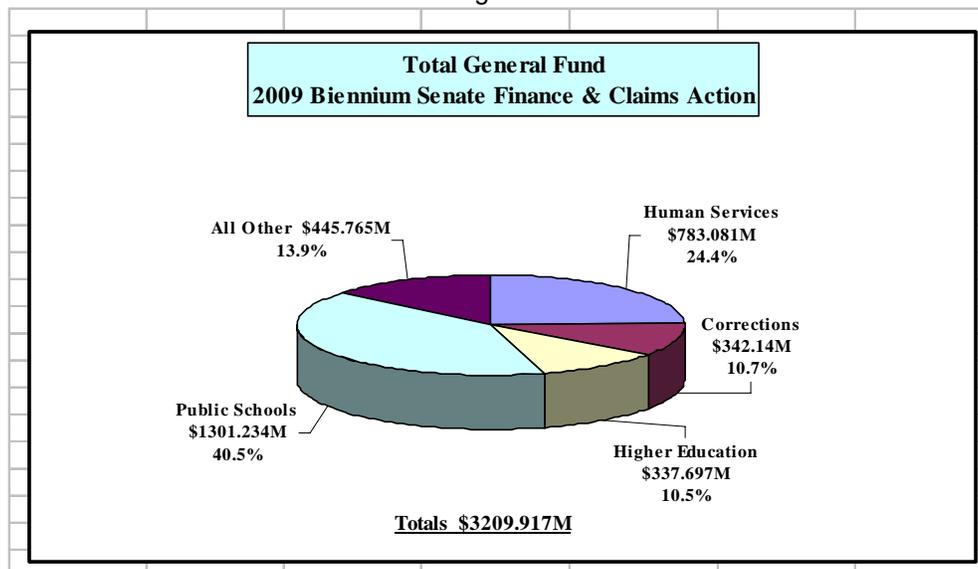
Figure 1 shows the amount and percent of the general fund for major categories:

Budget share:

K-12 and higher education	51.0%
Human services	24.4%
Corrections	10.7%

Together, these total 86.1 percent of the total Budget Bills general fund budget.

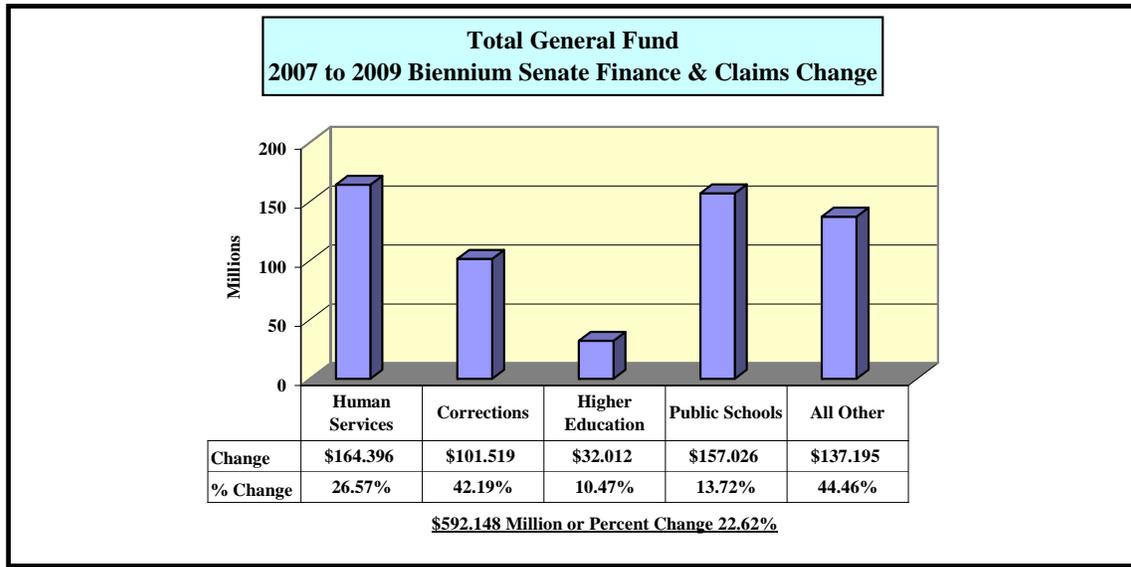
Figure 1



As illustrated in Figure 2, the general fund budget net increase of \$592.1 million is due to the following:

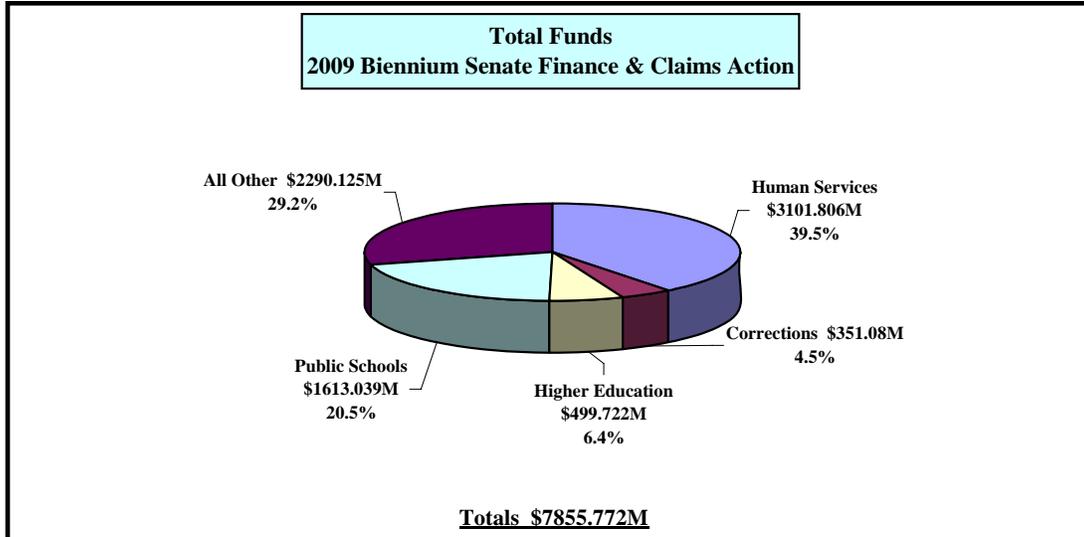
- Human services increases (\$164.4 million) due primarily to changes in the state matching rate for Medicaid, and caseload and services increases (most notably in Medicaid), as well as direct care worker wage increases
- Corrections increases (\$101.5 million) are primarily due to the adoption of a 6.25 percent growth rate in treatment, secure care, and community services, with meth treatment centers funded at the executive level, as well as provider rate increases for secure care and the exemption of 24/7 direct care institutions from vacancy savings
- Higher education increases (\$32.0 million) due to a higher general fund percentage funding to cap an increase in tuition costs (College Affordability Program), enrollment increases, additional student assistance, an increased state share funding for community colleges, and several other initiatives
- Public schools increases (\$157.0 million) primarily due to annualization of 2005 special session initiatives, statutory inflation adjustments, full-day kindergarten and start-up costs, increases in the quality educator payment, and diverting royalties from state lands to the facility trust (HB 417)
- All other increases \$137.2 million, primarily due to over \$31.0 million in increases (46 percent) for the Department of Revenue for workload and tax compliance issues, annualization of the costs of public defender services from establishment of the Office of the Public Defender (\$23.8 million) in the 2007 biennium, expanded economic development programs, increased funding for wildland fire suppression and equipment, other natural resource agency initiatives, meth grants and other initiatives in the Department of Justice, and statewide adjustments

Figure 2



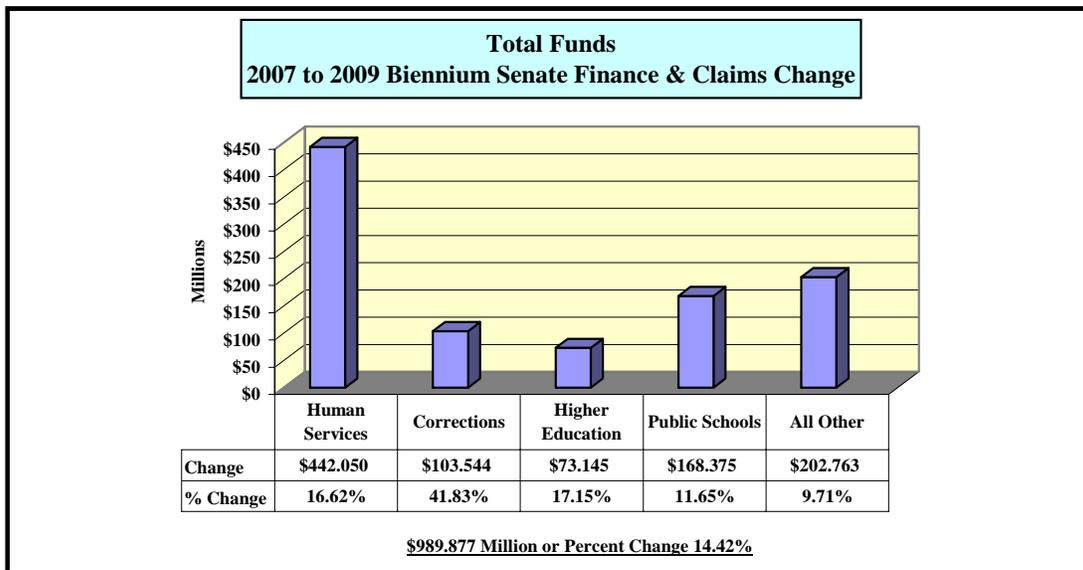
As shown in Figure 3 (Total Funds), the “All Other” and “Human Services” categories comprise a significantly larger share of the pie as compared to the general fund pie chart. This is because a large share of funding for human services, highway construction, and Fish, Wildlife and Parks funding is from non-general fund sources (state and federal special).

Figure 3



The significant increases in total funds shown in Figure 4 reflect additional state special and federal funding for human services programs as well as for K-12 and higher education and for environmental functions. These increases are described in more detail in the next section.

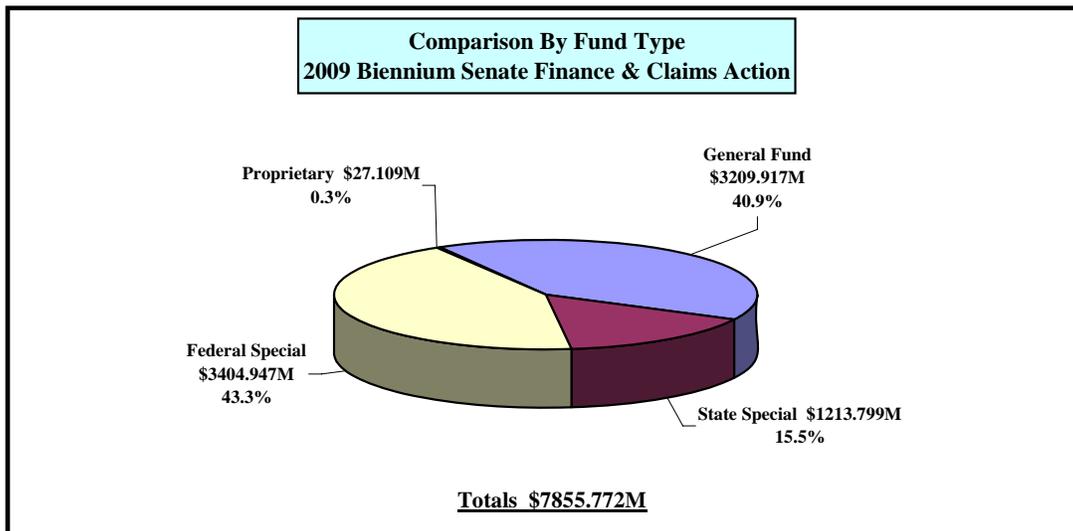
Figure 4



FUNDING SUMMARY

Figure 5 shows how the Budget Bills are funded. General fund provides 40.9 percent and federal funds provide 43.3 percent of total Budget Bills funds.

Figure 5



* Does not include capital project funds.

Figure 6 on the next page shows the following increases in funding:

Federal funds increase \$281.7 million, or 9.0 percent (this equals 28.4 percent of the total Budget Bills increase).

- Human services accounts for \$204.0 million (72 percent) of the total federal funds increase, including increased caseloads, provider rates and services in a number of programs, most particularly in Medicaid, increased food stamp benefits, and expansion of enrollment of children in CHIP
- Other major increases are due to expansion of the guaranteed student loan program, K-12 for special education and at-risk students, economic and community development, and federal highway funding

State special revenue funds increase \$116.5 million, or 10.6 percent. This is the net effect of \$172.8 million in increases, and \$56.3 million in reductions.

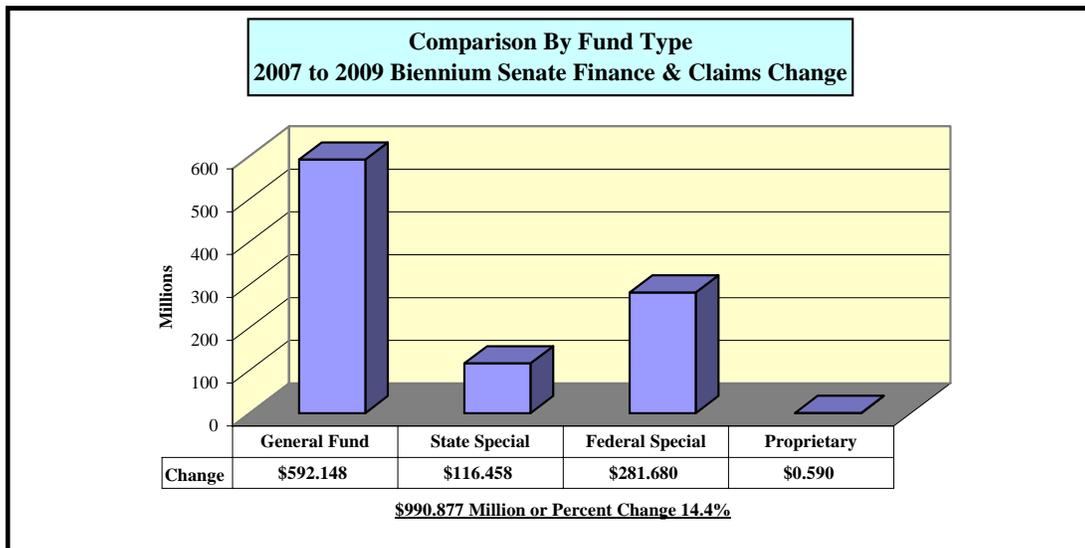
Increases include:

- Increased use of I-149 (tobacco settlement) funds for a variety of human services functions, including Big Sky Rx, CHIP expansion, provider rate increases, and direct care worker wage increases
- Annualization of costs associated with the Insure Montana Program (State Auditor's Office)
- Six mill levy increases for the Montana University System
- Information technology expenses and highway patrol wages in the Department of Justice
- Natural resource initiatives, including fire protection activities, and equipment purchases

Decreases to state special revenue are predominantly due to efforts to stabilize the highways special revenue account, including reductions in the highways construction and maintenance programs

General fund increases \$592.1 million, or 22.6 percent, as described in the previous section.

Figure 6



*Does not include capital project funds, \$1.01 million

BUDGET BILLS – SENATE FINANCE AND CLAIMS ACTION

Senate Finance and Claims Committee (SFC) took initial action (after restructuring eight budget bills into four) to replace the appropriations in the budget bills with the joint appropriations subcommittees final recommendations. This action increased general fund over the House final action by \$124.6 million. SFC then added net increases in general fund appropriations over the subcommittee level of \$164.8 million. The total increase in general fund by SFC over the House action was \$289.4 million. The total funds increase was \$523.6 million. These amendments are explained further on pages 6 through 8.

Preliminary Action – Joint Appropriations Subcommittees Level

Senate Finance and Claims Committee took initial action to restructure the budget bills, by first combining eight budget bills into four, and then amending joint appropriations subcommittees final recommendations into the four bills as a complete replacement of the appropriations in the bills. The initial action also removed statutory language from the bills and placed them in two separate companion bills to the budget bills. The total impact of this action increased general fund by \$124.6 million and total funds by \$326.4 million from the House 3rd reading version of the bills. Figure 7 shows the general fund adjustments by agency.

Figure 7	
Senate Finance and Claims Initial Action - Budget Bills	
Amend all Agencies to Joint Subcommittee Level	
General Fund - By Section/Agency	
Section A - Legislative Branch - HB 818	
Legislative Branch	\$357,211
Section A - Judicial Branch - HB 819	
Judiciary	(194,009)
Section A - Executive Branch - HB 820	
Governor's Office	539,864
Comm. Of Political Practices	84,413
Transporation	2,000,000
Revenue	4,448,106
Administration	351,473
MT Consensus Council	10,961
Office of the Public Defender	2,325,570
Section B - HB 820	
Public Health and Human Services	75,260,333
Section C - HB 820	
Environmental Quality	(542)
Livestock	277,616
Natural Resources and Conservation	10,123,543
Agriculture	297,523
Commerce	9,400,714
Section D - HB 820	
Justice	904,519
Corrections	24,988,668
Labor and Industry	(860)
Military Affairs	155,588
Section E - OPI - HB 809	
Office of Public Instruction	(9,553,207)
Section E - Higher Education/Cultural Ed. - HB 820	
Board of Public Education	(146,836)
MT School for the Deaf and Blind	(856)
MT Arts Council	83,920
MT State Library	200,000
MT Historical Society	232,740
Commissioner of Higher Education	2,491,688
Net Increase in General Fund Appropriations	\$ 124,638,140

Final Action – SFC Amendments from Joint Subcommittees Level

After restructuring the budget bills and replacing all appropriations with joint appropriations subcommittees recommendations, SFC amended the four budget bills with net additions of \$164.8 million general fund and \$197.2 million total funds, with over 78 percent of the total general fund increases going to K-12 education. The general fund amendments are summarized in Figure 8 by section, agency, and bill.

Figure 8
Senate Finance and Claims Final Action - Budget Bills
Amendments from Joint Subcommittee Level
General Fund - By Bill/Section/Agency

Section A - Legislative Branch - HB 818	
Legislative Branch - 2.0 FTE and other costs to gain independence over IT environment	\$465,021
Legislative Branch - Reduce Legislator Technology Allowance appropriation	(\$60,000)
Legislative Branch - Interim Study of Mental Health issues	\$200,000
Section A - Judicial Branch - HB 819	
Judiciary - Drug Treatment Courts: Grants/Administration (including 1.00 FTE)	2,000,000
Judiciary - Reports on progress toward achievement of goals and objectives	5,000
Judiciary - Self-help Law Program (including 1.00 FTE)	505,000
Section A (Gen Govt.) - Executive Branch - HB 820	
Governor's Office - 1.0 FTE in OBPP, IT support	140,486
Governor's Office - Report on progress toward achievement of goals and objectives	5,000
Comm. Political Practices - 1.0 FTE investigator to resolve campaign violations	118,051
Comm. Political Practices - Anticipated legal costs	155,000
State Auditor - Report on progress toward achievement of goals and objectives	5,000
Transportation - Report on progress toward achievement of goals and objectives	5,000
Transp. - Restore Motor Pool usage rates to exec. level (agency budgets unrestored)	---
Revenue - 23.0 FTE FY08, 33.0 FTE FY09 plus contract services for tax compliance effort	4,148,731
Revenue - 5.0 FTE/operating costs to address workload issues for statutory duties	1,628,500
Revenue - 7.0 FTE/operating costs, in-house legal staff to support tax compliance issues	776,135
Revenue - contracted temporary staff for peak tax processing season	554,481
Revenue - 3.0 FTE FY08, 4.0 FTE FY09 for added e-file services, incl. Free Electronic Filing	5,741,859
Revenue - 3.0 FTE/operating costs for targeted auditing, Tax Gap Analysis	393,355
Revenue - 4.5 FTE/operating costs for reappraisal GIS staff	629,060
Revenue - 16.0 FTE FY08, 24.0 FTE FY09/oper. costs for caseload impacts of prop. appraisal	1,799,729
Revenue - remove funding for bus. eqpt. rate reduction reimbursement (15-1-12,MCA)	(1,400,000)
Administration - Operating costs for structure/marketing of supercomputer center (OTO)	1,000,000
Administration - Additional licensing costs for SABHRS (will recover through SWCAP)	800,000
Administration - Restore statewide personal services adjustment	112,569
Administration - State Tax Appeal Board - 1.0 FTE administrative specialist	95,687
Administration - Report on progress toward achievement of goals and objectives	5,000
MT Consensus Council - Report on progress toward achievement of goals/objectives	5,000
MT Consensus Council - Restore statewide personal services adjustment	(10,961)
Office of the Public Defender - Restore statewide personal services adjustment	1,278,596
Office of the Public Defender - Restore funding for agency to executive level	3,988,329
Section B (Health/Human Services) - Executive Branch - HB 820	
DPHHS - Eliminate funding for Secure Treatment and Examination Program (STEP)	(4,085,056)
DPHHS - Family Planning Services	1,073,046
DPHHS - Aging Services	1,500,000
Section C (Natural Resources) - Executive Branch - HB 820	
Fish, Wildlife & Parks - State Wildlife Grants to conserve native fish and wildlife species	1,000,000
Fish, Wildlife & Parks - Warm water fisheries enhancement in southeast MT	270,000
Fish, Wildlife & Parks - Cartersville Diversion Feasibility Study (Yellowstone River)	110,000
Environmental Quality - Purchase biofuels testing equipment	250,000
Environmental Quality - 1.0 FTE to address environmental violations/citizen complaints	145,598
Environmental Quality - Support for State Building Energy Conservation Program	159,917
Environmental Quality - Restore base operating authority	822,124
Environmental Quality - Restore statewide personal services adjustment	236,402
Environmental Quality - Technical amendment	542

Table continued on next page

Figure 8 (Continued)

**Senate Finance and Claims Final Action - Budget Bills
Amendments from Joint Subcommittee Level
General Fund - By Bill/Section/Agency**

Section C (Natural Resources) - Executive Branch - HB 820 (continued)	
DNRC - Restore statewide personal services adjustment	278,432
DNRC - Yellowstone Compact Study and 1.0 FTE hydrologist	233,396
DNRC - GIS Enterprise equipment project	130,000
DNRC - St. Mary's diversion project	38,561
DNRC - operational support to Montana Rural Water Systems	203,000
Agriculture - Regional Agricultural Centers Program	972,307
Agriculture - Remove transfer for noxious weed trust fund (placed in HB 269)	(5,000,000)
Commerce - Remove transfer to manufactured home revolving loan fund (in comm. bill)	(3,000,000)
Commerce - Main Street Program	247,044
Commerce - Made in Montana Program	200,000
Section D (Corrections/Public Safety) - Executive Branch - HB 820	
Board of Crime Control - Restore statewide personal services adjustment	103,246
Board of Crime Control - Tech. assist to local and tribal law enforcement agencies	120,000
Justice - Methamphetamine Watch Program	1,000,000
Justice - Executive protection, increase and fund shift from state special revenue, HPD	351,729
Justice - Support progression to market pay increases for criminal investigators	361,637
Corrections - Increased funding for populaton growth (prison and community placements)	7,026,337
Corrections - Eliminate funding increase for central office rent, Admin/Support Div.	(948,440)
Labor and Industry - Replace fed. funds with general fund for Research/Analysis Bureau	400,000
Labor and Industry - Restore statewide personal services adjustment	355,536
Military Affairs - support six regional hazardous materials response teams statewide	580,000
Section E (Higher Education/Cultural Ed.) - Executive Branch - HB 820	
MT Arts Council - Grants and programs to support rural schools arts education	180,000
State Library Comm. - GIS Portal - amendment error	27,000
Comm. of Higher Education - MSU-Northern Science and Water Program (HB 116)	480,000
Comm. of Higher Education - MT Tech. Advanced Nursing Workforce Program	80,000
Comm. of Higher Education - MSU Bozeman: PBS Television Satellite Delivery	400,000
Comm. of Higher Education - Increase funding for new eqpt./technology, U system	500,000
Comm. of Higher Education - Increase funding for workforce training program development	100,000
Comm. of Higher Education - Increase funding for Tribal College Assistance Program	100,000
Comm. of Higher Education - Inc. funds for Tribal College Assist. Pgm., if HB 283 fails	1,014,400
Comm. of Higher Education - UM Speech Pathology Program start-up costs	700,000
Comm. of Higher Education - Increase state share funding for community colleges to 53%	1,398,149
Comm. of Higher Education - Incr state support to 100% for Ag. Exp. Sta./Extension Svc.	63,335
Comm. of Higher Education - Yellow Bay Biol. Sta. for Whitefish Lake water qual. study	50,000
Comm. of Higher Education - Restore statewide personal services adjustment	350,259
Section E (K-12 Education) - OPI - HB 809	
Office of Public Instruction - Increase Base Aid to Executive level	93,578,105
Office of Public Instruction - Full-time kindergarten start-up costs	10,000,000
Office of Public Instruction - Inflation/Base for Spec. Ed., incr. for school fac./adult ed.	6,598,700
Office of Public Instruction - Indian Education for All at \$35 per ANB	4,200,000
Office of Public Instruction - Increase in Base aid resulting from higher ANB count	5,844,140
Office of Public Instruction - 10.5 FTE for gifted/tal., data sys., curr. Spec., and IT eqpt.	5,527,015
Office of Public Instruction - Indian Ed./Indian Achievement Gap, Little Shell Tribal History	2,641,475
Office of Public Instruction - Gifted and talented one-time increasee	2,000,000
Office of Public Instruction - Mental health screening and referral program admin.	219,296
Office of Public Instruction - Traffic safety program - remove gen. fund, move to SSR	(1,500,000)
Office of Public Instruction - Restore statewide personal services adjustment	64,971
Net Increase in General Fund Appropriations	\$ 164,841,831

BUDGET BILLS – HOUSE FLOOR ACTION

Figure 9 provides a summary of general fund amendments adopted by the House Committee of the Whole, which reduced general fund appropriations \$20.6 million. Reductions included \$10.0 million in DNRC to eliminate up-front funding for wildfire suppression, \$1.2 million in the Department of Commerce to eliminate tribal economic development initiatives, a \$1.6 million reduction in the Department of Justice driver license function, and \$7.1 million in higher education (including reductions in the postsecondary scholarship program, elimination of funds to complete the Trades Building at the Great Falls College of Technology, and elimination of Workforce Training Development Program funds).

Figure 9	
House Committee of the Whole Action - Budget Bills	
General Fund - By Section/Agency	
Section A - Legislative Branch - HB 818	
None	
Section A - Judiciary - HB 819	
None	
Section A - Executive Branch - HB 820	
None	
Section B - HB 808	
None	
Section C - HB 805	
Livestock - Reduce personal services to exec. level, reduce diagnostic lab	(277,616)
DNRC - Eliminate funding for wildfire suppression	(10,000,000)
Agric. - Adj. pers. svcs. to exec. level, reduce BSE init., add pesticide assist pgm.	(297,523)
Commerce - Eliminate Tribal Economic Development executive initiatives	(1,289,165)
Section D HB 806	
Justice - Reduce funding for Motor Vehicle Division, Driver's License Function	(1,637,724)
Section E HB 809	
OPI - Elim. Indian Educ. For All in OPI, distribute same amount in Base Aid Dist.	---
MSDB - Increase Indian Education For All distribution to MSDB	856
Section F HB 807	
CHE - Reduction to Governor's Postsecondary Scholarship Program	(2,000,000)
CHE - Reduction to Equipment and Technology Program for U-system	(750,000)
CHE - Eliminate funds to complete Trades Building at Great Falls COT	(3,000,000)
CHE - Eliminate Workforce Training Development Program	(1,400,000)
Net Decrease in General Fund Appropriations	\$ (20,651,172)

BUDGET BILLS – HOUSE APPROPRIATIONS COMMITTEE ACTION

Figure 10 provides a summary of general fund amendments adopted by the House Appropriations Committee, which decreased general fund appropriations a net of \$11.7 million. All of the decreases were in the Department of Public Health and Human Services (DPHHS). The most significant adjustments were:

- \$37.0 million reduction in DPHHS, eliminating all new proposals to leave a present law budget
- \$12.5 million increase for Corrections, including \$6.2 million for methamphetamine treatment centers, and \$6.3 million for secure care provider rate Increases
- \$5.4 million increase for the Department of Justice, including \$4.0 million for Methamphetamine Watch Program grants, \$0.5 million for child sexual abuse support training, and \$0.9 million for 6 FTE
- \$5.4 million increase for higher education, including \$3.0 million for a Great Falls College of Technology building project, and \$2.4 million for regional initiatives in dental education
- \$2.0 million increase to the Judiciary for grants for administration of drug grants

Figure 10 House Appropriations Committee Action - Budget Bills General Fund - By Section/Agency	
Section A - HB 804	
Judiciary - Grants to Administration of Drug Courts*	\$2,000,000
Administration - Designate Worker's Compensation Cost Containment "OTO"	-
Section B - HB 808	
DPHHS - Eliminate all new proposals, leave as present law budget	(37,031,093)
Section C - HB 805	
None	
Section D HB 806	
Justice - Child Forensic Interview Specialist	188,006
Justice -Methamphetamine Watch Program Grants - Community Awareness	4,000,000
Justice - Child Sexual Abuse Support Training	500,000
Justice - 5 FTE -- Prosecution Svcs, Child Protection Unit, Crime Analyst - HB 12	724,331
Corrections - Methamphetamine Treatment Centers	6,236,386
Corrections - Secure Provider Rate Increases	6,253,367
Labor and Industry - Silicosis Benefits Increase - HB 540	42,000
Section E HB 809	
None	
Section F HB 807	
CHE - Regional Initiatives in Dental Education	2,397,000
CHE - Great Falls College of Technology Building Project	3,000,000
Net Decrease in General Fund Appropriations	<u>\$ (11,690,003)</u>

* This amendment was put on HB 804, then transferred to HB 819, sponsor's bill

BUDGET BILLS – COMPARISON TO BASE

Figure 11 provides a general fund summary of the Budget Bills. Status is shown by Budget Bill and agency, for general fund only, as compared to the 2006 base year. A comparison is made to the 2006 base because this is the base from which the legislature determines budgets in the 2009 biennium. Please note, however, that this base-year-only comparison overstates changes from the total 2007 biennium. Biennium to biennium is the statutorily required method for legislative comparisons (see the narrative and graphs on pages 1 through 5 for a biennial comparison).

Figure 11

Senate Finance & Claims Action Compared to the Base General Fund				
House Bill/Sub-Committee	Agency	Base Times 2	Sen. F&C 2009 Biennium	Change
General Government & Transportation		\$175,256,592	\$256,791,047	\$81,534,455
	1104 Legislative Branch	15,460,034	20,178,791	4,718,757
	2110 Judicial Branch	74,820,864	67,685,785	(7,135,079)
	3101 Governor'S Office	10,089,148	11,952,703	1,863,555
	3202 Commissioner Of Political Practices	596,862	1,134,883	538,021
	3401 State Auditor'S Office		5,000	5,000
	5401 Department Of Transportation		3,005,000	3,005,000
	5801 Department Of Revenue	65,433,772	98,729,565	33,295,793
	6101 Department Of Administration	7,290,942	15,497,432	8,206,490
	6102 Appellate Defender	-	-	-
	6106 Mt Consensus Council	138,082	157,139	19,057
	6108 Office Of The Public Defender	1,426,888	38,444,749	37,017,861
Health & Human Services	6901 Dept Of Public Health & Human Services	615,753,228	783,081,206	167,327,978
03 Natural Resources & Commerce		50,066,938	90,837,752	40,770,814
	5201 Department Of Fish, Wildlife & Parks		1,380,000	1,380,000
	5301 Department Of Environmental Quality	7,561,682	14,244,697	6,683,015
	5603 Department Of Livestock	1,145,330	2,406,939	1,261,609
	5706 Dept Of Natural Resources & Conservatic	36,281,050	52,796,408	16,515,358
	6201 Department Of Agriculture	1,157,252	2,704,563	1,547,311
	6501 Department Of Commerce	3,921,624	17,305,145	13,383,521
04 Corrections & Public Safety		312,882,196	418,188,205	105,306,009
	4107 Crime Control Division	3,444,262	4,508,581	1,064,319
	4110 Department Of Justice	42,388,694	56,541,790	14,153,096
	6401 Department Of Corrections	254,476,676	342,140,416	87,663,740
	6602 Department Of Labor & Industry	3,247,828	4,350,259	1,102,431
	6701 Department Of Military Affairs	9,324,736	10,647,159	1,322,423
05 Education		1,379,369,156	1,661,018,908	281,649,752
	3501 Office Of Public Instruction	1,063,364,968	1,301,234,128	237,869,160
	5101 Board Of Public Education	335,364	411,100	75,736
	5102 Commissioner Of Higher Education	298,153,660	337,696,550	39,542,890
	5113 School For The Deaf & Blind	9,350,772	11,082,399	1,731,627
	5114 Montana Arts Council	799,952	1,142,921	342,969
	5115 Montana State Library	3,343,574	4,470,634	1,127,060
	5117 Montana Historical Society	4,020,866	4,981,176	960,310
Grand Total		2,533,328,110	3,209,917,118	676,589,008

As shown in Figure 11, the total general fund increase over the base year is \$676.6 million, which includes \$387.3 million present law adjustments and \$289.3 million new proposals.

The most significant general fund increases over the base budget are summarized as follows:

- DPHHS increases of \$167.3 million for Medicaid matching rate, caseloads and service changes, and institutional facility costs (new FTE, overtime, utilities, provider rates, etc.)
- K-12 education increases of \$237.9 million, reflecting
 - ◆ Present law increases of \$111.9 million for base aid annualization of 2005 special session initiatives, special education and other local distribution changes
 - ◆ Local distribution new proposals of \$116.4 million for full-time kindergarten (\$26.6 million) and start-up costs (\$10 million), an increase in the quality educator payment (\$26.4 million), diversion of royalties to a facilities trust account (\$40.8 million), and increases for Indian Education for All, the Gifted and Talented program, special education, school facility payments, and adult education
 - ◆ OPI state level activity increases of \$9.6 million, including a K-12 education data system and Indian Education for All
- Corrections increases of \$87.7 million for expanding prison population, increased prisoner per diem rates, and additional probation and parole officers
- Montana University System increases of \$39.5 million for enrollments, student assistance program increases, increased general fund support to CAP tuition increases (College Affordability Program), and an increase in the state share percentage for community colleges
- Annualization of the Office of the Public Defender at \$37.0 million, started in the 2007 biennium
- Department of Revenue increases for FTE expansions, information technology systems maintenance costs, and other initiatives
- Natural resources program initiatives of over \$27 million
- New law enforcement initiatives in the Department of Justice, including meth prevention and treatment programs
- Statewide present law adjustments for fixed costs and personal services (including annualization of the 2007 biennium pay plan and broadbanding initiatives)
- Computer systems updates/completion/replacements
- Funding for wildfire suppression initial attack initiatives

The Budget Bills proposals are further summarized in the following sections, comparing the proposals to present law and to the executive budget.

COMPARISON TO PRESENT LAW AND NEW PROPOSALS

Figure 12 provides a general fund summary, by agency, of the executive budget recommendation and Budget Bill proposals as compared to the estimated cost of continuing the present law level of operations and services. The first column shows the present law budget contained in the Budget Bills, \$2.921 billion. The second column shows the total Budget Bills as amended by Senate Finance and Claims Committee, \$3.210 billion, including new proposals, and the third column shows the original executive budget recommendation, \$3.194 billion. The “Sen. F&C over/(under) Executive” column shows that the Budget Bills are \$16.1 million above the executive budget. The “Executive New Proposals” column shows that the executive budget included \$189.4 million of new proposals. And as shown in the column “Sen. F&C New Proposals”, the new proposals are \$289.3 million.

Figure 12

General Fund Budget Information By Agency

Agcy Code	Agency Name	Present Law Budget 2009 Biennium	Senate Finance 2009 Biennium	Executive Budget 2009 Biennium	Sen. F&C Over/Under Executive	Sen. F&C New Proposals	Executive New Proposals
1104	Legislative Branch	\$18,621,678	\$20,178,791	\$19,174,046	\$1,004,745	\$1,557,113	\$552,092
2110	Judicial Branch	64,112,944	67,685,785	65,023,418	2,662,367	3,572,841	1,340,474
3101	Governor's Office	11,807,217	11,952,703	12,898,205	(945,502)	145,486	779,233
3202	Comm Of Political Practices	691,919	1,134,883	893,832	241,051	442,964	201,913
3401	State Auditor's Office	-	5,000	-	5,000	5,000	-
3501	Office Of Public Instruction	1,177,613,289	1,301,234,128	1,284,609,121	16,625,007	123,620,839	64,976,855
4107	Crime Control Division	4,388,581	4,508,581	4,508,581	-	120,000	120,000
4110	Department Of Justice	49,089,592	56,541,790	54,870,400	1,671,390	7,452,198	5,229,502
5101	Board Of Public Education	411,100	411,100	426,526	(15,426)	-	-
5102	Commissioner Of Higher Education	299,336,501	337,696,550	336,656,989	1,039,561	38,360,049	8,722,021
5113	School For The Deaf & Blind	9,685,121	11,082,399	10,856,309	226,090	1,397,278	1,167,721
5114	Montana Arts Council	846,501	1,142,921	962,951	179,970	296,420	116,420
5115	Montana State Library	4,470,634	4,470,634	4,444,256	26,378	-	-
5117	Montana Historical Society	4,663,570	4,981,176	4,962,070	19,106	317,606	317,606
5201	Department Of Fish, Wildlife & Parks	-	1,380,000	1,255,644	124,356	1,380,000	1,000,000
5301	Department Of Environmental Quality	13,346,788	14,244,697	14,683,186	(438,489)	897,909	1,284,472
5401	Department Of Transportation	-	3,005,000	3,000,000	5,000	3,005,000	3,000,000
5603	Department Of Livestock	1,311,932	2,406,939	2,213,521	193,418	1,095,007	895,007
5706	Dept Of Natural Resources & Conservation	40,626,451	52,796,408	53,114,258	(317,850)	12,169,957	12,957,327
5801	Department Of Revenue	92,987,706	98,729,565	101,336,420	(2,606,855)	5,741,859	6,821,404
6101	Department Of Administration	12,612,100	15,497,432	29,694,085	(14,196,653)	2,885,332	16,764,332
6102	Appellate Defender	-	-	-	-	-	-
6106	Mt Consensus Council	152,139	157,139	152,139	5,000	5,000	-
6108	Office Of The Public Defender	38,044,749	38,444,749	38,294,749	150,000	400,000	400,000
6201	Department Of Agriculture	1,328,460	2,704,563	6,678,070	(3,973,507)	1,376,103	5,403,796
6401	Department Of Corrections	332,390,447	342,140,416	340,868,235	1,272,181	9,749,969	7,268,449
6501	Department Of Commerce	14,697,296	17,305,145	20,305,188	(3,000,043)	2,607,849	5,607,849
6602	Department Of Labor & Industry	3,950,259	4,350,259	4,350,691	(432)	400,000	400,000
6701	Department Of Military Affairs	9,918,718	10,647,159	10,664,309	(17,150)	728,441	744,441
6901	Dept Of Public Health & Human Services	<u>713,465,679</u>	<u>783,081,206</u>	<u>766,873,724</u>	<u>16,207,482</u>	<u>69,615,527</u>	<u>43,374,602</u>
	Total	\$2,920,571,371	\$3,209,917,118	\$3,193,770,923	\$16,146,195	\$289,345,747	\$189,445,516

COMPARISON TO THE EXECUTIVE

Figure 13 compares the Budget Bills general fund appropriations to the executive budget. For the purposes of this comparison, the executive budget is the printed budget submitted by the Governor in November. As shown in Figure 13, the Budget Bills through Senate Finance and Claims Committee final action are \$16.1 million general fund above the executive budget. The actual increase is \$34.5 million, as transfers included in the executive budget in the agency budget bill(s) were moved to other appropriations bills (including infrastructure deferred maintenance, noxious weeds fund, and manufactured home revolving loan fund).

Figure 13

Senate Finance & Claims Action Compared to the Executive Budget General Fund				
House Bill/Sub-Committee	Agency	Executive 2009 Biennium	Sen. F&C 2009 Biennium	Change
General Government & Transportation		\$270,466,894	\$256,791,047	(\$13,675,847)
	1104 Legislative Branch	19,174,046	20,178,791	1,004,745
	2110 Judicial Branch	65,023,418	67,685,785	2,662,367
	3101 Governor'S Office	12,898,205	11,952,703	(945,502)
	3202 Commissioner Of Political Practices	893,832	1,134,883	241,051
	3401 State Auditor'S Office	-	5,000	5,000
	5401 Department Of Transportation	3,000,000	3,005,000	5,000
	5801 Department Of Revenue	101,336,420	98,729,565	(2,606,855)
	6101 Department Of Administration	29,694,085	15,497,432	(14,196,653)
	6102 Appellate Defender	-	-	-
	6106 Mt Consensus Council	152,139	157,139	5,000
	6108 Office Of The Public Defender	38,294,749	38,444,749	150,000
Health & Human Services	6901 Dept Of Public Health & Human Services	766,873,724	783,081,206	16,207,482
03 Natural Resources & Commerce		98,249,867	90,837,752	(7,412,115)
	5201 Department Of Fish, Wildlife & Parks	1,255,644	1,380,000	124,356
	5301 Department Of Environmental Quality	14,683,186	14,244,697	(438,489)
	5603 Department Of Livestock	2,213,521	2,406,939	193,418
	5706 Dept Of Natural Resources & Conservati	53,114,258	52,796,408	(317,850)
	6201 Department Of Agriculture	6,678,070	2,704,563	(3,973,507)
	6501 Department Of Commerce	20,305,188	17,305,145	(3,000,043)
04 Corrections & Public Safety		415,262,216	418,188,205	2,925,989
	4107 Crime Control Division	4,508,581	4,508,581	-
	4110 Department Of Justice	54,870,400	56,541,790	1,671,390
	6401 Department Of Corrections	340,868,235	342,140,416	1,272,181
	6602 Department Of Labor & Industry	4,350,691	4,350,259	(432)
	6701 Department Of Military Affairs	10,664,309	10,647,159	(17,150)
05 Education		1,642,918,222	1,661,018,908	18,100,686
	3501 Office Of Public Instruction	1,284,609,121	1,301,234,128	16,625,007
	5101 Board Of Public Education	426,526	411,100	(15,426)
	5102 Commissioner Of Higher Education	336,656,989	337,696,550	1,039,561
	5113 School For The Deaf & Blind	10,856,309	11,082,399	226,090
	5114 Montana Arts Council	962,951	1,142,921	179,970
	5115 Montana State Library	4,444,256	4,470,634	26,378
	5117 Montana Historical Society	4,962,070	4,981,176	19,106
Grand Total		3,193,770,923	3,209,917,118	16,146,195

The largest general fund differences between the executive budget and the Budget Bills occur in the following areas:

- The Office of Public Instruction (\$16.6 million above) is primarily due to the addition of one-time only money for full-time kindergarten start-up costs (\$10.0 million, Indian Education for All (\$4.2 million), and the Gifted and Talented Program (\$2.0 million).
- The Department of Public Health and Human Services (\$16.2 million higher) is the net of nearly \$38 million in increases over the executive budget (attributable to provider rate increases that include direct care worker wages, changes to mental health programs, and Medicaid expansion), as compared to \$21.6 million in reductions from executive proposals (driven by savings in Medicaid and foster care). These differences are described in more detail beginning on page B-3 of the DPHHS narrative.
- The Department of Administration (\$14.2 million lower) is primarily due to the exclusion of an executive proposal to transfer funding for deferred maintenance (\$14.3 million) – the transfer was included in another bill (SB 79).
- The Department of Corrections (\$1.3 million above) is the net of several differences from the executive, including a difference in assumptions on the rate of increase in population growth. In general, the bill assumes a population growth rate of 6.25 percent per year FY 2008 and 2009, while the executive estimates a higher overall rate of increase of about 7.5 percent for the same time period. This and other minor reductions are more than offset by higher secure care provider rate increases and exempting 24/7 facilities direct care staff from vacancy savings.
- The Department of Revenue (\$2.6 million lower) is primarily due to non-approval of additional FTE for various initiatives.
- The Department of Agriculture (\$4.0 million lower) is primarily due to the shift of a transfer to the noxious weed trust fund, \$5.0 million, to a separate appropriations bill
- The Department of Commerce, (\$3.0 million lower), due to the shift of a transfer to the manufactured home revolving loan program to another bill (SB 568).
- A reduction (nearly \$4.5 million) in various natural resources agency initiatives.

STATEWIDE PRESENT LAW REDUCTIONS

Total statewide present law adjustments are \$151.1 million for all funds. As shown in Figure 14, The Budget Bills as amended are a total of just over \$145,000 (all funds) above the executive level statewide adjustment funding for agency budgets. This is due to two agencies (the Departments of Livestock and Agriculture) being funded at nearly \$500,000 above the level originally calculated for personal services funding, resulting from a decision to remove certain statewide present law adjustments from the base for all agencies (nearly all other agencies had their personal services restored to the original level). This increase is partially offset by a global decision to reduce motor pool rates and the related costs assessed to agencies by over \$300,000 (the rates the Motor Pool can charge were later restored to the higher level, but agencies did not have their related costs restored). The LFD analyst has noted in agency narratives the differences shown in the far right column in the table below. See page 18 for a description of statewide adjustments.

Figure 14

Statewide Present Law Adjustment Summary - All Funds				
SubCommittee/Agency	Statewide Adj.	Executive Budget	Sen. F&C Action	Sen. F&C Change
01 General Government & Transportation	\$66,883,177	\$66,883,177	\$66,839,877	(\$43,300)
1104 Legislative Branch	2,845,241	2,845,241	2,844,842	(399)
1112 Consumer Council	230,510	230,510	230,510	-
2110 Judicial Branch	7,669,824	7,669,824	7,669,824	-
3101 Governor'S Office	897,122	897,122	895,839	(1,283)
3201 Secretary Of State'S Office	-	-	-	-
3202 Comm Of Political Practices	95,057	95,057	95,057	-
3401 State Auditor'S Office	1,098,983	1,098,983	1,098,702	(281)
5401 Department Of Transportation	29,499,321	29,499,321	29,496,087	(3,234)
5801 Department Of Revenue	7,255,865	7,255,865	7,221,417	(34,448)
6101 Department Of Administration	6,366,894	6,366,894	6,363,298	(3,596)
6102 Appellate Defender	-	-	-	-
6106 Mt Consensus Council	78,375	78,375	78,316	(59)
6108 Office Of The Public Defender	10,845,985	10,845,985	10,845,985	-
02 Health & Human Services	22,182,121	22,182,121	22,119,561	(62,560)
6901 Dept Of Public Health & Human Services	22,182,121	22,182,121	22,119,561	(62,560)
03 Natural Resources & Commerce	\$24,180,861	\$24,180,861	\$24,507,066	\$326,205
5201 Department Of Fish, Wildlife & Parks	7,518,810	7,518,810	7,397,327	(121,483)
5301 Department Of Environmental Quality	4,887,419	4,887,419	4,876,042	(11,377)
5603 Department Of Livestock	1,778,404	1,778,404	1,875,518	97,114
5706 Dept Of Natural Resources & Conservation	7,320,156	7,320,156	7,293,851	(26,305)
6201 Department Of Agriculture	2,168,768	2,168,768	2,557,399	388,631
6501 Department Of Commerce	507,304	507,304	506,929	(375)
04 Corrections & Public Safety	\$32,111,342	\$32,111,342	\$32,045,904	(\$65,438)
4107 Crime Control Division	669,804	669,804	669,804	-
4110 Department Of Justice	12,796,991	12,796,991	12,796,991	-
4201 Public Service Regulation	353,185	353,185	353,185	-
6401 Department Of Corrections	6,700,434	6,700,434	6,656,062	(44,372)
6602 Department Of Labor & Industry	9,084,695	9,084,695	9,065,810	(18,885)
6701 Department Of Military Affairs	2,506,233	2,506,233	2,504,052	(2,181)
05 Education	\$5,696,861	\$5,696,861	\$5,687,493	(\$9,368)
3501 Office Of Public Instruction	1,981,418	1,981,418	1,978,409	(3,009)
5101 Board Of Public Education	56,053	56,053	56,001	(52)
5102 Commissioner Of Higher Education	1,446,037	1,446,037	1,444,870	(1,167)
5113 School For The Deaf & Blind	520,391	520,391	516,451	(3,940)
5114 Montana Arts Council	86,002	86,002	85,917	(85)
5115 Montana State Library	143,023	143,023	142,194	(829)
5117 Montana Historical Society	1,463,937	1,463,937	1,463,651	(286)
Totals	\$151,054,362	\$151,054,362	\$151,199,901	\$145,539



BUDGET BILLS NARRATIVE OVERVIEW

PURPOSE AND FORMAT

This narrative is an agency-by-agency, program-by-program summary of 2009 biennium appropriations in four state agency appropriations bills (hereafter referred to as the “Budget Bills”). The purpose of this narrative is to provide a resource to aid legislators in taking action on the Budget Bills by providing an explanation of the appropriations included in the bills. The narrative reflects action through the Senate Finance and Claims Committee final action.

The narrative for each agency begins with an agency summary table comparing total appropriations for the 2009 biennium, including both present law adjustments and new proposals, to the FY 2006 base budget. (Present law adjustments are those adjustments to the base necessary to maintain operations under current law. New proposals are to fund new activities, reductions in existing services, or expansions not currently conducted by the agency.) Following the agency table is a reference to the pages in the LFD Budget Analysis in which the agency is discussed in more detail. If the analyst felt a global perspective was needed, or a major budget area highlighted, it is included in the agency presentation at the beginning of the agency narrative.

The agency section of the narrative also includes a table comparing the Budget Bills to the executive budget request, as well as an explanation of significant differences. Agency highlights are included in a table, followed by further discussion if warranted, and a table summarizing funding, by program. This section ends with a discussion of any agency-wide language included in the Budget Bills, as well as any agency-wide issues.

Explanations of the changes in appropriations from the base for each program within the agency follow. These sections begin with a program summary table showing the base budget, all present law adjustments, new proposals, and the total proposed budget. Also included is a summary of program funding. A table showing major present law adjustments, and an explanation of those adjustments, follows. A table and explanation outlining all new proposals (if any) follow the present law adjustments section. Finally, a section for language included in the Budget Bills, statutory changes, and for other issues, as applicable, is included.

PRESENT LAW ADJUSTMENTS TABLE

The present law adjustments table shows current level changes from base expenditures that have been included in the bills. As such, the table includes both positive and negative entries, depending upon whether the legislature is appropriating more or fewer funds than were expended in FY 2006. The reader should keep the following in mind when examining this table:

- Because the adjustments represent changes from the base, the entry in the table does not necessarily represent all recommended appropriations for the stated purpose. The table will not indicate any expenditure for the same purpose carried forward in the base. For example, if the agency expended \$1,000 for supplies in the base year of FY 2006, and is requesting an additional

\$500 per year, the present law table will show a yearly adjustment of \$500, rather than the total request for supplies of \$1,500.

- The table only includes present law adjustments, while new proposals may include additional or less funding for a similar purpose. For example, the present law table may indicate a reduction in equipment from the level expended in FY 2006. However, additional equipment may be included as a new proposal.

STATEWIDE PRESENT LAW ADJUSTMENTS

Most present law tables include one or several “statewide present law adjustments”. Statewide adjustments are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency’s control; or 2) other underlying factors. In the 2009 biennium, these adjustments are identified as: 1) inflation; 2) fixed costs (which are those costs charged to agencies to fund the operations of certain centralized service functions of state government, such as data network fees, messenger services, and legislative audit); 3) full funding of personal services (there are a number of reasons why personal services will change, including vacancy savings in the base year, upgrades/downgrades, elimination of termination pay, and annualization of the pay plan implemented by the 2005 Legislature); and 4) vacancy savings. A 4 percent vacancy savings on most executive branch positions is generally included in statewide and other present law adjustments.

Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the “statewide” section of the program present law tables to alert decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. The Budget Bills have increased statewide adjustment funding by \$145,000 (see figure 14 and the narrative on page 16).

PROPRIETARY FUNDS

Proprietary funds are those funds collected in return for the provision of a service or product, i.e. the provision of computer services to agencies of state government, or services for which a fee is charged, such as legal services. Proprietary funds consist of internal service funds (for operations that provide goods or services to state government on a cost-reimbursement basis) and enterprise funds (for operations that provide goods or services to the public on a user charge basis). HB 576, passed by the 1995 Legislature, removed the requirement that most proprietary funds be appropriated. Instead, the legislature required that internal service fund rates be approved by the legislature, above which the agencies may not adjust during the interim. Enterprise fund rates do not require legislative approval. The Office of Budget and Program Planning (OBPP) must include an analysis of the rates, fund balances, and fund equity in the executive budget.

The agency narratives include all rates approved by the legislature for those programs funded with internal service funds, as well as short descriptions of the primary reasons for any changes in rates approved. The discussions are included within the relevant programs within agencies. The approved rates are listed at the end of the applicable budget bills (HB 809 and HB 820).