



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

Legislative Fiscal Analyst  
CLAYTON SCHENCK

DATE: September 26, 2006  
TO: Legislative Finance Committee  
FROM: Taryn Purdy  
RE: 2007 Biennium Budget Spending "Pressure Points"

This memo is part of a regular update to the Legislative Finance Committee (LFC) of areas that have the potential to require a supplemental appropriation by the 2007 Legislature. Several agencies received authority to move funds from FY 2007 to FY 2006. It is anticipated that supplemental appropriations will be requested to backfill these amounts, and address ongoing appropriations shortfalls. Currently, staff estimate supplemental appropriations of about \$69.8 million general fund.

Corrections – The Department of Corrections transferred \$11.5 million of biennial appropriation authority for use in FY 2006. It is anticipated that population increases greater than the level included in the 2007 biennium budget, new programs, higher per diem rates, and other cost drivers will continue to increase costs throughout the 2007 biennium. Initial estimates of the department's budget shortfall for FY 2007 are not expected to be available until October, 2006. However, early indications are that the FY 2007 shortfall will equal or exceed the FY 2006 shortfall and that the department's supplemental request is likely to exceed \$25 million for the 2007 biennium.

Public Health and Human Services – The Department of Public Health and Human Services (DPHHS) is experiencing cost over runs due to two issues: 1) a \$2.8 million continuing cost over run for Montana State Hospital; and 2) \$6.0 million due to a reduction in the federal Medicaid match rate. Using unrestricted general fund biennial appropriations, DPHHS can offset a portion of the FY 2006 supplemental appropriation, the total supplemental is currently estimated at \$9.3 million.

Public Defender – The newly created Office of the Public Defender took over the services for indigent persons on July 1, 2006. At the end of FY 2006, the office made a supplemental transfer of \$185,927. Costs are anticipated to exceed the appropriation by about \$3.3 million in FY 2007 if current conditions persist.

Judiciary – Increases in costs, primarily for legal representation for indigent persons (public defender), resulted in a supplemental transfer in FY 2006 of \$2.5 million. Because not all bills have been received, staff estimates that the total could reach \$3.0 million. Public defender costs in FY 2007 are now the responsibility of the Office of the Public Defender, and so it is not anticipated that this shortfall will grow, although the Judiciary will request replacement by the 2007 Legislature of all or a portion of the amount originally transferred. There was some concern at the time of the original transfer whether the Judiciary would have sufficient authority in FY 2007 to continue operations until the legislature can act. Staff will continue to monitor as the fiscal year goes on and alert the LFC to any developments.

Fire Costs – Montana does not budget for fires. Consequently, all costs of fire suppression determined to be the state's responsibility and/or that must be paid until the state receives reimbursement, are paid through either the existing Governor's emergency appropriation or through a supplemental appropriation. Estimated total fire costs for FY 2007 are \$59.1 million, of which \$36.1 million is the responsibility of the state. When coupled with the FY 2006 supplemental appropriation (\$5.2 million) and an allowance of \$1.0 million for Spring 2007 fires, the total supplemental is currently estimated at \$29.2 million, which is the sum of the FY 2006 and FY 2007 state responsibility, minus the amount already paid from the Governor's statutory emergency appropriation.

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