



# An Early Look at Legislative Action on the State Budget

May 2019

Our state budget represents our collective investment in the public institutions and services that educate our children, keep our communities safe, and provide health care and other services to our neighbors who need it. The 2019 Legislature enacted the state budget, housed within HB 2, providing funding for state agencies to provide services across the state. This report provides an overview of the key actions during the session. Appendix A provides some of the highlights of the enacted HB 2 state budget. (\*\*This report will be updated with a more comprehensive summary in the coming months.)

## **Medicaid Expansion: A Continued Commitment to Affordable Healthcare Access**

The Montana Legislature passed legislation to continue Montana's successful Medicaid expansion, protecting health insurance coverage for over 96,000 Montanans, which was set to expire on June 30, 2019. The Medicaid expansion legislation, HB 658, does include some changes to the current law, most notably the requirement that some enrollees participate in 80 hours per month of allowable "community engagement" activities. However, the bill as passed by the legislature exempts the vast majority of enrollees from these new requirements, including those already working, going to school, and caregivers. The bill also exempts those facing serious barriers to work, such as those that are medically frail, disabled, or living in areas with high unemployment. In order to enact new requirements, the Department of Health and Human Services (DPHHS) must submit a waiver subject to approval by the federal Centers for Medicare and Medicaid Services.

## **Montana Enacts Critical Infrastructure Investments**

For the first time in a decade, the Montana Legislature passed an infrastructure package funded through bonding, as well as several other infrastructure bills. The 2019 infrastructure package included five bills — four of which fund specific projects, and one that puts in place a framework for state infrastructure bonding and investment moving forward. HB 625, HB 5, and HB 8 fund over \$80 million dollars in infrastructure projects, including new or renovated state buildings, like Romney Hall at Montana State University, and local water and sewer projects in communities throughout Montana. SB 338 provided a funding mechanism to support the construction of a new Historical Society museum.

HB 553 provides a limit on how much the state can bond for, establishes how much cash is available for building projects, and allows funds set aside for future infrastructure investments to be tapped in the case of a budget shortfall. It also calls on the governor to present a 6-year infrastructure plan to the Legislature at the start of each session.

## **Failure to Invest in Early Education Sets Montana Back**

The executive budget proposed an investment of \$29 million over two years for preschool programs. Of this, \$21 million would have been allocated through the Office of Public Instruction to individual K-12 school districts, while the remaining \$8 million would be administered through DPHHS Stars to Quality preschool program (similar to the one-time-only funds appropriated by the 2017 Legislature). This proposal, introduced as HB 225, was tabled in the House Committee on Education. A separate proposal, HB 755, would have created and funded preschool through a new Department of Early Childhood within the executive branch. This second proposal also died in the House Committee on Education.

The failure of the legislature to agree and pass a preschool proposal will also result in the elimination of the current preschool pilot program that was funded in 2017. Montana will remain one of just a handful of states that does not invest in preschool programs.

## Appendix A - Summary of Enacted 2021 Biennium Budget by Agency

<b>Section A - General Government</b>	
Legislative Branch	Biennial budget increase of 27% compared to the 2019 biennium (14% increase in on-going funds). The legislature adopted increases for information technology hardware, Legislative Branch audit costs, actuarial services, and fraud hotline software. There were also a handful of one-time-only appropriations for session-specific costs, including updated vote display boards.
Governor's Office	Biennial budget increase of 10% compared to the 2019 biennium. The increases come from adopting statewide present law adjustments. The legislature did not adopt the proposed reductions in the Mental Disabilities Board of Visitors or the Mental Health Ombudsman's Office.
Department of Revenue	Biennial budget increase of 8% compared to the 2019 biennium, restoring some cuts taken in 2017. The legislature made permanent the elimination of 7.85 full-time employees (FTE) previously cut in 2017 and cut an additional 25 FTE in the Property Assessment Division.
Department of Administration	Biennial budget increase of 13% compared to the 2019 biennium. The legislature adopted an increase of 10 FTE for statewide cybersecurity enhancement.
Department of Commerce	Biennial budget increase of 12% compared to the 2019 biennium. Over 75% of the Department of Commerce budget is non-general fund (GF) and not budgeted through HB 2. Despite significant effort to remove the one-time-only (OTO) designation of multiple programs within Department of Commerce, the legislature maintained the OTO designation for funding for Primary Sector Workforce Training Grant Program (\$1.3 million), Indian Country Economic Development Program (\$1.75 million), and Native Language Preservation Program (\$1.5 million). Marketing related to the Decennial Census also has a OTO appropriation of \$100,000. There was an additional \$400,000 for Advanced Fuels Center at MSU-Northern.
Department of Labor and Industry	Biennial budget increase of 5% compared to the 2019 biennium. The legislature adopted a reduction of 5 FTE to the Business Standards Division.
Department of Military Affairs	Biennial budget increase of 5% compared to the 2019 biennium. The legislature appropriated an increase in STARBASE funding and an additional 11 FTE in the Army and Air National Guard Program. Increases in GF and state special revenue (SSR) for motor pool costs for Disaster and Emergency Services and search and rescue operations.
<b>Section B – Public Health and Human Services</b>	
Overall Agency	Biennial budget increase of 2.6% compared to the 2019 biennium. The FY 2020 budget is a 1.3% decrease from the FY 2019 base while the FY 2021 budget is an 2.8% increase from the FY 2019 base. The legislature reduced DPHHS by 99.46 FTE. In order to fund the Montana Health Information Exchange (HIE) system, the legislature redirected \$600,000 GF to be used to create the HIE rather than direct it towards physician provider rate increases. Despite many efforts to fund preschool, the legislature rejected executive proposals in both DPHHS and OPI (below).
Provider Rate Increase	The legislature adopted provider rate increases across the biennium – 0.91% in FY 2020 and 1.83% in FY 2021. The legislature exempted non-critical access (larger) hospitals from the provider rate increase. Those “savings” of \$1.4 million went toward funding for substance use disorder treatment within Addicted and Mental Disorder Division (AMDD). An additional \$2.4 million in provider rate increases went to the Developmental Services Division (below).
Healthy Montana Kids	The legislature did not approve the executive's proposal for funding the Children's Health Insurance Program (CHIP) through a proposed tax rate increase in a SSR account. Rather than funding CHIP through a SSR account, the legislature appropriated \$11 million in GF dollars.
Human & Community Services Division	Biennial budget increase of 1.6% compared to the 2019 biennium. The HCSD is 89.1% funded by federal dollars and the remaining 10% is GF dollars. This

	division houses programs like TANF, SNAP, and the Low-Income Energy Assistance Program.
Child & Family Services Division	Biennial budget increase of 15% compared to the 2019 biennium. The legislature transferred 18 FTE from the Boulder campus to CFSD and adopted caseload funding increases. They approved an \$28.9 million GF increase and restricted the budget for CFSD.
Disability Employment & Transitions Division	Biennial budget increase of 1% compared to the 2019 biennium. DETD faced significant cuts in the first round of the FTE cuts and due to significant public testimony, the division restored 7 of the 9 initial FTE cuts. The legislature directed \$3.5 million from the Montana Telecommunications Access Program to DETD, \$2.7 million of which will go to targeted case management services for adults and children with mental illness and the associated FMAP funds. The remaining \$800,000 will go to extended employment in DETD with associated FMAP funds.
Developmental Services Division	Biennial budget increase of 3.6% compared to the 2019 biennium. \$2.4 million GF and associated federal dollars were appropriated to increase Medicaid provider rates for developmental disability service providers.
Senior & Long-Term Care Division	Biennial budget increase of 2% compared to the 2019 biennium. SLTC faced the most significant cuts during the 2017 session and there was great emphasis on what that would mean for the 2019 session. The legislature restricted the nursing home budget to be spent only on nursing home services or home- and community-based services. The legislature directed additional funding from the Older Montanans' Trust Fund to create additional slots for home- and community-based services.
Addicted & Mental Disorders Division	Biennial budget increase of 7% compared to the 2019 biennium. The legislature moved \$1.35 million in excess funds in the MT Telecommunications Access Program into funding for targeted case management for mental illness. An amendment on the Senate Floor moved \$2 million from the SSR account associated with medical marijuana to support Medicaid reimbursement for peer support services (SB 30).

### Section C – Natural Resources and Transportation

Fish, Wildlife, & Parks Department	Biennial budget increase of 2% compared to the 2019 biennium. FWP is not funded by the General Fund. The legislature approved an increase of 12.5 FTE, which is 7 FTE lower than the executive request. The legislature failed to fund .4 FTE for Smith River recreation services as proposed in the executive budget.
Department of Environmental Quality	Biennial budget increase of 5% compared to the 2019 biennium. DEQ's largest funding source is SSR. The legislature removed 1 FTE and associated \$100,000 GF. \$1 million of SSR Petroleum Tank Clean Up funds were appropriated to the Waste Management & Remediation Division for tank clean-up.
Department of Natural Resources and Conservation	Biennial budget increase of 14% compared to the 2019 biennium. SSR funds account for 54.4% of DNRC's budget. The legislature approved 2 FTE to support Good Neighbor Authority (GNA) and 6.5 OTO FTEs to support GNA. The Senate restored 4.7 FTE originally eliminated in the House.
Department of Agriculture	Biennial budget roughly the same compared to the 2019 biennium. SSR is the predominant funding source for the Department of Agriculture. The legislature approved an increase of .03 FTE over the biennium. There was a \$100,000 increase of SSR dollars for noxious weed grants and \$83,3000 to support the Growth Through Agriculture program.
Department of Transportation	Biennial budget Increase of 1.5% compared to the 2019 biennium. DoT is funded through SSR and federal funds. The legislature approved a reduction of \$6 million in grant funding in the Construction Program and an increase of \$1.6 million for a new Rural Traffic Management Center in the Maintenance Program.

### Section D – Judicial Branch, Law Enforcement, and Justice

Judicial Branch	Biennial budget increase of 10% compared to the 2019 biennium. Youth parole was transferred from the Department of Corrections to Supreme Court Operations which includes 2 FTE and \$1.2 million over the biennium (HB 111). The Pretrial Diversion Program had a fund switch from a OTO GF appropriation to SSR funds at \$1.6 million.
Department of Justice	Biennial budget increase of over 6 percent compared to the 2019 biennium. The legislature approved the transfer of the Public Safety Standards & Training

	(POST) to the Montana Law Enforcement Academy which switched funding from GF to SSR. Personal services were adjusted by \$3.8 million for statewide present law adjustments and there was an additional \$1.8 million authority for MT highway patrol increases. \$250,000 in funding to test all sexual assault kits. Last-minute additions within HB 715 restored lost FTE, and SB 352 provided an additional \$3.75 million per year for public safety communications system.
Office of State Public Defender	Biennial budget increase of 16% compared to the 2019 biennium. This office is funded entirely by GF dollars. The legislature approved 30.5 FTE for an increased caseload for Public Defender Division, Conflict Coordinator Division, and Appellate Defender Division. There was an additional \$2.5 million appropriated to handle contractor caseload growth in the Public Defender Division, Appellate Defender Division, and Conflict Coordinator Division. There was also approval for OTO funding of \$466,000 over the biennium for death penalty cases.
Department of Corrections	Biennial budget increase of 1.9% compared to the 2019 biennium. 92% of the Department of Correction's funding comes from GF dollars. The legislature approved nearly \$4.5 million for provider rate increase to statewide and regional facilities. They also reduced operating expenses by \$3 million from the savings received from repurposing the Montana State Correctional Treatment Court. Youth Services Division was reorganized to multiple other programs and redistributed \$24.3 million as a result which led to an overall reduction of \$2.1 million.
<b>Section E – Education</b>	
K-12 Education/Office of Public Instruction	Biennial budget increase of 5% compared to the 2019 biennium. Efforts to fund preschool within OPI failed. At the state-level the legislature approved a \$560,000 decrease in personal services which is 4 FTE and a decrease of \$1.8 million in operating expenses. Adopted present law adjustments totaled \$93.8 million for inflationary increases, increases in ANB (including the \$7 million for mid-session fall ANB count and new high school districts), and increases in the Guaranteed Tax Base rates. \$200,000 was appropriated for school safety. Special education allowable cost base was increased by \$217,547 per year plus \$39,564 for GTB and retirement. There was also an increase of \$500,000 million per year for secondary vocational education. Gifted and talented base authority was increased \$100,000 per year.
Higher Education/Office of the Commissioner of Higher Education	Biennial budget decrease of 10% compared to the 2019 biennium. The legislature approved a tuition freeze for the Montana University System and appropriated \$2 million OTO for need-based aid. Tribal colleges received \$350,000 OTO for the HiSET program. OTO authority was also provided for the Bureau of Mines data preservation project, Agricultural Experiment Stations Wool Lab, and Agriculture Experiment Stations Seed Lab. Flathead Valley Community College was appropriated \$542,500 OTO to increase the state support per resident to be more equitable within MUS.