

Montana State Budget: Recent Actions and Where We Stand



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What is the Montana Budget & Policy Center?

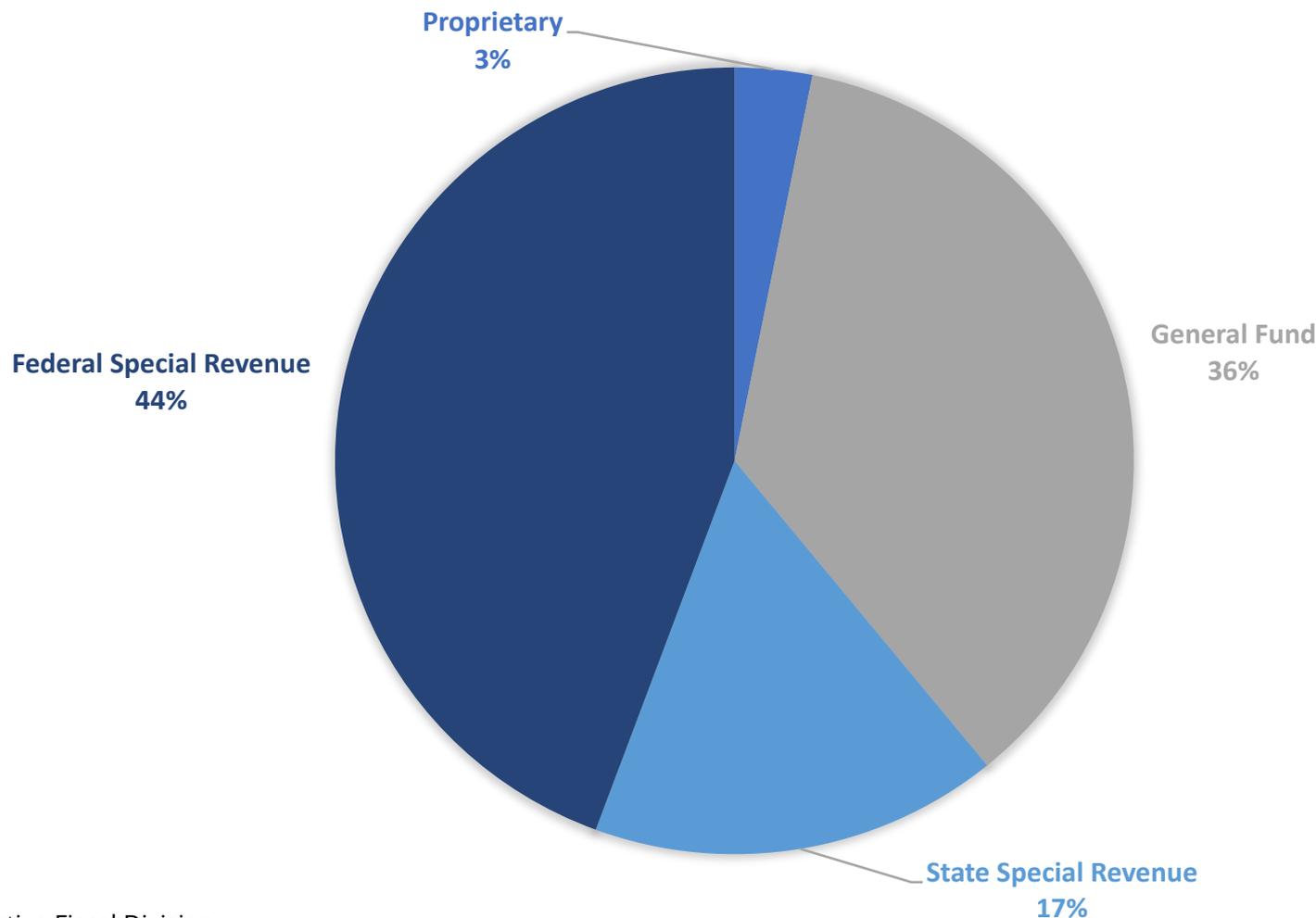


It is our **MISSION** to advance responsible tax, budget, and economic policies through **credible research and analysis** in order to promote opportunity and fairness for **all Montanans.**

Federal funds comprise nearly half of revenue for Montana's state budget.

2019 BIENNIUM TOTAL BUDGET (REGULAR SESSION) = \$13,183.9

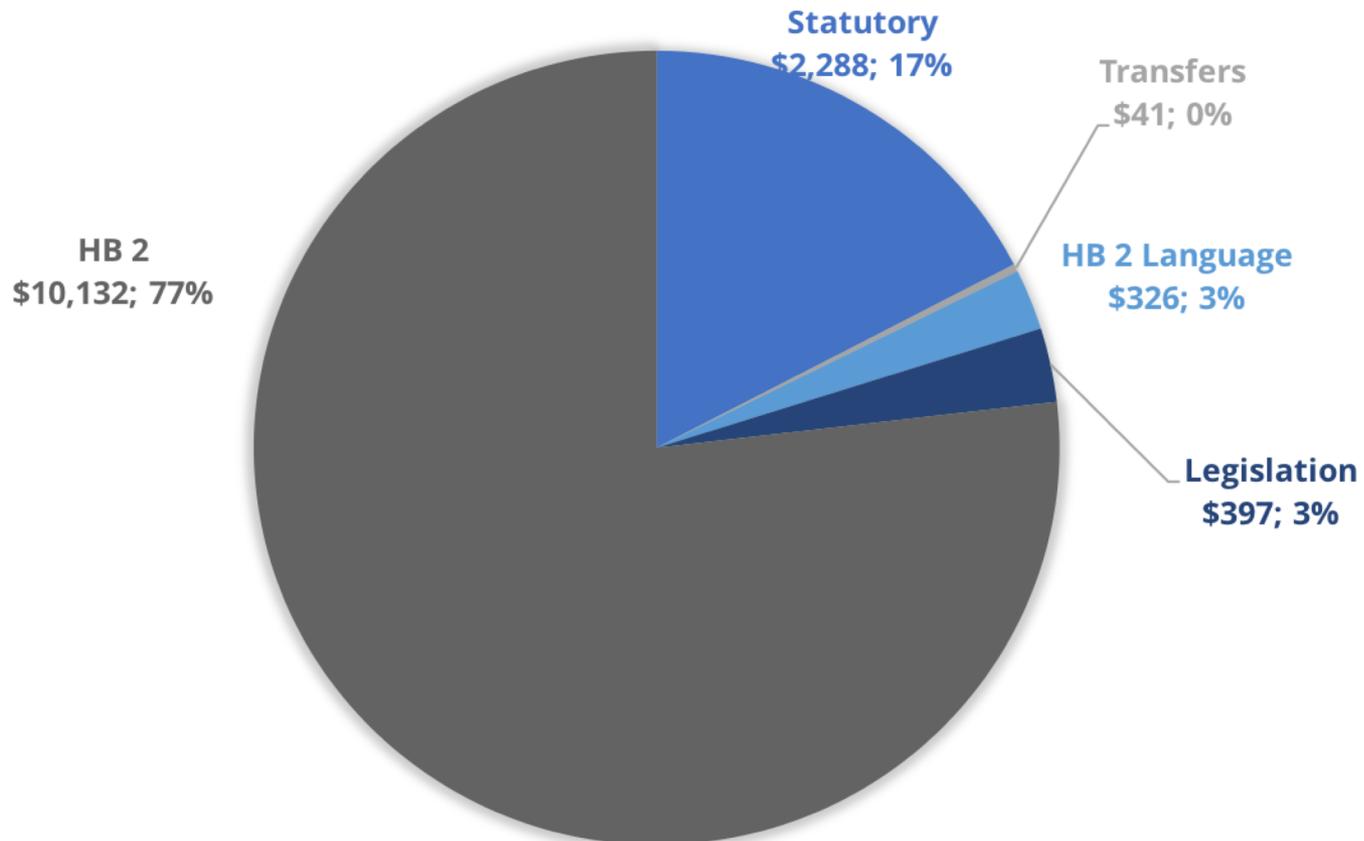
BY SOURCE OF FUNDING
(\$ MILLIONS)



The vast majority of the state budget is within HB 2.

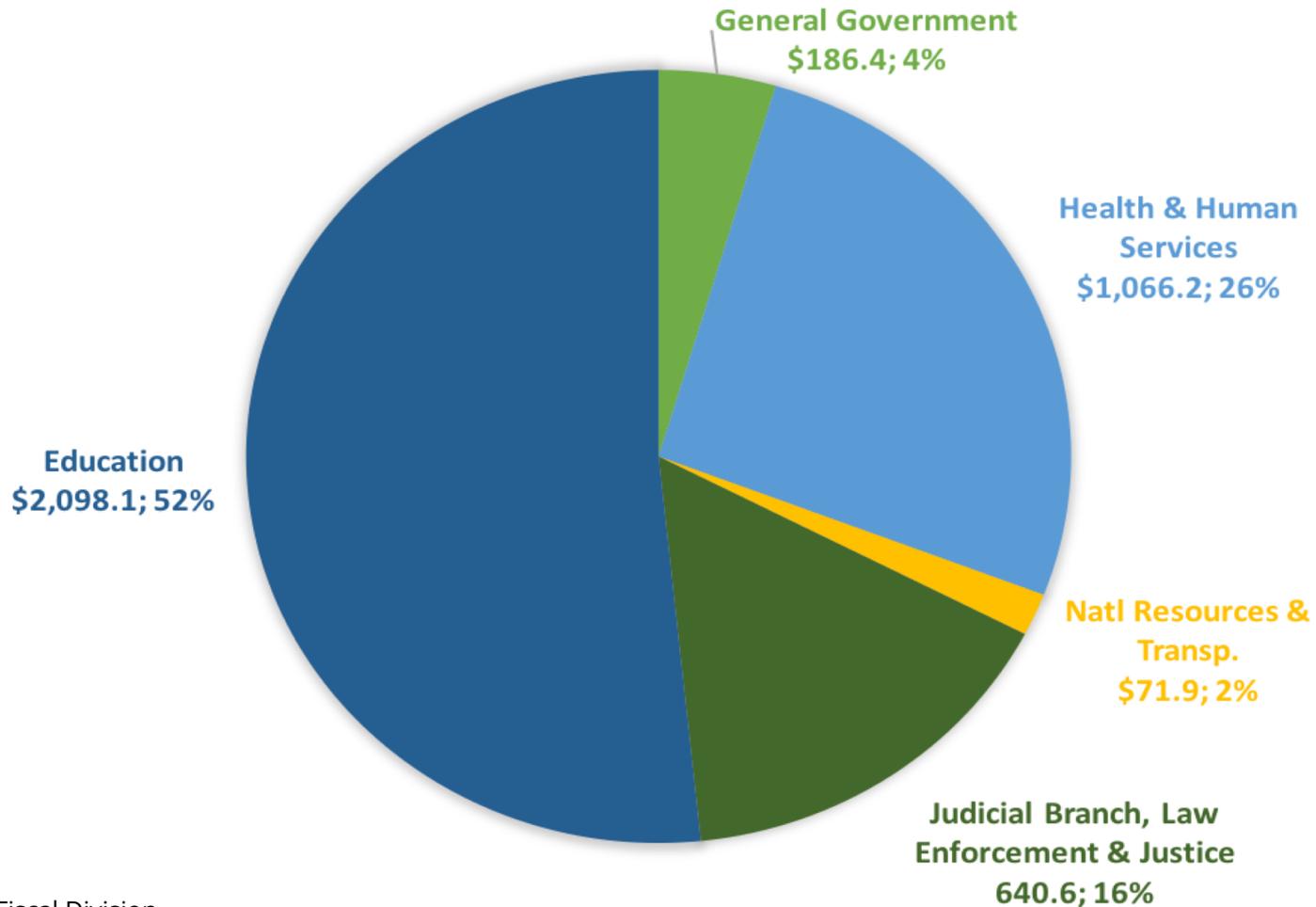
(Notable exceptions: Medicaid expansion and Local Entitlement Share)

2019 BIENNIUM TOTAL BUDGET = \$13,183.9
BY SOURCE OF APPROPRIATION AUTHORITY
(\$ MILLIONS)



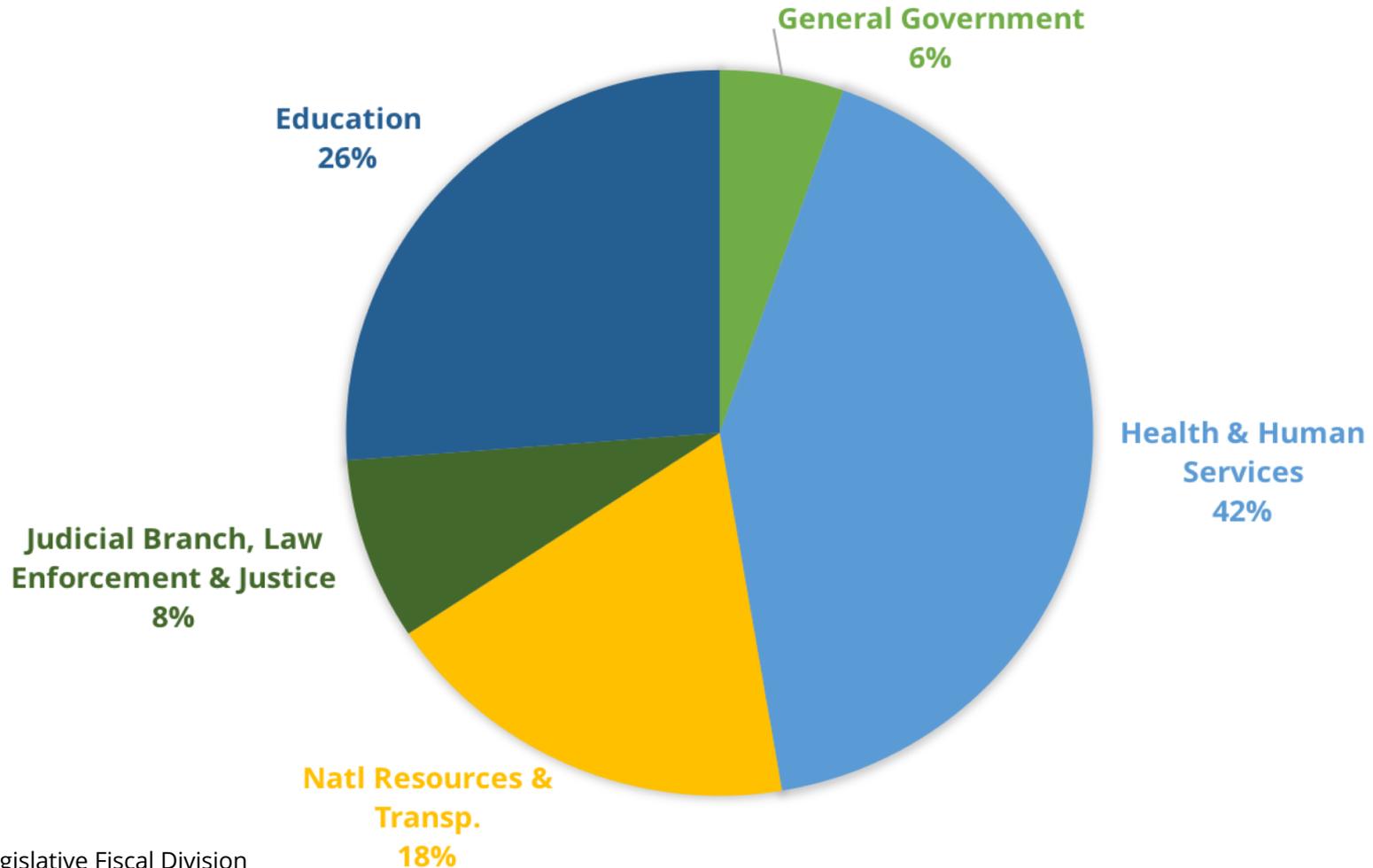
Education funding makes up half of state general fund appropriations.

2019 BIENNIUM BUDGET (REGULAR SESSION)
GENERAL FUND - HB 2 ONLY - \$4,063.2
(IN MILLIONS)

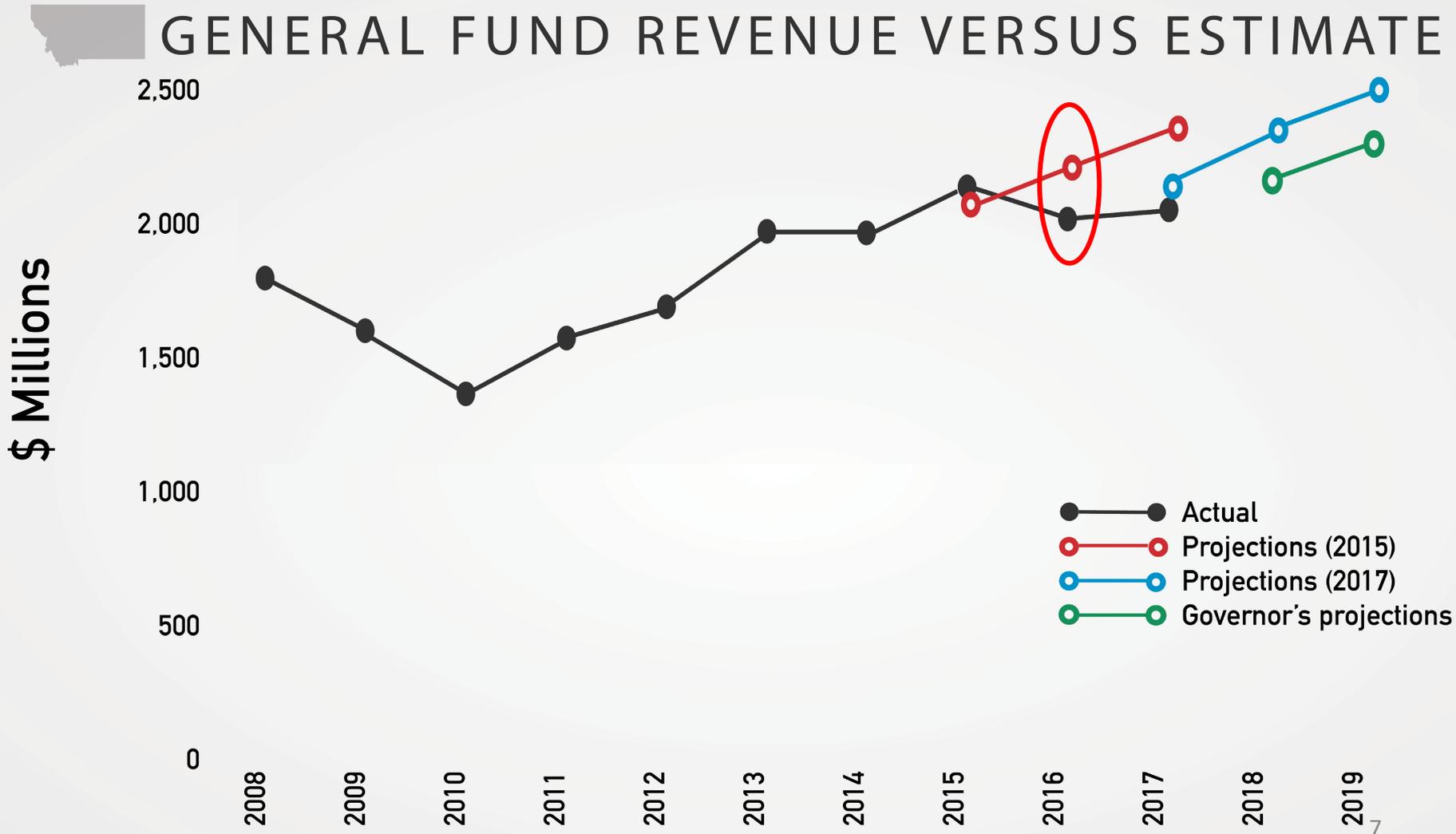


But when factoring in federal funds, HHS makes up the biggest share of the budget.

2019 BIENNIUM BUDGET (REGULAR SESSION)
TOTAL FUNDS - HB 2 ONLY - \$10,131.9
(IN MILLIONS)



General fund revenue dropped in 2016 and 2017, coming in nearly \$230 million below projections for the 2017 biennium.



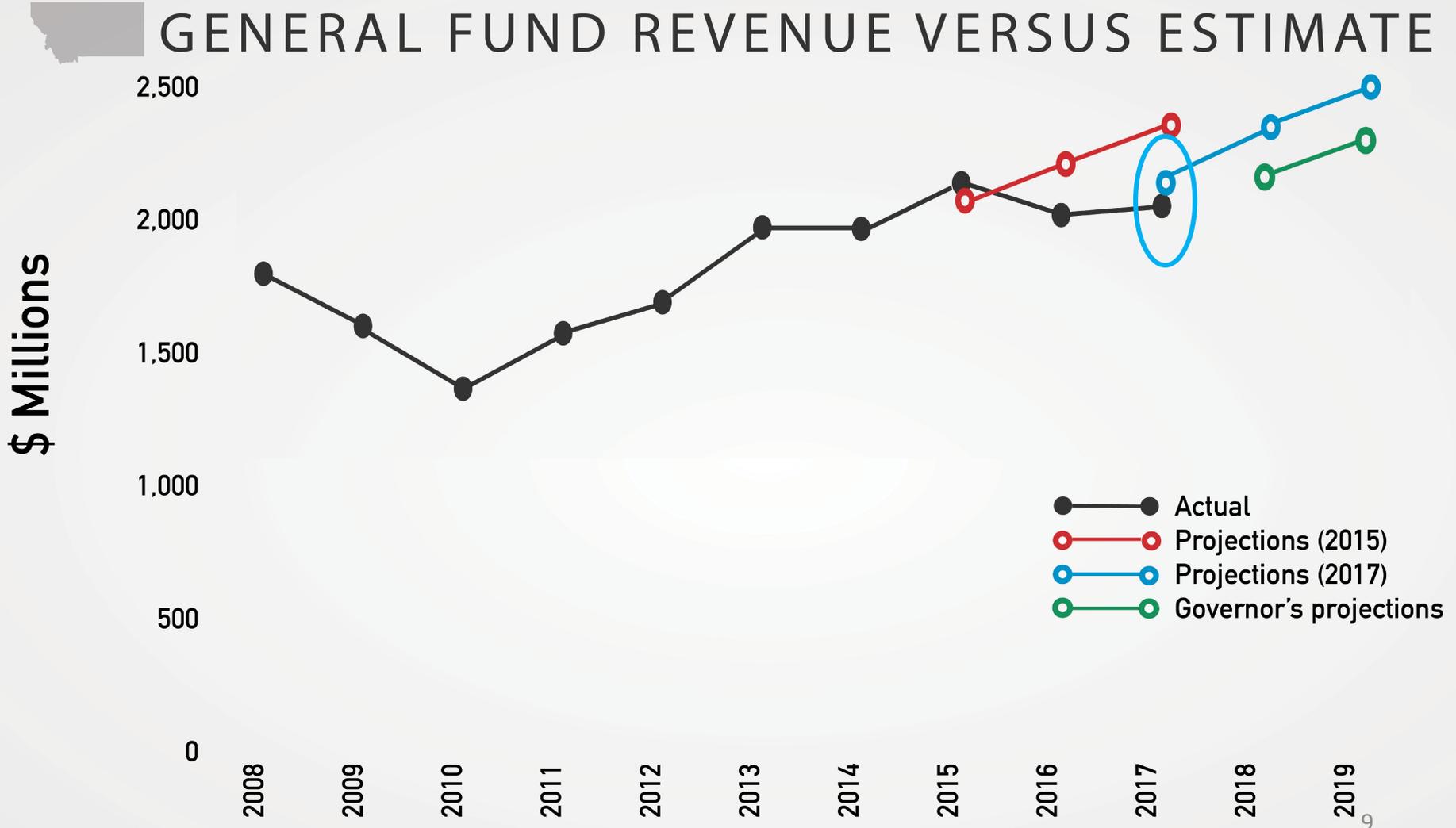
The 2017 regular session resulted in budget cuts to many agencies.

- **\$151 million** in budget reductions
 - Additional required vacancy savings in agencies
 - Cuts to K-12 education, higher education, HHS, and public safety
- (**\$78 million** in new expenditures)
 - \$0.50 pay increase for state employees, early education pilot, K-12 facilities and some other K-12 funding, funds to reduce county jail holds, criminal justice reform investments

**NET EFFECT: Legislative actions rebuilt the general fund ending fund balance to \$198 million by 2019.
- \$100 million below previous sessions.**

Senate Bill 261: If FY2017 revenue comes in below projections, triggers another series of budget cuts

General fund revenue in 2017 came in below the legislature's modified projections.

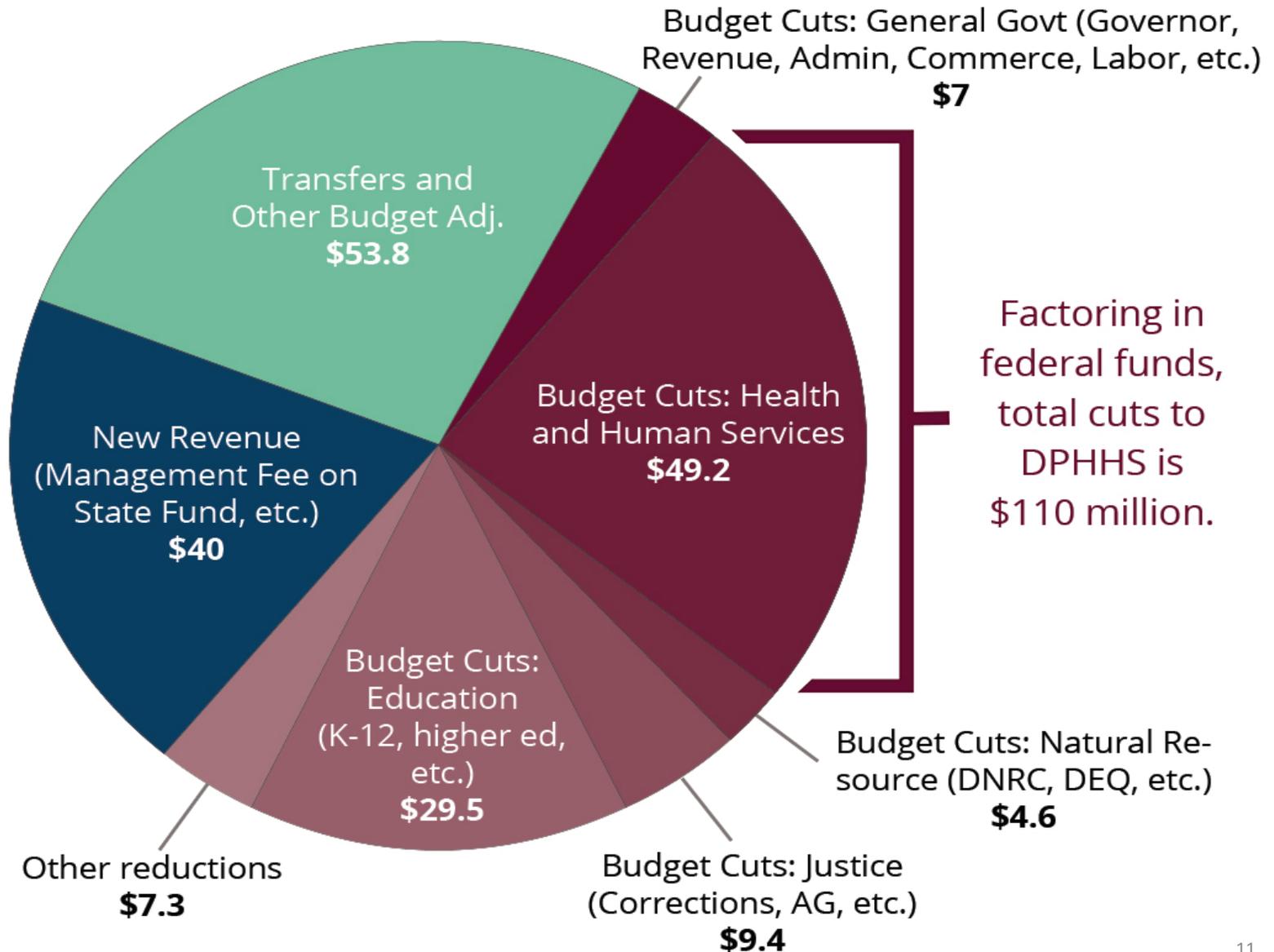


SB 261 Triggered – Additional \$67 million in cuts and \$30 million transferred out of the fire fund

- **\$67 million** in budget reductions
 - Unfunded pay increase for state employees (**\$7m**)
 - 0.5% across the board reduction, all agencies (**\$12.7m**)
 - DPHHS: Provider rate, targeted case management cuts (**\$16.2m** GF, **plus ~\$30m** federal funds)
 - K-12: District payments for block grants, data for achievement (**\$19m**)
 - Cuts to State Library and Historical Society (**\$2.5m**)
- **\$30 million** transfer out of fire fund
 - 2017 was one of Montana's most expensive fire seasons.

As a result of fire costs and lower revenue projections for FY2018 and FY2019, the Governor called a special session in November 2017 to make further budget cuts.

Actions taken during special session (in millions)



Nearly \$100 million general fund cuts to DPHHS has resulted in the loss of over \$100 million in federal funds.

Timing of the Cuts	Description	2019 Biennium General Fund
Cuts taken in 2017 Regular Legislative Session	DPHHS budget cuts (HB 2)	(\$12,017,536)
	DPHHS additional vacancy savings (HB 2)	(\$3,354,337)
	Unfunded Medicaid caseload (HB 2, HB 639)	(\$13,375,257)
Cuts enacted in August 2017	Cuts to Medicaid provider rates, targeted case management, unfunded state employee pay raises (SB 261)	(\$17,334,849)
Cuts enacted in November 2017 Special Session	DPHHS budget cuts (HB 2, special session)	(\$49,213,958)
TOTAL GENERAL FUND CUTS TO DPHHS		(\$95,295,937)

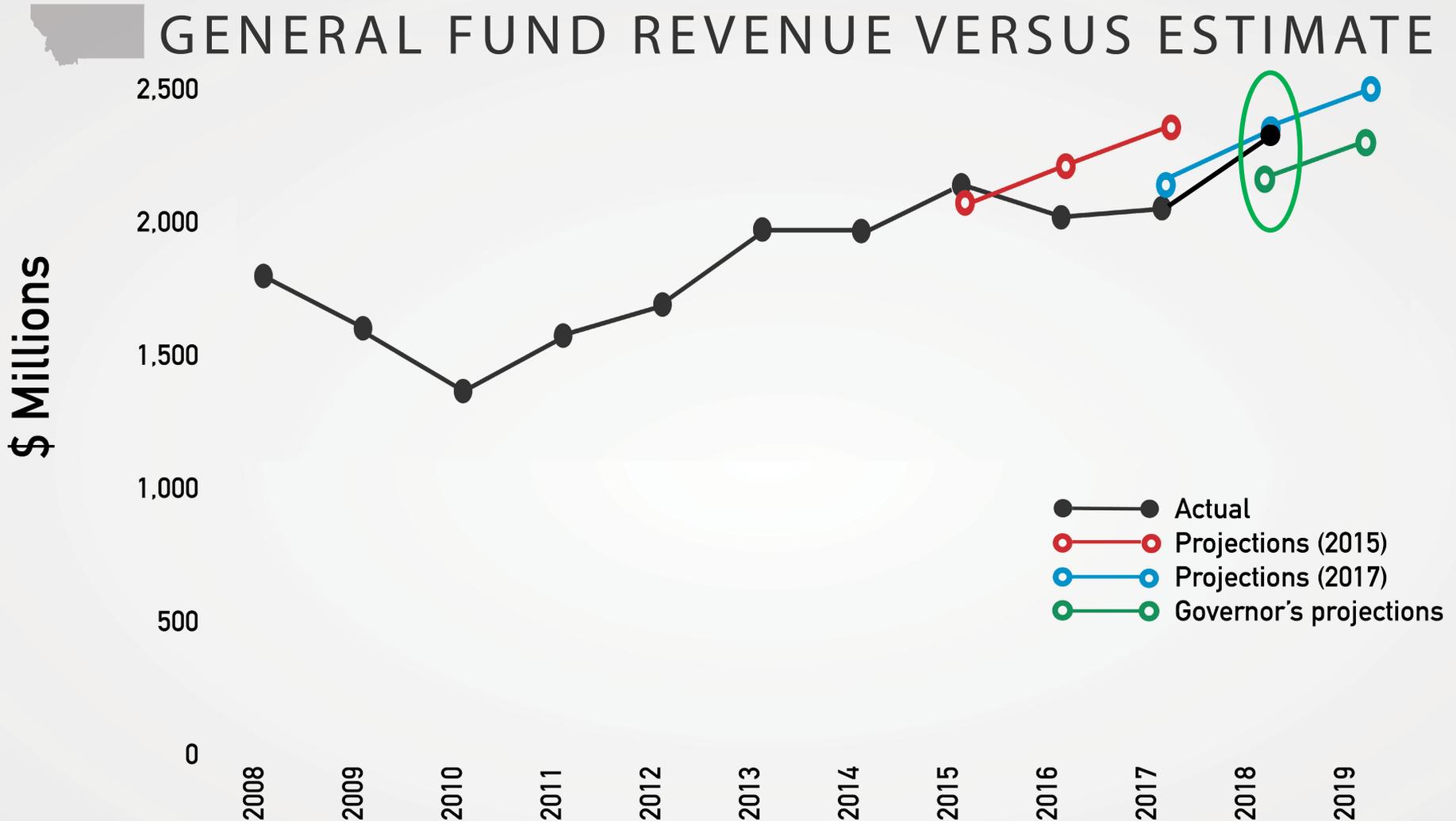
Cuts to DPHHS

Total general fund cuts of **\$95 million** have also resulted in the **loss of more than \$100 million in federal matching funds.**

- Senior & Long-Term Care
- Offices of Public Assistance
- Services for seniors and adults and children with disabilities
- Case management for those seeking mental health or substance use disorder treatment



General fund revenue came in as projected for FY2018, triggering restoration of some budget reductions.



Recent restorations equate to 32% of total cuts to DPHHS.

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TOTAL GENERAL FUND CUTS TO DPHHS		(\$95,295,937)
Restoration in August 2018	Includes restore some Medicaid provider rates, one-fourth targeted case management, and some new obligations (Child Family Services, MT State Hospital)	\$30,551,970
NET GENERAL FUND CUTS TO DPHHS		(\$64,743,967)

The \$30 million restored to DPHHS will address some, but not all, of the cuts made for FY2019.

- **Targeted case management** funds restored are **one-fourth** of original appropriation.
- Additional cuts **not restored** includes:
 - Second chance homes;
 - Chemical treatment services;
 - Closure of 19 offices of public assistance*;
 - Support for children and adults with developmental disabilities;
 - Services for seniors and people with disabilities living in their homes
- Some “restoration” funds went toward **meeting new or increased obligations**:
 - Increased caseload within child welfare system
 - Increased costs at Montana State Hospital

Most state agencies will start the 2021 biennium budget process below FY2017 base levels

Agency	Percent Above/Below FY2017 Base %, GF only (%, Total funds)	
Public Health & Human Services	+2% <i>(-2%)</i>	Increased Medicaid caseload is offsetting significant reductions in other divisions.
Corrections	-1% <i>(+5%)</i>	Possible supplemental appropriation for FY19 to address increased prison population; increased county jail holds.
Justice	-4% <i>(0%)</i>	Staff vacancies across all divisions.
Judicial Branch	-4% <i>(-4%)</i>	
Public Defender	+900%	Legislature funded OPD on one-time-only basis in 2015. Likely supplemental for FY2018 to address increased caseload.

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Agency	Percent Above/Below FY2017 Base %, GF only (%, Total funds)	
Higher Education	-2.9% (0%)	Reductions felt by individual colleges and universities, with corresponding tuition increases.
Office of Public Instruction	+1% (+1%)	\$18 million in special session cuts reduced total \$45 million present law adjustment during regular session. Many school districts raised mills to fill gap.
Historical Society	-25.1 (-14%)	Staff layoffs (9 of 60 FTEs), elimination of capitol tours and other services.
State Library	-29.9 (-5%)	Staff layoffs (reported 12 of its 44 FTEs) and reduced services for services for those with sight-impairment or physical disabilities.

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Agency	Percent Above/Below FY2017 Base %, GF only (%, Total funds)	
Legislative Branch	+1% (+1%)	
Governor's Office	-4% (-4%)	Reductions in both personal services and operations
Revenue	-5% (-4%)	Elimination of 28 county property tax assistance offices, vacancies within property tax div.
Labor & Industry	-7.9% (-4.2%)	Staff vacancies within Human Rights Bureau, limited outreach to businesses and employees.
Natural Resource & Conservation	-10.7% (-4%)	Reductions to water resource division, including stream gauges, water monitoring and testing.
Environmental Quality	-6% (+1%)	Reduced contract services for water quality monitoring.

What Happens Now?

2021 Biennium Budget Outlook

- **Governor will release proposed 2021 biennium budget November 15th**
- Revenue projections (rest of FY2019, and FY2020, FY2021)
- Certain Budgetary “Pressures”:
 - **DPHHS**
 - **Medicaid expansion**
 - **Children’s Health Insurance**
 - **CFS caseload growth**
 - **Direct care worker wages / provider rates**
 - **Home & Community Based Services waiver slots**
 - **MT State Hospital cost overruns**
 - **K-12**
 - **BASE Aid growth**
 - **ANB growth**
 - **Facilities and other payments**
 - **Others:**
 - **budget cuts** (not already restored in SB 9), **pay plan, pre-K**
 - **corrections caseload, public defender caseload**
 - **Infrastructure, fire fund**

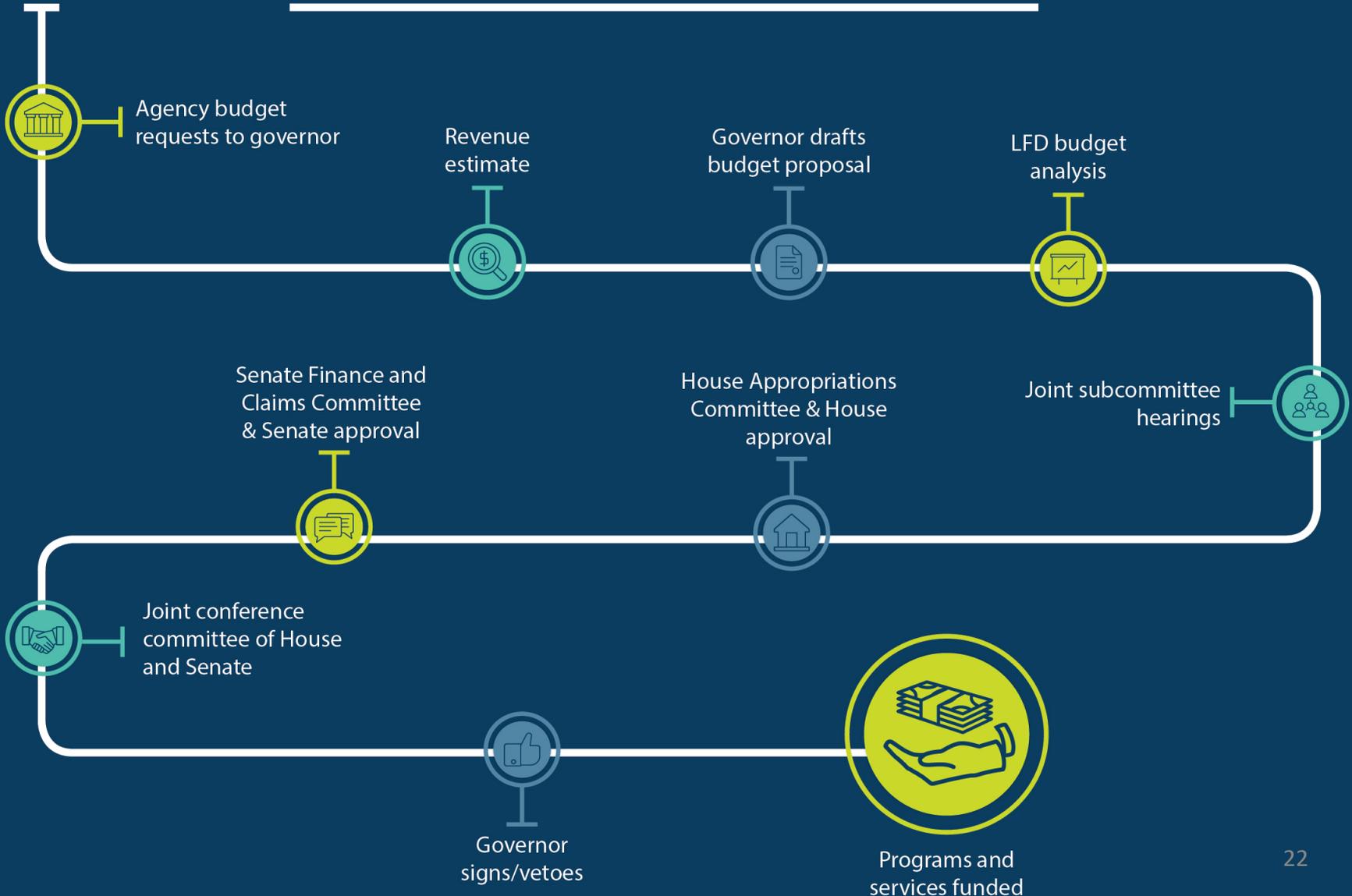
What Happens Now?

2021 Biennium Budget Outlook

- Budgetary cuts taken are inefficient and will result in **increased state costs** (as well as risk lower revenue collections) over time
- Legislative action has resulted in **increased pressure on local governments, nonprofits, and local property taxpayers** to pick up the tab.
- State policymakers must have an honest discussion about **additional revenue sources** that the state should consider.

BUILDING A BUDGET

A GUIDE TO MONTANA'S PROCESS



Questions?



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www.montanabudget.org

ADDITIONAL MATERIALS

Key Budget Terms

General Fund: Primary fund for the state budget, and unlike other funds, is not a specific purpose fund.

Federal Special Revenue: Accounts deposited in the state treasury from federal sources, to be used for operation of state government.

State Special Revenue: State and other nonfederal sources that are earmarked for a particular purpose or restricted by law.

Proprietary Funds: Enterprise or internal service funds that are generated from the sale of goods or providing services.

HB 2: The General Appropriations Act to authorize funding for the operation of state government.

Statutory Appropriation: Funds appropriated in permanent law rather than a temporary bill, such as HB 2, and listed in 17-7-502, MCA.

Key Budget Terms

One-time-only Appropriations: Appropriations for a one-time purposes and are not reflected in the base budget.

Base Budget: The funding needed for the operation of state government that provide for expenses of an ongoing and non-extraordinary nature in the current biennium.

Present Law: The additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature.

Decision Package: separate, specific adjustment to the base budget.

DPs can be either:

Present Law Adjustments

New Proposals

Sections of the State Budget

Section A – Gen. Govt.

Legislative Branch
Consumer Counsel
Governor’s Office
Secretary of State
Commissioner of Political Practices
State Auditor
Revenue
Administration
Commerce
Labor and Industry
Military Affairs

Section B – Health and Human Services

Public Health and Human Services

Section C – Natl. Resources and Transp.

Fish, Wildlife and Parks
Environmental Quality
Transportation
Livestock
Natural Resources and Conservation
Agriculture

Section D – Justice

Judicial Branch
Board of Crime Control
Justice
Public Service Regulation
State Public Defender
Corrections

Section E – Education

Public Instruction
Board of Public Ed
Higher Education
School for Deaf and Blind
Arts Council
State Library
Historical Society

Section F – Long-Range Planning

Long-Range Building Program
State Building Energy Conservation
Treasure State Endowment Program (TSEP)
Treasure State Regional Water Program
Quality Schools Facility Grant Program
Long-Range IT Program
Reclamation and Development Grant
Renewable Resource Grant and Loan Program
Cultural and Aesthetic Grant Program

Helpful Resources

Comparison of 17-7-140 reductions and recent restorations (click on “table”) - <http://montanabudget.org/post/yesterdays-announcement-of-cuts-restoration-impact-on-dphhs>.

Presentation – Funding for Montana Health and Human Services - <http://mbadmin.jaunt.cloud/wp-content/uploads/2018/06/Candidate-Budget-Sessions-Health-and-Human-Services.pdf>.

Presentation – Taxes and Revenue in Montana - <http://mbadmin.jaunt.cloud/wp-content/uploads/2018/06/Revene-in-Montana-Presentation.pdf>.

Research – The Montana We Could Be: Tax cuts, aimed at the rich, take a toll - <http://montanabudget.org/report/the-montana-we-could-be>.

Resource – Amplify Your Voice: Lobbying Do’s and Don’ts. <https://bolderadvocacy.org/resource/amplify-voice-lobbying-dos-donts/>.

Resource – Nonprofits Can Influence the Budget Process - <https://bolderadvocacy.org/resource/nonprofits-can-influence-the-budget-process/>.