

LEGISLATIVE BASE BUDGET POLICY CHOICES

A Report Prepared for the
Legislative Finance Committee

By
Amy Carlson, Legislative Fiscal Analyst
Barbara Smith, Operations Manager

December 7, 2015



In September 2015 Legislative Finance Committee (LFC) members were provided budget policy choices for the 2017 Legislative session. During that meeting, LFD staff and Executive staff reported on the budget allocation process and initiated discussion of base budget policy choices for the 2017 Legislative session. This report includes a short historical background explaining the budget process used during the 2015 session, provides a recap of the September LFC meeting, and includes a table that demonstrates the budget allocation and modification process. Legal parameters that dictate budget modifications are also provided. Finally, the report offers budget options for the LFC to consider and discuss.

BACKGROUND – 2015 SESSION

During the interim prior to the 2015 session, the Legislative Finance Committee chose to use the second year of the 2015 biennium as the Base Legislative Budget to begin legislative deliberations. The following items were used to create the Legislative Budget Base for the 2015 Session:

- Final Legislative FY 2015 MBARS version;
- Pay Plan allocated to agencies; and
- Other Bills: when statute instructed that appropriations should be included in the base

The Executive used the first year of the 2015 biennium actual expenditures as the Executive Base.

EXECUTIVE RECAP – SEPTEMBER LFC MEETING

At the September LFC meeting the Office of Budget and Program Planning reported that for the 2017 Session, the Governor will use the second year of the current biennium budget for the Executive Base. This is a shift from the 2015 Session when the Executive Base was the first year actual expenditures. As reported to the LFC, the Executive Base will include all budget modifications up to May of 2016. This base will be equal to the Modified HB 2 Budget described in the 2017 Biennium Budget Status Report.

SESSION TO SESSION BUDGET CHANGES AND LEGAL PARAMETERS

Between the end of the 2015 legislative session and the beginning of the 2017 session, many changes to the budget will occur. In almost all cases, these transactions do not change the total appropriation authority in HB 2. The only type of transaction that does not net to zero is when bills other than HB 2 directly impact the appropriations of HB 2. Legal parameters dictate budget modifications both in statute and in HB 2 enacting language. Both legislative intent language and modifications pursuant to statutory criteria are discussed below.

HB 2 enacting language

The enacting language contained in HB 2 states Legislative intent for purposes of measuring budget changes as follows:

“Section 2 First level expenditures. The agency and program appropriation tables in the legislative fiscal analyst narrative accompanying this Bill, showing first level expenditures and funding for the 2017 biennium, are adopted as legislative intent.”

The final HB 2 details in the budgeting system (IBARS) are utilized to determine intent change. For example, if the budget item as recorded in IBARS is legislatively approved as operating expenses, but is loaded into the state accounting system as grants, the intent has changed.

Executive Modification Pursuant to Statutory Criteria

As described in the Introduction to the Expenditure and Budget section of the “2017 Biennium Budget Status Report”, statute defines how the Governor may modify the budget pursuant to statutory criteria. The “2017

Biennium Budget Status Report” discusses transactions in the agency write ups, and the values are shown in Appendix A. The following types of changes modify the budget pursuant to statutory criteria:

Operating Plan Changes, [MCA 17-1-138](#)

Program Transfers, [MCA 17-7-139](#)

Reorganization, [MCA 2-15-112](#)

Transfers between agencies (Administrative Transfers) using [MCA 17-8-101 \(5\)](#)

Statute further defines when Operating Plan changes and Program Transfers are “significant” see pages 10-11 of the “2017 Biennium Budget Status Report” for more details. It is assumed that agency reorganizations and transfers between agencies are significant.

Budget Transactions Table

Figure 1 illustrates the various types of transactions that occur between the Legislature’s 2015 Session HB 2 to the Executive Base HB 2 budget. Again, as reported to the LFC, the Executive Base will include all budget modifications up to May of 2016. If the Executive uses a completed second year of the current biennium budget as Executive Base, this will be equal to the Modified HB 2 Budget described in the 2017 Biennium Budget Status Report.

Budget transaction types in Figure 1 are categorized using statute and HB 2 enacting language to determine which transaction types modify legislative intent. The second and third columns in Figure 1 illustrate when a particular type of budget change modifies intent. The fourth column in Figure 1 labeled “Significant” indicate if the transaction type may include significant changes. The fifth column includes examples and comments about each transaction type. The final column of the table gives the current or projected number of journals for each transaction type.

Figure 1

Item in Order of Occurrence	No Intent Change (Opt L/E)	Intent Change (Opt 1/2)	Significant (sub-opt)	Comment	Approximate Lines of Journal Entries
					Modified Not Modified
1) Final Legislative 2015 IBARS version	Always	Never		This element was used as part of the Legislative Base for the 2015 Session.	184,577 not modified
2) Turnaround: Executive allocations IBARS to SABHRS structure	Always	Never		This process establishes the passed and approved HB 2 recorded in IBARS into the statewide accounting system for the purpose of appropriation control.	9,128 not modified
Example: Governor's vetoes removed.					
3) Pay Plan: HB 2 amounts allocated to agencies	Always	Never		This element was used as part of the Legislative Base for the 2015 Session.	2,585 not modified
Example: Please see the Pay Plan Allocation table on page 4 of the December Budget Status Report					
4) Personal Services Contingency Base: HB 2 amounts allocated to agencies	Always	Never		New	299 not modified
Example: Please see the Personal Services Contingency Base Allocation table on page 3 of the December Budget Status Report					
5) Operating Base Contingency: HB 2 amounts allocated to agencies	Some	Some	Some	New Some contained Operating Plan changes at first level	60 modified & 112 unmodified
Example: MDT reallocated its contingency base funding for transportation services from operating expenses to grants as the funding is for grants to local governments, tribal governments or nonprofit organizations providing transportation services. For a listing of all contingency base funding amounts allocated, please see the table on page 5 of the December Budget Status Report.					
6) Other Bills: when statute instructs that appropriations should be included in the base	Always	No Intent in HB 2		This element was used as part of the Legislative Base for the 2015 Session.	4 not modified
Example: SB 405 appropriated \$393,213 to the Department of Revenue and directed that the appropriation be considered base funding for the preparation of the 2019 biennium budget					
7) Changes made by the Executive intended to allocate details of the budget more accurately	Some	Some	Some	Some contained Operating Plan changes at first level or Program Transfers	280 modified & 1998 unmodified

<p>Example: In the Supreme Court Operations program, the Judicial Branch transferred \$3.07 million from transfers and \$0.47 million from operating expenses to benefits and claims to comply with accounting requirements. In the District Court Operations program, the branch transferred \$35,000 from operating expenses to benefits and claims to comply with accounting requirements.</p>					
8) Other no intent change adjustments	Always	Never			699 not modified
<p>Example 1: A house adjustment moves \$7.9 million state special authority from Medicaid HMK benefits to HMK benefits within Human Resources Division. These benefits represent two different eligibility groups. Example 2: DEQ completed a house adjustment to align federal authority with grant awards. This decreased appropriations for the leaking underground storage tanks fund by \$119,600 and increased superfund technical assistance fund by the same amount.</p>					
9) Intent change adjustments including Operating Plan, Program Transfers, Reorganizations and changes between agencies	Never	Always	Some	MCA 17-7-138 and 139, Reorganizations and changes between agencies	1,522 modified
<p>Example: Reorganization—The Department of Commerce consolidated the Business Resource and Montana Promotion Divisions into the Montana Office of Tourism and Business Development at the beginning of FY 2016.</p>					
10) IBARS RL4 remapping	Always	Never		Lowest level of detail in IBARS	unknown
<p>This process is functional and removes and edits “RLs” as necessary..</p>					
11) 2017 Executive Base= Modified Base, less OTOs				Includes all changes described above	

LEGISLATIVE OPTIONS

The [Budget Policy Choices Report](#) presented at the September LFC meeting highlighted several budget policy options for the 2017 Legislative Session, but did not provide a recommendation to the committee. This report reiterates the options presented in September and offers one additional new option. An appendix to this report provides examples of the Legislative Budget Analysis using each of the options below.

Options 1 and 2

Option 1 does not include transactions that modify HB 2 legislative intent. Option 2 includes all budget transactions adopted by the Executive including those that modify intent.

The difference between Option 1 and Option 2 is how the budget transactions that modify intent are displayed in the Legislative Budget Analysis. Please see Appendix for examples.

Legislative vs. Executive Load

If the Legislative Fiscal Division loads a Legislative Base from IBARS, the detailed transactions that do not modify HB 2 Legislative intent would not be included in the base, but would be included in a change package (CP 99) and may be discussed in the Budget Analysis narrative.

If the Executive Branch loads the Executive Base from SABHRS, the detailed transactions that do and do not modify HB 2 Legislative intent would be included in the base.

The chart below illustrates the budget policy choices for the 2017 Legislative Session:

Figure 2

Choices	Option 1: Intent changes in Change Packages	Option 2: Intent changes included in the Base
Option L: Legislative Base Budget loaded by Legislative Staff originating from Final Legislative IBARS version and all changes recreated or summarized by legislative staff	Option L-1: Intent changes shown in change packages, non-intent changes would be included in CP 99 and items known to be of potential legislative interest would be commented on.	Option L-2: All changes roll to CP 99 that nets to zero. LFD may comment on significant changes in the Budget Analysis.
Option E: Executive loaded base from SABHRS	Option E-1: Intent changes shown in change packages. All other non-intent changes included in the base. A change known to be of potential legislative interest would be commented on.	Option E-2: All executive budget changes are included in the base, including items that affect legislative intent. A table would depict the legislative intent changes at a high level.

NEW OPTION: EXECUTIVE LOAD THE BASE AND LEGISLATURE REMOVES TRANSACTIONS OPTION E-1

An option not discussed at the September meeting is shown in the green box. This option uses the Executive load of the details and then removes the changes that modify or significantly modify Legislative intent. These removals would be shown in the Budget Analysis as change packages to return the budget to the Executive base. Under this option, changes that do not modify intent will be included in the base. As always, if LFD staff is aware of legislative interest in a change, a comment could be included in the Budget Analysis (see Example B-Option E-1 in the Appendix).

In order to illustrate the options described in the report, the LFD created examples of a budget analysis for two programs in state government for each option. The tables are similar to the program budget table, except a substitution was made for what normally would be the executive request for FY18 and FY19. The executive adjustments are actual budget adjustments as of November 15, 2015.

The difference between Option L-1 or Example A and Option E-1 or Example B is how the budget transactions that do not modify intent are displayed in the Legislative Budget Analysis.

EXAMPLES OF BUDGET ANALYSIS USING OPTIONS

All examples allow LFD staff to tie back to HB 2 as passed and approved.

Example A:

We have represented example A as “what we did last time”. The pay plan allocation was included in the Legislative Base for the 2015 session. This option uses a Legislative load of IBARS with the executive implemented budget and changes that do not modify options shown in CP 99 and allow for additional CP changes that modify intent. A positive action would require these changes to be added into the budget. For this example the 2017 legislative base is defined as HB 2 less one-time-only appropriations plus legislative contingencies or coordination language in either HB 2 or another bill. This is the same formula used for creating the 2015 base for the 2015 legislative session.

This option would be the most time consuming option. The last legislative version of IBARS would need to be altered to record allocations of Executive line items and interim changes rolled to a net impact where possible. When this process is complete a translation to the new reporting levels would be required to align with the executive request. Legislative staff would work with agencies and the executive to create new reporting levels and including a translation from the 2017Biennium budget to the 2019 Biennium budget.

Example B:

This option provides for the LFD to utilize the executive loaded budget and modify for items that changed legislative intent. A positive action would be required for intent modifications only and these changes would be included in the budget. For this example the 2017 legislative base is defined as HB 2 less one-time-only appropriations plus legislative contingencies or coordination language in HB 2 or another bill plus the appropriation transfers that allocate pay plan, personal services contingency base and contingency base and all other non-intent changes.

This option would require the LFD to research possibilities to adjust the executive data to meet LFC direction. Each requires the LFD to spend time creating change packages. The most efficient solution will be used. The budget analysis mockup includes manually removed changes that modify legislative intent.

Example C:

This option provides for the legislature to utilize the executive loaded base. The budget changes from the allocated budget that do and do not modify legislative intent would be summarized in a separate table. A discussion would accompany the table to highlight any potential issues or comments regarding specific transactions. The Legislature would still have the opportunity to discuss the changes and adjust the budget if desired.

To illustrate these options a budget analysis was mocked up for the Fisheries Division of the Department of Fish, Wildlife and Parks as well as the Health Resources Division of the Department of Public Health and Human Services. Those examples follow in Appendix 1.

SUMMARY

This report has provided historical background of the Legislative Base Budget used for the 2015 Legislative Session, a recap of the Executive Base discussion at the September LFC meeting, legal parameters for budget modifications, a budget transaction table illustrating budget changes between legislative sessions, and three Legislative Base options for consideration.

The options are flexible in that the committee can provide direction regarding what data set to use to begin the 2017 budget:

- A Legislative Base created in IBARS
- Use the executive data load and modify to incorporate changes based on committee direction
- Use the Executive Base

The second decision would include how to handle interim executive changes in regards to legislative intent by determining if the appropriation subcommittees should review all changes to intent or only those that meet the definition of being significant. The options demonstrate some applicability to this issue and allows for committee flexibility. Items as the following:

- Create change packages for executive adjustments that modify legislative intent
- Create change packages only for modifications that significantly modify intent
- Create change packages that roll up executive adjustments that do not modify legislative intent.
- Include all or some allocations and appropriate base adjustments in the legislative base
- Utilize a table to describe all executive adjustments, those that modify legislative intent and those that do not.

As soon as the 2017 Legislative Base is defined, staff will develop business processes, coordinate with the executive and be prepared to create an appropriate budget analysis to provide framework for the legislative discussion.

APPENDIX 1: EXAMPLES OF VARIOUS TYPES OF BUDGET OPTIONS:

Program Budget Comparison (Option L-1)

The following table summarized the total approved budget and the adjusted budget, by year, type of expenditure and source of funding.

Example A - Option L-1							
Program Budget Comparison							
Budget Item FTE	Approp FY16	Approp FY 17	Budget FY 16+	Budget FY 17+	Biennium 2017	Biennium 2017+	Difference
Personal Services	11,641,647	11,441,687	11,843,977	12,708,332	23,083,334	24,552,309	859,694
Operating Expenses	5,157,415	5,193,743	5,163,992	5,199,573	10,351,158	10,363,565	12,407
Equipment & Intangible Assets	370,455	370,455	370,455	370,455	740,910	740,910	0
Transfers	2,392	2,392	2,392	2,392	4,784	4,784	0
Debt Service							
Total Costs	\$17,171,909	\$17,008,277	\$17,380,816	\$18,280,752	\$34,180,186	\$35,661,568	\$872,101
General Fund	0	0	0	0	0	0	0
State Special	7,581,123	7,530,738	7,677,076	8,090,731	15,111,861	15,767,807	390,503
	9,590,786	9,477,539	9,703,740	10,190,021	19,068,325	19,893,761	481,598
Total Funds	\$17,171,909	\$17,008,277	\$17,380,816	\$18,280,752	\$34,180,186	\$35,661,568	\$872,101

Program Description

The Fisheries Division is responsible for preserving and perpetuating aquatic species and their ecosystems as well as meeting public demand for fishing opportunities and aquatic wildlife stewardship. This division formulates and implements policies and programs that emphasize management for wild fish populations and the protection and restoration of habitat necessary to maintain these populations. The program:

- Operates a hatchery program to stock lakes and reservoirs where natural reproduction is limited
- Regulates angler harvests
- Monitors fish populations
- Manages the fishing access site program

(NOTE: for the purpose of this report, Budget Highlights, Funding Table and the Budget Summary by category are not provided. They will continue to be in the actual Budget Analysis.)

Present Law Adjustments

The "Present Law Adjustments Table shows the changes from the legislative allocation to the budget amended by the executive. The budget changes are summarized in the narrative that follows.

Present Law Adjustments		Fiscal 2016				Fiscal 2017			
		General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total
CP99		0	-15,491	-20,168	-35,659	0	0	0	0
	WC Adj	0	(15,491)	(20,168)	(35,659)	0	0	0	0
HC Base		0	24,324	20,282	44,606	0	29,107	24,806	53,913
	PS	0	(5,100)	(6,871)	(11,971)	0	(817)	(1,100)	(1,917)
	OP	0	29,424	27,153	56,577	0	29,924	25,906	55,830
OP Plan Changes		0	0	0	0	0	0	0	0
	PS	0	50,000	0	50,000	0	50,000	0	50,000
	OP	0	(50,000)	0	(50,000)	0	(50,000)	0	(50,000)
Grand Total All Present Law Adjustments		\$0	\$8,833	\$114	\$8,947	\$0	\$29,107	\$24,806	\$53,913

CP 99 – Present Law – This is the worker’s compensation reduction created by the 62nd legislature to remove premium savings from the budget. This change does not modify the intent of the 2015 Legislature.

HC Base – This change package represents changes made by the executive to allocate the budget in an accurate manner. This is part of a department wide correction. This change package adds operating expenses and reduces personal services creating a net adjustment of \$44,606 which is approximately a 50/50 split between state special revenue and federal funds.

OP Plan Changes – This change package represents the net impact of operational plan changes. This package moves \$50,000 from operating to personal services to align agency cash with state wildlife grant awards. The change has no fiscal impact.

**LFD
COMMENT**

The operation plan change corrects the budget allocation that was established at the time of turnaround. This properly balances the program budget between operations and personal services to keep the state/federal match in line.

Program Budget Comparison (Option E-1)

The following table summarized the total allocated budget and the adjusted budget, by year, type of expenditure and source of funding.

Example B - E-1							
Program Budget Comparison							
Budget Item	Base FY16	Approp FY 17	Budget FY 16+	Budget FY 17+	Biennium 2017	Biennium 2017+	Difference
Personal Services	11,605,988	12,050,968	11,843,977	12,708,332	23,656,956	24,552,309	895,353
Operating Expenses	5,157,415	5,193,743	5,163,992	5,199,573	10,351,158	10,363,565	12,407
Equipment & Intangible Assets	370,455	370,455	370,455	370,455	740,910	740,910	0
Transfers	2,392	2,392	2,392	2,392	4,784	4,784	0
Total Costs	\$17,136,250	\$17,617,558	\$17,380,816	\$18,280,752	\$34,753,808	\$35,661,568	\$907,760
					0	0	0
General Fund	0	0	0	0			
State Special	7,565,632	7,796,181	7,677,076	8,090,731	15,361,813	15,767,807	405,994
Federal	9,570,618	9,821,377	9,703,740	10,190,021	19,391,995	19,893,761	501,766
Total Funds	\$17,136,250	\$17,617,558	\$17,380,816	\$18,280,752	\$34,753,808	\$35,661,568	\$907,760

Program Description

The Fisheries Division is responsible for preserving and perpetuating aquatic species and their ecosystems as well as meeting public demand for fishing opportunities and aquatic wildlife stewardship. This division formulates and implements policies and programs that emphasize management for wild fish populations and the protection and restoration of habitat necessary to maintain these populations. The program:

- Operates a hatchery program to stock lakes and reservoirs where natural reproduction is limited
- Regulates angler harvests
- Monitors fish populations
- Manages the fishing access site program

Option E-1 differs from Option L-1 as the budget changes that do not impact legislative intent are added to FY16 and F17 and are no longer on the PL table.

Present Law Adjustments

The "Present Law Adjustments Table shows the changes from the FY 2017 legislative allocation to the budget modified by the executive. The budget changes are summarized in the narrative that follows.

Present Law Adjustments	Fiscal 2017				Fiscal 2017			
	General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total
HC Base	0	24,324	20,282	44,606	0	29,107	24,806	53,913
PS	0	(5,100)	(6,871)	(11,971)	0	(817)	(1,100)	(1,917)
OP	0	29,424	27,153	56,577	0	29,924	25,906	55,830
OP Plan Changes	0	0	0	0	0	0	0	0
PS	0	50,000	0	50,000	0	50,000	0	50,000
OP	0	(50,000)	0	(50,000)	0	(50,000)	0	(50,000)
Grand Total All Present Law Adjustments	\$0	\$24,324	\$20,282	\$44,606	\$0	\$29,107	\$24,806	\$53,913

HC Base –This change package represents changes made by the executive to allocate the budget in an accurate manner. This is part of a department wide correction. This change package is adds operating expenses and reduces personal services creating a net adjustment of \$44,606 which is approximately a 50/50 split between state special revenue and federal funds.

OP Plan Changes –This change package represents the net impact of operational plan changes. This package moves \$50,000 from operating to personal services to align agency cash with state wildlife grant awards. The change has no fiscal impact.

**LFD
COMMENT**

The operation plan change corrects the budget allocation that was established at the time of turnaround. This properly balances the program budget between operations and personal services to keep the state/federal match in line.

Program Budget Comparison (Option E-2)

The following table summarized the total allocated budget and the adjusted budget, by year, type of expenditure and source of funding.

Example C - Option E-2							
Program Budget Comparison							
Budget Item	Base FY16	Approp FY 17	Budget FY 16+	Budget FY 17+	Biennium 2017	Biennium 2017+	Difference
Personal Services	11,644,017	12,099,051	11,644,017	12,099,051	23,743,068	23,743,068	0
Operating Expenses	5,163,992	5,199,573	5,163,992	5,199,573	10,363,565	10,363,565	0
Equipment & Intangible Assets	370,455	370,455	370,455	370,455	740,910	740,910	0
Transfers	2,392	2,392	2,392	2,392	4,784	4,784	0
Debt Service							
Total Costs	\$17,180,856	\$17,671,471	\$17,180,856	\$17,671,471	\$34,852,327	\$34,852,327	0
General Fund	0	0	0	0	0	0	0
State Special	7,589,956	7,825,288	7,589,956	7,825,288	15,415,244	15,415,244	0
Federal	9,590,900	9,846,183	9,590,900	9,846,183	19,437,083	19,437,083	0
Total Funds	\$17,180,856	\$17,671,471	\$17,180,856	\$17,671,471	\$34,852,327	\$34,852,327	0

Program Description

The Fisheries Division is responsible for preserving and perpetuating aquatic species and their ecosystems as well as meeting public demand for fishing opportunities and aquatic wildlife stewardship. This division formulates and implements policies and programs that emphasize management for wild fish populations and the protection and restoration of habitat necessary to maintain these populations. The program:

- Operates a hatchery program to stock lakes and reservoirs where natural reproduction is limited
- Regulates angler harvests
- Monitors fish populations
- Manages the fishing access site program

Option E-2 differs from Option E-1 as all budget changes are added to FY16 and F17. Instead of a present law table, a summary table is provided.

*(Budget Highlight
Funding
Budget Summary by category)*

Budget Adjustments – The following table summarizes the appropriation transactions for FY 2017.

Fisheries Division - Executive Adjustments				
FY 2017				
	GF	SSR	FED	2017 Total
HB 13 -Personal Services	0	265,443	343,838	609,281
HC 01	0	29,107	24,806	53,913
Personal Services	0	(817)	(1,100)	(1,917)
Operating Expenses	0	29,924	25,906	55,830
OP 323				
Personal Sevices	0	50,000	0	50,000
Operating Expenses	0	(50,000)	0	(50,000)
WC Adjustment				
Personal Services	0	(15,491)	(20,168)	(35,659)

**LFD
COMMENT**

The operation plan change corrects the budget allocation that was established at the time of turnaround. This properly balances the program budget between operations and personal services to keep the state/federal match in line.

Program Budget Comparison (Option L-1)

The following table summarized the total approved budget and the adjusted budget, by year, type of expenditure and source of funding.

Option Example A - Option L-1							
Program Budget Comparison							
Budget Item FTE	Approp FY 16	Approp FY 17	Budget FY 16+	Budget FY 17+	Biennium 2017	Biennium 2017+	Difference
Personal Services	3,776,805	3,917,794	3,751,968	3,917,794	7,694,599	7,669,762	(24,837)
Operating Expenses	10,949,030	10,353,769	10,949,030	10,353,769	21,302,799	21,302,799	0
Benefits and Claims	727,683,696	784,882,834	727,683,696	784,882,834	1,512,566,530	1,512,566,530	0
Total Costs	\$742,409,531	\$799,154,397	\$742,384,694	\$799,154,397	\$1,541,563,928	\$1,541,539,091	(24,837)
						0	
General Fund	145,515,046	153,716,922	145,504,790	153,716,922	299,231,968	299,221,712	(10,256)
State Special	74,782,770	77,444,144	74,781,146	77,444,144	152,226,914	152,225,290	(1,624)
Federal	522,111,715	567,993,331	522,098,758	567,993,331	1,090,105,046	1,090,092,089	(12,957)
Total Funds	\$742,409,531	\$799,154,397	\$742,384,694	\$799,154,397	\$1,541,563,928	\$1,541,539,091	(24,837)

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids (HMK), and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary and acute care services. The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children and low-income families. The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with BlueCross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 250% of poverty. Big Sky Rx is a state funded program that helps Montanans, who are at or below 200% of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

(NOTE: for the purpose of this report, Budget Highlights, Funding Table and the Budget Summary by category are not provided. They will continue to be in the actual Budget Analysis.)

Present Law Adjustments

The “Present Law Adjustments Table shows the changes from the legislative allocation to the budget as amended by the executive. The budget changes are summarized in the narrative that follows.

		Fiscal 2016				Fiscal 2017			
		General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total
CP 99	WC Adj	(146)	(18)	(38)	(202)	0	0	0	0
HA610	BC	0	0	0	0	0	0	0	0
HC 488	OP	0	0	0	0	0	0	0	0
	PS	0	0	0	0	0	0	0	0
HC 499	OP	0	0	0	0	0	0	0	0
	B&C	0	0	0	0	0	0	0	0
PT578	PS	<u>(10,110)</u>	<u>(1,606)</u>	<u>(12,919)</u>	<u>(\$24,635)</u>	0	0	0	0
Grand Total Present Law Adjustment		(\$10,256)	(\$1,624)	(\$12,957)	(\$24,837)	0	\$0	0	0

CP 99 – Present Law – This is the worker’s compensation reduction created by HB 334 of the 2011 Legislature to remove premium savings from the budget. This change does not modify the intent of the 2015 Legislature.

HA610 – This adjustment moves \$7.9 million of Montana Healthy Kids Initiative fund. Medicaid/HMK benefits are reduced and HMK benefits are increased. This change was made to align cash with anticipated expenditures. Because the switch is being made in the same expense class and the same program the net change is zero.

LFD COMMENT	If this decision package is adopted the funding of the programs will be different than allocated by the 2015 Legislature. The legislature may be interested in understanding the basis of the estimate prior to acting on this package.
--------------------	---

HC488 - This adjustment moves funding of personal services and operating from one federal source to another to properly align the budget. Because the same amount is reduced in one fund and increased in the other, the fund switch is a net zero.

HC499 - House correction to realign authority for FY2016 and FY2017 for operating expenses and benefits and claims. Operating expenses were funded with a different federal fund that originally allocated. \$2.1 million was removed from the tobacco interests account and replace with Tobacco Health and Medicaid Initiative fund and Nursing home match funds to align funding for benefits and claims.

**LFD
COMMENT**

During the 2015 Legislative session there was some concern over the fund balance in the tobacco funds. This movement aligns available resources in programs that are eligible for the use of these funds. Authority for tobacco funds are removed from Medicaid Hospital Services and replaced with Tobacco Initiative and Nursing home match authority in the Medicaid Acute and Pharmacy Program as well as the Big Sky RX program.

PT 578 – The purpose of this program transfer is to provide authority for termination costs which will be charged from the Human Resources Office within the Director’s Office, rather than the program. This is part of a larger department wide transaction. The total transaction is at the right.

Total Transfers to Directors office for termination payouts	
Prgm	Amount
01	(90,690)
02	(351,541)
03	(625,448)
04	2,242,153
05	(74,079)
06	(21,580)
07	(127,114)
08	(57,983)
09	(62,829)
10	(257,479)
11	(24,635)
12	(28,320)
13	(135,754)
14	(384,701)

Program Budget Comparison (Option E-1)

The following table summarized the total allocated budget and the adjusted budget, by year, type of expenditure and source of funding.

Example B - Option E-1							
Program Budget Comparison							
Budget Item	Approp	Approp	Budget	Budget	Biennium	Biennium	Difference
FTE	FY16	FY 17	FY 16+	FY 17+	2017	2017+	
Personal Services	3,776,805	3,917,794	3,751,968	3,917,794	7,694,599	7,669,762	(24,837)
Operating Expenses	10,949,030	10,353,769	10,949,030	10,353,769	21,302,799	21,302,799	0
Benefits and Claims	727,683,696	784,882,834	727,683,696	784,882,834	1,512,566,530	1,512,566,530	0
Total Costs	\$742,409,531	\$799,154,397	\$742,384,694	\$799,154,397	\$1,541,563,928	\$1,541,539,091	(24,837)
					0	0	0
General Fund	145,515,046	153,716,922	145,504,790	153,716,922	299,231,968	299,221,712	(10,256)
State Special	74,782,770	77,444,144	74,781,146	77,444,144	152,226,914	152,225,290	(1,624)
Federal	522,111,715	567,993,331	522,098,758	567,993,331	1,090,105,046	1,090,092,089	(12,957)
Total Funds	\$742,409,531	\$799,154,397	\$742,384,694	\$799,154,397	\$1,541,563,928	\$1,541,539,091	(\$24,837)

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary and acute care services. The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children and low-income families. The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with BlueCross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 250% of poverty. Big Sky Rx is a state funded program that helps Montanans, who are at or below 200% of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

(NOTE: for the purpose of this report, Budget Highlights, Funding Table and the Budget Summary by category are not provided. They will continue to be in the actual Budget Analysis.)

LFD COMMENT

Executive Adjustments – Included in the FY 17 budget base are statutorily approved budget changes that do not cross a first level account, fund or program. However, the changes that are included do impact the utilization of the Healthy Montana Kids (HMK) fund, Tobacco Initiative Fund and Tobacco Interest. HMK funds are moved between eligibility groups to fund anticipated services and authority for tobacco funds are removed from Medicaid Hospital Services and replaced with Tobacco Initiative and Nursing home match authority in the Medicaid Acute and Pharmacy Program as well as the Big Sky RX program.

Option B differs from Option A as the budget changes that do not impact legislative intent are added to FY16 and F17 and are no longer on the PL table.

Present Law Adjustments

The “Present Law Adjustments Table shows the changes from the legislative allocation to the budget as amended by the executive. The budget changes are summarized in the narrative that follows.

Present Law Adjustments		Fiscal 2016				Fiscal 2017			
		General Fund	State Special	Federal	Total	General Fund	State Special	Federal	Total
PT578	PS	(10,110)	(1,606)	(12,919)	(\$24,635)	0	0	0	0
Grand Total Present Law Adjustment		(\$10,110)	(\$1,606)	(\$12,919)	(\$24,635)	0	0	0	0

PT 578 – The purpose of this program transfer is to provide authority for termination costs which will be charged out of the Human Resources Office within the Director's Office, rather than the program. This is part of a larger department wide transaction. The total transaction is at the right.

Total Transfers to Directors office for termination payouts	
Prgm	Amount
01	(90,690)
02	(351,541)
03	(625,448)
04	2,242,153
05	(74,079)
06	(21,580)
07	(127,114)
08	(57,983)
09	(62,829)
10	(257,479)
11	(24,635)
12	(28,320)
13	(135,754)
14	(384,701)

Program Budget Comparison (Option E-2)

The following table summarized the total allocated budget and the adjusted budget, by year, type of expenditure and source of funding.

Example C - Option E-2							
Program Budget Comparison							
Budget Item FTE	Approp FY16	Approp FY 17	Budget FY 16+	Budget FY 17+	Biennium 2017	Biennium 2017+	Difference
Personal Services	3,751,968	3,917,794	3,751,968	3,917,794	7,669,762	7,669,762	0
Operating Expenses	10,949,030	10,353,769	10,949,030	10,353,769	21,302,799	21,302,799	0
Benefits and Claims	727,683,696	784,882,834	727,683,696	784,882,834	1,512,566,530	1,512,566,530	0
Total Costs	\$742,384,694	\$799,154,397	\$742,384,694	\$799,154,397	\$1,541,539,091	\$1,541,539,091	0
General Fund	145,504,790	153,716,922	145,504,790	153,716,922	299,221,712	299,221,712	0
State Special	74,781,146	77,444,144	74,781,146	77,444,144	152,225,290	152,225,290	0
Federal	522,098,758	567,993,331	522,098,758	567,993,331	1,090,092,089	1,090,092,089	0
Total Funds	\$742,384,694	\$799,154,397	\$742,384,694	\$799,154,397	\$1,541,539,091	\$1,541,539,091	\$0

Program Description

The Health Resources Division (HRD) administers Medicaid primary care services, Healthy Montana Kids and Big Sky Rx. The purpose of the division is to improve and protect the health and safety of Montanans. The division reimburses private and public providers for a wide range of preventive, primary and acute care services. The majority of services in the division are funded through Medicaid. Medicaid is a voluntary state/federal partnership that reimburses for medical services for the aged, blind, disabled, children and low-income families. The division administers Healthy Montana Kids (HMK) as a separate health insurance program and contracts with BlueCross Blue Shield to provide third party administrator services. HMK dental and eyeglasses benefits are reimbursed directly by the department. HMK is a voluntary state/federal partnership that reimburses for medical services for children at or below 250% of poverty. Big Sky Rx is a state funded program that helps Montanans, who are at or below 200% of poverty and who are eligible for the Medicare Part D prescription drug program, pay for their Medicare premium. Big Sky Rx eligibility is determined by division staff. A related program, PharmAssist, pays for prescription drug counseling by a pharmacist and provides drug information and technical assistance to all Montanans.

(NOTE: for the purpose of this report, Budget Highlights, Funding Table and the Budget Summary by category are not provided. They will continue to be in the actual Budget Analysis.)

Budget Adjustments – The following table summarizes the appropriation transactions for FY 2016.

Executive Changes to the Budget					
	FY 2016				Biennial total
	GF	SSR	FED	Total	
HA610					
Benefits & Claims			0	0	0
HC488					
Operating Expenses				0	0
Personal Services				0	0
HC499					
Benefits & Claims			0	0	0
Operating Expenses			0	0	0
PT578					
Personal Services	(10,110)	(1,606)	(12,919)	(24,635)	(24,635)
WC617					
Personal Services	(146)	(18)	(38)	(202)	(202)
Grand Total	(\$10,256)	(\$1,624)	(\$12,957)	(\$24,837)	(\$24,837)

Option C differs from Option B as all budget changes are added to FY16 and F17. Instead of a present law table, a summary table is provided.

The table above provides a summary of the executive changes. If the column/line combination is blank, there were not any executive changes in that area. If there is a zero, it is the net impact of the change.

**LFD
COMMENT**

Executive Adjustments – Included in the FY 17 budget are statutorily approved budget changes that do not cross a first level account, fund or program. However, the changes that are included do impact the utilization of the Healthy Montana Kids (HMK) fund, Tobacco Initiative Fund and Tobacco Interest. HMK funds are moved between eligibility groups to fund anticipated services and authority for tobacco funds are removed from Medicaid Hospital Services and replaced with Tobacco Initiative and Nursing home match authority in the Medicaid Acute and Pharmacy Program as well as the Big Sky RX program.

The table on the next page provides the detail of the net zero transactions for both years of the biennium. In this table the movement between funds or accounts is available. However, HA 610 still remains zero as it is the movement of same fund type within a program.

Detail of Net Zero Transactions																		
2016										2017								
Fund	GF	NH Match	Healthy Montana Kids	Tobacco & Medicaid Initiative	Tobacco Interest	Med Admin 50%	Med Ben 100%	Med Ben FMAP	2016 Total	NH Match	Tobacco & Medicaid Initiative	Tobacco Interest	Med Admin 50%	Med Ben 100%	Med Ben FMAP	2017 Total	Biennial Total	
HA610									0								0	0
Benefits & Claims			0															
HC488																		
Operating Expenses						3,382,215	(3,382,215)		0				3,355,474	(3,355,474)		0	0	0
Personal Services						1,352,132	(1,352,132)		0				1,361,223	(1,361,223)		0	0	0
HC499																		
Benefits & Claims		42,500			(42,500)				0	42,500	3,870,755	(3,913,255)				0	0	0
Operating Expenses						2,091,062		(2,091,062)	0				2,091,062		(2,091,062)	0	0	0
PT578																		
Personal Services	(10,110)			(1,606)		(12,919)			(24,635)									(24,635)
WC617																		
Personal Services	(146)	(18)				(38)			(202)									(202)
Grand Total	(\$10,256)	\$42,482	0	(\$1,606)	(\$42,500)	\$6,812,452	(\$4,734,347)	(\$2,091,062)	(\$24,837)	\$42,500	\$3,870,755	(\$3,913,255)	\$6,807,759	(\$4,716,697)	(\$2,091,062)	0	(\$24,837)	