



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: November 13, 2006
TO: Legislative Finance Committee
FROM: Taryn Purdy
RE: 2007 Biennium Budget Spending "Pressure Points"

This memo is an update to the Legislative Finance Committee (LFC) on 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, and 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 \$66.5 million general fund.

The following shows the anticipated supplemental appropriations as of this writing. Additions from the October meeting are marked and discussed further.

| Anticipated Supplemental Amounts 2007 Legislative Session | | |
|--|---|--|
| Agency | Amount | Reasons |
| Corrections | \$27,000,000 | Population increases greater than the level included in the 2007 biennium budget, new programs, increased per diem rates, and other costs drivers. This total is a \$2.0 million increase over the October estimate. |
| DPHHS | \$9,300,000 | 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. The remainder is due to replacement of a portion of the FY 2006 supplemental. Total is stable since October. |
| Office of the Public Defender | \$3,300,000 (As estimated by the OPD – see below for discussion.) | Costs in excess of the appropriation to provide legal representation to the indigent beginning in FY 2007. Agency estimated cost is stable since October. See discussion below. |

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| Judiciary | \$2,500,000 | Costs for the provision of legal representation to the indigent, prior to transfer of those responsibilities to the Office of the Public Defender. Cost is stable since October. |
| DNRC – Fire Costs | \$30,000,000 | That portion of the total fire bill that is the responsibility of the state for fires for both FY 2006 and FY 2007 (including an estimate of spring fire costs), minus the amount already funded from the Governor’s emergency appropriation. |
| DNRC – Trust Lands | \$560,000 | New estimate. Reimburse trusts for funds diverted for administrative costs of DNRC. See the attached memo from Barb Smith. |
| Montana Historical Society | ----- | New estimate. See below. |
| Total - \$72,660,000 | | |

OFFICE OF THE PUBLIC DEFENDER

As stated above, the Office of Public Defender anticipates requesting a supplemental appropriation of about \$3.3 million for the 2007 biennium. However, based upon three months of actual data, Legislative Fiscal Division staff estimates FY 2007 expenditures at \$18.8 million or \$4.6 more than appropriated and \$1.3 million greater than the public defender office. If expenditures for the remaining months of the year are consistent with the actual expenditures for August - October, it is likely that the supplemental appropriation for the OPD will exceed the \$3.3 million currently estimated by that office.

MONTANA HISTORICAL SOCIETY

The Montana Historical Society (MHS) receives federal funding from the National Parks Service for historic preservation activities. The FY 2006 budgeted amount for these federal funds of \$795,158 included \$658,109 in the State Preservation Office Program and \$137,049 in federal indirect cost recoveries to support the Administration Program. The actual amount received in FY 2006 was \$554,533, including \$530,815 in the State Preservation Office Program and \$23,718 in federal indirect costs to support the Administration Program.

The MHS federal indirect cost rate for the historic preservation grant included in the grant agreement is 25 percent. By statute, MHS is required to recover the full amount allowable to offset the Administrative Program costs of administering the grant. In FY 2006, MHS did not pay the full amount of the federal indirect cost rate to the Administrative Program, in part because the amount budgeted for the grant was \$240,625 higher than the grant amount received by the program.

In FY 2007 the budgeted amount for these funds is \$790,789. MHS anticipates the program will receive about \$555,000 in federal grant funds, \$235,000 less than budgeted. MHS will need to pay \$138,750 in federal indirect costs for these federal funds. According to the federal grant requirements, a minimum of 13 percent of grant funds or \$72,000 must go to various certified

local governments, leaving \$344,250 for program operations. As with many state programs, the majority of the costs for the State Preservation Office are personal services. In FY 2007 personal services are budgeted at \$429,916, not including pay plan increases, or almost \$85,500 more than the remaining federal funds. Operating costs are budgeted at \$74,000 for the year. As a result, the MHS may require a supplemental appropriation to continue program operations during FY 2007.

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