



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2027 Biennium

Bill#/Title: **HB0576.02 (001): Revise funding for medicaid and health and support services to children and to adults who are aged, blind, and disabled**

Primary Sponsor: Jane Gillette Status: As Amended in House Committee

☐ Included in the Executive Budget ☐ Needs to be included in HB 2 ☐ Significant Local Gov Impact
☐ Significant Long-Term Impacts ☒ Technical Concerns ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>	<u>FY 2028 Difference</u>	<u>FY 2029 Difference</u>
Expenditures				
General Fund (01)	\$0	\$0	\$0	\$0
Revenues				
General Fund (01)	\$0	\$0	\$0	\$0
Net Impact	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
General Fund Balance	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact

HB 576 allows the Department of Public Health and Human Services (DPHHS) to allocate state special revenues it receives under 17-6-606 (3) MCA and 53-4-1115 MCA for purposes beyond the Healthy Montana Kids (HMK) and Children's Health Insurance Program (CHIP). HB 576 adds permissible uses of these funds to include home visiting services, services to infants and toddlers with disabilities, the Big Sky Waiver, and Developmental Disabilities Program Waiver. In some years, HB 576 could be used to offset some general fund expenditures with state special revenue funds or to fund new initiatives, if state special revenues are available. Amendments clarify that eligible services include infants and toddlers with disabilities through the DPHHS Family Education Support Program.

FISCAL ANALYSIS

Assumptions

Department of Revenue and Human Services

1. The tobacco settlement funds are a declining revenue source. According to HJ 2 revenue estimates, tobacco settlement collections will decrease from \$26.456 million in FY 2025 down to \$20.488 million in FY 2029. This will decrease the Department of Public Health and Human Services 17% allocation in 17-6-606 (3) MCA from \$4.497 million in FY 2025 to \$3.483 million in FY 2029. The department has historically expended the total 17% allocation of tobacco settlement funds received on CHIP benefits. Any re-allocation of the 17% would result in the need for additional general fund or other state special fund allocation to cover CHIP benefits. This would offset any decrease in general fund or state special fund spend resulting from a re-allocation to the four additional permissible uses of these funds that HB 576 adds. As a result, the department assumes no fiscal impact based on the changes to 17-6-606 (3) MCA.

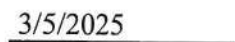
2. The state special revenue account authorized under 53-4-1115 MCA is the Healthy Montana Kids (HMK). This fund has seen revenue exceed expenditures in recent years. HB 576, contingent upon appropriation, would provide the department with the flexibility to apply this excess revenue and current fund balance to the four additional purposes added. This could result in the department shifting some current general fund spending in these programs and instead utilizing available funding in the HMK fund or utilizing the HMK fund for new initiatives within these programs. However, since HB 576 simply gives the department discretion in this regard but does not directly specify how the HMK fund should be applied toward the new permissible uses, for purposes of this fiscal note the department is assuming no fiscal impact or funding shifts.

Technical Concerns**Department of Public Health and Human Services**

1. As stated in assumption #2 currently, the annual revenues exceed expenditures in the HMK fund. To keep the fund structurally balanced, in its HB 2 request (DP11803), the department is proposing to increase the HMK fund appropriation by \$3,000,000 in each year of the 2027 biennium, with a corresponding decrease in general fund appropriation. If DP11803 is incorporated into HB 2, any additional allocation of the HMK fund to the new permissible programs in HB 576 may result in the decline of the fund balance over time.
2. The Maternal, Infant, and Early Childhood Home Visiting program (MIECHV) currently uses tobacco settlement funds for the MIECHV maintenance of effort and state match requirements. The funds the department currently receives do not cover the increased match needed to draw down the increased amount of federal funds coming in the future years. As this account decreases, the department will need to seek other general fund or state special revenue to maintain our level of state match required.
3. Early Childhood and Family Support Division (ECFSD) Part C – With the increased Part C rates and per-child rate increase in the last cycle of contracts the federal award does not cover the entirety of these increased costs, therefore the department will seek additional general fund dollars. Due to the tobacco settlement funds being a declining revenue source, the department has submitted a change package to add general fund to the base budget to address the increased program costs.
4. Section 1 and 2 refer to the Big Sky Waiver and Developmental Disabilities Waiver as 1115 waivers, however they are 1915(c) waivers.
5. The department does not interpret HB 576 as a mandate to refinance the listed programs using Tobacco Settlement and HMK account funds, and any re-financing would be contingent on legislative appropriation.



Sponsor's Initials

Date Budget Director's Initials

Date 3/5/2025