

OFFICE OF THE GOVERNOR
STATE OF MONTANA

STEVE BULLOCK
GOVERNOR



ANGELA MCLEAN
LT. GOVERNOR

April 9, 2015

The Honorable Debby Barrett
President of the Senate
State Capitol
Helena, MT 59620

The Honorable Austin Knudsen
Speaker of the House
State Capitol
Helena, MT 59620

Dear President Barrett and Speaker Knudsen:

In accordance with the power vested in me as Governor by the Constitution and the laws of the State of Montana, I hereby veto Senate Bill 200 (SB 200), "AN ACT GENERALLY REVISING INCOME TAX LAWS; LOWERING INDIVIDUAL INCOME TAX RATES; REVISING THE CAPITAL GAINS CREDIT; AMENDING SECTIONS 15-30-2103 AND 15-30-2301, MCA; AND PROVIDING AN APPLICABILITY DATE."

Under our current tax climate, Montana's economy is thriving. Over the past two years our unemployment rate has fallen by 25 percent to 4.2 percent, almost a point-and-a-half below the national average. We are the 5th fastest state for employment growth in the nation. In 2013 every industry added jobs and our GDP expanded by 4.5 percent.

The budget I presented to the 64th Legislature balances our budget without raising taxes. It builds upon the fiscally responsible management that has served our state so well and makes fiscally responsible and sustainable investments in education, health care and infrastructure that will benefit Montanans for generations to come, and it sets some money aside for an unexpected rainy day.

History has a way of repeating itself – at the end of the 2013 legislative session I had to veto \$150 million in expenditures that would have left our budget unbalanced and jeopardized Montana's fiscal health. I would not think the Legislature would want to go down that path again.

Although we have just 20 days left of a 90 day session, the Legislature has yet to settle on a revenue estimate. The most recent projections from legislative staff show that the Legislature, controlled by Republican majorities in both houses, has disregarded my balanced budget and proposed spending and tax cuts that would put the State in deficit spending by \$90 million (attached LFD status sheet).

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This lack of fiscal discipline would jeopardize the strength of Montana's economy and our place as the most fiscally prudent state in the nation.

SB 200 accounts for a significant part of the spending that has been proposed. SB 200 primarily benefits the wealthiest individuals and costs close to \$200 million over the next four years. Almost 40 percent of the benefit of SB 200 would go to the top 10 percent of income earners, with 56 percent of the benefit going to individual who earn more than \$80,000.

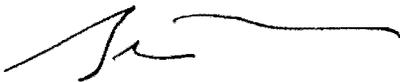
The experience of other states shows that decimating your revenue base to benefit large corporations and the wealthiest individuals does not work to stimulate the economy. To the contrary, states like New Jersey, Wisconsin and Louisiana have seen these trickle-down experiments fail resulting in funding cuts to schools, roads and other services and forcing these states into, in some cases, billion dollar deficits.

SB 200 proposes to take Montana down this failed path despite the fact that Montana's economy is growing and that our state and local tax burden is among the lowest in the nation.

I take my job to be a responsible steward of Montana taxpayer dollars seriously. SB 200 would undercut Montana's fiscal health and the strong job creating climate that comes from it.

For these reasons, I veto SB 200.

Sincerely,



STEVE BULLOCK
Governor

cc: Legislative Services Division
Secretary of State

Legislative Fiscal Division
General Fund Balance Sheet
(\$ Millions)

4/17/2015 9:49 a.m.	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Fund Balance	\$537.600	\$424.451	\$285.352	\$120.722
Revenues				
Actual/HJ 2	2,077.044	2,133.018	2,230.731	2,353.508
Revenue Legislation				
Ongoing Revenue		(0.865)	(53.492)	(124.596)
OTO Revenue			(0.122)	0.005
Total Available Funds	\$2,614.644	\$2,556.604	\$2,462.469	\$2,349.639
Expenditures - Ongoing				
Previously Authorized				
Statutory App/ Non-Bud Trans/Other	270.900	292.600	289.300	295.600
HB 2				
Section A: General Government	82.600	88.500	92.237	92.032
Section B: Health and Human Services	445.900	469.100	504.840	532.745
Section C: Natural Resources	30.900	32.400	33.473	33.402
Section D: Public Safety	276.200	283.200	282.113	283.898
Section E: Education	927.900	972.200	1,015.577	1,029.787
HB 2 Subtotal	1,763.500	1,845.400	1,928.241	1,971.865
Non HB 2 Legislation Appopr(Bill list)		6.000	13.290	13.041
HB 2 Language Appropriations		24.194	(0.350)	(0.350)
Assumed 2017 Appropriations				
BASE-Aid implications				
HB0423 Revise education funding laws related to oil and natural gas production taxes				0.732
HB0596 Establish public charter schools				0.874
SB0157 Generally revise tax reappraisal laws			(1.095)	(1.006)
SB0252 Revise K-12 funding laws related to oil and natural gas production taxes			1.430	1.493
SB0260 Revise education funding laws related to oil and gas production taxes				5.581
SB0394 Revise intangible personal property exemption and unit valuation methodology				1.948
HB 1 Feed Bill (2017 session)				6.600
Reversion Assumptions		(6.700)	(7.100)	(7.300)
One-Time Expenditures				
Previously Authorized	135.500	28.900	0.200	
HB 2	20.600	25.858	60.465	59.016
Non-HB 2 Legislation (Bill List)		55.000	57.366	0.223
Total Expenditures	\$2,190.500	\$2,271.252	\$2,341.747	2,348.318
Other Adjustments	0.307			
Ending Fund Balance (unaudited and unassigned)	\$424.451	\$285.352	\$120.722	\$1.320 Warning
Total Ongoing Revenues	2,077.044	2,132.153	2,177.239	2,228.912
Total Ongoing Expenditures	2,034.400	2,161.494	2,223.716	2,289.079
Structural Balance (ongoing revenues-ongoing expenditures)	\$42.644	(\$29.340)	(\$46.477)	(\$60.167) Warning
Adjust Structural Balance for ongong liabilities funded with one-time funding				
Assumption for Public Defender and Dept. of Livestock ongoing			30.230	30.185
Adjusted Structural Balance			(\$76.707)	(\$90.352) Warning
If current bills were to pass, the ending fund balance is below the statutorily required level of 1% biennial expenditures, or approximately \$46 million. Please refer to the status sheet rules for more information on the BASE-Aid impacts.				