

GENERAL FUND BUDGETING BASICS

READING AND UNDERSTANDING THE GENERAL FUND BALANCE SHEET

Additional details explaining the traditional fund balance sheet follows.

17-7-151, MCA - General Fund Comparison								
Using LFD Revenue, Statutory Appropriations and Non Budgeted estimates								
(in Millions)								
	Actual FY 2012	Estimated FY 2013	Requested FY 2014	Requested FY 2015	2013 Biennium	2015 Biennium	Biennial \$ Change	Biennial % Change
Beginning Fund Balance ❶	\$341.9	\$453.2	\$465.4	\$268.3	\$341.9	\$465.4	\$123.6	31.5%
Revenue								
Legislative Revenue Estimates ❷	\$1,871.0	\$1,988.8	\$2,044.5	\$2,124.2	\$3,859.7	\$4,168.7	\$309.0	8.0%
Legislative Prior Year Revenue Adjustments	8.8	-	-	-	-	-	-	
Supplemental Appropriations (HB 3) - Tfr from Lottery Reduction ❸	-	(1.5)	-	-	(1.5)	-	1.5	-100.0%
Pension Legislation - Reduction to General Fund ❹	-	-	(35.3)	(36.4)	-	(71.7)	(71.7)	
School Facilities and Technology - Reduction to General Fund ❺	-	-	(14.9)	(15.7)	-	(30.6)	(30.6)	
Business Equipment Tax Legislation ❻	-	-	(0.7)	(0.9)	-	(1.6)	(1.6)	
Total Funds Available	\$2,221.6	\$2,440.4	\$2,458.7	\$2,339.4	\$4,200.1	\$4,546.5	\$346.4	8.2%
Disbursements								
General Appropriations Act - Ongoing ❶	\$1,577.3	\$1,628.7	\$1,746.3	\$1,796.4	\$3,205.9	\$3,542.7	\$336.7	10.5%
General Appropriations Act - OTO ❷	10.6	13.6	21.0	12.5	24.3	33.5	9.3	38.3%
Feed Bill (HB 1) ❸	1.4	10.9	1.4	11.1	12.3	12.5	0.2	1.8%
Supplemental Appropriations (HB 3) - Ongoing ❹	-	38.5	-	-	38.5	-	(38.5)	-100.0%
Supplemental Appropriations (HB 3) - OTO ❺	-	85.1	-	-	85.1	-	(85.1)	-100.0%
Long Range Building Proposals - Cash (HB 5) ❻	-	-	16.3	-	-	16.3	16.3	
Long Range Information Technology (HB 10)-OTO ❼	-	-	10.8	-	-	10.8	10.8	
Pay Plan (HB 13) - Ongoing ❽	-	-	24.0	52.0	-	76.0	76.0	
Pay Plan (HB 13) - OTO ❾	-	-	4.1	-	-	4.1	4.1	
Long Range Building Proposal - Bonds (HB 14)* - Ongoing ❿	-	-	3.3	6.6	-	9.9	9.9	
Digital Academy - OTO ⓫	-	0.3	-	-	0.3	-	(0.3)	-100.0%
Pension Legislation - Ongoing ⓬	-	-	30.5	30.5	-	61.0	61.0	
Infrastructure Assistance - OTO ⓭	-	-	15.0	-	-	15.0	15.0	
Water Compact Obligations - Bonds - Ongoing ⓮	-	-	2.4	4.8	-	7.3	7.3	
Medicaid Expansion - Ongoing ⓯	-	-	2.0	3.2	-	5.2	5.2	
Homeowner Rebate ⓰	-	-	100.0	-	-	100.0	100.0	
Business Equipment Tax Legislation ⓱	-	-	3.3	5.5	-	8.8	8.8	
Statutory Appropriations - Ongoing ⓲	171.2	200.9	199.3	213.1	372.2	412.4	40.2	10.8%
Statutory Appropriations - Legislation ⓳	-	-	(3.0)	(3.0)	-	(6.0)	(6.0)	
Transfers - Ongoing ⓴	15.5	15.0	13.3	11.8	30.5	25.1	(5.4)	-17.7%
Transfers - Old Fund Legislation ⓵	-	-	(7.4)	(5.7)	-	(13.0)	(13.0)	
Other Appropriations ⓶	3.7	5.6	-	-	9.2	-	(9.2)	-100.0%
Reversions ⓷	-	(7.6)	(7.8)	(8.0)	(7.6)	(15.9)	(8.2)	108.3%
Prior Year Adjustments	(5.1)	-	-	-	(5.1)	-	5.1	-100.0%
Total Disbursements	\$1,774.5	\$1,991.0	\$2,174.8	\$2,130.8	\$3,765.5	\$4,305.7	\$540.1	14.3%
Fund Balance Adjustment	\$6.1	\$0.0	\$0.0	\$0.0	\$6.1	\$0.0	(\$6.1)	
Ending Fund Balance	\$453.2	\$449.4	\$283.8	\$240.8	\$440.7	\$240.8	(\$199.9)	-83.0%
Biennial Comparison								
Total Ongoing	\$1,765.3	\$1,886.5	\$2,007.6	\$2,118.3	\$3,651.8	\$4,125.9	\$474.1	13.0%
Total OTO	\$14.3	\$104.6	\$167.2	\$12.5	\$118.9	\$179.7	\$60.9	51.2%
Total Disbursements	\$1,779.6	\$1,991.0	\$2,174.8	\$2,130.8	\$3,770.7	\$4,305.7	\$535.0	14.2%
Structural Balance ⓸	\$105.6	\$116.8	(\$13.9)	(\$47.2)				

Beginning Fund Balance ❶

The general fund balance sheet shows the beginning fund balance for four fiscal years. The ending fund balance includes the difference between revenues and disbursements. For further discussion of fund balance, please refer to the [Managing Budget Volatility](#) discussion.

Revenue Estimate (SJ 2) ②

The legislature cannot appropriate more expenditures from the general fund than can be funded through anticipated available funds. Therefore, the legislature must estimate general fund revenues. As delineated in Section 5-5-227(2) (a), MCA, the Revenue and Transportation Interim Committee (RTIC) is required to prepare “an estimate of the amount of revenue projected to be available for legislative appropriation.” The estimate and underlying assumptions are intended to be used in any estimation of revenue, including the preparation of fiscal notes. By statute, the LFD assists the revenue and transportation interim committee in performing its revenue estimating duties by submitting its recommendations and assumptions. The Office of Budget and Program Planning also presents the executive’s revenue estimates.

The three-year general fund revenue estimates between the LFD and the Governor were within \$3.25 million or .05% of each other. When RTIC met on November 19, 2012, committee members took no action on HJ 2, as by statute they are required to do. On December 3, 2012, the Joint Committee on Rules met to discuss amending the rules to allow changes to the HJ 2 process. After discussion, an amendment to the joint rules was moved that stipulated “For the 2013 legislative session only, in the event that the Revenue and Transportation Interim Committee has not caused a revenue estimating resolution to be introduced in accordance with 5-5-227, MCA, a Senate joint resolution must be introduced by the chair of the Senate Taxation Committee for the purpose of estimating revenue that may be available for appropriation by the Legislature.” This legislation has been introduced as SJ 2.

Revenue Legislation ③

Revenue legislation proposed by the Governor that would impact the balance sheet is included.

Spending: HB 2, Present Law Adjustments and New Proposals ④

HB 2

Included in the Governor’s budget submission are the base budget, present law adjustments, and new proposals. The legislative session’s appropriations process begins with the introduction of HB 2, or the General Appropriations Act. At the introductory stage, the HB 2 includes the provisions of the Governor’s budget. HB 2 is built using three key components: base budget, present law adjustments and new proposals. Generally, the base budget is adjusted spending made during the last fully completed year. Total expenditures are adjusted to remove items that are inappropriate for consideration as spending for on-going functions of state government. Among items removed from the base are statutory appropriations, budget amendments, funds transferred from other agencies (non-budgeted transfers) and one-time expenditures.

Present Law Adjustments

The present law base is defined in statute as that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including, but not limited to:

- Changes resulting from legally mandated workload, caseload, or enrollment increases or decreases
- Changes in funding requirements resulting from constitutional or statutory schedules or formulas
- Inflationary or deflationary adjustments
- Elimination of nonrecurring appropriations

These changes are called present law adjustments.

New proposals

New Proposals are defined in statute as “requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding.” Any proposal that is not based upon the existence of constitutional or statutory requirements is a new proposal.

Statutory Appropriations ⑤

Statutory appropriations are legislative appropriations that do not expire in two years like temporary appropriations such as those in the general appropriations act. Statutory appropriations are in the Montana Code Annotated or statute and remain in place until removed or changed by legislation.

Non-Budgeted Transfers ⑥

Non-budgeted transfers are funds transferred from one account to another. This results in less money in the General Fund for the programs it funds and more in another. These transfers and the authorizations are in statute and are not part of the biennial budgeting process; however, they affect the amount of money available for the legislature to appropriate for various programs.

Other Spending Legislation ⑦

Two other bills which appropriate money in the current year, as opposed to the next biennium like HB 2, are the following:

- HB 1 – commonly referred to as the “feed bill” contains all appropriations needed to operate the legislative session and certain interim costs and includes provisions for session staff and printing costs
- HB 3 – contains all requests for additional general fund and state special revenue money in the current year with which to address anticipated shortfalls

Spending Reversions ⑧

Expenditures that the legislature authorized, but the agencies are not expected to fully expend which are generally based upon historic reversion levels.

Governor’s Proposed Spending in Legislation ⑨

Any general fund spending proposed by the Governor that is not contained in HB 2.

Fund Balance Adjustments

Any further adjustments that impact the fund balance.

Structural Balance ⑩

Structural balance is the difference between ongoing revenues and ongoing expenditures. Structural balance exists when anticipated revenues and ongoing expenditures are equal. A negative structural balance exists when anticipated revenues are short of ongoing appropriations.