

**LEGISLATIVE BUDGET ANALYSIS
OF THE GOVERNOR BULLOCK
JANUARY 7 BUDGET SUBMISSION
2015 BIENNIUM
VOLUME 1 - STATEWIDE PERSPECTIVES**

**REPORT FROM THE LEGISLATIVE FISCAL DIVISION
TO THE SIXTY-THIRD LEGISLATURE**

January 2013

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ACKNOWLEDGEMENTS

The Legislative Budget Analysis report is the product of many hours of analysis by the staff of the Legislative Fiscal Division (LFD), a nonpartisan office which provides fiscal and policy information and advice to the legislature. The LFD thanks the many entities that assisted in its completion.

For information on this report and others, contact the Legislative Fiscal Division at (406) 444-2986 or visit the division's internet website at: <http://leg.mt.gov/css/fiscal/default.asp>

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Director/Legislative Fiscal Analyst
AMY CARLSON

January 8, 2013

Members of the Sixty-third Legislature:

I submit for your consideration the state budget outlook for the 2015 biennium and the analysis of the Governor's Budget in volumes 1 through 8. This replacement volume 1 is written to Governor Bullock's budget. The previous volume 1 was written to the Governor Schweitzer budget. The online versions of volumes 3-8 will be updated to Governor Bullock's budget as time permits.

In a departure from previous versions, volumes 2 through 8 will not be generally printed, and distributed, but only available over the internet. A printed copy of this Volume 1 Statewide Perspectives will be widely available, but several of the usual charts and tables have been included as electronic only appendices. If you are looking for a particular table or graph that is missing in the paper version of this document, you will likely find it online. If you are unable to access the online version please let staff know and we will provide you with printed versions of the documents you want. The online version is available at the following link: <http://leg.mt.gov/fbp.asp>

In addition, a group of staff improved the format of Volumes 3 through 7 (Sections A through E) to be a better tool for decision making for subcommittee work. Please provide feedback to your subcommittee staff so we can continue to improve this document for future legislatures.

I have many thanks to the staff members of the Legislative Fiscal Division, who have stepped up to the plate to deliver time and again. These professionals are committed to the Legislature and to serving the people of Montana. You will find them listed with their areas of expertise on the following pages.

In addition, I want to thank the members of the Legislative Finance Committee for their wisdom and guidance over this past two years. I have immense respect for each of them.

Sincerely,

Amy Carlson
Legislative Fiscal Analyst

INTRODUCTION VOLUME 1

PURPOSE OF VOLUME 1: THE OVERVIEW

The purpose of this report is to provide legislators with the information needed to assist them in crafting a balanced state budget and fiscal policy, and in reflecting their priorities in the 2013 biennium general appropriations act and other appropriations bills. It seeks to accomplish this by: 1) providing perspectives on the state's fiscal condition and the budget proposed by the Governor for the 2015 biennium, and 2) identifying some of the major issues now facing the Legislature. As such, this document is intended to complement the Legislative Budget Analysis – 2015 Biennium Online, which contains our review of the 2015 Biennium Executive Budget. In addition, this document is a reference document for all legislators, providing budget information for state government.

While the Legislative Budget Analysis – 2015 Biennium Online reports the results of our detailed examination of revenue estimates and expenditures and proposed budgets of state programs, this Statewide Perspective presents a broader fiscal overview and discusses significant fiscal and policy issues which either cut across program or agency lines, or do not necessarily fall under the jurisdiction of a single fiscal subcommittee of the legislature. Volume 1 discussions incorporate the December 15 Governor's revisions and changes proposed by the new Governor.

This volume is divided into six parts:

- The Overview provides a high level summary of our analysis of the proposed executive budget
- Budget Basics: Understanding the General Fund Balance Sheet
- Major Issues Facing the Legislature includes discussions of several state financial issues
- State Revenues provides a review of the revenue projections in the budget and our own assessment of revenues through FY 2013
- State Expenditures provides an overview of the state spending plan for the 2015 biennium

WHAT IS CONTAINED IN THE LEGISLATIVE BUDGET ANALYSIS - 2015 BIENNIUM ONLINE?

REVENUE ESTIMATES

A summary and overview of the state's major revenue sources is included online. A review of the table of contents will give the reader a quick idea of revenue sources included and the structure of the report. This volume will be provided to the House and Senate Taxation committees for use as a working document, and delineates the economic assumptions used to derive revenue estimates presented to the Revenue and Taxation Interim Committee (RTIC) on November 19, 2012.

BUDGET ANALYSIS

The Budget Analysis offers detailed analyses of individual agency budgets, as proposed through the Governor's Executive Budget submitted in mid-November, but had gone to print before the December 15 revisions were received. These volumes feature program-by-program detail, as well as the LFD analysis of each agency budget. Agency presentations are grouped in sections corresponding to the appropriations subcommittee addressing the agency.

- Section A – General Government
- Section B – Health and Human Services
- Section C – Natural Resources and Transportation
- Section D – Judicial Branch, Law Enforcement, and Justice
- Section E – Education
- Section F – Long-Range Planning

The Legislative Budget Analysis – 2015 Biennium Online briefly describes the agencies from all three branches of state government, as well as each program within an agency. The basic structure used for the analysis is consistent across agencies. These sections detail an agency’s requests, as well as a list of proposals and issues significant to the agency. When appropriate, there may be discussion of circumstances that could hold budgetary impacts (e.g., proposed executive legislation or agency reorganization). These sections also present detailed discussions of present law adjustments, new proposals, and significant issues facing the various agencies as identified by legislative fiscal analysts.

Agency budgets are presented in three tiers as required by statute:

- Base budget: the level of funding authorized by the previous legislature
- Present law base: the additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature
- New proposals: requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding

By making this presentation in this tiered manner, legislators can use the “base budget” as the starting point, then to follow the incremental increases that result in a total budget request for an agency.