OTHER BUDGET HIGHLIGHTS
Introduction

The Other Budget Highlights section discusses several issues of either statewide or multi-agency fiscal impact. It addresses significant fiscal issues contained in either HB 2, other cat and dog bills, and/or statutory appropriations, as well as issues not related to any specific appropriation.

The following provides an index to the issues presented in the "Other Budget Highlights" section.

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OTHER BUDGET HIGHLIGHTS
Other Appropriation Bills

The majority of direct legislative appropriations are made in HB 2, the general appropriations act. However, the legislature also appropriates funds in other bills. Table 1 lists all other appropriations bills passed by the 1999 legislature, except bills changing statutory appropriations or miscellaneous bonding authority. As shown, a total of $144.7 million general fund and $244.0 million other funds ($388.7 million total funds) was appropriated. All long-range planning bills are discussed in more detail in Section F of Volume 2. The state employee pay plan (HB 13) and the school entitlement increase (SB 100) are discussed later in this volume (Other Budget Highlights section). SB 184 is discussed in the Tax Policy and Initiatives section in Volume 1. All other bills are discussed in the relevant agency narratives in Volumes 1 and 2.

Table 1
Other Appropriations
2001 Biennium

Bill No.	Description	2001 Biennium General Fund	2001 Biennium Other Funds	2001 Biennium Total Funds
Long Range Planning Bills				
HB 5	Capital Projects - Cash	$ 170,000	$ 115,451,301	$ 115,621,301
HB 6	Renewable Resource Grants	-	4,220,326	4,220,326
HB 7	Reclamation & Development Grants	-	3,233,197	3,233,197
HB 8	Renewable Resource Loans	-	22,897,465	22,897,465
HB 9	Cultural & Aesthetic Grants	600,000	373,100	973,100
HB 10	Oil Overcharge Appropriation	-	1,301,000	1,301,000
HB 11	Treasure State Endowment	-	12,595,643	12,595,643
HB 12	Bond Proceeds for Energy Conserv.	-	3,000,000	3,000,000
HB 14	Capital Projects - Bonds	-	33,403,750	33,403,750
HB 15	Information Technology Bonds	-	18,800,000	18,800,000
	SUBTOTAL	$ 770,000	$ 215,275,782	$ 216,045,782
Other Appropriations Bills				
HB 13	State Employee Pay Plan	21,903,089	24,158,219	46,061,308
HB 92	ARCO Litigation	-	1,650,000	1,650,000
HB 135	Pay Increase for MHP Officers	163,753	1,816,554	1,980,307
HB 389	Establish & Improve Shooting Ranges	-	60,000	60,000
HB 470	Revise TANF MOE Requirement	1,000,000	-	1,000,000
HB 495	Revise Silicosis Benefits	54,600	-	54,600
HB 621	Venture Star Proposal Grants	-	300,000	300,000
HB 644	Local Coal Impact Review Council	-	30,000	30,000
HB 647	Bull Trout & Cutthroat Trout Enhancement	-	750,000	750,000
HB 660	Severance Benefits to MSH Employees	250,000	-	250,000
SB 81	Children's Health Insurance Program	8,000,000	-	8,000,000
SB 100	Increase Basic & per ANB Entitlements	36,200,000	-	36,200,000
SB 184	Revise Property Tax Law	76,349,326	-	76,349,326
	SUBTOTAL	$ 143,920,768	$ 28,764,773	$ 172,685,541
	TOTAL	$ 144,690,768	$ 244,040,555	$ 388,731,323

OTHER BUDGET HIGHLIGHTS
Fund Balance Adequacy

Budget Stability

Although the state's financial position is brighter than in recent biennia, economic growth in Montana is expected to remain sluggish. In addition, the state's fiscal stability is not immune to economic and political changes, both nationally and globally. General economic factors impacting the slower growth in state revenues during fiscal 1999 include the depression of prices for natural resources and farm products. In addition, business revenues and corporate revenues will be under pressure as the Asian economic crisis reduces exports. The outlook for the 2001 biennium is much less certain, although modest increases are projected for natural resources and farm products.

Recognizing these uncertainties, the Fifty-sixth Legislature adopted a projected ending general fund balance of $51 million, which is more than double the traditional $20-25 million targeted ending fund balance of past years. Also, the Fifty-sixth Legislature for the first time adopted a specific set-aside of $30 million of the projected ending fund balance specifically for revenue stabilization. The set-aside funds are linked to tobacco settlement funds. These actions of the Fifty-sixth Legislature were a major step forward in attaining general fund budget stability.

Attaining general fund budget stability requires more than simply setting appropriations equal to anticipated revenues, with a positive ending fund balance serving as a safety net. The **adequacy** of the state's general fund balance can determine whether or not the state is forced to confront the consequences of fiscal instability.

Reactive vs. Proactive Approach

Recognizing that budgetary imbalances occur, the state can either take a reactive or proactive approach. During the 1993 and 1995 biennia, the state held three special legislative sessions to deal with budget shortfalls. Although special sessions allow lawmakers the ability to address both revenues and expenditures, special sessions can cost the taxpayers as much as $45,000 per day. The need for special sessions is also closely scrutinized by national agencies who rate the state's debt. Rating agencies also use a state's general fund balance as a percent of revenues as one of the key financial indicators for credit analysis.

Also, from a reactive stance, budgetary fluctuation can be temporarily resolved through spending reductions. In accordance with 17-7-140, MCA, the Governor can authorize spending reductions: "...in an amount that ensures that the projected ending general fund balance for the biennium will be at least 1 percent of all general fund appropriations during the biennium." The 1997 legislature adjourned with a projected ending fund balance for the general fund of $24.5 million for both fiscal 1998 and fiscal 1999. A projected ending fund balance of $24.5 million is a mere 1.1 percent of total expenditures for the biennium. Consequently, based on 17-7-140, MCA, additional general fund expenditures of 0.1 percent, or only $2 million -- assuming revenues achieve the level projected -- would result in mandatory reductions in spending by the Governor. Essentially, the executive branch would assume control of the budget decision-making process by implementing spending reductions. Legislative priorities could get lost in the process.

Because of the cost and disadvantages of taking a reactive approach to budget imbalances, the more optimal method is to approach them proactively through provision of adequate fund balance reserves. National fiscal experts, such as the National Conference of State Legislatures (NCSL), recommend a reserve fund balance of 3 to 5 percent of total appropriations or revenues. Because Montana's budget is implemented on a biennial basis -- resulting in considerably more risk than an annual budgeting process -- the 3 to 5 percent should be applied to biennial totals. At a minimum, the budget process would then include a general fund ending fund balance of 2.5 percent of total biennial appropriations or revenues. For Montana, with a total general fund budget of $2.0 billion, this equates to a $50.0 million ending fund balance.

The provision of an adequate general fund balance is essential to achieving a sound financial foundation. The level of fund balance reserves must be sufficient to offset the volatility of revenues and the potential for unforeseen expenditure increases. A recent report by Standard and Poor's discusses the current trend toward an increase in states' surpluses and the corresponding increase in bond ratings. According to the report, a summary of GAAP financial reports for all 50 states "shows a median fiscal 1997 general fund balance of 11.6 percent of expenditures, compared to 7.8 percent in fiscal 1996." Montana's ending fund balance ranks in the lowest 10 states, considerably lower than the national average. If other

Fund Balance Adequacy

states continue a trend toward higher fund balances, they may benefit from higher bond ratings than states such as Montana with comparatively lower surpluses.

The action of the Fifty-sixth Legislature to double the state's general fund ending reserve was a proactive step toward achieving a more sound financial foundation.

OTHER BUDGET HIGHLIGHTS
Tobacco Settlement Funds

Overview

The State of Montana will receive an estimated $970 million over 25 years as party to a settlement agreement with the seven tobacco companies to end a four-year legal battle with 46 states, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands, Guam and the District of Columbia (52 total settling entities). This amount is $89.9 million higher than the settlement amount considered by the legislature, because the state recently learned of its allocation from the Strategic Fund Contribution. The added $89.9 million may change if other states challenge the allocations and if those challenges are successful.

Table 2 shows annual estimated payments by year. The total amount of tobacco settlement funds available will be affected by a number of adjustments, including inflation, sales volume changes, and potential federal tobacco excise taxes contained in the master settlement agreement.

Annual payments to Montana are scheduled by the agreement to begin no later than July 2000, but could begin sooner if all conditions of the settlement are met. Please note that the payment listed for 1998 will not be available until conditions of the tobacco settlement agreement are met.

Table 2
Estimated Annual Tobacco Settlement Payments

Year	(Millions)
1998	$10.194
2000	27.234
2001	29.409
2002	35.311
2003	35.646
2004-07	29.752
2008-17	39.330
2018-on	33.997

*Payments include upfront and ongoing payments as well as the Strategic Fund Contribution.

Montana, as an individual state, has complied with all the conditions of the settlement. However, lawsuits challenging the consent decrees filed by California and New York will delay completion of global settlement requirements. Settlement conditions are described in greater detail near the end of this summary.

Legislative Action

The legislature considered a number of bills governing tobacco settlement proceeds and made several appropriations of settlement funds. Table 3 summarizes all appropriations made by the legislature from tobacco settlement funds compared to the estimated proceeds during the 2001 biennium.

All of the appropriations supported by tobacco settlement funds are from the general fund. All of the appropriations can be established and expended even if the tobacco settlement proceeds are not received. The designation of

Table 3
Estimated Tobacco Settlement Proceeds
HJR2 Revenue Estimate and Appropriations

Appropriations/ Estimated Funds Available	Biennial Amount
GENERAL GOVERNMENT OPERATIONS	$20,051,000
DIRECT APPROPRIATIONS	
CHIP/Medicaid Increase	$8,000,000
Expanded Tobacco Control/Prev.	7,000,000
Montana Comprehensive Ins. Assoc.	2,000,000
Challenge Program	~~1,600,000~~
Total Direct Appropriations	~~$18,600,000~~
FUNDS AVAILABLE	
1998 Payment	$10,194,218
2000 Payment	27,234,492
2001 Payment	~~29,408,876~~
HJR 2 Estimate	~~$66,837,586~~
Fund Balance Reserve	$28,186,586

general fund appropriations from tobacco settlement proceeds was done in order for the legislature to identify the use of tobacco settlement proceeds. The legislature specifically intended to fund some public health and tobacco prevention and control programs with tobacco settlement proceeds.

1) SB 81 allocated the tobacco settlement funds to the general fund and appropriated $8 million from those proceeds to the Department of Public Health and Human Services to pay the state match for the Children's Health Insurance Program (CHIP) and the state match for additional Medicaid costs due to CHIP outreach. (Children cannot qualify for CHIP if the family is eligible for Medicaid).

   SB 81 provides for the department to obtain a loan from the general fund to pay CHIP and Medicaid outreach if the tobacco settlement proceeds are not received prior to the beginning of the 2001 biennium. The loan must be repaid from tobacco settlement proceeds prior to the end of the 2001 biennium. This provision was added to SB 81 in the event other proposed bills governing deposit of the settlement proceeds were enacted.

2) The legislature appropriated $7 million general fund from tobacco settlement proceeds for tobacco control and prevention in HB 2. Montana is one of the few states receiving tobacco settlement funds to appropriate funds for tobacco prevention and control and public health programs.

3) HB 2 appropriates $2 million in general fund to implement the allocation of $2 million from tobacco settlement funds provided in HB 536 to the Montana Comprehensive Health Association (an insurance plan of last resort for persons who have been refused health insurance coverage by 2 carriers). The association may use the tobacco funds only if the amount of the annual assessment collected by the association is insufficient to meet incurred or estimated expenses. The association may assess each member (all insurers, health maintenance organizations, and health service corporations licensed to do business in Montana) 1 percent of its total disability insurance premium received from Montana residents.

4) The legislature appropriated $1.6 million for the state match for the Challenge Program, a program for children who have stopped attending high school to earn their high school equivalency diploma (GED). Children accepted into the program: 1) may not be on adult parole or probation; 2) may not be involved with the juvenile justice system; and 3) must be drug free. The program is administered by the Department of Military Affairs. The legislature specified that the general fund appropriation for this program was supported by tobacco settlement funds when the appropriation was added to HB 2.

5) The legislature also added language to HB 2 that up to $30 million received from the tobacco settlement funds, above the amount appropriated by the legislature, must be set-aside for revenue stabilization in the general fund. The $30 million "set aside" is an unreserved, designated general fund balance. As shown in Table 4, if the state receives $66.8 million in settlement funds, there will be about $28.2 available for the unreserved, designated general fund balance.

6) The legislature also enacted SB 359 to comply with another requirement of the tobacco settlement. In order to obtain settlement funds, state legislatures needed to enact a model statute.

7) The legislature passed SJR 12 urging Congress to prohibit the federal Department of Health and Human Services from recouping any funds from states' tobacco settlement proceeds.

Federal Medicaid Recoupment

Congress recently passed legislation preventing federal recoupment of its share of Medicaid costs from the tobacco settlement. This change prevents reduction of state tobacco settlement funds due to federal Department of Health and Human Services recoupment of the federal share of Medicaid costs. The federal share of a state's settlement would have been based on the federal Medicaid match rate in effect for the state (about 70 percent for Montana). If the entire amount of Montana's settlement were attributable to Medicaid costs paid by the state for smoking related health problems of indigent persons, and the federal government would have recouped its share, the state settlement would have been reduced by 70 percent.

Tobacco Settlement Funds

Up Front and On-going Payments

Tobacco companies are required to make five initial payments, with the first one in December 1998, followed by a second payment in January 2000 and three other payments ending in 2003. Ongoing annual payments begin in April 2000.

The payments are deposited into an escrow account. When a state obtains state specific finality, funds allotted to that state are to be moved from the general escrow account into a state specific escrow account. Funds remain in the state specific escrow and are to become available to the state on the final approval date.

Adjustments to Payments

The tobacco settlement is an estimated amount. Annual payments from settling companies will change based on several adjustments that apply to payments. Some adjustments apply to specific payments and some adjustments apply intermittently as special conditions exist. Three of the major adjustments are: 1) annual inflation; 2) cigarette volume adjustment; and 3) federal excise taxes.

Payments by settling companies are to be adjusted each year by the greater of 3 percent or the change in the consumer price index from the year before. Therefore, this adjustment will increase settlement amounts available to states.

The annual settlement payment will be adjusted by the volume of cigarette sales. The adjustment will be based on the number of cigarettes sold by settling companies. For instance, if the number of cigarettes sold declines by 10 percent from one year to the next, the payment will decline by 10 percent. Payments could also rise if the number of cigarettes increases.

If the federal government institutes a tobacco excise tax and distributes the proceeds to states without guidelines on how funds can be spent or for the purposes outlined in the Master Settlement Agreement, state settlement amounts will be reduced dollar for dollar by the excise tax revenue. This limitation applies only through 2005.

Settlement Conditions

There are three conditions that must occur before any state can access tobacco settlement funds, which makes receipt of funds tenuous until negations are complete.

1) Each state must obtain "state specific finality", the trigger for an individual state's access to funds. A state must file a consent decree to settle the suit and all opportunities for appeal must have expired, so that court approval is final.

2) No funds can be dispersed to states until 80 percent of the states (42 of the 52 total settling entities) reach state specific finality and until states accounting for 80 percent of the total settlement amount reach state specific finality. If the requisite number of states have not reached finality, funds will become available to all states that have reached finality in July 2000 (fiscal 2001). If a state has not reached finality by December 31, 2001, the state will be terminated from the agreement and become a non-settling state, unless the participating manufacturers agree otherwise.

   Montana filed a consent decree in the first judicial district on December 1, 1998. Montana achieved state specific finality when the decree was final February 5, 1999. There were no legal challenges filed.

3) There is a legal challenge to the New York and California consent decrees, which together total about 25 percent of the total settlement. Montana will not receive tobacco settlement funds before July 2000 unless one of those suits is settled prior to that time.

OTHER BUDGET HIGHLIGHTS
Public School Funding

Legislation Affecting Public School Support (K-12)

The Fifty-sixth Legislature passed eight major pieces of legislation which will affect state aid for K-12 school districts and will affect the tax base from which districts receive revenue during the 2001 biennium. One bill will affect the way school districts budget their funds.

In total, the Fifty-sixth Legislature increased state aid to K-12 districts by $43.6 million over present law amounts for the 2001 biennium. BASE Aid was increased by $37.1 million, the state special education appropriation was increased by $2.8 million, and school facility reimbursements were increased by $1.5 million. In addition, the legislature appropriated $2.2 million in motor vehicle reimbursements in fiscal 2001.

Beginning in fiscal 2000, BASE aid schedules will be increased. The schedule increases will raise the maximum budget for each school district. The state's share of revenue devoted to funding district general fund budgets will also increase in each year of the biennium. This will be accomplished by increasing the percentage the state distributes in direct state aid. For the first time in ten years, the state increased the amount of state aid for special education.

Several bills substantially reduced the property tax base and non-levy revenue available for districts. Some of the school district revenue impacts of these bills will be reimbursed by the state, and other revenue impacts will only be partially reimbursed.

The rules regarding voter approval of budget authority were eliminated and replaced by rules requiring voter approval of increases in property tax revenue. These rules will apply to the district transportation fund, adult education fund, bus depreciation fund, any non-operating funds, and the over-BASE portion of the district general fund. Exempt from these rules are the BASE portion of the district general fund, the debt service fund, the building reserve fund, and the tuition fund. Also exempt are the county school transportation fund and the county school retirement fund.

Major K-12 Legislation Affecting State Aid and School District Revenues

The Fifty-sixth Legislature enacted increases in the K-12 BASE aid schedules. Other legislation substantially reduced the tax base for the state and for school districts, and instituted district reimbursements. A description of this legislation follows.

Schedule Increases

Senate Bill 100 – Senate Bill 100 increases the elementary district per-ANB entitlements by 3.5 percent in each year of the 2001 biennium and increases the high school per-ANB entitlements by 1.0 percent in each year of the biennium. The basic per-district entitlements are not increased. Table 4 shows the amounts by which the entitlements were increased by SB 100.

Table 4
K-12 BASE Aid and Special Education Increases
House Bill 2, Senate Bill 100 and Senate Bill 184

	Fiscal 2000			Fiscal 2001		
	Present Law	New Law	Percent Change	Present Law	New Law	Percent Change
Elementary Basic Entitlement	$18,000	$18,000	0.0%	$18,000	$18,000	0.0%
High School Basic Entitlement	200,000	200,000	0.0%	200,000	200,000	0.0%
Elementary Per-ANB Entitlement	3,410	3,529	3.5%	3,410	3,653	7.1%
High School Per-ANB Entitlement	4,773	4,821	1.0%	4,773	4,869	2.0%
Direct State Aid Share	40.0%	41.1%	2.7%	40.0%	41.8%	4.5%
BASE Aid (Millions)	$407.34	$421.71	3.5%	$401.307	424.041	5.7%
Special Education Appropriation (Millions)	$32.487	$33.900	4.3%	$32.487	33.900	4.3%

Public School Funding

SB 100 increases the direct state aid share of each district's BASE general fund budget. The proportion of a district's BASE budget funded by direct state aid rises from 40 percent under present law to 41.1 percent in fiscal 2000 and to 41.8 percent in fiscal 2001. As a result, every school district, regardless of wealth, will realize more state BASE aid than under present law. The increase in state BASE aid will average 3.1 percent in fiscal 2000 and 5.9 percent in fiscal 2001. The total increase in BASE aid for the biennium due to SB 100 is $34.8 million. (HB 2 and SB 184 also increased BASE Aid, by an additional $2.3 million during the biennium, as explained below)

Through the schedule increases, SB 100 increases the maximum and BASE budgets above what they otherwise would have been. This is important for the many schools that have been experiencing declining enrollment. As enrollment declines, the maximum budget falls. As a result, the number and proportion of districts that have been budgeting at the maximum budget has been increasing dramatically in the last few years. With further enrollment declines expected during the 2001 biennium, the number of districts budgeting at the maximum budget was expected to continue increasing. The schedule increases will relieve that pressure, at least for elementary schools with ANB decreases less than 3.5 percent, and for high schools with ANB decreases less than 1 percent. Senate Bill 460, explained below, also provides some budgetary relief in this area.

Table 5
Average Number Belonging (ANB) in Montana Schools

	Fiscal Year	Elementary	Percent Change	High School	Percent Change	Total	Percent Change
A	1994	111,497		45,457		156,954	
A	1995 *	114,772	2.9%	47,818	5.2%	162,590	3.6%
A	1996	114,734	0.0%	49,045	2.6%	163,779	0.7%
A	1997	114,160	-0.5%	50,582	3.1%	164,742	0.6%
A	1998	112,449	-1.5%	51,432	1.7%	163,881	-0.5%
A	1999	109,861	-2.3%	51,892	0.9%	161,753	-1.3%
E	2000	107,624	-2.0%	51,968	0.1%	159,592	-1.3%
E	2001	105,301	-2.2%	51,414	-1.1%	156,715	-1.8%

* includes for the first time, students who spend more than 1/2 day in special education class

A = Actual; E = Estimated

Enrollment declines are expected for fiscal 2000 and fiscal 2001. Table 5 shows the historical and projected ANB totals that underlie the state BASE aid projections upon which the appropriations in SB 100 were based. Enrollment declines are expected for many years in the future, assuming no large change in in-migration.

Because of the enrollment declines, the amount of increased state BASE aid appropriated for the 2001 biennium is $20.4 million higher than the amount which will be spent during the 1999 biennium.

SB 100, in conjunction with House Bill 2, increased the state special education appropriation by $1.4 million in each year of the biennium over the present law level. The new appropriation will be $33.9 million in each year of the biennium. Increasing the special appropriation will have the effect of increasing BASE aid to schools by an additional $0.3 million.

<u>Property Tax and Non-levy Revenue Bills</u>

The legislative package substantially reduced the property tax and non-levy revenue base on which school districts rely for tax revenue. For most of the bills, school districts will receive reimbursements from the state. For two of the bills, only partial reimbursements will be made and school districts may have to increase mill levies in order to recoup revenue.

The **reimbursable bills** are those which reduce the district taxable value of business equipment (SB 200), telecommunications property (HB 128), and electrical generating property (HB 174). Also reimbursable are HB 658 (oil production tax), SB 530 (oil and natural gas production tax), and SB 420 (mine net proceeds taxes).

The **partially reimbursable** bills are the tax relief in SB 184 and the motor vehicle tax relief in SB 260. The only local or school fund that will receive reimbursements for these bills is the school district general fund.

The "Tax Policy and Initiatives" section of Volume 1 contains a complete description of these bills and their associated impacts on state and local taxing jurisdictions.

Beginning in fiscal 2000, the Department of Revenue (DOR) will calculate for each school district the revenue reductions due to each of the reimbursable bills. Reimbursements will be calculated for each district and will replace the revenue lost as if the bills had been in effect in fiscal 1998. The county retirement and county transportation accounts will also be reimbursed. For the 2001 biennium, the actual reimbursements to taxing jurisdictions will be adjusted up or down on a pro rata basis if the state-appropriated reimbursement amount exceeds - or is insufficient to replace - the estimated revenue reduction due to the reimbursable bills.

The state appropriation for these bills to all local jurisdictions will be $12.9 million in fiscal 2000 and $54.9 million in fiscal 2001. In each year of the 2001 biennium, school districts will receive about 45.2 percent of the DOR reimbursements, the county school retirement and transportation funds will receive about 10.1 percent, and the remainder will flow to county, city and other governments.

The DOR reimbursements will be made by December 15th and by June 15th of each fiscal year and are required to be counted as non-levy revenue. Non-levy revenue is required to be counted as a source of revenue prior to calculation of property tax requirements for each budget.

The Office of Public Instruction (OPI) will distribute reimbursements for the partially reimbursable bills. The only local taxing jurisdiction fund that will be reimbursed partially will be the school district general fund. In fiscal 2000, some districts will receive increased guaranteed tax base (GTB) aid as a result of shifts in district tax bases that all the property tax bills combined will create. Other districts will receive less GTB aid, but statewide the net impact will be an increase in GTB payments to schools of $1.98 million in fiscal 2000.

OPI will also reimburse the district general fund for losses in motor vehicle revenue enacted in SB 260, which lowered tax rates on motor vehicles by 30 percent. In fiscal 2000, districts will lose 15 percent (one-half year's worth) of its motor vehicle revenue, and in fiscal 2001 each district will lose the full 30 percent. The OPI reimbursement will lag by one year and will replace revenue lost in the district general fund up to amount of revenue received by each district in fiscal 1999. The motor vehicle revenue reimbursement will be approximately $2.2 million in fiscal 2001 and will double in fiscal 2002.

Major K-12 Legislation Affecting School District Budgeting Rules and Voter Approval

Senate Bill 460 – Beginning in fiscal 2001, the general fund voting provisions for districts adopting a budget between the BASE and maximum budget limits are amended to require voter approval for an increase in over-BASE property tax revenue. If an increase in budget authority can be funded without increasing over-BASE property tax revenue, voter approval is not required. The current 4 percent limitation on annual budget growth remains in effect, and districts adopting a budget above maximum must still have voter approval for the over-maximum portion of the budget.

General fund budget limitations are also amended for districts that: 1) are currently budgeting between BASE and maximum and 2) have a decline in enrollment. If ANB declines less than 30 percent and the district's current year adopted budget exceeds the district's ensuing year maximum budget, the district may adopt a budget for the ensuing year up to the ensuing year's maximum budget or 94 percent of the current year's budget, whichever is greater. The district may not exceed its maximum budget limit for more than five consecutive years.

If ANB declines 30 percent or more and the district's current year adopted budget exceeds the ensuing year maximum budget, the district must reduce the range between the district's current year adopted budget and the ensuing year's maximum budget by:

* 20 percent in the first year;
* 25 percent in the second year;
* 33.3 percent in the third year;
* 50 percent in the fourth year; and
* the remainder of the range in the fifth year.

OTHER BUDGET HIGHLIGHTS
Public School Funding

A district that, since 1993, has consistently adopted a general fund budget above its maximum budget limit may continue to adopt a budget above maximum. However, the budget adopted for the current year may not exceed the lesser of: a) the adopted budget for the prior year, or b) the district's current maximum budget plus the over-maximum budget amount adopted for the prior year. The over-maximum portion of the budget is still subject to voter approval.

Effective in fiscal 2000, the regular school and trustee election date is changed to the first Tuesday after the first Monday in May. Absentee ballots must be printed and available at least 20 days before the election. Only one levy election may be held in a calendar year.

Senate Bill 184 – Beginning in fiscal 2000, SB 184 limits the property tax collections of the state, school districts, and local governments to the prior year amount (excluding revenue from applying mills to net and gross proceeds) plus revenue from any new property less any reimbursements. This amount may be collected per-missively, and any revenue requirements in excess of these amounts must be submitted to the voters in the jurisdiction. The state mills must be adjusted downward if the tax base increases due to reappraisal. State mandated mills (95 mills, the 6-mill university levy, the 1.5-mill vo-tech levy and the 9-mill welfare levy) may not exceed their current statutory levels.

Local governments and school districts may combine funds when measuring the amount of revenue collections in the prior year. For school districts, the prior year revenue limitation applies to the combined funds of district transportation, adult education, bus depreciation, and non-operating funds. The school levies general fund, debt service fund, building reserve fund, tuition fund, and county retirement and transportation funds are not subject to the tax limitations of SB 184. However, the mill levies for the district general fund, debt service fund, and building reserve fund are subject to voter approval under the provisions of Title 20, MCA.

Property tax collections received by all governments may be increased due to growth in the property tax base from the following sources:

- annexation of real property and improvements into a taxing unit;
- construction, expansion, or remodeling of improvements;
- transfer of property into a taxing unit;
- subdivision of real property;
- reclassification of property;
- transfer of property from tax-exempt to taxable status; and
- revaluation caused by expansion, addition, replacement, or remodeling of improvements.

If a reappraisal occurs and the resulting taxable values in a jurisdiction are higher than the year before, then each jurisdiction, including the state, will be required to lower its mills.

Under old law, local mills were calculated by dividing a revenue target by currently existing property taxable value. The definition of currently existing taxable value was the value of existing property in the prior year less deletions of property plus new property added in the prior year. Under this legislation, current year mills will be calculated by dividing property tax revenue from the prior year by the current tax base net of deletions, but without regard to new property. As a result, jurisdictions with relatively high rates of property deletions may permissively raise mills to achieve prior year property tax revenues. New property tax revenue will thus come from these mills applied to new property in the jurisdictions.

Public School Funding

In order to allow school districts some flexibility in designing their budgets while the changes in the property tax base occurs, SB 184 allows school districts to anticipate non-levy revenues from tuition, motor vehicle fees, oil and gas production taxes, coal gross proceeds, property tax reimbursements, and corporate license taxes in funding the district general fund budget.

The impacts of the legislative package on local property tax revenue will vary between jurisdictions, depending on the mix of property in the jurisdiction. Jurisdictions with a high proportion of their tax base in reimbursable business property and a small proportion in unreimbursed residential and small business real estate, will not realize much revenue loss in the short run, and consequently will raise mills minimally. Just the opposite is the case in a jurisdiction where residential and small business real estate make up a large proportion of the tax base.

Jurisdictions with a high proportion of residential property that experienced high rates of appreciation due to reappraisal will also raise mills minimally. Jurisdictions with a high proportion of their total revenue stream consisting of motor vehicle revenue may be forced to raise mills substantially.

The long run impacts on local jurisdictional budgets will be more severe. All jurisdictions will experience a flattening revenue stream from motor vehicles, and reimbursements for property tax losses will essentially be frozen. In addition, the SB 195 and HB 20 reimbursements will continue to fall 10 percentage points per year. Any appreciation of existing property will not produce new revenue. The property tax base will yield new revenue only from new property.

The impacts on school districts' general fund will be less severe than for other school funds or other jurisdictions. The changes in the tax base that are created by the property tax legislation will be ameliorated to a large extent by the Guaranteed Tax Base (GTB) mechanism for school funding. As a district loses tax base relative to the statewide average, its GTB payment from the state increases, or it becomes more likely to be a GTB recipient.

Other K-12 Legislation

School Facility Reimbursements – The legislature increased the amount of state aid devoted to school facility construction. Under the school facility reimbursement program, the state reimburses school districts for a portion of their facility construction debt costs. The state has established a formula in statute for providing payments to low wealth districts to assist with debt service payments on district bonds sold after July 1, 1991. The amount spent by the state in fiscal 1999 was $3.0 million and will be increased by $500,000 in fiscal 2000, and by $1,000,000 in fiscal 2001.

Summary

Table 6 shows the impact of the House Bill 2, Senate Bill 100, and Senate Bill 184 on the state's distribution to school districts in the 2001 biennium.

Public School Funding

Table 6
Distribution to Schools - LFD Fiscal Report - 2001 Biennium
(In Millions)

Fiscal 2000

	Actual Fiscal 1998	Fiscal 1999	HB2 Present Law Adjustments Fiscal 2000	HB2 New Proposals Fiscal 2000	HB2 Fiscal 2000	SB100 Fiscal 2000	SB184 Fiscal 2000	Total Appropriations Fiscal 2000
Direct State Aid	274.987	274.538	(3.452)	-	271.535	13.316	-	284.851
GTB - School General Fund	118.722	118.581	(2.180)	0.093	116.636	(1.018)	1.980	117.598
GTB - School Retirement	19.258	19.300	-	-	19.258	-	-	19.258
School Facility Reimbursement	2.500	3.000	0.500	0.500	3.500	-	-	3.500
Special Education	32.405	32.473	0.082	0.487	32.974	0.926	-	33.900
Transportation	10.310	10.400	0.400	-	10.710	-	-	10.710
Instate Treatment	0.759	1.141	0.216	-	0.975	-	-	0.975
Timber Harvest	1.505	-	0.135	-	1.640	-	-	1.640
Scondary Vo Ed	0.650	0.650	0.065	-	0.715	-	-	0.715
Adult Basic Ed	0.250	0.250	-	-	0.250	-	-	0.250
Gifted & Talented	0.138	0.162	0.012	-	0.150	-	-	0.150
Montana Science Institute Grant	-	-	-	-	-	-	-	-
Improving Montana Schools	-	-	-	-	-	-	-	-
School Food	0.649	0.662	-	-	0.649	-	-	0.649
Technology Grants	12.500	-	-	-	-	-	-	-
Motor Vehicle Reimbursements	-	-	-	-	-	-	-	-
Other	0.134	0.174	0.004	-	0.138	-	-	0.138
Total	474.768	461.330	(4.218)	1.080	459.130	13.223	1.980	474.333
Direct State Aid	274.987	274.538	(3.452)	-	271.535	13.316	-	284.851
GTB (GF & Retire)	137.980	137.881	(2.180)	0.093	135.894	(1.018)	1.980	136.856
Transportation	10.310	10.400	0.400	-	10.710	-	-	10.710
Special Ed	32.405	32.473	0.082	0.487	32.974	0.926	-	33.900
Other	19.085	6.039	0.932	0.500	8.017	-	-	8.017
Total	474.768	461.330	(4.218)	1.080	459.130	13.223	1.980	474.333
BASE Aid	412.968	412.418	(5.632)	0.093	407.429	12.298	1.980	421.707

Fiscal 2001

	Actual Fiscal 1998		HB2 Present Law Adjustments Fiscal 2001	HB2 New Proposals Fiscal 2001	HB2 Fiscal 2001	SB100 Fiscal 2001	SB184 Fiscal 2001	Total Appropriations Fiscal 2001
Direct State Aid	274.987		(7.709)	-	267.279	23.191	-	290.469
GTB - School General Fund	118.722		(3.952)	0.189	114.959	(0.645)	-	114.314
GTB - School Retirement	19.258		-	-	19.258	-	-	19.258
School Facility Reimbursement	2.500		0.500	1.000	4.000	-	-	4.000
Special Education	32.405		0.082	0.982	33.469	0.431	-	33.900
Transportation	10.310		0.500	-	10.810	-	-	10.810
Instate Treatment	0.759		0.216	-	0.975	-	-	0.975
Timber Harvest	1.505		0.255	-	1.760	-	-	1.760
Scondary Vo Ed	0.650		0.065	-	0.715	-	-	0.715
Adult Basic Ed	0.250		-	-	0.250	-	-	0.250
Gifted & Talented	0.138		0.012	-	0.150	-	-	0.150
Montana Science Institute Grant	-		-	-	-	-	-	-
Improving Montana Schools	-		-	-	-	-	-	-
School Food	0.649		-	-	0.649	-	-	0.649
Technology Grants	12.500		-	-	-	-	-	-
Motor Vehicle Reimbursements	-		-	-	-	-	2.230	2.230
Other	0.134		0.008	-	0.142	-	-	0.142
Total	474.768		(10.023)	2.171	454.415	22.977	2.230	479.622
Direct State Aid	274.987		(7.709)	-	267.279	23.191	-	290.469
GTB (GF & Retire)	137.980		(3.952)	0.189	134.217	(0.645)	-	133.572
Transportation	10.310		0.500	-	10.810	-	-	10.810
Special Ed	32.405		0.082	0.982	33.469	0.431	-	33.900
Other	19.085		1.056	1.000	8.641	-	2.230	10.871
Total	474.768		(10.023)	2.171	454.415	22.977	2.230	479.622

OTHER BUDGET HIGHLIGHTS
Economic Development

The 1999 legislature debated at length its concern that the per capita income of Montana citizens was losing ground on a national level and even ranked last in the nation. In response, the legislature passed legislation to provide an economic stimulus for the state. HB 2 contained appropriations for some initiatives proposed by the Governor in his blueprint for economic development, known as "Jobs and Income." The HB 2 appropriations, totaling $915,850 general fund and $2,101,850 total funds for the biennium, are listed in Table 7. However, the majority of the economic development-related legislation was made via other appropriation legislation.

The other legislation can be broken down into three broad categories: 1) direct investment; 2) tax initiatives; and 3) other. The direct investment category includes legislation that provides an appropriation for economic development-related initiatives. The tax initiative category includes legislation that was enacted to stimulate business retention, expansion, or research through tax incentives. The other category includes legislation associated with bond authority, other financing, or other regulation changes associated with removing or reducing the barriers to economic growth. Table 7 lists the economic development legislation, except HB 2, passed by the 1999 legislature during its regular session.

SB 200 and HB 260 were the primary bills the 1999 legislature enacted to stimulate Montana's economy. However, as Table 8 shows, several other bills were enacted to address various initiatives that were included in the Governor's "Jobs and Income" program. SB 200 provides a phased-in business equipment tax rate reduction and a progressive exemption from taxation on business equipment. Please refer to the "Tax Policy Initiatives and Legislation" section contained in Volume 1 for a more thorough discussion of the specifics of SB 200 and other tax initiatives. HB 260 was enacted to encourage economic development through investment in research and commercialization projects.

The legislature stated in HB 260 that "a stable and diversified research and commercialization effort will help provide a vibrant and diversified Montana economy." In order to accomplish this, the legislature established a research and commercialization expendable trust fund to "provide a predictable and stable source of funding for research and commercialization projects." The legislature established a coal producer's license tax to provide the revenue for the trust fund and established a statutory appropriation from the fund for research and commercialization expenditures. The legislature established a Board of Research and Commercialization Technology to oversee and provide direction for research and commercialization activities. The board was attached to the Department of Commerce for administrative purposes.

Table 7
HB 2 Economic Development Funding

	2001 Biennium	
Description	General Fund	Total Funds
Department of Labor and Industry		
Apprenticeship Program	$280,000	$280,000
Department of Natural Resource and Conservation		
Vision 2005, Irrigated Acres	300,000	300,000
Vision 2005, Irrigation Staff	335,850	335,850
Department of Transportation		
Rail Transportation Tech. Assist.	0	100,000
Department of Commerce		
SBDC Federal Matching	0	306,000
Department of Agriculture		
Rail Transportation Tech. Assist.	0	50,000
Cooperative Development Center - MSU-Northern	0	730,000
Total HB 2 Economic Development Funding	$915,850	$2,101,850

OTHER BUDGET HIGHLIGHTS
Economic Development

Many of the initiatives listed in Table 8 are not new programs but expansions of programs authorized by previous legislatures, and are not directly tied to economy expanding activities but infrastructure improvements. These initiatives are listed in Table 8 because they were identified in the "Jobs and Income" program. For example, although the Renewable Resource Grant and Loan Program currently exists, HB 29 doubled the amount of bonding that can be outstanding; SB 49 doubled the deposit into the Renewable Resource Grant and Loan Program state special revenue account; and HB 6 appropriated funding for the program.

The net general fund impact of the economic development legislation and HB2 appropriations is a $144,850 increase in general fund expenditures and a $5.2 million increase in revenue to the general fund. SB 200 and HB 128 provided the most significant and offsetting impacts on the general fund, with the revenue increases of HB 128 dominating the revenue reductions of SB 200 to provide the resulting increase of general fund revenues. However, the economic development legislation and HB 2 combined for a $23.9 million increase of total fund expenditures and a $3.2 million increase in total fund revenues, for a net increase of funding for economic stimulus initiatives of $20.7 million. As this shows, state special revenue and federal funds were primarily used to provide the funding for the initiatives the legislature passed to provide economic stimulus for the state.

Economic Development

Table 8
Economic Development Legislation

Bill Number	Description	2001 Biennium Expenditures General Fund	2001 Biennium Expenditures Total Funds	2001 Biennium Revenues General Fund	2001 Biennium Revenues Total Funds	2001 Biennium Bonding Authority
Direct Investment						
SB 18	1) enable commodity group checkoff program for the purpose of conducting research and market development; 2) creates commodity advisory committees; 3) statutorily appropriates checkoff program funds	$0	$5,106	$0	$0	$0
SB 49	doubles the allocation from the resource indemnity trust fund to the renewable resource grant and loan program state special revenue account	0	2,000,000	0	0	0
SB 220	allocates a portion of the coal severance tax trust fund to the treasure state endowment regional water system fund	0	0	(433,000)	0	0
HB 6	appropriates funds to the Department of Natural Resources and Conservation for renewable resource grant and loan program grants	0	2,000,000	0	0	0
HB 260	1) encourages economic development via investment in research and commercial projects; 2) establishes a coal producer's license tax; 3) establishes a research and commercialization expendable trust; 4) statutorily appropriates coal producer's license tax to the research and commercialization trust; 5) allocates funds to the agricultural seed capital account	0	15,481,952	(424,329)	(596,235)	0
HB 621	appropriates funds to the Department of Commerce for financial assistance grants on Venture Star project	0	300,000	0	0	0
HB 670	establishes a state-tribal economic development act	200,000	2,200,000	0	0	0
Tax Initiatives						
SB 167	exempts qualifying low-income rental housing property from taxation	0	0	0	0	0
SB 172	authorizes a telephone company license tax credit for accelerated deployment of advanced telecommunications infrastructure improvements and provides for a competitive advanced telecommunications infrastructure grant process	15,000	15,000	(2,000,000)	(2,000,000)	0
SB 200	provides a phased-in business equipment tax rate reduction and a progressive exemption from taxation on business equipment	0	0	(14,611,000)	(16,092,000)	0
SB 274	exempts personal property used to build and launch space vehicles from property taxation	0	0	0	0	0
SB 532	eliminates personal property tax and livestock tax for industrial dairy	0	0	0	0	0
HB 128	revised the taxation of telecommunications services providers and imposed a statewide retail telecommunications excise tax to replace revenue lost from moving the telecommunications services providers' property from class nine to a new class	0	0	23,962,000	23,510,000	0
HB 174	revised the taxation of electrical generation facilities to comport with the emerging competitive markets in the supply of electricity	0	0	(1,016,829)	(1,404,798)	0
HB 638	Provide a tax credit for qualified research expenses	14,000	14,000	(210,000)	(210,000)	0
Other						
SB 26	expands streamlined business registration and licensing	0	0	0	0	0
SB 89	requires the design and erection of signs identifying visitor information centers	0	0	0	0	0
SB 169	revises the laws governing small business investment companies and authorizes additional Montana small business investment capital companies	0	0	0	0	0
SB 302	provides for the establishment of regional water and wastewater authorities and authorizes the sale of bonds for constructing or acquiring water supply systems or wastewater transportation and treatment facilities	0	0	0	0	0
HB 29	doubles the amount of renewable resource bonds outstanding at any time	0	0	0	0	10,000,000
HB 188	provides for the use of electronic records and electronic signatures in transactions with state agencies and local government units	0	0	0	0	0
HB 237	revises the Board of Investment loan program by: 1) reducing the minimum infrastructure loan amount to $250,000; 2) reducing the minimum number of jobs created to 15; and 3) increasing the maximum loan amount to $50 million	0	0	0	0	0
HB 282	reallocates tax rates and revenue collected from employers to fund the employment security account and to maintain local delivery of employment services	(1,000,000)	0	0	0	0
HB 555	provides bonding authority for the aerospace venture	0	0	0	0	20,000,000
HB 592	revises the processes for resolving employment -related disputes	0	(218,900)	0	0	0
Total Economic Development Funding in Legislation Other Than HB 2		($771,000)	$21,797,158	$5,266,842	$3,206,967	$30,000,000

Mental Health Managed Care

Background

Late in the 1997 biennium, the Department of Public Health and Human Services contracted for management of publicly-funded mental health services. The contract implemented the Mental Health Access Plan (MHAP), a single statewide program for publicly-funded mental health services.

MHAP combined funding sources for mental health services and provided for "seamless" coverage for eligible persons. Medicaid funds, the federal Mental Health Block Grant, and general fund were combined to pay the annual contract cost ($73.4 million in fiscal 1998).

MHAP recognized two types of eligibility for services: 1) all persons eligible for Medicaid; and 2) adults who were seriously mentally ill and children who were seriously emotionally disturbed in families with incomes below 150 percent of the federal poverty level ($25,050 for a family of four in fiscal 1999). DPHHS received a waiver from the federal Medicaid requirement that clients have a choice of providers to implement the contract. By combining Medicaid and non-Medicaid funding sources, the contractor was able to provide a continuum of services (some of which may not have been eligible for Medicaid funding without the waiver).

The department initially contracted with CMG Health, which was subsequently sold to Merit Behavioral Health and then sold to Magellan Behavioral Health Services (Magellan). The company entered into contracts with local providers to provide mental health services to eligible persons. The company established reimbursement rates, authorized services for all eligible persons, and determined eligibility for services for persons with incomes below 150 percent of the poverty level. DPHHS continued to determine Medicaid eligibility.

Contract Losses

The contract underwent a number of difficulties, including a notice to terminate by both Magellan and DPHHS that was later withdrawn in early October 1998. The managed care company sustained audited losses of $10 million during the first year of operation and established a reserve fund to pay anticipated future losses of $5 million, bringing total first year losses to $15 million. Magellan estimated that it was incurring a $10 million annual loss (not including the $5 million reserve) in the second year of the contract, when the legislature convened.

DPHHS noted during initial presentations on managed care that the company would probably sustain losses in the first year or two of MHAP. However, the magnitude of the losses seemed to be greater than expected.

There are several factors that contributed to losses.

- Management of higher-end, more expensive care for adults and children was less aggressive than originally hoped for, contributing to losses. Payments to providers were significantly delayed and the managed care company paid 40 to 45 percent more for some expensive services than the previous Medicaid fee-for-service program for several months. Losses and provider cash flow problems prevented development of new community services, which could have potentially served MHAP members in lower-cost settings.

- Losses were also due to provision of more services than were provided previous to the MHAP program. Most notably, prescription drugs and community hospitalization for the 150 percent of poverty population were new or expanded services.

- Cash assistance caseload declines probably also contributed to losses. Persons who were MHAP eligible because they are receiving cash assistance generally require less expensive services than foster care children or persons who are MHAP eligible because they are seriously mentally. Payments to the company for foster care children were the same as those for cash assistance cases and foster care caseloads did not decline.

- Additionally, in April 1998, the company discontinued collection of co-payments from the 150 percent of poverty population as authorized by MHAP, resulting in less income than anticipated. The company stated that the co-payment program, which required tracking co-payment amounts by month by recipient income level was too complicated to administer in a cost effective manner. Although the company and department proposed a new co-payment program, estimated to reduce losses by $2.2 million annually, it was never implemented because of concerns that the co-payments were subject to CI-75. (CI-75 was later found to be unconstitutional).

Changes to Address MHAP Losses

The department made several changes to the MHAP contract during negotiations to withdraw termination notices.

- The department lowered income eligibility standards for services. Initially, mentally ill adults and seriously emotionally disturbed children with family incomes up to 200 percent of the poverty level ($33,400 annually for a family of 4 in 1999) could receive services. Eligibility was lowered from 200 to 150 percent of the federal poverty level March 1, 1999. This change was estimated to reduce expenditures by $2.6 annually and to eliminate 530 persons from program participation.

- DPHHS assumed responsibility for eligibility determination for the non-Medicaid group, estimating that it would need to hire 2.0 new FTE to administer the process and potentially make changes to its computer system (TEAMS) that calculates eligibility for other public assistance programs. The department did not request funding for the FTE during the 2001 biennium.

- The company also made changes in service and reimbursement levels in order to curtail financial losses. An analysis of savings due to service and reimbursement changes was not available at the time of publication.

Termination of Contract

The legislature declined to continue funding for the contract, establishing a separate appropriation for mental health services and specifying in HB 2 that funds appropriated for mental health services could not be expended unless DPHHS had given the 180-day termination notice allowed in the contract. DPHHS terminated the contract effective June 30, 1999.

DPHHS negotiated a termination agreement with Magellan that provides for a transition from a statewide mental health program administered by a contractor and reinstates department administration of a fee-for-service Medicaid program and general fund contracts for services to the 150 percent of poverty population. DPHHS agreed to assume financial risk from Magellan for services provided starting May 1, 1999, while continuing the MHAP program until June 30, 1999.

The agreement allows Magellan to begin paying claims from the $12 million reserve, which the company set aside in compliance with the original contract. The reserve was established to pay claims if the company became insolvent and also because Medicaid mental health managed care contractors were exempted from financial soundness and solvency requirements of the state insurance code. If insolvency were not an issue, the original contract anticipated that the $12 million reserve would be returned to the company after contract termination and once DPHHS determined that all legitimate claims had been paid. The termination agreement requires that no less than $1 million from the reserve be available on August 1, 1999 to pay all remaining claims owed by Magellan.

The termination agreement provides that DPHHS pay Magellan $324,000 for cost increases to the company due to the delay in reducing contract costs. The agreement provides that DPHHS will pay Magellan 96 cents per claim line to process MHAP contract claims received after June 30, 1999. The agreement also provides $990,000 for a payment to Magellan for unamortized startup and equipment costs.

Return to Fee-for-Service

The federal Health Care Financing Administration (HCFA) declined to continue the waiver of federal Medicaid regulations to include Medicaid funding in MHAP when it learned that the department terminated the contract. The department will return to a fee-for-service reimbursement system.

Without the waiver, Medicaid-eligible persons have the freedom to chose a provider and Medicaid funding is restricted to covering only those services authorized by the state Medicaid plan and allowable under federal guidelines. The department estimated increased general fund costs of $1.2 million annually to continue community services to Medicaid eligible persons because of the loss of flexibility provided under the waiver to use Medicaid funds.

Without the waiver and a contract with an outside entity that assumes the financial risk of providing services, the state would become liable for cost over-runs in the MHAP program, funded entirely from general fund. Although analysis of the MHAP contract provided insights as to why the company was incurring losses, those issues only explained part of the estimated amount of attributable loss. For instance, there was no estimate of losses due to lack of community service development by the contractor. The department hesitated to continue MHAP without the flexibility to use Medicaid funds provided by the waiver and without being able to determine with great precision why the company was incurring reported losses

Some legislators were very interested in evaluating whether MHAP could continue by contracting with another company or companies or by department management. The legislature worked with HCFA to continue the waiver so that managed care could potentially be continued. However, HCFA was not receptive to continuance of the waiver.

New Mental Health Managed Care Program

The department began to develop a new managed care program during the legislative session. Initially the department anticipated that it would have contracts let and the new program implemented by fiscal 2001. The plan initially discussed with the legislature would have implemented a new program administered by regional contracts that would be competitively bid. If the department did not receive a qualified bid in a region, then the department anticipated administering the program in that region or asking that a successful contractor in another region assume administration.

However, prior to adjournment of the legislature, the department changed the timeline for development of a new plan and will wait to flesh out the new program until an oversight advisory council is appointed. The department anticipates that the Governor will appoint the council in late June or early July, 1999.

Legislation

The legislature passed two bills and included language in HB 2 governing mental health managed care.

HJR 35 requires the Legislative Finance to provide oversight and to undertake an interim study of mental health managed care. The committee can appoint a subcommittee to conduct the study and appoint members of other interim committees to serve as voting members of the subcommittee. Some of the topics to be considered in the study are: 1) transition from the 1999 biennium contract to the new managed care plan; 2) review of any contracts or contract amendments for public mental health services; provision of a public forum for interested persons to voice their opinions and concerns regarding public mental health services; 3) review of any budget proposals that require shifting of funds appropriated by the legislature; and 4) review of contingency plans.

SB 534 generally revised mental health managed care laws, including: 1) creating an ombudsman and an oversight council; 2) requiring some oversight of mental health managed care companies by the State Insurance Commissioner for financial soundness and solvency; and 3) requiring the department to include outcome measures, performance standards, and intermediate sanctions for non performance in future managed care contracts.

HB 2 requires the department to charge co-payments for mental health services and to provide specified opportunities for public input and feedback on any request for proposals for managed care contracts, mental health policies, transition to the new mental health managed care program, and program oversight. HB 2 also includes the following language: "In accordance with 17-8-103, MCA, the department may spend no more general fund money for mental health services than was appropriated in [this act]." The statute referenced in HB 2 specifies that it is unlawful to expend funds in excess of the appropriation made by the legislature.

Appropriation

Table 9 shows the total amount of funds appropriated in HB 2 for mental health services. The total general fund appropriated for fiscal 2000 is $44.6 million and for fiscal 2001 is $45.5 million.

In addition to the HB 2 appropriation, HB 470 appropriates up to $1 million in general fund in the 2001 biennium from fiscal 1999 reversions if the appropriation for the state hospital is inadequate. The 2001 biennium appropriation can be no more than the 1999 reversion.

not reimburse services provided by a state institution for mental diseases to persons of age 21 through 65. Montana Mental Health Nursing Care Center (MMHNCC) can be funded with Medicaid funds to the extent that services are provided to Medicaid eligible persons over aged 65. Otherwise services at MMHNCC will probably be funded from general fund transferred from the state services appropriation.

The amount of funds appropriated for state services to the 150 percent of poverty population listed in Table 9 is overstated because of the way state institutions are funded. The amount appropriated for state services will be reduced

Table 9
Allocation of Mental Health Appropriation Compared to Fiscal 1998 Base Budget

	1998 Base Budget				Fiscal 2000 Appropriation				Fiscal 2001 Appropriation				Percent
Item	General Fund	SSR	Federal Funds	Total	General Fund	SSR	Federal Funds	Total	General Fund	SSR	Federal Funds	Total	of Total
Administration	$81,103	$36,549	$376,809	$494,461	$362,566	$1,280	$432,308	$796,154	$419,381	$1,280	$487,857	$908,518	0.91%
Montana State Hospital	5,069,091	13,347,137	0	18,416,228	5,339,239	9,848,626	0	15,187,865	5,556,269	9,407,435	0	14,963,704	14.95%
Nursing Care Center	251,962	5,708,178	0	5,960,140	247,522	5,995,099	0	6,242,621	247,190	5,975,744	0	6,222,934	6.22%
Medicaid	14,409,376	0	33,895,606	48,304,982	13,705,700	0	35,524,543	49,230,243	14,046,268	0	37,556,479	51,602,747	51.55%
State Services	24,159,179	0	871,537	25,030,716	24,890,691	0	871,537	25,762,228	25,143,295	0	871,537	26,014,832	25.99%
PATH (Homeless) Grant	98,751	0	296,252	395,002	98,751	0	296,252	395,002	98,751	0	296,252	395,002	0.39%
Total	$44,069,462	$19,091,864	$35,440,203	$98,601,529	$44,644,469	$15,845,005	$37,124,639	$97,614,113	$45,511,154	$15,384,459	$39,212,124	$100,107,737	100.00%
Annual Compounded Rate of Change from Fiscal 1998					0.65%	-8.90%	2.35%	-0.50%	1.08%	-6.94%	3.43%	0.51%	

Medicaid is the largest component of the appropriation for mental health, accounting for over one-half of the fiscal 2001 appropriation. However, the most significant general fund appropriation is for state services to the 150 percent of poverty population, with 55 percent of the total general fund appropriation in fiscal 2001.

The state special revenue appropriated for the two state institutions represents reimbursements from the managed care contractor for services for MHAP eligible persons. Since the MHAP contract was cancelled, the state special revenue authority will not be used unless the department issues new contracts for services.

State institution costs instead will be funded from general fund and Medicaid funds. The Montana State Hospital (MSH) will likely be funded from general fund transferred from the state services appropriation, since Medicaid will

at least $11.9 million in fiscal 2000 and $10.5 million in fiscal 2001 from the amounts shown in Table 9 to cover state institution costs. If cost over-runs at MSH continue, the amount of general fund available for community services to the 150 percent of poverty population will be further reduced.

MSH Cost Over-Run

The department is projecting a $2.5 million general fund cost over-run at MSH in fiscal 1999. The legislature requested information from the department about the potential for a cost over-run during the 2001 biennium. Although the department provided cost estimates for various populations in excess of the 135 estimated population during the 2001 biennium, the department did not request an increase in the MSH budget.

The population on May 25, 1999 was 169. The department would need to transition about one person per day from May 25 until June 30 from MSH to community services if it were to reduce the population to the level estimated for fiscal 2000. It appears unlikely that the department will be able to achieve the population level of 135 by the beginning of fiscal 2000, which raises the possibility of continued cost over-runs at MSH.

MSH Construction Delay

The department did revise its budget request to ask for $770,000 more general fund due to extra costs associated with construction delays for the new state hospital. The legislature did not appropriate general fund in HB 2, but did make two appropriations to cover the expected shortfall.

First, the legislature added language to HB 2 directing the department and the Department of Administration to pursue collection of allowable penalties under the construction contract and appropriating up to $700,000 state special revenue from penalties collected. The second appropriation in HB 470, as previously discussed, would appropriate up to $1 million general fund from reversions of fiscal 1999 department appropriations. The potential $1 million from HB 470 could be used to fund costs associated with the construction delay or costs due to higher than estimated MSH populations.

If penalties cannot be assessed or if the penalties are not received during the 2001 biennium and if fiscal 1999 general fund reversions are lower than $770,000, the department will have to find other funds within the mental health budget to cover the construction related shortfall. Most likely, general fund from the appropriation for state services to the 150 percent of poverty population would be transferred to cover the shortfall.

Oversight

As stated previously, HJR 35 directed the Legislative Finance Committee (LFC) to provide oversight and undertake an interim study of mental health managed care. The LFC will oversee the issues addressed in this section as the department implements the transition of the mental health managed care program.

OTHER BUDGET HIGHLIGHTS
MT PRRIME Operations

MT PRRIME (Montana's Project to Re-engineer the Revenue and Information Management Environment): 1) has replaced the state's core management systems, including the automated financial, human resource, asset management, and budget systems, with a commercial integrated software package; and 2) will develop a revenue processing center to centralize processing of tax records. The revenue processing center will be under the control of the Department of Revenue1. All other functions of MT PRRIME will be housed in the MT PRRIME Operations Bureau under the management of the Information Services Division of the Department of Administration.

The 1997 legislature authorized the sale of $19.8 million in general obligation bonds to pay the initial equipment and planning costs for the project. Of that amount, the legislature designated $3.8 million for the revenue processing center, leaving $16.0 million for the balance of the project. The debt service costs of the bonds were allocated to agencies as a fixed cost. In addition to the debt service costs, the 2001 biennium budget contains the yearly <u>operations</u> costs of the revenue processing center and the MT PRRIME Operations Bureau.

The legislature funded the MT PRRIME Operations Bureau with: 1) proprietary funds to be received from fixed cost allocations to agencies; and 2) a direct general fund appropriation. The total amount of the fixed cost allocation is $5.4 million; the direct general fund appropriation is $971,184. The operations budget of the center and its associated funding are shown in Table 10.

Even though the $5.4 million in fixed costs allocated to agencies is a new fixed cost category that was not in the base budget, not all of the $5.4 million represents new costs for the state. In the budget request, the executive noted that, since the MT PRRIME project would replace existing financial and payroll functions for which agencies had been paying, agency budgets could be reduced in those areas to reflect the cost savings. In addition, the base budget of the Governor's Office included $80,000 for system development costs; that funding was transferred to the MT PRRIME Operations Bureau and the Governor's Office budget was reduced by $80,000. Finally, the legislature assumed that the system should provide cost savings through increased efficiency and, therefore, reduced agency general fund budgets, in effect "forcing" agencies to achieve cost savings. Table 11 shows how funding for the MT PRRIME operations bureau comes from new general fund support and fixed costs assessed to agencies. The table also shows how the legislature "paid" the fixed costs by reducing funding in other areas.

Table 10
MT PRRIME Budget - Operations Bureau

Expenditure Category	Fiscal 2000	Fiscal 2001	Totals
Personal Services (26 FTE)	$ 1,341,288	$ 1,408,090	$ 2,749,378
Network Communications Bureau	120,921	142,025	262,946
Operations Support Bureau	450,564	449,915	900,479
Support Contracts	320,000	318,400	638,400
Maintenance Contracts	627,350	655,018	1,282,368
Bureau (physical facility costs)	114,357	88,590	202,947
Staff Training and Travel	90,000	90,000	180,000
Equipment (one-time)	30,000	-	30,000
Division Allocated Costs	62,073	65,084	127,157
TOTAL COSTS	$ 3,156,553	$ 3,217,122	$ 6,373,675

Table 11
MT PRRIME Operations Bureau - Who Pays?

	Fiscal 2000	Fiscal 2001	Total	Percent
General Fund Direct Appropriation	$ 476,314	$ 494,870	$ 971,184	15%
Sources of Fixed Cost Funding				
Net New Cost Allocations	769.486	737.085	1.506.571	24%
Cost Savings in Other Fixed Cost Categories	545,791	617,671	1,163,462	18%
Governor's Office - Cost Savings	40,000	40,000	80,000	1%
Agency General Fund Base Reductions	1,324,962	1,327,496	2,652,458	42%
Subtotals - Fixed Costs	2.680.239	2.722.252	5.402.491	85%
TOTALS	$ 3,156,553	$ 3,217,122	$ 6,373,675	100%

1 The revenue processing center is part of the newly established Customer Service Center. The legislature funded the center with proprietary funds to be received mostly from charging other programs in the Department of Revenue for services performed by the center, although some costs will be paid by other agencies that may use the center.

OTHER BUDGET HIGHLIGHTS
State Employee Pay Plan (HB 13)

The legislature passed a pay plan bill (HB 13) that has three main components:

1) provision of a 3 percent per year salary increase commencing for most employees on October 1 of each fiscal year;
2) an increase in insurance of $15 per month beginning on January 1, 2000, and a further $10 per month beginning on January 1, 2001; and
3) an increase in longevity payments for employees with greater than 15 and 20 years experience.

The adjacent table shows the appropriations provided in the bill, by type of adjustment.

The following table shows the appropriation, by recipient.

Table 12
Allocations by Type of Adjustment
2001 Biennium
In Millions

Adjustment	General Fund	Other Funds	Total Funds
3% Annual Pay Increase	$18.70	$20.30	$39.00
Insurance	2.10	2.70	4.80
University Insurance Timing	0.40	0.21	0.61
Contingency Fund	0.70	0.95	1.65
Total HB 13	$21.90	$24.16	$46.06
Other Adjustments			
Longevity*	$0.00	$0.00	$0.00
Teacher Step Increases*	0.04	0.0	0.04
Legislator Pay/Insurance**	0.18	0.0	0.18

*Funded through existing personal services appropriations in HB

**Will be funded in the 2001 session feed bill appropriation.

Table 13
Allocation of Pay Plan Appropriations
2001 Biennium

Recipient	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
Legislative Branch	$106,820	$25,563	$132,383	$256,094	$60,984	$317,078
Consumer Counsel		7,700	7,700		18,500	18,500
Judiciary	42,255	11,808	54,063	102,438	28,320	130,758
University System	3,197,875	1,595,010	4,792,885	7,050,711	3,811,167	10,861,878
Office of Budget and Program Planning*	3,060,987	5,236,444	8,297,431	7,385,909	12,412,723	19,798,632
Contingency Fund	350,000	600,000	950,000	350,000	350,000	700,000
Total	$6,757,937	$7,476,525	$14,234,462	$15,145,152	$16,681,694	$31,826,846

*For distribution to other agencies.

State Employee Pay Plan (HB 13)

Salary Increase

The legislature provided an increase in salary of 3 percent beginning (for most employees) on October 1, 1999 (fiscal 2000) and a further 3 percent on October 1, 2000 (fiscal 2001), using the entry and market salary structure. While the increase is three percent for all grades, the mechanism by which it is allocated differs depending on grade. An example illustrates the principle. Each grade has unique entry and market salary levels, as shown in Table 14. HB 13 adjusts the entry and market salary levels in 0.25 percent increments from grade 6 to grade 16. At grade 17, the levels are adjusted by 3.0 percent.

Because there are different adjustments to entry and market salary, the grade of the employee dictates whether that employee's salary progresses within the grade. For example, a grade 6 employee at entry currently makes $13,249. In fiscal 2000, the entry level increases to $13,283 (and increase of 0.25 percent), and an individual employee will receive $13,647 (total increase of 3.0 percent). A grade 17 employee, on the other hand, will also receive the same 3.0 percent increase in salary, but will not progress within the grade. If the employee was at the entry level salary in fiscal 1999, he or she would still be at entry level (and no closer to the adjusted market salary) in fiscal 2000. The concept is illustrated in Table 14.

A total of $18.7 million general fund and $20.3 million other funds ($39.0 million total funds) was added to HB 13 to fund this increase. Because the plan is phased in over the biennium, the total cost in the 2003 biennium is approximately $29.9 million general fund and $32.8 million other funds.

Insurance Increase

Contributions by the state for employee insurance were increased by $15 per month on January 1, 2000, and by a further $10 per month on January 1, 2001. The total monthly contribution per employee will be $285 beginning January 1, 2000, and $295 beginning on January 1, 2001. HB 13 includes an appropriation of $2.1 million general fund and $2.7 million other funds ($4.8 million total funds) for this adjustment. The cost in the 2003 biennium is about $3.8 million general fund and $8.8 million total funds.

Longevity Increase

State employees receive a longevity increase equal to 1.5 percent of the employee's base salary for each 5 years of contiguous state service. The legislature adjusted longevity so that, in addition to the current longevity increase per each 5 years of service, each employee who has completed 15 years of uninterrupted service or completed 20 years of uninterrupted service is entitled to receive an additional 0.5 percent of base salary for each of those additional 5-year increments, for a total of 1.0 percent. No further adjustment for length of service is made. Therefore, an employee who currently has 25 years of uninterrupted service would receive an increase of 1.0 percent.

Table 14
Progression by Pay Grade
2001 Biennium

Grade	Increment	Fiscal 1999 Entry	Fiscal 2000 Entry	Fiscal 1999 Market	Fiscal 2000 Market	Entry Salary Adjustment	Salary Progression
6	0.25%	$13,249	$13,283	$15,774	$15,813	$13,647	2.75%
8	0.75%	15,514	15,631	18,556	18,695	15,979	2.25%
11	1.50%	19,766	20,064	23,814	24,171	20,360	1.50%
14	2.25%	25,403	25,975	30,828	31,522	26,165	0.75%
17	3.00%	33,025	34,014	40,374	41,585	34,014	0.00%

State Employee Pay Plan (HB 13)

Total costs of this adjustment are estimated at $650,000 general fund and $1.7 million total funds over the biennium. No additional funds were added in HB 13 for this increase. Agencies will be expected to fund this adjustment through vacancy savings. The inherent vacancy savings rate is about 0.2 percent statewide.

Other Adjustments

The legislature also made certain other adjustments:

1) Contributions to the university system insurance fund for employees of the university system were increased by the $15 per month and a further $10 per month provided employees on the state's group benefits plan through the Department of Administration. However, contributions will be increased beginning on July 1 of each fiscal year, rather than January 1, to account for that system's plan year. Funding for this adjustment is included in the appropriation and totals $396,604 general fund and $207,321 other funds.
2) A contingency fund of $700,000 general fund and $950,000 other funds was added to provide assistance to agencies unable to meet their 3 percent vacancy savings targets. (Of the total other funds, $250,000 was added to address the downsizing of the Montana State Hospital.) The appropriation was made to the Office of Budget and Program Planning, which will make the allocations from this fund. State teachers were provided a step increase on the teachers pay schedule, in addition to the 3 percent annual increase. About one-half of the state teachers will qualify for this adjustment. The step increase equates to a further 3 percent increase each year. The total cost of this adjustment, for which no additional funds were added in HB 13, is about $37,000 over the biennium.

   Legislator salaries while in session were increased from the equivalent of an entry-level grade 8 employee to an entry-level grade 10. The difference in daily salary is approximately $11.25. Legislators are entitled to this salary for each official session day (regular or special). The increase in costs resulting from this adjustment of about $165,000 in the 2001 biennium, will be part of the appropriations bill to fund costs of the next legislative session and is not included in the appropriation in HB 13. (Other statutes dictate salary paid for days during which the legislator is on official business during the interim, such as for committee meetings.) The legislature also included a provision that allows legislators involuntarily retiring as a result of term limits to maintain health insurance for six months following the end of their last term. The cost of this benefit is about $14,000.
3) Mileage reimbursement rates for employees who travel were made to correspond to the federal law. No appropriations were added for this purpose.

The legislature also removed from statute the target market ratio grid first adopted by the 1995 legislature. The grid had established percentage targets of the market salary each employee should receive based upon number of years of service.

OTHER BUDGET HIGHLIGHTS
State Employees – FTE Summary

HB 2 provides funding for a total 10,338.11 FTE state employees in fiscal 2000 and 10,426.96 in fiscal 2001, excluding the Montana University System. These totals represent an increase of 191.81 FTE (1.9 percent) in fiscal 2001 over the fiscal 1999 appropriated level.

Table 15: 1) provides a listing of all FTE for which funding was appropriated in HB 2 in the 2001 biennium; and 2) compares this total to the 1999 biennium appropriated total. Please note that the listing does not include any FTE that may have been added in the 1997 biennium in budget amendments or through language or statutory appropriations. Because the legislature does not appropriate funding specifically for FTE in the Montana University System, those FTE are not listed in the main part of the table. Also, please note that the table does not include any FTE that may be added through other legislation. For example, the Department of Revenue received over $1.5 million to implement the provisions of SB 184, which will most likely involve the addition of FTE.

- The largest numerical increase in staff is in the Department of Transportation. This increase is primarily due to the provision of significantly greater federal construction and maintenance funds due to the passage of the new federal highway funding bill (TEA-21).
- The increase in the Department of Military Affairs is due to the establishment of a new program to provide a voluntary boot camp for youth at risk.
- The reduction in the Department of Revenue does not represent a reduction in staff. The department established a proprietary funded collection unit from current operations and, due to the change to a proprietary fund, moved 121.7 current FTE off budget. Without this adjustment, FTE in the Department of Revenue HB 2 would increase by a net 15.75, in addition to any increase in staff as a result of SB 184.
- The reduction in the Department of Public Health and Human Services includes a reduction of 100.0 FTE due to downsizing at the Montana State Hospital. The hospital was downsized by 120.5 FTE, with 20.5 FTE reallocated within the department. The reduction also includes a reduction of 7.0 FTE in fiscal 2000 and 36.6 FTE in fiscal 2001 due to downsizing of Eastmont Human Services Center and Boulder Developmental Center and transfer of some patients to community settings. Without these reductions the department received a net addition of over 26.68 FTE in fiscal 2001 over the fiscal 1999 level. Among the increases provided are 4.0 FTE child and adult protective services workers and 7.0 FTE fiscal staff. The 2001 biennium also includes 6.0 FTE permanency planning staff and 2.0 FTE adult protective services staff that continue staff added in fiscal 1999. PHHS also includes an additional 4.0 FTE to implement the Children’s Health Insurance Program (CHIP) begun in fiscal 1999 as a pilot program and continued by the 1999 legislature.
- The 1997 legislature moved the majority of the federally funded non-point source pollution control and wetlands programs from the Department of Environmental Quality to the Department of Natural Resources and Conservation. The 1999 biennium FTE totals in the table reflect this move. During the 1998 biennium, the Governor moved the funding (and 5.40 FTE) for these functions back to the Department of Environmental Quality. The 1999 legislature maintains this transfer in the 2001 biennium. Consequently, the actual increase in the Department of Natural Resources and Conservation is 7.13 FTE, and the increase in the Department of Environmental Sciences is 15.25 FTE.

OTHER BUDGET HIGHLIGHTS
State Employees – FTE Summary

Table 15
Total State Employees General Appropriations Act*
1999 Biennium to 2001 Biennium

Section/Agency	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 2001	FY99 - FY01 Difference	Percent Increase
Section A - General Government						
Legislative Branch	$120.27	$125.44	$123.27	$127.47	$2.03	1.6%
Consumer Counsel	5.01	5.01	5.03	5.03	0.02	0.4%
Judiciary	99.00	99.25	100.75	102.25	3.00	3.0%
Chiropractic Legal Panel	0.00	0.00	0.00	0.00	0.00	
Governor's Office	48.94	49.00	50.00	50.00	1.00	2.0%
Secretary of State	0.00	0.00	0.00	0.00	0.00	
Commissioner of Political Practices	6.25	6.25	5.00	5.00	-1.25	-20.0%
State Auditor	63.75	64.00	67.13	67.00	3.00	4.7%
Transportation	1,842.16	1,819.61	2,007.30	2,120.66	301.05	16.5%
Revenue	629.26	604.51	515.56	498.56	-105.95	-17.5%
Administration	84.46	84.46	81.71	81.71	-2.75	-3.3%
Appellate Defender	2.75	3.00	3.00	3.00	0.00	0.0%
Total Section A	$2,901.85	$2,860.53	$2,958.75	$3,060.68	$200.15	7.0%
Section B - Health and Human Services						
Public Health and Human Services	$2,796.81	$2,811.71	$2,731.39	$2,701.79	-$109.92	-3.9%
Section C - Natural Resources and Commerce						
Fish, Wildlife, and Parks	551.51	552.26	568.01	570.01	17.75	3.2%
Environmental Quality	332.96	333.58	354.23	354.23	20.65	6.2%
Livestock	130.46	130.71	136.71	137.71	7.00	5.4%
Natural Resources and Conservation	498.58	498.52	499.79	500.25	1.73	0.3%
Agriculture	108.28	108.37	109.21	109.71	1.34	1.2%
Commerce	183.78	195.81	209.06	209.81	14.00	7.1%
Total Section C	$1,805.57	$1,819.25	$1,877.01	$1,881.72	$62.47	3.4%
Section D - Corrections and Public Safety						
Board of Crime Control	21.00	21.00	21.00	21.00	0.00	0.0%
Justice	686.95	687.70	700.90	700.90	13.20	1.9%
Public Service Commission	39.50	39.50	39.50	39.50	0.00	0.0%
Corrections	962.98	1015.52	1013.64	1025.45	9.93	1.0%
Labor and Industry	589.95	588.75	553.50	553.50	-35.25	-6.0%
Military Affairs	103.63	105.70	145.20	145.20	39.50	37.4%
Total Section D	$2,404.01	$2,458.17	$2,473.74	$2,485.55	$27.38	1.1%
Section E - Education and Cultural Resources						
Office of Public Instruction	112.18	112.18	118.51	118.51	6.33	5.6%
Board of Public Education	4.00	4.00	4.00	4.00	0.00	0.0%
School for the Deaf and Blind	81.68	81.68	81.68	81.68	0.00	0.0%
Arts Council	8.00	8.00	7.00	7.00	-1.00	-12.5%
State Library Commission	28.50	28.50	29.90	29.90	1.40	4.9%
Historical Society	51.38	51.13	56.13	56.13	5.00	9.8%
Total Section E	$285.74	$285.49	$297.22	$297.22	$11.73	4.1%
Total - All Sections	$10,193.98	$10,235.15	$10,338.11	$10,426.96	$191.81	1.9%

*Does not include the Montana University System.

OTHER BUDGET HIGHLIGHTS
Vacancy Savings

Vacancy savings is defined as the difference between the anticipated costs of fully funding positions for an entire year and the actual personal services costs incurred. Vacancy savings is primarily generated through: 1) having unfilled positions for all or a portion of the year; and 2) a net reduction in the personal services costs of new hires compared to previous position incumbents. In prior biennia, the legislature adjusted personal services appropriations to reflect an assumption that agencies will experience some vacancy savings during the biennium.

The 1999 legislature applied a 3 percent reduction on all personal services (except insurance) for most positions as a vacancy savings adjustment. The total reduction in HB 2 personal services appropriations from the fully funded level is $9.53 million in fiscal 2000 and $9.54 million in fiscal 2001. The legislature did not apply vacancy savings to the following positions:

- Agencies with fewer than 20 FTE
- Faculty in the Montana University System
- Elected officials
- Direct care workers in the Department of Corrections

Please note that vacancy savings was applied to direct care workers in the Department of Public Health and Human Services.

Because some agencies may have difficulty meeting their vacancy savings, the legislature provided a contingency appropriation in the pay plan bill (HB 13) to the Office of Budget and Program Planning (OBPP). OBPP is authorized to allocate the appropriation to those agencies that demonstrate they have insufficient personal services appropriations. The contingency totals $700,000 general fund and $950,000 other funds over the biennium. Included in other funds is about $250,000 anticipated to be used due to downsizing at Montana State Hospital.

OTHER BUDGET HIGHLIGHTS
Long Range Planning - Summary

The 1999 Legislature approved $211.8 million of grants, loans, and capital projects for Long-Range Planning (LRP). Table 16 summarizes the legislative appropriation for each LRP program. More detailed information can be found in Section F of Volume 2.

Long-Range Building Program

Together, HB 5 and HB 14 authorized a total of $149 million for 65 LRBP projects. HB 5 combines $7.7 million of capital projects funds and state general fund with $107.9 million from other sources, for a total of $115.6 million in cash funding for the LRBP. HB 14 approves capital projects to be funded with a total of $33.4 million in general obligation (G.O.) bonds, all of which are to be retired with general fund money except for one small federally funded project for the Montana Department of Labor and Industry.

Information Technology Bonds

The Fifty-sixth Legislature authorized $18.8 million of G.O. bonds in HB 15 for the purpose of funding major information technology projects for the Montana university system and the Montana Department of Revenue. The Department of Revenue will receive $18.0 million for Phase II of its integrated tax system (called POINTS), and the university system will receive $0.8 million of bond proceeds for its Banner project. While the Banner project is listed in HB 15 as the information technology project, the intended purpose of the bond proceeds, as stated in the bill, is to reduce student fees levied for information technology purposes.

Resource Indemnity Trust Interest Accounts

Two programs receiving interest earnings from the Resource Indemnity Trust (RIT) are: 1) the Renewable Resource Grant and Loan Program (RRGL); and 2) the Reclamation and Development Grant Program (RDGP).

Renewable Resource Grants and Loan Programs (RRGL)

The Fifty-sixth Legislature increased the biennial statutory allocation of RIT interest income for RRGL grants from $2.0 million to $4.0 million. Loans made under the RRGL are financed with bonds backed by coal severance tax revenue. The purpose of RRGL projects is "to enhance Montana's renewable resources through projects that measurably conserve, develop, manage, or preserve resources (85-1-602, MCA). The 1999 legislature appropriated $4.2 million for RRGL grants in HB 6 and $18.8 million of loans in HB 8.

Reclamation and Development Grant Program (RDGP)

The RDGP was established to fund projects that: 1) repair, reclaim, and mitigate environmental damage to

Table 16
Legislative Action -- 1999 Session
Long-Range Planning Programs
(in Millions)

		APPROPRIATIONS							
Bill #	Program	CPF	GF	SSR	FED	Other	GO Bonds	Loans	TOTAL
HB 5	LRBP - Cash	$ 7.515	$ 0.170	$ 22.205	$ 39.237	$ 46.495	$ -	$ -	$ 115.622
HB 14	LRBP - Bonds						33.404		33.404
HB 15	Information Technology						18.800		18.800
HB 6	Renewable Resource Grant Program			4.220					4.220
HB 8	Renewable Resource Loan Program							18.834	18.834
HB 7	Reclamation & Development Grant Program			3.233					3.233
HB 11	Treasure State Endowment Program			12.596					12.596
HB 9	Cultural & Aesthetic Grant Program			0.973					0.973
HB 10	Oil Overcharge Program				1.116				1.116
HB 12	State Building Energy Conservation Program (1)						3.000		3.000
	Total	$ 7.515	$ 0.170	$ 43.227	$ 40.353	$ 46.495	$ 55.204	$ 18.834	$ 211.798

public resources from non-renewable resource extraction; and 2) develop and ensure the quality of public resources for the benefit of all Montana citizens. By statute, the RDGP receives $3.0 million in RIT investment income to be used for grant awards. The 1999 legislature appropriated this amount, and an additional $0.2 million of unused RDGP grant funds in HB 7, with projects receiving funding in priority order.

Treasure State Endowment Program

The Treasure State Endowment Program (TSEP) is funded with investment earnings on the Treasure State Endowment Trust in accordance with section 90-6-701, MCA. The Fifty-sixth Legislature enacted HB 260, which has a significant impact on the funding of the Treasure State Endowment Program. More detailed information can be found in the Treasure State Endowment Program narrative in Section F of Volume 2. The Treasure State Endowment Trust now receives 75 percent of the coal severance tax revenues deposited into the coal severance tax permanent fund. In addition, *for the 2001 biennium only,* the Treasure State Endowment program receives an annual, $2.3 million direct allocation of the new coal producer's license tax. In subsequent biennia, the program will receive a $600,000 annual allocation from the coal producer's license tax.

House Bill 11 authorizes $12.6 million for 32 TSEP grants to local governments. Infrastructure projects receiving TSEP financing include drinking water systems, wastewater treatment, sanitary sewer or storm sewer systems, and bridges.

Cultural and Aesthetic Grant Program

The Cultural and Aesthetic Grant Program, administered by the Montana Arts Council (MAC), is funded by the interest from a statutory trust that receives coal severance tax and coal producer's license tax revenues. The 1999 legislature authorized $0.97 million in HB 9 for cultural and aesthetic projects in the 2001 biennium.

Oil Overcharge

Oil overcharge funds are allocated to the state by the federal Department of Energy as a result of federal court action requiring certain oil producers to pay restitution for violation of federal oil price and allocation controls that occurred between 1973 and 1981. These funds cannot be used to replace state funds and may only be used for programs authorized under federal law.

The majority of oil overcharge litigation is complete and most of the funds have been received. However, the Montana Department of Environmental Quality estimates there is nearly $1.0 million available for the 2001 biennium. In HB 10, the 1999 legislature authorized a total of $1.1 million in new projects and reappropriated $0.19 million in old projects. The Legislative Fiscal Division projects less available revenue than the executive branch. This is discussed in more detail in Section F of Volume 2.

State Building Energy Conservation

The State Building Energy Conservation Program (SBECP), operated by the Department of Environmental Quality (DEQ), was established by the 1989 legislature to reduce operating costs in state facilities by identifying and funding cost-effective energy efficiency improvement projects. Through this program, the state sells G.O. bonds, uses the bond proceeds to pay for energy efficiency improvements, then uses the resulting energy cost savings to pay the debt service on the bonds. The projects are designed so that the cost savings exceed the bond debt service.

HB 12 authorizes the Board of Examiners to issue up to $3.0 million in G.O. bonds for the SBECP. In addition, HB 12 grants DEQ a biennial appropriation of $450,000 from the bond proceeds to fund analysis, design, and program administration. HB 12 also contains a $100,000 *re*appropriation to DEQ of oil overcharge funds to be used for administrative purposes, which has a higher priority than any other appropriation of stripper-well payments during the 2001 biennium.

Proprietary Funds and Rate-Setting

There are two types of proprietary funds: 1) internal service funds; and 2) enterprise funds. Internal service funds are used to account for "internal service" functions that provide goods or services to other agencies or programs of state government on a cost-reimbursement basis. Enterprise funds are used to account for "enterprise" functions that provide goods or services to the public on a user-charge basis. Examples of internal service funds are those collected by the Information Services Division of the Department of Administration for providing computer services to other agencies and those collected by the Central Stores program for providing various supplies to state agencies. An example of an enterprise fund is the state lottery. Since the 1997 biennium, the legislature has not appropriated proprietary funds to the program receiving the funds (except in cases where the proprietary funds are used as a part of a program that is not an enterprise or internal service function and otherwise requires an appropriation.)

In the past, the legislature appropriated internal service funds to the agency receiving the funds and simultaneously provided funding to the agencies that would pay the internal service functions for services received, which resulted in a double counting of the cost of providing internal service functions. To avoid this double-counting, the legislature no longer appropriates proprietary funds to the internal service functions receiving the funds, but instead sets the rates that the internal service functions may charge. Statute requires that rates be commensurate with costs and prohibits an internal service function from raising rates during the biennium. The legislature reviews enterprise functions and enterprise funds, but statute does not require that the legislature establish rates for enterprise functions. (SB 55 passed by the 1999 legislature requires that enterprise funds that transfer profits to the general fund or to an account subject to an appropriation must be appropriated by the legislature. The two enterprise accounts that currently fall under the requirement are the state lottery and liquor accounts.)

The following table lists all internal service programs and/or functions for which the legislature established rates in HB 2. The "Appropriations by Agency and Program" sections in Volumes 1 and 2 provide additional discussion of the rates.

Table 17
Internal Service Rates Established in HB 2
2001 Biennium

Agency/Program/Function
Secretary of State
Administrative Rules of Montana Fees
Records Management Fees
Department of Transportation
State Motor Pool
Equipment Program
Yellowstone Airport
Department of Administration
Accounting and Managment Support
General Services
Professional Development Center
Information Services Division
Publications and Graphics
Central Stores
Natural Gas Procurement
Statewide Fueling Network
Mail Program
Legal Services Unit
Deadhead Mail
Payroll
Risk Management
State Employee Group Benefit Plan
Department of Fish, Wildlife, and Parks
Administration and Finance Warehouse/Office Supply
Vehicle Account Rates
Capitol Grounds Maintenance
Duplicating/Bindery
Department of Environmental Quality
Air Operations
Department of Commerce
Professional and Occupational Licensing
Local Government Services Bureau
Health Facility Authority
Housing Division
Board of Investments
Director's Office/Management Services
Department of Justice
Agency Legal Services
Department of Corrections
Corrections Enterprises (Laundry)
Department of Labor and Industry
Centralized Services Division
Information Services Bureau
Career Information System
Office of Public Instruction
Indirect Cost Pool
Montana University System
Flexible Benefits
Group Insurance

OTHER BUDGET HIGHLIGHTS
Fiscal 1999 Supplementals

The legislature appropriated $11.5 million general fund and $0.7 million state special revenue in supplemental appropriations in HB 3. Table 18 compares the fiscal 1999 supplemental appropriation total to previous biennia. As shown, the 1999 biennia supplemental appropriations are the lowest during the last seven biennia.

The 1999 biennium supplementals are $2.7 million lower than the previous biennium. However, the character of the increase has changed dramatically. The largest supplemental appropriation in fiscal 1997 was $8.9 million for juvenile and adult corrections in the Department of Corrections. No supplemental appropriations were requested for that agency. Instead, general fund appropriated for fire suppression costs in the Department of Natural Resources and Conservation totals $10.5 million. In the 1997 biennium these costs totaled $4.5 million. Table 19 details each of the supplemental appropriations provided in HB 3.

Table 18
General Fund Supplementals
1987 to 1999 Biennia

Biennium	Millions
1987	$32.7
1989	17.1
1991	20.4
1993	82.2
1995	19.9
1997	14.2
1999	11.5

Table 19
Supplemental Appropriations
Fiscal 1999

Agency/Purpose	General Fund	State Special	Total
Judiciary			
Judges' Retirement System	$485,000		$485,000
District Court Reimbursement		$691,130	691,130
Commissioner of Political Practices			
Legal Fees	125,479		125,479
Natural Resources and Conservation			
Forestry Program/Fire Costs	10,545,963		10,545,963
Justice			
Legal Services Program	75,737		75,737
Labor and Industry			
Human Rights Program	226,348		226,348
Total	$11,458,527	$691,130	$12,149,657

Fiscal 1999 Supplementals

The following provides a short description of each supplemental appropriation approved.

Judges' Retirement System - In the 1999 biennium, the contribution rate to the judges' retirement system increased from 6.0 percent to 25.81 percent. The legislature appropriated $175,000 each year in HB 2, and directed that the Montana Board of Science and Technology (MSTA) transfer $500,000 to the retirement account in fiscal 1998. The legislature also expressed its anticipation (although not in HB 2 language) that the remaining funding would come from a supplemental appropriation in fiscal 1999.

District Court Reimbursement - Section 3-5-901 of the Montana Code Annotated stated that the state will fund certain expenses of the district court, expenses of the state in federal habeas corpus cases, and the Appellate Defender Program. (In addition, the statute had stated that any amount that exceeded the amount necessary to fund those expenses first had to be made available to the Department of Corrections to fund youth court and probation foster care placement if the department certifies that appropriations were inadequate to fund those expenses.) Any amount still remaining was then used to fund grants to district courts. (In fiscal 1999, the Department of Corrections stated they did not intend to claim any of the funds.)

In prior years, the court assumed that a statutory appropriation existed for those funds available for district court grants. However, according to the Code Commissioner, no such statutory appropriation existed. Therefore, the Judiciary sought and received an appropriation for those grants. HB 207 passed by the 1999 legislature clarified that a statutory appropriation exists for these funds and removed the Department of Corrections authority to use the funds. Therefore, no further supplemental appropriations should be necessary.

Commissioner of Political Practices Legal Fees - The Commissioner of Political Practices received $125,479 general fund to pay legal costs associated with two federal district court cases and to pay other legal expenses associated with prosecution of violations of campaign finance statutes. The commissioner also requested and received authority for appropriations transfers totaling $31,663 in fiscal 1998 to pay unexpected fees. (The legislature did not appropriate directly for legal expenses in the Commissioner of Political Practices, in part because whether and/or at what level funding would be needed usually cannot be predicted. However, the legislature provided a biennial appropriation of $148,000 in the 2001 biennium as a contingency for potential legal fees.)

Department of Natural Resources and Conservation – Fire Suppression Costs - The legislature usually does not appropriate any general fund in the general appropriations act to suppress wildfires (other than personal services appropriated for other purposes, but spent on fire suppression). It appropriates funding through: 1) a supplemental appropriation to reimburse the department for appropriation transfers and actual and expected fire suppression costs; and/or 2) two statutory appropriations up to $12 million if the Governor declares a wildfire or other emergency. The amount of wildfire suppression appropriations approved by the legislature has varied widely, as Table 20 shows.

Table 20
Wildfire Suppression
General Fund

Biennium	Supplemental Appropriations	Statutory Appropriations	Total
1983	$797,355		$797,355
1985	2,896,992		2,896,992
1987	3,742,934		3,742,934
1989	12,639,542		12,639,542
1991	2,999,161	$536,900	3,536,061
1993	7,944,187	196,279	8,140,466
1995	15,497,849	8,919,800	24,417,649
1997	4,466,090	3,099,473	7,565,563
1999	10,545,963	-0-	10,545,963

The legislature provided $10,545,963 general fund to: 1) replace $1,081,745 of fiscal 1999 general fund operating appropriations spent for wildfire suppression in fiscal 1998; 2) replace $2,596,402 of state costs already paid in fiscal 1999; 3) replace $1,406,303 spent fighting federal fires; 4) pay an estimated $4,863,023 to federal agencies for their costs yet to be billed for fighting state fires; 5) pay $327,000 for anticipated federal fires not yet billed; 6) pay an estimated $500,000 for spring 1999 wildfire costs; and 7) deduct $226,510 for personnel costs that had been budgeted.

State and federal agencies assist each other in their fire-fighting efforts and then bill each other for the costs. Any reimbursements from federal agencies and private/corporate entities (responsible for starting a fire) are deposited in the general fund. Of the $1,368,011 expected to be reimbursed to the state from federal agencies, it is estimated that $1,018,011 of the amount will be reimbursed to the general fund. Not all of the federal reimbursements to the state are deposited to the general fund. Since fiscal 1989, the legislature has appropriated a portion of these federal reimbursements ($350,000 for fiscal 1999) to the department to fund additional administrative assistance when administrative personnel are doing work associated with fire suppression and to repair, maintain, and replace fire equipment. These appropriations reduce general fund deposits.

<u>Department of Justice – Legal Services Program</u> - The Department of Justice receives a biennial appropriation from the legislature for major litigation cases handled on behalf of the state. The department received $500,000 in the 1999 biennium. The legislature provided a general fund supplemental appropriation of $75,737 to enhance this appropriation for the remainder of fiscal 1999. The balance of the appropriation at the end of November 1998 was $85,672. Major cases represented by the Department of Justice during the 1999 biennium include: Crow coal, water rights, abortion rights, voting rights, and constitutional issues regarding the Board of Land Commissioners and the university system.

<u>Department of Labor and Industry – Human Rights Program</u> - The Human Rights Bureau was reorganized in July 1997 after the legislature passed SB 350 to revise the laws relating to the Human Rights Bureau.

As a result of their changes, the legislature: 1) directed that state special revenues were not to be appropriated to this program from housing discrimination enforcement funds; 2) reduced operating and equipment expenditures by approximately $133,000 for the biennium; and 3) reduced program FTE to 15.5 for fiscal 1998 and 14.5 for fiscal 1999, and designated 4.0 FTE in fiscal 1998 and 3.0 FTE in fiscal 1999 as one-time-only.

In March 1998, the department requested and received a $76,993 general fund supplemental appropriation. The department cited the following items as causing the appropriation shortfall in fiscal 1998 and 1999.

- Department of Housing and Urban Development (HUD) equivalency was lost as a result of the changes in SB 350. (This factor did not contribute to the funding shortfall in fiscal 1998.)
- The one-time-only positions for fiscal years 1998 and 1999 were authorized without funding for operating costs.
- The Human Rights Bureau experienced higher costs due to the reorganization of the program into the department and the restructuring of program operations.

The supplemental appropriation in fiscal 1999 is made up of the following:

Loss of Federal Funding - *$90,000* - In fiscal 1998, the Human Rights Bureau received $204,764 in federal funds, which is slightly above their legislative appropriation. Therefore, loss of federal funds was not a factor in the fiscal 1998 supplemental appropriation. In fiscal 1999, federal funding will be $90,000 less than budgeted. Reduced funding is responsible for 38 percent of the shortfall.

Funding for One-Time-Only Positions Not Included in the Appropriation - *$29,355* - The appropriations for one-time-only positions were $141,670 in fiscal 1998 and $106,841 in fiscal 1999 and did not include benefits or operating costs estimated to be $29,355 annually.

Replacement of Funding Moved to Fiscal 1998 - *$76,993* - The department received additional authority of $76,993 to replace the funding moved from fiscal 1999 to fiscal 1998.

Fiscal 1999 Supplementals

Higher Program Level than Appropriated **-** Higher costs incurred from reorganizing and restructuring are the Human Rights Bureau's portion of the departmental cost allocation plan. These costs were not envisioned by nor appropriated for by the legislature, and totaled approximately $42,000 in fiscal 1998, according to the department. Of the increase in fiscal 1999, $30,000 is for these costs.

SB 378 (enacted by the 1993 legislature) requires the Legislative Finance Committee (LFC) to review biennially all dedicated revenue provisions (state special revenue accounts) to ensure they: 1) are based on sound principles of revenue dedication; 2) reflect legislative priorities for state spending; and 3) are terminated when no longer needed. Specific evaluation criteria to be used in the review are provided in statute. The LFC is also directed to review all statutory appropriations (those appropriations made in statute, rather than in temporary appropriations bills) to determine if any appropriation should instead be made by a temporary appropriation; with emphasis on reviewing statutory appropriations that fund administrative costs. As a result of the 1999 biennium review, HB 69 was introduced at the request of the LFC and enacted by the 1999 legislature. HB 69 revises the laws concerning dedicated revenue and statutory appropriations, and results in a reduction in both earmarked revenue and statutory appropriations.

State Special Revenue (Earmarked) Accounts

The LFC reviewed state special revenue accounts to determine if any of the accounts should be eliminated. If an account was eliminated, the revenues that had gone to the account and had been appropriated as state special revenue would be deposited to the general fund. Any program that had received an appropriation from the account receiving the revenue would then require a general fund appropriation. With the passage of HB 69, state special revenue appropriations were reduced and general fund appropriations increased by like amounts. Since revenues increase the same amounts as the increase in appropriations, there is no net impact to the general fund. However, since the programs will be funded from the general fund rather than an earmarked source, the legislature will be better able to prioritize funding for the programs, given available revenue and competing demands. Table 21 shows all revenue de-earmarked in HB 69 and the resulting changes in funding sources in HB 2. The table also shows revenue de-earmarked from the debt service fund to the general fund. Because this money was not appropriated, there is no change in HB 2.

Table 21
House Bill 69 De-earmarked Revenue
2001 Biennium

Agency/Action	General Fund	Earmarked Revenue
Long Range Building & Planning		
Coal severance tax-1.3% for debt service *		
Revenue		
Tobacco education fees **		
Transportation		
Nonrestricted highway fines and forfeitures	***	***
Public Health and Human Services		
Tobacco education fees **		
Natural Resources and Conservation		
Recreational use fines and forfeitures	$9,696	($9,696)
Water adjudication fee	9,193	(9,193)
Fish, Wildlife and Parks		
Recreational use fines and forfeitures	9,696	(9,696)
Environmental Quality		
Alternative energy	149,948	(149,948)
Justice		
Drug forfeitures (capped at $125,000)	***	***
Labor & Industry		
Prevailing wage penalties	4,000	(4,000)
Total	$182,533	($182,533)

* Previously deposited to the debt service fund, not appropriated in HB

** Statutorily appropriated

*** De-earmarked but no impact on HB 2

Statutory Appropriations

HB 69 eliminated 10 statutory appropriations, six of which required no replacement temporary appropriations in HB 2 (Table 22). However, four appropriations were added to HB 2 totaling $650,000 over the biennium. The legislation also: 1) decreased the percentage of the 911 tax deposited to the general fund from 7.48 percent to 3.74 percent; 2) removed the 65.5 allocation of liquor taxes to PHHS from the statutory appropriation; 3) changed the fund type of the rural physician trust fund from an expendable trust fund to a state special revenue fund; and 4) made other clarifying changes to statutory appropriations.

Table 22
House Bill 69 Statutory Appropriations Eliminated
2001 Biennium

Agency/Action	General Fund	Federal Funds
Revenue		
Payment of excess income taxes *		
1/2 of tobacco education fee	$1,500	
Public Health and Human Services		
1/2 of tobacco education fee	1,500	
Low-income energy assistance and weatherization		$599,982
Natural Resources and Conservation		
Historic right-of-way program *		
Yellowstone groundwater area water compact		46,000
Agriculture		
Federal trust assets for rural rehabilitation *		
Commerce		
Excess balance to county hardrock mine trusts *		
Labor & Industry		
Payment of benefits from subsequent injury fund *		
State Fund		
All funds deposited in the state fund *		
Total	$3,000	$645,982

* No replacement appropriations necessary in HB 2

OTHER BUDGET HIGHLIGHTS
Fee Changes

The 1999 legislature enacted changes to fees and created new fees that will raise an estimated $43.3 million over the 2001 biennium. The increased fee revenue, which will mostly be deposited in accounts other than the general fund, will be used to fund new and existing agency programs. Altogether, 56 bills were enacted that changed fees, 8 of which decrease fees, 7 of which will have no impact in the 2001 biennium, 18 of which the effects are not known, and 23 of which increase fees. The increase in fee revenue compares to the $48.9 million increase enacted by the 1997 legislature for the 1999 biennium. A large portion ($32.8 million) is the anticipated increase in tuition authorized by the Board of Regents.

Table 23 shows the legislation that imposed new or changed fees and the anticipated revenue from each. The 2001 biennium estimate of the increased fee revenue due to the legislative changes is based on the fiscal note for each bill. In some cases, no fiscal note was provided or agencies were unable to estimate the revenue changes that may result from some of the bills.

Table 23

2001 Biennium Revenue From New or Changed Fees *

Bill	Fee	~~New**~~	~~Change~~	Fiscal 2000 Change	Fiscal 2001 Change	Biennial Change
Licenses and Permits						
HB 20	Warm water fish stamp	X		0	0	$0
HB 138	Gasoline distributor license		X	(8,800)	(8,800)	(17,600)
HB 150	Foreign corporation certificate of authority	X		Unknown	Unknown	Unknowr
HB 158	Underground storage tank installation and inspection	X		193,160	186,795	379,955
HB 232	Commercial agricultural feed license		X	0	0	0
HB 245	Building code standards continuing education fee	X		24,700	24,700	49,400
HB 399	Telemedicine certification	X		0	7,854	7,854
HB 478	Nonresident upland game bird license		X	291,250	291,250	582,500
HB 485	Timber conservation license	X		Unknown	Unknown	Unknowr
HB 533	Youth combination sports license	X		(382,000)	(382,000)	(764,000)
SB 59	Hunting license preference system	X		0	531,125	531,125
SB 71	Motor vehicle registration		X	Unknown	Unknown	Unknowr
SB 72	Wastewater operator certificate		X	0	0	0
SB 108	Professional and occupational licenses	X		1,694	1,694	3,388
SB 113	Motor vehicle dealer licenses		X	Unknown	Unknown	Unknowr
SB 126	Sewage disposal	X		13,700	13,700	27,400
SB 128	Living trust license	X		1,500	1,500	3,000
SB 132	Insurance and insurance license fees		X	0	0	0
SB 154	Nondivisible load permits	X		Unknown	Unknown	Unknowr
SB 183	Seed dealer		X	23,000	23,000	46,000
SB 205	Aviation gasoline dealers' license tax		X	335,000	335,000	670,000
SB 241	Disabled hunters licenses		X	(52,500)	(52,500)	(105,000)
SB 334	Outfitter license and net client number use fees	X		81,600	81,600	163,200
SB 338	~~Variable-priced nonresident hunting license~~	~~X~~		0	0	0
SB 361	Alternative livestock license VOIDED BY CONTINGENT VOIDNESS			NA	NA	NA
SB 384	Menageries and zoo permits		X	(725)	(725)	(1,450)
SB 394	Organic certification assessments	X		0	0	0
SB 412	Timber slash fire hazard reduction		~~X~~	Unknown	Unknown	Unknowr
SB 445	Outfitter boat tag to operate on Montana rivers VETOED BY GOVERNOR - In process of override			NA	NA	NA
SB 446	Restaurant beer and wine license		X	18,593	800	19,393
SB 453	Resort retail all-beverages license		X	Unknown	Unknown	Unknowr
SB 453	Gambling machine permits		X	Unknown	Unknown	Unknowr
SB 505	Dissolution of marriage		X	125,847	125,847	251,694
	Subtotal			$666,019	$1,180,840	$1,846,859

OTHER BUDGET HIGHLIGHTS
Fee Changes

Table 23, Continued

2001 Biennium Revenue From New or Changed Fees *

Charges For Services						
HB 2	Wildfire protection taxes		X	$402,389	$387,593	$789,982
HB 2	Air quality operating fees		X	292,385	283,471	575,856
HB 2	Subdivision plat review fees		X	138,137	123,445	261,582
HB 2	Waste discharge to state waters		X	94,367	18,341	112,708
HB 2	Public drinking water systems		X	(45,716)	(54,965)	(100,681)
HB 2	Asbestos control		X	73,578	65,408	138,986
HB 2	Water and wastewater operators		X	25,769	25,486	51,255
HB 2	University tuition ***		X	13,158,520	19,614,850	32,773,370
HB 41	Court information surcharge	X		995,676	995,676	1,991,352
HB 79	PERS defined contribution administration	X		596,000	596,000	1,192,000
HB 115	Probationer supervisory fee	X		22,600	22,600	45,200
HB 127	Recovery of child support fees for services		X	(413,000)	(413,000)	(826,000)
HB 130	Waste pesticide collection, disposal, and recycling	X		Unknown	Unknown	Unknown
HB 257	Surcharge for criminal convictions	X		Unknown	Unknown	Unknown
HB 558	Maximum attorney charge for bad checks		X	Unknown	Unknown	Unknown
HB 648	License plate fee		X	1,200,000	1,200,000	2,400,000
SB 5	Retirement systems administration fee		X	(28,500)	(28,500)	(57,000)
SB 137	National guard veterans' and legion of valor license plate fees	X		2,510	2,510	5,020
SB 214	Sheriff fees for seized property	X		Unknown	Unknown	Unknown
SB 399	Health care provider copy fee for health care information	X		Unknown	Unknown	Unknown
	Subtotal			$16,514,715	$22,838,915	$39,353,630
Other						
HB 306	Continue universal service fund for telecommunications	X		Unknown	Unknown	Unknown
HB 444	Montana Grass Commission		X	0	0	0
HB 526	Regulation of deferred deposit lending	X		67,700	63,000	130,700
HB 536	Funding for comprehensive health associations	X		Unknown	Unknown	Unknown
HB 586	City and town park maintenance district fees	X		Unknown	Unknown	Unknown
SB 18	Agricultural commodity assessments	X		2,053	2,053	4,106
SB 68	State fund premium surcharge on high loss employers		X	(53,182)	(53,182)	(106,364)
SB 117	Subsequent injury fund assessment		X	998,000	1,072,000	2,070,000
SB 372	Amendment to final parenting plans		X	Unknown	Unknown	Unknown
SB 396	Workers' compensation premium rates for construction industry	X		Unknown	Unknown	Unknown
SB 434	Member contributions for the police retirement statewide plan		X	Unknown	Unknown	Unknown
	Subtotal			$1,014,571	$1,083,871	$2,098,442
TOTAL				**$18,195,305**	**$25,103,626**	**$43,298,931**

* From most recent status of fiscal note. Estimates include change in fee revenue from changes in who is required by the legislation to pay the fee. Estimates do not include increased fines or penalties.

** Also indicates changes in people/commodity subject to the fee even though the fee itself may not be new.

*** Increases from fiscal 1998 actuals. Includes both enrollment and rate increases. Represents a 4.0% annual tuition increase. Appropriation is a biennial lump-sum amount.

OTHER BUDGET HIGHLIGHTS
Interim Studies - Summary

The Fifty-sixth Legislature adopted 16 joint resolutions calling for interim studies, plus eight additional studies requested in or required by bills. Proposed studies included in those resolutions and bills are listed in Table 24.

Table 24
Legislation Requesting or Requiring Studies
2001 Biennium

Bill No.	Study Description	Bill No.	Study Description
HB 2	Information Technology (LFC)	HJR 33	Funding/mgmt. of wildlife resources
HB 79	Retirement Issues	HJR 34	Eminent domain
HB 339	Judicial redistricting	HJR 35	Mental Health Managed Care
HB 404	Transisiton Advisory Committee	HJR 38	JPO salaries
HB 458	BMPs for streamside corridors	HJR 37	Women's prison issue
HB 515	Gov. competition w/private vendors	SJR 9	State contracting laws and procedures
SB 454	State payments in lieu of taxes	SJR 14	Sentencing statutes and data
SB 482	Licensure of mortgage lenders	SJR 15	Work Comp claims, rates, benefits
HJR 3	Voluntary cleanup of cont. sites	SJR16	Funding/administration of Higher Ed.
HJR 12	Commission on Indian Affairs	SJR 18	Study MEPA (EQC)
HJR 18	Broadcasting legislative deliberations	SJR 19	Dealth penalty
HJR 29	Law governing local governments	SJR 21	Incentives to preserve agricultural lands

The Legislative Council, at its May 1999 meeting, assigned the studies to interim committees as shown in Table 25, including recommendations to the Environmental Quality Council and the Legislative Finance Committee to undertake certain studies.

Table 25
Assisgnment of Interim Study Requests
By the Legislative Council
2001 Biennium

Committee	Study	Study	Study
Legislative Council	HJR 18	HB 339	
Education and Local Government	HJR 29	SJR 16	HJR 38
Children, Families, Health, and Human Services			
State Administration, PERS, and Veterans	HB 79	SJR 9	
Business, Labor and Agriculture	HB 515	SJR 15	SJR 21
Law, Justice, and Indian Affairs	SJR 14	HJR 37	HJR 12
Revenue and Taxation	SB 390	SB 395	SB 454
Transition Advisory Committee	SB 390	SB 395	
EQC	HB 458	SJR 18	HJR 34
Legislative Finance Committee	HB 2 (IT)	HJR 35	HJR 33

While nearly all of the assigned studies include significant fiscal issues, those most directly impacting fiscal policy and prospective legislative budget actions are the study of information technology management and budgeting (HB 2), state payments in lieu of taxes (HB 454), funding and management of wildlife resources (HJR 33), mental health managed care (HJR 35), state contracting laws and procedures (SJR9), and funding and administration of higher education (SJR 16).

The Legislative Council did not assign the following studies to any committee: 1) the licensure of mortgage lenders (SB 482); and 2) alternatives to Brady handgun laws (HB 566).

OTHER BUDGET HIGHLIGHTS
Highways Special Revenue Account

Projections for the highways state special revenue account indicate a working capital balance at the end of the 2001 biennium of $5.9 million or just over 1 percent of the total biennium appropriations funded by the account. The balance is half of what the department states as the minimum needed to ensure adequate cash flow to finance projects. The department has indicated that a $10 million working capital balance is needed to provide adequate cash flow without resorting to short-term bonding and other financing methods. Expenditures are projected to exceed revenues by approximately $24.2 million in the 2001 biennium. This imbalance is projected to decline to $7.3 million in the 2003 biennium and reverse to a position of excess revenues in the 2005 biennium (see Table 2 of the agency discussion contained in Volume 1 of this report). The declining imbalance in the 2003 and subsequent biennia is primarily attributed the retirement of the department's bond indebtedness in which the final debt service payment will be made in fiscal 2003.

For the 2001 biennium, the legislature approved adjustments in HB 2 that totaled $26.2 million. Other legislation will increase expenditures from the account by $27.6 million for the 2001 biennium: HB 5 (Long-range Building Program) will add nearly $6.0 million; HB 13 (pay plan) will add $4.7 million; and other "cat-and-dog" legislation will add $16.9 million. The legislature also approved legislation that will have a negative $2.9 million impact on the revenue to the account during the 2001 biennium.

The account is still in a vulnerable position as projections indicate the working capital balance will be completely depleted in fiscal 2002 before any recovery is seen. Even though the account is projected to move into a position of excess revenues in fiscal 2003, the projections indicated that the position will again begin to reverse in fiscal 2005 as the relatively inelastic revenue base begins to become dominated by expenditure inflation. The working capital balance will be depleted during the 2003 biennium and, after a short-lived recovery, remain below the $10.0 million level the department needs to provide adequate cash flow. As such, the department will need to utilize short-term debt or other financing methods to make payments for current operations. This will only add to the cost of doing business.

Resource Indemnity Trust

The Montana Constitution (Article IX, Section 2) requires the existence of the Resource Indemnity Trust (RIT) and states, "The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million dollars ($100,000,000) guaranteed by the state against loss or diversion". After that time, the state may spend any trust balance over the $100 million. Based on the Revenue Oversight Committee estimates and action by the 1999 legislature, the trust balance will reach $98.7 million at the end of the 2001 biennium. After changes made by the 1999 legislature, the trust receives 50 percent of the revenue from the: 1) resource indemnity and ground water assessment (RIGWA) tax paid by mineral producers; and 2) portions of oil and natural gas production taxes that are allocated for distribution under RIT statutes as long as the trust balance is less than $100 million. Once the balance reaches $100 million, the RIT will no longer receive any revenue.

Trust Interest

The constitution does not restrict the spending of interest from the RIT. After changes made by the 1999 legislature, statute allocates $8.8 million of the interest for the 2001 biennium for seven purposes. The legislature has already provided statutory appropriations to spend the money from three of the allocations – the environmental contingency account, oil and gas damage mitigation account, and money for the support of MSU Northern. The other four allocations are for:

1. renewable resource grants;
2. reclamation and development grants;
3. water storage projects grants and loans; and
4. the groundwater assessment account.

Appropriations for these purposes are usually provided in HB 6, HB 7, HB 2, and HB 2 respectively. The remainder of the interest is allocated as follows:

1. 30 percent to the renewable resource account;
2. 35 percent to the reclamation and development account, which also receives portions of the RIGWA and metalliferous mines tax proceeds;
3. 26 percent to the hazardous waste/CERCLA account; and
4. 9 percent to the environmental quality protection account.

This interest money, along with other income, is appropriated by the legislature in HB 2 to fund operational costs of six agencies.

Legislation

The 1999 legislature passed six bills that affected revenues. Table 26 shows these revenue changes. The following bills change the allocations of RIGWA proceeds, metalliferous mines tax proceeds, and RIT interest.

Table 26
Resource Indemnity Trust and Associated Accounts
Summary of Legislative Fiscal Changes
2001 Biennium

Legislation	RIT	Renewable Resource	Reclamation & Development	Hazardous Waste/CERCLA	Environmental Quality Protect	Groundwater Assessment	Water Storage	Orphan Share
Revenues								
Combined SB 49 & SB 492	$593,069	$125,480	($1,508,792)	$170,960	$80,610	$275,023	$186,400	$77,250
House Bill 647*	0	0	0	0	0	0	0	0
House Bill 661	22,600	4,924	14,771	0	0	6,943	0	0
Senate Bill 301	0	336,000	(168,000)	(124,800)	(43,200)	0	0	0
Senate Bill 530	(36,036)	(7,851)	(23,554)	0	0	(11,070)	0	0
Total Revenue Changes	$579,633	$458,553	($1,685,575)	$46,160	$37,410	$270,896	$186,400	$77,250
Appropriations								
Combined SB 49 & HB 6		$2,000,000						

* Effective fiscal 2002, $500,000 each year is allocated to FWP for bull trout and cutthroat trout recovery.

Resource Indemnity Trust

Senate Bill 49 and Senate Bill 492 coordinate with each other to reallocate RIGWA proceeds, metalliferous mines tax proceeds, and RIT interest and provide a different reallocation once the RIT reaches $100 million. Prior to the RIT reaching $100 million and beginning in fiscal 2000, the legislation: 1) reallocates 7.0 percent of metalliferous tax proceeds to the reclamation and development account; 2) reallocates 50 percent of RIGWA tax proceeds to the RIT, $300,000 each fiscal year to the groundwater assessment account, 50 percent of the remainder to the reclamation and development account, and the remainder to the orphan share account; 3) reallocates $300,000 each fiscal year of RIT interest to the groundwater assessment account and an additional $1.0 million each fiscal year (for a total of $2.0 million) to the renewable resource account for grants; and 4) changes the percentage allocation of the remaining RIT interest to 30 percent to the renewable resource account, 35 percent to the reclamation and development account, 26 percent to the hazardous waste/CERCLA account, and 9 percent to the environmental quality protection fund. The legislation also changes: 1) the deposit of revenue from state-owned water projects from the renewable resource account to the water storage account for construction, operation, maintenance, and rehabilitation of the works; 2) the allowable uses for money in the renewable resource account; 3) eligibility requirements for reclamation and development grants; and 4) requires that $800,000 of reclamation and development grants be given priority for mine reclamation projects. Chart 1 shows the flow of RIT proceeds and interest to expenditure accounts prior to the RIT balance reaching $100 million.

House Bill 647, beginning July 1, 2002, allocates $500,000 each fiscal year of RIT interest to the future fisheries program in the Department of Fish, Wildlife and Parks to enhance bull trout and cutthroat trout populations by restoring habitats and spawning areas and reducing species competition. The allocation terminates July 1, 2009.

House Bill 661 revises the taxation of oil produced from stripper wells. It is estimated that the changes will result in $49,238 of additional revenues to be distributed among various RIT accounts.

Once the RIT balance reaches $100 million, the RIT will no longer receive any revenue. Instead, the money will be allocated to the groundwater assessment, reclamation and development, and orphan share accounts. These changes will become effective July 1 of the first year following the date that the Governor by executive order certifies to the Secretary of State that the RIT balance has reached $100 million. Chart 2 shows the flow of RIT proceeds and interest to expenditure accounts after the RIT balance reaches $100 million.

Senate Bill 301 added a $480,000 allocation for the biennium of RIT interest to MSU-Northern. Previously, money for this purpose had been allocated from the renewable resource account. Although the money remains statutorily appropriated, SB 301 eliminates the statutory appropriation on June 30, 2014. The legislation also allows a portion of the money to be deposited into a nonexpendable trust fund, the income from which may be used to support environmental science-water quality programs and facilities.

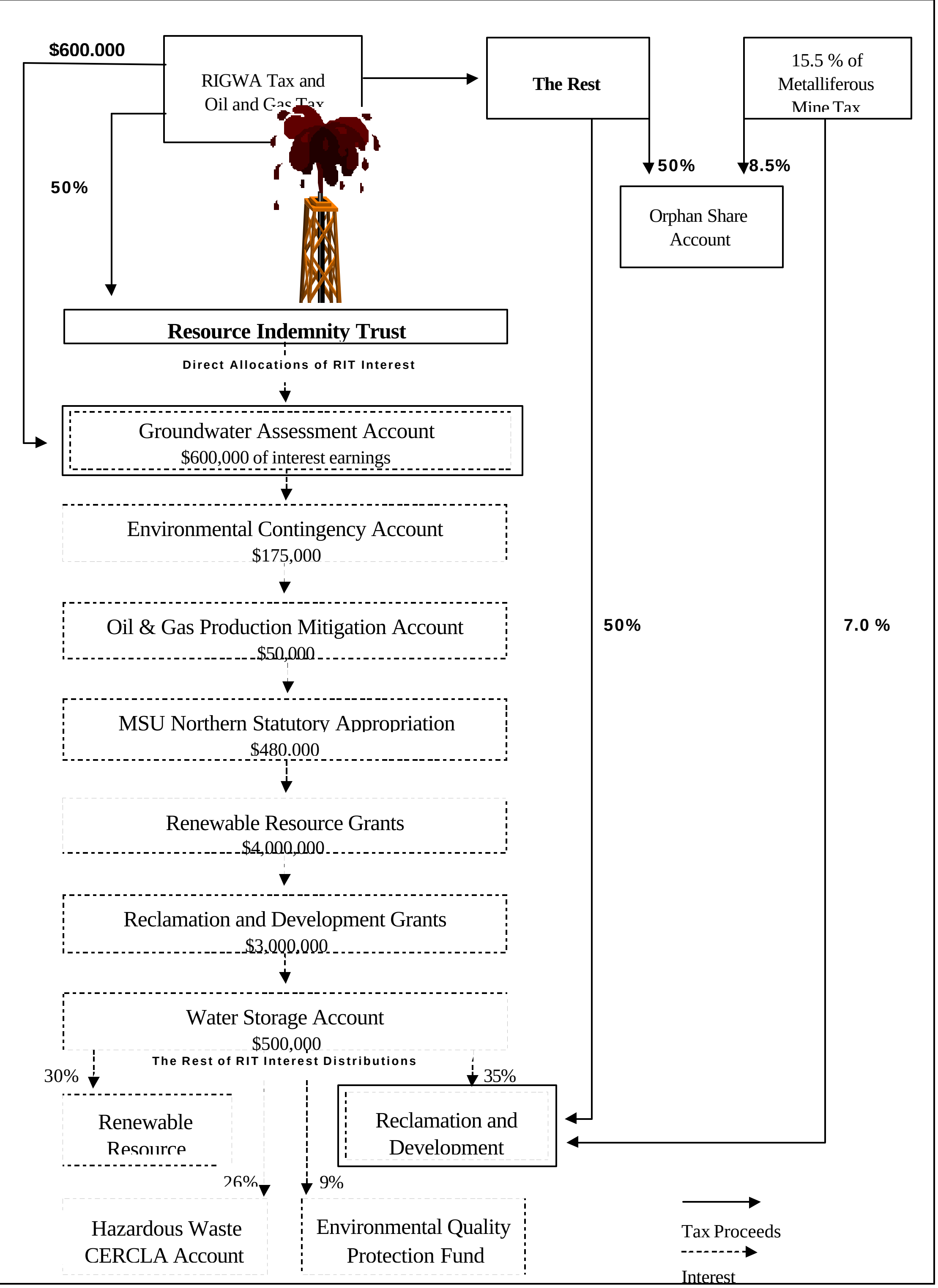
Senate Bill 530 revises oil and natural gas production taxes. It is estimated that the changes will result in a revenue loss of $78,491 to be distributed among various RIT accounts.

Resource Indemnity Trust

Chart 1

Flow of RIT Proceeds and Interest

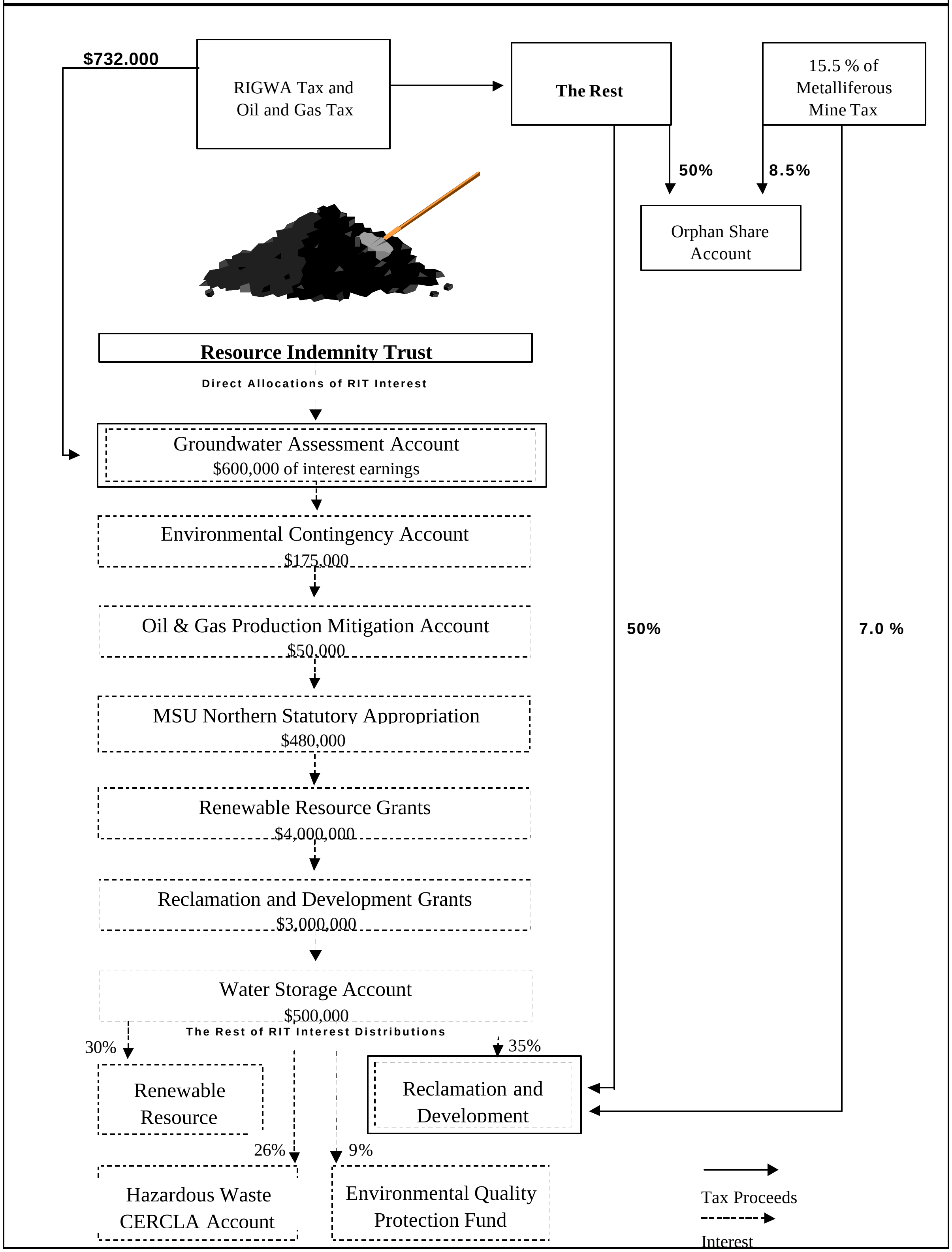
2001 Biennium (Prior to the RIT reaching $100 Million)



Resource Indemnity Trust

Chart 2

Flow of RIT Proceeds and Interest
After the RIT reaches $100 Million



Resource Indemnity Trust

Fund Balances

Table 27 shows four elements of RIT. The first shows the RIT revenues and trust balance for the past four fiscal years and projections for fiscal years 1999, 2000, and 2001. The second shows the amounts of direct statutory allocations of RIGWA tax proceeds to five accounts. The third shows the amounts of interest generated by the RIT and the amounts that are allocated by statute for specific purposes. The fourth section shows seven main accounts that receive RIT interest, RIGWA tax proceeds, metalliferous mine tax proceeds, and other revenues. Shown for each account are the calculations to determine available fund balances at the beginning of fiscal 2000, a list of revenue sources, and a list of appropriations approved by the legislature.

The table shows that, in three of the accounts, legislative appropriations exceed anticipated revenues in the 2001 biennium by a total of $971,000: 1) the renewable resource account - $540,000; 2) the reclamation and development account - $315,000; and 3) the groundwater assessment account - $116,000. Therefore, for these accounts, unless revenues exceed current estimates, either agency programs will operate at reduced levels or, for the first two accounts, awards for grants appropriated in HB 6 and HB 7 will be postponed. However, because all appropriations for grants would be obligated in the 2001 biennium per language in HB 6 and HB 7, obligations above available revenues would reduce the funds available for future legislatures to appropriate. Positive fund balances are anticipated in all other accounts.

When looking at only 2001 biennium activity, legislative changes have provided revenues equal to or greater than appropriations in the renewable resource, reclamation and development, hazardous waste/CERCLA, water storage, and orphan share accounts, thus making these accounts more structurally sound. However, in the environmental quality protection fund and the groundwater assessment account, 2001 biennium appropriations exceed anticipated revenues, making these accounts structurally unbalanced.

OTHER BUDGET HIGHLIGHTS
Resource Indemnity Trust

Table 27
Resource Indemnity Trust (RIT): Proceeds, Interest Earnings, and Related Expenditure Accounts
2001 Biennium Projections (Prior to the RIT Reaching $100 Million)

1

RIT Revenues (Legislative estimates)	Fiscal 1995	Fiscal 1996	Fiscal 1997	Fiscal 1998	Fiscal 1999	Fiscal 2000	Fiscal 2001
RIGWAT Coal, Oil, Natural Gas Proceeds	$1,598,190	$1,538,190	$1,431,779	$1,000,263	$817,144	$1,163,500	$1,191,000
Metal Mine Tax Proceeds	700,217	0	0	0	0	0	0
HB 661 & SB 530 Changes						(391)	(13,045)
Total Deposits	$2,298,406	$1,538,190	$1,431,779	$1,000,263	$817,144	$1,163,109	$1,177,955
Trust Balance ($100 million floor)*	$91,612,018	$93,150,208	$94,581,987	$95,582,250	$96,399,394	$97,562,503	$98,740,458

2

	Fiscal 1999	Fiscal 2000	Fiscal 2001	Biennium Total
Total RIGWA Tax (Legislative estimates)	$2,216,000	$2,327,000	$2,382,000	$4,709,000
Statutory Allocations				
Reclamation & Development-50% of rest (02458)	664,800	431,750	445,500	877,250
Groundwater Assessment Account-direct (02289)	312,456	300,000	300,000	600,000
Renewable Resources Account-0% (02272)	221,600	0	0	0
Orphan Share Account-50% of rest (02472)	200,000	431,750	445,500	877,250
Resource Indemnity Trust-50% (09003)	817,144	1,163,500	1,191,000	2,354,500
Total Allocations	$2,216,000	$2,327,000	$2,382,000	$4,709,000

3

	Fiscal 1999	Fiscal 2000	Fiscal 2001	Biennium Total
RIT Interest Earnings (Legislative estimates)	$7,617,000	$7,675,000	$7,737,000	$15,412,000
Priority Statutory Allocations of Interest				
Environmental Contingency Account (02107)**	0	(175,000)	0	(175,000)
Oil & Gas Prod. Damage Mitigation Account (02010)***	0	(50,000)	0	(50,000)
Water Storage Account (02216)	0	(500,000)	0	(500,000)
Groundwater Assessment Account-direct (02289)	0	(300,000)	(300,000)	(600,000)
MSU-Northern Statutory Appropriation (02272)	0	(240,000)	(240,000)	(480,000)
Renewable Resource Grant & Loan Program (grants)	(1,000,000)	(2,000,000)	(2,000,000)	(4,000,000)
Reclamation & Development Grants (grants)	(1,500,000)	(1,500,000)	(1,500,000)	(3,000,000)
Total Allocations	($2,500,000)	($4,765,000)	($4,040,000)	($8,805,000)
Amount Available for Further Distribution	$5,117,000	$2,910,000	$3,697,000	$6,607,000

4

Related Expenditure Accounts (2001 biennium totals)	Renewable Resource (02272)	Reclamation & Development (02458)	Hazardous Waste/CERCLA (02070)	Environmental Quality Protect. (02162)	Groundwater Assessment (02289)****	Water Storage (02216)	Orphan Share (02472)
Further Distribution % of RIT Interest	30%	35%	26%	9%	0%	0%	0%
Beginning Fiscal 1999 Fund Balance (SBAS)	$1,583,465	$1,051,841	$691,561	$923,010	$26,377	$904,500	$543,653
Reserved for continuing appropriations	(2,064,669)	(3,337,576)				(848,500)	
Reduction of continuing appropriations by LRP		213,092					
Reserved for long-term assets (outstanding loans)	(882,678)						
Reserved for long-term advances				0			
Fiscal 1999 appropriations	(2,760,737)	(3,106,654)	(1,337,681)	(866,166)	(666,000)		(1,316,688)
Fiscal 1999 adjustments					218,355		146,625
Fiscal 1999 revenues (ROC, agency estimates)	3,602,301	4,449,008	961,060	557,020	421,268		626,410
Available Fund Balance Beginning FY2000	($522,318)	($730,288)	$314,940	$613,864	$0	$56,001	$0
Revenues (Legislative, agency estimates)							
RIT Interest-direct	$4,480,000	$3,000,000			$600,000	$500,000	
RIT Interest-further allocation by above %	1,982,100	2,312,450	1,717,820	594,630			
RIGWAT Proceeds		877,250			600,000		877,250
Metal Mines Tax (7%, 8.5%)		830,480					1,008,440
HB 661 & SB 530 Changes	(2,927)	(8,783)			(4,127)		
Sweep of Balance in Abandoned Mines Acct (02249)							385,124
Sweep of Excess Coal Tax & Interest (from 04011)	680,200						
STIP/Other Interest	88,271		50,000	18,000		60,000	12,000
Cost Recoveries				480,000			
Administrative Fees	46,000						
State-owned Project Revenue						186,400	
Total Revenues	$7,273,644	$7,011,397	$1,767,820	$1,092,630	$1,195,873	$746,400	$2,282,814
Legislative Appropriations							
House Bills 6 and 7 Grants	$4,000,000	$3,233,197					
House Bill 6-Emergency/Private Grants	225,000						
MSU-Northern (statutorily appropriated)	480,000						
UM-Bureau of Mines					$1,312,000		
DNRC Centralized Services Division	0	0					
DNRC-Conservation and Resource Devel. Division	628,023	445,373					
DNRC-Water Resources Division	0	0				470,000	
DNRC-Water Resources Division (new proposals)	200,000						
DNRC-Reserved Water Rights Compact Commission	0	0					
DEQ-Planning, Prevention & Assistance			$302,034				
DEQ-Enforcement		10,735		9,766			
DEQ-Remediation			380,476	1,622,073			1,076,633
DEQ-Permitting & Compliance		2,568,683	999,966				
Governor's Office-Flathead Basin Commission	100,281						
Judiciary-Water Court	1,276,737						
Library Commission-NRIS	343,349	303,867					
House Bill 13 (pay plan estimate)	37,986	34,118	46,010	32,366			
Total Appropriations	$7,291,376	$6,595,973	$1,728,486	$1,664,205	$1,312,000	$470,000	$1,076,633
Projected 2001 Biennium Ending Balance	($540,050)	($314,864)	$354,274	$42,289	($116,127)	$332,401	$1,206,181

* Does not include unrealized investment gains or losses

** The governor must report on the expenditures from the environmental contingency account in the executive budget. Expenditures are statutorily appropriated.

*** Amounts are deposited to the oil & gas production damage mitigation account to bring the balance up to $200,000 (82-11-161,MCA). The money is statutorily appropriated.

**** Amounts are deposited to the groundwater assessment account to bring the balance up to $666,000. Any excess goes to the RIT trust (85-2-905, MCA).

OTHER BUDGET HIGHLIGHTS
Combined Coal Tax Account

The 1995 legislature passed Senate Bill 83 which, among other things, combined five allocations of the coal severance tax (totaling 8.36 percent) into one 8.36 percent allocation, eliminating the five separate accounts. The 1999 legislature reduced the total amount of coal severance tax revenue to be allocated, but imposed a new coal producer's license tax (HB 260). The combined coal tax account receives 11.15 percent of the revenue from this tax. The revenue from these allocations is deposited into one account from which the legislature provides appropriations for the five uses. Consequently, each of the five uses may receive more or less money than the prior statutory allocations. Table 28 shows these uses and the amounts appropriated by the legislature for each. By statute, any unreserved fund balance in the account at fiscal year end is deposited in the general fund. Based on Revenue Oversight Committee estimates, $127,000 from this source will be deposited to the general fund in the 2001 biennium. The appropriated uses are discussed in more detail in the relevant agency discussion in the agency section in volumes 1 and 2.

Table 28
Combined Coal Tax Account
2001 Biennium

	Fiscal 2000	Fiscal 2001	Biennium Total
~~Revenue Estimates~~			
8.36% of Coal Severance Tax	$1,050,016	$995,489	$2,045,505
11.5% of Coal Producer's License Tax	~~1,672,500~~	~~1,555,314~~	~~3,227,814~~
Total	$2,722,516	$2,550,803	$5,273,319
~~Uses~~	~~Legislative Appropriations~~		
Growth Through Agriculture (Agriculture)	$404,676	$408,011	$812,687
Local impacts-Coal Bd. (Commerce)	1,190,242	889,885	2,080,127
County land planning (Commerce)	198,693	198,693	397,386
Conservation districts (DNRC)	657,481	656,484	1,313,965
Library services (State Library)	266,302	266,302	532,604
House Bill 644* (Local Coal Impacts Review Council)	~~5,122~~	~~4,878~~	~~10,000~~
	$2,722,516	$2,424,253	$5,146,769
Miniumum balance to general fund	$0	$126,550	$126,550

* Biennial appropriation