



INTRODUCTION

The “Other Budget or Fiscal Actions” section discusses several issues of either statewide or multi-agency fiscal impact. It addresses significant issues contained in HB 2, other cat and dog bills, and/or statutory appropriations, as well as issues not related to any specific legislation. The issues discussed in the next several pages are highlighted below:

- **State Employee Pay Plan (HB 13).** The legislature passed a pay plan (HB 13) that includes three key elements: 1) a requirement that all state agencies move to the broadband pay plan; 2) an increase in employer contributions for health insurance; 3) and pay increases for each year of the biennium, with total costs at \$58.6 million general fund and \$42.2 million other funds.
- **State Employees – FTE Summary.** HB 2 provides funding for an increase of 412.08 FTE state employees in FY 2008 and 385.58 in FY 2009, excluding the units of the Montana University System, for an increase of 3.3 percent.
- **Vacancy Savings.** The legislature accepted the executive’s recommendation to apply a 4 percent vacancy savings rates, with a few exceptions.
- **Public School Funding.** In special session in May 2007, the legislature passed one major piece of legislation (SB 2) dealing with public school funding policy and passed HB 2 to fund these changes.
- **Long Range Planning Summary.** The 2007 Legislature approved \$469.5 million of grants, loans, and capital projects in the Long Range Planning (LRP) program.
- **Other Appropriation Bills.** Beside HB 2, several bills were enacted that appropriated \$130.6 million in general fund, \$163.6 million in state special revenue, and \$299.2 million in other funds.
- **One-Time-Only Appropriations Summary.** The Legislature appropriated almost \$500 million general fund in one-time expenditures.
- **Tobacco Settlement Funds.** Payment of settlement funds of \$71.41 million are expected for the 2009 biennium and interest on the tobacco trust will generate nearly \$10.0 million.
- **2007 Biennium Supplemental Appropriations.** The legislature provided state agencies with an additional \$83.3 million general fund and \$375,000 other funds in FY 2007.
- **Fund Balance Adequacy/Reserves.** The legislature adopted a budget that includes an ending fund balance of \$183.8 million.
- **Pension Plans – Unfunded Liabilities.** The Montana Constitution requires that the public retirement systems be funded on an actuarially sound basis. Actions by the legislature took significant steps in that direction.
- **Statutory Appropriations.** Statutory appropriations are a special kind of legislative appropriation. Unlike temporary appropriations that expire in two years (such as those in the general appropriations act), statutory appropriations are, as their name suggests, in statute and are not part of the biennial budgeting process.

- **General Fund Non-budgeted Transfers.** Like statutory appropriations, transfers and their authorizations are in statute and are not part of the biennial budgeting process, yet they affect the amount of money available for the legislature to appropriate for specific programs.
- **Proprietary Funds and Rate-Setting.** There are two types of proprietary funds: 1) internal service funds; and 2) enterprise funds. The legislature sets the rates for internal service funds.
- **Fund Switches.** General fund appropriations increased \$40.3 million as a result of funding switches.
- **Fee Changes.** This section lists the impact of fee changes or new fees either adopted by the legislature or assumed in the budgeting process.
- **Legislative Interim Studies.** The legislature approved 20 interim studies (in bills or resolutions) that have been assigned to various interim committees. Five others were not assigned.
- **Other Major Funds.**
 - Highways Special Revenue Account – For the first time in several biennia, the account will return to a condition where revenues are expected to exceed expenditures and the account balance will grow through the 2009 biennium. This was done by a cut-back in the state construction program.
 - Resource Indemnity Trust – Interest earnings are used as a funding source for several funds, and the amount of revenue in excess of the \$100 million corpus is available for appropriation. Significant changes to this funding source occurred in the 2007 session with passage of HB 116, a bill that implemented recommendations of the Legislative Finance Committee based on an interim study.

STATE EMPLOYEE PAY PLAN

The state employee pay plan for the 2009 biennium was approved by the 2007 Legislature in HB 13, but the pay plan was only part of what HB 13 provides. HB 13 also provides that the Department of Administration implement and maintain a broadband classification plan for all state positions. Although the majority of state employees are already part of a broadband pay plan, the legislature has now required that the remaining state employees be moved to the broadband plan, with few exceptions. The legislature's action also established a specific base pay rate for legislators, and brings the determination of pay for the Commissioner of Political Practices and the members of the State Tax Appeals Board under the broadband plan.

However, the primary purpose of HB 13, the pay plan bill, is to provide for pay and benefit increases for state employees. These increases are based upon agreements reached through collective bargaining between the administration and employee representatives, but are generally applied to all employees. Besides the pay and benefit enhancements, the legislature also approved funding of a contingency fund to provide a buffer for agencies at risk of overspending their personal services appropriations because of retirement payout or not realizing the anticipated vacancy savings, and continued funding for labor-management training. HB 13, as proposed by the executive and passed by the legislature, includes four proposed increases in state employee compensation and benefits:

- A 3.0 percent per year salary increase beginning October 1 (for most employees) each year
- A 0.6 percent "flexibility" component (explained below)
- An increase in the way longevity payments are calculated for employees with 10 continuous years of service
- An increase in per employee insurance contributions of \$33 per month beginning January 1, 2008 and an additional \$36 per month beginning January 1, 2009. The same increases are applied to the university system employees beginning July 1 of each year

In addition, HB 13 also includes funding for the following:

- Funding to bring agencies up to at least 80 percent of market for all employees as part of the conversion to the broadband pay plan (discussed below)
- A \$6 million (\$3 million general fund) personal services contingency for distribution to agencies that cannot meet vacancy savings targets
- A \$75,000 general fund training allowance for the labor-management training initiative

The pay plan appropriations are further summarized in the figures and discussions below.

Legislative action also resulted in the elimination of one of the statewide matrices (pay plan 60) and several of the smaller pay matrices that are the basis of state employee pay and make the broadband pay plan (pay plan 20) the only statewide pay matrix. The current teacher matrix and other minor matrices are eliminated, while the blue collar matrix and statutes governing exempt positions are continued.

The calculation of costs of the pay plan applies a 4 percent vacancy savings rate to the resulting increased personal services costs.

PAY PLAN COMPONENTS

The following figure details the funding in HB 13, by receiving entity.

Entity	--- FY 2008 ---			--- FY 2009 ---			--- 2009 Biennium ---		
	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds	General Fund	Other Funds	Total Funds
<u>3.0 Percent/Longevity/Insurance</u>									
Legislative Branch	\$200,389	\$44,742	\$245,131	\$462,984	\$92,250	\$555,234	\$663,373	\$136,992	\$800,365
Consumer Counsel	0	12,502	12,502	0	28,965	28,965	0	41,467	41,467
Judiciary	601,880	27,673	629,553	1,437,967	66,623	1,504,590	2,039,847	94,296	2,134,143
Executive Branch	6,295,995	9,732,127	16,028,122	14,945,346	22,195,176	37,140,522	21,241,341	31,927,303	53,168,644
University System	6,721,057	128,372	6,849,429	15,194,084	279,930	15,474,014	21,915,141	408,302	22,323,443
Subtotal	\$13,819,321	\$9,945,416	\$23,764,737	\$32,040,381	\$22,662,944	\$54,703,325	\$45,859,702	\$32,608,360	\$78,468,062
<u>0.6 Percent</u>									
Legislative Branch	\$30,883	\$6,315	\$37,198	\$74,329	\$13,973	\$88,302	\$105,212	\$20,288	\$125,500
Consumer Counsel	0	2,030	2,030	0	4,817	4,817	0	6,847	6,847
Judiciary	97,429	4,539	101,968	231,499	10,767	242,266	328,928	15,306	344,234
Executive Branch	935,251	1,393,501	2,328,752	2,237,827	3,297,003	5,534,830	3,173,078	4,690,504	7,863,582
University System	944,684	15,629	960,313	2,210,575	37,157	2,247,732	3,155,259	52,786	3,208,045
Subtotal	\$2,008,247	\$1,422,014	\$3,430,261	\$4,754,230	\$3,363,717	\$8,117,947	\$6,762,477	\$4,785,731	\$11,548,208
<u>80% of Market Adjustment</u>									
Judiciary	\$148,750	\$33,690	182,440	\$198,333	\$44,919	\$243,252	\$347,083	\$78,609	\$425,692
Executive Branch	\$1,097,186	\$730,365	1,827,551	\$1,462,913	\$973,820	2,436,733	2,560,099	1,704,185	4,264,284
Subtotal	\$1,245,936	\$764,055	\$2,009,991	\$1,661,246	\$1,018,739	\$2,679,985	\$2,907,182	\$1,782,794	\$4,689,976
Training Allowance*	75,000		75,000	0	0	0	75,000	0	75,000
Personal Services Contingency*	3,000,000	3,000,000	6,000,000	0	0	0	3,000,000	3,000,000	6,000,000
Total HB 13 Appropriations	<u>\$20,148,504</u>	<u>\$15,131,485</u>	<u>\$35,279,989</u>	<u>\$38,455,857</u>	<u>\$27,045,400</u>	<u>\$65,501,257</u>	<u>\$58,604,361</u>	<u>\$42,176,885</u>	<u>\$100,781,246</u>

*Biennial appropriation.

Salary Increase

The legislature increased state employee salaries by 3 percent each year of the biennium, beginning on October 1. According to the Personnel Division of the Department of Administration, this increase is an attempt to get all salaries closer to market.

Flexibility Component

The legislature added the equivalent of 0.6 percent to allow agencies with established policies to provide salary adjustments for such things as progression, competencies, and performance. According to the Personnel Division, employees in agencies without demonstrated policies for these adjustments would likely receive a total 3.6 percent increase.

Longevity Calculation

Longevity is an increase given to state employees after a set number of years of uninterrupted service. An employee receives an increase of 1.5 percent of base salary for each 5 years of service. Through FY 2007, employees who have completed either 15 or 20 years of uninterrupted service receive an additional 0.5 percent increase (total 2.0 percent) for each of those 5 year increments. Beginning with the first full pay period of FY 2008, HB 13 expands that provision to include employees who have completed 10 years of service. According to the Personnel Division, this adjustment was requested to improve retention of new employees, the average age of which is 41.

Insurance Increase

The employer contribution to the health insurance costs of employees will increase an additional \$33 to \$590 per month beginning January 1, 2008, and by another \$36 to \$626 per month beginning January 1, 2009 for most state employees. University system increases are effective July 1 of each year. Figure 2 shows another perspective of the HB 13 pay plan appropriations, this one showing the share of the appropriations attributable to the health insurance portion.

Type of Adjustment	General Fund	Other Funds	Total Funds
Increase in Pay Schedules*	\$37,616,727	\$27,304,025	\$64,920,752
Funding for Market Progression, Pay for Performance, or Competency	6,762,477	4,785,731	11,548,208
Adjustment to Minimum 80% of Market	2,907,182	1,782,794	4,689,976
Insurance Increase*	8,242,975	5,304,335	13,547,310
Labor-Management Training Initiative	75,000	-	75,000
Personal Services Contingency	3,000,000	3,000,000	6,000,000
Total	<u>\$58,604,361</u>	<u>\$42,176,885</u>	<u>\$100,781,246</u>

Future Costs

Because the pay and insurance increases would be phased in over the biennium, costs in the next biennium for this pay plan will be significantly higher – about \$83.5 million general fund and \$63.5 million other funds (excluding positions for which the legislature does not appropriate funds).

OTHER COST COMPONENTS

HB 13 provides funding for three other purposes: 1) a personal services contingency; 2) labor-management training; and 3) aid in transitioning to the broadband pay plan.

Personal Services Contingency

The legislature approved a contingency pool of \$3.0 million general fund and \$3.0 million other funds, a doubling of the general fund contingency provided in the 2007 biennium. The funds are to be allocated by the Office of Budget and Program Planning to agencies when sufficient personnel vacancies do not occur, retirement costs exceed agency resources, or other contingencies arise.

Training

The legislatively approved pay plan appropriations include \$75,000 general fund to continue a labor-management training initiative from the 2007 biennium to encourage a positive relationship between the Office of Labor Relations and labor.

Aid in Transition to Broadband Pay Plan

The legislature also appropriated \$2.9 million general fund and \$1.8 million other funds over the biennium to assist agencies to achieve at least 80 percent of market salaries for all of their employees as part of the conversion to the broadband pay plan (pay plan 20). The basis for this action is discussed in the overall context of the broadband pay plan in *the Legislative Budget Analysis - 2009 Biennium*.

STATE EMPLOYEES – FTE SUMMARY

Personal services represents the costs of salaries and benefits for state employees, and comprises about 40 percent of total state agency operating costs (excluding grants and benefits, capital outlay, and transfers). The following discussion addresses two major components of personal services: total FTE and vacancy savings.

FTE

HB 2 provides funding for 12,063.80 FTE in FY 2008 and 12,017.30 FTE in FY 2009, excluding the units of the Montana University System. As shown in Figure 3, total FTE increases over the FY 2006 level by 412.08 in FY 2008 and 385.58 in FY 2009.

Figure 3 Total FTE Levels 2009 Biennium						
Section/Agency	Base FY 2006	Net Change FY 2008	Total FY 2008	Net Change FY 2009	Total FY 2009	Change FY 2006-FY2009
Section A*						
Legislative Branch**	124.97	5.00	129.97	10.17	135.14	8.1%
Consumer Counsel	5.54	0.00	5.54	0.00	5.54	0.0%
Judiciary	392.13	5.95	398.08	5.95	398.08	1.5%
Governor's Office	59.07	1.00	60.07	1.00	60.07	1.7%
Commissioner of Political Practices	5.00	1.00	6.00	1.00	6.00	20.0%
State Auditor	76.50	2.00	78.50	2.00	78.50	2.6%
Transportation	2,238.56	-52.22	2,186.34	-102.60	2,135.96	-4.6%
Revenue	611.03	36.75	647.78	36.75	647.78	6.0%
Administration	149.72	10.90	160.62	11.90	161.62	7.9%
Consensus Council	2.50	0.00	2.50	0.00	2.50	0.0%
Office of the Public Defender	90.25	102.25	192.50	102.25	192.50	113.3%
Section B						
Public Health and Human Services	2,780.42	106.15	2,886.57	112.90	2,893.32	4.1%
Section C						
Fish, Wildlife, and Parks	659.85	18.25	678.10	19.25	679.10	2.9%
Environmental Quality	362.79	13.50	376.29	13.50	376.29	3.7%
Livestock	135.99	2.00	137.99	2.00	137.99	1.5%
Natural Resources and Conservation	531.37	14.00	545.37	14.00	545.37	2.6%
Agriculture	112.54	4.00	116.54	5.00	117.54	4.4%
Commerce*	42.66	13.25	55.91	14.00	56.66	32.8%
Section D						
Public Service Commission	39.00	0.00	39.00	0.00	39.00	0.0%
Board of Crime Control	20.00	-0.50	19.50	-0.50	19.50	-2.5%
Justice	723.30	3.75	727.05	3.75	727.05	0.5%
Corrections	1,169.64	78.50	1,248.14	87.25	1,256.89	7.5%
Labor and Industry	726.58	3.50	730.08	3.50	730.08	0.5%
Military Affairs	172.90	9.25	182.15	9.25	182.15	5.3%
Section E						
Office of Public Instruction	135.23	22.13	157.36	22.13	157.36	16.4%
Board of Public Education	4.00	0.00	4.00	0.00	4.00	0.0%
School for the Deaf and Blind	84.03	4.58	88.61	4.58	88.61	5.5%
Commissioner of Higher Education***	100.06	4.54	104.60	4.00	104.06	4.0%
Arts Council	7.00	0.00	7.00	0.00	7.00	0.0%
State Library	29.50	1.00	30.50	1.00	30.50	3.4%
Historical Society	<u>59.59</u>	<u>1.55</u>	<u>61.14</u>	<u>1.55</u>	<u>61.14</u>	2.6%
Totals	11,651.72	412.08	12,063.80	385.58	12,037.30	3.3%

*The Office of the Secretary of State and a significant number of Department of Administration and Department of Commerce staff are funded with proprietary funds not included in HB 2.
 **FY 2009 includes session staff.
 ***Includes only staff within the Office of the Commissioner of Higher Education.

The reduction in the Department of Transportation is due to a change in assumed construction activities, and is primarily an accounting change. The increase in the Office of the Public Defender is due to the conversion of contracted public defender counsel to state employees under the newly created centralized public defender system. For a further discussion, see the Office of the Public Defender beginning on page A-203 of Volume 3 of the LFD 2009 Biennium Legislative Fiscal Report.

When these two agencies are factored out, FTE increases by 359.86 in FY 2008 and 385.93 in FY 2009, or 3.3 percent over the FY 2006 totals, with all but 6 agencies receiving additional FTE. Of these totals, all but 23.50 FTE in FY 2008 and 24.25 FTE in FY 2009 are ongoing positions. The Departments of Commerce, the Commissioner of Political Practices, and the Office of Public Instruction show the largest percentage increases.

Please also note that the table reflects the removal of 21.75 TE county attorneys from the Department of Justice, as these positions will now be funded through a statutory appropriation. If all three changes are factored out, FTE rise by 3.5 percent from FY 2006 to FY 2009.

Major Increases

The following summarizes some of the major increases in FTE. For a further discussion, see the individual agency narratives in Volumes 3 and 4 of this report.

- Largest net increase in FTE
 - Department of Public Health and Human Services – The increase is due primarily to two factors: 1) the maintenance of staff added during the interim due to population issues at Montana State Hospital; and 2) provision of additional field case workers (social workers)
 - Department of Revenue – The legislature added FTE for enhanced tax compliance, liquor system reform, workload, property reappraisal, and collection of out-of-state debt. It is anticipated that the department will also hire a number of modified FTE for other initiatives.
 - Department of Corrections – The legislature added 36 additional probation and parole officers in FY 2009, IT staff and school to work functions at the juvenile facilities, and staff to take over inmate transportation from a contracted firm
 - Without the impact of the movement of county attorney positions to a statutory appropriation, the Department of Justice would increase by 25.50 FTE for additional legal staff, investigators in the Gambling Control Division, highway patrol dispatchers, and miscellaneous other positions, including scientists at the forensics laboratory.
- Largest percentage increase in FTE
 - Department of Commerce – The legislature expanded several economic development programs begun or maintained by the 2005 Legislature
 - Office of Public Instruction – FTE were added for curriculum specialists and continuance of data management, and due to increased federal grants

VACANCY SAVINGS

Vacancy savings is the difference between the cost of fully funding a position for the entire year and the actual cost of employee positions during that period. A vacancy savings reduction, usually a percentage reduction from full funding, has been applied to budgets in prior years in anticipation that staff turnover and vacancies often result in lower personal services expenditures than appropriated.

LEGISLATIVE VACANCY SAVINGS

The executive budget recommended a 4.0 percent vacancy savings rate on all personal services (including insurance) for all agencies except:

- Those with fewer than 20 FTE;
- Highway Patrol (statutorily exempted);
- University system faculty;
- Elected officials;
- The legislative branch; and
- The judicial branch.

The final legislative budget incorporated the 4.0 percent vacancy savings, but made four additional exceptions from how vacancy savings has been applied in recent years – game wardens (Department of Fish, Wildlife, and Parks) are statutorily exempted with passage and approval of SB 205 and the Public Service Commission, Department of Justice Forensic Science Division, and Department of Corrections 24/7 direct supervision staff were exempted for the 2009 biennium by decision packages in HB 2.

Total budget reductions as a result of the imposition of vacancy savings are about \$45.3 million total funds and about \$18.0 million general fund over the 2009 biennium, excluding the university system. Vacancy savings is a factor in calculating the “lump sum” distribution of state funding for the university units, but ceases to be a major factor in actual university budgets when state funding and tuition levels determined by the Board of Regents are combined.

PERSONAL SERVICES CONTINGENCY

Vacancy savings are assessed against personal services budgets on the assumption that actual vacancy savings will be sufficient to cover the reduction. Sometimes, agencies don't generate enough actual vacancy savings, resulting in a shortfall.

In order to assist agencies that have insufficient authority to meet all personal services costs in the 2009 biennium, the legislature provided a contingency fund totaling \$3.0 million general fund and \$3.0 million other funds. The personal services contingency is a component of the state employee pay plan (HB 13). Agencies must apply to the Office of Budget and Program Planning for these funds.

PUBLIC SCHOOL FUNDING

The Sixtieth Legislature failed to pass a school funding bill during the regular session. In the May 2007 Special Session, the legislature passed one major piece of legislation (SB 2) dealing with public school funding policy, and passed HB 2 to fund these changes.

Figure 4 below shows the 2009 biennium increases in K-12 school funding.

Figure 4				
K-12 Appropriations - 2009 Biennium				
	FY 2008	FY 2009	Biennial	Percent Change Compared with 2007 Biennium
Present Law Adjustments - Compared with Base 2006	\$54,371,618	\$57,512,927	\$111,884,545	
New Proposals				
New Ongoing Money for Schools				
Full-Time Kindergarten	13,143,203	15,118,813	28,262,016	
Quality Educator	13,194,454	13,326,127	26,520,581	
Create Middle School Basic Entitlement	507,356	508,753	1,016,109	
Other (Special Ed, Facilities, Adult Ed)	<u>2,613,689</u>	<u>3,985,011</u>	<u>6,598,700</u>	
Total New Ongoing Money For Schools	<u>\$29,458,702</u>	<u>\$32,938,704</u>	<u>\$62,397,407</u>	5.4%
Ongoing Appropriations For Schools that are Not New Money				
GTB Tax Relief - Raise GTB Ratio to 193%	10,606,962	10,775,429	21,382,391	
Divert Royalties from State Lands to Facility Trust (SB 2)	<u>17,581,718</u>	<u>23,174,302</u>	<u>40,756,020</u>	
Total Approps that are not new money for schools	<u>\$28,188,680</u>	<u>\$33,949,731</u>	<u>\$62,138,411</u>	5.4%
One-Time-Only Approps to Schools - New Money				
Indian Ed for All	1,500,000	1,500,000	3,000,000	
Full-Time Kindergarten	10,000,000	0	10,000,000	
Gifted and Talented	<u>1,000,000</u>	<u>1,000,000</u>	<u>2,000,000</u>	
Total OTO Money	<u>\$12,500,000</u>	<u>\$2,500,000</u>	<u>\$15,000,000</u>	1.3%
Contingent New OTO Money to School Districts				
Capital and Maintenance - Contingent on FY 2007 Revenue	<u>30,000,000</u>	0	<u>30,000,000</u>	
Total New Money to Schools - Ongoing and OTO	<u>\$71,958,702</u>	<u>\$35,438,704</u>	<u>\$107,397,407</u>	9.4%

When compared to the amount spent on K-12 in FY 2006, the legislature approved \$111.9 million in present law adjustments for the 2009 biennium. These included inflation in the basic and per-ANB entitlements of 2.76 percent for FY 2008 and 3.0 percent for FY 2009 for a biennial increase of \$42.6 million. Also included were adjustments for the December 2005 Special Session of \$71.9 million. The other adjustments, for special education, HB 124 block grants, and higher guarantee account revenue, as well as others, amounted to savings of \$2.5 million in general fund appropriations for K-12 in the 2009 biennium.

The new proposals approved by the legislature for K-12 funding during the 2009 biennium can be divided into 4 categories:

- New ongoing money to K-12 school districts
- New ongoing appropriations by the state which are not new money to school districts
- New one-time-only (OTO) money to school districts
- Contingent new OTO money to school districts

NEW ONGOING MONEY TO SCHOOL DISTRICTS

The new ongoing money to K-12 school districts is \$62.4 million for the 2009 biennium. This includes funding for full-time kindergarten, an increase in the quality educator payment, the creation of a new middle school basic entitlement of \$62,075, as well as other increases in special education, facilities and adult education.

Full-time Kindergarten

The full-time kindergarten provisions, adding \$28.3 million in state costs, provide state average number belonging (ANB) funding for students enrolled in full-time kindergarten programs. A school district must offer at least a half-time program (a minimum of 360 hours) and may offer a full-time kindergarten program (a minimum of 720 hours). If the district enrolls students in a full-time kindergarten program, full-time ANB funding will be provided. Schools must allow a parent to enroll a child half-time in a full-time kindergarten program. The estimate of the state cost of full-time kindergarten assumes that 80 percent of the eligible kindergarteners will enroll in FY 2008 and 90 percent in FY 2009. Approximately 25 percent of kindergarteners are enrolled in full-time kindergarten currently. The estimate of the state cost of kindergarten includes an increase in the quality educator payment for the additional teachers that will need to be hired as well as added retirement costs. Full-time kindergarten will also require additional local district funding.

Quality Educator Payment

Another new source of ongoing money to K-12 is the increase in the quality educator payment, costing the state \$26.5 million. The quality educator payment increases from \$2,000 in FY 2007 to \$3,036 in FY 2008 and to \$3,042 in FY 2009. In addition, psychologists and social workers were added to the list of educators eligible for the payment.

Middle School Basic Entitlement

The legislature approved a new middle school basic entitlement of \$62,075 for FY 2008 and \$62,083 for FY 2009, adding \$1.0 million in state costs. Under previous law, districts with middle schools received a weighted average basic entitlement, with the elementary basic entitlement weighted by the proportion of students in K-6 and the high school basic entitlement weighted by the proportion of 7-8 students.

Others

The last sources of ongoing new money for districts are: 1) increases in special education for inflation; 2) increases in facilities payments for new bond issues in Billings and Lockwood; and 3) increases in adult education. The total increase for these items during the 2009 biennium is \$6.6 million.

NEW ONGOING APPROPRIATIONS BY THE STATE WHICH ARE NOT NEW MONEY TO SCHOOL DISTRICTS

The legislature approved two appropriations that impact the state treasury, but add no new money to school district coffers. The cost to the state for these provisions is \$62.1 million for the 2009 biennium.

Tax Relief

The first is the tax relief conferred by raising the guaranteed tax base (GTB) subsidy ratio to 193 percent from its current level of 175 percent. This raises the state share in the base budget and lowers

the local share by increasing the subsidy amount for each GTB-eligible school district and by making more districts GTB-eligible. Districts would have received this money whether this law was changed or not, either from mandatory base taxes or from increased GTB aid. The increase in state costs in the 2009 biennium will be \$21.4 million and the reduction in local base taxes is the same.

School Trust Land Royalties

The second increase in state general fund appropriations that do not represent new money to districts is the diversion of school trust land royalties to a facilities trust account. Under previous law, oil and natural gas royalties earned by the state on school trust lands would have gone to pay base aid to school districts, supplanting general fund. Because these royalties will now be distributed to the facilities trust, general fund will have to be used in place of these funds to pay base aid costs. The amount is \$40.8 million for the 2009 biennium. The monies in the trust will accumulate until the next legislature decides how to appropriate them for school facility purposes.

NEW ONE-TIME-ONLY (OTO) MONEY TO SCHOOL DISTRICTS

The legislature approved three one-time-only appropriations to school districts for the 2009 biennium. These were an Indian Education for All payment, a gifted and talented payment, and start-up costs for full-time kindergarten. The cost of these proposals is \$15.0 million for the 2009 biennium.

Indian Education for All

The Indian Education for All payment is \$1.5 million per year in the 2009 biennium, and will not continue after that. The distribution mechanism in SB 2 requires that each district will receive a minimum of \$500. The remaining money is distributed on a per-ANB basis, approximately \$9.72 per ANB, and is to be deposited in the districts' miscellaneous fund.

Gifted and Talented

The gifted and talented payment is \$1.0 million per year. The funds will be distributed through an application process in the same manner that gifted and talented funding is currently distributed.

Full-time Kindergarten Start-up Costs

The appropriation for one-time-only startup costs for full-time kindergarten is \$10.0 million. The legislature, in SB 2, provided a mechanism for distributing a one-time-only payment to elementary districts for start-up costs for full-time kindergarten. The money will be distributed based on kindergarten enrollment reported to the Office of Public Instruction (OPI) in October 2006. To receive the money, school districts must indicate their intent to offer full-time kindergarten by FY 2012. For school districts that do not indicate their intent to offer full-time kindergarten by July 1, 2012, the money designated for these districts will revert to the state general fund. HB 2 appropriates \$10.0 million for distribution to elementary programs, which is estimated to be approximately \$971 per kindergarten student.

CONTINGENT NEW OTO MONEY TO SCHOOL DISTRICTS

The legislature approved up to \$30 million in FY 2008 to be distributed to schools for capital improvements and deferred maintenance on a one-time-only basis, contingent on excess state general fund revenue realized in FY 2007. School districts must deposit the money in the miscellaneous programs fund. The money must be spent by the end of FY 2017 to avoid reversion to the state.

The amount that will be distributed to schools is the amount by which the unaudited general fund revenue in FY 2007 exceeds the revenue estimate of \$1,762,355,000. The total appropriation for the school unit payment is limited to \$30 million. At \$30 million, the school unit payment is estimated to be \$34,153 per school unit in FY 2008. The amount of money available for distribution to schools is expected to be known in August 2007. The money will be distributed to school districts on the same schedule as direct state aid.

This funding will be distributed per school unit, which is defined as 800 ANB for a high school district; 250 ANB for the K-6 ANB of an elementary district with an approved 7-8 grade program, junior high school or middle school; 250 ANB for the K-8 ANB of an elementary district without an approved 7-8 grade program, junior high school or middle school; and 450 ANB for the 7-8 grade ANB of an elementary district with an approved 7-8 grade program, junior high school or middle school. The number of school units for a district is determined using current year ANB. It is estimated that there will be 878.4 school units in FY 2008.

LONG-RANGE PLANNING SUMMARY

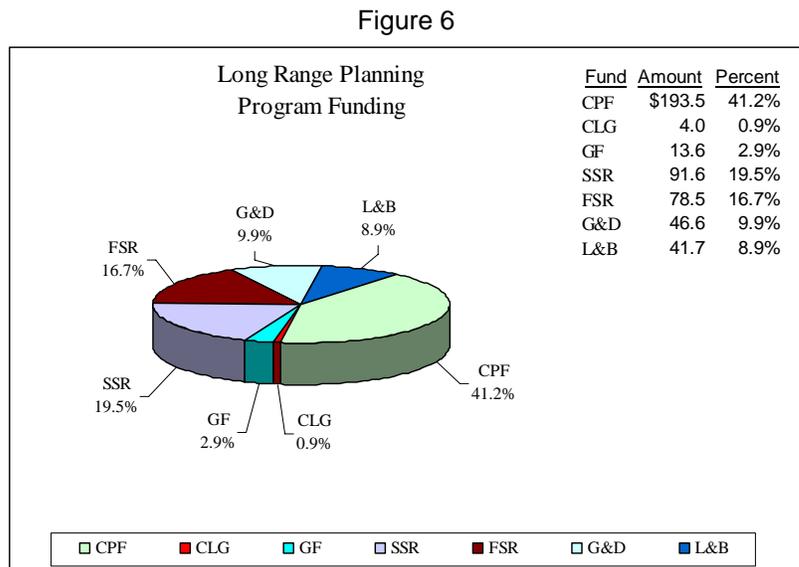
The 2007 Legislature approved \$469.5 million of capital projects, grants, and loans in the Long Range Planning (LRP) programs. This represents an overall decrease of \$6.5 million, or 1.4 percent, from LRP spending in the 2007 biennium. However, the Sixtieth Legislature developed the 2009 biennium long-range budget primarily with cash funding. Figure 5 below summarizes the funding for each of the LRP programs. The amounts shown reflect the funding appropriated or authorized for projects. The marked increase in cash funding resulted from the extensive use of one-time-only state general fund, which funded \$171.4 million, or 36.5 percent, of all LRP appropriations through transfers to various capital project accounts. More detailed information on the LRP programs can be found in the 2009 Biennium Legislative Fiscal Report, Volume 4, Section F.

Figure 5
Legislative Action -- 2007 Session
Long Range Planning Programs
2009 Biennium (dollars in millions)

Bill #	Program	LRBR CPF	Other CPF	Total CPF	CLG	GF	SSR	FED	G&D	B&L	Total	GF OTO Trnsf.
HB 4 (ss)	LRBP and Other State Projects - Cash	\$139.7	\$10.0	\$149.7	\$4.0	\$4.0	\$51.9	\$48.2	\$46.6	\$0.0	\$304.4	\$126.1
HB 4 (ss)	LRITP		43.8	43.8		6.6		30.3			80.7	43.8
HB 4 (ss)	State Building Energy Conservation Program					3.0					3.0	
HB 6 / HB 512	Renewable Resource Grant Program						8.6				8.6	
HB 8	Renewable Resource Loan Program									9.1	9.1	
HB 7	Reclamation & Development Grant Program						5.6				5.6	
HB 9	Cultural & Aesthetic Grant Program						0.7				0.7	1.5
HB 512	Treasure State Endowment Program*						18.0			15.4	33.4	
HB 512 / HB 8	Treasure State Regional Water System Grants						6.8			17.2	24.0	
Total		<u>\$139.7</u>	<u>\$53.8</u>	<u>\$193.5</u>	<u>\$4.0</u>	<u>\$13.6</u>	<u>\$91.6</u>	<u>\$78.5</u>	<u>\$46.6</u>	<u>\$41.7</u>	<u>\$469.5</u>	<u>\$171.4</u>

LRBF=Long-Range Building Fund; CPF=Capital Project Funds; CLG=Capitol Land Grant; G&D=Grants, Donations, Proprietary Funds, and Higher Education Funds; B&L=Bonds and Loans
*Does not include \$2.2 million of funds expected to be borrowed for the payment for the purpose of a renewable resource program grant

Funding for the LRP programs is derived from a number of different sources. Figure 6 shows the proportional breakdown of the funding for LRP programs. The largest source of LRP funding is derived from state capital project funds (CPF), which include the Long-Range Building Program (LRBP), the Long-Range Information Technology Program (LRITP), and the Fish, Wildlife, and Parks (FWP) capital project funds. In the 2009 biennium, 41 percent, a total of \$193.5 million, of all the LRP budgets are funded in capital projects fund types. Of the capital project funding, 89 percent result from one-time-only transfers from the state general fund.



Other sources of funding for the LRP include state special revenue (SSR), federal special revenue (FSR), grants; donations, grants and donations (G&D), loans and bonds (L&B), general funds (GF), and capitol land grant funds (CLG). Most SSR funds are appropriated to the Department of Transportation

and the Department of Fish, Wildlife, and Parks in the LRBP. The Treasure State Endowment program also uses significant SSR. Federal special revenues primarily fund LRBP projects in FWP and Department of Military Affairs and Department of Public Health and Human Services information technology projects (IT) in the LRITP. Another large funding source of LRP is captured in the "G&D" category, which consists of a combination of non-state funds like grants, donations, proprietary funds, and higher education funds. The size of this category can be attributed to the funding in the LRBP for Montana University building projects. General fund makes up only 3 percent of the LRP appropriations.

LONG-RANGE BUILDING PROGRAM (LRBP)

Total LRBP appropriations and authorizations for the 2009 biennium are \$304.4 million. HB 4 passed in the May 2007 special session, appropriates funds for capital construction and maintenance projects statewide. The LRBP budget for the 2009 biennium makes use of cash funding for projects that have historically been funded with bond proceeds. For example, the state will purchase the Missoula forensic lab with \$7.5 million, construct two new buildings to house IT equipment and personnel with \$14.5 million, and continued work at the Petroleum building at Montana Tech in Butte with \$5.2 million. One project, the US Highway 93 road project, was funded at \$26.0 million in the LRBP but is not a LRBP project.

Through the LRBP, the Sixtieth Legislature made some headway on the backlog of deferred maintenance, which has been an issue in the state for many years. The legislature approved between \$40 million and \$65 million of projects that will directly reduce the estimated \$200 million deferred maintenance backlog. One project that will significantly reduce the deferred maintenance backlog is the renovation of Gaines Hall on the Montana State University in Bozeman campus, funded at \$28.5 million. Another major contribution to reduction of the backlog is the appropriation of \$6.3 million for deferred maintenance at the Montana State University agriculture experiment stations.

LONG-RANGE INFORMATION TECHNOLOGY PROGRAM (LRITP)

The LRITP is a new program that constitutes an alternative method of funding large IT investments, those over \$2 million. By consolidating major IT projects in one program, several administrative and legislative objectives will be achieved. The objectives include centralizing administration, providing enhanced oversight, and fostering stronger partnerships between agencies and the state CIO. The 2009 biennium program will include four projects for the Department of Administration, five projects for the Department of Public Health and Human Services, and one project for the Judicial Branch. HB 4 passed in the May 2007 special session contains \$80.7 million of appropriations for the LRITP.

STATE BUILDING ENERGY CONSERVATION (SBEC)

The State SBEC, operated by the Department of Environmental Quality (DEQ), was established to reduce operating costs in state facilities by identifying and funding cost-effective energy efficiency improvement projects. The projects are designed so that the energy savings exceed administrative and project costs. HB 4, passed in the May 2007 special session, appropriates \$3 million of one-time-only state general fund to fund the SBEC program.

RENEWABLE RESOURCE GRANTS AND LOAN PROGRAMS (RRGL)

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 Sixtieth Legislature appropriated \$8.6 million of state special revenues and authorized 78 RRGL grants in HB 6

of the 2007 regular session and authorized a \$9.1 million RRGL loan program in HB 8. The interest rates on loans appropriated in HB 8 are subsidized with coal severance tax revenues in cases of financial need.

RECLAMATION AND DEVELOPMENT GRANT PROGRAM (RDGP)

The RDGP was established to fund projects that: 1) repair, reclaim, and mitigate environmental damages to public resources from non-renewable resource extraction; and 2) develop and ensure the quality of public resources for the benefit of all Montana citizens. The legislature appropriated \$5.6 million of state special revenue to fund 19 RDGP grants in HB 7 of the 2007 regular session.

CULTURAL & AESTHETIC GRANT PROGRAM

The Cultural & Aesthetic Grant Program (C&A), administered by the Montana Arts Council (MAC), is funded with interest earned from the C&A trust, for the purpose of protecting works of art in the state capitol or other cultural and aesthetic projects in accordance with 22-2-301, MCA. Appropriations of \$698,770 to fund 82 C&A grants and \$30,000 for the protection of artwork at the capitol complex are included in HB 9, passed in the 2007 regular session.

The legislature approved a one-time-only general fund transfer of \$1.5 million to the cultural trust. The transfer completes the repayment a corpus expenditure for the 1997 purchase of Virginia and Nevada Cities and provides additional funds to compensate the trust for other fund diversions.

TREASURE STATE ENDOWMENT PROGRAM (TSEP)

The TSEP is a state infrastructure-financing program funded with investment earnings from the TSEP trust in accordance with Section 90-6-701, MCA. Infrastructure projects include drinking water systems, wastewater treatment facilities, sanitary sewer or storm water systems, solid waste disposal and separation systems, and bridges. HB 512, passed in the 2007 regular session, appropriates \$18 million from the interest and earnings of the trust and \$17.2 million of Board of Investment (BOI) loan proceeds to fund emergency grants, preliminary engineering grants, and 56 TSEP grants to local governments. Also appropriated in HB 512 is a \$2.2 million grant to the Department of Natural Resources and Conservation (DNRC) for renewable resource projects. The legislature expected the grant to be funded with TSEP loan proceeds. The grant will allow DNRC to fund all RRGL grant requests. Consequently, the fiscal impact of this grant is contained in the RRGL description of this summary.

TREASURE STATE ENDOWMENT REGIONAL WATER PROGRAM (TSEPRW)

The TSEPRW, established in 90-6-715, MCA, was created to finance regional drinking water systems that supply water to large geographical areas and serve multiple local governments. The legislature funded the TSEPRW program through two sources in the 2009 biennium. First, \$6.8 million was appropriated from the interest earnings of the TSEP regional water trust in HB 512. Next, the legislature authorized the BOI to issue \$17.2 million of coal severance tax bonds in HB 8, \$15.4 million to fund the state match for regional water projects and \$1.8 million to fund a loan reserve. The interest earnings from the regional water trust will pay the costs associated with the bond issue.

OTHER APPROPRIATION BILLS

Although a large majority of direct appropriations occur in the general appropriations act (HB 2), other bills may also contain appropriations. Figure 7 lists all bills in which a separate appropriation was made, totaling \$130.6 million general fund and \$593.4 million for all funds. The list does not include bills that either establish or change existing statutory appropriations. Supplemental appropriations are not included and are discussed later in this section. It should be noted that the \$130.6 million general fund identified actually understates the general fund impact of these bills because in some instances, money is transferred from the general fund to a different fund account before it is appropriated. Transfers are discussed later in this Other Budget and Fiscal Actions section.

The long-range planning bills are discussed in Volume 4, Section F of this report. HB 13 (State Employee Pay Plan) is discussed on page 93. The other bills are discussed in the narratives of the appropriate agencies in either Volume 3 or Volume 4 of the 2009 Biennium Legislative Fiscal Report, and a short description of these bills follows.

HB 9 (special session) – This legislation appropriates to the Department of Revenue \$1,028,863 from the general fund for the administration of the \$400 per household property tax refund also authorized in this bill.

HB 26 – This legislation transfers the Rail Service Competition Council from the Governor's Office to the Department of Transportation for administrative purposes, expands duties of the council, and appropriates \$50,000 general fund each year of the biennium.

HB 49 – This bill requires the legislature's Local Government and Education Committee to study local government special purpose districts and appropriates \$20,000 general fund for the biennium to cover costs of the study.

HB 57 – The bill appropriates \$70,000 each year of the biennium to the Department of Public Health and Human Services for the purpose of purchasing liability and property damage insurance for foster parents.

HB 63 – To address the actuarial soundness of the teachers retirement system, this legislation provides a \$50 million general fund cash infusion to the teachers retirement system (TRS), increases the employer contribution and provides that the state, through a statutory appropriation, pay the cost of the this supplemental contribution. It also appropriates \$2.3 million total funds for the state agencies and the university system to pay the supplemental contribution costs for their TRS member employees. See further discussion on retirement plans later in this other fiscal actions section.

HB 90 – This bill increases the debt limit of the municipal finance consolidation act by \$6 million and appropriates that amount from the capital projects fund to the Department of Justice for the purpose of work on the motor vehicle information technology system.

HB 125 – The legislature appropriates from the general fund to the public employees' retirement board \$1.4 million to be used exclusively for repaying the loan for startup costs of the defined contribution retirement plan.

Figure 7
Other Appropriation Bills
FY 2007 and 2009 Biennium

Bill No.	Short Title	FY 2007			FY 2008			FY 2009		
		General Funds	State Special	Other Funds ¹	General Funds	State Special	Other Funds ¹	General Funds	State Special	Other Funds ¹
<u>Long-Range Planning Bills</u>										
HB 4 ss	Long-range building appropriations ²	\$4,000,000	\$51,947,160	\$276,014,448	\$4,821,765	\$0	\$0	\$4,821,765	\$0	\$0
HB 6	Renewable resource grants	0	0	0	0	3,200,000	0	0	3,200,000	0
HB 7	Reclamation and development grants	0	0	0	0	2,793,211	0	0	2,793,211	0
HB 8	Renewable resource bonds and loans	0	0	0	0	26,279,448	0	0	0	0
HB 9	Cultural and aesthetic grants	0	0	0	0	364,385	0	0	364,385	0
HB 512	Fund certain local government infrastructure projects	0	6,686,000	0	0	17,798,772	0	0	17,798,771	0
	Sub-Total	<u>\$4,000,000</u>	<u>\$58,633,160</u>	<u>\$276,014,448</u>	<u>\$4,821,765</u>	<u>\$50,435,816</u>	<u>\$0</u>	<u>\$4,821,765</u>	<u>\$24,156,367</u>	<u>\$0</u>
<u>Other Appropriations Bills</u>										
HB 9 ss	\$400 rebate for property taxes paid, tax relief	\$0	\$0	\$0	\$514,432	\$0	\$0	\$514,431	\$0	\$0
HB 13	Pay plan for state employees ³	0	0	0	18,611,004	8,296,751	5,334,734	39,993,357	17,214,471	11,330,929
HB 26	Revise rail service competition council	0	0	0	50,000	0	0	50,000	0	0
HB 49	Require study of local government special purpose districts	0	0	0	10,000	0	0	10,000	0	0
HB 57	Foster parent liability insurance	0	0	0	70,000	0	0	70,000	0	0
HB 63	Actuarially fund teacher retirement system ³	50,000,000	0	0	1,135,098	2,410	33,197	1,116,641	2,480	34,305
HB 90	Incr. loan auth. for MT enhanced registration & lic. info. network	0	0	0	0	0	2,990,000	0	0	3,010,000
HB 125	Repay loan for startup costs of the defined contribution retirement plan	1,400,000	0	0	0	0	0	0	0	0
HB 131	Actuarial funding for MPERA retirement systems ³	0	0	0	309,633	212,659	219,024	326,913	221,068	227,230
HB 155	Extend National Guard life insurance reimbursement	0	60,000	0	0	100,000	0	0	100,000	0
HB 160	Repay land trusts for prior diversions	0	0	0	1,315,345	0	0	0	0	0
HB 195	Revise developmental disabilities services	0	0	0	156,640	0	0	161,320	0	0
HB 284	Improve Giant Springs state park - agreement with Little Shell Tribe	0	0	0	500	0	0	0	0	0
HB 298	Reauthorize natural resource damages program	0	0	0	0	200,000	0	0	200,000	0
HB 304	Create interim water policy committee	0	0	0	50,000	0	0	50,000	0	0
HB 364	Estab. board & fund to compensate livestock owners for wolf predation	0	0	0	60,000	0	0	60,000	0	0
HB 406	Montana community health center support	0	0	0	0	650,000	0	0	650,000	0
HB 480	Fund restoration and maintenance of Daly mansion	0	0	0	25,000	0	0	25,000	0	0
HB 488	Study of property taxes	0	0	0	25,000	0	0	25,000	0	0
HB 540	Increase silicosis benefits	0	0	0	21,000	0	0	21,000	0	0
HB 574	Assist Deer Lodge in rebuilding Rialto theater	0	0	0	25,000	0	0	25,000	0	0
HB 592	Highway signs for veteran's memorial	0	5,000	0	0	5,000	0	0	0	0
HB 677	Fund after school programs	0	0	0	125,000	0	0	125,000	0	0
HB 829	Blackfeet Tribe - State water compact implementation	0	650,000	0	0	900,000	0	0	900,000	0
HB 831	Revise water use laws in closed basins	0	0	0	250,000	0	0	250,000	0	0
	Sub-Total	<u>\$51,400,000</u>	<u>\$715,000</u>	<u>\$0</u>	<u>\$22,753,652</u>	<u>\$10,366,820</u>	<u>\$8,576,955</u>	<u>\$42,823,662</u>	<u>\$19,288,019</u>	<u>\$14,602,464</u>
	Total All Bills	<u>\$55,400,000</u>	<u>\$59,348,160</u>	<u>\$276,014,448</u>	<u>\$27,575,417</u>	<u>\$60,802,636</u>	<u>\$8,576,955</u>	<u>\$47,645,427</u>	<u>\$43,444,386</u>	<u>\$14,602,464</u>

Notes: ¹ Other funds might be federal funds, proprietary funds, and/or capital project funds.

² Although long-range building moneys are appropriated in FY 2007, the spending authority continues into the 2009 biennium.

³ The amounts appropriated to state agencies for pay plan or employer pension costs are included in the agency tables of the agency budgets in Volumes 3 and 4.

HB 131 – This legislation phases-in increases to the employer contribution to the public employees' retirement system (PERS) and the sheriffs' retirement system (SRS) at a cost of \$1.5 million total funds for the 2009 biennium. The bill also reduces the guaranteed annual benefit adjustment for employees hired after July 1, 2007 from 3 percent to 1.5 percent for the PERS plan, the SRS plan, and the game wardens and peace officers' retirement plan. These actions address the actuarial soundness of these plans. See further discussion on retirement plans later in this other fiscal action section.

HB 155 – The legislature appropriated \$260,000 state special revenue (funds transferred from the general fund) to the Department of Military Affairs to fund an account used to reimburse Montana residents, who are members of National Guard, reserve, or active military components that serve in contingency operation, for the cost of group life insurance premiums.

HB 160 – This bill provides, through a combination of appropriations (\$1.3 million) and transfers (\$139,099) from the general fund, for the repayment of moneys diverted in past years from land trusts and trust beneficiaries.

HB 195 – The legislature appropriated \$317,960 general fund for the 2009 biennium to the Department of Public Health and Human Services to provide services to certain developmentally disabled individuals who have graduated from high school but have not turned 19 years of age on or before September 10 in the school year or years following graduation and who are qualified to receive developmental disability services from the Department of Public Health and Human Services.

HB 284 – The bill provides that the Department of Fish, Wildlife and Parks may enter into an agreement with the Little Shell Chippewa Tribe that would authorize the tribe to renovate a building at the Morony town site in Giant Springs State Park and use the building for offices, interpretive areas, and related cultural and recreational activities. The bill appropriates \$500 from the general fund to the department.

HB 298 – The remainder of a \$650,000 loan originally appropriated to the Department of Justice in the 2003 session is reappropriated in this bill to the department for the biennium ending June 30, 2009, for the purpose of conducting natural resource damage assessments and litigation and pursuing the state of Montana's natural resource damage claims and any appeals through the natural resource damage program. The remaining amount is about \$400,000 state special revenue funds.

HB 304 – The legislature created a Water Policy Interim Committee and appropriated \$100,000 general fund for its work, \$50,000 to the interim committee completing a water quantity and water quality policy analysis, and \$50,000 to the Bureau of Mines and Geology for the purpose of collecting data for use by the committee.

HB 364 – The legislature created a Livestock Loss Reduction and Mitigation Board, the purpose of which is to administer the programs called for in the Montana gray wolf management plan and to minimize losses caused by wolves to livestock producers and to reimburse livestock producers for livestock losses from wolf predation. The bill appropriates \$120,000 general fund to the Department of Livestock.

HB 406 – The legislature appropriated \$1.3 million state special revenue (moneys transferred from the general fund) to the Department of Public Health and Human Services for allocation to community health centers for primary and preventive health care services.

HB 480 – The legislature appropriated \$50,000 general fund to the Department of Commerce in the 2009 biennium to be awarded to the Daly mansion preservation trust for direct maintenance and restoration of the Daly mansion and grounds.

HB 488 – The legislature directs the Revenue and Transportation Interim Committee to study the reevaluation of property for property tax purposes and provides \$50,000 general fund to the Legislative Services Division to pay the expenses of the study.

HB 540 – The legislature increased the maximum monthly benefit from \$300 to \$350 for beneficiaries of silicosis benefits and appropriated \$21,000 general fund each year of the 2009 biennium.

HB 574 – This bill appropriates \$50,000 general fund to the Department of Commerce for the 2009 biennium for grants to assist in the restoration and renovation of historical and cultural arts centers impacted by a disaster, specifically in this instance, the Rialto Theatre in Deer Lodge.

HB 592 – This bill appropriates \$10,000 state special revenue to the Department of Transportation for the period including FY 2007 and FY 2008 for the purpose of erecting highway signs that direct motorists to the Montana Veterans' Memorial in Great Falls.

HB 677 – The legislature appropriated \$250,000 general fund to the Board of Crime Control in the 2009 biennium, to provide grants to sustain funding for existing prevention and after-school programs for at-risk youth.

HB 829 – This bill provides for the means to ratify the impending water rights compact among the Blackfeet Tribe, the State of Montana, and the United States, by creating a funding mechanism (mitigation account) for the state's costs of implementation of the compact. There is a \$15 million general fund transfer to the account, \$10 million of which is to be held in escrow. From interest and income from the escrow portion, the legislature appropriates up to \$650,000 per year beginning in FY 2007. From the mitigation account, the legislature appropriates \$500,000 in the 2009 biennium. The remaining \$14.5 million in the account is appropriated contingent on the ratification by all parties.

HB 831 – The legislature, in revising water laws related to "closed basins", appropriated \$500,000 general fund to the Montana Bureau of Mines and Geology for the 2009 biennium only, to conduct a case study, in coordination with the Department of Natural Resources and Conservation, to gather and develop data to determine minimum standards and criteria for hydrogeologic assessments, as defined in the bill, associated with ground water withdrawals and the impacts of those withdrawals on surface water and ground water resources.

ONE-TIME-ONLY EXPENDITURES

The legislature appropriated almost \$500 million in one-time expenditures. This is an extremely high amount for one-time proposals, and reflects the legislature's adoption of the Governor's recommendation to use one-time revenues from a high beginning general fund balance for one-time purposes, in order to maintain structural balance in the general fund. These one-time expenditures are in HB 2, other legislation, and transfers as noted in Figure 8. The following details each of the increases, using categories developed by the LFD.

Expenditure Description	Biennial Amount	In HB 2?	HB 2 Agency	Fiscal Rpt Page #
<u>Emergency/Safety/Security</u>				
Interoperability Communication	2,622,424	Yes	Corrections	D-64
Fire Fighting Equipment	1,000,000	Yes	DNRC	C-135
Other Miscellaneous	674,015	Yes	Various	
<u>Economic Development</u>				
New Worker Training	7,994,811	Yes	Commerce	C-164
Tribal Economic Development	1,597,044	Yes	Commerce	C-164
Biomedical Research Grant	2,000,000	Yes	Commerce	C-166
Other Miscellaneous	2,917,190	Yes	Commerce	C-165
<u>Environmental - Access/Remediation/Enhancement</u>				
Accelerated Remediation	2,000,000	Yes	DEQ	C-67
Blackfeet Tribe Water Rights	15,000,000	No	DNRC	---
Miscellaneous Environment Related	3,273,000	Both	Various	---
Noxious Weeds	5,000,000	No	Agriculture	---
<u>Reduce Taxes</u>				
Property Tax \$400 Rebate	99,758,567	No	---	---
Water Adjudication Fee Elimination	25,000,000	No	---	---
<u>Facilities and Maintenance</u>				
Long-Range Building (HB 4)	184,560,414	No	Various	---
Other Miscellaneous	1,297,650	Both	---	---
<u>Human Services Related</u>				
Low Income Energy Assistance/Warm Hearts Warm Homes	1,600,000	Yes	DPHHS	B-374
Aging Services	3,000,000	Yes	DPHHS	B-190
CFSD Targeted Case Management Fund Switch	3,600,000	Yes	DPHHS	B-47
Behavioral Inpatient Health Facility	3,000,000	Yes	DPHHS	B-212
Child Support Deficit Reduction Act Fund Switch	3,775,354	Yes	DPHHS	B-61
Family Planning Services	1,072,046	Yes	DPHHS	B-93
Grants to County Health Boards	1,574,928	Yes	DPHHS	B-80
Community Health Center Support	1,300,000	No	DPHHS	---
Other Miscellaneous	2,042,960	Both	DPHHS	B-1
<u>Education Related</u>				
Gifted and Talented	2,000,000	Yes	OPI	E-22
Indian Ed for All Payments/Tribal History	3,475,000	Yes	OPI	E-22/B-12
Improve Transferability (MUS)	1,545,000	Yes	MUS	E-86
Non-Beneficiary Assistance Increase (MUS)	1,014,000	Yes	MUS	E-124
Equip/Tech/Workforce Training in High Demand Areas (MUS)	3,500,000	Yes	MUS	E-119
Research Agencies Equipment	1,000,000	Yes	MUS	E-120
Full-Time Kindergarten Start-Up	10,000,000	Yes	OPI	E-21
Other Miscellaneous	3,530,000	Both	Various	---
<u>Fund, etc. Balances</u>				
Cultural and Aesthetic Grants	1,500,000	No	---	---
Children's Trust Fund	1,000,000	No	---	---
Repay Land Trusts for Prior Diversion	1,454,443	No	---	---
<u>Pensions</u>				
Teachers Retirement	50,000,000	No	---	---
Repay Loan for Defined Contribution Plan	1,400,000	No	---	---
<u>Other Major</u>				
Revenue collection related	5,155,988	Yes	Revenue	A-125
State employee pay plan (OTO portion, only)	3,075,000	No	---	---
FY 2007 Supplementals	2,802,315	No	Various	---
Various Information Technology	2,831,081	Yes	Various	
Various Equipment	1,696,837	Yes	Various	
Litigation	6,000,000	Yes	Justice/MDT	D-4/A-93
Meth Watch	1,000,000	Yes	Justice	D-33
Caseload Transition (Public Defender)	1,000,000	Yes	Public Defender	A-207
Military Family Relief Fund	1,000,000	No	---	---
Juvenile Re-Entry Fund Switch	1,756,892	Yes	Corrections	D-99
DEQ Business Process Improvement	1,776,392	Yes	DEQ	C-53
<u>All Other</u>	<u>3,922,607</u>	Both	Various	---
Grand Total	<u>489,095,958</u>			

Each of the HB 2 increases is discussed in further detail in the appropriate agency narrative in Volumes 3 and 4 of the 2009 Legislative Fiscal Report, as referenced in the far right column in the above figure. Others are discussed in the relevant sections in Volumes 3 and 4 (including Long-Range Planning), and other sections of this volume as appropriate.

TOBACCO SETTLEMENT FUNDS

Montana receives revenue as a settling party to a master settlement agreement (MSA) with four original tobacco companies and 46 subsequent companies which ended a four-year legal battle that included 47 states and 6 other entities. Currently, Montana is eligible for two types of payment: 1) on-going annual payments (to be received April 15th); and 2) strategic contribution payments (from FY 2008 through FY 2017). The MSA places no restrictions on how states are to spend the money.

REVENUE

The total amount of tobacco settlement funds available to Montana may be affected by a number of adjustments. The three most important are the adjustments for inflation, volume of cigarettes shipped nationally, and participating manufacturers' (PM) loss of market share. Montana's annual share will increase by a minimum amount of 3 percent or more if inflation is greater than 3 percent. The amount will decrease if the number of cigarettes shipped nationally decreases and will increase if the number increases. Proceeds may be reduced if it is proven that PM have lost market shares to those manufacturers who do not participate in the agreement and that the loss was significantly due to disadvantages caused by the MSA. This adjustment does not apply to a state that had a "qualifying statute" in effect for the full year in question and had diligently enforced it. Although PM have lost market shares, there is disagreement over the "qualifying statute" condition. The revenue estimates shown in the figure below include the market share loss reductions; not because all the conditions have been met, but because the PM may dispute portions of their payment. The result is that a portion of the money becomes unavailable to the settling entities even though the adjustments were not officially applied to the payments.

The figure below shows the revenue Montana has received through FY 2006 and amounts expected in FY 2007 and the 2009 biennium, as contained in HJ 2. The increase in revenue, due to larger payments by tobacco companies and the start of the strategic contribution payments, masks the reduction caused by the anticipation that PM will withhold a portion of their payments in FY 2007 and the 2009 biennium until the cause of the loss of market share is proven.

Figure 9 Tobacco Settlement and Tobacco Trust Revenues and Distributions									
Tobacco Settlement Revenue Allocations						Tobacco Trust Interest Earnings Allocations			
Current Distribution % Fiscal Year	State Special Revenue					90% State Special	10% Tobacco Trust	100% Total	
	11% General Fund	40% Trust Fund	32% Treat/Prevention	17% CHIPS, CHA	100% Total				
2000 Actual	\$34,804,411	\$0	\$0	\$0	\$34,804,411	\$0	\$0	\$0	
2001 Actual*	15,989,101	10,650,750	0	0	26,639,851	98,519	71,172	169,691	
2002 Actual	18,647,411	12,431,607	0	0	31,079,018	1,015,407	22,212	1,037,619	
2003 Actual	18,699,611	12,466,407	0	0	31,166,018	1,647,194	160,832	1,808,027	
2004 Actual**	2,933,928	10,668,829	8,535,064	4,534,252	26,672,073	2,402,846	266,983	2,669,829	
2005 Actual	2,977,777	10,828,281	8,662,625	4,602,020	27,070,703	2,882,103	320,234	3,202,336	
2006 Actual	2,733,614	9,940,413	7,952,330	4,224,676	24,851,033	3,048,774	338,753	3,387,527	
2007 Estimate	2,821,940	10,261,600	8,209,280	4,361,180	25,654,000	3,545,100	393,900	3,939,000	
2008 Estimate	3,855,390	14,019,600	11,215,680	5,958,330	35,049,000	4,110,300	456,700	4,567,000	
2009 Estimate	<u>3,995,530</u>	<u>14,529,200</u>	<u>11,623,360</u>	<u>6,174,910</u>	<u>36,323,000</u>	<u>4,871,700</u>	<u>541,300</u>	<u>5,413,000</u>	
Totals	\$107,458,713	\$105,796,688	\$56,198,339	\$29,855,368	\$299,309,108	\$23,621,942	\$2,572,086	\$26,194,028	

* In addition, \$1,143 general fund was recorded as prior year revenue.
 ** In addition, \$22,189 of interest to the trust was recorded as prior year revenue.

DISTRIBUTION

In FY 2000, the revenue received from the MSA was deposited to the general fund. However, due to passage of Montana Constitutional Amendment 35 by the electorate in November 2000, beginning in January 2001, the legislature is required to dedicate not less than 40 percent of tobacco settlement money to a permanent tobacco trust fund. Since the legislature has not yet specified in statute the exact percentage to be distributed to the tobacco trust fund, the revenue estimates assume 40 percent. From July 2000 to June 2003, 60 percent of the money was deposited into the general fund. Due to passage of Initiative 146 by the electorate in November 2002, beginning July 2003, 32 percent of the total tobacco settlement money funds tobacco prevention/cessation programs and 17 percent of the total funds the Children’s Health Insurance Program and programs of the Comprehensive Health Association (CHA). Senate Bill 485 (17-6-606, MCA) enacted by the 2003 Legislature allowed the 32 percent allocation to be used for human service programs and the 17 percent allocation to be used to match federal Medicaid money. These allowances terminated the end of June 2005. Money from both allocations can be used for tobacco disease prevention and to fund the Tobacco Prevention Advisory Board. Money not appropriated within two years is transferred to the tobacco trust fund. The remaining 11 percent of the MSA money is deposited to the general fund. Senate Bill 485 authorized the transfer of \$5,831,360 in FY 2004 and \$6,057,600 in FY 2005 from the account receiving the 32 percent allocation to a newly created prevention and stabilization state special revenue account. Figure 1 also shows actual settlement amounts distributed to the general fund, tobacco trust fund, and state special revenue accounts through FY 2006 and the amounts estimated to be distributed in FY 2007-2009.

TOBACCO SETTLEMENT TRUST FUND

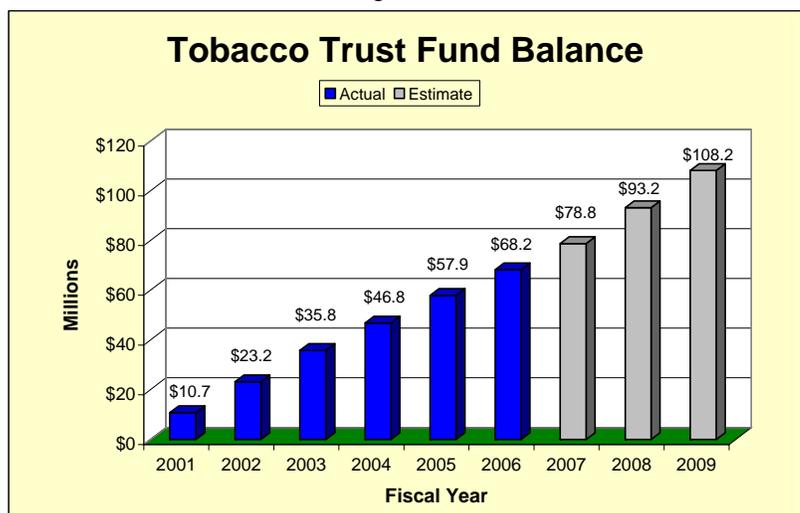
As stipulated in the Montana Constitution, interest earnings from the tobacco settlement trust fund are to be distributed:

- o 90 percent for appropriation by the legislature for disease prevention programs and state programs providing benefits, services, or coverage related to the health care needs of the people of Montana
- o 10 percent to the tobacco trust

Figure 9 shows these actual and estimated amounts.

The tobacco trust fund began receiving deposits of settlement proceeds and interest earnings in FY 2001. Figure 10 shows the fiscal year end fund balances through FY 2006 and the balances estimated by the legislature for FY 2007 and the 2009 biennium. Money in the tobacco trust fund can be spent if approved by 2/3 of each house of the legislature. Appropriations of principal, income, or interest from the trust fund cannot be used to replace state or federal money that supports tobacco disease prevention programs that existed on December 31, 1999.

Figure 10



2007 BIENNIUM SUPPLEMENTAL APPROPRIATIONS

Supplemental appropriations are used to increase existing spending authority for a fiscal year. The supplemental appropriations are for additional funding applicable to the current year, FY 2007. The original budget for FY 2007 was approved by the 2005 Legislature. Figure 11 shows supplemental appropriations since the 1987 biennium.

Biennium	Millions
1987	\$32.7
1989	17.1
1991	20.4
1993	82.2
1995	19.9
1997	14.2
1999	11.5
2001	68.2
2003	12.5
2005	12.7
2007	83.3

Figure 12 provides detail on the 2009 biennium supplemental appropriations. As shown, funds were provided for a number of agencies and the level of supplemental appropriations approved is highest in the last 11 biennia.

SUPPLEMENTAL APPROPRIATIONS

The following briefly discusses each appropriation.

Agency/Program	General Fund	Other Funds
Corrections		
Various costs increases	\$28,275,547	\$375,000
Public Health and Human Service		
Montana State Hospital populations/ FMAP/Admin leave	11,000,000	
Judiciary		
FY 2006 Public Defender Costs	2,500,000	
Office of the Public Defender FY 2007 Public Defender Costs	5,363,042	
Office of Public Instruction		
Tuition for State-Placed Students	200,000	
Transportation Aid	380,000	
Revenue		
Business Equipment Rate Reduction Reimbursement	2,802,315	
Justice		
Major Litigation/Debt Service	400,000	
Public Defender Settlement	375,000	
School Lawsuit	499,732	
Livestock		
Meat Inspection	97,534	
Transportation		
Motor Pool Subsidy	1,330,000	
Natural Resources and Conservation		
Fires Costs*	<u>30,062,271</u>	
Total	<u>\$83,285,441</u>	<u>\$375,000</u>

*\$5,062,271 of this total was appropriated in HB 10 to allow for immediate utilization. The remainder was appropriated in HB 3.

Department of Corrections

The Department of Corrections received a \$28.7 million supplemental due to population increases greater than the level funded included in the 2007 biennium budget, the addition of new programs, increased per diem rates for providers, and other costs drivers.

Department of Public Health and Human Services

A total of \$11.0 million was provided for the Department of Public Health and Human Services (DPHHS) for the following purposes:

1. Montana State Hospital additional staff due to population increases and increased salaries - \$4.7 million;
2. Change in the percentage of Medicaid costs paid for by the federal government - \$8.1 million;
3. Other federal fund shifts (deficit reduction act) - \$0.9 million;
4. Overtime and administrative leave at the Montana Development Center - \$1.6 million;

5. Additional child protective staff - \$0.3 million;
6. Caseload reductions – (\$4.2 million); and
7. Public health emergency and reduced administrative expenses – net (\$0.4 million)

Judiciary/Office of the Public Defender

The state is responsible for the provision of legal services to indigent persons. In FY 2007 these duties were expanded to include Courts of Limited Jurisdiction, formerly funded by local governments, and transferred to a new Office of the Public Defender. Both the Judiciary in FY 2006, when it was still responsible for these costs, and the Office of the Public Defender in FY 2007 received additional authority for costs in excess of the appropriation.

The Judiciary transferred \$2.5 million from FY 2007 to FY 2006 in March, 2006 for costs in excess of the appropriation and seeks replacement of these funds in FY 2007.

The Office of the Public Defender received \$5.4 million for both additional FY 2007 costs, and to replace funds transferred from FY 2007 to FY 2006 for additional start-up costs.

Office of Public Instruction

The Office of Public Instruction received funding for two purposes:

1. \$380,000 general fund for transportation in FY 2007. The original appropriation for FY 2006 and FY 2007 totaled \$24.38 million, and the 2005 Special Session funded a rate change for individual contracts that added \$130,000 for a total of \$24.51 million. Because of higher than anticipated miles traveled, the total appropriation was increased to \$24.89 million, an increase of \$380,000.
2. \$270,138 general fund for state tuition payments for students placed in state-licensed group homes and foster care by state agencies (DPHHS) and courts. (MCA 20-5-324). Costs are expected to total \$606,138, or \$270,138 more than the appropriation, due to a higher than anticipated number of students placed.

Department of Revenue

The Department of Revenue received funding to provide reimbursement of class 8 business equipment tax rate reductions to local governments in accordance with 15-1-112, MCA. The funding addresses an audit recommendation to record gross tax revenues for 40 mill state equalization aid levy and reimbursements to local governments as an expenditure instead of the past practice of only recording net revenues after local government reimbursements were netted from the 40 mill state equalization aid levy.

Department of Justice

The department received additional funding in FY 2007 for three purposes:

1. Additional major litigation costs of \$400,000 general fund. The department receives a biennial appropriation for costs of major litigation undertaken by the Attorney General on behalf of the state. This appropriation will be exceeded in the 2007 biennium.
2. Legal fees of the American Civil Liberties Union (ACLU) as part of the negotiated settlement for the public defender lawsuit. Prior to the 2005 legislative session the ACLU had suspended legal action against the state for failure to provide consistent and adequate legal services to indigent persons pending action by the legislature. The legislature created the Office of the Public Defender.
3. Funding for costs associated with the school funding lawsuit.

Department of Livestock

The legislature provided general fund to pay a larger portion of the cost of meat inspectors in the Department of Livestock due to declining federal participation. The department also received additional funding in the 2005 biennium for this purpose from one-time federal funds, but no additional funding was requested of the 2005 Legislature.

Department of Transportation

General fund was added to provide contributed capital to the state motor pool proprietary account for operating losses suffered in FY 2006 due to higher than anticipated fuel prices. The motor pool is funded through charges to agencies for long-term lease and short-term rental of state vehicles, and pays all fuel costs. The maximum rate than can be charged agencies is set by the legislature in HB 2.

Department of Natural Resources and Conservation - Fire Costs

Montana does not appropriate funds for future fire costs. Instead, any costs incurred by state government (the Department of Natural Resources and Conservation and the Department of Military Affairs) are paid by the agencies as they become due, and the legislature then provides a supplemental appropriation to both pay all outstanding claims and to reimburse the agency[s] for any costs already paid that are the responsibility of the state. Consequently, each legislative session the legislature is asked to provide a supplemental appropriation to pay for all state costs of fighting fires in the current biennium. Figure 13 shows fire supplemental costs since the 1983 biennium.

Figure 13
Supplemental Appropriations for Fire Suppression
1983 to 2007 Biennium

Biennium	Supplemental Appropriation	Statutory Appropriations	Total
1983	\$0.80	\$0.00	\$0.80
1985	2.90	0.00	2.90
1987	3.74	0.00	3.74
1989	12.64	0.00	12.64
1991	3.00	0.50	3.50
1993	7.94	1.96	9.90
1995	15.50	8.92	24.42
1997	4.47	3.10	7.57
1999	10.55	0.00	10.55
2001	33.22	6.20	39.42
2003	9.07	7.01	16.08
2005	0.00	0.00	0.00
2007	\$30.06	\$13.69	\$43.75

Montana had a severe fire season in FY 2006, coupled with declining federal participation and generally increasing costs of fighting individual fires.

FUND BALANCE ADEQUACY/RESERVES

Montana has bounced back from the severe revenue shortfalls that began in FY 2002 and continued into early FY 2004. Revenue projections through the 2009 biennium adopted by the Revenue and Transportation Interim Committee and the significant projected ending fund balances for the 2007 and 2009 biennia are proof of the turnaround and provided for a dramatic debate about how the balances should be spent. In addition, much of the projected balance can be characterized as “one-time” revenues that, if the budget is structurally balanced, should not be spent for on-going programs. Rather than cutting budgets as was the case just a couple of sessions before, the legislature was in a seemingly unusual position of arguing about the benefits or woes of additional spending versus giving money back to the taxpayers in rebates or permanent tax relief. At the heart of the debate was the issue of long-term sustainability of the revenues. What would it take to maintain budget stability?

Attaining general fund budget stability means more than setting appropriations equal to anticipated revenues, with a positive ending fund balance serving as a safety net. The adequacy of the state general fund balance can signify the difference between whether or not the state is forced to confront the unpleasant consequences of fiscal instability.

BACKGROUND

Montanans are all too familiar with the consequences of general fund balance inadequacy. In the late 1980's and early 1990's, the state general fund experienced a chronic deficit between revenues and disbursements. Much of the growth in the disbursement rate is a result of natural growth in expenditures due to inflation and/or caseload and enrollment increases, as well as supplemental spending for such contingencies as fire suppression. Revenue growth in the state has not always kept pace with expenditure growth. During the 2003 biennium, actual revenue growth was well below forecasts, primarily because of reduced income tax collection and lower interest rates, largely due to circumstances that could not be predicted when the 2003 biennium budget was being approved. The legislature adjourned from the 2001 regular session with a projected 2003 biennium general fund ending balance of \$54 million (2.3 percent of biennial appropriations). By the end of the first fiscal year, revenue collections for the biennium were \$153 million below legislative estimates. Even after the Governor directed statutory spending reductions of \$23 million, a special session was necessary to achieve an acceptable ending fund balance reserve through an additional \$59 million in budget balancing actions. Revenues still remained unstable as the Fifty-eighth Legislature imposed additional reductions as it shaped the 2005 biennium budget, ending the session with a projected fund balance of \$46.2 million or 1.7 percent. As we are now aware, revenue collections are running well ahead of estimates for 2007, and the 2007 legislature convened in January with an unprecedented level of general fund resources as it prepared to craft the 2009 biennium budget.

Recognizing that budgetary imbalances and revenue swings can occur, the state can either take a reactive or a proactive approach. During the 1993 and 1995 biennia, the state held three special legislative sessions to deal with budget shortfalls. Another occurred in August of 2002. Although special sessions allow lawmakers the ability to address issues relative to revenues and expenditures, special sessions can cost the taxpayers more than \$50,000 per day. The need for special sessions is also closely scrutinized by the national agencies that 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.

Again 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." Essentially, the executive branch assumes control of the budget decision-making process by implementing and prioritizing spending reductions. Further, budgetary imbalances can be addressed only from one side of the equation -- expenditures. This means that legislative priorities could potentially get lost in the process.

Because of the cost and disadvantages of taking a reactive approach to budget imbalances, a more effective method may be to approach these issues 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. For Montana, with projected total general fund revenues of \$3.6 billion, a minimum 3 percent reserve equates to a \$108.0 million ending fund balance. The revenue volatility of recent years might suggest that an even higher reserve would be more prudent.

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, both of which are prevalent in recent years and in current budget proposals. It is even more important since Montana is one of only three states that do not have a rainy day fund provision (although the legislature had a "rainy day" bill in SB 137 to consider during the regular session).

2007 LEGISLATIVE SESSIONS (REGULAR AND SPECIAL SESSION)

The 2007 Legislature ended the regular and subsequent May special session with an ending fund balance of approximately \$183.8 million. The ending fund balance exceeds the executive proposal of a \$100 million reserve and has been characterized by the Governor as a "savings account". However, a "rainy day" bill that was proposed in SB 137 and supported by the Governor was not passed by the legislature.

PENSION PLANS – UNFUNDED LIABILITIES

One of the major challenges facing the Sixtieth Legislature was the need to address the condition of certain public employee retirement plans. The four plans with unfunded actuarial accrued liabilities (UAAL) entering the 2007 legislative session were the:

- Public Employees' Retirement System (PERS)
- Sheriffs' Retirement System (SRS)
- Game Wardens' and Peace Officers' Retirement System (GWPORS)
- Teachers' Retirement System (TRS)

The Montana Constitution requires that public retirement plans be “actuarially sound” and statute requires that the plans with unfunded liabilities have the ability to amortize their unfunded liability within a 30-year period. The reported UAAL for the four plans was \$1.3 billion as of June 30, 2006, and an adjustment of about \$600 million, by cash transfer, contribution increases, or modification of future benefits, was required to make these plans actuarially sound. The legislature approved solutions that significantly improved the actuarial condition of the four retirement plans, solutions that are further described in the sections that follow.

PUBLIC EMPLOYEES RETIREMENT SYSTEM PLANS

Three (PERS, SRS, and GWPORS) of eight defined benefit plans administered by the Public Employees' Retirement Board (PERB) required action. The legislature enacted House Bill 131 to address the shortfalls of these three plans in two ways. First, for PERS and SRS, the bill phases in employer contribution rate increases:

- For PERS, 0.135 percent beginning July 1, 2007 and 0.27 percent beginning July 1, 2009, effectively increasing the employer rate from 6.9 percent to 7.035 percent for the biennium beginning July 1, 2007, and to 7.17 percent beginning July 1, 2009. This same increase is applied for the PERS members of the defined contribution plan also, to help amortize past liabilities.
- For SRS, 0.29 percent beginning July 1, 2007 and 0.58 percent beginning July 1, 2009, effectively increasing the employer rate from 9.535 percent to 9.825 percent for the biennium beginning July 1, 2007, and to 10.115 percent beginning July 1, 2009.

The rate will stay at that level until it is determined that the increased contribution is no longer needed, based on a determination in some future actuarial valuation that the amortization period is less than 25 years. The cost of the employer contribution rate increases for PERS member employees of school districts is being paid from state funds directly to the PERS trust fund to cover those costs.

Second, the bill provides that the guaranteed annual benefit adjustment (GABA), which for current members of the three retirement plans is 3 percent, will be reduced to 1.5 percent for future new hires, specifically persons hired on or after July 1, 2007. This modification to future benefits does not have a direct fiscal impact but rather allows change to assumptions that determine the actuarial condition in the long-term assessment of each plan.

These two changes only affect the three plans. The other five defined benefit plans administered by the PERB were not affected by these changes. Figure 14 shows the impacts of legislative action, both actuarially by showing the change in the amortization period, and fiscally by showing the direct costs of the solutions for state and local government.

Figure 14
Public Employee Retirement Plans
Pension Fund - Unfunded Liability
Impact of Legislative Action - HB 131^(a) on June 30, 2006 Valuation

Plan	Amortization Period		Funding Source	Estimated Costs of HB 131 Solutions			
	6/30/06 Valuation	Estimate after Legislative Action		FY 2008	FY 2009	FY 2010	FY 2011
PERS	(b)	30.2 years	State GF	\$481,952	\$502,582	\$1,050,396	\$1,097,663
			Other State Funds	429,356	443,461	926,833	968,541
			Other U-System Funds ^(c)	79,830	84,647	179,966	188,064
			Local Funds	394,591	411,360	1,020,157	1,063,513
SRS	(b)	30.6 years	State GF	3,824	3,980	8,319	8,693
			Other State Funds	2,326	2,420	5,056	5,283
			Local Funds	104,056	109,779	231,634	244,373
GWPORS	31.4 years	13.4 years	n/a	0	0	0	0
Totals				<u>\$1,495,935</u>	<u>\$1,558,229</u>	<u>\$3,422,361</u>	<u>\$3,576,130</u>

Notes: ^(a) Action being the employer rate increase and the GABA reduction for new hires.
^(b) Cannot be amortized
^(c) Non-appropriated university system funds

TEACHERS' RETIREMENT SYSTEM

The legislature enacted House Bill 63 to address the unfunded liability of TRS. The bill makes a few key changes. First, the bill, in effect, increases the employer contribution on behalf of TRS members by 2.0 percent beginning July 1, 2007 and by 2.38 percent beginning July 1, 2009. However, these changes are handled in a couple of different ways:

- o For TRS members that are employees of school districts or community colleges, the cost of the increase is paid from state dollars directly to the TRS trust fund. School districts and community colleges do not pay for the increase, the intent being to avoid local tax increases to pay for the increased cost of retirement contributions.
- o For all other TRS members (those employed by state agencies or the university system), the increased cost of employer contributions are paid by the employer in the same manner as always, through the payroll system as a direct cost of the employer. The bill does include an appropriation to cover the increased costs of each agency.

There is also an employer contribution rate increase of 0.68 percent applied for employees participating in the university system Optional Retirement Program (ORP) with the increase required to amortize past liability of university system members.

Secondly, the legislature approved a \$50 million appropriation to the TRS trust fund as a cash infusion to directly increase the assets of the pension fund.

Third, the bill made some changes to the TRS statutes to close some “loopholes” in the law that allowed for some “gaming” of the system that can result in increased liabilities.

Figure 15 shows the impact of HB 63, actuarially and fiscally.

Plan	Amortization Period Change		Estimated Costs of HB 63 Solutions					
	6/30/06 Valuation	Estimate after Legislative Action	State and Local Cost	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
TRS	(b)	33.2	State GF	\$50,000,000	\$13,227,624	\$13,754,178	\$16,943,070	\$17,647,537
			Other State Funds	0	35,607	36,785	45,525	47,345
			Local Funds	0	0	0	0	0

Notes: ^(a) Action being the employer rate increase and \$50 million GF cash infusion
^(b) Cannot be amortized

OTHER LEGISLATION

Besides “housekeeping” bills for PERS (HB 129) and TRS (HB 81), a few other notable bills were enacted by the 2007 Legislature:

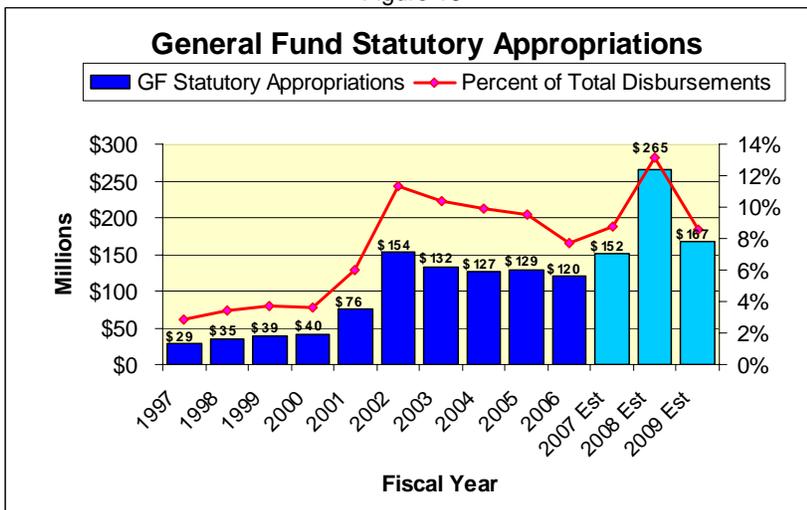
- HB 95 increases the employer’s retirement contribution by 1 percent for employees participating in the Optional Retirement Program (ORP), a defined contribution plan administered by the Board of Regents and available to academic and professional administrative personnel in the university system. The 1 percent increase is applied to each participant’s earned compensation. The increase is paid by a statutory appropriation from the general fund, and estimated to cost \$1.1 million in FY 2008 and \$1.2 million in FY 2009.
- HB 125 appropriates \$1.4 million general fund to the public employees’ retirement board to pay off the startup costs of the defined contribution retirement plan.
- HB 771 provides for annual actuarial valuations of retirement plans instead of the current biennial requirement. Additional valuations prepared for PERB administered plans would cost an additional \$65,000 in the 2009 biennium from PERB administrative funds.
- HJ 59 calls for a study of the retirement systems by an interim committee which is to include the production of a legislator’s guide on the topic of the retirement plans. As a study resolution, the implementation of this resolution will depend upon the prioritization of the many study resolutions passed by this legislature.
- SB 532 entitles new members to join the Firefighter’s United Retirement System (FURS) that are currently in the Public Employees Retirement System (PERS). It also allows members to return to service after retirement for a limited number of hours but there was not a study of the fiscal impact for this provision. There is a general fund impact of about \$1 million per year.

STATUTORY APPROPRIATIONS

GENERAL FUND

Statutory appropriations are a special kind of legislative appropriation. Unlike temporary appropriations that expire in two years (such as those in the general appropriations act), statutory appropriations are, as their name suggests, in statute and are not part of the biennial budgeting process. As such, they are not automatically reviewed by the legislature and are not subject to the priority setting process like temporary appropriations (such as those in HB 2). Since the appropriations are in statute, they remain in place until removed or changed by legislation. Since these appropriations tend to be “forgotten”, the legislature has made various attempts to not lose sight of them. In 1985, Representative Bardanoue sponsored legislation that required all valid statutory appropriations to be contained in a list in 17-7-502, MCA. That list provides statutory citations for each statutory appropriation. Although there are currently 97 sections listed, some sections have multiple statutory appropriations and each appropriation listed in statute could have multiple appropriations established on the state accounting system. Of these, 27 sections statutorily appropriate general fund. In 1993, Senator Grosfield successfully sponsored legislation (SB 378) that required a review of all statutory appropriations every two years by the Legislative Finance Committee. This requirement was removed by the 2001 legislature. Statutory appropriations are intended for only limited situations, and guidelines for the appropriateness for establishing them are specified in 17-1-508, MCA.

Figure 16



The significance of statutory appropriations lies not in the number of them, but rather in the amount of money authorized to be spent and whether the authorizations still reflect the priorities of the current legislature. All statutory appropriations are available for the legislature to review, prioritize, and change if desired. Figure 16 on the left illustrates the amount of general fund spent through statutory appropriations from FY 1997 through FY 2006 and estimated amounts from FY 2007 through

FY 2009. From FY 1997 through FY 2006, general fund expenditures from statutory appropriations increased \$91.4 million and, in FY 2006, comprised 8 percent of all general fund disbursements. For the 2009 biennium, \$432.1 million general fund is expected to be spent with statutory appropriations. The increase in FY 2001 is largely due to payment of wildfire costs incurred during the summer of 2000. The initiation of the county entitlement program in FY 2002 (enacted by HB 124 in the 2001 session) accounts for most of the large increase shown for that year. The large increase in FY 2008 is due to the enactment of HB 9 by the 2007 Legislature which provides for a \$400 rebate to taxpayers for a total cost of \$98.7 million.

The 2007 Legislature enacted nine laws that increase the amount of general fund that is statutorily appropriated in the 2009 biennium by \$134.5 million. These laws affect the appropriations by: 1) creating new statutory appropriations; 2) eliminating existing statutory appropriations; or 3) changing amounts appropriated from existing statutory appropriations.

HB 9 (special session) provides a rebate up to \$400 to qualified Montana homeowners on their primary residence in which they resided at least 7 months during 2006. Homeowners are eligible for the full \$400 if they paid at least \$400 in property taxes in tax years 2004, 2005 and 2006. Homeowners are eligible for the actual amount of property taxes paid in these three years if the total is less than \$400. The fiscal note states that there are 254,458 households qualifying for the full \$400 rebate of which 97 percent will claim the rebate for a cost of \$98,729,704. This legislation also provides a new general fund statutory appropriation in FY 2008 to the Department of Revenue to make the payments. This legislation is effective on passage and approval.

HB 12 enacts a mechanism to pay the state's share of county attorneys' salaries and health insurance benefits for each county or consolidated government. For those with a full-time attorney, the state share is 42.5 percent of the district court judge's salary plus 50 percent of group benefit costs paid by the employer for an employee. For those with a part-time attorney, the state share is determined by the previous calculation, but prorated by the hours worked. This legislation also enacts a new general fund statutory appropriation to the Department of Justice to make quarterly payments to each county. This legislation is effective July 1, 2007.

HB 136 provides a death benefit of \$50,000 to the surviving spouse or children of a national guard member who dies performing duties pursuant to Article VI, Section 13 of the Montana Constitution. The member must have died while being paid from state funds. This legislation also provides a new general fund statutory appropriation to the Department of Administration to pay the costs. This legislation is effective July 1, 2007.

HB 680 authorized the Department of Revenue to contract with out-of-state attorneys, other state tax agencies, and others located outside the state for the collection of out-of-state taxes, fees, and other debt. The department must determine that the amount to be collected exceeds the costs of collection. The entire amount collected must be deposited in the fund to which the money was originally owed. This legislation also authorizes a new statutory appropriation from the general fund to the Department of Revenue to pay the collection costs. This legislation is effective July 1, 2007.

SB 169 increases the entitlement share payments for six counties (Cascade, Flathead, Gallatin, Lewis & Clark, Missoula, and Yellowstone) beginning in FY 2007 and all years thereafter. The 2005 Legislature enacted SB 146 to make adjustments in entitlement share payments to reflect state assumption of public defender costs. Calculations of these costs were incorrect and are corrected by SB 169. The \$0.2 million increase in the 2009 biennium is statutorily appropriated from the state general fund. This legislation is effective on passage and approval.

HB 131 reduces the guaranteed annual benefit adjustment for new employees in the public employees' retirement system trust fund from 3.0 percent to 1.5 percent. It also increases the state contribution for local government and school district employers from 6.9 percent to 7.03 percent in FY 2008 and to 7.17 percent in FY 2009 and thereafter. The school district contribution increase of \$0.4 million in the 2009 biennium is statutorily appropriated from the state general fund. This legislation is effective July 1, 2007.

SB 532 allows firefighters currently participating in the public employees' retirement system (PERS) to join the firefighters' united retirement system (FURS). The fiscal note assumes that 60 firefighters will transfer to FURS. Because the state's contribution rate of 32.61 percent to FURS is greater than the 0.1 percent contribution rate to PERS, the cost to the state increases \$1.9 million in the 2009 biennium and is statutorily appropriated from the state general fund. This legislation is effective July 1, 2007.

HB 63 enacts a new statutory appropriation for state supplemental contributions to the teachers' retirement system trust fund based on the amount of compensation earned by participating members who are in school districts and community colleges. The rate is 2.0 percent in FY 2008 and 2.38 percent in FY 2009 and thereafter. The additional cost of \$24.7 million for the 2009 biennium is statutorily appropriated from the general fund. The section authorizing the statutory appropriation is effective July 1, 2007.

HB 95 enacts a new state obligation and a new general fund statutory appropriation to pay an amount equal to 1.0 percent of compensation for participants in the Montana university system optional retirement system. The additional payment of \$2.3 million for the 2009 biennium is to be credited in the proper amount to each participant's account. This legislation is effective July 1, 2007.

Figure 17 shows each individual general fund statutory appropriation that has been included in the general fund balance sheet for FY 2007-2009. The largest statutory appropriation of general fund occurs under 15-1-121, MCA. For the 2009 biennium, \$181.0 million is expected to be spent for entitlement payments to counties and tax increment financing districts. Other large statutory appropriations of general fund in the 2009 biennium include:

- \$98.7 million for rebates to taxpayers (only for FY 2008)
- \$74.9 million of transfers to retirement funds (Title 19, MCA)
- \$39.6 million to service the debt on bonding issues approved by past legislatures (17-7-502, MCA)
- \$16.5 million for declared emergencies and disasters
- \$12.1 million of coal trust interest (that is deposited to the general fund) to fund economic development programs (15-35-108, MCA)

Figure 17
General Fund Statutory Appropriation Estimates
Fiscal Years 2007-2009
(Millions)

MCA Cite	Bill/Purpose	Legislative Session	Fiscal 2007	2009 Biennium		
				Fiscal 2008	Fiscal 2009	Total
Retirement						
19-9-702	Ins Prem Tax-Fire/Polic Ret 19-9-702-SA	1997	\$8.617	\$9.076	\$9.559	\$18.634
19-13-604	Prem Tax-Fire/Pol 19-13-604-SA	1997	7.874	8.231	8.604	16.835
19-17-301	Prem Tax-Fire/Pol 19-17-301-SA	1985	1.698	1.791	1.888	3.679
19-18-512(1)	Prem Tax-Fire/Pol 19-18-512-SA	1985	0.262	0.275	0.288	0.563
19-19-305(1)	Prem Tax-Fire/Pol 19-19-305-SA	1985	0.250	0.250	0.250	0.500
19-19-506(4)	Prem Tax-Fire/Pol 19-19-506-SA	1985	<u>0.021</u>	<u>0.021</u>	<u>0.021</u>	<u>0.041</u>
Sub-total			\$18.722	\$19.643	\$20.609	\$40.252
Economic Development						
15-35-108(7)(b)(i)	Coop Developmental Center NMC	2000 SS	\$0.065	\$0.065	\$0.065	\$0.130
15-35-108(7)(b)(ii)	Add Vision 2005-SA	2000 SS	1.250	1.250	1.250	2.500
15-35-108(7)(b)(iii)	Research & Commercialization	2000 SS	3.650	3.650	3.650	7.300
15-35-108(7)(b)(iii&iv)	Economic Development	2000 SS	<u>1.100</u>	<u>1.100</u>	<u>1.100</u>	<u>2.200</u>
Sub-total			\$6.065	\$6.065	\$6.065	\$12.130
Other						
10-3-312(1)	Emergency Appropriations	1985	\$15.509	\$8.250	\$8.250	\$16.500
15-1-111(6)	Local Assistance-Property Tax Reduction	1989 SS	2.408	1.204	0.000	1.204
15-1-121(3)	HB124 Combined Local Entitlement Distribution	2001	83.870	87.097	90.487	177.584
15-1-121(6)	HB124 Local TIF Entitlement Distribution	2001	1.725	1.725	1.725	3.451
15-70-601(1)(b)	HB 756-Biodiesel tax incentives (begins FY2008)	2005	0.000	0.000	0.000	0.000
15-70-369(4)	HB 776-Biodiesel tax refunds	2005	0.048	0.096	0.096	0.192
16-11-509	HB 169-Fines & cost recovery tobacco settlement	2005	0.030	0.030	0.030	0.060
17-3-106(2)	DofA Cash Management Interest	1993	0.230	0.230	0.230	0.460
17-6-101(6)	BOI Banking Charges	1993	1.180	1.180	1.180	2.359
17-7-502(4)	TRANS Debt Service and Issuance Costs	1985	0.000	0.000	0.000	0.000
17-7-502(4)	Transfer to Debt Service A/B Bond	1985	19.112	20.560	17.500	38.060
19-20-604	Teachers GABA 19-20-604	1985	0.724	0.757	0.791	1.548
19-3-319	Local Government PERD 19-3-319	1985	0.461	0.479	0.498	0.977
19-6-410	HB 102-Supplemental retirement benefits for MHP	1999	0.285	0.300	0.300	0.600
19-6-404(2)	HB 102-To highway patrol retirement fund	1997	<u>1.050</u>	<u>1.103</u>	<u>1.103</u>	<u>2.205</u>
Sub-total			\$126.631	\$123.011	\$122.189	\$245.200
New or Changes to Old- 2007 Legislature						
Uncodified	HB 9 SS - \$400 rebate	2007 SS	\$0.000	\$98.730	\$0.000	\$98.730
7-4-2502	HB 12 - Pay county attorney salaries	2007	0.000	2.344	2.344	4.688
10-1-xxx	HB 136 - Death benefit to national guard beneficiaries	2007	Unknown	Unknown	Unknown	Unknown
15-1-xxx	HB 680 - DOR to collect out-of-state debt	2007	0.000	0.814	0.803	1.617
15-1-121(5)(a)	SB 169 - Increase entitlement payments for public defender	2007	0.110	0.114	0.117	0.231
19-3-319(3)	HB 131 - Increase to MPERA retirement systems	2007	0.000	0.176	0.184	0.360
19-13-604	SB 532 - Expand participation in firefighter retirement	2007	0.000	0.944	0.984	1.928
19-20-6xx	HB 63 - Teachers' retirement system	2007	0.000	12.093	12.638	24.731
19-21-203	HB 95 - Increase employers' retirement contributions	2007	<u>0.000</u>	<u>1.094</u>	<u>1.162</u>	<u>2.256</u>
Sub-total			\$0.110	\$116.309	\$18.232	\$134.541
Total			\$151.528	\$265.028	\$167.095	\$432.122

STATE SPECIAL

It is estimated that \$516.0 million of state special revenue will be spent through statutory appropriations in the 2009 biennium. The 2007 Legislature enacted 15 laws that decrease the amount of state special revenue that is statutorily appropriated in the 2009 biennium by a net \$18.9 million. These laws affect the appropriations by: 1) creating new statutory appropriations; 2) changing or eliminating existing statutory appropriations; or 3) changing the amount of revenue deposited in accounts that are statutorily appropriated. Figure 19 shows the amounts estimated from existing statutory appropriations and from new ones enacted by the 2007 Legislature. The net decrease in appropriations is due to the enactment of SB 2 in the May 2007 Special Session that transfers \$40.8 million from the guarantee

account to the school facility account, thus reducing amounts statutorily appropriated from the guarantee account.

Figure 18

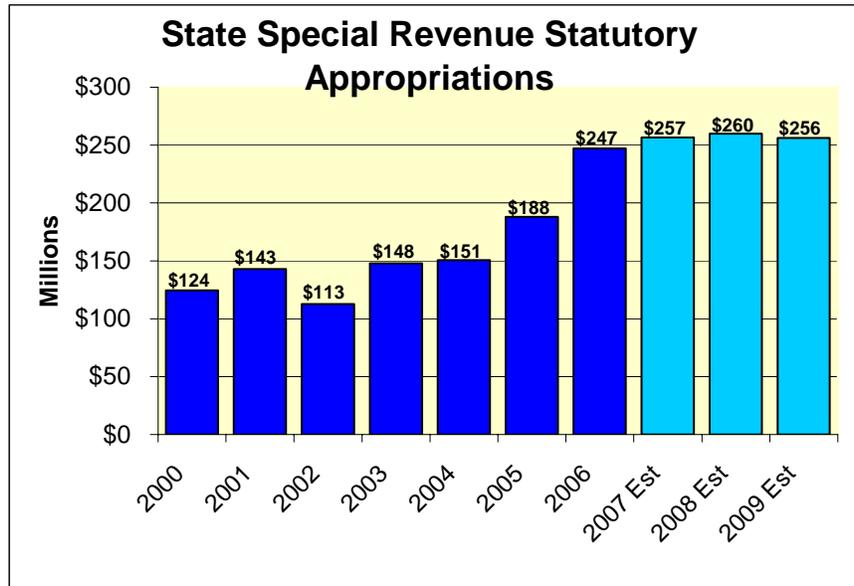


Figure 19
Fiscal Years 2007-2009
(Millions)

MCA Cite	Bill/Purpose	Legislative Session	Fiscal 2007	2009 Biennium		Total
				Fiscal 2008	Fiscal 2009	
Existing Statutory Appropriations *						
Multiple	Varied dedicated uses	Multiple	\$255.792	\$266.406	\$268.487	\$534.893
Changes to Existing Statutory Appropriations - 2007 Legislature						
10-4-301	HB 27-Wireless 9-1-1 system	2007	\$0.000	\$7.053	\$7.531	\$14.584
15-31-906(3)	HB 40-Administer movie and TV tax credits	2007	0.000	(0.014)	(0.014)	(0.028)
15-38-202	HB 116-Eliminate Northern's RIT interest	2007	0.000	(0.240)	(0.240)	(0.480)
15-65-121(1)	SB 88-Reduce other bed tax distributions	2007	0.000	(0.400)	(0.400)	(0.800)
20-9-534	SB 25-Contract timber harvest on state lands	2007	0.000	0.000	0.000	0.000
20-9-622(1)(b)	HB 2-Guarantee account for school base aid	2007SS	0.000	(0.144)	(0.716)	(0.860)
20-9-622(1)(b)	SB 2-Guarantee account for school base aid	2007SS	0.000	(17.582)	(23.174)	(40.756)
20-9-622(1)(b)	HB 37-Guarantee account for school base aid	2007SS	0.000	0.002	0.002	0.004
20-9-622(1)(b)	HB 160-Guarantee account for school base aid	2007	0.000	0.443	0.001	0.444
20-26-1503(1)	SB 553-Incentives for certain physicians	2007	0.000	0.000	0.263	0.263
22-3-1004	SB 88-Additional revenue to heritage preservation acct.	2007	0.000	0.400	0.400	0.800
75-1-1101(3)	HB 116-Increase environmental contingency funds	2007	<u>0.000</u>	<u>0.154</u>	<u>0.175</u>	<u>0.329</u>
Sub-total		2007	\$0.000	(\$10.328)	(\$16.172)	(\$26.500)
New Statutory Appropriations - 2007 Legislature						
5-11-xxx	HB 139-Legislative branch retirement termination pay	2007	0.000	0.200	0.200	0.400
10-1-xxx	HB 179-Military family relief fund	2007	0.000	0.021	0.000	0.021
15-39-110(15)	HB 75-Bentonite tax revenue to counties	2007	0.709	1.419	1.417	2.836
23-4-302(4)(b)(iii)	HB 616-Parimutuel fantasy sports league gambling	2007	0.000	2.101	2.101	4.202
77-1-108(4a)	HB 19-Spend GF transfer for Morrill land costs	2007	<u>0.080</u>	<u>0.080</u>	<u>0.080</u>	<u>0.160</u>
Sub-total			\$0.789	\$3.821	\$3.798	\$7.619
Total			\$256.581	\$259.899	\$256.113	\$516.012

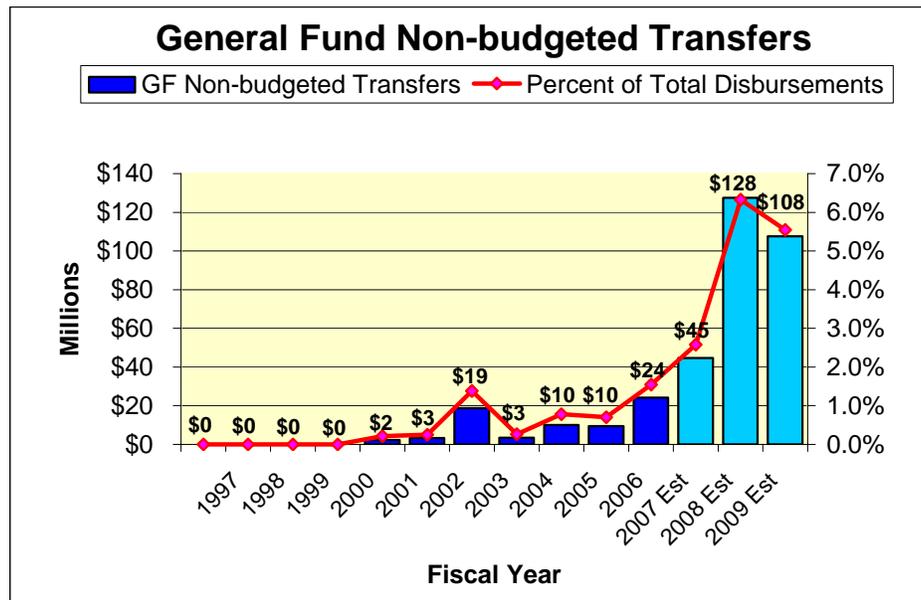
* Amounts from the executive budget

GENERAL FUND NON-BUDGETED TRANSFERS

The Montana Constitution requires that all money paid out of the state treasury, except interest paid on the public debt, be done with an appropriation. However, the state treasury consists of numerous accounts and, with proper legislative authorization, money may be transferred from one account to another without an appropriation. This results in less money in one account for the programs it funds and more in another. Like statutory appropriations, these transfers and their authorizations are in statute (or sometimes contained in legislation) and are not part of the biennial budgeting process, yet they affect the amount of money available for the legislature to appropriate for specific programs. Those that are in statute remain in place until removed or changed by legislation.

Since FY 2000, increased amounts of money have been transferred out of the general fund to other accounts that fund non-general fund programs. As illustrated in Figure 20, this amount has grown from \$0 in FY 1999 to \$24 million in FY 2006 (about 1.6 percent of total general fund expenditures), and transfers are estimated to be \$235.2 million in the 2009 biennium. Of this amount, \$216.0 million is one-time transfers that are not codified in statute. The amount in FY 2007 includes a one-time transfer of \$15.0 million to the Blackfeet Tribe water rights compact mitigation account. Large transfer amounts occur in the 2009 biennium primarily due to the enactment of: 1) HB 4 in the May 2007 Special Session that transfers \$179.9 million to capital project accounts; 2) HB 473 that transfers \$25 million to the water adjudication account; and 3) HB 269 that transfers \$5.0 million to the noxious weed trust. These transfers reduce the amount of money in the general fund that is available for general fund programs and increase the amount available for other non-general fund programs. Figure 21 shows each non-budgeted general fund transfer that has been included in the general fund balance sheet.

Figure 20



The amount in FY 2007 includes a one-time transfer of \$15.0 million to the Blackfeet Tribe water rights compact mitigation account. Large transfer amounts occur in the 2009 biennium primarily due to the enactment of: 1) HB 4 in the May 2007 Special Session that transfers \$179.9 million to capital project accounts; 2) HB 473 that transfers \$25 million to the water adjudication account; and 3) HB 269 that transfers \$5.0 million to the noxious weed trust. These transfers reduce the amount of money in the general fund that is available for general fund programs and increase the amount available for other non-general fund programs. Figure 21 shows each non-budgeted general fund transfer that has been included in the general fund balance sheet.

Figure 21
General Fund Non-budgeted Transfer Estimates
Fiscal Years 2007-2009
(Millions)

Authorization	Name	Legislative Session	Fiscal 2007	2009 Biennium		
				Fiscal 2008	Fiscal 2009	Total
<u>Vehicle/Other Fee Transfers</u>						
15-1-122(1)	DPHHS-Adoption services	2001	\$0.054	\$0.059	\$0.065	\$0.124
15-1-122(2)(c,d)	DOT-Nonrestricted account	2001	3.096	3.142	3.190	6.332
15-1-122(3)(a)	DEQ-Junk vehicles	2001	1.733	1.750	1.791	3.541
15-1-122(3)(b)	Agriculture-Noxious weeds	2001	1.756	1.773	1.816	3.589
15-1-122(3)(c)(i)	FWP-Boat facilities & enforcement, OHV, Parks	2001	0.539	0.544	0.557	1.101
15-1-122(3)(c)(ii)	FWP-Enforcement, snowmobiles	2001	0.117	0.118	0.121	0.239
15-1-122(3)(c)(iii)	FWP-Motorboats	2001	0.187	0.189	0.194	0.383
15-1-122(3)(d)	MA-Veterans' services	2001	0.749	0.757	0.775	1.531
15-1-122(3)(e)	DOT-Disabled seniors transportation	2001	0.351	0.355	0.363	0.718
15-1-122(3)(f)	MA-Search and rescue	2001	<u>0.047</u>	<u>0.047</u>	<u>0.048</u>	<u>0.096</u>
Sub-total			\$8.629	\$8.735	\$8.919	\$17.654
<u>Other Transfers</u>						
Unknown	DPHHS Nonbudgeted		\$0.391	\$0.391	\$0.391	\$0.781
39-71-2352(6)	Old state fund shortfall	2002 SS	Unknown	Unknown	Unknown	Unknown
41-5-130(6)	HB 414-to youth prevention account	2005	0.000	0.000	0.000	0.000
53-20-171(2)	Developmental disability tax credit excess	2003	Unknown	Unknown	Unknown	Unknown
Un-codified	HB 5-to the capital projects fund	2005	19.400	0.000	0.000	0.000
Un-codified	HB 6-to renewable resource grant account	2005	0.600	0.000	0.000	0.000
Un-codified	HB 740-to asbestos disease account	2005	0.175	0.000	0.000	0.000
Un-codified	HB 761-reimburse military ins. premiums	2005	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
Sub-total			\$20.566	\$0.391	\$0.391	\$0.781
<u>New - 2007 Legislature</u>						
Un-codified	HB 4 - Transfers to capital project funds	2007 SS	\$0.000	\$82.621	\$97.323	\$179.944
Un-codified	HB 9 - To cultural trust	2007	\$0.000	1.500	0.000	1.500
Un-codified	HB 139 - Legislative branch retirement termination	2007	0.000	0.400	0.000	0.400
Un-codified	HB 116 - To orphan share and environmental contingency	2007	0.000	0.500	0.000	0.500
Un-codified	HB 155 - National guard life insurance	2007	0.060	0.100	0.100	0.200
Un-codified	HB 160 - Repay land trusts for diversions	2007	0.000	0.139	0.000	0.139
Un-codified	HB 179 - Military family relief	2007	0.000	1.000	0.000	1.000
Un-codified	HB 269 - To noxious weed trust	2007	0.000	5.000	0.000	5.000
Un-codified	HB 406 - Community health center support	2007	0.000	0.650	0.650	1.300
Un-codified	HB 473 - To water adjudication account	2007	0.000	25.000	0.000	25.000
Un-codified	HB 608 - To endowment for children trust fund	2007	0.000	1.000	0.000	1.000
Un-codified	HB 829 - Blackfeet water compact	2007	15.000	0.000	0.000	0.000
17-1-xxx	SB 553 - Incentives for rural physicians	2007	0.000	0.000	0.063	0.063
77-1-108(4a)	HB19 - To trust land administration account	2007	0.080	0.080	0.000	0.080
87-2-801(6)	SB 166 - To general license acct. purple heart free license	2007	0.008	0.011	0.011	0.022
87-2-805(5)	SB 166 - To general license acct. senior & youth free license	2007	0.274	0.392	0.118	0.510
87-2-803(12c)	SB 243 - To general license acct. national guard free license	2007	<u>0.021</u>	<u>0.043</u>	<u>0.043</u>	<u>0.086</u>
Subtotal			\$15.443	\$118.436	\$98.308	\$216.744
Total			\$44.638	\$127.561	\$107.618	\$235.179

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 maximum 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 above the legislatively established 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.)

SUMMARY OF PROGRAMS/FUNCTIONS

Figure 22 shows each function for which the legislature sets rates in HB 2, by agency.

Figure 22
Internal Service Functions
2009 Biennium
<u>Agency/Program or Function</u>
Transportation
Motor Pool
Equipment
Revenue
Customer Service Center
Administration
Administration and Financial Services Division
Legal Services
Management Services
Warrant Writer
Human Resources
General Services Division
Facilities Management
Mail Services
Print Services
Central Stores
Statewide Fueling Network
State Procurement Card
Capitol Grounds Maintenance
Information Technology Services Division
State Personnel Division
Professional Development
Payroll Processing
State Recruitment Advertising
Risk Management and Tort Defense
Fish, Wildlife, and Parks
Administration and Finance
Vehicle Account
Aircraft Per Hour
Duplicating
Bindery
Parks
Environmental Quality
Central Management
Natural Resources and Conservation
Air Operations
Commerce
Board of Investments
Director's Office/Management Services
Justice
Agency Legal Services
Corrections
Cook/Chill
Laundry
Labor and Industry
Centralized Services
Business Standards
Office of Public Instruction
Indirect Cost Pool
Montana University System
Employee Benefits

FUND SWITCHES

The legislature included a number of funding switches. Figure 23 shows federal funds replaced, while the second figure shows other funding switches. Please note that the list does not include the reduction in federal funds due to a reduction in the Medicaid match rate the federal government will pay that the legislature replaced with state funds. This reduction is due to a change in the relative standing of Montana compared to the rest of the nation in per capital income, rather than a change in federal policy or grant levels. This reduction totals over \$28 million over the biennium and is discussed in the narrative for several divisions of the Department of Public Health and Human Services in Volume 3 of the [2009 Biennium Legislative Fiscal Report](#).

Section/Agency or Division	Purpose	--- Replacement Funds ---		
		General Fund	Other Funds	Total
Natural Resources and Commerce				
Dept. of Natural Resources and Conservation	Urban Forestry		\$200,000	\$200,000
Dept. of Natural Resources and Conservation	Woody Bio Mass - Fuels for Schools (OTO)	500,000		500,000
Corrections and Public Safety				
Department of Corrections	Juvenile Reentry	1,756,892		1,756,892
Department of Labor and Industry	Research & Analysis Bureau	400,000		400,000
Department of Labor and Industry	Unemployment Insurance Administration		3,205,571	3,205,571
Board of Crime Control	Base budget funding shift	350,000		350,000
Health and Human Services				
Child Support Enforcement	DRA - Elimination of federal incentive funds match	3,775,354		3,775,354
Child Support Enforcement	DRA - Reduction of paternity testing federal match	38,588		38,588
Child and Family Services	DRA - Targeted Case Management	3,600,000		3,600,000
Child and Family Services	DRA - Targeted Case Management	172,000		172,000
Child and Family Services	DRA - Targeted Case Management - /Mental Health	375,000		375,000
Child and Family Services	CMS - Potential change in Medicaid billing process	600,000		600,000
Total		<u>\$11,567,834</u>	<u>\$3,405,571</u>	<u>\$14,973,405</u>

The following provides a brief explanation of the largest switches of federal funds.

- Deficit reduction act (DRA) replacements are due to several provisions of the federal Deficit Reduction Act of 2005, which placed additional costs on states. For an expanded explanation, see the Child and Family Services and Child Support Enforcement Division narratives in Volume 3.
- Juvenile re-entry is a federal grant provided for community based programs for youth released from secure facilities that will no longer be provided. Page D-99 in Volume 4 of the [2009 Biennium Legislative Fiscal Report](#) provides additional information.

Figure 24 shows other fund switches adopted by the legislature and a brief description of the purpose of the switch.

Figure 24
Other Funding Switches
2009 Biennium

Section/Agency	Purpose	General Fund	Other Funds
General Government and Transportation			
Department of Administration	Eliminate Capitol land grant funding for maintenance of common areas	\$1,000,000	(\$1,000,000)
Department of Administration	Geographic information system IS funding switch [See note 1]		0
Department of Administration	0.10 FTE and administration of the Procard program [See note 2]		(2,406)
Department of Administration	0.20 FTE deputy division administrator changed to contracts officer	17,276	(17,276)
Department of Administration	0.60 FTE and administration of the Statewide Fueling Program [See note 3]		(4,295)
Governors' Office	Change designation of funding from DPHHS from federal to state special		0
Governors' Office	Executive protection funding shifted to Department of Justice	(187,826)	
Natural Resources & Commerce			
Department of Natural Resources and Conservation	Morrill land trust administraton	80,000	(80,000)
Department of Natural Resources and Conservation	Eliminate water adjudication fee with a one-time general fund transfer	25,000,000	(25,000,000)
Fish, Wildlife, and Parks	Free conservation and fishing licenses to certain Montana residents, which will be covered by a general fund transfer to the general license account.	617,514	(617,541)
Fish, Wildlife, and Parks	Wildlife restitution redirected from general fund to general license account	(135,000)	135,000
Fish, Wildlife, and Parks	State wildlife grants	1,000,000	(1,000,000)
Department of Livestock	Replace user fees with general fund at diagnostic laboratory	695,270	(695,270)
Corrections and Public Safety			
Department of Justice	Executive protection funding shift from the Governor's office	351,729	(351,729)
Education			
Montana Library Commission	Natueal Resources Information System		
Montana Historical Society	NRIS funding changed	140,000	(140,000)
	Elimination of administrative fees charged in proprietary fund changed	<u>126,740</u>	<u>(126,740)</u>
Total		<u>\$28,705,703</u>	<u>(\$28,900,257)</u>

Notes

- 1 \$374,237 proprietary funding for 3.00 FTE is switched to state special revenue funding under fees collected from land transactions under the Montana Land Information Act
- 2 \$34,576 proprietary funding for 0.10 FTE to administer the Procard Program was replaced with \$32,170 state special revenue from a volume rebate on Procard purchases
- 3 \$105,844 proprietary funding for 0.60 FTE to administer the Statewide Fueling Program was replaced with \$101,549 state special revenue from a volume rebate on Procard purchases

FEE CHANGES

The 2007 Legislature enacted changes to fees (increases or decreases) and created new fees that will raise an estimated net \$25.1 million in the 2009 biennium. This compares to \$61.5 million in fee increases in the 2007 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 and services. Figure 25 lists 14 instances of fee increases. Some are instances of fee changes being a result of the level of spending authority authorized in the HB 2. Items are included on this list if there is: 1) a fee increase, 2) a fee decrease, 3) new fees imposed, or 4) a new group of fee payers. Not included on the list is university system tuition, although tuition increases are not necessarily expected during the 2009 biennium. While this list may not be complete because of the difficulty of sometimes defining what is a "fee", it is a representative list of fee bills.

Figure 25
New Fees or Charges
2009 Biennium

Section/Agency	Source/Purpose	Biennial Total
General Government and Transportation		
Dept. of Administration	Wireless enhanced 9-1-1 fee [HB 27]	\$15,151,103
Dept. of Administration	License fee for Montana deferred deposit lenders (fee increase) [SB 165]	158,374
Dept. of Administration	License fee for Montana consumer lenders (fee increase) [HB 141]	290,500
Dept. of Administration	License fee for residential mortgage lenders [HB 69]	1,156,800
Public Health and Human Services		
Public Health and Safety Division	License fee for genetics program - retained \$1 per policy set to sunset 7/1/2007 [HB 278]	567,620
Natural Resources & Commerce		
Dept. of Natural Resources	Increase in fire protection fees [SB 145]	1,624,796
Fish, Wildlife, and Parks	Expansion of warm water fish stamp [SB 314]	27,972
Fish, Wildlife, and Parks	Wolf and grizzly license and lottery [SB 372]	1,700,000
Fish, Wildlife, and Parks	Increase snowmobile fees for out-of-staters [HB 348]	210,000
Dept. of Environmental Quality	Increase in air permitting fees [HB 2]	2,100,000
Dept. of Livestock	Diagnostic Laboratory [HB 2]	710,000
Corrections & Public Safety		
Dept. of Justice	Additional e-government applications [HB 2]	1,050,000
Dept. of Justice	Increased Debt for MERLIN [HB 2]	(a)
Dept. of Labor and Industry	Weighing Device Licensing Fee [HB 99]	<u>308,996</u>
Total		<u>\$25,056,161</u>

Note: (a) Applicable fees are extended and impact does not occur in 2009 biennium but rather in out years.

LEGISLATIVE INTERIM STUDIES – SUMMARY

The Sixtieth Legislature adopted four bills and 21 joint resolutions for interim studies. Those interim studies are listed in Figure 26 along with the status of where each was assigned by the Legislative Council at its May 15, 2007 meeting. Of the 21 resolutions, 16 were assigned to various legislative interim committees. The remaining studies were not assigned, based upon a survey of legislators to determine priority.

Figure 26 Legislation Requesting or Requiring Studies 2009 Biennium		Legislative Council Interim Committee Assignment
Bill No.	Study Description	
HB 49	Require study of local government special purpose districts	Education and Local Government
HB 304	Study of issues related to water quantity, quality, and use in Montana	Water Policy
HB 488	Study of property taxes	Revenue and Transportation
HB 831	Study drinking water standards	Environmental Quality Council
HJR 22	Study payback and incentive for dental students	Education and Local Government
HJR 26	Study mental health issues in criminal and juvenile justice systems	Law and Justice
HJR 28	Study state business infrastructure	Economic Affairs
HJR 39	Study economic development	Economic Affairs
HJR 46	Study of election laws	State Admin. and Vets' Affairs
HJR 48	Study health insurance reform and publicly funded health care programs	Economic Affairs
HJR 50	Study mental health precommitment process	Law and Justice
HJR 57	Study conservation easements on state land	Environmental Quality Council
HJR 59	Study redesign of public retirement systems	State Admin. and Vets' Affairs
HJR 61	Study linkage of state and federal income taxes	Revenue and Transportation
SJR 5	Study acute care and rural emergency medical services	Children & Families
SJR 6	Juvenile justice interm study resolution	Law and Justice
SJR 13	Resolution for study on value-added agriculture	Economic Affairs
SJR 15	Study impacts of certain services on health care delivery	Children & Families
SJR 24	Study prison population growth and alternative sentencing	Law and Justice
SJR 31	Study taxation and school funding	Revenue and Transportation
HJR 33	Study polio	Not Assigned
HJR 45	Study options for state document systems to reflect actual names	Not Assigned
HJR 47	Study funding of Montana genetics program	Not Assigned
HJR 52	Study problem gambling	Not Assigned
SJR 2	Study DUI laws	Not Assigned

While many of the assigned studies likely include significant fiscal issues or may have an impact upon the state budget in some way, none seem to imply any direct fiscal impacts that can be addressed at this time. As the studies run their course, legislators and legislative staff members need to be cognizant of the potential for fiscal impacts that may have budget implications for the current and future biennia. It is not unusual for the staff of the Legislative Fiscal Division, in addition to other duties, to monitor the progress of legislative interim committees for fiscal implications and to participate when fiscal expertise is required.

OTHER MAJOR FUNDS

HIGHWAYS SPECIAL REVENUE ACCOUNT

Projections for the highways state special revenue account (HSRA) indicate that revenues into the account will exceed expenditures from the account and the working capital balance would remain positive through the end of the 2009 biennium. Revenues are expected to exceed expenditures at the level appropriated by the legislature by nearly \$7.3 million during the 2009 biennium. Legislative appropriations are at a level adequate to match all federal-aid funding for highways. However, state funded highway construction activities were reduced to maintain a positive account balance. See the table and discussion of the HSRA in Volume 3, page A-85 of the 2009 Biennium Legislative Fiscal Report for additional information.

RESOURCE INDEMNITY TRUST/FUNDING

The Montana Constitution (Article IX, Section 2) requires the existence of the Resource Indemnity Trust and states “The principal of the resource indemnity trust shall forever remain inviolate in an amount of one hundred million (\$100,000,000), guaranteed by the state against loss or diversion. The legislature appropriates the interest from the trust and indemnity related taxes to provide support for natural resource agencies and to provide for grants and loans. The following shows the accounts from which RIT revenues or interest are spent:

- Ground water assessment account-funds groundwater monitoring and characterization studies
- Natural Resource Projects – provides grants and loans to enhance Montana’s renewable resources through projects that measurably conserve, develop, manage or preserve resources and to repair, reclaim, and mitigate environmental damage to public resources from non-renewable resource extraction
- Natural Resource Operations – provides funding to natural resource agencies to support administration of natural resource activities
- Orphan Share Account-used to fund the percent of remediation activities at a contaminated site that are attributable to a bankrupt or otherwise insolvent entity
- Hazardous Waste/CERCLA – funds for the implementation of the Montana Hazardous Waste Act and state expenses for overseeing the federal Comprehensive Environmental Response, Compensation and Liability Act
- Environmental Quality Protection Fund – utilized to identify, investigate, negotiate and prosecute individuals/entities to achieve remedial action or recover costs and damages
- Environmental Contingency Account- an account controlled by the Governor for the purpose of responding to emergent or imminent threats to the environment
- Water Storage fund – utilized to rehab and repair state owned water projects
- Future Fisheries – use of funds to reclaim habitat and spawning areas of the bull and cutthroat trout

Six pieces of legislation were passed and approved that affected the utilization of trust dollars through transfers, new appropriations, and pay plan implications. The main piece of legislation was HB 116, which implemented the recommendations of the RIT study conducted by the Legislative Finance Committee during the 2007 interim.

HB 116 revised the allocation of RIT interest and taxes as well as provided clarification regarding the use of the funds. The legislation also included the transfer of general fund to the environmental contingency account and made transfers from the orphan share fund. In addition, through HB 2, HB 6, HB 7, HB 13, HB 63, and HB 131, the legislature appropriated RIT and the Resources Indemnity Groundwater Assessment Tax (RIGWA), along with other resource related taxes, to provide \$53.7 million of biennial support to four agencies and numerous local governmental agencies through grant and loan programs.

A summary of the impacts of HB 116 and appropriations from numerous bills is displayed in Figure 27.

Major changes include:

- Replacement of the renewable resources and reclamation and development funds with a natural resources project fund and a natural resources operations fund to separate grant programs from agency operations

- Elimination of statutory appropriation to MSU Northern (these funds were replaced with general fund in HB 2)
- Reallocation of RIT interest and RIGWA taxes to meet legislative priorities
- Reallocation of oil and gas taxes to maintain funding levels to the orphan share fund
- Expansion of the use of the Governor controlled environmental contingency account, including expanded reporting requirements

Biennial transfers of funds:

- HB 116 included transfers of general fund of \$346,000 to the orphan share and \$153,855 to the environmental contingency account
- Transfers from the orphan share included:
 - \$50,000 to the Board of Oil and Gas for abandoned well plugging
 - \$600,000 to the hazardous waste fund to offset a potential negative ending fund balance
 - \$2.0 million to the environmental quality protection fund to provide up front cash for state superfund activities that are cost recoverable
 - \$800,000 to the projects fund to fund approved grants and loans
 - \$200,000 to the operations fund to offset a potential negative ending fund balance
 - \$2.4 million, per statute, to the Zortman/Landusky water treatment fund

Biennial appropriations include:

- \$11.9 million for renewable resource and reclamation and development grants
- Operational costs of \$10.7 million for the Department of Environmental Quality, the Department of Natural Resources and Conservation, the Judiciary (the Water Court), and the state library
- One-time assistance to the water projects fund to aid in addressing the backlog of repairs
- \$448,856 for implementation of the pay plan and \$7,521 to implement changes in retirement contributions from the operations fund, orphan share, environmental quality protection fund, and hazardous waste fund
- \$1.0 million to the future fisheries program with increased reporting requirements for the use of the funds due to the passage and approval of SB 75

The legislature maintained that funds should not be over appropriated. However, the allocation of pay plan and retirement contributions results in a negative ending fund balance of (\$56,088) in the operations fund. The remaining funds end with a zero or positive balance. All projected balances could change based on the amount of appropriation spent and the actual revenues

Figure 27
Resource Indemnity Funding

Related Funds	02010 Oil & Gas	02022 Future Fish	02070 HazWas	02162 EQPF	02216 Wa Sto	02289 GRW	02472 Orphan Share	02577 Projects	02576 Operations	ECA
Beginning FY2007 Fund Balance	\$219,561	\$1,032,311	\$89,346	\$419,457	\$716,170	\$0	\$8,752,332	0	0	631,145
RIT Interest	\$47,000	\$500,000	\$287,300	\$1,363,265		\$300,000				
RIT Additional Interest										
RIT Other										
Excess coal tax proceeds from debt service and STIP										
RIGWA						366,000	401,150			
Metal Mines Tax										
Oil and Gas Tax							2,819,890			
FY 2007 Total Revenues & Fund Balance	\$266,561	\$1,532,311	\$376,646	\$1,782,722	\$716,170	\$666,000	\$11,973,372			
FY 2007 Appropriations	(193,099)		(620,221)	(1,119,630)	(374,079)	(666,000)	(4,097,366)			(135,000)
GF Transfer										
Reserved for Capital Appropriations		(1,532,311)								
Grant Reversion										
Projected Fund Balance Ending FY 2007	\$73,462	\$0	(\$243,575)	\$663,092	\$342,091	\$0	\$7,876,006		\$3,091,058	\$496,145
RIT Interest - Direct	50,000	1,000,000	404,300	139,950	500,000	600,000	-	7,000,000	1,193,250	350,000
RIGWA			302,000	302,000	150,000	732,000		603,000		
Excess coal tax proceeds from debt service and Short Term Investment Pool - Interest								250,000		
Admin Fees								5,000		
Metal Mines Tax								25,000		
Oil and Gas Tax							6,599,000	3,322,000	2,270,000	
Agency Generated Revenues	40,000		18,000	1,512,000	430,000				3,322,000	
Transfers	50,000		600,000	2,000,000					600,000	
General Fund Transfers							(6,050,000)	800,000	200,000	
Projected Fund Balance Beginning FY 2008	\$213,462	\$1,000,000	\$1,080,725	\$4,617,042	\$1,422,091	\$1,332,000	\$8,425,006	\$12,005,000	\$10,676,308	\$1,000,000
Appropriations for 2009 Biennium										
RRGL and RDGP Programs								11,986,422		
UM-Bureau of Mines						1,332,000			280,000	
DNRC - Centralized Services									343,282	
DNRC - Conservation and Resource Devel.									3,524,687	
DNRC-Water Resources Division					625,000				237,181	
DNRC-Flathead Basin Commission									186,391	
DNRC - Board of Oil & Gas										
DNRC - Forestry/Trust Lands							1,000,000		200,000	
DEQ-Central Management									94,416	
DEQ-Planning, Prevention & Assistance			176,785							
DEQ-Enforcement									8,571	
DEQ-Remediation			58,050	1,495,853			2,435,026			
DEQ-Permitting & Compliance			689,593						3,254,818	
Future Fisheries		1,000,000								
Judiciary-Water Court									1,775,445	
Library Commission-State Library									502,872	
HB 13 Pay Plan			45,706	76,285			2,132		324,733	
HB 63 & HB 131 - Retirement Contribution			901	1,698			48		4,874	
Total Appropriations	\$0	\$1,000,000	\$970,134	\$1,572,138	\$625,000	\$1,332,000	\$3,437,158	\$11,986,422	\$10,732,396	\$0
Ending Fund Balance	\$213,462	\$0	\$110,591	\$3,044,904	\$797,091	\$0	\$4,987,848	\$18,578	(\$56,088)	\$1,000,000