



MONTANA LEGISLATIVE BRANCH

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DATE: September 28, 2004
TO: Legislative Finance Committee
FROM: Taryn Purdy
RE: 2005 Biennium Budget Spending "Pressure Points"

This memo is part of a regular update to the Legislative Finance Committee (LFC) regarding areas that have the potential to require a supplemental appropriation by the 2005 legislature.

- 1) Fire Costs – If current fire conditions continue, and depending upon the severity of the spring fire season, no general fund will be required for fire costs in the 2005 biennium, despite one of the most costly fire seasons ever in fiscal 2004. Two factors are at play:
 - a) The Governor chose to use the major portion of the one-time-only 2005 biennium federal grant of \$50.0 million for 2005 biennium state fire costs. Normally, Department of Natural Resources and Conservation (DNRC) appropriations are used for cash flow and payment of current obligations until the legislature can provide a supplemental appropriation during the legislative session, which is then used to replenish the DNRC appropriation and pay all other state costs. All fire costs in fiscal 2004 were paid from federal sources.
 - b) Fiscal 2005 costs are very low, due primarily to very advantageous weather. As of this writing, the state has actual or anticipated obligations of \$2.6 million, with an estimate of spring fire costs of \$500,000. If these costs hold, there will be sufficient federal funds to cover the entire state obligation. For a further discussion, see "Fire Cost Report" by Barbara Smith.
- 2) Judiciary – Estimates of a supplemental for Judiciary costs are holding steady at between \$4.8 million and \$5.8 million, with the higher figure more likely. In addition, the Judiciary will seek a supplemental of \$950,000 for district court "unfit to proceed" evaluations performed at Montana State Hospital. A like amount of general fund will be deposited to the general fund.
- 3) Corrections – In both the March and June meeting reports, Department of Corrections was listed as a concern due primarily to rising populations. At present, the best estimates for a supplemental in fiscal 2005 remain at about \$3,000,000.
- 4) Payout Costs for Elected Officials and Exempt Staff – At the June meeting, LFD staff discussed the potential for payouts to outgoing elected officials and their exempt staff for

accumulated sick and annual leave balances. While these costs are still unknown, they remain a potential supplemental cost in various agencies.

- 5) Justice - Major Litigation/Transfer – At the June meeting, LFD staff also discussed the potential for a supplemental for major litigation costs in the Department of Justice. It now appears that a supplemental will be requested. The department will also request a supplemental to transfer funds collected through the \$1.25 per vehicle fee authorized in HB 559 for the Montana Highway Patrol pension fund. Insufficient authority to complete the entire transfer was appropriated in HB 2. This supplemental would have no impact on the general fund, as this transfer was already accounted for.
- 6) Payback of Workers' Compensation to the Federal Government – As reported at the June meeting, when the legislature required the transfer to the general fund from the workers' compensation "old fund" in the August 2002 Special Session and the 2003 legislative session, concern was expressed that the federal government would require a payback from the state equal to the approximate amount of the federal funds portion of the transferred amount. As of the initial writing of this report, the Department of Administration had not yet determined a preliminary amount, although the preliminary estimate is about \$225,000.
- 7) K-12 Education – In March it appeared likely that a supplemental would be required due to higher enrollment, and lower carryover funds and interest and income revenues. However, revenues have increased to the point where a supplemental appropriation is unlikely.