

How Does the Legislature Budget for State Government Operations?



- For the first 40-42 days of the legislative session, each subcommittee hears and makes recommendations on a separate grouping of agencies representing a broad type of government activity
 - General Government
 - Human Services
 - Natural Resources and Transportation
 - Judicial Branch, Law Enforcement and Justice
 - Education
 - Long-Range Planning
- The subcommittees' recommendations are given to the House Appropriations Committee immediately after transmittal break
- When the bill reaches the Senate, it is referred to Senate Finance and Claims
- A free conference committee is always created, and significant changes are made to the bill at this stage to primarily:
 - 1) Reflect other bills with a fiscal impact;
 - 2) Balance the budget if need be; and
 - 3) Make other final policy decisions.

How Can You Get Involved?

Most action on budgets takes place at the subcommittee level. So, for anyone interested in a particular part of the budget or who wishes to have influence over the course of action, generally the most efficient and effective stage of budgeting is at the subcommittee level.



Each subcommittee publishes a schedule, updated as necessary, for the entire subcommittee process, including when each agency's budget will be heard and acted upon. Interested persons should consult the schedule to determine when relevant hearings and action will take place. In addition, the Legislative Fiscal Division (LFD) analyst assigned to each subcommittee can provide further information and assistance. If you do not know who the particular analyst is call 444-2986.

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Legislative Fiscal Division



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LFD Mission Statement

We are committed to enhancing the legislative process through understandable and objective fiscal policy analysis and information.

The Legislative Fiscal Division Presents

FOCUS ON...

State Financial and Budgeting Structure



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Fiscal Pocket Guide



"State government cannot spend more money than it receives (available revenues must equal or exceed expenditures)."



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How Does State Government Get Authority to Spend Money?

- Agencies must have an appropriation to spend money
- The Montana Constitution designates the legislature as the sole appropriations authority in Montana
- Appropriations can be made:
 - 1) In temporary appropriations bills that are valid for only two years, the largest of which is the general appropriations act (HB 2).
 - 2) In permanent statute (statutory appropriation).
 - 3) Through budget amendment during the interim. There are very strict limits on what kinds of funds can be added in this way.
- Historically, almost 90 percent of appropriations are made in temporary appropriations bills with statutory appropriations about 10 percent and budget amendments about 1 percent.
- Budgets are established for each year in a two-year period
- State government cannot spend more money than it receives (available revenues must equal or exceed expenditures)
 - 1) The legislature must balance the budget before adjournment.
 - 2) The state cannot borrow money to cover the costs of state government operations.
 - 3) Debt is primarily used for long-term capital acquisition.

What Types of Funds Are Spent and Received



There are four primary types of funds: 1) Governmental; 2) Proprietary; 3) Fiduciary; and 4) University. Because all but governmental funds (with minor exceptions) are expended under law or the terms of a contract and are not part of the appropriations process, only governmental funds are discussed here. For an explanation of the other funds, see “Understanding State Finances and the Budgeting Process”.

Governmental Funds are appropriated by the legislature either through a temporary or a statutory appropriation:

- 1) General fund is revenue from general tax sources used for any lawful purpose.
- 2) Special Revenue is specific revenue sources legally restricted to expenditures for specific purposes. The two major types of funds are:
 - a) State Special is money from state sources, such as hunting and fishing license revenue used to fund the Department of Fish, Wildlife, and Parks; and state gas tax revenues used to fund highways-related expenditures.
 - b) Federal Special is money from federal sources administered by the state, such as the Medicaid and federal gas tax revenues. (Only a fraction of total funds from federal sources that come into the state are appropriated by the legislature).
- 3) Capital Project Funds account for financial resources used for the acquisition or construction of major governmental general fixed assets.
- 4) Debt Service Funds account for the accumulation of resources for the payment of general long-term obligations (principal and interest).
- 5) Permanent Funds account for resources that are restricted to the extent that only earnings and not principal may be expended for purposes that support state programs. The coal tax trust is an example.

Why is General Fund So Important?



General fund is derived from general tax sources that impact most Montanans, and can be used for any lawful purpose the legislature wishes. Consequently, how much general fund is available is very important in determining the overall level of funding available for a broad range of government services and consequently the overall size and scope of state government. General fund is also the source of maintenance of the state’s financial stability through the ending fund balance, which is used to cover fluctuations in revenue collections and expenditures.

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As stated, most appropriations are made through temporary appropriations. The largest temporary appropriation bill is HB 2 (the general appropriations act), in which well over 90 percent of all temporary appropriations are made. Consequently, HB 2 is the overwhelmingly dominate source for operating state government, and writing HB 2 is the single largest task of each legislature.

Writing HB 2 is an intensive process that takes place throughout the legislative session. It differs from other legislation in that the size and complexity of the budget necessitate both longer and more diversified action.

- The bill, which is always sponsored by the Chair of the House Appropriations Committee, is referred to the House Appropriations Committee
- Members of the Joint House Appropriations and Senate Finance and Claims Committees are divided into six subcommittees of equal representation from both committees