



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0204	<b>Title:</b>	Revise state expenditure limit
<b>Primary Sponsor:</b>	Kasten, Dave	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### Description of Fiscal Impact:

HB 204 establishes a limit for regular general fund budget for the Legislature and the Governor. HB 204 also establishes procedures for exceeding this limit.

### FISCAL ANALYSIS

#### Assumptions:

1. HB 204 does not impact the 2009 biennial budget considered by the 2007 legislative session. The 2011 biennial budget will be the first budget to be adopted under the provisions of HB 204.
2. HB 204 establishes a limit of general fund budget growth based on projected growth in population and inflation.
3. The expenditure cap created by HB 204 does not prevent expenditures beyond this limit, but requires identification of the amount that the budget is exceeded through specified procedures.

#### Technical Notes:

1. Section 3. (2) refers to inflation projections by Wharton Econometrics, a firm which no longer exists. The current state of Montana economic forecast contract is with Global Insight.

2. This legislation proposes an expenditure limit based on population growth and inflation, as measured by the consumer price index. As the name would indicate, the consumer price index is a measure of price inflation for goods purchased by consumers. Governments purchase primarily health care, employee compensation, services, highways, and other public goods. Therefore, the consumer price index is a less accurate measure of inflation for the goods purchased by governments. Alternative price indexes include the producer price index (which measures inflation in goods purchased by producers), the Federal Highway Administration’s composite index for highway construction, the Census Bureau’s Composite Fixed-Weighted Price Index and Implicit Price Deflator (which is appropriate for public works construction), or the Gross Domestic Product deflator. Of these the Gross Domestic Product deflator may be the most appropriate index, as it measures inflation for a broad base of goods. This deflator is used by the U.S. Office of Management and Budget to adjust the federal budget forecasts for inflation.
3. Section 3. (3) refers to population projections by the Bureau of Business and Economic Research at the University of Montana-Missoula. The Bureau of Business and Economic Research – UM-Missoula is one of the agencies who uses Global Insight for these types of measures. There may be more consistency and efficiency to use the Global Insight population projections as would be done with the CPI. The current economic forecast contract with Global Insight includes projections of population for Montana.

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*Sponsor’s Initials*

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*Date*

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*Budget Director’s Initials*

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*Date*