

2017 NOV. SPECIAL SESSION FISCAL REPORT

A Report Prepared for the
Revenue and Transportation Interim Committee

By
Legislative Fiscal Division

December 5, 2017



INTRODUCTION

The purpose of this report is to provide the legislature with a summary of the legislative results of the 2017 November Special Session. Included in this report are the following:

- Summary of Special Session Action
- Executive general fund balance sheet adjusted for legislation
- HB 2 Summary
- Fire Suppression Fund
- Other Legislative Action
- Appendices
 - A – Table of General Fund Agency Reductions by Program
 - B – HJ 2 Balance Sheet
 - C – LFD Analysis of Non-General Fund Balances

SUMMARY OF SPECIAL SESSION ACTION

After several days of negotiation between legislators and the executive, lawmakers adopted legislation that totaled \$230.8 million in additional resources to address the special session call. The following is a table of the all the decisions made during the 2017 November Special Legislative Session:

2017 November Special Session Legislative Solutions (All Funds)	
	2019 Biennium
<u>Special Session Revenue</u>	
HB 6 Transfers In	\$40.2
SB 5 Liquor Auction	6.4
SB 4 3% Management Fee	29.7
Public sale of abandoned property - securites	3.9
Contract Renegotiations	15.0
<u>Expenditure Reductions</u>	
HB 2 17-7-140 General Fund Reductions	76.6
HB 2 Other Reductions	6.0
HB 6 School Facility and Technology - offset approp	8.2
HB 8 Employee Furloughs	15.0
SB 1 Temporarily suspend employer contributions to judges' retirement system	2.9
SB 2 Revise laws related to school funding block grants and reimbursements	15.0
SB 3 Providing a two month state employer contribution holiday	10.7
Non-HB 2 Additional Reduction	1.3
Total Special Session Decisions	\$230.8
HB 8 Vetoed by Governor	(15.0)
Total after vetoes	\$215.8
HB 3 assumed as duplicate legislation.	

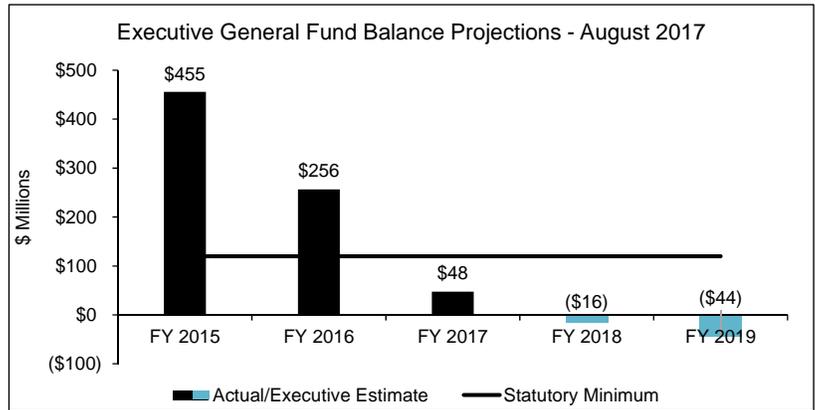
The Governor vetoed HB 8, which would have furloughed certain executive branch employees. By vetoing this legislation, the potential \$15.0 million savings reduces the total legislative solutions to \$215.8 million.

If contract renegotiation exceeds \$15.0 million, then all excess funds may be used by the executive to mitigate 2017 November special session reductions and other one-time-only expenditures.

GENERAL FUND BALANCE SHEET

The executive general fund balance sheet from August 30, 2017 showed a FY 2019 balance of (\$44) million without special session adjustments.

The 2017 November Special Session Legislature used the executive's general fund balance of (\$44) million in FY 2019 as a beginning point for addressing the Governor's call for special session. After special session legislation, the executive ending fund balance of (\$44) million increased to \$122.5 million.



Executive General Fund Balance Sheet with Special Session Adjustments (\$ Millions)			
	Actual FY 2017	Estimated FY 2018	Estimated FY 2019
Beginning Fund Balance	\$256.478	\$47.564	\$69.377
Revenues			
Actual/HJ 2 Estimates (adjusted for legislation)	2,141.479	\$2,402.334	\$2,482.396
Actual/Executive Revenue Difference from HJ 2		(137.428)	(144.516)
Other Revenue	8.608		
<i>Special Session Revenue (HB 6 & SB 5)</i>		32.311	14.227
Total Revenue Funds Available	2,406.565	2,344.780	2,421.484
Expenditures			
Statutory Appropriations (Actual/Executive Estimates)	291.065	325.135	313.429
General Fund Transfers	20.668	20.108	20.693
HB 2 Disbursements (Actual/Executive Estimates)	1,957.389	1,986.310	2,033.305
HB 1 (executive estimates)	8.239	2.210	9.063
Other Appropriations (includes SB 261 reductions)	3.417	1.661	(2.349)
<i>Adjustments from Special Session</i>		(52.246)	(67.209)
Reversions		(7.774)	(7.902)
Expenditures	2,280.778	2,275.404	2,299.031
OTO			
HB 2	47.618		
Other	36.341		
Total Expenditures	2,364.737		
Adjustments - Prior Year		(4.058)	
Other adjustments		(1.678)	
CAFR Adjustments			
Ending Fund Balance	\$47.564	\$69.377	\$122.453

HB 3 assumed as duplicate legislation.

REVENUE ADJUSTMENTS

GENERAL FUND REVENUE FROM SALE OR AUCTION

Unclaimed Property Sale

The executive proposed selling unclaimed property, specifically unclaimed securities currently held by the state and no legislative action was necessary for the executive to execute this decision. If the Department of Revenue (DOR) holds a security for over three years they have the ability to sell it without having to repay any additional appreciation if the rightful owner claims the property, however if they sell it within the three year window, DOR is responsible for any additional appreciation the security may have acquired. By selling unclaimed securities during the three year window, it is estimated that this will generate an additional \$3.9 million into the general fund for the 2019 biennium.

SB 5 Auction of New Alcoholic Beverage Licenses

The legislature adopted SB 5 which revises the liquor license laws to provide for a competitive bidding process for the sale of liquor licensed for on premise consumption of alcoholic beverages. The auction of new licenses is estimated to provide \$6.4 million in general fund revenue for the 2019 biennium.

FUND BALANCE TRANSFERS

The legislature adopted [HB 6](#) which provides transfers of funds from other non-general fund state resources into the general fund and the guarantee account. Transfers into the general fund provide up to \$40.2 million in one-time general fund revenue for the 2019 biennium. This is an increase of transfers of \$27.5 million general fund from the executive proposed amount. The LFD has provided in-depth analysis of each fund balance in the Appendix C – LFD Fund Balance Analysis. The following fund balances are directed for transfer (amounts are totaled for the biennium):

- Big Sky Economic Development fund, \$2.2 million
- Capital Complex Maintenance, \$2.0 million
- Secretary of State Enterprise Fund, \$810,095
- Public Service Commission Fund, \$525,215
- State Auditor, \$1.1 million
- Highway Non-restricted Account, \$8.0 million
- School Major Maintenance Aid, \$1.7 million
- Alternative Energy, \$1.2 million
- Long-Range Building, \$5.0 million
- Treasure State Endowment, \$7.5 million
- State Parks, \$250,000
- Energy Conservation, \$450,000
- Natural Resources Projects, \$2.05 million
- National Guard Land Purchase Account, \$400,000
- Legislative Branch IT Reserve Account, \$500,000
- Hard Rock Mining, \$500,000
- Petroleum Tank Release, \$1.0 million
- Operation of Building Codes, \$2.0 million
- Hydroelectric Power Plant, \$2.0 million
- Consumer Protection, \$1.0 million

HB 2 REDUCTIONS

17-7-140 General Fund Reductions

The executive proposed and the legislature adopted HB 2 expenditure reductions totaling \$76.6 million in general fund and \$138.9 million in all funds for the 2019 biennium. The following table shows the reductions by agency. For additional information on the reductions, please read the report published by the executive: [Executive's reduction details](#)

17-7-140 Reductions to HB 2 Appropriations General Fund and Total Funds 2019 Biennium		
Agency	General Fund Reduction	Total Funds Reduction
Section A - General Government		
Governor's Office	(\$853,728)	(\$853,728)
Commissioner of Political Practices	(152,414)	(152,414)
Department of Revenue	(2,931,493)	(2,931,493)
Department of Administration	(1,075,556)	(1,075,556)
Department of Commerce	(725,503)	(725,503)
Department of Labor and Industry	(358,270)	(387,774)
Department of Military Affairs	(948,618)	(1,866,294)
Total Section A	(7,045,582)	(7,992,762)
Section B - Health and Human Services		
Department of Public Health and Human Services	(49,213,957)	(110,306,836)
Total Section B	(49,213,957)	(110,306,836)
Section C - Natural Resources and Transportation		
Department of Environmental Quality	(1,038,935)	(1,038,935)
Department of Livestock	(511,416)	(695,190)
Department of Natural Resources and Conversation	(2,928,417)	(2,928,417)
Department of Agriculture	(152,058)	(152,058)
Total Section C	(4,630,826)	(4,814,600)
Section D - Judicial, Law Enforcement, and Justice		
Crime Control Division	(461,916)	(461,916)
Department of Justice	(4,533,204)	(4,533,204)
Department of Corrections	(4,436,926)	(4,436,926)
Total Section D	(9,432,046)	(9,432,046)
Section E - Education		
Office of Public Instruction	(1,712,042)	(1,712,042)
Board of Public Education	(29,900)	(29,900)
Commissioner of Higher Education	(4,472,819)	(4,472,819)
Montana Arts Council	(105,663)	(105,663)
Total Section E	(6,320,424)	(6,320,424)
Total HB 2 17-7-140 Reductions	(\$76,642,835)	(\$138,866,668)

Section A

Governor's Office

The legislature approved a reduction in general fund appropriations for the Governor's Office of approximately \$428,000 in FY 2018 and \$426,000 in FY 2019. This resulted in a 5.7% reduction in FY 2018 and 6.6% reduction in FY 2019 from the HB 2 (including pay plan) level.

Appropriations for personal services and operating expenses were reduced. Personal services comprised approximately 67.0% of the general fund reductions and is anticipated to be reached primarily using vacancy savings. Operating expenses comprised approximately 33.0% of the general fund reductions, and include reductions to contracted and consulting services, travel, tradeshow participation, catering and food expenses, the maintenance and operating budget in the Air Transportation program, and reductions related to an econometric data subscription.

Commissioner of Political Practices

The legislature approved a reduction in general fund appropriations for the Commission of Political Practices of approximately \$76,000 in each fiscal year. This resulted in a 10.0% reduction from HB 2 (including pay plan) levels.

Appropriations for personal services and operating expenses were reduced. Personal services comprised approximately 73.1% of general fund reductions in FY 2018 and 71.2% of general fund reductions in FY 2019. The reductions in personal services will be reached using vacancy savings. Operating expenses comprise 26.9% of the general fund reductions in FY 2018 and 28.8% of general fund reductions in FY 2019. The reductions in operating expenses affect information technology expenditures.

Department of Revenue

The legislature approved a reduction of \$2.9 million in general fund appropriations for the Department of Revenue over the biennium. This resulted in a 2.8% reduction from HB 2 (including pay plan) levels. The reductions are all in operating expenses, and distributed over four of the agency's five programs: the Director's Office, Citizen's Services Division, Business & Income Taxes Division, and Property Assessment Division. Impacts include fewer computer replacements, travel restrictions, and consolidation of county property tax offices.

Department of Administration

The legislature approved the Governor's proposed reductions of \$537,110 in FY 2018 and \$538,446 in FY 2019 in HB 2 general fund appropriations as outlined in 17-7-140, MCA. This resulted in a 7.3% reduction in FY 2018 and 7.4% in FY 2019 from HB 2 (including pay plan) general fund appropriations.

Appropriations for personal services made up 88.6% of the reductions while operating expenses comprised 11.4%. According to the executive's proposal, in the 2019 biennium 5.0 FTE and \$508,117 in personal services costs in the State Financial Services Division will be transferred from the general fund to the proprietary fund for local government services. Within the State Human Resources Division \$179,716 in personal service costs will be transferred to the internal service fund. The remainder will be generated through leaving vacant positions unfilled during the biennium.

Department of Commerce

The legislature approved a reduction in general fund appropriations for the Department of Commerce of approximately \$363,000 in each fiscal year. This resulted in a 10.0% reduction from the HB 2 (including pay plan) level.

The general fund reduction occurred in grants in the Office of Tourism and Business Development and operating expenses in the Community Development Division. Grants comprised approximately 77.0% of the general fund reductions and included reductions to Montana Manufacturing Extension Center (MMEC) grants and Small Business Innovation Research and Small Business Technology Transfer (SBIR/STTR) grants. Operating expenses comprised approximately 23.0% of the general fund reductions and included reductions to contracted services in the Community Technical Assistance program.

Department of Labor and Industry

The legislature approved a reduction in general fund appropriations for the Department of Labor and Industry of approximately \$179,000 in each fiscal year. This resulted in a 10.0% reduction from the HB 2 (including pay plan) level. The legislature also approved a reduction in matching federal special revenue funds of approximately \$15,000 each fiscal year.

Appropriations for personal services and operating expenses were reduced. Personal services comprised 37.4% of general fund reductions and will be reached using vacancy savings and reduced staff hours. Operating expenses comprised 62.6% of general fund reductions and affect operating expenses related to supporting personal services expenses, travel, outreach, and legal expenses.

Department of Military Affairs

The legislature approved a reduction in general fund appropriations for the Department of Military Affairs of approximately \$480,000 in FY 2018 and 468,000 in FY 2019. This resulted in a 7.4% reduction in FY 2018 and a 7.2% reduction in FY 2019 from the HB2 (including pay plan) level. The legislature also approved a reduction in matching federal special revenue funds of approximately \$465,000 in FY 2018 and \$453,000 in FY 2019.

Appropriations for personal services and operating expenses were reduced. Personal services comprised 39.5% of the general fund reductions in FY 2018 and 37.6% of the general fund reductions in FY 2019. These reductions included reducing funding for several FTE. Operating expenses comprised 60.5% of the general fund reductions in FY 2018 and 62.4% of the general fund reductions in FY 2019. These reductions include reducing and/or eliminating maintenance and janitorial services, postponing small construction projects, eliminating the veteran's service outreach program, as well as other reductions in operating expenses.

Section B

Department of Public Health and Human Services

Section B (DPHHS) 2019 biennium 17-7-140 reductions totaled \$49.2 million general fund and \$110.3 million across all fund types for the 2019 biennium. The majority (77.3%) of these reductions are to benefits and services provided by DPHHS. About \$17.9 million of the total fund reduction was due to cuts to various types of targeted case management (TCM), some of which is provided through Medicaid. Reductions to Medicaid benefits and services totaled about \$71.3 million for all fund types over the 2019 biennium.

The 17-7-140 reductions in DPHHS were not made evenly across all programs. For example, the Health Resources Division received a 2.0% total reduction (all fund types) in FY 2018 and a 3.7% reduction in FY 2019, while the Senior & Long-Term Care Division received a 1.4% reduction in FY 2018 and a 2.9% reduction in FY 2019. At the time of this writing LFD does not have detail on how DPHHS will implement the 17-7-140 reductions beyond what exists in the summary document from the Governor's office.

A summary of the largest individual impacts to the agency in various programs is as follows, as shown in the Governor's 17-7-140 reductions proposal:

Human & Community Services Division

With a total general fund reduction of \$7.2 million, the majority is due to a 10% reduction to the TANF Pathways contracts, resulting in a \$3.8 million general fund reduction.

Child & Family Services Division

Through a change to the procurement process, DPHHS intends to reduce the cost of chemical screening by \$2.1 million, which is the majority of the overall \$3.5 million general fund reduction in this program.

Developmental Services Division

Of a total \$6.7 million general fund reduction in this program, \$2.9 million is the result of reductions to both Medicaid and non-Medicaid Targeted Case Management. This total also includes a \$1.1 million reduction which eliminates the non-matched portion of room and board for seriously emotionally disturbed children.

Health Resources Division

With the largest overall budget of any program in DPHHS, this program also has one of the larger reductions, as it is reduced by \$15.3 million general fund for the biennium. The largest impact would be to the Prospective Payment System hospital rates for both inpatient and outpatient services, with a total general fund reduction of \$4.9 million. Additionally, there is a reduction to high-cost dental services associated with a \$2.4 million general fund reduction, and a \$2.2 million reduction for rates paid for Medicaid provider based clinic payments.

Senior & Long-Term Care

The bulk of the \$4.8 million general fund reduction is explained by a \$1.7 million reduction to services provided under the Medicaid Big Sky Waiver, and a \$1.4 million reduction in Community First Choice services.

Addictive & Mental Disorders Division

The single largest contributor to the overall \$6.8 million general fund reduction in this program is the \$3.0 million reduction to Targeted Case Management services.

Section C

Department of Environmental Quality

Total general fund appropriations for the Department of Environmental Quality (DEQ) were reduced by \$1.0 million or 10.0%. Of the total reductions, 52.0% occurred in operating expense and 48.0% in personal services. Reductions in personal services and operating expenses occur in the Enforcement Division, Waste Management & Remediation Division, and the Air Energy & Mining Division. The Water Quality Division proposes to reduce personal services expenditures. DEQ will reduce support for Air Quality Programs in thirteen communities within eight counties.

The \$70,000 per year cost of the State Recycling Program will be shifted from the state general fund to the solid waste management fees account in the state special revenue fund. The agency collects license fees from operators of solid waste management facilities.

Department of Natural Resources & Conservation

Total general fund appropriations for the Department of Natural Resources and Conservation (DNRC) were reduced by \$2.9 million or 5.4%. Of the total reductions, 25.6% occurred in personal services, 49.7% in operating expenses, 13.3% in equipment and intangible assets, 9.1% in grants and, 1.1% in debt service. Reductions in personal services occur in the Director's Office and the Water Resources Division and include holding vacant positions open, voluntary furloughs without pay, and reductions to staff hours. The Director's Office has 1.00 FTE open as of September 26, 2017 and the Water Resources Division has 6.25 FTE vacant. Reductions in operating expenses occur in Conservation and Resources Development Division, Forestry & Trust Lands Management Division and the Water Resources Division. Reductions in grants occur in the Forestry and Trust Lands Management Division.

Department of Livestock

Total general fund appropriations for the Department of Livestock were reduced by \$511,416 million or 10.0%. Of the total reductions, 67.1% occurred in operating expense and 32.9% in personal services. Reductions in personal services will be achieved through vacancy savings in the Animal Health Division. Reductions in operating expense will be achieved in the Centralized Service Division by reducing travel for the livestock board, and reductions in the purchase of testing supplies and operating expenses for the diagnostic labs and meat inspection program. The reduction of general fund for the meat inspection program of \$183,774 for the biennium will result in the loss of matching federal funds.

Department of Agriculture

Total general fund appropriations for the Department of Livestock were reduced by \$152,058 or 10.0%. Of the total reductions, 86.8% occurred in personal service and 13.2% in grants. Reductions in personal services occur in the Central Services Division, Agricultural Sciences Division and, Agricultural Development Division. Grants for noxious weed management will be reduced in the Agricultural Sciences Division.

Section D

Montana Board of Crime Control

The legislature approved a 10% general fund reduction to the Montana Board of Crime Control (MBCC). MBCC appropriations will be reduced in operating and personal services by \$461,916 for the 2019 biennium. These savings come from not filling two positions in FY 2018 and ITSD reductions in FY 2019. Also within the reductions include \$200,000 each year of general fund savings related to providing housing options for offenders.

Department of Justice

The legislature approved proposed reductions for the Department of Justice (DOJ). The department reduced general fund expenditures by \$4.5 million for the biennium, or by 6.6%. These reductions come mainly from agency-wide personal services reductions. A fund switch involving the state special revenue account supporting the criminal records information system (CRISS) also provided approximately \$1.0 million in general fund reductions.

Department of Corrections

The legislature approved proposed reductions for the Department of Corrections (DOC). The department's budget was reduced in general fund expenditures by \$4.4 million for the biennium or by 1.1%. These reductions were taken fully by the clinical service division in operating costs.

Public Service Commission

The Public Service Commission (PSC) was subject to a legislative transfer to the general fund according to HB 6 in the amount of \$525,215 for the biennium. This transfer comes from the primary revenue source for the PSC and accounts for approximately 7.0%. An unintended consequence of the special session was that the appropriations were reduced by the same amount of the transfers. The PSC is limited in its ability to raise revenues by its total appropriation, which could result in a doubling of the impact to their budget. However, FY 2018 revenues were already established, and SB 9 created a mechanism whereby if revenues come in more than \$20 million higher than the executive estimate, the transfer is void, reducing the overall impact.

Section E

Board of Public Education

The legislature approved a reduction of \$29,900 in general fund appropriations for the Board of Public Education over the biennium. This resulted in a 10% reduction from the HB 2/SB 294 levels. The reduction will be made in operating expenses and will be managed through a combination of reduced staff travel, renegotiation of their office lease, and new terms for their HR contract.

Office of Public Instruction

The legislature approved a reduction of \$1.7 million in general fund appropriations for the Office of Public Instruction over the biennium. This resulted in a 0.1% general fund reduction from HB 2 (including pay plan) levels. OPI will be reduced \$1.7 million in operating expenses over the biennium. The reduction will be applied at the discretion of the Superintendent of Schools.

Office of Commissioner of Higher Education

The legislature approved a reduction of \$4.5 million in general fund appropriation for the Office of the Commissioner of Higher Education over the biennium. This resulted in a 1.0% reduction from the HB 2 (including pay plan) levels. The reductions were allocated to the community college program and the Montana University System educational units. The determination regarding specific reductions will be made at the discretion of the Board of Regents and the impacts will be defined at that time. Their next scheduled meeting is January 11 & 12, 2018.

Montana Arts Council

The legislature approved a reduction of \$39,788 in personal services and \$65,875 in operating expenses over the biennium for the Montana Arts Council. This resulted in a 10% reduction from HB 2 (including pay plan) levels. MAC will be reduced \$39,788 in personal services and \$65,875 in operating expenses over the biennium. The arts council hired a new director at a lower salary which allows them to absorb this reduction with salary savings. The operating expense reduction will be managed through a combination of reduced staff travel, renegotiation of their office lease, and new terms for their HR contract.

OTHER REDUCTIONS ADOPTED BY THE LEGISLATURE

The executive proposed additional reductions that further impacted expenditures. The legislature adopted the following legislation proposed by the executive:

- [HB 6](#) delays the school facility and technology payments for the 2019 biennium. This reduces the Office of Public Instruction appropriation by \$8.2 million
- [SB 1](#) temporarily suspends the state employer contribution to the judges' retirement system (JRS) beginning January 1, 2018 and terminating June 30, 2019. This is projected to save \$2.9 million in general fund. As of the June 30, 2017 actuarial valuation JRS was 167% funded, meaning contributions and investment earnings are projected to be 67% greater than projected benefit obligations
- [SB 2](#) eliminates the combined fund and transportation block grants that the state provides to school districts, and reduces the transportation fund reimbursements. Normally this necessitates schools to increase permissible levies and therefore increase property taxes, however the bill requires school districts to transfer revenue from certain funds to offset this decrease. SB 2 saves the state \$15.0 million in general fund for the 2019 biennium
- [SB 3](#) authorizes the suspension of the state health care benefit employer payment contribution. The state of Montana provides health benefits to eligible state employees through a self-insured plan. SB 3 stops payments of the employer contributions into the plan for two months, saving \$10.7 million in general fund. The self-insured plan (SEGBP) is required to maintain reserves to ensure that funding is available for the health costs submitted in subsequent years. Depending on actual medical and

pharmacy cost trends, reductions in the current SEGBP fund balance may result in state employer and/or employee contribution increases sooner than would have otherwise occurred

- Lower the rates agencies pay to the State Information Technology Services Division for computer related services. The rate reduction saves \$2.2 million in general fund for the 2019 biennium
- Reductions to the Legislative Branch and the Judicial Branch. The executive proposed reductions to the two other branches of government, but needed legislative approval for those reductions. The legislature agreed to reduce the Legislative Branch by 3.2%, which was simply calculated from the total amount of proposed reductions divided by the total original appropriated budget. The legislature adopted the 3.8% reductions proposed in a [memorandum](#) by the Judicial Branch
- The legislature reduced general fund appropriations for the State Financial Services Division by \$200,000 in FY 2018 and \$300,000 in FY 2019 as proposed by the Governor. These funds are used to support the State Accounting, Budgeting, and Human Resource System (SABHRS)

WILDFIRE SUPPRESSION FUND

The summer of 2017 was likely the most expensive state fire year in Montana's history. Estimated obligations as of October 26, 2017, exceeded the balance of the fire fund and the Governor's statutory emergency fund appropriation, resulting in a shortfall in appropriations of \$34 million in FY 2018. While the costs exceeded appropriation authority, the Department of Natural Resource and Conservation (DNRC) still had the ability to cash flow high cost fire years, as delays between firefighting activities and actual payments occur. However even with the cash flow ability, expenses for firefighting activities needed legislative intervention prior to the 2019 regular session. The following legislation directed multiple revenue streams into the fire fund during the 2017 November Special Session, however capped all revenue into the fire fund at \$40.0 million. The following details the revenue streams adopted by the legislature:

- [HB 3](#) transfers \$40.0 million in FY 2018 from the general fund to the wildfire suppression fund
- [HB 6](#) stipulates that the state treasurer shall transfer certain revenue received in the fire suppression fund in excess of \$40.0 million to the general fund
- [SB 4](#) directs that the Board of Investments shall transfer to the fire suppression fund a 3% management rate on certain portfolios managed by the Board of Investments, providing those portfolios average asset balance contains sufficient funds to offset liabilities as determined by recent actuarial study, and have an average asset balance greater than \$1 billion. The estimated transfers for the 2019 biennium are \$29.7 million. The legislation is temporary and expires on June 30, 2019
- [SB 9](#) provides up to \$15.0 million to be deposited into the fire suppression fund from money received by the state and any savings realized by the state from contract renegotiations between the state and private correctional facility contractors. The bill also provides for a contingent transfer of \$15.0 million from the general fund, unless the state treasurer certifies to the Legislative Fiscal Analyst that \$15 million was deposited into the fire suppression fund from the contract renegotiation between the state and private correctional facility contractors.

The chart shows the anticipated costs and the revenue streams authorized by the 2017 November Special Session Legislature.

Estimated Fire Suppression Costs 2019 Biennium (\$ millions)			
Expenditures	FY 2018	FY 2019	Biennium
Fire Cost (11/13/17) with FEMA reimbursement	\$71.3	-	\$71.3
Estimated Dept. of Military Affairs Expense	7.0	-	7.0
Additional Estimated Fire Cost	0.5	22.5	23.0
Total Expenditures	\$78.8	\$22.5	\$101.3
Appropriations			
Fire Fund Statutory Appropriation (02847)	\$32.3	-	\$32.3
Governor's Emergency Funds for Military Affairs	7.0	-	7.0
Additional Revenue Streams ¹	40.0	-	40.0
Total Funding	\$79.3	-	\$79.3
Appropriations Less Expenditures	\$0.5	(\$22.5)	(\$22.0)

¹ 2017 November special session legislation

OTHER LEGISLATIVE ACTION – [SB 9](#)

Ending Fund Balance Calculations

A stabilization tool that existed prior to the budget stabilization reserve fund legislation (SB 261, 2017 session) is the 5% trigger threshold (ending fund balance must be at least 5% of second year general fund appropriations or expenditure reductions must be made). This trigger was increased from 2% to 5% in 2015 to work as a budget stabilization tool and improve credit ratings. Budget stabilization tools, like both the trigger and the budget stabilization reserve fund, are intended to give a cushion to state budgets so drastic tax or expenditure policy changes are not needed in the event of fiscal pressures.

[SB 9](#) temporarily provides for a potential reduction in the percentages used to calculate the trigger threshold. The reductions are for the 2019 biennium only. The only remaining potential trigger is if the executive does not reach an agreement with the private correctional facility, then the trigger will be reduced by 0.65%, or \$15.0 million.

Private Correctional Facility Contract Renegotiation State Special Fund

The legislature adopted [SB 9](#), which establishes a private correctional facility contract renegotiation state special revenue fund for excess money received by the state and any savings realized by the state from contract renegotiations. While a portion goes to wildfire suppression, any excess must be deposited into the newly established special revenue fund. The Department of Corrections will report any savings realized to the Legislative Finance Committee and the Office of Budget and Program Planning. The general fund appropriation authority for the Department of Corrections will be reduced by the amount of reported savings and a general fund transfer for the equal amount will be deposited into the private correctional facility contract renegotiation account.

If contract renegotiation exceeds \$15.0 million, then all excess funds may be used by the executive to mitigate 2017 November special session reductions and other one-time-only expenditures.

Allocations to state agencies in the event of excess revenues

If the amount of unaudited state general fund revenue and transfers into the general fund received at the end of FY 2018 is more than \$2,264.9 million, then the state treasurer shall notify the Legislative Fiscal Analyst and others of the amount of excess revenue and the following actions will be taken:

1. If the excess revenue is less than \$20.0 million, it will remain in the general fund;
2. If the excess revenue is \$20.0 million or more, the transfers in HB 6 from the secretary of state enterprise fund and the public service commission state special revenue account are void. In addition, the State Auditor will only transfer \$530,825 by December 15, 2017;
3. If the excess revenue is at least \$20.0 million, but no more than \$111.4 million, the excess revenue will be as follows:
 - \$20.0 million will remain in general fund
 - 50% of the remainder will be transferred to the budget stabilization reserve fund established by SB 261 (2017 regular session)
 - 50% of the remainder will be prorated to agencies to proportionally offset the reductions in HB 2. A list of agencies and the amounts offset is provided in SB 9
4. If the excess revenue is more than \$111.4 million, all of the above will be followed, and the extra will remain in the general fund.