

# April 2020 Financial Update – COVID-19

STATE BUDGET IMPLICATIONS OF COVID-19  
BY LEGISLATIVE FISCAL DIVISION STAFF

APRIL 9, 2020



# OVERVIEW OF STATE BUDGET IMPLICATIONS OF COVID-19

This report is the first in a series used to update the legislature on the impacts on the state budget as Montana endures the coronavirus. On March 12, 2020, Governor Bullock declared a state of emergency to address the COVID-19 outbreak and on March 13, 2020, President Trump issued a proclamation declaring a national emergency. At the time of the emergency declaration, Montana's state budget reserves were strong and by declaring an emergency, the Governor gained immediate access to \$16.0 million in state general fund appropriations for use in emergencies. In addition, during the last weeks of March, the federal government passed legislation to provide states with additional resources to combat the public health emergency. A preliminary table of the federal legislation impacts is included in the next section of this report.

## FEDERAL LEGISLATION

In response to the COVID-19 emergency, three separate federal bills have been passed and approved to provide relief. Those bills include:

Bill 1: H.R. 6074 "[Coronavirus Preparedness and Response Supplemental Appropriations Act](#)"

Bill 2: H.R. 6201 "[Families First Coronavirus Response Act](#)"

Bill 3: H.R. 748 "[Coronavirus Aid, Relief, and Economic Security Act](#)" or "[CARES Act](#)"

The following spreadsheet does NOT reflect all of the funding provided in the federal acts but focuses on funding which will flow through Montana state government. Items such as the stimulus funding provided directly to individuals and families are not included.

For the purposes of understanding the potential impact to the State of Montana, estimates have been included as possible. However, many of the federal regulations are still being developed, and these numbers could change significantly based on federal decisions and distributions.

The Coronavirus Relief Fund (CRF) monies are expected to be deposited into federal funding by the end of April. This is a total amount of \$1.25 billion and is limited to expenditures that are not currently in the state or local government budgets and are a result of the coronavirus emergency and subsequent response. This funding cannot be used to backfill shortfalls in revenue as a result of the economic impacts of COVID-19.

The final item included in the spreadsheet, loans from the federal government, will not necessarily be provided to the State of Montana but is included as a potential source of revenue for state and local governments in need of loans due to revenue shortfalls. This loan funding is available to both government entities and private business and is expected to have significant demand from private businesses.

A Summary of Coronavirus Funding to Date (April 6, 2020)  
(\$ in millions)

Sources: FFIS, NCSL, bill text, state agencies

Legislative Vehicle

State Agency	Program	Projected Federal Stimulus	Actual Amount Received to date	BA Expected?	Expiration Date	Notes	Legislative Vehicle			Total National Funding
							H.R. 6074	H.R. 6201	H.R. 748	
Commerce	Community Development Block Grant	3.9		Y	9/30/2022	Two thirds to be distributed by formula, the remaining by public health needs			X	5,000
Commerce	Emergency Solutions Grants	5.0		Y	9/30/2022	Assistance for Homeless			X	4,000
Commerce	Tenant-Based Rental Assistance	1.3		Y	Until spent	Tenant vouchers for housing			X	1,250
Commerce	Project-Based Rental Assistance	0.9		Y	Until spent	Rent subsidy for low income tenants of multi family facilities			X	1,000
Commerce	Public Housing Operating Fund	TBD		Y	9/30/2021	To Public Housing Agencies to maintain normal operations			X	685
Commerce	Housing Opportunities for Persons with AIDS	0.0		Y	9/30/2021	Rental Assistance, \$50 million by formula, \$10 million OTO assistance			X	65
Commerce	Housing for the Elderly	TBD		Y	9/30/2023				X	50
Commerce	Housing for Persons with Disabilities	TBD		Y	9/30/2023	To maintain normal operations			X	15
DLI	UI administration	6.2		N	12/31/2020	Montana appears to meet requirements for both base & supplemental.		X		1,000
DLI	Grants to establish or improve short-time compensation programs	TBD		N	12/31/2020	DLI does not have a short-time compensation program.			X	100
DLI	Unemployment Insurance - 39 weeks of benefit	TBD		N	12/31/2020	DOL will pay for benefits to start first week of unemployment and to extend benefit for 39 weeks. As of end of last week 36,000 unemployed, 18,678 in January all qualify for additional weeks of benefits			X	TBD
DLI	Unemployment Insurance - Additional \$600 a week in addition to state benefit amount	TBD		N	12/31/2020	39 weeks of an additional \$600 a week would be \$842.4 million if 36,000 unemployed			X	TBD
DMA	Disaster Relief Fund	TBD		N	Until spent	\$45B appropriation - \$25B for disasters declared under Stafford Act. \$15B in addition to amounts designated by Congress for disaster relief.			X	45,000
DMA	Emergency Management Performance Grants	TBD		N	9/30/2021	\$100M available in grants.			X	100
DNRC or DMA	Firefighter Assistance Grants	TBD		N	9/30/2021	\$100M available in grants for purchase of PPE & related supplies, including reimbursements.			X	100
DOC	Byrne Justice Assistance Grants (JAG)	3.4		Y	Until spent	\$850 million total; will be using the same formula allocation (adjusted in proportion to the relative amounts statutorily designated) that was used in fiscal year 2019 for the Edward Byrne Memorial Justice Assistance Grant program. An additional \$1.3 million will be sent directly to Montana local government entities.			X	850
DPHHS	SNAP Contingency Reserve	TBD		Y	9/30/2021	100% federal, depends on eligibility. Allocated as Secretary deems necessary.			X	15,510
DPHHS	Child nutrition	TBD		Y	9/30/2021				X	8,800
DPHHS	Emergency Food Program (TEFAP)	2.5		Y				X	X	850
DPHHS	Supplemental Nutrition Assistance for Women, Infants, and Children (WIC)	1.089		Y				X		500
DPHHS	Grants to states, localities, and tribes	9.1	4.568	Y		BA processed	X		X	2,450
DPHHS	Infectious Diseases Rapid Response Reserve Fund	TBD		Unclear	9/30/2024	Appropriated to the CDC and distributed from that agency as grants to states, local entities, and tribes.	X		X	600
DPHHS	Surveillance and analytics infrastructure	TBD		Unclear	9/30/2024	Appropriated to the CDC and distributed from that agency as grants to states, local entities, and tribes.			X	500
DPHHS	Survey and Certification	TBD		Unclear	9/30/2023	Appropriated to CMS for certification for Medicaid and Medicare providers			X	100
DPHHS	Medicaid/CHIP FMAP adjustments	~80.0 based on a 1 year timeline		Y		Federal authority would be increased, and would reduce state spending. This estimate is based on a full year, but the FMAP is temporary, depending upon when the disaster is declared over.		X		Entitlement
DPHHS	Hospital Preparedness Program	TBD		Y	9/30/2024	Appropriated to Health and Human Services to make grants.			X	250

DPHHS	Child Care and Development Block Grant	10.0	Y	9/30/2021	Assistance to childcare providers		X	3,500
DPHHS	Community Services Block Grant	4.7	N	9/30/2021	For states to distribute to local community-based entities.		X	1,000
DPHHS	Low Income Home Energy Assistance Program	5.1	Y	9/30/2021			X	900
DPHHS	Head Start	2.6	Y	9/30/2021			X	750
DPHHS	Family Violence Prevention and Services	0.2	Unclear	9/30/2021	Domestic violence shelters and hotline		X	45
DPHHS	Child Welfare Services	0.1	Y	9/30/2021			X	45
DPHHS	Runaway and Homeless Youth	TBD	Unclear	9/30/2021	Funds to supplement (not supplant) existing funds in this area.		X	25
DPHHS	Congregate Meals and Home Delivered Meals	3.6	Y	9/30/2021	Activities under Older Americans Act of 1965	X	X	740
DPHHS	Home and Community-Based Supportive Services	TBD	Y	9/30/2021	Activities under Older Americans Act of 1965		X	200
DPHHS	Family Caregivers	0.5	Y	9/30/2021	Activities under Older Americans Act of 1965		X	100
DPHHS	Centers for Independent Living	1.0	Y	9/30/2021	Activities under Older Americans Act of 1965		X	85
DPHHS	Aging and Disability Resource Centers	TBD	Y	9/30/2021	Activities under Older Americans Act of 1965		X	50
DPHHS	Protection of Vulnerable Older Americans	0.1	Y	9/30/2021	Activities under Older Americans Act of 1965		X	20
DPHHS	Certified Community Behavioral Health Clinical Expansion Grant	TBD	Y	9/30/2021			X	250
DPHHS	Program Emergency Response Activities	TBD	Y	9/30/2021			X	100
DPHHS	Suicide Prevention Programs	TBD	Y	9/30/2021			X	50
DPHHS	Community Health Centers	11.5	Unclear		Increased funding for Community Health Centers under the Affordable Care Act.	X	X	1,420
DPHHS	Telehealth and Rural Health	TBD	Y	9/30/2022	Funding for telehealth and rural health activities under the Public Health Service Act and Social Security Act.		X	180
DPHHS	Ryan White HIV/AIDS	TBD	Y	9/30/2022	Supplemental funding for existing contracts and grants.		X	90
MAC	National Endowment for the Arts (NEA)	TBD	Y	9/30/2021	\$75.0 million available nationally, of which 40% will be distributed to state arts agencies and regional art organizations and 60% will be used for direct grants		X	75
MDT	Transit Infrastructure Grants	52	Y		\$35.5 million to "rural" and \$14.3 to "urban" (urban is only the MPOs of GF, Billings and Missoula) Also 2 million directly to tribes. No match required for any of it. Distributed through existing formulas/mechanisms.		X	25,000
Direct to Airports	Grants-in-Aid to Airports	9	N		This will be distributed directly to recipients rather than funneled through MDT.		X	10,000
MHS and MSL	Institute of Museum and Library Services	TBD	Y	9/30/2021	\$50.0 million for the Institute of Museum and Library Services, in part, for grants to states		X	50
MHS and MSL (Potentially)	National Endowment for the Humanities (NEH)	TBD	Y	9/30/2021	\$75.0 million available nationally for the National Endowment for the Humanities in which 40% will be distributed to state humanities councils and 60% will be used for direct grants		X	75
N/A	Project SERV	TBD	No	9/30/2021	\$100 million available nationally for cleaning and disinfecting schools, providing for mental health services and providing distance learning. According to OPI staff, applications will be submitted by school districts directly to the U.S. Department of Education		X	100
OCHE	Education Stabilization Fund	30.1	Maybe	9/30/2021			X	30,750
OCHE	Governor's Emergency Relief Fund	TBD	Maybe	9/30/2021	\$8.765 million Governor's Emergency Education Relief Fund allocated between post-secondary and secondary education by the Governor		X	*
OCHE	Manufacturing Extension Center	0.2			Hollings Manufacturing Extension Program		X	
OPI	Education Stabilization Fund	41.3	Y	9/30/2021			X	*
OPI	Governor's Emergency Relief Fund	TBD	Y	9/30/2021	\$8.765 million Governor's Emergency Education Relief Fund allocated between post-secondary and secondary education by the Governor		X	*
researching	Rural Broadband ReConnect	TBD	Y	9/30/2021	Available until Sept. 2021 Provided 90% is spent on households in rural areas without broadband		X	100

researching	Distance learning and telemedicine	TBD	Y	Until spent	Distance Learning & Telemedicine Grants. A minimum 15% match is required for grant-only awards	X	25
Secretary of State	Election Security Grants	3.0	Y	12/31/2020	\$400M overall. Can only be used for federal election cycle expenses related to coronavirus.	X	400
TBD	Economic Development Assistance programs	TBD	N		Grant program, TBD	X	1,500
researching	Water and Related Resources	TBD	N	9/30/2021	Department of the Interior Bureau of Reclamation	X	13
	Coronavirus Relief Fund	1,250.0	N	12/30/2020	Anticipated to be deposited directly into general fund by the end of April, fo rexpenses between March 1 and December 30	X	150,000
	Lending fund for Businesses, <u>Cities, &amp; States</u>		N		While the focus is on business lending, there is potential assistance for revenue loss in government entities. Private demand is expected to very high for this assistance.	X	500,000

\* Included in the estimate for OCHE Education Stabilization Fund

## STATE REVENUE UPDATE

Year-to-date general fund collections continue to be stronger than the estimate contained in HJ 2 as adopted by the 2019 legislature. FY 2020 general fund revenues through the end of March are \$82.5 million or 4.9% above FY 2019 revenues through the same period. At this point in FY 2019 there was \$32.6 million of one-time-only (OTO) revenues, compared to \$4.1 million in FY 2020. When these are excluded the ongoing year-over-year growth is 6.7%.

Unlike prior reports, this one does not include final collection projections, as there is currently too much uncertainty regarding the revenue impact of COVID-19. The strong revenue growth prior to the emergency makes it likely that final revenue collections will still reach the HJ 2 estimate in FY 2020. In addition to the strong revenue growth, changes in payments typically lag significant economic upturns/downturns. This economic downturn is more likely to significantly impact the revenue collections of FY 2021.

While there will be a lag in some of the revenue impacts, some sources will see the impact quickly, especially during the fourth quarter of FY 2020. These sources include individual income tax withholding, oil and natural gas taxes, video gaming taxes, lodging facilities sales taxes, and treasury cash account (TCA) interest earnings.

The LFD is monitoring daily individual income tax withholding patterns. Withholding is expected to be the quickest to respond to the economic changes. These data have been included on page 4 of the report.

# YEAR-TO-DATE GENERAL FUND REVENUE

## General Fund Revenue Monitoring Report (\$ Millions)

Revenue Source	Actual FY 2019	HJ 2 FY 2020	HJ 2 Est. % Change	March FY 2019	March FY 2020	YTD Difference	YTD % Change	YTD % Change
<b>Largest Seven Sources</b>								
Individual Income Tax	\$1,429.010	\$1,410.943	-1.3%	\$1,036.614	\$1,113.823	\$77.209	7.4%	
Property Tax	289.212	302.470	4.6%	169.265	175.728	6.463	3.8%	
Corporation Tax	186.536	165.893	-11.1%	110.236	124.680	14.443	13.1%	
Vehicle Taxes & Fees	109.508	112.953	3.1%	72.790	75.937	3.147	4.3%	
Oil & Natural Gas Taxes	54.178	56.639	4.5%	15.805	11.291	(4.514)	-28.6%	
Insurance Tax	76.141	81.158	6.6%	43.314	52.429	9.115	21.0%	
Video Gaming Tax	63.228	60.248	-4.7%	31.442	32.345	0.903	2.9%	
<b>Other Business Taxes</b>								
Drivers License Fee	3.976	4.370	9.9%	2.890	3.193	0.303	10.5%	
Investment Licenses	8.182	16.040	96.0%	7.486	14.986	7.500	100.2%	
Lodging Facilities Sales Tax	26.703	26.380	-1.2%	14.805	15.902	1.097	7.4%	
Public Contractor's Tax	3.597	3.579	-0.5%	4.176	4.788	0.612	14.7%	
Railroad Car Tax	3.594	3.878	7.9%	3.083	3.583	0.500	16.2%	
Rental Car Sales Tax	4.431	4.039	-8.8%	2.588	2.697	0.108	4.2%	
Retail Telecom Excise Tax	13.224	11.927	-9.8%	6.789	6.029	(0.760)	-11.2%	
<b>Other Natural Resource Taxes</b>								
Coal Severance Tax	14.091	13.731	-2.6%	7.836	5.871	(1.965)	-25.1%	
Electrical Energy Tax	4.185	4.416	5.5%	2.106	2.327	0.221	10.5%	
Metal Mines Tax	6.907	6.767	-2.0%	0.155	0.071	(0.084)	-53.9%	
U.S. Mineral Leasing	21.570	20.891	-3.1%	12.302	11.859	(0.443)	-3.6%	
Wholesale Energy Trans Tax	3.490	3.464	-0.8%	1.740	1.819	0.078	4.5%	
<b>Other Interest Earnings</b>								
Coal Trust Interest Earnings	18.172	17.315	-4.7%	11.395	13.252	1.856	16.3%	
TCA Interest Earnings	22.036	27.318	24.0%	13.235	14.915	1.680	12.7%	
<b>Other Consumption Taxes</b>								
Beer Tax	3.041	3.074	1.1%	1.994	2.064	0.070	3.5%	
Cigarette Tax	27.500	26.687	-3.0%	19.497	19.922	0.425	2.2%	
Liquor Excise Tax	21.946	24.153	10.1%	14.559	15.600	1.041	7.2%	
Liquor Profits	12.500	13.506	8.0%	-	-	-	-	
Lottery Profits	12.215	14.603	19.6%	7.292	4.658	(2.634)	-36.1%	
Tobacco Tax	5.869	6.279	7.0%	3.989	3.910	(0.079)	-2.0%	
Wine Tax	2.478	2.554	3.1%	1.671	1.681	0.010	0.6%	
<b>Other Sources</b>								
All Other Revenue	98.800	41.259	-58.2%	59.899	26.825	(33.073)	-55.2%	
Highway Patrol Fines	3.862	3.848	-0.4%	2.525	2.364	(0.161)	-6.4%	
Nursing Facilities Fee	4.416	4.087	-7.5%	2.223	2.074	(0.149)	-6.7%	
Public Institution Reimbursement	15.991	11.396	-28.7%	8.076	7.953	(0.123)	-1.5%	
Tobacco Settlement	3.034	2.603	-14.2%	0.337	-	(0.337)	-100.0%	
Ongoing Revenue Subtotal	2,519.566	2,508.465	-0.4%	1,659.563	1,770.476	110.914	6.7%	
OTO Revenue & Transfers Subtotal	54.055			32.552	4.100	(28.452)		
<b>Grand Total</b>	<b>\$2,573.621</b>	<b>\$2,508.465</b>	<b>-2.5%</b>	<b>\$1,692.115</b>	<b>\$1,774.576</b>	<b>\$82.461</b>	<b>4.9%</b>	

## MAJOR SOURCES

The next section provides an update on the state’s top seven general fund sources as well as those remaining sources that show a difference of at least \$1.0 million from last year

## INDIVIDUAL INCOME TAX: CURRENTLY ABOVE HJ 2, UNCERTAINTY AHEAD

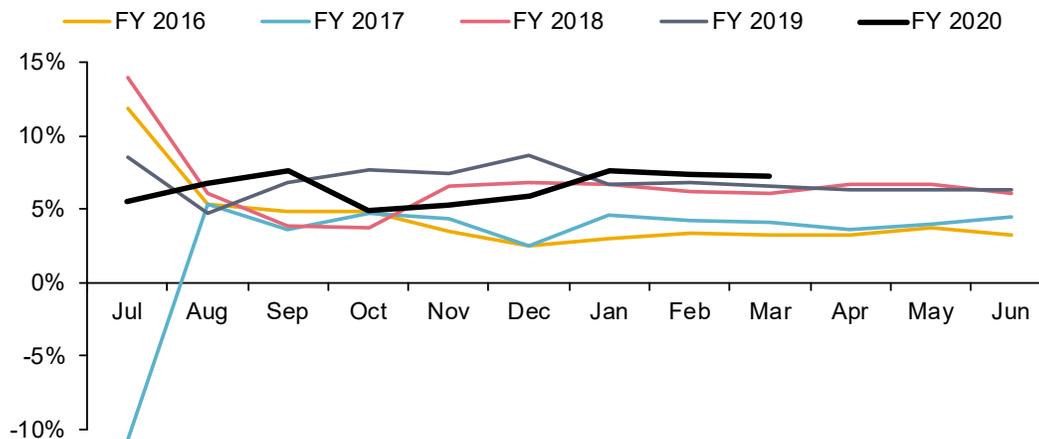
Individual income tax collections through the end of March are \$77.2 million or 7.4% above the year-to-date collections in FY 2019, 8.7%, or well above, the -1.3% growth anticipated in HJ 2. The year-over-year increase has been driven by strong withholding and estimated payments. On March 21, 2020, the U.S. Treasury and the Internal Revenue Service extended the income tax filing date to July 15, 2020. The extension should not impact reported revenue significantly due to accruals booked in FY 2020.

Individual Income Tax (\$ Millions)

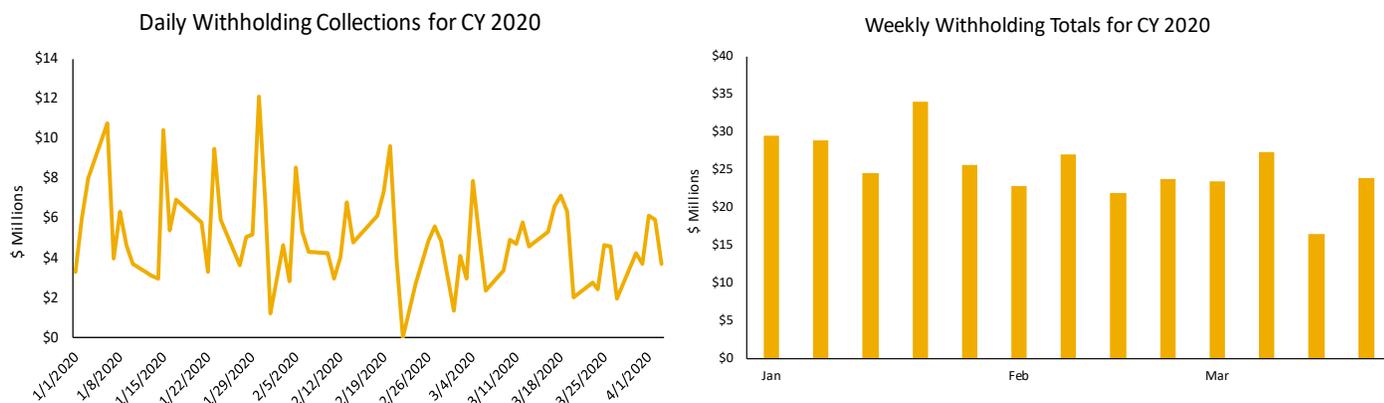
Account	YTD 2020	YTD 2019	\$ Difference	% Difference
Withholding	\$827.1	\$770.8	\$56.2	7.3%
Estimated Payments	216.8	184.9	31.9	17.3%
Current Year Payments	48.5	43.0	5.6	13.0%
Audit, P&I, Amended	33.0	31.0	2.0	6.5%
Refunds	(207.0)	(195.1)	(11.9)	6.1%
Refund Accrual Reversal	152.8	161.9	(9.1)	-5.6%
Partnership Income Tax	36.6	34.5	2.0	5.9%
Mineral Royalties	6.0	5.6	0.4	7.4%
Total	\$1,113.8	\$1,036.6	\$77.2	7.4%

Withholding accounts for over two-thirds of individual income tax and about one-third of total general fund revenue and has shown strong growth compared to FY 2019 collections. As shown in the following chart, withholding growth tends to be relatively variable in the first half of the year, and typically stabilizes for February. However, this year may prove to be different, and is expected to decline in the coming months as a result of the economic impacts of the emergency.

**Cumulative year-over-year withholding growth may decrease throughout the remainder of the fiscal year due to increased unemployment.**



This decline is starting to be seen in the following charts show of both daily and weekly withholding collections since the start of CY 2020. The last two weeks in the chart, which include three days of April, begin to show slightly less weekly withholding collections.



## PROPERTY TAX: SLIGHTLY BELOW ESTIMATE

Property tax collections are above last year by \$6.5 million or 3.8%. The increase anticipated in HJ 2 is approximately 4.6%. Property tax is tracking slightly below estimate. However, it is a relatively stable source of revenue for the state and is still likely to come in close to the HJ 2 estimate. Only one of two large property tax payments have been made, and the second payment is due by the end of May.

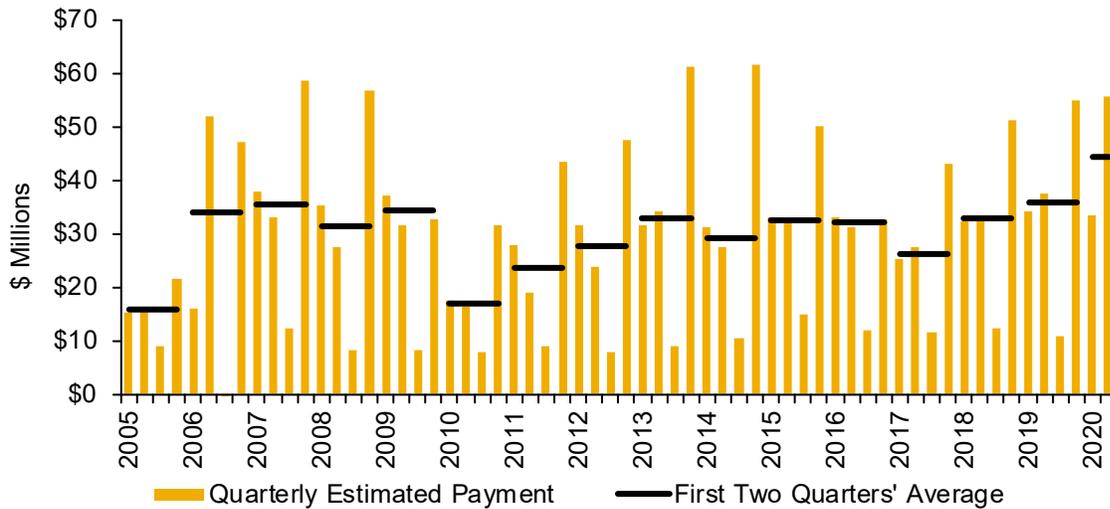
## CORPORATE INCOME TAX: CURRENTLY ABOVE ESTIMATE, FOURTH QUARTER PAYMENTS MAY BE DOWN

Corporate income tax collections through the end of March are 13.1% or \$14.4 million above this time in FY 2019. As the chart below shows, current payments and estimated payments have seen extremely strong year-to-date growth and have more than offset the declines in other corporate income tax accounts.

Corporate Income Tax  
(\$ Millions)

Account	YTD 2020	YTD 2019	\$ Difference	% Difference
Corporation Tax	\$30.3	\$21.6	\$8.7	40.1%
Estimated Payments	98.9	82.3	16.6	20.2%
Refunds	(16.0)	(9.1)	(6.9)	76.0%
Refund Accrual Reversal	4.0	4.9	(0.9)	-18.7%
Audit, P&I, Amended	7.5	10.5	(3.0)	-28.6%
<b>Total</b>	<b>\$124.7</b>	<b>\$110.2</b>	<b>\$14.4</b>	<b>13.1%</b>

Corporate Estimated Payments by Fiscal Year Quarter



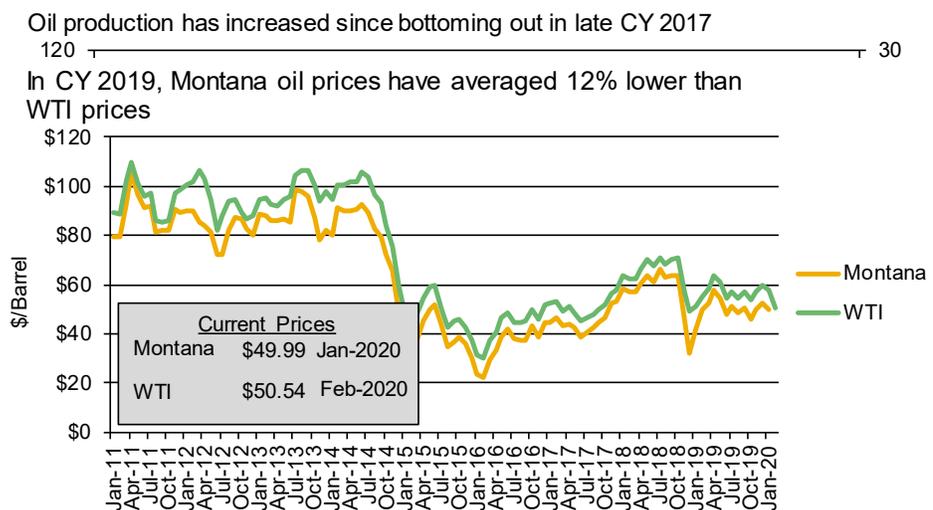
The chart above shows that estimated payments in the first two quarters of FY 2020 are significantly above the estimated payments collected in recent years. Estimated payments typically make up 80% of total corporation income tax collections. While third quarter payments may not see much of a decrease due to the current economic downturn, a visible decrease may be apparent by the fourth quarter payments.

### VEHICLE FEES & TAXES: SLIGHTLY ABOVE ESTIMATE

Nine months into FY 2020, vehicle taxes and fees are 4.3% or \$3.1 million above collections from last year. In HJ 2 this source was expected to grow by 3.1%, so it is tracking slightly above the estimate at this point.

### OIL & NATURAL GAS PRODUCTION TAX: BELOW ESTIMATE, RECENT PRICE DROP MAY PUSH COLLECTIONS SIGNIFICANTLY BELOW HJ 2

At the end of January, the first quarter of oil and gas production taxes was posted to the state accounting system. Compared to the first quarter last year, collections were down \$4.5 million. This was expected due to the price differences between the two quarters, as seen in the chart below. However, prices in the second



quarter last fiscal year dropped, so this year's second payment will likely be larger than last year's payment. Through the first quarter of FY 2020, production data has mirrored that of FY 2019.

As the chart to the upper-right shows, oil production bottomed out at the end of CY 2017 and has increased since then.

The recent, dramatic drop in oil prices suggests (not illustrated in the graph) that this source will end up significantly below HJ 2.

## **INSURANCE TAX: ON TRACK TO MEET HJ 2**

Year-to-date insurance tax collections are 21.0% or \$9.1 million higher than last March. This reflects a 10% increase over the previous year in premium tax collections and a 50% increase in fire marshal tax collections. The increase in premium tax collections may be attributable to the long month. The increase in fire marshal taxes reflects a payment processing change at the State Auditor's Office. Rather than revenue being recorded over the last few months of the fiscal year, the majority of fire marshal tax payments for this fiscal year have been received and recorded in February and March. Payments coming in early are merely a timing issue and this source is expected to meet the HJ 2 estimate.

## **VIDEO GAMING TAX: CURRENTLY ABOVE ESTIMATE, CLOSURES COULD IMPACT FOURTH QUARTER COLLECTIONS**

Revenue from video gambling is currently \$0.9 million or 2.9% above collections from last year. This source was expected to remain flat throughout the biennium, but FY 2019 saw growth of 4.8%. With the recent statewide closures of gambling establishments, fourth quarter revenues will likely drop dramatically, and this source could ultimately end up below HJ 2.

## **OTHER KEY DIFFERENCES:**

### **INVESTMENT LICENSES: ON TRACK WITH ESTIMATE**

Currently, investment license revenues are \$7.5 million or 100.2% above last year's collections. The increase was anticipated due to the passage of [HB 694](#), which increased fees paid by investment firms.

### **LODGING FACILITIES SALES TAX: UNCERTAIN**

Through March, lodging facilities sales tax collections have grown by 7.4% or \$1.1 million. This is coming off a strong FY 2019, in which collections grew by 10.8%. The final three months of FY 2020 will likely see a significant decline due to decreased traveling and may or may not be above HJ 2.

### **COAL SEVERANCE TAX: BELOW ESTIMATE**

Coal severance tax collections through March are \$2.0 million or 25.1% below last year's collections, and below HJ 2 which anticipated a decline of 2.6%. Production has decreased this fiscal year, but not to the level reflected in the tax collections. An issue related to the timing of payments explains the further decline.

## **TCA INTEREST EARNINGS: BELOW ESTIMATE BUT STRONG YTD GROWTH**

Treasury cash account interest earnings are \$1.9 million or 16.3% above collections last year, and below the HJ 2 anticipated growth of 24.0%. Year-to-date short-term interest rates are lower than what was anticipated in HJ 2, likely explaining the small deviation from HJ 2. Moving forward, this source will likely be further below HJ 2 due to the recent decline in short-term interest rates.

## **ALL OTHER REVENUE: ON TRACK WITH ESTIMATE**

To date, all other revenue collections are 55.2% or \$33.1 million below last year's collections. This source was expected to decrease by 58.2% in HJ 2. The expected decrease is due to the passage of [HB 6 \(2017 Special Session\)](#), which authorized numerous one-time-only transfers that occurred and were characterized as "other revenue" in the second half of FY 2019.

## **GENERAL FUND AND RESERVES**

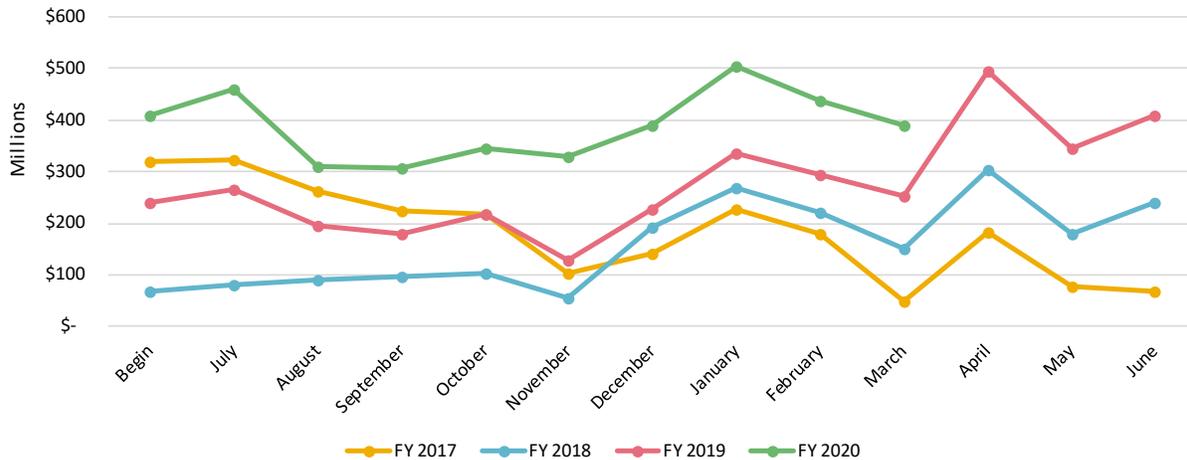
Montana entered the COVID-19 public health emergency with strong financial reserves. Given the revenue analysis presented above, the projection for the FY 2020 ending fund balance is anticipated to end on target at \$291.4 million. In addition to the general fund balance, the budget stabilization reserve fund includes \$117.8 million and the projected ending fund balance for the fire fund for FY 2020 is about \$55.0 million. Additionally, the Governor has access to \$16.0 million in state general fund for emergencies.

While changes from anticipated levels of revenues and expenditures may impact these reserve balances no change will be shown until late July when the state closes the fiscal year end books. This monthly report will include updates on items that may impact these balances, but no changes will be reflected in these values until after fiscal year end closes.

## **GENERAL FUND CASH FLOW**

The State of Montana will receive \$1.25 billion of the \$150 billion in CRF appropriated through the Coronavirus Aid, Relief, and Economic Security Act (CARES). These funds are designated in Title VI of the Act for the purposes of government costs incurred between March 1 and December 30, 2020, and only those expenditures which are specifically due to the COVID-19 public health emergency. The National Conference of State Legislatures initially expected the \$1.25 billion to be deposited into the general fund. There has been no official guidance from the federal government indicating this is the case and the Office of Budget and Program Planning reports that the funding will be deposited into a federal fund. The National Association of State Budget Officers indicates that other states will be depositing their allocations into federal funds. These funds are anticipated to be received around April 24, 2020. If as anticipated these funds are deposited into a federal fund, then they can be used for short-term loans to the general fund and could alleviate any immediate cash pressure on the general fund if revenues decline or are delayed. Cash will be monitored and reported in each monthly update. General fund cash as of the end of March was \$388.5 million. Below is a graphic describing recent years monthly cash balances.

The general fund cash balance was reduced in **FY 2017**, but has been increasing each year since. Cash balance will be monitored closely going forward in **FY 2020**, to evaluate the impacts of COVID-19.



## TRACKING THE USE OF COVID-19 FUNDING

When the legislature is not in session, agency budgets are monitored as directed in statute. The process is strictly controlled and agencies report changes to budget operating plans through process documents like budget amendments, program transfers, etc. Significant budget changes approved by the Executive are reported to the LFD and presented to the Legislative Finance Committee during the interim. Agencies continue to use this process to plan for implications of COVID-19. To learn more about the budget change process, please refer to the [LFD Interim Budget Changes Brochure](#).

### Agency Budget Change Documents Processed through March

State agencies, in anticipation of accruing expenditures for COVID-19, initiated the following budget changes. LFD expects continued changes in the next months.

- Budget amendments
  - \$50.0 million enterprise funding for anticipated unemployment insurance needs, Department of Labor and Industry (DLI), for more information, please refer to the federal legislation funding tables beginning on page 2
  - \$4.6 million federal funding for public health emergency preparedness for emergency response, Department of Public Health and Human Services (DPHHS)
  - \$1.2 million federal funding for continuing and additional funding for meals program for older Americans, DPHHS
  - \$273,861 federal funding for hospital preparedness, DPHHS
- Moving state funds - program transfers, \$0 net impact
  - \$220,000 for bioterrorism hospital preparedness, disability, and health services, DPHHS

## **Emergency Appropriation Authority**

The Governor has statutory authority to establish appropriation authority and spend certain state funds and any emergency federal funds. The following two sections describe this authority.

### ***The state funds that the Governor has emergency access to include:***

#### Governor's State General Fund Statutory Appropriation, \$16.0 million

During a declared emergency, the Governor has access to \$16.0 million of state general fund authority for a biennium. In anticipation of utilizing this authority, Department of Military Affairs processed a budget change document establishing a portion of the \$16 million appropriation for \$250,000 for disaster and emergency preparedness.

#### State Special Funds Emergency Budget Amendment Authority

In rare circumstances like a declared emergency, budget amendments for state special funds may be allowed by approving authorities, under the direction of 17-7-403 (2), which states:

For budget amendments to spend money in the state special revenue fund, except money from nonstate or nonfederal sources that is restricted by law or by the terms of an agreement, such as a contract, trust agreement, or donation, the approving authority shall certify that an emergency justifies the expenditure and shall state the specific nature of the emergency, the date on which the requesting agency became aware of the emergency, and the manner in which the requesting agency became aware of the emergency.

### ***The federal fund authority through emergency powers:***

#### Coronavirus Relief Funds (CRF) Statutory Appropriation, \$1.25 billion

According to the preliminary legal overview provided by Legislative Services attorneys, "section [10-3-203, MCA](#), authorizes the Governor to accept the funds received under the CARES Act, and they are statutorily appropriated pursuant to [17-7-502, MCA](#). The funds may only be used for the purposes specified in Section 601(d)" of the Coronavirus Aid, Relief, and Economic Security Act.<sup>1</sup>

Expenditure of the Coronavirus Relief Funds allocated to the state must meet the following criteria:

(1) are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19); (2) were not accounted for in the budget most recently approved as of the date of enactment of this section for the State or government; and

<sup>1</sup> [Preliminary Overview of CARES Act and Relief Fund for Governments. Todd Everts, Jaret Coles, and Julie Johnson, March 26, 2020, page 2.](#)

(3) were incurred during the period that begins on March 1, 2020, and ends on December 30, 2020.<sup>2</sup>

CRF will be given specific attention in fiscal reporting. Each month the Legislative Fiscal Division will track and report COVID-19 related federal funding, budget changes, statutory appropriations, and actual expenditures.

### Expenditures by State Agencies in Response to COVID-19

The following table shows that as of April 3, 2020, \$1.4 million has been expended in response to COVID-19 by the state directly or provided in the form of unemployment insurance benefits, grants or assistance to local governments, hospitals, etc.

Please keep in mind that agencies may be trying to get the authority out as needed and later will go back and enter COVID-19 codes into the accounting system in a more rigorous manner than they are to date.

COVID-19 Expenditures <i>As of April 3, 2020</i>		
Personal Services		
Agency	& Operating	Grants
DPHHS		\$1,341,041
DMA	12,711	
All Others	17,417	
<b>Totals</b>	<b>\$30,128</b>	<b>\$1,341,041</b>

So far, the most significant expenditures have been by DPHHS for grants sent out to communities, \$1.2 million for coronavirus response for senior/congregate meals, and \$143,211 for crisis response.

DMA expended \$12,711 of the Governor’s emergency statutory appropriation for disaster and emergency services staffing and supplies.

### UNEMPLOYMENT INSURANCE ENROLLMENT AND BENEFITS DISTRIBUTED IN RESPONSE TO COVID-19

U.S. HR 6201 provides emergency administration grants to states unemployment trust funds and instructs states to ease eligibility requirements and access to unemployment compensation for claimants, including waiving work search requirements and the waiting week. In addition, HR 6201 states that emergency benefits are extended to four months. Montana is eligible for \$6.2 million in administration grants.

U.S. HR 748, the CARES Act, expands unemployment insurance from three to four months, and provides temporary unemployment compensation of \$600 per week, which is in addition to and at the same time as regular state and federal unemployment insurance benefits.<sup>3</sup> DLI issued over

<sup>2</sup> Ibid, page 1.

<sup>3</sup> [National Conference of State Legislatures. COVID-19 Stimulus Bill: What it Means for States. March 25, 2020.](#)

35,000 unemployment insurance benefit payments between March 23 – April 1, 2020.<sup>4</sup> As previously mentioned, budget amendment authority of \$50.0 million was established in anticipation of unexpected unemployment insurance claims related to COVID-19 layoffs. While a much greater amount will be spent on unemployment benefits, the state contribution should not change significantly. Federal funding has been estimated to be from \$600 million to over \$800 million for CARES benefits.

For job tracking statistics, please visit the DLI web site: <http://lmi.mt.gov/home/job-tracking#Unemployment-Insurance-Monthly-2930>

For additional employer information, please visit the DLI web site: <http://dli.mt.gov/employer-covid-19>

The Legislative Branch has provided answers to some commonly asked questions about unemployment insurance, please visit this site, if you would like more information:

<https://leg.mt.gov/covid-19-information/faq-covid-19-unemployment-insurance/>

## **EDUCATION FUNDING IN RESPONSE TO COVID-19**

The CARES Act provides \$30 billion nationally for an Education Stabilization Fund for states, school districts and institutions of higher education for costs related to the coronavirus.<sup>5</sup>

The Governor will receive \$8.8 million for education funding to use in the state of Montana at the discretion of the Executive.

### **K-12 Schools**

The Montana Office of Public Instruction (OPI) will receive \$41.3 million for K-12 schools. Guidance from OPI on how the funds may be used and estimates on school district portions is located on the OPI website at:

<http://opi.mt.gov/Portals/182/Page%20Files/School%20Finance/About%20School%20Finance/CARES%20Act%204-2020.pdf?ver=2020-04-01-172725-887>.

### **Higher Education**

The Montana University System, Community Colleges, and Tribal Colleges will receive \$30.1 million to address expenditures related to COVID-19 disruptions. Campus distributions will be based on enrollment of Pell Grants and non-Pell Grant recipients. As the LFD learns more information on additional funds available to Tribal Colleges, the information will be included in future updates.

<sup>4</sup> Montana Department of Labor and Industry, [News 149](#), April 2, 2020.

<sup>5</sup> Ibid.

## **NATIONAL GUARD FUNDING FOR COVID-19 RESPONSE**

The CARES Act provides \$1.3 billion nationally for National Guard personnel to prevent, prepare for, and respond to coronavirus, domestically or internationally.

On March 30, 2020, the Governor “authorized the Montana National Guard to conduct temperature checks at Montana airports and rail stations and screen for potential exposure history for travelers arriving in Montana from another state or country.”<sup>6</sup> National Guard funding authorized in CARES is in addition to the \$1.25 billion the state will receive in CRF. LFD will monitor and report on expenditures related to National Guard activities in response to COVID-19 in the monthly updates.

## **LOCAL GOVERNMENT FUNDING IN RESPONSE TO COVID-19**

Local governments may receive COVID-19 funds in various ways and from various sources including grants or assistance disbursed by the state, and direct disbursements from the federal government. The table on page 15 of this report includes a listing of expenditures as of April 3, 2020, in response to COVID-19 by the state directly or provided in the form of grants or assistance to local governments. The LFD will continue to track grants and local assistance related to COVID-19 and include updates in each monthly report.

The CARES Act provided \$1.25 billion in Coronavirus Relief Funds (CRF) for the state of Montana and stipulates that local governments with populations of at least 500,000 may request a direct payment from the U.S. Treasury. State allotments are reduced by the local payment, but the portion of a state’s allotment that can be provided directly to local governments is capped at 45%. Since Montana does not have local government jurisdictions with populations of at least 500,000, the entire \$1.25 billion will be sent to the state, as mentioned in the previous section under general fund cash flow.

Although CRF funds are required to be used for expenses caused by the COVID-19 emergency, and only expenses not budgeted in current state or local government budgets, specific disbursements to state or local government entities have not been determined but will occur largely at the discretion of the Governor’s Office. LFD staff will continue to communicate with the Governor’s Budget Office, Montana Association of Counties, Montana League of Cities and Towns, and other stakeholders and inform the legislature as details are known and new developments occur.

In addition to tracking grants and local assistance, including distribution of CRF funds, the LFD is continuing to research the federal legislation to identify any direct disbursements to local government entities, including school districts.

<sup>6</sup> [Governor Bullock Directs 14-Day Quarantine for Travelers Arriving in Montana From Another State or Country, March 30, 2020.](#)

## **MEDICAID ENROLLMENT IN RESPONSE TO COVID-19**

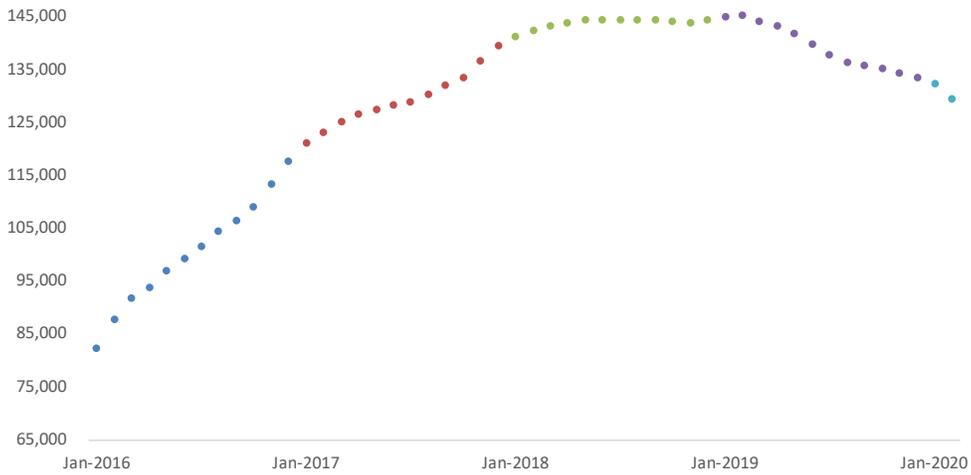
Medicaid is a countercyclical program – enrollment and expenditures tend to increase during periods of economic contraction. The large number of new unemployment claims in the state and the underlying economic contraction are likely to be associated with higher enrollment and expenditures in the state’s Medicaid program. An early report on potential Medicaid enrollment increases due to current economic conditions was recently published by Health Management Associates, a research and consulting firm. This report includes Medicaid enrollment estimates associated with low (10%), moderate (17.5%), and high (25%) unemployment rate scenarios. Montana is projected to gain between 39,000 and 85,000 Medicaid enrollees, depending on the unemployment rate that emerges. This range is associated with a 17.6%-38.4% increase in the state’s Medicaid population, which stood at about 221,000 in the beginning of February.

H.R. 6201, the Families First Coronavirus Response Act (FFCRA), provides a temporary 6.2% increase to each qualifying state’s FMAP beginning January 1, 2020. The increase is retroactive and will extend through the last day of the calendar quarter in which the public health emergency declared by the Secretary of Health and Human Services for COVID-19 terminates. Montana’s FMAP for FFY 2020 is 64.78%. The increased FMAP will be 70.98%. It should be noted that this increase would be included in calculating Montana’s CHIP FMAP but would not apply to the FMAP for Medicaid expansion, currently 90% federal with a 10% state match. Assuming this FMAP change applies over six months, Montana could see approximately \$40 million additional federal dollars for Medicaid. In addition, however, it is likely the state will see increased enrollment in Medicaid as a result of job losses and increased eligibility. Estimates for enrollment increases are anywhere from 40,000 to 85,000 additional enrollees above what would otherwise have existed.

Medicaid providers have one year to file a claim after providing a service. This creates a lag in utilizing claims data to analyze the effects of the global health emergency. A better leading indicator will be the effects on overall Medicaid enrollment. Enrollment in both traditional Medicaid and Medicaid expansion have been declining during CY 2019 and the first part of CY 2020. Enrollment data averages the number of enrollees during the course of an entire month. February 2020 is the most recent month in which enrollment data are available. March 2020 enrollment averages will be available beginning in May.

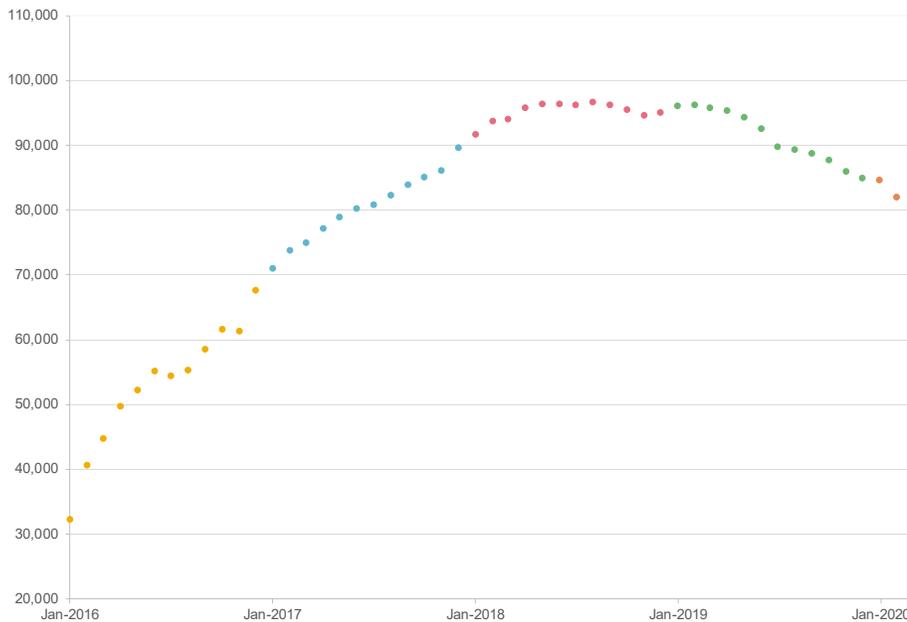
The chart below illustrates the enrollment pattern for traditional Medicaid beginning in CY 2016. Following the passage of the Affordable Care Act, enrollment in traditional Medicaid increased until CY 2018. Enrollment reached 144,428 in May of 2018 and remained relatively flat until peaking at 145,309 in February of 2019. As of February 2020, the number of enrollees stood at 129,476. This represents a reduction of 10.9%.

The number of Traditional Medicaid Enrollees increased during CY 2016 and CY 2017 before leveling off in CY 2018 and decreasing during CY 2019 and CY 2020.



Like traditional Medicaid, enrollment in Medicaid expansion increased until CY 2018 before leveling off. Enrollment peaked at 96,656 in August of 2019 and has steadily declined. As of February 2020, the number of expansion enrollees stood at 81,864.

The number of HELP Act Enrollees increased during CY 2016 and CY 2017 before leveling off in CY 2018 and decreasing during CY 2019 and CY 2020.



Education Stabilization Funds - Higher Education  
Formula Based Allocation  
Public Institutions of Higher Education in Montana

Montana University System	Formula Based
Montana State University - Bozeman	\$ 10,560,079
Montana State University - Billings	2,193,195
Montana State University - Northern	911,258
Great Falls College	845,222
University of Montana - Missoula	7,652,275
Montana Tech	1,676,199
University of Montana Western	1,164,902
Helena College	<u>685,627</u>
Total	25,688,757
Community Colleges	
Flathead Valley Community College	925,144
Miles Community College	246,778
Dawson Community College	<u>142,151</u>
Total	1,314,073
Tribal Colleges	
Aaniiih Nakoda College	114,359
Blackfeet Community College	266,062
Chief Dull Knife College	103,368
Fort Peck Community College	151,493
Little Bighorn College	260,189
Salish Kootenai College	832,524
Stone Child College	<u>216,798</u>
Total	1,944,793
Grand Total	\$ 28,947,623

\*Source: U.S. Department of Education

Notes:

- 1) The allocation above includes 90.0% of the Education Stabilization Fund for Higher Education
- 2) Tribal Colleges will likely receive additional funding from the Education Stabilization Fund and the Bureau of Indian Education
- 3) Colleges and Universities may receive additional funding from the Governor's Emergency Relief Fund