

FY 2020 March Financial Report

THE BUDGET IN REVIEW
BY LEGISLATIVE FISCAL DIVISION STAFF

MARCH 31, 2020



OVERVIEW

GENERAL FUND BALANCE SHEET

The state accounting bureau released the FY 2019 [Comprehensive Annual Financial Report \(CAFR\)](#) in February 2020. Adjustments increased the FY 2019 unassigned general fund ending fund balance by \$3.2 million. As a result, FY 2019 ends at \$361.3 million and the estimated FY 2021 unassigned ending fund balance is now projected at \$297.5 million as shown in the table below. Please keep in mind that the FY 2021 projection is based on February data. Given the current events shaping both public health and the economy, the FY 2021 ending fund balance may be lower than predicted if general fund revenue collections come in lower than HJ 2, the revenue estimate adopted by the legislature.

General Fund Balance Sheet
Includes HJ 2 Revenue Estimates
(\$ Millions)

	Actual FY 2018	Actual FY 2019	Estimated FY 2020	Estimated FY 2021
Beginning Fund Balance	\$47.9	\$186.7	\$361.3	\$291.4
Revenues				
Actual & Estimated	2,333.6	2,519.6	2,498.6	2,570.4
Revenue legislation			9.9	2.5
OTO	71.8	54.1	4.1	
Prior Year Adjustments - revenue	1.6	0.6		
Total Revenue Funds Available	2,455.0	2,760.9	2,873.9	2,864.2
Expenditures - Ongoing				
Statutory Approps	316.4	317.1	290.6	301.5
General Fund Transfers	19.9	26.8	39.1	33.7
HB 2 Agency Budgets (includes pay plan)	1,904.3	1,951.6	2,106.2	2,175.0
HB 1 (includes estimates for FY 2021)	2.4	8.5	4.8	10.5
Other Appropriations	0.1	1.5	35.8	39.3
Continuing Authority			17.0	
Reversions			(11.0)	(7.7)
Ongoing Expenditures	2,243.0	2,305.7	2,482.6	2,552.2
OTO				
HB 2 Agency Budgets	13.0	15.2	7.7	6.9
HB 3 Supplemental		12.2		
BSRF Transfers		60.7	57.1	
Fire Fund Transfers	25.3	21.5	30.3	
Other Appropriations	2.0		4.9	7.6
Other	4.2			
Total Expenditures	2,287.5	2,415.3	2,582.5	2,566.7
Other Adjustments	19.2	15.1		
Ending Fund Balance	\$186.7	\$361.3	\$291.4	\$297.5

BSRF means budget stabilization reserve fund. FY 2020 OTO revenue includes Core Civic contract renegotiation amount. Reversions for FY 2020 are higher than normal to compensate for assumed 2011 continuing authority in Department of Military Affairs.

In addition to fund balance adjustments to FY 2019, the CAFR noted on page 66, that the budget stabilization reserve “fund is combined with the general fund and does not meet the GASB 54

requirements to be a special revenue fund as the Legislature prescribed.”¹ The budget stabilization reserve fund is reported in the CAFR as committed general fund balance. For the purposes of this report, the BSRF is treated as a separate state special fund and its balance is reported separately.

GENERAL FUND REVENUES

Year-to-date general fund collections continue to be stronger than the estimate contained in HJ 2. FY 2020 general fund revenues through the end of January are \$105.7 million or 5.0% 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 6.9%.

¹ The Montana [FY 2019 Comprehensive Annual Financial Report](#), February 2020, pp. 66.

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	Feb FY 2019	Feb FY 2020	YTD Difference	YTD % Change	YTD % Change
Largest Seven Sources								
Individual Income Tax	\$1,429.010	\$1,410.943	-1.3%	\$951.517	\$1,027.633	\$76.117	8.0%	
Property Tax	289.212	302.470	4.6%	165.288	172.879	7.591	4.6%	
Corporation Tax	186.536	165.893	-11.1%	100.166	116.442	16.276	16.2%	
Vehicle Taxes & Fees	109.508	112.953	3.1%	62.720	68.528	5.808	9.3%	
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%	36.720	36.275	(0.445)	-1.2%	
Video Gaming Tax	63.228	60.248	-4.7%	31.440	32.296	0.856	2.7%	
Other Business Taxes								
Drivers License Fee	3.976	4.370	9.9%	2.574	2.818	0.243	9.5%	
Investment Licenses	8.182	16.040	96.0%	7.328	14.623	7.295	99.6%	
Lodging Facilities Sales Tax	26.703	26.380	-1.2%	14.575	15.754	1.180	8.1%	
Public Contractor's Tax	3.597	3.579	-0.5%	4.224	4.905	0.682	16.1%	
Railroad Car Tax	3.594	3.878	7.9%	3.083	3.331	0.248	8.1%	
Rental Car Sales Tax	4.431	4.039	-8.8%	2.589	2.693	0.104	4.0%	
Retail Telecom Excise Tax	13.224	11.927	-9.8%	6.667	6.008	(0.660)	-9.9%	
Other Natural Resource Taxes								
Coal Severance Tax	14.091	13.731	-2.6%	7.836	5.862	(1.973)	-25.2%	
Electrical Energy Tax	4.185	4.416	5.5%	2.106	2.287	0.181	8.6%	
Metal Mines Tax	6.907	6.767	-2.0%	0.154	0.070	(0.083)	-54.2%	
U.S. Mineral Leasing	21.570	20.891	-3.1%	10.136	10.313	0.177	1.7%	
Wholesale Energy Trans Tax	3.490	3.464	-0.8%	1.740	1.819	0.078	4.5%	
Other Interest Earnings								
Coal Trust Interest Earnings	18.172	17.315	-4.7%	9.938	9.858	(0.081)	-0.8%	
TCA Interest Earnings	22.036	27.318	24.0%	11.308	13.216	1.908	16.9%	
Other Consumption Taxes								
Beer Tax	3.041	3.074	1.1%	1.800	1.859	0.059	3.3%	
Cigarette Tax	27.500	26.687	-3.0%	17.732	16.931	(0.801)	-4.5%	
Liquor Excise Tax	21.946	24.153	10.1%	12.851	13.808	0.956	7.4%	
Liquor Profits	12.500	13.506	8.0%	-	-	-	-	
Lottery Profits	12.215	14.603	19.6%	2.684	1.806	(0.878)	-32.7%	
Tobacco Tax	5.869	6.279	7.0%	3.553	3.517	(0.036)	-1.0%	
Wine Tax	2.478	2.554	3.1%	1.494	1.506	0.012	0.8%	
Other Sources								
All Other Revenue	98.800	41.259	-58.2%	56.607	24.181	(32.426)	-57.3%	
Highway Patrol Fines	3.862	3.848	-0.4%	2.201	2.097	(0.104)	-4.7%	
Nursing Facilities Fee	4.416	4.087	-7.5%	2.101	2.012	(0.089)	-4.3%	
Public Institution Reimbursement	15.991	11.396	-28.7%	7.028	6.946	(0.082)	-1.2%	
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%	1,523.749	1,629.463	105.714	6.9%	
OTO Revenue & Transfers Subtotal	54.055			32.552	4.100	(28.452)		
Grand Total	\$2,573.621	\$2,508.465	-2.5%	\$1,556.301	\$1,633.563	\$77.262	5.0%	

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 ESTIMATE

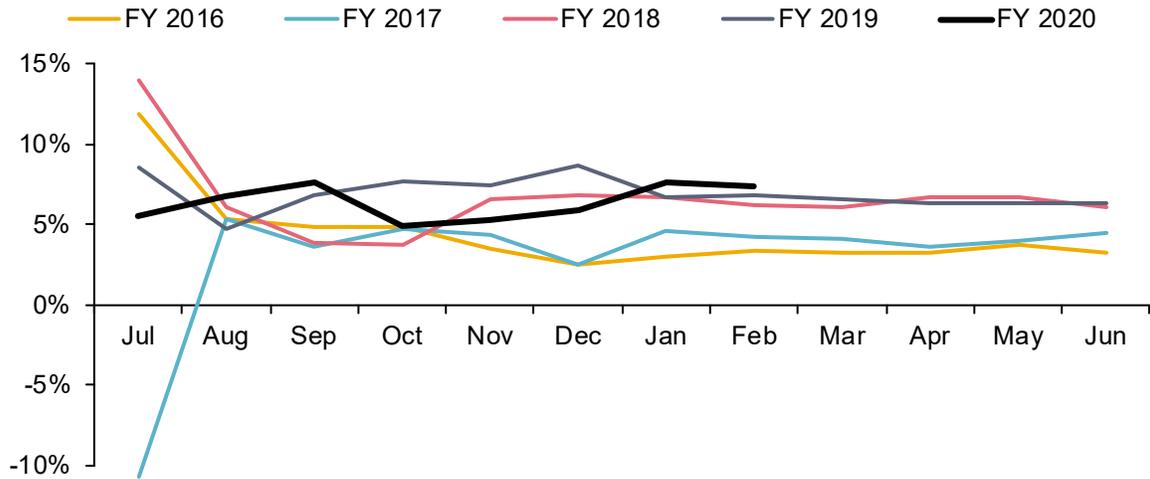
Individual income tax collections through the end of February are \$76.1 million or 8.0% above the year-to-date collections in FY 2019, far above the -1.3% growth anticipated in HJ 2. The year-over-year increase has been driven by strong withholding and estimated payments.

Individual Income Tax (\$ Millions)

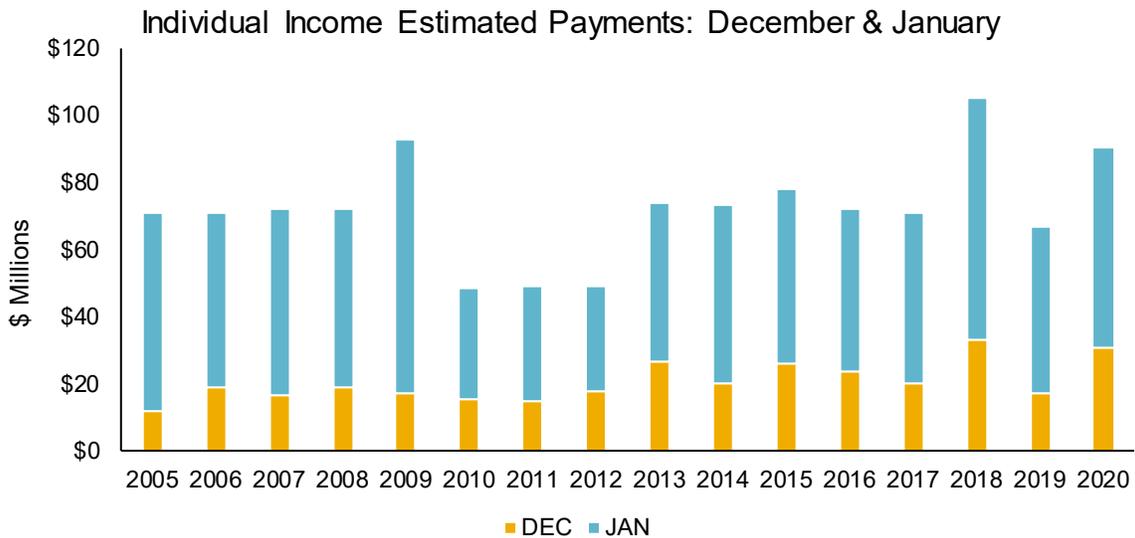
Account	YTD 2020	YTD 2019	\$ Difference	% Difference
Withholding	\$734.0	\$683.4	\$50.6	7.4%
Estimated Payments	208.0	178.2	29.8	16.7%
Current Year Payments	31.6	25.4	6.3	24.6%
Audit, P&I, Amended	28.1	25.8	2.3	8.9%
Refunds	(144.9)	(136.2)	(8.7)	6.4%
Refund Accrual Reversal	152.8	161.9	(9.1)	-5.6%
Partnership Income Tax	12.1	7.7	4.4	56.5%
Mineral Royalties	6.0	5.3	0.7	12.5%
Total	\$1,027.6	\$951.5	\$76.1	8.0%

Withholding accounts for over two-thirds of individual income tax and about one-third of total general fund revenue, and is continuing to increase 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, but stabilizes by February, allowing for potential assessments of overall fiscal year withholding growth.

Cumulative year-over-year withholding growth stabilizes by February, allowing for potential assessments of fiscal year withholding growth.



The timing of estimated payments can fluctuate between December and January, and this year’s January payments were quite strong. Estimated payments in December and January in FY 2018 were extremely high, likely in response to federal tax reform. In FY 2019 these payments returned to more traditional levels.



PROPERTY TAX: ON TRACK

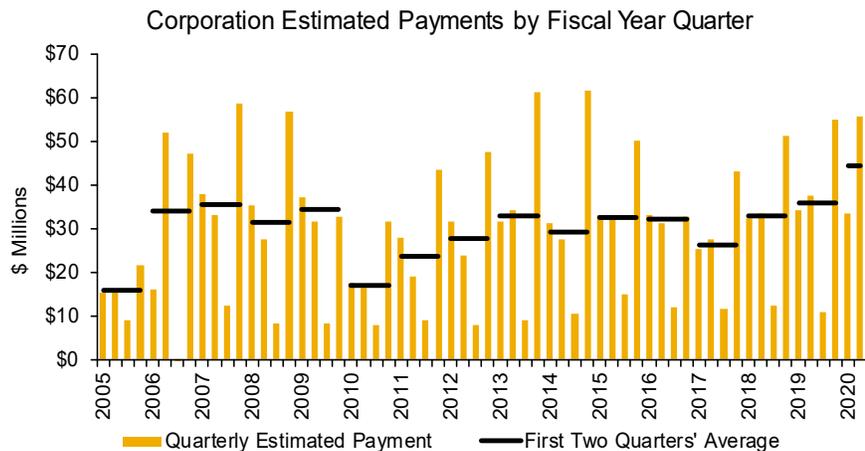
Property tax collections are above last year by \$7.6 million or 4.6%, and the increase anticipated in HJ 2 is also 4.6%. There has been only one of two large property tax payments made, but property tax is a relatively stable source of revenue for the state. Property tax is on track to come in close to the HJ 2 estimate.

CORPORATION INCOME TAX: CURRENTLY ABOVE ESTIMATE

Corporation income tax collections through the end of February are 16.2% or \$16.3 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 corporation income tax accounts.

Account	YTD 2020	YTD 2019	\$ Difference	% Difference
Corporation Tax	\$25.4	\$15.1	\$10.3	68.2%
Estimated Payments	94.8	78.1	16.6	21.3%
Refunds	(14.5)	(7.2)	(7.3)	101.7%
Refund Accrual Reversal	4.0	4.9	(0.9)	-18.7%
Audit, P&I, Amended	6.7	9.2	(2.4)	-26.7%
Total	\$116.4	\$100.2	\$16.3	16.2%

The adjacent chart 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, so if this strong growth continues this source is likely to end up well above the HJ 2 estimate.

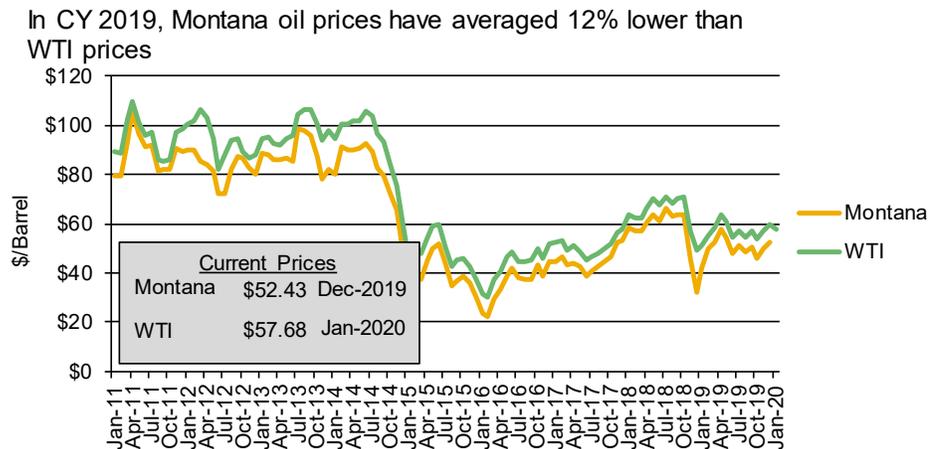
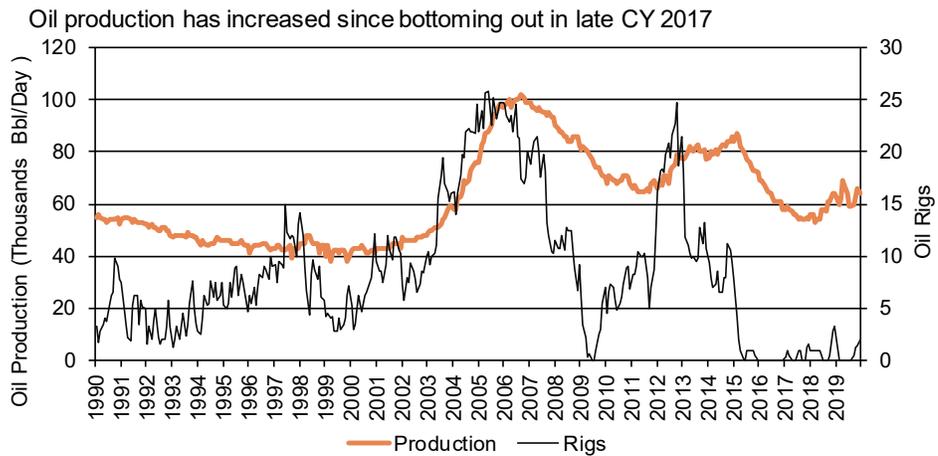


VEHICLE FEES & TAXES: SLIGHTLY ABOVE ESTIMATE

Eight months into FY 2020, vehicle taxes and fees are 9.3% or \$5.8 million above collections from last year. In HJ 2 this source was expected to grow by 3.1%. Such a large increase above HJ 2 is likely due to timing, as last month the year-to-date growth was only 4.0%.

OIL & NATURAL GAS PRODUCTION TAX: BELOW ESTIMATE

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. 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.

If the recent drop in oil prices does not rebound, it is likely that this source will end up significantly below HJ 2.

INSURANCE TAX: MODEST DIP IN FIRE MARSHAL TAXES

Year-to-date insurance tax collections are 1.2% or \$0.4 million below last February. This is due primarily to lower Fire Marshal tax collections which were \$0.6 million below this time last year. Fire Marshal taxes have been higher for the last 2 years as the State Auditor's Office collected back taxes that were owed for the fire portion of insurance premiums. This source of insurance taxes may be stabilizing. The dip was partially offset by increases in premium insurance tax and surplus lines premium tax.

VIDEO GAMING TAX: CURRENTLY ABOVE ESTIMATE

Revenue from video gambling is currently \$0.9 million or 2.7% above collections from last year. This source was expected to remain flat throughout the biennium, but FY 2019 saw growth of 4.8%. As a result, even if this source remains flat it will come in above estimate.

OTHER KEY DIFFERENCES:

INVESTMENT LICENSES: ON TRACK WITH ESTIMATE

Currently, investment license revenues are \$7.3 million or 99.6% 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: CURRENTLY ABOVE ESTIMATE

Through February, lodging facilities sales tax collections have grown by 8.1% or \$1.2 million. This is coming off a strong FY 2019, in which collections grew by 10.8%. As a result, year-to-date collections are above the HJ 2 estimate, which anticipated a drop of 1.2%.

COAL SEVERANCE TAX: CURRENTLY BELOW ESTIMATE

Coal severance tax collections through February are \$1.8 million or 25.2% below last year's collections, and below HJ 2 which anticipated a decline of 2.6%. Production has decreased this fiscal year, but not in the amounts reflected in the tax collections. There is likely an issue with the timing of payments to further explain the decline.

TCA INTEREST EARNINGS: BELOW ESTIMATE BUT STRONG YTD GROWTH

Treasury cash account interest earnings are \$1.9 million or 16.9% above collections last year, and below the HJ 2 anticipated growth of 24.0%. Short-term interest rates are currently lower than what was anticipated in HJ 2, likely explaining the small deviation from HJ 2.

ALL OTHER REVENUE: ON TRACK WITH ESTIMATE

To date, all other revenue collections are 57.3% or \$32.4 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 in the second half of FY 2019.

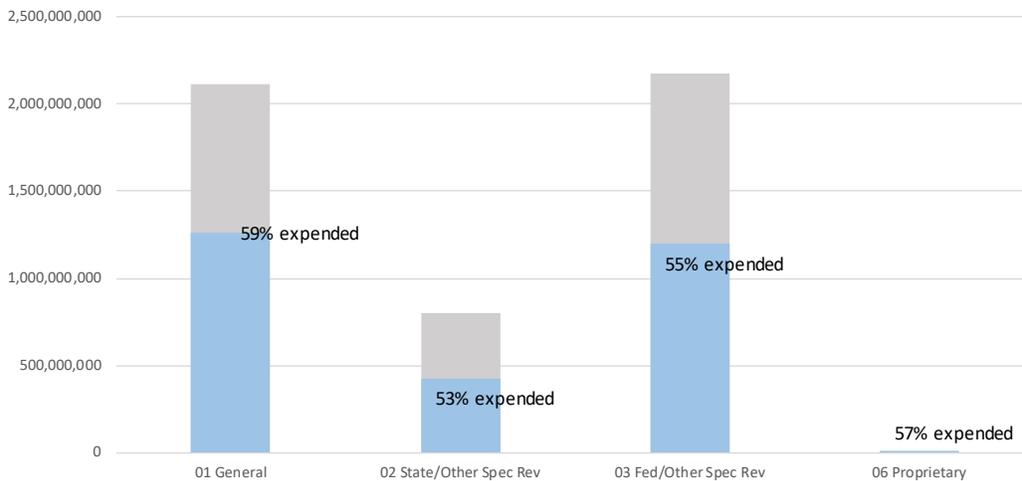
BUDGET AND EXPENDITUES

FY 2020 APPROPRIATIONS AND EXPENDITURES

This section discusses year-to-date budgeted expenditures vs. actual expenditures. The following chart shows aggregated state agency HB 2 expenditures by fund type, budgeted vs. expenditures through March 3, 2020.

All Agency HB 2 Expenditures

Budgeted vs. Expended
by fund type



Fund Type	March Modified HB 2 Budget	Year to Date Expenditures	HB 2 Budget Balance	% Expended
61000 Personal Services	932,871,194	551,848,448	381,022,746	59%
62000 Operating Expenses	985,525,895	563,418,883	422,107,012	57%
63000 Equipment & Intangible Assets	18,415,723	7,070,568	11,345,155	38%
64000 Capital Outlay	13,084,170	11,628,102	1,456,068	89%
65000 Local Assistance	842,119,489	479,121,338	362,998,151	57%
66000 Grants	335,743,118	157,951,576	177,791,542	47%
67000 Benefits & Claims	1,713,248,485	953,476,400	759,772,085	56%
68000 Transfers-out	259,593,076	163,430,554	96,162,522	63%
69000 Debt Service	3,422,593	2,885,070	537,523	84%
Grand Total	5,104,023,743	2,890,830,940	2,213,192,804	57%

This portion of the report discusses the FY 2020 appropriations and related expenditures through March 3, 2020 including:

- Modifications made to the HB 2 FY 2020 budget between December 1, 2019 and March 3, 2020
- Expenditure and spending patterns relative to the FY 2020 appropriations
- Other appropriation authority granted to state agencies

- Budget amendments and other budget changes that meet statutory requirements for Legislative Finance Committee review

The Legislative Fiscal Division reports on the status of each agency HB 2 budget and any budget modifications in the Quarterly Report by Agency Appendix. In addition, Appendix A provides a summary of all HB 2 appropriations, budget modifications, and year to date expenditures by program for each state agency.

To provide a more complete picture of state agency resources, Appendix B summarizes total appropriation authority provided to an agency including HB 2, HB 2 language appropriations, statutory appropriations, budget amendments, carry-forward authority, and other appropriation bills.

BUDGET MODIFICATIONS

Two Agencies Created New Programs Through Reorganization

Department of Revenue

Since the December 2019 quarterly report, the Department of Revenue made a number of budget modifications to reorganize functions in the Director's Office and the Information Management and Collections Division to create the Technology Services Division. To create the new division, the Director's Office transferred 16.00 FTE, \$1,749,686 in personal services, and \$4,462,051 in operating expenses. The Information Management and Collection Division transferred appropriations to the Director's Office and the Information Management and Collections Division including 18.00 FTE, \$1,199,014 in personal services, and \$480,836 in operating expenses. These services were supported by \$7,551,773 in general fund, \$83,849 in state special revenue, and \$255,955 in proprietary funds.

Department of Public Health and Human Services

DPHHS has created a new program: the Early Childhood and Family Support Division (ECFS). Most of the budget modifications in the December-March period are associated with shifting budget authority from the Human and Community Services, Public Health and Safety, Quality Assurance, and Disabilities Services divisions to this new program. ECFS will administer a number of programs and federal grants that previously resided in several different programs across the agency.

Budget Modifications Within Existing Divisions and Programs

Several state agencies:

- Transferred appropriation authority expenditure categories, such as operating expenses to debt service
- Moved appropriation authority from one program to another program

Appendix A discusses in detail these changes by agency and program.

HB 2 GENERAL FUND EXPENDITURES BY AGENCY

Through February 2020, state agencies expended 59.8% of HB 2 general fund appropriations of the February modified budget leaving \$857.7 million or 40.5% in general fund appropriations for the four remaining months of the fiscal year.

The following figure illustrates the budgeted and actual expenditures of general fund for HB 2 through the end of February. The budgeted number reflects the modified budget previously discussed. A summary of expenditure by agency and program can be found in the Quarterly Report by Agency Appendix and Appendix A.

FY 2020 Comparison of March Modified Budget vs. Year-to-Date Expenditures HB 2 General Fund				
State Agency	March Modified HB 2 Budget	Year to Date Expenditures	HB 2 Budget Balance	% Expended
Section A - General Government				
Legislative Branch	17,672,574	\$11,839,765	\$5,832,809	67%
Governor's Office	9,097,317	4,009,293	5,088,024	44%
Commissioner of Political Practices	867,195	502,005	365,190	58%
Department of Revenue	55,847,189	31,882,046	23,965,143	57%
Department of Administration	9,283,395	5,133,944	4,149,451	55%
Department of Commerce	5,647,735	3,060,318	2,587,417	54%
Department of Labor and Industry	1,985,868	1,211,886	773,982	61%
Department of Military Affairs	7,067,551	3,870,394	3,197,157	55%
Section A - General Government Total	107,468,824	61,509,652	45,959,172	57%
Section B - Health and Human Services				
Department of Public Health & Human Services	550,395,624	327,820,596	222,575,028	60%
Section B - Health and Human Services Total	550,395,624	327,820,596	222,575,028	60%
Section C - Natural Resources and Transportation				
Department of Fish, Wildlife & Parks	283,620	-	283,620	0%
Department of Environmental Quality	5,433,124	3,206,412	2,226,712	59%
Department of Livestock	2,979,851	1,726,669	1,253,182	58%
Department of Natural Resources and Conservation	31,108,847	19,513,430	11,595,417	63%
Department of Agriculture	852,852	490,607	362,245	58%
Section C - Natural Resources and Transportation Total	40,658,294	24,937,119	15,721,175	61%
Section D - Judicial Branch, Law Enforcement, and Justice				
Judicial Branch	50,107,386	28,031,185	22,076,201	56%
Department of Justice	35,741,142	20,449,469	15,291,673	57%
Office of the Public Defender	37,145,240	23,067,724	14,077,516	62%
Department of Corrections	207,518,152	126,273,011	81,245,141	61%
Section D - Judicial Branch, Law Enforcement, and Justice Total	330,511,920	197,821,389	132,690,531	60%
Section E - Education				
Office of Public Instruction	834,722,148	477,471,481	357,250,667	57%
Board of Public Education	173,901	150,940	22,961	87%
Commissioner of Higher Ed	238,460,105	160,429,093	78,031,012	67%
School for the Deaf & Blind	7,622,625	4,921,246	2,701,379	65%
Montana Arts Council	553,116	314,940	238,176	57%
Montana State Library	2,598,274	1,291,809	1,306,465	50%
Montana Historical Society	3,014,615	1,855,533	1,159,082	62%
Section E - Education Total	1,087,144,784	646,435,042	440,709,742	59%
Grand Total	2,116,179,446	\$1,258,523,797	\$857,655,649	59%

As shown in the figure above, 86.5% of the HB 2 modified general fund budget of \$2,116.2 million is provided to four state agencies:

- 39.4% to the Office of Public Instruction, mainly to support local assistance to K-12 school districts

- 26.0% to the Department of Public Health and Human Services
- 11.3% to the Office of the Commissioner of Higher Education (OCHE), mainly supporting the Montana University System
- 9.8% to the Department of Corrections

HB 2 ALL GOVERNMENTAL FUNDS BY AGENCY

The following figure illustrates the budgeted and actual expenditures for all governmental funds appropriated in HB 2 through the end of November. This includes general fund, state and federal special revenue, and budgeted proprietary funds. Agencies expended 59.8% of general fund, 53.3% of state special revenue, and 55.1% of federal special revenue. Further detail of specific agencies can be found in the Quarterly Report by Agency Appendix and Appendix A.

FY 2020 Comparison of March Modified Budget vs. Year-to-Date Expenditures
HB2 All Funds

State Agency	March Modified HB 2 Budget	Year to Date Expenditures	HB 2 Budget Balance	% Expended
Section A - General Government				
Legislative Branch	20,500,739	\$13,438,460	\$7,062,279	66%
Consumer Counsel	1,655,737	569,511	1,086,226	34%
Governor's Office	10,097,317	4,009,293	6,088,024	40%
Commissioner of Political Practices	867,195	502,005	365,190	58%
State Auditor's Office	9,083,599	4,509,696	4,573,903	50%
Department of Revenue	60,676,663	34,837,099	25,839,564	57%
Department of Administration	21,980,126	12,632,841	9,347,286	57%
Department of Commerce	32,229,805	7,018,564	25,211,241	22%
Department of Labor and Industry	85,796,939	46,617,241	39,179,698	54%
Department of Military Affairs	51,491,626	20,689,653	30,801,973	40%
Section A - General Government Total	294,379,746	144,824,363	149,555,383	49%
Section B - Health and Human Services				
Department of Public Health & Human Services	2,109,179,766	1,184,779,834	924,399,932	56%
Section B - Health and Human Services Total	2,109,179,766	1,184,779,834	924,399,932	56%
Section C - Natural Resources and Transportation				
Department of Fish, Wildlife & Parks	98,666,355	51,466,000	47,200,355	52%
Department of Environmental Quality	66,945,325	29,822,938	37,122,387	45%
Department of Transportation	684,200,374	408,112,010	276,088,364	60%
Department of Livestock	13,513,438	7,828,594	5,684,844	58%
Department of Natural Resources and Conservation	74,576,905	38,913,329	35,663,576	52%
Department of Agriculture	18,673,079	7,638,329	11,034,750	41%
Section C - Natural Resources and Transportation Total	956,575,476	543,781,201	412,794,275	57%
Section D - Judicial Branch, Law Enforcement, and Justice				
Judicial Branch	53,662,314	29,952,427	23,709,887	56%
Department of Justice	111,010,039	64,864,426	46,145,613	58%
Public Service Regulation	4,349,622	2,602,740	1,746,882	60%
Office of the Public Defender	37,145,240	23,067,724	14,077,516	62%
Department of Corrections	226,022,445	132,226,506	93,795,939	59%
Section D - Judicial Branch, Law Enforcement, and Justice Total	432,189,660	252,713,824	179,475,836	58%
Section E - Education				
Office of Public Instruction	1,009,613,208	570,491,576	439,121,632	57%
Board of Public Education	357,797	194,000	163,797	54%
Commissioner of Higher Ed	281,065,116	181,883,869	99,181,247	65%
School for the Deaf & Blind	8,092,139	5,104,914	2,987,225	63%
Montana Arts Council	1,515,084	926,471	588,613	61%
Montana State Library	5,709,241	2,889,704	2,819,537	51%
Montana Historical Society	5,346,510	3,241,183	2,105,327	61%
Section E - Education Total	1,311,699,095	764,731,718	546,967,377	58%
Total	5,104,023,743	\$2,890,830,940	\$2,213,192,804	57%

As shown in the figure above, 84.4% of the HB 2 all funds budget of \$5.104 million is provided to five state agencies:

- 41.3% to the Department of Public Health and Human Services
- 19.5% to the Office of Public Instruction, mainly to support local assistance to K-12 school districts
- 13.4% to the Department of Transportation
- 5.5% to the Office of the Commissioner of Higher Education (OCHE), mainly supporting the Montana University System
- 4.4% to the Department of Corrections

HB 2 NOVEMBER MODIFIED BUDGET BY EXPENDITURE TYPE

While the two previous charts show where the budget was spent, the following narrative gives highlights of the types of expenditures made. The HB 2 February modified budget supports various types of expenditures including:

- \$932.9 million in personal services
- \$984.4 million in operating expenses
- \$842.2 million in local assistance
- \$336.4 million in grants
- \$1,715.3 million in benefits and claims

The 2019 Legislature also provided appropriations for equipment and intangible assets, capital outlay, transfers out, and debt service. Detailed information on these expenditures can be found in the Quarterly Report by Agency Appendix.

Personal Services

Personal services expenditures for state employees are made bi-weekly. As of the end of February, about 65.4% of the personal services appropriations would have been spent if all employee positions were filled at the salary included in the budget. As of March 25, 2020, 9.2% or 1,091.12 FTE of the FTE funded in HB 2 were vacant which is above the budgeted level of 2% vacancy savings. Vacancies varied by agency. The following chart shows the positions vacant as of March 25, 2020 and the calculated vacancy rate using HB 2 budgeted FTE.

HB 2 Vacant Positions as of March 25,2020				
Section	Agency	Vacant FTE	HB 2 FTE	% Vacant
General Government	Consumer Counsel	0.04	5.54	0.7%
General Government	Legislative Branch	14.50	141.89	10.2%
General Government	Governor's Office	7.50	58.07	12.9%
General Government	Commissioner of Political Practices	0.00	7.00	0.0%
General Government	State Auditor's Office	14.50	74.00	19.6%
General Government	Department of Revenue	47.20	621.67	7.6%
General Government	Department of Administration	18.42	148.66	12.4%
General Government	Department of Commerce	6.20	48.05	12.9%
General Government	Department of Labor and Industry	66.97	661.98	10.1%
General Government	Department of Military Affairs	<u>17.71</u>	<u>212.75</u>	<u>8.3%</u>
Total General Government		193.04	1,979.61	9.8%
Public Health and Human Services	Department of Public Health and Human Services	<u>297.17</u>	<u>2,834.70</u>	<u>10.5%</u>
Total Public Health and Human Service		297.17	2,834.70	10.5%
Natural Resources and Transportation	Department of Fish, Wildlife, and Parks	80.68	695.74	11.6%
Natural Resources and Transportation	Department of Environmental Quality	53.73	365.54	14.7%
Natural Resources and Transportation	Department of Transportation	182.78	1,986.27	9.2%
Natural Resources and Transportation	Department of Livestock	13.75	133.63	10.3%
Natural Resources and Transportation	Department of Natural Resources and Conservation	35.94	534.61	6.7%
Natural Resources and Transportation	Department of Agriculture	<u>14.98</u>	<u>115.07</u>	<u>13.0%</u>
Total Natural Resources and Transportation		381.86	3,830.86	10.0%
Judicial Branch, Law Enforcement, and Justice	Judicial Branch	30.01	456.44	6.6%
Judicial Branch, Law Enforcement, and Justice	Department of Justice	40.34	776.91	5.2%
Judicial Branch, Law Enforcement, and Justice	Public Service Commission	0.00	35.00	0.0%
Judicial Branch, Law Enforcement, and Justice	Office of the Public Defender	16.50	230.94	7.1%
Judicial Branch, Law Enforcement, and Justice	Department of Corrections	<u>86.00</u>	<u>1,274.17</u>	<u>6.7%</u>
Total Judicial Branch, Law Enforcement, and Justice		172.85	2,773.46	6.2%
Education	Office of Public Instruction	17.89	152.29	11.7%
Education	Board of Public Education	0.00	3.00	0.0%
Education	Office of Higher Education	10.58	50.22	21.1%
Education	School for the Deaf and Blind	5.48	83.47	6.6%
Education	Montana Arts Council	2.00	7.00	28.6%
Education	Montana State Library	2.75	29.46	9.3%
Education	Montana Historical Society	<u>7.50</u>	<u>54.38</u>	<u>13.8%</u>
Total Education		46.20	379.82	12.2%
Total HB 2 FTE		1,091.12	11,798.45	9.2%

It should be noted that the positions have been vacant for various periods of time and many are currently in the process of being filled.

This higher vacancy savings is the primary reason that the year to-date expenditures are below the anticipated 65.4% and are 59.8% expended. Further detail on the vacancies are discussed in the Quarterly Report by Agency Appendix.

Operating Expenses

Year to date operating expenses are 57.2% expended. Operating expenses are appropriated in all state agencies, with about 47.8% provided to the Montana Department of Transportation (MDT).

MDT has expended 51.4% of its operating expenses, driving the percentage of expenditures for operating expenses overall. Further information on operating expense is provided in the Quarterly Report by Agency.

Local Assistance

The Office of Public Instruction (OPI) is appropriated 97.8% of the \$842.2 million in local assistance included in the HB 2 February modified budget. As of the end of February, local assistance was 56.9% expended. This expenditure source is on track.

Grants

Grants are 47.0% expended year to-date. Historically, due to the application process for making grants, these expenditures are lower in the first nine months of the year, depending on the granting agency. Further information on grant expenditures can be found in the Quarterly Report by Agency Appendix.

Benefits and Claims

Benefits and claims are 55.6% expended year to-date. DPHHS was appropriated 99.5% of the \$1,715.3 million in benefit and claims appropriations contained in the HB 2 February modified budget. The Medicaid Program has \$1,310.9 million in appropriations. This expenditure source is on track.

APPROPRIATIONS TO BE TRANSFERRED

HB 715: Appropriations for other bills passed

HB 715 appropriated the Governor's Office \$8.4 million in total funds in FY 2020 and directed the budget director to allocate the appropriations by August 15, 2019. The following chart shows the allocations of authority to the various state agencies.

HB 715						
Distribution to Agencies						
State Agency	Bill No	Bill Description	Ongoing One-Time-Only (OTO)	Expenditure Category	FY 2020	FY 2021
General Fund						
Commissioner of Political Practices	SB 363	Revise campaign finance reporting for new political party	OTO	Operating Expenses	\$25,000	\$0
Department of Revenue	HB 654	Revise funding of treatment courts	OTO	Personal Services	41,000	0
Department of Revenue	HB 293	Provide film production tax credits	Ongoing	Personal Services	82,358	220,272
Department of Revenue	SB 200	Provide equal classification for homes on a foundation	Ongoing	Personal Services	74,853	70,633
Office of the Public Defender	HB 73	Revise classification of certain public defenders	Ongoing	Personal Services	43,895	47,333
Office of the Public Defender	HB 192	Revise privacy in communications	Ongoing	Operating Expenses	23,762	22,630
Office of the Public Defender	SB 114	Revise stalking and orders of protection	Ongoing	Operating Expenses	70,810	70,810
Office of the Public Defender	SB 147	Revise human trafficking laws	Ongoing	Operating Expenses	102,930	102,930
Department of Public Health and Human Services		DPHHS Stragic planning	OTO	Personal Services	20,000	20,000
Department of Public Health and Human Services		DPHHS Stragic planning	OTO	Operating Expenses	80,000	80,000
Department of Public Health and Human Services	HB 640	Revise childhood sexual abuse laws	Ongoing	Personal Services	95,392	95,392
Total General Fund					\$660,000	\$730,000
State Special Revenue						
Department of Fish, Wildlife, and Parks	HB 355	Revise motor vehicle laws for recreation pass	Ongoing	Operating Expenses	\$45,984	\$81,719
Department of Fish, Wildlife, and Parks	HB 355	Revise motor vehicle laws for recreation pass	Ongoing	Grants	33,272	66,774
Department of Fish, Wildlife, and Parks	HB 355	Revise motor vehicle laws for recreation pass	OTO	Grants	410,183	621,012
Department of Environmental Quality	SB 343	Revise open cut laws	Ongoing	Personal Services	287,529	286,615
Department of Environmental Quality	SB 343	Revise open cut laws	Ongoing	Operating Expenses	77,498	77,278
Department of Transportation	HB 393	Change truck speed limits	OTO	Operating Expenses	171,281	0
Department of Agriculture	HB 443	Revise requirements for hobbyist apiaries	Ongoing	Personal Services	70,635	70,414
Department of Agriculture	HB 433	Revise requirements for hobbyist apiaries	Ongoing	Operating Expenses	5,800	3,000
Department of Agriculture	SB 176	Establish certified hemp plan and program	Ongoing	Personal Services	70,635	70,414
Department of Agriculture	SB 176	Establish certified hemp plan and program	Ongoing	Operating Expenses	5,800	3,000
Department of Commerce	HB 292	Extend coal board funding	Ongoing	Grants	1,654,000	1,657,000
Department of Commerce	SB 338	Provide for construction of Montana Heritage Center	OTO	Grants	800,000	0
Department of Labor and Industry	HB 626	Revise social worker licensing laws	OTO	Operating Expenses	34,664	0
Department of Public Health and Human Services	SB 265	Revise medical marijuana laws	Ongoing	Personal Services	91,653	94,025
Department of Public Health and Human Services	SB 265	Revise medical marijuana laws	Ongoing	Operating Expenses	2,869,949	2,629,232
Department of Public Health and Human Services	HB 598	Revise licensing and oversight for medical marijuana testing	Ongoing	Personal Services	250,000	238,000
Department of Public Health and Human Services	HB 598	Revise licensing and oversight for medical marijuana testing	Ongoing	Operating Expenses	1,117	1,517
Total State Special Revenue					\$6,880,000	\$5,900,000
Federal Special Revenue						
Department of Public Health and Human Services	HB 640	Revise childhood sexual abuse laws	Ongoing	Personal Services	\$40,000	\$40,000
Total Federal Special Revenue					\$40,000	\$40,000
Proprietary Funds						
Department of Administration	HB 725	Allow sports wagering	Ongoing	Personal Services	\$265,000	\$265,000
Department of Administration	HB 725	Allow sports wagering	Ongoing	Operating Expenses	555,000	455,000
Total Proprietary Funds					\$820,000	\$265,000
Total HB 715 Appropriations					\$8,400,000	\$6,935,000
Total Ongoing					\$6,817,872	\$6,213,988
Total One-time-only					\$1,582,128	\$721,012

Pay Plan Personal Services Contingency

The 2019 Legislature provided the Office of Budget and Program Planning \$3.0 million of appropriations for personal services contingencies to be distributed to agencies when personnel vacancies do not occur or retirement costs exceed agency resources. As of the end of February, OBPP had not transferred any of this authority.

STATUTORILY REQUIRED REPORTS

Due to the coronavirus pandemic, the Legislative Finance Committee (LFC) postponed its scheduled March meeting. Statute requires the LFC review and comment on budget amendments, operating plan changes, and program transfers that met statutory criteria. Due to the postponement these budget changes will be presented in a later report.