



HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS

67TH Legislature

TO: HB 2 Subcommittee Chairs

FROM: Senator John Esp, Chair, Senate Finance & Claims Committee
Representative Llew Jones, Chair, House Appropriations Committee

DATE: January 3, 2023

RE: Chair Budget guidelines and Subcommittee instructions

Recognizing the unique risk associated with the current budget and revenue forecast, we are recommending that the legislature adopt a budget that plans for a 20-year economic event that impacts revenue. The following guidelines should enable Montana to weather a 20-year event with a responsible level of budget reductions and still provide services and investments in Montana.

- The structural balance in FY 2025 should be positive by \$450 million to allow for revenue fluctuations in the future years.
- The fund balance in the general fund should be \$800 million to allow for revenue fluctuations. The one-time investments that bring down the ending fund balance should either lower long-term costs and risk or provide long-term benefits to Montanans.
- The Budget Stabilization Reserve Fund should have at least \$300 million, and subsequently the Governor should have enhanced access at a ratio of 3:1 (three dollars of reserve for one dollar of spending reduction) instead of the current ratio of 2:1

Within these parameters, the budget also needs to address the inflation and population pressures in the budget to allow services provided by state supported entities to continue. Both inflation and population have risen considerably in recent years. These add pressure to agency, local government, schools, and private provider budgets. Please consider the comparison of agency expenditures to population and inflation and personal income growth over the last 20 years and the changes since FY 2019 when weighing the inflation and population needs of your agencies. We will be reviewing these comparisons throughout the session to evaluate the overall budget needs.

The following instructions will be used to keep consistency between subcommittees in application of certain budget issues:

Instructions for the Application of Certain Budget Issues

1. The starting point motion will be the 2023 Base budget as submitted by the executive and tied out by the Legislative Fiscal Division.