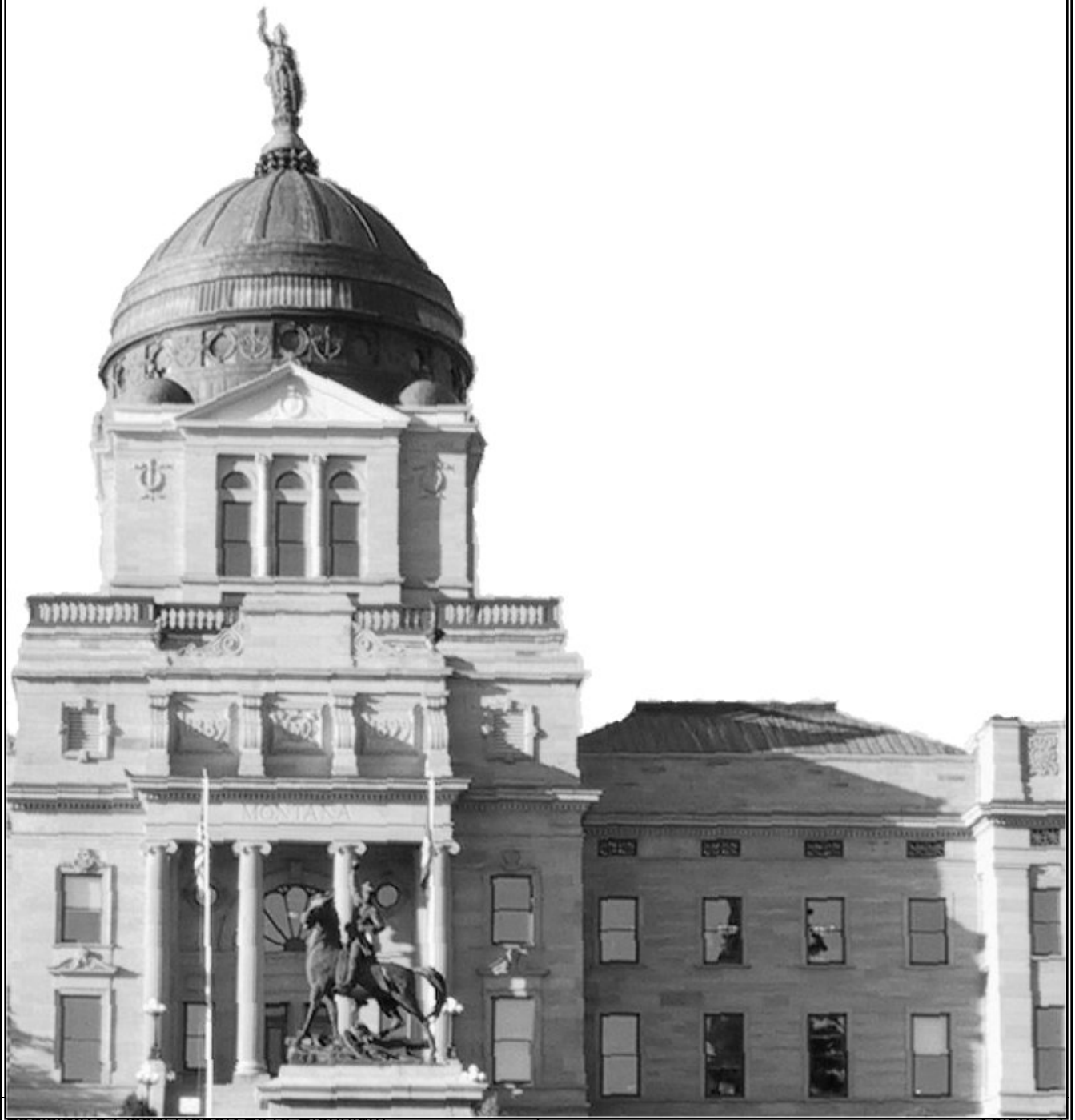


# LEGISLATIVE FISCAL REPORT 2019 BIENNIUM

## VOLUME 1—STATEWIDE PERSPECTIVES





**LEGISLATIVE FISCAL REPORT  
2019 BIENNIUM  
VOLUME 1 – STATEWIDE PERSPECTIVES**

**REPORT FROM THE LEGISLATIVE FISCAL DIVISION  
TO THE SIXTY-FIFTH LEGISLATURE  
JUNE 2017**

**Legislative Finance Committee**

Senator Jon Sesso (Chair)  
Representative Nancy Ballance (Vice Chair)  
Senator Mary Caferro  
Senator Llew Jones  
Senator Bob Keenan  
Senator Frederick (Eric) Moore  
Senator Cynthia Wolken  
Representative Kimberly Dudik  
Representative Kenneth Holmlund  
Representative Kelly McCarthy  
Representative Ryan Osmundson

Representative Marilyn Ryan

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Nick VanBrown - Lead

Kris Wilkinson - Lead

### **Fiscal Content Specialist**

Karin Ball

### **Fiscal Technical Support**

Diane McDuffie

## **Acknowledgements**

The Legislative Fiscal Division (LFD) provides non-partisan budget and data analysis to the Montana Legislature, so that all lawmakers have objective, accurate, and relevant information to make state financial decisions.

For information on this report and others, contact the Legislative Fiscal Division at (406) 444-2986 or visit the division's website at: <http://leg.mt.gov/css/fiscal/default.asp>

The LFD is located at Room 110, State Capitol, Helena, MT 59620.



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

**Director**  
AMY CARLSON

June 27, 2017

Members of the 65<sup>th</sup> Legislature  
Members of the Legislative Finance Committee:

In accordance with the provisions of Section [5-12-302, MCA](#), I submit the Legislative Fiscal Report for the 2019 biennium. The report provides an overview and details of the 2019 biennium budget for the State of Montana adopted by the 65<sup>th</sup> Legislature in the 2017 Session.

This four volume report includes:

- Volume 1: Statewide Perspectives – This volume provides an overview of the 2019 biennium state budget as well as significant policy addressed by the 2017 Legislature
- Volume 2: Revenue Estimates – This volume provides the legislative revenue estimates and underlying economic assumptions that were included in HJR 2
- Volumes 3 and 4: Agency Budgets – These volumes provide a detailed report of the appropriations for each agency and program contained in the general appropriations act (HB 2) and in other legislation

These volumes are intended as a reference document and historical archive of the legislative budget action for the use of legislators, the public, and state agencies.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Amy Carlson".

Amy Carlson  
Legislative Fiscal Analyst

# Staff Assignments

## Legislative Fiscal Division (LFD) - State Capitol, First Floor, East Wing

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The following are the LFD staff assignments by budget sections, including agency and LFD analyst, with phone extension and office number:

### General Government (Section A)

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Revenue	Nick VanBrown (Ext. 4461, Office # 130)
Administration, Lead Analyst	Kris Wilkinson (Ext. 2722, Office #114)

### Health & Human Services (Section B)

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----------------------------------	----------------------------------------------------------------------------------------------------------------------------

### Natural Resources and Transportation (Section C)

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Transportation	Cathy Duncan (Ext. 4580, Office #117)

### Judicial Branch, Law Enforcement, and Justice (Section D)

Judicial Branch Board of Crime Control Justice Public Service Regulation Corrections Office of the Public Defender	Scot Conrady (Ext. 4421, Office #110G)
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## Education (Section E)

<p>Commissioner of Higher Education/ Board of Regents Community Colleges Six University Units and two college units Agricultural Experiment Stations Extension Service Forestry &amp; Conservation Experiment Station Bureau of Mines &amp; Geology Fire Services Training School</p>	<p>Shauna Albrecht (Ext. 1783, Office #1100)</p>
<p>Office of Public Instruction School for the Deaf and Blind Library Commission Montana Historical Society Montana Arts Council</p>	<p>Rob Miller (Ext. 1795, Office #132)</p>

## Long Range Planning (Section F)

<p>Long-Range Building Program State Building Energy Conservation Long-Range Information Technology Program Treasure State Endowment Treasure State Endowment Regional Water System Reclamation &amp; Development Grant Program Renewable Resource Grant &amp; Loan Program Cultural and Aesthetic Grant Program Quality School Facility Program</p>	<p>Cathy Duncan (Ext. 4580, Office #117)</p>
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## Revenue Estimating / Monitoring / Tax Policy

<p>Revenue Estimating, Revenue Monitoring, Tax Policy Analysis</p> <p>Consumption, Insurance Tax, Tobacco Trust</p> <p>Individual Income Tax, Lead Analyst</p> <p>Corporation Tax, Natural Resources Tax, Vehicle Tax, Guarantee Fund Estimate, Pensions, Entitlement Share</p> <p>Property Tax, K-12 School Funding</p>	<p>Alice Hecht (Ext. 1825, Office #110N)</p> <p>Stephanie Morrison (Ext. 4408, Office #120)</p> <p>Sam Schaefer (Ext. 1787, Office #131)</p> <p>Nick VanBrown (Ext. 4461, Office #130)</p>
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## Budgeting Database (IBARS)

<p>HB 2 database control and supervision, Lead Analyst</p>	<p>Nick VanBrown (Ext. 4461, Office #130)</p>
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## Statewide Analysis & Communications

<p>Historical Appropriation Comparisons, Pay and Benefits Analysis</p>	<p>Kris Wilkinson (Ext. 2722, Office #114)</p>
<p>Balance Sheet Analysis, Fiscal Note Analysis, Communications</p>	<p>Susie Lindsay (Ext. 4121, Office #119)</p>

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# **VOLUME 1: INTRODUCTION**

The purpose of this report is to provide legislators and all interested parties with a record of the fiscal actions of the 2017 Legislature (including both legislation passed and legislative intent related to fiscal issues) and the fiscal status of state government through the 2019 biennium. This report provides an objective perspective on the state's fiscal condition and on the fiscal outcomes of the 2017 regular session.

Volume 1 is intended to compliment Volumes 2 through 4 of the 2019 Biennium Legislative Fiscal Report by providing a general overview of the budget approved by the legislature. Volume 1 presents a broad fiscal overview and discusses significant fiscal and policy issues that either encompass all programs and agencies or do not necessarily fall under the jurisdiction of a single committee of the legislature. Volumes 2 through 4 describe the detailed results of the 2017 Legislature's actions regarding expenditures and revenues and adopted budgets of state programs,

This volume is divided into the following sections:

- Overview - a high level summary of the actions of the 2017 Legislature
- Biennial Comparison - the changes between the 2017 biennium and 2019 biennium legislative appropriations
- Revenues - a review of the revenue projections used to craft the 2019 biennium budget
- Expenditures - an overview of the state spending plan for the 2019 biennium
- Legislative Action - significant fiscal decisions
- Appendix - information that further defines various aspects of the legislative budget

## **LEGISLATIVE FISCAL REPORT: VOLUMES 2 - 4**

### **VOLUME 2 – REVENUE ESTIMATES**

Volume 2 provides detailed summaries of the state's major revenue sources as adopted by HJR 2. It also describes the 2017 legislative actions that impacted the various revenue sources.

### **VOLUMES 3 AND 4 – EXPENDITURE DETAILS**

Volumes 3 and 4 include detailed summaries of each individual agency budget as adopted by the legislature. These volumes feature program-by-program detail, including a summary of legislative intent where appropriate. Agencies are grouped in sections corresponding to the appropriations subcommittee that reviewed each agency budget.

- Volume 3
  - HB 2 – General Appropriations Act of 2017
  - Section A – General Government
  - Section B – Health and Human Services
- Volume 4
  - Section C – Natural Resources and Transportation
  - Section D – Judicial Branch, Law Enforcement, and Justice
  - Section E – Education
  - Section F – Long-Range Planning

Agency budgets are presented in three tiers:

- 2017 Legislative Appropriations as a starting point
- Present Law Adjustments: additional funding needed to maintain current operations and services at the level authorized by the 2015 Legislature
- New proposal requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding

The 65<sup>th</sup> Legislature used the 2017 legislative appropriation as the starting point, then incrementally either added or subtracted funds through present law adjustments or new proposals to arrive at a total approved budget for an agency. These volumes detail an agency's appropriations, both in tables and narrative, and present detailed discussions of present law adjustments, new proposals, and new legislation.

## OVERVIEW

The legislature biennially appropriates general fund, state special funds, federal funds, and certain proprietary funds as defined in [17-7-150, MCA](#). The general fund is the primary fund used for general government purposes such as education, health care, and corrections. The all funds budgets include the general fund plus the other appropriated funds. The overview of the general fund budget begins below and the overview of the all funds budget begins on page 35.

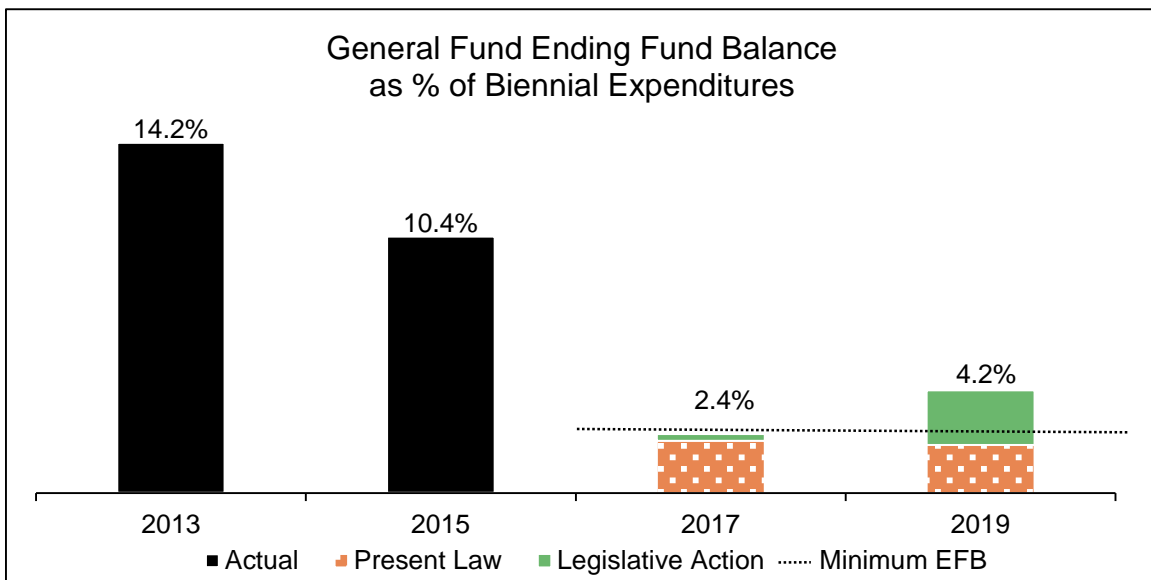
### GENERAL FUND BALANCE 2019 BIENNIUM

The 2015 Legislature adopted revenue estimates that anticipated general fund revenue growth of 9% or \$380 million in the 2017 biennium. Actual 2017 biennium revenues have been substantially less than expected. While the lower revenues were somewhat offset by lower expenditures, when the 2017 session began the 2017 biennium ending fund balance was forecast to be just \$79.0 million or 1.7% of biennial expenditures. This was \$236 million less than expected at the end of the 2015 session. Using these costs and revenues resulted in an anticipated ending fund balance before legislative action of slightly less than zero.

The 2017 Legislature worked to improve the ending fund balance and bring stabilization to state finances. The following actions were adopted by the legislature for the 2019 biennium:

- \$100.0 million higher revenue estimates coupled with \$7.0 million in higher expenditures than forecast prior to session, resulted in a present law ending fund balance of \$93.0 million
- A series of new legislative actions in HB 2 and other legislation resulted in an increase to fund balance by \$105.6 million
- Creation of a short-term stabilization plan to mitigate the risk of revenue shortfalls in the 2019 biennium. If revenues continue to decline, then triggered transfers and reductions of up to \$97.4 would stabilize the ending fund balance for the 2019 biennium

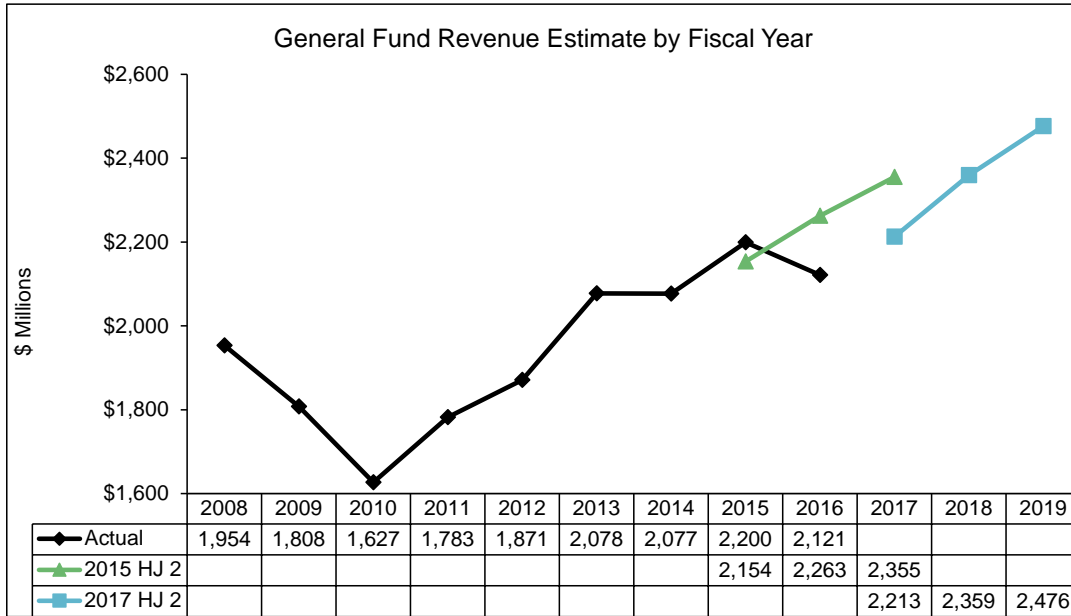
The chart below depicts the ending fund balance as a % of biennial expenditures. This includes adjustments to present law, new legislative actions, and the statutorily required minimum ending fund balance for FY 2019.



### General Fund Revenues through 2019 Biennium

As shown in the following chart, FY 2016 revenues were 3.6% lower than the previous year or 6.3% lower than the official legislative estimate in 2015 HJR 2. Most of the difference was attributed to lower-than-expected growth in individual income tax, and decline in corporation income tax and oil & natural gas taxes. The 2017 HJ2 R estimate—based on the House Tax Committee amendments to the pre-

session estimate prepared by the Revenue & Transportation Interim Committee--anticipates growth from FY 2016 of 4.3% in FY 2017, 6.6% in FY 2018, and 5.0% in FY 2019. The House Tax changes were based on the LFD updated March 2017 estimate, which forecast revenue above the pre-session estimate by \$100.0 million over the three-year period.



### Present Law Budget

During the 2017 session, the legislature adopted the following significant changes to present law general fund estimates:

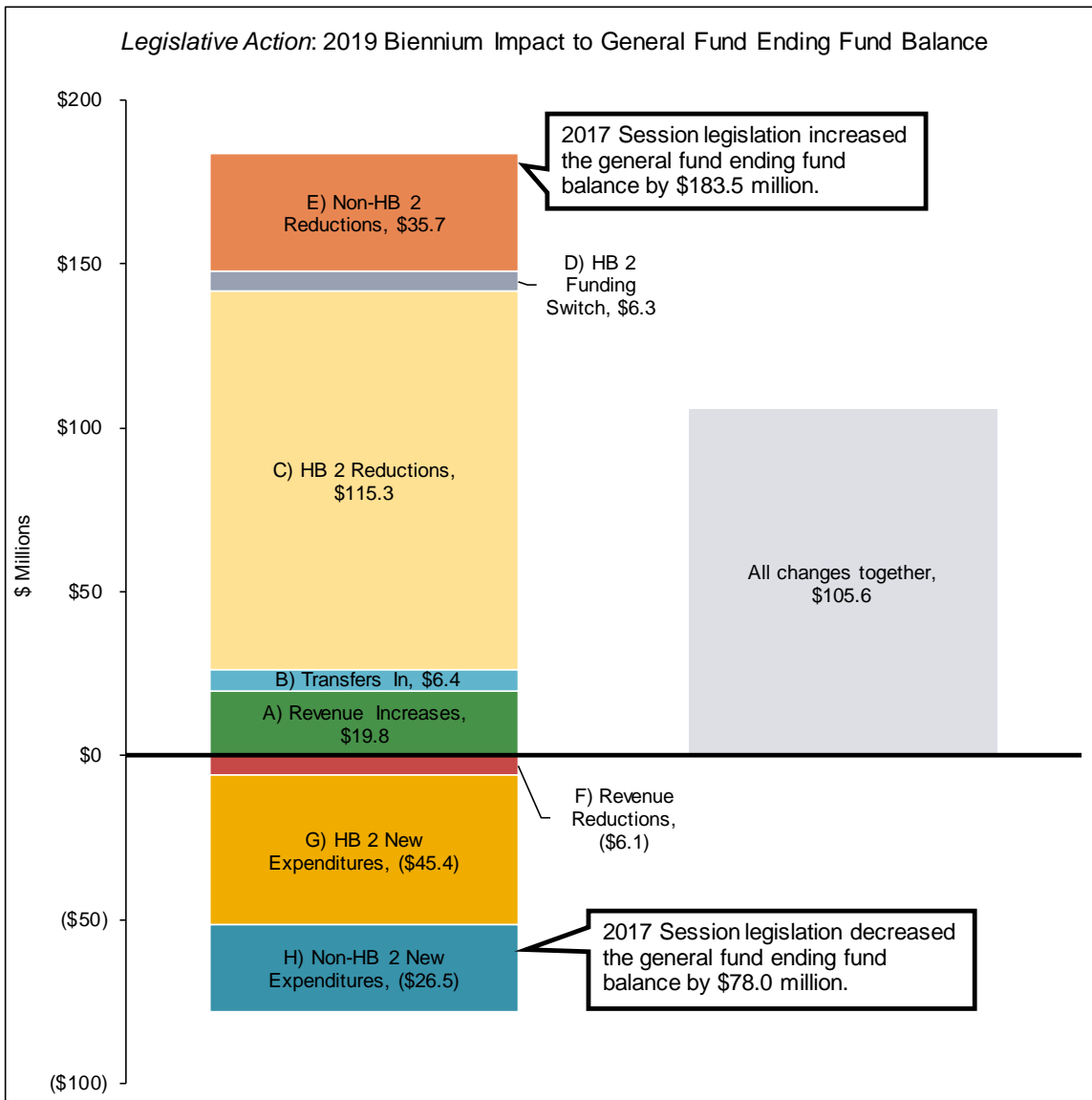
- o HJR 2 adoption of an updated revenue estimate increased present law by \$100.0 million over three fiscal years
- o HB 3 and HB 648 lowered FY 2017 general fund appropriations in HB 2 by \$11.3 million
- o K-12 BASE-Aid adjustment for spring enrollment count increased general fund present law by \$11.0 million for the 2019 biennium
- o Medicaid caseload adjustments to present law in HB 2 increased general fund appropriation authority by \$6.0 million for the biennium
- o Other adjustments \$1.1 million

The net result of these decisions increased the anticipated present law general fund ending balance from slightly less than zero to \$93.2 million.

### LEGISLATIVE SOLUTIONS TO ENDING FUND BALANCE CHALLENGE

The charts in this section illustrate the actions adopted by the 2017 Legislature to increase the general fund ending fund balance to the statutory operating reserve level of 8.3% of second year appropriations or \$199 million. The \$105.6 million net increase in fund balance changes detailed in charts below added to the \$93.2 million in present law and return an ending fund balance of \$198.8 million.

The following graphic illustrates groups of new decisions adopted by the legislature. Increases in revenue and decreases in expenditures both increase ending fund balance, while increases to expenditures (below the line) decrease ending fund balance. Cumulatively all the changes together result in a \$105.6 million increase to the general fund shown in the gray box on page 5. This is a net result of a \$183.5 million increase and a \$78.0 million decrease.

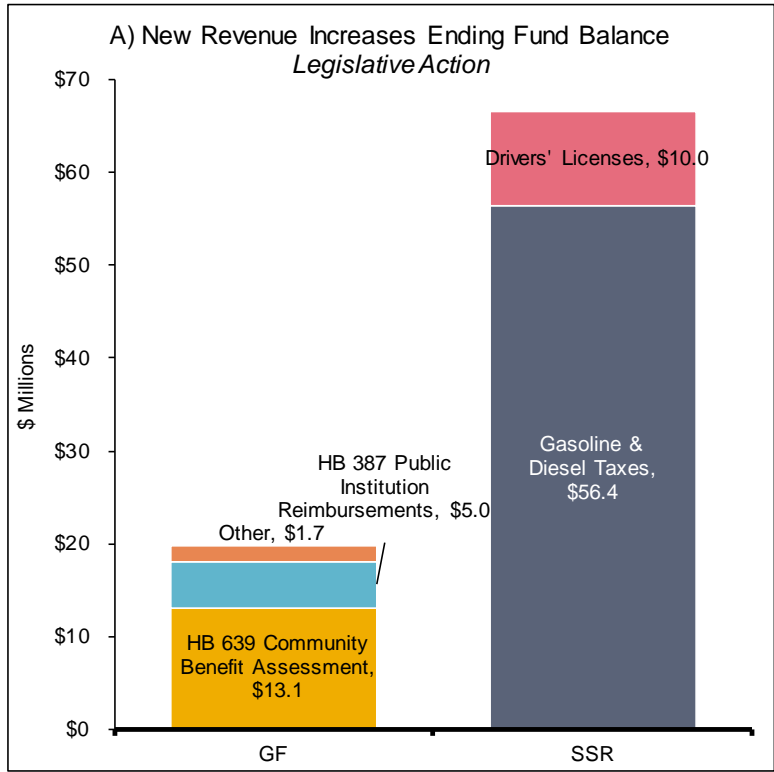


## LEGISLATIVE ACTION THAT INCREASED ENDING FUND BALANCE

### A) General fund revenue increases

- [HB 639](#) community benefit assessment of \$13.1 million total for three fiscal years: FY 2017, FY 2018, and FY 2019
- [HB 387](#) public institutional reimbursement revenue of \$5.0 million for the 2019 biennium
- Other revenue adjustments provided an additional \$1.7 million for the 2019 biennium

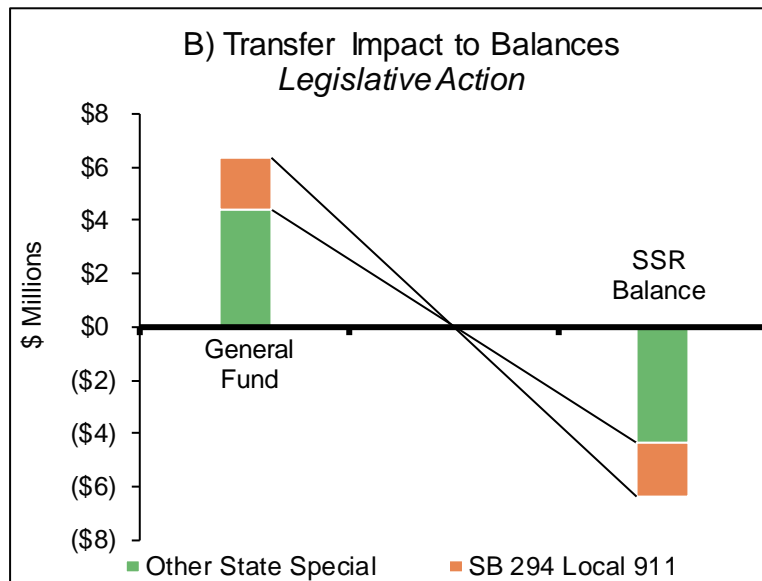
Non-general fund revenue increases: the legislature adopted legislation to increase drivers' license fees and gas tax to fund the deficit in the highway state special revenue account. For more information see page 20.



## B) Transfers

Transfers into the general fund from other fund balances:

- [HB 642](#) implemented the provisions of the general appropriations bill for section A by providing one-time transfers from state special revenue accounts to the general fund for a total of \$1.1 million for FY 2018
- [HB 650](#) implemented the provisions of the general appropriations bill for section D by providing a one-time transfer from two state special revenue funds, the consumer protection fund and parental contributions fund, to total \$3.3 million in FY 2018
- [SB 294](#) local 911 provided a one-time transfer of \$2.0 million from the local 911 state special revenue fund to the general fund for FY 2018



### C) New Proposals to Reduce HB 2 Appropriations Authority

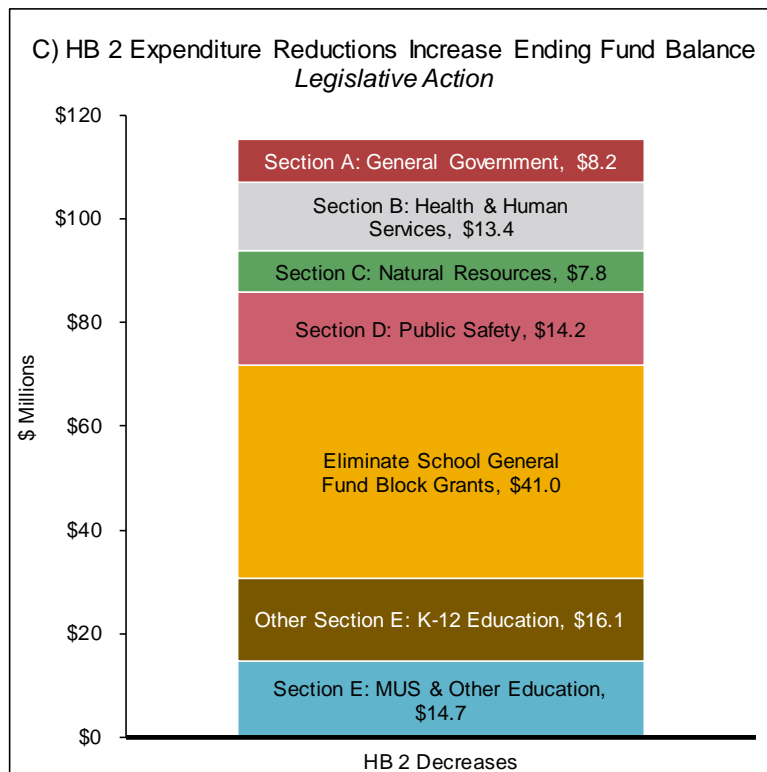
HB 2 is the general appropriations act for the operations of state government.

Changes impacting all sections of government:

- o Additional 2% budgeted vacancy savings for personal services costs. This will require agencies to find additional savings in personnel costs to cover this reduction.
- o Statute requires agencies to develop and submit a 5% base budget reduction plan. For the 2019 biennium budget proposal these were submitted as “rebase”. The legislature adopted most of the agency and/or executive suggested rebase reductions

Changes specific to Section E:

- o Elimination of school district general fund block grants, replacing of this funding over four years with higher levels of school district general fund guaranteed tax base funding
- o Other K-12 education appropriation reductions eliminated the natural resource development payment

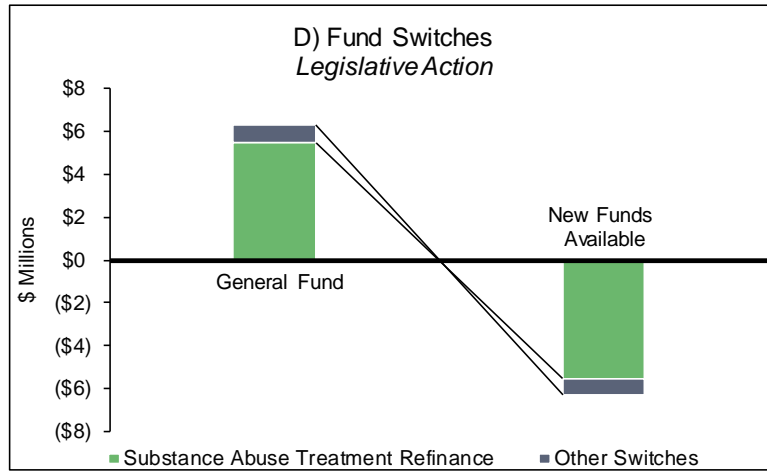




## D) HB2 Fund Switches

The 2017 Legislature reduced funding authority for general fund while increasing state special revenue authority in the following areas, which frees up general fund ending balance:

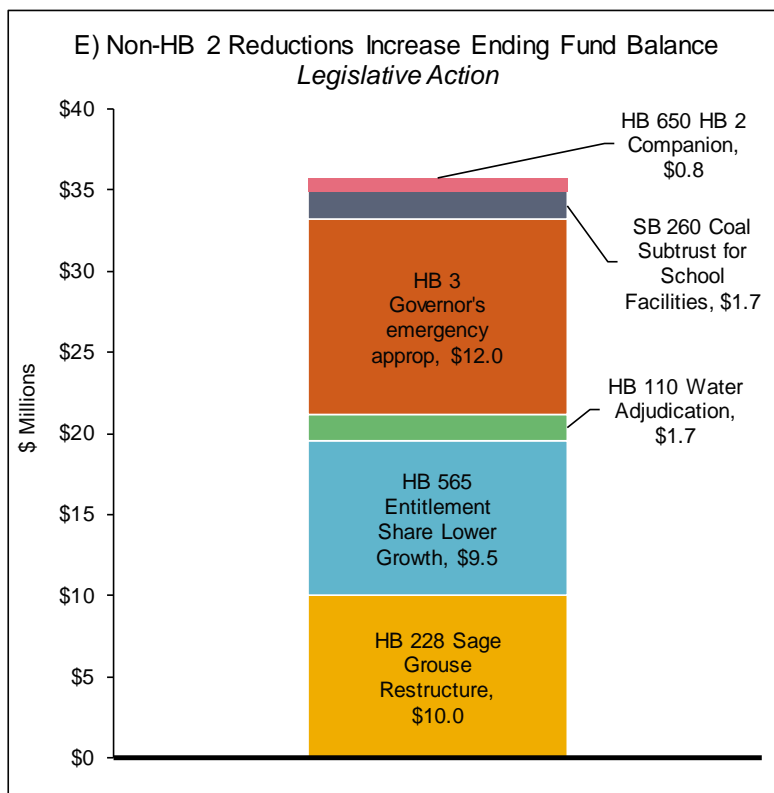
- A reduction of \$5.3 million general fund in the Montana State Hospital offset by a like increase of federal funds in the Montana Chemical Dependency Center (MCDC), shifting state special from MCDC to the state hospital
- Other fund switches in the Office of Public Defender, Department of Revenue, and the Department of Justice totaled nearly \$1.2 million from general fund to state special



## E) Non HB2 Reductions

The following reduce spending to specific present law appropriations or transfers:

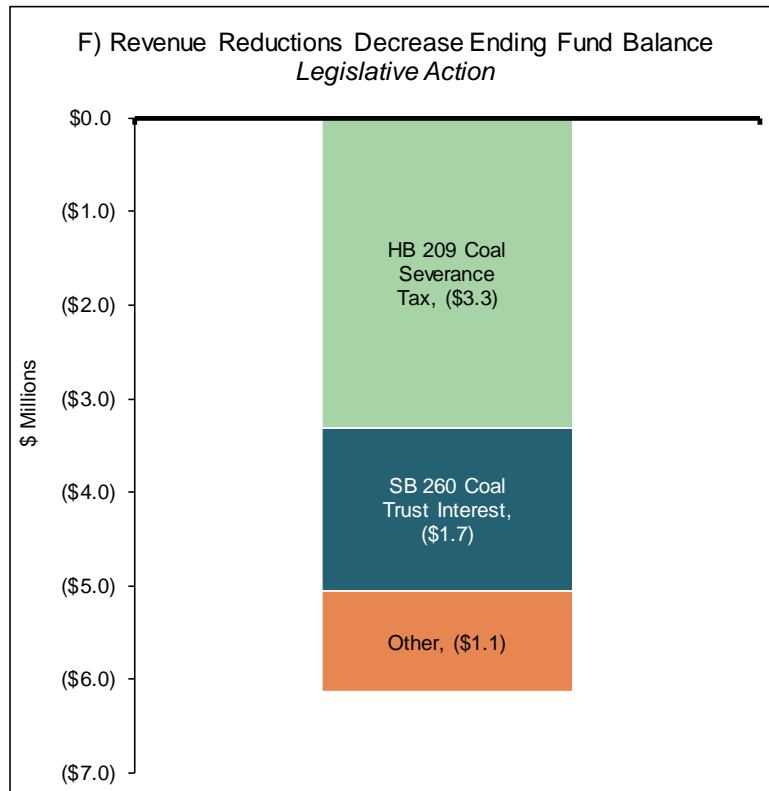
- o [HB 3](#) reduced the statutory appropriation authority for the Governor’s emergency and disaster fund by \$12.0 million
- o [HB 110](#) reduced the general fund transfer amount needed for water rights adjudication by increasing revenue from certain exempt water claims
- o [HB 228](#) restructured the sage grouse appropriation authority from the 2017 biennium, resulting in a savings of \$10.0 million
- o [HB 565](#) lowered the growth rate for entitlement share payments to counties and cities, saving general fund by \$9.5 million for the biennium
- o [HB 648](#) HB 2 companion bill restructured payments to the Public Employee Retirement System, reducing general fund appropriation statutory authority by \$3.3 million and increasing HB 2 appropriations by a like amount
- o [HB 650](#) HB 2 companion bill created a court-appointed special advocacy (CASA) account. Fees collected from convicted criminals are to be deposited into the CASA account
- o [SB 260](#) created a coal sub-trust for school facilities reducing general fund appropriation authority by \$1.7 million for the biennium is offset by a reduction of general fund revenue by a like amount



# LEGISLATIVE ACTION THAT DECREASED THE ENDING FUND BALANCE

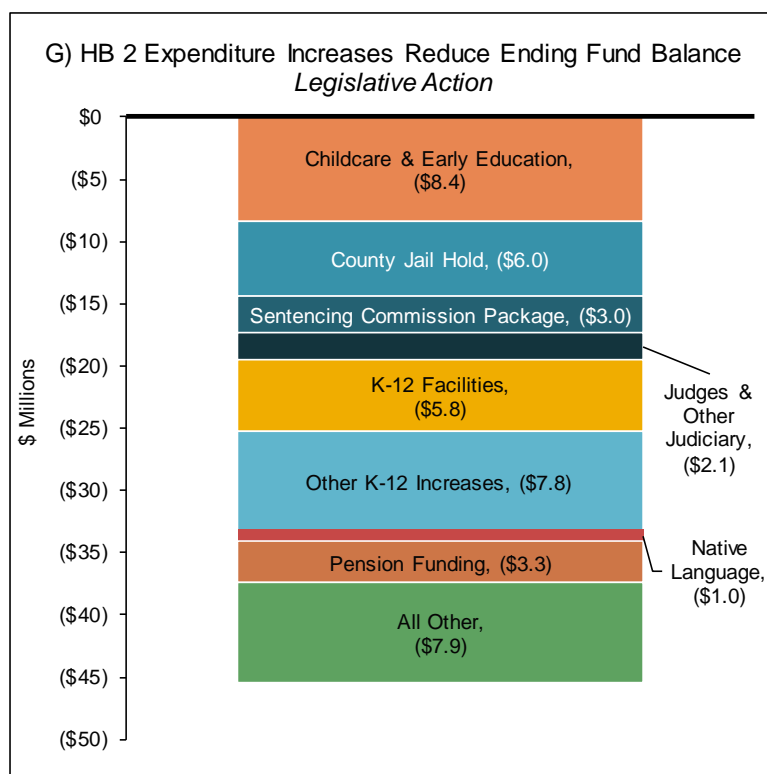
## F) Reduce General Fund Revenue

- [HB 209](#) coal severance tax extends the tax allocation to the coal natural resource account of 5.8% through FY 2019, thereby reducing general fund revenue by \$3.3 million for the 2019 biennium
- [SB 260](#) coal trust interest creates the school facilities fund in the coal severance tax trust fund, and allocates 75% of coal severance taxes deposited in the coal severance tax bond fund in excess of the amount required for principal and interest payments to the school facilities fund, which lowers coal trust interest revenue by \$1.7 million for the 2019 biennium
- Other revenue decreases total \$1.1 million for the 2019 biennium



## G) HB 2 New Expenditures

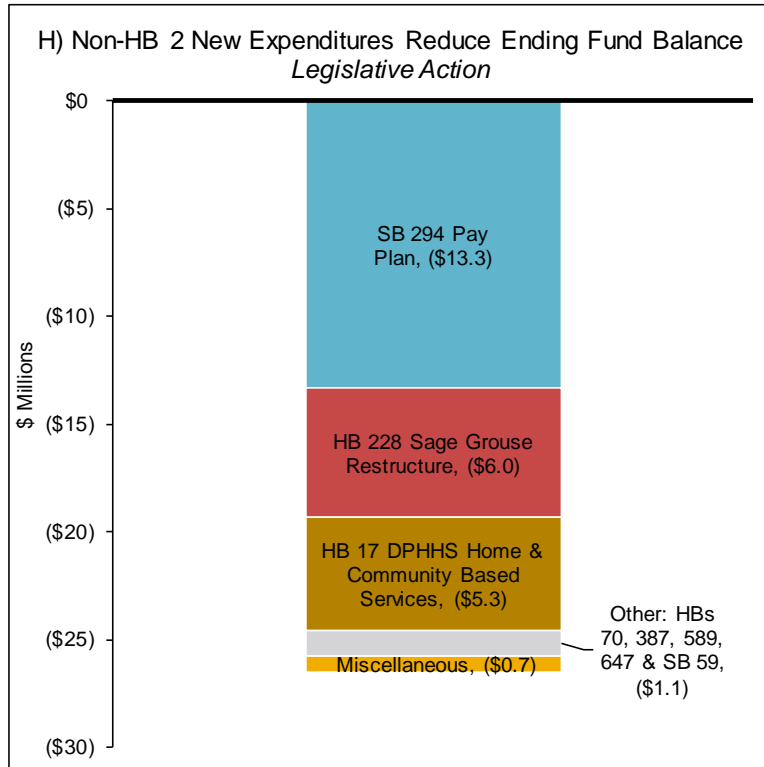
- Childcare and Early Education provided \$2.4 million for a daycare development program (STARS to Quality) and \$6.0 million for a preschool pilot program in both private and public settings to total \$8.4 million
- County jail hold increased funding to prioritize secure housing and correctional community programs to divert inmates from county jail holds - \$6.0 million
- Sentencing commission package revised criminal justice laws and programs supporting the Judicial branch as directed in [HB 143](#), [SB 59](#), [SB 60](#), [SB 64](#), and [SB 65](#) - \$3.0 million
- Provided additional district court judges and other judiciary as defined in [HB 44](#) - \$2.1 million
- Created a K-12 school facilities payment as defined in [SB 260](#) - \$5.8 million
- Native language preservation as described in [HB 37](#) - \$1.0 million
- Restructured the coal trust interest pension funding in HB 2 as detailed in [HB 648](#) (offset by elimination of statutory appropriation) - \$3.3 million
- Other - veterans' services, additional contingency funding for the office of public defender, providing for Eastern crime lab personal services, and interim committees



## H) Non-HB 2 New Expenditures

- [SB 294](#) pay plan included \$13.3 million in general fund authority for the 2019 biennium to provide for a 1% per year pay increase for state employees
- [HB 228](#) sage grouse authorized \$6 million in appropriation authority for sage grouse stewardship over the three fiscal years, FY 2017-FY 2019
- [HB 17](#) DPHHS home and community based services increased waiver slots and assisted living reimbursement rates. The appropriation authority totaled \$5.3 million for the 2019 biennium
- Other bills for a total of \$1.8 million

For additional information, please refer to the Other General Fund Bills section of this report found on page 61.



## **General Fund Structural Balance**

Structural balance is defined as the difference between ongoing revenues and ongoing expenditures. While structural balance is still negative in FY 2017, the structural imbalance is corrected in FY 2018 and FY 2019. The projected general fund structural balance for FY 2019 is \$70.6 million. This significant positive structural balance adds flexibility to the 2021 biennium budget as without it, present law expenditures would be cut to be less than present law revenues.

## **General Fund Ending Fund Balance and Operating Reserve**

In SB 261 the legislature defined the level of ending fund balance to be used as an operating reserve of 8.3% of second year appropriations. The calculated operating reserve for the 2019 biennium is \$199 million with anticipated ending fund balance of 198.8 million, there is no surplus and the operating reserve is nearly full.

## **General Fund Ending Fund Balance**

After final vetoes were tallied and the process to override vetoes completed, the ending fund balance was \$198.8 million. This does not include the HB 3 language requiring the Executive to reduce FY 2017 expenditures by \$10 million. If these reductions occur in general fund, the ending fund balance would increase by \$10 million to \$208.8 million. The following table shows the details:

Legislative Fiscal Division General Fund Balance Sheet

(\$ Millions)

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	Actual FY 2016	Current FY 2017	Estimated FY 2018	Estimated FY 2019
Beginning Fund Balance	\$455.436	\$256.478	\$111.557	\$138.204
Revenues				
Actual/HJ 2	2,121.288	2,212.592	2,359.345	2,476.395
Prior Year Adjustments - revenue	(3.667)	5.487		
Direct to Fund Balance Transfer - DPHHS		10.539		
Revenue Legislation				
Ongoing Revenue			0.929	0.011
OTO Revenue		4.351	10.421	4.351
Total Revenue Funds Available	2,573.057	2,489.447	2,482.252	2,618.960
<u>Expenditures - Ongoing</u>				
Previously Authorized: Stat. Approps, Transfers, Other	294.422	325.774	339.070	352.907
HB 2				
<i>HB 2 Language Appropriations</i>		2.000	0.050	0.050
Other			0.371	0.371
Section A: General Government			90.919	90.985
Section B: Health and Human Services			518.536	530.049
Section C: Natural Resources			35.850	35.817
Section D: Public Safety			316.996	318.491
Section E: Education			1,028.907	1,067.130
HB 2 Subtotal	1,908.415	1,985.305	1,991.208	2,042.472
Non HB 2 Legislation Appropriations (Bill List)				
<i>HB 1 2017 Session</i>		6.961	2.210	2.422
HB 1 2015 Session and 2019 estimated	5.025	2.621		7.657
2017 Session Bills (includes appropriations and non-budgeted transfers)			2.425	7.043
Reversions		(6.962)	(6.973)	(7.134)
Ongoing Disbursements	2,207.861	2,315.698	2,328.361	2,405.788
OTO				
HB 2	64.519	48.925	15.158	14.393
Fire Fund Transfers	50.310	11.422		
Non HB 2 Legislation Appropriations (Bill List)		(10.063)	0.528	
Conditional Transfer - 2017 biennium sage grouse		10.000		
Other (includes: carry forward)	1.147	1.907		
Total Disbursements	2,323.836	2,377.890	2,344.048	2,420.181
Adjustments		5.888		
FY 2016 CAFR Adjustments		1.368		
Ending Fund Balance	\$256.478	\$111.557	\$138.204	\$198.779
Structural Balance (ongoing revenues minus ongoing expenditures)	(\$86.573)	(\$103.106)	\$31.912	\$70.617

Assumptions: 1) Please refer to the Status Sheet Rules adopted by the Legislative Finance Committee Management Work Group. 2) Final balance sheet numbers reflect all coordination and contingent bills that impacted HB 2 and other bills. The budgeting system (IBARS) was updated since the May 9 status sheet to adjust HB 2 numbers to reflect coordination bills. The HB 2 language appropriation line was adjusted after analysts finished their coordination work in IBARS. This balance sheet does not include the HB 3 executive savings of \$10 million in expenditures.

[Status Sheet Rules - 2017 Session](#)

# MANAGING VOLATILITY: BUDGET STABILIZATION

## SB 261 “Budget Stabilization”

Entering into the 2017 session, lawmakers were faced with a decline in ending fund balance from over \$300.0 million forecast for the end of the 2017 biennium to essentially zero forecast by the end of the 2019 biennium. Lawmakers were concerned that the application of current law allowed this substantial depletion of general fund balance prior to addressing any spending reductions. This impetus began the process of finding a better statutory method of managing volatile revenues and stabilizing the budget.

The result of this process lead to both a short term and a long term budget stabilization plan in SB 261. The short term plan created triggered appropriation reductions and transfers from the fire fund. The long term plan created a budget stabilization fund with deposit and withdrawal rules, plus a defined operating reserve level.

### *Short-term Triggered appropriation reductions and transfers*

With the passage of [SB 261](#), the legislature adopted a planned operating reserve of 8.3% of second year appropriations, along with triggers for additional budgetary reductions based on the actual revenues received in the general fund. These reductions limit the risk of using the operating reserve if actual revenues are below a baseline revenue projection of \$2,216 million. Different levels and reductions are as follows:

SB 261 Potential Triggered Reductions (\$ Millions)						
Level	Revenue Triggers	Description	FY 2018	FY 2019	SB 261 Potential Reductions	Totals Per Level
1	\$0-12 million below	Fire Fund Transfer to general fund (equivalent to shortfall)			(\$12.000)	
1.5	(<\$2,216 million)	HB 17 triggered out (@ \$6 million down)	(1.765)	(3.520)	(5.285)	(17.285)
2		Fire Fund Transfer			(12.000)	
2	\$12-\$24 million below	0.5% across the board reductions (K-12 exclusions)	(6.395)	(6.457)	(12.852)	
2	(<\$2,204 million)	Reduce Old Fund Administrative costs (MCA 39-71-23-52)	(0.625)	(0.625)	(1.250)	
2		Eliminate TPA for HELP Act	(2.000)	(2.000)	(4.000)	(30.102)
3		Fire Fund Transfer to general fund			(6.000)	
3		General fund reduction in Governor's Office	(0.090)	(0.090)	(0.180)	
3		General fund reduction in Legislative Branch	(0.134)	(0.134)	(0.268)	
3	\$24-36 million below	Cut digital Library general fund by half	(0.667)	(0.670)	(1.336)	
3	(<\$2,192 million)	Cut research center gf by half (Historical Society)	(0.609)	(0.610)	(1.218)	
3		Reduce Tourism Promotion by 8.1%	(1.640)	(1.640)	(3.280)	
3		Cut Agriculture Marketing general fund by half	(0.128)	(0.128)	(0.257)	
3		DPHHS provider rate reduction up to 1%	(3.500)	(3.500)	(7.000)	
3		Reduce Targeted Case Mgmt - Children/Adult Mental Health	(1.925)	(1.925)	(3.850)	(23.389)
4		Eliminate approps for 1st year of pay plan, pay increase remains	(2.326)	(5.345)	(7.671)	
4		Delay new Secondary Vocational Education funding	(0.500)	(0.500)	(1.000)	
4	\$36 million+ below	Delay Data for Achievement	(3.109)	(3.180)	(6.289)	
4	(<\$2,180 million)	Reduce HB124 Combined Fund Block Grant	(2.800)	(2.800)	(5.600)	
4		Delay school facilities payment to schools		(5.800)	(5.800)	
4		Reduce the Native Language Preservation Program appropriation	(0.125)	(0.125)	(0.250)	(26.610)
Total Potential Reductions						(\$97.386)

Many of these reductions have the potential to be enacted for the entire biennium if FY 2017 revenues come in low, or only for FY 2019 based on FY 2018 revenues. The reduction to the pay plan appropriation would not affect the actual pay plan. Agencies would still be responsible for providing a 1% increase within existing budgets.



Additionally, SB 261 coordinates with several other bills which would be impacted depending upon actual revenues:

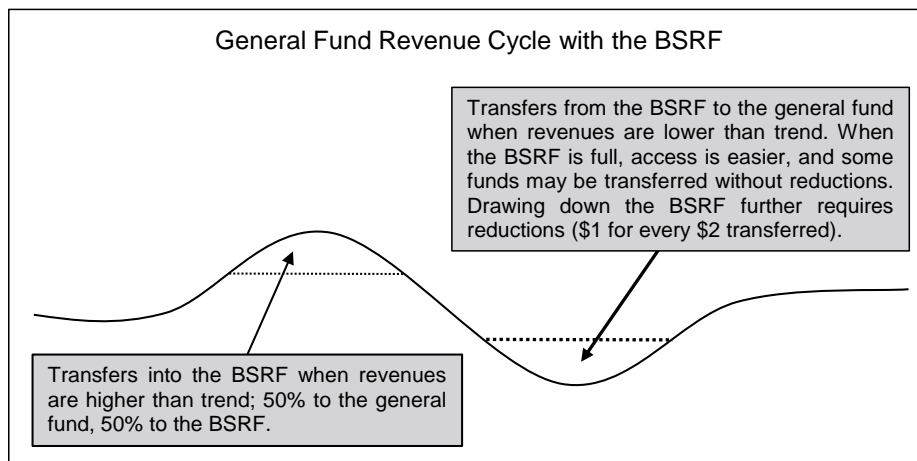
- [HB 17](#) SB 261 delays the implementation of HB 17, eliminating 2019 biennium appropriations of \$5.3 million if general fund revenues are below \$2,216.0 million in FY 2017 (as indicated in table above)
- [SB 281](#) This bill modifies the way the fire suppression fund is used for fire mitigation and has a delayed implementation if FY 2017 revenues are less than \$2,209.0 million
- [HB 261](#) A statutory appropriation for libraries facing a sunset was extended, but coordination language in SB 261 voids those appropriations for the 2019 biennium unless FY 2017 revenues exceed \$2,217.0 million
- [HB 638](#) This bill included a contingent appropriation for direct care worker wages, and the revenue trigger is modified in SB 261 to indicate implementation happens only if FY 2017 revenues exceed \$2,220.0 million or if FY 2018 revenues exceed \$2,375.0 million

## ***Long-term Plan***

The legislature adopted a budget stabilization plan that creates a Budget Stabilization Reserve Fund as a long term method of managing volatility.

The Budget Stabilization Reserve Fund (BSRF) is a “rainy day fund” (RDF). SB 261 requires that deposits are made into the fund when the state has periods of excess general fund revenue. Available BSRF balance may then be used by the executive and legislature (with specific conditions and limits) to avoid drastic reductions or tax increases during periods when revenues are lower than expected.

Other states began to extensively adopt RDF’s in the early 1990s. While twelve states had RDF’s in the early 1980s, forty-four had them by 1994. Academic evidence suggests a well-designed RDF smooths state finances over the business cycle and helps states avoid tax increases during economic contractions. Prior to SB 261, Montana was one of three states without a RDF.



### **SB 261 Solution**

1. Deposit Rules - Mandatory deposits when the revenue cycle is positive build the fund to a useful level
2. Timely Response Rules - Ensures the state has a proactive and timely response to more difficult revenue cycles
3. Codified Spending Reductions - Expenditure reductions are clearly defined and tied to BSRF access
4. Limits Expansion of Government when Revenues are High - The BSRF solution limits the temptation to add new ongoing programs during periods of temporarily heightened revenue
5. Reduces “Pain” when Revenues are Low - Transfers from the BSRF can reduce the need for drastic expenditure reductions

6. Shared Executive/Legislative Responsibility - The executive and legislature work together to manage state finances with the BSRF

Operating Reserve and Study under the Long-term Plan

*Operating Reserve*

The legislature defined the level of ending fund balance useful for managing cash and offering an immediate cushion against revenue shocks. This level was established at 8.3% of the general fund appropriations in the second year of the biennium and is calculated at \$199 million for the 2019 biennium.

*Study*

The legislature recognized that while the budget stabilization plan adopted in SB 261 is substantial step forward to managing revenue volatility of the general fund, the long term plan may benefit from additional study. The Legislative Finance Committee (LFC) was assigned to study components of the plan and recommend any changes to the next legislature. The Office of Budget and Program Planning and the Legislative Fiscal Division were assigned to provide analysis to the LFC.

**ALL FUNDS SUMMARY**

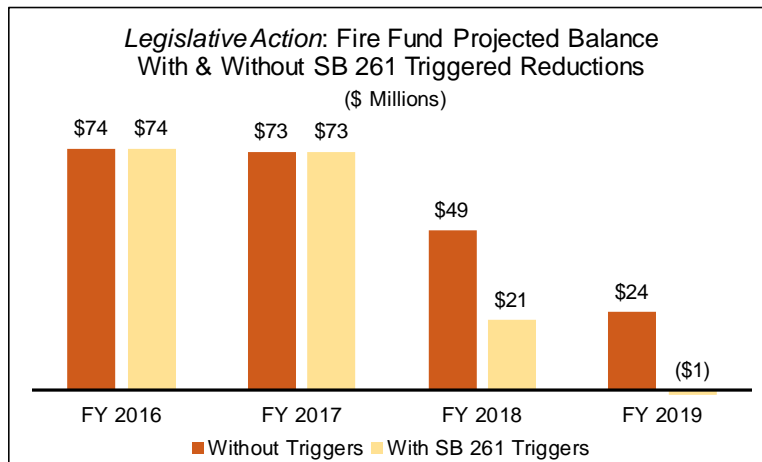
**Fire Fund**

After legislative action, the fire fund balance is expected to be \$23.7 million at the end of the 2019 biennium. Decreasing balance is the result of a temporary halt to transfers into the fund from the general fund.

Potential Impact of SB 261 Triggered Transfers on Fire Suppression Fund (02847) (\$ Millions)				
	FY 2016	FY 2017	FY 2018	FY 2019
Beginning Fund Balance		\$73.7	\$72.7	\$48.7
Transfer In		12.0		
Fires		(11.5)	(21.5)	(22.5)
Fuel Reduction		(1.5)	(2.5)	(2.5)
<b>Fire Fund Balance Without Triggers</b>	<b>\$73.7</b>	<b>\$72.7</b>	<b>\$48.7</b>	<b>\$23.7</b>
SB 261 Triggers				
Level 1: Fuel Reduction Delay			2.5	2.5
Level 1: Transfer Out			(12.0)	
Level 2: Transfer Out			(12.0)	
Level 3: Transfer Out			(6.0)	
<b>Fire Fund Balance With Triggers</b>	<b>\$73.7</b>	<b>\$72.7</b>	<b>\$21.2</b>	<b>(\$1.3)</b>

Impacts of SB 261 included triggers that could significantly impact the ending fund balance of the fire fund. (See the section on SB 261 for more detail on the overall general fund impacts.) Depending upon the level of triggers hit as determined by actual general fund revenue, up to \$30.0 million could be transferred out of the fire fund to the general fund. Additionally, \$5.0 million of expenses for fuel reduction would be delayed, partially offsetting those transfers.

SB 261 would reduce the ending fund balance in the fire suppression fund by \$25.0 million causing the estimated ending fund balance to decline to zero. Under this scenario, \$1.3 million of typical fire costs would be paid from the governor’s emergency fund, which is statutorily appropriated from the general fund.



### **Fire Suppression Fund Balance Assumptions**

The fire suppression fund is available to manage expenditure risk associated with wildland fire costs. By law, the executive normally makes two deposits into the fund on a regular basis:

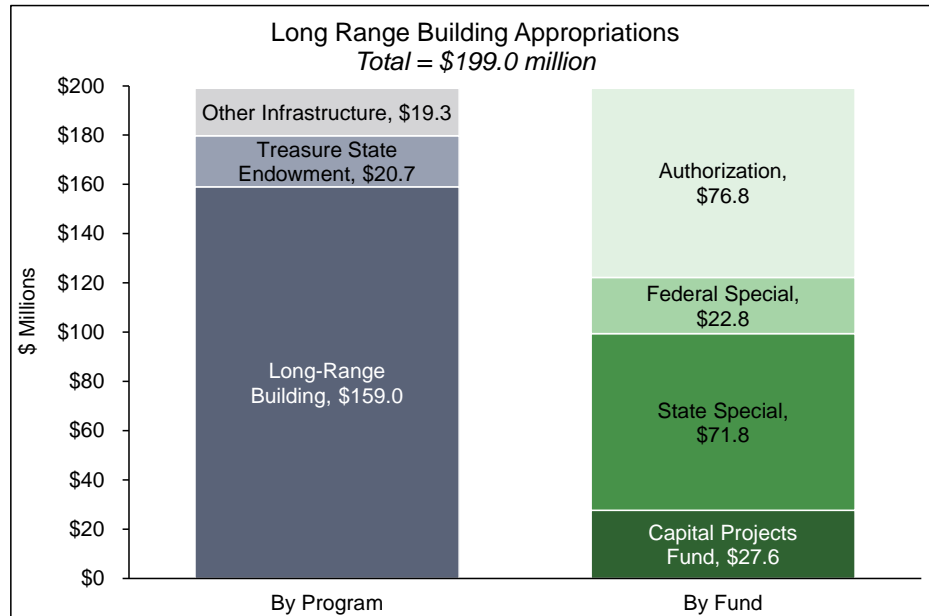
- 1) **Reversion Transfer:** General fund appropriations that are underspent (or reverted) by more than 0.5% of all appropriations. This transfer need not be made by the executive if there is a risk that the ending fund balance is lower than the minimum directed by the MCA 17-7-140, or \$121.0 million.
- 2) **Unspent Governor’s Emergency Authority:** Remaining authority from the Governor’s emergency statutory appropriation is transferred to the fire suppression fund after the end of the biennium. Unlike the reversion transfer there is no statutory provision to not make this transfer if the general fund balance is low.

Both of these transfers were suspended for the 2019 biennium.

Present law expenditures are forecast to be as follows: Anticipated fire costs \$13.0 million in FY 2017. Fire costs vary dramatically from year to year. In the past several years they have varied from \$4.7 to \$61.5 million. While the variance is wide, the seven year trended fire costs are \$21.5 million in FY 2018 and \$22.5 million in FY 2019. Fuel mitigation statutory appropriations are \$5 million each biennium, but would be suspended if SB 261 triggers are hit.

## Long Range Planning

The 2017 Legislature approved total one-time spending (appropriations and authorizations) of \$199.0 million for the Long Range Planning (LRP) budgets. The largest source of state funding is derived from state special revenue at \$71.8 million, primarily from dedicated program funding. In the upcoming biennium, the highest amount of the spending will occur in the Long Range Building Program, which includes \$82.2 million in total appropriations and \$76.8 million of authorization to



expend donated funds for state buildings. More information on the LRP programs and projects may be seen in Section F of the [2019 Biennium Legislative Fiscal Report](#).

## ***Restricted Highway State Special Revenue Fund (HSRA)***

During the 2017 Session, the legislature corrected the imbalance in the restricted highway state special revenue account (HSRA). Prior to legislative action, agencies with functions supported through HSRA, which include the Montana Department of Transportation (MDT) and the Department of Justice (DOJ), have expended more on those functions than the revenues flowing in the account for each of the last five years. As a result, the fund balance in HSRA declined to a point where the state was experiencing significant cash flow issues and was projecting the future inability to match all federal highway dollars available to the state. Additionally, HSRA distributions to local governments for road improvements have been held steady for many years and had not adjusted with inflation.

In order to address these issues the legislature chose a multiple-element approach to sustain or improve upon the state's ability to maintain the affected programs, and to align ongoing expenditures with ongoing revenues, which included 1) reducing budgets in MDT, by \$12.1 million from the 2017 biennium budget, 2) creating \$16.9 million of alternative funding sources for DOJ, and 3) increasing the taxes on gasoline and diesel fuels by \$55.2 million to fund state and local road infrastructure needs. The legislation that increased taxes also required a special performance audit of MDT, to be conducted by or at the direction of the legislative auditor. The total annual increase in revenue and decrease in operating costs amounts to \$84.2 million.

The actions of the legislature are expected to provide a scenario where the working capital balance of the HSRA will remain sufficient to support the demands upon the fund into the foreseeable future. More information on the HSRA account, and associated legislation passed in the 2017 session, can be found beginning on page C-4 of the Department of Transportation Fiscal Report.

## **2019 BIENNIAL COMPARISON – 17-7-151, MCA**

The table on the following page is provided in accordance with the requirements for content and comparison to the previous biennium contained in [17-7-151, MCA](#). Overall, the comparable increase is 4.0% from the 2017 biennium to the 2019 biennium.

In the 2019 biennium federal funding for Indian Health Services of \$176.9 million was changed from an appropriation in HB 2 to a statutory appropriation. Without this change federal funds appropriated in HB 2 would have increased by \$137.4 million or 3.7%.

In the 2017 biennium the legislature adopted the HELP Act, expanding eligibility for Medicaid and providing a statutory appropriation. The statutory appropriations for the HELP Act were estimated at \$336.7 million for the 2017 biennium. Enrollment for the program was higher than anticipated, increasing estimated statutory authority for the HELP Act in the 2019 biennium to \$843.9 million. This, along with the change for Indian Health Services, are the majority of the difference in federal authority for statutory appropriations.

2017 Biennial Budget Compared to 2019 Biennial Budget (\$ Millions)			
	Appropriated 2017 Biennium	Appropriated 2019 Biennium	Biennial Change
<b>Comparables</b>			
HB 2			
General Fund	\$4,035.561	\$4,063.232	0.7%
State Special Revenue	1,532.817	1,513.237	-1.3%
Federal Special Revenue	4,538.332	4,531.113	-0.2%
Appropriated Proprietary	<u>23.457</u>	<u>24.301</u>	<u>3.6%</u>
Subtotal HB 2	10,130.167	10,131.882	0.0%
Transfers HB 2	(44.123)	(40.650)	-7.9%
Net Subtotal HB 2	10,086.044	10,091.232	0.1%
Statutory Appropriations			
General Fund	570.485	626.040	9.7%
State Special Revenue	459.061	493.754	7.6%
Federal Special Revenue	371.863	1,100.600	196.0%
Appropriated Proprietary	<u>99.538</u>	<u>80.043</u>	<u>-19.6%</u>
Subtotal Statutory	1,500.947	2,300.438	53.3%
Transfers Statutory	(67.005)	(60.727)	-9.4%
Net Subtotal Statutory	1,433.942	2,239.712	56.2%
Other Appropriation Bills			
General Fund	43.687	23.170	-47.0%
State Special Revenue	107.863	165.036	53.0%
Federal Special Revenue	574.628	208.202	-63.8%
Capital Projects	20.937	0.470	-97.8%
Appropriated Proprietary	<u>1.171</u>	<u>0.141</u>	<u>-87.9%</u>
Subtotal Other Appropriation Bills	748.286	397.020	-46.9%
Transfers Other Appropriation Bills	(12.450)	0.000	-100.0%
Net Subtotal Other Appropriation Bills	735.836	397.020	-46.0%
Language Appropriations*			
General Fund	(12.595)	0.100	-100.8%
State Special Revenue	12.540	9.730	-22.4%
Federal Special Revenue	12.910	7.000	-45.8%
Appropriated Proprietary	<u>283.000</u>	<u>309.000</u>	<u>9.2%</u>
Subtotal Language Appropriations	295.854	325.830	10.1%
Transfers Language Appropriations	(94.000)	(101.970)	8.5%
Net Subtotal Language Appropriations	201.854	223.860	10.9%
Total Comparables Not Including Transfers	<u>\$12,457.677</u>	<u>\$12,951.824</u>	<u>4.0%</u>
<b>Non-Comparable</b>			
Budget Amendment & Carryforward			
General Fund	\$4.260	\$0.000	-100.0%
State Special Revenue	39.266	0.000	-100.0%
Federal Special Revenue	375.828	0.000	-100.0%
Appropriated Proprietary	<u>0.506</u>	<u>0.000</u>	<u>-100.0%</u>
Subtotal Budget Amendments & Carryforward	419.860	0.000	-100.0%
Added Authority (HB 1 and Supplemental)			
General Fund	37.813	4.632	-87.8%
State Special Revenue	1.946	0.000	-100.0%
Federal Special Revenue	<u>1.500</u>	<u>0.000</u>	<u>-100.0%</u>
Total Added Authority	41.259	4.632	-88.8%
Reduced Authority (HB 3 and HB 648)			
General Fund	(11.269)	0.000	-100.0%
State Special Revenue	<u>(8.586)</u>	<u>0.000</u>	<u>-100.0%</u>
Total Reduced Authority	(19.855)	0.000	-100.0%
Special Session	0.000	0.000	0.0%
Total Non-Comparable Items	<u>\$441.264</u>	<u>\$4.632</u>	<u>-99.0%</u>
* In the 2017 biennium, includes appropriations that were contingent on the passage of other bills or included coordination language			

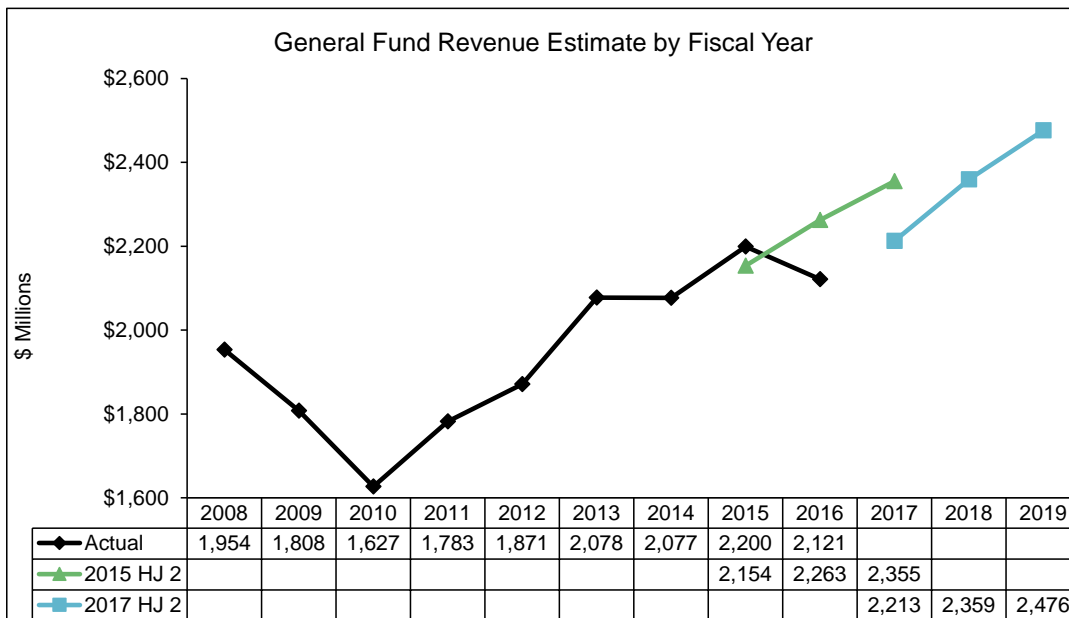
## STATE REVENUE

### GENERAL FUND REVENUE ESTIMATES AS ADOPTED BY THE LEGISLATURE

The RTIC adopted a three year revenue estimate of \$6,948.3 million into HJR 2 as the official revenue estimate of the legislature for the beginning of the session.

In April 2017, the House Taxation Committee amended HJR 2 based on the LFD March updated recommendation and adopted the committee report, thereby producing the Legislature's current three year revenue estimate of \$7,048.3 million.

A comparison of actual collections since FY 2008, and the estimates contained in [HJR 2 \(2015 Session\)](#) and [HJR 2 \(2017 Session\)](#) are shown in the chart below.



The table below shows the annual detail for the top seven general fund revenue sources and subtotal of remaining sources.

General Fund Revenue Estimates (\$ Millions)						
Source of Revenue	Actual FY 2016	Estimated FY 2017	Estimated FY 2018	Estimated FY 2019	Estimated 2017 Bien	Estimated 2019 Bien
Individual Income Tax	\$1,184.8	\$1,238.5	\$1,320.8	\$1,404.4	\$2,423.3	\$2,725.3
Property Tax	257.1	261.0	277.1	286.3	518.1	563.4
Corporation Income Tax	118.4	140.0	168.8	171.7	258.3	340.5
Vehicle Taxes & Fees	108.5	110.8	113.0	114.5	219.3	227.5
Oil & Natural Gas Production Tax	39.1	45.3	49.9	48.9	84.4	98.9
Insurance Tax & License Fees	69.3	73.4	76.0	79.9	142.7	155.9
Video Gambling Tax	60.6	59.3	61.9	64.5	119.8	126.4
Largest Seven Subtotal	1,837.7	1,928.3	2,067.5	2,170.3	3,766.0	4,237.8
Remaining Sources Subtotal	283.6	284.3	291.9	306.1	567.9	597.9
<b>Total General Fund</b>	<b>\$2,121.3</b>	<b>\$2,212.6</b>	<b>\$2,359.3</b>	<b>\$2,476.4</b>	<b>\$4,333.9</b>	<b>\$4,835.7</b>

### Legislative Action

The table following summarizes the general fund impacts of revenue-related legislation enacted by the legislature by revenue source. If more than one bill impacted a certain revenue source, the cumulative

impact of the enacted bills is shown for each revenue source. For the three-year outlook period, the enacted legislation increased general fund by \$13.7 million.

Revenue Legislation Impacts of the 65th Legislature						
General Fund						
(\$ Millions)						
Source of Revenue	Estimated FY 2017	Estimated FY 2018	Estimated FY 2019	Estimated 2015 Bien	Estimated 2017 Bien	Estimated 3-Yr Total
<b>Largest Seven Sources</b>						
Individual Income Tax	\$0.000	(\$0.007)	(\$0.139)	\$0.000	(\$0.146)	(\$0.146)
Property Tax	-	-	(0.199)	-	(0.199)	(0.199)
Corporation Income Tax	-	-	1.399	-	1.399	1.399
Vehicle Taxes & Fees	-	0.004	0.041	-	0.045	0.045
Oil & Natural Gas Production Tax	-	-	-	-	-	-
Insurance Tax & License Fees	-	0.003	0.006	-	0.009	0.009
Video Gambling Tax	-	-	-	-	-	-
<b>Other Business Taxes</b>						
Driver's License Fee	-	-	-	-	-	-
Investment License Fee	-	-	-	-	-	-
Lodging Taxes	-	-	-	-	-	-
Public Contractors Tax	-	-	-	-	-	-
Railroad Car Tax	-	-	-	-	-	-
Rental Car Sales Tax	-	-	-	-	-	-
Telecommunications Excise Tax	-	-	-	-	-	-
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	-	(1.649)	(1.657)	-	(3.306)	(3.306)
Electrical Energy Tax	-	-	-	-	-	-
Metalliferous Mines Tax	-	-	-	-	-	-
US Mineral Royalty	-	-	-	-	-	-
Wholesale Energy Tax	-	-	-	-	-	-
<b>Other Interest Earnings</b>						
Coal Trust Interest	-	(0.500)	(1.240)	-	(1.740)	(1.740)
Treasury Cash Account Interest	-	-	-	-	-	-
<b>Other Consumption Taxes</b>						
Beer Tax	-	0.012	0.012	-	0.025	0.025
Cigarette Tax	-	(0.066)	(0.066)	-	(0.131)	(0.131)
Liquor Excise & License Tax	-	-	-	-	-	-
Liquor Profits	-	0.081	0.081	-	0.162	0.162
Lottery Profits	-	0.001	0.001	-	0.002	0.002
Tobacco Tax	-	-	-	-	-	-
Wine Tax	-	-	-	-	-	-
<b>Other Sources</b>						
All Other Revenue	4.351	4.051	4.051	4.351	8.102	12.453
Highway Patrol Fines	-	(0.003)	(0.003)	-	(0.007)	(0.007)
Nursing Facilities Fee	-	0.028	0.066	-	0.094	0.094
Public Institution Reimbursements	-	3.024	2.009	-	5.033	5.033
Tobacco Settlement	-	-	-	-	-	-
<b>Total General Fund</b>	<b>\$4.351</b>	<b>\$4.980</b>	<b>\$4.361</b>	<b>\$4.351</b>	<b>\$9.341</b>	<b>\$13.692</b>



The table below shows the revised general fund revenue estimates by source which is the sum of HJR 2 estimates and all enacted legislation impacts. These revised estimates are used to determine the overall financial condition of the general fund for the 2019 biennium.

House Joint Resolution 2 Plus Legislation Impacts General Fund Revenue Estimates (\$ Millions)						
Source of Revenue	Actual FY 2016	Estimated FY 2017	Estimated FY 2018	Estimated FY 2019	Estimated 2017 Bien	Estimated 2019 Bien
<b>Largest Seven Sources</b>						
Individual Income Tax	\$1,184.828	\$1,238.516	\$1,320.808	\$1,404.299	\$2,423.344	\$2,725.106
Property Tax	257.100	261.003	277.119	286.126	518.103	563.245
Corporation Income Tax	118.387	139.952	168.763	173.148	258.339	341.910
Vehicle Taxes & Fees	108.480	110.844	112.956	114.550	219.324	227.505
Oil & Natural Gas Production Tax	39.083	45.289	49.939	48.914	84.373	98.853
Insurance Tax & License Fees	69.255	73.414	76.003	79.893	142.669	155.896
Video Gambling Tax	60.554	59.280	61.904	64.516	119.834	126.420
<b>Other Business Taxes</b>						
Driver's License Fee	4.345	4.938	4.341	5.007	9.283	9.348
Investment License Fee	7.212	7.454	7.660	7.994	14.666	15.654
Lodging Taxes	21.493	22.196	23.399	24.771	43.689	48.170
Public Contractors Tax	2.397	2.552	2.540	2.527	4.950	5.067
Railroad Car Tax	3.594	3.387	3.642	3.905	6.981	7.547
Rental Car Sales Tax	3.878	3.310	3.357	3.658	7.187	7.016
Telecommunications Excise Tax	16.775	16.089	15.570	14.966	32.864	30.535
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	14.236	13.577	13.811	14.297	27.813	28.108
Electrical Energy Tax	4.536	4.448	4.439	4.524	8.985	8.963
Metalliferous Mines Tax	4.221	4.410	4.274	4.156	8.632	8.430
US Mineral Royalty	16.759	19.249	20.497	21.229	36.008	41.726
Wholesale Energy Tax	3.516	3.539	3.505	3.537	7.055	7.042
<b>Other Interest Earnings</b>						
Coal Trust Interest	20.722	19.963	19.829	19.067	40.686	38.896
Treasury Cash Account Interest	3.961	4.274	7.577	15.507	8.235	23.084
<b>Other Consumption Taxes</b>						
Beer Tax	3.027	3.051	3.072	3.076	6.078	6.148
Cigarette Tax	31.103	30.924	30.652	30.463	62.027	61.115
Liquor Excise & License Tax	19.776	21.359	22.265	23.218	41.135	45.484
Liquor Profits	11.000	11.500	12.081	12.581	22.500	24.662
Lottery Profits	11.963	12.363	12.365	12.365	24.327	24.729
Tobacco Tax	6.184	6.623	6.815	6.999	12.807	13.814
Wine Tax	2.373	2.484	2.584	2.674	4.857	5.258
<b>Other Sources</b>						
All Other Revenue	41.443	45.001	45.764	47.019	86.444	92.783
Highway Patrol Fines	4.040	4.101	4.152	4.190	8.141	8.341
Nursing Facilities Fee	4.764	4.589	4.305	4.247	9.353	8.552
Public Institution Reimbursements	16.910	14.162	15.718	14.734	31.072	30.452
Tobacco Settlement	3.371	3.101	2.622	2.599	6.472	5.221
<b>Total General Fund</b>	<b>\$2,121.288</b>	<b>\$2,216.943</b>	<b>\$2,364.324</b>	<b>\$2,480.756</b>	<b>\$4,338.231</b>	<b>\$4,845.081</b>

The following table shows the revenue impacts of legislation enacted by the 65<sup>th</sup> Legislature summarized by bill number. For the three-year outlook period, the enacted legislation increased general fund revenue by \$13.7 million.

General Fund Impact of Revenue Legislation Enacted by the 65th Legislature (\$ Millions)							2019 Bien.
Bill Number and Short Title	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	Total	
HB0137 Generally revise securities & insurance laws pertaining to SAO	-	\$0.000	\$0.000	(\$0.421)	(\$0.427)	\$0.000	
HB0144 Generally revise motor vehicle laws	-	0.004	0.004	0.004	0.004	0.008	
HB0175 Revise laws related to medical savings accounts	-	-	(0.118)	(0.215)	(0.215)	(0.118)	
HB0209 Extend funding to coal board	-	(1.649)	(1.657)	-	-	(3.306)	
HB0304 Statutory appropriation to DOR for cigarette tax stamps	-	(0.066)	(0.066)	(0.066)	(0.066)	(0.131)	
HB0308 Provide for apprenticeship tax credit	-	-	(0.016)	(0.029)	(0.039)	(0.016)	
HB0387 Authorize establishment of a 12-bed intensive behavioral center	-	3.024	2.009	-	-	5.033	
HB0391 Provide for Montana earned income tax credit	-	-	-	(4.615)	(4.508)	-	
HB0428 Revise laws for retail beer license lottery	-	0.075	0.075	0.100	0.050	0.150	
HB0462 Alcohol licenses for certain educational organizations	-	0.001	0.000	0.000	0.000	0.001	
HB0473 Revise highway revenue laws	-	-	-	-	-	-	
HB0511 Revise income tax laws related to businesses	-	-	0.450	1.500	1.500	0.450	
HB0541 Revise small brewery laws	-	0.012	0.012	0.013	0.013	0.025	
HB0550 Revise laws related to corporate loss carryback and carryforward	-	-	0.950	1.691	1.387	0.950	
HB0554 Clarify laws related to property tax assistance programs	-	-	(0.024)	(0.023)	(0.026)	(0.024)	
HB0574 Allow business deductions for expenses reduced by federal credits	-	-	-	(0.602)	(0.614)	-	
HB0597 Create voluntary contrib. acct. to acquire public access easements	-	(0.007)	(0.007)	(0.007)	(0.007)	(0.014)	
HB0618 Increase nursing home bed tax for nursing home rate increases	-	0.028	0.066	0.065	0.065	0.094	
HB0639 Revising funding for health care services	4.351	4.351	4.351	-	-	13.052	
HB0650 Implement the provisions of HB 2 - Section D	-	(0.300)	(0.300)	(0.300)	(0.300)	(0.600)	
SB0015 Revise collection of payment for historic rights of way	-	-	-	-	-	-	
SB0085 Submitting a 6-mill levy for support of the MT University System	-	-	-	(1.926)	(2.111)	-	
SB0094 Provide property tax exemption for certain residential property	-	-	(0.162)	(0.174)	(0.234)	(0.162)	
SB0111 Provide that it is unlawful to feed wild turkeys	-	-	0.001	0.001	0.001	0.001	
SB0128 Revise pari-mutuel fantasy sports takeout rate and distribution laws	-	0.001	0.001	0.001	0.001	0.002	
SB0180 Revise laws regarding taxation of certain airlines	-	-	(0.014)	(0.014)	(0.015)	(0.014)	
SB0196 Revise transportation laws related to traffic violations in work zones	-	(0.003)	(0.003)	(0.003)	(0.003)	(0.007)	
SB0241 Generally revise commercial drivers license laws	-	-	0.037	0.027	0.028	0.037	
SB0245 Generally revise Montana captive insurance laws	-	0.003	0.006	0.009	0.011	0.009	
SB0260 Create school facilities subtrust within coal tax trust fund	-	(0.500)	(1.240)	(1.960)	(2.680)	(1.740)	
SB0317 Revise interest on taxes other than individual income taxes	-	-	-	(1.860)	(1.922)	-	
SB0344 Clarify alcohol/gambling laws related to loan/security documentation	-	0.005	0.005	0.005	0.005	0.011	
SB0366 Generally revise driver's license and state identification laws	-	-	-	-	-	-	
<b>Total</b>	<b>\$4.351</b>	<b>\$4.980</b>	<b>\$4.361</b>	<b>(\$8.799)</b>	<b>(\$10.101)</b>	<b>\$13.692</b>	

## General Fund Revenue Bill Highlights

A complete summary of each general fund and selected non-general fund revenue sources can be found in "[2019 Biennium Fiscal Report: Volume 2.](#)" Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, distribution mechanisms, and other useful information. A legislation impact table (if applicable) is shown summarizing all bills that impact the particular source of revenue.

The following is a brief summary of each enacted bill that impacts general fund and selected non-general fund sources estimated by the legislature. Included in each summary is the particular revenue sources affected.

[HB 137](#) extends the 4.5% transfer to the securities restitution assistance fund, which is scheduled to sunset June 30, 2017.

[HB 144](#) revises various motor vehicle laws. The fiscal impact of the bill is due to the creation a new fee for vehicles permitted under 61-3-701, MCA.

[HB 175](#) increases the cap on the deduction for contributions to a medical care savings account, by \$500 in tax year 2018 and by another \$500 in tax year 2019.

[HB 209](#) extends the coal severance tax allocation to the coal natural resource account of 5.8% through FY 2019.

[HB 304](#) changes the distribution of the state's cigarette tax and statutorily appropriates the money necessary for DOR to purchase cigarette stamps with state special revenue.

[HB 308](#) creates a non-refundable tax credit for employers who participate in a registered apprenticeship program with the Department of Labor and Industry. The credit would apply to new apprentices. The credit is a non-refundable credit against individual income or corporate income tax in the amount of \$750 credit for apprentices and \$1,500 per veteran apprenticeship.

[HB 387](#) changes the closure date for the Montana Developmental Center (MDC) from June 30, 2017 to June 30, 2019, and continues the use of a 12-bed intensive behavior center after June 30, 2019.

[HB 391](#) creates a state earned income credit equal to 3% of the federal credit beginning in CY 2019.

[HB 428](#) requires the Department of Revenue (DOR) to hold a lottery when the department determines that a quota area is eligible for additional retail beer licenses and more applicants apply than licenses available. This bill also requires successful applicants pay the department a \$25,000 origination fee.

[HB 462](#) creates an academic brewers license that Flathead Valley Community College or Montana State University – Billings may apply for.

[HB 511](#) revises the Multistate Tax Compact, as recommended by the Multistate Tax Commission, including providing for market sourcing of sales for the purposes of apportionment of corporate income tax and Montana source income for some pass-through businesses.

[HB 541](#) eliminates the \$3.30 rate for mid-level producers and taxes all brewers that produce more than 10,000 barrels of beer at \$4.30 per barrel.

[HB 550](#) capped the amount that corporations could carryback losses at \$500,000 and increased carryforward provisions from seven to ten years.

[HB 554](#) clarifies that the Property Tax Assistance Program (PTAP) and Montana Disabled Veterans (MDV) Program benefits apply for the entire tax year. It also provides that qualifying is associated with the individual and their principal residence, and that benefits are prorated for the portion of the tax year the individual has a principal residence.

[HB 574](#) allows individual income taxpayers to deduct business expenses from Montana adjusted gross income when the expenses cannot be deducted federally due to a credit claimed by the taxpayer. The deduction is available beginning tax year 2019.

[HB 597](#) creates the Montana Public Land Access Network Grant Program to be administered by the Department of Natural Resources and Conservation (DNRC) with grant approval from the Board of Land Commissioners. Donations will be collected in a state special revenue account, which is statutorily appropriated. HB 597 allows taxpayers to deduct donations to the public land access network grant program from their Montana taxable incomes. It is effective beginning FY 2018.

[HB 618](#) increases the utilization fee and provides an appropriation for nursing facilities to increase nursing home reimbursement rates.

[HB 639](#) revises funding for health care services and includes a temporary hospital community benefit assessment for FY 2017 through FY 2019.

[HB 650](#) deposits medical examiner's fees that are currently deposited into the general fund into a new state special revenue fund.

[SB 85](#) authorizes a vote to extend the university six-mill levy. Oil and gas taxes are distributed to the Montana University System (MUS) state special revenue fund based on the six mill levy share of total mills in the producing jurisdictions.

[SB 94](#) creates a new property tax assistance program for homeowners by capping the land value of their primary residence parcel to 200% to 500% of the improvement value subject to an income requirement.

[SB 111](#) makes it unlawful to provide supplemental feed attractants to wild turkeys. A small amount of revenue will be generated from new citations.

[SB 128](#) revises laws pertaining to pari-mutuel network fund distribution.

[SB 180](#) removes scheduled aircraft with a maximum take-off weight of 19,000 pounds or less, from property taxation as class 12.

[SB 196](#) revises the amount of the fine that can be assessed against a person violating traffic laws in a work zone.

[SB 241](#) allows the Department of Justice's Motor Vehicle Division (MVD) to permit third party Commercial Driver License (CDL) testing. It also permits MVD to charge a fee for each initial certification, a renewal fee, and a fee for each successfully completed skills test.

[SB 245](#) allows captive insurance companies to apply for a certificate of dormancy to avoid termination of the company, and pay a \$1,000 tax, annually, for a maximum of five years. Under current law, a captive insurance company that no longer desires to operate will terminate the captive insurance company license and will pay \$0 in insurance premium tax after termination.

[SB 260](#) creates the school facilities fund in the coal severance tax trust fund, and allocates 75% of coal severance taxes deposited in the coal severance tax bond fund in excess of the amount required for principal and interest payments to the school facilities fund.

[SB 317](#) changes the interest rate applied to the underpayment of taxes and delinquent taxes for all taxes except individual income tax.

[SB 344](#) allows regulated lenders to use liquor licenses as collateral with the same credit terms and structure as any loan, and allows the Department of Revenue to collect a \$30 security fee when the lender wishes to be notified on department administrative action.

[SB 366](#) provides for an optional REAL ID compliant driver license or identification card for Montana residents.

## **State Special Revenue Bill Highlights**

[HB 473](#) increases the gasoline and special fuels tax and distributes the new revenue to the Montana Department of Transportation and local governments throughout Montana. Gasoline taxes are increased by \$0.045/gallon in FY 2018 and are eventually increased by \$0.06/gallon by FY 2023. Special fuels taxes are increased by \$0.015/gallon in FY 2018 and are eventually increased by \$0.02/gallon by FY 2023.

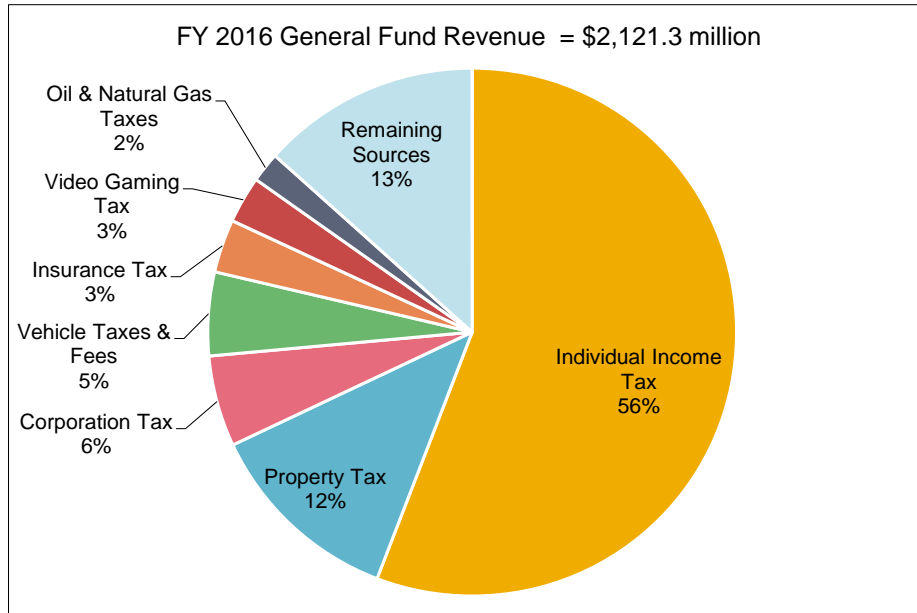
[HB 650](#) imposes a new 3% administrative fee on fees currently collected by the Department of Justice's Motor Vehicle Division (MVD) and deposits the new revenue into the motor vehicle division administrative account.

[SB 95](#) imposes additional registration fees for light vehicles with a manufacturer's suggested retail price of more than \$150,000 and for motor homes with a manufacturer's suggested retail price of more than \$300,000. The fees apply only to vehicles and motor homes that are 10 years old or less. The new fees are \$825 per year and \$800 per year for light vehicles and motor homes respectively. Revenue from the new registration fee is deposited into the motor vehicle division administrative account.

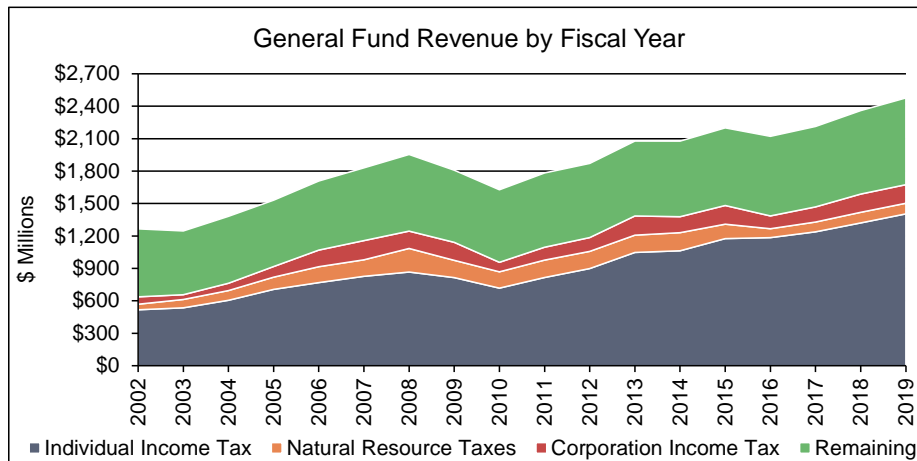
The fees raised by [HB 650](#) and [SB 95](#) will free up highway special revenue account money that was previously used to support DOJ MVD operations. LFD will not forecast the revenue generated by the new fees in the future, but due to its importance during the 2017 Session, it is included here.

## GENERAL FUND REVENUE

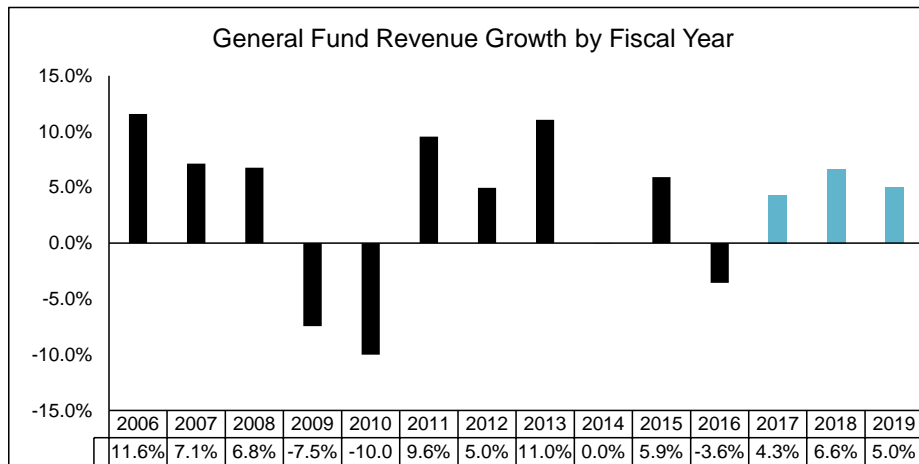
The largest seven sources of general fund revenue are individual income tax, property tax, corporation income tax, oil and natural gas taxes, vehicle taxes, insurance tax, and video gambling tax. In FY 2016, these sources accounted for 87% of general fund revenue. Details of all general fund and selected non-general fund revenue sources are contained in the Legislative Fiscal Division's [2019 Biennium Fiscal Report: Volume 2](#).



Individual income tax has been a growing share of total general fund revenue since FY 2002, as illustrated in the chart below. In FY 2002, it accounted for 40.9% of general fund revenue; by FY 2016, it grew to account for 55.9%. Based on [HJR 2 \(2017 Session\)](#), it is anticipated to grow to 56.7% of general fund revenue in FY 2019.



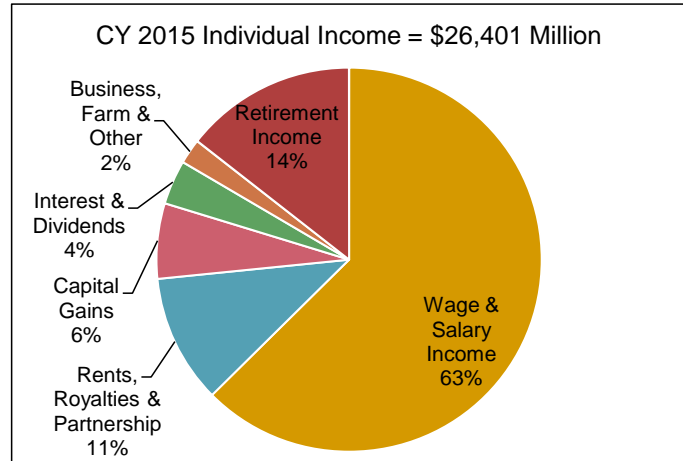
The chart below shows the annual percent change in revenue, with actual values shown in black and the estimated growth as adopted by the 2017 Legislature shown in blue.



Five of the top seven tax sources, the significant economic drivers, and their influence on the general fund are highlighted in the following sections. More details on all sources of revenue can be found in the Legislative Fiscal Division's [2019 Biennium Fiscal Report: Volume 2](#).

## Individual Income Tax

The individual income tax is levied against taxable income, which is defined as total Montana income adjusted for exemptions and deductions. In 2015, full year resident income totaled \$26.4 billion. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits. Tax rates vary from 1.0% to 6.9%, depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted by the rate of inflation in each year. The effective tax rate on capital gains income is less than the tax rate on ordinary income by 2%, due to the 2% capital gains tax credit.

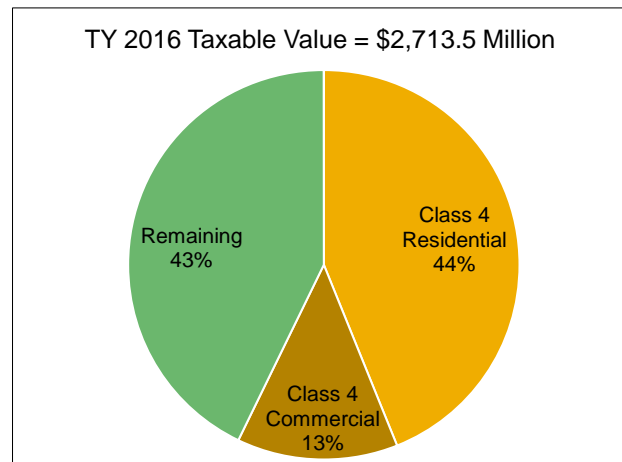


Wage income accounts for nearly two-thirds of total individual income, while withholding tax on wages accounts for about one-third of total general fund revenue. Growth in the 2019 biennium is driven by growth in wages income, as well as strong growth in retirement income and partnership income.

## Property Tax

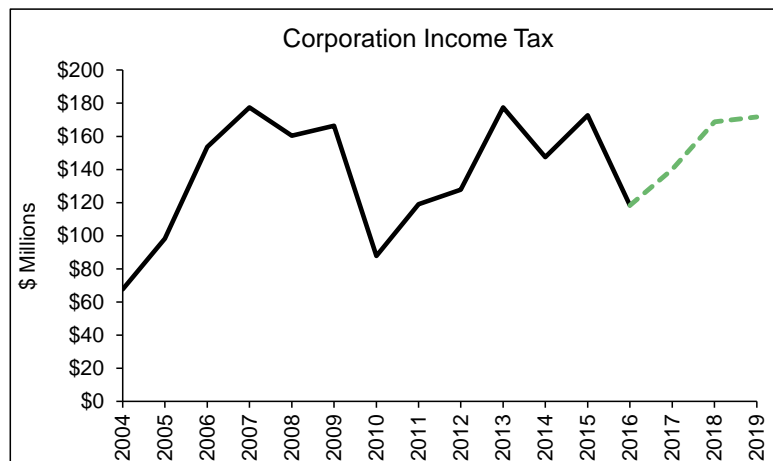
Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills, and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vocational technology (vo-tech) college. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate.

With the passage of [SB 157 \(2015 Session\)](#), class 4 commercial and residential, as well as class 3 agricultural property, are reappraised every two years as opposed to every six years. The process of phasing in values was also eliminated for these properties with the change from a six-year to a two-year reappraisal cycle. Class 10 timber land remains on a six-year reappraisal cycle with a 1/6<sup>th</sup> phase in of value per year. Agricultural land and timberland continue to be valued on a productivity basis.



## Corporation Income Tax

The corporation income tax is levied against a corporation's net income earned in or attributable to Montana, adjusted for allowable credits. Financial, retail, and energy related sectors are the largest sources of tax liability. Primary economic drivers of this source include oil prices, median house price, and retail sales. The tax rate is 6.75%, except for corporations making a "water's edge" election (see [15-31-322, MCA](#)), who pay a 7.0% tax on their net income



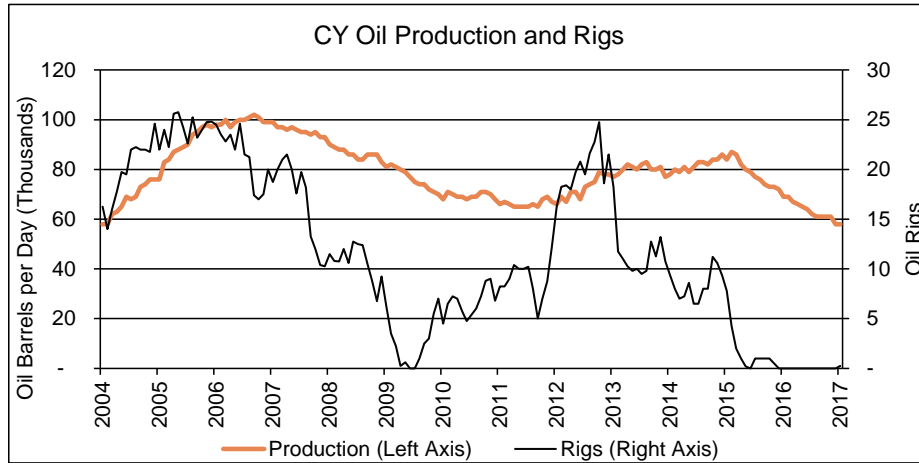


Corporation income tax is quite volatile, as depicted in the preceding chart. The provision in statute that allows corporations to apply current year losses to three prior years of returns and obtain refunds of taxes paid in those years amplifies the decline in economic downturns.

## Oil & Natural Gas Production Tax

The oil and natural gas production tax is imposed on the production of petroleum and natural gas in the state. The gross taxable value of oil and natural gas production is based on the type of well and type of production, and whether the production occurs within the tax holiday.

Since the end of FY 2015, there have been no drilling rigs operating in the state, as shown in the chart below. The reduction in the number of active rigs is having an effect on the state's oil production.



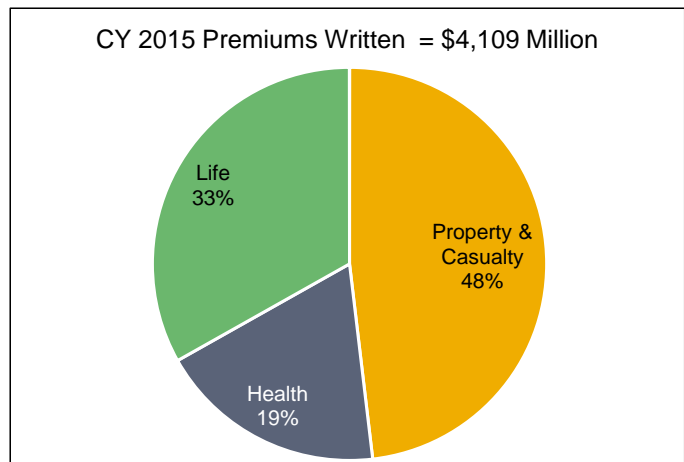
Oil and natural gas revenue is anticipated to increase through FY 2018 as higher prices offset declining taxable production. [HJR 2 \(2017 Session\)](#) assumes West Texas Intermediate oil price per barrel of \$55 in 2017, \$55 in 2018 and \$64 in 2019, and includes an 18% discount rate for the Montana price.

## Insurance Tax

The majority of insurance tax collections come from 2.75% of net premiums sold. There is an additional 2.5% levied on fire insurance premiums sold, and a number of small fees.

The adjacent chart illustrates the share of premiums written by major type of insurance. In CY 2015, property and casualty insurance accounted for nearly half of premiums written.

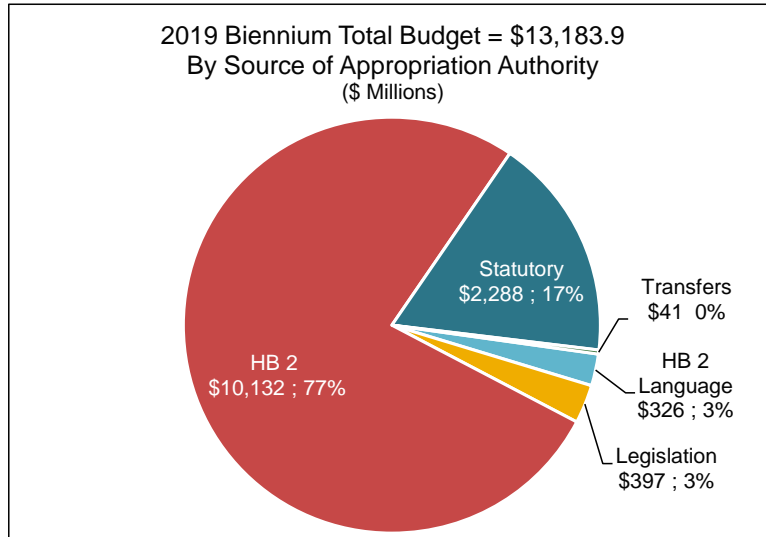
Although changes in federal health care policy may impact on this revenue source, the overall change in revenue is likely to be small relative to total collections. Within health insurance premiums in CY 2015, individual premiums accounted for 29%, small group plans accounted for 25%, and large group plans accounted for 46% of premiums.



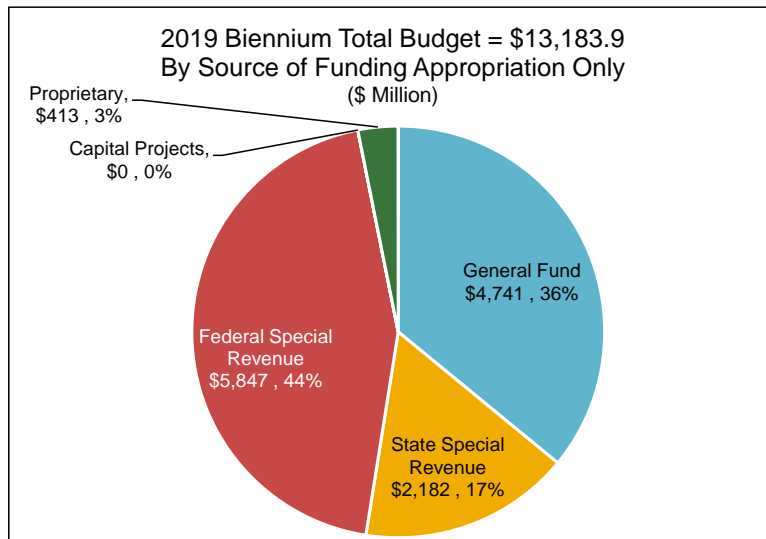
# STATE EXPENDITURES

## SPENDING BY SOURCE OF AUTHORITY

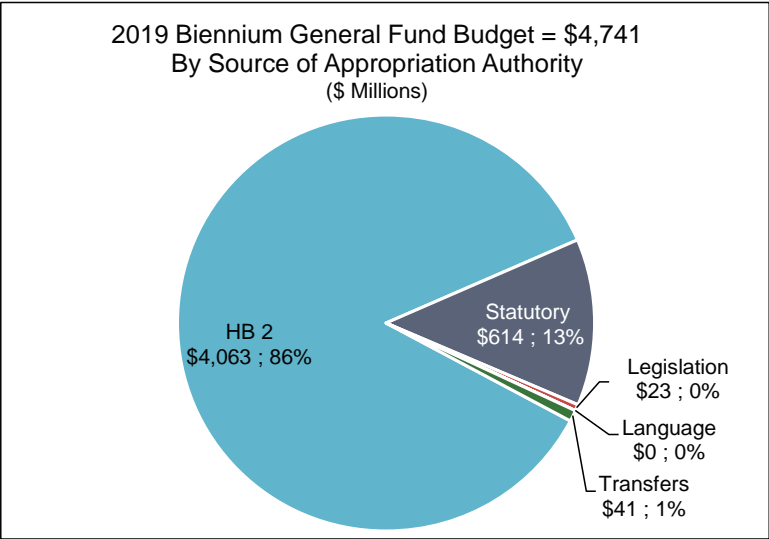
The chart below shows the legislative budget broken down by source of authority. HB 2 (including language appropriations) dominates the appropriations sources for total funds at 79.3%.



The next figure shows the 2019 biennium budget by funding source. As reflected in the figure, federal funds dominate the appropriation sources at 44.3%, closely followed by general fund at 36.0%



The next figure shows the general fund budget approved by the legislature by appropriation source of authority. Please note that "Legislation" includes Long-Range Planning appropriations.



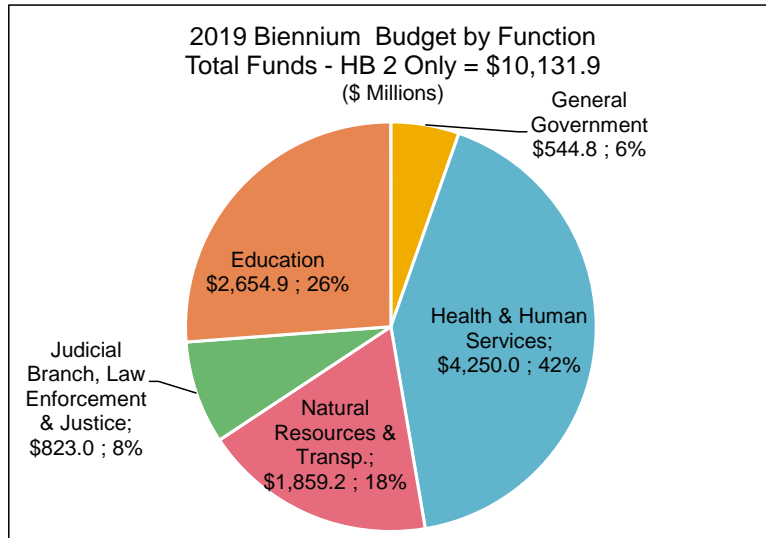
The following sections discuss the various components of state expenditures, beginning with HB 2.

## HB 2 FUNDING

HB 2, the general appropriations bill, contains about 86% of general fund and about 77% of total funds appropriated by the legislature for the 2019 biennium. The 2017 Legislature adopted a HB 2 budget that was 0.02% higher or \$1.7 million more than the appropriations contained in HB 2 as adopted by the 2015 Legislature. Reductions in General Government and Health and Human Services offset increases in Education and the Judicial Branch, Law Enforcement, and Justice.

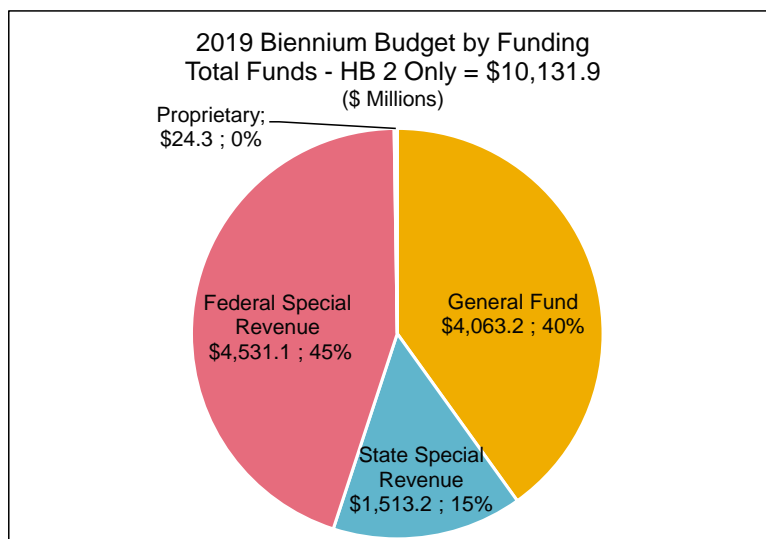
### Funding by Functional Area

The following figure show the allocation of total funds in HB 2 by functional area. Education and human services account for 68.1% of the total appropriations for the 2019 biennium.

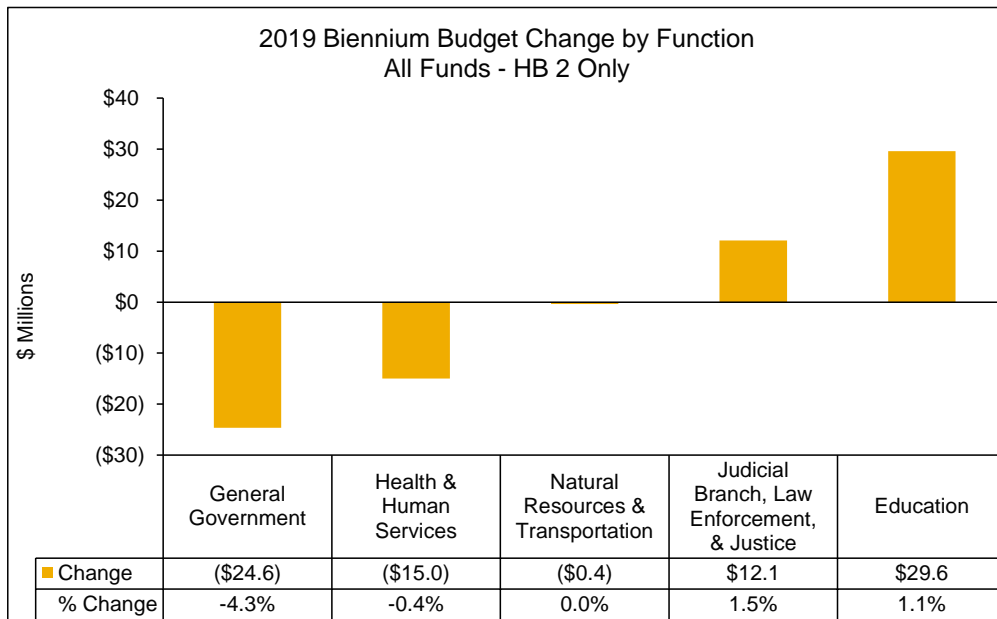


### Funding by Fund Type

The next figure shows the HB 2 budget by source of funding. Federal funds are the largest funding source at 44.7% followed closely by general fund at 40.1% of the total funding.



The bar chart shows the changes between the 2017 and 2019 biennia in total funds appropriated in HB 2 by functional area.



The overall budget increased less than 0.02% when compared to the previous biennium. As shown, budget authority was reduced in General Government and Health and Human Services and increased in the Judicial Branch, Law Enforcement, and Justice, and Education.

In total the budget remains almost flat, with an increase of less than 0.02%. However, because in the 2017 biennium the legislature designated funding for the Department of Livestock and Office of the Public Defender as one-time-only the comparison between ongoing and one-time-only funding is skewed. In the 2019 biennium the legislature designated funding for these agencies as ongoing appropriations. In addition, federal funding for Indian Health Services was designated statutory funding, removing \$179.6 million from HB 2 appropriations for the Department of Public Health and Human Services. Without this change the 2019 biennium HB 2 budget would have increased by 1.8% when compared to the 2017 biennium.

The table below shows total funding in HB 2, by agency, and compares each to the 2017 biennium appropriations. One-time-only (OTO) funds have been segregated from ongoing appropriations and appear shaded in the table. The appropriation percentage change from the 2017 biennium to the 2019 biennium is shown in the "Biennium % Change" column.

HB 2 Only - All Funds Agency Comparison							
Comparison of 2017 Biennium to 2019 Biennium Legislative Budget							
(\$ Millions)							
	Appropriated Budget			Legislative Budget			
	FY 2016	FY 2017	2017 Biennium	FY 2018	FY 2019	2019 Biennium	Biennium % Change
<b>Ongoing</b>							
<b>General Government</b>							
11040 Legislative Branch	\$15.393	\$15.210	\$30.603	\$15.622	\$15.595	\$31.216	2.0%
11120 Consumer Counsel	1.457	1.483	2.940	1.631	1.634	3.265	11.1%
31010 Governor's Office	6.626	6.706	13.332	6.591	6.546	13.137	-1.5%
32020 Commissioner of Political Practices	0.681	0.691	1.372	0.680	0.671	1.351	-1.5%
34010 State Auditor's Office	8.881	8.601	17.481	8.408	8.413	16.821	-3.8%
58010 Department of Revenue	58.337	59.827	118.163	57.367	57.540	114.907	-2.8%
61010 Department of Administration	19.904	18.474	38.378	18.588	17.475	36.064	-6.0%
65010 Department of Commerce	29.266	29.428	58.694	28.531	28.506	57.037	-2.8%
66020 Department of Labor and Industry	83.695	85.789	169.484	81.708	81.892	163.600	-3.5%
67010 Department of Military Affairs	49.186	49.600	98.786	49.210	49.254	98.464	-0.3%
Subtotal General Government	273.426	275.807	549.233	268.337	267.525	535.862	-2.4%
<b>Health and Human Services*</b>							
69010 Public Health & Human Services	2,084.490	2,176.908	4,261.398	2,086.057	2,139.694	4,225.751	-0.8%
Subtotal Health and Human Services	2,084.490	2,176.908	4,261.398	2,086.057	2,139.694	4,225.751	-0.8%
<b>Natural Resources and Transportation</b>							
52010 Department of Fish, Wildlife, and Parks	81.630	83.036	164.667	88.134	88.287	176.421	7.1%
53010 Department of Environmental Quality	61.952	62.973	124.924	63.618	64.454	128.072	2.5%
54010 Department of Transportation	678.318	680.161	1,358.479	674.114	672.284	1,346.398	-0.9%
56030 Department of Livestock	0.445	0.734	1.180	11.821	11.732	23.553	1896.5%
57060 Dept. of Natural Resources & Cons.	67.164	68.033	135.198	65.221	65.328	130.548	-3.4%
62010 Department of Agriculture	17.667	17.868	35.535	17.669	17.679	35.347	-0.5%
Subtotal Natural Resources and Transportation	907.177	912.805	1,819.982	920.577	919.763	1,840.340	1.1%
<b>Judicial Branch, Law Enforcement, and Justice</b>							
21100 Judicial Branch	50.218	51.056	101.273	49.599	50.890	100.488	-0.8%
41070 Crime Control Division	13.134	8.187	21.321	14.664	14.700	29.364	37.7%
41100 Department of Justice	98.524	101.227	199.751	100.563	100.735	201.299	0.8%
42010 Public Service Commission	4.034	4.095	8.128	4.361	3.899	8.260	1.6%
61080 Office of the Public Defender	2.039	2.814	4.853	32.269	31.673	63.942	1217.7%
64010 Department of Corrections	205.235	205.410	410.646	206.598	206.901	413.498	0.7%
Subtotal Judicial Branch, Law Enf. & Justice	373.184	372.788	745.972	408.054	408.797	816.851	9.5%
<b>Education</b>							
35010 Office of Public Instruction	960.606	970.792	1,931.398	970.352	1,009.845	1,980.197	2.5%
51010 Board of Public Education	0.335	0.328	0.663	0.346	0.331	0.677	2.1%
51020 Office of the Commissioner of Higher Ed	314.462	316.243	630.705	315.512	315.139	630.650	0.0%
51130 School for the Deaf and Blind	7.304	7.506	14.810	7.352	7.324	14.676	-0.9%
51140 Montana Arts Council	1.460	1.444	2.904	1.484	1.461	2.945	1.4%
51150 Montana State Library	6.484	5.483	11.967	5.838	5.859	11.697	-2.3%
51170 Montana Historical Society	5.700	5.794	11.494	5.611	5.575	11.186	-2.7%
Subtotal Education	1,296.351	1,307.590	2,603.941	1,306.495	1,345.534	2,652.028	1.8%
Subtotal Ongoing	4,934.628	5,045.898	9,980.526	4,989.520	5,081.312	10,070.832	0.9%
<b>One-Time*</b>							
General Government	14.053	6.142	20.195	4.519	4.427	8.945	-55.7%
Health and Human Services	1.823	1.755	3.579	11.537	12.705	24.243	577.4%
Natural Resources and Transportation	20.289	19.298	39.586	10.662	8.180	18.842	-52.4%
Judicial Branch, Law Enforcement, and Justice	31.899	33.022	64.921	3.460	2.681	6.141	-90.5%
Education	18.285	3.075	21.360	1.424	1.454	2.879	-86.5%
Subtotal One-time	86.350	63.291	149.641	31.602	29.448	61.050	-59.2%
Grand Total	\$5,020.978	\$5,109.189	\$10,130.167	\$5,021.122	\$5,110.760	\$10,131.882	0.0%

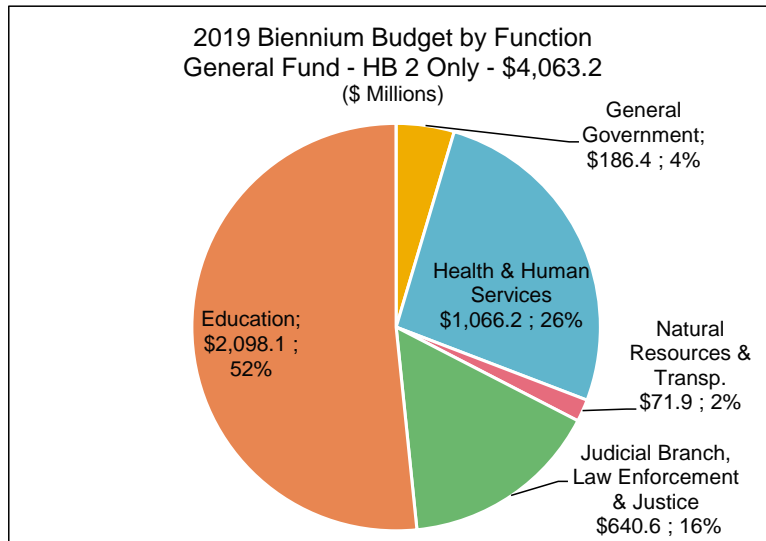
\* In the 2017 biennium Department of Livestock and Office of the Public Defender had the majority of their budgets designated one-time-only

## Type of Funding

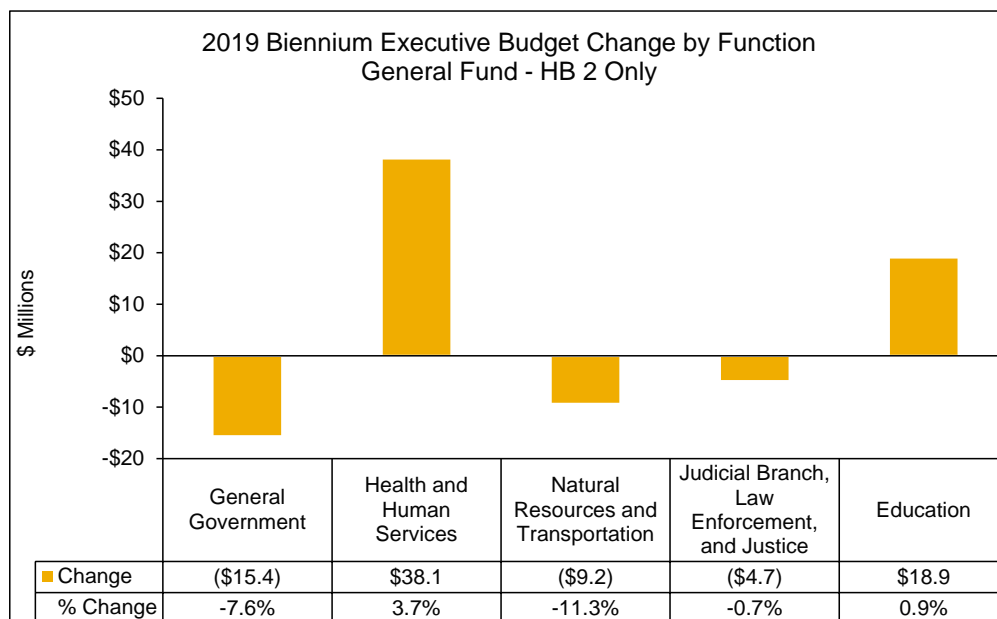
The largest source of funding for operations of state government is federal funds at 44.7% of the total, followed by general fund at 40.1%. The four primary funding sources appropriated in HB2 – general fund, state special revenue, federal funds, and budgeted proprietary funds – are discussed in the following sections.

## General Fund

The pie chart shows total HB 2 general fund appropriations for expenditures as adopted by the legislature, by governmental functional area. Education, health and human services, and the judicial, law enforcement, and justice make up about 93.6% of the total budgeted expenditures.



The following chart shows the total changes in general fund appropriations from the 2017 biennium by functional area. As shown, the changes are dominated by increases within human services and education offset by reductions of general fund in other functional areas. The appropriations reflected in the chart includes both ongoing and one-time-only changes.



Overall the legislature increased general fund appropriations by \$27.7 million or 0.7% when compared to the 2017 biennium.

### Ongoing Funding

The authorized 2019 appropriations increased by \$112.9 million or 2.9% compared to the 2017 legislative appropriations. Over half of the difference, about \$59.1 million, is related to the re-establishment of ongoing funding for the Office of the Public Defender. As reflected in the figure, increases for education and health and human services were partially offset by reductions in the other areas of the budget.

Major increases include:

- Caseload, other population increases, and changes in the federal medical assistance percentage (FMAP) for Medicaid of \$31.8 million
- K-12 education changes including:
  - Inflationary increases for BASE Aid components and enrollment growth, at \$45.0 million over the biennium
  - FY 2017 spring enrollment changes impacting the 2019 biennium at \$11.2 million over the biennium
  - Offsetting increases for projected reductions in guarantee account funding of \$19.2 million over the biennium

The increases in K-12 education were partially offset by reductions for oil and gas distributions and impact funds to school districts, elimination of school district general fund block grants, and elimination of the natural resource development payment.

### One-Time-Only Funding

One-time-only funding decreased by \$85.2 million or 74.3% when compared to the 2017 biennium. As previously discussed, the 2015 Legislature designated the majority of the 2017 budgets of the Office of the Public Defender and the Department of Livestock, \$70.2 million general fund, as one-time-only. The designation was used as a budgeting tool to closely examine the budgets in the 2017 session. The 2017 Legislature did not use this as a budgeting tool in the 2019 biennium.

Appropriations designated as one-time-only in the 2019 biennium include:

- Increases for foster care, adoption, and guardianship caseloads within the Department of Public Health and Human Services of \$10.0 million over the biennium
- \$3.0 million each year of the biennium for the STARS to Quality Program for preschoolers within the Department of Public Health and Human Services
- Funding for changes within the judicial system to support the implementation of the Sentencing Commission recommendations, revisions to the Board of Pardons and Parole, and funding for the Office of the Public Defender. These OTO funds total \$3.9 million over the biennium and are allocated to the Judicial Branch, Crime Control Division, Office of the Public Defender, and the Department of Corrections
- Funding to offset the impact on Public Employees Retirement System (PERS) of increasing the percentage of coal severance taxes provided to the Coal Board from 2.9% to 5.8%. General fund transfers of \$1.6 million in FY 2018 and \$1.7 million in FY 2019 were appropriated to the Department of Administration
- Montana Digital Academy funding of \$1.6 million over the biennium for high school students to take on-line classes. Funding is appropriated to the Office of Public Instruction but the program is operated by the University of Montana
- Native Language Preservation funding of \$0.5 million each year of the biennium within the Department of Commerce

Further information on changes to the state agency budgets between biennia are more fully explained in Volumes 3 and 4 of the [2019 Biennium Legislative Fiscal Report](#).



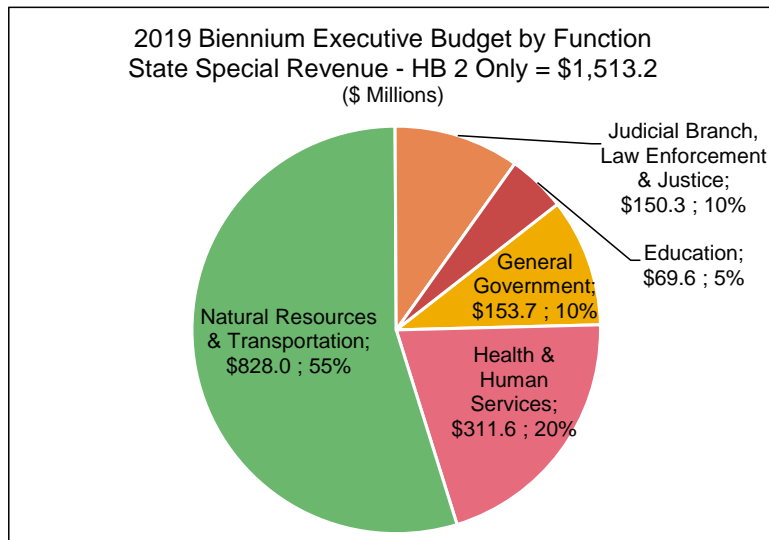
The table below shows general fund in HB 2, by agency, and compares each to the 2017 biennium appropriations. One-time-only funds have been segregated from ongoing appropriations and appear shaded in the table. The appropriation percentage change from the 2017 biennium to the 2019 biennium is shown in the "Biennium % Change" column.

HB 2 Only - General Fund Agency Comparison							
Comparison of 2017 Biennium Appropriation to 2019 Biennium Legislative Budget							
(\$ Millions)							
	Appropriated Budget			Legislative Budget			Biennium % Change
	FY 2016	FY 2017	2017 Biennium	FY 2018	FY 2019	2019 Biennium	
<b>Ongoing</b>							
<b>General Government</b>							
11040 Legislative Branch	\$12.794	\$13.166	\$25.960	\$13.388	\$13.385	\$26.773	3.1%
31010 Governor's Office	6.626	6.706	13.332	6.591	6.546	13.137	-1.5%
32020 Commissioner of Political Practices	0.681	0.691	1.372	0.680	0.671	1.351	-1.5%
58010 Department of Revenue	53.937	55.364	109.302	52.942	53.102	106.045	-3.0%
61010 Department of Administration	5.795	5.817	11.612	5.696	5.649	11.346	-2.3%
65010 Department of Commerce	3.537	3.582	7.119	3.270	3.267	6.537	-8.2%
66020 Department of Labor and Industry	1.875	1.941	3.816	1.796	1.799	3.596	-5.8%
67010 Department of Military Affairs	<u>6.482</u>	<u>6.632</u>	<u>13.114</u>	<u>6.554</u>	<u>6.564</u>	<u>13.119</u>	<u>0.0%</u>
Subtotal General Government	91.728	93.899	185.627	90.919	90.985	181.904	-2.0%
<b>Health and Human Services</b>							
69010 Dept. of Public Health & Human Services:	<u>504.339</u>	<u>520.700</u>	<u>1,025.039</u>	<u>518.536</u>	<u>530.049</u>	<u>1,048.585</u>	<u>2.3%</u>
Subtotal Health and Human Services	504.339	520.700	1,025.039	518.536	530.049	1,048.585	2.3%
<b>Natural Resources and Transportation</b>							
53010 Department of Environmental Quality	5.375	5.541	10.916	5.212	5.220	10.432	-4.4%
56030 Department of Livestock	0.172	0.189	0.361	2.565	2.569	5.134	1321.7%
57060 Dept. of Natural Resources & Cons.	29.699	30.301	60.000	27.158	27.159	54.317	-9.5%
62010 Department of Agriculture	<u>1.031</u>	<u>0.960</u>	<u>1.991</u>	<u>0.915</u>	<u>0.869</u>	<u>1.784</u>	<u>-10.4%</u>
Subtotal Natural Resources and Transportation	36.278	36.990	73.268	35.850	35.817	71.667	-2.2%
<b>Judicial Branch, Law Enforcement, and Justice</b>							
21100 Judicial Branch	48.325	49.107	97.433	47.531	48.820	96.351	-1.1%
41070 Crime Control Division	2.481	2.513	4.994	2.103	2.137	4.239	-15.1%
41100 Department of Justice	34.610	35.669	70.278	33.784	34.249	68.033	-3.2%
61080 Office of the Public Defender	2.039	2.814	4.853	32.269	31.673	63.942	1217.7%
64010 Department of Corrections	<u>200.308</u>	<u>200.472</u>	<u>400.781</u>	<u>201.310</u>	<u>201.612</u>	<u>402.922</u>	<u>0.5%</u>
Subtotal Judicial Branch, Law Enforcement, and Justice	287.763	290.575	578.338	316.996	318.491	635.487	9.9%
<b>Education</b>							
35010 Office of Public Instruction	783.386	792.007	1,575.393	790.958	829.419	1,620.377	2.9%
51010 Board of Public Education	0.157	0.149	0.306	0.158	0.142	0.300	-1.9%
51020 Office of the Commissioner of Higher Ed	224.722	229.705	454.427	224.101	223.970	448.071	-1.4%
51130 School for the Deaf and Blind	6.975	7.177	14.153	6.937	6.909	13.845	-2.2%
51140 Montana Arts Council	0.525	0.512	1.037	0.542	0.519	1.061	2.3%
51150 Montana State Library	3.063	3.111	6.174	2.894	2.885	5.779	-6.4%
51170 Montana Historical Society	<u>3.481</u>	<u>3.544</u>	<u>7.025</u>	<u>3.318</u>	<u>3.286</u>	<u>6.603</u>	<u>-6.0%</u>
Subtotal Education	1,022.310	1,036.204	2,058.514	1,028.907	1,067.130	2,096.036	1.8%
Subtotal Ongoing	1,942.419	1,978.368	3,920.787	1,991.208	2,042.472	4,033.680	2.9%
<b>One-Time</b>							
General Government	11.569	4.620	16.189	2.239	2.247	4.485	-72.3%
Health and Human Services	1.551	1.484	3.035	8.808	8.783	17.591	479.5%
Natural Resources and Transportation	3.871	3.912	7.784	0.115	0.115	0.230	-97.0%
Judicial Branch, Law Enforcement, and Justice	34.124	32.883	67.007	2.960	2.181	5.141	-92.3%
Education	<u>17.985</u>	<u>2.775</u>	<u>20.760</u>	<u>1.038</u>	<u>1.068</u>	<u>2.105</u>	<u>-89.9%</u>
Subtotal One-time	69.100	45.674	114.775	15.158	14.393	29.552	-74.3%
<b>Grand Total</b>	<b>\$2,011.519</b>	<b>\$2,024.042</b>	<b>\$4,035.561</b>	<b>\$2,006.366</b>	<b>\$2,056.865</b>	<b>\$4,063.232</b>	<b>0.7%</b>

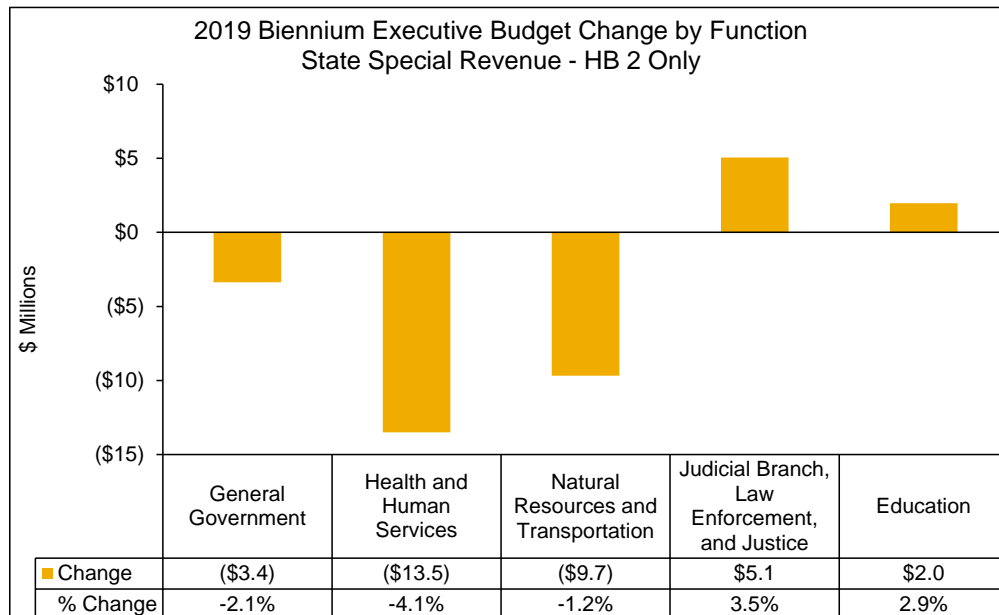
\* In the 2017 biennium Department of Livestock and Office of the Public Defender had the majority of their budgets designated one-time-only

## State Special Revenue

State special revenue is designated for specific purposes; in the 2019 biennium total appropriations are \$1,513.2 million or 15% of proposed HB 2 expenditures. The pie chart below shows total state special revenues by function for HB 2.



As reflected above, Natural Resources and Transportation state special revenue appropriations account for 55% of the total with the majority of this funding provided to the Department of Transportation (\$498.0 million). The chart below shows the change in state special revenues from the 2017 biennium, by function of state government. The appropriations reflected in the chart includes both ongoing and one-time-only changes.



In total the legislature reduced appropriations for state special revenues by 1.2% when compared to the previous biennium.

### Ongoing Funding

The legislature decreased ongoing funding by 0.4% or \$5.9 million lower than the 2017 biennium with reductions in Health and Human Services and General Government offsetting increases in Natural Resources and Transportation, the Judicial Branch, Law Enforcement, and Justice, and Education.

One of the major legislative initiatives for state special revenues was the balancing of the highway state special revenue account (HSRA). Going into the 2017 legislative session the funding for HSRA, which receives a large portion of the fuel taxes, had a balance shortfall. Department of Transportation, Department of Justice, and the Department of Fish, Wildlife, and Parks are all funded with state special appropriations from HSRA. To balance the account the legislature:

- Reduced the Department of Transportation budget, primarily through reductions in personal services
- Established a separate account for gas taxes for the Montana Highway Patrol and created a new funding source for the Motor Vehicles Division within the Department of Justice
- Increased fuel taxes

More detailed information on the changes can be found in Volume 4 of the [2019 Biennium Legislative Fiscal Report](#).

Changes within Health and Human Services included reductions in state special revenue funding for the Health Resources and Senior and Long-term Care Divisions. The Health Resources Division's budget includes a \$7.0 million reduction for caseload changes in the Healthy Montana Kids Program. The Senior and Long-term Care Division's budget includes reductions for Medicaid caseload and estimated declines in funding for Medicaid nursing home fees and inter-governmental transfers.

#### One-Time-Only Funding

The legislature adopted \$18.0 million in OTO appropriations, down from \$31.7 million in the 2017 biennium. As previously discussed, the 2015 Legislature designated the majority of the Department of Livestock's budget as OTO for the 2017 biennium, which accounts for the majority of the change (\$15.3 million) between biennia.

State special revenue adjustments including new proposals, present law adjustments, and one-time-only appropriations are discussed in more detail in Volumes 3 and 4 of the [2019 Biennium Legislative Fiscal Report](#).

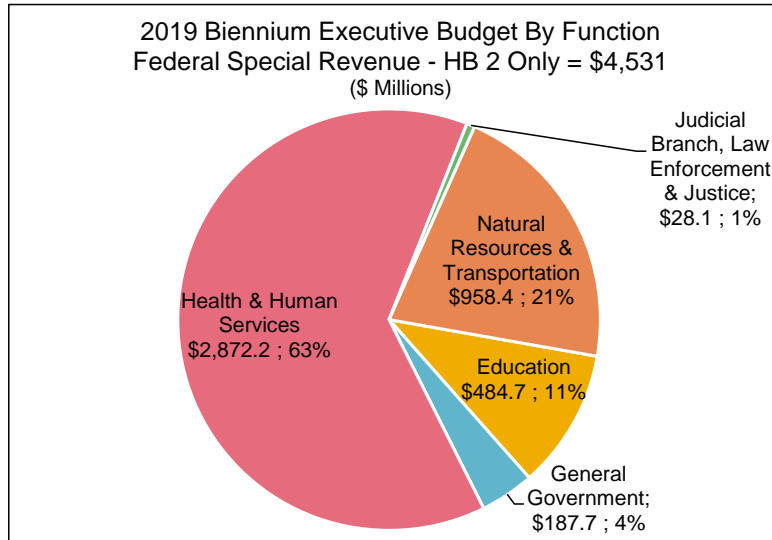
The table below shows state special revenue in HB 2, by agency, and compares each to the 2017 biennium appropriations. One-time-only funds have been segregated from ongoing appropriations and appear shaded in the table. The appropriation percentage change from the 2017 biennium to the 2019 biennium is shown in the "Biennium % Change" column.

HB 2 Only - State Special Revenue Agency Comparison							
Comparison of 2017 Biennium Appropriation to 2019 Biennium Legislative Budget							
(\$ Millions)							
	Appropriated Budget			Legislative Budget			
	FY 2016	FY 2017	2017 Biennium	FY 2018	FY 2019	2019 Biennium	Biennium % Change
<b>Ongoing</b>							
<b>General Government</b>							
11040 Legislative Branch	\$2.599	\$2.044	\$4.643	\$2.233	\$2.210	\$4.443	-4.3%
11120 Consumer Counsel	1.457	1.483	2.940	1.631	1.634	3.265	11.1%
31010 Governor's Office	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
34010 State Auditor's Office	8.881	8.601	17.481	8.408	8.413	16.821	-3.8%
58010 Department of Revenue	1.016	1.018	2.034	0.959	0.963	1.922	-5.5%
61010 Department of Administration	6.979	7.041	14.020	6.606	6.619	13.225	-5.7%
65010 Department of Commerce	7.027	7.124	14.151	7.154	7.138	14.292	1.0%
66020 Department of Labor and Industry	48.191	49.536	97.726	46.951	47.054	94.004	-3.8%
67010 Department of Military Affairs	0.733	0.730	1.463	0.764	0.767	1.531	4.7%
Subtotal General Government	76.883	77.575	154.458	74.707	74.796	149.502	-3.2%
<b>Health and Human Services</b>							
69010 Dept. of Public Health & Human Services	160.973	164.199	325.172	155.978	155.659	311.638	-4.2%
Subtotal Health and Human Services	160.973	164.199	325.172	155.978	155.659	311.638	-4.2%
<b>Natural Resources and Transportation</b>							
52010 Department of Fish, Wildlife, and Parks	60.989	61.973	122.962	64.734	64.809	129.544	5.4%
53010 Department of Environmental Quality	33.061	33.564	66.625	35.513	36.280	71.794	7.8%
54010 Department of Transportation	263.225	256.208	519.433	249.581	248.463	498.044	-4.1%
56030 Department of Livestock	0.210	0.380	0.590	7.435	7.326	14.760	2401.7%
57060 Dept. of Natural Resources & Cons.	35.235	35.385	70.620	35.753	35.856	71.608	1.4%
62010 Department of Agriculture	14.700	14.935	29.635	15.088	15.136	30.224	2.0%
Subtotal Natural Resources and Transportation	407.421	402.445	809.866	408.103	407.871	815.974	0.8%
<b>Judicial Branch, Law Enforcement, and Justice</b>							
21100 Judicial Branch	1.765	1.820	3.585	1.967	1.969	3.936	9.8%
41070 Crime Control Division	0.266	0.122	0.389	0.122	0.122	0.244	-37.1%
41100 Department of Justice	60.693	62.279	122.972	63.562	63.267	126.829	3.1%
42010 Public Service Commission	3.960	4.021	7.982	4.188	3.725	7.913	-0.9%
61080 Office of the Public Defender	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
64010 Department of Corrections	4.824	4.831	9.655	5.181	5.181	10.362	7.3%
Subtotal Judicial Branch, Law Enf. & Justice	71.509	73.073	144.582	75.020	74.264	149.284	3.3%
<b>Education</b>							
35010 Office of Public Instruction	9.657	9.663	19.321	9.543	9.544	19.086	-1.2%
51010 Board of Public Education	0.178	0.179	0.357	0.189	0.189	0.377	5.6%
51020 Office of the Commissioner of Higher Ed	20.811	20.614	41.425	21.722	21.491	43.213	4.3%
51130 School for the Deaf and Blind	0.258	0.258	0.516	0.345	0.345	0.690	33.6%
51140 Montana Arts Council	0.225	0.230	0.455	0.234	0.234	0.468	3.0%
51150 Montana State Library	1.748	1.749	3.497	1.734	1.763	3.497	0.0%
51170 Montana Historical Society	0.749	0.751	1.500	0.769	0.766	1.536	2.4%
Subtotal Education	33.626	33.445	67.071	34.536	34.332	68.868	2.7%
Subtotal Ongoing	750.412	750.737	1,501.150	748.344	746.923	1,495.266	-0.4%
<b>One-Time</b>							
General Government	1.607	1.007	2.614	2.155	2.055	4.210	61.0%
Health and Human Services	0.020	0.020	0.040	0.000	0.000	0.000	-100.0%
Natural Resources and Transportation	14.399	13.365	27.764	7.142	4.844	11.987	-56.8%
Judicial Branch, Law Enforcement, and Justice	0.648	0.000	0.648	0.500	0.500	1.000	54.4%
Education	0.300	0.300	0.600	0.387	0.387	0.774	29.0%
Subtotal One-time	16.974	14.693	31.667	10.184	7.786	17.970	-43.3%
<b>Grand Total</b>	<b>\$767.387</b>	<b>\$765.430</b>	<b>\$1,532.817</b>	<b>\$758.528</b>	<b>\$754.709</b>	<b>\$1,513.237</b>	<b>-1.3%</b>

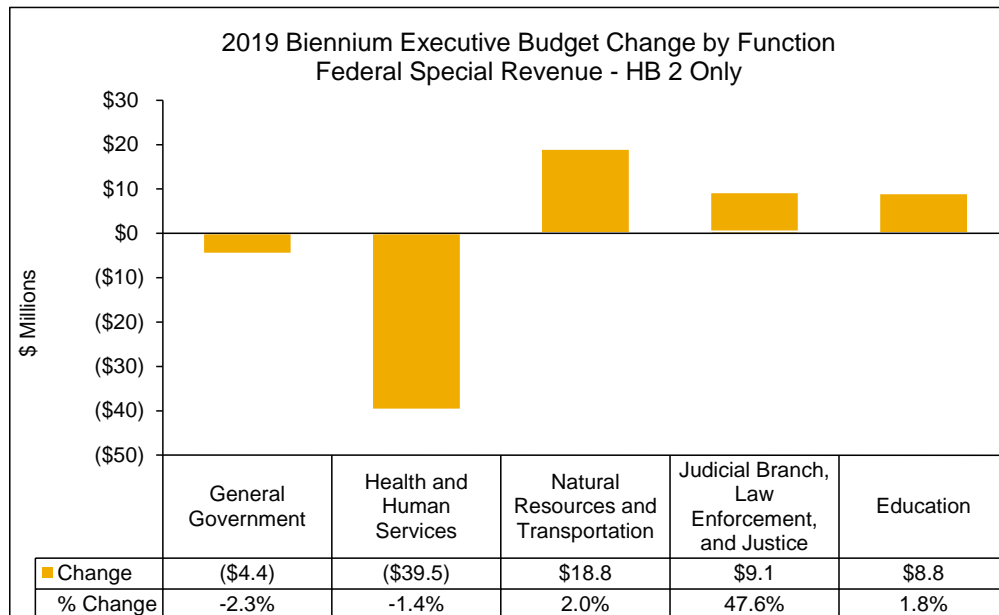
\* In the 2017 biennium Department of Livestock and Office of the Public Defender had the majority of their budgets designated one-time-only

## Federal Funds

Federal funds are received from various federal funding sources. The federal government grants targeted funding that cannot be used except for the general or specific purposes intended by the grantor. In the 2019 biennium federal funds totals \$4,531.1 million or about 45% of the total HB 2 budget. Three functions, Health and Human Services, Natural Resources and Transportation, and Education, receive 95% of the federal funds. The following table shows the 2019 biennium budgeted federal revenues by functional area of the budget.



The chart below shows the change in federal funding compared to the 2017 biennium by function. The appropriations reflected in the chart includes both ongoing and one-time-only changes.



Overall federal funds decline 0.2% or \$7.2 million when compared to the 2017 biennium appropriations.

### Ongoing Funding

The legislature provided statutory appropriations for federal Indian Health Services funding. This change removed \$176.9 million in federal funds from HB 2 in the Department of Public Health and Human Services (DPHHS). Without this change federal funds for Health and Human Services would have increased by \$137.4 million and federal funds as a whole would have increased 3.7% when

compared to the 2017 biennium appropriations. Increases associated with Medicaid caseload adjustments make up the majority of the increase in federal funds in the DPHHS budget.

#### One-Time-Only Funding

Appropriations of \$2.6 million in FY 2018 and \$3.8 million in FY 2019 for potential increases in foster care, adoption, and guardianship caseload were provided as OTO to the Child and Family Services Division of DPHHS. The Department of Fish, Wildlife, and Parks received \$3.0 million in FY 2018 and \$2.8 million in FY 2019 OTO for aquatic invasive species funding to continue work on preventing quagga and zebra mussels in Montana waterways.

The table below shows federal special revenue in HB 2, by agency, and compares each to the 2017 biennium appropriations. One-time-only funds have been segregated from ongoing appropriations and appear shaded in the table. The appropriation percentage change from the 2017 biennium to the 2019 biennium is shown in the "Biennium % Change" column.

HB 2 Only - Federal Special Revenue Agency Comparison							
Comparison of 2017 Biennium Appropriation to 2019 Biennium Legislative Budget							
(\$ Millions)							
	Appropriated Budget			Legislative Budget			Biennium % Change
	FY 2016	FY 2017	2017 Biennium	FY 2018	FY 2019	2019 Biennium	
<b>Ongoing</b>							
<b>General Government</b>							
58010 Department of Revenue	\$0.273	\$0.272	\$0.546	\$0.263	\$0.264	\$0.527	-3.5%
61010 Department of Administration	1.555	0.099	1.654	1.078	0.116	1.194	-27.8%
65010 Department of Commerce	18.702	18.722	37.424	18.107	18.101	36.208	-3.2%
66020 Department of Labor and Industry	33.629	34.313	67.942	32.961	33.039	66.000	-2.9%
67010 Department of Military Affairs	<u>41.971</u>	<u>42.238</u>	<u>84.209</u>	<u>41.892</u>	<u>41.923</u>	<u>83.814</u>	<u>-0.5%</u>
Subtotal General Government	96.130	95.644	191.774	94.301	93.442	187.743	-2.1%
<b>Health and Human Services</b>							
69010 Department of Public Health & Human S	<u>1,419.178</u>	<u>1,492.009</u>	<u>2,911.187</u>	<u>1,411.543</u>	<u>1,453.985</u>	<u>2,865.528</u>	<u>-1.6%</u>
Subtotal Health and Human Services	1,419.178	1,492.009	2,911.187	1,411.543	1,453.985	2,865.528	-1.6%
<b>Natural Resources and Transportation</b>							
52010 Department of Fish, Wildlife, and Parks	20.641	21.063	41.704	23.400	23.478	46.877	12.4%
53010 Department of Environmental Quality	23.515	23.868	47.383	22.893	22.953	45.846	-3.2%
54010 Department of Transportation	415.093	423.953	839.045	424.533	423.821	848.354	1.1%
56030 Department of Livestock	0.063	0.166	0.229	1.822	1.836	3.658	1500.5%
57060 Department of Natural Resources & Con	2.230	2.347	4.577	2.310	2.313	4.623	1.0%
62010 Department of Agriculture	<u>1.302</u>	<u>1.325</u>	<u>2.627</u>	<u>1.193</u>	<u>1.200</u>	<u>2.393</u>	<u>-8.9%</u>
Subtotal Natural Resources and Transportation	462.844	472.721	935.565	476.150	475.602	951.752	1.7%
<b>Judicial Branch, Law Enforcement, and Justice</b>							
21100 Judicial Branch	0.127	0.128	0.255	0.101	0.101	0.202	-21.0%
41070 Crime Control Division	10.387	5.551	15.938	12.439	12.441	24.880	56.1%
41100 Department of Justice	1.344	1.364	2.709	1.346	1.344	2.690	-0.7%
42010 Public Service Commission	<u>0.073</u>	<u>0.073</u>	<u>0.147</u>	<u>0.173</u>	<u>0.173</u>	<u>0.347</u>	<u>136.4%</u>
Subtotal Judicial Branch, Law Enforcement, and J	11.932	7.117	19.049	14.060	14.059	28.119	47.6%
<b>Education</b>							
35010 Office of Public Instruction	167.562	169.122	336.685	169.852	170.883	340.734	1.2%
51020 Office of the Commissioner of Higher Ed	68.387	65.383	133.770	69.158	69.147	138.305	3.4%
51130 School for the Deaf and Blind	0.070	0.070	0.141	0.070	0.070	0.141	0.1%
51140 Montana Arts Council	0.711	0.701	1.412	0.708	0.708	1.415	0.2%
51150 Montana State Library	1.673	0.623	2.297	1.210	1.211	2.421	5.4%
51170 Montana Historical Society	<u>0.787</u>	<u>0.808</u>	<u>1.595</u>	<u>0.839</u>	<u>0.838</u>	<u>1.677</u>	<u>5.2%</u>
Subtotal Education	239.190	236.709	475.899	241.837	242.856	484.693	1.8%
Subtotal Ongoing	2,229.274	2,304.201	4,533.475	2,237.891	2,279.944	4,517.835	-0.3%
<b>One-Time</b>							
General Government	0.230	0.105	0.335	0.000	0.000	0.000	-100.0%
Health and Human Services	0.252	0.251	0.503	2.730	3.923	6.652	1222.3%
Natural Resources and Transportation	2.018	2.000	4.019	3.405	3.221	6.626	64.9%
Judicial Branch, Law Enforcement, and Justice	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Education	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.0%</u>
Subtotal One-time	2.500	2.357	4.857	6.134	7.144	13.278	173.4%
<b>Grand Total</b>	<b>\$2,231.774</b>	<b>\$2,306.557</b>	<b>\$4,538.332</b>	<b>\$2,244.025</b>	<b>\$2,287.087</b>	<b>\$4,531.113</b>	<b>-0.2%</b>

\* In the 2017 biennium Department of Livestock and Office of the Public Defender had the majority of their budgets designated one-time-only

## ***Language Appropriations and Contingencies in HB 2 – General Fund***

Generally, language appropriations are made when it is not known whether or to what degree the funds will be spent. The language specifies the maximum amount that can be spent from the appropriation. The 65<sup>th</sup> Legislature adopted language or placed contingencies on funding, some of which were not met, that impacts the general fund including:

- Supplemental appropriation of \$2.0 million general fund for FY 2017 appropriations for the Office of the Public Defender (OPD) as [HB 3](#), the traditional supplemental bill, had been passed and approved prior to legislative determination that additional funding for OPD was required
- Authority for the Board of Crime Control to spend any remaining pass-through grant appropriations from the 2017 biennium up to \$100,000 general fund
- \$15,000 in general fund to the Department of Administration that was contingent on the passage and approval of [SB 95](#) containing a provision prohibiting a telecommunications or internet service provider from collecting a customer's personal information without the customer's consent. [SB 95](#) was passed and approved without such a provision and as a result the appropriation is void
- \$90,000 in general fund to the Department of Environmental Quality that was contingent on the passage and approval of [SB 338](#). As [SB 338](#) died in the legislative process, and as a result the appropriation is void

## ***HB 2 Companion Bills***

Companion bills are used to implement substantive law changes needed to implement the budget included in HB 2. Each functional area of the budget had a companion bill including:

- [HB 639](#) Section B Health and Human Services, provided conditions for Medicaid caseload contingent funding and restrictions on funding for the Montana Developmental Center, statutorily appropriated Indian Health Services funding, provided for a hospital community benefit assessment, and changed the conversion factor for physician services to the inflation factor used for school funding for the 2019 biennium
- [HB 642](#) Section A General Government, requires the Department of Revenue to report on revenues and methodologies used to establish the fees for regulated power companies and provided for transfers to the general fund from:
  - \$500,000 from the economic development state special revenue account
  - \$600,000 from the banking and financial institutions state special revenue accounts
- [HB 647](#) Section E Education, eliminated the natural resource development K-12 funding payment, school district block grants, statutory appropriations for the state school oil and natural gas impact account and state school oil and natural gas distribution account, and inflationary increases for county school transportation block grants. This bill also increased the guaranteed tax base multiplier, expanded the use of funding for secondary K-12 career and vocational education, revised excess oil and natural gas revenue distribution and state share calculations for community colleges, and created a natural resource development K-12 facilities payment and a coal-fired generating unit closure mitigation block grant
- [HB 648](#) Section C Natural Resources and Transportation, clarified allocations of coal severance taxes for library services, conservation districts, the Growth through Agriculture Program, and transfers to the Public Employees Retirement System. This bill also expanded the use of state parks funds, established an enterprise fund account for Department of Livestock fees, clarified funding sources for lien purchases of projects constructed with natural resources projects funds, transferred funding among various state special revenue accounts, and reduced FY 2017 appropriations including:
  - Legal Services Division within the Department of Justice, a reduction of \$125,000 in general fund
  - School facility reimbursements within the Office of the Public Instruction, a reduction of \$8,586,000 in state special revenue
- [HB 650](#), Section D Judicial Branch, Law Enforcement, and Justice, created and increased fees related to the Motor Vehicle Division in the Department of Justice, create and allocated fees to state special revenue accounts, repealed the Boot Camp Incarceration Program in the



Department of Corrections, transferred the Board of Crime Control from the Department of Justice to the Department of Corrections, set a maximum payment for regional correction facilities for the 2019 biennium, expanded the use of vehicle insurance verification and license plate operating account, and required the development of protocols for the appointment of counsel in treatment courts

[SB 95](#) was also passed and approved as a companion bill to HB 2. Included in the bill were:

- Legislative intent clarifying that the Department of Corrections was to remove contract language related to the Boot Camp including “Booters” and to work cooperatively with the Great Falls Pre-Release Services, Inc. to develop an alternative purpose for the organization
- The requirement to develop transition instructions and reporting on the transfer of the Board of Crime Control between the Department of Justice and the Department of Corrections
- A state lands reimbursement block grant for school districts in counties with greater than 20% of the county’s land area composed of state trust lands
- Registration fees for light vehicle or motor homes with a manufacturer’s suggested retail price of \$150,000 or greater
- Coordination instructions for a number of bills

## LONG RANGE PLANNING

The Long Range Planning (LRP) subcommittee analyzes and recommends appropriations and grant authorizations for capital projects to the legislature. The capital project budgets include investment in various forms of infrastructure including: the acquisition of lands, construction and major maintenance of lands and buildings, maintenance and development of water related infrastructure, reclamation activities, and information technology. For more information on all LRP programs and projects, refer to Section F of the [2019 Biennium Legislative Fiscal Report](#).

### LRP Budgets

The 65<sup>th</sup> Legislature approved total funds spending of \$199.0 million for the LRP budgets. For the 2019 biennium, the legislature appropriated funds for seven out of nine programs. The LRP programs include:

- Long-Range Building Program (LRBP) – acquisition, construction, and major maintenance of state owned lands and buildings, administered by Department of Administration
- State Building Energy Conservation Program (SBECP) – energy efficiency improvements to state owned buildings, administered by Department of Environmental Quality
- Long-Range Information Technology Program (LRITP) – major information technology build and upgrade, administered by Department of Administration
- Treasure State Endowment Program (TSEP) – water, wastewater, solid waste, and bridge infrastructure grants to local governments, administered by the Department of Commerce
- Treasure State Endowment Regional Water Program (TSEPRW) – matching funds for major regional water projects, administered by the Department of Natural Resources and Conservation
- Renewable Resource Grant and Loan Program (RRGL) – grants to local governments for projects that measurably conserve, develop, manage, or preserve resources, administered by the Department of Natural Resources and Conservation
- Reclamation and Development Grant Program (RDGP) – grants for the reclamation of lands degraded by resource severance activities, administered by the Department of Natural Resources and Conservation
- Cultural and Aesthetic Grant Program (C&A) – arts, cultural, and historical grants, administered by the Montana Arts Council
- Quality School Facility Grants Program (Quality Schools) – grants for major maintenance of K-12 school facilities, administered by the Department of Commerce (eliminated as of the 2019 biennium)

Long-Range Planning Budgets - 2019 Biennium (\$ Millions)								
Program / Bill	Appropriations				Total State Funding	Non-Approp		% Total
	Capital Projects	State Special	Federal Special	Bonds & Loans		Authoriz.	Total Funding	
LRBP (HB 5)	\$23.9	\$35.5	\$22.8	\$0.0	\$82.2	\$76.8	\$159.0	79.9%
SBECP (HB 5)	3.7				3.7		3.7	1.9%
LRITP (N/A)					0.0		0.0	0.0%
TSEP (HB 11)		20.7			20.7		20.7	10.4%
TSEPRW (HB 11)		4.9			4.9		4.9	2.5%
RRGL (HB 6)		4.8			4.8		4.8	2.4%
RDGP (HB 7)		5.4			5.4		5.4	2.7%
C&A (HB 9)		0.5			0.5		0.5	0.3%
Quality Schools (N/A)		0.0			0.0		0.0	0.0%
<b>Grand Total</b>	<b>\$27.6</b>	<b>\$71.8</b>	<b>\$22.8</b>	<b>\$0.0</b>	<b>\$122.2</b>	<b>\$76.8</b>	<b>\$199.0</b>	<b>100.0%</b>

**Note:** Expenditures from the column titled Authoriz. (authorizations), representing 38.6% of the total LRP funding, are not technically appropriations. Authorizations refer to non-state funds, typically university funds and donations. These items are included in the table because statute requires that capital building projects with costs in excess of \$150,000 must be authorized by the legislature.

## Legislative Action

Total legislative appropriations and authorizations for the LRP budgets are \$199.0 million. This amount is a 14.5% reduction from the LRP budgets in the 2017 biennium and 29.2% lower than the executive budget proposal. The main difference between the executive proposal and the approved budget is that the legislature did not approve the executive proposal to fund and expand LRP programs through the sale of bonds, instead choosing to fund LRP projects with existing program dedicated revenues.

Two of the LRP programs, LRITP and Quality Schools, were not provided with appropriations for the 2019 biennium. The LRITP program is principally funded with general fund transfers for agency projects, and the legislature chose not to appropriate general fund for this purpose in the 2019 biennium. Furthermore, the legislature developed a new school facility maintenance program, and the Quality Schools program will cease to exist at the end of the 2017 biennium.

The LRP budgets contain a couple of significant appropriations, including:

- \$8.1 million for repairs and improvements at the Montana Law Enforcement Academy
- \$13.3 million to secure wildlife habitats through conservation easement, fee title acquisition, or long-term lease
- \$57.4 million for eight new university system building construction and renovation projects (along with \$9.0 million in general spending authority) funded through donations and non-state funds.

## RESTRICTED HIGHWAY STATE SPECIAL REVENUE FUND (HSRA)

During the 2017 Session, the legislature put significant effort into correcting the imbalance in the restricted highway state special revenue account. Agencies with functions supported through HSRA, which include the Montana Department of Transportation (MDT) and the Department of Justice (DOJ), have expended more on those functions than the revenues flowing in the account for each of the last five years. As a result, the fund balance in HSRA has declined to a point where MDT, as the account administrator, was experiencing significant cash flow issues and was projecting the future inability to match all federal highway dollars available to the state. Additionally, HSRA distributions to local governments for road improvements have been held steady for many years and have not adjusted with inflation.

The legislature chose a multiple-element approach to sustain or improve upon the state's ability to maintain the affected programs, and to align ongoing expenditures with ongoing revenues, which included 1) reducing budgets in MDT, 2) creating alternative funding sources for DOJ, and 3) increasing the taxes on gasoline and diesel fuels.

Reducing MDT budgets: As an alternative to making cuts that would have resulted in losses in federal funding for highway projects, the legislature reduced the personal services budgets in MDT. The legislature eliminated the funding related to 65.05 vacant FTE, or 3.2% of the MDT total workforce. The legislature also imposed an additional 0.75% of vacancy savings. These actions freed up \$7.8 million of HSRA funding that could be dedicated for a match to approximately \$50.4 million in federal-aid for highway construction projects.

Creating alternative funding sources for DOJ: The legislature made a series of changes to DOJ budgets for the Highway Patrol (HiPo), Motor Vehicle Division (MVD), and other services. The changes included:

- Allocating 4 cents/gallon of the gas and diesel taxes to a new restricted account for the HiPo (HiPo Restricted)
- Increasing/adding various vehicle fees and depositing the fees in a new state special revenue account for the MVD (MVD Fees)
- Increasing/adding various fees for other DOJ services (Other DOJ Fees)

Consequently, DOJ program funding will no longer be intertwined with the funding of MDT.

Increasing gasoline and diesel fuel taxes: The legislature enacted legislation that increased the tax on motor fuels through [HB 473](#), the Bridge and Road Safety and Accountability Act. In the 2019 biennium, the increase will be 4.5 cents per gallon for gasoline and 1.5 cents per gallon for special fuels (diesel), and will be stepped up to an increase of 6 cents for gasoline and 2 cents for special fuels (diesel) by FY 2023.

The increased fuel taxes will be deposited into two new restricted accounts, referred to as the bridge and road safety and accountability restricted accounts (BaRSARA). After reductions for initial distributions that include refunds, distributor payments, and non-highway fuel uses MDT will receive 35% of the taxes (BaRSARA-MDT) while the remaining 65% will be distributed to local governments through a new local government grant program (BaRSARA-Local Grants). In the 2019 biennium, the distributions to MDT are provided in the legislation at a biennial amount of \$22.3 million, which is greater than the statutory allocation of taxes.

[HB 473](#) also requires a special performance audit of MDT. The legislation requires an audit be conducted by or at the direction of the legislative auditor, must include (but is not limited to) a comparison of MDT to similar agencies in at least three other similar states or provinces on quantitative measures, such as dollars spent or highway miles constructed and maintained.

In summary, the actions of the legislature are expected to provide a scenario where the working capital balance of the HSRA will remain sufficient to support the demands upon the fund into the foreseeable future.

More information on the HSRA account, and associated legislation passed in the 2017 session, can be found beginning on page C-4 of the Department of Transportation [2019 Biennium Legislative Fiscal Report](#).

## STATUTORY APPROPRIATIONS

Statutory appropriations are in statute and are not part of the biennial budgeting process. As such, they are not automatically reviewed by the legislature and are not subject to the priority setting process like temporary appropriations (such as those in HB 2). Since the appropriations are in statute, they remain in place until removed or changed by legislation. However, all statutory appropriations are available for the legislature to review and change if desired.

Valid statutory appropriations are contained in a list in [17-7-502, MCA](#). The list provides statutory citations for each statutory appropriation. Statutory appropriations are intended for limited situations, and guidelines for the appropriateness for establishing them are specified in [17-1-508, MCA](#). The Legislative Fiscal Division has prepared a [guide to statutory appropriations](#) for further information.

### Legislative Action

The 2017 Legislature made changes to existing statutory appropriations and established new statutory appropriations. The decisions impacted general fund, state special revenue, and federal special revenue funds. Significant legislative action included the following:

- [HB 639](#) which removed federal special authority in HB 2 from Indian Health Services and Tribal Health Services and established a statutory appropriation instead. This resulted in a \$176.9 million reduction in HB 2 federal special authority and adopted \$176.9 million in federal special statutory appropriation authority for the 2019 biennium
- [HB 473](#), revised highway revenue laws which provided payments to Montana counties resulting in \$34.2 million in state special authority for FY 2019
- [HB 3](#), reduced the statutorily appropriated Governor's emergency and disaster authority from \$16.0 million to \$4.0 million in general fund. This resulted in a general fund savings of \$12.0 million for FY 2017
- [HB 565](#), revised entitlement share laws that lowered the growth rate for entitlement share payments to Montana counties resulting in a savings to the general fund of \$9.5 million for the 2019 biennium

The following tables show each individual general fund statutory appropriation estimated by the Legislative Fiscal Division.

**General Fund Statutory Appropriations**

Legislative Fiscal Division Estimates FY 2017 - FY 2019

Statutory Reference	FY 2016 (Actual)	FY 2017 (Estimate)	FY 2018 (Estimate)	FY 2019 (Estimate)
<b>Retirement</b>				
<a href="#">15-35-108(9)(a) Coal Severance to PERS</a>	\$14,235,649	\$13,577,287	-	-
<a href="#">15-35-108(9)(b)(v) Coal Severance to PERS (Interest)</a>	16,076,171	16,897,848	-	-
<a href="#">HB 648 (2017 Session) Statutory Appropriation to PERS</a>	-	-	\$31,386,000	\$31,958,000
<a href="#">19-3-319 Local Gov. Retirement Contribution</a>	1,005,358	1,025,465	1,045,974	1,066,894
<a href="#">19-6-404 MHP Retirement Transfer</a>	1,472,757	1,531,668	1,592,934	1,656,652
<a href="#">19-6-410 MHP Supplemental Retirement Transfer</a>	242,749	242,749	242,749	242,749
<a href="#">19-9-702 Police Retirement Contribution</a>	13,751,561	14,164,108	14,589,031	15,026,702
<a href="#">19-13-604 Firefighters' Association Contribution</a>	13,969,719	14,528,508	15,109,648	15,714,034
<a href="#">19-17-301 Volunteer Firefighter Fund Contribution</a>	2,036,297	2,138,112	2,245,017	2,357,268
<a href="#">19-18-512 Fire Department Relief Association Contribution</a>	464,238	482,808	502,120	522,205
<a href="#">19-19-305 Police (Non-PERS) Retirement Contribution</a>	180,651	180,651	180,651	180,651
<a href="#">19-19-506 Police Officer Pension Supplemental Contribution</a>	-	-	-	-
<a href="#">19-20-604 Teacher's Retirement Supplemental Contribution</a>	865,444	878,534	896,105	914,027
<a href="#">19-20-607 Teachers' Retirement System Contribution</a>	43,037,162	43,316,684	43,866,185	44,432,171
<a href="#">19-21-203 MUS Retirement Contribution</a>	1,714,016	1,782,577	1,853,880	1,928,035
<b>Subtotal</b>	<b>109,051,773</b>	<b>110,746,997</b>	<b>113,510,294</b>	<b>115,999,387</b>
<b>Economic Development</b>				
<a href="#">15-35-108(9)(b)(i) Coal Severance to Cooperative Develop Center</a>	65,000	65,000	65,000	65,000
<a href="#">15-35-108(9)(b)(ii) Coal Severance to Growth Through Ag</a>	615,319	625,000	625,000	625,000
<a href="#">15-35-108(9)(b)(iv) Coal Severance to Department of Commerce</a>	1,098,420	1,100,000	1,100,000	1,100,000
<a href="#">15-70-433 Biodiesel Tax Refunds</a>	-	-	-	-
<b>Subtotal</b>	<b>1,778,739</b>	<b>1,790,000</b>	<b>1,790,000</b>	<b>1,790,000</b>
<b>Local Assistance</b>				
<a href="#">7-4-2502 Payment of County Attorneys</a>	3,268,393	3,312,283	3,444,774	3,582,565
<a href="#">15-1-121 Local Government Combined Distribution</a>	129,236,950	133,424,240	134,073,086	136,343,733
<a href="#">22-1-327 State Aid to Public Libraries</a>	395,766	396,000	396,000	396,000
<b>Subtotal</b>	<b>132,901,109</b>	<b>137,132,523</b>	<b>137,913,860</b>	<b>140,322,298</b>
<b>Medicaid Expansion (Scheduled to sunset at the end of FY 2019)</b>				
<a href="#">53-6-1304 SB 405 HELP Act</a>	4,968,280	16,783,534	31,615,056	38,479,149
<b>Subtotal</b>	<b>4,968,280</b>	<b>16,783,534</b>	<b>31,615,056</b>	<b>38,479,149</b>
<b>Other</b>				
<a href="#">10-1-1202 National Guard Death Benefit</a>	-	-	-	-
<a href="#">10-3-310 Incident Response Appropriation</a>	-	-	-	-
<a href="#">10-3-312 Emergency and Disaster Appropriation</a>	889,155	3,610,845	8,250,000	8,250,000
<a href="#">15-1-218 Out of State Collections</a>	400,000	150,000	150,000	150,000
<a href="#">16-11-509 Tobacco Enforcement</a>	-	-	-	-
<a href="#">17-3-106 Return of Federal Grant Interest</a>	90	4,112	1,000	1,000
<a href="#">17-3-106 Return of Federal Grant Money (GSD Only)</a>	294,092	225,000	225,000	225,000
<a href="#">17-3-106 Return of Federal Grant Money</a>	379,258	252,172	252,172	252,172
<a href="#">5-13-402 Legislative Audits</a>	-	-	-	-
<a href="#">17-6-101 Banking Charges</a>	2,337,651	2,407,781	2,480,014	2,554,414
<a href="#">17-7-502(4) Bond Fees &amp; Costs</a>	12,167,717	12,786,390	12,459,283	9,370,366
<b>Subtotal</b>	<b>16,467,963</b>	<b>19,436,300</b>	<b>23,817,469</b>	<b>20,802,952</b>
<b>General Fund Total</b>	<b>265,167,864</b>	<b>285,889,354</b>	<b>308,646,680</b>	<b>317,393,787</b>

**Remaining Funds Statutory Appropriations**

Statutory Reference	FY 2016 (Actual)	FY 2017 (Estimate)	FY 2018 (Estimate)	FY 2019 (Estimate)
<b>State Special Funds</b>				
<a href="#">20-9-622 Guarantee Account to BASE Aid</a>	\$47,053,496	\$41,166,396	\$39,117,730	\$38,780,820
<a href="#">15-36-332 Oil &amp; Gas Distribution to Counties</a>	37,865,148	43,677,950	48,156,615	47,167,823
<a href="#">15-65-121 Lodging Tax Distribution</a>	23,374,407	25,095,650	26,468,255	28,037,779
<a href="#">HB 473 Fuel Tax to Local Governments</a>	-	-	14,955,626	17,987,160
<a href="#">17-3-241 Mineral Impact Account</a>	8,894,445	6,416,345	6,832,283	7,076,362
All Other State Special	<u>93,712,558</u>	<u>101,468,311</u>	<u>112,292,856</u>	<u>106,881,109</u>
State Special Total	210,900,055	217,824,652	247,823,365	245,931,053
<b>Federal Special Funds</b>				
<u>Medicaid Expansion (Scheduled to sunset at the end of FY 2019)</u>				
<a href="#">53-6-1304 SB 405 HELP Act</a>	153,601,319	366,737,607	403,538,519	440,322,538
<b>Remaining Federal Special Funds</b>				
<a href="#">HB 639 Indian Health Services</a>	-	-	82,373,231	94,556,232
<a href="#">17-3-212 Federal Forest Funds to Counties</a>	15,938,821	14,834,030	13,805,817	12,848,874
<a href="#">17-7-502(4) Highway 93 Debt Service</a>	15,597,413	15,700,000	15,700,000	15,700,000
All Other Federal Funds	<u>12,069,535</u>	<u>10,877,526</u>	<u>10,877,526</u>	<u>10,877,526</u>
Federal Special Total	197,207,088	408,149,163	526,295,093	574,305,170
<b>Capital Projects and Enterprise Funds</b>				
<a href="#">23-7-402 Lottery Prizes</a>	33,677,848	30,884,197	30,884,197	30,884,197
All Other	<u>9,137,391</u>	<u>9,137,391</u>	<u>9,137,391</u>	<u>9,137,391</u>
Capital Projects and Enterprise Funds Total	42,815,239	40,021,588	40,021,588	40,021,588
<b>Total Statutory Appropriations (All Funds, Including General Fund)</b>	<b>\$716,090,245</b>	<b>\$951,884,757</b>	<b>\$1,122,786,726</b>	<b>\$1,177,651,598</b>

## GENERAL FUND TRANSFERS

The Montana Constitution requires that all money paid out of the state treasury, except interest paid on the public debt, have an appropriation. However, the state treasury consists of multiple funds and with proper legislative authorization, money may be transferred from one fund to another without an appropriation. Like statutory appropriations, these transfers and authorizations are existing law and are not part of the biennial budgeting process. Transfers impact the amount of money available for the legislature to appropriate for specific programs.

### Legislative Action

The 2017 Legislature authorized, changed, or adopted the following general fund transfers:

- [HB 110](#) revised laws for filing of exempt water right claims. By collecting additional fees for exempt water right claims, the need for a general fund transfer to the Department of Natural Resources water adjudication fund is lower resulting in a general fund savings for the state of \$1.7 million for the 2019 biennium
- [HB 228](#) revised funding for sage grouse stewardship. The previous 2015 Legislature adopted legislation that authorized a conditional fiscal transfer for sage grouse stewardship of \$10.0 million general fund for the 2017 biennium. New legislation adopted by the 2017 Legislature in HB 228 decreased the previous 2017 biennium transfer and appropriation authority by \$8.0 million general fund, saving the state \$8.0 million in general fund for FY 2017. HB 228 then provided for future transfers of \$2.0 million general fund each fiscal year to the sage grouse stewardship fund in the 2019 and 2021 biennia. The bill also established new statutory appropriation authority for the sage grouse stewardship fund
- [HB 647](#) authorized a general fund transfer of \$400,000 in FY 2019 to the family practice rural residency state special revenue fund

The following table shows each individual general fund transfer estimated by the Legislative Fiscal Division.



General Fund Non-Budgeted Transfer LFD Estimates				
Statutory Reference	2016 (Actual)	2017 (Estimate)	2018 (Estimate)	2019 (Estimate)
<b>Vehicle</b>				
<a href="#">15-1-122(1) Adoption Services Account</a>	\$188,709	\$65,130	\$71,643	\$78,807
<a href="#">15-1-122(2) Research &amp; Commercialization Account</a>	1,275,000	1,275,000	1,275,000	1,275,000
<a href="#">15-1-122(3)(a) Motor Vehicle Recycling &amp; Disposal Program</a>	1,601,538	1,640,498	1,671,685	1,694,726
<a href="#">15-1-122(3)(b) Noxious Weed Account</a>	1,631,204	1,662,667	1,694,275	1,717,628
<a href="#">15-1-122(3)(c)(i) Boat Facilities &amp; Off-Highway Vehicles</a>	499,566	509,885	519,578	526,739
<a href="#">15-1-122(3)(c)(ii) Snowmobile Facility Development &amp; Maintenance</a>	113,842	110,844	112,952	114,509
<a href="#">15-1-122(3)(c)(iii) Motorboat Account</a>	173,762	177,351	180,723	183,214
<a href="#">15-1-122(3)(d) State Veterans' Cemetery Account</a>	878,911	897,840	914,908	927,519
<a href="#">15-1-122(3)e Search &amp; Rescue Account</a>	43,441	44,338	45,181	45,803
<b>Other Transfers</b>				
<a href="#">15-1-122(4) Livestock Loss</a>	200,000	200,000	200,000	200,000
<a href="#">17-1-511(2) Rural Physicians</a>	227,285	227,285	227,285	227,285
<a href="#">39-11-206 Commerce Training Account</a>	775,821	-	-	-
<a href="#">39-71-2352(6) Old State Fund Shortfall</a>	9,538,000	9,215,021	9,215,021	9,215,021
<a href="#">76-13-105 Wildfire Suppression</a>	50,309,602	11,422,262	-	-
<a href="#">77-1-108(5a) Trust Land Adm.</a>	80,000	-	40,000	40,000
<a href="#">85-2-280 Water Adjudication</a>	1,060,395	2,945,110	2,772,000	2,879,000
<a href="#">87-2-801(6) Purple Heart Free Hunting*</a>	41,254	-	-	-
<a href="#">87-2-803(12d) Military Free Hunting*</a>	993	-	-	-
<b>Legislation</b>				
<a href="#">HB 10 (2015 Session)</a>	10,300,000	-	-	-
<a href="#">HB 403 (2015 Session)</a>	1,000,000	-	-	-
<a href="#">HB 110 (2017 Session)</a>	-	-	(832,000)	(832,000)
<a href="#">HB 228 (2017 Session)</a>	-	2,000,000	2,000,000	2,000,000
<a href="#">HB 647 (2017 Session)</a>	-	-	-	400,000
Other Adjustments	(375,938)			
<b>Total General Fund</b>	<b>\$79,563,385</b>	<b>\$32,393,231</b>	<b>\$20,108,251</b>	<b>\$20,693,251</b>
* Terminated March 1, 2016.				

## OTHER GENERAL FUND APPROPRIATION LEGISLATION

In addition to HB 2, long-range building, statutory appropriations, and non-budgeted transfers, other appropriation bills were adopted by the 2017 Legislature. The following table summarizes appropriation bills commonly referred to as cat and dog bills. As the majority of long-range building appropriations are not general fund, please see the long range building section of this report found on page 52.

2017 Session Legislation - Other General Fund Appropriation Bills					
Bill	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
HB0001 Feed Bill	\$6,960,613	\$2,209,718	\$2,421,660	-	-
HB0003 Supplemental appropriations & revised expenditures**	(1,937,636)	-	-	-	-
HB0017 Increase HCBS waiver slots & assisted living reimb. rates	-	1,765,242	3,519,610	-	-
HB0070 Strengthen guardian services & establish WINGS group	-	40,000	160,000	-	-
HB0387 Authorize 12-bed intensive behavioral center	-	500,000	-	-	-
HB0589 DPHHS to monitor youth mental health outcome factors	-	2,500	2,500	-	-
HB0648 HB 2 companion bill for Section C	(125,000)	-	-	-	-
HB0650 HB 2 companion bill for Section D	-	(395,816)	(395,816)	-	-
SB0059 Generally revise criminal justice laws	-	28,000	-	-	-
SB0294 State government pay plans	-	3,982,164	9,330,730	11,005,706	11,442,388
<b>Grand Total</b>	<b>\$4,897,977</b>	<b>\$8,131,808</b>	<b>\$15,038,684</b>	<b>\$11,005,706</b>	<b>\$11,442,388</b>

\*\*Amount shown for HB 3 is the net amount after supplemental appropriations, appropriation reductions, and changes to Governor's emergency statutory appropriation authority.

### Legislative Action

The following bills contain general fund appropriations for the 2019 biennium:

#### [HB 1](#) – Feed bill

The 2017 Legislature authorized \$11.6 million in general fund appropriations to fund the operations of the legislature.

#### [HB 3](#) – Revising expenditures and providing supplemental appropriations

In an effort to provide for a temporary shortfall in general fund revenues in FY 2017, the legislature authorized reductions to FY 2017 HB 2 appropriation authority for most state agencies, reduced the statutory appropriation authority for the Governor's emergency and disaster authority, authorized up to \$5.0 million state special revenue authority from the fire fund. HB 3 also provided for supplemental appropriations to the Office of Public Instruction to cover immediate K-12 costs, for the Department of Corrections to cover a shortfall in cost overruns, to provide funding for revenue shortfalls for Science Technology Engineering Math scholarships, and additional appropriation authority for aquatic invasive species response.

The net general fund impact was a savings of \$1.9 million in appropriation authority. The following tables provide additional information on the additional supplemental appropriation authority and reductions to appropriation authority authorized in HB 3.

HB 3 General Fund Supplemental Appropriations for FY 2017		
State Agency	Condition	Amount
Office of Public Instruction	Higher ANB , lower guarantee account funding, lower tax base	\$17,300,000
Department of Corrections	Costs of housing state offenders in county jails	3,148,125
Commissioner of Higher Education	Revenue shortages for scholarships provided for STEM	358,000
Department of Fish, Wildlife, and Parks	Costs related to aquatic invasive species found in Montana	200,000
Department of Natural Resources & Conservation	Costs related to aquatic invasive species found in Montana	200,000
<b>Total</b>		<b>\$21,206,125</b>

HB 3 Appropriation Authority Reductions for FY 2017				
State Agency	2017 Legislation	2015 Legislation	Fund	Reduction
Legislative Branch	HB 3	HB 2	General Fund	(\$1,106,655)
Department of Revenue	HB 3	HB 2	General Fund	(446,855)
Department of Public Health and Human Services	HB 3	HB 2	General Fund	(5,000,000)
Department of Livestock	HB 3	HB 2	General Fund	(47,003)
Department of Natural Resources & Conservation	HB 3	HB 2	General Fund	(1,000,000)
Judicial Branch	HB 3	HB 2	General Fund	(1,000,000)
Crime Control Division	HB 3	HB 2	General Fund	(100,000)
Department of Justice	HB 3	HB 2	General Fund	(724,302)
Office of Public Instruction	HB 3	HB 2	General Fund	(300,000)
Commissioner of Higher Education	HB 3	HB 2	General Fund	(100,000)
Legislative Branch	HB 3	HB 627	General Fund	(4,466)
Legislative Branch	HB 3	HB 230	General Fund	(14,748)
Legislative Branch	HB 3	SB 128	General Fund	(4,575)
Department of Revenue	HB 3	SB 405	General Fund	(95,157)
Judicial Branch	HB 3	HB 612	General Fund	(200,000)
Department of Justice	HB 3	HB 244	General Fund	(1,000,000)
Total FY 2017 Appropriation Reductions				(\$11,143,761)

Additionally, HB 3 reduced the Governor's emergency and disaster statutory appropriation authority by \$12.0 million general fund in FY 2017.

[HB 17](#) Increase HCBS waiver slots and assisted living reimbursement rates

This act appropriated money to the Department of Health and Human Services to increase service slots and enhance reimbursement rates for Medicaid home and community based services waiver for the elderly and physically disabled individuals. The appropriation authority for general fund totaled \$5.3 million for the 2019 biennium. The authority is intended to be included as ongoing general fund authority in the 2021 base budget.

[HB 70](#) Strengthening guardianship services and creating a WINGS group

The 2017 Legislature authorized additional appropriation authority to provide for costs associated with the interdisciplinary network of guardianship stakeholders evaluating adult guardianship laws and services in Montana, including the hiring of 0.50 FTE. A total of \$200,000 general fund authority was provided for the 2019 biennium. The authority is intended to be included as ongoing authority in the 2021 base budget.

[HB 387](#) Authorize establishment of a 12-bed intensive behavioral center

This act changes the continuum of care at the MDC in Boulder, MT. The 2017 Legislature appropriated \$500,000 of general fund authority in FY 2018 to the Department of Public Health and Human Services for a Boulder development fund administered by the director of DPHHS.

[HB 589](#) Require DPHHS to monitor factors related to children's mental health outcomes

The 2017 Legislature authorized \$5,000 in general fund appropriation authority for the 2019 biennium to the Department of Public Health and Human Services to monitor the status of children in the state-funded children's mental health system each fiscal year to determine if the children benefiting from the services remain at home, in school, and out of trouble.

[HB 648](#) Companion bill to HB 2, section C

This bill implements provisions of the general appropriations bill, HB 2. In addition to authorizing transfers and clarifying natural resources funding in HB 648, the legislature authorized a reduction of \$125,000 general fund in HB 2 appropriation authority for FY 2017 for the legal services division at the Department of Justice.

[HB 650](#) Companion bill to HB 2, section D

This bill implements provisions of the general appropriations bill, HB 2. The bill authorizes the reduction of general fund appropriations for the 2019 biennium if state special revenue court fees collected for

Court Appointed Special Advocates (CASA) is greater than \$200,000 for the 2019 biennium. The Legislative Fiscal Division estimates that this may result in an appropriation reduction of \$791,632 general fund for the 2019 biennium.

[SB 59](#) Generally revise criminal justice laws

The 2017 Legislature authorized \$28,000 in general fund appropriations for FY 2018 to provide for the department of corrections to cover costs associated with the Montana criminal justice oversight council.

[SB 294](#) Generally revise laws related to state government pay plans

A pay plan for state employees was adopted by the legislature that included \$13.3 million in general fund authority for the 2019 biennium. More details on the pay plan can be found on page 64 of this report.

# LEGISLATIVE ACTION

## PAY PLAN

The legislature adopted a pay plan for state employees and made statutory changes to laws impacting the broadband pay plan in [SB 294](#).

## Statutory Changes

Statutory changes made within the bill included:

- Refining and expanding definitions used for state employee pay plans
- Adding oversight of salary increases and compliance with occupational wage ranges by the Office of Budget and Program Planning for executive branch agencies
- Requiring development of rules and procedures for job classification and approval of classification changes by the Department of Administration
- Establishment of occupational wage ranges for each occupation including minimum, market midpoint, and maximum salaries
- 

## Pay Raise

[SB 294](#) provides for a 1% pay raise for state employees beginning the first pay period including February 15<sup>th</sup> each year of the biennium. The figure below outlines total funding provided by the legislature for the pay increase each year of the biennium.

Pay Plan for State Employees Pay Increase of 1% Beginning 2/15/2018 and 2/15/2019					
Annual Summary by Branch	General Fund	State Special	Federal	Proprietary	Total
FY 2018					
Legislative Branch	\$35,180	\$6,210	-	-	\$41,390
Consumer Counsel	-	2,256	-	-	2,256
Judicial Branch	84,299	2,880	\$83	-	87,262
Executive Branch	1,064,196	908,447	600,410	\$20,127	2,593,180
Montana University System	<u>1,142,646</u>	<u>253</u>	<u>12,228</u>	<u>1,022</u>	<u>1,156,149</u>
FY 2018 Total	2,326,321	920,046	612,721	21,149	3,880,237
FY 2019					
Legislative Branch	124,184	21,919	-	-	146,103
Consumer Counsel	-	7,963	-	-	7,963
Judicial Branch	297,576	10,165	292	-	308,033
Executive Branch	3,756,611	3,206,816	2,119,447	71,047	9,153,921
Montana University System	<u>3,493,577</u>	<u>892</u>	<u>43,166</u>	<u>3,608</u>	<u>3,541,243</u>
FY 2019 Total	7,671,948	3,247,755	2,162,905	74,655	13,157,263
2019 Biennium Total	\$9,998,269	\$4,167,801	\$2,775,626	\$95,804	\$17,037,500

## Coordination with SB 261

[SB 261](#) establishes appropriation reductions if revenue projections for FY 2017 and FY 2018 are not met. If revenues received for FY 2017 are less than \$2,180.0 million the appropriations for general fund in FY 2018 supporting the 1% pay increase are eliminated and the funding for FY 2019 is reduced to the FY 2018 appropriation level. The determination of the general fund revenue is made by the state treasurer on or before August 15, 2017.

## Contribution to Employee Group Benefits

Funding for the state share contribution to employee group benefits remained unchanged for the 2019 biennium at \$1,054 each month.

## ***Additional Appropriations***

[SB 294](#) also provided other appropriations for changes in state agency personal services costs including:

- Personal services contingency funding for agencies that were unable to meet vacancy savings targets, had retirement costs that exceed resources, or other contingencies with \$1.4 million appropriated to OBPP
- Retirement Incentive Program for qualified employees within the Montana University System. \$2.0 million in general fund was appropriated to provide for such items as health and prescription drug plan benefits, termination pay, or buyout incentives
- Funding for the Legislative Branch to implement the provisions of [SB 240](#) and [SB 279](#) with general fund of \$17,217 and \$87,002 respectively provided over the 2019 biennium
- Sheriffs' retirement system costs of \$102,117 in total funds each year of the biennium

## **CASELOAD CHANGES ADOPTED BY THE 2017 LEGISLATURE**

### **Foster care**

The 2019 biennium foster care caseload budget increased by 38% (\$27.9 million total funds) over the 2017 biennium foster care caseload budget. The 2019 biennium foster care caseload budget is \$101.6 million. This figure is about 53.3% state funds and 46.7% federal funds. The general fund portion increased 31.9% (\$12.2 million in total funds) from \$38.3 million to \$50.5 million. This budget amount is HB 2 only.

### **Medicaid**

The 2019 biennium Medicaid caseload budget increased by 6.9% (\$160.2 million total funds) over the 2017 biennium Medicaid caseload budget. The 2019 biennium Medicaid caseload budget is \$2.47 billion. This figure is about 33.7% state funds and 66.3% federal funds. This budget amount is HB 2 only and does not include the Medicaid expansion (HELP Act) population. This figure is also reduced by the decision to move \$176.9 million in federal funds for Indian Health Services Medicaid benefits from HB 2 to a statutory appropriation. The 2017 biennium Medicaid caseload general fund budget was \$529.0 million, increasing 17.2% to \$619.8 million for the 2019 biennium.

The standard FMAP (Federal Medical Assistance Percentage) for Montana was 65.56% in federal fiscal year (FFY) 2017 and 65.38% in FFY 2018. This figure means the federal government pays about \$0.65 of each \$1.00 spent on traditional Medicaid in Montana over FFYs 2017 and 2018. The FMAP is projected to be 66.28% in FFY 2019, which will slightly lower the amount of state dollars needed to maintain Medicaid expenditures at a constant level.

## **LEGISLATIVE FINANCE COMMITTEE (LFC) INTERIM STUDIES**

### **HB 661 Interim study on Montana State University Laboratories**

Per [HB 661 \(2017 Session\)](#), the LFC will direct a study of the long-term future of and possible efficiencies to be gained from state supported labs on the Montana State University campus in Bozeman, including: the veterinary diagnostic lab; the wool lab; the wildlife lab; and the seed lab. The study is directed to include a bipartisan subcommittee of two LFC members and two economic affairs interim committee members, and two members of the environmental quality council, with one member from each political party.

### **SB 261 Budget Stabilization Plan**

[SB 261 \(2017 Session\)](#) contains the following language:

- 2) (a) *The legislature directs the staff of the legislative fiscal division and the office of budget and program planning to study, analyze, and make recommendations regarding the budget stabilization policies to the legislative finance committee by May 1, 2018. The study should address:*
  - (i) *trigger levels in 17-7-140;*

- (ii) legislative and executive access to the budget stabilization reserve fund;*
  - (iii) deposit rules into the budget stabilization reserve fund; and*
  - (iv) the level of operating reserve.*
- (b) The legislative fiscal division and the office of budget and program planning shall work jointly toward development of a set of best practices for the fund by September 1, 2018.*

The LFD will coordinate with the Office of Budget and Program Planning to determine the timing of the study and report a proposed plan to the LFC by the September 2017 meeting. Also at the September meeting, the LFD will review their research regarding rainy day fund policies.

## **Community College Funding Study**

A study of the community college funding formula every six years has been recommended by previous LFC and is currently designated to be the studied in the 2019 biennium interim. LFD staff will work with the community colleges, the Office of the Commissioner of Higher Education, and the Office of Budget and Program Planning to evaluate community college funding and report to the LFC.

## **State Information Technology**

HB 2 contains the following language:

*It is the intent of the legislature that the legislative finance committee include a study of enterprise, data storage, and network services as part of its 2019 biennium interim work. In addition, as part of the study, the legislative finance committee shall include a customer satisfaction survey to assess agency needs and challenges that may need to be addressed by the state information technology services division of the department of administration.*

LFD staff will initiate a customer satisfaction survey, seeking guidance and recommendations from OLIT staff and Section C subcommittee members, to identify information technology services warranting further study.

## **Alternative Funding Options for Infrastructure**

During the 2017 biennium interim, LFD staff built upon the [infrastructure research and reporting](#) done during the 2015 biennium interim, by providing [further research and presentations](#) on state-owned and operated buildings and related infrastructure. The research focused on general fund supported infrastructure, but also touched on infrastructure supported through other funding mechanisms that if not sufficient for facility maintenance and upkeep may result in pressure on the general fund. [SB 43 \(2017 Session\)](#) put into place a facility assessment process as a first step to address the lack of information raised in the last interim study. Given the current difficulty in getting a two-thirds vote to pass bonding, various funding options for infrastructure other than bonding will be evaluated.

## **Child and Family Services**

[HB 639 \(2017 Session\)](#) included an appropriation and language directing DPHHS to complete an interim study creating a metrics-based approach to program review. The LFD will monitor this study, interact with DPHHS where possible, and analyze the proposed metrics. Additionally, the LFD will work with Pew Charitable Trusts to implement the “Results First” approach with a specific focus on the Child & Family Services Division.



# APPENDIX

## LEGISLATIVELY AUTHORIZED POSITIONS

The table on the following page summarizes the actions related to legislatively authorized positions or full time equivalent (FTE) adjustments included in HB 2. In the 2017 biennium the legislature provided that the appropriations for personal services funding for the Department of Livestock and the Office of the Public Defender would be one-time-only. For comparison purposes between biennium, the FTE for these state agencies are provided as though the FTE were authorized to continue in both biennia.

The largest increases between biennia were:

- Department of Fish, Wildlife, and Parks received funding for 17.08 FTE including 14.00 FTE to respond to the threat of aquatic invasive species due to the discovery of quagga and zebra mussels in Tiber Reservoir and the potential of the same in the Canyon Ferry Reservoir and 5.00 FTE for wolf management. These are partially offset by reductions in funding supporting other FTE throughout the agency
- Judicial Branch received funding for 13.50 new FTE with 2.00 FTE to increase staffing for information technology projects, 0.50 FTE for child abuse court diversion, and 11.00 FTE beginning in FY 2019 to provide one additional judge and related staff in the 4<sup>th</sup> judicial district (Missoula) and two judges and related staff in the 13<sup>th</sup> judicial district (Billings)
- Department of Justice received funding for 11.00 FTE with 6.00 FTE to support the Montana Interdiction Drug Apprehension Squad and 5.00 FTE for the Eastern Crime Laboratory in Yellowstone County
- Office of the Public Defender received funding for 36.04 FTE with funding supporting 5.00 FTE for resource advocates, 1.50 FTE to partially restore commission funding, and the remainder for additional attorneys and support staff within the divisions of the agency
- Department of Revenue received funding for an additional 5.97 FTE including 2.00 FTE for the Business and Income Tax Division and 9.00 FTE within the Property Assessment Division for increased workload related to the change to a two year appraisal cycle. The increases were partially offset by reductions in base budget funding for personal services and related FTE
- Department of Corrections received additional funding for 5.00 FTE overall, all probation officers to conduct pre-sentencing investigations

A number of agencies had personal services supporting FTE decreased. The most significant reductions included:

- Department of Labor and Industry – reduction in funding for 24.90 FTE, 13.00 FTE related to the HELP Act as the positions were vacant all of FY 2016 and FY 2017 and funding supporting 11.90 FTE reduced as part of base budget reductions
- Department of Administration -- reduction in funding for 4.31 FTE including 1.00 FTE in the Office of Labor Relations, 0.50 FTE in the State Financial Services Division, 0.50 FTE in the General Services Division, 0.51 FTE in the State Information Technology Services Division, and 1.80 FTE in the Banking and Financial Institutions Division. Base budget reductions drove the decreases
- Department of Transportation — reductions in funding for 63.05 FTE with 61.05 vacant FTE eliminated with 18.80 FTE in the General Operations Program, 27.00 FTE in the Construction Program, 8.00 FTE in the Maintenance Program, 1.50 FTE in the Motor Carrier Services Program, and 5.75 FTE in the Rail Transit and Planning Program. In addition, funding for 4.00 FTE in the Motor Carrier Services Program was eliminated. The reductions were offset by increased funding for 2.00 FTE in the Maintenance Program
- Office of Public Instruction – reductions in funding for 3.20 FTE in the State Level Activities due to base budget reductions
- School for the Deaf and Blind – reductions in funding for 3.65 FTE eliminated in the Education Program for base budget reductions



Full Time Equivalent (FTE) Positions Changes Between 2017 Biennium and 2019 Biennium			
	2017 Biennium	2019 Biennium	Change Between Biennia
<b>Section A General Government</b>			
Legislative Branch	138.39	139.39	1.00
Consumer Counsel	5.54	5.54	0.00
Governor's Office	58.07	58.07	0.00
Commissioner of Political Practices	7.00	7.00	0.00
State Auditor's Office	81.04	81.12	0.08
Department of Revenue	648.55	654.52	5.97
Department of Administration	144.06	139.75	(4.31)
Department of Commerce	47.06	47.06	0.00
Department of Labor and Industry	693.06	668.16	(24.90)
Department of Military Affairs	<u>200.21</u>	<u>201.78</u>	<u>1.57</u>
Subtotal Section A	2,022.98	2,002.39	(20.59)
<b>Section B Health and Human Services</b>			
Department of Public Health & Human Services	<u>2,935.24</u>	<u>2,935.24</u>	<u>0.00</u>
Subtotal Section B	2,935.24	2,935.24	0.00
<b>Section C Natural Resources &amp; Transportation</b>			
Department of Fish, Wildlife, and Parks	685.59	702.67	17.08
Department of Environmental Quality	365.54	366.54	1.00
Department of Transportation	2,055.32	1,992.27	(63.05)
Department of Livestock	138.70	137.62	(1.08)
Department of Natural Resources & Conservation	524.36	527.62	3.26
Department of Agriculture	<u>114.74</u>	<u>114.42</u>	<u>(0.32)</u>
Subtotal Section C	3,884.25	3,841.14	(43.11)
<b>Section D Judicial, Law Enforcement, &amp; Justice</b>			
Judicial Branch	436.08	449.58	13.50
Crime Control Division	17.50	17.50	0.00
Department of Justice	759.42	770.42	11.00
Public Service Commission	38.44	35.00	(3.44)
Office of the Public Defender	235.90	271.94	36.04
Department of Corrections	<u>1,269.02</u>	<u>1,274.02</u>	<u>5.00</u>
Subtotal Section D	2,756.36	2,818.46	62.10
<b>Section E Education</b>			
Office of Public Instruction	159.71	156.51	(3.20)
Board of Public Education	3.00	3.00	0.00
Commissioner of Higher Education	89.90	89.90	0.00
School for the Deaf and Blind	88.61	84.96	(3.65)
Montana Arts Council	7.00	7.00	0.00
Montana State Library	30.46	30.46	0.00
Montana Historical Society	<u>59.39</u>	<u>58.39</u>	<u>(1.00)</u>
Subtotal Section E	438.07	430.22	(7.85)
<b>Grand Total</b>	<b>12,036.90</b>	<b>12,027.45</b>	<b>(9.45)</b>

## VACANCY SAVINGS

The legislature has historically used vacancy savings as a budgeting tool to capture savings from personal services expenses. Most state agencies experience turn over resulting in positions being vacant for part of the fiscal year. Vacancy savings recognizes that as a result of the vacant positions, full funding for all authorized FTE is not required. Typically, the amount of the vacancy savings reduction applied to the budget is based on a percentage. For example, if an FTE's personal services costs are fully funded at \$100,000, application of a 2% vacancy savings reduces full funding by \$2,000 and results in personal service appropriations for this position provided at \$98,000. Further information on the application of vacancy savings in the last several biennia can be found [here](#).

The 2017 Legislature adopted the executive's proposed 4% vacancy savings and applied an additional 2% vacancy savings to all positions including those supported through proprietary funding and statutory appropriations. The adjacent figure illustrates the resulting 6% vacancy savings applied to personal services by fiscal year and funding source.

6% Vacancy Savings 2019 Biennium			
	FY 2018	FY 2019	2019 Biennium
General Fund	\$15,923,502	\$15,915,015	\$31,838,517
State Special Revenue	15,189,057	15,251,979	30,441,036
Federal Special Revenue	12,115,794	12,192,984	24,308,778
Proprietary			
Internal Service	4,108,809	4,120,848	8,229,657
Enterprise	3,257,088	2,728,218	5,985,306
<b>Total</b>	<b>\$50,594,250</b>	<b>\$50,209,044</b>	<b>\$100,803,294</b>

# ONE-TIME-ONLY APPROPRIATIONS

The legislature appropriated \$61.1 million all funds for HB 2 on a one-time-only (OTO) basis for the 2019 biennium. Additional discussion of each can be found in the narratives for the individual agencies listed.

## HB 2

One-Time-Only Appropriations in HB 2 - All Funds 2019 Biennium						
Section and Agency	FY 2018	FY 2018	FY 2018 Total	FY 2019	FY 2019	FY 2019 Total
	Present Law Adj	New Proposals		Present Law Adj	New Proposals	
<b>Section A - General Government</b>						
COMMISSIONER OF POLITICAL PRACTICES						
Legal Services (Restricted/OTO)		89,555	89,555		89,621	89,621
DEPARTMENT OF ADMINISTRATION	-					
Supplemental State Contribution (Restricted/OTO)	-	1,649,000	1,649,000	-	1,657,000	1,657,000
DEPARTMENT OF COMMERCE						
Brownfield Chemical Spills Grants (Restricted/Biennial/OTO)		5,000	5,000		5,000	5,000
Indian Country Economic Development - (Restricted/OTO)		800,000	800,000		800,000	800,000
Montana Manufacturing Extension Center (Restricted/OTO)		200,000	200,000		200,000	200,000
MSU - Northern Advanced Biofuel Center (Restricted/OTO)		200,000	200,000		200,000	200,000
Native Language Preservation - (Restricted/Biennial/OTO)		500,000	500,000		500,000	500,000
Primary Sector Business Training - (Restricted/OTO)		600,000	600,000		600,000	600,000
DEPARTMENT OF MILITARY AFFAIRS						
State Special Veterans Affairs Funding (OTO)	50,000		50,000	50,000		50,000
Veterans Outreach Services (Biennial/OTO)	-	100,000	100,000	-	-	-
DEPARTMENT OF REVENUE						
Overtime Liquor Control Division (Restricted/OTO)	65,000		65,000	65,000		65,000
Termination Payouts Liquor Control Division (RST/OTO)	60,000		60,000	60,000		60,000
GOVERNOR'S OFFICE						
Economic Development (OTO)	-	200,000	200,000	-	200,000	200,000
Section A Subtotal	175,000	4,343,555	4,518,555	175,000	4,251,621	4,426,621
<b>Section B - Public Health and Human Services</b>						
DEPARTMENT OF PUBLIC HEALTH & HUMAN SERVICES						
Foster Care/Adoption/Guardian Caseload (RST/OTO)	7,737,182		7,737,182	8,905,431		8,905,431
STARS to Quality Early Childhood Ed (OTO)	-	3,000,000	3,000,000	-	3,000,000	3,000,000
Tracking and Operational Performance (OTO/Bien)	-	200,000	200,000	-	200,000	200,000
Youth Crisis Diversion (OTO)	-	600,000	600,000	-	600,000	600,000
Section B Subtotal	7,737,182	3,800,000	11,537,182	8,905,431	3,800,000	12,705,431
<b>Section C Natural Resources &amp; Transportation</b>						
DEPARTMENT OF AGRICULTURE						
Montana Wheat and Barley Committee (BIEN/OTO)	-	2,000,000	2,000,000	-	-	-
DEPARTMENT OF FISH, WILDLIFE, AND PARKS						
Aquatic Invasive Species Response (Restricted/OTO)	-	5,931,566	5,931,566	-	5,565,515	5,565,515
Aquatic Invasive Species Response Adj. (RST/OTO)	-	-	-	-	1	1
Bison Containment (OTO)	-	54,130	54,130	-	54,047	54,047
Data Management (OTO)	-	30,000	30,000	-	30,000	30,000
Drought Management Planning (Restricted/OTO)	-	150,000	150,000	-	150,000	150,000
Grizzly Bear Management (OTO)	-	348,013	348,013	-	347,325	347,325
Wolf Management (OTO)	471,218	-	471,218	471,575	-	471,575
DEPARTMENT OF LIVESTOCK						
Lab Equipment (OTO)	-	15,000	15,000	-	-	-
NATURAL RESOURCES AND CONSERVATION						
Aquatic Invasive Species Response (Restricted/OTO)	-	355,642	355,642	-	355,642	355,642
CARDD Conservation Districts Admin. (Restricted/OTO)	115,000	-	115,000	115,000	-	115,000
Fire Tenders (Restricted/Biennial/OTO)	-	250,000	250,000	-	250,000	250,000
Montana Rural Water (OTO)	-	180,000	180,000	-	180,000	180,000
Restore State Special Revenue (OTO)	-	661,264	661,264	-	661,264	661,264
Speculator Mine Centenary (Restricted/OTO)	-	100,000	100,000	-	-	-
Section C Subtotal	586,218	10,075,615	10,661,833	586,575	7,593,794	8,180,369

One-Time-Only Appropriations in HB 2 - All Funds 2019 Biennium						
Section and Agency, continued	FY 2018 Present Law Adj	FY 2018 New Proposals	FY 2018 Total	FY 2019 Present Law Adj	FY 2019 New Proposals	FY 2019 Total
<u>Section D Judicial Branch, Public Safety, Corrections &amp; Public Defender</u>						
CRIME CONTROL DIVISION						
Housing Grants (Biennial/OTO)	-	200,000	200,000	-	200,000	200,000
DEPARTMENT OF CORRECTIONS						
Accreditation Fees (OTO)	-	-	-	16,500	-	16,500
Presentence Investigations (Restricted/OTO)	-	360,000	360,000	-	360,000	360,000
Revise Board of Pardons and Parole (OTO)	-	29,878	29,878	-	59,755	59,755
Sentencing Comm. Implement. Accountability (OTO)	-	100,000	100,000	-	100,000	100,000
DEPARTMENT OF JUSTICE						
MVD county IT efficiencies (Biennial/OTO)	-	500,000	500,000	-	500,000	500,000
Secure funding for morgue facility (Biennial/OTO)	-	800,000	800,000	-	-	-
JUDICIAL BRANCH						
Continue Child Abuse Court Diversion Project (OTO)	-	44,481	44,481	-	44,507	44,507
IT Increased Staffing (Restricted/OTO)	-	120,437	120,437	-	120,586	120,586
Sentencing Commission and Senate Bill 59 (OTO)	-	780,000	780,000	-	780,000	780,000
OFFICE OF STATE PUBLIC DEFENDER						
OPD Contingency Funding OTO	-	500,000	500,000	-	500,000	500,000
Replace Agency Vision Net Machines - Bien/OTO	-	25,000	25,000	-	-	-
Section D Subtotal	-	3,459,796	3,459,796	16,500	2,664,848	2,681,348
<u>Section E - Education &amp; Cultural Agencies</u>						
BOARD OF PUBLIC EDUCATION						
Legal Fees RST/OTO	-	30,000	30,000	-	30,000	30,000
COMMISSIONER OF HIGHER EDUCATION						
AES Seed Lab MSU-Bozeman (Biennial/OTO)		100,000	100,000		100,000	100,000
AES Wool Lab MSU-Bozeman (Restricted/Biennial/OTO)		55,000	55,000		55,000	55,000
MBMG Data Preservation Program (OTO)		300,000	300,000		300,000	300,000
OFFICE OF PUBLIC INSTRUCTION						
Audiological Services (Restricted/OTO)	50,000	-	50,000	50,000	-	50,000
Montana Digital Academy One Time Only Funding	-	832,500	832,500	-	832,500	832,500
National Board Certification (Restricted/OTO)	-	-	-	30,000	-	30,000
SCHOOL FOR THE DEAF & BLIND						
Extra-curricular stipends RST/OTO	26,938	-	26,938	26,938	-	26,938
Student Travel RST/OTO	-	30,000	30,000	-	30,000	30,000
Section E Subtotal	76,938	1,347,500	1,424,438	106,938	1,347,500	1,454,438
<b>Grand Total</b>	<b>\$8,575,338</b>	<b>\$23,026,466</b>	<b>\$31,601,804</b>	<b>\$9,790,444</b>	<b>\$19,657,763</b>	<b>\$29,448,207</b>

# LEGISLATIVE SOLUTIONS TO ENDING FUND BALANCE CHALLENGE WITH POTENTIAL TRIGGERED APPROPRIATION REDUCTIONS

The chart below replicates the chart shown on page 6, but includes all the potential triggered appropriations reductions and transferred in authority as detailed on page 18. Cumulatively the changes made during session result in a \$105.6 million increase to the general fund as shown in the gray box. The maximum potential triggered reductions and transfers result in a \$97.4 million increase to the general fund. The two together total \$203.0 million in savings to general fund.

