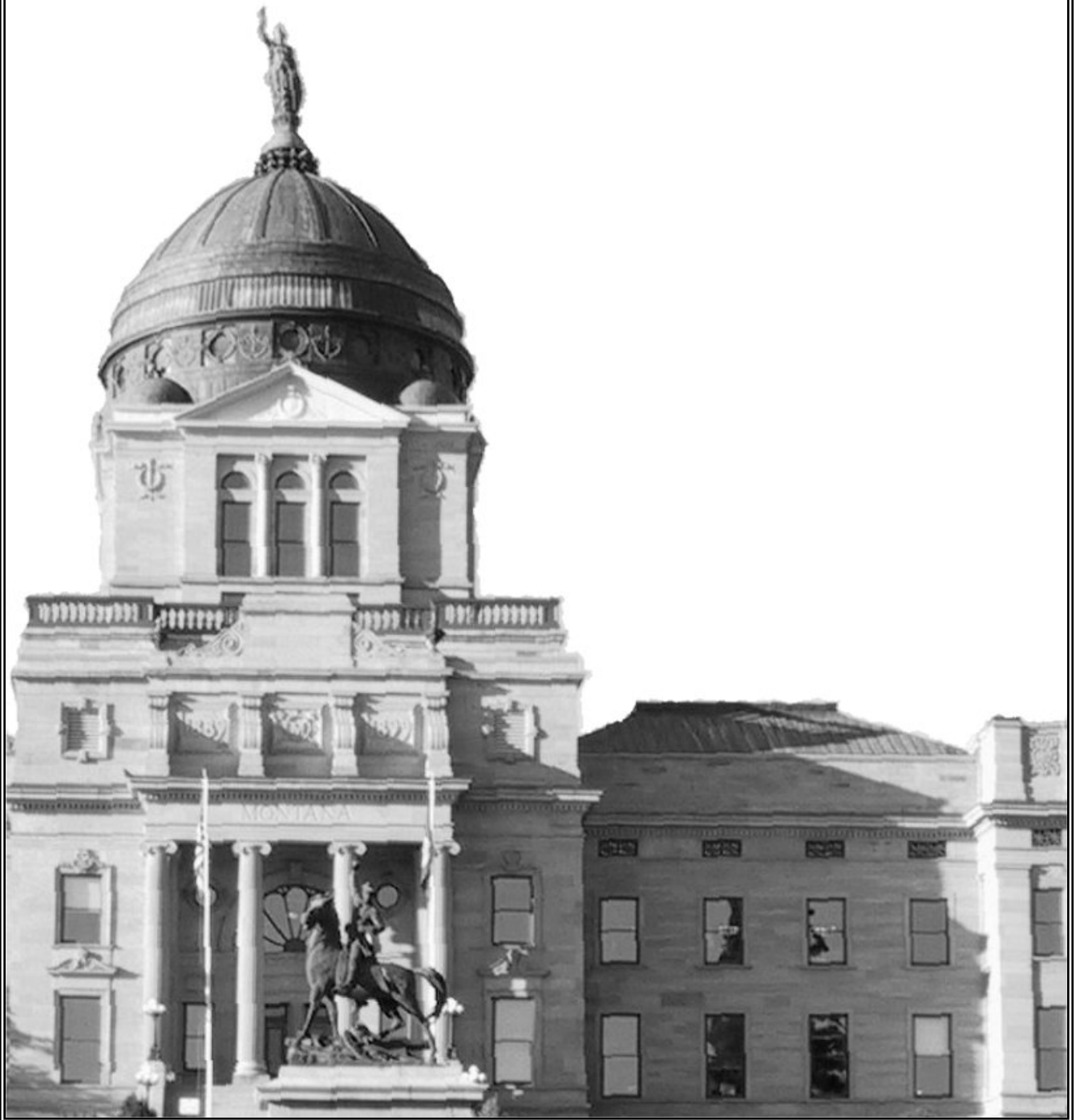


LEGISLATIVE FISCAL REPORT 2017 BIENNIUM

VOLUME 1—STATEWIDE PERSPECTIVES



**LEGISLATIVE FISCAL REPORT
2017 BIENNIUM
VOLUME 1 – STATEWIDE PERSPECTIVES**

**REPORT FROM THE LEGISLATIVE FISCAL DIVISION
TO THE SIXTY-FOURTH LEGISLATURE
JUNE 2015**

Legislative Finance Committee (2015 Session)

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Representative Kelly McCarthy
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Acknowledgements

The Legislative Fiscal Division (LFD) is a nonpartisan office which provides fiscal and policy information and advice to the legislature.

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Director
AMY CARLSON

June 2015

Members of the 64th Legislature
Members of the Legislative Finance Committee:

In accordance with the provisions of [5-12-302, MCA](#), I submit the Legislative Fiscal Report for the 2017 biennium. The report provides an overview and details of the 2017 biennium budget for the State of Montana adopted by the 64th Legislature in the 2015 Session.

This four volume report includes:

- o Volume 1: Statewide Perspectives – This volume provides an overview of the 2017 biennium state budget as well as significant policies addressed by the 2015 Legislature
- o Volume 2: Revenue Estimates – This volume provides the legislative revenue estimates and underlying economic assumptions that were included in HJ 2
- o 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 black ink, appearing to read "Amy Carlson".

Amy Carlson
Legislative Fiscal Analyst

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VOLUME 1: INTRODUCTION

The purpose of this report is to provide legislators and all interested parties with information regarding the fiscal actions of the 2015 Legislature (including both legislation passed and legislative intent related to fiscal issues) and the fiscal status of state government through the 2017 biennium. This report provides an objective perspective on the state's fiscal condition and on the fiscal outcomes of the 2015 regular session. In addition, the report is a reference document for all legislators, as well as an historic record of fiscal decisions.

Volume 1 is intended to complement Volumes 2 through 4 of the [2017 Biennium Legislative Fiscal Report](#) by providing a general overview of the budget approved by the legislature. Volumes 2 through 4 describe the detailed results of the 2015 Legislature's actions regarding expenditures and revenues, and Volumes 3-4 include adopted budgets of state programs. Volume 1 presents a broader fiscal overview and discusses significant fiscal and policy issues that either encompasses all programs and agencies or that do not necessarily fall under the jurisdiction of a single committee of the legislature.

This volume is divided into the following sections:

- Overview provides a high level summary of the actions of the 2015 Legislature
- Biennial Comparison shows the changes between the 2015 biennium and 2017 biennium legislative appropriations
- Revenues provide a review of the revenue projections used to craft the 2017 biennium budget
- Expenditures provides an overview of the state spending plan for the 2017 biennium
- Legislative Action describes significant fiscal decisions
- Appendix contains information that further details various aspects of the legislative budget

LEGISLATIVE FISCAL REPORT: VOLUMES 2 THROUGH 4

[Volume 2](#) – Revenue Estimates

Volume 2 provides a detailed summary of the state's major revenue sources is included online. A review of the table of contents will give the reader a quick idea of revenue sources included and the structure of the report. Volume 2 also describes the legislative actions that affected the various revenue sources.

[Volumes 3 and 4](#) – Expenditure Details

Volumes 3 and 4 offer 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. Agency sections correspond with the appropriations subcommittee that reviewed their budget.

- Volume 3
 - HB 2 – General Appropriations Act of 2015
 - Section A – General Government
 - Section B – Health and Human Services
- Volume 4
 - HB 2 – General Appropriations Act of 2015
 - Section C – Natural Resources and Transportation
 - Section D – Judicial Branch, Law Enforcement, and Justice
 - Section E – Education
 - Section F – Long-Range Planning

The basic structure used for the [2017 Biennium Legislative Fiscal Report](#) is consistent across agencies. Please note that if using this document to compare to previous Legislative Fiscal Reports,

this biennium is a transition from budgeting based on FY 2014 actual spending to instead using the legislatively budgeted FY 2015 level of spending.

Agency budgets are presented in three tiers:

- 2015 legislative appropriations as a starting point
- Present law adjustment: additional funding needed to maintain current operations and services at the level authorized by the 2013 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 64th Legislature used the 2015 legislative appropriations as the starting point, then incrementally added or subtracted funds through either 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

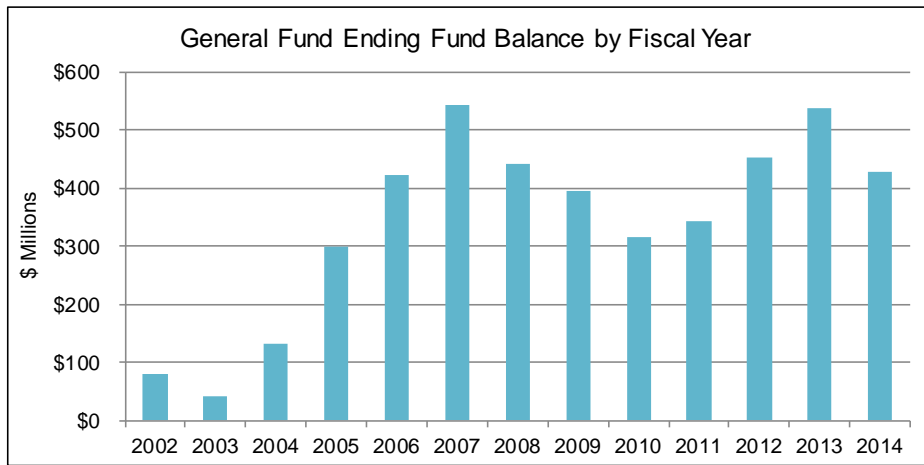
The legislature biennially appropriates general fund, state special funds, federal funds, and certain proprietary funds as defined in [17-7-150, MCA](#). The general fund is the primary fund used for general government purposes such as education, health care, and corrections. The all funds budgets include the general fund plus any other appropriated funds. The overview of the general fund budget begins below and the overview of the all funds begins on page 9.

GENERAL FUND ENDING FUND BALANCE

The legislature primarily uses the ending fund balance as the means for managing potential budget volatility in either expenditures or revenues. Governor Bullock proposed an ending fund balance of \$300 million. The estimated ending fund balance at the end of legislative action and upon adjournment of the legislature was \$269 million. The Governor's vetoes brought the ending fund balance to \$314 million or approximately 6.7% of the biennial ongoing general fund expenditures.

Actual Ending Fund Balance

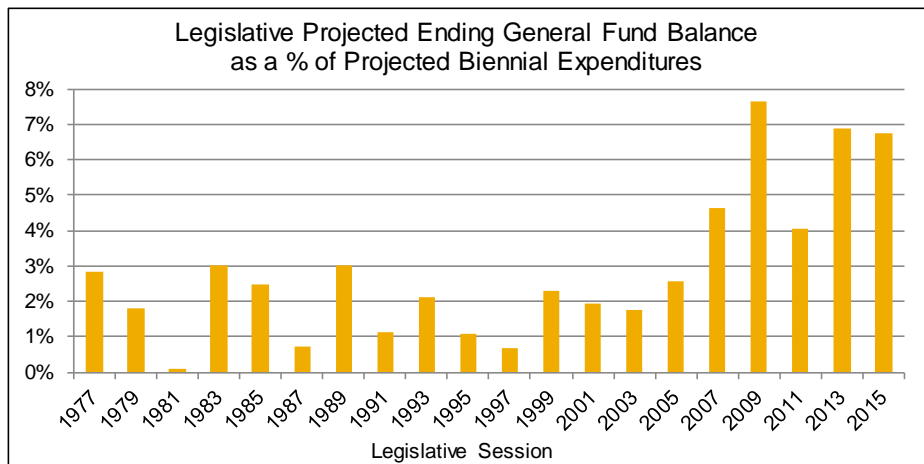
In the past ten years, the actual general fund ending fund balances have been \$300 million or greater. Prior to FY 2005, the general fund ending fund balances were less than \$300 million. The FY 2014 general fund ending fund balance was \$424 million. Prospective biennial ending fund balances are typically measured at the end of the second year of the biennium. The 2017



biennium projected ending fund balance is \$314 million.

End of Session Estimated General Fund Ending Fund Balances

Historically, projected ending fund balances have varied from nearly 0% to as high as 7.7% of biennial spending. The current 6.7% is similar to the most recent biennia, but materially higher than biennia 2005 and prior.



The 64th Legislature adopted [HB 588](#) which changed statute ([17-7-140, MCA](#)) to increase the minimum projected ending fund balance from 1% of biennial appropriations to 3.5% of biennial appropriations, with a declining rate at the end of the biennium.

GENERAL FUND STRUCTURAL BALANCE

In addition to using the general fund ending fund balance, the legislature also uses structural balance (the difference between ongoing revenues and ongoing expenditures) as the means for managing potential volatility. The estimated structural balance at the end of legislative action of the 2015 session was \$24.4 million. However, the legislature adopted one-time budgeting for the operations of the Office of Public Defender (OPD) and Department of Livestock (Livestock) for the purpose of thoroughly detailing these budgets for the 2019 biennium. If these appropriations were considered ongoing, the structural balance would be negative \$8.9 million or 0.4% of annual expenditures. After the Governor's vetoes the structural balance, considering OPD and Livestock as ongoing, is positive \$20 million or 1%.

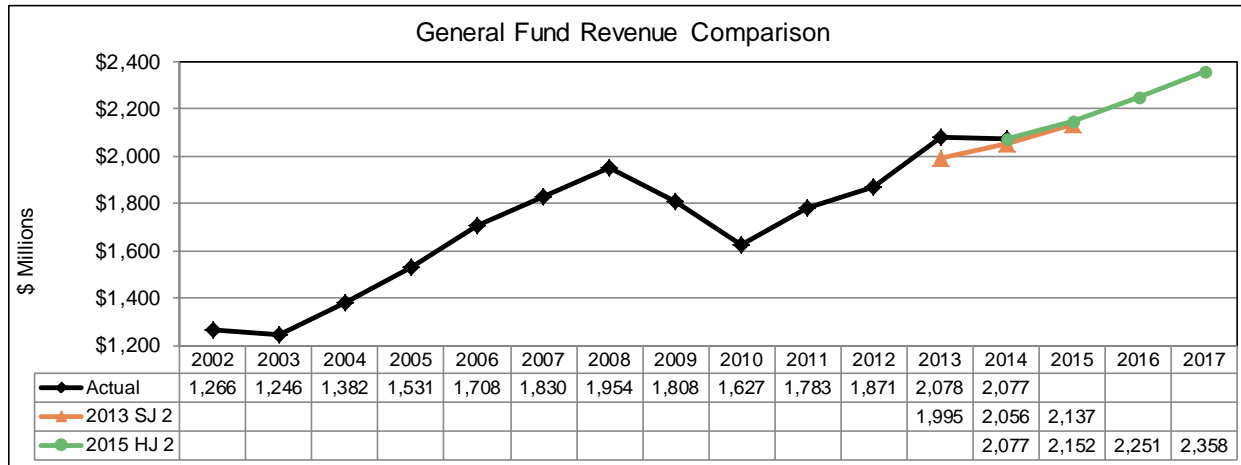
The following table is an updated general fund balance sheet of adjustments that reflect the bills that were sent out for legislative polling. The polling results indicated that the Governor's vetoes were upheld.

Legislative Fiscal Division General Fund Balance Sheet (\$ Millions)				
6/11/15 9:29 AM	FY 2014	FY 2015	FY 2016	FY 2017
Beginning Fund Balance	\$537.600	\$424.451	\$364.934	\$319.061
Revenues				
Actual/HJ 2	2,077.044	2,151.786	2,251.181	2,357.877
Revenue Legislation				
Ongoing Revenue		(0.043)	11.874	(2.521)
OTO Revenue		2.250	(0.122)	0.005
Total Available Funds	\$2,614.644	\$2,578.444	\$2,627.867	\$2,674.422
<u>Expenditures - Ongoing</u>				
Previously Authorized				
Statutory App/ Non-Bud Trans/Other	270.900	292.600	289.300	295.600
HB 2				
Section A: General Government	82.600	88.500	101.924	112.145
Section B: Health and Human Services	445.900	469.100	502.221	517.559
Section C: Natural Resources	30.900	32.400	33.973	33.902
Section D: Public Safety	276.200	283.200	281.241	283.899
Section E: Education	927.900	972.200	1,019.715	1,040.181
HB 2 Subtotal	1,763.500	1,845.400	1,939.074	1,987.686
Non HB 2 Legislation Apprpr(Bill list)		6.000	19.786	21.361
HB 2 Language Appropriations		21.194	(2.110)	(3.448)
HJ 2 Statutory and Transfer Adjustments		0.258	0.166	0.209
Assumed 2017 Appropriations (HB 1 & SB 260)				7.600
Reversion Assumptions		(6.700)	(7.100)	(7.300)
<u>One-Time Expenditures</u>				
Previously Authorized	135.500	28.900		
HB 2	20.600	25.858	65.969	58.422
Non-HB 2 Legislation (Bill List)		-	3.721	(0.054)
Total Expenditures	\$2,190.500	\$2,213.510	\$2,308.806	2,360.076
Other Adjustments	0.307			
Ending Fund Balance (unaudited and unassigned)	\$424.451	\$364.934	\$319.061	\$314.345
Total Ongoing Revenues	2,077.044	2,151.743	2,263.055	2,355.356
Total Ongoing Expenditures	2,034.400	2,158.751	2,239.116	2,301.708
Structural Balance (ongoing revenues-ongoing expenditures)	\$42.644	(\$7.008)	\$23.939	\$53.648
Adjust Structural Balance for ongong liabilities funded with one-time funding				
Assumption for Public Defender and Dept. of Livestock ongoing			33.330	33.285
Adjusted Structural Balance			(\$9.391)	\$20.362

REVENUES

The 2017 biennium general fund revenues are anticipated to grow at rates similar to growth in 2010. In the past ten years, Montana has experienced high revenue growth as well as significant declines. The stability of recent years is anticipated to continue into the 2017 biennium.

Prior to the 2015 legislative session and throughout legislative deliberation, the revenue estimates of the LFD and the Governor’s Office of Budget and Program Planning (OBPP) varied as much as \$358 million over the three year estimated period. Ultimately, the House Tax Committee adopted an estimate that was based on the core methodologies and assumptions of the LFD with the exception of alternative assumptions in specific sources to bring the estimate between the level estimated by the OBPP and the LFD.



The chart above illustrates the actual revenue collected from FY 2002 to FY 2014 with the black line. The orange line shows the revenue anticipated at the end of the 2013 session and the green line shows the revenue estimate for FY 2015 to FY 2017 as contained in HJ 2, the official revenue estimate of the 2015 session.

LEGISLATIVE GENERAL FUND BUDGET FOR THE 2017 BIENNIUM

The status sheet at the end of session had an ending fund balance anticipated at \$268.6 million and a negative structural balance of \$8.6 if the assumption for Office of Public Defender and Department of Livestock are ongoing liabilities. However, the Governor vetoed a number of bills after the end of the 2015 legislative session that impacted both the overall and structural balances. The following table details the Governor's vetoes. All vetoes that qualified for potential polling were upheld by the legislature.

Vetoed Bills (after 4/28/2015) -- General Fund Only FY 2015 - FY 2017 (\$ Millions)				
Bill	Short title	Status	Revenues	Approp.
HB0002	General Appropriations Act line-items, Section A	Vetoed, line-item, override attempt failed		\$0.180
HB0237	Providing requirements for Medicaid overpayment audits	Vetoed, override attempt failed	-	-
HB0322	Create education savings accounts for children with disabilities	(H) Vetoed by Governor		0.105
HB0423	Revise education funding laws related to oil & natural gas taxes	Vetoed, override attempt failed	-	0.515**
HB0496	Establish public lands task force	(H) Vetoed by Governor		0.035
HB0599	Allow for permanent registration of heavy trucks & truck tractors	Vetoed, override attempt failed	\$2.519	-
HB0614	Study committee on patient compensation for medical injury	(H) Vetoed by Governor		0.031
HB0628	Revise the replacement schedule for regular license plates	Vetoed, override attempt failed	(1.131)	-
SB0099	Revise insure Montana small business health insurance laws	(S) Vetoed by Governor	(17.118)	
SB0171	Generally revise taxation of income, including corporate tax	(S) Vetoed by Governor	(28.328)	
SB0316	Regarding when certain individuals may be transferred to DOC	Vetoed, override attempt failed	-	-
SB0354	Create infrastructure funding program	(S) Vetoed by Governor	(0.784)	
SB0390	Study fees charged relating to boards	Vetoed, override attempt failed	-	0.007
Grand Total			(\$44.842)	\$0.358

**HB 423 had a BASE-aid impact that would have reduced the general fund balance. HB 154 anticipated a \$10.3 million increase to revenues beginning in FY 2019, so is therefore not shown on the table.

The final adopted general fund budget included an ending fund balance anticipated at \$314.3 million and a positive structural balance of about \$20 million if the ongoing liabilities funded with one-time funding for the Office of Public Defender and Department of Livestock are assumed ongoing.

DETAIL OF ONGOING GENERAL FUND INCREASE

Department of Health and Human Services

The general fund 2017 biennium HB 2 ongoing appropriations for the Department of Public Health and Human Services (DPHHS) are \$104.3 million, or 11.4% higher than the 2015 biennium appropriation. The major increase is for Medicaid services for persons who meet specific eligibility criteria, which is \$94.5 million general fund. If Medicaid caseloads exceed expected levels, the legislature authorized up to an additional \$21.8 million general fund to be appropriated in language in HB 2. Medicaid services costs rose due to increased enrollment and service utilization as well as a 2% annual provider rate increase for most Medicaid services.

In addition, the legislature funded general fund increases in mental health services \$19.2 million and moved patients from the Montana Developmental Center (MDC) to community based services and care. General fund expenditures for the MDC transition are estimated to increase by \$1.0 million in FY 2016 with a reduction of \$2.8 million in FY 2017.

Department of Corrections

The Department of Corrections is funded primarily with the general fund. The main increases in the Department of Corrections HB 2 budget are to maintain current programs. The budget addresses average annual offender population increases of 1% and budget pressures driven by costs to hold offenders in county jails, to treat the medical needs of inmates, and to enhance reentry efforts by providing more supervision to offenders returned to the communities. To accommodate these factors,

the legislature funded the department at \$26.3 million, or 7.2% higher than the 2015 biennium, to increase staffing by 9.5 FTE. Of the staffing growth, 6.0 FTE were added to address probation and parole officer caseloads. The increases noted above are after \$10.5 million and 4.0 FTE were moved from the department to the Judicial Branch to administer allocation of juvenile placement funds.

Department of Public Defender

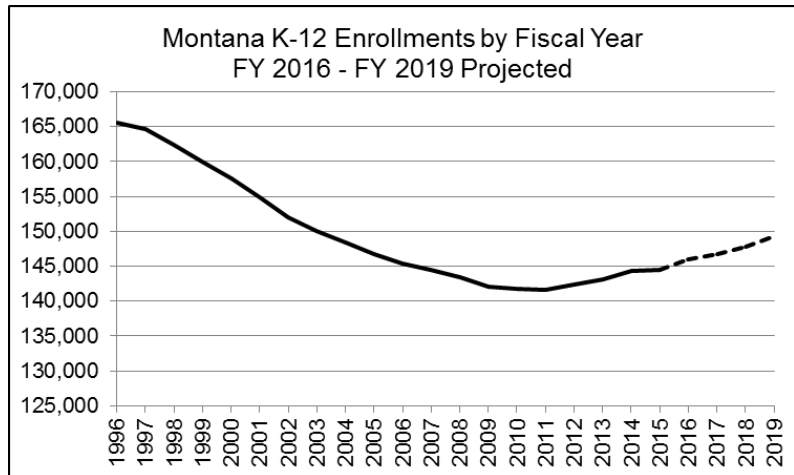
The legislature increased funding in HB 2 for the Office of Public Defender by \$11.2 million or 20.7% over the previous biennium HB 2 funding, which included increasing staffing by 27.4 FTE to address caseload issues. Significant increases also included \$1.9 million to contract for private attorneys to augment staff and \$0.5 million in discretionary funding for the Public Defender Commission to allocate to address budget pressures during the 2017 biennium. All funding for the office was designated as one-time-only so the budget for the 2019 biennium would be developed from a zero base.

In addition to the budget, the legislature passed [HB 627](#) that created an interim task force to study the operations of the office and to develop a long-term organizational plan that will allow the office to provide effective assistance of counsel to those that qualify.

K-12 Funding

K-12 funding is a significant portion of the total general fund share of HB 2 or about 39% of the spending in the 2017 biennium.

The increase in ongoing K-12 HB 2 general fund spending was \$119.8 million or 38% of the total general fund ongoing increase in spending. Total enrollments are expected to grow by about 0.6% in each year of the biennium compared to FY 2015 (see adjacent chart).



The components of the increase in general fund include:

- o A replacement of \$19.7 million of funding that was available in the guarantee account in the 2015 biennium that is not anticipated in the 2017 biennium
- o An increase of \$92.1 million in BASE Aid driven by inflationary rates of 2.33% in FY 2016 and 1.79% in FY 2017 applied to the basic components of the school funding model and increases in enrollment of 1.2% over the biennium
- o An increase of \$7.9 million in BASE Aid due to shortfall in appropriation for the 2015 biennium to fund a \$7.5 million shortfall in BASE funding and a \$0.4 million shortfall in funding for block grants

Montana University System (MUS) Funding

The 2015 Legislature increased general fund appropriations in HB 2 for Montana’s postsecondary education institutions by \$23.3 million for the 2017 biennium over the FY 2015 legislative appropriation. Of this increase, 47% is for present laws expenditures while the remaining 53% is attributed to the state share of the educational units’ pay plan cost increases outlined in [SB 418](#).

HB 2 General Fund Increase (\$ Millions)	
State Share Funding for Present Law Adjustments	<u>\$10.9</u>
Ongoing Expenditures Total	10.9
Pay Increase for Educational Units	12.4
Total Increase	\$23.3

The general fund increase for the state share funding of present law adjustments will be allocated to the Montana University System education units to implement a Tuition Cap Agreement reached between the Governor and the Board of Regents and approved by

All Funds HB 2 Tuition Cap Agreement (\$ Millions)	
State Share Funding for Present Law Adjustments	\$10.9
Pay Increase for Educational Units	12.7
Total Increase	\$23.6

the legislature to freeze resident student tuition rates each year of the 2017 biennium. (At its May 2015 meeting, the Board of Regents maintained tuition rates at the prior level.)

In addition to present law adjustments within HB 2 appropriations, the Tuition Cap Agreement includes an appropriation for the state share of the educational units' pay plan costs. The estimated general fund allocation is \$12.4 million for pay raises and increased state contribution toward health insurance premiums. The agreement also commits the Montana University System to incorporating a performance funding component of \$30.0 million into the allocation model used by the Board of Regents for distributing funds to the MUS education units.

DETAIL OF GENERAL FUND ONE-TIME-ONLY SPENDING

MUS Research Funding

The MUS received a \$15.0 million restricted, biennial, one-time-only state general fund appropriation to serve as seed money to leverage university-based research into strategic advancements for Montana's economy. The fundamental purpose of this research initiative is to: (1) solve Montana problems with Montana solutions; (2) create good Montana private-sector jobs, and/or; (3) grow emerging and important research sectors that contribute to the diversity of Montana's economy.

The Commissioner of Higher Education will administer competitive grants to researchers on the basis of each new project's potential for private-sector job creation, commercialization, and economic return on investment for Montana. Areas of emphasis shall include agriculture, natural resources and energy, materials and manufacturing, health and biomedical sciences, as well as technology and computer science.

Long Range Planning

The 2015 Legislature approved total one-time general fund transfers of \$11.8 million for funding state information technology projects and one additional state building construction project.

ALL FUNDS SUMMARY

Long Range Planning

The 2015 Legislature approved total one-time spending (appropriations and authorizations) of \$232.7 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 \$61.4 million in total appropriations and \$71.5 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 [2017 Biennium Legislative Fiscal Report](#).

Public Health and Human Services

The 2017 biennium DPHHS appropriation in HB 2 is \$315.1 million higher than the 2015 biennium. Major changes include:

- o Medicaid enrollment and service utilization changes - \$261.1 million
- o An annual 2% provider rate increase for most providers - \$52.2 million
- o Other selected provider rate increases - \$7.2 million
- o Additional mental health services - \$19.2 million

Increases are partially offset by lower expected costs in Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP) and reductions in state HB 2 spending due to [SB 405](#) Health and Economic Livelihood Partnership (HELP) Act.

In addition to HB 2, there were two new statutory appropriations authorized:

- SB 405, the HELP Act – the largest component of this act is Medicaid expansion with statutory appropriations estimated at \$362.9 million, including \$26.1 million general fund
- Federal Title X family planning funds - \$3.8 million

2017 BIENNIAL COMPARISON – 17-7-151, MCA

The following table is provided in accordance with the requirements for content and comparison to the previous biennium contained in [17-7-151, MCA](#). The legislature adopted [SB 140](#) which revised the methodology for budget comparison, amending sections [17-7-150, MCA](#) and [17-7-151, MCA](#). This legislation will go into effect on October 1, 2015, so the following table illustrates the current statute.

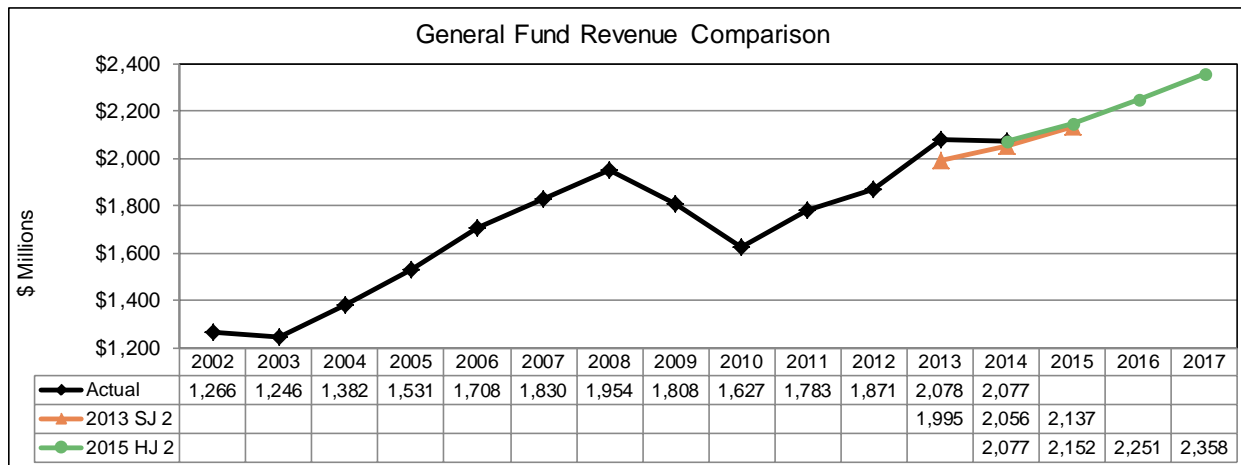
The biennial increase approved by the final legislature and executive action is 9.0%. The single largest increase is from SB 405 which accounts for \$363 million or 3.3% of the 9.0% increase.

Biennial Budget Comparisons (\$ Millions)					
Fiscal Year	2014 Actuals	2015 Approp	2016 Proposed	2017 Proposed	% Increase
Estimated Expenditure Comparison MCA 17-7-151					
Appropriations HB 2 includes other bills in HB 2 base					
General Fund	\$1,782.4	\$1,870.4	\$2,005.0	\$2,046.1	10.9%
State Special Revenue Fund	682.7	763.7	759.2	768.7	5.6%
Federal Special Revenue	1,998.1	2,259.3	2,227.2	2,303.6	6.4%
Appropriated Proprietary Fund	10.3	11.4	13.6	13.1	23.0%
Subtotal HB 2	4,473.6	4,904.8	5,005.0	5,131.5	8.1%
Transfers HB 2 MUS transfers not subtracted	(19.6)	(22.1)	(15.5)	(15.5)	-25.5%
Net Subtotal HB 2	4,454.0	4,882.7	4,989.5	5,116.0	8.2%
Appropriations Existing Statutory					
General Fund	254.4	264.6	265.2	275.1	4.1%
State Special Revenue Fund	277.7	285.1	234.8	238.1	-16.0%
Federal Special Revenue	38.1	39.2	18.1	17.8	-53.5%
Capital Projects Fund	0.4	0.4	0.4	0.4	-0.1%
Appropriated Proprietary Fund	35.7	44.6	46.5	46.5	15.8%
Transfers statutory (pension trans subtracted)	(77.4)	(76.6)	(69.2)	(72.6)	-7.9%
Net Subtotal Statutory	528.9	557.2	495.7	505.4	-7.8%
Other Bill Appropriations (not including non-budgeted transfers since not appropriated)					
General Fund	2.9	2.0	9.4	15.7	408.8%
State Special Revenue Fund	78.7	99.6	36.6	39.1	-57.6%
Federal Special Revenue*	20.3	32.8	118.8	257.4	608.4%
Capital Projects Fund	19.0	21.3	26.9	26.9	33.2%
Appropriated Proprietary Fund	0.7	-	0.4	0.4	13.2%
Transfers	(36.5)	(3.4)	-	-	-100.0%
Net Subtotal Other Bill Appropriations	85.1	152.4	192.1	339.4	123.8%
Language appropriations (mostly budgeted proprietary)					
General Fund	-	-	(2.1)	(3.4)	
State Special Revenue Fund	2.0	4.4	4.5	4.5	40.5%
Federal Special Revenue	0.0	0.4	3.6	3.6	1710.2%
Appropriated Proprietary Fund	105.9	130.0	138.0	145.0	19.9%
Language appropriations transfers	(35.3)	(43.3)	(46.0)	(48.3)	19.9%
Net Subtotal Language Appropriations	72.6	91.4	98.0	101.3	21.5%
Other appropriations					
Continuing Long Range Building Appropriations		257.8			-100.0%
Appropriation Transfers		58.8			-100.0%
Totals not including transfers	5,140.6	6,000.3	5,775.2	6,062.1	6.3%
Estimated Reversion (12.6% w/cont, 4.4%w/o cont.)	-	(755.4)	(254.1)	(266.7)	-31.1%
Total Comparable Est. Expenditures	5,140.6	5,244.9	5,521.1	5,795.3	9.0%
Biennial Total Est Expenditures		10,385.5		11,316.5	9.0%
Biennial increase estimated expenditures					9.0%
Non-comparable (note this was not updated during session)					
Budget Amendments & Carryforward	121.6	324.9	104.5	-	
Added Authority (HB1 & Supplemental)	1.5	32.2	1.9	2.2	
Special Session	-	-	-	-	
Emergency	20.3	17.1	8.3	8.3	
Total Non-Comparable	143.4	343.9	8.3	8.3	
Biennial Appropriation to Appropriation Comparison					
Comparable only: General	1,986.1	2,073.6			
State Special	1,100.8	1,017.3			
Total Comparable Appropriations	5,473.9	5,445.8	5,775.2	6,062.1	
Biennial Total Comparable Appropriations		10,919.7		11,837.3	
Biennial appropriation to appropriation increase					8.4%
* Federal special revenue portion under other appropriation bills includes Medicaid statutory authority. Does not include triggers in HB 2 and does not include potential general fund spending reductions in HB 2 due to SB 405					

STATE REVENUE

GENERAL FUND REVENUE ESTIMATES AS ADOPTED BY THE LEGISLATURE

In November 2014, the Revenue and Transportation Interim Committee (RTIC) met to review and adopt a revenue estimate recommendation. The executive recommendation was \$295.4 million above the LFD recommendation. The committee ultimately adopted the LFD recommendations, with total adjustments in individual income tax and oil and natural gas tax equal to half of the total difference between the executive and LFD recommendations for individual income tax, corporation income tax, and oil & natural gas tax. This revenue estimate was incorporated into HJ 2 as the official revenue estimate of the legislature for the beginning of the session.



In January 2015, OBPP and LFD presented updated revenue estimates to a joint meeting of the House and Senate Tax Committees. At this time, the OBPP estimate was above the LFD estimate by \$358.6 million. The two tax committees formed a joint tax subcommittee to understand the revenue estimates and the corresponding differences in more detail, and make a recommendation to the House Tax Committee. The joint subcommittee met weekly throughout February and March, and ultimately made a recommendation to the House Tax Committee based on the LFD estimate, with a variety of alternative assumptions that increased the three-year estimate to \$43.6 million above the RTIC estimate.

The alternative assumptions were included in four revenue sources: individual income tax, corporation income tax, vehicle taxes and fees, and lodging taxes.

The adjacent table shows the annual detail for the top seven general fund revenue sources and subtotal of remaining sources. See the appendix for more detail on the revenues estimate by source.

General Fund Revenue Estimates (\$ Millions)						
Source of Revenue	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017	Estimated 2015 Bien	Estimated 2017 Bien
Individual Income Tax	\$1,063.3	\$1,142.5	\$1,229.1	\$1,311.2	\$2,205.8	\$2,540.3
Property Tax	250.3	250.2	242.9	252.5	500.6	495.4
Corporation Income Tax	147.5	154.3	179.8	156.9	301.8	336.7
Vehicle Taxes & Fees	101.1	103.5	106.2	108.6	204.6	214.8
Oil & Natural Gas Production Tax	109.6	78.8	59.3	68.6	188.4	127.8
Insurance Tax & License Fees	60.9	67.8	72.3	74.9	128.7	147.2
Video Gambling Tax	57.1	60.0	62.0	65.0	117.2	127.0
Largest Seven Subtotal	1,789.9	1,857.1	1,951.7	2,037.5	3,647.0	3,989.2
Remaining Sources Subtotal	287.2	294.7	299.5	320.3	581.8	619.8
Total General Fund	\$2,077.0	\$2,151.8	\$2,251.2	\$2,357.9	\$4,228.8	\$4,609.1

Legislative Action

The table below summarizes the general fund impacts of revenue-related legislation enacted by the 64th Legislature by revenue source. If more than one bill was enacted that impacted a certain revenue source, the cumulative impact of the bills is shown for each revenue source.

Revenue Legislation Impacts of the 64th Legislature						
General Fund						
(\$ Millions)						
Source of Revenue	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017	Estimated 2015 Bien	Estimated 2017 Bien	Estimated 3-Yr Total
Largest Seven Sources						
Individual Income Tax	\$0.000	\$0.490	(\$3.829)	\$0.000	(\$3.339)	(\$3.339)
Property Tax	-	10.869	8.941	-	19.810	19.810
Corporation Income Tax	-	0.068	(0.100)	-	(0.032)	(0.032)
Vehicle Taxes & Fees	-	(0.001)	(0.001)	-	(0.002)	(0.002)
Oil & Natural Gas Production Tax	-	-	-	-	-	-
Insurance Tax & License Fees	(0.043)	(0.045)	(0.045)	(0.043)	(0.091)	(0.134)
Video Gambling Tax	-	-	-	-	-	-
Other Business Taxes						
Driver's License Fee	-	-	-	-	-	-
Investment License Fee	-	-	-	-	-	-
Lodging Taxes	-	-	-	-	-	-
Public Contractors Tax	-	-	-	-	-	-
Railroad Car Tax	-	-	-	-	-	-
Rental Car Sales Tax	-	(0.332)	(0.704)	-	(1.036)	(1.036)
Telecommunications Excise Tax	-	-	-	-	-	-
Other Natural Resource Taxes						
Coal Severance Tax	-	(1.730)	(1.784)	-	(3.514)	(3.514)
Electrical Energy Tax	-	-	-	-	-	-
Metalliferous Mines Tax	-	-	(1.389)	-	(1.389)	(1.389)
US Mineral Royalty	-	-	-	-	-	-
Wholesale Energy Tax	-	-	-	-	-	-
Other Interest Earnings						
Coal Trust Interest	-	(0.037)	(2.326)	-	(2.363)	(2.363)
Treasury Cash Account Interest	-	-	-	-	-	-
Other Consumption Taxes						
Beer Tax	-	-	-	-	-	-
Cigarette Tax	-	-	-	-	-	-
Liquor Excise & License Tax	-	0.050	0.077	-	0.127	0.127
Liquor Profits	-	(0.015)	0.061	-	0.046	0.046
Lottery Profits	-	(0.600)	(1.462)	-	(2.062)	(2.062)
Tobacco Tax	-	-	-	-	-	-
Wine Tax	-	-	-	-	-	-
Other Sources						
All Other Revenue	2.250	2.941	7.336	2.250	10.277	12.527
Highway Patrol Fines	-	0.094	0.065	-	0.160	0.160
Nursing Facilities Fee	-	-	(0.164)	-	(0.164)	(0.164)
Public Institution Reimbursements	-	-	(7.194)	-	(7.194)	(7.194)
Tobacco Settlement	-	-	-	-	-	-
Total General Fund	\$2.207	\$11.752	(\$2.516)	\$2.207	\$9.235	\$11.442

The table below shows the revised general fund revenue estimates by source, which is the sum of HJ 2 estimates and all enacted legislation impacts. These revised estimates are used to determine the overall financial condition of the general fund for the 2017 biennium.

House Joint Resolution 2 Plus Legislation Impacts General Fund Revenue Estimates (\$ Millions)						
Source of Revenue	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017	Estimated 2015 Bien	Estimated 2017 Bien
Largest Seven Sources						
Individual Income Tax	\$1,063.284	\$1,142.481	\$1,229.616	\$1,307.356	\$2,205.765	\$2,536.972
Property Tax	250.344	250.239	253.799	261.421	500.582	515.219
Corporation Income Tax	147.548	154.272	179.898	156.751	301.820	336.649
Vehicle Taxes & Fees	101.088	103.500	106.199	108.599	204.588	214.798
Oil & Natural Gas Production Tax	109.606	78.811	59.250	68.589	188.417	127.839
Insurance Tax & License Fees	60.873	67.744	72.279	74.832	128.617	147.111
Video Gambling Tax	57.147	60.029	62.007	64.966	117.175	126.973
Other Business Taxes						
Driver's License Fee	4.051	4.395	4.081	4.465	8.446	8.547
Investment License Fee	7.115	7.257	7.412	7.567	14.372	14.978
Lodging Taxes	17.725	20.079	21.872	23.835	37.804	45.707
Public Contractors Tax	0.887	2.817	3.560	3.476	3.704	7.036
Railroad Car Tax	2.418	3.641	3.741	3.883	6.059	7.624
Rental Car Sales Tax	3.521	3.714	3.486	3.308	7.235	6.794
Telecommunications Excise Tax	19.657	19.239	18.999	18.842	38.896	37.841
Other Natural Resource Taxes						
Coal Severance Tax	14.745	15.629	14.434	14.858	30.374	29.292
Electrical Energy Tax	4.280	4.738	4.580	4.553	9.018	9.132
Metalliferous Mines Tax	7.948	8.238	8.311	6.529	16.185	14.839
US Mineral Royalty	27.744	26.109	24.069	24.675	53.852	48.744
Wholesale Energy Tax	3.112	3.623	3.595	3.565	6.735	7.160
Other Interest Earnings						
Coal Trust Interest	21.996	20.470	19.805	20.159	42.465	39.964
Treasury Cash Account Interest	1.756	1.605	8.527	20.786	3.361	29.312
Other Consumption Taxes						
Beer Tax	3.023	3.095	3.129	3.189	6.118	6.318
Cigarette Tax	30.623	30.713	31.036	30.453	61.336	61.490
Liquor Excise & License Tax	18.418	18.950	19.521	20.377	37.368	39.898
Liquor Profits	10.500	10.663	11.021	11.591	21.163	22.611
Lottery Profits	12.091	12.177	11.031	11.977	24.268	23.008
Tobacco Tax	5.929	6.233	6.396	6.559	12.163	12.954
Wine Tax	2.250	2.298	2.363	2.434	4.548	4.797
Other Sources						
All Other Revenue	37.320	42.346	40.060	44.469	79.666	84.529
Highway Patrol Fines	4.142	4.224	4.349	4.316	8.366	8.666
Nursing Facilities Fee	4.961	4.859	4.756	4.490	9.820	9.246
Public Institution Reimbursements	17.298	16.630	16.606	9.377	33.928	25.983
Tobacco Settlement	3.646	3.176	3.145	3.115	6.822	6.260
Total General Fund	\$2,077.044	\$2,153.993	\$2,262.932	\$2,355.360	\$4,231.037	\$4,618.293

The following table shows the revenue impacts of legislation enacted by the 64th Legislature summarized by bill number. For the three-year outlook period, the enacted legislation increased general fund revenue by \$11.4 million.

General Fund Impact of Legislation Enacted by the 64th Legislature				
(\$ Millions)				
Bill Number and Short Title	FY 2015	FY 2016	FY 2017	Total
HB0089 Generally revise human trafficking laws	-	(\$0.253)	(\$0.253)	(\$0.506)
HB0156 Revise tax laws related to pollution control equipment	-	(0.065)	(0.132)	(0.197)
HB0167 Generally revise off-highway vehicle laws	-	(0.006)	(0.006)	(0.011)
HB0180 Revise regional water laws	-	-	(2.270)	(2.270)
HB0228 Increase coal board funding until June 30, 2019	-	(1.730)	(1.784)	(3.514)
HB0300 Create snowmobile trail pass	-	0.005	0.005	0.009
HB0379 Generally revise income tax laws	-	-	-	-
HB0421 Extend termination date of coal severance tax coal washing credit	-	-	-	-
HB0488 Generally revise DUI laws	-	0.268	0.268	0.537
HB0506 Allowing microdistilleries to deliver products directly to agency liquor	-	(0.122)	0.005	(0.117)
HB0617 Provide scholarship opportunities for higher education in Montana	-	(0.600)	(1.462)	(2.062)
SB0020 Reallocate metal mines license tax	-	-	(1.389)	(1.389)
SB0052 Revise captive insurance laws	-	0.040	0.040	0.081
SB0066 Generally revise laws regarding alternative nicotine or vapor products	-	0.008	0.008	0.017
SB0157 Generally revise tax reappraisal laws	-	10.934	9.073	20.007
SB0180 Revise the disposition of rental car sales tax	-	(0.332)	(0.704)	(1.036)
SB0193 Revise agency liquor store laws	-	0.158	0.133	0.290
SB0234 Revise tax and fees for professional liability insurance	(\$0.043)	(0.086)	(0.086)	(0.214)
SB0309 Revise laws to incentivize access to isolated state and federal lands	-	-	(0.020)	(0.020)
SB0375 Revise certain highway speed limits	-	0.094	0.065	0.160
SB0380 Increase coal tax trust fund money available for MT veteran home loc	-	(0.037)	(0.056)	(0.093)
SB0386 Revising late file penalty, filing, and withholding for pass-through enti	-	0.570	0.570	1.140
SB0387 Revise water quality violation penalties	-	(0.005)	(0.005)	(0.010)
SB0393 Revise vehicle security interest & title filing fees; driver license renew	-	-	-	-
SB0399 Provide for 529 account for disability expenses	-	(0.012)	(0.030)	(0.042)
SB0405 Creating the Healthy Montana Act to Expand Health Care Coverage	-	2.922	7.317	10.240
SB0410 Provide for tax credits for contributions to public and private schools	-	-	(4.449)	(4.449)
SB0411 Plan for the closure of Montana developmental center at Boulder	-	-	(7.357)	(7.357)
SB0418 Authorizing transfers to implement provisions of House Bill 2	2.250	-	-	2.250
Total	\$2.207	\$11.752	(\$2.516)	\$11.442

General Fund Revenue Bill Highlights

A complete summary of each general fund and selected non-general fund revenue sources can be found in [2017 Biennium Legislative 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 brief summary of each enacted bill that impacts general fund revenue discusses the particular revenue sources affected.

HB 89 – Impacts general fund source “All Other Revenue.” This legislation extends the termination date for the crime victim’s compensation (CVC) account, established in [53-9-113, MCA](#). Under current law, it was set to terminate on June 30, 2015. The statutory appropriation currently listed in [17-7-502, MCA](#) that references the CVC account will now terminate on June 30, 2021. The bill also makes multiple revisions to Montana’s human trafficking laws. Note that [SB 68 \(2015 Session\)](#) included identical language for extending the CVC account termination date; however, that bill is not shown in the table as the fiscal impact is already included with HB 89.

HB 156 – Impacts general fund source “Property Tax.” This bill exempts pollution control and carbon sequestration equipment placed in service after January 1, 2014 (TY 2015) from property taxation. Equipment related to the sequestration of carbon dioxide placed in service after January 1, 2014 is granted a 50% reduction in tax rates for the first 15 years.

HB 167 – Impacts general fund source “Vehicle Taxes & Fees.” This legislation exempts off-highway vehicles (OHV) registered in an adjacent state from the purchase of a \$27 temporary use sticker if that state does not require users of OHVs registered in Montana to pay a fee in that state.

[HB 180](#) – Impacts general fund source “Coal Trust Interest.” This legislation repeals the termination of the Treasure State Endowment (TSE) regional water program which was set to cease after June 30, 2016. Prior to passage of this legislation, the corpus of this trust was set to go to the permanent coal trust and resulting interest earnings be deposited into the general fund. Due to passage of this bill, interest earnings will continue to be spent on TSE regional water activities.

[HB 228](#) – Impacts general fund source “Coal Severance Tax.” This bill increases the amount of funding going to the coal natural resources special revenue account from 2.9% to 5.8% for FY 2016 and FY 2017. This 2.9% increase to this account has a corresponding 2.9% decrease from the coal severance tax money allocated to the general fund.

[HB 300](#) – Impacts general fund source “Vehicle Taxes & Fees.” This legislation requires all users of snowmobiles, motorized equipment, and mechanized transports (i.e. bicycles) to purchase an \$18 trail pass every three years and will generate revenue to be used for grooming of snowmobile trails and enforcement.

[HB 379](#) – Impacts general fund source “Individual Income Tax.” This bill revises several provisions relating to interest and penalties for late tax payments, late filing, not filing a return, and filing a false return. It changes the statute of limitations for the individual income tax from five years to three years. Changes to penalties apply for tax periods beginning after the end of CY 2016. The reduced statute of limitation applies for tax periods beginning after the end of CY 2014. Changes to interest apply beginning in CY 2018.

[HB 421](#) – Impacts general fund source “Coal Severance Tax.” This bill extends the termination date of the coal washing credit by eight years. It was set to terminate on July 1, 2017. The net effect of the exclusion is to reduce the contract sales price upon which certain taxes are calculated.

[HB 488](#) – Impacts general fund source “All Other Revenue.” HB 488 will increase general fund revenue being collected because the minimum fines will increase from \$300 to \$600 for the first DUI, from \$600 to \$1,200 for the second DUI and from \$1,000 to \$2,500 on third and subsequent DUIs. HB 488 also creates a \$300 administrative fee to be paid when an arrested person refuses to submit to one or more tests as provided in [61-8-402\(4\), MCA](#), and creates a dedicated state special revenue account for the use of those funds.

[HB 506](#) – Impacts general fund source “Liquor Profits.” This bill allows a distillery that produces less than 25,000 gallons of product annually to deliver its product directly to an agency liquor store. It also requires the department to create an electronic reporting system for distilleries to record their deliveries. Both of these revenue effects will decrease transfers from the Liquor Enterprise Fund to the general fund.

[HB 617](#) – Impacts general fund source “Lottery Profits.” This bill creates new scholarships for Montana high school students that meet certain criteria to prepare for postsecondary fields of science, technology, engineering, and mathematics (STEM). The STEM scholarships will be funded by diverting lottery proceeds to the new STEM account instead of the general fund.

[SB 20](#) – Impacts general fund source “Metalliferous Mines Tax.” This bill changes the general fund allocation of metalliferous mines license tax from 57% to 47%, and reallocates the revenue to impacted counties. Hard rock mining counties starting in FY 2016 would receive an additional \$1.2 to \$1.4 million per year. This bill also reallocates \$1.2 million annually from the orphan share account beginning in FY 2019 to the environmental quality protection fund (EQPF). The transfer would be designated for metal mine reclamation projects at abandoned mine sites and the state’s contribution for cleanup, long-term operation, and maintenance costs at the Libby asbestos superfund site. Funds allocated to the EQPF for abandoned mine reclamation would be specifically exempted from other

requirements of the Comprehensive Environmental Cleanup and Responsibility Act ([Title 17, chapter 7, part 4, MCA](#)).

[SB 52](#) – Impacts general fund source “Insurance Tax.” This bill revises and clarifies captive insurance laws, provides a penalty for failure to file annual statements, and prorates distribution of taxes in the year of closure.

[SB 66](#) – Impacts general fund source “All Other Revenue.” This legislation expands [Title 16 Chapter 11, MCA](#), to include “alternative nicotine products” and “vapor products.”

[SB 157](#) – Impacts general fund source “Property Tax.” This is the property reappraisal bill that changes the reappraisal cycle from a six-year cycle to a two-year cycle for class 3 and class 4; adjusts the rates at which the market value of property is taxed to maintain taxable value neutrality between residential, agricultural, and commercial, properties on a statewide basis; extends the base period of the data for the valuation of forest land; and revises Montana’s Property Tax Assistance Program and Montana Disabled Veteran Property Tax Relief Program.

[SB 180](#) – Impacts general fund source “Rental Car Sales Tax.” This legislation increases and changes the source of funding for the senior citizen and persons with disabilities transportation services fund, from motor vehicle fee and taxes to 25% of the revenue generated by the state rental vehicle sales tax.

[SB 193](#) – Impacts general fund sources “Liquor Excise & License Tax” and “Liquor Profits.” This bill increases the state markup on liquor from 40% to 40.5%. It also replaces the current method of calculating each agency liquor store’s discount rate with an alternative method.

[SB 234](#) – Impacts general fund source “Insurance Tax.” This legislation reduces premium tax rates and filing fees for casualty insurers that offer policies of legal professional liability insurance. It is retroactive to December 31, 2014 and therefore impacts FY 2015 revenues.

[SB 309](#) – Impacts general fund sources “Corporation Income Tax” and “Individual Income Tax.” This legislation expands the Unlocking State Lands personal and corporate income tax credit to include land access to federal land managed by the U.S. Forest Service or the Bureau of Land Management.

[SB 375](#) – Impacts general fund source “Highway Patrol Fines.” This legislation increases the maximum speed limit on federal-aid interstate highways from 75 MPH to 80 MPH and increases the penalties assessed for violation of speed limits.

[SB 380](#) – Impacts general fund source “Coal Trust Interest.” This legislation makes an additional \$10 million available to the Montana Veteran’s Home Loan Mortgage Program from money invested by the Board of Investments (BOI) from the permanent coal tax trust fund to be administered by the Board of Housing (BOH).

[SB 386](#) – Impacts general fund sources “Corporation Income Tax” and “Individual Income Tax.” This legislation revises filing and withholding requirements for pass-through entities and limits the penalty for a pass-through entity failing to file a required report to a maximum of \$2,500 per tax period.

[SB 387](#) – Impacts general fund source “All Other Revenue.” This bill revises water quality violation penalties within the Department of Environmental Quality. Penalty fines are deposited into the general fund.

[SB 393](#) – Impacts general fund source “Vehicle Taxes & Fees.” This legislation further extends certain vehicle title and lien fees, and directs the fees to the motor vehicle information technology system account. The bill provides for an online new drivers’ license renewal system. The bill eliminates a

general fund fee and extends state special revenue fees slated to expire in FY 2017 and FY 2019, through June 30, 2026.

SB 399 – Impacts general fund source “Individual Income Tax.” This bill creates a new type of tax deferred savings account, the Montana Achieving a Better Life Experience (ABLE) account, as provided in federal law under section 529 of the I.R.S. code. The program administrative responsibility is assigned to the Department of Public Health and Human Services (DPPHS).

SB 405 – Impacts general fund source “All Other Revenue.” This legislation creates the Health and Economic Livelihood Partnership Act to expand health care coverage to additional eligible individuals and improve access to health care services across Montana. The revenue impact from this bill comes from the participants’ copays.

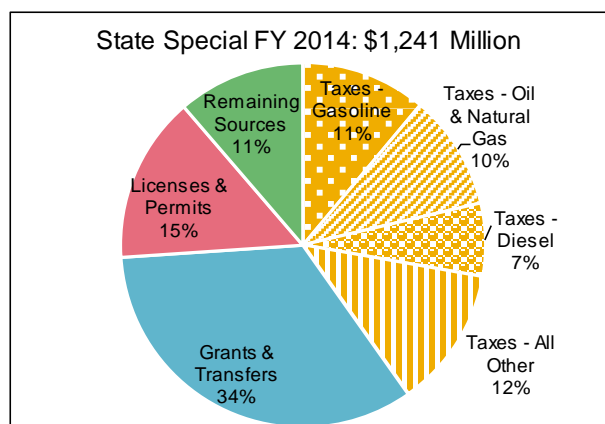
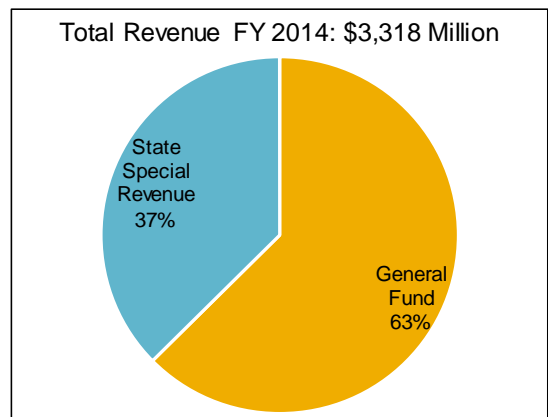
SB 410 – Impacts general fund sources “Corporation Income Tax” and “Individual Income Tax.” This legislation creates two new tax credits, one for contributing to a new educational improvement special revenue account for distribution to school districts for new programs, and one for making donations to organizations that would give scholarships to students in private schools.

SB 411 – Impacts general fund sources “Nursing Facilities Fee” and “Public Institution Reimbursements.” This bill requires MDC to reduce capacity from 56 to 12 by transferring the remaining individuals to services in community settings. The bill ends new admissions to MDC as of December 31, 2016 unless there are fewer than 12 individuals at MDC. The bill creates a committee to research, develop, and make recommendations for the closure of MDC. The bill closes the facility completely by June 30, 2017.

SB 418 – Impacts general fund source “All Other Revenue.” There are two transfers in this bill that impact oil accounts. By June 1, 2015 \$1.35 million from the oil and gas education and research account to the natural resources operations account, and by June 30, 2015 \$2.25 million from the county oil and gas impact account to the state general fund.

GENERAL FUND & OTHER STATE REVENUE SOURCES

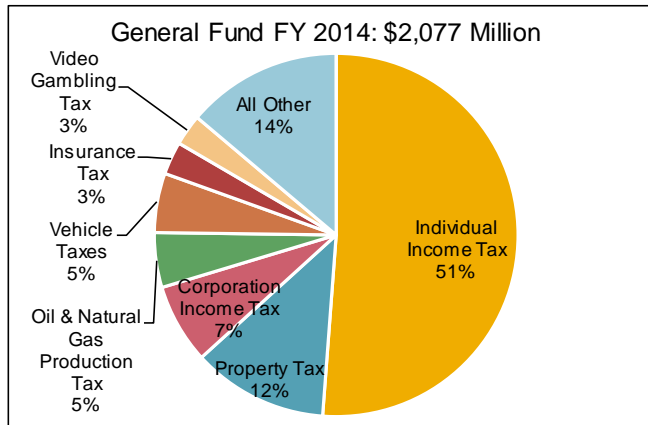
Most general taxes are deposited in the state general fund. The general fund is used for broad purposes of state government; education, health, and corrections are the predominant uses of this fund. State special fund revenues are raised and used for specific purposes. For example, the state levies a gas tax that is dedicated for use on state roads and highways. Details of all general fund and most major state special fund revenue sources are contained in [2017 Biennium Legislative Fiscal Report: Volume 2](#).



Most of the focus during session tends to be on the state general fund which accounted for 63% of FY 2014 total state revenue. Note that trusts or direct services funds such as unemployment insurance and workers’ compensation insurance are not included in the adjacent chart. In addition, there is limited double counting as some sources of revenues are transferred between funds.

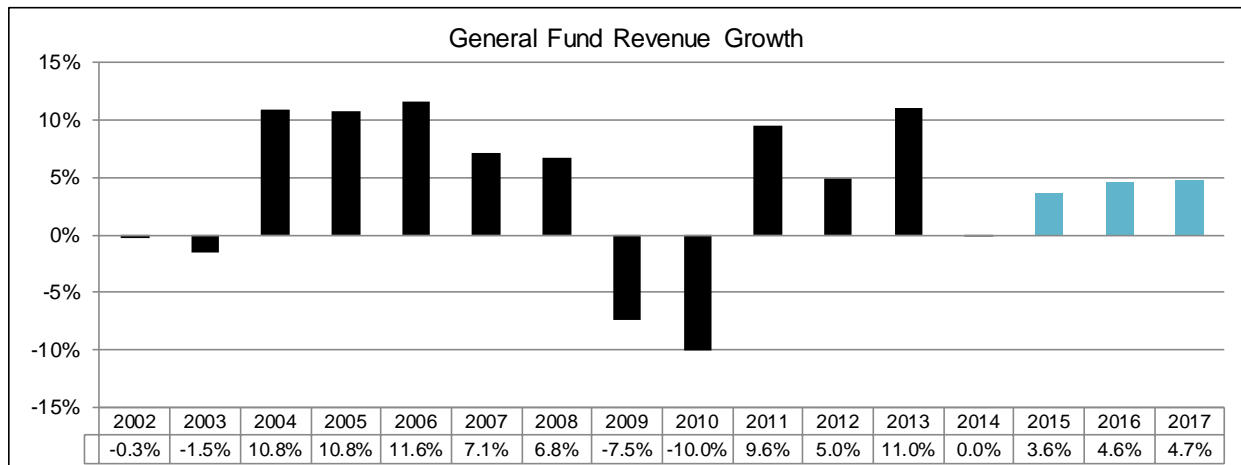
Large sources of state special revenue include the

gasoline and diesel taxes, and oil and natural gas production tax. In FY 2014, the various taxes accounted for 40% of total state special revenue. Grants and transfers were the next largest contributor, amounting to 34% of state special revenue



The largest seven sources of general 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 2014, these sources accounted for 86% of total general fund revenue.

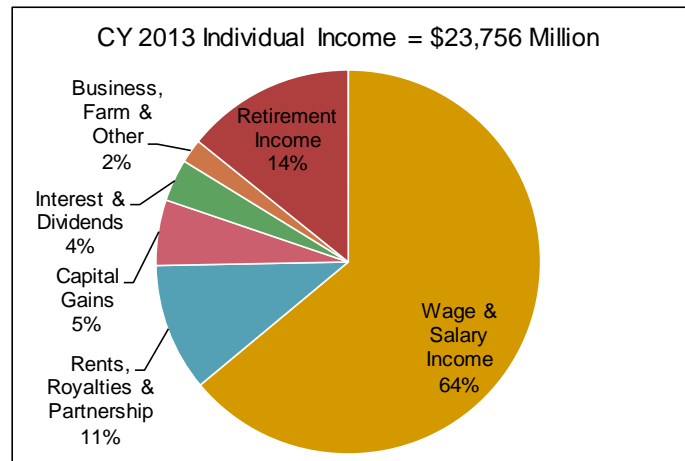
The chart below shows the annual percent change in revenue, with actual values shown in black and the official HJ 2 revenue estimates shown in blue. The estimate for annual growth in general fund revenue for FY 2015 is 3.6%, for FY 2016 is 4.6% and for FY 2017 is 4.7%.



Five of the top seven tax sources, 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 [2017 Biennium Legislative 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 2013, full year resident income totaled \$23.8 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 tax rate on capital gains income is less than the tax rate on ordinary income by 2%. 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.



Legislative Action

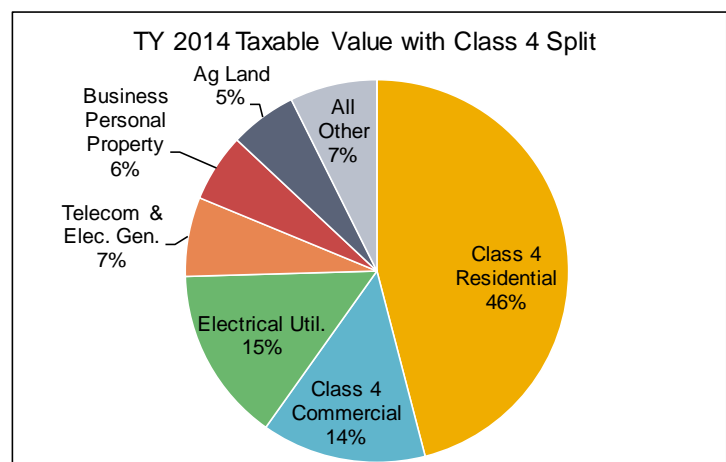
The joint tax subcommittee chose to recommend to the House Tax Committee several alternative assumptions from the baseline forecast provided by the LFD. These alternatives were ultimately incorporated in the official revenue estimate in HJ 2. The alternative assumptions for individual income tax were as follows:

- o Higher wage growth for the outlook period
- o Increased non-resident liability
- o A continuation of FY 2014 taxpayer behavior
- o Higher audit collections

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 [SB157 \(2015 Session\)](#), 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 1/6th phase in of value per year. Agricultural land and timberland continue to be valued on a productivity basis.



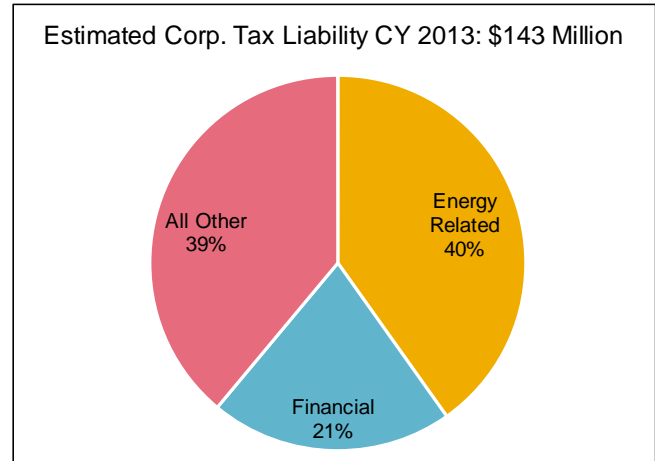
Under [SB157 \(2015 Session\)](#), tax rates have changed for class 4 residential and commercial, class 3 agricultural, and class 10 timber land. Agricultural land has dropped from 2.47% to 2.16%. Residential has dropped from 2.47% with a homestead exemption to 1.35% with no homestead exemption. Commercial has gone from 2.47% with a comstead exemption to the residential rate of 1.35%

multiplied by 1.4. This rate also applies to residences valued over \$1.5 million. Timber land has increased from 0.29% to 0.37%.

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. 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.

Financial and energy related sectors are the largest contributors to corporation income tax liability. Primary economic drivers of this source include oil prices, median house price, and retail sales.



Legislative Action

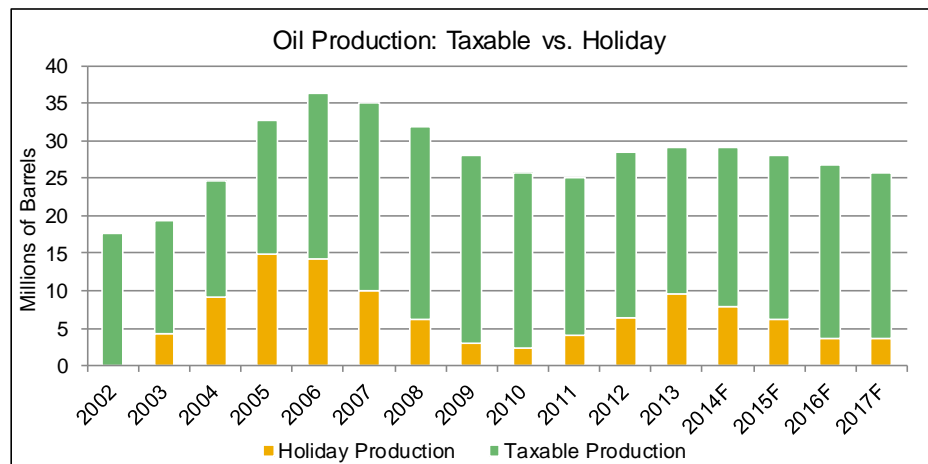
The joint tax subcommittee chose to adopt several alternative assumptions from the baseline forecast provided by the LFD. The alternative assumptions for corporation income tax were the following:

- Mitigate oil price decline dependence for mining, manufacturing and transportation sectors
- Revenue shift from FY 2015 to FY 2016

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.

Oil production peaked in Montana in 2006 and fell 34% by 2011. Exploratory drilling in 2012 and 2013 resulted in an increase in production; the estimate assumes a gradual decline as the surge in exploratory drilling has tapered off.



At the national level, lower oil prices tend to correspond with a better economic outlook; manufacturing and transportation costs are lower, and consumers have more income to spend on goods and services.

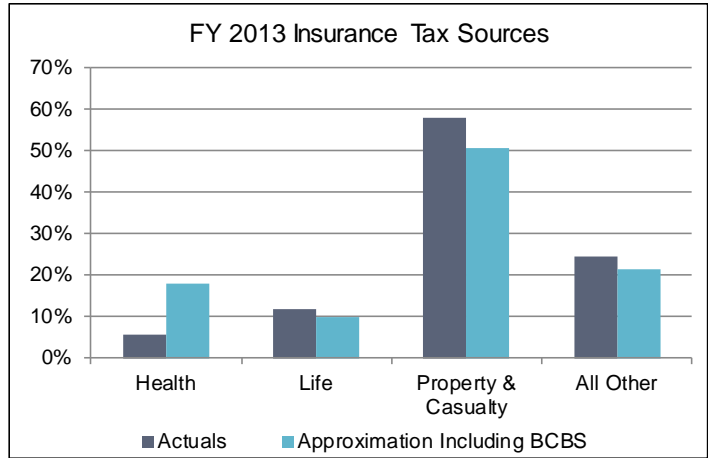
The impact on Montana revenue is more nuanced, however, overall consumer activity may increase with lower prices, natural resource extraction and related industry activity may decline, resulting in lower individual, corporation and natural resource tax collections. Montana oil price tracks closely with West Texas Intermediate oil price, with an approximate 10% reduction to account for transportation costs.

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.

Two FY 2014 changes impacted this revenue source: Blue Cross and Blue Shield (BCBS) was bought out by Health Care Services Corporation (HCSC) at the beginning of FY 2014 under terms that made all of its policies taxable where they had previously been exempt; and the implementation of the Affordable Care Act.

The adjacent chart illustrates changing share of insurance tax sources with the inclusion of former BCBS premiums.

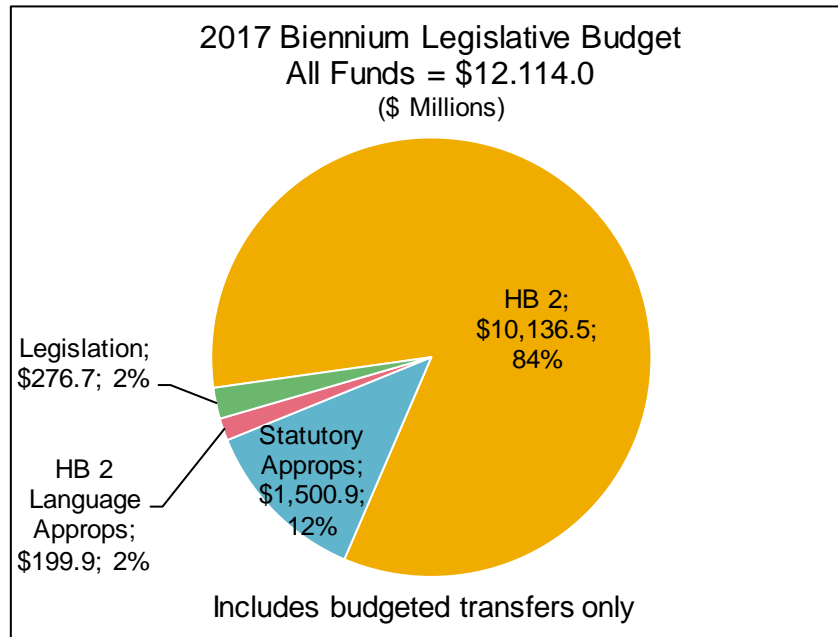


Although the HJ 2 estimate includes those who became insured during the ACA open enrollment last year, if there are additional enrollees in the upcoming years, revenues may increase slightly above the estimate.

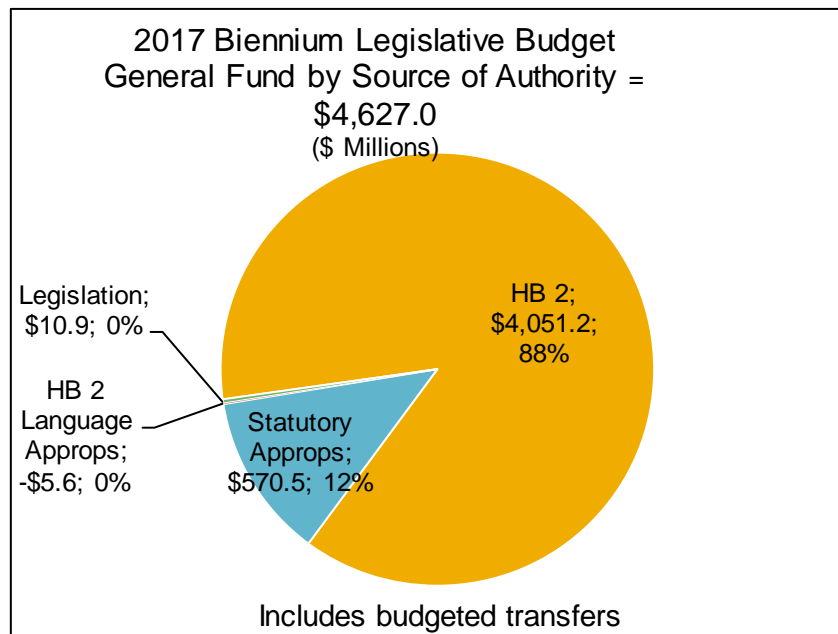
STATE EXPENDITURES

SPENDING BY SOURCE OF AUTHORITY

The chart below shows the legislative budget broken down by appropriation source of authority. HB 2 (including language) dominates the appropriation sources for total funds at 86%.



The figure below shows the general fund budget approved by the legislature by appropriation source of authority. Please note that “Legislation” includes Long Range Planning.



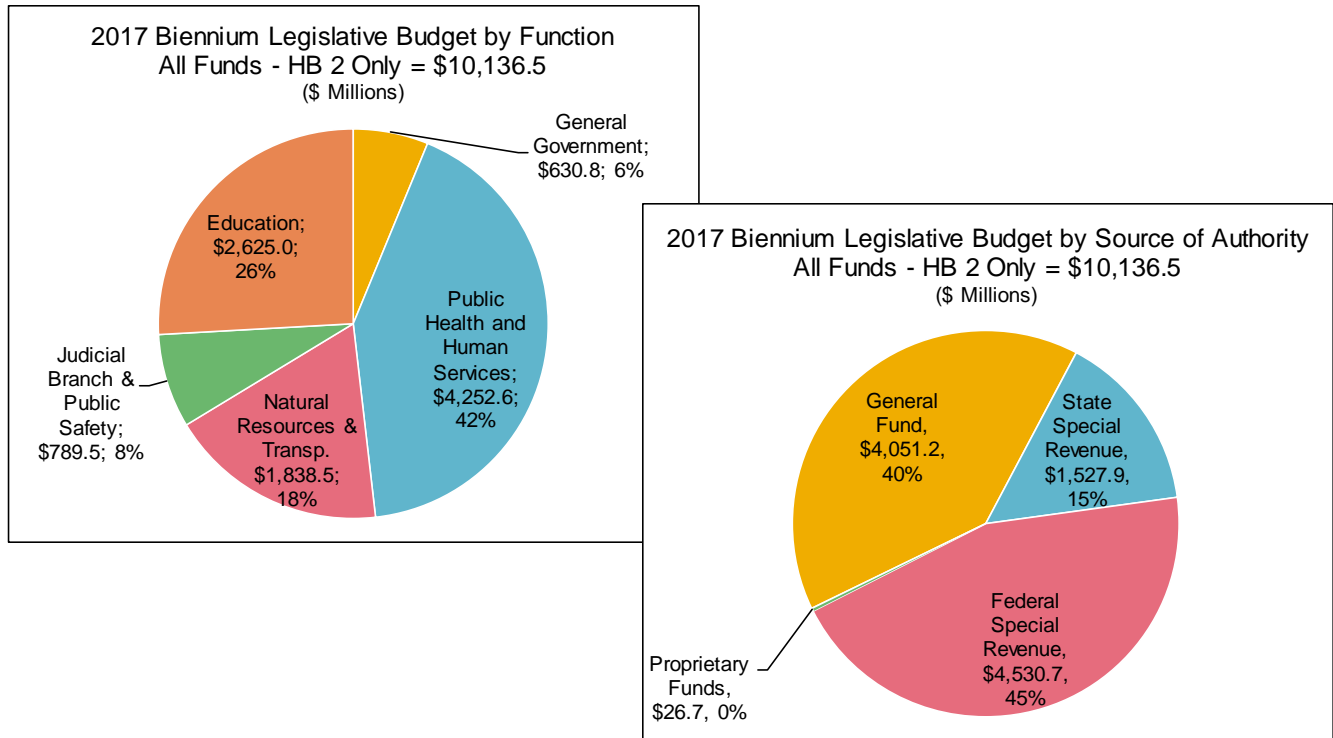
The following sections discuss the various components of state expenditures, beginning with HB 2.

HB 2 FUNDING

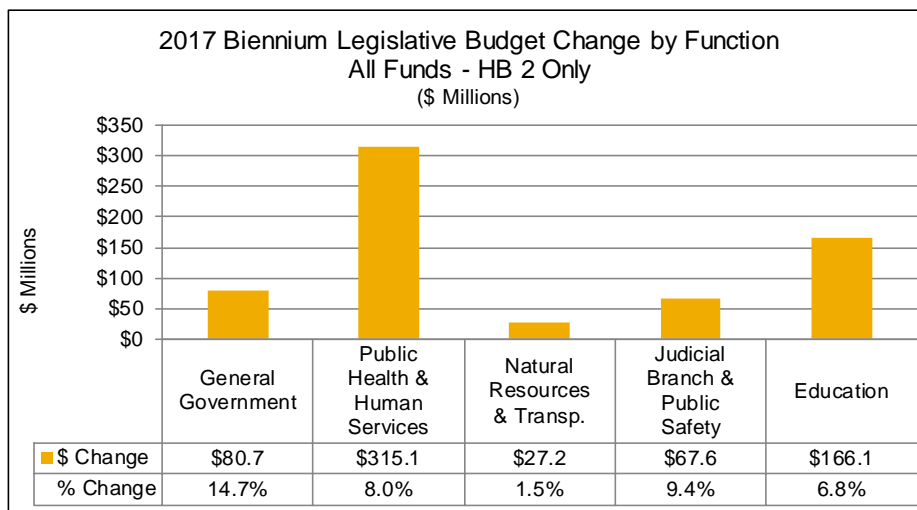
HB 2 is the general appropriations bill, which contains about 40% of general fund and about 85% of total funds appropriated by the legislature for the 2017 biennium.

Funding by Functional Area

The following figures show the allocation of total funds in HB 2 by functional area and by source of funding. Education and human services account for 68% of the total, while federal funds are the largest funding source.



The bar chart shows the changes between the 2015 and 2017 biennia in total funds HB 2 by functional area.



The table on the next page shows total funding in HB 2, by agency, and compares each to the 2015 biennium appropriations. One-time-only (OTO) funds have been segregated from ongoing expenditures and appear shaded in the table. The appropriation percentage change from the 2015 biennium to the 2017 biennium is shown in the "Bi %" column.

ALL FUNDS HB 2 / Comparison of 2015 Biennium Appropriation to 2017 Biennium Appropriation

	FY 2014	FY 2015	2015 Bi	FY 2016	FY 2017	2017 Bi	Bi %	
ONGOING								
General Government								
1104	Legislative Branch	14.481	14.901	29.382	15.393	15.210	30.603	4.2%
1112	Consumer Counsel	1.407	1.454	2.861	1.457	1.483	2.940	2.8%
3101	Governors Office	6.199	6.361	12.560	34.942	61.953	96.895	671.5%
3202	Commissioner of Political Practices	0.497	0.517	1.014	0.569	0.562	1.132	11.6%
3401	State Auditor's Office	9.078	9.310	18.388	8.643	8.171	16.814	-8.6%
5801	Department of Revenue	55.034	56.320	111.354	56.644	56.499	113.143	1.6%
6101	Department of Administration	17.484	17.782	35.266	19.829	18.020	37.849	7.3%
6501	Department of Commerce	27.406	27.350	54.756	26.870	26.809	53.679	-2.0%
6602	Labor & Industry	79.212	81.519	160.731	82.101	80.768	162.869	1.3%
6701	Department of Military Affairs	44.833	43.354	88.188	48.433	48.394	96.828	9.8%
	Subtotal Section A	255.631	258.868	514.499	294.883	317.871	612.753	19.1%
Health and Human Services								
6902	Economic Security Services Branch	443.059	449.095	892.155	434.135	436.463	870.598	-2.4%
6904	Director's Office	3.887	4.027	7.915	5.579	5.584	11.163	41.0%
6906	Operations Services Branch	52.603	52.329	104.932	50.380	49.830	100.210	-4.5%
6907	Public Health	65.793	66.219	132.012	62.089	62.094	124.182	-5.9%
6911	Medicaid And Health Services Branch	1,355.489	1,431.297	2,786.786	1,528.485	1,614.339	3,142.825	12.8%
	Subtotal Section B	1,920.832	2,002.968	3,923.800	2,080.668	2,168.310	4,248.979	8.3%
Natural Resources and Transportation								
5201	Dept. of Fish, Wildlife, and Parks	76.328	78.385	154.713	79.497	79.485	158.982	2.8%
5301	Department of Environmental Quality	56.959	58.257	115.216	61.508	61.612	123.120	6.9%
5401	Department of Transportation	678.664	679.480	1,358.144	671.035	672.148	1,343.183	-1.1%
5603	Department of Livestock	10.110	10.438	20.548	0.170	0.131	0.302	-98.5%
5706	Dept Nat Resource/Conservation	59.714	59.100	118.814	65.960	64.665	130.625	9.9%
6201	Department of Agriculture	17.407	17.779	35.186	17.495	17.475	34.971	-0.6%
	Subtotal Section C	899.182	903.439	1,802.621	895.666	895.516	1,791.182	-0.6%
Judicial Branch, Law Enforcement and Justice								
2110	Judiciary	40.387	42.034	82.421	50.218	51.056	101.273	22.9%
4107	Crime Control Division	8.594	8.646	17.240	8.128	8.127	16.255	-5.7%
4110	Department of Justice	86.653	89.337	175.990	95.865	96.929	192.794	9.5%
4201	Public Service Commission	3.835	3.869	7.704	3.994	3.972	7.966	3.4%
6108	Office of Public Defender	26.745	27.390	54.134	0.014	0.021	0.035	-99.9%
6401	Department of Corrections	187.228	192.226	379.453	201.113	202.491	403.604	6.4%
	Subtotal Section D	353.442	363.501	716.943	359.332	362.595	721.927	0.7%
Education								
3501	Office of Public Instruction	890.339	921.928	1,812.267	957.965	974.918	1,932.883	6.7%
5101	Board of Public Education	0.388	0.384	0.772	0.332	0.318	0.650	-15.8%
5102	Commissioner of Higher Education	280.481	293.439	573.920	311.641	316.820	628.461	9.5%
5113	School For The Deaf & Blind	6.867	7.093	13.961	7.209	7.179	14.388	3.1%
5114	Montana Arts Council	1.428	1.429	2.857	1.453	1.419	2.871	0.5%
5115	Library Commission	6.362	5.320	11.681	6.451	5.377	11.829	1.3%
5117	Historical Society	5.199	5.292	10.491	5.617	5.573	11.189	6.7%
	Subtotal Section E	1,191.064	1,234.885	2,425.949	1,290.668	1,311.603	2,602.271	7.3%
	Subtotal Ongoing	4,620.151	4,763.662	9,383.812	4,921.217	5,055.895	9,977.112	6.3%
ONE-TIME								
	General Government	18.774	16.911	35.684	12.248	5.841	18.089	-49.3%
	Health and Human Services	6.431	7.179	13.610	1.823	1.755	3.579	-73.7%
	Natural Resources and Transportation	5.248	3.519	8.768	23.672	23.692	47.364	440.2%
	Judicial Branch, Law Enforcement and Justice	3.035	1.973	5.007	33.883	33.737	67.620	1250.5%
	Education	17.153	15.773	32.926	12.160	10.550	22.710	-31.0%
	Subtotal One-time	50.640	45.354	95.994	83.786	75.575	159.361	66.0%
	Grand total	4,670.791	4,809.016	9,479.807	5,005.003	5,131.470	10,136.473	6.9%

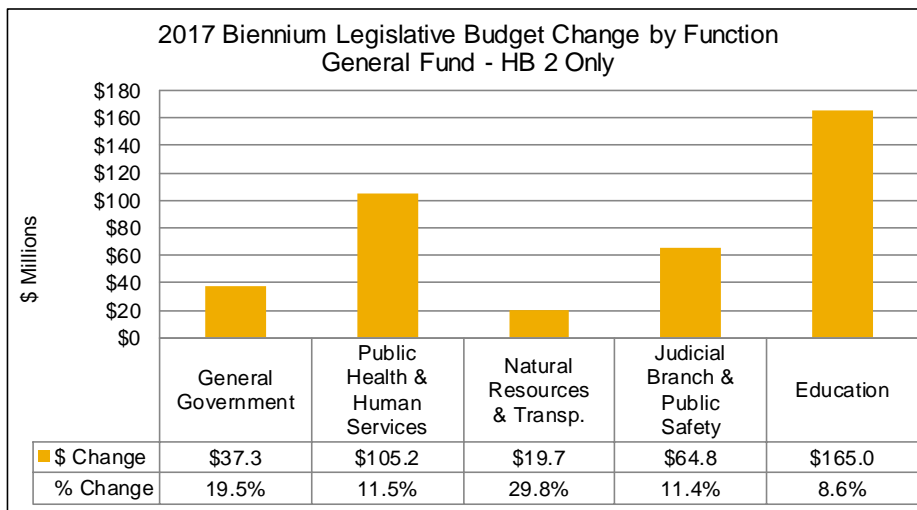
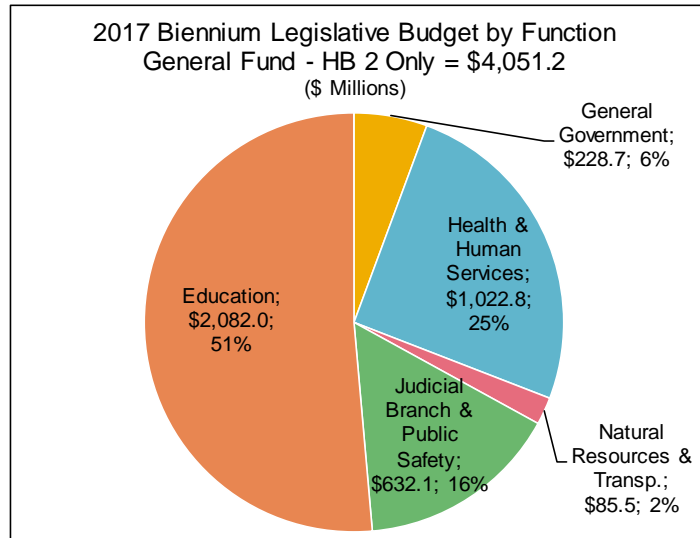
Type of Funding

The largest source of funding for operations of state government is federal funds at about 45% of the total, followed by general fund at about 40%. The four primary funding sources in HB 2—general fund, state special revenue, federal funds, and budgeted proprietary funds—are discussed in the following sections.

General Fund

The adjacent pie chart shows total HB 2 general fund expenditures as adopted by the legislature, by government functional area. Education, human services, and Judicial Branch and public safety are about 92% of the total expenditures.

The chart below shows the total increases from the 2015 biennium by functional area. As shown, the increases are dominated by human services and education.



Ongoing Expenditures

The 64th Legislature increased ongoing general fund expenditures by \$313 million, or 8.7% compared to the 2015 biennium legislative appropriations. Increases for general government, human services, natural resources, K-12 and higher education are nearly 60% of the total increase.

Major increases include:

- Caseload and/or other human population increases in Medicaid and other programs: K-12 education, Health and Human Services, corrections, and Office of Public Defender
- Changes in FMAP (the percent of Medicaid expenses paid by the federal government), which increases state costs
- Increase of \$23.3 million for postsecondary education institutions
- Additional funding for community services for mental health crisis jail diversion, secure detention psychiatric beds, and transitional mental health group homes
- Increase for K-12 education for inflationary increases for BASE Aid components and enrollment growth, \$92.1 million

Significant funding of new proposals:

- Incorporating the executive branch employee pay plan and contingency funding in HB 2 (for more information on this, please refer to the executive branch employee pay plan section)
- A 2% provider rate increase in human services and corrections, as well as a direct care worker wage increase and a per-diem increase for county jails - \$22.6 million general fund
- The “First Step” initiative, autism services and other mental health proposals - \$17.4 million after HELP Act estimated savings
- Funding shifts - \$4.0 million
- Potential increases dependent on Medicaid caseloads, please see the SB 405 section of this report

One-Time-Only

The legislature approved \$124.4 million in one-time-only (OTO) appropriations; this includes budgets for the Office of Public Defender and the Department of Livestock as one-time for the 2017 biennium, which accounts for \$70.2 million in OTO funding. The legislature anticipates these agency budgets will be ongoing, but will use one-time funding as a budgeting tool to closely examine the budgets in the 2017 session.

Other OTO funding:

- Aquatic Invasive Species in natural resource agencies - \$1.9 million
- The Insure Montana program was provided \$4.5 million OTO to phase out the program
- \$3.0 million for the Commissioner of Higher Education to fund the Governor’s Best and Brightest Scholarships and Quality educator Loan Forgiveness Program
- \$2.4 million to the Department of Health and Human Services for Child Care STARS to Quality program
- Office of Public Instruction received \$1.7 million for the Digital Academy

Significant new proposals funded as OTO include:

- Research initiative for Commissioner of Higher Ed - \$15.0 million
- Sage grouse conservation fund - \$10.0 million
- Economic development in Department of Commerce - \$3.0 million
- Native language preservation - \$1.5 million
- Youth recreational facilities - \$1.5 million

General fund new proposals and decision point adjustments, as well as the OTO funding decisions for the Office of Public Defender and the Department of Livestock, are explained more fully in Volumes 3 and 4 of the [2017 Biennium Legislative Fiscal Report](#).

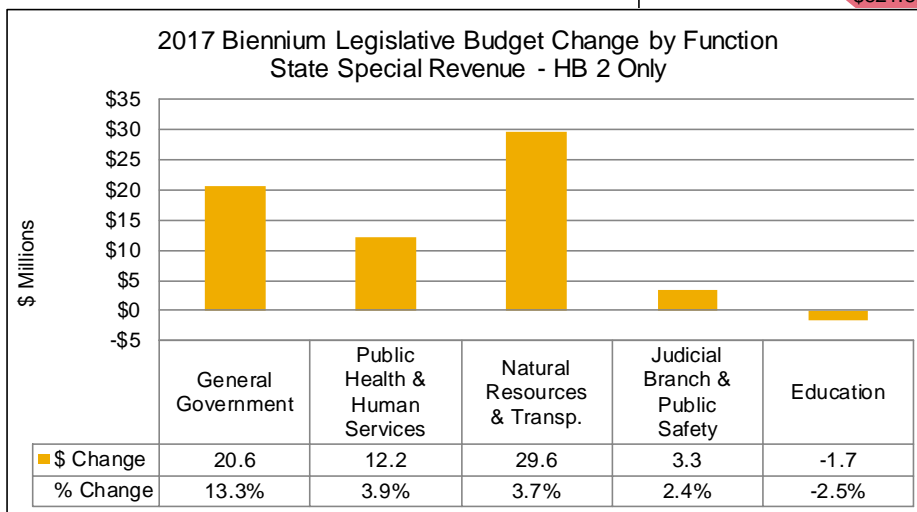
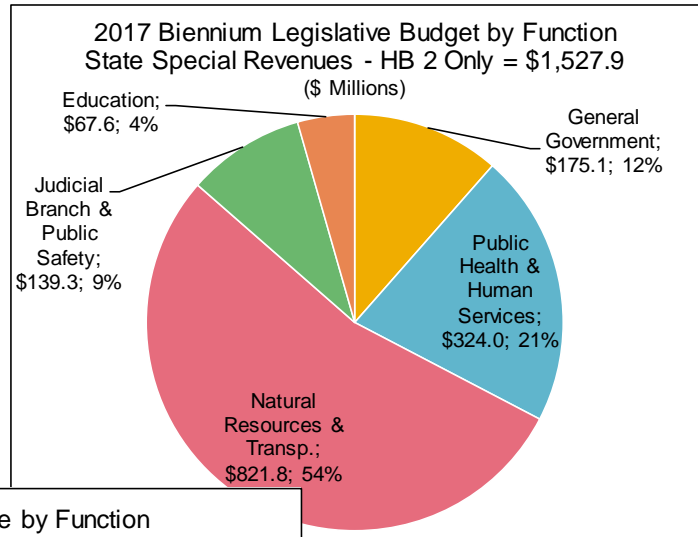
The table below shows general fund by agency compared to the 2015 biennium appropriations. OTO funds have been segregated from ongoing expenditures and appear shaded in the table. The appropriation percentage change from the 2015 biennium to the 2017 biennium is shown in the "Bi %" column.

GENERAL FUND HB 2 / Comparison of 2015 Biennium Appropriation to 2017 Biennium Appropriation*								
		FY 2014	FY 2015	2015 Bi	FY 2016	FY 2017	2017 Bi	Bi %
ONGOING								
General Government								
1104	Legislative Branch	11.907	12.754	24.661	12.794	13.166	25.960	5.3%
3101	Governors Office	6.191	6.353	12.543	18.551	28.703	47.254	276.7%
3202	Commissioner of Political Practices	0.497	0.517	1.014	0.569	0.562	1.132	11.6%
5801	Department of Revenue	50.126	51.523	101.649	52.324	52.188	104.512	2.8%
6101	Department of Administration	5.232	5.341	10.573	5.866	5.703	11.569	9.4%
6501	Department of Commerce	3.085	3.162	6.247	3.511	3.497	7.008	12.2%
6602	Labor & Industry	1.351	1.446	2.797	1.851	1.866	3.717	32.9%
6701	Department of Military Affairs	5.967	6.087	12.054	6.458	6.459	12.917	7.2%
	Subtotal Section A	84.355	87.182	171.537	101.924	112.145	214.070	24.8%
Health and Human Services								
6902	Economic Security Services Branch	76.851	79.934	156.785	81.797	83.550	165.347	5.5%
6904	Director's Office	1.704	1.764	3.468	2.510	2.514	5.024	44.9%
6906	Operations Services Branch	18.305	18.075	36.380	18.526	19.013	37.540	3.2%
6907	Public Health	3.896	3.971	7.867	3.857	3.857	7.714	-1.9%
6911	Medicaid And Health Services Branch	345.781	365.174	710.955	395.530	408.625	804.155	13.1%
	Subtotal Section B	446.536	468.918	915.454	502.221	517.559	1,019.780	11.4%
Natural Resources and Transportation								
5301	Department of Environmental Quality	5.361	5.508	10.870	5.296	5.290	10.586	-2.6%
5603	Department of Livestock	0.995	1.029	2.024	0.079	0.079	0.157	-92.2%
5706	Dept Nat Resource/Conservation	24.128	24.793	48.921	27.627	27.604	55.231	12.9%
6201	Department of Agriculture	0.998	0.986	1.983	0.972	0.929	1.901	-4.1%
	Subtotal Section C	31.481	32.317	63.798	33.973	33.902	67.875	6.4%
Judicial Branch, Law Enforcement and Justice								
2110	Judiciary	37.702	39.259	76.960	48.325	49.107	97.433	26.6%
4107	Crime Control Division	2.377	2.411	4.788	2.466	2.466	4.932	3.0%
4110	Department of Justice	29.498	30.305	59.804	34.247	34.744	68.990	15.4%
6108	Office of Public Defender	26.463	27.116	53.579	0.014	0.021	0.035	-99.9%
6401	Department of Corrections	181.220	186.186	367.406	196.189	197.561	393.750	7.2%
	Subtotal Section D	277.260	285.277	562.537	281.241	283.899	565.140	0.5%
Education								
3501	Office of Public Instruction	713.180	743.170	1,456.350	780.848	796.457	1,577.305	8.3%
5101	Board of Public Education	0.216	0.207	0.422	0.154	0.139	0.293	-30.7%
5102	Commissioner of Higher Education	202.503	214.727	417.230	224.847	229.830	454.677	9.0%
5113	School For The Deaf & Blind	6.532	6.759	13.291	6.881	6.850	13.731	3.3%
5114	Montana Arts Council	0.494	0.493	0.988	0.523	0.503	1.026	3.9%
5115	Library Commission	2.895	2.954	5.848	3.033	3.017	6.051	3.5%
5117	Historical Society	3.137	3.189	6.326	3.429	3.385	6.814	7.7%
	Subtotal Section E	928.957	971.498	1,900.455	1,019.715	1,040.181	2,059.896	8.4%
	Subtotal Ongoing	1,768.590	1,845.192	3,613.782	1,939.074	1,987.686	3,926.760	8.7%
ONE-TIME								
	General Government	7.837	11.988	19.825	10.242	4.367	14.608	-26.3%
	Health and Human Services	0.890	1.263	2.152	1.551	1.484	3.035	41.0%
	Natural Resources and Transportation	1.050	1.039	2.089	8.807	8.860	17.666	745.8%
	Judicial Branch, Law Enforcement and Justice	2.758	1.973	4.731	33.510	33.463	66.972	1315.7%
	Education	8.984	7.603	16.587	11.860	10.250	22.110	33.3%
	Subtotal One-time	21.518	23.866	45.384	65.969	58.422	124.392	174.1%
	Grand total	1,790.108	1,869.058	3,659.166	2,005.044	2,046.108	4,051.151	10.7%

State Special Revenue

State special revenue is designated for specific purposes and totals \$1,527.9 million or 15% of total proposed HB 2 expenditures in the 2017 biennium. The pie chart to the right shows total state special revenues by function for HB 2 only.

The chart below shows the change from the previous biennium, by function of state government. The legislature adopted a 4.4% increase compared to the 2015 biennium appropriations. The following table provides a further breakout by section.



Ongoing Expenditures

The legislature increased ongoing expenditures by \$58.0 million or 4.0% compared to the 2015 biennium through recommended adjustments in a number of agencies.

The major adjustment incorporated the executive branch employee pay plan and contingency funding into HB 2. This increased ongoing state special revenue expenditures by about \$28.7 million (please refer to the employee pay plan section for additional information).

One-Time-Only

The legislature adopted \$28.7 million in OTO appropriations. Significant OTO expenditures included designating the Department of Livestock as OTO for the 2017 biennium, which accounted for \$15.8 million of the total OTO and expanding the usage of the orphan share account in the Department of Environmental Quality by \$7.0 million OTO.

New proposals funded as OTO expenditures included the following:

- Shooting Range Grants - \$0.7 million
- Jefferson Slough Bypass Channel - \$1.0 million

State special revenue new proposals, present law adjustments and one-time-only appropriations are discussed in more detail in Volume 3 and 4 of the [2017 Biennium Legislative Fiscal Report](#).

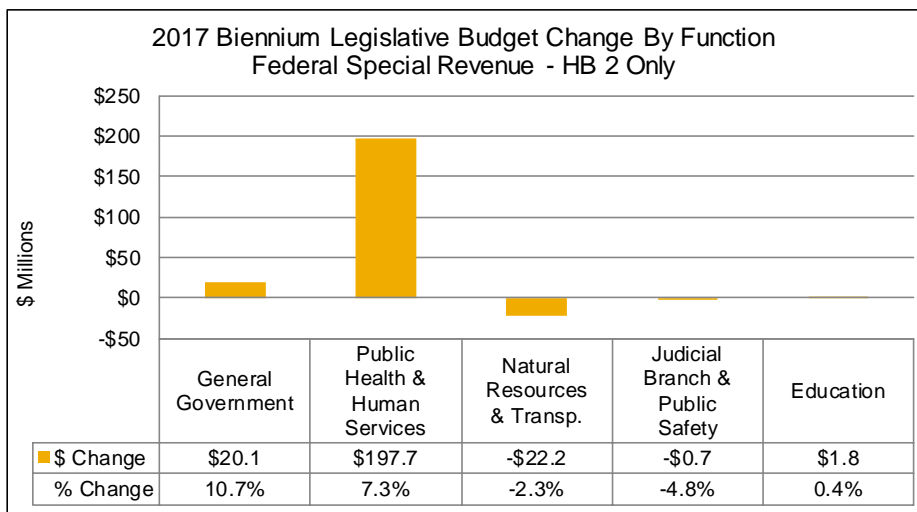
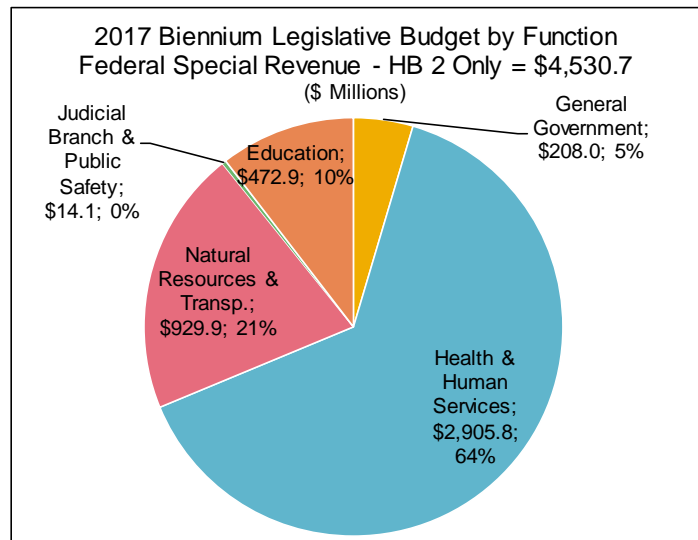
The following table shows state special appropriations compared to the 2015 biennium appropriations.

STATE SPECIAL / Comparison of 2015 Biennium Appropriation to 2017 Biennium Appropriation								
		FY 2014	FY 2015	2015 Bi	FY 2016	FY 2017	2017 Bi	Bi %
ONGOING								
General Government								
1104	Legislative Branch	2.574	2.148	4.721	2.599	2.044	4.643	-1.7%
1112	Consumer Counsel	1.407	1.454	2.861	1.457	1.483	2.940	2.8%
3101	Governors Office	0.008	0.008	0.017	10.242	19.097	29.340	175009.0%
3401	State Auditor's Office	9.078	9.310	18.388	8.643	8.171	16.814	-8.6%
5801	Department of Revenue	1.548	1.564	3.113	1.016	1.018	2.034	-34.7%
6101	Department of Administration	6.143	6.326	12.469	6.867	6.807	13.675	9.7%
6501	Department of Commerce	6.706	6.307	13.012	4.671	4.632	9.303	-28.5%
6602	Labor & Industry	40.801	41.848	82.649	47.306	45.863	93.170	12.7%
6701	Department of Military Affairs	1.120	1.043	2.164	0.733	0.730	1.463	-32.4%
	Subtotal Section A	69.386	70.008	139.394	83.536	89.844	173.380	24.4%
Health and Human Services								
6902	Economic Security Services Branch	6.911	7.032	13.942	5.800	5.801	11.600	-16.8%
6904	Director's Office	0.415	0.426	0.840	0.610	0.611	1.221	45.3%
6906	Operations Services Branch	2.485	2.505	4.989	2.915	2.331	5.246	5.1%
6907	Public Health	16.715	16.858	33.573	18.076	18.080	36.156	7.7%
6911	Medicaid And Health Services Branch	127.416	130.725	258.142	133.273	136.445	269.718	4.5%
	Subtotal Section B	153.941	157.546	311.487	160.674	163.267	323.941	4.0%
Natural Resources and Transportation								
5201	Dept. of Fish, Wildlife, and Parks	56.803	58.323	115.126	59.778	59.813	119.591	3.9%
5301	Department of Environmental Quality	31.260	31.821	63.082	32.875	32.993	65.868	4.4%
5401	Department of Transportation	249.546	248.745	498.291	254.424	255.715	510.140	2.4%
5603	Department of Livestock	7.716	7.962	15.678	0.092	0.053	0.144	-99.1%
5706	Dept Nat Resource/Conservation	33.598	32.307	65.905	36.222	34.955	71.178	8.0%
6201	Department of Agriculture	13.713	14.041	27.755	14.603	14.621	29.224	5.3%
	Subtotal Section C	392.638	393.199	785.837	397.994	398.150	796.144	1.3%
Judicial Branch, Law Enforcement and Justice								
2110	Judiciary	2.563	2.649	5.212	1.765	1.820	3.585	-31.2%
4107	Crime Control Division	0.152	0.153	0.305	0.122	0.122	0.244	-20.1%
4110	Department of Justice	54.227	56.032	110.259	58.422	58.981	117.403	6.5%
4201	Public Service Commission	3.761	3.786	7.547	3.920	3.899	7.819	3.6%
6108	Office of Public Defender	0.282	0.274	0.555	-	-	-	-100.0%
6401	Department of Corrections	5.926	5.960	11.886	4.821	4.822	9.644	-18.9%
	Subtotal Section D	66.911	68.854	135.765	69.051	69.644	138.695	2.2%
Education								
3501	Office of Public Instruction	10.599	10.305	20.904	9.655	9.654	19.309	-7.6%
5101	Board of Public Education	0.172	0.177	0.349	0.178	0.179	0.357	2.3%
5102	Commissioner of Higher Education	20.493	21.006	41.499	20.711	20.710	41.421	-0.2%
5113	School For The Deaf & Blind	0.263	0.263	0.526	0.258	0.258	0.516	-1.9%
5114	Montana Arts Council	0.224	0.223	0.447	0.222	0.223	0.445	-0.3%
5115	Library Commission	1.802	1.801	3.603	1.746	1.743	3.489	-3.2%
5117	Historical Society	0.713	0.714	1.427	0.749	0.748	1.497	4.9%
	Subtotal Section E	34.265	34.491	68.756	33.518	33.516	67.034	-2.5%
	Subtotal Ongoing	717.141	724.098	1,441.238	744.772	754.422	1,499.194	4.0%
ONE-TIME								
	General Government	10.559	4.569	15.128	0.860	0.860	1.721	-88.6%
	Health and Human Services	0.141	0.151	0.292	0.020	0.020	0.040	-86.1%
	Natural Resources and Transportation	3.943	2.433	6.377	12.847	12.832	25.679	302.7%
	Judicial Branch, Law Enforcement and Justice	0.277	-	0.277	0.374	0.274	0.648	134.1%
	Education	0.300	0.300	0.600	0.300	0.300	0.600	0.0%
	Subtotal One-time	15.220	7.454	22.673	14.401	14.287	28.688	26.5%
	Grand total	732.360	731.551	1,463.911	759.173	768.709	1,527.882	4.4%

Federal Funds

Federal funds are received from various federal funding sources. The federal government provides targeted funding that cannot be used except for the general and/or specific purposes intended. It totals \$4,530.7 million or about 45% of total proposed HB 2 expenditures in the 2017 biennium.

The chart below shows the change in funding compared to the 2015 biennium. The table includes both ongoing and one-time-only changes.



Ongoing Expenditures

The 64th Legislature adopted a 5.1% increase in ongoing expenditures over the 2015 legislative appropriations.

Major increases include the following:

- Including the executive branch employee pay plan and contingency funding in HB 2. This increased federal funding in HB 2 by \$19.8 million (please refer to the executive branch employee pay plan section for additional information)
- Provider rate increases in human services, and caseload increases in Medicaid and other human services programs such as foster care and disability services
- Federal grant and administrative cost adjustments in various agencies
- Various increases for the Guaranteed Student Loan Program in the Commissioner of Higher Education – about \$16.0 million
- Supplemental Nutrition Assistance Program - \$363.9 million

New proposals:

- Unexploded ordnance in the Department of Military Affairs - \$8.0 million
- A taxiway for the Yellowstone airport - \$6.4 million

The state did not receive federal funding provided by MAP 21 (a federal highway program formally called Moving Ahead for Progress in the 21st Century) at the level anticipated in the 2015 biennium

due to congressional changes. The 2017 biennium budget is based on the lower amounts received in the 2015 biennium.

One-Time-Only

The federally funded OTO appropriations primarily are in the Department of Livestock, as the legislature designated most of that agency's budget OTO.

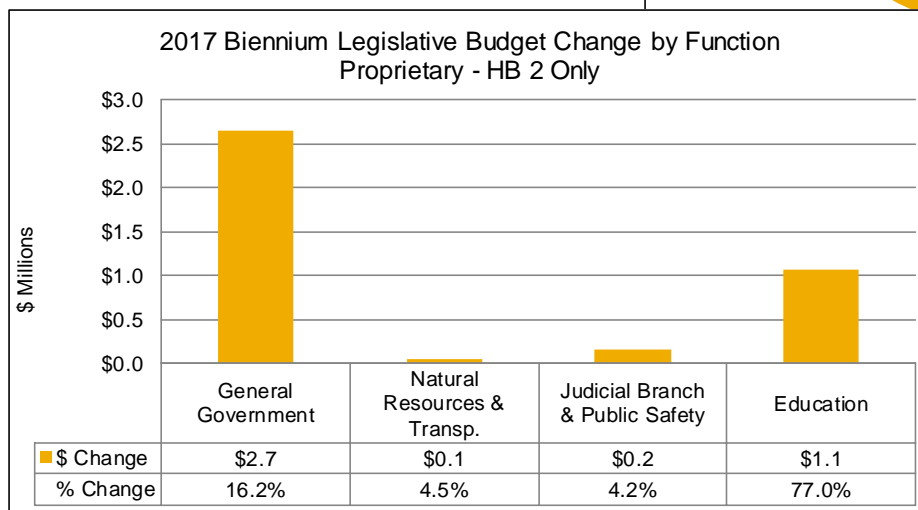
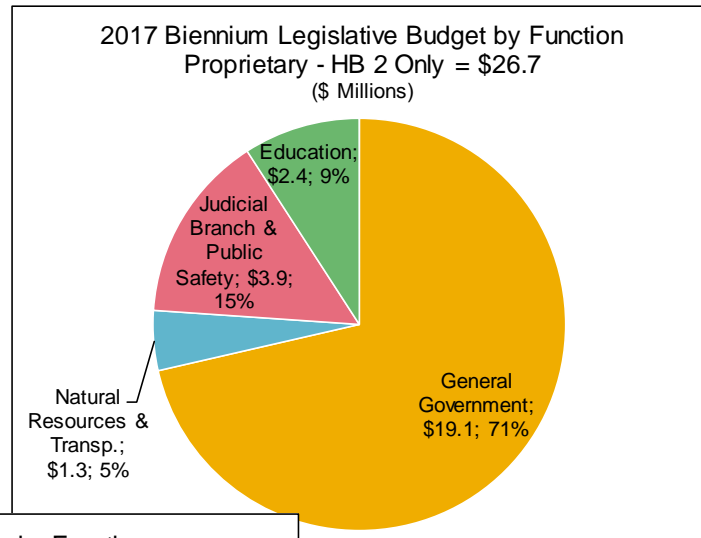
Federally funded new proposals and decision point adjustments are discussed in more detail in Volumes 3 and 4 of the [2017 Biennium Legislative Fiscal Report](#).

This table compares the legislative appropriations adopted for the 2017 biennium to the 2015 biennium appropriations.

FEDERAL FUNDS / Comparison of 2015 Biennium Appropriation to 2017 Biennium Appropriation								
		FY 2014	FY 2015	2015 Bi	FY 2016	FY 2017	2017 Bi	Bi %
ONGOING								
General Government								
3101	Governor's Office	-	-	-	5.984	13.818	19.801	100.0%
5801	Department of Revenue	0.257	0.268	0.526	0.273	0.272	0.546	3.8%
6101	Department of Administration	0.948	0.947	1.895	1.555	0.099	1.654	-12.7%
6501	Department of Commerce	17.615	17.881	35.497	18.689	18.680	37.369	5.3%
6602	Labor & Industry	37.060	38.225	75.285	32.944	33.039	65.983	-12.4%
6701	Department of Military Affairs	37.746	36.224	73.970	41.242	41.205	82.448	11.5%
	Subtotal Section A	93.626	93.546	187.172	100.687	107.113	207.800	11.0%
Health and Human Services								
6902	Economic Security Services Branch	359.298	362.129	721.427	346.539	347.112	693.651	-3.9%
6904	Director's Office	1.769	1.838	3.607	2.458	2.460	4.918	36.4%
6906	Operations Services Branch	31.814	31.749	63.563	28.939	28.486	57.424	-9.7%
6907	Public Health	45.183	45.390	90.573	40.156	40.157	80.313	-11.3%
6911	Medicaid And Health Services Branch	882.292	935.398	1,817.690	999.682	1,069.269	2,068.952	13.8%
	Subtotal Section B	1,320.356	1,376.504	2,696.859	1,417.774	1,487.484	2,905.258	7.7%
Natural Resources and Transportation								
5201	Dept. of Fish, Wildlife, and Parks	19.525	20.062	39.587	19.719	19.672	39.390	-0.5%
5301	Department of Environmental Quality	20.338	20.927	41.265	23.338	23.329	46.667	13.1%
5401	Department of Transportation	429.118	430.735	859.852	416.611	416.432	833.044	-3.1%
5603	Department of Livestock	1.399	1.447	2.846	-	-	-	-100.0%
5706	Dept Nat Resource/Conservation	1.987	2.000	3.987	2.111	2.106	4.217	5.8%
6201	Department of Agriculture	2.105	2.143	4.247	1.294	1.297	2.591	-39.0%
	Subtotal Section C	474.472	477.314	951.785	463.072	462.836	925.909	-2.7%
Judicial Branch, Law Enforcement and Justice								
2110	Judiciary	0.123	0.126	0.249	0.127	0.128	0.255	2.5%
4107	Crime Control Division	6.065	6.082	12.147	5.540	5.540	11.079	-8.8%
4110	Department of Justice	1.122	1.149	2.271	1.334	1.334	2.668	17.5%
4201	Public Service Commission	0.073	0.083	0.156	0.073	0.073	0.147	-6.2%
6401	Department of Corrections	0.016	0.016	0.032	-	-	-	-100.0%
	Subtotal Section D	7.399	7.456	14.855	7.075	7.075	14.150	-4.8%
Education								
3501	Office of Public Instruction	166.561	168.453	335.013	167.463	168.806	336.269	0.4%
5102	Commissioner of Higher Education	57.407	57.625	115.032	65.541	65.739	131.280	14.1%
5113	School For The Deaf & Blind	0.072	0.072	0.144	0.070	0.070	0.141	-1.9%
5114	Montana Arts Council	0.710	0.713	1.423	0.708	0.692	1.400	-1.6%
5115	Library Commission	1.665	0.565	2.230	1.672	0.617	2.289	2.7%
5117	Historical Society	0.744	0.775	1.518	0.761	0.761	1.522	0.3%
	Subtotal Section E	227.158	228.201	455.359	236.215	236.686	472.901	3.9%
	Subtotal Ongoing	2,123.010	2,183.021	4,306.031	2,224.822	2,301.195	4,526.018	5.1%
ONE-TIME								
	General Government	0.378	0.353	0.731	0.105	0.105	0.210	-71.3%
	Health and Human Services	5.401	5.765	11.166	0.252	0.251	0.503	-95.5%
	Natural Resources and Transportation	0.255	0.047	0.302	2.018	2.000	4.019	1230.5%
	Judicial Branch, Law Enforcement and Justice	-	-	-	-	-	-	-
	Education	7.869	7.869	15.738	-	-	-	-100.0%
	Subtotal One-time	13.903	14.035	27.937	2.375	2.357	4.732	-83.1%
	Grand total	2,136.913	2,197.056	4,333.969	2,227.198	2,303.552	4,530.749	4.5%

Proprietary

Proprietary funds are designated as either enterprise or internal service funds (see [17-2-102, MCA](#)). Statute does not require that most proprietary funds be appropriated. Therefore, any increases in the programs supported with these proprietary funds, which is the great majority, are not reflected in any of the figures. Rather, only those proprietary funds that are appropriated in HB 2 are reflected.



The most significant policy adjustments are in the Lottery Division in the Department of Administration for operating costs related to increased sales, and expenses related to gaming systems and terminals. The proprietary amounts for the Governor's Office reflect the addition of the executive pay plan.

The following table shows proprietary funds by section compared to the 2015 biennium appropriations.

Proprietary Funds Comparison of 2015 Biennium Appropriation to 2017 Biennium Appropriation (\$ Millions)							
Function	FY 2014	FY 2015	2015 Bi	FY 2016	FY 2017	2017 Bi	Bi %
General Government	\$8.263	\$8.132	\$16.396	\$9.776	\$9.277	\$19.053	16.2%
Natural Resources & Transp.	0.591	0.610	1.201	0.627	0.628	1.255	4.5%
Judicial Branch & Public Safety	1.872	1.914	3.785	1.965	1.977	3.942	4.2%
Education	0.683	0.695	1.379	1.220	1.220	2.440	77.0%
Grand Total	\$11.410	\$11.351	\$22.761	\$13.589	\$13.101	\$26.690	17.3%

Language Appropriations in HB 2 – General Fund

Generally, language appropriations are made when it is not known whether and/or to what degree the funds will be spent. The language specifies the maximum amount that can be spent from the appropriation. The 64th Legislature adopted supplemental appropriations in HB 2, rather than passing the traditional supplemental bill, HB 3. This change is discussed below along with the other language appropriations that impact the general fund:

- Supplemental appropriations - \$21.2 million general fund for appropriations in FY 2015 for the following agencies: Commissioner of Political Practices, Office of Public Instruction, Department of Administration, Department of Corrections, Office of Public Defender
- The legislature provided language stipulations (triggers) that allow the Department of Health and Human Services additional appropriation authority if non-restricted general fund Medicaid benefit expenditures exceed a certain threshold. This potential authority is \$21.8 million general fund
- Guaranteed tax base (GTB) was reduced by \$2.2 million general fund contingent on the passage of [SB 157](#). [SB 157](#) passed the legislature and was signed into law by the Governor. For further information, please see the revenue section, property reappraisal in this volume
- Classroom and technology collaboration of \$1.6 million general fund was contingent on the passage of SB 416. As SB 416 did not pass, the appropriation was reduced
- Department of Health and Human Services – HB 305 directed the department to improve services to protect children from abuse and neglect. As HB 305 failed to pass the legislature, \$1 million general fund was provided in HB 2 for the purpose of HB 305
- Department of Health and Human Services – \$2.8 million general fund reduction to align with [SB 411](#), legislation that authorized the closure of the Montana Developmental Center in Boulder
- Board of Crime Control – The board is given authority to spend any remaining pass-through grant appropriations from the 2015 biennium up to \$100,000 general fund

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 the LRP programs and projects, refer to Section F of the [2017 Biennium Legislative Fiscal Report](#).

LRP Budgets

The 64th Legislature approved total funds spending of \$232.7 million for the LRP budgets. For the 2017 biennium, the legislature appropriated funds for eight out of nine programs. The LRP programs include:

- Long Range Building Program (LRBP) – acquisition, construction, and major maintenance of state owned lands and buildings
- State Building Energy Conservation Program (SBECP) – energy efficiency improvements to state owned buildings
- Long Range Information Technology Program (LRITP) – major information technology build out and upgrades
- Treasure State Endowment Program (TSEP) – water infrastructure grants to local governments
- Treasure State Endowment Regional Water Program (TSEPRW) – matching funds for major regional water projects
- Renewable Resource Grant and Loan Program (RRGL) – water conservation grants and loans to local governments
- Reclamation and Development Grant Program (RDGP) – grants for the reclamation of lands degraded by severance activities
- Cultural and Aesthetic Grant Program (C&S) – arts and historical grants
- Quality School Facility Grants Program (Quality Schools) – grants for major maintenance of K-12 school facilities

Long-Range Planning Budgets - 2017 Biennium (\$ Millions)										
Program / Bill	Appropriations					Non-Approp		Total	% Total	General Fund Transfers
	Capital Projects	General Funds	State Special	Federal Special	Bonds & Loans	Authoriz.				
LRBP (HB 403)	\$16.9	\$0.0	\$31.2	\$13.4	\$0.0	\$71.5	\$132.8	57.1%	\$1.0	
SBECP (HB 403)			2.5				2.5	1.1%		
LRITP (HB 10)	9.3	0.0	3.7	22.4			35.4	15.2%	10.3	
TSEP (HB 11)			18.9				18.9	8.1%		
TSEPRW (HB 11)			4.3				4.3	1.8%		
RRGL (HB 6 & 8)			5.6		27.5		33.1	14.2%		
RDGP (HB 7)			5.3				5.3	2.3%		
C&A (HB 9)			0.4				0.4	0.2%		
Quality Schools (HB 15)			0.0				0.0	0.0%		
Grand Total	\$26.2	\$0.0	\$71.8	\$35.7	\$27.5	\$71.5	\$232.7	100.0%	\$11.3	

As noted on the table above, expenditures from the column titled Authoriz. (authorizations), representing 31% 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 \$232.7 million. This amount is a 29% reduction from the LRP budgets in the 2015 biennium and 46% lower than the executive budget proposal. The main difference between the executive proposal and the approved budget is that the legislature did not pass 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.

One of the LRP bills, HB 10, included one general fund appropriation of \$7,500 in the LRITP. In addition, the legislature transferred \$11.3 million from the general fund into LRP capital projects funds. The purposes and associated amounts of the general fund transfers include:

- Funding for one additional state building construction project - \$1.0 million
- Funding state information technology projects - \$10.3 million
 - Typically transfers to the LRITP program cover the full costs of IT projects to general fund supported agencies. While the legislature included \$10.3 million of appropriations for LRITP projects, the executive line-item vetoed one project with a cost of \$1.0 million. As a result, the LRITP will have \$1.0 million of available funds for appropriation in the 2017 session

The LRP budgets contain several significant appropriations, including:

- Two new university system building projects funded through donations, one in Bozeman and one in Hamilton (LRBP [HB 403](#))
- An appropriation of \$20 million to enhance federal participation for DPHHS information technology projects (LRITP [HB 10](#))

Due to a shortfall of program-dedicated revenues in the Quality Schools facility account there were no appropriations for the 2017 biennium in the Quality Schools program.

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 that 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 64th Legislature adopted [HJ 27](#), a resolution to conduct an interim study on statutory appropriations and report the findings when the next legislature convenes.

Legislative Action

The 2015 Legislature made a number of changes to statutory appropriations. These changes spanned general fund, state special revenue, federal special revenue, and proprietary funds. In total, the Legislative Fiscal Division estimates legislative action increased statutory appropriations by \$370.7 million for the 2017 biennium.

General Fund

The table on page 38 shows each general fund statutory appropriations as estimated by LFD after session:

General Fund Statutory Appropriation LFD Estimates					
(\$ Millions)					
MCA Cite	Purpose	FY 2014 (Actual)	FY 2015 (Estimate)	FY 2016 (Estimate)	FY 2017 (Estimate)
<u>Retirement</u>					
15-35-108(9)(a)	Coal Severance to PERS*	\$14.745	\$15.873	\$16.201	\$16.605
15-35-108(9)(b)(v)	Coal Severance to PERS (Interest)	21.000	17.373	16.749	19.391
19-3-319	Local Government Retirement Contribution	0.952	0.990	1.030	1.071
19-6-404	MHP Retirement Transfer	1.357	1.411	1.467	1.526
19-6-410	MHP Supplemental Benefit Retirement Transfer	0.262	0.272	0.283	0.295
19-9-702	Police Retirement Contribution	13.049	13.571	14.114	14.678
19-13-604	Firefighters' Association Contribution	13.007	13.527	14.069	14.631
19-17-301	Volunteer Firefighter Fund Contribution	1.818	1.891	1.967	2.045
19-18-512	Fire Department Relief Association Contribution	0.368	0.383	0.399	0.414
19-19-305	Police (Non-PERS) Retirement Contribution	0.205	0.213	0.221	0.230
19-19-506	Police Officer Pension Supplement Contribution	-	-	-	-
19-20-604	Teacher's Retirement Supplemental Contribution	0.821	0.854	0.888	0.923
19-20-607	Teachers' Retirement System Contribution	42.035	42.716	43.425	44.162
19-21-203	MUS Retirement Contribution	1.534	1.577	1.655	1.725
Subtotal		111.152	110.651	112.466	117.698
<u>Economic Development</u>					
15-35-108(9)(b)(i)	Coal Severance to Cooperative Develop Center	0.065	0.065	0.065	0.065
15-35-108(9)(b)(ii)	Coal Severance to Growth Through Ag	0.587	0.625	0.625	0.625
15-35-108(9)(b)(iii)	Coal Severance to Research and Commer.	1.275	1.275	1.275	1.275
15-35-108(9)(b)(iv)	Coal Severance to Department of Commerce	1.097	1.100	1.100	1.100
15-70-369	Biodiesel Tax Refunds	-	-	-	-
15-70-601	Biodiesel Tax Incentives	-	-	-	-
Subtotal		3.024	3.065	3.065	3.065
<u>Local Assistance</u>					
7-4-2502	Payment of County Attorneys	2.954	2.998	2.954	2.954
15-1-121	Local Government Combined Distribution	118.433	126.583	130.639	134.829
22-1-327	State Aid to Public Libraries	-	-	0.396	0.396
Subtotal		121.387	129.581	133.989	138.178
<u>Other</u>					
10-1-1202	National Guard Death Benefit	-	-	-	-
10-3-310	Incident Response Appropriation	-	-	-	-
10-3-312	Emergency & Disaster Appropriation	0.527	15.973	8.250	8.250
15-1-218	Out of State Collections	0.150	0.170	0.186	0.175
16-11-509	Tobacco Enforcement	-	-	-	-
17-3-106	Return of Federal Grant Interest	0.001	0.001	0.001	0.001
17-3-106	Return of Federal Grant Money (GSD Only)	0.064	0.064	0.064	0.064
17-3-106	Return of Federal Grant Money	0.089	0.100	0.100	0.100
17-6-101	Banking Charges	2.160	2.160	2.160	2.160
17-7-502(4)	Bond Fees & Costs	16.071	14.113	12.353	12.395
Subtotal		19.061	32.581	23.113	23.145
<u>Legislation Impacting Statutory Appropriations</u>					
HB 33	Mental Health Crisis Intervention (Ent. Share Reduce)	-	-	(1.000)	(1.000)
HB 180	Impact to PERS of extension of TSEP	-	-	-	(2.270)
HB 228	Increase Coal Board Funding (*Reduces PERS)	-	-	(1.730)	(1.784)
SB 367	Research and Commercialization Clarification	-	-	(1.275)	(1.275)
SB 405	Healthy Montana Act	-	-	8.359	17.741
Subtotal		-	-	4.353	11.412
Total		\$254.624	\$275.878	\$276.987	\$293.498

New Statutory Appropriations

- [SB 405](#) HELP Act – The legislature created a statutory appropriation to support the Healthy Montana Act. Further information can be found in the section of this volume on SB 405 HELP Act

Existing Statutory Appropriation Changes

- [HB 33](#) Mental Health Crisis Intervention – This modification reduced the amount paid to local governments through the entitlement share by \$1.0 million per year for the 2017 biennium
- [HB 180](#) Regional Water – As part of extending the Treasure State Endowment Program Regional Water program, the statutory distribution to the Public Employee’s Retirement Program from the Coal Tax Trust is reduced
- [HB 228](#) Coal Board Funding – The legislature extended the coal board grants through 2017
- [SB 367](#) Research and Commercialization Account – The legislature changed the distribution of the general fund for research and commercialization from a general fund statutory appropriation to a non-budgeted transfer from the general fund to the research and commercialization state special revenue account. The total amount of money involved did not change, only the manner in which it left the general fund.

State Special Revenue

The following table shows state special revenue statutory appropriations as estimated by LFD:

State Special Revenue Statutory Appropriations					
(\$ Millions)					
Bill	Purpose	FY 2014 (Actual)	FY 2015 (Estimate)	FY 2016 (Estimate)	FY 2017 (Estimate)
<u>Existing Statutory Appropriations</u>					
Multiple	Various Dedicated Sources	\$269.613	\$266.526	\$220.850	\$234.325
<u>Revised Statutory Appropriations</u>					
SB 68	Crime victims compensation account	-	-	0.253	0.253
<u>New Statutory Appropriations</u>					
HB 487	Montana Historical Society Membership	-	-	0.076	0.076
HB 487	Old Governor's Mansion Admission	-	-	0.003	0.003
HB 617	Higher Education Scholarships	-	-	0.400	1.262
SB 252	State School Oil and Natural Gas Impact	-	-	-	-
SB 260	Education funding related to oil and gas production	-	-	-	0.060
SB 410	Tax credits for contributions to schools	-	-	-	1.500
Subtotal		-	-	0.479	2.901
Total		\$269.613	\$266.526	\$221.582	\$237.479

New Statutory Appropriations

- [HB 487](#) Old Governor's Mansion and MHS Fees – The legislature created a statutory appropriation for admission fees for the old governor’s mansion and the Montana Historical Society membership fees
- [HB 617](#) STEM Scholarships – The legislature created a statutory appropriation for a new science, technology, engineering, and math (STEM) scholarship program

- [SB 260](#) Education Funding – The legislature approved a statutory appropriation as part of revisions to the oil and gas inputs for school funding. For further information, see the revenue section of this volume
- [SB 410](#) Tax Credits for Contributions to Schools – The legislature created a statutorily-appropriated educational improvement account to received taxpayer-directed donations

Existing Statutory Appropriation Changes

- [SB 68](#) Crime Victims Compensation – The legislature extended the crime victims compensation account appropriation through 2021

Federal Special Revenue

The following table shows federal special revenue statutory appropriations as estimated by LFD:

Federal Special Revenue Statutory Appropriations					
(\$ Millions)					
Bill	Purpose	FY 2014 (Actual)	FY 2015 (Estimate)	FY 2016 (Estimate)	FY 2017 (Estimate)
<u>Existing Statutory Appropriations</u>					
Multiple	Various Dedicated Sources	\$34.599	\$37.606	\$15.835	\$15.498
<u>New Statutory Appropriations</u>					
HB 606	Title X funding	-	-	1.923	1.923
SB 405	Healthy Montana Act	-	-	99.013	237.672
Subtotal		-	-	100.936	239.594
Total		\$34.599	\$37.606	\$116.771	\$255.092

New Statutory Appropriations

- [HB 606](#) Title X Funding – The legislature switched Title X family planning services from a temporary appropriation to a statutory appropriation
- [SB 405](#) HELP Act – The legislature created a statutory appropriation to support the Healthy Montana Act. Further information can be found in the section of this volume on SB 405 HELP Act

Proprietary

The following table shows proprietary fund statutory appropriations as estimated by LFD:

Proprietary Statutory Appropriations					
(\$ Millions)					
Bill	Purpose	FY 2014 (Actual)	FY 2015 (Estimate)	FY 2016 (Estimate)	FY 2017 (Estimate)
<u>Existing Statutory Appropriations</u>					
Multiple	Various Dedicated Sources	\$52.420	\$43.823	\$48.181	\$50.614
<u>New Statutory Appropriations</u>					
HB560	Board of accountants	-	-	0.371	0.371
Total		\$52.420	\$43.823	\$48.552	\$50.986

New Statutory Appropriations

- [HB 560](#) Board of Accountants – The legislature created a statutory appropriation for board of public accountants fees

GENERAL FUND TRANSFERS

The Montana Constitution requires that all money paid out of the state treasury, except interest paid on the public debt, be done with an appropriation. However, the state treasury consists of numerous accounts and with proper legislative authorization money may be transferred from one account to another without an appropriation. Like statutory appropriations, these transfers and authorizations are existing law and are not part of the biennial budgeting process. However, transfers impact the amount of money available for the legislature to appropriate for specific programs. The following table shows each individual general fund transfer estimated by LFD:

General Fund Non-Budgeted Transfer LFD Estimates					
(\$ Millions)					
MCA Cite	Purpose	FY 2014 (Actual)	FY 2015 (Estimate)	FY 2016 (Estimate)	FY 2017 (Estimate)
<u>Vehicle</u>					
15-1-122(1)	Adoption services	\$0.059	\$0.065	\$0.072	\$0.079
15-1-122(2)(a)	Junk vehicles	1.494	1.514	1.533	1.551
15-1-122(2)(b)	Noxious weeds	1.514	1.534	1.553	1.572
15-1-122(2)(c)(i)	Boat facilities & enforcement, OHV, Parks	0.464	0.471	0.476	0.482
15-1-122(2)(c)(ii)	Snowmobiles	0.101	0.102	0.104	0.105
15-1-122(2)(c)(iii)	Motorboats	0.162	0.164	0.166	0.168
15-1-122(2)(d)	Veterans' Services	0.617	0.625	0.633	0.640
15-1-122(2)(d)	Veterans' Cemetery	0.201	0.203	0.206	0.208
15-1-122(2)(e)	Senior and people with disabilities transportation	0.303	0.307	0.311	0.314
15-1-122(2)(f)	Search & rescue	0.040	0.041	0.041	0.042
Subtotal		4.956	5.026	5.095	5.160
<u>Other Transfers</u>					
15-1-122(3)	Livestock loss reduction and mitigation	0.200	0.200	0.200	0.200
15-1-123 (5)(b)	Lower business equipment tax (MUS SB96)	0.450	0.141	-	-
15-1-123 (5)(b)	Lower business equipment tax (MUS)	0.171	0.375	-	-
17-1-511(2)	Incentives for rural physicians	0.227	0.227	0.227	0.227
39-71-2352(6)	Old state fund shortfall	8.575	8.319	7.466	6.130
76-13-105	Wildfire suppression fund	51.691	-	-	-
77-1-108(5a)	Trust land administration	0.080	0.080	0.080	-
87-2-801(6)	Purple heart free hunting license	0.000	0.040	0.040	0.040
87-2-803(12d)	Military free hunting license	0.061	incl. above	-	-
Subtotal		61.456	9.382	8.013	6.597
<u>Non-Budgeted Activity</u>					
NA	DPHHS Non-budgeted	0.066	-	-	-
NA	Other Non-budgeted	(0.027)	-	-	-
Subtotal		0.039	-	-	-
<u>Legislation Impacting Non-Budgeted Transfers</u>					
HB 5	Long-range building appropriations	49.550	-	-	-
HB 6	Renewable resource grants	20.474	-	-	-
HB 10	Long-range information technology appropriations	11.792	-	10.300	-
HB 11	Treasure State Endowment Program	-	21.700	-	-
HB 403	Long-range building appropriations	-	-	1.000	-
SB 57	Revise water adjudication funding and benchmarks	-	-	0.868	3.375
SB 367	Research and Commercialization Clarification	-	-	1.275	1.275
SB 259	Workers' compensation assessments	-	-	(0.001)	0.005
Subtotal		81.816	21.700	13.442	4.654
Total		\$148.268	\$36.108	\$26.550	\$16.412

Legislative Action

- [HB 10](#) Long Range Information Technology – The legislature authorized a transfer to support the long range information technology program
- [HB 403](#) Long Range Building – The legislature authorized a transfer to support the long range building appropriations
- [SB 57](#) Water Adjudication – The legislature authorized an ongoing, general fund transfer to the water adjudication account in order to support water adjudication. The total yearly transfer equals the difference between the water adjudication appropriation in the general appropriations act and the unencumbered fund balance in the water adjudication account
- [SB 259](#) Workers' Compensation – As part of a change to funding of workers' compensation, the legislature made a modification that will decrease general fund transfers to the old state fund in 2016 and increase them in 2017
- [SB 367](#) Research and Commercialization Account – The legislature changed the distribution of the general fund for research and commercialization from a general fund statutory appropriation to a non-budgeted transfer from the general fund to the research and commercialization state special revenue account. The total amount of money involved did not change, only the manner in which it left the general fund

OTHER LEGISLATION

Other than HB 2, Long Range Building, statutory authority, and non-budgeted changes described previously, the legislature adopted legislation that would increase general fund by an additional \$16.5 million. The following figure summarizes the other appropriation legislation for the general fund:

Other Appropriation Legislation (\$ Millions)		
	General Fund	All Funds
HB 1 - Feed Bill	\$10.1	\$10.1
Infrastructure bills (appropriations only)	-	161.2
HB 4 - Continuing Appropriations	-	104.5
HB 356 - Expand and Enhance Secondary K-12 Career and Voc/Tech Ed	2.0	2.0
All Other	4.4	4.4
Grand Total	\$16.5	\$282.2

Legislative Action

- [HB 1](#) Feed bill – The legislature adopted \$10.1 million in the feed bill used to fund the operations of the legislature during the biennium
- [HB 4](#) – Continuing appropriation authority that extends past September 30 following each biennium that must be approved by the legislature
- [HB 356](#) – The legislature adopted \$2 million general fund for the biennium to fund career and vocational/technical education

References

HB 1: <http://leg.mt.gov/bills/2015/billpdf/HB0001.pdf>

HB 4: <http://leg.mt.gov/bills/2015/billpdf/HB0004.pdf>

HB 356: <http://leg.mt.gov/bills/2015/billpdf/HB0356.pdf>

Please note:

- HB 3 Supplemental Bill – the legislature did not adopt HB 3 as legislation, however the legislature appropriated \$25.8 million in general fund appropriations in HB 2 for FY 2015 to the agencies that requested supplemental appropriations.
- HB 13 Pay plan and contingency funding – The legislature did not adopt HB 13, instead funding was appropriated to the Governor’s Office in HB 2. The employee pay plan is further discussed in the state employee pay plan portion of this volume, however in summary it provided
 - \$0.50 increase to the base salary of each employee per year
 - 10% increase in health benefit contribution beginning on January 1, 2016 and an 8% increase on January 1, 2017
 - Contingency fund of \$4.1 million general fund (\$4.8 million total funds) for distribution to agencies that cannot meet their vacancy savings targets and provides \$75,000 for training

LEGISLATIVE ACTION

PAY PLAN

A pay plan for state employees was adopted by the legislature that included statutory changes in [SB 418](#) and appropriation authority of \$77.3 million in HB 2. To address deteriorating reserve levels within the state employee group benefit plan (SEGBP), [SB 418](#) also included conditions for expenditures of funding for SEGBP. The Department of Administration (DOA) is required to consider cost containment measures for SEGBP. While the legislature did not provide specific measures for DOA to implement, it did provide options for DOA consideration as part of the bill. Further information on the financial condition of SEGBP is provided in the program narrative for the Health Care and Benefits Division of DOA in Volume 3 of the [2017 Biennium Legislative Fiscal Report](#).

The 2013 Legislature included a requirement for a government-to-government salary survey as well as the biennial salary survey to be conducted by DOA. [SB 418](#) also eliminated the government-to-government salary survey. Under [SB 418](#), beginning January 2018, the cost of group benefits is limited and may not exceed the monthly amount that would trigger the excise tax under the Affordable Care Act.

Pay Raise

[SB 418](#) grants a \$0.50 per hour increase in base pay for employees beginning the first pay period including January 15th in each year of the biennium. The figure below outlines total funding provided by the legislature for the pay increase each year of the biennium. Funding for the pay increase for the Executive Branch was appropriated to the Governor's Office in HB 2 with language allowing the funding to be allocated to the Executive Branch agency programs when establishing 2017 biennium operating plans.

Pay Plan for State Employees					
Pay Increase of \$0.50 per hour beginning 1/15/2016 and 1/15/2017					
(\$ Millions)					
	General Fund	State Special	Federal	Proprietary	Total
FY 2016					
Legislative Branch	\$0.077	\$0.000	\$0.000	\$0.000	\$0.077
Consumer Counsel	-	0.003	-	-	0.003
Judicial Branch	0.209	0.013	0.000	-	0.222
Executive Branch	2.795	2.225	1.469	0.050	6.539
Montana University System	<u>3.730</u>	<u>0.001</u>	<u>0.036</u>	-	<u>3.767</u>
FY 2016 Total	6.810	2.242	1.505	0.050	10.608
FY 2017					
Legislative Branch	0.242	-	-	-	0.242
Consumer Counsel	-	0.010	-	-	0.010
Judicial Branch	0.658	0.041	0.001	-	0.700
Executive Branch	8.965	7.160	4.717	0.159	21.002
Montana University System	<u>4.151</u>	<u>0.002</u>	<u>0.117</u>	-	<u>4.269</u>
FY 2017 Total	14.016	7.213	4.834	0.159	26.223
2017 Biennium Total	\$20.826	\$9.456	\$6.340	\$0.209	\$36.831

Contribution to Employee Group Benefits

The legislature increased the employer contribution to employee group benefits. In FY 2016, the increase is 10%: from \$887 each month to \$976. In FY 2017, the contribution increases by 8% from \$976 to \$1,054. The figure below outlines total funding provided for the increases in the state

contribution to employee group benefits. Funding for the Executive Branch employer contribution was also allocated to the Governor's Office, similar to the pay increases.

Pay Plan for State Employees: Contribution to Group Benefits (\$ Millions)					
FY 2016	General Fund	State Special	Federal	Proprietary	Total
Legislative Branch	\$0.070	\$0.000	\$0.000	\$0.000	\$0.070
Consumer Counsel	-	0.003	-	-	0.003
Judicial Branch	0.226	0.014	0.000	-	0.240
Executive Branch	2.675	2.122	1.388	0.046	6.231
Montana University System	-	-	-	-	-
FY 2016 Total	2.971	2.139	1.389	0.046	6.544
FY 2017					
Legislative Branch	0.201	-	-	-	0.201
Consumer Counsel	-	0.009	-	-	0.009
Judicial Branch	0.649	0.040	0.001	-	0.690
Executive Branch	7.804	6.103	3.992	0.132	18.031
Montana University System	4.549	0.002	0.136	-	4.687
FY 2017 Total	13.202	6.154	4.130	0.132	23.618
2017 Biennium Total	\$16.173	\$8.293	\$5.518	\$0.178	\$30.162

POPULATION AND CASELOADS

Population increases include enrollment adjustments for the Montana University System and K-12 school districts; prison, parole, and probation populations; Medicaid, Healthy Montana Kids, and court caseloads. Changes in population can be addressed in the budget through a variety of ways, including changes to statutory payments, utilization of services, and staffing and other operating costs. The following chart shows various population and caseload estimates.

Population and Caseload Increases Comparison of 2015 and 2017 Biennia							
Agency	Purpose	FY 2014	FY 2015	FY 2016	FY 2017	HB 2 GF Increase from 2015 Bien. (\$ Millions)	HB 2 All Fund Increase from 2015 Bien. (\$ Millions)
Office of Public Instruction*	Enrollment	148,567	149,712	149,922	149,955	\$51.0	\$51.0
Montana University System**	Resident Enrollment	29,968	28,755	28,755	28,755	23.3	23.6
Department of Corrections***	Probation and Parole	7,728	7,778	7,844	7,911	9.6	8.3
	Male Prison Beds	2,372	2,392	2,407	2,422	-	-
	Female Prison Beds	209	218	226	235	-	-
	Treatment	1,011	1,044	1,075	1,107	-	-
Dept. of Health & Human Services	Medicaid	118,888	128,623	135,090	141,387	94.5	321.6
	SB 405 (HELP Act)****	-	-	822	1,054	(10.8)	(10.8)
	Foster Care/Sub Adopt	4,480	4,650	4,837	5,030	4.4	6.4
Office of Public Defender***	All Court Cases	31,705	32,256	33,406	34,391	11.2	11.2
	Lower Courts	19,803	20,082	20,672	20,992	-	-

*Includes costs associated with ANB increases.

**Montana University System increases in funding includes the pay plan costs.

***Costs are summarized due to overlap among functions and/or reorganizations. Includes only programs impacted by caseloads. The legislature funded the Department of Corrections restructure with additional general fund.

****Welcome mat enrollees. This assumes a 1/1/2016 start date on SB 405. HB 2 general fund savings of \$10.8 million in FY 2017 may be reallocated among divisions within the Department of Health and Human Services.

Legislative Action

- Enrollment increases for the Office of Public Instruction
- Increases for personal services, fixed costs, and other adjustments, funded at the resident student state share for the University of Montana and Montana State University campuses. The increases include pay plan amounts
- A 2% provider rate increase for most human services and facilities providing services to the Probation and Parole Division
- Increases for correctional office pay and authorized additional probation and parole officers
- Increases in Medicaid and other human services for personal services, operating and fixed costs to account for increases in population and utilization
- Additional funding for FTE in the Office of Public Defender to address caseload issues and provide a 2% increase in contracted attorney rates in FY 2016 and an additional 2% in FY 2017

WATER COMPACT

A water rights compact is an agreement between an Indian Tribe, the State of Montana and the United States. A compact determines which entity has priority water rights, type of rights and other conditions such as the sharing of water resources and the development and maintenance of water infrastructure.

[SB 262](#) ratifies water rights between the state and the Confederated Salish and Kootenai Tribes. The ratified compact will be forwarded to the United States Congress for action. If ratified by Congress, the compact commits the state to an eventual contribution to the settlement. This contribution would be for the purposes of water measurement, on-farm efficiency, and development of alternative stock water sources on the Flathead Indian Irrigation Project (FIIP). It is estimated the state contribution will be \$55 million. The legislature did not appropriate specific funding for the compact during this biennium.

References

SB 262: <http://leg.mt.gov/bills/2015/billhtml/SB0262.htm>

SB 405 HEALTH AND ECONOMIC LIVELIHOOD PARTNERSHIP (HELP) ACT

The [SB 405](#) HELP Act expands health care coverage to certain low-income individuals, changes the timing of some medical malpractice legal actions, and establishes workforce development programs with the goal of assisting persons receiving health care assistance to improve earnings or if they are unemployed to enter the workforce. Individuals participating in this program are subject to premiums, co-pays and in certain instances integrity fees.

In order to augment the expanded health care coverage, the act adds a new Medicaid eligibility group of adults between the ages of 21 and 64 who are not disabled, are not pregnant, and have household incomes below 138% of the federal poverty level (about \$33,500 for a family of four). In addition, the act requires consideration of Medicaid reforms to increase care coordination to improve health outcomes. Initiatives such as increased use of data to impact overuse of services, case management of high-risk medical or chronic conditions, methods to reduce fraud, waste and abuse may be considered. Other requirements in the act include statutory time limits for medical malpractice claims and direction to state facilities to reimburse outside medical costs at the Medicaid rate.

The act includes an oversight committee that is directed to review program data, activities and performance. This includes both the health coverage portion and the workforce development portion. In addition, the committee is required to coordinate with legislative committees including providing a final report to the Legislative Finance Committee and Children and Families Interim Committee by August of 2016.

The act funds the health care services with statutory appropriations estimated at \$362.8 million for the biennium. General fund authority of \$0.4 million for the collection of integrity fees is appropriated to the Department of Revenue and is to be considered base funding for the preparation of the 2019 biennial budget.

SB 405 - HELP Act			
2017 Biennium Appropriation Impact by Source of Authority			
(\$ Millions)			
Source	General Fund	Federal Funds	Total
Statutory Appropriation	\$26.1	\$336.7	\$362.8
SB 405	0.4	-	0.4
HB 2	(10.8)	-	(10.8)
Total	\$15.7	\$336.7	\$352.3

In addition to the general fund savings of \$10.8 million in HB 2 for FY 2017 Medicaid savings, SB 418 further directs the Office of Budget and Program Planning to capture additional savings in HB 2 appropriations due to implementation of SB 405.

LEGISLATIVE INTERIM STUDIES

The 64th Legislature adopted legislation for interim studies or review. Two joint resolutions, [HJ 8](#) and [HJ 27](#), are assigned to the Legislative Finance Committee to study statutory appropriations and three bills [HB 627](#), [SB 128](#) and [SB 224](#) require the direct involvement of the Legislative Fiscal Division staff.

Legislation Requesting or Requiring Studies - Impacts to Fiscal Staff	
HJ 8	Study of long-term funding options for Montana Law Enforcement Academy
HJ 27	Joint resolution for Interim study of statutory appropriations
HB 627	Task force to study the office of public defender
SB 128	Establish decennial school funding study
SB 224	Create a commission to study criminal justice system

HJ 8: Law Enforcement Academy

[HJ 8](#) was assigned by Legislative Council to the Legislative Finance Committee. The bill directs a study of long-term funding options for the Montana Law Enforcement Academy and review of the current state and future of the operations and campus needs. The bill directs that the study involve the participation of state, county, city and tribal law enforcement and public safety officials, Department of

Justice, Department of Corrections, the Montana Association of Counties, the Montana League of Cities and Towns, and other interested parties.

HJ 27: Joint resolution for interim study of statutory appropriations

[HJ 27](#) directs the Legislative Finance Committee to study statutory appropriations, including the definitions and establishment of them, identifying ones that do not meet the conditions set forth in [17-1-508\(2\), MCA](#), determining the successfulness of funding programs with statutory appropriations compared with HB 2, and identifying or recommending any potential future legislation.

HB 627: Task force to study the Office of Public Defender

[HB 627](#) requires the development of a long-term organizational plan for the Office of Public Defender. The fiscal analyst assigned to the Office of Public Defender will monitor the task force study and provide reports to the Legislative Finance Committee.

SB 128: Establish decennial school funding study

[SB 128](#) establishes a commission to undertake a study of school funding. The commission will be formed during the 2015-2016 interim to conduct a study of the educational needs and costs related to the basic system of free, quality public elementary and secondary schools and if necessary recommend to the legislature changes to the school funding formula. The fiscal analyst assigned to K-12 funding will monitor this study and provide reports to the Legislative Finance Committee.

SB 224: Create a commission to study criminal justice system

[SB 224](#) establishes a commission to undertake a study of the criminal justice system. The commission will be comprised of four legislators, plus members of the public. The fiscal analyst assigned to the Department of Corrections will monitor the activities of the commission and provide updates to the Legislative Finance Committee as needed.

SB 405: Montana Health and Economic Livelihood Partnership (HELP) Act

An oversight committee was established by the legislature to monitor and report on the implementation of [SB 405](#). The fiscal analysts assigned to the Department of Health and Human Services will track the actions of the oversight committee and report to the Legislative Finance Committee.

SB 418: Providing legislative policy on mental health investments

As provided for in [SB 418](#), the Child and Families Interim Committee will review the legislative mental health investments adopted in the 2015 session. The fiscal analyst assigned to the Department of Health and Human Services will monitor the activities of the interim committee and provide reports to the Legislative Finance Committee.

References

HJ 8: <http://leg.mt.gov/bills/2015/billpdf/HJ0008.pdf>
HJ 27: <http://leg.mt.gov/bills/2015/billpdf/HJ0027.pdf>
HB 627: <http://leg.mt.gov/bills/2015/billpdf/HB0627.pdf>
SB 128: <http://leg.mt.gov/bills/2015/billpdf/SB0128.pdf>
SB 224: <http://leg.mt.gov/bills/2015/billpdf/SB0224.pdf>
SB 405: <http://leg.mt.gov/bills/2015/billpdf/SB0405.pdf>
SB 418: <http://leg.mt.gov/bills/2015/billpdf/SB0418.pdf>

APPENDIX

GENERAL FUND REVENUE ESTIMATES

The table below shows the general fund estimates contained in [HJ 2](#) by revenue category. Actual FY 2014 collections are shown, along with projections for FY 2015 through 2017.

General Fund Revenue Estimates by Source as Contained in HJ 2 (\$ Millions)						
Source of Revenue	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017	Estimated 2015 Bien	Estimated 2017 Bien
Largest Seven Sources						
Individual Income Tax	\$1,063.284	\$1,142.481	\$1,229.127	\$1,311.185	\$2,205.765	\$2,540.312
Property Tax	250.344	250.239	242.929	252.480	500.582	495.409
Corporation Income Tax	147.548	154.272	179.829	156.851	301.820	336.680
Vehicle Taxes & Fees	101.088	103.500	106.200	108.600	204.588	214.800
Oil & Natural Gas Production Tax	109.606	78.811	59.250	68.589	188.417	127.839
Insurance Tax & License Fees	60.873	67.787	72.325	74.877	128.660	147.202
Video Gambling Tax	57.147	60.029	62.007	64.966	117.175	126.973
Other Business Taxes						
Driver's License Fee	4.051	4.395	4.081	4.465	8.446	8.547
Investment License Fee	7.115	7.257	7.412	7.567	14.372	14.978
Lodging Taxes	17.725	20.079	21.872	23.835	37.804	45.707
Public Contractors Tax	0.887	2.817	3.560	3.476	3.704	7.036
Railroad Car Tax	2.418	3.641	3.741	3.883	6.059	7.624
Rental Car Sales Tax	3.521	3.714	3.818	4.012	7.235	7.830
Telecommunications Excise Tax	19.657	19.239	18.999	18.842	38.896	37.841
Other Natural Resource Taxes						
Coal Severance Tax	14.745	15.629	16.164	16.642	30.374	32.806
Electrical Energy Tax	4.280	4.738	4.580	4.553	9.018	9.132
Metalliferous Mines Tax	7.948	8.238	8.311	7.918	16.185	16.228
US Mineral Royalty	27.744	26.109	24.069	24.675	53.852	48.744
Wholesale Energy Tax	3.112	3.623	3.595	3.565	6.735	7.160
Other Interest Earnings						
Coal Trust Interest	21.996	20.470	19.842	22.485	42.465	42.326
Treasury Cash Account Interest	1.756	1.605	8.527	20.786	3.361	29.312
Other Consumption Taxes						
Beer Tax	3.023	3.095	3.129	3.189	6.118	6.318
Cigarette Tax	30.623	30.713	31.036	30.453	61.336	61.490
Liquor Excise & License Tax	18.418	18.950	19.472	20.300	37.368	39.771
Liquor Profits	10.500	10.663	11.035	11.530	21.163	22.565
Lottery Profits	12.091	12.177	11.631	13.439	24.268	25.070
Tobacco Tax	5.929	6.233	6.396	6.559	12.163	12.954
Wine Tax	2.250	2.298	2.363	2.434	4.548	4.797
Other Sources						
All Other Revenue	37.320	40.096	37.119	37.133	77.416	74.252
Highway Patrol Fines	4.142	4.224	4.255	4.251	8.366	8.506
Nursing Facilities Fee	4.961	4.859	4.756	4.654	9.820	9.410
Public Institution Reimbursements	17.298	16.630	16.606	16.570	33.928	33.176
Tobacco Settlement	3.646	3.176	3.145	3.115	6.822	6.260
Total General Fund	\$2,077.044	\$2,151.786	\$2,251.181	\$2,357.877	\$4,228.830	\$4,609.057

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. The computer system began with positions authorized before the reduction in FTE established by the 2013 session was implemented. The 2015 biennium 4% FTE reductions are shown in the second column labeled "4 % FTE". The net remaining FTE for the starting point are in the third column, which was adjusted with legislative action as either ongoing or one-time-only. The legislature adjusted FTE from this starting point as either ongoing FTE or one-time-only FTE.

After the establishing the starting point of 11,796.6 FTE the legislature added a net increase of 97.8 ongoing FTE over the biennium or less than a 1% increase. In addition the legislature added 184.6 one-time-only FTE of which 138.7 are associated with the one-time-only decisions in the Department of Livestock. From the FTE starting point the legislature added in total 282.4 FTE or a 2.4% increase for the 2017 biennium.

The largest increases from the starting point were the following:

- Department of Health and Human Services for increased services in adult mental health facilities: 82.7 FTE
- Office of Public Defender to address caseload increases: 27.4 FTE
- Judicial Branch for information technology, the court help program and the movement of juvenile delinquency intervention program from Corrections: 16.5 FTE
- Corrections to address workload issues in probation and parole, health services and correctional officers: 13.5 FTE

There was one large decrease of 28.5 FTE from the starting point in the Department of Labor and Industries. This included:

- 33.0 FTE transferred out of HB 2 to a proprietary function within the Technology Services Division
- 2.0 FTE eliminated due to long-term vacancy
- 6.50 FTE eliminated due to lack of federal funding

These reductions were offset by the addition of 13.0 FTE to implement the workforce development provisions of SB 405 (HELP Act).

Full Time Equivalent (FTE) Positions, 2017 Biennium Budget

	2015 Biennium			2017 Biennium					Net Change from Starting Point
	FY 2015	4% FTE	FTE Starting Point	Ongoing FTE Changes	FTE Total	Change from budget starting point	OTO FTE Changes	Total Biennial FTE	
Section A									
11040 LEGISLATIVE BRANCH	134.2	-	134.2	(1.0)	133.2	(1.0)	-	133.2	(1.0)
11120 CONSUMER COUNSEL	5.5	-	5.5	-	5.5	-	-	5.5	-
31010 GOVERNOR'S OFFICE	58.1	-	58.1	-	58.1	-	-	58.1	-
32010 SECRETARY OF STATE	-	-	-	-	-	-	-	-	-
32020 COMMISSIONER OF POLITICAL PRACTICES	6.0	-	6.0	-	6.0	-	-	6.0	-
34010 STATE AUDITOR'S OFFICE	87.8	(3.3)	84.5	1.5	86.0	1.5	(5.0)	81.0	(3.5)
58010 DEPARTMENT OF REVENUE	670.3	(24.7)	645.6	3.0	648.6	3.0	-	648.6	3.0
61010 DEPARTMENT OF ADMINISTRATION	149.1	(6.2)	142.9	1.1	144.1	1.1	-	144.1	1.1
65010 DEPARTMENT OF COMMERCE	49.3	(2.2)	47.0	-	47.0	-	3.0	50.0	3.0
66020 DEPARTMENT OF LABOR AND INDUSTRY	751.6	(30.0)	721.6	(28.5)	693.1	(28.5)	-	693.1	(28.5)
67010 DEPARTMENT OF MILITARY AFFAIRS	199.2	(4.5)	194.7	5.5	200.2	5.5	-	200.2	5.5
Section B									
69020 ECONOMIC SECURITY SERVICES BRANCH	1,179.5	(38.2)	1,141.3	-	1,141.3	-	8.0	1,149.3	8.0
69040 DIRECTOR'S OFFICE	46.3	(0.8)	45.5	-	45.5	-	-	45.5	-
69060 OPERATIONS SERVICES BRANCH	257.3	(10.5)	246.8	-	246.8	-	-	246.8	-
69070 PUBLIC HEALTH AND SAFETY	192.0	(7.4)	184.5	(3.5)	181.0	(3.5)	-	181.0	(3.5)
69110 MEDICAID AND HEALTH SERV BRANCH	1,248.6	(11.9)	1,236.7	82.7	1,319.4	82.7	-	1,319.4	82.7
Section C									
52010 DEPT OF FISH, WILDLIFE, & PARKS	701.3	(20.5)	680.8	5.9	686.6	5.9	-	686.6	5.9
53010 DEPT OF ENVIRONMENTAL QUALITY	383.5	(17.9)	365.6	-	365.6	-	-	365.6	-
54010 DEPARTMENT OF TRANSPORTATION	2,129.3	(79.0)	2,050.3	5.1	2,055.3	5.1	-	2,055.3	5.1
56030 DEPARTMENT OF LIVESTOCK*	138.5	-	-	2.0	2.0	2.0	138.7	140.7	140.7
57060 NAT RESOURCES AND CONSERVATION	542.8	(18.9)	523.9	1.5	525.4	1.5	-	525.4	1.5
62010 DEPARTMENT OF AGRICULTURE	118.5	(3.8)	114.7	-	114.7	-	1.0	115.7	1.0
Section D									
21100 JUDICIAL BRANCH	422.6	-	422.6	13.5	436.1	13.5	3.0	439.1	16.5
41070 CRIME CONTROL DIVISION	17.5	-	17.5	-	17.5	-	-	17.5	-
41100 DEPARTMENT OF JUSTICE	771.9	(18.4)	753.4	3.0	756.4	3.0	1.0	757.4	4.0
42010 PUBLIC SERVICE COMMISSION	40.0	(1.6)	38.4	-	38.4	-	-	38.4	-
61080 OFFICE OF STATE PUBLIC DEFENDER*	217.5	(9.0)	208.5	-	208.5	-	27.4	235.9	27.4
64010 DEPARTMENT OF CORRECTIONS	1,281.9	(16.9)	1,265.0	2.0	1,267.0	2.0	7.5	1,274.5	9.5
Section E									
35010 OFFICE OF PUBLIC INSTRUCTION	163.4	(6.8)	156.5	3.0	159.5	3.0	-	159.5	3.0
51010 BOARD OF PUBLIC EDUCATION	4.0	-	4.0	(1.0)	3.0	(1.0)	-	3.0	(1.0)
51020 COMMISSIONER OF HIGHER EDUCATION	93.9	(4.0)	89.9	-	89.9	-	-	89.9	-
51130 SCHOOL FOR THE DEAF & BLIND	88.6	-	88.6	-	88.6	-	-	88.6	-
51140 MONTANA ARTS COUNCIL	7.0	-	7.0	-	7.0	-	-	7.0	-
51150 MONTANA STATE LIBRARY	30.8	(1.3)	29.5	1.0	30.5	1.0	-	30.5	1.0
51170 MONTANA HISTORICAL SOCIETY	60.8	(2.4)	58.4	1.0	59.4	1.0	-	59.4	1.0
Grand Total	12,248.2	(340.2)	11,769.6	97.8	11,867.3	97.8	184.6	12,051.9	282.4

*The legislature set the Department of Livestock's base budget, including FTE at zero and designated most additional FTE as one-time-only. 4% reduction.

*The legislature designated the Office of State Public Defender budget as one-time-only. The FTE are counted as on-going, except those specifically appropriated as OTO.

VACANCY SAVINGS

The legislature has historically used vacancy savings as a budgeting tool to capture savings from personal services expenses. From the 2005 biennium to the 2013 biennium, the rate was consistent and thus budgets remained funded at the same 96% of full funding of all “authorized positions”.

In the 2013 session the legislature removed the “authorized positions” associated with the standard 4% vacancy savings and then took an additional 2% vacancy savings. Thus the net impact to the personal services budgets in the 2015 biennium was to be funded 2% less than prior biennia with “authorized positions” 4% lower.

In the 2015 session the legislature funded the same positions approved in the 2013 session at the current salary amount, plus any additional positions authorized and maintained vacancy savings at 2%. This maintained consistency with the previous biennia and the relative funding of authorized positions remained the same.

It should be noted that while the final outcome of the session is as stated above, the budgets after subcommittee action were very different. The subcommittee action adopted no vacancy savings for authorized positions, but adopted salary levels consistent with prior biennia pay plan funding levels. This resulted in personal services costs approximately 2% lower than the executive current salaries with no vacancy savings. As part of the final negotiations the legislative and executive branches agreed on two items to achieve the final results discussed above: 1) an additional \$11.4 million appropriation on page A-2 item 4.b. of HB 2 in total funds (\$4.0 million general fund) to the executive to cover any areas of shortfall in detailed budgets and 2) Section 3 of HB 2 that the current executive salaries were budgeted with an imposed 2% vacancy savings.

ONE-TIME-ONLY APPROPRIATIONS

The legislature appropriated \$158.6 million from the all funds budget for HB 2 on a one-time-only (OTO) basis in the 2017 biennium. Additional discussion of each can be found in the narratives for the individual agencies listed. The legislature also appropriated \$166.1 million all funds in other legislation.

HB 2

One-Time-Only Appropriations in HB 2 2017 Biennium (\$ Millions)			
HB 2	Present Law Adjustments	New Proposals	Total
<u>Section A</u>			
11040 LEGISLATIVE BRANCH			
ETIC/EQC Carbon Dioxide Study (Restricted/Biennial/OTO)	-	\$0.010	\$0.010
32010 SECRETARY OF STATE			
HAVA Interest (Restricted/OTO)	-	0.210	0.210
34010 STATE AUDITOR'S OFFICE			
Equipment (OTO)	\$0.040	-	0.040
Insure Montana (OTO)	-	4.500	4.500
58010 DEPARTMENT OF REVENUE			
Fiscal Note Overtime (Restricted/OTO)	0.070	-	0.070
Liquor Division Overtime (Restricted/Biennial/OTO)	0.150	-	0.150
Liquor Division Termination Payouts (Restricted/Biennial/OTO)	0.060	-	0.060
Operating Cost Adjustments/Life Cycle (OTO)	0.101	-	0.101
Server Replacements (Restricted/OTO)	0.754	-	0.754
61010 DEPARTMENT OF ADMINISTRATION			
Governor-Elect Program (Restricted/OTO)	0.050	-	0.050
Lottery Conversion to New Gaming System (Restricted/OTO)	0.200	-	0.200
Lottery Coronis Terminals (Restricted/OTO)	0.336	-	0.336
New Tickets (Restricted/OTO)	0.703	-	0.703
Rent for the Common Areas (Restricted/OTO)	3.260	-	3.260
65010 DEPARTMENT OF COMMERCE			
Capital Improvement Grants (Restricted/Biennial/OTO)	-	1.500	1.500
Enhance Economic Development in Montana (Restricted/Biennial/OTO)	-	0.275	0.275
Indian Country Economic Development (Restricted/OTO)	-	1.600	1.600
Native Language Preservation (Restricted/OTO)	-	1.500	1.500
Primary Business Sector Training (Restricted/OTO)	-	1.200	1.200
66020 DEPARTMENT OF LABOR AND INDUSTRY			
Legal Cost Adjustment (Restricted/Biennial/OTO)	0.681	-	0.681
Overtime (Restricted/OTO)	0.100	-	0.100
67010 DEPARTMENT OF MILITARY AFFAIRS			
Funding Switch for Veterans' Affairs (OTO)	0.100	-	0.100
Subtotal	6.604	10.795	17.398
<u>Section B</u>			
69020 ECONOMIC SECURITY SERVICES BRANCH			
Child Care STARS to Quality (OTO)	-	2.400	2.400
Offices of Public Assistance (OTO)	-	0.862	0.862
69110 MEDICAID AND HEALTH SERVICES BRANCH			
Suicide Mortality Review Team (OTO)	0.067	-	0.067
Suicide Prevention Grants (OTO)	-	0.250	0.250
Subtotal	0.067	3.512	3.579

One-Time-Only Appropriations in HB 2 2017 Biennium (\$ Millions)			
HB 2	Present Law Adjustments	New Proposals	Total
Section C			
52010 DEPARTMENT OF FISH, WILDLIFE, AND PARKS			
Aquatic Invasive Species (OTO)	\$1.948	-	\$1.948
Hunting Access Program Administration (Restricted/OTO)	2.038	-	2.038
53010 DEPARTMENT OF ENVIRONMENTAL QUALITY			
Orphan Share Expanded Usage (Restricted/Biennial/OTO)	-	\$7.000	7.000
Zortman/Landusky Additional (Restricted/OTO)	-	0.500	0.500
54010 DEPARTMENT OF TRANSPORTATION			
Aeronautic Charts (OTO)	0.020	-	0.020
56030 DEPARTMENT OF LIVESTOCK			
Establish Budget (OTO)	24.319	-	24.319
57060 NATURAL RESOURCES AND CONSERVATION			
Drinking Water Loan Forgiveness (Restricted/OTO)	0.400	-	0.400
Montana Rural Water (OTO)	-	0.480	0.480
Sage Grouse Conservation Fund (Restricted/Biennial/OTO)	-	10.000	10.000
TLMD MSU-Morrill Trust (Restricted/OTO)	0.160	-	0.160
62010 DEPARTMENT OF AGRICULTURE			
Food and Ag Development Centers (Restricted/OTO)	-	0.210	0.210
Statewide Noxious Weed Control Coordination (Restricted/OTO)	-	0.255	0.255
Subtotal	28.886	18.445	47.331
Section D			
21100 JUDICIAL BRANCH			
Information Technology Staff (OTO)	-	0.412	0.412
41100 DEPARTMENT OF JUSTICE			
Montana Developmental Center Investigator (Restricted/OTO)	-	0.200	0.200
42010 PUBLIC SERVICE COMMISSION			
Retirement Payouts (Restricted/Biennial/OTO)	0.100	-	0.100
61080 OFFICE OF STATE PUBLIC DEFENDER			
Legislative Audit (Restricted/Biennial/OTO)	0.056	-	0.056
Office of State Public Defender (Biennial/OTO)	65.206	-	65.206
Public Defender Commission Discretionary Funding (OTO)	-	0.500	0.500
64010 DEPARTMENT OF CORRECTIONS			
American Correctional Association Certification (OTO)	0.010	-	0.010
Infirmiry Medical Equipment (OTO)	0.040	-	0.040
Lewistown Infirmiry Security (OTO)	0.547	-	0.547
Women's Prison Infirmiry FTE (OTO)	0.549	-	0.549
Subtotal	66.508	1.112	67.620

One-Time-Only Appropriations in HB 2 2017 Biennium (\$ Millions)			
HB 2	Present Law Adjustments	New Proposals	Total
Section E			
35010 OFFICE OF PUBLIC INSTRUCTION			
Audiological Services (Restricted/Biennial/OTO)	\$0.188	-	\$0.188
Montana Digital Academy (Restricted/Biennial/OTO)	1.665	-	1.665
51010 BOARD OF PUBLIC EDUCATION			
Legal Expenses (Restricted/OTO)	-	\$0.060	0.060
51020 COMMISSIONER OF HIGHER EDUCATION			
AES Wool Lab MSU-Bozeman (Restricted/Biennial/OTO)	-	0.120	0.120
Classroom and Technology Collaboration (OTO)	-	1.600	1.600
Coal and Mine Data Records (Restricted/OTO)	-	0.600	0.600
Governor's Best and Brightest Scholarship (OTO)	-	2.000	2.000
Quality Educator Loan Forgiveness Program (OTO)	-	0.990	0.990
Research Initiative (Restricted/Biennial/OTO)	-	15.000	15.000
Tribal Increase (Restricted/OTO)	-	0.323	0.323
51130 SCHOOL FOR THE DEAF & BLIND			
Extracurricular Compensation (Restricted/Biennial/OTO)	0.054	-	0.054
Software Lending Library (Restricted/Biennial/OTO)	0.025	-	0.025
Student Travel (Restricted/OTO)	-	0.060	0.060
51140 MONTANA ARTS COUNCIL			
Arts in Education - Glass Blowing (Restricted/Biennial/OTO)	-	0.025	0.025
Subtotal	1.932	20.778	22.710
Grand Total	\$103.996	\$54.641	\$158.638

Other Legislation

The majority of one-time-only appropriations contained in other bills are for long range building projects. Those infrastructure bills are [HB 6](#), [HB 7](#), [HB 8](#), [HB 9](#), [HB 10](#), [HB 11](#) and [HB 403](#).

One-Time-Only Appropriations in Other Legislation All Funds (\$ Millions)	
	2017 Biennium
Infrastructure Bills (Appropriated Only)	\$161.200
HB 244	1.000
HB 356	2.000
HB 430	0.020
HB 512	1.510
HB 612	0.300
HB 627	0.024
HB 629	0.002
SB 224	0.028
SB 272	0.045
Grand Total	\$166.129