

## Revenues

There are three funds that comprise the Big Sky Economic Development (BSED) funds: BSED trust fund, BSED income fund, and BSED state special revenue fund. The BSED trust fund is established by statute, which requires 25% of the coal severance tax available to the coal severance tax permanent trust be segregated into the BSED trust fund. The income from the BSED trust is deposited into the BSED income fund and is available for transfer to the BSED state special revenue fund.

## Use of Funds

As defined in statute, the purpose of the Big Sky Economic Development program is to:

- Create good-paying jobs for Montana residents
- Promote long-term, stable economic growth in Montana
- Encourage local economic development organizations
- Create partnerships between the state, local governments, tribal governments, and local economic development organizations interested in pursuing these same economic development goals
- Retain or expand existing businesses
- Provide a better life for future generations through greater economic growth and prosperity in Montana
- Encourage workforce development in high-poverty counties by providing targeted assistance including workforce training and job creation

Except for money used for administrative expenses, statute further defines the uses of the BSED state special revenue account:

- 75% must be allocated for distribution to local governments and tribal governments to be used for job creation efforts
- 25% must be allocated for distribution to certified regional development corporations, economic development organizations located in a county that is not part of a certified regional development corporation, and tribal governments

## Fund Transfer

The 2017 November Special Session Legislature approved a transfer of \$2.2 million from the economic development state special revenue fund to the general fund.

## Statutory References

Purpose – [90-1-202, MCA](#)

Economic Development Special Revenue Account – [90-1-205, MCA](#)

## Fund Purpose

Capitol land grant (CLG) revenues, derived from trust lands designated in the Enabling Act for the state capitol complex, have been used as a source of Long-Range Building Program (LRBP) funding for capital projects within the capitol complex. Additionally, the fund has paid debt service on bonds issued in the mid-1990s for capital projects within the capitol complex. In FY 2017, the final payment of debt service from the fund was paid. Funding from this source must only be used for projects on the Montana capitol complex (a 10-mile radius from the capitol building) per the requirements of the Enabling Act.

## Revenues

Revenues in the account are from earnings generated from activities on specific state trust lands designated to support the purpose of erecting public buildings at the Capitol Complex for legislative, executive, and judicial purposes.

## Use of funds

These funds must only be used for state building construction and maintenance in the capitol complex.

## Available Funds Analysis

Capitol Land Grant Fund (05008) Fund Balance Projection 2019 Biennium		
	FY 2018 Projected	FY 2019 Projected
2018 Beginning Fund Balance	4,968,037	39,299
Revenues <sup>1</sup>		
Land Grant Interest & Earnings	<u>1,171,262</u>	<u>1,393,336</u>
Total Revenues	1,171,262	1,393,336
Expenditures		
Continued Authority	600,000	0
HB 5 - Life Safety/Deferred Maint.	3,500,000	0
GSD Capitol Complex Maint. (authority from 02299) <sup>2</sup>	2,000,000	0
LRBP Capitol Complex Maint. (authority from 05007) <sup>2</sup>	<u>0</u>	<u>1,400,000</u>
Total Expenditures	6,100,000	1,400,000
Estimated Ending Fund Balance	39,299	\$32,635

<sup>1</sup>HJ 2  
<sup>2</sup> Possible budget changes due to special session activities

The balance of this fund may only be used for the specific purposes of facility construction and maintenance in the capitol complex. The pre-special session balance (projected to be \$3.4 million) could replace the funding currently directed from LRBP funds or state special funds as long as it is used for projects on the capitol complex. In the 2017 Special Session, the legislature transferred \$2.0 million from the General Services Division (GSD) state special revenue account and \$5.0 million from the Long-Range Building Program capital projects account to the general fund. Portions of the appropriation authority associated with the transferred dollars is expected to be moved to the capitol land grant fund through the budget change process. At the time of this report, \$1.8 million of appropriation authority had been moved from the GSD state special revenue account, leaving the capacity to move another \$1.6 million from a combination of the accounts over the 2019 biennium.

## Statutory Reference

Establishment of Funds: **Enabling Act: § 12.** That upon the admission of each of said states into the Union, in accordance with the provisions of this act, fifty sections of unappropriated public lands within such states, to be selected and located in legal subdivisions as provided in section 10 of this act, shall be, and are hereby, granted



## Capitol Land Grant Capitol Projects Account Potential for \$3.4 million in Budget Changes

to said states for public buildings at the capital of said states for legislative, executive, and judicial purposes, including construction, reconstruction, repair, renovation, furnishings, equipment, and any other permanent improvement of such buildings and the acquisition of necessary land for such buildings, and the payment of principal and interest on bonds issued for any of the above purposes.

Capitol Complex Major Maintenance Account – 02299: no statutory reference (for funds transfer)

Long-Range Building Program Capital Projects account – 05007: [17-7-205, MCA](#) (for funds transfer)

## **Fund Purpose**

The Secretary of State's Office is funded entirely from proprietary funds. The office conducts its daily operations through a single program, the Business and Government Services Program. It provides the following major functions:

- Election administration
- Registration and document filing of Montana businesses
- Publication and distribution of administrative rules
- Records management of public documents generated by state and local governments
- Centralized services for the Secretary of State's Office
- Notary services

## **Revenues**

Revenues are received from fees charged to:

- Businesses and corporations for corporate filings, registration of assumed business names, and trademarks
- State agencies and users of Administrative Rules of Montana (ARM) for publishing and distributing the ARMs, the Montana Administrative Register (MAR), and storage and management of public documents
- Candidates who file for elections
- Montana citizens who apply to be notaries

## **Fund Balance**

As of the end of FY 2017, the ending fund balance of the business services enterprise fund (excluding unrealized gains/losses, accumulated depreciation, and post-employment benefits) was approximately \$1.1 million.

## **Fund Transfer**

The 2017 November Special Session Legislature approved a transfer of \$410,427 by December 15, 2017 and \$399,668 by August 30, 2018 from the Secretary of State enterprise fund to the general fund.

## **Statutory Reference**

Fees Charged by Secretary of State – Deposit to Account – Rulemaking – [2-15-405, MCA](#)

## Fund Purpose

The Public Service Regulation (PSR) regulates the operations of public utility and transportation industries that operate in the state of Montana. PSR is primarily funded through the public service regulation fund as a state special revenue.

## Revenues

State special revenue comes primarily from a fee that is levied on regulated companies. It is based on funding appropriated by the legislature for a specific fiscal year and is based on a percentage of the gross operating revenue from all activities regulated by the commission

## Use of funds

The use of the public service regulation fund supports the PSR in its effort to regulate the operations of public utility and transportation industries that operate in the state. The PSR provides these services primarily through the employment of state employees who perform rate and economic analysis relative to the entities regulated by the commission and other technical and administrative duties. The fund directly supports the operation and personal services that support this agenda.

The Public Service Commission (PSC) was subject to a legislative transfer to the general fund according to HB 6 in the amount of \$525,000 for the biennium. This transfer comes from the public service regulation fund for the PSC and accounts for approximately 7.0%. An unintended consequence of the special session was that the appropriation for the fund was also reduced for the biennium in HB 2.

## Ending Fund Balance Last Five Years

Fund 02281 Public Service Regulation						
	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Forecast 2018
Beginning Fund Balance	\$1,197,164	\$739,886	\$2,163,496	\$1,722,755	\$1,036,757	\$2,214,796
Nominal Revenues	3,086,526	4,993,587	3,294,690	2,950,961	4,773,969	1,216,380
Nominal Disbursements	(3,543,803)	(3,569,977)	(3,735,431)	(3,637,699)	(3,595,930)	(693,732)
Ending Fund Balance						
Assets less cash	680,854	1,261,130	608,077	703,523	1,174,652	1,160,268
Cash in Bank	215,918	1,077,671	1,340,947	522,221	1,249,754	1,577,177
liabilities	<u>(156,887)</u>	<u>(175,305)</u>	<u>(226,269)</u>	<u>(189,727)</u>	<u>(209,610)</u>	<u>(1)</u>
Ending Fund Balance	<u>\$739,886</u>	<u>\$2,163,496</u>	<u>\$1,722,755</u>	<u>\$1,036,017</u>	<u>\$2,214,796</u>	<u>\$2,737,445</u>

## Statutory Reference

[69-1-402, MCA](#)

## Summary

The State Auditor's Office is entirely funded from state special revenue funds including the insurance fee account, securities fee account, and the captive account. Of these funds, the insurance fee fund and the securities fee fund comprise the majority of appropriations for the office.

## Insurance Fee

The insurance fee state special revenue fund receives revenues from insurance licensure fees, examination fees and penalties. In part, this fund supports:

- Resolving insurance consumer inquiries and complaints involving agents, coverage and companies
- Investigating insurance code and rules violations, including possible criminal violations, and refers cases to county attorneys for prosecution
- Monitoring the financial solvency of insurance companies operating in Montana through financial analysis and financial examination

## Securities Fee

The securities fee state special revenue fund receives revenues from portfolio notice filing fees and examination charges. In part, this fund supports:

- Registering security issuers, sales people, broker-dealers, investment advisers and investment adviser representatives
- Investigating unregistered and fraudulent securities transactions

In the 2019 biennium, all excess revenues in the securities fee account will be transferred to the general fund throughout the year as a non-budgeted transfer.

## Captive

The captive state special revenue fund receives fees and assessments. In part, this fund:

- Provides the financial means for the Commissioner to administer the captive insurance program
- Reimburses reasonable expenses incurred in promoting captive insurance in Montana

Fines and penalties are deposited into the general fund. At the end of the fiscal year, the balance of the captive account is transferred to the general fund.

## Fund Transfer

The 2017 November Special Session Legislature approved a transfer of \$530,825 by December 15, 2017 and \$535,026 by December 1, 2018 from the State Auditor's state special revenue funds to the general fund.

## Statutory Reference

Fees and Licenses – [33-2-708, MCA](#)

Deposits to General Fund – Exceptions – [30-10-115, MCA](#)

Captive Insurance Regulatory and Supervision Account – [33-28-120, MCA](#)

## Fund Purpose

The highway state special non-restricted (non-restricted) account is one of the primary expenditure accounts for the Montana Department of Transportation (MDT).

Because state funding for MDT is primarily derived from the constitutionally restricted highway state special account (HSRA), the non-restricted account is used to fund activities that are outside of the constitutional restrictions of:

- a) Payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges.
- b) Payment of county, city, and town obligations on streets, roads, and bridges.
- c) Enforcement of highway safety, driver education, tourist promotion, and administrative collection costs.

## Revenues

Primary revenues of the non-restricted account are derived from gross weight vehicle fees.

## Use of funds

While the uses of the non-restricted account are not listed in law, the account is used by MDT to fund activities that are outside of the constitutional restrictions of the HSRA. Examples include the purchase of emergency equipment for the EMS program, salaries for staff working in the federal transit authority program, and funding for the rail council. In the 2019 biennium, the legislature temporarily increased the Department of Justice (DOJ) uses of the account for purposes of the Motor Vehicle Division and the other agency support services.

## Available Funds Analysis

In the 2019 biennium, the non-restricted account was over-appropriated. While the figure on the following page shows negative ending fund balance, MDT (as the administrating agency for the account) will not allow the account to go negative in cash terms, but is shown to demonstrate that the account was over-appropriated. Note: a portion of the negative balance is the result of revised revenue projections for gross vehicle weight fees since the 2017 regular legislative session. The transfer of \$8 million from the account would increase the over-appropriation by a like amount. The transfers are established for \$4 million at the beginning of FY 2019 and \$4 million for the end of FY 2019.

To enable a transfer of non-restricted funds to the general fund, MDT is planning to move all the Maintenance Program authority of \$15.3 million to the HSRA in the 2019 biennium (Maintenance Program appropriations would be allowed in HSRA). The account balance included on the following page anticipates that the Maintenance Program appropriation in the non-restricted account would be moved through budget change documents. However, the analysis also demonstrates that account will be \$2.8 million short for the first transfer of \$4 million, occurring on August 30, 2018, assuming all the remaining appropriation authority is expended. Other authority may need to be moved from the account. Should the only mitigating action be moving appropriations to the HSRA account, the projected working capital balance in that account will be reduced, potentially resulting in a greater need to borrow funds for the Construction Program needs.<sup>1</sup>

The legislature has no authority in directing the actions that the agency could take given the transfers of \$8 million of funds from the non-restricted account and the resulting over appropriation. However, this analysis demonstrates that user agencies will need to move more authority to other state special funds. The following options include but may not be limited to the following:

1. Reduce and/or delay the MDT non-highway related expenditures from the account,

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<sup>1</sup> For recent cash-flow purposes, MDT has borrowed general fund dollars, interest free, for short periods of time. Because the general fund is currently experiencing cash-flow issues, were MDT required to borrow, the agency would have to go to the InterCap loan program and would be required to pay interest on the loan.



Montana Legislative Fiscal Division

## Highway State Special Non-restricted Acct. Transfer - \$8.0 million

2. move, as needed, MDT appropriation authority that would be allowed in HSRA, and/or
3. move DOJ authority to another state special revenue account.

Highway Non-Restricted Account (02349)				
	FY 2016	FY 2017	FY 2018	FY 2019
	Actual	Actual	Projected	Projected
Beginning Fund Balance	(\$296,340)	\$312,784	\$459,954	\$1,186,008
Transfers to General Fund-8/30/2018 and 6/30/2019	0	0	0	(8,000,000)
Available Fund Balance	(296,340)	312,784	459,954	(6,813,992)
<b>Projected Revenue</b>				
Gross Vehicle Weight Fees*	8,320,583	7,836,906	7,841,750	7,805,195
Other Income	224,837	190,993	210,000	210,000
<b>Total Revenue</b>	<b>8,545,420</b>	<b>8,027,899</b>	<b>8,051,750</b>	<b>8,015,195</b>
<b>Expenditures/Appropriations</b>				
<b>Department of Transportation</b>				
Noxious Weeds (non-budgeted)	100,000	100,000	100,000	100,000
Highways & Engineering	76,650	12,470	145,000	145,000
Maintenance Program	4,530,217	4,592,447	<del>7,608,000</del>	<del>7,652,163</del>
Motor Carrier Services Div.	50,440	42,140	44,528	44,528
Rail, Transit & Planning	1,449,997	1,376,641	1,881,417	1,889,052
Other Non Budgeted Activity	1,156,197	1,195,460	800,000	800,000
<b>Total Department of Transportation</b>	<b>7,363,500</b>	<b>7,319,159</b>	<b>2,970,945</b>	<b>2,978,580</b>
<b>Department of Justice</b>				
Legal Services Division			132	7
Justice IT Services			67,887	0
Division Of Criminal Investigations	175,000	175,000	177,489	83
Forensic Services Division	372,422	386,570	387,928	391,336
Motor Vehicle Division			3,504,065	0
Central Services Division			217,004	32
Non-Budgeted Activity	(801)			
<b>Total Department of Justice</b>	<b>546,621</b>	<b>561,570</b>	<b>4,354,505</b>	<b>391,458</b>
<b>Fish, Wildlife, &amp; Parks</b>				
Capital Outlay	26,175	0	246	
<b>Total Fish, Wildlife, &amp; Parks</b>	<b>26,175</b>	<b>0</b>	<b>246</b>	<b>0</b>
<b>Total Expenditures/Appropriations</b>	<b>7,936,296</b>	<b>7,880,729</b>	<b>7,325,696</b>	<b>3,370,038</b>
<b>Ending Fund Balance</b>	<b>\$312,784</b>	<b>\$459,954</b>	<b>\$1,186,008</b>	<b>(\$2,168,835)</b>

\*The LFD has revised projections for the Gross Vehicle Weight Fee revenue since HJ 2 w as adopted

### Statutory Reference

[15-70-125, MCA](#)

## **Background Information**

[SB 260](#), which was passed and signed into law in the 2017 legislative session, created the school facilities sub-trust within the coal tax trust fund. The legislation transferred the distribution of coal severance taxes from the coal permanent fund to this newly created sub-trust.

## **Available Funds Analysis**

SB 260 directs interest earnings, projected to amount to \$1.7 million over the biennium, from the school facilities fund be transferred to the school facilities special revenue account. The legislature adopted [HB 6](#) in the 2017 November Special Session which temporarily redirects these funds to the general fund for the 2019 biennium.

## **Fund Purpose**

The Alternative Energy Revolving Loan Program was established to encourage Montana homeowners and small businesses to use renewable energy. Loans are made for technologies appropriate to Montana at interest rates below the market average. The fund is managed by the Montana Department of Environmental Quality (DEQ).

Funds from the alternative energy revolving loan account may be used to provide loans to individuals, small businesses, units of local government, units of the university system, and nonprofit organizations for the purpose of building alternative energy systems

## **Revenues**

Revenue is primarily from air quality penalties collected by the DEQ.

## **Use of funds**

DEQ administers the loan program and covers staff salaries, travel, printing, promotional materials and office support for the program. In addition, DEQ contracts with a financial institution to complete credit checks, loan origination and monthly payment collection. Statute allows the program to use up to 10% of the outstanding loan balance for program administration. The legislature, in the 2017 special session, transferred \$1.2 million from this account to the general fund.

For FY 2013-2017, historically 71% of the ending fund balance is in the form of long-term loans.

## Ending Fund Balance Actual & Forecast

Alternative Energy Revenue Loan Fund Ending Fund Balance							
	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Forecast FY 2018	Forecast FY 2019
<b>Beginning Fund Balance</b>	\$3,650,622	\$3,724,182	\$4,028,554	\$4,139,242	\$4,531,656	\$4,703,122	\$3,952,414
<b>Nominal Revenues</b>							
Charges For Services	\$42,600	(\$38,550)	\$3,250	\$3,200	\$3,700	\$5,904	\$5,904
BOI Investment Earnings Class	99,461	107,247	82,866	98,253	115,050	183,573	183,573
Fines/Forfeits	27,817	377,160	167,171	443,150	230,022	367,023	367,023
Total Revenues	\$169,877	\$445,857	\$253,287	\$544,603	\$348,772	\$556,500	\$556,500
<b>Nominal Disbursements</b>							
Personal Services	(\$42,184)	(\$74,886)	(\$74,612)	(\$74,980)	(\$99,687)	(\$60,276)	(\$61,310)
Operating Expenses	(\$54,133)	(\$66,599)	(\$67,988)	(\$77,209)	(\$77,619)	(\$46,932)	(\$47,738)
Transfer to the General Fund	-	-	-	-	-	(1,200,000)	-
Total Disbursements	(\$96,317)	(\$141,485)	(\$142,599)	(\$152,189)	(\$177,306)	(\$1,307,208)	(\$109,048)
<b>Ending Fund Balance</b>							
Cash In Bank	\$3,072	\$19,571	\$26,950	\$22,260	\$12,337	\$15,751	\$17,534
Receivables	10,036	17,479	5,522	608	1,087	6,498	7,233
Long Term Notes	2,883,667	2,587,420	2,818,207	3,256,997	3,544,887	2,823,272	3,142,894
STIP Investment	855,500	1,425,079	1,318,793	1,319,268	1,159,967	1,137,192	1,265,933
Liabilities	(30,431)	(22,059)	(33,278)	(73,037)	(15,156)	(32,545)	(36,229)
Other	2,337	1,065	3,049	5,559	-	2,247	2,501
Ending Fund Balance	<u>\$3,724,182</u>	<u>\$4,028,554</u>	<u>\$4,139,242</u>	<u>\$4,531,656</u>	<u>\$4,703,122</u>	<u>\$3,952,414</u>	<u>\$4,399,866</u>

## Statutory Reference

Enabling Legislation: SB 506, 2001 Legislature  
Establishment of Fund: 75-25-101, MCA

## Fund Purpose

The Long-Range Building Program (LRBP) capital project fund, administered by the Department of Administration, Architecture and Engineering Division (A&E), was developed in order to present a single, comprehensive, and prioritized plan for allocating state resources for the purpose of capital construction and repair of state-owned facilities. The funds typically fund projects for agencies whose functions are principally supported by the general fund, including the university system.

## Revenues

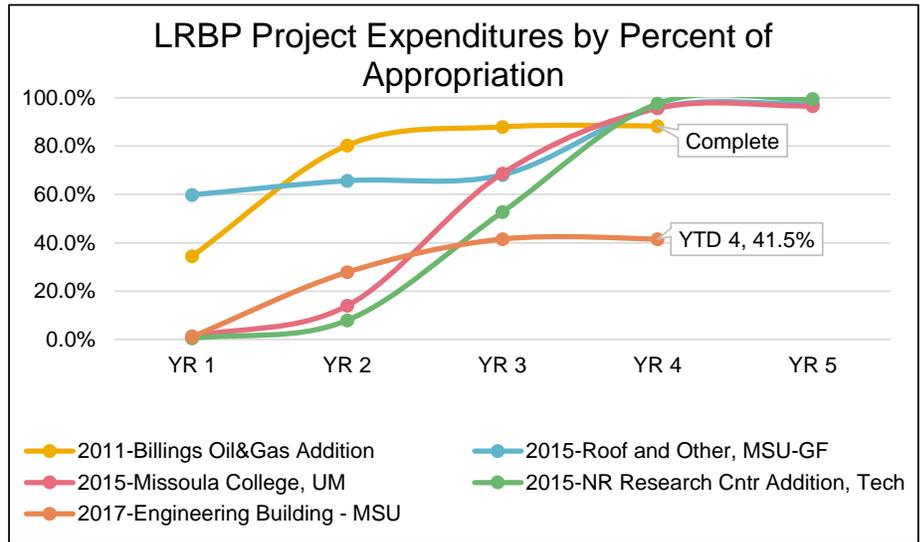
Primary revenues for the program are derived from statutory distributions of the cigarette tax and the coal severance tax. Occasionally, the legislature adds funds from other sources to the program to support additional projects.

## Fund Balance

Long-Range Building Program Fund (05007) Fund Balance Projection 2019 Biennium		
	FY 2018 Projected	FY 2019 Projected
Beginning Fund Balance	\$23,101,676	(\$12,030,844)
Adjustment to Fund Balance	(\$12,479)	\$0
Transfer to General Fund-12/15/2017 <sup>2</sup>	<u>(5,000,000)</u>	0
Available balance	18,089,197	(12,030,844)
Revenues <sup>1</sup>		
Cigarette Tax	\$1,770,880	\$1,759,970
Coal Severance Tax	6,801,731	7,023,261
Interest Earnings	429,593	429,593
Supervisory Fees	381,899	381,899
Energy Savings Transfer	225,000	225,000
Department of Justice Transfer	<u>8,100,000</u>	0
Total Revenues	\$17,709,103	\$9,819,723
Expenditures		
Operating Costs-A & E Division	\$2,162,289	\$2,169,386
Debt Service-2015A	1,095,269	657,086
Funding Switch	(665,000)	(657,086)
Prior Biennia Appropriations	24,836,586	0
LRBP Program - HB 5	<u>20,400,000</u>	0
Total Expenditures	\$47,829,144	\$2,169,386
Estimated Ending Fund Balance	(\$12,030,844)	(\$4,380,508)
<sup>1</sup> HJ 2		
<sup>2</sup> Actions of the Legislature in the November 2017 Special Session		

In the 2017 November special session, the legislature transferred \$5.0 million from the LRBP capital projects fund to the general fund. The fund balance figure above includes the transfer. This analysis indicates that the capital projects fund will end the 2019 biennium with a negative balance of \$4.4 million, assuming that all appropriation authority is fully expended. While the balance is negative, A&E will not allow the account be expended past available cash. To mitigate the negative balance, A&E may have the ability to move up to \$1.4 million of appropriation authority to the capitol land grant account (see the Capitol Land Grant green sheet), as long as the authority is used on projects on the capitol complex. If that action is taken, the fund balance will be negative \$3.0 million.

LRBP projects take a long time to complete. As demonstrated in the adjacent figure, LRBP projects can take up to five years to complete, with that clock starting at the point that the project moves into design. The figure shows that for smaller projects (those not requiring a full architectural design) expenditures may begin immediately, but larger new construction projects take a year or two of design (contracting with an architecture, planning and programming, drafting the construction plan) before the construction phase begins.



The LRBP capital projects account includes several large projects which have not entered the design phase at this time, and as mentioned above it could take between one and two years before those projects enter the construction phase, when project costs will increase substantially. As a result, the capital projects fund is expected to be able to cash flow all authorized projects through the 2019 biennium.

**Statutory Reference**  
[17-7-205, MCA](#)

**Fund Purpose**

The Treasure State Endowment Program (TSEP), administered by the Department of Commerce, provides grants to local governments for drinking water systems, wastewater treatment facilities, sanitary sewer or storm sewer systems, solid waste disposal and separation systems, and bridges.

**Revenues**

Revenues for the program are derived from the interest and income generated from a subtrust of the coal severance tax trust. Occasionally (most typically in sessions with large general fund balances), the legislature adds funds from other sources to the program to expand the number of projects the program is able to support.

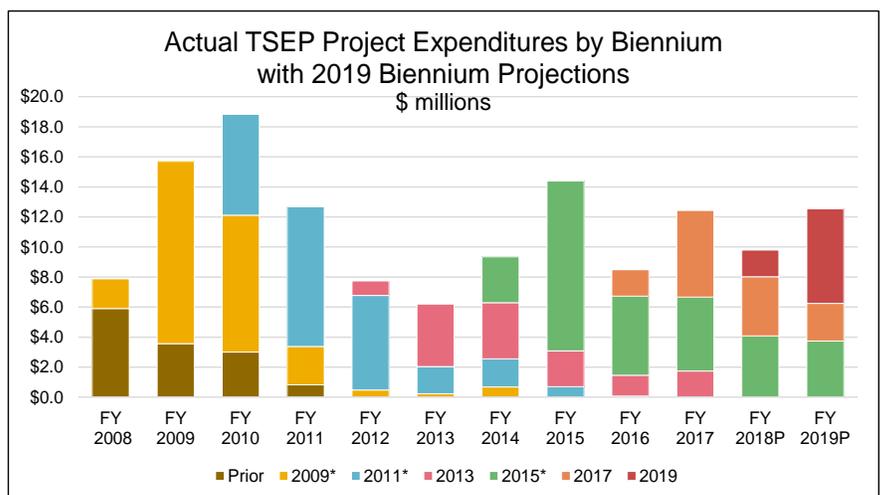
**Fund Balance and Cash Flow Analysis**

TSEP Fund Balance Analysis (09004 and 02270)			TSEP Cash Flow Analysis (09004 and 02270)		
	FY 2018	FY 2019		FY 2018	FY 2019
09044-FY 2018 BFB (no accruals)	\$19,482,154	0	09044-FY 2018 BFB (no accruals)	\$19,482,154	0
02270-FY 2018 BFB (no accruals)	279,812	(16,473,601)	02270-FY 2018 BFB (no accruals)	279,812	10,571,444
Transfer to General Fund-12/15/2017 <sup>1</sup>	(7,500,000)	0	Transfer to General Fund-12/15/2017	(7,500,000)	0
<b>Total Fund Balances</b>	<b>12,261,966</b>	<b>(16,473,601)</b>	<b>Total Fund Balances</b>	<b>12,261,966</b>	<b>10,571,444</b>
Revenues - Interest and Earnings	9,152,242	8,968,435	Revenues - Interest and Earnings	9,152,242	8,968,435
Expenditures			Expenditures		
HB 2 Administration	649,866	657,920	HB 2 Administration	649,866	657,920
Emergency and Planning Grants	1,000,000	0	Emergency and Planning Grants	400,000	600,000
Prior Biennia Grants Accrued	16,565,792	0	Cash Flow Requirements 2015B	4,078,025	3,738,189
2017 Session Grants	19,672,151	0	Cash Flow Requirements 2017B	3,944,380	2,510,060
	0	0	Cash Flow Requirements 2019B	1,770,494	6,295,088
<b>Total Expenditures</b>	<b>37,887,809</b>	<b>657,920</b>	<b>Total Expenditures</b>	<b>10,842,764</b>	<b>13,801,258</b>
Projected Ending Fund Balance	(\$16,473,601)	(\$8,163,086)	Projected Ending Cash Balance	\$10,571,444	\$5,738,622

<sup>1</sup>Actions of the legislature in the November 2017 Special Session

In the 2017 November special session, the legislature transferred \$7.5 million from the TSEP program to the general fund. The figures above include the transfer. The TSEP income account (09044), which initially receives the interest and income from the TSEP subtrust, had a significant cash balance of \$19.5 million at the beginning of the 2019 biennium, but also had accruals of \$16.6 million. The fund balance shows that if all the authorized grants and other expenditures were fully expended in the 2019 biennium and after the transfer of \$7.5 million, the fund would have a balance of negative \$8.2 million. However, the cash flow analysis shows that the program is projected to be able to cash flow all the projects through the 2019 biennium.

TSEP projects take a long time to complete and frequently there are projects that are unable to meet all the requirements (start-up conditions) to receive their grants. The program managers only draw funds from the income account as needed to pay grant costs, which are made on a reimbursement basis. This accounts for the large balance at the beginning of FY 2018. However, once the project meets the start-up conditions project cost reimbursements can take years. The figure above shows the annual expenditure of grants by the authorizing biennium<sup>1</sup>.



<sup>1</sup> Biennia with increased funding are designated by an asterisk (\*) and include the 2009, 2011, and 2015 biennia.

As noted in the bar chart, it takes a substantial amount of time for the grants authorized in a biennium to be fully paid. The amount of project expenditures in each fiscal year is highly related to the amount of funds appropriated in a biennium. When funding is added to the program, the payment of grants can take a longer amount of time, since the projects ranked lower typically have more work to do to meet their start-up conditions. For the 2017 and 2019 biennia, no additional funds were added. The projections for the 2019 biennium are based on the cash flow analysis and do not take into consideration grants that may not meet the start-up conditions.

The cash flow analysis for the TSEP fund, as shown in the fund balance figure above, is based on cash flow needs by project and biennium for the past three biennia. This analysis suggests that at the end of the 2019 biennium, the program will have approximately \$5.7 million of unused funds, even after consideration of the general fund transfer.

The legislature has no authority in directing the actions that the agency could take given the transfer of \$7.5 million of funds from the program. However, given that this analysis shows that the program has sufficient funds to manage the grant projects while lacking sufficient funds to cover all the existing appropriations, the following options are available to the program (list may not be fully inclusive):

1. Reduce or eliminate grants,
2. Reduce administrative costs and other non-project grant costs, and/or
3. Allow the program to function as though no transfer was made and correct the shortfall of funding in the 2019 session.

## **Statutory Reference**

[17-5-703, MCA](#)

## Fund Purpose

The Department of Fish Wildlife and Parks uses this fund to support the general operations of the state park system.

## Revenues

Revenue sources are nonresident day-use park entry fees, camping fees, cabin site rentals, concessionaire payments, and other miscellaneous fees used to support the general operations of the state park system.

## Use of funds

The agency uses the fund to support the personal services and general operating expenses related to general operation of the state parks. The agency has an appropriation for grants totaling \$2.1 million in the 2019 biennium for Garfield County transportation project and \$0.1 million for other projects. As of November 2017, \$2.0 million of this appropriation has been transferred. FWP also has appropriation authority for various capital projects totaling \$3.6 million, as of November 2017 the agency has expended \$1.1 million of this appropriation. The legislature, in the 2017 special session, transferred \$250,000 to the general fund.

## Ending Fund Balance Actual & Forecast

State Parks Miscellaneous Account Ending Fund Balance							
	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Forecast FY 2018	Forecast FY 2019
<b>Beginning Fund Balance</b>	\$2,656,702	\$2,559,366	\$3,957,222	\$5,505,413	\$7,008,856	\$7,734,500	\$1,603,005
<b>Nominal Revenues</b>							
Licenses & Permits	42,076	28,230	40,490	46,855	(10)	0	0
Taxes	3,795,664	3,756,994	3,754,593	3,769,230	3,797,536	3,797,726	3,797,726
Charges For Services	1,728,151	2,273,509	2,506,366	2,874,845	2,646,040	2,905,820	2,927,896
Grants/Transfers/Misc	231,927	230,557	432,910	363,824	269,708	19,000	19,000
Other Revenue	40,523	41,505	49,016	33,045	40,684	42,000	42,000
<b>Total Revenues</b>	<b>\$5,838,342</b>	<b>\$6,330,795</b>	<b>\$6,783,375</b>	<b>\$7,087,799</b>	<b>\$6,753,959</b>	<b>\$6,764,546</b>	<b>\$6,786,622</b>
<b>Nominal Disbursements</b>							
Personal Services	(2,995,844)	(3,035,720)	(2,958,748)	(3,184,339)	(3,458,191)	(3,572,655)	(3,407,233)
Operating Expenses	(1,124,617)	(1,474,236)	(1,247,607)	(1,786,117)	(1,793,268)	(1,486,758)	(1,625,024)
Equipment & Intangible Assets	(32,718)	(232,048)	(241,452)	(34,340)	(10,856)	(77,944)	(51,944)
Capital Outlay	(855,623)	192,954	(359,102)	(0)	(90,832)	(3,636,318)	\$0
Grants	0	0	0	0	0	(2,100,000)	\$0
Transfers-out	(930,477)	(383,889)	(420,729)	(580,917)	(675,168)	(1,772,365)	(\$1,757,655)
Transfer to the General Fund	-	-	-	-	-	(250,000)	-
<b>Total Disbursements</b>	<b>(5,939,278)</b>	<b>(4,932,939)</b>	<b>(5,227,639)</b>	<b>(5,585,713)</b>	<b>(6,028,315)</b>	<b>(12,896,040)</b>	<b>(6,841,856)</b>
Other Adjustments	\$3,600	\$0	(\$7,545)	\$1,357	\$0	\$0	\$0
<b>Ending Fund Balance</b>							
Cash In Bank	\$3,287,211	\$4,491,666	\$5,602,759	\$7,644,860	\$8,317,504	\$1,757,443	\$1,696,888
Receivables	1,270	1,459	2,047	563	1,012	380	367
Inter-Entity Loans Receivables	370,000	370,000	670,000	144,000	400,000	117,027	112,995
Liabilities	(1,102,715)	(905,904)	(761,847)	(781,924)	(984,015)	(271,690)	(262,329)
Other	3,600		(7,545)	1,357		(155)	(150)
<b>Ending Fund Balance</b>	<b>\$2,559,366</b>	<b>\$3,957,222</b>	<b>\$5,505,413</b>	<b>\$7,008,856</b>	<b>\$7,734,500</b>	<b>\$1,603,005</b>	<b>\$1,547,771</b>

## Statutory Reference

(Section 23-1-105, Section 61-3-321(19)(b), and Section 61-3-512 MCA)

### Fund Purpose

The State Building Energy Conservation Program (SBECP) is a revolving loan program that funds state agency energy conservation projects and recoups the costs from energy savings realized by the agency. The funds that are recouped are then used for new energy conservation projects in a revolving loan scenario.

### Revenues

Revenues of the account are derived from loan payments on energy improvements in state agency facilities.

### Use of funds

Funds from loan repayments are used to pay for the administrative expenses of the program as well as fund new energy conservation projects for state agencies.

### Available Funds Analysis

State Building Energy Capital Projects Account (05145)		
	FY 2018	FY 2019
FY 2018 Beginning Fund Balance	\$1,097,918	\$0
Transfer to the General Fund - 6/30/2018	<u>(450,000)</u>	<u>0</u>
Total Balance	647,918	(149,544)
Account Revenues		
Projected Loans Repayment	372,429	363,667
Appropriations		
HB 2 - SBECP Administration	12,431	12,431
Long-Range-Prior Biennia Continued Authority	257,461	
65th LEG Long-Range Legislation	<u>900,000</u>	<u>0</u>
Total Appropriations	1,169,892	12,431
Ending Fund Balance	<u>(\$149,544)</u>	<u>\$201,692</u>

In the 2017 Special Session, the legislature transferred \$450,000 from the SBECP capital projects account to the general fund. The transfer is included in the figure above. The account is expected to have sufficient funds available to cover the transfer and appropriations planned in the 2019 biennium. The account is projected to have a fund balance of \$201,692 at the end of the 2019 biennium.

### Statutory Reference

[90-4-617, MCA](#) - Energy conservation capital projects account

## Fund Purpose

The natural resource projects account (NR projects), administered by the Department of Natural Resources and Conservation (DNRC), provides natural resource focused grants to local governments through a variety of programs including:

- The renewable resource grants program (RRGL – as provided in HB 6 in a regular session)
- Irrigation grants (as provided in HB 6 in a regular session)
- The reclamation and development grants program (RDGP – as provided in HB 7 in a regular session)
- Aquatic Invasive Species grants (as provided in HB 7 in a regular session)
- Various other short-term grant programs as determined by DNRC

## Revenues

Primary revenues for the program are derived from:

- Interest from the Resource Indemnity Trust
- A statutory distribution of resource indemnity tax
- A statutory distribution of the oil and natural gas tax

Occasionally, the legislature adds funds from other sources to the program to support more projects.

## Fund Balance and Cash Flow Analysis

Natural Resource Project Account (02577) Fund Balance Projection - 2019 Biennium			Cash Flow Project Account (02577) Fund Balance Projection - 2019 Biennium		
	FY 2018 Projected	FY 2019 Projected		FY 2018 Projected	FY 2019 Projected
Beginning Fund Balance	\$8,484,966	\$0	Beginning Fund Balance	\$8,484,966	\$0
Accruals	(6,226,453)	0	Accruals (included in spending below)	0	0
Transfer to General Fund-12/15/2017 <sup>2</sup>	<u>(2,050,000)</u>	0	Transfer to General Fund-12/15/2017	<u>(2,050,000)</u>	0
Total Available Balance	208,512	(5,690,912)	Total Available Balance	6,434,966	1,422,008
Revenue Projections <sup>1</sup>			Revenue Projections <sup>1</sup>		
RIT Interest Earnings	2,131,729	2,676,421	RIT Interest Earnings	2,131,729	2,676,421
Resource Indemnity & Groundwater	902,763	1,006,667	Resource Indemnity & Groundwater	902,763	1,006,667
Oil and Gas Tax	1,191,853	1,167,381	Oil and Gas Tax	1,191,853	1,167,381
Bond Pool Transfer	10,000	10,000	Bond Pool Transfer	10,000	10,000
Administrative Fees	<u>25,000</u>	<u>500</u>	Administrative Fees	<u>25,000</u>	<u>500</u>
Total Revenues	4,261,344	4,860,968	Total Revenues	4,261,344	4,860,968
RRGL Appropriations - HB 6			RRGL Projected Spending		
Emergency Grants	100,000	0	Emergency Grants	50,000	50,000
Project Planning Grants	800,000	0	Project Planning Grants	400,000	400,000
Irrigation Development Grants	300,000	0	Irrigation Development Grants	150,000	150,000
Watershed Grants	300,000	0	Watershed Grants	150,000	150,000
Private Grants	50,000	0	Private Grants	25,000	25,000
RRGL Project Grants	3,231,640	0	Prior Biennia	812,455	0
	0	0	Cash Flow Requirements 2017B	1,434,136	717,068
	0	0	Cash Flow Requirements 2019B	<u>1,066,441</u>	<u>1,195,707</u>
Total RRGL Appropriations	4,781,640	0	Total RRGL Projected Spending	4,088,032	2,687,775
RDGP Appropriations - HB 7			RDGP Projected Spending		
Project Planning	800,000	0	Project Planning	800,000	0
Aquatic Invasive Species Control	500,000	0	Aquatic Invasive Species Control	500,000	0
RDGP Project Grants	4,079,129	0	Prior Biennia	1,467,889	0
	0	0	Cash Flow Requirements 2017B	1,398,598	396,307
	0	0	Cash Flow Requirements 2019B	<u>1,019,782</u>	<u>1,427,695</u>
Total RDGP Appropriations	5,379,129	0	Total RDGP Projected Spending	5,186,269	1,824,002
Total Appropriations	10,160,769	0	Total Projected Spending	9,274,302	4,511,777
Projected Ending Fund Balance	(\$5,690,912)	(\$829,944)	Projected Ending Cash Flow Balance	\$1,422,008	\$1,771,199

<sup>1</sup>Revenue projections unrevised from HJ 2

<sup>2</sup>Legislative actions of the November 2017 special session

In the 2017 November special session, the legislature transferred \$2.05 million from the NR projects account to the general fund. The figures above include the transfer. The NR projects account, had a significant balance of \$8.5 million at the beginning of the 2019 biennium, but also had accruals of \$6.2 million. The fund balance shows that should all the authorized grants and other expenditures be fully expended in the 2019 biennium and after the transfer of \$2.05 million, the fund would have a balance of negative \$829,944. However, the cash flow analysis shows that program is projected to be able to cash flow all the projects through the 2019 biennium.

The cash flow analysis for the NR projects account, as shown in the fund balance figure above, is based on cash flow needs by project and biennium for the past three biennia. This research shows that it takes four to six years for all the approved projects funded through the NR projects account to receive their full grant award. The analysis does not consider the potential of local governments withdrawing their grant requests, which occasionally happens. As suggested in the cash flow analysis, the program will have approximately \$1.8 million of unused funds at the end of the 2019 biennium, after consideration of the general fund transfer.

The legislature has no authority in directing the actions that the agency could take given the transfer of \$2.05 million of funds from the program. However, given that this analysis shows that the program has sufficient funds to manage the grant projects while lacking sufficient funds to cover all the existing appropriations, the following options are available to the program (list may not be fully inclusive):

1. Reduce or eliminate grants,
2. reduce other (non-ranked) grants costs, and/or
3. allow the program to function as though no transfer was made and correct the shortfall of funding in the 2019 session.

### **Statutory Reference**

[15-38-302, MCA](#)

### **Fund Purpose**

Montana statute establishes a Montana National Guard land purchase state special revenue fund in which all money from the sale of an armory must be deposited.

There are two purposes of the fund outlined in statute:

- Any interest and income accruing on the account must be deposited in the general fund
- Money in the account may be used only for preparations to purchase or the purchase of land necessary for the Montana National Guard's mission and is expendable solely upon the authorization of the governor

### **Fund Transfer**

The 2017 November Special Session Legislature approved a transfer of \$0.4 million from the Montana National Guard Land Purchase state special revenue fund to the general fund.

### **Statutory Reference**

Armories – Acquisitions and Sales – Proceeds – Account – [10-1-108, MCA](#)

## **Revenues**

The Legislative Branch has statutory appropriation authority for the Legislative Branch reserve account. This account receives unexpended and unencumbered money included in the “feed bill” (the bill that funds the legislative session each year) and remaining carryforward appropriations for the divisions.

## **Fund Purpose**

The funds in the reserve account may be used for major Legislative Branch information technology projects including hardware, software, consulting services for new initiatives, and replacement and upgrading of existing systems. All projects and funding from the reserve account must be approved by the Legislative Council.

## **Fund Transfer**

The 2017 November Special Session Legislature approved a transfer of \$500,000 from the Legislative Branch reserve account to the general fund.

## **Statutory Reference**

Legislative Branch Reserve Account – [5-11-407, MCA](#)

## Fund Purpose

The Hard Rock Mining Reclamation state special revenue account funds are used to implement legally required reclamation, operation, and maintenance at hard-rock mines that would otherwise not occur because there is no likelihood of getting additional funds from the mine operator, the available surety bond is insufficient, or there is no available federal or private source of funds.

## Revenues

Revenue is primarily from:

- interest earned through short term investments with the state board of investments
- funds transferred from the hard rock mining reclamation debt service fund in excess of the amount needed to satisfy the annual principal and interest payment requirements

## Use of funds

The DEQ uses the fund to pay various contractors for reclamation work and the purchase of equipment. During the 2017 special session, the legislature directed \$500,000 to be transferred to the general fund.

For FY 2013-2017, almost all of the ending fund balance is invested in short term investments with the state board of investment.

## Ending Fund Balance: Actual & Forecast

Hard Rock Mining Reclamation Fund Ending Fund Balance							
	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Forecast FY 2018	Forecast FY 2019
<b>Beginning Fund Balance</b>	\$6,979,733	\$7,198,958	\$6,012,094	\$6,855,385	\$6,315,555	\$6,092,528	\$5,222,528
<b>Nominal Revenues</b>							
Board of Investment Earnings	\$17,862	\$9,132	\$8,481	\$28,706	\$53,011	\$30,000	\$30,000
Grants & Transfers	1,381,902	1,018,811	1,060,399	719,643	649,710	800,000	800,000
<b>Total Revenues</b>	<u>\$1,399,763</u>	<u>\$1,027,943</u>	<u>\$1,068,879</u>	<u>\$748,350</u>	<u>\$702,721</u>	<u>\$830,000</u>	<u>\$830,000</u>
<b>Nominal Disbursements</b>							
Operating Expenses	(\$1,180,538)	(\$2,214,807)	(\$197,743)	(\$1,288,180)	(\$925,748)	(\$1,200,000)	(\$1,200,000)
Equipment & Intangible Assets	-	-	(27,846)	-	-	-	-
Transfer to the General Fund						(500,000)	-
<b>Total Disbursements</b>	<u>(\$1,180,538)</u>	<u>(\$2,214,807)</u>	<u>(\$225,589)</u>	<u>(\$1,288,180)</u>	<u>(\$925,748)</u>	<u>(\$1,700,000)</u>	<u>(\$1,200,000)</u>
<b>Ending Fund Balance</b>							
Cash In Bank	\$0	\$24,000	\$48,029	\$253,548	\$202	\$52,392	\$48,680
Receivables	1,163	578	1,102	3,024	5,683	1,858	1,726
Stip Investment	7,471,686	6,018,361	6,831,493	6,346,946	6,328,701	5,306,583	4,930,628
Liabilities	(273,891)	(30,844)	(25,240)	(287,964)	(242,059)	(138,304)	(128,506)
<b>Ending Fund Balance</b>	<u>\$7,198,958</u>	<u>\$6,012,094</u>	<u>\$6,855,385</u>	<u>\$6,315,555</u>	<u>\$6,092,528</u>	<u>\$5,222,528</u>	<u>\$4,852,528</u>

## Statutory Reference

82-4-312 MCA, 82-4-313 MCA, 82-4-315 MCA

### Fund Purpose

The Petroleum Storage Tank Cleanup account is used to reimburse owners and operators for eligible costs resulting from cleanup after a release by a petroleum storage tank.

### Revenues

Revenue is primarily from the taxes imposed on the sale of gasoline, aviation fuels, heating oil and other special fuels at the rate of 0.75 cents per gallon.

### Use of funds

The account is primarily used to pay claims due to leaking storage tanks. Other uses are for personal services and operating costs for the board and agency to administer to the fund. During the 2017 special session of the legislature, \$1.0 million was transferred to the general fund in FY 2018.

For FY 2017, 87% or \$3.5 million of the ending fund balance is invested in short-term investments with the state board of investments.

### Ending Fund Balance: Actual & Forecast

Petroleum Storage Tank Cleanup Fund Ending Fund Balance							
	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Forecast FY 2018	Forecast FY 2019
<b>Beginning Fund Balance</b>	\$1,116,773	\$1,314,758	\$105,457	(\$90,143)	\$2,071,513	\$4,007,479	\$3,468,979
<b>Nominal Revenues</b>							
Taxes	\$7,048,774	\$7,034,794	\$7,221,648	\$7,113,694	\$7,853,266	\$7,100,000	7,100,000
Charges for Services	24,875	5,000	20,000	239,065	150,000	100,000	100,000
Board of Investment Earnings	4,701	1,484	914	6,620	28,953	1,500	\$1,500
Grants & Transfers	-	-	8,000	-	-	-	-
<b>Total Revenues</b>	<b>\$7,078,351</b>	<b>\$7,041,278</b>	<b>\$7,250,562</b>	<b>\$7,359,378</b>	<b>\$8,032,218</b>	<b>\$7,201,500</b>	<b>\$7,201,500</b>
<b>Nominal Disbursements</b>							
Personal Services	(\$1,352,281)	(\$1,368,808)	(\$1,309,992)	(\$1,313,900)	(\$1,383,699)	(\$1,400,000)	(\$1,400,000)
Operating Expense	(451,416)	(646,723)	(936,967)	(651,983)	(520,692)	(640,000)	(640,000)
Equipment & Intangible Assets	0	(454)	0	0	0	-	-
Petroleum Release Claims	(5,066,770)	(6,138,649)	(5,129,617)	(3,219,784)	(4,160,807)	(4,700,000)	(4,700,000)
Fund Transfers	(5,145)	(95,945)	(69,586)	(12,055)	(31,054)	(1,000,000)	-
Other	(4,753)	-	-	-	-	-	-
<b>Total Disbursements</b>	<b>(\$6,880,366)</b>	<b>(\$8,250,579)</b>	<b>(\$7,446,162)</b>	<b>(\$5,197,722)</b>	<b>(\$6,096,253)</b>	<b>(\$7,740,000)</b>	<b>(\$6,740,000)</b>
<b>Ending Fund Balance</b>							
Cash In Bank	\$967,789	\$1,270,170	\$1,052,478	\$866,705	\$918,979	\$1,019,001	\$1,154,566
Receivables	194	64	72	994	643,364	367,703	416,621
STIP Investment	802,186	100,074	-	2,008,844	3,500,577	3,143,953	3,562,213
Liabilities	(455,860)	(1,264,851)	(1,144,022)	(807,142)	(1,057,836)	(1,064,250)	(1,205,834)
Other	449	-	1,330	2,112	2,394	2,572	2,914
<b>Ending Fund Balance</b>	<b>\$1,314,758</b>	<b>\$105,457</b>	<b>(\$90,143)</b>	<b>\$2,071,513</b>	<b>\$4,007,479</b>	<b>\$3,468,979</b>	<b>\$3,930,479</b>

### Statutory Reference

75-11-313, MCA: Petroleum tank release cleanup fund

75-11-314 MCA: Petroleum storage tank cleanup fee  
75-11-318 MCA: Powers and duties of board

### **Fund Purpose**

In Montana, a state building permit is required prior to the start of construction for certain types of new buildings and/or for alterations, additions and repairs. Building permits must be issued on all required projects before plumbing, mechanical or electrical permits can be issued and before work authorized under these permits can start.

### **Revenues**

The Building Codes state special revenue fund receives fees from items such as building permits, plan reviews, and inspections. The calculation of these fees is outlined in the Administrative Rules of Montana (24.301.138, ARM). Additionally, the state special revenue fund receives conference registration fees.

### **Use of Funds**

These funds are used to support the Building Codes Bureau in the Department of Labor and Industry. This bureau is responsible for establishing and enforcing minimum building, plumbing, mechanical, electrical, energy, elevator, and boiler codes.

The 2017 November Special Session Legislature approved a transfer of \$2.0 million from the Building Codes state special revenue fund to the general fund.

## Fund Purpose

Funds in the Hydroelectric Power Generation account are used for repairs and rehabilitation on state-owned water infrastructure throughout Montana, including 22 dams and approximately 250 miles of irrigation canals. Water from state-owned facilities is marketed to local water users associations primarily for irrigation use.

## Revenues

Energy sales from the state-owned Broadwater Power Project (Toston Dam) provides the revenue for this account. The Toston Dam began generating power in June 1989 and has an operating capacity of 10 megawatts. DNRC owns and operates the facility and the electrical energy produced is sold to NorthWestern Energy.

## Use of funds

The funds in this account are primarily used to pay contractors for rehabilitation work of state-owned water projects. HB 6 of the 2017 special session transferred \$2.0 million to the general fund.

## Ending Fund Balance: Actual & Forecast

State Water Project Hydroelectric Power Generation Ending Fund Balance							
	Actual FY 2013	Actual FY 2014	Actual FY 2015	Actual FY 2016	Actual FY 2017	Forecast FY 2018	Forecast FY 2019
<b>Beginning Fund Balance</b>	(\$41,296)	\$1,755,227	(\$5,983,355)	(\$3,252,495)	(\$1,570,814)	\$54,897	(\$295,795)
<b>Nominal Revenues</b>							
Charges for Services	\$150	\$0	\$0	\$0	\$0	\$0	\$0
Grants & Transfers	2,218,489	1,710,419	3,544,107	2,235,924	2,478,805	2,250,000	2,250,000
<b>Total Revenues</b>	<u>\$2,218,639</u>	<u>\$1,710,419</u>	<u>\$3,544,107</u>	<u>\$2,235,924</u>	<u>\$2,478,805</u>	<u>\$2,250,000</u>	<u>\$2,250,000</u>
<b>Nominal Disbursements</b>							
Operating Expense	(\$98,288)	(\$453,970)	\$196,258	(\$23,014)	(\$407,841)	(\$160,000)	(\$160,000)
Equipment & Intangible Assets	-	-	-	(11,650)	11,650	-	-
Land & Interest In Land	-	(3,680,661)	(484,865)	(85,506)	(36,641)	(40,000)	(40,000)
Fund Transfers	-	(5,000,000)	-	-	-	(2,000,000)	-
Loans	(323,828)	(314,370)	(524,640)	(434,072)	(420,262)	(400,692)	(400,000)
<b>Total Disbursements</b>	<u>(\$422,116)</u>	<u>(\$9,449,002)</u>	<u>(\$813,247)</u>	<u>(\$554,242)</u>	<u>(\$853,094)</u>	<u>(\$2,600,692)</u>	<u>(\$600,000)</u>
<b>Ending Fund Balance</b>							
Cash In Bank	\$5,230,153	\$3,619,442	\$3,580,669	\$4,697,057	\$6,114,404	\$5,704,205	\$7,354,205
Liabilities	(3,474,926)	(9,602,797)	(6,833,164)	(6,267,871)	(6,059,507)	(6,000,000)	(6,000,000)
<b>Ending Fund Balance</b>	<u>\$1,755,227</u>	<u>(\$5,983,355)</u>	<u>(\$3,252,495)</u>	<u>(\$1,570,814)</u>	<u>\$54,897</u>	<u>(\$295,795)</u>	<u>\$1,354,205</u>

## Statutory Reference

85-1-220, MCA: State water project hydroelectric power generation special revenue account

### **Purpose**

The Montana Department of Revenue (DOR) collects unclaimed property from across the state in the form of uncashed checks, savings accounts, stocks and mutual funds, etc. These properties are swept into the general fund, but these properties are available indefinitely for owners to claim.

If DOR holds a security for over three years they have the ability to sell it without having to repay any additional appreciation if the rightful owner claims the property. They also have the ability to sell a security within this three-year window. However, if the rightful owner of a security claims that property after any gains have been realized, DOR is responsible for any additional appreciation the security may have acquired.

### **Use of Funds**

The executive branch chose to take on this risk and as a result will realize gains within the three-year window. It is estimated that this will generate an additional \$3.9 million to the general fund over the biennium.

From FY 2002 to FY 2016 MSF incurred an additional \$227.0 million in adverse development on prior years' unpaid losses. In addition, equity provided for changes that occurred due to retroactive benefit changes reflected in court decisions and volatility in investment returns between FY 2002 and FY 2016.

### Is MSF Equity Sufficient?

The MSF actuary compared MSF equity of \$526.5 million using recognized industry measures and concluded that the level of equity is in the middle of the range indicated by A- and A state funds in other states and by the private workers' compensation industry. The actuary also indicated that the main risk MSF faces is the cost of providing medical and indemnity benefits will increase above the loss reserves set aside for the claims.

### **Executive Proposal**

SB 4 was passed and approved during the November 2017 Special Session. The bill charges a temporary 3% management rate on portfolios managed by the Board of Investments that have:

- 1) An average asset balance of greater than \$1.0 billion;
- 2) The average asset balance contains sufficient funds to offset all liabilities as determined by the most recent actuarial study.

The 3% management rate must be applied to the average asset balance in excess of \$1.0 billion and requires that the Board of Investments transfer the fee to the fire suppression account. The assessment ends June 30, 2019. The fiscal note for the bill estimates the fee would generate \$14.6 million in FY 2018 and \$15.1 million in FY 2019.

### **Fees Paid to the Board of Investments**

Currently, the Board of Investments charges MSF a monthly fee of \$28,772 (\$345,000/year) for their services.

### **Statutory references**

Montana Constitution, Article VIII, Section 13

[39-71-2316\(2\), MCA](#) – Powers of state fund

[39-71-2320, MCA](#) – Property of state fund – investment required – exception. [39-71-2321, MCA](#) – What is to be deposited in state fund

[39-71-2322, MCA](#) – Money in state fund held in trust –disposition upon repeal of chapter

### **Legal Review**

Pursuant to section 5-11-112(1)(c), MCA, Legislative Services Division legally reviewed the draft legislation and concluded that:

*There is no direct Montana or federal case which triggers a legal review note under Legislative Services Division policy. While prior legislatures have transferred money from the State Fund, there has not been a statutory attempt since the passage of Chapter 603 in 2003. Other state cases show that legislative appropriation of State Fund assets may potentially raise constitutional concerns, including implicating contracts clause concerns.*

## Purpose

The State Information Technology Services Division (SITSD) is a proprietary program that provides central computing, data network, and telecommunications services to more than 100 governmental customers throughout the state.

## Revenues

Funding for SITSD services is mainly derived from charges to state agencies through the fixed cost process. Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget.

The table to the right provides information on the actual percentage expended by fund on SITSD statewide in FY 2017. Of the total expenditures, 39.5% are from general fund.

Statewide State Information Technology Services Division Expenditures by Fund Type for FY 2017		
Fund	FY 2017 Expenditures	Percentage Expended
General	\$ 17,408,441	39.5%
State Special Revenue	10,502,020	23.8%
Federal Special Revenue	7,784,038	17.6%
Capital Projects	50,309	0.1%
Enterprise	1,074,637	2.4%
Internal Service	6,061,085	13.7%
Other State Special Revenue	52,967	0.1%
Pension Trust	526,125	1.2%
CUBA	<u>659,808</u>	<u>1.5%</u>
Total	<u>\$ 44,119,430</u>	<u>100.0%</u>

## Analysis

The legislature adopted HB 2 during the November 2017 special session. Included as part of the reductions provided in the bill was a 6.61% reduction in state agency appropriations for information technology services provided by SITSD.

State Information Technology Services Division 2019 Biennium Appropriation Reductions			
Fund	FY 2018 Reduction	FY 2019 Reduction	Biennial Total
General Fund	(\$1,130,976)	(\$1,116,694)	(\$2,247,670)
State Special Revenue	(994,897)	(956,852)	(1,951,749)
Federal Special Revenue	(588,054)	(539,926)	(1,127,980)
Proprietary	(14,942)	(14,945)	(29,887)
Total	<u>(\$2,728,869)</u>	<u>(\$2,628,417)</u>	<u>(\$5,357,286)</u>

The table above provides the impact of the 6.61% reduction in appropriations would have on the funds SITSD collects from state agencies. A 6.61% reduction in results in a reduction of general fund collected by SITSD of approximately \$2.2 million and an additional reduction in other funds of approximately \$3.2 million.

## Statutory References

Policy – [2-17-505, MCA](#)

Powers and Duties of the Department – [2-17-512, MCA](#)

Form of Executive Budget – 17-7-123, MCA

### **Purpose**

The Judges Retirement System (JRS) is offered to judges of district courts, justices of supreme courts, and the chief water judge overseeing water courts. The program is a defined benefit retirement that allows for state and employee contributions to be invested with the Montana Board of Investments and deferred until a participant is eligible for retirement benefits. Investment earnings account for about 60% of the plan's total funding.

### **Contributions**

JRS receives contributions from both employers and employees.

### **Use of Contributions**

These contributions are then invested at the Montana Board of Investments (BOI) and future interest earnings are used to pay retirement benefits. The most recent actuarial valuation showed that the JRS had a funded ratio of 167%, indicating that current assets were larger than current liabilities by 67%.

Given the funding level of the JRS, the 2017 November Special Session Legislature approved a temporary suspension of the employer contributions. This is expected to result in general fund savings of \$2.9 million in the current biennium.

## **Background Information**

Montana law limits the number of licenses for the sale and on-premise consumption of alcoholic beverages through a quota system based on population. If there is enough population growth in a quota area to warrant the distribution of a new beverage license, that license will be made available by lottery.

There are essentially three primary types of liquor license that are distributed through the lottery: All beverage float, beer (to which a wine amendment can be purchased,) and restaurant beer and wine. Market prices for each type of license vary depending on the demand in the respective quota areas. Each area has its own quota as well as a statewide quota. The state is over quota as several areas have grandfathered licenses from before the quota system was put in place.

For beer and restaurant beer and wine licenses, the lottery awards the winner the right to get a license directly from the state for only the application fees and an origination fee if applicable. Licenses can also be purchased from license holders in the quota area, but this is a more costly option.

The all-beverages float license is a different case. If one wins the lottery for an all-beverage quota area, they have essentially won the right to go and purchase a "float" license from an area with available licenses for a much lower market price. For example, the Bozeman/Belgrade quota area has had licenses purchased for as much as \$1 million in recent years, but float licenses brought into the area as a result of the lottery have been purchased for as little as \$20,000 in the same time period.

## **Executive Proposal**

The executive proposed distributing new liquor licenses through an auction rather than a lottery. Rules proposed by Department of Revenue would set a minimum bid for all license types of 75% of market value. Market value will be determined by the recent purchase prices of licenses in each quota area.

## **Statutory references**

[MCA 16-4-105](#), [16-4-204](#)

## **Legislative Action**

The legislature passed SB 5 during the November 2017 special session, replacing the lottery process with an auction to distribute new beer licenses and float all-beverage licenses. Additionally the law introduced a process to separate overlapping quota areas.

## **Fund Purpose**

Under previous law, combined fund and transportation block grants were distributed to school districts, while countywide school retirement and transportation block grants were distributed to counties.

## **Funds Reduction**

[SB 2, adopted by the legislature](#) during the 2017 special session, eliminates combined fund and transportation block grants to school districts and countywide school retirement and transportation block grants to counties starting in FY 2019. This is done while holding steady the state retirement guaranteed tax base aid obligation to counties in FY 2019 by requiring counties to backfill the amount of the lost block grants.

## **Funds Analysis**

Under FY 2018 law, this is a direct payment to schools and counties. As a result, the elimination of combined fund and transportation block grants to school districts and countywide school retirement and transportation block grants payments would provide \$11.7 million savings to the general fund in FY 2019, and then be an ongoing savings thereafter. SB 2 also requires school districts to transfer funds in order to backfill reduced state support for school transportation in FY 2019-2021 to avoid increasing local property taxes.

## **Fund Purpose**

Timber revenues from common school land in excess of 18 million board feet are deposited into the school facility and technology account. The purpose of this account is to provide funding for school technology purposes as provided in [20-9-534, MCA](#) and state debt service assistance as provided in [20-9-371, MCA](#).

## **Fund Transfer**

The legislature adopted [HB 6](#) during the 2017 special session that transfers \$3.4 million of the current school facility and technology fund balance to the guarantee account. In addition, timber revenues that would have been distributed to the school facility and technology account will instead be distributed into the guarantee account. These timber revenues are forecast to total \$4.8 million in the current biennium.

## **Funds Analysis**

Under current law, money in the guarantee account is spent entirely on BASE Aid. As a result, the transfer of the school facility and technology funds into the guarantee account will provide an estimated \$8.2 million savings to the general fund.

# State Employee Group Benefit Plan Proposed Transfer - \$10.7 million

## Purpose

The state of Montana provides employees health insurance benefits through a self-insured plan. The State Employee Group Benefit Plan (SEGBP) provides medical and prescription benefits for state employees, retirees, legislators, elected officials, judges, and eligible dependents. SEGBP operates on a calendar year basis.

## Revenues

The State of Montana contributes to employee insurance benefits, known as the state share. The state share contribution is set in [2-18-703, MCA](#) and requires state agencies to contribute \$1,054 per month for each full-time employee. The contribution for the 2019 biennium was not increased from the FY 2017 contribution. Additional revenues for SEGBP are derived from premiums paid by employees for eligible dependents or retirees.

The table to the right provides information on the actual percentage expended on state share by fund on SEGBP statewide in FY 2017. Of the total expenditures, 42% are from general fund.

Statewide State Employee Group Health Benefit Plan Expenditures* by Fund Type for FY 2017		
Fund	FY 2017 Expenditures	Percentage Expended
General	\$ 67,291,996	42.0%
State Special Revenue	52,586,894	32.8%
Federal Special Revenue	26,342,405	16.4%
Capital Projects	85,803	0.1%
Enterprise	3,208,338	2.0%
Internal Service	9,155,241	5.7%
Other State Special Revenue	711,622	0.4%
Pension Trust	<u>820,930</u>	<u>0.5%</u>
Total	<u>\$ 160,203,230</u>	<u>100.0%</u>

\*Includes dental, vision, health insurance, disability, etc.

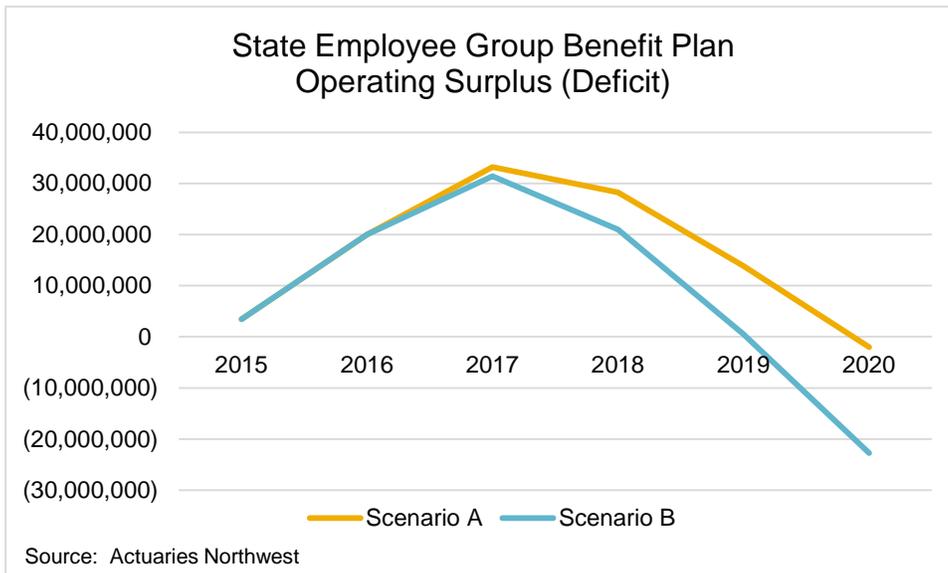
## Actuarial Analysis

Health insurance benefits are paid out over a number of years, depending on when the provider of the services bills SEGBP. As a result, SEGBP is required to maintain reserves to ensure that funding is available for the health costs submitted in subsequent years. SEGBP measures the adequacy of its reserves using actuarial studies. As of June 30, 2017, the SEGBP fund balance exceeded actuarial recommended loss reserves by \$22.3 million. Medical and pharmacy costs increase from one year to the next. This growth in health care costs is referred to as medical and pharmacy trend.

The following chart shows estimates in the amount of funding above or below the actuarially recommended reserve levels for the plan years 2015, 2016, and projected for plan years 2017, 2018, and 2019 under two separate scenarios analyzed by the actuary:

- Scenario A – Medical trend 8% and pharmacy trend 10% with estimated impact of Medicare, Part D
- Scenario B – Medical trend 11% and pharmacy trend 13% with estimated impact of Medicare, Part D

The scenarios assume no changes to premiums, state share contribution, deductibles, copayments, and coinsurance requirements.



In plan year 2017, estimates reflect an operating surplus between \$33.2 million and \$31.4 million will occur. In plan year 2019, this drops to an estimated range between \$13.9 million and \$0.5 million and by plan year 2020 the range is below actuarial estimates by (\$2.0) million and (\$22.7) million.

## Potential Reduction Analysis

Eliminating the state share paid by state agencies for two months as provided in SB 3, passed during the November 2017 special session, results in a reduction of approximately \$24.5 million from all funds, with a reduction of about \$10.7 million in general fund.

## Potential Impacts

Depending upon actual medical and pharmacy cost trends, reductions in current fund balance may result in employer and/or employee contribution increases sooner than would have otherwise occurred.

## Statutory Reference

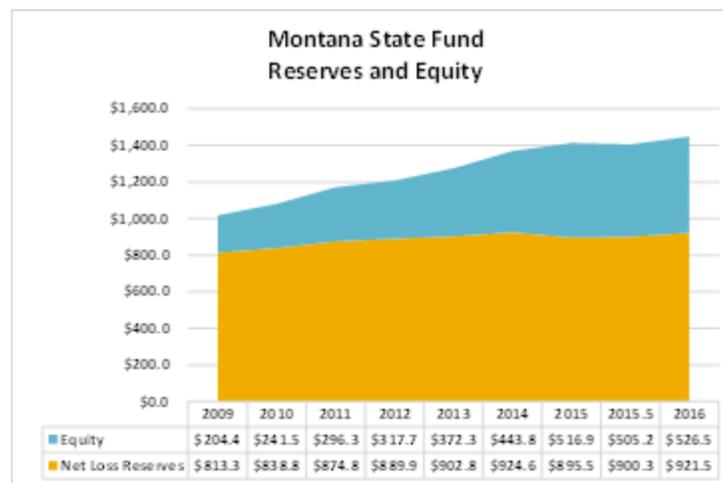
Contributions - [2-18-703, MCA](#)

## Montana State Fund (MSF)

The Montana State Fund provides Montana employers with an option for workers' compensation and occupational disease insurance and guarantees available coverage for all employers in Montana. The management and control of the state fund is vested solely with the Board of Directors.

## Assets Include Loss Reserves and Equity

As of December 31, 2016, MSF had total assets of \$1.670 billion including \$921.5 million in net loss and expense reserves and \$526.5 million in equity. The following chart shows the growth of net loss and expense reserves and equity between 2009 and 2016.



## Loss reserves

Premium revenues are collected in the current fiscal year and are used to pay benefits, including health care costs and compensation for lost wages, for workers' injuries during the year they are incurred and for benefits relating to those injuries in subsequent years, in some cases 50 to 60 years in the future. The premium income needed to pay future benefits is set aside as loss reserves. As of December 30, 2016, MSF had \$921.5 million in net loss and expense reserves for future benefit payments and associated costs. Loss reserves are established based on the injury and anticipated duration of the benefit payments.

## Equity

In addition, MSF had \$526.5 million in equity, also referred to as surplus. Equity is available for higher than anticipated benefit costs, changes in statute or changes in benefit payments as the result of lawsuits.

### Reasons for MSF Equity

If the cost of providing future benefits to workers injured in previous years increases (adverse development), the amount of the loss reserves must be increased. Funding for adverse development comes from:

- Equity of MSF
- Investment income earned on loss reserves and equity

## Fund Purpose

The Consumer Protection Account (Consumer Education Settlement fund) is a fund within the Department of Justice, established for the benefit of the citizens of the State of Montana who have been harmed by unfair and deceptive business practices.

## Revenues

Funds are the result of legal settlements awarded to the State of Montana due to actions brought by the Office of Consumer Protection.

## Use of funds

The account is established in Montana law, but has traditionally been used to house awards to the state, and have been used to generally benefit the citizens of the state. The funds are generally intended to benefit the consumers who have been harmed and according to specific parameters that may have been stipulated in individual legal settlements. The department is allowed use of this fund to defray expenses for providing the administrative and regulatory powers related to collecting fines and decisions rendered by the process of law for consumer protection.

During the 2017 Legislature, HB 650 transferred \$6.6 million from this fund to the long-range building program for the purposes of construction at the Montana Law Enforcement Academy, and almost \$3.0 million to the general fund. During the 2017 Special Session, an additional \$1.0 million was transferred to the general fund.

Revenues and expenditures from this account can vary significantly. In the following table, no future revenues are assumed, and the additional transfer is shown in addition to the existing appropriation for the biennium.

Consumer Education Settlement (02140)									
Ending Fund Balance									
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Beginning Fund Balance	\$2,721,026	\$3,740,829	\$11,516,537	\$8,351,070	\$9,670,277	\$7,009,954	\$5,268,190	\$16,794,545	\$3,964,289
Revenues	2,054,421	8,957,504	3,768,814	3,700,194	775,096	1,136,688	13,496,757	114,942	
Expenditures	(1,034,617)	(1,181,796)	(6,934,282)	(2,380,986)	(3,435,420)	(2,878,452)	(1,970,402)	(9,600,000)	
New Transfer								(1,000,000)	
Appropriation								(2,345,198)	(2,345,198)
Ending Fund Balance	\$3,740,829	\$11,516,537	\$8,351,070	\$9,670,277	\$7,009,954	\$5,268,190	\$16,794,545	\$3,964,289	\$1,619,091

## Statutory Reference

[30-14-143](#)