

# Understanding State Finances

A Legislator's Guide to State Government Finances

# Legislators Appropriate

Revenue  
State government collects revenues

Appropriations  
Legislature grants permission to spend

Expenditures  
State government spends funds

# State Government Accounting is Defined



Accounting Definitions in Law

# Statute Defines Type of Funds

## Governmental

General

State

Federal

Debt

Capital Projects

Permanent Trusts

## Proprietary

Business like  
(Enterprise)

Internal Cost  
Allocation

## Fiduciary

Pensions

Trusts

Held for another

## University

Current  
Unrestricted

Other

# Definitions

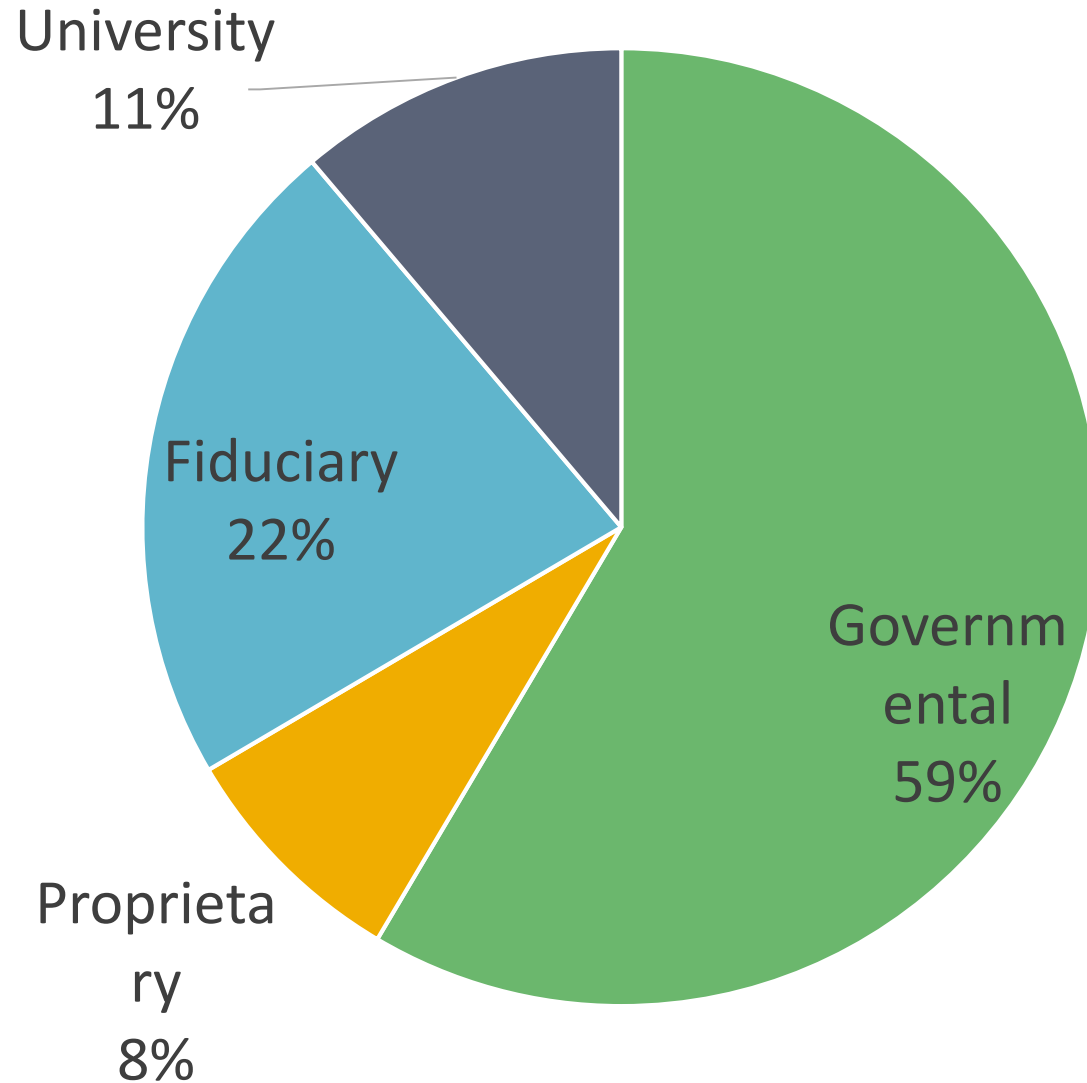
- Governmental: main operational funds of state government
- Proprietary: funds that the one state agency charges another state agency for cost accounting purposes, or funds received for business like purposes from non-state entities
- Fiduciary: funds the state holds in trust for other entities such as pension trusts for pension beneficiaries and environmental restoration funds to be used over time
- University: funds managed by the Montana University System

# Fund Types

The four fund types described in statute have various levels of expenditure. The pie chart to the right shows that Governmental fund type is the largest annual expenditure since these funds are operating funds of state government.

Note transfers are included: accounting definitions show some expenditures twice.

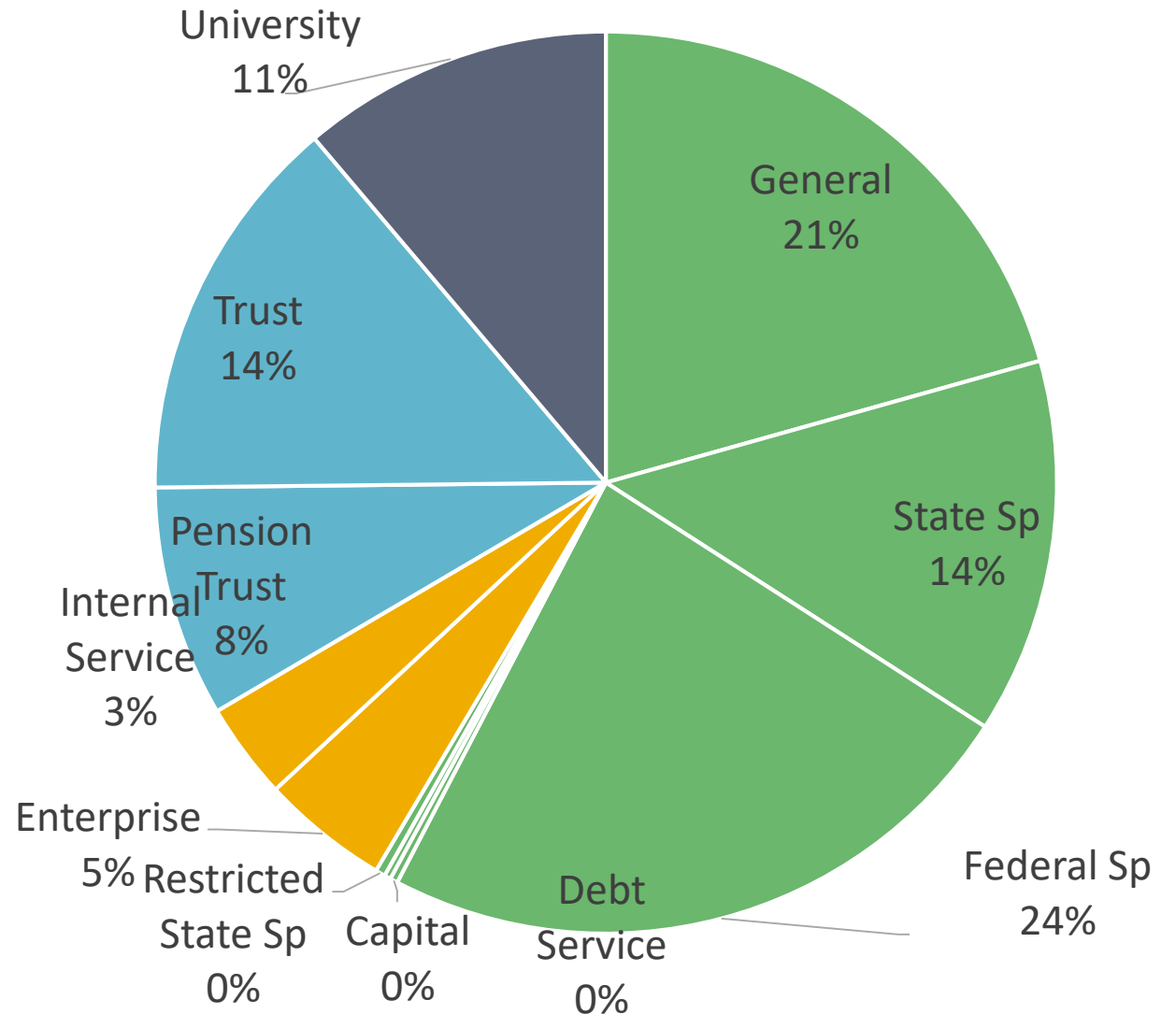
Of the \$11.1 billion shown in this table several hundred million is duplicated between fund types. For example, within Governmental funds, the University System receives over \$200 million in transfers that are also shown in the University fund type.



# Legislature Appropriates Governmental Fund Type

When the Legislature meets every 2 years, it focuses on appropriating Governmental funds. There are a few business like funds such as liquor distribution and lottery administration that are also appropriated.

Transfers are included in this table as well.



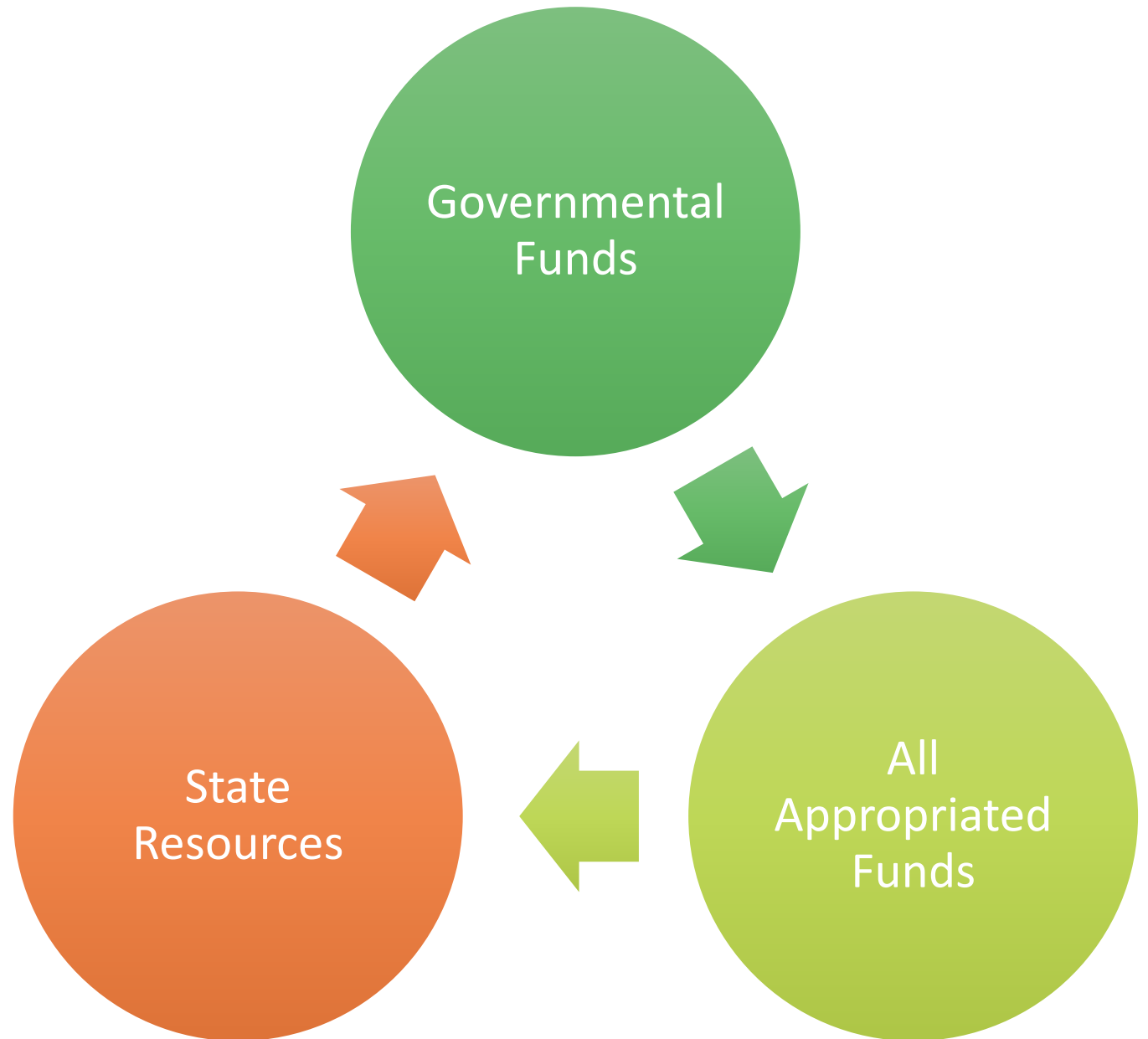
# LFD Reporting

The definitions of Governmental funds, State Resources and All Funds are very similar. Technicalities make them slightly different.

Governmental funds MCA 17-1-102: are as described above

All Appropriated Funds MCA 17-8-101: Governmental funds less restricted state special plus the few appropriated proprietary

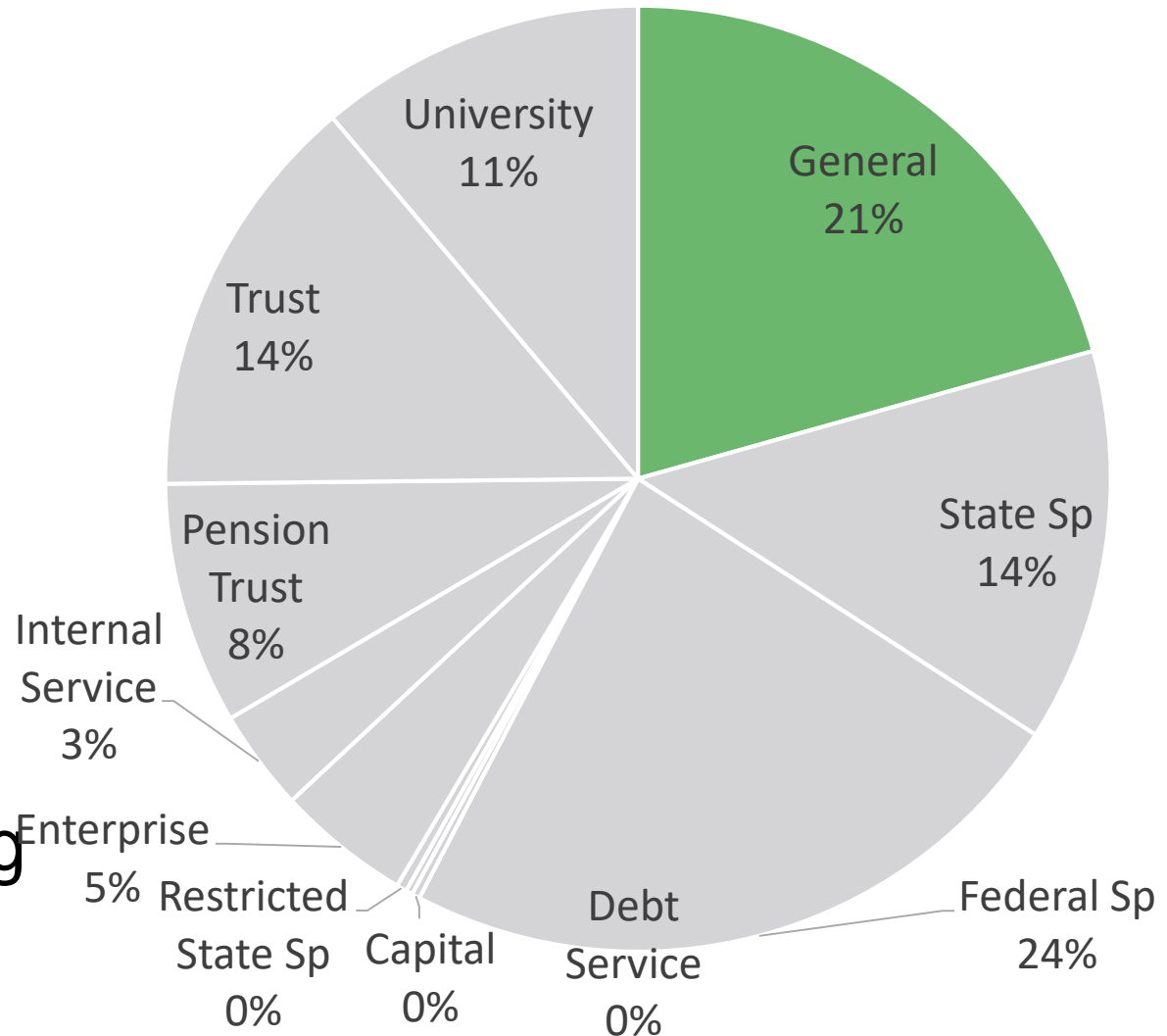
State Resources MCA 17-7-150: All funds less duplicating transactions.





# General Fund – Is a focus of the Legislature

- Not set aside for specific purpose, available for all government purposes
- Many interests compete for general fund dollars
- Legislature balances revenues and expenditures
- Key element in evaluating fiscal health of the state



General Fund Revenue is primarily from taxes

# General Fund

Income  
Tax

Property  
Tax

Corporate

Oil and  
Gas

Vehicles

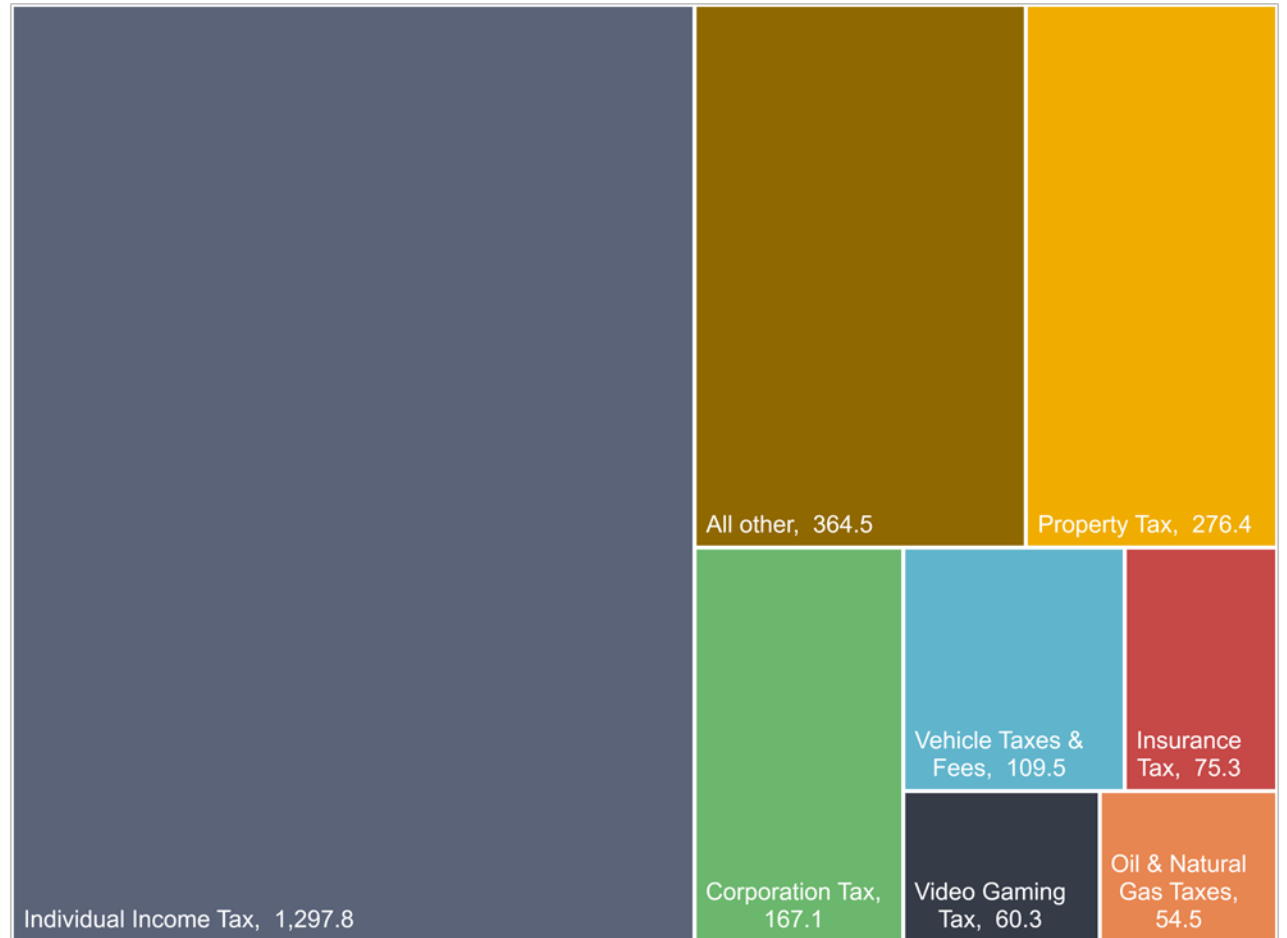
Insurance

Other

# Proportional: General Fund Revenue

Income tax is the single largest source of revenue for the general fund with over half the total.

State General Fund Revenues FYE 2018 = \$2,405.4 million



# Expenditures of General Fund: Educate, Medicate, Incarcerate

## General Fund

Educate  
Section E

Medicate  
Section B

Incarcerate  
Section D

Other  
Sect A & C

K-12

Montana  
University  
System

Medicaid

Children's  
Health  
Insurance

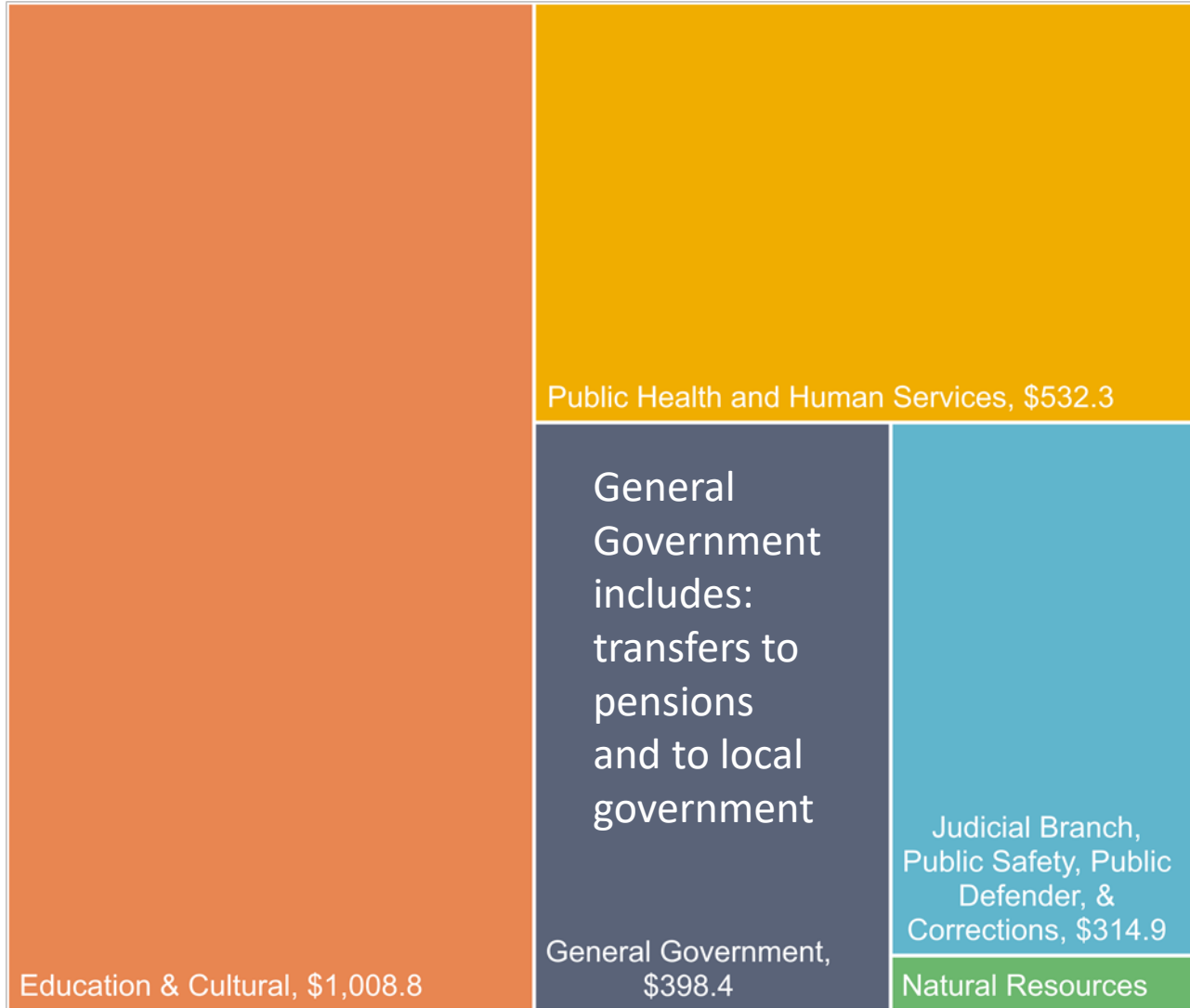
Prisons  
Probation  
Treatment  
Corrections

Prosecute  
Defend  
Courts  
Highway Patrol

Transfers to  
Local

Other

## General Fund Expenditures FYE 2018



# Proportional General Fund Expenditures

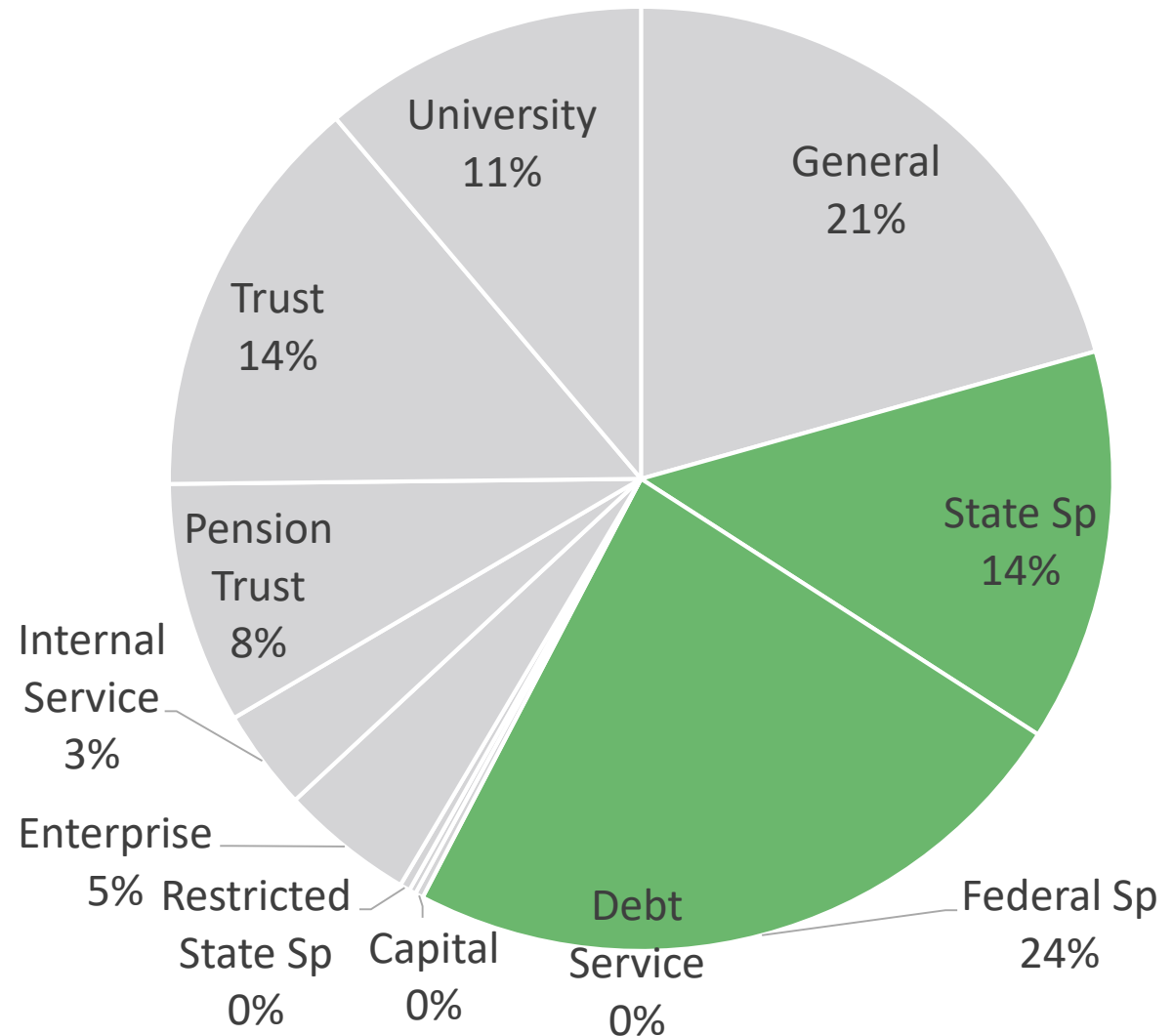
Education which includes both K-12 and higher education are the largest general fund spending section

# Appropriated State and Federal Special

In addition to digging into the details of the General Fund, the Legislature also appropriates other state and federal funds.

Examples of State Special fund include the gas tax for highways and the general license fund for fish and game activities.

Examples of Federal funds include federal Medicaid and Children's Health Insurance for health programs and federal highway dollars for transportation infrastructure projects.



# Process for Types of Appropriations

## **HB 2: General Appropriations Act**

- Appropriations for two years

## **Statutory Appropriation or Other Appropriation**

- Statute provides for appropriation without biennial legislative review
- Other House or Senate Bills that contain appropriations (note that Senate Bills can only contain an appropriation if the House adds it)

# Non-appropriations: MCA 17-8-101

- Many funds are deemed by the Legislature to not need appropriation.
  - Governed by a general law or contract
  - Pension benefits
  - Proprietary Internal service (cost allocation) funds
  - Proprietary Enterprise (business like) funds unless proceeds benefit an appropriated fund such as liquor distribution
  - Funds paid in to the treasury in error such as tax refunds
  - Non state non federal funds governed by an agreement