

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

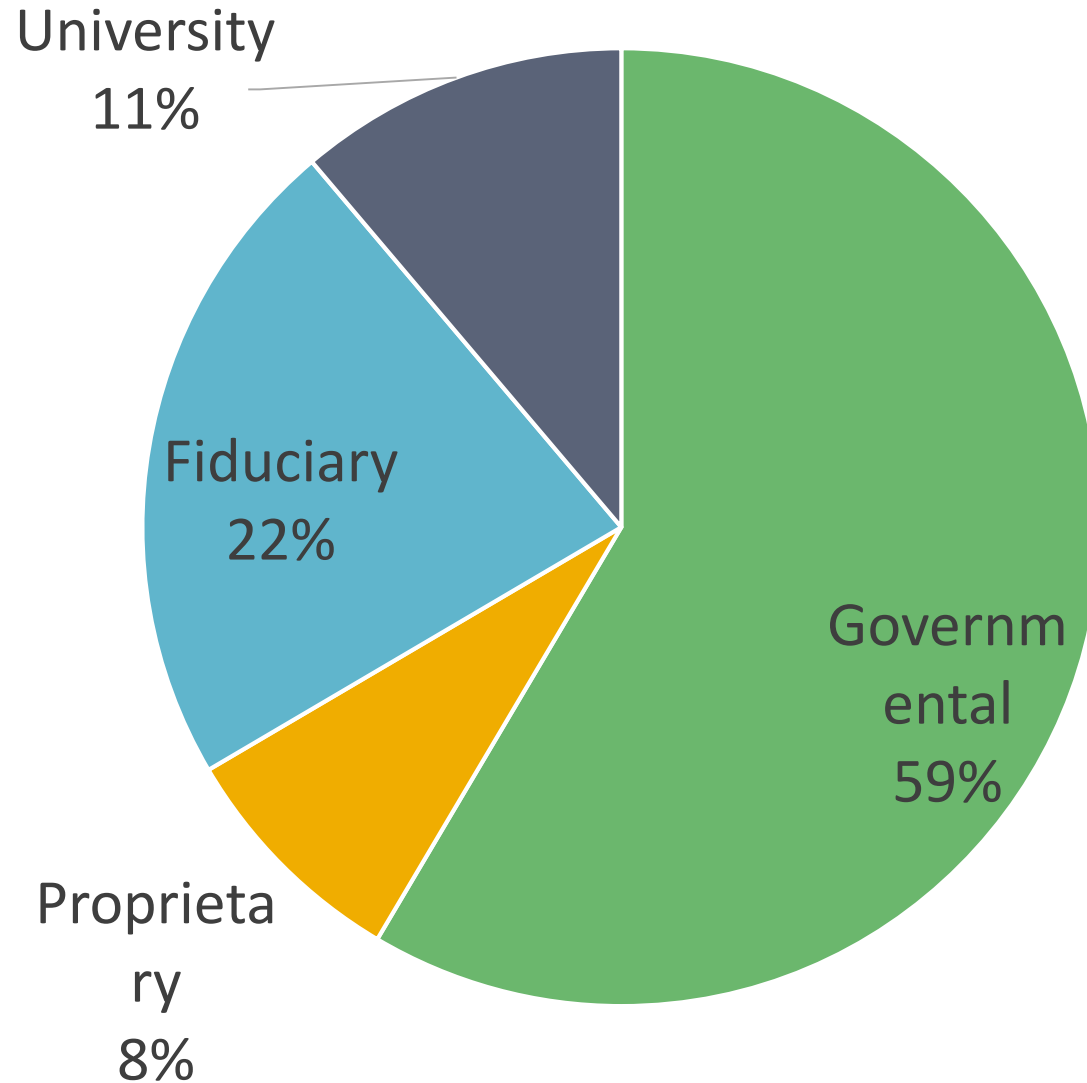
- Governmental: main operational funds of state government
- Proprietary: funds that the one state agency charges another state agency for cost accounting purposes, or funds received for business like purposes from non-state entities
- Fiduciary: funds the state holds in trust for other entities such 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.

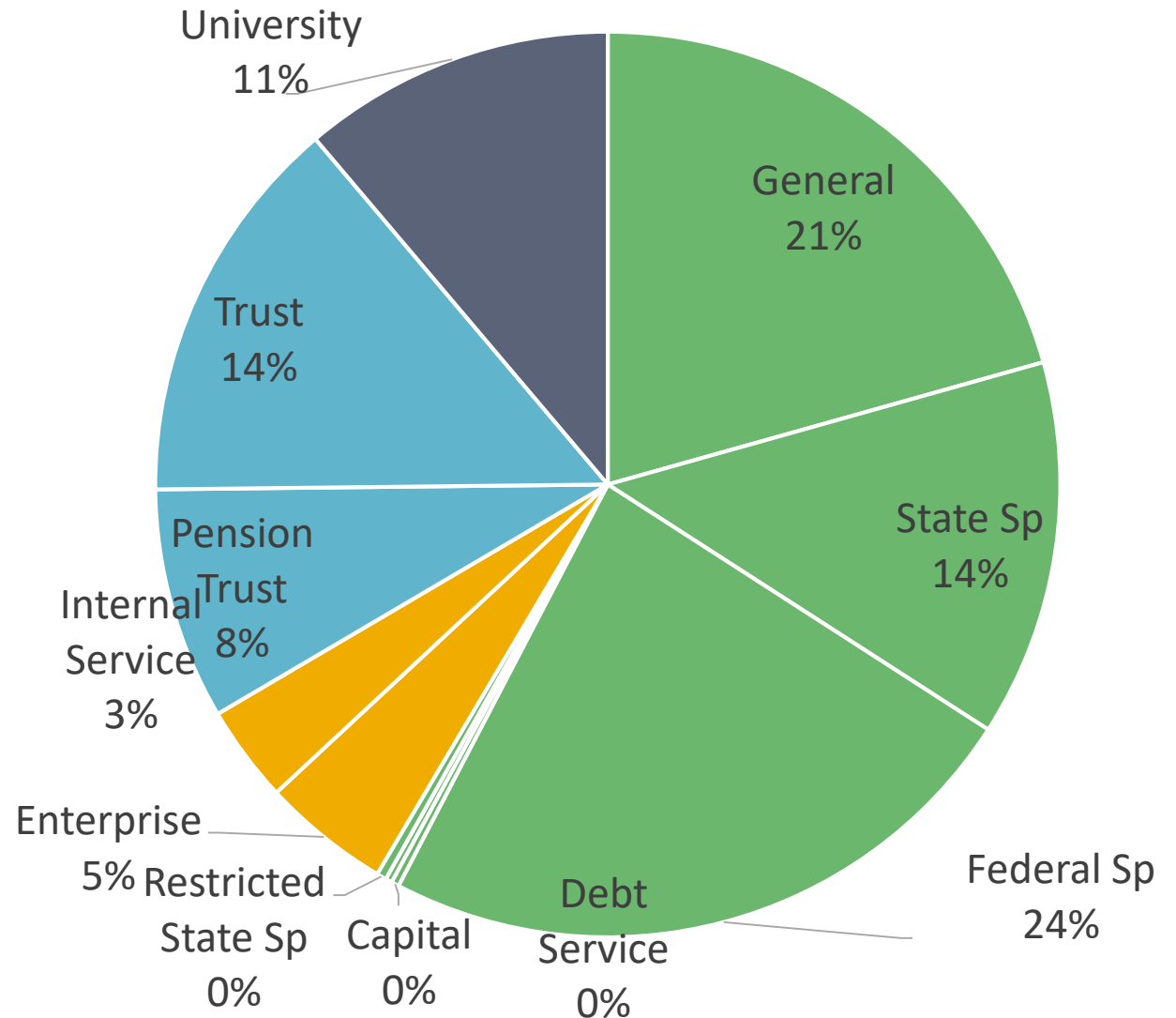
Of the \$11.1 billion shown in this table several hundred million is duplicated between fund types. For example, within Governmental funds, the University System receives over \$200 million in transfers that are also shown in the University fund type.



Legislature Appropriates Governmental Fund Type

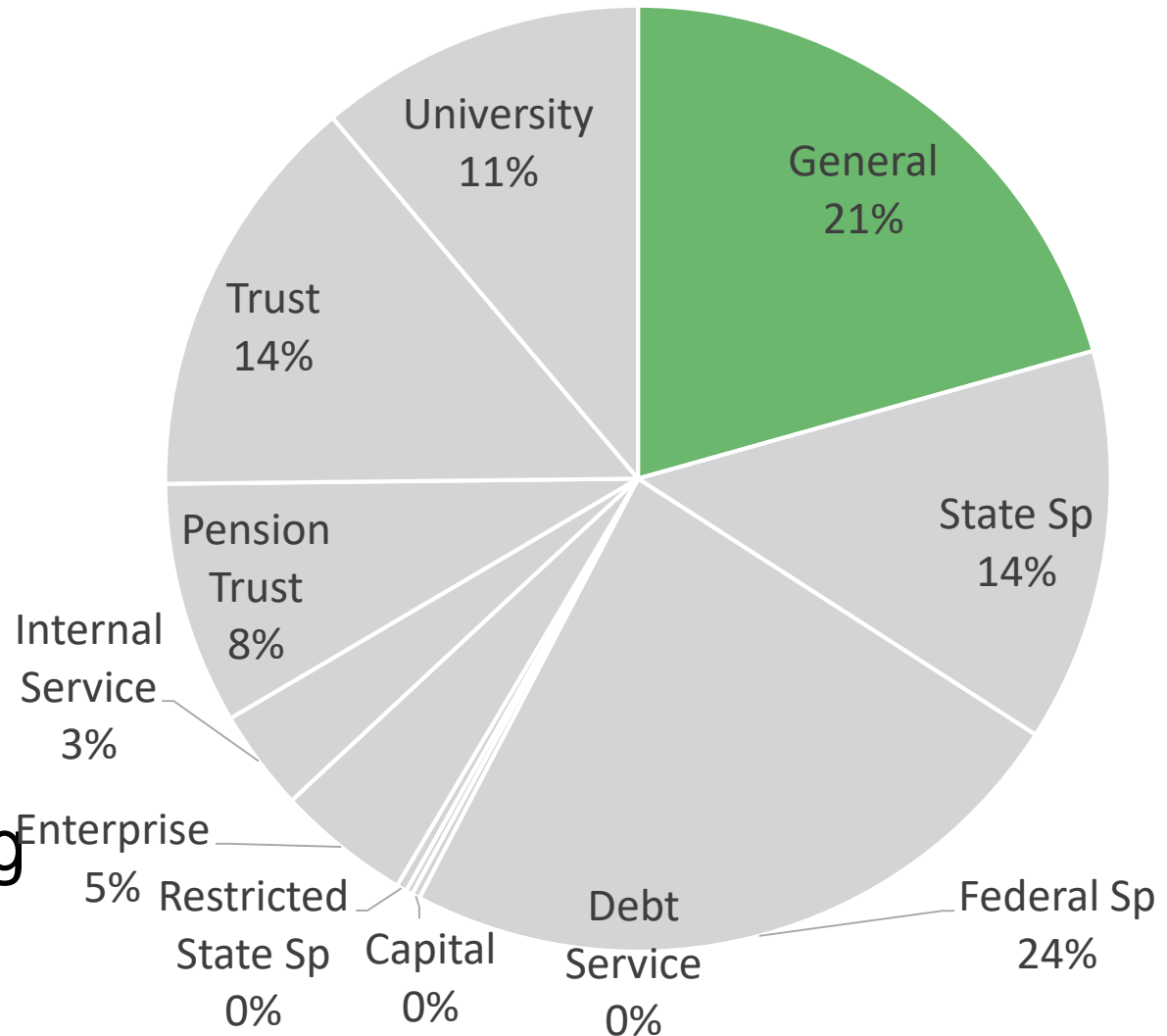
When the Legislature meets every 2 years, it focuses on appropriating Governmental funds. There are a few business like funds such as liquor distribution and lottery administration that are also appropriated.

Transfers are included in this table as well.



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

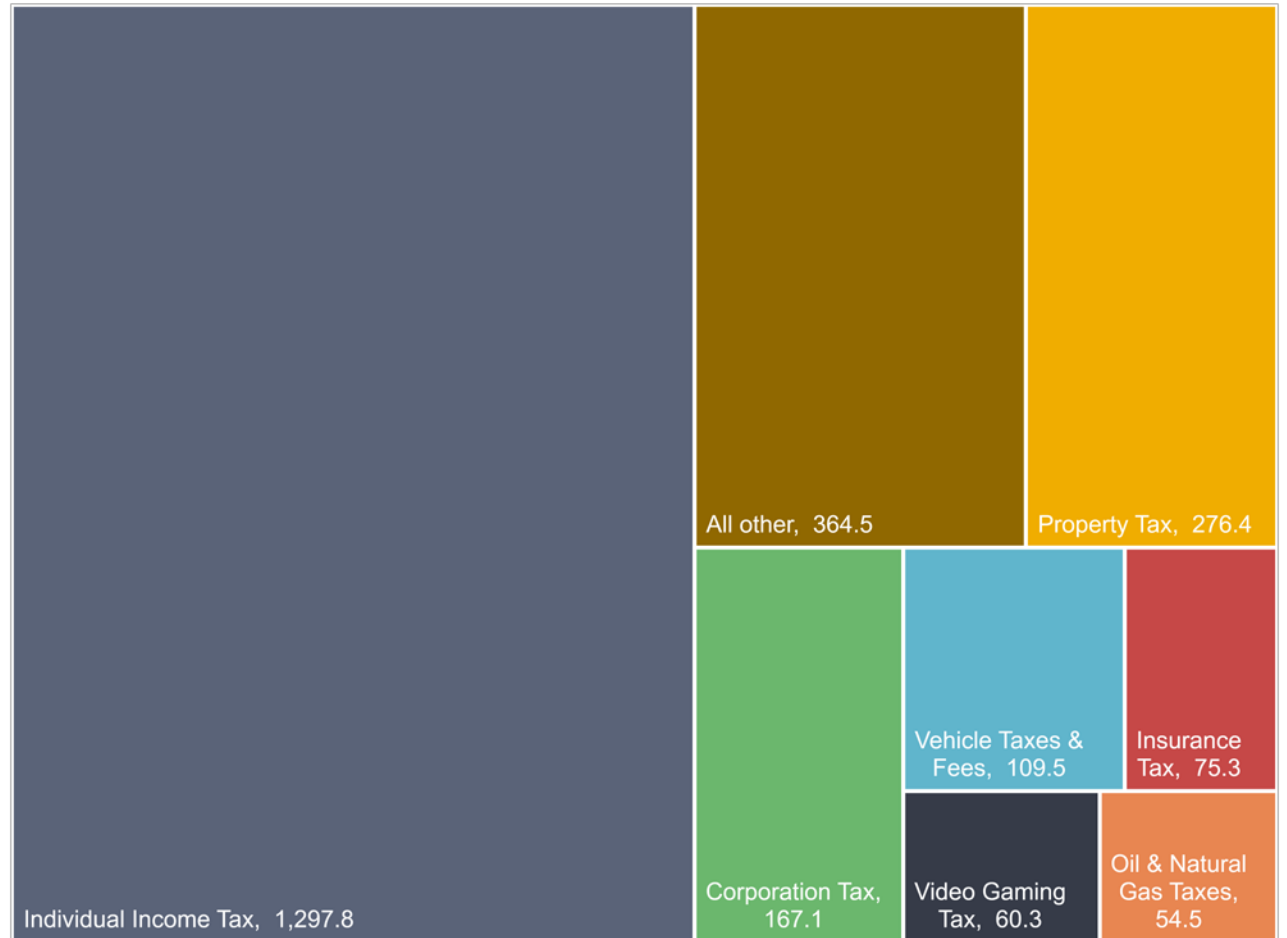
Insurance

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

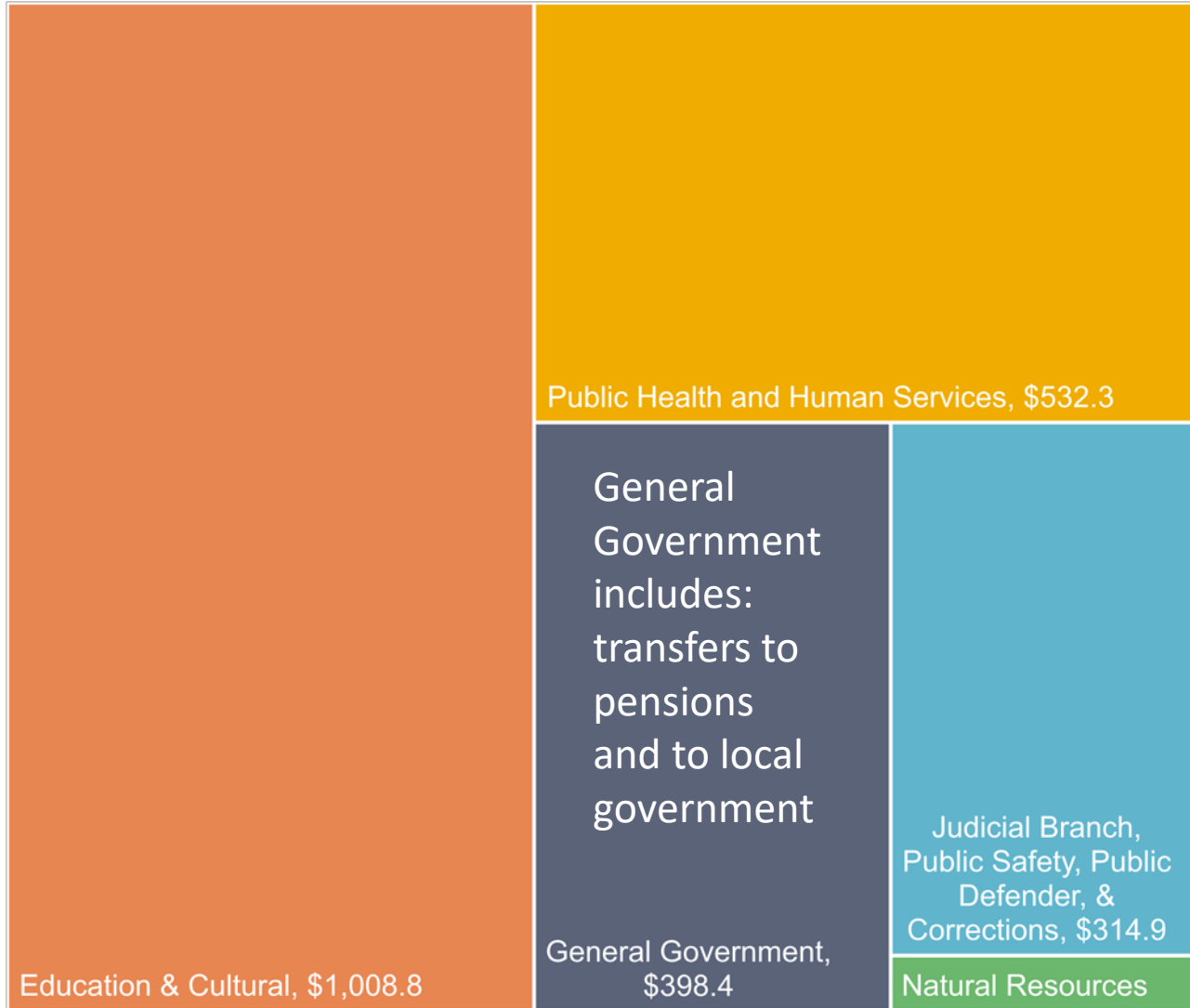
Prisons
Probation
Treatment
Corrections

Prosecute
Defend
Courts
Highway Patrol

Transfers to
Local

Other

General Fund Expenditures FYE 2018



Proportional General Fund Expenditures

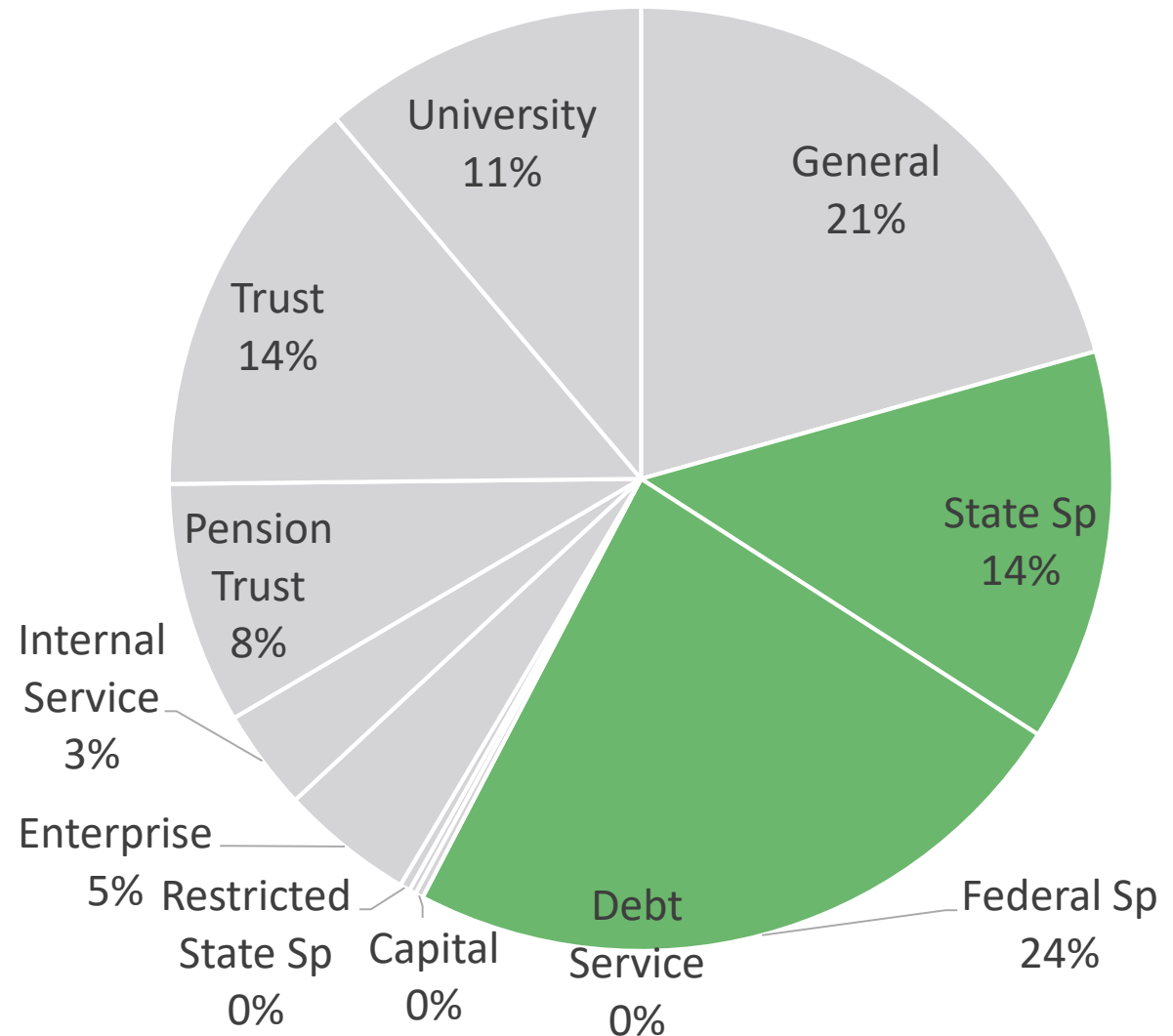
Education which includes both K-12 and higher education are the largest general fund spending section

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)

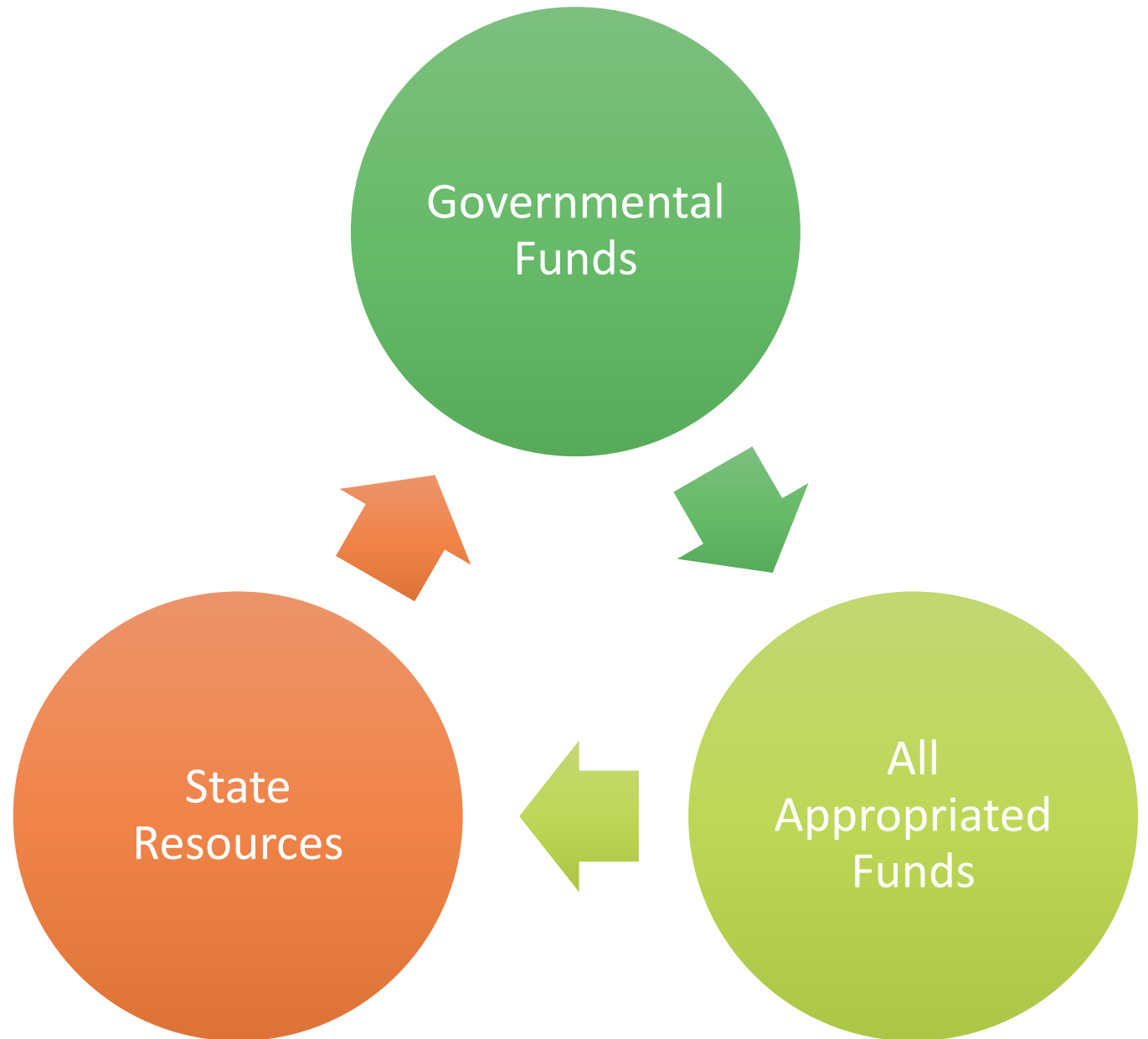
LFD Reporting

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.



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