

FY 2020 Financial Report

THE BUDGET IN REVIEW
BY LEGISLATIVE FISCAL DIVISION STAFF

DECEMBER 17, 2019



OVERVIEW

GENERAL FUND BALANCE SHEET

The projected FY 2021 general fund ending balance of \$294.3 million has not changed since reported to the Legislative Finance Committee in September. The expected FY 2020 Core Civic payment of \$4.1 million was made in October.

General Fund Balance Sheet
Includes HJ 2 Revenue Estimates
(\$ Millions)

	Actual FY 2018	Actual FY 2019	Estimated FY 2020	Estimated FY 2021
Beginning Fund Balance	\$47.9	\$186.7	\$358.1	\$288.2
Revenues				
Actual & Estimated Revenue legislation	2,333.6	2,519.6	2,498.6	2,570.4
OTO	71.8	54.1	4.1	2.5
Prior Year Adjustments - revenue	1.6	0.6		
Total Revenue Funds Available	2,455.0	2,760.9	2,870.7	2,861.0
Expenditures - Ongoing				
Statutory Approps	316.4	317.1	290.6	301.5
General Fund Transfers	19.9	26.8	39.1	33.7
HB 2 Agency Budgets (includes pay plan)	1,904.3	1,951.6	2,106.2	2,175.0
HB 1 (includes estimates for FY 2021)	2.4	8.5	4.8	10.5
Other Appropriations	0.1	1.5	35.8	39.3
Continuing Authority			17.0	
Reversions			-11.0	-7.7
Ongoing Expenditures	2,243.0	2,305.7	2,482.6	2,552.2
OTO				
HB 2 Agency Budgets	13.0	15.2	7.7	6.9
HB 3 Supplemental		12.2		
BSRF Transfers		60.7	57.1	
Fire Fund Transfers	25.3	21.5	30.3	
Other Appropriations	2.0		4.9	7.6
Other	4.2			
Total Expenditures	2,287.5	2,415.3	2,582.5	2,566.7
Other Adjustments	19.2	12.0		
Ending Fund Balance	\$186.7	\$358.1	\$288.2	\$294.3
Structural Balance			\$25.9	\$20.7

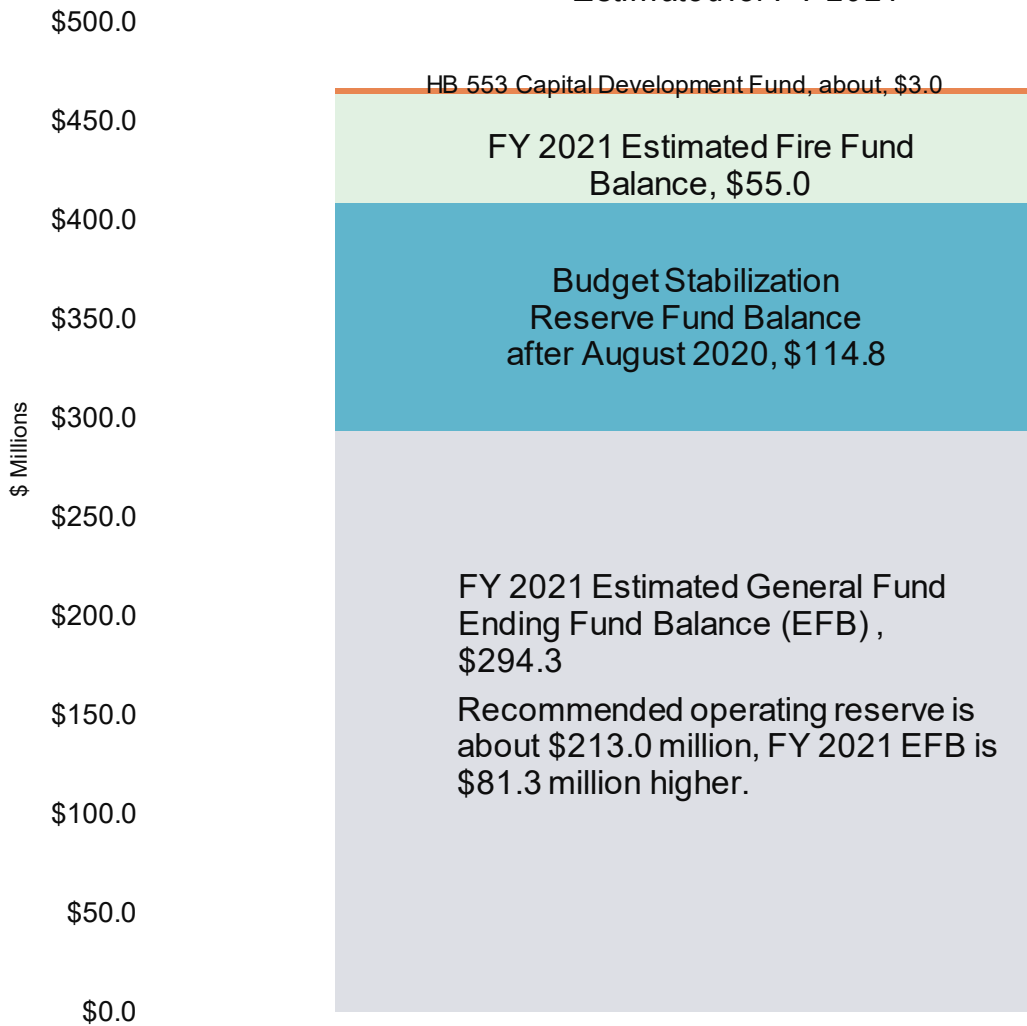
BSRF means budget stabilization reserve fund. FY 2020 OTO revenue includes Core Civic contract renegotiation amount.

Reversions for FY 2020 are higher than normal to compensate for assumed 2011 continuing authority in Department of Military Affairs.

MONTANA'S RESERVE BALANCES

Higher than expected general fund revenues contributed to strong estimated financial reserves. The reserve balances for FY 2021 are shown in the graphic below. Estimated amounts for FY 2021 are included.

Multiple financial tools are available to manage Montana's finances.
Estimated for FY 2021



GENERAL FUND REVENUES

The following is an analysis of year-to-date general fund revenue collections, recent economic trends, and the outlook for FY 2020 relative to the revenue estimate contained in HJ 2.

FY 2020 general fund revenues through the end of November are \$58.6 million or 6.7% above FY 2019 revenues through the same period. At this point in FY 2019 there was \$4.0 million of one-time-only (OTO) revenues, compared to \$4.1 million in FY 2020. When these are excluded the ongoing year-over-year growth is still 6.7%.

This document provides an update on the state's top seven general fund sources as well as those remaining sources that show a difference of at least \$1.0 million from last year. In addition, due to the coal industry's future uncertainty, a small write-up on coal severance tax collections is also included.

At this point in the fiscal year it is early to begin projecting final collections based on year-to-date collections. Through November, only one of the four estimated payments have been made for individual income and corporation income tax. The first of two large property tax collections are not posted until December and the first Oil & Natural Gas revenues are not typically posted until at least January. As a result, the first extrapolation of current collections to final collections will be done following December collections.

Year-to-Date General Fund Revenue

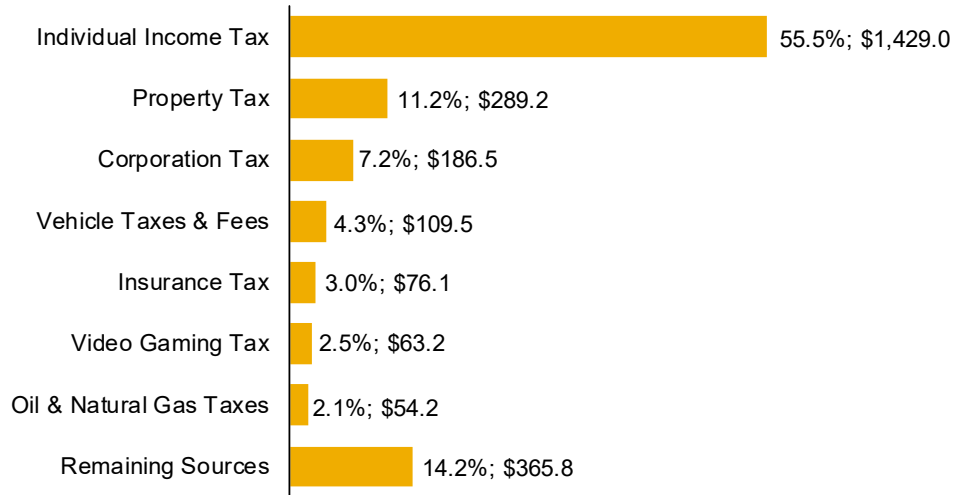
General Fund Revenue Monitoring Report (\$ Millions)

Revenue Source	Actual FY 2019	HJ 2 FY 2020	HJ 2 Est. % Change	Nov FY 2019	Nov FY 2020	YTD Difference	YTD % Change	YTD % Change
Largest Seven Sources								
Individual Income Tax	\$1,429.010	\$1,410.943	-1.3%	\$630.478	\$676.400	\$45.923	7.3%	
Property Tax	289.212	302.470	4.6%	15.657	9.799	(5.857)	-37.4%	
Corporation Tax	186.536	165.893	-11.1%	59.342	62.942	3.600	6.1%	
Vehicle Taxes & Fees	109.508	112.953	3.1%	39.537	41.213	1.675	4.2%	
Oil & Natural Gas Taxes	54.178	56.639	4.5%	-	-	-	-	
Insurance Tax	76.141	81.158	6.6%	15.911	16.463	0.553	3.5%	
Video Gaming Tax	63.228	60.248	-4.7%	15.790	16.247	0.458	2.9%	
Other Business Taxes								
Drivers License Fee	3.976	4.370	9.9%	1.784	1.616	(0.168)	-9.4%	
Investment Licenses	8.182	16.040	96.0%	0.773	1.389	0.617	79.8%	
Lodging Facilities Sales Tax	26.703	26.380	-1.2%	10.262	11.403	1.141	11.1%	
Public Contractor's Tax	3.597	3.579	-0.5%	3.450	4.053	0.603	17.5%	
Railroad Car Tax	3.594	3.878	7.9%	2.926	2.782	(0.144)	-4.9%	
Rental Car Sales Tax	4.431	4.039	-8.8%	1.902	1.983	0.081	4.3%	
Retail Telecom Excise Tax	13.224	11.927	-9.8%	3.406	2.956	(0.451)	-13.2%	
Other Natural Resource Taxes								
Coal Severance Tax	14.091	13.731	-2.6%	3.971	3.207	(0.764)	-19.2%	
Electrical Energy Tax	4.185	4.416	5.5%	0.888	1.161	0.273	30.7%	
Metal Mines Tax	6.907	6.767	-2.0%	0.016	0.049	0.033	206.1%	
U.S. Mineral Leasing	21.570	20.891	-3.1%	3.919	6.891	2.972	75.8%	
Wholesale Energy Trans Tax	3.490	3.464	-0.8%	0.773	0.911	0.138	17.9%	
Other Interest Earnings								
Coal Trust Interest Earnings	18.172	17.315	-4.7%	5.691	5.718	0.027	0.5%	
TCA Interest Earnings	22.036	27.318	24.0%	6.234	8.277	2.044	32.8%	
Other Consumption Taxes								
Beer Tax	3.041	3.074	1.1%	1.121	1.158	0.037	3.3%	
Cigarette Tax	27.500	26.687	-3.0%	11.969	11.223	(0.746)	-6.2%	
Liquor Excise Tax	21.946	24.153	10.1%	7.306	8.104	0.797	10.9%	
Liquor Profits	12.500	13.506	8.0%	-	-	-	-	
Lottery Profits	12.215	14.603	19.6%	-	-	-	-	
Tobacco Tax	5.869	6.279	7.0%	2.145	2.161	0.015	0.7%	
Wine Tax	2.478	2.554	3.1%	0.853	0.881	0.027	3.2%	
Other Sources								
All Other Revenue	98.800	41.259	-58.2%	22.095	28.439	6.344	28.7%	
Highway Patrol Fines	3.862	3.848	-0.4%	1.328	1.268	(0.060)	-4.5%	
Nursing Facilities Fee	4.416	4.087	-7.5%	1.031	1.022	(0.010)	-0.9%	
Public Institution Reimbursement	15.991	11.396	-28.7%	3.174	2.996	(0.178)	-5.6%	
Tobacco Settlement	3.034	2.603	-14.2%	0.337	-	(0.337)	-100.0%	
Ongoing Revenue Subtotal	2,519.566	2,508.465	-0.4%	870.071	928.613	58.542	6.7%	
OTO Revenue & Transfers Subtotal	54.055			4.000	4.100	0.100		
Grand Total	\$2,573.621	\$2,508.465	-2.5%	\$874.071	\$932.713	\$58.642	6.7%	

Major Sources

In FY 2019 the largest seven revenue sources accounted for 86% of total general fund revenue, with individual income taxes accounting for 55.5% of total general fund revenue. This section will highlight current trends with each source and further revenue detail if applicable.

Individual income tax accounted for over half of FY 2019 general fund revenue; total = \$2,573.6 million.



Individual Income Tax: Currently Above Estimate

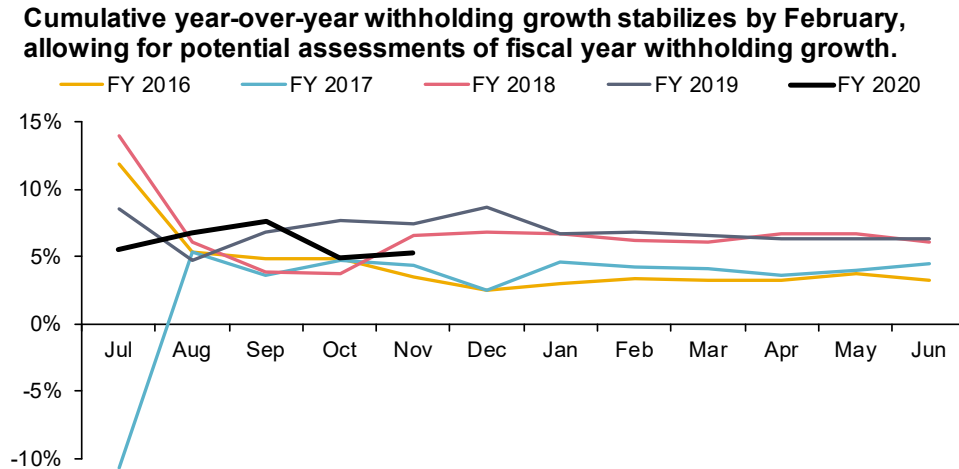
Individual income tax collections through the end of November are \$45.9 million or 7.3% above the year-to-date collections in FY 2019, significantly above the -1.3% growth anticipated in HJ 2. The year-over-year increase has been driven by strong withholding, estimated payments, and current year payments.

Individual Income Tax (\$ Millions)

Account	YTD 2020	YTD 2019	\$ Difference	% Difference
Withholding	\$423.5	\$402.3	\$21.2	5.3%
Estimated Payments	113.9	108.3	5.6	5.2%
Current Year Payments	26.2	20.0	6.2	31.2%
Audit, P&I, Amended	13.4	13.4	0.1	0.6%
Refunds	(70.2)	(81.4)	11.2	-13.8%
Refund Accrual Reversal	152.8	161.9	(9.1)	-5.6%
Partnership Income Tax	6.6	3.6	3.1	85.9%
Mineral Royalties	10.2	2.5	7.6	303.3%
Total	\$676.4	\$630.5	\$45.9	7.3%

Withholding accounts for over two-thirds of individual income tax and about one-third of total general fund revenue, and is continuing to increase compared to FY 2019 collections. As shown in the following chart, withholding growth tends to be relatively variable in the first half of the year,

but stabilizes by February, allowing for potential assessments of overall fiscal year withholding growth.



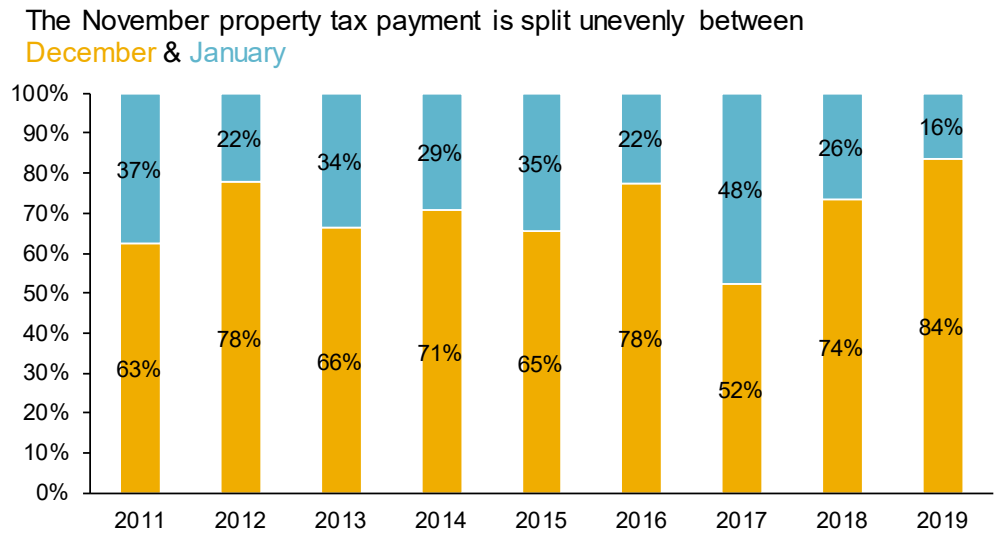
Estimated payments are the payments made by individuals and pass through entities that do not have funds withheld and remitted by others. FY 2020 first quarter estimated payments are 5.2% higher than FY 2019 estimated payments thus continuing to show year-over-year growth.

Current year payments represent those individuals paying the income taxes owed for calendar 2018 with their final tax return in October. Similar to April of this year, these payments are higher than the previous year. This bump in current year pay collections may be one time and are not necessarily indicative of spring current year payments being above the previous year.

Refunds and refund accrual changes from FY 2019 offset each other and have no significant bearing on anticipated collections.

Property Tax: Not enough information to determine

Property tax collections are below last year by \$5.8 million or 37.4%. Even though the first large payment from November has occurred, there is a timing issue that occurs from the November payment being received by the state partially in December and partially in January. This uneven split of the November receipts in either December or January in past years is shown in the chart. Because of this, year-to-date on property tax does not mean much until the end of January.



Corporation Income Tax: Currently Above Estimate

Corporation income tax collections through the end of November are 6.1% or \$3.6 million above this time in FY 2019. As the chart below shows, estimated payments have seen strong year-to-date growth, and have offset the declines in other corporation income tax accounts. However, to date, only one of four estimated payments have been made, so it is still too early to speculate on final collections.

Corporation Income Tax
(\$ Millions)

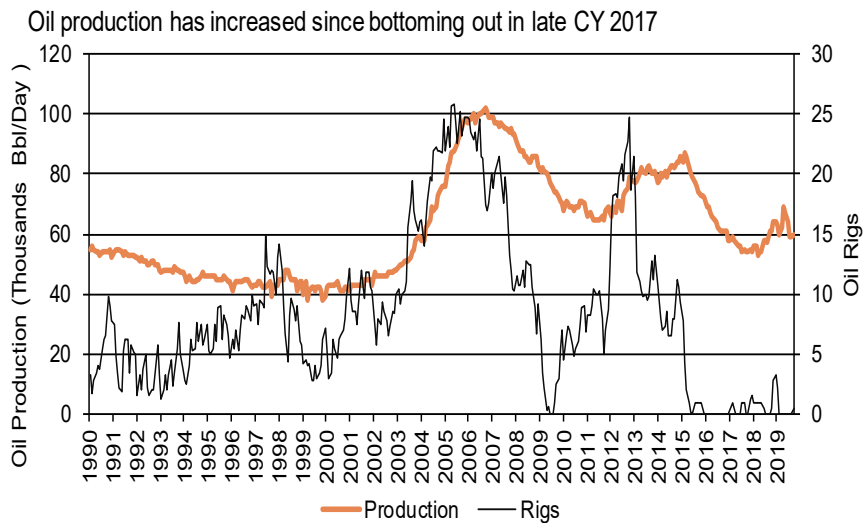
Account	YTD 2020	YTD 2019	\$ Difference	% Difference
Corporation Tax	\$10.9	\$11.1	(\$0.2)	-1.4%
Estimated Payments	50.6	39.8	10.9	27.3%
Refunds	(7.3)	(3.5)	(3.8)	109.5%
Refund Accrual Reversal	4.0	4.9	(0.9)	-18.7%
Audit, P&I, Amended	4.7	7.1	(2.4)	-33.4%
Total	\$62.9	\$59.3	\$3.6	6.1%

Vehicle Fees & Taxes: Slightly Above Estimate

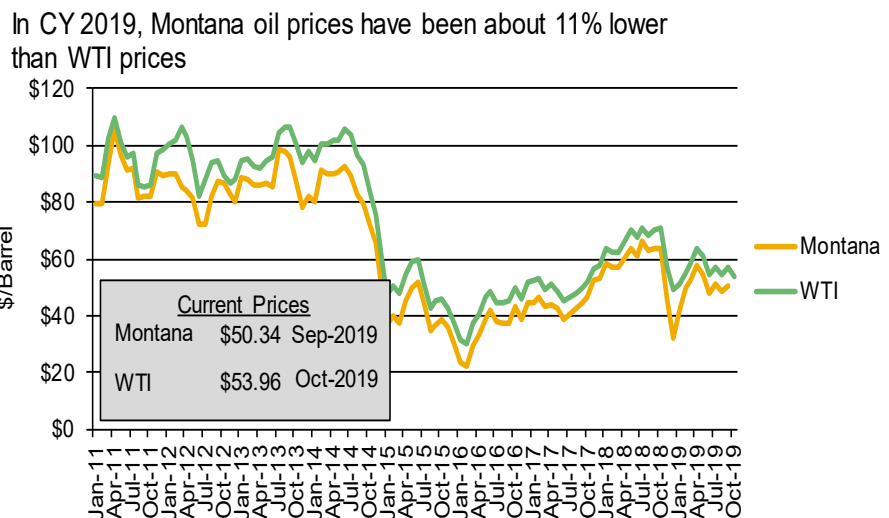
Five months into FY 2020, vehicle taxes and fees are 4.2% or \$1.7 million above collections last year. In HJ 2 this source was expected to grow by 3.1%, so thus far this source is tracking slightly above the estimate.

Oil & Natural Gas Production Tax: Expect below estimate

No Oil and natural gas production tax collections have been received to date. This is expected due to the statutory requirement of when taxes are due, and the time allowed for the Department of Revenue to determine the distribution of taxes to local governments. Through the first quarter of FY 2020, production data has mirrored that of FY 2019.



As the previous chart shows, oil production bottomed out at the end of CY 2017, and has increased since then. As the chart to the right shows, in the first quarter of FY 2019, prices were higher than FY 2020's first quarter. As a result, the first posting in the accounting system will likely be slightly lower than last year, given similar production.



Insurance Tax: Not enough information to determine

Current insurance tax collections are 3.5% or \$0.6 million above last November. The level of growth is currently positive, but below the level predicted in HJ 2. During this period in the fiscal year, collections vary and are not indicative of a pattern.

Video Gaming Tax: Currently Above Estimate

Revenue from video gambling is currently \$0.5 million or 2.9% above collections from last year. This source was expected to remain flat throughout the biennium, but FY 2019 saw growth of 4.8%. As a result, even if this source remains flat it will come in above estimate.

Other Key Differences:

Lodging Facilities Sales Tax: Currently Above Estimate

Through November, lodging facilities sales tax collections have grown by 11.1% or \$1.1 million. This is coming off the heels of a strong FY 2019, in which collections grew by 10.8%. As a result, year-to-date collections are above the HJ 2 estimate, which anticipated a drop of 1.2%.

U.S. Mineral Royalties: Currently Above Estimate

U.S. mineral royalties are up 75.8% or \$3.0 million compared to FY 2019 levels at this time. Mineral royalty payments can be sporadic, and that is most certainly explaining the large percentage growth. It will likely level off by the time of next month's report. In HJ 2 this source was expected to decrease by 3.1%.

TCA Interest Earnings: Currently Above Estimate

Treasury cash account interest earnings are \$2.0 million or 32.8% above collections last year at this time, and above the HJ 2 anticipated growth of 24.0%. Short-term interest rates are currently lower than what was anticipated in HJ 2. Therefore, the daily cash balance that earns interest must be larger than estimated, due to the increase above HJ 2.

Coal Severance Tax: Currently Below Estimate

To date, coal severance tax collections are 19.2% or \$0.8 million below last year. This could be a timing issue, as through the first quarter both production and contract sales price numbers for Montana's coal have reflected the first quarter of FY 2019. As with the other sources, more time is needed to get a clearer picture of where final collections may end up.

All Other Revenue: Above Estimate

To date, all other revenue collections are 28.7% or \$6.3 million above last year's collections. This source was expected to decrease by 58.2% in HJ 2. This will ultimately materialize, as HB 6 (2017 Special Session) authorized numerous one-time-only transfers that occurred in the second half of FY 2019. This will begin to be reflected in the February data, when the first of the major transfers occurred in FY 2019.

BUDGET AND EXPENDITUES

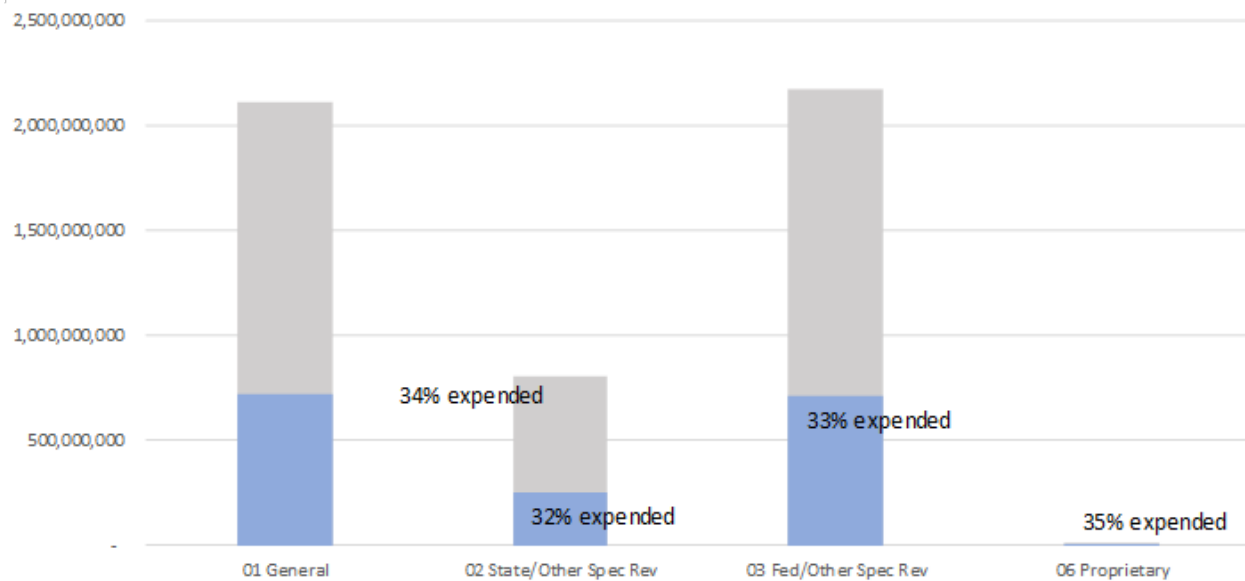
FY 2020 APPROPRIATIONS AND EXPENDITURES

This section discusses year-to-date budgeted expenditures vs. actual expenditures. The following chart shows all agencies HB 2 expenditures by fund type budgeted vs. expended to date:

All Agency HB 2 Expenditures

Budgeted vs. Expended

by fund type



Expenditure Account	Budgeted	Expended	% Expended
Personal Services	932,893,676	319,804,676	34%
Operating Expenses	984,430,304	416,399,966	42%
Equipment & Intangible Assets	18,266,885	4,757,743	26%
Capital Outlay	13,009,170	7,941,248	61%
Local Assistance	842,223,889	244,165,645	29%
Grants	336,372,677	80,690,161	24%
Benefits & Claims	1,715,251,761	514,581,564	30%
Transfers-out	258,190,720	97,379,020	38%
Debt Service	3,384,661	2,463,697	73%
Total	5,104,023,743	1,688,183,719	33%

This portion of the report discusses the FY 2020 appropriations and related expenditures through July 1, 2019 including:

- Modifications to FY 2020 that have been made to the HB 2 FY 2020 budget between July 1, 2019 and November 30, 2019
- Expenditure and spending patterns relative to the FY 2020 appropriations
- Other appropriation authority granted to state agencies
- Budget amendments and other budget changes that meet statutory requirements for Legislative Finance Committee review

The Legislative Fiscal Division summarizes the status of each agency HB 2 budget and any budget modifications in the Quarterly Report by Agency Appendix. Appendix A summarizes HB 2 appropriations, budget modifications, and year to date expenditures by program for each state agency.

To provide a more complete picture of state agency resource, Appendix B summarizes total appropriation authority provided to an agency including HB 2, HB 2 language appropriations, statutory appropriations, budget amendments, carry-forward authority, and other appropriation bills.

FY 2020 LEGISLATIVE BUDGET INCLUDES HB 2 AND PAY PLAN

The legislative budget includes HB 2 appropriation authority and funding for the state agency pay plan contained in HB 175. The legislature approved \$0.50 an hour raises for state employees effective January 1st of each year of the biennium. HB 175 appropriated \$7.0 million in total funds to the Governor's Office in FY 2020 for Executive Branch state agencies pay plan raises. The Office of Budget and Program Planning has distributed these funds to the various state agencies and the pay plan is included in the Legislative Budget reflected in this report, as well as in the quarterly reports online appendix.

BUDGET MODIFICATIONS

Agencies Reduced Appropriations Due to Lower Worker's Compensation Premiums

Statute requires that in any year the premiums for workers' compensation are less than the previous year, the agency shall reduce the appropriation for workers' compensation. State agencies reduced personal services appropriations by \$650,295 including:

- \$154,230 in general fund
- \$439,451 in state special revenue
- \$56,614 in federal special revenue

Appendix A reflects personal services reductions by program and fund source in the Other column.

Three Agencies Transferred Biennial Appropriation from FY 2021

Biennial appropriations are allocated in the budget in a given fiscal year. The biennial designation allows the agency to spend the appropriation in either fiscal year. Three agencies transferred FY 2021 biennial authority to FY 2020 including:

- \$300,000 for digital voting boards in the Legislative Branch as the project has progressed further than anticipated in the budget
- \$210,00 for snowmobile equipment in the Parks Division of the Department of Fish, Wildlife, and Parks
- \$65,000 for student tuition payments in the Local Education Activities of the Office of Public Instruction

Department of Labor and Industry (DOLI) Transferred Authority to the Department of Public Health and Human Services (DPHHS)

DOLI transferred \$70,891 in state special revenue authority from the Business Standards Division to DPHHS to implement the requirements of SB 267. SB 267 transferred the oversight of private alternative adolescent programs from DOLI to DPHHS. The 2019 Legislature included the budget for the Board of Private Alternative Adolescent Programs in HB 2 for the Department of Labor and Industry.

Department of Fish, Wildlife, and Parks (FWP) Reorganized

FWP eliminated the Department Management Division by transferring its functions, FTE, and appropriations to the Administration Division and created a new division for technical services. The reorganization was accomplished as follows:

- Eliminated Management Division - 79.21 FTE, \$6,589,803 in personal services, \$2,520,858 in operating expenses, \$14,998 in equipment and intangible assets, \$140,627 in transfers out, and \$14,521 in debt services out of the Department Management Division and into the Administration Division. The appropriations were funded with \$9,035,128 in state special revenue and \$245,679 in federal funds
- Created New Technology Services Division - 39.00 FTE, \$3,444,574 in personal services, \$2,707,316 in operating expenses, \$53,111 in equipment & intangible assets, and \$102,342 in transfers out into the newly created Technical Services Division from the Administration Division. The appropriations were funded with \$6,120,575 in state special revenue and \$186,768 in federal special revenue.

Details of Transfers of Appropriations

State Agency Transfers of Appropriation Authority Between Programs or Between Expenditures Codes Are Discussed in the Quarterly Report by Agency Appendix and shown in Appendix A.

HB 2 GENERAL FUND EXPENDITURES BY AGENCY

Through November, state agencies expended 33.9% of HB 2 general fund appropriations of the November modified budget leaving \$1,398.5 million or 66.1% in general fund appropriations for the seven remaining months of the fiscal year.

The following figure illustrates the budgeted and actual expenditures of general fund for HB 2 through the end of November. The budgeted number reflects the modified budget previously discussed. A summary of expenditure by agency and program can be found in the Quarterly Report by Agency Appendix and Appendix A.

FY 2020 Comparison of December Modified Budget vs. Year-to-Date Expenditures
HB2 General Fund Only

State Agency	December Modified HB 2 Budget	Year to Date Expenditures	HB 2 Budget Balance	%
Section A - General Government				
Legislative Branch	\$17,672,574	\$7,640,942	\$10,031,632	43%
Governor's Office	9,097,317	2,326,943	6,770,374	26%
Commissioner of Political Practices	867,195	307,933	559,262	36%
Department of Revenue	55,847,189	19,324,432	36,522,757	35%
Department of Administration	9,283,395	3,575,104	5,708,291	39%
Department of Commerce	5,647,735	1,959,640	3,688,095	35%
Department of Labor and Industry	1,985,868	698,506	1,287,362	35%
Department of Military Affairs	7,067,551	2,359,857	4,707,694	33%
Section A - General Government Total	107,468,824	38,193,358	69,275,466	36%
Section B - Health and Human Services				
Department of Public Health & Human Services	550,395,624	189,114,330	361,281,294	34%
Section B - Health and Human Services Total	550,395,624	189,114,330	361,281,294	34%
Section C - Natural Resources and Transportation				
Department of Fish, Wildlife & Parks	283,620	-	283,620	0%
Department of Environmental Quality	5,433,124	2,101,893	3,331,231	39%
Department of Livestock	2,979,851	816,537	2,163,314	27%
Department of Natural Resources and Conservation	31,108,847	18,721,101	12,387,746	60%
Department of Agriculture	852,852	286,611	566,241	34%
Section C - Natural Resources and Transportation Total	40,658,294	21,926,142	18,732,152	54%
Section D - Judicial Branch, Law Enforcement, and Justice				
Judicial Branch	50,107,386	17,137,281	32,970,105	34%
Department of Justice	35,741,142	12,949,751	22,791,391	36%
Office of the Public Defender	37,145,240	13,464,330	23,680,909	36%
Department of Corrections	207,518,152	73,627,270	133,890,882	35%
Section D - Judicial Branch, Law Enforcement, and Justice Total	330,511,920	117,178,632	213,333,288	35%
Section E - Education				
Office of Public Instruction	834,722,148	243,547,608	591,174,540	29%
Board of Public Education	173,901	104,003	69,898	60%
Commissioner of Higher Ed	238,460,105	102,745,716	135,714,389	43%
School for the Deaf & Blind	7,622,625	2,945,611	4,677,014	39%
Montana Arts Council	553,116	214,673	338,443	39%
Montana State Library	2,598,274	616,731	1,981,543	24%
Montana Historical Society	3,014,615	1,142,438	1,872,177	38%
Section E - Education Total	1,087,144,784	351,316,780	735,828,004	32%
Grand Total	2,116,179,446	717,729,242	1,398,450,204	34%

As shown in the figure above, 86.5% of the HB 2 modified general fund budget of \$2,116.2 million is provided to four state agencies:

- 39.4% to the Office of Public Instruction, mainly to support local assistance to local school districts
- 26.0% to the Department of Public Health and Human Services
- 11.3% to the Office of the Commissioner of Higher Education (OCHE), mainly supporting the Montana University System
- 9.8% to the Department of Corrections

HB 2 ALL GOVERNMENTAL FUND EXPENDITURES BY AGENCY

The following figure illustrates the budgeted and actual expenditures for all governmental funds appropriated in HB 2 through the end of November. This includes general fund, state and federal special revenue, and budgeted proprietary funds. Agencies expended 33.9% of general fund, 31.7% of state special revenue, and 32.7% of federal special revenue. Further detail of specific agencies may be found in the Quarterly Report by Agency and Appendix A.

FY 2020 Comparison of December Modified Budget vs. Year-to-Date Expenditures
HB2 All Funds

State Agency	December Modified HB 2 Budget	Year to Date Exenditures	HB 2 Budget Balance	% Expended
Section A - General Government				
Legislative Branch	\$20,500,739	\$8,521,776	\$11,978,963	42%
Consumer Counsel	1,655,737	314,814	1,340,923	19%
Governor's Office	10,097,317	2,326,943	7,770,374	23%
Commissioner of Political Practices	867,195	307,933	559,262	36%
State Auditor's Office	9,083,599	2,661,723	6,421,876	29%
Department of Revenue	60,676,663	20,622,070	40,054,593	34%
Department of Administration	21,980,126	8,112,958	13,867,168	37%
Department of Commerce	32,229,805	4,048,996	28,180,809	13%
Department of Labor and Industry	85,796,939	27,320,058	58,476,881	32%
Department of Military Affairs	51,491,626	11,065,945	40,425,680	21%
Section A - General Government Total	294,379,746	85,303,216	209,076,530	29%
Section B - Health and Human Services				
Department of Public Health & Human Services	2,109,179,766	647,674,333	1,461,505,433	31%
Section B - Health and Human Services Total	2,109,179,766	647,674,333	1,461,505,433	31%
Section C - Natural Resources and Transportation				
Department of Fish, Wildlife & Parks	98,666,355	30,099,059	68,567,296	31%
Department of Environmental Quality	66,945,325	17,526,452	49,418,873	26%
Department of Transportation	684,200,374	312,452,462	371,747,912	46%
Department of Livestock	13,513,438	4,256,114	9,257,324	31%
Department of Natural Resources and Conservation	74,576,905	29,807,445	44,769,460	40%
Department of Agriculture	18,673,079	3,969,318	14,703,761	21%
Section C - Natural Resources and Transportation Total	956,575,476	398,110,850	558,464,626	42%
Section D - Judicial Branch, Law Enforcement, and Justice				
Judicial Branch	53,662,314	18,136,733	35,525,581	34%
Department of Justice	111,010,039	40,659,515	70,350,524	37%
Public Service Regulation	4,349,622	1,616,288	2,733,334	37%
Office of the Public Defender	37,145,240	13,464,330	23,680,909	36%
Department of Corrections	226,022,445	75,472,034	150,550,411	33%
Section D - Judicial Branch, Law Enforcement, and Justice Total	432,189,660	149,348,902	282,840,758	35%
Section E - Education				
Office of Public Instruction	1,009,613,208	289,858,183	719,755,025	29%
Board of Public Education	357,797	116,562	241,235	33%
Commissioner of Higher Ed	281,065,116	110,293,241	170,771,875	39%
School for the Deaf & Blind	8,092,139	2,997,514	5,094,625	37%
Montana Arts Council	1,515,084	668,062	847,022	44%
Montana State Library	5,709,241	1,712,526	3,996,715	30%
Montana Historical Society	5,346,510	2,100,329	3,246,181	39%
Section E - Education Total	1,311,699,095	407,746,418	903,952,677	31%
Total	\$5,104,023,743	\$1,688,183,719	\$3,415,840,024	33%

HB 2 November Modified Budget By Expenditure Type

While the two previous charts show where the budget was spent, the following narrative gives highlights of the types of expenditures made.

The HB 2 November modified budget supports various types of expenditures including:

- \$932.9 million in personal services
- \$984.4 million in operating expenses
- \$842.2 million in local assistance
- \$336.4 million in grants
- \$1,715.3 million in benefits and claims

The 2019 Legislature also provided appropriations for equipment and intangible assets, capital outlay, transfers out, and debt service. Detailed information on these expenditures can be found in the Quarterly Report By Agency Appendix.

Personal Services

Personal services expenditures for state employees are made biweekly. As of the end of November, about 36.5% of the personal services appropriations would have been spent if all employee positions were filled at the salary included in the budget. As of December 5, 2019, 9.8% or 1,165.73 FTE of the FTE funded in HB 2 were vacant which is above the budgeted level of 2% vacancy savings. This higher vacancy savings is the primary reason that the year to-date expenditures are below the anticipated 36.5% and are 34.3% expended.

Further detail on the vacancies are discussed in the Quarterly Report by Agency Appendix.

Operating Expenses

Year to date operating expenses are 42.3% expended. Operating expenses are appropriated in all state agencies, with about 47.8% provided to the Montana Department of Transportation (MDT). MDT has expended 51.4% of its operating expenses, driving the percentage of expenditures for operating expenses overall. Further information on operating expense is provided in the Quarterly Report by Agency.

Local Assistance

The Office of Public Instruction (OPI) is appropriated 97.8% of the \$842.2 million in local assistance included in the HB 2 November modified budget. As of the end of November, local assistance was 29.0% expended. This expenditure source is on track.

Grants

Grants are 24% expended year to-date. Historically, due to the application process for making grants, these expenditures are lower in the first nine months of the year, depending on the granting

agency. In the HB 2 November modified budget, the following agencies are responsible for the majority of the \$336.4 million in appropriations for grants:

- 46.1% to Office of Public Instruction
- 22.5% to Department of Public Health and Human Services
- 7.1% to Montana Department of Transportation
- 6.6% to Department of Commerce
- 5.3% to Office of the Commissioner of Higher Education

Further information on grant expenditures can be found in the Quarterly Report by Agency Appendix.

Benefits and Claims

Benefits and claims are 30% expended year to-date. DPHHS was appropriated 99.5% of the \$1,715.3 million in benefit and claims appropriations contained in the HB 2 November modified budget. The Medicaid Program has \$1,310.9 million in appropriations. This expenditure source is on track.

APPROPRIATIONS TO BE TRANSFERRED

HB 715: Appropriations for other bills passed

HB 715 appropriated the Governor's Office \$8.4 million in total funds in FY 2020 and directed the budget director to allocate the appropriations by August 15, 2019. The Budget Director has allocated \$3,473,111 of the appropriations to the following agencies:

- \$25,000 in general fund for operating expense to the Commissioner of Political Practices to implement the requirements in SB 363
- \$3,448,111 to the Department of Public Health and Human Services with
 - \$20,000 in personal services and \$80,000 in operating expenses supported by general fund for strategic planning in the Director's Office
 - \$135,392 in personal services, \$95,653 in general fund and \$40,000 in federal special revenue for childhood abuse in the Child and Family Services Division
 - \$341,653 in personal services and \$2,871,066 in operating expenses supported by state special revenue for medical marijuana oversight in the Quality Assurance and Public Health and Safety Divisions

The remaining \$439,347 in general fund, \$3,677,281 in state special revenue, and \$820,000 in internal service funds is allocated to the Office of Budget and Program Planning (OBPP) in the Governor's Office. OBPP has identified state agencies and appropriation transfers for the remainder of the funding but has not yet processed the transfers.

Pay Plan Personal Services Contingency

\$3.0 million to be allocated throughout the biennium.

Statutorily Required Reports

BUDGET AMENDMENT ACTIVITY

As of November 30, 2019, the Legislative Finance Division had received notification of 78 budget amendments impacting the 2021 biennium and certified by the Governor since August 31.

These amendments increase total funds by \$62.2 million in FY 2020 and \$11.1 million in FY 2021. An additional 43.76 FTE in FY 2020 and 25.69 FTE in FY 2021 in modified positions have been added. One amendment transfers existing authority between expenditure categories or between organizational units and seven extend previously approved amendment authority. The figure summarizes the budget amendments certified by the Governor from the period September 1, 2019 through November 30, 2019.

Budget Amendment Summary (since September 2019)		
Component	FY 2020	FY 2021
Number of Amendments	78	26
FTE Added	43.76	25.69
State Special Revenue	\$50,000	\$53,000
Federal Revenue	62,176,969	11,056,447
Proprietary Fund	0	0
Total Revenue	\$62,226,969	\$11,109,447

Each amendment along with a brief explanation, is summarized in Appendix C. Staff have reviewed the amendments and have raised no concerns with any amendment meeting statutory criteria.

The following figure summarizes the budget amendments that were certified for the 2021 biennium. The various approving authorities have added a total of \$85.6 million in the 2021 biennium.

Budget Amendment Cumulative Summary 2021 Biennium				
LFC Meeting 2019 Biennium	Number of Amendments	FY 2020	FY 2021	2021 Biennial Total
August 30, 2019	38	\$11,963,700	\$320,701	\$12,284,401
November 30, 2019	78	62,226,969	11,109,447	73,336,416
February 29, 2020	0	0	0	0
May 31, 2020	0	0	0	0
August 31, 2020	0	0	0	0
November 30, 2020	0	0	0	0
April 30, 2021	0	0	0	0
August 30, 2021	0	0	0	0
Total	116	\$74,190,669	\$11,430,148	\$85,620,817

The following figure reflects the additional budget authority provided to each agency through the budget amendment process in the 2021 biennium compared to the HB 2 November modified budget.

Budget Amendment Authority Comparison with HB 2 Total Funds By State Agency			
State Agency	FY 2020 Budget HB 2	Budget Amendment	% of Modified Budget
Department of Agriculture	\$18,673,079	\$1,823,969	9.77%
Department of Corrections	226,022,445	1,216,568	0.54%
Department of Environmental Quality	66,945,325	2,117,919	3.16%
Department of Fish, Wildlife, and Parks	98,666,355	9,612,265	9.74%
Department of Justice	111,010,039	1,331,079	1.20%
Department of Labor and Industry	85,796,939	222,878	0.26%
Department of Livestock	13,513,438	413,651	3.06%
Department of Military Affairs	51,491,626	321,590	0.62%
Department of Natural Resources and Conservation	74,576,905	14,212,714	19.06%
Department of Public Health and Human Services	2,109,179,766	24,843,051	1.18%
Department of Transportation	684,200,374	320,701	0.05%
Judicial Branch	53,662,314	789,933	1.47%
Montana Arts Council	1,515,084	89,535	5.91%
Montana State Library	5,709,241	580,773	10.17%
Montana Historical Society	5,346,510	865,697	16.19%
Office of Public Instruction	1,009,613,208	15,740,011	1.56%
Public Service Commission	4,349,622	9,036	0.21%
Total	\$4,620,272,270	\$74,511,370	1.61%

OPERATING PLAN CHANGES AND PROGRAM TRANSFERS

The Office of Budget and Program Planning (OBPP) submitted a total of 8 operating plan changes and program transfers that met statutory criteria for LFC review and comment between September 9, 2019 and December 10, 2019. Staff have reviewed the amendments and have raised no concerns with any amendment meeting statutory criteria. A summary of the changes from OBPP can be found in Appendix D.

OTHER AGENCY REPORTS

Other agency required reports have been received and are posted on the LFD website. The required reports can be found on the website at:

<https://leg.mt.gov/content/Publications/fiscal/2021-Interim/Dec-2019/Required-Reports/LFC-SB-294-Report-Dec-2019.pdf>

One report of note is the Office of Budget and Program Planning report on agencies that have provided a base salary for an employee that exceeds the wage range for the employee's occupation and the reasons for the differences.

There were 109 adjustments that caused an employee to exceed the wage range during FY 2019 out of over 13,741 employees or 0.8%. Of the 109 adjustments:

- 44 were due to hiring or rehiring the employee
- 17 were market adjustments
- 16 were due to a promotion
- 8 were due to reclassification of their positions
- 3 were due to efforts to retain the employee
- 18 were due to the pay plan raises approved by the 2017 Legislature
- 3 were temporary promotions