



## OVERVIEW

### PROGRESS TOWARD THE 2013 BIENNIAL BUDGET

At the midpoint in the session, the current budget leaves an ending fund balance of \$66.7 million, or 1.8% of the biennial expenditures.

Current budgeted general fund spending in the 2013 biennium is \$3,677 million in comparison to the 2011 general fund spending of \$3,520 million. While the actual spending in the 2011 biennium is anticipated to be \$3,520 million, the 2009 legislature had anticipated a commitment level of \$3,890 million of that amount; approximately \$149 million was one-time in nature and \$3,741 million ongoing. The higher level of commitment is a result of one-time federal stimulus (ARRA) and school trust (Otter Creek) funds being used to offset general fund obligations in the 2011 biennium.

The table on the following page is the balance sheet portion of the Legislative Fiscal Division status sheet of the general fund. Some of the key items to note:

- The revenue used in the balance sheet is the official HJ2 revenue estimates and not February 17<sup>th</sup> revenue updates of the Legislative Fiscal Division.
- The balance sheet assumes passage of many bills that have currently passed out of committee including several with significant impacts:
  - Feed bill: funding the legislative session for \$8.3 million
  - HB 42 Transfer fund balance from the coal bed methane account to the general fund for a one-time revenue impact of \$6.1 million
  - HB 184 Healthcare tax credits for individual and out-of-pocket expenses for a revenue reduction of \$22.8 million
  - HB 429 Revise procedure related to Medical Marijuana for a positive revenue impact of \$6.5 million
  - HB 445 Allow health care choice thru out-of-state policies for a revenue reduction of \$6.2 million
  - SB 199 Revise administration of income taxes and certain penalty and interest provisions for a revenue reduction of \$3.8 million
  - Various other smaller impacts
- Structural Balance: the structural balance is the difference between ongoing revenues and ongoing spending.
  - Without considering the impact of the actuarially funding of the retirement systems the structural balance is short by \$81 million in FY 2012 and \$43 million in FY 2013
  - Considering the impact and state obligation to fully fund its share of the retirement systems, the structural balance is short by \$110 million in FY 2012 and \$79 million in FY 2013.

# Legislative Fiscal Division Traditional General Fund Balance Sheet

2013 Biennium (Figures In Millions)

2/28/2011

11:57 AM

48 th Legislative Day

Status #3

	Fiscal 2011	Fiscal 2012	Fiscal 2013	2013 Biennium
<b>Beginning Fund Balance</b>	<b>\$314.880</b>	<b>\$186.218</b>	<b>\$112.518</b>	<b>\$186.218</b>
<b>Revenues</b>				
Anticipated Revenue HJ 2	1,672.078	1,753.714	1,825.911	3,579.625
HJ 2 Adjustments	0	0	0	0
Revenue Legislation	<u>-0.019</u>	<u>0.767</u>	<u>-22.113</u>	<u>-21.346</u>
<b>Total Available Funds</b>	<b>\$1,986.939</b>	<b>\$1,940.699</b>	<b>\$1,916.316</b>	<b>\$3,744.497</b>
<b>Disbursements</b>				
HB2 General Appropriation Bill	1673.051	1,511.689	1,510.136	3,021.825
HB2 Action		113.539	126.525	240.064
Statutory Appropriations	180.683	189.618	197.18	386.798
Non-Budgeted Transfers	49.144	16.843	12.515	29.358
Supplemental Appropriations				0
Feed Bill Appropriations	1.587	2.469	10.009	12.478
Anticipated Reversions	(112.263)	(5.383)	(6.686)	(12.069)
Non-HB2 Legislation	<u>8.053</u>	<u>(0.594)</u>	<u>(0.108)</u>	<u>(0.702)</u>
<b>Total Disbursements</b>	<b>\$1,800.255</b>	<b>\$1,828.181</b>	<b>\$1,849.571</b>	<b>\$3,677.752</b>
Adjustments	(0.466)	0	0	0
Other Adjustments	0	0	0	0
<b>Projected Ending Balance</b>	<b>\$186.218</b>	<b>\$112.518</b>	<b>\$66.745</b>	<b>\$66.745</b>
<b>Structural Balance Condition</b>		<b><u>Fiscal 2012</u></b>	<b><u>Fiscal 2013</u></b>	
Anticipated Revenues 2013 Biennium		1754.481	1803.798	
One-Time Only Revenue		(10.055)	0	
Anticipated Disbursements 2013 Biennium		(1,828.181)	(1849.571)	
One-Time Only Disbursements		2.537	2.386	
<b>Anticipated Structural Balance</b>		<b>(\$81.218)</b>	<b>(\$43.387)</b>	<b>Warning</b>
Unfunded Retirement Systems Cost Not Addressed		<b>(\$29.767)</b>	<b>(\$35.663)</b>	
<b>Adjusted Structural Balance</b>		<b>(\$110.985)</b>	<b>(\$79.050)</b>	<b>Warning</b>

## HJ 2 REVENUE ESTIMATES

At this point in session there has been no action taken on HJ2, the official revenue estimate of the session. It remains at the level approved by the Revenue and Transportation Interim Committee in November or \$3,580 million for the 2013 biennium. On February 17, the Legislative Fiscal Division released updated revenue estimates. These estimates are informational only and have no official impact on the general fund balance reported by the Legislative Fiscal Division. The official estimate is with the House Tax Committee and has not yet been heard. The informational estimated revenues increased by \$34.4 million in FY 2011 and by \$62.6 million in the 2013 biennium.

Recommended Adjustments to HJ2				
Figures in Millions				
Revenue Category	Revision FY 2011	Revision FY 2012	Revision FY 2013	Biennium 2012-13
Individual Income Tax	25.895	28.950	32.154	61.104
Corporation Income Tax	2.106	0.134	(0.152)	(0.018)
Oil & Gas Production Tax	4.690	1.804	1.478	3.282
All Other Categories	<u>1.706</u>	<u>0.101</u>	<u>(1.884)</u>	<u>(1.783)</u>
<b>Total</b>	<b>\$34.397</b>	<b>\$30.990</b>	<b>\$31.596</b>	<b>\$62.586</b>

An analysis of these changes in revenue estimates can be found on the Legislative Fiscal Division website: <http://leg.mt.gov/css/fiscal/2011-Session.asp> Revenue Trends Report #1

## HB 2: SUBCOMMITTEE ACTION COMPARISONS

### *General Fund Budget Comparison*

HB 2 subcommittee general fund budgets are \$3,262 million, \$66.6 million or 2% less than the Governor's recommended general fund budget of \$3,329 million and 8% higher than the adjusted base of \$3,022 billion. Note that \$163 million of the increase from the adjusted base is replacing the one-time revenue associated with the bonus payments of the Otter Creek coal leases in school funding.

The following chart reflects the general fund adjusted base (FY 2010 expenditures with minor and required adjustments), the executive branch budget proposal (Governor's Budget), the current Legislative action, and the changes from the Governor's budget both in absolute dollar amounts and in percentage differences.

## General Fund Biennial Summary

### Change Comparison to Executive Budget

SubCommittee/Agency	Adj_Base	Executive	Legislative	Change1	Change1 %
<b>01 General Government</b>	<b>168,186,119</b>	<b>175,002,266</b>	<b>162,204,268</b>	<b>(12,797,998)</b>	<b>-7.3%</b>
1104 Legislative Branch	23,001,225	23,904,275	22,838,515	(1,065,760)	-4.5%
3101 Governor's Office	11,935,595	12,049,768	11,492,254	(557,514)	-4.6%
3202 Comm Of Political Practices	1,038,471	1,138,471	1,134,471	(4,000)	-0.4%
5801 Department Of Revenue	97,789,531	99,179,664	93,201,714	(5,977,950)	-6.0%
6101 Department Of Administration	12,934,335	12,624,664	12,610,384	(14,280)	-0.1%
6501 Department Of Commerce	5,396,542	10,024,118	6,544,118	(3,480,000)	-34.7%
6602 Department Of Labor & Industry	4,928,874	4,845,093	2,965,714	(1,879,379)	-38.8%
6701 Department Of Military Affairs	11,161,546	11,236,213	11,417,098	180,885	1.6%
<b>02 Health &amp; Human Services</b>	<b>755,670,341</b>	<b>838,947,338</b>	<b>817,404,388</b>	<b>(21,542,950)</b>	<b>-2.6%</b>
6902 Economic Security Services Branch	145,346,304	146,933,561	142,655,928	(4,277,633)	-2.9%
6904 Director's Office	3,419,107	3,276,797	3,276,797	-	0.0%
6906 Operations Services Branch	30,851,230	30,921,959	30,139,328	(782,631)	-2.5%
6907 Public Health	6,954,231	6,728,655	5,453,114	(1,275,541)	-19.0%
6911 Medicaid And Health Services Branch	569,099,469	651,086,366	635,879,221	(15,207,145)	-2.3%
<b>03 Natural Resources &amp; Transportation</b>	<b>63,411,136</b>	<b>62,851,897</b>	<b>55,262,045</b>	<b>(7,589,852)</b>	<b>-12.1%</b>
5301 Department Of Environmental Quality	10,948,533	10,935,218	9,186,998	(1,748,220)	-16.0%
5401 Department Of Transportation	-	-	-	-	0.0%
5603 Department Of Livestock	2,140,444	3,003,082	2,159,235	(843,847)	-28.1%
5706 Dept Of Natural Resources & Conservation	48,405,562	46,289,188	42,059,867	(4,229,321)	-9.1%
6201 Department Of Agriculture	1,916,597	2,624,409	1,855,945	(768,464)	-29.3%
<b>04 Judicial Branch, Law Enforcement, Justice</b>	<b>504,523,855</b>	<b>532,266,525</b>	<b>508,138,446</b>	<b>(24,128,079)</b>	<b>-4.5%</b>
2110 Judicial Branch	72,394,035	73,972,970	71,462,787	(2,510,183)	-3.4%
4107 Crime Control Division	5,031,924	4,841,384	4,398,247	(443,137)	-9.2%
4110 Department Of Justice	54,280,867	54,414,998	53,156,465	(1,258,533)	-2.3%
6108 Office Of The Public Defender	41,109,302	43,368,678	41,709,302	(1,659,376)	-3.8%
6401 Department Of Corrections	331,707,727	355,668,495	337,411,645	(18,256,850)	-5.1%
<b>05 Education</b>	<b>1,530,033,741</b>	<b>1,719,467,510</b>	<b>1,718,879,911</b>	<b>(587,599)</b>	<b>0.0%</b>
3501 Office Of Public Instruction	1,149,779,431	1,305,064,733	1,337,005,035	31,940,302	2.5%
5101 Board Of Public Education	437,982	461,402	419,348	(42,054)	-9.1%
5102 Commissioner Of Higher Education	355,271,903	389,932,761	357,635,862	(32,296,899)	-8.3%
5113 School For The Deaf & Blind	12,068,714	11,968,052	11,899,066	(68,986)	-0.6%
5114 Montana Arts Council	905,946	900,100	883,243	(16,857)	-1.9%
5115 Montana State Library	5,562,038	5,427,370	5,292,334	(135,036)	-2.5%
5117 Montana Historical Society	6,007,727	5,713,092	5,745,023	31,931	0.6%
<b>Grand Total</b>	<b>3,021,825,192</b>	<b>3,328,535,536</b>	<b>3,261,889,058</b>	<b>(66,646,478)</b>	<b>-2.0%</b>

### ***Total Funds Budget Comparison***

In all funds combined, the HB 2 spending currently proposed by the subcommittees is \$122 million or 1.4% less than the executive recommended budget of \$8,982 million and \$1,572 million or 21.2% higher than the adjusted base of \$7,410 million. Note that much of the federal spending in the adjusted bases is understated as a result of its appropriation in HB 645 from the 2009 session that is not included in the adjusted base.

By fund type the spending is recommended by the subcommittee action as follows:

- HB 2 subcommittee state special fund budgets are \$1,456 million, \$73.2 million or 4.8% less than the Governor's recommended state special fund budget of \$1,529 million.
- HB 2 subcommittee federal fund budgets are \$4,114 million, \$22.9 million more than the Governor's recommended federal fund budget of \$4,091 million.

The table on the following page summarizes the changes:

## Total Funds Biennial Summary Change Comparison to Executive Budget

SubCommittee/Agency	Adj Base	Executive	Legislative	Change1	Change1 %
<b>01 General Government</b>	<b>479,557,541</b>	<b>512,323,454</b>	<b>502,429,571</b>	<b>(9,893,883)</b>	<b>-1.9%</b>
1104 Legislative Branch	27,961,411	28,595,287	27,292,819	(1,302,468)	-4.6%
1112 Consumer Council	2,161,514	3,278,092	3,278,092	-	0.0%
3101 Governor's Office	11,960,478	12,074,651	11,514,565	(560,086)	-4.6%
3201 Secretary Of State's Office	-	550,000	550,000	-	0.0%
3202 Comm Of Political Practices	1,038,471	1,138,471	1,134,471	(4,000)	-0.4%
3401 State Auditor's Office	34,142,907	38,100,877	37,904,157	(196,720)	-0.5%
5801 Department Of Revenue	105,070,453	107,350,770	101,236,648	(6,114,122)	-5.7%
6101 Department Of Administration	41,829,311	42,013,575	41,538,905	(474,670)	-1.1%
6501 Department Of Commerce	42,159,595	57,487,665	55,731,155	(1,756,510)	-3.1%
6602 Department Of Labor & Industry	150,100,813	155,829,034	155,707,566	(121,468)	-0.1%
6701 Department Of Military Affairs	63,132,588	65,905,032	66,541,193	636,161	1.0%
<b>02 Health &amp; Human Services</b>	<b>2,934,455,723</b>	<b>3,714,626,425</b>	<b>3,660,177,952</b>	<b>(54,448,473)</b>	<b>-1.5%</b>
6902 Economic Security Services Branch	655,970,242	974,009,547	958,831,383	(15,178,164)	-1.6%
6904 Director's Office	8,255,032	7,957,773	7,879,178	(78,595)	-1.0%
6906 Operations Services Branch	80,665,245	84,044,844	81,726,145	(2,318,699)	-2.8%
6907 Public Health	121,348,722	124,767,744	107,664,860	(17,102,884)	-13.7%
6911 Medicaid And Health Services Branch	2,068,216,482	2,523,846,517	2,504,076,386	(19,770,131)	-0.8%
<b>03 Natural Resources &amp; Transportation</b>	<b>1,408,490,419</b>	<b>1,780,210,649</b>	<b>1,826,286,211</b>	<b>46,075,562</b>	<b>2.6%</b>
5201 Department Of Fish, Wildlife & Parks	141,349,814	146,775,971	148,392,941	1,616,970	1.1%
5301 Department Of Environmental Quality	98,352,929	116,449,772	113,643,382	(2,806,390)	-2.4%
5401 Department Of Transportation	1,014,920,614	1,355,628,556	1,398,581,679	42,953,123	3.2%
5603 Department Of Livestock	20,363,916	23,701,027	21,931,605	(1,769,422)	-7.5%
5706 Dept Of Natural Resources & Conservation	103,924,679	105,378,446	112,647,091	7,268,645	6.9%
6201 Department Of Agriculture	29,578,467	32,276,877	31,089,513	(1,187,364)	-3.7%
<b>04 Judicial Branch, Law Enforcement, Justice</b>	<b>625,883,314</b>	<b>683,393,337</b>	<b>653,561,954</b>	<b>(29,831,383)</b>	<b>-4.4%</b>
2110 Judicial Branch	76,671,193	78,930,309	76,090,129	(2,840,180)	-3.6%
4107 Crime Control Division	12,386,130	18,531,548	18,038,067	(493,481)	-2.7%
4110 Department Of Justice	148,652,711	169,959,575	161,798,892	(8,160,683)	-4.8%
4201 Public Service Regulation	7,033,913	7,357,037	7,416,079	59,042	0.8%
6108 Office Of The Public Defender	41,284,302	43,616,275	41,884,302	(1,731,973)	-4.0%
6401 Department Of Corrections	339,855,065	364,998,593	348,334,485	(16,664,108)	-4.6%
<b>05 Education</b>	<b>1,961,406,437</b>	<b>2,291,520,164</b>	<b>2,217,794,567</b>	<b>(73,725,597)</b>	<b>-3.2%</b>
3501 Office Of Public Instruction	1,445,031,389	1,714,108,006	1,673,100,732	(41,007,274)	-2.4%
5101 Board Of Public Education	814,224	807,644	776,986	(30,658)	-3.8%
5102 Commissioner Of Higher Education	482,146,135	542,663,171	510,366,272	(32,296,899)	-6.0%
5113 School For The Deaf & Blind	12,770,478	12,669,816	12,600,830	(68,986)	-0.5%
5114 Montana Arts Council	2,487,651	2,911,358	2,883,119	(28,239)	-1.0%
5115 Montana State Library	8,777,174	9,254,018	9,038,632	(215,386)	-2.3%
5117 Montana Historical Society	9,379,386	9,106,151	9,027,996	(78,155)	-0.9%
<b>Grand Total</b>	<b>7,409,793,434</b>	<b>8,982,074,029</b>	<b>8,860,250,255</b>	<b>(121,823,774)</b>	<b>-1.4%</b>

## **ACTIONS OF THE SUBCOMMITTEES**

### ***Overall***

The subcommittees looked at options for reducing budgets throughout their deliberations.

- In most agencies, the 5% plans required in MCA 17-7-111(3)(f) were adopted for both state special and general fund
- Many state special sources of funding were used to offset general fund expenses throughout the sections. In some cases legislation will be proposed to implement the actions taken.

The following sections summarize the action taken by the joint appropriation subcommittees. The tables on pages 4 and 4 give the section and agency subtotals of the comparisons to the adjusted base and the executive proposal.

### ***Section A: General Government***

- The Department of Revenue budget is \$6.1 million below the Governor's budget request. \$3.6 million of these budget reductions could cause lower general fund tax collections of \$6.7 to \$11.6 million resulting from the budget reduction in the Department of Revenue.
- The subcommittees scaled back the income tax credit for Insure Montana and used the savings to offset general fund spending in Section B: Health and Human Services and enabled the fund balance to be sustainable through the end of the 2015 biennium.
- Eliminated funding for the Energy Promotion Division in the Department of Commerce.
- Used the Employment Security Account to offset general fund expenses.

### ***Section B: Health and Human Services***

- Eliminated Tobacco prevention state program funded with state special funds. These funds were redirected to continue funding for higher than estimated enrollment in FY 2011 for Healthy Montana Kids (CHIP).
- Scaled back Healthy Montana Kids anticipated enrollment in the higher income groups for the 2013 biennium
- Eliminated the Big Sky Rx program which was a program to provide funding for prescription drug insurance for those on Medicare.
- Adopted 65% of the general fund needed for the executive's increased February Medicaid caseload forecast. Proposed implementation legislation should enable the executive to manage the caseload and provider rates within this level of funding.
- Reduced state special funds supporting Montana Veterans' Home in Columbia Falls to the level anticipated to be needed by a private provider to provide the same service and encouraged DPHHS to move to private contract instead of state run facility.
- Provided increased funding for community chemical dependency treatment by downsizing the state facility in Butte: The Montana Chemical Dependency Center.

### ***Section C: Natural Resources***

- Increased user fees for general fund subsidized programs that benefit private parties

### ***Section D: Public Safety***

- Funded 20 new secure assisted living beds and 100 additional secure prison beds for FY 2013. Similar to the Executive proposal, the funded beds are less than the Executive's estimated populations
- Noted that Corrections facilities are very close to capacity now and do not have room for additional populations.

**Section E: Education**

- Noted that tuition increases at the educational units and community colleges may occur. The Regents have not determined the tuition levels for the 2013 biennium.
- K-12: current action:
  - Does not fund present law inflationary increases in entitlements, school foods, and block grants
  - At-Risk is not get funded which is a risk to the current funding formula
  - Debt service is proposed to be switched to state special funding and is contingent on legislation
  - Special Education, in-state treatment, vocational education adult basic education, and gifted and talented dollars are relatively small, but of long-standing importance to the system

**OTHER SUBCOMMITTEE ACTION LONG-RANGE PLANNING SUMMARY**

The Long-Range Planning Subcommittee (LRP) conducted hearings on 12 appropriation bills in the first half of the session and finalized work on five of the bills. Executive action is expected to be taken early in the second half of the session on the seven bills that remain in the subcommittee. In addition to hearing the executive LRP proposal contained in eight bills (HB 5-HB 15), the subcommittee worked on four bills introduced by the legislature. Two of the bills introduced by the legislature, HB 316 and HB 375, are initiatives of the legislature to more closely analyze the various uses of state special funds and transfers. As shown in the figure below and at this time, the LRP subcommittee recommends increasing total appropriations by \$10.9 million over the executive proposal. The subcommittee has also recommends reducing transfers to the general fund by \$7.0 million. Note, the figure below does not include subcommittee recommendations for the various pieces of legislation that are not finalized.

LRP Subcommittee Actions and Recommendations Summary <i>(as of 2/34/2011)</i>							
Initial LRP Legislation		Executive Recommendations		Subcommittee Recommendations		Change	
Bill	Program	Total "All Funds" Approps <sup>1</sup>	Transfers / Reallocation to GF	Total "All Funds" Approps <sup>1</sup>	Transfers / Reallocation to GF	Total "All Funds" Approps <sup>1</sup>	Transfers / Reallocation to GF
HB 5	Long-Range Building Program	\$62,483,830	\$11,685,622	\$73,458,830	\$10,685,622	\$10,975,000	(\$1,000,000)
HB 6	Renewable Resource Grant Program	7,210,000	0	N/A	N/A	N/A	N/A
HB 7	Reclamation and Development Grant Program	6,849,000	0	N/A	N/A	N/A	N/A
HB 8	Renewable Resource Loan Program	13,724,457	0	13,724,457	0	0	0
HB 9	Cultural and Aesthetic Trust	724,976	0	696,299	N/A	(28,677)	N/A
HB 10	Long-Range Information Technology Program	0	10,737,273	0	4,762,033	0	(5,975,240)
HB 11	Treasure State Endowment Program	1,000,000	17,614,270	N/A	N/A	N/A	N/A
HB 11	Treasure State Endowment Regional Water Program	0	4,867,000	N/A	N/A	N/A	N/A
HB 15	Quality School Facility Program	12,069,265	0	N/A	N/A	N/A	N/A
Total		\$104,061,528	\$44,904,165	\$87,879,586	\$15,447,655	\$10,946,323	(\$6,975,240)
Legislative LRP Legislation		Introduction Recommendations		Subcommittee Recommendations		Change	
Bill	Program / Title	Total "All Funds" Approps <sup>1</sup>	Transfers / Reallocation to GF	Total "All Funds" Approps <sup>1</sup>	Transfers / Reallocation to GF	Total "All Funds" Approps <sup>1</sup>	Transfers / Reallocation to GF
HB 51	State Building Energy Conservation Program	\$0	\$0	\$0	\$0	\$0	\$0
HB 316	Redistribute Certain Revenue & Income to the General Fund	0	54,079,653	N/A	N/A	N/A	N/A
HB 351	Treasure State Endowment Program	14,753,578	1,000,000	N/A	N/A	N/A	N/A
HB 351	Treasure State Endowment Regional Water Program	1,000,000	3,754,053	N/A	N/A	N/A	N/A
HB 375	Reduce Certain General Fund Transfers	0	1,062,804	N/A	N/A	N/A	N/A
Total		\$15,753,578	\$59,896,510	\$0	\$0	\$0	\$0

<sup>1</sup>Total "All Funds" Appropriations include \$14.9 million of authorization for capital projects that do not require appropriation (for example proprietary funds, university funds, and donations)