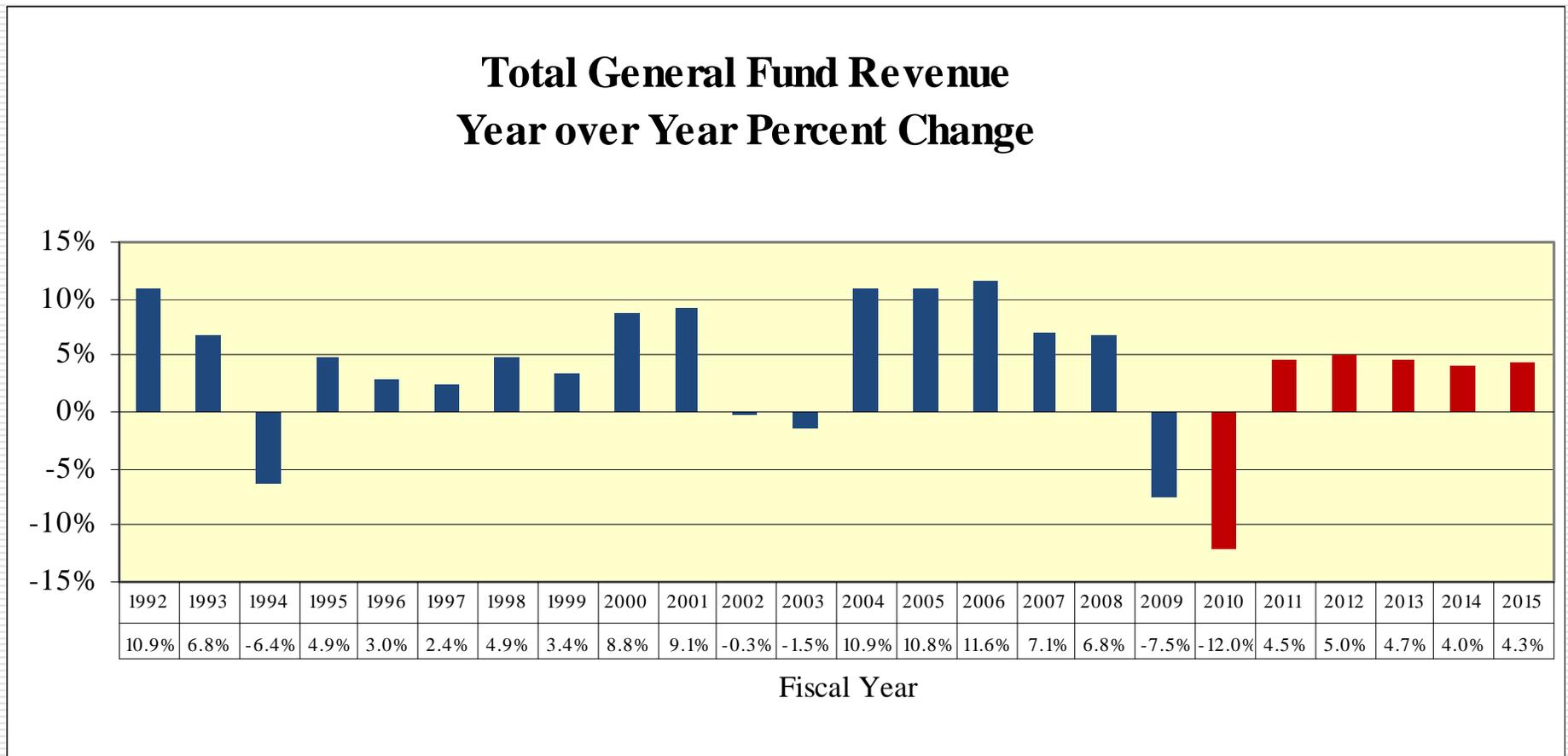


Legislative Training Day

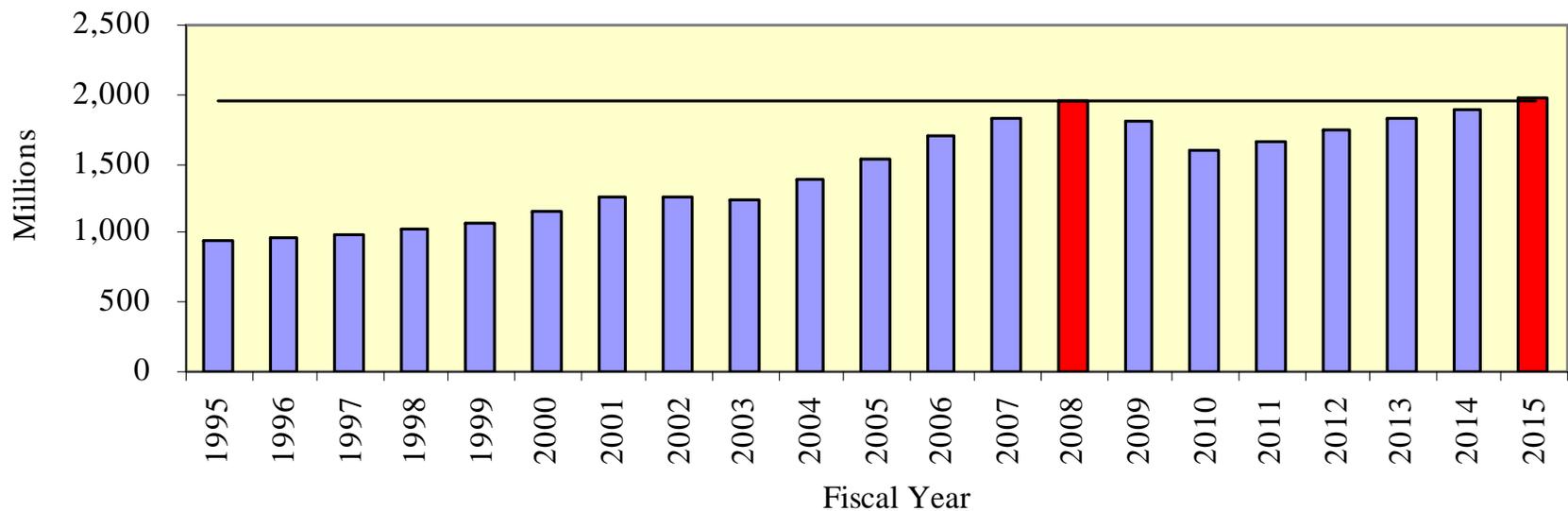
Overview of the 2013 Biennial Budget

Revenue Trend – bar chart



Revenue Trend – back to peak

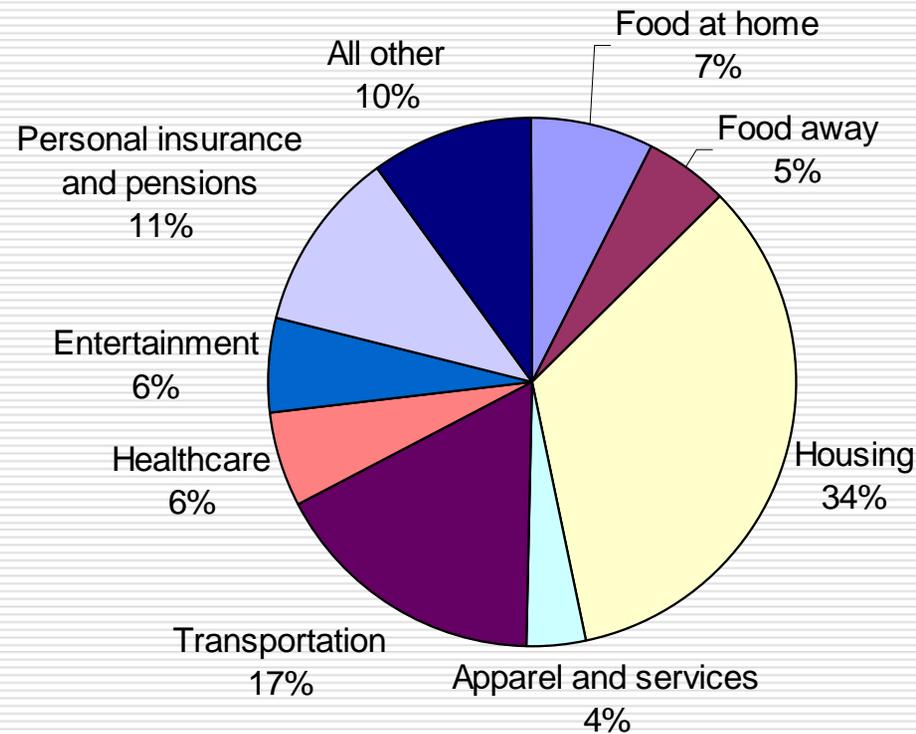
**General Fund Revenue Collections in FY 2008
Are Not Exceeded Until FY 2015**



Family Balance Sheet

- ❑ Family of 4 with both parents working and making \$30,000 each
 - ❑ Due to the recession, neither of them gets a wage increase and one is restricted to 32 hours per week
 - ❑ The family needs to reduce spending or find a hard to come by second job
 - ❑ Savings is \$12,000, but they already started a remodel project that will cost \$3,000
-

Family Spending of Take Home Pay



Source: US Dept of Labor

Family Short-term Reductions

- Delay major purchases
 - Other small reductions that do not interfere with day to day activities
 - Reduce spending in the second year by 5%
 - They think these reductions will get them through to June of 2011
-

Montana State GF Balance Sheet

- ❑ 980,000 people spending \$2.0 billion per year of general fund
 - ❑ Together their incomes are reduced by \$200 million or 10%
 - ❑ The state needs to reduce spending or find a hard to come by revenue enhancer
 - ❑ Savings started at about \$400 million, but we planned to spend \$100 million on projects
-

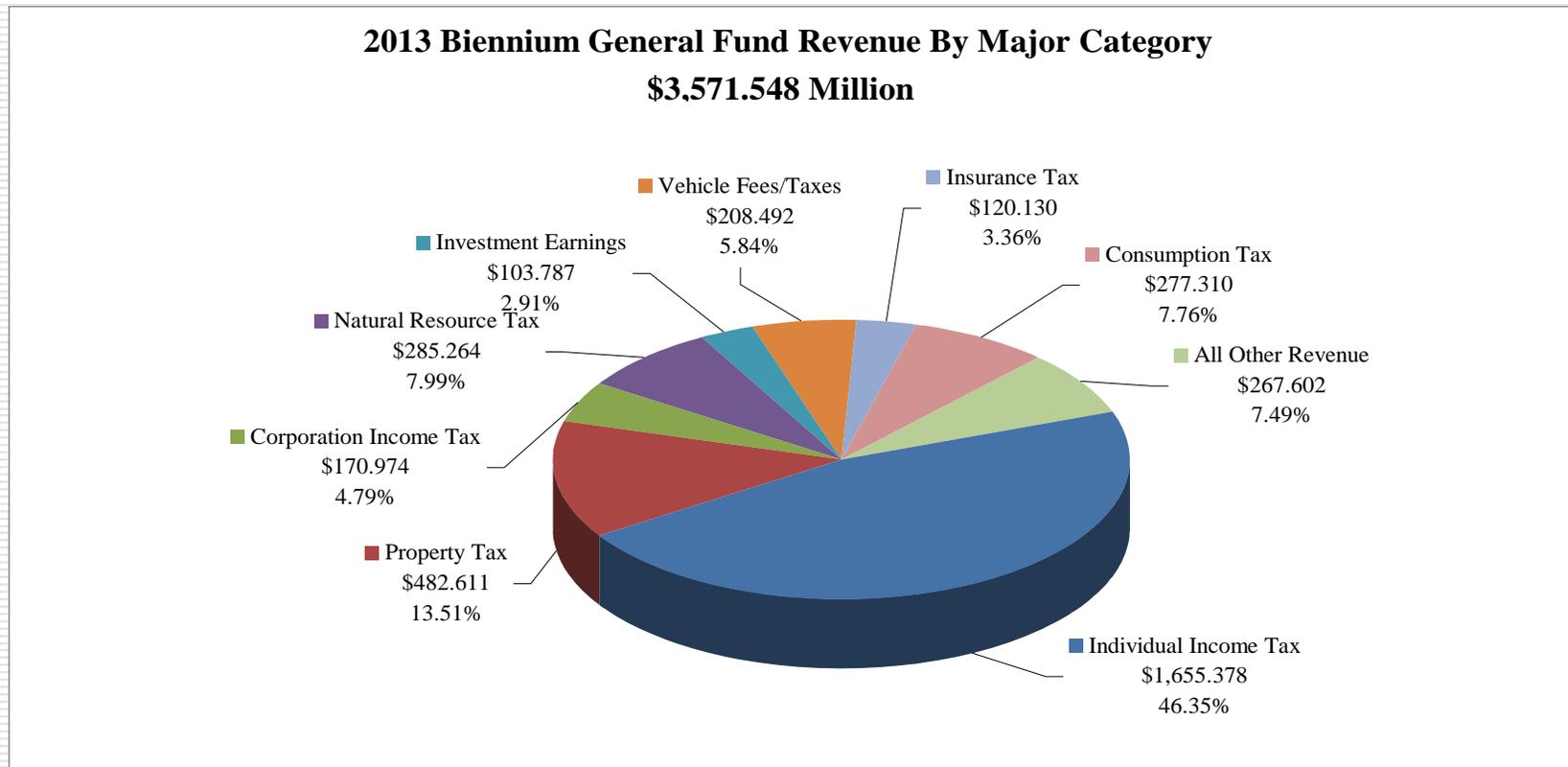
Revenue to the General Fund



Actual vs. Estimated Revenue

- ❑ Revenue currently estimated to be \$350 million less than the Legislature approved in the 2009 session
 - ❑ Base revenues are anticipated to be lower in the future
 - ❑ No significant spike in revenues forecast
-

Where does the money come from?

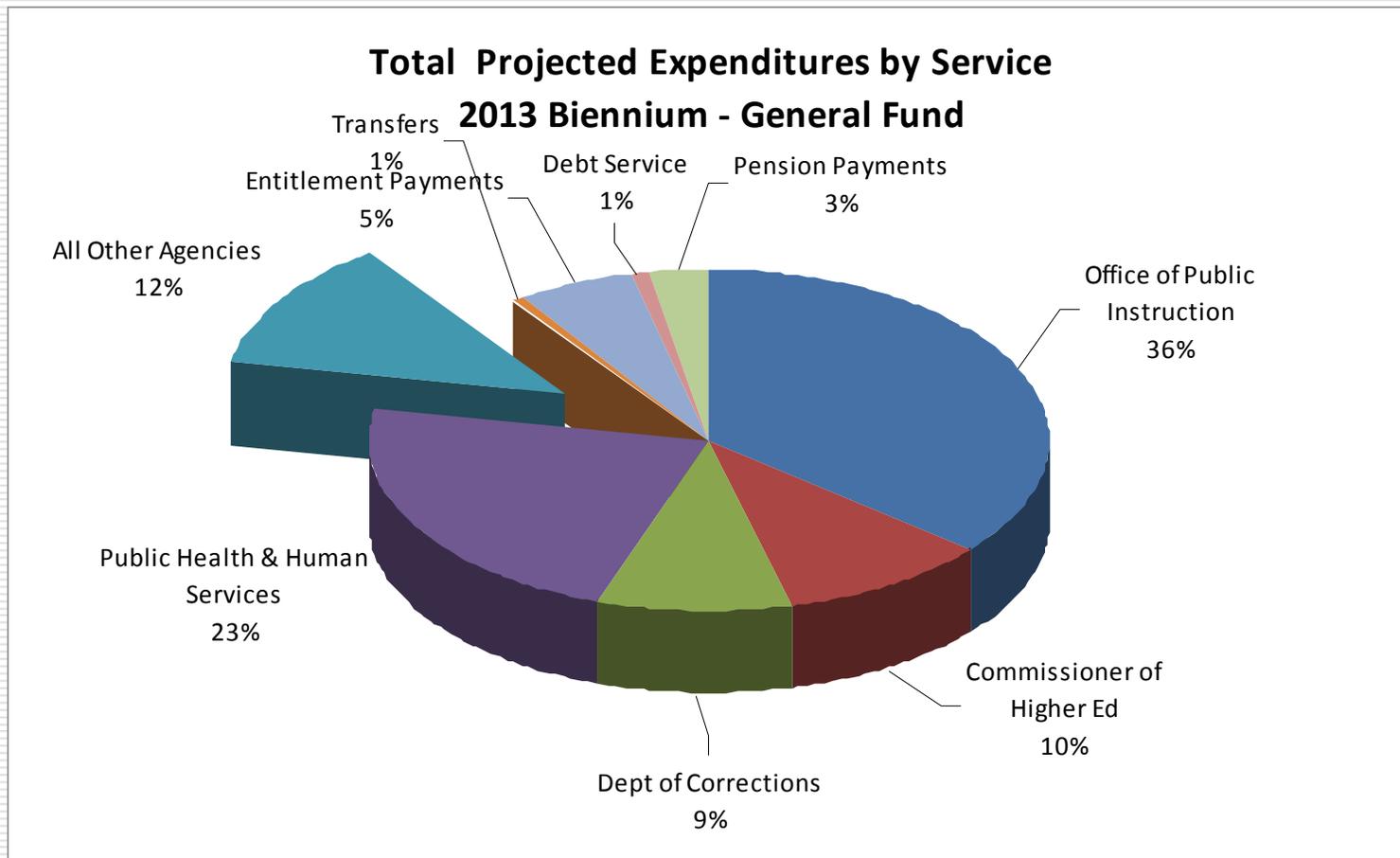


Expenditures

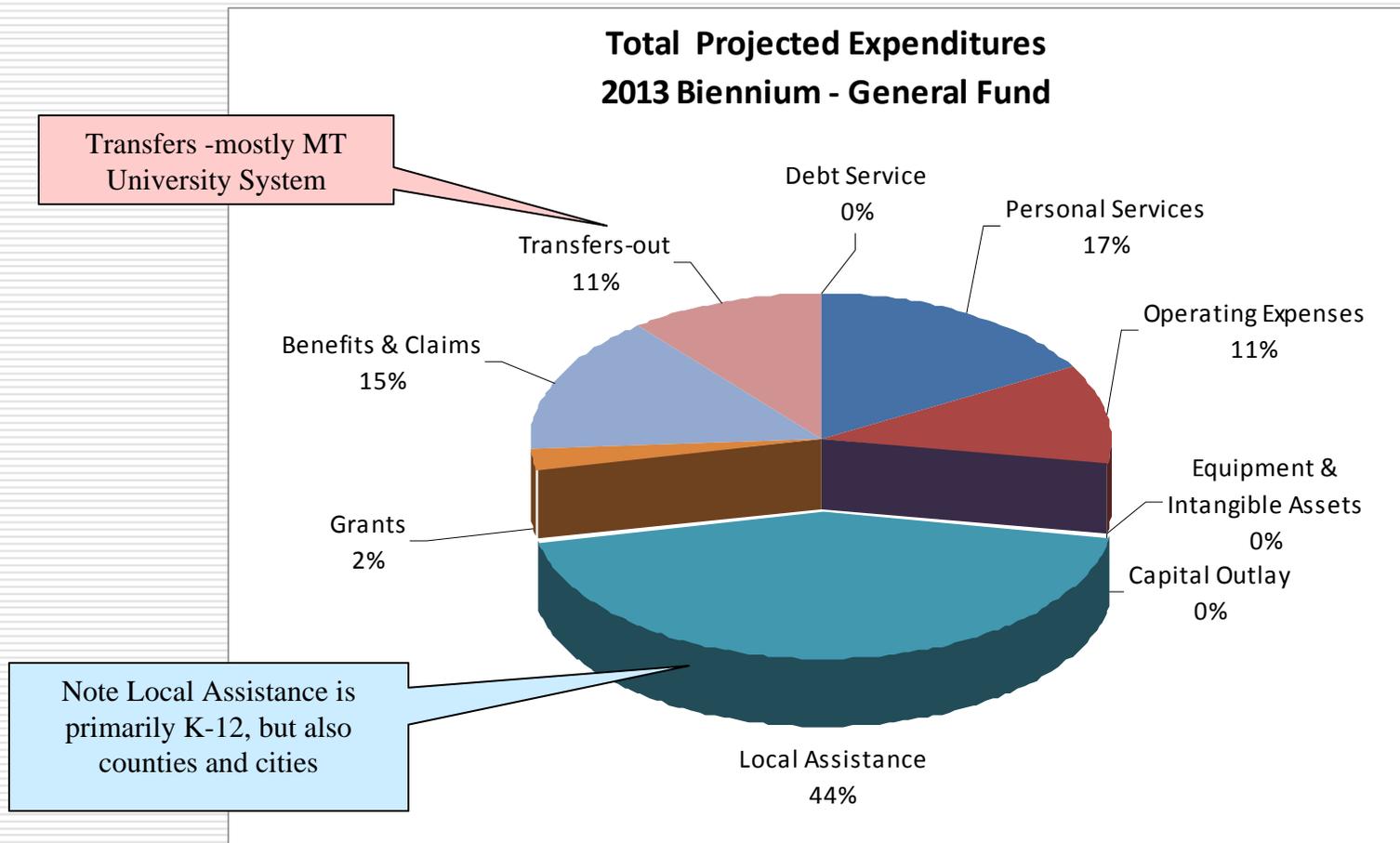
- Two ways to look at expenditures:
 - By type of service provided – e.g.
 - Education
 - Health
 - Corrections
 - By type of expenditure e.g.
 - Personnel costs
 - Operating (contracts)
 - Benefits to citizens



General Fund Expenditures by Services



General Fund Expenditures by Type



Expenditure growth

- Present Law Adjustment
 - Caseload and medical utilization
 - Statutory inflation
 - Current level of services
 - Replacement of one time services
 - Pensions
-

Examples of Current Level Services

- HB 645
 - Provider Rate increases
 - 2% for K-12 education
 - One-time tuition mitigation in the Montana University System
 - OTO funding of services in HB 2
 - Autism expansion in DPHHS
 - Pensions
-

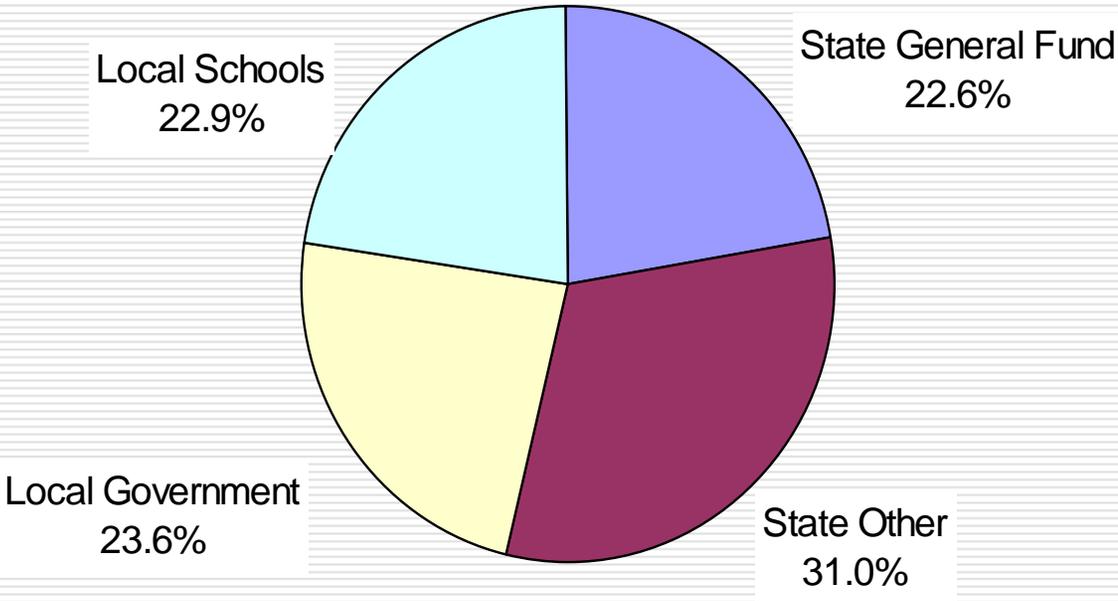
Why are pensions an issue?

- ❑ Rely on investments and saved principle to pay benefits to retired employees
 - ❑ Stock market fall between July 2008 and July 2009 eroded about a quarter of the principle of the systems
 - ❑ Can no longer assume that funds are available to pay retirees the level of benefits promised
 - ❑ Constitutional obligation to be actuarially sound
 - ❑ The total number of state, county, city, and school district employees and retirees is 82,278 or nearly 11% of the adult population of Montana
-

Pensions

- Assumptions maintain current level of benefits:
 - Employer contribution rate increases only
 - All public employers pay their own share
 - No reductions in benefits to employees
 - No employee contribution rate increases
 - SAVVA will be considering other options that LFD will cost out as available
-

Who pays for employer rate increases for pensions?



Proposed Governor's Budget Balancers = \$93 million

- About \$40 million in 17-7-140 MCA reductions (*\$13 million ongoing*)
 - 42% Human Services
 - 17% each Corrections and MT University System
 - 10% K-12 education
 - 14% all other
 - \$22 million requires legislative action
 - \$31 million additional federal aid
-

General Fund Balance

2013 Biennium

Beginning Balance with Budget Director's recommended reductions and LFD revenues (<i>in millions</i>)	\$31
LFD Revenue	3,572
Total funds available	\$3,603
LFD Estimated spending for current level services	3,968
Ending fund balance	(\$366)
Budget Gap (structural balance)	(\$397)
Fiscal policies to bring to \$100 million	(\$466)

Long-term Budget Balancers - Options

- Expenditure
 - Reduce or eliminate services
 - Fund shift
 - Shift funding to another source of revenue
 - Revenue
 - Increased fees, eliminating credits, closing loop holes, and other revenue enhancements
-

Breakouts

2:00 / 2:45 / 3:30 / 4:15

- Implementation of 17-7-140 / Overall Budget – Room 102
 - State agency budgets – Room 137
 - State/local government partnerships: K-12, pensions, entitlement share – Room 172
 - Revenue issues – Room 152
-