

OFFICE OF THE GOVERNOR  
STATE OF MONTANA

Steve Bullock  
GOVERNOR



Mike Cooney  
LT. GOVERNOR

**Balancing Montana's Budget – Legislative Proposals**

Governor Bullock has put forth a set of reasonable and thoughtful proposals to balance Montana's budget and has called the Legislature back to Helena. These proposals hinge on the basic premise of "a third, a third, a third," meaning the \$227 million revenue shortfall would be addressed through an equitable combination of cuts, revenue increases to pay the fire bill, and transfers and other legislation.

**Summary of the Call for a Special Session:**

Governor Bullock called a special session of the Legislature to begin at 12:00pm on *Tuesday, November 14, 2017* with hearings beginning on Monday, November 13. The Governor determined that a special session is in the public interest, citing a historically-expensive fire season and a revenue shortfall created by overly-optimistic revenue projections by the Legislature. In accordance with Montana law, the Governor limited the scope of the special session to legislation addressing a balanced budget, including transfers, cuts, and revenue enhancements.

**Transfer Proposals and Other Legislation:**

- Temporarily suspend the state's employer contribution to the state health plan.  
*The plan is running a surplus currently, so services will be unaffected.*
- Temporarily suspend the state's contribution to the judge's retirement system.  
*The system is currently running a surplus so retirement payouts will be unaffected.*
- Transfer cash from surpluses in a range of special revenue accounts or changing funding sources to non-general fund sources.
- Distribute new liquor licenses through an auction, rather than a lottery.  
*The free market will determine the price of a public asset, not an artificial and outdated statute.*
- Delay a grant program that was designed to kick in if the plant at Colstrip closed, and terminate other block grant programs.
- Update the state's fire assessments to offset general fund spending at the Department of Natural Resources and Conservation.  
*Wildland fire costs have shifted from just forest lands to all land types and structure protection.*
- Increase efficiency and sales timing of unclaimed property at the Montana Department of Revenue.

**Revenue Proposals to Offset Fire Costs:**

- Charge a 3% management fee for certain State Fund accounts with over \$1 billion in assets.
- Temporarily increase the tax rate for rental cars, hotels, and campgrounds.

**Proposed Cuts:**

- Proposed cuts can be found at [balancedbudget.mt.gov](http://balancedbudget.mt.gov).

| <b>Temporary Revenue Enhancements to Offset Fire Costs</b> |               |               |                       |
|------------------------------------------------------------|---------------|---------------|-----------------------|
| <u>Item</u>                                                | <u>FY 18</u>  | <u>FY 19</u>  | <u>Biennial Total</u> |
| Increase Accommodations Rate by 3%                         | 10.018        | 25.567        | 35.585                |
| Increase Rental Car Rate by 6%                             | 2.755         | 7.057         | 9.812                 |
| State Fund 3% Management Rate                              | 14.648        | 15.084        | 29.732                |
| <b>Subtotal</b>                                            | <b>27.421</b> | <b>47.708</b> | <b>75.129</b>         |

| <b>17-7-140, MCA Reductions</b> |              |              |                       |
|---------------------------------|--------------|--------------|-----------------------|
| <u>Item</u>                     | <u>FY 18</u> | <u>FY 19</u> | <u>Biennial Total</u> |
| 17-7-140, MCA Reductions        | -32.585      | -44.055      | -76.640               |

| <b>Other Budget Adjustments</b>                                      |               |               |                       |
|----------------------------------------------------------------------|---------------|---------------|-----------------------|
| <u>Item</u>                                                          | <u>FY 18</u>  | <u>FY 19</u>  | <u>Biennial Total</u> |
| Legislative Branch Reductions                                        | 0.774         | 0.774         | 1.547                 |
| Judicial Branch Reductions                                           | 1.805         | 1.885         | 3.690                 |
| Secretary of State Reduction                                         | 0.410         | 0.400         | 0.810                 |
| State Auditor's Office Reduction                                     | 0.580         | 0.538         | 1.118                 |
| Public Service Commission Reduction                                  | 0.277         | 0.248         | 0.525                 |
| Transfer from Dept. of Commerce                                      | 0.210         | 0.000         | 0.210                 |
| Transfer from DOA (SABHRS)                                           | 0.200         | 0.300         | 0.500                 |
| School Facility & Technology Account Delay and Transfer              | 3.400         | 4.800         | 8.200                 |
| Transfer from Capitol Complex Major Maintenance Account              | 2.000         | 0.000         | 2.000                 |
| Transfer from Highway Unrestricted Fund                              | 0.000         | 8.000         | 8.000                 |
| State Employee Health Insurance Rate Holiday                         | 10.470        | 0.000         | 10.470                |
| Judges' Retirement System Employer Contribution Holiday              | 0.900         | 1.800         | 2.700                 |
| State Information and Tech. Services Division Rate Reduction (6.61%) | 1.200         | 1.200         | 2.400                 |
| Eliminate School Funding Block Grants                                | 0.000         | 11.656        | 11.656                |
| Public Sale of Abandoned Property - Securities                       | 0.000         | 3.870         | 3.870                 |
| Liquor License Lottery to Auction                                    | 0.000         | 2.488         | 2.488                 |
| Freeze Coal Fired Generating Unit Closure Payment                    | 1.694         | 1.694         | 3.387                 |
| Fire Assessment Adjustments                                          | 0.000         | 13.000        | 13.000                |
| <b>Subtotal</b>                                                      | <b>23.919</b> | <b>52.652</b> | <b>76.571</b>         |

|                                     |                |
|-------------------------------------|----------------|
| <b>Total Impact to Fund Balance</b> | <b>228.340</b> |
|-------------------------------------|----------------|

| <b>FY 2017 and 2019 Biennium General Fund Status (Millions \$)</b> |                  |                  |                  |
|--------------------------------------------------------------------|------------------|------------------|------------------|
| <u>Description</u>                                                 | <u>Actual</u>    | <u>Enacted</u>   |                  |
|                                                                    | <u>FY 2017</u>   | <u>FY 2018</u>   | <u>FY 2019</u>   |
| <b>Beginning Fund Balance</b>                                      | 256.478          | 47.564           | 47.879           |
| OBPP Revenue Estimate                                              | 2,141.479        | 2,233.266        | 2,336.240        |
| Transfers-In (SB 261)                                              |                  | 31.640           | 1.640            |
| **Temp Revenue Enhancements to Offset Fire Costs                   |                  | 27.421           | 47.708           |
| **Other Legislative Actions                                        |                  | 3.677            | 15.844           |
| Prior Year Revenue Adjustments                                     | (2.111)          |                  |                  |
| <b>Total Funds Available</b>                                       | <b>2,395.846</b> | <b>2,343.568</b> | <b>2,449.311</b> |
| <b>General Appropriations Act</b>                                  |                  |                  |                  |
| HB 2 Disbursements (Adjusted for SB 261)                           | 2,004.574        | 1,986.310        | 2,033.305        |
| **17-7-140, MCA Reductions                                         |                  | (32.585)         | (44.055)         |
| <b>Non-HB 2 Disbursements</b>                                      |                  |                  |                  |
| HB 1 - Feed Bill                                                   | 8.239            | 2.210            | 9.063            |
| HB 3 - Supplemental                                                | 23.167           | 20.000           | 20.000           |
| **Other Legislative Actions                                        |                  | (20.242)         | (36.808)         |
| <b>Other Disbursements</b>                                         |                  |                  |                  |
| Statutory Appropriations                                           | 291.065          | 325.135          | 313.429          |
| Transfers                                                          | 32.090           | 20.108           | 20.693           |
| Other Appropriations                                               | 5.602            | 1.661            | (2.349)          |
| Reversions                                                         |                  | (6.908)          | (7.171)          |
| Prior Year Expenditure Adjustments                                 | (4.058)          |                  |                  |
| <b>Total Disbursements</b>                                         | <b>2,360.679</b> | <b>2,295.689</b> | <b>2,306.107</b> |
| Fund Balance Adjustments                                           | 12.397           |                  |                  |
| <b>Ending Fund Balance</b>                                         | <b>47.564</b>    | <b>47.879</b>    | <b>143.204</b>   |
| YOY Expenditure Growth                                             |                  | -2.75%           | 0.45%            |
| YOY Revenue Growth                                                 |                  | 4.29%            | 4.61%            |
| Fund Balance as a % of Total Spend                                 |                  | 2.09%            | 6.21%            |
| "Cut-To" Target                                                    |                  |                  | 143.20           |
| Trigger                                                            |                  |                  | 119.33           |