

BREAKING Governor calls lawmakers back for special session, releases list of cuts to state agencies

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BREAKING TOPICAL FEATURED

Governor calls lawmakers back for special session, releases list of cuts to state agencies

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Gov. Steve Bullock issued a call Monday to call lawmakers back for a special session to address lagging state revenues.

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Montana Gov. Steve Bullock said Monday he will call lawmakers back for a special session in the coming days to plug holes in the state budget and pay the tab for an historically expensive fire season.

Bullock also released a final list of cuts Monday to state agencies as part of his office's effort to come up with \$227 million to bring the state budget back into the black.

The list is scaled back from proposals released at the start of August that balanced the budget entirely through cuts. Bullock is now looking to lawmakers, who had criticized the governor for not showing his hand, to tackle the remaining gap through fund transfers and possible temporary tax increases. In his call for the session, Bullock identified possible temporary tax increases including a 3

percent increase to the lodgings tax, upping the tax on rental cars 6 percent and taxing the management of some State Fund operations at 3 percent.

Bullock, a Democrat, made the call for a special session after weeks of volleying back and forth with a Republican-dominated Legislature over how to address lagging revenue that left the state in a \$75 million hole at the end of the fiscal year that ended in June.

That hole got even deeper during a fire season in which more than 1 million acres burned, leaving the state with an additional \$75 million firefighting tab.

On top of that, in September the governor's budget director, Dan Villa, certified lower-than-expected revenue projections for the coming two years, which — if accurate — would put the state in an even deeper hole.

That triggered a state law allowing Bullock to cut up to 10 percent of the budget for nearly every state agency to reduce spending by \$227 million and bring the budget back into balance plus maintain a required ending fund balance of \$143 million.

Those proposed cuts prompted outcry from around the state from those who provide and receive services that would be greatly reduced or eliminated.

Monday's list was pared down from \$227 million to \$76.6 million, leaving lawmakers to address the rest of the shortfall in a special session. The session will start with hearings Monday, Nov. 13.

The burden was lessened for the three largest agencies that make up 85 percent of the state's general fund budget: the Department of Public Health and Human Services, the Department of Corrections and the state university system.

The final cuts will reduce the Department of Public Health and Human Services budget by 4.7 percent, or \$49.2 million. That's less than half of the \$105 million in state



Programs that had been on the chopping block in the proposals, such as early childhood intervention for children ages 0-3 who are behind in meeting developmental benchmarks, were spared. But a corresponding program for youth ages 3-21 will be eliminated.

Other cuts will include ending the funding for Second Chance homes, which provide housing for teen parents in Billings, Helena and Missoula.

Offices of Public Assistance will close in Chinook, Choteau, Columbus, Cut Bank, Deer Lodge, Dillon, Glendive, Malta, Red Lodge, Shelby, Sidney, Forsyth, Conrad, Big Timber, Plentywood, Fort Benton, Roundup, Thompson Falls and Livingston.

Other cuts will reduce the amount of money for targeted case management and some Medicaid reimbursements and services.

The final cuts would not touch the Office of the Public Defender, which under earlier proposals would have seen a \$6.4 million reduction that would have required ending the use of contract attorneys who handle the bulk of cases.

The Department of Corrections will see just a 1.1 percent cut, or about \$4.4 million.

The Office of the Commissioner of Higher Education, which includes the state's public higher education institutions, was mostly spared, seeing its reductions go from the \$44 million proposed to just \$4.5 million. The Office of Public Instruction will be reduced by 2 percent, or a total of \$1.6 million.

Smaller agencies and departments, like the Commissioner of Political Practices and Department of Commerce, will be cut the full 10 percent. But their budgets are just fractions of the larger divisions.

Bullock's budget director, Dan Villa, said last week his office has tried to split the \$227 million problem into thirds, with one segment being the fire bill, another being about \$75-\$80 million in cuts from Bullock and another \$75-\$80 million coming from fund transfers or temporary tax increases.

Last week Villa was optimistic a deal was close, but Republican leadership said as recently as Friday that was far from the case. Some even questioned if the revenue situation is as dire as the administration has projected.

Villa has said his revenue estimates show growth much lower than what was predicted in official projections adopted by the Legislature in April.

Based on revenue collections after an Oct. 15 deadline, Villa's office has estimated revenue growth for the rest of the year at 4.3 percent, while the estimate the budget was built on assumed growth of 6.6 percent. To climb out of the \$75 million hole in which the state started this biennium, Villa said growth would need to reach 10 percent.

Several Republicans at an interim legislative committee last month said they recognized a special session may be needed to pay the state's firefighting bill, but were less supportive of raising taxes to dig out of the revenue hole. The last special session was called by former Gov. Brian Schweitzer in September 2007 to pay for firefighting costs.

In Bullock's call for the special session he also identified a potential \$228 million in other budget adjustments such as fund transfers.

— *Reporter Erin Loranger contributed to this story.*



Partisan battle over state budget shortfall escalates