

**Remarks for Governor Steve Bullock
Special Session Call – As prepared for delivery
Monday, November 6, 2017**

Good afternoon. Thank you all for being here.

Montanans expect their leaders to be responsible with taxpayer dollars and to spend them in areas that benefit Montana families, workers and local communities. Since I took office, I have insisted on fiscal discipline - to not spend more than we take in, to follow best practices, and to maintain our sterling bond rating.

This approach has served Montana well and by many measures our fiscal health is the envy of the nation.

At the start of the last legislative session, I proposed a balanced budget that took into account declining revenues and included ways to balance spending on essential services like education, healthcare and public safety through a set of modest revenue enhancements. It would have left \$300 million in the bank.

On party-line votes, the legislature rejected my budget and instead relied on a revenue estimate that was unrealistic to the tune of 100 million dollars to build their budget – a budget that spent more than what I had proposed.

Revenues are not coming in as they projected.

Moreover, we did not budget for what turned into the most expensive fire season in Montana's history. But an extreme drought, combined with unpredictable weather and strained federal resources have led us down a path where the state depleted its fire fund and then some.

Now, Montana's economy is pretty darn strong. Our unemployment rate hovers a historic low, more Montanans are working than ever before in our state's history, wages are increasing, and we lead the nation in manufacturing growth.

But the revenue that funds government doesn't reflect this growth.

Now, over the last decade government spending has increased - in areas such as public education, child protective services, healthcare, and other essential services. Moreover, unanticipated crises, such as aquatic invasive species, have required additional expenditures. All these areas of additional spending were passed by the Legislature.

Because the Legislature already takes a fine tooth comb to the budget during the regular session, it is difficult, if not impossible, to make any additional cuts without directly affecting services. And, when it comes to state employees, there are fewer full time state employees today when I took office.

A little over two months ago the budget office certified to me that revenues were indeed coming in lower than projected by the Legislature, and, to get back to a legal budget, we would need to cut approximately \$227 million over the next two years.

By law the state of Montana must have a balanced budget. As governor, I do have the authority to cut our way out of a budget deficit. But I can only cut out of general fund dollars, 85% of which go to the Department of Public Health & Human Services, Department of Corrections, and primary, secondary and higher education.

After I reviewed the proposals from agencies to cut their budgets up to 10%, it became clear to me that these cuts would have long-lasting and damaging impacts to essential services Montanans depend on and deserve.

In order to be as transparent as possible, we posted the cuts recommended by the departments and set out to talk to Montanans about what these cuts would mean. These weren't just cuts to bureaucracy – these were cuts that would harm real people.

As the reality of what these cuts would do to services Montanans rely on began to sink in, we have been hearing from folks all across this state, asking for a more responsible path forward. Groups like the Montana Economic Developers Association, who fear cuts alone will negatively impact Montana's economy;

The Montana Hospital Association, who warns the cuts threaten all the progress we've made to provide folks affordable access to healthcare;

Local officials who worry their ability to borrow could be at risk if the state's credit rating is downgraded because of poor fiscal management;

Montana students who have urged us to increase revenue, not tuition;

And prominent Montana business owners who recognize these cuts could adversely affect their employees and their communities.

All of these folks recognize there is a more responsible way to balance our state's budget.

Over the last several weeks, my office has negotiated in good faith with legislators on both sides of the aisle. Most Republicans and Democrats agree the cuts I would be forced to make would hurt some of Montana's most vulnerable populations.

Most agree that they that they have an obligation to pay for their unanticipated fire bill, not by cutting programs that just six months ago Democratic and Republicans thought important.

They agree there must be a better way. And, they recognize that, without working together, I am left with no other choice but to implement \$227 million of cuts.

I have put forth a set of reasonable and thoughtful proposals to balance Montana's budget for consideration by the Legislature.

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 our fire bill, and transfers and other legislation.

This has been the framework under which we have spent the last month negotiating details. For weeks they have worked within their caucuses to discuss the ideas and solutions my office has brought forward.

They have said no to many, they have said yes to some, yet this proposal represents where my negotiations with members of the Republican and Democratic Party Leaders stand.

No one believes there is a perfect solution, a solution that will make everyone happy, but we agree on more than we disagree.

Make my no mistake, these cuts I'm proposing are a heck of a lot better than the full 10% proposed.

We have worked hand in hand with folks who would be directly hurt by these cuts to find ways to make them less impactful.

And we will continue to dig into the details over the course of this week. But we are running out of daylight – we must have a solution by the 27th of November.

I believe we are moving towards a reasonable and responsible compromise, and legislative leaders on both sides of the aisle are aware that I am calling the Legislature back to Helena for a special session to begin Monday, November 13. I anticipate a quick and productive session.

As with many compromises reached here in our state's capitol, not everyone will get everything they want in this proposal.

There are cuts I would prefer not to make, and if I had my way, I would create permanent tax fairness for middle-class Montanans instead of only temporarily increasing revenue.

But as elected officials, we are elected to responsibly govern on behalf of all Montanans – and to allow the perfect be the enemy of the good, and instead do nothing, would be irresponsible.

It's time Montana leaders fulfill our responsibilities to the people we represent and balance our budget in a way that makes sense for Montana taxpayers, workers, and families.

We are here to serve Montanans and they expect us to work together on behalf of Montana in good times and in bad.

I am confident legislators recognize that the budget that they passed funded services that Montanans rely upon and that's what makes me hopeful that they will do the right thing and reach a deal.

I look forward to resolving our budget situation by the end of the month and then refocusing on growing Montana's economy, creating more good-paying jobs, and investing in the health of our communities.

Details of the proposal are available online at www.balancedbudget.mt.gov, and for those here today there are copies available to you.

Thank you, and I will be happy to answer any questions.

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