



**GOVERNOR  
STEVE BULLOCK  
STATE OF MONTANA**

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**Governor Budget Highlights  
Fiscal Years 2014-2015**

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Governor's Office of Budget  
and Program Planning



## **The Bullock Budget**

Montana's economy continues to outpace the nation and, working together, Governor Bullock believes the Executive and Legislature can ensure that continues to be case. The Governor believes that if we invest in working families and small and medium sized Montana-based businesses, we'll grow our economy, create jobs, and build an even brighter future.

In order to accomplish this, the Governor requests in the strongest possible terms that the Legislature follows his lead and use the following principles as it constructs a budget for his consideration:

- 1. The General Fund should have a minimum \$300 million ending fund balance on June 30, 2015.**
- 2. The General Fund budget should be structurally balanced.**
- 3. Long-term liabilities and essential services should be addressed before creating new programs or tax expenditures.**

Adopting these three measures of fiscal responsibility will ensure a strong financial foundation for the State of Montana and reinforce a shared, bipartisan commitment to moving Montana forward.

**OFFICE OF THE GOVERNOR**  
STATE OF MONTANA

STEVE BULLOCK  
GOVERNOR



JOHN WALSH  
LT GOVERNOR

January 7, 2012

To the People of Montana and  
the Honorable Members of the Sixty-Third Legislature:

I am pleased to present my proposed budget for the 2015 biennium. This budget emphasizes the priorities to move Montana toward an even brighter future.

In accordance with constitutional and statutory requirements, the Governor –Elect is to submit to the Legislature a budget detailing expenditures and revenues. This budget will permit the State of Montana to continue to live within its means and will offer sustainable solutions to fund state services.

I submit this budget with the plan to create good paying jobs throughout Montana by cutting taxes for small and medium sized businesses, investing in public education and job creation, and freezing tuition for Montana's families.

My budget will continue to emphasize our shared responsibility to every Montanan, regardless of their situation in life, and will also provide for the fair and consistent collection of state tax revenues.

Attached is my budget proposal. I look forward to working with you in the upcoming legislative session.

Sincerely,

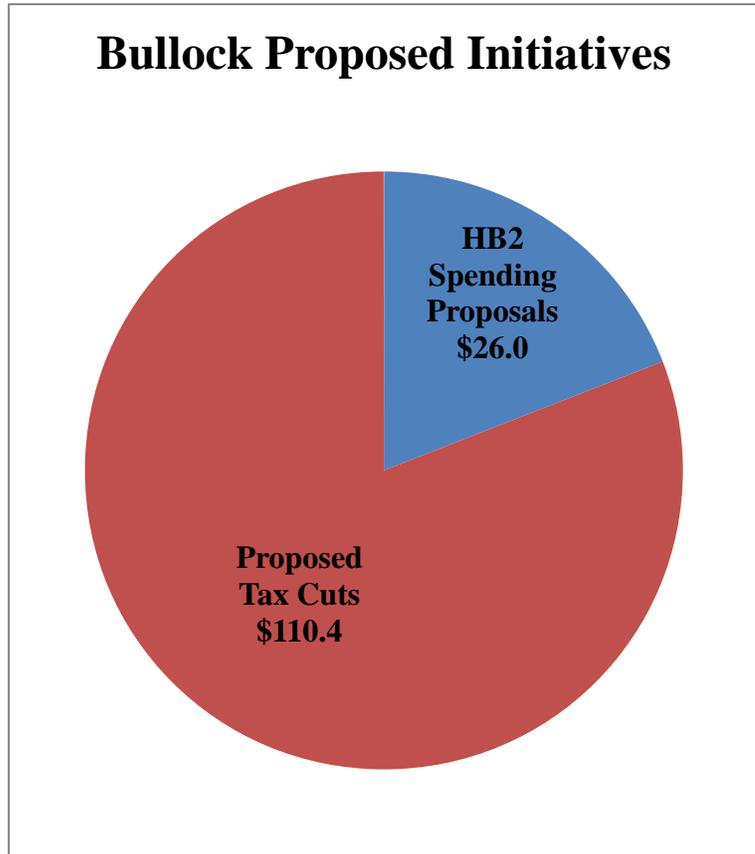
A handwritten signature in black ink, appearing to read "Steve Bullock".

Steve Bullock  
GOVERNOR

## Budget Overview

Creating good paying jobs is a top priority for Governor Bullock. We can create these jobs through cutting taxes for Montana's small and medium sized businesses, investing in much needed infrastructure, addressing Montana's pension deficit without increasing taxes, enhancing early childhood education, and emphasizing investment in public education.

Budgets are about priorities, and the Governor therefore insists that Montana families and small businesses come first. Any legislator who wants to utilize the budget to create jobs and cut taxes for the people who need the relief the most can expect to find a willing partner in Governor Bullock.



**Investing in Main Street** -- Governor Bullock proposes over \$110 million in tax cuts and rebates in his first budget by requesting a reduction in the Business Equipment Tax and providing a \$400 rebate to every Montana primary homeowner. The Bullock Administration will oppose legislation which shifts taxes to Montana Main Street businesses or homeowners to the benefit of out-of-state corporations.

**Better Schools** -- Montana can be proud of our education system. Among the best indicators of our public schools successes are that Montana 8<sup>th</sup> graders outperform every other state in reading, score 2<sup>nd</sup> highest in the nation in science, and had the top scores in math on the National Assessment of Education Progress (NAEP - <http://nces.ed.gov/nationsreportcard/states/>). Moreover, Montana's Class of 2012 again beat the national average on the ACT.

The students of today are the entrepreneurs of tomorrow. We must do all we can to invest in our future by investing in their education.

Governor Bullock proposes to invest in Montana's schools by:

- Increasing the Quality Educator Payment made to Montana schools by \$6.7 million in the 2015 biennium. This will prevent increases in local property taxes, which would be required if the funds were allocated to increases in the per ANB and Basic Entitlement. Moreover, as the dollars track the number of educators, the bulk of these dollars will go to the larger districts where the immediate need is most pronounced.
- Providing a \$6 million one-time-only appropriation to schools for technology acquisition and modernization.
- Investing \$2 million of ongoing funds in early childhood education through the proven “Stars to Quality Program” at the Department of Public Health and Human Services. Studies consistently show that the most effective way to improve long-term student performance is to invest in children’s early learning and school readiness.
- The Jobs for Montana’s Graduates (JMG) program at the Montana Department of Labor and Industry has been consistently recognized as among the best in the nation. 98% of JMG Seniors graduate high school compared to Montana’s state rate of 82.2%. 94% of these graduates go onto jobs, military, or post-secondary education. The Governor, therefore, proposes to increase funding by \$120,000 general fund per year to continue to support and enhance this successful program.
- Directing Lottery proceeds to the Quality Schools Facility and Technology Account, which returns revenues from the Lottery to schools as the voters intended.

But a solid early, elementary, and secondary education is not enough. Montana needs a world-class university system to be competitive. Governor Bullock supports and proposes:

- \$5 million in one-time-only funds to ensure transferability among all Montana University System campuses with a Universal Enrollment System.
- \$2 million one-time-only funds to expand dual enrollment, access, and affordability to Montana two-year campuses.
- \$2 million one-time-only funds to develop and implement wrap around services for returning Montana servicemen and women within the MUS.
- Increasing funding for Montana University System infrastructure assistance by \$9 million.

The Executive recommends additional state support for the already introduced HB 14 for construction of necessary educational infrastructure within the University of Montana and Montana State University family of campuses.

**More, Higher Paying Jobs** -- Governor Bullock supports responsible natural resource development and understands the importance of supporting communities that are significantly impacted from growth. The Governor is proposing to create the Municipal Infrastructure Grant Program with \$15 million one-time-only funds. The program is specifically created to provide matching funds to impacted cities and towns that do not currently share in the revenues that county governments and school districts receive from oil and gas development.

The Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR) provide matching funds to Montana businesses whose innovation and entrepreneurship garner national recognition through additional grant awards. The Governor, in line with his belief in helping Montana businesses first, is proposing \$375,000 per year in one-time-only general fund support for this grant matching program at the Montana Department of Commerce.

Further, the Governor proposes to change funding for the Veterinary Medicine program and financial support for Montana Tech's PhD program to general fund from Research and Commercialization state special revenue funding. This will guarantee an additional \$1.6 million in support for Montana's next generation of high-tech startups while ensuring we still make the necessary investments in education.

The Governor also proposes \$1 million in grant funds to support the jobs of tomorrow through innovative biomedical research. The grant may be used to expand, renovate, or purchase equipment for biomedical research.

**Access Health Montana: Made In Montana Health Care Solutions** -- Health care is vital to our lives and to our state's economy. Too many Montana families routinely go without care and often are only one medical crisis away from bankruptcy. The costs of providing medical care for uninsured Montanans are passed on to all of us to cover the costs of uncompensated care provided by our community hospitals and medical professionals. The most recent data available shows that the costs of providing charity care to uninsured patients in our larger hospitals increased 70% over a five-year span.

Governor Bullock is committed to working with stakeholders and the Legislature to address the challenges of improving access, affordability, and quality of health care for all Montanans. We can and should find solutions that are tailor-made to the needs of Montana and our citizens.

We have an opportunity to increase coverage and access to health care for more Montana families and adults. Through the *Access Health Montana* initiative, we will create a delivery and compensation system that is patient-centered and focused on coordinating care and improving health rather than simply treating illness. This will allow us to begin to control and ultimately lower the costs of health care. We can take

meaningful steps to address these issues by utilizing resources available from the federal government. In the current biennium, we will achieve a projected savings of approximately \$11 million from existing services to be reinvested in the *Access Health Montana* initiative to enhance healthcare access and affordability throughout the state. We will couple this investment with strategies to identify and implement reforms to the Medicaid system over the longer term. The Governor intends to proactively work with the Legislature and stakeholders in that reform initiative.

Improving health care access also requires that Montana physicians are available. Through the WWAMI program, 20 Montanans attend their first year of medical school each year at MSU and then continue to studies at the University of Washington. This program has proven successful in attracting and retaining physicians in our state, but the number of available positions has not increased in 25 years. Governor Bullock's budget provides funding to increase the positions to 30 annually. Over four years, this will put 40 more Montanans in the program (for a total of 120 at any given time). The Governor is also proposing to increase support for doctoral residency programs throughout Montana through the Office of Commissioner of Higher Education as part of *Access Health Montana*.

Finally, the Governor supports a 2% provider rate increase in both FY 2014 and FY 2015 as part of the *Access Health Montana* initiative to ensure availability of quality service providers across the state. Together, additional education, coverage, and access to quality providers will help create a healthier Montana workforce.

Healthier and better educated Montanans will contribute to a stronger Montana economy. While the challenges are significant, so too are the opportunities. We must work together to fashion Montana-made solutions. We can begin this process by supporting *Access Health Montana*.

**Protecting Montanans' Private Information** - Montana can learn from the mistakes of other states and become more proactive in addressing them. South Carolina was recently the victim of a major IT security breach that will cost that state, for example, millions of dollars. The Governor is recommending the Legislature appropriate \$2 million in one-time-only funds to expand and enhance measures to address potential security gaps in the State of Montana's IT systems and networks designed to prevent hackers from gaining access to confidential individual Montanan's information.

## Legislation Review

Governor Bullock proposes the following legislation to implement the Executive Budget.

**Investing in Main Street: \$400 property tax refund to Montana Homeowners** – Through sound fiscal management, the State of Montana has over \$400 million of general fund balance. The Governor proposes sending a portion of that fund balance back to Montana citizens. This is a one-time \$100 million tax-rebate of taxes paid by homeowners in Montana for their primary residence, not out-of-state corporations or second-homeowners.

These funds will be spent in our communities on Main Street by Montanans. The program provides immediate relief to Montanans, without creating instability in our long term revenue stream and without disproportionately sending the dollars to out of state corporations that benefit economically from doing business in Montana.

**Eliminating the Business Equipment Tax for Approximately 11,000 Small Businesses** – The Governor proposes to eliminate the business equipment tax on approximately 11,000 Montana Main Street businesses by raising the threshold to \$100,000 from the current \$20,000. The Governor further proposes to reimburse local governments and schools for the loss in revenue to prevent tax shifts to homeowners and other small businesses. This tax cut will provide additional capital to hire employees, make improvements, expand inventory and make other investments in Montana businesses.

**Jobs and Opportunity by Building Schools (JOBS) Bill** – The Governor proposes to create over 2,400 immediate jobs with a total economic impact in excess of \$300 million across Montana by utilizing historically low interest rates to invest in Montana’s education system, preserving our history, and protecting the public.

Projects include:

- \$29 million for construction of a new Missoula College
- \$20 million for Romney Hall Renovations at Montana State University
- \$10 million for construction of a Science and Instructional Technology Building at Montana State University – Billings
- \$5 million for construction of a Natural Resources Research Facility at Montana Tech
- \$4.9 million for construction of a new Automotive Technology Center at Montana State University – Northern

- \$4 million to complete renovations of Main Hall at University of Montana – Western
- \$1 million for maintenance at Great Falls College
- \$1 million to construct a new Joint Operations Center in Butte
- \$23 million in new authority to build the Montana Heritage Center in Helena

These funds will be leveraged with additional private and designated funds for construction. The Montana University System, University of Montana, and Montana State University campuses are required to raise a total of \$75.3 million in other funds to match state funds for these facilities. It further requires the Montana Historical Society to raise \$5.5 million in private, donated funds in order to begin construction.

**Access Health Montana** - The Governor supports additional access to quality, affordable healthcare by supporting additional primary care doctor access through expanded residency and student WWAMI opportunities, expanding compensated medical coverage and reducing cost shifts in health care costs, and ensuring sustainable, ongoing, and fair compensation to health care providers. The Governor looks forward to discussing Medicaid reform with the Legislature with the ultimate goal of creating a more effective health care delivery system for all Montanans.

**School Funding – Increasing Funds to Schools without Increasing Taxes** -- Governor Bullock proposes to increase aid to K-12 schools with a \$6.7 million increase to the Quality Educator Payment to all Montana schools. As a necessary component of Montana’s constitutional school funding formula and one of only a few that does not mandate a local property tax increase, the Governor believes the Quality Educator Payment is an effective way to invest in Montana public schools without causing local property tax increases.

**Returning Lottery Revenue to Education** – The Montana Lottery was created by the voters in 1986 to help fund Montana schools. However, in the 1990s the Legislature began diverting the revenues from schools to fund general government operations. Governor Bullock proposes to dedicate Lottery revenues to the Quality Schools Facility Program, returning Lottery profits to schools as was intended by the voters.

**Impact Funds for Growing Communities** - There are impacts on homeowners, small businesses, and communities undergoing rapid growth. Just as Missoula, Bozeman, Kalispell, and other towns had large population booms in the 1990s leading to strains on public infrastructure, so to has Eastern Montana. The difference is that this time, impacted communities have a ready and willing partner in the Governor.

The Governor is proposing creation of a \$15 million grant pool at the Department of Commerce to aid oil and gas development impacted communities maintain or enhance their water, sewer, or transportation systems. These funds will also be leveraged with other state, federal, and private grants to turn \$15 million into millions more. Finally, the Governor has directed these funds be targeted to the areas of most need in impacted cities and towns who do not currently share in the oil and gas wealth distributed to local governments.

**Fixing the Public Pensions without Increasing Taxes** – Article VII, Section 15 of the Montana Constitution requires the pension systems to be funded in “an actuarial sound basis”. However, the systems have unfunded liabilities in the hundreds of millions of dollars. The Governor proposes a balanced approach that would require additional contributions from employees and employers, combined with appropriation of funds from the State of Montana’s natural resource revenues. This approach would put the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS) on the path to actuarial soundness and fiscal solvency without increasing taxes.

The Governor also looks forward to working with the Legislature, public employees, and public employers to identify and prevent abuses in the system, which will contribute to making the systems actuarially sound.

The TRS proposal includes a mix of benefit changes for new employees which mirror those of the PERS. The Governor’s Proposal is outlined below for the TRS.

<b>Teachers Retirement System (TRS)</b>	
Employee Contribution Increase	1% to a maximum of 8.15%
Employer Contribution Increase	OTO approx \$14.7 million sweep of excess retirement reserves and permanent tax cut of 15% from the permissive Retirement Levy
State Natural Resource Revenues	First \$25 million per year from coal, oil, gas, timber and other lease and payments from state lands from the Guarantee Account
Years of Service Requirement	30 years from 25 years for employees hired on or after July 1, 2013
Benefit Calculation	5 years Highest Average Compensation from 3 years Highest Average Compensation for employees hired on or after July 1, 2013

Unlike previous proposals to fix the Public Employees’ Retirement System, Governor Bullock’s proposal is supported by the Montana Association of Counties and the Montana League of Cities and Towns. All have agreed to support the Governor’s Proposal and to oppose conversion or closing of the current Defined Benefit Plan to a hybrid, cash-balance or any other Defined Contribution Plan.

<b>Public Employees Retirement System (PERS)</b>	
Employee Contribution Increase	1% to a maximum of 7.9%
Employer Contribution Increase	1% to a maximum of 7.9%
State Natural Resource Revenues*	Allocates up to \$21 million of the spendable interest from the Coal Tax Permanent Trust and dedicates up to \$18 million of Coal Severance Tax Revenues to PERS on behalf of state and local public employers and employees
Years of Service Requirement	Remains at 30 years
Benefit Calculation	Remains at 5 years Highest Average Compensation

*\* In order to accommodate additional revenues from the Coal Tax Permanent Trust, local government groups have agreed to change the dates of accrued principle to the Treasure State Endowment Trust and the Renewable Resource Trust within the Coal Tax Trust to 2017*

## **Revenue Estimates and Assumptions**

Public policy makers have an opportunity and an obligation to use the most recent information available to them as they begin deliberating and crafting a budget that will impact all Montanans over the next two years. As a result, OBPP has revised its estimates released six weeks ago to more accurately reflect the budgetary circumstances facing the Sixty-Third Legislature.

In summary, the Governor budget is based on assumptions about economic conditions through the 2015 biennium. The wake of the prior two biennia of extraordinary economic turmoil makes clear that uncertainty presents inherent risks that must be accounted for when selecting forecasts on which to base revenue estimates. Before the 2013 biennium, the consensus of forecasters was that the economy would avoid a “double-dip” recession and would experience slow growth, which ultimately proved to be correct. In the near-term (through FY 2013), the general consensus of forecasters is for slow growth on par with the last two years. In the longer term, IHS Global Insight and the U.S. Federal Reserve Bank forecasts point to modest real growth that slowly accelerates through CY 2015.

Caution also needs to be taken in assuming a repeat of the October 2008 to April 2009 plunge in economic output. Before the “Great Recession’s” unprecedented declines, signals were present between August 2007 and October 2008 that the economy was beginning to unravel, after imbalances developed over the housing and finance bubbles of 2003 to 2007. The recession also exposed other structural weaknesses in the economy thereby allowing forecasters to evaluate and address any risks. Forecasters, having been challenged by the “Great Recession,” appear to be better conditioned to look for rare and unanticipated events and appear to be more conservative in their outlooks. This should limit downside forecasting risk.

Uncertainties remain, as always, as forecasters try to identify the source for the next economic “shock” and how that might work its way through the economy. Currently, optimistic scenarios point to increased consumer savings and pent-up demand leading to increased economic activity. Pessimistic scenarios see the risk of sovereign debt default rising, fiscal cliff implications occurring, and the emergence of trade disputes holding back growth. Most forecasters recognize the “working out” of the housing bubble with households’ and financial sector firms’ rebuilding of balance sheets leading to a slower than usual post-recession economic recovery. These scenarios also recognize that federal fiscal issues will need to be addressed in the mid-term.

With these considerations in mind, the Governor proposes changing the revenue estimates for only two tax types based on more current data and forecasts. These changes can be seen in the following tables and are specifically described further below.

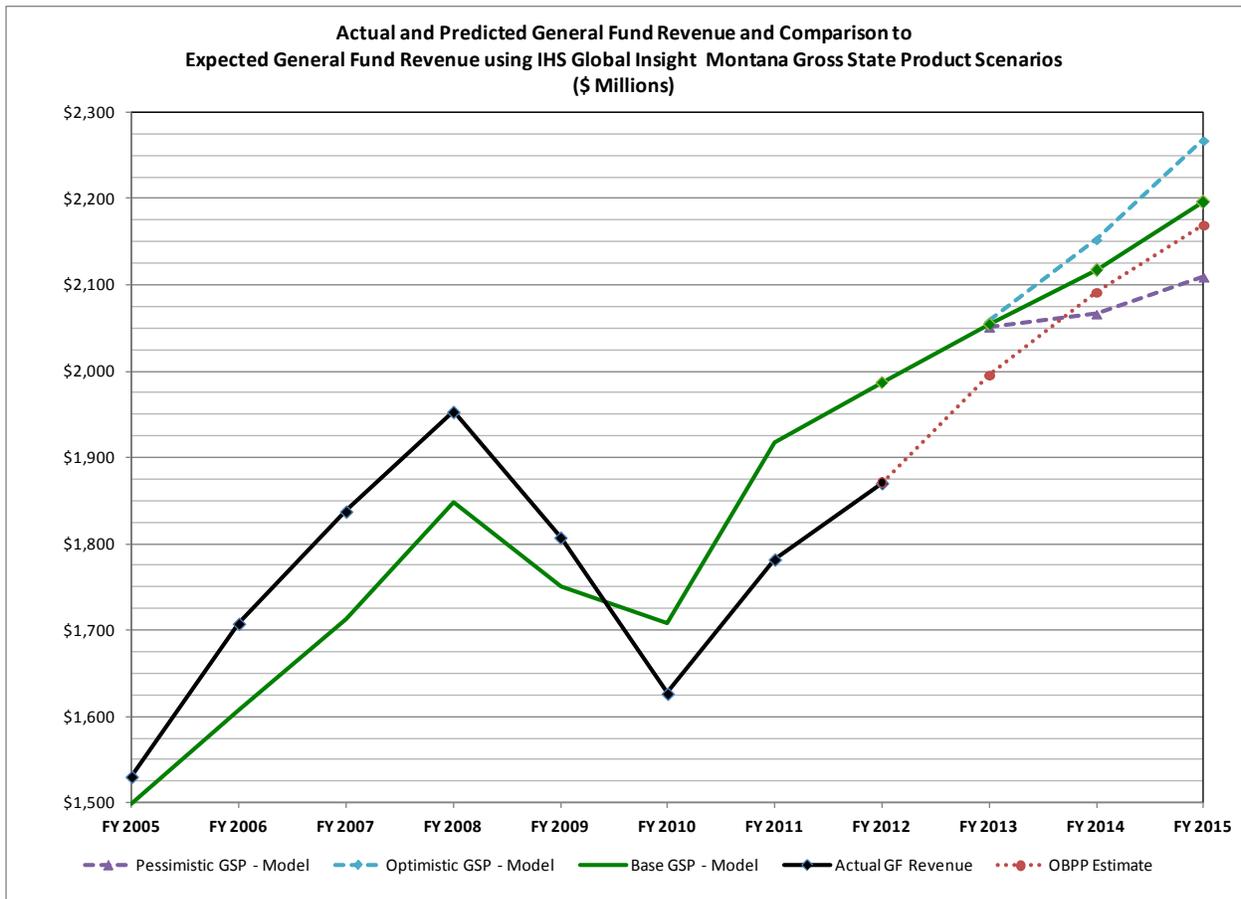
<b>Revenue Estimates (\$ Millions)</b>					
	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>Three-Year 15 Biennium</b>	
General Fund Estimate - Nov. 15	1,978.75	2,056.45	2,119.02		
General Fund Estimate - Jan. 7	1,994.78	2,089.62	2,166.06		
<b>Change</b>	<b>\$16.03</b>	<b>\$33.17</b>	<b>\$47.04</b>	<b>\$96.24</b>	<b>\$80.21</b>
<b>Change by Tax Type</b>					
	<b>FY 2013</b>	<b>FY 2014</b>	<b>FY 2015</b>	<b>Three-Year 15 Biennium</b>	
Individual Income Tax - Nov. 15	960.51	1,011.16	1,070.24		
Individual Income Tax - Jan. 7	975.62	1,037.78	1,107.66		
<b>Change</b>	<b>\$15.11</b>	<b>\$26.62</b>	<b>\$37.42</b>	<b>\$79.15</b>	<b>\$64.04</b>
U.S. Mineral Royalties - Nov. 15	35.23	29.25	26.08		
U.S. Mineral Royalties - Jan. 7	36.15	35.80	35.71		
<b>Change</b>	<b>\$0.92</b>	<b>\$6.55</b>	<b>\$9.63</b>	<b>\$17.09</b>	<b>\$16.18</b>
<b>Total Change</b>	<b>\$16.03</b>	<b>\$33.17</b>	<b>\$47.04</b>	<b>\$96.24</b>	<b>\$80.21</b>

**Individual Income Tax** -- The individual income tax estimate has been revised due to the following: 1) changes attributable to the historical counts of the number of taxpayers; 2) changes attributable to the growth rate used for projecting pension income; and 3) use of the most current IHS Global Insight forecast. While the correlation used for projecting the number of full-year resident taxpayers was not changed materially (i.e. growth in the size of the Montana labor force), the basis for the projection (i.e. the number of full-year resident taxpayers in prior years) was updated to ensure that a consistent definition was used for TY 1998 through TY 2011. This accounts for approximately 35% of the change in the individual income tax estimate. In the prior model used for the November 15th revenue estimate, the growth in pension income was thought to be over-projecting. Upon further review of the time series, the pension income growth estimate was adjusted to be consistent with the growth experienced in post-recession periods (i.e. late 1990s and early 2000s), and the growth in the Montana population over 65 years of age. This accounts for about 50% of the change in the estimate. The final source of change in the estimate is due to using updated IHS Global Insight forecasts. The data used for the November 15th revenue estimate rely on the October 2012 forecasts. This estimate uses the December 2012 national and state forecasts. The change in IHS Global Insight forecasts accounts for about 15% of the change in this estimate. The cumulative three-year impact of these changes increases the estimate by 2.6%.

**US Mineral Royalties** -- The US Mineral Royalties revenue estimate is increased by \$17.1 million during the three-year forecast period due to the following: 1) 2012 federal fiscal year data were made available to OBPP after the November 15th revenue estimate was released, which increased the revenue estimate for January 7th; 2) bonus payments made early in FY 2013 had a small impact on the estimate, while updated coal production and price figures for federal lands increased the estimate significantly; and 3) actual reports for royalty payments for natural gas for federal fiscal year 2012 increased, thereby leading to an increase in estimated revenue for FY 13 and beyond. Moreover, with federal fiscal year 2012 data accounted for, it has become clear that the negative state revenue for the previous year was an anomaly and was excluded from the updated estimate. The cumulative three year impact of these changes increases the estimate by 18.9%.

**Sensitivity of Revenue Estimates to Economic Scenarios** -- In assessing the sensitivity of OBPP's estimates to the IHS Global Insight scenarios, and to evaluate the reasonableness of the estimate derived by aggregating the December 2012 independent tax type estimates, a simple model that examines the relationship between general fund revenue and lagged Gross State Product (GSP) throughout the FY 1969 to FY 2012 period was loaded with October 2012 IHS Global Insight baseline, optimistic, and pessimistic GSP scenarios. Adjustments were made to the time-series to help ensure comparability over the period. Specifically, we addressed the changes in the national income and product accounts classification system, as well as the treatment of school equalization account revenue.

Relative to the baseline scenario the expected revenue path under each scenario is presented in the following graph. Because of the one-calendar-year (GDP) lag in the model, the estimates for FY 2013 show little difference (+\$4/- \$3 million). The optimistic scenario (upper light blue dashes) renders approximately \$36 million more in FY 2014 than the baseline estimate (green line) and approximately \$72 million more than baseline in FY 2015 for a biennial total of \$108 million above the baseline estimate. The pessimistic model (purple lower dashes) in turn shows a reduction from the baseline of \$50 million in FY 2014 and \$86 million in FY 2015 (a reduction of \$136 million relative to the baseline).



The model output was then compared to the current summed individual tax type estimates. These are presented on the graph as the tight dotted red line. The black line represents actual collections through FY 2012. The comparison shows that the estimate for FY 2013 is approximately \$58 million below the baseline model. In FY 2014 it is \$25 million below, and in FY 2015 it is \$25 million below baseline. These estimates are between the IHS Global Insight pessimistic and optimistic scenarios for Montana and below what the base GSP model would suggest. This suggests that OBPP has reasonable and conservative revenue estimates for the forecast period.

OBPP has taken a pragmatic approach to building these revenue estimates for the biennium based upon the best available data to date. The following page displays actual general fund FY 2012 revenue and estimated revenue by tax type (as of January 7th) for FY 2013 – FY 2015.

**Proposed FY 13 and 2015 Biennium General Fund Balance Sheet - January 7**

<u>Description</u>	<u>Actual</u>	<u>Enacted/Proposed</u>	<u>Proposed</u>	
	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>
<b><u>Beginning Fund Balance</u></b>	341.875	453.180	449.464	316.027
General Fund Revenue	1,870.954	1,978.755	2,056.447	2,119.016
Revenue Legislation ( <i>Amended</i> )			(50.182)	(52.081)
Lottery Supplemental		(1.500)		
Jan. 7 Revenue Adjustment		16.026	33.170	47.044
Prior Year Adjustments	8.751			
<b>Total Funds Available</b>	<b>2,221.580</b>	<b>2,446.461</b>	<b>2,488.899</b>	<b>2,430.006</b>
<b><u>Bullock Tax Cuts</u></b>				
Homeowner Tax Cut			100.000	
Business Equipment Tax Cut			3.974	6.427
<b><u>HB 2 Disbursements</u></b>				
HB 2/HB 2 Adjusted Base	1,587.917	1,642.280	1,589.497	1,588.472
Bullock Initiatives Ongoing			2.080	6.328
Bullock Initiatives OTO			12.300	5.300
Dec. 15 Decision Packages Ongoing			154.716	201.580
Dec. 15 Decision Packages OTO			8.749	7.182
<b><u>Proposed Legislation</u></b>				
HB 1	1.356	10.056	1.397	10.309
HB 3		123.621		
HB 5			16.300	
HB 10 ( <i>Amended</i> )			10.808	
HB 13 Pay Plan			24.036	52.006
HB 13 PS Contingency			4.075	
HB 14 ( <i>Amended</i> )			3.290	6.580
Digital Academy		0.300		
Pension Legislation			30.467	30.517
Infrastructure Assistance ( <i>Amended</i> )			15.000	
Water Compact Obligations			2.420	4.840
Access Health Montana			1.992	3.208
<b><u>Other Disbursements</u></b>				
Statutory Appropriations	171.229	207.692	194.095	208.141
Transfers	15.469	15.112	5.962	5.985
Other Appropriations	3.665	5.554		
Reversions		(7.618)	(8.286)	(8.117)
Prior Year Adjustments	(5.127)			
<b>Total Disbursements</b>	<b>1,774.509</b>	<b>1,996.998</b>	<b>2,172.872</b>	<b>2,128.759</b>
Fund Balance Adjustments	6.109			
<b>Ending Fund Balance</b>	<b>453.180</b>	<b>449.464</b>	<b>316.027</b>	<b>301.247</b>
Expenditure Growth			8.81%	-2.03%
Revenue Growth			4.75%	3.66%
Fund Balance as a % of Total Spend			14.54%	14.15%
Structural Balance			35.79	0.91

## Revisions to December 15<sup>th</sup> Budget

### HB 2 Section A: General Government and Commerce

**Department of Labor and Industry:**

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$120,000	\$120,000
FY 2015	\$120,000	\$120,000

**NP - 106 - Jobs for Montana's Graduates -**

The budget includes \$120,000 of general fund each year of the 2015 biennium to expand the Jobs for Montana's Graduates program. The additional funding will allow the program to be offered in more schools across the state.

**Department of Commerce:**

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$375,000	\$375,000
FY 2015	\$375,000	\$375,000

**NP - 5106 - Montana SBIR/STTR Program -**

The budget includes a \$750,000 biennial general fund appropriation for the Montana Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR). The purpose of the Montana SBIR/STTR Matching Funds Program (MSMFP) is to foster job creation and economic development in the state by providing matching grants to eligible businesses. The MSMFP is designed to award grant funds to Montana companies that have been awarded a Small Business Innovation Research Program or Small Business Technology Transfer Program (Federal SBIR/STTR Program) Phase I award and that, if the opportunity to do so is available, intend to apply for a Federal SBIR/STTR Program Phase II award.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$1,000,000	\$1,000,000
FY 2015	\$0	\$0

**NP - 5107 - BRD - Biomedical Research Grant - BIEN / OTO -**

The budget includes a biennial one-time-only general fund appropriation of \$1 million for a grant to support innovative biomedical research in Montana. The grant may be used to expand, renovate, and purchase equipment for biomedical research. It may also be used to expand infrastructure that will enhance the scientific collaborations between independent non-profit researchers and researchers at Montana State University and the University of Montana. Funds may be used by the grantee to leverage additional private or federal funds.

## Revisions to December 15<sup>th</sup> Budget

### HB 2 Section B: Public Health and Human Services

#### Department of Public Health and Human Services:

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$1,000,000	\$1,000,000
FY 2015	\$1,000,000	\$1,000,000

#### **NP - 20107 – Early Childhood Education Grant Program -**

This new proposal requests \$2,000,000 to improve the quality of early childhood education by providing assistance in the form of educational grants and early childhood school readiness functions. The funding will enable quality improvement grants through the Best Beginnings STARS to Quality Program and provide a framework for early childhood programs to set goals and make program improvements that support child development and school readiness skill building. Improvement strategies may include professional development, curriculum enhancement, program management, adequate staff to child ratios and lower group sizes. The request will be funded with 100% general fund for \$1,000,000 in each year of the biennium.

### HB 2 Section E: Education

#### Office of Public Instruction:

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$2,922,495	\$2,922,495
FY 2015	\$3,750,535	\$3,750,535

#### **NP - 975 - Increase Quality Educator Payment -**

This proposal would increase the quality educator payment (20-9-327, MCA) by 7.89% to \$3,282 in FY 2014 and by 2.08% to \$3,350 in FY 2015. The general fund cost for the 2015 biennium would be \$6.7 million.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$6,000,000	\$6,000,000
FY 2015	\$0	\$0

#### **NP - 976 - School Technology (OTO/Rst) -**

An appropriation of \$6 million one-time-only in FY 2014 will be made to K-12 schools' technology acquisition and depreciation fund in the same manner as the distributions in 20-9-534(2), MCA.

## Revisions to December 15<sup>th</sup> Budget

\*PL 901, 902 and 950 were adjusted based on new information which was unavailable or incomplete on December 15<sup>th</sup>. \*

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$16,034,188	\$16,034,188
FY 2015	\$16,665,994	\$16,665,994

### PL - 901 - K-12 BASE Aid - Annualization -

The Executive requests \$30.7 million general fund to annualize K-12 BASE Aid to the FY 2013 level of funding in the 2015 biennium.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$5,093,568	\$5,093,568
FY 2015	\$17,120,391	\$17,120,391

### PL - 902 - K-12 BASE Aid - Inflationary Increase -

The Executive requests \$22.2 million general fund for the present law inflationary adjustment for K-12 BASE Aid for the 2015 biennium. The present law adjustment increases the basic and per-ANB entitlements by 0.89% in FY 2014 and by 2.03% in FY 2015 in accordance with 20-9-326, MCA, which requires annual inflation-related adjustments to the basic and per-ANB entitlements.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$40,956,801	\$40,956,801
FY 2015	\$45,145,869	\$45,145,869

### PL - 950 - Guarantee Account -

This decision package aligns estimated revenues with proposed expenses for special revenue guarantee account (20-9-622, MCA). A biennial increase of \$95.5 million general fund expenditures and a decrease of a like amount of guarantee account expenditures create no new funding for K-12 BASE aid in this decision package. The 2012 base included \$27.4 million in transfers from other funds and other one-time revenues that are not ongoing sources for this fund. The guarantee account is statutorily appropriated for distribution to school districts through school equalization aid and is the first source of funding for K-12 BASE Aid.

### Office of the Commissioner of Higher Education

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$2,500,000	\$2,500,000
FY 2015	\$2,500,000	\$2,500,000

### NP - 103 - Universal Enrollment - BIEN / OTO -

The budget includes \$5 million of biennial one-time-only general fund to further integrate the Montana University System's (MUS) enterprise information systems in order to increase student access and services. This funding will be used to develop a unified electronic application process for admission to all MUS campuses, implement a system-wide student ID number, enable information systems to receive electronic high school transcript data from the Office of Public Instruction and enable students to seamlessly enroll in courses offered throughout the MUS.

## Revisions to December 15<sup>th</sup> Budget

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$1,000,000	\$1,000,000
FY 2015	\$1,000,000	\$1,000,000

**NP - 202 - Veterans' Success - BIEN / OTO -**

The Executive recommends \$2 million biennial one-time-only general fund to ensure the Montana University System (MUS) excels as a veterans' friendly system by providing the services and resources necessary for today's veterans to access and complete college. This funding will help ensure every campus in the MUS provides dedicated services and space to meet veterans' needs by providing resources aimed at increasing the ease of access, transferability of credit and job placement.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$300,000	\$300,000
FY 2015	\$300,000	\$300,000

**NP - 902 - Energy & Natural Resources Doctoral Pgm BIEN / OTO -**

The budget includes \$600,000 of biennial one-time-only general fund to implement the energy and natural resources doctoral programs at Montana Tech of the University of Montana.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$1,000,000	\$1,000,000
FY 2015	\$1,000,000	\$1,000,000

**NP - 903 - Workforce Development & Two Year Education (BIEN/OTO) -**

The budget includes \$2 million of biennial one-time-only general fund in the 2015 biennium to invest in two-year education across Montana. These funds are intended to be used to expand dual enrollment opportunities and increase access and affordability to Montana's two year schools. In addition, these funds will ensure ease of transferability from two year to four year degree seekers.

	<u>Total Agency Impact</u>	<u>General Fund Total</u>
FY 2014	\$500,000	\$500,000
FY 2015	\$500,000	\$500,000

**NP - 905 - Veterinary Medicine BIEN / OTO -**

The Executive recommends \$1 million biennial one-time-only general fund to expand the veterinary medicine program at Montana State University.

## HB 10 Amendments

**Data Security -**

The Executive requests \$2 million in HB 10 to enhance data security on State of Montana networks.

## **Revisions to December 15<sup>th</sup> Budget**

### **HB5/HB 14 Amendments**

#### **Additional \$10 Million of Long-Range Building Authority -**

The Executive proposes to fund an additional \$10 million for construction of buildings for the UM College of Technology (\$7M), MSU Northern Automotive Technology (\$2M), and Butte Justice Center (\$1M).

### **Municipal Infrastructure Grant Program Bill**

#### **Additional \$3 Million General Fund (LC 873)-**

The Executive proposes to increase this program by \$3 million for a total of a \$15 million appropriation to the Department of Commerce to distribute grants to incorporated municipalities in Montana for public facility infrastructure projects. The grants will be used to assist municipalities not benefitting from local distributions of oil and gas production revenues distributed to their county governments in order to construct, repair, improve, enhance, or expand critical public facilities.

### **Retirement Bill Amendments**

#### **PERS Retirement Bill (LC 871) -**

The Executive proposes an additional \$18 million statutory appropriation of the interest income from the coal severance tax permanent fund to the PERS trust fund to actuarially fund the PERS defined benefit retirement plan.