

# Office of Budget and Program Planning Staff Listing

## Staff Assignments as of Nov. 15, 2002

<b>Chuck Swysgood, Budget Director</b> Curt Nichols, Assistant Budget Director Jane Hamman, Assistant Budget Director	Amy Sassano, Information Systems Manager Mike Walsh, Network Administrator Helen Kittle, Administrative Officer Jeanne Nevins, Administrative Assistant
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<u>Code</u>	<u>Agency</u>	<u>Executive Budget Analyst</u>	<u>Back-Up Staff</u>
<b>Section A – General Government &amp; Transportation</b>			
1104	Legislative Branch	Christi Moyer	Matt Bugni
1112	Consumer Council	Christi Moyer	Matt Bugni
2110	Judiciary	Matt Bugni	Christi Moyer
2115	Chiropractic Legal Panel	Christi Moyer	Matt Bugni
3101	Governor's Office	Matt Bugni	Christi Moyer
3201	Secretary of State	Christi Moyer	Matt Bugni
3202	Comm. of Political Practices	Christi Moyer	Matt Bugni
3401	State Auditor	Christi Moyer	Matt Bugni
5401	Dept. of Transportation	Amy Sassano	Matt Bugni
5801	Dept. of Revenue	Matt Bugni	Jane Hamman
6101	Dept. of Administration	Matt Bugni	Jane Hamman
6102	Appellate Defender	Christi Moyer	Matt Bugni
6103	State Fund	Kelly Gorin	Matt Bugni
6104	PERS (non-budgeted)	Kelly Gorin	Amy Sassano
6105	TRS (non-budgeted)	Kelly Gorin	Amy Sassano
<b>Section B – Public Health and Human Services</b>			
6901	Dept. of PHHS	Bob Andersen, Chuck Stohl & Chuck Swysgood	
<b>Section C – Natural Resources and Commerce</b>			
5201	Dept. of Fish, Wildlife & Parks	Kelly Gorin	Doug Schmitz
5301	Dept. of Environmental Quality	Doug Schmitz	Kelly Gorin
5603	Dept. of Livestock	Doug Schmitz	Kelly Gorin
5706	Dept. of Natural Resources and Cons.	Doug Schmitz	Kelly Gorin
6201	Dept. of Agriculture	Doug Schmitz	Kelly Gorin
6501	Dept. of Commerce	Doug Schmitz	Kelly Gorin
<b>Section D – Public Safety &amp; Justice</b>			
4107	Crime Control Division	Brent Doig	Jane Hamman
4110	Dept. of Justice	Christi Moyer	Jane Hamman
4201	Public Service Regulation	Brent Doig	Christi Moyer
6401	Dept. of Corrections	Brent Doig	Jane Hamman
6602	Dept. of Labor & Industry	Brent Doig	Doug Schmitz
6701	Dept. of Military Affairs	Brent Doig	Christi Moyer
<b>Section E - Education</b>			
3501	OPI	Amy Carlson	Mark Bruno
3511-5	Colleges of Technology	Mark Bruno	Amy Carlson
5101	Board of Public Education	Amy Carlson	Mark Bruno
5102	Commissioner of Higher Education	Mark Bruno	Amy Carlson
5103-8	MUS Six Units	Mark Bruno	Amy Carlson
	Community Colleges and Research	Mark Bruno	Amy Carlson
5109	MAES	Mark Bruno	Amy Carlson
5110	MCES	Mark Bruno	Amy Carlson
5111	Forestry Experiment Station	Mark Bruno	Amy Carlson
5112	Bureau of Mines	Mark Bruno	Amy Carlson
5113	School for the Deaf & Blind	Amy Carlson	Mark Bruno
5114	Montana Arts Council	Mark Bruno	Amy Carlson
5115	State Library	Mark Bruno	Amy Carlson
5117	Montana Historical Society	Mark Bruno	Amy Carlson
5119	Fire Services Training School	Mark Bruno	Amy Carlson
<b>Section F – Long Range Planning – 6107 + Bills</b>			
		Jane Hamman	Kelly Gorin

# State of Montana Vision and Goals

## THE VISION:

**WE MONTANANS WANT OUR STATE TO BE ECONOMICALLY VIBRANT, ENVIRONMENTALLY CLEAN AND SOCIALLY SECURE, WITH ROOM TO LIVE OUR INDIVIDUAL DREAMS IN THE 21ST CENTURY.**

## THE GOALS:

- To protect and enhance the health, well-being and productivity of all Montanans.
- To preserve the environment and ensure wise, productive use of our natural resources.
- To build a solid foundation for educational opportunities and social and economic prosperity.
- To ensure the safety of our communities.

## Introduced Appropriations Bills

### 2005 Biennium Executive Budget Bills

<u>HB No.</u>	<u>LC No.</u>	<u>Brief Title of Legislation</u>	<u>Sponsor</u>
1	305	Feed Bill	
2	306	General Appropriations Act	Dave Lewis
3	307	Supplemental Appropriations Bill	
4	308	Appropriations by Budget Amendment	
5	309	Long-range Building Appropriations	
6	310	Renewable Resource Grants	
7	311	Reclamation and Development Grants	
8	312	Renewable Resource Bonds and Loans	
9	313	Cultural & Aesthetic Grant Appropriations	
10		Issue Bonds for Libby/Troy Reclamation (814) 5301	
11	314	Treasure State Endowment Appropriations	
12	316	GO Bonds for Energy Conservation Program	
13	317	Pay Plan for State Employees	Dave Lewis
16	320	Supplemental for Fires and Emergencies	

# All Other Legislation Requested

## 2005 Biennium Executive Budget Bills

<u>HB No.</u>	<u>LC No.</u>	<u>Brief Title of Legislation</u>	<u>Sponsor</u>
<b><u>Budget Related Bills</u></b>			
3101	321	Increase Governor's Emergency Statutory Authority	
3101	322	Generally Revise Laws Governing Budgeting & Appropriations	

## New Bills to Implement the Governor's Budget [By Agency Code]

<u>Code</u>	<u>DP/LC</u>	<u>Brief Description</u>	
2110	167	Judicial Branch Information Technology (8001)	
3101	8108	Mental Health Ombudsman discretionary appointee of Governor	
3101	8109	Eliminate Economic Development statutory appropriation	
3101	803	Transfer State-Tribal Economic Development state special rev to general fund	
3101	804	Repeal Advanced Telecommunications Tax credit	
3101	805	Extend HB10 revenue reallocations, eliminate Research & Commercialization, reduce Growth thru Ag 50%	
3101	806	Amend District Court variable costs shifted to state	
3101	821	Gov. Advisory Council on School Funding – three year average ANB	
3101	822	Gov. Advisory Council on School Funding – transportation funding Simplification and Adjust Block Grants	
3101	823	Teacher Loan Repayment Program	
3101	824	Divert 50% of TSEP to school facilities	
3101	825	Reallocate certain School Timber money (continue SS HB 4)	
3101	827	Retirement fund accounting changes	
3101	828	School entitlement increases & reduction in the DSA percentage	
3101	829	Adjust HB 124 block grants	
3202	651	Commissioner of Political Practices provides information electronically	Dale Mahlum
3101	831	Eliminate General Fund Transfer to DOT in FY 2004 and 2005	
4110	8001	Criminal Justice Information System FTE/ background check fund switch	
4110	8001	Delay Requirement for New License Plates	Bob DePratu
4110	8002	One registration decal every four years	
4110	801	User surcharge in courts of original jurisdiction for MLEA (8003)	
4110	8003	Motor vehicle registration automation	
5201	8213	General recreation use of State Lands	
5301	813	Enforcement Fees to special revenue account	
5301	8013	Air Quality fees	
5301	802	Field office rent freeze (8002)	
6201	8000	Establish maximum and minimum apiary (Honey Bee) registration & inspection fees	
6201	802	Eliminate state public warehouse & commodity dealer licensing	
6901	8063	Pool & spa fees equalized	
6901	8146	Montana State Hospital restructuring	
6901	801	CSED handling fee for non-public obligees	

# Executive Branch Organization

# Agency Budget Summary All Funds

Table R-1 AGENCY BUDGET SUMMARY HB 2 ALL FUNDS				
	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
<b>1104 LEGISLATIVE BRANCH</b>				
LEGISLATIVE SERVICES				
General Fund	4,328,746	4,764,111	4,706,688	5,020,039
State Special Revenue	905,096	430,738	937,141	379,019
AUDIT & EXAMINATION				
General Fund	1,852,926	1,945,079	2,201,055	2,265,860
State Special Revenue	1,245,863	1,422,996	1,402,859	1,304,460
FISCAL ANALYSIS & REVIEW				
General Fund	1,141,131	1,194,428	1,262,791	1,309,657
LEGIS. COMMITTEES & ACTIVITIES				
General Fund	348,012	322,057	999,614	0
State Special Revenue	27,084	50,201	0	0
<b>Agency Totals</b>	<b>9,848,858</b>	<b>10,129,610</b>	<b>11,510,148</b>	<b>10,279,035</b>
<b>1112 CONSUMER COUNSEL</b>				
ADMINISTRATION PROGRAM				
State Special Revenue	1,022,534	1,233,970	1,210,683	1,218,271
<b>Agency Totals</b>	<b>1,022,534</b>	<b>1,233,970</b>	<b>1,210,683</b>	<b>1,218,271</b>
<b>2110 JUDICIAL BRANCH</b>				
BOARDS AND COMMISSIONS				
General Fund	248,693	281,209	259,129	259,142
State Special Revenue	0	0	25,000	25,000
CLERK OF COURT				
General Fund	295,484	351,671	372,962	372,862
DISTRICT COURT OPERATIONS				
General Fund	5,086,166	16,876,265	24,379,042	25,250,501
LAW LIBRARY				
General Fund	783,159	793,880	772,549	774,371
SUPREME COURT OPERATIONS				
General Fund	2,941,468	2,982,101	3,054,720	3,040,540
State Special Revenue	55,000	1,084,447	1,897,342	1,871,019
Federal Special Revenue	373,587	419,664	390,684	390,018
WATER COURTS SUPERVISION				
State Special Revenue	655,015	698,072	721,012	723,776
<b>Agency Totals</b>	<b>10,438,572</b>	<b>23,487,309</b>	<b>31,872,440</b>	<b>32,707,229</b>
<b>2115 CHIROPRACTIC LEGAL PANEL</b>				
LEGAL PANEL OPERATIONS				
State Special Revenue	3,776	15,000	15,000	15,000
<b>Agency Totals</b>	<b>3,776</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>
<b>3101 GOVERNOR'S OFFICE</b>				
EXECUTIVE OFFICE PROGRAM				
General Fund	2,198,563	2,315,272	2,348,275	2,288,490
State Special Revenue	215,398	294,951	545,105	553,214
Federal Special Revenue	30,280	31,926	95,444	95,427
MANSION MAINTENANCE PROGRAM				
General Fund	79,645	80,964	79,521	79,504
AIR TRANSPORTATION PROGRAM				
General Fund	171,870	176,960	177,880	180,000
State Special Revenue	16,000	16,000	41,000	41,000
OFFICE OF BDGET & PGM PLANNING				
General Fund	993,984	1,135,397	1,074,177	1,067,025
COORDINATOR OF INDIAN AFFAIRS				
General Fund	97,087	113,933	136,878	137,701
State Special Revenue	16,571	136,394	0	0
Federal Special Revenue	0	2,000,000	2,000,000	0
LIEUTENANT GOVERNOR'S OFFICE				
General Fund	225,462	228,237	246,492	247,150
CITIZENS ADVOCATE OFFICE				
General Fund	71,054	68,754	72,479	72,380
Federal Special Revenue	14,999	15,000	15,000	15,000
MENTAL DISABILITIES BD VISITORS				
General Fund	209,151	201,894	205,939	205,801
State Special Revenue	0	7,200	0	0
<b>Agency Totals</b>	<b>4,340,064</b>	<b>6,822,882</b>	<b>7,038,190</b>	<b>4,982,692</b>
<b>3202 COMMISSIONER OF POLITICAL PRACTICES</b>				
ADMINISTRATION				
General Fund	331,665	354,800	322,913	317,525
<b>Agency Totals</b>	<b>331,665</b>	<b>354,800</b>	<b>322,913</b>	<b>317,525</b>

# Agency Budget Summary All Funds

Table R-1 (cont)  
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

3202 COMMISSIONER OF POLITICAL PRACTICES	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
ADMINISTRATION				
General Fund	331,665	354,800	322,913	317,525
Agency Totals	331,665	354,800	322,913	317,525
<b>3401 STATE AUDITOR'S OFFICE</b>				
CENTRAL MANAGEMENT				
State Special Revenue	451,554	553,195	537,539	532,435
INSURANCE				
State Special Revenue	2,534,463	2,698,423	3,029,328	3,100,031
SECURITIES				
General Fund	334,795	323,345	0	0
State Special Revenue	185,427	236,528	660,250	652,544
Agency Totals	<b>3,506,239</b>	<b>3,811,491</b>	<b>4,227,117</b>	<b>4,285,010</b>
<b>3501 OFFICE OF PUBLIC INSTRUCTION</b>				
LOCAL EDUCATION ACTIVITIES				
General Fund	556,180,287	511,324,977	503,066,306	507,993,920
State Special Revenue	906,750	750,000	4,848,000	5,110,000
Federal Special Revenue	87,782,182	110,103,960	111,152,299	115,708,215
STATE LEVEL ACTIVITIES				
General Fund	4,374,491	4,318,859	4,492,769	4,502,763
State Special Revenue	185,369	192,620	193,565	194,373
Federal Special Revenue	6,116,225	9,205,075	12,239,546	12,328,763
Proprietary Fund	90,791	100,000	0	0
Agency Totals	<b>655,636,095</b>	<b>635,995,491</b>	<b>635,992,485</b>	<b>645,838,034</b>
<b>4107 CRIME CONTROL DIVISION</b>				
JUSTICE SYSTEM SUPPORT SERVICE				
General Fund	1,794,097	1,814,472	1,645,059	1,647,129
Federal Special Revenue	10,303,972	12,516,813	10,422,968	10,418,938
Agency Totals	<b>12,098,069</b>	<b>14,331,285</b>	<b>12,068,027</b>	<b>12,066,067</b>
<b>4110 DEPT OF JUSTICE</b>				
CENTRAL SERVICES DIVISION				
General Fund	294,457	293,879	342,839	319,503
State Special Revenue	380,865	391,026	474,851	444,440
Proprietary Fund	13,862	14,205	16,286	15,179
COUNTY ATTORNEY PAYROLL				
General Fund	1,634,822	1,674,855	1,623,340	1,623,340
DIVISION OF CRIMINAL INVESTIGATION				
General Fund	3,456,108	3,295,211	2,425,722	2,434,049
State Special Revenue	356,722	367,200	1,538,251	1,542,236
Federal Special Revenue	1,309,844	1,383,918	1,867,775	1,857,562
FORENSIC SCIENCE DIVISION				
General Fund	2,156,769	2,091,752	2,215,592	2,232,804
State Special Revenue	303,204	303,205	303,204	303,204
Federal Special Revenue	85,028	85,973	190,834	189,272
GAMBLING CONTROL DIVISION				
General Fund	380,000	338,200	230,850	230,850
State Special Revenue	1,851,853	2,219,921	1,916,412	1,907,686
Proprietary Fund	665,827	759,981	782,759	779,196
HIGHWAY PATROL DIVISION				
General Fund	1,164,745	939,429	1,166,994	1,203,293
State Special Revenue	16,614,943	18,199,965	18,322,702	18,510,577
Federal Special Revenue	771,999	846,341	819,383	822,589
INFORMATION TECHNOLOGY SVCS DIVISION				
General Fund	2,900,485	2,876,886	2,891,996	2,898,367
State Special Revenue	768,893	656,387	1,059,482	1,059,264
Federal Special Revenue	179,456	453,594	163,309	162,947
Proprietary Fund	10,199	10,199	10,199	10,199
LEGAL SERVICES DIVISION				
General Fund	3,439,681	3,366,306	3,750,475	3,361,539
State Special Revenue	366,095	399,638	306,668	307,823
Federal Special Revenue	353,722	382,471	505,479	505,504
MOTOR VEHICLE DIVISION				
General Fund	8,220,327	1,784,104	8,696,111	8,658,976
State Special Revenue	439,054	8,054,916	5,628,198	432,198
Agency Totals	<b>48,118,960</b>	<b>51,189,562</b>	<b>57,249,711</b>	<b>51,812,597</b>

# Agency Budget Summary All Funds

Table R-1 (cont) AGENCY BUDGET SUMMARY HB 2 ALL FUNDS				
	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
<b>4201 PUBLIC SERVICE REGULATION</b>				
PUBLIC SERVICE REGULATION PROG				
State Special Revenue	2,533,459	3,381,868	2,773,630	2,658,407
Federal Special Revenue	12,507	14,193	13,782	13,634
<b>Agency Totals</b>	<b>2,545,966</b>	<b>3,396,061</b>	<b>2,787,412</b>	<b>2,672,041</b>
<b>5101 BOARD OF PUBLIC EDUCATION</b>				
ADMINISTRATION				
General Fund	166,141	175,677	157,206	154,935
State Special Revenue	12,041	12,041	14,988	14,837
ADVISORY COUNCIL				
State Special Revenue	131,114	169,153	170,015	172,015
<b>Agency Totals</b>	<b>309,296</b>	<b>356,871</b>	<b>342,209</b>	<b>341,787</b>
<b>5102 COMMISSIONER OF HIGHER EDUCATION</b>				
ADMINISTRATION PROGRAM				
General Fund	1,372,744	1,226,979	1,347,010	1,320,545
APPROPRIATION DISTRIBUTION				
General Fund	122,831,449	118,956,286	120,832,829	120,701,380
State Special Revenue	12,618,636	13,066,460	13,101,000	13,228,999
BOARD OF REGENTS-ADMIN				
General Fund	53,852	44,448	51,889	51,889
COMMUNITY COLLEGE ASSISTANCE				
General Fund	5,843,089	5,724,430	5,783,760	5,783,759
DDE MATHEMATICS & SCI ED ACT				
Federal Special Revenue	47,821	407,666	308,033	308,033
GUARANTEED STUDENT LOAN PGM				
Federal Special Revenue	29,100,167	43,139,110	32,252,488	35,253,958
STUDENT ASSISTANCE PROGRAM				
General Fund	8,242,606	8,265,804	8,408,900	8,663,437
Federal Special Revenue	150,624	152,438	188,985	188,985
TALENT SEARCH				
General Fund	83,839	92,450	92,348	92,228
Federal Special Revenue	2,391,510	3,805,585	2,459,019	2,458,887
TRIBAL COLLEGE ASSISTANCE PROGRAM				
General Fund	96,500	0		
WORK FORCE DEVELOPMENT PGM				
General Fund	65,279	98,819	74,299	74,299
Federal Special Revenue	7,721,501	6,355,637	6,812,119	6,812,607
<b>Agency Totals</b>	<b>190,619,617</b>	<b>201,336,112</b>	<b>191,809,179</b>	<b>194,939,006</b>
<b>5113 MONTANA SCHOOL FOR THE DEAF AND BLIND</b>				
ADMINISTRATION PROGRAM				
General Fund	312,296	338,562	331,629	306,718
State Special Revenue	0	0	581	987
EDUCATION				
General Fund	1,966,094	1,792,715	1,825,597	1,844,358
State Special Revenue	235,065	318,065	341,095	341,095
Federal Special Revenue	63,898	63,898	68,944	68,944
GENERAL SERVICES PROGRAM				
General Fund	317,028	318,722	348,876	347,055
STUDENT SERVICES				
General Fund	911,077	957,296	1,000,393	1,008,364
State Special Revenue	0	28,000	0	0
Federal Special Revenue	25,000	25,000	27,752	27,752
<b>Agency Totals</b>	<b>3,830,458</b>	<b>3,842,258</b>	<b>3,944,867</b>	<b>3,945,273</b>
<b>5114 MONTANA ARTS COUNCIL</b>				
PROMOTION OF THE ARTS				
General Fund	339,050	319,085	300,341	301,507
State Special Revenue	140,829	137,416	158,100	153,223
Federal Special Revenue	464,530	490,471	599,116	599,086
<b>Agency Totals</b>	<b>944,409</b>	<b>946,972</b>	<b>1,057,557</b>	<b>1,053,816</b>
<b>5115 STATE LIBRARY</b>				
NATURAL RESOURCE INFO SYSTEM				
General Fund	86,441	91,271	0	0
State Special Revenue	498,919	505,031	0	0
Federal Special Revenue	30,000	30,000	0	0
STATEWIDE LIBRARY RESOURCES				
General Fund	1,687,655	1,703,710	1,895,629	1,639,776
State Special Revenue	167,502	117,614	814,815	785,700
Federal Special Revenue	906,567	1,044,826	1,705,694	780,694
<b>Agency Totals</b>	<b>3,377,084</b>	<b>3,492,452</b>	<b>4,416,138</b>	<b>3,206,170</b>

# Agency Budget Summary All Funds

Table R-1 (cont) AGENCY BUDGET SUMMARY HB 2 ALL FUNDS				
	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
<b>5117 MONTANA HISTORICAL SOCIETY</b>				
ADMINISTRATION PROGRAM				
General Fund	800,732	827,606	880,840	865,502
State Special Revenue	184,030	218,263	184,531	184,938
Federal Special Revenue	92,075	98,342	94,000	94,000
Proprietary Fund	44,086	82,606	101,682	101,726
HISTORIC PRESERVATION PROGRAM				
General Fund	64,909	61,877	45,303	46,339
Federal Special Revenue	591,672	799,934	646,557	647,402
LEWIS & CLARK BICENTENNIAL				
State Special Revenue	-916	100,000	0	0
LIBRARY PROGRAM				
General Fund	595,418	601,931	597,072	597,010
State Special Revenue	2,808	2,808	2,819	2,824
Proprietary Fund	51,306	61,084	56,199	56,242
MUSEUM PROGRAM				
General Fund	289,129	296,323	181,401	181,694
<b>State Special Revenue</b>	<b>240,549</b>	<b>259,805</b>	<b>352,983</b>	<b>356,554</b>
Proprietary Fund	6,624	7,618	6,700	6,712
PUBLICATIONS PROGRAM				
General Fund	53,652	53,506	46,752	46,752
Proprietary Fund	670,888	727,768	731,504	734,501
<b>Agency Totals</b>	<b>3,686,962</b>	<b>4,199,471</b>	<b>3,928,343</b>	<b>3,922,196</b>
<b>5201 DEPT OF FISH, WILDLIFE AND PARKS</b>				
ADMINISTRATION & FINANCE DIV.				
State Special Revenue	5,748,821	5,882,722	6,018,436	6,043,854
Federal Special Revenue	1,200,727	1,227,317	1,609,130	1,601,074
CONSERVATION EDUCATION DIV				
General Fund	2,563	2,562	0	0
State Special Revenue	1,770,966	1,866,647	1,981,607	1,827,515
Federal Special Revenue	639,209	712,232	792,738	792,738
DEPARTMENT MANAGEMENT				
State Special Revenue	2,660,954	2,764,518	3,631,926	2,915,383
Federal Special Revenue	899,032	927,943	2,602,842	1,166,959
ENFORCEMENT DIVISION				
<b>State Special Revenue</b>	<b>6,105,083</b>	<b>6,396,174</b>	<b>6,668,803</b>	<b>6,693,689</b>
State Special Revenue	246,311	293,321	304,467	308,051
Federal Special Revenue				
FIELD SERVICES DIVISION				
State Special Revenue	5,752,988	7,471,831	8,119,966	8,067,121
<b>Federal Special Revenue</b>	<b>720,042</b>	<b>740,562</b>	<b>854,377</b>	<b>855,780</b>
FISHERIES DIVISION				
State Special Revenue	3,355,966	3,486,652	3,824,225	3,924,641
Federal Special Revenue	3,723,338	3,988,971	7,279,202	7,248,450
PARKS DIVISION				
General Fund	279,253	274,929	255,430	256,437
State Special Revenue	4,831,807	4,809,916	5,389,078	5,074,935
Federal Special Revenue	228,916	302,686	332,371	332,371
WILDLIFE DIVISION				
State Special Revenue	3,744,788	3,970,876	4,300,420	4,334,873
Federal Special Revenue	3,420,317	3,584,508	4,424,596	4,475,601
<b>Agency Totals</b>	<b>45,331,081</b>	<b>48,704,367</b>	<b>58,389,614</b>	<b>55,919,472</b>
<b>5301 DEPT OF ENVIRONMENTAL QUALITY</b>				
CENTRAL MANAGEMENT PROGRAM				
General Fund	124,938	146,278	276,844	277,796
State Special Revenue	182,767	230,200	1,502,611	229,376
Federal Special Revenue	165,630	224,052	706,553	208,158
PLAN, PREVENT. & ASSIST. DIV.				
General Fund	1,802,567	2,134,079	1,878,978	1,861,691
State Special Revenue	830,747	1,222,816	1,292,836	1,297,296
Federal Special Revenue	7,021,667	8,928,987	9,716,043	9,681,378
ENFORCEMENT DIVISION				
General Fund	464,433	458,114	414,689	418,299
State Special Revenue	142,824	157,855	213,939	215,971
Federal Special Revenue	262,891	317,729	330,435	332,853
REMEDIATION DIVISION				
State Special Revenue	4,058,044	5,502,774	5,028,886	4,733,066
Federal Special Revenue	5,784,327	7,954,500	7,049,929	6,637,090
PERMITTING & COMPLIANCE DIV.				
General Fund	1,155,004	1,194,293	977,832	976,368
State Special Revenue	17,280,520	34,222,380	45,281,122	9,044,328
Federal Special Revenue	2,982,206	3,755,322	8,486,220	4,549,068
<b>Agency Totals</b>	<b>42,258,565</b>	<b>66,449,379</b>	<b>83,156,917</b>	<b>40,462,738</b>



# Agency Budget Summary All Funds

Table R-1 (cont)  
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS

	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
<b>5401 DEPT OF TRANSPORTATION</b>				
GENERAL OPERATIONS PROGRAM				
State Special Revenue	11,156,774	13,006,658	14,607,155	14,973,540
Federal Special Revenue	6,294,941	6,367,324	9,422,198	9,422,277
CONSTRUCTION PROGRAM				
State Special Revenue	57,229,272	89,968,961	115,919,945	137,158,180
Federal Special Revenue	266,277,412	339,078,624	311,662,142	291,992,207
MAINTENANCE PROGRAM				
State Special Revenue	73,481,092	81,565,837	81,335,243	81,628,131
Federal Special Revenue	4,091,721	6,089,497	10,038,652	10,038,652
MOTOR CARRIER SERVICES DIV.				
State Special Revenue	4,775,648	5,244,281	5,247,636	5,293,111
AERONAUTICS PROGRAM				
State Special Revenue	1,048,441	1,513,994	2,026,704	823,385
Federal Special Revenue	0	498,000	3,600,000	0
TRANSPORTATION PLANNING DIVISI				
State Special Revenue	1,567,357	2,983,883	2,966,105	2,547,716
Federal Special Revenue	6,717,382	17,107,679	9,158,410	8,984,315
<b>Agency Totals</b>	<b>432,640,040</b>	<b>563,424,738</b>	<b>565,984,190</b>	<b>562,861,514</b>
<b>5603 DEPT OF LIVESTOCK</b>				
CENTRALIZED SERVICES PROGRAM				
General Fund	14,204	22,356	0	0
State Special Revenue	1,875,111	2,075,974	2,053,387	2,041,821
Federal Special Revenue	92,562	90,292	65,030	65,030
DIAGNOSTIC LABORATORY				
General Fund	109,381	189,886	99,525	99,525
State Special Revenue	1,214,943	1,267,158	1,350,017	1,332,614
Federal Special Revenue	9,240	18,097	0	0
ANIMAL HEALTH DIVISION				
State Special Revenue	595,917	717,039	680,465	654,484
Federal Special Revenue	0	0	1,050,000	1,050,000
MILK & EGG PROGRAM				
State Special Revenue	243,025	260,765	210,163	236,940
Federal Special Revenue	25,275	26,111	32,275	32,275
BRANDS ENFORCEMENT DIVISION				
State Special Revenue	2,691,827	2,753,049	2,804,358	2,756,738
MEAT/POULTRY INSPECTION				
General Fund	398,104	416,817	428,580	432,093
State Special Revenue	1,791	1,844	6,475	6,475
Federal Special Revenue	397,796	423,924	428,581	432,094
<b>Agency Totals</b>	<b>7,669,176</b>	<b>8,263,312</b>	<b>9,208,856</b>	<b>9,140,089</b>
<b>5706 DEPT OF NATURAL RESOURCE &amp; CONSERVATION</b>				
CENTRALIZED SERVICES				
General Fund	1,700,915	1,228,974	1,925,116	1,874,334
State Special Revenue	425,067	453,259	407,200	407,200
Federal Special Revenue	105,000	105,000	118,300	75,000
OIL & GAS CONSERVATION DIV.				
State Special Revenue	922,411	1,090,422	1,685,731	1,452,653
Federal Special Revenue	103,944	110,000	0	0
CONSERVATION/RESOURCE DEV DIV				
General Fund	1,853,238	790,707	2,335,161	2,339,464
State Special Revenue	1,488,252	2,599,656	1,332,308	1,230,536
Federal Special Revenue	177,708	161,651	200,557	218,814
WATER RESOURCES DIVISION				
General Fund	6,029,101	4,134,918	6,340,039	6,399,252
State Special Revenue	918,374	1,081,695	3,544,491	1,236,741
Federal Special Revenue	159,635	164,072	169,269	108,855
RESERVED WATER RIGHTS COMP COM				
General Fund	714,982	537,019	760,789	768,808
FORESTRY				
General Fund	5,906,892	5,249,455	6,491,382	6,512,010
State Special Revenue	10,863,292	9,124,285	11,918,770	11,970,675
Federal Special Revenue	1,137,005	1,336,564	1,459,041	1,462,628
<b>Agency Totals</b>	<b>32,505,816</b>	<b>28,167,677</b>	<b>38,688,154</b>	<b>36,056,970</b>
<b>5801 DEPT OF REVENUE</b>				
DIRECTORS OFFICE				
General Fund	2,526,235	2,500,727	2,242,679	2,117,096
State Special Revenue	300	0	0	0
Federal Special Revenue	800	0	103,353	93,553
Proprietary Funds	30,577	31,995	30,072	30,072
INFORMATION TECHNOLOGY				
General Fund	2,078,658	2,267,831	3,086,850	2,844,528
Federal Special Revenue	374,214	204,548	183,365	183,365
Proprietary Funds	71,711	75,378	64,245	64,245

# Agency Budget Summary All Funds

Table R-1 (cont) AGENCY BUDGET SUMMARY HB 2 ALL FUNDS				
	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
RESOURCE MANAGEMENT				
General Fund	1,172,470	1,172,009	1,060,772	1,062,292
Federal Special Revenue	0	0	97,296	97,296
Proprietary Funds	1,109,984	1,124,888	1,136,301	1,142,526
CUSTOMER SERVICE CENTER				
General Fund	3,798,469	3,871,742	4,071,916	4,081,801
State Special Revenue	239,943	247,455	356,397	357,110
Federal Special Revenue	877,561	1,090,908	878,199	878,199
Proprietary Funds	762,765	777,131	762,765	762,765
COMPLIANCE VALUATION AND RESOLUTION				
General Fund	18,502,917	19,664,865	19,968,918	19,894,168
<b>State Special Revenue</b>	<b>184,242</b>	<b>196,699</b>	<b>192,759</b>	<b>196,053</b>
Federal Special Revenue	1,075,907	1,192,147	1,109,904	1,109,904
Agency Totals	32,806,753	34,418,323	35,345,791	34,914,973
6101 DEPT OF ADMINISTRATION				
GOVERNOR ELECT PROGRAM				
General Fund	0	0	0	50,000
ADMIN FINANCIAL SERV DIVISION				
General Fund	1,774,799	1,577,714	1,465,111	1,445,362
State Special Revenue	54,405	79,560	160,908	154,653
Federal Special Revenue	39,775	65,393	162,708	162,594
Proprietary Funds	41,032	41,224	43,776	43,688
ARCHITECTURE & ENGINEERING PGM				
State Special Revenue	1,091,531	1,209,416	1,220,230	1,221,118
Capital Projects	0	0	11,542	18,369
GENERAL SERVICES PROGRAM				
General Fund	916,817	923,399	617,099	614,356
Capital Projects	933,055	933,055	500,000	500,000
INFORMATION TECH SERV DIVISION				
General Fund	127,808	129,540	157,798	155,360
Federal Special Revenue	463,344	0	2,750,000	500,000
BANKING AND FINANCIAL DIVISION				
State Special Revenue	1,500,185	1,535,756	2,201,063	2,232,411
MONTANA STATE LOTTERY				
Proprietary Funds	7,821,113	8,780,928	8,549,277	7,295,036
STATE PERSONNEL DIVISION				
General Fund	1,127,130	1,144,775	1,207,161	1,209,084
State Special Revenue	27,353	27,400	30,395	31,300
STATE TAX APPEAL BOARD				
General Fund	249,163	283,763	327,301	329,786
Agency Totals	16,167,510	16,731,923	19,404,369	15,963,117
6102 APPELLATE DEFENDER				
General Fund	0	183,760	188,469	189,023
State Special Revenue	178,910	0	0	0
Agency Totals	178,910	183,760	188,469	189,023
6201 DEPT OF AGRICULTURE				
CENTRAL MANAGEMENT DIVISION				
General Fund	222,429	192,314	223,309	189,134
State Special Revenue	417,166	458,150	567,646	567,615
Federal Special Revenue	66,894	113,199	63,000	63,000
Proprietary Funds	49,986	53,898	56,396	56,396
AGRICULTURAL SCIENCES DIV.				
General Fund	181,198	199,621	131,909	131,910
State Special Revenue	4,348,362	4,677,018	4,948,088	4,955,292
Federal Special Revenue	835,071	1,975,784	3,267,539	1,264,546
AGRICULTURAL DEVELOPMENT				
General Fund	326,712	364,367	337,420	337,423
State Special Revenue	2,390,642	3,015,945	2,953,421	2,851,704
Federal Special Revenue	44,500	45,710	220,000	220,000
Proprietary Funds	191,815	280,960	263,818	265,125
Agency Totals	9,074,775	11,376,966	13,032,546	10,902,145
6401 DEPT OF CORRECTIONS				
ADMIN AND SUPPORT SERVICES				
General Fund	9,220,046	9,312,489	10,211,493	10,494,274
State Special Revenue	4,321	1,358	6,602	3,796
Proprietary Funds	67,018	65,181	94,405	103,755
<b>COMMUNITY CORRECTIONS</b>				
<b>General Fund</b>	<b>20,944,881</b>	<b>23,529,629</b>	<b>24,528,544</b>	<b>24,861,415</b>
State Special Revenue	303,828	313,169	303,828	303,828
Federal Special Revenue	0	36,620	0	0
SECURE CUSTODY FACILITIES				
General Fund	49,316,699	47,421,868	51,674,677	52,462,083
State Special Revenue	841,188	836,250	1,408,688	1,408,688
Federal Special Revenue	80,288	93,173	80,288	80,288

# Agency Budget Summary All Funds

Table R-1 (cont)				
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS				
	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
<b>MONT CORRECTIONAL ENTERPRISES</b>				
General Fund	940,187	1,034,946	1,051,611	1,053,016
Proprietary Funds	353,084	529,848	444,411	445,556
<b>JUVENILE CORRECTIONS</b>				
General Fund	16,468,441	17,014,735	16,752,348	16,767,417
State Special Revenue	518,667	575,066	437,013	437,013
Federal Special Revenue	669,992	856,162	316,765	316,765
<b>Agency Totals</b>	<b>99,728,640</b>	<b>101,620,494</b>	<b>107,310,673</b>	<b>108,737,894</b>
<b>6501 DEPT OF COMMERCE</b>				
<b>RESEARCH AND COMMERCIALIZATION</b>				
General Fund	120,607	124,084	0	0
<b>BUSINESS RESOURCES DIVISION</b>				
General Fund	1,455,744	1,221,509	1,644,581	1,641,373
State Special Revenue	178,014	251,378	185,000	185,000
Federal Special Revenue	3,050,519	4,078,203	3,200,000	3,200,000
<b>MONTANA PROMOTION DIVISION</b>				
State Special Revenue	654,172	743,000	768,341	750,000
<b>COMMUNITY DEVELOPMENT DIVISION</b>				
General Fund	391,092	447,804	472,057	472,221
State Special Revenue	1,724,025	1,680,725	1,790,371	795,416
Federal Special Revenue	4,732,165	8,181,308	4,742,611	4,738,589
<b>HOUSING DIVISION</b>				
State Special Revenue	0	7,000	20,000	20,000
Federal Special Revenue	31,731,349	56,385,095	9,304,034	5,573,736
<b>DIRECTOR/MANAGEMENT SERVICES</b>				
State Special Revenue	0	57,838	0	0
Federal Special Revenue	2,041	55,038	2,046	2,046
Agency Totals	44,039,728	73,232,982	22,129,041	17,378,381
<b>6602 DEPT OF LABOR AND INDUSTRY</b>				
<b>WORK FORCE SERVICES DIVISION</b>				
General Fund	916,054	43,087	811,024	810,898
State Special Revenue	6,781,481	4,455,323	6,353,803	6,358,114
Federal Special Revenue	23,052,040	28,578,803	24,854,451	24,826,262
Proprietary Funds	0	6,832	0	0
<b>UNEMPLOYMENT INSURANCE DIVISION</b>				
State Special Revenue	283,213	288,653	304,955	304,955
Federal Special Revenue	5,744,556	6,540,643	6,330,902	6,340,652
<b>COMMISSIONER'S OFFICE/CSD</b>				
General Fund	159,270	163,414	172,817	173,086
State Special Revenue	653,702	769,286	751,448	750,449
Federal Special Revenue	411,728	470,943	427,589	427,225
Proprietary Funds	43,126	55,454	67,956	67,851
<b>EMPLOYMENT RELATIONS DIVISION</b>				
General Fund	869,937	942,686	854,549	852,260
State Special Revenue	5,751,732	6,139,721	6,298,042	6,296,382
Federal Special Revenue	734,353	783,338	721,000	721,000
<b>BUSINESS STANDARDS DIVISION</b>				
State Special Revenue	8,740,572	9,239,881	10,567,016	10,592,039
<b>OFFICE OF COMMUNITY SERVICE</b>				
General Fund	24,693	24,690	24,693	24,693
Federal Special Revenue	2,034,202	2,978,435	3,083,388	3,082,966
<b>WORKERS COMPENSATION COURT</b>				
State Special Revenue	420,248	451,502	446,745	445,781
<b>Agency Totals</b>	<b>56,620,907</b>	<b>61,932,691</b>	<b>62,070,378</b>	<b>62,074,613</b>
<b>6701 DEPT OF MILITARY AFFAIRS</b>				
<b>CENTRALIZED SERVICES</b>				
General Fund	394,510	376,106	438,405	436,637
Federal Special Revenue	56,684	90,004	97,533	97,334
<b>CHALLENGE PROGRAM</b>				
State Special Revenue	0	0	1,131,049	1,119,831
Federal Special Revenue	0	0	1,679,814	1,679,747
<b>ARMY NATIONAL GUARD PGM</b>				
General Fund	1,163,402	1,259,721	1,207,445	1,185,272
State Special Revenue	17,561	222,800	296,000	386,000
Federal Special Revenue	3,560,033	3,797,020	4,654,010	4,651,932
<b>AIR NATIONAL GUARD PGM</b>				
General Fund	188,423	210,985	308,782	308,408
Federal Special Revenue	1,991,101	2,113,591	2,260,254	2,261,904
<b>DISASTER &amp; EMERGENCY SERVICES</b>				
General Fund	505,871	518,287	499,869	499,712
State Special Revenue	13,700	21,597	13,700	13,700
Federal Special Revenue	1,374,432	1,360,247	4,312,742	4,312,223
<b>VETERANS AFFAIRS PROGRAM</b>				
General Fund	722,021	702,879	709,456	710,569
State Special Revenue	120,083	165,132	187,325	187,489
<b>Agency Totals</b>	<b>10,107,821</b>	<b>10,838,369</b>	<b>17,796,384</b>	<b>17,850,758</b>

# Agency Budget Summary All Funds

Table R-1 (cont)				
AGENCY BUDGET SUMMARY HB 2 ALL FUNDS				
6901 DEPT OF PUBLIC HEALTH & HUMAN SERVICES	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
HUMAN AND COMMUNITY SERVICES DIVISION				
General Fund	21,737,319	22,207,227	23,144,840	21,399,664
State Special Revenue	411,046	426,151	510,251	510,251
Federal Special Revenue	105,046,788	155,924,702	162,477,797	161,878,423
CHILD & FAMILY SERVICES DIV				
General Fund	21,330,764	21,831,793	19,761,992	19,984,077
State Special Revenue	1,474,092	1,400,745	1,667,550	1,994,550
Federal Special Revenue	22,361,182	24,505,633	28,661,367	29,707,041
DIRECTOR'S OFFICE				
General Fund	1,594,576	1,276,635	1,034,392	1,037,100
State Special Revenue	1,171,486	1,309,383	1,977,108	1,982,884
<b>Federal Special Revenue</b>	<b>2,044,742</b>	<b>2,220,048</b>	<b>2,348,528</b>	<b>2,350,542</b>
CHILD SUPPORT ENFORCEMENT				
General Fund	224,997	223,881	224,997	224,997
State Special Revenue	2,799,172	3,031,724	3,157,914	3,163,469
Federal Special Revenue	6,176,437	6,614,617	6,726,005	6,737,458
FISCAL SERVICES DIVISION				
General Fund	2,322,416	2,487,567	2,440,359	2,315,781
State Special Revenue	278,275	223,797	303,622	270,196
Federal Special Revenue	2,359,231	2,685,036	2,492,849	2,385,799
HEALTH POLICY & SERVICES DIVISION				
General Fund	65,202,469	65,145,686	63,971,920	67,991,234
State Special Revenue	4,034,013	7,852,390	10,675,845	10,829,728
Federal Special Revenue	223,614,089	249,854,188	254,392,217	267,117,415
QUALITY ASSURANCE DIVISION				
General Fund	1,955,210	2,129,178	2,246,997	2,245,261
State Special Revenue	224,944	376,406	271,018	270,982
Federal Special Revenue	4,728,272	5,359,663	5,162,873	5,163,731
OPERATIONS & TECHNOLOGY DIV				
General Fund	8,939,659	9,353,894	9,006,907	9,052,065
State Special Revenue	864,332	1,345,198	927,614	937,117
Federal Special Revenue	15,089,803	13,691,460	15,266,054	15,320,918
DISABILITY SERVICES DIVISION				
General Fund	43,633,447	42,699,159	46,930,031	47,098,164
<b>State Special Revenue</b>	<b>56,025</b>	<b>2,062,553</b>	<b>56,025</b>	<b>56,025</b>
Federal Special Revenue	67,813,795	69,079,337	75,166,284	75,476,302
SENIOR & LONG-TERM CARE				
General Fund	43,176,672	46,142,479	43,168,835	45,238,357
State Special Revenue	7,494,929	9,030,777	10,788,943	11,834,239
<b>Federal Special Revenue</b>	<b>122,962,976</b>	<b>137,980,849</b>	<b>134,929,167</b>	<b>142,975,851</b>
ADDICTIVE & MENTAL DISORDERS				
General Fund	50,224,453	51,686,534	49,801,579	52,893,794
State Special Revenue	5,027,791	7,945,897	8,452,305	8,535,142
Federal Special Revenue	71,301,619	77,616,301	90,831,621	97,727,735
Agency Totals	927,677,021	1,045,720,888	1,078,975,806	1,116,706,292
All Agencies	2,707,465,367	3,036,007,466	3,081,473,607	3,062,759,728
STATEWIDE TOTALS				
General Fund	1,171,618,550	1,131,366,550	1,149,886,008	1,163,123,856
State Special Revenue	334,512,085	425,095,737	487,567,185	461,590,457
Federal Special Revenue	1,188,305,883	1,465,024,946	1,430,290,121	1,425,546,276
Capital Projects	933,055	933,055	511,542	518,369
Proprietary Funds	12,095,794	13,587,178	13,218,751	11,980,770
All Agencies	2,707,465,367	3,036,007,466	3,081,473,607	3,062,759,728

# Supplemental Appropriations All Funds

The recommendation for supplemental appropriations in FY 2003 is \$15,685,523 general fund. **HB 3** contains most of the supplemental appropriations. **HB 16** is an emergency supplemental appropriations bill for consideration early in the session to reimburse the Department of Natural Resources and Conservation for fire suppression and fire-related costs.

## **Public Health and Human Services – Section B**

**Department of Public Health and Human Services** – The Disability Services Division is requesting a supplemental appropriation of approximately \$924,354 for the Montana Developmental Center due to the need for additional staff to meet Medicaid certification requirements, along with the anticipated costs of the MAP lawsuit. In FY 2002, the department transferred \$416,457 from FY 2003 to mitigate the increased costs of hiring additional staff, with the understanding that supplemental funding would be available in FY 2003. The supplemental funding comes from the retroactive reimbursement of individuals identified as not-seriously developmentally disabled that served at MDC from FY 1997 through FY 2002 whose services were not previously reimbursed by Medicaid. It has recently been determined that these services could be reimbursed with Medicaid funds as these Medicaid eligible individuals continued to obtain active treatment at the facility while waiting for services to become available in the community. These additional collections, totaling \$1,878,394 from FY 1997 through FY 2002, have not been included in the state's general fund revenue estimates and will be deposited into the general fund as revenue during FY 2003.

## **Natural Resources and Commerce – Section C**

**Department of Natural Resources and Conservation** – The total request for HB16 is \$6,571,766 of general fund. This supplemental recommendation is in a separate bill to enable more rapid legislative consideration of a single issue, fire costs. The DNRC will be unable to meet payroll in February without restoration of its FY 2003 budget or a general fund loan.

In HB 3 fire suppression costs total an additional \$2,497,863 general fund that are not expected to be reimbursed by FEMA or the U.S. Forest Service.

## **Public Safety and Justice – Section D**

**Department of Justice** - \$250,000 general fund is recommended in the Legal Services Division for major litigation for the current cases as well as the school fund lawsuit, elk farm case, and potential tobacco lawsuits.

In addition, \$250,000 general fund for prisoner per diem in the Highway Patrol Division is requested due to the increase in the number of days prisoners are being held in county facilities.

## **Education – Section E**

**Office of Public Instruction** - In accordance with 20-9-351, MCA, the Office of Public Instruction requests a supplemental appropriation to complete the funding of FY 2003 BASE aid and retirement GTB aid for elementary and high school districts. At this time, the supplemental is projected at \$3.503 million general fund.

**Commissioner of Higher Education** - The Commissioner of Higher Education (OCHE) is requesting authorization to spend up to \$76,000 indirect cost recoveries that were received in the 2003 biennium. The Legislative Audit Division (LAD) has recommended that OCHE record indirect cost recovery as revenue, and not a reduction of expenditures. The last legislative session, as recommended in the executive budget, incorrectly budgeted these indirect cost recoveries in OCHE as a reduction in expenditures. This supplemental has no impact on general fund since a like amount of revenue will be deposited into the general fund. It will bring the OCHE in compliance with the LAD recommendation.

# Statutory Appropriations – All Funds

Table R-2 STATUTORY APPROPRIATIONS ALL FUNDS					
	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05	
<b>3101 GOVERNOR'S OFFICE</b>					
<b>EXECUTIVE OFFICE PROGRAM</b>					
General Fund	279,563	175,000	0	0	0
Agency Totals	279,563	175,000	0	0	0
<b>3401 STATE AUDITOR'S OFFICE</b>					
LOCAL ASSISTANCE TO COUNTIES					
General Fund	14,214,278	14,447,100	15,203,194	16,011,695	16,011,695
FOREST RES & FPGA TO COUNTIES					
Federal Special Revenue	13,474,861	8,250,000	13,750,000	13,750,000	13,750,000
Agency Totals	<b>27,689,139</b>	<b>22,697,100</b>	<b>28,953,194</b>	<b>29,761,695</b>	<b>29,761,695</b>
<b>3501 OFFICE OF PUBLIC INSTRUCTION</b>					
LOCAL EDUCATION ACTIVITIES					
State Special Revenue	0	51,701,000	46,843,000	46,313,000	46,313,000
Agency Totals	<b>0</b>	<b>51,701,000</b>	<b>46,843,000</b>	<b>46,313,000</b>	<b>46,313,000</b>
<b>4110 DEPARTMENT OF JUSTICE</b>					
LEGAL SERVICES DIVISION					
State Special Revenue	87,661	105,000	87,656	87,656	87,656
GAMBLING CONTROL DIVISION					
State Special Revenue	2,012,932	2,296,279	2,258,264	2,258,128	2,258,128
CENTRAL SERVICES DIVISION					
State Special Revenue	16,449	125,000	125,000	125,000	125,000
Federal Special Revenue	124,964	125,000	125,000	125,000	125,000
Agency Totals	2,242,006	2,651,279	2,595,920	2,595,784	2,595,784
<b>5102 COMMISSIONER OF HIGHER EDUCATION</b>					
STUDENT ASSISTANCE PROGRAM					
State Special Revenue	156,492	330,226	156,492	156,492	156,492
APPROPRIATION DISTRIBUTION					
General Fund	65,000	65,000	65,000	65,000	65,000
State Special Revenue	521,148	552,600	532,506	538,357	538,357
Agency Totals	<b>742,640</b>	<b>947,826</b>	<b>753,998</b>	<b>759,849</b>	<b>759,849</b>
<b>5113 MONTANA SCHOOL FOR THE DEAF AND BLIND</b>					
EDUCATION					
State Special Revenue	228,685	156,124	54,000	54,000	54,000
Agency Totals	<b>228,685</b>	<b>156,124</b>	<b>54,000</b>	<b>54,000</b>	<b>54,000</b>
<b>5117 MONTANA HISTORICAL SOCIETY</b>					
ADMINISTRATION PROGRAM					
State Special Revenue	98,294	89,772	102,265	104,310	104,310
HERITAGE COMMISSION					
State Special Revenue	881,597	1,417,053	933,422	935,411	935,411
LEWIS & CLARK BICENTENNIAL					
State Special Revenue	229,068	1,066,000	229,068	229,068	229,068
Agency Totals	1,208,959	2,572,825	1,264,755	1,268,789	1,268,789
<b>5201 DEPT OF FISH, WILDLIFE AND PARKS</b>					
PARKS DIVISION					
State Special Revenue	346,504	878,589	698,132	715,042	715,042
Agency Totals	346,504	878,589	698,132	715,042	715,042
<b>5301 DEPT OF ENVIRONMENTAL QUALITY</b>					
REMEDIATION DIVISION					
State Special Revenue	6,150,941	5,513,963	6,150,941	6,150,941	6,150,941
Agency Totals	6,150,941	5,513,963	6,150,941	6,150,941	6,150,941
<b>5401 Department of Transportation</b>					
GENERAL OPERATIONS PROGRAM					
State Special Revenue	16,691,430	16,691,798	16,692,478	16,692,413	16,692,413
CONSTRUCTION PROGRAM					
State Special Revenue	100,000	100,000	100,000	100,000	100,000
Agency Totals	<b>16,791,430</b>	<b>16,791,798</b>	<b>16,792,478</b>	<b>16,792,413</b>	<b>16,792,413</b>
<b>5706 Department of Natural Resources and Conservation</b>					
OIL & GAS CONSERVATION DIV.					
State Special Revenue	9,156	190,845	200,000	0	0
CONSERVATION/RESOURCE DEV DIV					
State Special Revenue	<b>481,541</b>	<b>162,313</b>	<b>0</b>	<b>0</b>	<b>0</b>
FORESTRY					
General Fund	10,049,888	0	0	0	0
Agency Totals	10,540,585	353,158	200,000	0	0

# Statutory Appropriations – All Funds

Table R-2 (cont)				
STATUTORY APPROPRIATIONS ALL FUNDS				
	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
<b>6101 Department of Administration</b>				
<b>ADMIN FINANCIAL SERV DIVISION</b>				
General Fund	21,253,669	23,281,108	23,543,601	23,559,640
State Special Revenue	0	0	2,853,000	5,762,000
Federal Special Revenue	227,662	224,689	227,662	227,662
Capital Projects	498,169	495,686	493,755	490,939
GENERAL SERVICES PROGRAM				
	6,989	0	0	0
INFORMATION TECH SERV DIVISION				
State Special Revenue	4,338,136	3,869,498	4,338,136	4,338,136
<b>MONTANA STATE LOTTERY</b>				
Proprietary Funds	19,085,784	22,555,562	19,085,784	19,085,784
RISK MANAGEMENT & TORT DEFENSE				
State Special Revenue	1,150,353	771,178	0	0
Agency Totals	46,560,762	51,197,721	50,541,938	53,464,161
<b>6201 Department of Agriculture</b>				
AGRICULTURAL SCIENCES DIV.				
State Special Revenue	0	23,900	33,900	33,900
AGRICULTURAL DEVELOPMENT				
General Fund	1,180,599	907,279	625,000	625,000
State Special Revenue	2,103	62,916	246,849	246,849
Proprietary Funds	1,949,065	6,027,818	5,633,551	5,633,551
Agency Totals	3,131,767	7,021,913	6,539,300	6,539,300
<b>6501 Department of Commerce</b>				
RESEARCH AND COMMERCIALIZATION				
General Fund	4,850,000	4,850,000	0	0
BUSINESS RESOURCES DIVISION				
General Fund	882,582	675,000	950,000	950,000
State Special Revenue	199,998	200,000	200,000	200,000
MONTANA PROMOTION DIVISION				
State Special Revenue	9,264,826	11,134,167	10,206,707	10,384,038
COMMUNITY DEVELOPMENT DIVISION				
State Special Revenue	253,978	171,021	425,000	0
BOARD OF INVESTMENTS				
Proprietary Funds	2,872,078	3,095,257	2,872,078	2,872,078
Agency Totals	18,323,462	20,125,445	14,653,785	14,406,116
<b>6602 Department of Labor and Industry</b>				
UNEMPLOYMENT INSURANCE DIVISION				
Federal Special Revenue	638,162	615,236	638,162	638,162
EMPLOYMENT RELATIONS DIVISION				
State Special Revenue	582,718	700,811	582,718	582,718
BUSINESS STANDARDS DIVISION				
State Special Revenue	15,384	59,050	15,384	15,384
Agency Totals	1,236,264	1,375,097	1,236,264	1,236,264
<b>6901 Department of Public Health and Human Services</b>				
CHILD & FAMILY SERVICES DIV				
State Special Revenue	0	140,000	0	0
DISABILITY SERVICES DIVISION				
State Special Revenue	991,057	1,039,506	1,004,616	1,002,092
ADDICTIVE & MENTAL DISORDERS				
State Special Revenue	3,245,445	2,910,857	1,908,668	1,909,403
Agency Totals	4,236,502	4,090,363	2,913,284	2,911,495
All Agencies	274,890,067	331,236,925	305,427,651	308,734,053
<b>STATEWIDE TOTALS</b>				
	Actual FY 02	Budget FY 03	Request FY 04	Request FY 05
General Fund	150,652,951	132,925,953	128,312,982	129,666,064
State Special Revenue	85,366,371	156,921,724	134,288,677	136,244,813
Federal Special Revenue	14,465,649	9,214,925	14,740,824	14,740,824
<b>Capital Projects</b>	<b>498,169</b>	<b>495,686</b>	<b>493,755</b>	<b>490,939</b>
Proprietary Funds	23,906,927	31,678,637	27,591,413	27,591,413
All Agencies	274,890,067	331,236,925	305,427,651	308,734,053

## Budget Background Information

### Details on How the 2005 Biennium Budget was Developed

**Personal Services** – The personal services portion of the executive budget is based upon a “snapshot” of actual salaries for authorized FTE, as they existed on the Statewide Accounting, Budgeting and Human Services System (SABHRS) on June 30, 2002, which was the end of the fiscal year. OBPP prepared the FY 2004 and FY 2005 personal services budgets to reflect HB 13 adopted by the 2001 Legislature, workers comp, unemployment insurance, FICA, retirement contribution rates, number of hours each fiscal year, longevity adjustments and health insurance rates. These personal services schedules are included in the present law base for current level positions that are authorized for FY 2003 and thus authorized to continue into the 2005 biennium.

**Inflation/Deflation** - The adjusted base for FY 2004 and FY 2005 includes fully funded personal services costs in the 61000 expenditure accounts. It does not include per diem for boards and advisory committees, overtime, shift differential pay and holidays worked. In addition, the following accounts have been inflated/deflated from the FY 2002 base amounts due to the new recommended amounts/rates:

<u>Acct</u>	<u>Name</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Primary Reason</u>
62141	Tape Megabytes	-100.00%	-100.00%	Combined with CPU
62141	Tape Storage Archive	-100.00%	-100.00%	Combined with CPU
62142	Disk Storage	10.00%	10.00%	Predicted allocated costs/usage
62168	Sysin Disk Read/Write	10.00%	10.00%	Predicted allocated costs/usage
62172	Batch CPU	10.00%	10.00%	Predicted allocated costs/usage
62175	LAN Administration	20.00%	20.00%	Predicted allocated costs/usage
62177	TSO CPU	10.00%	10.00%	Predicted allocated costs/usage
62178	IDMS/CPU CICS ADS	10.00%	10.00%	Predicted allocated costs/usage
62180	CICS CPU	10.00%	10.00%	Predicted allocated costs/usage
62185	Laser	30.00%	30.00%	Predicted allocated costs/usage
62216	Gasoline	10.80%	16.00%	Assumed market conditions
62242	Diesel	10.80%	16.00%	Assumed market conditions
62304	Postage	8.00%	8.00%	U.S. Postal Service rate increase
62370	Voice Equipment	33.00%	33.00%	Market conditions
62385	Long Distance Charge	-22.00%	-22.00%	Market conditions
62404	In-State Motor Pool	0.99%	9.48%	Leg. Approved rates not in HB 2
62601	Electricity	10.00%	11.00%	Assumed market conditions
62603	Natural Gas	- 5.40%	- 4.40%	Assumed market conditions

No other inflation or deflation is included in the adjusted base budgets for FY 2004 and FY 2005. Agency requests for other changes to the adjusted base budget were submitted in decision packages (DPs), which will be listed individually in separate tables for legislative action in the Legislative Fiscal Division analysis of the budget.

**Fixed Costs** - Although most agencies will be billed in the 2005 biennium consistent with the amounts budgeted for fixed costs, there may be a few exceptions, notably network fees that are based on the number of devices actually on the system, warrant writing fees for warrants actually issued, and that portion of lease vehicles based on number of miles

Fixed Costs										
Account 62104		Account 62113		Account 62114		Account 62122	Account 62148		Account 62174	
Insurance		Warrant Writer		Payroll		Audit Fees	SABHRS		Data Network	
FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004	FY2004	FY2005	FY2004	FY2005
\$ 14,770,015	\$ 15,452,767	\$ 859,015	\$ 874,351	\$ 436,310	\$ 461,614	\$ 2,798,601	\$ 4,651,404	\$ 4,794,639	\$ 9,598,696	\$ 9,866,960
Account 62307		Account 62527		Account 62770		Account 62895				
Messenger Services		Capitol Complex Rent		Grounds Maintenance		SFCAP				
FY2004	FY2005	FY2004	FY2005	FY2004	FY2005	FY2004	FY2005			
\$ 134,012	\$ 134,012	\$ 5,643,230	\$ 5,862,935	\$ 326,374	\$ 326,374	\$ 898,875	\$ 1,310,170			



## **Budget Background Information**

### **Details on How the 2005 Biennium Budget was Developed**

driven. The total of fixed costs for the 2005 biennium is shown for each fiscal year just above. A brief summary of each fixed cost follows and the manner in which each of these objects was adjusted in the budget is summarized.

**Insurance** - The state self-insures for property losses under \$150,000 (Prison < \$250,000). Expansion of government property, replacement values for increased property values, and state assumption of county roads under SB 333 are prominent reasons for the insurance increases.

FY 2002 Actual: \$8,056,480      FY 2004 Budgeted: \$14,770,015      FY 2005 Budgeted: \$15,452,767

**Warrant Writer** - Check writing and auto-deposit capabilities for two million annual transactions are provided to state agencies. The service is charged out on actual experience and projected based on historical demand.

FY 2002 budget: \$831,766      FY 2004 projected: \$859,015      FY 2005 projected: \$874,351

**Payroll Service** - Payroll processing for more than 12,000 state employees has projected operating expenses of \$435,310 in FY 2004 and \$461,614 in FY 2005.

**Audit** - Total statewide financial compliance audit costs for the 2005 biennium are \$2,798,601. Biennium financial compliance audit costs for the 2003 biennium were \$2,973,450.

**SABHRS** - Two functional costs to finance the Statewide Accounting, Budgeting, and Human Resource Systems (SABHRS) have been distributed to state agency budgets: the costs to finance the bonds and the costs to maintain the uniform central management system environment. In March 1998, there were \$16.5 million of bonds sold for MT PRRIME, with first bond payments due in FY 1999. The \$16.5 million bond obligation was distributed to agency budgets in object 2875: \$2,506,518 in FY 2000 and \$2,490,067 in FY 2001; \$2,469,370 in FY 2002 and \$2,050,913 in FY 2003. The SABHRS operations bureau will maintain the uniform central management system with total budgeted operating expenses of \$4,651,404 in FY 2004 and \$4,794,639 in FY 2005. State agencies will pay this in distributed fixed costs, allocated by FTE, using all funds proportionately.

**Data Network Fees** - The amount for network fees is the number of agency network devices that will be in use in FY 2004 and FY 2005 times \$73.00 each month, compared to a cost of \$73.50 in the previous biennium. HB 2 of the 2001 session requires a justification of increases above \$64.59. Primary factors include personnel reductions due to revenue shortfall, elimination of PCs in state agencies, working capital recoveries, Oracle ERA incorporation into the rate which results in a significant savings for the enterprise in each agency budget, and an increase in the bandwidth/wide area network. The allocation will be \$9,558,696 in FY 2004 and \$9,865,950 in FY 2005.

**Messenger Service** - Mail sorting, outgoing pickup and incoming mail delivery to all state agencies within the Helena metropolitan area is a budgeted cost, then distributed as a fixed cost to customer agencies, based upon historical volume, the number of FY 2002 holdouts (similar to a post office box), and the number of FY 2002 deliveries. The distributed fixed costs are \$134,012 each year of the biennium, compared with \$171,655 approved by the 57th Legislature for each year of the 2003 biennium.

**Department of Administration Rent** - Agencies within the Capitol Complex will pay \$5.988 and \$6.228 per square foot for office space in FY 2004 and FY 2005, respectively, as compared to \$5.900 and \$6.017 in the 2003 biennium. Warehouse space is budgeted at \$2.27 per square foot (psf) in FY 2004 and \$2.29 per square foot (psf) in FY 2005.

**Grounds Maintenance** - Capitol grounds maintenance, snow removal, and water charges are paid by Capitol Complex agencies at a rate of \$0.3796 psf of rented office space. This rate was \$0.3696 psf in the 2003 biennium.

**SFCAP (State Fund Cost Allocation Plan)** - The costs of certain general government services financed from the general fund are recovered from nongeneral and nonfederal funded programs. Office of Budget and Program Planning, Accounting Principles and Financial Reporting Sections, the Treasury, the Classification Unit, MTPRRIME Debt Service, Labor Relations Unit and Administration/Policy Unit of Personnel Division of DofA services are allocated. The allocation is a two-step process: 1) allocation to each state agency for the cost center budget based on indirect measures of workload generated by that agency; and 2) allocation by fund type. General fund and federal funds are excluded from the cost recovery. The cost recovery flows into the general fund. Total amount allocated to nongeneral and nonfederal programs under object of expenditure 2895 is \$898,875 in FY 2004 and \$1,310,170 in FY 2005.

## **Budget Background Information**

### **Details on How the 2005 Biennium Budget was Developed**

**SWCAP (Statewide Cost Allocation Plan)** - The costs of certain general government services are recovered from federal funds through negotiated cost allocation agreements with agencies of the federal government. Section 17-7-111, MCA, "Indirect cost rate – Allocation" requires that SWCAP costs are claimed first, agency indirect costs are claimed second and direct costs of administration are claimed third. All funds collected related to SWCAP are deposited into the general fund.

**State Building Energy Conservation Program** - The Department of Environmental Quality (DEQ) manages the State Building Energy Conservation Program to reduce operating costs in state facilities by identifying and funding cost-effective energy-efficiency improvements. Agencies that have completed or substantially completed projects incorporated savings into their budgets of \$1.9 million in the 2005 biennium. A total of \$6.7 million in utility cost savings has been realized through this program since its inception in FY 1994. More information regarding this program is in HB 12 and Section F, Long-Range Planning, of this book.

**Vacancy Savings** - Vacancy savings of 4 percent was applied to all agencies, except those with fewer than 20.00 FTE, to elected officials per se, to university system faculty, to the legislative branch, and to the judicial branch. The vacancy savings from the HB 2 base budgets of the affected agencies generated \$19,234,058 in FY 2004 and \$19,255,391 in FY 2005. In addition, the 4 percent vacancy savings was applied to personal services in present law and new proposal decision packages for the same affected agencies and generated \$134,573 and \$68,053 each year, respectively. The amount realized to help alleviate the revenue shortfall and to fund the recommended HB 13 pay plan for the 2005 biennium is \$38,692,075 total funds.

HB 13 pay plan bill also includes a very important biennial contingency account of \$1.5 million general fund and \$3 million other funds for agencies that are unable to achieve the 4 percent vacancy savings due to lack of staff turnover and agencies that are unable to absorb the full costs of retirement payouts. A number of agencies are projecting very significant, costly retirements in the 2005 biennium and the executive recommends this contingency, rather than funding individual agencies for unknown projected costs.

**Agency Mission, Goals and Objectives** - The mission for each state agency is printed as part of the budget. Goals and objectives also are required in accordance with 17-7-111(3)(c), MCA, and are available on the Internet at [www2.state.mt.us./budget](http://www2.state.mt.us./budget).

**Analysis of Receipts by Fund** - The analysis of receipts by fund required by 17-7-124, MCA, is available on request from the OBPP, Room 277 State Capitol.

# Economic Overview

**Introduction** – The state, national, and world economies affect both citizens' demands for services from state government and the State of Montana's ability to provide those services. Economic conditions affect state revenues, the cost of providing public services and the demand for services.

The executive branch revenue estimation team prepared the general fund revenue estimates used in providing a balanced executive budget. State law also requires the Revenue and Transportation Committee to adopt a set of revenue assumptions for use in funding legislative programs. The committee will act on their estimates November 19, 2002, which is too late to be considered for use in the Governor's 2005 Biennium Executive Budget. The executive estimates will be presented to the committee to provide a reasonable basis for their deliberations.

The following provides an overview of the key economic conditions and assumptions implicit in the executive revenue estimates. Additional detail is provided in the executive branch's general fund revenue estimating book.

**General Overview** – The national economy went through a mild recession in 2001 and began a slow recovery in 2002. Gross Domestic Product (GDP) fell for the first three quarters of 2001 and grew slowly during the fourth quarter, but was up 0.3 percent for the year. GDP grew rapidly during the first quarter of 2002, but growth slowed in the second and third quarters. The national unemployment rate was 3.7 percent in the last quarter of 2000 and rose to a peak of 6.2 percent in the first quarter of 2002. The unemployment rate has begun to fall, and was 5.7 percent in October 2002.

GDP is forecast to grow steadily, but moderately, over the next several years, with annual growth rates of 2.4 percent in 2002, 3.0 percent in 2003, 4.0 percent in 2004 and 3.3 percent in 2005. Employment is forecast to grow slowly, but only slightly faster than the labor force. This will keep the national unemployment rate above 5 percent through 2005.

Montana's economy slowed in 2001, but not as much as the national economy. Wages and salaries reported on Montana income tax returns grew by 5.2 percent, which is only 0.2 percent less than the average since 1988. Montana's unemployment rate increased, but not as much as the national rate. In the second quarter of 2001, 4.3 percent of the Montana labor force was unemployed, 0.1 percent less than the national average. When unemployment peaked in the first quarter of 2002, the Montana unemployment rate was 5.5 percent, 0.7 percent less than the national average. In September, the latest month for which state unemployment statistics are available, the Montana unemployment rate was 4.0 percent while the national unemployment rate was 5.6 percent.

Individual sectors of the Montana economy often follow national trends, but because Montana has a different mix of economic activity than the nation, the overall state economy does not always follow national trends. The national recession was concentrated in the manufacturing sector. Industrial production fell 3.7 percent in 2001 and has continued to fall in 2002 despite the recovery in the rest of the economy. Manufacturing accounts for a much smaller share of economic activity in Montana than in the nation, and this is one reason why the state economy slowed less than the national economy.

The recession was accompanied by the bursting of the stock market bubble of the late 1990s. Many people who saw substantial increases in their personal wealth in the late 1990s saw substantial decreases in 2000 and 2001. This affects state revenues most directly through capital gains reported on income tax returns. Capital gains were 4.2 percent of income reported on tax returns in 1990 and 1991 and increased to 9.2 percent of income in 2000. Capital gains were 37.6 percent lower in 2001 than in 2000, and accounted for only 5.7 percent of income reported on tax returns.

In an effort to stimulate the economy, the Federal Reserve has cut interest rates to historic low levels. Low interest rates reduce the state's cost of borrowing, but they also reduce state government's interest earnings and interest income for income tax purposes.

The federal government also passed *the Economic Growth and Tax Relief Act of 2001 (EGTRRA)* and *the Job Creation and Worker's Assistance Act of 2002 (JCWAA)*. The former significantly reduces federal income tax rates; phases out current limitations on personal exemptions and itemized deductions; for the most part eliminates the federal marriage penalty; and increases the child tax credit. The latter provided a window for claiming federal 30 percent bonus depreciation tax benefits for businesses. Both of these federal changes will significantly impact revenue to the states, but particularly for a state like Montana where federal taxes are fully deductible on state individual income tax forms.

# Economic Overview

**Personal Income** – Personal income is the most commonly used measure of state economic performance. It is intended to measure the total income of the state's residents from wages and salaries; interest and dividends; rental receipts; farm income; and transfer payments. Key components of personal income provide insights about the level of the personal income tax base and the ability of the state residents to consume taxable services.

Wage and salary income is the largest component of both personal income and the income tax base. Since 1988, the average annual growth rate of wage and salary income is 5.4 percent. In 2001, wages and salaries grew by 5.2 percent. In the first nine months of 2002, wages and salaries earned are 3.8 percent higher than in the first nine months in 2001. Wage and salary income is forecast to grow by 4.5 percent in 2003 and by 5.3 percent in 2004.

**Income Tax Simulation Base** – The individual income tax estimates are based on calendar year 2001 returns and projected growth rates. The projected growth rates are derived from a variety of sources. Many are based on national forecasts from Global Insight and relationships that have historically held between the state and national economies. Some growth rates are based on information from the Bureau of Business and Economic Research at the University of Montana. Other growth rates rely on the Montana-specific history of growth in recent years, and growth in population.

**Individual Income Tax** – By now, those with even the slightest interest in the fiscal affairs of the states are acutely aware of the impact of the events of September 11, 2001 and the recent spate of corporate malfeasance on the values of corporate securities. The recent large declines in the value of corporate stock, coupled with the mild recession experienced in 2001, are responsible for steep declines in capital gains income reported on income tax returns, causing income tax revenues to drop well below expectations and requiring most states to either cut budgets or raise taxes in special legislative sessions this and last year.

Montana was no exception to this experience. In mid-fiscal 2002 it became apparent that income tax collections were beginning to significantly lag expectations and the state ended the year with individual income tax collections \$57.4 million (10 percent) below earlier expectations. In Montana, capital gains income reported on income tax returns dropped by \$474 million (38 percent) between tax year 2000 and 2001. But other factors figured prominently in the decline in income tax revenues as well:

- dividend income, which had been growing at rates of 8-10 percent, dropped by more than 19 percent;
- income from rents, royalties, and partnerships, which had been growing very strongly, grew at a rate of just 1.5 percent;
- taxable retirement income, which had been growing at a steady rate of about 8 percent per year, grew just 2.3 percent;
- taxable social security income, which had been growing at rates of around 10 percent per year, grew by less than 1 percent;
- farm income declined by 45 percent;
- the number of income tax returns filed, which had been growing at an average rate of more than 2 percent over the period 1990-2000, declined by 0.11 percent;
- the elderly homeowner/renter credit, which had been stable at around \$8.8 million over the previous four years, jumped to \$9.5 million;
- the share of total tax liability paid by part-year and nonresidents, which had grown steadily from 5.6 percent of total liability in 1991 to 7.2 percent in 2000, dropped to 6.6 percent in tax year 2001.

None of the above shifts were anticipated or expected. All of them acted to disrupt what previously had been fairly steady and predictable trends, adding an element of risk to current forecasts of revenue from this source, and to forecasts of capital gains income in particular.

**Corporate Profits** – Revenue from the Corporation License Tax is one of the more volatile sources of revenue, with collections ranging from \$60 million to more than \$100 million per year over the past decade. Corporation license taxes are collected from both "domestic" corporations (those corporations whose operations are conducted entirely within the state) and "multi-state" corporations (corporations whose activities are conducted in multiple states and whose incomes are apportioned among states based on apportionment formulae). Collections from domestic corporations have remained very stable over time; consequently, the volatility in this revenue source lies with collections from multi-state corporations.

## Economic Overview

Over the past decade, collections from multi-state corporations have tended to follow changes in U.S. corporate pre-tax profits, and forecasts of this measure of profit are used to forecast revenue from the corporation license tax. However, there are years in which this relationship simply does not hold, adding an element of risk to the forecast.

Recent changes in the corporate landscape in Montana have also imparted additional risk to collections from this source. For many years, the presence of the Montana Power Company, a regulated utility whose holdings were largely within the state, imparted a substantial degree of stability to corporation license tax collections. In recent years, however, the company's electric energy generation properties, electric and natural gas distribution properties, oil and gas business, coal mining business, and independent power production business have all been sold to large multi-state corporations whose business activities and assets lie primarily outside the state. Revenue to Montana from these multi-state corporations will now depend to a much greater extent on their business activities outside our borders, and how that income ultimately is apportioned to Montana, rather than on the certainty of the business activity of the Montana Power Company within our borders. An element of stability has been removed, and an element of risk has been added to this revenue source.

Also adding uncertainty to this revenue source is the ability of corporations to carryback or carryforward any net operating losses from a particular tax year. The recent downturn in revenues and net profits of many high-tech and telecommunications companies is likely to result in net operating loss carrybacks to prior profitable years, resulting in the issuance of a significant amount of refunds during FY 2003, and possibly even FY 2004.

**Property Tax** – The most significant factor impacting the property tax revenues for the FY 2005 biennium is the implementation of the 2003 reappraisal. Classes 3 (agricultural land), 4 (residential and commercial real property), and 10 (forest land) are subject to the implementation of the 2003 reappraisal cycle beginning with tax year 2003. If the new reappraised value for a property is an increase in value, then the new reappraised value will be phased-in over a six-year period beginning in tax year 2003. For those properties that have a decrease in appraised value, the new reappraisal value will take full effect in tax year 2003.

It is expected that reappraisal will increase the total taxable value of class 3 agricultural land by 15 percent over the six-year period from 2003 to 2008. The impact on class 10 forest land is taxable value neutral. For purposes of the property tax revenue estimate, it was necessary to make assumptions of the impact of reappraisal on class 4 property. The assumptions should be considered a reasonable guess of the impact of reappraisal. Data on the actual impact of reappraisal was not available at the time the property tax revenue estimate was written. The assumptions are that 85 percent of the property will increase in value and the remaining 15 percent will decrease in value. For those properties that increase, the average increase is set at 35 percent. This increase is phased-in over a six-year period beginning in tax year 2003. For those that decrease, the average decrease is set at 20 percent. This decrease takes full effect in tax year 2003.

Given the assumptions, the impact of reappraisal in FY 2004 is an increase in taxable value of \$3,300,000 for class 3 property and an increase of \$20,400,000 for class 4 property. This results in an increase in property tax revenue from class 3 and class 4 property of \$2,200,000 ( $\$23,700,000 \times .095$ ) to the state general fund in FY 2004.

For FY 2005, the second year of the implementation of reappraisal, the impact is greater. The increase in total taxable value is greater than in the prior year because the phasing-up of values that increased is no longer offset by the one-time full reduction of the values that decrease.

The impact of reappraisal in FY 2005 is an increase in taxable value of \$6,800,000 for class 3 property and an increase of \$75,000,000 for class 4 property. This increase in taxable value results in a property tax revenue increase of \$7,700,000 ( $\$81,800,000 \times .095$ ) for property classes 3 and 4. This increase of \$7,700,000 is revenue to the state general fund.

Governor Judy Martz has assigned an advisory council of legislators and citizens to examine exclusively the important issues regarding the implementation of the 2003 reappraisal. The first meeting of the advisory council is set for November 21, 2002. Data on the actual impact of reappraisal will be available for the council to examine in December.

The property tax revenue estimate assumes that the trigger reducing the tax rate for class 8 business property will not be hit in tax year 2004 or 2005. If the trigger is hit in tax year 2004 then the total property tax revenue estimate would be reduced \$1,500,000 in FY 2004 and reduced \$5,700,000 in FY 2005. If the trigger is hit in tax year 2005, then the total

## Economic Overview

property tax revenue estimate would be reduced \$1,500,000 in FY 2005. The dollar reductions listed are impacts to the state general fund revenue only. State general fund expenditure impacts in school funding have not been analyzed. The guaranteed tax base portion of school funding is tied to property tax values and would be affected by changes in the class 8 taxable values. The property tax revenue of local governments and school districts will also be reduced when the trigger is hit.

Beginning with FY 2003, the effects of SB 111 (1999 legislature), exempting intangible property of utilities, will no longer impact the property tax revenue estimate. SB 111 phased-in the exemption over a three-year period. During that period, the phase-in reduced the total taxable value of utilities by \$42,000,000. The market value of utility property declined 3.5 percent during the phase-down period. For FY 2003 and after, the market value of utility property will no longer be reduced by SB 111 and will be subject to the natural value growth of that property.

**Interest Rates** – In 2001, the Federal Reserve repeatedly cut the rate at which it lends funds to banks. Cumulative rate cuts were more than 4.5 percent. Currently, this rate is the lowest it has been in fifty years. The Federal Reserve is expected to keep this rate low as long as the national economy remains sluggish, but to raise it as the recovery progresses.

Short-term interest rates, which primarily affect earnings of short-term investments that include the treasury cash account, closely follow the Federal Reserve discount rate. Short-term rates reached historic lows in FY 2002. They are expected to increase by 3 percent to 3.5 percent over the next two years and to stabilize in FY 2005.

Long-term interest rates generally are less volatile than short-term rates, and they have not fallen as much in the last two years. The average rate for 30-year treasury bonds fell by less than 0.5 percent from July 2001 to July 2002. Long-term interest rates are forecast to be about 0.5 percent lower in FY 2003 than in FY 2002, and then to increase by 0.5 percent in FY 2004 and again in fiscal FY 2005. However, the return on state trust funds is projected to change very little through FY 2005 because newly issued bonds make up a relatively small portion of the state's long-term investment portfolio.

**Natural Resource Extraction** – Taxes and royalties from natural resource extraction account for about 5 percent of general fund revenue. Coal production and prices are projected to be relatively stable through 2005. Oil production has been declining slowly for several decades and this decline is projected to continue. The price of oil is likely to continue to be volatile, with the average price likely to decrease by about 20 percent over the biennium. New production records have been set for natural gas each of the last three years and gas production is projected to continue to increase. Gas prices will vary seasonally, but are projected to be relatively stable on average. Metal production is in flux, with some mines closing while others are opening. Platinum and palladium prices have fallen in the last year, but the price of gold has increased. Overall, revenue from natural resource extraction is projected to decrease slightly through FY 2005.

## General Fund Revenue Forecast

**Table 1**  
**General Fund Revenue Forecast**  
**Montana Department of Revenue**

Revenue Source	Actual	Estimated	Estimated	Estimated
	FY2002	FY2003	FY2004	FY2005
Individual Income Tax	517.568	520.968	558.786	603.485
Property Tax	169.339	172.573	181.692	192.928
Corporation License Tax	68.173	53.814	64.782	69.223
Vehicle Taxes	73.127	73.510	74.540	75.581
Insurance Tax	47.291	50.637	54.812	58.603
Coal Trust Interest Earnings	37.605	36.545	37.097	37.680
Tobacco Settlement Funds	18.647	19.069	3.105	3.150
Other Revenue	42.438	29.797	19.631	20.353
U.S. Mineral Royalties	19.772	22.918	22.822	23.049
Estate Tax	13.816	9.219	5.578	3.642
TCA Interest Earnings	13.192	10.723	13.201	16.631
Video Gaming License Fee	43.666	44.182	44.742	45.977
Vehicle Registration Fee	27.271	27.703	28.368	29.049
Oil/NG Production Tax	12.902	16.937	13.128	12.385
Institutional Reimbursements	14.283	14.977	13.831	14.186
Telephone/Telecomm Tax	19.594	20.355	19.389	22.265
Coal Severance Tax	8.469	10.461	8.505	8.285
Cigarette Tax	7.887	7.724	7.588	7.474
Liquor Excise Tax	9.514	9.962	10.451	10.964
Electrical Energy	4.197	4.329	4.329	4.329
WET Tax	2.906	3.332	3.332	3.332
Nursing Facility Fees	5.918	5.804	5.804	5.804
Liquor Profits	5.600	5.718	5.813	5.613
Lottery	7.467	6.421	6.298	6.363
Investment Lic and Permits	4.992	4.516	4.446	4.695
Highway Patrol Fines	4.062	4.094	4.138	4.203
Metal Mines Tax	3.329	4.636	2.995	2.848
Driver's License Fee	2.580	2.313	2.354	2.396
Contractor's Gross Rec. Tax	3.267	2.700	3.413	3.456
Rail Car Tax	1.490	1.577	1.668	1.652
Tobacco Tax	2.183	2.289	2.401	2.518
Wine Tax	1.232	1.252	1.272	1.293
Telephone Tax	0.212	0.000	0.000	0.000
Beer Tax	2.784	2.830	2.877	2.924
<b>Total General Fund</b>	<b>1,216.775</b>	<b>1,203.885</b>	<b>1,233.188</b>	<b>1,306.336</b>

<b>Dollar Change</b>	<b>(12.890)</b>	<b>29.303</b>	<b>73.148</b>
<b>Percentage Change</b>	<b>-1.06%</b>	<b>2.43%</b>	<b>5.93%</b>



# Unified Prevention Budget

## Submitted by the Interagency Coordinating Council for State Prevention Programs

**Purpose – MCA 2-15-225**

*“prepare and present to the legislature and to the appropriate standing and interim legislative committees a unified budget for state prevention programs, which must be published in the governor’s executive budget”*

**Budget Criteria**

This Unified Budget is not a functional budget, but rather a compilation of multi-agency prevention programs that assist Montana to reduce youth substance use. The Interagency Coordinating Council for State Prevention Programs (ICC) assembled the Unified Budget to illustrate the appropriation of prevention funds to communities to facilitate achieving this prioritized ICC goal. All appropriations reflected in this Unified Budget are also listed within their specific agency budgets.

**ICC Goal**



**Reduce youth use of tobacco, alcohol and other drugs by promoting alternate activities and healthy lifestyles.**

**Comprehensive Approach:**

Programs aim to postpone or reduce youth use of alcohol, tobacco or other drugs. They support prevention services provided by grants and contracted services to the community level. Schools and communities plan and create environments where teens are less likely to participate in risky drug-related behavior and more likely to take part in healthy, productive activities. Reflecting the above comprehensive approach, these budget figures are based on money available for grant making and community contracts, which does not include operating/internal administrative costs.

Unified Prevention Budget Total	Total Base Budget (FY03)	Total 2005 Biennium (FY 04 -FY05) Budget Proposal
<b>08 Programs</b>	\$8,462,486.00  <b>97.65% Federal Funds 2.35% State General Fund</b>	<b>\$9,502,882.00<sup>a</sup></b>  <b>91.33% Federal Funds 8.67% State General Fund</b>

<sup>a</sup> Budget totals for each fiscal year in the biennium were identical and thus combined in the table. Totals are FY04 - \$4,751,441.00 and FY05 - \$4,751,441.00.



## Unified Prevention Budget

<b>Benchmarks</b>	<b>Prevention Programs</b> Reflecting the above comprehensive approach, these budget figures are based on money available for grant making and community contracts, which does not include operating/internal administrative costs.	<b>Base Budget (FY 2003)</b>	<b>2005 Biennium Proposal (FY 04-05)</b>
<p><b>Benchmark A</b> By 2005 decrease the number of H.S. students who report using ATOD in the past 30 days by 10%.</p> <p>Baseline Year: 1999</p> <ul style="list-style-type: none"> <li>• Cigarettes: 35%; 35% National</li> <li>• Smokeless Tobacco: 18%; 8% National</li> <li>• Alcohol: 58%; 50% National</li> <li>• Marijuana: 26%; 27% National</li> </ul> <p>Status Year 2001</p> <ul style="list-style-type: none"> <li>• Cigarettes: 32 %; 28% National</li> <li>• Smokeless Tobacco: 16%; 8% National</li> <li>• Alcohol: 52 %; 47% National</li> <li>• Marijuana: 27 %; 24% National</li> </ul> <p><b>Benchmark B</b> Decrease the percentage of students who use alcohol, cigarettes and other drugs before the age of 13 by 10%.</p> <p>Baseline Year: 1999</p> <ul style="list-style-type: none"> <li>• Cigarettes: 25%; 25% National</li> <li>• Alcohol: 33%; 32%</li> </ul>		<ul style="list-style-type: none"> <li>• <b>\$8,462,486.00</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>\$9,502,882.00</b></li> </ul>
	<ul style="list-style-type: none"> <li>➤ <b>Community Incentive Program (CIP) (DPHHS-AMDD)</b></li> </ul>	<p><b>\$3,312,167.00</b> (0% state, 100% Federal)</p>	<p>\$0.00 (0% state, 100% Federal)</p>
	<ul style="list-style-type: none"> <li>➤ <b>Enforcing Underage Drinking Laws (EUDL) (MBCC)</b></li> </ul>	<p><b>\$342,000.00</b> (0% state, 100% Federal)</p>	<p>\$684,000.00 (0% state, 100% Federal)</p>
	<ul style="list-style-type: none"> <li>➤ <b>Fetal Alcohol Syndrome (FAS) Consortium (DPHHS-HPSPD)</b></li> </ul>	<p><b>\$571,272.00</b> (0% state, 100% Federal)</p>	<p>\$0.00 (0% state, 100% Federal)</p>
	<ul style="list-style-type: none"> <li>➤ <b>Montana Tobacco Use Prevention Program (MTUPP)</b></li> </ul>	<p><b>\$884,465.00</b> (22.53% state, 77.47% Federal)</p>	<p>\$1,807,562.00 (45.6% state, 54.4% Federal)</p>
	<ul style="list-style-type: none"> <li>➤ <b>Safe and Drug Free School (SDFS) (MBCC)</b></li> </ul>	<p><b>\$438,416.00</b> (0% state, 100% Federal)</p>	<p>\$876,988.00 (0% state, 100% Federal)</p>
	<ul style="list-style-type: none"> <li>➤ <b>Safe and Drug Free School (SDFS) (OPI)</b></li> </ul>	<p><b>\$1,520,416.00</b> (0% state, 100% Federal)</p>	<p>\$3,346,832.00 (0% state, 100% Federal)</p>
	<ul style="list-style-type: none"> <li>➤ <b>Substance Abuse Prevention and Treatment (SAPT) Block Grant (DPHHS-AMDD)</b></li> </ul>	<p><b>\$1,293,750.00</b> (0% state, 100% Federal)</p>	<p>\$2,587,500.00 (0% state, 100% Federal)</p>

## Unified Prevention Budget

<p>National</p> <ul style="list-style-type: none"> <li>• Marijuana: 12%; 11% National</li> </ul> <p>Status Year: 2001</p> <ul style="list-style-type: none"> <li>• Cigarettes: 22 %; 22 % National</li> <li>• Alcohol: 35 %; 29 % National</li> <li>• Marijuana: 12 %; 10 % National</li> </ul> <p><i>Data Source: Youth Risk Behavior Survey (YRBS)</i></p>	<p>➤ <b>Title V Juvenile Delinquency Prevention (MBCC)</b></p>	<p><b>\$100,000.00</b> (0% state, 100% Federal)</p>	<p><b>\$200,000.00</b> (0% state, 100% Federal)</p>
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DPHHS – Department of Public Health and Human Services (AMDD- Addictive and Mental Disorder Division, HPSP – Health Policy and Services Division), OPI – Office of Public Instruction, MBCC – Montana Board of Crime Control

# ADA Report

## AMERICANS WITH DISABILITIES ACT

The Americans with Disabilities Act (ADA) gives federal civil rights protections to individuals with disabilities similar to those provided to individuals on the basis of race, color, sex, national origin, age, and religion. It guarantees equal opportunity for individuals with disabilities in public accommodations, employment, transportation, state and local government services, and telecommunications.

It is the policy of the State of Montana that discriminatory barriers to employment in state government on the basis of disability must be eliminated, in accordance with relevant state and federal law such as the Montana Human Rights Act of 1974, Section 504 of the Rehabilitation Act of 1973, and Titles I and II of the ADA of 1990. Several state personnel policies refer to the various provisions of these laws. The intent of this policy statement is to link together these provisions into one consolidated policy statement. Following is the agency progress report of ADA compliance:

### KEY

#### Removing Physical Barriers:

A = All facilities are in the Capitol Complex.

B = No planning or initiatives in this area.

C = Preliminary planning underway in this area.

D = A well-developed transition plan exists and partial activity in this area.

E = A well-developed transition plan exists and major activity in this area.

F = Transition plan activities are complete; review process in place for new facilities.

#### ADA Implementation Progress:

0 = No planning or initiatives in this area.

1 = Preliminary planning underway in this area.

2 = A well-developed written self-evaluation exists in this area.

3 = Well-developed plans exist and partial activity in this area.

4 = Well-developed plans exist and major activity in this area.

5 = Major evidence of accessibility in this area.

6 = Continual review process in place to monitor need for activity as changes occur.

## AMERICANS WITH DISABILITIES ACT OF 1990 (ADA) 2003 BIENNIUM REPORT

### Implementation Progress

Agency	Program #	Removing Barriers	Services	Employment	Public Meetings	Staff Training
1104 Legislative Services	All	A	5	5	5	1
1112 Consumer Counsel	1	B	6	6	6	0
2110 Supreme Court	All	A	0	0	0	0
3101 Governor	All	A	6	6	6	6
3201 Secretary of State	All	F	6	6	6	6
3202 Political Practices	1	A	0	0	0	0
3401 State Auditor	All	A	6	6	6	6
3501 Office of Public Instruction	All	F	5	6	5	6
3513 College Tech/Great Falls	All	F	6	5	5	5
3514 College Tech/Helena	All	D	4	3	5	3
4107 Board of Crime Control	All	A	6	6	6	6
<b>4110 Justice</b>						
4110 Attorney General	1	A	3	5	3	2
4110 Gambling Control	7	B	6	6	6	6
4110 Motor Vehicles	12,17	C	6	6	2	6
4110 Highway Patrol	13	C	2	5	2	3
4110 Law Enforcement Services	18	C	1	5	1	1
4110 Law Enforcement Academy	22	E	0	5	4	1
4110 Central Service	28	A	5	5	5	3
4110 Comp Service & Plan	29	A	1	5	1	1
4110 Forensic Science	32	E	1	5	1	1
<b>4201 Public Service Commission</b>	1	F	6	6	6	6

# ADA Report

Agency	Program #	Removing Barriers	Services	Employment	Public Meetings	Staff Training
<b>5101 Bd of Public Education</b>						
<b>5102 Comm of Higher Education</b>						
5102 Administration	1	F	6	6	6	6
5102 Student Assistance Prog	2	F	6	6	6	6
5102 Eisenhower Grant	3	F	6	6	6	6
5102 Benefits Group	5	F	5	6	6	5
5102 Talent Search	6	F	3	3	3	3
5102 Perkins Program	8	F	5	6	5	6
5102 Guaranteed Student Loan	12	F	6	6	6	6
5102 Board of Regents	13	F	6	6	6	6
<b>5103 U of M – Missoula</b>	All	E	4	6	6	6
<b>5104 MSU / Bozeman</b>	All	D	5	5	5	5
<b>5105 MT Tech/U of M</b>	All	D	3	6	3	6
<b>5106 MSU / Billings</b>						
<b>5107 MSU / Northern</b>						
<b>5108 WMC / U of M</b>						
<b>5109 MSU/Ag Exp Station</b>						
<b>5110 Coop Extension Service</b>						
<b>5113 School for Deaf &amp; Blind</b>	All	C	3	5	5	3
<b>5114 MT Arts Council</b>	1	E	5	6	6	1
<b>5115 State Library</b>	1	A	5	5	5	1
<b>5117 Historical Society</b>	All*	A	5	4	5	3
<b>5119 Fire Services Training</b>						
<b>5201 FWP</b>						
5201 Administration & Finance	1	D	3	4	4	3
5201 Field Services	2	A	4	4	5	3
5201 Fisheries	3	E	5	5	5	3
5201 Law Enforcement	4	D	4	5	N/A	3
5201 Wildlife	5	D	4	4	5	3
5201 Parks	6	E	4	4	5	3
5201 Conservation Education	8	D	3	4	5	3
5201 Management	9	D	3	4	5	3
<b>5301 DEQ</b>						
5301 Central Services	10	A,F	1	1	1	1
5301 Petroleum Board	11	C	1	1	1	1
5301 Prevention Plan & Assist	20	A,F	1	1	1	1
5301 Enforcement	30	A,F	1	1	1	1
5301 Remediation	40	C	1	1	1	1
5301 Permit & Compliance	50	A,F	1	1	1	1
<b>5401 Transportation</b>						
5401 General Operation	1	F	6	6	6	6
5401 Construction	2	E	4	5	5	4
5401 Maintenance	3	F	4	4	6	6
5401 Motor Pool	7	F	5	6	6	6
5401 Equipment	8	F	6	6	6	6
5401 Motor Carrier Svc	22	E	4	4	6	6
5401 Aeronautics	40	F	6	6	6	6
5401 Transportation Planning	50	F	6	6	6	6
<b>5603 Livestock</b>	1	D	3	0	1	0
<b>5706 DNRC</b>						
5706 Trust Land Development	4	F	5	6	6	6
5706 Central Services	21	F	5	6	6	6
5706 Oil & Gas	22	F	5	6	6	6
5706 Conservation Resource Dev	23	F	5	6	6	6
5706 Water Resource Development	24	F	5	6	6	6
5706 Reserved Water Rights	25	F	5	6	6	6
5706 Forestry	35	C	1	1	1	1
<b>5801 Revenue</b>						
5801 Director's Office	1	A	4	4	4	2

# ADA Report

Agency	Program #	Removing Barriers	Services	Employment	Public Meetings	Staff Training
5801 Operation	2	A	3	4	3	2
5801 Liquor	5	F	5	4	5	2
5801 Income Tax	6	A	3	4	5	2
5801 Natural Res Corp Tax	7	A	3	4	5	2
5801 Property Tax	8	D	1	4	3	2
<b>6101 Administration</b>						
6101 Procurement & Printing	6	A	1	5	5	1
6101 Property & Supply	6	B	5	5	5	5
6101 Publication & Graphics	6	A	1	5	1	1
6101 Acct & Management	3	A	6	6	6	6
6101 Architecture & Engineering	4	A	5	5	5	5
6101 Information Service	7	A	1	6	1	2
6101 General Services	8	A,F	6	6	6	6
6101 Mail Room	13	A	0	0	0	0
6101 Financial	14					
6101 MT Lottery	15					
6101 Personnel	23	A	5	6	6	5
6101 Risk Mgmt & Tort Defense	24	A,C	1	6	1	1
6101 State Tax Appeal	37	A	6	6	6	6
<b>6102 Appellate Defender</b>	1	F	5	5	5	5
<b>6103 State Fund</b>	All	D	6	6	6	3
<b>6104 Public Employee Retirement</b>	1 thru 9,35	F	2	2	3	1
<b>6105 Teachers Retirement</b>	1	A	3	6	3	6
<b>6201 Agriculture</b>						
6201 Management	15	A	6	6	6	6
6201 Agriculture Sciences	30	E	5	6	5	6
6201 Agriculture Development	50	E	5	6	5	6
<b>6401 Corrections</b>						
6401 Riverside Youth		E	5	5	0	1
6401 MSP Administration		D	5	5	0	1
6401 MSP Security Facility		D	5	5	0	1
6401 Pine Hills	3	E	5	5	0	1
6401 MCE		C	3	3	0	1
6401 TSCTC		E	5	5	0	1
6401 Juvenile Trans Center		B	0	0	0	1
6401 Probation/Parole		B	0	1	0	1
6401 Women's Prison		D	5	3	0	1
6401 DOC Central Services		A	0	4	3	3
<b>6501 Commerce</b>						
6501 Economic Development	51	D	6	6	6	6
6501 Travel Montana	52					
6501 Section 8	54					
6501 Health Facility Authority	71	D	6	6	6	6
6501 Science & Tech Alliance	73	D	6	6	6	6
6501 Board of Housing	74	D	6	6	6	6
6501 Board of Investments	75	D	6	6	6	6
6501 Management	81	D	6	6	6	6
<b>6602 Labor &amp; Industry</b>						
6602 Job Service	1	F	6	6	6	3
6602 Unemployment Insurance	2	F	5	5	5	5
6602 Central Service	3	A	2	6	6	2
6602 Employee Relations	4	F	6	6	5	6
6602 Prof & Occup License Bureau	5	F	5	5	5	1
6602 Weights & Measures	6	F	5	5	5	1
6602 Community Services	7	A	2	6	6	2
6602 Building Codes	8	F	5	5	5	1
6602 Work Comp Court	9	F	6	5	6	3

# ADA Report

Agency	Program #	Removing Barriers	Services	Employment	Public Meetings	Staff Training
<b>6701 Military Affairs</b>						
6701 Operation Support	1	C	1	5	4	1
6701 Army National Guard	12	D	2	6	6	3
6701 Air National Guard	13	F	6	5	5	1
6701 Disaster & Emergency Svc	21	C	2	5	4	1
6701 Veteran's Affairs	31	F	6	5	5	1
<b>6901 DPHHS</b>						
6901 MT Veteran's Home	22	D	4	4	4	4
6901 Senior & Long Term Care	22	E	4	4	4	4
6901 Child & Family Services	3	D	4	4	4	4
6901 See below**	4	D	4	4	4	4
6901 Child Support Enforcement	5	F	5	5	5	5
6901 Fiscal Services Division	6					
6901 Health Policy & Services	7	E	4	5	4	4
6901 Quality Assurance	8	E	4	4	4	4
6901 Operations & Technology	9	E	4	4	4	4
6901 Disability Services	10	D	4	4	4	4
6901 Addiction & Mental Disorders	33	D	4	4	4	4

\*Excludes original Governor's Mansion

\*\*Statewide Advisory Councils, American Indian Advisory Council, Office of Legal Affairs, Office of Human Resources, Office of State and Local Relations, Office of Public Information

## Resource Indemnity Trust Tables

The table below represents the executive revenue estimates and the statutory allocation of the RIT interest for the 2005 biennium. The \$5,893,000 total carries over for further distribution shown at the top of the recommendations on the second table.

<b>RIT Interest 2005 Biennium</b>				
	Fiscal 2003	Fiscal 2004	Fiscal 2005	Biennium Total
RIT Interest Earnings (Exc Est)	7,609,000	7,328,000	7,270,000	14,598,000
<b>Priority Statutory Allocation</b>				
Environmental Contingency Acct		(175,000)		(175,000)
Oil & Gas Prod. Damage Mit Acct		(50,000)		(50,000)
Water Storage Acct		(500,000)		(500,000)
Groundwater Assessment Acct	(300,000)	(300,000)	(300,000)	(600,000)
MSU Northern Stat Approp	(240,000)	(240,000)	(240,000)	(480,000)
FWP-Future Fishers	(350,000)	(250,000)	(250,000)	(500,000)
Renewable Resource Grant & Loan	(2,000,000)	(2,000,000)	(2,000,000)	(4,000,000)
Reclamation & Development Grants	(1,200,000)	(1,200,000)	(1,200,000)	(2,400,000)
	<b>\$3,519,000</b>	<b>\$2,613,000</b>	<b>\$3,280,000</b>	<b>\$5,893,000</b>

The table below shows the proposed appropriations of the remaining interest and other revenues in the various RIT accounts recommended for the house bills and state agencies. Although the renewable resources account shows a \$784,130 revenue shortfall, it is recognized that the \$4 million grant program gets implemented over several biennia and can cash flow a deficit on paper of up to \$1 million in the 2005 biennium.

<b>RIT Recommendations 2005 Biennium</b>							
	Renewable Resources (02272)	Reclamation & Development (02458)	Haz/Waste CERCLA (02070)	EQPF (02162)	Groundwater Assessment (02289)	Water Storage (02216)	Orphan Share (02472)
<b>RIT Interest available for Distribution</b>	<b>5,893,000</b>						
<b>Distribution % of RIT Interest</b>	25.5%	45%	22%	7.5%	0%	0%	0%
Available Fund Balance Beginning FY2004	245,166	1,278,440	59,099	228,254	252,454	965,977	2,991,264
Revenues (RATC, agency estimates)							
RIT Interest-Direct & %	1,502,715	2,651,850	1,296,460	441,975	600,000	500,000	
RIGWA proceeds		571,000			732,000		271,000
Sweep of Excess Coal Tax & Interest	25,000				666,000		
STIP/Other Interest	26,000		5,000	20,000		20,000	25,000
Cost Recoveries				1,230,000			
Special Session Grant Adjustments		766,752					
Proposed legislation fund transfer			600,000				
Administrative Fees	25,000						
State-Owned Project Revenue						384,025	
<b>Total Revenues</b>	<b>\$1,823,881</b>	<b>\$5,268,042</b>	<b>\$1,960,559</b>	<b>\$1,920,229</b>	<b>\$2,250,454</b>	<b>\$1,870,002</b>	<b>\$3,287,264</b>
<b>Executive Appropriations</b>	<b>R&amp;R</b>	<b>R&amp;D</b>	<b>CERCLA</b>	<b>EQPF</b>	<b>GWATER</b>	<b>WATERS</b>	<b>ORPHAN</b>
House Bills 6 & 7 Grants	4,000,000	2,400,000					
House Bill 6 Emergency/Private Grants							
MSU-Northern	480,000						
UM-Bureau of Mines					1,266,000		
DNRC CARD-Conservation Districts	649,282	1,000,000					
DNRC Water Resources Division						1,870,000	
Proposed legislation fund transfer							600,000
DEQ-10-CSD-ATTY Pool/Brd of Env Review		72,527	37,172	1,705			
DEQ-20-Planning-Prevention-Assistance Div			322,013				
DEQ-30-Enforcement Div		9,463					
DEQ-40-Remediation Div			424,032	1,903,195			2,664,296
DEQ-50-Permitting and Compliance		3,052,050	1,054,377				
Gov Office-Flathead Basin Commission	99,020						
Judiciary-Water Court	1,444,788						
Library Commission NRIS	414,921	367,250					
<b>Total Request</b>	<b>\$2,608,011</b>	<b>\$4,501,290</b>	<b>\$1,837,594</b>	<b>\$1,904,900</b>	<b>\$1,266,000</b>	<b>\$1,870,000</b>	<b>\$3,264,296</b>
<b>Fund Balance</b>	<b>(\$784,130)</b>	<b>\$766,752</b>	<b>\$122,965</b>	<b>\$15,329</b>	<b>\$984,454</b>	<b>\$2</b>	<b>\$22,968</b>
	Exp Req	10,851,795	Revenue	10,972,711	Diff	120,916	

# Individual Income Tax Advisory Council Final Report to Governor Judy Martz

September 16, 2002

On April 15, 2002, Governor Martz announced plans to significantly change Montana's tax structure. She proposed cutting income taxes by 10 percent in a manner that benefits all classes of Montana taxpayers, removing the perception that we are the highest income tax state, lowering our marginal capital gains rates, which are the highest in the region, and replacing the lost tax revenue with a tax that significantly targets non-residents. She also proposed to study whether local governments should have the option of imposing local tourist taxes.

Governor Martz appointed three advisory councils to develop specific recommendations for the three parts of this tax reform proposal: an Individual Income Tax Advisory Council, a Tourist Tax Advisory Council, and a Local Option Tourist Tax Advisory Council.

The charge to the Governor's Individual Income Tax Advisory Council was to:

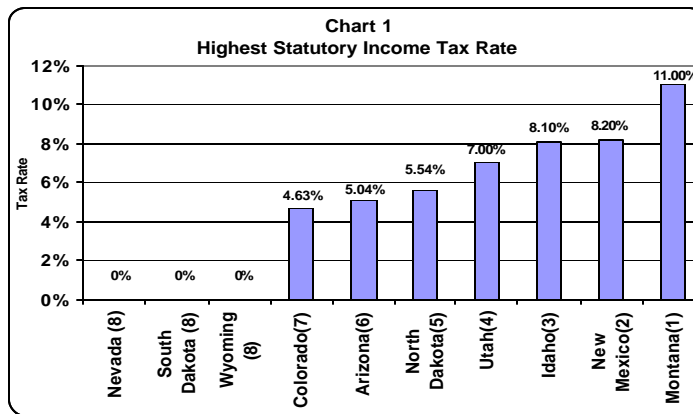
*Recommend a proposal to reduce Montana's income tax by 10% in a manner that benefits Montana taxpayers at all income levels, reduces the top marginal rates and reduces the effective capital gains rates. To accomplish these goals, the council shall explore eliminating federal deductibility.*

The Council met four times, on May 30, June 20, July 17 and September 16.

**Change Imperative** - *A state's tax structure, if significantly out of line with that of surrounding and competing states, can impede economic development. A detailed examination of Montana's tax rates in comparison with those in other states conducted in the fall of 2001 showed that Montana's tax rates, for the most part, are competitive with respect to neighboring and other Rocky Mountain states.*

The prominent exception to this with Montana's top marginal tax rate, which at 11 percent is not the region, but among nation.

But Montana is one of just a few of taxpayers to fully deduct their taxes. This acts to reduce tax rate below 11 percent. For 2000 a taxpayer paying federal federal rate of 39.6 percent would government \$39.60 on the last \$100 For Montana income tax purposes deduct this \$39.60 before applying the state's top rate of 11 percent, which means that this person would pay the state just \$6.60 on the last \$100 earned, for an effective tax rate of just 6.6 percent ( $\$100 - 39.60 = \$60.40 \times .11 = \$6.60 / \$100 = 6.6\%$ ). For taxpayers in the 28 percent federal rate bracket, the effective tax rate goes up to 7.92 percent ( $\$100 - 28 = \$72 \times .11 = \$7.92 / \$100 = 7.92\%$ ). These effective rates will increase as the federal rate reductions included in the Economic Growth and Tax Relief Reconciliation Act of 2001 are phased in through tax year 2006.



general finding lies individual income only the highest in the highest in the

states that allows federal income Montana's effective example, in tax year taxes at the highest pay the federal of income earned. this person is able to

The fact that Montanans are able to deduct in full any federal income taxes paid during the tax year acts to reduce the effective tax rate paid by many taxpayers; but nevertheless leaves the perception of Montana as the highest income tax state to those uninitiated in the finer points of tax preparation. This, in itself, can act to prevent entrepreneurs and other business owners from locating in Montana, depriving the state of new jobs and an increase in the tax base.

Perhaps more importantly, Montana's top individual income tax rate, notwithstanding federal deductibility, results in the highest marginal tax rate on capital gains income in the region. Because the federal government's highest marginal tax rates on capital gains income are much lower than the highest marginal tax rates on "ordinary" income, Montana's effective tax rate on capital gains income is much higher than on ordinary income!



# Individual Income Tax Advisory Council Final Report to Governor Judy Martz

To illustrate, take the case of the person discussed above who this time has \$100 of capital gains income rather than ordinary income. In tax year 2000 the federal maximum rate on capital gains income was 20 percent (rather than 39.6 percent for ordinary income). Therefore, this person would pay the federal government \$20 on the last \$100 of capital gains income. Again, this person would deduct this amount before paying state income taxes. At the state's top rate of 11 percent this would result in additional state tax of \$8.80 ( $\$100 - 20 = \$80 \times .11 = \$8.80$ ), for an effective marginal tax rate of 8.8 percent ( $\$8.80/\$100 = 8.8\%$ ). This effective rate will increase to 9 percent for some long-term capital gain income as the federal rate is reduced to 18 percent.

These relatively high effective rates of taxation on capital gains income can have serious adverse impacts on capital formation in the state, again depriving the state of good paying jobs and tax base.

This was reinforced by Dave Gibson, the state Chief Business Officer in the Governor's Office of Economic Opportunity, who provided the Council with several real world examples of where taxpayers and businesses either did not consider Montana a viable place to move to, or left the state to avoid the severe tax penalties associated with one-time capital gains events.

To address these concerns, Governor Martz created the Individual Income Tax Advisory Council that has provided recommendations on how to:

- reduce the state's top marginal tax rate to a level close to the regional and national average,
- make our marginal rate of taxation on capital gains income competitive with that in neighboring and other Rocky Mountain states, and
- provide for a 10 percent reduction in individual income taxes that reduces average tax liability for all classes of taxpayers.

This report presents the final findings and recommendations of the Council.

## Tax Reform Issues and Options

During the course of their deliberations, the Council discussed a variety of issues pertaining to reforming the individual income tax to meet the economic development goals stated in the Council charge. The major issues discussed included:

- the level to which the top marginal income tax rate should be reduced;
- whether the current law deduction for federal income taxes should be eliminated entirely, or capped at some appropriate level;
- whether there should be some preferential treatment of capital gains income, and what that treatment should be;
- and how the overall 10 percent reduction in tax liability should be distributed across income brackets.

In examining these issues the Council considered the trade-offs that naturally occur between equity considerations, including the by-income-bracket interaction of the income tax reduction coupled with the tourist tax increases; ease of administration, overall simplicity and taxpayer compliance; minimizing the number of taxpayers that would experience a tax increase under any reform proposal; and the best approaches to marketing Montana's tax structure.

These issues and other considerations are discussed in greater detail in the following sections.

## Top Marginal Tax Rate

The Council agreed that Montana's current top marginal tax rates of 9 – 11 percent provide an impediment to economic development through the perception they create of Montana being the highest individual income tax state. It was noted that in order to bring this rate more into alignment with rates in the region that the top rate should be reduced to something below 7 percent.

# Individual Income Tax Advisory Council

## Final Report to Governor Judy Martz

Early on, it was suggested that the top rate should be reduced to 6.75 percent, which is the flat rate applied to corporate income in Montana, to eliminate much of the current planning now required to determine the most beneficial form of business ownership when operating a business in Montana. This would provide for equal marginal rates of taxation regardless of whether the form of business ownership was corporate or some form of “pass-through” ownership in which individual owner shares are subject to the individual income tax.

It was noted that the cost between a top rate of 6.9 percent and 6.75 percent was about \$8 million. Several members of the Council noted that the \$8 million could be used to provide for additional capital gains reductions, could be used to provide additional relief to the low end of the income scale to offset increases on those taxpayers from the tourism tax, and that from a marketing point of view there was not much difference between a rate of 6.9 percent and 6.75 percent.

After fully discussing the matter, the Council came to consensus that the top rate should be reduced to 6.9 percent.

### Eliminate or Cap the Deduction for Federal Income Tax

The Council agreed that there were significant trade-offs between eliminating the current law deduction for federal income taxes, and capping that deduction at an appropriate level.

There were concerns that capping the deduction would continue misconceptions about the state's effective income tax and capital gains rates for those taxpayers whose incomes resulted in federal tax liabilities below the cap amount. It was also noted that full elimination of the deduction would add a greater degree of simplification to the overall tax system than retaining a cap on the deduction.

On the other hand, federal deductibility is the largest, and in some cases the only, deduction available to most low- and middle-income households, particularly those who have paid off their homes. One Council member argued that without some cap provision it could become politically difficult to sell the proposal.

More importantly, however, providing for a reasonable cap on federal deductibility acted to greatly reduce the number of households and taxpayers that experienced an increase in tax liability under any of the alternative options presented and discussed. It was this benefit that capping had on the number of households and taxpayers who would lose under any of the options discussed that ultimately swayed the Council in favor of retaining a cap on federal deductibility. The Council further agreed that capping federal deductibility at \$5,000 (\$10,000 if married and filing a joint income tax return) was appropriate.

### Tax Treatment of Capital Gains Income

The Council members generally acknowledged that Montana's current tax treatment of capital gains income often acts to move people out of the state, particularly when the capital gains income is a one-time occurrence that subjects the taxpayer to Montana's highest marginal rates. It becomes very beneficial for the taxpayer to take up residence in a nearby state that has no state income tax (such as Nevada or Wyoming) in order to avoid the Montana tax bite on a one-time capital gains transaction.

The Council agrees that reducing Montana's top marginal tax rate from 11 percent to 6.9 percent by itself would act to reduce the effective tax rate on capital gains income. However, the sentiment among Council members was that preferential treatment of capital gains income – in order to provide an incentive for keeping taxpayers in the state, to induce capital formation, and to enhance economic development in general – should be a high priority. This concern warranted examining additional preferential tax treatment for capital gains income, provided that treatment was affordable and did not result in an extremely disproportionate benefit to any particular class of taxpayer.

The Council members examined and discussed three alternative approaches to providing for preferential tax treatment for capital gains income:

- provide for an *exclusion* of capital gains income;

## Individual Income Tax Advisory Council Final Report to Governor Judy Martz

- provide for a *top marginal rate* of taxation on capital gains income below the top rate applied to “ordinary” income; and
- provide taxpayers with a nonrefundable capital gains income tax *credit*.

The Council noted that although capital gains income is received by taxpayers in virtually every income bracket, it is highly concentrated in the upper income brackets. It was also noted that a large capital gains event, such as the sale of a business, farm or ranch, can cause a middle-income taxpayer to be taxed one year in the upper income brackets. With respect to capital gains income, the Council narrowed the focus to alternative proposals that would provide either:

- a top marginal rate of 5 percent on capital gains income,
- a 30 percent exclusion of capital gains income, or
- a tax credit equal to 1 percent of capital gains income.

In their deliberations, Council members discussed and debated several different features of alternative approaches to providing preferential treatment for capital gains income. It was noted that both the 30 percent exclusion and the 1 percent credit would provide a benefit to virtually all taxpayers across all income brackets who had capital gains income, whereas the proposal to cap the top marginal rate on capital gains at 5 percent would benefit only those households whose marginal tax rates would otherwise be greater than 5 percent under the proposed law rate table. This latter approach concentrated more of the benefit from preferential treatment of capital gains income in the higher income brackets.

One Council member pointed out that a 1 percent capital gains tax credit would effectively reduce the top marginal tax rate on capital gains income to 5.9 percent, given a top rate of 6.9 percent on ordinary income. This represents about a 15 percent reduction on capital gains income for taxpayers in the highest income bracket under the proposed tax rate schedule. On the other hand, a 1 percent capital gains tax credit results in a 50 – 100 percent reduction in tax on capital gains for taxpayers in the very lowest taxable income brackets under the proposed law tax rate schedules endorsed by the Council.

Members of the Council also suggested that either the 1 percent credit or the top marginal rate of 5 percent approach would make for better marketing of the state’s tax system, whereas an exclusion of capital gains income would not be as effective a marketing tool. Of the three approaches, it was further noted that the top marginal rate approach would be the most complicated to administer and compute for the taxpayer.

Finally, of the three options, the 1 percent credit was the least expensive, costing around \$12 million in tax year 2000. (Capping the top rate on capital gains at 5 percent would have cost an additional \$16.4 million, whereas the 30 percent exclusion would have cost almost \$23 million, *after the proposed law tax rate tables with a top marginal rate of 6.9 percent were assumed to be in place.*)

Based on the above discussions and considerations, it was the consensus of the Council that the preferred approach to providing for preferential capital gains treatment is the 1 percent credit approach.

The impact that the Council’s recommendations have on the effective marginal tax rate applied to capital gains income is provided in Table 1. But first, a brief explanation of what these particular tax rates represent is warranted.

Taxpayers and businesses looking to locate or relocate their business or personal residence are influenced by tax rates they face in different locations. Effective tax rates from state to state are influenced by both the state’s tax code and how that tax code interacts with federal income tax laws. While the federal code allows all taxpayers to deduct their state income taxes when figuring federal tax liability, most states do not allow their taxpayers to fully deduct federal taxes when figuring their state taxes. Some states allow a partial deduction of federal taxes, and yet other states that strictly tie to the federal definition of allowable itemized deductions inherently allow a deduction for their own state income taxes when figuring their state income taxes. This wide array of deductibility options results in a variety of complicated formulas designed to provide tax practitioners with effective tax rates depending on the interaction of a particular state’s tax code with that of the federal government. Generally speaking, these effective tax rate formulas depend on 1) the state marginal tax rate on ordinary income; 2) the state marginal tax rate on capital gains income; 3) the federal marginal

## Individual Income Tax Advisory Council Final Report to Governor Judy Martz

tax rate on ordinary income; and 4) the federal marginal tax rate on capital gains income. It becomes very technical and complicated, so the experts did the math for the Council.

What Table 1 shows is the *combined federal/state effective marginal tax rate on ordinary and capital gains compared to a state like Wyoming*, which has no income tax. These are the tax rates that many taxpayers face when deciding which state with an income tax to locate in. The impact that the Council's recommendations have on Montana's effective rates is summarized in Table 1. It should be noted that some taxpayers with unpredictable income are not able to maximize their federal deductibility and actually experience higher tax rates.

With respect to *ordinary income*, the Council's recommendations would reduce the effective marginal tax rate by 18.6 percent to 7 percent, depending on the taxpayer's federal marginal rate on ordinary income, regardless of whether the 1 percent capital gains credit is included in the proposal or not.

Under the Council's recommendation that **does not include any preferential capital gains treatment (Option A)**, the effective marginal rate on *capital gains income* would be reduced by 23.7 percent to 26.4 percent depending on the taxpayers federal marginal rate on ordinary income, and whether capital gains is taxed at a maximum rate of 20 percent or 18 percent (effective first in tax year 2006) at the federal level.

Finally, under the Council's recommendation that **includes a 1 percent capital gains credit (Option B)**, the effective marginal rate on *capital gains income* would be reduced by 34.8 percent to 37 percent depending on the taxpayers federal marginal rate on ordinary income, and whether capital gains is taxed at a maximum rate of 20 percent or 18 percent (effective first in tax year 2006) at the federal level.

**Individual Income Tax Advisory Council  
Final Report to Governor Judy Martz**

**Table 1  
Change in Combined Federal/State Marginal Individual Income Tax Rates  
On Ordinary and Capital Gains Income - TY2006**

	<b>Federal Marginal Rate on Ordinary Income</b>			
	25%	28%	33%	35%
<b>A. Marginal Rate on Ordinary Income - Options A and B</b>				
Current Law (11%)	6.4%	5.9%	5.1%	4.8%
Proposed Law (6.9%)	5.2%	5.0%	4.6%	4.5%
<b>% Change</b>	<b>-18.6%</b>	<b>-15.5%</b>	<b>-9.8%</b>	<b>-7.0%</b>
<b>B. Marginal Rate on Capital Gains Income (20% Federal Rate) - Option A</b>				
Current Law (11%)	6.8%	6.5%	6.1%	6.0%
Proposed Law (6.9%)	5.2%	5.0%	4.6%	4.5%
<b>% Change</b>	<b>-23.7%</b>	<b>-24.0%</b>	<b>-24.5%</b>	<b>-24.5%</b>
<b>C. Marginal Rate on Capital Gains Income (20% Federal Rate) - Option B</b>				
Current Law (11%)	6.8%	6.5%	6.1%	6.0%
Proposed Law (5.9%)	4.4%	4.3%	4.0%	3.8%
<b>% Change</b>	<b>-34.8%</b>	<b>-35.0%</b>	<b>-35.5%</b>	<b>-35.5%</b>
<b>D. Marginal Rate on Capital Gains Income (18% Federal Rate) - Option A</b>				
Current Law (11%)	7.0%	6.7%	6.3%	6.1%
Proposed Law (6.9%)	5.2%	5.0%	4.6%	4.5%
<b>% Change</b>	<b>-25.6%</b>	<b>-25.8%</b>	<b>-26.3%</b>	<b>-26.4%</b>
<b>E. Marginal Rate on Capital Gains Income (18% Federal Rate) - Option B</b>				
Current Law (11%)	7.0%	6.7%	6.3%	6.1%
Proposed Law (5.9%)	4.4%	4.3%	4.0%	3.8%
<b>% Change</b>	<b>-36.4%</b>	<b>-36.6%</b>	<b>-37.0%</b>	<b>-37.0%</b>

## Individual Income Tax Advisory Council Final Report to Governor Judy Martz

Under current law, Montana's effective marginal tax rate on *ordinary income* ranks 3<sup>d</sup>, 4<sup>th</sup>, or 5<sup>th</sup> highest, depending on the taxpayer's federal marginal rate on ordinary income. Under the Council's recommendations this would drop to 5<sup>th</sup> regardless of the taxpayer's federal marginal rate on ordinary income.<sup>1</sup>

With respect to *capital gains income*, if the federal marginal rate is 20 percent, Montana's rank drops from 2<sup>nd</sup> to 5<sup>th</sup> under recommendations that do not include any preferential capital gains treatment; but drops to 6<sup>th</sup> if the recommendations include the 1 percent capital gains credit, regardless of the taxpayer's federal marginal rate on ordinary income.

If the federal marginal rate is 18 percent, Montana's rank generally drops from 1<sup>st</sup> to 5<sup>th</sup> under recommendations that do not include any preferential capital gains treatment; but drops to 6<sup>th</sup> if the recommendations include the 1 percent capital gains credit.

As stated earlier, it was the consensus of the Council that the preferred approach to providing for preferential capital gains treatment is the 1 percent credit approach. However, the Council also recognized that the impact analyses being provided to the Council were based on tax year 2000 individual income tax return data, and that tax year 2000 was likely to be an extraordinary year with respect to capital gains income, relative to coming years.

In Montana, from 1996 to 2000 capital gains income reported on individual income tax returns more than doubled, growing from \$616 million to \$1.26 billion. The Congressional Budget Office, DRI-WEFA, and other states have indicated that they believe capital gains realizations reported on income tax returns could drop as much as 50 percent between tax year 2000 and 2001. A preliminary reading of the tax year 2001 Montana tax returns indicates a drop of 50 percent in Montana realizations before counting capital gains reported on returns filed on extensions.

Given these considerations, the Council believes that the administration should wait until tax year 2001 income tax information is available from the Department of Revenue. If that information shows a significant reduction in capital gains income between tax year 2000 and tax year 2001, then the final recommendation for a 10 percent tax cut should include provisions for a capital gains tax credit of 1 percent.

### Distribution of Tax Relief

The Governor's charge to the Council was to provide for an overall 10 percent reduction of individual income tax liability "in a manner that benefits Montana taxpayers at all income levels". The Council agreed that this does not necessarily mean that every taxpayer would receive a 10 percent cut in tax; nor would the average tax reduction in every income bracket necessarily be 10 percent.

The Council noted that there is a trade-off between providing a 10 percent reduction for every income bracket, and minimizing the number of taxpayers with a tax increase. Generally, the number of taxpayers who would experience a tax increase is reduced if the proposal does not provide for a 10 percent reduction in every tax bracket. This is due in part to the fact that the number of taxpayers tends to be clustered in lower income brackets.

The Council also agreed that the income tax proposal should be constructed in such a manner that when the tax decreases from the income tax proposal are combined with the average tax increase on Montana residents from the tourist tax proposal, no income bracket experiences more than a nominal increase in average net tax liability. This is illustrated in Table 2, which shows the combined change in tax liability from the income tax proposal (without any preferential treatment for capital gains), and the tourist tax proposal.

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<sup>1</sup> Comparison states included Arizona, California, Colorado, Idaho, Montana, New Mexico, North Dakota, Oregon, and Utah.

# Individual Income Tax Advisory Council Final Report to Governor Judy Martz

Table 2 - Option A

## Montana Combined Income/Tourist Tax Impact by Income Bracket - Calendar Year 2004

Description	Statewide	Income Brackets							
		\$5,000 to \$9,999	\$10,000 to \$14,999	\$15,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 and over
<b>General Household Information<sup>2</sup></b>									
Average Income Before Taxes	\$40,519	\$8,623	\$13,942	\$19,561	\$27,648	\$38,819	\$50,083	\$66,074	\$128,188
Average Total Expenditures	\$39,284	\$16,860	\$22,271	\$27,535	\$32,677	\$39,605	\$46,133	\$56,053	\$86,718
Average Expenditures on Taxed Items	\$2,535	\$934	\$1,194	\$1,612	\$2,035	\$2,661	\$2,991	\$3,673	\$5,924
Tourism Expenditures, % of Total Expenditures	6.5%	5.5%	5.4%	5.9%	6.2%	6.7%	6.5%	6.6%	6.8%
Average Number in Household	2.4	1.7	2.0	2.2	2.5	2.5	2.6	2.9	3.1
Total Number of Households	358,667	39,415	38,563	34,566	51,303	38,099	30,699	42,647	44,107
<b>Net Tax Impact</b>									
Average Tourist Tax	\$79	\$29	\$37	\$50	\$63	\$83	\$93	\$114	\$184
Average Income Tax Reduction	(\$121)	(\$26)	(\$43)	(\$54)	(\$75)	(\$120)	(\$160)	(\$220)	(\$402)
<b>Average Net Tax Impact</b>	<b>(\$43)</b>	<b>\$3</b>	<b>(\$6)</b>	<b>(\$4)</b>	<b>(\$12)</b>	<b>(\$37)</b>	<b>(\$67)</b>	<b>(\$106)</b>	<b>(\$219)</b>

<sup>1</sup>This includes the tourist tax base as recommended by the Governor's Tourist Tax Advisory Council. The income tax changes reflect Option A from the 9/16/02 meeting of the Governor's Income Tax Advisory Council. The tourist tax rate is about 3.34%.

<sup>2</sup>The following is the source of expenditures used in this example: *Consumer Expenditure Survey*, Bureau of Labor Statistics, U.S. Department of Labor, 1999.

# Individual Income Tax Advisory Council Final Report to Governor Judy Martz

Table 2 - Option B

## Montana Combined Income/Tourist Tax Impact by Income Bracket - Calendar Year 2004

Description	Statewide	Income Brackets							
		\$5,000 to \$9,999	\$10,000 to \$14,999	\$15,000 to \$19,999	\$20,000 to \$29,999	\$30,000 to \$39,999	\$40,000 to \$49,999	\$50,000 to \$69,999	\$70,000 and over
<b>General Household Information<sup>2</sup></b>									
Average Income Before Taxes	\$40,519	\$8,623	\$13,942	\$19,561	\$27,648	\$38,819	\$50,083	\$66,074	\$128,188
Average Total Expenditures	\$39,284	\$16,860	\$22,271	\$27,535	\$32,677	\$39,605	\$46,133	\$56,053	\$86,718
Average Expenditures on Taxed Items	\$2,535	\$934	\$1,194	\$1,612	\$2,035	\$2,661	\$2,991	\$3,673	\$5,924
Tourism Expenditures, % of Total Expenditures	6.5%	5.5%	5.4%	5.9%	6.2%	6.7%	6.5%	6.6%	6.8%
Average Number in Household	2.4	1.7	2.0	2.2	2.5	2.5	2.6	2.9	3.1
Total Number of Households	358,667	39,415	38,563	34,566	51,303	38,099	30,699	42,647	44,107
<b>Net Tax Impact</b>									
Average Tourist Tax	\$79	\$29	\$37	\$50	\$63	\$83	\$93	\$114	\$184
Average Income Tax Reduction	(\$120)	(\$25)	(\$44)	(\$56)	(\$68)	(\$100)	(\$137)	(\$187)	(\$463)
<b>Average Net Tax Impact</b>	<b>(\$41)</b>	<b>\$4</b>	<b>(\$7)</b>	<b>(\$6)</b>	<b>(\$5)</b>	<b>(\$17)</b>	<b>(\$44)</b>	<b>(\$73)</b>	<b>(\$279)</b>

<sup>1</sup>This includes the tourist tax base as recommended by the Governor's Tourist Tax Advisory Council. The income tax changes reflect Option A from the 9/16/02 meeting of the Governor's Income Tax Advisory Council. The tourist tax rate is about 3.34%.

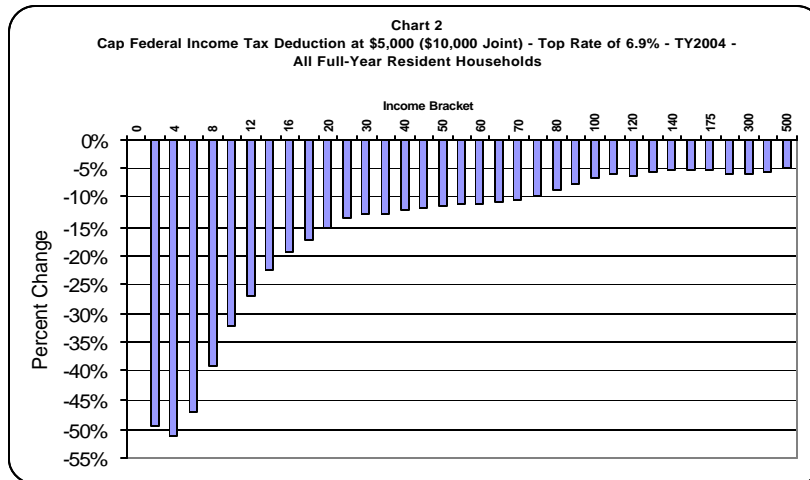
<sup>2</sup>The following is the source of expenditures used in this example: *Consumer Expenditure Survey*, Bureau of Labor Statistics, U.S. Department of Labor, 1999.



## Individual Income Tax Advisory Council Final Report to Governor Judy Martz

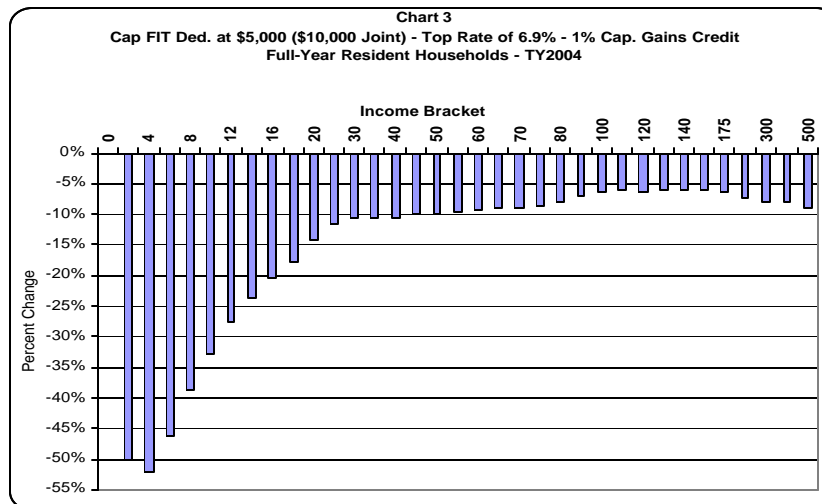
In order to achieve this result it was the Council's consensus that the *percentage* reduction in tax liability under the income tax proposal should be substantially larger in the very lowest income brackets, and gradually reduced as incomes rise.

Chart 2 shows the tax year 2004 forecast percentage reduction in tax liability by income bracket under the proposal *without any preferential treatment of capital gains income*.



Percentage reductions range from around 50 percent in the very lowest income brackets; fall to 10 – 15 percent for households with incomes between \$20,000 and \$75,000; and drop to around 5 – 6 percent for households with incomes above \$110,000.

Chart 3 shows the tax year 2004 forecast percentage reduction in tax liability by income bracket under the proposal that *includes a 1 percent capital gains tax credit*



In general, the overall pattern of reductions is similar to that in the proposal that has no preferential capital gains treatment. However, percentage reductions for households with incomes ranging from \$20,000 to \$110,000 are slightly lower, whereas percentage reductions for households with incomes above \$110,000 are higher than under the option with no preferential capital gains treatment. Providing for the capital gains preference shifts some of the overall tax benefit away from middle-income households to higher-income households.

# Individual Income Tax Advisory Council

## Final Report to Governor Judy Martz

### Summary of Recommendations

It is the general consensus of the Governor's Individual Income Tax Advisory Council that the following recommendations be made with respect to the charge given the Council:

- The top marginal tax rate for the Montana individual income tax should be reduced from its current level of 11 percent to 6.9 percent.
- The current law deduction for federal income taxes paid should be capped at \$5,000 (\$10,000 if married and filing a joint tax return).
- The administration should consider including in any proposed individual income tax reform legislation a tax credit equal to 1 percent of the taxpayer's capital gains income, if the information from tax year 2001 individual income tax returns indicates that the cost of this proposal does not substantially prohibit achieving any of the other stated goals and objectives included in the Governor's charge to the Council.
- The total amount of tax relief provided through a 10 percent reduction in individual income taxes should be distributed across income brackets in a manner that ensures that no taxpayer income class experiences more than a nominal increase in tax when the tax increase effects of the tourist tax are combined with the individual income tax reduction.

Bob DePratu  
Kurt Alme

Chairman  
Vice Chairman

# Tourism Tax Final Report

## GOVERNOR'S TOURIST TAX ADVISORY COUNCIL

### FINAL REPORT

September 12, 2002

On April 15, 2002, Governor Judy Martz proposed significantly changing Montana's tax structure. She proposed to cut income taxes by 10 percent in a manner that benefits all classes of Montana taxpayers, fixes the perception that we are the highest income tax state, lowers our marginal capital gains rates which currently are the highest in the region, and replaces the lost tax revenue with a tax that significantly targets nonresidents. She also proposed to study whether local governments should have the option of imposing local tourist taxes.

Governor Martz appointed three advisory councils to develop specific recommendations for the three parts of this tax reform proposal - an income tax cut, a tourist tax, and a possible local option tourist tax.

The charge to the Governor's Tourist Tax Advisory Council was:

Recommend items that should be taxed under a statewide tourist tax to ensure tourists pay an appropriate share of the state's tax burden and the other provisions necessary to administer the tourist tax. The tourist tax must raise enough revenue to fund the income tax reduction.

The Council met three times, on June 7, June 25 and August 30. The Council heard presentations on taxes that tourists pay in other states, sales of items that might be subject to a tourist tax, trends in tourism in Montana, the existing resort taxes, and legal and administrative issues related to a sales tax.

## ISSUES CONSIDERED

The Council's deliberations centered on six areas: the structure of the tax, the tax base, seasonality, uniformity, a vendor allowance, and an appropriate name for the tax.

**Structure** - The Council considered whether the tax should be a tax on sales of categories of goods and services, a tax on the gross receipts of types of businesses, or a combination of the two. The Council found that, from a legal standpoint, the two types of taxes were roughly equivalent. A tax on types of businesses would be easier to administer and might be easier for some types of business to comply with. On the other hand, with a tax on types of businesses, the same item would be taxed when sold by some vendors and not by others.

**Tax Base** - The Council's primary purpose was to recommend which sales should be taxed. The Council found that there was a general tradeoff between having a broader base, which would allow a lower rate, and having nonresidents pay a larger percentage of the tax. With a tax limited to types of sales where a significant percentage are purchased by nonresidents, a higher rate would be required to raise the needed revenue. With the tax base recommended by the Council, nonresidents would pay about 46% of the tax.

**Seasonality** - The Council considered whether the tax should be the same year round, should only be imposed during peak travel seasons, or should have a higher rate during peak travel seasons. The Council found that a tax imposed only for part of the year would need to have a significantly higher rate or a significantly broader base to raise the same revenue. The Council also found that Montana has significant numbers of visitors all year. A seasonal tax also would pose challenges for administration and compliance.

**Uniformity** - The Council considered whether the tax rate should be the same on all taxable sales or higher on some sales and lower on others. The Council was not presented with any arguments for taxing particular sales at either a higher or lower rate.

**Vendor Allowance** - The Council considered whether vendors should keep a percentage of the tax they collect as compensation for the costs of complying with the tax. The Council also considered how a vendor allowance should be structured. This included the percentage of collections that vendors should retain, whether there should be a cap on the allowance for large vendors and whether there should be a minimum allowance for small vendors.

**Tax Name** - Council members expressed concern that the name "Tourist Tax" was inappropriate

# Tourism Tax Final Report

because it sends a message that tourists are being singled out, and may give the inaccurate perception that Montana taxes tourists more than other states. The Council considered other possible names for the tax.

## RECOMMENDATIONS

The Council makes the following seven recommendations:

1. In general, the tax should be on sales of categories of goods and services. However, there are types of business where this is impractical, and there should be an option for those businesses to pay the tax on their gross receipts.
2. The tax should be on the following categories of goods and services, as shown in Appendix A:
  - prepared food
  - alcoholic beverages sold by the drink
  - accommodations
  - rental cars
  - rental of recreational equipment
  - guided recreation and sightseeing
  - admissions (except for movies and school sports)
  - camp tuition
  - recreation fees
  - souvenirs
3. The tax rate should be set to collect the amount of revenue needed to offset the income tax cut recommended by the Governor's Income Tax Advisory Council, pay administrative and system costs and provide for a vendor allowance.
4. The tax rate should be the same on all taxable sales.
5. The tax rate should be the same year-round.
6. There should be a vendor allowance. The allowance should be 5 percent of the vendor's tax collections, with a maximum of \$1,000 per quarterly reporting period. Vendors with collections of less than \$10 in a reporting period should not be required to remit tax for that period.
7. The tax should not be called a tourist tax. The Council did not agree on a name to recommend.

These recommendations were reached by consensus with three exceptions. The council voted on including three items in the tax base. The council voted 6-5 to include souvenir clothing, 9-2 to include other types of souvenirs, and 7-4 to include admissions.

Bob Story, Chairman  
Kurt Alme, Vice-Chairman

# Tourism Tax Final Report

## Appendix A: Tax Revenue

The following table shows estimated sales in 2004 of items that the Council recommends be taxed and estimates of the percent of those sales that are to nonresidents. It shows tax collections at a rate of 3.34 percent, an estimate of the amount that vendors would retain with the Council's recommended vendor allowance, estimated costs for the Department of Revenue to administer the tax, and net revenue to the state that would be available to offset an income tax cut.

<b>Potential Tourist Tax Net Revenue 2004</b>		
(\$ million)		
Category of Sales	Nonresident %	Sales
Prepared Food	30%	\$1,029.756
Drinks	30%	\$217.547
Accommodations	77%	\$356.605
Rental Cars	70%	\$70.857
Rental of Recreational Equipment	39%	\$6.182
Guided Recreation and Sightseeing	80%	\$74.255
Admissions (except movies & school sports)	80%	\$21.646
Recreation Fees	75%	\$65.221
Souvenirs	77%	\$52.675
<b>Total Taxable Sales</b>		<b>\$1,894.745</b>
<b>% to Nonresidents*</b>		<b>46%</b>
<b>Vendors</b>		<b>23,000</b>
<b>Tax @ 3.34% (95% compliance)</b>		<b>\$60.120</b>
- Vendor Allowance		-\$3.086
- Administration Cost		-\$1.385
- System Costs		-\$0.650
<b>Net Revenue Available for Tax Shift</b>		<b>\$54.999</b>

# Glossary of Terms Used in the Executive Budget

**Account** – A name for one of the different kinds of accounts used in the PeopleSoft general ledger, such as expense, revenue, asset, liability, and equity.

**Accrual Basis** - A basis of accounting in which transactions are recognized at the time they are incurred, as opposed to when cash is received or spent. (GFOA)

**Activity** - Departmental efforts that contribute to the achievement of a specific set of program objectives; the smallest unit of the program budget. (GFOA)

**Administrative Authorization** - An administrative authorization is established to provide authority for funds transferred from another agency.

**Ad Valorem Taxes** - commonly referred to as property taxes, are levied on both real and personal property according to the property's valuation and the tax rate. (GFOA)

**Agency** - Each state office or department of the executive branch, office of the judicial branch, or office of the legislative branch of state government, except for purposes of capital projects administered by the Department of Administration, for which institutions are treated as one department and university units as one system. (MCA)

**Agency Mission** - Agency mission statements articulate the reason for an agency's existence. Stated clearly and concisely, preferably in one sentence, most mission statements will remain constant for years. All agencies are required by substantive law to develop agency mission statements for publication in the executive budget. (PBB memo)

**Agency Transfer** - Direct transfer of appropriation authority from one agency to another agency. (MOM)

**Allot** - To divide an appropriation into amounts that may be encumbered or expended during an allotment period. (GFOA)

**Annualize** - Taking changes that occurred mid-year and calculating their cost for a full year, for the purpose of preparing an annual budget. (GFOA)

**Appropriation** - A legal authorization to incur obligations and to make expenditures for specific purposes. (GFOA)

**Appropriation** - Authority established by legislative action or executive order for amounts that may be disbursed from an accounting entity, program, and/or expenditure account for a particular purpose during a specific period of time.

In the College and University Business Administration (CUBA) fund structure, the first digit of the assigned five-digit appropriation number is the same as the first digit of the accounting entity code. The second digit of the appropriation number designates the fiscal year. The third digit of these CUBA appropriation numbers is alphabetic. For example, 32E01 is an appropriation number that could be assigned to fund 31xxx for FY 2002. (MOM)

**Approved Long-Range Building Program Budget Amendment** - Approval by the budget director of a request submitted through the Architecture and Engineering Division of the Department of Administration to transfer excess funds appropriated to a capital project within an agency to increase the appropriation of another capital project within that agency or to obtain financing to expand a project with funds that were not available for consideration by the legislature. (MCA)

**Approving Authority** - means

- (a) the Governor or the designated representative for executive branch agencies;
  - (b) the Chief Justice of the Supreme Court or the designated representative for judicial branch agencies,
  - (c) the Speaker for the House of Representatives;
  - (d) the President for the Senate;
  - (e) appropriate legislative committees or a designated representative for legislative branch agencies, or
  - (f) the Board of Regents of Higher Education or its designated representative for the university system.
- (MCA)

**Assessed Value** - The value placed on real and other property as a basis for levying taxes. (GFOA)

# Glossary of Terms Used in the Executive Budget

**Assessed Valuation** - The valuation set upon real estate and certain personal property by the assessor as a basis for levying property taxes. (GFOA)

**Assessment Ratio** - The ratio at which the tax rate is applied to the tax base. (GFOA)

**Asset** - Resources owned or held by a government, which have monetary value.

**Attrition** - A method of achieving a reduction in personnel by not refilling the positions vacated through resignation, reassignment, transfer, retirement, or means other than layoffs. (GFOA)

**Authorized Positions** - Employee positions, which are authorized in the adopted budget and are to be filled during the year. (GFOA)

**Available (Undesignated) Fund Balance** - This refers to the funds remaining from the prior year that are available for appropriation and expenditure in the current year. (GFOA)

**Base Budget** - Cost of continuing the existing levels of service in the current budget year. (GFOA); that level of funding authorized by the previous legislature. (MCA) The base budget for 2003 biennium budget development and analysis purposes is the combined level of ongoing expenditures using FY 2000 actual expenditures from authority contained in HB 2 [general appropriations act], HB 13 [pay plan], and other permanent appropriations bills. (EPP memo & MCA)

**Bond** - A long-term I.O.U. or promise to pay. It is a promise to repay a specified amount of money (the face amount of the bond) on a particular date (the maturity date). Bonds are primarily used to finance capital projects and significant information technology projects in Montana. (GFOA)

**Bond Refinancing** - The payoff and re-issuance of bonds, to obtain better interest rates and/or bond conditions. (GFOA)

**Budget** - A plan of financial activity for a specified period of time (fiscal year or biennium) indicating all planned revenues and expenses for the budget period. (GFOA); An annual financial plan showing projected costs and revenue over a specified time period. (GFOA) The 2003 biennium Governor's Executive Budget is at <http://www.discoveringmontana.com/budget>

**Budget Amendment** - Increases in authority are processed in accordance with Title 17, Chapter 7, and part 4, MCA. (MOM)

**Budgetary Basis** - This refers to the basis of accounting used to estimate financing sources and uses in the budget. This generally takes one of three forms: GAAP, cash, or modified accrual. (GFOA)

**Budget Calendar** - The schedule of key dates that a government follows in the preparation and adoption of the budget. (GFOA) The Montana schedule is at <http://www.discoveringmontana.com/budget>

**Budgetary Control** - The control or management of a government in accordance with the approved budget for the purpose of keeping expenditures within the limitations of available appropriations and resources. (GFOA)

**Capital Assets** - Assets of significant value and having a useful life of several years.

**Capital Budget** - The appropriation of bonds or operating revenue for improvements to facilities and other infrastructure. (GFOA)

**Capital Improvements** - Assets of significant value and having a useful life of several years. Capital assets are also called fixed assets. (GFOA)

**Capital Improvements** - Projects which are long-term assets such as roads, buildings, and information technology.

**Capital Projects Program** - A plan for capital outlay to be incurred each year over a fixed number of years to meet capital needs arising from the government's long-term needs.

# Glossary of Terms Used in the Executive Budget

**Capital Project** - Major construction, acquisition, or renovation activities which add value to government physical assets or significantly increase their useful life. Also called capital improvements. (GFOA)

**Capital Project Funds** - (Fund 05XXX) - To account for resources used for the acquisition or construction of major capital facilities other than those financed by proprietary, trust, or higher education funds. (MOM)

**Capital Reserve** - An account used to segregate a portion of the government's equity to be used for future capital program expenditures. The amount of capital reserve is roughly equal to the government's annual equipment depreciation and an amount identified as being needed for future capital acquisition. (GFOA)

**Carry-Forward (CA)** -Appropriation which is established as authorized by 17-7-304, MCA. Montana University System units may establish carry-forward authority for 100 percent of the money appropriated and unexpended and unencumbered; other state agencies may utilize 30 percent for any purpose that is consistent with the goals and objective of the agency. (MOM)

**Cash Basis** - A basis of accounting in which transactions are recognized only when cash is increased or decreased. (GFOA)

**Collective Bargaining Agreement** - A legal contract between the employer and a verified representative of a recognized bargaining unit for specific terms and conditions of employment (e.g., hours, working conditions, salary, fringe benefits, and matters affecting health and safety of employees). (GFOA)

**Commodities** - Expendable items that are consumable or have a short life span. Examples include office supplies, gasoline, minor equipment, and asphalt. (GFOA)

**Constant or Real Dollars** - The presentation of dollar amounts adjusted for inflation to reflect the real purchasing power of money as compared to a certain point in time in the past. (GFOA)

**Consumer Price Index (CPI)** - A statistical description of price levels provided by the U.S. Department of Labor. The index is used as a measure of the increase in the cost of living (i.e., economic inflation). (GFOA)

**Contingency** - A budgetary reserve set aside for emergencies or unforeseen expenditures not otherwise budgeted. (GFOA)

**Continuing Appropriation** - An appropriation that is valid for more than one fiscal year. (MOM)

**Contractual Services** - Services rendered to a government by private firms, individuals, or other governmental agencies. Examples include utilities, rent, maintenance agreements, and professional consulting services. (GFOA)

**Cost-of-living Adjustment (COLA)** - An increase in salaries to offset the adverse effect of inflation on compensation. (GFOA)

**Debt Service** - The cost of paying principal and interest on borrowed money according to a predetermined payment schedule. (GFOA)

**Debt Service Funds** - (A/Es 04XXX) To account for resources accumulated for payment of principal and interest on most general long-term obligations (except capital leases and compensated absences). (MOM)

**Decision Package** - Group of changes to an agency budget, presented either as a present law adjustment or a new proposal, that focus on function rather than expenditure account. (OBPP Budget Instructions)

**Dedicated Tax** - A tax levied to support a specific government program or purpose. (GFOA)

**Deficit** - The excess of an entity's liabilities over its assets or the excess of expenditures or expenses over revenues during a single accounting period. (GFOA)



# Glossary of Terms Used in the Executive Budget

**Department** - The basic organizational unit of government which has its own mission and is functionally unique in its delivery of services. (GFOA)

**Depreciation** - Expiration in the service life of capital assets attributable to wear and tear, deterioration, action of the physical elements, inadequacy, or obsolescence. (GFOA)

**Direct Transfers (ATs)** - Authority for funds transferred from one state agency to another state agency pursuant to 17-8-101, 18-2-102, 18-2-105, or 90-4-607, MCA. Most ATs are zero-based grants, but the few remaining transactions are reviewed during budget development on a case-by-case basis to determine which, if either, agency should have the expenditure in its base budget. (EPP- memo)

**Disbursement** - The expenditure of monies from an account. (GFOA)

**Efficiency Indicators** - A measure of productivity and cost-effectiveness that often is expressed as a ratio of inputs to outcomes, e.g., cost per vaccination given to a child, average expenditure per pupil in elementary schools, number of miles patrolled per highway patrol officer assigned to traffic. (PBB memo)

**Effectiveness measure** - A criterion for measuring the degree to which the objective sought is attained.

**Employee (or fringe) Benefits** - Contributions made by a government to meet commitments or obligations for employee fringe benefits. Included is the government's share of costs for Social Security and the various pensions, medical, and life insurance plans. (GFOA)

**Encumbrances** - Commitments related to unperformed (executory) contracts for goods or services. (GASB)

**Entitlement** - Payments to which local governmental units are entitled, pursuant to an allocation formula determined by the agency providing the monies, usually the state or the federal government. (GFOA)

**Enterprise Funds** - Funds which account for operations that are financed and operated in a manner similar to private enterprise where the intent is to provide goods or services to the public. See proprietary funds.

**Executive Branch** - All administrative offices, boards, bureaus, commissions, units, instrumentalities, and agencies of the state not designated as part of either the judicial or the legislative branch of state government. (MOM)

**Expenditure** - The payment of cash on the transfer of property or services for the purpose of acquiring an asset, service, or settling a loss. (GFOA)

**Expenditure Account** - An expenditure classification, referring to the lowest and most detailed level of classification, such as electricity, office supplies, asphalt, and furniture. (GFOA)

**Expense** - Charges incurred (whether paid immediately or unpaid) for operations, maintenance, interest, or other charges. (GFOA)

**Fiduciary Funds** - Trust and agency funds (funds 07XXX - 09XXX) - To account for assets held by the state in a trustee capacity or as an agent for individuals, private organizations, other governments or other funds. These include: (a) agency funds (fund 07XXX); (b) expendable trust funds (fund 08XXX); (c) nonexpendable trust funds (funds 090XX); and (d) pension trust funds (funds 095XX). [The Department of Administration has requested a bill to conform these funds with GASB 34, which will change expendable trust funds to *private-purpose* trust funds and nonexpendable trust funds to *permanent* funds.] (MOM)

**Fiscal Note** - Information prepared by the budget director regarding the impact of a bill on the revenues, expenditures, or fiscal liability of the state or a county or municipality, except appropriation measures that carry their own specific dollar amounts. A fiscal note may be requested by a committee considering a bill, the sponsor through the presiding officer, or a majority of the members of the house in which the bill is to be considered at the time of second reading. A fiscal note may be revised whenever additional information is received or the bill is amended to change the impact. (Title 5, Chapter 4, part 2, MCA)

# Glossary of Terms Used in the Executive Budget

**Fiscal Policy** - A government's policies with respect to revenues, spending, and debt management as these relate to government services, programs, and capital investment. Fiscal policy provides an agreed-upon set of principles for the planning and programming of government budgets and their funding. (GFOA)

**Fiscal Year** - A twelve-month period designated as the operating year for accounting and budgeting purposes in an organization. (GFOA)

**Fiscal Year (FY)** - The state fiscal year is July 1 through June 30. FY 2001 refers to the fiscal year ending June 30, 2001. The federal fiscal year (FFY) is October 1 through September 30.

**Fixed Assets** - Assets of a relatively permanent nature with a useful life of more than one year whose identity does not change with use. State agencies are required to capitalize fixed assets if the unit cost is \$5,000 or more.

**Full Faith and Credit** - A pledge of a government's taxing power to repay debt obligations. (GFOA)

**Full-time Equivalent Position (FTE)** - A part-time position converted to the decimal equivalent of a full-time position based on 2,080 hours per year. For example, a part-time typist working for 20 hours per week would be the equivalent to 0.50 of a full-time position. (GFOA/MCA)

**Function** - A group of related activities aimed at accomplishing a major service or regulatory program for which a government is responsible (e.g., public safety). (GFOA/MCA)

**Function** - A duty, power, or general area of activity assigned to an agency. (MOM)

**Fund** - An independent financial entity with a self-balancing set of accounts provided to record assets or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of maintaining a record of specific governmental activities or as a management tool to ensure that certain objectives are in accordance with specific statutes, regulations, policies, restrictions, or limitations. A fund is designated with a unique five-digit number with the second digit indicating fund type. For example 02345 would be state special revenue, 03345 would be federal special revenue, 05345 would be capital projects, and 06345 would be proprietary. (MOM)

**Fund** - A fiscal entity with revenues and expenses that are segregated for the purpose of carrying out a specific purpose or activity. (GFOA)

**Fund Balance** - The difference between governmental fund assets and liabilities, also referred to as fund equity. (GASB)

**GAAP** - Generally Accepted Accounting Principles. Uniform minimum standards for financial accounting and recording, encompassing the conventions, rules, and procedures that define accepted accounting principles. Montana statutes require conformity to GAAP. (GFOA)

**GASB 34** - This standard requires infrastructure to be included in the asset base reported in the state's annual financial statements. Examples of infrastructure include roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems. Implemented in FY 2002. (MOM 2-02-02)

**General Fund** - (A/E 01100) - To account for all governmental financial resources except those required to be accounted for in another fund. (MOM)

**Goal** - A general end toward which an agency directs its efforts. Goals represent the highest, yet realistically achievable aspirations for a program of state government. (PBB memo)

**Grants** - A contribution by a government or other organization to support a particular function. Grants may be classified as either operational or capital, depending upon the grantee. (GFOA)

**Hourly** - An employee who fills a temporary or short-term position. Such employees provide contingency staffing for government operations during peak workloads or address temporary staffing needs. Hourly employees are paid on a per-hour basis, and receive limited benefits. (GFOA)

# Glossary of Terms Used in the Executive Budget

**HB 576** – A bill enacted by the 1995 Legislature to eliminate the requirement that most proprietary funds be appropriated. Previous to 1995, funding related to certain services was double appropriated in HB 2: once in the program paying the fees and charges, and again in the program providing the service.

**Indirect Cost** - A cost necessary for the functioning of the organization as a whole, but which cannot be directly assigned to one service. (GFOA)

**Infrastructure** - The physical assets of a government (e.g., public buildings, utilities, roads, parks). (GFOA)

**Interfund Transfers** - The movement of monies between funds of the same governmental entity. (GFOA)

**Intergovernmental Revenue** - Funds received from federal, state, and other local government sources in the form of grants, shared revenues, and payments in lieu of taxes. (GFOA)

**Internal Service Charges** - The charges to user departments for internal services provided by another government agency, such as data processing. (GFOA)

**Internal Service Funds** – Funds that account for the financing of goods or services provided by one agency to other agencies of state government.

**Legislative Appropriation** - There are three types of legislative appropriations as follows below. (MOM)

Legislative Appropriation (LA) – “Language Appropriation” contained in a bill for a non-specific, but limited dollar amount. For example, authority to accept and expend funds received for a particular purpose up to a maximum amount.

Legislative Appropriation (HB) – “House Bill” appropriation(s) for a specific dollar amount and specific purpose(s) contained in a House appropriation bill.

Legislative Appropriation (SB) – “Senate Bill” appropriation(s) for a specific dollar amount and specific purpose(s) contained in a Senate appropriation bill.

**LRBP Budget Amendment (BA)** - Approval by the Budget Director of a request submitted through the Architecture and Engineering Division of the Department of Administration to transfer excess funds appropriated for a capital project within an agency to increase the appropriation of another capital project within that agency or to obtain financing to expand a project with funds that were not available for consideration by the legislature. (MOM)

**Levy** - To impose taxes for the support of government activities. (GFOA)

**Line-item** - A portion of a program budget that is segregated to focus on what is to be bought. (GFOA)

**Long-term Debt** - Debt with a maturity of more than one year after the date of issuance. (GFOA)

**Materials and Supplies** - Expendable materials, operating supplies, and minor equipment including personal computers less than \$5,000 necessary to conduct departmental operations. (GFOA)

**MBARS** - Montana Budget Analysis and Reporting System that provides all state agencies with one computerized system for budget development, maintenance and tracking. (MBARS Instruction Manual)

**Mill** - The property tax rate that is based on the valuation of property. A tax rate of one mill produces one dollar of taxes on each \$1,000 of assessed property valuation. (GFOA)

**Modified Accrual Basis** - A basis of accounting in which revenues/additions are recognized in the accounting period in which they become susceptible to accrual, when they become both measurable and available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. Expenditures/deductions are recognized when the related liability is incurred, with certain exceptions. (MOM)

# Glossary of Terms Used in the Executive Budget

**MT PRRIME** - Montana project to reengineer the revenue and information management environment was the name of the bond authority used to create the state accounting, budgeting and human resources system (SABHRS) and the Department of Revenue revenue processing center.

**Necessary** - Essential to the public welfare and of a nature that cannot wait until the next legislative session for legislative consideration. (Schenck memo - MCA)

**New Proposals** - Requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding. All Governor's budget initiatives are contained in new proposals. (EPP - memo)

**Nominal Dollars** - The presentation of dollar amounts not adjusted for inflation. Adjusting for inflation would be done to reflect the real purchasing power of money today. (GFOA)

**Non-Discretionary** - An absolutely essential expenditure request required to maintain services and functions and to meet statutory requirements. (EPP - memo)

**Objective** - Clear targets for specific action and the quantified results of that action that are achievable, measurable and time limited. (PBB memo)

**Objectives** - Certain accomplishments a department intends to achieve during the fiscal year. (GFOA)

**Obligations** - Amounts which a government may be legally required to meet out of its resources. They include not only actual liabilities, but also encumbrances not yet paid. (GFOA)

**Operating Expenses** - The cost for personnel, materials and equipment required for a department to function. (GFOA)

**Operating Revenue** - Funds that the government receives as income to pay for ongoing operations. It includes such items as taxes, fees from specific services, interest earnings, and grant revenues. Operating revenues are used to pay for the day-to-day services. (GFOA)

**OBPP Approving Authority** - The Governor and/or OBPP when designated are the approving authority for all changes in appropriations and operating budget for the following agencies: Governor's Office, Office of the Secretary of State, Commissioner of Political Practices, Office of the State Auditor, Office of Public Instruction, Department of Justice, Public Service Regulation, Board of Public Education, School for the Deaf and Blind, Montana Arts Council, State Library Commission, Montana Historical Society, Department of Administration, Department of Agriculture, Department of Corrections, Department of Commerce, Department of Labor and Industry, Department of Military Affairs, Department of Public Health and Human Services. (MOM)

**One-Time-Only Appropriations** - (OTOs) Refers to funding authorized by the previous legislature which was assigned a separate appropriations number by the OBPP due to a statement of legislative intent that a specific amount of the funding/FTE was not to be included in the base budget for the next biennium. (EPP - memo)

**Operating Budget Change** - Moves authority from one first-level expenditure category to another within the same program without an increase or decrease in the total appropriation level for the program from this source of authority. (MOM)

**Operating Expenditures** - Generally, all expenditures that do not meet the personal services and capital outlay classification criteria. These expenditures include, but are not limited to, professional services, supplies, insurance, etc. (GFOA)

**Oracle** - Database and application development software vendor offering a variety of application development tools and a major promoter of the network computer. (The Computer Glossary)

**Outcome Indicators** - A way to measure results and assess program impact and effectiveness. Outcome indicators are the most important performance measures because they show whether or not expected results are being achieved, e.g., reduction in the incidence of communicable disease, percentage change in toxic air, high school graduation rate and ACT scores. (PBB memo)

# Glossary of Terms Used in the Executive Budget

**Output Indicator** - A unit of work accomplished or number of customers served, e.g., number of permits issued, number of miles of roads resurfaced, number of vaccinations given to children. Output indicators focus on the level of activity in providing the service. (PBB memo)

**Pay-as-you-go Basis** - A term used to describe a financial policy by which capital outlays are financed from current revenues rather than through borrowing. (GFOA)

**Performance Budget** - A budget wherein expenditures are based primarily upon measurable performance of activities and work programs. (GFOA)

**Performance Measures** - Specific quantitative and qualitative measures of work performed, with respect to program goals and objectives, for which data formerly was collected and reported semi-annually. (PBB memo)

**Performance Targets** - Specific level of performance to be attained within the fiscal year or biennium. (PBB memo)

**Personal Services** - Expenditures for salaries, wages, and fringe benefits of government employees. Fringe benefits include FICA, Public Employees' Retirement System, hospital and medical insurance, life insurance, workers compensation, and, if applicable, clothing allowance, education assistance, and other personal services. (GFOA)

**Present Law Base** - That additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to:

- (i) changes resulting from legally-mandated workload, caseload, or enrollment increases or decreases;
- (ii) changes in funding requirements resulting from constitutional or statutory schedules or formulas;
- (iii) inflationary or deflationary adjustments; and
- (iv) elimination of nonrecurring appropriations. (EPP memo)

**Prior-Year Encumbrances** - Obligations from previous fiscal years in the form of purchase orders, contracts or salary commitments which are chargeable to an appropriation, and for which a part of the appropriation is reserved. They cease to be encumbrances when the obligations are paid or otherwise terminated. (GFOA)

**Program** - A group of related activities performed by one or more organizational units for the purpose of accomplishing a function for which the government is responsible. (GFOA)

**Program** - A grouping of functions or objectives that provides the basis for legislative review of agency activities for appropriations and accountability purposes. (MOM)

**Program** - As used in (this act) "program" has the same meaning as defined in 17-7-102, is consistent with the management and accountability structure established on the state accounting, budgeting and human resources system (SABHRS), and is identified as a major subdivision of an agency ordinarily numbered with an Arabic numeral. (HB 2, Section 5 and MOM)

**Program Budget** - A budget which allocates money to the functions or activities of a government rather than to specific items of cost or to specific departments. (GFOA)

**Program Goals** - The general ends toward which agencies direct their efforts. A goal addresses issues by stating policy intention. Goals may be qualitative and/or quantifiable, but are not expressed in quantified terms. The order in which goals are expressed reflects the agency's priorities for use of program resources. Goals are not time-limited. Goals represent the highest, yet realistically achievable, aspirations for a program. (PBB memo)

**Program Objectives** - Clear targets for specific action and the quantified results or impacts of that action. Objectives have shorter time frames than goals and generally state quantity. An objective is achievable, measurable, time-limited and sets the direction for strategies and work plans. There usually are multiple objectives for each program goal. All agencies are required by substantive law to develop program objectives for submission with the executive budget. (PBB memo)

**Program Performance Budget** - A method of budgeting whereby the services provided are broken down in identifiable units which have measurable objectives and performance targets

# Glossary of Terms Used in the Executive Budget

**Program Revenue (Income)** - Revenues earned by a program, including fees for services, license and permit fees, and fines. (GFOA)

**Program Size** - The magnitude of a program, such as the size of clientele served or the volume of service in relation to the population or area. (Schenck memo - MCA)

**Program Size Indicator** - A measure to indicate the magnitude of a program. (Schenck memo - MCA)

**Program Transfer** - Transfer of appropriation authority between programs without an overall appropriation increase, in accordance with 17-7-139, MCA.

## **Proprietary Funds -**

? **Enterprise Funds** - (Fund 060XX) - To account for operations (a) financed and operated similar to private business enterprises, where the intent of the legislature is that costs are to be financed or recovered primarily through user charges; or (b) where the legislature has decided that periodic determination of revenues earned, expenses incurred, or net income is appropriate.

? **Internal Service Funds** - (Fund 065XX) - To account for the financing of goods and services provided by one department or agency to other departments, agencies, or other governmental entities on a cost-reimbursement basis.

**Purpose** - A broad statement of the goals, in terms of meeting public service needs, that a department is organized to meet. (GFOA)

**Reorganization** - Agency-initiated transfer of function(s) from one program to another program or transfer of 5.00 FTE or more from one program to another; or legislature-initiated transfer of any FTE, appropriations, property or other items pursuant to passage and approval of a bill. The Governor is the final arbiter in executive branch reorganization in accordance with 2-15-132, MCA. (MOM)

**Requesting Agency** - The agency of state government that has requested a specific budget or a budget amendment. (Schenck - memo MCA)

**Reporting Levels** - Sixteen-digit numbers used to establish a tree structure grouped into seven different levels. Reporting level 4 (RL4) is the analytical level at which agencies submit budgets and both the OBPP and LFD analyze, adjust and maintain approved data. (EPP memo)

**Reserve** - An account used either to set aside budgeted revenues that are not required for expenditure in the current budget year or to earmark revenues for a specific future purpose. (GFOA)

**Reserve** - A portion of a fund that is restricted for a specific purpose and not available for appropriation. (GFOA)

**Reserve for Construction** - Funds that are set aside for emergency and unanticipated needs. The amount budgeted is appropriated in the applicable fund(s). (GFOA)

**Resolution** - A special or temporary order of a legislative body; an order of a legislative body requiring less legal formality than an ordinance or statute. (GFOA)

**Resources** - Total amounts available for appropriation including estimated revenues, fund transfers, and beginning balances. (GFOA)

**Revenue** - Sources of income financing the operations of government. (GFOA)

**SABHRS** – The new PeopleSoft state accounting, budgeting, and human resources system that also includes asset management. SABHRS replaces three outdated, major legacy systems: SBAS, PPP and PAMS.

# Glossary of Terms Used in the Executive Budget

**Server** - A high-speed computer in a Local Area Network (LAN) that stores the programs and data files shared by users on the network. ([The Computer Glossary](#))

**Service Lease** - A lease under which the leaser maintains and services the asset. (GFOA)

**Short Title** - A descriptive term used to describe a particular bill, for example the general appropriations bill may be cited as the "Budget Act". The Office of Budget and Program Planning also use the short title created by the Legislative Services Division on each fiscal note for cross-reference to the LAWS 2001.

**Site-based Budgeting** - A decentralized budget process whereby budget preparation and development are based on program and/or regional sites. (GFOA)

**Sixty Days of Expenses** - Used at the bottom of the report forms on internal service and enterprise funds to show the total of personal services, operations, and miscellaneous operating divided by 6 because 60 days is the standard allowed. Exceptions require state and/or federal authorization.

**Source of Revenue** - Revenues are classified according to their source or point of origin. (GFOA)

**Special Revenue Funds** - (Funds 02XXX - 03XXX) - To account for the proceeds of specific revenue sources restricted to expenditures for specified purposes (other than expendable trusts or major capital projects).

**Statutory Appropriation** - (SA) An appropriation specified in 17-7-502, MCA. In addition, the statute(s) must specifically state that a statutory appropriation is made. (MOM)

**Subclass** - An identification system regarding the source of appropriation authority. The subclass is a 5byte field where the first three bytes indicate the agency program, the fourth byte indicates the source of authority, and the fifth byte is assigned by the agency.

**Supplemental Appropriation** - An additional appropriation made by the governing body after the budget year or biennium has started. (GFOA)

**Supplemental Appropriation (SP)** - There are two types of supplemental appropriations to increase spending authority for a fiscal year: A transaction in an even-numbered year which transfers spending authority from the second year of the biennium to the first year; and an appropriation passed and approved in a house bill to provide authority for the odd-numbered fiscal year ending the current biennium. (MOM)

**Tax Levy** - The resultant product when the tax rate per one hundred dollars is multiplied by the tax base. (GFOA)

**Taxes** - Compulsory charges levied by a government for the purpose of financing services performed for the common benefit of the people. This term does not include specific charges made against particular persons or property for current or permanent benefit, such as special assessments. (GFOA)

**Transfers** - All interfund transactions except loans or advances, quasi-external transactions, and reimbursements. (GFOA)

**Transfers In/Out** - Amounts transferred from one fund to another to assist in financing the services for the recipient fund. (GFOA)

**Unencumbered Balance** - The amount of an appropriation that is neither expended nor encumbered. It is essentially the amount of money still available for future purposes. (GFOA)

**Unreserved Fund Balance** - The portion of a fund's balance that is not restricted for a specific purpose and is available for general appropriation. (GFOA)

**University System Unit** - The Board of Regents; Office of the Commissioner of Higher Education; University of Montana with campuses at Missoula, Butte, Dillon and Helena; Montana State University with campuses at Bozeman, Billings, Havre and Great Falls; the Agricultural Experiment Station with central offices at Bozeman; the Forest and Conservation Experiment Station with central offices at Missoula; the Bureau of Mines and Geology with central offices at Butte; the

## Glossary of Terms Used in the Executive Budget

Fire Services Training School at Great Falls; and the Community Colleges at Miles City, Glendive, and Kalispell. (MOM, MCA)

**User Charges** - The payment of a fee for direct receipt of a public service by the party who benefits from the service. (GFOA)

**Variable Cost** - A cost that increases/decreases with increases/decreases in the amount of service provided, such as the payment of a salary. (GFOA)

**Working Capital** - The amount of cash remaining if all of the current assets were converted to cash at their book value and all of the current liabilities paid at their book value.

**Working Cash** - Excess of readily available assets over current liabilities. Or cash on hand equivalents that may be used to satisfy cash flow needs. (GFOA)

**Workload Indicator** - A unit of work to be done, e.g., number of permit applications received, the number of households receiving refuse collection service, or the number of burglaries to be investigated. (GFOA)

**Work Years** - The amount of personnel resources required for a program expressed in terms of the "full-time equivalent" number of employees. One "work year" is equal to one full-time, year round employee. For most categories, this equals 2,080 hours per year (40 hours per week times 52 weeks). The number of hours a part-time employee is budgeted to work during the year is divided by 2,080 to arrive at the equivalent number of "work years" for the position.

Key:    GASB =            Governmental Accounting Standards Board  
          GFOA =            Governmental Finance Officers Association  
          MCA  =            Montana Codes Annotated  
          MOM  =            Montana Operations Manual  
          Schenck Memo = Report from the state Legislative Fiscal Analyst to the  
                              Legislative Finance Committee



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