



## Legislation

The Executive Budget proposal is comprised not only of HB 2, but several other bills. The list that follows represents the most significant of the bills not included in HB 2 but included in the Governor's budget.

### Feed Bill (HB 1)

The feed bill provides funding for the Legislative Branch for the 2011 Legislative Session. Estimated funding required for the feed bill is \$9.4 million general fund.

### Supplemental Bill (HB 3)

HB 3 will contain appropriations for 4 agencies.

1. The bill will contain a \$330,000 general fund appropriation for the Office of Public Instruction for State Tuition Payments under 20-5-324(2)(a), MCA, due to increased tuition obligation requests from K-12 school districts.
2. The bill will also contain a \$300,000 general fund appropriation for the Office of Public Instruction for Pupil Transportation Payments under 20-10-145, MCA, due to increased state transportation payment obligations.
3. The Department of Corrections has a \$900,000 general fund appropriation in the bill for operating costs and vacancy savings that the department was unable to mitigate. The agency had projected a much larger shortfall at the beginning of the biennium but was able to mitigate a large portion of it and also had carry-forward funds available from FY 2009.
4. The Department of Administration, Health Care and Benefits Division will receive a supplemental appropriation to repay the Voluntary Employee Benefits Association (VEBA) plan's loan and associated interest to: comply with state law, resolve outstanding legislative audit findings and to help address the on-going viability of the VEBA plan. The loan balance as of June 30, 2010, including accrued interest through June 30, 2011, is \$470,767. If this supplemental appropriation is not approved, the loan will be repaid from VEBA operating funds, which is estimated to take 25 to 30 years.
5. The bill includes \$850,000 general fund for the Office of the Public Defender. In May of 2009 agency management informed the Governor's budget office of a potential \$1.2 to \$1.5 million funding shortfall for each of FY 2010 and FY 2011 or between \$2.4 and \$3 million for the biennium. Agency management immediately developed and instituted a cost control and reduction plan commonly referred to as the "Agency Mitigation Plan." This plan has reduced costs and by the end of FY 2010 the funding shortfall for this fiscal year went from the original estimate of \$1.2 to \$1.5 million to only \$390,000. The agency's mitigation plan continues to work as the current estimated funding shortfall for the 2011 biennium has been reduced from the original estimate of \$2.4 to \$3 million to about \$850,000.
6. The Montana Lottery will receive a \$950,000 supplemental appropriation from proprietary lottery funds due to the Montana Lottery exceeding projected ticket sales for FY 2011. Due to the increase in ticket sales, the additional authority is needed to allow the Montana Lottery to meet its contractual prize expenses and commissions to private vendors.

### Budget Amendments (HB 4)

In accordance with 17-7-401, MCA, HB 4 presents appropriations normally approved by budget amendment for approval by the legislature. In addition, HB 4 includes some federal funds appropriated by HB 645, passed by the 2009 Legislature, where the federal grant terms extend beyond June 30, 2011.

### Long Range Building Program (HB 5)

Requests for projects will be listed in Volume 3 of the budget book series and summarized in Section F of Volume 1. No transfers from the general fund are recommended for the 2013 biennium. Minimal

projects, which address life safety, security, and hazard mitigation, funded with state and federal special revenue and university funds are recommended. The bill also reduces funding for 7 projects totaling \$10.685 million that are a result of the Governor's austerity measures taken in the spring of 2010.

#### **Renewable Resource Grants (HB 6)**

Grants that provide funding for projects that conserve, manage, develop or preserve renewable resources in Montana. Projects for the 2013 biennium total \$10.6 million and can be seen in detail in Volume 6 of the Executive Budget and summarized in Section F of Volume 1.

#### **Reclamation and Development Grants (HB 7)**

Projects that assist in cause and effects from mineral development on public resources and other crucial environmental state needs are reviewed. State special revenue needs for this program are \$6.9 million. The program and projects can be found in volume 5 of the budget books and Section F of Volume 1.

#### **Renewable Resource Loans (HB 8)**

Loans are made only to private applicants who are credit worthy and able and willing to enter into a contract for a loan repayment.

#### **Cultural and Aesthetic Grants Program (HB 9)**

Projects that contribute to or improve the cultural development of a site, building, or service request are included in HB 9. Recommended projects can be seen in detail in volume 7 of the budget books.

#### **Long Range Information Technology (HB 10)**

HB 10 typically funds significant information technology (IT) projects for the state. No significant projects are recommended for the 2013 biennium. The bill does reduce funding for 3 projects totaling \$10.7 million general fund and \$8 million federal funds that were scaled back as a part of the Governor's austerity measures and 17-7-140, MCA, reductions that took place in the spring of 2010.

#### **Treasure State Endowment Program (HB 11)**

HB 11, for the 2013 biennium, includes recommendations to fund \$900,000 for planning grants to local governments and \$100,000 for emergency grants to local governments. The bill also makes a temporary change to the TSEP statutes to transfer the remaining revenue in the TSEP account – estimated to be \$18,524,490 – to the general fund for the 2013 biennium. In addition, \$4,823,825 will be transferred from the regional water system special revenue account to the general fund for the biennium. Further, the bill extends TSEP to 2021.

#### **Pay Plan (HB 13)**

The executive has allocated \$15.0 million general fund - \$25.1 million all funds for the biennium for a 1% pay increase effective January 1, 2012 and a 3% pay increase effective January 1, 2013. With the exception of a one-time \$450 payment to employees making \$45,000 or less, state employees have not received a pay increase since October 1, 2008. The bill will also include \$4 million general fund, \$7 million all funds for the personal services contingency fund and \$75,000 general fund for the labor – management training initiative. No increase in the state contribution toward employee health insurance contributions is recommended for the 2013 biennium.

#### **School Facility Grant Program (HB 15)**

Governor Schweitzer recommended and the 2009 Legislature passed HB 152, creating the School Facility Grant Program. The program is administered by the Department of Commerce. HB 15 appropriates \$11,069,265 for 30 projects in local school districts ranging from classroom additions to fire alarm systems to boiler or roof replacements.

### **Water Protection Funding**

The Governor recommends a \$5 million appropriation from the proceeds of the Otter Creek bonus payment be set aside in a state special revenue fund to be used for water protection efforts in coordination with the development of the Otter Creek coal tracts.

### **Transfer Funds to and from the Fire Suppression Account**

There is a fire suppression state special revenue account which is one of the resources available to the Department of Natural Resources and Conservation to help fund fire suppression efforts. Another resource available to the department is a \$16 million biennial general fund appropriation that can be used for declared emergencies. The fire suppression fund currently has a fund balance of approximately \$22 million, however the fund does not have a ongoing revenue source. This bill will make a one-time transfer of \$20 million from the fire suppression fund to the general fund. In addition, the bill creates a transfer at the end of each biennium of any unspent balance of the \$16 million emergency appropriation to the fire suppression fund to provide an income source to the fund.

### **School Funding Bill**

The Governor's school funding bill increases the basic and per ANB entitlements by the statutorily determined inflation rates of 1.9% in FY 2012 and 1.53% in FY 2013. In addition, the bill creates the "Teach Montana" state special revenue fund which will be used to fund the Quality Educator Payment that is a part of the school funding formula. Beginning in FY 2013, the bill applies the inflationary increase to the Quality Educator Payment. Revenue into the Teach Montana fund comes from oil and natural gas severance taxes. The bill also allows the school facility entitlement payments authorized in 20-9-371, MCA, to be funded from the School Facility and Technology account authorized in 20-9-516, MCA. There is an appropriation in the bill for \$5 million from the general fund [out of the Otter Creek bonus payment revenue] to fund grants to Montana high schools for wind, solar, and other alternative energy projects.

### **Transfer Funds from the Economic Development Fund**

The budget includes a bill that will make a one-time transfer of \$2.89 million from the economic development state special revenue fund to the general fund. This fund transfer represents 50% of the revenue into the fund for the 2013 biennium.

### **Eliminate MUS Optional Retirement Program Subsidy**

HB 95, passed by the 2007 Legislature, increased the employer contribution to the Montana University Optional Retirement Program by 1%. The bill provided a general fund statutory appropriation to transfer the funding to the Teachers' Retirement System each year for the cost of the benefit – regardless of the funding source of the individual employee's salary. This bill, recommended as a part of the Executive Budget, would require that the funding source of the employee's salary be used as the funding source for the transfer to TRS. The estimated general fund savings from this proposal is \$540,000 per year.

### **Adjust Local Government Entitlement Share Inflation**

HB 124, passed by the 2001 Legislature, changed the way some taxes are collected at the state and local level. As a result, both local governments and school districts receive payments from the state with inflation factors applied. School District Block Grants have a statutory inflation factor of 0.76% applied each year. The Local Government Entitlement Share payments have a statutory inflation factor that is calculated base upon the four-year average change in total state personal income and gross state product as reported by the U.S. Bureau of Economic Analysis. Over the past several years, this inflation factor has ranged from 2.49% to 5.12%. The budget includes a proposal to set the inflation rate for the local government payments at the same level as the school district payments – 0.76%.

### **General Obligation Bonds for Blackfeet Water Compact**

A bill will be presented to the 2011 Legislature to sell \$16 million of general obligation bonds to fulfill the state's \$20 million obligation for the Blackfeet Water Compact. There was \$4 million transferred to the Blackfeet Water Rights Compact Infrastructure Account. The combined \$20 million, plus any interest earned on the \$4 million, would be disbursed to the tribe for water-related infrastructure projects within

the exterior boundaries of the Blackfeet Indian reservation following the final ratification of the compact by the legislature, the Congress of the United States, and the Blackfeet Tribe.

**Transfer Funds from the Coal Bed Methane Protection Account**

The Department of Natural Resources and Conservation oversees a fund called the Coal Bed Methane Protection account which may be used to for compensation of damages due to coal bed methane development. This bill transfers \$6 million of the fund balance from the account to the state general fund.