

Financial Overview:

The following table contains the anticipated general fund revenues, expenditures, and balance through the 2011 biennium:

2011 Biennium General Fund Balance Governor's Budget				
	Actual FY 2008	Projected FY 2009	Projected FY 2010	Projected FY 2011
Balance	\$545.86	\$437.68	\$367.70	\$281.00
Adjustments	\$3.60	(\$4.68)	\$0.00	\$0.00
Adjusted Balance	\$549.46	\$433.00	\$367.70	\$281.00
Revenue				
HJR 2 Revenue - <i>OBPP estimate</i>	\$1,953.52	\$1,917.46	\$1,867.45	\$1,964.13
Recommended revenue bills				
Property Tax Mitigation estimate	-	-	(5.40)	(12.04)
Department of Revenue HB 10	-	-	-	3.50
Department of Administration 911 bill	-	-	(0.54)	(0.54)
Remove Sunset on Fire Suppression Account	-	(31.75)	-	-
Prior year revenue	3.61	-	-	-
Revenue Total	\$1,957.13	\$1,885.71	\$1,861.52	\$1,955.05
Available Funds	\$2,506.59	\$2,318.70	\$2,229.22	\$2,236.05
Disbursements				
Ongoing Appropriations				
General Appropriations Act	1,508.97	1,640.45	1,681.90	1,727.46
Statutory Appropriations* includes new bonding bill	168.45	163.65	179.22	184.86
Non-budgeted Transfers	15.46	8.45	8.68	8.71
Other House or Senate Bill	0.15	0.15	-	-
Language Appropriations	0.31	0.70	-	-
Feed Bill Appropriations	1.26	8.10	-	9.00
HB 13 - Pay Plan	-	-	9.73	20.09
Anticipated Reversions	-	(33.30)	(4.75)	(5.00)
Prior Year	(0.22)	-	-	-
Subtotal Ongoing	1,694.37	1,788.20	1,874.78	1,945.12
One-time appropriations				
General Appropriations Act	44.74	45.86	21.07	7.75
Statutory Appropriations	95.78	-	-	0.22
Non-budgeted Transfers	152.36	97.97	-	-
Other House or Senate Bill	51.23	15.69	5.00	-
Carryforward	0.45	0.60	-	-
Language	29.97	0.03	-	-
Recommended expenditure bills				
Supplemental	-	2.65	-	-
HB 5 - Long Range Building and 20 x 10	-	-	29.08	14.08
HB 11 - TSEP Regional Water	-	-	4.00	-
HB 13 - Pay Plan	-	-	3.08	-
HB 10 - Information Technology Infrastructure	-	-	11.23	2.64
Subtotal OTO	374.53	162.80	73.45	24.68
Disbursement Total (OTO and ongoing)	2,068.91	1,951.00	1,948.22	1,969.80
Ending Fund Balance	\$437.68	\$367.70	\$281.00	\$266.25
Projected Structural Balance - HJR2 Revenue estimate	\$262.75	\$97.50	(\$13.26)	\$9.93
Annual growth in ongoing expenditures from \$1.8 billion budgeted for FY 2009			4.2%	3.8%

The FY 2009 budgeted ongoing expenditures were \$1.8 billion with \$1.875 billion in anticipated revenue. The Administration limited expenditures to be lower than revenues as a fiscally prudent measure.

The Administration is recommending an ending fund balance of no less than \$250 million, plus a fire and emergency reserve account of approximately \$30 million.

The Administration has again set an expenditure ceiling consistent. For FY 2011 this ceiling expenditure is \$1.950 billion. The Governor's recommended budget has ongoing expenditures increase by 4.2% in FY 2010 and by 3.8% in FY 2011.

One- time Only Expenditures:

The following table details the recommendations for \$98.1 million in one-time only appropriations for the 2011 biennium.

General Fund One-Time Only Recommendations			
BILL	Agency	Decision Name	Biennium
HB0005	Long Range Building	Governor's 20 x 10 Initiative	25,000,000
HB0005	Long Range Building	Long Range Building	16,150,000
HB0002	Department of Commerce	NP5190 BRD New Worker Training	7,994,722
HB0002	Legislative Branch	NP4 Reserve Funds for Obsolete Systems	5,000,000
HB0010	Public Health and Human Services	Medicaid IT System and Planning for Child Support	4,000,000
House Bill	Dept. of Natural Resources/Conservation	Blackfeet Water Rights compact	4,000,000
HB0011	Dept. of Natural Resources/Conservation	Regional Water Systems	4,000,000
HB0010	Department of Administration	ESSC moving Expenses and Equipment	3,500,000
HB0010	Department of Revenue	Improve Efficiency through Imaging Technology	3,366,178
HB0013	Governor's Office	Pay Plan Contingency and Training	3,075,000
HB0002	Department of Corrections	PL402 License Plate Renewal	2,886,308
HB0010	Department of Administration	Inter-Operability State Match	2,000,000
HB0002	Department of Administration	NP6109 High Performance Computing Operations	2,000,000
HB0005	Fish, Wildlife, and Parks	Access Montana - Park Acquisition	2,000,000
HB0002	Department of Commerce	NP5191 BRD Tribal Economic Development	1,596,992
HB0010	Department of Administration	GIS Challenge	1,000,000
House Bill	Dept. of Natural Resources/Conservation	Fort Belknap Water Rights Compact	1,000,000
HB0002	Department of Agriculture	NP3005 Invasive Species Advisory Council	1,000,000
HB0002	Department of Commerce	NP5192 EPDD Energy Division	910,000
HB0002	Department of Revenue	NP80008 Improve Efficiency - Field Computers	794,000
HB0002	Public Health and Human Services	NP90600 Health Information Technology	750,000
HB0002	Fish, Wildlife, and Parks	NP303 State Wildlife Grants, Fisheries	500,000
HB0002	Fish, Wildlife, and Parks	NP501 State Wildlife Grants, Wildlife	500,000
HB0002	Department of Justice	NP1814 Continue Meth Watch Program	500,000
HB0002	Department of Commerce	NP7409 Manufactured Home Renovation	354,886
HB0002	Department of Justice	PL1208 License Plate Reissue	321,250
HB0002	Department of Commerce	NP6103 Montana Main Steet Program	250,000
HB0002	Department of Justice	PL3203 Crime Lab Request for Equipment	223,000
Statutory	Department of Administration	PL109 Debt Service Costs - Arbitrage	215,000
HB0002	Dept. of Natural Resources/Conservation	NP2306 Montana Rural Water Systems	203,000
HB0002	Department of Administration	NP304 CAFR Software	200,000
HB0002	Department of Commerce	NP6104 Made in Montana Program	200,000
HB0002	Department of Commerce	PL6105 Montana Equity Capital Act	200,000
HB0002	Public Health and Human Services	NP20019 Low-Income Energy Assistance Pgm	400,000
HB0002	Public Health and Human Services	NP20018 Montana Hunger Reduction	250,000
HB0002	All	Various less than \$200,000	1,783,669
Total			98,124,005

The Governor's budget requires several additional bills to fully enact appropriations containing general fund. The following table represents bills not included in HB 2 but included in the Governor's general fund budget.

Bills not in HB2 but included in the General Fund Only				
Bill	Program	FY 2009	FY 2010	FY 2011
HB1	Feed Bill	8,100,000		9,000,000
HB 3	Supplemental Bill	2,648,696		
HB 5	Long Range Building Cash Program			
	Buildings		8,075,000	8,075,000
	20 x 10 DEQ's Energy Program		20,000,000	5,000,000
	Access Montana - Park Acquisition		1,000,000	1,000,000
HB 10	Long Range Information Technology		11,226,144	2,640,034
HB 11	TSEP - Regional Water		2,000,000	2,000,000
HB 13	Pay Plan		12,804,131	20,087,795
	Remove Sunset on Fire Suppression fund		31,750,000	
	Additional School Trust Land - Debt Service for \$25 Million Bond		919,772	1,839,544
	School Facility Program (general fund portion only)		4,078,000	4,627,000
	School Funding Bill		11,932,635	29,147,779
	Water Compact Fort Belknap		1,000,000	
	Water Compact Blackfeet		4,000,000	
LC 250	911 Bill "Revise Deposit of Stranded 911 Revenue"		263,760	264,073
LC 257	Eliminate Consensus Council		(76,016)	(76,016)
Totals			108,973,426	83,605,209

Feed Bill (HB 1)

The feed bill provides funding for the Legislative Branch for the 2009 Legislative Session. Estimated funding required for the feed bill is \$8.1 million general fund. The 2011 Legislative Session funding is \$9 million general fund.

Supplemental Bill (HB 3)

HB 3 will contain appropriations for 6 agencies.

1. The bill will contain a \$3 million state special revenue appropriation to pay for the remainder of costs incurred for the FY 2008 fire season. Funding is proposed to come from the fire suppression state special revenue fund.
2. A \$15,000 state special revenue approp is included for pass through funding in the misdemeanor probation for domestic violence program operated through the Montana Board of Crime Control
3. The bill will contain an appropriation of \$20 million (split 87% to federal special revenue and 13% to state special revenue) for contractor payments and capital outlay in the Construction Program of the Montana Department of Transportation.
4. Approximately \$2.4 million general fund is included for the Department of Livestock for brucellosis testing and vaccinations. In September of 2008, Montana's brucellosis status was downgraded to Class A from brucellosis Class Free status; a designation that Montana had held since 1985. This downgrade was the result of the diagnoses of brucellosis in livestock in May, 2007 and May, 2008. Through circumstantial evidence, both cases of brucellosis transmission were linked to brucellosis infected wild free ranging elk in the Greater Yellowstone Area. The Department of Livestock will incur \$2,376,296 in costs to pay for personal services, equipment, operating and testing costs associated with regaining Class Free brucellosis status for the State of Montana and to sustain enhanced brucellosis surveillance and risk mitigation in the Greater Yellowstone Area. A general fund appropriation is requested with the ability to roll forward the unexpended portion into FY 2010. The Brucellosis Herd Plan includes brucellosis blood testing of all eligible cattle located in the Greater Yellowstone Area with additional testing of cattle prior to movement from a high risk area to a low risk area or a change of ownership. In addition, the plan provides adult brucellosis vaccination of livestock in the high risk area surrounding Yellowstone National Park. In order for Montana to regain its brucellosis Class Free status, this additional testing of livestock and mitigation of the risk of transmission of brucellosis from wildlife must be implemented.

5. The bill will include \$272,400 general fund for the Department of Justice - Montana Highway Patrol to cover fuel cost overruns in FY 2009.

The following table summarizes all supplemental requests.

Supplemental Bill HB 3		
Program	Fund Type	FY 2009
Wild fire Suppression	State Special funding	3,000,000
Department of Livestock Brucellosis	General Fund	2,376,296
Crime Control Division - Domestic violence program	State Special funding	15,000
Department of Justice - Highway Patrol	General Fund	272,400
Department of Transportation - Construction	State Special funding	2,600,000
Department of Transportation - Construction	Federal Special Revenue	17,400,000

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.

Long Range Building Program (HB 5)

Requests for energy projects, deferred maintenance, and new space will be listed in Volume 3 of the budget book series and summarized in Section F of Volume 1. Projects for the 2011 biennium rely on \$41.15 million in transfers from the general fund to be completed. \$23.5 million of the \$41.15 million transfer will enable agencies to meet the Governor's 20 x 10 initiative to reduce energy consumption of state government. These funds establish a revolving fund that will return energy savings to the fund balance so that additional projects can be authorized by future Legislatures. The deferred maintenance projects included in the plan will coordinate with the energy projects recommended.

Renewable Resource Grants (HB 6)

Grants that provide funding for projects that conserve, manage, develop or preserve renewable resources in Montana. Project for the 2011 biennium total \$5.072 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 \$6.662 million. The program and projects can be found in volume 5 of the budget books.

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)

The items included in HB 10 are significant information technology (IT) projects for the state. There are 8 requests for systems and equipment requesting funding for the 2011 biennium, \$14,866,178 million general fund plus \$126,101,745 million in other funds. Write ups for the projects can be found in section IT of Volume 1 of the the budget books.

Treasure State Endowment (HB 11)

The list of project for drinking waters systems and wastewater treatment facilities are growing due to federal mandates. Planning grants will increase to \$900,000 in 2011 biennium to help the

growing list of communities needing help getting started. A total of 65 applicants are on the list requesting funding. TSEP has a projected \$16 million in net endowment interest revenue to spend on projects. In addition to the coal trust income funding for the Treasure State Endowment programs, the Administration recommends \$4 million in general fund to jump start the currently authorized regional water programs. The complete list of projects can be found in Volume 4 of the budget books and a summary is shown in Section F of Volume 1.

Pay Plan (HB 13)

The executive has allocated \$29.8 million general fund, \$51.1 million all funds for the biennium for increases in the state's contribution for employees towards health insurance and pay increases. The bill will also include \$3 million general fund, \$6 million all funds for the personal services contingency fund and \$75,000 general fund for the labor – management training initiative.

Remove Sunset on Fire Suppression Account

HB 3, passed in the September 2007 Special Session, created fire suppression state special revenue account. The fund received an initial one-time transfer of \$40 million from the general fund. The fund is scheduled to sunset June 30, 2008, and the balance in the fund scheduled to revert to the general fund. The Executive Budget will include proposed legislation to remove the sunset on the fire suppression fund reappropriate the unexpended balance in the fund, which is estimated to be approximately \$30 million.

Quality School Facility Program.

This program will help the schools in Montana address facility deficiencies and improve technology access. The School Facility Study was completed with appropriations from HB 1 from Legislative Special Session in 2005. This new program will be managed by the Department of Commerce and operate similar to the current Treasure State Endowment Program funded in HB 11. The total recommended expenditure will be \$12 million in the 2011 biennium. Ongoing funding streams for this purpose are: navigable waters revenue and timber revenues for the amount exceeding 18 million board feet. These funding sources should generate in excess \$10 million per year in ongoing funding for school facilities and technology in the future in addition to approximately \$52 million already dedicated to this account.

School Funding Bill

The Governor's school funding bill increases the basic and per ANB entitlements by the inflation rate of 3% per year and increases the per educator entitlement by \$100 per year. A new e-learning program and regional resource sharing will also be contained in this bill.

School Trust Land

A \$25 million bond issue is recommended to purchase additional School Trust land. The bond payments are assumed to be \$0.9 million in FY 2010 and \$1.8 million in FY 2011 paid from the general fund. The additional land will allow for a long term increase in state trust land revenues for public schools.

Water Rights Compacts

As part of its cost-share for the Ft. Belknap-Montana Water Compact, the State of Montana has agreed to provide the funds to construct a storage reservoir on Peoples Creek, which flows onto the reservation. This allows the upstream water users to continue to utilize their water rights while providing continued water delivery to the Tribes. The estimated cost is \$5 million. An initial appropriation of \$1 million general fund in the 2011 biennium would be deposited into the People's Creek minimum flow account created in 85-20-1007, MCA.

As part of its cost-share for the Montana-Blackfeet Water Compact, to be brought before the 2009 Legislature for ratification, the State of Montana has agreed to provide a total of \$20 million towards the construction of an \$87 million repair and enlargement project at Four Horns Reservoir on the reservation. This project will provide a reliable supply of water for the existing

Blackfeet Irrigation Project, while also delivering additional water to water users on Birch Creek to the south, thus protecting the 80,000 acre irrigation project managed by the Pondera Canal and Reservoir Company. \$4 million general fund is requested in the 2011 biennium to be deposited in the Blackfeet Tribe water rights compact infrastructure account created in 85-20-1505, MCA.

911 Bill (LC 250)

Legislation proposed at the request of the Department of Administration will move revenue intended to fund the state 911 program that is currently “stranded” in the general fund to a state special revenue fund. The associated budget request moves expenditures for the 911 program from the general fund to the state special revenue fund.

Eliminate Consensus Council (LC 257)

On February 22, 2008, the Montana Consensus Council (MCC) voted to terminate the MCC's operations effective June 30, 2008. The Executive Budget zeroes out the budget for the MCC and is related to proposed legislation (LC 257).

Continue Economic Development Programs

The executive recommends extending the statutory sunset on various Economic Development Programs in 15-38-108, MCA. The programs will sunset on July 1, 2010. The programs are Growth Through Agriculture, Cooperative Development Center, Research and Commercialization, Small Business Development Centers, Technology Innovation Partnership (formerly SBIR), Certified Regional Development Corporations, Montana Manufacturing Extension Center and Export Trade.