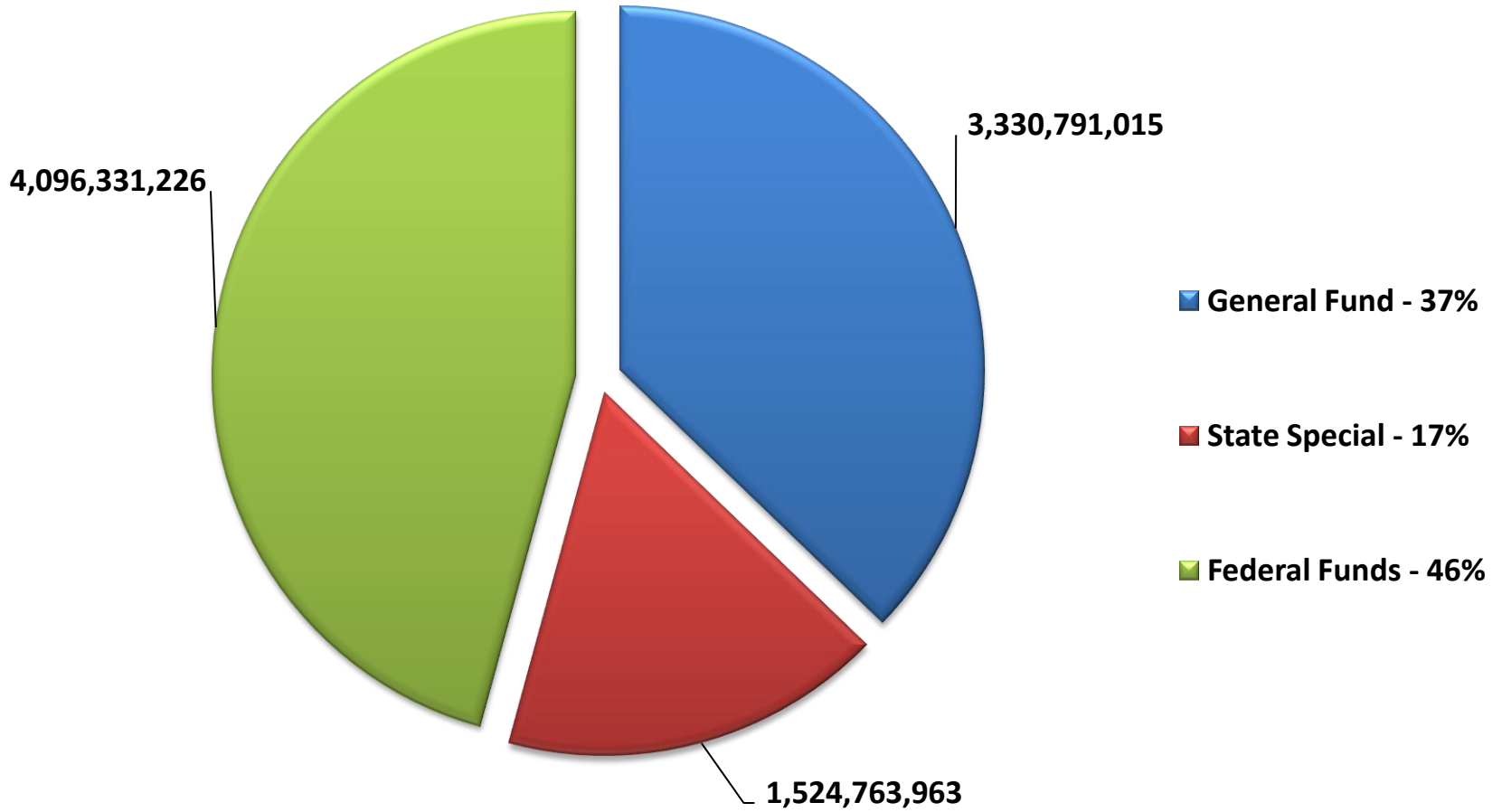


# **2013 Biennium Budget Highlights**

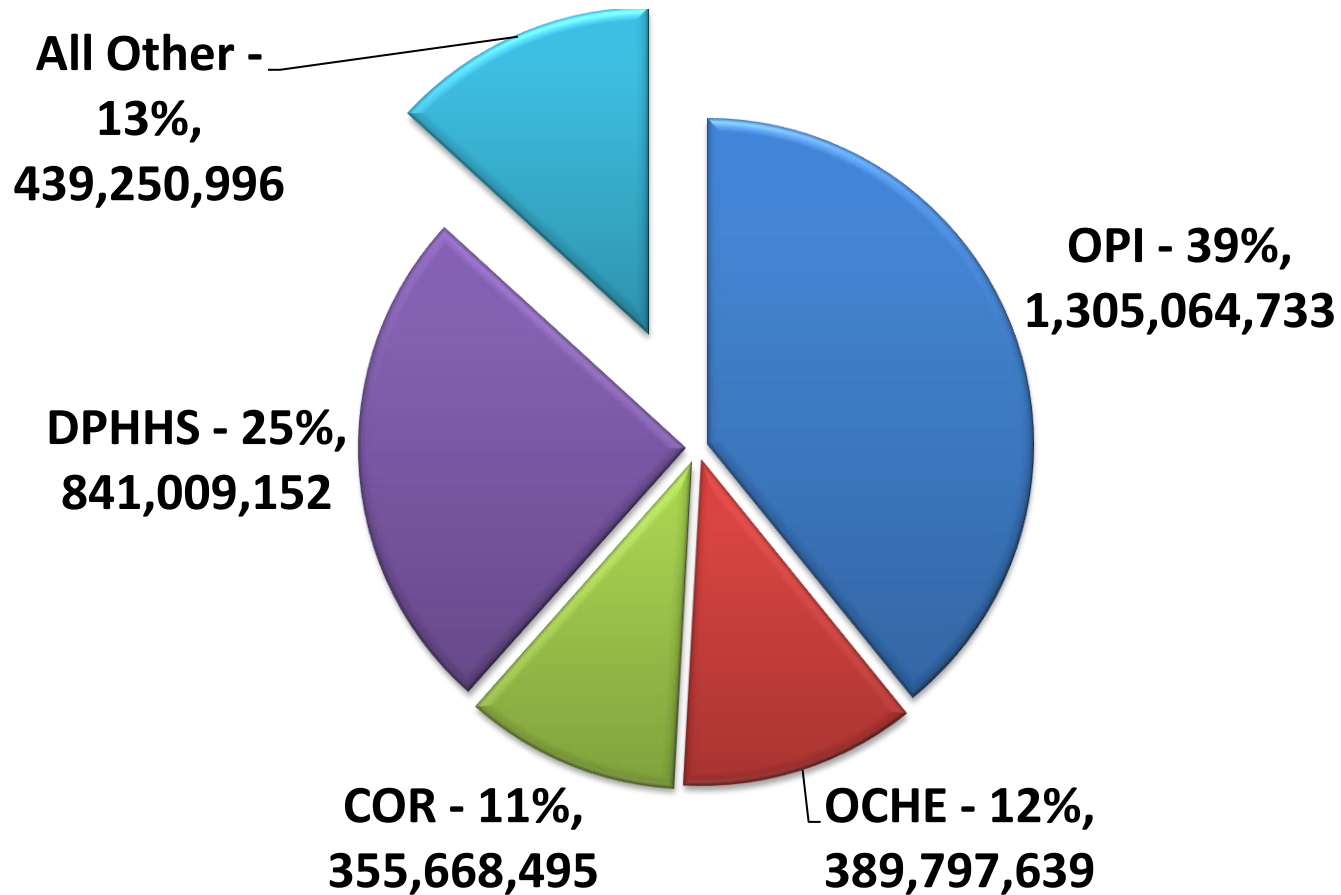
December 2010

## 2013 Biennium Proposed - HB 2



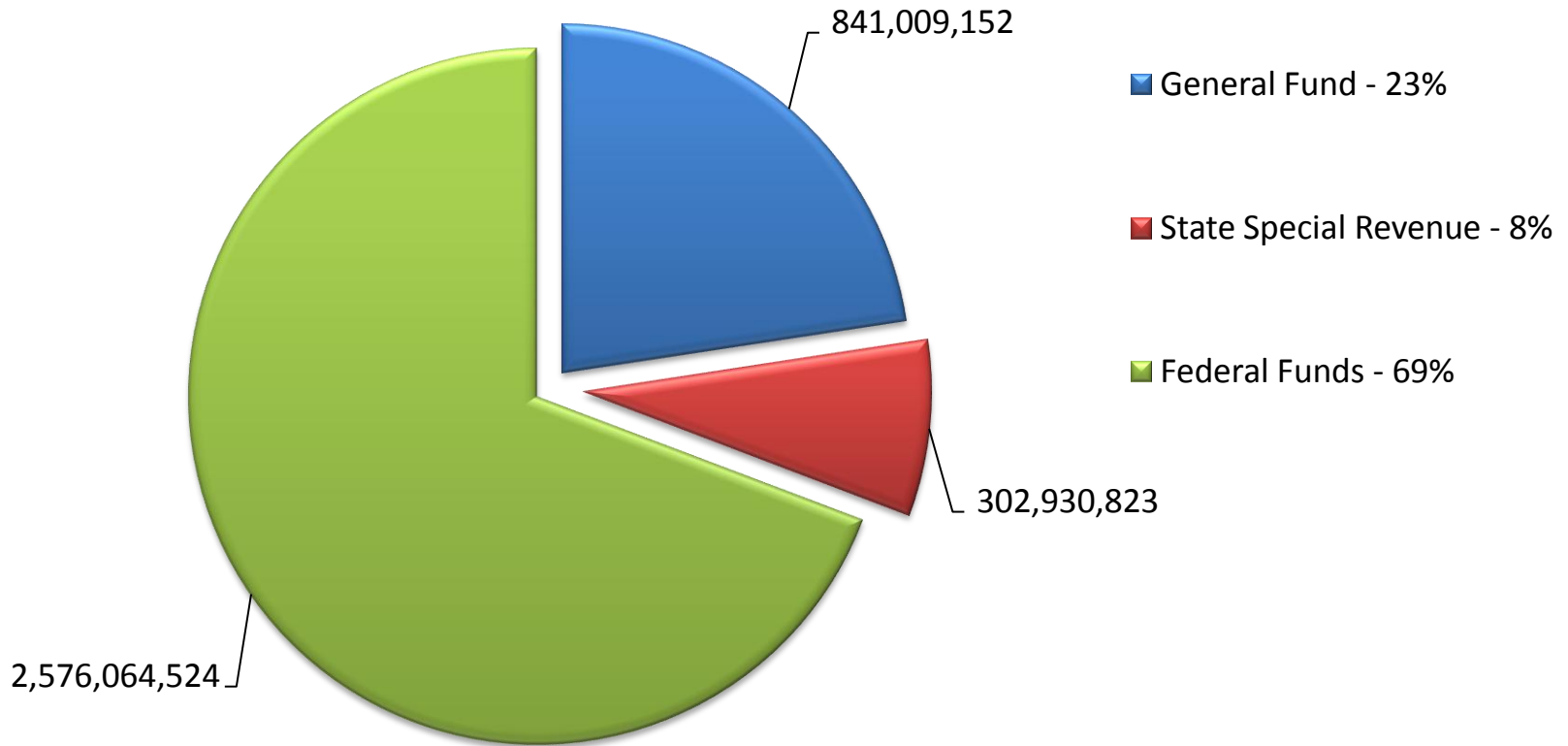
# Educate, Medicate and Incarcerate

## 2013-B Proposed - HB 2 General Fund



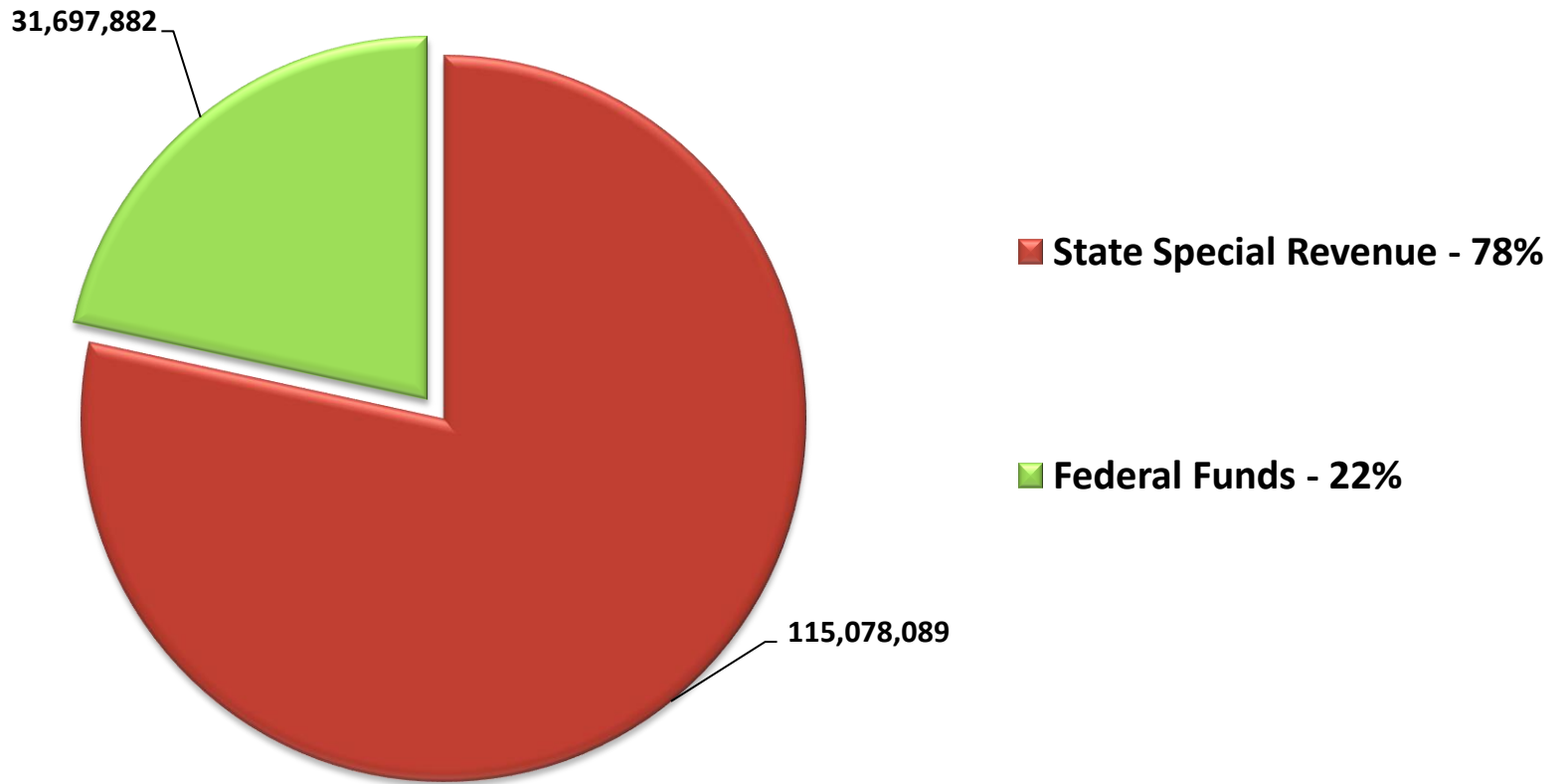
\*OPI, MUS, Corrections and HHS are approximately 87% of proposed general fund biennial budget (**\$2.89B out of \$3.3B total**).

## DPHHS 2013 Biennium Budget - HB 2



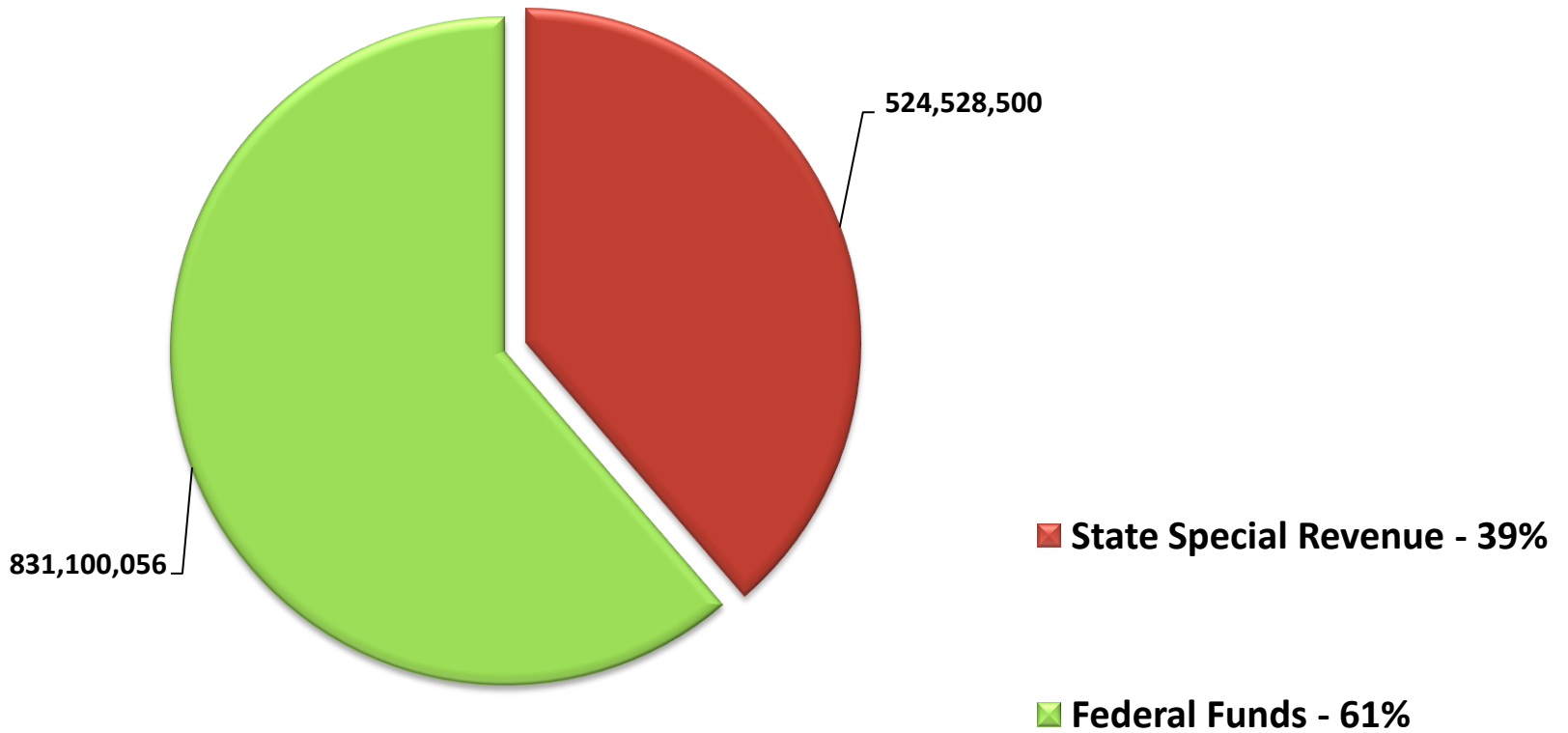
**For Medicaid, based on a 34/66 Federal Medicaid Assistance Percentage (FMAP) split, every \$1 reduction in State funds would result in approximately \$1.94 reduction in federal funds.**

# Fish Wildlife and Parks 2013 Biennium Budget - HB 2



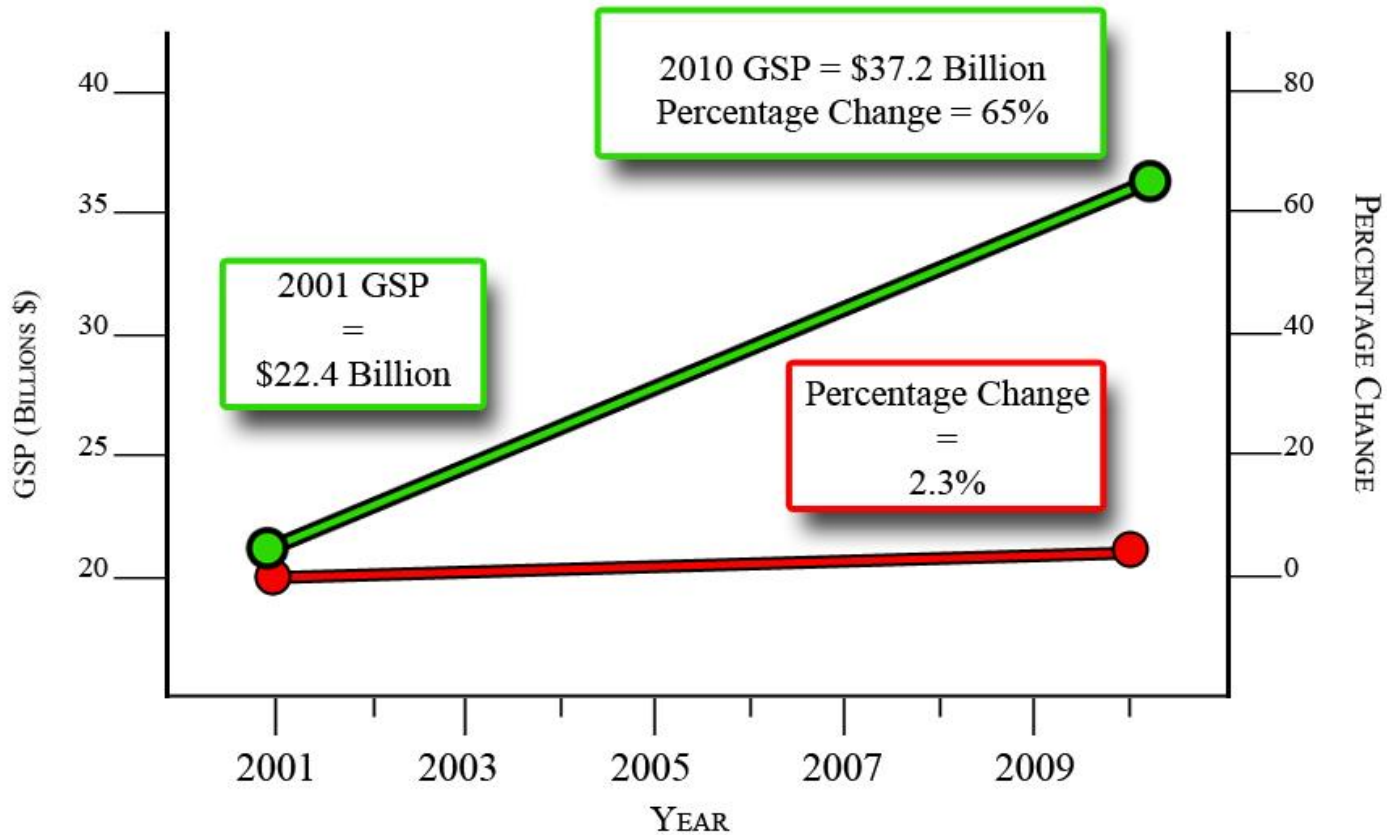
No General Fund

# Department of Transportation 2013 Biennium Budget - HB 2



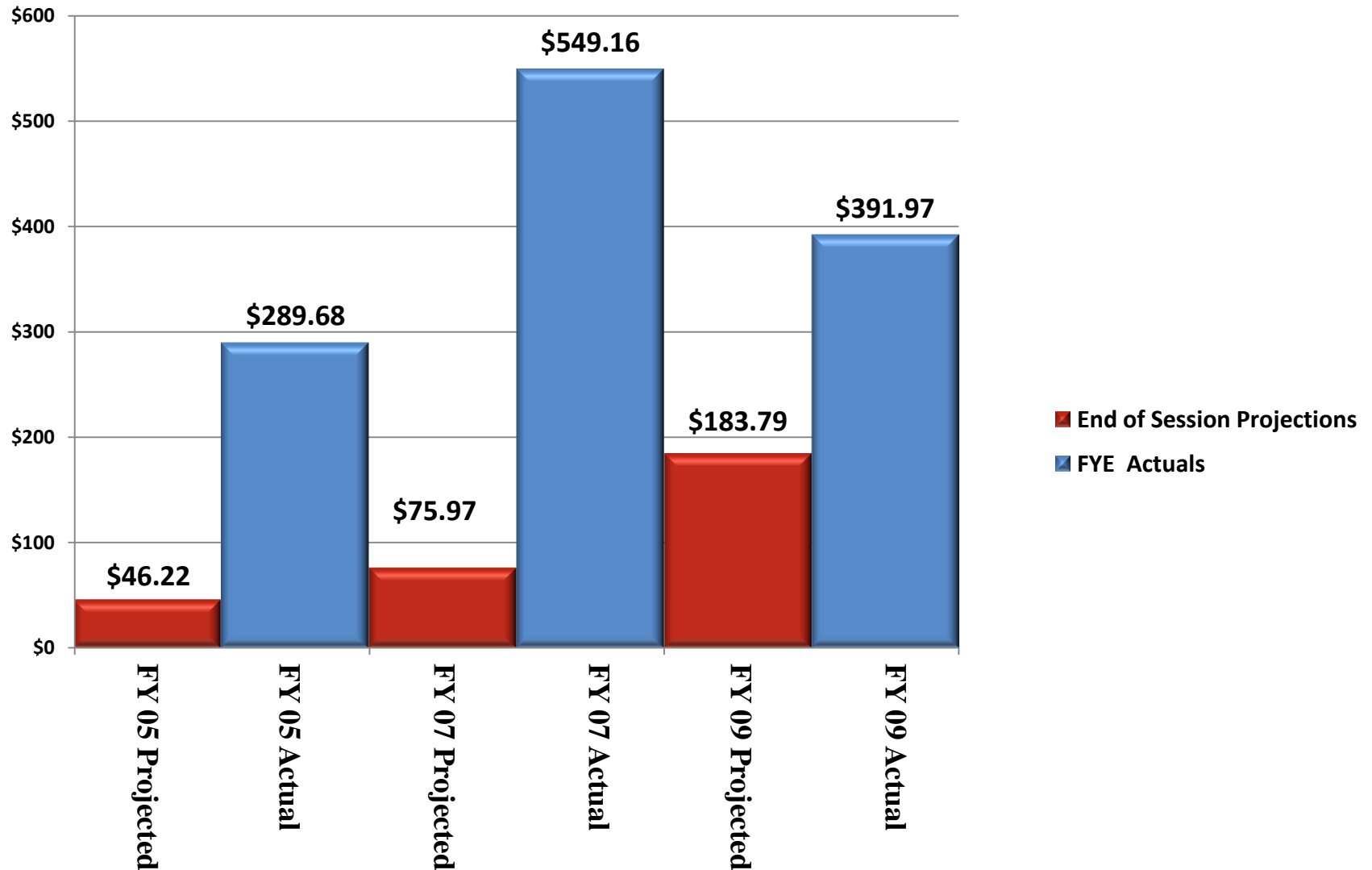
No General Fund

# MONTANA'S ECONOMIC GROWTH



- Gross State Product Growth
- State Employee Growth (Excludes Public Defender and growth in Military Affairs)

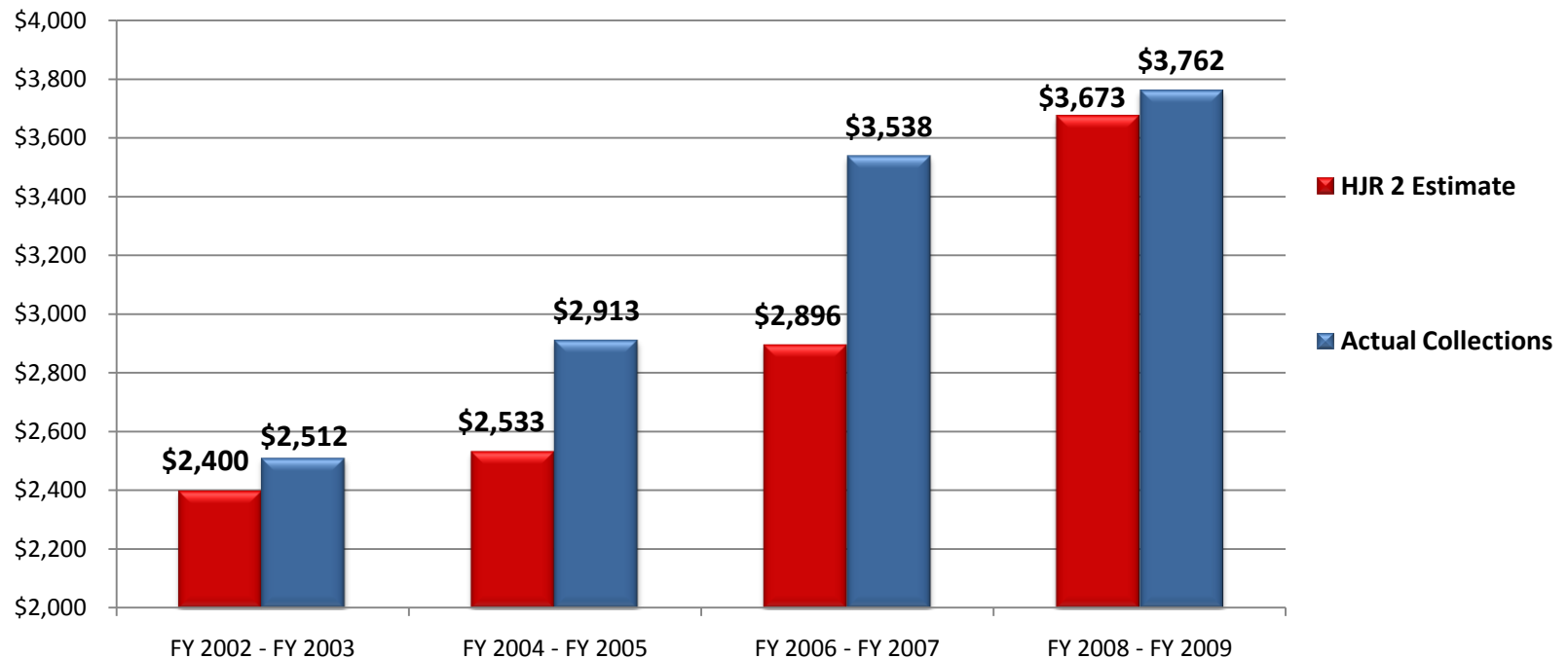
# Ending Fund Balance Projections: Average Underestimated Error of \$308 million





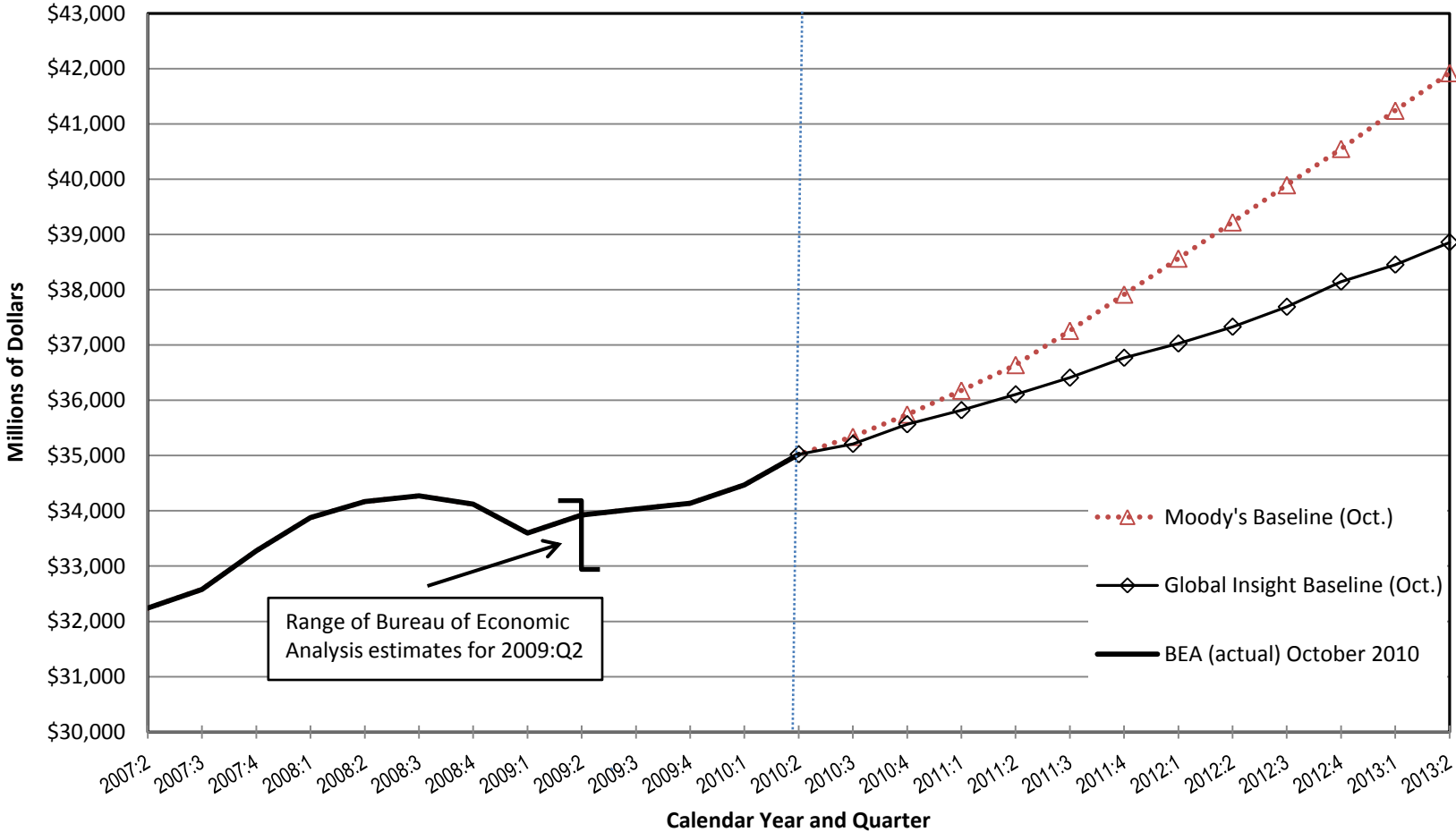
# Historically Underestimate Revenue

HJR 2 Biennial Recommendation as of November Prior to Legislative Session



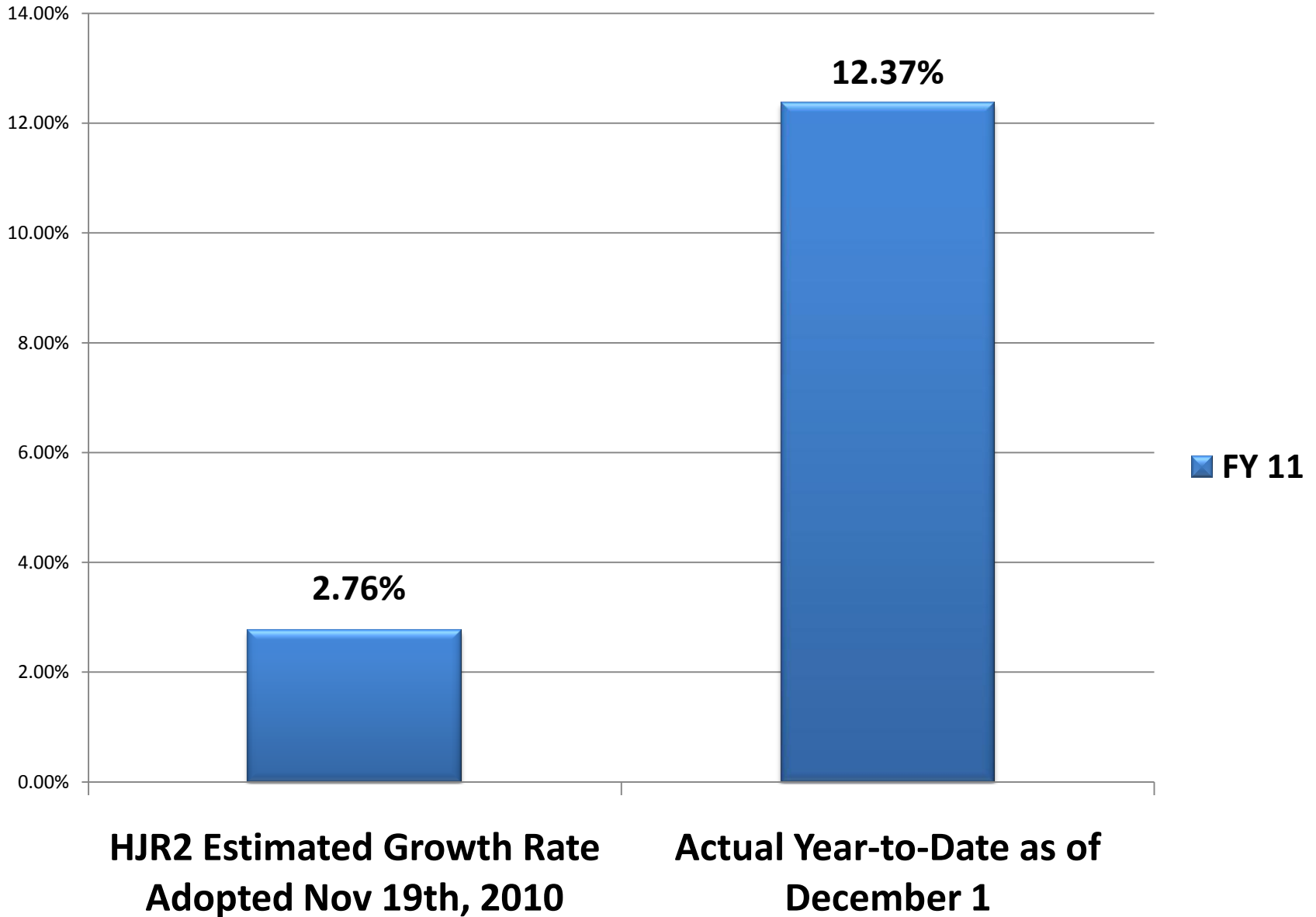
\*Average understatement of biennial revenue is 11%.

# Comparison of Global Insight Baseline and Moody's Analytics Forecasts Total Montana Personal Income

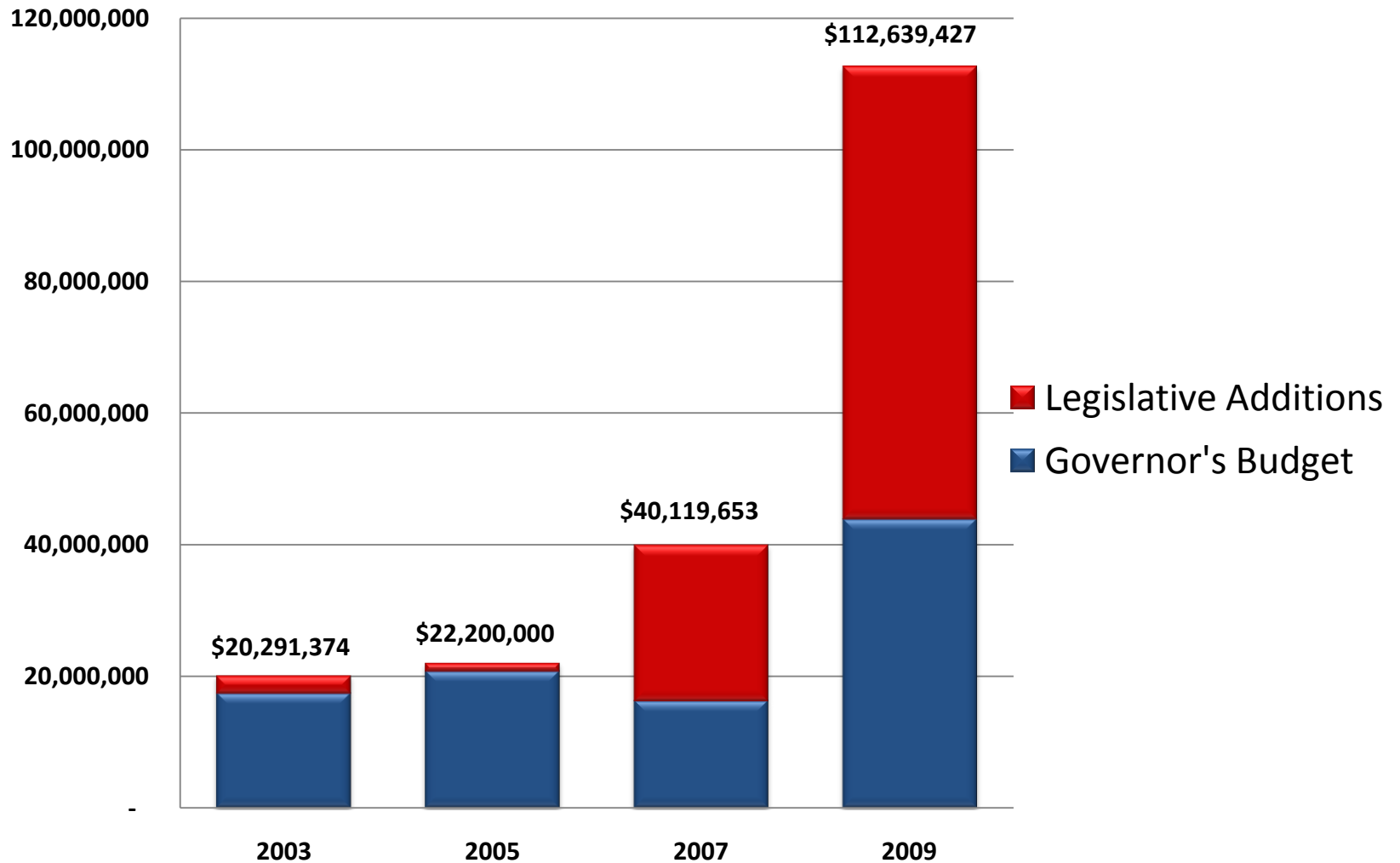


Use of Moody's baseline variables for Personal Income Tax, Corporate Tax and Oil & Gas taxes would add \$60 to \$90 Million for the three year period.

## FY 11 Revenue Growth - Estimated vs. Actual Year-to-Date



## Treasure State Endowment Program (TSEP) and Local Government Grants



**The 60<sup>th</sup> and the 61<sup>st</sup> Legislature Double-Dipped on Earmarking for Infrastructure**

**“No. nine, Bozeman, Montana, is spending \$50,000 to resurface a city tennis court. The project will employ two people for two days. Well, that's not even enough for a good doubles match.”**

Read more: <http://www.foxnews.com/story/0,2933,589278,00.html#ixzz167lgMpool>

- [\*\*Tennis Anyone ...on Taxpayer Dime? - Greta Van Susteren |...\*\*](#)  
FOXNews - Dec 30, 2009  
You know Im a huge tennis fanatic so I love the idea of building *tennis courts* I just dont like them being paid for with federal tax dollars and that's ...
- [\*\*Montana's Stimulus-Funded Tennis Courts Draw Hypocritical Volleys - ...\*\*](#)  
DailyFinance - Dec 30, 2009  
In **Bozeman**, the commission agreed to spend over \$120000 on improvements to Bogert Park -- including those **tennis courts** -- and sent the governor's office a ...
- [\*\*Waste 102: Harvard's Robotic Bee Project Tops List of...\*\*](#)  
FOXNews - Mar 15, 2010  
And who says that crime doesnt pay A \$21.8million *stimulus* project to widen ... **No nine Bozeman Montana is spending \$50000 to resurface a city tennis court ...**
- [\*\*"Stimulus" tennis court snapping together in Bozeman |...\*\*](#)  
KTVQ Billings News - Jun 8, 2010  
**BOZEMAN** - The *Bozeman* Parks Department is assembling a new set of *tennis courts* at Bogert Park. The projects created local and national buzz around the ...

# \$\$\$ to the Classroom



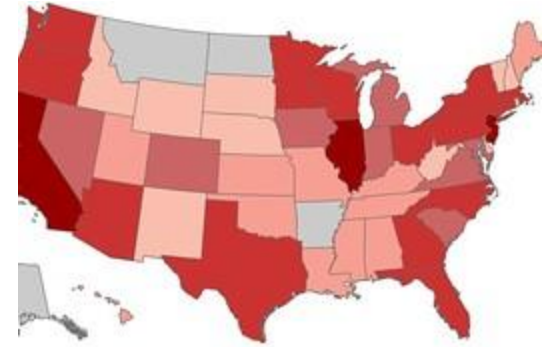
# The Wall Street Journal

NOVEMBER 17, 2010

## States Offer Washington Lesson in Belt Tightening

By AMY MERRICK, CONOR DOUGHERTY And DAVID WESSEL

(See Corrections & Amplifications item below.)



The U.S. government is now borrowing \$5 billion every business day and has done nothing more than talk about a plan to reduce its debt. State governments don't have that luxury.

### **States in the Red**

Most states have addressed or still face gaps in their budgets, while tax revenue declined.

...

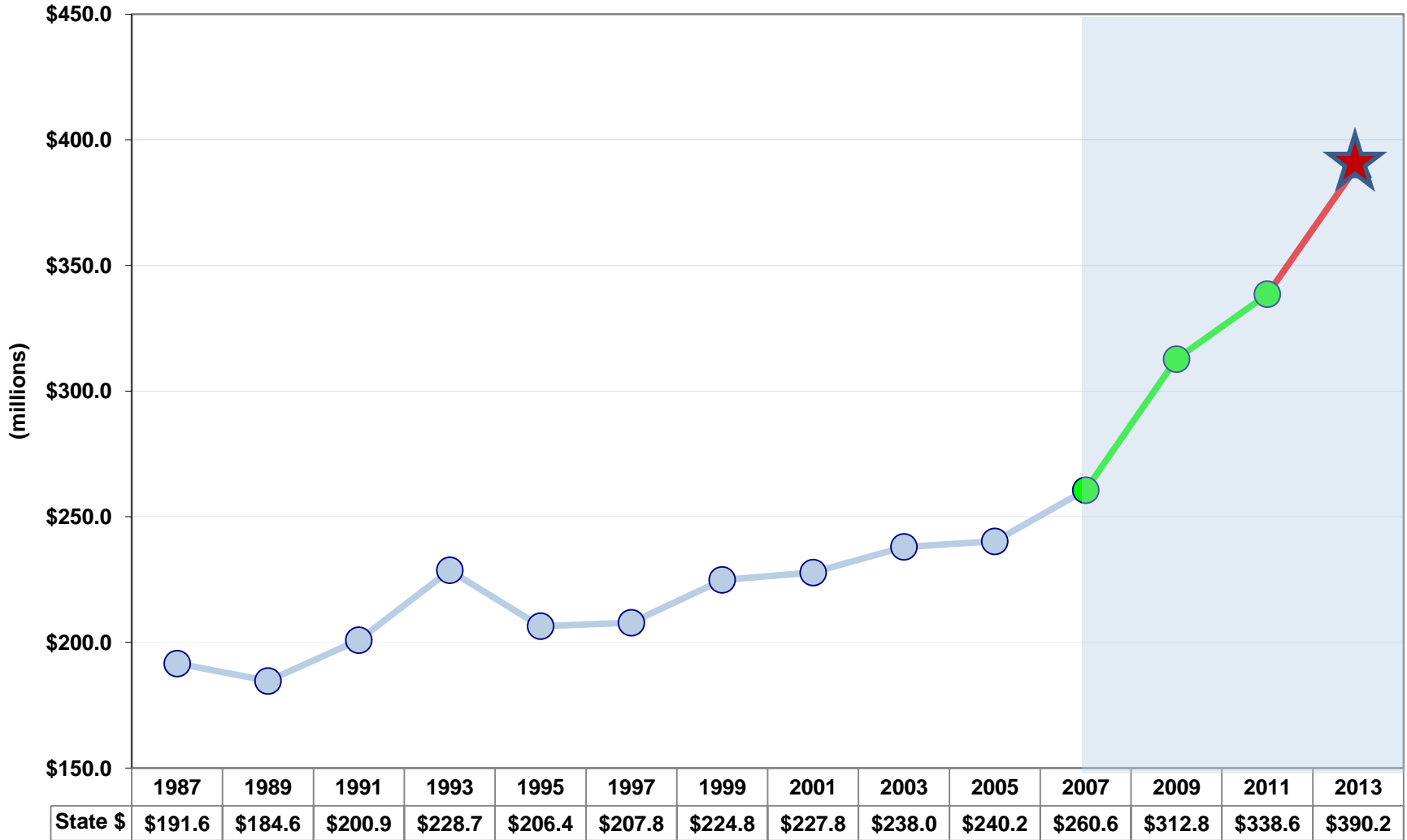
One popular state tactic has obvious—and ironic—national implications.

**New Jersey (Christ), Indiana (Daniels) and Minnesota (Pawlenty), among others, have trimmed *state* spending by sending less money to *local* governments.**

...

# State Funding MUS

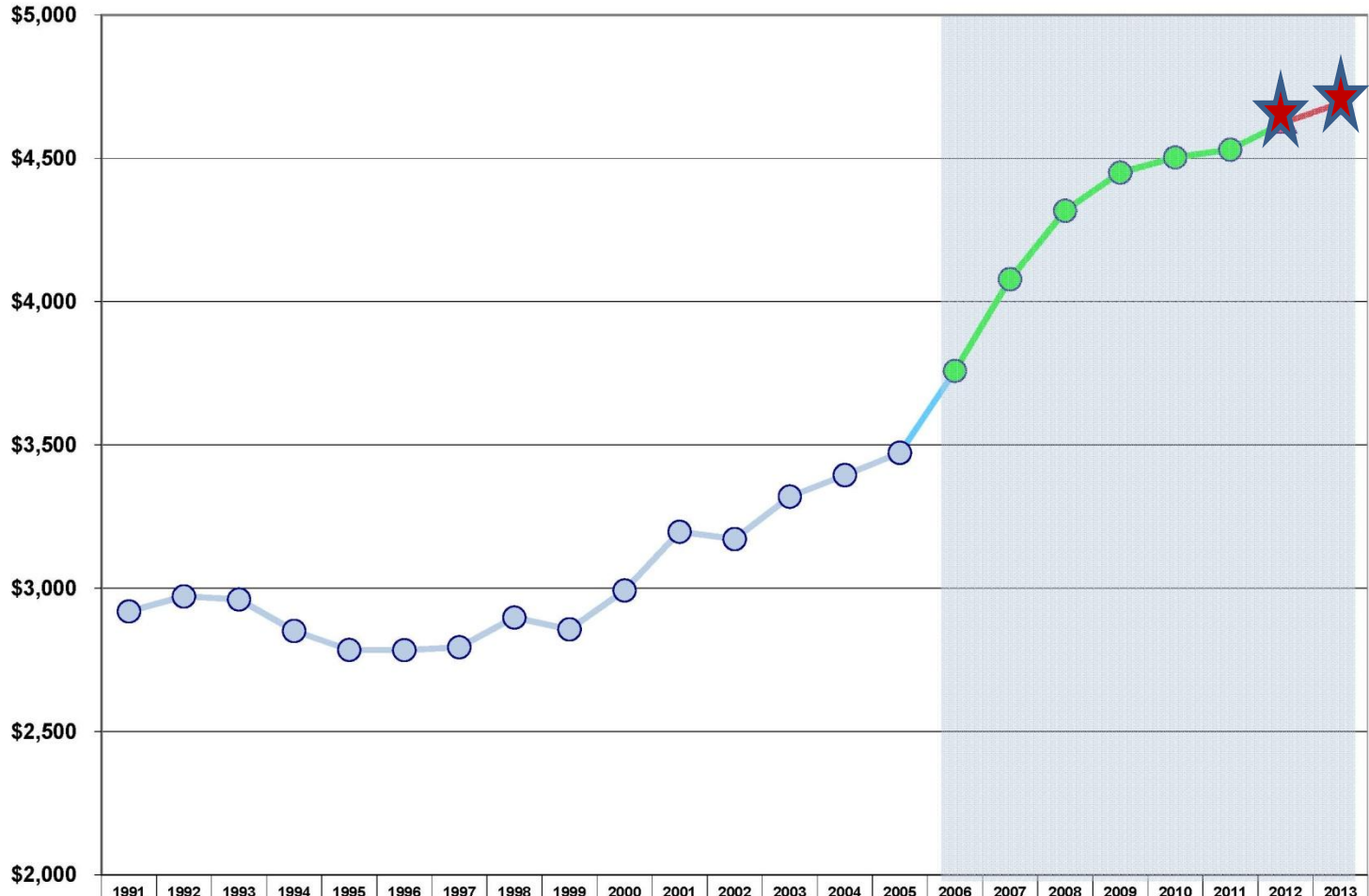
Includes state investment in scholarships and ed units



Includes federal funding from ARRA in the 2011 biennium



## K-12 State Funding Per ANB (*"students"*) (not including tax reimbursements)



State funding per ANB	\$2,919	\$2,972	\$2,961	\$2,851	\$2,785	\$2,784	\$2,794	\$2,898	\$2,857	\$2,993	\$3,197	\$3,172	\$3,320	\$3,395	\$3,473	\$3,759	\$4,078	\$4,318	\$4,450	\$4,503	\$4,531	\$4,627	\$4,692
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# SAMPLE K-12 Funding Summary by District

County	District Name	Type	FY 2012 State Pmts without Ed Funding Bill	FY 2012 State Pmts provided in Ed Funding Bill	FY 2012 Increase (DSA, GTB, At-Risk, Qual Ed)	FY 2013 State Pmts without Ed Funding Bill	FY 2013 State Pmts provided in Ed Funding Bill	FY 2013 Increase (DSA, GTB, At-Risk, Qual Ed)
Cascade	Cascade Elem	E	726,066	742,770	16,704	716,776	741,996	25,220
Cascade	Cascade H S	H	833,414	847,367	13,953	839,349	862,584	23,235
Flathead	Kalispell Elem	E	9,735,787	9,910,284	174,498	9,935,299	10,228,496	293,197
Flathead	Flathead H S	H	10,341,055	10,532,813	191,758	10,388,068	10,709,195	321,127
Gallatin	Bozeman Elem	E	10,937,409	11,191,368	253,959	11,163,784	11,578,823	415,039
Gallatin	Bozeman H S	H	5,824,842	5,948,720	123,879	5,750,533	5,963,147	212,614
Hill	Havre Elem	E	4,576,662	4,700,629	123,967	4,682,701	4,864,690	181,988
Hill	Havre H S	H	2,255,838	2,300,247	44,409	2,193,119	2,266,732	73,613
Lewis & Clark	Helena Elem	E	18,222,798	18,616,428	393,630	18,603,158	19,220,516	617,358
Lewis & Clark	Helena H S	H	12,165,541	12,370,864	205,323	12,201,961	12,554,015	352,055
Lewis & Clark	East Helena Elem	E	4,541,685	4,616,000	74,315	4,633,690	4,756,877	123,188
Lincoln	Eureka Elem	E	1,880,565	1,930,877	50,312	1,899,023	1,972,413	73,390
Lincoln	Lincoln County H S	H	1,681,168	1,711,167	30,000	1,663,787	1,711,750	47,963
Musselshell	Roundup Elem	E	1,558,755	1,600,066	41,311	1,591,841	1,652,181	60,340
Musselshell	Roundup H S	H	900,973	922,985	22,013	885,246	917,803	32,557
Pondera	Conrad Elem	E	1,442,351	1,497,431	55,080	1,460,522	1,533,203	72,681
Pondera	Conrad H S	H	1,019,743	1,057,300	37,557	1,025,426	1,074,869	49,443
Powell	Helmville Elem	E	79,052	80,227	1,176	73,323	75,438	2,116
Richland	Sidney Elem	E	2,442,774	2,767,817	325,043	2,496,853	2,854,480	357,626
Richland	Sidney H S	H	1,336,377	1,767,897	431,519	1,311,916	1,754,745	442,829
Sanders	Thompson Falls Elem	E	857,450	882,864	25,414	842,150	880,300	38,150
Sanders	Thompson Falls H S	H	946,791	969,940	23,148	919,343	953,795	34,451
Yellowstone	Billings Elem	E	37,343,539	38,255,668	912,128	38,098,478	39,471,452	1,372,975
Yellowstone	Billings H S	H	20,089,356	20,445,752	356,396	19,861,363	20,469,867	608,503
Yellowstone	Huntley Project K-12 Schools	C	3,091,843	3,153,907	62,064	3,129,778	3,227,358	97,580

# Wyoming District Level Funding

(Wyoming Statute 21-13-309 )

Guarantee

- Local Resources (predominately coal produced in 4 out of 23 counties)

---

Recapture **OR** Entitlement

*Recapture occurs when  
Local Resources > Guarantee*



*Excess Revenue*



**FOUNDATION (General Fund)**

*Entitlement occurs when  
Local Resources < Guarantee*



*Revenue Shortfall*



# Montana Proposed Funding

## Quality Educator Payment (LC - 0360)

Quality Educator Payment  
- District Oil & Gas Distribution

---

Recapture **OR** Entitlement

*Recapture occurs when  
Oil & Gas Distribution >  
Quality Educator Payment*

*Entitlement occurs when  
Oil & Gas Distribution <  
Quality Educator Payment  
(State General Fund Makes  
up Difference)*

*Excess Revenue*



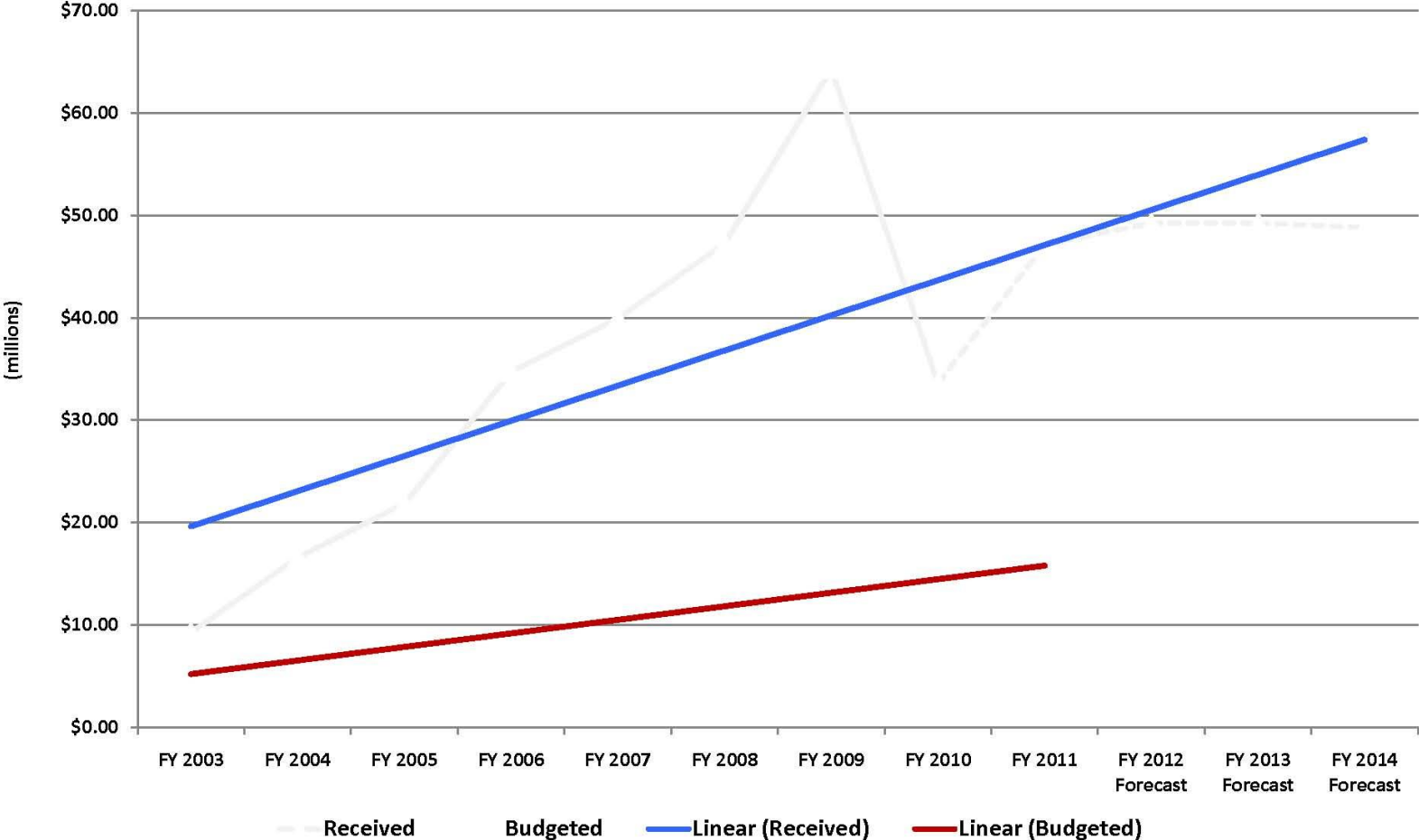
*Teach Montana Fund* (State  
Special Revenue Fund)

*Revenue Shortfall*



# K-12 Oil & Gas Budgeted vs. Actual Receipts Trendlines

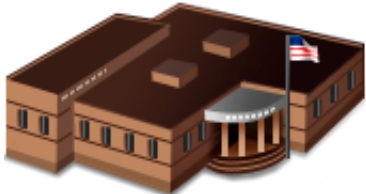
(All District Funds)



# County and Local Governments Oil and Gas Revenues Held Harmless



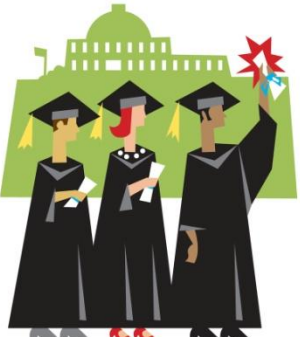
**Elementary Retirement**  
**\$3.27 million**



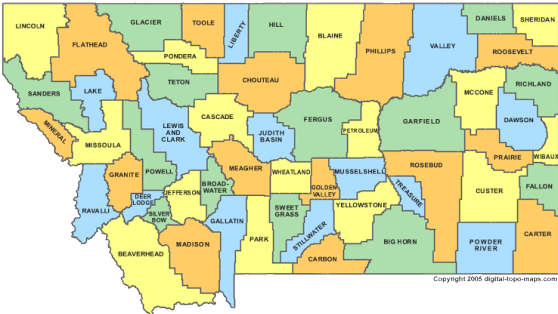
**High School Retirement**  
**\$4.91 million**



**Pupil Transportation**  
**\$1.84 million**



**Community Colleges**  
**\$0.18 million**



**Counties**  
**\$43.87 million**



## Natural Resource Sharing

	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Forest (Timber)	\$4.870	\$5.315	\$3.609
Grazing and Agriculture	\$16.069	\$16.230	\$16.392
Minerals	\$6.595	\$6.556	\$6.518
Real Estate (Cabin leases, etc.)	\$1.472	\$1.472	\$1.472
River Lease Revenue	\$4.185	\$4.200	\$4.200
Investment Income	\$18.398	\$18.950	\$19.613
	<u>\$51.589</u>	<u>\$52.722</u>	<u>\$51.805</u>



**Grazing and Ag Rents**



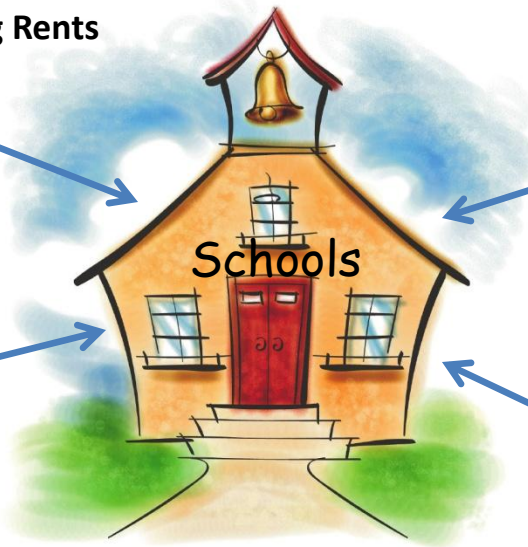
**Cabin Leases**



**Timber**



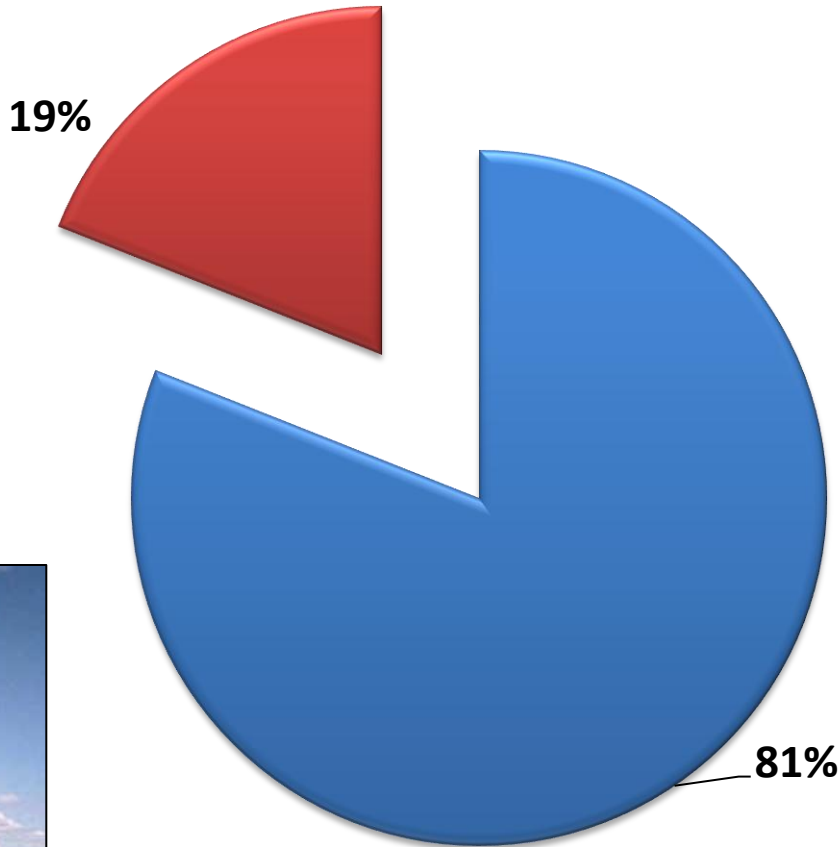
**River Leases**



**Schools**

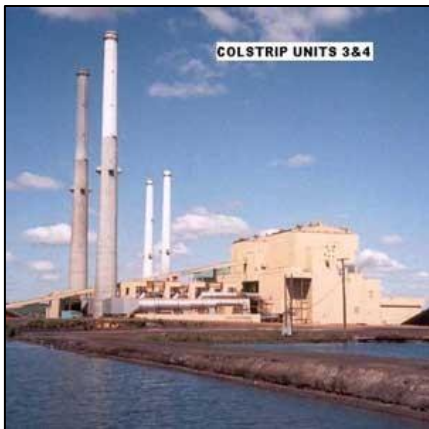
# Property Tax Distribution

100% of state mills fund both the equalization of all Montana schools per the 1989 litigation and the 6-Mill Levy approved by the voters every ten years for higher education.



Butte

- Local
- State



Colstrip



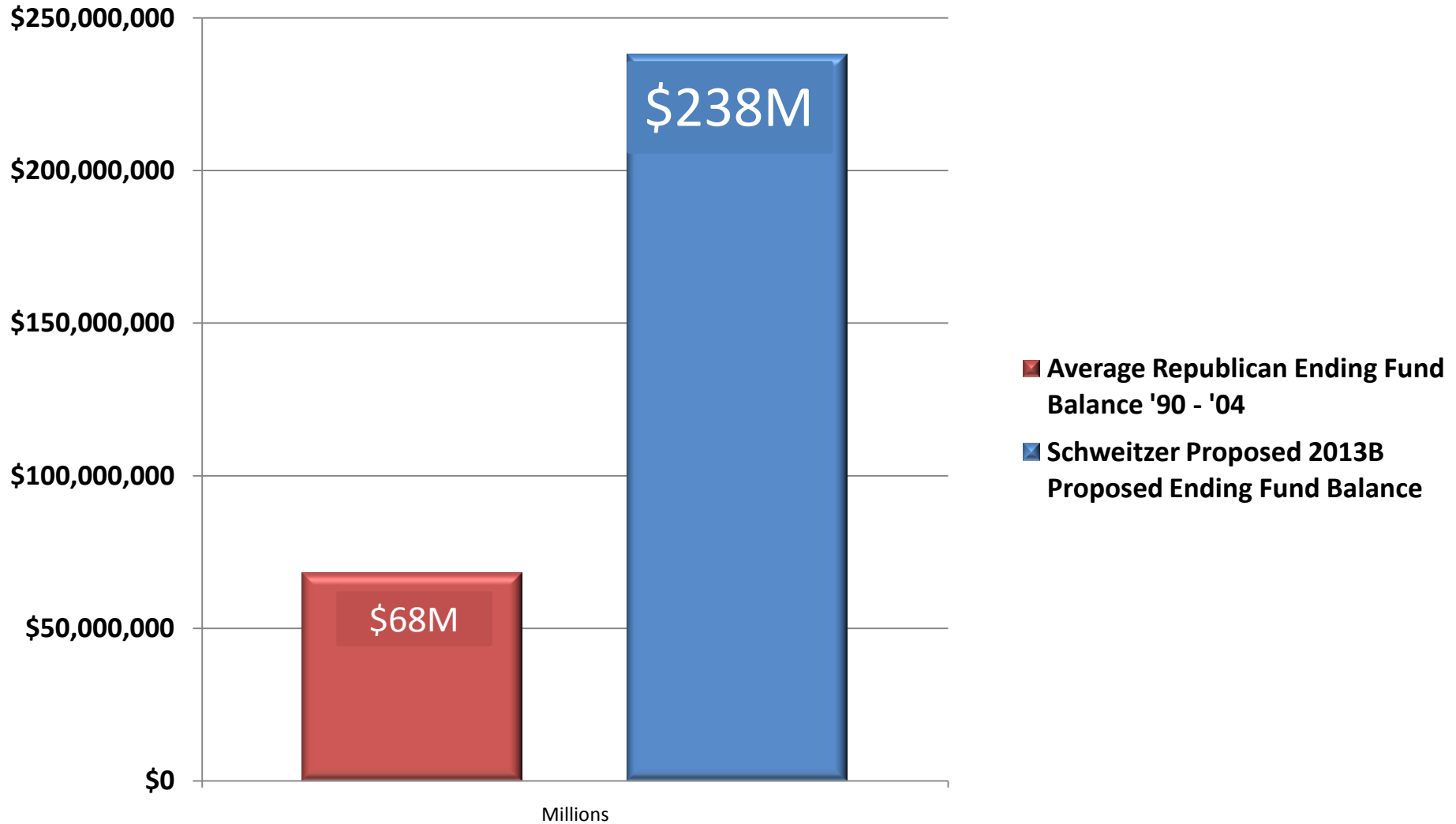
Great Falls



# PERS and TRS

- **2009 proposed \$43 million one-time stimulus funds for TRS.**  
(HB 645)  
Result: Failed to pass Legislature
- **2007 proposed \$100 million one-time funds to TRS.**  
(HB 63)  
Result: Only \$50 million passed Legislature. Increased TRS supplemental employer rate share to 2.11% for 2009B and 2.49% in 2011B. (\$33 Million general fund in 2011B)
- **2007 increased employer contribution rate for MPERA retirement systems.** (HB 131)  
Result: Passed.
- **2005 appropriated \$100 million to TRS and \$25 million to PERS.**  
(HB 1)  
Result: Passed in Special Session

# Putting Grain in the Bin and Saving for Tomorrow



# Executive Budget Take-Away

- Balanced Budget
- Strong Ending Fund Balance
- Funding for Essential Core Services (Educate, Medicate, Incarcerate)
- Promote Job Growth
- Promote Economic Growth
- Provide Tax Relief