

# 2021 Biennium Quarterly Financial Update

BY LEGISLATIVE FISCAL DIVISION STAFF

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# OVERVIEW

## GENERAL FUND BALANCE

The estimated, unassigned, general fund balance for FY 2021 is \$294.3 million. Since FY 2019 general fund revenues came in higher than expected, and emergency appropriations were mostly unspent, large transfers were made at the beginning of FY 2020 to the fire fund, \$30.3 million and to the budget stabilization reserve fund, \$57.0 million.

As shown in the table below, ongoing other appropriations increase significantly in the 2021 biennium, while statutory appropriations decrease. This is directly related to the changes in how Medicaid expansion is funded. [HB 658](#) changed funding for Medicaid expansion from statutory appropriation authority to other appropriation authority.

In addition, ongoing general fund transfers increase in the 2021 biennium in anticipation of increased State Fund expenditures for Libby asbestos settlements.

General Fund Balance Sheet  
Includes HJ 2 Revenue Estimates  
(\$ Millions)

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	Actual FY 2018	Actual FY 2019	Estimated FY 2020	Estimated FY 2021
Beginning Fund Balance	\$47.9	\$186.7	\$358.1	\$288.2
Revenues				
Actual & Estimated Revenue legislation	2,333.6	2,519.6	2,498.6	2,570.4
OTO	71.8	54.1	4.1	
Prior Year Adjustments - revenue	1.6	0.6		
Total Revenue Funds Available	2,455.0	2,760.9	2,870.7	2,861.0
Expenditures - Ongoing				
Statutory Approps	316.4	317.1	290.6	301.5
General Fund Transfers	19.9	26.8	39.1	33.7
HB 2 Agency Budgets (includes pay plan)	1,904.3	1,951.6	2,106.2	2,175.0
HB 1 (includes estimates for FY 2021)	2.4	8.5	4.8	10.5
Other Appropriations	0.1	1.5	35.8	39.3
Continuing Authority			17.0	
Reversions			-11.0	-7.7
Ongoing Expenditures	2,243.0	2,305.7	2,482.6	2,552.2
OTO				
HB 2 Agency Budgets	13.0	15.2	7.7	6.9
HB 3 Supplemental		12.2		
BSRF Transfers		60.7	57.1	
Fire Fund Transfers	25.3	21.5	30.3	
Other Appropriations	2.0		4.9	7.6
Other	4.2			
Total Expenditures	2,287.5	2,415.3	2,582.5	2,566.7
Other Adjustments	19.2	12.0		
Ending Fund Balance	\$186.7	\$358.1	\$288.2	\$294.3
Structural Balance			\$25.9	\$20.7

BSRF means budget stabilization reserve fund. FY 2020 OTO revenue includes Core Civic contract renegotiation amount. Reversions for FY 2020 are higher than normal to compensate for assumed 2011 continuing authority in Department of Military Affairs.

## **KEY OBSERVATIONS**

### **Anticipated Revenue Growth Beyond FY 2019 is Modest**

Strong revenue growth in FY 2019 is expected to be short-term as described in the [FY 2019 Fiscal Year End Report](#) and FY 2020 revenue is anticipated to be 1% lower than FY 2019 and be modestly higher by 2% in FY 2021.

### **Strong Ending Fund Balance**

Ending fund balances are substantially variable since annual changes in both in revenue and expenditure impact ending fund balance. A strong ending fund balance cushions against any revenue or expenditure shocks and allows changes in cash balances throughout the year. The minimum anticipated ending fund balance required by [17-7-140, MCA](#) is 4% of second year (FY 2021) appropriations. The recommended ending fund balance for operating reserve purposes in [17-7-102, MCA](#) is 8.3% of second year appropriations. The current anticipated ending fund balance is 11.6%, or 4.3% above the recommended operating reserve level.

### **Positive Structural Balance**

The structural balance of the general fund represents the difference between ongoing revenues and ongoing expenditures. A positive structural balance is desired and adds assurance that anticipated revenues and expenditures are balanced and are not anticipated to cause future shortfalls.

## **REQUIRED REPORTS**

### **OPERATING PLAN CHANGES AND PROGRAM TRANSFERS**

The Office of Budget and Program Planning (OBPP) submitted a total of 9 operating plan changes and program transfers that met statutory criteria for LFC review and comment between July 1, 2019 and September 10, 2019. Staff have reviewed the budget changes and have raised no issues with the proposed changes. A summary of the changes from OBPP can be found in [Appendix D](#).

### **NEXT MEETING**

A more in-depth report will be provided at the December 2019 LFC meeting.