

The Montana 2015 Biennium Budget

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Introduction

Newly elected Democratic Governor Steve Bullock presented his budget which called for investing in Main Street, investing more in Montana's education system, creating health care solutions that improve access for Montanans, and bringing high paying jobs to the state. The budget includes increases in spending and \$110 million in tax cuts. When the legislature convened in January 2013 there was a projected surplus of about \$450 million. Montana's economy, while still slowly recovering, was generating tax revenue for the state. Growth in western Montana had been 1.4 percent while growth in the central part of the states was growing at a rate of more than 4 percent annually. This allowed the Republican-controlled legislature to have adequate funding but typical of the two parties, disagreement would emerge over whether to spend or save the money.

The Republicans intended to balance the budget while making significant cuts in many areas. The 64th Montana Legislature ended its constitutionally mandated 90 day biannual session on April 27 with a nearly \$11 billion, two-year, all funds budget, which is about an 11 percent increase in spending. The 2013 session took 87 days and ended with roughly a \$150 million surplus. Aside from constructing a balanced budget, the legislature attempted to resolve a number of longstanding policy issues ranging from public pensions to bison management. In the end, Governor Bullock vetoed 71 bills, nearly matching former Governor Schweitzer's 78 bills after the 2011 legislative session.

Demographic Overview

Montana is a geographically large, rural state with a small population of about one million. The population density of Montana is about 6.8 persons per square mile (the national average is 87.0 persons per square mile). The population has been steadily increasing over the past few decades but the growth has not been spread evenly. The state had 799,000 residents in the 1990 census, and that jumped to 902,000 in 2000. The state added enough people in the past decade for a growth rate just below 10 percent, lowest among the 13 western states. The western part of the state (the mountainous area) experienced population and economic growth while the eastern plains have remained relatively unchanged. The oil boom in North Dakota is having an impact

on the Montana-North Dakota border. Montana's population is predominately white and is split between urban and rural (see Table 1). Fifty-four percent of the population lives in urban areas or urban clusters, while 46 percent lives in rural areas. Montana's population growth brought people who are older, wealthier, and more conservative than those who left the state. For every 100 bachelor's degrees issued to in-state students at Montana's colleges and universities, roughly 75 leave the state to seek better employment (Jamison, 2006).

Montana is a relatively poor state. Per capita income is \$35,317, which ranked the state 38th in 2010. Montanans' income is about 84 percent of the national average. The per capita tax burden is \$7,300, and state and local taxes relative to personal income are about 10 percent (the national average is 10.2 percent). Montana ranks 37th nationally in per capita state expenditures. Unemployment was 5.4 percent in May of 2013. Like much of the nation, the number of people below the poverty line grew in 2012, and 14 percent of Montana's population is now categorized as "living in poverty," and more than 16 percent of Montanans have no health insurance.

Although the state ranks among the lowest in the nation for spending on education, education attainment is relatively good. Ninety percent of the population over 25 years of age has a high school diploma (the fourth best in the nation) and 27 percent of the population over 25 years of age has a bachelor's degree. Montana's gross state product was \$36 billion in 2012 (49th in the nation). The state receives roughly twice the amount of money back in federal funds as it sends to Washington in taxes.

Political Context

Montana is a very partisan state with very competitive political parties, but it ranks among the top states with the most influential interest groups (Bowman and Kearney 2013). This is attributable to the three distinct political cultures that blend together to form the unique mixed political culture of the state. The northern "highline" that borders Canada is moralistic and regulatory. The region was settled by northern Europeans who were and remain religious and conservative and tend to vote Republican. The area includes the grain-rich Great Northern Plains and is dominated by agricultural interests.

The western mountainous region has historically been individualistic and permissive. Mining, unions, and ranching dominate the central and southern part of the state, which generally votes for Democrats. The overall political culture is a blend of labor-oriented individuals who vote Democratic and conservative ranchers and business owners who vote Republican. Unlike some states in the region, such as Utah, Idaho, and Wyoming, no single party dominates politics in Montana.

Montana's political culture is more liberal than Idaho and Wyoming and more conservative than Oregon or Washington where the Democratic Party dominates. Montana's Republicans want government to do as little as possible, stay out of the lives of citizens, and stick to basics on the economy—agriculture, ranching, timber, and mining. Democrats want government to be more active, utilizing the state's resources like wind to generate electricity, protecting the environment, and diversifying Montana's economy by attracting cleaner, high-tech industries. The two conflicting visions lead to sharp divisions and highly competitive elections (Greene and Lopach 2008).

The national media likes to call Montana a "red state," but it has been a swing state throughout most of its history. Voters tend to send conservatives to Helena and liberals to Washington. Starting in the 1970s the Democratic Party and Democratic governors ran the state for 20 years

Table 1. Population Figures

Population Race	Persons	Percent
American Indian and Alaska Native Population		6.3
Asian Population		0.7
Black Population		0.6
Hawaiian Native and Pacific Islander population		0.1
Hispanic Population		2.8
All Others		1.7
White Population		87.8
Total Population (2011 U.S. Census estimate)	1,005,141	

Note: The official population based on the 2000 Census was 902,000. Montana’s population was 799,000 in 1990. The latest estimates show the population to be 1,005,141 (2012). The population increased by 9.8 percent between 2000 and 2010; the lowest increase among western states.

Source: U.S. Census Bureau

with Democratic majorities in the congressional delegation and the state legislature. In the late 1980s Montana elected a Republican governor and sent a Republican to the US Senate for the first time in 40 years. The Republican Party then dominated state government throughout the 1990s. In 2004 Montana elected its first Democratic governor in almost 20 years, farmer-rancher Brian Schweitzer, and Democrats took every major state office except secretary of state, won control of the Senate (27 Democrats; 23 Republicans) and almost gained control of Montana’s 100-seat House (the chamber was evenly split: 50 Democrats; 50 Republicans). In 2012 Montanans elected another Democratic governor by a narrow margin, Steve Bullock (49 to 47 percent).

Women have held roughly 25 percent of the 150 seats in the legislature in recent sessions. Political fortunes changed in the 2006 elections, which bucked national trends with Republicans taking control of the House (50–49–1) and the Senate evenly split until a Republican senator changed parties (26–24). Montana bucked national trends again in the 2008 as Republicans took control of the Senate and the House split 50–50. In the 2010 mid-term elections Republicans took control of both chambers, the House at 68 to 22 and the Senate at 27 to 22. Republicans maintained control of both chambers in 2012, the House at 61 to 39 and the Senate 29 to 21.

Redistricting is controversial in most states and Montana is no exception. Unlike most states, Montana hands redistricting to an independent commission. The legislature appoints two Republicans and two Democrats who cannot be members of the legislature. The four members select a fifth person to chair the commission. If they fail to agree on a chair, the Montana Supreme Court appoints one. The Supreme Court runs in nonpartisan elections, but the political affiliation of the

court is clear to anyone involved with the process. The most recent redistricting commission, like many in the past, ended up going to the Supreme Court to appoint a chair. The court, currently dominated by Democrats, selected a former Supreme Court justice who is a Democrat. Thus, redistricting will favor Democrats who push to create “swing districts” as their basic model. Democrats did not do well under the previous districts and argued that Montana is a purple state, thus their efforts were to create “swing” districts.

After the commission redraws the district maps the legislature must approve the commission’s work and has a right to offer suggestions. Like most states, the process is controversial and often leads to legal disputes. The process is constitutionally mandated and was intended to eliminate partisanship, which it has failed to do. It is expected that the new districts will favor Democrats despite the fact that Republicans control the state legislature (Dennison 2011; Goodman 2011).

Montana’s term limits were enacted in 1992 and took effect in the November 2000 general election. Elected officials cannot serve more than eight consecutive years in a 16-year period. The legislature placed a measure on the 2004 ballot to alter term limits by allowing a person to serve 12 years in a 24-year period. Voters rejected the measure by a significant margin. Although term limits fit the general political culture of the state, they have proven to be problematic with Montana’s part-time, amateur legislature. For many years the legislature has failed to address the state’s major problems and at times has exacerbated them. In 2001 the legislature deregulated electric power and natural gas, and the result was disastrous. Montana went from having abundant, inexpensive, well-regulated power to being among the states with the most expensive utilities.

Montana’s legislature is probably too large for a state with barely a million residents. The House has 100 members who represent very small districts and few people. The 50-seat Senate also represents a relatively small number of people compared to most states. Coupled with intense partisan bickering, the fragmented, part-time, amateur legislature has inherent difficulties addressing the needs and issues of the state. Term limits cause the loss of legislators who have the expertise to manage a smooth legislative process.

Congressional elections in Montana are unpredictable but the state tends to vote Republican in presidential elections. George Bush easily won Montana in 2000 and 2004. John McCain easily won the state in 2008 and Mitt Romney easily won in 2012. Currently, Montana’s three congressmen remain a partisan mix. Steve Daines, Montana’s only member of the US House of Representatives, is a Republican, and Republicans have held Montana’s lone congressional seat since 1996. Montana lost one of its House seats after the 1990 census, and following the 2010 census, the state will still have only one House seat, the largest House district in the nation.

When Montana had two House seats, eastern Montana and the northern highline elected Republicans, and the western part of the state elected Democrats. The state’s US senators were split for many years until Democrat Jon Tester won the seat from incumbent Republican Conrad Burns in 2006 in a close election. Dennis Rehberg left the House to challenge Jon Tester for the Senate seat in 2012 and lost by a narrow margin. Max Baucus, a moderate Democrat who served in the Senate since 1978 and chaired the Senate Finance Committee, did not seek reelection in 2014. Former governor Brian Schweitzer declined to run, leading many political observers to see the seat as a likely pickup for Republicans in the 2014 midterm election (Johnson 2013a). Steve Daines gave up his House seat to run for the Senate and easily won the election. The Republicans maintained Montana’s lone House seat, which was won by Ryan Zinke.

Economic Summary and State Revenues

The state's economy depends on agriculture, tourism, natural resource extraction, and mining. Tourism is a major factor with more than 10.5 million visitors coming to Montana each year. They spend more than \$3.3 billion annually and support some 13,000 jobs (Nickerson 2013).

Montana's geographic isolation from major markets, a small, widely dispersed population, and continued dependence on natural resources limit economic growth. Its economy is further hampered by a volatile farm sector, decreased timber from national forest lands, an aging industrial plant and infrastructure, and an acute labor shortage. Dependent on commodities, the economy rises and falls with commodity prices.

Not surprisingly, Montana ranks at or near the bottom on most economic measures such as wages, earnings, and personal income. Most growth has been in the private sector with low-paying jobs in service and retail—big box stores, fast food, and hotels. Despite the optimism of some politicians, including the governor, the long-term economic outlook is bleak. The last two Democratic governors both pledged to bring high paying jobs to the state, but failed to attract high-tech industries partly due to location. Montana is simply too remote.

Coupled with its isolated location, Montana ranks low in “friendliness toward business,” economic development in the state is an arduous task. Montana was one of the first states to impose an income tax on businesses. Since 1917, the state has raised corporate income taxes from one percent in 1917 to the current rate of 6.75 percent (Johnson 2009). Corporate income taxes accounted for about \$153 million in revenue (9 percent) in 2009.

Higher education is aimed at liberal arts or agriculture which has had limited success attracting high-tech industry. Moreover, Montana's commitment to higher education has dropped dramatically since the early 1990s. In 2011 the state portion dropped below 20 percent and the legislature passed a two-year tuition freeze. In 2013, the legislature appropriated enough funding to have another two-year tuition freeze. Except for one law school, Montana does not have any professional schools such as medicine, dentistry, or even veterinary, which seems odd considering that Montana is home to more than two million cattle. Montana's business climate is poor and economic development is difficult in a culture opposed to growth.

Revenue was not an issue for the 2013 legislative session. Montana gets 51 percent of its revenues from individual income taxes, 30 percent from various consumption taxes, fees, and other miscellaneous taxes, 12 percent from state property taxes, and 7 percent from corporate taxes. The lack of a general sales tax (the state does have some limited sales taxes) creates an unbalanced tax structure.

The state relies on sources of revenue that are unstable and arduous to administer, such as state property taxes. Past attempts failed to produce an acceptable general sales tax bill. A general sales tax was last placed on the ballot in 1993 and lost by 3 to 1. Montana is one of the few states without a true revenue sharing system with local government largely due to the lack of a general sales tax. Its lottery produces only a small portion of state revenues. The lack of an adequate revenue system caused the legislature to consider raising taxes on those making \$250,000 per year. The personal income tax brackets were lowered in 2003 and critics argued the tax cuts caused a loss of \$100 million in annual revenue. At the time, the top bracket was 11 percent. The legislature considered creating a new bracket of 7.9 percent for those earning more than \$250,000 (Johnson 2009), but the governor vetoed efforts to simplify the tax code in 2013.

When *Governing Magazine* ranked the financial health of all 50 states, Montana was near the bottom of the list, tied with Mississippi at 48th for having a revenue system that produces inadequate

Table 2. Bills versus Assets (in millions of dollars)

Assets	\$13.55
Less: Capital Assets	\$5.23
Restricted Assets	\$2.99
Assets Available to Pay Bills	\$5.32
Less: Bills	\$6.04
Money Needed to Pay Bills	\$0.72
Taxpayer's Burden	\$2,200.00
Bills Montana has Accumulated	
State Bonds	\$1.36
Other Liabilities	\$2.92
Less: Debt Related to Capital Assets	\$0.53
Unfunded Pension Benefits	\$1.32
Unfunded Retirees' Health Care Benefits	\$0.97
Bills	\$6.04

Source: State Data Lab, accessed July 3, 2013. <http://www.statedatalab.org/state_data_and_comparisons/SnapshotByTheNumbers?st=MT>

Amounts in millions of dollars.

quate revenues and is less fair than tax systems in most states (Cauchon 2003; *Governing* 2008)). Despite low rankings, Montana was one of the states that emerged in 2013 in good fiscal condition, but it did so by maintaining a minimalist state government. Even then, according to the State Data Lab, Montana's bills exceed its assets.

The Budget Process

The budget process in Montana is similar to most states. After collecting information from state agencies, the process begins with the governor's recommendations in an executive budget mandated by law and prepared by the Office of Budget and Program Planning (OBPP). The Legislative Fiscal Division (LFD) then analyzes the recommendations, the state's economic conditions, and other pertinent factors. The resulting document is sent to the legislature and used as the basic budget document throughout the session. The legislature convenes in January every odd year and adjourns in 90 days (usually in April). Montana law allows for special sessions when needed.

The main committees that handle the budget are the House Appropriations Committee and the Senate Finance Committee. During the first week of the legislative session, subcommittees from the Joint House Appropriations Committee and the Senate Finance Committee meet to establish the initial recommendations—a process that typically takes about six weeks. The formal title of the main expenditure bill is HB 2, which goes through a committee review process similar to the processes found in most states. HB 2 is the state budget and, with rare exception, remains a single document. The timetable and format of the budget as well as what must be in-

Table 3. Traditional Appropriations Schedule

Legislative Days	Action taken by the legislature during specified time periods shown as legislative days. By law, the session lasts 90 days.
1–6	<i>Feed Bill</i> - Prepared by the Legislative Services Division. There will be hearings in both the House Appropriations and Senate Finance committees. HB 1 is the initial bill that sets funding for the session and other housekeeping matters. <i>All revenue legislation must be initiated in the House.</i>
2–43	<i>Subcommittee Hearings on HB 2</i> - Subcommittees meet three to four hours, five days a week.
50–55	<i>Subcommittees Report HAC Action on HB 2.</i> On successive days, the five subcommittees present their reports to the House Appropriations Committee (HAC).
56–61	<i>Preparation of Bill and Narrative</i> - The Legislative Fiscal Division (LFD) staff takes the action of the full Appropriations Committee and incorporates it into the original draft. The HAC version of the bill is a clean second reading copy that is completely substituted for the bill entered originally. <i>The LFD staff also updates the subcommittee narrative so that it is consistent with the full committee actions.</i> The updated narrative, along with the bill, is distributed a day or two prior to the scheduled debate in the full House.
	<i>Long-Range Planning Subcommittee</i> - HAC completed action and reports all long-range planning bills to the floor.
64–65	<i>Appropriations Bill Second Reading</i> – The bill is debated in sections. Legislative Fiscal Division staff updates the narrative following House action.
65	<i>House Third Reading of Appropriations Bill.</i>
66–76	<i>Senate Finance HB 2</i> – On successive days, the committee takes action on HB 2, by section. Staff updates the narrative to reflect committee action.
79	<i>Senate floor debate on Appropriations Bill.</i>
80	<i>Senate Third Reading on Appropriations Bill.</i> <i>Senate returns Appropriations Bill to the House.</i>
81–89	<i>Free conference committee on long-range planning and major appropriations bills.</i>

Note: HB 2 is the Montana state budget and historically remains a single bill. Table 3 shows the normal budgetary process with HB 2 being the state budget.

Source: Taryn Purdy. *Understanding State Finances and the Budgeting Process: A Reference Manual for Legislators*. Helena, MT: Legislative Fiscal Division, September 2002, p. 34.

cluded are dictated by statute. Revenue bills must originate in the House, and appropriation bills must be ready by the 67th day of the session when action must be taken on the bills. The governor has a line-item veto.

Unlike many states and Congress, Montana has a unique joint subcommittee system that handles much of the work on appropriations. The composition of most of these committees is

seven members split in proportion in favor of the controlling party. Montana's legislature is a classic part-time, amateur assembly and has one of the shortest sessions in the nation. Legislators earn among the lowest salaries in the nation—\$82.64 per day with a \$98.75 per diem for expenses. This amounts to about \$10 an hour while in session.

Thus, the governor and the state's permanent agencies in Helena play a powerful role in the budget process since legislators depend on them for information and technical support. Work on the budget begins immediately when the legislature convenes and usually the budget is passed on or near the final day of the session. Table 3 provides an illustration of the traditional appropriation process.

The 2015 Biennium Budget

The Montana Constitution requires a balanced budget, and Montana's budget is relatively small compared to most states. The state receives most of its revenues from individual income taxes. Table 4 provides a comparison of the 2007 through the 2015 bienniums.

Table 5 compares the 2013 and 2015 bienniums in major categories. The data is straightforward; expenditures increased for some agencies and decreased significantly for other agencies, but total expenditures are not significantly different from the previous biennium. Table 5 is a breakdown of the budget by major departments. In the case of K-12 education, about a decade ago the Montana Supreme Court ruled that the legislature had to define the meaning of a "quality public education," which is a provision in the Montana State Constitution. Thus, the legislature has funded public education during the last four sessions at a higher level than in the past. This session the legislature appropriated nearly \$1.8 billion for public schools.

The state subsidizes less than 20 percent of the cost of tuition for in-state students. Since 1992 the financial commitment to higher education has dropped significantly. In 1992 the state funded \$4,578 per in-state student; in 2006 the amount had dropped to \$3,142 in constant dollars. Between 1992 and 2002 tuition at the state's public, four-year colleges increased 50 percent while medium family income increased by one percent. During this period the number of students receiving financial aid increased by 370 percent (National Center for Public Policy and Higher Education 2003). As state funds make up a smaller share of total funding for higher education (a long-term trend likely to continue), the university system has relied on increased student tuition and fees. The 2013 legislature provided some relief by giving higher education enough funding to impose a two-year tuition freeze. Montana spends considerably less than all other western states on higher education per student. Only South Dakota and Colorado spend less (Hamilton 2007).

Table 6 shows where the state spends by major functional area. The largest functional area is human services, which consumes 42 percent of the state's resources. Secondary public education is the second largest specific area requiring 19.4 percent of the budget. Higher education uses only six percent of outlays and transportation consumes 14.4 percent of the budget. All other areas of state government account for about 18 percent of outlays.

What Did the Legislature Do in Policy Areas?

There were more than 1,100 bills introduced in the 2013 legislative session with about one-third signed into law. As in most legislative sessions, a majority of bills never got out of committee. Below are some of the policy areas the legislature addressed (Dennison and Johnson 2013).

Table 4. Revenue Sources (2007 through 2015 Bienniums)

	2007	2009	2011	2013	2015
Individual Income Tax	48.4%	44.9%	47.0%	44.9%	51.0%
Corporation Income Tax	5.5%	8.9%	6.6%	7.0%	7.4%
Vehicle Tax	5.6%	6.5%	6.0%	6.0%	4.9%
Investment Earnings	3.2%	2.8%	2.2%	2.2%	1.3%
Natural Resource Taxes	5.3%	6.5%	4.9%	6.8%	5.9%
Property Tax & Non Levy	12.3%	11.0%	12.8%	13.4%	12.0%
Insurance Tax	4.4%	3.4%	3.3%	3.3%	2.5%
All Other Revenue	15.3%	15.9%	17.2%	16.4%	15.0%

Information provided by the Legislative Fiscal Division

Table 5. 2013 and 2015 Biennium All Funds Budgets Compared (in millions of dollars)

Agency	2013 Biennium Budget	2015 Biennium Budget	Difference	Percent Change
Legislative Branch	27,034,071	28,477,643	1,443,572	5.34%
Consumer Council	2,487,536	3,282,640	795,104	31.96%
Judicial Branch	75,311,845	79,897,402	4,585,557	6.09%
Governor's Office	11,419,595	12,106,997	687,402	6.02%
Secretary of State's Office	0	256,000	256,000	100.0%
Comm. of Political Practices	1,046,633	1,144,533	97,900	9.35%
State Auditor's Office	36,250,337	38,546,371	2,296,034	6.33%
Office of Public Instruction	1,604,394,614	1,799,473,095	195,078,481	12.16%
Crime Control Division	23,389,987	17,091,171	(6,298,816)	-26.93%
Department of Justice	158,294,001	172,734,229	14,440,228	9.12%
Public Service Regulation	7,070,483	7,397,500	327,017	4.63%
Board of Public Education	806,204	738,245	(67,959)	-8.43%
Commissioner Of Higher Education	515,802,456	559,923,247	44,120,791	8.55%
School For The Deaf & Blind	12,597,671	13,334,565	736,894	5.85%
Montana Arts Council	2,911,623	2,870,691	(40,932)	-1.41%
Montana State Library	8,894,574	12,193,184	3,298,610	37.09%
Montana Historical Society	9,751,995	10,587,422	835,427	8.57%
Department of Fish, Wildlife & Parks	143,027,246	151,321,615	8,294,369	5.80%

Department of Environmental Quality	103,698,931	114,023,475	10,324,544	9.96%
Department of Transportation	1,368,125,476	1,340,981,504	(27,143,972)	-1.98%
Department of Livestock	20,378,308	21,080,130	701,822	3.44%
Dept of Natural Resources & Conserv.	102,942,159	117,631,715	14,689,556	14.27%
Department of Revenue	103,339,492	108,007,139	4,667,647	4.52%
Department of Administration	40,136,278	36,210,693	(3,925,585)	-9.78%
Office Of The Public Defender	44,542,052	52,946,198	8,404,146	18.87%
Department Of Agriculture	29,190,190	34,537,636	5,347,446	18.32%
Department Of Corrections	351,079,095	372,084,768	21,005,673	5.98%
Department Of Commerce	45,078,360	61,531,143	16,452,783	36.50%
Department Of Labor & Industry	152,079,393	155,533,699	3,454,306	2.27%
Department Of Military Affairs	64,788,302	86,985,411	22,197,109	34.26%
Economic Security Services Branch	957,914,260	889,242,614	(68,671,646)	-7.17%
Director's Office	9,057,949	7,550,504	(1,507,445)	-16.64%
Operations Services Branch	92,521,183	109,137,061	16,615,878	17.96%
Public Health	117,304,010	130,725,535	13,421,525	11.44%
Medicaid And Health Services Branch	2,479,832,037	2,779,370,934	299,538,897	12.08%
	8,722,498,346	9,328,956,709	\$606,458,363	6.95%

Note: HB 2 is the main spending bill for the State of Montana and after modifications becomes the state budget. The 2013 budget was adjusted to show actual expenditures. The all fund budget for the 2015 biennium was about \$11 billion due to a variety of special and one-time appropriations that are now shown in Tables 5 or 6.

Abortion

The legislature passed a bill requiring anyone under age 18 to get parental permission for an abortion. It became law without the governor's signature. Once the bill became law, it removed the general election ballot legislative referendum on the issue. The legislature failed to approve a proposed constitutional amendment stating there is no right to abortion in the state and forbidding public funding for abortion. The amendment needed 100 votes to get on the 2014 ballot and got 83.

Bison Policy

Bison is not a normal policy area for most states, but it is an issue in Montana. Ranchers and other landowners got behind a series of bills this session to rewrite bison policy in Montana. They were reacting to fears and concerns over translocation of wild buffalo to the eastern Montana plains. Although most of the bills did not get out of committee, some made it to the governor's desk. Governor Bullock signed HB 328, which permits state officials to identify "the actual physical location" of buffalo to hunters. He vetoed HB 396, which would have given county commissioners veto power over bison restoration plans within their counties, including tribal lands and federal public lands. The bill would have allowed bison to be sold by the state Department of Livestock to pay for capturing, testing, quarantining, and vaccinating wild bison.

Table 6. 2013 and 2015 Biennium Budgets Compared by Major Functional Areas (in millions of dollars)

Functional Area	2013 Biennium Budget	Percent of Budget	2015 Biennium Budget	Percent of Budget
K-12 Education	\$1,826.9	20.5%	\$1,813.5	19.4%
Higher Education	510.4	5.8%	559.6	6.0%
Human Services	3,594.4	40.1%	3,916.0	42.0%
Transportation	1,399.3	15.6%	1,341.0	14.4%
All Other	1,620.9	18.0%	1,698.5	18.2%
Total	\$8,951.9		\$9,328.6	

Source: Legislative Fiscal Division. *Fiscal Report: 64th Legislature*. (Helena, MT: Legislative Fiscal Division, June 2013).

The governor vetoed SB 256 and SB 305. SB 256 would have made Montana’s Fish, Wildlife, and Parks Department liable for any damage to private property caused by wild bison. SB 305 proposed changing the definition of “wild bison” or “wild buffalo” to mean “a bison that has never been reduced to captivity and has never been owned by a person.”

Buildings

Governor Bullock proposed that the legislature authorize nearly \$100 million in bonds to build and renovate a number of university system and other buildings, which would have created 2,400 construction jobs. The legislature was unable to get the votes needed to authorize bonding but was able to scale down the projects and pay for them with cash. These projects include new buildings, additions to existing buildings, and renovations at Missoula College, Montana State University Billings, Montana Tech, and Great Falls College.

Education Policy

A battle over dollars for public schools and colleges dominated the education debate, but lawmakers also tangled over sex education in public schools for the second session in a row. Governor Bullock vetoed a bill that would have required parental permission before students could attend sex-education classes in public schools.

Gun Rights

The governor vetoed several firearms-related bills passed by the legislature. One bill would have allowed anyone eligible to own a firearm to be able to carry a concealed weapon, and one

would have prohibited the state enforcement of any federal ban on semi-automatic firearms or large magazines. The governor also vetoed a bill that would have allowed students to have guns in the dormitory rooms with their roommate's permission and on college campuses. The House did not approve a bill that would have limited local government restrictions on where gun owners can carry concealed weapons. The governor vetoed a bill that would have allowed noise suppression (silencers) on guns while hunting. The legislature passed and the governor signed a bill that makes information on applications for a concealed-weapon permit confidential.

Higher Education

The legislature provided the university system with enough money to allow it to freeze tuition for students over the next two years. The Montana University System (MUS) 2015 biennium total funds budget is \$44.1 million higher than the 2013 biennium. Faculty salaries remain an issue. Montana is ranked 50th on overall compensation for faculty (salaries, benefits, and retirement). Faculty at the state's two main campuses earn roughly 68 percent of the national average.

K-12 Funding

The legislature passed a series of bills changing Montana's public school funding system. The bills hold down local school property taxes while increasing state money for schools by \$75 million for the next two years. The school funding overhaul increases payments to individual school districts and freezes local school property taxes for the next two years.

Medicaid Expansion under the Affordable Care Act

Governor Steve Bullock pushed to expand Medicaid. Supporters of Medicaid expansion argued that expanding the state-federal program would have offer much-needed health insurance to 70,000 low-income Montanans and create thousands of new jobs. The Republican controlled legislature rejected the plan. Montana is one of the states that will not participate in Obamacare. In the 2012 general election, a legislative referendum to prohibit the state or federal government from mandating the purchase of health insurance or imposing penalties for decisions related to purchasing health insurance was approved by voters.

Attracting Higher Paying Jobs to Montana

One of Governor Bullock's executive budget proposals was to attract higher paying jobs to the state. Montana has not done well in the area of economic development and the legislature did little to aid the governor's proposal.

Legislative Referendums

The legislature passed two referendums for the 2014 ballot to stop "same-day voter registration" and alter the primary system by having a "jungle primary." Currently, voters must register 30 days prior to the election, but late registration is allowed up to the day of the election before polls close. A voter registering late must have been a resident of Montana for at least 30 days to

be able to register late. The referendum still allows for late registration up to the Friday before an election. The idea of a “jungle primary” is new to Montana. Currently, parties have separate primaries. The referendum would change the law to be what is generally termed as a jungle primary. All names appear on a ballot and voters select the candidates they want regardless of party. The candidates that receive the most votes, regardless of party affiliation advance.

State Pension Systems

Unlike many states that have one state pension system, Montana maintains nine separate pension systems. State pensions had combined shortfall of more than \$4 billion. The legislature approved Governor Bullock’s plan to fix the two largest pensions, Public Employees’ Retirement System and Teachers’ Retirement System. The bills will increase the contribution rates for both employers and employees and pump millions of dollars of natural resources revenues into the pension funds over the years. The yearly cost-of-living pension raise will be reduced for both retirees and current workers.

The pension systems have been underfunded for decades and past legislatures and governors have appropriated money to keep them afloat. The university system has its own system, which is basically a private 401k system similar to what is common in the private sector, but the state’s contribution has been minimal in the 20+ years the system has been operating, partly due to the state’s inability to fund the other pensions (Fletcher 2013; Walsh 2011).

Oil-and-Gas Impact Funds

The legislature set up a new account to fund water, sewer, and other infrastructure projects in eastern Montana towns affected by the oil-and-gas boom along the North Dakota-Montana border. Most of the drilling is occurring in North Dakota, but towns like Sidney, Glendive, and Culbertson have seen a large influx of workers that has created a need for housing, road repairs, and other services. Although the governor vetoed some of the related bills, he said other bills that he signed would provide up to \$40 million for oil-and-gas impacted towns (Johnson 2013c).

Taxes

The Republican-controlled legislature intended to pass millions of dollars in tax cuts, but only a few bills survived and the governor vetoed most tax cuts, and there were few tax increases. Bullock signed a bill to lower the property tax on business equipment and vetoed a bill to exempt taxes on air and water pollution control equipment installed after Dec. 31, 2012. Another bill that sought to simplify Montana’s individual income taxes, lower corporate taxes, and give favorable treatment to capital gains would have reduced the current seven tax rates to two rates (four percent and six percent) and paid for the changes by terminating a number of current tax credits, exemptions, and deductions. It would reduce income taxes by \$2.7 million over two years. The governor vetoed a bill that would provide a one-time, five percent income tax cut, totaling \$47 million. The legislature did not pass a tax rebate that was a key component of Bullock’s executive budget. The governor said he was disappointed that the legislature failed to pass the rebate, which would have given a one-time, \$400 rebate to every Montana homeowner.

The governor was criticized for the 71 vetoes that he signed, but noted that the legislature left him with 200 bills when they adjourned, leaving no room for negotiation or compromise.

These bills failed to leave the \$300 million surplus balance that the governor wanted at the end of the 2015 biennium (Johnson 2013b; Johnson 2013c).

Conclusion

Updated forecasts about Montana's economy over the next two years remain grim (Barkley 2011a; 2011b). Some economists believe Montana will not be as negatively impacted by a nationwide recession as other states. Despite high unemployment nationally, the state's unemployment rate remains lower than the national average. The areas that impact the state the most are construction, agriculture, mining, and timber. Construction has been impacted since the housing bubble collapsed, but the other core industries continue to perform reasonably well.

Funding state government in the future will be problematic due to the state's volatile economy. Despite its best efforts, Montana has been unable to attract high-tech higher paying jobs. Historically, the state has struggled to fund a "bare bones" state government.

The state has very little fat to cut in the budget. Even in years with unprecedented revenues, many critical areas like rising energy costs and economic development received token, short-term attention (LFD 2013; LFD 2007). The legislature did attempt to fix part of the state's pension dilemma and appropriated enough money for a two-year tuition freeze for state colleges and universities.

Like many past sessions, the 2013 session illustrated the dilemmas of relying on a part-time, amateur legislature with a short session that meets every other year to construct a budget and deal with significant policy issues. The lack of leadership continuity exposed the problems of term limits, revealed the power of Montana's special interests, and the power of the governor in the budgetary process. Partly due to term limits and competitive political parties, recent legislatures have been highly contentious.

The legislature passed an \$11 billion budget that made a number of short-term fixes, but did little to make structural changes that would enhance the state's economy, provide a stable revenue system, or make long-term commitments to health care and higher education. Like many legislatures in the past, time will reveal whether the short-term fixes will prove to be more prudent than fully addressing the policy issues and structural problems that affect Montana. Considering the condition of the national economy, the legislature and the governor did about as well as could be expected. They balanced the budget and left the state's finances in better condition than most states.

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