



MEETING PROJECT NAME: Education Advocates Meeting
DATE OF MEETING: June 30, 2020
TIME: 10:30 AM – 11:00 AM
Zoom Meeting

ATTENDEES:

PRESENT: As best of our records could show

Pete Donovan, Executive Director, Board of Public Education (BOPE)

Kirk Miller, Executive Director of School Administrators of Montana (SAM)

McCall Flynn, Education Policy Advisor, Governor's Office

Jule Walker, Field Specialist, Montana School Boards Association (MTSBA)

Laura Sankey Keip, Attorney, Legislative Services

Nancy Hall, Governor's Office of the Budget and Program Planning (OBPP)

Marco Ferro, Public Policy Director, Montana Federation of Public Employees (MFPE)

Diane Burke, Executive Director, Montana Quality Education Coalition (MQEC)

Emily Dean, Director of Advocacy, Montana School Boards Association

Dennis Parman, Executive Director, Montana Rural Education Association (MREA)

Dan Rask, Executive Director, Montana Small Schools Alliance (MSSA)

Sam Schaefer, Lead Revenue Analyst Legislative Fiscal Division

Amy Carlson, Director, Legislative Fiscal Division

Jule Walker, Field Specialist, Montana School Boards Association (MTSBA)

Julia Pattin, Legislative Fiscal Division

OPI STAFF

Elsie Arntzen, State Superintendent

Tracy Moseman, Health Enhancement Division Administrator

Dylan Klapmeier, Communications Director

Ken Bailey, Chief Financial Officer

Jay Phillips, CSD Division Administrator

Jack O'Connor, Title I & Fed Grants Unit Director

Dick Trerise, SPED Assistant Division Administrator

RECORD KEEPER

Christy Perryman, Administrative Clerk, Office of Public Instruction

TOPIC & PRESENTER INFO

Effect of COVID-19 on State General Fund Balances, *Julia Pattin*

- June 2020 Financial Update – COVID-19: Materials Follow
- Property Tax Estimate

TOPIC & PRESENTER INFO

Reopening Montana School Guidance, *Dylan Klapmeier*

- Will have Final Draft out on Thursday, July 2, 2020

TOPIC & PRESENTER INFO

Other Business

- Jay Phillips – ESSER Funds Update
- Jack O'Connor – Analyzing Interim Final Rule and Equitable Shares
- Ken Bailey – List of schools and SPED cooperatives that have not applied for ESSER Funds: Materials Follow
- Dylan Klapmeier – Espinoza Ruling

Thank you for your patience and **Putting Montana Students First** during this uncertain time.

[Full Education Advocates meeting can be listened to at this link](#)

June 2020 Financial Update – COVID-19

STATE BUDGET IMPLICATIONS OF COVID-19
BY LEGISLATIVE FISCAL DIVISION STAFF

JUNE 23, 2020



OVERVIEW OF STATE BUDGET IMPLICATIONS OF COVID-19

This report is the third in a series used to update the legislature on the impacts of the coronavirus public health emergency on the state budget. Since the May update, the Legislative Fiscal Division re-estimated state general fund revenues. This report illustrates the fund balance scenarios with the new revenue estimates and explains the ramifications of projected declines on the minimum ending fund balance. In addition, the report details the budget implications of lower than expected revenue collections and explains the magnitude of the impacts to services. Finally, the report provides an update on federal allocations and the funds remaining for allocation including a summary of federal funded expenditures to date, and other items of interest to the legislature.

For real time data on state expenditures, unemployment insurance benefit payments, and income tax withholding trends, please use the [LFD COVID-19 Dashboard](#). Data are updated daily, except weekly withholding data, which updates on Tuesday of each week.

Economic Uncertainty

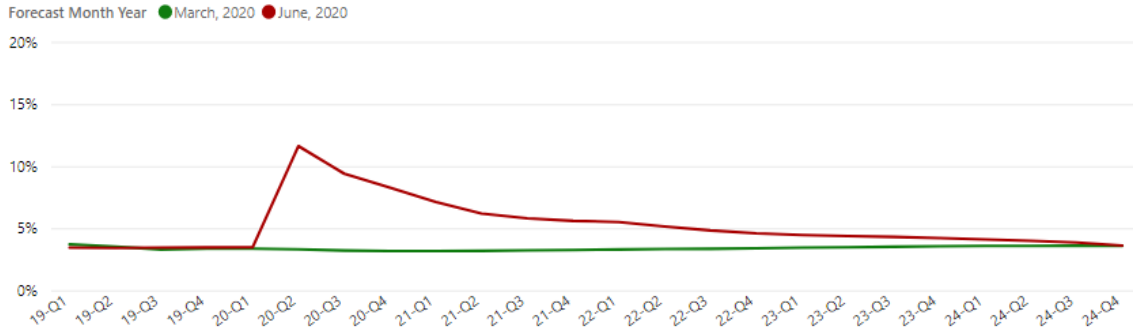
The LFD uses *IHS Markit* (IHS) as its supplier for both US and Montana specific economic and forecasting data. This includes a wide variety of trends and forecasts that are used to help inform the legislature about the condition of the Montana economy and produce state revenue projections. The ongoing economic reactions to the Coronavirus have created increased uncertainty in the forecasts from IHS. This uncertainty is likely to persist for some time but become somewhat better understood as additional historical data begins to produce a more complete picture of the economic effects Coronavirus and subsequent social distancing measures have created.

Data and forecasts from IHS are updated monthly. We now have three monthly updates from April, May, and June that show very different forecasts since the March update. The March data represents a baseline forecast as that was the last update prior to large changes resulting from the Coronavirus. Despite the uncertainty and the shifts in the estimates month-to-month, there are some general trends that are worth noting in the forecasts as well as key points in the most recent June data compared to the March baseline.

Three economic metrics are shown below with the most recent forecast versus the baseline March data; Unemployment, Gross State Product (an estimate of goods and services produced in the state), and personal income. All these data are quarterly based on the calendar year.

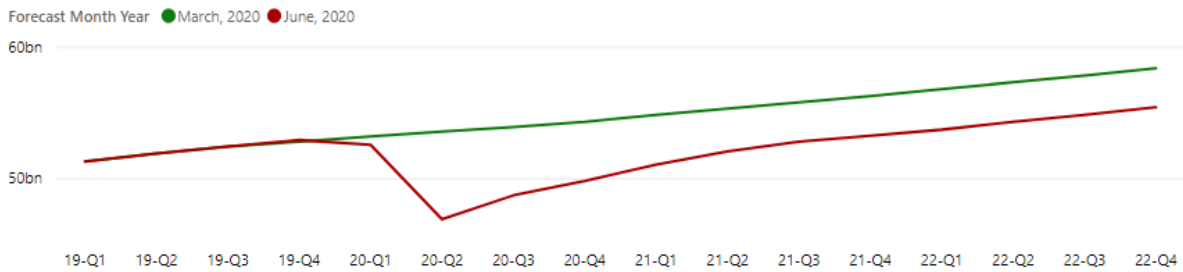
Unemployment in the June forecast peaks at 11.7% in the second quarter of 2020, which ends June 30th. This 11.7% figure is 3.3% in the baseline data. The unemployment rate falls steadily after that. This peaking in the current quarter is heavily influenced by the more recent and more-positive-than-expected unemployment data.

Montana Unemployment Rate

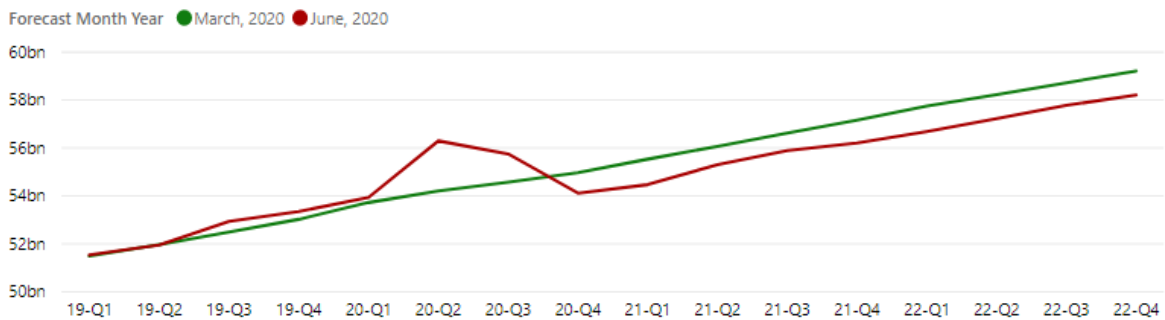


Gross State Product (GSP) also is currently forecasted to hit the largest decline from baseline in the current quarter, declining 12.4% from baseline. This contrasts with personal income that has an anticipated 3.9% increase in this quarter and does not drop below baseline until the last quarter of 2020. **This difference is primarily due to the federal stimulus and unemployment distributions.**

Montana Gross State Product



Montana Personal Income

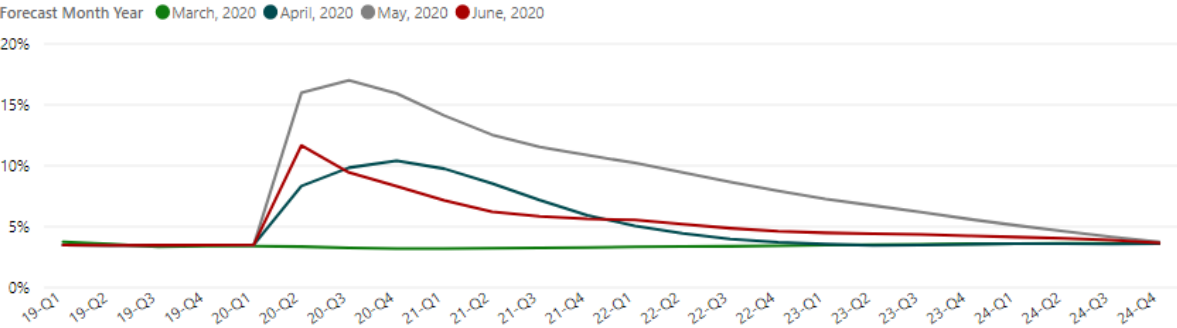


While the current forecast offers insight, it is important to note the uncertainty of the situation. The three graphics below show the same metrics as above but show the forecasts for March, April, May, and June as well as the national data for the same forecast periods.

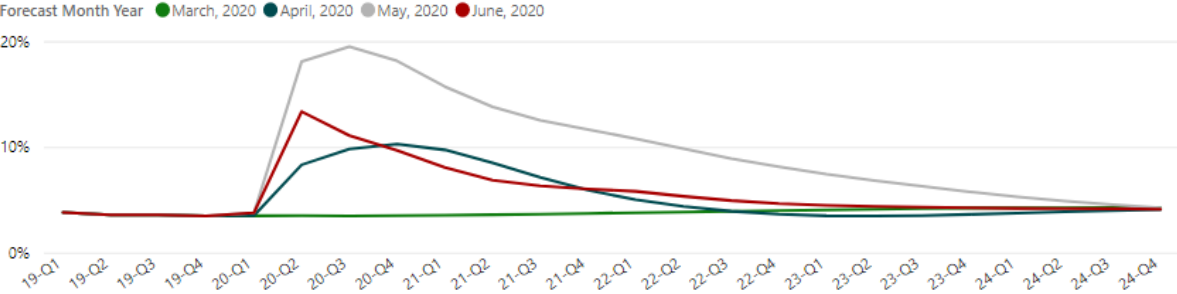
There are three additional trends that this view on the data allows:

1. Comparing the baseline forecast to the April, May, and June forecasts shows the size of uncertainty in the forecasts. The curves move significantly as new data comes in every month, which is very different than the slight shifts that are typical in monthly updates.
2. Some of the data points offer less detail specifically on Montana than usual. The forecasts for unemployment and GSP follow very closely with the forecast curves for the national data. This suggests that much of the state level breakout data is not yet available and the national effects are being allocated to the states. This adds another layer of uncertainty at this point in time.
3. Montana is consistently forecasted experience less negative impact from coronavirus than the nation as a whole. The metrics that do differentiate Montana from the US, in all monthly forecasts, show Montana faring better than the nation. Unemployment for example remains around 2% below the national rate for the same quarter in most forecast periods.

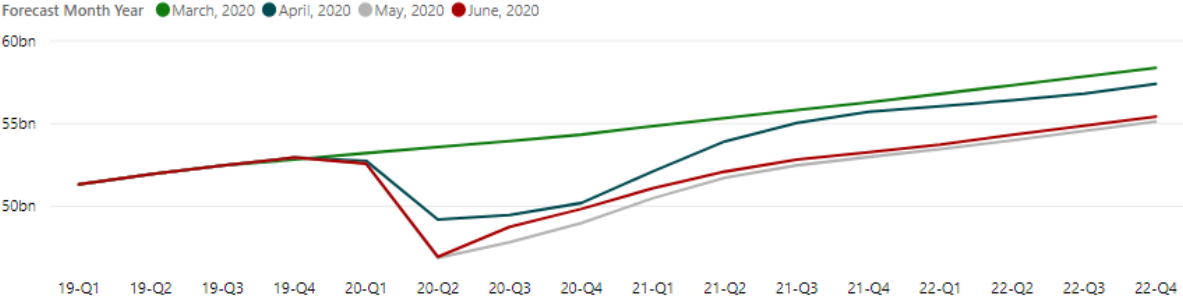
Montana Unemployment Rate



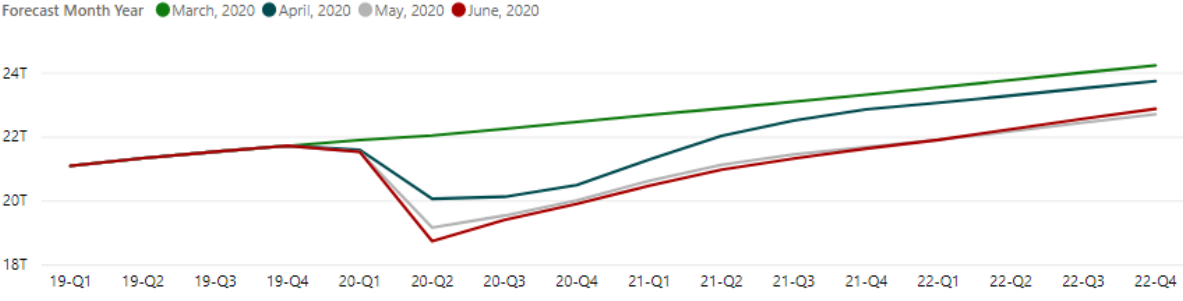
National Unemployment Rate



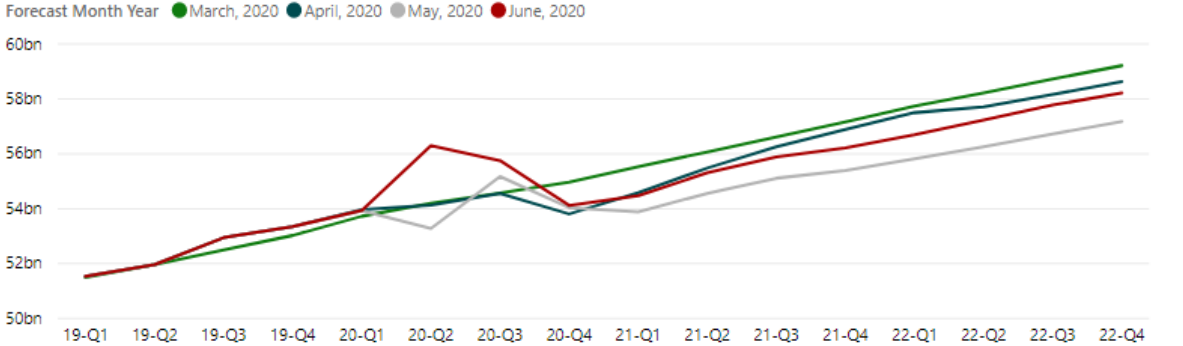
Montana Gross State Product



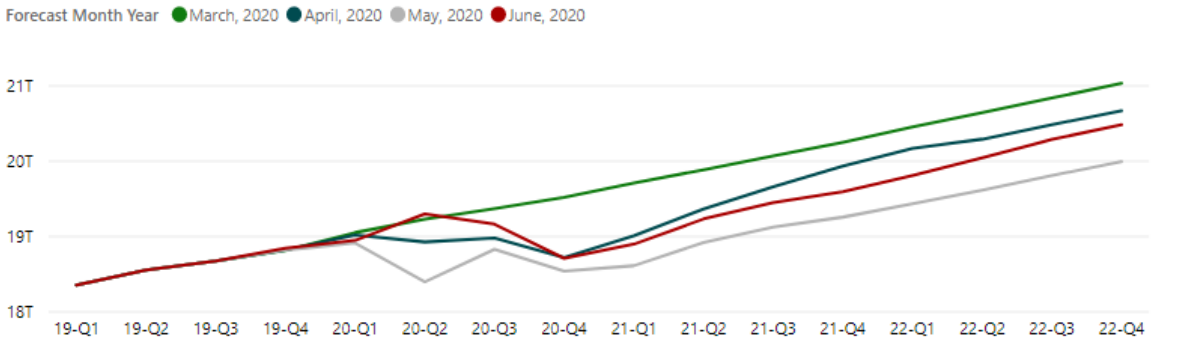
National Gross Domestic Product



Montana Personal Income



National Personal Income



The limited details and uncertainty make estimating even more challenging. Estimates that we provide in this report are limited by these factors and we will continue to update as new data and information from IHS as well as other sources becomes available.

Upside and Downside to the LFD Analysis Based on IHS Markit and Other Known Items.

IHS Markit has assumed no additional federal stimulus at this time. IHS Markit has not made a detailed forecast of what may happen in Montana, but applied trends in the United States to Montana.

Upside Risk

- The federal government may pass additional aid packages to offset revenue losses of state and local governments from the COVID-19 economic impact
- The federal government may pass additional aid packages to assist impacted businesses and non-profits from the COVID-19 closures
- Montana may see growth in population beyond that anticipated by IHS Markit due to the increasing popularity of remote work, the low number of COVID-19 cases in the state, and the appeal of the state's outdoor recreation and lifestyle opportunities

Downside Risk

- The agricultural industry in Montana may be disproportionately impacted from the current trends than agriculture sector more generally and may be understated by IHS Markit
- The impacts of COVID and other social disruptions could be greater than IHS Markit forecast in early June

Montana Business Climate – A Front-Line Perspective

Throughout the month of May and continuing into June the LFD conducted listening sessions with banks, accounting firms, and local governments throughout the various regions of Montana. LFD engaged with a diverse set of individuals from a broad spectrum of economic sectors: from real estate transactions and property tax payments, to tourism and related hospitality activity, to agriculture and oil field investment.

While there are significant regional variations of economic sentiment and confidence at this point in the re-opening process, there are noteworthy areas of consistency and concern that are more statewide in consensus. These are some of the takeaways from these efforts to understand what these front-line entities were seeing as strengths, weaknesses, and concerns in the Montana economy:

Strengths:

- May property tax payments were made on schedule
- Residential real estate markets are strong, best year-to-date on record for mortgages
- Construction industry: residential construction strong
- Essential retail has been doing well: grocery, home improvement, big box stores
- Fast food/take out establishments doing well

Weaknesses:

- Restaurants/bars facing challenges with closure and occupancy limits
- Agriculture: low commodity markets, backlog at processing facilities
 - Smaller, more highly collateralized operations under pressure
 - Longer term challenges
- Low oil prices
 - No new drilling activity, some wells stopped pumping
 - Decrease in trucking and other spin off businesses
 - Regional hotels/restaurants/bars particularly impacted
- Tourism (hotel/leisure/recreation)
 - Airline arrivals and car rental down
 - Continued closure of border with Canada negatively affecting border communities
 - Hotel occupancy weak, however some areas of western MT seeing upsurge in regional drive-in tourism
 - Conference center usage down
 - Concert, fair, other major event cancellations
 - Non-essential retail not doing well: Furniture, Clothing, Other non-essential retail

Concerns:

- Unknown business impacts when payroll protection program funds and unemployment insurance benefit programs begin to expire over the summer
 - Lower employment, personal income, and consumer spending
 - Pressure on rent, mortgage, and November property tax payments
- Shift to remote working may become permanent, decreasing demand for commercial office space
- Commercial construction, currently strong due to completion of existing projects is showing weakness as evidenced by decreased building permit applications and loan inquiries in most commercial real estate sectors with the exception of health care facilities

TRACKING THE FEDERAL STIMULUS PACKAGE

The state has received and spent approximately \$420 million in additional unemployment administration and benefits.

The state has received the \$1.25 billion coronavirus relief funds (CRF) and spent \$28.8 million as of June 16. For detailed information on the CRF appropriations and expenditures, please see the appendix.

In addition to unemployment administration and benefits and the CRF funds, federal stimulus of \$100.5 million has been received by the state and as of June 16, \$16.0 million in federal funding has been spent. For details on the additional federal stimulus, please see the appendix.

Finally, there are several organizations that have received federal funds directly. Other than the paycheck provider program forgivable loans, several of the notable federal distributions are included in the appendix.

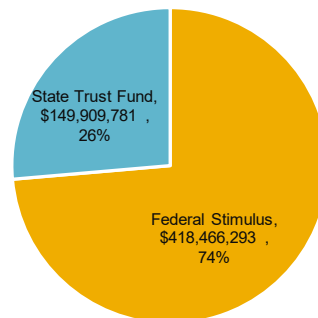
SAFETY NETS

Unemployment Insurance Enrollment and Benefits Distributed in Response to COVID-19

Montanans received \$568.4 million in unemployment insurance benefits between March 12 – June 16, 2020. The chart demonstrates the proportion of the unemployment insurance benefit payments that were funded with the state trust fund (26%) and federal stimulus (74%) during that period.

The regular unemployment benefit payments of \$149.9 million leave a fund balance in the unemployment trust fund of about \$259.0 million.

The unemployment insurance benefit payments from March 12 - June 16, 2020 were \$149.9 million in **state trust expenditures** and **federal stimulus spending** at \$418.5 million.



Federal stimulus funded \$418.5 million in benefits from the following federal packages:

- Federal pandemic unemployment compensation (FPUC) providing qualified workers an additional \$600 a week in benefits. Montanans have received \$303.9 million in FPUC. The expanded additional weekly benefit expires at the end of July
- Pandemic unemployment assistance (PUA) extends benefits to self-employed and independent contractors. DOLI has paid \$28.9 million in PUA benefits and, qualifying individuals have received \$81.7 million from the \$600 per week in PUA FPUC
- Pandemic emergency unemployment compensation (PEUC) extends the period to receive unemployment insurance benefits to 39 weeks to those who have exhausted their benefits.

In addition, these individuals are eligible to receive the \$600. DOLI has paid \$4.0 million in PEUC benefits. FPUC benefits are included in the total of \$303.9 million shown above

Please view the [LFD COVID-19 dashboard](#) for the most up-to-date information on unemployment insurance benefit payments.

For more detail about unemployment statistics including job tracking, please visit the DLI web site: <http://lmi.mt.gov/home/job-tracking#Unemployment-Insurance-Monthly-2930>

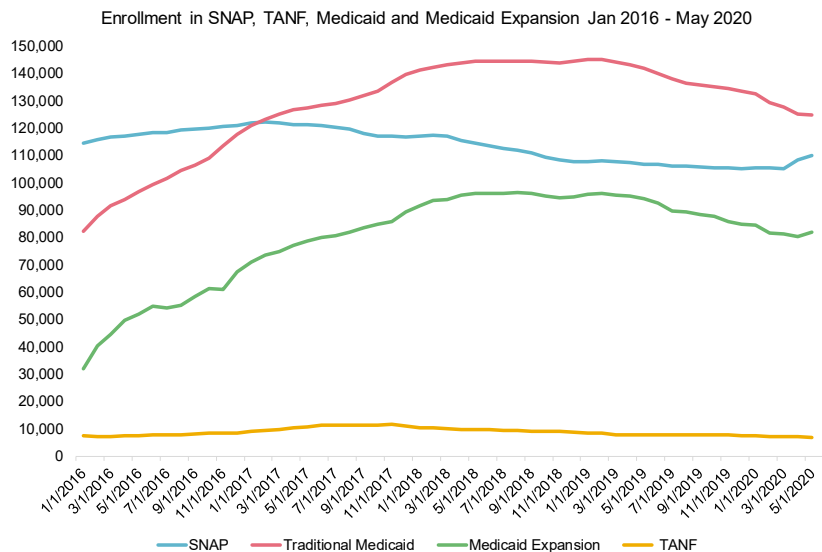
For additional employer information, please visit the DLI web site: <http://dli.mt.gov/employer-covid-19>

Safety Net – Department of Public Health and Human Services

Enrollment Changes

The figure below illustrates enrollment trends in Medicaid (both traditional and expansion), the Temporary Assistance for Needy Families program (TANF), and the Supplemental Nutrition Assistance Program (SNAP) from January 2016 to May 2020. Several trends are apparent:

- Both traditional and expanded Medicaid enrollment increased from January 2016 (the first month of Medicaid expansion) through the spring of 2018 when both began to flatten out
- Both traditional and expanded Medicaid have experienced a decline in enrollment from the spring of 2019 up until the most recent month, when Medicaid expansion has experienced an increase
- Medicaid and SNAP trends changed as the COVID-based economic contraction came into play in the most recent months



Medicaid Expenditure Changes

The COVID pandemic has already impacted the budget for Medicaid and could continue to impact Medicaid expenditures in several significant ways.

- *Enrollment*: we expect an increase in overall Medicaid enrollment due to a larger population of eligible persons resulting from a contraction in economic activity and an increase in unemployment. A larger population of enrollees can be expected to increase Medicaid expenditures. It is likely that the majority of new enrollees would be due to income qualifications, which could result in greater impacts to the Medicaid expansion population than that of traditional Medicaid, which is relevant as the expansion population has a 90% federal matching rate
- *Utilization*: during the initial shelter-in-place scenario, many elective procedures were delayed, resulting in lower utilization of medical services. While some of these procedures now appear to be getting scheduled again, it is unknown how quickly providers will ramp back up to full capacity
- *Pent-up demand*: because so many procedures were delayed, we might expect an increase in utilization of medical services when restrictions are rolled back. It seems realistic to expect that most procedures are still needed, and any savings realized were only being delayed rather than fully avoided

National data indicates most states have experienced higher than anticipated Medicaid enrollment and expenditures in FY 2020 and expect this trend to continue through FY 2021. This [report](#) from the Kaiser Family Foundation discusses this dynamic at length. At this time, Montana's data does not indicate higher than anticipated Medicaid expenditures for FY 2020: the most recent Budget Status Report from DPHHS indicates projected excess authority of \$28.5 million state funds and \$70.1 million federal funds in the traditional Medicaid program along with an all-funds projected excess authority of \$3.1 million in Medicaid expansion.

Additionally, while the trend and most recent past enrollment declines in both traditional and expanded Medicaid has arrested as of the beginning of May, we have not yet seen large spikes in Medicaid enrollment in the state. It is possible that the state could see high enrollment growth in Medicaid for June (and beyond) and FY 2021 Medicaid expenditures could exceed budgeted amounts for this reason and the "pent-up-demand" reason discussed above.

Medicaid general fund expenditures in FY 2020 and at least part of FY 2021 will also be significantly impacted by federal action which temporarily increased the Federal Medical Assistance Percentage (FMAP) by 6.2 percentage points, retroactive to January 1, 2020, and changed the FMAP from 64.78% to 70.98%. This lowers the state share of traditional Medicaid costs. In FY 2020, it is expected this will result in lower general fund expenditures of approximately \$38 million, and while the duration of this enhanced rate is unknown, it will almost certainly continue throughout the first quarter of FY 2021, resulting in an additional general fund savings of approximately \$20 million. The enhanced FMAP will persist until the end of the quarter in which the Secretary of Health and Human Services declares an end to the COVID state of emergency. The enhanced FMAP also lowers the state share required for CHIP by 4.34% for the duration of the COVID state of emergency.

Hospital Utilization Fee (HUF) Revenue

It is possible that COVID restrictions could impact the revenues associated with Montana’s Hospital Utilization Fee (HUF) by depressing demand for elective services. The HUF was increased by HB 658 (2019 Session), which increased the inpatient bed tax from \$50/day to \$70/day and added a new tax of 0.9% on hospital outpatient revenue, of which almost half is directed to the HUF account. (The remaining half provides part of the state match for Medicaid expansion.) HUF revenue in FY 2020 is \$49.3 million as compared to \$22.6 million in each of FY 2018 and 2019. Due to the timing of the tax increases it is difficult to ascertain from this data if demand for medical care is lower due to the COVID public health emergency.

COVID-Related Federal Grants/Revenues

As of mid-June 2020, DPHHS has recorded COVID expenditures totaling \$31.2 million. Of this total \$10.7 million is general fund (which will likely be submitted for federal reimbursement) and \$20.5 million is federal funds (\$7.8 million of this federal fund total is associated with the CRF). Large expenditure categories to date include grants to nonprofits, Montana State Hospital operations, the Low-Income Energy Assistance Program (LIEAP), grants to public health clinics, and child care.

Child Welfare Changes

It is possible that the COVID public health emergency could have a significant impact on child welfare financing, expenditures, and outcomes in the state. Some of this impact is known, while other components remain unknown at this time. DPHHS has indicated (to the interim Children, Families, Health, and Human Services Committee) that they witnessed a sharp drop in child protective services maltreatment referrals in the early stages of the COVID public health emergency, and that this decrease was likely due in part to the closure of K-12 schools as K-12 educators and staff are a significant source of these referrals. The table shows the number of referrals over the past 12 months.

Month	Number of CPS Reports Assigned to the Field
Jul-19	724
Aug-19	780
Sep-19	827
Oct-19	876
Nov-19	820
Dec-19	863
Jan-20	1007
Feb-20	972
Mar-20	758
Apr-20	649
May-20	766

A decrease in referrals could be associated with an increase in child maltreatment if there is a stable level of maltreatment but lower probabilities of detection and intervention. Note that the 6.2% FMAP increase applies to federal IV-E funds for foster care and will lower the state share of foster care costs for the duration of the COVID public health emergency.

GENERAL FUND EXPENDITURES LESS THAN BUDGETED – FOR THE 2021 BIENNIUM

General fund expenditures in the 2021 biennium are projected to be lower than originally anticipated. The largest contributors to lower expected expenditures include:

- \$42.1 million from the Department of Health and Human Services

- The Families First Coronavirus Response Act provided an additional 6.2% to the federal match for traditional Medicaid, retroactive to January 1, 2020. It is estimated that this reduces state general fund expenditures by over \$38 million in FY 2020 and \$20 million in FY 2021, and potentially more depending on the duration of the COVID federal state of emergency
- A portion of the current \$14.2 million in general fund spent on the COVID-19 pandemic will be eligible for reimbursement from the Coronavirus Relief Funds.

With the above taken into consideration, expenditures are anticipated to be lower than previously shown on the balance sheet by \$90 million in FY 2020 and \$20 million in FY 2021.

While these cost savings are expected in the 2021 Biennium, the 2023 Biennium may face cost pressures for the social safety net and state special revenue funds that are impacted by the COVID-19 public health emergency.

State special and local government funds

Certain state special funds are anticipated to receive less revenue than budgeted in the 2019 session. In FY 2021 various state special funds are anticipated to receive \$73.8 million less than budgeted in the 2019 session.

State Government – Tourism promotion, highway funds, and natural resource funded programs will see the largest decreases. Also of note is impact to the Montana Heritage Center capital projects account, which is projected to receive approximately \$5 million less in FY 2021. Pages SS-TT address these funding pressures in more detail.

Local government – While property tax collections in May appear to be normal, there are projected reductions in other funds distributed by the state to local governments. The anticipated decrease of funds collected by the state and distributed to local governments and schools totals approximately \$18.8 million for FY 2021 and is primarily due to lower tax collections related to oil and gas production and fuel tax sales. Pages UU-VV address these funding pressures in more detail.

Other Budgets to Watch -- Other Agencies

Judicial Branch and Public Defender Section D Update

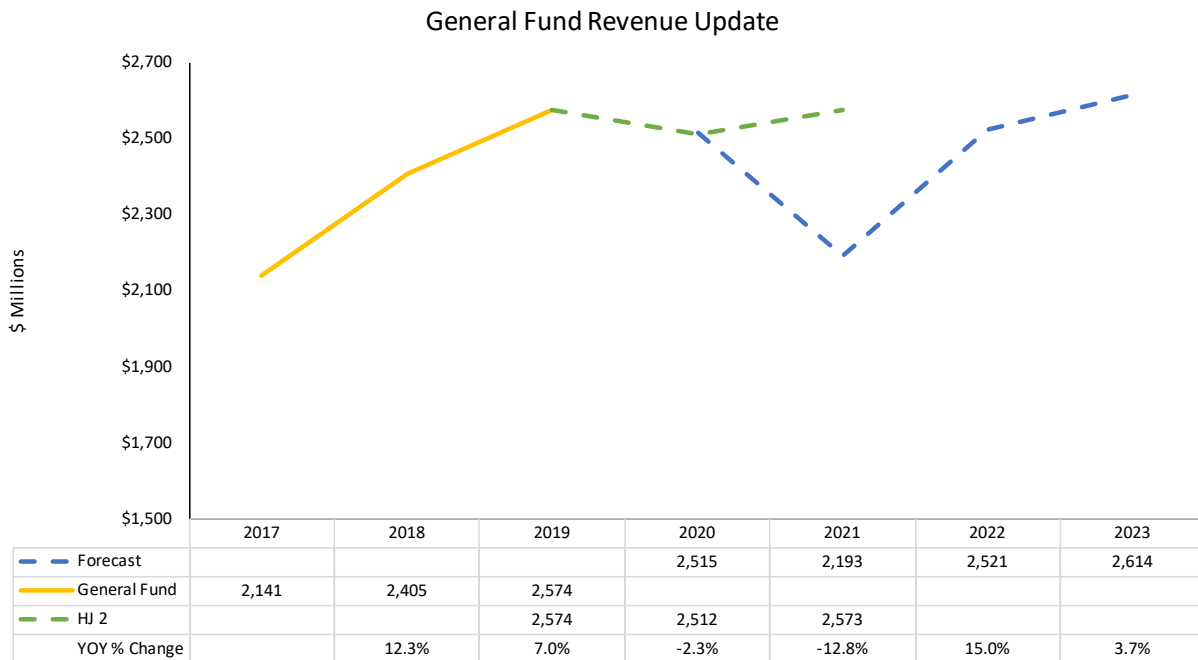
The Montana courts system implemented several changes in its operations due to COVID-19. While these operational modifications decreased caseloads in March, April, and May, future costs will be incurred as the courts system begins to resume full operations. For instance, on March 27, 2020, criminal jury trials, civil jury trials, in-person non-emergency civil matters, and additional in-person court proceedings were suspended by the court until May 4, 2020 in response to the Governor's shelter-in-place order. Thus, while some cases may have been reset, the cases will still be tried at a future date. Therefore, the decrease in expenditures seen by the Judicial Branch and Office of Public Defender can be expected to rise as the courts system addresses cases that were reset due to COVID-19.

LFD REVENUE FORECAST

The recent public health emergency has caused a tremendous amount of uncertainty moving forward in regard to Montana’s revenue picture. This will impact both Montana’s general fund as well as many state special revenue funds. This update is intended to apprise the legislature of Montana’s revenue picture moving forward into FY 2021 as well as the 2023 biennium. The forecasts use economic data from IHS Markit and are expected to change throughout the coming months as IHS revises their economic forecasts. This update provides a baseline forecast for the state’s general fund, as well as a write-up for individual income tax collections and corporate income tax revenues.

Time constraints limited the detailed work of the revenue forecast. Significant work that will be undertaken before the November estimate includes evaluation of the impact of COVID-19 on the following: the growth rate of various types of property in the state, oil production under sustained low prices, and timing impacts on the individual and corporate estimated payments. These items are anticipated to primarily impact the 2023 Biennium forecast.

The following graph shows the updated general fund forecast through FY 2023, including year-over-year percent change. It also includes the adopted HJ 2 numbers for FY 2020 and FY 2021.



LFD General Fund Revenue Estimate - June
(\$ Millions)

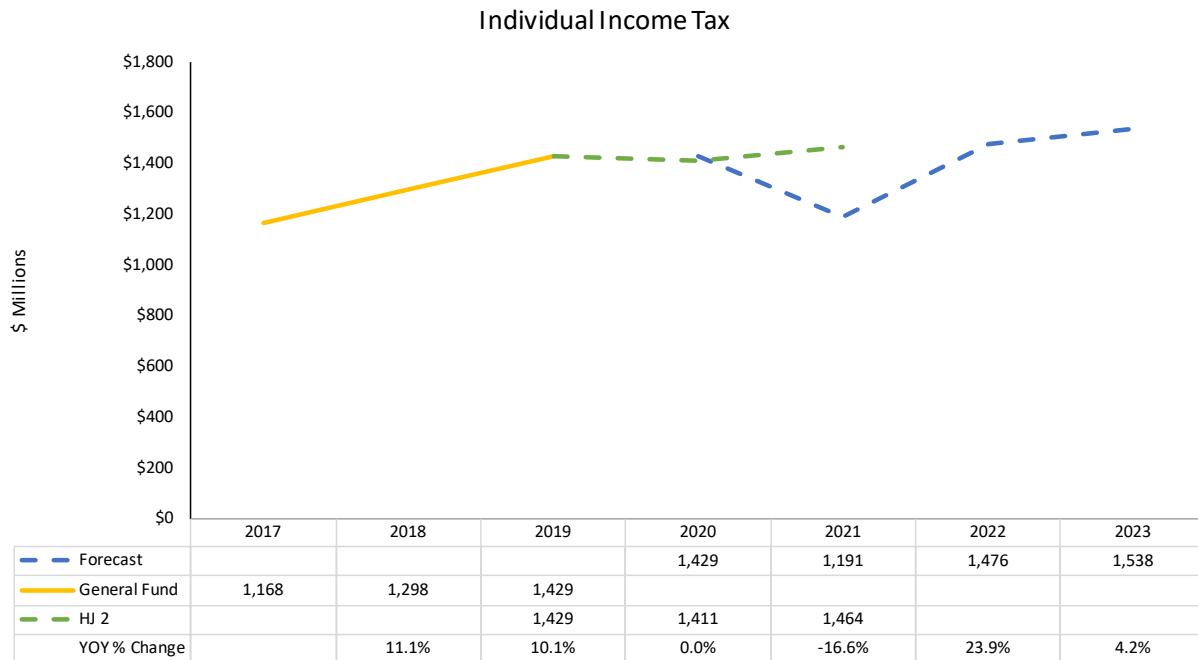
Source of Revenue	Actual FY 2019	HJ 2 FY 2020	Estimated FY 2020	HJ 2 FY 2021	Estimated FY 2021	Estimated FY 2022	Estimated FY 2023
Largest Seven Sources							
Individual Income Tax*	\$ 1,429.010	\$ 1,410.943	\$ 1,429.010	\$ 1,464.438	\$ 1,191.481	\$ 1,475.939	\$ 1,538.353
Property Tax	289.212	302.470	303.126	308.944	308.765	322.408	329.010
Corporation Income Tax	186.536	165.893	195.000	167.209	132.573	140.162	149.762
Vehicle Taxes & Fees	109.508	112.953	110.900	114.118	111.225	111.872	112.553
Oil & Natural Gas Production Tax	54.178	56.639	38.761	53.049	37.195	45.014	46.719
Insurance Tax & License Fees	76.141	81.158	80.306	83.915	81.803	79.709	81.863
Video Gambling Tax	63.228	60.248	50.582	60.172	54.629	63.544	63.862
Other Business Taxes							
Driver's License Fee	3.976	4.370	3.567	4.394	3.581	3.603	3.619
Investment License Fee	8.182	16.040	13.850	16.473	14.127	14.521	14.836
Lodging Taxes	26.703	26.380	24.000	27.287	11.873	19.365	23.757
Public Contractors Tax	3.597	3.579	3.655	3.655	3.722	3.802	3.878
Railroad Car Tax	3.594	3.878	3.804	4.196	3.990	3.883	3.593
Rental Car Sales Tax	4.431	4.039	4.500	4.258	3.037	3.754	4.174
Telecommunications Excise Tax	13.224	11.927	12.230	11.370	11.641	11.624	11.702
Other Natural Resource Taxes							
Coal Severance Tax	14.091	13.731	12.754	13.756	11.829	12.755	12.352
Electrical Energy Tax	4.185	4.416	4.371	4.497	4.422	4.198	4.203
Metalliferous Mines Tax	6.907	6.767	6.270	6.761	6.343	6.389	6.468
US Mineral Royalty	21.570	20.891	19.994	20.547	18.726	17.837	17.067
Wholesale Energy Tax	3.490	3.464	3.436	3.485	3.468	3.462	3.469
Other Interest Earnings							
Coal Trust Interest	18.172	17.315	17.905	17.461	17.365	17.442	18.122
Treasury Cash Account Interest	22.036	27.318	18.000	29.643	3.160	1.763	1.798
Other Consumption Taxes							
Beer Tax	3.041	3.074	3.022	3.075	3.009	2.997	2.984
Cigarette Tax	27.500	26.687	27.226	26.057	26.677	26.066	25.374
Liquor Excise & License Tax	21.946	24.153	23.292	25.346	24.717	26.319	27.997
Liquor Profits	12.500	13.506	12.700	14.206	13.600	14.400	15.400
Lottery Profits	12.215	14.603	14.267	14.462	14.233	14.195	14.178
Tobacco Tax	5.869	6.279	6.343	6.268	6.341	6.333	6.333
Wine Tax	2.478	2.554	2.574	2.644	2.662	2.749	2.835
Other Sources							
All Other Revenue	98.800	45.359	46.056	39.588	43.013	41.977	43.418
Highway Patrol Fines	3.862	3.848	3.847	3.827	3.821	3.843	3.837
Nursing Facilities Fee	4.416	4.087	4.087	3.990	3.990	3.893	3.797
Public Institution Reimbursements	15.991	11.396	13.417	11.197	13.182	12.949	13.916
Tobacco Settlement	3.034	2.603	2.568	2.581	2.571	2.516	2.485
Ongoing Revenue Subtotal	2,519.566	2,508.465	2,511.320	2,572.869	2,192.770	2,521.282	2,613.714
OTO Revenue & Transfers Subtotal	54.055	4.100	4.100				
Total General Fund	\$ 2,573.621	\$ 2,512.565	\$ 2,515.420	\$ 2,572.869	\$ 2,192.770	\$ 2,521.282	\$ 2,613.714

*Assumes a \$75.0 million reduction in individual income taxes due to net operating loss provisions of the CARES Act

Significant General Fund Revenues

Individual Income Tax

Of all the sources that are expected to be impacted by the economic downturn, the largest impact and largest source of uncertainty lies within individual income taxes. This source is expected to decline significantly in FY 2021 but experience a quick rebound by FY 2022.



Individual income tax revenues receive a disproportionate decline in FY 2021 due to temporary federal tax law changes and individual taxpayer behavior during tight fiscal times. These factors cause a large decline of 16.6% in individual income tax collections in FY 2021 but is followed by a swift rebound as the federal tax law changes expire.

Key assumptions:

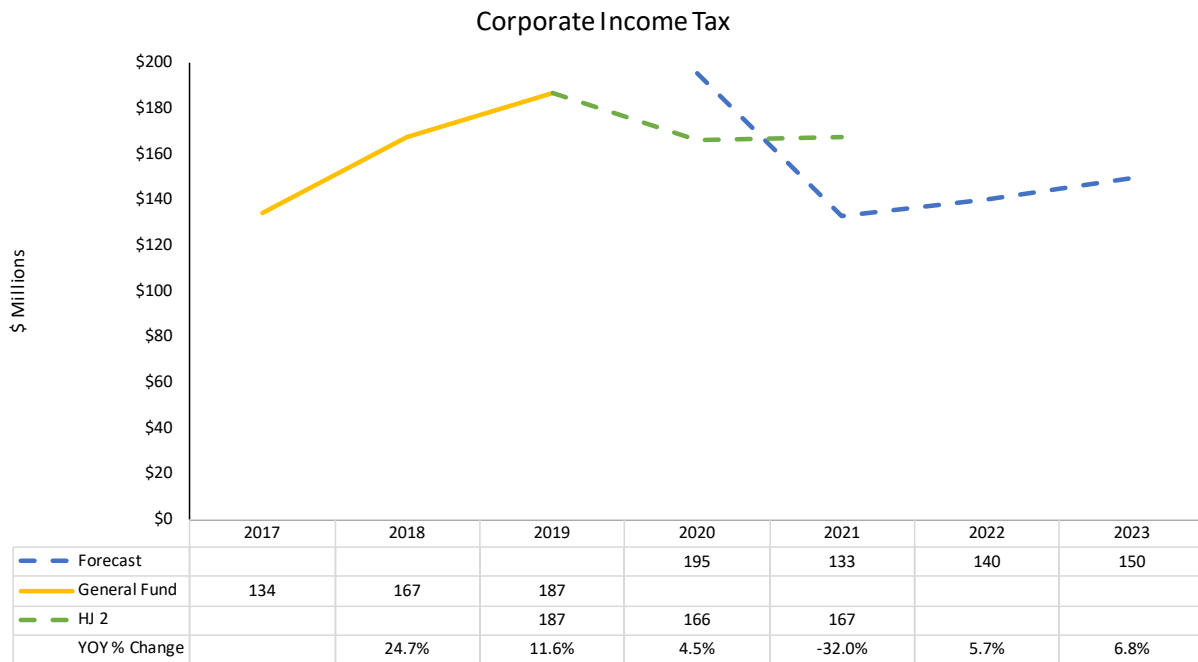
- a) 2021 Biennium only - Taxpayers will maximize liquidity and choose to receive refunds as opposed to putting them towards future state tax payments. This trend is assumed for FY 2020 and 2021 but ends by FY 2022 as taxpayers return to prior patterns of pre-payment. This assumption will be revisited in the fall update. This impact could reduce revenues by as much as \$30 million in each fiscal year.
- b) 2021 Biennium only - In FY 2020 most taxpayers will pay quarterly payments based on 2019 income and will not adjust quarterly payments until September or December of 2020
 - i) Any prepayment of taxes in FY 2020 will reduce the amount owed in September and December of FY 2021 (current estimate of \$71 million)
- c) FY 2020 and 2021 – The CARES Act suspended required minimum distributions from tax-deferred retirement accounts. As a result, the LFD assumed that retirement income would

decrease in CY 2020, as wealthier individuals would take advantage of the provision and not withdraw income. This reduces retirement income by 15% in CY 2020, resulting in a decrease of approximately \$20 million tax liability.

- d) FY 2021 only – The CARES Act allows businesses to carryback 100% of any net-operating losses incurred in CY 2018, 2019, or 2020. For a loss incurred in any one year, the new provision allows a carryback for that loss to any of the five preceding tax years. Prior to the CARES Act, losses could only be carried forward and were capped at 80% of taxable income. This is estimated to decrease collections by \$75 million in FY 2021 and is based off numbers provided to the United States Senate from the Congressional Budget Office (CBO).

Corporate Income Tax

Due to current year-to-date collections, corporate income tax is expected to surpass HJ 2 in FY 2020. However, the effects of the pandemic are expected to become apparent by FY 2021. After bottoming out in FY 2021, this source is expected to steadily increase into the next biennium.



This source is forecast using individual sub models for the various sectors of the economy that pay corporate income tax. The drop in the forecast is mainly attributable to decreases in the manufacturing, retail trade, and financial sectors.

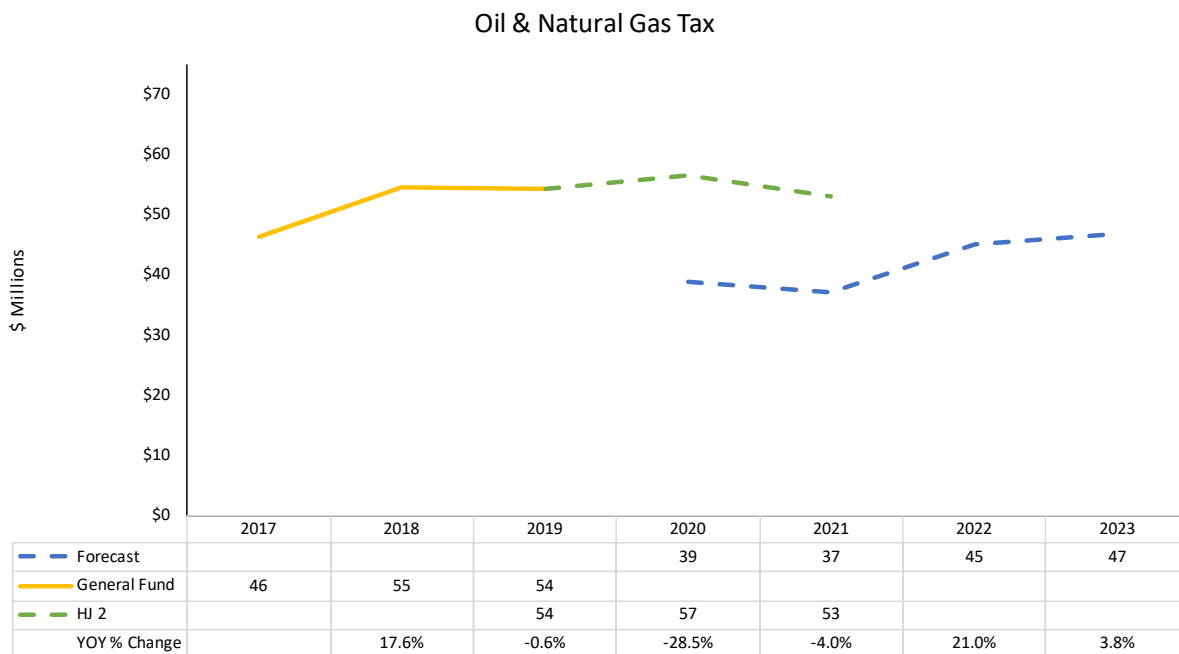
This source is extremely volatile. Recent changes in state-level carryback provisions may reduce the volatility of corporate income tax and make modeling more accurate in a downturn. The modeling assumes that the collections are consistent with the overall trend of economic indicators from IHS Markit.

OTHER GENERAL FUND REVENUES AND STATE SPECIAL REVENUES AND IMPACTED SERVICES

This section provides an analysis of individual revenue sources, both general fund and state special, and the services that are expected to experience the largest impacts. The general fund impacts are shown in the table on page 14. The state special impacts of \$73.8 million are shown in Table 2 on page 25.

Oil & Natural Gas Tax

Oil and natural gas severance taxes are expected to decline significantly in FY 2020 and well into the next biennium compared to HJ 2 and what was experienced in past years.



Revenue collections from this source are driven by both price and production. The forecast decline is driven primarily by low prices but moving forward production is also forecast to decline. The decline in production is a result of no rigs operating in the state, and this is expected to persist throughout the forecasted period. In addition to impacts to the general fund, this source provides substantial funding to both state special funds and local governments (see Table 2).

Anecdotal evidence suggests that prices dropped to a level that makes it unprofitable to pump from already existing wells. This may be causing producers to cap their wells, decreasing production further than what is forecast. Further research is planned for the fall estimate update to determine if this is occurring and if so to what extent.

Services impacted by Oil and Gas Revenue Collections

Department of Environmental Quality and Department of Natural Resources and Conservation

Orphan Share State Special Revenue Account

In FY 2012 the ending fund balance in the Orphan Share Account was \$10.0 million, it is forecasted to be \$250,000 at the end of FY 2020. Over the same time period revenue from oil and gas, the main source of revenue, has fallen about 8% per year. In recent years the main expenditure from the account is a \$1.2 million transfer to the Environmental Quality Protection fund (02162) as per (75-10-743 (10)(c)). Other expenditures include personal services and operating expenditures of about \$0.1 million in recent years.

The FY 2021 updated revenue forecast projects revenues to be \$1.2 million or \$0.5 million less than HJ 2 estimate. At this level of revenue and expenditures the fund can support the transfer required by statute only through FY 2022.

Natural Resources Projects State Special Revenue Account

The FY 2021 updated revenue forecast projects revenues for the Natural Resource Projects Account to be at \$0.9 million or \$0.4 million less than HJ 2 estimate. The ending fund balance for FY 2020 is estimated to be \$4.5 million. About half of the revenue is from oil and gas. The primary expenditure from the fund are grants, other expenditures are negligible. Even with the projected revenue shortfall the fund will support the same level of grant activity seen in recent years through the remainder of the biennium.

Natural Resources Operations State Special Revenue Account

The FY 2021 updated revenue forecast projects revenues for the Natural Resources Operations account to be \$0.8 million or \$0.4 million less than HJ 2 estimates. The ending fund balance for FY 2020 is estimated to be \$1.4 million. Revenue is from oil, gas, and metal mines tax. Expenditures are primarily personal services and associated operating expenses. The fund balance will cover the projected revenue shortfall through the remainder of the biennium.

Montana University System

Six-Mill Levy (02443)

The six-mill levy fund primarily receives revenues from property tax, but also receives a small amount of revenue from the oil and natural gas tax. The FY 2021 updated revenue forecast projects revenues from oil and natural gas to be at \$1.1 million, which is a \$0.5 million or 29.9% decrease from the HJ 2 estimate of \$1.6 million. The fund balance in the six-mill levy fund in FY 2019 was \$2.1 million. Therefore, the fund balance would be able to cover the projected revenue shortfall in FY 2021.

Accommodations Tax

Accommodations taxes are expected to see a slight decrease in FY 2020 and come in below HJ 2 due to impacts from the COVID-19 public health emergency in the last quarter of the fiscal year. Moving forward, there will likely be a sharp decline in FY 2021, but a quick return towards normal as travel restrictions lift and more people begin to visit the state.

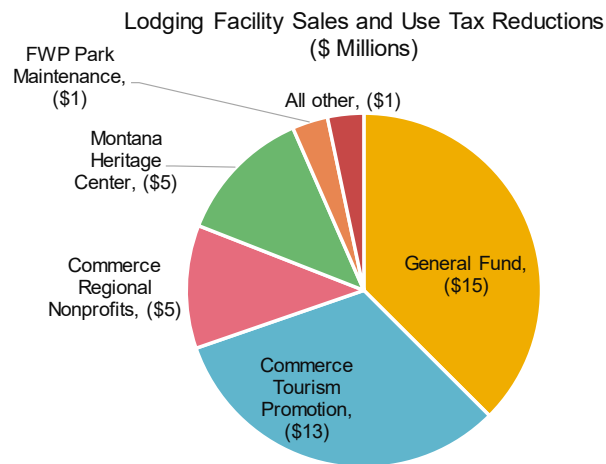


This source's forecast is primarily driven by IHS Markit predictions on consumer spending for accommodations in the US. Because this forecast is based on national IHS data, it is possible that it overestimates the impact on Montana. Montana has had fewer COVID-19 cases per capita than the rest of the country and began opening more quickly than most other states, which may cause the hit to lodging facilities to be less than initially expected. More definitive information will be available at the end of July when fourth quarter tax receipts are posted for FY 2020. In addition to the general fund, this source also provides a significant amount of funding to state special revenue funds which are likely to be impacted as well (see Table 2).

Services impacted by Accommodations Tax Collections

Lodging Facility Use Tax (LFUT)

The FY 2021 updated revenue forecast projects revenues to be \$16.2 million for lodging facility use tax collections, a \$20.2 million or 55.4% decrease overall. LFUT is collected by the Department of Revenue and, once administrative costs are deducted and \$400,000 is transferred to Montana heritage preservation account, is transferred to state special revenue funds for various state agencies.



Department of Commerce

Department of Commerce receives the majority of LFUT including:

- 63.0% for tourism and film and television location promotion which is projected to have a \$13.2 million revenue decline. The fund balance for tourism and location promotion is \$3.6 million as of the beginning of June. The fund balance is not sufficient to cover the projected revenue shortfall in FY 2021
- 22.5% to regional nonprofit tourism corporations or qualifying cities and resorts, projected to have a \$4.53 million revenue decline. The fund balance for the regional nonprofit tourism corporations account is (\$1.4) million as of the beginning of June. The Department of Commerce will need to reduce payments to the regional nonprofit tourism corporations and qualifying cities and resorts to offset the negative fund balance for the remainder of FY 2020 and reduce payments in FY 2021
- 0.5% for the State-Tribal Economic Development Commission, projected to have a revenue decline of \$100,000. As of the beginning of June the state special revenue account has a fund balance of \$109,000 which is sufficient to cover the revenue shortfall in FY 2021. The remaining fund balance at the end of FY 2021 would be about \$9,000, a decline of 82.6%

Department of Fish, Wildlife, and Parks (FWP)

FWP receives:

- 6.5% of LFUT for the maintenance of facilities in state parks, projected to have a \$1.3 million revenue decline. The fund balance for the FWP accommodations tax account is \$2.7 million which is sufficient to cover the revenue shortfall in FY 2021. The remaining fund balance at the end of FY 2021 would be approximately \$1.4 million, a 48.5% decrease in fund balance
- 1.4% for invasive species work, projected to have about a \$160,000 revenue decline. The aquatic invasive species account has a fund balance of \$307,000 as of the beginning of June

which is sufficient to cover the revenue decline in FY 2021. The remaining fund balance at the end of FY 2021 would be about \$147,000, a decline of 52.1%

Montana Historical Society (MHS)

MHS is allocated:

- 1.0% for installation of roadside historical sites and signs, projected to have a revenue decline of about \$200,000. The fund balance for the MHS sites and signs account is \$637,000 at the beginning of June, which is sufficient to cover the revenue shortfall in FY 2021. The remaining fund balance at the end of FY 2021 would be about \$437,000, a decline of 31.7%
- 22.6% to fund MHS operations, projected to have a revenue decline of about \$520,000. The fund balance for the MHS accommodations tax account is \$633,000 at the beginning of June which is sufficient to cover the revenue shortfall in FY 2021. The remaining fund balance at the end of FY 2021 is estimated to be \$113,000, a decline of 82.1%
- The Montana Heritage Center project, funded with a distribution of the accommodations tax starting in January 2020 and extending through December 2024, will face projected shortfalls of approximately \$5.0 million, or 55% of the projected income, in the 2021 biennium. Consequently, the distribution of the tax may need to be extended past the statutory termination date to fully fund construction of the project

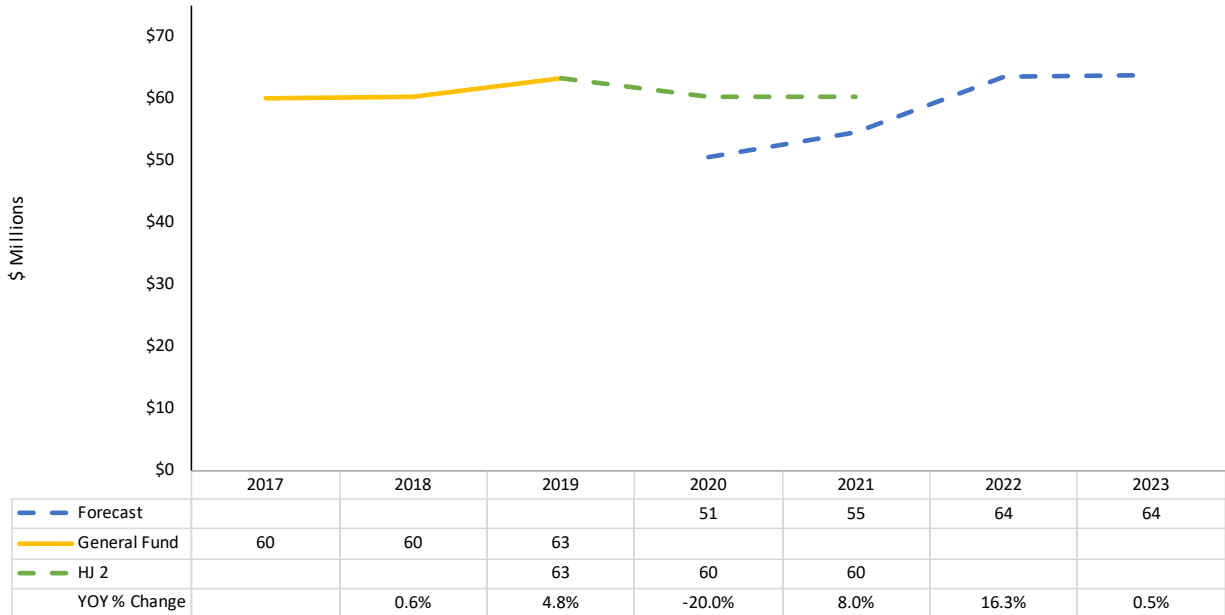
Montana University System (MUS)

Montana University System receives 2.5% for the Travel Research Program, projected to have a \$500,000 decline in revenues. The fund balance for the MUS accommodation tax account has a \$400,000 fund balance as of the beginning of June, which is not sufficient to cover the revenue shortfall in FY 2021

Video Gaming Tax

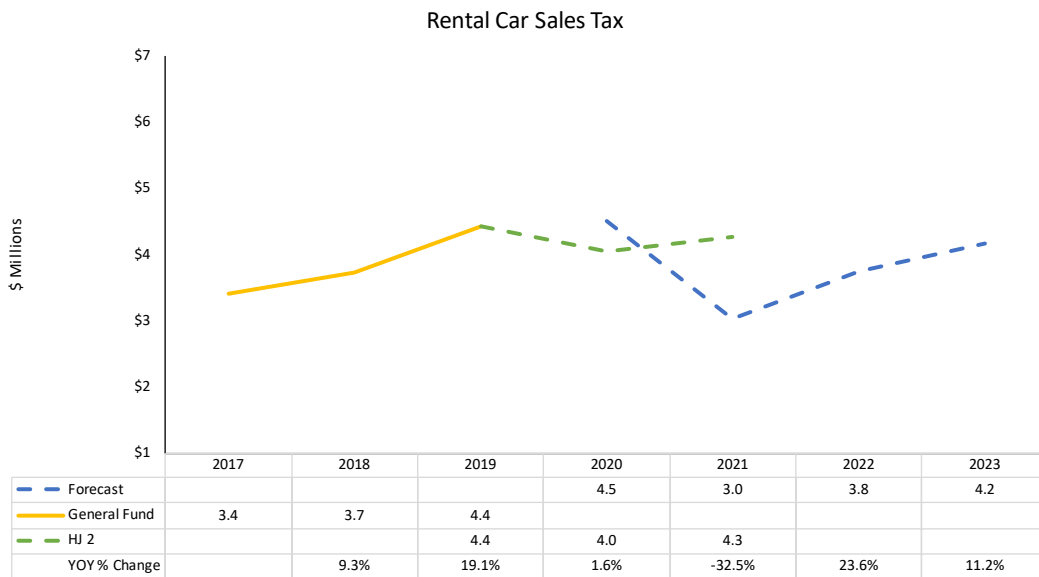
The forecast for video gaming tax assumes that the majority of the impact will be experienced during the fourth quarter of FY 2020, when establishment were either closed or at limited capacity. It is then expected to slowly increase during FY 2021 before returning to pre-pandemic levels in the next biennium.

Video Gaming Tax



Rental Car Sales Tax

Revenues from rental car sales tax are expected to decline in FY 2021, and then begin to recover back towards normal as travel restrictions lift.



Revenue forecasts for this source are based on an IHS Markit forecast for personal consumption expenditures on transportation in the state of Montana, which generally forecasts revenues quite well. During the COVID-19 pandemic, it is somewhat unclear how much rental car tax receipts will be impacted as travel patterns have changed significantly with airport travel being restricted. With

fewer flights into Montana than pre-pandemic levels, more people are likely to travel into the state in personal vehicles, which would lead to lower demand for rental cars and therefore cause the forecast to possibly underestimate the negative impact on rental car sales tax revenues.

Services impacted by Rental Car Sales Tax Collections

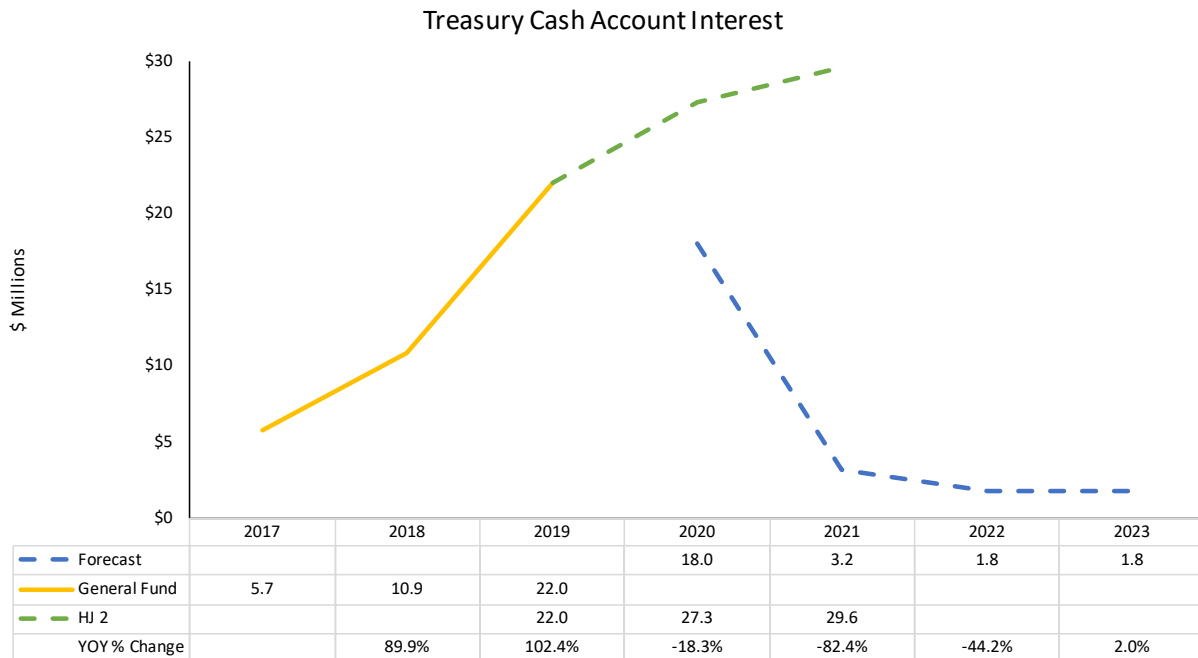
Montana Department of Transportation (MDT)/Local Governments

MDT Senior Citizen Transportation Services

The FY 2021 updated revenue forecast projects revenues from rental car sales tax into the Senior Citizens Transportation Services state special account to be \$0.4 million or 29.0% lower than HJ 2 estimates for FY 2021. These funds are distributed to local government participants. The shortfall may be mitigated somewhat because the CARES Act provided federal funding, with no required state match, of \$35.5 million for transit assistance that may be used for this and other transit purposes.

Treasury Cash Account Interest

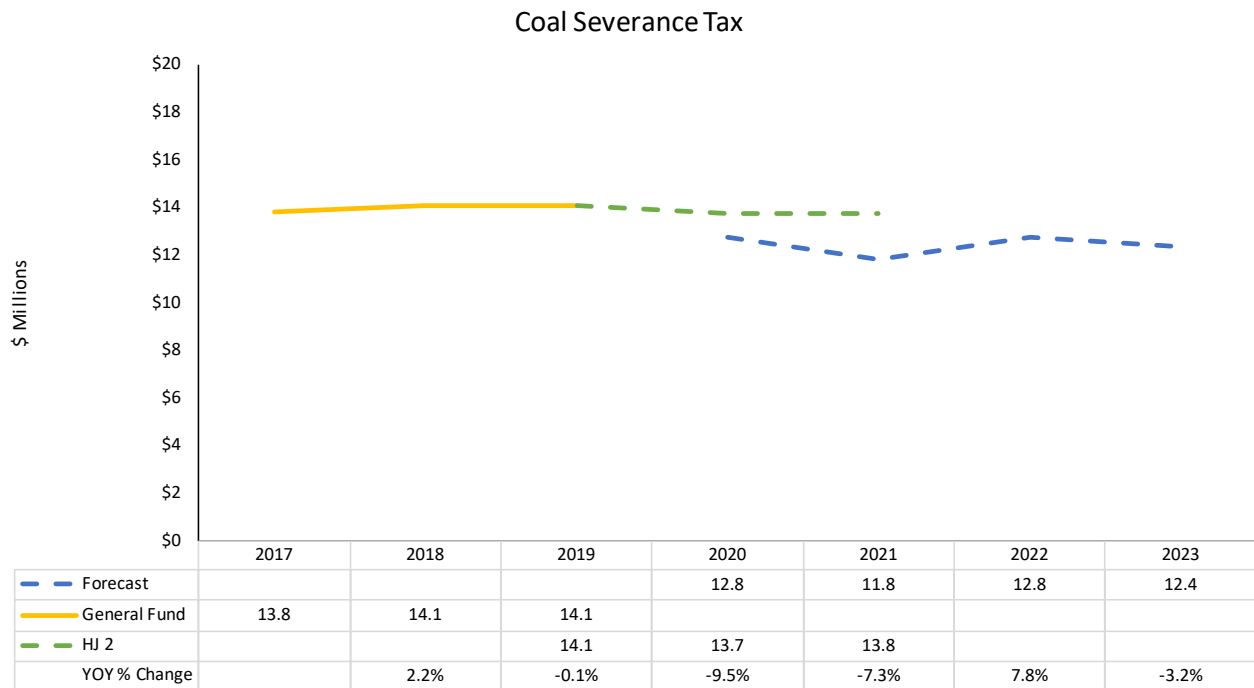
Revenue from this source will significantly decrease in FY 2020 and remain substantially below recent high levels through the next biennium.



TCA revenues are directly related to short term interest rates, which have sharply decreased back to near zero in response to the economic downturn caused by the COVID-19 pandemic. Interest rates are expected to remain at these low levels for the foreseeable future, so TCA revenues will be back around the low levels experienced for most of the 2010s.

Coal Severance Tax

While coal severance tax collections are not affected by COVID-19, other recent changes have materially impacted anticipated collections. Coal production has dropped nearly 10% during the current fiscal year and is expected to continue a gradual decline throughout the next biennium. The closure of Colstrip Units 1 & 2 along with decreased demand domestically have contributed to this decline.



State Special Revenues Fuel Taxes: Gas and Diesel

Montana Department of Transportation (MDT)

The major revenues in the MDT highway state special revenue account (HSSRA) are projected to be \$17.8, or 3.7% of total revenues, lower than was anticipated in FY 2021. From the HSSRA major revenue sources, gasoline tax is 12.5% and diesel tax is 8.2% lower than adopted in HJ 2 during the 2019 Session. The agency has no plans to eliminate or postpone highway construction projects due to the shortfall in fuel taxes. In the 2021 biennium, legislative appropriations left a balance in HSSRA of more than \$60 million and the agency has indicated it will be able to mitigate the shortfalls that materialize. The MDT revenues from the bridge and road safety and accountability act (BaRSAA) account is also expected to experience a shortfall of approximately \$900,000, or 8.3%, from the HJ 2 projections in FY 2021.

Fuel tax declines also affect the amount of distribution of BaRSAA funds to local governments for local roads and associated improvements. Those impacts are quantified in the Local Government Impacts section of this report.

Montana Highway Patrol Administrative Account

The FY 2021 LFD updated revenue forecast projects revenues to be at \$28.5 million in the Montana Highway Patrol Administrative Account, a \$3.1 million or 9.7% decrease from the HJ 2 estimate of \$31.6 million. The fund balance in the Montana Highway Patrol Highway State Special Account (02464) in FY 2020 is \$9.0 million as of June 5, 2020. Therefore, the fund balance would be able to cover the projected revenue shortfall in FY 2021. The remaining fund balance would be approximately \$6.0 million, a 34.0% decrease in the fund balance.

Table 2

HJ 2 vs. 2021 Revenue Update Forecast Comparisons				
(\$ Millions)				
Source and Revenue by Fund	2021 Update	HJ 2 Estimate	Difference	% Change
General Fund				
Accommodations Tax	12.2	27.3	(15.1)	-55%
Rental Car Sales Tax	3.0	4.3	(1.2)	-29%
Oil & Natural Gas Tax	37.2	53.1	(15.9)	-30%
Gambling	54.6	60.2	(5.5)	-9%
Coal	<u>11.8</u>	<u>15.4</u>	<u>(3.6)</u>	<u>-23%</u>
Total General Fund	118.9	160.2	(41.3)	-26%
Department of Commerce				
Accommodations Tax - Tourism Promotion	9.9	23.1	(13.2)	-57%
Accommodations Tax - Regional Nonprofits	3.5	8.1	(4.5)	-56%
Coal - Big Sky Economic Development Trust	6.1	7.1	(1.0)	-14%
Coal - Coal Mining Local Impacts	<u>2.8</u>	<u>1.6</u>	<u>1.2</u>	<u>71%</u>
Total Commerce	22.3	39.9	(17.6)	-44%
Department of Fish, Wildlife, and Parks				
Accommodations Tax - Parks Maintenance	1.0	2.3	(1.3)	-56%
Fuel Taxes - State Parks Motorboats	<u>1.3</u>	<u>1.4</u>	<u>(0.1)</u>	<u>-4%</u>
Total FWP	2.4	3.7	(1.4)	-37%
Department of Environmental Quality				
Oil & Natural Gas - Orphan Share	1.2	1.7	(0.5)	-30%
Oil & Natural Gas - Natural Resource Operations	0.6	0.9	(0.3)	-30%
Fuel Taxes - Petroleum Storage Tank Cleanup	<u>3.8</u>	<u>4.3</u>	<u>(0.4)</u>	<u>-10%</u>
Total DEQ	5.7	6.9	(1.2)	-18%
Department of Transportation				
Rental Car Sales Tax - Sr Citizen Transportation	1.0	1.4	(0.4)	-29%
Fuel Taxes - BARSAA	9.8	10.7	(0.9)	-8%
Fuel Taxes - Highways from Diesel	59.1	64.4	(5.3)	-8%
Fuel Taxes - Highways from Gasoline	87.5	100.0	(12.5)	-12%
Fuel Taxes - Refunds IFTA Suspense	5.5	5.9	(0.4)	-7%
Fuel Taxes - Administrative Expenses/Refunds - Tribal	<u>5.9</u>	<u>5.9</u>	<u>(0.0)</u>	<u>0%</u>
Total DOT	168.8	188.4	(19.5)	-10%
Department of Natural Resources & Conservation				
Oil & Natural Gas - Board of Oil & Gas	2.6	3.3	(0.7)	-22%
Oil & Natural Gas - Natural Resource Projects	0.9	1.3	(0.4)	-30%
Oil & Natural Gas - Natural Resource Operations	<u>0.2</u>	<u>0.3</u>	<u>(0.1)</u>	<u>-30%</u>
Total DNRC	3.7	4.9	(1.2)	-24%
Department of Justice				
Gambling - Gambling Administrative License Fee	4.6	4.6	0.0	1%
Fuel Taxes - MT Highway Patrol Fund	<u>28.5</u>	<u>31.6</u>	<u>(3.1)</u>	<u>-10%</u>
Total DOJ	33.1	36.2	(3.0)	-8%
Office of Public Instruction				
Oil & Natural Gas - Guarantee Fund	1.5	1.6	(0.1)	-8%
Coal - School Facilities Trust	<u>18.2</u>	<u>21.2</u>	<u>(3.0)</u>	<u>-14%</u>
Total OPI	19.7	22.9	(3.2)	-14%
Montana University System				
Oil & Natural Gas - University System Millage	<u>1.1</u>	<u>1.6</u>	<u>(0.5)</u>	<u>-30%</u>
Total MUS	1.1	1.6	(0.5)	-30%
Montana Historical Society				
Accommodations Tax - MT Heritage Center	<u>4.1</u>	<u>9.1</u>	<u>(5.0)</u>	<u>-55%</u>
Total MHS	4.1	9.1	(5.0)	-55%
Long-range Building Program				
Coal - Long-range Building	<u>5.8</u>	<u>6.8</u>	<u>(1.0)</u>	<u>-14%</u>
Total LRBP	5.8	6.8	(1.0)	-14%
Local Governments				
Oil & Natural Gas - Oil Production Local Impact	36.3	52.2	(15.9)	-31%
Fuel Taxes - BARSAA - Local Fund	17.6	19.8	(2.2)	-11%
Fuel Taxes - Local Government/LTAP	16.8	16.8	0.0	0%
Coal - Conservation Districts	<u>1.8</u>	<u>2.2</u>	<u>(0.3)</u>	<u>-16%</u>
Total Local Governments	72.5	91.0	(18.5)	(0.6)
Miscellaneous				
All Other Accommodations	1.6	2.9	(1.3)	-46%
All Other Fuel	1.0	1.0	(0.0)	-4%
All Other Coal	<u>2.5</u>	<u>2.8</u>	<u>(0.3)</u>	<u>-12%</u>
Total Miscellaneous	5.0	6.7	(1.7)	-25%

RECAP: LOCAL GOVERNMENT IMPACTS

Local government's main source of funding is through property taxes. Although there have been concerns that local governments may face shortfalls due to delinquency or delayed payment of property taxes, May installments of the 2020 property taxes are being paid as expected. The LFD will continue to communicate with local governments and financial institutions to identify if any change in behavior becomes apparent as November property taxes become due.

While property taxes are projected to be in line with HJ 2 estimates, the updated FY 2021 revenue projections indicate revenue shortfalls may occur in several areas of state assistance in local government infrastructure and service programs, as follows:

- Oil & Gas Production Tax Distribution to Schools and Local Governments – The FY 2021 updated revenue forecast projects revenues for the Oil & Gas Production Tax distribution to local governments and school districts to be \$15.9 million lower than the estimate adopted in HJ 2. The state distributes a percentage of the tax revenues from extraction within county or district boundaries based upon statutory percentages. These funds are used by the county or school district to support various areas of their respective budgets to support costs that would otherwise be funded through increased property taxes. Combined with \$17.9 million lower revenues projected to be distributed in FY 2020, this amounts to a total reduction of approximately \$34 million or 31% for the biennium.
- DNRC natural resources projects account – The FY 2021 updated revenue forecast projects revenues for the Natural Resource Projects Account to be at \$0.9 or \$0.4 million less than HJ 2 estimate. The ending fund balance for FY 2020 is estimated to be \$4.5 million. About half of the revenue is from oil and gas. The primary expenditure from the fund are grants, other expenditures are negligible. Even with the projected revenue shortfall the fund will support the same level of grant activity seen in recent years through the remainder of the biennium.
- MDT BaRSAA Matching Grant Program – The FY 2021 updated revenue forecast projects revenues from gasoline and diesel taxes into the BaRSAA local governments state special account to be \$2.2 million or 11.2% lower than HJ 2 estimates for FY 2021. These funds are distributed to local governments based on the fuel tax distribution formula and require other local inputs for receipt of the grant funds. The shortfall will result in a similar reduction in grants across all local entities in FY 2021.
- MDT Senior Citizen Transportation Services – The FY 2021 updated revenue forecast projects revenues from rental car sales tax into the Senior Citizens Transportation Services state special account to be \$0.3 million or 23.7% lower than HJ 2 estimates for FY 2021. These funds are distributed to local government participants. The shortfall may be mitigated somewhat because the CARE'S Act provided federal funding, with no required state match, of \$35.5 million for transit assistance that may be used for this and other transit purposes

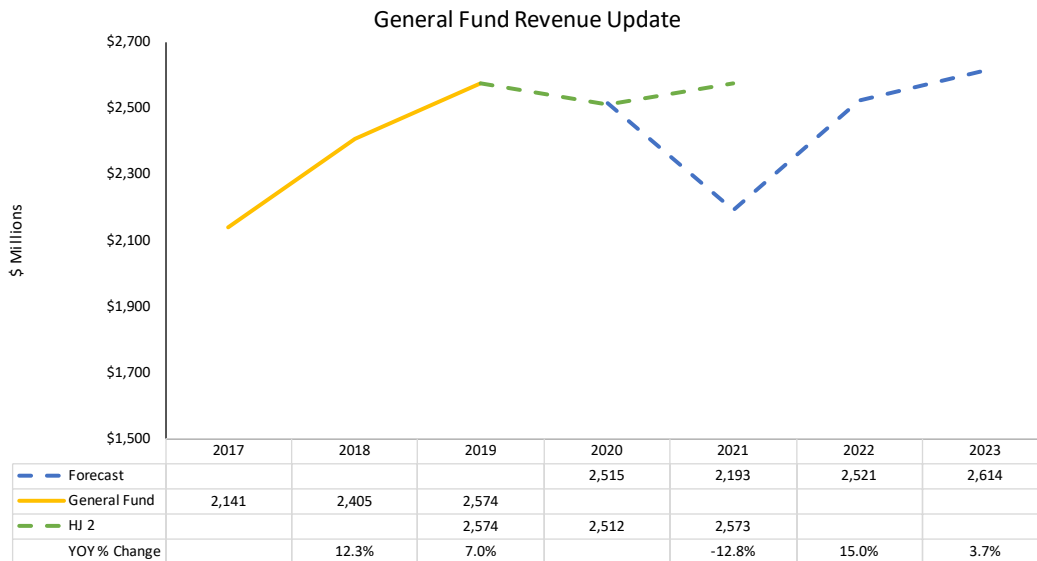
- Coal Severance Tax distribution to Conservation Districts – The FY 2021 updated revenue forecast projects revenues for the Coal Severance Tax distribution to conservation districts to be \$0.3 million lower than the estimate adopted in HJ 2. The state distributes 3.89% of the coal severance tax revenues to promote natural resource conservation in Montana. Combined with \$0.2 million lower revenues projected to be distributed in FY 2020, this amounts to a total reduction of approximately \$0.5 million or 11.4% for the biennium

Other local assistance programs, such as the Treasure State Endowment Program (TSEP) and the TSEP regional water programs are primarily funded through interest from sub-trusts of the coal severance tax trust. These programs are receiving revenues as projected in the 2019 Legislature.

The Governor’s Office, in coordination with the Montana Association of Counties and the Montana League of Cities and Towns, has created a process to reimburse local government entities for COVID-19 related expenditures. Reimbursement is available to local governments as part of the CAREs Act and the Federal Emergency Management (FEMA) Public Assistance (PA) grant program for direct costs associated with COVID-19. This program will be administered by the Local Government Services (LGS) Bureau at the Department of Administration, in consultation with the Governor’s Office of Budget and Program Planning and Department of Military Affairs Disaster and Emergency Services Division. Further details about this reimbursement program including reimbursement guidance, reimbursement forms, and certification forms are available at <http://sfsd.mt.gov/LGSB/COVID-Relief>

GENERAL FUND REVENUE FORECAST LOWER THAN BUDGETED

The following graph shows the updated general fund forecast through FY 2023, including year-over-year percent change. It also includes the adopted HJ 2 numbers for FY 2020 and FY 2021.



Note that it shows a strong V shape to the revenue recovery. While the economic recovery is less severe to begin with and a slower recovery, the revenue impact is anticipated to be more concentrated in FY 2021 with one-time impacts in FY 2021 then rebound in FY 2022 as the one-time impacts dissipate.

GENERAL FUND BALANCE SCENARIOS WITH UPDATED LFD REVENUE FORECAST

Using new forecasted revenues for FY 2020-FY 2023, the following table shows the general fund balance and how much is needed to return the ending fund balance to the statutorily required amount. If forecasted revenues materialize, available reserves will be needed to keep the ending fund balance above the minimum required balance in FY 2021. As the table below shows, \$72.0 million (A) would be needed in FY 2021 to return to the minimum balance.

General Fund Ending Fund Balance Scenarios FY 2020 - FY 2023				
	FY 2020	FY 2021	FY 2022 (1)	FY 2023 (2)
Revenue assumptions				
Beginning fund balance	361.3	364.6	103.0	105.1
LFD Revenue Assumptions	2,495.8	2,213.2	2,521.9	2,614.5
Expenditures - net of standard reversions	(2,582.5)	(2,566.7)	(2,618.1)	(2,670.4)
Savings from lower expenditures (3)	90.0	20.0		
<i>(A) Transfer of BSRF Reserves to General Fund (4)</i>		72.0		
(B) Governor's required reductions	-	-		
(C) Revenue replacement from additional federal stimulus	-	-	-	-
<i>(D) Legislative action to return to minimum EFB</i>			98.2	58.1
Ending Fund Balance	364.6	103.0	105.1	107.2
Structural Balance	(86.7)	(353.5)	(96.1)	(56.0)
Minimum Ending Fund Balance		103.0	105.1	107.2
BSRF balance	118.0	46.0		
Wildfire suppression fund balance	55.0	33.0		

- (1) Expenditures at FY 2021 level plus 2%
- (2) Expenditures at FY 2021 level plus 2%
- (3) Includes savings from the temporary increase in FMAP
- (4) Reserves FY 2021 = \$72 million Budget Stabilization Reserve Fund
- (5) Assumes no transfer to the fire suppression fund in FY 2021

In the next session the legislature may face substantial challenges. The assumptions in the table above simplify the expenditure growth to 2% per year (1) and (2). Note that 2% is a relatively low growth rate for state government general fund expenditures. It is likely that pressures to fund the social safety net and other services for citizens, and pressure to backfill state special revenue short falls may be higher than usual. Even under the modest 2% growth scenario, legislative action (D) will be necessary to return the balance to the statutorily required minimum in the 2023 biennium. There is substantial risk in the 2023 biennium as the revenues are uncertain and the demands for services may be higher than usual.

Economics of the recession: Montana is facing competing goals: 1) returning to structural balance quickly and lowering the risk of significant reductions in the 2023 biennium, and 2) keeping spending consistent to maintain the economy as strong as possible.

APPENDIX – FEDERAL STIMULUS

FEDERAL STIMULUS FUNDING AND EXPENDITURES

In response to the COVID-19 emergency, four separate federal bills have been passed and approved to provide relief. Those bills include:

Bill 1: H.R. 6074 “[Coronavirus Preparedness and Response Supplemental Appropriations Act](#)”

Bill 2: H.R. 6201 “[Families First Coronavirus Response Act](#)”

Bill 3: H.R. 748 “[Coronavirus Aid, Relief, and Economic Security Act](#)” or “[CARES Act](#)”

Bill “3.5”: H.R. 266 “[Paycheck Protection Program and Health Care Enhancement Act](#)”

The following spreadsheet has been updated since the May version to reflect new information, but continues to focus only on state government impacts, rather than all funding included in the federal bills referenced above.

A Summary of Coronavirus Funding to Date (June 16, 2020)
(\$ in millions)

Sources: FFIS, NCSL, bill text, state agencies

State Agency	Program	Projected Federal Stimulus	Actual Amount Received to date	Expiration Date	Notes	Legislative Vehicle				Total National Funding	Bill Section*
						H.R. 6074	H.R. 6201	H.R. 748	H.R. 266		
Commerce	Community Development Block Grant	7.3		9/30/2022	Two thirds to be distributed by formula, the remaining by public health needs			X		5,000	PL 116-136 Div B Title XII
Commerce	Tenant-Based Rental Assistance	0.9		Until spent	Tenant vouchers for housing			X		1,250	PL 116-136 Div B Title XII pg 321
Commerce	Project-Based Rental Assistance	0.5	0.54	Until spent	Rent subsidy for low income tenants of multi family facilities			X		1,000	PL 116-136 Div B Title XII pg 330
Commerce	Public Housing Operating Fund	0.9		9/30/2021	To Public Housing Agencies to maintain normal operations			X		685	PL 116-136 Div B Title XII pg 323
Commerce	Small Business Development Centers	1.3	1.28	3/31/2021	To small business development centers for assisting small businesses with expanded resources			X		265	PL 116-136 Div A Title I, pg 14
Commerce	Housing for the Elderly	TBD		9/30/2023				X		50	PL 116-136 Div B Title XII pg 331
Commerce	Housing for Persons with Disabilities	0.2		9/30/2023	To maintain normal operations			X		15	PL 116-136 Div B Title XII pg 331
Commerce	Economic Development Assistance programs	TBD		9/30/2022	Grant program, further research needed			X		1,500	Title II - Department of Commerce (page 231)
DMA	Disaster Relief Fund	TBD		Until spent	\$45B appropriation - \$25B for disasters declared under Stafford Act. \$15B in addition to amounts designated by Congress for disaster relief.			X		45,000	Division B, Title VI, Federal Emergency Management Agency, pgs 263 through 264
DMA	Emergency Management Performance Grants	TBD		9/30/2021	\$100M available in grants.			X		100	Division B, Title VI, Federal Emergency Management Agency, pg. 264
DMA or Governor	National Guard	TBD		9/30/2020	Per presidential memorandum, issued April 7,2020, Montana will receive 100% federal cost share for national guard emergency assistance activities related to COVID19, effective for 31 days or fewer.			X		1,400	Division B, Title III, Department of Defense Military Personnel, pgs 238
DOA	Rural Broadband ReConnect	TBD		9/30/2021	Available until Sept. 2021 Provided 90% is spent on households in rural areas without broadband			X		100	Title , Section 11004
DOC	Byrne Justice Assistance Grants (JAG)	3.4	3.40	Until spent	\$850 million total; will be using the same formula allocation (adjusted in proportion to the relative amounts statutorily designated) that was used in fiscal year 2019 for the Edward Byrne Memorial Justice Assistance Grant program. An additional \$1.3 million will be sent directly to Montana local government entities.			X		850	Division B, Title II, State and Local Law Enforcement Activities, pages 233-
DOLI	UI administration	6.2	2.70	12/31/2020	Montana appears to meet requirements for both base & supplemental.			X		1,000	PL 116-127 D Section 4102 pg 15

DOLI	Unemployment Insurance - 39 weeks of benefit (PEUC)	TBD	4.00	12/31/2020	DOL will pay for benefits to start first week of unemployment and to extend benefit for 39 weeks. As of 6/6/20 53,892 filed initial or continuing claims for unemployment	X		TBD	PL 116-136 Title II Subtitle A Sec 2102 Pg 33
DOLI	Unemployment Insurance - Additional \$600 a week in addition to state benefit amount (FPUC)	TBD	385.60	7/31/2020	Establishes the Federal Pandemic Unemployment Compensation (FPUC) Program - 18 weeks of an additional \$600 a week, includes \$81.7 million for PUA claimants	X		TBD	PL 116-136 Title II Subtitle A Sec 2104 Pg 38
DOLI	Unemployment Insurance - Providing unemployment compensation for individuals who may not qualify for regular unemployment benefits, such as those who are self-employed.	TBD	28.90	12/30/2020	Establishes the Pandemic Unemployment Assistance (PUA) Program - provides up to 39 weeks of benefits. Those that receive benefits under this program may also be eligible for the additional \$600/week benefits available through the Federal Pandemic Unemployment Insurance (FPUC) Program.	X		TBC	PL 116-136 Title II Subtitle A Section 2102 Pg 33
DOLI	Disaster Relief Dislocated Worker Program	0.6		9/30/2022	Establishes funding for worker training and other services for workers that have lost jobs as a result of COVID-19	X		345	PL 116-136 Title VIII
DPHHS	Emergency Solutions Grants	9.3	2.52	9/30/2022	Assistance for homeless populations, local and state distributions.	X		3,960	Pg 328
DPHHS	Housing Opportunities for Persons with AIDS	0.0	0.32	9/30/2021	Rental Assistance, \$50 million by formula, \$10 million OTO assistance	X		54	Pg 325
DPHHS	SNAP Contingency Reserve	TBD		9/30/2021	100% federal, depends on eligibility. Allocated as Secretary deems necessary. Entitlement Reserve funds.	X		15,510	Pg 228
DPHHS	Child Nutrition	TBD	5.30	9/30/2021	Refers to USDA programs (National School Lunch/Breakfast Programs and other similar programs). Could be used to provide nutrition when schools are not in session.	X		8,800	Pg 227
DPHHS	Emergency Food Program (TEFAP)	2.6	0.31		USDA Food and Nutrition Service program.	X	X	850	Pg 228
DPHHS	Supplemental Nutrition Assistance for Women, Infants, and Children (WIC)	1.1			USDA WIC program.	X		500	Pg 228
DPHHS	CDC Grants to states, localities, and tribes	9.6	9.643		BA processed. Via CDC	X	X	2,450	Pg 274
DPHHS	Testing and Contact Tracing	49.9			Via CDC		X	11,000	134 Stat. 624
DPHHS	Infectious Diseases Rapid Response Reserve	TBD		9/30/2024	3	X	X	300	Pg 275
DPHHS	Surveillance and analytics infrastructure	TBD		9/30/2024	0.+		X	500	Pg 274
DPHHS	Survey and Certification	TBD		9/30/2023	Appropriated to CMS for certification of Medicaid and Medicare providers		X	100	Pg 277
DPHHS	Medicaid/CHIP FMAP adjustments 6.2% federal increase	~80.0	~30.00		Federal authority would be increased, and would reduce state spending. This estimate is based on a full year, but the FMAP is temporary, depending upon when the disaster is declared over.	X		Entitlement	HR 6201
DPHHS	Hospital Preparedness Program	2.7	0.40	9/30/2024	Appropriated to Health and Human Services to make grants.	X		340	Pg 281
DPHHS	Child Care and Development Block Grant	10.1	10.11	9/30/2021	Assistance to childcare providers	X		3,500	Pg 277
DPHHS	Community Services Block Grant	4.7	1.26	9/30/2021	For states to distribute to local community-based entities.	X		1,000	Pg 278
DPHHS	Low Income Home Energy Assistance Program	5.1	5.17	9/30/2021	HHS LIHEAP program.	X		900	Pg 277
DPHHS	Head Start	2.6		9/30/2021	HHS Head Start program.	X		750	Pg 278
DPHHS	Family Violence Prevention and Services	0.2	0.11	9/30/2021	Domestic violence shelters and hotline	X		45	Pg 279
DPHHS	Child Welfare Services	0.1		9/30/2021		X		45	Pg 279
DPHHS	Runaway and Homeless Youth	0.2		9/30/2021	Funds to supplement (not supplant) existing funds in this area.	X		25	Pg 279
DPHHS	Congregate Meals and Home Delivered Meals	3.6	3.60	9/30/2021	Activities under Older Americans Act of 1965	X	X	500	Pg 279
DPHHS	Home and Community-Based Supportive	1.0		9/30/2021	Activities under Older Americans Act of 1965		X	200	Pg 279
DPHHS	Family Caregivers	0.5	0.50	9/30/2021	Activities under Older Americans Act of 1965		X	100	Pg 279
DPHHS	Centers for Independent Living	0.9		9/30/2021	Activities under Older Americans Act of 1965		X	85	Pg 280
DPHHS	Aging and Disability Resource Centers	0.3	0.30	9/30/2021	Activities under Older Americans Act of 1965		X	50	Pg 279
DPHHS	Protection of Vulnerable Older Americans	0.1		9/30/2021	Activities under Older Americans Act of 1965		X	20	Pg 279
DPHHS	Certified Community Behavioral Health Clinical Expansion Grant	0.0		9/30/2021	SAMHSA program.		X	250	Pg 276

DPHHS	Emergency Grants - Mental Health & Substance Use	2.0	2.00	9/30/2021	SAMHSA program.	X	100	Pg 276
DPHHS	Suicide Prevention Programs	TBD		9/30/2021	SAMHSA program.	X	50	Pg 276
DPHHS	Ryan White HIV/AIDS	0.2	0.05	9/30/2022	Supplemental funding for existing contracts and grants.	X	89	Pg 282
Governor's Office	Governor's Emergency Relief Fund	8.8	8.76	9/30/2021	\$8.765 million Governor's Emergency Education Relief Fund allocated between post-secondary and secondary education by the Governor	X	*	18002
MAC	National Endowment for the Arts (NEA)	0.4	0.42	9/30/2021	\$75.0 million available nationally, of which 40% will be distributed to state arts agencies and regional art organizations and 60% will be used for direct grants	X	75	Other Related Agencies (page 272)
MDT	FAA Grants in aid to Airports	18	3.40	Until spent	These funds are to be used to aid the Yellowstone Airport in all phases of operation.	X	10,000	P.L. 116-136, Div. B Title XII
MDT	Transit Infrastructure Grants	35.5	35.5	Until spent	\$35.5 million to "rural" and \$14.3 to "urban" (urban is only the MPOs of GF, Billings and Missoula) Also 2 million directly to tribes. No match required for any of it. Distributed through existing formulas/mechanisms. The urban portion goes directly to the MPOs based on existing formulas.	X	25,000	P.L. 116-136, Div. B Title XII
MHS and MSL	National Endowment for the Humanities (NEH)	0.4		9/30/2021	\$75.0 million available nationally for the National Endowment for the Humanities in which 40% will be distributed to state humanities councils and 60% will be used for direct grants	X	75	Other Related Agencies (page 273)
MSL	Institute of Museum and Library Services	0.1	0.10	9/30/2021	\$50.0 million for the Institute of Museum and Library Services, in part, for grants to states	X	50	Department of Education (page 291)
OCHE	Education Stabilization Fund	37.3	8.03	9/30/2021		X	30,750	18004
OCHE	Manufacturing Extension Center	0.2	-	9/30/2021	Hollings Manufacturing Extension Program	X		Title II - Department of Commerce (page 231)
OCHE	Corporation for Public Broadcasting	0.6	0.60	9/30/2021	MSU's public television station and MSU, UM, and MSU Billings' public radio stations received funds	X	75	Department of Education (page 291)
OPI	Education Stabilization Fund	41.3	41.30	9/30/2021		X	*	18003
Secretary of State	Election Security Grants	3.0	3.00	12/31/2020	\$400M overall. Can only be used for federal election cycle expenses related to coronavirus. 20% state match (\$600k) required. Montana requested grant funds on 4/13/2020.	X	400	Division B, Title V, Independent Agencies, pgs. 250
Governor's Office	Coronavirus Relief Fund	1,250.0	1,250.0	12/30/2020	Deposited with the State of Montana in a federal fund, for expenses between March 1 and December 30. Statutory authority established through Governor's office. -See attached spreadsheet for breakdown of current allocations.	X	150,000	Title V Sec. 5001 (p 221)
	Lending fund for Businesses, <u>Cities, & States</u>				While the focus is on business lending, there is potential assistance for revenue loss in government entities. Private demand is expected to very high for this assistance.	X	500,000	Sec. 4003 (p 190)

* Page references may not match a bill you are referencing, as there are multiple versions of the bill available online.

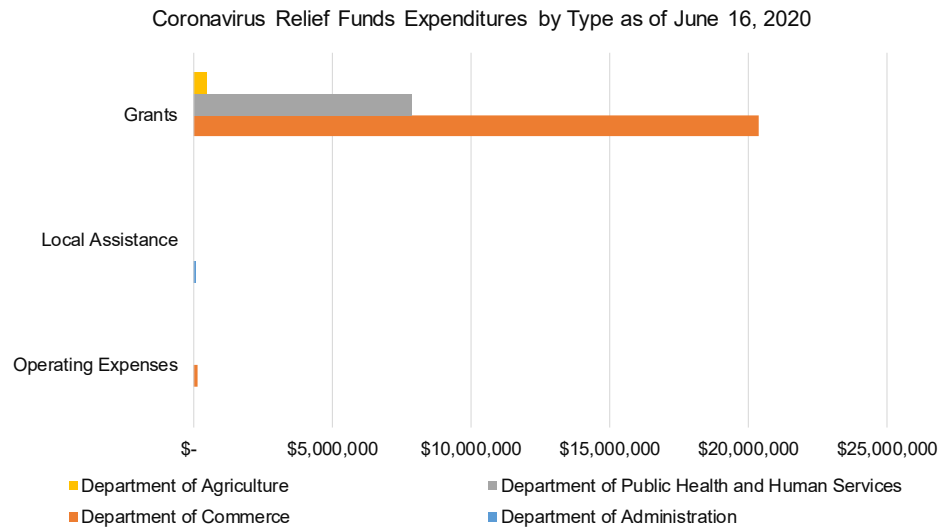
Coronavirus Relief Funds (CRF) Statutory Appropriation, \$1.25 billion

The Coronavirus Relief Fund (CRF) in the amount of \$1.25 billion has been received from the federal government. The following table displays CRF appropriations of \$271.2 million and \$ 28.8 million expended through different state agencies as of June 16, 2020. For the most up-to-date expenditures, please use the [LFD dashboard](#) that is updated daily. More information on these grants can be found on the Department of Commerce website at <https://commerce.mt.gov/BusinessRecovery>

Coronavirus Relief Fund Allocations

Receiving Entity	Program	Allocated	Spent (6/16/2020)
Department of Commerce	Business Stabilization grants	\$75,000,000	\$20,081,898
Department of Commerce	Submittable	122,885	122,885
Department of Commerce	Housing Assistance	50,000,000	275,768
Department of Commerce	Tourism Education	15,000,000	0
Department of Administration	Local Government Services	500,000	26,845
Department of Administration	Local Government Services	80,000,000	0
Department of Administration	State Information Technology Services Division	2,462,686	0
Department of Public Health & Human Services	Telework Assistance	650,000	4,737
Department of Public Health & Human Services	Stay Connected	400,000	97,407
Department of Public Health & Human Services	Food Banks Pantry	2,000,000	1,089,500
Department of Public Health & Human Services	Social Services Non-Profits	10,000,000	3,779,792
Department of Public Health & Human Services	Supplemental FC Support	2,000,000	188,250
Department of Public Health & Human Services	Public Health Clinics	5,000,000	2,674,226
Department of Public Health & Human Services	Education Media Campaign	242,001	0
Dept of Natural Resources & Conservation	Business Adaptability Grant	20,000,000	0
Dept of Agriculture	Agriculture Adaptability & Innovation grants	5,750,000	435,814
Dept of Agriculture	Grant funding for meat processing infrastructure	2,000,000	0
Remaining		978,872,428	
TOTAL		\$1,250,000,000	\$28,777,122

The following chart shows the CRF expenditures by type:



For daily updates on CRF expenditures and non-CRF expenditures, please use the [LFD Dashboard](#).

NON-CRF Federal COVID Funding New Authority and Spending through 6/16/2020

	Personal Services	Operating Expenses	Equipment & Intangible Assets	Grants	Benefits & Claims	Capital Outlay	Grand Total	Spent (6/16/2020)	Remaining Authority
<u>Secretary of State's Office</u>									
BUSINESS & GOVERNMENT SERVICES									
Supplemental Funding for 2020 Federal Election Cycle, Covid 19 impact.		\$600,000		\$2,400,000			\$3,000,000	\$0	\$3,000,000
Sub Total		600,000		2,400,000			3,000,000	-	3,000,000
<u>Library Commission</u>									
STATEWIDE LIBRARY RESOURCES									
Procure hotspots for local libraries, purchase additional online content		96,573					96,573	96,573	-
Sub Total		96,573					96,573	96,573	-
<u>Department of Transportation</u>									
RAIL TRANSIT & PLANNING									
Federal Transit Authority award for emergency assistance to individuals, families, businesses affected by COVID-19	180,000	200,000		35,074,948			35,454,948	2,598,682	32,856,266
AERONAUTICS PROGRAM									
FAA CARES Act Grant Yellowstone Airport	697,400	1,315,688	225,000	-		1,125,000	3,363,088	8,653	3,354,435
Sub Total	877,400	1,515,688	225,000	35,074,948		1,125,000	38,818,036	2,607,336	36,210,700
<u>Dept of Corrections</u>									
ADMINISTRATIVE SUPPORT SERVICES									
Department of Justice COVID Emerg Sup Fund 1/31/22	330,896	15,104		3,111,033			3,457,033	8,653	3,448,380
Sub Total	330,896	15,104		3,111,033			3,457,033	8,653	3,448,380
<u>Labor & Industry</u>									
UNEMPLOYMENT INSURANCE DIV									
COVID-19 Pandemic Unemployment Assistance Operation Expenses	554,500	610,996					1,165,496	608,971	556,525
COVID-19 Federal Pandemic Unemployment Compensation Operations	184,000	163,793					347,793	22,670	325,123
Support increased staffing levels to respond to increase in benefit claims due to pandemic	2,143,150	535,788					2,678,938	393,690	2,285,248
COVID-19 Emergency Unemployment Compensation Operations	38,056	760,061					798,117	-	798,117
Sub Total	2,919,706	2,070,638					4,990,344	1,025,331	3,965,013
<u>Public Health & Human Services</u>									
PUBLIC HEALTH & SAFETY DIV									
Realign Federal Authority for FY 2020 expenditures for COVID-19	65,000	40,000		115,000			220,000		220,000
Support for Hospitals, Health Systems, Health Care Workers Covid-19 Response and Preparedness		273,861					273,861		273,861
COVID-19 Surveillance, Lab Testing, Reporting, Community Intervention	132,000	1,297,500	198,000	2,940,000			4,567,500	2,395,667	2,171,833
COVID-19 Response for clients of Ryan White HIV/AIDS Program		25,000		25,000			50,000		50,000
COVID-19 Testing and Monitoring to Support State and Local Decision Making	1,500,000	2,875,000	500,000	200,000			5,075,000	491,555	4,583,445
SENIOR & LONG TERM CARE SVCS									
Additional Funding Meals Program for Older Americans		300,000		3,300,000			3,600,000	1,202,887	2,397,113
COVID-19 Family Caregiver Support Program				500,000			500,000		500,000
COVID-19 increases support for Aging services in Montana communities.		300,000					300,000		300,000
COVID-19 increases support for local Ombudsman programs in preventing, preparing for and responding to COVID-19				100,000			100,000		100,000
Additional Funding for Aging and Disability Resource Centers, Website Hosting Development		5,454					5,454		5,454
HUMAN & COMMUNITY SERVICES									
COVID-19 Assistance for homeless families and individuals		63,107			2,461,248		2,524,355		2,524,355
COVID-19 Federal support for local food banks		4,266	120,000		186,400		310,666		310,666
COVID-19 Supplemental funding for the Housing Opportunities for Person with AIDS (HOPWA) grant.					324,723		324,723		324,723
CARES Act LIEAP funding for additional heat and electricity assistance.		85,000		432,397	4,656,573		5,173,970	3,001,750	2,172,220
Cares Act Community Services Block Grant					1,258,912		1,258,912		1,258,912
ADDICTIVE & MENTAL DISORDERS									
COVID-19 Increase capacity to provide behavioral healthcrisis services, telehealth, assessment, treatment, recovery	11,419	451,812		1,536,769			2,000,000		2,000,000
EARLY CHILDHOOD & FAM SUPPORT									
National School Lunch/Breakfast, Special Milk, Child and Adult Care Food and Summer Food Service Program					5,299,634		5,299,634	510,782	4,788,852
Targeted support for emergency, medical and essential personnel; existing licensed and registered facilities		1,000		6,859,887	3,253,000		10,113,887	4,877,740	5,236,147

DIRECTORS OFFICE									
Funding for providers to support healthcare-related expenses or lost revenue and to ensure treatment for COVID-19	820,000	44,288		2,000	2,000		868,288		868,288
COVID-19 Response	375,000	7,125,000					7,500,000		7,500,000
CHILD & FAMILY SERVICES									
COVID-19 increases support for domestic violence women's shelters	-	-	-	111,582	-		111,582	-	111,582
Sub Total	2,903,419	12,891,288	818,000	16,122,635	17,442,490		50,177,832	12,480,382	37,697,450
GRAND TOTAL	\$7,031,421	\$17,189,291	\$1,043,000	\$56,708,616	\$17,442,490	\$1,125,000	\$100,539,818	\$16,218,274	\$84,321,543

APPENDIX – NON-STATE FUNDING

NON-STATE FUNDING FOR COVID-19

While a significant portion of the federal stimulus is received and distributed by the state, many funds are directly distributed by the federal government to individuals and entities. The following highlights several of the larger federal distributions that are not received and distributed by the state.

Paycheck Protection Program (PPP):

Included in the CARES Act was \$349 billion for forgivable loans to help businesses keep employees hired. An additional \$320 billion was then provided in a follow-up federal bill. As of June 12, 2020, there have been 22,399 Montana businesses that have received over \$1.7 billion in PPP forgivable loans, providing additional fiscal stimulus to the state in general.

Hospitals and Healthcare Providers:

CARES Act Provider Relief Funds have been distributed by HHS nationally through the use of several different criteria, including 2019 provider Medicare Fee-For-Service payments, provider annual gross receipts from the most recent tax year, provider COVID-19 admissions, and provider status as a rural acute care or critical access hospital.

Direct Montana Provider Relief Payments

Provider Name	Payment
Kalispell Regional Medical Center Inc	\$17,925,741
Billings Clinic	14,264,057
St Peters Community Hospital	12,389,995
St Vincent Healthcare	9,762,288
Providence Health & Services Mt	9,282,680
Benefis Hospitals, Inc.	9,112,609
St James Healthcare	7,946,125
Healthcenter Northwest LLC	6,241,759
Northern Montana Hospital	6,192,536
Community Hospital Of Anaconda	5,979,671
All Others (891 different recipients)	144,400,934
TOTAL	\$243,498,395

Airports:

Federally, most of the \$10 billion total, \$7.4 billion, is awarded to commercial service airports based on boarding of paying passengers. Large, medium, and small hub airports receive \$2.0 billion. Small hub airports in Montana are in Billings and Bozeman. The remaining \$0.6 billion goes to waive the state share of Airport Improvement Grants for FY 2020 and general aviation airports.

Airport Assistance Grants

Airport	Grant Amount
Bozeman Yellowstone International	\$15,446,029
Billings Logan International	12,721,011
Glacier Park International	11,572,182
Missoula International	5,616,102
Great Falls International	3,960,216
Helena Regional	2,999,713
Bert Mooney	1,143,102
Sidney-Richland Regional	1,041,372
All Other (62 recipients)	1,433,000
Grand Total	\$55,932,727

In addition to the airport funding shown in the table above, the West Yellowstone airport is expected to receive \$17.8 million. That funding has been left off of this table as it is included in the state funds received because the West Yellowstone airport is owned and operated by the Montana Department of Transportation.

Tribes:

Included in the CARES Act was a separate pool of \$8.0 billion for tribal entities from the Coronavirus Relief Funds. Payments to tribes were made in two separate rounds, with the second being delayed significantly. The CARES Act required these payments to be made in April, and the second payments was reportedly only just made around June 12. These payments do not impact the State of Montana budget directly but do provide further financial assistance within the geographical borders of Montana.

APPENDIX – EDUCATION FUNDING FOR COVID-19

EDUCATION FUNDING IN RESPONSE TO COVID-19

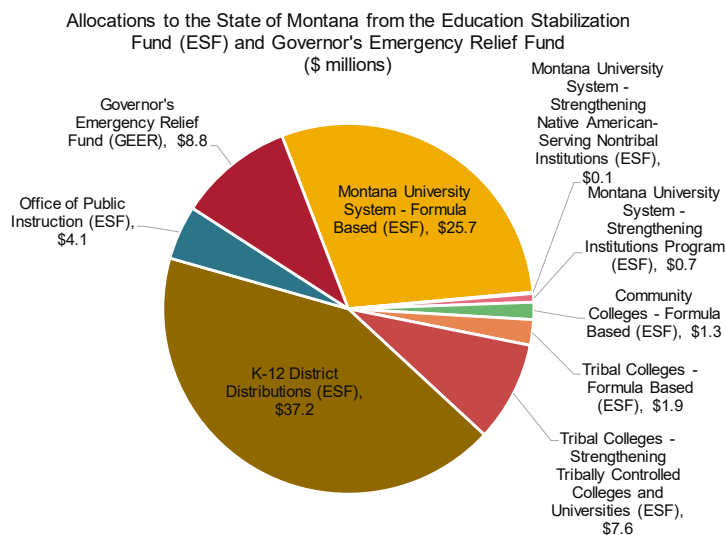
There are three allocations from the \$14.0 billion education stabilization fund to higher education institutions outlined in Section 18004 of the CARES Act:

- 90.0% of the funds are allocated to institutions of higher education to prevent, prepare for, and respond to the coronavirus. There are two distributions related to these funds
 - Institutions are required to use at least 50.0% of the funds that they receive for student assistance. These funds can be used to provide financial aid grants to students for expenses related to the disruption of campus operations due to the coronavirus. Eligible expenses include food, housing, course materials, technology, healthcare, and childcare
 - The remaining funds are available for the institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The

institutions shall, to the greatest extent practicable, continue to pay employees and contractors during the period of any disruptions or closures related to the coronavirus. There are also certain expenditures that are not allow by institutions, which include payments to contractors for the provision of pre-enrollment recruitment activities; endowments; or capital outlays associated with facilities related to athletics, sectarian instruction, or religious worship

- 7.5% of the funds are allocated to “minority serving institutions.” Public institutions in Montana received funding in three area, which include Strengthening Tribally Controlled Colleges and Universities; Strengthening Native American Serving Nontribal Institutions; and the Strengthening Institutions Program
- 2.5% of the funds are allocated to the Fund for the Improvement of Postsecondary Education. The Secretary of the U.S. Department Education will distribute these funds to institution that have the greatest unmet need related to the coronavirus. Priority will be given to institutions that can demonstrate significant unmet needs and have not received at least \$500,000

Public institutions in Montana, to date, have been allocated \$37.3 million from those CARES Act funds. The graphic shows the distribution of the allocations to the various public institutions of higher education. Tribal Colleges will likely receive additional funding from the Bureau of Indian Education.



The chart will be updated in future reports as more information is received.

Governor's Emergency Education Relief (GEER) Fund

The U.S. GEER Fund gave governors the authority to distribute the funds to local educational agencies, institutions of higher education, and other education related entities with emergency assistance to respond to COVID-19. Montana's allocation from the Governor's Emergency Education Relief Fund is \$8,764,495. This funding is separate from the \$1.25 billion Coronavirus Relief Fund. On June 12, 2020, the Governor announced the following grants made from that federal allocation:

- The Montana University System received \$6.5 million in funding that will be used for the One-Two-Free program to offer free dual enrollment courses to high school students, fund technology upgrades, and offer workforce training
- The Montana Digital Academy received \$230,000 to expand enrollment opportunities for students, extend remote proctoring services for credit recovery students, identify and address mathematics gains and barriers to prepare students for the fall, and provide EdReady Montana support for the ACT test

- Several colleges received funding for remote learning and technology upgrades. Carroll College received \$500,000, Rocky Mountain College received \$60,000, and the University of Providence received \$30,000; and
- The Montana State Library received \$500,000 to expand its mobile hotspot and mobile device lending programs

K-12 schools in Montana have already been allocated \$41 million through the federal Elementary and Secondary School Relief Fund. The remaining \$944,495 of GEER funding received by the state will be reserved by the Governor's Office until the fall to address other potential issues that arise.

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Districts That Have Not Started The ESSER Application Process

Alzada Elem
Vaughn Elem
Carter Elem
Knees Elem
Benton Lake Elem
Spring Creek Elem
Bloomfield Elem
Lindsay Elem
Swan River Elem
Kila Elem
Pleasant Valley Elem
Willow Creek Elem
Willow Creek H S
Monforton Elem
Whitehall Elem
Fortine Elem
Bonner Elem
Roundup Elem
Pine Creek Elem
Avon Elem
Gold Creek Elem
Poplar Elem
Plains K-12
Columbus Elem
Sunburst K-12 Schools
Nashua K-12 Schools
Lustre Elem
Morin Elem
Broadview Elem
Deer Creek Elem
West Glacier Elem
Heart Butte K-12 Schools
S H Elem

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OFFICE OF PUBLIC INSTRUCTION
STATE OF MONTANA

Putting Montana Students First **A+**



SPED Cooperatives That Have Not Started The ESSER Application Process

Montana School for Deaf Blind
Bear Paw Cooperative
Bitterroot Valley Coop
Central Mt Learn Res Ctr
Big Country Coop
Sheridan/Daniels Coop
Eastern Yellowstone Coop
Flathead County Coop
Gallatin/Madison Coop
Prickly Pear Coop
Missoula Area Coop
North Ctrl Learn Res Ctr
Park County Coop
Prairie View Coop
Sanders County Coop
Great Divide Educ Serv
Stillwater/Swt Grass Coop
Tri County Coop
Yellowstone/W Carbon Coop
Big Sky SE Coop
Roose-Valley Sp Ed Coop
Chouteau Co Joint Service