

Options for Consideration

Issue: Whether to Delegate the Definition of Grant Expenditure to the Executive

Considerations Related to Issue

1. Potential outcomes of 30% carry forward statute as agencies move appropriations from grant expenditures to operating costs
2. Transparency of legislative appropriations and executive expenditures to legislators and members of public
3. Consistency within DPHHS and across state agencies
4. Degree of flexibility legislature wishes to delegate to agencies during interim between sessions

Options for DPHHS (and Potentially Other Agencies)

1. Request legislative staff to move appropriations recorded as operating costs to the grant or benefit category if such appropriations support contracts with non state entities to provide:
 - a. Direct, discreet services to specific individuals (eg vaccinations, medicine, payment of health insurance premium, smoking quit line cessation services, nicotine withdrawal products, chemical dependency counseling and services, specialty health services)
 - b. Direct services or equipment to non state entities (eg smoke detectors, defibrillators, hospital equipment, communications equipment)
 - c. Indirect public benefits (eg smoking prevention and control, addiction prevention and control, disease control, prevention, or treatment)
2. Request a permanent (or temporary) amendment to statute in either of the following areas:
 - a. Operating plan adjustments (17-7-139, MCA) to prohibit transfer of appropriations made in the grants category to other categories of expenditure unless amount transferred would support state employee personnel services, direct operating or equipment costs
 - b. 30% carry forward statute (17-7-304(4), MCA) to prohibit carry forward of appropriations that support contract costs with non state entities to provide any services or benefits listed in 1a through 1c
 - c. HB 2 restrictions (17-8-103(2), MCA) to allow legislature to designate appropriations in HB 2 as restricted and limited to expenditures listed in 1a through 1c and require expenditures to be expended as grants
3. Accept the executive recommendation to establish a work group and report back to the legislature or interim legislative committee regarding updates of state definition of accounting for expenditures and potentially including:
 - a. Guidance on reporting requirements and type of outcomes desired
 - b. Legislative intent regarding delegated authority to transfer appropriations and reestablish 30% carry forward of reverted appropriation balances

A combination of 1 through 3. For instance,

- a. Direct staff to move expenditures from operating costs to grants if expenditures meet conditions enumerated in 1a through 1c and amend statute (permanent or temporary), with the goal of reviewing executive branch action and then potentially changing or reenacting amendment

Statutory Language Referenced in Memo

17-7-139. Program transfers. (1) Unless prohibited by law or a condition contained in the general appropriations act, the approving authority may approve agency requests to transfer appropriations between programs within each fund type within each fiscal year. The legislature may restrict the use of funds appropriated for personal services to allow use only for the purpose of the appropriation.

17-7-304. 4) After the end of a fiscal year, 30% of the money appropriated to an agency for that year by the general appropriations act for personal services, operating expenses, and equipment, by fund type, and remaining unexpended and unencumbered at the end of the year may be reappropriated to be spent during the following 2 years for any purpose that is consistent with the goals and objectives of the agency. The dollar amount of the 30% amount that may be carried forward and spent must be determined by the office of budget and program planning.

17-3-103 (2) A condition or limitation contained in an appropriation act shall govern the administration and expenditure of the appropriation until the appropriation has been expended for the purpose set forth in the act or until such condition or limitation is changed by a subsequent appropriation act. In no event does a condition or limitation contained in an appropriation act amend any other statute.

Comparison of Recording Contracts with Non State Entities
to Deliver Services Across DPHHS

Type of Expenditure	FY 2004 Base Budget		FY 2006 PHSD Incr.	Percent of Base Total
	DPHHS	PHSD		
Operating Cost - Contracts with Non Profits*	\$11,314,287	\$11,047,726		98%
Operating Cost - Consulting and Professional Services	15,716,065	3,525,069	10,912,060	22%
Grants - to Local Agencies	28,708,834	2,303,757	0	8%
Grants - to Counties	<u>4,359,205</u>	<u>4,359,205</u>	<u>0</u>	100%
Total	\$60,098,391	\$21,235,757	\$10,912,060	35%

*About \$300,000 in contracts for Children's Special Health Clinics is also recorded as operating costs in Health Resources Division. The program was transferred from Public Health and Safety Division as part of the reorganization that created Health Resources Division.