



## LEGISLATIVE BRANCH

This legislative branch proposal represents the directors' recommendations to their respective administrative oversight committees to implement a 5 percent reduction in general fund expenditures. The proposal will not become effective until the respective committees approve the recommendations. This proposal reduces personal services expenditures by \$89,700 and operating expenses by 496,386. Reductions in expenditures from carry-forward appropriations equal \$273,174 or 46.6 percent of the total proposed reductions. Specific reductions include \$75,631 in operating expenses related to ARRA monitoring and \$6,536 in operating expenses associated with the tax study referenced in HB 657.

1104 Legislative Branch Legislative Adopted Budget							All Programs	
LO1 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	8,819,756	10,781,395	10,581,045	10,607,339	19,601,151	21,188,384	1,587,233	8.1%
Operating Expenses	2,484,603	2,663,615	3,813,259	3,088,060	5,148,218	6,901,319	1,753,101	34.1%
Equipment & Intangible Assets	69,801	139,699	75,000	75,000	209,500	150,000	(59,500)	-28.4%
Transfers	-	-	-	-	-	-	-	0.0%
<b>Total Costs</b>	<b>11,374,160</b>	<b>13,584,709</b>	<b>14,469,304</b>	<b>13,770,399</b>	<b>24,958,869</b>	<b>28,239,703</b>	<b>3,280,834</b>	<b>13.1%</b>
General Fund	9,116,067	11,249,936	11,812,196	11,775,305	20,366,003	23,587,501	3,221,498	15.8%
State/other Special Rev. Funds	2,258,093	2,334,773	2,657,108	1,995,094	4,592,866	4,652,202	59,336	1.3%
<b>Total Funds</b>	<b>11,374,160</b>	<b>13,584,709</b>	<b>14,469,304</b>	<b>13,770,399</b>	<b>24,958,869</b>	<b>28,239,703</b>	<b>3,280,834</b>	<b>13.1%</b>

The following table shows spending reductions proposed by the Legislative Branch that will be submitted to their respective administrative committees. The description of each decision package follows the figure.

1104 Legislative Branch Budget Reduction Percentages				All Programs		
<i>Executive Spending Reductions (Feb. 16, 2010)</i>	0.00%	-4.98%	-2.48%	Total Funds	Total Funds	Total Funds
Decision Package	General Fund FY 2010	General Fund FY 2011	General Fund FY 2010-11	FY 2010	FY 2011	FY 2010-11
NP00201 Services Division Targeted 5% GF Reduction	-	(276,846)	(276,846)	-	(276,846)	(276,846)
NP00211 Legislative Committees 5% Targeted Reductions	-	(20,655)	(20,655)	-	(20,655)	(20,655)
NP00212 Legislative Committees HB657 Tax Study Reduction	-	(6,536)	(6,536)	-	(6,536)	(6,536)
NP00271 Fiscal Division 5% Targeted GF Reductions	-	(95,280)	(95,280)	-	(95,280)	(95,280)
NP00281 Audit Division Targeted 5% GF Reductions	-	(186,769)	(186,769)	-	(186,769)	(186,769)
<b>New Proposal Total</b>	-	<b>(586,086)</b>	<b>(586,086)</b>	-	<b>(586,086)</b>	<b>(586,086)</b>
<b>Total All Decision Packages</b>	-	<b>(586,086)</b>	<b>(586,086)</b>	-	<b>(586,086)</b>	<b>(586,086)</b>

### NP201

#### Services Division Targeted 5% GF Reduction

This proposal reduces general fund expenditures for personal services, general operating, and IT network costs as well as reductions in budgeted expenditures from carry-forward appropriations in the Legislative Services Division.

NP211

Legislative Committees 5% Targeted Reductions

This proposal reduces general fund expenditures for personal services and general operating expenses including budgeted expenditures from carry-forward appropriations in the Legislative Committees budget.

NP212

Legislative Committees HB657 Tax Study Reduction

This proposal reduces operating expenses for the HB 657 Tax Study.

NP271

Fiscal Division 5% Targeted GF Reductions

This proposal contains reductions in personal services and operating expenses, including a reduction in operating expenses related to a one-time-only appropriation for ARRA monitoring in the Legislative Fiscal Division.

NP281

Audit Division Targeted 5% GF Reductions

This proposal reduces expenditures for personal services and operating expense including budgeted expenditures from carry-forward appropriations in the Legislative Audit Division.



## GOVERNOR'S OFFICE

The Governor's Office of Budget and Program Planning (OBPP) recommends a total general fund expenditure reduction of \$295,767 for the Governor's Office. Of this amount, HB 2/HB 13 expenditure reductions include \$123,920 in operating expenses and \$161,267 in personal services expense. This represents a 2.3 percent reduction from the amount appropriated by the legislature in HB2/HB 13. \$62,235 of this reduction is from operating expenses in the base budget year and therefore would reduce on-going expenditures. \$10,580 in carry-forward reversion is a one-time-only general fund expenditure reduction. OBPP has also proposed a transfer of \$11,335 from a non-budgeted fund to the general fund. The total impact to the general fund for all proposals including the non-budgeted funds transfer is \$307,102.

3101 Governor's Office							All Programs	
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	4,324,180	4,443,693	4,374,520	4,410,438	8,767,873	8,784,958	17,085	0.2%
Operating Expenses	1,517,318	1,486,569	1,928,656	1,764,079	3,003,887	3,692,735	688,848	22.9%
Equipment & Intangible Assets	-	-	-	-	-	-	-	0.0%
<b>Total Costs</b>	<b>5,841,498</b>	<b>5,930,262</b>	<b>6,303,176</b>	<b>6,174,517</b>	<b>11,771,760</b>	<b>12,477,693</b>	<b>705,933</b>	<b>6.0%</b>
General Fund	5,820,498	5,902,462	6,270,676	6,142,017	11,722,960	12,412,693	689,733	5.9%
State/other Special Rev. Funds	21,000	27,800	32,500	32,500	48,800	65,000	16,200	33.2%
Federal Spec. Rev. Funds	-	-	-	-	-	-	-	0.0%
Proprietary Funds	-	-	-	-	-	-	-	0.0%
<b>Total Funds</b>	<b>5,841,498</b>	<b>5,930,262</b>	<b>6,303,176</b>	<b>6,174,517</b>	<b>11,771,760</b>	<b>12,477,693</b>	<b>705,933</b>	<b>6.0%</b>

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

3101 Governor's Office				All Programs		
Budget Reduction Percentages						
<i>Executive Spending Reductions (Feb. 16, 2010)</i>				-2.36%	-2.59%	-2.47%
Decision Package	General Fund	General Fund	General Fund	Total Funds	Total Funds	Total Funds
	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11
PL00001 Out of State Travel Reduction	(21,866)	(21,866)	(43,732)	(21,866)	(21,866)	(43,732)
PL00002 08170 Non-budgeted funds to GF	(11,335)	-	(11,335)	(11,335)	-	(11,335)
PL00003 Revert FY08 Carryforward	(10,580)	-	(10,580)	(10,580)	-	(10,580)
PL00004 Benefits Savings	(5,170)	(5,170)	(10,340)	(5,170)	(5,170)	(10,340)
PL00005 General Operating Reduction	(40,369)	(36,536)	(76,905)	(40,369)	(36,536)	(76,905)
PL00006 Personal Services Vacancies	(58,436)	(89,858)	(148,294)	(58,436)	(89,858)	(148,294)
PL00007 Fixed Cost Reduction	-	(5,916)	(5,916)	-	(5,916)	(5,916)
<b>Present Law Total</b>	<b>(147,756)</b>	<b>(159,346)</b>	<b>(307,102)</b>	<b>(147,756)</b>	<b>(159,346)</b>	<b>(307,102)</b>
<b>Total All Decision Packages</b>	<b>(147,756)</b>	<b>(159,346)</b>	<b>(307,102)</b>	<b>(147,756)</b>	<b>(159,346)</b>	<b>(307,102)</b>

PL  
1



### Out of State Travel Reduction

Reducing out of state travel by 35% will save \$21,866 in both FY 2010 and FY 2011.

**LFD  
COMMENT**

This reduction impacts the Executive Office, Lt. Governor's Office, Air Transportation, and Mental Health Board of Visitors programs. The majority of the reduction (\$32,774 for the biennium) is from the Executive Office program. The legislature appropriated \$122,450 for these expenditures in HB 2 that include car rental, commercial transportation, personal car mileage, meals, lodging, and foreign travel. This reduction represents a 1.33 percent decrease of the general fund operating expense budget for the agency or a 0.35 percent decrease of the entire general fund budget for the agency.

PL

2

### 08170 Non-budgeted funds to GF

A balance of \$11,335 in a non-budgeted state special revenue fund will be transferred to the general fund and be recorded as general fund revenue.

**LFD  
COMMENT**

A Governor's conference on energy was hosted by Montana State University in October of 2005. The university collected attendance fees, donations, and miscellaneous other charges to cover the costs of producing the conference. The surplus funds that remained after paying for the costs of the conference were forwarded to the Governor's Office to fund additional costs or reports resultant from the conference. Since no further costs have been incurred and no additional reports have been requested, this proposal is to transfer the remaining fund balance in the account to the general fund.

PL

3

### Revert FY08 Carryforward

FY 2008 carryforward funds will not be spent.

**LFD  
COMMENT**

Statute (17-7-340, MCA) provides that 30 percent of certain operating funds that are unexpended at the end of the year may be carried forward to the two following years for expenditure. OBPP recommends that the agency not expend \$10,580 of carry-forward funds that are available to the agency per statute.

PL

4

### Benefits Savings

The division will save \$5,170 each year for retirement system contributions that will not be made as an employee elected not to join the retirement system.

**LFD  
COMMENT**

Employees that are directly appointed by the Governor have the option to decline participation in the Public Employees' Retirement System (PERS). The subject position is the Coordinator of Indian Affairs division administrator. The reduction is a result of the state not funding the matching component of the employee's contribution to the retirement system

PL

5

### General Operating Reduction

Savings will be realized by reducing operating expenses by \$40,369 in fiscal year 2010 and \$36,536 in fiscal year 2011.

**LFD COMMENT** These general reductions to operating expenses are unspecified reductions, and therefore there is no estimate of the potential impact on the agency. The reductions have been applied to most of the agency's programs, but the largest single reduction (\$46,167 for the biennium) is from the Governor's Office of Economic Development and represents 2.09 percent of the budgeted expenditures of that function. In total the reduction accounts for 2.34 percent of the general fund operating expense budget or 0.62 percent of the general fund expense budget for the agency.

PL  
6

#### Personal Services Vacancies

Savings will be generated by holding a vacant position open for a part of FY 2010 and FY 2011.

**LFD COMMENT** This proposal reduces the budgeted expenditures for personal services in the Office of Budget and Program Planning. There is no apparent impact on services provided by the agency since these reductions are made from budgeted amounts for positions that are currently vacant.

PL  
7

#### Fixed Cost Reduction

Reductions in fixed cost charges in FY 2011 will produce a savings of \$5,916 in FY 2011.

**LFD COMMENT** This decision package reduces general fund expenditures for payments of the rent of state-owned buildings, SABHRS fees, payroll fees, worker's compensation management fees, and other fixed cost expenses paid to the Department of Administration. Please refer to the Department of Administration proposed budget reductions section for a more detailed discussion.

## COMMISSIONER OF POLITICAL PRACTICES

The Governor’s Office of Budget and Program Planning (OBPP) recommends a total general fund expenditure reduction of \$23,044 for the Commissioner of Political Practices. Of this amount, HB 2/HB 13 expenditure reductions include \$3,731 in operating expenses. This represents a 0.38 percent reduction from the amount appropriated by the legislature in HB2/HB 13. The remaining reduction is the inclusion of \$19,313 in reduced spending from a 2009 fiscal year carry-forward appropriation.

3202 Comm Of Political Practices							All Programs	
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	218,906	324,185	292,602	294,068	543,091	586,670	43,579	8.0%
Operating Expenses	146,514	124,655	217,113	166,815	271,169	383,928	112,759	41.6%
<b>Total Costs</b>	<b>365,420</b>	<b>448,840</b>	<b>509,715</b>	<b>460,883</b>	<b>814,260</b>	<b>970,598</b>	<b>156,338</b>	<b>19.2%</b>
General Fund	365,420	448,840	509,715	460,883	814,260	970,598	156,338	19.2%
<b>Total Funds</b>	<b>365,420</b>	<b>448,840</b>	<b>509,715</b>	<b>460,883</b>	<b>814,260</b>	<b>970,598</b>	<b>156,338</b>	<b>19.2%</b>

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

3202 Comm Of Political Practices				All Programs		
Budget Reduction Percentages				-3.88%	-0.71%	-2.37%
<i>Executive Spending Reductions (Feb. 16, 2010)</i>						
Decision Package	General Fund	General Fund	General Fund	Total Funds	Total Funds	Total Funds
	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11
PL03201 Carry Forward Reversion	(19,313)	-	(19,313)	(19,313)	-	(19,313)
PL03202 Additional 5% Reductions	(469)	(3,262)	(3,731)	(469)	(3,262)	(3,731)
<b>Present Law Total</b>	<b>(19,782)</b>	<b>(3,262)</b>	<b>(23,044)</b>	<b>(19,782)</b>	<b>(3,262)</b>	<b>(23,044)</b>
<b>Total All Decision Packages</b>	<b>(19,782)</b>	<b>(3,262)</b>	<b>(23,044)</b>	<b>(19,782)</b>	<b>(3,262)</b>	<b>(23,044)</b>

PL  
3201  
Carry Forward Reversion

This DP will reduce carry forward funds by \$19,313, intended to use for legal services during the 2010 - 2011 biennium. The agency budget is small and already run as efficiently as possible.

<b>LFD COMMENT</b>	Statute (17-7-340, MCA) provides that 30 percent of certain operating funds that are unexpended at the end of the year may be carried forward to the next two following years for expenditure. OBPP recommends that the agency not expend \$19,313 of carry-forward funds that are available to the agency per statute.
--------------------	---

PL  
3202



Additional 5% Reductions  
This DP are fixed fund cuts.

Rent: Expenditure code 62527 reduce base \$181 per fiscal year.

SABHRS Fees: Expenditure code 62148 reduce base by \$47 per fiscal year

Payroll Fees: Expenditure code 62114 reduce base by \$23.50 per fiscal year

WC Bureau Fee: Expenditure code 62114A reduce base by \$1.50 per fiscal year

Office Supplies: Expenditure code 62300 reduce base by \$1485 in FY 2011

Travel: Expenditure code 62400 Reduce base by \$1300 for 2011.

Newspaper/Advertising: Expenditure code 62315, reduce base budget by \$220 in FY20 and \$220 in FY11

**LFD  
COMMENT**

This reduction includes a small amount of systematic reductions that are produced by pass-through costs including rent, accounting, payroll and workers' compensation fees being reduced. The majority of the decreased spending comes from reductions in office supplies, advertising, and travel. These spending reductions total nearly 0.5 percent of the general fund budget for the biennium.



## DEPARTMENT OF REVENUE

OBPP recommends general fund expenditure reductions totaling \$144,926. The general fund reductions are comprised of reductions to statutory appropriations for tax increment financing district payments and out-of-state debt collections. These statutory appropriation reductions represent 4.6 percent of their appropriations. Reductions would not be made to HB 2/HB 13 funding; instead nearly \$1.2 million of general fund savings identified by the agency would be redirected to compliance activities by reducing applied vacancy savings. OBPP also recommends that liquor proprietary funds be reduced by \$116,523, or 2.5 percent. HB 2/HB 13 funding for personal services will increase by 1.1 percent, operating expenses will decrease by 2.2 percent, and equipment will decrease by 40.9 percent.

5801 Department Of Revenue							All Programs	
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	31,541,481	34,079,740	35,949,122	36,291,495	65,621,221	72,240,617	6,619,396	10.1%
Operating Expenses	18,434,552	18,119,477	18,678,146	18,463,700	36,554,029	37,141,846	587,817	1.6%
Equipment & Intangible Assets	220,095	181,863	220,095	220,095	401,958	440,190	38,232	9.5%
Local Assistance	-	-	-	-	-	-	-	0.0%
Benefits & Claims	-	-	-	-	-	-	-	0.0%
Transfers	-	-	-	-	-	-	-	0.0%
Debt Service	-	972	-	-	972	-	(972)	-100.0%
<b>Total Costs</b>	<b>50,196,128</b>	<b>52,382,052</b>	<b>54,847,363</b>	<b>54,975,290</b>	<b>102,578,180</b>	<b>109,822,653</b>	<b>7,244,473</b>	<b>7.1%</b>
General Fund	46,999,289	48,766,397	50,992,092	51,111,205	95,765,686	102,103,297	6,337,611	6.6%
State/other Special Rev. Funds	823,595	882,192	1,106,069	1,097,520	1,705,787	2,203,589	497,802	29.2%
Federal Spec. Rev. Funds	194,192	424,881	206,318	206,447	619,073	412,765	(206,308)	-33.3%
Proprietary Funds	2,179,052	2,308,582	2,542,884	2,560,118	4,487,634	5,103,002	615,368	13.7%
<b>Total Funds</b>	<b>50,196,128</b>	<b>52,382,052</b>	<b>54,847,363</b>	<b>54,975,290</b>	<b>102,578,180</b>	<b>109,822,653</b>	<b>7,244,473</b>	<b>7.1%</b>

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

5801 Department Of Revenue				All Programs		
Budget Reduction Percentages						
	-0.89%	0.60%	-0.14%			
<i>Executive Spending Reductions (Feb. 16, 2010)</i>	General Fund	General Fund	General Fund	Total Funds	Total Funds	Total Funds
Decision Package	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11
PL00101 Reduce appropriation for TIF districts - SA	(39,773)	(5,153)	(44,926)	(39,773)	(5,153)	(44,926)
PL00102 Reduce appropriation for collections - SA	(100,000)	-	(100,000)	(100,000)	-	(100,000)
PL00103 Reduction in Directors Office	(21,940)	(30,281)	(52,221)	(21,940)	(30,281)	(52,221)
PL00201 Reduction in Information Technology & Processing	(487,587)	(272,441)	(760,028)	(487,587)	(272,441)	(760,028)
PL00301 Reduction in Liquor Control Division	-	-	-	-	(116,523)	(116,523)
PL00501 Reduction in Citizen Services & Resource Mgmt	(87,693)	(90,561)	(178,254)	(87,693)	(90,561)	(178,254)
PL00701 Reduction in Tax Administration	(31,411)	(49,099)	(80,510)	(31,411)	(49,099)	(80,510)
PL00702 Redirection of Cost Savings to BIT	340,000	855,138	1,195,138	340,000	855,138	1,195,138
PL00801 Reduction in Property Assessment Division	(23,835)	(100,290)	(124,125)	(23,835)	(100,290)	(124,125)
<b>Present Law Total</b>	<b>(452,239)</b>	<b>307,313</b>	<b>(144,926)</b>	<b>(452,239)</b>	<b>190,790</b>	<b>(261,449)</b>
<b>Total All Decision Packages</b>	<b>(452,239)</b>	<b>307,313</b>	<b>(144,926)</b>	<b>(452,239)</b>	<b>190,790</b>	<b>(261,449)</b>



PL  
101  
Reduce appropriation for TIF districts – SA

The Department of Revenue will reduce a statutory appropriation by \$44,926 in general fund in the 2011 biennium due to excess authority resulting from expiring Tax Increment Financing (TIF) districts.

**LFD  
COMMENT**

The reduction is associated with three districts that were included in the estimate to establish the statutory appropriation level but were terminated at a time when no payment would be required in fiscal years 2010 and 2011. Additionally, one other district that was included in the original payment estimate used to establish the appropriation is now expected to be terminated prior to FY 2011, so no FY 2011 payment is needed.

PL  
102  
Reduce appropriation for collections – SA

The Department of Revenue will reduce a statutory appropriation by \$100,000 in general fund in the 2011 biennium by lowering the amount of contracted services spent for out-of-state debt collections. This activity is not mandatory. The statutory appropriation is necessary to permit the state to engage out of state contractors to collect Montana taxes when the taxes are not collectable in Montana. Without the appropriation, the fees and costs of such collection would instead come out of the department's budget. The program has not yet reached a steady state and so the statutory appropriation was an estimate. The program is currently spending less than the appropriation as a result of start up effects, moving the collection earlier in the process, deterrent effect, and similar issues. Accordingly, the reductions will not impact current programs.

The department is productively using its out-of-state collection authority. However, the original level of the statutory appropriation was only an estimate. This one-time change would adjust the appropriation to more nearly match the actual expenditures for FY2010. The department has, in some cases, been able to make collections earlier in the process because merely informing non-residents of the existence of the out-of-state collections statute has generated tax payments without the department having to actually incur costs.

**LFD  
COMMENT**

This reduction would effectively reduce to half the \$200,000 statutory appropriation currently established on the state accounting system for FY 2010. No reductions are proposed for the \$400,000 amount associated with FY 2011. The same rationale used to justify the FY 2010 reduction should hold true for FY 2011. The committee may want to recommend that the Governor consider reductions for FY 2011 in addition to FY 2010 debt service collection costs.

PL  
103  
Reduction in Directors Office

The Department of Revenue will reduce \$52,221 in general fund spending in the 2011 biennium by reducing or eliminating specific operating expenses in the Directors Office. The specific reductions seek to achieve the mandated budget reductions. The reduction in operating expenses impacts non-mandatory services. The remaining budget will manage any impact to services created by these reductions. The reduction in operating expense budget includes reducing costs in areas such as cellular phones; modifying out of state travel; reducing fixed costs; and implementing changes in advertising of vacant positions.

**LFD COMMENT** Included in the reduction are FY 2010 reductions to pay fixed cost fees charged by internal service proprietary funded programs of the Department of Administration for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion for the Department of Administration.

PL  
201  
Reduction in Information Technology & Processing

The Department of Revenue will reduce \$760,028 in general fund spending in the 2011 biennium by reducing several operating expense costs in the Information Technology and Processing Division. This reduction proposal includes decreases in travel, fixed costs, newspaper ads for posting positions, postage for mailing of forms, cell phone usage and overall computer services. Efficiencies created within the division result in the cost savings in travel, ads, postage, and cell phones. Additional savings can be realized in the area of computer costs related to systems costs (i.e., maintenance, enhancements, and storage) and equipment costs.

**LFD COMMENT** Included in the reduction are FY 2010 reductions to pay fixed cost fees charged by internal service proprietary funded programs of the Department of Administration for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion for the Department of Administration.

The largest components of this reduction are reductions for contracted services of computer programmers (\$427,075), reductions in printing and mailing of forms (\$96,211), and savings due to delaying replacing computer equipment until the next biennium (\$200,000).

PL  
301  
Reduction in Liquor Control Division

The Department of Revenue will reduce \$116,523 in the Liquor Fund which has a direct impact on the general fund in the 2011 biennium by decreasing expenses in equipment and operating costs. These reductions are workable on a one-time short term basis but are not sustainable for the long term. Eliminating these expenses on a continuing basis will have an adverse impact on the liquor operations by reducing the quality of the equipment and operating funds thereby jeopardizing the statutory requirements to distribute liquor.

**LFD COMMENT** Technically, this is not a general fund reduction, but a general fund revenue enhancement. This reduction is associated with an appropriation that is not funded with general fund and was made based on the statutory requirement to transfer net proceeds from the operation of state liquor sales to the general fund. Since reduced liquor proprietary fund expenditures would likely increase net proceeds, the general fund would be favorably impacted if liquor operations had reduced expenditures. Legislative legal review has concluded that reductions made to non-general fund sources do not qualify as a reduction in spending pursuant to Section 17-7-140, MCA. Moreover, legislative review has concluded that this reduction should be listed as other adjustments in the balance sheet as opposed to a Section 17-7-140, MCA proposed reduction.



PL  
501  
Reduction in Citizen Services & Resource Mgmt

The Department of Revenue will reduce \$178,254 in general fund spending in the 2011 biennium by reducing several operating expense costs in the Citizen Services and Resource Management Division. These reductions recognize the efficiencies gained from revising how the department provides annual tax forms. The budget reduction is attributable to printing fewer tax forms after analyzing the filing patterns of taxpayers on paper versus electronically, the annual demand for paper forms, and revising the purchase order to reflect this analysis. The reduction in operating expense budget also recognizes reduced costs from revising the use of cellular phones; reducing fixed costs; and modifying out of state travel. These steps allow the department to continue to be responsive to the needs of the taxpayer, while recognizing efficiencies in how these services are provided.

**LFD  
COMMENT**

Included in the reduction are FY 2010 reductions to pay fixed cost fees charged by internal service proprietary funded programs of the Department of Administration for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion for the Department of Administration. The savings from tax form printing (\$178,254) would be ongoing, as the department has refined the process used to determine the number of forms needed.

PL  
701  
Reduction in Tax Administration

The Department of Revenue will reduce \$80,510 in general fund spending in the 2011 biennium by reducing several operating expense costs in the Business and Income Taxes Division. This decision package would reduce or eliminate specific operating expenses to achieve the mandated budget reductions. The reduction in operating expenses will not impact mandatory services in the short term. Any impact to services created by these reductions will be managed within the remaining budget. Any additional reductions to this program will begin to negatively impact tax compliance and ultimately general fund revenue. The reduction in operating expense budget includes reducing costs in areas such as cellular phones; fixed costs; modifying out of state travel; and implementing changes in advertising of vacant positions.

**LFD  
COMMENT**

Included in the reduction are FY 2010 reductions to pay fixed cost fees charged by internal service proprietary funded programs of the Department of Administration for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion for the Department of Administration.

702  
Redirection of Cost Savings to BIT

The Governor's Office has redirected cost savings in decision packages 103, 201, 501, 701 and 801 into Business and Income Tax Division (BIT). These redirected funds will go towards tax compliance activities in order to prevent significant adverse impacts on revenue. Funds are being primarily spent on restoration of the 7% vacancy savings. The rate of return on BIT audit collections is at least \$7 to \$1 invested.



**LFD  
COMMENT**

The projected impact of this action is unclear. The OBPP narrative for the recommended reductions indicated there would be no impacts on the agency's services. The description of this adjustment reallocating those reductions to compliance activities states a seven to one return on investment in compliance, yet the executive has not projected a commensurate revenue impact from this investment.

PL

801

Reduction in Property Assessment Division

The Department of Revenue will reduce \$124,125 in general fund spending in the 2011 biennium by reducing or eliminating specific operating expenses in the Property Assessment Division. The specific reductions seek to achieve the mandated budget reductions. The reduction in operating expenses impacts non-mandatory services. The remaining budget will manage any impact to services created by these reductions. The reduction in operating expense budget includes reducing costs in areas such as cellular phones and other phone services; reducing fixed costs; modifying out of state travel; implementing changes in advertising of vacant positions; and changes to purchases involving publications and software licenses.

**LFD  
COMMENT**

Included in the reduction are FY 2010 reductions to pay fixed cost fees charged by internal service proprietary funded programs of the Department of Administration for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion for the Department of Administration.

Other Options/Alternatives

In addition to the reduction options proposed by the executive, the Legislative Finance Committee may want to recommend the following other options for consideration by the Governor:

Additional Reduction to Out-of-state Debt Collection Statutory Appropriation - Following the same logic the executive provided in the justification for PL 102 that reduces FY 2010 funding for a statutory appropriation to pay for out-of-state debt collection costs, the FY 2011 expenditures should also be able to be reduced by a similar amount. Since the department has moved collection activities earlier in their processes, the same type of savings should be able to be realized on an ongoing basis. The committee may want to recommend the Governor consider expanding PL 102 to include a \$100,000 reduction in FY 2011.



## DEPARTMENT OF ADMINISTRATION

OBPP recommends the general fund expenditures be reduced by 1.8 percent from the HB 2/HB 13 level. OBPP also recommends that general fund in HB 645 (federal stimulus) be reduced by \$26,903 and lottery proprietary funds be reduced by \$62,222. Of the total reductions, 25.2 percent is due to moving a position from general fund to being funded by an enterprise proprietary fund, 1.3 percent is in personal services reductions, and 73.5 percent is in operating expenses.

6101 Department Of Administration							All Programs	
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	8,709,460	10,110,458	10,020,242	10,202,652	18,819,918	20,222,894	1,402,976	7.5%
Operating Expenses	10,010,416	11,131,712	10,369,988	9,674,538	21,142,128	20,044,526	(1,097,602)	-5.2%
Equipment & Intangible Assets	42,077	42,256	42,077	42,077	84,333	84,154	(179)	-0.2%
Local Assistance	22,633	22,944	44,033	40,633	45,577	84,666	39,089	85.8%
Grants	608,576	860,530	1,558,576	1,558,576	1,469,106	3,117,152	1,648,046	112.2%
Benefits & Claims	-	-	-	-	-	-	-	0.0%
Transfers	-	-	-	-	-	-	-	0.0%
Debt Service	32,050	32,050	32,050	32,050	64,100	64,100	-	0.0%
<b>Total Costs</b>	<b>19,425,212</b>	<b>22,199,950</b>	<b>22,066,966</b>	<b>21,550,526</b>	<b>41,625,162</b>	<b>43,617,492</b>	<b>1,992,330</b>	<b>4.8%</b>
General Fund	6,341,405	6,740,525	6,274,931	6,299,720	13,081,930	12,574,651	(507,279)	-3.9%
State/other Special Rev. Funds	5,545,483	7,123,851	7,817,482	7,890,856	12,669,334	15,708,338	3,039,004	24.0%
Federal Spec. Rev. Funds	296,871	624,201	575,003	48,739	921,072	623,742	(297,330)	-32.3%
Capital Projects Funds	-	-	-	-	-	-	-	0.0%
Proprietary Funds	7,241,453	7,711,373	7,399,550	7,311,211	14,952,826	14,710,761	(242,065)	-1.6%
<b>Total Funds</b>	<b>19,425,212</b>	<b>22,199,950</b>	<b>22,066,966</b>	<b>21,550,526</b>	<b>41,625,162</b>	<b>43,617,492</b>	<b>1,992,330</b>	<b>4.8%</b>

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

6101 Department Of Administration				All Programs		
Budget Reduction Percentages						
	-0.07%	-3.92%	-2.00%			
<i>Executive Spending Reductions (Feb. 16, 2010)</i>	General Fund	General Fund	General Fund	Total Funds	Total Funds	Total Funds
Decision Package	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11
PL00101 Reduce HB 13 RST OTO 17-70140 (1)(b),MCA	(1,515)	-	(1,515)	(1,515)	-	(1,515)
PL00301 Funding Switch frm GF to LGS Enterprise Fnd 1 FTE	-	(78,968)	(78,968)	-	(78,968)	(78,968)
PL00303 Allocate Fixed Cost Rate Reductions	-	(983)	(983)	-	(983)	(983)
PL00601 Reduce Capitol Complex parking lot repairs FY2011.	-	(84,844)	(84,844)	-	(84,844)	(84,844)
PL00602 Allocate Fixed Cost Rate Reductions	-	(52,512)	(52,512)	-	(52,512)	(52,512)
PL00701 Reduce local govt interoperability contracted svcs	-	(26,903)	(26,903)	-	(26,903)	(26,903)
PL00702 Allocate Fixed Cost Rate Reductions	-	(390)	(390)	-	(390)	(390)
PL01501 Reduce operating expenditures FY2010 & FY2011.	-	-	-	(31,111)	(31,111)	(62,222)
PL02302 Allocate Fixed Cost Rate Reductions	-	(1,841)	(1,841)	-	(1,841)	(1,841)
PL02303 Reduce HB13A (RST/OTO) general fund	(1,469)	-	(1,469)	(1,469)	-	(1,469)
PL03701 Reduce HB 13 RST OTO 17-70140(1)(b),MCA	(1,100)	-	(1,100)	(1,100)	-	(1,100)
PL03702 Allocate Fixed Cost Rate Reductions	-	(637)	(637)	-	(637)	(637)
<b>Present Law Total</b>	<b>(4,084)</b>	<b>(247,078)</b>	<b>(251,162)</b>	<b>(35,195)</b>	<b>(278,189)</b>	<b>(313,384)</b>
<b>Total All Decision Packages</b>	<b>(4,084)</b>	<b>(247,078)</b>	<b>(251,162)</b>	<b>(35,195)</b>	<b>(278,189)</b>	<b>(313,384)</b>

PL  
101  
Reduce HB 13 RST OTO 17-70140 (1)(b),MCA

Personal Services reduction of HB 13 One-Time-Only Restricted authority.

**LFD COMMENT** This decision package reduces HB 13 one-time-only funding for the \$450 or \$225 lump sum pay provided for positions earning less than \$45,000 per year for full-time positions or less than \$21.635 per hour for positions working 20 hours per week up to full time. The reduction is primarily for the amount that was over-allocated to the Director's Office.

PL  
301  
Funding Switch frm GF to LGS Enterprise Fnd 1 FTE

Funding switch from General Fund to enterprise fund 06042 for 1.00 FTE in State Accounting Division Local Government Services Bureau.

**LFD COMMENT** This adjustment move funding for one position from general fund to funding from an enterprise type proprietary funded program by reducing general fund and increasing enterprise funds (which do not appear in the table). The enterprise program receives revenue from local governments fees paid to support local government audit reviews of the Montana Single Audit Act.

PL  
303  
Allocate Fixed Cost Rate Reductions

Reduce general fund budgets by allocating the fiscal year 2011 fixed cost rate reductions.

**LFD COMMENT** This reduction is associated with funding to pay fixed cost fees charged by internal service proprietary funded programs of the department for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion at the end of this agency.

PL  
601  
Reduce Capitol Complex parking lot repairs FY2011.

The general fund portion of the General Services Division's budget is dedicated to deferred maintenance projects. Projects such as parking lot and sidewalk repairs will not be completed during FY 2011.

PL  
602  
Allocate Fixed Cost Rate Reductions

Reduce general fund budgets by allocating the fiscal year 2011 fixed cost rate reductions.

**LFD COMMENT** This reduction is associated with funding to pay fixed cost fees charged by internal service proprietary funded programs of the department for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion at the end of this agency.

PL  
701  
Reduce local govt interoperability contracted svcs

Contracted services reduction of local government interoperability contracts.

**LFD COMMENT** This reduction is associated with a general fund appropriation in HB 645 (federal stimulus). Full funding for the project was \$1.0 million for the biennium. Contracted services funding has been used to support training and services costs associated with the project.

PL  
702  
Allocate Fixed Cost Rate Reductions

Reduce general fund budgets by allocating the fiscal year 2011 fixed cost rate reductions.

**LFD COMMENT** This reduction is associated with funding to pay fixed cost fees charged by internal service proprietary funded programs of the department for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion at the end of this agency.

PL  
1501  
Reduce operating expenditures FY2010 & FY2011.

Lottery is an enterprise fund. However, their profit is transferred to the general fund. A reduction in their expenditures will result in a corresponding increase in the amount transferred to the general fund, assuming the decrease in expenditures does not cause a decrease in Lottery revenue.

**LFD COMMENT** Technically, this is not a general fund reduction, but a general fund revenue enhancement. This reduction is associated with an appropriation that is not funded with general fund and was made based on the statutory requirement to transfer net revenue from the state lottery to the general fund. Since reduced lottery proprietary fund expenditures would likely increase net proceeds, the general fund would be favorably impacted if the lottery had reduced expenditures. Legislative legal review has concluded that reductions made to non-general fund sources do not qualify as a reduction in spending pursuant to Section 17-7-140, MCA. Moreover, legislative review has concluded that this reduction should be listed as other adjustments in the balance sheet as opposed to a Section 17-7-140, MCA proposed reduction.

PL  
2302  
Allocate Fixed Cost Rate Reductions

Reduce general fund budgets by allocating the fiscal year 2011 fixed cost rate reductions.

**LFD COMMENT** This reduction is associated with funding to pay fixed cost fees charged by internal service proprietary funded programs of the department for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion at the end of this agency.

PL  
2303  
Reduce HB13A (RST/OTO) general fund

Reducing SHRD HB13A (RST/OTO) general fund appropriation for the 2010 budget reductions.

**LFD COMMENT** This decision package reduces HB 13 one-time-only funding for the \$450 or \$225 lump sum pay provided for positions earning less than \$45,000 per year for full-time positions or less than \$21.635 per hour for positions working 20 hours per week up to full time. The reduction is for the amount that was over allocated to the State Human Resources Division and for savings gained when position vacancies negated the need for the budgeted payments.

PL  
3701  
Reduce HB 13 RST OTO 17-70140(1)(b),MCA

Personal Services reduction of HB 13 One-Time-only restricted authority.

**LFD COMMENT** This decision package reduces HB 13 one-time-only funding for the \$450 or \$225 lump sum pay provided for positions earning less than \$45,000 per year for full-time positions or less than \$21.635 per hour for positions working 20 hours per week up to full time. The reduction is primarily for the amount that was over allocated to the State Tax Appeals Board.

PL  
3702  
Allocate Fixed Cost Rate Reductions

Reduce general fund budgets by allocating the fiscal year 2011 fixed cost rate reductions.

**LFD COMMENT** This reduction is associated with funding to pay fixed cost fees charged by internal service proprietary funded programs of the department for: human resources information system, SABHRS administrative costs, rent of state-owned buildings, and workers' compensation management. For a more detailed discussion of the reductions in the corresponding programs providing services to state agencies see the discussion at the end of this agency.



### Statewide Fixed Cost Reductions

Statewide reductions were made to reduce funding for payments made to internal services proprietary programs of the Department of Administration that provide the following services to other state agencies:

- Operation and maintenance of the human resources portion of the state accounting, budgeting, and human resources system (SABHRS)
- Operations and maintenance of the financial accounting portion of SABHRS
- Facilities management of state-owned buildings on the Capitol complex
- The workers' compensation management program

The executive has the authority to adjust rates charged for internal service proprietary funded services as long as the rates do not exceed the maximum rates authorized by the legislature in Section R of HB 2.

The savings in these programs will result in a combined statewide general fund savings of nearly \$282,000. Because rate reductions for one fund must be reduced for all funds to maintain funding equity, reductions of general fund payments to these programs require larger overall reductions in program expenditures. The following table lists the areas being targeted in the proprietary programs and the resultant rate reductions, general fund reductions, and the total program reductions to provide the general fund reductions.

Proprietary Program	Fixed Cost Reductions			Program Reductions
	FY 2011	General	Total	
	Rate	Fund	Funds	
	Reduction	Reduction	Reduction	
Facilities Maintenance Bureau	2.5%	\$147,867	\$282,713	Window washing, miscellaneous "repair and maintenance" including new carpet and paint replacements at state office buildings, repairs on sidewalks and parking lots on the Capitol complex
SABHRS Finance and Budget Bureau	5%	78,534	185,517	Training and Travel; contracted services for financials, MBARS contracted services, minor supplies
SABHRS Human Resources Information System	5%	52,174	142,127	Rates were built with OPEB (other post employee benefits costs). This generally accepted accounting principle (GAAP) expense entry does not need to be collected in an internal service fund as cash is not paid
Workers' Compensation Management Program	5%	<u>3,772</u>	<u>9,803</u>	Reduction in travel outside of Helena. However the bureau will work with state agencies in Helena to disseminate information outside of Helena
Statewide Total		<u>\$282,347</u>	<u>\$620,160</u>	



## DEPARTMENT OF COMMERCE

The Governor's Office of Budget and Program Planning recommends a total general fund expenditure reduction of \$481,400 for the Department of Commerce. The reduction includes \$63,462 from the amount appropriated by the legislature in HB2/HB 13 representing a 0.66 percent reduction in spending from those bills. An expenditure reduction of \$417,938 is from an appropriation contained in HB645 that will increase the ending fund balance, but not impact ongoing expenditures in the upcoming 2013 biennium. Expenditure reductions include \$740 in operating expenses and \$480,660 in grants.

6501 Department Of Commerce							All Programs	
Legislative Adopted Budget								
LO1 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	2,755,120	2,911,344	3,306,404	3,339,375	5,666,464	6,645,779	979,315	17.3%
Operating Expenses	2,526,589	5,318,047	5,216,652	5,162,419	7,844,636	10,379,071	2,534,435	32.3%
Equipment & Intangible Assets	97,650	-	97,650	97,650	97,650	195,300	97,650	100.0%
Local Assistance	-	-	-	-	-	-	-	0.0%
Grants	15,597,961	18,348,852	29,387,195	24,058,032	33,946,813	53,445,227	19,498,414	57.4%
Benefits & Claims	-	-	-	-	-	-	-	0.0%
Transfers	-	-	-	-	-	-	-	0.0%
<b>Total Costs</b>	<b>20,977,320</b>	<b>26,578,243</b>	<b>38,007,901</b>	<b>32,657,476</b>	<b>47,555,563</b>	<b>70,665,377</b>	<b>23,109,814</b>	<b>48.6%</b>
General Fund	2,452,220	2,592,842	4,814,022	4,814,001	5,045,062	9,628,023	4,582,961	90.8%
State/other Special Rev. Funds	2,442,145	6,110,217	11,343,140	5,884,568	8,552,362	17,227,708	8,675,346	101.4%
Federal Spec. Rev. Funds	16,082,955	17,875,184	21,850,739	21,958,907	33,958,139	43,809,646	9,851,507	29.0%
<b>Total Funds</b>	<b>20,977,320</b>	<b>26,578,243</b>	<b>38,007,901</b>	<b>32,657,476</b>	<b>47,555,563</b>	<b>70,665,377</b>	<b>23,109,814</b>	<b>48.6%</b>

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

6501 Department Of Commerce				All Programs		
Budget Reduction Percentages				-9.33%	-0.67%	-5.00%
<i>Executive Spending Reductions (Feb. 16, 2010)</i>				General Fund	General Fund	General Fund
Decision Package	FY 2010	FY 2011	FY 2010-11	Total Funds	Total Funds	Total Funds
	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11
PL05102 General Fund Fixed Cost Reduction - HB 2	-	(617)	(617)	-	(617)	(617)
PL05103 New Worker Training -HB 2	(31,361)	(31,361)	(62,722)	(31,361)	(31,361)	(62,722)
PL05104 Distribution to Tribal Governments	(417,938)	-	(417,938)	(417,938)	-	(417,938)
PL05501 General Fund Fixed Cost Reduction - HB 2	-	(59)	(59)	-	(59)	(59)
PL06001 General Fund Fixed Cost Reduction - HB 2	-	(64)	(64)	-	(64)	(64)
<b>Present Law Total</b>	<b>(449,299)</b>	<b>(32,101)</b>	<b>(481,400)</b>	<b>(449,299)</b>	<b>(32,101)</b>	<b>(481,400)</b>
<b>Total All Decision Packages</b>	<b>(449,299)</b>	<b>(32,101)</b>	<b>(481,400)</b>	<b>(449,299)</b>	<b>(32,101)</b>	<b>(481,400)</b>

PL 5102

General Fund Fixed Cost Reduction - HB 2

This decision package reduces FY 2011 general fund for the following fixed costs:

62114 Payroll Service Fees

62148 SABHRS

62114A WC Bureau Fee

**LFD  
COMMENT**

Three decision packages (5102, 5501, and 6001) reduce general fund expenditures for payments of the rent of state-owned buildings, SABHRS fees, payroll fees, worker's compensation management fees, and other fixed cost expenses paid to the Department of Administration. Please refer to the Department of Administration proposed budget reductions section for a more detailed discussion.

## PL 5103

## New Worker Training -HB 2

This decision package reduces the HB 2 general fund appropriation for New Worker Training by \$62,022.

The program is administered by the Department of Commerce, Grant Review Committee (MCA 39-11-201). The Committee may award workforce training grants to primary sector businesses that provide education or skills-based training for new and existing employees. Training funds are paid on a reimbursement basis only.

During the current biennium, a total of \$5,064,648 was appropriated for the program. Due to the national recession, the Department has not had the application flow that existed in previous years. The downturn in the economy at this time has resulted in less demand for the resource.

**LFD  
COMMENT**

The amount appropriated by the legislature in HB 2 for the New Worker Training Grant program totals \$3,753,252. The remaining \$1.3 million was appropriated by the legislature in HB 645. The proposed reduction represents a 1.67 percent reduction in spending from the HB 2 appropriation.

## PL 5104

## Distribution to Tribal Governments

HB 645, passed by the 2009 Legislature, contained an appropriation designated for distribution to Tribal Governments of \$5 million general fund. Section 57 of the bill states that the distribution shall be made available through the state-tribal economic development commission. The commission was to provide funding for projects that were available for immediate commencement and that each tribe must be allocated at least \$200,000. The bill also requires that funds be expended by September 20, 2010. Currently, \$617,937.50 remains unobligated from the original \$5 million. \$417,937.50 will be reduced leaving a balance of \$200,000 to be allocated if all technical requirements are met.

**LFD  
COMMENT**

After removing the administrative allowance provided to the agency, the original \$5 million appropriation was divided among the eight Native American nations resulting in an allocation of approximately \$618,000 available to each. Language in HB 645 required that each of the tribes be allocated a minimum of \$200,000. Due to concerns arising from accounting and organizational issues within the Little Shell tribe, the Department of Commerce has held back funding to the tribe pending the resolution of these issues. The proposed reduction eliminates all but the minimum allocation for the tribe.

## PL 5501

## General Fund Fixed Cost Reduction - HB 2

This decision package reduces FY 2011 general fund for the following fixed costs:

62114 Payroll Service Fees

62148 SABHRS

62114A WC Bureau Fee



PL 6001

General Fund Fixed Cost Reduction - HB 2

This decision package reduces FY 2011 general fund for the following fixed costs:

62114 Payroll Service Fees

62148 SABHRS

62114A WC Bureau Fee

### **Other Options**

The Energy Promotion and Development Division (EPDD) of the Department of Commerce was awarded a \$100,000 grant from the U.S. Department of Energy under the Wind Powering America program for the promotion of wind energy projects within the state. EPDD will be fulfilling the grant requirements using existing FTE. \$85,000 of the grant is budgeted for personal services. Personal services are funded entirely from the general fund in both HB 2 and HB 645, the two bills that appropriate funds for the division. Since the federal grant funds will be used by existing FTE, the general fund expenditures for personal services could be reduced by this amount. The reduction would amount to 9.26 percent of the combined general fund appropriations made in HB 2 and HB 645.

The legislature appropriated general fund monies in HB 2 and HB 645 for the Worker Training Program of the Department of Commerce. During the current biennium, a total of \$5,064,648 was appropriated for the program through both bills. To date, no expenditures have been recorded against the appropriation. At recent meetings of the worker training grant review committee no new applications for funding were reviewed. A few businesses that had been awarded grants in previous biennia had requested time extensions on their grants because they had a downturn in employment during the current recession and would not be adding new employees until the economy begins to recover. A 10 percent reduction from both appropriations in this program would produce a general fund savings of \$506,465. PL 5103, above, proposes a reduction of \$62,022, leaving \$444,443 available for further reductions.



## DEPT. OF LABOR AND INDUSTRY

The Governor's Office of Budget and Program Planning (OBPP) recommends a total general fund expenditure reduction of \$216,659 for the Department of Labor and Industry. Expenditure reductions are from operating expenses and represent a 4.16 percent reduction from the amount appropriated by the legislature in HB2/HB 13. The largest portion of the reduction totals \$208,537 and comes from a restricted appropriation for the Community College Student Growth Account.

6602 Department Of Labor & Industry							All Programs	
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	37,295,537	43,870,969	41,047,675	41,389,750	81,166,506	82,437,425	1,270,919	1.6%
Operating Expenses	17,451,034	22,742,465	22,778,505	21,583,662	40,193,499	44,362,167	4,168,668	10.4%
Equipment & Intangible Assets	437,097	561,339	444,032	437,032	998,436	881,064	(117,372)	-11.8%
Capital Outlay	-	-	163,700	-	-	163,700	163,700	0.0%
Grants	8,087,502	11,392,270	8,087,502	8,087,502	19,479,772	16,175,004	(3,304,768)	-17.0%
Benefits & Claims	126,085	156,586	126,085	126,085	282,671	252,170	(30,501)	-10.8%
Transfers	1,011,753	618,381	633,556	636,083	1,630,134	1,269,639	(360,495)	-22.1%
Debt Service	3,775	3,775	3,775	3,775	7,550	7,550	-	0.0%
<b>Total Costs</b>	<b>64,412,783</b>	<b>79,345,785</b>	<b>73,284,830</b>	<b>72,263,889</b>	<b>143,758,568</b>	<b>145,548,719</b>	<b>1,790,151</b>	<b>1.3%</b>
General Fund	2,235,593	2,134,687	2,596,770	2,612,713	4,370,280	5,209,483	839,203	19.2%
State/other Special Rev. Funds	33,593,817	36,684,078	39,049,022	38,237,903	70,277,895	77,286,925	7,009,030	10.0%
Federal Spec. Rev. Funds	28,535,931	34,251,539	31,543,848	31,312,994	62,787,470	62,856,842	69,372	0.1%
Proprietary Funds	47,442	6,275,481	95,190	100,279	6,322,923	195,469	(6,127,454)	-96.9%
<b>Total Funds</b>	<b>64,412,783</b>	<b>79,345,785</b>	<b>73,284,830</b>	<b>72,263,889</b>	<b>143,758,568</b>	<b>145,548,719</b>	<b>1,790,151</b>	<b>1.3%</b>

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

6602 Department Of Labor & Industry				All Programs		
Budget Reduction Percentages		-8.32%	-0.02%	-4.16%		
<i>Executive Spending Reductions (Feb. 16, 2010)</i>		General Fund	General Fund	General Fund	Total Funds	Total Funds
Decision Package		FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011
PL066211 Reduction Community College Student Growth Account		(208,537)	-	(208,537)	(208,537)	-
PL066212 Reduction Fixed Cost		-	(533)	(533)	-	(533)
PL066231 Travel Reduction		(7,589)	-	(7,589)	(7,589)	-
<b>Present Law Total</b>		<b>(216,126)</b>	<b>(533)</b>	<b>(216,659)</b>	<b>(216,126)</b>	<b>(533)</b>
<b>Total All Decision Packages</b>		<b>(216,126)</b>	<b>(533)</b>	<b>(216,659)</b>	<b>(216,126)</b>	<b>(533)</b>

PL  
66211  
Reduction Community College Student Growth Account



The Department of Labor and Industry will reduce the Community College Student Growth Account by \$208,537 in FY2010. The 2009 Legislature approve DP 102 which included \$275,000 of restricted appropriation for the Community College Student Growth Account.

**LFD  
COMMENT**

The funding for the Community College Student Growth Account (CCSGA) is a restricted appropriation segregated by the legislature from a larger appropriation requested by the executive. The CCSGA is a conceptual program for which the agency is without specific direction on the expenditure of funding. The appropriation is an annual amount of \$275,000. The biennial total general fund appropriation for the Workforce Services Division (of which the CCSGA appropriation is a portion) is \$2,090,702. The proposed reduction of \$208,537 is equal to 9.97 percent of the biennial total general fund appropriation for the program. The proposed spending reduction is for operating expenses only. No expenditures have been recorded against the appropriation.

PL  
66212  
Reduction Fixed Cost

The Department of Labor will reduce rent fixed cost by \$533 in FY 2011.

**LFD  
COMMENT**

This decision package reduces general fund expenditures for payments of the rent of state-owned buildings paid to the Department of Administration. Please refer to the Department of Administration proposed budget reductions section for a more detailed discussion.

PL  
66231  
Travel Reduction

Department of Labor and Industry is reducing out-of-state travel general fund expenses by 35% in FY 2010. The impact of this reduction is less out of state travel.



## MILITARY AFFAIRS

The Governor's Office of Budget and Program Planning recommends a total general fund expenditure reduction of \$291,258 for the Department of Military Affairs. Of this amount, HB 2/HB 13 expenditure reductions include \$32,477 in operating expenses. This represents a 0.28 percent reduction from the amount appropriated by the legislature in HB2/HB 13. \$3,576 of this reduction is from the base budget year and therefore would reduce on-going expenditures. \$258,781 is a one-time-only reduction of general fund expenditures from amounts appropriated in HB 4 during the May 2007 special legislative session.

Although PL 3101 calls for the closure of a state office, no reductions of FTE would be made.

6701 Department Of Military Affairs							All Programs	
Legislative Adopted Budget								
L01 Budget Version	Base	Approp	Budgeted	Budgeted	Biennium	Biennium	Biennial	Biennial
Budget Item	FY 2008	FY 2009	FY 2010	FY 2011	FY 2008-09	FY 2010-11	Change	Percent
Personal Services	9,331,043	10,082,132	10,364,131	10,453,254	19,413,175	20,817,385	1,404,210	7.2%
Operating Expenses	15,431,921	17,171,617	16,208,878	16,380,320	32,603,538	32,589,198	(14,340)	0.0%
Equipment & Intangible Assets	273,976	307,305	323,976	323,976	581,281	647,952	66,671	11.5%
Capital Outlay	-	-	-	-	-	-	-	0.0%
Grants	1,287,008	1,412,260	13,614,431	13,614,431	2,699,268	27,228,862	24,529,594	908.8%
Benefits & Claims	2,280	2,280	2,280	2,280	4,560	4,560	-	0.0%
Transfers	-	-	-	-	-	-	-	0.0%
<b>Total Costs</b>	<b>26,326,228</b>	<b>28,975,594</b>	<b>40,513,696</b>	<b>40,774,261</b>	<b>55,301,822</b>	<b>81,287,957</b>	<b>25,986,135</b>	<b>47.0%</b>
General Fund	5,345,653	5,537,043	5,700,362	5,825,156	10,882,696	11,525,518	642,822	5.9%
State/other Special Rev. Funds	1,004,215	1,472,895	1,421,352	1,393,170	2,477,110	2,814,522	337,412	13.6%
Federal Spec. Rev. Funds	19,976,360	21,965,656	33,391,982	33,555,935	41,942,016	66,947,917	25,005,901	59.6%
<b>Total Funds</b>	<b>26,326,228</b>	<b>28,975,594</b>	<b>40,513,696</b>	<b>40,774,261</b>	<b>55,301,822</b>	<b>81,287,957</b>	<b>25,986,135</b>	<b>47.0%</b>

The following figure shows the spending reduction proposals by the executive for all programs. The description of each decision package follows the figure.

6701 Department Of Military Affairs				All Programs		
Budget Reduction Percentages				-0.05%	-4.96%	-2.53%
<i>Executive Spending Reductions (Feb. 16, 2010)</i>				General Fund	General Fund	General Fund
Decision Package	FY 2010	FY 2011	FY 2010-11	Total Funds	Total Funds	Total Funds
	FY 2010	FY 2011	FY 2010-11	FY 2010	FY 2011	FY 2010-11
PL00101 5% Budget Reduction	(2,585)	(991)	(3,576)	(2,585)	(991)	(3,576)
PL01201 5% Budget Reduction	-	(258,781)	(258,781)	-	(258,781)	(258,781)
PL02101 5% Budget Reduction	-	(11,901)	(11,901)	-	(11,901)	(11,901)
PL03101 5% budget reduction	-	(17,000)	(17,000)	-	(17,000)	(17,000)
<b>Present Law Total</b>	<b>(2,585)</b>	<b>(288,673)</b>	<b>(291,258)</b>	<b>(2,585)</b>	<b>(288,673)</b>	<b>(291,258)</b>
<b>Total All Decision Packages</b>	<b>(2,585)</b>	<b>(288,673)</b>	<b>(291,258)</b>	<b>(2,585)</b>	<b>(288,673)</b>	<b>(291,258)</b>

PL 101  
5% Budget reduction – Centralized Services Division

This DP will reduce in-state travel by \$2,585.00. The reduction is part of the 35% mandatory travel reduction directed by the Governor. These services are permissive.

The Department will also reduce mandatory fixed cost from DofA by \$991.00.

**LFD COMMENT** In addition to the travel expenditure reduction, this decision package reduces general fund expenditures for payments of the rent of state-owned buildings, SABHRS fees, payroll fees, worker's compensation management fees, and other fixed cost expenses paid to the Department of Administration. Please refer to the Department of Administration proposed budget reductions section for a more detailed discussion.

PL 1201  
5% Budget Reduction – Army National Guard Program

This DP will reduce Missoula Armed Forces Reserve Center (AFRC) (subclass 830I1) which was used to pay the rent for the old Missoula armory until the construction of the Missoula Armed Forces Reserve Center AFRC is complete. There will be no negative impact unless there are delays in the completion of the construction of the Missoula AFRC. These services are permissive.

**LFD COMMENT** In the May 2007 special session of the legislature, section 13 of House Bill 4 required that all proceeds from the sale of the national guard armory located in Missoula be deposited in the general fund. The bill further appropriated up to \$3.5 million of those proceeds to the Department of Military Affairs for costs that included the lease or provision of replacement space for soldiers until a new facility is completed. This proposed reduction in budgeted expenditures comes from operating expenses for scheduled rent payments on the old facility that are not expected to be incurred due to the timely completion of the new reserve center. This is a one-time-only \$258,781 general fund reduction.

PL 2101  
5% Budget Reduction – Disaster and Emergency Services Division

This DP will reduce Hazardous Material support funding in the amount of \$11,901.00. This reduction will reduce the Disaster & Emergency Services Division's ability to fund training focused on local hazardous material responders. These services are permissive.

**LFD COMMENT** This proposed reduction is from the Regional Hazardous Materials Planning and Training program operated by the Disaster and Emergency Services Division. The majority of the funds expended by this program (\$530,000 for the biennium) are for grants to regional HazMat responders to participate in training programs. The remaining budgeted expenditures (\$50,000 for the biennium) are for operating costs associated with the planning and training operations portion of the program. The reduced expenditures proposed are to come from the program operating costs and not the grant amounts. The program will forgo a portion of the planning function that these funds would normally be expended on, but will continue the planned level of training operations. This program is entirely funded by the general fund and the reduction will not negatively impact the federal funding available to the division.

PL 3101  
5% budget reduction – Veterans Affairs Program

This DP reduction is based upon division resources and historical data regarding service provision. The division can more efficiently serve Montana veterans by consolidating two veterans’ service offices, creating a \$17,000 savings.

These services are mandatory.

<b>LFD COMMENT</b>	The proposed consolidation of veterans’ service offices would involve the Wolf Point and Miles City offices. Each of these offices are single-person offices. The office in Wolf Point would be eliminated and the veterans’ service officer would be moved to the office in Miles City. Outreach services would still be performed in the Wolf Point area from the Miles City office. According to the division director, the Miles City office was chosen to be the surviving location because the office is housed within a building that provides the space free of charge. The savings and reduction amount is from the elimination of the fixed costs of the physical office space that includes expenses such as rent, utilities, insurance and so on. The reduction represents nearly 1.0 percent of the general fund budget of the Veterans’ Affairs Program and approximately 0.15 percent of the general fund budget of the agency.
--------------------	--

**Other Options**

The legislature approved a general fund appropriation of \$750,000 in HB 645 for Improvised Explosive Device (IED) Training. The IED Training program consists of a physical course where a number of IED situations may be encountered and military personnel are trained how to prepare for and avoid these situations. The construction of the course was awarded to a contractor and the operating of the training program is done by the Army National Guard. The winning bid for the completion of the course construction was lower than anticipated by the agency, thus leaving the remaining funding available for additional enhancements to the course. A 10 percent reduction in the IED Training expenditures would produce a \$75,000 increase in the general fund balance.

PL1201 Reduces the expenditures related to the \$3.5 million appropriation of general fund to the Department of Military Affairs provided for in HB 4 of the prior legislative session for costs that included the lease or provision of replacement space for soldiers until a new National Guard facility is completed by \$258,781. The Governor could increase this reduction to \$350,000 thereby gaining an additional \$91,219 in general fund savings.