

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government

Time : Medium

Committee: EA

Agency Name: Governor's Office

Status : On-Going

FTE Impact : N

Program Name: Executive Office Program

Mode : Research

MCA : 2-15-218

| Option | General Fund | State Special | Federal Special |
|--------------------------|--------------|---------------|-----------------|
| Change Source of Funding | \$2,289,313 | (\$2,289,313) | \$0 |

Description of Option: Move Governor's Office of Economic Development to Commerce - Promotion Division

Criteria Name: State is subsidizing what could or should be self-supporting/lower subsidy

Summary of the Issue

The Governor's Office of Economic Development (GOED) is an integrated function of the Executive Office Program of the Governor's Office and is funded primarily with a general fund appropriation in HB 2. The GOED could be moved to the Department of Commerce and housed in the Montana Promotion Division and completely funded with the statutory appropriation made in 15-65-121, the Lodging Facility Tax.

How the Fund Balance Would be Impacted

The statutory appropriation noted above is from a state special revenue account that was created to house the portion of the Lodging Facility Tax (bed tax) that is dedicated to the Department of Commerce for the promotion of Montana. The transfer of the GOED to the DOC and funding it from the bed tax proceeds would result in a general fund spending reduction of \$2.3 million over the biennium. The Lodging Facility Tax state special revenue account was carrying a fund balance at the end of FY 2009 of over \$7.4 and million, the fund balance has been growing at a compound annual rate of about 13.4 percent during the period between FY 2000 and 2009. The prior two years tax revenues have exceeded spending by over \$1.0 million. Funding the GOED from this account would produce little to no impact on current programs.

Legislation Required

Current statute provides for the structure of the Office of Economic Development within the Governor's Office and describes the duties of the Chief Development Officer in 2-15-218 and 219, MCA. These statutes would need to be changed so that the office would reside with the Department of Commerce. The Lodging Facilities Tax distribution statute (15-65-121, MCA) would need to be modified as well. The statute currently reads that the funds transferred to Commerce are "for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials". Language would be needed to include the functions of the GOED. A large function of the GOED is to promote the general business environment of the state and Montana as a place to locate or grow a business.

Legislative Fiscal Division

Legislative Budget Options

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| Section Name: General Government | Time : Low | Committee: EA |
| Agency Name: Department Of Commerce | Status : On-Going | FTE Impact : N |
| Program Name: Business Resources Division | Mode : Research | MCA : 39-11-201 |

| Option | General Fund | State Special | Federal Special |
|------------------------------------|--------------|---------------|-----------------|
| Program Eliminations/Modifications | \$3,753,238 | \$0 | \$0 |

Description of Option: Reduce or Eliminate Funding for Worker Training Program

Criteria Name: High cost of provision (with or without comparison to other programs)

Summary of Issue

The primary sector workforce training grant program is defined in statute and has been funded on a one-time-only basis for at least the last two biennia. The program reverted a large portion (over \$400k) of the fiscal year 2009 appropriation and has spent approximately \$176k of the \$1,876,633 fiscal year 2010 appropriation. In addition, while the program was provided a \$1.3 million dollar appropriation in HB 645, no expenditures have been recorded to date against the HB 645 appropriation. While this appropriation was designated as OTO by the legislature and consequently will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

How the Fund Balance Would be Impacted

The elimination of the program would decrease expected general fund expenditures by \$3.75 million over the biennium. As an alternative, the legislature could reduce the program funding instead of eliminating it completely.

Other Factors

The worker training grant program reimburses companies for specific training expenses related to expanding, and in some cases maintaining, their workforce. Elimination or reduction of the program would cause those companies that would be eligible for grant funding to finance the covered cost of workforce training through other means. This may impede the expansion of jobs for some companies that would normally qualify for the program.

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government

Time : Medium

Committee: EA

Agency Name: Department Of Commerce

Status : On-Going

FTE Impact : Y

Program Name: Energy Promotion & Dev Division

Mode : Research

MCA :

| Option | General Fund | State Special | Federal Special |
|------------------------------------|--------------|---------------|-----------------|
| Program Eliminations/Modifications | \$910,000 | \$0 | \$0 |

Description of Option: Eliminate the Energy Promotion and Development Division

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of issue

The Energy Promotion and Development Division (EPDD) is a ongoing program that has been funded with one-time-only appropriations in the past two biennia. The program lacks significant measureable objectives that allow for quantitative evaluation of the attainment of stated goals. This is a stand-alone program and employs 5.0 FTE. While this appropriation was designated as OTO by the legislature and consequently will not be part of the base budget, the LFD included it in the Big Picture report in March due to its on-going nature and the likelihood the legislature, will be asked to continue funding. Therefore, a decision to discontinue or reduce funding would improve the projected budget imbalance.

How the Fund Balance Would be Imapcted

The program has a total current general fund appropriation of \$910,000 over the biennium. Elimination of the program would decrease expected general fund expenditures and increase the projected fund balance by that amount.

Other impacts

The EPDD currently employs 5.0 FTE. These positions would be eliminated.

Legislative Fiscal Division

Legislative Budget Options

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|---|--------------------------|------------------------|
| Section Name: General Government | Time : Medium | Committee: EA |
| Agency Name: Department Of Commerce | Status : On-Going | FTE Impact : N |
| Program Name: Community Development Division | Mode : Research | MCA : 15-35-108 |

| Option | General Fund | State Special | Federal Special |
|-----------------------------------|--------------|---------------|-----------------|
| Spending Deferrals or Suspensions | \$1,430,744 | \$0 | \$0 |

Description of Option: Eliminate 2.9% Increase in Coal Severance Tax Distribution to the Coal Board

Criteria Name: Definition of success is nebulous or difficult to measure

Summary of issue
 Senate Bill 100 of the 2009 regular session doubled the amount of coal severance tax proceeds allocated to the coal board for use as local impact grants, thus reducing the amount allocated to the general fund. The increase is scheduled to take effect at the beginning of fiscal year 2011 and continue through the first quarter of fiscal year 2014. The reduction would bring available funds for local impact grants to coal producing areas back to the current level, adjusted for growth in tax revenues.

How the Fund Balance Would be Impacted
 Reversing the 2.9 percent increase in coal severance tax as called for in Senate Bill 100 would eliminate the diversion of an estimated \$1,430,744 from the general fund over the 2013 biennium.

Required legislation
 15-35-108, MCA would require new legislation to eliminate the upcoming redistribution of the tax proceeds currently contained in statute.

Other Factors
 The Coal Board uses these funds for grants to local counties impacted by coal mining to assist with infrastructure needs attributable to coal mining. By eliminating the increased funding, the Coal Board would have the same available funding level for grants in the upcoming biennium as were available in the current biennium.

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government

Time : Medium

Committee: EA

Agency Name: Department Of Labor & Industry

Status : One-Time

FTE Impact : N

Program Name:

Mode : Research

MCA :

| Option | General Fund | State Special | Federal Special |
|--------------------------|--------------|---------------|-----------------|
| Change Source of Funding | \$3,000,000 | (\$3,000,000) | \$0 |

Description of Option: Replace General Fund With SSR From Employment Security Account

Criteria Name: Other

Summary of issue

The employment security account (ESA) is funded through an assessment on wages paid by employers and is used to partially fund a number of employment services and workforce programs. This proposal would replace general fund with the state special funds in those programs that are currently funded with both general fund and ESA, including the Research and Analysis Bureau and the 21st Century Workforce Bureau of the Workforce Services Division, the Hearings and Legal Bureaus of the Commissioner's Office, and The Employment Relations Division.

How the Fund Balance Would be Impacted

The ongoing state special fund balance will support at least one biennium of funding change and based on the 17 percent estimated compound annual growth rate of the fund balance, should support a partial replacement of general fund on an ongoing basis. The reduction in general fund expenditures are estimated to increase the projected fund balance by \$3.0 million over the next biennium.

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government

Time : Low

Committee: EA

Agency Name: Department Of Labor & Industry

Status : On-Going

FTE Impact : N

Program Name: Work Force Services Division

Mode : Research

MCA :

| Option | General Fund | State Special | Federal Special |
|------------------------------------|--------------|---------------|-----------------|
| Program Eliminations/Modifications | \$550,000 | \$0 | \$0 |

Description of Option: Eliminate the Community College Student Growth Account Program

Criteria Name: New program, success has not been measured

Summary of Issue

Funding for this program was provided without direction from the legislature or proposal from the agency for its exact purpose. A change in bureau management at the agency left this initiative incomplete. The agency has conflicting ideas as to the original purpose of the program and did not receive specific direction from the legislature at the time of the appropriation. Due to these issues, the agency does not expect to expend the appropriation that was made for the current biennium.

How the Fund Balance Would be Impacted

Elimination of the program would increase the projected fund balance of the upcoming biennium by \$550,000.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Natural Resources & Transportation

Time : Low

Committee: EA

Agency Name: Department Of Livestock

Status : On-Going

FTE Impact : Y

Program Name:

Mode : Research

MCA : 2-15-3100

| Option | General Fund | State Special | Federal Special |
|---------------------------------------|--------------|---------------|-----------------|
| Program/Facility Efficiencies/Economy | \$1,000,000 | \$0 | \$0 |

Description of Option: Combine the Departments of Agriculture and Livestock

Criteria Name: Service recipients have other options to get the service or one similar

Summary of Issue

The Department of Agriculture is a constitutionally recognized agency that has the power to levy livestock commodities for disease control, predator control, etc. The Department of Livestock was created by law as part of the state reorganization of the executive department to meet the requirements of constitutional amendments adopted by Montana voters. (Chapter 272, Laws of 1971) It is the only agency operated by a board.

How Fund Balance Would be Impacted

These departments have dual structures for administration. In consolidation of the administrative functions, savings would occur. This would either be through the elimination of general fund, or the ability to leverage a variety of state special revenue funds to support the function.

Further Work Required

An analysis of actual cost savings needs to occur.

Other Factors

Legislation would be needed to remove references to DOL and transfer responsibilities to Agriculture.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Natural Resources & Transportation

Time : Low

Committee: EA

Agency Name: Department Of Livestock

Status : On-Going

FTE Impact : N

Program Name: Centralized Services Program

Mode : Research

MCA : Title 15, Ch 24

| Option | General Fund | State Special | Federal Special |
|----------------------|--------------|---------------|-----------------|
| Revenue Enhancements | | \$0 | \$0 |

Description of Option: Improve Collection of Per Capita Fees

Criteria Name: Not subject to regular review

Summary of Issue

The process to ensure that all livestock owners pay per capita fees is based on self reportable data from the owners. Owners of a smaller number of livestock often are not in the system to pay fees until such time as the property is reappraised and it is noted that livestock is on the land. Collection of the per capita fee could offset the need for general fund support.

How the Fund Balance Would be Impacted

The availability of per capita fees can reduce the dependency on general fund in most programs, except livestock loss reimbursement and meat inspection services.

Further Work Required

How per capita could be collected to assure greater compliance would need to be determined.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Natural Resources & Transportation

Time : Low

Committee: EA

Agency Name: Department Of Livestock

Status : On-Going

FTE Impact : N

Program Name: Diagnostic Laboratory Program

Mode : Research

MCA :

| Option | General Fund | State Special | Federal Special |
|--|--------------|---------------|-----------------|
| Support by Service Recipients/Eliminate GF Subsidy | \$1,000,000 | \$0 | \$0 |

Description of Option: Eliminate General Fund Subsidy in Diagnostic Laboratory

Criteria Name: Funding change over time to GF from other source

Summary of Issue

The diagnostic laboratory is a fee for service function. The lab began to receive general fund support in the 2005 session and has continued to increase since that time. This support was provided based upon the public health aspects of the lab. This includes testing of milk based consumer products and handling rabies testing.

How the Fund Balance Would be Impacted

General fund subsidy would be eliminated and be replaced with either per capita fees, lab fees or a combination of both. The users of the facility would be responsible for supporting the function.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Natural Resources & Transportation

Time : Low

Committee: EA

Agency Name: Department Of Agriculture

Status : On-Going

FTE Impact : N

Program Name: Agricultural Sciences Division

Mode : Research

MCA :

| Option | General Fund | State Special | Federal Special |
|--|--------------|---------------|-----------------|
| Support by Service Recipients/Eliminate GF Subsidy | \$250,000 | \$0 | \$0 |

Description of Option: Eliminate General Fund Subsidy to the Grain Laboratory

Criteria Name: Funding change over time to GF from other source

Summary of Issue

The state grain lab received \$250,000 in general fund subsidy in the 2009 legislative session. The lab provides testing for producers of wheat, barley, peas, lentils and the like. Statute requires a grain lab to provide for protein testing and subsequent procedures for such testing.

The general fund reduction could be covered by increased fees or other state special sources, such as fess collected from industry. Statute (80-4-721, MCA) requires fees to reflect as nearly as possible the cost of testing.

Further Work Required

Determination of an alternative revenue source would need to be made.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue

Time : Medium

Committee: EA

Agency Name: Statewide Issue

Status : On-Going

FTE Impact : N

Program Name:

Mode : Research

MCA : 15-35-108

| Option | General Fund | State Special | Federal Special |
|------------------------------------|--------------|---------------|-----------------|
| Program Eliminations/Modifications | \$613,000 | \$0 | \$0 |

Description of Option: General Fund Economic Development Statutory Appropriations

Criteria Name: Not subject to regular review

Summary of Issue

The legislature could examine the statutory appropriations used to fund economic development programs. Options include:

1) reduce 10% to achieve the level of expenditure reductions identified in the "Preliminary Budget Outlook for the 2013 Biennium"; 2) reduce or eliminate amount for a set period; 3) reduce or eliminate permanently. Amounts based on FY 2012 & 2013 estimates.

How the Fund Balance Would be Impacted

Reductions in authorized statutory appropriations and expenditures will increase the general fund balance.

Further Work Required

The recipients of the general fund money need to be identified along with potential effects of the expenditure reductions and any possible legal ramifications.