

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Natural Resources & Transportation

**Time :** Medium

**Committee:** ELG

**Agency Name:** Dept Of Natural Resources & Conservation

**Status :** One-Time

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Other	\$40,900,000	\$0	\$0

**Description of Option:** Require the PPL Rent Payments on Riverbed Lands to be Deposited in General Fund

**Criteria Name:** Other

#### Summary of Issue

The Montana Supreme Court (Court) determined that title to the riverbeds of the Missouri, Clark Fork, and Madison Rivers passed to Montana when it became a state in 1889 and held that the lands are public trust lands under Article X, Section 11. The Court upheld the District Court's methodology of calculating damages, and directed PPL Montana to pay approximately \$41 million (plus interest) in damages to the state for improper use of the streambed.

The Board of Land Commissioners passed a resolution on May 17, 2010 directing that when the judgment in the litigation is paid by PPL Montana, the entire amount of the compensatory damages (\$41 million plus accrued interest) be deposited in a state special revenue fund for the purpose of the acquisition of lands to be held in the public land trust for the benefit of public schools. Initial review by the LFD and LSD indicates that the resolution misclassifies the funds as non-state funds and inappropriately avoids the need for a legislative appropriation of approximately \$41 million awarded by the Court. Legislative legal staff is reviewing the classification of these funds.

#### How the Fund Balance Would be Impacted

DNRC and the Montana Land Board concluded in the resolution that the public trust lands are to be managed for the benefit of education. Current statute is not clear on the use of the funds derived from public trust lands under Article X, Section 11. The legislature could appropriate the funds to the K-12 or post secondary education system in Montana, appropriate the funds for land purchases to be held in trust for the schools, or direct the funding to the general fund for other purposes determined to be appropriate for damages for the improper use of public trust lands.

#### Legislation Required

The legislature may wish to revisit the statutes to clarify the classification of funds derived for damages of state trust lands.

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$8,400,000	\$0	\$0

**Description of Option:** Eliminate HB 124 Block Grants to K-12 Funds Other than General Fund

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

Summary of Issue  
 HB 124 block grants are distributed to school districts based on revenues given up to the state in HB 124, passed during the 2001 session. Approximately \$4.2 million per year of these block grants are distributed to school district funds other than the district general fund. Eliminating the block grants to these funds will likely result in an increase in property taxes, although not in all cases. For instance the portion distributed to the flexibility fund will likely not result in a property tax increase.

Legislation Required  
 20-9-630, MCA would need to be changed to eliminate these HB 124 block grants to districts.

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$48,000,000	\$0	\$0

**Description of Option:** Eliminate HB 124 Block Grants to K-12 District General Funds

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

**Summary of Issue**

HB 124 block grants are distributed to school districts based on revenues given up to the state in HB 124, passed during the 2001 session. Approximately \$44 million per year of these block grants are distributed to school districts' general fund and are utilized in the GTB area of the district general fund. Eliminating the block grants to these funds will result in an increase in state GTB of \$20 million per year and an increase of \$24 million in property taxes. The net savings to the state would be \$24 million per year.

**Legislation Required**

20-9-630, MCA would need to be changed to eliminate the HB 124 block grants.

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 20-9-306

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$124,000,000	\$0	\$0

**Description of Option:** Lower Direct State Aid to K-12 from 44.7 Percent to 30.0 Percent

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

**Summary of Issue**

Direct state aid from the state to school districts is calculated as 44.7 percent of the basic and per-ANB entitlements. Lowering the direct state aid to 30 percent would reduce direct state aid and increase state GTB payments. The net result for the state would be a savings of \$62 million per year. Local school district property taxes would increase by a like amount.

For every 1 percent reduction in the direct state aid percent, the net savings to the state is \$4.2 million.

**Other Factors**

The district court's recent dismissal of the adequacy suit mentioned favorably the state's share in funding school districts. Reducing the state's share of school district funding may risk another adequacy suit.

**Legislation Required**

20-9-306, MCA would need to be changed to reduce the direct state aid percentage.

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 20-9-306

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$124,000,000	\$0	\$0

**Description of Option:** Reduce Basic and per-ANB Entitlements to K-12 by 10 Percent

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

**Summary of Issue**  
 The state could reduce maximum school district general fund budgets by reducing the basic and per ANB entitlements by 10 percent. This would reduce direct state aid and GTB by \$62 million per year, or approximately \$6.2 million for every 1 percent reduction. This would lower maximum district general fund budgets across the state, and most districts would require increased property taxes to regain their prior year budgets, although in most cases this would require a vote.

**Other Factors**  
 The district court's recent dismissal of the adequacy suit mentioned favorably the state's share in funding school districts. Reducing the state's share of school district funding may risk another adequacy suit.

**Legislation Required**  
 20-9-306, MCA would need to be changed.

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 20-9-630

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$10,800,000	\$0	\$0

**Description of Option:** Eliminate District GF HB 124 Block Grants to the Extent of Oil & Gas Revenue

**Criteria Name:** Other

**Summary of Issue**  
 School districts receive HB 124 block grants from the state based on revenue given up in 2001 under HB 124. This money is utilized to fund the GTB area of the district general fund and other district funds. Districts with oil and gas revenue in excess of the amount of HB 124 block grants money do not require these block grants to fund their budgets. In some limited cases this may require state GTB backfill. It would require a test each year comparing oil and gas receipts to HB 124 block grants.

**Other Factors**  
 This option partly duplicates the other HB 12 block grant options in education. If this option were used the other option would not be used.

**Legislation Required**  
 20-9-630, MCA would need to be changed.

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 77-4-208

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$20,389,752	\$0	\$0

**Description of Option:** Eliminate Deposit of Riverbed Rents in Facility Account; put in Guarantee Acct

**Criteria Name:** Other

Summary of Issue  
 Starting in FY 2012, current law requires that riverbed rent paid by Avista and PPL be deposited in the school facility and technology account to provide funding for capital purchases by schools going forward. This option would deposit this money in the guarantee account and would be used offset general fund in funding the state's share of current expenses of school districts.

Legislation Required  
 77-4-208, MCA must be changed in order to direct the deposit of riverbed rents into the guarantee account.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** Low

**Committee:** ELG

**Agency Name:** Office Of Public Instruction

**Status :** One-Time

**FTE Impact :** N

**Program Name:** Local Education Activities

**Mode :** Research

**MCA :** 20-9-542

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	\$41,700,000	\$0	\$0

**Description of Option:** Eliminate District Flex Fund - Transfer Balances to State

**Criteria Name:** Other

### Summary of Issue

Districts have a flexibility fund which can be used to fund practically everything that can be funded from their general fund. Districts have been rapidly filling up their flex funds without using them and the ending fund balances have grown rapidly. Eliminating the flex fund and redirecting the balances to the state general fund would result in a one-time-only infusion of cash.

### Legislation Required

20-9-542, 543,544, MCA would need to be eliminated.

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 20-9-311

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$36,800,000	\$0	\$0

**Description of Option:** Eliminate Full-Time Kindergarten; Restore Half Day Kindergarten

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

**Summary of Issue**  
 With this option, the state would fund only half day kindergarten. Local districts could continue to offer full day, but would receive only half day support from the state. There are approximately 5,400 students in full time kindergarten status in FY 2010, and there are 580 teachers employed in teaching public school kindergarten in Montana.

**Other Factors**  
 The district court's recent dismissal of the adequacy suit mentioned favorably the state's funding of full day kindergarten. Eliminating this feature of school funding may risk another adequacy suit.

**Legislation Required**  
 20-9-311, MCA would need to be changed.





# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 20-9-306

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	\$10,800,000	\$0	\$0

**Description of Option:** Reduce High School Basic Entitlement to \$200,000 Beginning in FY 2012

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

**Summary of Issue**  
 The current basic entitlement for high schools will be \$253,468 in FY 2011 and beyond. The new basic entitlement for the district general fund would be based on supplying a high school with a minimum of 5 teachers at a cost of \$40,000 apiece. The basic entitlement is received by each district and does not depend on the number of children served, although at least one student is implied.

**Other Factors**  
 The district court's recent dismissal of the adequacy suit mentioned favorably the state's funding levels. Reducing the high school basic entitlement risk another adequacy suit.

**Legislation Required**  
 20-9-306, MCA would need to be changed.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** Low

**Committee:** ELG

**Agency Name:** Office Of Public Instruction

**Status :** On-Going

**FTE Impact :** N

**Program Name:** Local Education Activities

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	\$3,400,000	\$0	\$0

**Description of Option:** Require High Schools to Consolidate under Conditions

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

**Summary Issue**

The high school basic entitlement is \$253,468 in FY 2011 and beyond. On average the state's share is 65 percent. Requiring high schools that have less than 40 students and that are within 20 miles of another high school to consolidate would save the basic entitlement. There are 10 high schools that meet this condition. The state's share of these savings would be approximately \$1.7 million per year.

**Legislation Required**

Various statutes would need to be changed.

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 15-36-332

Option	General Fund	State Special	Federal Special
Revenue Enhancements	\$16,400,000	\$0	\$0

**Description of Option:** Distribute XS Oil and Natural Gas Revenues in School Districts GF to State

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

Summary of Issue  
 Some school districts receive more oil and gas revenue in their district general fund than is needed to fund the GTB area and the overbase area. This option would require these districts to send to the state general fund any oil and gas revenue in excess of the amount needed to fund the GTB area and overbase area of their general fund.

If districts chose to maintain their prior budgets, they would have to raise the money by asking their voters to approve property tax increases.

Legislation Required  
 17-36-332, MCA would need to be changed.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** Low

**Committee:** ELG

**Agency Name:** Office Of Public Instruction

**Status :** One-Time

**FTE Impact :** N

**Program Name:** Local Education Activities

**Mode :** Research

**MCA :** 20-9-104

Option	General Fund	State Special	Federal Special
Revenue Enhancements	\$35,000,000	\$0	\$0

**Description of Option:** Require School Districts to Send GF Balances Above Minimum to State

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

### Summary of Issue

School districts may keep up to 10 percent of their ensuing year's general fund budget in reserve. Any money in the reserve in excess of this amount must be reappropriated in the following year. This proposal would require the district to send to the state any amount in excess of the 10 percent. This would require backfill of state GTB and local property taxes.

### Legislation Required

20-9-104, MCA would need to be changed

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 20-9-630

Option	General Fund	State Special	Federal Special
Spending Deferrals or Suspensions	\$1,978,919	\$0	\$0

**Description of Option:** HB 124 Block Grant Growth

**Criteria Name:** Other

**Summary of Issue**  
 State law provides for an annual 0.76 percent increase in the county transportation and school district block grants. The funding is provided through the general fund. The LFD included them in the Big Picture report in March due to their 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 funding would eliminate general fund support for school districts and increase the general fund balance for the state. The reduction could result in increased property taxes to support the services provided by the local school districts.

**Legislation required**  
 20-9-630 and 632, MCA would need to be amended to eliminate the inflation increase to the school district block grants

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** Medium

**Committee:** ELG

**Agency Name:** Office Of Public Instruction

**Status :** On-Going

**FTE Impact :** N

**Program Name:** Local Education Activities

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Suspension of Cost of Living/Inflation Increases	\$57,139,236	\$0	\$0

**Description of Option:** Eliminate the Present Law Adjustment for Inflation

**Criteria Name:** Other

### Summary of Issue

By statute, the Superintendent of Public Instruction includes annual inflation-related adjustments to the basic and per-ANB entitlements, components of the school funding formula. A portion of the funding is to bring the FY 2010 expenditure base up to the FY 2011 funding rates and the remainder provides for inflation increases in FY 2012 and FY 2013. The LFD included the adjustment in the Big Picture report in March due to its on-going nature and the likelihood the legislature will be asked to continue funding. A decision to discontinue or reduce funding would improve the projected budget imbalance.

### How the Fund Balance Would be Impacted

This decision could significantly reduce the expenditures of the general fund for the state. However, local school districts would need to consider whether to reduce the district's general fund or request property tax increases to offset the differences.

### Legislation Required

The inflationary adjustments to the basic and per-ANB entitlements for FY 2011 are included in MCA 20-9-236, MCA. If the legislature wished to ensure the local school district general fund reductions due to elimination of state general fund support for the inflationary increases did not result in property tax increases it would need to implement legislation.

# Legislative Fiscal Division

## Legislative Budget Options

<b>Section Name:</b> Education	<b>Time :</b> Low	<b>Committee:</b> ELG
<b>Agency Name:</b> Office Of Public Instruction	<b>Status :</b> On-Going	<b>FTE Impact :</b> N
<b>Program Name:</b> Local Education Activities	<b>Mode :</b> Research	<b>MCA :</b> 20-9-306

Option	General Fund	State Special	Federal Special
Suspension of Cost of Living/Inflation Increases	\$22,722,922	\$0	\$0

**Description of Option:** Eliminate OTO 2 Percent Inflationary Increases

**Criteria Name:** Other

**Summary of Issue**  
 The 61st legislature increased the school district entitlements for the 2011 biennium by an additional 2 percent on a one-time-only basis. While this appropriation was designated as one-time-only 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.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** High

**Committee:** ELG

**Agency Name:** Commissioner Of Higher Education

**Status :** On-Going

**FTE Impact :** N

**Program Name:** Community College Assistance

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	\$0	\$0	\$0

**Description of Option:** Consolidate Administrative and Other Functions at DCC and MCC

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

### Summary of Issue

Miles Community College (MCC) and Dawson Community College (DCC) operate at a higher per student cost than Flathead Valley Community College (FVCC). It may be possible to achieve cost efficiencies by consolidating the non-instructional services and functions of MCC and DCC (such as the business office, financial aid office) and/or deliver more higher education programs and courses to eastern Montana via distance learning.

A primary reason driving this differential is that student enrollments at MCC and DCC have been decreasing or flat, while student enrollment at FVCC has been increasing. Student FTE enrollment at the three community colleges has increased 14 percent overall between 1999 and 2009. FVCC has experienced a 26 percent enrollment increase over this period, while DCC enrollment has decreased 3 percent between 1999 and 2009 and MCC enrollment has fluctuated but ended the 1999 to 2009 time interval about where it started. The community colleges serve approximately 2,500 full-time equivalent (FTE) students in three campuses across the state (FY 2009). Flathead Valley Community College serves over 60 percent of the students attending Montana's community colleges.

### How the Fund Balance Would be Impacted

State appropriations to the community colleges would be reduced if cost efficiencies were obtained from consolidation. Because community colleges are supported by local tax revenues and student tuition as well as state funds, any cost savings accruing as a result of campus consolidation may have to be "shared" with the other non-state funding entities.

### Further Work Required

Additional research in a number of areas would be required to evaluate the cost effectiveness of consolidating community college functions, including communications and information technology infrastructure requirements and needs, the economic impact to the affected local communities, alternative service delivery options, and other issues. Therefore, the actual savings from this option are not yet known. The additional work required to further develop and evaluate this option is significant.

Legal research would also be required to evaluate any legal barriers to consolidation, as the requirements for establishing a community college district and community college operations are contained in state statute.

### Legislation Required

There would likely be legislation required to implement this option. The findings of the legal research would help identify the statutory changes needed.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** Low

**Committee:** ELG

**Agency Name:** Commissioner Of Higher Education

**Status :** On-Going

**FTE Impact :** N

**Program Name:** Appropriation Distribution

**Mode :** Endorse

**MCA :** 19-21-203

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$1,000,000	\$0	\$0

**Description of Option:** Eliminate General Fund Subsidy of 1% ORP Increase for Non-State Funded Positions

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

### Summary of Issue

HB95 passed by the 2007 Legislature increased the employer's share of the Montana University System's Optional Retirement Program (ORP) (a defined contribution retirement plan) and funded the cost increase with a statutory general fund appropriation, regardless of the fund source that pays the base salary and benefit costs (including ORP) of those positions participating in the program. In FY 2008, approximately 30 percent of the salary and benefit costs of positions participating in the ORP were funded from non-state sources, yet state general fund bore 100 percent of the employer cost increase authorized in HB 95. In FY 2009, approximately \$494,000 (29 percent) of the ORP statutory appropriation was transferred to non-state accounts and used to pay the ORP benefit increase for non-state funded positions.

### How the Fund Balance Would be Impacted

General fund expenditures would be reduced by approximately \$1.0 million each biennium. The increased ORP benefit cost for non-state funded employees would be borne by non-state accounts, such as research and other self-supporting enterprises.

### Legislation Required

Current statute funds the employer's additional 1% benefit cost for all ORP participants from the general fund, regardless of the original funding source for the position. Therefore, 19-21-203, MCA would need to be changed.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** Low

**Committee:** ELG

**Agency Name:** Commissioner Of Higher Education

**Status :** On-Going

**FTE Impact :** N

**Program Name:** Appropriation Distribution

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Other	\$0	\$0	\$0

**Description of Option:** Budget Impact to MUS Ed Units Resulting from State Funding Reduction

**Criteria Name:** Other

### Summary of Issue

The legislature appropriates state funds for the Montana University System each biennium, but the Board of Regents, carrying out its constitutional role, approves the operating budgets for the MUS, which means it determines the expenditure level required to deliver the quality and quantity of postsecondary education it deems appropriate as well as identify the revenue sources (primarily state appropriated funds and tuition which is considered non-state revenue) that will support the operating budget.

HB 645 appropriated \$18 million in one-time only funding to the MUS educational units for tuition mitigation and is unlikely to be included in the proposed 2013 biennium executive budget. In the event of a reduction in state appropriated funds, the BOR has two primary choices to balance the operating budgets for the educational units: increase tuition and/or reduce expenditures.

### Tuition Impact

Tuition and mandatory fee rates in Montana have nearly doubled in the past ten years, despite the tuition cap (College Affordability Plan) implemented in FY 2008 by the BOR and made possible by increased state funding recommended by the Governor and approved by the 2007 Legislature. The Office of the Commissioner of Higher Education estimates that each 1.0 percent annual increase in tuition rates (resident and nonresident) will increase tuition revenue by \$5 million for a biennium. To offset the \$18 million in one-time only funds included in HB 645 with a tuition increase, the tuition rate increase would be approximately 3.5 percent annually.

### Expenditure Reductions

As noted above, the Board of Regents establishes the expenditure level for the Montana University System educational units when it approves the annual operating budgets at its September board meetings. Expenditures and revenues in the operating budgets must be balanced. In the event of a reduction in state appropriated funds, such as the \$18 million in one-time only funds in HB 645 not being continued into the 2013 biennium, in order for the Board of Regents to balance the operating budgets without a tuition rate increase it would need to implement expenditure reductions at the educational units. Expenditure reductions could result from increased efficiencies, program and/or function consolidations, program eliminations, changes in program delivery, and other changes.



# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** High

**Committee:** ELG

**Agency Name:** Commissioner Of Higher Education

**Status :** On-Going

**FTE Impact :** N

**Program Name:** Appropriation Distribution

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	\$0	\$0	\$0

**Description of Option:** Change Service Delivery of MSU Extension

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

### Summary of Issue

The Montana Cooperative Extension Service (MSU Extension) may be able to achieve cost efficiencies if it changes its delivery of outreach services.

MSU Extension connects researchers and educators on the MSU campus with a network of extension faculty located in the state's 56 counties and 7 reservations. About 55 percent of the MSU Extension employees are located in county/reservation offices and 45 percent are based at the MSU Bozeman campus.

Similar to cooperative-extension service offices in most other states, the Montana Cooperative Extension Service was originally funded primarily from three sources: state general fund, county support, and federal Smith-Lever formula funds. In recent years, additional federal grants, including grants that support 100 percent of five federally recognized tribal extension programs, have been used to supplement or replace the traditional funding sources.

Cooperative extension service organizations in other states have changed the delivery and financing of their outreach services in response to significant state and/or local funding reductions. One or more of those changes may be appropriate to consider for the MSU Extension. Delivery changes have included: eliminating county offices and replacing them with regional centers, consolidating administrative functions, increased use of toll-free help lines and web sites, program prioritization, and pooling service delivery with neighboring states. Financing changes have included: implementing or increasing fees for services, pooling resources with neighboring states, and obtaining grants from external sources.

### How the Fund Balance Would be Impacted

State appropriations to MUS Extension could be reduced if cost efficiencies were obtained from it service delivery system. Because MSU Extension is funded from county and federal funds as well as state funds, any cost savings accruing as a result of changes to its service delivery system may have to be "shared" with the other non-state funding entities.

### Further Work Required

Additional research of the various service delivery changes would be required to evaluate the cost effectiveness of the change options. Therefore, the actual savings from changing the service delivery are not known. The additional work required to further develop and evaluate this option is significant.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** Medium

**Committee:** ELG

**Agency Name:** Montana Arts Council

**Status :** On-Going

**FTE Impact :** Y

**Program Name:**

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$0	\$0	\$0

**Description of Option:** Create a Cultural Education Agency

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

**Summary of Issue**

The legislature created the Montana Historical Society, Montana Arts Council, and Montana Library Commission to provide cultural and aesthetic services, grants, and guidance. All three agencies provide educational services to Montana communities, all have centralized services, administrative functions, and state and federal grant programs. The legislature could reduce funding for the agencies through consolidation into a single agency.

**How the Fund Balance Would be Impacted**

Total general fund appropriated in the 2013 biennium for the 3 agencies is \$11.97 million. Reductions in general fund could be realized through efficiencies in consideration of common programs. For example, all three program have centralized services managers, while the consolidated agency would only require one such position. FTE reductions could also be realized in administrative programs as the new agency would only require one director and one education program.

**Further Work Required**

Review of the functions within each agency, work load and FTE requirements, federal and state requirements would need to be reviewed. Statutes and board membership would require review.

**Legislation Required**

Depending on legislative choices in regard to consolidation, statutory changes would be needed.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Education

**Time :** Low

**Committee:** ELG

**Agency Name:** Montana Historical Society

**Status :** On-Going

**FTE Impact :** N

**Program Name:** Publications Program

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$294,000	(\$294,000)	\$0

**Description of Option:** Eliminate General Fund Support for Publishing Program in MHS

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

**Summary of Issue**

The publication program publishes quarterly editions of Montana, The Magazine of Western History, the Montana Star, and books with the Montana Historical Society Press Imprint. The sale of the publications generates proprietary funds that are used to support the program. As sale revenues have declined related to program costs, the personal service costs of the program have been supported by increasing amounts of general fund. Due to FTE transfers in FY 2010, the percentage of general fund support will increase 48.5 percent from the amount of general fund support approved by the legislature.

**How the Fund Balance Would be Impacted**

Eliminating general fund support for the Publications Program and requiring the program to operate within the proprietary funds generated by the program would generate \$294,000 in general fund savings.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** High

**Committee:** ELG

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** Multiple

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$10,896,700	\$0	\$0

**Description of Option:** General Fund Retirement Statutory Appropriations

**Criteria Name:** Not subject to regular review

### Summary of Issue

The legislature could examine the current statutory appropriations used to fund some local retirement costs. 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.

### Legislation Required

Twelve statutes would need to be amended

19-3-319, 19-6-404(2), 19-6-410, 19-9-702, 19-13-604, 19-17-301, 19-18-512(1), 19-19-305(1), 19-19-506(4), 19-20-604, 19-20-607, and 19-21-203

### Further Work Required

The recipients of the general fund money should be identified along with potential effects of the expenditure reductions and any possible legal ramifications. Amounts above are based on FY 2012 & 2013 estimates.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Medium

**Committee:** ELG

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** Multiple

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$671,700	\$0	\$0

**Description of Option:** General Fund Local Government Statutory Appropriations

**Criteria Name:** Not subject to regular review

**Summary of Issue**

The legislature could examine general fund statutory appropriations made to local governments. 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.

**Legislation Required**

Two statutes would need to be amended: 7-4-2502 (County Attorney Salaries) and 15-1-121(6) (Local TIFs)

**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.

