



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: December 4, 2003

TO: Legislative Finance Committee

FROM: Taryn Purdy

RE: Governor's Allocation of Federal Jobs and Growth Tax Relief Reconciliation Act Funds

In fiscal 2003 and again in fiscal 2004, the State of Montana received a total of \$50 million in federal relief funds. The funds must be used in accordance with the following guidelines:

1. Provide essential government services
2. Cover the costs to the state of complying with any unfunded federal mandates
3. For expenditures "permitted under the most recently approved budget for the state", and not for new programs

Total funds expended for fire costs in fiscal 2004 are currently \$27.1 million. On November 20 and 21st, the Governor expressed her intention to obligate another \$11.1 million of these funds for various purposes, with any remaining funds reserved for fiscal 2005 fire costs.

Governor's Proposed or Actual Allocations
Federal Relief Funds
2005 Biennium

Function	Fiscal 2004	Fiscal 2005	Biennium
Expended			
Fire Costs	\$ 27,123,670		\$ 27,123,670 ***
<u>Authorization Indicated</u>			
Defense in Bankruptcy Hearings*			
Public Service Commission	350,000		350,000
Department of Justice	<u>850,000</u>		<u>850,000</u>
Subtotal Bankruptcy Hearings	\$ 1,200,000		\$ 1,200,000
Health and Human Services			
Meals on Wheels	\$ 257,000	\$ 257,000	\$ 514,000
Low Income Energy Assistance**	2,000,000	-	2,000,000
Reduce vacancy savings at institutions	<u>750,000</u>	<u>750,000</u>	<u>1,500,000</u>
Subtotal Human Services	\$ 3,007,000	\$ 1,007,000	\$ 4,014,000
K-12 Education*			
Technology Fund	\$ 1,750,000		\$ 1,750,000
Reading in the early school years grants	450,000		450,000
Vocational Education	250,000		250,000
OPI - Technical assistance for No Child Left Behind	50,000		50,000
OPI - Curriculum development for Indian Cultural Heritage	50,000		50,000
Renewal Commission	25,000		25,000
Reduce vacancy savings for Montana School for the Deaf and Blind	125,000		125,000
Subtotal K-12 Education	\$ 2,700,000		\$ 2,700,000
Capital Projects*			
Repair Capitol steps	450,000		450,000
Montana University System*			
General with requirement to indicate how it will be distributed	\$ 2,000,000		\$ 2,000,000
Community Colleges	450,000		450,000
Distance Learning	<u>250,000</u>		250,000
Subtotal Higher Education	<u>\$ 2,700,000</u>		<u>\$ 2,700,000</u>
Total Federal Funds	\$ 37,180,670	\$ 1,007,000	\$ 38,187,670
Remainder for fiscal 2005 fire costs			\$ 11,812,330

*Biennial appropriation.

**Includes \$500,000 for weatherization

***Does not include \$1.6 million of additional costs

The following briefly discusses some of the specific adjustments made by the executive.

HUMAN SERVICES

The Department of Public Health and Human Services (DPHHS) will receive a total of \$4,014,000 over the biennium for a number of purposes.

Meals on Wheels – The original base budget for allocation to Area Agencies on Aging for a variety of programs, including Meals on Wheels, transportation, senior centers, and others, was \$1.19 million. The legislature reduced this budget by \$257,000, and left it to the area agencies to determine the services that would be reduced. While many did take the reduction in meal programs, other programs were also reduced. This appropriation would fully restore the appropriation. Meals on Wheels derives its funding from a number of sources, including the state general fund, USDA grants, matching funds, other federal funds, and other local sources. The total anticipated funding for the program in fiscal 2004 is \$2,157,117.

Low Income Energy Assistance – In the 2005 biennium, the legislature appropriated federal funds of about \$11.5 million each year for Low Income Energy Assistance (LIEAP) and \$2.6 million each year for weatherization. The additional weatherization funding would be used to weatherize an additional 167 homes, while the additional \$1.5 million LIEAP funds would augment payments made to eligible citizens. Citizens with incomes at 150 percent or less of the federal poverty level are eligible for the program. Because 15.14 percent of the federal allotment is set aside for the tribes, a similar percentage of the additional LIEAP funds will also be used for this purpose.

24/7 Vacancy Savings Issue – When a four percent vacancy savings rate was applied to all non-exempt agencies in the 2005 biennium, no differentiation was made in any agency for those positions that must be staffed at all times. This allocation would eliminate this portion of the general fund vacancy savings on these positions in the Department of Health and Human Services.

The legislature also applied an additional general fund vacancy savings equal to about 2 percent for the entire agency (\$1.2 million), and required an additional reduction of \$500,000 from the Operations and Technology Division to fund additional childcare. Instead of taking the entire amount from that division, the agency allocated this amount as a further vacancy savings across the agency. The additional federal money does not replace any portion of this additional vacancy savings that may have been applied to 24/7 positions in the institutions. Eliminating the 4 percent vacancy savings taken on 24/7 positions in the Department of Corrections would cost an additional \$1.9 million general fund over the biennium.

K-12 EDUCATION

K-12 education is allocated \$2.7 million over the biennium.

Technology Fund – Schools receive a portion of timber revenue for technology. In the 2005 biennium, these funds were anticipated to total \$1.6 million. This figure is lower than in previous biennia due to two factors: 1) lower activity; and 2) a timing issue that used fiscal 2004 revenues in fiscal 2003 as a budget balancing measure in the August 2002 special session. This adjustment would increase the total to \$3.4 million over the biennium.

Reading in the early school years – This allocation adds \$450,000 for grants to schools for early reading programs. These funds are in addition to grants of \$2.89 million in fiscal 2004 and \$2.975 million in fiscal 2005, and over \$600,000 and 1.50 FTE each year for assessments and teacher development, added by the 2003 legislature to utilize scientifically based reading research to implement comprehensive reading instruction for children in kindergarten through third grade. Some schools do not qualify to receive any of the federal grants because it has certain requirements such as number of low-income children and children with low proficiency.

While specifics are still under discussion, the funds will likely be used for early reading programs in schools that do not meet the requirements of the federal grant.

Vocational Education – The legislature provided \$715,000 in each year of the biennium for vocational education in the schools. This appropriation adds \$250,000 in grants to schools to be used to augment these expenditures.

Technical assistance for No Child Left Behind – This adjustments adds \$50,000 over the biennium to the Office of Public Instruction to provide technical expertise to school districts as they implement the federal No Child Left Behind (NCLB) requirements. The Governor’s office states that the funds would allow the development of a resource and/or provide funding for activities such as travel and conferences, to aid school districts in implementing NCLB.

Curriculum development for Indian Cultural Heritage – These funds will be used to develop curriculum for use by schools to teach all students about Indian cultural heritage. The Governor did not request any funds for this purpose in the 2005 biennium budget, although the Office of Public Instruction requested \$60,000 each year.

Renewal Commission – The total appropriation for this function was \$10,000 in the 2005 biennium. This allocation would raise the total to \$35,000. The legislature anticipated receipt of up to \$80,000 in private donations for the operation of the commission. However, as of the writing of this memo a total of \$5,500 had been received. Fundraising efforts are continuing.

Vacancy savings for Montana School for the Deaf and Blind –At the close of the 2003 legislative session, the legislature applied a vacancy savings rate to all general fund agencies based upon a pro-rata allocation of the equivalent of 200 FTE. Total vacancy savings taken for the school was \$123,736 over the biennium, or an additional 1.7 percent general fund. This allocation would eliminate this reduction.

ADMINISTRATION

Repair capitol steps – The 2003 legislature provided \$400,000 in capitol land grant funds to repair the capitol steps. A shortage of available funds in the capitol land grant building fund required postponing the capitol steps project for an undetermined amount of time. The Governor is now using \$450,000 of the federal funds for this purpose. For a further discussion of the capitol land grant issue, please see the report entitled “Capital Project Fund – Potential Shortfall/Impacts” under tab 6.

MONTANA UNIVERSITY SYSTEM

There are three components to the allocation to the \$2.7 million appropriation to the Montana University System (MUS):

1. \$2.0 million unspecified allocation. The MUS must submit a plan to the executive on how it intends to utilize the funds, which is expected in January. This amount is the equivalent of \$72.70 for each projected resident student. The average resident student experienced an increase of \$116 in tuition costs in fiscal 2004 over the fiscal 2003 amount (including the tuition surcharge). The MUS has not indicated how much if any of the funds would be targeted for tuition relief.
2. \$450,000 to the community colleges. This allocation is the equivalent of \$183.45 per projected resident student. Tuition increases in fiscal 2004 varied widely by campus, with Dawson at \$0, Flathead at \$92.40, and Miles at \$450.
3. \$250,000 for distance learning programs to aid K-12 education. Although as of this writing the details were still being worked out, a portion of the funds will likely be used

to provide rural high schools with resources to help meet teacher qualification standards of the No Child Left Behind act.

DEFENSE OF BANKRUPTCY CASE

The Governor, in an earlier action, pledged \$350,000 to the Public Service Commission for legal costs associated with the Northwestern Energy bankruptcy case. In addition, the Governor pledged a total of \$850,000 that would be allocated to the Department of Justice and used to fund costs associated with contracted financial analysis for the Department of Justice, the Public Service Commission, and the Consumer Counsel. Funds will be appropriated as bills are incurred. Prior to accessing these funds, the Public Service Commission will utilize up to \$53,000 of funds appropriated by the legislature for consultants. The Consumer Counsel has a \$250,000 contingency appropriation each year that they will utilize for related expenses.

OTHER ALLOCATIONS

In addition to the \$50 million direct allocation, the federal government has increased its share of total Medicaid costs. As a result, the general fund appropriation provided by the 2003 legislature for Medicaid costs in the 2005 biennium exceeds the amount needed by an estimated \$19 million in fiscal 2004 (\$4 million in fiscal 2003). The Governor approved the use of \$609,000 of the excess general fund to eliminate the waiting list for the Children's Health Insurance Program (CHIP), and further indicated her intention to provide \$50,000 for programs designed to reduce teen suicide.

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