

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** High

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** Multiple

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	\$0	\$0	\$0

**Description of Option:** Examination of Trust Funds

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

**Summary of Issue**

The permanent fund type and the expendable trust fund type hold funds for a specific purpose, mainly to generate revenue for future expenditures. Some trusts are held due to contract, settlement, or donation terms. Other trusts have been created by the legislature emulating the conditions of other trusts. The purpose of this option is to examine the trusts that were created only by statute, and do not have a binding contract, agreement or settlement, so that the legislature can determine if these priorities still exist.

**How the Fund Balance Would be Impacted**

Potentially there could be funds available to transfer to the general fund.

**Further Work Required**

This would require an analysis of those funds to determine the purpose and if any contract or agreement beyond statute controls the fund.

**Legislation Required**

Statutory changes would be required.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Medium

**Agency Name:** Statewide Issue

**Status :** One-Time

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	\$112,241,000	(\$112,241,000)	\$0

**Description of Option:** Transfer State Special Revenue Fund Balances to the General Fund

**Criteria Name:** Few corollary impacts on other programs or services

**Summary of Issue**

Fund balances that accumulate in certain state special revenue funds beyond the amount needed to operate the relevant programs could be transferred to the general fund. Appendix B lists the state special revenue funds identified by LFD staff as of this writing, including a description of the fund and its revenue source, why it is presented as an option, and whether statutory changes are necessary to transfer the balance.

**How the Fund Balance Would be Impacted**

Fund balance deemed to be in excess of the amount needed for ongoing operations would be transferred on a one-time-only basis to the general fund.

The amount of potential general fund deposits due to this option is as of this writing and will expand as more funds are identified.

**Further Work Required**

A number of factors will impact whether an observed fund balance could be transferred, including timing of cash flow, anticipated one-time-only expenditures, and other factors.

**Legislation Required**

Individual funds may have statutory provisions that would need to be adjusted to allow the transfer.

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**Status :** One-Time

**FTE Impact :** Y

**Program Name:**

**Mode :** Research

**MCA :**

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

**Description of Option:** Employee Furloughs

**Criteria Name:** Few corollary impacts on other programs or services

**Summary of Issue**

Furlough state employees a given number of days per month. A furlough would require employees to take time off from work without pay.

**How Fund Balance Would be Impacted**

General fund and other funds that fund furloughed employee's costs would be reduced in proportion to the number of hours furloughs account for normal annual workdays for FTE. Pension funding would be impacted unless the legislature included provisions to make the pensions whole from the impacts of reduced employee and employer contributions.

**Further Work Required**

Further work is needed to identify the full impacts and legal issues associated with furloughs, and to refine savings estimates. Issues that would be researched include:

- Impacts on pensions (funding and eligibility)
- Impairment of union contracts and labor bargaining
- Impacts and restrictions due to equal treatment requirements
- Identification of essential services and 24/7 operations

In FY 2009, general fund supported salaries totaling \$175.9 million or \$460.0 million total funds. For each eight-hour day of furlough, savings would have equated to \$676,000 general fund or \$1.8 million total funds. These amounts are generalized based on statewide HB 2 and proprietary funding of regular salaries paid to all employees. Adjustments have not been made for any exemptions for critical positions or functions

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**Program Name:**

**Mode :** Research

**MCA :**

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

**Description of Option:** Evaluate Non-Trust Land Holdings for Divestiture

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

**Summary of Issue**

The state is one of the largest landowners in Montana. State land is divided between trust parcels that are held for beneficiaries and land that is held by other agencies for a specific or non-specific use. Initial review of these lands indicates the state hold lands for potential expansions for the university system, land for water projects, and lands that have been donated to a specific agency. All non-trust lands would be examined to determine if holding the land is the best possible option for the state or if it can be sold or reverted to the grantor.

**How the Fund Balance Would be Impacted**

The fund balance would be enhanced through the sale of land or by eliminating the need for land management. The funds generated from the sale could temporarily offset general fund currently funding some activities.

**Further Work Required**

DNRC holds the land inventory for all state agencies, except the Department of Transportation. An analysis of the lands held, the purpose for which they are held, and the ability to divest the property would have to occur.

**Other Factors**

Statutory changes regarding divestiture of state assets may be needed.

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**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :**

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

**Description of Option:** Eliminate Election Day Paid Holiday

**Criteria Name:** Few corollary impacts on other programs or services

**Summary of Issue**

Current state law provides for a paid holiday for state employees on election day every other November. The legislature could consider eliminating this holiday.

**How the Fund Balance Would Be Impacted**

Fiscal impact is difficult to quantify because the primary impact would be increased productivity with current staff, and increased service due to increased availability to the public. There would be negative impacts compared to current costs such as increased energy usage, as well as commuting costs and impacts.

**Further Research Required**

Further research would need to be done to determine what other factors such as union contracts or other requirements would influence the implementation and timing of this option.

**Legislation Required**

1-1-216, MCA would need to be amended to eliminate this day from the list of legal holidays. Other adjustments may need to be made that would be identified through further research.

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**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

**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.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Medium

**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.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Medium

**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	\$2,198,000	\$0	\$0

**Description of Option:** All Other General Fund Statutory Appropriations

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

**Summary of Issue**

The legislature could examine statutory appropriations to see if reductions could be made. 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 and include emergency appropriations, DOR out-of-state revenue collections, cash management interest, BOI banking charges, and tobacco settlement cost recovery, but excludes debt service appropriations.

**How the Fund Balance Would be Impacted**

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

**Legislation Required**

Five statutes would need to be amended

10-3-312(1), 15-1-218, 16-11-509, 17-3-106(2), and 17-6-101(6)

**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.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Medium

**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	\$1,112,000	(\$1,112,000)	\$0

**Description of Option:** General Fund Transfers

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

**Summary of Issue**

The legislature could examine general fund transfers to determine if reductions could be made. 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 transfers permanently. Amounts based on FY 2012 & 2013 estimates and exclude old state fund and Morrill transfers.

**How the Fund Balance Would be Impacted**

Reductions in transfers of general fund money to other accounts will increase the general fund balance.

**Legislation Required**

Five statutes would need to be amended

15-1-122, 17-1-511(2), 87-2-801(6), 87-2-803(12c), 87-2-805(5)

**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.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Medium

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** 15-1-121

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$16,229,000	\$0	\$0

**Description of Option:** Local Government Entitlements Statutory Appropriation

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

**Summary of Issue**

The state will pay an estimated \$210 million of general fund to cities, towns, and counties in the 2013 biennium. As the result of enactment of HB 124 by the 2001 Legislature, an estimated \$1.071 billion is expected to be spent through FY 2013. Statute provides for increasing payments if averages of Montana personal income and Montana gross state product increase. Amounts to be spent in the 2013 biennium are expected to increase by \$16.2 million over the amount spent in the 2011 biennium. Options: 1) reduce or eliminate the growth factors. If payments to local governments were held constant, local property taxes would not have to be raised to maintain the status quo; 2) reduce or eliminate amount for a set period; 3) reduce or eliminate permanently. Amounts are based on FY 2012 and 2013 estimates.

**Legislation Required**

One statute would need to be amended: 15-1-121

**How the Fund Balance Would be Impacted**

Reductions in authorized statutory appropriations decreases general fund expenditures hence increasing 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.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Low

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	\$52,000	\$108,000	\$35,000

**Description of Option:** Four-day by Ten-hour Workweek for all but 24/7 Functions

**Criteria Name:** Not mandated by statute, the constitution, or the federal government

**Summary of Issue**

Mandate work schedule of four days per week and ten hours per day for all state operations except for essential services and those requiring 24/7 operations.

**How Fund Balance Would be Impacted**

All funds would see savings. The funding impacts are based on FY 2009 expenditures on electricity, natural gas, fuel oil, and janitorial. Estimates have not been adjusted for any exceptions that may be granted for specified essential services and 24/7 operations. Total savings for all funds are \$195,000 annually for state government. Estimates are based on a savings to Montana of 1.3 percent or roughly that experienced by Utah with a similar initiative. Utah expected to save \$3.0 million, or 13 percent through energy reductions, but only realized \$300,000 in savings for an effective reduction of 1.3 percent.

Utah implemented a mandatory four-day, ten-hour day workweek for most state government operations. The implementation began in August 2008 with the anticipation of reducing energy usage to operate state buildings by 20 percent annually. A year after implementation, the realized energy cost savings was approximately 10.5 percent of the original savings expected, (or \$300,000 when \$3.0 million as originally expected) and custodial cost savings was around \$200,000. Furthermore, with the new work schedule state employees, except for public universities, the state court system, prisons, and other critical services, was favorably received by 80 percent of the state workers. Other benefits not directly realized as a savings to state government were:

- Two commuting trips per week were saved, which translated in lower carbon emissions and motor fuel consumption and less commuter traffic on Fridays
- Citizens had longer hours on state government operating days to access state services

**Other unintended consequences experienced by Utah included:**

- State holiday hours went from 96 to 110 hours per year even after eliminating one holiday day, resulting in productivity losses that more than offset the reported cost avoidance
- Some services not classified as essential may be pressured from 4/10 to 5/10 operations due to citizen expectations (e.g. Utah Department of Motor Vehicles for vehicles and driver's licenses) for added costs
- Overtime hours fell by 30 percent (it was unclear if it was due to the initiative or tighter controls on overtime by supervisors to address budget cuts)
- Employee turnover decreased from 10.7 percent per year to 9.7 percent (it was unclear if it was due to the initiative or concerns with the economy)

**Further Work Required**

Further research is needed to refine the expected savings and impacts. Based on Utah's experience savings would be achieved for expenditures on building utilities and janitorial costs.

**Legislative Fiscal Division**  
**Legislative Budget Options**

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** High

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :**

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

**Description of Option:** Consolidate Network Computing Servers

**Criteria Name:** Few corollary impacts on other programs or services

**Summary of Issue**

Savings might be realized by consolidating network servers residing in Helena into the new State of Montana Data Center and optimizing the data center servers through virtualization to maximize server capacity.

**How Fund Balance Would be Impacted**

General fund as well as other funds would see reduced expenditures to operate state agency network servers. Savings would be for operating costs associated with powering and cooling servers and equipment savings by eliminating underutilized equipment and optimizing remaining equipment.

**Further Work Required**

Data on the cost to operate and cool various state agency network computers is not currently available to determine the savings. A comprehensive inventory of various network servers currently does not exist. As such, information is not available to estimate the savings available from this option. Furthermore, depending on how the operations of the state data center are established as to who is responsible for servicing and operating the consolidated servers, FTE may be saved. No details are currently available to estimate any FTE savings from server consolidation.

**Further Work is Required**

A statewide analysis of the saving gained through the consolidation of network computing servers would involve close coordination with various state entities, primarily the chief information officer, and will rely heavily on available data currently being developed in agency information technology strategic plans and inventories of computing assets.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** High

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** Multiple

Option	General Fund	State Special	Federal Special
Revenue Enhancements	\$32,754,000	\$0	\$0

**Description of Option:** Increase Select General Fund Revenue Sources by a Fixed Percentage

**Criteria Name:** Other

**Summary of Issue**

The legislature may wish to add a percentage surcharge to just the general fund portions of 33 of the 41 general fund revenue sources that derive revenue from a tax or fee. The estimated savings are based on "Preliminary Budget Outlook for the 2013 Biennium" revenue estimates of select general fund revenue sources and represent a 1 percent increase.

Surcharge options: 1) various percentages; or 2) retain permanently or for a set period of time

$1\% \times \$3,275,386,000 = \$32,754,000/\text{biennium}$

**How the Fund Balance Would be Impacted**

Increases of general fund revenue will increase the general fund balance.

**Legislation Required**

At least 33 statutes would need to be changed.

**Further Work Required**

Payers of the taxes, potential effects of the tax increases, and any possible legal ramifications would need to be identified.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Medium

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** Multiple

Option	General Fund	State Special	Federal Special
Revenue Enhancements	\$61,345,379	(\$61,345,379)	\$0

**Description of Option:** Redistribute Revenue Allocations to the General Fund

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

**Summary of Issue**

There are a number of fees, taxes, and other revenue items that are deposited to the state general fund. Some of those revenue components are also distributed to non-general fund accounts to support other functions of state government. Based on an analysis prepared by the Legislative Fiscal Division (LFD), the general fund outlook for the 2013 biennium shows that revenues will be insufficient to fund present law services by approximately 10 percent per year. One way to achieve a balance between revenues and expenditures is to reduce state general fund spending. If general fund funded agencies are required to reduce spending by 10 percent, then those functions of government that receive an allocation of general fund revenues should reduce spending by a similar amount. This option would redistribute those revenues that currently are allocated to other state funds to the state general fund. The estimated impact is based on FY 2009 revenues allocated to non-general fund accounts of \$306,726,896 million. A significant portion of this revenue is currently distributed to local governments. Appendix A provides the detail of those revenue sources that are allocated to the general fund and to other state accounts. The amounts shown in the appendix are for FY 2009.

**How the Fund Balance Would Be Impacted**

General fund revenue collections would be increased by \$61.3 million for the biennium if 10 percent of the non-general fund allocations were redirected to the general fund. This would increase funds available to fund general fund funded services.

**Further Work Required**

Additional research would be required to determine the impact of the services provided by the functions of government that would experience reduced funding. Availability of other funding sources as well as carryover balances would need to be analyzed. Since a large portion of this revenue is allocated to local governments, an analysis of the impact on these entities would be required.

**Legislation Required**

Since these revenue allocations are specified in state statute, legislation would be required to change the allocations as currently specified in statute.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Medium

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** 15-31-101

Option	General Fund	State Special	Federal Special
Revenue Enhancements	\$1,110,570	\$0	\$0

**Description of Option:** Corporation Tax Credit Elimination

**Criteria Name:** Other

**Summary of Issue**

The state currently provides 16 corporation license tax credits that reduce total corporation tax revenues.

In FY 2008 the credits provided \$5.6 million in tax revenue reduction. Given the anticipated need for a 10 percent reduction in the overall budget, a reduction of 10 percent of all the credits would provide approximately \$1.1 million to the general fund. This estimate is based on total credits in FY 2008. Of the 16 credits: 4 of the credits provided high value reductions and averaged \$1.3 million in FY 2008, and 12 credits provided low value reductions and averaged \$79,620 in FY 2008. Of the 12 "low value" credits, 4 were unused in FY 2008.

Options for changes in individual income tax credits could include: 1) reducing all credits by 10 percent, 2) eliminating all credits for a fixed amount of time, 3) eliminating all credits permanently, and 4) eliminating specific credits permanently or for a fixed amount of time.

**How the Fund Balance Would be Impacted**

If corporation tax credits were reduced or eliminated, the balance of the general fund would increase.

**Further Work Required**

Additional research might include how reduction or elimination of various credits would be received by the public.

**Legislation Required**

To reduce or eliminate all corporation tax credits, sixteen statutes would need to be amended.

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## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Low

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** 15-30

Option	General Fund	State Special	Federal Special
Revenue Enhancements	\$10,515,000	\$0	\$0

**Description of Option:** Individual Income Tax Credit Elimination

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

**Summary of Issue**

The state currently provides 29 individual income tax credits that reduce total tax revenues.

In tax year 2008 the credits provided \$82.5 million in tax revenue reduction. The capital gains tax credits provides the greatest credit value with tax reductions of \$35.2 million. Two of the credits were not used in tax year 2008, the empowerment zone credit and the film production employment credit.

Given the anticipated need for a 10 percent reduction in the overall budget, a reduction of 10 percent of all the credits would provide approximately \$10.5 million to the general fund. The estimate is obtained through the individual income tax model.

Options for changes in individual income tax credits could include: 1) reducing all credits by 10 percent, 2) eliminating all credits for a fixed amount of time, 3) eliminating all credits permanently, and 4) eliminating specific credits permanently or for a fixed amount of time.

**How the Fund Balance Would be Impacted**

If individual income tax credits were reduced or eliminated, the balance of the general fund would increase.

**Further Work Required**

Additional research might include how reduction or elimination of various credits would be received by the public.

**Legislation Required**

To reduce or eliminate all individual income tax credits, twenty-nine statutes would need to be amended.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** High

**Agency Name:** Statewide Issue

**Status :** On-Going

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** 15-31-119

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

**Description of Option:** Change Net Operating Loss Carry-back & Carry Forward for Corporate Tax Payers

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

### Summary of Issue

The corporation tax net operating loss carry-back and carry-forwards have significant impacts on the amount of tax revenues realized by the state. Laws allow corporations with losses to carry-back those losses against profits of the past three years and receive refunds of past taxes paid on those profits. If the losses are greater than the profits of the past three years, corporations may reduce any future profits, and consequently future tax liability, for up to the next seven years. The carry-back provision of the tax code results in significant "refunds" to corporations which will appear in the current tax year.

Options for legislative consideration include 1) eliminating the net-operating loss provisions entirely, 2) eliminating the net-operating loss provisions for a specified amount of time, and 3) reducing the net-operating loss provisions entirely or for a specified amount of time.

In the 2005 Legislative Session, SB 228 and SB 229 proposed such changes. The fiscal note for SB 229, which eliminated the carry-back provision entirely and reduced the carry-forward provision from seven to five years, provided an estimated impact of \$2.5 million. Of increased revenue, \$2.3 million was the calculated one-time only impact of elimination of the carry-back and there was an ongoing revenue impact of \$200,000/fiscal year for the two year reduction of the carry-forward.

### How the Fund Balance Would be Impacted

This option would be difficult to quantify, but it would result in higher tax revenue. The impact on tax revenue would depend on the amount of corporation net-operating losses in any given tax year.

### Further Work Required

Additional analysis would be required to determine the full general fund impact of changes to the net-operating loss provisions. To provide an adequate estimate of the impact, corporation tax return data would need to be analyzed over a period of time to capture the costs of the provisions.

### Legislation Required

To make changes to the net-operating loss provisions, the statutes would need to be amended: 15-31-103, 15-31-119, and 15-31-509.

# Legislative Fiscal Division

## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Low

**Agency Name:** Statewide Issue

**Status :** One-Time

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :** 17-7-304

Option	General Fund	State Special	Federal Special
Spending Deferrals or Suspensions	\$0	\$0	\$0

**Description of Option:** Elimination of 2009/2010 General Fund Carry-Forward Appropriations

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

**Summary of Issue**

The current statute allows up to 30% of unspent appropriations to be carried forward for expenditure in the subsequent two years. Eliminating general fund carry-forward appropriations from fiscal years 2009 and 2010 in the upcoming biennium would reduce general fund expenditures. The total savings is unknown because the amount of unspent appropriations changes from year to year and it is not known if the agencies would spend more of the current year appropriations.

**Legislation Required**

17-7-304 would need to be permanently or temporarily changed to no longer allow agencies to spend the appropriations.

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## Legislative Budget Options

**Section Name:** Global Issue

**Time :** Medium

**Agency Name:** Statewide Issue

**Status :** One-Time

**FTE Impact :** N

**Program Name:**

**Mode :** Research

**MCA :**

Option	General Fund	State Special	Federal Special
Spending Deferrals or Suspensions	\$5,000,000	\$0	\$0

**Description of Option:** Revert GF from HB 645

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

**Summary of Issue**

HB 645 appropriated \$259.3 million in general fund for the 2001 biennium. As of June 7, 2010 approximately \$55.5 million or 21.4% of the appropriation has been expended. It appears as if there is excess authority that could be removed.

**How Fund Balance would Be Impacted**

The fund balance would be impacted if the legislature chose to revert the outstanding appropriations prior to the end of FY 2011. The amount would be dependent on timing of the reversion and obligations of funds already in place.

**Further Work Required**

An examination of the GF appropriations and potential expenditures needs to be completed to determine what level of reversion could be accomplished. In addition, there may be some need for statutory changes.