

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

Section Name: General Government	Time : High	Committee: SAVA
Agency Name: Department Of Administration	Status : On-Going	FTE Impact : N
Program Name: Health Care & Benefits Division	Mode : Research	MCA :

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

Description of Option: Limit Reserve Amount for State Employee Group Health Plan

Criteria Name: Other

Summary of Issue
 The state employee group health plan maintains plan reserves to help avoid large changes in plan benefit design or premium amounts from year to year. The legislature could review the level of plan reserves to provide a "premium holiday" to lower general fund costs for employee health insurance.

The state group employee plan is required to hold a certain level of reserves for the group benefits plan to limit benefit and premium fluctuations. The statutory definition of the amount that is to be held in reserve is subject to interpretation.

The group plan consulted with an actuary and has opted to establish reserves using certain private insurance industry bench marks. Plan year 2010 expenses are projected to be \$126.0 to \$127.0 million. Currently, the reserve amount ranges from \$37.5 million general plan reserves to \$50.5 million ending fund balance. The estimate reserve and ending fund balances are equivalent to 3.5 to 4.8 months worth of claims.

How the Fund Balance Would be Impacted
 This option would require more research to determine the general fund savings. This option would also augment some state special revenue accounts and those savings could be reviewed for transfer to the general fund as well. Additionally, if the legislature chose to use some of the reserves to fund a premium holiday, the amount of general fund savings would depend on the level of reserve draw down.

Legislation Required
 The legislature may need to amend statute if it wants to specify a minimum or maximum level of reserves.

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government

Time : Medium

Committee: SAVA

Agency Name: Department Of Administration

Status : One-Time

FTE Impact : N

Program Name: Health Care & Benefits Division

Mode : Research

MCA : 2-18-704

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

Description of Option: Limit Reimbursement for Grandfathered Reserve

Criteria Name: Few corollary impacts on other programs or services

Summary of Issue

The state employee group health plan maintains a reserve to refund an extra premium payment made by employees in 1999 when the new statewide accounting and budgeting system was implemented. When an employee leaves state employment, that extra premium payment is refunded to eligible employees. The premium amount withheld was about \$300, but the amount refunded is equal to the current employer share (over \$700 in 2010). The legislature could compare the cost of refunding the extra premium payment prior to eligible employees leaving state government or it could direct DofA to freeze the reimbursement level.

Other Factors

More work needs to be done to determine what type of savings might result in this option. The amount could be negligible in the short run. The savings that would accrue would be foregone costs in the future.

Legislation Required

Depending on the option chosen, it may be necessary to amend statute.

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government	Time : Medium	Committee: SAVA
Agency Name: Department Of Administration	Status : On-Going	FTE Impact : N
Program Name: Health Care & Benefits Division	Mode : Research	MCA : 2-18-704

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

Description of Option: Change Participation Requirements for Retirees in State Health Plan

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

Summary of Issue
 The premiums charged to retirees who opt to continue to participate in the state group health plan are 30 to 65 percent lower than the cost of health plan services provided to retirees. The legislature could direct DofA to lower the subsidy. Depending on the savings generated, the legislature could opt to transfer some of the health plan reserves to the fund that paid the premiums, including the general fund, or it could opt for a premium holiday.

In calendar year 2009, the state group plan paid \$1.60 in cost for each \$1.00 in premium income received from retirees under 65 (loss ratio over 160 percent), and about \$1.30 for every \$1.00 in premium income from retirees over 65 (loss ratio over 130 percent).

The legislature could consider changing statute to:

- 1) Require the state plan to price premiums to achieve smaller loss ratio for each retiree group
- 2) Require retirees to attain a higher minimum number of years of service (currently 5) to continue participation in the group plan
- 3) Peg premium participation to years of service, lowering premiums for retirees with 20, 25 or 30 years of service
- 4) Limit plan participation to those ineligible for Medicare
- 5) Phase out the option to participate when insurance exchanges are fully functional (January 2014)

How the Fund Balance would be Impacted
 More work needs to be done to determine the impact of this legislative option.

Legislation Required
 Depending on the option chosen, it might be necessary to enact legislation.

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government	Time : Medium	Committee: EA
Agency Name: Department Of Commerce	Status : One-Time	FTE Impact : N
Program Name: Business Resources Division	Mode : Research	MCA : 90-1-501

Option	General Fund	State Special	Federal Special
Other	\$4,800,000	\$0	\$0

Description of Option: Require that Loan Repayments Made to the Wood Products RLF Go to the GF

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

Summary of issue
 The 2009 Legislature created a Wood Products Revolving Loan Fund (RLF) that is made up of three distinct sources of funding: 1) Economic Development Administration (EDA) and state general fund match; 2) General fund; and 3) Community Development Block Grants (CDBG). Of the \$11,295,000 total funding, \$7.3 million is general fund (\$2.5 million used for EDA matching funds and \$4.8 million unrestricted). The current statute allows for loan principal and interest payments to be re-loaned by the department to wood product or primary sector businesses. Legislation could be created that required that \$4.8 million in general fund loans interest and principal payments must be deposited to the general fund instead of continuing to revolve in the loan fund. The additional \$2.5 million general fund EDA matching funds may also be eligible, but further research would be required to determine if federal restrictions would apply.

How the Fund Balance Would be Impacted
 There are ten separate loans that have been made with the general fund, each in varying amounts and maturities. As the department receives payments on these loans the principal and interest would be deposited in the general fund. The total general fund impact would be a gain of \$4.8 million plus accrued interest over the life of the loans.

Further Work Required
 Further research is necessary to determine how much, if any, of the general fund that was used to provide initial matching funds for the EDA grant could be returned to the general fund as those loans were repaid.

Legislation Required
 90-1-501 must be changed to allow for the principal and interest payments received from loans that were made with transfers of general fund in to the RLF to be deposited in to the general fund.

Legislative Fiscal Division

Legislative Budget Options

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 : 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 : Low

Committee: SAVA

Agency Name: Department Of Military Affairs

Status : On-Going

FTE Impact : N

Program Name: Scholarship Program

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$500,000	\$0	\$0

Description of Option: Eliminate Montana National Guard Scholarship Program

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

Summary of issue

The Montana National Guard Scholarship Program provides scholarships to eligible Montana National Guard personnel enrolled as undergraduate students in Montana colleges, universities, or training programs. Each scholarship is awarded at the completion of a semester of study. Scholarship values are up to \$900 per award per semester for a total of \$1,800 per year per student. In fiscal year 2008, 411 scholarships were awarded.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : N

Program Name:

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$9,301,660	\$39,658	\$16,687,466

Description of Option: Eliminate the 2 Percent Provider Rate Increase

Criteria Name: Other

Summary of Issue

This appropriation affects services administered by the Health Resources Division, Senior and Long Term Care, Children's Mental Health, Addictive and Mental Disorders, and Disability Services Division. The legislature appropriated \$10.0 million general fund (\$26.5 million total funds) in HB 645 for a 2 percent annual provider rate increase for Medicaid Services for FY 2011. Through the Governor's budget reduction under 17-7-140, the spending level was reduced to the FY 2010 appropriation of \$4,650,830 general fund and \$13,014,392 total funds each year of the 2013 biennium.

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.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Human And Community Services

Mode : Research

MCA :

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

Description of Option: Reduce Medicaid Personal Needs Allowance

Criteria Name: Other

Summary of Issue

The legislature could require DPHHS to lower the amount of money that a person receiving Medicaid services in an institution or group home can keep for personal uses. In doing so, the general fund cost of Medicaid services would be offset by the change.

Persons who receive Medicaid nursing home services and Medicaid group home services are allowed to keep up to \$50 per month of their personal income for personal needs that are not funded by Medicaid (eg greeting cards, gifts, personal items). The personal needs allowance could be reduced to offset Medicaid costs.

How the Fund Balance Would be Impacted

More work needs to be done to determine potential savings. In the 2009 biennium, the cost to increase the personal needs allowance for nursing home residents by \$10 per month was about \$256,000 in state matching funds over the biennium.

Other Factors

Changing the personal needs allowance could be construed as a change to Medicaid eligibility by federal agencies. If so, the state would lose Medicaid matching funds if it implemented the change.

There is also a potential that this choice could be viewed as a change to Medicaid eligibility by the federal oversight agency. The Patient Protection and Affordable Care Act of 2010 (federal health reform) requires states to maintain Medicaid eligibility levels as of June 2009 or risk losing federal Medicaid matching funds.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : High

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Human And Community Services

Mode : Research

MCA :

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

Description of Option: Streamline Eligibility in Programs as Required under Health Care Reform

Criteria Name: Other

The federal Health Care Reform Act requires states to develop a "no wrong door" approach to Medicaid eligiblity whereby for example, citizens can apply for Food Stamps can also have eligiblity for Medicaid determined.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Human And Community Services

Mode : Research

MCA :

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

Description of Option: Standardize elibility reviews

Criteria Name: Other

Provide fro 12 month coninuous elibigilty for DPHHS programs with reveiws conducted each year at one time.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : Y

Program Name: Human And Community Services

Mode : Research

MCA : 53-19-103

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$100,023	\$0	\$0

Description of Option: Eliminate Funding for Transitions Coordination for Individuals in Voc. Rehab.

Criteria Name: Other

Summary of Issue

The 2009 Legislature provided a one-time-only (OTO) general fund appropriation of \$100,023 over the biennium to support a disabilities transition coordination function to facilitate cooperation and coordination among all levels of government, as well as between the private and public sectors. Funds were administered through contracts.

How the Fund Balance Would be Impacted

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.

Contracting organizations could research other sources of funding and/or fundraising activities to replace the loss of funds. The department could potentially absorb some projects into existing funding. There is a half-time contracted position for this program that is paid with this appropriation. The position is at the North Central Independent Living Services in Great Falls.

Recipients of Service

While there has been some youth mentoring, services provided by this funding are not primarily direct services to individuals. Funds have been used to support the development of a Web site to serve as an educational/resource tool, an annual state-wide Youth Transition Conference, and for state-wide facilitation and assistance.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : N

Program Name: Human And Community Services

Mode : Research

MCA : 52-2-704

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$1,414,176	\$0	\$0

Description of Option: Eliminate Increases for Child Care Caseload and the Federal Poverty Index

Criteria Name: Other

Summary of Issue

The legislature appropriated \$1,162,186 general fund in HB 645 for increases in Child Care Rates, the Federal Poverty Index, and Case Load Growth for FY 2011. Through the Governor's budget reduction under 17-7-140, the funding was reduced to \$707,088 general fund for FY 2011 when the \$455,098 provider rate increase was removed.

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.

Recipients of Service

There is presently no waiting list for child care for eligible families. A waiting list would likely be established for the 2013 biennium.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : N

Program Name: Human And Community Services

Mode : Research

MCA : 53-19-110

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$2,000,000	\$0	\$0

Description of Option: Discontinue the Vocational Rehabilitation State Grants Funded by HB 645

Criteria Name: Other

Summary of Issue

The legislature provided a one-time-only appropriation of \$1.0 million in federal ARRA funds each year of the 2011 biennium in HB 645 to help persons with disabilities find work, improve technology, and address other infrastructure needs. The one-time-only nature of this appropriation means that the federal funds would be replaced with general fund if the appropriation were to continue.

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.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Human And Community Services

Mode : Research

MCA : 53-4-211

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$2,000,000	\$0	\$0

Description of Option: Reduce General Fund Spending beyond Maintenance of Effort in some HCSD Programs

Criteria Name: Other

Summary of Issue
 The legislature has historically provided general fund beyond the required Maintenance of Effort for the TANF and Child Care programs in the Human and Community Services Division.

While the amount changes based on TANF and child care benefit and eligible project utilization as well as child care general fund that could be used for match for grant applications in progress, there could be over \$1.0 million general fund available each year of the 2013 biennium.

Recipients of Service
 There could be a reduction to services, or a child care waiting list might be implemented.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : N

Program Name: Child & Family Services

Mode : Research

MCA : 52-7-105

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	\$1,000,000	\$0	\$0

Description of Option: Transfer \$1 Million From the Children's Trust Fund to General Fund

Criteria Name: New program, success has not been measured

Summary of Issue

The 2007 Legislature transferred \$1 million general fund into the Children's Trust Fund Endowment. The value of the fund on May 7, 2010 was \$1.2 million.

Earnings could be used to support prevention activities and family resource programs operated by nonprofit or public community-based education and service organizations. However, earnings from the endowment are presently reinvested in the endowment and have not been used to date.

How the Fund Balance Would be Impacted

All or part of the original \$1 million general fund transfer could be transferred back to the general fund.

Legislation Required

52-7-105 would need a temporary amendment to address endowment language.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Child & Family Services

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$180,012	\$0	\$0

Description of Option: Eliminate Funding for Big Brothers and Big Sisters

Criteria Name: Few corollary impacts on other programs or services

Summary of the Issue

The legislature has historically provided general fund to the Child and Family Services Division in support of Big Brothers and Big Sisters Programs. Since FY 2003 nearly \$625,000 has been provided including the \$90,000 for both FY 2010 and FY 2011. Funding is provided through contracts. There is no performance measure associated with the contracts. Contractors send monthly reports listing the eligible youths served via this funding. Six Big Brothers and Big Sisters organizations receive \$11,667 each and one organization receives \$20,000 from this funding.

Other Factors

The organizations would need to raise funds from other sources.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Public Health & Safety Div.

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$660,000	(\$660,000)	\$0

Description of Option: Eliminate General Fund Support for the Environmental/Public Health Labs

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

Summary of Issue

The environmental and public health laboratories are fee for service functions. The laboratories began to receive general fund support by the 2007 Legislature as one-time- only for equipment purchases. The 2009 Legislature included the funding as ongoing, with \$150,000 a year of the appropriation to be used to replace equipment.

How the Fund Balance Would be Impacted

General fund subsidy of \$330,000 each year would be eliminated and either replaced with lab fees or elimination of equipment purchases. Some equipment purchases can be made using federal grants.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Public Health & Safety Div.

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$143,467	\$0	\$0

Description of Option: Eliminate General Fund Support for Cancer Control

Criteria Name: Other

Summary of Issue

The 2007 Legislature provided state special revenue to cancer control activities (\$1.1 million over the biennium), a 20 percent increase in funding over the biennium. The program has a small amount of general fund, less than 2 percent of total appropriations in the 2011 biennium. The legislature could reduce or eliminate general fund support for the program.

How the Fund Balance Would be Impacted

In FY 2010, general fund is used to fund bureau administrative costs. Through May 21, 2010, general fund supported about 20 percent of the administrative costs charged to cancer control. Eliminating general fund from the program would increase the support required of the state special revenue funds, potentially resulting in decreased support for the program.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Public Health & Safety Div.

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$1,000,000	\$0	\$0

Description of Option: Eliminate General Fund Support for Contraceptives

Criteria Name: New program, success has not been measured

Summary of Issue

The 2007 Legislature provided one-time-only funding to support increased costs of providing contraceptives for Title X Family Planning Clinics. The 2009 Legislature provided ongoing funding of \$500,000 each fiscal year for the costs of contraceptives. The program has not determined if providing the funding lowered the birth rates for low income women in Montana. Without effective data on the outcomes of the program, the legislature may wish to consider eliminating general fund support.

How the Fund Balance Would be Impacted

Elimination of general fund support could result in increased costs of contraceptives passed on to low-income women in Montana. The funding was used to offset an approximately 70 percent increase in contraceptive costs. The potential exists that some women may forgo contraception resulting in additional Medicaid costs for births.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Public Health & Safety Div.

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Support by Service Recipients/Eliminate GF Subsidy	\$1,062,660	(\$1,062,660)	\$0

Description of Option: Reduce or Eliminate General Fund Support for Food and Consumer Safety

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

Summary of Issue

The Food and Consumer Safety Section provides public health protection through technical services, education, training, and enforcement of health protection standards. Local health departments conduct the inspections of some of the facilities, and the remainder are reviewed by the staff of the section. Food and lodging facilities, swimming pools, day care facilities, etc. are required to obtain a license. A small portion of the license fee is used to offset the costs of operating the state programs and the remainder is deposited to the local counties to offset the costs of the county inspections. The legislature could reduce or eliminate general fund support for the program and offset the reductions with increased fees to the facilities.

How the Fund Balance Would be Impacted

If the legislature chooses to reduce or eliminate general fund without offsetting increases in fees, there could be an impact to public safety as the workload related to facility inspections may have to be adjusted. If the inspections occurred less frequently, it could affect the compliance with requirements that ensure the health of the general public or individuals staying at some of the facilities, for example youth staying at youth camps or work camps.

Further Work Required

Review of the statutes and rules related to food and consumer safety would need to be completed, along with an examination of the workload in the section. Quantification of the affects of general fund elimination without offsetting fee revenues would also need to be examined.

Legislation Required

Depending on legislative choices, statutory changes may be needed.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Disability Services Division

Mode : Research

MCA : 52-4-202

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$400,000	\$0	\$900,000

Description of Option: Move Eligible Developmentally Disabled General Fund Clients to Medicaid Waiver

Criteria Name: Other

Summary of Issue
 Home and Community Based Medicaid Waivers allow states to provide services to eligible individuals who would otherwise require institutional care. The Disabilities Services Division presently serves some individuals with general fund that may be eligible for Waiver services. The division could use refinancing to place eligible Developmentally Disabled individuals that are presently funded with general fund into the Medicaid Waiver. There would be minimal impact on the clients.

How the Fund Balance Would be Impacted
 There would be a reduction in general fund and federal funds would increase due to the Medicaid Waiver. This would not require a change in statute.

Further Work Required
 The amounts listed above are initial estimates and would need to be refined.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : N

Program Name: Disability Services Division

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$400,000	\$0	\$750,000

Description of Option: Eliminate Funding for the Autism Group Home in Bozeman

Criteria Name: Other

Summary of Issue

The 2009 Legislature provided a restricted, biennial, one-time-only (OTO) general fund appropriation of \$400,000 as Medicaid match for residents living in the Bozeman group home that need treatment for autism services.

How the Fund Balance Would be Impacted

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.

Recipients of the Service

The department, families, and providers would have to look for other sources of funding or reduce services.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : N

Program Name: Disability Services Division

Mode : Research

MCA : 53-20-205

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$2,139,842	\$0	\$0

Description of Option: Discontinue HB 645 One-Time-Only ARRA Funds for IDEA Part C

Criteria Name: Other

Summary of Issue

The legislature provided a one-time-only appropriation of \$1,069,921 of federal ARRA funds each year of the 2011 biennium in HB 645 to help increase services for children with disabilities ages 0 through 2 years. The one-time only nature of this appropriation means that the federal funds would be replaced with general fund if the appropriation were to continue.

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.

Recipients of Services

The department used the ARRA funds in the spirit of one-time-only funding primarily to: 1) enhance Montana's Part C data collection methods for client tracking and invoicing to achieve "real time" data for improvement planning at state and local level; 2) enhance the capacity of technical assistance and training system to disseminate and implement research-based promising early intervention practices in Part C services to professionals providing services; and 3) provide services to children.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Disability Services Division

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$667,000	\$0	\$0

Description of Option: Continue Elimination for State Funds - System of Care/Kids Management Authority

Criteria Name: Other

Summary of Issue

The 2009 Legislature provided one-time-only support in HB 645 to sustain the children's system of care and kids management authorities. The funds were designated to pay the increased match as part of the federal grant from the Substance Abuse and Mental Health Services Administration. While these appropriations were designated as OTO by the legislature and consequently will not be part of the base budget, 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.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Disability Services Division

Mode : Research

MCA :

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

Description of Option: Consider the need/effectiveness of the Magellan Medicaid Administration contract

Criteria Name: Other

The Legislative Finance Committee Subcommittee on Reference Book Options for the Department of Public Health and Human Services requested review of the Magellan Medicaid Administration contract to examine the evidence supporting the usefulness of the contract.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : High

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

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

Description of Option: Implement Provider Fees to Pay a Portion of Medicaid State Share

Criteria Name: Other

Summary of Issue

The legislature could impose fees on medical service providers and use the revenue as state match for Medicaid to continue services that otherwise might be eliminated, to forego reductions to current Medicaid rates, or to increase Medicaid rates.

Montana levies a bed day utilization fee on nursing homes and hospitals and uses the funds as state match to draw down federal Medicaid funds. The fees have been used to provide and maintain Medicaid rates for those services. The legislature could expand the use of provider fees to maintain Medicaid services and rates and/or to fund rate increases.

Federal law requires that any provider fees or taxes be broad based, meaning that all providers within a class must participate. The total income raised is limited to a certain amount of gross industry revenue.

How the Fund Balance would be Impacted

The impact of this policy choice on the general fund depends on what type(s) of tax the legislature would consider and how the tax proceeds were used.

Further Work Needed

Additional research is needed to determine:

>>Which provider types could be combined or disaggregated for the purpose of levying a fee

>>A fee type and level

>>The estimated revenue from a proposed fee

>>Potential impacts of a new fee

>>Administrative costs

Other Factors

Imposition of a new or higher provider fee could discourage some providers from participating in the Medicaid program if the fee reduced overall income.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

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

Description of Option: Provide additional support for DPHHS services using unbudgeted enhanced FMAP

Criteria Name: Other

The Legislative Finance Committee Subcommittee on Reference Book Options requested the unbudgeted enhanced FMAP received in FY 2011 be used to offset reductions in DPHHS

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA : 53-4-1104

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

Description of Option: Review Healthy Montana Kids Program Fund Balance

Criteria Name: New program, success has not been measured

Summary of Issue

The legislature could review the Healthy Montana Kids state special revenue fund balance to determine whether to transfer some of the balance to the general fund.

The Healthy Montana Kids program was enacted by citizen initiative in November 2008. The initiative raised children's eligibility for the Children's Health Insurance Program to 250 percent of the federal poverty level and 185 percent for Medicaid (funded at 133 percent of the federal poverty level). It also eliminated consideration of family assets. The initiative diverted a portion of insurance license fees from the general fund to a state special revenue account.

The 2009 Legislature reduced the revenue flow of insurance license tax fees to the HMK state special revenue account to 16.5 percent for the 2011 biennium. Effective July 1, 2013 the transfer will revert to 33.0 percent. The legislature could review program enrollment and projected costs to:

- 1) Determine whether to establish a different percentage transfer of insurance license taxes.
- 2) Cap enrollment in the portion of the program that provides coverage to children in families between 133 percent of the federal poverty level and 250 percent.
- 3) Transfer a certain amount or percentage of the HMK state special revenue ending fund balance to the general fund.

How the Fund Balance would be Impacted

More work needs to be done to determine whether there is excess state special revenue in the HMK account that could be transferred to the general fund.

Further Work Required

The HMK program was started November 2008. Enrollment has increased steadily. More information is needed to evaluate enrollment trends, the average cost per child, and estimate future costs and revenues.

Legislation Required

The legislature would need to pass legislation to require a fund balance transfer from the HMK account to the general fund.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

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

Description of Option: Reduce Medicaid Provider Rates

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

Summary of Issue

The legislature could consider reducing Medicaid provider rates to reduce general fund spending.

States, including Montana, have opted to reduce Medicaid provider rates during times of fiscal down turn. The legislature could opt to reduce all Medicaid provider rates by a certain percentage or to review selective rate reductions.

If Medicaid rates are too low, some providers opt out of the Medicaid program or decline to accept new Medicaid patients. In some states, courts have directed the state to raise Medicaid rates if access to services declines substantially.

Legislation Required

Montana statute directs how physician rates are to be established. If the legislature chooses to direct DPHHS to lower physician rates, it would need to amend 53-6-125, MCA.

Further Work Required

More work is needed to determine the spending reductions due to provider rate reductions. Additionally, the loss of federal Medicaid matching funds would need to be estimated as well.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : High

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

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

Description of Option: Eliminate Optional Medicaid Services

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

Summary of Issue

Some Medicaid services are optional and not required to be part of a state Medicaid plan, or provision of the service in an outpatient setting is optional. The legislature could chose to eliminate all optional Medicaid services (except prescription drugs) to lower general fund spending.

How the Fund Balance would be Impacted

This option eliminates payment for certain outpatient Medicaid services for persons over the age of 21 including dental, eyeglasses, ambulatory surgery, public health clinic, podiatry, physical therapy, speech pathology, audiology, occupational therapy, private nursing, optometric, eyeglasses, and targeted case management services.

It is unlikely that persons eligible for Medicaid would be able to pay for the services that would no longer be covered by Medicaid. In some instances, persons would substitute hospital care to receive services not available in outpatient settings (such as ambulatory surgery services) or delay treatment until it became an emergency condition (such as dental).

If there were no cost shift to higher cost or emergency services, the total savings to the general fund would be about \$5 million, based on DPHHS estimates in mid 2008.

Further Work Required

If the legislature opts to eliminate optional Medicaid services, the cost savings would need to be updated based on projected Medicaid spending for the 2013 biennium and in conjunction with other choices the legislature might make regarding the Medicaid program.

Federal health reform legislation may limit the length of time this type of change could be made since states must expand financial eligibility for Medicaid and fund certain essential services, which have not yet been defined. Medicaid changes go into effect January 1, 2014. However, essential services that must be covered have not been defined.

Legislation Required

It may be necessary to change statute to if the legislature wants to ensure that certain services are no longer funded.

Other Factors

There would be a reduction in federal Medicaid matching funds if optional Medicaid services were eliminated.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

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

Description of Option: Implement Higher Copayments for Higher Income Families in HMK

Criteria Name: New program, success has not been measured

Summary of Issue

Financial eligibility for children's health insurance was raised by voter initiative in November 2008 with the implementation of the Healthy Montana Kids (HMK) program. Eligibility was raised from 150 percent to 250 percent of the federal poverty level.

The legislature could consider raising co-payments for higher income families.

How the Fund Balance Would be Impacted

The amount of savings that could be generated due to raising copayments would depend on whether:

- 1) It is allowable under provisions of federal health reform legislation
- 2) It would be practical or cost effective to implement a tiered co-pay

Legislation Required

The legislature would need to pass legislation to transfer state special revenue savings from the HMK account to the general fund.

Further Work Needed

Additional research is needed to determine the administrative costs and processes to implement this option compared to estimated cost savings. The cost reduction would be in state special revenue funds and federal Medicaid and CHIP grant funds.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : High

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

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

Description of Option: Freeze Medically Needy Income Level for Medicaid

Criteria Name: Other

Summary of Issue

During the 2003 biennium, one of the options implemented to reduce Medicaid spending was to freeze the medically needy income level for Medicaid eligibility. Later, the legislature reinstated funding to reverse this option.

How Fund Balance would be Impacted

Additional research is needed to determine the cost savings for this option.

Further Work Needed

Additional research will be needed to determine potential savings associated with this option. Also, this option may be determined by federal staff to change Medicaid eligibility processes and lower or restrict eligibility for Medicaid. If so, the state could be sanctioned by loss of federal Medicaid matching funds. The Medicaid eligibility maintenance of effort was enacted as part of federal health reform.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

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

Description of Option: Lower Big Sky Rx Program Premium Assistance

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

<p>Summary of Issue The legislature authorized a premium assistance program to assist low-income Medicare eligible persons to pay premiums for Medicare Part D (prescription drugs) funded from tobacco tax Medicaid and health initiative state special revenue. The state program augments federal assistance for certain Medicare eligible persons and provides state assistance for other low-income Medicare eligible persons. The legislature could opt to limit enrollment or lower the subsidy provided and divert the state special revenue to other uses, including offsetting on-going general fund costs.</p> <p>How the Fund Balance Would be Impacted The amount of general fund savings would depend on legislative choices. The amount of savings will be determined once FY 2010 is complete. LFD staff will determine an average savings per \$1 in premium reduction or average savings per person who is not served.</p> <p>Legislation Required The legislature may need to amend statute depending on how it uses the saved state special revenue and whether it would prefer to make enrollment limits or monthly premiums fixed in statute.</p> <p>Further Work Required Additional research is needed to determine the policy choices and estimated savings from each choice.</p>
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Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$1,995,754	\$0	\$4,400,000

Description of Option: Eliminate General Fund Support for Organ Transplants

Criteria Name: Other

Summary of Issue

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.

How the Fund Balance Would be Impacted

The legislature provided funding to support heart, lung, and liver transplants for adults. Additional federal fund support was also budgeted at \$4.4 million. Elimination of the general fund results in a reduction in federal funds supporting the Medicaid program.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$2,882,162	\$0	\$0

Description of Option: Continue the Elimination of Support for Community Aging Services

Criteria Name: Other

Summary of Issue

The 2009 Legislature provided one-time-only general fund support in HB 645 for non-Medicaid community aging services. Senior and Long Term Care Division contracts with Area Agencies on Aging (AAAs) to provide increased services such as congregate meals, meals on wheels, home care giver and chore services, information and referral services. 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.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : High

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$22,000,000	\$0	\$46,000,000

Description of Option: Do Not Reinstate One-Time Medicaid Appropriations in DPHHS Base

Criteria Name: Other

Summary of Issue

The 2009 Legislature designated \$11 million of general fund appropriations for Medicaid services as a one-time appropriation and required DPHHS to study the impact of the loss of one-time funds over the interim.

While these appropriations were designated as OTO by the legislature and consequently will not be part of the base budget, 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.

Further Work Needed

Although DPHHS has reviewed budget reductions internally, not much data has been shared with the Legislative Finance Committee. Additional research will be needed to determine what types of reductions can be made without federal financial penalties and without excessive cost shift or adverse outcomes.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program/Facility Efficiencies/Economy	\$2,637,734	\$0	\$0

Description of Option: Continue Savings - Medicaid Rebates for Drugs Marketed by Multiple Sources

Criteria Name: Other

Summary of Issue

DPHHS contracted for administration of a State Maximum Allowable Cost (SMAC) program to identify the lowest cost source for a drug marketed by 3 or more manufacturers or labelers. The contract was identified as one of the spending reductions under 17-7-140 MCA, implemented by the Governor in 2010. The savings listed for this choice are above those calculated for 17-7-140 spending reductions and were identified in the DPHHS executive planning process (EPP) submission.

How the Fund Balance Would be Impacted

Continuation of the SMAC program would lower general fund costs by about \$1.3 million per year. The cost estimates may change as Medicaid cost forecasts for the 2013 biennium are revised.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : High

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Health Resources Division

Mode : Research

MCA :

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

Description of Option: Implement Treatment Protocols and Evidence Based Practices in Medicaid

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

Summary of Issue

Total Medicaid services costs were about \$1 billion in FY 2009. The vast majority of Medicaid services require a state matching contribution of about 30 percent. A 1 percent change in the state match rate causes an \$8 to \$9 million change in state funding.

It is difficult to tell whether Medicaid services are being delivered as efficiently and effectively as possible. Some insurance programs have required medical providers to use evidence based models or treatment protocols that are widely believed to be the most effective approach.

This issue proposes to work with DPHHS to determine what types of changes could be made to the Medicaid program to:

- >>Define selected treatment protocols that are deemed to be the most effective, best practice, or evidence based
- >>Insure that these protocols are followed
- >>Provide methods to evaluate the financial efficiency as well as treatment outcomes
- >>Determine the cost and timeline to implement this approach

How Fund Balance would be Impacted

The goal would be to reduce general fund spending while also achieving better treatment outcomes. Potential savings would depend on several factors including selection of treatment protocols and implementation costs, which could include information technology hardware, software, and licensing costs as well as contracted services to evaluate adherence to treatment protocols.

Further Work Required

Additional research will be required to fully define and estimate costs and savings due to this proposal.

Legislation Needed

The legislature may need to amend statute to implement this program.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : N

Program Name: Senior & Long-term Care

Mode : Research

MCA : 52-3-115

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

Description of Option: Use Older Montanans' Trust Fund Balance

Criteria Name: New program, success has not been measured

Summary of Issue

The Older Montanans' Trust Fund has a balance of \$8.8 million. The trust was initiated by the 2007 Legislature, with a transfer of unspent tobacco tax appropriations for Big Sky Rx (assistance for low-income seniors to help offset the cost of premiums for Medicare Part D drug coverage). Portions of the interest of the trust can be appropriated when the trust balance reaches certain levels or beginning January 1, 2015 (52-3-115, MCA). The funds in the trust are to be used to create new, innovative services or to expand existing services for Montanans 60 years of age or older to enable them to live an independent lifestyle in the least restrictive setting.

How Fund Balance would be Impacted

The legislature could consider amending statute to:

- 1) Transfer all or a portion of the trust balance to the general fund or
- 2) Use the trust proceeds to maintain services that might otherwise be eliminated

The impact to the general fund balance would depend on the legislative choice and amount from the trust that was transferred to the general fund or to support services that would otherwise be reduced or eliminated.

Other Factors

The legislature would need to amend statute to use trust resources in ways currently not authorized.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : High

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : N

Program Name: Senior & Long-term Care

Mode : Research

MCA : 16-11-119

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

Description of Option: Review MT Vets' Home Procedures to Determine Residents' Ability to Pay

Criteria Name: Receipt of Service Not Tied to Income/Higher Income Threshold

Summary of Issue

Cigarette tax revenues support Montana Veterans' Homes costs that are not paid for by other sources. Unspent cigarette tax revenues allocated to the vets' homes in excess of \$2 million transfer to the general fund at fiscal year end.

Montana Veterans' Homes have the discretion to determine residents' ability to pay for the cost of nursing home care. The vets' homes are funded through federal Veterans' Administration per diem payments, veterans' self pay, Medicaid, and Medicare. Cigarette tax funding is used to make up the difference between the total cost of vets' home services and revenue from other payment sources.

Further Work Required

Additional research is needed to quantify and understand methods used to determine resident's ability to pay for their own care, to compare those processes to other types of financial eligibility determination, and to develop options for legislative consideration.

How the Fund Balance would be Impacted

Depending on the outcome of the research and legislative choices, the self pay revenues could offset cigarette tax revenue allocated to support the veterans homes. Any balances in excess of \$2 million remaining in the cigarette tax account are transferred to the general fund at fiscal year end. The impact to the general fund balance would be the additional transfer from the cigarette tax account.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Senior & Long-term Care

Mode : Research

MCA : 16-11-119

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	\$500,000	\$0	\$0

Description of Option: Reduce Vets' Home Cigarette Tax Minimum Ending Balance

Criteria Name: Other

Summary of Issue

Statute allocates 8.3 percent of the cigarette tax to operation of veterans' homes and requires that balances in excess of \$2 million be transferred to the general fund at fiscal year end. The legislature could establish a lower minimum balance and transfer the excess to the general fund.

How Fund Balance would be Impacted

The general fund impact could be as high or low as the legislature determined appropriate if it wanted to lower the vets' home cigarette tax fund ending balance ranging up to a high of \$2 million.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Senior & Long-term Care

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Other	\$620,000	\$0	\$1,300,000

Description of Option: Continue Elimination of Assisted Living Rate Increase

Criteria Name: Other

Summary of Issue

The 2009 Legislature provided additional general fund and federal funds to support a per day rate increase for assisted living facilities. The increase was estimated to be \$3.67 in FY 2010 and \$1.23 in FY 2011. 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.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Senior & Long-term Care

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$3,088,618	\$0	\$6,100,000

Description of Option: Eliminate Additional Support of the Community Waiver Services

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

Summary of Issue

The 2009 Legislature provided one-time-only general fund support for additional home and community based waiver services. Services provided allow elderly and disabled individuals to be served at home, in their communities instead of in nursing homes or hospitals. While these appropriations were designated as OTO by the legislature and consequently will not be part of the base budget, 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

General fund support is also provided for state match of federal Medicaid funding for individuals served in nursing homes. The potential exists that if the individuals served in the OTO waiver slots cannot receive waiver services they would be placed in nursing homes, potentially increasing the cost to the general fund.

Other Factors

The legislature may not be able to reduce the number of home and community based waiver slots without facing a substantial monetary penalty (withdrawal of all federal Medicaid matching funds). The Patient Protection and Affordability Act of 2010 (health care reform) included a maintenance of effort for Medicaid eligibility. A reduction in waiver slots might be construed as a reduction in eligibility by federal authorities.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Low

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : One-Time

FTE Impact : N

Program Name: Senior & Long-term Care

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$4,893,692	\$0	\$11,550,606

Description of Option: Discontinue HB 645 OTO Direct Care Worker Wage Increase of \$1 Per Hour

Criteria Name: Other

Summary of Issue

The 2009 Legislature funded a provider rate increase to support a \$1 per hour wage and benefit increase for direct care workers in Medicaid services administered by the Senior and Long Term Care Division.

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 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.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : Medium

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Addictive & Mental Disorders

Mode : Research

MCA : 53-21-702

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

Description of Option: Reduce Funding for the Mental Health Services Program

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

Summary of Issue
 DPHHS administers a Mental Health Services Plan (MHSP) for adults who are not Medicaid eligible. The program provides prescription drugs and some community mental health services. The legislature could reduce or eliminate funding for the program, lowering general fund and/or state special revenue spending.

How Fund Balance would be Impacted
 MHSP funds mental health drugs and some mental health services for adults with incomes up to 160 percent of the federal poverty level. The FY 2010 appropriation is \$5.6 million general fund and \$3.4 million health and Medicaid initiatives tobacco tax state special revenue. MHSP is a state program. The legislature could opt to reduce or eliminate the program.

DPHHS plans to implement a Medicaid waiver program to use part of the MHSP state appropriation to match federal Medicaid funds and serve up to 700 persons currently receiving MHSP services. The waiver implementation could begin prior to the convening of the 2009 Legislature.

Further Work Required
 Significant changes to MHSP could cause cost shifts to other programs or other entities. For instance, if a former MHSP participant were unable to purchase mental health drugs, he or she could decompensate and require intensive community or inpatient hospitalization. The entities that could incur costs in this situation are local law enforcement, local county attorneys, county governments, and the state hospital. Quantification of such costs could require significant research.

Legislation Required
 Depending on legislative choices, statutory changes may be needed. For instance, if the legislature chose to eliminate the program, it would need to amend statute.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Health & Human Services

Time : High

Committee: CFHH

Agency Name: Dept Of Public Health & Human Services

Status : On-Going

FTE Impact : N

Program Name: Addictive & Mental Disorders

Mode : Research

MCA :

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

Description of Option: Budget State Institutions at Cost of Comparable Private Facilities

Criteria Name: Other

Summary of Issue

Some state institutions (such as nursing homes) provide services that are similar to those provided by private entities. In some instances, private entities charge less for the service than the amount appropriated to run the state institution. The legislature could consider establishing the state institution appropriations at a daily amount similar to the cost of a comparable private institution.

How the Fund Balance Would be Impacted

The impact on the general fund will depend on types of decisions made by the legislature.

Further Research

The research needed includes determination of what:

- >>Drives the cost difference between the state institution and private vendors
- >>The private vendor charge would be to care for a similar population
- >>Impact to the state institution if appropriations were reduced

Legislative Fiscal Division

Legislative Budget Options

Section Name: Natural Resources & Transportation

Time : Low

Committee: EQC

Agency Name: Department Of Environmental Quality

Status : On-Going

FTE Impact : N

Program Name:

Mode : Research

MCA : 90-4-616

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$3,724,800	(\$3,724,800)	\$0

Description of Option: Redirect Energy Savings of the State Building Energy Conservation Program

Criteria Name: Other

Summary of Issue

In the 2009 Legislative Session, the legislature redesigned the Department of Environmental Quality State Building Energy Conservation Program (SBECP) to be funded similar to a revolving loan program. The funds used as start-up for the program were primarily federal grants obtained through the ARRA legislation for the purpose of making energy improvements to state buildings. Instead of directly funding the energy improvements, the program was redeveloped so estimated energy savings would be transferred to the program to provide a future funding source for the program.

Legislative options might include: 1) sweeping the funds into the general fund instead of to the program; or 2) allowing the agencies to realize the cost savings of the energy upgrades to reduce future space costs.

How the Fund Balance Would be Impacted

Either option mentioned above would provide a positive impact to the general fund, with an accompanying negative impact to the program state special fund. The impact of the options would provide either transfers from the agency to the general fund or savings to the general fund. The impact of the \$23 million of energy upgrades provided by the upgrade appropriated in the 2009 Legislative Session were estimated to last approximately 12.5 years.

Further Work Required

Further analysis would be required to determine the exact amount and schedule of the energy cost savings. Savings would begin to be realized as projects are completed. Under the rules of the ARRA funding, projects needed to be started within a specific period of time, however analysis would provide information on exactly when projects are expected to be complete.

Legislation Required

Statutes in Title 90, Chapter 4 would need to be amended.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Natural Resources & Transportation
Agency Name: Department Of Environmental Quality
Program Name: Permitting & Compliance Div.

Time : Medium **Committee:** EQC
Status : On-Going **FTE Impact :** Y
Mode : Research **MCA :** various

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$2,000,000	(\$15,000,000)	\$0

Description of Option: Return Primacy to the US EPA

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

Summary of Issue
 The state has received primacy for environmental programs to operate on behalf of the federal EPA. This includes air quality, water quality, water protection, hazardous waste, and asbestos programs. Returning primacy would require the EPA to take back the lead on these activities.

How the Fund Balance Would be Impacted
 General fund appropriated to subsidize these activities would no longer be needed. In addition, the state would no longer collect application fees, annual permit fees, and the like.

Further Work Required
 As federal funds have declined, some of these programs have received general fund appropriations to support the activity. The return of primacy would result in general fund savings for these activities and for overhead charged within the department. Staff would need to examine the expenditures related to the operation of these activities, determine what it would take to return primacy and examine the potential change for any consequences to regulated industries.

Other Factors
 If primacy was returned, guidance regarding these permit programs may need to be removed from statute.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Natural Resources & Transportation

Time : Low

Committee: EQC

Agency Name: Department Of Environmental Quality

Status : On-Going

FTE Impact : N

Program Name: Permitting & Compliance Div.

Mode : Research

MCA : 75-6-108

Option	General Fund	State Special	Federal Special
Support by Service Recipients/Eliminate GF Subsidy	\$1,200,000	(\$1,200,000)	

Description of Option: Increase Public Water Supply Connection Fees to Cover Oversight Costs

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

Summary of Issue

The public water supply connection fee has been \$2.00 for each service connection to a public water supply, with a a minmum charge of \$100 or \$50 for a transient non community water system. These rates have not been ajdusted since 1993. This connection fee is to implement the public drinking water supply program. Over time, the program has accessed other state special revenue sources to cover the costs to oversee the drinking water program. During the 2009 legislature \$1.2 million of general fund was approved to fund this program at a level acceptable to the US EPA.

How the Fund Balance Would be Impacted

If the public water supply connection fee was raised, general fund expenditures could be displaced. For every \$1.00 the fee is raised, \$220,000 is collected. If minimums were also adjusted an additional \$76,000 per year could be raised.

Further Work Required

Minimal. Some work with DEQ would be necessary to calculate the appropriate increase in the fees.

Other Factors

This fee is set in statute, 75-6-108, MCA would need to be changed.

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 : 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: PPL v. Montana damages deposited in General Fund or Guarantee 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

Section Name: Natural Resources & Transportation

Time : Low

Committee: ELG

Agency Name: Dept Of Natural Resources & Conservation

Status : On-Going

FTE Impact : N

Program Name: Forestry/trust Lands

Mode : Research

MCA :

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

Description of Option: Finance trust land administration with a GF appropriation

Criteria Name: Other

Summary:

Administration of state trust lands is currently funded with revenues from trust lands. This revenue, per the constitution, should be distributed to the beneficiaries. If a specific general fund appropriation was provided in lieu of utilizing revenues, trust lands revenues to the schools could increase.

Further work required:

The amount of administrative costs needs to be considered in relation to the return on investment made by the trust lands program. This analysis would determine if the increase in general fund to DNRC would result in a greater increase in trust land revenues, or the guarantee account.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Natural Resources & Transportation

Time : Medium

Committee: EQC

Agency Name: Dept Of Natural Resources & Conservation

Status : On-Going

FTE Impact : N

Program Name: Forestry/trust Lands

Mode : Research

MCA : 76-13-213

Option	General Fund	State Special	Federal Special
Support by Service Recipients/Eliminate GF Subsidy	\$2,000,000	(\$2,000,000)	\$0

Description of Option: Increase Fire Protection Fees Through Formula Adjustment

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

Summary of Issue

Owners of forested land within a DNRC direct protection zone currently pay 1/3rd of the fire protection program through a land parcel assesment, and general fund pays the other 2/3rd. A funding shift to 1/2 and 1/2 would shift \$2.0 million to the landowners, while a total funding shift would transfer \$7.0 million to landowners. This funding pays for the availability of trained, equipped personnel and resources. It does not pay for the actual cost to fight the fire.

How the Fund Balance Would be Impacted

If the landowner portion was increased, the need for general fund would decrease by the same amount.

Further Work Required

A determination in the per parcel fees to establish a different level of cost share would need to occur. DNRC does have a data base for this program.

Other Factors

The split between general fund and fees is clearly delineated in statute. This would need to be changed. In addition, this would be delayed income as these fees are attached to property taxes.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Natural Resources & Transportation

Time : Low

Committee: EQC

Agency Name: Dept Of Natural Resources & Conservation

Status : On-Going

FTE Impact : N

Program Name: Forestry/trust Lands

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Support by Service Recipients/Eliminate GF Subsidy	\$0	\$0	\$0

Description of Option: Require Landowners in DNRC Direct Protection to Fund Fire Suppression Cost

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

Summary of Issue

Fire suppression costs are paid from a state special revenue fund that currently has a balance of \$26.4 million. This fund will either cover the costs of the FY2011 fire season, or some could be available for transfer to the general fund.

To reduce dependency on the general fund to cover wildland fire costs, property owners in DNRC direct protection could pay an annual fee to provide revenue to the fire suppression fund. An annual fee of \$100 per owner would generate \$5.8 million or per parcel would generate \$9.9 million.

Further Work Required

Statute would need to be developed to outline how the fee is imposed, collected, and held.

Other Factors

This funding would only be available with a statutory change and not received until FY 2012.

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: Judicial Branch, Law Enforcement, Justice

Time : Medium

Committee: LJ

Agency Name: Judicial Branch

Status : One-Time

FTE Impact : Y

Program Name:

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$1,460,000	\$0	\$0

Description of Option: Close Courts One Day Per Week

Criteria Name: Other

Summary of Issue

One cost saving strategy that has been implemented by other states is closing courts one day per week. In Montana district courts are funded by state general fund and it might be possible to reduce general fund expenditures by closing these courts one day per week. However, because the district court budgets are comprised largely of personal services costs it is likely that employees would have to be furloughed on this day in order to create significant savings.

Further Work Required

Any furlough of employees would need analysis of legal implications including implications on pensions, labor agreements, and other similar issues. Additionally, because district court judges are elected officials it is unlikely that they could be furloughed. There are also complexities created because the Clerk of Court is a county employee and counties provide physical space for court rooms. This is also likely to create delays in court proceeds and backlogs within the court system. Additionally, Article VII Section 7 states that justices and judges salaries cannot be diminished during the term of office. However, it may be possible to amend statutory provisions that provide for a biennial salary increase.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : Low

Committee: LJ

Agency Name: Judicial Branch

Status : On-Going

FTE Impact : N

Program Name: District Court Operations

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$750,000	(\$750,000)	(\$50,000)

Description of Option: Juvenile Placement/Juvenile Delinquency Intervention Program

Criteria Name: Not subject to regular review

Summary of Issue

Currently, general fund for juvenile parole and probation placements is appropriated to the Department of Corrections. Eleven percent of the funds are used by Corrections for juvenile parole placements and \$1 million is placed in a cost containment pool. The balance of the funds are allocated among judicial districts for juvenile probation placements. Funds that are allocated to judicial districts but are unexpended at the end of the fiscal year are transferred to the Juvenile Delinquency Intervention Program account in the state special revenue fund to be used for youth prevention and intervention programs and in some instances placement. This fund is administered by the Judicial Branch and statutorily appropriated. Funds that remain in the state special revenue fund and are not expended at the end of two additional years are transferred back to the general fund. When last reviewed about \$1 million per year of the juvenile placement funds was being transferred to the state special revenue fund at the end of each year. A reduction of about \$300,000 was included in the spending reductions ordered by the Governor under 17-7-140, MCA.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : Low

Committee: LJ

Agency Name: Department Of Justice

Status : On-Going

FTE Impact : N

Program Name:

Mode : Research

MCA : 30-14-143

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	\$1,000,000	(\$1,000,000)	\$0

Description of Option: Consumer Settlement Proceeds

Criteria Name: Other

Summary of Issue

Current statute provides that excess fines, costs, and fees from consumer settlement proceeds (proceeds paid to the state to settle litigation in consumer protection cases) be transferred to the general fund. But, current statute does not clearly state what is to be considered fines, costs, or fees, how the amount of "excess" is to be determined, and does not specify the timing of the transfer to the general fund. Legislation considered by the 2009 Legislature to revise this statute was not adopted.

Legislation Required

Statute would need to be amended temporarily to allow the transfer.

How the Fund Balance Would be Impacted

General fund balance would increase as the result of transfer of funds from the state special revenue account. The state special revenue account would be decreased.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : Medium

Committee: LJ

Agency Name: Office Of The Public Defender

Status : On-Going

FTE Impact : Y

Program Name:

Mode : Research

MCA :

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

Description of Option: Eliminate jail time for selected misdemeanor offenses

Criteria Name: Other

Summary of Issue

The potential for jail time (incarceration) drives the need for a public defender to represent some individual charged with misdemeanor crimes. Removal of the statutory provisions providing for the possibility of incarceration for some misdemeanor crimes may result in reduced costs to the state for public defender services. Additionally, some local government ordinances include jail time as a potential penalty. Restricting local government from including jail time as a penalty for violation of local ordinances or providing that the local government pay for public defender services in these cases may reduce state general fund expenditures.

Further work required

At its June 2010 meeting the Legislative Finance Committee passed a motion requesting two bill drafts: 1) removing jail time for certain misdemeanor offenses; and, 2) providing that local government pay the costs of public defense services when jail time associated with a local government ordinance drives the need for the public defender. The committee did not determine the specific content of either bill draft request. Further work is necessary to determine the content of this proposed legislation.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : Medium

Committee: LJ

Agency Name: Office Of The Public Defender

Status : On-Going

FTE Impact : N

Program Name:

Mode : Develop

MCA :

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

Description of Option: Eligibility for Public Defender Services

Criteria Name: Other

Summary of Issue

Currently individuals that are determined indigent due to having household income at or below 133 percent of the federal poverty level or because hiring a defense attorney would present a financial hardship are eligible to have a public defender represent them in court (at state expense). Additionally, in some cases such as guardianship and commitment cases, the OPD represents all individuals seeking representation and no indigence determination is required by statute.

How the Fund Balance Would be Impacted

Changing the criteria for eligibility so that fewer individuals are eligible for this publicly funded service could reduce costs to the general fund. Providing the agency statutory authority to collect reimbursement for services provided on behalf of individuals that are not indigent (where statute does not require individuals to be indigent to qualify for services) could increase state special revenue available to the agency.

Further Work Required

This topic is discussed more completely in reports delivered to the Legislative Finance Committee in March and June, 2010. Data currently available does not stratify recipients by income level, thus it is difficult to estimate the financial impact of changes.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : Medium

Committee: LJ

Agency Name: Office Of The Public Defender

Status : On-Going

FTE Impact : N

Program Name:

Mode : Develop

MCA : 47-1-104

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$165,000	\$0	\$0

Description of Option: Public Defender - Reduce/Eliminate Provision of Services that are Optional

Criteria Name: Other

Summary of Issue

The Office of Public Defender provides public defense services to indigent individuals. While the provision of a public defender is a constitutional requirement in most cases, statute also provides for a public defender in some situations that may be outside the constitutional requirement.

How the Fund Balance Would be Impacted

Revising statutes to eliminate the provision of a public defender in some situations may reduce the caseload of the public defender system and thus general fund costs. This option is discussed in reports delivered to the Legislative Finance Committee in March and June, 2010. An estimated \$165,000 was expended in FY 2009 to represent individuals in guardianship cases. If none of these individuals utilized public defenders this amount of general fund could be saved. However, because these expenditures are spread statewide, savings in any particular office may not be adequate to impact the overall funding level. However, this savings could potentially offset requests for increased funding.

Further Work Required

A legal analysis clarifying whether or not there is a constitutional right to a public defender in some cases should be completed prior to or in conjunction with the drafting of legislation on this issue.

Legislation Required

Legislation to change current statute to eliminate required support would be required.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : High

Committee: LJ

Agency Name: Department Of Corrections

Status : One-Time

FTE Impact : N

Program Name:

Mode : Research

MCA :

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

Description of Option: Corrections - Early Release of Inmates

Criteria Name: Other

Summary of Issue

One strategy used by Montana in 2003 and being used by other states to reduce expenditures is the early release of inmates from prison. When Montana used this strategy in 2003 there were a number of offenders that were committed to the Department of Corrections in prison that were released. Since that time the department has revised processes and now 70 percent of the offenders under a DOC commitment are diverted from prison to other alternatives.

Further Work Required

Criteria would need to be developed to determine which offenders were potential candidates to be released from prison early. It is likely that statutory changes would be needed and the role of the Board of Pardons and Parole redefined in this situation. Also, post release transition and supervision would be needed to prevent offenders from returning to prison.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : Medium

Committee: LJ

Agency Name: Department Of Corrections

Status : On-Going

FTE Impact : N

Program Name:

Mode : Research

MCA :

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

Description of Option: Corrections - Increase Diversions

Criteria Name: Other

Summary of Issue

One strategy to decrease correctional costs is to divert offenders from the correctional system. This strategy typically begins with diversion of offenders to treatment programs (often substance abuse). Montana has several alternative and treatment programs for offenders.

Montana currently has diversion programs including substance abuse treatment programs, methamphetamine treatment programs, felony driving under the influence treatment programs, and assessment and sanction centers. The number of beds available within these facilities could be increased. Additionally, creation of new programs for more difficult offenders who have failed in existing programs could increase the number of offenders. Also, diversion of offenders earlier, such as at the misdemeanor level, may be desirable. Misdemeanor diversion programs could include things such as treatment courts, a program like South Dakota's 24/7 sobriety program or use of misdemeanor probation officers to monitor offender compliance with court requirements.

How the Fund Balance Would be Impacted

Diverting offenders from prison and/or the correctional system would decrease general fund expenditures

Further Work Required

Further research would be required to determine the most cost effective diversion strategies in light of Montana's current service and population mix.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : High

Committee: LJ

Agency Name: Department Of Corrections

Status : On-Going

FTE Impact : N

Program Name:

Mode : Research

MCA :

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

Description of Option: Corrections - Change Sentencing Provisions

Criteria Name: Other

Summary of Issue

Revise statutes related to sentences for various criminal offenses. Reduction in the length of sentences would lead to shorter lengths of incarceration or perhaps the elimination of incarceration as punishment for some crimes.

How the Fund Balance Would be Impacted

If fewer offenders were sentenced for shorter periods of time general fund expenses would decrease.

Further Work Required

Given the number of criminal offenses and need for careful consideration to avoid unintended consequences, identifying desirable changes to sentencing statutes that would decrease costs would best be accomplished through an interim study.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : High

Committee: LJ

Agency Name: Department Of Corrections

Status : One-Time

FTE Impact : Y

Program Name:

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Other	\$17,300,000	\$0	\$0

Description of Option: Corrections - 10 Percent Reduction

Criteria Name: Other

Summary of Issue

A 10 percent reduction in funding for the Department of Corrections equates to about \$17.3 million a year. The amount of savings would equate to any one of the following: 1) elimination of almost all community based treatment services for adult offenders and the operation of the Missoula Assessment and Sanction Center; 2) elimination of administrative functions of the department including the costs of outside medical care for inmates; and 3) incarceration of 136 offenders at Montana State Prison for a 46 month average length of stay at a cost of \$91.97 per day (based upon FY 2008 average length of stay and cost). To achieve this savings in one year, the number of inmates would need to be reduced by four times that number (544) for the entire year.

How the Fund Balance Would be Impacted

A reduction in expenditures would increase the fund balance.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : Medium

Committee: LJ

Agency Name: Department Of Corrections

Status : On-Going

FTE Impact : Y

Program Name:

Mode : Research

MCA :

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

Description of Option: Corrections - Revocations, Recidivism

Criteria Name: Other

Summary of Issue

One strategy to reduce incarceration costs is to reduce offender revocations or recidivism. Montana has implemented the Sanction Treatment Assessment Revocation and Transition (START) program to divert offenders from returning to prison. Since inception of this program 73 percent of the offenders subject to the program were returned to the community and the balance of 27 percent returned to prison. Since most who return to prison do so within the first two to three years of release more intensive supervision during this time may reduce recidivism. Additionally, review of the reason offenders are returning to prison may reveal changes that would be desirable and reduce revocations. Reduction of revocations and recidivism would increase the general fund balance if expenditures are decreased.

Further Work Required

Additional research is needed to identify potential supervision strategies beyond those already utilized or changes in conditions of release that might reduce revocation and recidivism.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : Medium

Committee: LJ

Agency Name: Department Of Corrections

Status : On-Going

FTE Impact : N

Program Name:

Mode : Research

MCA :

Option	General Fund	State Special	Federal Special
Other	\$1,200,000	\$0	\$0

Description of Option: Provider rate reductions - Corrections

Criteria Name: Other

Summary of Issue

Correctional system costs could be reduced by reducing the rates paid to contractors. The department budget includes about \$124 million of funding for the 2011 biennium to support room and board payments to contracted service providers (including regional and private prisons, prerelease centers, treatment programs, etc). A one percent provider rate reduction equates to savings (an increase in the general fund balance) of about \$1.2 million for the biennium. It is likely that provider rate reductions would impact the services provided. Additionally, statutory changes to provisions (53-30-507(3), MCA) governing rates for regional prisons may be needed to implement this reduction.

Further Work Required

Research is needed to determine the potential impacts of this proposal on services, offender success (recidivism), and providers (many of which are nonprofit corporations).

Legislative Fiscal Division

Legislative Budget Options

Section Name: Judicial Branch, Law Enforcement, Justice

Time : Medium

Committee: LJ

Agency Name: Department Of Corrections

Status : On-Going

FTE Impact : N

Program Name:

Mode : Research

MCA :

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

Description of Option: Reduce length of stay in various programs - Corrections

Criteria Name: Other

Summary of Issue

The costs per offender might be decreased by shortening the length of stay in various programs. For example, the length of stay in prerelease is generally six months, in methamphetamine treatment nine months followed by six months in prerelease, and in the felony DUI treatment program six months. Because providers are paid a per diem rate it might be possible to reduce costs by reducing these lengths of stay.

Further Work Required

Research is needed to determine the potential impact of shortened lengths of stay in programs upon program and offender success. Additionally, statutory changes to sentencing provision may be needed.

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:

Mode : Research

MCA : 20-10-147

Option	General Fund	State Special	Federal Special
Fund Balance Transfers	\$1,500,000	\$0	\$0

Description of Option: Reduce Bus Depreciation Fund for districts utilizing DERA funds

Criteria Name: Program is duplicated elsewhere

Summary of Issue

Twenty three school districts utilized Diesel Reduction Act (DERA) funds under the Stimulus program to assist in purchasing new, cleaner running school buses. Districts that were located in poor air quality regions were the primary targets for this funding. Newer buses produce less emissions and run more efficiently. DERA funded one-half of the purchase price, approximately \$1.5 million, therefore allowing districts to retain funds in their bus depreciation funds.

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:

Mode : Research

MCA :

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

Description of Option: Limit Bus Depreciation Reserve Fund

Criteria Name: Not subject to regular review

Summary of Issue

Statute limits the ability of a district to budget funds for the replacement, remodel or conversion of buses or two way radio systems. The FY 09 ending fund balance for the bus depreciation fund was \$37.9 million. There is not a statutory control on how much can be retained in this fund and for what period of time. Revenues are from local levies. Any cap or change in this could reduce local levy revenue.

Further work required

The ending fund balance would need to be analyzed to determine if there is any excess funds available or if an alternative means to funding bus depreciation would provide savings.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Education

Time : High

Committee: ELG

Agency Name: Office Of Public Instruction

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: Create a statewide health insurance pool for school districts

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

Summary of Issue

School districts are facing rising costs of health benefits for their employees. By creating a large buyer pool, costs should decrease for a significant number of districts. Local savings for health benefits would be transferred back to the state or accounted for in a reduction to BASE aid.

Further work required

This issue would need to be fully researched to determine the potential cost of such a pool and the local savings that could be generated and how those savings would be transferred back to the state. HB 124 from the 2005 session (K-12 SHIP) could be a starting point.

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 : 20-9-630

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

Description of Option: Eliminate Block Grants to K-12 Districts Non-general funds

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

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 : 20-9-630

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

Description of Option: Eliminate 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

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 : 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

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 : 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

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 : 20-9-630

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

Description of Option: Eliminate 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

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 : 77-4-208

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

Description of Option: Change Deposit of Riverbed Rents from Facility Account to 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

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 : 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

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 Eliminations/Modifications	\$10,000,000	\$0	\$0

Description of Option: Continue the Elimination of the At-Risk Payment

Criteria Name: Other

Summary of Issue

The 2009 Legislature eliminated \$10 million in general fund support for the at-risk component of the school funding formula due to the \$34.2 million increase in Title I funds, as both funding sources support similar programs. The legislature requested the general fund for the school funding component be considered by the 2011 Legislature. While these appropriations 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 : Low	Committee: ELG
Agency Name: Office Of Public Instruction	Status : On-Going	FTE Impact : N
Program Name: Local Education Activities	Mode : Research	MCA : 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 : 15-36-332

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

Description of Option: Excess oil and Gas Revenues in School Districts GF returned 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
 15-36-332, 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

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 : 20-9-630

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

Description of Option: Reduce or eliminate 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

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 : 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 : 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 : 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 consolidation 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: Multiple

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

Committee: RTIC

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.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue

Time : Medium

Committee: SAVA

Agency Name: Statewide Issue

Status : On-Going

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.

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.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue

Time : Medium

Committee: Multiple

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

Committee: Multiple

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

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue

Time : Medium

Committee: SAVA

Agency Name: Statewide Issue

Status : On-Going

FTE Impact : Y

Program Name:

Mode : Research

MCA :

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

Description of Option: Consolidate Small Agencies into Larger Agencies

Criteria Name: Other

Summary of Issue

The legislature could explore combining certain small agencies with larger agencies. There are three potential options:

- 1) The smaller agency is absorbed into the larger agency and becomes a fully integrated function of that agency.
- 2) The smaller agency is administratively attached and the larger agency performs various administrative functions.
- 3) The smaller agency contracts with the larger agency to provide various administrative functions. (For a further discussion of the issues associated with this option, please see "Create a Centralized Services Pool".

Among the agencies that could be considered for consolidation are the Board of Crime Control, the Commissioner of Political Practices, the Board of Public Education, and the Consumer Counsel.

How the Fund Balance Would Be Impacted

Potential savings include administrative costs such as human services and accounting, as well as potentially savings on director salary.

Further Work Required

Certain realities inherent within each current agency would need to be explored, such as federal requirements, assurance of lack of conflict of interest, and availability of currently duplicated expertise.

Legislation Required

Legislation may be required to reallocate duties, eliminate current statutory references to individual agencies, ensure any federal or other requirements are met, and ensure lack of conflict of interest.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue

Time : Low

Committee: RTIC

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 : Medium

Committee: Multiple

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 exceeds 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.