

Section D

**Board of Crime Control
Department of Justice
Department of Corrections**

**Department of Labor and Industry
Department of Military Affairs**



Legislative Fiscal Division



www.leg.state.us/fiscal/

BOARD OF CRIME CONTROL

AGENCY SUMMARY

The proposed reduction in grants to local government will result in local government paying for a larger share of juvenile detention costs.

<u>Program Name</u>	<u>Service</u>	<u>Recommended</u>
1 Justice System Support Service	Grants to local government – Juvenile Detention	33,448

The state awards general fund grants to the five juvenile detention regions to assist local government in paying for the detention of pre-adjudicated youth. A 3% reduction would result in a savings of \$33,448 in general fund. Costs have escalated over the years due to changes in the types of services required and the number of youth being detained. For the past several years local government has been paying 60% of the overall costs and the state has been paying 40%. Reductions in these funds will shift more of the costs to local government. Juvenile Accountability Incentive Block Grant funds can be used to pay for juvenile detention costs. The problem is these funds are already committed to the courts for the next two years and the amount of the annual award is decreasing. We will look for any other federal grants that may become available to pay for juvenile detention costs. Presently the agency is not aware of any means to mitigate the impact to constituents.

LFD COMMENT

The 2001 legislature approved moving \$20,000 from grants to operating expenses in the 2003 biennium to bring the program into compliance with federal block grant requirements. This \$20,000 reduction in grant monies and the above 3 percent reduction would increase the local government share of total juvenile detention costs by 1.5 to 3.3 percent. (This assumes fiscal 2003 costs will increase between 0 to 3 percent each fiscal year over 2001 total costs.)

1 Justice System Support Service	Agency Operating	21,876
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Management will reduce general funded agency operating costs such as contracted services, supplies & materials, communications, and travel where ever possible. The majority of agency general fund operational budget is used for personnel costs and a small portion for operating costs. By reducing general fund operating costs by \$21,876.21 the Board of Crime Control may also lose \$20,629 in federal administrative funds due to matching requirements. The reduction of operating costs will reduce the ability to administer programs, primarily in the area of on-site program and fiscal monitoring. Going into the legislative session we had 21 FTE and were required to apply a 4% vacancy savings reduction. Coming out of the session we had 18 FTE and should have been exempt from the vacancy savings reduction but were not. Reductions in general fund above the 3% will be made in Juvenile detention pass-through funds rather than jeopardize the potential loss of several million dollars in federal block grant pass-through funds.

LFD COMMENT

In fiscal 2000, \$24,800 general fund was reverted in agency operations. In fiscal 2001, \$17,400 general fund was reverted in agency operations. Assuming similar efficiencies in fiscal 2003, the division may not need to cut services.

1 Justice System Support Service	Additional Decrease to Grants to Local Gov.	129,091
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The state awards general fund grants to the five juvenile detention regions to assist local government in paying for the detention of pre-adjudicated youth. The additional reduction to the placement funds will be \$129,091. This reduction brings the Crime Control Division to a 10% reduction in total. Costs have escalated over the years due to changes in the types of services required and the number of youth being detained. For the past several years local government has been paying 60% of the overall costs and the state has been paying 40%. Reductions in these funds will shift more of the costs to local government.

**LFD
ISSUE**

The state's contribution for juvenile detention costs has dropped from 53.5 percent in 1996 to 32.6 percent in fiscal 2001. If total costs in fiscal 2003 remained at 2001 levels, a 10 percent reduction in grants to local governments for juvenile detention costs would result in the state share dropping to 27.4 percent and local governments paying 72.6 percent of the total cost. If costs increased 3 percent each year from 2001, the state share would drop to 25.8 percent and the local government share would be 74.2 percent of the total cost.

Summary for Agency # 4107, Crime Control Division, (3 detail records)	184,415
Fiscal 2003 Base Appropriation	1,844,149
Percent Reduction From Base	10%

DEPARTMENT OF JUSTICE

AGENCY SUMMARY

Proposed reductions for this agency total \$845,239 and include a revenue enhancement, a transfer of state special revenue to the general fund, reduced expenditures, and reduced services. The reductions will impact 15.5 positions (of which 4.5 are not vacant).

The major reduction of services will occur in the Division of Criminal Investigations, where personal services would be reduced by 8.4 percent resulting in local governments having to pick up some services. The reductions in the Motor Vehicle Division may increase backlogs and delays in services.

The department has carryforward general fund from fiscal 2001 of \$164,567 which can be used to help offset reductions.

<u>Program Name</u>	<u>Service</u>	<u>Recommended</u>
1 Legal Services Division	Revenue Increase - Antitrust SSR transfer to general fund	54,000

The antitrust SSR account was established to record recoveries in antitrust cases. The Attorney General occasionally participates in multi-state antitrust actions involving price fixing or other restraints of trade that harm Montana consumers. These cases frequently produce small recoveries of damages through negotiated settlements. The account currently has a \$62,643 balance, of which the department will transfer \$54,000 to the general fund. The remaining \$8,643 will remain in the account to cover costs of antitrust cases. The transfer will result in a \$54,000 increase to the general fund. The decrease in antitrust lawsuits over the last couple of years resulted in less expenditures for this account. The \$8,643 remaining in the account is anticipated to be enough to cover the current appropriation. There is no impact to constituents and staff. This would be a one-time savings.

LFD COMMENT

There has been very little activity in this account since after the first year of its inception in 1996. Expenditures total less than \$1,400 over its seven-year history. With \$1,300 as the largest yearly expenditure from this account since its inception, the transfer of \$54,000 to the general fund, leaving \$8,000 in the account, most likely would not have an impact on antitrust activity. When the legislature approved this revolving account in the 1995 session, the intent was that extra funds would be transferred to the general fund.

One-time reduction.

29 Justice Information Systems Div	Revenue Increase-Non criminal background check fee	120,000
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The Criminal Justice Information Service Bureau conducts name-based and fingerprint-based background checks against the Montana Criminal History Record System for non-criminal justice purposes. The current charge for a name-based background check is \$5. The charge for a fingerprint-based check is \$8. Revenue generated from these charges are deposited to the general fund. The charge for the name-based background check will be increased to \$8. The additional \$3 and growth in requests will generate an additional \$120,000 to the general fund, beginning in FY 2003. Any entity in the state who needs a background check will pay the fee increase. The fee has not been increased since the 1970s. The revenue will be on-going.

7 Gambling Control Division	AARS implementation/support impact	38,000
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The Gambling Control Division's video gambling machine automated accounting and reporting system (AARS) is the only general fund appropriation. The appropriation is for AARS contract services, installation, maintenance and operation. There have been no expenditures in this appropriation for this current fiscal

year. The department is proposing to reduce spending on the system by \$38,000 in FY2003. The reduction in spending will likely slow the installation and implementation of the system, and reduce the department's ability to maintain the system. To mitigate delays in installation and implementation and reduction in maintenance of the AARS would require more of the system costs be shifted to industry.

LFD COMMENT

The Gambling Control Division has been appropriated \$380,000 in general fund for fiscal years 2000, 2002, and 2003 for the development and maintenance of the AARS. In fiscal 2000, the entire \$380,000 AARS appropriation was spent for the development of the dial-up system. A legal dispute with Lodging and Gaming System (LGS), the contractor developing the dial-up system, surfaced in fiscal 2001. The dispute has not been totally resolved as of May 2002 and this has slowed progress on the development of a dialup system. Approximately \$2,400 of the \$380,000 general fund appropriation in 2002 has been expended as of April 30, 2002. The department is in the final stages of negotiations to settle litigation with the LGS. Under the proposed settlement LGS will deliver a working system for testing during the summer of 2002. The system will be scheduled to complete the first stage of field testing in November 2002. Upon completion of the second stage of testing the division will be ready to begin making the system available to gambling locations. The division plans to begin installation of AARS in fiscal year 2003.

The settlement would provide for LGS to receive an additional \$350,000 in addition to the approximately \$930,000 they have been paid to date. A portion of the additional funds would be paid upon the completion of each stage of the tests. No payments would be made in advance. The funds for the settlement would come from appropriations for AARS for fiscal year 2002. Upon completing the successful field test of the AARS, the relationship with LGS would end. Under the proposed settlement, division staff or private contractors will provide any ongoing support.

The proposed reduction in fiscal 2003 will likely reduce the number of establishments that can be connected to AARS in fiscal 2003.

19 County Attorney Payroll

Reduce state's participation in county attorney

60,000

The state is required to pay one-half of county attorney salaries, up to the department's appropriation level.

The other half or balance remaining is paid by the respective county. Salaries are established annually by each County Compensation Board. The \$61,000 savings resulted from over estimating the budget for FY 2002-2003 in which three counties hired only half-time positions, rather than the full-time positions.

LFD COMMENT

The table below shows that the appropriation for County Attorney Payroll had reversions in fiscal years 2000 and 2001. Statute (17-7-304, MCA) allows 30 percent of unexpended appropriations to be reappropriated to the agency for any purpose that is consistent with the goals and objective of the agency.

This allowed the agency to reappropriate approximately \$9,000 of the unspent fiscal 2000 appropriation and approximately \$13,500 of the unspent fiscal 2001 appropriation to the Central Services Division. In addition, the agency transferred \$45,000 from this division to the Motor Vehicle Division in this fiscal year. The table shows that approximately \$267,000 of the fiscal 2002 appropriation remains as of May 28, 2002. The agency estimates that after a \$60,000 reduction the \$1,693,039 remaining will still be sufficient for 2003.

County Attorney Appropriation			
	FY2000	FY2001	FY2002
Original Appropriation	\$1,586,986	\$1,630,606	\$1,695,751
Expenditures	(1,556,508)	(1,585,404)	(1,383,582) *
Program Transfer to Motor Vehicle Division	<u>0</u>	<u>0</u>	<u>(45,000)</u>
Balance	<u>\$30,478</u>	<u>\$45,202</u>	<u>\$267,169</u> *
30% of prior year reversion reappropriated to Central Services Division		9,143	13,561
*Through May 29, 2002			

**LFD
ISSUE**

If half of the cost for county attorney salaries exceeds the reduced amount of \$1,693,039, according to statute, the state would be liable up to the amount appropriated in HB 2, or \$1,749,594.

01 Legal Services Division**Legal Services legal travel reduction**

12,000

The division's ability to appear at court hearings, particularly the 9th circuit court of appeals, will be impacted.

**LFD
COMMENT**

A \$12,000 reduction in travel would leave the division with \$5,000 above what was spent on travel in fiscal 2001.

13 Highway Patrol Division**Reduction of incarceration in county correction facilities**

32,546

The MHP pays county detention centers for jail costs for prisoners that the MHP arrests. The county bills the MHP once a month for jail costs. The MHP is required to pay these costs under MCA 7-32-2242. The current process of determining incarceration will be changed. A 3% reduction equals \$32,546. The only individuals placed in jail will be those involved in DUIs, reckless driving, officer assaults and flight risks. The MHP will serve not serve warrants or jail out of state drivers, individuals with medical conditions, elderly and juveniles (unless they have committed a major offense). If the reduction is in place, there is no way to mitigate the impacts. The goal would be to reduce the number of incarcerations.

**LFD
COMMENT**

The division is requesting the transfer of \$112,894 from the fiscal 2003 appropriation to fiscal 2002 in order to have sufficient funds for prisoner per diem for this fiscal year. In addition, the division estimates that the costs of county detention will increase an average of 13 percent based on new contracts.

These two factors will exacerbate a reduction in prisoner per diem. As the table below shows, the division would have to reduce county jail stays equal to \$375,164 in order to stay within the reduced appropriation for fiscal 2003.

Highway Patrol Prisoner Per Diem

	Fiscal 2002	Fiscal 2003
HB 2 Appropriation	\$1,039,779	\$1,072,796
Transfer of 2003 funds	112,894	(112,894)
17-7-140 reduction		(32,546)
Adjusted Amount	<u>\$1,152,673</u>	<u>\$927,356</u>
Projected Cost with 13% Increase		\$1,302,520
Shortfall		<u>(\$375,164)</u>

12 Motor Vehicle Division**Title process for boat, atv's slowed down**

64,168

Savings are estimated to be \$64,168. Titling and lien filing transactions for boats, snowmobiles, and ATV's would only be performed as time permits. The cut could result in processing delays of several months. These long delays could possibly jeopardize the status of lienholders or potentially result in lost sales that could

affect corporate income tax revenues. Legislation to repeal these statutes and to allow UCC lien filings could mitigate this impact.

LFD COMMENT	<p>The savings in this reduction would be the result of keeping two vacant positions open and associated operating expenses. The one position has been left open for approximately 10 months in this fiscal year to meet vacancy savings. The other position has been vacant since May 2002. Approximately 28,300 titles and 5,100 lien notices are processed annually for ATV's, boats, and snowmobiles.</p> <p>Possible legislation to repeal these statutes would allow lenders to file their security interest using Uniform Commercial Code Secured Transaction filings with the Secretary of State's Office as provided in Title 30, Chapter 9A of the MCA.</p>
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01 Legal Services Division	Legal Services personal services reduction	28,008
<p>There is a vacancy within the Legal Services Division. The amount reduced is \$28,008. There will be an increased workload on remaining staff.</p>		

12 Motor Vehicle Division	Consolidate Billings West Driver's License Station with Billings Central	38,912
<p>Closure of the Billings West Driver's License Station has already been acted on. The current staff will go to work at Billings Central. The two vacant positions will remain open. The savings from the lease total \$28,000 for fiscal years 2003 and 2004.</p>		

LFD COMMENT	<p>This reduction closes one of the two stations in Billings. The department's recommendation to the Office of Budget and Program Planning in the budget reduction proposals was to close several of the outreach offices for an additional savings of over \$77,000 annually. Based on the fact that driver's licenses only need to be renewed once every eight years, the impact of closing outreach stations is greatly reduced.</p> <p>There are currently a total of 54 driver license stations across the state. More than 70 percent of driver licensing transactions are processed in six driver license offices (Billings, Missoula, Kalispell, Great Falls, Bozeman, and Helena). Based on the cost of keeping many of the outreach offices open and the limited amount of service provided, the department proposed reducing the number of rural outreach driver license office and increasing driver license services at full-services office. Most outreach stations are staffed by FTE that travel several times a month from a full-service station. The majority of the savings to the state would be in operating costs as only 1.0 FTE would be impacted by the department's proposal. To keep the outreach stations open, the department must pay monthly computer line costs, rent, and transportation costs.</p> <p>This reduction of outreach stations would be an ongoing savings to the general fund.</p>
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12 Motor Vehicle Division	Reduce non-pay/appear driver control actions	76,408
<p>Savings are projected to be \$76,408 in personal services, impacting four vacant positions. Annually some 8,900 driver licensing suspension and 5,100 driver license re-instatement transactions are processed as a result of non-payment of fines or non-appearance for court dates (non-pay/appear). Legislation would be required to repeal the driver license suspensions for non-payment of fines or non-appearance for traffic court dates. Pending legislation to repeal the non-pay/appear statutes, these driver licensing suspensions and re-instatements would only be processed whenever time and resources allow. The backlogs for processing these suspensions and re-instatements would substantially increase. The possibility of a year delay for processing may have a substantial impact on an individual's livelihood. Repeal of these statutes requiring the</p>		

suspension of an individual's driver license would eliminate the requirement for the \$25 re-instatement fee, as a result state general fund revenues would decrease approximately \$127,500 a year (5,100 reinstatements x \$25/re-instatement = \$127,500). Legislation on this subject will be presented that could alter this outcome. Pending repeal of these statutes, individuals would still be required to pay the re-instatement fees that are now collected by the courts. There would be the risk, also, that some court(s) would bring an action for a writ of mandate to compel the division to perform these functions since suspension of an individual's drivers license is a means to ensure payment of fines and appearances for court dates. The long-term plan would be to request repeal of 61-5-214 through 216, MCA, mandating these actions. Duties will be absorbed by current staff.

LFD COMMENT

The purpose of this function is an administrative action for driver improvement. The department is required to suspend a license upon notice from the court of non-appearance at court or non-payment of a fine. The suspension continues until the court notifies the division that the person has paid the reinstatement fee of \$25 and appeared in court or paid the fine. The courts currently collect the \$25 reinstatement fee for deposit in the state general fund. Because the loss of these positions would have an impact on the ability of the division to handle reinstatements in a timely manner, the division states that there is a possibility that reinstatement of a license may be delayed for up to a year. Repealing this statute would eliminate suspension and reinstatement of licenses, but would also eliminate general fund revenues of approximately \$127,500.

Two of the four positions have been left open to meet vacancy savings. The other two positions became vacant in March 2002. There is currently a backlog of these transactions, which will continue with the vacancies.

18 Div. of Criminal Investigation

Reduction of personal services - DCI

107,197

Personal services would absorb a 3% reduction through attrition or vacancies. A personal service reduction would mean fewer investigations, inspections, training, and grant research and writing capabilities. Any reduction of services would have to be picked up by local governments. There are two positions associated with this plan. The first position is a filled deputy fire marshal. Current staff are able to absorb the work. The second position is a grant writer that helps other divisions as well. The department is currently trying to find other funding sources to keep this position.

LFD COMMENT

This reduction and the reduction below for \$93,000 would impact 3.5 FTE. None of the positions are currently vacant. Approximately \$2.3 million general fund is appropriated for personal services in this division. These reductions amount to an 8.4 percent reduction in personal services for this division. The proposed reductions would eliminate two fire marshal deputies, the grant writer, and a 0.5 administrative support FTE. The elimination of the fire marshal deputies would have the greatest impact on rural areas that only have volunteer fire departments. Fewer inspections of buildings would be done in these areas and the division would not be able to provide as many services for fire investigations. The division is exploring the possibility of providing training and certification to rural fire departments, so they are trained to perform fire inspections and investigations.

Elimination of the grant writer would result in a loss of federal funds that supplement funding of activities in this division and others. In calendar year 2001, over \$1.0 million in federal funds was obtained as a result of this position for the AG's Office, Board of Crime Control, and the Department of Corrections. Applications for over \$700,000 in additional grant monies are currently being considered for additional federal funds.

12 Motor Vehicle Division

Staffing reductions for Field Operations Bureau

20,000

Staffing reductions for Field Operations Bureau are projected to save \$20,000 in personal services by holding open two part-time vacant positions. A reduction in personnel at the Field Operations Bureau Driver Licensing Offices in Anaconda and Libby would significantly reduce the effective delivery of services for those areas. Individuals needing to obtain or renew their driver's licenses would encounter much longer lines and delays waiting for services.

**LFD
COMMENT**

One position has been vacant since February 2001 and the other has been vacant since May 2002.

12 Motor Vehicle Division Title & Registration Bureau reduction 21,000

Staffing reductions for Title and Registration Bureau are projected to save \$21,000 in personal services by holding open a vacant position. A reduction in personnel at the Title and Registration Bureau would result in substantial backlogs in titling and lien filing transactions of up to four or five months. These delays in processing titling and lien filing transactions would create economic hardships on businesses and Montanans. A lienholder's status could potentially be jeopardized and there could be the potential for increased liability for the state. Additionally, there could be the potential for loss of sales that could reduce corporate income tax revenues.

**LFD
COMMENT**

This position has been vacant since May 2002. A backlog in certification historically has increased due to vacations. This vacancy will increase the backlog.

1 Legal Services Division Child Protection Services Unit reduction 40,000

The Child Protection Services Unit provides training to county attorneys and DPHHS social workers to make them more effective in court proceedings that deal with child abuse and neglect. They also provide trial assistance to county attorneys in complex parental termination and Indian child welfare cases. This unit is funded 75% state and 25% federal. The general fund savings would be \$40,000 from operating and personal services. One vacant position would be impacted by this reduction.

**LFD
COMMENT**

There was a misunderstanding regarding this position. The reduction would impact 1.0 FTE that is a filled position.

18 Division of Criminal Investigation DCI personal services and operating reduction 93,000

This reduction would be made in personal services and operating. Before a RIF is implemented management will utilize flexibility to minimize this impact. A reduction of this size would result in fewer inspections, training, investigations and grant research capabilities. Local governments would be impacted due to absorbing the state's reductions. Depending on where the reductions occur it could impact the mandated service.

**LFD
COMMENT**

This reduction would impact 1.5 FTE positions that are currently filled. See DCI comment above.

32 Forensic Science Division Forensic Science lab equipment reduction 40,000

The reduction would impact the equipment budget for the Forensic Science Division. Reliable equipment is necessary for the lab to function so it can provide the highest degree of analysis to state and local criminal investigators and prosecutorial personnel. Forensic science laboratories rely on sophisticated, expensive instrumentation to perform required analysis. It is not uncommon for a piece of instrumentation to cost in excess of \$100,000. Reducing the equipment budget could prevent the laboratory from maintaining reliable equipment. Assisting state law enforcement is our primary goal and good reliable instruments are essential. Montana law enforcement rely on the analysis of the evidence they submit to the forensic lab. If delays in analysis occur the judicial system will have to be notified.

**LFD
COMMENT**

In fiscal years 1996 through 1999, an average of \$152,000 general fund was spent each year for forensic lab equipment. In fiscal 2000, expenditures were approximately \$83,000. The proposed \$40,000 reduction would reduce the fiscal 2003 amount allocated for equipment to approximately \$73,000. If a piece of equipment fails, delays in processing evidence could result.

Summary for Agency # 4110, Department of Justice, (16 detail records)

845,239

Fiscal 2003 Base Appropriation

24,067,726

Percent Reduction From Base

3.5%

DEPARTMENT OF CORRECTIONS

AGENCY SUMMARY

The executive made a decision to exempt community corrections from reductions based on a decision to move less dangerous offenders from high-cost secure facilities to lower cost community corrections. With this exemption, the proposed reduction for the Department of Corrections is 2.3 percent, or \$2.3 million.

Approximately \$0.4 million of the reductions are in operating costs or personal services, which will not have a direct impact on services. The \$1.0 million proposed reduction in juvenile corrections is equal to 5.5 percent of the juvenile corrections budget and could impact juvenile placement services. However, expenditures in fiscal 2002 are over \$1.0 million less than the amount allocated for juvenile placement. If costs in 2003 remain in line with fiscal 2002 costs, the impact of this reduction could be negligible. The remaining \$0.9 million of the reductions will result in direct cuts to services.

Vocational and adult basic education would be offered to fewer offenders and inmates in contract beds would see a reduction in services (most likely programming such as chemical dependency or anger management). In addition, a total of 4.5 FTE would be impacted by these reductions by continuing to leave 2 vacant positions vacant for a portion of the year and leaving one vacant position unfilled for the entire year. The 1.5 remaining FTE are currently filled positions.

<u>Program Name</u>	<u>Service</u>	<u>Recommended</u>
01 Admin And Support Services	Fund Director's Office Training with Supervision Fees	150,000

Utilize \$150,000 in excess supervision fee cash balance for training unit in Director's Office in personal services. An increase in state special authority would be required, with an offsetting reduction in general fund. This is a one-time infusion of supervision fee cash. This cash balance has built up since FY1994. The balance left after this excess would provide an adequate cash flow while waiting for revenues from offenders to be deposited by the Clerks of Courts. No adverse impact to constituents. This would reduce additional training opportunities for P&P. However, current level of supervision fee expenditures would be minimally impacted, if at all.

LFD COMMENT

The current fund balance in this account as of May 31, 2002 is \$275,628. A transfer of \$150,000 would leave a fund balance of approximately \$125,000. If revenues and expenditures keep pace with fiscal years 2001 and 2002, the reduced fund balance should not have a negative impact.

05 Juvenile Corrections	Reduction of contingency fund for juvenile placement	1,000,000
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A significant \$1 million reduction of the contingency fund for juvenile placement is to be considered. If cost containment activities are similar to FY2002 levels, a reduction would not adversely impact juvenile placement. This proposal does not affect staff or economic development in that it does not involve any existing employees, community employment, or tax revenue. Also, it does not, at this time, affect in manner the DoC mission to provide for public safety.

LFD ISSUE

In accordance with 41-5-131 and 41-5-132, MCA, state law requires that not less than \$1.0 million each fiscal year be placed in a cost containment fund for the cost containment review panel to determine distribution. This reduction would violate state law.

bones minimum at this time, prior to the cuts. Any cuts to the budgets will have an impact on the operations, without any potential way to mitigate the impact .

03 Secure Facilities

Hold at last years budget, limit summer school

73,376

Both Vocational and Adult Basic Education will be held at last year's budget and will have limited summer school. There is \$139,682 set aside to fund education. This includes enough money to increase the quality of education as DoC opens the expansion. Adult Basic Education would be offered to those who are court ordered to get their GED. Vocational Education would use a waiting list and be available to Program Team recommended offenders only. Inmates' inability to attain basic education skills severely impacts their ability to attain and maintain employment, which contributes to recidivism including new crimes. There should be a low impact on the Education staff as they will be teaching the same hours as in the past but the offenders will be on a waiting list. Offenders could be offered more study time in the educational labs in the evening if Correctional staff is available to supervise.

LFD COMMENT

Educational costs were projected to increase due to the expansion at MWP to 205 offenders. The 2001 legislature approved additional contract funds for education to accommodate the increased population in fiscal 2003. This reduction would reduce the funding for education at MWP by about one-half, while the population is projected to triple.

The impact of this reduction on recidivism and consequently the future growth in the number of offenders is difficult to project owing to a lack of empirical data. Some reports support the view that providing education and job skills reduce recidivism, while others report that the rate of recidivism has remained approximately the same since the 1960's, even though the philosophy on imprisonment has shifted from rehabilitation to getting tough on crime to deterrence.

3 Secure Facilities

Reduction of contract beds at regional and/or private prisons (3%)

874,818

Reduce the contract placements in the private and regional prisons by \$874,818. The savings would be achieved by reducing the rate for each of the regional and private prisons by about \$3.00 per day per inmate in FY2003. This reduction would come from the Contracted Services category. Services for offenders may be impacted by this reduction. However, the specific reductions would be at the discretion of the individual facilities. The alternative to this reduction is to reduce the number of offenders in secure custody placements in order to generate the targeted dollars. The Department is actively pursuing options that would allow offenders to move to community settings, but recognizes that the acceptable level of risk for communities

LFD COMMENT

Approximately \$17.7 million was appropriated for contract beds in fiscal 2002 and \$15.7 million was appropriated for fiscal 2003, or \$2.0 million less. The reduced amount for fiscal 2003 was based on projected savings due to the opening of the residential treatment facility for fourth driving under the influence (DUI) offenders and because female offenders would be moved into the new expansion unit at MWP. The appropriation for fiscal 2003 would be reduced to \$14.8 million with this proposed reduction.

A \$3.00 reduction in the rate paid to private and regional prisons represents a 5 to 6 percent reduction in the daily rate. This reduction will impact services offered by these facilities and the reductions will most likely occur in programming. If classes in chemical dependency or anger management are reduced, this could have an adverse impact on contract bed costs. Non-completion of required treatment could delay an offender from being released.

The expansion at MWP will be completed ahead of schedule and allow some savings by moving the female offenders out of the private prison approximately six months earlier than originally planned. In addition, the department is taking numerous measures to control growth and to attempt to move some of the less dangerous offenders to lower cost services (community corrections).

**LFD
COMMENT
(continued)**

Populations in all facilities are higher than projected by the legislature when appropriating funds for fiscal 2002. The table below shows that the number of offenders in contract beds as of May 30, 2002, is 58 above the numbers used by the 2001 legislature in appropriating funds. Contract bed numbers were projected to fall from 933 in fiscal 2002 to 837 in fiscal 2003 based on reductions due to the residential treatment facility and because of the MWP expansion unit. The residential treatment facility has been open since February 2002. The number of offenders in contract beds has not been reduced due to the opening of the residential treatment program; although, the numbers in contract beds would be significantly higher if the residential treatment program had not been opened.

The reduced amount allocated for contract beds, using a weighted average of the reduced contract bed amounts, would be sufficient to cover the cost of approximately 828 offenders in fiscal 2003. If the department is not able to reduce the number of offenders in contract beds to approximately that level, additional funds will be needed. Another factor that may exacerbate contract bed costs is an increase in county jail costs of a projected 13 percent.

Adult Inmate FYE Populations Contract Beds					
Correctional Facility	Fiscal 2001 Actuals	FYE 2002 Legislative Projection	May 30, 2002 Actuals	May 30, 2002 Populations vs. Fiscal 2002 Fiscal Report	FYE 2003 Legislative Projection
<u>Male</u>					
Regional Prisons	413	452	453	1	452
Private Contracts/Crossroads	375	356	412	56	307
County jails	<u>81</u>	<u>27</u>	40	<u>13</u>	<u>18</u>
Contract Beds	869	835	905	70	777
<u>Female</u>					
Private Contracts/Crossroads	74	72	75	3	60
County jails	<u>22</u>	<u>26</u>	11	(15)	<u>0</u>
Contract beds	96	98	86	(12)	60
Total	965	933	991	58	837

Summary for Agency # 6401, Department of Corrections, (11 detail records)	2,297,533
Fiscal 2003 Base Appropriation	\$100,646,388
Percent Reduction From Base	2.3%

DEPARTMENT OF LABOR & INDUSTRY

AGENCY SUMMARY

Proposed reductions within the Department of Labor and Industry included planned reversions, funding switches, reduced expenditures, and reduced service for certain programs. Reductions with the biggest impacts occur in the Workforce Services Division, where the Displaced Homemaker and Job Registry programs incur 8 percent and 57 percent reductions, respectively; and the Human Rights portion of the Hearings Bureau and Office of Legal Services, which incurs a 3 percent reduction.

Within the Workforce Services Division, impact to internal operations will be minimal, and outside impacts will be limited to individuals qualifying for services under the reduced programs.

Reductions to the statutory-mandated Job Registry program will impact all individuals qualifying for service under the Employee Protection Act, as services will stop once the expenditure limit has been reached.

The Hearings Bureau and Office of Legal Services will have internal operations impacted by the reduced funding, which may in turn increase hearing completion timelines and decrease the overall effectiveness of the program.

<u>Program Name</u>	<u>Service</u>	<u>Recommended</u>
4 Employment Relations Division	Silicosis & Social Security Offset Benefits	43,500

The Social Security Offset program pays fatality benefits to surviving spouses of injured workers. The Silicosis program pays benefits to individuals exposed to and disabled by inhalation of silica dust. The reduction of \$43,500, would be taken in benefits (67000). The increasing mortality rate affecting the eligible populations of these programs has caused a natural reduction to anticipated expenditures. The programs are limited to the current participants. The population receiving benefits will not increase. The department can continue to meet the needs of program participants with the reduction in funding. It would not be necessary to mitigate the impact to participants because their needs will continue to be met.

LFD COMMENT

This reduction is a planned reversion of general fund used in the Silicosis and Social Security Offset programs. Although the Silicosis program is not limited to current participants only, additional recipients are infrequent, and are not expected to change the trend of decreasing expenditures.

The Silicosis and Social Security Offset programs received \$224,105 general fund in each year of the 2003 biennium. For fiscal year 2002, as of the end of May 28th, approximately \$175,000 had been spent. A straight-line analysis provides a year-end expenditure estimate of approximately \$190,000, leaving over \$33,000 unspent. This figure, combined with an assumption of decreasing expenditures, supports the proposed reduction. The department is confident that all benefits can be paid while reducing planned expenditures by the stated amount.

Potential for permanent reduction? Yes, but is dependent upon the number of beneficiaries in each program.

4 Employment Relations Division	Human Rights	17,404
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The Human Rights program investigates and resolves complaints of illegal discrimination. Federal funds have increased which would enable the program to operate at its current level by offsetting this reduction with federal funds. Customers would not be adversely affected by this reduction.

LFD COMMENT

This reduction will have no impact on Human Rights program operations. The funding switch ensures the program will retain its original level of funding, and therefore no expenditures will be reduced.

Potential for permanent reduction? Yes, if federal funding continues at current levels.

4 Employment Relations Division

Indoor Air Quality

34,033

As part of the executive reorganization affecting the Department of Environmental Quality, the 1999 Legislature transferred the Indoor Air Quality function, with supporting general fund, to the Department of Labor and Industry. Since then the department has integrated the Indoor Air Quality function into the spectrum of duties performed by all safety staff. A reduction of \$34,033 would be taken from personal services (61000). The department could continue to provide this service with other sources. Customers accessing this service would not be inconvenienced.

LFD COMMENT

This reduction would classify as a funding switch. The department's intent is to provide the same quality/level of service with other funding sources. Funding available for this use includes a federal on-site consultation grant, and the Workers' Compensation Regulation fund.

The 1999 legislature added 1.0 FTE and approximately \$49,000 general fund annually to the Employment Relations Division as a result of transferring the Indoor Air Quality function to the division from the Department of Environmental Quality. By training several industrial hygienists to perform the function originally performed by the 1.0 FTE, the division has extended its ability to provide this service, allowing them to continue the same level with reduced general fund. This reduction should have no impact on the Indoor Air Quality services provided by its industrial hygienists.

Potential for permanent reduction? Yes, but permanent funding reduction would require legislative action.

3 Commissioner's Office/Csd

Human Rights Case Activity

4,950

The Hearings Bureau and Legal Services would reduce personal services in human rights program by reducing the amount of hearing officer and attorney time spent on human rights cases and legal support for the Human Rights Commission and Bureau. The only general fund in program 3 is human rights funding. There may be some delays in completing hearings if the time spent by attorneys on human rights cases is reduced, the department and Commission may be unable to meet the statutory timelines for completing investigations and decisions. The Hearing Bureau has no other sources to mitigate this reduction.

LFD COMMENT

This proposal would reduce expenditures within both the Hearings Bureau and the Legal Services Bureau, which directly translates to reduced hearings officer and attorney hours available for support to the Human Rights Commission and Bureau.

Impacts of this reduction will vary depending on:

- number and complexity of complaints filed;
- number and complexity of hearings held; and
- hearing officer and attorney efficiency

In a worst-case scenario, the department would lose jurisdiction over a case due to extending beyond the statutory time limits. In this scenario, the department would have to dismiss the complaint, and the complainant would be required to start the process, now delayed, over again in district court. The effectiveness of the program, based in part on its efficiency, would be decreased. Additionally, the customers of the process, the complainant and respondent, would incur additional costs in both time and money.

**LFD
COMMENT
(continued)**

If the department is able to manage all cases within the statutory time limits, this reduction will have no impact.

Potential for permanent reduction? Yes, but varies depending upon number and complexity of cases. Permanent funding reduction would require legislative action.

1 Job Service Division

Job Registry

11,143

Reduction in the Job Registry Program would be in personal services. The program helps state employees who are out of work because of budget reductions obtain employment. The registry position was established under MCA 2-18-1203. The reduction to the Job Registry Program would result in the loss of services to laid off state employees who qualify for services under the program. WSD has no other source of revenue to support the program.

**LFD
COMMENT**

This proposal would reduce the level of service provided by the Job Registry program. The Job registry program is appropriated \$37,144 in fiscal 2003, therefore a reduction of \$11,143 equates to a 30 percent cut to this program.

The Job Registry program was created under the State Employee Protection Act (Title 2, Section 18, Part 12 MCA). Services to qualifying state employees include notification of job announcements for one year after termination and inclusion on a special job registry for two years. Displaced state employees seeking reemployment within state government do not qualify for federal Workforce Investment Act funding, due to a technical requirement to seek employment with a new employer.

The department has stated that qualifying individuals would not be serviced once the expenditure limit for the Job Registry Program has been reached. Currently, nine ex-state employees are on the registry. Since fiscal 2002, the average number of individuals on the registry has ranged from 32 to 14. Most staff time is devoted to the review of new state vacancy announcements and the subsequent identification of openings for which individuals on the registry possess minimum qualifications, which is a mandatory provision of the State Employee Protection Act. Therefore, there is little room to reduce effort within the program, yet remain within the directive of the act.

Potential for permanent reduction? Yes, but legislative action would be required to remove the statutory mandate.

**LFD
ISSUE**

Services to qualifying individuals are mandated under the State Employee Protection Act. The department may be subject to legal action if services are refused to qualifying individuals.

1 Job Service Division

Displaced Homemakers

18,423

The reduction to the Displaced Homemakers Program would limit the number of clients the program could serve. Displaced homemakers are people who have been providing services to family members in the home and have been dependent on another family member who is no longer providing that support. The reduction would result in loss of services to 6 clients out of 95-105 served per year.

**LFD
COMMENT**

This proposal would reduce the level of service provided by the Displaced Homemakers program. The Displaced Homemakers program is appropriated \$237,908 in fiscal 2003, therefore a reduction of \$18,423 equates to a 7.7 percent cut to this program.

**LFD
COMMENT
(continued)**

The Displaced Homemakers program provides varied services, including help with basic work skills training, GED attainment, post-high school education, and financial help to obtain basic necessities for gaining employment (for example, car repair). Services are provided through Workforce Services Division contracts with local Job Service Office or other agencies.

This reduction will have an impact on program customers. Since services are provided through contracts, the department states that the most likely implementation of the reduction will be to cancel a contract with a local office. Customers would lose all Displaced Homemaker services provided by that office.

Options for service for those qualifying for service under the Displaced Homemaker program at that office would include:

- If the individual qualifies, provide service under the Workforce Investment Act adult program; or
- Have the individual travel to the nearest location providing Displaced Homemaker services.

Statewide impact: several individuals will most likely be impacted (the department estimates 6 individuals will not receive Displace Homemaker services due to the reductions). However, the overall impact to the Montana labor force will be minimal.

Potential for permanent reduction? Yes, but permanent funding reduction will take legislative action.

7 Mt Community Services

Office of Community Service Administration

740

The only general fund in program 7, Office of Community Services, is in administration. A reduction in administrative funding would reduce staff and services provided by staff. The savings would be 75% in personal services (61000) and 25% in operating (62000). The impact of reducing OCS's general fund would felt throughout the administrative budget as federal administrative funds are required to be matched 1:1 which doubles the dollar impact to the program. OCS has a great deal of difficulty generating matching funds and in-kind services donations. The Office of Community Services has no other source of revenue to offset this reduction.

1 Job Service Division

Increase Reduction to Job Registry

10,000

**LFD
COMMENT**

This proposal increases the reduction to the Job Registry program an additional \$10,000, for a total reduction of 57 percent. Please see the initial reduction referenced above for the LFD comment and associated issue concerning the statutory mandate of program services.

Summary for Agency # 6602, Dept. of Labor & Industry, (8 detail records)

140,193

Fiscal 2003 Base Appropriation
Percent Reduction From Base

\$2,090,264
6.7%

DEPARTMENT OF MILITARY AFFAIRS

AGENCY SUMMARY

Proposed spending reductions within the Department of Military Affairs will have varying effects, and will impact both internal and external customers. Most impacts will be short-term, however, possible reduction of programmed maintenance within the Army National Guard program could have long-term affects.

The most noticeable internal potential impacts will occur in the Centralized Services Division, which will face probable personal services funding shortfalls, in addition to the proposed reductions. Impacts include cutting back on computer, supply, and travel expenditures. These impacts may be reduced by the use of the personal services contingency fund, and the use of additional federal funding to offset general fund.

Impacts to external customers include the reduction in National Guard incentive scholarships, potential service decreases in two Veterans' Service Offices, and decreased training provided by Disaster and Emergency Services to outside agencies. The three percent reduction within the Disaster and Emergency Services Division also carries a potential corresponding reduction to federal funding.

Overall, the reductions will still allow the department to perform all mission-critical functions. Most reductions will have minimal impacts or can at least be partially mitigated through managerial actions such as reduced operating expenditures or the use of vacancy savings.

<u>Program Name</u>	<u>Service</u>	<u>Recommended</u>
3 Scholarship Program	Scholarship Awards	10,173
<p>This program provides scholarships of up to \$500 per semester to eligible Montana Air & Army National Guard personnel enrolled as undergraduate students in colleges, universities or training programs. The program goals are to: 1) Assist Montana in increasing its assigned personnel strength in both the Army and Air National Guard and 2) Enhance the Army & Air National Guard operational readiness to assume both state and federal active duty missions. A \$10,173 reduction would eliminate funding for scholarship awards to about 22 Montana National Guard members. The National Guard members applying for these awards either joined or reenlisted in the Montana National Guard based in part or solely on the fact that they would be receiving this benefit from the state. These reductions would cause the department to be unable to fulfill this obligation.</p>		

LFD COMMENT

This proposal would reduce the amount of general fund available to award scholarships (\$125 to \$500 per semester, depending on semester hours taken) to qualifying National Guard members. This reduction is four percent of the \$250,000 biennial appropriation. As of the end of April 2002, approximately \$109,000 remained unobligated to students.

The immediate, short-term impact of this reduction, as stated by the department, is the inability to award scholarships to National Guard members. The number impacted would range from 21 to 82, depending on the amount of each individual scholarship.

Any long-term impacts on retention and recruiting are much harder to determine, and would be arguable at best. There is no legal obligation to award scholarships to National Guard members. As the program is capped at \$250,000, and was a one-time-only appropriation, incoming National Guard members should have been made aware that the award of scholarships was based on available and continuing funding.

Potential for permanent reduction? Yes. The Scholarship program is funded as one-time-only for the 2003 biennium, and will not continue into the 2005 biennium unless authorized by the legislature. Legislative action would be required to reauthorize and alter funding levels.

12 Army National Guard Pgm

Army National Guard Operations reduction

38,663

The Army Program, Facilities Operation and Maintenance Division, is responsible for statewide repair and maintenance functions on all facilities and training areas, military construction projects, land and building leases, utilities and compliance with environmental regulations. The Department manages the largest building complex in state government outside of the university system. A reduction of \$38,663 in general fund to the base budget would eliminate most of the programmed building exterior maintenance projects statewide. Currently, we schedule exterior maintenance on State owned facilities to preserve the exteriors and to reduce maintenance costs.

LFD COMMENT

This proposal would reduce general fund within the Army National Guard program by 3 percent. The department has stated that this reduction would most likely impact the programmed building exterior maintenance projects statewide.

This reduction will potentially impact internal operations of the program. If applied to programmed maintenance, the impact upon state-owned buildings will be the deferring of routine and preventative maintenance to future years. Short-term impact should be minimal.

Potential for permanent reduction? Yes, but not to programmed maintenance, as a permanent reduction to maintenance funding can result in long-term maintenance cost increases, due to an inability to keep up with routine and preventative maintenance. Permanent funding reduction would require legislative action.

LFD ISSUE

In fiscal 2002, \$52,000 in general fund personal services authority was transferred from the Army Guard program to other divisions within the department. This flexibility allows the department to realign budgets as necessary to react to unforeseen contingencies during the year, and maintain operations without involving the legislature.

However, if the Army National Guard program manages to the same level of vacancy savings in fiscal 2003, this reduction and a portion of the additional \$40,000 reduction identified below can be absorbed before impacting programmed maintenance.

31 Veterans Affairs Program

Veterans Affairs Operations Reductions

21,515

Montana Veterans Affairs Division (MVAD) is responsible for assisting and advising 107,000 Montana Veterans and their 140,000 family members concerning their earned federal and state entitlements as a result of their service and personal sacrifices for their nation, state and community. MVAD operates 8 field veteran service offices statewide, funded with general fund, of which 7 offices have 2 FTE and 1 office has 1 FTE. A reduction of 3% or \$21,515 in the MVAD general fund base budget would require reduction in working hours for two (2) FTE by 30% and 20%, respectively, with the remaining balance reducing the MVAD operating expense budget for the statewide field veteran service offices. These 2 FTE perform daily mission-essential veteran services and support tasks in two major Montana city locations and their office's surrounding geographical region of responsibility. These 2 FTE are actively involved with customer service and support to ensure continuity of operation on a daily basis. The MVAD operating expense budget provides basic mission essential support for the 8 statewide field veteran service offices. For a 3% reduction, there is no mitigation for a loss of FTE working hours and operating expense budget.

LFD COMMENT

This proposal would reduce expenditures within the Veterans' Affairs Division (VAD) by \$21,515, or 3.0 percent of the division's fiscal 2003 appropriation (excluding veterans' cemetery operations).

**LFD
COMMENT
(continued)**

The division has indicated it would reduce service technician hours at the Butte and Missoula Veterans' Service Offices by 30 percent and 20 percent, respectively. The Missoula service technician position would be reduced to the equivalent of 0.8 FTE, which is the level it was funded at during the 2001 biennium.

Any reductions in service will directly impact veterans and their families, mainly in delayed service and response times, although the exact impact will vary between offices.

If necessary, the division would then reduce internal expenditures to match the proposed reduction level. The division has delayed a portion of computer purchases authorized by the 2001 legislature, which may drive a larger one-time computer replacement bill in future years.

This reduction will be exacerbated by the anticipated retirement of a division employee and the corresponding payout of accrued benefits. However, the division has the ability to hold the position open and generate enough vacancy savings to pay for the payout.

Options to mitigate the reduction include a transfer of general fund authority from another program within the department. In fiscal 2002, the Veterans' Affairs Division transferred \$27,700 general fund from the Army National Guard program in order to sustain its personal services operations. With the Army National Guard program incurring its own reductions, this option will most likely not be available in fiscal 2003.

Another possible option is the use of vacancy savings. Using the above mentioned anticipated vacancy, the division could generate enough vacancy savings to offset a portion of the reduction, and limit the direct impact on external customers.

Another possible option to mitigate reductions may be the improved allocation of resources. Based on conversations with the Legislative Audit Division during the recent performance audit of the VAD, it appears that the VAD may be able to improve processes to better assess relative workload among Veterans' Service Offices, and in turn apply resources more efficiently. If the VAD can do this, it will allow them to accomplish more with a given amount of resources.

Potential for permanent reduction? Yes, but permanent funding reduction would require legislative action.

21 Disaster Coordination Response

**Disaster & Emergency Services Operations
Reduction**

16,256

The DES division is responsible for disaster-planning and training activities, responding quickly and effectively to disasters and emergencies, serving as a source of information and as a 24-hour contact point and coordinating state assistance to local governments. A 3% reduction of \$16,256 would cause operating to be reduced which would reduce coordination, planning, training, and response support to local and tribal governments, volunteer, state and federal agencies. General fund is matched with 50% federal funds for most disaster related activities and general fund cuts will cause additional federal cuts which double the impact of the general fund cut. A 3% reduction will be \$16,256 in general fund and \$15,876 in federal matching funds. With the events since September 11, 2001, the workload caused by the threat of terrorism has already significantly stretched the ability to conduct "normal operations". Further cuts will cause a significant impact on the division's ability to assist local governments in planning, mitigating and responding to disasters. Lack of preparedness will result in a significant increase in requests for assistance from the Governor's Disaster Fund in emergency or disaster situations and reduce our ability to recover the maximum amount of federal funds available for disaster expenditures. There is no mitigation to these impacts.

**LFD
COMMENT**

This proposal would reduce general fund within the Disaster and Emergency Services Division by 3 percent. Combined with the probable loss of federal funds, the division's overall reduction would approach \$33,000.

Impacts of this reduction would be both internal and external. Internal impacts would include the reduction of most out-of-state and some in-state-travel and training for DES staff. Per the division, reduced staff training in fiscal 2003 would not result in any loss of certification or inability to perform essential tasks. Additionally, the division has indicated it would attempt to limit the costs of communications, namely mail-out information and long-distance phone bills.

External impacts would include the reduction of training provided to external agencies. The division has stated it would probably cut back on work-team meetings that utilize the inputs of local Disaster and Emergency Response representatives. An example of this type of meeting would be Advisory Committee meetings which are typically held twice annually

One option for mitigating the potential impact to local response agencies could be the use of video-conferencing equipment at National Guard armories. This option will have a cost of its own, as all non-National Guard users would be required to reimburse the federal government for the use.

Potential for permanent reduction? Yes, but permanent funding reduction would require legislative action.

1 Operations Support

Centralized Services Operations reduction

11,529

Centralized Service provides all of the budget, financial management, payroll, purchasing and human resources support to the Department. 34% of the division's operating funds pay fixed costs, such as insurance, network devices, payroll service fees, etc. The division would need to cut the balance of its operating by 32% in order to meet the proposed cut of \$11,529. A large portion of the division's operating budget pays fixed costs to other State Departments. All other costs such as supplies, travel, equipment, ICC membership and awards would be severely curtailed or eliminated. Reducing travel to other programs in the state will exacerbate existing personnel management difficulties. Not providing awards and decorations to National Guard Soldiers for recognition of state service will conflict with requirements in military regulations.

**LFD
COMMENT**

This proposal would reduce expenditures in the Centralized Services Division by \$11,529, which is 3.0 percent and 2.4 percent of general fund and total appropriations, respectively.

Impacts of the reduction will be internal to the department. The division has indicated it would delay purchasing replacement computers, and decrease travel as necessary, which will reduce the level of service provided to other programs within the department. The delay of purchasing replacement computers will also have a long-term affect, as it will drive a larger computer replacement bill in subsequent fiscal years.

One option for mitigating the reductions in 2003 will be to use any additional federal funding received during the fiscal year to offset planned general fund expenditures. The extent to which this may happen is not known at this time.

An additional option to mitigate or minimize the reduction would be to increase the reductions made to other programs in the department. Examples would include the National Guard Scholarship program (non-mandated program), or the Youth Challenge program (current proposed reduction will have no impact on program).

Potential for permanent reduction? Yes, provided initial personal services funding is adequate to support division personnel.

2 Challenge Program

Challenge Program Reductions

34,803

The Montana Youth Challenge program seeks to provide vitally needed lifeskills to high school dropouts so as to provide them another opportunity to be a productive member of society. All program expenses are 60% federal 40% state match. A \$34,803 reduction will reduce the program's ability to graduate as many cadets and cut supplies, materials and services used in operating the program. A 3% reduction would be \$34,803 general fund and \$52,205 federal funds for a total reduction of \$87,008. The consequences of the proposed reductions would be magnified by the inability to match federal dollars provided to support the program.

LFD COMMENT

This proposal would reduce general fund expenditures within the Youth Challenge program by approximately \$35,000. This reduction equals 3.0 percent and 1.2 percent of the program's general fund and total appropriations, respectively.

Impacts to this program will be minimal. The National Guard Bureau funds the Challenge program at a projected cap of \$2.8 million (\$1,120,000 general fund, \$1,680,000 federal funds) which equals the authority provided by the 2001 legislature. Program administrators budgeted for \$2.8 million in fiscal 2003. HB 13 (pay plan) increases added over \$33,000 general fund beyond the \$2.8 million in programmed expenditures. Therefore, per program administrators, this cut will have minimal impact on operations, and will not jeopardize federal funding.

Potential for permanent reduction? Yes.

12 Army National Guard Pgm

Army National Guard Operations additional reduction

40,000

The Army Program, Facilities Operation and Maintenance Division, is responsible for statewide repair and maintenance functions on all facilities and training areas, military construction projects, land and building leases, utilities and compliance with environmental regulations. The Department manages the largest building complex in state government outside of the university system. A reduction of an additional \$40,000 in general fund to the base budget would eliminate almost completely the programmed building exterior maintenance projects statewide. This could also result in a decrease of \$120,000 in federal funding for a total loss of \$160,000 in funding to the program in addition to the other \$38,663 general funds lost. Currently, the program schedules exterior maintenance on State owned facilities to preserve the exteriors and to reduce maintenance costs. This could have long-term cost implications as scheduled maintenance is done.

LFD COMMENT

This proposal would continue the reduction to the Army National Guard program, by cutting general fund an additional three percent, for a total of six percent. The department states that the cut would be applied again to programmed maintenance.

The short-term impacts would be roughly the same as the previous 3 percent. However, as higher priority maintenance is deferred, the long-term costs increase with respect to future biennia. The deferring of routine and preventative maintenance will drive increased maintenance costs in the future.

LFD ISSUE

In fiscal 2002, \$52,000 in general fund personal services authority was transferred from the Army Guard program to other divisions within the department. This flexibility allows the department to realign budgets as necessary to react to unforeseen contingencies during the year, and maintain operations without involving the legislature.

However, if the Army National Guard program manages to the same level of vacancy savings in fiscal 2003, at least a portion of this additional \$40,000 reduction can be absorbed before impacting programmed maintenance and jeopardizing federal funding.

Summary for Agency # 6701, Military Affairs, (7 detail records)	172,939
Fiscal 2003 Base Appropriation	\$4,428,826
Percent Reduction From Base	3.9%