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BUDGET AND PROGRAM PLANNING
STATE OF MONTANA

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M E M O R A N D U M

TO: Governor Racicot

FROM: Dave Lewis, Budget Director Dave Lewis

SUBJECT: General Fund Expenditure Reductions

DATE: August 23, 1993

The attached list is a composite list of potential reductions in general fund expenditures for the current biennium.

The general fund and school equalization aid balance as of June 30, 1993 was nearly $50 million. The projected balance as of June 30, 1995, if we assume similar financial results for fiscal years 1994 and 1995 as in 1993, is $70 million without considering these cuts or the reduced revenue if HB671 is suspended.

If spending is reduced by $50 to $70 million and revenue is reduced by $72 million, the revised fund balance will still be sufficient to refund the income taxes due the federal retirees and retain a sufficient balance in the general fund for cash flow purposes. This balance will be augmented through additional savings as you and the Department Directors continue your efforts at reorganization through the biennium.

Additional cuts in general fund spending may be proposed and added to this list as we continue to work with agencies on their ideas over the next few weeks. We have not had formal replies to our request for ideas for further reductions from the Superintendent of Public Instruction, Attorney General, or Legislative Branch, but we assume that further discussions will yield additional ideas in these areas. Several agencies, including the Governor's Office, are continuing to research other possible reductions.

Attachment

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Working Draft
For Discussion Only
August 23, 1993

DRAFT OPTIONS FOR 1995 BIENNIUM BUDGET REDUCTIONS & POLICY INITIATIVES in the Possible November Special Session

Prepared by the Office of Budget and Program Planning

Most FY94 savings are for six months, after considering termination costs and restructuring time. All projections are preliminary and several options will require further analysis and research which is ongoing.

SECTION A - GENERAL GOVERNMENT AND TRANSPORTATION

2110- Judiciary

o **Delay New Pilot Project for Local Citizen Review Board**
HB2 contains a biennial general fund appropriation of $113,232 for allocation to the youth court of the judicial districts designated in SB271 for a pilot program for local citizen review boards and foster care placements. This has not been implemented and, as a pilot project, could reasonably be delayed.

o **Scale Back the Water Court Commensurate with Regular and Special Session Actions**
Given the uncertainty raised by SB310 allowing late claims into the ongoing process, it would be possible to consider reducing the Water Court by 50% or about $125,000 in FY94 and $250,000 in FY95 until all valid claims are known. The remaining focus would be concentrated in basins likely to have few, if any, late claims and on cooperative planning efforts by the Water Court, the DNRC and the Reserved Water Rights Compact Commission to ensure that future, increased funded activities are not aimed at blanketing the state with preliminary temporary decrees, but are directed to priority basins to conclude a final adjudication of private and state water rights, and Indian and federal reserved rights. These actions will help the state achieve the most progress with its adjudication dollars and refine the entire adjudication process.

3101- Governor's Office

o **State Special Revenue Statewide Cost Allocation Plan for OBPP**
This proposal is covered in more detail under the Department of Administration. The plan would recover a prorata share of the Office of Budget and Program Planning (OBPP) and Accounting Division costs from state special revenue and other non-general fund and non-federal sources. The general fund savings attributable to OBPP is not subject to precise estimate at this time.

o **Eliminate Mental Disabilities Board of Visitors**
Significant material was prepared on this option during the regular session. There would be cost shifts to local government to pay for private legal counsel to represent residents at commitment and recommitment hearings. The fiscal note for HB684 (Menahan) estimated a $45,000 per year general fund increase for DCHS to reimburse third-party representative payees and $112,500 per year for county private counsel fees. More recent experience suggests that the number of hearings and hours billable to private counsel may be higher than that estimate. The net general fund savings are projected to be about $50,000 in FY94 and $100,000 in FY95.

3201- Secretary of State

o **Delete General Fund Portion of Fireproof Storage**
$2,500 of the $50,000 approved modification is general fund and will not be needed because the agency now has determined that the purchase price will be less than the original quoted figures.

- **Operating Reductions in Elections Bureau**
  Elimination of the annual statewide meeting with county election administrators in FY94 only would save $5,000 general fund. Elimination of the statutory requirement to publish and distribute Title 13, MCA, would save $5,700 general fund for the biennium. This requirement is considered to be unnecessary because copies are available in all county courthouses.

- **Increase Legislator Filing Fee**
  An increase in the filing fee for legislative candidates from $15 to nearly $50 (0.5% of the biennial compensation) would be consistent with the fee structure for all other elected officials and would increase general fund revenue by about $13,900 per year.

3202- Commissioner of Political Practices

- **Increase Lobbyist Registration Fees**
  The current fee is $10 for non-state employee lobbyists and no fee for state employees. About 500 of the 800 registered lobbyists pay the $10 fee and would be subject to an increase to $25. State employees could be charged $10 for total additional revenue of $10,500 for the biennium [($15 x 500) + ($10 x 300)].

- **Increase Campaign Finance Report Price**
  The current $25 price for the biennial Campaign Finance Report is not based upon all costs of compiling and publishing the report. Full cost pricing would justify an increase for the next volume produced in FY95 and available for sale by July, 1995. A $10 price increase to $35 for 250 copies would generate $2,500 additional general fund revenue in FY96.

3401- State Auditor

- **Restructure the Securities Regulation Program**
  The state needs to register and regulate in some manner those securities not required to be registered with the Securities and Exchange Commission. The securities are primarily small company offerings and private placements. There also is a need for an oversight function to dissuade or send a message to potential "scam" artists and unqualified investment advisers and sales representatives in order to protect the state's citizens. A basic licensing and registration function would be maintained; the annual general fund revenue from licenses and permits is significant. Larger securities firms have strong internal controls and are audited/examined by various regulatory bodies. The state regulatory function may include some unnecessary duplication in this area. There are 11.00 FTE in the program and $680,000 general fund for the biennium. The savings from restructuring would need to be determined.

- **Eliminate State Refunds of $5 or Less/Increase Payee ID No. Data**
  Issuing state warrants of $5 or less is not cost effective. The state refund policy could be revised to eliminate small refund warrant processing. Certain fee structures, such as FWP hunting permit drawings, could be reviewed to eliminate the creation of small refunds. Bad debt collection efforts in the State Auditor's Office depend upon the input of payee social security identification numbers into payee files. Federal law may prevent FWP, the Department of Justice and other state agencies from requiring social security numbers as part of hunting permit applications, driver licenses and other documents. If social security numbers are available from such applications and licenses or other sources, inputting the data into payee files would enable capture of refund warrants for those owing debts to the state.

- **Require Conversion of Payroll/Retirement Warrants to Electronic Transfers**
  The State Auditor is considering a requirement to replace retirement warrants with electronic depository fund transfers (EDF) and the Department of Administration is looking at a similar proposal for state payroll. The State of Colorado, many years ago, required EDF for payroll as a condition of employment, but there may be a federal obstacle to mandatory EDF. The general fund savings is estimated to be

$2,500 in FY94 and $9,800 in FY95, although this does not consider the loss of interest revenue generated currently from the "float" for outstanding warrants. This would require legislation regarding EDF; in lieu of a mandatory requirement, incentives may be implemented to encourage conversion and discourage receipt of paper warrants.

- **Automate Electronic Filing for Insurance Agent Renewals**
  Automation of the annual insurance agent renewal process would save $25,000 general fund in FY95 in postage and personal services, with a reduction of 1.00 FTE currently involved in processing renewal payments and related mail. In addition, there would be an increase in fees from $10 to $20 per year for those agents who continue to utilize the present paper renewal system. This would result in increased general fund revenue of $46,000 per year. Legislation would be required to implement these changes.

4107- Crime Control Division

- **Negotiate Additional Federal Grant Administration Funds**
  The agency is exploring ways to increase federal match funds for grant administration. The estimate is for a maximum of $10,000 per year offset to general fund if approved by grantor agencies.

4108- Highway Traffic Safety Division

- **Deposit Second $50 DUI Driver Reinstatement Fee to General Fund**
  Special Session I in January, 1992, temporarily deposited these fees into the general fund from a state special revenue pass-through account. The statute requires pass-through of an estimated $300,000 each year of the 1995 biennium to cities and towns for a variety of youth services, law enforcement equipment, etc, which are not all closely related to traffic safety, driver improvement services or alcohol/chemical dependency treatment and prevention. No distributions will be made until the end of FY94 so the full $600,000 could be deposited to the general fund. Since the provisions never have been implemented, this would not be a reduction to cities and towns.

4110- Justice

- **Delete Lease Expense for Law Enforcement Academy Expansion**
  If the academy expansion were deleted, the general fund savings would be $45,000 in FY94 and $60,000 in FY95. First year implementation is on hold awaiting a vote on the bond issue in Gallatin County.

- **Withdraw Driver Service Stations from 42 Counties**
  Estimated general fund savings would be $200,000 in FY94 and $425,000 in FY95 from a 16.00 FTE reduction along with travel and per diem expenses. It is more cost-effective to provide driver services on a daily basis at express stations in larger population centers than to provide periodic service in rural areas. The addition of magnetic digital striping to licenses during the 1995 biennium will enable system improvements and enhanced automation capabilities in the future to improve service statewide.

- **Delete Modified FTE Death Penalty Attorney**
  There was a new 1.00 modified FTE added in the 1995 biennium to handle the death penalty caseload and this proposal would eliminate the new position for a general fund savings of about $51,000 per year.

- **Delete General Fund Support for Drug Prevention Education Coordinator**
  This 1.00 FTE was funded with federal special revenue until FY94 when it became 100 percent general fund through legislative action. This proposal would eliminate about $45,000 general fund support each year for the formerly-federal-funded position.

o **Repeal New Statutory Appropriation for Breathalyzer Equipment**
The general fund savings would be about $50,000 per year. Equipment is normally budgeted in the general appropriations act. Typically, funds are available at the beginning and end of fiscal years to purchase necessary equipment.

5401- Department of Transportation

o **Distribute CST Allocation to General Fund/Restructure HSR Revenues & Expenditures**
Approximately $5 million per year in coal severance tax collections which is currently allocated for the Reconstruction Trust Fund (RTF) would be diverted to the general fund. The RTF was originally allocated 12% of CST in consideration of highway reconstruction in eastern Montana.

The highway special revenue (HSR) account is structurally imbalanced by approximately $5-10 million per year. If the RTF program were maintained at its current level, diversion of the CST would increase the imbalance to $10-15 million per year. The HSR account is projected to be in a deficit position by the end of FY97.

Insofar as the administration will not be proposing an additional increase in the motor fuels tax, the department has initiated actions to ameliorate this structural deficit. Options include: 1) consolidate maintenance sections; 2) redefine the department responsibilities for maintenance; 3) scale back the RTF program; 4) clarify that HSR funding for the Motor Vehicle Division will not continue into the 1997 biennium; 5) reduce allocations to FWP for off-road use equivalent to the increase resulting from SB257; 6) eliminate HSR funding for FWP parks roads and county connecting roads; 7) reduce the increase in county allocations contained in SB257.

5801- Department of Revenue

o **Convert State Liquor Retail Operations**
There have been several suggestions to propose legislation similar to that offered in the second 1992 special session to convert state liquor retail stores to agencies. The proposal would generate approximately $3 million in net revenues as a result of turnover in liquor inventory. The inventory is projected to turnover 100% within 12-18 months of implementation. A criticism of this proposal is that it generates one-time revenues with no ongoing relief for the general fund. However, the proposal could be advanced as a measure to fill the gaps in other general fund reductions throughout state government that would not be fully phased-in until FY95 or thereafter.

o **Streamline County Appraisal Offices**
In the 1993 legislative session, the General Government and Transportation Appropriations Subcommittee voted to eliminate state funding for deputy assessors, reduce state funding for elected assessors to 50 percent, and to regionalize county appraisal activities. The savings to the state general fund was approximately $1.2 million per year. The savings to counties if they chose to eliminate deputy assessors was approximately $145,000 per year.

The department's proposal was predicated on the fact that, with both an elected assessor and deputy assessor, county appraisal activities in many counties could be more efficiently staffed. Consolidating the appraisal functions in a regional office would be a more efficient use of personnel. County assessors would no longer be responsible for appraisal functions and would concentrate on assessment functions only.

The department currently has an internal task force developing recommendations for restructuring of county appraisal offices. The department anticipates developing a proposal by September 15, 1993. The department has committed to development of a proposal to meet a target of $600,000 in FY94 and $1.2 million per year thereafter in general fund savings.

o **Recover Natural Resource Audit Costs**

Most of the audit activities conducted by the natural resources and corporate tax division are supported by the general fund despite the fact that much of the audit activity is directed in areas which have little or no general fund revenue impact, e.g., coal tax, financial corporate tax, metalliferous mines, oil and gas. The budget principle adopted in the income and miscellaneous tax program during the last several legislative sessions is that every revenue source should bear its share of collection costs. If this same principle were applied to the natural resource and corporate tax program, the general fund saving would be approximately $300,000 per year.

6101- Department of Administration

○ **Reduce Computer Processing Rates**

DoA already has committed to reducing computer processing rates by $420,000 over the 1995 biennium. An estimated 40 percent of the processing charges are incurred by general fund sources for a savings of $180,000. ISD has pursued an appropriate strategy of providing agencies with on-line processing during normal business hours. Consequently, the state mainframe has substantial amounts of excess capacity during nighttime and weekends. ISD could dramatically improve the efficiency of its mainframe operations by selling its excess capacity to sources out of state. With current telecommunications technology, the potential market extends nationwide. The additional revenues received would allow ISD to lower its rates again.

○ **Consolidate State Mail/Printing**

A number of agencies continue to operate mail and printing functions even though it is more cost effective for the state as a whole to consolidate these functions in DoA. Agencies generally have concerns regarding timeliness, confidentiality, and quality of service. Some agencies may have incorrectly estimated the cost effectiveness of their operations by excluding depreciation costs and other overhead expenses. Cost savings to these agencies would be marginal but the greater volume of mail and printing would allow DoA to achieve greater economies of scale in its current operations, allowing rates for all state agencies to be reduced. Estimating savings to general fund sources may be difficult, however.

It is not recommended that agencies be required by statute to use DoA printing and mail services. It is desirable in the long term for DoA to have market incentives to provide the best service at the best price. Agencies would be directed to use DoA services by temporary appropriations bill language or executive order but also be allowed to seek services from the private market or reestablish their own in-house capabilities within current level if they subsequently determine that non-DoA services are more cost effective and/or provide better service.

○ **Increased Recovery of General Fund Costs for Statewide Services**

A portion of the indirect costs of certain statewide central services, such as accounting, personnel, purchasing, budgeting, etc. are recovered from some federally funded programs through the statewide cost allocation plan (SWCAP) by agreement with the federal government. The SWCAP, developed by DoA, allocates indirect costs to each agency in state government. Agencies are then required by statute to negotiate with their cognizant federal agencies for recovery of an appropriate share of these costs, to the extent that federal law allows participation in state indirect costs. The proceeds are deposited to the general fund. In FY92, SWCAP collections for the general fund were approximately $425,000, about 15 percent of total allocated indirect costs [figures are tentative, pending further review]. Federal funds comprised about 25 percent of total state expenditures in FY92.

In the 1995 biennium, DoA will implement a limited recovery of indirect costs from state special revenue (SSR) accounts which retain interest earnings, up the amount of interest actually generated. Approximately $200,000 is estimated to be collected from these SSR accounts per year.

While the DoA is responsible for calculating SWCAP allocations, the responsibility for negotiating and collecting an appropriate share from federal sources is decentralized. Although required by statute and subject to audit, agencies lack strong incentives to aggressively negotiate for recovery of indirect costs because, in many instances, doing so reduces the total amount of federal funds available for program purposes.

Although DoA will implement a limited recovery of indirect costs from SSR accounts, the additional cost recovery is projected to be marginal. Nearly 40 percent of the state budget as appropriated in the general appropriations act for the 1995 biennium does not participate or has very limited participation in state indirect costs. The limited participation of SSR funds has been heretofore rationalized by the fact that many SSR funds do not retain interest earnings. The proposition advanced in this discussion is that participation in state indirect costs should be divorced from retention of interest earnings because the level of interest earnings bears no equitable relationship to the indirect costs that would otherwise be allocated. Whether earmarked funds retain interest should be determined by the legislature based on the nature and purpose of the funds in question.

The proposal discussed here is twofold: First, all recoveries of indirect costs could be deposited to a state special revenue account managed by DoA from which statewide central services would be budgeted. This structure creates an entity responsible for collecting indirect costs with relatively strong incentives for oversight of federal cost recoveries. It would also illuminate for the legislature and public in the budget process the extent to which costs are being recovered. Second, expanding the scope of indirect cost recovery would significantly reduce general fund expenditures. Expanding the scope of indirect cost recovery can be characterized as being simply a "fund switch" from general fund to nongeneral fund sources. However, it would more equitably distribute the costs of governmental infrastructure in a state budget which is increasingly earmarked for specific purposes.

Either or both of the two options outlined above could be implemented. The mechanics of the proposal are under development. In general, nongeneral fund programs would be budgeted for payment of indirect costs while the general fund appropriations of central service programs would be reduced and replaced by state special revenue authority. A "guesstimate" of the amount of general fund savings is $1 million for the biennium.

6701- Military Affairs

o **Operations Support Reductions**
Reductions would include elimination of 1.00 FTE administrative position in Bozeman who works totally for the federal Guard Bureau and a shift to federal funds for 50 percent of the salary and benefits for an accounting technician in Helena. General liability insurance of $5,000 per year may be supported by federal special revenue in lieu of general fund. No decrease in service would be expected. The 1995 biennium general fund savings would be about $69,600.

o **Air Guard Draw Down of R & M/Consolidation**
This would be a reduction of repair and maintenance projects and consolidation of space to reduce utilities. The biennial general fund savings would be about $32,750 and the federal matching funds loss would be $98,000.

o **Reduce FTE in Disaster and Emergency Services (DES)**
There would be a 2.00-3.00 FTE reduction in the Helena office, depending upon the amount and timing of termination payouts. The biennial general fund savings would be $44,800 and the federal matching loss would be $44,800. Total FTE in DES would decline from 20.00 FTE (19.25 in FY95) to 17.00 FTE (16.25), 9.00 of whom are 100 percent federally funded. This action may have some future impact on FEMA support for the state program.

- **Close up to Eight Armories/Army Guard Reductions**
  Up to eight armories would be identified for closure and transfer of units and federal employees to other armories. Short-term savings would occur if the facilities were given to communities rather than abandoned which would require winterization/shut down procedures. No loss in federal jobs would occur unless certain units could not be transferred. Other savings would include shifting a 0.50 FTE maintenance position to federal support and conversion of old shops to cold storage to reduce utilities expenses. Biennial general fund savings would be about $147,700.

- **Reduce FTE in Veterans Affairs Division**
  A reduction of 2.00 FTE and a reallocation of remaining resources would be accomplished with the intent to keep all current field offices open. Biennial general fund savings would be $106,700. This action may reduce timeliness of services to veterans, but basic services would be maintained. This program also must make up the funding for early retirement payouts.

SECTION B - HUMAN SERVICES

5301- Department of Health and Environmental Sciences

Note: The total general fund contained in DHES is $3,015,703 or 5 percent of the $60,371,913 budget.

- **Health Authority Savings**
  During the 1993 legislative session, SB285 was passed and approved creating the Montana Health Care Authority. The task of this authority is to work on developing two statewide health care plans, one based on a single-payor concept and one based on a multiple-payor concept, to present to the 1995 Legislature. The authority was funded in HB145 which contains general fund appropriations of $178,385 during FY94 and $163,817 during FY95 for the State Auditor's office to carry out its duties outlined in SB285. The bill also appropriates $750,000 in general fund each year of the biennium (for a total of $1,500,000) to the DHES, to whom the authority is administratively attached. The authority currently has approved hiring an executive director for $45,000-60,000 plus benefits as part of its staff. There may be possibilities for some savings due to delays in hiring staff.

- **Renal Program Elimination**
  Throughout the 1993 legislative session, proposals to fund the End Stage Renal Disease program within the department were added and removed. During the last days, HB2 was amended to include $125,000 general fund each fiscal year of the biennium. The program provides financial assistance to patients who require kidney dialysis and do not have enough money or insurance coverage to pay for the treatment.

- **Family Practice Residency Program Elimination**
  HB2 included an appropriation of $200,000 general fund each year of the biennium to fund this program of tax credits and other financial incentives to medical students who complete their residency in family practice, in order to attract and retain family practitioners in the state.

- **MIAMI Expansion Reductions**
  The MIAMI program is the Montana Initiative for the Abatement of Mortality in Infants. This program provides pre-natal and post-natal care, screening, outreach and other services to women who are at risk of having a child with severe complications. The focus is on preventative care in order to lower the extreme costs of caring for infants who have severe medical problems. During the 1993 Legislature, the program was appropriated an additional $264,590 general fund each year of the biennium to expand the MIAMI program to additional counties.

6602- Department of Labor and Industry

o **Eliminate or Reduce the Silicosis Program**
The general fund appropriation for silicosis benefits is $308,666 in FY94 and $280,854 in FY95. This program has been reduced in prior special sessions due to declining numbers of beneficiaries. There are 100 silicotics, who are receiving $200 a month in benefits, and 63 survivors/beneficiaries receiving $100 a month in benefits. The projected balance of the FY94 appropriation as of January 1, 1994, will be $154,333.

o **Reduce the Human Rights Commission**
The expansion modification authorized to improve the timeliness of processing cases in the 1995 biennium was for 3.00 FTE. Elimination of this expansion would yield general fund savings of about $70,000 in FY94 and $138,046 in FY95.

6901- Department of Social and Rehabilitation Services

Under the Medicaid program, states are required to provide a minimum level of services in order to participate. These services include, but are not limited to, inpatient and outpatient hospital services and physician services. In addition to these mandated services, states may elect to provide any of 31 additional optional services allowed under federal regulations. Currently the Montana Medicaid program covers 27 of the 31 optional services.

Federal regulations require that all optional Medicaid services be offered to children, pregnant women, individuals residing in nursing homes and Intermediate Care Facilities for the Mentally Retarded (ICF-MRs), and people covered under the Home and Community Services waiver or the Developmental Disabilities waiver. Therefore, a reduction or elimination of optional services will impact only Medicaid clients who do not fall into one of these maintenance-of-effort categories. In addition, all Medicaid mandatory and optional services are reviewed for medical necessity.

o **Eliminate Adult Podiatry Services**
Services provided by licensed podiatrists currently are covered for Medicaid patients as an optional service. This proposal would eliminate coverage for Medicaid patients for this service. The estimated general fund savings during the 1995 biennium would be $17,100 based on an assumption that 90 percent of the patients who would not be eligible for this optional service would seek podiatric care under the mandatory physician services benefit. The remaining 10 percent would not receive podiatric services.

o **Eliminate Adult Hearing Aids and Audiology Services**
This optional Medicaid service covers hearing aids and audiology exams for Medicaid clients. The general fund savings during the 1995 biennium would be about $40,600.

o **Reduce Adult Physical, Speech, Occupational Therapy Services**
The state currently pays for rehabilitative, physical, speech and occupational therapy services provided by licensed therapists. Under this proposal, these benefits would be reduced from a maximum of 100 hours to a maximum of 35 hours of therapy. If necessary, a patient could receive additional therapy within the more expensive outpatient hospital or home health care benefit. The anticipated general fund savings during the 1995 biennium would be $99,200.

o **Eliminate Adult Eyeglasses and Optical Services**
This proposal would eliminate coverage of eyeglasses and routine eye care by opticians, optometrists and ophthalmologists. Treatment for non-routine eye care still would be available through the mandatory physicians services benefit. The estimated general fund savings during the 1995 biennium would be $378,900.

- **Eliminate Adult Denture and Dental Services**
  Currently, the state Medicaid plan includes coverage for dental services and dentures. One proposal would eliminate coverage of those items. The estimated general fund savings during the 1995 biennium would be $1,117,300.

  Another proposal would be to eliminate these services, but pay for emergency services to relieve pain and suffering. The general fund savings for this option would be about $660,900.

- **Increase Pharmacy Copay**
  A one dollar copayment currently is required from clients for each prescription. This proposal would increase the copayment to two dollars only on brand name (non-generic) prescriptions. Copays are not applied to emergency services. Cost savings in general fund dollars are estimated at $27,400 during the 1995 biennium.

- **Increase Copay Limit**
  Under the current Medicaid program, a maximum copayment liability for a family is $127 per state fiscal year. This proposal would increase that maximum family copayment liability to $300 per year. Copays are not applied to emergency services. The projected general fund savings during the 1995 biennium would be $112,000.

- **Increase Coinsurance on Inpatient Hospital Stays**
  This proposal would increase the patient responsibility for payment of an inpatient hospital stay. Medicaid patients admitted to the hospital would be asked to pay a $200 coinsurance payment for that stay unless it is an emergency. Currently, patients are charged three dollars for each day that they stay in the hospital. This proposal would save about $358,500 general fund over the 1995 biennium.

- **Reduce Limit on Personal Care Services**
  Under this service option currently, Medicaid clients are allowed to have personal care services (assistance with activities of daily living provided by attendants who are supervised by registered nurses) provided for 40 hours per week. No more than one-third of these hours may be provided for household tasks. The proposal would reduce the maximum benefit to 35 hours per week. The SRS calculates that 20 recipients would be impacted by this proposal and could require placement in a nursing home. The estimated net general fund savings would be $151,000 during the 1995 biennium.

- **Limit the Number of Mental Health Services**
  Currently, there is a 22 hour limitation on therapy provided by social workers, psychologists and licensed professional counselors in the individual, group or family setting. This proposal would add a 22 hour limitation on therapy provided by community mental health centers in the mental health benefit. There would be no limitation or targeted case management. The estimated general fund savings for the 1995 biennium would be $202,400.

- **Limit Number of Day Treatment Services**
  This proposal would implement a limit on the number of hours of day treatment that a client may receive at a community mental health center. Currently, there is no limit. The proposal would place a cap of 780 hours per year, which is an average of 15 hours per week on Medicaid clients. The projected general fund savings would be $300,043 during the 1995 biennium.

- **Capitate Mental Health Services to Adults**
  This proposal would restructure the reimbursement mechanism for mental health services under Medicaid. The department would apply for a waiver from the federal government to restrict the number of providers of mental health services. The SRS would issue competitive bids for providers of mental health services. Inpatient and outpatient mental health services would be paid to a provider as a fixed amount per client instead of per service. Providers who were able to provide care for less than the capitated amount would

realize a profit, whereas providers who did not provide care in the most efficient manner may sustain extra cost. This proposal also allows for more management of the care given to clients. General fund savings are estimated to be $19,400 during the 1995 biennium.

o **Limit Services for Medically Needy to Primary and Preventive Care**
The Medically Needy program is intended to provide a bridge between people who are fully eligible for Medicaid and those whose income is slightly too high to qualify for Medicaid, but still have health care expenses. This proposal would limit the benefits to clients on the Medically Needy program to primary and preventative care services, drugs, and lab and x-ray services. The Medically Needy program would not cover hospital services. The estimated general fund savings would be $7,570,300 during the 1995 biennium.

o **Reduce the Payment Level for Aid to Families with Dependent Children (AFDC)**
The 1993 Legislature established the payment levels for AFDC recipients at 40.5 percent of the federal poverty level. For a family of three, 100 percent of the federal poverty level is $993 per month in FY94 and $1,023 per month in FY95. The current appropriation equates to a monthly amount, for an AFDC family of three, of $402.17 in FY94 and $414.32 in FY95 and a total annual market basket value of between $14,800 and $20,800 including benefits, food stamps, energy assistance, medical care, telephone assistance, housing and day care.

During the last session, the House adopted the monthly AFDC payment at the FY93 levels, or $390 for a family of three. If the AFDC payment level for all recipients were restored to the House action, the state would save $212,855 general fund during the last half of FY94 and $884,679 during FY95. Biennium total general fund savings would be $1,097,534.

o **Eliminate 1995 Biennium Provider Rate Increases**
The 1993 Legislature also provided for 2.5 percent rate increases for visual services, vocational rehabilitation, and developmental disabilities providers who do not have clients other than the state. The legislature did not provide rate increases for the state or for other providers. The total general fund for these increases within SRS is $614,153 in FY94 and $1,238,589 in FY95. If these provider rate increases were eliminated as of January 1, 1994, the general fund savings would be $1,545,665 for the biennium.

o **Reduce Outpatient Hospital Reimbursement**
Reimbursement to hospitals for outpatient services is done retrospectively under the Medicaid program. During the year, hospitals receive payments based on a percentage of their billed charges. Then at the end of the year, all costs are totaled and Medicaid adjusts the total payment to meet a set percentage of those costs. During the 1993 Legislature, the sole community hospital reimbursement was established at 98.8 percent of actual costs. Hospitals in multiple hospital communities are to be reimbursed at 93 percent of actual cost. This proposal would reduce these percentages to 93.8 percent and 88 percent, respectively, and would save approximately $474,860 general fund over the 1995 biennium.

o **Delay Implementation of Nursing Home Property Reimbursement Changes**
The SRS has contracted for a study to recommend changes in the property reimbursement component of the nursing home reimbursement formula. This proposal would delay implementation of the recommendations and freeze the property reimbursement for FY95. This also would provide no rebasing of the reimbursement formula for FY95. Estimated general fund savings would be $466,700 during the 1995 biennium.

o **Implement a Special Income Limit for Nursing Home Eligibility**
This proposal would implement the special income limit which is used in determining nursing home eligibility under the Medicaid program. The special income limit would be set at 300 percent of the federal Supplemental Security Income monthly payment which is currently $434. Therefore, the limit would be $1,302 per month. Persons with incomes exceeding this limit would not be eligible for nursing

home care reimbursement under Medicaid. Approximately 170 people would be impacted by this proposal. The SRS would delay implementation of this option until January 1, 1995, to allow people to seek financing for their nursing home care to replace the state support and/or to pursue alternative care options. The general fund generated during the 1995 biennium would be about $241,300 and general fund savings during the 1997 biennium are projected at $1.2 million.

6911- Department of Family Services

o **Management Information System Funding Switch**
The DFS is anticipating a budget amendment for $138,312 of federal special revenue that, if approved, would be used to offset general fund appropriated for FY94 to develop the Management Information System (MIS). These federal funds were available during FY93 for this purpose, but were not expended by the department. Federal approval to reauthorize for the MIS is pending.

o **Eliminate State Support for Big Brother and Sisters**
Big Brothers and Sisters is appropriated grants from DFS in the amount of $181,913 general fund each year or $363,826 for the 1995 biennium. Big Brothers and Sisters is a not-for-profit organization that receives funding from other sources such as United Way and donations. Elimination of state support for the 1995 biennium would produce general fund savings of about $272,870.

o **Eliminate the 1995 Biennium Provider Rate Increase**
Other than in SRS discussed above, the only other provider rate increase authorized by the 1993 Legislature was 2.5 percent for Foster Care services. Consistent with the proposal for SRS provider rate increases and with actions to fund services provided directly by the state in the 1995 biennium, this proposal would eliminate the increase effective January 1, 1994, for a general fund savings of about $555,380.

SECTION C - NATURAL RESOURCES AND COMMERCE

5201- Department of Fish, Wildlife and Parks

o **Reduce or Eliminate Visitor Services**
This portion of the Parks Division ensures that the public has safe access to park resources through directional and hazard signing; support of caretaker hosts, interns and volunteers who are on site to explain the natural hazards and liabilities of the area; and site control and fencing. The general fund is $30,200 in FY94 and $29,573 in FY95 and could be considered for reduction or elimination.

o **Reduce or Eliminate Parks Division New Funding**
The Executive Budget for FY94 and FY95 included a modification to enable the Parks Division to maintain current level operations that would otherwise be reduced because of a revenue shortfall. Coal trust interest earnings were down and the division had spent one-time cash balances in state special revenue accounts. The modification for $294,083 in FY94 and $303,459 in FY95 was approved dependent upon passage of HB591 and/or HB642. HB642 did pass and was signed giving the division accommodations tax for maintenance of facilities in state parks that have both resident and non-resident use. The fiscal note showed projected revenues of $500,000 annually, but the division is now estimating $492,000 annually. The difference, which could be considered an increase above current level, is approximately $189,000 per year. It may be possible to make general fund reductions of about $94,000 in FY94 and $189,000 in FY95.

5501- Department of State Lands

o **Management Services Division - Reorganization and Reduction of Personnel**
Reduction of 3.00 FTE through restructuring and reassignment of responsibilities may be possible in the

Management Services Division. General fund savings would be about $53,000 in FY94 and $108,000 in FY95.

- **Eliminate the Helicopter Development Project**
  Two federal excess aircraft would be stored and the project put on hold until funds could be found to complete the renovation. An 0.85 FTE would be deleted and general fund of $54,705 in FY94 and $31,445 in FY95 would be cut from contracted services, but $28,000 would need to be added to the FY95 Forestry Division budget to cover contract helicopter services in the Kalispell area for fire suppression. The net biennium general fund savings would be $58,150. The revenue lost from the renovated helicopters could cause a cash flow problem for the Air Operations proprietary account.

- **General Fund Reduction in the Air Operations Program**
  A general fund reduction would require a substantial user rate increase, i.e., federally-supported abandoned mine bureau and contract fire suppression activities. The reduction would be about $73,300 in FY94 and $17,280 in FY95. Retained would be $50,000 annual minimal general fund support required for basic costs (salaries and operating expenses) when there are low revenue summers and, therefore, insufficient proprietary account funds available to maintain response capabilities.

- **Repeal the State Land Equalization Payment Statute**
  Currently the state reimburses 18 counties 56 percent of the estimated tax on school trust lands. These 18 counties qualify for state payment by meeting the minimum threshold of at least 6 percent of taxable acreage in state trust lands. Elimination of this statute would provide general fund savings of $265,000 in FY95 and future years.

- **Restructure Nursery and Grounds, Eliminating Bureau Chief in the Forestry Division**
  The responsibilities of the Nursery and Grounds Bureau Chief would be restructured and redistributed to other bureaus. The general fund savings would be $30,000 in FY94 and $45,000 in FY95.

- **Revise the Slash Law**
  This potential recommendation to revise the slash laws would shift responsibilities to landowners for compliance with slash hazard laws through an affidavit process. The change would reduce the DSL inspection and subsequent field staffing requirements. General fund savings would be about $86,000 in FY94 and $86,000 in FY95. Statutes to be changed: 76-13-408, MCA, and 76-13-401 through 76-13-414, MCA.

  Private landowners currently pay $0.60 per 1,000 board feet up to 500,000 board feet, with 500,000 board feet being the cap and no charges on board feet over that amount. If the field staffing were reduced, there would be a slight savings to the private land owner. There would be no charge for filing the affidavit.

- **Forest Fire Protection Program Reduction**
  Reduction of 3.50 FTE and general fund of $202,000 in FY94 and $100,000 in FY95 could be considered. With this reduction, the department may be unable to attain its goal of containing 95 percent of fires to less then 10 acres. Accepted national modeling methods project that each dollar of budget reductions in fire protection result in an additional $4.00 in fire fighting expenses.

- **Eliminate Funding for Advisory Committee Established by SB424**
  The advisory committee would be established, but members would serve on a voluntary basis without reimbursement for expenses. Approximately $5,000 of rulemaking expenses would be absorbed by the Lands Division from current level funding. General fund savings would be $23,780 in FY94 and $7,615 in FY95.

- **Forest Products Sales Funding Switch**
  Program funding would be shifted from general fund to a state special revenue account funded by receipts from timber sales conducted on common school lands, similar to action adopted and approved in HB652 by the 1993 Legislature. Timber harvest and revenue would continue at planned levels. General fund savings would be $190,000 in each year of the biennium.

- **Eliminate Position in the Lands Division**
  Lands Division trust oversight responsibilities of position 180 would be shifted to position 187 which is funded by the recreation use state special revenue. The general fund savings would be about $17,000 in FY94 and $35,545 in FY95.

- **Eliminate the Mineral Lease Compliance Program**
  One FTE would be eliminated resulting in a reduction of about $18,000 in FY94 and $37,066 in FY95. Trust revenue would be reduced due to elimination of compliance, but the loss would be difficult to quantify. Mineral lease problems would be dealt with only when brought to the attention of the department from an outside source.

- **Reduction in Lands Division Field Staff**
  Reduction of 1.00 FTE with a savings of about $13,000 in FY94 and $27,256 in FY95 would cause an indirect trust revenue reduction through decreased quantity of surface land management responsibilities, some of which would be absorbed by realignment of area boundaries. It is difficult to determine the possible impact on the trust because this is a case of revenue vs. monitoring of lessee payments and the question is whether one can trust the lessees to pay the correct amounts.

5603- Department of Livestock

- **Replace General Fund with State Special Revenue**
  Replacing general fund authority with state special revenue in the amount of $45,600 in FY94 and $45,108 in FY95 would equal a 10 percent general fund reduction. The agency's three options would be to: 1) take the full amounts from the Centralized Services Program; 2) take the full reduction from the Diagnostic Laboratory Program; or 3) split the allocation between the two programs.

- **Meat and Poultry Inspection Policy Decision**
  The Meat and Poultry Inspection Program is funded 50 percent general fund ($293,398 in FY94 and $295,725 in FY95) and 50 percent federal special revenue. The state assumed primacy of this program by action of the 1987 Legislature at the request of industry representatives who preferred state inspectors. This policy decision could be reconsidered: Does the industry and the economy of the state receive benefits commensurate with the general fund cost or should the state turn this program back to the federal inspectors?

5706- Department of Natural Resources and Conservation

- **Reduce the Adjudication Program**
  A potential reduction in the water adjudication program would eliminate four of the 17 regional office positions. The rationale for this reduction would be that DNRC verifies claims faster than the Water Court processes them. This reduction would reduce the claims sent to the Water Court and stop an increasing backlog of unprocessed claims. The general fund savings would be about $50,000 in FY94 and $100,000 in FY95.

- **Funding Switch for USGS Cooperative Program and Groundwater Services**
  Consideration would be given to a general fund reduction of $50,000 in FY94 and $100,000 in FY95 with replacement of a like amount from the $666,000 per year, or 14.1 percent of RIT proceeds, appropriated to the Montana Bureau of Mines and Geology for program expansion. The policy question of whether this is the time to begin a $666,000 per year expansion of groundwater activities may be

deliberated. The state share of the USGS cooperative stream gauging program and other DNRC groundwater services could be funded with a portion of the RIT and the remaining budget expansion modification at MBMG would be about $566,000 in FY95.

- **Eliminate Clean Coal Program**
  Last session, the DNRC received a $50,000 biennial appropriation of RIT monies and $6,850 ($3,425 in each year) of local impact monies to evaluate a probable clean coal technology application to build a MHD plant in conjunction with an existing coal-fired generating plant in Billings. The project was not chosen by the federal government as one of the clean coal technologies that would receive federal monies, so it is extremely unlikely that such a plant will be built. It is proposed that the Clean Coal Program in the Conservation and Resource Development Division be eliminated, that the funds appropriated to DNRC be used to offset general fund, and that the interest in the clean coal account be de-earmarked and allowed to flow to the general fund.

- **Transfer Federal Funds in the Energy Division**
  Federal monies previously allocated to meet the Energy Division consumer information goal would instead be used to maintain the state's capacity to anticipate and respond to an energy emergency. The emergency response capability is presently funded with general fund, so this transfer of $52,500 for the biennium would be a direct offset that will continue as long as federal funds are available for this purpose.

- **Eliminate Position #20250 in Centralized Services Division**
  Position #20250 is a graphic artist tech position that recently became vacant and that would be eliminated as part of a proposed restructuring of bureaus within the Centralized Services Division. Current services would be maintained. General fund savings would be $27,794 in FY94 and $29,929 in FY95.

- **Postpone the Lower Missouri Water Reservation EIS**
  Many of the water demand/shortage issues that drove the water reservations process in other basins are not as critical in the Lower Missouri. The department has enough information in the applications for water reservations to present a credible defense of future water needs (relative to the needs of downstream states) even if this effort were terminated. Terminating the process, however, may not be politically viable because of the expectations of the conservation districts and cities that the process will eventually be completed. Postponing the process would result in the loss of 2.00 FTE when the draft EIS is finished at 1993 calendar year end. The $135,000 biennial appropriation for the final EIS work, printing, mailing notices, and holding a contested case hearing would be saved. The statutory date for completion of this basin would need to be changed to June 30, 1997, or be deleted pending future executive and legislative consideration.

- **Eliminate Position #10130 in Centralized Services Division**
  Position #10130 is an attorney position that would be eliminated. The person in the position would be transferred to the Reserved Water Rights Compact Commission to fill a vacant position there at a .75 FTE. General fund savings would be $40,039 in FY94 and $45,054 in FY95.

6201- Department of Agriculture

- **Reduce Pesticide Program by $57,464 in FY94 and $46,636 in FY95**
  The pesticide retailer/homeowners, pesticide and pest education program would be eliminated in FY94 and reduced to less than half in FY95. This program provides information on alternatives to pesticides, pest identification, and control through integrated pest management techniques. The $20,000 annual budget for the program is contracted with the Montana Cooperative Extension Service to provide this education.

  The vertebrate pest program activities would be reduced by decreasing the number of field trials and assessments on new rodenticides or new uses of existing rodenticides. Traditionally the program

conducted 30 to 50 demonstrations for farmers and ranchers per year on proper uses, timing and application of rodenticide alternatives. These would be reduced to 15 to 25 demonstrations per year.

The agricultural chemical groundwater program activities would be adjusted so personal service costs (approximately .70 FTE) would be covered by state special revenue or EPA federal funding depending upon activities. Basic operational costs currently supported with general fund would be reallocated to state special revenue.

6501- Department of Commerce

o **Economic Development Division Reorganization**
Through reorganization, the Business Development Division will take on a new economic development focus and have less management staff. The division would be managed directly by the department director and deputy director. Positions to be eliminated include the division administrator and the managers of Microbusiness, Trade, and the Office of Research and Information Services (ORIS). ORIS will be restructured to include only the Census and Economic Information Center. Trade will continue through an international affairs coordinator and the newly-created regional development officers. The Canadian and Tokyo trade offices have been closed. Kumomoto and Taipei will remain open as long as the offices are effective, and if Growth Through Agriculture grants and accommodations taxes are available to support the program. General fund savings will be $121,636 each year of the biennium and there will be a state special revenue savings of $37,143 each year.

o **Local Government Audit Program**
The department generally contracts for the audit work in communities that are geographically remote and poorly funded. There is $91,698 of this work budgeted each year of the 1995 biennium to be done below cost or free based on the assumption that the local government cannot afford to pay. A combination of bidding all work at or above cost and eliminating a layer of management would result in a general fund reduction of about $100,000 and still permit some "pro bono" work. The Audit and Systems programs were combined in the last legislative session and there would not be any general fund reduction associated with the systems portion of the program budget.

SECTION D - INSTITUTIONS AND CULTURAL EDUCATION

5114- Montana Arts Council

o **Reduce Japanese Translator Contract**
When Kumomoto artists came to Montana for an art exchange, this translator was used. An exchange will continue in 1995 and the Montana Arts Council (MAC) is waiting for an invitation from Kumomoto to know if they will be coming in 1994. General fund savings would be $2,500 in FY94 and $2,123 in FY95.

o **Reduce Artists in School Clerical Support**
A temporary secretary for artists in schools program is budgeted for the 1995 biennium. Too many comp time hours were accumulated and so a restructuring of the position and program will provide for freed up federal funding in artists in schools to provide this service. General fund savings of $2,500 each year will be realized.

o **Eliminate Professional Development Training**
The MAC was budgeted in the 1995 biennium for classes on Total Quality Management for staff. If the training were eliminated, the general fund savings would be $2,000 each year of the biennium.

- o **Reduce Underwriting**
This proposal would reduce $1,750 general fund each year of the 1995 biennium used for underwriting assistance to communities that want to sponsor an artistic event but may not have money to do so.

- o **Add Honorarium for Panelists**
Currently in the grant making cycle, panelists are used to make recommendations in grants selection. Of the seven or eight panels used, only out-of-state panelists are paid. The unbudgeted general fund expense added to the budget for in-state panelists would be $1,650 in FY94 and $2,850 in FY95.

- o **Reduce Governor's Arts Awards in FY94**
The MAC Governor's Awards for the Arts are presented annually. In even-numbered years, one artist is selected to be honored for lifetime achievement. Several recipients in various categories, including service to the arts, are selected in odd-numbered years. The recipients are honored at an annual awards ceremony. In FY94, the MAC would try to obtain private sponsorship or consider raising the ticket price to cover expenses of documentaries, awards, rent of facility, and printing of programs.

- o **Reduce Immediate Action Grants**
The MAC provides Immediate Action Grants to organizations that have unforeseen needs or opportunities that arise outside of the regular granting cycle. The grants are awarded on the basis of need and the amount of money available. The amount available for grants had been increased in the 1995 biennium and would be reduced by the increased $1,000 general fund each year.

- o **Reduce Cultural Congress**
In communicating with its constituency in the field throughout the state, one of the primary benefits the MAC provides besides funding is professional development and networking. The intent of the council is to have one statewide Cultural Congress every other year to meet this need. In alternate years non-profit organizations would come together at the same time as the legislature meets, providing speakers and professional opportunities on a regional basis. The MAC would forgo the Cultural Congress in FY95 for a general fund savings of $6,043.

- o **Restructure the Arts Council within the Historical Society**
This proposal would consolidate the two agencies within the Historical Society if a reduction of administrative staff would be realized. However, no restructuring proposals have been developed sufficiently to indicate potential general fund savings.

5115- Montana State Library

- o **Temporary FTE Reduction in 1995 Biennium**
The Coordinator of Library Development has taken a leave of absence without pay due to illness and the secretary has terminated her position. The temporary reduction would be approximately $18,000 each year of the 1995 biennium.

- o **Reduce Library Development**
This proposal would eliminate voluntary certification and library continuing education programs and recommend that they be carried forward by the Montana Library Association. Also, some current responsibilities for library development would be combined with libraries for a general fund savings of $6,000 each year.

- o **Reduce Federal Document Position**
There is a potential of eliminating federal government documents acquisition from the Montana State Library collection, if adequate access via telecommunications or other means can be secured

from UM for its federal documents collection. Approximate general funds savings would be $4,000 each year.

- **Maintain State Aid at the 1993 Biennium Level**
The 1993 legislature approved an additional biennial general fund appropriation of $63,957 over and above the Executive Budget recommendation for grants to local libraries. This appropriation restores the per capita/per square mile grants to the $258,621 level appropriated by the 1991 Legislature before the first special session cuts. From the 1991 biennium to the 1993 biennium, there was a 31% increase in state aid; from the 1993 biennium to the 1995 biennium, there would remain a 28% increase without this additional $63,957.

- **Reduce Commission Meetings**
The Library Commission currently has six meetings a year. There would be a $1,500 general fund savings per meeting if reduced to four or five each year.

- **Eliminate Institution Book Budget**
The library is budgeted for $12,000 general fund each year for institutional library books. The Department of Corrections and Human Services would be responsible for the book budget at each of its institutions. This recommendation would be a reduction in the library budget and an unbudgeted expense or an increased appropriation for DCHS.

- **Issue RFPs for Specific Services**
The Library is considering bidding out specific services, i.e., blind and physically handicapped, consulting and inter-library loans, to determine if work can be done more efficiently and effectively. Some staff time would be required to develop and issue RFPs and to monitor contracted activities. However, inhouse staff probably could be reduced. Savings is unknown at this time.

- **Issue RFPs for Federation Services**
Request for Proposals for federation services is being considered using coal severance tax and general fund monies (base grants). Statutory changes would be required; there would be reduced support of federation structure and support of local public libraries from the state. Savings is unknown at this time.

5117- Montana Historical Society

- **Eliminate 0.50 FTE Accountant**
This proposal would eliminate 0.50 FTE grade 14 accountant position which was created from a portion of the deputy director position during the regular legislative session. General fund savings would be $7,194 in FY94 and $17,175 in FY95.

- **Eliminate Museum Preparator**
Elimination of the museum preparator grade 10 (craft union) position would save general fund of $14,635 in FY94 and $34,645 in FY95. The position is responsible for the society's rotating and travelling exhibits program, i.e., the Cameron Photographs. Only minor maintenance of existing exhibits would continue in the future.

- **Eliminate Reference Assistant**
Elimination of the 1.00 FTE grade 9 reference assistant would save general fund of $10,030 in FY94 and $22,949 in FY95. Reference services in the library would be reduced to three days a week.

- **Eliminate Non-Book Equipment Expenditures**
  Elimination of the non-book equipment budget would save general fund of $6,012 in FY94 and $2,600 in FY95. Purchases anticipated with this funding were reader printers, map cases and book bindings.

- **Reduce 0.50 FTE Research Administrator (FY94 Only)**
  Reduction of the 0.50 FTE grade 15 research administrator in FY94 would save general fund of $8,809. Responsibilities of exhibit research, publications and special projects would be curtailed for FY94.

- **Reduce Archivist (FY94 Only)**
  Reduction of the archivist grade 13 position would save general fund of $13,848 in FY94. There would be a reduction in collection access and reference services for these collections.

- **Reduce Collections Access Position (FY94 Only)**
  Eliminating the grade 12 collections access position would save general fund of $13,669 in FY94. Museum reference services to the public would be curtailed in FY94 and some access continuity to the collection for future users would be jeopardized.

- **Eliminate Rehab and Survey Grants Programs General Fund**
  A general fund savings of $40,000 each year of the biennium would occur if the Rehabilitation and Survey Grants Programs were eliminated. Federal dollars would have to be expended in place of general fund to accomplish federally-mandated activities.

6401- Department of Corrections and Human Services

- **Sell Center for the Aged**
  Selling the Center for the Aged would reduce appropriations by about $3.27 million in the 1995 biennium which would be offset by revenue loss and other agency cost increases for an actual general fund savings of about $2.25 million. This savings includes one-time revenue from the sale estimated at $2 million. The current patients would continue to be served in a private setting. If the sale was effective beginning in FY95, 117.37 FTE and all operating costs would be included in the DCHS reduction. Law change may be required.

- **Eliminate Galen Maintenance**
  HB2 includes $100,000 each year of the 1995 biennium for maintenance of the Galen campus while the department seeks potential users of the facilities. If a use can be found that will not have a negative state general fund impact, the department currently is authorized to make the necessary transfer after review of the plan by the Legislative Finance Committee.

  This proposal recommends turning over the Galen campus to Deer Lodge County with the assumption that, if they own it free and clear, they could find a use for the campus. Savings would be $50,000 general fund in FY94 and $100,000 in FY95.

- **Prison Industries Manufacture All Fish, Wildlife & Parks and Highways Signs**
  The Montana State Prison Industries program currently produces approximately half of FWP signs at a cost of $25,332 in FY92 and $35,768 in FY93. The remaining budget of 1.50 FTE and $44,000 each year reflects the production by the FWP Sign and Interpretive Shop.

  Most highway signage is manufactured and installed on construction projects. Contractors generally subcontract the manufacture and installation. Although this proposal would move manufacture of all state signs to the prison and thereby affect some private sector businesses, there would be savings from inmate labor providing the service. The Department of Corrections is working on this proposal and total projected figures are not available at this time.

- **Single License Plates**
  This proposal would affirm that a single license plate is sufficient to be displayed on the rear of a motor vehicle without a general reissue of plates. Approximate general fund savings for aluminum, repair and maintenance, and freight costs in shipping to the counties would be $340,000 for the 1995 biennium. At least five other states require only one license plate.

- **Close Eastmont**
  Closing Eastmont would result in a net general fund savings in the 1995 biennium of about $691,000, with a total reduction of about $2.5 million. No state services would be provided to the 50 developmentally disabled residents currently at the facility. Substantive law change would be required. The department would work with the private sector to develop community programs to handle the population. If the facility remains open, there will be an undetermined amount of additional general fund needed this fiscal year to maintain certification.

SECTION E - EDUCATION

- **Freeze Enrollment Counts for FY95 at the FY94 Level for Equalization Funding**
  By freezing the enrollment counts, schools with increasing enrollment would be required to accept the increased students without added state equalization formula funding. Since marginal costs are probably well below average costs for schools, the impact on budgets of additional enrollment are not as significant as would be the loss of state support. This would require legislation to freeze the enrollment count and prevent district budget amendments for enrollment increases. Freezing enrollment counts at the FY94 level would save approximately $5.3 million general fund.

- **Delay Inclusion of Full-Time Special Education Students in District ANB**
  Under HB667, full-time special education students who currently are not counted in the ANB of a district for funding purposes would begin to be counted in FY95. This increases the statewide ANB by approximately 2,000 and increases the FY95 state cost by $4.71 million. Further delay of this provision would not remove from any district money which it is now receiving. Legislation would be required to make the change.

- **Reduce Trustee Budget Increase Limit Without a Vote to 2 Percent**
  Under HB667, the district trustees are allowed to increase budgets by 4 percent or 4 percent/ANB without a vote of the district. Reducing this to 2 percent would increase voter involvement and the accountability of the district and reduce expenditures. The state would benefit as the reduced spending would lower state GTB costs by approximately $790,000 in FY95.

- **Eliminate State Funding of Driver's Education/Deposit Revenue and Fund Balance to General Fund**
  The driver's education account has been carrying a fund balance of approximately $1.6 million and earns revenues of $1.6 million per year. If this action were taken effective for FY95, a total general fund gain of $3.2 million could be achieved in the 1995 biennium of which half would be one-time. OPI currently has accrued $1.3 million of these funds for remodeling of leased office space.

- **Reduce Disincentive for Consolidation Found in Current Equalization Schedules**
  Former-Governor Ted Schwinden, in his recent study of school consolidation, questioned whether high schools of less than 35 ANB adequately serve the interests of students or taxpayers of the districts and cited HB667 as creating a disincentive to consolidation. This proposal would require any high school with 35 ANB or less and which is closer than 25 miles to the nearest district to pay one-half the state direct base payment of $80,000 with district funds. This would require amendment of current statute relating to isolation status of districts. A similar procedure is already in effect for non-isolated elementary districts of 9 ANB or fewer. To truly make this a good policy, there would be includedlimitations on aid for construction to such districts, higher priority on construction aid to newly

consolidated districts, and improvements to the procedure for redrawing district boundaries. This action would save approximately $640,000 in FY95.

- **Eliminate Funding for State Secondary Vocational Education Grants**
  The state provides small grants to secondary school districts to subsidize vocational education programs. These grants represent a very small proportion of the expenditures on vocational education by secondary school districts which receive their most significant aid from the state school equalization program. This proposal would eliminate these supplemental grants saving $650,000 in FY95.

- **Eliminate Funding for State Gifted and Talented Education Grants**
  These, like the secondary vocational education grants above, represent a very small proportion of the school district budgets. A typical grant for a district the size of Helena would be less than $5,000. This proposal would eliminate these supplemental grants saving $150,000 in FY95.

- **Make all LPN Programs One Year and Combine Administration**
  The Licensed Practical Nurse program runs for one year at Helena and Great Falls Vo-Techs and three semesters with a summer off at Butte, Missoula and Billings Vo-Techs. There appears to be no academic reason to keep the three semester program. Making all LPN programs one year would save faculty and overhead for the same number of graduates. In addition, each LPN program has its own director. It may be possible to reduce the number of directors to one or two in order to run a more effective program for less cost. The general fund savings from these actions would be about $50,000 in FY94 and $100,000 in FY95.

- **End the NCATE Accreditation Process for NMC and WMC**
  Western and Northern are beginning the process of becoming NCATE (nationally) accredited for their education programs. The missions of these schools do not require national accreditation which would mandate higher levels of expenditures. The expected general fund savings from ending this accreditation process would be $100,000 per year, plus future cost avoidance.

- **Consolidate the Financial Aid Departments of All Units**
  Currently each school has its own financial aid director and various levels of staffing. The personnel at each unit would be reduced to one or more counselor(s) and clerical support. The financial aid function would be organized under one director, with a reduced number of specialized persons to keep up with federal regulations and programs, and would provide improved student services with school counselors. The expected general fund savings from this restructuring would be about $50,000 in FY94 and $200,000 in FY95.

- **Restore Historic Six Mill Levy Policy**
  Historically the state policy has been that all excess six mill levy revenue above the appropriated levels reduces general fund by a like amount. The policy was changed in FY93 during the January 1992 special session. Prior to FY 1993, general fund was used to fill in the MUS budget to the level appropriated by the legislature. Returning to this former policy would save general fund of about $1.8 million in FY94 and $0.8 million in FY95.

- **Eliminate State Funding for Credits Taken in Excess of Those Necessary to Graduate**
  The regents recently passed a rule similar to this proposal, but it will be three years before the new rule will affect any students. This proposal would implement the rule in AY95, thereby increasing revenues in the 1995 biennium. It is very difficult to project what fiscal impact this may have given that students may or may not continue their education under the rule.

- **Reduce State Funding for University/College Athletics**
  Complete elimination of funding for intercollegiate athletics was recommended by many citizens of the state in response to the Governor's request for budget cutting ideas. Others recommended replacing lost general fund with an optional local resort community tax if residents of university communities adopted

the tax due to economic benefits from sporting events. Potential general fund savings from elimination of state funding would be about $6.2 million in FY95.

o **Increase Non-Resident Tuition**

Non-resident tuition still is not unreasonable when compared to other states and is less than many western states. The following tuition rates were for AY93:

California State	$ 8,836
University of California	$11,744
Colorado State	$ 9,502
Colorado School of Mines	$11,204
Colorado other schools	$ 5,932
Idaho Universities	$ 4,048
MSU, UM and Tech	**$ 5,590**
Montana colleges	**$ 5,134**
University of Nevada	$ 5,700
U. of ND and ND State	$ 5,208
Other ND schools	$ 4,270
Oregon Universities	$ 7,271
Oregon Other schools	$ 5,273
SD universities	$ 3,774
SD other schools	$ 3,161
WA universities (UW & WSU)	$ 6,345
WA other schools	$ 6,297
University of WY	$ 4,502

Increasing non-resident tuition from the $5,900 rate in effect for FY94 to approximately $7,500 for the universities and from $5,450 in FY94 to $5,500 in FY95 for the colleges would raise an additional $7.0 million in FY95.

o **Eliminate State Funding for Remedial Education**

The state funds some remedial education through the higher education system. According to the Commissioner's office, the cost of these programs does not exceed the tuition. Therefore, the savings from this proposal would be small, but would respond to numerous suggestions from citizens that students be academically prepared for study before entering one of the six units.

o **Require WICHE/WAMI Students to Pay 10 Percent Surcharge**

A 10 percent surcharge for recipients of these student assistance programs would add $500,000 per year of student payments to offset state general fund subsidies. Legislation would be required to implement the surcharge.

o **Restore Indirect Cost Recovery to Appropriated MUS Budgets**

Through FY87, each unit of the university system was allowed to retain 15 percent of its indirect cost recoveries from federal and foundation grants and contracts. In the 1989 biennium, the legislature allowed each unit to keep 50 percent of its indirect cost revenue and replaced the other 50 percent with general fund in the appropriated budgets. Since FY91, 100 percent of the IDC money has been used by the campuses to fund research, grants and other non-current unrestricted activities. This proposal would restore indirect cost recovery to the appropriated MUS budgets. The general fund savings in FY95 are projected at approximately $4 million.

o **Offset General Fund with Reverted Appropriations for Deferred Maintenance**

Until FY92, all reverted appropriations from the university system went into the general fund like other

state agencies. If these reversions were used to offset general fund appropriations, the general fund savings may approach $1 million.

- **Increase Faculty Work Loads**
  Increasing faculty work loads to six classes per year would reduce faculty costs by as much as 20 percent for provision of the current number of classes and would be consistent with what many other states have been requiring in recent years. Expected general fund savings would be about $8.38 million in FY95.

- **Merge Butte Vo-Tech with Montana Tech**
  Butte Vo-Tech has only 300 FTE students and is going through a transition phase that will leave its curriculum compatible with the Montana Tech curriculum. The primary focus of Butte Vo-Tech will be business, civil engineering technology, environmental technology and nursing. All programs except nursing have a related program at Tech. These schools are close in proximity and, under this proposal, would share many resources. Expected savings from this merger would be about $200,000 per year beginning in FY95.

- **Eliminate State Funding for County Extension Agents**
  Beginning in FY95 the state would no longer fund its portion of the salaries of county extension agents. Counties would make the decision to fund the salaries, consolidate with other counties for no local government cost increase, end the services of these individuals, or develop plans to utilize the bulletin board and telecommunications options to obtain information from regional extension agents or MUS in Bozeman. Legislation changing the millage allowed by counties to fund this position may be needed. Expected savings from this action would be approximately $500,000 in FY95.

- **Use Surplus Property Sales to Offset General Fund or Create Scholarships**
  The current laws and rules concerning the sale of surplus property make it unattractive to the university system to sell its surplus property. Surplus property may include not only excess equipment, but also portions of the MUS art collections, golf course and other property not related to the mission. Changing the property rules would allow for sales revenue that would supplant general fund or be used as seed money to create the restructured system during FY95. This would require a Department of Administration rule change and change in the surplus property law. There is no estimate of the savings/ revenue that this option may generate.

  It should be noted that this recommendation could be made generally for all of state government as a management incentive.

- **Move the Law School to Helena**
  Moving the law school from UM in Missoula to Helena may offer both cost savings and benefits:

  COST SAVINGS
  1. Reduced library expense over the long term. Combining the State Law Library with the law school library may reduce administrative overhead, duplicate holdings and duplicate files. This may also improve the library by adding depth to both libraries.
  2. Vacating the law school in Missoula could provide a relatively new building for the business school to move into, thereby eliminating the need for a new business administration building.

  OTHER BENEFITS
  1. Potentially improved law education in Montana as a result of being in a larger law community with the Montana Supreme Court, Federal Court, Attorney General, the State Bar Association, and Agency Legal Services Division. Within this larger community many opportunities for internships and other co-operative arrangements could be developed.

The current business school and law school are located close to each other. The law building (57,475 sq. ft.) is more than twice the size of the current business building (27,770 sq. ft.) The new business administration building (104,600 sq. ft.) authorized in HB5 was to be almost four times the size of the current business building.

Student services and administrative support could be provided by Helena Vo-Tech at a cost no greater than these functions currently cost at UM.

The preliminary cost assumptions shown below are based on legislative authorization to have the Board of Investments build a new law school on the Capitol Complex with associated space for either a consolidated state law library or the combined agency legal services suggested during the last session:

ADDITIONAL COSTS:

<u>On-going costs</u>

1. Annual lease in Helena for new facility — $ 500,000
   Assume the going rate in Helena and comparable space

<u>One-time costs</u>

2. Remodel the law building for business administration use — $ 250,000
   This cost could be paid from some of the private donations (the total is about $2 million) already raised for the new business school.
3. Relocation of professional staff, faculty and law school — $ 280,000
   Assume $10,000 per person + $100,000 for school moving expenses

REDUCTION IN COSTS:

<u>On-going costs</u>

1. Cost of the new business building — $15,500,000
   The annual general fund debt service cost for 20 years: $ 1.27 million
2. Annual operating cost of new UM business admin building — $ 828,000
3. Reduction in library expenditures is assumed to be none in the first year or two due to increased equipment needed for the program and remodeling or moving as necessary. Long-term savings in library expense is expected to be $100-300K per year.

NET REDUCTION IN COSTS:
Assuming that no space would be available in Helena until FY96, the following savings would occur.

FY94 none

FY95 Reduced general fund expenses:
- $828,000 maintenance of business building
  - Note that no additional funds were given to UM for the maintenance of this building in FY95. Maintenance would be paid for under its current physical plant budget for FY95 and additional costs would occur in FY96.
- $1.27 million bond payment if financing plan includes payments in FY95

FY96 Additional general fund expenses:
- $500,000 rent in Helena
- $280,000 moving expense

FY96 Reduced general fund expenses:
$828,000 maintenance of business building
$1.27 million bond payment

Net reduction to general fund:
$48,000 plus $1.27 million bond payment in section F

SECTION F - LONG-RANGE PLANNING

o **Authorize the BOI to Construct and Lease a New Law School in Helena**
There would be no cost to the state; the Board of Investments could consider such a facility on the Capitol Complex a good investment. This would enable permanent elimination of plans to construct the new Business Administration Building at UM and improve services. See Section E for further discussion of the proposed new law school, shared law library resources, etc.

o **Revise Large Capital Construction Projects**
1. Go ahead with Libby Armory in next bond issue;
2. Go ahead with MSU Engineering/Physical Sciences Building in next bond issue;
3. If the Law School recommendation is approved, delete authorization for the Business Administration Building or work with Commissioner Baker, the Board of Regents, and UM to reassess the mission and priorities for the institution--determine whether to include a recommendation to go ahead with the business building in the issue or defer for future consideration;
4. Review specific plans and priorities for upgrade of Men's Prison and recommend a specific amount of the remaining $6,010,000 to the special session for inclusion in the next bond issue;
5. Recommend the $1,000,000 initial outlay for beginning an upgrade of the Montana State Hospital to meet accreditation standards be deferred for reconsideration by the 1995 Legislature--include HB2 language requiring DCHS and A&E to present a comprehensive report with options and costs, which are expected to exceed $30 million, to the next regular legislative session.

o **Restructure Plans for Bonding Large Capital Projects**
1. The bonds could be issued in December 1993 or January 1994 depending on rates, preparation and options;
2. Make general fund debt payments of about $597,686 in FY95, deferring $3,137,852 until FY96 or beyond;
3. Work with MUS regarding the MSU Engineering/Physical Sciences Building and the UM Business Administration Building (if business facility is to be continued), to obtain a commitment for MUS to pay the FY96 debt service on the portion of debt for the MUS. This FY96 payment [$1.759 million for MSU and $1.273 for UM] could be treated in part or in whole as an interest free general fund loan to be paid back over the remaining life of the bonds beginning in FY97 when the state debt service drops from $10.6M to $3M.

SECTION G - GENERAL MISCELLANEOUS STATEWIDE IMPACT

o **Permanent or Temporary Elimination of FTE**

Although most of the figures used throughout this preliminary document are the full amounts for each year of the biennium when positions are considered for elimination, in fact the FY95 savings would be one-half the amounts cited. This is due to passage and approval of SB71, which provided an incentive for agency directors to eliminate positions by authorizing OBPP to increase a department's appropriation in the second year of the biennium by one-half of the savings realized from such personnel reductions. It is necessary to make a policy decision whether to continue this incentive and reduce the general fund savings in the above options by approximately $XXXX or to recommend repeal of this incentive.