Legislative Budget Options Legislative Fiscal Division

Agency Name: Section Name: Department Of Administration General Government Time: Status: On-Going FTE Impact: N Committee:

Other Option Program Name: Health Care & Benefits Division Mode : Research General Fund \$ MCA: State Special 8 Federal Special

8

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

Criteria Name:

Other

Summary of Issue

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

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

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

How the Fund Balance Would be Impacted

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

Legislation Required

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

Tuesday, June 22, 2010 9:41:27 AM Page 1 of 11

Section Name: General Government Time: Medium

Status:

One-Time

FTE Impact: N

Committee:

SAVA

Agency Name: Department Of Administration

Program Name: Health Care & Benefits Division Mode: Research MCA: 2-18-704

Program Eliminations/Modifications General Fund 8 State Special 8 Federal Special \$0

Description of Option: Limit Reimbursement for Grandfathered Reserve

Criteria Name: Few corollary impacts on other programs or services

Summary of Issue

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

Other Factors

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

Legislation Required

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

Tuesday, June 22, 2010 9:41:27 AM Page 2 of 11

General Government Time: Medium Committee: SAVA

Section Name:

Agency Name: Department Of Administration Status: On-Going FTE Impact: N

Program Name: Health Care & Benefits Division Mode: Research MCA:

2-18-704

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$0	\$0	\$0
Description of Option: Change Participation Requirements for Retirees in State Health Plan			

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

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

Summary of Issue

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

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

The legislature could consider changing statute to:

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

How the Fund Balance would be Impacted

More work needs to be done to determine the impact of this legislative option.

Legislation Required

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

Tuesday, June 22, 2010 9:41:27 AM Page 3 of 11

Section Name: General Government

Agency Name: Department Of Military Affairs

Program Name: Challenge Program

Program Eliminations/Modifications

Time: Medium

Committee:

SAVA

Status: On-Going FTE Impact: Y

Research MCA:

Mode:

General Fund State Special Federal Special

\$2,605,291

8

(\$3,907,937)

Description of Option: Eliminate or Reduce the Montana Youth Challenge Program

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

Summary of Issue

estimated total per student expenditure by the public school system is \$10,000 per year. The state share of this cost is about 50 percent or \$5,000. equivalency and job preparation for program participants. Job Corps total annual cost per student is estimated to be \$54,052 with no annual cost to the state. The current with goals that include attainment of a general education degree and a plan for successfully entering the workforce or post-secondary education. The program currently enrolls \$9,297. The most comparable program to the Montana Youth Challenge is the Montana Job Corps, which is also a residential program that is geared towards high-school budget for fiscal year 2010 is \$3,312,788. if the program has completes all 140 participants, the total annual cost per participant is \$23,663. The state cost per participant is 100 participants and has a goal of 140 participants completing the program in the current year. The program is funded on a 60/40 federal to state funds. The total program The Montana Youth Challenge is a combination resident and non-resident educational and rehabilitative program for high-school age youth who have dropped out of school

How the Fund Balance Would be Impacted

reduction in general fund would result in a \$1.50 reduction in federal funds. Reductions in general fund expenditures would be through program reduction or elimination. Because the program is funded through a federal cost share, each one dollar

Further Research Required

research would be required The amount of reduction in general fund that could be absorbed by the program without effectively preventing the program from continuing to operate is unknown, further

Other Factors

those students would be to: 1) re-enroll in their high school, with the possibility of mentoring through the Jobs for Montana Graduates program; 2) apply for entry in the Montana Job Corps program; 3) enroll in an accredited apprenticeship program; or 4) apply for a number of youth job training programs through the Workforce Investment The program serves students that have dropped out of high school, but who have not established a criminal record. If the program was eliminated, other options available to

Tuesday, June 22, 2010 9:41:27 AM Page 4 of 11

Section Name: General Government

Agency Name: Department Of Military Affairs

Program Name: Scholarship Program

Program Eliminations/Modifications

Time: L

Status:

On-Going

Low

Committee:

SAVA

FTE Impact: N

Research

Mode:

MCA:

State Special Federal Special

General Fund

\$500,000

80

\$0

Description of Option: Eliminate Montana National Guard Scholarship Program

Criteria Name:

Not mandated by statute, the constitution, or the federal government

Summary of issue

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

Friday, July 30, 2010

10:25:24 AM

Page 1 of 1

Section Name: Agency Name: Statewide Issue Global Issue Status: One-Time Time: High FTE Impact: Y Committee:

SAVA

Program Name: Mode : Research MCA:

Option General Fund 80 State Special 8 Federal Special 8

Description of Option: Employee Furloughs

Criteria Name: Few corollary impacts on other programs or services

Summary of Issue

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

How Fund Balance Would be Impacted

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

Further Work Required

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

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

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

Tuesday, June 22, 2010 9:41:27 AM Page 6 of 11

Legislative Budget Options Legislative Fiscal Division

Section Name: Global Issue Time : Medium FTE Impact: N Committee: SAVA

Program Name: Agency Name: Statewide Issue Status: Mode : On-Going Research

MCA:

Other Option General Fund \$0 State Special 8 Federal Special \$

Description of Option: Eliminate Election Day Paid Holiday

Criteria Name: Few corollary impacts on other programs or services

Summary of Issue

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

How the Fund Balance Would Be Impacted

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

Further Research Required

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

Legislation Required

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

Tuesday, June 22, 2010 9:41:27 AM Page 7 of 11

Section Name: Global Issue

Agency Name: Statewide Issue

Program Name: Mode : Research

Status: On-Going

FTE Impact: N

MCA:

Federal Special

\$35,000

Time:

Low

Committee:

SAVA

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

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

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

Summary of Issue

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

How Fund Balance Would be Impacted

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

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

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

Other unintended consequences experienced by Utah included:

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

Further Work Required

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

Section Name: Global Issue

Statewide Issue

Agency Name:

Program Name:

Program/Facility Efficiencies/Economy

Time:

Committee:

FTE Impact: N

Status:

On-Going

Mode:

Research

General Fund

State Special

Federal Special

8

80

Description of Option: Consolidate Network Computing Servers

Criteria Name: Few corollary impacts on other programs or services

Summary of Issue

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

How Fund Balance Would be Impacted

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

Further Work Required

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

Further Work is Required

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

Tuesday, June 22, 2010 9:41:27 AM Page 10 of 11

Section Name: Global Issue

Agency Name: Statewide Issue

Program Name:

men e como men e men a deletico confedire e tentre transminadad fodo comeda.

Option

Time: Low

Committee:

tee: SAVA

One-Time FTE

Status:

Mode: Research

FTE Impact: N

17-7-3

MCA:

General Fund State Special Federal Special

80

S

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

Spending Deferrals or Suspensions

Criteria Name: Not subject to regular review

Summary of Issue

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

Legislation Required

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

Tuesday, June 22, 2010 9:41:27 AM

Section Name: Health & Human Services

Agency Name: Dept Of Public Health & Human Services

> Status: Time:

One-Time High

FTE Impact: N

Committee:

Program Name: Senior & Long-term Care

Option Mode: Research General Fund MCA: State Special 16-11-119

8

8

80

Federal Special

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

Fund Balance Transfers

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

Summary of Issue

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

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

Further Work Required

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

How the Fund Balance would be Impacted

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

Tuesday, June 22, 2010 10:24:58 AM Page 47 of 117

Section Name: Health & Human Services Time: Low

Status: On-Going

FTE impact: N

Committee:

CFHH

Research

MCA:

16-11-119

Agency Name: Dept Of Public Health & Human Services

Program Name: Senior & Long-term Care Mode:

Fund Balance Transfers General Fund \$500,000 State Special 8 Federal Special

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

Criteria Name:

Summary of Issue

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

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

Tuesday, June 22, 2010 10:25:18 AM Page 48 of 117

Section Name: Global Issue

Program Name:

Agency Name:

Option

Statewide Issue

Time: High

Committee:

Status: On-Going

Mode:

Research

FTE Impact: N

General Fund MCA: State Special Multiple

\$10,896,700

S

S

Federal Special

Description of Option: General Fund Retirement Statutory Appropriations

Program Eliminations/Modifications

Criteria Name:

Not subject to regular review

Summary of Issue

The legislature could examine the current statutory appropriations used to fund some local retirement costs. Options include:
1) reduce 10% to achieve the level of expenditure reductions identified in the "Preliminary Budget Outlook for the 2013 Biennium"; 2) reduce or eliminate amount for a set period; 3) reduce or eliminate permanently. Amounts based on FY 2012 & 2013 estimates

How the Fund Balance Would be Impacted

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

Legislation Required

Twelve statutes would need to be amended 19-3-319, 19-6-404(2), 19-6-410, 19-9-702, 19-13-604, 19-17-301, 19-18-512(1), 19-19-305(1), 19-19-506(4), 19-20-604, 19-20-607, and 19-21-203

Further Work Required

are based on FY 2012 & 2013 estimates. The recipients of the general fund money should be identified along with potential effects of the expenditure reductions and any possible legal ramifications. Amounts above

Tuesday, June 22, 2010 10:27:13 AM

Section Name: Education Status: On-Going Time: Low

FTE Impact: N Committee:

ELG

19-21-203

Agency Name:

Commissioner Of Higher Education

Program Name: Appropriation Distribution Mode: Endorse MCA:

Change Source of Funding Option General Fund \$1,000,000 State Special 8 Federal Special

Description of Option: Eliminate General Fund Subsidy of 1% ORP Increase for Non-State Funded Positions

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

Summary of Issue

ORP statutory appropriation was transferred to non-state accounts and used to pay the ORP benefit increase for non-state funded positions. ORP) of those positions participating in the program. In FY 2008, approximately 30 percent of the salary and benefit costs of positions participating in the ORP were funded retirement plan) and funded the cost increase with a statutory general fund appropriation, regardless of the fund source that pays the base salary and benefit costs (including HB95 passed by the 2007 Legislature increased the employer's share of the Montana University System's Optional Retirement Program (ORP) (a defined contribution from non-state sources, yet state general fund bore 100 percent of the employer cost increase authorized in HB 95. In FY 2009, approximately \$494,000 (29 percent) of the

How the Fund Balance Would be Impacted

by non-state accounts, such as research and other self-supporting enterprises General fund expenditures would be reduced by approximately \$1.0 million each biennium. The increased ORP benefit cost for non-state funded employees would be borne

Legislation Required

Current statute funds the employer's additional 1% benefit cost for all ORP participants from the general fund, regardless of the original funding source for the position. Therefore, 19-21-203, MCA would need to be changed.

Tuesday, June 22, 2010 9:56:41 AM Page 20 of 28