

Legislative Fiscal Division Legislative Budget Options

Section Name: General Government
 Agency Name: Department Of Administration
 Program Name: Health Care & Benefits Division

Time: High
 Status: On-Going
 Mode: Research
 Committee: SAVVA
 FTE Impact: N
 MCA:

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

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

Criteria Name: Other

Summary of Issue

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

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

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

How the Fund Balance Would be Impacted

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

Legislation Required

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

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government

Time : Medium

Committee: SAVVA

Agency Name: Department Of Administration

Status : One-Time

FTE Impact : N

Program Name: Health Care & Benefits Division

Mode : Research

MCA : 2-18-704

Option

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

Description of Option: Limit Reimbursement for Grandfathered Reserve

Criteria Name: Few corollary impacts on other programs or services

Summary of Issue

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

Other Factors

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

Legislation Required

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

Legislative Fiscal Division Legislative Budget Options

Section Name: General Government

Time : Medium

Committee: SAVVA

Agency Name: Department Of Administration

Status : On-Going

FTE Impact : N

Program Name: Health Care & Benefits Division

Mode : Research

MCA : 2-18-704

Option

Program Eliminations/Modifications

\$0

\$0

\$0

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

Criteria Name:

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

Summary of Issue

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

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

The legislature could consider changing statute to:

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

How the Fund Balance would be Impacted

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

Legislation Required

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

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government
Agency Name: Department Of Military Affairs
Program Name: Challenge Program

Time : Medium
Status : On-Going
Mode : Research
Committee: SAVVA
FTE Impact : Y
MCA :

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$2,605,291	\$0	(\$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
 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 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 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 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 \$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 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 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.

How the Fund Balance Would be Impacted
 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 reduction in general fund would result in a \$1.50 reduction in federal funds.

Further Research 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 research would be required.

Other Factors
 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 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 Act.

Legislative Fiscal Division

Legislative Budget Options

Section Name: General Government **Time :** Low **Committee:** SAVVA
Agency Name: Department Of Military Affairs **Status :** On-Going **FTE Impact :** N
Program Name: Scholarship Program **Mode :** Research **MCA :**

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

Description of Option: Eliminate Montana National Guard Scholarship Program

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

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

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue
 Agency Name: Statewide Issue
 Program Name:

Time: High
 Status: One-Time
 Mode: Research
 Committee: SAVVA
 FTE Impact: Y
 MCA:

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

Description of Option: Employee Furloughs

Criteria Name: Few corollary impacts on other programs or services

Summary of Issue

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

How Fund Balance Would be Impacted

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

Further Work Required

- Further work is needed to identify the full impacts and legal issues associated with furloughs, and to refine savings estimates. Issues that would be researched include:
- Impacts on pensions (funding and eligibility)
 - Impairment of union contracts and labor bargaining
 - Impacts and restrictions due to equal treatment requirements
 - Identification of essential services and 24/7 operations

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

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue

Time : Low

Committee: SAVVA

Agency Name: Statewide Issue

Status : One-Time

FTE Impact : N

Program Name:

Mode : Research

MCA : 17-7-304

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

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

Criteria Name: Not subject to regular review

Summary of Issue

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

Legislation Required

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

Legislative Fiscal Division Legislative Budget Options

Section Name: Health & Human Services
 Agency Name: Dept Of Public Health & Human Services
 Program Name: Senior & Long-term Care

Time : High
 Status : One-Time
 Mode : Research
 Committee: CFHH
 FTE Impact : N
 MCA : 16-11-119

Option	General Fund	State Special	Federal Special
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Fund Balance Transfers	\$0	\$0	\$0
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Description of Option: Review MT Vets' Home Procedures to Determine Residents' Ability to Pay

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

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

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

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

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

Legislative Fiscal Division Legislative Budget Options

Section Name: Health & Human Services **Time:** Low **Committee:** CFHH
Agency Name: Dept Of Public Health & Human Services **Status:** On-Going **FTE Impact:** N
Program Name: Senior & Long-term Care **Mode:** Research **MCA:** 16-11-119

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

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

Criteria Name: Other

Summary of Issue
 Statute allocates 8.3 percent of the cigarette tax to operation of veterans' homes and requires that balances in excess of \$2 million be transferred to the general fund at fiscal year end. The legislature could establish a lower minimum balance and transfer the excess to the general fund.
How Fund Balance would be Impacted
 The general fund impact could be as high or low as the legislature determined appropriate if it wanted to lower the vets' home cigarette tax fund ending balance ranging up to a high of \$2 million.

Legislative Fiscal Division

Legislative Budget Options

Section Name: Global Issue
 Agency Name: Statewide Issue
 Program Name:

Time: High
 Status: On-Going
 Mode: Research
 Committee: ELG
 FTE Impact: N
 MCA: Multiple

Option	General Fund	State Special	Federal Special
Program Eliminations/Modifications	\$10,896,700	\$0	\$0

Description of Option: General Fund Retirement Statutory Appropriations

Criteria Name: Not subject to regular review

Summary of Issue

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

How the Fund Balance Would be Impacted
 Reductions in authorized statutory appropriations and expenditures will increase the general fund balance.

Legislation Required

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

Further Work Required

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

Legislative Fiscal Division

Legislative Budget Options

Section Name: Education
 Agency Name: Commissioner Of Higher Education
 Program Name: Appropriation Distribution

Time: Low
 Status: On-Going
 Mode: Endorse
 Committee: ELG
 FTE Impact: N
 MCA: 19-21-203

Option	General Fund	State Special	Federal Special
Change Source of Funding	\$1,000,000	\$0	\$0

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

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

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

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

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