



LEGISLATIVE FINANCE COMMITTEE

61ST Montana Legislature

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March 5, 2010

Brian Schweitzer, Governor
P.O. Box 200801
Helena, MT 59620-0801

Dear Governor Schweitzer:

The Legislative Finance Committee (LFC), in accordance with 17-7-140, MCA has reviewed and considered the proposals of the director of the Office of Budget and Program Planning (OBPP) to reduce general fund expenditures under the same statute.

The committee makes the following recommendations.

1. In ordering reductions in spending the Governor should evaluate: (1) whether the reduction is likely to result in a legal challenge to the action and the additional costs that an agency will incur because of a legal challenge; and (2) the likelihood of the success of a legal challenge preventing the reduction in spending. Specific examples include:
 - a) Community Corrections division of the Department of Corrections
 - b) Physicians Rate Increases in the Department of Public Health and Human Services (DPHHS)
2. If, as expected, Montana receives an extension of the enhanced FMAP, we ask you to consider using a portion of the estimated \$40 million in general fund savings to minimize cuts in DPHHS, including reconsideration of elimination of the 2 percent provider rate increase for FY 2011.

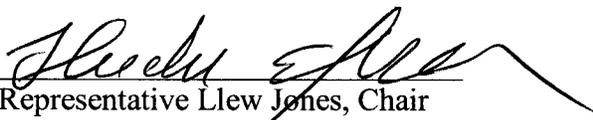
The committee also notes the following items of concern with the proposals.

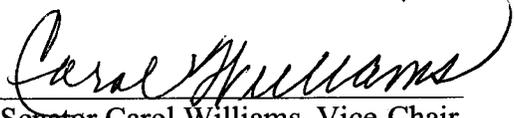
1. There are increased risks associated with the recommended plan:

- a) Eliminating projects and reducing transfers from the general fund will require legislative action.
 - b) While the LFC recognizes the volatility and uncertainty of estimating revenue, the significant differences between the Legislative Fiscal Division (LFD) staff analysis and the OBPP revenue estimate add significant risk to the ending fund balance assumed in the recommendations.
2. A portion of the proposed spending reductions in the Office of Public Instruction may result in a property tax increase to districts.
 3. The proposed reductions to state special and proprietary funds are not technically reductions in general fund spending, per 17-7-140, MCA but are within the management discretion of the executive.

The committee would like to express its willingness to assist as we face these fiscal challenges, and its appreciation for the work of your staff.

Sincerely,


Representative Llew Jones, Chair
Legislative Finance Committee


Senator Carol Williams, Vice-Chair
Legislative Finance Committee