

Legislature's Proposed Budget Is an Anti-Jobs Bill

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With Montana's economy in a timid recovery, "jobs" has become the buzzword of this legislative session. However, if the actions taken by the Legislature are ultimately adopted, they would destroy thousands of jobs across the state of Montana. The proposed budget would weaken Montana's essential public services, hurt hard-working families, and divert Montana from a path to long-term and widely-shared prosperity.

When states cut spending, they lay off employees, cancel contracts with vendors, eliminate or lower payments to businesses and organizations that provide direct services, and cut benefits to individuals. In all of these circumstances, the companies and organizations slated to receive state payments then have less to spend on staffing costs and supplies, and individuals and families who would have received salaries or benefits have less money for consumption. Thus, cuts to public services directly remove demand from the economy, which in turn cost jobs.

Montana Can't Afford to Lose Jobs

Now, more than ever, Montana needs jobs. In order to make up for the jobs lost during the recent recession and account for the growth in the working age population, Montana must create almost 30,000 jobs.¹ Although the economy in Montana is recovering and private sector jobs are growing, in recent months, job cuts in the public sector have been holding the economy back (see Table 1). In the last six months, private sector employment grew by 4,200 jobs. Conversely, public sector employment fell by 2,200 jobs. As a result of this decrease in the public sector, employment in Montana only grew by 2,000 jobs.

Table 1: Public Sector Job Losses Slow Montana's Recovery						
Change in Employment						
			Public			
	Total Nonfarm	Total Private	All Government	Federal Government	State Government	Local Government
Last Six Months	2,000	4,200	-2,200	-1,200	-800	-200
Since Recession Began	-17,200	-18,000	800	-100	-600	1,500

Source: Current Employment Statistics, March 2011

Jobs in state government have dropped throughout the recession. While a direct cause cannot be established, "vacancy savings" may have greatly contributed to the loss in state jobs during this time period. Vacancy savings are the difference between what it would cost to fully fund all of an agency's approved positions and what is actually spent for personal services because positions were vacant for part of the year. The Legislature can mandate a certain amount of vacancy savings by appropriating less than the amount needed to fully fund all of an agency's positions. When vacancy savings are higher than naturally occur because of turnovers, agencies must leave positions open for longer than normal or decide not to rehire.

Since 2003, most agency budgets have included a four percent vacancy savings rate. In 2009, the Legislature increased vacancy savings from four percent to seven percent across most agencies, with the exception of a few agencies that have been exempted.² During the state's current budget (the 2011 biennium budget) the seven percent vacancy savings rate saved approximately \$38 million in general fund and \$95 million in total funds.³ It may also be factor in the decline of state employment as job openings have gone unfilled much longer than would have naturally occurred during a recession.

The Legislature's Proposed Budget Would Further Cut Public and Private Jobs

The proposed budget will lead to further job loss throughout Montana. The current proposal would eliminate 85 positions, or FTE's, that existed in the prior budget.⁴ FTE's, or Full-Time Equivalents, are the number of full-time, full-year employees that the Legislature has authorized the executive branch to hire. Eliminating FTE's is equivalent to cutting jobs. Table 2 shows, by agency, the number of jobs directly cut in the Legislature's proposed budget. With a cut of 54 FTE's, the Department of Health and Human Services would suffer the greatest loss of positions under the proposed budget.⁵ These positions are located in communities all across Montana.

Table 2: Jobs Directly Cut in Legislature's Proposed Budget FTE Changes By Agency		
	Agency	FTE Change⁶
General Government		
	Legislative Branch	0.00
	Governor's Office	-2.00
	Commissioner of Political Practices	0.00
	Department of Revenue	3.00
	Department of Administration	-3.49
	Department of Commerce	0.34
	Department of Labor & Industry	-1.00
	Department of Military Affairs	6.56
	State Auditor's Office	4.30
	Secretary of State	0.00
	Health and Human Services	-53.99
Natural Resources and Transportation		
	Department of Environmental Quality	-4.81
	Department of Transportation	0.00
	Department of Livestock	3.26
	Department of Natural Resources & Conservation	-11.41
	Department of Agriculture	1.98
	Fish Wildlife and Parks	8.25
Judicial Branch, Law Enforcement, Justice		
	Judicial Branch	2.50
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	Agency	FTE Change
	Crime Control Division	-2.00
	Department Of Justice	2.80
	Office of The Public Defender	0.00
	Public Service Regulation	1.00
	Department of Corrections	-24.00
Education		
	Office of Public Instruction (K-12)	-2.25
	Board of Public Education	0.00
	Higher Education	-10.17
	School For The Deaf & Blind	0.00
	Montana Arts Council	0.00
	Montana State Library	-2.25
	Montana Historical Society	-1.31
Total		-84.69
Source: Legislative Fiscal Division		

Health Care Cuts Will Result in Substantial Private Job Losses

The elimination of FTE's only tells part of the job-loss story. The direct cuts of public jobs in the proposed budget would be amplified by canceled contracts, reduced benefits, contraction of economic activity, and further job losses. The most glaring cuts that will result in indirect job loss are in the area of health and human services. Federal and state spending on healthcare support 11 percent of total employment and 14 percent of earnings in Montana.⁷ According to a recent report by the Bureau of Business and Economic Research at the University of Montana, for every \$10 million removed in federal and state support for health care, 144 jobs and \$6.6 million in earnings would be lost.⁸ State and federal spending in the healthcare industry creates jobs, labor income, and sales in the healthcare sector, but this spending also spills over into other sectors as payroll is spent and supplies are purchased from Montana businesses. In total, the Legislature's proposed budget cuts \$146 million from the executive's request. The proposed cuts would result in a loss of 2100 jobs and \$96 million in earnings (see Table 3).

Over two-thirds of the cuts to DPHHS are actually the rejection of federal funds, and over \$50 million of the federal funds rejected require no match of state dollars. The rejected federal funds for low-income energy assistance, SNAP (formerly food stamps), Healthy Montana Kids, and other services, total almost \$100 million. The rejection of federal funds do not help the Legislature balance Montana's budget, will be redirected to other states, and will cause dramatic harm to our state's economy.

Other important programs are also on the chopping block, including:

- Family planning,

- Meal support and other personal services for persons with disabilities,
- Subsidies for foster care families with high risk children,
- Big Brothers/Big Sisters,
- Prescription drug assistance for seniors,
- And many more.

Table 3: Examples of Reductions in the Health and Human Services Budget, Resulting Loss of Jobs and Earnings

	Federal Funds	Amount Rejected or Cut		Multiplier Effect	
		State Funds	Total	Jobs Lost	Earnings Lost
Examples Reductions in DPHHS					
SNAP (formerly Food Stamps)*	\$34,999,912	\$0	\$34,999,912	504	\$23,099,942
LIEAP (home heating assistance)*	\$9,606,510	\$0	\$9,606,510	138	\$6,340,297
Healthy Montana Kids (children's health insurance)	\$19,889,056	\$6,203,271	\$26,092,327	376	\$17,220,936
Family Planning, Preventative Healthcare*	\$5,291,981	\$1,572,621	\$6,864,602	99	\$4,530,637
TANF (cash benefits and Economic Security Program)*	\$2,200,057	\$715,692	\$2,915,749	42	\$1,924,394
Indian Property Exclusion (for Medicaid eligibility)	\$1,024,470	\$528,580	\$1,553,050	22	\$1,025,013
*includes federal funds that do not require state matching funds					
Total of HHS Reductions to Exec. Request	\$99,136,802	\$46,939,320	\$146,076,122	2,103	\$96,410,241

Source: DPHHS analysis of committee and floor action and Bureau of Business and Economic Research, University of Montana

Proposed Education Cuts Threaten Economic Growth in Short- and Long-Term

Higher education has been cut by \$30 million in the Legislature's proposed budget. As of the publishing of this report, the funding for K-12 education remained largely uncertain. Recent newspaper headlines from across the state have given an indication of the direct impact of the potential cuts to public education. Missoula schools have sent out pink slips to 90 workers.⁹ Bozeman plans to lay off 5 employees.¹⁰ Great Falls will eliminate 6 jobs.¹¹ These job reductions proposed by local school districts are not included in the description of FTE cuts above, making the real job loss number much higher and more devastating for local economies. Cuts to jobs in public schools will jeopardize the quality of our education system and impede Montana's ability to foster an educated, well-trained workforce. The long-term impact will be devastating for Montana.

In a study analyzing long-term growth and disparities in incomes between states, researchers found that one of the largest factors contributing to this difference between states is educational attainment.¹² The number of high school and college graduates is closely linked with the income of Montanans. Cutting funding for Montana's public schools will result in fewer teachers, more crowded classrooms, and an overall decrease in the quality of education for our children. Reducing state support for higher education may force Montana's colleges and universities to increase tuition, pushing a college degree out of reach for many families.

Other Budget Cuts that Will Cut Jobs

In addition, the Legislature has proposed cuts to several programs that directly expand economic activity across Montana. For example, the Primary Sector business training program (or New Worker Training program)

in the Department of Commerce will receive \$3.75 million less in the proposed budget than in the 2009 Biennium. This program provides businesses with support to train employees. Since 2005, the Primary Sector Training program has created 2695 jobs and saved 341.¹³

The Budget is the Real Jobs Bill

Montana's elected officials are charged with the task of protecting Montana's resources and placing the state on the path to long-term prosperity. Job creation is a critical and laudable piece of obtaining that goal. Several bills proposed by the Legislature have been touted as this session's "job bill," but no bill is more important to job creation than the state budget. Unfortunately, the Legislature's proposed budget will hinder job creation in both the short- and long-term and impede Montana's economic recovery. If the budget goes unchanged, hardworking Montanans would lose their jobs as positions across the state, both private and public, are eliminated. Businesses would experience a loss in business contracts and would see fewer customers with money to spend walking through the doors.

At many pivotal moments in our state's history we have chosen to build a brighter future for ourselves and our children. We did this not by simply asking what can we afford today but also what we must do to protect our future. Our state has tremendous resources at its disposal – hard working people, ingenuity, and financial resources- that can all be brought to bear in order to build a better quality of life for our state. The state budget decisions we make reflect our commitment to making that future a reality.

Endnotes

1. Economic Policy Institute analysis of Bureau of Labor Statistics data.
2. For a complete list of exemptions see the Legislative Fiscal Division, 2011 Biennium Report, vol. 1, p. 99, at http://www.leg.mt.gov/content/Publications/fiscal/fr_2011/vol_1/Overview%20of%20State%20Expenditures.pdf.
3. Legislative Fiscal Division, "Legislative Budget Analysis, 2011 Biennium," p. 98, at http://www.leg.mt.gov/content/Publications/fiscal/fr_2011/vol_1/Overview%20of%20State%20Expenditures.pdf.
4. Legislative Fiscal Division, "House Bill 2 Narrative after Senate Finance and Claims," <http://www.leg.mt.gov/css/fiscal/2011-Session.asp>.
5. In some cases, the FTE's cut may represent positions that are not currently filled. Thus the FTE cut will not result in an immediate layoff, but does decrease the pool of available jobs in the state.
6. The FTE analysis represents the budget as it stood after Senate Finance and Claims, which is the most recent LFD analysis available.
7. The Bureau of Business and Economic Research, "The Importance of Public Health Care Funding to the Montana Economy," University of Montana, December 2010.
8. These findings are net of taxes paid for Medicare and Medicaid, meaning that the researches have accounted for the fact that the dollars spent on these programs could have been used for other public purposes or not collected as taxes at all.
9. Matt Leach, "Legislation Gridlock could Force Teacher Layoffs," NBC Montana, March 28, 2011.
10. Gail Schontzler, "Bozeman Schools Plan for job Cuts, Pay Raises and New Hires," Bozeman Daily Chronicle, March 31, 2011.
11. Kristen Cates, "School Trustees Face Budget Cuts, Levy Decision," Great Fall Tribune, March 21, 2011.
12. Paul W. Bauer et al., "State Growth Empirics: The Long-Run Determinants of State Income Growth," Federal Reserve Bank of Cleveland, May 2006, at <http://www.clevelandfed.org/Research/Workpaper/2006/wp0606.pdf>. Stock of patents was the other important factor.
13. Representative Michelle Reinhart, Montana House Floor Testimony, 62nd Legislature, March 11, 2011.