Montana State Legislature

Exhibit Number: 2

The following exhibit is several assorted documents that exceeds the 10-page limit therefore it cannot be scanned. A small portion has been scanned to aid in your research for information. The exhibit is on file at the Montana Historical Society and can be viewed there.

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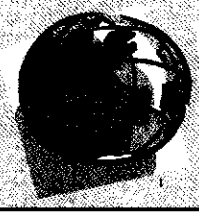
EXHIBIT 2
DATE 1·3·05
PPP Information

Global Fiscal Issues:

LFC Recommendations to the 2005 Legislature



1

Purpose of Report

- Procedural framework for the legislature to address global fiscal issues
- Consistency and equity
- There are 7 items for which an LFC recommendation to the joint appropriations committee is provided

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Background

- 1997 Legislature added this requirement to the LFC duties
- Requires the LFC to prepare recommendations to House Appropriations and Senate Finance & Claims

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More Background

3 Categories of Global Issues

- Consistency of action
  - Vacancy savings and inflation/deflation
- Funding past decisions of legislature
  - Legislatively authorized employee pay plan
- Cost items driven by a centrally established budget
  - Information technology services or central purchasing

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Again, there are 7 topics for which recommendations are needed

- Starting point for subcommittees
- FTE Changes
- Vacancy Savings
- Fixed Costs
- Inflation/Deflation
- Proposals requiring legislation
- Negative new proposals

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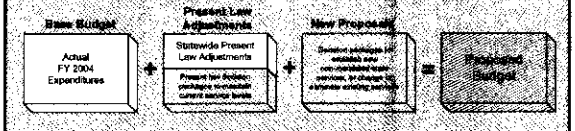
Starting Point for Subcommittees

BUDGET PROCESS



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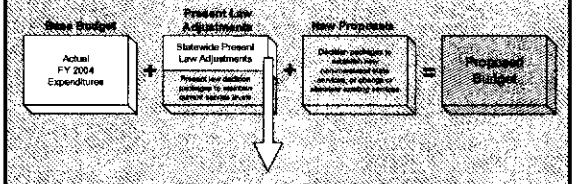
Starting Point for Subcommittees

BUDGET PROCESS



Personal Services Inflation/Deflation

Vacancy Savings Fixed Costs

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Present Law Adjustments	Fiscal 2006					Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					162,708					161,548
Vacancy Savings					(75,019)					(75,019)
Inflation/Deflation					(5,031)					(5,031)
Fixed Costs					21,469					549
Total Statewide Present Law Adjustments					$104,127					$82,137
DP 1 - Computer Replacement	0.00	0	48,274	0	48,274	0.00	0	4,000	0	4,000
DP 2 - Travel/Training	0.00	0	7,500	0	7,500	0.00	0	7,500	0	7,500
DP 3 - Consultant Funds	0.00	0	84,500	0	84,500	0.00	0	(15,000)	0	(15,000)
DP 4 - Building Rent	0.00	0	10,305	0	10,305	0.00	0	15,000	0	15,000
Total Other Present Law Adjustments	0.00	$0	$150,579	$0	$150,579	0.00	$0	$11,500	$0	$11,500
Grand Total All Present Law Adjustments					$254,706					$93,637

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Present Law Adjustments	Fiscal 2006					
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE
Personal Services					162,708	
Vacancy Savings					(75,019)	
Inflation/Deflation					(5,031)	
Fixed Costs					21,469	
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DP 1 - Computer Replacement	0.00	0	48,274	0	48,274	0.00
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DP 3 - Consultant Funds	0.00	0	84,500	0	84,500	0.00
DP 4 - Building Rent	0.00	0	10,305	0	10,305	0.00
Total Other Present Law Adjustments	0.00	$0	$150,579	$0	$150,579	0.00
Grand Total All Present Law Adjustments					$254,706	

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Starting Point
Statewide Present Law Adjustments

Personal Services Adjustments

- Restore amounts unfunded in previous biennium because of vacancy savings
- Fully fund pay plan costs authorized by previous legislature
- Fully fund positions that were reclassified
- Fund benefit rate increases (e.g., work comp)

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Starting Point
Statewide Present Law Adjustments

Vacancy Savings

- Apply vacancy savings factor for 2007 biennium

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Starting Point
Statewide Present Law Adjustments

Inflation/Deflation

- Adjustments of a select group of expenditures expected to see marked increases or decreases (e.g., natural gas costs)
- About 10 accounts
- Most factors are deflationary

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Starting Point
Statewide Present Law Adjustments

Fixed Costs

- Changes in rates charged to state agencies by other state agencies (e.g., warrant writing or office space rent)

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Starting Point
Statewide Present Law Adjustments

- Why statewide present law is done this way
  - Equity – treat agencies the same
  - Avoids use of hundreds of decision packages to achieve the same result
  - With adoption of statewide present law adjustments as part of the base, the legislature is not precluded from making changes to the present law base budget – discussed later

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Starting Point - Option

LFC Recommendation: Direct the subcommittees to adopt the base budget and the statewide present law adjustments as the starting point of budget deliberations for each agency.

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How Subcommittees Can Affect Statewide Present Law

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FTE Changes

- Regardless of "starting point", subcommittees can add or eliminate funding for positions (FTE)
- Subcommittee staff can create a decision package
- Benefits calculated through formulae
- Consistency in adjustments of funding of FTE suggests a need for a guideline

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FTE Changes - Options

- **Issue:** How should monetary adjustments to each budget be calculated when FTE funding is added or eliminated?
- **LFC Recommendation: Specify the actual FTE, and allow the legislative budgeting system to calculate the total addition or reduction in funding for that specific FTE.**
- **Other Option: Specify an estimated level of funding to be reduced or added.**

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Vacancy Savings

- Usually applied in Executive Budget
- It is a policy decision for legislature
- Legislature went along with 4% last session
- Policy has varied over the years

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Vacancy Savings - Options

- **<u>LFC Recommendation</u>: The full appropriations committees shall adopt a global recommended level of personal services reductions (vacancy savings). Subcommittees will be requested to adopt the recommended level as part of their budget recommendation.**
- **<u>Other Option</u>: There will be no recommendation from the full committees on personal services reductions. Subcommittees may adopt vacancy savings levels on a case- by-case basis.**

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Fixed Costs

- Items such as audit, payroll, capitol grounds maintenance, rent, computer network services & data processing charges
- One state agency providing services to another
- For each service provider, a subcommittee reviews its budget and rates

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Fixed Costs - Recommendation

- **<u>LFC Recommendation</u>: Direct subcommittees to consistently apply fixed costs in agency budgets as included by the executive budget request. Adjustments to fixed cost rates shall be determined by the subcommittee examining the service provider (e.g., ITSD costs as reviewed by the General Government Subcommittee) and shall be globally adjusted on a consistent basis.**

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Inflation/Deflation

- About 10 expenditure categories have inflation or deflation factors applied
- The expenditure categories occur in multiple agencies
- Inflation/deflation factors should be applied consistently so any changes to factors apply to all

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Inflation/Deflation - Recommendation

- **<u>LFC Recommendation</u>: If the full committee wishes to vary from the executive budget proposal inflation/deflation factors, it should establish approved inflation/deflation rates (if any) by individual object of expenditure and direct subcommittees to apply these rates to all budget adjustment recommendations.**

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Issues Related to HB 2 Procedures

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Proposals Requiring Legislation

- Implementation of some proposals that require HB 2 appropriations will require implementation of complementary legislation.
- Issue: How will changes in HB 2 that are dependent upon the passage of other bills be made?

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Proposals Requiring Legislation - Options

- **LFC Recommendation: Make no recommendations or adjustments to HB 2 until required legislation passes.**
- **Other Option: Subcommittees make recommendations regarding the proposal. Build all changes requiring legislation into the HB 2 line-items, and include contingency language striking the change if the legislation does not pass.**
- **Other Option: Do not include the changes requiring legislation in HB 2 line items, but include contingency language enacting the change if the legislation does pass.**

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"Negative" New Proposals

- Used in past to signify a separate reduction in the appropriation, without specifying where the reduction should occur
- The budget system and statute cannot accommodate a negative appropriation
- Need to avoid potential for a negative line item in HB 2

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"Negative" New Proposals - Recommendation

LFC Recommendation: Appropriations committee leadership shall direct the appropriations subcommittees to include negative new proposals in the present law line item in the budget, as opposed to a separate negative line item appropriation.

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GOVERNOR-ELECT BRIAN SCHWEITZER

STATE OF MONTANA

SENATE FINANCE AND CLAIMS
EXHIBIT NO. 2
DATE 1-3-05
BILL NO. N/A

Governor-Elect's Budget Fiscal Years 2006 – 2007

Governor's Office of Budget and Program Planning

OFFICE OF THE GOVERNOR
STATE OF MONTANA

BRIAN SCHWEITZER
GOVERNOR-ELECT

PO BOX 200801
HELENA, MONTANA 59620-0801

December 28, 2004

Honorable President and Members of the Senate
Honorable Speaker and Members of the House

Honored Members of the Fifty-Ninth Legislative Assembly:

In accordance with 17-7-121, M.C.A., it is my pleasure to submit my 2007 Biennium Executive Budget Recommendations. It is a New Day in Montana. This budget reflects my vision for this administration as we begin to move Montana forward.

My Administration's goals are straightforward. We will work tirelessly to keep and bring good paying jobs into our state and to vitalize our economy. We share Montana's commitment to education and will strive to make our public schools more accessible, more affordable and of higher quality across the entire state. Families connect us to one another. We commit ourselves to strengthening families by working for more affordable and available health care, by helping those in need with their utility bills, and by keeping tobacco away from our young people.

We are a diverse citizenry. My budget reflects a renewed commitment of Montana's First People and our willingness to work with them to improve the lives of American Indian people.

Our challenges are many. Providing enough of what the public needs while ever mindful of the individual's wallet is the perpetual balancing act. Our pledge is to run state government as free of waste as possible, to ensure that every dollar is used wisely, and to preserve the public's trust.

A lot of hard work went into the formation of this budget. Not everyone will be satisfied, not all needs met, nor all questions yet answered, but it is a start. Our transition team has appreciated the partnership generated to create this document and I thank Governor Martz and her staff for their efforts.

My staff and I look forward to working with you for the benefit of all the people of Montana.

Sincerely,

Brian Schweitzer
Governor-Elect

TELEPHONE: (406) 444-3111 FAX: (406) 444-4151

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