

# Montana State Legislature

2011 Session

**Exhibit** 3

**This exhibit is a booklet which can not be scanned, therefore only the front cover/table of content and 10 pages have been scanned to aid in your research.**

**The original exhibits are on file at the Montana Historical Society and may be viewed there.**

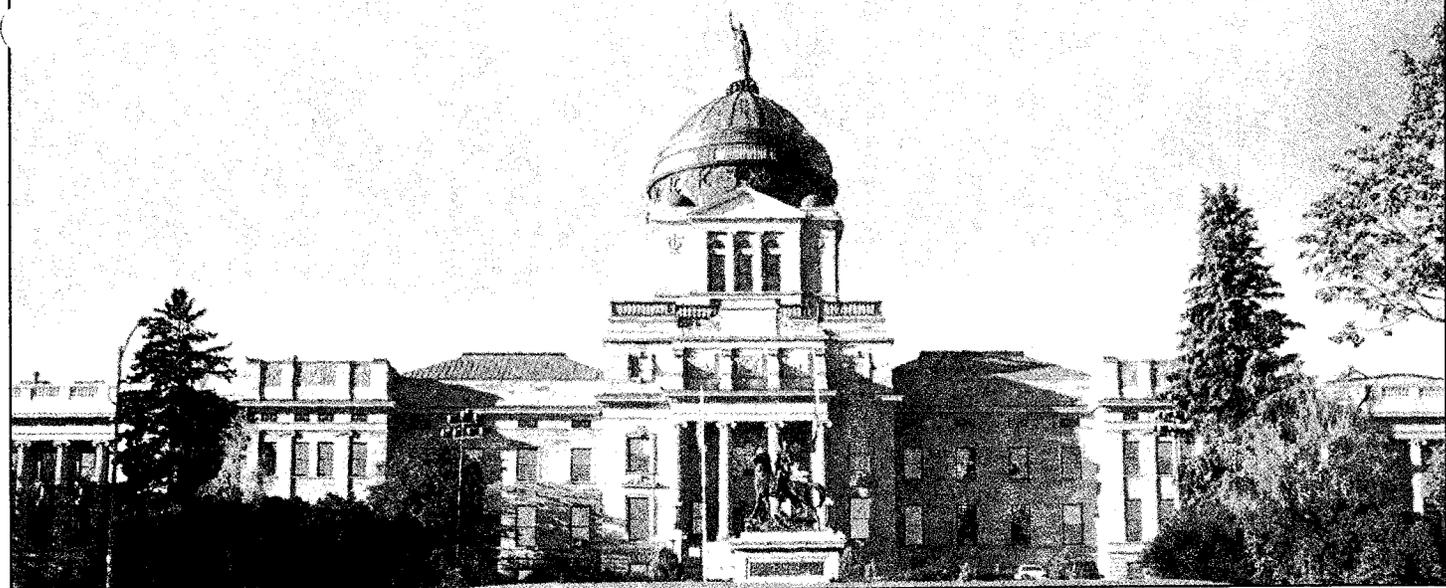
**Montana Historical  
Society Archives  
225 N. Roberts  
Helena MT 59620-1201  
2011 Legislative Scanner Susie Hamilton**

EXHIBIT 3  
DATE 1/14/11  
HB 2 - Section A

# Legislative Budget Analysis 2013 Biennium

Volume 3—Agency Budgets

General Government (Section A)



January 2011

# Legislative Fiscal Division



[www.leg.mt.gov/css/fiscal/](http://www.leg.mt.gov/css/fiscal/)

**62<sup>nd</sup> LEGISLATIVE SESSION - 2011**

**GENERAL GOVERNMENT AND COMMERCE**

**APPROPRIATIONS SUBCOMMITTEE**

As of January 4, 2011

Representative Bill Beck, Chairman  
 Representative Bill McChesney  
 Representative Champ Edmunds  
**Room:** 350, State Capitol

Senator Alan Olson, Vice-chairman  
 Senator David Wanzonried  
 Senator Edward Buttrey  
**Time:** 8:00AM – 12:00 Noon (except as noted)

**Secretary:**

Cheryl Pesta (2554)

**LFD Staff:**

Greg DeWitt (Ext. 5392) (Lead staff)  
 Lois Steinbeck (Ext. 5391)  
 Quinn Holzer (Ext. 5834)

**OBPP Representatives:**

Mark Bruno (Ext. 4588)  
 Christine Hultin-Brus (Ext. 3169)  
 Amy Sassano (ext. 0619)

**\*\* Agency Order – Executive Action Following Each Agency \*\***

- |  |                           |                                     |
|--|---------------------------|-------------------------------------|
| 1. Department of Administration        | 5. Department of Commerce | 9. Department of Labor and Industry |
| 2. Department of Revenue               | 6. Governor's Office      | 10. State Auditor's Office          |
| 3. Secretary of State                  | 7. Legislative Branch     | 11. Department of Military Affairs  |
| 4. Commissioner of Political Practices | 8. Consumer Counsel       |                                     |

Day	Weekday	Date	Tentative Schedule	Topic / Agency	LFD Analyst
1	Mon	01/03	No subcommittee hearing instead Budget Introduction with House Appropriations and Senate Finance and Claims at 9:00 a.m. in Room 303		
2	Tues	01/04	No subcommittee hearings instead Law School for Legislators training		
3	Wed	01/05	9 a.m.-noon Combined subcommittee and stand committee section overview in Room 172		DeWitt
4	Thur	01/06	9 a.m.-noon Combined subcommittee and stand committee section overview in Room 172		DeWitt
5	Fri	01/07	9 a.m.-noon Combined subcommittee and stand committee section overview in Room 172		DeWitt
7	Mon	01/10	8 a.m.-noon in Room 102 Combined General Government and Commerce meeting with Health and Human Services subcommittee and standing committees for public health – overview and discussion of federal health reform, overview of major issues in the Executive Budget, medical marijuana		Steinbeck
8	Tues	01/11	First day of subcommittee budget hearings; <ul style="list-style-type: none"> <li>• Subcommittee organization</li> <li>• Executive action on global issues (starting point, statewide present law adjustments for personal services, vacancy savings, fixed costs, and inflation)</li> <li>• Hearing of Department of Administration (except Health Care &amp; Benefits Division) hearing</li> </ul>		DeWitt
9	Wed	01/12	Department of Administration (except Health Care & Benefits Division) – hearing continued		DeWitt
10	Thur	01/13	Department of Administration (except Health Care & Benefits Division) – hearing continued		DeWitt
11	Fri	01/14	Department of Administration (except Health Care & Benefits Division) – executive action		DeWitt
12	Mon	01/17	Department of Revenue – hearing		DeWitt
13	Tues	01/18	Department of Revenue – hearing		DeWitt
14	Wed	01/19	Department of Revenue - executive action		DeWitt
15	Thur	01/20	Secretary of State – hearing and executive action, Commissioner of Political Practices – hearing and executive action, Legislative Branch – hearing; Consumer Counsel – hearing		DeWitt Holzer
16	Fri	01/21	Legislative Branch – executive action; Consumer Counsel - executive action		Holzer
18	Mon	01/24	Department of Commerce - hearing		Holzer
19	Tues	01/25	Department of Commerce – hearing		Holzer
20	Wed	01/26	Department of Commerce - executive action		Holzer
21	Thur	01/27	Governor's Office - hearing		Holzer
22	Fri	01/28	Governor's Office - hearing		Holzer
24	Mon	01/31	Governor's Office - executive action;		Holzer
25	Tues	02/01	Department of Labor and Industry - hearing		Holzer
26	Wed	02/02	Department of Labor and Industry - hearing		Holzer
27	Thur	02/03	Department of Labor and Industry - executive action		Holzer
28	Fri	02/04	State Auditor – hearing		Steinbeck
30	Mon	02/07	State Auditor - hearing		Steinbeck
31	Tues	02/08	State Auditor - executive action; Department of Administration Health Care & Benefits Division - hearing		Steinbeck

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32	Wed	02/09	Department of Administration Health Care & Benefits Division – executive action, Department of Military Affairs – hearing	Steinbeck Holzer
33	Thur	02/10	Department of Military Affairs – hearing	Holzer
34	Fri	02/11	Department of Military Affairs – hearing and executive action	Holzer
36	Mon	02/14	To be determined there will be a follow up joint meeting with the members who met on January 5 – 7 to discuss subcommittee recommendations and their policy implications	
37	Tues	02/15	No Schedule at this time	
38	Wed	02/16	No Schedule at this time	
39	Thur	02/17	No Schedule at this time	
40	Fri	02/18	***** Last Day for Subcommittee Work on HB 2*****	
42	Mon	02/21		
43	Tues	02/22		

Last Update: 1/4/2011

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Tentative Schedule for Joint Hearings  
January 5 – 7, 2011

Joint Appropriations Subcommittee on General Government and Commerce  
House Business and Labor  
Senate Business, Labor, and Economic Affairs  
House and Senate Administration  
House and Senate Local Government  
House Agriculture  
Senate Agriculture, Livestock, and Irrigation

Room 172

Wednesday, January 5, 2011

9:00 - 9:10 Subcommittee Chair Introduction (Chairman Beck)  
9:10 - 9:25 LSD Presentation – Bills and policy issues  
9:25 - 9:35 LFD Presentation – Department of Labor and Industry  
9:35 - 9:55 Department of Labor and Industry Presentation  
9:55 - 10:05 LFD Presentations – Department of Commerce  
10:05 - 10:25 Department of Commerce Presentation  
10:25 - 10:35 LFD Presentations – Department of Military Affairs  
10:35 - 10:50 Department of Military Affairs Presentation  
10:50 - 11:00 LFD Presentations – Commissioner of Political Practices  
11:00 - 11:10 Commissioner of Political Practices Presentation  
11:10 - 11:40 Q&A on Department of Labor and Industry, Department of Commerce, Department of Military Affairs, and Commissioner of Political Practices  
11:40 - Noon Public Comment on Department of Labor and Industry, Department of Commerce, Department of Military Affairs, and Commissioner of Political Practices

Thursday, January 6, 2011

9:00 - 9:10 Subcommittee Chair Introduction  
9:10 - 9:20 LFD Presentation – Governor's Office  
9:20 - 9:35 Governor's Office Presentation  
9:35 - 9:45 LFD Presentations – Department of Revenue  
9:45 - 10:00 Department of Revenue Presentation  
10:00 - 10:10 LFD Presentations – Secretary of State  
10:10 - 10:20 Secretary of State Presentation  
10:20 - 10:30 LFD Presentations – Pension systems  
10:30 - 11:45 LFD Presentations statewide personnel issues  
10:45 - 11:30 Q&A on Governor's Office, Department of Revenue, Secretary of State, Pension systems, and Statewide personnel issues  
11:30 - Noon Public Comment on Governor's Office, Department of Revenue, Secretary of State, Pension systems, and Statewide personnel issues

DRAFT – 62nd LEGISLATIVE SESSION – 2011

Friday, January 7, 2011

- 9:00 - 9:10 Subcommittee Chair Introduction
- 9:10 - 9:25 LFD Presentation – Department of Administration
- 9:25 - 9:40 Department of Administration Presentation
- 9:40 - 9:55 LFD Presentations – State Auditor
- 9:55 - 10:10 State Auditor Presentation
- 10:10 - 10:20 LFD Presentations – Legislative Branch
- 10:20 - 10:30 Legislative Branch Presentation
- 10:35 - 10:45 LFD Presentations – Consumer Counsel
- 10:45 - 10:55 Consumer Counsel Presentation
- 10:55 - 11:20 Q&A on Department of Administration, State Auditor, Legislative Branch, and Consumer Counsel
- 11:20 - 11:40 Public Comment on Department of Administration, State Auditor, Legislative Branch, and Consumer Counsel
- 11:40 - Noon Discussion for all areas of common interest



### Joint Appropriations and Policy Committees Budget Hearings

Introduction: Legislative leadership has determined the need to hold joint meetings between the appropriation subcommittees and the policy committees to allow all members of the legislature to understand agency budgets and the issues associated with the budgets, and to streamline work among all committees.

Legislative staff has been directed to utilize the following process:

- Introduction by the Joint Appropriations Subcommittee Chair
- LFD Presentation- overview of the agency, budget highlights, funding sources, issues (from the LFD Budget Analysis and Reference Book)
- LSD Presentation – brief overview of the subject of legislation requests
- Agency Presentation – core discussion points and agency selected items
- Question and Answers
- Public Comment – primarily sections A, C and F. Other sections will have public comment opportunity during afternoon joint hearings (to be announced).

#### Guidelines for Agency Presentations

Please work with your LFD analyst on time allocations. Times will generally be in the 15 minute to half hour range but some agencies may be significantly longer.

The purpose of the agency presentation is two –fold. Legislators are interested in 1) what agencies went through to develop budgets and 2) how this budget will impact programs and citizens. These will be addressed through the core questions listed below.

The agency presentation should generally address the following core questions:

- What does the agency want to accomplish in the next biennium?
  - Briefly describe the major accomplishments the agency wants to achieve in the next biennium. This should include what the accomplishments are and what citizen group will benefit.
- What was the agency thought process behind developing this budget?
  - The legislature would like to hear the philosophy behind the development of the budget.
- What challenges did the agency face in budget development?
  - Describe the challenges, such as balancing needs of multiple programs, dealing with citizen expectations, addressing the impacts of the economy, and determining how program goals would be achieved.
- What obstacles might the agency encounter in the next biennium?
  - In the current budget, describe the potential, but realistic, obstacles toward meeting the agency's mission.
- Which citizen groups will be affected by this budget and how?
  - Describe potential outcomes for citizens. For example: regulated industry could face a delay in obtaining permits, or fewer low income families will receive day care subsidies.

Agencies will also have the opportunity to comment on budget issues and reference items included in the LFD presentation. Within time constraints the agency may provide any additional information they feel fits within the goals of this process.

Agencies are welcome to provide printed material for the meetings. Be advised at least 35 copies that are 3 holed punched will be needed to cover the joint committees, staff, secretaries and any public members. Given the complexity of the logistics of this process, we ask that you not utilize power point presentations.

# Legislative Budget Analysis

2013 Biennium



## Volume 3 – Agency Budgets

Presented to the Sixty-Second Legislature

Submitted by the  
**Legislative Fiscal Division**

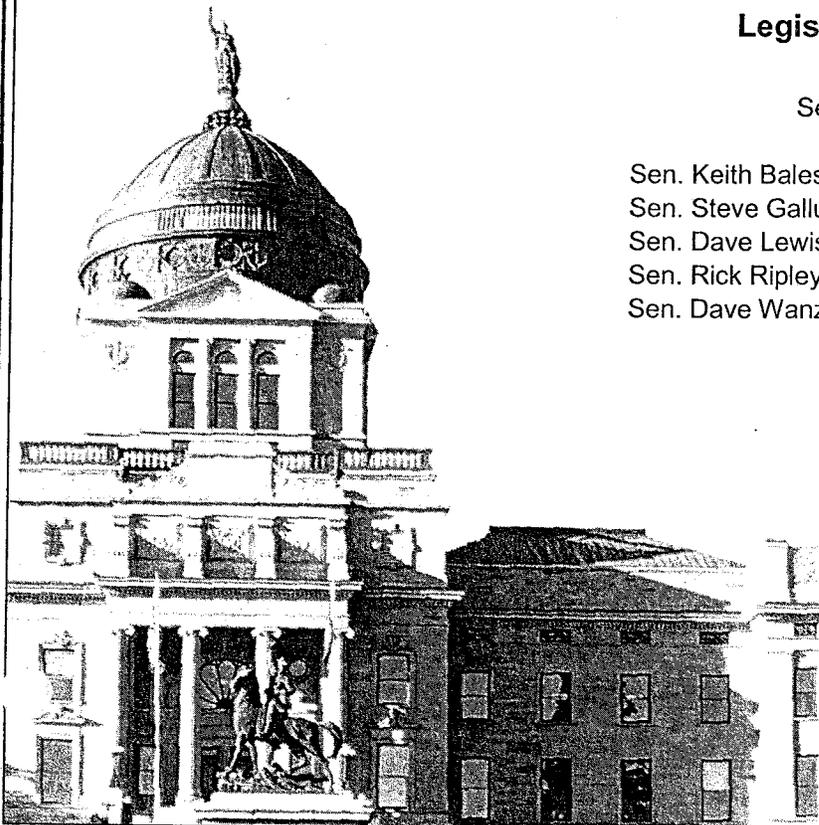
Amy Carlson, Legislative Fiscal Analyst

### Legislative Finance Committee

Rep. Llew Jones, Chairman  
Sen. Carol Williams, Vice Chair

Sen. Keith Bales  
Sen. Steve Gallus  
Sen. Dave Lewis  
Sen. Rick Ripley  
Sen. Dave Wanzenried

Rep. Bill Glaser  
Rep. Cynthia Hiner  
Rep. Galen Hollenbaugh  
Rep. Jon Sesso  
Rep. Janna Taylor



# AGENCY SUBCOMMITTEE GROUPINGS

The following sections (A through F) provide a detailed explanation and analysis of the executive budget for each agency and agency program that contains appropriations in HB 2. The agencies are grouped by functional categories that mirror agency groups by appropriations subcommittee. The groups are summarized below. Programs funded with proprietary funds are not funded in HB 2, but an explanation and analysis of these programs are included in each agency narrative for the purpose of legislative rate-setting.

## GENERAL GOVERNMENT

### (Section A)

- Legislative Branch
- Consumer Counsel
- Governor's Office
- Secretary of State
- Commissioner of Political Practices
- State Auditor
- Revenue
- Administration
- Commerce
- Labor and Industry
- Military Affairs

## HEALTH AND HUMAN SERVICES

### (Section B)

- Public Health and Human Services

## NATURAL RESOURCES AND

### TRANSPORTATION (Section C)

- Fish, Wildlife, and Parks
- Environmental Quality
- Transportation
- Livestock
- Natural Resources and Conservation
- Agriculture

## JUDICIAL BRANCH, LAW ENFORCEMENT, AND JUSTICE (Section D)

- Judicial Branch
- Crime Control Division
- Justice
- Public Service Regulation
- Office of Public Defender
- Corrections

## EDUCATION (Section E)

- Office of Public Instruction
- Board of Public Education
- School for the Deaf and Blind
- Montana Arts Council
- State Library Commission
- Montana Historical Society
- Commissioner of Higher Education
- Community Colleges
- University Units and Colleges of Technology
- Agricultural Experiment Station
- Montana Extension Service
- Forestry and Conservation Experiment Station
- Bureau of Mines & Geology
- Fire Services Training School

## LONG-RANGE PLANNING (Section F)

- Long-Range Building Program
- State Building Energy Conservation
- Long-Range Information Technology Program
- Treasure State Endowment Program
- Treasure State Endowment Regional Water System
- Renewable Resource Grant & Loan Program
- Reclamation & Development Grant Program
- Cultural and Aesthetic Grant Program
- Quality School Facilities Program

Where can you find each section in the *Legislative Budget Analysis 2013 Biennium*, Volumes 3-7?

- Volume 3 contains Section A
- Volume 4 contains Section B
- Volume 5 contains Section C
- Volume 6 contains Section D
- Volume 7 contains Sections E & F
- Volume 8 is on the LFD website

# AGENCY BUDGET ANALYSIS (ROAD MAP)

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The purpose of the "Agency Budget Analysis" (LFD Volumes 3 through 7) is to provide a resource for legislators and members of the public to understand and allow for action on state agency budgets. It is designed to be a working document for use by the joint appropriations subcommittees. It does this by:

- o Detailing components of the executive budget
- o Raising budget and other issues for legislative consideration

This section provides a roadmap for using the Agency Budget Analysis volumes by discussing each component.

## BUDGET TIERS

The section is constructed based on the statutory requirement that the budget be presented in three tiers:

1. Base budget;
2. Present law budget; and
3. New proposals.

(For a further explanation of these tiers and how they are derived, see page 1 of the "Reference" section, or the publication entitled "Understanding State Finances and the Budgeting Process", available through the Legislative Fiscal Division and on the Internet at [http://leg.mt.gov/content/publications/fiscal/leg\\_reference/Understanding\\_State\\_Finances.pdf](http://leg.mt.gov/content/publications/fiscal/leg_reference/Understanding_State_Finances.pdf)). The analysis is presented in a manner to allow the legislature to see and act on each present law adjustment and new proposal made to the base budget to derive the executive budget, by summarizing and raising issues with those adjustments.

## LEGISLATIVE FISCAL DIVISION (LFD) ISSUES AND COMMENTS

While LFD staff has written the entire analysis document, parts are meant strictly to explain what is in the executive budget in a way that does not justify or advocate the executive position.

The heart of the analysis is in two areas:

1. The LFD issues and comments provided on the proposed budget. If the LFD analyst has raised an issue with anything contained in the executive budget or with any other aspect of agency operations and expenditures, it is included as an "LFD Issue". The analyst may also provide additional information to aid the legislature in its decision making under the heading "LFD Comment". All issues and comments are clearly identified in the narrative; and
2. Other issues and options. In order to provide the legislature with alternatives to the executive budget, as well as budget-making flexibility, LFD staff has provided other issues and options for consideration by the legislature.

## COMPONENTS OF THE AGENCY BUDGET ANALYSIS

For all multiple program agencies, the narrative is divided into two parts:

1. The agency narrative; and
2. The program narrative.

## Agency Narrative

The agency narrative provides an overview of the executive budget and other issues and options for that agency. Since the legislature appropriates at the program level, only issues raised in the analysis with an agency-wide or multiple-program impact are discussed at this level. All other discussion occurs within the relevant program narratives.

Each agency narrative has the following components.

1. The **Main Table** shows the adjusted actual expenditures and appropriations of the current biennium and the executive request for the upcoming biennium by year. The reader can use this table to get a general idea of the size and funding of the agency, and compare the upcoming biennium totals to the current biennium.
2. The agency organizational chart follows, with contact information, and funding and FTE information for each unit of the agency in the chart. If the agency spends statutory or proprietary funds, they are listed separately
3. Two tables compare sources and funding and types of expenditures as proposed by the executive for the upcoming biennium to the current biennium.
4. **Agency Description** is a brief description of the agency, along with its mission statement.
5. **Agency Highlights** is a table showing the principal factors influencing the budget and any related discussion. It is designed to aid the reader in gaining an understanding of the overall agency budget or significant budget areas.
6. **Agency Discussion** provides additional information or overarching discussion. In addition, if the previous legislature funded any new initiatives of an agency-wide nature, a brief update is provided. For each agency, a recap of any agency-wide goals and objectives monitored by the Legislative Finance Committee during the interim, are listed and discussed as appropriate, as are any goals the LFC recommends the legislature review during the legislative session.
7. **5% Reduction Plan** provides a table and discussion on the statutorily required plan by agencies to reduce base expenditures by 5%. The LFC recommends that the starting point be the adjusted base minus this plan.
8. **Personal Services** provides the legislature with pertinent data on personal services that would allow the legislature to identify and address those factors impacting personal services expenditures and related policy issues. Factors addressed in this section include market salaries and obstacles to achievement of market goals. The program sections address other, program specific questions.
9. **Funding** is a table and related discussion that shows the total biennium funding, by program and fund type, proposed by the Governor.
10. **Statutory Appropriations** is a table showing any statutory appropriations received by the agency, in order to provide a more complete picture of total appropriations.
11. **Budget Summary by Category** summarizes the executive budget by base budget, statewide present law adjustment, other present law adjustments, and new proposals proposed by the Governor for each year of the biennium.
12. If included by the executive, a discussion of the following two types of proposals is included, each with LFD comments as appropriate:
  - **Supplemental Appropriations** discusses supplemental appropriations recommended by the Governor for current fiscal year, or supplemental appropriations approved in the last fiscal year.
  - **Reorganizations** details any major reorganization that took place in the current biennium or is proposed by the executive for the upcoming biennium
13. **Language** includes any agency-wide language proposed by the executive.
14. **Executive Recommended Legislation** is a listing and discussion of any legislation with a likely fiscal impact proposed by the executive and pertinent to the agency. This section is designed to

alert the legislature to other legislation not included in HB 2 that could have a bearing on the agency budget and operation.

15. **Agency Issues** is a discussion by the LFD analyst of any identified agency-wide or multi-program issues. Otherwise, all discussions of adjustments and attendant issues are included in the relevant program narratives.
16. **Elected Officials New Proposals** lists new proposals advocated by agencies headed by either an elected official or the Board of Regents but not included in the executive budget.

Note: The main and budget summary tables, the agency description, mission, and the highlights and funding tables are included in each agency narrative. However, the other components are "optional", indicating they are included only if circumstances warrant.

## ***Program Narrative***

Narratives detailing each agency program follow the agency narrative. The program narrative contains the following components.

1. The **Main Table** contains the same information as the agency main table for each program of the department, including adjusted actual expenditures and appropriations of the current biennium and the executive request for the upcoming biennium, by year.
2. **Program Description** is a short description of the program and its functions.
3. **Program Highlights** is a table showing the principal factors influencing the budget and any related discussion.
4. **Program Narrative** details any points of overall program discussion by the LFD analyst. If the previous legislature funded any new initiatives, a brief update is provided.
5. **5% Reduction Plan** provides a program level discussion of any elements of the agency submitted 5% reduction plan that pertain to the program.
6. **Funding** details program funding as proposed by the executive, and any issues raised by the LFD analyst.
7. **Program Reorganization** details any program reorganizations that took place in the current biennium or that are proposed by the executive for the upcoming biennium.
8. **Budget Summary by Category** summarizes the executive budget by base budget, statewide present law adjustment, other present law adjustments, and new proposals proposed by the Governor for each year of the biennium.
9. The **Executive Present Law Adjustments Table** delineates the major present law adjustments included by the executive, by fiscal year and funding source. The table is divided into two sections:
  - o Statewide present law adjustments, which include most personal services adjustments, the executive's vacancy savings recommendation, and adjustments due to fixed costs and inflation
  - o Other present law adjustments proposed by the executive
10. **Executive Present Law Adjustments** discusses each adjustment proposed by the executive in more detail. The section begins with a discussion that addresses personal services expenditures and policy issues specific to the program, including market rate, vacancies, how the legislatively applied vacancy savings was met, pay changes made outside of any legislative pay changes, and the number of employees eligible for full retirement and the related unfunded liability. This discussion is followed by a description of each adjustment proposed by the Governor. The LFD analyst writes the adjustment descriptions based upon justifications submitted by the executive. It should be noted that it is the responsibility of the LFD analyst to explain a requested change, but not to advocate for or attempt to justify that request. If the LFD analyst has raised an issue with the adjustment, it is presented when the adjustment is discussed.
11. The **New Proposals Table** shows each new proposal requested by the executive, by fiscal year and funding source.

12. **New Proposals** discusses each new proposal in more detail. If the LFD analyst has raised an issue with the proposal it is presented with that new proposal. As with present law adjustments, the LFD has written these explanations based upon submissions by the executive. For certain new proposals (and significant present law adjustments), a discussion submitted by the agency (with editing for clarity and brevity by LFD staff) is included that discusses goals, performance criteria, milestones and timetables, and other information designed to provide the legislature with information with which to evaluate the proposal. LFD staff provides any comments or issues with the submission.
13. **Language** recreates any program specific language proposed by the executive, with LFD comments as appropriate.
14. **Executive Recommended Legislation** is a listing and discussion of any legislation with a likely fiscal impact proposed by the executive and pertinent to the program.
15. **Other Issues** contains any issues identified by the LFD analyst unrelated to a specific present law adjustment or new proposal.

The legislature does not appropriate enterprise funds (which fund operations that provide goods or services to the public on a user charge basis) or internal services funds (which fund operations that provide goods and services to other entities of state government on a cost-reimbursement basis). However, the executive must review enterprise funds and the legislature approves all internal service rates. If the program includes a function supported by either an enterprise fund or an internal service fund, a separate section within the relevant program provides the following:

1. A **Fund Balance Table** shows actual and projected rates, revenues, expenditures, and fund balance through the upcoming biennium; and
2. **Narrative** contains a discussion of the function, a description and explanation of the rate requested, and a discussion of any significant present law adjustments or new proposals impacting the requested rate. The LFD analyst addresses any issues and comments as appropriate.

## STATEWIDE PRESENT LAW ADJUSTMENTS

“Statewide Present Law Adjustments” are those adjustments applied to each agency based upon either: 1) factors beyond the individual agency control; or 2) other underlying factors. Because of the global application of these factors and the need for consistency among agencies, these adjustments are included in the “statewide” section of the present law table to alert subcommittees and other decision makers that, if adjustments are made to these costs, adjustments should be made to the underlying factors upon which the adjustments are based. The Legislative Finance Committee (LFC) will make a recommendation on these and other adjustments to appropriations leadership.

### *Personal Services*

Personal services costs are derived by taking a “snapshot” of state employee positions and the factors determining compensation rates at a particular point in time. A number of underlying factors will make the upcoming biennium personal services costs different from actual base year costs. The most important are:

### **Current Biennium Pay Plan and Other Benefits**

If the legislature passed a pay plan that is implemented over the biennium, the base year will not reflect all of the costs that must be paid by the agencies when the pay plan is fully implemented. For example, if the legislature provides a percentage increase midway through the first year and another midway through the second year, base year costs will only reflect ½ of the costs of the first increase.

In addition, any changes made to benefits that an agency must pay directly to or in support of an employee, such as pension, or unemployment and workers' compensation insurance, are automatically reflected in the present law personal services.

### **Vacancy Savings**

Vacancy savings is a reduction in personal services costs that results when positions are not filled for the entire year. Vacancy savings will fluctuate within agencies and programs from year to year. In order to provide the legislature with the opportunity to make all policy decisions regarding vacancy savings, each position is funded as if the position were filled for the entire year, regardless of any vacancy savings that may have occurred in the base year.

### **Termination Pay**

Costs incurred by agencies due to termination of employment, such as accrued sick or annual leave, are not included in present law.

### **Other Adjustments to Pay**

All other changes to salaries authorized during the biennium through the "snapshot" date (July of the base year) are included in present law.

Any adjustments to personal services from sources within the control of the executive, such as overtime, new or deleted positions, or proposed transfers, should not be included in the statewide adjustments. If the LFD analyst has identified any of the adjustments in the statewide adjustment line, they are discussed as an LFD issue or comment.

### **Vacancy Savings**

Any vacancy savings proposed by the executive is included, which results in a reduction of personal services costs. If the executive proposes a vacancy savings rate different from the previous rate, it should be included in a decision package.

### **Inflation/Deflation**

The executive budget has inflated or deflated certain operating expenses. Each agency budget is automatically adjusted to add inflation to or subtract deflation from the relevant expenditure items. Therefore, changes to inflation/deflation amounts in the agencies can only be made through an adjustment to the actual expenditure against which the inflation/deflation is applied, rather than to the inflation/deflation factor, itself.

Note: A complete listing of expenditure categories inflated or deflated in the executive budget has been included in the "Reference" section.

### **Fixed Costs**

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as information technology, messenger services, and legislative audit). Costs charged to the individual agency budgets are based upon the cost in the service agency and the method used to allocate those costs. These fixed costs are automatically added to each agency budget, as appropriate. Any changes to these allocations must be made through a change to the service agency budget, or to the allocation method used by the service agency. The General Government and Transportation Subcommittee will review the fixed costs proposals.

Note: A complete listing of all fixed costs is included in the "Reference" section

# GENERAL GOVERNMENT

## Section A

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### JOINT SUBCOMMITTEE OF HOUSE APPROPRIATIONS AND SENATE FINANCE AND CLAIMS COMMITTEES

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-----Agencies-----

Legislative Branch	State Auditor
Legislative Audit Division	Revenue
Legislative Fiscal Division	Administration
Legislative Services Division	Commerce
Consumer Counsel	Labor and Industry
Governor's Office	Military Affairs
Secretary of State	
Commissioner of Political Practices	

-----Committee Members-----

<u>House</u>	<u>Senate</u>
Representative Bill Beck (Chair)	Senator Alan Olson
Representative Champ Edmunds	Senator Edward Buttrey
Representative Bill McChesney	Senator David Wanzenried

-----Fiscal Division Staff-----

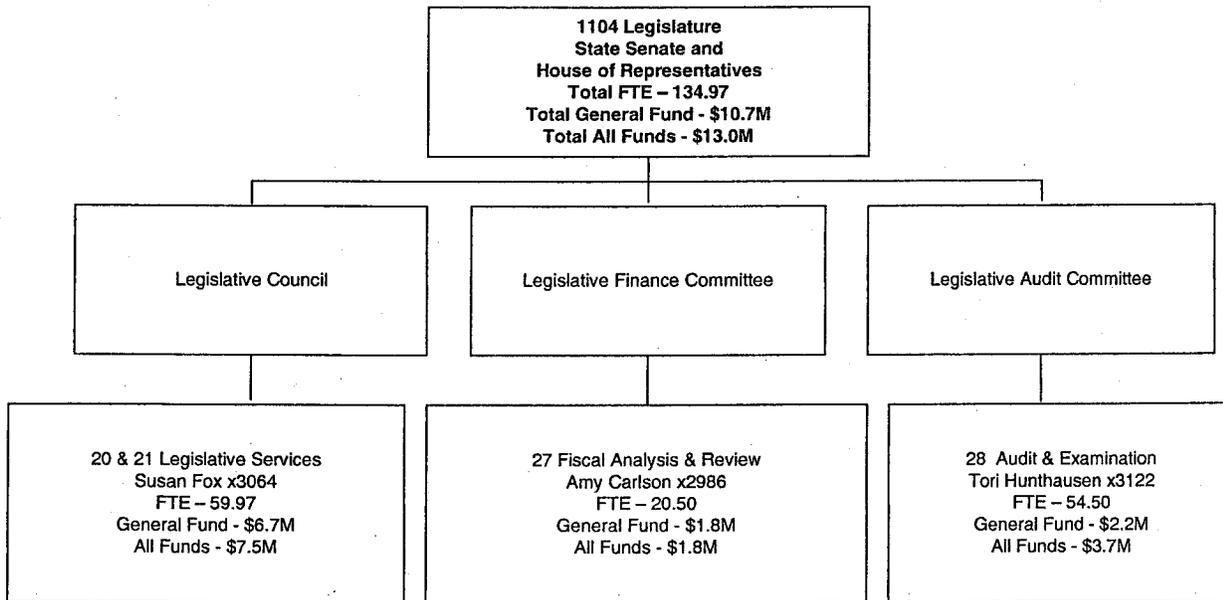
Greg DeWitt  
Quinn Holzer  
Lois Steinbeck

**Agency Budget Comparison**

The following table summarizes the total executive budget for the agency by year, type of expenditure, and source of funding.

Agency Budget Comparison								
Budget Item	Base Fiscal 2010	Approp. Fiscal 2011	Budget Fiscal 2012	Budget Fiscal 2013	Biennium Fiscal 10-11	Biennium Fiscal 12-13	Biennium Change	Biennium % Change
FTE	134.97	140.14	134.97	140.14	140.14	140.14	0.00	0.00%
Personal Services	9,975,053	11,251,586	10,873,290	10,858,306	21,226,639	21,731,596	504,957	2.38%
Operating Expenses	2,926,260	3,701,538	3,483,472	3,230,219	6,627,798	6,713,691	85,893	1.30%
Equipment & Intangible Assets	133,233	80,729	75,000	75,000	213,962	150,000	(63,962)	(29.89%)
Benefits & Claims	250	0	0	0	250	0	(250)	(100.00%)
<b>Total Costs</b>	<b>\$13,034,796</b>	<b>\$15,033,853</b>	<b>\$14,431,762</b>	<b>\$14,163,525</b>	<b>\$28,068,649</b>	<b>\$28,595,287</b>	<b>\$526,638</b>	<b>1.88%</b>
General Fund	10,671,264	12,745,186	11,763,554	12,140,721	23,416,450	23,904,275	487,825	2.08%
State Special	2,363,532	2,288,667	2,668,208	2,022,804	4,652,199	4,691,012	38,813	0.83%
<b>Total Funds</b>	<b>\$13,034,796</b>	<b>\$15,033,853</b>	<b>\$14,431,762</b>	<b>\$14,163,525</b>	<b>\$28,068,649</b>	<b>\$28,595,287</b>	<b>\$526,638</b>	<b>1.88%</b>

The following is the agency organizational chart, with contact information. The chart has been modified by the LFD to include the FY 2010 base budget FTE, general fund, and total funds for each program. As applicable, total agency proprietary funds and statutory appropriations, along with associated FTE, are also shown.



**Agency Description**

Principal entities of the Legislative Branch (Branch) consolidated under 5-2-503, MCA, include the Senate and the House of Representatives, the Legislative Services Division, the Legislative Fiscal Division, and the Legislative Audit Division. The Senate and the House of Representatives together comprise the Legislature, which exercises the legislative power of state government, creates the laws of the state, and appropriates funds for the functions of state government.

Standing and interim committees of the Legislature, aided by supporting divisions of the Branch, monitor the functions of state government and report to the Legislature. The Legislative Audit Committee, Legislative Council, and Legislative Finance Committee provide oversight and management of legislative divisions during the interim.

The budget for the three staff divisions and legislative interim work is presented in HB 2. The budget for House and Senate activity is presented in HB 1, the "feed bill."

**Agency Highlights**

<b>Legislative Branch Major Budget Highlights</b>
<ul style="list-style-type: none"> <li>◆ The budget would increase 1.9% from the 2011 biennium, including a 2.1% increase in general fund, due to the following:                             <ul style="list-style-type: none"> <li>• Statewide present law adjustments</li> <li>• Funding of the Districting and Apportionment Commission and a portion of organizational dues</li> <li>• Retrofits of the State Capitol building to address work health issues</li> </ul> </li> </ul>
<b>Legislative Action Issues</b>
<ul style="list-style-type: none"> <li>◆ Interim Committee Recommendation</li> <li>◆ Funding for the Districting and Apportionment Commission</li> <li>◆ Funding to address healthy work environment recommendations                             <ul style="list-style-type: none"> <li>• The Legislative Finance Committee recommends that the budget starting point be the adjusted base minus 5%</li> </ul> </li> </ul>

**Agency Discussion**

*Goals and Objectives:*

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. As part of its appropriations deliberations the legislature may wish to review the following:

- Goals, objectives and year-to-date outcomes from the 2011 biennium.
- Critical agency goals, objectives, and anticipated outcomes and their correlation to the executive's budget request for the 2013 biennium.

2013 Biennium Goals

During the interim the LFC met with the agency to select critical goals and performance measurements for the legislature to consider during the appropriation process. The LFC did not identify any critical goals for monitoring during the session.

**5% Reduction Plan**

Statute requires that agencies submit plans to reduce general fund and certain state special revenue funds by 5%. The following summarizes the plan submitted for this program.