

**Agency Budget Comparison**

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

| Agency Budget Comparison      |                     |                     |                     |                     |                       |                       |                    |                   |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|--------------------|-------------------|
| Budget Item                   | Base Fiscal 2008    | Approp. Fiscal 2009 | Budget Fiscal 2010  | Budget Fiscal 2011  | Biennium Fiscal 08-09 | Biennium Fiscal 10-11 | Biennium Change    | Biennium % Change |
| FTE                           | 129.97              | 135.14              | 130.97              | 136.14              | 135.14                | 136.14                | 1.00               | 0.74%             |
| Personal Services             | 8,819,756           | 10,781,395          | 10,419,541          | 10,404,371          | 19,601,151            | 20,823,912            | 1,222,761          | 6.24%             |
| Operating Expenses            | 2,484,603           | 2,663,615           | 4,089,785           | 3,649,692           | 5,148,218             | 7,739,477             | 2,591,259          | 50.33%            |
| Equipment & Intangible Assets | 69,801              | 139,699             | 75,000              | 75,000              | 209,500               | 150,000               | (59,500)           | (28.40%)          |
| Transfers                     | 0                   | 0                   | 5,000,000           | 0                   | 0                     | 5,000,000             | 5,000,000          | n/a               |
| <b>Total Costs</b>            | <b>\$11,374,160</b> | <b>\$13,584,709</b> | <b>\$19,584,326</b> | <b>\$14,129,063</b> | <b>\$24,958,869</b>   | <b>\$33,713,389</b>   | <b>\$8,754,520</b> | <b>35.08%</b>     |
| General Fund                  | 9,116,067           | 11,249,936          | 16,895,695          | 12,102,301          | 20,366,003            | 28,997,996            | 8,631,993          | 42.38%            |
| State Special                 | 2,258,093           | 2,334,773           | 2,688,631           | 2,026,762           | 4,592,866             | 4,715,393             | 122,527            | 2.67%             |
| <b>Total Funds</b>            | <b>\$11,374,160</b> | <b>\$13,584,709</b> | <b>\$19,584,326</b> | <b>\$14,129,063</b> | <b>\$24,958,869</b>   | <b>\$33,713,389</b>   | <b>\$8,754,520</b> | <b>35.08%</b>     |

**Agency Description**

Mission: The mission of the Legislature is to exercise the legislative power of state government vested in the legislature by The Constitution of the State of Montana. The mission of the Legislative Branch, i.e., the consolidated legislative agency defined in 5-2-503, MCA is to provide the administrative structure to support accomplishment of the mission of the Legislature.

The Legislative Branch (Branch) consists of entities consolidated as provided in 5-2-503, MCA. The principal consolidated entities include the Senate, 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 compose 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 Legislative 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<br/>Major Budget Highlights</b>   |
|---|
| <ul style="list-style-type: none"> <li>◆ After a technical amendment, requested funding for the agency increases by 15 percent (\$3.7 million) over the 2009 biennium due to:                             <ul style="list-style-type: none"> <li>• \$1.2 million to continue and expand broadcasting of the legislative session and interim committees on public television</li> <li>• Statewide present law adjustments for annualization of the pay plan and market adjustments</li> </ul> </li> <li>◆ Branch goals and objectives are specific and quantifiable</li> </ul> |
| <b>Major LFD Issues</b>   |
| <ul style="list-style-type: none"> <li>◆ The legislature needs to define staff workload levels and revise staffing levels if necessary</li> <li>◆ Nearly 20 percent of branch staff are eligible for retirement in the 2011 biennium</li> </ul>   |

### Agency Discussion

The Legislative Branch budget includes cyclical FTE and costs in the second year of the biennium for the cyclical session employee costs and operating expenses. For this reason, the FTE in FY 2011 are higher than the FTE in the base year or in FY 2010.

The Branch included a transfer of \$5.0 million in general fund for inclusion in the executive's proposed budget issued November 15, 2008. The Branch requested the \$5.0 million transfer of general fund be eliminated as a technical correction due to LFD concerns. The transfer was to support the replacement of the Legislative Automated Workflow System (LAWS) and related systems for bill drafting, engrossing, committee minutes, journal, bill status, and code updates and will be included in a separate bill for consideration of the legislature. As a result of the requested change, the increase in the Branch overall budget is reduced from 35 percent to 15 percent when compared to the 2007 biennium. Increases include:

- o Ongoing funding to continue and expand the broadcasting the legislative session and interim committees on public televisions, \$1.2 million
- o Present law adjustments for changes to personal services and operating expenses including branch IT support

The Legislative Branch business cycle is biennial, related to the cyclical nature of legislative session, production and publication of the Montana Codes Annotated, interim study committees and activities, and biennial audit work. As such, the Legislative Branch receives biennial appropriations. However, as a means to facilitate comparison, the budget is presented in the annual format for budget review. Changes to the base year reflect the difference of activity from legislative session to interim years. Comparisons to the base year give a distorted picture in that session costs are not in the budget base year (even years), yet recur every other year (odd year).

The Legislative Branch budget is presented as the approving legislative committees adopted it prior to submission of original agency budgets to the Governor's Office. It represents a present law budget and identified new initiatives consistent with the original submissions by executive branch agencies. The executive is statutorily required to present the Legislative Branch budget as submitted.

#### LFD COMMENT

The statewide present law personal service adjustment for the 2011 biennium is \$3.4 million higher than the FY 2008 personal services base. About \$1.1 million is attributable to annualizing the pay plan approved by the 2007 Legislature. Another \$1.4 million is attributable to vacancies within the branch. Had no vacancies existed, base expenditures would have been about \$0.7 million higher annually. The branch implemented a revised pay and classification plan to achieve market equity in FY 2006. The costs of annualizing market target and merit pay adjustments were about \$0.7 million.

#### Goals and Objectives:

State law requires state agencies to submit agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. The Legislative Branch divisions report to three separate standing legislative committees as follows:

- o Legislative Services Division – Legislative Council
- o Legislative Fiscal Division (LFD) – Legislative Finance Committee (LFC)
- o Legislative Audit Division – Legislative Audit Committee

To set an example and improve its products, the Branch divisions revised their goals and measurable objectives. The LFD and the LFC recommends that the legislature adopt specific goals and corresponding objectives for monitoring during the interim. The three divisions propose that the Legislative Council, Legislative Finance Committee, and Legislative Audit Committee use the recommended goals and objectives to monitor their respective divisions' successes in the 2011 biennium. Program goals and objectives for each division are discussed in the program narratives.

### Agency Personal Services Narrative

The Legislative Branch maintains a pay plan for Legislative Branch positions, conducts market surveys separate from the

Executive Branch, and is not subject to Executive Branch pay plan rules. On June 24, 2006, the 2006 Legislative Branch market survey was implemented and on May 24, 2008 the 2008 survey was implemented. In answering the questions, dates were changed to reflect the intention of the question and additional explanation was provided as necessary.

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- **Agency Market** – Legislative Audit Division (LAD) does not utilize target market ratios to adjust salaries for their staff. Instead LAD’s policy is to use merit pay and career ladder progression. In the Legislative Services and Fiscal Divisions the 2008 market survey was implemented in May 2008. The target for lower pay levels is for staff to be at 100 percent of market after being in the positions for 4 years, for mid pay levels to be at 100 percent of market after being in the position for 6 years, and management levels to be 100 percent of market after being in the position for 8 years. The Legislative Branch plans to use market adjustments and performance-based pay to raise employees to market. The agency used the 0.6 percent funding to implement market progression and job performance increases
- **Obstacles** - In implementing the performance aspect of the plan, the lack of management time and human resource staff has been an obstacle, as well as a lack of an adequate and consistent funding mechanism to support the pay levels

**LFD  
ISSUE**

Staffing Levels

The Legislature May Want to More Clearly Define Staff Workload Expectations and Revise Staffing Levels to Meet That Expectation.

The legislature has leveraged the cyclical nature of biennial session and interim work to minimize the amount of permanent legislative support staff by significantly understaffing for session and session preparation, i.e., expecting staff to put in significant overtime hours for session activities in the form of compensatory time, and then allowing staff to use the compensatory time earned in the interim period between sessions. In prior decades, this has been an effective tool for minimizing staff resources required to support the legislature (particularly since overtime hours are on an hour-for-hour basis – the legislature does not fall under the Fair Labor Standards Act and does not have to compensate at time-and-a-half for overtime hours), but has been an issue for over a decade as staff finds it difficult to find the time to use the hours earned. While overtime hours vary, they can be as high as 500 hours per staff member in the session cycle, which then must be used in a 16 month time period prior to the start of the next session cycle. While staff has been able to use the earned hours in all but a few cases where earned time was either lost or extended, it has meant that legislative projects have had to be reduced in scope or foregone in order to allow the earned time to be used.

The problem can be largely attributed to a significant change in the cyclical work pattern in the form of significantly more demand for staff services in the interim. Staff resources are no longer being managed predominantly on a session basis. Interim work expectations and work plans have become more extensive, and there is no longer a significant “down time” so that staff can utilize the earned time off. Staff has had to decline or negotiate cutbacks in priority work plan items to reach legislative deadlines for use of earned time off. Legislators and interim committees have expressed frustrations with non-availability of staff to respond to their needs, as well as a desire to expand legislative interim work based on evolving policy issues.

The products and services that staff provide have grown significantly in the past 20 years, yet staffing levels have remained nearly static over that same period. For the three staff divisions of the branch, allowed FTE in total is approximately equal to 1980. While a significant part of the ability to increase services in response to greater demand can be attributed to a wise investment in information technology over increased staffing, the pressure to expand services to meet the needs of the state’s legislative body are becoming more difficult to attain. This is further exacerbated by the implementation of term limits.

**LFD  
ISSUE (CONT).**

The legislature must rely more heavily on staff as a result of less experience to provide continuity of institutional knowledge and to provide more services.

Of significant concern to staff directors and legislators is that over 25 percent of legislative staff is eligible to retire in the next 5 years, and significant “brain drain” will occur that will make it very difficult to maintain the current level of services with existing staff levels.

The level of resources that the legislature considers necessary to function effectively is directly related to legislative expectations, and is a policy issue for the legislative body to decide. There is a dual issue that the legislature should consider during budget and policy decisions of the 2011 legislative session:

- o What level of staff services is the legislature willing to accept? Is the level of services currently provided adequate, or are priority projects being set aside due to a lack of sufficient staff resources?
- o Are workload demands on existing staff realistic? In view of the increased level of service demands while retaining static staff resource levels for over 20 years, is it time to review the current legislative staffing levels to achieve a more realistic and equitable level of workload expectation from staff?

**Funding**

The following table summarizes funding for the agency, by program and source, as recommended by the approving authority. Funding for each program is discussed in detail in the individual program narratives that follow.

| Total Agency Funding<br>2011 Biennium Budget |                      |                     |                      |                |
|--|----------------------|---------------------|----------------------|----------------|
| Agency Program                               | General Fund         | State Spec.         | Grand Total          | Total %        |
| 20 Legislative Services Division             | \$ 19,598,019        | \$ 1,281,477        | \$ 20,879,496        | 61.93%         |
| 21 Legis. Committees & Activities            | 1,279,805            | -                   | 1,279,805            | 3.80%          |
| 27 Fiscal Analysis & Review                  | 3,450,379            | -                   | 3,450,379            | 10.23%         |
| 28 Audit & Examination                       | 4,669,793            | 3,433,916           | 8,103,709            | 24.04%         |
| Grand Total                                  | <u>\$ 28,997,996</u> | <u>\$ 4,715,393</u> | <u>\$ 33,713,389</u> | <u>100.00%</u> |

**Statutory Appropriations**

The following shows the total statutory appropriations associated with this agency. Because statutory appropriations do not require reauthorization each biennium, they do not appear in HB 2 and are not routinely examined by the legislature.

Legislative statutory appropriations are authorized for the Legislative Services and Audit Divisions. The source and use of the funds are as follows:

- o The source of the funding for legislative branch reserve account is any portion of unexpended and unencumbered money included in the “feed bill” and remaining carry forward appropriations for the divisions. The funds may be used for major Legislative Branch information technology projects including hardware, software, and consulting services for new initiatives and replacement and upgrading of existing systems. In the 2009 interim the House and Senate voting systems and the House sound system were replaced at a cost of \$1.1 million, leaving an estimated fund balance in the account of \$0.65 million as of July 2009
- o The source of the funding for the legislative branch retirement reserve account was a one-time only general fund appropriation of \$400,000 approved by the 2007 Legislature. In FY 2008, the branch used the funding to pay \$69,500 in retirement payouts. As of December 9, 2008 another \$19,350 had been expended for retirements in FY 2009 leaving a fund balance in the account of \$329,451 as of December 9, 2008
- o All money for audits transferred to the legislative auditor must be deposited in a state special revenue fund in the state treasury to the credit of the office of the legislative auditor. The money deposited in excess of general and pay plan appropriations is derived from higher than estimated audit revenues and may be used with a statutory appropriation. The funding may be used to pay expenses incurred in auditing state agencies based on an approved operating plan. The balance of the state special revenue fund at the end of FY 2009 is expected to be \$127,000

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2010  | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget | Budget<br>Fiscal 2010 | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget |
| Base Budget              | 9,116,067              | 9,116,067             | 18,232,134               | 62.87%               | 11,374,160            | 11,374,160            | 22,748,320               | 67.48%               |
| Statewide PL Adjustments | 1,318,178              | 1,652,380             | 2,970,558                | 10.24%               | 1,717,135             | 1,707,797             | 3,424,932                | 10.16%               |
| Other PL Adjustments     | 966,374                | 581,142               | 1,547,516                | 5.34%                | 997,955               | 294,394               | 1,292,349                | 3.83%                |
| New Proposals            | 5,495,076              | 752,712               | 6,247,788                | 21.55%               | 5,495,076             | 752,712               | 6,247,788                | 18.53%               |
| <b>Total Budget</b>      | <b>\$16,895,695</b>    | <b>\$12,102,301</b>   | <b>\$28,997,996</b>      |                      | <b>\$19,584,326</b>   | <b>\$14,129,063</b>   | <b>\$33,713,389</b>      |                      |

**Agency Issues**

*Proposals Not Included in the Executive Budget*

The following Legislative Branch proposals are above the current base budget and were not included in the executive budget proposal due to timing. These proposals were approved by the Legislative Council and the Legislative Finance Committee after the original budget proposal was forwarded to the executive, and are included here for consideration by the legislature as part of the legislative budget.

Retirement Termination Funding

The Legislative Council and the Legislative Finance Committee recommend a biennial increase of \$70,000 general fund in the 2011 biennium in the Legislative Services Division budget to replenish the branch retirement fund.

The legislature passed a bill creating a legislative branch retirement account to fund pending retirements, due to concern that over 25 percent of staff are eligible to retire in the next 5 years, creating large unfunded liability and a potential loss of institutional knowledge. The legislature approved an initial funding level of \$400,000.

Statute (5-11-120, MCA) requires the liability for the cost of eligible retirements be calculated each biennium based on an analysis of staff eligible to retire within the biennium. The analysis determined that the liability through the 2011 biennium is nearly \$700,000, and this proposal recommends enough to replenish the fund to \$400,000. This amount would provide funding for 57 percent of the total liability.

Merit Pay Funding

The Legislative Council and the Legislative Finance Committee request a biennial increase of \$300,000 general fund in the 2011 biennium to fund merit pay adjustments in the Legislative Services and Fiscal Divisions.

In 2006, the Legislative Branch adopted a broadband pay plan that uses competency and performance based merit pay at the direction of the Legislative Council, Finance, and Audit Committees. This was the next step of a previous branch committees' directive to evolve to a merit based pay plan.

A consistent and reliable funding source for merit pay adjustments is essential to the successful implementation of a merit based pay plan. With the small size of the divisions under separate approving authorities and even the small size of the branch as a whole, funding through vacancy savings is not an option.

This request would provide sufficient funding for an average merit increase of two percent per employee in the Legislative Services and Fiscal Divisions in addition to any pay plan approved by the legislature.

**Program Budget Comparison**

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

| Program Budget Comparison     |                    |                     |                     |                    |                       |                       |                    |                   |
|-------------------------------|--------------------|---------------------|---------------------|--------------------|-----------------------|-----------------------|--------------------|-------------------|
| Budget Item                   | Base Fiscal 2008   | Approp. Fiscal 2009 | Budget Fiscal 2010  | Budget Fiscal 2011 | Biennium Fiscal 08-09 | Biennium Fiscal 10-11 | Biennium Change    | Biennium % Change |
| FTE                           | 56.00              | 61.17               | 57.00               | 62.17              | 61.17                 | 62.17                 | 1.00               | 1.63%             |
| Personal Services             | 3,978,079          | 4,801,677           | 4,806,881           | 4,874,055          | 8,779,756             | 9,680,936             | 901,180            | 10.26%            |
| Operating Expenses            | 1,886,980          | 1,919,104           | 3,094,336           | 2,954,224          | 3,806,084             | 6,048,560             | 2,242,476          | 58.92%            |
| Equipment & Intangible Assets | 69,801             | 139,699             | 75,000              | 75,000             | 209,500               | 150,000               | (59,500)           | (28.40%)          |
| Transfers                     | 0                  | 0                   | 5,000,000           | 0                  | 0                     | 5,000,000             | 5,000,000          | n/a               |
| <b>Total Costs</b>            | <b>\$5,934,860</b> | <b>\$6,860,480</b>  | <b>\$12,976,217</b> | <b>\$7,903,279</b> | <b>\$12,795,340</b>   | <b>\$20,879,496</b>   | <b>\$8,084,156</b> | <b>63.18%</b>     |
| General Fund                  | 5,059,302          | 6,508,221           | 12,044,446          | 7,553,573          | 11,567,523            | 19,598,019            | 8,030,496          | 69.42%            |
| State Special                 | 875,558            | 352,259             | 931,771             | 349,706            | 1,227,817             | 1,281,477             | 53,660             | 4.37%             |
| <b>Total Funds</b>            | <b>\$5,934,860</b> | <b>\$6,860,480</b>  | <b>\$12,976,217</b> | <b>\$7,903,279</b> | <b>\$12,795,340</b>   | <b>\$20,879,496</b>   | <b>\$8,084,156</b> | <b>63.18%</b>     |

**Program Description**

The Legislative Services Division provides objective research, reference, legal, technical, information technology, and business services to the House, Senate, and other divisions of the Legislative Branch. Division services include: 1) bill and amendment drafting, preparation of bills for introduction, and engrossing and enrolling of bills; 2) publication of legislative documents of record; 3) provision of legislative research and reference services; 4) legal counseling on legislative matters and agency legal support; 5) personnel and business services; 6) planning, installation, and maintenance of agency information technology; 7) legislative committee staffing and support; 8) preparation, publication, and distribution of the Montana Code Annotated text and annotations; 9) review of the text of proposed ballot measures; 10) broadcasting of state government and public policy events; and 11) provision of legislative information to the public. The Legislative Council (council) provides policy guidance to the Legislative Services Division.

**Program Highlights**

| Legislative Services Division<br>Major Budget Highlights |  |
|--|--|
| ◆  | Requested funding for the LSD increases 24.1 percent, or \$3.1 million over the 2009 biennium after a correction due to : <ul style="list-style-type: none"> <li>• \$1.2 million to continue and expand broadcasting of the legislative session and interim committees on public television</li> <li>• Statewide present law adjustments for annualization of the pay plan and market adjustments</li> </ul> |
| Major LFD Issues   |  |
| ◆  | 20 percent of division staff (11 people) are eligible for retirement in the 2011 biennium  |

**Program Narrative**

The Legislative Services Division (LSD) 2011 biennium budget increases 24.1 percent when the technical amendment to the budget is considered compared to the 2009 biennium. Information technology services for the Senate, House, LSD, Legislative Fiscal Division (LFD), and the Legislative Audit Division (LAD) are included in the LSD program budget

rather than allocated separately to each program budget.

The council proposes \$1.2 million over the biennium to support consolidated funding for broadcasting the legislative activities TVMT within the program budget. A variety of funding sources were previously used to support operations. The council recommends consolidating funding for TVMT by \$283,570 over the biennium to provide a consistent funding source for the TVMT operations. In addition, the council proposes increasing program support to provide \$911,594 for increased transmission of legislative sessions and interim activities within Montana.

**LFD  
ISSUE**

Costs to Archive the Audio and Video Minutes of the Legislative Branch Not Included in MHS Budget

The 2007 Legislature approved two one-time only general fund appropriations for the 2009 biennium related to TVMT:

- o \$200,000 to the Legislative Branch for TVMT to provide live and delayed broadcasts of legislative proceedings
- o \$80,000 to the Montana Historical Society (MHS) for archiving the recording of the TVMT legislative proceedings

While the council recommends funding for TVMT in the Legislative Branch budget, the executive did not provide for continued funding to the MHS for archiving the recordings of the legislative proceedings.

Personal service costs and equipment were included as part of the \$80,000 appropriation and the MHS indicates continuation of this level of support would allow the agency to continue their work archiving digital archives related to TVMT for the 2011 biennium.

Another legislative policy consideration is the necessity of developing a long-term strategy for the state as a whole. As use of digital recordings increases for legislative committees, House and Senate sessions, and interim committee meetings, there is a need for management, coordination and production of audio and video branchwide and to preserve the technology used to create the recordings or to transfer the recordings to a new technology as changes occur. The legislature may wish to request a legislative study to determine the need and related options for a long-term strategy.

Options:

- o Request the Joint Appropriations Subcommittee on Education include an ongoing general fund appropriation of \$80,000 over the biennium to the Research Center Program within the Montana Historical Society to provide continued support for archiving legislative proceedings
- o Request a committee bill for a study of the need and options related to a long-term digital archive

*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 Legislative Fiscal Division recommends that the legislature review the following:

- o Goals and objectives and their correlation to the 2011 biennium budget request

Goal

Provide information and notices to the public about the Legislature, the legislative process, state law, and state government.

Objectives

- o The state broadcasting service (TVMT) provides citizen access required by Title 5, chapter 11, part 11, MCA, through a public affairs television and internet broadcasting service
- o The Interim newsletter reports legislative activities and is published and distributed each month of the interim between regular legislative sessions
- o Legislative workflow (beginning with the drafting of legislation and ending with the publication of law) is managed by automated systems which provide user-friendly public access to information throughout the process

- o Information, as provided, complies with the right-of-participation and right-to-know requirements of Article II and Article V of the Montana Constitution and Title 5, MCA

**Funding**

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Legislative Council.

| Program Funding Table               |                     |                      |                      |                        |                     |                        |
|-------------------------------------|---------------------|----------------------|----------------------|------------------------|---------------------|------------------------|
| Legislative Services Division       |                     |                      |                      |                        |                     |                        |
| Program Funding                     | Base<br>FY 2008     | % of Base<br>FY 2008 | Budget<br>FY 2010    | % of Budget<br>FY 2010 | Budget<br>FY 2011   | % of Budget<br>FY 2011 |
| 01000 Total General Fund            | \$ 5,059,302        | 85.2%                | \$ 12,044,446        | 92.8%                  | \$ 7,553,573        | 95.6%                  |
| 01100 General Fund                  | 5,059,302           | 85.2%                | 12,044,446           | 92.8%                  | 7,553,573           | 95.6%                  |
| 02000 Total State Special Funds     | 875,558             | 14.8%                | 931,771              | 7.2%                   | 349,706             | 4.4%                   |
| 02513 Leg Branch Reserve Account    | -                   | -                    | -                    | -                      | -                   | -                      |
| 02522 Leg Retirement Account        | -                   | -                    | -                    | -                      | -                   | -                      |
| 02800 Reimbursable Activities       | 833,638             | 14.0%                | 904,151              | 7.0%                   | 322,703             | 4.1%                   |
| 02985 State Government Broadcasting | 41,920              | 0.7%                 | 27,620               | 0.2%                   | 27,003              | 0.3%                   |
| <b>Grand Total</b>                  | <b>\$ 5,934,860</b> | <b>100.0%</b>        | <b>\$ 12,976,217</b> | <b>100.0%</b>          | <b>\$ 7,903,279</b> | <b>100.0%</b>          |

The Legislative Services Program is mainly funded by general fund. State special revenue funding supports a portion of the costs associated with the state broadcasting service (TVMT) and the costs of the preparation, publication, and distribution of the Montana Codes Annotated.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2010  | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget | Budget<br>Fiscal 2010 | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget |
| Base Budget              | 5,059,302              | 5,059,302             | 10,118,604               | 51.63%               | 5,934,860             | 5,934,860             | 11,869,720               | 56.85%               |
| Statewide PL Adjustments | 870,094                | 1,193,901             | 2,063,995                | 10.53%               | 902,559               | 962,630               | 1,865,189                | 8.93%                |
| Other PL Adjustments     | 619,974                | 547,658               | 1,167,632                | 5.96%                | 643,722               | 253,077               | 896,799                  | 4.30%                |
| New Proposals            | 5,495,076              | 752,712               | 6,247,788                | 31.88%               | 5,495,076             | 752,712               | 6,247,788                | 29.92%               |
| <b>Total Budget</b>      | <b>\$12,044,446</b>    | <b>\$7,553,573</b>    | <b>\$19,598,019</b>      |                      | <b>\$12,976,217</b>   | <b>\$7,903,279</b>    | <b>\$20,879,496</b>      |                      |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Legislative Council. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments                                  | -----Fiscal 2010----- |                  |                 |                 |                    | -----Fiscal 2011----- |                  |                    |                 |                    |
|--|-----------------------|------------------|-----------------|-----------------|--------------------|-----------------------|------------------|--------------------|-----------------|--------------------|
|  | FTE                   | General Fund     | State Special   | Federal Special | Total Funds        | FTE                   | General Fund     | State Special      | Federal Special | Total Funds        |
| Personal Services  |                       |                  |                 |                 | 751,164            |                       |                  |                    |                 | 818,311            |
| Inflation/Deflation                                      |                       |                  |                 |                 | 769                |                       |                  |                    |                 | 1,007              |
| Fixed Costs  |                       |                  |                 |                 | 150,626            |                       |                  |                    |                 | 143,312            |
| <b>Total Statewide Present Law Adjustments</b>           |                       |                  |                 |                 | <b>\$902,559</b>   |                       |                  |                    |                 | <b>\$962,630</b>   |
| DP 1 - Program Operations, Legislative Services Division |                       |                  |                 |                 |                    |                       |                  |                    |                 |                    |
|  | 0.00                  | 619,974          | 23,748          | 0               | 643,722            | 0.00                  | 547,658          | (294,581)          | 0               | 253,077            |
| <b>Total Other Present Law Adjustments</b>               | <b>0.00</b>           | <b>\$619,974</b> | <b>\$23,748</b> | <b>\$0</b>      | <b>\$643,722</b>   | <b>0.00</b>           | <b>\$547,658</b> | <b>(\$294,581)</b> | <b>\$0</b>      | <b>\$253,077</b>   |
| <b>Grand Total All Present Law Adjustments</b>           |                       |                  |                 |                 | <b>\$1,546,281</b> |                       |                  |                    |                 | <b>\$1,215,707</b> |

**Program Personal Services Narrative**

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – The Legislative Services Division is at 98 percent of the agency target market ratio on October 1, 2008, after implementing the HB 13 pay adjustments relative to the May 23, 2008 market survey. LSD does not make any exceptions to the agency policy on entry market ratios or for progression to market
- o **Vacancy** – The LSD experienced a vacancy rate of approximately 12.2 percent when expected hours were compared to actual hours expended in FY 2008. Vacancies occurred mainly for two reasons, retirements or leaving for increased salary
- o **Legislatively applied vacancy savings** – The legislature does not recommend a vacancy savings rate for the Legislative Branch as a matter of statute and policy, and no vacancy savings was applied in the 2009 biennium. The issue of vacancy savings for the branch is negotiated with legislative leadership and the Joint Appropriations Subcommittee on General Government
- o **Pay Changes** - The LSD implemented market adjustments funded using the 0.6 percent discretionary increases approved in HB 13 and vacancy savings
- o **Retirements** – The LSD estimates that 11 employees will be eligible to retire in the 2011 biennium. The compensated absence liability for those retirements is \$281,929. See narrative in the agency summary under “Proposals Not Included in the Executive Budget” for a discussion of issues related to funding branch retirements.

|                    |   |
|--------------------|---|
| <b>LFD COMMENT</b> | It should be noted that the legislature has had a policy of keeping staffing levels within the division low, resulting in division staff accumulating large compensated leave balances as a result of the legislative session/preparation. Staff is required to reduce these balances during the interim which can make it difficult to provide support for the various interim committees. Should the legislature add additional interim committees or substantial interim studies, the staffing levels of the LSD may need to be revised. |
|--------------------|---|

DP 1 - Program Operations, Legislative Services Division - Increases and decreases reflect the cyclical legislative business cycle and include a \$39,348 increase in the first year and a \$278,981 decrease in the second year related to publication and distribution of the Montana Code Annotated. Other increases totaling \$52,979 in the first year and \$15,604 in the second year include an increase in library subscription costs, the addition of a videoconferencing bridge as an alternative to travel, an increase in state broadcasting distribution costs, and information officer activities not fully captured in the base year. The branch computer network budget as approved by the Computer Systems Planning Council is also included.

**New Proposals**

| Program   | -----Fiscal 2010----- |                    |               |                 |                    | -----Fiscal 2011----- |                  |               |                 |                  |         |
|---|-----------------------|--------------------|---------------|-----------------|--------------------|-----------------------|------------------|---------------|-----------------|------------------|---------|
|   | FTE                   | General Fund       | State Special | Federal Special | Total Funds        | FTE                   | General Fund     | State Special | Federal Special | Total Funds      |         |
| DP 2 - Systems Analyst FTE and Contracted Srv Reduction   | 20                    | 1.00               | (41,362)      | 0               | 0                  | (41,362)              | 1.00             | 77,665        | 0               | 0                | 77,665  |
| DP 3 - TVMT Consolidation of Funding & Transmission       | 20                    | 0.00               | 528,288       | 0               | 0                  | 528,288               | 0.00             | 666,876       | 0               | 0                | 666,876 |
| DP 4 - Reserve Funds for Obsolete Systems - OTO           | 20                    | 0.00               | 5,000,000     | 0               | 0                  | 5,000,000             | 0.00             | 0             | 0               | 0                | 0       |
| DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation | 20                    | 0.00               | 8,150         | 0               | 0                  | 8,150                 | 0.00             | 8,171         | 0               | 0                | 8,171   |
| <b>Total</b>  | <b>1.00</b>           | <b>\$5,495,076</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$5,495,076</b> | <b>1.00</b>           | <b>\$752,712</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$752,712</b> |         |

DP 2 - Systems Analyst FTE and Contracted Srv Reduction - This proposal includes a biennial general fund decrease of \$119,000 in present law contracted services from the branch computer network budget and a biennial increase of \$155,303 in personal services for the 1.00 FTE systems analyst position. The net biennial increase is \$36,303. The analyst would document Legislative Fiscal Division (LFD) business processes and existing computer systems (currently supported by LFD staff who are anticipating retirement) and support and maintain those systems in the branch network environment.

DP 3 - TVMT Consolidation of Funding & Transmission - The council proposes \$283,570 over the biennium to consolidate the funding for TVMT. TVMT has been previously from a variety of funding sources, the majority of which were not included in the base budget for LSD. In addition, the council proposes \$911,594 over the biennium to increase transmission efforts to reach Montana communities not previously included in the TVMT viewing area and to continue the same transmission effort during the legislative interim as during a legislative session.

DP 4 - Reserve Funds for Obsolete Systems - OTO - Section 5-11-407, MCA, created the legislative branch reserve account to set aside funds for major legislative branch information technology projects. Funds in the reserve account are invested pursuant to Title 17, chapter 6, and are statutorily appropriated subject to the approval of the Legislative Council. The estimated reserve balance at the July 2009 is estimated to be \$650,000 following replacement of the House and Senate voting systems and boards and fiscal year-end 2009 reversions. The council proposes to transfer \$5 million general fund into the reserve account to provide funding for the replacement of the Legislative Automated Workflow System (LAWS) and appurtenant systems for bill drafting, engrossing, enrolling, committee minutes, journal, bill status and code update. The replacement process is projected to take four years beginning in FY 2010 and ending in FY 2013. Timing of the replacement is an issue as senior staff who are most familiar with the system are also nearing retirement.

|                    |   |
|--------------------|---|
| <b>LFD COMMENT</b> | Due to the technical concerns with transfers in HB 2 the LFD submitted a technical amendment for inclusion in the executive’s December 15 budget amendment to remove this decision package from the proposed budget. A separate bill for the LAWS and related system will be submitted for legislative consideration. |
|--------------------|---|

DP 6101 - Fixed Cost Workers Comp Mgmt Program Allocation - The Workers’ Compensation Management Program at the Department of Administration was funded by the 2007 Legislature with a one-time-only (OTO) general fund appropriation. For the 2011 biennium and beyond, the executive proposes the program be funded via a fixed cost allocation. The allocation is based upon the average number of payroll warrants issued per pay period. Because the program was approved as an OTO for the current biennium, it must be presented as a new proposal for the next biennium. Therefore, the allocation cannot be included as part of the standard present law fixed cost process.

**Program Budget Comparison**

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

| Program Budget Comparison |                  |                     |                    |                    |                       |                       |                  |                   |
|---------------------------|------------------|---------------------|--------------------|--------------------|-----------------------|-----------------------|------------------|-------------------|
| Budget Item               | Base Fiscal 2008 | Approp. Fiscal 2009 | Budget Fiscal 2010 | Budget Fiscal 2011 | Biennium Fiscal 08-09 | Biennium Fiscal 10-11 | Biennium Change  | Biennium % Change |
| FTE                       | 0.97             | 0.97                | 0.97               | 0.97               | 0.97                  | 0.97                  | 0.00             | 0.00%             |
| Personal Services         | 79,884           | 88,921              | 135,189            | 34,129             | 168,805               | 169,318               | 513              | 0.30%             |
| Operating Expenses        | 393,579          | 432,098             | 730,439            | 380,048            | 825,677               | 1,110,487             | 284,810          | 34.49%            |
| <b>Total Costs</b>        | <b>\$473,463</b> | <b>\$521,019</b>    | <b>\$865,628</b>   | <b>\$414,177</b>   | <b>\$994,482</b>      | <b>\$1,279,805</b>    | <b>\$285,323</b> | <b>28.69%</b>     |
| General Fund              | 473,463          | 521,019             | 865,628            | 414,177            | 994,482               | 1,279,805             | 285,323          | 28.69%            |
| <b>Total Funds</b>        | <b>\$473,463</b> | <b>\$521,019</b>    | <b>\$865,628</b>   | <b>\$414,177</b>   | <b>\$994,482</b>      | <b>\$1,279,805</b>    | <b>\$285,323</b> | <b>28.69%</b>     |

**Program Description**

The Legislative Committees and Activities Program supports the activities of standing and interim legislative committees that are conducted during the interim between legislative sessions. Program expenditures support: 1) interim study activities as defined in 5-5-202 through 5-5-217, MCA; 2) cooperative interstate, international and intergovernmental activities as outlined in 5-11-303 through 5-11-305, MCA; and 3) other legislative activities for which appropriations are made.

**Program Highlights**

|   |
|---|
| <b>Committees and Activities Program</b>  |
| <b>Major Budget Highlights</b>  |
| <ul style="list-style-type: none"> <li>◆ Requested funding for the program increases 29 percent (\$285,000) due to present law adjustments that include funding for redistricting and other committees</li> </ul> |
| <b>Major LFD Issues</b>   |
| <ul style="list-style-type: none"> <li>• Proposals for increases in legislative interim committees and studies could increase the proposed budget for staffing and operating costs</li> </ul>                     |

**Program Narrative**

The Legislative Committees and Activities Program proposed budget increases 28.7 percent when compared to the 2009 biennium. The Council proposes a present law adjustment for increases in program operations of \$323,000 over the biennium. The increase includes increased costs for districting and apportionment, lodging, mileage, organizational dues, training, and conference registration fees; and reestablishment of the Legislative Council discretionary fund for emerging issues.

**LFD ISSUE** Proposed Changes to the Legislative Interim Committee Structure Could Increase the Proposed Budget

During the 2009 biennium interim several changes to the current legislative interim committee structure were proposed through committee bill requests. Included in the proposed changes are:

- o SB 4 appoint a water subcommittee as part of the Environmental Quality Council
- o SB 22 create a new water interim committee
- o SB 44 create a legislative health policy council
- o LC 99 create a new administrative code interim committee
- o LC 115 create a new demographic, economic, and government trend analysis interim committee
- o LC 438 create a new local government interim committee
- o LC 500 create a new fire suppression interim committee

Each additional committee requires leadership or the presiding officer of the committee to appoint members and provide funding support for travel and per diem costs while meeting. If the committee determines out-of-Helena meetings are appropriate, staff travel time and costs increase. It also places additional demands on Legislative Services or Fiscal Division staff to provide research, legal advice, and/or secretarial support. Current staff workloads would need to be considered to determine if FTE for the divisions is adequate to support current staffing responsibilities and staff additional committees during the interim and as part of the 2011 legislative session.

Option: The Joint Appropriations Subcommittee on General Government may wish to request that sponsors of the seven proposed bills discuss their proposals with the subcommittee to allow for subcommittee input on the legislative committee structure and the resulting Legislative Branch budget support required for the 2011 interim should changes be approved.

**Funding**

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Legislative Council.

| Program Funding          | Base<br>FY 2008   | % of Base<br>FY 2008 | Budget<br>FY 2010 | % of Budget<br>FY 2010 | Budget<br>FY 2011 | % of Budget<br>FY 2011 |
|--------------------------|-------------------|----------------------|-------------------|------------------------|-------------------|------------------------|
| 01000 Total General Fund | \$ 473,463        | 100.0%               | \$ 865,628        | 100.0%                 | \$ 414,177        | 100.0%                 |
| 01100 General Fund       | 473,463           | 100.0%               | 865,628           | 100.0%                 | 414,177           | 100.0%                 |
| <b>Grand Total</b>       | <b>\$ 473,463</b> | <b>100.0%</b>        | <b>\$ 865,628</b> | <b>100.0%</b>          | <b>\$ 414,177</b> | <b>100.0%</b>          |

The program is funded with general fund.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2010  | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget | Budget<br>Fiscal 2010 | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget |
| Base Budget              | 473,463                | 473,463               | 946,926                  | 73.99%               | 473,463               | 473,463               | 946,926                  | 73.99%               |
| Statewide PL Adjustments | 55,551                 | (45,484)              | 10,067                   | 0.79%                | 55,551                | (45,484)              | 10,067                   | 0.79%                |
| Other PL Adjustments     | 336,614                | (13,802)              | 322,812                  | 25.22%               | 336,614               | (13,802)              | 322,812                  | 25.22%               |
| New Proposals            | 0                      | 0                     | 0                        | 0.00%                | 0                     | 0                     | 0                        | 0.00%                |
| <b>Total Budget</b>      | <b>\$865,628</b>       | <b>\$414,177</b>      | <b>\$1,279,805</b>       |                      | <b>\$865,628</b>      | <b>\$414,177</b>      | <b>\$1,279,805</b>       |                      |

### Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the Legislative Council. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments                                 | -----Fiscal 2010----- |                  |               |                 |                  | -----Fiscal 2011----- |                   |               |                 |                   |
|---|-----------------------|------------------|---------------|-----------------|------------------|-----------------------|-------------------|---------------|-----------------|-------------------|
|   | FTE                   | General Fund     | State Special | Federal Special | Total Funds      | FTE                   | General Fund      | State Special | Federal Special | Total Funds       |
| Personal Services                                       |                       |                  |               |                 | 55,305           |                       |                   |               |                 | (45,755)          |
| Inflation/Deflation                                     |                       |                  |               |                 | 246              |                       |                   |               |                 | 271               |
| <b>Total Statewide Present Law Adjustments</b>          |                       |                  |               |                 | <b>\$55,551</b>  |                       |                   |               |                 | <b>(\$45,484)</b> |
| DP 5 - Program Operations, Committees & Activities Prog | 0.00                  | 336,614          | 0             | 0               | 336,614          | 0.00                  | (13,802)          | 0             | 0               | (13,802)          |
| <b>Total Other Present Law Adjustments</b>              | <b>0.00</b>           | <b>\$336,614</b> | <b>\$0</b>    | <b>\$0</b>      | <b>\$336,614</b> | <b>0.00</b>           | <b>(\$13,802)</b> | <b>\$0</b>    | <b>\$0</b>      | <b>(\$13,802)</b> |
| <b>Grand Total All Present Law Adjustments</b>          |                       |                  |               |                 | <b>\$392,165</b> |                       |                   |               |                 | <b>(\$59,286)</b> |

### Program Personal Services Narrative

Staff supporting the Legislative Committees and Activities are budgeted in the other divisions of the Legislative Branch. Refer to the personal services narrative for the other divisions for a discussion on related personal services issues.

DP 5 - Program Operations, Committees & Activities Prog - The council proposes a general fund increase of \$336,614 in FY 2010 and a decrease of \$13,802 in FY 2011 for adjustments related to the legislative interim. Biennial program increases include increased costs of lodging and mileage only partially captured in the base year, organizational dues, training and conference registration fees, and re-establishment of the Legislative Council discretionary fund for emerging issues. Additional funding is also included for the districting and apportionment cycle and legislative liaisons to the Board of Investments now required by 2-15-1808, MCA and the State Administration of Veteran's Affairs Interim Committee to meet statutory requirements of 5-5-228 MCA.

### Program Budget Comparison

The following table summarizes the total budget requested by the Legislative Finance Committee for the agency by year, type of expenditure, and source of funding.

| Program Budget Comparison |                     |                        |                       |                       |                          |                          |                    |                      |
|---------------------------|---------------------|------------------------|-----------------------|-----------------------|--------------------------|--------------------------|--------------------|----------------------|
| Budget Item               | Base<br>Fiscal 2008 | Approp.<br>Fiscal 2009 | Budget<br>Fiscal 2010 | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 08-09 | Biennium<br>Fiscal 10-11 | Biennium<br>Change | Biennium<br>% Change |
| FTE                       | 18.50               | 18.50                  | 18.50                 | 18.50                 | 18.50                    | 18.50                    | 0.00               | 0.00%                |
| Personal Services         | 1,457,907           | 1,545,574              | 1,660,877             | 1,663,189             | 3,003,481                | 3,324,066                | 320,585            | 10.67%               |
| Operating Expenses        | 41,284              | 87,110                 | 41,394                | 84,919                | 128,394                  | 126,313                  | (2,081)            | (1.62%)              |
| <b>Total Costs</b>        | <b>\$1,499,191</b>  | <b>\$1,632,684</b>     | <b>\$1,702,271</b>    | <b>\$1,748,108</b>    | <b>\$3,131,875</b>       | <b>\$3,450,379</b>       | <b>\$318,504</b>   | <b>10.17%</b>        |
| General Fund              | 1,499,191           | 1,632,684              | 1,702,271             | 1,748,108             | 3,131,875                | 3,450,379                | 318,504            | 10.17%               |
| <b>Total Funds</b>        | <b>\$1,499,191</b>  | <b>\$1,632,684</b>     | <b>\$1,702,271</b>    | <b>\$1,748,108</b>    | <b>\$3,131,875</b>       | <b>\$3,450,379</b>       | <b>\$318,504</b>   | <b>10.17%</b>        |

### Program Description

The Legislative Fiscal Division provides the legislature with objective fiscal information and analysis relevant to Montana public policy and budget determination. Division services include: 1) fiscal analysis of state government and the furnishing of information bearing upon the financial matters of the state; 2) identification of ways to effect economy and efficiency in state government; 3) estimation of revenue and analysis of tax policy; 4) analysis of the executive budget; 5) compiling and analyzing fiscal information for legislators and legislative committees; and 6) staffing and support for legislative committees, including the preparation and processing of the appropriation bills for the legislative, judicial, and executive agencies. The Legislative Finance Committee provides oversight to the Legislative Fiscal Division.

### Program Highlights

| <b>Legislative Fiscal Division<br/>Major Budget Highlights</b> |   |
|--|---|
| ◆  | Requested funding for the program increases 10 percent (\$318,000) due to statewide present law adjustments that included funding for pay plan annualization and market adjustments |
| <b>Major LFD Issues</b>  |   |
| ◆  | 27 percent of division staff (5 people) are eligible for retirement in the 2011 biennium  |

### Program Narrative

The budget for the Legislative Fiscal Division (LFD) increases 10.2 percent when compared to the 2009 biennium. State wide present law adjustments make up the changes between the two biennia. For a discussion on changes to personal services included in the statewide present law adjustments see the personal services narrative under present law adjustments.

*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 Legislative Fiscal Division recommends that the legislature review the following:

- o Goals and objectives and their correlation to the 2011 biennium budget request

2011 Biennium Major Goals

Goal – The goal of the Legislative Fiscal Division is that every legislator be able to make every legislative/fiscal decision with the most accurate and updated fiscal data, information, and analysis that is available. This involves using division resources to achieve the following:

- o Assist the Legislature in the budget process by: 1) analyzing the executive budget and state fiscal condition prior to each regular and special legislative session; 2) providing assistance to the Legislature throughout the appropriations process and on all matters of fiscal policy, including generating the general appropriations act; and 3) maintaining implementation and historical records of legislative budget action, including the publishing of the post-session Legislative Fiscal Report

Objectives

- o The Budget Analysis Report is the primary working document of the appropriations process and facilitates formulations of effective budget policy. The report is to be completed and available to the legislature approximately 2 weeks prior to the start of the legislative session
- o Effective staffing of committees and completion of each phase of the appropriations process. Deadlines are driven by the legislative calendar but generally allow subcommittees until about the 40th day of the session. Other deadlines are established in consultation with leadership but, once set, must be adhered to
- o The general fund status report is timely and provides concise and clear information on the status of the budget process throughout the session. These are typically delivered on a weekly basis, starting near the end of January and based upon the occurrence of a meaningful amount of executive action in the budget subcommittees
- o By June following the regular session, a Legislative Fiscal Report is prepared and published, providing a complete, concise summary of legislative budget action is taken by the Legislature
- o Satisfactory evaluations are received from leadership of both appropriations committees and each joint appropriation subcommittee staffed by the LFD, at the conclusion of committee or subcommittee work but before the end of the session, indicating effective support and maintenance of committee needs

Goal - Estimate revenue from existing and proposed taxes by: 1) providing data and recommendations concerning revenue estimates to the Revenue and Taxation Interim Committee as required by law; 2) providing assistance in the revenue estimation process and tax policy analysis during legislative session; and 3) monitoring and reporting on revenue collections, trends, and forecasts throughout the biennium

Objectives

- o Revenue estimation data and recommendations are available, by November 15 prior to the regular session, in an effective working document for development of session revenue estimations by the Revenue and Taxation Interim Committee

**Funding**

The funding table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Legislative Finance Committee.

| Program Funding Table    |                     |                      |                     |                        |                     |                        |
|--------------------------|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Fiscal Analysis & Review |                     |                      |                     |                        |                     |                        |
| Program Funding          | Base<br>FY 2008     | % of Base<br>FY 2008 | Budget<br>FY 2010   | % of Budget<br>FY 2010 | Budget<br>FY 2011   | % of Budget<br>FY 2011 |
| 01000 Total General Fund | \$ 1,499,191        | 100.0%               | \$ 1,702,271        | 100.0%                 | \$ 1,748,108        | 100.0%                 |
| 01100 General Fund       | <u>1,499,191</u>    | <u>100.0%</u>        | <u>1,702,271</u>    | <u>100.0%</u>          | <u>1,748,108</u>    | <u>100.0%</u>          |
| Grand Total              | <u>\$ 1,499,191</u> | <u>100.0%</u>        | <u>\$ 1,702,271</u> | <u>100.0%</u>          | <u>\$ 1,748,108</u> | <u>100.0%</u>          |

This program is funded with general fund.

### Budget Summary by Category

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2010  | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget | Budget<br>Fiscal 2010 | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget |
| Base Budget              | 1,499,191              | 1,499,191             | 2,998,382                | 86.90%               | 1,499,191             | 1,499,191             | 2,998,382                | 86.90%               |
| Statewide PL Adjustments | 203,080                | 203,917               | 406,997                  | 11.80%               | 203,080               | 203,917               | 406,997                  | 11.80%               |
| Other PL Adjustments     | 0                      | 45,000                | 45,000                   | 1.30%                | 0                     | 45,000                | 45,000                   | 1.30%                |
| New Proposals            | 0                      | 0                     | 0                        | 0.00%                | 0                     | 0                     | 0                        | 0.00%                |
| <b>Total Budget</b>      | <b>\$1,702,271</b>     | <b>\$1,748,108</b>    | <b>\$3,450,379</b>       |                      | <b>\$1,702,271</b>    | <b>\$1,748,108</b>    | <b>\$3,450,379</b>       |                      |

### Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Legislative Finance Committee. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

| Present Law Adjustments                                | -----Fiscal 2010----- |                 |                  |                    |                  | -----Fiscal 2011----- |                 |                  |                    |                  |
|--|-----------------------|-----------------|------------------|--------------------|------------------|-----------------------|-----------------|------------------|--------------------|------------------|
|  | FTE                   | General<br>Fund | State<br>Special | Federal<br>Special | Total<br>Funds   | FTE                   | General<br>Fund | State<br>Special | Federal<br>Special | Total<br>Funds   |
| Personal Services                                      |                       |                 |                  |                    | 202,970          |                       |                 |                  |                    | 203,782          |
| Inflation/Deflation                                    |                       |                 |                  |                    | 110              |                       |                 |                  |                    | 135              |
| <b>Total Statewide Present Law Adjustments</b>         |                       |                 |                  |                    | <b>\$203,080</b> |                       |                 |                  |                    | <b>\$203,917</b> |
| DP 6 - Program Operations, Legislative Fiscal Division | 0.00                  | 0               | 0                | 0                  | 0                | 0.00                  | 45,000          | 0                | 0                  | 45,000           |
| <b>Total Other Present Law Adjustments</b>             | <b>0.00</b>           | <b>\$0</b>      | <b>\$0</b>       | <b>\$0</b>         | <b>\$0</b>       | <b>0.00</b>           | <b>\$45,000</b> | <b>\$0</b>       | <b>\$0</b>         | <b>\$45,000</b>  |
| <b>Grand Total All Present Law Adjustments</b>         |                       |                 |                  |                    | <b>\$203,080</b> |                       |                 |                  |                    | <b>\$248,917</b> |

### Program Personal Services Narrative

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – The LFD estimates it will be at 97 percent of market after implementing the HB 13 pay adjustments on October 1, 2008 relative to the May 23, 2008 target market survey. The division does not make exceptions to the branch policy relative to entry market ratio and does not make exceptions on progression to market for any specific occupations
- o **Vacancy** -- The LFD experienced a vacancy rate of approximately 9 percent when expected hours were compared to actual hours expended in FY 2008.
- o **Legislatively applied vacancy savings** – The legislature does not recommend a vacancy savings rate for the Legislative Branch as a matter of statute and policy. The issue of vacancy savings for the branch is negotiated with legislative leadership and the Joint Appropriations Subcommittee on General Government
- o **Pay Changes** – The LFD implemented market adjustments funded through the 0.6 percent discretionary increases approved in HB 13 and vacancy savings
- o **Retirements** - The LFD estimates that 5 employees will be eligible to retire in the 2011 biennium or 27 percent of the workforce. The compensated absence liability for those retirements is \$276,138. See the Agency summary under “Proposals Not Included in the Executive Budget” for a discussion of issues related to funding branch retirements

**LFD  
COMMENT**

It should be noted that the legislature has had a policy of keeping staffing levels within the division low, resulting in division staff accumulating large compensated leave balances as a result of the legislative session. Staff are required to reduce these balances during the interim which can make it difficult to provide support for the various interim committees. Should the legislature add additional interim committees or substantial interim studies, the staffing levels of the LFD may need to be revised.

DP 6 - Program Operations, Legislative Fiscal Division - This proposal increases the FY 2011 budget by \$45,000 general fund in the categories of overtime, temporary services, printing, photocopy, and office supplies, and are due to cyclical legislative session costs which are not captured in the base year. This is the same amount approved for the 2009.

### Program Budget Comparison

The following table summarizes the total budget requested by the Legislative Audit Committee for the agency by year, type of expenditure, and source of funding.

| Program Budget Comparison |                     |                        |                       |                       |                          |                          |                    |                      |
|---------------------------|---------------------|------------------------|-----------------------|-----------------------|--------------------------|--------------------------|--------------------|----------------------|
| Budget Item               | Base<br>Fiscal 2008 | Approp.<br>Fiscal 2009 | Budget<br>Fiscal 2010 | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 08-09 | Biennium<br>Fiscal 10-11 | Biennium<br>Change | Biennium<br>% Change |
| FTE                       | 54.50               | 54.50                  | 54.50                 | 54.50                 | 54.50                    | 54.50                    | 0.00               | 0.00%                |
| Personal Services         | 3,303,886           | 4,345,223              | 3,816,594             | 3,832,998             | 7,649,109                | 7,649,592                | 483                | 0.01%                |
| Operating Expenses        | 162,760             | 225,303                | 223,616               | 230,501               | 388,063                  | 454,117                  | 66,054             | 17.02%               |
| <b>Total Costs</b>        | <b>\$3,466,646</b>  | <b>\$4,570,526</b>     | <b>\$4,040,210</b>    | <b>\$4,063,499</b>    | <b>\$8,037,172</b>       | <b>\$8,103,709</b>       | <b>\$66,537</b>    | <b>0.83%</b>         |
| General Fund              | 2,084,111           | 2,588,012              | 2,283,350             | 2,386,443             | 4,672,123                | 4,669,793                | (2,330)            | (0.05%)              |
| State Special             | 1,382,535           | 1,982,514              | 1,756,860             | 1,677,056             | 3,365,049                | 3,433,916                | 68,867             | 2.05%                |
| <b>Total Funds</b>        | <b>\$3,466,646</b>  | <b>\$4,570,526</b>     | <b>\$4,040,210</b>    | <b>\$4,063,499</b>    | <b>\$8,037,172</b>       | <b>\$8,103,709</b>       | <b>\$66,537</b>    | <b>0.83%</b>         |

### Program Description

The Legislative Audit Division conducts independent audits and provides factual and objective information to the legislative and executive managers of the public trust. Division services include: 1) conducting and reporting of biennial financial-compliance audits, performance audits, information systems audits, and special audits of state agency operations; 2) reporting of violation of penal statutes, instances of misfeasance, malfeasance, or nonfeasance, and shortages discovered in an audit that are covered by surety; 3) auditing records of entities under contract with the state; and 4) assisting the legislature, its committees, and its members by providing information related to the fiscal affairs of state government. The Legislative Audit Committee provides policy guidance to the Legislative Audit Division.

### Program Highlights

| <b>Legislative Audit Division<br/>Major Budget Highlights</b>   |
|---|
| ◆ Requested funding for the program increases less than 1 percent (\$66,000) due to cyclical costs for certain audits |

### Program Narrative

The Legislative Audit Division (LAD) budget increases 0.83 percent when compared to the 2009 biennium. Personal service costs within the division were \$441,000 lower in FY 2008 than budgeted. The reductions were due to retirements and turnover. In most cases, LAD hires new auditors at entry and progresses them through merit promotions based on ability. When staff leaves the personnel services costs are reduced due to the lower salaries paid at entry for staff coming in to the division. In FY 2008, LAD experienced a higher turnover rate than previous periods resulting in a static budget between the 2011 biennium and 2009 biennium.

### 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 Legislative Fiscal Division recommends that the legislature review the following:

- o Goals and objectives and their correlation to the 2011 biennium budget request

### 2011 Biennium Major Goals

Goal – The goal of the Legislative Audit Division is to conduct independent audits and provide factual and objective information to the legislature and executive managers of the public trust.

**Objectives**

- o All audits are completed in accordance with applicable auditing standards within one year of the end of the fiscal year under audit as required in 5-13-304, MCA
- o The statewide audit is completed by December 31 of each year and the Single Audit is issued within nine month of the end of the audit period
- o The Legislative Audit Division will follow up on all recommendations made in reports for implementation status

**Funding**

The following table shows program funding, by source, for the base year and for the 2011 biennium as recommended by the Legislative Audit Committee.

| Program Funding Table<br>Audit & Examination |                     |                      |                     |                        |                     |                        |
|--|---------------------|----------------------|---------------------|------------------------|---------------------|------------------------|
| Program Funding                              | Base<br>FY 2008     | % of Base<br>FY 2008 | Budget<br>FY 2010   | % of Budget<br>FY 2010 | Budget<br>FY 2011   | % of Budget<br>FY 2011 |
| 01000 Total General Fund                     | \$ 2,084,111        | 60.1%                | \$ 2,283,350        | 56.5%                  | \$ 2,386,443        | 58.7%                  |
| 01100 General Fund                           | 2,084,111           | 60.1%                | 2,283,350           | 56.5%                  | 2,386,443           | 58.7%                  |
| 02000 Total State Special Funds              | 1,382,535           | 39.9%                | 1,756,860           | 43.5%                  | 1,677,056           | 41.3%                  |
| 02042 Legislative Audit                      | 1,382,535           | 39.9%                | 1,756,860           | 43.5%                  | 1,677,056           | 41.3%                  |
| 02522 Leg Retirement Account                 | -                   | -                    | -                   | -                      | -                   | -                      |
| <b>Grand Total</b>                           | <b>\$ 3,466,646</b> | <b>100.0%</b>        | <b>\$ 4,040,210</b> | <b>100.0%</b>          | <b>\$ 4,063,499</b> | <b>100.0%</b>          |

This program is funded through a combination of general fund and state special revenue funds generated through the assessment to agencies of federally approved hourly rates charged for audit services.

**Budget Summary by Category**

The following summarizes the total budget by base, present law adjustments, and new proposals.

| Budget Item              | -----General Fund----- |                       |                          |                      | -----Total Funds----- |                       |                          |                      |
|--------------------------|------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|--------------------------|----------------------|
|                          | Budget<br>Fiscal 2010  | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget | Budget<br>Fiscal 2010 | Budget<br>Fiscal 2011 | Biennium<br>Fiscal 10-11 | Percent<br>of Budget |
| Base Budget              | 2,084,111              | 2,084,111             | 4,168,222                | 89.26%               | 3,466,646             | 3,466,646             | 6,933,292                | 85.56%               |
| Statewide PL Adjustments | 189,453                | 300,046               | 489,499                  | 10.48%               | 555,945               | 586,734               | 1,142,679                | 14.10%               |
| Other PL Adjustments     | 9,786                  | 2,286                 | 12,072                   | 0.26%                | 17,619                | 10,119                | 27,738                   | 0.34%                |
| New Proposals            | 0                      | 0                     | 0                        | 0.00%                | 0                     | 0                     | 0                        | 0.00%                |
| <b>Total Budget</b>      | <b>\$2,283,350</b>     | <b>\$2,386,443</b>    | <b>\$4,669,793</b>       |                      | <b>\$4,040,210</b>    | <b>\$4,063,499</b>    | <b>\$8,103,709</b>       |                      |

**Present Law Adjustments**

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget proposed by the Legislative Audit Committee. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

|  | -----Fiscal 2010----- |                |                |                 |                  | -----Fiscal 2011----- |                |                |                 |                  |
|--|-----------------------|----------------|----------------|-----------------|------------------|-----------------------|----------------|----------------|-----------------|------------------|
|  | FTE                   | General Fund   | State Special  | Federal Special | Total Funds      | FTE                   | General Fund   | State Special  | Federal Special | Total Funds      |
| Present Law Adjustments                                |                       |                |                |                 |                  |                       |                |                |                 |                  |
| Personal Services                                      |                       |                |                |                 | 512,708          |                       |                |                |                 | 529,112          |
| Inflation/Deflation                                    |                       |                |                |                 | 3,584            |                       |                |                |                 | 5,065            |
| Fixed Costs  |                       |                |                |                 | 39,653           |                       |                |                |                 | 52,557           |
| <b>Total Statewide Present Law Adjustments</b>         |                       |                |                |                 | <b>\$555,945</b> |                       |                |                |                 | <b>\$586,734</b> |
| DP 7 - Program Operations, Audit & Examination Program |                       |                |                |                 |                  |                       |                |                |                 |                  |
|  | 0.00                  | 9,786          | 7,833          | 0               | 17,619           | 0.00                  | 2,286          | 7,833          | 0               | 10,119           |
| <b>Total Other Present Law Adjustments</b>             | <b>0.00</b>           | <b>\$9,786</b> | <b>\$7,833</b> | <b>\$0</b>      | <b>\$17,619</b>  | <b>0.00</b>           | <b>\$2,286</b> | <b>\$7,833</b> | <b>\$0</b>      | <b>\$10,119</b>  |
| <b>Grand Total All Present Law Adjustments</b>         |                       |                |                |                 | <b>\$573,564</b> |                       |                |                |                 | <b>\$596,853</b> |

**Program Personal Services Narrative**

The following information is provided so that the legislature can consider various personal services issues when examining the agency budget. It was submitted by the agency and edited for brevity by the LFD.

- o **Market Rate** – The Legislative Audit Division estimates it will be at 91 percent of the agency target market ratio on October 1, 2008, after implementing the HB 13 pay adjustments relative to the May 23, 2008 market survey. LAD excepts entry level auditors as they are hired at 94.5 percent of market based on competition for college graduates. As discussed in the agency narrative, LAD does not use target market ratios to progress employee salaries. Merit pay and career ladder progression are used to progress positions within the pay grade.
- o **Vacancy** - LAD experienced a vacancy rate of 12.95 percent when expected hours were compared to actual hours expended in FY 2008.
- o **Legislatively applied vacancy savings** – The legislature does not recommend a vacancy savings rate for the Legislative Branch as a matter of statute and policy and no vacancy savings was applied in the 2009 biennium. The issue of vacancy savings for the branch is negotiated with legislative leadership and the Joint Appropriations Subcommittee on General Government.
- o **Pay Changes** – LAD implemented merit pay adjustments through the 0.6 percent discretionary increases approved in HB 13 and vacancy savings.
- o **Retirements** – LAD estimates that 5 employees will be eligible to retire in the 2011 biennium. The compensated absence liability for those retirements is \$122,697. See the Agency Issues Narrative for elected official requests related to funding branch retirements.

DP 7 - Program Operations, Audit & Examination Program - Changes from the adjusted base include cyclical costs associated with a Peer Review required by Government Auditing Standards, Legislative Branch audit, and contract services for the potential use of actuarial expertise on audits of the retirement systems and Montana State Fund.