

Legislative Fiscal Report

2011 Biennium



Volume 3 – Agency Budgets

Presented to the Sixty-First Legislature

Submitted by the
Legislative Fiscal Division

Legislative Finance Committee

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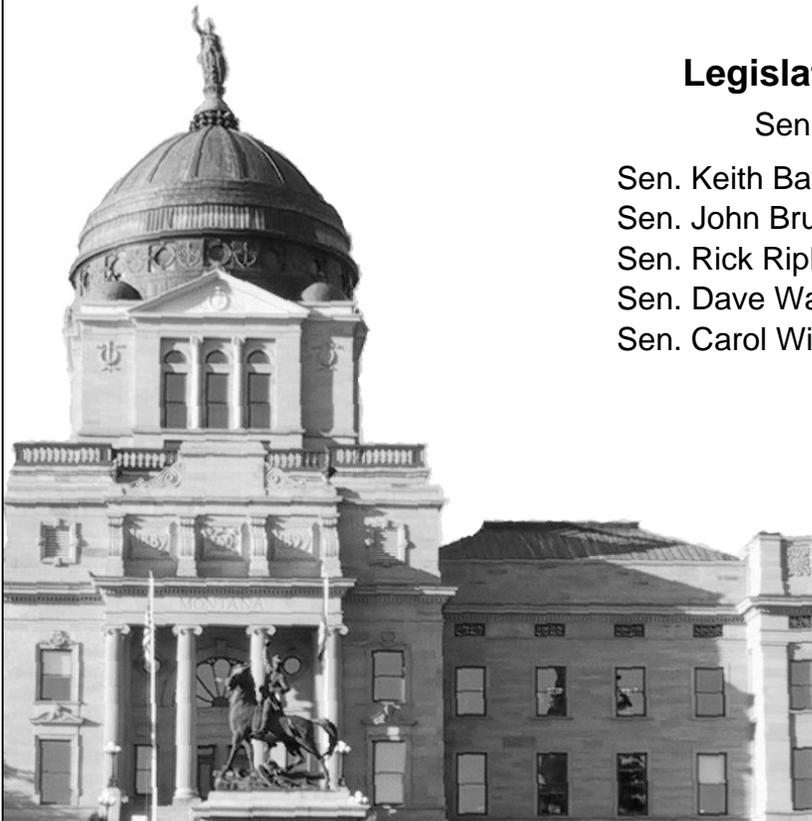
Rep. Chuck Hunter

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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
- Montana Consensus Council
- 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

Where can you find each section in the *Legislative Fiscal Report 2011 Biennium*, Volumes 3 and 4?

Volume 3 contains Sections A and B
Volume 4 contains Section C, D, E, and F

Volume 3 also contains a final version of HB 2

APPROPRIATIONS BY AGENCY AND PROGRAM (ROAD MAP)

This summary of the layout and composition of the “Appropriations by Agency and Program” section is designed to provide the reader with a “road map” for reading and utilizing the agency appropriations report that follows.

The report on agency and program appropriations is designed to provide a resource for legislators and members of the public to understand actions taken on agency budgets by the legislature and their impact on agency operations. It does this by detailing the components of the budget, as well as providing a summary of legislative action and a discussion of other legislation impacting the agency. The agencies are grouped by categories that mirror the groupings used in the appropriations process, and are summarized below.

BUDGET TIERS

The appropriations for all agency budgets were established and the appropriations report is written using the precepts contained in statute that require that the budget be presented in three tiers:

1. Base budget, which is defined as “that level of funding authorized by the previous legislature”.
2. Present law budget, defined as “that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature”.
3. New proposals, which are “requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding...”.

For a further explanation of these tiers and how they are derived, see 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.

The fiscal report is presented in such a way as to show legislative action on each present law adjustment and new proposal made to the base budget to derive the 2011 biennium agency budget.

COMPONENTS OF THE FISCAL REPORT

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 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** titled “Agency Budget Comparison” shows the adjusted actual expenditures and appropriations of the current biennium and the legislative budget 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. **Agency Description** is a brief description of the agency, along with its mission statement.
3. **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.
4. **Agency Discussion** provides additional information or overarching discussion.
5. **Funding** is a table and related discussion that shows the total biennium funding, by program and fund type, adopted by the legislature. Further discussion occurs in the program section.
6. **Budget Summary by Category** summarizes the legislative budget by base budget, statewide present law adjustment, other present law adjustments, and new proposals as adopted by the legislature for each year of the biennium.
7. **Executive Budget Comparison** provides a comparison of the legislative budget to the executive proposed budget.
8. **Other Legislation** lists and discusses legislation having a fiscal impact on the agency.
9. **Reorganizations** details any major reorganization that took place in the 2009 biennium or that is reflected in the 2011 biennium.
10. **Language and Statutory Authority** includes any agency-wide language approved by the legislature.

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** titled “Program Budget Comparison” 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 legislative budget 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.
5. **Funding** details program funding as adopted by the legislature, including discussion of the various types of funding used to support the program.
6. **Budget Summary by Category** summarizes the legislative budget by base budget, statewide present law adjustment, other present law adjustments, and new proposals approved by the legislature for each year of the biennium.
7. **Program Reorganization** details any program reorganizations that took place in the 2009 biennium or that were adopted by the legislature for the 2011 biennium.
8. The **Present Law Adjustments Table** delineates the major present law adjustments approved by the legislature, by fiscal year and funding source. The table is divided into two sections:
 - Statewide present law adjustments, which include most personal services adjustments, the vacancy savings applied, and adjustments due to fixed costs and inflation
 - Other present law adjustments adopted by the legislature
9. The Present Law Adjustments Table is followed by a **description of each adjustment** approved by the legislature in more detail.

10. The **New Proposals Table** shows each new proposal approved by the legislature, by fiscal year and funding source.
11. The New Proposal Table is followed by a **description of each new proposal** approved by the legislature in more detail.
12. **Language and Statutory Authority** recreates any program specific language adopted by the legislature.
13. **Other Legislation** is a listing and discussion of any legislation passed by the legislature of particular pertinence to the program.

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 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.

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. There are four main categories of adjustments: 1) personal services; 2) vacancy savings; 3) inflation/deflation; and 4) fixed costs.

Personal Services

Taking a “snapshot” of state employee positions and the factors determining compensation rates at a particular point in time derives budgeted personal services costs. A number of underlying factors will make the 2011 biennium personal services costs different from actual fiscal 2008 costs. The most important are:

- Incorporation of the 2009 biennium pay plan adopted by the 2007 Legislature (the 2011 biennium pay plan is added in as a new proposal)
- Other salary adjustments that took place and are not fully incorporated into the base FY 2008 expenditure
- Full funding of all positions
- Elimination of all termination pay that may have been incurred in FY 2008
- Incorporation of any upgrades or downgrades that occurred in FY 2008

In addition, some present law increases or decreases in FTE made by the previous legislature may be included in this portion of the table.

Vacancy Savings

The legislature adopted a 7 percent vacancy savings rate on most salaries and benefits, including insurance, for most positions. There were exceptions which are explained in individual agencies or program. Exceptions can be the application of no vacancy savings or a reduced level of vacancy savings

Inflation/Deflation

The legislature inflated or deflated certain operating expenses.

Fixed Costs

Fixed costs are costs charged to agencies to fund the operations of certain centralized service functions of state government (such as data network fees, 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 are made through a change to the service agency budget, or to the allocation method used by the service agency. A complete listing of all fixed costs is included in Appendix A of Volume 1.