

**2017 Biennium Budget  
Current Budget Issues – LFC Recommendations to HAC and SFC Leadership**

#	<i>Decision Item</i>	<i>History</i>	<i>Discussion</i>	<i>Process</i>
A	<p><u>Potential Federal Funds Reductions</u> Direct the joint appropriation subcommittees to discuss any pending reductions to major federal funding sources and related issues as identified in the Budget Analysis.</p>	<p>The federal government adopted the Budget Control Act of 2011 that included sequestration activity scheduled for January 2, 2013.</p> <p>Sequestration was delayed from January 2, 2013 to March 1, 2013 by the American Taxpayer Relief Act of 2012, which also lowered the sequestration cap for 2014 to offset the two-month delay in 2013.</p> <p>In December 2013, the Bipartisan Budget Act of 2013 increased the sequestration caps for fiscal years 2014 and 2015 by \$45 billion and \$18 billion, and for extended the imposition of the caps into 2022 and 2023.</p>	<p><b>NEW ISSUE: It is clear that the availability of federal funds to the states is still in question. Simply the problem has not gone away. In addition to potential sequestration, other issues of federal funds exists,</b></p> <p><b>An example is the state of the federal highway trust which may drop below critical level, at which point DOT may could institute cash-management strategies to avoid insolvency, which may include delaying reimbursements to states.</b></p> <p><b>Major federal funds could be designated by LFD staff. A global motion to direct all subcommittees to complete a consistent examination of these funds could allow for action by the legislature.</b></p>	<p>LFD staff would provide an analysis of the major federal funds as part of the agency overview. This would include identifying impacted programs and providing options for funding alternatives.</p>
B	<p><u>State Special Revenue Examination</u> Direct the joint appropriation subcommittees to examine major state special revenue funds for adherence to dedicated revenue provisions and other issues as identified in the Budget Analysis.</p>	<p>Traditionally, issues with major state special revenue funds are raised in the Budget Analysis and may or may not be discussed by appropriation subcommittees.</p>	<p>The major funds could be designated by LFD staff. A global motion to direct all subcommittees to complete a consistent examination of these funds could allow the Legislature to address dedicated revenue issues.</p>	<p>LFD staff would provide an analysis of the major state special revenue funds within agencies as part of the agency overview process. This could include historical revenue and expenditures, significant history of the fund, forecast for the 2017B and any issues with the corresponding statute. Potential adjustments to statute to address any identified issues can be rolled into the companion bill to HB2 or addressed in a subcommittee bill. Adjustments to appropriations of the funds can be made via HB 2.</p>

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C	<p><u>Personal Services</u>  Direct the joint appropriation subcommittees to examine personal services issues (pay plan Implementation, recruitment and retention and retirements) on an agency wide basis to identify the impacts on the agency budget and completing the agency mission.</p>	<p>Per agreement with OBPP, agencies are to submit narrative regarding pay plan implementation, recruitment and retention and retirements. This information will be analyzed and used in the 2017B budget analysis.</p>	<p>Subcommittees will need to have a working knowledge of each agency’s personal services budget and the impact of any changes via statewide present law, decision packages or the pay plan. Using a global motion to direct subcommittees to evaluate potential personal services issues per agency for the biennium could bring all parts together to provide a comprehensive view of the issues.  <b>NEW ISSUE: The LFC may need to incorporate the following:</b></p> <ul style="list-style-type: none"> <li>• Recommendations arising from the HJ 17 study of state pay plan</li> </ul>	<p>Direct chairs of subcommittees to schedule time in the agency overview process for the LFD staff to present an analysis of personal services costs and issues, including the impact of HB 13 from the 2013 session.</p>
D	<p><u>Coordination Between HB 2, HB 10 &amp; LRP</u>  Direct the Long Range Planning Subcommittee to notify the appropriate joint appropriations subcommittee of potential future operational and maintenance costs resulting from the potential funding of IT and/or long range building investments and request that subcommittee examine the impacts in a joint hearing.</p>	<p>Typically, HB 5- Long Range Building and HB 10 – Information Technology cover major capital appropriations, but HB 2 covers operations and maintenance costs. When capital appropriations are deliberated by the LRP subcommittee, ongoing costs are considered but not evaluated by the appropriate joint subcommittee.</p>		<p>LRP staff would coordinate with joint appropriations subcommittee staff to schedule joint hearings when necessary. The option would also exist for the joint appropriations subcommittee to comment on future costs if a joint hearing is not possible</p>
C	<p><u>Information Technology</u>  Direct the Long Range Planning Subcommittee to meet joint with each of the appropriate joint appropriation subcommittees to discuss priorities related to critical IT systems. Direct the subcommittees to request state agencies discuss:</p> <ul style="list-style-type: none"> <li>o Critical Systems</li> <li>o Cost to replace system</li> <li>o Cost of maintaining the current system</li> <li>o Risk associated with both retain the current system and replacing the system</li> </ul>	<p>Traditionally, issues with major IT systems have been tied to funding requests and may or may not be discussed by appropriation subcommittees. Often, subcommittees are seeing different types of appropriations, Sections A- E would examine operations and maintenance and possible small systems, while Section F would be reviewing the long range requests. This leaves the legislature with an incomplete picture of state government IT.</p>	<p>As of September 2014, SITISD will have developed a statewide inventory of all identified IT systems. This data will assist the staff in determining what a critical system is.</p>	<p>Following the interest of the LFC, staff will be prepared to discuss issue related to critical systems. Issue includes security, continuity of operations and funding. Analysts will use the agency IT strategic plans as the starting point of the discussion. Necessary adjustments to statute or funding could be incorporated into the companion bill, HB 2 or HB 10.</p>