

**2017 Biennium Budget
Recommendations for the application of certain budget issues for 2015 Legislative Session¹**

#	<i>Decision Item</i>	<i>History</i>	<i>Discussion</i>	<i>Process</i>
1	<p><u>Budget Starting Point</u> Recommend the appropriations subcommittees adopt the base budget (2014 actuals) as the starting point for budget deliberations.</p> <p>This does not include the statewide present law adjustments for personal services, statewide fixed costs, and inflation/deflation.</p>	<p>Prior to the 2013 Legislative session, the starting point was the base plus statewide present law adjustments. During 2013 Legislative session, statewide present law components of personal services, inflation/deflation and fixed costs were independently analyzed and approved. For the 2015 Legislative session the statewide present law adjustments will be presented by the executive in separate decision packages.</p>	<p>Beginning in the 2015 Legislative session, statewide present law adjustments will be presented in separate decision packages. With these decision packages, the legislature can easily examine the incremental changes.</p> <p>The adoption of the base as the starting point does not prevent a subcommittee, the full committees, or the legislature from reducing the budget later in the process.</p>	<p>Requires a motion by the subcommittees to adopt the base as the starting point.</p>
2	<p><u>SWPLA: Personal Services</u> Recommendation subcommittees to examine the statewide personal services adjustments in the following manner:</p> <ul style="list-style-type: none"> • Implementation of the pay plan • Annualization of health insurance benefits • Changes associated with payroll type taxes, longevity, etc. • Changes associate with agency actions that impact salaries • Issues related to vacancy savings 	<p>Prior to the 2013 Legislative session, the recommendation focused on the implementation of a vacancy savings rate and subcommittees were encouraged to discuss other personal services issues during budget hearings. During the 2013 Legislative session, the personal services adjustment was consolidated into a decision package by the LFD. The 2013 Legislature applied a 4% vacancy savings rate and required the equivalent number of FTE be removed to calculate personal services for the 2017 biennium. An additional 2% vacancy savings was applied separately to most entities but is not subject to the FTE reduction.</p>	<p>Individual appropriations subcommittee will be provided the opportunity to examine the changes in personal services as related to the items in column one and also have a discussion regarding recruitment and retention. Subcommittees could still develop alternative plans to providing authority for the personal services adjustment.</p> <p><u>NEW ISSUE:</u> The LFC may need to incorporate the following:</p> <ul style="list-style-type: none"> • Recommendations arising from the HJ 17 study of state pay plan • Implementation of the boilerplate language in HB2 permanently reducing FTE • Adjustments that may be necessary to fully optimize IBARS 	<p>In order to complete this activity the LFD would break down the SWPLA change package to multiple packages to allow for examination of the pieces. Some of this activity would be directly calculated from IBARS the rest would require calculations from SABHRS data.</p>

¹ 5-12-205 (7), MCA

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3	<p><u>Fixed Costs</u> Recommend the General Government subcommittee to examine fixed cost rates and provide directions regarding the acceptance of the rates to the other subcommittees. Any adjustments shall be made on a consistent basis.</p>	<p>During the 2013 Legislative session, the fixed cost adjustment was consolidated into a decision package by the LFD. General Government Subcommittee examined the rates and provided directions to the other subcommittees for adjustments.</p> <p>Previously the recommendation was not to vary from the executive proposed factors.</p>	<p>This decision does not preclude the General Government Subcommittee from increasing, or decreasing a fixed cost rate. If such change occurs, these types of adjustments would occur as change packages in all agency budgets. Subcommittees should not reduce budgeted fixed costs unless directed to do so by the General Government Subcommittee.</p>	<p><u>NEW ISSUE:</u> For the 2015 legislative session, the LFD has will develop estimates of the statewide adjustment for fixed costs. The budget analysis would include a comparison with the executive request.</p> <p>The LFD would present the analysis of the differences to the full House Appropriations and Senate Finance and Claims committees.</p>
4	<p><u>Inflation or Deflation Factors in the Budget</u> Direct the General Government subcommittee to examine the inflation/deflation factors and provide directions to the other subcommittees. Any adjustments shall be made on a consistent basis.</p>	<p>During the 2013 Legislative session, the inflation/deflation adjustment was consolidated into a decision package by the LFD.</p> <p>Previously the recommendation was not to vary from the executive proposed factors.</p>	<p>This decision does not preclude the General Government Subcommittee from increasing, or decreasing inflation factors. If such change occurs, these types of adjustments would occur as change packages in all agency budgets. Subcommittees should not reduce budgeted fixed costs unless directed to do so by the General Government Subcommittee.</p>	<p><u>NEW ISSUE:</u> For the 2015 legislative session, the LFD has will develop estimates of the statewide adjustment for fixed costs. The budget analysis would include a comparison with the executive request.</p> <p>The LFD would present the analysis of the differences to the full House Appropriations and Senate Finance and Claims committees.</p>
5	<p><u>Budget Proposals Requiring Legislation</u> Direct the appropriation subcommittees to make no recommendations or adjustments to HB 2 until required legislation passes, except for K-12 inflation which is present law.</p>	<p>This recommendation represents the direction provided by the LFC for the 2011 and 2013 legislative sessions. Coordination of the contingent legislation is often completed in conference committee.</p>	<p>Legislation is often accompanied by fiscal notes, but not all fiscal notes need to be incorporated into HB 2. Deliberations in policy committees may influence some modifications to HB 2 to account for situations where an adjustment in funding is necessary to implement legislation.</p>	<p><u>NEW ISSUE:</u> The LFD will track contingent legislation for coordination with HB 2. The legislature should consider if the coordination point should be changed to Senate Finance and Claims. The status of the majority of the legislation would be known, a better full financial picture would be available earlier and final adjustments could be made on the Senate Floor or Conference Committee, if available.</p>

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6	<p><u>HB 2 Companion Bill</u> Recommend the appropriation subcommittees determine any appropriate items for inclusion into a HB 2 companion bill and provide those items to the full House Appropriations Committee for further review. In addition recommend that appropriations committee leadership request legislation to provide a vehicle or vehicles for enacting substantive language related to the implementation of appropriations in HB 2 and the legislation will be considered as part of the appropriations process.</p>	<p>This was included in the items discussed and adopted for the 2009 through 2013 sessions. The companion bill should follow HB 2 as closely possible.</p>	<p>Legislation to implement HB 2 is purposeful by providing a vehicle for the legislature to enact provisions related to appropriations that are not appropriate for inclusion in HB 2. This is commonly referred to as the companion bill to HB 2. Among the potential uses are to:</p> <ul style="list-style-type: none"> • Provide statutory changes necessary to implement provisions of the budget • Provide special instructions on use of or access to appropriations • Require agency action <p><u>NEW ISSUE</u> – LFC staff attorney, Julie Johnson recently completed the report; “Language to implement budget policy”, LFC action regarding this report could need to be coordinated with how the companion bill is handled.</p>	<p>LFD analysts would assist subcommittees to complete this task. A bill draft request needs to be available to complete this action.</p>
7	<p><u>Key performance measures</u> Recommend to the joint appropriation subcommittees to select a few critical performance measures for each agency for monitoring purposes during the 2017interim and formalized as part of a separate bill(s) or resolution(s).</p>	<p>This process has evolved over the past several biennia. The 2011 Legislature agreed to SJR 26 and the LFC monitored a number of programs identified in the legislation during the 2013 interim. The same process was utilized in the 2013 session; however the bill died in process.</p> <p>If this was considered a valuable task, a recommendation to the joint committees would include the selection of performance measures for review during the 2017 interim.</p>	<p>State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. Reviewing this information and selecting related performance measures for further review may demonstrate to the legislature where budgetary adjustments are warranted and where the legislature might direct resources accordingly</p>	<p>LFD analysts would assist subcommittees to complete this task by incorporating this task into the budget hearing process.</p>
8	<p><u>Internal Service Programs</u> Recommend to the appropriation subcommittees not to approve decision packages of internal service funded proprietary programs unless quantifiable rate impact information is provided.</p>	<p>This recommendation was first adopted for the 2009 session and subsequently adopted during the 2011 and 2013 sessions.</p>	<p>“Internal service funded proprietary programs” refer to state programs that provide services to other state programs for fees based upon rates approved by the legislature. Budget instructions direct agencies to provide quantifiable rate impact information when submitting requests for rate changes.</p>	<p>LFD analysts would assist subcommittees to complete this task by incorporating this task into the budget hearing process.</p>