Summary of Discussion Topics

**HB 642 ITEMS**

1. HB 642 Evaluate Priority Based Budgeting (LFD primary): Taryn
2. HB 642 Information Technology (IT) Policy (LFD primary): Barb Smith
3. HB 642 Medicaid and Health Issues (LSD primary?): Lois Steinbeck
4. HB 642 Natural Resources (LSD Primary): Taryn or as assigned

**I. OTHER DPHHS AND MEDICAID ITEMS**

1. Format of DPHHS Budget Status Report: Lois Steinbeck
3. Other Interim Study Resolutions: SJ 27 Study waiver services for children with developmental disabilities
   No one page write-up. DPHHS will be studying this and we may be able to ask for their work.
4. Other Interim Study Resolutions: SJ 18 Study health care workforce development initiatives
   No one page write-up. This will be melded into the HB 642 study, as it covers the same issues.
5. Senator Dave Lewis request Examine Costs of the Columbia Falls Veterans Home

**II. OTHER STUDY ITEMS**

1. SJ 26 - Interim Monitoring Activities - Performance Measurement: Taryn
2. Montana Financial Aspects of the Pension Plan Unfunded Liability: Jon/Amy
3. School Funding Education and Study: Barb/Jim
4. Review Required Reports : Jon Moe
5. Senator Dave Wanzenried request Examine Costs of the Death Penalty

**III. LFD MANAGEMENT OVERSIGHT ITEMS**

1. Communication Tools of the Legislative Fiscal Division: Amy Carlson
2. Revenue Estimating Process: Terry Johnson and Amy Carlson
3. Upgrade of MBARS (Montana Budgeting & Reporting System): Terry Johnson
Legislative Finance Committee
2013 Biennium Work Plan Item

SHORT TITLE: HB 642 - Evaluate Priority Based Budgeting (I. 1.)

Brief Description of the Issue(s):
HB 642 focuses on three issues: 1) other states that have implemented priority based budgeting and the approaches those states have taken; 2) long-term issues that will affect Montana’s budget in the future; and 3) in that context, the advantages of priority based budgeting systems as used in other states compared to Montana’s budgeting method. The examination of efficiency and effectiveness of various activities of state government listed in the context of priority based budgeting in HB 642 is the subject of separate work plan item papers.

Relation to the LFC: Oversight and examination of and recommendations to the legislature on budgeting, budgeting systems, and effectiveness/efficiency of state government are part of the core mission of the LFC.

Potential Outcomes/Deliverables/Recommendations:
Recommendations may include:
- Changes in the methodologies used in budgeting, including systems changes that may be necessary to implement any significant changes
- Potential implementation of an alternate methodology to the current performance measurement projects, including integration into the legislative budgeting process
- Measures to address identified long-term issues

Some of these recommendations may include statutory changes. In addition, budgeting system (MBARS or other) changes may be necessary, with attendant costs.

Resources Required:
- Committee: It remains to be established whether and to what degree the select committee delegates any portion of the study to the LFC. However, given the role of the LFC in the subject of the study, LFC commitment would likely be significant, including potential subcommittees, membership attendance and/or participation in the select committee, and updates and other reports at each LFC meeting.

- Staff: Given the individual components, several LFD staff will be involved. This would be the primary and dominant project for lead staff, with involvement by numerous other staff in varying degrees.

Coordination with other Entities/Staff:
- Interim Committee(s): The subject of this portion of the bill is entirely within the purview of the LFC. That portion of HB 642 discussed in other work plan item sheets pertaining to efficiency and effectiveness of state activities have overlap with other interim committees.

- LSD or LAD Staff: Nominal, likely to contribute to identification of long-term issues and write legislation.

- Executive Agencies: Office of Budget and Program Planning, executive staff will likely be resources for identification and exploration of long-term impacts of issues that will impact Montana’s future budgets.

- Stakeholders: While all state government and the people it serves could be considered stakeholders, especially in the context of identification of long-term factors impacting the budget, the primary stakeholders are those who directly deal with budgeting systems, such as OBPP.

Completed By: Taryn Purdy
Email: tpurdy@mt.gov Phone: 444-5383
Legislative Finance Committee
2013 Biennium Work Plan Item

**SHORT TITLE:** HB 642 Information Technology (IT) Policy (I. 2.)

**Brief Description of the Issue(s):**
Legislative IT policies affect how IT is implemented and funded across state government. HB 642 provides the opportunity for the legislature to review and potentially improve the efficiency in the purchase and utilization of IT resources. This could include:
- Budgeting rules
- Encourage efficiencies in purchasing
- Support movement to efficient structures
- Leveraging the data centers capabilities
- Encourage efficiency in data entry, video conferencing
- Financial incentives to customers to use e-government

**Relation to the LFC:**
The LFC has the statutory (5-15-205, MCA) responsibility to monitor IT policies of the Dept. of Admin (DOA), identify it issues likely to require legislative attention, evaluate proposed IT changes with respect to fiscal impacts. In addition statute allows the LFC to analyze and propose ideas to use IT to impact the welfare of the state.

**Potential Outcomes/Deliverables/Recommendations:**
The potential outcomes could include:
- Educational material describing the use of IT in state government for legislators
- Changes to budgeting rules to increase efficient use of IT
- Revision to the Montana Information Technology Act (last completed in 2001)
- Development of financial incentives for agencies to use e-government and video conferencing
- Recommendation of global budgeting policies to the 2013 Legislature.

**Resources Required:**
- **Committee:** It is suggested that all members of the LFC develop a general understanding of IT procurement, deployment and the issues that prohibit increased IT efficiency. A few members may wish to develop a greater knowledge of IT issues to prepare for potential legislative action in 2013. In addition, the coordination with the Select Committee could be either a formal subcommittee, or a two member team.
- **Staff:** One LFD staff would be assigned to manage the project. Additional LFD staff time would be required to assist with specific portions of the project.

**Coordination with other Entities/Staff:**
- **Interim Committee(s):** Select Committee, State Administration and Veterans Affairs (SAVA). The actual level of coordination with the select committee would need to be determined once the Select Committee is created.
- **LSD or LAD Staff:** Yes to both. An examination of IT audit documents could aid in recognizing opportunities for efficiency.
- **Executive Agencies:** State ITSD, OBPP, Statewide IT councils have expertise and or experience to provide input to the project.
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- **Stakeholders:** State ITSD, OBPP, state agencies, school districts and local governments are the government stakeholders. Non-government entities with interest could include the telecommunications industry, specific public user groups, statewide business partners, and large IT contractors.

**Completed By:** Barb Smith, Senior Fiscal Analyst
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Legislative Finance Committee
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Brief Description of the Issue(s):
Identify long-term issues that will affect Montana's budget, including federal mandates, impact if federal funding is reduced, and health care, particularly matters of access, delivery, and affordability. Concepts for consideration include but are not limited to:

- The objective measurement and value of the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) and the Western Interstate Commission for Higher Education (WICHE) programs and an examination of ways to increase the number of Montana medical students returning to Montana to practice medicine
- The identification of the core programs within the Department of Public Health and Human Services (DPHHS) that need to be prioritized and funded
- The development of a strategy to address the financial and provider implications posed by the significant increase (nearly doubling) in Medicaid rolls that is projected to occur by 2017
- Options for leveraging large information technology system replacements, such as the supplemental nutritional assistance program (SNAP), temporary assistance for needy families (TANF), and the Medicaid management information system (MMIS), within the department of public health and human services to make interaction among government agencies, providers, and beneficiaries more seamless and to ensure that proper mechanisms are in place to reduce or eliminate fraud, waste, and abuse
- Current regulatory requirements affecting health care providers and consumers, including identifying areas in which regulatory requirements can be modified to reduce their burden

Relation to the LFC:
- State funding impact of programs administered by DPHHS, including entitlement programs
- Public funding impact on sustainability of local health care programs and services

Potential Outcomes/Deliverables/Recommendations:
- A variety of types of background information from various sources for committee members on:
  - Current DPHHS programs, with a particular emphasis on Medicaid, services offered, and costs of the programs
  - Federal Medicaid laws and regulations
  - Efforts in other states to improve efficiency and costs of Medicaid programs, with information as available on the amounts saved and other effects of those efforts
  - Montana's current Medicaid program
  - Past efforts to lower spending and maintain services, including those involving privatization and managed care
- Options for committee consideration
  - Legislation, if determined by the committee
  - Direction from LFC to Joint Appropriation Subcommittee on Health and Human Services

Resources Required:
- Committee: Special committee or subcommittee with full day meetings, potentially meeting more frequently or at different times than the LFC
- Staff: LFD staff, with total near a full time commitment equivalent of 1.00 FTE, but could be less based on HB 642 committee direction.
Coordination with Other Entities/Staff:

- **Interim Committee(s):** HB 642 committee, Children, Families, Health, and Human Services Interim Committee; Economic Affairs Interim Committee; Education and Local Government

- **LSD or LAD Staff:** LSD staff assistance may be required to prepare legal analysis, research and opinions as well as draft legislation

- **Executive Agencies:** DPHHS and the Commissioner of Higher Education

- **Stakeholders:** Numerous human services, healthcare, and education associations, service providers, individuals

Completed By: Lois Steinbeck
Email: lsteinbeck@mt.gov
Phone: 406 444-5391
Brief Description of the Issue(s): HB 642 includes examination of various natural resource related activities and processes, “...particularly incentives for and impediments to development, adding value, transporting, and conservation...” Among the specific areas to be studied include elimination of redundant regulatory processes, facilitation of timely review and authorization of projects, alternatives for strengthening the threshold of legal standing, forms for streamlining processes, and a number of other items, including development and implementation of an incentive-based tax system.

Relation to the LFC: The requirements of this portion of HB 642 are primarily concerned with issues not generally examined by the LFC. Correlation with the LFC primarily concerns eventual budget impacts of any changes made to reduce redundancies and improve operational efficiencies, or of any systems changes and/or tax policy that might be recommended.

Potential Outcomes/Deliverables/Recommendations: There may be some recommendations for budget-related options to implement some recommendations, and for incentive based tax systems that could impact revenues.

Resources Required:
- **Committee:** Likely minimal, including periodic updates of the work of the select committee or its designee (such as the EQC), and potential examination for costs and savings of any recommendations.
- **Staff:** Likely minimal, including potential assistance to the select committee with financial aspects of the study, including development and/or identification of potential costs and savings of options and recommendations. Staff will likely be asked to contribute in providing assistance on development of an incentive based tax system.

Coordination with other Entities/Staff:
- **Interim Committee(s):** The select committee and/or the EQC will likely perform this study.
- **LSD or LAD Staff:** LSD, specifically LEPO staff, will likely perform this study.
- **Executive Agencies:** N/A
- **Stakeholders:** N/A

Completed By: Taryn Purdy
Email: tpurdy@mt.gov    Phone: 444-5383
Brief Description of the Issue(s):
- Statute (53-6-110 (4), MCA) requires the Department of Public Health and Human Services (DPHHS) to provide monthly reports to the Legislative Finance Committee (LFC) monthly reports beginning November 15 of each year through June 15 of the following year. The reports must contain estimates of the cost for Medicaid services and a budget status report for all department programs. The department shall also provide a fiscal yearend summary of Medicaid costs and the department budget status report prior to the first LFC meeting following the end of the fiscal year. The reports must be presented in a format mutually agreed to by the LFC and the department.
- The report provides an important source of information to determine potential cost over runs and impacts to the general fund.

Relation to the LFC:
- The LFC has not reviewed or commented on the format of the report over the last six years.

Potential Outcomes/Deliverables/Recommendations:
- An updated/revised budget status report format

Resources Required:
- **Committee:** One staff report with potential follow up at a second LFC meeting.
- **Staff:** Minimal time commitment compared to other proposed projects

Coordination with Other Entities/Staff:
- **Interim Committee(s):** Children, Families, Health, and Human Services Interim Committee; Economic Affairs Interim Committee
- **LSD or LAD Staff:** LSD staff may wish to comment on/review proposed report formats
- **Executive Agencies:** DPHHS

Completed By: Lois Steinbeck
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**Legislative Finance Committee**  
**2013 Biennium Work Plan Item**

**SHORT TITLE:** Medicaid Cost Model (II. 2.)

**Brief Description of the Issue(s):**
- Medicaid is a significant cost, with appropriations at about 20% of the total in HB 2
- All major costs and revenues have processes in place for independent and transparent estimates of costs and revenues.
- The processes for budget development that are currently in place rely on significant transparency in calculations and assumptions used to develop executive estimates for Medicaid.
- Over the past several years, there has been less transparency in calculation and assumptions used in the Medicaid forecast.
- A revision of the process for Medicaid cost estimates is appropriate.

**Relation to the LFC:**
- The LFC oversees the financial condition and policies that influence the financial condition of the state of Montana. Medicaid can significantly impact the fiscal condition of the state.

**Potential Outcomes/Deliverables/Recommendations:**
- Medicaid forecasting system(s) or model(s) shared with DPHHS and other stakeholders

**Resources Required:**
- **Committee:** Minimal committee time with updates at regular LFC meetings
- **Staff:** LFD and in-house IT staff

**Coordination with Other Entities/Staff:**
- **Interim Committee(s):** Economic Affairs Interim Committee
  - Comments: Economic Affairs Interim Committee is studying state based health insurance Exchanges including review of the potential cost of expanding Medicaid eligibility.
- **Executive Agencies:** Department of Public Health and Human Services and the Governor’s Office of Budget and Program Planning
- **Stakeholders:** Potentially human services, healthcare, and education associations, service providers
  - Comments: There may be some work required by information technology contractors working with Medicaid paid claims data.

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Completed By: Lois Steinbeck  
Email: Isteinbeck@mt.gov  
Phone: 406 444-5391
Requested by: Senator Lewis

Brief Description of the Request:
Costs at the Columbia Falls Veterans Home exceed the costs of similar facilities serving similar clients in similar areas. Staff would examine why costs are higher and provide options.

Relation to the LFC:
Relation is through the budget impact.

Potential Outcomes/Deliverables/Recommendations:
Report on costs of the home compared to similar facilities, and identification of potential options
Potential recommendations to the legislature by the LFC

Resources Required:
- **Committee**: A report would be prepared for the committee.
- **Staff**: One staff would spend up to two weeks on the project.

Coordination with other Entities/Staff:
- **Interim Committee(s)**: SAVA would be kept apprised and provided with any reports.
- **LSD or LAD Staff**: SAVA staff would be kept apprised and provided with any reports and LAD staff would be consulted but further staff involvement is unlikely.
- **Executive Agencies**: DPHHS would be asked to provide information.
- **Stakeholders**: Primarily residents of the facility and veterans organizations.

Completed By: Taryn Purdy
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Legislative Finance Committee
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Short Title: SJ 26 - Interim Monitoring Activities (III. 1.)

Brief Description of the Issue(s): SJ 26 tasked the LFC to recommend interim monitoring priorities identified by joint appropriations subcommittees to relevant interim committees. The resolution was to formalize and provide a means for direct involvement by interim committees in performance monitoring such as that undertaken by the LFC in previous interims to allow greater and more widespread knowledge by legislators of agency performance and how it corresponds to the budget.

Relation to the LFC: The LFC has for several biennia done performance measurement, as it relates to budgeting, as part of its core mission. The LFC will determine what performance monitoring it will undertake in the interim, including which if any of the recommendations included in SJ 26 not undertaken by interim committees.

Potential Outcomes/Deliverables/Recommendations:
- Greater understanding by more legislators of agency operations and outcomes and their corresponding correlation to the budgets
- Greater establishment of performance monitoring as an on-going tool of legislative oversight of state government

Recommendations may include specific budget and/or programmatic actions as a result of monitoring.

Resources Required:
- Committee: The recommendation of the Legislative Council is to assign this resolution to the LFC, with updates to other interim committees. The EQC would be responsible for those items directly recommended to it in the resolution. Therefore, depending upon which items the LFC chose to monitor, the committee may once again wish to assign subcommittees and pursue this issue in conjunction with several LFC meetings.

- Staff: Staff will likely assist interim committee staff in the beginning, and receive and help evaluate any reports received. Any monitoring undertaken by the LFC will have direct involvement of all expenditure staff, although the workload will likely be low and concentrated just before LFC meetings.

Coordination with other Entities/Staff:
- Interim Committee(s): Interim committees have the option to pursue and/or receive reports on any of the recommendations, or any other issue of importance. At the least, LFC staff would update and provide reports to any relevant committee of any monitoring of activities directly related that that committees duties. Any monitoring done by those committees would be communicated to the LFC. Duplication would be avoided.

- LSD or LAD Staff: LSD staff of interim committees would be part of the identification and reporting process, either from or to the LFC. EQC staff would be directly responsible for any reports going to that committee, and passing those reports on to the LFC. LAD staff may be asked to assist to identify monitoring areas or to evaluate results.

- Executive Agencies: Executive agencies and the Judicial Branch would help identify performance measurements and report to relevant committees as requested.

- Stakeholders: Particular stakeholders will depend upon the activities being monitored. Broadly, stakeholders include all those who receive and/or pay for state services.

Completed By: Taryn Purdy
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Brief Description of the Issue(s):
The total unfunded actuarial liability of the nine defined benefits public pension systems combined exceeded $3.3 billion as of the June 30, 2010 actuarial valuations. Although the equity markets have made big gains over the past two years, they continue to experience volatility. In addition, there are still two more years in which the losses of FY 2009 will be recognized by the retirement plans. What the next valuations will show at the end of the current fiscal year is unknown.

To put the $3.3 billion into perspective:
- It is double the annual state general fund revenues for FY 2010.
- It is over 50% of total annual state revenues (GF, SSR, FF, and proprietary)
- It is 39% of total annual state and local government revenues, including schools

To pay down the unfunded actuarial liability at a rate that makes the plans actuarially sound, in rough numbers, it would cost:
- The state $60 to $80 million per year
- Counties and cities and towns $40 to $45 million per year
- School districts $30 to $40 million per year

Risk considerations to keep in mind regarding pension plans include:
- Regardless of strong investment returns, the expectation is that at least four pension plans will still not be actuarially sound in the June 30, 2011 valuations. A fifth plan is expected to be unsound according to the PERS actuary last fall.
- In the Teachers’ Retirement System 2010 actuarial valuation, the plan’s actuary shows that, without some corrective action, projected cash flow will trend downward beginning in FY 2012, turning into a negative cash flow around FY 2021 or FY 2022. A negative cash flow means that payments out of the pension fund would exceed the contributions and investment income coming into the fund. The same is likely for the Public Employee Retirement System. If cash flow goes negative and stays negative, it is just a matter of time before the funds run out of money.
- The fiscal health of public pension plans is looked at by bond rating agencies. If the state does not have a viable action plan for fixing an underfunded pension plan, bond ratings may suffer, increasing the cost of borrowing money.

Relation to the LFC:
The projected cost of any corrective actions to address the underfunding of the pension plans is significant. Those costs put pressure on already tight state and local budgets. It is critical that the LFC monitor the pension plans from a fiscal perspective relative to the overall budget for future biennia.

Potential Outcomes/Deliverables/Recommendations:
Based upon the actuarial valuation that will be available hopefully by the October 2011 LFC meeting and again in 2012, and in concert with the statutory role of the State Administration and Veterans’ Affairs Interim Committee (SAVA) in regard to pension proposals, the LFC can work on a strategy for addressing the fiscal issues of the pension systems.

Resources Required:
- **Committee:** It is advisable that LFC committee members develop an understanding of the pension fiscal issues so that they can be a resource to their respective caucuses during the session and provide leadership on this important issue for the entire legislature.
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- **Staff:** LFD staff, along with staff of other Legislative Branch divisions and other stakeholders (mainly PERS and TRS), must provide the research and educational resources to allow the committee members and ultimately the entire legislature to understand this complicated fiscal issue.

**Coordination with other Entities/Staff:**
- **Interim Committee(s):** The State Administration and Veterans’ Affairs Interim Committee (SAVA) has statutory responsibilities to review proposals related to the retirement systems.
- **LSD or LAD Staff:** Each division of the Legislative Branch has staff expertise in pension issues and can offer some perspective.
- **Executive Agencies:** The Office of State Budget and Planning (OBPP), the Public Employees Retirement System (PERS), and the Teachers’ Retirement System (TRS) would provide some perspective.
- **Stakeholders:** Besides PERS and TRS, there are numerous stakeholders including employee unions and retiree groups.

Completed By: Jon Moe, Fiscal Specialist
Email: jonmoe@mt.gov Phone: (406) 444-4581
Brief Description of the Issue(s):
The legislature will be required by statute to fully study the costs and funding of K-12 education in the next interim (2014-2015). All of the legislators and most of the staff associated with the previous study are no longer associated with the branch. Educating staff and lawmakers on the criteria for evaluating school funding, legal cases, and the current system would prepare many for the next interim when these issues will need to be studied in depth.

Relation to the LFC:
K-12 education is the largest general fund budgeted item at $1.3 billion in the biennium. The current budget is established on layers of legal interpretation over the past 25 years. It is critical for the LFC to take a role in this project due to the relative size of the budget, the questions of equity and adequacy and the history of legal challenges to the school funding model.

Potential Outcomes/Deliverables/Recommendations:
This work activity would be completed in conjunction with the Education and Local Government (ELG) Interim Committee. Time at each ELG meeting would be set aside to focus on a particular part of school funding history, such as review of the legal cases, fundamentals of school funding, implications for property taxes, etc. This information would be made available to the LFC for review or presentation at a committee meeting.

Resources Required:
- **Committee:** Members of the LFC would acquire a basic understanding of the school funding model, the case history associated with the issue and the challenges of adequacy and equity. In addition, a few members may wish to become well versed in this topic to provide legislative leadership on this subject.

- **Staff:** This is a branch-wide effort, including LFD, research and legal staff.

Coordination with other Entities/Staff:
- **Interim Committee(s):** Primarily Education and Local Government, but also Revenue and Transportation

- **LSD or LAD Staff:** This is a branch wide effort.

- **Executive Agencies:** Office of Public Instruction, Office of Budget and Program Planning

- **Stakeholders:** Associations representing school districts, educators, school boards and taxpayers will have an interest in this project.

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**Completed By:** Barb Smith, Jim Standaert  
**Email:** basmith@mt.gov, jstandaert@mt.gov  
**Phone:** 444-2986
Brief Description of the Issue(s):
“Required reports” are a regular agenda item on the Legislative Finance Committee agenda. While the report to the committee takes minimal time for the committee, mainly because there are rarely issues identified by staff, there are occasionally questions concerning the need for some of these reports. Senator Cobb, chairman of LFC for the 2005-2006 interim, was interested in reviewing the required reports, but the project did not go forward. It is appropriate that these various reports be assessed periodically, and it has been a long time since it has been done.

Relation to the LFC:
Reports that agencies provide to the Legislative Finance Committee specifically, are required by statute.

Potential Outcomes/Deliverables/Recommendations:
Both the committee members and the staff should evaluate the need for each of the reports. Some reports are intended for staff use in budget analysis or in monitoring the status of fiscal issues. Others are simply routinely sent to the LFC because a past legislature felt that the report should occur. A cursory review could result in the following:

- For reports that staff need or that the committee feels are relevant, they should continue, but staff needs to review its protocol for review and reporting on issues it identifies.
- For reports that are determined to no longer be necessary, the committee could draft legislation to eliminate the reports from statute.

Resources Required:
- **Committee:** The whole committee could hear a report from staff as suggested below, and take action on staff recommendations
- **Staff:** One staff member could prepare info on the reports with a description of its purpose and value, along with recommendations regarding the reports and a protocol for reporting to the committee, if at all. Members of the LFD staff that have a stake in the reports would be polled for the usefulness of individual reports.

Coordination with other Entities/Staff:
- **Interim Committee(s):** In at least one instance, statute (50-4-805, MCA) requires a report to be provided to the LFC and the Children, Families, Health, and Human Services Interim Committee
- **LSD or LAD Staff:** Staff of the Children and Families Interim Committee on one report
- **Executive Agencies:** Agencies, including OBPP, that are required to submit reports may have a perspective on the value of reports and the time they spend preparing the report
- **Stakeholders:** Office of Budget and Program Planning (OBPP) sometimes receives the same report

Completed By: Jon Moe, Fiscal Specialist
Email: jonmoe@mt.gov Phone: (406) 444-4581
Requested by: Sen. Wanzenried

Brief Description of the Request:
Examine costs of the death penalty in Montana, including to:
- Department of Justice
- Counties
- Office of the Public Defender
- Department of Corrections
- Any other public entities

Relation to the LFC:
Relation to the LFC is through the impact on costs and appropriations associated with the death penalty.

Potential Outcomes/Deliverables/Recommendations:
- Report on costs of having the death penalty, including knowable and unknowable costs
- Potential recommendations to the next legislature by the LFC

Resources Required:
- **Committee:** The committee would receive a report on any findings.
- **Staff:** 1.00 FTE would spend the equivalent of up to 3 weeks.

Coordination with other Entities/Staff:
- **Interim Committee(s):** Law and Justice Interim Committee would be updated
- **LSD or LAD Staff:** LSD Law and Justice Interim Committee staff and relevant audit staff would be informed of any findings but not likely involved in activities.
- **Executive Agencies:** All justice or law enforcement related agencies would be requested to supply information and/or expertise.
- **Stakeholders:**

Completed By: Taryn Purdy
Email: tpurdy@mt.gov    Phone: 444-5383
Brief Description of the Issue(s):
The communication tools of the Legislative Fiscal Division include, but are not limited to:
- Website
- Chart of the week
- Budget Analysis
- Status sheet*
- Fiscal Report

In order to insure that these tools are as useful as possible to the legislature and concerned citizens of the state, it is appropriate to review the form and content of these items on a regular basis. In addition, as legislators are staying for shorter periods of time the communication tools need to be as effective as possible at communicating key issues. Can we hone these tools to be even more useful?

Relation to the LFC:
The Legislative Finance Committee is the management of the LFD and a regular consumer of the information tools of the LFD.

Potential Outcomes/Deliverables/Recommendations:
Improved communication tools

Resources Required:
- **Committee:** The committee or a subcommittee could give feedback and review prototypes of the tools. Some review and comment time would help the products. In particular, the status sheet* appears to be a more complicated tool that can be understood by the average legislator. How can we make the information more accessible to both the average and the knowledgeable legislators?

- **Staff:** This is primarily a staff assignment. Staff would review each tool. As appropriate, staff would: 1) compare what Montana has to other states, 2) ask for feedback from legislators, 3) ask for feedback from other stakeholders, and 4) look for efficiencies in the process that we use to produce the tools.

- **Staff** would prepare recommendations and get feedback from

Coordination with other Entities/Staff:
- **Interim Committee(s):** Very little is anticipated

- **LSD or LAD Staff:** LAD and LSD policy personnel would be involved with any change the overall website design. LSD IT staff will be involved with the technology behind the communications tools.

- **Executive Agencies:** Very little is anticipated

- **Stakeholders:** Some inquiry from lobbyists, public interest groups, and the press may be requested to determine what improvements could be made to our products.

**Completed By:** Amy Carlson  
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**Phone:** 406 444 2988
Brief Description of the Issue(s):
Two issues appear in the Revenue Estimate Process:

- Do members of the Legislature feel able to articulate their own interpretation of the revenue condition of the state to the public? Do they have the tools they need to describe the philosophical differences between their positions?
- Should the revenue estimate resolution be required to go through the legislative process (House and Senate)?

Potential questions to address may include:

- Can staff better explain the revenue choices of assumptions and risks to the Legislature?
- Should the LFD engage the RTIC or LFC in the process to a greater degree?
- Should there be a Council of Economic Advisors to review and give input to the staff and the legislature?
- Should revenue estimates be a consensus process? Or another process similar to another state?

Relation to the LFC:
As specified in section 5-5-12-302, MCA, the Legislative Fiscal Analyst (LFA) is required to “estimate revenue from existing and proposed taxes” and “assist the revenue and transportation interim committee in performing its revenue estimating duties.” The LFC is the management oversight of the LFA.

Revenue estimates determine the level of spending available to any Legislature. The estimates used by the legislature significantly impact the type and level of services provided by state government.

Potential Outcomes/Deliverables/Recommendations:
The LFC could: review reports generated last interim; consider why changes were not made last interim; discuss choices with the RTIC; and determine if a better solution can be found. An example of a possible outcome is shown on the second page.

Resources Required:

- **Committee:** The LFC and RTIC would need to work together to develop a solution. Resources required would depend on the solution chosen.

- **Staff:** Staff of LFD and LSD may be needed for research as needed

Coordination with other Entities/Staff:

- **Interim Committee(s):** Revenue and Transportation Interim Committee

- **LSD or LAD Staff:** Legislative Services Division

- **Executive Agencies:** Governor’s Office of Budget and Program Planning

- **Stakeholders:** Citizenry of Montana, Legislature

Completed By: Terry W. Johnson and Amy Carlson
Email: tjohnson@mt.gov Phone: 444-2952

Note: An example of a choice that the LFD has considered is included on the back.
Example:

Brief Description of the Example and issues it could resolve:
Under current procedures, staff of the legislative fiscal division (LFD) prepare economic and revenue estimate recommendations that are presented to the revenue and transportation interim committee (RTIC) prior to each legislative session. These recommendations are based on a myriad of economic information from IHS Global Insight (a national economic and forecasting service) for both the national and state economies. There are many other information sources that are contacted such as the Bureau of Business and Economic Research from Missoula, Montana State University Agriculture Economics department from Bozeman, numerous state agencies such as Department of Revenue, Department of Labor and Industry, and Department of Commerce and associations like the Montana Petroleum Association, Montana Society of Certified Public Accounts, and Montana Taxpayers Association. All of this information is utilized by staff to develop models that correlate state revenue with current and future economic conditions.

While the above process is technically reliable, it lacks the visibility or transparency aspect that is critical to the state budgeting process. It is also difficult to simultaneously bring factions from various sectors of the economy together to help staff better understand the dynamics of Montana’s economy as well as the wealth of information that these sectors may contribute to the revenue estimating process. There has been numerous times where business leaders and others have provided anecdotal evidence of economic trends that staff could have utilized if the information were available in a more public forum.

Staff is recommending that a council of economic advisors (CEA) be created that would be an advisory group to the LFA. This group would consist of individuals from the business community, educational system, and other interested parties. The council would advise the LFA on complex economic issues and other state revenue issues that may impact current and future revenue collections. Staff would then have a broader range of expertise to consult with especially during the peaks and valleys of economic cycles. The advice received from the council would be incorporated by staff into the appropriate revenue estimating models. The results would then be presented to the legislature via the pre-session meeting of the Revenue and Transportation Committee (RTIC) and probably mid-session during the legislative session.

Potential Outcomes/Deliverables/Recommendations:
The CEA would be created by the LFA based on a list of appointees recommended by the LFC, the RTIC, and staff of the LFD. The House and Senate Leadership could also be requested to submit appointees in lieu of the LFC and RTIC. The CEA would be requested to meet four times throughout the interim. Those times would be January 2012, June 2012, October 2012, and March 2013. January 2012 would be for educational and background information, June 2012 would be a trial run for the “Big Picture” analysis, October 2012 would be for the LFD recommendations to RTIC in November, and March 2013 would be for a mid-session update.

Resources Required:
- **Committee:** The LFC and RTIC would be asked to submit names of potential appointees to CEA. The House and Senate leadership may be asked to submit appointees in lieu of the LFC and RTIC. There would be a need for financial resources to pay for anticipated travel costs of the appointees.

- **Staff:** Staff of LFD would prepare revenue estimate recommendations under current procedures. An additional step in the process would be to bring significant issues and economic concerns to CEA for discussion and advice. This would require some additional LFD staff time.
Brief Description of the Issue(s):
The Montana Budgeting and Reporting System (MBARS) is the software application state agencies, executive budget office (OBPP), and legislative fiscal division (LFD) use for budget development, tracking, and implementation. This system is an enterprise system that is co-managed and administered by the executive and legislative branches. The system is currently functional but an upgrade to new technology would allow all stakeholders to dynamically adjust the system to meet their user needs. The system is over 10 years old and uses application software that is no longer the state standard and has limited support and maintenance possibilities.

The executive (SABHRS Support Bureau) has approximately $500,000 in carry forward funds that could be utilized to purchase at least a portion of a system upgrade. Total upgrade cost is estimated at approximately $1,000,000. The remaining funding ($500,000) would be achieved through potential budgetary savings during the 2013 biennium and a request for additional funding from the 2013 Legislature.

Relation to the LFC:
The Legislative Finance Committee (LFC) oversees all areas of state finance during the interim. Since this system could assist the committee in this role, the functionality and operational aspects of the upgraded system are critical to the LFC’s mission.

Potential Outcomes/Deliverables/Recommendations:
The upgrade to MBARS would be done in parallel with the old system. This would limit the risk to all stakeholders during the upgrade timeframe. The initial deliverable would be a test version of the upgrade that would be available in July 2013. This version could be run in a limited test environment but in parallel with the old system. Assuming all funding would be acquired; the system upgrade would be ready for production by the budget cycle that begins in calendar 2014 for the 2015 session.

Resources Required:
- **Committee:** The LFC would receive periodic updates on the progress of the upgrade. There may be requests for input on budgetary business processes. The HB 642 Committee may also be interested in this project as it may have impacts to Priority Based Budgeting.

- **Staff:** Staff would be involved in the business process planning, but not from the technology perspective. At various stages of the upgrade, staff may be asked to participate in testing as well as final training when the system is moved into production.

Coordination with other Entities/Staff:
- **Interim Committee(s):** Legislative Finance Committee
- **LSD or LAD Staff:** Staff from Legislative services division information technology
- **Executive Agencies:** Office of Budget and Program and state agencies including the university system
- **Stakeholders:** Citizenry of Montana, Legislative, Judicial, and Executive Branches

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