

LEGISLATIVE FISCAL DIVISION 2011 BIENNIUM PROPOSED WORK PLAN

A Report Prepared for the

Legislative Finance Committee

By
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Legislative Fiscal Division



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INTRODUCTION

This report summarizes the proposal of the Legislative Fiscal Analyst for the Legislative Finance Committee and Legislative Fiscal Division interim work plan for the 2011 biennium. It represents a recommendation based upon legislature, legislators, and staff input as to topics for study, and is designed as a decision-making document, allowing for committee discussion, input, and adoption. Included in this proposal are the following:

- An explanation of the work plan proposal, including how the LFD plans its work and developed the proposed studies
- The major components of the work plan proposal
- Instructions for using the draft work plan to make decisions about the final work plan
- A description of the potential work plan topics and options for addressing those topics

Two additional documents are provided as appendices – a committee major studies prioritization worksheet, and a description of a proposed work plan for monitoring implementation of Healthy Montana Kids.

WORK PLAN

BACKGROUND

LFD staff began the work plan process with a compilation of anticipated statutory, discretionary, and administrative duties that will require staff resources during the 2011 biennium interim period. These duties range from major statutory and mandated studies to maintenance tasks of the staff. They summarize a significant portion of staff commitments over the next 15 months, although they do not include all administrative and minor tasks, and time is allowed for emergent studies and tasks not yet known.

PROPOSED MAJOR STUDIES

While the entire interim studies and commitments of LFD staff (as summarized in Attachment A) are subject to review and approval of the LFC, it is anticipated that the LFC will focus on a few major committee/staff study topics, while maintaining oversight of “all matters bearing upon the financial matters of state that is relevant to issues of policy and questions of statewide importance” (5-12-502, MCA). Staff proposes four major committee study topics for committee consideration and prioritization. These proposals include studies that were requested by legislators through study resolutions, and suggested topics by LFC members and LFD staff. A proposal paper summarizing the study topic, goals, and objectives is provided for each of the proposed studies.

The proposed major studies for consideration and prioritization are as follows:

- **Monitoring of federal (ARRA) stimulus funding**
- **Student Loan Study (SJR 9)**
- **Performance measurement**
- **Monitoring and expanded reporting of state revenues**

POTENTIAL CARRYOVER ISSUES, 2011 SESSION (NOT IN WORK PLAN)

Among those tasks the committee may wish to consider are major studies and/or fiscal initiatives that failed to pass the 2009 legislature but that had broad support and might be considered for preliminary research and analysis in preparation for the next session. Staff has not evaluated or prepared a proposal for these issues, and they are listed for committee discussion/consideration only. They are not in the proposed work plan. These projects include:

- Establishment of a public access state accounting system query mechanism (SB 241)
 - This concept has a strong constituent advocacy, and has been established in many states. Bill did not pass due to cost and perceived lack of focus and planning
- Establishment of a rainy day fund (SB 114)
 - LFC has drafted and sponsored a rainy day bill for last 3 sessions without success. Why does it fail and should it be considered again?
- A study of long-term sustainability of state revenues and expenditures, based on demographics such as aging population and other drivers
 - This bill had widespread support (sponsored by both LFC and RTIC) but did not pass, likely due to cost (\$300,000).

STAFF MAJOR ONGOING/ADMINISTRATIVE TASKS

While the listing of staff ongoing and administrative tasks are substantial, the committee may wish to offer suggestions or directives in this area in the process of prioritizing the major goals of the interim. The items other than the four proposed committee studies that will consume extensive staff resources are as follows:

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|--|-----------------------|
| 1. Analysis of Executive Budget for 2013 Biennium | Statutory |
| a. Begins in earnest in Sept 2010, entire staff, full time, over 3,000 hours | |
| 2. Biennial Revenue Estimates | Statutory |
| a. Begins in March 2010, completed in December | |
| 3. Staff Interim Committee on PEPB | Discretionary |
| a. Nearly full-time task for higher ed. analyst | |
| 4. 2013 Biennium Budget Projection – Big Picture Report | LFA |
| a. Over 1,000 hours staff work, Aug./Sept. 2010 | |
| 5. LFC/LFD Evaluation of Agency Budget Analysis Contents | LFA |
| a. In-depth evaluation and revision of budget analysis volumes | |
| 6. LFC/LFD Evaluation of Fiscal Training for Legislators | LFA |
| a. In-depth evaluation and development of training curriculum | |
| 7. Oversight/monitoring of agency programs/initiatives | HB2/other legislation |
| a. Year-round staff task to evaluate/report to legislature | |
| 8. LFD Systems Documentation | LFA |
| a. Imperative, global project to document LFD business processes – 500 hours | |
| 9. Use of Staff Comp Time/Leave Balances | LFA/Legislature |
| a. 9,000 hours staff earned time off to be used by 10/1/10 | |
| b. Exceeds last interim by 15%, meaning less staff time available | |

2009 SESSION LFC TASK REQUESTS

The following tasks requested by the 2009 Legislature are included in the staff work plan for monitoring and reporting to the Legislative Finance Committee.

1. Monitor implementation of the Healthy Kids Initiative (see appendix B)
2. DPHHS Work Plan to Evaluate Base Budget Reductions Required Due to OTO Appropriations (HB 676)
3. DPHHS Work Plan for the Medicaid Management Information System Replacement (HB 10)
4. Examine Growth in DPHHS Indirect Cost Allocations for Certain SSR Accounts (HHS Subc.)
5. Review Subsidies Provided Retirees Participating in State Employee Health Plan (GG Subc.)
6. Monitor/Report to LFC regarding caseload/benefits in SNAP/TANF/LIEAP (HHS Subc.)
7. Monitor/Report to LFC regarding MDC Population (HHS Subc.)
8. Monitor/Report to LFC regarding MDC/OSD Community Infrastructure (HHS Subc.)
9. Performance Measurement of selected agency initiatives (Joint Appropriations Subcommittees)

LFD STAFF SUPPORT TO OTHER COMMITTEES

The following study bills/resolutions from the 2009 legislative session that are assigned to other interim committees have been identified as potentially requiring the assistance of LFD staff in support of those studies. Staff time has been set aside to participate in supporting these studies/initiatives.

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|--|--------|------------------------|
| 1. Study taxation of oil and natural gas property | HB 657 | Revenue/Transportation |
| 2. Study work comp rates and MT State Fund | SJR 30 | Economic Affairs |
| 3. Study health care | SJR 35 | Children and Families |
| 4. Study of biomass | HJR 1 | EQC |
| 5. Study Fire Suppression Issues | HJR 30 | EQC |
| 6. Study of State Employee Bonus Payments | HJR 35 | State Administration |
| 7. Study impact of historic preservation/strategies | HJR 32 | Education/Local Govt. |
| 8. Study income tax filing by married taxpayers | SJR 37 | Revenue/Transportation |
| 9. Study development of added comm. svcs. For DD | HJR 39 | Children and Families |
| 10. Study cooperative agreements among state ag labs | SJR 14 | Economic Affairs |
| 11. Study funding for recreation/tourism enhancement | HJR 15 | EQC |
| 12. Study community college establishment process | SJR 2 | Education/Local Govt. |
| 13. K-20 Shared Policy Goals/Accountability Measures | SJR 8 | Education/Local Govt. |
| 14. K-12 Shared Policy Goals/Accountability Measures | HJR 6 | Education/Local Govt. |

COMMITTEE WORK PLAN EVALUATION

PROCESS

The committee/staff statutory mandates are broad, and there may be other study topics of interest to the committee that are not included in the draft work plan. The committee is encouraged to propose other potential projects as additions or replacement studies.

Prioritization will allow the projects to be undertaken as staff/committee resources allow. The primary constraint limiting the LFC study agenda for the interim is the number of issues that can be effectively addressed within the available time and resources of the LFC members and LFD staff. Ultimately, the committee should adopt a plan that is prioritized and realistic in terms of limited staff, committee, and other resources.

This work plan is a DRAFT, and is a decision-making tool to help the LFC members work together to set priorities and decide how and where to spend the LFC's limited time and resources. Once the LFC collectively prioritizes the work plan items and sets the scope and focus of the studies, they will become the work plan for the 2011 biennium interim. Staff will then develop specific staff tasking assignments, target dates, and specific work plans for each task as needed. The plan will then be submitted for review and update at every LFC meeting during the interim, and is subject to additions, deletions, and re-prioritization by the committee as deemed appropriate.

Please keep in mind the following when examining the proposed work plan:

- The work plan assumes staff time to explore and develop other emergent policy issues for presentation to the committee/legislature, and may impact the number of discretionary projects addressed.
- This work plan does not take into consideration any special sessions or other extraordinary commitments in a traditionally dynamic environment that might occur during the interim. If such events occur, it will directly impact the ability of staff to accomplish designated projects. In that event, the LFC would be asked to re-prioritize projects.

INSTRUCTIONS

A committee major studies prioritization worksheet is included as a separate document. The worksheet is intended to help committee members prioritize the proposed studies in preparation for the LFC meeting and make notes for the committee discussion. Please perform the following steps in advance of the June 15 meeting:

1. Review the proposed work plan – A proposal document for each of the four study topics follows these instructions
2. Refer to the prioritization worksheet. Review the topics and add any additional topics that are important to you.
3. Prioritize the proposed topics
4. Make notes regarding scope, focus, and objectives of each proposal for committee discussion.

The proposed studies will be discussed at the June 15 LFC meeting, and at the end of the discussion, a general plan of what the LFC intends to work on should be the result. Any direction on how you think the studies can best be accomplished will assist staff in preparing the specific individual work plans for each selected topic. The committee may wish to consider assigning one or two committee members for each study topic as contact points for staff to develop work plans and seek consultation as the study progresses.

PROPOSED WORK PLAN TOPICS

Stimulus Oversight

Source/authority: LFC general oversight of state spending

Background: Oversight for the ARRA was originally addressed in SB 460 to create a special commission to provide specific functions regarding the receipt and expenditures of stimulus funds. The bill passed the legislature and was vetoed by the Governor. The override poll did not change the outcome of the bill; therefore the decision on oversight of stimulus money spending will be the responsibility of the Legislative Finance Committee. Funding for staffing, committee meetings, and contract services was appropriated to the Legislative Fiscal Division.

Requirements: This project requires the development of an oversight plan and implementation of that plan. Key plan components include:

- Identification of appropriations/projects/grants to review
- Type of oversight activities
- Type of deliverable projects
- Resource allocations

Staff Resources: One staff lead has been identified to manage this process. This individual will be primarily responsible for taking direction from the committee to design the oversight process and lead staff through the implementation of the project. Additional staff time will be required based on the scope of the project as determined by the LFC.

Study Approach/Scope of Project:

The following items will be addressed:

1. Design of oversight project based on scoping activities with the LFC
2. Allocate resources to the design plan and adjust as necessary
3. Create calendar of oversight activities

Deliverables/End Product: Deliverables could include full reports, fact sheets, agency presentations, impact analysis and potentially legislation. The method of delivery is dependent upon project scoping. A final report of activities would be provided.

Proposal: Approve one staff to serve as project manager. Appoint a subcommittee to do the scoping work to bring a full proposal back to the LFC. Implement the agreed upon proposal. Include stimulus oversight as a standing item on LFC agendas.

Lead Staff: Barbara Smith

Student Loan Study

Source/authority: SJ R9

Background: Senate Joint Resolution 9 was introduced at the request of the Legislative Finance Committee in response to student loan related issues that surfaced in Montana in 2007-08 and legislative interest in student assistance financial aid programs and the relationship to state funding and student tuition rates.

Requirements: This project will require an investment of staff resources to develop a level of understanding of the issues in order to conduct a meaningful study for the legislature. The breadth of the study as contemplated in the resolution covers several areas, including potential changes in the federal student loan program, a comprehensive inventory of all financial aid to Montana students, policy questions on merit vs. need-based financial aid and state funding targets vs. student debt loads, governance, and other related issues. This project will require extensive research, monitoring federal legislation, and contact within and outside of Montana with appropriate policy experts.

Staff Resources: One senior level staff has been identified to conduct this study. Because the availability of staff will be limited in the interim due to required oversight activities and utilization of accrued leave, the Legislative Finance Committee will need to either allocate additional staff resources to complete the study as contemplated in the resolution or narrow the scope of the study to fit within the availability of existing staff resources.

Study Approach/Scope of Project:

The following study topics are requested in SJ9:

1. The cumulative availability and amount of all sources of financial aid to Montana students
2. The student loan system in Montana, with a comparative analysis of the FFELP and the Federal Direct Student Loan Program
3. The student assistance financial aid program in Montana with a specific focus on the availability and utilization of financial aid to Montana students and on the analysis of loan default rates and options for identifying manageable levels of student debt load for Montana resident students in order to identify appropriate funding benchmarks for student financial assistance and tuition
4. The policy options related to state funding of need-based financial aid versus merit-based financial aid for Montana resident students
5. The governance structure and efficiency of the boards, committees, and councils that make recommendations to and advise the Board of Regents on student financial assistance programs

Deliverables/End Product: Study recommendation—statutory changes – June 2010

Proposal: Evaluate the priority of this project within the context of all other committee work. Determine breadth of study desired and assign staff resources accordingly.

Lead Staff: Pamela Joehler

Performance Measurement

Source/authority: Continuing Project\Requests of 2009 Legislature

Background: During the 2009 biennium interim, a process to establish routine monitoring of agency progress towards legislative goals and measurable outcomes was developed. The Legislative Finance Committee (LFC) formed workgroups to meet with state agencies and discuss overall progress, challenges and successes in relation to the goals. Bipartisan workgroups consisting of LFC members were appointed and met with state agencies grouped into:

- General Government
- Public Health and Human Services
- Natural Resources and Transportation
- Judicial Branch, Law Enforcement, and Justice
- Education

State agencies completed 2 page worksheets to report on their successes and challenges in relation the performance measurement process. Workgroups adjusted performance measures as needed, removed and added goals and measures as necessary.

Legislative Fiscal Division staff incorporated the goals and measurement discussion into the Budget Analysis for the 2009 Session. Joint Appropriation Subcommittees discussed these and other goals and related outcome measurements as part of budget deliberations and included recommendations for follow-up to the Legislative Finance Committee. In addition, the legislature included a recommendation that the LFC follow the funding appropriated under the American Reinvestment and Recovery Act of 2009 (ARRA) which could utilize the same workgroups and similar reporting process.

Requirements: This project provides for continuation of the process of monitoring agency progress towards prescribed goals as measured by performance over the biennium. Further, several goals and measurements selected for monitoring in the 2007 interim had attainment dates of June 2009 or beyond. The LFC can also request follow-up on the 2007 interim measures to determine agency progress to date.

Staff Resources: Lead staff have been identified, and will design the further steps, continue legislative training, train branch employees as well as the executive agencies and monitor further implementation.

Study Approach/Scope of Project:

The following items will be addressed:

1. Analysis and revisions as necessary of the process to monitor and report progress towards goals
2. Review and revision of the reporting mechanism for the budget analysis to provide follow-up information
3. Continue staff and legislative education and research into current practices and new ideas

Deliverables/End Product: Reports to the LFC and workgroups, budget analysis with goals, performance measurements, and discussion of state agency successes and challenges

Proposal: Approve two staff to manage this process. They will provide a strategic work plan, including goals, objectives and measurable criteria, an estimate of costs in terms of dollars and staff resources and routine updates to the committee.

Lead Staff: Barbara Smith and Kris Wilkinson

Monitoring of State Revenues

Source/authority: LFC members/LFD Staff recommendation

Background: The economic downturn has had a substantial impact on state revenue collections and leaves state financial resources in a period of instability and uncertainty. Revenue projections before and during the 2009 legislative session were reduced several hundred million as the effects of the downturn became more clear. The bottom of this economic cycle is still uncertain, and legislators expressed significant concern about the possibility of a further decline in state revenue projections. If revenues fall below projections, it raises concerns about structural balance of the general fund as well as the possible need for budget reductions. This could have a significant impact on government services and on citizens who receive those services. It could also leave the 2011 legislature with a budget picture that won't support the current level of services authorized.

Legislative leadership and committees have called for close monitoring of state revenues throughout the 2011 interim in order to provide for a timely response if there is a decline in anticipated revenues.

Requirements: This project requires monitoring state revenues to include in-depth examination and more frequent reporting of findings. The project will require continuation of extensive research and monitoring of revenue trends, and close contact with appropriate state revenue experts.

Staff Resources: The four revenue and tax policy analysts would be tasked to monitor all major general fund revenue sources on a nearly daily basis, to provide reports to key committees and to immediately report any significant deviation from anticipated revenues to the legislature.

Study Approach/Scope of Project: Revenue and tax policy staff will aggressively apply the process for tracking revenues, review and revise the reporting mechanism for revenues, and work closely with LFC contact points to assess the need for any legislative action.

Deliverables/End Product: The lead analyst will work with the legislative work group assigned to this project to determine the level and type of reports that will be provided and the timing of those reports.

Proposal: Evaluate the priority of this project with the context of all other committee work. Determine breadth of monitoring desired, reporting procedures, and assign staff resources accordingly.

Lead Analyst: Terry Johnson

RECOMMENDATION

As discussed above, the proposed work plan constitutes a complete and ambitious work plan that challenges existing committee and staff resources, and prioritization will be essential. With that in mind, the following committee motion after reviewing/amending the proposed plan is recommended:

Adopt the projects in the LFD work plan as presented, with amendments and prioritization as discussed by the committee to reflect legislative priorities. Projects will be undertaken only as limited resources can be identified to complete projects in priority order. The committee shall review the list of discretionary projects as well as emergent issues at each scheduled meeting for prioritization and scheduling as resources allow. The LFA shall seek the advice of the chair and the Management Advisory Work Group between meetings as circumstances warrant to efficiently allocate/reallocate resources toward the task list.

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