

2025 BIENNIUM BUDGET RECOMMENDATIONS

LFC Subcommittee Report to LFC

- 1) Budget Starting Point
 - a. Recommend that the appropriation subcommittees adopt the 2023 base as submitted by the executive as the starting point for budget deliberations.
 - i. Includes allocations to tie to legislative intent (*e.g. funding from other bills in previous session, added to HB 2 for this session*)
 - ii. Does not include the statewide present law adjustments for personal services, statewide fixed costs, and inflation/deflation
 - iii. One-time-only appropriations are excluded from the starting point

- 2) SWPL: Personal Services
 - a. Recommend subcommittees consider the statewide present law (SWPL) personal services adjustments in light of the following:
 - i. Statutory like changes included in the LFD calculated comparison
 - ii. Changes associated with agency actions that impact salaries
 1. *Recognize that changes will likely be included that are intended to mitigate inflation*
 - iii. *4% Vacancy Savings in the executive budget proposal*

- 3) SWPL: Fixed Costs
 - a. Recommend the Section A and Section C subcommittees examine fixed cost rates and provide directions regarding the acceptance of the rates to the other subcommittees. Any adjustments should be made on a consistent basis.

Subcommittee direction to staff:

Look into alternate wording or approach to rates that might allow more flexibility when inputs inflate. Specifically, this was in reference to DOT Motor Pool rates that may not be sufficient to cover costs with increased fuel costs and other inputs.

(A memo on this was provided to the Section C IBC and will be an ongoing process through Budget Analysis and into session.)

Also confirm that rates charged by the Library will be continued as requested previously by the legislature. *(confirmed and ongoing)*

4) SWPL: Inflation

- a. Direct the Section A subcommittee to examine the inflation/deflation factors and provide directions to the other subcommittees. Any adjustments shall be made on a consistent basis.

Subcommittee direction to staff:

Staff will look into what specific items will have inflation factors applied, and how those can be tracked/monitored during BA and session. If possible, a BI tool will be developed to compare Actuals in detail to the budgeted items as they roll up.

***Possible new item 4(a): Inflation comparison across entire budget**

Inflation in general will impact other areas of the budget including wages, medical, etc. While each of these areas should allow for comparison to individual inflation indexes, the entire budget growth as driven by inflation may require comparison to other benchmarks. These comparisons could be things such as CPI, CPI adjusted for population, wage inflation, personal income, etc.

5) Budget Proposals Requiring Legislation

- a. Direct the appropriation subcommittees to make no recommendations or adjustments to HB 2 until required legislation passes, except for K-12 inflation, which is defined as present law, and in alignment with companion bills.
 - i. *This has historically meant that bills with a fiscal note do not get funded in HB 2 until either conference committee or an appropriation in another bill (similar to SB 191 in 2021) after these bills are all known.*
- b. *This is separate from the recognition of the impact on the ending fund balance, where there is a set of rules that determines when fiscal notes are included in the fund balance. Generally, this is recognized when a bill is passing, but has not yet been finalized, as opposed to funding in HB 2 or (SB 191), which is funded at the end of the process.*

6) HB 2 Companion Bill

- a. 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. If needed, 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.
- b. *Recommend that companion bills be used to establish reporting requirements, providing the IBCs an opportunity to hear from the agencies throughout the interim as to the effectiveness of funding provided.*
- c. **Consider:** *provide guidance for timing between moving HB 2 to full House Approps, and the timeline for moving the companion bills. (Perhaps within in a week, to keep them closely tied?)*

7) Key Performance Measures

- a. Recommend to the joint appropriation subcommittees to select critical performance measures for each agency for monitoring purposes during the 2025 interim and formalized as part of a separate bill(s) or resolution(s).
- b. *Subcommittee members should be made aware that statute requires (MCA 17-7-111(3)(c)) agencies submit goals and objectives in the budgeting process, and subcommittees should review these in their budgeting process.*

8) Internal Service Programs

- a. Recommend to the appropriation subcommittees not to approve decision packages of internal service funded proprietary programs unless quantifiable rate impact information is provided.

9) One-Time-Only Alternative Designation

- a. Recommend the appropriation subcommittees not designate entire agency budget requests as “one time only” (OTO). Please use the language below to request an agency to provide a complete description of the budget for the subsequent legislative session.
 - i. “It is the intent of the legislature to consider the 2027 biennium budget for the department of _____ from zero to the full recommended budget. The department shall explain the necessity of each reporting level (RL4) of the budget, including the base budget for the budget submission for the 2027 biennium budget.”
- b. ***Consider:*** *An alternate process might allow for more time for getting into more detail in the interim by utilizing the IBCs:*
 - i. *“The Interim Budget Committee is directed to consider the full budget of (department/division/specific programmatic subset/etc.) during the 2025 interim. The (department/division/specific programmatic subset/etc.) shall explain the necessity of each reporting level (RL4) of the budget, or pertinent sub-unit, and provide detail regarding the use, objectives, and results of appropriations provided by the legislature.”*

10) Volume 10

- a. Information technology budget process recommendations.
- b. Each subcommittee should consider the comparisons in volume 10 when adopting the IT budget for each agency.
- c. Section A subcommittee should review format of volume 10 and make recommendations for the next session.

Additional followup needed:

Volume 10 is not well understood by many, and additional work, in preparation for session, during session, as well as in the next interim, may be necessary to gain a better understanding of how ITSD is budgeted.

11) Subcommittee Hearings Process

- a. Recommend that subcommittees consider consistent rules regarding materials and presentations from agencies. Specifically, it is recommended that agencies be required to submit materials for review three (3) committee days in advance of their presentation.

12) **NEW:** *Other or Biennium Specific Items*

- a. *Expanded Fiscal Analysis*
 - i. *Recommend up to two (2) per caucus where the LFD would be called upon to do a more comprehensive analysis of the fiscal impacts of a bill. Recommend LFC leadership come to an agreement upon the process for identification of bills and request process.*
- b. *Alternate Fiscal Note Analysis*
 - i. *Recommend up to two (2) per caucus where the LFD would write up a review of the fiscal note provided and an alternate conclusion (if applicable).*

13) Questions to include in OBPP Instructions to Agencies for budget development

- a. **These questions have already gone out to agencies via the OBPP budget submission instructions.*

Personal Services questions

(1) How many vacant FTEs exist in your agency? Identify the vacant positions by program and job title.*

(2) For each vacant FTE, state when the position was last filled.*

(3) For each vacant FTE, state when the position was last advertised/posted in an attempt to hire a person to fill it.*

(4) To the extent possible, state whether contractors are performing the duties that would be performed if employees were in the place. If a contractor is performing the duties, state (a) the amount paid per week to engage the contractor for this work and (b) whether the contractor is performing duties beyond those that would be performed by an employee if the position were filled.

(5) How many modified FTE did you utilize in the current biennium? What was the funding source and authority? Are any of these FTE expected to continue into the next biennium, and if so, for how long?

*To the extent possible, the Legislative Fiscal Division will provide access to consistent data across all state agencies, to assist in responding to these questions.

Public Right to Know:

(1) How much time and money does each agency spend on public right to know requests?

(2) How much revenue do agencies collect from entities requesting public right to know information?

ANSWERS TO SUBCOMMITTEE QUESTIONS:

How the IBARS system is used by different states for personal services budgeting.

IBARS is the system used by the state of Montana for budgeting. This system is also used by other states so it can be useful to understand differences in approaches to personal services budgeting.

There is not a standard approach to personal services budgeting, every state does it somewhat differently. IBARS as a system is designed to accommodate the existing processes states have, and thus also does not have a single standard approach.

Despite there not being a standard approach there are similar pieces that exist in how states do the personal services budgeting process. One of the similarities is having a point in time dataset of position costs as it is necessary to have data to start with. It is also quite common to have benefits calculations done by position, often including some form of vacancy savings.

Although there are multiple differences in process, there appears to be one area in particular where there is a functional difference in the way Montana does personal services budgeting compared to some other states. This difference is in the more prescriptive usage of pay grades and an associated salary schedule. In Montana, adjustments to the starting point are achieved by change packages that are often calculated outside the system, which provides a great amount of flexibility. In a somewhat more prescriptive approach used by some other states, salaries across agencies are adjusted as the entire class code is adjusted. This allows for adjustments to be made on the grouping of positions, which then calculates the change package. The methodology here has some standardization advantages as well as additional data within the system that helps explain the new adjustments. Utilizing the class codes does however require more setup and switching to it would require a significant effort.

Geographically, the more prescriptive approach is more often utilized by coastal states while the more flexible approach is more used in midwestern states, this may be due to the amount of work needed by each approach. Timing could also be a factor. As one of the few states with a biennial legislature, Montana cannot take advantage of the annual budget adjustments afforded annual legislatures.