

# Role of the Legislative Finance Committee

Amy Carlson

# 5-12-101: Legislative Finance and Data Analytics Act

(2) Because the legislature is responsible for appropriating public funds, it shall provide for fiscal analysis of state government to accumulate, compile, analyze, and furnish information on the financial matters of the state that is relevant to issues of policy and questions of statewide importance.

(3) Because the legislature is responsible for providing a comprehensive system of efficient governance, policy, and appropriations for the state and its political subdivisions, including local governments and schools, analysis of data across all aspects of government revenues, services, and funding is essential.

(4) Because the laws enacted by the legislature remain unless later changed by the legislature, appropriations may impact future generations, and tax and other law changes may impact the state's economy, the legislature needs a data tool to evaluate the impacts of legislation on future generations. The tool should be derived from reliable data sets and numeric in nature to allow the legislature to evaluate different assumptions and potential changes in law 20 years into the future."

# 5-12-101 Powers and Duties of the Legislative Finance Committee (cliff notes version)

- (1) adopt rules
- (2) employ Legislative Fiscal Analyst
- (3) may exercise the investigatory powers
- (4) shall monitor the information technology policies
- (5) analyze and recommend how information technology can be used to impact the state
- (6) may prepare legislation to change information technology
- (7) prepare recommendations to the session on budget issues

Responsibilities  
of the  
Legislative  
Finance  
Committee



A large orange circle on the left side of the slide, partially cut off by the edge.

## Other Statutes for Oversight of State Finance

- Review Required Reports Throughout Statute
  - Reductions in Spending 17-7-140
  - Budget Amendments 17-7-402 to 404
  - Operating Plan Changes 17-7-138
  - Program Transfers 17-7-139
  - Fiscal Year Transfers 17-7-301 to 311
- 
- A decorative yellow dashed line in the bottom right corner, consisting of several curved segments.

# Unique Items 2023-2024 Interim

HB 424 State Budget Process and Personal Services Expenditures

HB 5 Select Committee on Corrections Facility Capacity & System Development

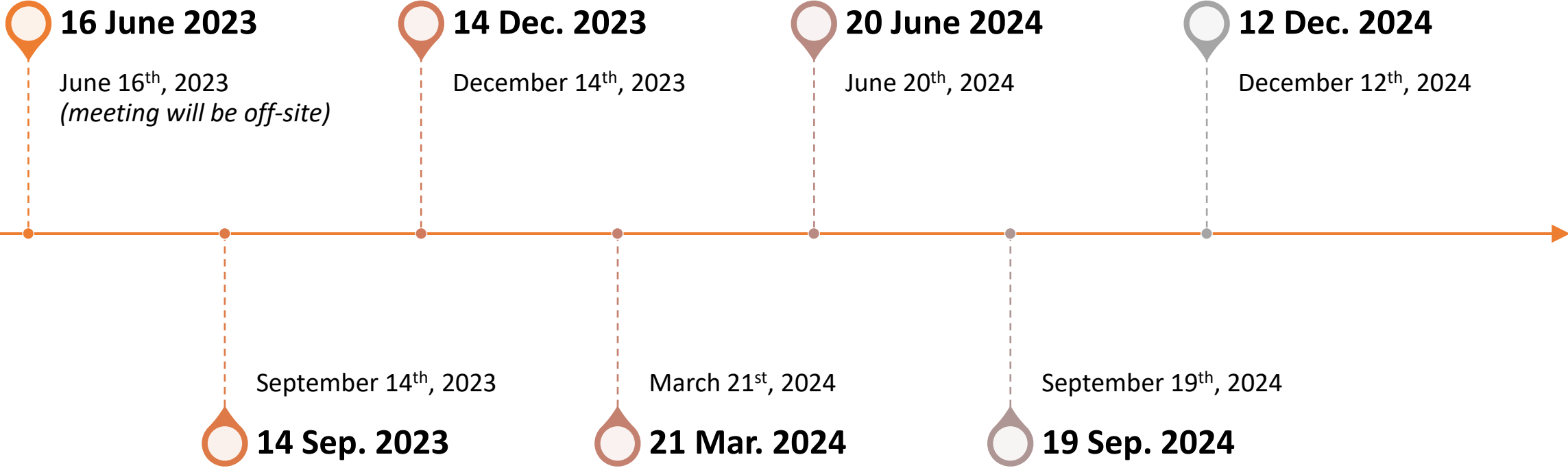
HB 856 Generally Revise Capitol Complex Administration Laws

SJ 4 Pensions Study Under State Administration and Veterans Affairs Interim Committee

HB 872 Provide Funding for Behavioral Health System for Future Generations

- oversight of rules on use of infrastructure funding (MAPA process)
- 3 committee meeting on the recommendation of the commission

# Tentative Meeting Dates



# Plan for Quarterly Meeting Weeks

## Monday

- Possible Interim Committees

## Tuesday

- HB 5 Select Committee on Corrections Facility Capacity & System Development
- Coordinated Meetings with Interim Committees

## Wednesday

- IBC Meetings
- Possible Interim Committees

## Thursday

- LFC Meetings
- Possible Interim Committees

## Friday

- HB 424 State Budget Process and Personal Services Expenditures
- Possible Pension Committee
- Possible Interim Committees



# HB 424 Budget study

**Section 10. Study of state budget process and personal services expenditures -- appropriation.** (1) During the 2025 biennium interim, a subcommittee a working group composed of members from of the legislative finance committee, the legislative fiscal division, and the office of budget and program planning shall jointly study the process by which the state budgets for personal services conduct a study on the state budgeting process.

(2) The study must include consultation with the vendor of the state's budgeting software system on potential options for personal services budgeting. The study must also include a survey of peer states on their personal services budgeting methodology and outcomes.

(3) The subcommittee shall make recommendations by June 2024 to the legislative finance committee and the office of budget and program planning for the budgeting process for the 2027 biennium.

(a) The study must include the development of methods to analyze and present the state budget in a manner that clearly illustrates the various costs associated with providing different services, an analysis of the strengths and weaknesses of the current budget development process, and an assessment of best practices in budget development from other states and jurisdictions.

(b) The methodology developed should enable legislators to understand cost drivers for each public service, including but not limited to personnel costs, operational expenses, and other costs of providing publicly funded services to Montanans. A goal of this study is to optimize the state budgeting process to improve effectiveness and inform decisionmaking in joint subcommittees during sessions. Another goal of this study is to maximize effective use of legislative time and legislative staff time in the joint subcommittees in the first half of each regular session.

(c) The study must additionally include an analysis of the strengths and weaknesses of the current personal services budgeting process and assessment of the personal services budgeting process in peer states.

(2) The study of state budget development and the personal services budgeting process must include consultation with the vendor of the state's budgeting software system on potential options for personal services budgeting. The working group may seek input from relevant stakeholders, including state agencies, program managers, budget analysts, and financial experts, to gather insights on and areas for improvement in both the state budget development process and personal services budgeting process.

(3) The working group shall submit a comprehensive report of its findings and recommendations to the legislative finance committee and the office of budget and program planning by June 2024 outlining potential options for enhancing both the state budget development process and the personal services budgeting process for the 2027 biennium. The report should include specific proposals for improving transparency, efficiency, accuracy, and effectiveness in budgeting, as well as the development of potential output and outcome measures, supplemental data and analysis considered necessary, and any potentially necessary changes to budgeting laws, rules, or regulations.

(4) The legislative finance committee presiding officer, with consultation of the vice presiding officer, shall appoint seven members from the legislative finance committee to participate with the working group. At each legislative finance committee meeting the legislative fiscal division will report on the progress of the working group and have items for consideration and discussion by the legislative finance committee.

(5) There is appropriated \$25,000 from the general fund to the legislative fiscal division for the biennium beginning July 1, 2023, for costs associated with this study.

# 17-7-111 Preparation of the State Budget – Agency Program Budgets – Form Distribution & Contents (1)

(a) To prepare a state budget, the executive branch, the legislature, and the citizens of the state need information that is consistent and accurate. Necessary information includes detailed disbursements by fund type for each agency and program for the appropriate time period, recommendations for creating a balanced budget, and recommended disbursements and estimated receipts by fund type and fund category.

(b) Subject to the requirements of this chapter, the budget director and the **legislative fiscal analyst** shall by agreement:

(i) establish necessary standards, formats, and other matters necessary to share information between the agencies and to ensure that information is consistent and accurate for the preparation of the state's budget; and

(ii) provide for the collection and provision of budgetary and financial information that is in addition to or different from the information otherwise required to be provided pursuant to this section.

# 17-7-138 Operating Budget – IBC report

(1) (a) Expenditures by a state agency must be made in substantial compliance with the budget approved by the legislature. ... An explanation of any significant change in agency or program scope, objectives, activities, or expenditures must be submitted to the legislative fiscal analyst for review and comment by the legislative finance committee prior to any implementation of the change. ... If the approving authority certifies that a change is time-sensitive, the approving authority may approve the change prior to the next regularly scheduled meeting of the **legislative finance committee**. The approving authority shall submit all proposed time-sensitive changes to the **legislative fiscal analyst** prior to approval. If the **legislative fiscal analyst** determines that notification of the **legislative finance committee** is warranted, the **legislative fiscal analyst** shall immediately notify as many members as possible of the proposed change and communicate any concerns expressed to the approving authority. The approving authority shall present a report fully explaining the reasons for the action to the next meeting of the **legislative finance committee**. ...

# 17-7-139 Program Transfers – IBC report

(1) Unless prohibited by law or a condition contained in the general appropriations act, the approving authority may approve agency requests to transfer appropriations between programs within each fund type within each fiscal year. ... An explanation of any significant transfer must be submitted on a regular basis to the interim committee that has program evaluation and monitoring functions for the agency pursuant to Title 5, chapter 5, part 2, and to the **appropriate interim budget committee** in accordance with 5-12-501. An explanation of any transfer that involves a significant change in agency or program scope, objectives, activities, or expenditures must be submitted to the **legislative fiscal analyst** for review and comment by the **legislative finance committee** prior to any implementation of the change. If the approving authority certifies that a request for a transfer representing a significant change in agency or program scope, objectives, activities, or expenditures is time-sensitive, the approving authority may approve the transfer prior to the next regularly scheduled meeting of the **legislative finance committee**. The approving authority shall submit all proposed time-sensitive changes to the **legislative fiscal analyst** prior to approval. If the **legislative fiscal analyst** determines that notification of the legislative finance committee is warranted, the legislative fiscal analyst shall immediately notify as many members as possible of the proposed change and communicate any concerns expressed to the approving authority. The approving authority shall present a report fully explaining the reasons for the action to the next meeting of the **legislative finance committee**. ...

# 17-7-140 Reductions in Spending

(1) (a) As the chief budget officer of the state, the governor shall ensure that the expenditure of appropriations does not exceed available revenue. ...

(c) The governor shall direct agencies to manage their budgets in order to reduce general fund expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor shall direct each agency to analyze the nature of each program that receives a general fund appropriation to determine whether the program is mandatory or permissive and to analyze the impact of the proposed reduction in spending on the purpose of the program. An agency shall submit its analysis to the office of budget and program planning and shall at the same time provide a copy of the analysis to the **legislative fiscal analyst**. The report must be submitted in an electronic format. The office of budget and program planning shall review each agency's analysis, and the budget director shall submit to the governor a copy of the office of budget and program planning's recommendations for reductions in spending. The budget director shall provide a copy of the recommendations to the legislative fiscal analyst at the time that the recommendations are submitted to the governor and shall provide the legislative fiscal analyst with any proposed changes to the recommendations. The recommendations must be provided in an electronic format. The recommendations must be provided to the legislature in accordance with 5-11-210. The **legislative finance committee** shall meet within 20 days of the date that the proposed changes to the recommendations for reductions in spending are provided to the legislative fiscal analyst. The **legislative fiscal analyst** shall provide a copy of the **legislative fiscal analyst's** review of the proposed reductions in spending to the budget director at least 5 days before the meeting of the **legislative finance committee**. The **committee** may make recommendations concerning the proposed reductions in spending. The governor shall consider each agency's analysis and the recommendations of the office of budget and program planning and the **legislative finance committee** in determining the agency's reduction in spending. Reductions in spending must be designed to have the least adverse impact on the provision of services determined to be most integral to the discharge of the agency's statutory responsibilities. ...

17-7-301 and 17-7-311 Authorization to expend during first year of biennium from appropriation for second year — proposed supplemental appropriation defined — limit on second-year expenditures

An agency that is not authorized in the general appropriations act to make first-year expenditures may be granted spending authorization by the approving authority upon submission and approval of a proposed supplemental appropriation to the approving authority. ... If the approving authority finds that, due to an unforeseen and unanticipated emergency, the amount actually appropriated for the first fiscal year of the biennium with all other income will be insufficient for the operation and maintenance of the agency during the year for which the appropriation was made, the approving authority shall, after careful study and examination of the request and upon review of the recommendation for executive branch proposals by the budget director, submit the proposed supplemental appropriation to the **legislative fiscal analyst**.

... (3) Upon receipt of the recommendation of the **legislative finance** committee pursuant to **17-7-311**, the approving authority may authorize an expenditure during the first fiscal year of the biennium to be made from the appropriation for the second fiscal year of the biennium.

# 17-7-402 to 404 Budget Amendments

402 (1) Except as provided in subsection (7), a budget amendment may not be approved:

...(e) by the approving authority for any matter of which the requesting agency had knowledge at a time when the proposal could have been presented to an appropriation subcommittee, the house appropriations committee, or the senate finance and claims committee of the most recent legislative session open to that matter, except when the **legislative finance committee** is given specific notice by the approving authority that significant identifiable events, specific to Montana and pursuant to provisions or requirements of Montana state law, have occurred since the matter was raised with or presented for consideration by the legislature; or

(4) Each budget amendment must be submitted by the approving authority to the budget director and the **legislative fiscal analyst**.

404 (1) Upon receiving a proposed budget amendment, the approving authority shall immediately forward a copy of the entire budget amendment to the **legislative fiscal analyst**.

(2) If the approving authority denies the request for a budget amendment, the approving authority shall immediately forward a notice of denial to the **legislative fiscal analyst**.

(3) If the approving authority intends to make certification of the budget amendment, immediately upon completion of the certification the approving authority shall forward the certification and all supporting documentation to the **legislative fiscal analyst**. If the approving authority has returned the budget amendment to the requesting agency and the requesting agency resubmits the budget amendment to the approving authority, all procedures set out in this section apply to the resubmitted budget amendment.

(4) This part does not confer any authority on the **legislative finance committee** to approve or deny budget amendments.