



Joint House Appropriations and Senate Finance and Claims Subcommittee Process

Section D, Public Safety
A Legislator's Guide into HB 2
Budgeting

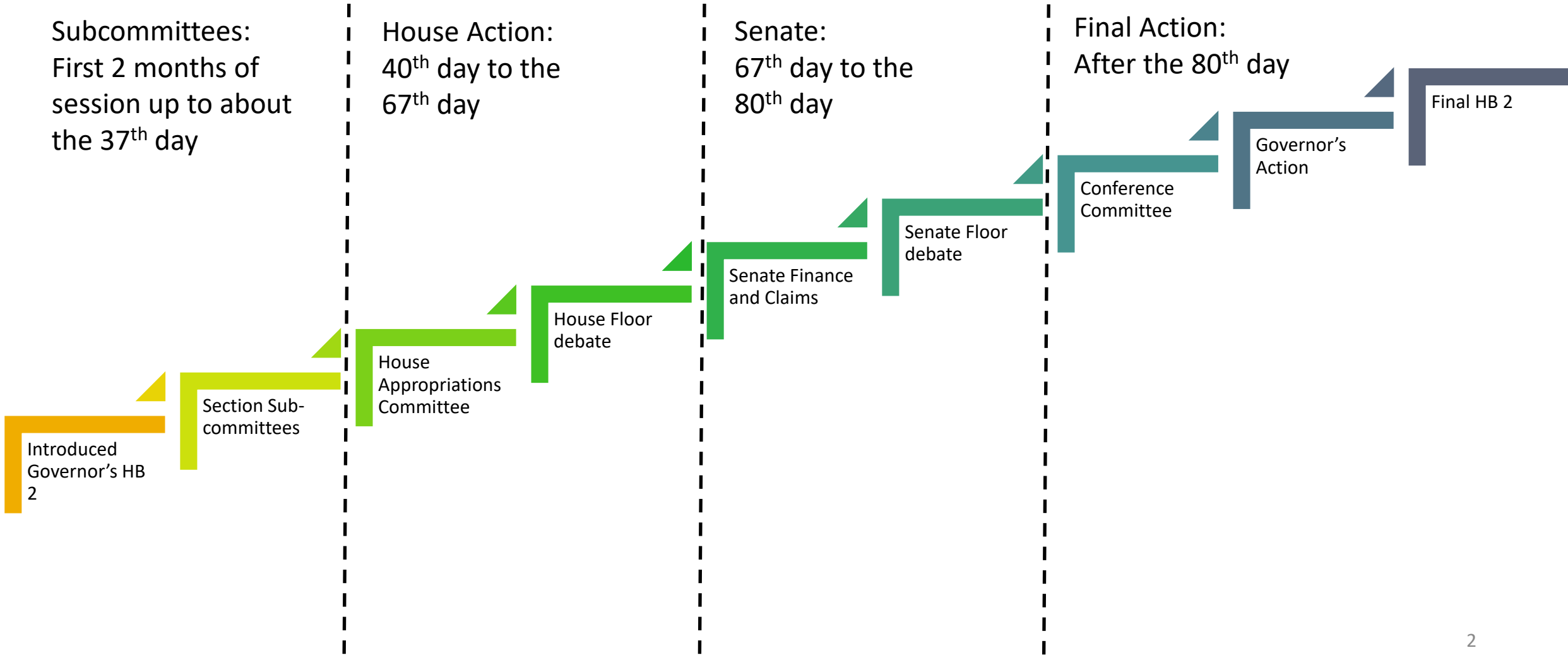
HB 2 Process

Subcommittees:
First 2 months of
session up to about
the 37th day

House Action:
40th day to the
67th day

Senate:
67th day to the
80th day

Final Action:
After the 80th day



Role of the Subcommittee

- In the subcommittee work you will:
 - Study Base Budget, adopt budget instruction starting point
 - Study the executive proposals for statewide present law adjustment, present law adjustment, and new proposal decision packages
 - Discuss and make initial recommendations on whether or not to accept the decision packages as presented or change decision packages as determined appropriate
 - Provide recommendations for each agency budget to the House Appropriations Committee

Terminology:

- Appropriation:
 - An appropriation is a specific authorization that allows agencies to incur obligations and to make payments from the state treasury, generally for specified purposes
 - Appropriation = Authority
 - Authority \neq Appropriation
 - No monies may leave the state treasury without an appropriation
 - Types of Appropriation include:
 - Temporary appropriations (General Appropriations Act: HB 2 and other legislation)
 - Statutory appropriations (in statutes - MCA)

Terminology:

- Boiler Plate:
 - The first two pages of HB 2
 - Boiler plate language defines HB 2 appropriations and associated parameters
 - All numbers in HB 2 are appropriations except for the totals

Terminology:

- Funding – dollars used to pay for appropriations
 - General Fund (01 fund) – dollars generated from taxes
 - State Special Revenue Funds (02 funds) – generally dollars generated from fees and charges, guided by statute, specific purpose for fee, specific uses
 - Federal Special Revenue Funds (03 funds) – federal revenue sharing and grants
 - Proprietary Funds (06 funds) – no appropriation necessary unless it is “budgeted”
 - Internal service purposes
 - Enterprise funds – state businesses activities
 - Agency Funds (08 funds) – typically donations and no appropriation necessary
- Funds and Accounts are often used interchangeably

Terminology:

Base Budget:

Base Budget = FY 2023 Ongoing Appropriations

"Base budget" means the resources for the operation of state government that are of an ongoing and non extraordinary nature in the current biennium. The base budget for the state general fund and state special revenue funds may not exceed that level of funding authorized by the previous legislature.

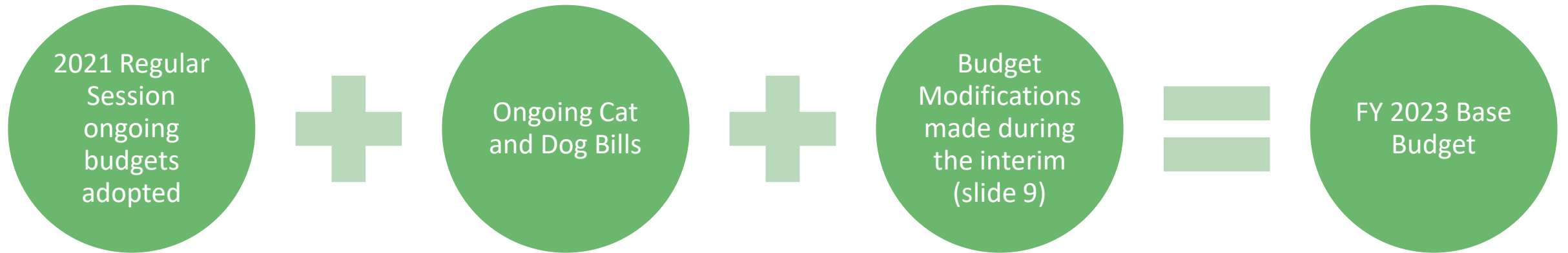
The term does not include:

- (i) funding for water adjudication if the accountability benchmarks contained in 85-2-271 are not met;
- (ii) funding for petroleum storage tank leak prevention if the accountability benchmarks in 75-11-521 are not met.



Base
Budget

HB2 2023 Base Budget How We Got There



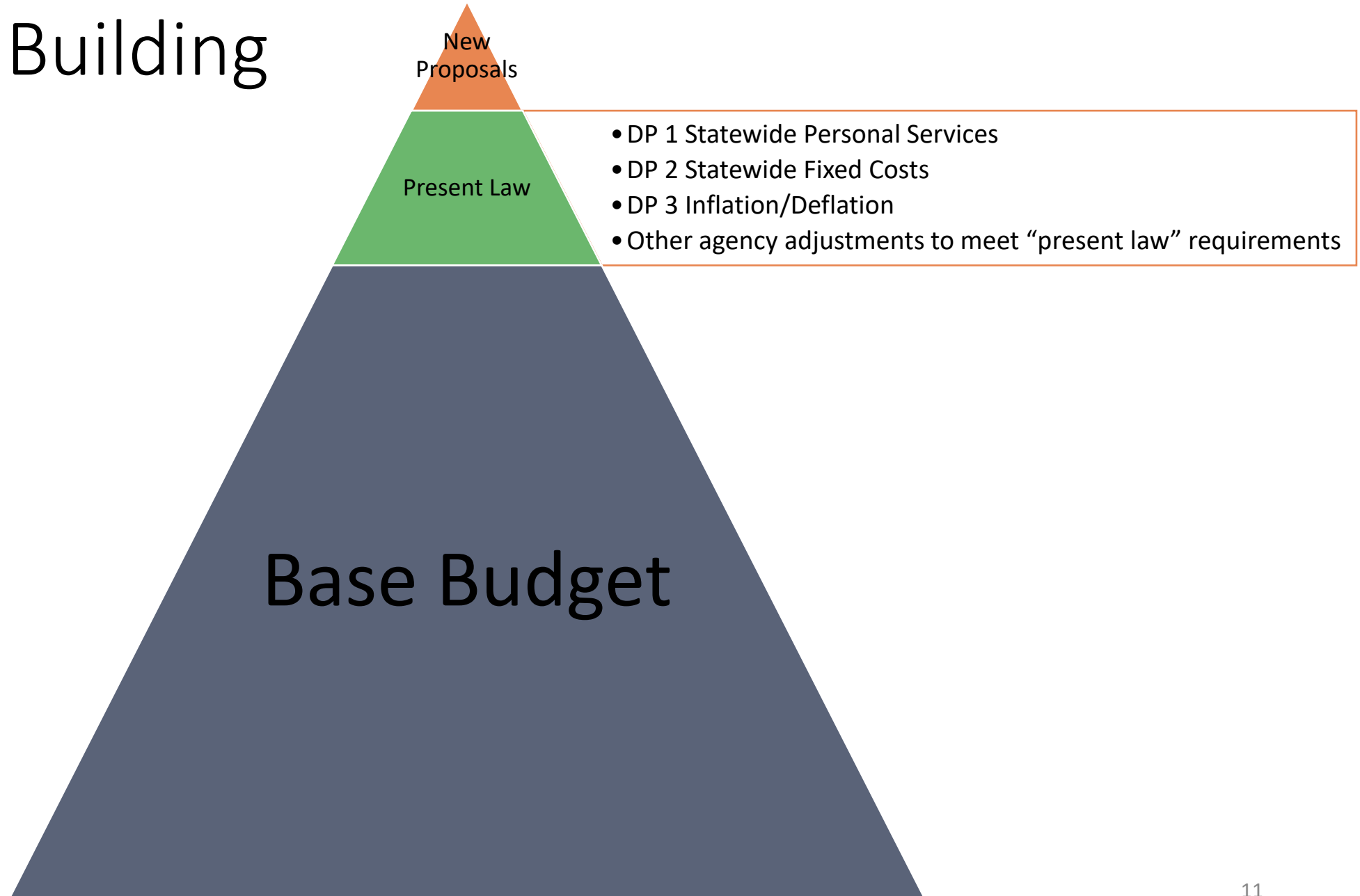
Terminology:

- Allocations
 - Allocations is a term that references how an agency distributes the appropriations across specific functions and accounts
 - All HB 2 budget documents provide first level allocations of the appropriations you provide (see slide 13)
 - Boiler plate language refers to the fiscal report as legislative intent for the allocations
- Modifications
 - Agencies are allowed in budget law to change the allocations of appropriation authority, and such changes are called modifications
 - Modifications are approved by the Office of Budget and Program Planning (OBPP)
 - If modifications exceed 25% of any first level allocation, the Legislative Finance Committee is informed of the change(s)

Terminology:

- DP's – Decision Packages – 3 types
 - Decision packages (aka change packages) are budget items used to put together the agency budget
 - You will make a decision on each of these items
 - 1) Statewide Present Law Adjustments
 - Adjustments applied to each agency budget uniformly
 - Include DP 1 (personal services adjustments), DP 2 (fixed costs adjustments), DP 3 (inflation/deflation adjustments)
 - 2) Present Law Adjustments
 - Level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature that include:
 - Adjustments in mandated workload, caseload, or enrollment
 - Changes in funding requirements
 - Elimination of nonrecurring appropriations
 - 3) New Proposals
 - Requests to provide new non-mandated services, to change program services, to eliminate existing services, or to change sources of funding.
 - Any proposal that is not based upon the existence of constitutional or statutory requirements is a new proposal.

Budget Building Blocks



Terminology:

- Program
 - A principal organizational or budgetary unit within an agency
 - The term program and division are used interchangeably
- Personal Services
 - The costs of state employees
 - FTE – Full Time Equivalent or a permanent state employee
 - Modified employee – generally a temporary employee hired for a specific purpose
- Vacancy Savings
 - A budgetary term that refers to a percentage of the total agency HB 2 personal services budget
 - Non-executive branches of government, some programs/agencies (highway patrol, game wardens, school of deaf and blind) and agencies with 20 total FTE or fewer are exempt

Terminology:

- Expenditure Accounts

- Appropriations are provided in the accompanying executive budget request, the legislative budget analysis, and legislative fiscal report by expenditure accounts
- There are numerous accounts used as agencies expend appropriations that allows you and the public to know how the moneys are being expended

- Account Level 1

- A high-level categorization of appropriations that includes:

Personal Services

Operating Expenses

Equipment & Intangible Assets

Local Assistance

Grants

Benefits & Claims

Transfers-out

Debt Service

Terminology:

- OTO
 - One time only – an appropriation restriction that suggests the function is not ongoing and will not be included in the base of the next biennium
- Biennial
 - An appropriation provision that allows appropriations to be used in any year of the biennium
- Restricted
 - An appropriation restriction that requires that the appropriation only be used for a specific purpose

Subcommittees Study HB 2 & Make Recommendations:

Study the Budget Proposal

- HB 2 Funding
- Base Budget
- Present Law
- New Proposal
- Budget Instructions
- Snapshot Budgeting Tool
- Vacancy Savings

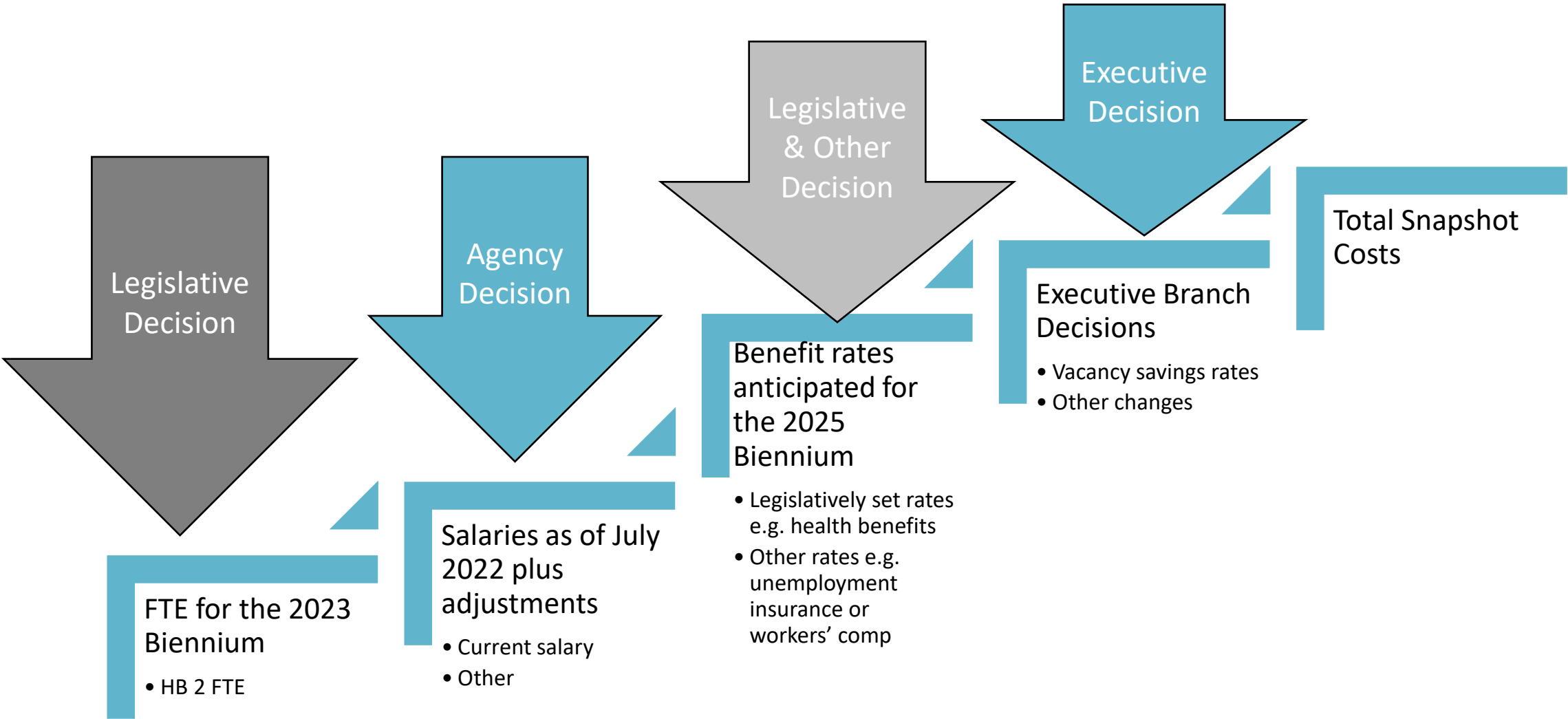
Make Recommendations

- Budget Instructions from HAC & SFC Chairs
- Decision Packages
- More Options
 - Line item appropriations
 - Restrict appropriations

Statewide Present Law Adjustment (SWPL DP 1) Decision Package 1

- Personal Services is defined as the cost for personnel pay and benefits. SWPL DP 1 is the proposed present law adjustment of personal services costs for the 2025 biennium
- Personal services snapshot is an executive budgeting tool used to build state agency budgets. The "snapshot" is comprised of salaries and benefits
- The snapshot is then used to determine additions to the personal services budget. The proposed additions are included in the DP 1 Statewide Present Law Adjustment

Snapshot Components – Who Makes the Decisions



SWPL DP 1 – Three Categories

Snapshot Cost of Salaries & Benefits of all
FTE*

PS Base

SWPL adjustment (not to scale)

Legislatively
Approved
Changes

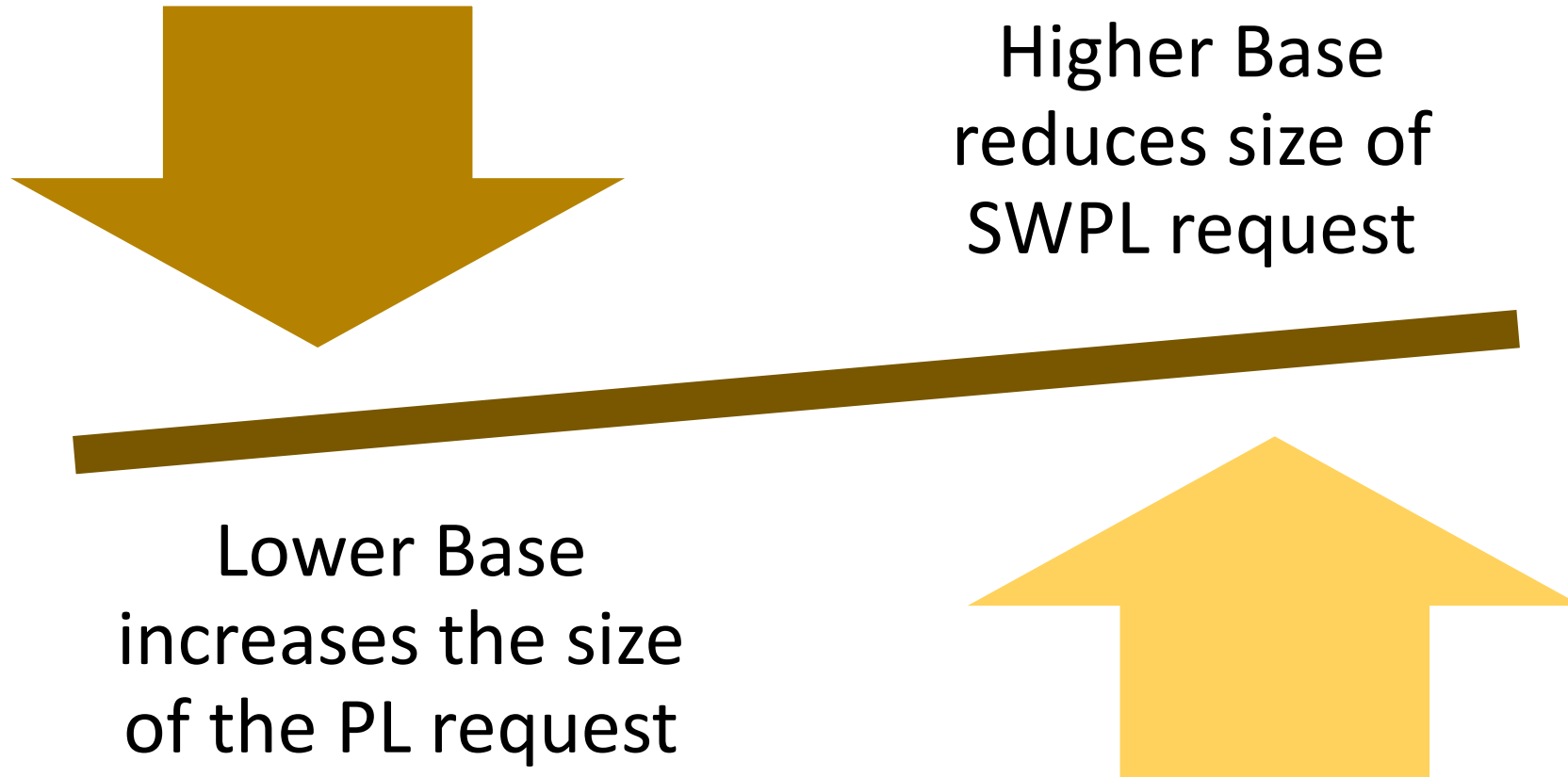
Management
Decisions

Budget
Modifications

SWPL DP 1 – Three Categories in Detail

1. Legislatively approved changes – This category includes adjustments explicitly approved by the legislature, such as expected changes to annualize personal services costs included in the FY 2023 statewide pay plan adjustments, changes to benefit rates, increases in pay approved by the legislature, longevity adjustments required by statute, and changes in rates for workers' compensation and unemployment insurance
2. Management decisions – This category includes agency management decisions that adjust personal services related to changes in pay. This includes changes such as hiring full time equivalent (FTE) at a lower rate to replace senior staff and broadband pay adjustments for recruitment and retention
3. Budget modifications – This category includes other modifications to the FY 2023 personal services base budget such as management decisions to transfer personal services funding between programs within an agency or transfers to move personal services funding to or from other expenditure categories (e.g. moving funding from operating expenses to personal services)

Changes to the Base Impact the Size of the SWPL DP 1 Request



When Base is smaller the cost to fill the cost of Snapshot is larger

Snapshot Cost of Salaries & Benefits of all
FTE*

PS Base



SWPL adjustment

When Base is larger the cost to fill the cost of Snapshot is less

Snapshot Cost of Salaries & Benefits of all
FTE*

PS Base



SWPL
adjustment

Subcommittees Work Until Day 37

- Study
- Discuss
- Debate
- Decide
- Make Recommendations

Subcommittees Make Recommendations By:

Adopt
Language

Adopting Decision Packages

Adopt
Rates

General
Change
Packages

One-
time-only

Biennial

Restricted