2021 Biennium Budget
Recommendations for the application of certain budget issues for 2019 Legislative Session[1]

#	Decision Item	History	Discussion	Process

1	Budget Starting Point
	Recommend that the appropriation subcommittees adopt the 2019 base as submitted by the executive as the starting point for budget deliberations.
	  o Includes allocations to tie to legislative intent
	  o Does not include the statewide present law adjustments for personal services, statewide fixed costs, and inflation/deflation
	  o One-time-only appropriations are excluded from the starting point
	  o Includes special session SB 9 restorations
		In preparation for the 2015 Legislative session the executive prepared the budget request using the 2014 actual expenditures and the legislature adopted the 2015 appropriation as the starting point, which required recalculation of decision packages to balance budget requests.	During the 2017 biennium interim, the executive and the Legislative Finance Committee agreed to use the FY 2017 base budget as the starting point for the 2019 biennium budget process.
			
			The adoption of the base as the starting point does not prevent a subcommittee, the full committees, or the legislature from reducing the budget later in the process.
				Requires a motion by the subcommittees to adopt the 2019 base as the starting point.

2	SWPL: Personal Services
	Recommend subcommittees consider the statewide present law (SWPL) personal services adjustments in light of the following:
	  o Statutory like changes included in the LFD calculated comparison
	  o Changes associated with agency actions that impact salaries
	  o 2% Vacancy Savings in the executive budget proposal
		During the 2015 Legislature, a statewide reduction to personal services of 2% was included for all agencies, and referenced in HB 2 as legislative intent that this fully funds current salaries and imposes a 2% vacancy savings. The 2017 Legislature instituted a 6% vacancy savings for the 2019 biennium, except where those agencies were exempted from vacancy savings.
		
		Budget instructions for the 2021 biennium from the executive to the agencies imposed a 2% vacancy savings except where those agencies were exempted from vacancy savings.
			Individual appropriations subcommittee will be provided the opportunity to examine the changes in personal services as related to the items in column one and have a discussion regarding management decisions. Subcommittees may develop alternative plans to providing authority for the personal services adjustment.	The LFD is preparing tables and communicating with agencies to prepare an explanation of the Personal Services management decisions impacting the Statewide Present Law adjustment. These tables will be included in the Budget Analysis.
				
				LFD has also created graphic illustrations of the calculations to assist in communicating the method utilized and explain the variations included.
				
				==These adjustments are all presented in IBARS in DP 1-0-SWPL-Personal Services.==

---

[1] 5-12-205 (7), MCA

#	Decision Item	History	Discussion	Process
3	Fixed Costs 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.	Since the 2013 Legislative session, the fixed cost adjustment has been presented in a decision package. The Section A subcommittee examined most of the rates and provided directions to the other subcommittees for adjustments.	This decision does not preclude the Section A subcommittee from increasing, or decreasing a fixed cost rate. If such change occurs, these types of adjustments would occur as change packages in all agency budgets. Subcommittees should not reduce budgeted fixed costs unless directed to do so by the Section A subcommittee.	The fixed costs will be considered in Section A (General Government) along with the budget of the Dept. of Administration. Motor Pool rates will be set in Section C through the Dept. of Transportation. ITSD rates will be described and set through Volume 10. These adjustments are all presented in IBARS in DP 2-0-SWPL-Fixed Costs.
4	Inflation or Deflation Factors in the Budget 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.	Since the 2013 Legislative session, the inflation/deflation adjustment has been presented in a decision package.	This decision does not prevent the Section A subcommittee from increasing, or decreasing inflation factors. If such change occurs, these types of adjustments would occur as change packages in all agency budgets. Subcommittees should not reduce budgeted fixed costs unless directed to do so by the Section A subcommittee.	These adjustments are all presented in IBARS in DP 3-0-SWPL-Inflation Deflation.
5	Budget Proposals Requiring Legislation 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 companion bills.	This recommendation represents the direction provided by the LFC since the legislative sessions. Coordination of the contingent legislation is often completed in conference committee.	Legislation is often accompanied by fiscal notes, but not all fiscal notes need to be incorporated into HB 2. Deliberations in policy committees may influence some modifications to HB 2 to account for situations where an adjustment in funding is necessary to implement legislation.	

#	Decision Item	History	Discussion	Process
6	HB 2 Companion Bill 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.	This was included in the items discussed and adopted since the 2009 session. The companion bill should follow HB 2 as closely possible.	Legislation to implement HB 2 is purposeful by providing a vehicle for the legislature to enact provisions related to appropriations that are not appropriate for inclusion in HB 2. This is commonly referred to as the companion bill to HB 2. Among the potential uses are to: • Provide statutory changes necessary to implement provisions of the budget • Provide special instructions on use of or access to appropriations • Require agency action.	LFD analysts would assist subcommittees to complete this task. If no bill is currently available, a bill draft request is necessary to complete this action.
7	Key performance measures Recommend to the joint appropriation subcommittees to select a few critical performance measures for each agency for monitoring purposes during the 2017 interim and formalized as part of a separate bill(s) or resolution(s).	This process has evolved over the past several biennia. The 2011 Legislature passed SJR 26 and the LFC monitored programs identified in the legislation during the 2013 interim. The same process was utilized in the 2013 session, however the bill died in process. If this was considered a valuable task, a recommendation to the joint committees would include the selection of performance measures for review during the 2021 interim.	State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. Reviewing this information and selecting related performance measures for further review may demonstrate to the legislature where budgetary adjustments are warranted and where the legislature might direct resources accordingly.	LFD analysts would assist subcommittees to complete this task by incorporating it into the budget hearing process.
8	Internal Service Programs Recommend to the appropriation subcommittees not to approve decision packages of internal service funded proprietary programs unless quantifiable rate impact information is provided.	This recommendation has been adopted since the 2009 session.	"Internal service funded proprietary programs" refer to state programs that provide services to other state programs for fees based upon rates approved by the legislature. Budget instructions direct agencies to provide quantifiable rate impact information when submitting requests for rate changes.	LFD analysts would assist subcommittees to complete this task by incorporating this task into the budget hearing process.

#	Decision Item	History	Discussion	Process
9	<u>One-Time-Only Alternative Designation</u> Recommend the appropriation subcommittees not designate entire agency budget requests as "one time only" (OTO). Please use the language written in the far right column to request an agency to provide a complete description of the budget for the subsequent legislative session.	During the 2015 Legislature, two agencies had almost their entire budget designated OTO as a way of indicating the entire budget was to be carefully reviewed in the coming biennium. During the 2017 Legislature, the current language approach was used to maintain a base, but put the agency on notice that the subcommittee would be considering the entire budget, and requesting detailed information.	LFD and OBPP have agreed in principal that the language approach results in a consistent IBARS approach for all agencies, and that the full consideration of complete budgets would be provided through Excel, allowing the subcommittee to make targeted adjustments through DPs in IBARS as necessary.	Alternate language for subcommittees to utilize: "It is the intent of the legislature to consider the 2021 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 2021 biennium budget."
10	<u>Volume 10</u> Information technology budget process recommendations. Each subcommittee should consider the comparisons in volume 10 when adopting the IT budget for each agency. Section A subcommittee should review format of volume 10 and make recommendations for the next session.	During the 2015 Legislature, a subcommittee on IT budgeting was appointed to examine the overall costs of IT included in agency budgets and the relationship between services provided by the State Information Technology Services Division (SITSD) and other IT costs.	The executive developed Volume 10 to outline the state's IT costs. SITSD costs, state agency costs, and any long-term IT projects are outlined in the document. FY 2018 actual expenditures are used as the baseline in determining estimated budget amounts for FY 2019, 2020, and 2021. ==The executive is proposing boilerplate language for HB 2 to establish a separate appropriation for SITSD fixed costs and designate them as restricted.==	LFD analysts would assist subcommittees in examining the IT budgeted costs as estimated in Volume 10. Legislative decisions on the appropriations for state agency IT costs would be determined by each subcommittee. Examination of the SITSD rate structure is under the purview of the Section A subcommittee. Section A subcommittee decisions on the appropriations for this program would be incorporated into the fixed cost decision package included in each state agency budget in the first weeks of the session.

#	Decision Item	History	Discussion	Process
11	HELP Act Statutory General Fund Estimate Depending upon the outcome of the elections (I-185), options to consider will differ. Expect an update for the December LFC meeting.	The LFD prepares and distributes a general fund status sheet based on rules adopted by the Legislative Finance Management Committee. The first rule directs the LFD to "Use the legislative estimates calculated by the LFD." Status Sheet Rules	Many of the statutory appropriations either provide an exact number, have guidance based on specific revenue sources, or history upon which they are based. The statutory appropriation for Medicaid expansion provides unlimited general fund authority and has a limited history from which to develop projections of future costs.	These expenditures are not included in HB 2, but the LFD estimate for expenditures will be included in the general fund balance sheet.
12	Subcommittee Hearings Process Recommend that subcommittees consider consistent rules regarding materials and presentations from agencies.	In the 2017 legislature, at least one subcommittee required agencies to submit reports and materials three (3) committee days in advance of their presentation. This allowed committee members to review materials in advance and allow for a more informed conversation.	During the 2019 Biennium interim, multiple different legislators from different subcommittees asked if the LFC might include guidance or recommendations on this, encouraging this approach in other subcommittees.	**NEW ISSUE:** **Subcommittees would ultimately decide their own process, but direction from the LFC would allow for a more uniform application based on the direction provided.**