



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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PRESENT LAW AND STATEWIDE PRESENT LAW

WHAT IS PRESENT LAW?

Present law is defined in statute as that level of funding needed to comply with current laws, and to maintain operations and services at the level authorized by the previous legislature. Two terms used when building a budget are present law adjustments and statewide present law adjustments. The term “present law adjustments” refers to agency specific costs that are projected to increase or decrease. For example, a present law adjustment to the Department of Corrections budget is typically required in order to address the cost of housing an increased (or decreased) number of prisoners than were estimated by the previous legislature – prisoners that are required to be housed by the state under present law. This cost is specific to the Department of Corrections and therefore is not statewide, or another agency’s cost.

WHAT IS STATEWIDE PRESENT LAW?

Statewide present law costs are expenses paid by all agencies with adjustments made for all agencies using the same methodology. Examples of items that are statewide costs to all agencies are the following:

- Inflation/Deflation – the costs for inflation or deflation of the following components of agency base budgets: electricity, natural gas, laboratory gas, propane, gasoline, aviation gasoline, diesel fuel, jet fuel, postage and mailing, motor pool, and food
- Personal Services – the cost of salaries and benefits for all state employees
 - Vacancy Savings – actual savings realized from personal services vacancies, and applied vacancy savings as a percentage reduction imposed by the executive or legislature on projected personal service costs. Please review the [vacancy savings brochure](#) for a more detailed explanation of vacancy savings
 - Annualization of the pay plan – the cost of the current pay plan calculated for the next biennium. Changes in pay or health insurance may take effect halfway through the current biennium requiring additional funding to pay the costs over an entire year in the next biennium
- Fixed cost items – items included in an agency’s base budget which are generally fixed in quantity but may need adjustment related to increases or decreases in cost of services or allocation of expenses, such as:
 - Insurance costs for general liability, automobile, errors and omissions, inland marine (boats), and foster care liability
 - Warrant writer – check writing and auto-deposit capabilities for annual transactions are billed to each agency by the Department of Administration
 - Payroll Service – payroll processing for all state employees is billed to each agency by the Department of Administration
 - Statewide Accounting, Budgeting, and Human Resources System (SABHRS) - maintained and serviced by the Department of Administration, with each state agency billed for usage costs

- Information Technology Services Division (ITSD) – centralized e-mail service, cyber security, etc. are billed to all state agencies by the Department of Administration
- Messenger Services – mail sorting, interagency mail and mail deliveries to state buildings is performed by the Department of Administration and is billed to all state agencies
- Rent for Capitol Complex – any agency in state buildings on the Capitol complex pay rent to the Department of Administration. Rent includes things like grounds maintenance and snow removal.
- Audits – state agencies pay for financial compliance audits
- Statewide Cost Allocation Plan (SWCAP) – Several agencies use their general fund budget to perform services for other agencies. The cost is recovered from non-general fund programs and deposited into the general fund. The following are allowed under SWCAP: state accounting, state personnel, state procurement, budget office, and buildings shared by more than one agency. For example, the Governor’s Office of Budget and Program Planning (OBPP) assists all executive agencies in development of their budget proposals. The cost incurred by OBPP for this service is recovered and deposited into the general fund.

WHAT ARE STATEWIDE PRESENT LAW ADJUSTMENTS?

Statewide Present Law Adjustments are the amounts the statewide present law components of an agency’s base budget are projected to increase or decrease from the prior biennium’s base budget. For example, if messenger services is estimated to decline as a result of less mail to sort and deliver, a negative statewide present law adjustment (reduction) for messenger services would be included in the Governor’s budget proposal in each agencies budget.

HOW ARE STATEWIDE PRESENT LAW ADJUSTMENTS CALCULATED?

The Governor’s Office of Budget and Program Planning estimates the costs and provides the assumptions for these costs to the Legislative Fiscal Division (LFD) for review. If the LFD disagrees with the assumptions, discussions occur between the offices during the budget analysis period. To date, the 2015 Biennium Budget Analysis was the only time differences were noted and alternative assumptions were provided by the LFD to the legislature. Further detailed information on the 2019 biennium proposed assumptions for statewide present law are included in the [Governor’s 2019 Biennium Budget, Section R](#), and begin on page REF-3.