



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

December 1, 2022

To: Legislative Finance Committee (LFC) Members

From: Quinn Holzer and Amy Carlson

RE: Draft LFC Recommendations to Subcommittees

Statute requires that the LFC adopt certain recommendations for operations of the subcommittees during session.

5-12-205. Powers and duties of committee. The committee: ... (7) shall, before each regular and special legislative session involving budgetary matters, prepare recommendations to the house appropriations committee and the senate finance and claims committee on the application of certain budget issues. At a minimum, the recommendations must include procedures for the consistent application during each session of inflation factors, the allocation of fixed costs, and the personal services budget. The committee may also make recommendations on other issues of major concern in the budgeting process, such as estimating the cost of implementing particular programs based upon present law.

The attached draft captures the previous Legislative Finance Committee recommendations and adds items relevant for the current session as suggested by the July 20 working group. The LFC will need to take action on final recommendations during the December meeting.

New items or language are italicized and include:

- 6) Clarify a timeline for moving HB 2 companion bills to House Appropriations to keep them moving with HB 2
- 9) New alternate language to OTO designation for entire agency of Division, utilizing IBC structure
- 12) Expanded Fiscal Analysis and/or Alternate Fiscal Note Analysis

The Legislative Finance Committee may suggest other recommendations for the 2023 Session and take action as desired at the December meeting.

2025 BIENNIUM LFC BUDGET RECOMMENDATIONS TO SUBCOMMITTEES

- 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.

- 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.

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. (By the 45th Legislative day, 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.

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). Recommend LFC leadership come to an agreement upon the process for identification of bills and request process.*