

# Joint House Appropriations and Senate Finance and Claims Subcommittee Process

A Legislator's Deep Dive Guide into HB 2 Budgeting

# Committees Balance Spending with Revenue

## House

- Appropriations Committee
- About 20 members
- Split proportionately between the parties



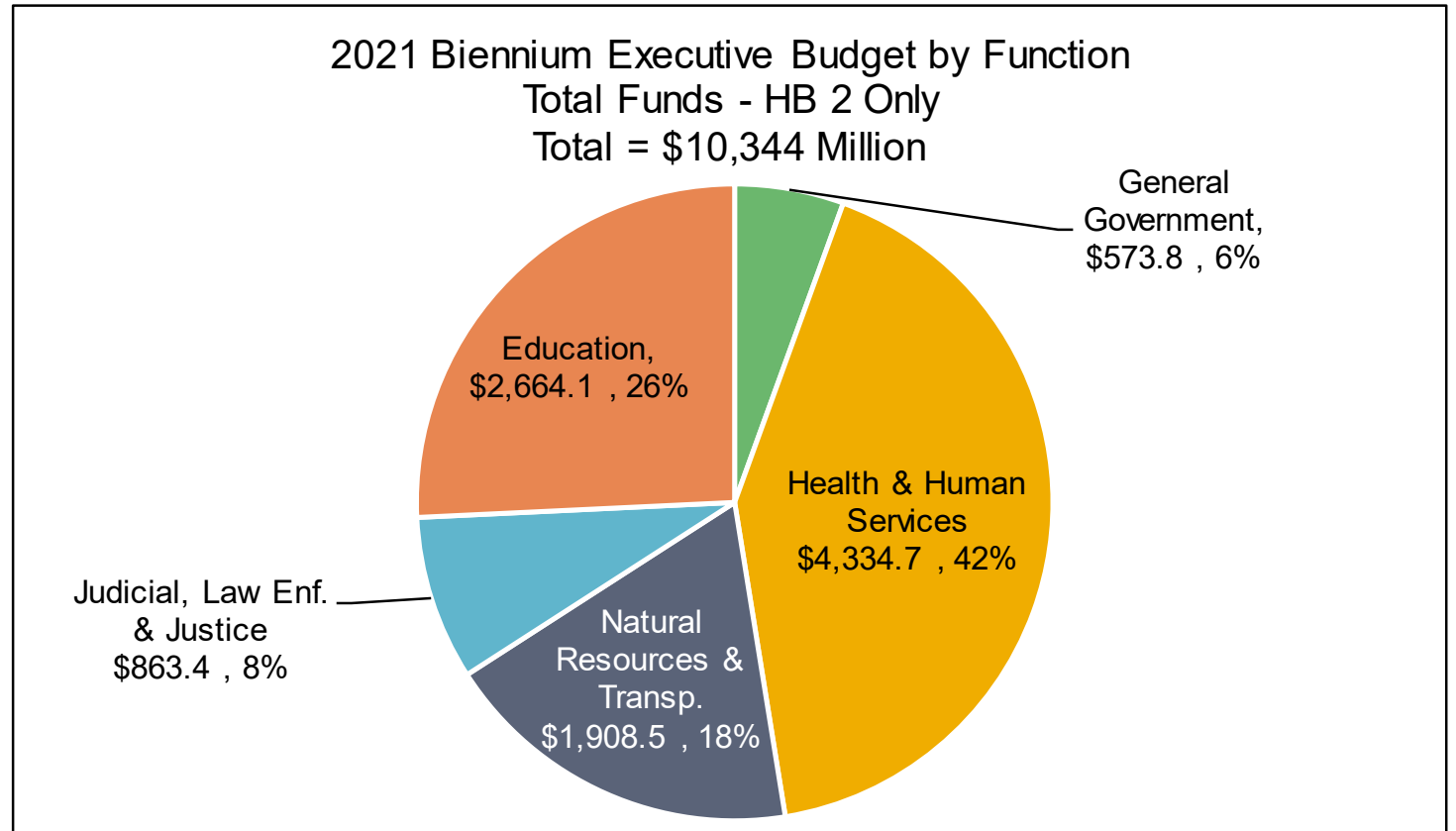
## Senate

- Finance and Claims Committee
- About 20 members
- Split proportionately between the parties



# Largest Appropriation Bill – HB 2

- Legislature appropriates state agency budgets each legislative session through House Bill 2, the General Appropriations Act
- 2 year budget



# HB 2 Process

Subcommittees:  
First 2 months of  
session up to about  
the 40<sup>th</sup> day

House Action:  
45<sup>th</sup> day to the  
67<sup>th</sup> day

Senate:  
67<sup>th</sup> day to the  
80<sup>th</sup> day

Final Action:  
After the 80<sup>th</sup> day

Introduced  
Governor's HB  
2

Section Sub-  
committees

House  
Appropriations  
Committee

House Floor  
debate

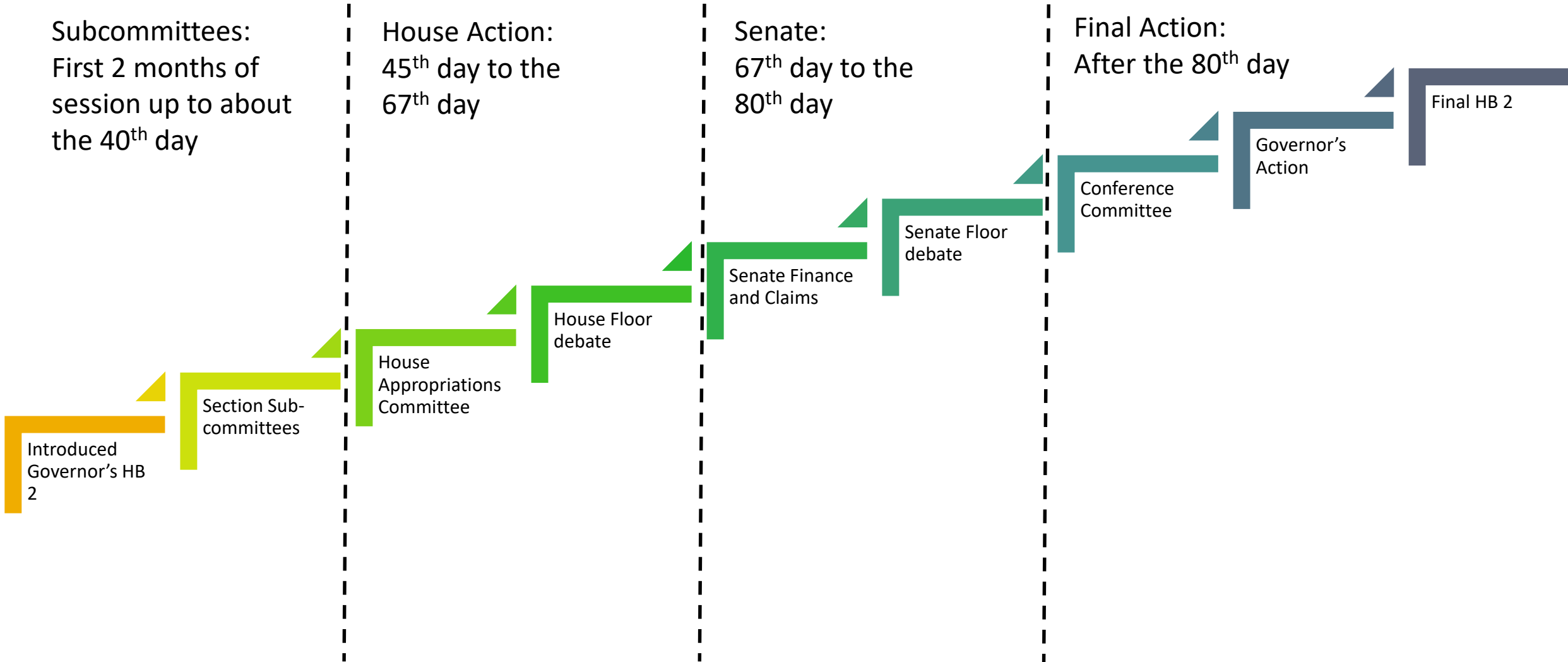
Senate Finance  
and Claims

Senate Floor  
debate

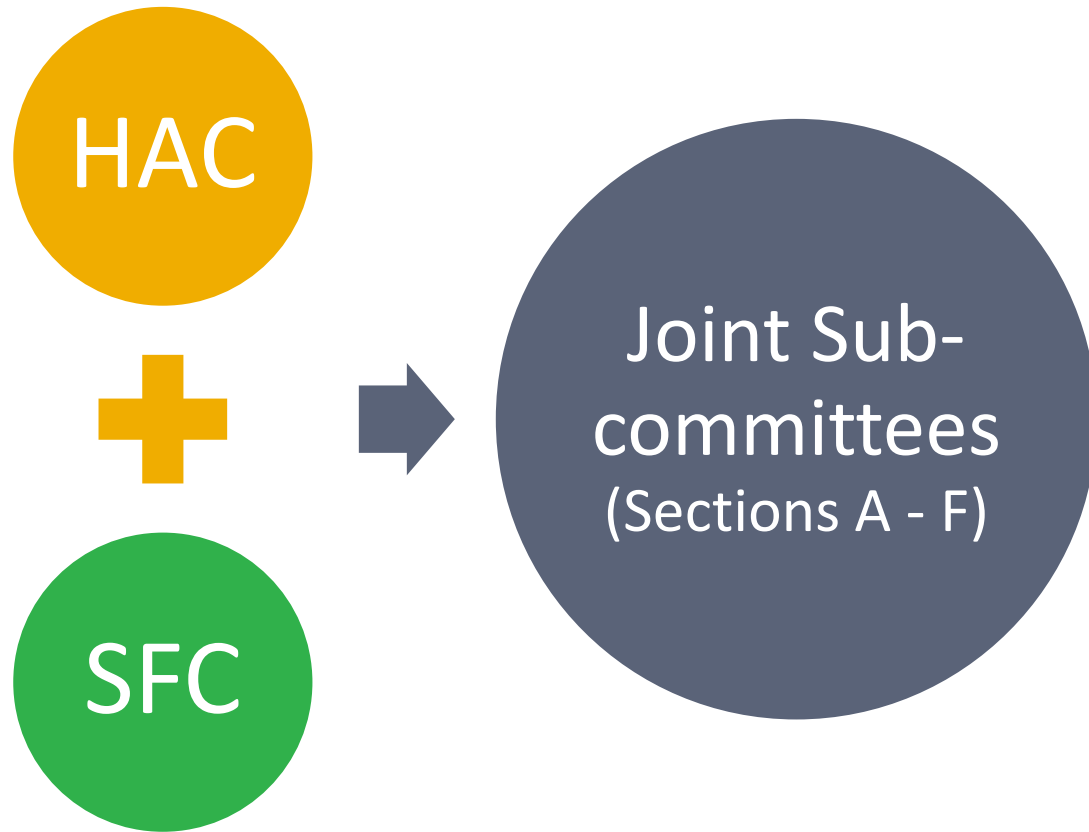
Conference  
Committee

Governor's  
Action

Final HB 2

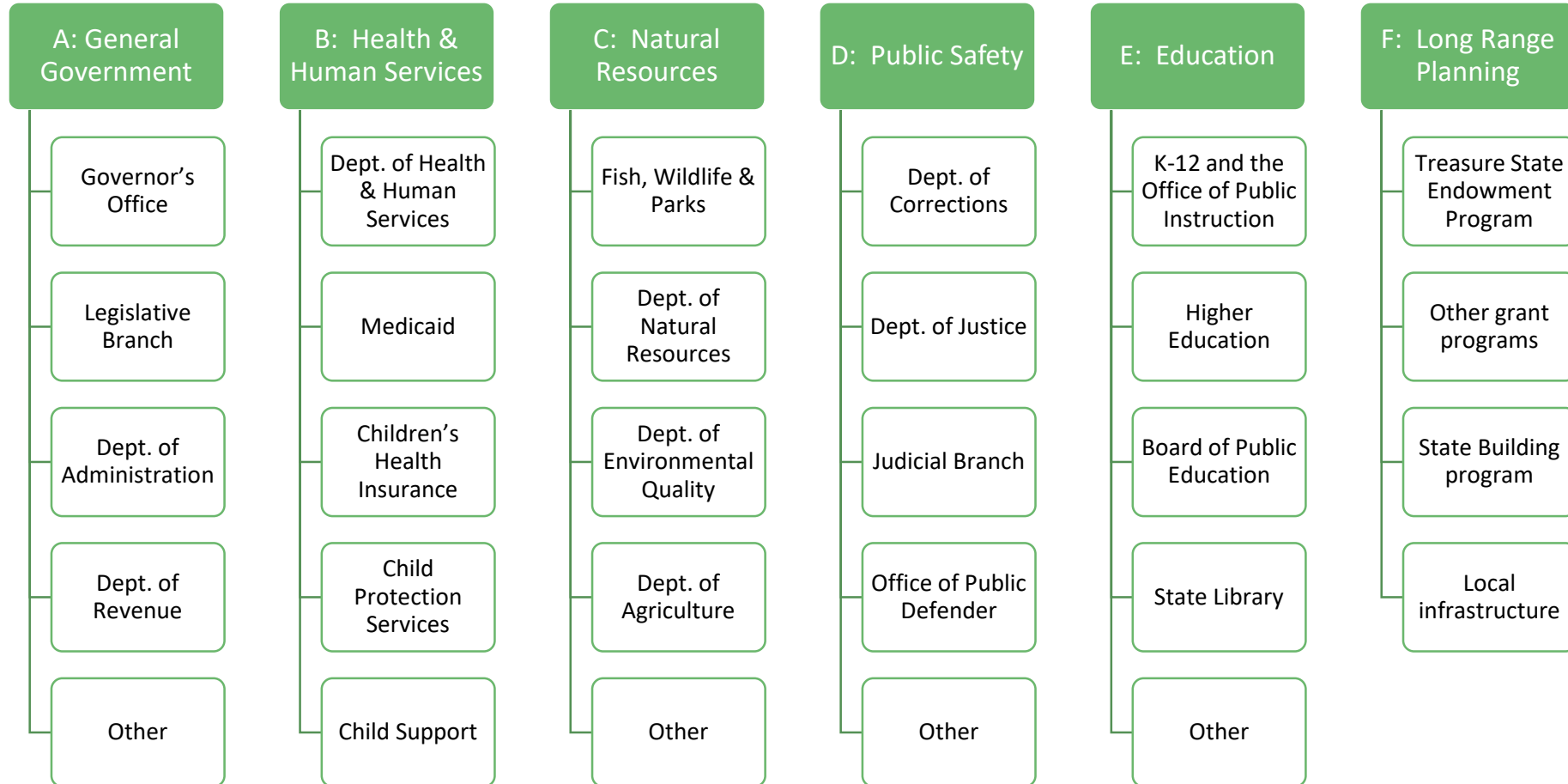


# 1<sup>st</sup> Step for HB 2 - Joint Subcommittee Work

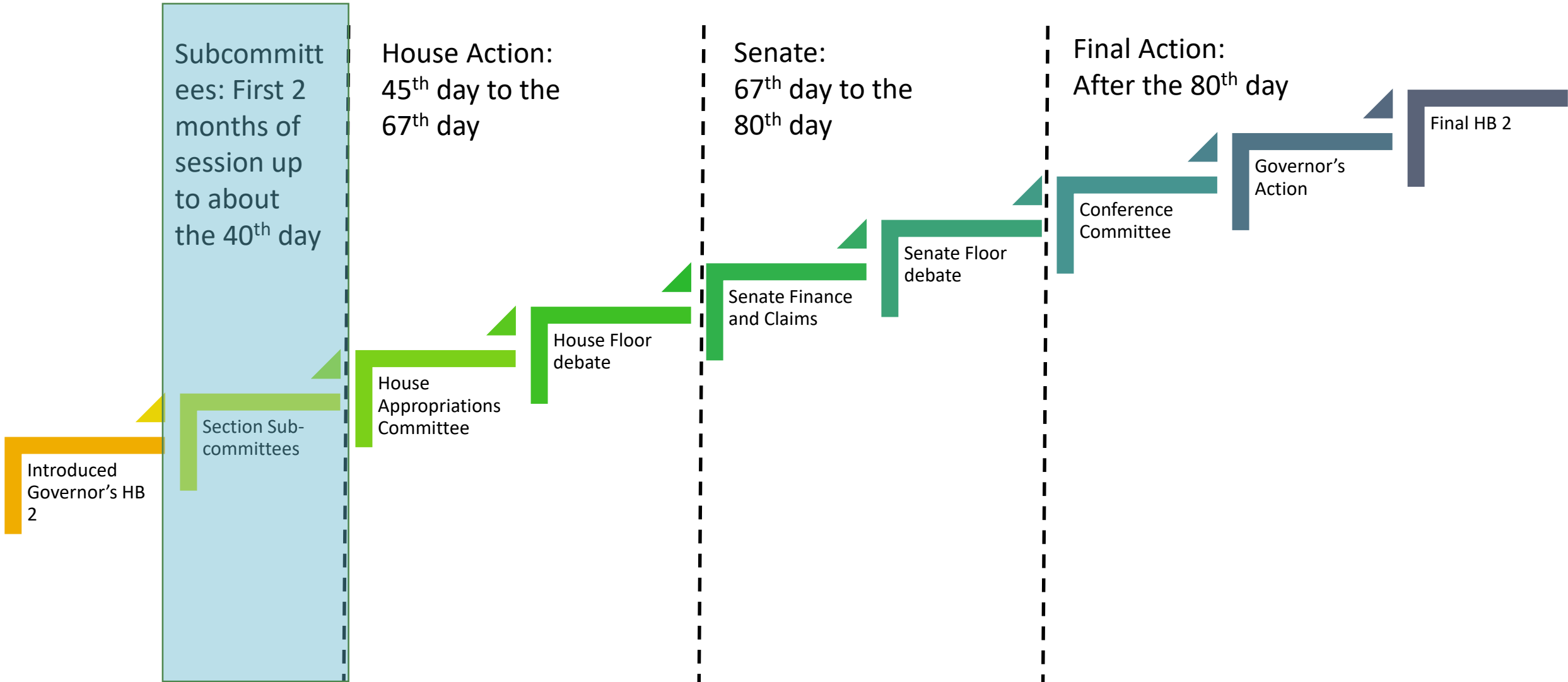


- Members of House Appropriations (HAC) and Senate Finance and Claims (SFC) comprise the membership of subcommittees
- Study all details of HB 2 proposal
- Make recommendations

# Joint Subcommittee Split by Section of Government



# HB 2 Process: Subcommittees



# 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

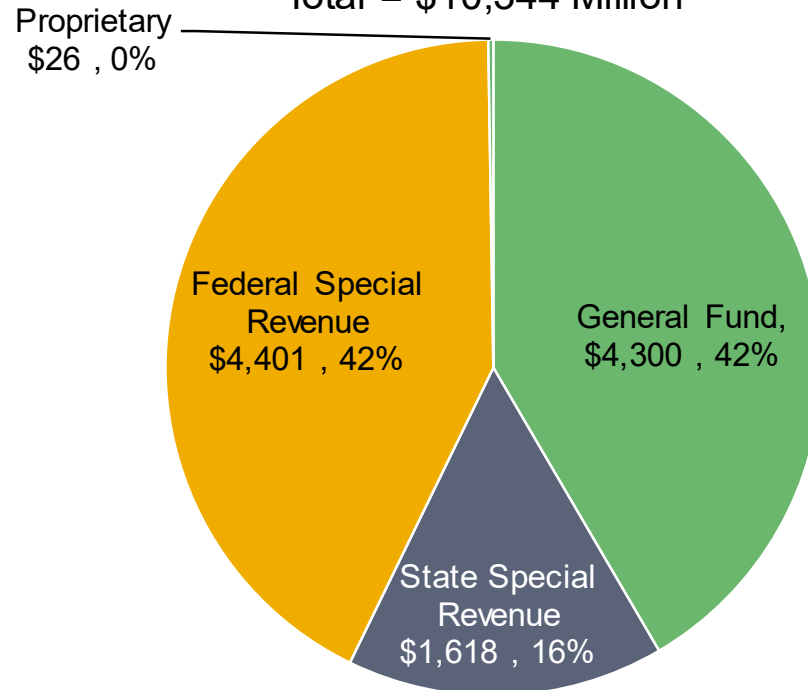
- Budget Instructions from HAC & SFC Chairs
- Decision Packages
- More Options
  - Line item appropriations
  - Restrict appropriations



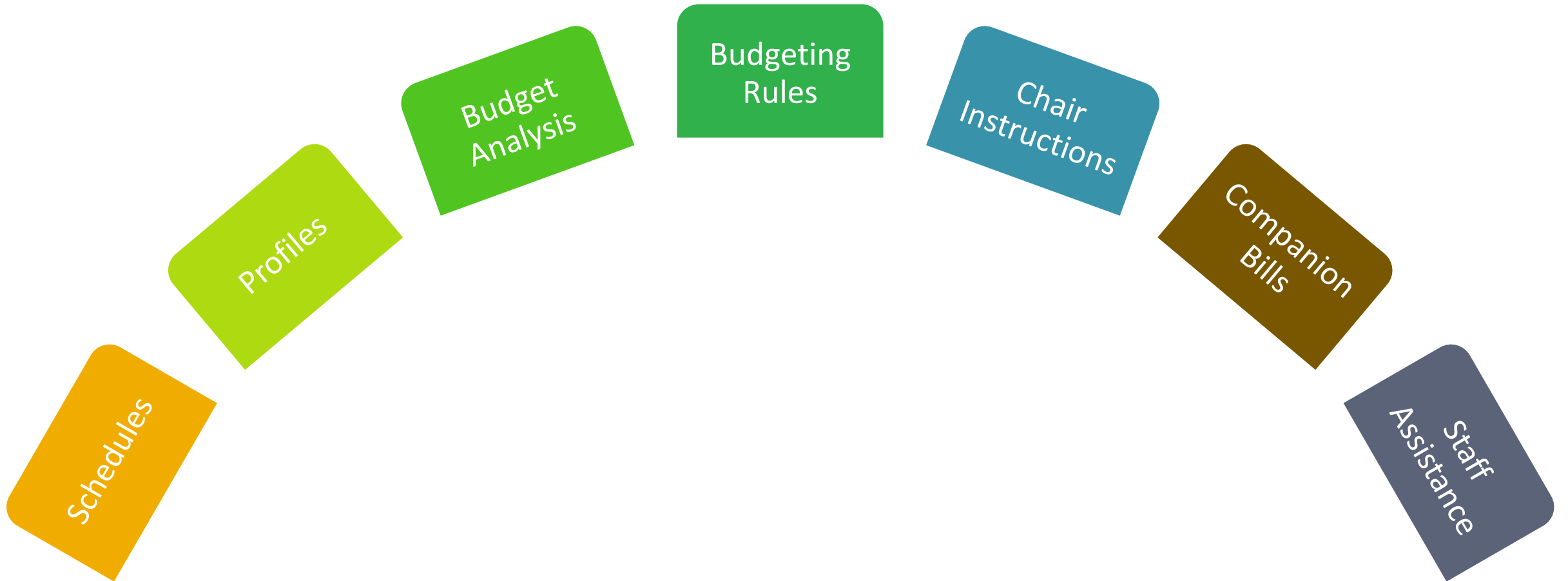
## Subcommittees look at HB 2 Funding

- Subcommittee members study funding and recommend appropriations accordingly

2021 Biennium Executive Budget by Funding Type  
Total Funds - HB 2 Only  
Total = \$10,344 Million



# Tools for Subcommittees



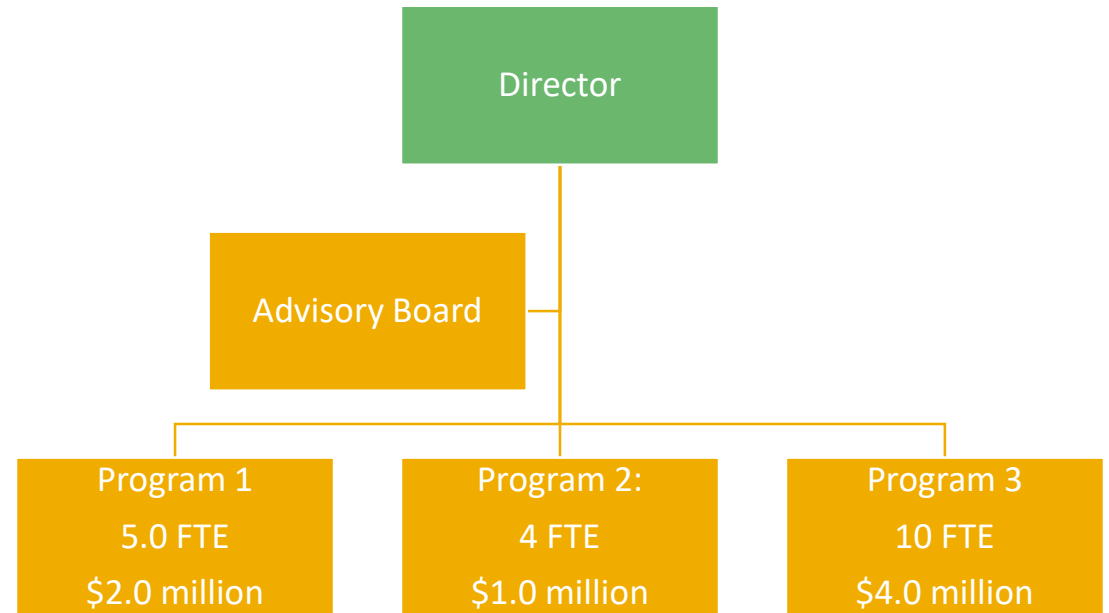
# Schedule: Timeline for completing work

- Chair of the subcommittee works with LFD staff member to develop plan to complete work including:
  - Subcommittee training on budget details
  - Hearing from the Agencies
  - Hearing from the public about the budget and operations of the agency
  - Input from the Governor's Budget Office



# Profiles: Basics about the Agency

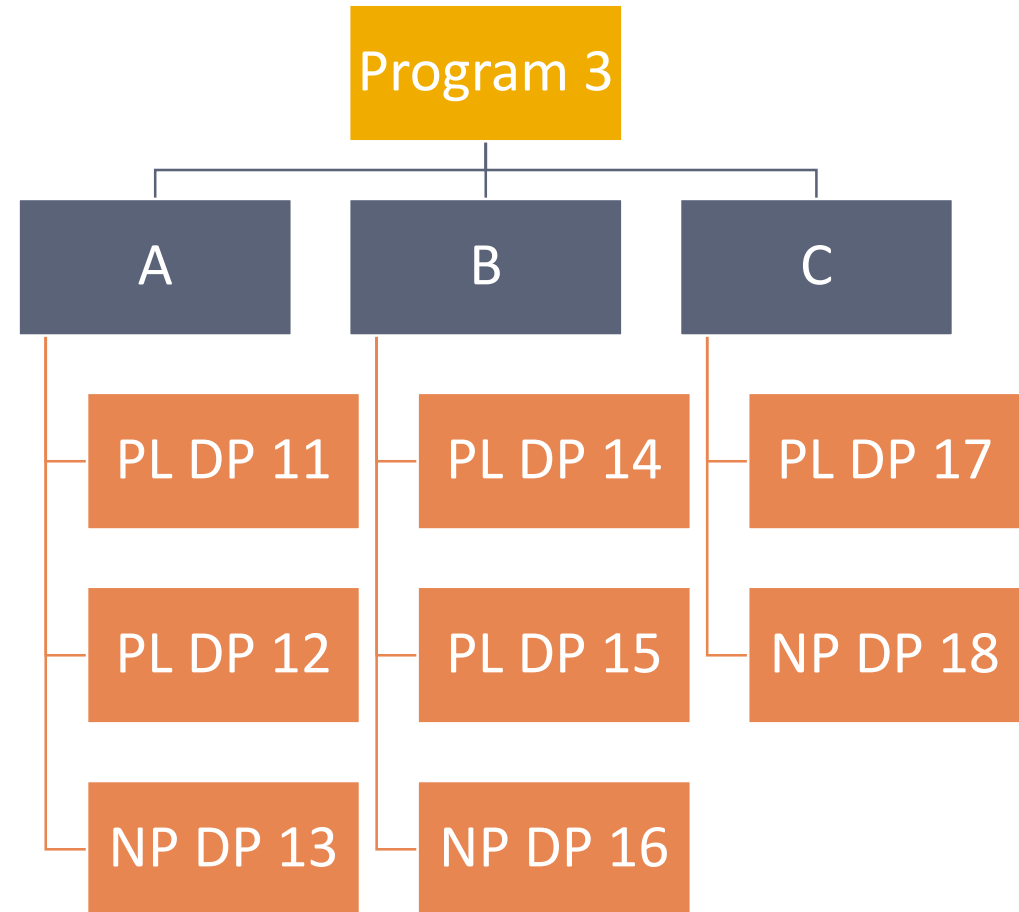
- Organization structure
- Actual expenditures for FY 2018
- Expenditure drivers
- Historical recap of legislation that impacts agency
- Historical expenditures



Profiles

# Budget Analysis: Analysis of the details of Governor's Budget

- Budget analysis is subcommittee work book
- Binders contain all necessary information for subcommittee members to make recommendations



Budget  
Analysis

# Budgeting Rules: (Leg control)

- Appropriation laws and rules exist that control how the Legislature can allow or require certain expenditures
- These laws are grounded in the Constitution and supported by law and rule
- Subcommittees have the option to use these rules to implement and control appropriations



# Budget Instructions from Legislative Financial Leadership

- ✓ Chairs of the House Appropriations and Senate Finance and Claims provide budget instructions to all subcommittee members
- ✓ Subcommittee Member Action - Vote on the statewide present law application of budget items like inflation factors, fixed costs, and personal services. These are called SWPL DP 1, DP 2 & DP 3



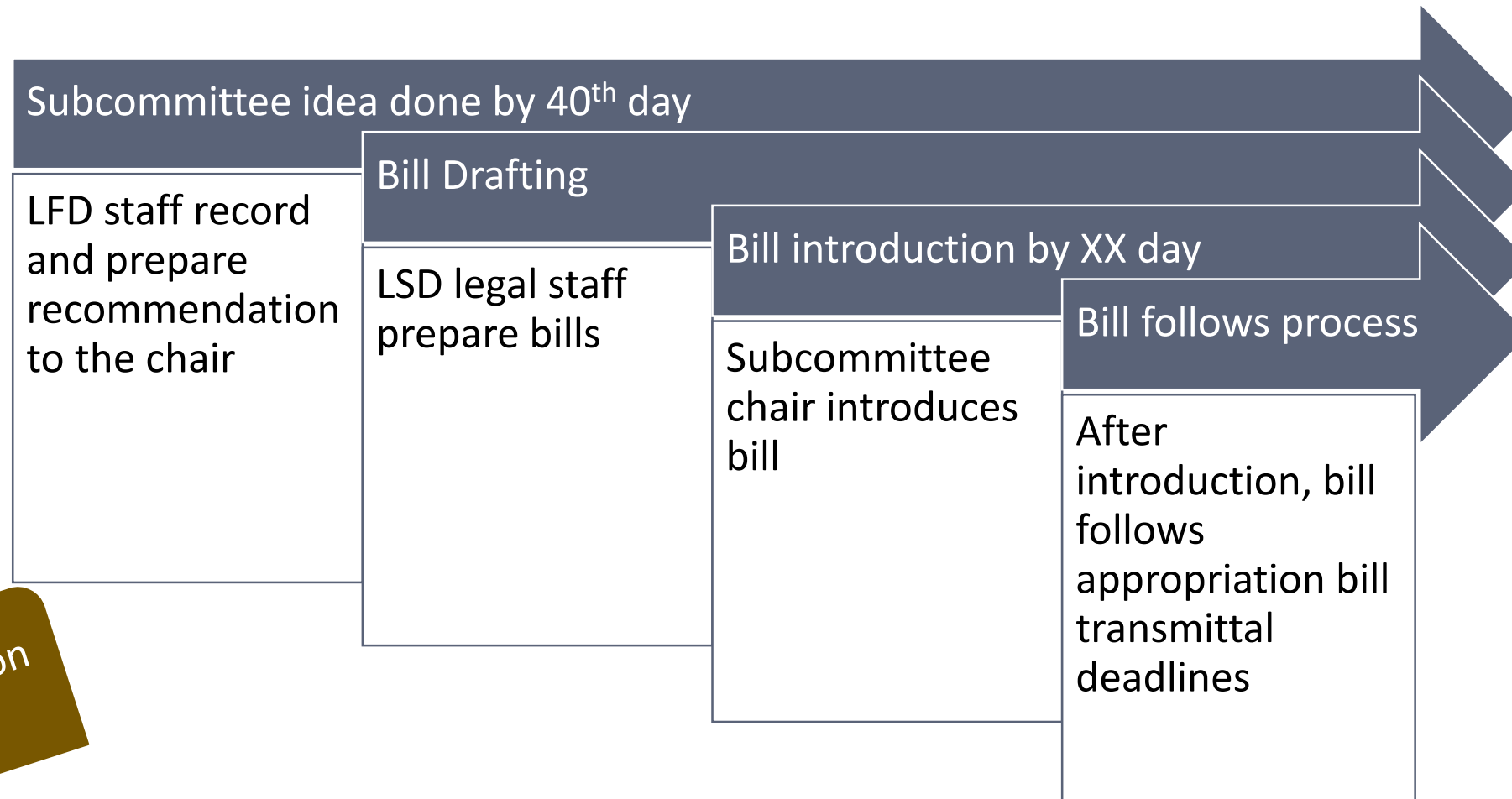
# Companion Bills: Changing the law for budget requirements

- Constitution and law do not allow for substantive law to be changed in HB 2
- Process has developed over the years to enable the appropriations committees to change the law while changing the budget
- Process known as companion bills to HB 2
- Companions bills are typically introduced by the subcommittee chairs





# Process for Creating Item for Companion Bills



# Staff Assistance

- Legislative Fiscal Division analysts ensure that subcommittee members receive **non-partisan** information
- Legislative staff listen and respond to subcommittee member requests by:
  - Explaining the process
  - Making changes as directed
  - Implementing recommendations by the subcommittees
  - Monitoring cumulative impacts of subcommittee recommendations

Staff  
Assistance

# Staff Assistance: LFD staff here to help

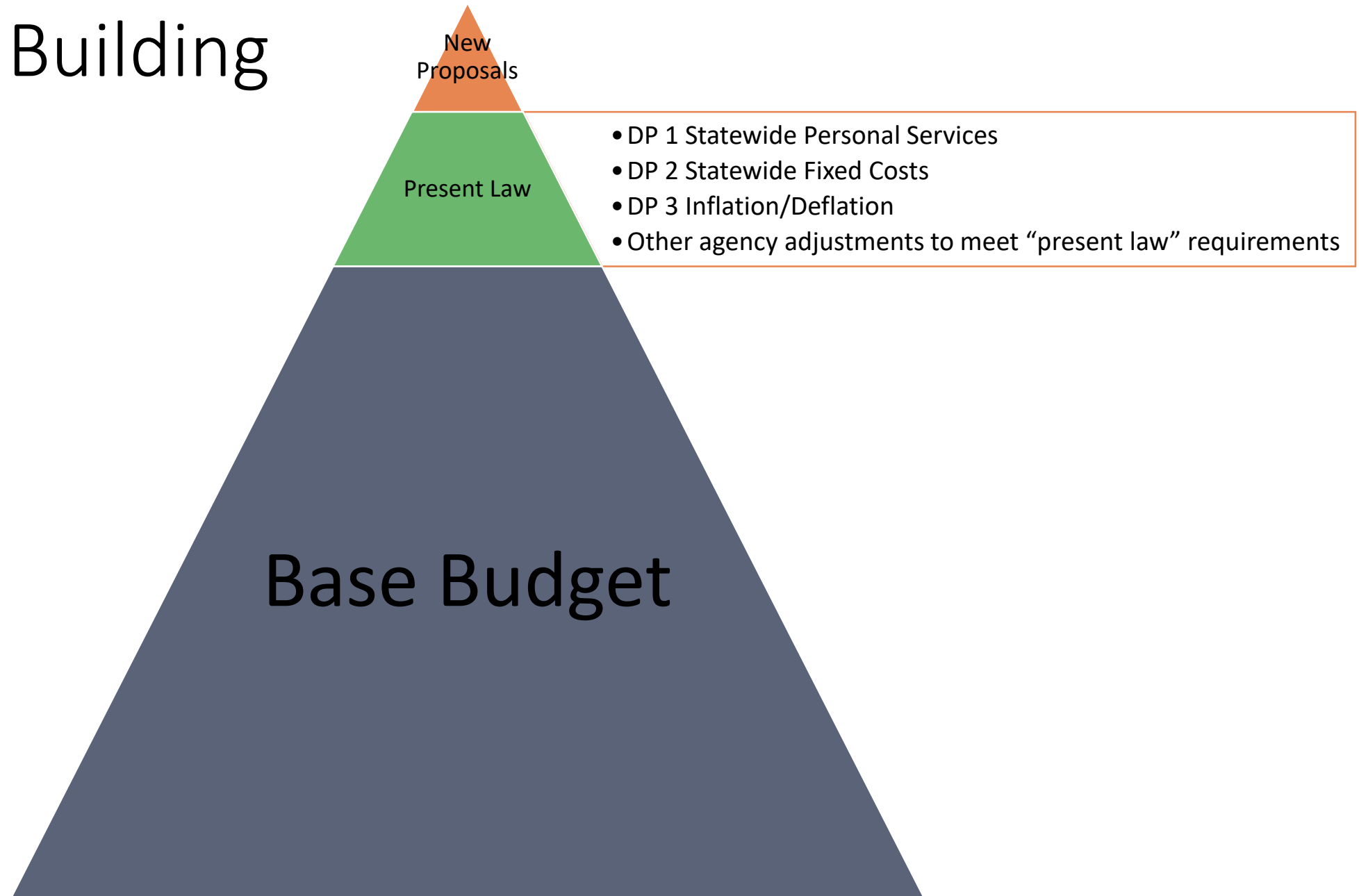


# Getting Started

# First Week of Subcommittee

- Study Base Budget, adopt budget instruction starting point
- Study statewide present law adjustment decision packages, make recommendations

# Budget Building Blocks



# Base Budget = FY 2019 Ongoing Appropriations

(4) (a) "Base budget" means the resources for the operation of state government that are of an ongoing and nonextraordinary 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.

(b) 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.



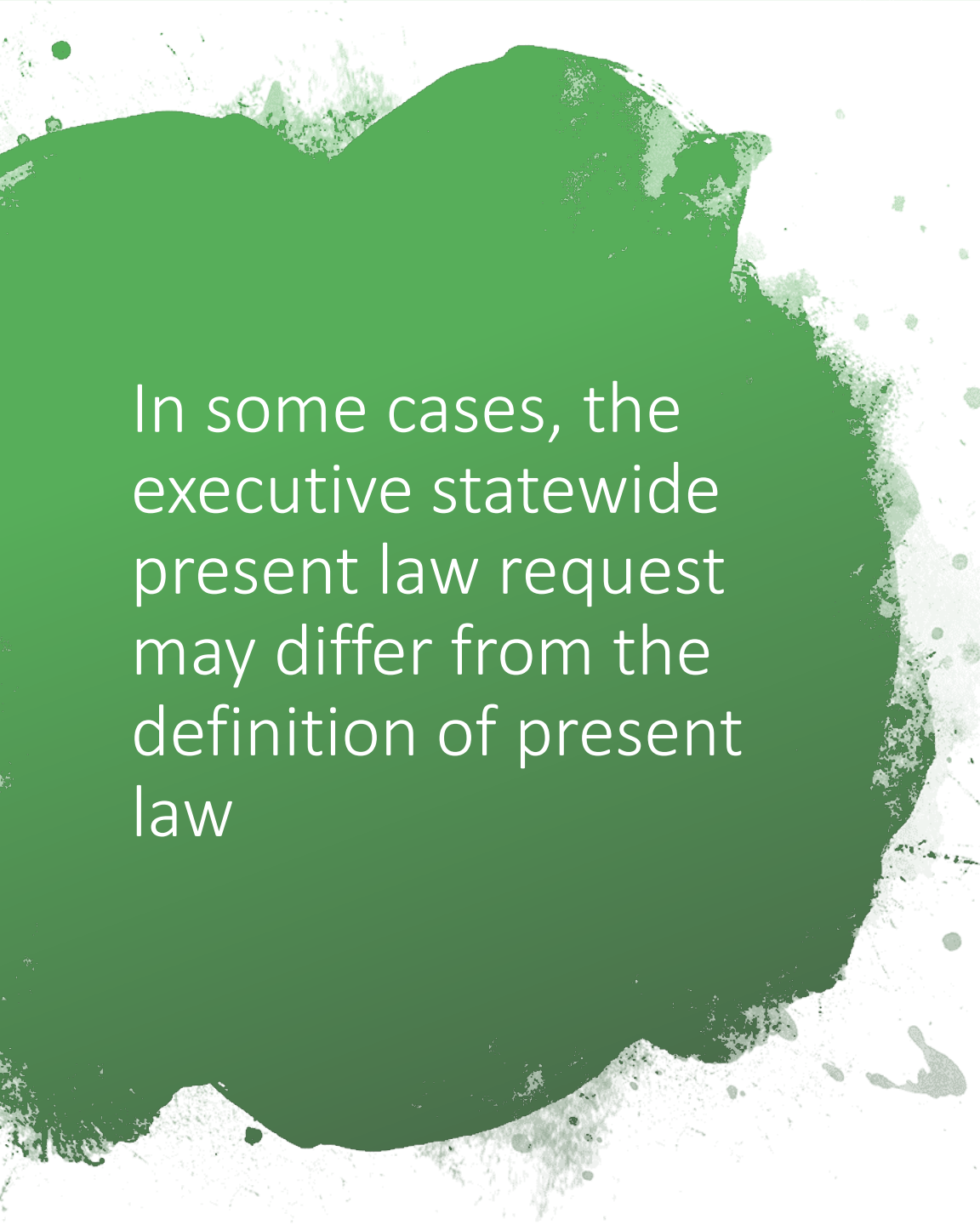
Base  
Budget

# Present Law

"Present law base" means that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to:

- a. changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;
- b. changes in funding requirements resulting from constitutional or statutory schedules or formulas;
- c. inflationary or deflationary adjustments; and
- d. elimination of nonrecurring appropriations.





In some cases, the executive statewide present law request may differ from the definition of present law

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# 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

# How the Executive Calculates SWPL DP 1 Using the Snapshot Budgeting Tool

Cost of Salaries & Benefits of all  
FTE\*

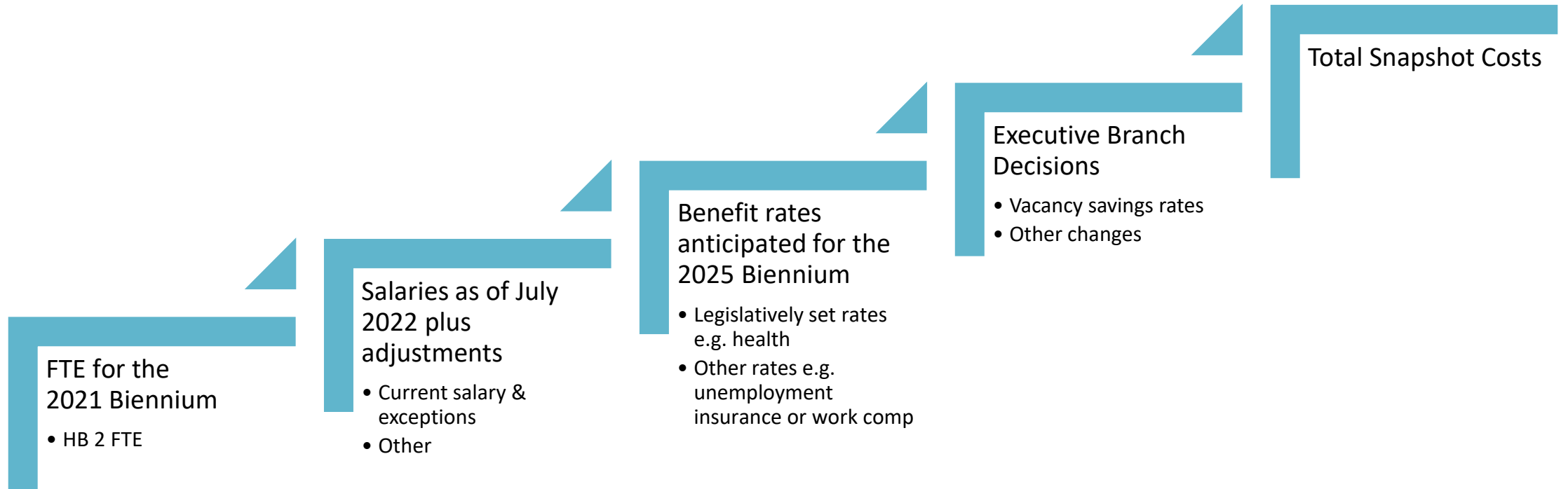
PS Base

=

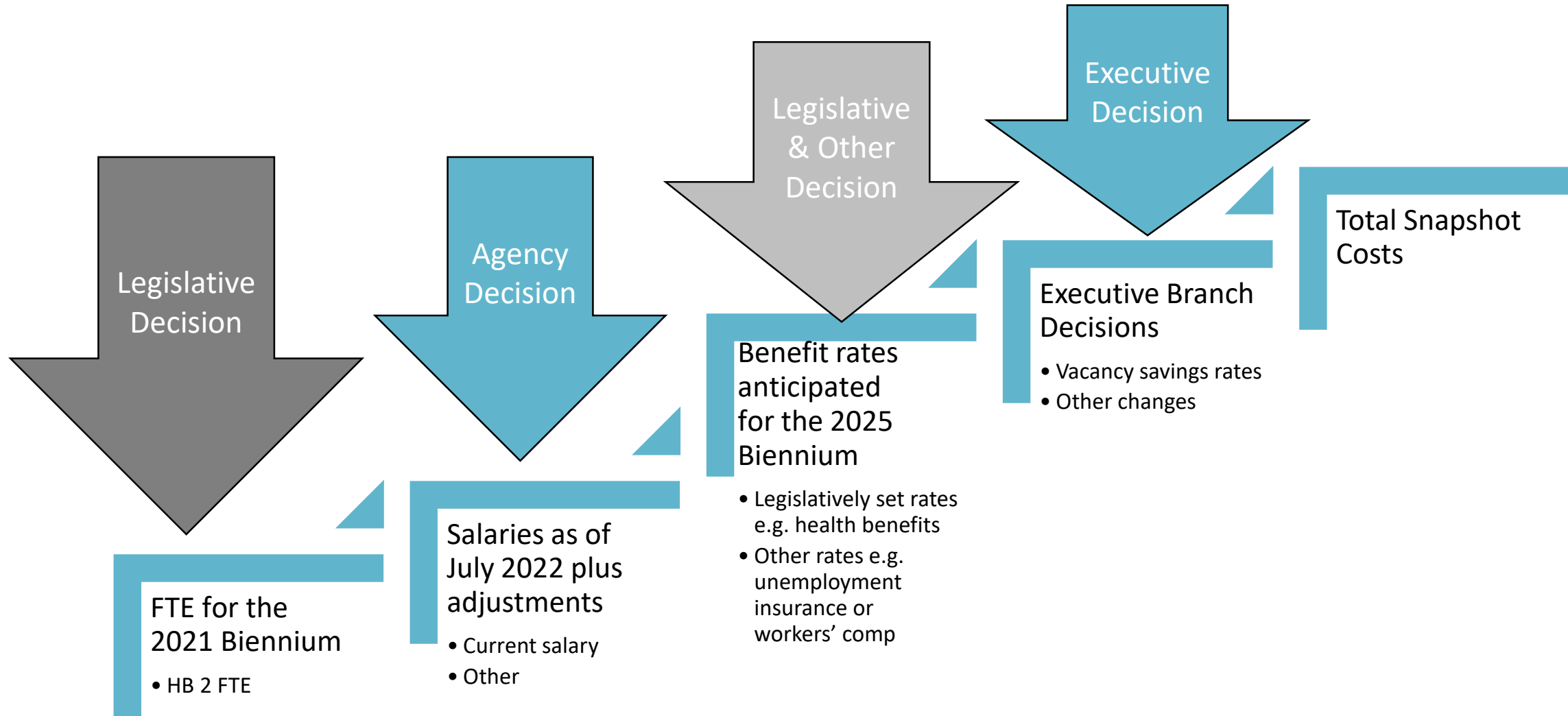
+

SWPL  
adjustment

# Snapshot Budgeting Tool – What is Included



# 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)

Legislative  
Decisions

Personal  
Services  
Decisions

Budget  
Modifications

# SWPL DP 1 – Three Categories in Detail

## 1. Legislatively Approved Changes

- Rate changes from the 2020 snapshot to the 2022 snapshot (new rates for FICA, etc.)
- Longevity pay changes in FY 2022 and FY 2023 & annualization for FY 2023
- Funded pay plan

## 2. Personal Services Management Decisions

- Broadband Pay raises given in FY 2021 & FY 2022
- Reclassification of positions & FTE movement
- Program Transfers & Reorganizations
- Other

## 3. Modifications to the Personal Services Base Budget

- Operating plan transfers & House Adjustments

# #1 Category – Legislative Changes

- Anticipated personal services changes for annualization of costs associated with the pay plan, new rates for unemployment insurance, workers compensation, etc., and employee longevity, etc. Complex formulas were used to develop the calculations. Please ask your LFD analyst to explain
- [Personal Services Deep Dive](#)



Statewide Present Law Adjustment for Personal Services FY 2024 Decision Package 1				
Program	Legislative Changes	Management Decisions	Budget Modifications	Decision Package 1
Legislative Services Division	\$ 140,738	\$ (45,339)	\$ -	\$ 95,399
Legislative Committees and Activities	7,676	84,959	-	92,635
Legislative Fiscal Division	48,982	70,375	-	119,357
Legislative Audit Division	79,224	336,760	-	415,984
Total	\$ 276,620	\$ 446,755	\$ -	\$ 723,375

- Agencies may have made broadband pay adjustments during the interim. For example, merit raises may have occurred or a training assignment was successfully completed and pay increased
- An example of lower broadband pay adjustments may have occurred when a long-time employee left and a new hire resulted in a lower salary
- LFD analysts work with agencies to understand the management decisions

## #2 Personal Services Management Decisions

# #4 Modifications to Personal Services Budgets

## Understanding Vacancy Savings

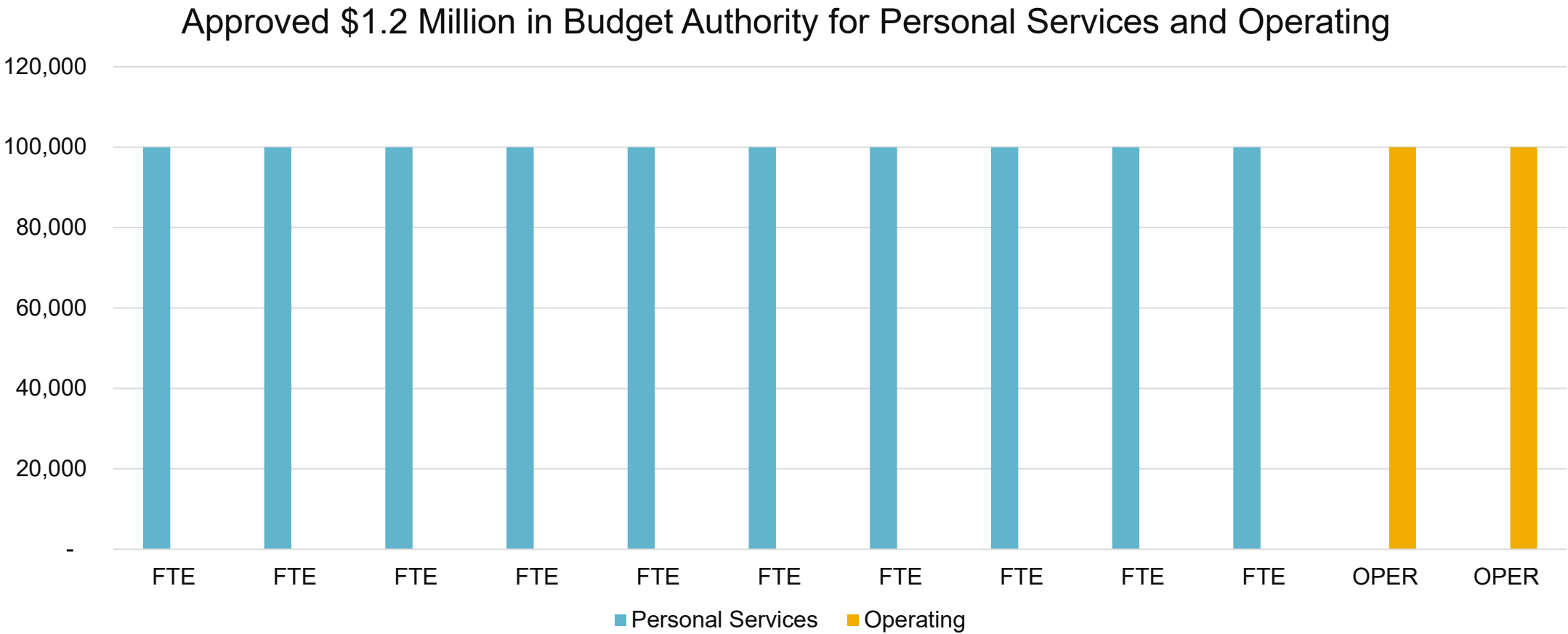
Vacancy savings is used as a budgeting tool for personal services. It has two different meanings: actual vacancy savings and applied vacancy savings.

- Actual vacancy savings - the difference between actual agency expenses for personal services and the cost to fully fund all the authorized positions for the entire year
- Applied vacancy savings - a rate imposed on the agencies either by the legislature or the executive. For example the executive proposed a 4% vacancy savings for the 2025 biennium

For more details on the definitions and how agencies use vacancy savings, please read the [vacancy savings brochure](#).

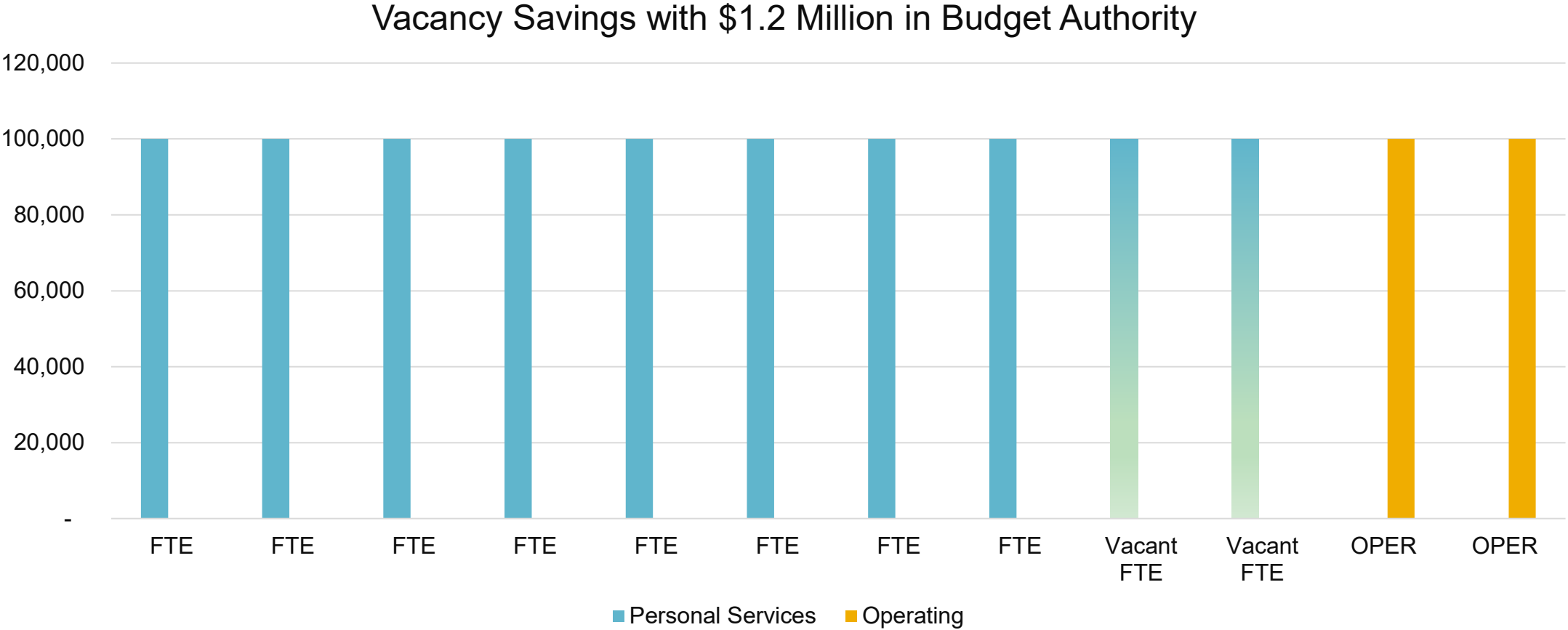
# #4 Modifications to Personal Services Budgets

## Slide 1 of Vacancy Savings Example



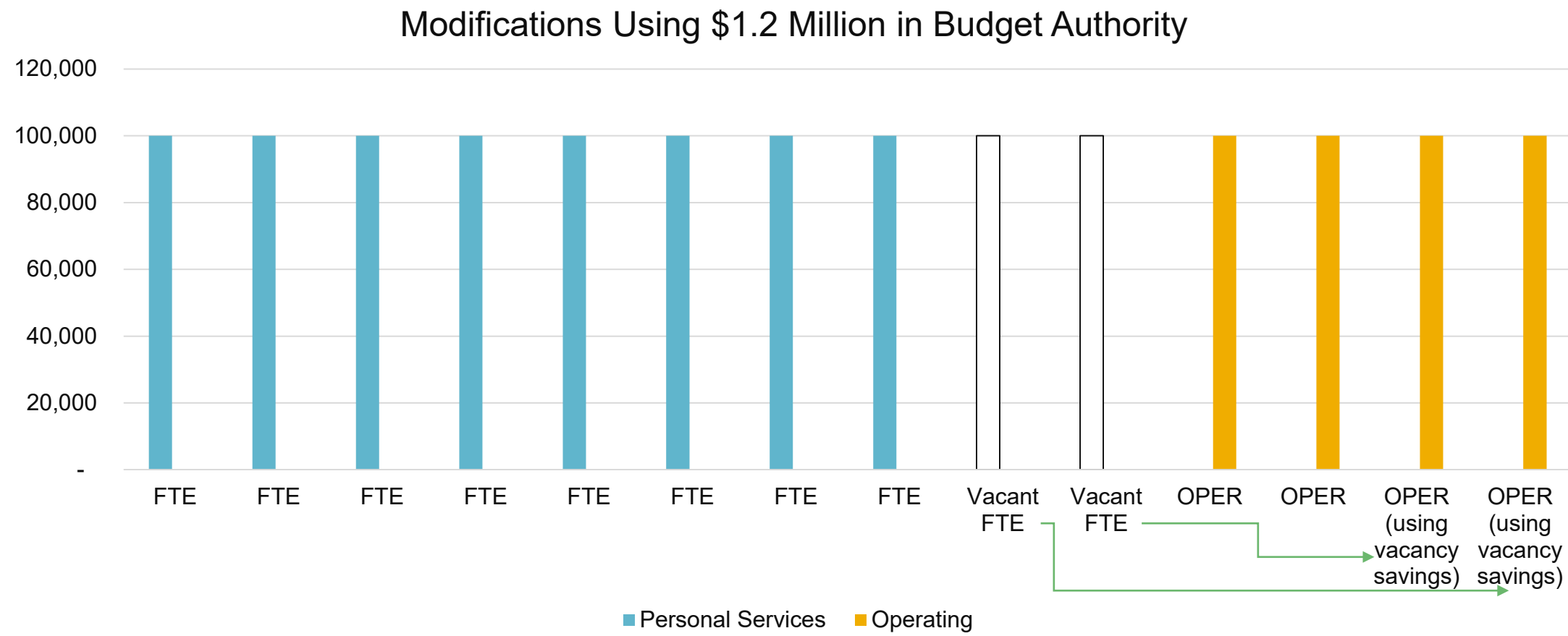
# #4 Modifications to Personal Services Budgets

## Slide 2 of Example



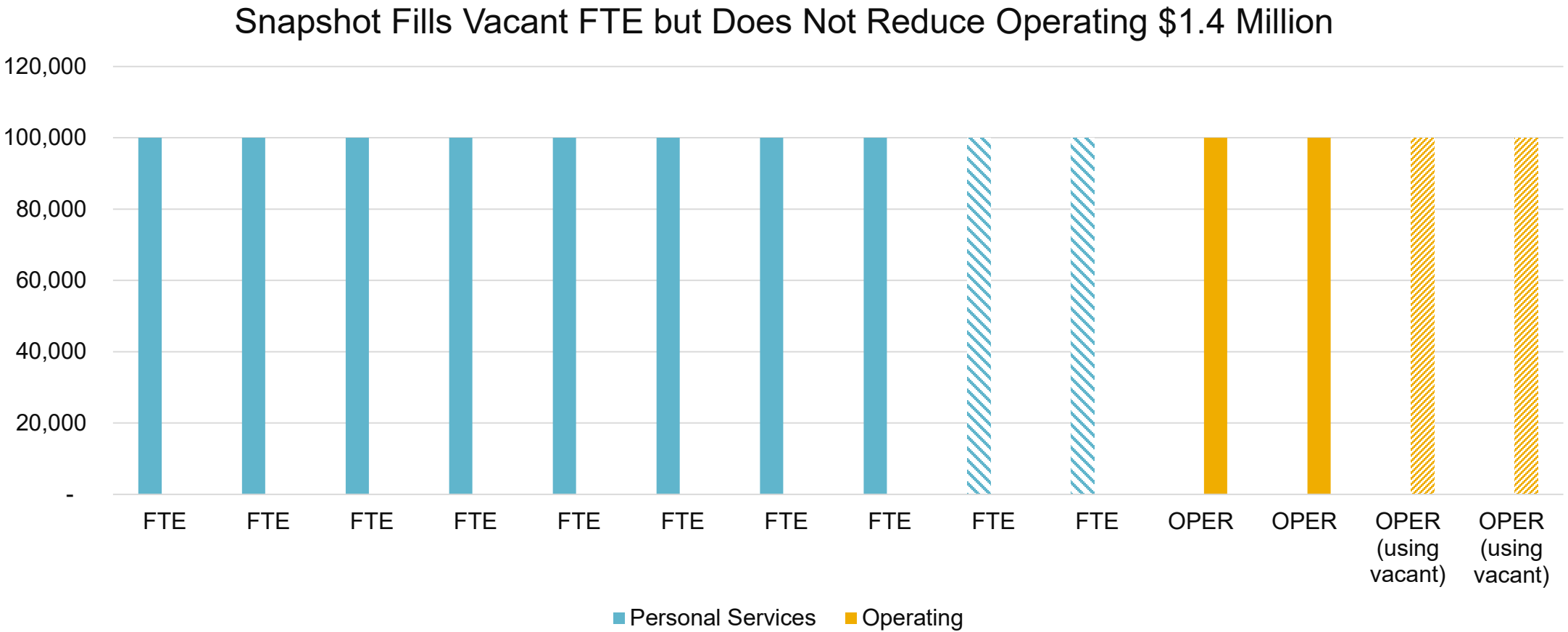
# #4 Modifications to Personal Services Budgets

## Slide 3 of Example

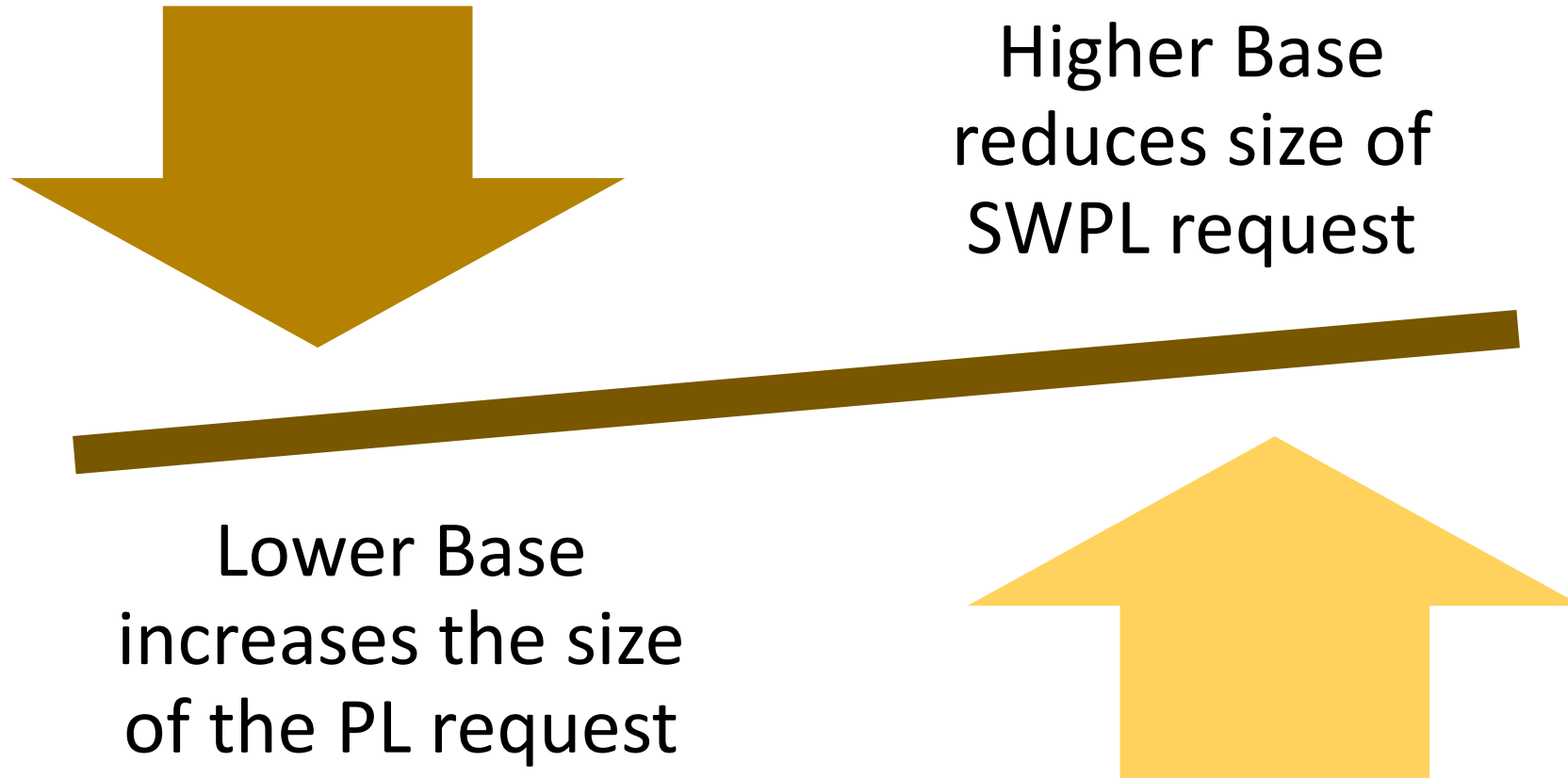


# #4 Modifications to Personal Services Budgets

## Slide 4 of Example



# 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

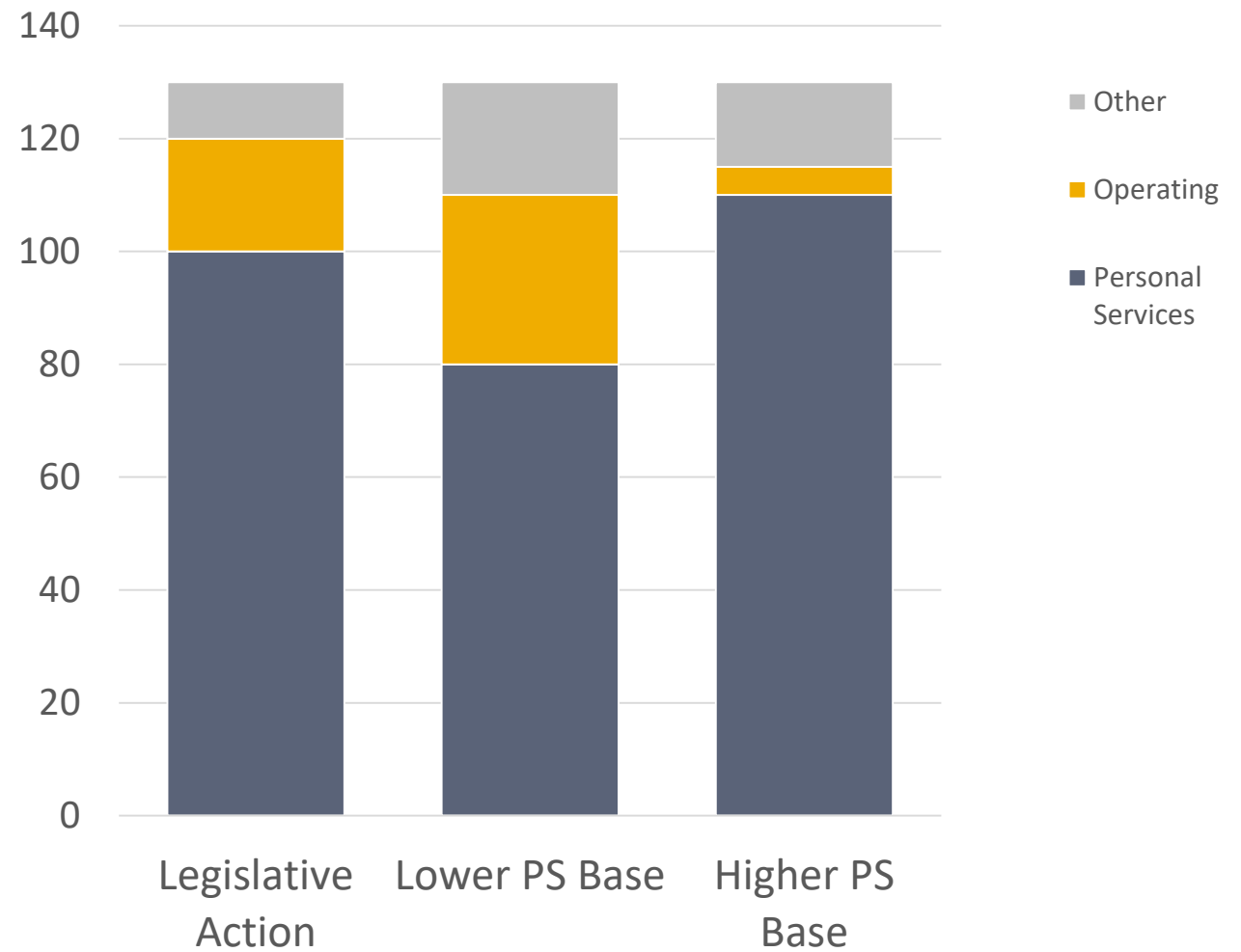
Snapshot Cost of Salaries & Benefits of all  
FTE\*

PS Base

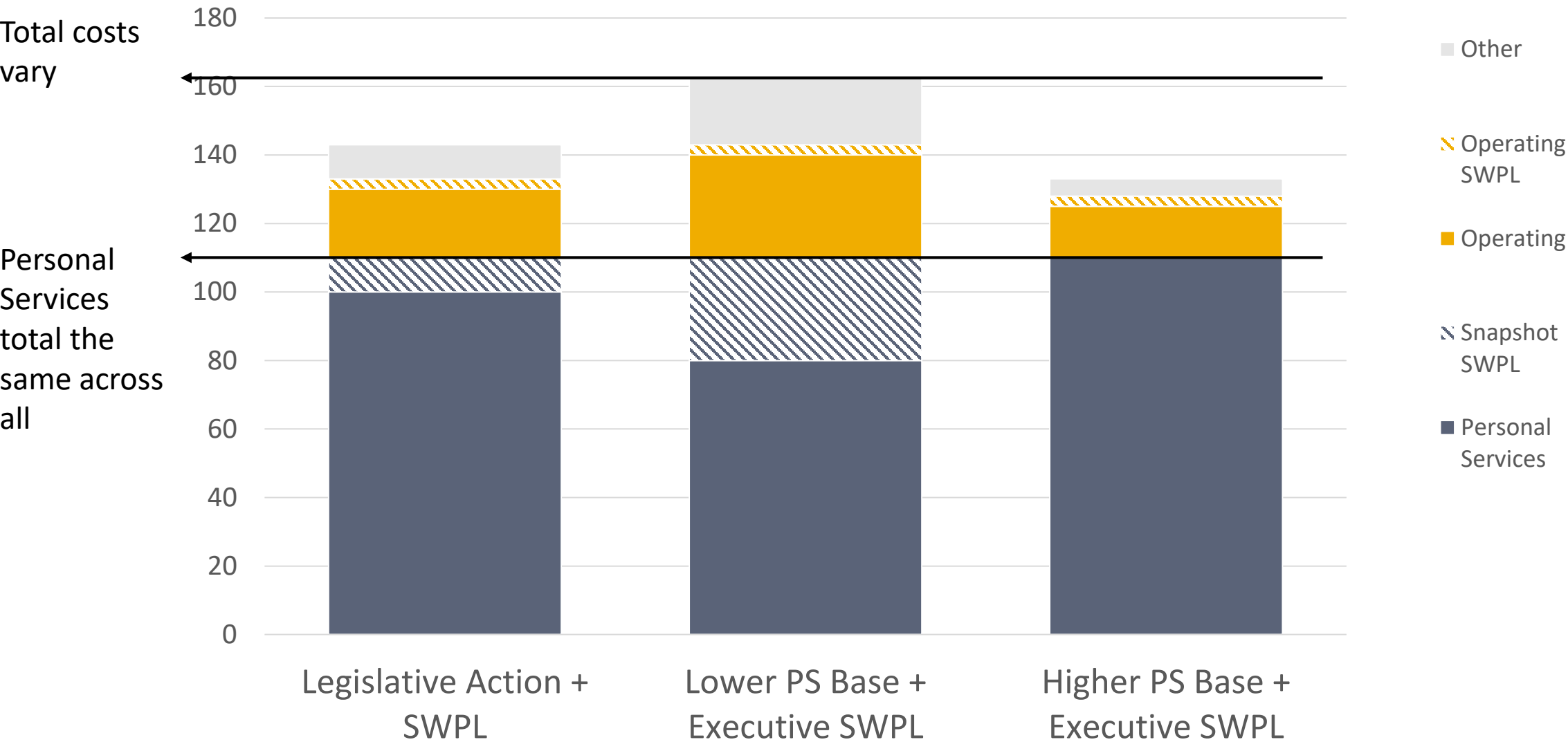


SWPL  
adjustment

If the total Base Budget is the same, why does LFD analyze it?



Depending on the size of the personal services base budget, the SWPL DP 1 request is larger or smaller



Let's walk through personal services tables in the subcommittee binders

Budget instructions from the Chairs of HAC and SFC instruct subcommittee members on sections A & C to study each component of DP 2 and make recommendations

## SWPL DP 2 – Fixed Costs

Facilities Management

Human Resource Information Systems

Insurance

Legal Costs

Messenger Services

Motor Pool Rates

Print and Mail Services

Records Management

Rent on State Owned Buildings

State Accounting

State IT Services

Statewide Cost Allocation Plans

Warrant Writer

Workers' Compensation

Budget instructions  
from the Chairs of HAC  
and SFC instruct  
subcommittee  
members on section A  
to study each  
component of DP 3 and  
make  
recommendations

## SWPL DP 3 - Inflation/Deflation

Gasoline

Food

Meat and Miscellaneous Items

Postage

Leased Vehicles/Motor Pool

Electricity

Natural Gas

Laboratory Gas

Propane

Library Books

# New Proposals

- **New proposals** are defined in statute as “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.
- In most agencies, major changes are included in new proposals. However, in other agencies present law adjustments are often the heart of changes in budget and policy issues, such as Corrections, Transportation, and Public Health and Human Services.

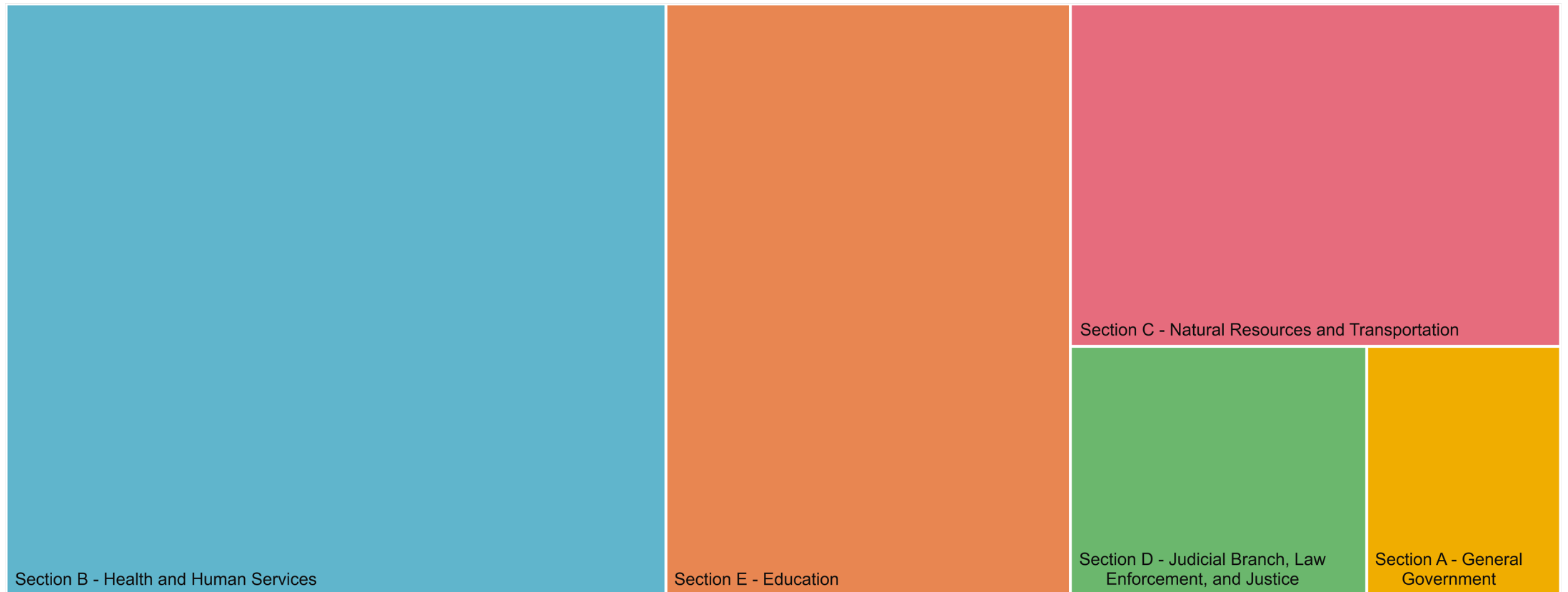
# Subcommittees Work Until About Day 40

- Study
- Discuss
- Debate
- Decide
- Make Recommendations

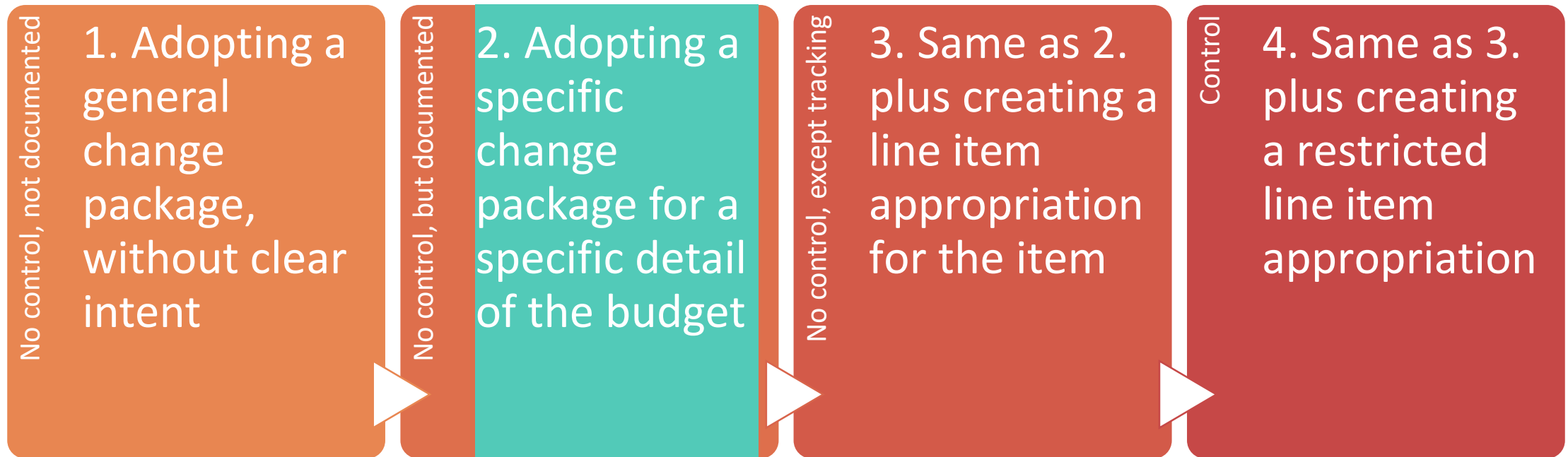


# Building HB 2 Agency Budgets

HB 2 Sections of Government



# Subcommittees Make Recommendations By:



# 1. No control, no documentation

No control, not documented

1. Adopt a  
general change  
package,  
without clear  
intent

- The subcommittee may wish not to record funding details
- The details may not be available and the legislature may have a general agreement with the executive for a general need for more funding without precise intent.

## 2. No control, but documented

No control, but documented

2. Adopt a specific change package for a specific detail of the budget

- The legislature may want a specific budget item in the budget, but may choose to allow the executive the flexibility to spend it in that location or in another as the executive believes is the best outcomes overall

### 3. No control, except tracking

No control, except tracking

3. Same as 2.  
except create a  
line item  
appropriation  
for the item

- At times, the legislature may wish to not only be specific about the intent of an appropriation and want tracking if the executive chooses to spend differently
- Due to overriding statute, this action does not prevent movement of these appropriations to other legal purposes within the agency
- This is called a line item appropriation

## 4. Legislative Appropriation Control

Control 4. Same as 3.  
except create  
a restricted  
line item  
appropriation

- At times, the legislature may wish to not only be specific about the intent of an appropriation, but to restrict spending to only that purpose
- Due to overriding statute, unless the legislature restricts the appropriation few limits exist
- This is called a restricted line item appropriation

# Subcommittee work is done

- Subcommittee chairs explain the subcommittees' recommendations for HB 2 to House Appropriations Committee
- The House Appropriations Committee hears specific appeals from agencies concerning subcommittee action, compares subcommittee recommendations to projected revenues, and considers amendments to subcommittee recommendations from committee members
- Typically House Appropriations Committee substitutes its HB 2 for the executive proposed HB 2 and moves the bill to the full House for debate. This process commences shortly after the 45th day and generally takes 3 to 5 days.

# Appendix

- Next few slides deep dive into HB 2 accounting and funding details
- Learn about how the executive makes modifications to the budget when legislators are out of session
- Learn about an expenditure level known as 1<sup>st</sup> level expenditures and legislative intent
- Learn how legislators may place restrictions on HB 2 appropriations
- Remember the budget must be balanced and this is challenging



# HB 2 Appropriation

Fund-  
Account

Agency  
Program

1<sup>st</sup> Level  
Expenditure  
Account

Restriction

# Executive Modifications of Fund Type

## **Executive Allowed**

- Fund type a grouping of individual fund-accounts
- Fund type: General Fund, State Special, Federal Special

## **Executive Not Allowed**

- Changes between fund type unless specifically allowed by law

# Agency or Program Modifications

## **Executive Allowed**

- Transfer between programs within an agency
- Limited by MCA 17-7-139
- Significant transfers presented to the Legislative Finance Committee
- Reviewed by the Legislative Fiscal Division
- Transfers to another agency must maintain purpose of appropriation

## **Executive Not Allowed**

- Transfers between agencies that do not maintain original purpose

# 1<sup>st</sup> Level Expenditure Account Modifications

## **Executive Allowed**

- Transfer between types of expenditures
- Limited by MCA 17-7-138
- Significant transfers presented to the Legislative Finance Committee
- Reviewed by the Legislative Fiscal Division

## **Executive Not Allowed**

- All allowed unless specific restriction disallows

# Restriction Appropriation Modifications

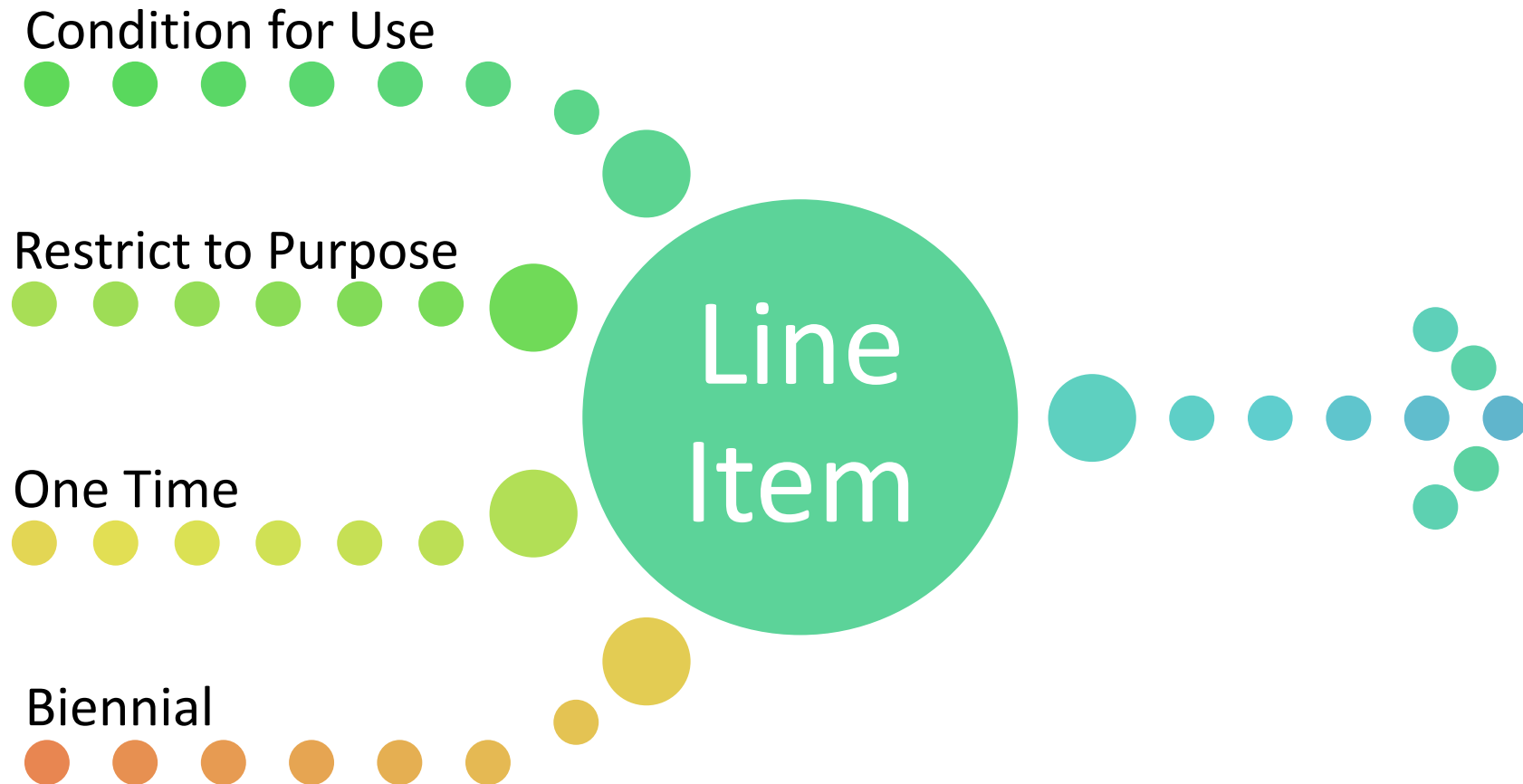
## **Executive Allowed**

- Only modifications are included in the original appropriation restriction
- Could transfer to another agency if original restrictions remain

## **Executive Not Allowed**

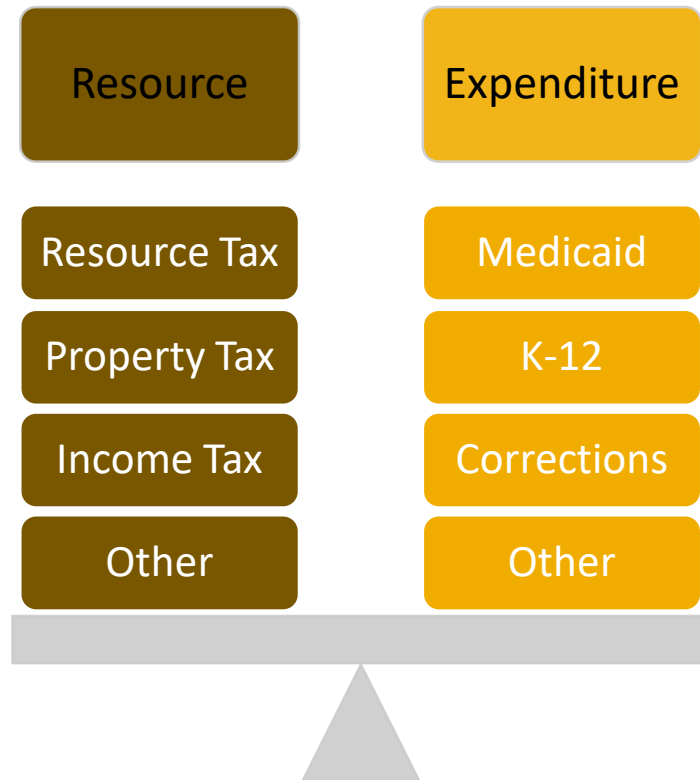
- All unless specifically granted

# Appropriation Line Item Control Options



# Balancing the Budget

## Governor's Budget will be Balanced

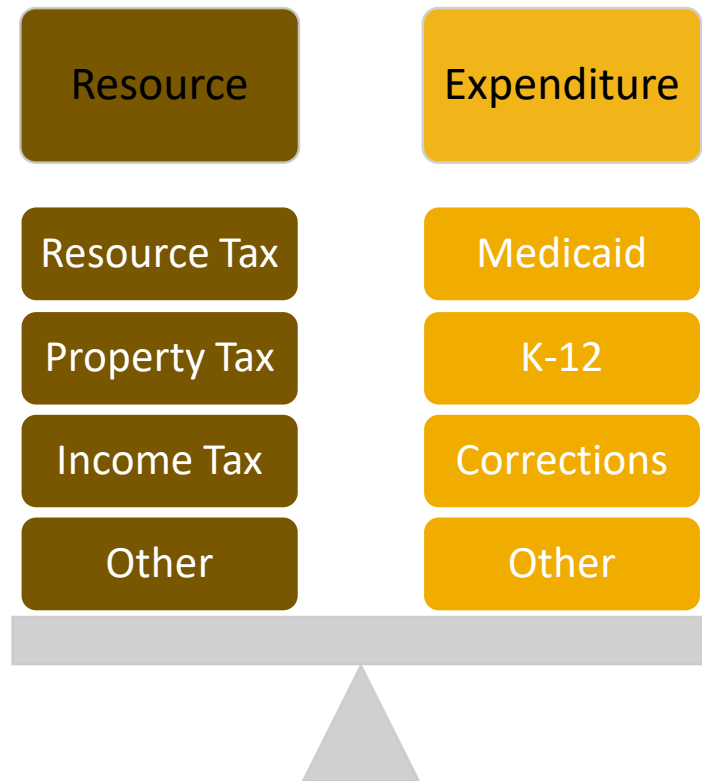


## Legislative Budget must also be Balanced

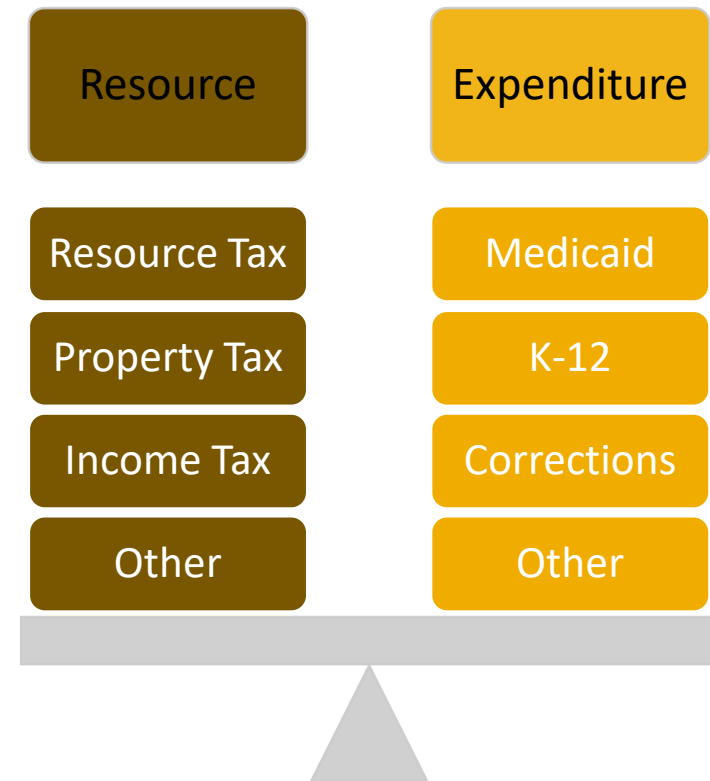
- In order to add expenditures, new resources must be found or new priorities set from the Governor's Budget
- This is a challenge

# Balancing the General Fund Budget

## Governor's Budget will be Balanced



## Legislative Budget must be Balanced





# Tools to Balance the Budget

