



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: September 29, 2016
TO: Legislative Finance Committee
FROM: Legislative Fiscal Division Staff
RE: 2019 Biennium Personal Services Calculations

The Legislative Fiscal Division (LFD) has improved the calculations and analysis of personal services from the last session. Previously, the LFD was only able to perform rough calculation of required personal services adjustments. For the 2019 Biennium the calculations will include cost changes due to required benefit and pay plan adjustments.

This calculation starts with the 2017 base personal services. This base includes: overtime, per diem, and 2% vacancy savings. The incremental increase is then calculated to include:

- Annualizing the \$0.50 per hour raise and the calendar 2017 state health insurance
- Benefit rate changes for pensions, workers compensation, and unemployment insurance
- Longevity rate changes, and benefits associated with longevity rate changes
- Change in the number of hours per year
- Other agency or position specific adjustments

These calculations are currently being evaluated by agencies to look for any discrepancies in the data or any statutorily required adjustments that the preliminary LFD calculations missed. In addition to evaluating the calculations, the agencies and analysts will describe the management choices that created differences between the executive request and the final LFD calculated change. LFD analysts and agencies have been working together for about two weeks and have until October 15 to complete their work.

The 2019 Biennium Budget Analysis will include the LFD calculated level of personal services compared to the executive requested statewide present law with explanations of the management decisions that describe the differences.

Preliminary statewide analysis illustrates a key executive management decision on vacancy savings. The executive implemented a 4% vacancy savings instead of the 2% vacancy savings adopted in the previous budget.

The table on the following page compares the agency personal services request to the preliminary LFD calculation. The comparison sums the agency requested DP 1 Statewide Present Law (SWPL) adjustment to the comparable adjustment for the LFD calculation. In order to illustrate the difference between the agency recommendation and the LFD preliminary calculation without the vacancy savings

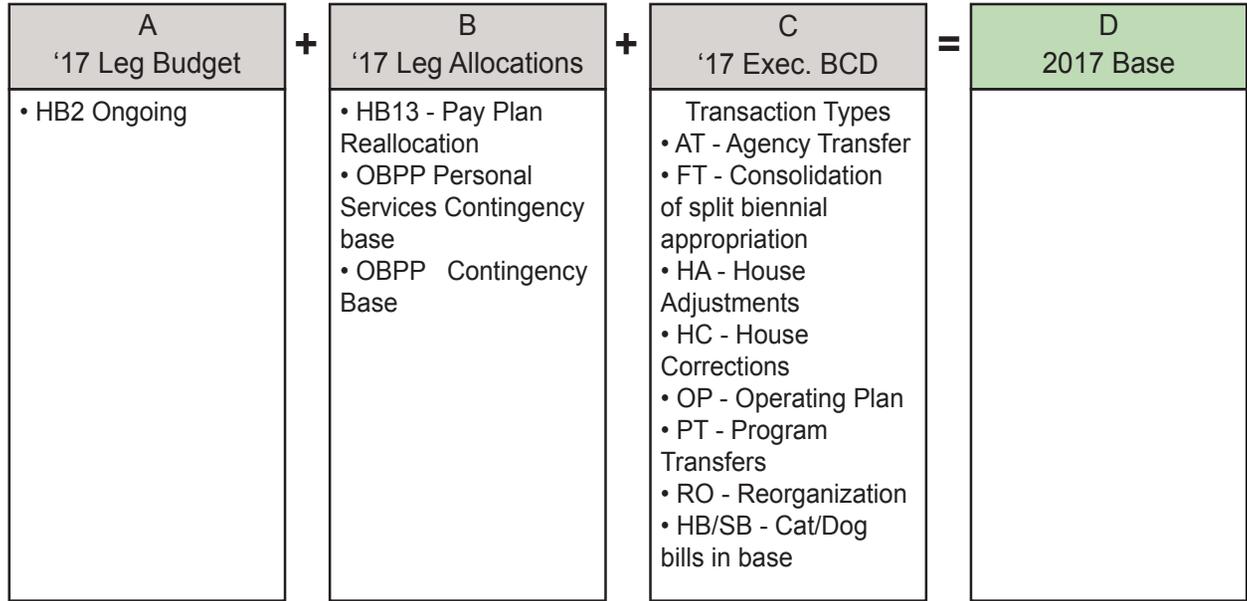
decision, an alternative is shown. The alternative includes only 2% vacancy savings with the executive calculation.

Preliminary Statewide Personal Services Present Law Calculations			
PS Base: \$870,604,695			
		FY 2018	FY 2019
Executive	Increase from FY 2017	\$42,443,826	\$45,225,716
	4% Vacancy Savings	<u>(35,381,814)</u>	<u>(35,469,814)</u>
	DP 1: SWPL Personal Services	7,062,012	9,755,902
Legislative	Personal Services Calculation (including 2% vacancy savings)	<u>12,946,695</u>	<u>15,595,632</u>
	Difference between Executive and Legislative Calculations	(\$5,884,683)	(\$5,839,730)

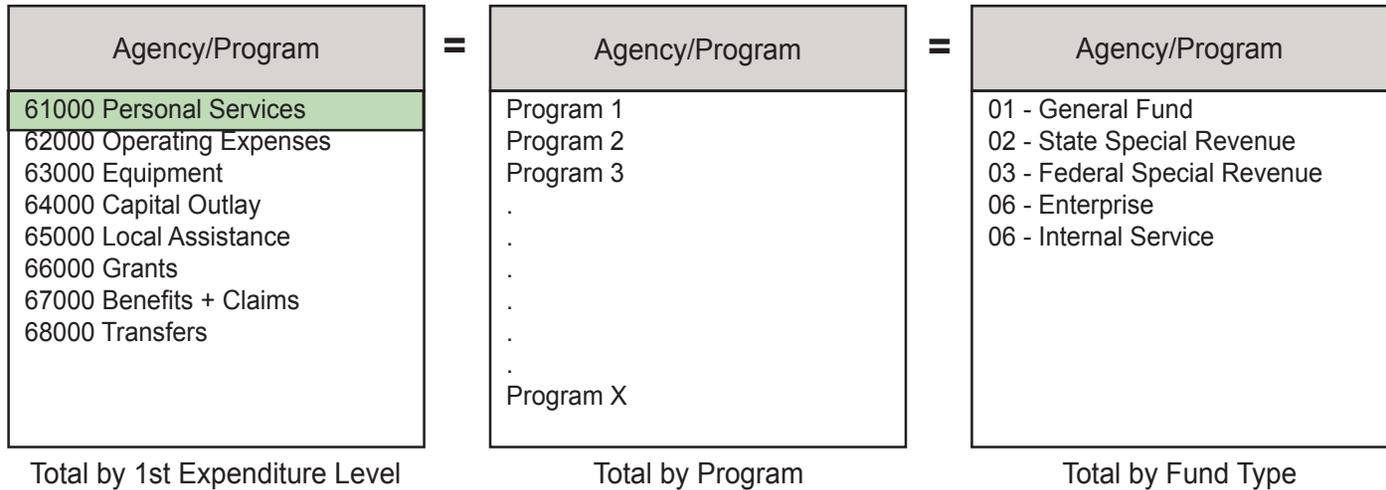
Alternative Preliminary Comparison with 2% Vacancy Savings			
	Increase from FY 2017	\$42,443,826	\$45,225,716
Alternative	2% Vacancy Savings	<u>(17,690,907)</u>	<u>(17,734,907)</u>
	Alternative SWPL Personal Services @ 2%	24,752,919	27,490,809
Legislative	Personal Services Calculation (including 2% vacancy savings)	<u>12,946,695</u>	<u>15,595,632</u>
	Difference between Alternative and Legislative Calculations	\$11,806,224	\$11,895,177

Attached to this report are graphics that have been shared with agencies to help them understand the method used in our calculations. In addition, the data and calculations have been shared with agencies. After our initial discussions with the agencies it is clear that several small adjustments will need to be made to the LFD calculations. These adjustments are expected to increase the LFD calculation slightly overall, but in certain areas the amounts will be material.

2019 BIENNIUM BASE BUDGET

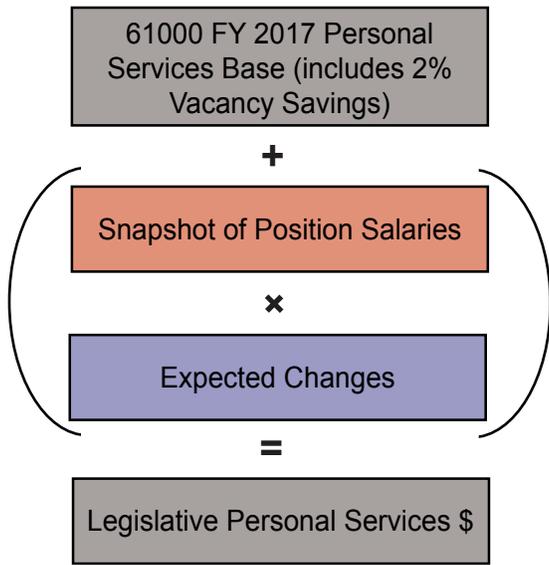


2017 BASE BUDGET



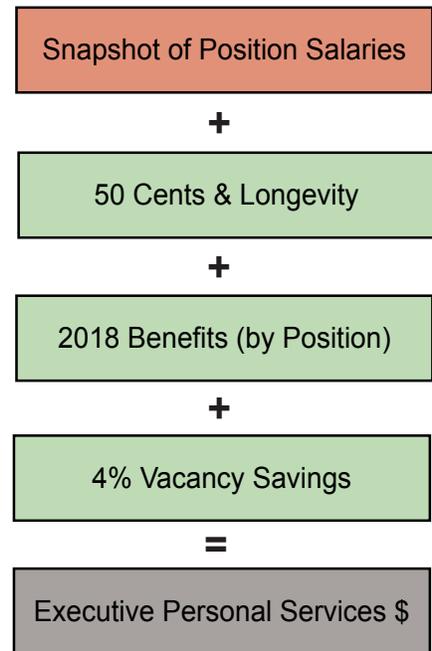
2019 BIENNIUM PERSONAL SERVICES COMPARISON

Legislative



Legislative Personal Services
- 61000 FY 2017 Personal Services Base
= Compare to DP1

Executive



Executive Personal Services
- 61000 FY 2017 Personal Services Base
= DP1 Statewide Present Law Adjustment

LEGISLATIVE PERSONAL SERVICES CALCULATION

(Base 61000 Amount plus Expected-Benefit-Changes-Amount)

