

# **STUDY OF LFD PRODUCTS AND SERVICES**

A Report Prepared for the  
**Legislative Finance Committee**

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## **INTRODUCTION**

This report provides a summary of recommendations for improvements to Legislative Fiscal Division (LFD) publications, reports, and staffing. The study was directed by the Legislative Finance Committee (LFC) in its 2009 interim workplan, under the supervision of the Management Advisory Group. The project concentrated on a review of the necessity, usefulness, audience, and potential improvements of LFD publications and reports.

### **Staff:**

- Drafted new goals and related measurable objectives to present the legislature with outcome measurements on the work of LFD staff
- Examined various LFD products and recommended streamlining all volumes of both the Legislative Budget Analysis and the Legislative Fiscal Report through use of higher level summary detail, elimination of redundancies, and moving of certain sections to the LFD website.
- Identified three areas for additional review: 1) LFD website; 2) agency templates; and 3) proprietary (internal services) funded program information
- Discussed development of staff expertise required by the legislature

## **METHODOLOGY**

The determination of necessity, usefulness, audience, and potential improvements to LFD publications and reports was undertaken using two primary tools:

- A survey of legislators, both on and off the appropriations and taxation committees (for a discussion of specific findings, please see Appendix A)
- A series of brainstorming sessions with staff

Recommendations for improvements were discussed in a number of areas, including:

- Goals and objectives of the LFD
- Purpose, audience, and content of the Legislative Budget Analysis, Legislative Fiscal Report, and Big Picture Report
- Content and usage of the agency profiles, agency templates, fiscal pocket guides, and LFD website

## **RECOMMENDATIONS**

The following summarizes changes currently being undertaken to LFD publications, and recommendations for other changes.

### **DIVISION GOALS AND OBJECTIVES**

Program goals are being used extensively in performance measurement. Therefore, it was deemed important to ensure that the division's goals and objectives were up to date and met the same criteria required of other agencies, including measurability.

#### **Goals**

The division goals and objectives were edited to include the following:

- Session: that every legislator is able to make every legislative/fiscal decision with the most accurate and updated fiscal data, information, and analysis available.
- Interim: Every legislator, especially those assigned to the LFC, is able to make every legislator/fiscal decision with the most accurate and updated fiscal data, information, and analysis available.

## Activities and Measurement

Among the activities to work toward outcome measurements are:

- 1) Percentage change in the number of bill draft requests
- 2) A decrease in bill drafts for technical amendments and increase in drafts for budget policy implementation
- 3) Increase in percentage of LFC members reporting increased knowledge of budgeting issues
- 4) A percentage increase in the use of LFD products to make budgetary decisions at each point in the appropriations process

Measurement methodologies for the first three would have to be developed. The last would be measured through legislator surveys

Appendix B shows the LFD goals and measurable objectives.

## LFD PRODUCTS

The two most visible products produced by the LFD are the budget analysis, presented to the legislature at the beginning of the session and updated throughout, and the fiscal report, which reports on actions of the legislature and is the record of appropriations and the state's financial picture. The goal of the examination was to determine how the books could be more useful and easier to use, all within the current parameters of the Montana Budget Analysis and Reporting System (MBARS).

The books are divided into the following:

- 1) Volume 1 provides statewide summaries and analysis of the executive budget, the state's overall financial picture, and other issues.
- 2) Volume 2 is a summary of revenue projections, by source
- 3) The remaining volumes provide detailed information on individual agency and program budgets; the budget analysis is used as legislative (particularly subcommittee) working documents

### Volume 1

Volume 1 will be streamlined, using higher level summary detail, elimination of redundancies, and improved usage of the LFD website as an alternative to inclusion of items within the printed documents. An example of the current version of Volume 1 (still currently under development), titled Draft Volume I for 2011 is included at the following address:

[http://leg.mt.gov/content/Publications/fiscal/interim/financecmty\\_oct2008/Vol1\\_Draft\\_2011\\_Biennium.pdf](http://leg.mt.gov/content/Publications/fiscal/interim/financecmty_oct2008/Vol1_Draft_2011_Biennium.pdf)

### Volume 2

Few changes will be made, except potentially more summary detail to accompany the specific revenue sources.

### Other Volumes

The primary changes will be:

1. Presentation of internal service funded program to allow greater legislative scrutiny through greater consistency of format with the other programs
2. Discussion of performance measurement results for selected initiatives and program goals discussed as part of the Legislative Finance Committee workgroup review to increase legislative understanding of the use of performance measurements as part of the budgeting process
3. Personal services narrative discussing agency decisions related to the statewide present law adjustment for personal services to allow greater legislative review of personal service increases
4. Presentation of agency budget tables to provide consistent comparisons for budgeted increases between biennia

## **OTHER PRODUCTS**

The agency “templates”, which were developed by the LFC and LFD and used by the subcommittees to review agency information and discuss goals and objectives, were also updated (the LFC reviewed all changes at the March 2008 meeting). Much of the background and operational/funding data included in the templates was also produced in the agency profiles written by the LFD. This redundancy was eliminated, and this information will now exclusively appear in the agency profiles. The templates will now concentrate on goals and objectives for both the current and upcoming biennium, as well as performance measures.

## **LFD STAFFING**

Staff also examined current LFD staffing to determine if recommendations on levels and/or allocation were warranted.

Historically, the legislature has leveraged the cyclical nature of the biennial session and the interim work to minimize the number of LFD staff by understaffing during the budget analysis and session and relying on overtime, and then allowing staff to utilize the accumulated compensatory time. This method has been an effective tool to minimize permanent staff.

However, increased interim committees, study resolutions, subcommittee appointments, and the need for experienced LFD staff to provide fiscal expertise to other interim committees in addition to the LFC has resulted in increased staff demand.

Staff identified the following areas where additional staffing resources and development of expertise may be needed:

- Tax policy analysis
- Forecasting state expenditures and revenues into future years beyond the current biennium
- School funding and its dependent relationship with property taxes

In addition, issues with the following areas were identified as affecting LFD staffing:

- Lack of cross training or staff backup for critical budget areas such as revenue projections, school funding, and Medicaid
- Reduction of compensatory balances and vacation accruals
- Continuing expansion of interim committees and projects

LFD management is looking to realign staffing responsibilities to determine if efficiencies can be gained to address some of the above areas. Additional staffing resources may be required to ensure LFD staff expertise is available to the legislature in some areas. Further review and analysis will be needed to determine if additional staff resources will be recommended. Much of the advocacy for additional staff resources has come from legislators. A task force of legislators and staff to explore the options for the level of staff resources and staff’s associated priorities is the recommendation action.

## APPENDIX A

### SURVEY OF LEGISLATORS

The survey of legislators indicates that publications are not used to the degree that might have been expected, but that there are members that depend upon them as a resource, both for gaining an overview of budget issues and as a general reference source. A far larger number do not use the books at all or for only occasional reference.

### SURVEY RESULTS

The survey results were mixed, legislators had varying levels of interest in the *Legislative Budget Analysis*. At one end of the spectrum, a few legislators said that they never looked at the books, that they were “not numbers people” and depended on others to gain an understanding of the budget matters and issues. On the other end of the spectrum were a few legislators that said they would at least read the summary section at the beginning of Volume I and as time allowed might “devour” other sections of interest.

Generally, the comments seemed to center on the use of the *Legislative Budget Analysis* during session activities as compared to use of the *Legislative Fiscal Report* as a reference after the session. Legislators are apparently more inclined to use the resource during session in the midst of budget deliberations rather than as a source of reference after the session.

Many legislators made reference to wanting to know the “bottom line” and placed greater weight on the tables and charts in the summaries. Some also mentioned their reliance on the “general fund status” (a separate session document) for bottom line information during the session. Legislators that indicated more use were complimentary of the ease of use, referring again to a reliance on summary and tables and charts.

Questions from constituents did not seem to be a factor for most with several saying that they do not get many questions or that questions are not budget related. A few legislators indicated that when they need information, they are more inclined to contact the LFD staff for answers rather than looking information up themselves, and often know which analyst to ask. Others indicated a strong reliance during session deliberations on the members of the House Appropriations and Senate Finance and Claims committees for information on budget and finance matters.

A few members discussed their increased use of the internet version of the both Volume I documents, as well as other internet based information.

# APPENDIX B

## LFD GOALS AND OBJECTIVES

### LEGISLATIVE FISCAL DIVISION

#### GOALS

The overarching goal of the Legislative Fiscal Division is that every legislator be able to make every legislative/fiscal decision with the most accurate and updated fiscal data, information, and analysis that is available. This involves using division resources to achieve the following:

A. Assist the Legislature in the budget process by:

- analyzing the executive budget and state fiscal condition prior to each regular and special legislative session (5-12-302(3), MCA);
- providing assistance to the Legislature throughout the appropriations process and on all matters of fiscal policy, including generating the general appropriations act (5-12-302, MCA); and
- maintaining implementation and historical records of legislative budget action, including the publishing of the post-session Legislative Fiscal Report (5-12-302, MCA).

Measurable objectives

- The Budget Analysis Report is the primary working document of the appropriations process and facilitates formulation of effective budget policy and is to be completed and available to the legislature approximately two weeks prior to the start of the legislative session.
- Effective staffing of committees and compilation of budget action to meet deadlines ensuring timely completion of each phase of the appropriations process. Deadlines are driven by the legislative calendar but generally allow subcommittees until about the 40th day of the session. Other deadlines are established in consultation with leadership but, once set, must be adhered to.
- The general fund status report is timely and provides concise and clear information on the status of the budget process throughout the session. These are typically delivered on a weekly basis, starting near the end of January and based upon the occurrence of a meaningful amount of executive action in the budget subcommittees.
- By June following a regular session, a Legislative Fiscal Report is prepared and published, providing a complete, concise summary of legislative budget action taken by the Legislature.
- Satisfactory evaluations are received from leadership of both appropriations committees and each joint appropriations subcommittee staffed by the Division, at the conclusion of committee or subcommittee work but before the end of the session, indicating effective support and maintenance of committee needs.

B. Estimate revenue from existing and proposed taxes by:

- providing data and recommendations concerning revenue estimates to the Revenue and Taxation Interim Committee in compliance with 5-5-227 and 5-12-302, MCA);
- providing assistance in the revenue estimation process and tax policy analysis during legislative sessions (5-12-302, MCA); and
- monitoring and reporting on revenue collections, trends, and forecasts throughout the biennium (5-12-302, MCA).

Measurable objective

- Revenue estimation data and recommendations are available, by November 15 prior to the regular session, in an effective working document for development of session revenue estimations by the Revenue and Taxation Interim Committee.
- C. Provide for the fiscal analysis of state government by preparing reports on significant fiscal issues to enable the Legislative Finance Committee and the Legislature, at their request, to formulate legislative fiscal policy (5-12-302, MCA). This includes providing a pre-session analysis of the economic and fiscal conditions facing the next Legislature, including revenue and budget projections for the general fund and projected ending fund balances. It also includes providing for statutory review of budget amendments, dedicated revenue provisions, supplemental appropriations, and budget reductions recommended by the Governor, as well as other statutory and appropriation bill language directives for fiscal review (17-1-505, 17-7-140, 17-7-302 and 17-7-402, MCA).

Measurable objectives

- Legislative leadership and committees receive timely information on all existing and emergent fiscal policy issues, both during session and in the interim. “Timely” can refer to a negotiated delivery date when possible or to the delivery of information on an emerging issue to which lawmakers are not aware and simply need to be alerted before the issue becomes a much larger problem.
  - The interim work plan activities prescribed by the Legislative Finance Committee are completed in a timely and effective manner, with final reports no later than the October LFC meeting in the even year.
  - Satisfactory evaluations are received by the end of October of the even year from all committees staffed by the Division during the interim, indicating effective support and maintenance of committee needs.
  - A pre-session general fund projection report is provided, enabling the Legislature to understand and prepare for the fiscal and budget issues facing it in the ensuing session. This is prepared for and presented to the Legislative Finance Committee at its October meeting, preceding the regular session.
- D. Assist legislative committees and individual legislators in compiling and analyzing fiscal information by:
- providing assistance to legislative committees as assigned by law (5-12-302, MCA); and
  - responding to legislative requests for information on state fiscal and policy issues (5-12-302(5), MCA).

Measurable objectives

- Interim committee and subcommittee activities are well-planned, relevant and carried out in a logical, orderly manner designed to assist the committee in addressing the issues of fiscal policy resulting in and arising from the study activity.
  - Responses to requests for information are timely (an agreed upon deadline) and thorough.
- E. Assist in maintaining and supporting a fiscally informed Legislature by:
- providing clear and concise fiscal training and budget explanation material for legislators and the public; and
  - preparing a fiscal "primer" for pre-session seminars and other training opportunities.

Measurable objective

- Fiscal training manual and appropriate budget pamphlets are prepared and used by the Legislature and the public to understand the appropriations process and major fiscal issues. Updated versions are created in the fall preceding the regular session to be available for each new legislature by November 15.

Measurement of performance regarding these desired outcomes comes largely from the timely completion of division activities and feedback from the committee chairpersons, committee members, and other individual legislators on the timeliness, accuracy, clarity, objectivity, and accessibility of the data or information, and on the efficient and effective operation of committees, subcommittees, and work groups staffed by the Legislative Fiscal Division staff. It is a “customer service” focus in which we say what we will do and do what we say.