

# LEGISLATIVE FISCAL DIVISION 2011 BIENNIUM WORK PLAN

As approved by the

**Legislative Finance Committee**

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Legislative Fiscal Analyst

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***Legislative Fiscal Division***



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## INTRODUCTION

This report summarizes the approved Legislative Finance Committee and Legislative Fiscal Division interim work plan for the 2011 biennium. It is as approved by the LFC in June 2009 and is a working document, subject to review and revision by the LFC at each meeting during the 2011 biennium interim.

## WORK PLAN

### BACKGROUND

This work plan began as a recommendation of the Legislative Fiscal Analyst, based on a compilation of anticipated statutory, discretionary, and administrative duties that will require staff resources during the 2011 biennium interim period. These duties range from major statutory and mandated studies to maintenance tasks of the staff. They summarize a significant portion of staff commitments over the next 15 months, although they do not include all administrative and minor tasks, and time is allowed for emergent studies and tasks not yet known.

### MAJOR STUDIES

While the entire interim studies and commitments of LFD staff (as summarized in Attachment A) are subject to review and approval of the LFC, the LFC placed focus on a few major committee/staff study topics, while maintaining oversight of “all matters bearing upon the financial matters of state that is relevant to issues of policy and questions of statewide importance” (5-12-502, MCA. The LFC adopted three major committee study topics for committee prioritization. These proposals include studies that were requested by legislators through study resolutions, and suggested topics by LFC members and LFD staff. A paper summarizing the study topic, goals, and objectives is provided as an appendix for each of the studies.

The major studies adopted by the LFC in June 2009 are as follows:

- **Monitoring of federal (ARRA) stimulus funding**
- **Performance measurement**
- **Monitoring and expanded reporting of state revenues**

An additional study was adopted at the September 2009 LFC meeting:

- **Student Loan Study (SJR 9)**

### STAFF MAJOR ONGOING/ADMINISTRATIVE TASKS

The items other than the major committee studies that will consume extensive staff resources are as follows, and are subject also to LFC review and revision:

- |  |               |
|--|---------------|
| 1. Analysis of Executive Budget for 2013 Biennium                            | Statutory     |
| a. Begins in earnest in Sept 2010, entire staff, full time, over 3,000 hours |               |
| 2. Biennial Revenue Estimates  | Statutory     |
| a. Begins in March 2010, completed in December                               |               |
| 3. Staff Interim Committee on PEPB   | Discretionary |
| a. Nearly full-time task for higher ed. analyst                              |               |

- |  |                       |
|--|-----------------------|
| 4. 2013 Biennium Budget Projection – Big Picture Report                      | LFA                   |
| a. Over 1,000 hours staff work, Aug./Sept. 2010                              |                       |
| 5. LFC/LFD Evaluation of Agency Budget Analysis Contents                     | LFA                   |
| a. In-depth evaluation and revision of budget analysis volumes               |                       |
| 6. LFC/LFD Evaluation of Fiscal Training for Legislators                     | LFA                   |
| a. In-depth evaluation and development of training curriculum                |                       |
| 7. Oversight/monitoring of agency programs/initiatives                       | HB2/other legislation |
| a. Year-round staff task to evaluate/report to legislature                   |                       |
| 8. LFD Systems Documentation   | LFA                   |
| a. Imperative, global project to document LFD business processes – 500 hours |                       |
| 9. Use of Staff Comp Time/Leave Balances                                     | LFA/Legislature       |
| a. 9,000 hours staff earned time off to be used by 10/1/10                   |                       |
| b. Exceeds last interim by 15%, meaning less staff time available            |                       |

## 2009 SESSION LFC TASK REQUESTS

The following tasks requested by the 2009 Legislature are included in the staff work plan for monitoring and reporting to the Legislative Finance Committee.

1. Monitor implementation of the Healthy Kids Initiative
2. DPHHS Work Plan to Evaluate Base Budget Reductions Required Due to OTO Appropriations (HB 676)
3. DPHHS Work Plan for the Medicaid Management Information System Replacement (HB 10)
4. Examine Growth in DPHHS Indirect Cost Allocations for Certain SSR Accounts (HHS Subc.)
5. Review Subsidies Provided Retirees Participating in State Employee Health Plan (GG Subc.)
6. Monitor/Report to LFC regarding caseload/benefits in SNAP/TANF/LIEAP (HHS Subc.)
7. Monitor/Report to LFC regarding MDC Population (HHS Subc.)
8. Monitor/Report to LFC regarding MDC/OSD Community Infrastructure (HHS Subc.)
9. Performance Measurement of selected agency initiatives (Joint Appropriations Subcommittees)

## LFD STAFF SUPPORT TO OTHER COMMITTEES

The following study bills/resolutions from the 2009 legislative session that are assigned to other interim committees have been identified as potentially requiring the assistance of LFD staff in support of those studies. Staff time has been set aside to participate in supporting these studies/initiatives.

- |  |        |                        |
|--|--------|------------------------|
| 1. Study taxation of oil and natural gas property    | HB 657 | Revenue/Transportation |
| 2. Study work comp rates and MT State Fund           | SJR 30 | Economic Affairs       |
| 3. Study health care                                 | SJR 35 | Children and Families  |
| 4. Study of biomass                                  | HJR 1  | EQC                    |
| 5. Study Fire Suppression Issues                     | HJR 30 | EQC                    |
| 6. Study of State Employee Bonus Payments            | HJR 35 | State Administration   |
| 7. Study impact of historic preservation/strategies  | HJR 32 | Education/Local Govt.  |
| 8. Study income tax filing by married taxpayers      | SJR 37 | Revenue/Transportation |
| 9. Study development of added comm. svcs. For DD     | HJR 39 | Children and Families  |
| 10. Study cooperative agreements among state ag labs | SJR 14 | Economic Affairs       |
| 11. Study funding for recreation/tourism enhancement | HJR 15 | EQC                    |
| 12. Study community college establishment process    | SJR 2  | Education/Local Govt.  |
| 13. K-20 Shared Policy Goals/Accountability Measures | SJR 8  | Education/Local Govt.  |
| 14. K-12 Shared Policy Goals/Accountability Measures | HJR 6  | Education/Local Govt.  |

## **LFC WORK PLAN DIRECTIVE**

The following committee motion was adopted at the June 2009 LFC meeting:

**Adopt the projects in the LFD work plan as presented, with amendments and prioritization as discussed by the committee to reflect legislative priorities. Projects will be undertaken only as limited resources can be identified to complete projects in priority order. The committee shall review the list of discretionary projects as well as emergent issues at each scheduled meeting for prioritization and scheduling as resources allow. The LFA shall seek the advice of the chair and the Management Advisory Work Group between meetings as circumstances warrant to efficiently allocate/reallocate resources toward the task list.**

## **COMMITTEE WORK PLAN REVIEW**

The committee/staff statutory mandates are broad, and there may be emergent or other study topics of interest to the committee that are not included in the approved work plan. The committee is encouraged to review the work plan at each meeting and propose revisions as deemed appropriate.

Prioritization allows the projects to be undertaken as staff/committee resources allow. The primary constraint limiting the LFC study agenda for the interim is the number of issues that can be effectively addressed within the available time and resources of the LFC members and LFD staff.

The work plan assumes staff time to explore and develop other emergent policy issues for presentation to the committee/legislature, and may impact the number of discretionary projects addressed.

This work plan does not take into consideration any special sessions or other extraordinary commitments in a traditionally dynamic environment that might occur during the interim. If such events occur, it will directly impact the ability of staff to accomplish designated projects. In that event, the LFC would be asked to re-prioritize projects.

# **APPROVED MAJOR WORK PLAN TOPICS**

## **Stimulus Oversight**

**Source/authority:** LFC general oversight of state spending

**Background:** Oversight for the ARRA was originally addressed in SB 460 to create a special commission to provide specific functions regarding the receipt and expenditures of stimulus funds. The bill passed the legislature and was vetoed by the Governor. The override poll did not change the outcome of the bill; therefore the decision on oversight of stimulus money spending will be the responsibility of the Legislative Finance Committee. Funding for staffing, committee meetings, and contract services was appropriated to the Legislative Fiscal Division.

**Requirements:** This project requires the development of an oversight plan and implementation of that plan. Key plan components include:

- Identification of appropriations/projects/grants to review
- Type of oversight activities
- Type of deliverable projects
- Resource allocations

**Staff Resources:** Barb Smith has been assigned as staff lead to manage this process. This individual is primarily responsible for taking direction from the committee to design the oversight process and lead staff through the implementation of the project. Additional staff time will be required based on the scope of the project as determined by the LFC and subcommittee.

### **Study Approach/Scope of Project:**

The following items will be addressed:

1. Design of oversight project based on scoping activities with the LFC
2. Allocate resources to the design plan and adjust as necessary
3. Create calendar of oversight activities

**Deliverables/End Product:** Deliverables could include full reports, fact sheets, agency presentations, impact analysis and potentially legislation. The method of delivery is dependent upon project scoping. A final report of activities would be provided.

**Lead Staff:** Barbara Smith

# Performance Measurement

## Source/authority: Continuing Project\Requests of 2009 Legislature

**Background:** During the 2009 biennium interim, a process to establish routine monitoring of agency progress towards legislative goals and measurable outcomes was developed. The Legislative Finance Committee (LFC) formed workgroups to meet with state agencies and discuss overall progress, challenges and successes in relation to the goals. Bipartisan workgroups consisting of LFC members were appointed and met with state agencies grouped into:

- General Government
- Public Health and Human Services
- Natural Resources and Transportation
- Judicial Branch, Law Enforcement, and Justice
- Education

State agencies completed 2 page worksheets to report on their successes and challenges in relation the performance measurement process. Workgroups adjusted performance measures as needed, removed and added goals and measures as necessary.

Legislative Fiscal Division staff incorporated the goals and measurement discussion into the Budget Analysis for the 2009 Session. Joint Appropriation Subcommittees discussed these and other goals and related outcome measurements as part of budget deliberations and included recommendations for follow-up to the Legislative Finance Committee. In addition, the legislature included a recommendation that the LFC follow the funding appropriated under the American Reinvestment and Recovery Act of 2009 (ARRA) which could utilize the same workgroups and similar reporting process.

**Requirements:** This project provides for continuation of the process of monitoring agency progress towards prescribed goals as measured by performance over the biennium. Further, several goals and measurements selected for monitoring in the 2007 interim had attainment dates of June 2009 or beyond. The LFC can also request follow-up on the 2007 interim measures to determine agency progress to date.

**Staff Resources:** Lead staff have been identified, and will design the further steps, continue legislative training, train branch employees as well as the executive agencies and monitor further implementation.

### **Study Approach/Scope of Project:**

The following items will be addressed:

1. Analysis and revisions as necessary of the process to monitor and report progress towards goals
2. Review and revision of the reporting mechanism for the budget analysis to provide follow-up information
3. Continue staff and legislative education and research into current practices and new ideas

**Deliverables/End Product:** Reports to the LFC and workgroups, budget analysis with goals, performance measurements, and discussion of state agency successes and challenges

**Lead Staff:** Barbara Smith and Kris Wilkinson

# Monitoring of State Revenues

**Source/authority:** LFC members/LFD Staff recommendation

**Background:** The economic downturn has had a substantial impact on state revenue collections and leaves state financial resources in a period of instability and uncertainty. Revenue projections before and during the 2009 legislative session were reduced several hundred million as the effects of the downturn became more clear. The bottom of this economic cycle is still uncertain, and legislators expressed significant concern about the possibility of a further decline in state revenue projections. If revenues fall below projections, it raises concerns about structural balance of the general fund as well as the possible need for budget reductions. This could have a significant impact on government services and on citizens who receive those services. It could also leave the 2011 legislature with a budget picture that won't support the current level of services authorized.

Legislative leadership and committees have called for close monitoring of state revenues throughout the 2011 interim in order to provide for a timely response if there is a decline in anticipated revenues.

**Requirements:** This project requires monitoring state revenues to include in-depth examination and more frequent reporting of findings. The project will require continuation of extensive research and monitoring of revenue trends, and close contact with appropriate state revenue experts.

**Staff Resources:** The four revenue and tax policy analysts are tasked to monitor all major general fund revenue sources on a nearly daily basis, to provide reports to key committees and to immediately report any significant deviation from anticipated revenues to the legislature.

**Study Approach/Scope of Project:** Revenue and tax policy staff will aggressively apply the process for tracking revenues, review and revise the reporting mechanism for revenues, and work closely with LFC contact points to assess the need for any legislative action.

**Deliverables/End Product:** The lead analyst will work with the legislative work group assigned to this project to determine the level and type of reports that will be provided and the timing of those reports.

**Lead Analyst:** Terry Johnson



# **Student Loan Study**

**Source/authority: SJ R9**

**Background:** Senate Joint Resolution 9 was introduced at the request of the Legislative Finance Committee in response to student loan related issues that surfaced in Montana in 2007-08 and legislative interest in student financial assistance programs and the relationship to state funding and student tuition rates.

**Requirements:** This project will require an investment of staff resources to develop a level of understanding of the issues in order to conduct a meaningful study for the legislature. At the September 2009 meeting, the Legislative Finance Committee narrowed the study as originally contemplated by the resolution. The study will identify the type and amount of student financial assistance in Montana for postsecondary education students and the governance and related issues of the student financial assistance function in Montana. Staff will also apprise the Legislative Finance Committee of any substantial changes to the student loan provisions in the federal Higher Education Act and its impact to Montana, especially budgetary impacts. Finally, the project will explore the findings of the study in context with legislative and university system shared policy goals relating to student financial assistance.

**Staff Resources:** One senior level staff has been identified to conduct this study. Because the availability of staff will be limited in the interim due to required oversight activities and utilization of accrued leave, the Legislative Finance Committee narrowed the scope of the study to fit within the availability of existing staff resources.

## **Study Approach/Scope of Project:**

The following study topics are included in the project:

1. The cumulative availability and amount of all sources of financial aid to Montana students
2. Review of student financial assistance program governance in Montana
3. Bond liability issue of Montana Higher Education Student Assistance Corporation (MHESAC) bonds
4. Impact of federal legislation changes on the delivery of student loans in Montana
5. Discussion/evaluation of shared policy goals relating to student financial assistance

## **Deliverables/End Product:**

- March 2010 LFC Meeting – Report on Student Financial Assistance Inventory and a Discussion of Shared Policy Goals Relating to Student Financial Assistance
- June 2010 LFC Meeting – Report on Governance, MHESAC Bond Liability, and the Impact of Federal Legislation
- Summer 2010 – Bill Drafting (If any)
- October 2010 – LFC approves bill drafts(s) and Final Report
- Fall 2010 – Final Report submitted to the Legislature

**Lead Staff:** Pamela Joehler