



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

Legislative Fiscal Analyst
CLAYTON SCHENCK

DATE: November 7, 2008

TO: Legislative Finance Committee

FROM: Jon Moe, Fiscal Specialist

RE: Global Fiscal Issue Recommendations for Consideration of the Legislative Finance Committee

Prior to each session, the Legislative Finance Committee (LFC) is directed in statute to make recommendations to the House Appropriations and Senate Finance and Claims committees regarding the activities of the joint appropriations subcommittees and various procedural issues related to developing the state budget. For the upcoming 2009 session, there are 11 such items. They are listed and discussed in three attachments.

- The first is described as a “decision matrix” which simply lists the items that the LFC should consider in its November 18 meeting. This document provides the item number, a description of the item with a proposed recommendation highlighted, and a brief history if there is one, or indicates that it is a first time item.
- The second is a more descriptive write-up of the same issues, intended to provide more background in most cases. Some of these global issues can get confusing, so hopefully this more descriptive version can answer some of the question you might have on specific items.
- The third is a proposed template related to item #8 of the items for recommendation.

In the absence of even further background information, feel free to contact me at jonmoe@mt.gov or Clayton Schenck at cschenck@mt.gov or either of us at (406) 444-2986 for additional information.

2011 Biennium Budget Global Decisions and Direction for Budget Process Decision Matrix

#	Decision Item	Description	History	LFC Decision
1	Starting Point for Subcommittee Deliberation <i>[Mandatory]</i>	Direct the subcommittees to adopt the base budget and the statewide present law adjustments as the starting point of budget deliberations for each agency. The adoption of the base and statewide present law adjustments as the starting point does not prevent a subcommittee, the full committees, or the legislature from reducing the base later in the process.	This recommendation was accepted prior to each session with the exception of the 2003 session when the joint committee decided to roll-back the base from the statutorily required FY 2002 level, to the FY 2000 level.	
2	Components of the Personal Services Statewide Present Law Adjustment <i>[Guideline]</i>	The reasons that employee pay might increase outside the legislatively approved pay plan can vary greatly from agency to agency, and the reason that positions were vacant can vary as well. Direct the subcommittees to work with their respective subcommittee staff to determine the reasons for these occurrences and variations, and allow for coordination between subcommittees if an overarching policy should be addressed.	This was included in the items discussed for the 2007 session and adopted.	
3	Vacancy Savings <i>[Mandatory]</i>	Direct the appropriations subcommittees to adopt the global level of a personal services reduction (vacancy savings as proposed in the executive budget). From that point, an individual appropriations subcommittee might determine that a certain group of positions within a program under their purview should be exempted from the reduction or allowed a reduced level of vacancy savings, or even determine that a higher level of vacancy savings be applied. The subcommittee chair should communicate the proposal to the full appropriations committee chair in the event that such an action should be discussed among all subcommittee chairs. For tracking purposes, these types of adjustment would occur as decision packages.	This is not inconsistent with the way vacancy savings has been handled since the 1999 biennium. For the 1997 biennium and before, varying methods were applied or vacancy savings was not applied at all.	

Legislative Fiscal Division

4	Fixed Costs in the Budget <i>[Mandatory]</i>	Direct subcommittees to consistently apply fixed costs in agency budgets as included by the executive budget request. Adjustments to fixed cost rates shall be determined by the subcommittee examining the service provider (e.g., ITSD costs as reviewed by the General Government Subcommittee) and shall be globally adjusted on a consistent basis. For tracking purposes, these types of adjustment would occur as decision packages.	This option has been consistently applied.	
5	Inflation or Deflation Factors in the Budget <i>[Mandatory]</i>	Direct subcommittees to not vary from the executive budget proposed inflation or deflation factors. If the full appropriations committee wishes to vary from the executive budget proposal inflation/deflation factors, it should establish approved inflation/deflation rates (if any) by individual object of expenditure and direct subcommittees to apply these rates to all budget adjustment recommendations. For tracking purposes, these types of adjustment would occur as decision packages.	This option has been consistently applied.	
6	Proposals Requiring Legislation <i>[Mandatory]</i>	Implementation of some proposals that require general appropriations act (HB 2) appropriations will require implementation of complementary legislation. The question is: How will changes in HB 2 that are dependent upon the passage of other bills be made? <u>Option A</u> - Subcommittees make recommendations regarding the proposal. Build all changes requiring legislation into the HB 2 line-items, and include contingency language striking the change if the legislation does not pass. <u>Option B</u> - Do not include the changes requiring legislation in HB 2 line items, but include contingency language enacting the change if the legislation does pass. <u>Option C</u> - Make no recommendations or adjustments to HB 2 until required legislation passes.	The handling of appropriations contingent on legislation can have a significant impact on the general fund status sheet tracking system. Option A was utilized in the 2003 session due to the severe deficit situation. Prior to the 2003 session and the last two sessions, Option C was the traditional method adopted for dealing with pending legislation.	
7	Companion Bill for General Appropriations Act <i>[Discretionary]</i>	Appropriations committee leadership shall request one or more committee bills to serve as a “companion bill(s)” to the general appropriations act (HB 2), to enable a vehicle for substantive language related to the implementation of certain appropriation line items in HB 2.	This was included in the items discussed for the 2007 session and adopted. However, no true companion bills emerged for consideration.	

Legislative Fiscal Division

8	<p>Proposal to adopt Subcommittee Presentation Templates</p> <p><i>[Guideline]</i></p>	<p>Appropriations committee leadership shall direct the appropriations subcommittees to request presenting agencies to structure their respective presentations to include an approved and published template (attached) for such presentations. (Comment – For the 2009 session, the proposed template requirement is modified to focus primarily on goals and measurable objectives. Other aspects of the presentation by agencies to the subcommittees are left to the agency.)</p>	<p>The presentation templates were included in the items discussed for the 2007 session global decisions and adopted. All agencies complied and all subcommittees used them, although in different ways.</p>	
9	<p>Integrate “Goals and Objectives” into the Appropriations Process</p> <p><i>[Guideline]</i></p>	<p>a) Appropriations committee leadership shall direct the appropriations subcommittees to:</p> <ol style="list-style-type: none"> 1. Set aside time during the committee time to discuss goals, objectives and outcomes for the 2009 biennium and discuss goals and objectives of the 2011 biennium; 2. Relate goals and objectives to the budget request; 3. Utilize discussion results to adjust, condition or disapprove appropriations in relation to programs goals and objectives through HB 2 (and one or more companion bills if companion bill concept is pursued) ; and 4. Not act on an agency’s budget until the agency provides relevant goals and objectives with measurable performance levels; and <p>b) Appropriations committee leadership shall request the House Appropriation Committee chair and the Senate Finance and Claims Committee chair to introduce goals and objectives as part of the HB 2 deliberations process prior to floor debate by:</p> <ol style="list-style-type: none"> 1. Opening deliberations on each agency with the outcome of major initiatives from the 2009 biennium; and 2. Providing a synopsis of 2011 biennium goals and objectives used to establish appropriations 	<p>This was included in the items discussed for the 2007 session global decisions and adopted. However, it was not universally applied.</p> <p>Subsection 4 under item a) is a new addition.</p>	
10	<p>Internal Service Funded Proprietary Programs</p> <p><i>[Guideline]</i></p>	<p>Direct joint appropriation subcommittees that review proprietary rates not to approve decision packages of internal service funded proprietary programs unless quantifiable rate impact information is provided. “Internal service funded proprietary programs” refer to state programs that provide services to other state programs for fees based upon rates approved by the legislature</p>	<p>This is a newly suggested item by the Legislative Finance Committee’s budget and appropriation subcommittee.</p>	

Legislative Fiscal Division

11	<p>Budget Separately for Highway State Special Revenue Accounts</p> <p><i>[Mandatory]</i></p>	<p>Direct subcommittees to be specific on how funds are appropriated from the highway state special revenue accounts...whether from the “restricted” account or the “nonrestricted” account.</p> <p>Since the creation of the nonrestricted account, the department has deposited revenues into the account as directed by statute. However, in conflict with the requirement that any unexpended balance must remain in the account, the department transfers the balance from the nonrestricted account to the restricted account where it is expended under an appropriation of restricted account funds. Transferring the balance from the nonrestricted account to the restricted account is not a valid expenditure of funds. The legislature established this account and isolated the revenues from the constitutional restrictions of the restricted account so appropriations that do not meet the uses stated in the constitution could be made without requiring a supermajority of members of both houses of the legislature, but placed a heavier burden on appropriating highway user fees for purposes other than specified in the constitution. Transferring the funds to the restricted account inappropriately shields nearly \$11.0 million annually of revenues from being prioritized and appropriated for other purposes.</p>	<p>This is a newly suggested item by the Legislative Finance Committee’s budget and appropriations subcommittee.</p>	
----	---	---	--	--

GLOBAL FISCAL ISSUES: LFC RECOMMENDATIONS TO THE 2009 LEGISLATURE

A Report Prepared for the
Legislative Finance Committee

By
Jon Moe
Fiscal Specialist

November 7, 2008

Legislative Fiscal Division



www.leg.mt.gov/css/fiscal

PURPOSE

The structure of the executive budget proposals is specified in statute. This defined structure is the backbone of a process that involves months of preparation by executive and legislative staff, and months of legislative deliberation. It is the defined structure that allows for a sophisticated level of automation but which also dictates a need for consistency among groups of decision makers. It is the issues of consistency and equity that are addressed here.

The purpose of this report is to provide, in accordance with statute, options for a procedural framework for the legislature in dealing with global fiscal issues, issues that impact the deliberation of most, if not all, agency budgets. Because the legislative budget process employs six appropriations subcommittees reviewing the same components of different agency budgets, a common approach to addressing certain overarching issues is desirable. With global decisions in hand, the subcommittees can proceed with their individual budget reviews knowing that there is equity and consistency in key decisions regarding those overarching issues of the total budget.

BACKGROUND

A bill passed by the 1997 Legislature revised 5-12-205, MCA (powers and duties of the Legislative Finance Committee) to require that the LFC make recommendations to appropriations committee leadership prior to each session on global budget issues. The statute is as follows:

5-12-205 (7) [The Legislative Finance Committee] 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.

Over a period time, a variety of issues have lent themselves to this discussion. In the following pages, there are eleven items suggested for global recommendations that are a product of past Legislative Finance Committee and staff (Legislative Fiscal Division) experience or interim study proposals. A few of these items are based on budget computer system structure and limitations. From the perspective of the Legislative Fiscal Division (LFD) staff and its ability to efficiently and effectively assist the legislature in the formulation of the state budget, the importance of these recommendations and the ultimate acceptance, by the appropriations committee leadership and the joint appropriations subcommittees, is paramount.

However, if the members of the committees that discuss these recommendation are concerned that the acceptance of anyone of these results in a budget or portion thereof being “set in stone” or considered “off-limits”, it needs to be made clear that this does not occur. Regardless of the acceptance of these recommendations, any aspect of the budget (base, present law base, or new proposals, vacancy savings, personal service budgets, fixed costs, or inflationary/deflationary factors) is still open to amendment. All that staff would ask is that the member or members, that wish to pursue changes to the budget in these areas, work with their respective staff to determine how to achieve the desired result. LFD staff has the knowledge of the programs, budget components, and automated budgeting system (MBARS) to provide advice on how to achieve the desired result.

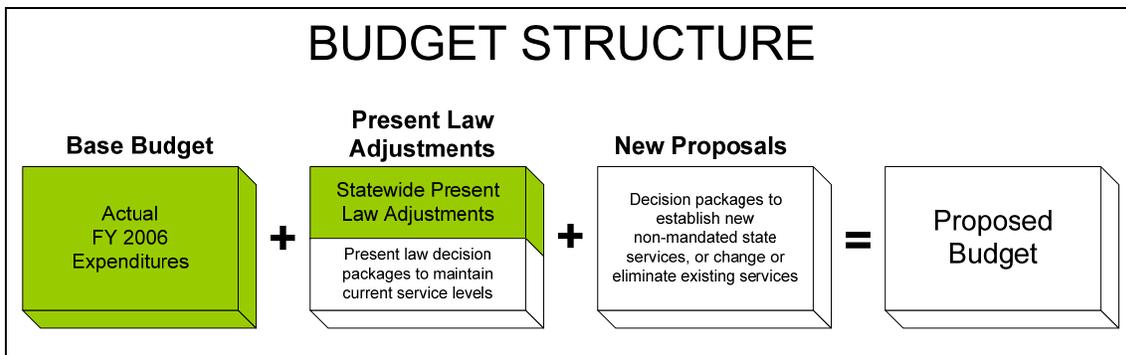
The following sections summarize the identified global issues and provide options or recommendations for consideration by the Legislative Finance Committee in formulating a recommendation to appropriations committee leadership in preparation for the 2009 legislative session.

DECISION ITEMS FOR APPROPRIATION COMMITTEES ACTION

The following items (numbered 1 through 11) are presented to the Legislative Finance Committee for purposes of developing recommendations to the House Appropriations and Senate Finance and Claims Committees at the beginning of the 2009 session, as required in 5-12-205(7), MCA.

STARTING POINT FOR SUBCOMMITTEE DELIBERATIONS (ITEM #1)

For consistency and clarity of the budget process, the subcommittees should start from the same starting point. In order to discuss this point, a graphic of the budget structure may help.



The components of the budget are shown above. The recommendation is that every subcommittee start at the same point for each agency in their section of the budget. Historically (with only one exception), the subcommittees have started by accepting the base budget and statewide present law adjustments as the starting point (highlighted portion). The subcommittees review other present law decision packages and new proposal decision packages individually.

Generally, actual FY 2008 expenditures, excluding the one-time expenditures, are the base budget and are the first step in this process to build the budget. The next step is to identify the funding that is necessary to fund the budget in FY 2010 and FY 2011 at the same level of services, defined as “present law”. This is not about new programs. It simply maintains existing programs and services at levels consistent with requirements of “present law.” There are two components of present law adjustment: 1) statewide present law adjustments, and 2) all other present law adjustments.

Statewide present law adjustments relate to a specific group of expenditures that have broad impact because these expenditures impact every state agency. These items include:

- Personal Services – adjustments which fully fund the existing positions of state government by:
 - Restoring amounts unfunded in the previous session because of vacancy savings or other reductions;
 - Funding employee pay plan costs that result from delayed implementation of pay schedules or employer benefit contributions;
 - Accounting for changes in position costs that result from market adjustments or the reclassification of positions to meet agency needs; and

- Accounting for changes in employer costs resulting from rate changes such as for workers compensation insurance.
- Vacancy Savings – adjustments for the vacancy savings factor applied in the executive budget, which is expected to be 4 percent for the 2011 biennium.
- Fixed Costs – Adjustments proposed in rates charged to state agencies by other state agencies for services provided such as warrant writing services and office space rent.
- Inflation/Deflation – adjustments for a select group of expenditure accounts that are expected to see marked increases or decreases during the upcoming biennium (e.g., natural gas costs).

The statewide present law adjustments are presented as such because it avoids hundreds of decision packages requiring the same decision, but more importantly, because it represents items that should be treated the same for all agencies and programs and, therefore, should be handled at one time and not by each subcommittee independently. These key elements of every agency budget should be consistently applied as an equity issue among agencies and, to a lesser degree, because of budget system constraints.

By choosing to adopt a starting point that includes the base budget and the statewide present law adjustments, the legislature is not precluded from making changes to the base budget or to elements of the statewide present law budget. As will be discussed in the next section, there are ways to make changes to those items within an individual agency or globally. Options to do so will be explained.

As for the starting point for the subcommittees, there is really only one option. Taking another approach risks inconsistency and inequity in the budget process and poses significant workload issues for subcommittee members and staff.

Recommendation for Item 1 - Direct the subcommittees to adopt the base budget and the statewide present law adjustments as the starting point of budget deliberations for each agency.

HOW SUBCOMMITTEES CAN AFFECT STATEWIDE PRESENT LAW

For each of the elements of the statewide present law adjustments, there are methods for addressing concerns about the level of funding or services provided. By the action described in the preceding section, these elements are fully funded except for the application of vacancy savings, which reduces the funding of personal services for each agency by a predetermined percent of the agencies personal services budget. In this section is a discussion of how the elements of the budget can be changed.

Components of the Personal Services Statewide Present Law Adjustment (Item #2)

It is expected that the subcommittee staff, with some new analysis tools, will be better able to answer questions related to increases represented in present law adjustments. The increases in the statewide present law adjustment of personal services can occur in primarily three ways:

1. the annualization of pay plan increases approved by the previous legislature;
2. changes to employee pay that occur outside the legislatively authorized pay plan, such as upgrades of positions or increases to bring employee pay in line with comparable positions based upon salary survey information; or
3. increases that fully fund positions vacant for all or part of the base year.

The question then relates to how the subcommittees might use the information.

- Under the first type of increase, the subcommittees should accept the annualization of pay plan increases as they are a direct result of the previous legislature's action to increase employee pay, funding shortfalls resulting from the delayed implementation of pay increases which later requires full funding.
- The second type of increases are indirectly allowed by the legislature since the increases result from authority the legislature has provided the executive for managing the classification and pay systems. While the subcommittees cannot reverse these types of increases, they could review the authority that has been provided to the executive that opens the door for such increases.
- The third type of increased funding, related to fully funding positions that were vacant during the base year, could be reviewed by the subcommittees. Subcommittees could review the need for the vacant positions, and if not justified, then eliminate funding for those positions.

Recommendation for Item 2 – The reasons that employee pay might increase outside the legislatively approved pay plan can vary greatly from agency to agency, and the reason that positions were vacant can vary as well. The subcommittees should be directed work with the respective subcommittee staff to determine the reasons for these occurrences and variations, and allow for a coordination between subcommittees if an overarching policy should be addressed.

Vacancy Savings (Item #3)

Although the executive budget will include application of a vacancy savings factor, the legislature can choose to change it at its discretion, as it is a policy decision for the legislature to make. As a starting point, it is suggested that the subcommittees start their deliberations with vacancy savings as proposed in the executive budget. If the legislature, beginning at the joint subcommittee stage of the process, chooses to change the vacancy savings rate for one or more agencies, the committee may wish to discuss whether and at what level the application of vacancy savings should be consistently applied among all agencies/programs, or whether subcommittees should consider vacancy savings on a case-by-case basis. With a few exceptions, the 2007 Legislature applied an across-the-board 4 percent vacancy savings for agencies with 20 or more FTE.

Recommendation for Item 3 – Direct the appropriations subcommittees to adopt the global recommended level of personal services reduction (vacancy savings as proposed in the executive budget).

Fixed Costs (Item #4)

Fixed costs include such items as audit, payroll, capitol grounds maintenance, rent, and computer network and data processing charges. These interagency services are provided by a service agency and fees are charged to agencies on a uniform basis via various formulae or estimates of actual costs. Since agencies must pay all billed fixed costs, the appropriation can be adjusted only by the rates charged by the agency providing the service. Any changes in fixed costs could be applied uniformly based upon the recommendation of the subcommittee examining the service provider's budget.

Note: The budgets of agencies/programs providing the services upon which the rates are determined would continue to be examined by subcommittees (primarily general government), and the rates would be adjusted globally by that subcommittee.

Recommendation for Item 4 - Direct subcommittees to consistently apply fixed costs in agency budgets as included by the executive budget request. Adjustments to fixed cost rates shall be determined by the subcommittee examining the service provider (e.g., ITSD costs as reviewed by the General Government Subcommittee) and shall be globally adjusted on a consistent basis.

Inflation/Deflation (Item #5)

The executive budget will include and identify expenditure categories that are inflated or deflated based upon analysis of those items. The subcommittees would determine the appropriate level of expenditures in each of the expenditure categories prior to inflation/deflation, and allow inflation/deflation to be automatically calculated based on globally determined inflation rates. If the full appropriations committee wishes to vary from the executive budget proposal inflation/deflation factors, it should establish approved inflation/deflation rates (if any) by individual object of expenditure and direct subcommittees to apply these rates to all budget adjustment recommendations. For tracking purposes, these types of adjustment would occur as decision packages.

Recommendation for Item 5 - Direct subcommittees to not vary from the executive budget proposed inflation or deflation factors.

ISSUES RELATED TO HB 2 PROCEDURES

Proposals Requiring Legislation (Item #6)

Implementation of some proposals that require general appropriations act (HB 2) appropriations will require implementation of complementary legislation. The question is: How will changes in HB 2 that are dependent upon the passage of other bills be made?

Option 6a - Subcommittees make recommendations regarding the proposal. Build all changes requiring legislation into the HB 2 line-items, and include contingency language striking the change if the legislation does not pass.

Option 6b - Do not include the changes requiring legislation in HB 2 line items, but include contingency language enacting the change if the legislation does pass.

Option 6c - Make no recommendations or adjustments to HB 2 until required legislation passes.

Note: The handling of appropriations contingent on legislation can have a significant impact on the general fund status sheet tracking system. Option (a) was utilized in the 2003 session due to the severe deficit situation. Prior to the 2003 session and last session, Option (c) was the traditional method adopted for dealing with pending legislation.

HB 2 Companion Bill Proposal (Item #7)

A companion bill can serve a number of purposes by providing a vehicle for the legislature for provisions related to appropriations and agency performance that are not appropriate for inclusion in HB 2. Among the potential uses are to:

- Articulate performance/accountability measures and related reporting requirements
- Provide other reporting requirements
- Provide statutory changes necessary to implement provisions of the budget
- Provide special instructions on use of or access to appropriations
- Require agency action

If the committee, and ultimately the appropriations committees leadership, wishes to pursue this recommendation, it needs to recognize that other decisions will be required, i.e. number of bills and timing of bill(s).

Recommendation for Item 7 - Appropriations committee leadership shall request one or more committee bills to serve as a “companion bill(s)” to the general appropriations act (HB 2), to enable a vehicle for substantive language related to the implementation of certain appropriation line items in HB 2.

PROCEDURES OF THE APPROPRIATIONS SUBCOMMITTEES

Proposal to Adopt Subcommittee Presentation Templates (Item #8)

State agencies provide legislative appropriations subcommittees with a variety of reports and presentations, sometimes referred to as “dog and pony shows”. The previous process had no standardization and made it difficult if not impossible for legislators to compare agency budgets or program budgets within the agency.

The LFC approved a standardized presentation template at the June 2006 meeting. A standardized agency example template was then developed for each appropriation subcommittee and sent to 2005 appropriation subcommittee members for comment. The comments of those members were incorporated into the template. Additionally, agency personnel comments received during training sessions were used to make additional improvements in the document. For the 2009 session, the proposed template requirement is modified to focus primarily on goals and measurable objectives. Other aspects of the presentation by agencies to the subcommittees are left to the agency.

The issue in this instance is whether or not the committee wishes to make a recommendation that appropriations committee leadership direct the use of the template structure in each subcommittee’s proceedings.

Recommendation for Item 8 - Appropriations committee leadership shall direct the appropriations subcommittees to request presenting agencies to structure their respective presentations to include an approved and published template (attached) for such presentations.

Integrate “Goals and Objectives” into the Appropriations Process (Item #9)

State law requires agency and program goals and objectives to be specific and quantifiable to enable the legislature to establish appropriations policy. The LFD has established language within the budget analysis to remind legislators of this requirement. Reviewing goals and objectives may demonstrate to the legislature where budgetary adjustments are warranted and where the legislature might direct resources accordingly.

The committee may wish to make a recommendation that appropriation committee leadership integrate agency goals and objectives into the appropriations process, thereby setting the stage for linking appropriation decisions to goals and objectives.

Recommendation for Item 9 – a) Appropriations committee leadership shall direct the appropriations subcommittees to:

- 1. Set aside time during the committee time to discuss goals, objectives and outcomes for the 2009 biennium and discuss goals and objectives of the 2011 biennium;**
 - 2. Relate goals and objectives to the budget request;**
 - 3. Utilize discussion results to adjust, condition or disapprove appropriations in relation to programs goals and objectives through HB 2 (and one or more companion bills if companion bill concept is pursued) ; and**
 - 4. Not act on an agency’s budget until the agency provides relevant goals and objectives with measurable performance levels; and**
- b) Appropriations committee leadership shall request the House Appropriation Committee chair and the Senate Finance and Claims Committee chair to introduce goals and objectives as part of the HB 2 deliberations process prior to floor debate by:**
- 1. Opening deliberations on each agency with the outcome of major initiatives from the 2009 biennium; and**
 - 2. Providing a synopsis of 2011 biennium goals and objectives used to establish appropriations**

Internal Service Funded Proprietary Programs (Item #10)

For budgets of state programs that provide services to other state programs, the main decision the legislature has is to approve the maximum level of fees (the rates) the providers can charge to users for its services. Key to evaluating the rates is an understanding of the costs to provide the service, the factors and risks behind changes in costs, and the relationship between cost and rate changes.

Historically, the executive has not included information to quantify the impacts decision packages have on rates for most provider programs, even though the requirement has been included in the executive budget instructions for the last several biennia. The quantitative rate impact information is critical for the legislature to understand how approving a decision package will impact costs in user programs and for the legislature to approve rates for provider programs. When the quantifiable impacts of a decision packages on the provider rates are not included in the executive budget, the legislature is left without a key piece of information needed to approve rates for the programs.

Recommendation for Item 10 - Direct joint appropriation subcommittees that review proprietary rates not to approve decision packages of internal service funded proprietary programs unless quantifiable rate impact information is provided.

Budget Separately for Highway State Special Revenue Accounts (Item #11)

Since the creation of the nonrestricted account, the department has deposited revenues into the account as directed by statute. However, in conflict with the requirement that any unexpended balance must remain in the account, the department transfers the balance from the nonrestricted account to the restricted account where it is expended under an appropriation of restricted account funds. Transferring the balance from the nonrestricted account to the restricted account is not a valid expenditure of funds. The legislature established this account and isolated the revenues from the constitutional restrictions of the restricted account so appropriations that do not meet the uses stated in the constitution could be made without requiring a supermajority of members of both houses of the legislature, but placed a heavier burden on appropriating highway user fees for purposes other than specified in the constitution. Transferring the funds to the restricted account inappropriately shields nearly \$11.0 million annually of revenues from being prioritized and appropriated for other purposes.

Recommendation for Item 11 - Direct subcommittees to be specific on how funds are appropriated from the highway state special revenue accounts...whether from the “restricted” account or the “nonrestricted” account.

	In progress
	Not Met
b. Performance Measurement	Met
	In progress
	Not Met
c. Performance Measurement	Met
	In progress
	Not Met

2011 BIENNIAL BUDGET INCREASE REQUEST (See LFD Budget Analysis for detailed requests)

- General Fund
- State Special Revenue
- Federal
- Proprietary

During the 2009 biennium legislation other than the appropriations act, House/Senate Bill ____ increased the division/program base by \$_____ of ___ fund(s) over the biennium. This funding has not previously been considered as part of the general appropriations for the division/program.

2011 BIENNIAL PRIORITY GOALS AND SELECTED MEASUREMENTS SUPPORTED BY BASE BUDGET EXPENDITURES

1. Goal Description
 - a.. Performance Measurement
 - b. Performance Measurement
 - c. Performance Measurement__
2. Goal Description
 - a.. Performance Measurement
 - b. Performance Measurement
 - c. Performance Measurement__
3. Goal Description
 - a.. Performance Measurement
 - b. Performance Measurement
 - c. Performance Measurement

2011 BIENNIAL NEW PROGRAMS OR SIGNIFICANT EXPANSIONS GOALS, AND SELECTED MEASUREMENTS

1. Goal Description
 - a.. Performance Measurement
 - b. Performance Measurement
 - c. Performance Measurement__
2. Goal Description
 - a.. Performance Measurement
 - b. Performance Measurement
 - c. Performance Measurement__

- 3. Goal Description
 - a.. Performance Measurement
 - b. Performance Measurement
 - c. Performance Measurement

MAJOR PERFORMANCE CHALLENGES

What issues contributing to division/program results may present obstacles or challenges to ensuring achievement of the performance measurements for the goals outlined above?

- 1. —
- 2. —
- 3. —
- 4. —

BUDGET AND POLICY ISSUES

A complete listing of the division/program’s list of specific decision packages is included in the Legislative Fiscal Division’s 2011 Biennium Budget Analysis. What budget and policy issues themes is the division/program addressing with its budget request?

SIGNIFICANT ISSUES EXPANDED

The division/program’s budget submission includes decision packages to address the following issues.

- 1. —
- 2. —
- 3. —

JOINT APPROPRIATION SUBCOMMITTEE BUDGETARY NARRATIVE

2009 LEGISLATIVE FINANCE COMMITTEE PERFORMANCE MEASUREMENT INITIATIVE NARRATIVE

- Narrative on challenges and issues relating to measurements. Discussion of story behind successfully achieving results or challenges to overcome to meet the measurements in the future and date meeting measurements is anticipated.

Goals and Measurable Objectives (Performance Measurements)

The following figure shows the division/program base year biennial goals and performance measures related to the based budget for the 2011 biennium. These are goals funded through the base budget. An estimate of the percentage of the biennial base budget supporting each goal is shown below as are the current status of the measurements.

Department Name Division/Program Name			
Measurable Objectives for the 2011 Biennium			
Goal	Percentage of Biennial Base	Performance Measurement	Current status of Measures

MAJOR PERFORMANCE CHALLENGES

Narrative on the major performance challenges facing the division/program/subprogram

FTE -

The legislative approved appropriations for an additional X FTE in the 2009 Biennium. The following figure shows the positions and the hire dates for the new FTE.

2009 Biennium FTE Hire Dates	FTE	Date

CORRECTIVE ACTION PLANS

The Division, Program had X legislative audit recommendations and associated corrective action plans in place during the 2009 biennium. Auditors recommended XXX. The division, program has implemented XXX of the recommendations and will complete XXX of the recommendation by XXX.

The Division, Program had X federal audit recommendation and associated corrective action plans in place during the 2009 biennium. Auditors recommended XXX. The division, program has implemented XXX of the recommendations and will complete XXX of the recommendations by XXX.

Other audit recommendations

BUDGET

The budget for the (division, program, subprogram) is included in the Legislative Fiscal Division Budget Analysis, Volume X, Page X.

SIGNIFICANT POLICY AND BUDGET ISSUES

The following narrative describes the significant policy and budget issues for the (division, program). Specific decision packages are referenced below.

I:\Legislative_Fiscal_Division\LFD_Finance_Committee\LFC_Reports\2008\June\2011_template_memo.doc