

LEGISLATIVE FISCAL DIVISION 2013 BIENNIUM WORK PLAN

A Report Prepared for the

Legislative Finance Committee

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Legislative Fiscal Division



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INTRODUCTION

This report summarizes the proposal of the Legislative Fiscal Analyst (LFA) for the Legislative Fiscal Division (LFD) interim work plan for the 2013 biennium. It represents a recommendation primarily based upon the afternoon retreat discussions of the Legislative Finance Committee (LFC) on June 10 along with staff input. Included in this proposal are the following:

- An explanation of the work plan proposal, including how the LFD plans its work and developed the proposed studies
- A description of the work plan topics and options for addressing those topics

SJ 26 and HB 642 are attached as they include workload impacts for the LFC and LFD staff.

DEVELOPMENT OF WORK PLAN

While the entire interim studies and commitments of LFD staff are subject to review and approval of the LFC, the LFC brainstorming in June honed this list of studies included in this report. After the brainstorming, many items have been edited to meet LFC need or the issues have evolved over the summer. Specifically, the need for the LFD to support the Legislative Services Division (LSD) in preparing for litigation for the unions' lawsuit against the state became a workload item since June.

In addition to the individual items listed in this plan the LFD has several statutory requirements.

- (1) provide for fiscal analysis of state government and accumulate, compile, analyze, and furnish information bearing upon the financial matters of the state that is relevant to issues of policy and questions of statewide importance, including but not limited to investigation and study of the possibilities of effecting economy and efficiency in state government;
- (2) estimate revenue from existing and proposed taxes;
- (3) analyze the executive budget and budget requests of selected state agencies and institutions, including proposals for the construction of capital improvements;
- (4) make the reports and recommendations that the legislative fiscal analyst considers desirable to the legislature and make reports and recommendations as requested by the legislative finance committee and the legislature;
- (5) assist committees of the legislature and individual legislators in compiling and analyzing financial information; and
- (6) assist the revenue and transportation interim committee in performing its revenue estimating duties

While staff resources are limited, we believe that the attached work plan, including statutory requirements can be completed in this interim. Staff will inform the LFC of any constraints as they arise and manage work adjustments through the management workgroup as needed. Any significant changes to the work plan will be brought to the LFC.

COMMITTEE PRIORITIZED WORK PLAN TOPICS

1) REVENUE ESTIMATING PROCESS

Brief Description of the Issues:

Two issues appear in the Revenue Estimate Process:

- Do members of the Legislature feel able to articulate their own interpretation of the revenue condition of the state to the public? Do they have the tools they need to describe the philosophical differences between their positions?
- Should the revenue estimate resolution be required to go through the legislative process (House and Senate)?

Relation to the LFC:

As specified in section 5-12-302, MCA, the Legislative Fiscal Analyst (LFA) is required to “estimate revenue from existing and proposed taxes” and “assist the revenue and transportation interim committee in performing its revenue estimating duties.” The LFC is the management oversight of the LFA.

Revenue estimates determine the level of spending available to any Legislature. The estimates used by the legislature significantly impact the type and level of services provided by state government.

Potential Outcomes/Deliverables/Recommendations:

The LFD will develop a plan to address the two revenue estimating issues above. The LFD will invite the Legislative Council, Legislative Finance Committee, and the Revenue and Transportation Committee to participate in a half day discussion of potential solutions to both issues.

Resources Required:

- Committee: The Legislative Council, LFC, and RTIC would need to work together to develop a solution. Resources required would depend on the solution chosen
- Staff: Staff of LFD and LSD may be needed for research

Time Frame:

Initial joint meeting will be early December. Other activities will follow as needed.

Coordination with other Entities/Staff:

- Interim Committee(s): Revenue and Transportation Interim Committee
- LSD or LAD Staff: Legislative Services Division
- Executive Agencies: Governor’s Office of Budget and Program Planning
- Stakeholders: Citizenry of Montana, Legislature

2) PENSION PLAN UNFUNDED LIABILITY

Brief Description of the Issue(s):

The total unfunded actuarial liability of the nine defined benefits public pension systems combined exceeded \$3.3 billion as of the June 30, 2010 actuarial valuations. The financial position of state and local governments is impacted by this liability.

Relation to the LFC:

The projected cost of any corrective actions to address the underfunding of the pension plans is significant. Those costs put pressure on already tight state and local budgets.

Potential Outcomes/Deliverables/Recommendations:

Updates and information about the state and local government financial considerations of the pension liabilities will be given to the committee.

Resources Required:

- Committee: It is advisable that LFC committee members develop an understanding of the pension fiscal issues so that they can be a resource to their respective caucuses during the session and provide leadership on this important issue for the entire legislature
- Staff: LFD staff, along with staff of other Legislative Branch divisions and other stakeholders (mainly BOI, PERS and TRS), must provide the research and educational resources to allow the committee members and ultimately the entire legislature to understand this complicated fiscal issue

Time Frame:

- Each meeting of the LFC is anticipated to have some updates on pension finances
- The September and December 2011 meetings will attempt to give an overall framework of the issues
- Work and meetings after that will be as directed by the LFC

Coordination with other Entities/Staff:

- Interim Committee(s): The State Administration and Veterans' Affairs Interim Committee (SAVA) has statutory responsibilities to review proposals related to the retirement systems
- LSD or LAD Staff: Each division of the Legislative Branch has staff expertise in pension issues and can offer some perspective
- Executive Agencies: The Office of State Budget and Planning (OBPP), the Board of Investments, the Public Employees Retirement System (PERS), and the Teachers' Retirement System (TRS) would provide some perspective
- Stakeholders: Besides PERS and TRS, there are numerous stakeholders including employee unions and retiree groups

3) ELG School Funding Education and Study

Brief Description of the Issue(s):

The legislature will be required by statute to fully study the costs and funding of K-12 education in the next interim (2014-2015). All of the legislators and most of the staff associated with the previous study are no longer associated with the branch. Educating staff and lawmakers on the criteria for evaluating school funding, legal cases, and the current system would prepare many for the next interim when these issues will need to be studied in depth.

Relation to the LFC:

K-12 education is the largest general fund budgeted item at \$1.3 billion in the biennium. The current budget is established on layers of legal interpretation over the past 25 years. It is critical for the LFC to take a role in this project due to the relative size of the budget, the questions of equity and adequacy and the history of legal challenges to the school funding model.

Potential Outcomes/Deliverables/Recommendations:

This work activity would be completed in conjunction with the Education and Local Government (ELG) Interim Committee. Time at each ELG meeting would be set aside to focus on a particular part of school funding history, such as review of the legal cases, fundamentals of school funding, implications for property taxes, etc. This information would be made available to the LFC for review or presentation at a committee meeting.

Resources Required:

- Committee: Members of the LFC would acquire a basic understanding of the school funding model, the case history associated with the issue and the challenges of adequacy and equity. In addition, a few members may wish to become well versed in this topic to provide legislative leadership on this subject.
- Staff: This is a branch-wide effort, including LFD, research and legal staff.

Time Frame:

- The project has begun and is anticipated to continue throughout the interim.

Coordination with other Entities/Staff:

- Interim Committee(s): Primarily Education and Local Government, but also Revenue and Transportation
- LSD or LAD Staff: This is a branch wide effort
- Executive Agencies: Office of Public Instruction, Office of Budget and Program Planning
- Stakeholders: Associations representing school districts, educators, school boards and taxpayers will have an interest in this project

4) PERFORMANCE MEASUREMENT AND SJ 26: INTERIM MONITORING ACTIVITIES

Brief Description of the Issue(s): SJ 26 tasked the LFC to recommend interim monitoring priorities identified by joint appropriations subcommittees to relevant interim committees. The resolution was to formalize and provide a means for direct involvement by interim committees in performance monitoring such as that undertaken by the LFC in previous interims to allow greater and more widespread knowledge by legislators of agency performance and how it corresponds to the budget.

Relation to the LFC: The LFC has for several biennia done performance measurement, as it relates to budgeting, as part of its core mission. The LFC determined what performance monitoring it will undertake in the interim, including those recommendations included in SJ 26 not undertaken by interim committees, and several others identified by the committee.

Potential Outcomes/Deliverables/Recommendations:

- Further establishment of performance monitoring as an ongoing tool of legislative oversight of state government
- Review of several functions of state government for performance
- Recommendations may include specific budget and/or programmatic actions as a result of monitoring. Wherever possible, staff will provide options for committee action. Depending upon committee preferences, a limited number of projects may be used to determine effectiveness in meeting broad state goals

Resources Required:

- Committee: The EQC is responsible for those items directly recommended to it in the resolution. The LFC chose to limit the number of functions monitored or reviewed compared to previous biennia, and have that review done by the entire committee. Therefore, this project will be a part of each LFC meeting during the interim
- Staff: If the committee adopts the new report format with the inherent increase in staff input, expenditure staff will have moderate workload prior to each LFC meeting. Given the subjects chosen for review, staff involvement will be concentrated around human services and law and justice staff. In addition, staff will receive and help evaluate any reports received from the EQC

Time Frame:

- The project has begun and is anticipated to continue throughout the interim

Coordination with other Entities/Staff:

- Interim Committee(s): Interim committees generally chose not to directly monitor any of the subjects included in SJ 26. LFD staff will update and provide reports to any relevant interim committee of any monitoring of activities directly related that that committees duties. Any monitoring done by the EQC or any related work undertaken by those committees will be communicated to the LFC. Duplication would be avoided. The primary project undertaken by another interim committee is K-12 performance based funding in the Education and Local Government Interim Committee
- LSD or LAD Staff: LSD staff will have limited involvement if their committees chose not to directly monitor SJ 26 functions. EQC staff is directly responsible for any reports going to that committee, and passing those reports on to the LFC. LAD staff may be asked to assist evaluating results
- Executive Agencies: Executive agencies and the Judicial Branch will help identify performance measurements and report to relevant committees as requested
- Stakeholders: Particular stakeholders will depend upon the activities being monitored. Broadly, stakeholders include all those who receive and/or pay for state services

Example of Performance Measurement: Format of DPHHS Budget Status Report

Brief Description of the Issue(s):

Statute (53-6-110 (4), MCA) requires the Department of Public Health and Human Services (DPHHS) to provide monthly reports to the LFC monthly November 15 of each year through June 15 of the following year. The reports must contain estimates of the cost for Medicaid services and a budget status report for all department programs. The department shall also provide a fiscal yearend summary of Medicaid costs and the department budget status report prior to the first LFC meeting following the end of the fiscal year. The reports must be presented in a format mutually agreed to by the LFC and the department.

The report provides an important source of information to determine potential cost over runs and impacts to the general fund.

Relation to the LFC:

- The LFC has not reviewed or commented on the format of the report over the last six years

Potential Outcomes/Deliverables/Recommendations:

- An updated/revised budget status report format

Resources Required:

- Committee: A brief staff update in September, contact member input and a full report to the LFC
- Staff: Minimal time commitment

Time Frame:

- The project will be discussed with the LFC at the September meeting and follow up will occur after the meeting

Coordination with Other Entities/Staff:

- Interim Committee(s): Children, Families, Health, and Human Services Interim Committee; Economic Affairs Interim Committee
- LSD or LAD Staff: LSD staff may wish to comment on/review proposed report formats
- Executive Agencies: DPHHS

Example of Performance Measurement: Medicaid Cost Model

Brief Description of the Issue(s):

- Medicaid is a significant cost, with appropriations at about 20% of the total in HB 2
- All major costs and revenues have processes in place for independent and transparent estimates of costs and revenues
- The processes for budget development that are currently in place rely on significant transparency in calculations and assumptions used to develop executive estimates for Medicaid
- Over the past several years, there has been less transparency in calculation and assumptions used in the Medicaid forecast
- A revision of the process for Medicaid cost estimates is appropriate

Relation to the LFC:

- The LFC oversees the financial condition and policies that influence the financial condition of the state of Montana. Medicaid can significantly impact the fiscal condition of the state

Potential Outcomes/Deliverables/Recommendations:

- Stronger ability of staff to evaluate trends in Medicaid data
- Medicaid forecasting system(s) or model(s) shared with DPHHS and other stakeholders

Resources Required:

- Committee: Minimal committee time with updates at regular LFC meetings
- Staff: LFD and in house IT and technical staff

Time Frame:

- The project has not begun, but is anticipated to continue throughout the interim

Coordination with Other Entities/Staff:

- Interim Committee(s): Economic Affairs Interim Committee
- Executive Agencies: Department of Public Health and Human Services and the Governor's Office of Budget and Program Planning
- Stakeholders: Potentially human services, healthcare, and education associations, service providers

Example of Performance Measurement: Examine Costs of the Death Penalty

Requested by: Sen. Wanzenried

Brief Description of the Request:

Examine costs of the death penalty in Montana, including to:

- Department of Justice
- Counties
- Office of the Public Defender
- Department of Corrections
- Any other public entities

Relation to the LFC:

Relation to the LFC is through the impact on costs and appropriations associated with the death penalty.

Potential Outcomes/Deliverables/Recommendations:

- Report on costs of having the death penalty, including known and unknown costs
- Potential recommendations to the next legislature by the LFC

Resources Required:

- Committee: The committee would receive a report on any findings.
- Staff: 1.00 FTE would spend the equivalent of up to 3 weeks.

Coordination with other Entities/Staff:

- Interim Committee(s): Law and Justice Interim Committee would be updated
- LSD or LAD Staff: LSD Law and Justice Interim Committee staff and relevant audit staff would be informed of any findings but not likely involved in activities
- Executive Agencies: All justice or law enforcement related agencies would be requested to supply information and/or expertise

5) EXAMINE COSTS OF THE COLUMBIA FALLS VETERANS HOME

Staff recommends using Audit Committee analysis of this topic to fulfill this item.

Requested by: Senator Lewis

Brief Description of the Request:

Costs at the Columbia Falls Veterans Home exceed the costs of similar facilities serving like clients in similar areas. Staff would examine why costs are higher and provide options.

6) REVIEW OF STATUTORY APPROPRIATIONS AND STATE SPECIAL ACCOUNTS

Brief Description of the Issue(s):

Statutory appropriations and state special accounts are allocations of state resources that do not get the same level of legislative scrutiny as other regular HB 2 general fund appropriations on a regular basis. The legislature would like a mechanism to review these allocations on a regular basis.

Relation to the LFC:

The LFC is charged with evaluating the budgeting policies of the state.

Potential Outcomes/Deliverables/Recommendations:

Potential outcomes include: a review of statutory appropriations and state special accounts and a process for future legislatures to review these allocations of resources.

Resources Required:

- Committee: Members of the LFC would spend time understanding the resources available, recommend any changes to current resources and establish a policy and process for regular review of statutory appropriations and state special accounts.
- Staff: Most of the staff work will be done by one member; all staff would have some involvement.

Time Frame:

- The project has begun and is anticipated to continue throughout the interim.

Coordination with other Entities/Staff:

- Interim Committee(s): None anticipated.
- LSD or LAD Staff: None anticipated.
- Executive Agencies: Potentially the Office of Budget and Program Planning
- Stakeholders: Persons interested in statewide budgeting and any beneficiary of a state special account or statutory appropriation

7) DISCUSSION OF MEDICAID PROVIDER FEES

Brief Description of the Issue(s):

During the 2011 biennium, the LFC directed staff to compile options for legislative consideration in balancing the 2013 biennium budget. One of the options listed for the Department of Public Health and Human Services (DPHHS) was review of Medicaid provider fees as a source of state match for Medicaid services costs. Some stakeholders testified that they were interested in continuing to research the possibility of implementing a provider fee. There was not sufficient time to complete the analysis prior to the 2011 session. This work plan item continues LFC monitoring of the stakeholders' work.

Relation to the LFC: This time continues LFC monitoring of a topic considered in the 2011 biennium committee work.

Potential Outcomes/Deliverables/Recommendations: The LFC may review proposals developed by stakeholders.

Resources Required:

- Committee: The LFC will receive short reports and updates about stakeholders' work during the interim
- Staff: Minimal staff time is anticipated for this activity and would consist of staff reviewing proposals and attending informational meetings

Time Frame:

- If the LFC were to take official action regarding any proposed provider fees, the final proposal would need to be reviewed by the LFC no later than the October 2012 meeting

Coordination with other Entities/Staff:

- Interim Committee(s): The subject matter of this bill is within the purview of the LFC. However, the Revenue and Transportation and the Children, Families, Health, and Human Services interim committees may wish to review any proposals prior to session
- LSD or LAD Staff: If implementation legislation is needed, LSD staff would need to draft the bill
- Executive Agencies: DPHHS staff may need to review any proposal and provide comments
- Stakeholders: It is anticipated that stakeholders would perform the majority of work in developing any Medicaid provider fee proposal

OTHER LEGISLATIVE COMMITTEE WORK

HB 642: EVALUATE PRIORITY BASED BUDGETING

Brief Description of the Issue(s):

HB 642 focuses on three issues: 1) other states that have implemented priority based budgeting and the approaches those states have taken; 2) long-term issues that will affect Montana's budget in the future; and 3) in that context, the advantages of priority based budgeting systems as used in other states compared to Montana's budgeting method. The examination of efficiency and effectiveness of various activities of state government listed in the context of priority based budgeting in HB 642 is the subject of separate work plan item papers.

Relation to the LFC: Oversight and examination of and recommendations to the legislature on budgeting, budgeting systems, and effectiveness/efficiency of state government are part of the core mission of the LFC. The LFC will receive reports about priority based budgeting from the HB 642 committee.

Potential Outcomes/Deliverables/Recommendations:

Research will be done by the LFD as requested by the HB 642 committee.

Resources Required:

- Committee: The LFC will receive reports about priority based budgeting from the HB 642 committee
- Staff: Given the individual components, several LFD staff will be involved. This would be a significant project for lead staff, with the potential for involvement by other staff in varying degrees

Time Frame:

- This project is not anticipated to begin until late 2011

Coordination with other Entities/Staff:

- Interim Committee(s): The subject of this portion of the bill is entirely within the purview of the LFC. That portion of HB 642 discussed in other work plan item sheets pertaining to efficiency and effectiveness of state activities have overlap with other interim committees
- LSD or LAD Staff: Nominal, likely to contribute to identification of long-term issues and write legislation
- Executive Agencies: Office of Budget and Program Planning may be resources for identification and exploration of long-term impacts of issues that will impact Montana's future budgets
- Stakeholders: While all state government and the people it serves could be considered stakeholders, especially in the context of identification of long-term factors impacting the budget, the primary stakeholders are those who directly deal with budgeting systems, such as OBPP

HB 642: INFORMATION TECHNOLOGY (IT)

Brief Description of the Issue(s):

HB 642 provides the opportunity for the legislature to review and potentially improve the efficiency in the purchase and utilization of IT resources. The Select Committee on Efficiency in Government (SCEG) is charged with identifying efficiencies that can be gained through availability, access, development, deployment or use of technology. This includes:

- Examining the Montana Information Technology Act (MITA) for improvements
- Encourage efficiencies in purchasing, data entry, videoconferencing
- Support movement to efficient structures
- Leveraging the data centers capabilities

Relation to the LFC:

The SCEG is responsible for the work under HB 642. The recommendations made by the SCEG will need to be coordinated with the LFC and its statutory responsibilities. If recommendations made by SCEG have budgetary impacts or require budget changes, the LFC may need to put those in motion.

Potential Outcomes/Deliverables/Recommendations:

The potential outcomes could include:

- Increased knowledge regarding state IT resources: desk top to data center
- Revision to MITA
- Strategic plan for leveraging state data centers

Resources Required:

- Committee: It is suggested that all members of the LFC be kept abreast of the activities of the SCEG to be prepared to discuss any potential budget issues related to SCEG recommendations
- Staff: One LFD staff would be assigned to manage the project. Additional LFD staff time would be required to assist with specific portions of the project

Time Frame:

- This project began over the summer and is anticipated to continue throughout the interim.

Coordination with other Entities/Staff:

- Interim Committee(s): SCEG, State Administration and Veterans Affairs (SAVA)
- LSD or LAD Staff: LSD primarily staffs the SCEG committee. LAD has an audit of MITA ready to begin. When that audit is complete, coordination with LAD should occur to allow members of LFC and SCEG to hear the audit at the same time
- Executive Agencies: State ITSD, OBPP
- Stakeholders: State ITSD, OBPP, state agencies, school districts and local governments are the government stakeholders. Non-government entities with interest could include the telecommunications industry, specific public user groups, statewide business partners, and large IT contractors

HB 642: MEDICAID AND HEALTH ISSUES

Brief Description of the Issue(s):

Identify long-term issues that will affect Montana's budget, including federal mandates, impact if federal funding is reduced, and health care, particularly matters of access, delivery, and affordability. Concepts for consideration include but are not limited to:

- The objective measurement and value of the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) and the Western Interstate Commission for Higher Education (WICHE) programs and an examination of ways to increase the number of Montana medical students returning to Montana to practice medicine
- The identification of the core programs within the Department of Public Health and Human Services (DPHHS) that need to be prioritized and funded
- The development of a strategy to address the financial and provider implications posed by the significant increase (nearly doubling) in Medicaid rolls that is projected to occur by 2017
- Options for leveraging large information technology system replacements, such as the supplemental nutritional assistance program (SNAP), temporary assistance for needy families (TANF), and the Medicaid management information system (MMIS), within the department of public health and human services to make interaction among government agencies, providers, and beneficiaries more seamless and to ensure that proper mechanisms are in place to reduce or eliminate fraud, waste, and abuse
- Current regulatory requirements affecting health care providers and consumers, including identifying areas in which regulatory requirements can be modified to reduce their burden

Relation to the LFC:

- State funding impact of programs administered by DPHHS, including entitlement programs
- Public funding impact on sustainability of local health care programs and services

Potential Outcomes/Deliverables/Recommendations:

Research will be done by the LFD as requested by the HB 642 committee.

Resources Required:

- Committee: The LFC will receive reports on the progress from the HB 642 committee.
- Staff: LFD staff as needed.

Time Frame:

- This project began over the summer and is anticipated to continue throughout the interim.

Coordination with Other Entities/Staff:

- Interim Committee(s): HB 642 committee, Children, Families, Health, and Human Services Interim Committee; Economic Affairs Interim Committee; Education and Local Government
- LSD or LAD Staff: LSD staff may be required to prepare legal analysis, research and opinions as well as draft legislation
- Executive Agencies: DPHHS and the Commissioner of Higher Education
- Stakeholders: Numerous human services, healthcare, and education associations, service providers, individuals

HB 642: EFFICIENCY/EFFECTIVENESS OF NATURAL RESOURCES ACTIVITIES/PROCESS

Brief Description of the Issue(s): HB 642 includes examination of various natural resource related activities and processes, "...particularly incentives for and impediments to development, adding value, transporting, and conservation..." Among the specific areas to be studied include elimination of redundant regulatory processes, facilitation of timely review and authorization of projects, alternatives for strengthening the threshold of legal standing, forms for streamlining processes, and a number of other items, including development and implementation of an incentive-based tax system.

Relation to the LFC: The requirements of this portion of HB 642 are primarily concerned with issues not generally examined by the LFC. Correlation with the LFC primarily concerns eventual budget impacts of any changes made to reduce redundancies and improve operational efficiencies, or of any system changes and/or tax policy that might be recommended.

Potential Outcomes/Deliverables/Recommendations:

Research will be done by the LFD as requested by the HB 642 committee.

Resources Required:

- Committee: The LFC will receive reports on the progress from the HB 642 committee
- Staff: Likely minimal, including potential assistance to the select committee with financial aspects of the study, including development and/or identification of potential costs and savings of options and recommendations. Staff will likely be asked to contribute in providing assistance on development of an incentive based tax system

Time Frame:

- LFD involvement in this project has not begun

Coordination with other Entities/Staff:

- Interim Committee(s): The select committee and/or the EQC will likely perform this study
- LSD or LAD Staff: LSD, specifically LEPO staff, will likely perform this study
- Executive Agencies: N/A
- Stakeholders: N/A

REVENUE AND TRANSPORTATION COMMITTEE STUDIES

Brief Description of the Request:

The Revenue and Transportation Interim Committee is undertaking three tax policy studies during the interim. These studies are as follows:

HJR 13: Study of state income tax and options for revision

SJR 17: Study of the valuation of centrally assessed property and industrial property for tax purposes

SJR 23: Study of tax exemptions for nonprofit organizations

Since these studies may require additional resources, staff from the Legislative Fiscal Division will be utilized to assist in some of the work related to these studies.

Relation to the LFC:

Depending on the depth of these studies, LFD staff resources may be allocated to assist in these studies. Also, the potential of legislation that may impact state tax policy is an issue that the LFC would need to know about.

Potential Outcomes/Deliverables/Recommendations:

Staff will provide periodic updates to LFC on the progress and potentials recommendations related to these studies.

Resources Required:

- Committee: The LFC will receive reports on the progress of these studies.
- Staff: LFD staff as needed.

Coordination with other Entities/Staff:

- Interim Committee(s): Revenue and Transportation Interim Committee
- LSD or LAD Staff: LSD staff are primary staff to the Revenue and Transportation Interim Committee
- Executive Agencies: Department of Revenue
- Stakeholders: Montana individual and property tax taxpayers

STAFF RECOMMENDED

STAFF: REVIEW REQUIRED REPORTS

Brief Description of the Issue(s):

“Required reports” are a regular agenda item on the Legislative Finance Committee agenda. While the report to the committee takes minimal time for the committee, mainly because there are rarely issues identified by staff, there are occasionally questions concerning the need for some of these reports. It is appropriate that these various reports be assessed periodically, and it has been a long time since it has been done.

Relation to the LFC:

Reports that agencies provide to the Legislative Finance Committee specifically, are required by statute.

Potential Outcomes/Deliverables/Recommendations:

Both the committee members and the staff should evaluate the need for each of the reports. Some reports are intended for staff use in budget analysis or in monitoring the status of fiscal issues. Others are simply routinely sent to the LFC because a past legislature felt that the report should occur. A cursory review could result in the following:

- For reports that staff need or that the committee feels are relevant, they should continue, but staff needs to review its protocol for review and reporting on issues it identifies
- For reports that are determined to no longer be necessary, the committee could draft legislation to eliminate the reports from statute

Resources Required:

Committee: The whole committee could hear a report from staff as suggested below, and take action on staff recommendations.

Staff: One staff member could prepare information on the reports with a description of its purpose and value, along with recommendations regarding the reports and a protocol for reporting to the committee, if at all. Members of the LFD staff that have a stake in the reports would be polled for the usefulness of individual reports

Time Frame:

- The project is anticipated to begin in early 2012

Coordination with other Entities/Staff:

- Interim Committee(s): In at least one instance, statute (50-4-805, MCA) requires a report to be provided to the LFC and the Children, Families, Health, and Human Services Interim Committee
- LSD or LAD Staff: Staff of the Children and Families Interim Committee
- Executive Agencies: Agencies, including OBPP, that are required to submit reports may have a perspective on the value of reports and the time they spend preparing the report
- Stakeholders: Office of Budget and Program Planning (OBPP) sometimes receives the same report

STAFF: COMMUNICATION TOOLS OF THE LEGISLATIVE FISCAL DIVISION

Brief Description of the Issue(s):

The communication tools of the Legislative Fiscal Division include, but are not limited to:

- Website
- Chart of the week
- Budget Analysis
- Status sheet
- Fiscal Report

In order to insure that these tools are as useful as possible to the legislature and concerned citizens of the state, it is appropriate to review the form and content of these items on a regular basis. In addition, as legislators are staying for shorter periods of time the communication tools need to be as effective as possible at communicating key issues. Can we hone these tools to be even more useful?

Relation to the LFC:

The Legislative Finance Committee is the management of the LFD and a regular consumer of the information tools of the LFD.

Potential Outcomes/Deliverables/Recommendations:

Improved communication tools

Resources Required:

- Committee: The management work group will offer feedback and review prototypes of the tools. Some review and comment time would help the products
- Staff: This is primarily a staff assignment. Staff would review each tool. As appropriate, staff would: 1) compare what Montana has to other states; 2) ask for feedback from legislators; 3) ask for feedback from other stakeholders; and 4) look for efficiencies in the process that we use to produce the tools

Time Frame:

- The project began in the fall of 2011 and will continue throughout the interim

Coordination with other Entities/Staff:

- Interim Committee(s): Very little is anticipated
- LSD or LAD Staff: LAD and LSD policy personnel would be involved with any change in the overall website design. LSD IT staff will be involved with the technology behind the communications tools
- Executive Agencies: Very little is anticipated
- Stakeholders: Some inquiry from lobbyists, public interest groups, and the press may be requested to determine what improvements could be made to our products

STAFF: UPGRADE OF MBARS (MONTANA BUDGETING & REPORTING SYSTEM)

Brief Description of the Issue(s):

The Montana Budgeting and Reporting System (MBARS) is the software application state agencies, executive budget office (OBPP), and legislative fiscal division (LFD) use for budget development, tracking, and implementation. This system is an enterprise system that is co-managed and administered by the executive and legislative branches. The system is currently functional but an upgrade to new technology would allow all stakeholders to dynamically adjust the system to meet their user needs. The system is over 10 years old and uses application software that is no longer the state standard and has limited support and maintenance possibilities.

The executive (SABHRS Support Bureau) has approximately \$500,000 in carry forward funds that could be utilized to purchase at least a portion of a system upgrade. Total upgrade cost is estimated at approximately \$1,000,000. The remaining funding (\$500,000) would be achieved through potential budgetary savings during the 2013 biennium and a request for additional funding from the 2013 Legislature.

Relation to the LFC:

The Legislative Finance Committee (LFC) oversees all areas of state finance during the interim. Since this system could assist the committee in this role, the functionality and operational aspects of the upgraded system are critical to the LFC's mission.

Potential Outcomes/Deliverables/Recommendations:

The upgrade to MBARS would be done in parallel with the old system. This would limit the risk to all stakeholders during the upgrade timeframe. The initial delivery would be a test version of the upgrade that would be available in July 2013. This version could be run in a limited test environment but in parallel with the old system. Assuming all funding would be acquired; the system upgrade would be ready for production by the budget cycle that begins in calendar 2014 for the 2015 session.

Resources Required:

- Committee: The LFC would receive periodic updates on the progress of the upgrade. There may be requests for input on budgetary business processes. The HB 642 Committee may also be interested in this project as it may have impacts to Priority Based Budgeting
- Staff: Staff would be involved in the business process planning, but not from the technology perspective. At various stages of the upgrade, staff may be asked to participate in testing, as well as, final training when the system is moved into production

Time Frame:

- The project began in the summer of 2011 and will continue throughout the interim

Coordination with other Entities/Staff:

- Interim Committee(s): Legislative Finance Committee
- LSD or LAD Staff: Staff from Legislative services division information technology
- Executive Agencies: Office of Budget and Program and state agencies including the university system
- Stakeholders: Citizenry of Montana, Legislative, Judicial, and Executive Branches

STAFF: BIG PICTURE REPORT IN MARCH

Brief Description of the Issue(s):

The Legislative Fiscal Division has historically given the Legislative Finance Committee an update of the budget forecast for the state general fund for the following biennium (Big Picture) in October prior to session. In the last interim that update was given in March with updates in June and September/October.

Relation to the LFC:

The LFC is the financial oversight committee and is charged with following financial information and policy.

Potential Outcomes/Deliverables/Recommendations:

Updated financial information will be available to the legislature in March, June, and September/October.

Resources Required:

- Committee: The committee would hear the update at each meeting from March 2012 to September/October 2012
- Staff: All LFD staff would be involved and cumulative time would be significant

Time Frame:

- The project began in the January of 2012 and will continue throughout the interim

Coordination with other Entities/Staff:

- Interim Committee(s): Other committees may be interested in the results
- LSD or LAD Staff: Little impact on other branch staff
- Executive Agencies: Questions may be asked of all state agencies
- Stakeholders: Many statewide stakeholders will be interested in the results

NEW STAFF ITEM: LFC INFORMATION TECHNOLOGY (IT) POLICY

Brief Description of the Issue(s):

Legislative IT policies affect how IT is implemented and funded across state government. Changes in IT policies, procedures or guidelines can impact budgets and the process of budgeting. Such as:

- Budgeting rules for IT systems
- Financial Implications of policy, rules or procedures proposed by the ITB and ITMC.

Relation to the LFC:

The LFC has the statutory (5-15-205, MCA) responsibility to monitor the IT policies of the Department of Administration (DOA), identify IT issues likely to require legislative attention, and evaluate proposed IT changes with respect to fiscal impacts. In addition, statute allows the LFC to analyze and propose ideas to use IT to impact the welfare of the state.

Potential Outcomes/Deliverables/Recommendations:

The potential outcomes could include:

- Educational material describing the use of IT in state government for legislators
- Improvements to the state CIO report to the LFC
- Changes to budgeting rules to increase efficient use of IT

Resources Required:

- Committee: The committee may choose to spend a lot or little time in this area
- Depending on the committee's direction coordination may be required with the Select Committee. Currently Representative Hollenbaugh and Senator Wanzanried are the LFC members serving as liaisons to the Select Committee
- Staff: LFD staff time would be moderate. Revisions to current practices and understanding of projects and policies will be required of a variety of staff

Coordination with other Entities/Staff:

- Interim Committee(s): SCEG, State Administration and Veterans Affairs (SAVA) may have some interest
- LSD or LAD Staff: Both divisions will be kept in the loop
- Executive Agencies: Primarily the State ITSD, but may also include: OBPP, Statewide IT councils have expertise and or experience to provide input to the project
- Stakeholders: Primarily the State ITSD, but may also include: OBPP, state agencies, school districts and local governments are the government stakeholders. Non-government entities with interest could include the telecommunications industry, specific public user groups, statewide business partners, and large IT contractors

NEW STAFF ITEM: PAY COMPARISONS

Brief Description of the Issue(s):

A pay freeze for state employees will have been in effect for four years by the time the next legislature meets. A comprehensive study of the relative pay of state employees may be helpful in guiding the decision making of the next legislature.

Relation to the LFC:

The LFC is the financial oversight committee and is charged with understanding financial information and policy.

Potential Outcomes/Deliverables/Recommendations:

- Analysis of relative pay across state government
- Finding the areas where pay levels are hindering the ability to efficiently provide the services of the state

Resources Required:

- Committee: The committee would hear the results of the study most likely in September/October of 2012
- Staff: It is anticipated that two staff members would do the analysis for this study

Time Frame:

- The project would begin in the summer of 2012 and will conclude in September/October of 2012

Coordination with other Entities/Staff:

- Interim Committee(s): Legislative Council and State Administration may be interested in the results of this study
- LSD or LAD Staff: Minimal impact is anticipated from LSD and LAD
- Executive Agencies: The Department of Administration and all agencies would be surveyed to get input to the analysis
- Stakeholders: state employees

OTHER REQUIREMENTS

NEW ITEM: RESPONDING TO UNION LAWSUIT

Brief Description of the Issue(s):

The unions have filed a lawsuit that will be heard by an administrative officer on October 6 and 7. It is possible that the suit will continue to District Court. LFD staff has needed to answer questions of communications and documentation before, during, and after session. Staff will testify on behalf of the state at the administrative hearing. If the suit continues to the District Court, then additional time is anticipated.

Relation to the LFC:

The Legislative Finance Committee is the management oversight of the LFD.

Potential Outcomes/Deliverables/Recommendations:

The LFD will assist the state in defending the lawsuit.

Resources Required:

- Committee: The committee will receive updates on progress of the suit, which will take minimal time
- Staff: All staff members have reviewed communications to determine if they had items requested by the plaintiffs. The Director and Revenue Principal Analyst will be the primary staff supporting this project

Coordination with other Entities/Staff:

- Interim Committee(s): Legislative Council is directly involved with this project
- LSD or LAD Staff: LSD staff is lead on this project
- Executive Agencies: The executive staff is also involved in the defense of the state
- Stakeholders: state employees