



Legislative Finance Committee

56th Montana Legislature

Room 494 Federal Building, • P.O. Box 201711 • Helena, MT 59620-1711 • (406) 444-2986 • FAX (406) 444-3971

SENATE MEMBERS

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ARNIE MOHL, SECRETARY
THOMAS A. "TOM" BECK
B.F. "CHRIS" CHRISTIAENS
EVE FRANKLIN
CHARLES "CHUCK" SWYSGOOD

HOUSE MEMBERS

LILA TAYLOR, VICE CHAIRMAN
MATT McCANN
BOB RANEY
JOE TROPILA
JOHN WITT
TOM ZOOK

MINUTES

December 9 & 10, 1999
Room B7, Federal Building
Helena, Montana

ROLL CALL FOR DECEMBER 9, 1999

Sen. Greg Jergeson
Sen. Chuck Swysgood, Excused
Sen. Tom Beck
Sen. Chris Christiaens
Sen. Eve Franklin, Excused
Sen. Arnie Mohl
Rep. Lila Taylor
Rep. Matt McCann
Rep. Bob Raney
Rep. Joe Tropila
Rep. John Witt
Rep. Tom Zook
Clayton Schenck, Legislative Fiscal Analyst
Cindy Campbell, Committee Secretary

Call to Order (Tape 1A-010)

The 173rd meeting of the Legislative Finance Committee (LFC) was called to order at 2:05 p.m. by Senator Greg Jergeson, Chair, on Thursday, December 9, 1999. The meeting was held in Room B7 of the Federal Building, Helena, Montana.

Clayton Schenck, Director of the Legislative Fiscal Division (LFD), announced that Jim Turner, Senior Fiscal Analyst, resigned to pursue his education and Skip Culver, Senior Fiscal Analyst, will retire in January after 28 years with the state. These positions will be filled in the near future, along with four other vacant positions in LFD.

1. Approval of Minutes for October 7 & 8, 1999 (Tape 1A-05)

Senator Christiaens moved the minutes of the October 7 & 8, 1999, meeting be approved as presented. **VOTE:** The motion carried unanimously.

2. SAIC Subcommittee on State Contracts (Tape 1A-086)

Dave Boyher presented a status report on the work of the State Administration, Public Employee Retirement Systems, and Veterans' Issues Interim Committee (SAIC). (Exhibit 1) At the October meeting of the LFC, members asked several questions regarding various state contracts. Mr. Boyher's report contained information reviewed by the SAIC on the following: 1) contracting laws for highway/transportation contracts, building contracts, and general procurement of goods and services; 2) practical aspects of state contracting; and 3) policy implications of "the best interest of the state."

3. Y2K – Outlook for the New Year/Risks (Tape 1A-160)

Tony Herbert, Director of Information Services Division (ISD), Department of Administration (DOA), reported to the LFC on ISD's plans for dealing with the Year 2000 rollover. (Exhibit 2) His report included the status of Year 2000 compliance of all state computer systems, as well as a detailed staffing plan and rollover plan timeline. LFC members asked several questions related to computer viruses and other potential problems. **Representative Taylor** asked about a computer system currently used by the Department of Agriculture, which is used in some capacity relating to groundwater. Mr. Herbert stated he had heard of the system but had no in-depth knowledge about it. He will check into it and report back to her with the requested information.

Hank Trenk, Director of Information Technology for the Legislative Branch, provided an overview of the Legislative Branch Year 2000 contingency plan. (Exhibit 2A)

4. Impact of Court Decision on HB 260 (Tape 1B-001)

A report on the impact of the Supreme Court's decision on HB 260 was presented by Terry Johnson, Principal Fiscal Analyst. (Exhibit 3) His report summarized the potential fiscal impact

to the various state programs if HB 260 is declared unconstitutional. The report also included a graphic view of how the funds from the coal severance and producer's license taxes flow to the various state accounts under existing law. With regard to the general fund, Mr. Johnson stated that it would receive additional revenue if HB 260 were declared unconstitutional. Since any funds in this account must be appropriated by the legislature, these monies will increase the ending fund balance and will be available for appropriation by the next legislature. Following the conclusion of his report, Mr. Johnson responded to various questions from committee members.

Asked for his comments on this issue, Dave Lewis, Director for Office of Budget and Program Planning, agreed with the numbers in Mr. Johnson's report and stated the executive was anxiously awaiting the court's decision to determine the direction for proceeding.

5. Redesign of the General Fund Status Sheet (Tape 1B-239)

Terry Johnson also presented a report on redesigning the general fund status sheet, which is a document prepared weekly by the LFD for use during legislative sessions to provide the legislature with a current projection of the financial status of the general fund account. (Exhibit 4) The status sheet serves as a "work in progress" tool to assist the legislature in balancing the state's general fund budget and contains financial information on revenue estimates, taxation legislation, and appropriation measures. He explained the proposed modifications and via computer video went over in detail all the information on a sample revised status sheet. Several LFC members positively commented on the revised status sheet and the consensus of the committee indicated it was much easier to read and understand and the information contained in it would better assist them in tracking the status of the general fund during the session.

6. Department of Corrections: Plan of Action Regarding Operating Plan Changes (Tape 1B-614)

Skip Culver, Senior Fiscal Analyst, provided an update on the Department of Corrections' (DOC) plan of action on its operating plan changes. (Exhibit 5) The requested positions include 28 FTE in Probation and Parole and 31 correctional officers at Montana State Prison in Deer

Lodge. Mr. Culver reported DOC has not yet made a determination of how much money will be moved from other programs or functions to fund these positions and other additions.

The LFC at its October meeting requested that Greg Petesch, Director of Legal Services for the legislative branch, review whether the proposed use of the \$1 million contingency account appropriated to OBPP constitutes a legal use of those funds and whether the proposal to use those funds while reverting other funds for adult contract beds directly subverts the intent of the restricted appropriation. A letter from Greg Petesch, responding to these questions, was included in the LFC books under tab 9. (Exhibit 6) Mr. Culver provided a summary of that response in his report.

LFC members posed numerous questions to Joe Williams, DOC, regarding various issues, including medical costs for prisoners, transfer of prisoners to/from other states' facilities, staffing problems, and the status of the new facility in Missoula. Several questions focused on issues specifically related to the Shelby prison including the DOC/prison contract and occupancy levels.

7. Informational Reports (Tape 2B-375)

Clayton Schenck presented the following required reports:

- A. DEQ Statutory Deadlines for TMDL (Exhibit 7) (This item was discussed and action was taken under the agenda item, Budget Summary Report, page 9)
- B. Required Reports (Exhibit 7A)

8. LFD Web Site Demonstration (Tape 2B-410)

Terry Johnson provided a computer video demonstration of the new LFD Web site. The committee members discussed the advantages of the Web

9. LFD Interim Work Plan: Review/Update (Tape 2B-438)

Clayton Schenck presented the updated LFD Interim Work Plan and explained modifications. (Exhibit 8) The LFC reviewed the work plan and had no comments.

10. Committee Business (Tape 2B-549)

Clayton Schenck presented the following items for consideration by the LFC (Exhibit 9):

- A. Work Plan Issues/Staff Workload
- B. Comp Time Status
- C. LC Personnel Subcommittee: Director Search Process
- D. Capitol Restoration Update
- E. LFD Cost Report
- F. Agenda Topics for next meeting
- G. Management Advisory Committee Issues
- H. LFA Issues
- I. Chairman Issues
- J. Next meeting date

FRIDAY, DECEMBER 10, 1999

ROLL CALL FOR DECEMBER 10, 1999

Sen. Greg Jergeson
Sen. Tom Beck
Sen. Chris Christiaens
Sen. Eve Franklin, Excused
Sen. Arnie Mohl
Sen. Chuck Swysgood, Excused
Rep. Lila Taylor
Rep. Matt McCann
Rep. Bob Raney
Rep. Joe Tropila
Rep. John Witt
Rep. Tom Zook
Clayton Schenck, Legislative Fiscal Analyst
Cindy Campbell, Committee Secretary

Call to Order (Tape 3A-280)

The 173rd meeting of the Legislative Finance Committee (LFC) reconvened on Friday, December 10, 1999, and was called to order at 8:10 a.m. by Senator Greg Jergeson, Chair, in Room B7 of the Federal Bldg.

11. FWP Funding Analysis Work Plan (Tape 3A-287)

Per a request from the LFC at its October meeting for time estimates on the Fish, Wildlife and Parks (FWP) budget analysis, Roger Lloyd presented his report, Time Estimates for a Customized Fish and Wildlife Budget Analysis. (Exhibit 10) The report stated it would take approximately 104 hours to complete the project, which excludes the time LFD staff has already spent on the analysis. Mr. Lloyd did divide the project into two sections, the first taking 40 hours to complete and the second, 64 hours, for a total of 104. The amount of time spent would depend on the depth of the analysis requested by the LFC. Mr. Lloyd also explained the availability of budget reports and data for the analysis.

Representative Raney commented on the importance of the project and the availability of information, which could assist the legislature in making decisions about the budget. He urged the LFC to proceed with this project. Discussion then ensued on the benefits of this information, not only with regard to FWP, but for all state agencies. LFC members also discussed the amount of time the LFD staff could commit to this project, if any. Clayton Schenck confirmed the availability of 64 hours of staff time for this project.

MOTION: Representative Raney moved that the LFC approve this project with a limit of 64 hours. **VOTE:** Motion carried unanimously.

12. Report on Interim Studies (Tape 3B-085)

Members of the LFD staff reported to the LFC on the status of the interim studies.

Information Technology Management Study Subcommittee

Greg DeWitt, Senior Fiscal Analyst, presented the status report on the Information Technology Management Study Subcommittee. (ITMSS) (Exhibit 11) He explained the background and discussions on the issue of hiring a consultant to provide an independent and national perspective on the issue of IT governance. At the December 8, 1999, the ITMSS approved a motion to accept the proposal from the META Group, with the understanding that Information Services Division (ISD) will pay one-half of the service cost. Mr. DeWitt asked for action from the LFC on the ITMSS recommendation. **MOTION: Representative Raney** moved that the LFC

approve the recommendation from the ITMSS as stated above. **VOTE:** Motion carried unanimously.

The IT Budget Information Requirements and Information Technology Management Study Recommendations report was also presented by Mr. DeWitt. (Exhibit 11A) The report outlines a proposal for information requirements and a process that is designed to address the needs of the legislature and satisfy the requirements of HB 2 passed by the 56th Legislature. He outlined the IT budget information requirements and explained the recommendations from the subcommittee. Members of the subcommittee also commented on the requirements and recommendations. **MOTION: Senator Beck** moved that the LFC approve the recommendations of the ITMSS as detailed in the report. **VOTE:** Motion carried unanimously.

Tony Herbert and Greg DeWitt talked about the upcoming IT Strategic Planning/Electronic Government Workshop to be held on February 28 and 29, 2000, in Helena. The ITMSS members will attend and have requested staff attendance as well. Information about the conference will also be sent to LFC members.

Reports on the other interim committees were given as follows:

- HJR 35 Interim Study of Public Mental Health Services – Lois Steinbeck
- Postsecondary Education Policy and Budget Committee – Sandy Whitney (Exhibit 12)
- Revenue and Taxation Committee – Jim Standaert (Exhibit 13)
- SABHRS Executive Council – Terry Johnson (Exhibit 14)
- Local Government Funding/Court Funding Interim Studies – Jim Standaert (Exhibit 15)
- Information Technology Advisory Committee – Pam Joehler (Exhibit 16)

13. Tobacco Funds: Update Regarding Settlement Terms/Anticipated Cash Receipts (Tape 4A-015)

Attorney General Joe Mazurek addressed the LFC to provide an update on the tobacco funds settlement terms and anticipated cash receipts. He stated that a check in the amount of

\$10,487,422.74 is expected to arrive next week. Following this initial payment, for four years the state will receive payments from the “initial subsequent pool.” These payments are subject to adjustments upward at a minimum of three percent for inflation and downward for reductions in consumption of cigarettes. Mr. Mazurek stated that there has actually been a 13-14% reduction in cigarette sales. The first of these payments will be made the 2nd week of January 2000, and that payment is expected to be about \$9.37 million. The next payment is expected in April and will be approximately \$15.83 million after adjustments. A news release from the National Association of Attorneys General regarding the tobacco settlement was included in the LFC books under Tab 10. (Exhibit 17)

14. MT PRRIME (SABHRS) – System Implementation Issues (Tape 4A-227)

Jim Turner, Senior Fiscal Analyst, presented an update on the MT PRRIME (SABHRS) system implementation issues. (Exhibit 18) Mr. Turner’s report provided information regarding the immediate problems identified in the original report (presented to the LFC at its October, 1999, meeting). The report included: 1) progress made in solving the problems; 2) additional information about the longer-term problems identified in the original report; and 3) a proposed plan for future monitoring of system implementation. The report concludes that there has been good progress on solving the immediate problems discussed in the October report, and although the long-term problems still exist, they have attempted various solutions and continue to focus on the elimination of these problems.

One of the system implementation problems discussed in Mr. Turner’s report is the upgrade to the human resource module. Mr. Turner told the LFC that SABHRS lacks the resources necessary to have the upgrade in place by the originally scheduled date of April 2000. He also explained the possible solutions to this problem, which were included in his report. Discussion was held regarding this issue and Mr. Turner responded to questions from LFC members.

Lois Menzies, Director of Department of Administration (DOA), presented a response to Mr. Turner’s report. (Exhibit 19) She talked to the committee about the progress made since the last LFC meeting in October, which were outlined on her written presentation. Her report also included a response to the human resources upgrade problem. She outlined the three options

available to them and explained DOA's reason for choosing Option #1, which is "limited functionality upgrade by October 21, 2000 (Phase I); remaining functionality by May 5, 2001 (Phase II)". (These options are detailed in her written report, Exhibit 19.)

Ms. Menzies asked the LFC to consider the original environment in which the decision was made to implement MT PRRIME, and then listed the issues which prompted the decision. In conclusion she detailed the accomplishments of the program since its inception.

15. Long Range Building Program – Federal Funds Prioritization (Tape 4B-399)

Tom O'Connell, State Architect, presented a request to the LFC to allow DOA to step outside the authority of HB 5 and pay DOC for the Missoula correctional facility before paying them for the women's prison expansion project as stated in HB 5. (Exhibit 20) He stated that the money is still being spent as HB 5 intended, just in a different order. Discussion was held regarding the intent of HB 5 and the reason for the set priority of payments.

MOTION: **Senator Beck** moved that the LFC allow DOA to pay DOC for the Missoula correctional facility before paying for the women's prison expansion project. **VOTE:** The motion carried unanimously.

16. Budget Amendments Summary Report (Tape 4B-600)

Clayton Schenck presented the budget amendments summary report. (Exhibit 21) The only issue of concern was the approved budget amendment for the Department of Environmental Quality (DEQ) to spend an additional \$98,980 federal funds. The money is to be used in the Total Maximum Daily Load (TMDL) program to provide funding to local sponsors for water quality monitoring and implementation of TMDL plans in their watersheds.

Roger Lloyd presented the LFD staff issues regarding approval of this budget amendment, as explained in the budget amendments summary report. Section 17-2-108(2), MCA, provides that general fund appropriations be reduced by the amount of federal money received above the amounts appropriated by the legislature unless the services provided by the federal funds are significantly different than those funded by the general fund. The activities to be funded with the

new federal funds do not appear to be significantly different than those which are or could be funded by the general fund. Since there are no restrictions on the use of the general fund, it can be used for any aspect of the TMDL program, including the purposes intended to be funded with this budget amendment.

Curt Chisholm, Deputy Director for DEQ, provided a response to LFD concerns. He stated that DEQ believes there is a significant difference in the activities and if the federal funds are not spent on the intended projects, they will have to be returned. Ann Danzer, also from DEQ, explained the projects and answered questions from committee members. Mr. Schenck and Roger Lloyd also responded to questions from the committee.

Discussion was held regarding this issue and the intention of the statute. **MOTION: Senator Christiaens** moved that the LFC accept the budget amendment as approved by OBPP. Further discussion was held on the impact of LFC action. **VOTE:** Motion passed with **Representative Taylor, Representative Raney, and Senator Mohl** voting no.

Next LFC Meeting

The next meeting of the LFC is scheduled for March 9 and 10, 2000.

Capitol Tour

The LFC members proceeded to the Capitol after adjournment for a guided tour of the renovation project.

Adjournment

MOTION: Representative Raney moved to adjourn. Motion carried unanimously. Meeting adjourned at 11:20 a.m.

Senator Greg Jergeson, Chairman

Cindy Campbell, Committee Secretary

