



## LEGISLATIVE FINANCE COMMITTEE

### 63rd Montana Legislature

Room 110 Capitol Building \* P.O. Box 201711 \* Helena, MT 59620-1711 \* (406) 444-2986 \* FAX (406) 444-3036

#### SENATE MEMBERS

LLEW JONES--Chair  
MARY CAFERRO  
RICK RIPLEY  
JON SESSO  
MITCH TROPILA  
EDWARD WALKER

#### HOUSE MEMBERS

GALEN HOLLENBAUGH--Vice Chair  
DUANE ANKNEY  
ROB COOK  
KIMBERLY DUDIK  
STEVE GIBSON  
PAT NOONAN

JULIE JOHNSON, Staff Attorney  
DIANE MCDUFFIE, Secretary  
AMY CARLSON, Director

# MINUTES LOG

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select *Committees*, then *Interim*. Once on the page for *Interim Committees*, scroll down to the appropriate committee. The written minutes summary, along with the audio and video recordings, are listed by meeting date on the interim committee's web page.

Hard copies of the exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

### COMMITTEE MEMBERS PRESENT

SEN. LLEW JONES, Chair  
REP. GALEN HOLLENBAUGH, Vice Chair

SEN. MARY CAFERRO  
SEN. RICK RIPLEY  
SEN. JON SESSO  
SEN. MITCH TROPILA  
SEN. EDWARD WALKER

REP. DUANE ANKNEY  
REP. ROB COOK  
REP. KIMBERLY DUDIK  
REP. STEVE GIBSON  
REP. PAT NOONAN

### STAFF PRESENT

JULIE JOHNSON, Staff Attorney  
DIANE MCDUFFIE, Secretary  
AMY CARLSON, Director

## AGENDA & VISITORS' LIST

Agenda, Attachment #1.  
Visitors' list, Attachment #2.  
Roll call, Attachment #3.

## CALL TO ORDER AND ROLL CALL

00:00:01 **Senator Jones** called the 225th meeting of the Legislative Finance Committee to order at 10:00 a.m. on September 26th, 2013. The meeting was held in Hearing Room 102 of the State Capitol, Helena Montana. The secretary took roll. Attachment #3. **Senator Jones** provided copies of the evaluation form for the Legislative Fiscal Analyst/Director and asked that the committee turn them in before leaving. (Exhibit 1)

## APPROVAL OF MINUTES OF PREVIOUS MEETINGS

00:03:42 **MOTION: Rep. Hollenbaugh** moved to approved the minutes of June 11 and 12, 2013. **VOTE:** Motion passed.

## WILDFIRE COST UPDATE

00:04:30 An update on Wildfire Costs was presented by Roger Lloyd, Senior Fiscal Analyst, LFD (Exhibit 2) The report shows Montana's share of the fire costs for FY 2013 as of June is \$57.5 million. Actual and projected costs in FY 2014 are \$16.8 million of which \$11.6 million is the state's responsibility. Mr. Lloyd responded to questions from committee members.

00:18:34 Sue Clark, Bureau Chief, Business Management Bureau, Forestry Division, DNRC explained that of the anticipated \$16.7 million, the state will realize \$11.6 million, there are no spring fire projections included. Ms. Clark provided a handout on the highlights for 2013 fire statistics, average fire cost summary, and the fire expenditure summary FY 2014. (Exhibit 2a and 2b)

00:22:48 **Rep. Cook** asked who determines the state portion. Ms. Clark said the state portion is determined based on GIS mapping, jurisdiction and who has protection responsibility.

00:23:36 **Sen. Ripley** asked if the state has received all reimbursements from 2012 and prior years. Ms. Clark said no, to her knowledge the state has recovered 100% of FY 09 and 10.

## FY 2013 FISCAL YEAR END AND 2015 BIENNIUM UPDATE REPORT

00:32:55 Amy Carlson, Director, LFD presented the FY 2013 Fiscal Year End and 2015 Biennium Update Report. (Exhibit 3) The purpose of this report is to provide the committee with preliminary FY 2013 ending fund balance data for the general fund. The report also provides a comparison between budgeted data as presented during the 63rd Legislature and actual data from SABHRS for FY

2013.

*Revenue Analysis*

- 00:39:15 Stephanie Morrison, Fiscal Analyst, LFD discussed the revenue analysis portion of the report to provide the committee with fiscal year end revenue collection information.
- 00:50:04 **Rep. Hollenbaugh** said at some point he would like to see statistics on the additional FTE provided to the department for audits.
- 01:00:19 Nick Brown, Fiscal Analyst, LFD discussed property tax, oil and gas tax, and revenue from U.S. Mineral Royalties. Oil and gas contributions to the general fund have been fairly consistent.
- 01:04:31 **Rep. Cook** asked about the drilling data related to the revenues. Mr. Brown said the number of rigs and actual oil wells has been constant over the past year. New production in oil has increased slightly in the last quarter.
- 01:06:54 **Sen. Ripley** asked if some of the decline in U.S. mineral royalties is due to drilling on private ground versus federal. Mr. Brown said the decrease is almost totally accounted for by the sequester and the McCone County lease.
- 00:55:58 Sam Schaefer, Fiscal Analyst, LFD discussed vehicle taxes and video gaming tax. Combined revenue collections from vehicle fees and taxes were 1.5 million less than anticipated in SJ 2.
- 01:12:11 Cynthia Holliman, Fiscal Analyst, LFD discussed insurance tax. The IHS Global Insight forecast significantly under-represents new housing growth in rural areas, which is where most of the change is occurring. Further analysis will be possible when more data are available from the State Auditor's office.
- 01:14:43 **Sen. Caferro** asked if the insurance tax includes tax on health insurance premiums. Ms. Holliman said it does. The tax is levied on the premiums.

*Expenditure Analysis*

- 01:18:37 Lois Steinbeck, Senior Fiscal Analyst, LFD discussed the general fund analysis for the Department of Public Health and Human Services. Fiscal year end reversions from all DPHHS fund types were \$95.0 million, of which \$7.4 million was general fund. Figure 22 on page 17 of the report shows the overall comparison of appropriations and remaining authority.
- 01:23:27 Stephen Forrest, Fiscal Analyst, LFD discussed the key transfers of appropriation authority for the Department of Public Health and Human Services. Transfers in appropriation authority primarily came from Medicaid and SNAP (food stamps) benefits/services being lower than appropriated by the 2011 Legislatures.
- 01:24:59 **Rep. Cook** asked if a program is transferred from one division to another why the cost isn't neutral. Mr. Forrest said the reason is the authority was transferred out of benefits and claims into operating expenses.

- 01:25:47 **Sen. Caferro** asked which programs of the economic security division was the authority transferred from. Mr. Forrest said it was mainly the human and community services division which administers SNAP and TANF.
- 01:26:21 Greg DeWitt, Senior Fiscal Analyst discussed expended appropriations for Department of Corrections. The department expended or accrued all but 0.7% of its FY 2013 combined HB 2, HB 12 and HB 3 budget.
- 01:34:05 Robert Miller, Fiscal Analyst, LFD discussed the appropriation and reversions for the Office of Public Instruction (OPI). The OPI reverted just over \$1.0 million of general fund operating funds of the agency.
- 01:36:10 Christina Butler, Fiscal Analyst, LFD discussed the appropriation for the Office of Commissioner of Higher Education (OCHE). The OCHE left a remaining balance of \$75.7 million of the amount appropriated for FY 2013.

### **LFD WORKPLAN**

- 01:39:29 Amy Carlson, Director, presented the LFD Work Plan. (Exhibit 4) The report summarizes the proposal for the LFD interim work plan for the 2015 biennium. It represents a recommendation primarily based upon the retreat discussions of the LFC along with staff.

### **LUNCH RECESS**

### **HJ 17 PAY PLAN**

- 03:04:10 A report on What Pay Plans are and How They were Established was presented by Kris Wilkinson, Senior Fiscal Analyst, LFD. (Exhibit 5) The 2013 Legislature passed HJ 17, a study resolution of the state pay plans. Identified in the resolution was an examination of what a pay plan is and how they are established. The report provides information on several questions related to this topic.
- 03:43:08 Kris Wilkinson, LFD also presented the Data Related to Pay Plans report. (Exhibit 6) The report provides the committee with information on statutory requirements, best practices recommended for salary surveys, salary survey data development, and considerations for legislative changes.
- 04:14:40 **Sen. Tropila** asked about the lack of internal statewide data from the Human Resource Division. Bonnie Shoemaker, State Human Resource Division, DOA stated they are not currently using internal exit interviews as a key source of identifying regional areas for competitors.

### **BREAK**

### **IBARS PROJECT STATUS**

- 04:31:32 An update on the IBARS project was presented by Barbara Smith, Operations

Manager, LFD that included status, time line, and challenges.

04:39:07 Brent Levinson, Vice President, Affinity Global Solutions talked about his experience and the expertise he brings to the IBARS project. Mr. Levinson said he is optimistic the project will be finished on schedule. Mr. Levinson and Amy Sassano from the Office of Budget and Program Planning responded to questions from the committee.

### **BUDGETING OPTIONS FOR 2015 SESSION**

04:56:31 Barbara Smith, Operations Manager, presented a report on Budgeting Options for 2015 Session. (Exhibit 7)The purpose of this report is to provide the committee an opportunity to understand the development of the budget policy choices for the 2015 Legislative Session.

### **COMMITTEE BUSINESS**

05:22:25 Amy Carlson, Director, LFD presented the items under committee business. She discussed the proposed dates for the September and November 2014 LFC meetings. The committee agreed on November 12th, 2014 and will decide at the next meeting in December the date for the September 2014 meeting. The committee also discussed a tour of Northwest Montana in March 2014.

### **ADJOURNED**

Meeting adjourned and will reconvene on Friday, at 8:00 a.m.

### **FRIDAY, SEPTEMBER 27, 2013**

### **COMMITTEE MEMBERS PRESENT**

SEN. LLEW JONES, Chair  
REP. GALEN HOLLENBAUGH, Vice Chair

SEN. MARY CAFERRO  
SEN. RICK RIPLEY  
SEN. JON SESSO  
SEN. MITCH TROPILA  
SEN. EDWARD WALKER

REP. DUANE ANKNEY  
REP. ROB COOK  
REP. KIMBERLY DUDIK  
REP. STEVE GIBSON  
REP. PAT NOONAN

### **STAFF PRESENT**

JULIE JOHNSON, Staff Attorney

DIANE MCDUFFIE, Secretary  
AMY CARLSON, Director

### **CALL TO ORDER AND ROLL CALL**

00:00:02 The 225th meeting of the Legislative Finance Committee reconvened at 8:00 a.m. on Friday, September 27, 2013. The meeting was held in Hearing Room 102 in the State Capitol, Helena, Montana. The secretary called roll.

### **REQUIRED REPORTS**

00:00:47 Taryn Purdy, Principal Fiscal Analyst, LFD presented the Required Reports. (Exhibit 8) This memo provides an overview of required reports including, issues identified by staff, concerns identified by staff, and other highlights.

00:11:40 Kris Wilkinson, Senior Fiscal Analyst, LFD summarized the Budget Amendment Report. (Exhibit 9) As of September 26, 2013 the Legislative Fiscal Division received notification of 65 budget amendments certified by the Governor. Staff has reviewed the amendments and raises no concerns with any amendment meeting statutory criteria.

00:16:22 A report on Additional Appropriation Bills for FY 2014 was presented by Kris Wilkinson, Senior Fiscal Analyst, LFD. (Exhibit 10) This report provides the methodology used to allocate funding to the various state agencies and a summary of the additional authority for each state agency. Ms. Wilkinson responded to questions from the committee

00:29:14 **Sen. Caferro** presented a memo on suggested template and selected topics to monitor Medicaid funding. (Exhibit 11) This memo summarizes the recommendations of the LFC workgroup that includes Rep. Cook, Rep. Noonan and Sen. Caferro. **Sen. Caferro** provided charts showing the DPHHS 2015 Biennium appropriation by major program or services, the 2015 Biennium Medicaid Services Appropriations and Medicaid Services General Fund Appropriations Used for other Purposes - FY 1012. (Exhibit 11a)

00:41:58 **MOTION: Rep. Cook** moved to approve the recommendation that the LFC receive a summary of appropriations and projected expenditures for Medicaid services at each of its meetings and a report by DPHHS on the enumerated topics at the December 2013 meeting. **VOTE:** Motion passed unanimously.

### **STATE CHIEF INFORMATION OFFICER REPORT**

00:43:28 Kris Wilkinson, Senior Fiscal Analyst introduced the topic of Information Technology. Ron Baldwin, State CIO provided a power point presentation on Strategic Planning, SITSD Restructuring, CIO Policy Changes, and the IT Project Portfolio, (Exhibit 12) An updated CIO report was also provided to the committee. (Exhibit 12a) Mr. Baldwin responded to questions from committee members.

*IT Portfolio Listing and Implementation Reports*

## **FirstNet Grant/Montana Public Safety Communications System**

01:08:18 Warren Dupuis discussed the Public Safety Communications System report and the origin of FirstNet. (Exhibit 12) The overall project health is being reported as "yellow" as explained in the report. Mr. Dupuis responded to questions from committee members.

### **Records Management Funding - HJ 2**

01:32:22 Mr. Baldwin discussed Electronic Records Management. (Exhibit 12) The purpose is to work towards determining the most efficient and effective, long-term solution for the State of Montana based on input from the agencies, the state CIO, the Education and Local Government Interim Committee, and other stakeholders. Mr. Baldwin responded to questions from committee members.

01:37:10 **Rep. Hollenbaugh** said that LFC is supportive of this project. He advised Mr. Baldwin to keep track of the costs to his department and report back to this committee.

01:38:08 Mr. Baldwin said that as part of the process the department is assessing what has been spent as they look at affordable and cost effective ways to put forth a model that allows them to charge reasonable rates for specific types of document storage.

### **CHIMES-EA Implementation and MMIS System Development**

01:40:24 Stuart Fuller, CIO, DPHHS reported that CHIMES is currently functioning and determining eligibility. The two major issues are system performance and exception errors. Current focus is on ACA (Affordable Care Act) changes for Federally mandated changes for October 1st. Mr. Fuller, Mr. Baldwin, Ms. Palagi and Director Oppen answered numerous questions from the committee members.

02:13:55 Mr. Fuller reported that the MMIS project system status is "red". The risk to the project is schedule and not meeting delivery expectations. A re-planning effort is underway by Xerox.

A question and answer period followed with Mr. Fuller, Mr. Baldwin, Mr. Buska, Ms. Dalton and Ms. Matthews answering numerous questions from the committee members. Following the discussion, the committee agreed to invite Xerox to the December 2013 meeting.

## **BREAK**

03:18:22 Kris Wilkinson, Senior Fiscal Analyst, LFD explained staff has reviewed the deferred/canceled projects and raised no concerns. (Exhibit 12b)

03:18:45 Ron Baldwin, State CIO, introduced Lynne Pizzini Chief Information Security Officer. Ms. Pizzini discussed mobile computing, data protection initiative and security training, and awareness.

## **PENSIONS**

- 03:29:25 Joe Triem, Fiscal Manager, LFD introduced the topic of pensions. He said staff are attending all board meetings and any major changes will be reported to the LFC. Staff will be updating the pension mode during the interiml.
- 03:31:28 David Senn, Executive Director, Montana Teachers' Retirement System provided slide handouts on the Montana Teachers' Retirement System July 1, 2013 Valuation Results. (Exhibit 13) Mr. Senn summarized the additional funding in HB 377, changes in benefit structure, and financial impact.
- 03:41:45 Sheri Scurr provided and update on activities of the State Administration and Veterans' Affairs interim Committee (SAVA) regarding pensions.(Exhibit 14) The SAVA committee received an update on the PERB decision to repeal its emergency rule and ask the actuary to use both the 1.5% and a 3.0% GABA assumption in its valuation. The committee also reviewed pension benefit and funding policies, investment policy and benchmarks of the BOI and reviewed pension policy principles and guidelines adopted by the previous SAVA.

## **LUNCH**

### **LOCAL GOVERNMENT PROJECT UPDATE**

- 04:54:22 Joe Treim, Fiscal Manager, LFD introduced the local government project. The executive and LFD staff are working together to gather information on local government accounting and budget data, and local government infrastructure
- 04:58:11 Cathy Duncan, Senior Fiscal Analyst, LFD presented the Local Government Infrastructure Project report. (Exhibit 15) The report provides a definition of infrastructure and a brief discussion of the challenges underlying infrastructure investment.
- 05:11:53 Dan Villa, Director, Office of Budget and Program Planning, provided a list of entities that the Department of Administration collects data from. (Exhibit 16) The department has undertaken an analysis of the data being collected and how it can be better aggregated. The incomplete portion of the matrix is the allocated local government tax revenue and that will be provided to LFD staff.

### **PANEL DISCUSSION**

- 05:20:42 Alec Hansen, Director, Montana League of Cities & Towns (MLCT) (Exhibit 17)
- 05:29:30 Bill Bronson, President, Montana League of Cities & Towns/Great Falls City Commissioner (Exhibit 18)
- 05:42:30 Joe Briggs, Chairman, Cascade County Commission, President of Montana Association of Counties

### **COMMITTEE DISCUSSION**

Following the discussion, the committee agreed to invite the director of Department of Environmental Quality to the December 2013 meeting to discuss regulatory environment. The

committee also requested a current list of all water and waste water systems that are of out compliance. Mr. Triem said he would provide a summary of what was achieved from today's discussion to the full committee.

### **OVERVIEW OF COMMISSION DECISION**

- 06:43:02 Greg DeWitt, Senior Fiscal Analyst, LFD presented a memo on the Office of State Public Defender Motion to Rescind Appointment in Pending Cases and in Additional Cases. (Exhibit 19) If the motions are accepted by the courts, the judges for each case would make the determination of attorney assignment and who would be responsible for funding attorney costs and at what rate for those eligible.
- 06:44:32 Bill Hooks, Chief Public Defender, Office of Public Defender (OPD) addressed the committee on this issue and explained the scope of the motion is to ask both the municipal and justice court to not assign more cases to the Office of Public Defender for a period of time which has not been defined nor determined.
- 06:50:04 **Rep. Gibson** asked if the career ladder has been implemented. Mr. Hooks said it has and he is hopeful and optimistic the additional appropriation will deal with recruitment of quality applicants and to retain existing workforce. **Rep. Gibson** also asked if the OPD has the ability to go outside of Lewis and Clark on a temporary basis. Mr. Hooks said they have found private attorneys to take cases in the outlying courts within region 4. A large portion of the \$3.6 million is going toward increased contract costs.
- 06:57:46 **Rep. Dudik** asked what requests were granted to the OPD. She stated this same letter was presented during session before the appropriations were given and she understood that by giving the appropriations and FTE this problem would be alleviated. Mr. DeWitt stated the combined FTE level requested was 37, the legislature appropriated 8. LFD staff will continue to follow this situation and keep the committee apprised.

### **PUBLIC COMMENT**

- 07:05:00 Harold Blattie, Montana Associate of Counties

## COMMITTEE BUSINESS

HJR17

07:14:33 **MOTION: Rep. Gibson** moved to request that the Legislative Audit Committee include a performance audit of the broadband pay plan classification of occupations and placement of occupation on the pay bands, including consistency among state agencies. **VOTE:** Motion passed.

07:18:15 **MOTION: Rep. Gibson** requested further discussion on exit interviews and how the information would be collected. **VOTE:** Motion passed.

### CHIMES-EA AND MMIS

07:26:40 **MOTION: Rep. Hollenbaugh** moved the Finance Committee write a letter to Xerox inviting them to attend the December LFC meeting. **VOTE: Motion** passed.

07:31:27 **MOTION: Rep. Cook** moved that the DPHHS IT workgroup continue to receive updates. **VOTE:** Motion passed.

07:30:26 **MOTION: Rep. Ripley** moved the subcommittee continue to receive reports on the statewide projects and include a special report after the work plan has been updated at the end of October. **VOTE** Motion passed.

07:30:56 Amy Carlson, Director announced that Stephanie Morrison has been with the State of Montana for 5 years. Christina Butler and Rob Miller have been promoted to Fiscal Analyst II.

## ADJOURNMENT

07:36:35 With no further business before the committee, **Chairman Jones** adjourned the meeting at 3:45 p.m. The next meeting of the Legislative Finance Committee will be December 9-10, 2013.

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Sen. Llew Jones, Chairman

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Diane McDuffie, Committee Secretary