



## 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

December 9, 2013  
Room 102, Capitol Building  
Helena, Montana

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

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

#### **STAFF PRESENT**

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

#### **COMMITTEE MEMBERS ABSENT**

SENATOR EDWARD WALKER  
REP. DUANE ANKNEY

## **AGENDA & VISITORS' LIST**

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

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

01:23:31 **Senator Jones** called the 226th meeting of the Legislative Finance Committee to order at 10:00 a.m. on December 9, 2013. The meeting was held in Hearing Room 102 of the State Capitol, Helena Montana. The secretary took roll. Attachment #3. The committee observed a moment of silence for the passing of **Rep. Hollenbaugh's** father.

## **APPROVAL OF MINUTES OF PREVIOUS MEETINGS**

01:23:45 **MOTION: Senator Ripley** moved to approve the minutes of September 26 and 27, 2013. **VOTE:** Motion passed

## **2015 BIENNIUM BUDGET STATUS REPORT**

01:25:21 Amy Carlson, Director, Legislative Fiscal Division (LFD) presented the 2015 Biennium Budget and General Fund Revenue Update. (Exhibit 1) The purpose of the report is to provide the committee with an update of the projected general fund ending balance for the 2015 biennium and to discuss emerging budget issues of all funding sources.

### *Revenue Analysis*

01:27:46 Stephanie Morrison, Senior Fiscal Analyst, LFD discussed the revenue analysis portion of the report beginning on page 3 of Exhibit 1. This section highlights the year-to-date revenue collections through the end of November 2013( FY 2014), and provides an overview by revenue source of the impact of new data and revised modeling on revenue trends. Ms. Morrison noted that any revenue in excess of \$156.2 million in FY 2014 and \$157.5 million in FY 2015 will be transferred to the wildfire suppression fund in the subsequent fiscal year.

01:46:32 Sam Schaefer, Fiscal Analyst, LFD discussed vehicle taxes and fees. Revenue collections through the end of November 2013 (FY2014) were \$2.4 million or 7.4% above collections through the same period in FY 2013.

01:53:58 Nick Brown, Fiscal Analyst, LFD discussed the oil and natural gas severance tax through the end of November 2013 (FY2014). Tax collections are \$0 due to the statutory requirement of when taxes are due and the time allowed for the Department of Revenue to determine the distribution of taxes to local governments.

01:56:52 Cynthia Holliman, Fiscal Analyst, LFD discussed insurance tax through the end of November 2013 (FY2014). Collections from insurance taxes were \$2.1 million below collections through the same period in FY 2012.

02:08:46 Sam Schaefer, Fiscal Analyst, LFD discussed the video gambling tax through the end of November 2013 (FY2014). Collections were \$0.1 million below collections through the same period in FY 2013.

### *Expenditure Analysis*

- 02:12:20 Robert Miller, Fiscal Analyst, LFD explained the HB 2 general fund appropriations for local school expenses is anticipated to be approximately \$2.0 million less due to an underestimation of guaranteed tax BASE aid (GTB).
- 02:16:25 Greg DeWitt, Senior Fiscal Analyst, LFD discussed the appropriation for the Department of Corrections. The department appears to have sufficient appropriation authority to meet its obligations for FY 2014. Two areas of concern are outside medical costs and the Lewistown Infirmary.
- 02:20:42 Christina Butler, Fiscal Analyst, LFD discussed the Montana University System budget shortages. University of Montana is expecting a shortfall of \$3.0 million in the fall semester and \$3.2 million in the spring semester. The Montana State University research office is facing a \$3.5 million shortfall for FY 2014.
- 02:23:02 Kris Wilkinson, Senior Fiscal Analyst, LFD discussed the impact to the Department of Military affairs due to the federal shutdown. Traditional drills were canceled for guardsmen and federal full time guardsmen were furloughed from October 1 through the 7th.
- 02:36:01 Lois Steinbeck, Senior Fiscal Analyst, LFD discussed the DPHHS Budget Status Report (BSR). The November BSR projects a \$10.2 million general fund shortfall for FY 2014 based on Medicaid paid claims through September 27 2013.
- 02:37:36 Stephen Forrest, Fiscal Analyst, LFD discussed the \$1.3 million projected general fund overage in the Director's Office. It's mostly in the personal services due to projected payouts for retiring employees, which are funded by transfers from programs across the department.
- 02:38:48 Cynthia Hollimon, Fiscal Analyst, LFD discussed the \$0.5 million overrun in foster care and subsidized guardianship services.
- 02:41:51 Lois Steinbeck, Senior Fiscal Analyst, LFD gave a brief overview on the Medicaid 101 Report. (Exhibit 2) This report primarily focuses on Medicaid eligibility.
- 02:52:23 A report on Medicaid Monitoring was presented by Lois Steinbeck, Senior Fiscal Analyst, LFD. (Exhibit 3) The table on page 2 shows DPHHS Medicaid spending estimates compared to appropriations approved by the 2013 Legislature.
- 02:55:17 Stephen Forrest, Fiscal Analyst, LFD discussed the \$1.4 million shortfall in children's mental health services due to growth in targeted case management services and reductions in prior authorization for utilization of some services.
- 02:57:07 Lois Steinbeck explained the Senior Long-term Care Division is projecting a \$0.5 million general fund cost overrun directly related to lower collections in the nursing home utilization fee. The Addictive and Mental Disorders Division is projecting a \$0.4 million shortfall due to growth in case management and physician services.

- 02:59:09 Cynthia Holliman, Fiscal Analyst, LFD explained staff has projected an additional \$2.6 million in state special revenue allocated to fund the Healthy Montana Kids (HMK) program. The revenue is above the SJ 2 estimate and is due to the merger of Blue Cross/Blue Shield with Health Care Service Corporation.
- 03:19:23 Richard Opper, Director, Department of Public Health and Human Services provided comments on behalf of the department. Mr. Opper noted the cost overrun is close to the amount the legislature cut from the budget request.
- 03:25:44 Mary Dalton, Department of Public Health and Human Services discussed the report on Selected Appropriations as Requested by the Legislative Finance Committee. (Exhibit 4) The report provides information on Medicaid provider rate increases or continuation, service expansion, and maintenance or restoration.

### **LUNCH RECESS**

### **PUBLIC COMMENT**

- 03:54:51 Rose Hughes, Executive Director, Montana Health Care Association
- 04:05:11 Kathy McGowan, Community Medical Health Centers

### **WESTERN MONTANA TRIP DISCUSSION**

- 04:09:01 Amy Carlson, Director, LFD discussed the western Montana tour. (Exhibit 5) Potentially a one-day LFC meeting would be scheduled in Kalispell on Wednesday, March 12. Thursday, Friday, and Saturday will be touring days.
- 04:12:26 **Rep. Gibson** expressed concern with the cost, time, and ability for the agencies to present at the meeting.
- 04:14:21 **Sen. Ripley** expressed similar concerns and commented that the amount of days for the trip would be a problem for him.

### **PAY PLANS**

- 04:18:18 Kris Wilkinson, Senior Fiscal Analyst, LFD presented a report on HJ 17 Variations Between State Agencies. (Exhibit 6) This report examines consistency between state agencies administering pay and options for the legislature to enhance controls over pay and provides options for consideration. Ms. Wilkinson clarified that in figure 1 on page 4 "market" refers to mid point of a positions classification. Also included in the committee notebooks is the HB 13 Required Report from Amy Sassano, Deputy Budget Director, Office of Budget and Program Planning, and a letter to Senator Jones from Rep. Randy Brodehl, Chairman, Legislative Audit Committee. (Exhibit 6a & 6b)

### **PAY PLAN PANEL**

- 04:48:23 Cynthia Davenport, Department of Corrections
- 04:58:42 Deborah Sloat, Public Health and Human Services
- 05:16:59 Yvette Englert, Department of Administration
- 05:34:27 Brent Rabe, Department of Transportation
- 05:41:20 Rende MacKay, Department of Labor and Industry

- 05:55:13 Anjenette Schafer, Acting Division Administration, State Human Resources, Department of Administration discussed exit interviews as a tool for feedback, and recommended that human resource personnel conduct all exit interviews.
- 06:09:33 Angus Maciver, Deputy Legislative Auditor, Legislative Audit Division, responded regarding the request from the Legislative Finance Committee for a performance audit of the broadband pay plan classification of occupations and placement of occupations onto the pay bands.

## **BREAK**

## **INFORMATION TECHNOLOGY**

- 06:27:25 Kris Wilkinson, Senior Fiscal Analyst, LFD introduced the topic of Information Technology. Ron Baldwin, State CIO provided a PowerPoint presentation on the CIO Policy Report, Electronic Records Management, and MMIS. (Exhibit 7, 7a, 7b, and 7c)
- 06:33:15 Kris Wilkinson, Senior Fiscal Analyst, LFD discussed the IT Portfolio report. (Exhibit 8) Ms. Wilkinson commented that there are a number of projects that are in "red" or "yellow" status.
- 06:35:40 Warren Dupuis, Chief Operations Officer gave a brief update on the Montana Public Safety Communication Project. (Exhibit 8a) He stated that the biggest gap in service is from Billings to Pompey's Pillar, to Hysham and North Forsyth to Hathaway.
- 06:38:07 June Dosier, Project Manager, gave a brief update on the MPERA. (Exhibit 8b) She said there are a number of data cleansing tasks that need to be cleansed. The department was unable to complete those before starting the line of business project.
- 06:45:23 Stuart Fuller, CIO, DPHHS briefly updated the committee on the Vocational Rehabilitation Case Management System. (Exhibit 8c) He said there is an issue with data conversion and the end-to-end testing needs to be finished before going to training.
- 06:49:39 Anita Bangert, Project Management Office, provided an update on the status of the Electronic Records/Electronic Content Project. Based on the survey responses, the RFI should include imaging, electronic content management, electronic records management, automated workflow, e-Forms and e-signatures. The next step is to release the RFI on the 17th. Responses from the vendor are anticipated by the 10th. A report will be provided to the CIO on the 28th.
- 06:59:55 Ron Baldwin, CIO provided an update on MMIS. The project remains in "red" status for schedule, risk, and scope. Xerox has been engaged in a re-planning process since early June and the project has not made the scheduled progress and as a result several key milestones have been missed.

## **COMMITTEE QUESTIONS**

- 07:03:36 **Rep. Cook**

07:04:58     **Sen. Ripley**  
07:07:23     **Rep. Hollenbaugh**  
07:12:15     **Rep. Dudik**

07:19:18     RG Conlee, Chief Innovation Officer, Xerox Services provided testimony on behalf of Xerox. Mr. Conlee stated Xerox is committed to delivering a medicaid system designed to provide the state with the most advanced and effective tools available to help its citizens.

**COMMITTEE QUESTIONS**

07:28:51     **Sen. Ripley**  
07:33:08     **Rep. Hollenbaugh**  
07:38:07     **Sen. Sesso**  
07:41:37     **Sen. Caferro**  
07:54:59     **Rep. Dudik**  
07:57:24     **Rep. Hollenbaugh**  
08:02:36     **Sen. Jones**

**ADJOURNED**

08:04:07     Meeting adjourned and will reconvene on Tuesday, at 8:00 a.m.

Tuesday, December 10, 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  
REP. ROB COOK  
REP. KIMBERLY DUDIK  
REP. STEVE GIBSON  
REP. PAT NOONAN

**COMMITTEE MEMBERS ABSENT**

SENATOR EDWARD WALKER  
REP. DUANE ANKNEY

**STAFF PRESENT**

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

00:00:03 The 226th meeting of the Legislative Finance Committee reconvened at 8:00 a.m. on Tuesday December 10, 2013. The meeting was held in Hearing Room 102 of the State Capitol, Helena Montana. The secretary took roll.

### **REQUIRED REPORT**

00:03:07 Taryn Purdy, Principal Fiscal Analyst, LFD presented the memo on required reports and operating plans and program transfers. (Exhibit 9) The memo provides an overview of required reports including, issues identified by staff, concerns identified by staff, and other highlights.

00:04:56 Christina Butler, Fiscal Analyst, LFD provided an updated budget amendment report. (Exhibit 10) As of December 9, 2013 the LFD received notification of 61 budget amendments certified by the Governor since the September 2013 LFC meeting. Staff has reviewed the amendments and raises no concerns.

### **PAY PLAN**

00:08:07 Kris Wilkinson, Senior Fiscal Analyst, LFD provided a handout outlining options for legislative consideration regarding centralizing controls over pay plans. (Exhibit 11)

### **IBARS**

00:39:09 Matt Pugh, Bureau Chief, Bureau Chief, Financial Services Technology gave a brief overview on the status of the IBARS project. The project is progressing on schedule according to the project plan. Milestones achieved include completing the gap analysis on budget development, position detail, budget implementation, and development has been completed on the executive and budget analysis publications.

00:42:04 Dale Matheson, Systems Analyst, Legislative Services Division gave an update based on the Legislative Branch prospective. The branch is pleased with current progress and has received more functionality directly relevant to the Fiscal Division.

00:47:24 Greg DeWitt, Senior Fiscal Analyst, LFD presented the Personal Services Budget Options report. (Exhibit 12) This report provides background information on the implementation of HB 13 and addresses personal service breakouts. The LFD will continue refining the process and routinely update the LFC.

### **STATUS SHEET**

00:59:08 Susie Lindsay, Fiscal Web Specialist, LFD presented the sample format for the general fund status sheet. (Exhibit 13) The three components necessary to compile the general fund status sheet are: 1) LAWS database; 2) MBARS; and 3) the fiscal note database. For the upcoming session, as MBARS is moving to IBARS, the fiscal note database needs to be moved from Lotus Approach into another database. The long-term goal will be to have the fiscal note database within the IBARS system.

## **K-12 BUDGET UPDATE ON SCHOOL PAYMENTS TO TRS**

01:15:44 Nick Brown, Fiscal Analyst, LFD presented the K-12 Budget Update on School Payments to Teachers Retirement System (TRS). (Exhibit 14) The focus of the report is to explain the sweep of funds from school district retirement accounts into the TRS as a result of a reduction in the amount of retirement fund reserves the school districts are allowed to retain.

## **BREAK**

## **COMMITTEE BUSINESS**

01:55:35 Amy Carlson, Director, LFD presented a 5 year longevity pin to Stephanie Morrison, and Susie Lindsay; a 25 year pin to Diane McDuffie; and a 30 year pin to Lois Steinbeck.

## **PENSIONS**

01:56:45 Sheri Scurr, Research Analyst, Legislative Services Division presented an update on public employee pension plan activity and a memo on the Status of Retirement Lawsuits from K. Virginia Aldrich, Staff Attorney. (Exhibit 15 and 15a) Ms. Scurr summarized the key points with respect to the valuations for TRS and PERS.

02:12:27 Roxanne Minnehan, Executive Director, Montana Public Employee Retirement Administration presented a summary of actuarial valuation results June 30, 2013. (Exhibit 16) The summary provides information on the retirement funding equation, valuation process, overall valuation results, PERS changes/summary, HPORS changes/summary and remaining systems summaries.

## **COMMITTEE QUESTIONS**

02:23:06 **Sen. Sesso**

02:26:52 **Sen. Tropila**

02:28:34 **Sen. Sesso**

02:34:41 **Rep. Gibson**

02:38:16 **Rep. Cook**

02:40:24 **Sen. Ripley**

02:41:22 Julie Johnson, Attorney, Legislative Services Division, provided a pension litigation snapshot. (Exhibit 17) Ms. Johnson said she is attending hearings as they occur, and receiving the pleadings from the Attorney General's Office. She will continue to update the LFC

02:46:21 Sam Schaefer, Fiscal Analyst, LFD provided a chart on PERS retirements by calendar year. (Exhibit 18) The chart shows there have been 694 retirements to date for PERS. Mr. Schaefer said he was not able to acquire the data for the TRS.

## **COMMITTEE BUSINESS**

02:49:02 **MOTION: Rep. Cook** moved to reduce the LFD personal services budget and increase the operating budget by \$25,000 in FY 2014 **VOTE:** Motion carried unanimously by voice vote. **Rep. Dudik** and **Rep. Ankney** voted by proxy.

02:53:44 **MOTION: Rep. Cook** moved to reduce the LFD personal services budget and increase the operating budget by \$20,000 in FY 2015. **VOTE:** Motion carried unanimously by voice vote. **Rep. Dudik** and **Rep. Ankney** voted by proxy.

*Handouts provided to the Committee*

- Natural Resource Energy Development Impact Policy (Exhibit 19)
- Memo to Senator Caferro and Rep. Cook dated November 13, 2013 (Exhibit 20)
- Xerox (Exhibit 21)

**COMMITTEE DISCUSSION**

02:58:44 **Rep. Gibson**  
02:59:01 **Sen. Jones**  
03:01:30 **Rep. Hollenbaugh**  
03:03:45 **Rep. Gibson**  
03:05:27 **Sen. Caferro**  
03:11:20 **Sen. Sesso**  
03:15:30 **Rep. Gibson**  
03:17:45 **Sen. Sesso**  
03:24:27 **Rep. Hollenbaugh**  
03:26:24 **Rep. Cook**  
03:31:46 **Sen. Tropila**  
03:32:59 **Rep. Gibson**  
03:33:52 **Sen. Caferro**  
03:35:07 **Sen. Jones**  
03:35:49 **Sen. Caferro**  
03:36:57 **Sen. Ripley**  
03:38:52 **Sen. Jones**  
03:40:49 **Rep. Hollenbaugh**  
03:42:28 **Sen. Caferro**  
03:45:07 **Sen. Tropila**  
03:46:10 **Sen. Sesso**  
03:48:24 **Rep. Cook**

*Western Montana*

03:49:18 **Sen. Jones** said that having the LFC meeting at an offsite location may reduce the ability for the LFC to conduct business. It was suggested that the meeting be separate from the trip.

03:50:29 Amy Carlson, Director, said staff will work on scheduling the trip in late April. The March LFC meeting will be the 13 and 14 in Helena.

**LUNCH RECESS**

**LOCAL GOVERNMENT INFRASTRUCTURE PROJECT UPDATE**

05:02:45 Joe Triem, Fiscal Manager, LFD provided an overview of the local government project. The focus is on infrastructure needs and challenges; capacity challenges; systems out of compliance; and K-12 infrastructure.

05:08:16 Tom Livers, Deputy Director, Dept. of Environmental Quality gave an overview on infrastructure needs and challenges. Mr. Livers provided a handout on the state revolving fund program infrastructure needs and wastewater discharge compliance. (Exhibits 22 & 22a)

**PUBLIC COMMENT**

05:37:32 Harold Blattie, Executive Director, Montana Association of Counties (MACo) (Exhibit 23)

05:43:55 Alec Hansen, Executive Director, Montana League of Cities and Towns

**OFFICE OF PUBLIC DEFENDER UPDATE**

06:29:12 Bill Hooks, Chief Public Defender, Office of Public Defender, (OPD) provided an update on the Region 4 Motion. The justice court denied the motion and the OPD filed an appeal. The municipal court has not yet reached a decision. New assignments have not been refused.

**STATE FUND BUDGET**

06:33:36 Scot Conrady, Fiscal Analyst, LFD presented the analysis of the Montana State Fund Budget. (Exhibit 24) The report compares this year's request to the MSF budget information from 2013. Budgets are compared year to year to show any significant changes in programs and associated fees. A copy of the Montana State Fund Budget Fiscal Year 2014 Annual Budget Request was also provided. (Exhibit 24a)

06:43:19 Laurence Hubbard, President, Montana State Fund, thanked both Ms. Wilkinson and Mr. Conrady for a good report and made himself available for questions.

06:44:47 **Sen. Caferro** thanked staff for a great job.

**ADJOURNMENT**

06:45:12 With no further business before the committee, **Chairman Jones** adjourned the meeting at 2:51 p.m. The next meeting of the Legislative Finance Committee will be March 13 -14, 2014.

Sen. Llew Jones, Chairman

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Diane McDuffie, Committee Secretary

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