



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
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DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

MINUTES LOG

March 13-14, 2014
Room 172, 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. DUANE ANKNEY
REP. ROB COOK
REP. KIMBERLY DUDIK
REP. STEVE GIBSON
REP. PAT NOONAN

COMMITTEE MEMBERS ABSENT

SENATOR EDWARD WALKER

STAFF PRESENT

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

AGENDA & VISITORS' LIST

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

CALL TO ORDER AND ROLL CALL

00:23:31 **Senator Jones** called the 227th meeting of the Legislative Finance Committee to order at 10:10 a.m. on March 13, 2014. The meeting was held in Hearing Room 172 of the State Capitol, Helena Montana. The secretary took roll. Attachment #2.

APPROVAL OF MINUTES OF PREVIOUS MEETINGS

00:23:45 **MOTION: Rep. Hollenbaugh** moved to approve the minutes of December 9-10, 2013. **VOTE:** Motion passed.

2015 BIENNIUM BUDGET STATUS REPORT

00:25:21 Amy Carlson, Director, Legislative Fiscal Division (LFD) presented the 2015 Biennium Update Report. (Exhibit 1) The purpose of this report is to provide the Legislative Finance Committee with an update to the projected general fund ending fund balance for the 2015 biennium and to discuss emerging budget issues of all funding sources.

Revenue Analysis

00:27:46 Stephanie Morrison, Senior Fiscal Analyst, LFD discussed the year-to-date general fund revenue collections, recent economic trends and the outlook for FY 2014 relative to the official estimate contained in SJ 2.

00:53:58 Nick Brown, Fiscal Analyst, LFD discussed property tax collections and revenue from oil and natural gas production tax.

00:56:52 Cynthia Holliman, Fiscal Analyst, LFD discussed insurance tax collections. At the time of this estimate, it was not known that Blue Cross Blue Shield would be bought out by Health Care Services Corporations (HCSC).

Expenditure Analysis

02:12:20 Taryn Purdy, Principal Fiscal Analyst, LFD discussed other significant budget factors beginning on page 14 of this report (Exhibit 1).

00:18:49 Robert Miller, Fiscal Analyst, LFD discussed appropriations for the Office of Public Instruction.

00:23:52 Greg DeWitt, Senior Fiscal Analyst, discussed the Department of Corrections appropriation authority for FY 2014. The Office of Public Defender has indicated it is experiencing a general fund shortfall in FY 2014. A report addressing this issue will be presented following this agenda item.

- 0:30:25 Kris Wilkinson, Senior Fiscal Analyst, LFD discussed the Montana University System budget shortages. The FY 2014 shortfall will be covered by adjustments within the general operating fund and other departments.
- 00:36:46 Lois Steinbeck, Senior Fiscal Analyst, LFD discussed the DPHHS general fund shortfall for FY 2014. As of the writing of the report, the department had not relayed any information on potential mitigation efforts.
- 00:38:48 Cynthia Hollimon, Fiscal Analyst, LFD discussed the Disability Employment Transition Division shortfall. To mitigate the potential shortfall, Vocational Rehabilitation Bureau (VRB) anticipates entering into an Order of Selection, which is a state-wide client waiting list for the receipt of vocational rehabilitation services in FY 2014. (Exhibit 1a).
- 00:40:39 Lois Steinbeck, Senior Fiscal Analyst, LFD presented the Medicaid Monitoring Report. (Exhibit 2) DPHHS continues to project that expenditures for Medicaid services will exceed appropriations by \$7.0 million general fund. This is an improvement of \$0.7 million compared to the report presented at the December LFC meeting.
- 01:05:44 Lois Steinbeck, Senior Fiscal Analyst presented the Healthy Montana Kids Briefing Paper. (Exhibit 3) Enrollment in HMK has increased substantially since passage of the initiative. Enrollment increases are due to eligibility changes enacted in the initiative and changing economic conditions.

OFFICE OF PUBLIC DEFENDER

- 01:20:52 Greg DeWitt, Senior Fiscal Analyst, LFD presented the Office of Public Defender (OPD) Supplemental Proposal Report. (Exhibit 4) The report provides a summary of the supplemental request and options for committee consideration. The letter from Director Villa, Office of Budget and Program Planning and the mitigation plan from the Office of Public Defender were also included in the committee notebook. (Exhibit 4a)

COMMITTEE DISCUSSION

- 01:39:32 Senator Ripley
 01:40:42 Senator Tropila
 01:42:31 Representative Gibson
 01:48:36 Senator Tropila
 01:49:03 Representative Dudik
 01:55:25 Senator Tropila

LUNCH RECESS

PAY PLANS

- 03:01:15 Kris Wilkinson, Senior Fiscal Analyst, LFD presented a report on HJR 17 Pay Plan Options. (Exhibit 5) This report outlines the benefits and challenges of changing the current requirements for administration of the state employee pay plan from the decentralized plan that allows each state agency to establish its own pay plans to a more centralized plan. Ms. Wilkinson provided a copy of the

Back Page article from the February 2014 Interim that provides some historical perspective regarding the development of the state's primary pay plan. The article was written by Legislative Services Division Research Director David Bohyer. (Exhibit 5a)

- 03:13:36 Kris Wilkinson, Senior Fiscal Analyst, LFD presented the HJR 17 Salary Market Survey Considerations Report. (Exhibit 6) This report outlines challenges contained in current law regarding the salary survey, provides additional components of employee pay that the legislature may wish to consider for inclusion in the salary survey, and provides legislative options for consideration in the next legislative session. Ms. Wilkinson provided a copy of statute 2-18-301, MCA. (Exhibit 6a)
- 03:21:19 Julie Johnson, Attorney, Legislative Services Division, responded to a followup question posed at the previous LFC meeting The Department of Administration has rule making authority regarding compensation under 2-18-301 subsection 7; however, no rules have been adopted regarding salaries.
- 03:23:08 Kris Wilkinson, Senior Fiscal Analyst, LFD presented the HJR 17 Negotiated Settlements Report. (Exhibit 7) This report provides the committee with information on legislative history of unions and negotiated settlements in relation to state government, the legislative role in the appropriations of pay as it relates to negotiated settlements, and the number and distribution of state employees belonging to bargaining units for purposes of pay and related working conditions.
- 03:31:54 Julie Johnson, Attorney, Legislative Services Division discussed her memo on State Employee Salaries and Collective Bargaining--Legislative Consideration. (Exhibit 8) The purpose of this memo is to update and expand on a 1986 memo by Greg Petesch regarding the Legislature's role and authority with regard to State employee compensation and collective bargaining, as well as other legislative considerations regarding State employee pay.

PAY PLAN PANEL

- 03:40:27 Quint Nyman, Executive Director, Montana Public Employees Association (Exhibit 9)
- 03:45:11 Jay Reardon, Public Employee Field Representative, Laborers Local 686
- 03:49:34 Larry Nielsen, Field Consultant, MEA-MFT (Exhibit 10)

COMMITTEE DISCUSSION

- 03:58:03 Representative Gibson
- 04:12:10 Representative Ankney
- 04:16:05 Senator Sesso

PUBLIC COMMENT

- 04:39:12 Daniel Kenney, Member of Montana Public Employees Association
- 04:41:29 Ray Berg, Field Representative, Montana Public Employees Association

PENSION UPDATED

SAVA Activities

05:05:32 Sheri Scurr, Research Analyst, Legislative Services Division provided an update on the activities of the State Administrative and Veterans' Affairs Interim Committee. (Exhibit 11) She also provided a handout from the Public Employees' Retirement Board on Legislative Concepts in Progress. (Exhibit 11a)

LFD Model Update

05:16:36 Sam Schaefer, Fiscal Analyst, LFD discussed the LFD model for the pension system. The model uses individual data supplied by the retirement system. This allows for more accurate results.

05:22:17 Julie Johnson, Attorney, LSD updated the committee on the pension systems lawsuit. Currently, a preliminary injunction is in effect pending the resolution of the lawsuits.

IHS ENERGY CONFERENCE

05:25:54 Stephanie Morrison, Senior Fiscal Analyst, LFD provided a report on CERAWEEK 2014. (Exhibit 12) The CERAWEEK conference is the energy industry's preeminent gathering of industry leaders and government officials, offering new ideas, insight, and discussion on major strategic issues facing the global energy industry.

05:29:32 Nick Brown, Fiscal Analyst, LFD provided a high level overview of oil, coal and natural gas energy sources.

ADJOURNED

Meeting adjourned at 4:25 p.m. and will reconvene on Tuesday, at 8:00 a.m.

Friday March 14, 2014

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

00:02:44 The 227th meeting of the Legislative Finance Committee reconvened at 8:00 a.m. on Friday, March 14, 2014. The meeting was held in Hearing Room 172 of the State Capitol, Helena Montana. The secretary took roll.

REQUIRED REPORT

- 00:03:07 Taryn Purdy, Principal Fiscal Analyst, LFD presented a memo on Required Reports, and Operating Plans and Program Transfers. (Exhibit 13) This memo provides an overview of required reports including, issues identified by staff, concerns identified by staff, and other highlights.
- 00:04:56 Kris Wilkinson, Senior Fiscal Analyst, LFD provided an updated Budget Amendment Report. (Exhibit 14) Staff has reviewed the amendments and has raised no concerns with any amendment meeting statutory criteria.

INFORMATION TECHNOLOGY

- 00:08:05 Scott Conrady, Fiscal Analyst, LFD briefed the committee on administrative changes. Due to staff assignment changes, Mr. Conrady will be accepting the responsibilities for the information technology section.
- 00:10:13 Ron Baldwin, State Chief Information Office, presented the CIO report. (Exhibit 15) Mr. Baldwin discussed the exception requests for the Department of Revenue and the Department of Transportation. He also presented the Strategic Plan for Information Technology 2014 (Exhibit 15a)
- 00:11:39 Scot Conrady, Fiscal Analyst, LFD discussed the IT Portfolio Report. (Exhibit 15b) Mr. Conrady pointed out that agencies have been asked to include internal costs of projects. The committee can expect to see these changes in future reports. Mr. Conrady also commented on the supplemental and post implementation reports. (Exhibits 15c, 15d, 15e & 15f). A memo from Stephen Forrest and Scot Conrady regarding MMIS was also included in the committee notebooks. (Exhibit 15g).
- 00:16:09 Ron Baldwin, State CIO, gave a detailed update on the status of the MMIS project. The new preliminary implementation date is July 2016, which is a 16 month delay.

COMMITTEE QUESTIONS

- 00:33:59 Sen. Ripley
- 00:39:59 Sen. Sesso
- 00:44:41 Rep. Hollenbaugh
- 00:55:01 Rep. Noonan
- 00:59:09 Rep. Hollenbaugh
- 01:00:49 Sen. Caferro
- 01:14:38 Sen. Tropila
- 01:16:03 Sen. Ripley

- 01:18:03 **MOTION: Rep. Hollenbaugh** moved that oversight of MMIS be assigned to the Health and Human Services Subcommittee of the LFC. **VOTE:** Motion passed unanimously. Members are Sen. Ripley, Sen. Caferro, Rep. Noon, and, Rep. Cook.
- 01:23:01 Scot Conrady, Fiscal Analyst, LFD asked the committee for comments or suggestions on MITA. Mr. Baldwin said he will provide a report a the June meeting with his comments. The committee delayed action on this issue until they see Mr. Baldwin's report.
- 01:34:10 Cathy Duncan, Senior Fiscal Analyst, LFD gave a brief update on Long Range Information Technology return on investment project. During the 2013 session, members of the Long Range Subcommittee asked for more information related to LRIT projects, specifically future costs related to the projects. At this time, an agreement has been reached to include the future costs of IT projects in HB 10.

IBARS UPDATE

- 02:00:22 Barbara Smith, Operations Manager, LFD gave a brief update on the transition from MBARS to IBARS. LFD has been testing the pieces and parts that are available. In thirty days we are hoping to have a mostly complete system.

IMPLEMENTATION OF HB 2 BOILER PLATE LANGUAGE

- 02:06:34 Barbara Smith, Operations Manager, LFD presented a memo on Implementation of HB 2 boiler plate language. (Exhibit 16) Both the Office of Budget and Program Planning (OBPP) and the LFD will need to determine how to technically implement the boiler plate language.

STATUS SHEET OPTIONS

- 02:09:54 Susie Lindsay, Fiscal Web Specialist, LFD presented the sample format for the general fund status sheet. (Exhibit 17) The new status sheet will be ordered by status with the least further status at the top. Two columns have been added, one for the sponsor and the other for number of days in status.

BIENNIAL COMPARISON UPDATE

- 02:16:29 Amy Carlson, Director, LFD presented the Comparison of Biennial Appropriations: update from the January data. (Exhibit 18) This memo is in response to requests from several legislators for a similar analysis of the growth in "All Funds" for the 2015 biennium to supplement the general fund analysis.

COMMITTEE QUESTIONS

- 02:33:41 Rep. Gibson
 02:33:55 Sen. Jones
 02:36:10 Sen. Sesso
 02:39:31 Rep. Gibson
 02:41:55 Sen. Tropila
 02:46:11 Sen. Ripley

COMMITTEE BUSINESS

Public Defender Fiscal Year Transfer

02:48:01 **MOTION: Rep. Dudik** moved to concur in the Office of State Public Defender transfer of \$1.6 million from FY 2015 to FY 2014 without concerns. **VOTE:** Motion passed. **Sen. Ripley** voted no. **Sen. Walker** voted no by proxy.

Western Montana Trip Committee Discussion

02:51:46 Rep. Ankney
02:52:25 Rep. Cook
02:52:29 Sen. Jones
02:54:23 Sen. Jones
02:54:54 Rep. Hollenbaugh
02:56:15 Rep. Gibson
02:57:19 Sen. Jones
02:58:06 Rep. Gibson

Meeting Dates

02:58:41 Amy Carlson, Director, LFD discussed the meeting times for both September and November. (Exhibit 19) Late September is preferable for LFD staff. Without objection, the committee agreed on September 25-26. The November meeting is scheduled for the first day of caucus. Suggestions for alternative times to consider would be Friday, November 14th or the following week. The November meeting will be decided at a later date.

03:05:32 Sen. Jones provided a handout on economically relevant factors that would serve as marker metrics indicative of the presence of unusual pressures that could impact the cost of providing education. (Exhibit 20) The goal is to have staff work with key known impacted schools to help determine and define key economic indicators for impacts to schools.

COMMITTEE QUESTIONS

03:11:09 Rep. Cook
03:11:33 Sen. Tropila
03:13:34 Sen. Sesso
03:18:09 Rep. Cook
03:19:46 Rep. Dudik
03:20:10 Rep. Gibson

LUNCH RECESS

LOCAL GOVERNMENT PROJECT

04:35:20 Joe Triem, Fiscal Manager, LFD gave 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.

04:38:51 Cathy Duncan, Senior Fiscal Analyst, LFD presented the Local Government Infrastructure Funding report and a power point presentation. (Exhibit 21 & 21a) This report compares current funding programs, discusses the variability of the

programs, and describes past and other efforts to assist local government with infrastructure costs.

COMMITTEE QUESTIONS

05:16:28 Sen. Jones
05:21:33 Sen. Ripley
05:21:44 Sens Sesso

Cities and Towns

05:27:41 Harold Blattie Executive Director, Montana Association of Counties (Exhibits 22 & 21a)
05:44:00 Alec Hansen, Executive Director, Montana League of Cities and Towns
06:03:04 Joe Triem, Fiscal Manager provided a recap of the American Society of Civil Engineers (ASCE) report card for America's infrastructure. (Exhibit 23)
06:11:42 Amy Carlson, Director, LFD said staff will provide a report on revenues available to both cities and counties across several funding streams for the June LFC meeting.
06:13:52 Sheila Hogan, Director, Department of Administration, discussed the upgrade of the ARTS (Audit Reporting Tracking System). The new system will offer online services and eliminate duplicate data entry.

PUBLIC COMMENT

06:19:12 Representative Mike Cuff, HD 2

ADJOURNMENT

02:30 With no further business before the committee, **Chairman Jones** adjourned the meeting at 2:30 p.m. The next meeting of the Legislative Finance Committee will be June 5-6, 2014.

Sen. Llew Jones, Chairman _____

Diane McDuffie, Committee Secretary _____