



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 2, 2014
Room 102, State 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

SEN. EDWARD WALKER

STAFF PRESENT

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

AGENDA & VISITORS' LIST

Visitors' List, Attachment #1.
Roll Call, Attachment #2.

CALL TO ORDER AND ROLL CALL

00:05:31 Senator Jones called the 230th meeting of the Legislative Fiscal Finance Committee to order at 8:15 a.m. on December 2, 2014. The meeting was held in Hearing Room 102 of the State Capitol, Helena Montana. The secretary took roll. Attachment #2

HISTORICAL EXPENDITURES

00:07:40 Amy Carlson, Director, Legislative Fiscal Division (LFD) presented the Historical Expenditures report. (Exhibit 1) The purpose of this report is to provide information about the growth in state expenditures.

2017 BIENNIUM PRELIMINARY BUDGET OVERVIEW

00:29:40 Amy Carlson, Director, LFD presented the Legislative Budget Analysis 2017 Biennium report. (Exhibit 2) This report provides legislators with the information needed to assist them in crafting a balanced state budget and fiscal policy. This document is a reference document for all legislators, providing budget information for state government.

REVENUES

00:40:34 Stephanie Morrison, Fiscal Analyst, LFD discussed the general fund revenue estimate adopted by the Revenue and Transportation Interim Committee and the difference between the executive and LFD revenue estimates.

EXPENDITURES

00:49:54 Taryn Purdy, Principal Analyst, LFD discussed state expenditures beginning on page 15 of the report. HB 2 dominates the appropriation sources for total funds, while the general fund is the largest funding source at 41%. (Exhibit 2)

01:10:41 Amy Carlson, Director, LFD explained the risks and pressures associated with budget volatility beginning on page 35 of the report. (Exhibit 2) Financial pressure in other funds could put additional pressure on the general fund, decrease current services, or require additional revenue.

COMMITTEE QUESTIONS

01:17:29 Sen. Tropila
01:18:59 Sen. Sesso
01:19:23 Sen. Tropila
01:20:15 Sen. Sesso

DRAFT LEGISLATION

LC LFC3

01:25:32 Kris Wilkinson, Senior Fiscal Analyst, LFD discussed LC LFC3 an act eliminating pay bands; requiring an employee's compensation to fall within the occupational wage range of the employee's occupation. The subcommittee of the LFC studied the bill in detail and requested information on Broadband Employees Base Salary Levels. (Exhibit 3 & 3a)

01:28:28 Julie Johnson, Legislative Services Division, presented a Section-by-Section Comparison of LC LFC3 and HB 13. (Exhibit 4) This summary includes a number of revisions to the laws regarding pay bands. Included in the notebooks is a summary of LC LFC3. (Exhibit 4a)

COMMITTEE DISCUSSION

01:31:25 Sen. Sesso
01:32:19 Sen. Jones
01:33:54 **MOTION: Rep. Gibson**
01:35:29 Rep. Hollenbaugh
01:35:45 Sen. Tropila
01:37:24 Rep. Ankney
01:37:35 Sen. Ripley
01:38:36 Sen. Tropila
01:39:41 **MOTION withdrawn**
01:40:11 Sen. Jones

LC0479

01:42:06 Stephen Forrest, Fiscal Analyst, LFD discussed LC0479 a bill revising the methodology for budget and expenditure comparisons. (Exhibit 5) This bill clarifies the definition of what should or should not be included in the biennial comparisons.

COMMITTEE DISCUSSION

01:49:57 Sen. Jones
01:50:09 Sen. Sesso
01:56:55 **MOTION: Sen. Ripley** moved the bill draft be carried as an individual bill by the chairman of the LFC.
01:56:59 Without objection **Chairman Jones** will carry the bill.

LC0478

01:57:28 Kris Wilkinson, Senior Fiscal Analyst, LFD presented LC0478 a bill clarifying the definition of additional services; providing that a budget amendment may not contain any significant ascertainable commitment for an present or future increased general fund state financial support. (Exhibit 6)

01:58:25 Julie Johnson, LSD explained the bill defines additional services and what additional services does not include.

COMMITTEE DISCUSSION

02:01:13 Sen. Tropila

02:01:50 Sen. Jones

02:03:05 Rep. Cook volunteered to carry the bill. The committee did not object.

Public Defender Bill Draft

02:03:51 Greg DeWitt, Fiscal Analyst, LFD reported at this time, Rep. Dudik has placed this bill draft on hold.

APPROVAL OF MINUTES OF PREVIOUS MEETING

02:04:20 **MOTION: Rep. Ankney** moved to approve the minutes of September 25-26, 2014. VOTE: Motion passed.

BREAK

02:23:45 Stephen Forrest, Fiscal Analyst, LFD provided update on General Fund Appropriations Status for FY 2015 as of December 2015. (Exhibit 7)

02:25:02 Barbara Smith, Operations Manager, LFD presented the Medicaid Monitoring Report. (Exhibit 8) This report provides a comparison between the appropriations and the department's projection for FY 2015.

02:28:10 Cynthia Hollimon, Fiscal Analyst, LFD provided a power point presentation on the LFD Medicaid Model. (Exhibit 9) The objection for the model is to make prior LFD estimating process more statistically robust, develop an independent Medicaid estimate for comparison to the executive, and to provide the legislature with insight into the analyses used to develop estimates.

02:47:40 Barbara Smith, Operations Manager, LFD presented the Budget Rules memo. (Exhibit 10) The purpose of this memo is to provide the Legislative Finance Committee with the means to meet statutory requirement to provide recommendations to the chairpersons of House Appropriations Committee (HAC) and Senate Finance and Claims (SFC) on the application of certain budget issues.

03:00:06 **MOTION: Rep. Ankney** moved to approve the recommendations for the application of certain budget issues.

COMMITTEE DISCUSSION

03:00:20 Rep. Hollenbaugh
03:01:57 Sen. Caferro
03:02:35 Sen. Jones
03:03:49 Sen. Tropila
03:04:29 Rep. Noonan
03:05:44 Sen. Jones
03:06:40 Sen. Tropila
03:10:19 Sen. Jones
03:11:08 Rep. Ankney

03:15:54 Kris Wilkinson, Senior Fiscal Analyst, LFD presented discussed her memo regarding SB 410. (Exhibit 11). The purpose of this memo is to provide the LFC an update on the transfer of additional SB 410 funds appropriated to the Governor's Office.

03:17:09 Susie Lindsay, Fiscal Analyst, LFD presented the proposed General Fund Status Sheet Rules and sample format for the status sheet . (Exhibit 12) She discussed the rules that had changed from the 2013 Session status sheet.

LUNCH

STATE INFORMATION TECHNOLOGY

05:04:20 Scot Conrady, Fiscal Analyst, LFD presented the items for information technology. Included in the committee notebooks are the following reports:

- IT Project Portfolio (Exhibit 13)
- It Project Cost and Development Tracking (Exhibit 13a)
- Supplemental Reports (Exhibit 13b)
- Post Implementation Reports (Exhibit 13c)

05:06:29 Ron Baldwin, State CIO, summarized the CIO Policy Report, the revisions to the MITA, and the information technology infrastructure inventory. (Exhibit 14, 14a & 14b) The Long-Range Information Technology Plan was provided to the committee. (Exhibit 14c)

Mr. Baldwin addressed the Medicaid Management Information System (MMIS). The project is in "red" status. There continues to be issues with missed deadlines and performance deficiencies. The DPHHS notified Xerox that they must provide a Corrective Action Plan" by December 12, 2014. (Exhibit 15)

Tim Peterson, Contract Project Manager,

Marie Matthews, Branch Manager, DPHHS Tim Peterson, Contract Project Manager, Stuart Fuller, CIO, DPHHS, and Ron Baldwin provided updates on the MMIS.

COMMITTEE DISCUSSION

05:42:24 Rep. Hollenbaugh
05:43:38 Sen. Ripley

05:45:17 Sen. Caferro
05:50:04 Rep. Dudik
05:52:56 Sen. Tropila
05:57:50 Sen. Ripley
05:58:45 Rep. Dudik
06:01:36 Sen. Caferro
06:07:07 Rep. Hollenbaugh
06:09:29 Rep. Noonan
06:11:49 Sen. Caferro
06:16:29 Sen. Ripley
06:17:17 Rep. Hollenbaugh
06:21:42 Sen. Jones
06:23:27 Rep. Noonan
06:24:23 Rep. Dudik

RECESS

06:25:35 The committee took a brief recess to wish farewell to Rep. Gibson, Rep. Hollenbaugh, Sen. Walker and Taryn Purdy, LFD staff.

COMMITTEE BUSINESS

Motion to approve the recommendations for the application of certain budget issues.

06:47:56 Alternative wording was provided to the committee regarding "reinstatement of the 2% vacancy savings" under Budget Rules (Exhibit 16) In addition, Sen. Jones proposed the following language: "fully fund personal service budgets for the 2017 biennium less the 4% personal service reductions authorized in FY 2013.

06:52:37 Rep. Hollenbaugh recommended the proposed language replace language under 2. a) ii of the recommendations for the application of certain budget issues.

06:53:06 **MOTION: Rep. Ankney** moved his original motion as amended. **VOTE:** Motion passed. Sen. Ripley voted no. Sen. Sesso yes by proxy.

06:54:53 Scot Conrady, Fiscal Analyst, LFD presented the report on Montana Developmental Center (MDC), Department of Justice (DOJ) resources. (Exhibit 17) This report focuses on the respective roles of Department of Public Health and Human Services and DOJ in assuring safety at the institutions and corresponding resources. A letter from Director Opper to the LFC regarding the issues at MDC was provided. (Exhibit 17a)

07:01:00 Mary Dalton, Branch Manager, Department of Public Health and Human Services commented on behalf of Dr. Opper. The department has been directed to consult with a nationally renowned expert on disability law. David Ferleger, J.D. will serve as the Special Advisor on the treatment of Montanans with serious developmental disabilities. A copy of Mr. Ferleger's resume was distributed to the committee. (Exhibit 17b)

PUBLIC COMMENT

07:01:54 Beth Brennemen, Staff Attorney, Disability Rights of Montana
07:08:14 Jon Bennion, DOJ

COMMITTEE DISCUSSION

07:08:37 Rep. Gibson
07:16:55 Sen. Caferro
07:29:09 Rep. Noonan
07:38:01 Rep. Dudik
07:45:42 Sen. Caferro

REQUIRED REPORTS

07:47:59 Kris Wilkinson, Senior Fiscal Analyst, LFD presented the Required Reports. (Exhibit 18) The Office of Budget and Program Planning processed one adjustment and one program transfer for committee review. Staff did not note any legal issues. Ms. Wilkinson also presented the Budget Amendment report. (Exhibit 19) Staff has reviewed the amendments and raised one concern with state special revenue budget amendment authority for the Historical Society. A separate memo addressing this issue was provided. (Exhibit 20)

07:53:17 Sen. Jones asked the MMIS subcommittee continue to provide information to Senate Finance and Claims and Appropriations. Sen. Caferro said an update will be provided after the December 12, 2014 deadline for a Corrective Action Plan.

07:54:59 Greg DeWitt, Senior Fiscal Analyst, LFD provided information on wages at the Shelby prison and the Montana State Prison.

COMMITTEE BUSINESS

07:59:10 Sen. Jones thanked the committee for their work and efforts.
07:59:28 On behalf of the committee, Sen. Tropila thanked the LFC, Director Carlson and staff.
08:00:01 Caferro thanked Chairman Jones and Vice Chair Rep. Hollenbaugh.

ADJOURNMENT

08:00:15 This being the final meeting of the interim and with no more business before the committee the meeting adjourned at 4:00 p.m.

Senator Llew Jones, Chairman

Diane McDuffie, Secretary