



LEGISLATIVE FINANCE COMMITTEE

62nd Montana Legislature

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SENATE MEMBERS

STEVE GALLUS
LLEW JONES
DAVE LEWIS
RICK RIPLEY
DAVID WANZENRIED
CAROL WILLIAMS

HOUSE MEMBERS

ROB COOK
JOHN ESP
STEVE GIBSON
CYNTHIA HINER
GALEN HOLLENBAUGH
JON SESSO

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

MINUTES

Thursday, September 27, 2012

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. You must have Real Player to listen to the audio recording or to view the video.

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. STEVE GALLUS
SEN. DAVE LEWIS
SEN. RICK RIPLEY
SEN. DAVID WANZENRIED
SEN. CAROL WILLIAMS

REP. ROB COOK
REP. JOHN ESP
REP. STEVE GIBSON
REP. GALEN HOLLENBAUGH
REP. JON SESSO

COMMITTEE MEMBERS ABSENT

SEN. LLEW JONES
REP. CYNTHIA HINER

STAFF PRESENT

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

Visitors

Roll call, Attachment #1
Sen. Jones Proxy, Attachment #2
Visitors' list, Attachment #3

CALL TO ORDER AND ROLL CALL

00:10:01 **Chairman Sesso** called the 222nd meeting of the Legislative Finance Committee to order at 10:00 a.m. on September 27, 2012. The meeting was held in Hearing Room 102 of the State Capitol, Helena Montana. The secretary called roll. Attachment #1

APPROVAL OF MINUTES OF THE PREVIOUS MEETING

00:10:57 **MOTION: Sen. Gallus** moved to approve the minutes for the June 11-12, 2012 meeting. **VOTE:** Motion passed.

GENERAL FUND STATUS: FISCAL 2012 ACTUAL/2013 BIENNIUM PROJECTED

00:11:35 Terry Johnson, Principal Fiscal Analyst, LFD presented a written report and power point presentation on General Fund Status Fiscal 2012 Actuals/2013 Biennium. (Exhibit 1 & 1a) This report provides a comparison between budgeted data as developed by the 61st and 62nd Legislature and what actually occurred in FY 2012. It also provides aggregate information on revenue estimates and collections, disbursements and reversions, and an updated fund balance statement for the 2013 biennium.

00:52:08 Taryn Purdy, Principal Fiscal Analyst, LFD discussed the potential pressure areas on expenditures. There are two known and one highly likely supplemental appropriations, along with severe pressure point areas.

00:52:55 William Hooks, Chief Public Defender, Office of Public Defender said the department is experiencing a significant increase in dependent neglect cases, higher than anticipated staff turnover, caseloads are significantly higher and two death penalty cases.

MANAGING FINANCIAL VOLATILITY

01:00:23 Amy Carlson, LFA, LFD provided a report on Managing Financial Volatility. (Exhibit 2) This report follows a legislative request to determine how Montana could manage volatility through policy, definitions, or statute. Specifically, the LFD was requested to look at ending fund balance and structural balance definitions, and to consider what level of ending fund balance would be appropriate for managing volatility under various economic conditions. Secondly, this report looks at historical patterns of the specific revenue sources and considers options for managing the volatility of those specific sources.

01:51:49 **Rep. Sesso** asked the committee to think about the choices and be prepared to make a decision before adjournment on Friday.

LUNCH

Recessed until 1:00 p.m.

03:12:30 **Rep. Sesso** announced the Gathering of legislative friends today at Jorgensons for those interested in attending.

POTENTIAL OPTIONS FOR GLOBAL MOTIONS

As requested by the committee, Ms. Smith provided copies of SB 114 by Sen. Wanzenried and SB 27 by Sen. Rick Laible. Both bills provide for creating a budget stabilization account. (Exhibit 2a and 2b)

03:14:23 Barbara Smith, Assistant Principal Fiscal Analyst, LFD presented a report on Global Motions for the 2013 Legislative Session. (Exhibit 3) This report focuses on current budget issues that could potentially benefit from the utilization of a global motion to assist the legislature in the deliberations process. This report identifies a few such options and requests from the committee for further work.

03:29:28 **Sen. Wanzenried** referred to page 7 of the MITA Audit (Exhibit 7) performed by the Legislative Audit Division. The report determined there are inconsistencies and incompleteness with the information reported in plans and reports submitted by the agencies. He suggested LFD staff work with the state CIO to remedy some of deficiencies in the reports provided by the agencies. Barbara Smith, Assistant Principal Fiscal Analyst, LFD said the LFC could direct subcommittees to look at the IT Strategic Plan during the process so the legislators would know the costs and the risks associated with the plan.

STATE SPECIAL REVENUE PROJECT UPDATE

The State Special Revenue Project Update was included in the committee notebooks but no formal presentation was made. (Exhibit 4)

INFORMATION TECHNOLOGY INFORMATION

The following information technology reports were included in the committee notebooks but no formal presentation was made: (Exhibit 5)

- ▶ CIO Report
- ▶ IT Project Portfolio
- ▶ Montana Public Communications Project

03:46:25 Dick Clark, State CIO, said the department concurs with the MITA Audit and have started working on the recommendations. Kent Rice, Audit Manager, Legislative Audit Division, said the audit looked at the structure of governance and the processes in place and tried to determine whether they are effective or not and made several recommendations on where the processes could be strengthened.

- 04:11:43 **Sen. Wanzenried** asked for an update on CHIMES. Mr. Clark said he received notice from the Department of Public Health and Human Services that the start date is being postponed until Nov. 1.
- 04:21:03 Without objection from the committee, staff will update the MITA report from June 2010 and consider reasonable steps on segregating the IT piece in each of the major budgets for review.
- 04:26:00 Kris Wilkinson, Senior Fiscal Analyst, LFD presented a report on Information Technology Update. (Exhibit 6) This report provides a summary on a number of information technology issues the LFC monitor and addressed in the 2013 biennium.

REVIEW OF MITA AUDIT

- 04:28:25 Kent Rice, Audit Manager, Legislative Audit Division, provided a brief overview of the MITA audit. (Exhibit 7) The overall conclusion is MITA provides a good governance structure for Montana and communication and collaboration has improved as a result of the MITA Act. MITA gives authority to the Department of Administration as opposed to the state CIO.

PERFORMANCE MEASUREMENT

- 04:32:58 Julie Johnson, Legal staff, Legislative Services Division presented a legal opinion on the Authority for Renovation of Wing D of the Montana Mental Health Nursing Care Center (MMHNCC). (Exhibit 8) The LFC asked Ms. Johnson to prepare the opinion considering various aspects of a plan whereby Wing D of the MMHNCC in Lewistown, Montana, is renovated to house approximately 25 inmates for the Department of Corrections. The money to fund the renovation is to come from the Department of Public Health and Human Services. Ms. Johnson said the projected cost of the project is approximately \$931,000. She concluded there is no authority for the renovation absent either a legislative approval or the Governor declaring an emergency.
- 04:37:48 Dan Villa, Budget Director, Office of Budget and Program Planning (OBPP) discussed the analysis of Ms. Johnson's opinion from Mike Manion on the Improvements to the MMHNCC. (Exhibit 8a) Mr. Villa said he does not think the legal opinion is relevant in this case. Mr. Manion's opinion asserts that the department has acted within the law.
- 04:29:20 **Rep. Gibson** explained that in the 2011 session, the Department of Corrections requested funding for a 144 beds. The legislature authorized 100 inmate beds and 20 secure assisted living inmate beds. Greg DeWitt, Senior Fiscal Analyst, LFD said the decision package states that the legislature provided funding for 20 secure assisted living beds and 100 male prison beds in the second year of the biennium. Mr. DeWitt explained that the funds will be used to pay for a memorandum of understanding to purchase services from the Department of Public Health and Human Services.

- 04:54:35 **Rep. Gibson** asked where the \$900,000 came from. Ms. Steinbeck said there were two budget change documents within DPHHS that transferred the money. The first transfer was between \$700,000 and \$800,000 general fund appropriated for medicaid match for managed care services and pharmacy services. The statute cites you may transfer money between appropriations as long as the original purpose of the appropriation is maintained.
- 04:56:38 Without objection from the committee, **Rep. Sesso** directed staff to look at the statutes and see if there are revisions that might be prudent to clarify.
- 04:56:52 Christina Allen, Fiscal Analyst, LFD provided a memo on Board of Horse Racing. (Exhibit 9) The purpose of the memo is to update the LFC on the current financial affairs of the Board of Horse Racing. In March FY 2012, the Board of Horse Racing received a general fund loan of \$609,638, to be repaid over a period of eight years. By the end of the fiscal year, the board had accumulated additional debt and revised the final loan to \$628,428, to be repaid over a period of ten years with annual payments of \$62,842.
- 05:02:35 **Rep. Hollenbaugh** asked what happens if the Board of Horse Racing defaults on the loan. Ms. Allen said they will need a supplemental from the general fund.
- 05:07:12 **Rep. Sesso** asked if paying back the loan comes from the success of the program or is there earning potential that will pay back the over expenditure in the current biennium. Ms. Allen said the current plan is \$62,842 over ten years which comes from the advance deposit wagering in the fantasy sports.
- 05:19:26 Lois Steinbeck, Senior Fiscal Analyst, LFD provided a report on SJ 26 Healthy Montana Kids Monitoring and several graphs that shows most recent enrollment. (Exhibit 10) This report provides an update on components of SJ 26. Medicaid enrollment has risen from levels reported at the June LFC meeting, increasing to its most recent peak of 1207,018. Enrollment in MHK continues to rise, totaling 93,174 in June.
- 05:28:58 **Rep. Gibson** asked if LFD staff has more information on the contracted beds proposal. Mr. DeWitt said the decision package in the budget analysis requested funding for 20 assisted living beds in both fiscal years and 144 male prison beds in the second year of the biennium. The prison beds would become available by moving the existing Missoula Assessment and Sanction Center from the current facility that was built as a regional prison, to a new contractor facility that would be selected via a bid process.
- 05:30:52 Ross Johnson, Performance Auditor, Legislative Audit Division, provided an audit on Montana State Veterans' Home and a summary of the audit. (Exhibit 11 & 11a) The audit recommended:
- ▶ The Montana Legislature review the allocation of cigarette tax funding to the state veterans' homes to determine if the allocation between homes should be addressed in statute.
 - ▶ The Department of Public Health and Human Services comply with

- statutorily-prescribed rate calculation methods or seek legislation to revise calculation procedures to establish the daily rate charged to veterans.
- ▶ The implementation of a cost containment plan for the Montana Veterans' Home that reduces expenses to a level that reflects normal costs for comparable homes.

COMMITTEE BUSINESS

- 05:54:30 Amy Carlson, LFA presented the LFD/LFC Budget Request. (Exhibit 12) The LFD budget request has been submitted to the Office of Budget and Program Planning per statute. The purpose of this memo is to provide detail regarding the LFD submittal.
- 06:51:45 **MOTION: Rep. Esp** moved to approve the LFD/LFC Budget Request.
VOTE: Motion passed
- 06:52:21 Barbara Smith, Assistant Principal Fiscal Analyst, LFD discussed the printing plan for the budget analysis. The analysis of the Governor's budget will be on the LFD web site the week of December 15, 2012. Once the Governor elect budget has been received the documents will be updated and posted. The subcommittees will have a workbook that includes the December 15 adjustments and an addendum for the new Governor's budget.

STAFF ANNOUNCEMENTS

- 06:58:55 Amy Carlson, LFA announced that Kris Wilkinson has been promoted to Senior Fiscal Analyst. Barbara Smith has been promoted to Assistant Principal Fiscal Analyst and Joe Triem has been hired as an Assistant Principal Analyst. Quinn Holzer, Fiscal Analyst will be leaving the LFD October 26 to do mission work in Bolivia.
- 07:02:01 **Sen. Wanzenried** provided a report for the committee to review from Public Knowledge Management Consultants on TANF and SNAP Eligibility Systems, Enterprise Architecture, and Fiscal Services Project. (Exhibit 13)

RECESS

- 07:06:09 a.m. The committee recessed and will reconvene on Friday, September 28, 2012 at 8:00 a.m.

Friday, September 28, 2012

COMMITTEE MEMBERS PRESENT

SEN. DAVE LEWIS
SEN. RICK RIPLEY
SEN. DAVID WANZENRIED
SEN. CAROL WILLIAMS

REP. ROB COOK
REP. JOHN ESP
REP. STEVE GIBSON
REP. GALEN HOLLENBAUGH
REP. JON SESSO

COMMITTEE MEMBERS ABSENT

SEN. LLEW JONES
REP. CYNTHIA HINER
SEN. STEVE GALLUS

STAFF PRESENT

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

Visitors

Roll Call, Attachment #4
Visitors' list, Attachment #5
Roll Call Vote, Attachment #6

CALL TO ORDER AND ROLL CALL

00:00:02 The 222nd meeting of the Legislative Finance Committee reconvened at 8:00 a.m. on Friday, September 28, 2012. The meeting was held in Hearing Room 102 in the State Capitol Building, Helena, Montana. The secretary called the roll. Attachment #4

FIRE REPORT

00:01:08 Christina Allen, Fiscal Analyst, LFD presented an Update on Fire Suppression Costs. (Exhibit 14) For FY 2012 the state has incurred \$20.0 million in fire suppression costs, of which \$3.5 million is reimbursable by other parties, creating a net cost to the state of \$16.5 million. The FY 2012 beginning fire suppression fund balance is \$20.6 million, leaving an estimated balance of \$4.1 million for FY 2013. As of this writing, the FY 2013 estimated expenses are \$52.5 million, of which \$7.3 million is reimbursable by other parties.

DISCUSSION ON RAINY DAY FUND

00:08:30 **Rep. Sesso** informally asked the committee if they wanted staff to prepare draft legislation for a rainy day bill.

- 00:09:49 **Rep. Sesso** - yes
- 00:09:58 **Rep. Esp** - No
- 00:09:59 **Rep. Cook** - No
- 00:10:05 **Rep. Hollenbaugh** - No
Proxy for **Sen. Gallus** - Yes
- 00:10:20 **Sen. Ripley** - No
- 00:10:21 **Sen. Lewis** - No
Proxy for **Sen. Jones** - No
- 00:10:36 **Sen. Williams** - Yes
- 00:10:38 **Sen. Wanzenried** - Yes
- 00:10:40 **Rep. Gibson** - maybe
- 00:17:53 **Rep. Sesso** asked the committee if they wanted staff to report on the status sheet in a way that reflects the surplus in terms and define terms that are reflective of the goal to manage volatility.
- 00:22:02 **Sen. Lewis** expressed concern of not changing the emphasis so the number one priority is protecting potential spending rather than looking at reducing the budget.
- 00:22:08 Amy Carlson, LFA said the structural balance and the ending fund balance would be on the status sheet and also show total ending fund balance, a suggested amount available for volatility and statutory requirements and the surplus. An example of what the status sheet will look like can be provided at the November meeting.
- 00:25:55 **Sen. Ripley** asked if the committee will be required at the November meeting to vote on a percentage of volatility fund.
- 00:26:53 **Rep. Sesso** said at the very least the committee has the authority to direct staff to prepare the balance sheet. The information needs to be presented in a way that reflects the difference between surplus cash and cash needed to meet obligations.
- 00:31:23 Amy Carlson, LFA said leadership will decide the projected ending funding balance. However, the LFC sets the rules for how the status sheet is presented.

CHIMES DISCUSSION

- 00:38:00 Laurie Lamson, Operations Services Manager, Department of Public Health and Human Services discussed the delay in implementing the CHIMES system. Ms. Lamson said the readiness comparison component consists of workflow processes, system programming, and data gathering. The department has been testing data gathering to make sure the information has been pulled together correctly. Staff has reviewed hundreds of cases and feel close but want to test one more time.
- 00:46:25 **Sen. Wanzenried** asked what the PK report will show in November that is different and how will the committee know with greater confidence that the system will perform. Ms. Lamson said the report will be an analysis and include a chart of the number of cases that are being worked on to make sure the data is brought in

correctly. The initial data conversion will be completed and the report will show that the data has been reviewed, how many cases are outstanding and what specifically will need to be done.

00:56:26 **Sen. Lewis** asked what Public Knowledge, LLC adds to the process and is it unique to hire someone to oversee the contractor and why did the department think it was needed. Ms. Lamson said the standard protocol has a three part responsibility for building a big system. It includes a staff team from the department, state ITSD, and an independent validation and verification contractor. This is an independent third party to look at how things are going and to advise on anything that might be missed and to ensure the vendor is doing what should be done.

00:59:22 Dick Clark, State CIO, commented that independent validation verification is a standard process in project management. It's and insurance policy to make sure everything is covered that staff doesn't have the expertise in. Every major project has an independent validation and verification contractor.

RECOMMENDATION FOR THE STUDY OF POTENTIAL IMPACTS OF OPTING IN OR NOT OPTING IN TO MEDICAID EXPANSION

01:16:11 Lois Steinbeck, Senior Fiscal Analyst, LFD presented a handout on the US Supreme Court Decision Affordable Care Act. (Exhibit 15) The purpose of this report is to update the LFC on the US Supreme Court decision Affordable Care Act, identify Medicaid program changes required by Patient Protection and Affordable Care Act, discuss legislative option to expand Medicaid, broadly identify impacts of options to expand Medicaid versus not expanding, identify which information legislative staff will prepare for session consideration, discuss Legislative Council request for LFC to decide whether it would recommend contracting for additional information on the impacts of expanding or not expanding Medicaid, and determine LFC recommendation/course of action. Ms. Steinbeck also provided a document on Medicaid Monitoring and a chart showing a Medicaid expansion scenario compared to no expansion. (Exhibit 15a & 15b))

01:35:41 Susan Byorth Fox, Executive Director, Legislative Services Division provided a copy of a letter to Commissioner Lindeen asking for assistance in answering questions regarding the cost of expanding Medicaid in Montana or not expanding. (Exhibit 16) Also, provided is a response from Commissioner Lindeen. (Exhibit 16a) The commissioner's office can help with about 99% of the request. Leif Associates said additional actuarial analysis would be needed and it would cost approximately \$20,000. Ms. Fox recommended staff work together to refine the questions to determine if there is a need for the additional money.

01:44:04 **Rep. Sesso** asked if separate legislation will be needed to move forward with Medicaid expansion or will the department request the additional authority. Ms. Fox said to implement changing the eligibility for Medicaid up to 138% of poverty would require a change in statute.

01:56:08 **MOTION: Sen. Wanzenried** moved that the Legislative Finance Committee encourage staff and the insurance commissioner to work with the Bureau of Business and Economic Research to expand the scope of the contract to conduct the research identified in the letter dated September 18,2012. **ROLL CALL VOTE:** Motion failed. (Attachment #6)

02:06:54 Ms. Fox said the HB 2 analysis will proceed as usual. LSD staff will continue doing policy and fiscal analysis.

BREAK

PERSONAL SERVICES ANALYSIS

02:26:00 Kris Wilkinson, Senior Fiscal Analyst, presented a written report and a power point presentation on Personal Services Analysis. (Exhibit 17 & 17a) The purpose of this report is to provide the legislature with information on personal services including a discussion on:

- ▶ Who state workers are
- ▶ The types of positions that are hired
- ▶ How salaries are generally set
- ▶ How the state is doing at recruiting and retaining employees
- ▶ The impacts of retirement
- ▶ Current actions in relation to pay increases; and
- ▶ Budgetary implications for the 2015 biennium.

The report does not address those employed by the Montana University System.

03:05:23 Paul Stoll, Administrator, State Human Resources Division said she is confident the information presented is factual and thorough. She said after most of the broad band pay adjustments were implemented over the last fiscal year, state government pays about 13.3% less than competing employers within Montana and the four surrounding states.

03:10:12 **Rep. Gibson** asked if the committee will have the opportunity to provide recommendations at the November meeting. Ms. Carlson said if there is something staff needs to do to prepare for the budget analysis the committee needs to have the discussion now.

03:14:10 **Sen Ripley** asked for information on how many employees have not had an increase. Ms. Wilkinson said she will work with Ms. Stoll to gather the information.

03:41:59 Without objection, the committee requested LFD staff explore all the options listed in the report with the exception of the request for a performance audit of the classification system.

PUBLIC COMMENT

03:46:38 Fritz Gillespie, Commissioner of Public Defender

LUNCH

SCHOOL FINANCE TRAINING

04:57:49 Jim Standaert, Senior Fiscal Analyst, LFD presented the last School Finance Training. (Exhibit18) The focus of the presentation was on budgeted and non-budgeted funds.

COMMITTEE LEGISLATION

05:49:40 Julie Johnson, Staff Attorney, Legislative Services Division provided a summary of the LFC draft legislation. (Exhibit 19)

05:50:33 Kris Wilkinson, Senior Fiscal Analyst, LFD explained LC 157 is a bill that would provide for a statutory appropriation for the payment of lottery vendor fees. (Exhibit 20) The Montana State Lottery recommended the following language change: replace "vendor" with contractor; and delete of lottery tickets

05:51:39 **MOTION: Rep. Hollenbaugh** moved the word "vendor" be replaced with contractor under section 1 (3). **VOTE:** Motion passed.

05:52:05 **MOTION: Rep. Hollenbaugh** moved to strike "of lottery tickets" in section 1 (3). **VOTE:** Motion passed.

05:52:30 **MOTION: Rep. Hollenbaugh** moved a final bill be drafted for the November meeting. **VOTE:** Motion passed.

05:52:47 Pam Joehler, Senior Fiscal Analyst, LFD explained LC 172 is a bill defining "adjusted cost of education" and amending section 20-15-310, MCA. (Exhibit 21)

PUBLIC COMMENT

05:54:24 Jane Karass, President, Flathead Valley Community College

05:54:48 Stephanie Hicswa, President, Miles Community College

05:55:39 **MOTION: Rep. Sesso** moved a final bill be drafted for the November meeting. **VOTE:** Motion passed.

05:55:55 Julie Johnson, Legal Staff, Legislative Services Division, explained LC 299 is a bill eliminating certain reports and directing other reports to the Legislative Fiscal Analyst in an electronic format, and for forwarding concerns to the Legislative Finance Committee. (Exhibit 22)

05:58:04 **MOTION: Rep. Sesso** moved a final bill be drafted for the November meeting. **VOTE:** Motion passed.

05:58:54 Roger Lloyd, Senior Fiscal Analyst, LFD explained LC 328 is a bill revising the statutory appropriations laws; clarifying the recipient of certain statutory appropriations; clarifying the criteria for appropriate statutory appropriations and providing an effective date. (Exhibit 23) LC 329 is a bill clarifying the distributions

and amounts to be transferred from the state general fund to the research and commercialization state special revenue account; and providing an effective date. (Exhibit 24) The Department of Commerce noted an error on page 8. The correct fiscal year should be 2019 rather than 2018.

06:05:33 **MOTION: Rep. Sesso** moved LC 328 and LC 329 be finalized for the November meeting. **VOTE:** Motion passed

PENSIONS

06:06:43 **Rep. Hollenbaugh** provided an update on the joint meeting with SAVA. The result of the meeting was the joint committee forwarded a motion to both SAVA and LFC that both committees consider the Governor's proposal for both PERS and TERS retirement systems.

06:08:32 **Sen. Lewis** said the SAVA committee referred the proposed legislation back to the LFC for review and a recommendation.

PUBLIC COMMENT

06:16:30 David Senn, Executive Director, TRS
06:17:09 Roxanne Minnehan, Executive Director, MPERA
06:19:04 Alec Hansen, League of Cities and Towns
06:24:07 Sheryl Wood, MACO
06:27:54 Diane Fladmo, MEA-MET

06:29:20 Dave Bohyer, Researcher, Legislative Services Division reiterated the steps the legislature would need to take in order to impair the contracts.

1. "Is the proposed benefit reduction or contribution increase both "reasonable and necessary" to serve an important public purpose.
2. Have non-impairing alternatives been enacted or seriously analyzed and considered but proven to be insufficient
3. Have less impairing alternatives been seriously analyzed and considered but proven to be insufficient."

Mr. Bohyer said that the SAVA Committee did not engage in any analysis as to whether nor not there were non-impairing alternatives. He advised the committee to be on record as to how they arrive at the decisions they ultimately make. LFD staff provided copies of LC sa06 and LC sa07. (Exhibits 25 & 26)

06:32:35 **Rep. Sesso** asked the committee if they want to direct staff to provide a fiscal analysis of the proposed draft legislation.

06:42:34 **MOTION: Rep. Esp** moved to direct staff to explore what other options are available.

06:46:11 **Rep. Gibson** asked if SAVA had LSD staff research and analyze the three options. **Sen. Lewis** said the SAVA committee vote was to proceed with the bill and send it to the Finance Committee for review.

- 06:48:11 **Rep. Esp** withdrew his motion.
- 06:48:18 **MOTION: Rep. Hollenbaugh** moved the committee direct staff to analyze the fiscal impacts of LC sa06 and LC sa07 using all the resources that have been offered and provide a presentation at the November meeting. **PROXY VOTES:** Sen. Jones - yes, Sen. Gallus - Yes, Rep. Hiner - yes. **VOTE:** Motion passed; 11 to 1.
- 06:52:03 Amy Carlson, LFA provided an update on the PEW Center invitation on November 13th.
- 07:00:45 Stephanie Morrison, Fiscal Analyst II, and Pamela Joehler, Senior Fiscal Analyst, LFD provided a presentation on the pension model.

REQUIRED REPORTS

- 07:19:48 Kris Wilkinson, Senior Fiscal Analyst, LFD presented the Budget Amendments. (Exhibit 27) Staff has reviewed the amendments and has no concerns.
- 07:20:38 Taryn Purdy, Principal Fiscal Analyst, LFD commented on the Operating Plan Changes. (Exhibit 28) Staff has reviewed the proposed and implemented changes and raises no concerns.
- 07:20:53 Kris Wilkinson, Senior Fiscal Analyst, LFD presented the Required Reports. (Exhibit 29). For the September meeting the LFD received and reviewed nine reports. One report was not received until September 26 and is still under review by staff. Two reports are due and have not yet been received. The agencies have been notified.

COMMITTEE BUSINESS

- 07:22:22 Amy Carlson, LFA provided an update on the November meeting agenda items.
- 07:24:57 **Sen. Lewis** agreed to sponsor committee legislation for pre-introductory purposes.
- 07:28:18 Amy Carlson, LFA presented a longevity pin to Marilyn Daumiller, Senior Fiscal Analyst for 10 years of service for the State of Montana.

ADJOURNED

- 07:29:36 With no further business before the committee, Chairman Sesso adjourned the meeting at 3:34 p.m. The next meeting of the Legislative Finance Committee will be November 13, 2012.

Rep. Jon Sesso, Chair

Diane McDuffie, Committee Secretary