



LEGISLATIVE FINANCE COMMITTEE

61st Montana Legislature

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

SENATE MEMBERS

KEITH BALES
STEVE GALLUS
DAVE LEWIS
RICK RIPLEY
DAVID WANZENRIED
CAROL WILLIAMS

HOUSE MEMBERS

WILLIAM GLASER
CYNTHIA HINER
GALEN HOLLENBAUGH
LLEW JONES
JON SESSO
JANNA TAYLOR

CLAYTON SCHENCK, Lead Staff
DIANE MCDUFFIE, Secretary

MINUTES

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. **Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.**

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

Monday, June 15, 2009

COMMITTEE MEMBERS PRESENT

SEN. KEITH BALES
SEN. DAVE LEWIS
SEN. RICK RIPLEY
SEN. CAROL WILLIAMS

REP. WILLIAM GLASER
REP. CYNTHIA HINER
REP. GALEN HOLLENBAUGH
REP. LLEW JONES
REP. JON SESSO
REP. JANNA TAYLOR

COMMITTEE MEMBERS ABSENT

SEN. STEVE GALLUS
SEN. DAVID WANZENRIED

STAFF PRESENT

Clayton Schenck, LFA
Diane McDuffie, Committee Secretary

VISITORS

Roll Call, Attachment #1

Visitors' list, Attachment #2

CALL TO ORDER

00:00:01 **Sen. Keith Bales**, Acting Chairman, called the 208th meeting of the Legislative Finance Committee (LFC) to order at 9:00 a.m. on Monday, June 15, 2009. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana. The secretary noted the roll. (Attachment #1)

APPROVAL OF MINUTES OF PREVIOUS MEETINGS

00:01:41 **MOTION: Sen. Williams** moved the minutes of the April 2, 2009 meeting be approved as submitted. **VOTE:** Motion carried unanimously. **MOTION: Sen. Ripley** moved the minutes of the November 18, 2008 meeting be approve as submitted. **VOTE:** Motion carried unanimously.

ANNOUNCEMENTS

00:03:23 Clayton Schenck, LFA welcomed new LFC members to the 2011 Biennium Interim Finance Committee . Mr. Schenck noted that **Sen. Gallus** and **Sen. Wanzenried** sent proxies. He also introduced new LFD staff member Susie Lindsay, recently hired to fill the vacant Legislative Secretary position.

LEGISLATIVE FINANCE COMMITTEE OFFICER ELECTIONS

00:05:47 Mr. Schenck explained the rules and procedures on the election of officers. (Exhibit 1)
Sen. Bales opened nominations for election of a chairman. **Sen. Glaser** nominated **Rep. Llew Jones** for chairman. **MOTION: Sen. Williams** moved to appoint **Rep. Jones**. **VOTE:** Motion carried unanimously, with **Senators Gallus** and **Wanzenried** voting yes by proxy. **Rep. Jones**, as newly elected chairman, presided over the remainder of the committee meeting and opened nominations for for vice-chair. **Rep. Sesso** nominated **Sen. Williams** for vice-chair. **Sen. Bales** moved nominations be closed and ballot be cast for **Sen. Williams**. **VOTE:** Motion carried unanimously. **Rep. Jones** opened nominations for

secretary. **Sen. Glaser** nominated **Rep. Taylor** for secretary. **Sen. Bales** moved nominations be closed and ballot be cast. **VOTE:** Motion passed unanimously.

2011 BIENNIUM LEGISLATIVE FISCAL REPORT SUMMARY/STATUS

00:13:09 Mr. Schenck told the committee that publication of the 2011 Biennium Fiscal Report has been delayed because of the issues with HB 645 but should be completed in early July.

DISCUSSION OF GOVERNOR'S LINE-ITEM VETO OF HB 645

00:14:18 Mr. Schenck said this item was added to the agenda for members that may have questions about the numbers or language in HB 645. Pages from the bill with the line items was included in the committee notebooks under Tab 3. (Exhibit 2) Mr. Schenck said he spoke with Greg Petesch, Code Commissioner, and he did not have any legal issues with the vetoes.

BUDGET AMENDMENTS/PRIVATE FUNDS REPORT

00:22:25 Greg DeWitt, Senior Fiscal Analyst, LFD presented the Budget Amendments report (Exhibit 3). Mr. DeWitt said that as of June 11, 2009, the LFD received notification of 79 budget amendments certified by the Governor since between the November 2008 LFC meeting and the start of the legislative session. Each amendment, along with a brief explanation, is summarized in the report. He said that staff has reviewed the amendments and raised no concerns.

00:23:31 Taryn Purdy, Principle Fiscal Analyst, LFD presented the report on Operating Plan Changes and Program Transfers, and Program Transfers of a Time Sensitive nature (Exhibits 4 & 5). She gave a brief explanation of what operating plan changes and program transfers are and what the role of the committee. She said the LFD received 6 operating plan changes and 2 program transfers from the Office of Budget and Program Planning (OBPP) that meet the criteria. Also, there are 2 in the Department of Military Affairs. The request to transfer \$31,811 in the Montana Youth Challenge Program is incorrect and should be for the STARBASE Program. No action was required by the committee.

00:26:01 **Rep. Hollenbaugh** referred to Budget Amendment #720 and asked why \$2.0 million in the Department of Military Affairs is being spent on the Law Enforcement Terrorism Prevention Program instead of civilian law enforcement. Matt Stayner, Fiscal Analyst, LFD said the \$2.0 million are federal funds directed from the federal department of Military Affairs straight to the Army National Guard Funds. Mr. Stayner said he would inquire from the agency what those funds are used for.

00:29:40 Jon Moe, Fiscal Specialist, LFD presented the required reports (Exhibit 6). Mr. Moe explained that the required reports are a tracking of reports that the legislature put in statute or through bills to be submitted to the LFC and the LFD to monitor compliance or progress and to provide data relevant for staff analysis of budget issues for the next legislative session.

COMMITTEE BUSINESS

Discussion of process for Recruitment of Legislative Fiscal Analyst

00:44:26 **Rep. Hollenbaugh** asked Mr. Schenck to comment on the hiring process and termination payout. Mr. Schenck said the legislature created a fund for termination pay and there is the potential for overlap and the availability to pay due to vacancy savings.

00:48:59 **Sen. Ripley** asked if there is a procedure for hiring internally. Mr. Schenck said past practice has been to announce positions externally. There is no precedent for hiring internal.

00:55:58 **MOTION: Sen. Ripley** moved the chairman appoint a recruitment subcommittee of four members to provide a recommendation at the September meeting. **VOTE:** Motion passed. **Senators Wanzenried** and **Gallus** voted yes by proxy.

COMMITTEE BUSINESS

1:00:00 Clayton Schenck, LFA presented the items under committee business. (Exhibit 7)

LFD Operating Plan

Mr. Schenck explained that the LFC is the approving authority for the LFD budget. He asked the LFC to reaffirm the operating plan budget for the LFD, which is the same as the budget approved by the legislature.

01:05:25 **MOTION Sen. Bales** moved to approve the operating plan. **VOTE:** Motion passed.
Senators Wanzenried and Gallus voted yes by proxy.

LFC Proposed Meeting Dates 2011 Biennium Interim

Mr. Schenck discussed the proposed meeting dates for the biennium. No action was required by the committee on this item.

01:13:59 **BREAK**

DPHHS WORK PLAN, MILESTONES, AND PROGRESS TOWARD HEALTHY MONTANA KIDS IMPLEMENTATION

01:34:10 Ann Whiting Sorrell, Director, Department Public Health and Human Services, presented the 2009 Guide to the Montana Department of Public Health and Human Services. (Exhibit 8) The guide describes the 11 divisions and the 6 facilities overseen by the department.

01:38:34 Mr. Schenck pointed out the reports from the department are under tab 5 in the committee notebooks. The first item is the language in HB 2 with regard to the \$22.0 million and the requirement that the department submit a work plan at the first LFC meeting. (Exhibit 9)

At the request of **Senator Williams**, the department also provided a handout on the Case for the CSOC Wraparound Demonstration Projects From Placements to Permanency. (Exhibit 10)

In response to **Rep. Hollenbaugh's** question about budget amendment 720, Matt Stayner, Fiscal Analyst, provided a written response to the committee regarding the budget amendment that allows the Disaster and Emergency Services Division to spend a portion of a \$6.2 million grant. (Exhibit 11)

01:40:56 Mary Dalton, Medicaid and Health Services Manager, provided a report on Healthy Montana Kids (HMK) and a graph on CHIP Monthly Enrollment. (Exhibits 12 and 12a) Ms. Dalton discussed phase one of the HMK implementation plan, changes to current policies,

administrative activities, HMK communication plan, and outreach activities. Ms. Dalton responded to questions from committee members regarding CHIMES and the CHIP program.

DPHHS WORK PLAN TO EVALUATE BUDGET REDUCTIONS REQUIRED DUE TO OTO APPROPRIATIONS (HB 676)

- 02:04:53 Amy Carlson, Office of Budget and Program Planning, presented a report on DPHHS General Fund Ongoing and OTO Budget and Funding Summary. (Exhibit 13) She provided a summary and analysis of the DPHHS budget which was submitted and ultimately approved for the 2011 biennium. The graph summarizes the differences between the November 15 executive budget submission, and the assumed 2013 biennium ongoing HB 2 budget. She said the February caseload adjustment and recession spike were not calculated in the November 15 proposed budget. Estimated available one-time-only funding for the 2011 biennium is \$21 million. Total anticipated caseload pressures in the 2011 biennium are approximately \$36 million.
- 02:12:24 Hank Hudson, Economic Security Services Manager, DPHHS, provided a chart on Medicaid Enrollment by Eligibility Category, (Exhibit 14) which shows an increase in Medicaid eligibility as of May 2009. Mr. Hudson discussed the process of planning a budget for the 2013 biennium. He said the growth in Medicaid to some extent will drive the discussion on balancing the budget and how to design a budget that's sustainable within the parameters.
- 02:21:24 Lois Steinbeck, Fiscal Analyst, LFD commented that most of the eligibility increase is in children, and the state match for that should be paid from Healthy Montana Kids starting in November. Also, the nursing home population is declining and those are the most expensive folks served.
- 02:24:03 Laurie Lamson, Operations Services Manager, DPHHS discussed the 2013 Biennium Budget Reduction Proposed Work Plan. (Exhibit 15) She said the department will review alternatives to identify, evaluate, and select initiatives to reduce ongoing state spending as required by HB 676. The goal will be to balance expectations for services and programs with the resources to provide them in compliance with laws and regulations. Ms. Lamson said the department will provide quarterly updates to the committee and a report with recommendations will be prepared for the November 2010 budget submission.
- 02:29:10 **Sen. Lewis** noted that the legislature provided a one-time only 2 percent provider rate increase in HB 645 for this biennium. He asked Ms. Lamson what the department is looking at for the future. Ms. Lamson said the department has no plans in terms of cutting or increasing provider rates at this time.

DPHHS WORK PLAN FOR THE MEDICAID MANAGEMENT INFORMATION SYSTEM

REPLACEMENT (HB 10)

- 02:31:44 Ron Baldwin, CIO, DPHHS presented the MMIS Replacement Project report. (Exhibit 16) Mr. Baldwin discussed the project goals and objectives, scope and funding, governance, management approach, project milestones, and current status. The goal is to have a reliable modern system capable of processing claims and data from multiple programs and multiple plans within the programs.
- 02:47:25 **Rep. Glaser** asked if the state's CIO will be involved in the development of the new MMIS. Mr. Baldwin said the department has its own project management office and will not be relying on the state's CIO and project management office.
- 02:46:29 **Rep. Sesso** asked if the MITA board and the state's CIO have oversight or authority in the decisions being made. Mr. Baldwin said the state's CIO will be reviewing how funds are being spent and the overall performance of the project. If there is trouble in any of those areas, the state's CIO has the authority to intervene in the project. The project management office at the state level needs to review and approve the RFP as part of their oversight in addition to CMS.
- 02:56:09 **Sen. Bales** asked if a comparison had been done between a stand alone system and the fiscal agent. Ms. Dalton said the department did not do a comparative study. The state is not going to run the system, it will still be a claims payment system run by a fiscal agent as they have had for the last 25 years.

PUBLIC COMMENT

- 03:07:24 Rose Hughes, Executive Director, Montana Health Care Association expressed concern on how the 2 percent rate increases are being distributed. She testified that rates for nursing home facilities effective July 1, will be 1.65 percent rather than 2 percent. She said facilities are expecting the 2 percent provider rate increase.
- 03:08:32 Ms. Dalton said the department is in the process of a rule notice about the rate increase and have not come up with a final number.
- 03:11:50 **Sen. Lewis** asked Ms. Dalton to advise the committee members of the department's decision regarding provider rate increases.
- 03:10:02 Lois Steinbeck, Senior Fiscal Analyst commented that the subcommittee appropriated nursing home caseloads at the executive level. The budget office later requested the \$10.2 million be funded in HB 645. When the 2 percent provider rate increase was approved, it was assumed about \$1.6 million in HB 645 would be used to fund base nursing home costs. With the funds in HB 2, HB 645 and also patient contribution, the nursing home rate increase

could be as high as 2.3 percent. Ms. Steinbeck said she has been unable to get verification on discussions between the budget office and the department about how they are handling the increment in HB 645.

03:15:10 **Sen. Bales** said it was his understanding there would be a full 2 percent for providers and there needs to be justification if there isn't the full 2 percent. Ms. Dalton said if the number of bed days is greater than projected and funded at a full 2 percent the department will be overspent. She said the department will provide the justification as they get closer to the rule change.

03:15:49 Ms. Steinbeck said that based on calculations she prepared for Sen. Lewis using LFD estimates of nursing home days, there is adequate funding in what the legislature appropriated to fund the 2009 rate plus 2 percent. The information received from the department provides various scenarios using different days to get a base rate. She said she has not been able to find out exactly what has gone into their calculations and what information they are using. Also, she can not tell why their days of care would be different or why the rate would be lower other than perhaps the HB 645 increment is not considered base level funding and that was the only formal recommendation made by the budget office and acted on by the subcommittee. .

03:17:21 **Sen Williams** asked when the information was requested from the department. Ms. Steinbeck said about 2 weeks prior to the meeting and throughout this past week.

03:18:16 Clayton Schenck, LFA said there have been some issues with exchange of information with the department. This discussion highlights why it's important for the LFD to get information in a timely manner. He said he is working with the director and making progress on taking care of the issue.

03:23:02 **LUNCH**

LFC ORIENTATION:

LFC as Oversight over Information Technology Management

04:29:20 Greg DeWitt, Senior Fiscal Analyst provided an overview of the LFC's role as the oversight committee for the state's information technology (IT) management and offered options to clarify the expectations of the committee for dealing with IT policy oversight during the 2009/2010 interim. (Exhibit 17) Mr. DeWitt explained that in previous interim, the department presented regular reports to the LFC on the status of major IT projects. The presentation has been modified by the department with the intent on improving the quality of the presentation and includes a summary on the portfolio of all active IT projects and a series of detailed project status reports for all projects in the IT project portfolio. (Exhibit 18)

REPORT ON STATUS OF IMPLEMENTATION OF MERLIN

04:44:22 Larry Fasbender, Deputy Director, Department of Justice provided a brief update on the status of MERLIN. He said as of this morning, the operation of MERLIN is going smoothly. When MERLIN was up and running it was discovered that the business design did not bring over needed information from legacy and there were problems with the title and registration portion. He said there have been about 139 various defects and fixes put in place.

CIO REPORT

04:58:58 Dick Clark, Chief Information Officer, Department of Administration (DofA), said when MERLIN began there was a gap in project management. The DofA has its own project management office now and an interim policy. As MERLIN moved forward, the DofA provided support to the department on the contracts and will continue to provide support as needed.

05:10:56 **Rep. Taylor** asked if the time per client is going down and will that continue to go down. Mr. Fasbender said it will vary greatly. More information is being processed through MERLIN. **Rep. Taylor** commented that the people in her district have said they are spending more time at their computers. Mr. Fasbender said there is more work at the county level entering information. **Rep. Taylor** asked if the state owns the codes. Mr. Fasbender said the state does own the codes and will provide maintenance and support.

05:17:32 Harold Blattie, Executive Director, Montana Association of Counties said he is encouraged by Mr. Fasbender's report. At the district meeting he was still hearing concerns regarding the implementation process. If the problems have been corrected to the extent that Mr. Fasbender indicated it will be a welcome relief in the county treasurer's office.

05:19:38 **Rep. Sesso** asked Mr. Clark to discuss the role of the CIO regarding the new MMIS system. Mr. Clark said he will be involved in discussions with the director and his project manager will meet with Ron Baldwin, CIO, DPHHS on a weekly basis. **Rep. Sesso** asked if the department can enter into a contract without approval from the CIO. Mr. Clark said they can not. He also stated there is a formal federal procedure for DPHHS before they can move forward.

05:24:59 **Rep. Hollenbaugh** asked what was the participation of the CIO in the Montana State Fund data center. Mr. Clark said it was minimal at best. He presented an idea to the MSF board based on the total cost of ownership between what they were proposing and what the state was doing in the data center. The board turned down the idea and they proceeded ahead. Technically the MSF is under MITA but in reality they are moving ahead at their own pace. He said he has been working with them to provide oversight on the contracts. **Rep. Hollenbaugh** asked who controls the asset, and does the state now have three data centers. Mr. Clark said the state owns the three data centers.

- 05:36:28 Mr. DeWitt reviewed the process between the LFC and Department of Administration for interactions on IT policy issues and provided two options for consideration.
- 05:37:21 **MOTION: Rep. Taylor** moved to continue with the current process. **VOTE:** Motion passed.
- 05:39:54 **MOTION: Rep. Taylor** moved to obtain further details on projects that are red and/or yellow. **VOTE:** Motion passed.
- 05:41:00 **MOTION: Sen. Williams** moved to keep the reports as they are. **VOTE:** Motion passed.
- 05:41:56 **Sen. Bales** requested Mr. Clark provide a report for the September meeting that documents an evaluation of IT governance under MITA and provide recommendations for legislative consideration for making MITA more effective.

LFC ORIENTATION:

LFC Orientation: The Role/Authority of the Legislative Finance Committee

- 05:47:46 Taryn Purdy, Principal Fiscal Analyst, presented an orientation and overview of The Role/Authority of the Legislative Finance Committee. (Exhibit 19) She gave an overview of interim committees in general and then specifically for the LFC. Ms. Purdy detailed the following: 1) LFC duties; 2) general investigation and oversight; and 3) relationship of LFD to the LFC.

LFC ORIENTATION

The Role/Authority of the Legislative Fiscal Analyst/Staff:

- 05:57:11 Clayton Schenck, LFA discussed the role/authority of the Legislative Fiscal Analyst and staff. Mr. Schenck said it is clearly stated in statute that the legislative fiscal analyst may investigate, examine and obtain copies of records, books, and files of any state agency. LFC powers and authority start with the ability to obtain information. He raised this issue because it is a constant battle. He encouraged the LFC to support staff when there is an issue of availability to obtain information.

(Sen. Wanzenried joined the meeting)

PROPOSAL FOR LEGISLATIVE BRANCH TRACKING OF FEDERAL STIMULUS FUNDS (ARRA)

Barbara Smith, Legislative Fiscal Analyst, presented a report on Determining Legislative Oversight of the American Recovery and Reinvestment Act (ARRA). (Exhibit 20) Ms. Smith explained that the purpose of this report is to provide the Legislative Finance Committee (LFC) with a discussion format to determine the parameters and format of legislative oversight of activities related to the monies received under the ARRA. The LFC has the opportunity to determine what type of oversight should occur and how such oversight should

be managed.

06:18:05 Amy Sassano, Office of Budget and Program Planning said the budget office has established a reporting system for agencies to provide information regarding expenditures, timeliness, contractors, project progress, units of service, project location and job creations. This information will be collected on a monthly basis through the end of September at which time a switch to quarterly reports may be made. She said the first report is due today for expenditures in May and in a few days will be rolled out to www.recovery.mt.gov.

06:51:10 **MOTION: Sen. Bales** moved the chairman appoint a subcommittee to develop a oversight plan for the ARRA and submit the plan via email to the full committee for review. **VOTE:** Motion passed.

PUBLIC COMMENT

06:55:23 Rep. Mary Caferro provided testimony on behalf of WEEL. She expressed concern that certain sections of the population will not be positively impacted by the ARRA. The work investment money is not going to TANF families, those that live in deep poverty, and they are excluded from participating in the new worker training program and soon to be training that targets low income families. They need skills, skill building programs, and access to training and education to move their families out of poverty. She also said that it seems that the ARRA invested money in male dominated occupations and it would be interesting to have a gender analysis.

07:01:44 **ANNOUNCEMENT**

Mr. Schenck presented Barbara Smith with a longevity pin for 15 years state service.

07:02:29 **LFD PROPOSED INTERIM WORK PLAN**

Clayton Schenck, LFA presented the 2011 Biennium Proposed Work Plan. (Exhibit 21) This report summarizes the proposal of the interim work plan for the 2011 biennium. It represents a recommendation based upon the legislature, legislators, and staff input as topics for study. Mr. Schenck said that it is anticipated that the LFC will focus on a few major topics, while maintaining oversight of "all matters bearing upon financial matters of the state".

Following discussion of the various work plan items, the committee decided on the following work plan items:

- Monitoring of federal stimulus funding (ARRA)
- Monitoring and expanded report of state revenues
- Performance Measurement
- Monitoring implementation of Healthy Montana Kids

07:42:58 **Chairman Jones** appointed the following:

- Representatives Taylor and Hiner, and senators Lewis and Williams to the ARRA Oversight Subcommittee
- Representatives Glaser and Hollenbaugh, and senators Wanzenried and Ripley for the recruitment process for the LFA position
- Representatives Taylor and Sesso, and senators Ripley and Wanzenried to the Performance Measurement Subcommittee
- Representatives Jones and Sesso and senators Bales and Williams to the Management Advisory Work Group
- Representatives Hollenbaugh and Glaser to work with staff on IT governance

07:47:53 **NEXT MEETING**

The next meeting of the LFC will be Thursday and Friday, September 24 and 25, 2009.

07:53:39 **ADJOURNMENT**

Meeting adjourned at 4:54 p.m.

Representative Jones, Chairman

~~-Diane McDuffie, Committee Secretary-~~