



## LEGISLATIVE FINANCE COMMITTEE

### 60<sup>TH</sup> Montana Legislature

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

#### SENATE MEMBERS

TRUDI SCHMIDT--Chair  
KEITH BALES  
JOHN BRUEGGEMAN  
JOHN COBB  
DAVID WANZENRIED  
CAROL WILLIAMS

#### HOUSE MEMBERS

RICK RIPLEY--Vice Chair  
RON ERICKSON  
CYNTHIA HINER  
DAVE KASTEN  
JON SESSO  
JANNA TAYLOR

## 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.

OCTOBER 9, 2008

#### COMMITTEE MEMBERS PRESENT

SEN. TRUDI SCHMIDT, Chair  
REP. RICK RIPLEY, Vice Chair

SEN. KEITH BALES  
SEN. JOHN BRUEGGEMAN  
SEN. JOHN COBB  
SEN. DAVID WANZENRIED  
SEN. CAROL WILLIAMS

REP. RON ERICKSON  
REP. CYNTHIA HINER  
REP. DAVE KASTEN  
REP. JON SESSO  
REP. JANNA TAYLOR

#### STAFF PRESENT

Clayton Schenck, LFA  
Diane McDuffie, Committee Secretary

## ATTACHMENTS

Visitors' list, Attachment #1.

Roll Call, Attachment #2.

### 00:02:58 CALL TO ORDER AND ROLL CALL

**Senator Trudi Schmidt**, Chair called the 205th meeting of the Legislative Finance Committee (LFC) to order at 1:00 p.m. on Thursday, October 9, 2008. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana. The secretary noted the roll. (Attachment #2)

### 00:03:47 ANNOUNCEMENTS

Clayton Schenck, LFA introduced new staff member Matt Stayner recently hired to fill the vacant fiscal analyst position.

### 00:05:14 APPROVAL OF MINUTES FOR JUNE 5 & 6, 2008 LFC MEETING

**Senator Schmidt** noted on page 9 Mr. Semmens name was misspelled. Without objection, the minutes were approved with the noted correction.

### 00:05:50 GENERAL FUND STATUS: FY2008 ACTUAL/2009 BIENNIUM PROJECTED

Terry Johnson, Principal Fiscal Analyst, LFD presented a written report on General Fund Status: Fiscal 2008 Actual/2009 Biennium Projected and a power point presentation (Exhibits 1and 1a) The purpose of this report is to provide the committee with preliminary fiscal 2008 ending fund balance data for the general fund account. Mr. Johnson explained that this report provides a comparison between budgeted data as developed by the 60th Legislature and what actually occurred in fiscal 2008. It also provides aggregate information on revenue estimates and collections, disbursements and reversions, and an updated fund balance statement for the 2009 biennium including actions by the September 2007 Special Legislative Session. Mr. Johnson reported the preliminary ending general fund account for fiscal year 2008 is \$437.7 million, or \$246.9 million above the level anticipated by the 60th Legislature. Figure 1 on page 2 of Mr. Johnson's report shows the differences between budgeted and actual amounts for aggregate revenues, disbursements and other adjustments.

00:31:22 **Rep. Sesso** asked if the ending fund balance included the "watch" list. Mr. Johnson said the first three items have been included because they have taken place.

### 00:32:23 "BIG PICTURE REPORT"

Clayton Schenck presented the LFD General Fund Preliminary Budget Outlook "Big Picture Report" on behalf of the entire LFD staff. (Exhibit 2). He explained the purpose of this report is to provide the LFC and the members of the legislature with a preliminary projection of the general fund balance for the 2011 biennium at present law levels of revenue and expenditures. This report focuses on the projected present law fund balance in the general fund. In addition, it includes: 1) a discussion of the assumptions used to derive the present law projections; 2) a summary of the adjustments made to derive present law; 3) recommended LFD adjustments; 4) significant issues not included in the projections due to an uncertain or unknown impact; and 5) a discussion of the structural balance in the general fund account.

In summary, Mr. Schenck told the members of the LFC that the projected present law ending general fund balance for the 2011 biennium is \$778.6 million. He expressed caution in light of the potential of a significant economic downturn that is not fully captured in this projection. Until the severity of the economic crisis can be more reliably projected, staff recommends inclusion of \$275 million reserve leaving a projected present law ending fund balance of \$503.1 million when estimating funds available for policy decisions on

prioritization of present law expenditures, new initiatives, tax reform and an appropriate ending fund balance. Mr. Schenck and Mr. Johnson responded to various questions about revenues from LFC members.

01:55:50        **BREAK**

02:06:51        **MONTANA ECONOMIC OUTLOOK**

Patrick Barkey, Director, Bureau of Business and Economic Research, University of Montana provided a power point presentation on Recession 2008: What Will be the Montana Impacts? (Exhibit 3) He explained how construction has stalled and the natural resource boom has matured. In summary, Mr. Barkey said that the impacts of the last two recessions have been milder in Montana than the national average. But if the events of recent weeks result in a longer, deeper U.S. recession, its impact will be felt in Montana.

02:46:07        **HIGHWAYS STATE SPECIAL REVENUE ACCOUNT UPDATE**

Greg DeWitt, Senior Fiscal Analyst, LFD presented a report on the Highways State Special Revenue Account (HSRA). (Exhibit 4) This report presents the latest working capital analysis as of the end of FY 2008 and explains: 1) the assumptions used in the analysis; 2) the analysis results; 3) challenges the department faces due to financial stress of the federal highway trust fund; and 4) an issue with the practice of the Department of Transportation in managing the HSRA expenditures in accordance to constitutional and statutory directives. Mr. DeWitt explained that this update show separate working capital balance projections for the restricted and nonrestricted highways state special revenue accounts. Current projections of HSRA indicate that the working capital balance is adequate to fund current programs and services at the adjusted base level through the 2011 biennium. However, financial stress and uncertainty with the federal highway trust fund would likely complicate the department's future planning and may justify caution in appropriating HSRA during the 2009 Legislature. In addition, the Secretary of the U.S. Dept. of Transportation announced that the federal highway trust fund will have a zero balance on October 2, 2008, when the federal fiscal year 2009 begins. Congress has since transferred \$8 billion to this account. For projects yet to be awarded, the uncertainties with federal funds could result in project delays.

02:55:21        Pam Joehler, Senior Fiscal Analyst, LFD explained that during the interim the Budget and Appropriations Subcommittee found that the department is in noncompliance with statute. The statute that established the nonrestricted account states that any unexpended balance in the account must stay in the account. Current practice of the department is to transfer the balance from the nonrestricted account to the restricted account each year. Greg Petesch, Code Commissioner, LSD advised that the transfer of money out of the nonrestricted account violates statute. A letter from the LFC was drafted to the department Director specifically requesting a response at today's meeting.

02:59:51        Jim Lynch, Director, Department of Transportation, said they respectfully disagree. Mr. Lynch explained that the nonrestricted and restricted accounts were merged together during a budget hearing he attended and the legislature appropriated the spending out of that account collectively. Also, the nonrestricted account can be used for any highway expenditures. He also said they have received several financial compliance audits and had only one audit recommendation.

03:03:31        **Rep. Sesso** asked Mr. Lynch to address the concern of inadequate funds in the accounts to meet obligations to keep up with the federal allocation to Montana. Mr. Lynch said he feels the department can match every federal dollar received through the SAFETEA-LU Act.

03:08:25        **Rep. Taylor** asked if the Legislative Auditor would find that the department is in non-compliance with a federal rule and is there an easy fix. Mr. DeWitt said this has been determined by Greg

Petes, Code Commissioner, LSD to be a noncompliance issue. In addition transferring the funds to the restricted account inappropriately shields nearly \$11.0 million annually of revenues from being prioritized and appropriated for other purposes.

03:11:20 Director Lynch said this represents less than 4 percent of their total budget and would be happy to see if there is an accounting fix that can be done internally to satisfy the committee.

03:25:30 **MHESAC ISSUES UPDATE**

Mick Robinson, Deputy Director, OCHE provided a handout on the Implementation Status of Task Force Recommendations as of July, 2008. (Exhibit 5) Mr. Robinson noted that a report was presented to the Board of Regents from MHESAC on a number of the recommendations regarding communication between the various boards. Of the 42 recommendations in the report, Mr. Robinson said there are 25 that have been fully implemented, 8 require ongoing communication, 6 deal with Volume cap and are ongoing, 4 are classified as open, and 2 deal with the Student Assistance Foundation Board. In summary the Board of Regents is satisfied with the implementation status of these recommendations.

03:32:05 **Sen. Cobb** asked when a decision will be reached regarding volume cap. Mr. Robinson said CFAC has a meeting scheduled for October 15 and draft legislation has been proposed.

03:34:00 **Rep. Kasten** asked if there is a way to determine in-state and out-of-state volume on student loans. Mr. Robinson said volume cap cannot be used for out of state students. Mr. Stipich said the MHESAC portfolio is about \$1.4 billion and about 500 million is non Montana individuals.

03:38:45 Jim Stipich, President, Student Assistance Foundation (SAF) reported that MHESAC is on track to deliver the same amount of volume as in the past. MHESAC has suspended its consolidation loan program and students are being referred to the federal direct loan program. There continues to be no buyers for auction bonds but some bonds have been redeemed from payments received from students. In FY 08 borrowing costs were \$19.7 million higher than any previous year. That was funded with \$5.0 million of prior reserves and \$14.7 million out of FY 08 earning stream. That has resulted in MHESAC incurring an \$8.0 million loss in FY 08. For the next 6 months they are projecting they will incur another \$3.0 million loss.

03:52:59 **Rep. Ripley** asked if MHESAC will be operating under the State open meeting law. Mr. Stipich said the Board looked at this recommendation and agreed to support legislation that MHESAC would find acceptable that would allow them to conduct business, and to satisfy Montana's open meeting law. A bill draft was provided to the committee. (Exhibit 5a)

03:50:21 Bruce Marks, Director, Montana Guaranteed Student Loan Program, (GSLP) provided a handout showing the comparison of loans disbursed from the beginning of FY 08 through September 30, 2008 to the beginning of FY 07 through the time period, and the cohort default rates for 2006. (Exhibit 5b) Mr. Marks said the GSLP is about \$9.4 million ahead of last year at this time. In addition, the President has signed a bill that will ensure access in the next academic year, 2009 - 2010. It also allows a guarantee agency to provide capital to students in the event of a complete emergency or disruption of the market.

03:56:37 **Sen. Cobb** asked if the Universities froze tuition why did the loans increase. Mr. Marks said recent legislation passed at the federal level also increased student loan limits and borrowers will access loans when they are available regardless of the increase in tuition or fees.

03:57:45 Steve Barrett, Chairman, Board of Regents, commented that the taskforce worked on a bill regarding the open meeting laws. He said Rep. Villa's bill addresses that specific point and it also subjects MHESAC and anybody who services MHESAC loan documents to legislative audit.

04:01:00 David Ewer, Budget Director, OBPP stated that progress has been made. However, every other bond issuer related to state government has a limit on how much debt they can issue. MHESAC is by definition, like many other bond issuers, a very highly leveraged business. He is not proposing a limit on MHESAC at this time. The important point is the MHESAC has come to an agreement with Rep. Villa in a bill draft to provide transparency.

04:08:05 **LFC COMMITTEE BILL DRAFTS: LC0147 - STUDY STUDENT LOAN SYSTEM**

Ms. Joehler explained LC0147 is a joint resolution requesting an interim study of the student loan system in Montana. (Exhibit 6) The study would address several issues, including a comparative analysis of the guaranteed student loan program, to identify options for the optimum level of student debt load for Montana resident students, and identify policy options related to state funding of need based financial aid versus merit based financial aid.

04:14:33 **MOTION: Sen. Wanzenried** moved to approve LC0147 as a committee bill. **VOTE:** Motion passed. **Sen. Wanzenried** will sponsor the bill.

04:15:40 **GRAYING OF MONTANA - AGING SERVICES**

Lois Steinbeck, Senior Fiscal Analyst, LFD presented a report on Graying of Montana - Aging Services. (Exhibit 7) Ms. Steinbeck explained that at the June LFC meeting, the committee discussed the bill draft (LC0115) request for an interim study on the long-term impacts of the effect of Montana's demographics on state and local revenues and spending. She discussed the major aging programs and services administered by the Senior Long-Term Care Division (SLTC) of the Department of Public Health, expenditures by service type, and the use of the \$1.5 million one-time general fund appropriation added by the 2007 Legislature.

04:29:43 **SUBCOMMITTEE REPORT: JOINT LFC/RTIC SUBCOMMITTEE ON LONG TERM STABILITY OF THE GENERAL FUND**

**Sen. Bales** explained that LC0115 is a bill draft requested by the joint subcommittee requesting an interim study of potential long-term effects of demographic, economic, social and other trends in Montana on state and local government programs. (Exhibit 8) It also requires the Dept. of Revenue to assist the committee in certain aspects of the study, requiring state agencies to provide certain information to the Department of Revenue. The Revenue and Transportation Committee has met and approved the bill. **Sen. Bales** recommended the LFC also sponsor the bill.

04:35:39 Terry Johnson, Principal Fiscal Analyst, LFD explained that LC0115 has three appropriations. The first appropriation for \$5,000 is so the study committee can begin work as soon as session is over. The section appropriation for \$220,000 is for LSD to hire 1 additional FTE, to fund the committee work, and contractual services. The \$75,000 appropriated to the LFD is specifically for 1 additional FTE.

04:49:14 **MOTION: Sen Bales** moved the Legislative Finance Committee co-sponsor LC0115. **VOTE:** Motion passed. Representatives Kasten and Taylor voted no.

OCTOBER 10, 2008

**COMMITTEE MEMBERS PRESENT**

SEN. TRUDI SCHMIDT, Chair  
SEN. KEITH BALES  
SEN. JOHN BRUEGGEMAN  
SEN. JOHN COBB  
SEN. DAVID WANZENRIED  
REP. RON ERICKSON  
REP. CYNTHIA HINER  
REP. DAVE KASTEN  
REP. JON SESSO  
REP. JANNA TAYLOR

**COMMITTEE MEMBERS ABSENT**

SENATOR CAROL WILLIAMS  
REP. RICK RIPLEY, Vice Chair

**STAFF PRESENT**

Clayton Schenck, LFA  
Diane McDuffie, Committee Secretary

**ATTACHMENTS**

Visitors' list, Attachment #3  
Roll Call, Attachment #4  
Proxy for Senator Carol Williams, Attachment #5

00:04:09      The 205th meeting of the Legislative Finance Committee (LFC) reconvened on Friday October 10, 2008, and was called to order at 8:00 a.m. by **Senator Trudi Schmidt**, Chair. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana. The secretary noted the roll. (Attachment # )

00:05:51      **LFC BILL DRAFTS**

Lois Steinbeck, Senior Fiscal Analyst, LFD provided a report on Statutory Requirements to Offset General Fund Spending (Exhibit 9). Ms. Steinbeck explained that at the June LFC meeting, the committee heard a staff report about two statutes that govern expenditure of other funds (nongeneral fund) prior to expenditure of general fund. Two options for LFC action were included in the report along with draft language to define "income" in 17-7-301.

00:12:15      **Sen. Wanzenried** asked what will happen if no action is taken. Ms. Steinbeck said the approving authority is not required to spend nongeneral fund first. If there is excess state special revenue that could be used to offset general fund in another program, statute does not require an approving authority to do that.

00:16:07      David Ewer, Director, OBPP said the supplemental process has not been abused and he is opposed to changing the law.

00:20:41      Clayton Schenck, LFA said the issue is the way the law has been interpreted by the executive and LFD. If an agency has state special revenue that is not restricted then it is to be used in place of general fund by statute. Greg Petesch, Code Commissioner, LDS has determined that this statute applies only within a single program. If the LFC chooses to take no action than it is no longer an agency wide requirement and it gives the executive more flexibility.

00:24:21      *LC0269*

Pam Joehler, Senior Fiscal Analyst explained LC0269 (Exhibit 10) is a housekeeping bill that replaces the

inappropriate use of the terms "appropriate" or "appropriated" in current statute, repeals obsolete statutes, and includes other housekeeping changes. This bill was recommended from the Budget & Appropriations Subcommittee.

00:26:40       **MOTION: Sen. Wanzenried** moved the LFC approve LC0269 as a committee bill. **VOTE:** Motion passed. Sponsor of the bill will be **Rep. Taylor**.

00:28:44       *LC0270*

Ms. Joehler explained LC0270 (Exhibit 11) clarifies the use of coal tax revenue currently deposited into the accountoil, gas, and coal natural resource account and revises the revenue streams to the oil, gas, and coal natural resource account into two separate state special revenue accounts. This bill was recommended from the Budget & Appropriations Subcommittee.

00:31:43       **MOTION: Sen. Bales** moved the LFC approve LC0270 as a committee bill. **VOTE** motion passed. Sponsor of the bill will be **Sen. Bales**.

00:28:10       *LC0271 and LC0272*

Ms. Joehler explained LC0271 (Exhibit 12) deletes an invalid appropriation in current statute that appropriates bond proceeds to the Department of Commerce for aerospace and technology projects and inserts a new appropriation for the same amount and purpose as current statute. LC0272 (Exhibit 13) repeals Section 17-5-820, MCA, as the bonding authority authorized in this statute since 1999 has never been used. These bills were recommended from the Budget & Appropriations Subcommittee.

00:36:13       **PUBLIC COMMENT**

Dave Micheletti, President of Montana Aerospace Development Association (MADA), urged the committee not to revoke the authority. He said bonds have not been used as a result of the way the bill was originally drafted. It is their position the bill could be modified to become more useable for the more typical small aerospace related initiatives. Their recommendation would be to work with the committee to amend the bill to make it a useable tool for aerospace economic development within the state.

00:42:30       **MOTION: Rep. Sesso** moved the LFC approve LC0271 as a committee bill and to allow for the bill to be amended to be more useful for smaller projects.

00:43:48       **Sen. Bales** said he does not know what language is being proposed and would be hesitant to vote for this as a committee bill.

00:47:27       **AMENDED MOTION: Rep. Sesso** amended his motion to approve LC0271 as a committee bill as is. **VOTE:** Motion passed. Sponsor of the bill will be **Rep. Sesso**.

00:48:19       **MOTION: Rep. Sesso** moved to table LC0272 at this time. **VOTE:** Motion passed.

00:50:00 LC0273

Ms. Joehler explained LC0273 (Exhibit 14) amends the definition of enterprise funds subject to appropriation. She said during the statute review by the Budget and Appropriation Subcommittee they found an instance where there were two different definitions for enterprise funds subject to appropriation.

00:51:43 **MOTION: Senator Cobb** moved the LFC approve LC0273 as a committee bill.

**VOTE:** Motion passed. Sponsor of the bill will be **Rep. Hiner**.

00:52:26 LC065

Roger Lloyd, Senior Fiscal Analyst, LFD explained LC065 (Exhibit 15) is a bill from the Budget and Appropriations subcommittee that eliminates certain general fund transfers. At the June meeting, the committee requested this bill be posted to the LFC website for public comment. One comment was received from the Dept. of Agriculture expressing concern that this committee couldn't guarantee a continued source of general fund appropriation beyond the next biennium and concern that the legislature would cut this primary source to the noxious weed state special revenue fund.

00:54:12 **PUBLIC COMMENT**

Joe Foster, Administrator, Montana Veterans Affairs Division, said he provided comment on April 15th. stating concerns with the state special revenue accounts with the State Veterans' Cemetery and the Veterans' Services. He said the state special revenue and the reserves provides maintenance and operations for three state veterans cemeteries. The veterans services account was intended to grow the veterans services program which it has done. The concern with these being general fund revenue is it will more difficult to attain additional FTE or initiatives.

00:57:18 David Ewer, Director, OBPP, provided a letter expressing concern with eliminating certain general fund transfers that would result in some agencies having to re-compete annually for general fund appropriations. (Exhibit 15a) Mr. Ewer explained one of the reason these transfers exist involves a trade off resulting from the "Big Bill" (HB 124), in which affected agencies agreed to de-earmark themselves from historic sources of funding in return for the funding certainty that came from having statutory transfers.

01:01:57 **Rep. Sesso** said he would be a proponent of amending the bill to take out the Veterans' Affairs account and the noxious weed account.

01:07:09 **Sen. Schmidt** said she also received concern about eliminating the senior citizens and persons with disabilities transportation services account.

01:13:10 **MOTION Sen. Cobb** moved the LFC approve LC 0065 as a committee bill.

**ROLL CALL VOTE:** (Exhibit 15b) Motion passed.  
Sponsor of the bill will be **Sen. Wanzenried**.

01:10:00 LC0066

Roger Lloyd, Senior Fiscal Analyst, LFD explained LC0066 (Exhibit 16) is a bill from the Budget and Appropriations subcommittee that eliminates certain statutory appropriations. These are statutory appropriations that have not been used. This bill also consolidates five statutory appropriations that deal with horse racing and it eliminates one section of law that contains an invalid statutory appropriation. He provided a memo recommending changes to add an additional statutory appropriation (Exhibit 16a) He explained that the current statute and process unnecessarily complicates the accounting of the general fund statutory

appropriation to the Montana University system, created in the 2007 session in HB 95. Since the state entity who spends the money is the Board of Regents, the statutory appropriation could be provided to that entity and not the Department of Administration. The suggested statutory changes to accomplish this are attached to the memo.

01:18:24 Joe Foster, Administrator, Montana Veterans' Affairs Division expressed concern with eliminating the statutory appropriation for the Cemetery Program and testified that it was used this fiscal year in regards to the Western Montana State Veterans' Cemetery construction process and at Fort Harrison for the Montana State Veterans Cemetery for expansion of closed casket burial space.

01:19:48 **MOTION: Senator Cobb** moved the Montana Veterans' Affairs Division be removed from the bill and that the LFC approve LC0066 as a committee bill and include the amendment 19-21-203, MCA. **VOTE:** Motion passed. Sponsor of the bill will be **Sen. Wanzenried**.

01:22:00 *LC0146*

Jon Moe, Fiscal Specialist, LFD said LC0146 would establish a budget stabilization account (rainy day fund) that would hold moneys in reserve for periods of revenue shortfalls. (Exhibit 17) The fund would be capped at 9 percent of general fund appropriations and transfers for the biennium. The bill would be effective upon passage and approval, with the first potential transfer occurring in December 2010.

01:27:48 **MOTION. Senator Wanzenried** moved that the LFC approve LC0146 as a committee bill.

01:28:04 **Rep. Taylor** commented that she would not be voting for the bill. She said it would be difficult for her to bank the tax dollars paid by people that may be losing their jobs and homes. She also commented that she would not object to raising the amount of the ending fund balance.

0130:04 **VOTE:** Motion passed. Sponsor of the bill will be **Senator Wanzenried**.

01:25:11 *LC0103*

Barbara Smith, Fiscal Analyst, LFD explained that LC0103 requires purchases of abandoned mine land be approved by the Board of Land Commissioners. (Exhibit 18)

01:31:59 **MOTION: Sen. Brueggeman** moved the LFC approve LC0103 as a committee bill. **VOTE:** Motion passed. Sponsor of the bill will be **Rep. Erickson**.

01:32:32 *LC0268*

Taryn Purdy, Principal Fiscal Analyst, LFD said LC0268 increases the limit on the size of program transfers or operating plan changes that trigger the need for LFC review from 25 percent and \$25,000 to 25 percent and \$75,000. (Exhibit 19)

01:33:25 **MOTION: Sen. Wanzenried** moved the LFC approve LC0268 as a committee bill.

**VOTE:** Motion passed. Sponsor of the bill will be **Rep. Sesso**.

01:33:54 *LC144*

**Rep. Sesso** said that LC0144 was patterned off the State of Washington and in discussions with the executive, they consider this to potentially be a burden on the department to fulfill the requirements, particularly a cost benefit analysis when an office changes their lease. An alternative to amend existing law to include a threshold on leases that have to come before the legislature was also discussed. **Rep. Sesso** also reported that the State is currently involved in 351 leases, 312 are less than 10,000 sqft., and the majority of the 312 are

less than 10 years.

Greg DeWitt, Senior Fiscal Analyst explained that LC0144 revises the requirements for state facility planning and management, including additional analysis and review, accountability, and oversight. (Exhibit 20) The bill requires the design, implementation, and use of a space needs analysis; the design, implementation, and development of a cost-effective life-cycle cost model; the creation and presentation to the next legislature of a facility plan; and the development and maintenance of an inventory database. The bill also places a limit on the length of leases into which the department of Administration may enter. An alternative bill was proposed by the executive that provides a threshold on building size and terms. LC0144 would require 8 FTE in order to implement the bill. The executive also determined the bill was so intertwined that it would be impossible to delete certain sections.

01:40:39 Janet Kelly, Director, Department of Administration said she believes the department completed a thorough analysis in reaching the decision that in order to implement LC0144 the department would need 8 FTE. The department is ready to continue working with the subcommittee members in making some modifications for the committee to review. In terms of the extensive nature of LC0144, Director Kelly said she does think a bill that comprehensive is not needed.

01:42:01 **Sen Wanzenried** said there should be a level where the executive is required to bring a proposal to lease to the legislature for approval. There also needs to be a greater effort made to obtain more information about the cumulative effect of the leases undertaken between sessions.

01:47:12 **Rep. Sesso** commented that energy costs are a major component of the leased spaces. He said he would commit to continue working with the LFD staff and the department towards legislation that would provide an appropriate amount of reporting to the legislature and an appropriate amount analysis on leases. Action on the bill was deferred until the November meeting.

02:14:44 **FIRE SUPPRESSION COSTS FY 2009**

Barbara Smith, Fiscal Analyst, LFD presented a report on Fire Suppression Costs FY2009. (Exhibit 21) Ms. Smith reported that the state has incurred \$8.5 million in fire suppression costs as of September 5, 2008, of which \$2.5 million is reimbursable by other parties, creating a net cost to the state of \$6.0 million. This total compares to an average fire season state share cost of \$17.7 million and a FY 2008 state share cost of \$50.0 million. The state share of fire costs will be paid from the fire suppression fund created and appropriated in HB 3 of the September 2007 Special Session.

02:19:14 **Sen. Cobb** said the Fire Suppression Committee is working on a new funding mechanism to cut the cost of fighting fires that will be available in the next few weeks.

02:14:27 **OTHER REPORTS**

Budget Amendments Greg DeWitt, Senior Fiscal Analyst, LFD presented the Budget Amendments report. (Exhibit 22) Mr. DeWitt reported that the LFD received notification of 95 certified budget amendments since the June 2008 meeting. The amendments increase total funds by \$1.3 million in FY 2008 and \$11.4 million in FY 2009. An additional 0.54 FTE in FY 2008 and 26.93 FTE in FY 2009 have also been added. Staff has reviewed the amendments and raises no concerns.

02:21:15        **Operating Plan Changes**

Taryn Purdy, Principal Fiscal Analyst, LFD presented the Operating Plan Changes and Program Transfers (Exhibit 23) Ms. Purdy explained that the Office of Budget and Program Planning (OBPP) submitted 1 operating plan change that meets the criteria. OBPP has also submitted 22 operating plan changes and 3 program transfers already approved due to time sensitivity. Staff has reviewed the changes and raises no issues.

02:22:18        **Require Reports**

Clayton Schenck, LFA presented the Required Reports for October 2008. (Exhibit 24) Mr. Schenck said that these reports are required by statute to be provided to the committee for information purposes unless there is an issue identified by staff.

02:23:20        **MONTANA STATE HOSPITAL UPDATE OCTOBER 2008**

Lois Steinbeck, Senior Fiscal Analyst, LFD presented a report on Montana State Hospital Update. (Exhibit 25 ) Ms. Steinbeck discussed the nursing staff vacancies, MSH population, development of 72 hour community crisis stabilization services for adults, and preliminary 2011 biennium budget request for adult mental health services.

02:30:38        Lou Thompson, Administrator, Addictive and Mental Disorders Division, DPHHS provided a chart on the Montana State Hospital Daily Census Jan 2008 - Sept 2008 (Exhibit 25a) Ms. Thompson said the chart shows how the implementation of the goal 189 services as well as the presumptive eligibility program has impacted the MSH daily census. The two have happened simultaneously an causal relationship hasn't been established but they are very optimistic that this enhancement of community based services, resources, and intervention has had a positive impact on the census at the MSH.

02:31:59        **Sen. Wanzenried** asked what is happening to those in need due to the delay of the telepsychiatry services. The majority of the services provided under the presumptive eligibility program are provided by crisis teams and community mental health centers. At the hospital level, the majority of those services are being provided either at the Billings Clinic or St. Patrick's. Where an impact is expected to be seen is in the smaller communities where they don't have mental health professionals on staff.

02:35:30        **Rep. Sesso** asked why private providers or contract services have not been considered. Ms. Thompson replied that within the timeline set by the RFI one response was received from a group of practitioners who did not have much experience working with individuals in the most acute stage of their illness. Subsequent to the closing of RFI a proposal was received from a State provider offering a service that was between the hours of 8 and 5. A letter will be provided to the provider offering to bring them into the program.

02:32:32        **FISCAL IMPLICATIONS OF EPA AUDIT ON PUBLIC WATER SUPPLIES**

Barbara Smith, Fiscal Analyst provided a report on the Cost of Safe Drinking Water. (Exhibit26) The purpose of this report is provide the committee with information and fiscal implications of the recent review of the Public Water Supply (PWS) by the EPA. Ms. Smith stated that DEQ has primacy over the Safe Water Drinking Act and the recent review by the EPA determined that DEQ lacked staff and resources to adequately enforce PWS regulations. In an attempt to address this issue, DEQ requested approval from the Office of Budget and Program Planning to hire 9.0 modified FTE utilizing a portion of available carry forward authority and cash from the natural resources operating fund. Because they are modified FTE they have to be re-approved in the next session by the legislature. Funding for the PWS comes from a variety of sources with the primary source being state special revenue, which contains the services connection fees that are

capped at \$2.00 per connection. In order to continue to support this program the legislature will need to address how many FTE are needed, how to fund the program, and whether or not to increase the fees. The department is required to file a corrective action plan with the EPA in mid-December to address the training of new FTE, a process to correct regulatory errors, re-application for primacy, and reduction in current backlog of unaddressed violations under the Safe Water Drinking Act.

02:45:36 Richard Opper, Director, Department of Environmental Quality, agreed with Ms. Smith's report and said he was available for questions.

02:46:06 **Rep. Sesso** asked if the request for funding will be part of the Governor's budget. Mr. Opper said the department has a request for funding to maintain additional FTE. **Rep. Sesso** also asked Mr. Opper if he concurs that there will be a drop in federal funds to support this program. Mr. Opper said the federal government financial position looks anything but sustainable and the future of federal funding looks pretty bleak. In order to fully fund this program, a 50 percent increase would be needed to keep up with inflationary costs. To afford the additional staff the fee would have to be increased by \$6.00 per year.

02:49:52 **Rep. Erickson** said he requested legislation to increase the fee to \$2.50. He noted that money will be needed to replace the hazardous waste money.

02:53:46 **RETIREMENT FUNDS: REPORT ON 2008 VALUATIONS OF THE RETIREMENT PLANS**

Jon Moe, Fiscal Specialist provided a report on Retirement Funds: Report on 2008 Valuations of the Retirement Plans. (Exhibit 27) The purpose of the report is to provide the committee with an update on the actuarial soundness of the various pension plans. Mr. Moe said the actuarial evaluations for 2006, 2007 and 2008 as of June 30, are summarized in the attached spreadsheet. Also provided in the spreadsheet is key data regarding each of the nine pension plans, assets and liabilities, and the amortization period. The amortization period for the 2008 valuation are within a 30 year period except for the Teacher's Retirement system, which is at 31.3. The actuarial soundness of the plan is somewhat stabilized by "smoothing", a technique that spreads gains and losses out over a period of time. However, the current valuation does not take into account the impact of economic events since June 30, 2008.

02:58:42 **CURRENT STATUS OF RETIREMENT FUNDS INVESTMENT PORTFOLIO**

Carroll South, Executive Director, Montana Board of Investments provided a handout on Pension Funds & Investments. (Exhibit 28) Mr. South reported that the Public Employees' Retirement System had a paper loss of \$195 million, while the Teachers Retirement System lost \$150 million. The other seven retirement systems for groups had paper losses totaling \$41 million. The decreases in the funds' values are called paper losses because the stocks have lost value, but that loss has not been realized through a transaction. The good news is the public employee's pensions in Montana are constitutionally guaranteed and retired public employees will still get their pension checks.

03:18:02 **Rep. Erickson** asked how the cash flow is changing overtime. Mr. South said the stability in the portfolio is the bonds and real estate. Year to year the bond portfolio will generate about the same amount of money.

03:23:23 **Rep. Taylor** asked for an update on the losses since June 30. Mr. South said he couldn't give an estimate because the year-end totals came from an audit. He did say that the international stock index has fallen by 34 percent since July 1 and domestic stock index fell 23 percent. The pension funds has nearly 40 percent of their investments in the domestic

stock index and 20 percent in the international stock index.

03:27:45 **Sen. Brueggeman** said it would be important for the upcoming legislative session based on where the market is now, to look at potential cash reserves in November.

03:24:51 **INFORMATION TECHNOLOGY MANAGEMENT UPDATE**

Dick Clark, Chief Information Officer, Dept. of Administration presented the CIO Report and IT Portfolio. (Exhibit 29 and Exhibit 29a) Mr. Clark reported that projects are overall in good standing, with the exception of the data center project. Bids are out now for both data centers (Miles City and Helena) and until the bid prices are determined it will be in red status.

03:32:28 **Sen. Cobb** requested a followup from the department on Dept. of Justice and Commissioner of Political Practices at the November meeting.

03:40:13 **STATE FUND BUDGET PRESENTATION**

Kris Wilkinson, Fiscal Analyst, LFD presented the 2009 State Fund Budget Analysis ( Exhibit 30) Ms. Wilkinson said that statute requires (MSF) present the board approved budget to the LFC no later than October 1 for their review. While the LFC reviews the MSF 2009 budget, it has no authority to require MSF to change its budget unless it amends statute. Ms. Wilkinson focused her discussion on the following:

- Loss costs for state agencies generally increase, although the class code associated with the largest amount of payroll decreases;
- Manual rates for employers in FY 2009 will decrease on average 3 percent;
- Questions are raised on how the board will achieve actuarially recommended equity targets by 2014;
- The FY 2009 budget once again appears to contain sufficient excess budget authority to fund employee incentive payments using vacancy savings;
- An issue is raised with the inclusion of commissions paid to independent insurance agents in the premium rates of all employers for services provided to fewer than half of covered employers; and
- The Old Fund Liability continues to increase, general fund payments for benefits appear to be needed by FY 2012.

Ms. Wilkinson also provided a letter from Russell Greig, FCAS, MAAA, CFA, Towers Perrin, requesting a response to the questions " Does MSF actuary consider MSF equity sufficient posed by Ms. Wilkinson in her report. (Exhibit 30a)

03:57:30 Laurence Hubbard, CEO, Montana State Fund commented on the particular points raised in Ms. Wilkinson's report. Mr. Hubbard also provided the Montana State Fund Financial Report Fiscal Year End June 30, 2008 and the 2009 Strategic Business Plan. (Exhibits 30b & 30c )

04:01:23 Mark Barry provided a handout on Montana State Fund (MSF) Financial Summary FY 2008. (Exhibit 30d) This included several balance sheets, income statements, and information on the Old Fund liability. Mr. Barry gave a brief overview of the MSF financial performance.

04:27:03 **Rep. Erickson** asked Mr. Hubbard if the Montan State Board would commit to reporting to the Legislative Finance Committee on their plan to achieve the recommended equity targets.

04:21:41 Mr. Hubbard said the Strategic Business Plan has a plan for growth of equity and contribution to equity until 2011. He said he would commit to report on MSF's plan based on what the actuary recommends.

05:07:25 **WORK GROUP REPORT: STATE FUND STUDY**

Kris Wilkinson, Fiscal Analyst, reported that the work group met on October 8th and a report on performance audit was presented along with a presentation by the MSF on their 2009 budget and 2009 Strategic Business Plan. A report on state agency policy options was also discussed and the work group moved to draft a bill requesting a Joint Resolution study to examine options for the state of Montana to obtain workers' compensation insurance. (Exhibit 31)

05:09:35 **Rep. Erickson** commented that preliminary data from Ms. Wilkinson's report shows a possibility of savings for the State to self insure. The resolution provides an opportunity to study the 38 policies and to look at self insurance.

05:11:43 **MOTION: Rep. Erickson** moved the Joint Resolution be approved as a committee bill.  
**VOTE:** Motion passed. Sponsor of the bill will be **Rep. Erickson.**

05:12:26 **SUBCOMMITTEE REPORT AND RECOMMENDATIONS: BUDGET AND APPROPRIATIONS PROCESS**

**Sen. Wanzenried** said the subcommittee discussed the statutory definition for capital projects, institutional processes, global budget issues, revising laws for acquisition of state office space, and LFC approved policy statements for: 1) requiring sunset dates for any new statutory appropriations; and 2) prohibiting legislation that establishes on-going general fund transfers (also applies to non-GF). The subcommittee will be meeting again in November to finalize global budget issues. Another issue that needs addressing is the next stage of performance measures and how to share the information with others.

05:17:47 Clayton Schenck, LFA said if the committee chooses to make the policy statements, the LFC may want to consider working with leadership to ensure all the bills come through the appropriate committees.

05:18:37 **Sen. Wanzenried** said during session when the first hearing takes place on the revenue estimates members from this committee should testify about the need to ensure that the revenue estimate passes.

Jon Moe, Fiscal Specialist distributed the report on Process for Handling the Global Issues Recommendations to the Legislature for the committee review and discussion. (Exhibit 32) No action is needed at time.

05:21:07 **Rep. Sesso** said he is convinced that trying to attach performance measures after money has been appropriated is too late. One example of a global motion would be the LFC recommend to the Joint Senate Finance & Claims and House Appropriations that any new proposals in 2009 come equipped with specific goals and measurable performance levels.

05:29:06 **STUDY OF LFD PRODUCTS AND SERVICES**

Kris Wilkinson, Fiscal Analyst presented a report on Study of LFD Products and Services (Exhibit 33) This report provides a summary of recommendations for improvements to Legislative Fiscal Division publications, reports, and staffing. Ms. Wilkinson said the project concentrated on a review of the necessity, usefulness, audience, and potential improvements of LFD publications and reports. Staff also examined current LFD

staffing to determine if recommendations on levels and/or allocation were warranted.

05:33:55        **FINAL REPORT OF THE LONG-RANGE PLANNING WORKGROUP** (LRPwg)

Cathy Duncan, Fiscal Analyst, LFD presented a report on Long-Range Planning Issues (Exhibit 34) This report summarizes the efforts of the LRPwg during the 2007-2008 interim. Ms. Duncan said the workgroup completed work on four projects: 1) Capital Projects Status Reports; 2) TSEP issues; 3) FWP Appropriation Status; and 4) Defining Capital Projects. There will be a final update of the FWP Appropriation Status Project at the November LFC meeting. The LRPwg recommend that the LFC recommend to the 61st Joint Subcommittee on Long-Range Planning use 2011 beginning fund balance in the TSEP account (for TSEP grants) and the natural resource projects account for (RRGL grants) to fund grants authorized by the 60th Legislature.

05:46:54        **MOTION: Rep. Kasten** moved the LFC agree recommend to the 61st Legislature, Subcommittee on Long-Range Planning, use 2011 beginning fund balance in TSEP account and the natural resource projects account for to fund grants authorized by the 60th Legislature. **VOTE:** Motion passed.

05:39:57        **K-12 FACILITY CONDITION AND NEEDS ASSESSMENT AND ENERGY AUDIT - PHASE II**

Cathy Duncan, Fiscal Analyst, LFD presented a brief memo on K-12 Facility Condition and Needs Assessment and Energy Audit. (Exhibit 35) Ms. Duncan said HB 1 passed during the December 2005 Special Session required the LFC participate in the design of a K-12 condition and needs assessment and energy audit. In September 2007, staff from the Department of Administration, Division of Architecture and Engineering (A&E) presented a proposal outlining the scope of phase II to the LFC. The committee approved the proposal and requested that A&E return to the committee with the results.

05:50:03        Joe Triem, Project Manager, Dept. of Administration, A&E Division, presented the K-12 Public Schools Facility Condition Assessment Project. (Exhibit 35a) Mr. Triem said this report is a summary of their findings. For schools who wish to use this information to improve energy performance or resolve deficiencies on campus additional information is available on a by-building basis upon request. Two specific areas of assessment were requested: 1) facility conditions (existing conditions and deficiencies of buildings) and; 2) to gather information in relationship to energy audit of the buildings (identifiable and observable deficiencies). Section 1 provides background information, details about the process, and typical data collected. Section 2 provides the basics on Facility Condition Inventory (FCI) Program and its implementation for this study, and some deficiencies by category type. Section 3 provides information on a basic energy audit consisting of: 1) a visual audit and documentation of building components and systems that affect energy performance; and 2) collection of historical energy consumption data. Section 4 provides information on educational characteristics. The legislative mandate for this project did not require the collection of this data but the information provided by the survey is intended for local and regional resource for use in future planning. Section 5 provides information on technology infrastructure. The information provided by the technology infrastructure survey is intended as a local and regional resource for future planning. The last section contains final report recommendations, including setting facility condition standards, determining facility improvement priorities, and implementation of improvements.

06:06:33        Jim Standaert, Senior Fiscal Analyst, LFD said the May 2007 Special Session passed SB 2, which set aside \$40 million specifically dedicated to improving school buildings and infrastructure.

The money comes from royalties off state lands and will continue until it reaches a total of \$52 million. Mr. Standaert said the legislature will need to decide what the process will be to use the money.

06:10:05 Without objection from the committee, **Sen. Schmidt** said options will be consider at the November meeting.

06:06:27 **PERFORMANCE MEASUREMENT**

Barbara Smith, Fiscal Analyst, LFD briefly summarized action from the performance measurement workgroups as follows:

- 91 reports were heard this meeting;
- 45 were dismissed;
- 28 issues were asked to be discussed with the subcommittees in January;
- 2 requests for report in June 2009; and
- 16 requests for written followup in November.

No major issues have been reported by staff regarding the hearing process.

06:21:54 **STATUS REPORTS ON OTHER INTERIM STUDY COMMITTEES**

*Wildfires Committee*

Barbara Smith, Fiscal Analyst said she was staff to the Fire Suppression Interim Committee along with Todd Everts, Attorney; and Leanne Heisel, Research Analyst. An interim report is due out in the near future. Ms. Smith said the amount of public comment was overwhelming and a lot of time was spent sorting through the public comment, categorizing, and helping the committee find the options to addresses issues. 41 bills are being drafted regarding fire and fire related activities.

06:23:40 **Sen. Cobb** said the committee found that by putting money up-front will save the State a minium of \$11 to \$12 million each year in a normal fire season. If the money isn't spent each year it will go to local communities for fuel reduction or equipment. The report also contains several suggestions and recommendations that have nothing to do with bills. **Sen. Cobb** said that in December, Vice-Chair, Rep. Wilson will decide which bills will go forward.

06:28:44 Ms. Smith explained that there is a risk in the City of Butte's watershed of wildland fire due to beetle kill, which would lead to erosion, which would damage the watershed and potentially damage the public water supply system.

06:30:58 *SJR 31: Taxation and School Funding (RTIC)*

Jim Standaert, Senior Fiscal Analyst, LFD discussed his report on SJR 31 and HB 488 in the Revenue and Transportation Interim Committee (RTIC). (Exhibit 36) Mr. Standaert said SJR 31 required an interim study to examine the future viability of the use of property taxes to fund K-12, examine equalization through a statewide equalization district for funding K-12, and examine the use of a state wide sales tax and use tax for funding K-12. The study goal was to consider changing demographic trends in the state, with the idea that an aging population may have trouble supporting a school system primarily funded with property taxes, half of which are derived from residences. No legislation was recommended by the SJR subcommittee.

06:35:17 *HB 488: Study of Property Taxes (RTIC)*

Mr. Standaert explained that HB 488 required an interim study of the periodic revaluation of taxable property that is required by 15-7-111. The Department of Revenue provided the committee with a simulation model to simulate various reappraisal mitigation strategies using data from the reappraisal that took effect January

1, 2003. No data from the new reappraised properties were available for the committee to work with. Preliminary new data is expected to be available by the end of October or the first part of November, 2008. No legislation was recommend by this committee.

06:43:40        **BREAK**

06:58:24        *PEPB Subcommittee Initiatives*

Pam Joehler, Senior Fiscal Analyst briefly discussed the PEPB Subcommittee Initiatives. She said there were two major projects undertaken during the interim for which there is legislation. One is the possible formation of the bitterroot valley community college and the other project was HJR 22 interim study to identify incentives to bring dentist back to Montana. At the September meeting, the PEPB communicated to the Governor that if there were sufficient state resources available, they supported continuation of the college affordability plan in the 2011 biennium. The PEPB also voted to send a letter to the Governor to urge his support for the shared policy goals and accountability measures that have been agreed to between the PEPB and the Board of Regents. There are four pieces of legislation that were recommended and approved by the Education and Location Government Committee.

07:04:04        **COMMITTEE BUSINESS**

Clayton Schenck, LFA presented the items under committee business. (Exhibit 37)

LFD Budget Request - Mr. Schenck presented the proposed 2011 biennium budget request for approval. He explained that the proposed budget present law request is 9.9 percent higher than the 2009 biennium appropriation. The present law increase is entirely attributable to personal services cost increases, primarily for implementation of the branch broadband pay plan. There are no new proposal request in the LFD budget. Several new proposals for the LFD and Legislative Branch are being considered and may be requested at the November meeting.

07:08:38        **MOTION. Sen. Cobb** moved to approve the LFD 2009 biennium budget request as presented. **VOTE:** Motion passed.

07:11:02        *Highways State Special Revenue Account*

Pam Joehler, Senior Fiscal Analyst provided a handout on Options to Address Highways Non-Restricted SSR (Exhibit 38) Ms. Joehler explained the two issues and discussed the options for LFC consideration.

07:06:01        Larry Flynn, Dept. of Transportation said with regard to the two options, the department can include appropriations from both accounts for the upcoming budget request.

07:17:55        **MOTION: Sen. Cobb** moved to approve Option 1 option 1. "If the legislature does not want to make statutory changes, and comply with the law, is for the legislature to appropriate the non-restricted SSR separate from the restricted SSR account. This will be best be accommodated if the executive budget is submitted reflecting its funding request from both SSR accounts." Mr. schenck said if the motion passes his intent would be to make it part of the global budget recommendations. **VOTE:** Motion passed.

07:18:19        *Revise statute regarding Spending non-General Fund Money First*

**MOTION: Sen. Cobb** moved to approve a bill draft request requiring that whenever available, all nongeneral fund money be used prior to general fund within an agency and to require that all available nongeneral fund money and excess general fund money within an

agency be used to offset a supplemental transfer appropriation request and a supplement general fund appropriation.

07:22:10 **Rep. Sesso** questioned if this is program specific and would this be of value in other areas where state special is spent first. Ms. Steinbeck said it would impact audit work but is not significant in terms of application. **Rep. Sesso** asked if this provides flexibility to program managers that is instrumental in their work. If the flexibility is taken away is there going to be a constraint in getting programs implemented. Ms. Steinbeck stated that most problematic is one program in a supplemental situation and excess general fund in another program that is spent in a discretionary manner that could have been used to offset the supplemental.

07:25:39 Amy Sassano, Office of Budget and Program Planning stated in most cases the executive looks for every available source of revenue in preventing a supplemental. If the requested bill draft should pass it would take away any flexibility they had to not spend "every last dime out of a fund that is tanking".

07:26:30 Clayton Schenck, LFA said the intent of the bill draft is to save general fund and use other funds first and is widespread in its usage. If you take no action, agencies are not required to transfer between programs. Law would have to be passed to continue the existing practice.

07:31:46 **ROLL CALL VOTE:** Motion failed (Exhibit 39)

07:32:35 **MOTION: Rep. Kasten** moved Option B to request a bill draft to allow the legislature to "exempt" certain nongeneral fund appropriations from consideration to offset general fund by specifically designating those nongeneral fund appropriations in the general appropriations act. **VOTE:** Motion passed.

07:33:11 **Sen. Brueggeman** said he would prefer to look at trigger language as opposed to "specifically designating" those funds. Taryn Purdy, Principal Fiscal Analyst said staff would work on that and provide a bill draft at the November meeting. Sponsor of the bill draft will be **Sen. Brueggeman**.

07:24:39 *Definition of "Income"*

Lois Steinbeck explained the two options regarding the definition of "income". She said in discussion with legal counsel in the event the LFC did not take action on 17-2-108, the committee could require that when an agency submits a supplemental for review that they identify all other funding sources available.

07:37:49 **MOTION: Sen. Cobb** moved to approve Option 1 to define income.

**VOTE:** Motion passed.

07:38:11 **ITEMS FOR THE NOVEMBER MEETING:**

- Update by Carroll South;
- Update by Dick Clark on the Dept. of Justice and Commissioner of Political Practices;
- Options for the \$52 million for school facility assessment; and
- Letter to all state departments requesting information on the potential impacts of the economic downturn on the programs administered by each agency

07:39:20 **Sen. Cobb** provided a draft outline for a letter from the Chairman to all state departments requesting information for the November meeting on trends seen in past recession that affect Montanans and immediate steps that can be taken by the 2009 Legislature alleviate those

trends.(Exhibit )

07:42:45      **NEXT MEETING**

The next meeting of the Legislative Finance Committee will be November 18th, 2008.

07:42:56      **ADJOURNMENT**

Meeting adjournment 3:40 p.m.

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Rep. Janna Taylor, LFC Secretary

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Diane McDuffie, Committee Secretary