



LEGISLATIVE FINANCE COMMITTEE

62nd 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

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

DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

MINUTES

Legislative Finance Committee

October 8, 2010

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.

COMMITTEE MEMBERS PRESENT

REP. LLEW JONES, Chair
SEN. KEITH BALES
SEN. STEVE GALLUS
SEN. DAVE LEWIS
SEN. RICK RIPLEY
SEN. DAVID WANZENRIED
SEN. CAROL WILLIAMS

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

STAFF PRESENT

DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

Visitors

Visitors' list, Attachment #1.

CALL TO ORDER AND ROLL CALL

00:03:25 **Rep. Llew Jones, Chair** called the 215th meeting of the Legislative Finance Committee to order at 8:35 a.m. on Friday, October 8, 2010. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana. The secretary noted the roll. Attachment #2

APPROVAL OF MINUTES FOR THE JUNE 14 & 15 MEETING, JUNE 29, CONFERENCE CALL AND SUBCOMMITTEE MINUTES

00:04:59 **MOTION: Sen. Wanzenried** moved all the minutes be approved. **VOTE:** Motion passed.

PENSION UPDATE - SAVA

00:05:42 Jon Moe, Fiscal Specialist, LFD presented a report on Pension Funds Update. (Exhibit 1) The purpose of the report is to provide a brief update on the status and condition of the unfunded actuarial liability of the state's retirement system. He also provided proposals reviewed by the State Administration Veterans Affairs Committee. **Senator Lewis**, member of SAVA committee and Mr. Moe responded to questions from the committee.

REFERENCE BOOK UPDATE

Reports by subcommittee chairs

00:41:31 **Sen. Wanzenried**, Chair provided an update on the Dept. of Public Health and Human Services Subcommittee meetings.

00:45:38 **Rep. Hiner**, Chair provided an update on the Judicial Branch, Law Enforcement, and Justice Subcommittee meetings.

Action items

00:47:54 Pat Gervais, Fiscal Analyst, LFD presented a memo on the Bill draft requests related to Office of Public Defender (OPD). (Exhibit 2) Ms. Gervais explained that at the June 2010 meeting the committee voted to request two bill drafts related to the OPD and in order to continue movement of these bill draft requests through the drafting process it is necessary for the LFC to take action to further define the provisions that should be included in the bill draft.

00:52:37 **MOTION: Rep. Taylor** moved option a. "Do not proceed with a committee bill and endorse the elements in the agency bill draft request."

00:53:16 Discussion on the Motion.

01:02:51 **SUBSTITUTE MOTION: Sen. Gallus** moved option b. “proceed with a committee bill that uses the list of offenses included in the agency proposed legislation as the basis for drafting the committee bill”. **VOTE:** Motion passed. **Rep. Sesso** voted no.

01:04:09 Ms. Gervais explained the options for financial responsibility - local ordinances with jail time.

01:10:45 **MOTION: Sen. Bales** moved option a. “ proceed with the bill draft providing that local government entities are responsible for the costs of public defender services in cases where provisions of locally adopted ordinances drive the for public defense services.

01:13:46 **VOTE:** Motion passed. **Rep. Sesso** voted no.

01:14:57 **Rep. Llew Jones**, Chair provided comments on the Education and Local Government Subcommittee meetings and provided a letter to the committee from Denise Juneau, State Superintendent, Office of Public Instruction. (Exhibit 3)

01:19:32 Pam Joehler, Fiscal Analyst, LFD explained the Optional Retirement Program (ORP) for Montana University System employees.

01:26:33 **Sen. Wanzenried** explained that the DPHHS subcommittee discussed enhancing revenue by mining Medicaid data. **MOTION: Sen. Wanzenried** moved to instruct staff to work toward funding and completing an analysis of the Medicaid data available and to work with DPHHS to ensure there are federal funds available to offset the study. **VOTE:** Motion passed unanimously. **Sen. Gallus** by proxy.

01:28:37 **Rep. Lewis** and **Rep. Hollenbaugh** met with the Revenue & Transportation Interim Committee to discuss revenue options. **Rep. Lewis** said the state is spending about \$600 million on statutory appropriations and there is an option in the reference book to cut the list by 10%.

01:30:36 **Sen. Bales** agreed some of the statutory appropriations need to be looked but there are some that should not be touched.

01:31:35 **Sen. Wanzenried** pointed out that the LFC visited this issue last interim and the list became very narrow. In order to do the job that needs to be done the committee probably should entertain sunseting all statutory appropriations. At a minimum all statutory appropriations should be put in HB 2 as an appendix so everyone can see exactly how many dollars go out the door.

01:33:51 **MOTION: Sen. Williams** moved to have staff list and define all statutory appropriations in the reference book for the next meeting.

01:37:20 **Rep. Sesso** agreed that the statutory appropriations should be brought to the table. The sunset is not designed to eliminate them but would compel those receiving the

appropriations to provide information and defend why their appropriation should be statutorily appropriated.

01:39:59 **VOTE:** Motion passed unanimously. **Sen. Gallus** voted by proxy.

01:44:31 **Rep. Lewis** said without objection from the committee, staff will research how to include the statutory appropriations in a manner where they are visible and potentially revisited in HB 2 for the November meeting.

Preparation for Session

01:45:03 Taryn Purdy, Principal Analyst, LFD explained that the reference book has been updated as subcommittee action has taken place. Staff will not be working on the reference book because of the budget analysis. However, options that relate directly to the budget analysis will be included in the analysis. Staff is also working on developing a way to ensure that the subcommittees know the full range of options available to them.

RISK ASSESSMENT OF THE BUDGET

02:06:00 Amy Carlson, Director, LFD presented the Risk Assessment Report. (Exhibit 4) This report includes an update of the analysis the LFD presented in March on the “big picture” of the overall state financial and budget condition for the 2013 biennium, and background and transition from the original March expenditure analysis to the current expenditure analysis.

02:15:02 Terry Johnson, Principal Fiscal Analyst, LFD explained that the general outlook for the US and Montana’s economy for the next three years is for a slow and gradual recovery from the “Great Recession”. Figure 1 shows a summarization of FY2010 revenue collections. Mr. Johnson responded to questions from the committee.

02:24:14 Ms. Carlson discussed some of the choices available to the legislature.

RTIC REVENUE PROCESS RECOMMENDATIONS

02:41:39 Jeff Martin, Legislative Research Analyst, Legislative Services Division provided an update on the recommendations of the revenue process.

INFORMATION TECHNOLOGY UPDATE

02:50:12 Dick Clark, CIO, ITSD, Department of Administration presented the IT Project Report. (Exhibit 5) Mr. Clark reported that the DOA Interoperability Montana project changed from green to yellow and MERLIN is still in yellow status.

02:51:10 Carl Hotvedt, Project Manager, said the reason the project went from green to yellow is the project as a whole has some funding issues that need to be addressed.

02:52:34 **Sen. Lewis** asked how much funding is needed. Mr. Hotvedt said estimates to date are \$60 million to complete build-out statewide and \$5 million to operate and maintain the

system. They are looking at a model that includes user fees, state appropriation, and federal grant dollars.

02:55:35 **Rep. Sesso** referred to the notes related to the difference between the balance of obligated and unobligated funds and asked if the unobligated balance is still needed to complete the project. Pat Boles, Project Management Office, said he did not know whether or not the unobligated is additional funds needed to finish the project or money waiting for a contract.

02:55:35 **Rep. Sesso** asked Mr. Burton to comment on the status of the five projects listed in the report for the Department of Justice. Mr. Burton reported that the Drivers License System is moving forward. The MERLIN project has stabilized except for the need to improve reliability of point of sale printers at fields offices. The department is in the final aspects of putting together a contract to do a gap analysis. The Broker project is funded mostly with grant dollars and moves forward as the department finds funding.

03:08:12 Ron Baldwin, CIO for the Department of Public health and Human Services, reported they are currently completing the contract refinement process with the vendor and are awaiting federal approval for the SNAP TANF. They are still reviewing system needs and revising the RFP for MMIS. Mr. Baldwin said the department has remained engaged in these projects.

03:13:18 **Rep. Lewis** asked what caused a \$10 million reversion to be deemed as appropriate and necessary. Mr. Baldwin said they intend to make these transfers if the Governor accepts the departments proposed reductions under 17-7-140, MCA. This amounts to putting the MACWIS project on hold.

Subcommittee report

03:16:21 **Rep. Hollenbaugh** reported the subcommittee has decided not to pursue or request any committee bills regarding revisions of MITA

03:20:01 **LUNCH**

ANNOUNCEMENTS

04:42:24 **Rep. Jones** and Amy Carlson congratulated Taryn Purdy on receiving the Legislative Staff Achievement Award from the National Association of Legislative Fiscal Offices.

UPDATES

Trust lands issues

04:54:20 Barbara Smith, Fiscal Analyst, presented an update on the MT Legacy Project - Proposed Parcels for State Purchase (Exhibit 6) and discussed the issues with PPL v. the State of Montana on the navigable rivers and payment for the use of riverbeds.

Fire season results

- 04:58:27 Barbara Smith, Fiscal Analyst presented a memo on the 2011 State Fire Costs. (Exhibit 7) As of September 20, 2010 state fire costs were \$1.9 million. The estimated ending balance in the fire suppression fund is \$22.5
- 05:00:11 Bob Harrington, Administrator Forestry Division, DNRC said the initial attack of the Davis fire was largely engine crews and helicopters. Three DNRC helicopters responded and due to a technicality with the MOU between the Forest Service and Lewis & Clark County, DNRC paid the sheriff's office. Mr. Harrington said 100 percent of the state's costs will be reimbursed.

ARRA

- 05:01:27 Barbara Smith provided an update on ARRA (Exhibit 8) The purpose of this report is to provide the committee with updates related to the expenditures authorized under HB 645 of the 2009 Legislature and provide information regarding recent amendments to federal funds to Montana.
- Ms. smith also explained that Congress amended the ARRA in House Resolution 1586 for two purposes; 1) the Education Jobs Fund; and 2) extension of Enhanced FMAP Rates. Total anticipation of impact to the state is between \$56 and \$61 million to offset general fund.

PERFORMANCE MEASUREMENT UPDATE

Reports by work group chairs

- 05:05:48 **Rep. Taylor** provided an update on Dept. Of Military Affairs, Labor & Industry, Commission of Political Practices, Governor's Office, Consumer Counsel, and State Auditor.
- 05:11:58 **Sen. Wanzenried** provided an update on the Dept. of Public Health & Human Services.
- 05:21:45 **Rep. Hollenbaugh** provided an update on Fish, Wildlife & Parks, Environmental Quality, Natural Resources & Conservation, Livestock, Agriculture and Transportation.
- 05:25:29 **Sen. Gallus** provided an update on Department of Corrections, Board of Crime Control, Justice and Judiciary.
- 05:27:52 **Rep. Hiner** provided an update on Montana Historical Society, Arts Council, Library Commission, and University System., School for the Deaf & Blind, and Board of Public Education, and OPI.
- 05:33:02 **Sen. Wanzenried** discussed the report from the Department of Public Health & Human Services Chart of Reductions Identified by DPHHS (Exhibit 9)

REGULAR MEETING REPORTS

The following reports were included in committee notebooks but no formal presentation:

- Budget Amendment report (Exhibit 10)
- Operation Plan Changes (Exhibit 11)
- Other Required reports (Exhibit 12)

05:41:31 Barbara Smith, Fiscal Analyst, LFD presented an update on Performance Measurement. (Exhibit 13) Ms. Smith reported that the project was presented to the Legislative Council and received a unanimous endorsement with the caveat that the role of the interim policy committees in the performance measurement project was to be strengthened.

05:45:57 Jon Moe pointed out that three additional reports have been added to the required reports that were received after what was mailed to the committee.

SJR 22 - GOVERNOR'S OFFICE STUDY AND REPLACEMENT SCHEDULE FOR STATE AIRCRAFT

05:51:07 Joe Brand, Pilot for the Governor's Office discussed the 2010 Governor's Assessment of State-Owned Aircraft. (Exhibit 14) Mr. Brand responded to questions from **Sen. Lewis** and **Rep. Taylor**.

COMMITTEE BUSINESS

LFD Budget approval

06:12:25 Amy Carlson presented the proposed Legislative Branch 2013 Biennium Budget request for approval. (Exhibit 15)

06:15:24 **MOTION: Sen. Williams** moved to approve the LFD 2013 budget as presented. **VOTE:** Motion passed.

Information Systems

06:16:36 Steve Eller, Computer System Manager, LSD presented the Legislative Fiscal Division Process and System Documentation and Analysis. (Exhibit 16) The analysis was undertaken to document LFD's major and minor business processes and the technologies and applications used to support these processes.

Update on Governor's lawsuit

06:24:54 Susan Fox, Executive Director, LSD provided an update on the Governor's lawsuit. Legislative Council met in conference call on September 27 and October 4 and will be meeting again on October 14. Legislative Council authorized the division to hire outside counsel.

06:29:41 **Sen. Williams** commented that members of Legislative Council will continue to meet with the Governor to try to resolve the lawsuit.

06:42:58 **Sen. Ripley** asked if there is any further intent of the committee on the State Land Board Subcommittee on PPL.

06:40:30 **Sen. Wanzenried** proposed a conference call of the Subcommittee for October 13th at 10: a.m. to discuss the next steps following the decision of the Court.

ACTION

06:51:23 A conference call will be schedule for the State Land Board Subcommittee on October 13 10:00 a.m. and a tentative follow up call of the full LFC on October 15 at 3:00 p.m.

06:55:24 **Rep. Taylor** expressed concern with the Legislative Council's proposed session calendar regarding the 90th day being on "Good Friday".

06:59:53 **Sen. Wanzenried** said the Council discussed the issue and the Motion to approve the time table was voted 7 to 1. For people living further away the extra day of time during transmittal was the deciding factor.

PUBLIC COMMENT

No public comment

ADJOURNMENT

Meeting adjourned at 3:50 pm

Llew Jones, Chairman

Diane McDuffie, Committee Secretary