



# LEGISLATIVE FINANCE COMMITTEE

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

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

### HOUSE MEMBERS

RON ERICKSON  
CYNTHIA HINER  
DAVE KASTEN  
RICK RIPLEY, VICE CHAIRMAN  
JON SESSO, SECRETARY  
JANNA TAYLOR

### SENATE MEMBERS

TRUDI SCHMIDT, CHAIRMAN  
JOHN BRUEGGEMAN  
JOHN COBB  
KEITH BALES  
DAVE WANZENRIED  
CAROL WILLIAMS

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Fiscal 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**

### MINUTES

June 18, 2007

Room 102, State Capitol  
Helena, Montana

### ROLL CALL

Sen. Keith Bales  
Senator John Brueggeman  
Sen. John Cobb  
Senator Trudi Schmidt  
Senator Dave Wanzenried  
Sen. Carol Williams  
Rep. Ron Erickson  
Rep. Cynthia Hiner  
Rep. Dave Kasten  
Rep. Rick Ripley  
Rep. Jon Sesso  
Clayton Schenck, Legislative Fiscal Analyst  
Diane McDuffie, Committee Secretary

### ABSENT

Rep. Janna Taylor

### Attachments

Visitor's list #1  
Proxy #2  
Roll Call #3

**Call to Order** (Tape 1A-008)

**Senator John Cobb**, Acting Chairman, called the 200th meeting of the Legislative Finance Committee (LFC) to order at 9:00 a.m. on Thursday, June 18, 2007. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana.

**1. Approval of Minutes for November 28, 2007** (Tape 1A-010)

**Senator Schmidt** moved the minutes of the November 28, 2006 meeting be approved as submitted. **VOTE:** The motion carried unanimously.

**2. Elections** (Tape 1A-033)

Legislative Finance Committee Officer Elections

**Senator Cobb** opened nominations for election of a Chairman. **Senator Wanzenried** nominated Senator Trudi Schmidt for Chairman. **MOTION:** Rep. Kasten moved nominations be closed. **VOTE:** Motion carried unanimously.

**Senator Schmidt** opened nominations for vice-chair. **Senator Cobb** nominated Rep. Rick Ripley for vice-chair. **MOTION:** **Senator Cobb** moved nominations be closed. **VOTE:** Motion carried unanimously. **Rep. Brueggeman** nominated Rep. Jon Sesso for secretary treasurer. **MOTION:** **Rep. Brueggeman** moved nominations be closed. **VOTE:** Motion carried unanimously.

Clayton Schenck, Director of the Legislative Fiscal Division, (LFD) briefly explained the rules and procedures of the LFC, and the duties of the fiscal analyst. (Exhibit 1)

**Appointment of Management Advisory Work Group (MAWG)** (Tape 1A-148)

**Senator Schmidt** appointed the following members to the MAWG:

Senator Schmidt  
Senator Cobb  
Senator Williams  
Rep. Ripley  
Rep. Sesso

### 2009 Biennium Legislative Fiscal Report Status (1A-160)

Mr. Schenck told the committee that publication of the 2009 Biennium Fiscal Report has been delayed because of the May special session. Volume 1 of the report, which is a summary of fiscal actions taken during the 2007 legislative session, will be mailed to all legislators in early July.

### **3. Discussion of Governor's Line Item Veto of HB 2 Numbers/Language** (Tape 1A-196)

Clayton Schenck briefly discussed the letter from Greg Petesch, Director of Legal Services, Legislative Services Division, which was requested by Senator Cobb. (Exhibit 2) Mr. Schenck explained that the Governor line item vetoes in the amount of \$30,000 tied to providing reports on status of performance measurement in regards to goals and objectives.

Mr. Petesch said he disagrees with the Governor's premise that all the vetoes are riders because the language does relate in most instances to an item of appropriation. Based upon additional analysis, it appears that language relating to an appropriation must qualify the subject, purpose, or amount of an appropriation in order to not be characterized as a "rider". The language should have a direct relationship to the item of appropriation and should not entail "specific draftsmanship" that is designed to circumvent the ability to exercise an item veto.

**Senator Cobb** asked if it would be better to put all the reporting requirements into a companion bill. Mr. Petesch said that prior to last session he had actually recommended that reports be statutorily provided for upon request. Specific reports tied to goals and objectives, and other reports related to the operation of government that fall within the purview of this committee could be statutorily authorized.

**Senator Bales** asked if there is a process for the legislature to review the line item vetoes. Mr. Petesch said the legislature has the authority to call themselves into a special session to consider overriding gubernatorial vetoes.

#### **4. Budget Amendments/Private Funds Report** (Tape 1A-353)

Greg DeWitt, Senior Fiscal Analyst for the LFD presented the Budget Amendments. (Exhibit 3) He informed the committee that budget amendment 619 for the Central Management Division in the Department of Agriculture adds federal appropriation authority for increased indirect cost recovery due to increased federal grant funding. The department noted that the funds would be used for existing FTE positions. Although current law requires the approving authority to decrease the general fund appropriation of an agency by the amount of money received from federal sources in excess of the appropriation, no reduction in general fund was included on the budget amendment.

Pam Joehler, Senior Fiscal Analyst, LFD said she received an email message from Kathy Seacat the Administrator of Central Services Division indicating she was preparing the document.

Taryn Purdy, Principal Fiscal Analyst for the LFD, presented the operating plan changes and Program Transfers. (Exhibits 4 and 5) She explained that program transfers of \$25,000 and 25 percent or \$1,000,000 must be brought before the Legislative Finance Committee prior to implementation, unless of a time sensitive nature. LFD staff has reviewed the proposed changes and does not raise any issues.

Ms. Purdy, LFD provided a summary of the Required Reports. (Exhibit 6) These are reports required either in HB 2 or in statute. Generally, the required reports are provided to the committee simply for information purposes unless there is an issued identified by the staff that needs to be brought to the committee's attention.

#### **9. LFC Orientation:**(Tape 1B-114)

##### The Role/Authority of the Legislative Finance Committee

Taryn Purdy presented an orientation and overview of the role/authority of the LFC. (Exhibit 7) 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; 3) relationship of LFD to the LFC; 4) budget amendments; 5) program transfers/operating plan changes; 6) interim supplemental appropriations; and 7) spending reductions.

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

Clayton Schenck discussed the role/authority of the Legislative Fiscal Analyst and the LFD staff.

### **10. LFC as Oversight over Information Technology Management** (1B- 500)

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 2007/2008 interim. (Exhibit 8)

**MOTION:** **Senator Wanzenried** moved to adopt Option 1: Adopt the process described in the report (or a different process defined by the committee) for interacting with the Department on IT policy Issues. **VOTE:** Motion passed.

**Senator Schmidt** appointed Senator Brueggeman, Rep. Erickson, and Rep. Sesso as a "bulldog" group to provide oversight over Information Technology Management.

Dick Clark, Chief Executive Officer, Department of Administration, expressed appreciation for the IT budget and promised to be good stewards of that money. Mr. Clark also said that security breaches and classification of data need to be addressed during this interim.

### **10. LFD Proposed Interim Work Plan** (Tape 2A-245)

Clayton Schenck presented the LFD 2009 biennium proposed work plan. (Exhibit 9) This report represents a recommendation based upon the legislature, legislators, and staff input as to topics for study and a description of potential work plan topics and options for addressing those options.

Following is a list of work plan items for discussion:

- Examination/Revisions to Legislative Fiscal Division Products/Services
- Statutory Appropriations/Transfers: Legislative Oversight
- Study of Federal Medicaid Reimbursement for Tribal Services

- State Government Budget Model
- Performance Management Options
- The Graying of Montana: Effect on State Government Workforce, Revenue, and Expenditures
- Study Rainy Day Fund

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

- Appoint a working group to oversee federal Medicaid reimbursement tribal services. Members are Representative Erickson, Senators Cobb and Williams.
- Appoint a working group to oversee performance management. Members are:
  - Section A: Representatives Taylor and Sesso
  - Section B: Senators Cobb and Williams
  - Section C: Representatives Ripley and Erickson
  - Section D: Senators Bales and Schmidt, and Representative Hiner
  - Section E: Senators Wanzenried and Schmidt

*Tape 3A-014*

**MOTION: Senator Cobb** moved a subcommittee be appointed to study the budget and appropriations processes, including statutory appropriations. **VOTE:** Motion passed. Members are Senators Cobb, Wanzenried, and Representatives Sesso and Taylor.

**MOTION: Representative Erickson** moved a subcommittee be appointed to work on the state government budget model. **VOTE:** Motion passed. Members are Representative Erickson and Senator Bales.

**MOTION: Senator Williams** moved a subcommittee be appointed to study the Graying of Montana: Effect on state government workforce, revenue, and expenditures. **VOTE:** Motion passed. Members are Senator Williams and Representative Hiner.

**MOTION: Representative Sesso** moved that examination/revisions to Legislative Fiscal Division products/services be assigned to the Management Advisory Workgroup. **VOTE:** Motion passed.

The committee agreed the chairman would write a letter to the Revenue and Transportation, and Education and Local Government interim committees suggesting the issue of K-12 funding be addressed.

**Senator Bales** expressed concern with the Department of Corrections budget and should the “bulldog” group for Section D monitor the actions of the other committees and keep the LFC apprised of issues related to funding and increases in population. The committee agreed the chairman would also send a letter to the Law and Justice interim committee.

Following discussion of the work plan items #20 through #47 it was determined that these items could be included in one or more of the established work plan items.

#### **11. Committee Business** (Tape 3B-202)

Clayton Schenck presented the items under committee business. (Exhibit 10)

#### **LFD Cost Report and LFD Operating Plan**

Clayton Schenck presented the LFD Cost Report for Fiscal 2007 at 5/31/07 and the LFD 2007 and 2009 Biennium Operating Plan. Mr. Schenck explained that the LFD will over-expend personal services due to the implementation of the Broad Band pay plan for the branch and the carryforward balance available to be transferred to the information technology account is \$41,667.

**MOTION:** **Senator Wanzenried** moved that the LFA be authorized to transfer the LFD unexpended carryover fund balance (up to \$41,667) to the legislative branch information management state special revenue fund at fiscal year end 2007. **VOTE:** Motion passed.

**MOTION:** **Representative Ripley** moved that the proposed op plan change to move approximately 421,500 from operating expenses to personal services be approved. **VOTE:** Motion passed.

Mr. Schenck explained that there are no changes to the 2009 biennium op plan with the exception that the training funds of \$12,755 be segregated from the Legislative Service Division.

**MOTION: Representative Ripley** moved that the LFD 2009 biennium operating plan be adapted, inclusive of the proposal to transfer \$12,755 funds from Legislative Services Division to segregate staff training funds. **VOTE:** Motion passed.

Mr. Schenck requested authority be given to the LFA to access funds from the Legislative Branch retirement termination fund account, during the 2009 biennium, in the event of a termination pay-out.

**MOTION: Representative Erickson** moved that the LFA be authorized to access funds from the Legislative Branch retirement fund account, during the 2009 biennium, in the event of a termination pay-out that meets the criteria for payment from those funds. **VOTE:** Motion passed.

Mr. Schenck requested authority be given to the LFA position for the pay plan allocation that was authorized for staff.

**MOTION: Representative Ripley** moved that adjustments for HB 13 for state employees be authorized for the LFA position. **VOTE:** Motion passed.

### **Next LFC Meeting**

The next meeting of the LFC will be Tuesday and Wednesday, October 9 and 10, 2007.

### **Adjournment**

Meeting adjourned at 2:50 p.m.

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Senator Schmidt, Chairman

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Diane McDuffie, Committee Secretary