



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

DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

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.

THURSDAY, MARCH 4, 2010

COMMITTEE MEMBERS PRESENT

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. LLEW JONES
REP. JON SESSO
REP. JANNA TAYLOR

STAFF PRESENT

AMY CARLSON, Director
DIANE MCDUFFIE, Secretary

VISITORS

Visitors' list #1
Roll Call #2
Proxy for Sen. Gallus #3
Proxy for Rep. Sesso #4
Proxy for Rep. Taylor #5

CALL TO ORDER AND ROLL CALL

00:00:01 **Representative Llew Jones**, Chair called the 212th meeting of the Legislative Finance Committee to order at 8:00 a.m. on Thursday, March 4, 2010. The meeting was held in Hearing Room 317 of the State Capitol, Helena, Montana. The secretary noted roll (Attachment #2)

APPROVAL OF MINUTES FOR THE DECEMBER 3 - 4, 2009 MEETING

00:01:09 **MOTION: Senator Wanzenried** moved the minutes of December 3 and 4 be approved as submitted. **VOTE:** Motion passed.

00:02:02 The Legislative Fiscal Division provided a summary of the public comments received via e-mail for committee review of 17-7-140, MCA spending reductions. (Exhibit 1)

OVERVIEW OF BUDGET DIRECTOR'S PROPOSED SPENDING REDUCTIONS

00:03:14 David Ewer, Budget Director, Office of Budget and Program Planning discussed the Budget Director Recommendations to Governor Schweitzer 17-7-140, MCA Spending Reductions. (Exhibit 2) Mr. Ewer said the proposed budget cuts are aimed at protecting education, public health and public safety, which he called the core of government. Many of the measures being taken are beyond the trigger and center mostly around long range building and IT projects t. Mr. Ewer said he estimates an ending fund balance for June 2011 between \$80 and \$100 million.

00:17:08 Amy Carlson, Director, LFD presented the LFD Analysis Spending Reductions Proposal - Part 1 - Overview. (Exhibit 3) This report provides an overview of the current budget shortfall, including statutory requirements for dealing with a deficit, the executive projected general fund deficit, the legislative staff projections, reasons for the declining balance, and the executive proposed spending reduction plan. Ms. Carlson discussed the limitations of 17-7-140, the reductions the executive proposed, and legislative action required to implement the physicians rate freeze, and the Long Range Building and IT projects. She also provided a detailed explanation of the general fund balance sheet on page 10 of the report and briefly discussed the Otter Creek Coal leases, PPL Inc, River Bed leases, Federal enhanced FMAP rate extension and supplemental appropriations which are not included in the balance sheet. Ms. Carlson explained that committee input to this process is clearly an advisory role.

QUESTIONS FROM COMMITTEE

00:38:40 **Sen. Lewis** expressed concern with the administration protecting the core of state government and cutting off revenue flow to agencies outside of the core. Mr. Ewer said that most of the dollars the legislature approved goes back out into the communities for public health and welfare, public safety and public education. A hiring freeze and cutting out-of-travel are simplistic solutions but he noted there are 800 vacancies in state government.

- 00:44:47 **Sen. Bales** stated that most of the 800 job vacancies exist because the 2009 Legislature imposed a 7 percent vacancy savings rate. Mr. Ewer said the administration is putting as many holds as possible on filling vacant positions.
- 00:47:37 **Sen. Bales** asked why the executive revenue estimates would be more accurate than LFD estimates. Mr. Ewer said he believes strongly that the actual revenues received will be higher than estimated by the budget office and the LFD.
- 00:58:42 Ms. Carlson pointed out that corporate tax profit improvement is factored into the LFD revenue estimates. Page 2 of the General Fund Revenue Estimates - Part 2 (Exhibit 4) shows the LFD estimate in FY2010 is \$57.4 million. Approximately \$29.0 million has been received through February. The LFD estimate for FY 2011 is \$68.6 million.
- 01:00:14 **Rep. Taylor** pointed out the closures of Plum Creek, Smurfit-Stone and Columbia Falls Aluminum and added that Main Street businesses in her district are still suffering from the recession. Mr. Ewer commented that he is aware that in certain areas of Montana businesses have been lost. He acknowledged that he doesn't understand Main Street businesses in her district as well as she does.
- 01:05:12 **Sen. Ripley** asked what is leading to the large discrepancy in individual income tax and corporate income tax in FY 2010. Mr. Ewer said small differences of opinion in assumptions and timing make a difference.
- 01:08:24 Mr. Johnson, Principal Fiscal Analyst, LFD agreed that timing is very critical. The potential difference would be what are corporate and individual taxpayers going to do relative to estimated payments.
- 01:16:25 In response to a question from **Rep. Glaser** regarding entitlement share payments to cities and towns, Mr. Petesch said that if the entitlement share payments to cities and towns were reduced they would be able to impose a mill levy.
- 01:20:48 **Rep. Sesso** asked if there are any legal impediments that the committee should be aware of. Mr. Petesch said the most obvious that requires a statutory change is the physician providers rates, which is statutorily specified at 6 percent for the ensuing year. He also said he doesn't see how you can book on a balance sheet something that requires a third party to take action.

HEARINGS ON GOVERNOR'S BUDGET OFFICE RECOMMEND SPENDING REDUCTIONS BY SECTION A THROUGH F

SECTION A

- 01:34:13 Taryn Purdy, Principal Fiscal Analyst, LFD provided an overview of the proposed spending reductions in the Legislative Branch, Governor's Office, Commissioner of Political Practices, Department of Revenue, Dep. of Administration, Dept. of Commerce, Dept. of Labor & Industry, and the Dept. of Military Affairs. (Exhibit 5)

PUBLIC TESTIMONY

- 01:49:59 Tara Veazey, Montana Budget and Policy Center, Helena, addressed reductions for the Department of Revenue and the Office of Public Defender.

QUESTIONS FROM COMMITTEE

01:51:50 **Sen. Bales** asked why the Department of Revenue has less than 1 percent reductions, while most other agencies' proposed reductions in the 5 percent range. Director Ewer stated that the Department of Revenue generates revenue. Roughly every new dollar put in the state gets eight dollars back.

PUBLIC TESTIMONY

Written testimony from Rep. Tim Furey regarding DPHHS Rates Commission Spending Reductions was provided to the committee. (Exhibit 6)

01:58:19 Dawn Wakefield provided testimony on the Crime Victims Advisory Council.

SECTION B

02:03:21 Taryn Purdy, Principal Fiscal Analyst, proved an overview of the proposed spending reductions in Dept. of Public Health & Human Services. (Exhibit 7)

QUESTIONS FROM COMMITTEE

02:13:48 **Sen. Lewis** asked if there has been any discussion on using the CHIP expansion to offset reductions. Lois Steinbeck, Fiscal Analyst, LFD said the funding for Healthy Montana Kids is allocated to a state special revenue account and a statutory change would be needed to allow the money to offset other general fund expenditures.

02:16:43 **Rep. Taylor** asked how much is in the state special revenue account and what are the projections for the increase. Ms. Steinbeck said in 2009 the ending fund balance was \$15.0 million. During session projected revenues were \$26.0 in FY 2010, \$28.0 in FY 2011, and \$24.0 million in FY 2012. DPHHS is estimating about \$5.0 million has been expended from this account leaving an ending fund balance of \$17.0 to \$20.0 million.

02:19:03 Anna Whiting Sorrell, Director, Department of Public Health and Human Services provided comments on Healthy Montana Kids.

PUBLIC TESTIMONY

02:29:14 Rep. Tim Furry, Chair, DPHHS Rates Advisory Commission

02:33:13 Steve Nelson, Director, Montana Children's Initiative

02:38:18 Anita Roessmann, Disability Rights MT

02:43:33 Jan Cahill, MACDS Developmental Disabilities (Exhibit 8& 8a)

02:48:54 Travis Hoffman, Representative of Montana Independent Living Centers

02:57:06 Shyla Taylor, Self

02:59:20 Alysha Goheen Jannotta, Montana Women Vote (Exhibit 9)

02:59:56 Judy Smith, Self, Missoula

03:01:18 Rose Hughes, Executive Director Montana Health Care Association

03:07:00 Matt Kuntz , Executive Director, National Allegiance of Mental Illness (NAMI)

03:09:38 Tara Veazey, Montana Budget and Policy Center

03:12:26 Stacy Anderson, Planned Parenthood

03:13:44 Molly Moody, Director, Northwest Federation of Community Organizations

SECTION C

03:20:37 Taryn Purdy, Principal Fiscal Analyst, provided an overview of the proposed spending

reductions for the Dept. of Environmental Quality, Dept. of Transportation, Dept. of Livestock, Dept. of Natural Resources & Conservation, and Dept. of Agriculture. (Exhibit 10)

PUBLIC TESTIMONY

None

SECTION D

03:26:55 Taryn Purdy, Principal Fiscal Analyst, provided an overview of the proposed spending reductions in the Judicial Branch, Board of Crime Control, Dept. of Justice, Office of Public Defender, and Dept. of Corrections. (Exhibit 11)

03:38:09 Mike Ferriter, Director, Dept. of Corrections provided comments on the proposed spending reductions.

QUESTIONS FROM THE COMMITTEE

03:40:18 **Rep. Sesso** asked if the proposed cuts are consistent with the 80/20 goal to treat rather than incarcerate. Mr. Ferriter said the department intends to stay on their 80/20 target. The reductions with providers for treatment services is concerning but he said he is confident the reduction to Elkhorn won't affect the 80/20 target.

03:42:45 **Sen. Bales** asked if the reductions for per diem rates for regional prisons is within the intent of statute. Mr. Ferriter said the department will take into account the statute.

03:47:15 Mr. Ferriter and Paula Stoll, Administrator, State Human Resources Division, explained the broad band pay increase for correctional and probation officers within the Department of Corrections.

03:53:38 **Rep. Jones** questioned if the reductions in Elkhorn and Northwest Prerelease will be a transfer a costs to other areas and ultimately a supplemental appropriation. Ms. Gervais said she did not know if those reductions would result in a transfer of costs. It does increase the challenge to the Department to manage the offender population within a reduced level of funding.

03:55:58 Mr. Ferriter said he feels the department can manage the eight additional offenders in secure or other facilities.

PUBLIC TESTIMONY

03:57:54 Mona Jamison, Lobbyist and Attorney for Boyd Andrew (Exhibit #12)

04:12:25 Mike Ruppert, CEO, Boyd Andrew

04:15:52 Anita Roessmann, Disability Rights MT

04:18:27 Martie Elford, Crime Victims Advisory Council

04:20:32 **Sen. Lewis** asked if because the Montana Facility Finance Authority agreements states that this bond does not represent a debt of the state of Montana does that place the risk on the bond holder. Mr. Petesch, Director, Legal Services, LSD stated that this not a debt of the state of Montana. There is no pledge of tax revenue to payoff these bonds.

LUNCH BREAK

SECTION E

- 04:25:35 Taryn Purdy, Principal Fiscal Analyst, provided an overview of the proposed spending reductions in the Office of Public Instruction, Board of Public Education, Montana University System, Montana Arts Council, Montana State Library, and the Montana Historical Society. (Exhibit 13)
- 04:42:09 Madalyn Quinlan, Chief of Staff, Office of Public Instruction (OPI) provided comments on the proposed spending reductions for OPI.
- 04:48:22 Frieda Houser, Director of Budget and Accounting, Office of Commissioner of Higher Education, commented on the handout provided by Mick Robinson, Deputy Commissioner of Fiscal Affairs regarding the budget reductions approved by the Board of Regents on January 28, 2010. (Exhibit 14)

PUBLIC TESTIMONY

- 04:51:50 Rep. Mendenhall, HD 77 provided comments on the proposed cuts to Elkhorn Treatment Center. Sen. Terry Murphy could not be present to testify and asked that Rep. Mendenhall represent him in this regard as well.

SECTION F

- 05:00:22 Cathy Duncan, Fiscal Analyst, LFD provided an overview of the proposed spending reductions requiring legislative action for Long-Range Planning. (Exhibit 15)

QUESTIONS FROM THE COMMITTEE

- 05:20:35 **Sen. Ripley** asked if the projects are on hold pending legislative action or on hold indefinitely. Ms Duncan said the projects are on hold awaiting a decision from the Legislature. If the legislature chooses not to eliminate the projects, the legislature will need to provide direction to the Department of Administration.
- 05:22:48 **Sen. Bales** asked if the Governor has the authority to put projects on hold indefinitely. Mr. Petesch said all that has been done at this point is to advise the committee that fund transfers will not be made during the second year of the biennium from the general fund to the Long-Range Building accounts until probably the end of that biennium. There is no statutory time frame within the biennium within which those transfers must be made. In the absence of legislative action, the law will say that those transfers are to be made, at which point the transfers will be in the Long-Range Building account.
- 05:25:02 **Rep. Sesso** asked if the \$20.95 million is reflected in the general fund outlook. Mr. Johnson said it is included in the balance because it's part of the executive proposal. If the transfers do not take place until the end of the biennium the cash stays in the general fund and helps with cash flow.
- 05:27:15 **Sen. Bales** asked if it is legal to use these funds to satisfy the law. Mr. Petesch said the reductions of these projects are not reductions in general fund spending pursuant to 17-70-140, MCA.

- 05:31:00 **Sen. Williams** asked Amy Sassano, Office of Budget and Program Planning to comment on the executive's sense of authority. Ms. Sassano said the executive reached the statutory cap with 17-7-140 reductions that do not include the Long-Range Building reductions.
- 05:33:10 **Rep. Glaser** asked when does the legislature have to have revenues in excess of appropriations. Mr. Petesch said the legislature is required to do a "good faith effort" to contain expenditures within estimated revenues upon adjournment.
- 05:37:22 **Chairman Jones** asked if the dollars remain the general fund through the low point can they be used to service other areas. Mr. Johnson that is correct.
- 05:40:29 **Sen. Bales** asked if revenue estimates continue to decline would the Governor have to implement 17-7-140 and go up to 10 percent. Mr. Johnson said that is correct.

PUBLIC TESTIMONY

None

ADJOURN

Meeting adjourned and will reconvene Friday at 8:00 a.m.

FRIDAY, MARCH 5, 2010

COMMITTEE MEMBERS PRESENT

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. LLEW JONES
 REP. JANNA TAYLOR

COMMITTEE MEMBERS ABSENT

REP. JON SESSO

STAFF PRESENT

DIANE MCDUFFIE, Secretary
 AMY CARLSON, Director

CALL TO ORDER AND ROLL CALL

00:02:15 The 212th meeting of the Legislative Finance Committee (LFC) reconvened on Friday, March 5, 2010, and was called to order at 8:00 a.m. by **Representative Llew Jones**, Chair. The meeting was held in Hearing Room 102 of the State Capital, Helena, Montana. The Secretary noted the roll.

**COMMENTS OF THE LFC REGARDING GOVERNOR'S BUDGET OFFICE
 RECOMMENDED SPENDING REDUCTIONS**

- 00:02:55 Amy Carlson, Director, LFD provided a summary from the Management Advisory Group on increase risk items associated with the executive plan and proposed comments from the LFC. (Exhibit 16)
- 00:06:55 **Sen. Lewis** said he would like to add urging the Governor to consider such options as hiring freezes and travel reductions.
- 00:08:47 **Sen. Wanzenried** said that if the committee is going to make recommendations they should be more targeted and specific. He said what is being proposed in the letter doesn't address the magnitude.
- 00:12:18 **Sen. Williams** said the Management Advisory Group raised all of the issues **Sen. Wanzenried** mention. She said the group decided to present the items where there was broad agreement and leave the rest to the full committee.
- 00:18:09 **Sen. Ripley** asked if the committee is charged to make comments on the recommendations or to make recommendations.
- 00:18:49 Amy Carlson, Director, LFD said the specific language says "The committee may make recommendations concerning the proposed reductions in spending."

ADJOURN FOR CAUCUS

- 00:51:12 The committee reconvened at 8:55 a.m.
- 00:53:29 **Rep. Jones** said any proposed motions made during the break need to be made publicly.
- 00:53:57 **Rep. Hiner** said her caucus concluded to maintain the focus of being general in nature and continue to make recommendations to re-evaluate.
- 00:55:16 **Rep. Jones** said his caucus felt that the potential for legal risk for the state and where legislative action would be required could specifically be addressed and comments regarding Elkhorn be general in nature.
- 00:57:06 **Senator Gallus** asked that the committee review the letter via email prior to making a decision.
- 00:57:56 Greg Petesch, Code Commissioner, LSD said that the actions the committee takes have to be taken at the meeting.
- 01:06:46 **Rep. Glaser** ask that the committee encourage the administration not to remove the provider rate increase approved by the legislature.
- 01:09:02 **Sen. Williams** said there was some agreement from the Management Advisory Group to recommend using FMAP money for some of the cuts.
- 01:10:18 Ms. Carlson reviewed what the committee discussed which would be to:
Remove "Elkhorn Treatment Center and Physician Rate Increase".
Leave "In ordering reductions in spending the Governor should evaluate".

Add "Specific examples include:

- a. Community Corrections division of the Department of Corrections and
- b. Physicians Rate increase in the Department of Public Health and Human Services."

01:11:37 **Rep. Hollenbaugh** recommended the committee move forward with the changes noted by Ms. Carlson.

PUBLIC DEFENDER SYSTEM

01:14:48 Pat Gervais, Fiscal Analyst, LFD presented the report on the Public Defender System. (Exhibit 17) The purpose of the report is to provide information regarding the financial condition of the Office of Public Defender, provide information about data availability, increase legislative awareness of challenges and issues, highlight areas related to the system that may be topics in future legislative sessions , and determine if the LFC would like additional information or research on particular topics or issues.

01:38:16 Harry Freebourn, Administrative Director, Office of Public Defender, (OPD) provided a general overview of the Office of Public Defender, he addressed the financial situation and items in Ms. Gervais' report.

QUESTIONS FROM THE COMMITTEE

01:55:01 **Sen. Wanzenried** referred to the memo from the OPD to the Office of Budget and Program Planning (OBPP) regarding the 2011 Biennium Estimated Shortfall, (Exhibit 18) and asked how much in the current fiscal year was mitigated and how much is anticipated for a supplemental appropriation. Mr. Freebourn said the OPD is about \$800,000 short for this fiscal year and is asking for a transfer from next fiscal year to this year. The agency has identified four ways to mitigate expenditures including: 1) increasing funding sources, 2) reducing expenditures 3) increasing productivity, and 4) reducing services. The OPD will need \$1.6 million for next year unless they can mitigate more.

02:05:57 **Sen. Bales** asked what the cost of billable hours is for staff attorneys. Mr. Freebourn said the current rate is \$67.00 with overhead. Contract attorneys bill at \$60.00 per hour base rate plus reimbursement of other expenses including travel and other office costs.

02:09:43 **Rep. Hollenbaugh** asked if there are any recommendations in the American University (AU) report on how to address costs or how to deal with declining revenues. Ms. Gervais said her recollection of the report talked about concerns with funding, data collections to support budgeting, and one recommendation for the system to have a back up plan in terms of a funding crisis.

02:15:08 **Rep. Taylor** asked how much of a raise did the lawyers get, what were the average lawyers making and are the raises schedule for the next few years. Paula Stoll, Administrator State Human Resources Division and Governor's Chief Labor negotiator said she does not have the information at this time but can get it. She noted that the pay schedule for the public defenders is the same pay schedule they were on during the last biennium. It provides for a mechanism in which they can hire people who are not skilled and not experienced and provide incremental pay raises. The contracts are renegotiated every two years but the pay schedule remained the same.

SUPPLEMENTAL APPROPRIATION PROPOSAL

- 02:18:40 Pat Gervais, Senior Fiscal Analyst, presented her report on the Office of Public Defender Supplemental Appropriation. (Exhibit 19) Ms. Gervais said the committee has two options: provide a written report to the Governor stating the committee has reviewed the request to move the \$800,000 from the second year to the first year or remain silent and not provide a written report. If the committee does not report to the Governor, the Governor has to wait 90 days to approve the request.
- 02:18:54 **MOTION: Senator Gallus** moved the LFC provide a report to the Governor to move forward with the request to move funding from FY 2011 to FY 2010. **ROLL CALL VOTE:** Motion failed. (Exhibit 20)
- 02:26:19 **Sen. Bales** asked Ms. Gervais to review the recommendations in her report. (Exhibit 17) Ms. Gervais said LFC Action Item B talks about things that could be considered for future legislation in terms of potential ways to impact costs. Recommendation 5 talks about the "minimal" caseload requirement be removed from statute and more emphasis on management. Recommendation 7 having to do with a separate conflicts office for all trial and appellate cases will also be watched.
- 02:32:35 **MOTION: Sen. Bales** moved Action Item B. **VOTE:** Motion passed.
- 02:33:42 **MOTION: Sen. Bales** moved Action Item E. **VOTE:** Motion passed.

PUBLIC COMMENT

- 02:40:39 Jennifer Hensley, Public Defender Commission.

INFORMATION TECHNOLOGY

- 02:55:11 Greg DeWitt, Fiscal Analyst, LFD presented a report on 2010 Information Technology Strategic Plan Overview. (Exhibit 21) The purpose of this report is to advise the LFC of potential impacts to fiscal policies and fiscal impacts implied within the 2010 update of the state information technology strategic plan. The state information technology strategic plan provides strategic direction for state agencies to develop agency information technology strategic plans to administer their information technology resources to meet the agency specific missions.
- 03:00:07 Dick Clark, ITSD CIO, Department of Administration provided comments on the State of Montana Strategic Plan for Information Technology 2010. (Exhibit 22) and the CIO Report. (Exhibit 23)
- 03:08:50 Ron Baldwin, CIO, Department of Public Health and Human Services (DPHHS) provided a report on DPHHS HB 4 Long Range IT Projects (Exhibit 24)

SUBCOMMITTEE REPORTS

American Recovery and Reinvestment Act Subcommittee

- 03:14:20 **Sen. Williams** provided a brief update on the American Recovery and Reinvestment Act Subcommittee.

Department of Public Health and Human Services

03:17:50 **Sen. Lewis** provided a brief update on DPHHS budget reduction plan, and Enrollment in Healthy Montana Kids (Exhibit 25).

Performance Measurement Subcommittee

03:24:39 **Sen. Wanzenried** provided an update on Performance Measurement Subcommittee.

RECOMMENDATIONS TO GOVERNOR

03:29:01 **Rep. Jones** provided the current proposed draft letter on recommendations to the Governor with regard to 17-7-140, MCA. (Exhibit 26)

03:30:48 **Sen. Wanzenried** provided draft language to be included in the letter to deal with the eventuality of Congress approving additional FMAP monies to the state. (Exhibit 27)

03:37:31 Lois Steinbeck, Fiscal Analyst, LFD said the estimated effect of an enhanced FMAP is every 1.0 percent change in the federal Medicaid match rate generates a change in state fund of \$8.0 to \$8.5 million. A conservative estimate if Medicaid spending stays the same and services are not reduced could be \$40.0 million in the second half of FY 2011.

03:38:41 **Sen. Bales** proposed amending the language proposed by **Sen. Wanzenried** to read "...estimated \$40 million in general fund savings to minimize cuts in the 2 percent provider rate increase for FY 2011 within DPHHS".

03:41:48 **Rep. Hollenbaugh** expressed opposition to **Sen. Bales** efforts to make more specific recommendations and to focus more broadly on allowing flexibility of agencies to address the fiscal problems.

03:45:13 **MOTION Rep. Hollenbaugh** moved the LFC adopt the language as written.

03:45:29 **Sen. Glaser** stated that a MOTION had not yet been made to accept the letter.

03:48:14 **AMENDED MOTION: Rep. Hollenbaugh** moved the LFC consider the letter as written with the addition of the proposed language provided by **Sen. Wanzenried**.

03:46:00 **Sen. Bales** proposed to move the letter and then discuss whether or not to amend the letter.

03:46:41 **MOTION: Rep. Hollenbaugh** moved to adopt the letter as written.

03:47:02 **SUBSTITUTE MOTION: Rep. Hollenbaugh** moved the LFC adopt the letter to the Governor as written with the addition of the proposed language provided by **Sen. Wanzenried**.

DISCUSSION OF THE AMENDMENT

03:47:37 **Sen. Bales** asked for clarification as to where the language will appear in the letter. **Sen. Wanzenried** proposed the language be a new subsection 2 following item 1.

03:48:50 Ms. Carlson, Director, LFD proposed adding an (s) to recommendations in the first paragraph and the proposed language would follow item number 1.

03:49:50 **ROLL CALL VOTE:** Substitute Motion Passed unanimously. (Exhibit 28)

03:50:30 **MOTION: Rep. Hollenbaugh** moved the letter as amended.

DISCUSSION ON THE MOTION

03:51:30 **Sen. Wanzenried** provided the following grammar changes:

- Change recommendation to "proposals" in the first paragraph
- Start new paragraph with "The committee makes ...
- Start new paragraph with "Specific examples include..."

04:01:59 **Sen. Bales** said he did not think "Specific examples include:" should be a new paragraph. **Sen. Wanzenried** said he would concede to that.

REGULAR METING REPORTS

04:05:42 Greg Dewitt, Fiscal Analyst, presented the Budget Amendments. (Exhibit 29) Mr. DeWitt explained that the Office of Budget and Program Planning submitted 50 budget amendments certified by the Governor since the December 2009 LFC meeting. Each amendment, along with a brief explanation is summarized in the attached table. Staff has reviewed the amendments and raised no concerns.

04:07:27 Taryn Purdy presented the Operating Plan Changes. (Exhibit 30) Ms. Purdy explained that the Office of Budget and Program Planning submitted 2 operating plan changes, 2 program transfers, and 1 house adjustment that meet the requirements of 17-7-137. LFD staff reviewed the proposed changes and raised no concerns.

04:08:31 Kris Wilkinson, Fiscal Analyst, LFD commented that the Montana Historical Society is proposing to reduce personal services expenditures by \$82,000 in the education program. Through a Memorandum of Understanding, approximately \$150,000 of accommodation tax money transferred from the Dept. of Commerce will be supporting on-going expenditures for personal services.

04:09:24 **Rep. Taylor** asked what the money is supposed to be used for. Ms. Wilkinson said it supports historical interpretation and to support personal services with a one-time only source of revenue puts the department at risk.

The Required Reports were also included in the committee notebooks but no formal presentation was made. (Exhibit 31)

COMMITTEE BUSINESS

04:09:10 Jaret Coles, Staff Attorney, presented the proposed Legislative Finance committee Rules. (Exhibit 32) Mr. Coles said that after review he noted areas for LFC discussion and potential action.

04:16:02 **MOTION: Rep. Taylor** moved to approve 8 members be required for a quorum and 7 to pass a MOTION and the chair and vice-chair attend subcommittees for the purpose of a quorum but can't vote.

- 04:16:15 Mr. Coles said that would require modifications and the committee may want to approve the final language at the next meeting.
- 04:17:14 **Rep. Taylor** withdrew her Motion.
- 04:18:02 **Senator Bales** suggested adopting the current rules before deciding on amendments.
- 04:19:50 **MOTION Sen. Bales** moved to adopt the rules used last interim by the Legislative Finance Committee. **VOTE:** Motion passed
- 04:22:50 **MOTION: Sen Bales** moved to have staff draft an amendment to the rules to reflect 8 members are required for a quorum and 7 to pass a Motion and the chair and vice-chair be non-voting members of subcommittees. **VOTE:** Motion passed
- 04:24:30 **MOTION: Rep. Hiner** moved to adopt the proposed alternative to the Emergency Meeting rule. **VOTE:** Motion passed.
- 04:28:03 **MOTION: Sen. Bales** moved to adopt Item 6 regarding Proxy Voting. **VOTE:** Motion passed.
- 04:30:00 **MOTION: Sen. Bales** moved to amend current rule regarding Parliamentary Procedure to reflect Senate Rules and Mason's Manual of Legislative Procedure. **VOTE:** Motion passed.
- 04:32:23 **MOTION: Sen. Williams** moved the last paragraph be stricken from the current rule regarding Staff Procedures. **VOTE:** Motion passed.
- 04:33:51 **MOTION: Sen. Wanzenried** moved to adopt Item 12 regarding Reports as written. Motion passed.
- 04:35:37 **MOTION: Sen wanzenried** moved the proposed alternative rule change to Item 15 regarding Suspension of Rules. **VOTE:** Motion passed.
- 04:36:21 **MOTION: Rep. Hiner** moved to adopt the language regarding Rules of Proceedings in Item 1. **VOTE:** Motion passed.
- 04:37:01 **MOTION: Sen. Bales** moved the committee authorize proxy voting. **VOTE:** Motion passed.

New Staff Introduction

- 04:37:29 Amy Carlson, Director, LFD introduced new staff member Brian Hannan recently hired to fill the vacant Revenue Data Analyst position

Budget Issues

Revise Transfer

- 04:40:17 **MOTION: Sen. Williams** moved that the Legislative Finance Committee approve the move of up to \$13,000 spending authority from the personal services line of the

Legislative Fiscal Division operating plan to its operating expenses line for the purpose of completing the rebuild of the LFD work area. cubicles. **VOTE:** Motion passed.

Approval of the 5% Reduction Plan

04:41:15 Amy Carlson presented the LFD proposed Budget Reductions for the Legislative Branch (Exhibit 33)

04:42:03 **MOTION: Sen. Williams** moved to approve the 5 percent spending reductions.
VOTE: Motion passed.

LFC/LFD Interim Work Plan

04:42:34 Amy Carlson provided an update on what the committee discussed during the brainstorming session on March 4.

17-7-140, MCA

04:43:34 Greg Petesch, Code Commissioner, LSD discussed the inconsistencies in 17-7-140, MCA .

RECOMMENDATIONS TO GOVERNOR REGARDING SPENDING REDUCTIONS

A copy of the revised letter was distributed to the committee for review. (Exhibit 34)

04:48:21 **MOTION: Rep. Hollenbaugh** moved to adopt the letter of recommendations to the Governor as written. **ROLL CALL VOTE:** Motion passed.(Exhibit 34a)

NEXT MEETING DATES

04:49:22 The next meeting of the LFC will be Thursday and Friday, June 3 and 4, 2010.

ADJOURNMENT

04:49:43 Meeting adjourned at 1:55 pm.

Representative Llew Jones, Chairman

Diane McDuffie, Committee Secretary
