



LEGISLATIVE FINANCE COMMITTEE

61st Montana Legislature

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

SENATE MEMBERS

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

HOUSE MEMBERS

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

CLAYTON SCHENCK, Lead Staff
DIANE MCDUFFIE, Secretary

MINUTES

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division.

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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.

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AMERICAN RECOVERY AND REINVESTMENT ACT SUBCOMMITTEE

COMMITTEE MEMBERS PRESENT

SEN. CAROL WILLIAMS
SEN. DAVE LEWIS
REP. CYNTHIA HINER
REP. JANNA TAYLOR

STAFF PRESENT

BARBARA SMITH, Lead Staff
MATT STAYNER, LFD Staff
SUSIE LINDSAY, Secretary

ATTACHMENTS

Roll Call, Attachment #1.

00:17:31

CALL TO ORDER AND ROLL CALL

BARBARA SMITH, Fiscal Analyst II with the Legislative Fiscal Division opened the meeting. She asked the committee to appoint a chair. The secretary noted the roll. (Attachment #1)

- 00:18:09 SEN. DAVE LEWIS nominated SEN. CAROL WILLIAMS as chair. REP. CYNTHIA HINER seconded the motion. All were in favor.
- 00:18:34 SEN. CAROL WILLIAMS, Chairman called the conference call meeting to order at 9:30 a.m. on Wednesday, July 8, 2009. The conference call meeting was held in Hearing Room 102 of the State Capital, Helena, Montana.
- 00:18:45 SEN. CAROL WILLIAMS, Chairman asked Ms. Smith to give her review of the Governor's report.
- 00:19:37 **REVIEW OF GOVERNOR'S REPORT**
MS. SMITH provided an overview. (Exhibit 1, page 1) She stated that the report is 348 pages long and it is in the LFD office for reference. It is cross referenced to sub-classed codes, so the LFD staff can go into the accounting system and verify numbers. She stated that it is difficult to search the document. The Governor's Budget and Program Planning Office stated that it is still a work in progress. Ms. Smith stated that the summarized expenditures vs appropriations off the report indicated that the numbers were 4% out. She ran the sub-classes in the accounting system and about \$1 million has already gone out. She stated that she would like access to the raw data.
- 00:21:15 SEN. CAROL WILLIAMS, Chairman asked the Governor's budget office personnel to address the issue of being able to search the database easier.
- 00:21:43 AMY SASSANO, Assistant Budget Director for the Governor's Budget and Program Planning Office responded. She stated that the Budget Director approved giving an electronic copy of the data to LFD. Ms. Sassano stated that she will visit with Ms. Smith to get the type of format she desires.
- 00:23:03 SEN. CAROL WILLIAMS, Chairman asked the committee members to comment on the Governor's report.
- 00:23:06 SEN. LEWIS stated that in regards to the Governor's website and the MT reinvestment map and specifically the Lewis and Clark County pie chart of \$46 million doesn't allow the user to click on it and get a list of projects for a specific area. The breakdown is for transportation, but doesn't show anything further.
- 00:24:06 JAYSON O'NEILL, Deputy Communications Director for the Governor's Executive Office responded that he is currently working on that specific request.
- 00:25:01 SEN. LEWIS thanked Mr. O'Neill.
- 00:26:32 REP. HINER experienced some difficulty maneuvering on the website, however she was mostly happy with it, especially in terms of transparency.

- 00:27:31 REP. TAYLOR thought it would be easier to just click on the county and have the projects immediately come up, but thinks Mr. O'Neill's explanation of how it will be is ok.
- 00:28:04 SEN. CAROL WILLIAMS, Chairman asked for further comments from the budget office.
- 00:28:11 MR. O'NEILL mentioned a PDF breakdown, by county and a list of projects in there.
- 00:28:49 REP. TAYLOR and SEN. LEWIS asked how to find that section. Rep. Taylor asked if it was password protected.
- 00:29:08 MR. O'NEILL explained how to get to the page.
- 00:30:20 SEN. CAROL WILLIAMS, Chairman asked for the review of other economic data. She asked Ms. Smith to give her report.
- 00:30:33 **REVIEW OF OTHER ECONOMIC DATA**
MS. SMITH presented the Review of Other Economic Data. (Exhibit 1) Ms. Smith explained that both she and another LFD analyst, Matt Stayner, created the narrative report. She stated that the report is another collection of indicators that tracks recovery in Montana that were not based on expenditure levels or estimated job counts. The report reflects economic data from the state web site and the federal web site including job count data, unemployment rate by industry super sector and individual unemployed insurance benefits. On page two is job count data derived from the Department of Labor and Industry's website yourfuture.org. It shows job count has decreased by 8,400 between May 2008 and May 2009. In addition, the industry employment by super sectors like construction, trade, transportation and utilities are shown in Figure 3. In May of 2008 jobs in the construction sector were at 30,000 and by May 2009 only 24,900 jobs remained for a decrease of 5100 jobs over the year. When stimulus money gets on the ground, the numbers should increase. The only job increases over the last year were in Education and Health Services and all forms of government. Figure four shows the seasonally adjusted unemployment rate for the last six months and the change. Figure five illustrates those numbers over the past five years. The trend line would flatten as unemployment declines. The final portion of data that is available is the unemployment claim numbers and Ms. Smith asked Matt Stayner to explain that portion of the report.
- 00:34:16 MATT STAYNER, Fiscal Analyst I with the Legislative Fiscal Division, explained the unemployment data graph over the past two years. The lowest unemployment rate in Montana is typically in the summer during the month of August. Figure 6 on page five shows regular unemployment claims, emergency claims and Tier 2 claims. The large increase of the unemployment figures within the last two months are a reflection of the stimulus benefits becoming available. The emergency funds became available to the unemployed by extending claims from 20 weeks to 33 weeks. The Tier 2 insurance is dropping since it is only applicable when the unemployment is 4% greater than the national average and

120% of the last two years. The Tier 2 will no longer be available next month. The unemployment numbers will shrink as a result of the unavailability of insurance to some people, as well as, the normal seasonal changes.

- 00:37:16 SEN. CAROL WILLIAMS, Chairman asked about the federal requirements for quarterly job reports that the State of Montana is required to file. She wondered why the committee could not just use the same indicators as the federal requirements.
- 00:38:00 MS. SMITH responded that she listened to the U.S. House hearing discussing the federal requirements accountability with the states. The discussion within the hearing was how they would track the number of employees retained or number of new jobs. The Office of Management Budget (OMB) have stated that they will be offering webinars on how they want the information counted. They have moved away from using the formula and left it up to the states on how they would calculate the full time employees (FTE). The LFD looked at analyzing a number outside the act that would give the subcommittee an indication of job growth or improvement in Montana. The OMB stated this morning in the U.S. House hearing that the requirements would increase and the webinars would clarify what needs to be reported.
- 00:39:33 SEN. LEWIS stated that he has always had concerns with only looking at the unemployment insurance data. He wanted to include Supplemental Nutrition Assistance Program (SNAP--formerly Food Stamps) numbers. He felt that the numbers are a good indication of economic distress.
- 00:40:24 MS. SMITH responded that Marilyn Daumiller, LFD Fiscal Analyst II, obtains SNAP numbers on a monthly basis and the LFD will incorporate them into the report. Sen. Lewis thanked Ms. Smith and looked forward to seeing the data.
- 00:41:01 SEN. CAROL WILLIAMS, Chairman asked the subcommittee what the LFD staff will work on under the Recovery Act if the Governor's office is already going to provide federal quarterly reports mandated by the act. She stated that while the LFD could obtain other data, the data required under the act will be provided and she suggested the LFD stick to the information provided in the Governor's quarterly reports. She asked for comments from the Governor's budget office.
- 00:42:05 SHAWN GRAHAM, Associate Budget Analyst from the Governor's Budget and Program Planning Office explained that the federal quarterly reports, or the 1512 reports, will be due from each agency accepting federal funds on October 10. The information will be made public by the first of November. The guidelines provided by OMB regarding job creation in the 1512 report calculate jobs the same way as the Governor's office. The calculation is based on total hours worked divided by total hours in a full time schedule and it is cumulative for the life of the act. Mr. Graham stated that job retention and job creation information will be provided on the 1512 report and also report it on the Governor's website.
- 00:43:22 REP. HINER asked Mr. Graham to clarify the dates again.

- 00:43:42 MR. GRAHAM responded that the first 1512 report is due on October 10th. Then the reports will come out quarterly after that. The process is to have a 10 day agency review period, then a 8 or 9 day review by the federal agency that is administering the funds and then the information will go public.
- 00:44:34 REP. HINER asked if that information will go on state's website.
- 00:44:57 MR. GRAHAM stated that monthly information will be collected between now and October and then it will be on the state website on October 15 and it will be on the federal website in November.
- 00:45:29 SEN. LEWIS stated the LFD could use the same numbers as the Budget Office for estimates of jobs by projects, but in the total picture it would very useful to understand what is going on with total employment, unemployment, and SNAP recipients to have a feeling for the total outlook.
- 00:46:32 SEN. CAROL WILLIAMS, Chairman asked the Governor's office if SNAP funds were going to be on the Governor's website.
- 00:47:19 MR. O'NEILL responded that the Department of Health and Human Services (DPHHS) provides an agency report on SNAP funding and that information is already available on the website.
- 00:48:00 REP. TAYLOR commented on the proposed LFD ARRA work plan. She stated that the legislature in no way conflicts with the Governor's report. She mentioned that since the legislature is the body that appropriates the money, she thinks it is appropriate that the legislature tracks it. She indicated that the ARRA work plan looked good and she liked tracking of overall results instead of individual items.
- 00:49:27 SEN. CAROL WILLIAMS, Chairman asked MS. SMITH to review the work plan point by point.
- 00:49:46 **WORK PLAN PROPOSAL AND DISCUSSION**
MS. SMITH presented the Work Plan Proposal. (Exhibit 2) Ms. Smith explained the plan development. She conferred with members from the LFC committee, as well as, members from the ARRA subcommittee to determine what oversight requirements were desired. A common concern was whether or not people were being helped, monitoring the participation in expenditures related to unemployment compensation, type of individual use of benefits, SNAP data, and the weatherization program. The appropriation for weatherization was large, so actual homes and families can really be tracked. The second point was to ensure that funds got out there by analyzing the Governor's report using simple statistics regarding how much of the money reported is being expended vs how much the legislature appropriated. After a few months the LFD could then determine the slow areas and figure out why that may be occurring. The third point would be to assure the largest areas of expenditures, which are health and human services, education, transportation and work force are all monitored on a routine basis. In some of these areas the stimulus money is considered a base budget during the budgeting process in the next biennium, so that challenge may

have to be addressed. Point four of the work plan is to assure that the investment creates jobs. The LFD could monitor what the Governor is reporting and also look at economic data as a whole. The reason for the proposal is the considerable amount of cash coming to the state direct from federal agencies and that money should also spur the economy and create jobs. Those jobs would not be counted in the Governor's report, however they will show up in the economic indicators within the state. The other proposal is to look at the results of the new programs implemented in HB 645 like the wood products revolving loan, the energy storage program and a few others. Finally, the public should be given adequate information. Also, the public should have adequate opportunity to comment on the stimulus funding like through web site comments or public hearings. Ms. Smith suggested if the committee accepts the plan, then the LFD would submit a calendar for the work plan back to the committee. She reminded the subcommittee members that the Legislative Finance Committee has asked the ARRA to notify them of the accepted work plan before progressing.

- 00:54:00 REP. HINER commented about point number two that she would like to emphasize the positive rather than just detailing the negative.
- 00:54:39 SEN. CAROL WILLIAMS, Chairman agreed with Rep. Hiner's comments. She also stated that the timing for the reactions to the numbers should not be conducted until October or November to coincide with the federal reporting. She also did not think the committee needed to review progress on a monthly basis.
- 00:55:22 MS. SMITH stated that the LFD would need to look at the numbers before November to have time to analyze the data.
- 00:55:57 SEN. LEWIS asked for clarification on timing from SEN. CAROL WILLIAMS, Chairman. She stated that the committee didn't need to look at the data until November, but agreed that the LFD could get the information sooner. Sen. Lewis thought the plan that Ms. Smith provided was good.
- 00:56:18 REP. TAYLOR agrees with the comments. She is not concerned about the timing. She agreed with Rep. Hiner that the positives are important. However, she noted that Ms. Smith pointed out in point #4 that more money is available from federal agency to federal agency and that covers more than just the Governor's monthly reports. Rep. Taylor stated that the committee is looking at all of the stimulus dollars in Montana and tracking SNAP, unemployment, etc gives a broader picture than just the Governor's reports.
- 00:58:12 SEN. CAROL WILLIAMS, Chairman stated she thought the subcommittee's task is to look at HB 645 monies.
- 00:58:56 REP. TAYLOR asked SEN. CAROL WILLIAMS, Chairman for clarification on what she thinks this subcommittee is to do. SEN. CAROL WILLIAMS, Chairman thought that the LFC had only tasked the committee with looking at 645 money. SEN. CAROL WILLIAMS, Chairman asked for further comments.
- 00:59:28 SEN. LEWIS added his comments. He wants to understand the impact on

Montana of the stimulus package. He stated that he thinks that perhaps the situation has changed since Sen. Story's original bill was passed. More money has come through than was originally thought, like into the forest service and proposals to build power lines. He thought that a whole picture, rather than just a look at 645, would be wise.

- 01:01:39 SEN. CAROL WILLIAMS, Chairman stated that between now and the next LFC meeting she would like the subcommittee to focus just on the 645 issue. Then at the LFC meeting ask the other members how to proceed. She remarked that she thought it was assuming too many responsibilities that the LFC did not grant the ARRA subcommittee.
- 01:02:40 SEN. LEWIS stated that he would agree with the proposed schedule since the LFC meeting is set for September 25 and not much will occur with the stimulus money until then anyway.
- 01:02:52 MS. SMITH explained that her work plan was an attempt to provide another benchmark to measure total state recovery by incorporating the federal to federal monies with the 645 funding. She assured the committee that the work load to perform those additional measurements was not extensive, however she would certainly do whatever the committee asked.
- 01:04:32 REP. TAYLOR thought the ARRA subcommittee's job was to follow the stimulus money, not to replace a vetoed bill. She is anxious to follow all of the stimulus money, not just the 645 money.
- 01:05:12 SEN. CAROL WILLIAMS, Chairman acknowledged the committee's comments. She reiterated that she thought the subcommittee's duty was to follow Sen Story's bill. She deferred to the next Legislative Finance Committee meeting for them to decide the direction of the subcommittee.
- 01:06:22 MS. SMITH asked if the subcommittee wanted the LFD to draft a proposal for the meeting.
- 01:06:38 SEN. CAROL WILLIAMS, Chairman said she would prepare a report for the September meeting of the Legislative Finance Committee. Then the subcommittee can ask the LFC some questions. Then it will be put on the schedule. SEN. CAROL WILLIAMS, Chairman asked if the subcommittee would like to do some regional meetings.
- 01:07:53 SEN. LEWIS thinks it is worthwhile to attend regional meetings.
- 01:08:41 MS. SMITH asked if Sen Lewis wants to have a website for public comment. If so, she would have to have a little time to set it up.
- 01:09:04 REP. TAYLOR double checked with the Governor's office representative to make sure the public had a part on their website to send in comments.
- 01:09:26 MR. O'NEILL stated that there is a comment page on the recovery.mt.gov.

01:09:45 REP. TAYLOR stated that she has already directed people to the recovery.mt.gov to give comment and didn't think it would work to have a second opinion website.

01:10:20 SEN. CAROL WILLIAMS, Chairman agreed with Rep. Taylor's comments regarding the second website. SEN. CAROL WILLIAMS, Chairman asked Rep. Taylor and Rep. Hiner for their opinion on regional meetings.

01:10:49 REP. TAYLOR stated that she is willing to travel.

01:10:58 REP. HINER stated that she thought regional meetings were beneficial and is in favor of traveling.

01:11:37 MR. O'NEILL mentioned that the monthly reports link is now working, so if they click on Governor's report, the monthly report will now be updated by counties, so that you can now look as specific projects in your county.

01:12:00 REP. TAYLOR responded with a huge THANKS!

01:12:06 MS. SMITH suggested the subcommittee schedule the next meeting.

01:12:26 SEN. WILLIAMS preferred to schedule the meeting directly following the Finance Committee. She thought perhaps the hour after the LFC would be appropriate.

01:13:33 MS. SMITH stated that she would defer to Matt Stayner or Taryn Purdy, as she would be unavailable for the September meeting. Ms. Purdy stated that anytime that works with the subcommittee would be fine.

01:13:41 SEN. CAROL WILLIAMS, Chairman asked for public comment.

01:13:56 **PUBLIC COMMENT**
MS. SMITH stated that no public wished to comment.

01:14:09 MS. SMITH did a follow-up of what had been discussed so far. She stated that the LFD will work with the Governor's Budget Office to get the raw data for the monthly reports so the LFD can do further analysis. The work plan will be edited to celebrate the successes out in the communities. She will plan spring meetings and prepare for September.

01:14:54 SEN. CAROL WILLIAMS, Chairman thanked the Governor's Budget Office for accommodating the subcommittee's requests. She stated that she looked forward to a good working relationship with the Governor's Budget Office and Mr. O'Neill on the website development. She also thanked Ms. Smith for her work to schedule the first meeting.

01:15:00 **ADJOURNMENT**
SEN. CAROL WILLIAMS, Chairman adjourned the meeting at 10:50 a.m.

Senator Williams, Madame Chair

Susie Lindsay, Committee Secretary