



LEGISLATIVE FINANCE COMMITTEE

65th Montana Legislature

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

SENATE MEMBERS

LLEW JONES
EDIE MCCLAFFERTY
NATE MCCONNELL
FREDERICK (ERIC) MOORE
RYAN OSMUNDSON
JON SESSO

HOUSE MEMBERS

NANCY BALLANCE
KIMBERLY DUDIK
KENNETH HOLMLUND
MIKE HOPKINS
MARILYN RYAN

JULIE JOHNSON, Staff Attorney
KAREN GILBERT, Secretary
AMY CARLSON, Director

MINUTES LOG

June 18-19, 2018

Room 102, Capitol Building
Helena, Montana

Please note: This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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COMMITTEE MEMBERS PRESENT

SEN. LLEW JONES
SEN. EDIE MCCLAFFERTY
SEN. NATE MCCONNELL
SEN. FREDERICK (ERIC) MOORE
SEN. RYAN OSMUNDSON
SEN. JON SESSO

REP. NANCY BALLANCE
REP. KIMBERLY DUDIK
REP. KENNETH HOLMLUND
REP. MARILYN RYAN

COMMITTEE MEMBERS EXCUSED

REP. MIKE HOPKINS

STAFF PRESENT

AMY CARLSON, Director
JULIE JOHNSON, Legal Staff
KAREN GILBERT, Committee Secretary

VISITORS' LIST ([Attachment 1](#))

AGENDA ([Attachment 2](#))

COMMITTEE ACTION

CALL TO ORDER and ROLL CALL

- 00:03:52 Chair Ballance called the meeting to order and the secretary took roll.
([Attachment 3](#))
- 00:05:06 Sen. Jones moved to approve the minutes from the May 9, 2018, conference call. The motion passed.

FY 2018 Budget Status Report

- 00:05:37 Amy Carlson, legislative fiscal analyst, presented the LFD Budget Status Report.
([Exhibit 1](#))
- 00:13:05 Sen. Sesso asked about including transfers in the revenue projection and if Ms. Carlson would talk about how including the transfers skews the projection.
- 00:13:32 Ms. Carlson said the method used in the report doesn't skew the future projections and provided a handout. She referred to page 3 of the budget status report that shows ongoing and one time only (OTO) revenues.
- 00:17:02 Sen. Jones said basically the darker orange in the chart is OTO and even without the OTO transfer there has been revenue growth.
- 00:17:58 Ms. Carlson agreed and said the OTOs aren't included in future revenues beyond FY 19.
- 00:18:25 Sen. Sesso asked for clarification of numbers presented in FY 18 and FY 19. He said he didn't want the OTO to be understated.
- 00:20:07 Ms. Carlson said she would provide additional information.
- 00:20:52 Sen. Sesso asked about revenue growth and clarified the OTO wasn't included in the 10.8% growth.
- 00:21:27 Ms. Carlson said yes.

00:21:42 Sen. Sesso asked if it was a misnomer to refer to OTO as growth?

00:22:23 Ms. Carlson said the point was well taken and she didn't realize that was confusing. She said it was their usual method of presenting data, but she understands now that method was confusing for the general public and legislators.

00:23:03 Sen. Sesso asked if in FY 19 the ongoing growth rate is applied to HJ 2 revenue.

00:23:23 Ms. Carlson said yes.

00:23:31 Sen. Sesso asked why the growth rate in 2020 was so low.

00:23:54 Ms. Carlson said they are not anticipating the recent level of growth and FY 19 is a wildcard. She said there might be some one time in nature bumps.

00:24:58 Sen. Jones asked if revenues come in as expected, there would be a \$232 million ending fund balance?

00:26:11 Ms. Carlson said with \$45.7 million in the budget stabilization reserve fund and \$45.7 million in restoration from SB 9. She said the fire fund transfer was made in FY 18.

00:26:44 Sen. Sesso asked for a clarification on numbers.

00:27:22 Ms. Carlson said staff will check and confirm.

00:28:05 Ms. Carlson continued the presentation.

00:33:57 Sen. Jones asked when the fiscal year ends.

00:34:08 Ms. Carlson said July 25 is fiscal year end. She said LFD will publish revenue numbers after that date and the official certification date is Aug 15.

00:34:39 Sen. Jones asked if numbers were current through June.

00:34:41 Ms. Carlson said they were good through May and there are still some payments to come in through June.

00:35:42 Chair Ballance said there is some confusion across the state about how transfers affected HJ 2 and questions about consistency moving forward.

00:36:15 Sen. Sesso asked about information on page 8, year to date general fund revenue.

00:36:53 Ms. Carlson said in the actual accounting system these are valid revenues in the accounting system and that is normally how they would be shown. She said she understands it has created confusion, but it is our typical way of showing things and just a reporting tool. She said they call out the transfers on reports so people

know they are not included, but it is not forecast as an ongoing revenue. She said maybe we haven't been clear.

- 00:38:03 Sen. Sesso said he didn't think it's representative to show transfers attached to the word growth, it leads to confusion. He said the 13.7% is about 3% greater than the reality of real growth, they shouldn't have that out there as a growth number.
- 00:39:14 Chair Ballance said she agreed. She said the general fund chart tries to clarify it, but it is confusing.
- 00:40:08 Stephanie Morrison, lead fiscal analyst, discussed individual income tax information on pages 8-10 of the report.
- 00:44:41 Sen. Sesso asked about overall revenues.
- 00:45:29 Ms. Morrison said June is a big month with property tax payments, half of oil and gas, individual and corporation quarterly payments. She said significant revenues come in at the end of the fiscal year.
- 00:46:29 Sam Schaefer, senior fiscal analyst, discussed corporation tax, vehicle fees and taxes, oil and natural gas production tax, and the video gaming tax.
- 00:50:18 Chair Ballance asked about video gaming and said the expectation was that it was down nationally.
- 00:50:34 Mr. Schaefer said it doesn't look like a timing issue, so maybe Montana got lucky.
- 00:50:59 Rep. Holmlund asked if they keep track of actual production numbers by county.
- 00:51:21 Mr. Schaefer said yes, he'd get that information to him.
- 00:51:32 Nick VanBrown, lead fiscal analyst, discussed property tax information.
- 00:52:56 Alice Hecht, fiscal analyst, discussed insurance tax information. She said she researched individual health insurance and found over the last four years the total number of individual policies is down but the cost is up. She said it is still a very small piece of the pie in the total scheme of all insurance tax.
- 00:54:30 Sen. Sesso asked for clarification on revenue projections.
- 00:56:16 Ms. Morrison referred to charts on pages 5, 6 & 7 of the report. She said the number presented is based on middle of the road projections -- half the collection patterns over the past 15-16 years. She said if we were to have a zero % growth rate compared to last year, this chart tells her middle of the road growth is stronger than zero %. She said they do get a growth rate in the last month that on average have shown a growth rate.

- 00:58:34 Sen. Sesso said he was concerned growth is minus the transfers otherwise it will be misrepresented. He said her expectation is the number for June will be on par with the 10.6% growth rate. He said they are relying on that for restore capabilities present in SB 9.
- 00:59:50 Ms. Morrison said she would reiterate this is an observation of historical collection patterns. She said it is the median, but there is a range; it is not a solid number, simply the middle of the road based on historic patterns.
- 01:01:10 Kris Wilkinson, lead fiscal analyst, discussed expenditures beginning on page 13 of the report.
- 01:04:52 Jon Arnold, fiscal analyst, summarized the Section B status report, the Medicaid Monitoring report and HELP Act, and mentioned the I-185 ballot initiative to increase tobacco taxes to fund the HELP Act past the sunset date. ([Exhibit 2](#))

Budget Director Report

- 01:08:37 Dan Villa, Governor's Office of Budget & Program Planning director, presented an update.
- He said they had been making progress on the Medicaid supplemental requested by DPHHS and the numbers had gone down to \$11 million from \$20 million.
 - He said litigation had been filed against the state regarding the chairwoman's bill regarding provider rates.
 - He said Marilyn Bartlett, division administrator of the Healthcare and Benefits Division, is leaving. He said she has been a sought-after asset and requested a round of applause for Ms. Bartlett and her work for the state.
 - Regarding the Department of Corrections supplemental request, he said they are mitigating efforts in real time. He said he didn't think it was appropriate to continue spending. They are closing a forensic wing at Lewistown and are looking to re-purpose the facility. He said they closed a youth transition center in Great Falls and they are finding placements for the children. Also, jail holds are down.
 - They are in the design process for the Butte Veteran's home and it is going to bid in January.
 - Federal tax reform projections: tens of millions in liability is gone thanks to the legal staff at the Department of Revenue.
 - From the state budget office's perspective, he said they don't think impacts from HR 1 will be permanent. For state revenue estimates, he said they are anticipating somewhere between Special Session projections and HJ 2. He said they will know more in July and can discuss SB 9 implementation.
- 01:16:38 Sen. Moore asked about the provider rate lawsuit.
- 01:16:48 Mr. Villa said a temporary restraining order was granted by the court, they are now in the response phase. He said they will be forming a strategy and holding

hearings. They hope to resolve it quickly. He said it is not an insignificant financial overhang.

- 01:17:48 Sen. Moore asked about the fiscal implication of the injunction.
- 01:17:54 Mr. Villa said the indication of the injunction is they must pay the previous rate until a decision is made.
- 01:18:19 Chair Ballance said the lawsuit covered SB 261 drop in provider rates and whether those would be coming back up to pre-SB 261 rates.
- 01:18:57 Mr. Villa said he didn't want to say too much regarding the lawsuit. He said all providers across the state took the reduction, know they will let the courts decide if all provider types includes nursing homes.

Lunch

- 01:20:14 The committee recessed for lunch.

Funding Concepts for State Building Projects

- 02:37:32 Cathy Duncan, senior fiscal analyst, presented her report. ([Exhibit 3](#))
- 02:50:06 Julie Johnson, LSD staff attorney, discussed a [legal memo](#) regarding a lease to own contract with the state.
- 02:54:16 Sen. Sesso asked about the difference of the certificate of participation compared to a non-appropriations clause.
- 02:54:54 Ms. Duncan said she would address that issue in a minute.
- 02:55:13 Ms. Duncan said if the committee decides to pursue a lease-to-own concept to provide space, they would need to amend statute.
- 02:57:22 Ms. Duncan said in Colorado the legislature is not allowed to approve debt, so it goes to a vote. She said the state has started constructing buildings using Certificates of Participation (CoPs) that include non-appropriation clauses.
- 02:58:44 Sen. Sesso asked if it was used in lieu of a non-appropriations clause, is it a tool used to firm up a financing package? He said it reads like it's some type of assignment of debt. He said he wanted to determine if she included CoP as example of something you could use rather than it being a prerequisite to a lease to own project.
- 03:00:32 Ms. Duncan said she sees it as a tool. She said because of Montana statute, every lease needs a non-appropriation clause.
- 03:01:26 Sen. Sesso confirmed you can't supplant a non-appropriation clause in the contract with some kind of CoP.

03:01:46 Ms. Johnson agreed.

03:01:51 Sen. Sesso asked Ms. Duncan if in Colorado they use a CoP, do they not use the non-appropriation clause?

03:02:03 Ms. Duncan said they do use the non-appropriation clause. She said CoPs have been taken to court twice and the Colorado Supreme Court has said a CoP doesn't represent a state debt.

03:02:51 Chair Ballance asked if a non-appropriation clause at the beginning of a contract and CoP is subject to annual appropriation decisions.

03:03:22 Ms. Duncan said the Colorado Legislature meets annually, in Montana it would be biannual.

03:03:51 Chair Ballance asked if the contract was going along and in one particular biennium the money wasn't appropriated, would the contract be void?

03:04:23 Ms. Duncan said she assumed the contract would be void.

03:04:56 Sen. Moore asked Ms. Johnson if the main difference is the CoP can be assigned to a third party other than a contractor?

03:05:14 Ms. Johnson said she was not sure, she hasn't conducted any research on CoPs.

03:05:24 Rep. Dudik asked if the bonding bill that died before covered roads and bridges as well as buildings? She asked if there had been exploration on how to fund those other than bonding?

03:05:46 Ms. Duncan said she is focusing on buildings in her report. She said the bond bill included other forms of infrastructure including water and wastewater. She said they have had a road bond but it was through a federal program. She said she didn't know for sure if it required a two-thirds vote or if it was a federal bond issue. She said it was not in the most recent bond bills looked at in the legislature.

03:07:00 Ms. Duncan continued her presentation.

03:13:50 Sen. Moore asked who owned the New York Public Transit Authority.

03:14:06 Ms. Duncan said it is an entity.

03:14:19 Sen. Moore asked if it is owned by the taxpayers of New York.

03:14:31 Ms. Duncan said you could say the taxpayers own it, but not state government.

- 03:14:45 Rep. Holmlund asked if Ms. Duncan's first concept is used, if there are other bonds issued increasing bond cost to state, does the money lessen into that fund?
- 03:15:24 Ms. Duncan said that would be a program consideration for the legislature. She said if the legislature approves long range building program debt and issues new long range building program debt, they would want to establish if they want a top amount that could be issued.
- 03:16:28 Rep. Holmlund asked if it wouldn't necessarily lessen the amount of money that went in, but it could if you reached the cap.
- 03:16:45 Ms. Duncan said you could establish a cap.
- 03:16:53 Sen. Sesso asked if the legislature set a bar as \$20 million in debt service ongoing per year, as previous investments sunset, it opens the door to new investments to use up the new portion?
- 03:18:48 Ms. Duncan said Sen. Sesso's point harkens to her addendum to collect unused dollars and deposit them to allow for future building.
- 03:20:05 Sen. Moore asked about using those funds for pay-as-you-go building appropriations made with a simple majority instead of two-thirds vote or the flip side of robbing it with a simple majority.
- 03:20:24 Sen. Sesso agreed. He said he was more interested in using the power of that money to re-authorize more bonds to do more projects over time. He said the legislature would make a decision on what was an appropriate debt level -- in the last session they discussed \$20 million was one % of general fund. He said it was a conservative amount a state should be able to bare. He said that amount over time could produce a lot of overdue projects. He said it would force the legislature to prioritize buildings and make decisions as a legislature on debt tolerance. He said they could put sideboards around how much is appropriate and identify priority projects to advance the conversation if they thought about it in those terms.
- 03:24:30 Rep. Dudik asked about the first option, would it be the only one for roads, bridges, schools, etc.?
- 03:24:58 Ms. Duncan said she only focused on state buildings for this report.
- 03:25:07 Rep. Dudik said she was looking at HB 14 that failed to pass. She asked Ms. Duncan to offer an opinion if these alternatives could be used for those projects?
- 03:25:44 Ms. Duncan said you could take any of the concepts presented and use them for any purpose. She said lease to own probably wouldn't work for schools but you could establish a public authority.

03:27:43 Rep. Dudik said we couldn't lease roads or bridges. She said it seems public authority or cash is the best way to approach it in addition to bonding.

03:28:06 Ms. Duncan said Rep. Dudik was correct, initially there was a school facility aspect in the bonding bill but not roads. She said local government water projects were included but roads are a different beast. She said last session there was a gas tax increase that helped provide funding for road needs. She said she is not addressing roads and bridges in her report at all.

03:29:22 Rep. Dudik said she looked up HB 14 and those were listed in there.

03:29:34 Sen. Moore asked Ms. Johnson about conflicting attorney general opinions under concept 2. He asked if the most recent one held the force of law?

03:29:51 Ms. Johnson said yes and it considers the non-appropriation clause and the other didn't.

03:30:17 Ms. Duncan continued her presentation.

03:37:35 Sen. Sesso asked about next steps, if the legislature were to pick option 2 as an example, the lease to own financing option, what would happen and what would be the next step for staff?

03:38:31 Ms. Duncan said staff would draft legislation and think of the program parameters. She said she thought legislators would want a program outline that would speak to contractual needs and any other concerns.

03:40:24 Sen. Sesso said he wasn't quite grasping her point of needing to change the law for options 2, 3, or 4 regarding the two-thirds majority.

03:41:21 Ms. Duncan said when thinking in terms of lease to own or purchase, the statute explicitly states it requires a two-thirds vote of legislature.

03:41:59 Sen. Sesso said he wasn't sure what the legal memo says compared to what the law says and asked what takes precedent?

03:42:19 Ms. Johnson said the state constitution says you need a two-thirds vote to create state debt and also a statute that says a lease with option to purchase needs a two-thirds vote. She said that would need to be amended if they chose to go forward with an option to purchase scenario that they are saying is not state debt.

03:43:28 Chair Ballance said to clarify, the legal opinion is based on constitutionally required vs. whatever is written in law.

03:43:51 Ms. Johnson said yes, the state constitution can't be amended but statute can.

03:44:08 Sen. Moore asked about the attorney general's opinion.

- 03:44:26 Ms. Johnson said the opinion predates the provision.
- 03:44:37 Rep. Dudik asked if in option 3 or 4, just a lease to the state, how would that statute apply?
- 03:45:12 Ms. Johnson said there is a statute that addresses leases with some restrictions but no requirement for a two-thirds vote.
- 03:45:33 Ms. Duncan said in items 3 and 4, it depends on what the legislature wants to see happen. She said they could arrange it like a lease to own or just a perpetual lease, it still requires a non-appropriation clause but is not considered a debt of the state but considered a long term obligation.

Committee Briefings

Community College Study

- 03:48:05 Shauna Albrecht, fiscal analyst, presented her update. She said a peer group analysis was conducted to look at funding for community colleges within the region. She said they looked at fixed and variable costs, the weighted average for state share per resident FTE.
- 03:51:08 Rep. Holmlund asked if the variation is based on the number of students. He said he was specifically asking about Glendive.
- 03:51:29 Ms. Albrecht said Glendive's fixed costs are different than other campuses. She said in instruction, full time contract faculty are considered a fixed cost, adjunct faculty are considered a variable cost.
- 03:52:33 Rep. Holmlund asked if fixed costs do not depend on number of students but on the number of faculty.
- 03:52:49 Ms. Albrecht said that was correct.

HB 661 State Lab Study

- 03:53:19 Ms. Albrecht discussed her memo. ([Exhibit 4](#))
- 03:56:22 Rep. Holmlund asked if MSU already has land and is willing to use it?
- 03:56:34 Ms. Albrecht said that has been discussed. She said it is up to the board of regents to decide and they have been willing to have a dialogue.
- 03:57:07 Rep. Holmlund asked if the amount included the purchase of land.
- 03:57:14 Ms. Albrecht said no.

Montana Developmental Center

- 03:57:34 Jon Arnold, fiscal analyst, discussed his report. ([Exhibit 5](#))
- 04:02:29 Rep. Holmlund asked about studies in other states and if Montana's costs compare.
- 04:02:42 Mr. Arnold said a lot of states have been closing their Intermediate Care Facilities. He said he hasn't come across a study but will look into it.
- 04:03:15 Rep. Holmlund said he would appreciate that. He said it looks like costs have gone up.
- 04:03:28 Mr. Arnold said if you just look at the facility, that would imply costs are going up. He said many coming out of the facility are going on waivers. He said the cost is different as it is cheaper to serve someone in the community vs. the facility. He said he could put together an analysis.
- 04:04:39 Chair Ballance said that would be beneficial to see. She said her understanding was some go in and out of facility.
- 04:05:56 Rep. Dudik asked about what will be done with the closed facility.
- 04:06:18 Mr. Arnold said he hasn't gotten an answer to that question.
- 04:07:04 Rep. Dudik said she'd like a report in that regard.
- 04:07:31 Mr. Arnold said he'd try to find out.

Subcommittee Report: Results First and Child Protective Study

- 04:09:13 Erica Johnston, DPHHS operations service branch manager, gave her presentation. ([Exhibit 6](#))
- 04:15:27 Nick Dantzer, Pew-MacArthur Results First Initiative, said the work on the cost benefit model with the LFD is ongoing and on target for the September meeting.
- 04:16:42 Rep. Holmlund asked Dantzer if he felt he had a statistically significant sampling to carry the program forward?
- 04:17:16 Mr. Dantzer said this is the first step in having a field survey of providers as to what is happening on the ground. He said then they could make a set of recommendations based on what they have learned through this process.
- 04:18:28 Ms. Johnston said every provider may answer the same question differently. She said they are trying to identify standard reporting requirements.
- 04:19:31 Rep. Holmlund asked if they are continuing to develop services available.

- 04:19:46 Ms. Johnston said they will look at service delivery and how that compares to evidence based information about that product. She said every contract cycle is a new opportunity to look at inventorying and assessing programs.
- 04:20:00 Chair Ballance said the cost-benefit analysis will help legislators inform their decisions.
- 04:21:18 Rep. Holmlund asked for more detail on programs.
- 04:21:26 Ms. Johnston said they will come back with something more substantive. She said programs will be tailored to meet Montana's needs and the most important piece is understanding outcomes rather than rankings.
- 04:23:20 Chair Ballance said as they move forward and that is built in the reporting mechanisms, it will become less expensive.
- 04:23:33 Rep. Dudik asked about the cost benefit analysis. She asked what to expect regarding returns on investment in other programs and will legislators see that data?
- 04:23:56 Ms. Johnston deferred to Mr. Dantzer.
- 04:24:03 Mr. Dantzer said yes, as long as data is available for prospective programs they will be able to do a cost-benefit analysis.
- 04:25:03 Rep. Dudik said she thought DPHHS Deputy Director Laura Smith was going to be here today? She said they were expanding programs in this area and hiring home visitors. She said the subcommittee would like to have some information from Ms. Smith.
- 04:25:50 Ms. Johnston said she'd pass that along. She said Ms. Smith is speaking later in the week at the Children and Family Services Committee but will be at the LFC meeting in September if that will suffice.
- 04:26:22 Rep. Dudik said that would suffice.
- 04:27:08 Chair Ballance announced cars need to be moved from the north parking lot by 5:30 p.m.
- 04:27:26 Ms. Carlson handed out updated charts and documents based on the morning's discussion. ([Exhibit 7](#))

Committee recessed

- 04:29:38 The committee recessed until 8 a.m. June 19, 2018.

Tuesday, June 19, 2018

Call to order

00:00:07 Chair Ballance called the meeting back to order

State Information Technology Services Division

- 00:00:23 Kris Wilkinson, lead fiscal analyst, presented the SITSD portfolio overview. ([Exhibit 8](#))
- 00:04:10 Matt Van Syckle, SITSD interim CIO, went over the report.
- 00:06:14 Rep. Dudik asked about the original delivery date vs. revised delivery date for DPHHS project.
- 00:06:32 Ms. Wilkinson deferred to DPHHS.
- 00:06:42 Erica Johnston, DPHHS, said when the project was funded they thought they would be able to repurpose their existing system, but federal regulations regarding funding these types of systems changed. She said Corrections also has different reporting requirements. She said as they got into the development of the system it pushed the project timeline back so they could continue to access federal funding.

State Chief Information Officer Report

- 00:08:22 Mr. Van Syckle presented the CIO report. ([Exhibit 9](#))
- 00:09:59 Rep. Holmlund asked about principal items of purchase.
- 00:10:11 Mr. Van Syckle said those were user desktops including mouse, screen, etc.
- 00:10:37 Rep. Holmlund asked if it was users who were added, or had computers gone bad?
- 00:10:51 Mr. Van Syckle said it was for end of life replacements, they are on a five year cycle. He said they track every dime.
- 00:11:09 Rep. Holmlund asked what they do with replaced desktops.
- 00:11:18 Mr. Van Syckle said they follow the General Services Division procedures and donate the computers, sell them on the state surplus website, sell them for scrap metal, or deliver them to e-recycling.
- 00:11:58 Rep. Holmlund said when the state donates wiped computers to schools do the schools have to pay to turn them over to salvage?
- 00:12:24 Mr. Van Syckle said they donate to schools for no cost, but the school does have to pay to e-recycle.

00:12:47 Chair Ballance said one of the issues she has is she can't put the reports into context. She asked how the numbers fit within the context of what was budgeted and expected. She said if 691 is the number of IT items purchased, that doesn't mean a lot even with a dollar total. She asked if it was within some schedule and said context would help.

00:14:10 Mr. Van Syckle said the next presentation would address level of visibility LFC would like to see.

00:14:38 Mr. Van Syckle discussed COBIT Implementation Considerations ([Exhibit 10](#))

00:21:14 Rep. Holmlund asked if the report could be put into layman's terms. For example, on page 2 what does "GEIT framework is to deliver value to stakeholders" mean?

00:21:50 Mr. Van Syckle said the idea is to present at the end of the project if the stakeholder would see the value come out of project.

00:22:40 Rep. Holmlund asked how to put a dollar amount on something like that.

00:22:47 Mr. Van Syckle said it was difficult but a goal for the COBIT.

00:23:58 Sen. McClafferty asked if it was a program all agencies use?

00:24:07 Mr. Van Syckle said the product would deliver LFC dashboards and will not be a mandated tool. He said those agencies that report to the LFC would have to use it to upload their information.

00:24:48 Sen. McClafferty said if agencies don't use it, how do we track what they are doing?

00:25:04 Mr. Van Syckle said if the LFC wants certain data, they will mandate it. He said an agency may use it's own procurement tool but will be tracked by SITSD.

00:26:11 Sen. McClafferty asked if all agencies should just use the tool to begin with.

00:26:25 Mr. Van Syckle said yes, it's a journey. He said some agencies already have in-house tools that work well for them. He said they have chosen a product that interacts well with agency tools. He said they are trying to keep costs low and value high.

00:27:24 Chair Ballance said they keep looking for an objective way to quickly learn status on some of the projects. She said they need a subjective response from SITSD. She said legislators are looking at spending and savings that might be achieved -- in the end did they get those savings? She said the very high level view is what they are trying to hear first in this committee. She said they get a lot of detail that a lot of people don't understand. She said they need information not from a dashboard, but from the CIO, she said they are trying to put things in perspective in an oversight view to inform the next legislature what they should request.

00:31:20 Mr. Van Syckle said that input was helpful.

00:34:31 Chair Ballance said sometimes you don't want to wait for a closeout report. She said the committee would like to know about projects that are showing they may have an issue down the road.

HB 2 Information Technology Report: Enterprise Rates

00:36:22 Ms. Wilkinson discussed her report. ([Exhibit 11](#))

00:46:36 Mr. Van Syckle said some of the issues have been addressed. He said for budget creation, rate changes go to a formal rate change process. He said over time they have walked people through publicly-available documentation and addressed concerns.

00:49:51 Rep. Holmlund asked why there was a difference in rates for the data center rack space in Miles City vs. Helena.

00:50:27 Mr. Van Syckle said this isn't the total cost for the data center -- Helena's data center is largely occupied by the state of Oregon. He said they don't have another state in Miles City using that floor space and it was more of a function of Miles City being smaller because it is a disaster recovery site. He said there is less rack space but it still requires cooling, etc.

00:51:33 Rep. Holmlund said the committee received a report that the Helena site was shut down and data was moved to Miles City, how was Oregon impacted?

00:51:59 Mr. Van Syckle said their primary operations come out of Salem and the Helena data center was still functioning. He said it was just an issue with softer operations so they used Miles City as hot site for certain functions like email. He said they are looking at a 10-year transport contract so 600 sites around the state could use local telcos to reduce costs and provide more functionality.

00:53:30 Rep. Holmlund asked why he could see so much installation of wires, etc?

00:53:45 Mr. Van Syckle said they were updating the data center.

00:54:35 Chair Ballance asked if the work group continues to meet.

00:54:44 Mr. Van Syckle said they meet monthly, but during the budget process they have been meeting every two weeks.

Digital Academy Report

01:17:41 Dr. Robert Currie, Digital Academy director, presented his report. ([Exhibit 12](#))

01:23:50 Sen. McConnell asked about the availability of and his viewpoint on broadband in rural parts of the state.

- 01:24:20 Dr. Currie said he sat through a broadband presentation during the Education Committee last week and committee members were astounded that 129 schools were not taking advantage of the e-rate. He said they have not heard a lot from schools about broadband access, but there does seem to be inequity in homes.
- 01:26:13 Sen. McConnell said he heard through other committees that schools spend a lot of money on broadband access.
- 01:26:59 Dr. Currie said he is not an expert on broadband so hard to comment on what schools are spending. He said if that money is there, he doesn't know what the challenge is for schools to tap into that e-rate money other than there will be ongoing costs.
- 01:27:39 Sen. McConnell asked for an explanation of e-rate.
- 01:27:46 Dr. Currie said the e-rate program has been available from the federal government for some time. He said it can be used for a variety of things including connecting broadband and supportive equipment. He said it is basically an opportunity for schools to receive funding to continually update services.
- 01:28:43 Sen. McConnell confirmed it is federal money.
- 01:28:59 Rep. Holmlund asked about the long range goals for Digital Academy and what is its ask of the legislature.
- 01:29:24 Dr. Currie said it is difficult to predict beyond five years due to the changing environment of online learning, but Digital Academy should be a part of the landscape of public education in Montana providing offerings for small schools. He said future offerings would allow schools to take ownership of how they offer programs (partial or blended.) He said of the most concern over the next several years is continuing to make the student experience better and increasing communication between schools, parents and personnel to improve quality. He said there was a push for accessibility and creating new programs in new languages to make them available on mobile devices.
- 01:35:13 Rep. Holmlund asked if funding came through OPI and did that cause problems?
- 01:35:27 Dr. Currie said yes it does and no it doesn't cause problems. He said Digital Academy has a good working relationship with OPI.
- 01:35:58 Rep. Dudik asked about Digital Academy offering EMT or assistant nurse certificates? She asked about shifting the focus to degree/certificate programs for students to get jobs right away?
- 01:36:58 Dr. Currie said the health class offered serves as a high school requirement class. He said they do offer a health occupations class closer to what her question is about but it is a generalized introduction class. He said last spring they surveyed principals and career and technical classes were at top of the list, but they are not offering those at this point.

- 01:39:08 Rep. Dudik asked if there are plans to offer career courses and is there a timeline.
- 01:39:20 Dr. Currie said there is no timeline. He said right now they are assessing interest, the challenge for expansion is the funding cycle. He said his best guess would be 2-3 years.
- 01:40:23 Sen. Jones asked if Digital Academy has divorced itself from university system of dual credit due to interface issues? He said that has created a hole in what legislators envisioned Digital Academy being.
- 01:42:36 Dr. Currie said the divorce is not final and the relationship is still intact. He said there is the potential to grow. He said they currently offer two dual credit classes (through Missoula College and Helena College), pre-calculus and computer science. He said they have had an off-again on-again relationship with the university system as far as their role for dual credit and have been asked to not aggressively pursue that by the commissioner of higher education. He said they will offer another dual-credit class this fall and are offering dual credit through the concurrent model: a high school teacher who meets requirements is given the two year institution's permission to teach the class in the high school environment.
- 01:46:17 Sen. Jones said dual credit high school classes are visible, but Digital Academy's visibility is terrible. He said as a result they are limiting the options until they decide to fix the interface.
- 01:48:08 Dr. Currie said he agrees and word will get out. He said the university cataloging for online classes may appear by title but may not be available for enrollments. He said Digital Academy's would list the class and spots available before launching the class.
- 01:50:29 Rep. Holmlund said there was the perception that Digital Academy was moving away from credit recovery.
- 01:50:49 Dr. Currie said the short answer was no. He said credit recovery continues to serve students all across the state. He said overall, they have a 65% completion rate. He said all those students who take those classes have failed those classes at their home school, it remains a viable part of the program. He said they were working with OPI with regard to data to see if they can get a better correlation between students who have taken credit recovery and graduated from high school.
- 01:54:46 Rep. Holmlund asked about the competitive market and how Digital Academy aligns with other programs like Odyssey Ware, used in Miles City.
- 01:55:15 Dr. Currie said he is familiar with Odyssey Ware, it is used as a tool for credit recovery programs. He said the challenge with Odyssey Ware and other courseware is how the school supports that with their students. He said if there is good local support for the students, it is a workable solution. He said their program, in comparison, insists on local support.

- 01:57:53 Rep. Holmlund said he's spent a lot of time in those classes as a substitute teacher. He asked if home schooled kids pay to do Digital Academy programs?
- 01:58:31 Dr. Currie said they serve home school and private school students. He said enrollment comes through public school, they cannot enroll outside of school. He said the school cannot charge a student for a class that is required for graduation.
- 01:59:36 Sen. Jones said that's why the public schools do it: they collect ANB, are compensated for the pass through for the couple of courses. He said the differences between Odyssey Ware and Plato and Digital Academy is that Digital Academy is accredited. He said the others require a local teacher to sponsor the program and must be accredited for graduation.
- 02:01:10 Chair Ballance asked about completion rates and the next step in terms of graduation rates.
- 02:03:00 Dr. Currie said the original credit program still remains the top priority in Digital Academy delivery to schools. He said the wisdom by the legislature to cover these bases with Digital Academy was amazing and over the past 8 years the needs of rural schools have grown. He said within Digital Academy, the board started with a position statement to supplement not support a school's program, but they will work with class B & C high schools with teacher emergencies. He said original credit including advanced placement is the highest priority, credit recovery programs are shifting to their schools, but remains a viable portion and dual enrollment/credit is an emerging third. He said they rely on 42% of their budget approved by the legislature to be whole and uncertainty impacted enrollments last session. He said his request going forward is that the legislature consider assisting Digital Academy as a solid commitment -- not necessarily more money, but a commitment that shows confidence in Digital Academy.
- 02:09:33 Chair Ballance said that the long term plan is what she was looking for: how does Digital Academy integrate and become part of long term plan. She said it makes the funding portion easier when they know where it fits with mainstream school funding requests.

2021 Biennium Outlook

- 02:11:57 Ms. Carlson presented the 2021 LFD Biennium Outlook. ([Exhibit 13](#))
- 02:17:35 Sen. Moore asked about HELP Act enrollee numbers.
- 02:18:01 Ms. Carlson said they took out of the base the current Help Act, so you're comparing zero to the higher FMAP.
- 02:18:12 Sen. Moore said it was a net cost to the state of \$47.6 million.

02:18:30 Ms. Carlson said 30% is the current FMAP match rate for those individuals. She said there is no match if there is no HELP Act. She said the whole cost of managing the entire population was included.

02:18:58 Chair Ballance said it increases both the caseload of traditional Medicaid and match rate.

02:19:13 Sen. Moore asked what the number of that population is of 96,000 enrollees in Help.

02:19:25 Quinn Holzer, LFD operations manager, said the number they are transitioning is 8,500.

02:19:36 Chair Ballance asked if a portion of targeted case management was cut in SB 261?

02:20:08 Mr. Holzer said it was complicated -- approximately half was reduced because of SB 261 triggers and the rest in 17-7-140 reductions. He said because of the way they have assumed present law and pressures, they have split out Medicaid and non-Medicaid reductions. He said targeted case management was a Medicaid reduction, they see it coming back in as a result of their Medicaid model that carries forward that service at the historically provided level.

02:21:09 Ms. Carlson said they struggled to define present law for DPHHS. She said they erred on the side of including it in present law. She said the executive does not need to ask for it in present law. She said they assumed the same level of services last approved by the legislature.

02:22:37 Ms. Carlson continued her presentation.

02:22:59 Rep. Dudik asked about CHIP and how it will be impacted with what's going on federally.

02:23:18 Mr. Holzer said they would talk about the financial aspect later.

02:23:30 Ms. Carlson continued her presentation.

02:29:09 Ms. Morrison discussed revenue information.

02:33:30 Sen. Sesso asked about 1.1% growth, backed off one time only (OTO) dollars.

02:34:19 Ms. Morrison said the numbers are adjusted for legislation. She said they include those transfer revenues in "all other revenues" and within that there are random things forecast within all other revenue. She said they can clearly show the OTO dollars end after 2019 and move forward with estimating.

02:35:32 Sen. Sesso said the chart was difficult to describe to a regular guy on the street.

02:38:02 Ms. Morrison said it sounded like he was wondering about the revenue estimating process vs. observed growth rate. She said this document presented to the committee was a high level document. She said 1.1% is an observed growth rate

looking at the total general fund revenue estimate for FY 20 divided by the total general fund revenue estimate for FY 2019. She said all other revenue, that includes all legislative transfers, will have a negative growth rate for FY 2020.

- 02:40:35 Sen. Sesso reiterated his comment from the day before that the growth rate is inflated and to counter account for that they have a deflated growth rate in 2020 relative to previous years. He said he would prefer these growth analyses be based on revenues that do not include OTO transfers. He said it takes an explanation that is harder to understand.
- 02:42:07 Chair Ballance said there is some level of normalization that needs to happen. She said it needs some callout explanation in the document.
- 02:43:06 Ms. Carlson said she agreed a callout for those few years would be good. She said the historical data from previous years has not been called out, but they could drill in on the current issue.
- 02:44:38 Sen. Jones suggested changing the color of the lines. He said he understands consistency, but they could clarify.
- 02:45:28 Rep. Dudik asked about individual income tax. She said she would like more information on capital gains tax compared to other states.
- 02:46:34 Ms. Morrison said she would work on a comparison with other states.
- 02:46:37 Rep. Dudik said those who work and own property are shouldering the burden for the state. She said she would like a breakdown of how the taxes are different for people with primary residences and secondary properties. She asked if it is all the same and how do other states break it out?
- 02:47:28 Ms. Morrison said this is taxable value not necessarily taxes paid. She said she could get that information, but she is not sure if the data is detailed enough for primary vs. second home.
- 02:48:32 Rep. Dudik asked about corporate income tax. She asked what is the waters edge election and how much income is lost for corporations choosing that?
- 02:49:00 Ms. Morrison referred to Mr. Schaefer.
- 02:49:09 Mr. Schaefer explained that water's edge election is an increased tax rate of 7% but they do not have to report income earned in overseas jurisdictions. He said it costs the state around \$8 million.
- 02:50:04 Rep. Dudik asked about vehicle taxes for motorhomes, boats, etc. She said she would like to see what vehicle registration fees are for those in other surrounding states.
- 02:50:45 Ms. Morrison said she could get the data.

02:51:04 Ms. Carlson continued the discussion.

02:52:58 Mr. Holzer discussed section B and noted a correction on the top of page 20; it should read \$297 million in potential increase for the 2021 biennium.

02:57:00 Rep. Ryan asked what the transition cost would be if the HELP Act was reauthorized?

02:57:26 Mr. Holzer discussed the chart and said the transition population is covered under the same level as those individuals under traditional Medicaid.

02:57:53 Sen. Moore asked if by FY 2021 even with I-185, would there still be a higher general fund hit than in FY 2019?

02:58:13 Mr. Holzer said under current projections that's correct.

02:58:23 Mr. Holzer continued the discussion.

03:05:23 Chair Ballance asked if HB 17 didn't trigger back in.

03:05:50 Mr. Holzer said she was correct, it did go to zero funding. He said SB 261 left the bill and policy in place, it could be considered present law to be funded in coming biennium.

03:06:24 Chair Ballance asked how the policy acted with no funding.

03:06:30 Mr. Holzer said that was something the executive and LFC would have to weigh in on.

03:06:26 Chair Ballance said she wanted to make sure it didn't trigger back in, it was something they would have to take action on to resurrect the bill at some point.

03:06:45 Sen. Moore asked if they are growing the budget at an accelerated rate.

03:07:08 Mr. Holzer said they are seeing traditional growth over time.

03:08:21 Ms. Carlson continued the discussion. She mentioned that LFD would be going on the road in a few weeks to discuss this report further with legislators across the state.

03:14:09 Sen. Jones said he asked LFD staff to put together three revenue estimates comparing LFD, HJ2 and OBPP, over time. He said it has been a steady discussion item. ([Exhibit 19](#))

03:15:29 Chair Ballance said HJ2 has been considered the LFD estimate and it's worth going through it.

03:15:48 Ms. Carlson discussed the handout.

- 03:24:33 Sen. Jones said we need to understand there are three estimates: LFD, OBPP and HJ 2, which is a number adopted by the legislature. He said in 2015 it was a midpoint between the two estimates. He said the LFD estimate is not the HJ 2 estimate, which is a legislative choice. He said sometimes HJ 2 has political overtones, but the LFD estimate is just an estimate and is non-partisan, HJ 2 is the choice the legislature made. He said historically the LFD and OBPP estimates are very close. He said people have asked how in a two year forecast they could have missed by \$100 million, it was 1.5%: if you had \$100 in your account, you missed by \$1.50. He said \$100 million is a large number but since the numbers they are dealing with are very large, most people would agree a 1.5% error isn't huge, but when you say a \$100 million error it becomes enormous in people's minds. He said both shops do the best they can with revenue estimates, it does get caught up in the political cycle at times. He said it's important to note there seems to be a vision that one shop is wholly inaccurate.
- 03:28:18 Sen. Moore said, to put it in perspective, if you could consistently predict any market -- wheat, stock -- two years out within 1.5% with a lot less influencing factors, you would be obscenely wealthy.
- 03:29:20 Chair Ballance asked while they waited for the budget director if Sen. McClafferty could discuss a milestone that was celebrated today.
- 03:29:38 Sen. McClafferty said today HB 381, passed in 2015, will be implemented into Board of Public Education policy. She said after June 22, schools will be able to offer employees suicide prevention training.
- 03:30:20 Chair Ballance said well done Sen. McClafferty.

SB 261 Report on Managing Volatility

- 03:30:42 Mr. Villa discussed his report. ([Exhibit 14](#))
- 03:43:01 Sen. Moore said Mr. Villa said SB 261 didn't work but they just created it in the 2017 session -- with full budget stabilization reserves it would work and prevent the need for special session.
- 03:43:43 Mr. Villa said yes, with time, it may have been helpful, but with an operating reserve of 8.3% that was previously significantly higher than that and no cash in the BSR, that's why you need the higher operating reserve. He said for 2021 it was not going to work.
- 03:44:30 Sen. Moore said conceptually he didn't understand how consensus revenue estimating would work -- there are two separate branches of government potentially controlled by two different political parties with a number that is partially numerical and partially political, how do you mandate consensus?
- 03:45:00 Mr. Villa said they mandate consensus through an existing legal process on the expenditure side but it is lacking on the revenue side.

- 03:45:37 Sen. Jones said the challenge with a biennial legislature with part time legislators and full time executive would be unusual operationally. He said at a recent fiscal leaders convention with other states, the viewpoint is different. He said the majority of legislatures won't allow any access to budget stabilization reserves without legislators coming back to town, while access to operational reserves requires no action. He said the executive needs some flexibility, but conversely, for the benefit of the executive and legislature, if there is a severe bump you may need to have folks to come back to town so someone doesn't own the political consequences.
- 03:47:16 Mr. Villa said he appreciates Sen. Jones looking out for the executive. He said they will need to figure out how to adjust the BSR to maximize the ability of the executive to minimize impacts on Montanans relying on services the legislature appropriates so things can stay as static as possible.
- 03:50:26 Chair Ballance said they all saw promise in the concept of the BSR fund and it would need adjustment going forward. She said they didn't expect the biennium to be so painful, but the triggers allowed things to flow smoothly. She said introducing BSR program changes the mix moving forward, they will need to adjust.
- 03:51:30 Sen. Sesso asked if they had an interest in moving towards a consensus budget estimating process, he said it was a question they need to ask and answer. He said over the past 4-5 biennia they have made some progress on getting the house and senate to agree on a revenue estimate, where once there was no effort. He said they work hard in subcommittees on the appropriations process to find balance in reaction to the executive proposal. He said he does have an interest in consensus -- they spend too much time comparing and contrasting instead of debating the merits of a particular funding source.
- 03:54:17 Sen. Moore asked Mr. Villa if consensus revenue estimating mandated LFC and OBPP to have to agree on a number they recommend to the legislature to be voted on or adjusted as HJ 2 or would the governor have veto power over HJ 2?
- 03:54:47 Mr. Villa said he's not proposing anything, just a better way. He said they will need to set aside the partisan-ness of what has been the revenue estimate, the system has broken. He said they need to build a system that responds to current realities.
- 03:56:49 Sen. Sesso asked Ms. Carlson to share what she's learned from other states. He asked what are the mechanisms in law or policy?
- 03:57:17 Ms. Carlson said she has looked at two states in detail and could present information in September.
- 03:58:12 Sen. Sesso said he was looking for her opinion on trends in other states. He asked if she concurred it could be useful?
- 03:58:41 Ms. Carlson said yes it can be.

- 03:59:47 Sen. Sesso said his sense is there is a benefit to be gained in terms of staff resources and the assurance that we're all singing off the same sheet. He said they never get the revenue estimate in the Senate and that step alone might give it more credence if it went through the process properly. He said bringing some consensus-based process to revenue estimates would refocus attention on the numbers and take the acrimony out of the back and forth.
- 04:01:32 Sen. Jones said there is evidence it makes it is less political, and there are benefits to that, but there is no evidence that it's a better estimate.
- 04:02:10 Chair Ballance said she has thought about how differently she would feel if the roles were reversed. She said in 2015 and 2017 there were anomalies in estimates. She asked how different would they feel and what kind of cultural changes are they talking about in the process. She said it's a big discussion.
- 04:03:18 Rep. Ryan said she read and heard on the news that citizens do not have a lot of trust in government and if they can show that their parties can work together it is a plus for the country and the state. She said an attempt to work closer together as parties for the good of everyone would be significant for citizens and government in general.
- 04:04:16 Mr. Villa said the legislature and the executive would both have to be prepared to make sacrifices. He said it would require an immediate culture change, a statutory framework. He said it would be to their mutual benefit to sacrifice what they currently have for a better process.
- 04:05:38 Rep. Dudik said LFD has had issues with DPHHS getting data.
- 04:06:12 Mr. Villa said Ms. Carlson is going to send a request to his office and they will work toward a resolution.
- 04:06:49 Chair Ballance said Ms. Carlson also has a presentation on SB 261.
- 04:06:58 Ms. Carlson discussed the [Budget Stabilization Reserves Fund report](#) and passed out two additional pages of information. ([Exhibit 20](#))

Public Comment

- 04:23:44 Beth Brenneman, Disability Rights Montana
- 04:26:05 Chair Ballance clarified that the July 31 call is not to discuss how the monies would go back. She said they will be looking at SB 9 as the guiding force there. She said the call is to talk about the base budget and revenue.
- 04:26:47 Dennis Parman, Rural Education Association

Lunch

- 04:30:39 The committee recessed for lunch.

Flood Update

- 05:33:29 Julia Platt, fiscal analyst, presented the flood update. ([Exhibit 15](#))
- 05:39:35 Delilah Bruno, Department of Military Affairs, said FEMA has conducted damage assessments in 12 communities. She said assessments take time, as flooding recedes different parts of the state are in different phases of flooding. She said she thought they are within the threshold to receive FEMA assistance.
- 05:41:00 Jon Swartz, Montana Department of Transportation, said the issue started in October and November with record snowpack. He said numerous sites across the state are impacted including the culvert on I-15 south of Helena.
- 05:44:57 Rep. Holmlund asked if weather would impact timing.
- 05:45:15 Mr. Swartz said yes.
- 05:45:55 Sen. McConnell asked if there was a timeline for the FEMA response.
- 05:46:07 Ms. Bruno said 2-4 weeks.
- 05:47:38 Sen. McConnell asked how much the FEMA money would cover.
- 05:47:43 Ms. Bruno said \$3.3 million in local damages has been reported. She said she expects that number to go up. FEMA will cover 75% and the remaining 25% will be the state and local share.
- 05:47:58 McConnell asked about the state-local split.
- 05:48:06 Ms. Bruno said an administrative plan determines the split. She said traditionally whatever is over the county's 2 mills, the governor can pick up the balance.

Section D recap of bills that passed in the 2017 session

- 05:49:30 Ms. Wilkinson presented a handout for Beth McLaughlin, Judicial Branch court administrator, who could not attend the meeting. ([Exhibit 16](#))
- 05:51:54 Sen. McConnell asked for information on the success of the program. Has it had an impact on jail populations across the state, cost to local communities and if people have been re-offending.
- 05:53:06 Adrienne Cotton, Department of Corrections government relations director, discussed a handout. ([Exhibit 17](#))
- 06:00:13 Rhonda Schaffer, Office of Public Defender executive director, gave an update. She said workload is a factor on people leaving the department, they are dealing with emotional cases and burnout is high.

- 06:08:24 Rep. Dudik said she didn't hear anything about the holistic defender project started by HB 89.
- 06:09:00 Peter Ohman, OPD, said holistic defense is plodding along. He said it's up and running in Missoula. He said it started with low level, misdemeanor thefts and they opened it up to broader misdemeanors. He said they discovered that pushing people into the program doesn't guarantee engagement. He said they are trying to figure out how to monitor social workers. He said in Kalispell they are still doing a community assessment, in Bozeman they are looking at providing services up front, and in Billings they are experiencing turnover, it is a busy office.

Committee Business

- 06:14:14 Ms. Carlson recapped the base budget and budget details. She said the LFC Management Advisory Workgroup will meet with Mr. Villa to determine if there is agreement on the base budget during a conference call July 31. She said there are RL 4 details requested of the executive and a data issue with DPHHS. She has presented a list of what data is needed.
- 06:16:51 Ms. Carlson introduced two new hires, Julia Platt and Walker Hopkins, who started in mid-May. She announced four promotions: Katie Guenther, Alice Hecht and Shauna Albrecht moved up to Fiscal Analyst II; and Sam Schaefer to Senior Fiscal Analyst. She said Josh Poulette and Katie Church are out on family leave.
- 06:18:41 Chair Ballance said a rousing cheer is appropriate at this moment.
- 6:19:04 Ms. Carlson asked for any thoughts on the infrastructure report and budget stabilization report.
- 06:19:45 Chair Ballance said the seven questions at the end of Ms. Duncan's report could be considered now or in September.
- 06:20:07 Sen. Sesso said he looked at it pretty carefully and after listening, his sense is with option 1 there is not much to research between now and September. He said option 3 on public authority is a model that may not be as appropriate for what we're trying to accomplish. He said in lease to own financing he left the conversation a little unsure where we landed relative to the law. He said with option 4, buildings as investments, some conflicts might arise. He said he was thinking more of establishing some type of trust that would require seed money and have a revolving loan fund. He said he would like to see some more work on lease to own financing options, identify hurdles, what legislative changes might be needed to clarify and make the option work. He asked how to expand the revolving loan fund idea. He said he hated to defer to September.
- 06:24:39 Chair Ballance agreed.

- 06:24:50 Rep. Dudik said she is interested in public authority financing and if that's possible. She said she likes the idea of a revolving fund. She said for seed money, maybe they could do a competitive bid process for the worker's compensation system.
- 06:26:04 Sen. Moore said they could look at a hybrid, what controls would the legislature and executive branch have?
- 06:28:15 Sen. Sesso said in order to give the staff some direction, maybe they have to think less in terms of what mechanisms they can use to avoid the two-thirds vote. He said they can't let the politics that got in the way of the two-thirds vote drive the conversation on how to address the infrastructure piece. He said the public has made it clear our aging infrastructure is a critical problem in our state. He said the Montana Infrastructure Coalition has organized around this issue. He suggested creating a panel proposing ideas and supporting ways to address the problem. He said they could get away from bonding vs. cash and concentrate on what mechanisms we could look at to advance the ball.
- 06:32:21 Sen. Moore said for the September meeting he would like information regarding Montana vs. other states regarding debt service as a benchmark.
- 06:33:02 Sen. Sesso said the state has less than one % indebtedness. He said they are just not taking advantage of that tool, but there should be a broader discussion of options.
- 06:33:47 Chair Ballance said options that don't fall under the category of the constitutional definition of indebtedness that requires a two-thirds vote. She said she would like to see some level of prioritization. She said there is a huge list of things that need to be done that are seriously affecting public safety.
- 06:34:38 Ms. Carlson recapped that the committee would like to take what staff has researched and flesh out the legal ramifications, and create a panel of finance experts that might have ideas for infrastructure financing options (potentially David Ewer of the Montana Board of Investments and Jonathan Heroux of Piper Jaffray.)
- 06:36:09 Sen. Sesso said he thought the director of FFA could give a window into how they operate. He said in terms of priorities, more than just safety, how to support the economy of the state -- infrastructure is important and could pay dividends.
- 06:37:37 Ms. Carlson said that piece could be more toward session and for the subcommittee. She also said staff will research Rep. Dudik's comment on the concept of the public bid for the state fund.
- 06:38:33 Rep. Dudik said she would like to see what it would that look like if they put it to bid to private industry.
- 06:38:49 Ms. Carlson said they would look into it.

06:39:00 Sen. Moore said if LFD staff wasn't ready to present by September it would still be nice to hear from Director Ewer because he could speak directly to buildings as investments and is an expert on funding and bonding in general.

06:39:20 Ms. Carlson said that is why she suggested him for the panel. She said they could ask him for specific comments on Ms. Duncan's ideas as well as other questions.

06:40:03 Sen. Sesso said his point regarding the Infrastructure Coalition is they have toured the state, they could get their input. He said legislators have got some ideas but they can't get them over the finish line, what can the coalition suggest?

06:42:16 Ms. Carlson said they will try to get as far as they can.

06:42:45 Rep. Dudik asked about the level of debt burden compared to other states.

06:43:10 Ms. Carlson said there is a debt capacity study, but they won't have it by September. Or she said they could do comparisons like Sen. Moore referenced by September.

06:43:47 Sen. Sesso said when they were working hard to get the infrastructure bill done, the rating agencies were very helpful in the sense of how they rate us generally. He said they have good data on what they think is a reasonable amount of debt.

06:44:52 Ms. Carlson said that type of information they can bring to the table, it's just a matter of finding the reports.

06:45:12 Chair Ballance said the other issue for followup is budget stabilization. She said they need more time to think about it.

06:45:51 Ms. Carlson said she could offer a Skype call where she could walk through the spreadsheets. She said she could schedule something in August. She said there is a Sept. 1 best practices report due with OBPP. She said they did a best practices report in March but this time it was more a recommendation for policy choices. She said there is not much further direction on that study without legislative input.

06:47:50 Sen. Jones said at this point he can't see budget stabilization being modified too far from where it is today with the group that's here because the vision sets are different. He said the executive argues there should be an excess of \$100 million in revenues available before cuts and the legislature doesn't need to be involved as soon, some states think our legislature is getting involved too late. He said he has a vision for things he'd like to tweek, but he's not comfortable ceding much more flexibility and doubts the executive is either.

06:50:46 Ms. Carlson said they need to replace Rep. McCarthy's position on the committee since he resigned his seat.

- 06:50:51 Chair Ballance said Rep. Keane, who served on the Appropriations Committee and Senate Finance and Claims, has a wealth of knowledge and will be a good addition. She said Rep. Dudik will take Rep. McCarthy's role on the Management Advisory Workgroup. She said Rep. McCarthy also had a seat on the Labs subcommittee. Seeing no interest, she said they will leave it as is for now.
- 06:53:12 Ms. Carlson said for the September meeting, LFD will run a budget status report with fiscal year end revenues and expenditures and the SB 9 restorations. She said they will invite the budget director to discuss SB 9 restorations, etc.
- 06:53:56 Sen. Moore asked for an update on starting base budget negotiations after the July 31 conference call.
- 06:54:31 Ms. Carlson said she will send an email to the committee after the meeting. She said the September meeting is right after Labor Day, Sept. 6 & 7. She said the December meeting date will coordinate with residing chair training on Dec. 4 during the first week of December.

Public Comment

- 06:56:29 Bob Story, Montana Taxpayers Association
- 07:08:44 Heather O'Loughlin, Montana Budget & Policy Center
- 07:15:33 Erin McGowan, Montana Dental Association and Montana Sheriffs and Peace Officers Association, the Montana County Attorneys Association and Montana Community Corrections Association
- 07:17:48 Mike Mahoney, Family Outreach
- 07:24:36 Chair Ballance noted printed public comment from Rudy Stock. ([Exhibit 18](#))
- 07:24:49 Chair Ballance also reiterated LFC's role in the restoration in SB 9 -- the call on July 31 is specifically to make sure they are in agreement on what revenue numbers say at the end of fiscal year and what goes back into the base budget. She said that is the discussion, they are not going to get down into discussion into how the money is restored, that is outlined in SB 9. She said they aren't involved in discussing where it gets put back.

Adjourn

- 07:26:15 With no further business, the committee adjourned.