



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
FREDERICK (ERIC) MOORE
RYAN OSMUNDSON
JON SESSO
CYNTHIA WOLKEN

HOUSE MEMBERS

NANCY BALLANCE
KIMBERLY DUDIK
KENNETH HOLMLUND
MIKE HOPKINS
KELLY MCCARTHY
MARILYN RYAN

JULIE JOHNSON, Staff Attorney
JENNI CARR, Secretary
AMY CARLSON, Director

MINUTES LOG

October 4-5, 2017
Room 102, Capitol Building
Helena, Montana

October 5, 2017

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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Please contact the Legislative Services Division at 406-444-3064 for more information.

COMMITTEE MEMBERS PRESENT

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

REP. NANCY BALLANCE
REP. KENNETH HOLMLUND
REP. MIKE HOPKINS
REP. KELLY MCCARTHY
REP. MARILYN RYAN

COMMITTEE MEMBERS EXCUSED

SEN. CYNTHIA WOLKEN
REP. KIMBERLY DUDIK

STAFF PRESENT

AMY CARLSON, Legislative Fiscal Division Director
JULIE JOHNSON, Legal Staff
JENNI CARR, Committee Secretary

AGENDA (Attachment 2)

COMMITTEE ACTION

CALL TO ORDER and ROLL CALL

00:00:03 Chair Ballance called meeting to order. Representatives Wolken and Dudik were excused. **(Attachment 4)**

SB 261 BUDGET STABILIZATION RESERVE FUND STUDY, PHASE 1 - LFD Staff

00:01:25 Stephanie Morrison, LFD lead fiscal analyst, began her presentation on the stabilization plan. **(Exhibit 35)**

BREAK (reconvened at 00:27:19)

Committee Questions

00:27:30 Chair Ballance asked the committee for questions for Ms. Morrison.

00:27:48 Sen. Jones asked about the previous percentages in 17-7-140.

00:30:19 Amy Carlson, LFD Director, clarified the past percentages of the budget.

FY 2017 FYE REPORT - LFD Staff

00:31:40 Dir. Carlson clarified the agenda.

Revenue

00:32:35 Ms. Morrison began her presentation on the budget status report regarding revenue. **(Exhibit 36)**

00:46:03 Rep. Ballance asked if there was data from other states that shows a similar trend in non-wage income.

00:46:22 Ms. Morrison cited a report that said it was happening across states and at the federal level.

00:46:48 Dir. Carlson said capital gains is one piece of the phenomenon, the other is pass-through entities like LLCs.

00:48:56 Sen. Jones asked about the withholding percentages.

00:54:01 Rep. Holmlund asked about breaking down the tax income.

00:56:21 Sam Schaefer, LFD fiscal analyst, began his presentation on corporation taxes.

Expenditure Summary

00:58:35 Nick VanBrown, LFD lead fiscal analyst, explained that staff revised the expenditure template for the budget status report. He asked the committee for feedback on the format. In the future the detailed templates will be available online, not printed. **(Exhibit 37)**

01:07:01 Dir. Carlson added that the details would probably be explained more in sub-committees.

01:08:13 Sen. Jones asked that they flag anything that is an outlier.

Medicaid Monitoring Report and HELP Act Update

01:09:15 Quinn Holzer, LFD operations manager, began his presentation on the medicaid monitoring report. **(Exhibit 38)**

01:14:44 Sen. Sesso asked for clarification on the second chart, and was wondering how to find the true baseline.

01:15:25 Mr. Holzer responded.

01:20:20 Sen. Sesso asked about the developmental waiver -- it is underutilized, yet waiting list is growing. How could that be?

01:17:56 Mr. Holzer responded.

00:19:14 Sen. Sesso asked if there is public policy relative to flexibility in rates being offered and bringing costs down? Is it a tug of war between providers and how much money we are legally authorized to spend?

00:20:19 Mr. Holzer responded.

01:21:43 Chair Ballance clarified that there are studies going on right now to see how finances are being moved around.

01:23:42 Mr. Holzer continued.

01:25:39 Mr. Holzer pointed out the HELP act enrollment.

01:30:30 Mr. Holzer went over the Help-Link program and gave an update. **(Exhibit 39)**
(Exhibit 40)

01:31:26 Sen. Moore asked for clarification on how they reached their numbers.

01:31:57 Mr. Holzer responded.

2019 BIENNIUM BUDGET UPDATE

01:35:49 Mr. Holzer updated the committee on the 2019 Biennium Budget Status Report. **(Exhibit 41)**

SB 261 Reductions

01:37:01 Mr. Holzer referred to a chart that explained the triggers and reductions.

Fire Update

01:40:05 Mr. Holzer updated the committee on the wildfire budget.

01:42:22 Rep. Holmland asked if these are actually state expenses.

01:43:06 Chair Ballance asked for clarification on how fires were billed.

01:44:06 Rep. Holmland asked what the cost of slurry was, or if we could find out what the cost is.

01:44:40 Mr. Holzer responded they could look into it.

01:47:19 Sen. Moore asked about annual medical inflation.

Required Reports

01:50:05 Kris Wilkinson, LFD lead fiscal analyst, discussed the required reports. See page 15 of Exhibit 41.

Financial Overview

01:57:13 Dir. Carlson presented a financial overview to the committee. **(Exhibit 42)**

02:08:41 Rep. McCarthy asked to be reminded of how the stabilization budget is funded.

02:09:47 Sen. Jones clarified.

02:15:09 Rep. McCarthy asked if there was a current, known, statutory level of that fund.
02:15:50 Sen. Jones answered.
02:23:16 Sen. Sesso asked for clarification on what the appropriate level is.
02:29:14 Sen. Jones commented that there wasn't a focus on this until after the great recession, and now it has become a focal point.
02:30:37 Chair Ballance added that it might just be part of a risk analysis.
02:31:22 Dir. Carlson presented information on cash flow in the state.
02:35:50 Chair Balance asked if any of the funds listed were particularly volatile.
02:36:05 Dir. Carlson said some are volatile and some are not, and referenced the analysis provided. She noted the state's cash sits together in one account and funds are allocated from within that account.
02:37:09 Rep. McCarthy, referencing 17-2-105, said he understood the use of TRANS (Tax and Revenue Anticipation Notes) was fairly common in the past and asked if it was a newer piece of the code?
02:37:42 Dir. Carlson said TRANS was available before and was issued in 2003. It didn't cost them anything, you can't make money on the transaction. It was a convenient and routine mechanism. She explained that TRANS is an external cash flow loan.
02:39:30 Sen. Jones asked clarification if the TRANS have a longer life-span than inner-agency transfer, has more flexibility and requires approval of the Board of Examiners. The lead-in process takes 60 days but he noted it was a common practice.
02:40:36 Dir. Carlson continued her presentation.

COMMITTEE DISCUSSION OF EXPENDITURE REDUCTION RECOMMENDATIONS

02:47:11 Chair Ballance began the discussion of expenditure reductions.
02:50:11 Rep. McCarthy said they need more information on cost shifts.
02:53:02 Sen. Jones asked if they could have a small group come up with a draft concept and have committee members weigh in.
02:55:41 Sen. Sesso said hoped the LFC recommendations would directly respond to the Oct. 4 testimony and offer the legislature's help to the executive.
02:58:21 Sen. Jones said the committee may need to identify creative solutions of a temporary nature.
03:01:44 Chair Ballance said she wondered the about duty to refill the emergency fund as well as the fire fund.

SUBCOMMITTEE UPDATE: HB 639 STUDY: RESULTS FIRST AND CHILD PROTECTIVE STUDY

03:05:37 Chair Ballance updated the committee on the subcommittee's findings.

SUMMARY - REVIEW OF PAST ANALYSIS OF STATE BROADBAND PAY SYSTEM - Kris Wilkinson, Lead Fiscal Analyst

03:09:13 Ms. Wilkinson reviewed past analysis performed by the LFD on the broadband pay system. **(Exhibit 43)**

LUNCH (Reconvene at 1 p.m.)

STATE INFORMATION TECHNOLOGY SERVICES DIVISION (SITSD)

Overview - Kris Wilkinson, Lead Fiscal Analyst

05:10:20 Ms. Wilkinson provided an overview on SITSD projects and policy for the LFC to review. **(Exhibit 44) (Exhibit 45)**

State Chief Information Officer Report - Lynne Pizzini, Department of Administration

05:13:35 Ms. Pizzini began her presentation on the projects occurring within the state.
05:14:56 Chair Ballance asked if the Department of Administration final net showed as "yellow status" at the last meeting and if it would continue to slip down a time line.
05:16:45 Sen. Moore asked about child welfare and why it has been extended.
05:17:20 Stuart Fuller, DPHHS CIO, answered.
05:18:44 Chair Ballance asked about the delays in the implementation or replacement of equipment or development, and if any records were made in regards to them.
05:20:42 Sen. Sesso asked for clarification on the location of the CIO report.

SITSD Portfolio

SITSD Rates

05:21:26 Ms. Wilkinson introduced the rates report.
05:23:58 Ms. Pizzini went over the report.
05:26:12 Rep. Ballance asked if the next step was to see these reports again.
05:26:14 Ms. Wilkinson said if rates change, they will report to the committee.

INFORMATION TECHNOLOGY SURVEY - Joe Triem, LFD Fiscal Manager

05:27:03 Mr. Triem began his presentation on a recent SITSD customer satisfaction survey. **(Exhibit 46)**

SITSD Comment - Department of Administration

05:46:07 Ms. Pizzini discussed the SITSD response to the survey.
05:47:08 Rep. Ballance asked for clarification on the status report and the term "closing."
05:50:59 Rep. Holmland asked for clarification on the budget of a certain project.

SUMMARY OF WORK PLAN - Amy Carlson, LFD Director

05:54:32 Dir. Carlson went over the work plan. **(Exhibit 47)**
06:00:34 Sen. Sesso asked for clarification on where analysis of revenues from internet sales would be included.
06:15:58 Rep. Ryan and Sen. Moore will work with Dir. Carlson to establish what the work plan would look like for December in regards to Medicaid.
06:16:24 Rep. Ryan wants to emphasize rural health.

COMMITTEE BUSINESS

Review dates for future meetings

06:17:11 Dir. Carlson went over meeting dates. **(Exhibit 48)**
06:18:00 Sen. McClafferty requested additional meeting dates be clarified at the December meeting.

Staff announcements

06:18:37 Dir. Carlson went over staff changes with the committee. She also said LFD will

implement the average expenditure cut just as other agencies not required by the executive to implement cuts.

Motions

- 06:26:09 Rep. McCarthy moved they approve language on the DNRC requested transfer related to fire funds. The motion passed with unanimous yes vote.
- 06:27:33 Sen. Jones moved they approve the committee draft regarding the governor's budget cuts as presented.
- 06:27:50 Rep McCarthy encouraged it to pass.
- 06:28:32 Sen. Sesso asked the motion be read into the record.
- 06:29:00 Chair Ballance read the motion in it's entirety.
- 06:31:14 Sen. Sesso reiterated that the process is to recognize fully that the cuts as proposed are not a solution in and of themselves, and it will take the executive to start the process, and the legislature to support. The motion passed with a unanimous yes vote.

Committee Discussion

- 06:33:34 Sen. Jones had asked if Ms. Morrison could put together some work to potentially pay the fire bill using temporary measures.
- 06:34:23 Ms. Morrison presented information on tax rates and individual income. **(Exhibit 49) (Exhibit 50) (Exhibit 51)**
- 06:44:31 Sen. McClafferty asked for clarification on the tobacco tax and e-cigarettes.
- 06:50:54 Sen. Moore said he appreciated everyone's time and testimony and was confident a solution to the budget crisis can be found. He asked the committee, the state and the Governor to also consider what a tax increase will mean for people, noting those working in the agriculture and natural resources sectors were struggling financially.
- 06:53:25 Sen. Jones presented a chart on the decline of the economy in the state, explaining why he is adamantly opposed to a permanent tax increase. He noted he is a supporter of a solution to the problem.
- 06:56:13 Chair Ballance noted the economy is changing and said things are not making sense they way they used to. She said budget cuts can't be the end-game, we need to make a determination on how to move forward in this new economy.

Public Comment

- 06:57:32 Susan Geise, chairman of Lewis and Clark County commission
- 07:01:11 Eve Franklin, Montana Association of Disability Services
- 07:05:54 Rose Hughes, Montana Healthcare Association

ADJOURN (3:17 p.m.)