MINUTES

Please note: These are summary minutes. Testimony and discussion are paraphrased and condensed. Committee tapes are on file in the offices of the Legislative Services Division. Exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at http://leg.mt.gov. On the left-side column of the home page, select Committees, then Interim, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

Thursday, December 3, 2009

COMMITTEE MEMBERS PRESENT

SEN. KEITH BALES
SEN. STEVE GALLUS
SEN. DAVE LEWIS
SEN. RICK RIPLEY
SEN. DAVID WANZENRIED

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

COMMITTEE MEMBERS ABSENT

SEN. CAROL WILLIAMS

STAFF PRESENT

CLAYTON SCHENCK, Lead Staff
AMY CARLSON, Director
DIANE MCDUFFIE, Secretary
CALL TO ORDER AND ROLL CALL
00:00:00 Representative Llew Jones, Chair called the 211th meeting of the Legislative Finance Committee (LFC) to order at 8:00 a.m., on Thursday, December 3, 2009. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana. The secretary noted the roll. (Attachment #2)

APPROVAL OF MINUTES FOR THE SEPT. 24 - 25, 2009 MEETING AND OCT. 26, 2009 CONFERENCE CALL
00:01:40 MOTION: Sen. Wanzenried moved the minutes be approved. VOTE: Motion passed.

ANNOUNCEMENTS
00:02:09 Clayton Schenck, LFA presented Taryn Purdy, Principal Fiscal Analyst LFD with a longevity pin for 25 years state service.

00:04:04 GENERAL FUND STATUS
Terry Johnson, Principal Fiscal Analyst, LFD presented a written report on General Fund Revenue Update Fiscal 2010 and a power point presentation. (Exhibits 1 and 1a). The purpose of this report is to provide the committee with general fund revenue collection data through November FY 2009 compared to November FY 2010.

00:27:15 In response to a question from Sen. Bales regarding the low year projections, Mr. Johnson stated that projections indicate in general fund total, 2010 is going to be the low year then start to see some growth in 2011. Originally the thought was there might be some turn around in 2010. At this time, he doesn't see a very strong revenue growth beyond the current biennium. Sen. Bales asked what the increase is between 2010 and 2011. Mr. Johnson said somewhere around 3.5 percent.

00:29:45 Rep. Glaser asked what is the fiduciary responsibility of the state. Mr. Johnson said if the executive projects a deficit there are required by statute to propose spending reductions.
Rep. Taylor asked if the executive has seen the report and do they agree with LFD revenue projections. Mr. Johnson said he provided a report to Director Ewer but does not know if he concurs.

Rep. Jones asked Mr. Johnson to discuss the areas that can be cut. Mr. Johnson said 17-7-140 allows for exclusions and those exclusions are K-12; special education; School for the Deaf and Blind; Legislative and Judicial branches; and salaries of elected officials can not be reduced. Spending reductions can be applied to everything else. The Governor has the authority to apply up to 10 percent in terms of spending reductions.

Sen. Lewis asked if the Governor has the ability to reduce one-time spending rather then get into the ongoing base. Mr. Johnson said as long as it does not require a statutory change. he believes those could be cut.

CONVENE PERFORMANCE MEASUREMENT WORK GROUPS (9:00 - 12:00)

00:45:40 Performance Measurement Workgroups convene as follows:
- Section C - Room 317 B - Sen. Ripley, Rep. Hollenbaugh
- Section D - Room 317C - Sen. Gallus, Sen. Bales
- Section B has been deferred to December 10th

00:46:28 Kris Wilkinson, Fiscal Analyst, LFD provided a handout of one of the performance measurement reports and discussed the information on the form. (Exhibit 2)

MEETING RECONVENED

00:52:59 The meeting of the Legislative Finance Committee (LFC) reconvened at 1:00 p.m. in Hearing Room 102 of the State Capitol, Helena, Montana.

REPORT ON CLOSING OF REGIONAL DEVELOPMENT OFFICES

00:53:44 Matt Stayner, Fiscal Analyst, LFD said the primary purpose of the program is to provide technical assistance to businesses for the purpose of obtaining financing for start-ups, expansions, business locations and business retention programs. The department has made the decision to close the RDO's at the end of the current calendar year. There has been some concern expressed by members of this committee and the legislature that the specific reasoning for discontinuing the offices and the planned use of the remaining appropriated
budget authority was not discussed or presented for comment.

00:56:48 Sen. Bales asked if these offices are of no value why was that not brought up to the legislature. Mr. Preite said that because revenues have been dwindling the department knew cuts would be necessary. He is confident that service to those represented by the RDO's will not decrease in way and the department will be able to pick up the slack and fulfill the needs of the people particularly those in rural areas.

01:01:52 Sen. Bales asked if the department could provide goals and definable objectives for the RDO's and other area RCD. Also, with unemployment increasing in the state, how did the department prioritize cutting individuals trying to bring or keep business within the state.

01:04:28 Mr. Preite said there will be a small increase in travel but better use of communications will compensate for that. In the best of times, the department would not cut the RDO's because they did deliver a service, but that service will not be diminished.

PUBLIC COMMENT
01:10:15 Public Comment was heard from Greg Chilcott, MACO; and Kathleen Driscoll, Ravalli County Commissioner.

01:15:24 Director Preite refuted testimony regarding the numbers provided by Mr. Chilcott. He said those numbers were part of an effort by various agencies. Mr. Preite provided an article on Randy Hanson an RDO in Havre. (Exhibit 3)

01:22:03 Chairman Jones commented that this committee serves only in an advisory and investigative status.

OFFICE OF PUBLIC DEFENDER FUNDING SHORTAGE
01:30:26 Pat Gervais, Senior Fiscal Analyst, LFD explained the purpose of this memo is to provide information regarding a projected funding shortfall based upon agency projections. The memo is included in the committee notebook under Tab 4. (Exhibit 4)

01:31:00 Chairman Jones asked if this amount is included in the $44.0 million ending fund balance. Ms. Gervais said her understanding based upon Mr. Johnson's presentation was that no
supplementals were included in his projections.

**STATUS OF STATE PENSION FUNDS**

01:31:56 Jon Moe, Fiscal Specialist, LFD presented a report on Retirement Systems Unfunded Liability - Update (Exhibit 5) The purpose of this report is to provide a brief update on the status and condition of the unfunded actuarial liability of the state's retirement system.

**MONTANA STATE FUND: OLD FUND STATUS**

01:56:36 Kris Wilkinson, Fiscal Analyst, LFD presented a report on Old Fund Analysis Fiscal Year 2010. (Exhibit 6) Ms. Wilkinson said that according to the financial summary prepared by Montana State Fund management, as of June 30, 2009 the unfunded liability is estimated to be $45.5 million. The current estimated costs to the state's general fund over the life of the Old Fund appear to be significantly higher, a total of $57.8 million.

02:06:26 In response to a question from Sen. Lewis about the number of claims, Mr. Hubbard said currently, there are 918 open Old Fund claims. The average age is 62.7 and the youngest injured worker is 40.

Mr. Hubbard commented that Figure 1 in Ms. Wilkinson's report is a cash flow estimate. The $45 million is the present value of those liabilities. With case flow, over the years it will indeed be $57.8 million if paid as the bills come due. If the legislature were to appropriate $45 million that money would be invested and over time would expect to deplete those liabilities.

**MONTANA STATE FUND BUDGET PRESENTATION**

02:10:31 Kris Wilkinson, Fiscal Analyst, LFD presented the following reports: 1) Montana State Fund 2010 Budget Analysis; 2) Fiscal Year 2010 Annual Budget Request; 3) Response to Montana State Fund 2010 Budget Analysis; and 4) Target Policy Hold Equity. (Exhibits 7, 7a, 7b, 7c) Ms. Wilkinson explained the Montana State Fund 2010 Budget Analysis report discusses the analysis of the Montana State Fund (MSF) board approved 2010 budget. In summary, the report outlines the following:

- Loss costs for employers will decrease an average of 2.2 percent
- Loss costs for state agencies generally decrease
- Loss cost multipliers increase about 4.5 percent
- Achievement of target equity targets
Operational expenditures
The budget sets forth the anticipated revenues and planned expenditures for FY 2010. The budgeted revenues are based on premium rates established by the board in May 2009.

02:35:50 BREAK

STATE PARKS FUNDING SHORTFALL

Barbara Smith, Fiscal Analyst, LFD presented a report on Issues Impacting The Fiscal Health Of The State Parks Program. (Exhibit 8) The purpose of this report is to inform the legislature of a number of issues that impact the stability of the parks system, including 1) stagnant fiscal resources to operate the system; 2) lack of statutory guidance for the parks system; and 3) acquisition of new parks. Ms. Smith provided several options for the committee to consider.

Chase Van Genderen, Administrator, Parks Division, FWP provided a handout on Quality of Your Experience over the last Five Years at Montana State Parks. (Exhibit 8a) He agreed with Ms. Smith's evaluation of the issues impacting state parks. The vehicle registration fee has been a positive funding source but the fund balance is not what it should be. Adjustments are being made by the department but legislative assistance is needed.

Sen. Wanzenried asked if the department will be able to overcome the structural imbalance with the current level of revenue without additional legislative action. Mr. Van Genderen said the fiscal challenges are significant and he doesn't know if they can be fixed internally.

Chairman Jones asked if the percentage sharing is in line with other states. Mr. Van Genderen said the percentage coming from user fees varies from state to state depending on how they have structured their park system. The state park system is not generating the same percentage of revenue as other states, and have been discouraged from maximizing revenue in some areas. He said he does not believe the park system can become self sufficient.

Sen. Bales asked if the primary goal is to take care of existing parks or to acquire new parks. Mr. Van Genderen said per statute, their primary goal is to maintain state parks. However, when the legislature allocates $10.0 million for the acquisition of new sites the department purchases new sites.

MOTION: Sen. Ripley moved to direct LFD staff work with the department and return
with recommendations to the full committee prior to any more land acquisitions.

03:32:50  **Rep. Sesso** asked if there are any pending acquisitions that may be put on hold. Ms. Smith said the department has some acquisitions in process that the legislature has already appropriated authority for and also have received federal authority.

03:34:50  **AMENDED MOTION:**  **Sen. Ripley** moved to direct LFD staff work with the department and return with recommendations to the full committee and recommended the department not purchase anymore acquisitions until a solution has been reached.

03:37:12  Jaret Coles, Attorney, LSD expressed concern regarding authority to change the appropriation.

03:39:11  **AMENDED MOTION:**  **Sen. Ripley** moved to direct staff work with the department to address the structural imbalance and provide recommendations to this committee as soon as possible. **VOTE:** Motion passed unanimously.

**INFORMATION ON PROPOSED NEW CABIN LEASE RATES**

03:43:21  Barbara Smith, Fiscal Analyst, LFD presented a report on Cabin Site Leasing On School Trust Lands: A Look At The Proposed Formula. (Exhibit 9) The purpose of this report is to provide background material on the calculation rate and inform the legislature of potential issues with this formula.

03:51:07  Mary Sexton, Director, DNRC commented that the amount gained off cabin lease sites is currently about $1.5 million and that is of the $100 million average generated annually from school trust lands for the ten different trusts. About one-third of this income goes directly to MSU and one-third goes to the Bureau of Mines and another third goes to common schools. Ms. Sexton said this solution may not be perfect but it does address concerns of fair market value. The average increase under the new formula is about 43 percent. For many of the lease holders that is not tolerable and the department is expecting leases that will be abandoned.

04:02:16  The committee agreed to allow the process to proceed.

**UPDATE: 2009 WILDFIRE SEASON/COSTS**
Barbara Smith, Fiscal Analyst, LFD explained the purpose of this memo is to provide an update on the 2009 Fire Season. (Exhibit 10) The memo is included in the committee notebooks under Tab 10.

Director Sexton said the department has the authority to use up to $2.0 million under certain circumstances for a variety of fire suppression. She noted that $8.0 million in stimulus funding has been expended for hazardous fuel projects on state and private land.

Rep. Sesso said he was not sure the committee was satisfied with moving forward with allowing the process with implementing the 3B alternative to proceed.

Rep. Taylor asked if there are other options the committee could consider. Ms. Smith said if the committee wishes to have a briefing on the four other options she can provide that. The difficulty is the timing with the land board meeting in a couple of weeks in which they will decide whether or not to move forward with the rules. If the committee has concerns with how this is being done staff can draft a letter to the land board commissioners.

Sen. Bales asked if full market value is defined in statute. Determining the rental value may be different than determining the actual sale value. Ms. Smith said that is some of the arguments that have come forward.

MOTION: Rep. Hollenbaugh moved Option 3: To allow the rules to be proposed and work with the Environmental Quality Council to submit comments to the draft rule. ROLL CALL VOTE: Motion passed 7 yes and 4 no. (Attachment 4)
OTHER REPORTS
04:34:18 Greg DeWitt, Senior Fiscal Analyst, LFD presented the Budget Amendments. (Exhibit 11) Mr. DeWitt said that the LFD received notification of 56 budget amendments certified by the Governor since September 2009 LFC meeting. Each amendment, along with a brief explanation is summarized in the attached table. Staff has reviewed the amendments and has raised no concerns.

OPERATING PLAN CHANGES AND PROGRAM TRANSFERS
04:36:30 Greg DeWitt, Senior Fiscal Analyst, LFD presented the Operating Plan Changes. (Exhibit 12) Mr. DeWitt explained that the Office of Budget and Program Planning submitted two operating plan changes. LFD staff has reviewed the proposed changes and raise no concerns.

04:37:21 Jon Moe, Fiscal Specialist, LFD presented the required reports. (Exhibit 13) These reports are provided to the committee simply for information purposes unless there is an issue identified by staff. Mr. Moe noted that a couple of reports have been added since the mail out.

04:38:55 Chairman Jones provided a handout from Bonnie Lorang, General Manager, MT Independent Telecom Systems regarding ARRA Broadband Funding for Montana. (Exhibit 14) The Montana Telecom Association asked that this information be provided for tomorrow's discussion on ARRA.

04:42:23 Sen. Lewis asked for clarification on the rules of the LFC in regards to the chair being able to vote in any subcommittee of the LFC.

04:42:57 Mr. Schenck said that if consulting with legal counsel, it's in the rules for session but does not apply to interim committees.

04:43:43 Chairman Jones said as a result the recommendation made in the ARRA subcommittee will not be a recommendation but only a discussion.

04:45:01 Jaret Coles, Attorney, LSD said he spoke with Mr. Petesch about this issue and it has been determined there was effectively no quorum at yesterday's meeting. The LFC rules could be changed for future meetings. Mr. Jaret expressed concern regarding notice to all parties for tomorrow's action.
Sen. Lewis explained that the subcommittee passed a motion to recommend to the full committee to write a letter requesting information about the grant and the process.

MOTION: Sen. Lewis moved to change the LFC rules to state that the chairman and vice-chairman be appointed to all subcommittees of the LFC if needed for the purpose of a quorum.

Friday, December 4, 2009

COMMITTEE MEMBERS PRESENT
SEN. KEITH BALES
SEN. STEVE GALLUS
SEN. DAVE LEWIS
SEN. RICK RIPLEY
SEN. DAVID WANZENRIED
REP. WILLIAM GLASER
REP. CYNTHIA HINER
REP. GALEN HOLLENBAUGH
REP. LLEW JONES
REP. JON SESSO
REP. JANNA TAYLOR

COMMITTEE MEMBERS ABSENT
SEN. CAROL WILLIAMS

STAFF PRESENT
CLAYTON SCHENCK, Lead Staff
AMY CARLSON, Director
DIANE MCDUFFIE, Secretary

CALL TO ORDER AND ROLL CALL
00:00:07 The 210th meeting of the Legislative Finance Committee (LFC) reconvened on Friday, December 4, 2009, and was called to order at 8:05 a.m. by Representative Lew Jones, Chair. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana. The secretary noted the roll.

PERFORMANCE MEASUREMENT WORKGROUP SUMMARY
00:01:16 Kris Wilkinson, Fiscal Analyst, LFD provided a brief update on the performance measurement workgroups.

00:03:09 Rep. Hollenbaugh reported that Section C released 5 of the 15 management objectives.
Those consist of the Department of Livestock Animal Health, Fish Wildlife and Parks Fisheries and Fishing Access, and the Department of Environmental Quality Subdivision Review, and Oil and Gas Registration. The workgroup decided to monitor the Yellowstone Water Compact and Trust Land revenues from Department of Natural Resources, and 20x10 initiatives from DEQ.

Sen. Bales reported that Section D reviewed 14 reports. The workgroup recommended the Department of Justice provide a report on MERLIN to the full LFC. Written updates were requested to be provided in March on 2 items. The workgroup also requested updates on 10 items be provided in June and 1 item be updated in the fall of 2010. In addition, there is a statutorily required report due January 1, 2010 from the Office of Public Defender.

Rep. Hiner reported that Section E workgroup heard from the MUS in regards to transferability and student data. They are on track and looking at completing common course numbering for all disciplines June 30, 2011. The MSU is also involved in a national effort to improve productivity. The workgroup will continue to monitor both of these. The Montana Historical Society met and exceeded all of their program measurements so those have been released. In addition, the Office of Public Instruction (OPI) had 11 performance reports, 6 are tied to ARRA and will be followed through the ARRA process. The workgroup requested OPI continue to report on the American Indian Achievement Gap. In K-12 Education Data Systems all milestones were met with the exception of student staffing module which the workgroup will continue to monitor. The Library Commission was released from further monitoring.

Rep. Sesso reported that the State Auditor’s Office Insure Montana and the Insurance Program are both on track but were asked to report again in June. The Dept. of Commerce Energy Promotion and Development Division provided a number of examples of projects they aided or helped facilitate. The workgroup found it difficult to quantify the impact of the division’s work. The workgroup requested the division work with LFD staff to identify specific and quantifiable objectives. The Commissioner of Political Practices Campaign Finance reduced filing errors by 25 percent but the reporting system does not function as well as it should making it difficult for users. The workgroup asked for an update in June. The Dept. of Military Affairs Disaster and Emergency Services provided statistical and
process information on Search and Rescue activities. The workgroup asked the division to produce a report dealing with operational difficulties resultant from statutory issues and use of funding and to report back in June. Two of the Department of Revenue's goals were on track and released from further review. The workgroup requested the Property Assessment Division provide an update in June on property tax reappraisal.

**UPDATE: DPHHS WORK PLAN**

00:30:00 Lois Steinbeck, Senior Fiscal Analyst, LFD expressed concern that the committee will not be hearing specifics about budget reductions from DPHHS until late October 2010. It's not clear what type of cuts are being considered other than travel reduction and filing vacancies.

00:31:48 Anna Whiting Sorrell Director, DPHHS presented the 2013 Biennium Work Plan. (Exhibit 15) Ms. Sorrell said the department's role in this plan is to make recommendations to the committee about possible areas that the committee may choose to reduce the department budget. The report describes in detail the overall pressures not only the one-time-only amounts but also the current pressures with the administration of the Medicaid program.

00:37:53 **Sen. Lewis** asked if the department has projections about the potential impact if the federal health care reform is passed. Ms. Sorrell said if the house version were adopted the department has identified six areas that would impact the state and if they choose to cover all adults at 250 percent of poverty that has the potential to double the Medicaid caseload.

00:41:00 **Sen. Wanzenried** asked what are the areas of consideration to be analyzed. Ms. Sorrell said the department provided at the last meeting a list of cuts that occurred in the fiscal year 2003 and that current cuts wouldn't be much different. She said Page 5 of the report shows ongoing pressure for 2011 one-time-only and ARRA funding.

00:44:06 Mary Dalton, Medicaid and Health Services Manager, DPHHS said there are services that are mandatory and services that are optional in Medicaid. In 2003 the department decreased provider rates but didn't eliminate most services. The $12 million in ARRA funding turns out to be about $48.0 million in cuts. If all of the optional services were eliminated which can only be done for adults, the department probably would not get close to the $48 million. The one-time-only cuts will be much larger.
**Sen. Wanzenried** asked why the department is waiting until October to provide the committee with a list of the cuts. Ms. Sorrell stated that how the department will share information will be a balance between what is the committee's requirement for the $22 million work plan and the departments requirement to fulfill the Governor's obligation to produce a budget on November 15. **Sen. Wanzenried** asked if the committee will see anything definitive before October regarding the $22 million mandate. Ms. Sorrell said the department will be sharing the information that they are required to share in the manner in which they share it. The department will make recommendations to the committee in the areas of consideration.

**Chairman Jones** stated that the management committee met and discussed the financial condition the department is facing and would like the LFC to be more actively involved in working together with the department and potentially the executive. Direction of the management committee is that the LFC do this in a manner that is as prompt and informative as possible. Ms. Sorrell said she is confident Director Ewer will be working with the management team and giving her direction.

**FEDERAL HEALTH CARE REFORM**

Lois Steinbeck, Fiscal Analyst, LFD presented a memo on Federal Health Reform - HR 3962 (Exhibit 16) This memorandum summarizes the most recent NCSL analysis of the federal action related to health reform. Ms. Steinbeck said there are several elements of HR 3962 that would impact Montana state expenditures and policies regarding health insurance. The highlights of the most significant changes are discussed, including impacts to Medicaid, the state employee health plan, and state oversight of compliance by political subdivisions. She also provided a handout on Side by Side Comparison (Exhibit 16a)

**MOTION** **Sen. Gallus** moved Option 2 - Request that staff continue to monitor federal legislation and provide updated summaries via e-mail as the Senate bill progress.  
  a. depending on federal actions, the LFC could opt to hold a conference call to discuss action.


**AMENDED MOTION: Sen. Gallus** amended his motion to pursue Options 2 and 3:  
2) Request that staff continue to monitor federal legislation and provide updated summaries
via e-mail as the Senate bill progress.

a. depending on federal actions, the LFC could opt to hold a conference call to discuss action.

3) Request that the LFC receive an update at the next regularly scheduled meeting without interim notifications. VOTE: Motion passed.

COMMUNITY CRISIS CENTER

01:09:36 Lois Steinbeck, Senior Fiscal Analyst, LFD presented a memo on Implementation of 53-21-1203, MCA. (Exhibit 17) This report provides information on the basics of HB 130, process to date, legislative interest, and legislative staff legal opinion. The interim Children and Families committee looked at this issue and sent a letter to the department at the rule hearing. (Exhibit 17a)

01:16:01 Lou Thompson, Administrator, Addictive and Mental Disorders Division, DPHHS stated the intent of the bill is that the department shall provide matching grants to each eligible county. This bill provides a vehicle for the local communities to identify the problems in their communities and then to develop their community based response to that problem. Since implementation the departments has become aware of some concern and confusion over the methodology for awarding grants.

01:18:30 Deb Matteucci, Behavioral Health Program Facilitator, DPHHS is the liaison between the DPHHS and Department of Corrections. Ms. Matteucci provided a letter on Matching Grants which was sent to all counties outlining what the grant program includes, the services that might be covered, the eligible expenditures and the process and grant application. (Exhibit 18) HB 130 - The Math (Exhibit 187a) outlines the percentage of match funds, sliding scale base, matching funds, eligible county, and available funding. Ms. Matteucci said some of the rule comments talked about admissions versus commitments and the legal opinion. She said that is an item that is inconsistent within the law as it was written. HB 130 - Evaluating the Grant Applications (Exhibit 18b) explains that grant amounts must be based on available funding and the prospects that a county plan submitted will, if implemented, reduce admissions to the state hospital for emergency and court ordered detention and evaluation. It also explains what the complete grant applications must include. The last white sheet math - Lois had copy attached, more information, find county,
Chairman Jones asked what the bases is for the angst that is raising concern. Ms. Matteucci said that the department has not yet dispersed funds. Contracts have been issued but the department has not yet received a signed contract back to be able to issue funds.

Senator Wanzenried referred to the last sentence on page 2 of Ms. Steinbeck's memo (Exhibit 17) which states "the legal opinion concluded that the allocation of grant amounts based on population does not comport with the statutory sliding fee scale based on population and commitments" and asked if the department disagrees with the opinion.

Bernie Jacobs, Staff Attorney, DPHHS said the issue of commitments versus admissions has already been addressed, as well as population by Ms. Matteucci. He said in his opinion it's a methodology question more on how the $1.50 was reached rather than a legal question. Ms. Matteucci said the sliding scale is based on use and population.

Rep. Sesso asked how is it that the county with the most demand gets the least match. Ms. Matteucci said that came from an amendment that said high use gets the lowest match.

Sen. Gallus suggested an update at the March meeting.

**LFC SUBCOMMITTEE REPORTS**

- Legislative Tracking of Federal Stimulus Funds (ARRA)

Dick Clark, CIO, said that the state has contracts with Bresnan and Quest and is one of the largest consumers of bandwidth in Montana. In an effort to keep moving forward and have affordable bandwidth he looks at every possible combination of aggregation points. There will probably be discussions at some point in the future about which circuits to keep and which circuits are downgraded.

Greg Rhode, Bresnan and Sen. Williams joined the meeting via conference call.

Sen. Lewis explained that the ARRA subcommittee met and discussed reports from staff. During the public comment period comments were received from the telephone coops concerning a grant that Bresnan requested for $70.0 million to expand broadband coverage in the state. The subcommittee decided to recommend to the full committee to write a letter to the agencies involved and try to determine if the $300,000 of stimulus money was being
used as match for the Bresnan grant and if there was any impact on other state stimulus projects.

02:09:00 **Chairman Jones** relayed from Hal Harper, Governor's Office, that the administration was interested in a broadband increase in the state of Montana. They received and forwarded on 14 grant applications and the Governor's Office was not involved at this stage.

02:11:38 Corey Swanson, from Bresnan said they were approached by the Tribal Governments to design a system that would provide adequate broadband access. When the stimulus money became available Bresnan put in an application. He said this not a project to put rural entities out of business, it's a project to meet what they understand to be a legitimate need that hasn't been serviced by existing federally funded telecommunications providers. Mr. Swanson introduced Greg Rhode, former head of NTIA.

02:17:45 Greg Rhode commented that federal agencies operate under very high level of scrutiny and they tend to follow the rules that have been laid out in a public notice. He said a letter at this point would be viewed by the agencies as out of order. The purpose of the challenge process is to provide information to the agency for them to consider whether or not an application is eligible, not desirable.

**PUBLIC COMMENT**

02:27:31 Public comment was heard from Bill Squires, Blackfoot Telecommunications, Missoula, MT; Pat Hogan, 360 Networks, Butte, MT; Robert Brock International Brotherhood of Electrical Workers, Butte, MT; Chuck Evilsizer, Telecommunications Attorney, Helena, MT; and Bonnie Lorang, MT Independent Telecom Systems.

02:50:14 Matt Stayner, Fiscal Analyst, LFD provided a copy of his memo regarding the Governor's recommendation of Bresnan grant application. (Exhibit 19). Mr. Stayner explained that there are two different grant applications from the Department of Commerce both dealing with the broadband issue and both citing the relationship with the Bresnan project. The second issue is the Governor's recommendation that the Bresnan project be funded with all the funds available and the other applications should be funded but only if there is money left over.

03:03:03 **Chairman Jones** said the committee can not act on this issue today. He suggested that if
there is interest from the committee on action that they contact Amy Carlson by Wednesday of next week.

03:04:47  **Sen. Lewis** said he would like to know how much of the stimulus money appropriated is being used as match to compliment the Bresnan Communications Montana Native American Reservation Broadband Connectivity Project grant and asked that an inquiry be made to the Governor's Office.

**INFORMATION TECHNOLOGY MANAGEMENT UPDATE**

MITA Statutory Review

03:07:14  Greg DeWitt, Senior Fiscal Analyst, LFD presented a memo regarding Proceeding with MITA Review and a copy of the MITA Statutory Review Matrix (Exhibits 20 and 20a) Mr. DeWitt explained that at the request of the committee the CIO presented a list of items either included or missing from current statute that if addressed would enhance the CIO's effectiveness. Mr. DeWitt provided three options for the committee to consider.

03:12:27  **MOTION:**  **Rep. Hiner** moved Option 2c. To charge the information technology working group with determining which items to pursue.  **VOTE:**  Motion passed.

Status of IT Projects

03:15:34  Dick Clark, CIO, Department of Administration briefly discussed the CIO report and IT Portfolio. (Exhibits 21 and 21a) Mr. Clark said two projects are in yellow status; State of Montana Data Centers and MERLIN.

03:16:34  Pat Gervais, Senior Fiscal Analyst, LFD explained that this item was referred to the full committee from the performance measurement workgroup. She provide a copy of the Performance Management Report that the work group reviewed. (Exhibit 22) The three primary areas of attention that have been reported on deal with the titling process, problems with printers, and the SABHRS interface and the distribution of revenues on that system.

03:17:18  Tim Burton, Deputy Director, Department of Justice, provided a brief update on MERLIN. Mr. Burton said the MERLIN system is in a position of stabilization. 3M is on board and working with the Department of Administration. SABHRS is online and the original contractor has agreed to replace all of the printers with an upgraded printer. He said this
project should be stabilized and moved to green status in January.

**MMIS System**

03:24:21 Ron Baldwin, CIO, Department of Public Health and Human Services, reported that the RFP has been canceled. The department is proceeding to revise the RFP to be released in January. The original RFP did not have components to provide flexibility and functionality.

03:26:03 Duane Preshinger, Medicaid Support Systems, DPHHS said the changes are more of a process issue to clarify information that the department asked the vendors to propose.

**Update on DPHHS IT Contract Award**

03:28:11 Anna Whiting Sorrell, Director, DPHHS said an RFP was posted on May 29, 2009 for the design, development and implementation of the Combined Health Information and Medicaid Eligibility System known as CHIMES. The RFP was written to included over 10,000 technical requirements that define the needs of the department. The RFP closed in August and five bids were received. Four of the Five were deemed complete and moved on to an oral presentation. DPHHS used the procurement process as defined by the Department of Administration.

03:30:37 Cheryl Olson, Deputy Director, Department of Administration provided a handout on Procurement Basics and briefly discussed the process. (Exhibit 23)

03:40:03 Director Sorrell said the stage of process is notified the highest ranked proposal and begin a refinement discussion. The department is required to complete the process within 180 days of receipt of the proposal.

03:43:29 Sen Williams said that Chris Watley from Washington DC is an expert on how to track stimulus money and he has agreed to come to Montana in March. Sen. Williams suggested the LFC and Legislative Council work together to invite all legislative members that are interested.
COMMITTEE BUSINESS

03:49:38 Clayton Schenck, LFA presented the items under Committee Business. (Exhibit 24)

No action was required by the committee.

Discussion of Transition Process

03:50:00 Mr. Schenck recommend to the Management Advisory Committee that Amy Carlson begin as the new LFA on Tuesday.

NEXT MEETING

March 4 & 5, 2010

ADJOURNMENT

Meeting adjourned at 12:00 p.m.

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Llew Jones, Chairman

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Diane McDuffie, Committee Secretary