



LEGISLATIVE FINANCE COMMITTEE 67th Montana Legislature

SENATE MEMBERS

Janet Ellis
Tom Jacobson
Bob Keenan
Ryan Lynch
Daniel Salomon

HOUSE MEMBERS

David Bedey
Mary Caferro
Frank Garner
Jim Hamilton
Kenneth Holmlund
Llew Jones
Jim Keane
Emma Kerr-Carpenter
Bill Mercer
Sharon Stewart Peregoy
Jonathan Windy Boy

COMMITTEE STAFF

Amy Carlson - Legislative Fiscal Analyst
Julie Johnson - Attorney
Kathy Sangray - Secretary

MINUTES LOG

December 16, 2021
Room 102
Helena, Montana

Please note: This document is a Minutes Log and provides annotation 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 recording 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 the 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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MEMBERS PRESENT:

Sen. Daniel Salomon, Chair (R)
Rep. David Bedey (R)
Rep. Frank Garner (R)
Rep. Jim Hamilton (D)
Rep. Kenneth Holmlund (R)
Sen. Tom Jacobson (D)
Rep. Llew Jones (R)
Sen. Bob Keenan (R)
Rep. Emma Kerr-Carpenter (D)
Sen. Ryan Lynch (D)
Rep. Bill Mercer (R)
Rep. Mary Caferro (D)
Sen. Janet Ellis (D)
Rep. Sharon Stewart Peregoy (D)
Rep. Jonathan Windy Boy (D)

MEMBERS EXCUSED:

Rep. Jim Keane (D)

STAFF PRESENT:

Amy Carlson, Legislative Fiscal Analyst
Julie Johnson, Attorney
Kathy Sangray, Secretary

AGENDA ([Attachment 1](#))

VISITORS' LIST ([Attachment 2](#))

CALL TO ORDER/ROLL CALL

08:04:18 Sen. Daniel Salomon-R called the meeting to order at 8:04 AM. The committee secretary took roll.

Motion/Vote:

08:06:03 Rep. Jones moved that the minutes be approved. Carried unanimously by voice vote. (Not including proxies.)

Motion/Vote:

08:06:46 Rep. Jones moved that Rep. Regier and Sen. Cuff replace Rep. Bartel and Sen. Osmundson, respectively, on the committee. Carried unanimously by voice vote. (Not including proxies.)

Financial Summary

08:08:03 Susie Lindsay, Legislative Fiscal Division (LFD) reviewed FY 2022 Financial Summary Report.

[EXHIBIT 1](#)

08:11:04 Rep. Jones asked for clarification on the General Fund Balance Estimate Revision.

08:11:28 Rep. Hamilton asked if funding for Federal Medical Assistance Percentage (FMAP) will continue beyond fiscal year 2022.

08:12:06 Quinn Holzer (LFD) explained that FMAP funds will continue until the Secretary of Health declares the pandemic emergency over and then the funding would be reduced periodically until ending.

08:12:56 Ms. Lindsay continued explaining Fire Fund Update, Transfers to Reserve Balance, Inflation and General Fund Reserves.

08:16:59 Rep. Jones questioned the relatively low inflation rate forecast used to evaluate the erosion of the financial reserves.

08:17:45 Amy Carlson (LFD) replied that IHS is a standard source for inflation forecasts and she offered to do more research on inflation rate forecasts before the March meeting.

08:18:21 Rep. Jones believes the inflation rate used is too low.

08:18:49 Ms. Carlson offered to send an update in January on the new projected inflation rate and will notify the committee as projections changes in their monthly reports.

08:19:36 Chair Salomon clarified this is a data request.

08:19:48 Ms. Lindsay continued her report.

08:24:24 Rep. Regier asked how many of the state agency vacancies are filled with contract or modified employees.

08:24:46 Ms. Lindsay explained that the study just looked at actual positions, not modified positions. She then explained the Power BI tool available on the website and the Statutorily Required Reports.

08:26:41 Ms. Carlson pointed out that the Financial Summary Report is a condensed, high level view created for this committee and she is open to suggestions for improvement. She also passed out Appendix C: Detailed Budget Amendments Report.

[EXHIBIT 2](#)

08:27:40 Sam Schaefer (LFD) gave a report on YTD General Fund Revenue, Major Sources, and Individual Income Tax Estimates, from FY 2022 Financial Summary Report.

08:25:35 Rep. Caferro joined the meeting.

08:30:42 Rep. Stewart Peregoy joined the meeting.

08:35:10 Rep. Jones pointed out that since we are back to 2019 employment levels of actual workers, the increase in withholding must be attributed to wage inflation.

08:35:59 Mr. Schaefer agreed that a significant portion of the withholding increase was due to wage inflation but there are other factors as well.

08:37:47 Sen. Jacobson asked if taxes are being collected from remote workers living in Montana and do Montana employment figures account for those remote workers.

08:39:10 Mr. Schaefer explained that people physically present and working in the state are required to pay Montana taxes, but tracking compliance is difficult. Also, he would need to research further if Montana unemployment figures include remote workers.

08:41:40 Sen. Jacobson questioned if the increase in withholdings is sustainable.

08:42:42 Mr. Schaefer said he will analyze new resident income compared to current resident income for the March MARA meeting.

08:43:34 Vice Chair Caferro asked for clarification on what “wage inflation” means.

08:43:55 Mr. Schaefer defined wage inflation as growth in wages beyond what we would typically see.

08:46:06 Vice Chair Caferro asked if the current wage levels are the new baseline.

08:46:20 Mr. Schaefer explained that forecasts will be used to determine the baseline for wages.

08:46:48 Rep. Hamilton asked what the reduction in labor force participation is in Montana.

08:47:07 Mr. Schaefer will research that number for Montana.

08:47:30 Rep. Jones commented that there are more people working today in Montana than in 2019.

08:48:19 Sen. Cuffe followed up on the wage inflation discussion and pointed out that temporary medical workers inflate wages beyond what a permanent employee doing the same type of work would receive.

08:49:22 Mr. Schaefer agreed, but the overall impact depends on what portion of total wages is being driven by those temporary positions.

08:50:43 Rep. Jones pointed out that while revenue is up, we will soon see an increase in expenses for state employee wages.

08:52:40 Ms. Carlson pointed out that the Department of Labor job tracker website will be posted on the materials page of the committee website.

08:53:17 Mr. Schaefer said that the wage growth baseline will not likely remain at the current level and will be reevaluated over time.

08:58:59 Quinn Holter (LFD) reviewed COVID-19 Federal Funds Summary report.

EXHIBIT 3

- 09:04:11 Mr. Schaefer explained impacts on state revenues from COVID-19 Federal Funds.
- 09:05:06 Rep. Windy Boy joined the meeting.
- 09:08:45 Mr. Holzer continued his report on federal assistance by category.
- 09:14:28 Rep. Mercer noted that CARES I dollars not used by Department of Corrections are included as expended on the report.
- 09:15:28 Mr. Holzer explained that if an agency returns unused funds, the appropriation is then reduced to equal what was actually expended.
- 09:16:45 Vice Chair Caferro asked for clarification on what "Appropriation Established" and "Expenditures" includes relative to another report she received in the Public Health and Human Services budget report.
- 09:18:00 Mr. Holzer further explained the numbers on the report.
- 09:19:46 Joe Triem (LFD) gave a report on the Infrastructure Investment and Jobs Act.

EXHIBIT 4

- 09:30:21 Rep. Garner asked about ARPA funds.
- 09:30:54 Mr. Triem gave a general answer and deferred to DNRC for clarification.
- 09:32:27 Amy Sassano, Deputy Budget Director, Office of Budget and Program Planning (OBPP) gave a report on the Infrastructure Investment and Jobs Act.
- 09:44:30 Rep. Jones stated that Montana is viewed as a good model nationwide for effective collaboration between the Executive and Legislative branches for appropriating ARPA funds.
- 09:45:50 Ms. Sassano further commented that Montana is also a leader with the transparency website that accounts for all expenditures.
- 09:47:40 Vice Chair Caferro asked where people should go on the website to find what grants are available.
- 09:48:27 Ms. Sassano explained where to go to apply for funds on the website.
- 09:51:29 Mr. Triem offered help to legislators needing assistance finding funding and how to apply.
- 09:52:37 Vice Chair Caferro asked what percentage of road and bridge funding goes to rural versus urban areas.
- 09:53:29 Mr. Triem did not have an answer.
- 09:53:38 Rep. Garner further explained how to find things on the website and get help.
- 09:54:44 Rep. Garner asked how ARPA funds will be impacted regarding water and sewer projects.
- 09:55:22 Director Amanda Kaster, Department of Natural Resources and Conservation (DNRC) deferred question to Anna Miller.
- 09:55:58 Anna Miller (DNRC) explained water and sewer projects relative to ARPA funds and the deadlines.
- 10:01:51 Rep. Garner asked who the point-of-contact is at DNRC for those with questions.
- 10:02:11 Ms. Miller said she would be a point-of-contact for inquires.
- 10:02:27 Rep. Jones voiced concerns from schools that have been negatively impacted by changes in the scoring criteria for funding.
- 10:04:07 Ms. Miller explained why some criteria changed and encouraged communities to reach out to DNRC for help to improve their scoring ability.

Financial Updates

- 10:05:58 Ms. Sassano, (OBPP) gave quarterly update.
- 10:28:41 Rep. Bedey commented that budget development must consider both the increase in revenue and inflationary increases in expenses and thanked Ms. Sassano for her report on the impact of inflation.
- 10:29:35 Rep. Holmlund noted where Ismay, MT is located.
- 10:30:21 Sen. Keenan addressed Ms. Sassano.
- 10:30:31 Ms. Sassano responded.
- 10:30:50 Chair Salomon
- 10:31:12 Director Mike Honeycutt, Department of Livestock (DOL), explained purchase and modifications of helicopter.
[EXHIBIT 5](#)
- 10:33:00 Rep. Holmlund agreed that the funding should have been biennial and not an OTO and Section C supports the purchase.
- 10:33:42 Ms. Sassano asked the committee to comment on the budget for the helicopter.

Motion/Vote:

- 10:34:06 Rep. Jones moved that the committee concur on the proposed budget for the helicopter so the Executive can move forward. Carried unanimously by voice vote. (Not including proxies.)

Subcommittee Reports

- 10:35:24 Rep. Regier gave report on Subcommittee Section B.
- 10:37:27 Rep. Holmlund gave report on Subcommittee Section C.
- 10:39:40 Rep. Mercer gave report on Subcommittee Section D.
- 10:49:59 Rep. Bedey gave report on Subcommittee Section E.
- 11:08:43 Rep. Hopkins gave report on Subcommittee Section F.
- 11:17:24 Rep. Jones asked about infrastructure construction projects that are over budgeted forecasts.
- 11:18:44 Mr. Triem explained various options available if projects are over budget.
- 11:21:52 Rep. Mercer asked if there is any data that interprets what the flood of federal funding has done to increase the cost of projects in 2021 or 2022 compared to the same projects in 2019.
- 11:24:05 Mr. Triem explained variables that impact projects, funding mechanisms and expenditure deadlines and he will look into inflation of project expenses.
- 11:27:44 Rep. Garner pointed out that NCSL tracks what all states are doing and the impacts, and he suggested we should partner with them to address the impact of federal funding on increasing project expenses.

State Information Technology Systems Division Policy Issues Summary

- 11:28:55 Kevin Gilberson, CIO, Montana State Information Technology Services Division (SITSD) gave update on statewide IT policy issues.
[EXHIBIT 6a](#)

[EXHIBIT 6b](#)

[EXHIBIT 6c](#)

[EXHIBIT 6d](#)

11:32:14 Rep. Jones asked what security challenges SITSD is facing currently.

11:32:54 Mr. Gilberson said there is a worldwide security issue currently happening, but they are working on mitigation and there is nothing of major consequence at this time, and they will continue to monitor the security threats.

MARA Update

11:34:33 Rep. Jones gave an update on MARA.

ADJOURNMENT

Adjournment: 11:56:50