



## Select Committee on Efficiency in Government

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### 62nd Montana Legislature

#### SENATE MEMBERS

JON SONJU--Chair  
EDWARD BUTTREY  
MARY CAFERRO  
JIM KEANE  
EDWARD WALKER  
DAVID WANZENRIED

#### HOUSE MEMBERS

MARK BLASDEL  
RON EHLI  
GALEN HOLLENBAUGH  
PAT NOONAN  
SCOTT REICHNER  
KATHLEEN WILLIAMS

#### COMMITTEE STAFF TEAM

DAVE BOHYER, Lead Staff  
DAVID NISS, Staff Attorney  
SUSIE LINDSAY, Secretary  
SUE O'CONNELL, LSD, Health Care  
SONJA NOWAKOWSKI, LSD, Nat'l Res.  
QUINN HOLZER, LFD, Health Care  
TARYN PURDY, LFD, Budgeting Process  
BARBARA SMITH, LFD, Technology  
LOIS STEINBECK, LFD, Health Care

# MINUTES

August 22, 2011  
Flathead Valley Community College

Small Community Conference Room  
Kalispell, MT

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. To the left of each section in these minutes is a time designation indicating the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Hard copies of the exhibits for this meeting are available upon request. Legislative Council policy requires a charge of 15 cents a page for copies of the document.

### COMMITTEE MEMBERS PRESENT

Sen. Jon Sonju -- Chair  
Sen. Edward Buttery  
Sen. Mary Caferro  
Sen. Jim Keane  
Sen. Edward Walker  
Sen. David Wanzenried

Rep. Mark Blasdel  
Rep. Ron Ehli  
Rep. Galen Hollenbaugh  
Rep. Pat Noonan  
Rep. Scott Reichner  
Rep. Kathleen Williams

## **STAFF PRESENT**

Dave Bohyer, Lead Staff  
Susie Lindsay, Secretary  
Sue O'Connell, LSD, Health Care  
Barbara Smith, LFD, Technology  
Lois Steinbeck, LFD, Health Care

## **VISITORS**

Visitors' list, Attachment #1.

## **CALL TO ORDER AND ROLL CALL**

00:00:01 SEN. SONJU called the meeting to order at 10:10 a.m. He asked the committee members to introduce themselves.

## **ORIENTATION OF THE SELECT COMMITTEE ON EFFICIENCY IN GOVERNMENT**

00:07:42 **Dave Bohyer, Director of Research and Policy with the Legislative Services Division**, explained how meetings are conducted and the roll of legislative staff to the committee. He explained that the breadth and scope of HB 642 necessitated bringing additional legislative staff to assist the committee. He introduced Sue O'Connell, Legislative Services Research Analyst with expertise in Medicaid policy issues, Barbara Smith, Fiscal Specialist from the Legislative Fiscal Division, to answer technology questions, Lois Steinbeck, Senior Fiscal Analyst from the Legislative Fiscal Division, to answer fiscal Medicaid questions and Susie Lindsay, Committee Secretary.

00:09:46 SEN. SONJU reviewed the agenda and explained the format of asking city leaders to present ideas for efficiencies. He then introduced the first speaker, Jane Karas, President of Flathead Valley Community College (FVCC).

## **COMMUNITY SPEAKER**

00:10:32 Jane Karas, President of FVCC, welcomed the committee to the college and provided a summary of the objectives and mission of FVCC.

## **ELECTION OF OFFICERS**

00:24:30 SEN. SONJU explained that committees normally have a vice presiding officer from the opposite house and opposite party from the chairman. He asked for nominations for a vice presiding officer.

00:25:14 REP. NOONAN made a motion that REP. HOLLENBAUGH serve as vice presiding officer. REP. REICHNER seconded the motion. SEN.

WANZENRIED proposed a substitute motion that the committee declare REP. HOLLENBAUGH vice-chair by unanimous proclamation. All were in favor.

### **BUDGET OVERVIEW**

00:26:00 **Mr. Bohyer** gave an overview of the committee's budget (EXHIBIT 1). He explained that the committee began with a \$100,000.00 budget as provided by HB 642. Mr. Bohyer has allocated \$18,000 for personal services to cover the cost of legislative salaries, and the remaining \$82,000 for operating expenses to cover legislative per diem, milage, printing, postage and consulting services.

00:28:08 SEN. SONJU stated that when HB 642 was originally drafted it originally had an appropriation for \$450,000. He met with Susan Fox, Executive Director of Legislative Services, and Rep. Sesso was able to pare the budget down to \$100,000. He asked Mr. Bohyer to give a budget report at the beginning of each meeting. He then asked Mr. Bohyer to explain the draft committee rules, procedures and use of proxies and majority votes.

### **RULE REVIEW**

00:29:11 **Mr. Bohyer** explained the rules and procedures (EXHIBIT 2) for the interim committees and the draft rules and procedures (EXHIBIT 3) specific to the Select Committee on Efficiency in Government (SCEG).

He stated that although proxy votes are discouraged the record requires written permission for proxy voting.

He also stated that the committee is authorized to appoint subcommittees. The decision to appoint subcommittees is reserved to the chair and the chair has the authority to appoint the presiding officers of the subcommittees.

Mr. Bohyer explained that this committee's staff also have commitments on the other interim committees and that staff time would be shared with the other committees. Consequently, Mr. Bohyer will attempt to ensure that the committee stays within the scope of HB 642.

Travel and expense reimbursements and members' salaries will be paid by the committee budget. If a committee member wishes to encomber the committee's budget, the committee chair must give prior approval.

Mr. Bohyer said that virtually all material required for committee work is open to the public and that nearly all documents will be posted to the website. In closing, he said the rules need to be adopted by the committee either permanently or as subject to change.

00:44:16 REP. HOLLENBAUGH asked about Section VIII, Review Committee, of the rules. He thinks the terminology is too broad in terms of how the committee adopts recommendations and how members would know the committee work was done. He asked if the SCEG committee needs to be more specific in the rules.

00:45:12 **Mr. Bohyer** explained that the rules, procedures and guidelines for interim committees adopted by Legislative Council are statutorily required. However, the SCEG committee is not an interim committee as defined in Title 5, Chapter 5, MCA, but works during the interim.

00:46:57 REP. HOLLENBAUGH asked if the committee has the ability to bring forward draft legislation. If so, he asked which rules direct the committee to do so.

00:47:39 **Mr. Bohyer** confirmed that the committee may request draft legislation and the committee would follow the senate rules. He further explained that any committee member could make a motion for drafting of legislation, then the committee would either formally adopt the motion as a legislative recommendation from the committee, which would go forward to the next session, or it would not receive a favorable recommendation and it would not advance.

00:48:11 SEN. WANZENRIED stated that he has worked on other interim committees and that this is the first committee that he proxy voting explained. He stated that in the past he has left proxy votes for all votes and all actions and they were never challenged. He wondered how a member would know in advance of what a motion may be in order to leave a detailed proxy. He thought such a requirement would be an obstacle for individuals who cannot attend every meeting.

00:49:07 SEN. SONJU agreed. He asked for suggestions from the committee.

#### **MOTION**

00:49:31 SEN. KEANE made a motion allowing general proxy votes and once given, the member with the proxy vote can vote on anything.

00:49:49 SEN. SONJU called the question. REP. WILLIAMS and SEN. CAFERRO voted no. The remaining members voted yes.

00:51:28 SEN. WANZENRIED explained that in the past he worked on many interim committees and that typically a majority vote moves legislation forward. He stated that in two instances he worked on committees that required super majority votes to advance legislation. He would like the committee to discuss the possibility of doing that for the findings, recommendations, and the

legislation itself; specifically for discussion on a 2/3 or 3/4 committee vote on findings, recommendations and legislation.

00:51:57 REP. HOLLENBAUGH asked if other interim committees have a standard rule in terms of 3/4 vote to pass interim legislation or reports.

00:52:07 **Mr. Bohyer** stated that he was unsure if any of the interim committees adopted a super majority vote.

00:52:51 SEN. SONJU explained that a 2/3 majority would mean 8 members voting in favor of committee findings, conclusions, or recommendations including draft legislation. He stated that he will support a 2/3 majority vote.

00:54:58 SEN. WANZENRIED agreed.

00:55:09 SEN. WALKER asked about how many interim bills failed last session.

00:55:26 **Mr. Bohyer** stated that Legislative Council had recently received statistics on legislation considered in the 2011 session. The results showed that interim committee bills were approved slightly more than half the time by the full legislature, at a marginally higher percentage than bills sponsored by individual legislators.

00:56:47 REP. WILLIAMS asked if interim committee bills had a better chance of success in the past then now.

00:57:09 **Mr. Bohyer** explained that the interim committee structure in the 1990s was different. Until 1999 interim committees were formed by individual study resolutions. Legislation adopted in 1999 reorganized the legislative branch and the way the interim committees were structured. Since then, about one-half of the bills introduced are passed.

#### **MOTION**

00:58:02 SEN. WANZENRIED made a motion that the work of this committee, the results, findings, conclusions, recommendations and draft legislation be forwarded only upon receipt of a 2/3 majority vote. All members were in favor.

#### **RULE REVIEW cont.**

00:58:48 SEN. SONJU asked for further discussion on the rules.

00:59:49 REP. REICHNER asked if a member was unable to make it to a meeting would a telephonic representation be allowed.

01:00:12 SEN. KEANE mentioned that telephone participation had been done in the

past on the EQC committee.

01:00:30 **Mr. Bohyer** explained that in Helena the staff can accommodate the committee with a telephone if necessary. He explained that phones may not be available at out of town locations.

01:01:16 SEN. SONJU suggested that the committee rules could be left open for a time.

#### **MOTION**

01:01:57 REP. HOLLENBAUGH moved to tentatively adopt the rules as amended. All were in favor.

#### **OVERVIEW OF HB 642**

01:02:17 **Mr. Bohyer** gave an overview of HB 642 (EXHIBIT 4). He stated that the bill has four topical areas that the committee is charged to study in the context of efficiency and effectiveness.

01:22:40 SEN. SONJU reviewed the four major components discussed in HB 642. He stated that the improvements in technology is the backbone of the bill. He further explained that with time constraints it would be difficult to discuss everything within HB 642.

01:25:41 SEN. WANZENRIED stated that he wants to know how many meetings the committee will have and how much time will be involved with each meeting. He asked for further clarification as to whether the committee is expected to complete everything listed in HB 642 or not.

01:26:22 SEN. SONJU stated that he understood the rules to mean that the committee can cover any and all topics discussed in HB 642. He asked Mr. Bohyer for clarification.

01:26:46 **Mr. Bohyer** stated that he infers from the language in the bill that the committee is largely in control of whatever the committee wishes within the context of the four main areas. He suggested prioritizing and then the lower priority items would not receive as much time.

01:27:54 SEN. WANZENRIED asked how many meetings the committee will have and if the committee only met in Helena, how many the budget would allow.

01:28:18 SEN. SONJU replied that he would hope to have ten meetings. He wants to travel to a few communities and thinks that is important. He would like to squeeze in a few more than ten, however he understands the September 15, 2012 deadline.

01:29:45 SEN. WANZENRIED asked if that would entail ten, two-day meetings and verified with Mr. Bohyer that the budget would allow this amount.

01:30:13 **Mr. Bohyer** thought ten, two-day meetings will be possible.

01:31:42 REP. REICHNER suggested that subcommittees created and then just have a few smaller meetings with the subcommittees, later bringing the ideas back to the whole body.

01:32:02 SEN. SONJU agreed.

### **COMMITTEE GOALS**

01:32:47 **Mr. Bohyer** explained that according to HB 642, the committee need goals, a mission and to identify any specific problems the committee wishes to solve.

01:33:09 SEN. SONJU stated that it will be difficult to know what direction the committee will take until after some of the panel discussions are heard. Sen. Sonju thinks the mission statement could be to find true efficiencies within our government.

01:34:24 REP. WILLIAMS stated that if this will be a committee-driven process, then perhaps the committee needs an input driven process, similar to the Governor's approach for suggestions of cost savings. She wondered if the committee could have an on-line method, with focused questions, of soliciting suggestions for increased efficiencies or decreased inefficiencies.

01:35:44 SEN. CAFERRO stated that she supports Rep. Williams idea. She stated that sometimes the public cannot make it to the committee meetings and employing an on-line method for public comment would be another avenue to solicit input from the public.

01:36:48 REP. HOLLENBAUGH stated that efficiencies may not mean cutting the budget. From a state government service prospective, shouldn't the committee also make certain that the services requested are provided.

01:37:34 SEN. SONJU restated that the long term approaches may take some investments, but the return would be further down the road. He thinks that is a good business approach to government. In particular, some of the technology suggestions may be investments for future efficiencies.

01:38:40 SEN. KEANE stated that sometimes during session legislators receive some misinformation. Often times the information is not true. He used coal tax as an example.

01:40:53 SEN. BUTTREY stated that HB 642 asks the committee to identify particular

problems. He suggested that rather than ask the public about problems, instead tell the public that these are the problems the committee will address and then ask for their ideas and solutions.

01:41:54 SEN. CAFERRO asked for clarification if there was a motion from Rep. Williams.

01:42:17 REP. WILLIAMS stated that she can't list out all the inefficiencies today. She would like an input method focused on the topic areas in HB 642.

01:43:07 SEN. SONJU suggested that if REP. WILLIAMS is interested in a forum for citizens to make suggestions that it could be as simple as stating that the committee has four areas of study: budgeting, natural resources human services and technology. If the public has ways to make these areas more efficient, please make comments. He asked Mr. Bohyer what the cost would be to create a method for public comment.

01:44:05 **Mr. Bohyer** stated that the legislative branch has staff that have the capability to develop that kind of input mechanism. He would need to check with those individuals to determine they need additional resources, but he was fairly certain it can be done by the staff.

01:44:22 SEN. SONJU stated the committee could take time to look at comments after the staff has reviewed them and presented the pertinent data to the committee.

01:45:08 SEN. BUTTREY stated that the comments could be divided up and addressed in a subcommittee .

01:45:36 REP. HOLLENBAUGH asked if committee members naturally fit into expert areas for the four main components. He asked if committee members could split up into the four groups based on their interests.

01:46:08 SEN. SONJU stated that his idea was to have committee members meet with panelists in areas they were most interested in. He asked Rep. Williams if she had made a motion. She replied that she had not made a motion.

### **SUBCOMMITTEES DISCUSSION**

01:47:03 **Mr. Bohyer** stated that prior to the committee discussion of subcommittees everyone should have an idea of what the subcommittees will do, resources the committee expects the subcommittees to have, how much of the budget will be allocated to subcommittees, how many meetings the subcommittees will have and where the subcommittees will meet. He explained that from a staff perspective a subcommittee has all the same requirements as a committee. He noted that if there are four subcommittees working, the staff



cannot be in four places at the same time. The committee needs to consider these things before subcommittees are moved forward.

01:48:17 SEN. SONJU stated that the committee envisions the subcommittee as a way of preparing the panel discussion that will be brought before the full committee. A phone call or different smaller groups could get together on their own to cut down on the expenses. Perhaps the subcommittee could split the day with the full committee; for example, meet the morning before the full committee, then present to the full committee in the afternoon.

01:49:20 REP. REICHNER commented that he understands Mr. Bohyer's points. He suggested that instead of subcommittees, have them be groups that just spearhead the issues on their own. Then the group could gather information and report back to the committee.

01:50:37 **Mr. Bohyer** explained the different legal rules applicable to subcommittees and work groups. He further explained that any time a quorum of committee members meet, statutorily the committee is required to do everything that he mentioned previously. If however, individuals do something independently and not under the authority of the chairman or full committee, that is doing work on your own and there are not requirements for a secretary and official record.

01:52:30 SEN. SONJU would like to have full transparency, but still have individual members identify who is on the panel and bring those individuals to the full committee.

01:53:32 **Mr. Bohyer** stated that as members identify panel members, the information will be made public.

01:54:23 SEN. SONJU stated that the discussion will be left open for the sake of time and recessed the committee for lunch at 12:04 p.m..

#### **LUNCH BREAK**

02:31:29 Sen. Sonju called the meeting back to order at 12:39 p.m. He asked the committee to complete the earlier discussion on creation of subcommittees within the next five or ten minutes.

#### **SUBCOMMITTEE DISCUSSION cont.**

02:31:48 **Mr. Bohyer** stated that he understands the committee wants flexibility, but the committee must also follow the law for public notice, participation, and so on. If the members wish to have formal subcommittees, a two-day meeting could allow the subcommittees to meet on the first day, then the second day, the full committee would meet.

02:33:58 SEN. CAFERRO supported the idea of formal subcommittees.

02:34:19 SEN. SONJU stated that the subcommittees would meet when the full committee meets in Helena.

02:34:54 SEN. BUTTREY stated that it was a good idea.

### **COMMITTEE MISSION**

02:35:10 SEN. SONJU stated that more discussion on the committee organization would need to be at the end of the agenda in the interests of time. He asked Sen. Caferro if she had a mission statement developed for the committee.

02:35:26 SEN. CAFERRO stated that in the interest of time she could discuss the mission statement at the end of the committee agenda.

02:35:39 SEN. KEANE wanted appropriate use of power points as part of the technology section.

### **HB 642 - LOCAL GOVERNMENT EFFICIENCY BRIEFING**

02:35:55 SEN. SONJU introduced the Mayor of Kalispell and the City Manager of Kalispell and explained to the committee that they were asked to provide ideas for efficiencies.

02:36:46 **Ms. Tammi Fisher, Mayor of Kalispell**, stated that key inefficiencies that her office has noted are the processes for the property tax appraisal and on protested taxes. Since the taxes are held in protest, the city's general fund revenues are lower than normal. In addition, the lack of economic development tools allowed by the state limits efficiency. Ms. Fisher used the Whitefish local option sales tax as example. Kalispell is unable to institute that type of tax due to Kalispell's population being over 6000. She stated that in some instances what might benefit one city, may not benefit another city in the same way. She also cited the lack of autonomy with fire protection (because of state mandates) as another example of inefficiency.

02:40:48 **Jane Howington, Kalispell City Manager**, stated that fire departments could work together more efficiently and that she had looked at models in other states that eliminate administration by combining the administrative forces into public safety entities. This reduces the overhead costs and would help with efficiencies. In addition, the non-point (non-point source pollution) rural septic systems have no oversight in terms of how they affect total maximum daily loads (TMDL). She stated that Helena spent \$30 million to upgrade their septic system to reduce the TMDL by 3%. The Helena system was already over 93% efficient, so the \$30 million was spent to increase efficiency by 3%. She stated that to spend \$30 million to go from 93% to 96% is inefficient. She continued by stating that the \$30 million could have been spent on non-point source pollution, which would have had a huge impact on water quality. She said just because it is easy to regulate cities, doesn't make it the right thing to

do.

She stated that another inefficiency is layers of government. Roadways are another example of the layers of government creating inefficiencies. She provided another example of layers of government with the erosion of water from the Stillwater River on the golf course. The city applied for Federal Emergency Management Agency (FEMA) dollars to help with cost to fix the erosion. The issue became complicated when the area was determined to be bull trout breeding grounds and necessitated involvement with the Army Corp of Engineers and the State of Montana Fish, Wildlife and Parks Department (FWP).

Finally, she cited an example of energy efficiency programs. The Federal Government provided money to the State of Montana, then the state was to disseminate the money to the local governments. She stated that some of that money did not get disseminated to the local governments, but rather stayed at the state level. In addition, no reporting mechanisms are in place for this money on the state level. She thought that currently when the federal government passes money to a state, no efficiency reporting is necessary. She would like to see the state agencies required to give performance reports just like the local governments.

She stated that from a job creation standpoint, FVCC offers retraining programs. However, even with those retraining programs people sometimes are forced to leave the Flathead area for jobs. She thought that there is a disconnect between our ability to retrain and then put them back to work in the same area. She stated the Comprehensive Employment and Training Act (CETA) type model on the local level could put people back to work doing public improvement works like sidewalks or facility repairs. She stated that the stimulus dollars coming into the state sometimes do not meet the needs of the communities, so a majority of Flathead county residents have to move to find work.

She continued, saying state agencies have transferred costs to cities without giving the cities prior warning. She explained that MDOT has decided to no longer pay for street lights along MDOT roads. MDOT installs state standard street lights rather than city standard, so twice as many lights are on a street and therefore the cost is higher.

She cited another example of inefficiency: Department of Natural Resource and Conservation (DNRC) trust land leases. She explained that the DNRC uses the trust land leases to pay for public education, therefore they attempt to receive the highest amount of money for the leases. Kalispell invested millions of dollars into a piece of property for kids' sports that has a state land lease until 2014. The city does not know if the lease will be extended as the

DNRC is going to reassess the property not as recreational, but as commercial property. Therefore, the cost to the city would go up so much, the city may not be able to afford the lease. The city has been working with the DNRC for 3.5 years to parcel off 22 acres for commercial purposes. However, no RFP has been issued and if the land had been in the private sector, the RFP would have been issued within 60-90 days and the city would already be earning revenue to pay for the rest of the lease. She finished with an example of one efficiency that has been working for cities. The Department of Revenue (DOR) has begun issuing revenue payments to cities electronically. That technology efficiency has helped the city.

### **Committee Questions**

02:55:33 REP. WILLIAMS asked for clarification of what Ms. Howington meant by the acronym TMDL. Rep. Williams further asked about relief through nutrient trading.

02:56:04 Ms Howington explained that the TMDL refers to nutrient standards. She reiterated the Helena wastewater example. Ms. Howington pointed out that TMDL trading doesn't work for Kalispell because of the close proximity to Flathead Lake. Therefore, the lack of flexibility in nutrient trading does not help Kalispell. In addition, last year the Department of Environmental Quality (DEQ) implemented a new \$10,000 permit fee for permit review. Kalispell had to pay it last August and again this year to have the permit reviewed. She stated that the cost is for nothing and does not provide a benefit.

02:58:04 SEN. SONJU asked if DEQ came out and reviewed anything last year.

02:58:06 Ms. Howington stated that DEQ did not come out last year for a review, it was just a payment Kalispell was required to pay.

02:58:17 REP. HOLLENBAUGH asked Barbara Smith to clarify what the Environmental Protection Agency (EPA) requires of the DEQ for permits and which agency is in charge in terms of this discussion.

02:59:00 Barbara Smith, Fiscal Specialist from the Legislative Fiscal Division, explained that two biennia ago the EPA reviewed the public water drinking system and found large discrepancies in how the work was being done by the DEQ. At that time a large backlog of systems did not meet basic water quality standards. The negotiated process that involved the EPA, the state executive branch, and the legislature ultimately appropriated money to bring the quality standards up to primacy. If the state were to lose primacy, all the activity tied to the Clean Water Act would be managed by the EPA out of Denver and not managed locally from Helena.

03:00:00 REP. HOLLENBAUGH asked if the committee wanted to recommend that the

federal government become the lead agency on water quality. It would certainly provide efficiencies for the state and allow DEQ to assign DEQ staff to other regulatory duties. He suggested polling state agencies to determine which regulations the agencies are in charge of that are being dictated by the federal government. He further stated that he assumes the state would rather maintain control, but he asked if the committee wants to have some agency discussion about this.

03:01:16 SEN. BUTTREY asked Ms. Fisher if she could provide more examples of how the state could support cities better in regard to economic development.

03:01:42 Ms. Fisher stated that the main economic development tool offered by the state to Montana cities is the promotion of tax increment financing (TIF) districts. She cited an example from Virginia of a city development that mixed commercial, industrial, and residential land and allowed a tax system within the development itself. This tax paid for the infrastructure of the development and ongoing maintenance costs. Legislation was passed in Virginia that authorized the tax system. Ms. Fisher stated that she would like to see expanded opportunities for Kalispell to do something like that. In terms of development, Kalispell has significant infrastructure needs, but without the legislative authority to develop financing tools or development tools, the city is left with a TIF district as the only development option. In addition, she stated that Kalispell is in desperate need of tools that would generate interest in the area from out of state developers.

03:04:03 SEN. BUTTREY asked for clarification, more specifically if the developer-driven legislation would allow a local area to implement a tax without voter approval.

03:04:23 Ms Fisher confirmed that the tax was for the development itself, so taxes were paid only if the development was used.

03:04:36 Ms. Howington added that the site-specific taxation was a transaction fee. She further explained that the Virginia example was a large mall and the debt incurred for installing and maintaining the infrastructure was retired through the collection of transaction fees on businesses within the development.

03:05:05 SEN. SONJU thanked the presenters and recessed the committee at 1:12 p.m.

**BREAK**

03:21:58 SEN. SONJU called the meeting back to order at 1:30 p.m. and explained that the next agenda item was a panel discussion among individuals invited to speak on technology. (EXHIBIT 5)

## **HB 642 - TECHNOLOGY EFFICIENCY BRIEFINGS**

03:22:25 **Dick Clark, State of Montana Chief Information Officer**, explained his position within state government and gave a power point presentation on state IT (EXHIBIT 6). He explained that he challenges his staff to find efficiencies on a regular basis. He gave an overview of cloud computing, the economics of information technology (IT) in Montana, more specifically agency budgets vs. state economics, the Montana information technology maturity model, state government purchasing of information technology, multi-state IT collaboration between Montana and other states, and his 13 options for technology efficiencies.

04:19:37 **Darren Knipp, Chief Technology Officer, Lexmark and Perceptive Software**, presented a power point (EXHIBIT 7) on his company's enterprise software products intended to create efficiencies within a state government. He discussed possible efficiencies, key functional aspects of problems and some opportunities and successes. He stated that he would focus on content management ideas to drive efficiencies. He suggested the committee consider certain technologies to gain efficiency. He gave five ideas for efficiency: capture information on the edge, like scanning documents immediately, to add information to the system as soon as possible; a process centric approach to techniques, which empowers the users; collaboration with automated processes; knowing the retention time required for keeping records and creating a set of tools that makes management of records easy; and finally managing access.

04:45:47 SEN. SONJU recessed the committee at 2:55 p.m.

### **BREAK**

04:59:00 SEN. SONJU called the meeting back to order at 3:06 p.m.

04:59:42 **Shawn Beqaj, with Optimum (whose parent company is Cablevision)**, introduced himself **and his coworker Matthew Grover** and asked his colleague to give a power point presentation (EXHIBIT 8) on the products Optimum offers in Montana. Mr. Grover stated that Optimum connects Montanans with cloud computing. He further gave a high level overview of the residential and small business products offered in Montana. Mr. Beqaj explained that without these residential products, efficiencies in government could not occur. Mr. Grover continued with a demonstration of Optimum's web site and provided an overview of the residential "triple play package" and the costs associated. Mr. Grover explained that Optimum's account with the State of Montana is a customized, dedicated bandwidth and a large network that covers multiple locations. In addition, in 2008 Bresnan was chosen as the data services provider for the State of Montana. By converting those data services to Optimum, the state will save money in telecom costs. Also, those data services will include a dramatic increase in bandwidth and the State of Montana will be put on a scalable network that is reliable. Mr. Grover listed

ideas for efficiencies in the future. He suggested converting more locations to Optimum and considering Optimum for voice services so that Optimum can offer both data services and voice services. In addition, he suggested exploring emerging market applications such as enhanced traffic enforcement through technology that sets up digital cameras at traffic lights, then automatically sends traffic tickets to motorists. Also, he suggested energy system monitoring management to create efficiencies. Finally, he stated the state should explore partnerships concerning data center development and management. He stated that Optimum is hoping for a partnership with the data centers.

05:16:25 **Robert Campbell, Vice Chairman of Deolitte, LLP**, stated that his company provides auditing and accounting, management and consulting, financial services, and taxation services. Deolitte works with most federal agencies and 42 states. In January, Deolitte opened an office in Helena. He explained that he would discuss state transformation and opportunities for state efficiency. He introduced his coworker **Philip Rosnick** and explained that Mr. Rosnick is involved with the SNAP/TANF (Supplemental Nutrition Assistance Program/Temporary Assistance for Needy Families) project in Montana. Mr. Campbell continued his presentation with a brief overview of national economic trends and cited efficiency examples from a book, Letting Go of the Status Quo, (EXHIBIT 9). Some of those highlights that are successful are a sharing between executive and legislative branches; make investment decisions on an enterprise basis across the state; commitment to driving technology investments and business process investments relative to the balance sheet; and finally create a scorecarding, benchmarking progress available to the public for transparency.

### **Committee Questions**

05:30:12 SEN. SONJU asked if the committee had any questions for the panelists.

05:30:43 REP. HOLLENBAUGH asked the private business panelists how the legislative body is trying to direct the executive with IT needs. He asked the panelists for an overall response to Mr. Clark's presentation and to offer suggestions and solutions. He wanted the private panelists to respond if the state is on the right track or wrong track.

05:32:29 Mr. Knipp stated that Mr. Clark covered many issues. One good idea that Mr. Clark suggested was to take advantage of economics of scale from cloud computing. The benefits the state will accrue will make the state more competitive. Not only does cloud computing help with cost, but the state will immediately take receipt of the latest and greatest in technology. Therefore, the end user will evolve instead of having a revolution each time a new version is put out. This will keep the state competitive and keep the state on the edge of technology. Mr. Knipp stated that another important point Mr.

Clark made was mobility for citizens. He stated that citizens will expect mobility and the state will have to provide it. In addition, a road map for consistent, stable funding is needed with accountability and short milestones.

05:34:37 Mr. Grover stated that Mr. Clark's group is forward thinking. A road map for cloud computing should be used to clearly identify efficiencies.

05:36:14 Mr. Campbell stated that states in general need to be in control of the future of their technology and that is the case with Montana. In addition, he advised that technology investments should be made from a balance sheet perspective. He would encourage the committee to create legislation for seed money that could underwrite upfront business case development for technology further down the line. He suggested developing an overall plan for developing enterprise solutions. Another area that he thought is important is cyber risk and cyber security and pointed to security as an area that the state should address.

05:40:31 Mr. Knipp also added that social networking is necessary for the State of Montana.

05:40:54 SEN. WANZENRIED asked Mr. Clark if the data center in Miles City would be used by the private sector and other states like Oregon even though it was built by public dollars.

05:41:50 Mr. Clark responded that opening up the data center to a government-to-government model is a good fit. The federal government or other state governments understand each other's business processes. When it comes to the private sector, many organizations are interested in leasing sections of the data center. Mr. Clark is not averse to this idea because no company has invested in that section of Eastern Montana in years. Mr. Clark sees that as a good move for the State of Montana.

05:44:21 SEN WANZENRIED asked the panelists how much concern the private sector has about being a partner with Montana especially if it is not necessarily balanced.

05:44:48 Mr. Beqaj responded that the data center in Miles City is an example of a public-private partnership done right. In fact, he sees problems arise when the public sector subsidizes infrastructure to the detriment of private investment. There are no data centers in Eastern Montana or in Montana at large on the scale of the data center in Miles City. Therefore, the state is not stepping on top of someone who has invested private at-risk capital. Therefore, Optimum applauds the state for getting into a partnership.

05:46:36 Mr. Campbell stated that balancing cost savings vs. education objects is a



challenge. He thought some caution should be given to not allowing a monopoly, as well as monitoring private companies that offer services.

- 05:48:55 Mr. Knipp stated he does not typically think of a state as providing leading edge hosting and infrastructure. He stated that he would look to a private business known for offering those services, rather than a state entity. He further stated that his business uses a global data center, yet global data centers are hard to find. He also indicated that sometimes local businesses want a local provider even if there is no reason to work with a local entity, but it may be difficult to steer them to a state run data center unless there is a strong partner that would focus on that local business 100% of the time. He mentioned that state data centers may be encumbered when a private market may not.
- 05:50:44 SEN. SONJU asked Mr. Clark if all facets of state government use the data centers and if not, why. He asked if there is space not being used and if there are fixed costs associated with it any way, why is it not full, why send it elsewhere.
- 05:51:13 Mr. Clark said “no” not all facets of state government use the state data centers. Among the three branches of government, the Judicial Branch is small and the Executive Branch does host them; however the Legislative Branch is completely separate. In addition, the university system uses part of the data center, but they also have their own systems in Missoula and Bozeman. Mr. Clark stated that he has discussed with the university system the idea of using the data center in Miles City. The University of Montana is interested; however, there is an issue of conductivity into Miles City. Montana State University is not interested in using the state data centers in Helena or Miles City. Some local governments are very interested in the Miles City data center.
- 05:52:59 SEN. WALKER asked the panelists to provide examples in other states of technology in government that is being turned over to the private sector. He further asked if other states had a value-based function that was turned over to consulting firms.
- 05:53:10 Mr. Campbell stated that larger applications supporting state governments are utilizing private technology firms for design and development work. He stated that Medicaid, other human service programs, vehicle licensing programs or programs that are transaction intensive or volume intensive require more complex technologies. Some states ultimately take over, administer, and maintain those technologies. However, some states use private, custom-developed systems mostly for large, state wide accounting and budgeting systems. He also stated that across the country there is a mix of states that develop their own online service portals and states that use private vendors. He thought roughly half the states contract that service out.

- 05:57:01 Mr. Beqaj cautioned the committee members about the velocity of change in technology. He provided an example of how fast computer technology has changed. He stated that the ability of government to meet the ever changing needs of technology will never meet the ability of the private market.
- 05:58:38 Mr. Grover provided two examples of New York counties that needed to place government functions in the private sector.
- 06:00:08 Mr. Knipp stated that IT needs to scrutinize custom applications. He said IT really needs to use common products and focus on the value of the integration with systems and leverage the domain expertise that is unique to a state.
- 06:01:22 Mr. Clark stated that the state IT department looks at products that can be used commonly. He suggested that the committee look at records management. He stated that he had already spoken to Ms. Hunthausen, Director of the Legislative Audit Division, about privatizing the records management for her Division in the future. However, he stated that one thing to keep in mind is that once services go to the private sector, the state is then locked into that scenario and the cost is 11 times more to change a vendor.
- 06:03:42 REP. WILLIAMS asked Mr. Clark if the state has systems that are going to fail.
- 06:04:19 Mr. Clark stated that Unemployment Insurance is an area the committee could look at. MMIS has a mainframe issue. Department of Transportation has a maintenance management system that is very old. He stated that probably every agency has one or two systems that could be upgraded and much of the technology is mainframe and may need upgraded.
- 06:05:45 REP. NOONAN asked how the Miles City data center compares with the super computer in Butte.
- 06:06:17 Mr. Clark explained that the data center is different from the super computer. Data centers are physical locations for housing computers. The super computer is a simulation system and he is unclear on the upgrades to it. He explained that was unusual and "boutique", meaning that it doesn't fit into the data center and day-to-day applications and transactional governmental functions. He stated that the super computer has merit for research purposes.
- 06:07:50 REP. NOONAN stated that he heard of a new program that Comcast unveiled for low income families that qualify to obtain internet service and a new computer for free. Rep. Noonan asked Mr. Beqaj if Cablevision/Optimum is considering a program like that.
- 06:09:56 Mr. Beqaj stated that their competitor Comcast is a much larger company. Cablevision is exploring some partnerships with some non-profits. He stated that although they have looked into such a program they do not have all the components in place to offer it.
- 06:10:18 SEN. CAFERRO thanked the panelists for their time. She asked Mr. Clark if all

citizens in Montana have the opportunity to have internet in their homes.

- 06:11:13 Mr. Clark deferred to Mr. Beqaj. Mr. Beqaj said “no”, not everyone in Montana has broadband availability. He thinks everyone has access to what is called “wild blue” satellite service. He explained that in certain cases wire line communications is too expensive to install.
- 06:12:32 SEN. CAFERRO asked about going paperless in the application process particular to human services and most specifically for persons with disabilities who may have difficulties accessing a computer. She asked about services for all citizens that qualify.
- 06:13:10 Mr. Knipp stated that going paperless takes time. He used an example of what some hospitals have done in an effort to computerize their documents. He stated that a bundle of physical hard copies could come with a bar code that can be mailed to those constituents and when they are finished they mail them back to the entity for linking (scanning) the documents. He stated that the state should be inclusive in the processes and offer a tiered mechanism that will allow everyone some means of access.
- 06:15:14 Mr. Campbell stated that the states that have moved towards integrated approaches in human services have studied this issue. He stated that it is surprising the level of market penetration that has been achieved in states using their local libraries, schools, and local community organizations.
- 06:16:01 SEN. CAFERRO stated that she is concerned with ongoing costs to upgrading technology. She further stated that even in tough times, money is still found for technology even at the expense of other programs. She asked Mr. Clark when the upgrading stops and when the ongoing costs stop.
- 06:17:17 Mr. Clark stated that the costs never end. The business model is to maintain current customers and gain marginal customers.
- 06:19:12 Mr. Knipp stated that some approaches can help, like designing layers within a system, so that it can be separated from change and still maintain data in the master data management system.
- 06:20:11 Mr. Grover indicated that technology has already achieved efficiencies in industries and more can be done with government.
- 06:21:25 Mr. Beqaj stated the state should do a hard task needs assessment and the state should not buy technology for sake of technology, but buy what the state needs. The least expensive technology is the technology that is used the most. Unfortunately changes occur and the state has to invest in those changes.
- 06:22:29 SEN. BUTTREY asked about obsolete programs in the state. He wants to avoid these situations.
- 06:23:57 Mr. Knipp thought managing change is better than avoiding change. Keep agile and

configurable, but not unique. Have a model that is flexible and integration will work.

- 06:25:43 SEN. BUTTREY asked how the state can avoid getting into the replacements that cost vast amounts of money and mean that legislators are then stuck with the systems that cannot be innovated or changed. He wondered if outsourcing or pay-as-you-play would be the ultimate solutions.
- 06:26:33 Mr. Knipp stated that private businesses start with a set of capabilities that support agility from the beginning. Creating and modeling processes and creating user interfaces that are forms based. These systems are very configurable, but not unique.
- 06:27:50 SEN. BUTTREY asked the panelists if the state does not customize their systems, then how does the state get out of the issue of having the same system as everyone else.
- 06:28:50 Mr. Knipp recapped his previous comments.
- 06:29:50 Mr. Clark explained that government does allow systems to run until they break. He suggested that the state needs to be more proactive before the systems fail. Planning does occur, but the state does not have an understanding of which systems need to be replaced before they fail. He again used the record management example.
- 06:31:01 SEN. SONJU thanked panelists and recessed the committee at 4:40 p.m.
- BREAK**
- 06:41:50 SEN. SONJU called the meeting back to order at 4:50 p.m.

#### **PUBLIC COMMENT ON TECHNOLOGY**

- 06:42:32 Sen Sonju invited public comment specific to the technology panelists.
- 06:43:17 **Ed Berry, citizen**, stated that he endorses what he heard today. He stated that if the state could be connected well on the internet it would save time, improve communications, and overall help the economy of the state.

#### **OPEN PUBLIC COMMENT**

- 06:44:14 Sen. Sonju invited an open public comment on any issue.
- 06:44:26 **Gene Grove, citizen**, stated that he is concerned with medical health concerning fish poisoning in the drinking water. He passed out a document. (EXHIBIT 10)
- 06:54:09 **Roxanna Brothers, citizen**, thanked the committee for transparency and allowing public input. She stated that she wants the government to become more efficient, but not privatize government operations.
- 06:54:58 **Sandy Miller, General Manager of Montana Interactive**, which is currently the government service provider for the State of Montana. She explained the e-government services offered by Montana Interactive to the State of Montana and the

cost savings and efficiencies associated with their product. She stated that Montana Interactive has had a successful private-public partnership with the State of Montana.

06:56:46 **Ed Berry, editor of Poly-Montana and the Director of Climate Physics Institute,** stated that efficiencies in government can be improved by dispensing with all laws and regulations on carbon emissions and carbon counting. (EXHIBIT 11)

**ADJOURNMENT**

07:00:33 Sen Sonju thanked the public and then reviewed the next day's agenda. He adjourned the meeting until 8:30 a.m. on August 23, 2011.