



LEGISLATIVE FINANCE COMMITTEE

65th Montana Legislature

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

SENATE MEMBERS

LLEW JONES
EDIE MCCLAFFERTY
FREDERICK (ERIC) MOORE
RYAN OSMUNDSON
JON SESSO
CYNTHIA WOLKEN

HOUSE MEMBERS

NANCY BALLANCE
KIMBERLY DUDIK
KENNETH HOLMLUND
MIKE HOPKINS
JIM KEANE
MARILYN RYAN

JULIE JOHNSON, Staff Attorney
DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

MINUTES LOG

Sept. 6, 2018
Room 317, Capitol Building
Helena, Montana

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COMMITTEE MEMBERS PRESENT

SEN. LLEW JONES
SEN. NATE MCCONNELL
SEN. FREDERICK (ERIC) MOORE
SEN. JON SESSO

REP. NANCY BALLANCE
REP. KIMBERLY DUDIK
REP. KENNETH HOLMLUND
REP. MIKE HOPKINS
REP. JIM KEANE
REP. MARILYN RYAN

COMMITTEE MEMBERS EXCUSED

SEN. EDIE MCCLAFFERTY
SEN. RYAN OSMUNDSON

STAFF PRESENT

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

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

AGENDA ([Attachment 2](#))

COMMITTEE ACTION

CALL TO ORDER and ROLL CALL

10:12:34 Chair Ballance called the meeting to order and the secretary took roll. ([Attachment 4](#)) ([Attachment 5](#)) Senators McClafferty and Osmundson were excused. Rep. Holmlund moved the minutes of previous meetings to be approved. The motion passed unanimously.

FYE 2018 Budget Status Report – Legislative Fiscal Division Staff

10:14:27 Susie Lindsay, Legislative Fiscal Division, gave an update on the general fund balance included in the FYE 2018 Budget Status Report. ([Exhibit 1](#))

Chair Ballance asked about expenditures, and asked for a chart that shows appropriation, what SB 261 did, and the special session cuts and restore.

10:23:16 Stephanie Morrison, LFD, highlighted FY 2018 final revenue collections.

10:28:44 Kris Wilkinson, LFD, discussed the budget and expenditures in regard to HB2. Wilkinson asked if LFD needs to continue to print required reports, or if it is OK to only post them online. She noted the statewide facility assessment report was this year. She said DPHHS and DNRC will not require additional funding for FY 2019.

new

Amy Carlson, LFD, pointed out there is additional work on the LFD website that is useful for legislators to review by section.

Chair Ballance asked about general fund expenditures.

Ms. Wilkinson said some authority is continuing into the next fiscal year and not included in reversion.

Chair Ballance agreed staff can keep the required reports online and eliminate printing.

Ballance asked about also eliminating printing Appendix A. Rep. Dudik said she liked it. Chair Ballance said staff could continue to print it.

10:42:27 Nick VanBrown, LFD, discussed Office of Public Instruction reversions.

10:44:38 Josh Poulette, LFD, discussed DPHHS reversions.

10:49:48 Jon Arnold, LFD, discussed the Medicaid Monitoring report and the HELP Act.

10:54:04 Sen. Moore asked about the definition of participation in workforce training programs.

Mr. Arnold said the chart was provided by DLI to show HELP Link and other services provided by the department. He said it showed the total number of people involved in HELP Link in any way since the beginning of the program.

Rep. Holmlund asked if the number enrolled each year were the same people or if they transferred in and out.

Mr. Arnold said he did not know and would have to ask the department.

Rep. Holmlund asked if they could request him to get that info.

Chair Ballance said yes and noted there is further discussion on the HELP Act at 1 p.m. tomorrow. She noted Rep. Dudik said Commissioner Hollenbaugh would be speaking at 11:30 and the committee could request that information from him then.

Chair Ballance asked about other modifications on the table on Medicaid appropriations.

Mr. Arnold said fiscal year end budget change decisions move a lot of money in and out of programs across the department, he put them all in one column to be seen easily.

Chair Ballance said basically they are transfers in and out that may not zero out because they went outside of Medicaid.

Mr. Arnold said the net effect was a reduction of \$346,000 from Medicaid.

10:59:57 Rep. Dudik asked how much has been spent for children's autism?

Mr. Arnold said he thought \$15,000, but didn't have numbers in front of him. He said he would refer to department on that one.

Rep. Dudik asked if autism services is reflected in other funding?

Mr. Arnold said he wasn't trying to imply funding from another source.

Chair Ballance said it appears it was moved to Children's Mental Health, but may be coincidental the numbers are the same.

Ms. Carlson said to clarify, it was moved it into primary benefits available to Medicaid participants.

Mr. Arnold said any child that qualifies for Medicaid can receive autism services.

Rep. Dudik asked if the \$15,000 was for children who don't qualify for Medicaid.

Mr. Arnold said money they did spend would have been through Medicaid, this chart reflects Medicaid expenditures.

Chair Ballance said that is still confusing and will have to go back to the department.

Mr. Arnold said there is no more Children's Autism Waiver, he brought it up to show they implemented a state plan that functions differently.

Chair Ballance said they would need to ask how much was spent on autism services in children's mental health.

Mr. Arnold said that was the \$15,000.

Balance Sheet Assumptions: legal analysis – Julie Johnson, LSD Staff Attorney

11:06:54 Ms. Johnson addressed two specific balance sheet assumptions. ([Exhibit 2a & 2b](#))

Ms. Carlson said LFD has gotten a lot of legal questions about session and special session bills and how they interact and she asked Julie to do this research.

11:15:13 Chair Ballance asked about Core Civic and operational savings going forward.

Ms. Carlson said operational savings have to do with negotiating daily rate and the executive calculated that.

Sen. Sesso said there are no operational savings, the money in and money out on a daily basis is the same, that was a core tenet of the negotiated amount.

Chair Ballance said she assumed it wouldn't be known until the next biennium.

Sen. Sesso said there are no savings.

11:17:20 Sen. Sesso asked about HB 638, do workers get the raise now?

Quinn Holzer, LFD, said he believes so, but there is still some conversation on how and when.

Sen. Sesso said if wages are increased in FY 2019 but there is not an ongoing appropriation from 2020 on, there will be a deficit.

Mr. Holzer said he believed it would be considered ongoing. But there is a funding concern. How it gets funded will impact how it is in the base.

Chair Ballance said the bill talks about whether or not funding is sufficient to cover the increase and yet that still has to be funded.

Mr. Holzer said the Children and Families Interim Committee is considering a committee bill to move this forward.

11:21:04 Sen. Sesso asked about the difference in \$15 million back to corrections, \$15 million going to the fire fund and \$19 million into the contingency appropriation.

Chair Ballance said she believed that was correct.

Ms. Lindsay said on the balance sheet the restorations are included in the base. The \$19 million as state special funding would be OTO.

Sen. Sesso asked if there is a report on what it will be used for.

Ms. Carlson said the executive has not yet established that.

11:23:06 Rep. Keane asked if fire fund was funded for this year, and money goes back to general fund?

Ms. Carlson referred to page 5 of the Budget Status Report.

Rep. Keane asked if we'll get through this fire season we will start the next season with no fire fund?

Ms. Carlson said without further legislative action, yes.

11:24:55 Sen. Jones said that was inadvertently caused by drafting that did not line up, it was not the intent. He said the next legislature will have to discuss.

Rep. Keane said they need to consider that discussion as ongoing because they don't want to have to go back to considering a \$40 million supplemental during fire season.

11:26:52 Sen. Jones asked if HB 638 is OTO but not ongoing?

Chair Ballance said it is intended to go back into the base.

Sen. Jones asked if it will begin as part of base?

Ms. Carlson said there are two issues where there are outstanding negotiations with the executive on the base budget -- the Legislative Branch and HB 638.

Update on Work Force Development Programs – Galen Hollenbaugh, Labor Commissioner

11:29:57 Mr. Hollenbaugh discussed the value of the apprenticeship program, showed a video ([link](#)) and introduced workers who had gone through the program: Will

Lake, DLI; Mike Waldenberg, Central Plumbing and Heating, with Hugh Kagy, a new apprentice; and Mark Maki, IBW/NECA apprenticeship program.

Mr. Hollenbaugh said it was an industry-driven program due to the need for skilled workers. DLI makes sure there is an industry-recognized credential at the end of the day.

Sen. Moore said the HELP-Link participation rate is too low to justify cost. He asked how can we increase participation rate?

Mr. Hollenbaugh said it's an intensive program and takes an incredible amount of one-on-one contact.

11:55:06 Barb Wagner, DLI, said HELP-Link legislation directs DLI to use other programs before using HELP-Link dollars.

Sen. Moore said his said his question for the commissioner was his viewpoint on numbers.

Mr. Hollenbaugh said from policy view, there is a workforce shortage and anything they can do is worth exploring.

12:00:32 Sen. McConnell asked if he could describe how apprenticeships span the labor market, not just blue collar jobs.

Mr. Hollenbaugh said they have trained 51,000 people across state over the past year. He said they are focused on apprenticeships because it is designed to get workers immediately into work force and is industry-driven.

Chair Ballance asked about unique apprenticeships seen in the last year or so that are different from typical hands-on trades.

Mr. Hollenbaugh noted the butcher apprenticeship shown in the video. He said they added more than 20 occupations in healthcare alone.

Supplemental update from agencies

12:06:22 Rhonda Schaefer, director, Office of Public Defender, gave her report.

12:12:22 Rep. Dudik said she was chair of the Public Defender Task Force and was thrilled to hear changes are being implemented and are going well. She asked about legal issues with flat fees.

Ms. Schaefer said the first flat-fee contract is more for running the Hamilton office, not case services.

12:13:33 Rep. Dudik said she was glad to hear there was a decrease in misdemeanors and would like to see data on changing charges. She asked for more information on the Victims of Crime Act grant.

Ms. Schaefer said yes, they want to have continuity of care and get clients out of jail and into homes and treatment, keep kids at home.

Rep. Dudik asked if that is in addition to pilot projects?

Ms. Schaefer said they would continue to support the programs and they are looking at a potential \$7.4 million supplemental.

12:16:19 Reg Michael, director, Department of Corrections, discussed his report. ([Exhibit 3](#))

Chair Ballance said when the bills were passed in 2017 the discussion was it would take five years to see decrease in costs. She asked if they are still on track?

Mr. Michael said they are on track.

Rep. Keane asked if they were anticipating a lower supplemental?

Mr. Michael said he hopes so.

Rep. Keane asked if there was a number.

Mr. Michael said it would not be a real number at this time.

12:28:49 Tricia Greiberis, CFO DNRC, said the fire suppression fund is enough to cover through August. She said the remainder of the fire season is still an unknown, no there is supplemental request at this time.

Rep. Holmlund asked if there might be any sort of figure to look at.

Ms. Greiberis said they are currently at \$4.1 million for the current fire season, but it's still active, they will know on Dec. 31.

Sen. Sesso asked what the deficit is as of Aug. 31.

Ms. Greiberis said \$4.1 million was the amount.

Sen. Sesso asked if balance at end of August was more than \$5 million?

Ms. Greiberis said yes.

Lunch Break until 1:15

Budget Director Report – Dan Villa, Governor’s Office of Budget & Program Planning

- 13:27:05 Dan Villa, director, OBPP, discussed budget reductions and restorations.
- 13:28:37 Mr. Villa discussed the agreement with Core Civic.
- 13:29:44 Mr. Villa discussed HB 638.
- 13:31:17 Sen. Moore asked about the Core Civic agreement.
- 13:32:21 Sen. Sesso asked Mr. Villa if to relay some thoughts about where there might be some landmines we should be aware of moving forward.
- 13:33:18 Mr. Villa said with the restorations from the special session, the budget is whole. He said they will hear it is not whole and they will have to look at how the restoration was put back and where it was not put back. He said he urged the committee to be careful how they appropriate moving forward. He said they need to look at how they handle contracts in the state. He said there are issues within the university system and urged the legislature to look at investment.
- 13:38:00 Sen. Jones said he appreciated Mr. Villa for his service.
- 13:38:10 Sen. Moore thanked Mr. Villa for good faith negotiations and wished him the best of luck.
- 13:29:28 Chair Ballance said she appreciated Mr. Villa's willingness to get creative on solutions.

Brief Recess

Infrastructure Funding Introduction – Cathy Duncan, LFD Senior Analyst

- 13:51:50 Cathy Duncan, LFD, discussed her report. ([Exhibit 4](#))
- 14:08:50 Ms. Duncan introduced a guest panel including David Ewer, executive director, Montana Board of Investments; Adam Gill, executive director, Facility Finance Authority; and Jonathon Heroux, managing director, and Marc Ragan, assistant vice president of public finance, of Piper Jaffray on the phone.
- 14:50:55 Sen. Sesso asked about indebtedness of the state.
- 14:53:10 Mr. Heroux
- 14:55:08 Mr. Ewer
- 14:56:24 Mr. Heroux

14:57:05 Rep. Keane asked about general obligation bonds for projects.

14:58:14 Mr. Ewer

14:58:44 Mr. Heroux

14:59:51 Mr. Ewer

15:01:27 Ms. Duncan said this panel is talking about concepts for state building projects. The next panel is talking about local government project funding ideas.

15:03:49 Mr. Heroux presented a PowerPoint presentation. ([Exhibit 5](#))

15:11:11 Rep. Keane asked about bonding and different types of projects.

15:11:47 Mr. Heroux said in general tax debt is a red flag to rating agencies.

15:13:24 Chair Ballance said they don't do a good job of quantifying the benefits of projects when putting bills together and asked if there are creative ways to do that?

15:14:27 Mr. Heroux said that question and the answer will come out in the rating agency presentation they worked with the state to put together.

15:16:31 Chair Ballance said in the long range building program they do a great job identifying benefits, but when they put a bonding bill together they don't.

15:17:51 Rep. Keane asked if Piper Jaffray had a preference on state bonds to sell?

15:18:21 Mr. Heroux said they are agnostic and have a fiduciary responsibility to the state they are working with.

15:21:03 Ms. Johnson said her a legal review on state building concepts was included in the binder. ([Exhibits 6a, 6b, 6c](#))

15:24:40 Ms. Duncan continued her report.

15:31:09 Sen. Sesso said in reviewing the data, the LFC and appropriations committees are involved in long range planning and at some point the desire to be fiscally sound does not jive with the decreasing investment of the state in dealing with infrastructure problems.

15:34:46 Chair Ballance said long range planning is focused on cash available with the exception of some bonding, but the job of long range planning needs to expand and talk about the benefits.

15:35:46 Ms. Duncan continued her report.

- 15:41:47 Ms. Duncan introduced second panel: Eric Bryson, executive director, Montana Association of Counties and vice chair of the Montana Infrastructure Coalition; and Tim Burton, executive director, Montana League of Cities and Towns
- 15:45:06 Mr. Burton discussed funding at the local government level. ([Exhibit 7](#))
- 16:04:06 Mr. Bryson discussed taxes at the local level and tax increment financing.
- 16:14:58 Sam Schaefer, LFD, presented coal tax information. ([Exhibit 8](#))

Recess

- 16:27:32 The committee recessed until 8 a.m. on Sept. 7.



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MINUTES LOG

Sept. 7, 2018
Room 317, Capitol Building
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COMMITTEE MEMBERS EXCUSED

SEN. EDIE MCCLAFFERTY
SEN. RYAN OSMUNDSON

STAFF PRESENT

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

Friday, Sept. 7, 2018

CALL TO ORDER

00:00:01 Chair Ballance called the meeting back to order at 8:12 a.m.

**State Information Technology Services Division Portfolio Overview – Katie Guenther, LFD
Fiscal Analyst**

- 00:00:15 Ms. Wilkinson introduced Katie Guenther, LFD, and new SITSD CIO Tim Bottenfield.
- 00:02:50 Ms. Guenther presented SITSD reports. ([Exhibits 9a, 9b, 9c, 9d, 9e](#))
- 00:04:40 Mr. Bottenfield presented his report.
- 00:12:04 Rep. Keane asked about procurement.
- 00:12:21 Mr. Bottenfield said the costs of maintenance and support are the costs of doing business.
- 00:12:48 Rep. Keane asked if he was a vendor selling \$100 million in equipment, he'd get another \$25 million in costs, is that accurate?
- 00:13:13 Mr. Bottenfield said each contract is negotiated separately and they do a pretty good job holding vendors accountable.
- 00:13:37 Chair Ballance said appropriations subcommittees look at individual agencies that have pieces of contracts that fall under a larger umbrella. She said it would be helpful to know who falls under what umbrella and asked what the maintenance schedule looks like.
- 00:15:13 Mr. Bottenfield said they would take that into consideration.
- 00:15:25 Sen. Sesso asked about a budget item on page 11.
- 00:16:16 Erica Johnston, DPHHS, said the system he inquired about is Emphasis. She said replacing the legacy mainframe software case management system was more significant than anticipated.
- 00:19:02 Sen. Sesso said he was trying to get a grasp of the numbers and asked about the planned value compared to the current estimate.
- 00:19:36 Greg Thomas, SITSD, explained the terms.
- 00:22:00 Sen. Sesso said the explanation would help if the numbers actually added up.
- 00:22:28 Mr. Thomas said the project has challenges, activities are occurring faster than

originally planned.

- 00:23:25 Mr. Bottenfield said the expended total value is used to subtract earned value. He admitted it is a bit confusing.
- 00:24:08 Mr. Thomas said the metrics do not accurately reflect the health of this particular project, it is actually doing quite well and is going to finish on schedule with no budget overruns.
- 00:24:53 Sen. Sesso asked where the money is coming from for what will be expended that is in excess of the appropriated amount?
- 00:25:17 Ms. Johnston said the funding was provided through ongoing funding in the Safe Child Initiative from 2015. She said they are accessing that and leveraging for federal dollars.
- 00:25:57 Sen. Sesso said he is not tracking where the amount in excess of \$3.6 million comes from.
- 00:26:41 Ms. Johnston said the general fund amount is in a budgeted line item in the Safe Child Initiative and federal dollars are requested.
- 00:28:49 Sen. Sesso asked if the additional funds are from within the agency that were earmarked for some other purpose and they have authority from federal partner and appropriation to move those dollars to this purpose?
- 00:29:52 Ms. Johnston said yes.
- 00:30:43 Chair Ballance said the committee has frustration around reports that lack information and said they need a much higher level of reporting than what they have seen.
- 00:33:58 Mr. Bottenfield said. He said they have all the info they just need to go back and reassess how it is presented.
- 00:34:30 Chair Ballance said systems are different, one reporting method won't necessarily work for all agencies.
- 00:34:46 Ms. Johnston said that was exactly right, the SITSD portfolio doesn't accurately assess all systems.
- 00:35:08 Chair Ballance said understanding the impact of not having certain data in DPHHS has costs, in child welfare for example.
- 00:35:46 Ms. Johnston suggested subreports.
- 00:35:53 Rep. Holmlund said he'd like to see another line on the first page that shows how many dollars were originally estimated

00:37:19 Mr. Bottenfield continued his presentation.

00:42:13 Chair Ballance asked for more detail regarding procurement strategy.

00:42:49 Rep. Holmlund asked about "exceptions."

00:43:01 Mr. Bottenfield said the exceptions were to policies, the two in the report related to security policy.

00:44:20 Rep. Holmlund asked who makes decisions about exceptions.

00:44:30 Mr. Bottenfield said the request is formally submitted and there is a gauntlet of review within SITSD and CIO signs off on recommendation.

00:44:58 Rep. Holmlund asked if it was a common practice or specific to Montana.

00:45:09 Mr. Bottenfield said in any organization with structured IT there is a process for exceptions.

00:45:31 Rep. Keane asked about breach in security earlier this year.

00:46:08 Mr. Bottenfield said he was not privy to any kind of a breach, there was preparation in July.

00:46:30 Rep. Keane said there was an IT issue.

00:46:39 Mr. Bottenfield said they were on high alert in July, and referred to Andrew Hanks, chief information security officer.

00:46:59 Mr. Hanks said they had intelligence there was a potential for a hacktivist threat to the state and they took many measures to protect the state.

00:47:44 Rep. Holmlund said the number of figures used in password increased. Will that remain?

00:48:14 Mr. Hanks said due to the public nature of the meeting he didn't want to discuss security patrols. He said they continue to monitor and it is a fluid environment.

00:49:00 Rep. Holmlund asked if he could divulge how many attacks we get per month.

00:49:13 Mr. Hanks said attack is a term that encompasses many different things, he said they are constantly being scanned for vulnerabilities from international and domestic threats. He said there are many intelligent people monitoring and they have not had a breach. He said if people wanted to talk after the meeting he would be available.

00:51:13 Shauna Albrecht, LFD, presented the SITSD Customer Satisfaction Report.
(Exhibit 10)

- 00:52:51 Chair Ballance said they were hoping to get an understanding of agencies who think there is another way to accomplish what they need from an IT perspective and how to evaluate.
- 00:52:59 Ms. Albrecht said the case study and followup survey would provide information for changes or recommendations to SITSD.
- 00:53:27 Chair Ballance said they would look for the report in summer of 2019.

Brief Recess

Community College Funding Report – Shauna Albrecht, LFD Fiscal Analyst

- 01:18:51 Ms. Albrecht presented her report. ([Exhibit 11](#))
- 01:33:42 Sen. Jones asked about the state share average of four year vs. two year college.
- 01:34:30 Ms. Albrecht said she would get them the figure.
- 01:34:37 Sen. Jones asked if she knew off the top of her head.
- 01:34:44 Ms. Albrecht said it lowers the weighted average quite a bit by including the Montana University System.
- 01:35:04 Sen. Jones said he has some concern if the argument is going to be the affordability of community colleges linked to state share across all education in Montana.
- 01:37:15 Rep. Holmlund asked for the definition of standard deviation.
- 01:37:34 Ms. Albrecht discussed the equation and said she would provide details on the math.
- 01:39:42 Sen. Jones said standard deviation is dynamic and shifts with the formula and asked about the differences between four year vs. two year colleges.
- 01:40:22 Ms. Albrecht addressed the question.
- 01:41:04 Sen. Jones asked about an equity argument.
- 01:41:40 Ms. Albrecht responded.
- 01:42:02 Sen. Moore asked about the graph on page 7.
- 01:42:30 Ms. Albrecht said she used the same methodology for community colleges.
- 01:42:55 Sen. Moore asked about the two-year colleges and are they confident the FTE

number was apples to apples.

01:43:26 Ms. Albrecht responded.

01:44:35 Rep. Dudik asked how community colleges compare to four year colleges for students.

01:44:44 Ms. Albrecht said she would get the information.

01:45:09 Chair Ballance asked about the cost of education and if Ms. Albrecht went into the causes including mission changes, workforce development, equipment purchases. She also asked if the stated goal was affordability, stepping stone to four year college, workforce development, etc.

01:46:07 Ms. Albrecht said she did not look at mission changes and discussed goals.

01:48:02 Chair Ballance asked if community colleges are a stepping stone for four-year college or more of a shift to work force development.

01:48:29 Ms. Albrecht said nationally the intent is to be the initial access to higher education, but two year campuses do offer a lot of workforce degrees.

01:49:37 Rep. Holmlund asked if she took into account that community college fills the need for students who need math and English preparation before entering four year colleges.

01:50:12 Ms. Albrecht responded.

01:50:48 Rep. Holmlund asked if she compared classes at community colleges vs four year schools and class size.

01:51:13 Ms. Albrecht said she would look into it if warranted.

Public Comment

01:52:07 Jane Karas, Flathead Valley Community College

01:58:22 Sen. Jones asked for total cost of community college growth in the last decade, total dollar growth in state share. He said the growth rate is significant and the state share growth is growing. He said he would like to compare against four-year colleges, he wouldn't want to mis-state that the state is putting in more. He said if they need to leave the formula the same that's fine, but would like to see a bill draft with the standard deviation model with four-year average and one without. He said it seems to be the push that the formula stays the same.

02:01:12 Ms. Albrecht said she would get it to the committee.

02:01:22 Rep. Holmlund asked about local support, is there a cap on mills that can go to

any individual school?

- 02:01:51 Ms. Albrecht said there is a cap on the mill levies. Local support listed is actual dollars received by community colleges in their local communities.
- 02:02:14 Rep. Holmlund asked for the cap.
- 02:02:20 Sen. Jones asked to what area does the mill levy apply?
- 02:02:54 Ms. Karas said the community colleges in statute are within a community college district and those in the district are taxed.
- 02:03:34 Sen. Jones asked about her district,
- 02:03:36 Ms. Karas said their district is Flathead County and a service region including Lincoln County that also levies several mills for community college services.
- 02:04:12 Sen. Jones asked about the footprint of the other schools.
- 02:04:24 Ms. Karas said she did not want to make an estimate, both those presidents are at the meeting.
- 02:04:37 Stacy Klippenstein, Miles Community College president, said Custer County is their district.
- 02:04:56 Scot Mickelson, Dawson Community College president, said their district is just a portion of Dawson county, the K12 districts.
- 02:05:18 Sen. Moore asked about the graph on page 14.
- 02:05:50 Ms. Albrecht responded.
- 02:06:36 Rep. Keane said he wanted to be cautious as we compare, he said they don't want to get into something where we are comparing apples to oranges.

Lab Study Report Presentation – Shauna Albrecht, LFD Fiscal Analyst

- 02:07:57 Ms. Albrecht presented her report. ([Exhibit 12](#))
- 02:22:40 Sen. Moore asked about the consultant's opinion of the shape of Marsh Lab, it was old when he went there years ago.
- 02:23:07 Ms. Albrecht said she'd defer to the consultants.
- 02:23:16 Andy Stepp, Clark Enerson, said one of the biggest issues has to do with the engineering system and electrical service.
- 02:25:49 Rep. Holmlund said MSU said it would just use Marsh Lab as storage. He said

the land under consideration is 2.5 miles from campus.

- 02:26:44 Ms. Albrecht said the land mentioned to the subcommittee is adjacent to Marsh Lab.
- 02:27:43 Rep. Holmlund said MSU said the students using the facilities would have to drive and asked if it is a reasonable distance.
- 02:27:58 Ms. Albrecht said she doesn't feel it's that far from the core of campus and it hasn't been a hindrance.
- 02:28:25 Rep. Holmlund said there was a concern about the incinerator, was that considered as a cost and would it be shared by departments?
- 02:28:52 Ms. Albrecht said she'd defer to the consultants.
- 02:29:25 Mr. Stepp said the cost for the incinerator was built in to the cost.
- 02:29:55 Ms. Albrecht said Fish, Wildlife and Parks does use the incinerator but pays a fee to the Veterinary Diagnostic Laboratory.
- 02:30:24 Chair Ballance asked if the benefit side of the equation was developed, including cost savings, public safety, etc.
- 02:30:51 Ms. Albrecht said she is still working on that.
- 02:31:07 Rep. Keane said this was studied in 2007 and should have been bonded in 2009. He said it's just going to get worse.
- 02:32:39 Chair Ballance said that is what she would like to see in a benefit discussion.

Managing Financial Volatility Recap and Best Practices – Josh Poulette, LFD Fiscal Analyst

- 02:33:39 Josh Poulette, LFD, presented his memo. ([Exhibit 13](#))
- 02:41:33 Sen. Moore asked about consensus revenue estimating, he said he is struggling to figure out how it doesn't disempower the legislative branch.
- 02:42:44 Mr. Poulette said the point of the value of different estimates is a legitimate viewpoint. He said consensus is not a panacea at all, but it takes the politics out of it as both sides have to agree. He said it is a culture building exercise and has taken 20 years in other places.

Results First Presentation – Josh Poulette, LFD Fiscal Analyst

- 02:44:38 Mr. Poulette introduced Nick Danzler with Pew Charitable Trusts and discussed the report. ([Exhibit 14](#))

03:12:13 Rep. Ryan asked about the map on page 7.

03:12:33 Mr. Poulette responded.

03:13:22 Rep. Ryan asked about the numbers within the counties.

03:13:30 Mr. Poulette said he would have to ask the department.

03:13:45 Rep. Ryan said there was a discussion about turnover level within the department for investigators. She asked for the turnover number and the number of children removed per region.

03:14:20 Mr Poulette responded.

03:14:24 Rep. Ryan asked about transitions away from the department, can they have access to a summary of why people are leaving the department?

03:14:54 Mr. Poulette said he would ask if the information exists.

03:15:03 Rep. Dudik said the department has that info but there are concerns that people aren't being forthcoming during exit interviews.

03:17:58 Sen. McConnell asked about programs and costs to taxpayers in regard to removing kids from homes and impacts on the child.

03:18:46 Mr. Poulette said there is a practice model for response. He said it is not something he has detailed info on, but can look into it.

03:19:12 Sen. McConnell said removing a kid from a home is costly to all of us, he said he would like to see that options are available to families. He asked at what point does the court system get involved.

03:20:28 Mr. Poulette responded.

03:21:29 Sen. Moore suggested a joint meeting of the Senate Finance and Claims and House Appropriations committees in January for Pew to present evidence based policy information.

03:22:25 Rep. Holmlund referred to Sen. McConnell's question and said within three days they have to go to court and a judge is involved. He asked Pew about problems getting providers to respond to their survey.

03:23:21 Mr. Danzler said in many states, provider-level data is not regularly recorded. He said Pew conducted phone calls to gather information.

03:24:31 Rep. Holmlund said there was a real problem with the call-in system and a lengthy wait. He said if it's a class one complaint a half hour can make a major difference.

03:25:34 Rep. Holmlund asked about unsubstantiated calls.

03:26:47 Mr. Poulette said it was a percentage of reports.

03:27:25 Rep. Dudik said she used to prosecute these cases and outlined the timeline. She said they needed to not vilify the department as they remove very few children. She said they can hold the department accountable for wait times, but they have chronically unfunded the department and they don't have the workers.

03:29:36 Sen. Moore said he agreed with Rep. Dudik because it's a hard job. He said under-pulling children has tragic consequences, too.

03:30:17 Rep. Holmlund said the judges haven't had enough education to handle the cases, it was not only DPHHS problems.

03:30:40 Chair Ballance said 43 programs were matched to the research database and asked how many programs there are in total.

03:30:59 Mr. Poulette said that was all inventoried.

03:31:08 Chair Ballance asked if any programs were not effective?

03:31:24 Mr. Danzler said the terms were developed internally, they are working with DPHHS.

03:32:06 Mr. Poulette said Pew has a category of no evidence of effect that was not shown.

03:32:20 Chair Ballance asked how do you know a program is effective or a set of providers are effective?

03:32:42 Mr. Danzler said they track outcomes related to programs.

03:33:13 Chair Ballance asked about directing resources.

03:34:07 Mr. Danzler said the research has not caught up to the practice.

03:36:19 Mr. Poulette said it would be nice to have data from providers on program cost.

03:37:30 Rep. Holmlund said he doesn't like policy of east vs. west, but asked about distribution of providers.

03:38:03 Rep. Dudik said it's not an east vs. west thing, but a rural vs. urban thing and there are not enough providers in rural areas.

03:38:53 Rep. Holmlund asked about teleconferencing.

03:38:56 Mr. Danzler said they had not evaluated tele-health programs.

- 03:39:31 Mr. Poulette said the next step is to support the committee and where they want to go next.
- 03:40:17 Chair Ballance said she would like to continue the process into other areas like child welfare and also to get a feel for how they might be able to use the process internally in areas where Pew data doesn't exist.
- 03:41:19 Mr. Poulette said he could continue to work with the tools.
- 03:41:51 Chair Ballance said it would be helpful to have subcommittee members ask about specific kinds of evidence.
- 03:42:24 Rep. Dudik said she'd like to know more about the nurse program and how to expand it to other areas.

Lunch recess

HELP Act Oversight Committee Update – John Goodnow, HELP Act Committee Chair

- 01:13:07 The committee reconvened at 1:11:45 p.m.
- 01:12:02 Mr. Goodnow presented his report. ([Exhibit 15a](#), [15b](#), [15c](#))
- 01:27:47 Chair Ballance asked what the limits should be so they don't grow beyond what they are capable of handling.
- 01:28:09 Mr. Goodnow said they were way off original projections, but there were so many more people that qualified. He said the one opportunity for folks who qualify, but haven't done it, is the Native American population due to a misunderstanding that if they used HELP they would lose their Indian Health Services coverage.
- 01:30:37 Chair Ballance said she usually sees the number of insured, but doesn't see the impacts on health outcomes. She said beyond health outcomes, one of the promises was reductions in drug use.
- 01:31:23 Mr. Goodnow spoke to what they have done at Benefis. He said when people have coverage it is easier to get them in to seek care earlier. He said they try to keep people out of ER and in the walk-in care centers.
- 01:33:47 Ms. Johnston said this program is in the early stages so there is not a long history of data for outcomes. But she said the per member per month cost for providing care is going down, people are getting preventative care early.
- 01:35:13 Mr. Goodnow said healthcare providers share the blame for opioid crisis, he said they are trying to change that at Benefis.
- 01:37:45 Sen. Jones asked about two areas they see as challenges in Medicaid

expansion.

- 01:39:15 Mr. Goodnow said there are some people who have gamed the system but not a lot. He said they are doing a better job trying to catch that. He said he was shocked about the inability to share data between state tax department and DPHHS.
- 01:41:15 Jess Rhoades, Governor Bullock's Office, said assets are not a factor in subsidies for private insurance. She said it will not push someone from private insurance to Medicaid. She said the program is serving the people as legislators intended it to serve.
- 01:43:38 Mr. Goodnow said there is probably more than one person gaming the system and that part does need to be improved.
- 01:44:45 Chair Ballance asked about critical access hospitals and said they have gone beyond critical. She asked if Medicaid expansion is helping that along.
- 01:46:22 Mr. Goodnow gave some examples.
- 01:48:59 Sen. Moore said the argument was Medicaid expansion was going to lower overall health costs, but there is a population left behind: the middle aged/middle income person who can't afford to be on the exchange.
- 01:50:25 Mr. Goodnow said IT was going to be the great savior of healthcare, but, he said it has driven the cost through the roof. He said the unaffordability problem in the U.S. right now is not Medicare or Medicaid, the problem is for people trying to buy insurance on the exchanges or the small group of people who are uninsured.
- 01:53:29 Sen. Moore asked about the turnover rate of 100,000 people. He asked if they have created another entitlement group? He asked if the number cycle off and if Mr. Goodnow feels this is temporary?
- 01:54:40 Mr. Goodnow said the legislative intent was for it to be transitional. He said job training works. He said with a new program it takes time.
- 01:57:25 Ms. Johnston said enrollment numbers are holding steady at 96,000. She said she can't speak to the specific percentage, but a large number of people move through the program, they are not serving the same people from one year ago.
- 01:58:28 Rep. Dudik asked Mr. Goodnow about the in-between group getting insurance on the open market, if the HELP Act was to expire and Medicaid expansion was to go away, would it make health care more affordable for that population?
- 01:59:42 Mr. Goodnow said no, it would drive more people into the uninsured market.
- 02:00:21 Rep. Dudik asked how do we make healthcare more affordable?
- 02:00:36 Mr. Goodnow said the healthcare industry needs to focus on cost reduction.

00:49:04 Sen. Jones asked how the legislature can help control costs.

02:02:11 Mr. Goodnow said Medicare is the biggest provider nationwide, they make a lot of stupid-named programs that don't make any difference at all. He said there is too much excess regulation in healthcare and most of it doesn't make a bit of difference.

2019 Session Base Budget and Personal Services Report – Nick VanBrown and Kris Wilkinson, LFD Lead Fiscal Analysts

02:07:37 Ms. Wilkinson presented the report. ([Exhibit 16](#))

02:12:12 Rep. Keane asked about county jail holds.

00:59:42 Ms. Wilkinson responded.

02:13:16 Rep. Keane asked about an agency's budget in the second year of the biennium.

02:13:45 Ms. Wilkinson said that information is in the budget analysis.

02:14:37 Sen. Jones discussed the base budget and starting points.

02:16:13 Ms. Wilkinson pointed out they will move forward in working with OBPP for the recommendation.

02:16:24 Ms. Wilkinson continued her presentation.

02:20:43 Ms. Carlson said this report is a precursor to the budget analysis.

02:21:24 Ms. Wilkinson continued her presentation.

02:22:27 Rep. Dudik asked about DPHHS Child and Family Services vacancies for case workers plus salaries.

02:23:08 Ms. Wilkinson said she could get her the information.

02:23:12 Sen. Moore asked about SB 9 on page 40.

02:23:34 Ms. Wilkinson responded.

02:24:58 Sen. Jones paraphrased Mr. Villa from Sept. 6 in regards to budget cuts and restores.

02:26:00 Ms. Carlson said they will want to watch the movement from personal services into operating, that will potentially increase the personal service side.

02:26:41 Rep. Holmlund asked if it was a case of Gov. Bullock or Mr. Villa deciding where the money went or did they talk to departments?

02:27:03 Ms. Wilkinson said she believed it was a conversation with agencies.

02:27:09 Nick VanBrown, LFD, presented the personal services report. ([Exhibit 16](#))

02:32:43 Rep. Keane asked how much lower the LFD number is from the OBPP number?

02:32:56 Mr. VanBrown said the LFD number is not necessarily lower. He said if OBPP has higher instances of vacancy savings, for example, their rates will be lower.

02:33:48 Rep. Keane asked about vacancy savings.

02:33:59 Mr. VanBrown explained.

02: 34:33 Ms. Carlson explained personal services appropriations.

02:38:00 Rep. Keane asked about looking about where personal services should have been at a given time.

02:38:10 Ms. Carlson responded.

02:39:05 Rep. Dudik asked who requested the analysis difference.

02:39:16 Ms. Carlson said it was started four years ago at the request of the LFC.

02:40:19 Rep. Dudik asked if things would look different this time.

02:40:31 Ms. Carlson said the charts have been the same in the last two sessions.

02:40:44 Mr. VanBrown said the chart on page 2 was slightly adjusted last session.

02:40:56 Rep. Dudik said she just wanted to be sure they weren't setting it up so it was legislative vs. executive.

02:41:28 Ms. Carlson responded.

Legislative Finance Committee Recommendations for the 2019 Session and Budget Analysis
– Quinn Holzer, LFD

02:42:57 Quinn Holzer, LFD, presented the analysis. ([Exhibit 17](#))

02:52:17 Sen. Moore asked about base funding.

02:52:38 Mr. Holzer explained.

- 02:54:20 Rep. Keane asked if the subcommittee OTOs something that guarantees they will have to look at it again the next session.
- 02:54:44 Mr. Holzer said correct, but there was some concern by employees and agencies that with no base how would they keep employees, etc.
- 02:55:14 Chair Ballance said it also made it difficult to make biannual comparisons.
- 02:55:30 Sen. Moore asked if it was done in enough quantity, would it throw the structural soundness of the calculations out of whack?
- 02:57:06 Mr.Holzer responded.
- 02:59:20 Chair Ballance said the 72-hour rule helped a lot. Additionally, she said in Section B there was consistency in what was being presented, but one department did a really good job presenting information. She said the focus on evidence-base is something they want every subcommittee to focus on.
- 03:01:26 Rep. Holmlund said departments should be informed ahead of time.
- 03:01:47 Chair Ballance agreed.
- 03:02:07 Mr. Holzer said they have been having ongoing conversations with Section B subcommittees as well as other legislators. He said this would be a tool to formalize that practice.
- 03:03:41 Ms. Carlson said Director Hogan with DPHHS would respond, but the deadline has passed so she is concerned the level of data may not be provided. She said the executive has not provided the data to make legislative decisions. She said there was no letter yet but they will work to address the issue.
- 03:05:41 Sen. Moore asked if a letter by the committee or the chair and vice-chair would help?
- 03:05:56 Ms. Carlson said they had sent a letter from leadership of the committee.

Committee Business

- 03:06:51 Ms. Carlson discussed an NCSL award presented to Stephanie Morrison and Sam Schaefer. Ms. Morrison also received a 10-year pin and Mr. Schaefer a 5-year pin for service to the state of Montana.
- 03:11:07 Ms. Carlson said for the December meeting she will put together a recommendation regarding pension systems.
- 03:15:53 Ms. Carlson discussed the LFC summer roadshow. She said a new website is under development as well as a new webpage offering easy-to-understand information on state finances. On January 3-4 LFD will piggyback on legislature

training days and offer some finance training. She said they would also like to do more outreach and joint work sessions. ([Exhibit 18](#))

03:21:12 Ms. Carlson presented the LFD-LFC budget. ([Exhibit 19](#))

03:22:13 **MOTION:** Sen. Jones moved to approve the LFD LFC budget. **VOTE:** The motion passed unanimously on a voice vote.

03:22:34 Ms. Carlson presented a list of bills approved by Legislative Council proposed by OBPP. ([Exhibit 20](#))

03:22:56 Sen. Moore asked about companion bills, he asked to reserve HB 16-20.

03:23:49 Sen. Jones said they may want to reserve one number per section plus one for general, as there always seems to be a clean-up bill.

03:23:47 Ms. Johnson said she would check to see if any other numbers are reserved.

03:24:27 Chair Ballance said they usually submit them the first day of session, but wondered if they could request them now.

03:24:45 Ms. Johnson said companion bills typically aren't pre-introduced bills.

03:25:04 Sen. Moore asked Ms. Johnson why they couldn't pre-introduce companion bills?

03:25:11 Ms. Johnson said usually you would need to have some bill text, but it's not to say this couldn't happen but would require amendments. Ms. Johnson said they could put something in and strike and replace. She said she would look into it.

03:26:36 Sen. Moore said this was a more transparent way to do it.

03:26:57 Ms. Johnson said companion bills are usually requested by the chair of House Appropriations. She said it doesn't need to be a committee bill, but could be a request by someone on the committee

03:27:28 Chair Ballance said she thinks she did that for infrastructure last session, she just requested the numbers.

03:27:52 Ms. Carlson said the next LFC meeting will be Dec. 3.

03:31:42 Rep. Holmlund asked if presiding officer training would be Dec. 4.

03:31:59 Ms. Carlson said yes.

Adjourn

03:32:34 With no further business, the committee adjourned.