



LEGISLATIVE FINANCE COMMITTEE

62nd Montana Legislature

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

SENATE MEMBERS

STEVE GALLUS
LLEW JONES
DAVE LEWIS
RICK RIPLEY
DAVID WANZENRIED
CAROL WILLIAMS

HOUSE MEMBERS

ROB COOK
JOHN ESP
STEVE GIBSON
CYNTHIA HINER
GALEN HOLLENBAUGH
JON SESSO

JARET COLES, Staff Attorney
DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

MINUTES

Legislative Finance Committee

June 10, 2011

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

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

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

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

COMMITTEE MEMBERS PRESENT

SEN. LLEW JONES
SEN. DAVE LEWIS
SEN. RICK RIPLEY
SEN. DAVID WANZENRIED
SEN. CAROL WILLIAMS

REP. ROB COOK
REP. JOHN ESP
REP. STEVE GIBSON
REP. GALEN HOLLENBAUGH
REP. JON SESSO

COMMITTEE MEMBERS ABSENT

SEN. STEVE GALLUS
REP. CYNTHIA HINER

STAFF PRESENT

JARET COLES, Staff Attorney
DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

Visitors

Visitors' list, Attachment #1.

CALL TO ORDER AND ROLL CALL

00:00:01 **Senator Llew Jones, Chair**, called the 217th meeting of the Legislative Finance Committee to order at 8:10 a.m. in room 102 of the State Capital. The secretary noted the roll. Attachment #2.

APPROVAL OF MINUTES FOR THE NOVEMBER 16, 2010 MEETING

00:01:22 **MOTION: Rep. Hollenbaugh** moved to approve the minutes. **VOTE:** Motion passed.

COMMITTEE BUSINESS

Election of Officers

00:02:10 **Rep. Hollenbaugh** nominated **Rep. Sesso** for Chair.

00:02:36 **MOTION: Rep. Esp** moved nominations be closed. **VOTE:** Motion passed.

00:03:00 **MOTION: Rep. Esp** moved **Rep. Sesso** be appointed Chair. **VOTE:** Motion passed

00:03:41 **Rep. Gibson** nominated **Senator Ripley** for Vice-Chair.

00:03:59 **MOTION: Rep. Esp** moved nominations be closed and **Senator Ripley** be appointed Vice-Chair. **VOTE:** Motion passed.

00:04:29 **MOTION: Rep. Esp** moved to nominate **Rep. Cook** for secretary.

00:05:15 **MOTION: Rep. Esp** moved nominations be closed and **Rep. Cook** be appointed secretary. **VOTE:** Motion passed.

Discuss Rules and Options

00:06:39 Jaret Coles, Attorney, Legislative Services Division (LSD) reviewed the Legislative Finance Committee Rules. (Exhibit 1) Mr. Coles said the committee does not have default rules and would have to adopt the rules in order to be enforced. Mr. Coles handed out an amendment to the rules should the committee wish to update rule #12. (Exhibit 1a) Mr. Coles said at this point the committee does not have rules and a proper motion would be to adopt the rules and move amendments.

00:13:24 Amy Carlson, Director, LFD discussed the amendment to rule #12. The language change reflects what LFD does with reports.

00:14:06 **MOTION: Senator Jones** moved the rules be adopted.

- 00:14:20 **MOTION: Rep. Hollenbaugh** moved the amendment. **VOTE:** Motion passed.
- 00:14:46 **MOTION: Senator Jones** moved the rules as amended. **VOTE:** Motion passed.
- 00:15:10 **MOTION: Rep. Hollenbaugh** moved the committee allow proxy voting. **VOTE:** Motion passed.

LFD Operating Plan

- 00:17:30 Amy Carlson, LFA presented the LFD budget for Fiscal 2011 and Fiscal 2012. (Exhibit 2) No action was needed by the committee.

Staff Announcements

- 00:18:27 Amy Carlson, LFA presented longevity pins to the following Legislative Fiscal Division staff members:
- Quinn Holzer - 5 years
 - Kris Wilkinson - 15 years
 - Greg DeWitt - 15 years
 - Pat Gervais - 20 years
 - Roger Lloyd -25 years
 - Pam Joehler - 25 years
 - Jon Moe - 25 years

Ms. Carlson announced Jon Moe's retirement later this summer and expressed her appreciation for all he has done for the LFD.

- 00:24:04 **Rep. Sesso** also expressed thanks to Jon on behalf of the committee.
- 00:26:15 **BREAK**

2013 BIENNIUM LEGISLATIVE FISCAL REPORT SUMMARY AND STATUS

- 00:45:33 Ms. Carlson presented the 2013 Biennium Budget Overview. (Exhibit 3) This report includes the budget adopted by the 2013 Legislative Session, and revenues and spending pressures looking forward. The report is a draft of what will be in Volume 1 of the Fiscal Report.
- 01:01:37 **Rep. Esp** asked about the supplemental for K-12 and if there would be corresponding offset in state special revenue. Ms. Carlson said the corresponding reduction in state special appropriations has already occurred.
- 01:03:02 **Sen. Wanzenried** referred to page 9 of the report and asked if the \$50 to \$80 million per year higher is an estimate of staff or compared to HJ 2. Ms. Carlson said it is compared to HJ 2.
- 01:06:04 **Sen. Ripley** asked if the legislature is meeting it's statutory obligation to K-12 with the supplemental. Ms. Carlson stated that the \$53.0 million budgeted accounts for the full expenditures anticipated relative to SB 329.

- 01:08:13 **Sen. Lewis** asked for clarification of the specific language in Sen. Balyeat's referendum adopted by the legislature that if more revenues are collected than anticipated there is a requirement to dispose of excess collections through tax relief.
- 01:09:04 Terry Johnson, Principle Fiscal Analyst, LFD said that SB 426 was passed and there is a referendum that will be put on the ballot in November 2012. The provisions of the bill states that if the ending fund balance is greater than what was projected by 125 % then there would be a tax relief provision for property tax and income tax. There is also a provision in the bill that states there has to be an additional \$5.0 million above the 125%. The trigger point is about \$192.0 million. Only 50% of the excess would go to tax relief the remaining would stay in the account.
- 01:12:33 **Sen. Jones** asked how the unfunded liability on the retirement accounts factor in. Mr. Johnson said they don't because both of the provisions are based on general fund balance.
- 01:13:34 **Rep. Sesso** asked at what time would the comparison be made. Mr. Johnson said if the referendum is adopted in November 2012 it would be effective at that point. The point to calculate the trigger would be in August 2013.

REQUIRED REPORTS

- 01:23:08 The following reports were included in committee notebooks without formal presentation:
- Budget Amendment Report (Exhibit 4)
 - Operating Plan Changes (Exhibit 5)
 - Other Required Reports (Exhibit 6)

STATE CHIEF INFORMATION OFFICER REPORT

- 01:24:00 The CIO Report was included in the committee notebooks without formal presentation. (Exhibit 7) Dick Clark, Chief Information Officer was present to respond to questions.
- 01:26:15 Ron Baldwin , CIO, DPHHS discussed the CHIMES-TANF, CHIMES-SNAP, MACWIS, (aka CAPS) AND DPHHS HB 10 Long Range (MMIS) projects. (Exhibit 8)
- 01:27:32 **Rep. Sesso** asked Mr. Baldwin if he is confident that the CHIMES-TANF and CHIMES -SNAP projects will be in comportment with the new rules relative to health care reform and federal reporting requirments. Mr. Baldwin stated he is very confident now that the vendor has been gathering requirements and defining what they will build for those two major components.
- 01:29:26 **Rep. Sesso** asked if the new system will give the department the ability to be more predictive when they present to the 2013 Legislature on their budget. Mr. Baldwin said he is not sure the system will have the ability to actually present that type of analysis. It will provide more data on each individual participant and beneficiary of the system.
- 01:35:23 **Rep. Sesso** asked if there is an obligation for the department to go through the state CIO to make sure these investments are made in the context of the department. Mr. Clark

said these systems are part of HB 10. There are many safeguards in place before money is released to the agencies.

- 01:43:44 **Rep. Gibson** asked if the department will continue with the CAPS or move to the new system. Mr. Baldwin said the new system is postponed. In the mean time CAPS will continue to run.
- 01:46:05 **Rep. Gibson** asked how much money has been spent on the new project. Mr. Baldwin stated \$1,427,706.
- 01:46:45 **Rep. Hollenbaugh** asked if a vendor for the MMIS system will be selected and a report on how the vendor was selected by the September LFC meeting. Mr. Baldwin said yes a vendor will be selected and the information will be available.
- 01:50:18 Warren Dupuis, ITSD discussed the reasons the Interoperability project is in yellow status.

UPDATE ON FLOODING AND EMERGENCY SERVICES

- 02:02:42 Barbara Smith, Fiscal Analyst, Legislative Fiscal Division, distributed information from the Department of Revenue on Property Tax Relief Information for anyone who has had property loss or damage due to current flooding. (Exhibit 9)
- 02:04:02 Ed Tinsley, Administrator, Disaster and Emergency Services (DES) gave an overview of flood declarations in Montana and provided a map that shows affected counties. (Exhibit 10)
- 02:14:05 Steve Knecht, DES explained the preliminary damage assessment process with FEMA.
- 02:17:41 **Rep. Esp** asked about other programs to help when insurance doesn't cover. Mr. Tinsley said the preliminary damage assessment submitted for the presidential declaration only applies to public damaged infrastructure, it does not include individual damage. DES with FEMA guidance is sending forms out to county coordinators and as they are able, will meet with homeowners in the affected areas to document the damage. A determination is made with a recommendation by DES through the Governor's office whether or not to request from FEMA a PDA for individual assistance.
- 02:20:13 **Rep. Hollenbaugh** asked how fixing public infrastructure is being addressed. Mr. Knecht said the responsibility for the repairs rest on the shoulders of the local jurisdiction. Programs are set-up for FEMA reimbursement.
- 02:22:16 **Sen. Ripley** asked if local property owners can repair emergency damages or do they have to go through the permitting process. Mary Sexton, Director, DNRC said the department will be putting a list of emergency permits that are available on the DNRC website.
- 02:24:19 **Sen. Williams** asked how much money is in the Governor's emergency fund. Ms. Smith said there is about \$13.8 million left in this biennium. Another \$16.0 million will be

appropriated July 1 and the fire fund has about \$17.0 million. To use the fire funds for floods would require a statutory change.

- 02:27:40 **Rep. Hollenbaugh** asked how the Department of Transportation (DOT) will handle repairs to state roadways. Mr. Lynch said there is emergency relief funding through the Federal Highway Administration and it is a reimbursement program as well.
- 02:39:20 Jim Lynch, Director, Department of Transportation gave a power point presentation on 2011 Spring Flooding. (Exhibit 11). He also provided a handouts on Emergency Repair Project Areas, Construction Projections, and Flood Road Information. (Exhibits 11a, 11b, 11c)
- 02:54:18 Tom Livers, Director, Department of Environmental Quality discussed well water and waste water issues. He also discussed remediation efforts.
- 03:09:12 Mary Sexton, Director, Department of Natural Resources and Conservation provided a power point presentation on the flooding effects on DNRC dam projects.

PUBLIC COMMENT

03:20:29 Robert LaRue , Helena, MT

ADJOURNMENT

03:27:31 Meeting adjourned at 11:25 a.m.

Representative Jon Sesso, Chair

Diane McDuffie, Secretary

Committee Brainstorming:

1. Revenue estimate
 - More educating – information available to Legislators
 - Change process during the legislature?Whole committee – not a lot of committee time
2. Financial aspects of unfunded pension liability
Whole committee – substantial time First report in December
Staff time – moderate
3. School funding education: learning the legal background and formula
Whole committee – medium time allowed
Staff time – small additional
4. SJ 26 and other performance measures
 - Corrections extra funding
 - School funding as in SJ 26
 - Public Defender (death penalty and extra funding)
 - DPHHS
 - Health care as in SJ 26,
 - waiver services children with developmental disabilities,
 - Medicaid and HMK model, and
 - Budget Status sheet format: *added at the end*Chair will set up contact members to guide staff work. Whole committee will hear all items. Substantial committee time will be required.
5. Report the cost of the Veterans homes
Whole committee – small amount of time
Moderate staff time
6. Review statutory appropriations and state special accounts: initiate the review
Whole committee – substantial time
Staff – 1 person substantial time and others moderate
7. Discussion organized around Medicaid provider fees (like the hospital utilization fees)
Whole committee – minimal time
Staff – little time
8. Review required reports: low priority but fit in if time for housekeeping of what is needed from agencies. Added at the end.

Other:

All HB 642 items: The joint members, Rep. Hollenbaugh and Sen. Wanzenried, will report to each LFC meeting on the progress to date of the HB 642 committee. Staff will keep the LFC apprised of work done for the HB 642 committee.

Communications Tools of the LFD: Staff will report on progress and use the Management Committee as a sounding board to make improvements.

MBARS upgrade: staff will work with the executive to implement and upgrade the MBARS system to IBARS.

Revenue Studies for RTIC
Big Picture March 2012
Budget Rules for June 2012 meeting