



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

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

MINUTES

March 8-9, 2012

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.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select *Committees*, then *Interim*. Once on the page for *Interim Committees*, scroll down to the appropriate committee. The written minutes summary, along with the audio and video recordings, are listed by meeting date on the interim committee's web page. You must have Real Player to listen to the audio recording or to view the video.

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. STEVE GALLUS
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. CYNTHIA HINER
REP. GALEN HOLLENBAUGH
REP. JON SESSO

STAFF PRESENT

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

Visitors

Roll Call, Attachment #1.
Visitors' list, Attachment #2.

CALL TO ORDER AND ROLL CALL

00:00:19 **Chairman Sesso** called the 220th meeting of the Legislative Finance Committee to order at 10:05 a.m. on March 8, 2012. The meeting was held in Hearing Room 102 of the State Capitol, Helena Montana. The secretary called roll. Attachment #1

APPROVAL OF MINUTES FOR THE PREVIOUS MEETING

00:01:55 **MOTION: Sen. Gallus** moved to approve the minutes for the December 5-6, 2011 meeting. **VOTE:** Motion passed unanimously.

GENERAL FUND REVENUE UPDATE 2013 BIENNIUM

00:02:22 Terry Johnson, Principal Fiscal Analyst, LFD presented a report on General Fund Revenue Update 2013 Biennium and a power point presentation. (Exhibit 1 and 1a) The purpose of the report is to provide the committee with general fund revenue collection data through FY 2011 compared to February FY 2012. Mr. Johnson said based on information recorded on the Statewide Accounting, Budgeting, and Human Resource System (SABHRS), total general fund receipts through February for FY 2012 were \$1,138.1 million.

00:31:33 **Sen. Wanzenried** asked if the legislature had had more information in April of last year would the gap in corporation tax receipts be narrowed. Mr. Johnson said yes because the information received for corporation taxes in April and May helped staff better understand what was going on and an adjustment would have been made to FY 2011 and more than likely a corresponding adjustment to FY 2012 and FY 2013.

00:38:59 **Sen. Williams** commented that based on the revenue round table meeting, Legislative Council discussed a session calendar that would let legislators go home for a couple of weeks sometime in March.

00:41:23 **Sen. Ripley** asked if Legislative Council discussed starting at a later date. **Sen. Williams** said the next legislative session does start later. Council agreed to look at a schedule that would provide some Saturdays off with a couple of longer breaks which would bring the end of session to the end of April.

00:44:32 **Rep. Sesso** asked Mr. Johnson to elaborate on accounting records versus actual collections. Mr. Johnson explained the state accounting system month end process. He said accounting records and actuals are the same. Data extracted from accounting records are actual collections recorded as of that day.

EXPENDITURE UPDATE AND BUDGET PRESSURES

00:55:00 Taryn Purdy, Principal Fiscal Analyst, LFD presented a report on Expenditure Update and Budget Pressure Points. (Exhibit 2) This report provides an update on general fund and selected state special revenue expenditures through January. The report also highlights any pressure points or other issues that may signal a danger of either a supplemental or potential impact on operations to avoid an over expenditure. Ms Purdy said that at this point in time, expenditures are within anticipated levels for the major

spending categories with the exception of a known supplemental appropriation for K-12 education. Also provided is a memo from Julie Johnson, LSD legal staff on the remand of the PPL case. (Exhibit 2a)

BOARD OF PUBLIC EDUCATION SUPPLEMENTAL

- 01:04:30 Rob Miller, Fiscal Analyst, LFD discussed the memo from the Board of Public Education (BPE) that was submitted to the LFD through the Office of Budget and Program Planning. (Exhibit 3) The BPE is requesting a transfer of an appropriation of up to \$20,000 from FY 2013 to FY 2012. Mr. Miller's memo provides the statutory requirement to move authority, background information, and BPE's plan for reducing expenditures in the second year of the biennium. LFD staff has reviewed the proposed supplemental and found no issues. (Exhibit 3a)
- 01:08:10 Ms. Purdy explained that if the committee reports out to the Governor, regardless of what the report says, the Governor can take immediate action to move the money. If the committee does not provide a report, the Governor has to wait 90 days after the date the request was forwarded.
- 01:09:18 **MOTION: Sen. Jones** moved the LFC report that the transfer of money from FY 2013 to FY 2012 to meet the anticipated budget shortfall is in order. **VOTE:** Motion passed unanimously.

PUBLIC COMMENT

- 01:11:05 Fritz Gillespie, Chairman, Montana Defender Commission introduced William Hooks, the recently hired Chief Public Defender for the Office of Public Defender. Mr. Hooks was the Chief Appellate Attorney for the State of Montana prior to the creation of the Office of Public Defender. He has extensive criminal defense background as well as some experience working in state government.
- 01:12:20 Mr. Hooks discussed the substantial increase in the number of dependent and neglect cases. He said Great Falls had a tremendous spike in filings between last year and this year. The OPD anticipates in excess of 600 new filings in FY 2012 over FY 2011.
- 01:15:08 **Rep. Gibson** asked if the spikes have any correlation to the publicity with DPHHS and a case in Great Falls about a year ago. Mr. Hook said he not sure of the underlying factors. It is a possibility that allegations have been made that would lead to error on the side of caution perhaps in filing.
- 01:19:47 **Rep. Sesso** introduced and welcomed Julie Johnson, Legal Staff, Legislative Services Division. Ms. Johnson will be legal staff for the LFC.

REVENUE PROCESS: MANAGING VOLATILITY AND ACCURACY

- 01:21:13 Amy Carlson, Director, Legislative Fiscal Division presented an Update on Revenue Process and the Legislative Finance Committee. (Exhibit 4) The Steering Committee on the Revenue Process met January 30, 2012 with recommendations from all three committees Legislative Finance Committee (LFC), Legislative Council, and Revenue and Transportation Interim Committee (RTIC). Jeff Martin, Researcher, LSD created a document to update the committees regarding the revenue estimating process review

(Exhibit 4a) and Terry Johnson, Principal Fiscal Analyst, LFD created a document to follow up on issues that the RTIC was asked to consider. (Exhibit 4b). Ms. Carlson discussed Montana definitions, a rainy day fund, and other methods of managing volatility.

- 01:31:45 **Rep. Esp** recommended cleaning up the definition of structural balance and communicate that to constituents. He also wants to look at a program similar to TSEP that would use the surplus for capitol building projects rather than using the bonding process.
- 01:35:24 **Sen. Williams** said the subcommittee on Rules of Legislative Council met to discuss changing the rules so the revenue estimate would start in the Senate. The appropriations bills would start in the House and neither bill could be in the same place at one time.
- 01:43:53 **Rep. Cook** recommend educating the committee on volatility and understanding the components that are most volatile.
- 01:45:00 **Rep. Sesso** said Legislative Council recommended a joint committee spend a number of legislative days in January on revenues. Members of Senate and House Tax would meet in session to review all of the revenue sources. He said there is a lack of understanding among legislators on what makes up the total revenues and what factors affect each of them.
- 01:50:55 **Rep. Hollenbaugh** asked if there has been any further discussion about having the revenue estimate move with the Governor's budget.
- 01:52:48 Amy Carlson, Director, LFD said the Revenue and Transportation Interim committee has been assigned that issue. Mr. Johnson said the issue was brought up but not discussed in detail.
- 01:54:51 **Rep. Esp** said the idea of more education early in session about revenues will be helpful but at the end of the day it is still a political process.

PUBLIC COMMENT

- 01:57:05 Tara Veazey, Executive Director, Montana Budget and Policy Center
- 01:59:16 Without objection from the committee, staff will continue to pursue other forms of managing volatility and provide clarification of definitions. There was not a consensus from the committee to pursue a rainy day fund or to hire a professional firm to evaluate the revenue model.

LUNCH

PERFORMANCE MEASUREMENT

- 03:16:12 Taryn Purdy, Principal Fiscal Analyst, LFD provided a brief update on the performance measurement reports to be discussed.
- 03:17:07 Lois Steinbeck, Senior Fiscal Analyst, LFD presented a report on the Medicaid Model. (Exhibit 5) This report provides an update on LFD progress to date and supplements the original planning document presented at the October LFC meeting. Ms. Steinbeck explained the top pie chart on Medicaid Services which shows the total FY 2013 biennium appropriation by major Medicaid service and the bottom pie chart shows the source of data used to estimate Medicaid payments. (Exhibit 5a) Ms. Steinbeck noted that Developmental Disability Services is the biggest outstanding data need.
- 03:26:01 Robert Miller, Fiscal Analyst, LFD explained the MMIS Expenditure graph shows about a dozen categories where the costs are 90% of expenditures. (Exhibit 5b) Mr. Miller said he will continue to look for an explanation to what is causing the growth. The graph on MMIS Pharmacy Expense shows a drop from FY 2005 to FY 2007 in dollars per recipient and also the dollars per service. Staff believes this impact is due to the Medicare Part D. (Exhibit 5c)
- 03:31:45 Ms. Steinbeck discussed the graph on Medicaid Adult Mental Health Services by Major Category and Number of Recipients and Per Recipient Cost FY 2000 - FY 2009. (Exhibit 5d) Ms. Steinbeck pointed out that the average cost per recipient more than doubled from \$1,360 in FY 2000 to \$2,879 in FY 2009.
- 03:45:31 **Sen. Wanzenried** asked how close is staff to having a model. Ms. Steinbeck said they anticipate having the first cut in four weeks. This will be an evolving process because the Medicaid program is not static.
- 03:53:40 Lois Steinbeck, Fiscal Analyst, LFD presented an Update on SJ 26 Impact of Medicaid Eligibility Expansion and Healthy Montana Kids Monitoring. (Exhibit 6) Ms. Steinbeck said that overall Medicaid enrollment is declining from its most recent peak. Declines are most noticeable in family Medicaid.
- 04:06:40 Marilyn Daumiller, Fiscal Analyst, LFD provided an update on SJ 26 Impact of the recession and the Patient Protection and Affordable Care Act (ACA) on the Offices of Public Assistance (OPA's) and the clients served. (Exhibit 7) The focus of the update is to provide an introduction to the OPA's and updates for TANF and SNAP, and potential options for LFC consideration.
- 04:22:27 Mary Dalton, Medicaid Health Services, Department of Public Health and Human Services discussed the new MMIS system, DD services, HMK data, presumptive eligibility, and issues at the Office of Public Assistance.
- 05:12:38 **Rep. Sesso** asked if the LFC wants to proceed with a subcommittee to work with staff and the director to get necessary data.

05:16:13 **Sen. Wanzenried** recommended a subcommittee of at least two members to measure whether or not staff requests are reasonable.

05:17:37 Without objection from the committee, **Chairman Sesso** appointed **Sen Wanzenried, Sen. Lewis, Rep. Hiner** and **Rep. Esp** to the subcommittee.

PUBLIC COMMENT

05:18:37 Dan Aune, Mental Health American of Montana.

BREAK

05:39:19 Greg DeWitt, Fiscal Analyst, LFD presented a report on Death Penalty Costs. (Exhibit 8) The purpose of this study was to examine the difference in costs when the death penalty is sought is significantly greater than when it is not sought. After hearing what information is available specific to Montana findings and studies in other states, the LFC directed staff to; evaluate the work done by the Montana American Civil Liberties Union, determine the validity from studies already done in other states to Montana; and identify options to collect data for a future study in Montana.

05:46:33 **Sen. Jones** asked if the costs for each type of case represents the cost for a single case or all cases in that type. Mr. DeWitt said the cost is average per individual case.

05:49:09 **Rep. Gibson** asked Mr. DeWitt to explain how the cost for death penalty given is \$10.6 million and \$6.3 when not sought. Mr. DeWitt referred to the chart on page 3 of his report which shows the biggest component is costs per person for incarceration. **Rep. Gibson** said the \$6.3 million seems high.

05:51:12 **Rep. Esp** asked Mr. DeWitt to look again at the incarceration costs when the death penalty is not sought.

05:54:52 **Sen. Wanzenried** asked Mr. Hooks how much the Office of Public Defender incurred for expenses in preparation for a proposed death penalty trial. Mr. Hooks provided a summary of the capital case defense expenditures for July 2, 2010 through June 30, 2011. (Exhibit 8a).

PUBLIC COMMENT

06:02:24 Mark Murphy, Montana County Attorney Association

06:03:34 Greg DeWitt, Fiscal Analyst, LFD presented a report on the Department of Justice Motor Vehicle Division. (Exhibit 9) This report focuses on the title and Registration Bureau within the division and provides potential options for committee consideration. Mr. Dewitt said that during the implementation of the Montana Enhanced Registration and Licensing Information System (MERLIN), the division and the county treasurers experienced operating pressures that impacted document processing for Montana customers and businesses related to vehicle titling and registration.

- 06:08:33 Brenda Nordlund, Administrator, Motor Vehicle Division provided an update on the backlog in transactions.
- 06:00:06 Greg DeWitt, Fiscal Analyst, LFD presented a report on Court Help, Judicial Branch. (Exhibit 10) This report provides an update on progress of the Court Help pilot project and no committee action is needed.
- 06:11:57 Rob Miller, Fiscal Analyst, LFD presented an update on SJ 26 Study of the Montana Digital Academy. (Exhibit 11) Mr. Miller discussed the highlights of the analysis and provided an update on the financial situation.
- 06:05:32 **Rep. Sesso** asked if the academy were to receive a supplemental of \$400,000 in addition to the \$1.18 million would the academy be able to service 7,000 students in the second year of the biennium. Mr. Curry said that is correct.
- 06:25:52 **Sen. Jones** asked what options are the academy looking at for funding for the next year. Mr. Curry said conversations have focused on requesting a supplemental. The academy would except or pursue any sources that are viable.

INFORMATION TECHNOLOGY REPORT

The following reports were included in the committee notebooks but no formal presentation was given.

- ◆ CIO Report: Dick Clark, State CIO (Exhibit 12)
- ◆ IT Project Portfolio Report: ITSD (Exhibit 13)
- ◆ IT Project Portfolio: Post Implementation Report: ITSD (Exhibit 14)

- 06:30:05 Warren Dupuis, Chief of Staff, State Information Technology Service Division, provided an updated on the Montana Public Safety Communications Project. (Exhibit 15) The Montana Public Safety Communications Project is a comprehensive public safety communications initiative that will involve integrated digital voice and mobile data capabilities for local, state, tribal and federal responders. Mr. Dupuis provided a map on the Micro Wave Status of the Public Safety Communications System as of January 20, 2012. (Exhibit 15a)
- 06:48:30 Kris Wilkinson, Fiscal Analyst, LFD presented a report on Criteria for Placement on the IT Project Portfolio Listing. (Exhibit 16) Ms. Wilkinson said that previous criteria for placement on the IT project portfolio listing were projects that exceeded \$400,000 and were funded with capital appropriations or were of legislative interest. The LFD worked with SITSD and developed criteria for placement on the IT project portfolio listing and provided recommendation to the LFC.
- 06:51.54 The committee concurred with staff recommendations to move forward with the criteria developed.
- 06:55:10 Committee recessed until Friday at 8:00 a.m.

FRIDAY, MARCH 9, 2012

COMMITTEE MEMBERS PRESENT

SEN. STEVE GALLUS
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. CYNTHIA HINER
REP. GALEN HOLLENBAUGH
REP. JON SESSO

STAFF PRESENT

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

Visitors

Roll Call, Attachment #3.
Visitors' list, Attachment #4.

CALL TO ORDER AND ROLL CALL

00:00:02 The 220th meeting of the Legislative Finance Committee reconvened at 8:00 a.m. on Friday, March 9, 2012. The meeting was held in Hearing Room 102 in the State Capitol Building, Helena, Montana. The secretary called the roll. Attachment #3

SCHOOL FUNDING EDUCATION

00:01:42 Dan Whyte, Legislative Attorney, LSD presented a power point presentation on A History of Legal Challenges to Public School Funding Columbia Falls II. (Exhibit 17) The focus of the presentation was on Columbia Falls Elementary School District No. 6 v. State (2005).

00:45:44 **Rep. Cook** asked why funding has to be increased when enrollments are declining. Mr. Whyte said that enrollments might be declining but fixed costs continue to go up.

00:52:33 **Sen. Ripley** commented that although schools have fixed costs at some point in time there would be savings if enrollment drops enough that classes are canceled.

01:01:57 **Rep. Esp** asked if other states have similar constitutional restrictions on how education is funded. Mr. Whyte said he has not looked at other states directly but Montana usually follows the trends of court cases.

01:06:32 Jim Standaert, Fiscal Analyst, LFD presented a power point presentation on School Finance Training. (Exhibit 18) The presentation focused on debt service fund and retirement fund.

COMMUNITY COLLEGE FUNDING STUDY

01:41:12 Pam Joehler, Fiscal Analyst, LFD presented a memo on Community College Funding Formula Review Study. (Exhibit 19) This purpose of the memo is to give the Legislative Finance Committee advance notice of an upcoming report that will review the current statutory community college funding formula that the legislature uses to establish the state appropriation for community colleges.

PENSIONS

01:45:20 Amy Carlson, Director, LFD provide a chart on Montana's Funding Status: FY 2011 (Exhibit 20) which shows total funding of all the retirement systems. Ms. Carlson presented her report on Current Literature Regarding Financial Analysis of Pensions. (Exhibit 20a) This report identifies some of the choices for future analysis. The report also recommends that the LFC consider one or more of the alternative methods of analysis.

02:12:39 Gary Buchanan, Chairman, Board of Investments discussed his personal and professional opinion on the pension situation. He said he would like the Board to look at better performance, lower costs and working with reasonable prudent expectations. Mr. Buchanan provided a written copy of his testimony. (Exhibit 21)

02:25:34 Cathy Duncan, Fiscal Analyst, LFD presented a report on Local Government Pension Analysis, Detail and Clarification of Initial Analysis. (Exhibit 22) The report clarifies some of the questions generated at the December 2011 LFC meeting regarding accuracy of the proportion of local government wages and employer contribution to total government expenditures.

02:42:36 David Senn, Executive Director, Teacher's Retirement System (TRS) discussed his presentation on Funding Your Retirement System. (Exhibit 23) His presentation focused on the TRS' shortfall, what can be done, and what other states have done.

03:02:40 Roxanne Minnehan, Executive Director, Montana Public Employees Retirement Administration (MPERA). Ms. Minnehan, discussed the eight defined benefit plans, the deferred compensation plan, and proposed legislation for 2013.

03:15:47 Megan Moore, Researcher, LSD explained the "green sheets", which are developed by LSD in coordination with the retirement systems. (Exhibit 24) These are summary tables on Montana's Public Employees Retirement Plans. The information is based on the June 30, 2011 actuarial valuations and current law.

03:24:15 David Niss, Legislative Attorney, LSD presented his memo on Constitutionality of Amendment of GABA Statues to Tie Amount of GABA to State Investment Earnings for Current Retirement System Members. (Exhibit 25) Mr. Niss made a correction to his memo to strike "more than one" and insert "an" on page 2, third line from bottom. This memo summarizes three previous memorandums on whether the Legislature may

constitutionally amend the current statutory GABA provisions's as they apply to current members of the retirement systems to provide that the amount of the GABA is tied to investment earnings.

03:51:02 Amy Carlson, Director, LFD said that LSD and LFD are putting together an overarching analysis of policy concerns, legal, funding and funding policy issues, and the financial components for the June meeting with SAVA.

PUBLIC COMMENT

- 03:55:16 Eric Feaver, President, Montana Education Association and Montana Federation of Teachers (MEA-MFT)
- 04:04:43 Leo Berry representing the Association of Montana Retired Public Employees (AMRPE)
- 04:09:35 Mark Murphy representing the Montana County Attorney's Association, Montana Police Protective Association, and Montana Chief of Police Association. (Exhibit 26)
- 04:15:43 Alex Hansen, Executive Director, Montana League of Cities and Towns
- 04:20:17 Sheryl Wood, Associate Director, Montana Association of Counties (MACO)
- 04:22:47 **Sen. Lewis** pointed out that employees and employers are paying \$140.0 million in contributions and PERS is paying out \$231.0 million in retirement benefits and we are not making up the difference.
- 04:26:32 **Rep. Esp** asked if the legislature can negotiate an impairment to a contract that is substantial or can they negotiate an unsubstantial impairment. Mr. Niss said the legislature may be able to negotiate with some potential plaintiffs. The question is whether you can negotiate your way out of a potential law suit with all potential plaintiffs.
- 04:28:45 **Sen. Wanzenried** asked if any of the retirement systems were adversely affected by the failure of the pay plan to pass. Ms. Minnehan said the highway patrol officers retirement became actuarially unsound this year and it was because their payroll did not increase at the rate that the actuary assumed. Overall all the payroll declined more than anticipated.
- 04:30:22 **Rep. Sesso** asked of the research done relative to other states, is the right course to consider a combination of factors rather than one. Mr. Buchanan said there are six factors that made retirement funds well. This is the wrong time for an incremental approach. The ARC needs to be funded for four years.

BRIEF RECESS

FEDERAL DEFICIT REDUCTION IMPLICATIONS

- 05:02:29 Taryn Purdy, Principal Fiscal Analyst, presented a report on Federal Deficit Reduction Implications. (Exhibit 27) This report examines the current federal action and what it could mean for the state's budget. The report also provides potential actions the committee may wish to recommend for dealing with the short and long-term impact.
- 05:15:24 **Sen. Ripley** asked if agencies were asked to report on the impact of a 2% funding cut how much time would be needed of the agency. Ms. Purdy said the committee could pick and choose which federal funds to report on.
- 05:17:37 **Sen. Williams** asked if staff has had contact with the executive about what they are doing. Ms. Purdy said staff has not had direct conversations with the executive.
- 05:20:26 **Rep. Sesso** said staff should begin the conversation now and ask the affected agencies to attend the June meeting.
- 05:23:59 **Sen. Wanzenried** said he doesn't object to proceeding but the request should come from the committee and not staff.
- 05:24:56 **Rep. Sesso** said a letter to the executive from him will be drafted inviting the executive to the June LFC meeting to share any preliminary plans.
- 05:27:24 **Rep. Sesso** said a letter will also be sent to Mr. Curry to express concern about the comment that the MTDA board is discussing the possibility of a supplemental appropriation, and a letter will be sent to Roxanne Minnehan, Executive Director of MPERS requesting a report for presentation at the June 2012 meeting.

RECENT EXECUTIVE BRANCH SALARY ACTIONS

- 05:32:37 Kris Wilkinson, Fiscal Analyst, LFD presented a memo on Recent Executive Branch Salary Actions. (Exhibit 28) The purpose of the memorandum is to outline the legal foundation for the pay increases and how the amended salary adjustment will be handled in the 2015 biennium budget using the current budget methodology. Also included in the committee notebook is a report from Paula Stoll, Administrator, State Human Resources Division. (Exhibit 28a) No formal presentation was provided.
- 05:38:46 **Rep. Sesso** recommended this item be on the agenda for the June meeting.

STATUTORY APPROPRIATIONS

- 05:40:09 Roger Lloyd, Fiscal Analyst, LFD presented a report on Statutory Appropriations. (Exhibit 29) This is a followup report to the December 2011, LFC meeting. Staff was asked to work with the agencies and the Office of Budget and Program Planning to mitigate issues that were discussed. Staff will continue to refine the definition of "administrative costs".

COMMITTEE ACTION

- 05:43:40 Issue No. 2 - Statutory appropriation guideline recommendations: It is recommended that legislation be drafted to:
- a. Eliminate the guideline "The fund or use requires an appropriation"

b. Remove the word "not" from the guidelines. Committee concurred.

Issue No. 3 - Outdated references to Senate Bill 495 recommendations: It is recommended that legislation be drafted to repeal these references. Committee concurred.

Issue No. 4 - Veterans' cemeteries program recommendations: It is recommended that legislation be drafted to clarify that the statutory appropriation is to the Department of Military Affairs for use by the Veterans Affairs Division. Committee concurred.

Issue No. 5 - Morrill Act funding recommendations: The executive agencies do not recommend any changes. The current methodology allows for the accumulation of fund balance in the state special revenue account. No change was recommended.

Issue No. 6 - Department of Commerce double expenditures: It is recommended that legislation be drafted to eliminate the general fund appropriation and replace it with a transfer of general fund money to the research and commercialization account in the same amount as the general fund statutory appropriation. Committee concurred.

Issue No. 7 - Sunset of the statutory appropriation to spend the ARRA funds : It is recommended that legislation be drafted to sunset the statutory appropriation to spend interest earnings from federal ARRA funds when all federal funds and interest earnings have been received and spent. Committee concurred.

Issue No. 8 - Certificates of public advantage: It is recommended that legislation be drafted to sunset the statutory appropriation and eliminate the revenue source. Committee concurred.

Issue No. 9 - Discussions with OBPP over minor statutory appropriation issues will be addressed as they arise. Committee concurred.

STATE SPECIAL REVENUE ACCOUNTS

06:04:16 Barbara Smith, Fiscal Specialist, LFD updated the committee on the state special revenue account database. Ms. Smith said staff is in the process of populating the database. Staff identified a shortage of funds and will need to add funds passed in the last legislative session. The database should be ready later this summer.

INFORMATION TECHNOLOGY CONTINUED

06:07:22 Dick Clark, Chief CIO, DOA presented the 2012 Strategic Plan For Information Technology (Exhibit 30) The strategic plan for information technology serves as the voice of Montana Information Technology Act (MITA) and documents the strategies of the State Chief Information Officer (CIO). The plan is reviewed every two years to identify the goals that will be emphasized.

06:10:36 Barbara Smith, Fiscal Specialist, LFD provided a report on LFD Review of the Statewide IT Strategic Plan and power point presentation on Statewide Information Technology 2012 Strategic Plan. (Exhibits 31 and 31a) This report provides an overview of what is proposed in the strategic plan as it aligns to responsibilities of the LFC and where the

Select Committee on Efficiency in Government may impact the plan. The statewide strategic plan provides the framework for the implementation information technology within state government for the next biennium.

06:30:04 Barbara Smith discussed the report on the Summary of Selected Agency IT Infrastructure. (Exhibit 32) The purpose of the project was to increase operational knowledge of information technology funding, operation, and challenges. The review of the six selected agencies has raised questions for further examination.

PUBLIC COMMENT

06:32:40 Jeff Feiss, General Manager, Montana Telecommunications Association

06:34:12 Jessie Luther, Molina Medicaid Solutions (Exhibit 33)

06:36:05 Roger Linnell, Vice President, Affiliated Computer Systems (ACS)

06:38:21 **Sen. Williams** asked for information on the MMIS system in North Dakota. Mr. Linnell said they are behind on three projects, New Hampshire, North Dakota and Alaska.

REQUIRED REPORTS

The following report was included in the committee notebook but no formal presentation
Operation Plan Changes (Exhibit 34)

06:42:45 Kris Wilkinson, Fiscal Analyst, LFD presented the Budget Amendment Report (Exhibit 35) Since the December 2011 LFC meeting, staff received 39 budget amendments certified by the Governor. These amendments increase total funds by \$10.7 million in FY 2012 and \$0.4 million in FY 2013. Staff has reviewed the amendments and has raised no concerns.

COST ESTIMATES FOR THE IMPLEMENTATION OF COMMON CORE

06:44:14 Kris Wilkinson, Fiscal Analyst, LFD presented the Cost Estimates for the Implementation of Common Core report. (Exhibit 36) The Education and Local Government Interim Committee requested that the LFD develop cost estimates for the changes to the content and performance standards for mathematics and English language arts adopted by the Board of Public Education. The purpose of the analysis is to determine if the costs of implementing the amendments would be a substantial increase to the school districts. Also included in the committee notebook is the Fiscal Analysis on Impact of Common Core Standards for Mathematics and Language Arts. (Exhibit 36a)

REVIEW OF REQUIRED REPORTS

06:47:25 Barb Smith, Fiscal Specialist, LFD presented the Required Reports (Exhibits 37) The legislature requires certain reports be submitted to the LFC and the LFD. Since the December LFC meeting only four reports were required to be submitted: 1) Information Technology Policy; 2) State Strategic Plan; 3) Semi-annual report on appropriation transfers; and 4) Department of Public Health and Human Services budget status report.

06:47:49 Barbara Smith, Fiscal Specialist, LFD presented the Review of Required Reports. (Exhibit 38) There are currently 31 statutes requiring a report to the LFC or the LFD.

Staff reviewed each report and provided a recommendation for the LFC to consider. Seven reports were identified as reports that the committee can consider eliminating, four were placed on hold, and the remainder staff recommends be retained.

06:52:23 **MOTION: Rep. Sesso** moved to accept the recommendations of staff to request legislation to eliminate the seven reports, request electronic pdf version of the report from agencies, and request reports be sent to the LFA, staff will review them, and will forward only those that have issues. **VOTE:** Motion passed.

COMMITTEE BUSINESS

06:54:53 **Rep. Hollenbaugh** provided a brief update on the Select Committee on Efficiency in Government. The next meeting is April 9-10 in Butte. More information is available at: <http://leg.mt.gov/css/publications/Interim-Newsletter/default.asp>

07:00:17 Greg DeWitt provided a response to the committee regarding Death Penalty Costs Report Follow-up. (Exhibit 39) After review of the Kansas study, the numbers presented in the previous report for case types were identified to be for the entire population of cases by case type and not for the average per case costs as Mr. DeWitt originally responded.

07:00:30 **Rep. Gibson** said no further action is needed from staff on the Motor Vehicle Division.

07:02:52 Amy Carlson, LFA asked the committee to decide on a date for the September meeting. Without objection, the September meeting will be 27-28th. Ms. Carlson also said the dates for the Western States Legislative Fiscal Officers conference will be September 5-7th in Helena. Also, staff is planning a trip to Eastern Montana April 9-13th to better understand the issues and challenges those communities are facing. If any of the committee members are interested in going the estimated costs for 4 is \$1,800.00.

07:09:00 **Rep. Hollenbaugh** asked that the pending horse racing issue be on the next agenda.

ADJOURNMENT

07:10:31 With no further business before the committee, Chairman Sesso adjourned the meeting at 3: 14 p.m. The next meeting of the Legislative Finance Committee will be June 11-12th.

Rep. Jon Sesso, Chair

Diane McDuffie, Secretary
