



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

November 13, 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. LLEW JONES
SEN. DAVE LEWIS
SEN. RICK RIPLEY
SEN. DAVID WANZENRIED
SEN. CAROL WILLIAMS

REP. ROB COOK
REP. STEVE GIBSON
REP. CYNTHIA HINER
REP. GALEN HOLLENBAUGH
REP. JON SESSO

COMMITTEE MEMBERS ABSENT

SEN. STEVE GALLUS
REP. JOHN ESP

STAFF PRESENT

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

Visitors

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

CALL TO ORDER AND ROLL CALL

00:00:14 **Chairman Sesso** called the 223rd meeting of the Legislative Finance Committee to order at 8:10 a.m. on November 13, 2012. The meeting was held in Hearing Room 102 of the State Capitol, Helena Montana. The secretary called roll. Attachment #2.

APPROVAL OF MINUTES OF THE PREVIOUS MEETING

00:01:05 **MOTION: SEN. WANZENRIED** moved to approve the minutes of the September 27-28, 2012 meeting. **VOTE:** Motion passed.

GLOBAL MOTIONS

00:01:30 Barbara Smith, Assistant Principal Fiscal Analyst, LFD presented the Global Motions for the 2013 Legislative Session. (Exhibit 1) The Legislative Finance Committee is directed in statute to make recommendations to the House Appropriations and Senate Finance and Claims committees on the application of certain budget issues.

COMMITTEE DISCUSSION ON GLOBAL MOTIONS

Decision Item #1- Budget Starting Point

00:05:49 Rep. Sesso
00:06:20 Sen. Lewis
00:07:21 Sen. Ripley
00:10:59 Sen. Wanzenried
00:11:30 Rep. Sesso
00:12:50 Sen. Jones

Decision Item #2 - Vacancy Savings Rate

00:13:44 Rep. Sesso
00:15:46 Rep. Gibson
00:16:57 Sen. Lewis
00:17:49 Sen. Jones
00:19:29 Sen. Wanzenried
00:21:47 Sen. Jones
00:22:59 **MOTION: Rep. Gibson** moved to adopt OPTION B - "Another specified level", using 2% rather than 4% for vacancy savings.

DISCUSSION ON THE MOTION

00:24:01 Rep. Sesso
00:26:24 Rep. Gibson with drew his **MOTION**

Decision Item #3 - Fixed Costs in the Budget

00:27:06 Rep. Sesso
00:27:29 Sen. Lewis
00:28:23 Rep. Sesso
00:32:02 **MOTION: Sen. Lewis** moved to direct the appropriations subcommittee to adopt the starting point for budget deliberations as the base.

DISCUSSION ON THE MOTION

00:33:44 Rep. Sesso
 00:34:11 Sen. Lewis
 00:34:37 Sen. Wanzenried
 00:35:02 Rep. Sesso
 00:38:09 Sen. Jones
 00:39:42 Sen. Williams
 00:40:55 Sen. Ripley
 00:41:50 **ROLL CALL VOTE: Motion failed.** 5 Yeas: 6 Nays. Sen. Gallus voted no by proxy (Exhibit 1a)

DISCUSSION ON GLOBAL MOTIONS CONTINUED

00:43:10 Rep. Sesso
 00:46:26 Rep. Cook
 00:46:47 Rep. Hollenbaugh
 00:47:07 Rep. Sesso
 00:50:58 Sen. Lewis
 00:53:05 Sen. Ripley
 00:54:05 Sen Wanzenried
 00:55:30 Sen. Jones
 00:57:05 Rep. Sesso
 00:58:08 Rep. Hollenbaugh
 00:59:44 Sen. Williams

01:00:34 **MOTION: Rep. Sesso** moved to revise decision item #1- Budget starting point. Remove the word "adjusted and personal services adjustments." Direct the appropriations subcommittee to adopt the starting point for budget deliberations as the base including statewide fixed costs and inflation/deflation. Adopt option B for decision item #2 - Vacancy Savings. The specified level would be zero percent. Adopt decision item #3 - Fixed costs and decision item #4 Inflation/deflation as is.

DISCUSSION ON THE MOTION

01:03:13 Sen. Wanzenried
 01:03:44 Rep. Sesso
 01:05:10 **ROLL CALL VOTE: Motion failed.** 5 Yeas: 6 Nays. Sen. Gallus no by proxy (Exhibit 1B)

DISCUSSION ON THE GLOBAL MOTIONS CONTINUED

01:06:20 Decision Item #5 - Budget Proposals Requiring Legislation
 01:06:37 Decision Item #6 - Separate Legislation to Implement HB 2
 01:06:48 Rep. Sesso asked if its difficult to consider a companion bill by subcommittee. Ms. Purdy, LFD said there are options on how companion bills are structured and she will confirm that multiple companion bills can be considered.
 01:09:37 Decision Item #7 - Establish Key Performance Measures
 01:10:01 Decision Item #8 - Internal Service Funded Proprietary Programs

01:22:32 **MOTION: Rep. Cook** moved to adopt decision items #5, #6 (as amended), #7 and #8. **VOTE:** Motion passed.

DISCUSSION ON GLOBAL MOTIONS CONTINUED

01:11:03 Rep. Sesso
01:14:35 Rep. Gibson
01:14:49 Rep. Sesso
01:15:45 Barbara Smith, LFD said she would amend the motion to request the agency provide a plan once the impacts of the reductions are known.

01:25:33 Decision Item A - Potential Federal Funds Reductions
Decision Item B - State Special Revenue
Decision Item C - Personal Services

01:16:24 Rep. Sesso asked that personal services include statewide by agency. Ms. Smith said she would amend the motion to include a process for a statewide report to House Appropriations and Senate Finance and Claims.
Decision Item D - Coordination Between HB 2, HB 10 & LRP
Decision Item E - Information Technology Critical Systems

01:21:09 **MOTION: Rep. Cook** moved to adopt decision item A (as amended), B as is, C (as amended), and D and E as is. **VOTE:** Motion passed.

UPDATE ON FIRE SUPPRESSION COSTS

01:21:54 Christina Allen, Fiscal Analyst, LFD provided a report on Fire Suppression Costs. (Exhibit 2) For FY 2012 the state incurred \$20.0 million in fire suppression costs, of which \$3.5 million is reimbursable by other parties. As of October 17, 2012, the FY 2013 estimated expenses are \$55.2 million, of which \$7.7 million are reimbursable by other parties.

DEFINITION OF ENDING FUND BALANCE

01:22:58 Amy Carlson, LFA, LFD presented a handout showing examples of various charts that could be used on the Status Sheet and several examples of definitions for ending fund balance (Exhibit 3). Also provided is a memo outlining recommended improvements from several members of the legislature. (Exhibit 3a)

COMMITTEE DISCUSSION

01:31:32 Sen. Jones
01:32:49 Sen. Lewis
01:33:19 Rep. Cook
01:34:25 Rep. Sesso
01:35:28 Sen. Jones

INFORMATION TECHNOLOGY

The CIO report was included in the committee notebooks but no formal presentation was made. (Exhibit 4)

01:38:35 Ron Baldwin, provided a report on CHIMES-EA (Exhibit 4a) The report discusses project scope, objectives, time line, issues and benefits of the project.

COMMITTEE DISCUSSION

01:57:08 Sen. Wanzenried

02:05:15 Sen. Williams

02:10:12 Rep. Sesso

REVIEW OF MITA

02:13:4622 Barbara Smith, Assistant Principal Fiscal Analyst, LFD presented a report on the MITA Review: An Update. (Exhibit 5) The legislature sets the tone for the investment in and management of IT resources through MITA. If the provisions of MITA are not up-to-date with technology and do not adequately represent the goals of the legislature, the outcome will not meet expectations. This report provides potential options for consideration.

02:15:00 Dick Clark, State CIO, Department of Administration, commented that at some point the MITA law needs to be reviewed. Future CIO's do not have the authority to go with the responsibility.

PENSIONS

02:23:04 Sheri Scurr, Researcher, Legislative Services Division, provide a list of Bill Summaries and a report Extract of Pension Information prepared for the State Administration and Veterans' Affairs Interim Committee. (Exhibit 6 and 6a)

02:25:02 Joe Triem, Assistant Principal Fiscal Analyst, LFD presented an analysis of the Governor's Proposal to Address the TRS Unfunded Liability (LCSA06). (Exhibit 7) LCsa06 uses a combination of three funding strategies to reduce the existing TRS ARC shortfall, and creates a second tier membership for employees hired after July 21, 2013.

02:33:56 Joe Triem, Assistant Principal Fiscal Analyst, LFD presented an analysis of the Governor's Proposal to Address the PERS Unfunded Liability (LCSA07). (Exhibit 8) LCsa 07 uses a combination of four strategies to reduce the existing PERS ARC shortfall.

COMMITTEE DISCUSSION

02:40:59 Sen. Lewis

02:43:24 Rep. Cook

02:43:50 Rep. Sesso

02:45:39 Sen. Ripley

02:50:02 Sen. Jones

MONTANA PENSION SYSTEM REVIEW

02:54:00 David Draine, Researcher, Public Sector Retirement Systems, Pew Center on the States gave testimony on Montana Pensions. To view the report visit the following link: <http://leg.mt.gov/css/fiscal/reports/2011-2012-interim-reports.asp>

COMMITTEE DISCUSSION

03:13:35 Rep. Cook
03:04:38 Sen. Williams
03:16:44 Sen. Wanzenried
03:23:27 Sen. Jones
03:27:14 Sen. Ripley
03:31:31 Rep. Cook
03:32:32 Sen. Lewis
03:33:45 Rep. Hollenbaugh

PUBLIC COMMENT

03:37:09 Sen. Jim Peterson, President of the Senate
03:38:27 David Senn, Executive Director, Teacher's Retirement System
03:41:33 Diane Fladmo, Director of Research, MEA-MFT
03:46:26 Roxanne Minnehan, Executive Director, Public Employees Retirement System
03:47:33 Sheryl Wood, Associate Director, Montana Association of Counties
03:48:55 Tom Schneider, Montana Public Employees Association

LUNCH

04:21:00 At 12:21 p.m., **Chairman Sesso** closed the meeting with permission for the HR manager to stay to discuss the Legislative Fiscal Analyst/Director performance feedback.

COMMITTEE BUSINESS

05:11:20 Amy Carlson, LFA, presented a longevity pin to Jim Standaert, Senior Fiscal Analyst for 25 years of service to the State of Montana.

05:12:06 **Chairman Sesso** presented a longevity pin to Amy Carlson, LFA for 20 years of service to the State of Montana.

05:12:45 Amy Carlson, announced that Marilyn Daumiller, Senior Fiscal Analyst has been selected as the co-chair of the NCSL National Welfare Committee.

COMMITTEE LEGISLATION

05:13:21 Julie Johnson, Staff Attorney, Legislative Services Division said sponsors need to be assigned to the LFC bill drafts.

05:14:50 LC 157 will be sponsored by **Rep. Cook** (Exhibit 9)
05:15:15 LC 172 will be sponsored by **Rep. Gibson** (Exhibit 10)
05:15:42 LC 299 will be sponsored by **Sen. Ripley** (Exhibit 11)
05:17:15 LC 328 will be sponsored by **Rep. Cook** (Exhibit 12)
05:17:19 LC 329 will be sponsored by **Rep. Hollenbaugh** (Exhibit 13)

PERFORMANCE MEASUREMENT

05:19:12 Robert Miller, Fiscal Analyst, LFD presented a report on Montana Digital Academy. (Exhibit 14) This report discusses FY 2012 expenditures, funding sources and enrollment. It also includes FY 2013 projected enrollment and expenditures. A number of options are provided for legislative consideration regarding performance measurement, funding and mission of the MTDA.

COMMITTEE DISCUSSION

05:29:34 Rep. Sesso
05:35:59 Sen. Jones
05:39:01 Rep. Sesso
05:43:10 Sen. Jones

MONTANA STATE FUND BUDGET

05:44:54 Kris Wilkinson, Senior Fiscal Analyst, LFD presented the Montana State Fund 2013 Budget Analysis. (Exhibit 15) The report discusses the analysis of the MSF board-approved 2013 budget for the New Fund and administrative and benefit and claim costs for the Old Fund. It also discusses the FY 2012 budget and actual costs, and general fund transfers required in the 2015 biennium.

05:55:30 Laurence Hubbard, President Montana State Fund, discussed the tier rating program and reserve to equity targets.

COMMITTEE DISCUSSION

06:09:00 Rep. Cook
06:09:41 Sen. Lewis
06:11:29 Rep. Sesso

GENERAL FUND BUDGET UPDATE

06:14:32 Terry Johnson, Principal Fiscal Analyst, LFD provided a written report and power point presentation on General Fund Revenue Update. (Exhibit 16 and 16a) The purpose of the report is to update the Legislative Finance Committee on the status of general fund revenue collections through the end of October FY 2013 as compared to the same period for FY 2012.

06:35:05 **Rep. Sesso** thanked Mr. Johnson for his years of public service and wished him well in future endeavors.

REQUIRED REPORTS

The following reports were included in the committee notebooks but no formal presentation was made:

- ▶ Required Reports (Exhibit 17)
- ▶ Budget Amendments (Exhibit 18)

06:40:43 **Rep. Sesso** thanked Rep. Hiner for her service to Montana and wished her well in future endeavors.

06:41:40 **Rep. Sesso** said he would be open to a motion to move the retirement bills forward as presented.

COMMITTEE DISCUSSION

06:47:30 Rep. Hollenbaugh
06:48:47 Sen. Wanzenried
06:49:25 Sen. Ripley
06:51:19 Sen. Jones
06:53:27 Rep. Hollenbaugh
06:54:54 Rep. Cook
06:55:37 Sen. Lewis
06:56:15 Rep. Sesso

ADJOURNMENT

06:45:22 With no further business before the committee, Chairman Sesso adjourned the meeting at 3:06 p.m.

Rep. Jon Sesso, Chairman

Diane McDuffie, Committee Secretary