



LEGISLATIVE FINANCE COMMITTEE

60TH Montana Legislature

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

SENATE MEMBERS

TRUDI SCHMIDT--Chair
KEITH BALES
JOHN BRUEGGEMAN
JOHN COBB
DAVID WANZENRIED
CAROL WILLIAMS

HOUSE MEMBERS

RICK RIPLEY--Vice Chair
RON ERICKSON
CYNTHIA HINER
DAVE KASTEN
JON SESSO
JANNA TAYLOR

MINUTES

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.

April 2, 2009

COMMITTEE MEMBERS PRESENT

SEN. TRUDI SCHMIDT, Chair
SEN. KEITH BALES
SEN. JOHN BRUEGGEMAN
SEN. DAVID WANZENRIED
SEN. CAROL WILLIAMS

REP. WALTER MCNUTT
REP. CYNTHIA HINER
REP. DAVE KASTEN
REP. JON SESSO
REP. JANNA TAYLOR
REP. CHUCK HUNTER

COMMITTEE MEMBERS ABSENT

SENATOR RICK RIPLEY, Vice-Chair

STAFF PRESENT

Clayton Schenck, LFA
Diane McDuffie, Committee Secretary

00:00:01 **CALL TO ORDER AND ROLL CALL**

Senator Trudi Schmidt, Chair called the 207th meeting of the Legislative Finance Committee to order at 5:00 p.m. on Thursday, April 2, 2009. The meeting was held in Hearing Room 137 of the State Capitol, Helena, Montana. She welcomed Rep. Hunter and Rep. McNutt, who replaced Rep. Erickson and Rep. Ripley. The secretary noted the roll. (Attachment #1)

00:01:23 **BUDGET OVERSIGHT/MONITORING ISSUES**

Taryn Purdy, Principle Fiscal Analyst, presented the Operating Plan Changes and Program Transfers. (Exhibit 1) Ms. Purdy explained that the Office of Budget and Program Planning (OBPP) submitted four operating plan changes and 2 transfers that meet the statutory threshold that requires them to be brought before the LFC prior to implementation. OBPP also submitted 3 operating changes and 1 program transfer already approved due to time sensitivity. Staff has reviewed the changes and raises no issues.

00:02:27 **COMMITTEE BUSINESS**

Clayton Schenck, Legislative Fiscal Analyst, presented the following items under committee Business:

1. Legislative Finance Committee Status of Committee Bills (Exhibit 2)
2. Legislative Finance Committee Interim Workload Analysis (Exhibit 3)
3. Legislative Finance Committee Staff Needs Assessment (Exhibit 4)
4. Budget Considerations for Inclusion in HB 2 (Exhibit 5)

Mr. Schenck explained that the committee sponsored 14 bills this session and at this time 4 are dead and 3 have been signed by the Governor. Several bills will have a significant impact on staff, the committee, and staff resources if passed. Mr. Schenck told the committee that due to workload the LFD could justify 7 new FTE. 4 FTE are related to the bills, 2 FTE for tax policy analysis and 1 FTE for a staff attorney specializing in appropriations law.

00:17:27 **Rep. Sesso** said the contingency on HB 81 could be removed because it did not meet the deadline and is now dead.

00:18:39 **Rep. Taylor** said she thought SB 241 would be considerably less than estimated. Mr. Schenck said the original fiscal note was developed by the Department of Administration and based on their analysis the fiscal note was valid.

00:21:19 **Sen. Wanzenried** asked if the \$160,000 in the fiscal note for SB 460 would be adequate and if the bill is not passed how much time and effort will be required from staff to perform the duties. Mr. Schenck said the fiscal note is adequate but staffing for LFD is an issue that will have to be dealt with separately.

00:24:08 Mr. Schenck also presented a copy of the proposed meeting dates for the 2011 Biennium Interim. (Exhibit 6)

00:25:52 **Rep. Sesso** said he will recommend that the oversight committee be a subset of the LFC along with Revenue and Transportation, Education and Local Government, and Health

and Human Services interim committees.

00:29:02 Clayton Schenck provided the committee with his retirement letter. (Exhibit 7) Mr. Schenck informed the committee that he intends to retire December 31, 2009. He thanked the committee for the opportunity to work for them.

00:33:38 **Sen. Wanzenried** requested a discussion on the impact on the Department of Revenue with regard to the level of reductions in HB 2 and the potential impact on its ability to collect revenue and property taxes.

00:35:11 Mr. Schenck said there are a number bills that have an impact on revenue impact, and if passed are included on the status sheet showing the revenue impact based on the fiscal note. In this case, the fiscal impact is not know and was not included on the status sheet. LFD staff acknowledges that the level of reductions in the Department of Revenue will likely have a fiscal impact. Mr. Schenck recommended a bipartisan group meet to figure out what the fiscal impact will be.

00:37:19 **Sen. Bales** said there are several bills that have not reached conclusion that may have an impact on revenue estimates in the future and it may not be appropriate to single out one bill for discussion.

00:39:17 **Sen. Bales** asked Rep. Sesso if the House Appropriations Committee discussed these reductions in the Department of Revenue.

00:39:39 **Rep. Sesso** said it was discussed and the department made it clear there were serious ramifications of the cuts. Contingency language in HB 2 includes the addition of a number of FTE and \$1.5 million over the biennium that is tied to SB 315. Also, a number of FTE in the department were changed to permanent FTE. The committee's actions were based on a global reduction in present law adjustments and not on any specific division. The intent was to grant the director full discretion on determining where the \$3.0 million each year would be cut.

00:43:23 **Sen. Bales** said a full and complete hearing was conducted on House Bill 2 and the department had ample opportunity to give testimony about the affects of any proposed cuts made in HAC. It is not the duty of this committee to address bills in the process at the present time.

00:44:46 Clayton Schenck, LFA noted that the general fund status sheet rules are determined by this committee. There are instances occasionally that don't fit within the rules. In the past, the committee has deferred to the Management Advisory Committee.

00:46:16 **Sen. Williams** said this issue needs to be discussed and the appropriate way may be to have the Management Advisory Committee meet with the department in an effort to reach a consensus.

00:47:18 **Rep. McNutt** said programs were not picked when dealing with present law adjustments. Overall there was a reduction to the department, but to be projecting revenue loss is disappointing because we don't know where the reductions will be applied. Management needs to find ways to be more efficient and still get the job done.

00:49:30 **Sen. Trudi Schmidt**, Chairman said the Management Advisory Committee will meet at a later date to deal with this issue.

00:49:33 **NEXT MEETING**
The next meeting of the Legislative Finance Committee will be June 18, 2009.

00:50:04 **ADJOURNMENT**
Meeting adjourned at 6:00 pm.

Rep. Janna Taylor, Secretary

Diane McDuffie, Committee Secretary