



LEGISLATIVE FINANCE COMMITTEE

61st Montana Legislature

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

SENATE MEMBERS

KEITH BALES
STEVE GALLUS
DAVE LEWIS
RICK RIPLEY
DAVID WANZENRIED
CAROL WILLIAMS

HOUSE MEMBERS

WILLIAM GLASER
CYNTHIA HINER
GALEN HOLLENBAUGH
LLEW JONES
JON SESSO
JANNA TAYLOR

DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

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.

COMMITTEE MEMBERS PRESENT

SEN. KEITH BALES
SEN. STEVE GALLUS
SEN. DAVE LEWIS
SEN. DAVID WANZENRIED
SEN. CAROL WILLIAMS

COMMITTEE MEMBERS ABSENT

SEN. RICK RIPLEY

REP. WILLIAM GLASER
REP. CYNTHIA HINER
REP. GALEN HOLLENBAUGH
REP. LLEW JONES
REP. JON SESSO
REP. JANNA TAYLOR

STAFF PRESENT

AMY CARLSON, Director
DIANE MCDUFFIE, Secretary

Visitors

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

CALL TO ORDER AND ROLL CALL

00:00:01 **Representative Llew Jones**, Chair called the 213th meeting of the Legislative Finance Committee to order at 1:00 p.m. on Monday, June 14, 2010. The meeting was held in Hearing Room 172 of the State Capitol, Helena, Montana. The secretary noted the roll. Attachment #2.

APPROVAL OF MINUTES FOR THE MARCH 4 & 5, 2010 MEETING

00:00:51 **MOTION: Senator Wanzenried** moved the minutes of March 4 and 5 be approved as submitted. **VOTE:** Motion passed.

UPDATE ON PPL COMPENSATORY DAMAGES

00:01:56 Barb Smith, Fiscal Analyst, Legislative Fiscal Division (LFD) presented a report on PPL Compensatory Damages and Appropriations Authority; a legal opinion written by Jaret Coles, Legislative Staff Attorney; Preliminary Approval for Acquisition of Lands; and a list of frequently asked questions drafted by DNRC. (Exhibits 1, 1a, 1b & 1c) The purpose of this memo is the subject of appropriation authority to expend the compensatory damages and to provide options should the committee wish to address the classification. Ms. Smith explained that initial review of the resolution prepared by DNRC misclassifies these funds as non-state funds and incorrectly avoids the need for a legislative appropriation.

00:06:32 Mary Sexton, Director, Department of Natural Resources and Conservation (DNRC) emphasized that the compensatory damages are for the unjustified enrichment that PPL gained for the occupation of the riverbeds that are considered to be state lands. The Supreme Court determined that the damage is to the trust principle to make it whole. Because these damages were to the principle of the trust these are not state revenues but a unique category of revenue.

00:11:13 Candace West, Chief Legal Counsel, DNRC explained the nature of the litigation and what was awarded to the State. She said that the compensatory damages are awarded to compensate the trust to make it whole and is neither a permanent disposition of public trust lands nor payment of rent. The Land Board intends to fully comply with its constitutional obligations and authority in making a determination for the expenditure of these damages.

00:35:40 Greg Petesch, Legal Director, Legislative Services Division (LSD), explained that the riverbeds are part of state land that is held in trust for the beneficiaries but are not part of the public school fund except that the legislature has statutorily directed the rents received from the use of these riverbeds to support K-12 schools. It is not required that the legislature use money derived from riverbeds for K-12 schools because they are received from the federal government. Without being part of the public school fund they can be used for any of the beneficiaries for which we received federal land. Mr. Petesch said he fails to understand how money ordered by Montana State Courts to be paid to the State of Montana as compensation for use of a state resource converts into private money. As for making the trust whole, the trust in this case is the land itself. The beneficiaries of the trust are the people who were harmed by not collecting rent for the years that the riverbeds were used to generate hydroelectric power. There is nothing in the opinion by the Montana Supreme Court that said that the payment to the state had to

be used to be put back into the trust.

QUESTIONS FROM THE COMMITTEE

- 00:41:45 **Senator Lewis** commented that the constitution states, "Except for interest on the public debt no money should be paid out of the treasury unless upon an appropriation made by law." He said it is clear that the people want the legislature to be involved in the policy decision regarding this money. Ms. West stated that this is not an attempt to go outside of the constitution but to be in compliance.
- 00:54:28 **Rep. Taylor** asked if this money will go to the school facilities or to common schools Mr. Petesch said that money from the leases of the riverbeds will go to first the guarantee account then to school facilities.
- 00:57:14 **Sen. Bales** asked if the proposed land purchase is for school trust lands. Mr. Petesch said he assumes they are merely trust lands. Sen. Bales asked Mr. Petesch how he would define these monies. Mr. Petesch said it is compensation paid to the State of Montana for the illegal use of its land. It was illegal because it was used without the permission of the state in the form of a lease. The amount of damages was calculated based on what could have been received had a lease been entered into under statute.
- 01:00:38 **Chairman Jones** commented that the Management Advisory Group discussed this issue and there were various opinions on buying land. The primary concern expressed was setting a precedent that would cede legislative authority to spend state money.
- 01:08:55 **BREAK**

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES BUDGET PRESSURES

- 01:26:13 Amy Carlson, Director, LFD presented an update on Department of Public Health and Human (DPHHS) Services Budget Status. (Exhibit 2) Ms. Carlson said that DPHHS has been showing budget pressures relative to the level of spending that LFD has been showing on the balance sheet. The DPHHS has appropriations of about \$345 million in FY 2010 and are anticipating a range of expenditures of about \$340 to \$350 million. Currently on the balance sheet both the Office of Budget and Program Planning (OBPP) and the LFD has been showing \$341 million assuming an underspending of appropriations as a result of a change in federal FMAP adjustments. Any spending above \$341 million implies that there will be continuing budget pressure in FY 2011.
- 01:29:45 Anna Whiting Sorrel, Director, DPHHS said the department believes they are within \$5.0 million plus or minus of having a balance budget for the first have of this biennium. She said her fiscal staff is taking conservative approaches in what they are projecting for fiscal year end.
- 01:34:57 **Senator Lewis** asked if the department is prepared to discuss the \$22.0 million budget reductions for next biennium. Ms. Sorrel said the OBPP has directed the department not to request the 5 percent trigger amount in the next session and the Governor has also asked for a permanent 4 percent cut in FTE. Those two reductions are close to \$22.0 million. She said she will have recommendations at the October meeting of the performance measures workgroup.

GENERAL FUND BALANCE UPDATE

01:38:21 Terry Johnson, Principal Fiscal Analyst, LFD presented a written report on General Fund Balance Update and a power point presentation. (Exhibits 3 and 3a) The purpose of this report is to provide the committee with general fund revenue collection data through May FY 2009 compared to May FY 2010. Mr. Johnson explained that total general fund revenue collections through May continue to lag the revenue estimates used by the 61st Legislature for FY 2010. Total general fund revenues for the 2011 biennium are estimated to be \$349.9 million less than anticipated by the 61st Legislature.

REFERENCE BOOK REVIEW (options for closing the budget gap)

02:09:29 **Rep. Jones** explained the purpose of the Reference Book is the committee asked staff to begin compiling options for legislative consideration due to the projected long-term imbalance between on-going revenues and on-going costs of maintaining current services of government.

02:11:19 Taryn Purdy, Principal Fiscal Analyst, LFD presented a report on Reference Book Status Update, Legislative Options Criteria Name Listing, and a report on Actions by Other States to Close Budget Gaps. (Exhibit 4, 4a, & 4b) The Reference Book contains an initial listing of options compiled by the Legislative Fiscal Division for LFC review, direction, and comment, and eventually for legislative consideration in the 2011 session to help balance the state's general fund budget. These are not recommendations and do not represent endorsement by this committee.

02:19:47 **Rep. Jones** discussed appointing four LFC members to an education, medication, and incarceration subcommittee and ask the interim committees to also appoint four members and possibly two members from Council. These subcommittees will meet to further flush out the reference book. The other interim committees will be asked for time on their agenda to hear a description of each option.

02:22:48 Amy Carlson, Director, LFD explained that any subcommittee of this committee is a subcommittee of the LFC and the people invited are guests to the subcommittee and are not officially part of the subcommittee. The next version of the reference book would have comments and feedback from all legislators participating.

Global

02:24:21 Ms. Purdy provided a brief overview of the proposed options for global and statewide issues. (Exhibit 4c) In this section are options that cross sections of spending. There also a number of revenue options.

General Government

02:27:40 Ms. Purdy provided a brief overview of the proposed options for the Legislative Branch, Governor's Office, Department of Revenue, Department of Administration, Department of Commerce, Department of Labor & Industry, and the Department of Military Affairs. (Exhibit 4d) In this section there are several options that impact the State Employee Benefits function. The option to limit the reserve amount for State Employee Group Health Plan was determined by staff to require a high level additional work.

Health & Human Services

02:28:54 Ms. Purdy provided a brief overview of the proposed options for the Department of Public Health and Human Services. (Exhibit 4e) There are 36 potential options for this section but very few do not involve the loss of some degree of services currently being offered or payments to providers. Where the legislature probably has the most opportunity to have a significant impact on expenditures is by identifying and requiring adherence to various treatment protocols and evidence based practices in Medicaid. This option would take more work and will probably require investment by the legislature. The amount saved and when is not know at this time but the potential is large.

Natural Resources & Transportation

02:31:24 Ms. Purdy provided a brief overview of the proposed options for the Department of Environmental Quality, Department of Livestock, Department of Natural Resources and Department of Agriculture. (Exhibit 4f) In this section there a number of options dealing with fire costs, an option to consolidate Agriculture and Livestock, return primacy to the EPA, eliminate lab subsidies, redirect energy savings, and require PPL rents be deposited into the General Fund. Generally the options listed do not require a high degree of additional staff time.

02:32:31 **Senator Wanzenried** asked if the options in Human Services meet the Maintenance of Effort requirements. Ms. Purdy said that one of the options would take the general fund expenditures down to the Maintenance of Effort level.

02:33:48 Marilynn Daumiller, Fiscal Analyst, LFD said staff is looking for where Maintenance of Effort has been appropriated by the legislature historically that is beyond the required amount.

02:34:29 **Rep. Hollenbaugh** asked if the legislature is allowed to deposit PPL rent payments into the general fund.

02:34:56 Jaret Coles, Attorney, LSD said the legislature as a whole would have the authority to take PPL future rent money and designate usage for a number of purposes.

Judicial Branch, Law Enforcement, and Justice

02:35:48 Ms. Purdy provided a brief overview of the proposed options for the Judicial Branch, Department of Justice, Office of Public Defender, and Department of Corrections. (Exhibit 4g) The options provided are fairly general and estimate the additional time necessary to bring these to fruition will be fairly high.

Education

02:37:08 Ms. Purdy provided a brief overview of the proposed options for the Office of Public Instruction, Commissioner of Higher Education, Montana Arts Council, and the Historical Society. (Exhibit 4h) There are a large number of options in K-12. Also, discussed in this section is any impact on local tax payers. Several of the options will be up to the Board of Regents on whether they wish to pursue them.

- 02:39:19 **Rep. Jones** said the Management Advisory Group suggested changing the language regarding the closure of Montana State University-Northern to "look at closures or reductions" not directed at a single university.
- 02:45:06 Amy Sassano, Office of Budget and Program Planning (OBPP) said that agencies submitted their EPP (Executive Planning Process) the beginning of May and are being analyzed by the budget office. The budget office requested a 4.0 percent permanent reduction in personnel services for all agencies. The reduction will generate approximately \$8.0 million a year for the general fund. On September 1 agencies will submit budget requests. On November 1 the budget office will provide the LFD with a copy of the present law budget and on November 15 the budget office will provide the LFD with a preliminary Governor's budget. The Governor has until December 15 to provide any amendments to the preliminary budget. Ms. Sassano said the budget office will meet the November 15 deadline but more than likely there will be amendments by December 15.
- 02:48:28 **Senator Wanzenried** asked if the budget office agrees with the observations and recommendations in Mr. Johnson's general fund update (Exhibit 2) Ms. Sassano said it's early in the process and both offices are continuing to monitor revenues.
- 02:48:51 **Senator Lewis** said that based on the projections from the LFD the legislature is looking at roughly \$400 million deficit and asked if the budget office agrees that's in the neighborhood or range of the budget office revenue estimates. Ms. Sassano said neighbor is a good estimate.

PUBLIC COMMENT

- 02:52:22 Eddie Black - MTSBA (Exhibit 4i)
- 02:53:15 Matt Kuntz - NAMI
- 02:54:37 Eric Fever - MEA-MFT
- 02:57:13 Bob Olsen - MHS
- 03:00:42 Rose Hughes - MHCA
- 03:03:23 Harold Blattie - MACO
- 03:05:50 Alex Hansen - Montana League of Cities and Counties
- 03:09:24 Lorents Grosfield, former legislator
- 03:13:34 Mick Robinson - Montana University System

ADJOURN

Meeting adjourned and will reconvene Tuesday, at 8:00 a.m.

Tuesday, June 15, 2010

COMMITTEE MEMBERS PRESENT

SEN. KEITH BALES
 SEN. DAVE LEWIS
 SEN. RICK RIPLEY
 SEN. DAVID WANZENRIED
 SEN. CAROL WILLIAMS

COMMITTEE MEMBERS ABSENT

SEN. STEVE GALLUS

REP. WILLIAM GLASER
REP. CYNTHIA HINER
REP. GALEN HOLLENBAUGH
REP. LLEW JONES
REP. JON SESSO
REP. JANNA TAYLOR

STAFF PRESENT

AMY CARLSON, Director
DIANE MCDUFFIE, Secretary

CALL TO ORDER AND ROLL CALL

00:00:22 The 213th meeting of the Legislative Finance Committee reconvened at 8:00 a.m. on Tuesday, June 15, 2010. The meeting was held in Hearing Room 172 in the State Capitol, Helena, Montana. The secretary noted the roll.

REFERENCE BOOK

00:01:26 **Rep. Jones** explained that the Education Subcommittee will include members from Revenue and Transportation Interim Committee (RTIC) and Legislative Council. LFC members are **Rep. Llew Jones, Sen. Carol Williams, Rep. Galen Hollenbaugh,** and **Rep. Bill Glaser.** LFC members for the Medication Subcommittee are **Sen. Dave Wanzenried, Sen. Dave Lewis, Sen. Rick Ripley,** and **Rep. Jon Sesso.** LFC members for the Incarceration Subcommittee are **Sen. Steve Gallus, Sen. Keith Bales, Rep. Cindy Hiner,** and **Rep. Janna Taylor.**

The following is a list of LFC members to visit with Interim Committees for Reference Book discussions:

- Economic Affairs Interim Committee - **Rep. Galen Hollenbaugh, Sen. Carol Williams**
- Energy & Telecommunications - **Rep. Janna Taylor, Rep. Cindy Hiner**
- Environmental Quality Council - **Sen. Carol Williams, Sen. Rick Ripley**
- State Administration & Veteran's Affairs - **Sen. Dave Lewis, Rep. Jon Sesso**
- Revenue & Transportation - **Rep. Llew Jones, Rep. Bill Glaser, Rep. Jon Sesso**

00:05:20 **MOTION: Sen. Williams** moved the following:

- Eliminate the reference to a specific institution on page 21 of the education section.
- Change Description of Options to: "the Commissioner of Higher Education may want to look at closing a unit, a department, section, or a service provided in the educational units of the university system.
- Change Summary of Issues to: delete all language and replace with "Request Board of Regents to evaluate system efficiency and bring forth options for reducing or eliminating a unit, department, section, service provided, or in the educational units of the Montana

- University System."
- Change How the Fund Balance Would Be Impacted to: Delete "institutional" and replace with unit, department, section or service" and add "or departments"
- Change Legislation Required to: add "department, section or service."

VOTE: Motion passed.

PROCESS FOR SUBCOMMITTEE ACTION AND BUDGET ADOPTION

- 00:08:13 **MOTION: Sen. Lewis** moved to adopt as a starting point the present law budget less 5 percent.
- 00:09:12 Amy Carlson, Director, LFD referred to page 8 of the 2013 Biennium Budget Planning report in tab 8 of the committee notebooks. (Exhibit 5) The initial motion in all appropriation subcommittees for a starting point for budget deliberations shall include: the adjusted base to include personal services adjustments, statewide fixed costs, and inflation; any decision packages necessary to implement the two percent reductions approved in the 2009 session in an ongoing manner; and the five percent reduction plans provided in 17-7-111(3)(f), MCA.
- 00:28:43 **VOTE:** Motion passed.
- 00:30:57 **MOTION: Sen. Lewis** moved to request that the LFD and the LSD draft a bill that includes all statutory changes required to implement the 5 percent reductions provided in 17-7-111(3)(f), MCA. **VOTE:** Motion passed.
- 00:31:06 **Sen. Wanzenried** proposed a discussion on the coordination of HB 2 and the HJ 2 processes.
- 00:34:17 **Rep. Jones** said the Revenue and Transportation Interim Committee (RTIC) is looking at the process and for developing the revenue estimates for the next session.
- 00:35:38 Amy Carlson, Director, LFD said the RTIC does not have any specific recommendations at this time but are definitely looking at the session process and before session process. She provided a copy of an email from Jeff Martin, Researcher, LSD (Exhibit 6)
- 00:37:00 **Sen. Williams** said that Legislative Council is also concerned and is talking about having a workshop on revenue projections for new Leadership.

MONTANA CORRECTIONAL SYSTEM: STRESSORS AND CHALLENGES

- 00:47:06 Pat Gervais, Fiscal Analyst, LFD presented a report on the Montana Correctional System (Exhibit 7) The purpose of this report is to provide the Legislative Finance Committee with information related to the Department of Corrections, prepare the legislature for issues that are likely to be considered during the coming legislative session, and provide the legislature with options to address fiscal and other challenges.
- 01:21:44 Pam Bunke, Administrator, Adult Community Corrections Division, Department of Corrections (DOC) said Montana has all the alternative programs that offenders can be diverted through at this point. Ms. Bunke cautioned to avoid the proposals that produce

short term savings but in the long term may cost more. The new START facility will have ten mental health beds available that should divert some of the population going to prison.

01:27:33 **Rep. Hiner** asked if the department is able to keep the diversion programs full. Ms. Bunke said they are able to keep the programs full. She said they generally have waiting lists.

01:31:33 **BREAK**

PPL COMPENSATORY DAMAGES

01:50:52 **MOTION: Sen. Williams** moved the Legislative Finance Committee send a letter to the Land Board stating: "The Legislative Finance Committee recognizes that the Legislature alone has the constitutional authority to appropriate state revenue. This authority needs to be safe guarded carefully. At the same time, a disagreement between branches of government that leads to court action is best avoided. The Legislative Finance Committee will begin discussions with staff and members of the Land Board in an attempt to resolve the differences in legal analysis regarding the disposition of the Pennsylvania Power and Light compensatory damages. The goal is to resolve these differences by June 28, 2010." **VOTE:** Motion passed unanimously. **Rep. Sesso** voted for **Sen. Gallus** by proxy. Liaisons for the Legislative Finance Committee are **Sen. Dave Wanzenried** and **Sen. Rick Ripley**

PUBLIC DEFENDER SYSTEM: FOLLOW UP REPORT

01:56:34 Pat Gervais, Fiscal Analyst, LFD presented a report on the Public Defender System (OPD). (Exhibit 8) The purpose of this report is to provide the Legislative Finance Committee additional information regarding selected items related to the Public Defender System. At the March LFC meeting, the committee heard a report about the public defender system and determined that it would like additional information on: 1) impacting caseload and costs; and 2) minimum caseload requirements. The report builds on the previous report and provides the LFC with additional information for potential legislative action.

02:21:25 Randi Hood, Chief Public Defender, OPD briefly commented on Ms. Gervais' report and provided a handout on Financial and FTE Trends. (Exhibit 8a)

02:39:04 **Sen. Wanzenried** asked if it's likely in FY 2011 the OPD will have a substantial shortfall and are there any proposals in Ms. Gervais' report that would cause a reduction in costs. Ms. Hood said they will continue all efforts to try to mitigate. There are some cases they provide representation for that don't need it, such as people who are the subject of petitions for conservators or guardianships. A great number of those people have assets.

02:45:09 **Chairman Jones** asked how many times does the OPD see local ordinances causing the need for public defender. Ms. Hood said it varies around the state.

PUBLIC COMMENT

02:48:05 Kelsen Young - Montana Coalition Against Domestic and Sexual Violence
02:50:39 Pat Kein - Alternatives Inc.

02:58:49 **MOTION: Sen. Bales** moved the LFC submit the following generic bill draft requests: 1) local municipalities be financially responsible for the public defender and; 2) address changing jail time and or sentencing guidelines for certain offenses. Specific details of the bills will be determined in subcommittee. **VOTE:** Motion passed.

INFORMATION TECHNOLOGY

03:01:00 Greg DeWitt, Fiscal Analyst, LFD discussed the CIO Report. (Exhibit 9) Mr. DeWitt said the statewide information security policy will have a fiscal impact. It will vary from agency to agency based on their size, complexity and information systems.

03:01:52 Dick Clark, CIO, ITSD, Department of Administration presented the IT Portfolio Report. (Exhibit 9a) Mr. Clark reported that the MERLIN project is in yellow status due to a print issue that should be resolved today. The program is stabilized and all the accounting issues have been resolved.

03:08:22 Ron Baldwin, CIO, Department of Public Health and Human Services provided an update on the Long Range IT projects.

03:11:43 **Rep. Sesso** asked why implementation of the Child Welfare Information System (MACWIS) project has been delayed. Mr. Baldwin said the department was directed by the Governor's office to look at the long range projects and the general fund required. The department believes the MACWIS project could be postponed without compromising other efforts in the department to build efficiencies. The department is implementing certain federally mandated enhancements to the current legacy system.

03:20:29 **Sen. Bales** asked how much will the upgrades to the current system cost. Mr. Baldwin said a high level estimate is around \$1 to \$2 million.

MITA GOVERNANCE WORK GROUP DISCUSSION

03:27:35 Greg DeWitt, Fiscal Analyst, LFD presented the MITA Issues Committee Discussion Paper (Exhibit 10) The purpose of this document is to aid the committee in a discussion of key issues and options for addressing concerns with the Montana Information Technology Act.

03:29:28 **Rep. Hollenbaugh** said the workgroup discussions ranged from the creation of an IT department to what will IT infrastructure look like in the future and substantial costs associated with IT. The CIO has a lot of authority to review state projects however, it became clear that many exemptions have been given to departments. The MITA act may not have the ability to make sure that somebody is responsible for overseeing state projects. **Rep. Hollenbaugh** said the workgroup is not be able to provide committee bill specifics at this time.

03:32:05 **Rep. Glaser** recommended the workgroup continue to monitor the issue and possibly make a recommendation at a later date.

03:43:05 Dick Clark, CIO, ITSD, commented on enforcement of IT polices and what does the legislature want the CIO to be in the future. He said the role of delivery of IT in the new computing world has changed and at some point the legislature will have to look at the trends.

03:55:08 **Rep. Hollenbaugh** said the workgroup will provide direct recommendations regarding authority of the CIO at the next LFC meeting.

04:02:48 **LUNCH**

STATE PARKS: UPDATE

05:05:59 Barbara Smith, Fiscal Analyst, LFD presented a report on State Parks: Update. (Exhibit 11) In December of 2009, the LFC was provided a report regarding the structural imbalance associated with operating the state park system. The LFC directed LFD staff to work with the Department of Fish, Wildlife and Parks (FWP) to provide recommendations to the LFC to address structural imbalance. This report also includes options to address the longer term issues such as defining a state park system, including lease issues and land inventory.

05:18:06 Chas Van Genderen, Parks Administrator, Department of FWP provided comments on the state parks update.

05:25:58 **Sen. Ripley** asked if the increase in usage will cover the structural imbalance. Mr. Van Genderen said an increase in utilization will not be sufficient. **Sen. Ripley** asked if the department will have a recommendation for this committee or the appropriations subcommittee to address the structural imbalance. Mr. Van Genderen said there are good recommendations in Ms. Smith's report. (Exhibit 11) In addition, the department is putting forth recommendations to the executive.

PUBLIC COMMENT

05:35:19 Mike Penfold-Frontier Heritage Alliance - Billings, MT

05:40:12 Paul Hickman, Our Montana - Billings, MT

05:43:30 Howard Bogus - Frontier Heritage Alliance - Billings, MT

05:51:52 Maria Berger, Travelers' Rest Preservation

05:57:28 Jim Swanson - Glendive - MT

06:02:49 Sen. Brad Hamlett, SD 10, First Peoples Buffalo Jump - Cascade MT

06:04:08 Jim Farrington - Travelers' Rest Preservation - Stevensville, MT

06:04:25 Ramona Holt - Lolo, MT

06:05:07 Barbara Nielan, Travelers' Rest Preservation

06:07:24 **Chairman Jones** recommended Section C Performance Measures Subcommittee work with staff and the Department of Fish, Wildlife and Parks to provide options to address the revenue shortfall.

PUBLIC COMMENT - PUBLIC HEALTH & HUMAN SERVICES

06:17:21 Jan Cahill, Montana Association of Community Disability Services

PROCESS FOR SUBCOMMITTEE ACTION AND BUDGET ADOPTION DURING SESSION

- 06:21:26 Amy Carlson, Director, LFD asked what the committee wants from staff for the next LFC meeting relative to timelines, report processes, or revenue processes.
- 06:28:52 **Sen. Wanzenried** suggested staff look into the possibility of a new section in HB 2 listing all statutory appropriations and ask staff for ideas to consider how the revenue estimates could be adopted.
- 06:30:33 **Sen. Williams** said the Legislative Council is considering a recommendation to the Revenue and Transportation Interim Committee (RTIC).

PERFORMANCE MEASUREMENT SUBCOMMITTEE REPORT ON THE LEGISLATIVE PROCESS

- 06:40:42 Kris Wilkinson, Fiscal Analyst, LFD presented a report on Goals and Performance Measurements as Part of the Appropriation process. (Exhibit 12) This report outlines the subcommittee's recommendations on potential solutions for incorporating performance measurement into the legislative appropriation process in a consistent and uniformly utilized way and recommends a format for agencies to outline the effects of budget reductions as part of their budget submissions.
- 06:46:11 Barbara Smith, Fiscal Analyst, LFD briefly explained how to make the process work in times of budget reductions.
- 06:52:36 **MOTION Sen. Wanzenried** moved to adopt the process as written. **VOTE:** Motion passed

SUBCOMMITTEE REPORTS

ARRA - American Recovery and Reinvestment Act

- 06:53:37 Barbara Smith presented an update on ARRA. (Exhibit 13) Ms. Smith explained that the data provided for Department of Commerce, Department of Labor & Industry, and Department of Military Affairs is incorrect. The information will be updated and copies will be available to the committee.
- 07:00:41 **Rep. Sesso** presented to the committee the 2009 Historic Preservation Award for Outstanding Preservation Leadership with respect to the Historic Preservation Grants included in HB 645. The award is presented by the Montana Preservation Alliance (MPA).

Performance Measurement Work Groups

Section A - General Government

- 07:03:35 **Rep. Sesso** provided a brief update on Department of Revenue, Department of Commerce, Commissioner of Political Practices, and State Auditor.

Section E - Education

- 07:12:29 **Rep. Hiner** provided a brief update on the Montana University System, Montana Arts Council, Board of Public Education and Office of Public Instruction.

Section D - Judicial Branch, Law Enforcement and Justice

07:16:09 **Sen. Bales** provided a brief update on the Department of Corrections, Board of Crime Control, Justice and Judiciary.

Section B - Public Health and Human Services

07:19:25 **Sen. Lewis** provided brief update on the Department of Public Health and Human Services.

UPDATE - PATIENT PROTECTION AND AFFORDABLE CARE ACT, 2010

07:22:34 Lois Steinbeck, Fiscal Analyst, LFD presented a report on Federal Health Care Reform Update. (Exhibit 14) The purpose of this report is to summarize some of the major provisions of bills passed by Congress and the cost estimate for Montana, provide information on some of the newly enacted changes that are effective within six months of passage, some of which could limit legislative cost reduction options, and identify legislation that may come before the 2011 Legislature as a result of the bills.

REGULAR MEETING REPORTS

07:28:13 The following reports were included in committee notebooks but no formal presentation:

- Budget Amendment Report - Exhibit 15
- Operating Plan Changes - Exhibit 16
- Other Required Reports - Exhibit 17
- Update on Pension Unfunded Liability and SAVA Activities - Exhibit 18
- Long Range Project Status - Exhibit 19

07:32:58 **Rep. Hollenbaugh** asked if SAVA is considering any options for the pension shortfall. Mr. Moe, LFD said the SAVA committee has contracted with a company to look at a money purchase plan, also known as a cash balance plan, and revised defined benefits plan.

COMMITTEE BUSINESS

07:38:41 Jaret Coles, Attorney, LSD presented alternatives to Rules 5 and 6. (Exhibit 20)

07:42:25 **MOTION: Sen. Ripley** moved to adopt alternative 2 to Rule 5 - "A majority of a subcommittee is required for a quorum and a guarantee that each political party is represented." **VOTE:** Motion passed.

07:48:12 **MOTION: Rep. Hiner** moved to adopt alternative 3 to Rule 6 - "The committee is not required to approve proxy authority at each meeting, and it takes seven members to allow or withdraw proxy authority." **VOTE:** Motion passed.

07:49:07 **MOTION: Sen. Bales** moved to allow proxy voting: **VOTE:** Motion passed.

07:49:59 Amy Carlson, Director, LFD said she will work with the Management Advisory Work Group on the LFD budget and bring a report to the full committee at the October meeting.

07:50:01 Amy Carlson, Director, LFD presented the SJ 9 - Student Loan Study. (Exhibit 21) Ms. Carlson recommend to the LFC that no additional staff time or resources be dedicated to SJ 9 for the remainder of the biennium.

07:51:39 **Sen. Wanzenried** said the student loan program has changed but the underlying concern the committee had hasn't changed. He expressed concern that at some point the committee will be revisiting the issue.

07:53:56 Amy Carlson, Director, LFD presented a 20 year longevity pin to Roger Lloyd for his years of service with the state. Ms. Carlson also introduced Stephanie Morrison, recently hired staff member.

WEB SITE DEMONSTRATION

08:00:04 Terry Johnson, Principal Fiscal Analyst, LFD presented the new LFD web site. He provided a snapshot of the LFD homepage and demonstrated how to use the pivot tables. (Exhibit 22)

NEXT MEETING DATES

08:24:1 The next meeting of the LFC will be Thursday and Friday, October 7 and 8, 2010.

ADJOURNMENT

08:26:05 Meeting adjourned at 4:40 p.m.

Representative Llew Jones, Chair

Diane McDuffie, Committee Secretary
