



Legislative Finance Committee

57th Montana Legislature

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

HOUSE MEMBERS

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JOEY JAYNE
DAVE KASTEN
JOHN BRUEGGEMAN
JOE TROPILA

SENATE MEMBERS

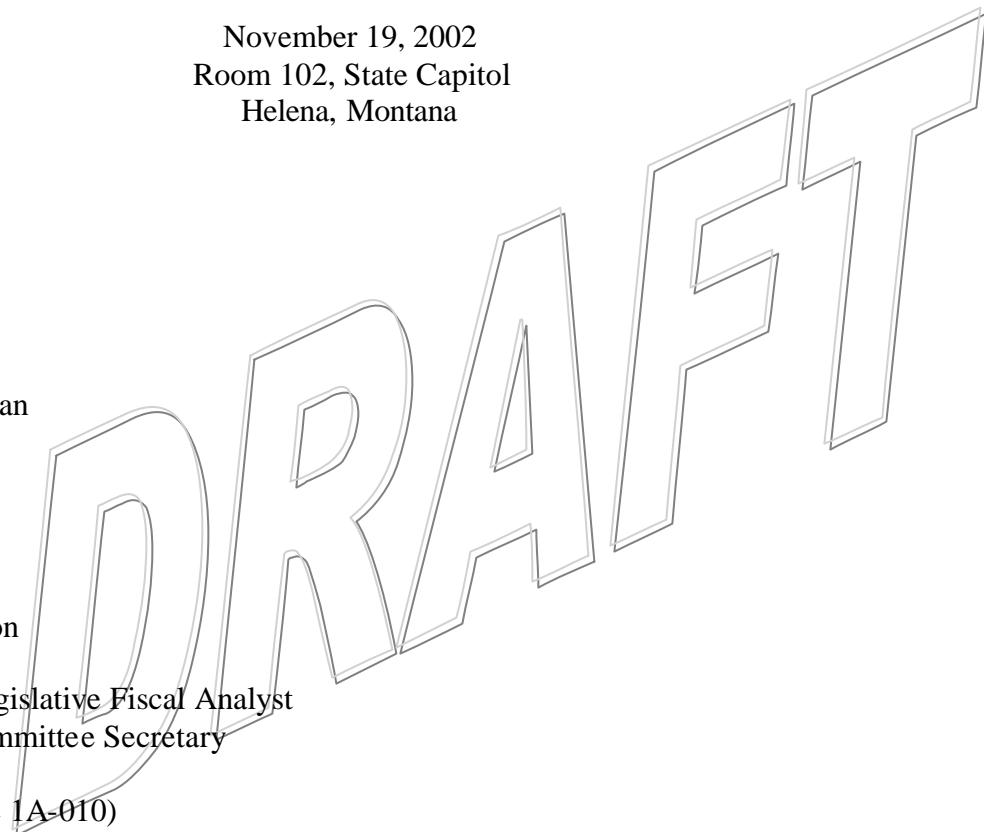
GREG JERGESON, VICE CHAIRMAN
BOB KEENAN, SECRETARY
ROYAL JOHNSON
LINDA NELSON
EMILY STONINGTON
TOM ZOOK

MINUTES

November 19, 2002
Room 102, State Capitol
Helena, Montana

ROLL CALL

Rep. Dave Lewis
Rep. Gary Forrester
Rep. Joey Jayne
Rep. Dave Kasten
Rep. John Brueggeman
Rep. Joe Tropila
Sen. Greg Jergeson
Sen. Royal Johnson
Sen. Bob Keenan
Sen. Linda Nelson
Sen. Emily Stonington
Sen. Tom Zook
Clayton Schenck, Legislative Fiscal Analyst
Cindy Campbell, Committee Secretary



Call to Order (Tape 1A-010)

The 184th meeting of the Legislative Finance Committee (LFC) was called to order at 9:15 a.m. by Representative Dave Lewis, Chair, on Tuesday, November 19, 2002. The meeting was held in Hearing Room 102 of the State Capitol, Helena, Montana.

1. Approval of Minutes for October 3 & 4, 2002 (Tape 1A-015)

Senator Keenan moved the minutes of the October 3 & 4, 2002, meeting be approved as presented. **VOTE:** The motion carried unanimously.

2. State General Fund Revenue Outlook (Tape 1A-025)

Terry Johnson, Principal Fiscal Analyst, presented the Legislative Fiscal Division (LFD) revenue estimate recommendations for fiscal years 2003, 2004 and 2005. (Exhibit 1) His report provided a profile of each major general fund revenue source, with specific detail on the methodology and assumptions used to develop these recommendations. Mr. Johnson told the LFC members that the economic outlook for the state is very fragile at this time. He presented detailed information on the following indicators: 1) Montana total income; 2) Montana employment; 3) Montana population; 4) inflation factors; 5) corporate profits; 6) property values; 7) interest rates; and 8) energy prices. He responded to questions from committee members.

Chuck Swygood, Director of the Office of Budget and Program Planning (OBPP), responded on behalf of the executive.

Chairman Lewis raised a question regarding the status of the state's general fund cash flow and Director Swygood confirmed that there was a deficiency in the cash flow. In response to questions from LFC members regarding repercussions of this and possible solutions, Terry Johnson stated the Department of Administration (DOA) may have to borrow the money to pay off the notes for cash flow. Cathy Muir, DOA, who tracks the general fund cash flow responded to questions from committee members. She told the committee that the legislature passed a bill (17-1-204, MCA) in 1997 or 1999, which gave DOA the authority to borrow money from any fund, except for the pension trust funds, to pay off the notes for cash flow. On behalf of the LFC, Chairman Lewis will request a legal opinion on this issue from Greg Petesch, Director of Legal Services, Legislative Services.

3. Potential Agency Cost Over-runs/Supplemental Requests (Tape 1B-145)

Taryn Purdy, Principal Fiscal Analyst, presented the executive fiscal 2003 supplemental requests. (Exhibit 2) The requests total over \$10 million more than anticipated, but LFD staff found no real issues with any of the requests. However, Ms. Purdy told the committee that staff feel the figure for spring wildfires is overstated. LFC members discussed problems with controlling wildfire costs and inadequacy of the current system for determining a budget for

these costs. At the request of the LFC, LFD staff will review the costs following the 2003 spring wildfire season to try and determine cost details. Director Swysgood addressed the committee on this issue and stated the executive is also very frustrated with this problem and the inability to find a better process for funding wildfire costs. He said the Governor does plan to request the 2003 Legislature increase the statutory authority for these costs.

Ms. Purdy also pointed out that the Department of Corrections (DOC) currently has a \$9 million gap in their budget. Joe Williams, DOC, reported to the committee on the status of the department's budget and their plan to release prisoners to deal with the current deficit. He told the LFC that DOC does not plan to request a supplemental at this time.

4. Information Regarding Securitization of Tobacco Settlement Revenue (Tape 1B-600)

Clayton Schenck, Legislative Fiscal Analyst, presented a preliminary report regarding what proceeds might be obtained if the legislature were to sell anticipated future tobacco funds for an immediate pay-off. (Exhibit 3) He presented this information in response to a committee request at the October meeting.

5. General Fund Status Sheet – 2003 Session: Issues and Process (Tape 1B-700)

Terry Johnson presented an example of the general fund status sheet (GFSS) for the 2003 Legislative Session with a list of proposed issues for consideration by the Legislative Finance Management Committee. (Exhibit 4) He compared the GFSS to a personal checkbook register, which tracks the state's financial condition as the legislature adjusts revenue flows and appropriates funds during the session. Mr. Johnson went over the details of the GFSS and answered questions from LFC members.

Mr. Johnson pointed out the following significant issues on page 3 of his report, which he felt needed attention prior to the next legislative session: 1) How should duplicate or similar bills be reflected on the status? 2) How should "cat and dog" bills that are included in HB2 be reflected? and 3) How should bills that have a revenue impact and a "potential" expenditure impact be reflected on the status? Committee members discussed the GFSS and offered comments on the use of it. Clayton Schenck told the LFC the GFSS is the key to the status of global issues and

encouraged them to educate themselves about it and then in turn educate other legislators so they will be able to keep abreast of the issues.

6. Global Fiscal Issues: LFC Recommendations to the 2003 Legislature (Tape 2A-225)

Clayton Schenck presented the Global Fiscal Issues: LFC Recommendations to the 2003 Legislature. (Exhibit 5) The purpose of this report is to provide recommendations for a procedural framework during legislative session for making certain appropriations decisions on global budget issues common to all subcommittees that, for purposes of equity and clarity, should be universally applied to all agencies.

Mr. Schenck explained each of the following issues and the LFC discussed them and took action as stated below.

Global Present Law Issues for Consideration

1. Starting budget base for subcommittee deliberations

MOTION: Senator Johnson moved that the LFC recommend to House Appropriations and Senate Finance and Claims they start with the 2002 base budget for House Appropriations Subcommittees. **VOTE:** Motion carried unanimously.

2. Personal Services

MOTION: Senator Zook moved to adopt Option a: Direct Subcommittees to adopt statewide present law adjustments as part of the base budget, including fixed costs. Any FTE adjustments would be dealt with as an adjustment to present law. **VOTE:** Motion carried unanimously.

3. Quantification of FTE Reductions

MOTION: Senator Stonington moved to adopt Option a: Specify the actual FTE, and allow the legislative budgeting system to calculate the total reduction in funding for that specific FTE. **VOTE:** Motion carried with Senator Johnson voting no.

4. Vacancy Savings

MOTION: Senator Jergeson moved to adopt Option a: The full appropriations committees shall adopt a global recommended level of personal services reductions (vacancy savings). Subcommittees will be requested to adopt the recommended level as part of their budget recommendation. **VOTE:** Motion carried unanimously.

5. Fixed Costs

MOTION: Senator Johnson moved to adopt the Recommendation: Direct subcommittees to consistently apply fixed costs in agency budgets as included by the executive budget request. Adjustments to fixed cost rates shall be determined by the subcommittee examining the service provider's (e.g., ISD costs as reviewed by the General Government Subcommittee) and shall be globally adjusted on a consistent basis. **VOTE:** Motion carried unanimously.

6. Inflation

MOTION: Senator Nelson moved to adopt the Recommendation: The full committee should establish approved inflation rates (if any) by individual object of expenditure. Direct subcommittees to apply these rates to all budget adjustment recommendations. **VOTE:** Motion carried unanimously.

Issues Related to House Bill 2 Procedure

1. Proposals Requiring Legislation

MOTION: Senator Zook moved to adopt Option a: Subcommittees make recommendations regarding the proposal. Build all changes requiring legislation into the House Bill 2 line-items, and include contingency language striking the change if the legislation does not pass. **DISCUSSION:** Following discussion on the three options, Senator Zook withdrew his motion and the LFC decided to postpone a decision on this issue.

2. Disposition of “Negative” New Proposals

MOTION: Senator Nelson moved to adopt the **Recommendation: Appropriations committee leadership shall direct the appropriations subcommittees to include negative new proposals in the present law line item in the budget, as opposed to a separate negative line item appropriation.** **VOTE:** Motion carried unanimously.

7. HJR 1: Interim Study of Public Mental Health Services: Final Recommendations

(Tape 2B-201)

Senator Keenan presented the final recommendations of the HJR 1 Study of Public Mental Health Services. (Exhibit 6) The HJR 1 Subcommittee recommended five bill drafts for consideration by the LFC. The subcommittee also recommended the LFC review options to cap the Montana State Hospital (MSH) population. The five bill drafts (LC7000 – Exhibit 6A, LC4002-2 – Exhibit 6B, LC4003 – Exhibit 6C, LC4001 – Exhibit 6D, LC0000 – Exhibit 6E) were introduced by **Senator Keenan** with further explanations by Lois Steinbeck, Senior Fiscal Analyst with LFD, and Susan Fox, Legislative Services Division. **Senator Keenan**, Chuck Swysgood, Ms. Steinbeck and Mrs. Fox responded to questions from members of the LFC.

MOTION: Senator Keenan moved the LFC adopt the five bill drafts to be submitted to the 2003 Legislature. **VOTE:** Motion carried with **Representative Jayne** voting no.

Options to Reduce MSH Population

Lois Steinbeck presented the options to reduce MSH population (Exhibit 6F) and answered questions from committee members.

8. Committee Bill Drafts Final Approval/Sponsor Assignment (Tape 3A-451)

Taryn Purdy presented the following committee bill drafts for final approval: 1) LC0023 regarding SB 495 amendments (Exhibit 7) and 2) LC0012 regarding authority to request AG opinion (Exhibit 7A). The LFC approved LC0023 related to SB 495 amendments and **Representative Lewis** will ask **Senator Thomas** to sponsor the bill.

Previously, the LFC approved the bill draft to request an AG opinion, based on the condition that the other legislative committees agreed. Ms. Purdy informed the LFC that some members of the other committees voiced some concern relating to a possible separation of power issue. Following discussion, the LFC agreed to proceed with the bill draft. **Representative Lewis** will speak with the leaders of the other legislative committees and attempt to resolve these concerns and then will find a sponsor for the bill.

Ms. Purdy informed the committee that there was no need for a bill draft on the TANF reserves, because the reserves will be transferred to the Board of Housing as discussed at a previous LFC meeting.

9. Options Regarding the Use of Language in House Bill 2 (Tape 3A-650)

Taryn Purdy presented options regarding the use of language in House Bill 2, as requested by the LFC at its October 3, 2002 meeting (Exhibit 8). Ms. Purdy responded to questions from LFC members and the committee discussed the options.

10. Informational Reports (Tape 3B-215)

The budget amendments and operating plan changes were presented by Taryn Purdy. (Exhibits 9 and 10) She informed the committee these reports are informational only and require no action by the LFC. The required reports were included in the LFC notebook but were not formally presented. (Exhibit 11)

11. LFD 2005 Biennium Budget Development: Update (Tape 3B-296)

Clayton Schenck provided an update on the development of the 2005 biennium budget. OBPP electronically transferred the proposed budget for the 2005 biennium to LFD staff on November 15, 2002. He told the LFC that OBPP staff was very cooperative with the exchange of budget information. The budget analysis is on schedule and Mr. Schenck assured the LFC that staff would process legislative requests as timely as possible, considering the workload of the budget analysis.

12. Committee Business (Tape 3B-335)

Mr. Schenck presented the items under committee business, which included the LFD cost report and the status of the LFD 2005 Biennium Budget Request. (Exhibit 12)

Next LFC Meeting

The next meeting of the LFC has not been scheduled.

Adjournment

MOTION: Representative Tropila moved to adjourn. **VOTE:** Motion carried unanimously.

Meeting adjourned at 3:30 p.m.

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Representative Dave Lewis, Chairman

Cindy Campbell, Committee Secretary