



LEGISLATIVE FINANCE COMMITTEE

66th Montana Legislature

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

SENATE MEMBERS

JANET ELLIS
TOM JACOBSON
BOB KEENAN
RYAN OSMUNDSON
DANIEL SALOMON
JON SESSO

HOUSE MEMBERS

NANCY BALLANCE
DAVID BEDEY
MARY CAFERRO
KIMBERLY DUDIK
JIM HAMILTON
KENNETH HOLMLUND
MIKE HOPKINS
LLEW JONES
RYAN LYNCH
BILL MERCER
RAE PEPPERS
MARILYN RYAN

JULIE JOHNSON, Staff Attorney
KAREN GILBERT, Secretary
AMY CARLSON, Legislative Fiscal Analyst

MINUTES LOG

Sept. 17, 2019
Room 102, Capitol Building
Helena, Montana

Please note: This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Please contact the Legislative Services Division at 406-444-3064 for more information.

COMMITTEE MEMBERS PRESENT

SEN. JANET ELLIS
SEN. TOM JACOBSON
SEN. BOB KEENAN
SEN. RYAN OSMUNDSON
SEN. DAN SALOMON

REP. NANCY BALLANCE
REP. DAVID BEDEY
REP. MARY CAFERRO
REP. KIMBERLY DUDIK
REP. JIM HAMILTON
REP. KENNETH HOLMLUND
REP. LLEW JONES
REP. RYAN LYNCH
REP. BILL MERCER
REP. RAE PEPPERS
REP. MARILYN RYAN

COMMITTEE MEMBERS EXCUSED

SEN. JON SESSO
REP. MIKE HOPKINS

STAFF PRESENT

AMY CARLSON, Director
JARET COLES, Legal Staff
KAREN GILBERT, Committee Secretary

VISITORS' LIST ([Attachment 1](#))

AGENDA ([Attachment 2](#))

COMMITTEE ACTION

CALL TO ORDER and ROLL CALL

08:13:02 Chair Dudik called the meeting to order. The committee secretary took roll, Sen. Sesso and Rep. Hopkins were excused. ([Attachment 3](#))

Approval of past minutes

08:14:19 Rep. Jones moved the minutes of the previous meeting be approved. The motion passed unanimously on a voice vote.

FYE 2019 Financial Report

08:14:43 Susie Lindsay LFD communications manager, presented the report. ([Exhibit 1](#))

08:25:39 Chair Dudik asked about DPHHS funding.

08:26:01 Josh Poulette, LFD analyst, responded.

08:27:21 Chair Dudik asked for an update on unspent money related to HB 70.

08:28:03 Marci Lewandowski, LFD analyst, responded.

08:28:16 Ms. Lindsay continued her presentation.

08:34:30 Rep. Caferro asked about MPATH.

08:35:00 Jon Arnold, LFD analyst, responded.

08:36:44 Rep. Caferro asked why were they over budget.

08:37:03 Mr. Arnold said he did not know and would follow up with the department.

08:37:19 Rep. Caferro asked the date of the original appropriation and wondered if that was part of the reason.

08:38:09 Mr. Arnold said he is working on the answer.

08:38:40 Sen. Keenan said there are nine contracts in MPATH and six have been awarded. He asked how much have each received in addition to original projection?

08:39:33 Rep. Ballance said they need to know the original appropriation and whether or not additional appropriations were provided.

08:40:38 Chair Dudik confirmed they will discuss this issue later in the morning.

08:40:51 Rep. Caferro asked about under-spending at DPHHS.

08:41:41 Mr. Arnold said he has not followed up on this issue.

08:42:28 Rep. Caferro said during the November 2017 Special Session, DPHHS services were cut and then restored. She said the concern was you can't cut and rebuild and asked if that is what we are seeing here.

08:43:22 Rep. Jones said he would like to understand the issue. He said DPHHS requests supplementals and they almost always have a reversion. He said it makes it difficult to take the department's requests seriously during legislative session.

08:45:32 Sen. Keenan said autism services providers had their rates reduced and some kids couldn't get services. He said the money should have been spent.

08:46:29 Rep. Caferro said children's mental health targeted case management was cut 50%. She said when you cut it in year one you can't revert in year two.

08:47:20 Chair Dudik asked for a report for the next meeting

08:47:27 Sen. Jacobson said if this occurs year over year, he would like to see an analysis, something to compare and figure out the reasons.

08:48:10 Chair Dudik said at the next meeting they would invite the department to come and explain.

08:48:38 Sam Schaefer, LFD analyst, presented FYE 2019 revenue collections.

08:55:26 Stephanie Morrison, LFD analyst, presented FYE 2019 individual income tax collections.

09:04:12 Rep. Hamilton asked if this possible one-time behavior change how you would plan or think about your model for next time?

09:04:41 Ms. Morrison responded.

09:07:13 Rep. Hamilton asked what would trigger a model change.

09:07:40 Ms. Morrison responded.

09:09:13 Ms. Morrison let the committee know it was her last presentation in front of the committee.

09:09:36 Chair Dudik thanked her for her work and the committee gave her a round of applause.

09:09:58 Kris Wilkinson, LFD analyst, presented statutorily required reports.

2021 Biennium Quarterly Financial Update

09:12:58 Ms. Lindsay presented the update. ([Exhibit 2](#))

09:19:29 Rep. Holmlund asked if the revenue reflected closure of Colstrip units 1 and 2.

09:19:49 Mr. Schaefer responded and said he would provide a previous report.

09:20:49 Sen. Ellis said she'd also like a copy of the report.

09:21:00 Chair Dudik asked for the entire committee to get the report.

09:21:12 Ms. Lindsay continued her presentation.

09:22:22 Sen. Jacobson asked about reduction in property taxes in relation to shutting down Colstrip Units 1 & 2.

09:23:03 Mr. Schaefer responded.

09:24:38 Amy Carlson, LFA, responded..

09:25:38 Rep. Jones said property is appraised different with an income stream of zero.

09:26:23 Sen. Jacobson said it was the empty storefront issue with potential value.

09:26:42 Rep. Jones said the income potential would have to be real.

09:27:56 Rep. Mercer said the agreement precludes units 1 and 2 from operating, therefore no potential.

09:28:31 Chair Dudik backtracked to the Medicaid report.

Medicaid Monitoring Report

09:28:55 Mr. Arnold presented the report. ([Exhibit 3](#))

09:37:07 Rep. Hamilton asked about the reduction in HELP Act enrollees.

09:37:33 Mr. Arnold said he has not followed up with the department.

09:37:55 Rep. Holmlund asked about some bills being sent into the following year.

09:38:18 Mr. Arnold responded.

09:38:42 Chair Dudik asked about closure of the Montana Developmental Center.

09:39:18 Mr. Arnold said his last update from the department said none of the people moved from MDC closure had been reinstitutionalized.

09:40:07 Chair Dudik said she had heard concern about the best placement for people.

09:40:25 Sen. Keenan asked about the Medicaid expansion match rate.

09:40:40 Mr. Arnold responded.

Brief recess

09:41:08 Chair Dudik said the committee would break for 15 minutes.

Governor's Office of Budget & Program Planning Update

09:55:54 Tom Livers, OBPP Director, gave an update.

Subcommittee Reports

10:05:36 Rep. Ballance presented the LFC Information Subcommittee report

10:09:45 Rep. Holmlund asked about overrun expenses, where does the money come from?

10:10:11 Rep. Ballance responded.

10:10:40 Rep. Ryan asked about the strategic plan for family services.

10:11:02 Rep. Ballance responded it was under the purview of Children & Families Interim Committee and they could get that information.

10:11:52 Rep. Ballance asked to hear from SITSD and DPHHS.

10:12:07 Katie Guenther, LFD analyst, presented the SITSD technology portfolio. ([Exhibit 4](#))

10:17:04 Tim Bottenfield, SITSD CIO, presented his reports. ([Exhibit 5](#), [Exhibit 6](#))

10:24:41 April Grady, SITSD CFO, discussed an SITSD audit.

10:26:10 Rep. Mercer asked about an exception noted in the report.

10:26:49 Mr. Bottenfield said he did not have the policy in front of him but would get the documentation.

10:27:20 Rep. Mercer asked if there is an approval form agencies use to seek an exception.

10:27:36 Mr. Bottenfield said there is an official process.

10:27:58 Rep. Mercer asked if there is an analysis in the exception regarding data security.

10:28:12 Mr. Bottenfield said yes.

10:28:34 Rep. Mercer asked about an on-hold project.

10:29:06 Mr. Bottenfield said they are working to get more background on the project.

10:29:48 Rep. Mercer asked Chair Dudik if they could get additional information.

10:30:02 Chair Dudik said she agreed and asked why the project would not be on the list.

10:30:15 Mr. Bottenfield said he believed the project would not be moving forward.

10:30:35 Sen. Keenan asked about the MPATH modularity project.

10:31:41 Mr. Bottenfield said he would get the information.

10:32:15 Chair Dudik asked about the Secretary of State Elect Montana bill.

10:32:36 Mr. Bottenfield said he was not prepared to provide information.

10:32:52 Chair Dudik asked for more information on that project.

10:33:15 Mr. Bottenfield said he would add that to his list.

10:33:24 Sen. Ellis said the Secretary of State presented a timeline and details to the State and Veteran's Affairs Committee and that report could be shared.

10:34:20 Rep. Ballance said there was a chart on the cyber-security project.

10:34:52 Andy Hanks, Montana Chief Security Officer, gave an overview of the cybersecurity enhancement project.

10:36:23 Gene Hermensan, MPATH director with DPHHS, gave a project update.

10:40:34 Rep. Ballance said prior to the next meeting they will try to reconcile back to the original appropriation.

10:41:08 Rep. Hamilton asked about the complexity of multiple vendors and is that

typical?

- 10:41:28 Mr. Hermanson responded.
- 10:43:24 Rep. Hamilton asked if there are other states or agencies that have been successful with this model?
- 10:44:04 Mr. Hermansen said Montana is one of the first states, but others are doing similar procurements and they are working collaboratively.
- 10:45:28 Rep. Holmlund said NCSL has a booklet that talks about it, "Agile."
- 10:46:05 Sen. Keenan asked about MPATH modularity.
- 10:46:53 Mr. Hermansen deferred the question to the accounting staff.
- 10:47:23 Sen. Keenan asked the information be distributed to Mr. Arnold and Ms. Guenther.
- 10:47:35 Rep. Mercer said he understood Hermansen wasn't prepared to talk about money issues, but asked if the number was attached to original procurement.
- 10:49:29 Mr. Hermanson responded.
- 10:50:10 Rep. Mercer asked about customer care.
- 10:50:33 Mr. Hermanson responded.
- 10:51:49 Rep. Ballance said the main intent of the subcommittee is to dig into the questions people are asking here.
- 10:52:43 Sen. Osmundson discussed the Legislative Sessions: SB 310 and Personal Services Budgeting subcommittee.
- 10:55:36 Rep. Bedey spoke about the Education Subcommittee. He gave an overview of the items that the subcommittee will consider. It will meet for the first time the following day.
- 11:06:51 Sen. Ellis said the subcommittee will also work on State Library funding.
- 11:07:15 Rep. Jones said there is a stand alone CTE integration study going on and will coordinate with the subcommittee. He said at the last NCSL meeting a presentation on education regarding a multi-state study showed the U.S. has fallen in performance and Montana is just barely in the top half. He said there are examples and thoughts about how to better approach technical education.
- 11:10:30 Sen. Jacobson said the community college levies are included.
- 11:10:50 Rep. Bedey said correct.

- 11:10:52 Sen. Jacobson asked if the counties where the colleges are situated pay the levies.
- 11:11:20 Rep. Holmlund said districts are not just counties.
- 11:11:29 Rep. Jones agreed.
- 11:11:56 Sen. Jacobson said he hopes the subcommittee looks at how that is equitably distributed across the state.
- 11:12:35 Rep. Bedey said they will touch on it, it is a bigger question than just for community colleges.
- 11:13:55 Rep. Hamilton discussed the Pensions & Local Government Budget Interactions subcommittee.

Lunch recess

- 11:19:59 The committee recessed for lunch.

HB 715 Budget Sustainability Update

- 13:06:02 Ms. Carlson gave a brief introduction.
- 13:07:59 Mr. Poulette presented his report ([Exhibit 7](#))
- 13:24:47 Rep. Caferro asked about the tax side of his presentation.
- 13:25:16 Mr. Poulette responded.
- 13:26:38 Ms. Carlson said the Connecticut report has a revenue component.
- 13:26:51 Mr. Poulette responded.
- 13:27:28 Rep. Caferro asked if tax discussion was in Montana's discussion.
- 13:28:02 Mr. Poulette responded.
- 13:28:18 Ms. Carlson said they will be looking at revenues as well as expenditures.
- 13:30:24 Chair Dudik asked when that document would be ready.
- 13:30:35 Ms. Carlson said it will be ready for Legislative Week in January and discussed some of the other reports that will be available then.
- 13:35:26 Rep. Dudik asked if they should discuss what they would like to see in the report.
- 13:35:31 Ms. Carlson said Ms. Lindsay's summary will address some of those questions.
- 13:36:20 Rep. Dudik asked for a hard copy of a Pew report referenced in Mr. Poulette's

report. ([Exhibit 8](#))

- 13:37:13 Ms. Lindsay presented a summary of questions and other findings regarding HB 715. ([Exhibit 9](#))
- 13:45:27 Rep. Ryan asked about other stakeholders.
- 13:45:50 Ms. Lindsay said it was mostly local government officials and some members of the public also responded.
- 13:46:36 Ms. Carlson said Headwaters Economics, the Bureau of Business and Economic Research, and the Budget & Policy Center were also involved.
- 13:47:33 Chair Dudik asked if they would see a chart showing how much money Montana loses in tax credits.
- 13:47:54 Ms. Carlson said a tax credit report is published every interim for the revenue committee.
- 13:48:30 Chair Dudik said it was important to look at.
- 13:48:38 Rep. Jones said on the property tax side (cities, counties and schools) he hoped they would look across the districts and shifts. He said they need to look at fees and creative uses with TIFs.
- 13:51:08 Ms. Lindsay said she'd add those ideas to list.
- 13:51:15 Chair Dudik asked about local option tax.
- 13:51:45 Rep. Hamilton asked about the timeframe.
- 13:52:16 Ms. Lindsay said she hoped to have the information by legislative week in January.
- 13:52:26 Ms. Carlson said the biggest focus that week is answering the factual questions they can answer.

Communication with Interim Committees

- 13:53:46 Joe Triem, LFD fiscal manager, presented information regarding communication with interim committees ([Exhibit 10](#))
- 14:01:48 Ms. Carlson said the document does not include interactions with the tribes, but that will be something to look deeper into later. She also pointed out that by mid-October there will be preliminary data to share.
- 14:05:34 Rep. Caferro asked if education and tribes were part of the outreach efforts.

14:05:58 Ms. Carlson said they talked to rural schools and the school boards association. She said they have not talked to tribes and need to follow up on that.

14:06:38 Rep. Caferro asked if outreach did not include tribes.

14:06:50 Ms. Carlson said not to date.

14:06:55 Mr. Triem continued his presentation.

14:18:16 Rep. Ballance asked about the choice to use personal income as a measure.

14:18:30 Ms. Carlson responded.

14:20:21 Rep. Ballance asked if it was personal income as reported to the Department of Revenue.

14:20:37 Ms. Carlson responded.

14:20:57 Rep. Ballance said because of the ability to earn income out of state while living in Montana, does that distort the tax figure?

14:21:53 Rep. Caferro asked if there was value given to expenditures that draw down federal funds vs. general fund and referenced Medicaid and the Children's Health Insurance Program.

14:23:33 Ms. Carlson said Mr. Poulette's report referenced other people's findings. She said they don't have their findings yet as it's complicated.

14:25:02 Rep. Caferro said it is simple, does it draw down federal dollars or not?

14:25:38 Ms. Carlson said it can be mentioned in the report.

14:25:51 Rep. Caferro said there is a value to the federal funds.

14:26:22 Ms. Carlson said they are including all federal funds in the report. She said they are calculating the whole service provided by the state regardless of federal or general fund.

14:26:51 Rep. Caferro said it needs to be looked at differently, Medicaid funding is different than education funding.

14:27:24 Rep. Jones said they need to include the microeconomy.

14:29:04 Rep. Caferro said the amount includes benefits, not strictly administrative costs.

14:29:18 Rep. Ballance said it would be pulled into the discussion on sustainability.

14:29:59 Mr. Triem continued his presentation.

14:31:27 Rep. Mercer asked about a graph in Mr. Triem's report.

14:32:36 Ms. Carlson responded.

Plan for Legislative Week

14:34:17 Ms. Carlson presented a plan for Legislative Week ([Exhibit 11](#))

14:36:42 Sen. Jacobson explained the concept for how the week was designed.

14:41:49 Ms. Carlson continued her presentation.

14:44:20 Susan Byorth Fox, Executive Director LSD, discussed Legislative Week. ([Exhibit 12](#))

14:52:39 Chair Dudik asked about the schedule for the year, will Legislative Week happen each time interim committees meet?

14:53:01 Ms. Fox said just in January.

14:53:22 Rep. Jones recognized staff for the good work they have done coordinating this idea.

Recess

14:54:06 The committee took a brief recess.

15:20:27 The committee bid LFD staffer Stephanie Morrison farewell.

15:20:37 Ms. Carlson gave kudos to Ms. Morrison.

15:23:49 Rep. Jones also gave kudos to Ms. Morrison.

LFC Work Plan

15:24:31 Ms. Carlson presented the LFC work plan. ([Exhibit 13](#))
The committee confirmed upcoming meeting dates as Dec. 16 & 17; Jan 14, 15, 16, 2020; March 23, 24, 25, 2020; June 8, 9, 10, 2020; Sept. 14, 15, 16, 2020; and to be determined in December 2020.

15:31:24 Rep. Bedey said for the March meeting, the commerce report isn't due until June.

15:31:56 Ms. Carlson said report is due by May.

15:32:02 Rep. Bedey asked if staff would coordinate?

15:32:17 Rep. Ballance asked if there would be time for subcommittee to meet before full the full LFC.

15:32:40 Ms. Carlson said the subcommittees meet the first day of meetings except for

December 2020.

Interim Committee Work Plans

- 15:33:27 Joe Kolman, Director Environmental Policy LSD, discussed interim committee work plans update ([Exhibit 14](#))
- 15:37:42 Rep. Caferro clarified that she got a lot of information on every bill she sponsored and staff is doing a great job.

Committee Business

- 15:38:24 Ms. Carlson introduced new LFD analyst Katy Callon.
- 15:40:47 Ms. Carlson presented Mr. Arnold with his 5-year pin.
- 15:41:18 Mr. Poulette provided a follow-up report. ([Exhibit 8](#))
- 15:42:56 Ms. Carlson asked if an ITSD group needed appointees.
- 15:43:11 Chair Dudik asked if people knew what that was and if they had volunteers.
- 15:43:31 Rep. Ballance described the group as an oversight ITSD group and said it would be beneficial for someone from LFC to attend the meetings. She volunteered.
- 15:44:20 Chair Dudik appointed Rep. Ballance and invited other members to attend if they were interested.
- 15:44:44 Ms. Carlson said SITSD CIO Bottenfield asked if the information provided to the committee was appropriate.
- 15:45:13 Rep. Ballance said the subcommittee went deep into the projects and wasn't sure how much the full committee wanted to hear.
- 15:46:02 Rep. Mercer said it was helpful in the May meeting to have the dashboard info on each project. He said he would like to have the material the subcommittee is seeing for context.
- 15:46:34 Rep. Ballance said the dashboard information is online and available for anyone at any time. She also said the subcommittee can bring the materials to the full meeting.
- 15:47:37 Ms. Carlson said they would make sure all material can be found, and now will schedule 30 minutes for SITSD updates in the full committee meeting.
- 15:48:27 Chair Dudik discussed the financial modernization and risk analysis (fMaRA) subcommittee that would be made up of six LFC members and four members of the public. She said that subcommittee will meet the day after the LFC meetings starting in January and called for interest..

- 15:49:41 Rep. Hamilton, Rep. Ryan, Rep. Ballance, Rep. Mercer, Rep. Holmlund, Rep. Caferro and Rep. Jones expressed interest.
- 15:50:23 Chair Dudik said she and Vice Chair Osmundson would discuss and make appointments. She called for suggestions of community leaders.
- 15:50:40 Rep. Jones suggested Miles Watts, a retired agriculture economist; and Sarah Swanson.
- 15:51:30 Chair Dudik suggested Mark Haggarty with the Headwaters Institute, and a local government center at MSU.
- 15:52:12 Rep. Caferro said she is disappointed the tribes were left out of outreach and said maybe this is an opportunity to include them.
- 15:52:32 Chair Dudik said that was a good point.
- 15:52:41 Rep. Mercer suggested Pat Barkey or Paul Polzin.
- Adjourn**
15:53:09 With no further business, Chair Dudik adjourned the meeting.

Supplemental materials:
Secretary of State Election Security Grant Funds ([Exhibit 15](#))
MPATH Vendors ([Exhibit 16](#))