



LEGISLATIVE FINANCE COMMITTEE

67th Montana Legislature

SENATE MEMBERS

Mike Cuffe
Janet Ellis
Tom Jacobson
Bob Keenan
Ryan Lynch
Daniel Salomon

HOUSE MEMBERS

David Bedey
Mary Caferro
Frank Garner
Jim Hamilton
Kenneth Holmlund
Llew Jones
Jim Keane
Emma Kerr-Carpenter
Bill Mercer
Sharon Stewart Peregoy
Jonathan Windy Boy

COMMITTEE STAFF

Amy Carlson - Legislative Fiscal Analyst
Julie Johnson - Attorney
Kathy Sangray - Secretary

MINUTES LOG

June 16, 2022
Room 317
Helena, Montana

Please note: This document is a Minutes Log and provides annotation 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 recording 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 the 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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MEMBERS PRESENT:

Sen. Daniel Salomon, Chair (R)
Rep. David Bedey (R)
Sen. Mike Cuffe (R)
Sen. Janet Ellis (D)
Rep. Frank Garner (R)
Rep. Jim Hamilton (D)
Rep. Kenneth Holmlund (R)
Sen. Tom Jacobson (D)
Rep. Llew Jones (R)
Sen. Bob Keenan (R)
Rep. Emma Kerr-Carpenter (D)
Sen. Ryan Lynch (D)
Rep. Bill Mercer (R)

MEMBERS EXCUSED:

Rep. Mary Caferro (D)
Rep. Jim Keane (D)

Rep. Sharon Stewart Peregoy (D)
Rep. Jonathan Windy Boy (D)

MEMBERS ABSENT:

STAFF PRESENT:

Amy Carlson, Legislative Fiscal Analyst
Kathy Sangray, Secretary

AGENDA ([Attachment 1](#))

VISITORS' LIST ([Attachment 2](#))

COMMITTEE ACTION

CALL TO ORDER/ROLL CALL

08:03:00 Sen. Daniel Salomon-R called the meeting to order at 8:03 AM. The committee secretary took roll.

FY 2022 Quarterly Financial Overview & COVID Update

08:04:45 Susie Lindsay, Legislative Fiscal Division (LFD), reviewed Financial Summary Quarterly Review.

([EXHIBIT 1](#))

([EXHIBIT 2](#)) Detailed Budget Amendment Report

08:12:46 Sen. Ellis asked about vacancy and turnover rates and if there are exit interviews. Her concern is that institutional knowledge is being lost and exit interviews may shed light on what is happening.

08:13:39 Ms. Lindsay said that HR departments ask for exit interviews, but employees are not required to complete them. She further stated that about 91% of those leaving left state government completely.

2023 Biennium Budget Update & ARPA Update

08:14:50 Ryan Evans, Office of Budget and Program Planning (OBPP), 2023 Biennium Budget update.

([EXHIBIT 3](#))

Rep. Regier asked about supplementals.

08:22:22 Mr. Evans explained that some agencies do have supplemental risks that he will continue to monitor, but higher vacancy rates do leave extra money in the budget.

08:22:30 Rep. Mercer asked about supplemental pressure for Section B agencies regarding public safety.

08:23:35 Mr. Evans said he is not carrying supplementals on the General Fund balance but supplementals generally come from education, health or public safety.

08:24:30 Sen. Keenan asked how many yearly hours are represented by state employees in collective bargaining agreements.

08:25:12 Mr. Evans said he'd research that number.

08:25:50 Chair Salomon asked where they are in the budget process.

08:26:18 Mr. Evans discussed the EPP process.

08:29:00 Amy Sassano, Deputy Budget Director (OBPP), discussed ARPA proposed fund switch and revenue replacement allocation.
(EXHIBIT 4) Memo from Budget Director Ryan Osmundson, OBPP

08:34:51 Rep. Caferro joined the meeting.

08:47:00 Chair Salomon thanked Ms. Sassano for her work and further explained that this issue just came up yesterday.

08:47:40 Amy Carlson (LFD) noted that Julie Johnson is unavailable today to comment on the legal issues, and we may need to schedule another meeting to address this problem.

08:49:09 Rep. Garner asked for clarification on the fund switch and the revenue replacement.

08:49:48 Ms. Sassano explained the value of the revenue replacement capacity.

08:51:56 Rep. Garner asked about the allocation of funds to various projects.

08:53:14 Ms. Sassano explained funding sources and possible legal issues relative to the fund switch.

08:54:01 Rep. Garner pointed out that it's an important issue to address the requirements associated with the dollars, and he asked about the deadline.

08:54:02 Rep. Mercer left the meeting.

08:54:37 Ms. Sassano agreed with Rep. Garner's statement.

08:54:43 Rep. Hamilton asked for clarification on the veterinarian diagnostic lab.

08:55:21 Ms. Sassano explained the funding for that project.

08:56:06 Rep. Hamilton asked if this project will be funded regardless of federal approval.

08:56:18 Ms. Sassano said there is no chance the project will get federal approval.

08:56:35 Sen. Ellis asked about the impact to broadband projects.

08:57:42 Ms. Sassano explained how the projects will be scored and funding allocated.

08:59:53 Rep. Garner asked if there is a comprehensive list of ARPA deadlines, so we are preparing for those deadlines.

09:00:42 Ms. Sassano pointed out the ARPA.mt.gov website does have information on fund allocation and expenditures.

09:02:12 Rep. Garner commented on the bill.

09:02:33 Ms. Sassano commented on the tools available in the bill that are enabling us to deal with these issues now.

09:02:59 Chair Salomon explained the situation and how it is being dealt with.

09:03:22 Ms. Sassano said she valued Ms. Johnson's input on this issue.

09:03:42 Chair Salomon introduced Mr. Flynn.

09:04:08 Larry Flynn, CFO Montana Department of Transportation, discussed flooding impact on state and county roads.

09:10:33 Chair Salomon asked about the priorities of the clean up efforts from the flooding and how other projects are being rescheduled.

- 09:11:03 Mr. Flynn said they will stabilize roads first, then they will reprioritize and redirect resources.
- 09:11:30 Rep. Hamilton asked who the public can contact.
- 09:11:50 Mr. Flynn said that the maintenance department is currently working with the local governments to get things cleaned up.
- 09:12:30 Sen. Cuff asked if there was loss of life in the flooding.
- 09:12:47 Mr. Flynn clarified the tragedy of the flooding did not include any deaths as far as he knew.
- 09:13:10 Rep. Kerr-Carpenter asked about projects in the works in the flooded area.
- 09:13:40 Mr. Flynn has not been able to fully evaluate the impact of the flooding yet, but projects will be deferred.
- 09:14:45 Chair Salomon wrapped up the conversation on ARPA and the impact of the flooding.

Interim Budget Section A Update

- 09:15:34 Sen. Lang gave an update on Section A.

Interim Budget Section B Update

- 09:20:00 Rep. Regier gave an update on Section B.

Interim Budget Section C Update

- 09:27:03 Rep. Holmlund gave an update on Section C.

Interim Budget Section E Update

- 09:37:16 Rep. Bedey gave an update on Section E.
(EXHIBIT 5)

- 09:49:06 Break

Joint Meeting of the Legislative Finance Committee and Revenue Interim Committee

- 10:02:42 Chair Cohenour called Revenue Committee to order at 10:02AM, the secretary took roll.
- 10:03:43 Amy Carlson (LFD) reported on Legislative Analyst Summary of the Outlook 2025 Biennium and Beyond report.
(EXHIBIT 6)
(EXHIBIT 7) 2025 Biennium Outlook report
- 10:32:49 Sen. Cuff asked for clarification on State Financial Reserves.
- 10:34:00 Ms. Carlson explained General Fund, Budget Stabilization Reserve, Fire Fund and Capital Development Fund.
- 10:34:07 Sen. Jacobson asked about Outlook Projected Structural Balance.
- 10:34:42 Ms. Carlson explained 2025 & 2027 biennia Present Law+ and expenditure pressures.
- 10:35:13 Sen. Jacobson asked about reserves and value of the dollar impacted by inflation.

10:35:51 Ms. Carlson explained that the reserve will be invested in longer term investments.

10:36:34 Sen. Hertz asked if there is a cap on the Capital Development Fund.

10:36:40 Ms. Carlson said there is not a cap.

10:36:57 Rep. Thane asked if revenue growth will be sustained because of higher employment rates and personal wage growth due to inflationary pressure.

10:37:32 Ms. Carlson agreed and discussed what is temporary and what can be sustained and the impact of remote workers.

10:38:59 Sam Schaefer (LFD) explained Revenue Forecast section of Outlook report.

10:44:14 Rep. Mercer joined the meeting.

10:50:09 Rep. Caferro asked what the baseline is for wage growth and personal income.

10:51:16 Mr. Schaefer explained wage growth and what is included in the base.

10:53:44 Vice Chair Caferro asked what impact ARPA funds have on wage growth.

10:54:15 Mr. Schaefer explained wage growth.

10:55:14 Vice Chair Caferro asked for clarification on ending fund balances at the end of the session and what they are now.

10:56:25 Mr. Schaeffer explained revenue collections impact on General Fund balance.

10:57:44 Vice Chair Caferro asked for clarification on the ending balances and if they are fiscal-year-end or biennium-end balances.

10:58:10 Mr. Schaeffer explained the numbers.

10:58:50 Rep. Hamilton asked why wage and expenditure outlooks are based on a 7% expected growth rate rather than IHS projections of between 2-4%.

10:59:49 Ms. Carlson explained the rational for the projections for average wage and total wage growth.

11:02:05 Quinn Holzer (LFD) reviewed Expenditures section of Outlook report.

11:08:04 Katie Guenther reviewed General Fund Expenditure Present Law+ and Pressures of Outlook report.

11:13:23 Josh Poulette (LFD) reviewed Public Health and Human Services section of Outlook report.

11:21:08 Rob Miller (LFD) reviewed Fires and Natural Resources section of Outlook report.

11:24:18 Cathy Duncan (LFD) reviewed Corrections & Public Defender section of Outlook report.

11:27:36 Julia Pattin (LFD) reviewed K-12 Education section of Outlook report.

11:30:24 Joe Triem (LFD) reviewed Infrastructure section of Outlook report.

11:39:13 Ms. Carlson finished review of Outlook report on Session Planning and Volatility Analysis.

11:43:57 Sen. Hertz asked if budgeted FTEs are included if they are vacant.

11:44:24 Ms. Carlson explained that vacant positions are part of the base budget.

11:44:31 Sen. Hertz asked for specific information regarding budgeted positions and vacancies.

11:45:00 Ms. Carlson responded that the IBCs track most of those numbers and they could make an estimate on the total dollar value of vacancy savings.

11:45:33 Sen. Hertz would appreciate getting those numbers to review.

11:45:35 Sen. Cohenour asked that those numbers be given to the entire committee.

- 11:45:45 Sen. Cuff asked how much the pension systems earned above the assumed rate of return.
- 11:46:34 Ms. Carlson explained the impact of higher than expected returns last year and the lower than expected returns this year.
- 11:47:34 Sen. Cuff asked when the committee can expect to see those numbers.
- 11:47:54 Ms. Carlson explained when those numbers will be coming out in the fall.
- 11:48:22 Vice Chair Caferro asked how much OTO ARPA funds are included in the ending fund balance.
- 11:49:37 Ms. Carlson explained the impacts of ARPA funds on the ending fund balances.
- 11:50:50 Vice Chair Caferro asked if there are any other impacts to the ending fund balance.
- 11:51:37 Mr. Holzer explained the tracking of COVID-related money and direct offsets.
- 11:52:36 Vice Chair Caferro pointed out that we should not spend the excess ending fund balance because it is too unpredictable.
- 11:52:48 Rep. Jones asked if the spending pressure is understated because the CPI does not reflect an accurate view of government expenditures.
- 11:55:48 Ms. Carlson explained how they accounted for CPI pressures.
- 11:57:58 Rep. Jones discussed the variability of forecasts.
- 11:59:56 Ms. Carlson explained the rationale for LFD projections.
- 12:01:27 Sen. Cuff asked for a specific explanation of the flow of federal money.
- 12:02:22 Mr. Holzer explained timelines for federal money, requirements attached to that money, and where the money is held. He also explained that money goes out on a reimbursement basis.
- 12:04:52 Rep. Jones explained rate of return for short-term investment pool.
- 12:05:38 Chair Salomon thanked staff for their work and asked for public comment.

Public Comment

- 12:06:09 Bob Story, Montana Taxpayers Association, commented on graft on Personal Income and General Fund Revenue growth. He also explained the factors effecting inflation and that inflation may continue.
- 12:08:02 Chair Salomon concluded joint meeting with Revenue Interim Committee.
- 12:08:22 Break

MARA Update

- 13:02:25 Rep. Jones gave MARA update.
- 13:12:24 Vice Chair Caferro pointed out that MARA has both legislator and private sector members.
- 13:12:47 Chair Salomon commented on the importance of MARA because it opens important conversations.
- 13:13:03 Rep. Mercer noted that MARA is gathering data and new models are being generated.
- 13:13:24 Rep. Jones said that the IBCs have produced good outcomes but there may be a need for more staffing to do the additional work.

State Information Technology Systems Division Summary of Statewide IT Policy Issues

- 13:15:02 Kevin Gilbertson, State CIO, gave report of SITSD.

(EXHIBIT 8)
(EXHIBIT 9)
(EXHIBIT 10)
(EXHIBIT 11)

- 13:32:14 Rep. Mercer thanked Mr. Gilbertson and asked what the quantifiable metrics are to measure goals outcomes.
- 13:32:50 Mr. Gilbertson explained strategic plans.
- 13:33:50 Rep. Mercer asked if the committee could see the strategic plan.
- 13:34:23 Mr. Gilbertson said it is available online.
- 13:34:46 Rep. Mercer asked if there is a mechanism in place that solicits customer/user feedback that can be considered in evaluating the success of implementing the strategic plan.
- 13:35:50 Mr. Gilbertson noted that lack of communication has been the issue, but he has implemented quarterly meetings to improve collaboration and now has a more effective method of prioritizing projects and measuring progress.
- 13:39:22 Vice Chair Caferro asked if there are other projects besides the ones listed on the Project Portfolio Summary and for clarification on the total projects. Also asked about the original budget and anticipated completion date for MPATH compared to actual costs and expected completion date. She is concerned that projects be delivered on budget, on time, and do what they were expected to do. She also asked for an update on the cost and timeline of the bill to remove DOJ from the consolidated system.
- 13:43:40 Mr. Gilbertson explained that the bill did not necessarily pull DOJ out of the consolidated system, but it did give them and other agencies the option to do that if there was not a security concern for the statewide network. He then continued with his presentation.
- 13:50:55 Rep. Mercer asked about the impact to the CIO's ability to find efficiencies since his authority has been diminished due to agencies moving away from the consolidated system. He also asked about the cost of data warehousing. He encouraged the CIO to work closely with the PSC to come to an agreement on their procurement requests.
- 13:54:41 Mr. Gilbertson explained his process of evaluating the PSC requests. He also addressed data warehousing and costs.

Personal Services and LFD Data Support

- 13:58:35 Molly DelCurto (LFD) reviewed Personal Services Budgeting report.
(EXHIBIT 12) Personal Services Budgeting options for Legislative review
- 14:10:39 Rep. Garner asked if there is a way to track the impact of contracted services and FTE costs.
- 14:10:55 Ms. DelCurto said that the agencies do track that information.
- 14:11:32 Sen. Ellis asked for a guide to explain pay adjustments. She then asked if there is a way to identify seasonal position vacancies.
- 14:13:26 Ms. DelCurto said seasonal and permanent position vacancies can be determined.
- 14:13:48 Rep. Holmlund asked if there is a way to identify how many seasonal positions are open and filled.

- 14:14:15 Ms. DelCurto said they are working on identifying the number of positions available and filled.
- 14:14:46 Rep. Bedey asked if there is a way to identify modified FTEs.
- 14:15:07 Ms. DelCurto said they currently just report on regular FTEs but the data is available to report on modified FTEs as well.
- 14:15:28 Rep. Bedey asked if the snapshots of information could be done monthly so that vacancies can be tracked.
- 14:16:38 Ms. DelCurto said they do pull data on a quarterly basis so they can look at trends.
- 14:17:02 Vice Chair Caferro asked where the contracted and modified employees show up in the budget and is that a standard decision or at the discretion of the departments.
- 14:17:28 Ms. DelCurto explained how contracted and modified FTEs are expended differently.
- 14:17:44 Vice Chair Caferro asked if there is a way to track contracted employees besides just seeing a snapshot of the date.
- 14:18:15 Ms. DelCurto said they do not track contracted employees in as much detail and is not certain how limited they are on getting that data, but she will research that and report back to the committee.
- 14:18:55 Sen. Ellis asked about their ability to track turnover rates and loss of institutional knowledge from retirements, and also track those transferring within or leaving state government, and to provide that information in the IBC reports.
- 14:20:57 Ms. DelCurto said that information is available for all agencies.
- 14:21:15 Rep. Bedey pointed out that modified FTEs budgeted in operating expenses are moved to Personal Services after budget modifications are made during the biennium.
- 14:21:56 Kris Wilkinson (LFD) explained that it depends on the Personal Services authority of the agency how those positions are accounted for in the budget.
- 14:23:00 Rep. Bedey thanked Ms. Wilkinson for the explanation.
- 14:23:23 Rep. Holmlund would prefer data in a digital format and asked if that would be easier.
- 14:23:42 Ms. DelCurto said it is in digital form but has not yet been published, it will be available before the session and maybe before the next IBC meetings.
- 14:24:06 Rep. Holmlund pointed out that the committee receives the data in paper form now but getting it digitally would be easier.

Global Recommendations to Subcommittees

- 14:25:21 Quinn Holzer explained the 2025 Biennium Budget Draft.
(EXHIBIT 13) 2025 Biennium Budget Draft
- 14:32:28 Sen. Ellis asked how the fixed costs are handled.
- 14:33:08 Rep. Bedey explained work on the model and recommended that LFD staff follow up and formalize it within committee procedures.
- 14:34:16 Sen. Ellis asked if the committees, LFD, or the agencies should be establishing the performance measures.
- 14:35:29 Mr. Holzer said they have incorporated measures into budget process.
- 14:36:08 Rep. Mercer pointed to a memo from OBPP that clarifies that each agency must state their mission and goals in a quantifiable way in their budget request.
(EXHIBIT 14)

- 14:37:25 Sen. Ellis pointed out that the explanation for how performance measures are determined is different in the 2025 Biennium Budget Draft presented by Mr. Holzer and the memo from the OBPP.
- 14:38:17 Rep. Mercer explained that agency-identified missions, goals and performance measures were not part of the budget process before and now this new requirement gives the legislature more information in appropriating funds.
- 14:39:21 Sen. Ellis clarified her question about who should be setting the performance measures, the agencies or a third party such as the legislators.
- 14:40:10 Rep. Mercer pointed out that the legislature needs to see the performance measures proposed by the agencies and then decide how to move forward.
- 14:40:23 Mr. Holzer concluded his comments.

Interim Budget Section F Update

- 14:41:24 Rep. Hamilton gave update on Section F.

Interim Budget Section D Update

- 14:53:33 Rep. Mercer gave update on Section D.
- 15:04:00 Rep. Garner asked about the supplementals for catching up with backlog from ARPA.
- 15:04:33 Rep. Mercer explained the allocations and what has been done and that no supplementals have been requested in the budget.
- 15:05:14 Rep. Garner asked if there are any consequences that need to be addressed regarding the supplemental to Yellowstone County.
- 15:05:35 Rep. Mercer said we are still in the implementation stage.

Suicide Prevention Work Group Update

- 15:06:57 Rep. Kerr-Carpenter gave update on Suicide Prevention Work Group.
- 15:08:20 Rep. Garner said it's a good process to go through.

Public Comment

- 15:09:00 None

Committee Business

- 15:09:10 Ms. Carlson asked Section E if they had proposed legislation.
- 15:09:33 Rep. Bedey said Section E has proposals for legislation on accreditation standards.
- 15:10:06 Chair Salomon said he preferred to take action on all the proposals next meeting.
- 15:10:13 Rep. Bedey agreed.
- 15:10:31 Ms. Carlson reviewed assignment of workgroup to develop recommendations for the next legislature. The committee should research the 2025 Biennium Budget Draft and come back in September with recommendations.
- 15:11:25 Chair Salomon said this process would allow input from the legislators.
- 15:11:59 Rep. Bedey suggested putting this on the agenda for the next IBC meetings and then report back to the LFC.
- 15:12:20 Chair Salomon clarified Rep. Bedey's proposal.
- 15:12:28 Rep. Bedey said it would be a more efficient way without taking more staff time or creating a new workgroup.

15:12:40 Rep. Mercer asked if that would leave enough time to finalize action on the proposed legislation.

15:13:00 Rep. Bedey thinks there is enough time to get it done because he only sees marginal changes.

15:13:21 Rep. Mercer stated that there needs to be some discussion on this topic before the September meetings.

15:13:56 Chair Salomon suggested creating a subcommittee of Section Chairs and the LFD work management group.

15:14:36 Rep. Mercer agreed having IBC chairs on the subcommittee and they can poll their committees for comments.

15:14:56 Chair Salomon proposed a meeting, possibly a remote meeting, with the LFD work group, chairs and whoever wants to participate.

15:15:20 Rep. Bedey agreed with the proposal of creating a subcommittee.

15:15:44 Ms. Carlson suggested scheduling that meeting today.

15:16:18 Chair Salomon said he will work to get a meeting scheduled.

15:16:45 Ms. Carlson said the September meeting will be for getting feedback from the committees as we pivot toward the session. The budget analysis will be presented at the December meeting, and she recommended inviting the new committee members.

15:18:18 Rep. Holmlund pointed out that the new committee members may not be assigned yet and asked when training will happen for those newly elected members.

15:18:49 Ms. Carlson said training will be provided at some point.

15:19:01 Chair Salomon said committee assignments should be made in November.

15:19:34 Sen. Ellis asked if the LFC needed to take any action to authorize the IBC subcommittees to draft legislation.

15:20:07 Chair Salomon said the subcommittees can bring legislation proposals to the LFC and then the LFC would propose legislation.

15:20:22 Rep. Bedey commented that the IBC subcommittees can propose bill drafts to the LFC.

15:20:34 Rep. Mercer agreed that the subcommittees can bring bill proposals to the LFC and the LFC does have authority to draft bills.

15:20:52 Sen. Ellis asked if there should be a bill drafted to remove the sunset for the IBC committees.

15:21:21 Chair Salomon said the topic of whether or not to keep the IBC committees going will be added to the agenda for the next meeting.

15:22:05 Ms. Carlson introduced LFD staff.

Public Comment

15:27:44 None

15:28:09 Rep. Bedey requested that the dynamic fiscal note question be added to the next meeting.

15:28:22 Chair Salomon reminded committee of the date of the next meeting.

ADJOURNMENT

Adjournment: 15:28:45