



LEGISLATIVE FINANCE COMMITTEE

64th Montana Legislature

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

SENATE MEMBERS

JON SESSO--Chair
MARY CAFERRO
LLEW JONES
BOB KEENAN
FREDERICK (ERIC) MOORE
CYNTHIA WOLKEN

HOUSE MEMBERS

NANCY BALLANCE--Vice Chair
KIMBERLY DUDIK
PAT NOONAN
RYAN OSMUNDSON
MITCH TROPILA
BRAD TSCHIDA

JULIE JOHNSON, Staff Attorney
DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

MINUTES LOG

December 6, 2016
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.

Access to an electronic copy of these minutes and the audio or video recording is provided from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side menu of the home page, select Committees, then Interim. Once on the page for Interim Committees, scroll down to the appropriate committee. The written Minutes Log, along with the audio and video recordings, is listed by meeting date on the interim committee's web page. Each of the Exhibits is linked and can be viewed by clicking on the Exhibit of interest. All Exhibits are public information and may be printed.

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

COMMITTEE MEMBERS PRESENT

SEN. JON SESSO, Chair
SEN. LLEW JONES
SEN. BOB KEENAN
SEN. CYNTHIA WOLKEN
SEN. MARY CAFERRO
SEN. FREDERICK (ERIC) MOORE

REP. NANCY BALLANCE, Vice Chair
REP. KIMBERLY DUDIK
REP. RYAN OSMUNDSON
REP. MITCH TROPILA

COMMITTEE MEMBERS EXCUSED

REP. PAT NOONAN
REP. BRAD TSCHIDA

STAFF PRESENT

JULIE JOHNSON, Staff Attorney
DIANE MCDUFFIE, Secretary
AMY CARLSON, Director

VISITORS' LIST (Attachment #1)

AGENDA (Attachment #2)

COMMITTEE ACTIONS:

- Approved minutes from previous meeting as amended
- Approved budget recommendations to the House Appropriations and Senate Finance and Claims committees (Exhibit 12)
- Approved LC 5942 as a committee bill

CALL TO ORDER AND ROLL CALL

00:00:02 Sen. Sesso called the Legislative Finance Committee to order at 10:00 a.m. on Tuesday, December 6, 2016 in Hearing room 102 of the State Capitol. The committee secretary called roll. (**Attachment 3**) Rep. Tschida was excused and left his proxy with Rep. Ballance. (**Attachment 4**)

APPROVAL OF THE MINUTES OF THE PREVIOUS MEETING

00:00:01 **MOTION:** Sen. Keenan moved to approve the minutes of the previous meeting. Rep. Ballance noted a correction on page 5. **VOTE:** Minutes approved as amended.

FYE 2016 BUDGET STATUS REPORT (Exhibit 1)

00:01:08 Amy Carlson, Director, Legislative Fiscal Division (LFD) presented the Budget Status Report. More discussion on the balance sheet will be in Volume 1.

General Fund Revenue

00:09:01 Stephanie Morrison, Fiscal Analyst, LFD noted FY 2017 general fund revenues through the end of November were \$7.1 million or 0.9% ahead of FY 2016 revenues through the same period; this increase is below the anticipated growth of 3.4%. As the fiscal year progresses, the accruing data allows for a closer estimate of final collections based on historical collection patterns.

00:07:33 Kris Wilkinson, Fiscal Analyst, LFD summarized the budget and expenditure portion of the budget status report that discusses the FY 2017 appropriations and expenditures, FY 2017 HB 2 budget changes, supplemental requests, statutory appropriations, and HB 2 state resources by agency.

COMMITTEE QUESTIONS

00:06:48 Sen. Sesso asked the reason for the supplemental request for the Office of Public Instruction. Rob Miller, Fiscal Analyst, LFD explained that revenue flowing into the guarantee account was lower than anticipated and ANB is higher than anticipated.

- 00:09:24 Rep. Dudik asked for information on the transfer in the Office of the Public Defender. Greg DeWitt, Fiscal Analyst, LFD explained the transfer of money from the second year to the first year was to make-up for shortfalls. The Office of the Public Defender requested the Office of Budget and Program Planning include them in the supplemental bill but they were declined and told to implement a mitigation plan.
- 00:12:18 Rep. Ballance asked what the supplemental for the Office of Higher Education (OCHE) is for and is it related to the transfer. Shauna Albrecht, Fiscal Analyst, LFD explained the supplemental for OCHE is for stem scholarships. These scholarships are funded out of the lottery revenues and for FY 2017 revenues fell short. Scholarships awarded for FY17 academic year are already funded.

THE MONTANA HELP ACT (Exhibit 2)

- 00:13:59 Quinn Holzer, Operations Manager, LFD presented the Montana Help Act, Medicaid Expansion Update. The HELP Act has been fully implemented, and Medicaid services are being delivered and paid for via 100% by federal funds at this time. This 100% match will be reduced to 95% as of January 1, 2017 to an eventual final federal matching rate of 90% (90% federal, 10% state) in 2020 and beyond. This report provides an update of the Medicaid expansion and the financial implications. Also included in the committee notebooks are the HELP-Link Workforce Program Report and HELP-Link information handout from the Department of Labor and Industry. (Exhibits 2a & 2b)

COMMITTEE QUESTIONS

- 00:17:07 Rep. Ballance
- 00:21:34 Sen. Wolken
- 00:22:42 Rep. Tropila
- 00:23:04 Rep. Dudik
- 00:23:56 Tanner Woodward, Administrative Services Manager, Department of Labor and Industry responded to Rep. Dudik's question regarding the identified barriers to employment.
- 00:25:40 *Sen. Moore joined the meeting.*

MEDICAID MONITORING REPORT (Exhibit 3)

- 00:26:23 Quinn Holzer, Operations Manager, LFD presented the Medicaid Monitoring report. This report covers Medicaid benefits only, which is a subset of total Department of Health and Human Services expenditures. The table on page 1 illustrates the current status of the Medicaid appropriation for FY 2017. The legislative appropriations include HB 2 authorizations, including the continuation of biennial appropriations not used in FY 2016. Also included in the committee notebooks is a letter from Richard Opper, Director, Department of Public Health and Human services regarding services provided through the Senior and Long Term Care Division. (Exhibit 3a)

COMMITTEE QUESTIONS

00:28:33 Rep. Ballance
00:32:09 Sen. Sesso
00:33:29 Sen. Caferro
00:43:08 Rep. Tropila

VOLUME 1 (Exhibit 4)

00:45:19 Amy Carlson, Legislative Fiscal Analyst, LFD provided an overview of the Legislative Budget Analysis 2019 Biennium. The purpose of this report is to provide the legislators with the information needed to assist them in crafting a balanced state budget and fiscal policy.

COMMITTEE QUESTIONS

00:59:06 Sen. Moore
00:59:27 Rep. Ballance
01:00:01 Rep. Tropila
01:00:55 Sen. Caferro
01:08:16 Rep. Ballance
01:20:12 Sen. Sesso

01:31:19 Joe Triem, Fiscal Manager, LFD discussed the infrastructure portion of the report. The chart on page 20 illustrates the Governor's infrastructure investment plan. Information on the proposed new Infrastructure Trust Fund and the Governor's recommendation on managing the Highway State Special Fund was also provided.

COMMITTEE QUESTIONS

01:37:07 Sen. Sesso
01:37:45 Rep. Ballance
01:40:44 Sen. Sesso
01:40:47 Rep. Ballance
01:44:12 Rep. Tropila
01:45:56 Sen. Sesso
01:52:08 Sen. Jones
01:52:48 Sen. Wolken
01:54:08 Rep. Ballance
01:54:57 Rep. Dudik
02:01:00 Sen. Moore
02:03:46 Sen. Caferro

PUBLIC COMMENT

02:04:38 Beth Brewer, Clinical Director, Full Circle Mental Health and Development Disability Center, testified for consideration of including increases in rates that use board certified behavior analyst, and proposed direct care worker wage increase might be expanded to include direct care workers under developmental services as well as mental health.

02:05:33 Kelly Jepson, Policy Analyst, Consumer Direct Care Network, provided testimony for continuation of the direct care worker wage increase and provider rate increases,

additional state and federal funding for Health Care for Health Care Workers, (HCHCW) and increasing private duty nursing rates paid to providers statewide. **(Exhibit 5)**

02:07:44 Darren Larson, member of personal care supports, provided testimony for increasing provider reimbursement rates, increase wages for Direct Care Professionals, and maintain health care for health care workers. **(Exhibit 5a)**

03:30:58 The committee took a brief recess to wish farewell to Rep. Mitch Tropila, Rep. Pat Noonan, and Greg DeWitt, LFD staff. Also, congratulated Senator-elect Ryan Osmundson.

03:41:49 Sen. Sesso, Chairman, thanked Mr. DeWitt for his years of service and dedication.

PENSION SYSTEM UPDATE

03:43:22 Dore Schwinden, Executive Director, Montana Public Employees' Retirement Board presented the MPERA valuation results for June 30, 2016. **(Exhibit 6)** The presentation included information on participation in MPERS, actuarial assumptions, average salary and benefits, payroll and benefits, and progress toward 100% funding.

COMMITTEE QUESTIONS

03:58:06 Sen. Sesso
03:59:33 Rep. Ballance
04:01:01 Rep. Tropila
04:02:55 Sen. Sesso
04:04:26 Rep. Tropila
04:05:01 Sen. Sesso

04:05:48 Shawn Graham, Executive Director, Teachers Retirement System presented the TRS valuation results for July 1, 2016. **(Exhibit 7)** The presentation provided information on TRS participation, average salary and benefits, actuarial Assets vs. UAAL, and funding results.

COMMITTEE QUESTIONS

04:10:02 Sen. Sesso
04:22:07 Sen. Jones
04:27:27 Sen. Jones
04:31:21 Sen. Sesso
04:32:31 Rep. Tropila

STATE INFORMATION TECHNOLOGY UPDATE

04:37:31 Kris Wilkinson, Fiscal Analyst, LFD provided a summary of changes in the IT Portfolio since September 2016. The department is proposing using new "Phase" information which Mr. Baldwin will explain. Two projects have increased in cost estimates as of December and an additional two projects have been added. A new methodology has been used for reporting MMIS information. **(Exhibit 8)**

04:40:23 Ron Baldwin, State CIO, Department of Administration explained the "Phase" in change designation is an attempt to make the report more standardized. Only one project in the IT Project Portfolio report is in red status for schedule. **(Exhibit 9)** Also included in the committee notes are:

Supplemental Reports **(Exhibit 9a)**

- DPHHS Enterprise Services Phase I
- DPHHS Child Welfare Case Management System Phase I
- DPHHS WIC EBT Vendor Services
- DPHHS Joint Enterprise Data Sharing Phase I
- MDT Maintenance Management System (MMS)

Post Implementation Reports **(Exhibit 9b)**

- DPHHS ACA Eligibility & Enrollment Phase 3
- DPHHS MITA 3.0 Assessment
- DOT Electronic Permitting, Audit, Registration, Tax (ePART)
- DOA eProcurement

05:12:53 Mr. Baldwin, presented the CIO Policy Report. **(Exhibit 10)** No exception requests were granted and the Department of Justice withdrew their exception request of using Skype for Business on Apple computers. The Biennial Report is being drafted. It will be presented to the Information Technology Board on December 13,2016 for review and approval.

05:32:22 Ms. Wilkson provided a summary of IT Expenditures/Payments to SITSD from Volume 10 of the Governor's Budget. The table shows SITSD costs, cost of IT payments to all others, all IT expenditures for 2016, and expected base expenditures for 2016 thru 2019. **(Exhibit 11)**

COMMITTEE QUESTIONS

04:43:21 Rep. Dudik
04:48:24 Rep. Tropila
04:50:16 Sen. Sesso
04:52:49 Rep. Ballance
04:55:25 Rep. Tropila
05:00:08 Rep. Dudik
05:04:29 Rep. Ballance

LFC RECOMMENDATIONS TO THE LEGISLATURE

05:37:39 Quinn Holzer, Operations Manager, LFD presented the 2019 Biennium Budget Recommendations for the application of certain budget issues for 2017 Legislative

Session. (**Exhibit 12**) The Legislative Finance Committee is directed in statute to make recommendations to the House Appropriations and Senate Finance and Claims committees on the application of certain budget issues. Recommendations are:

1. Budget Starting Point;
2. SWPL: Personal Services;
3. Fixed Costs;
4. Inflation or Deflation Factors in the Budget;
5. Budget Proposals Requiring Legislation;
6. HB 2 Companion Bill;
7. Key Performance Measures;
8. Internal Service Programs;
9. One-time-only Alternative Designation;
10. Volume 10; and
11. HELP Act Statutory General Fund Estimate.

COMMITTEE DISCUSSION

05:43:08 Sen. Sesso
05:43:32 Rep. Caferro
05:43:53 Sen. Sesso

05:44:17 **MOTION:** Sen. Jones moved to approve recommendations 2 through 10.

DISCUSSION ON THE MOTION

05:45:23 Rep. Ballance
05:49:17 Sen. Jones
05:50:32 Rep. Dudik
05:54:59 Sen. Caferro
05:55:20 Sen. Jones
05:56:45 Sen. Caferro
05:57:41 Rep. Ballance
05:58:41 Rep. Tropila
06:00:54 Sen. Caferro

06:01:19 **SUBSTITUTE MOTION:** Sen. Caferro moved to segregate recommendation No. 5 - Budget Proposals Requiring Legislation. **VOTE:** Motion passed.

06:03:31 **VOTE ON MOTION:** To approve recommendations No. 2, 3, 4, 6, 7, 8, 9, and 10. Motion passed unanimously.

HEALTH INSURANCE UPDATE

Included in the committee notebooks are the Working With Employees With Chronic Medical Conditions Report (**Exhibit 13**) and a financial update from Health Care and Benefits Division (**Exhibit 13a**). No formal presentation was given.

STATE INFRASTRUCTURE BUDGETING AND FUNDING

- 06:10:35 Cathy Duncan, Fiscal Analyst, LFD summarized research done on SB 79 regarding increasing rates charged to state agencies and being able to capture federal funds and state special funds.
- 06:17:03 Joe Triem, Fiscal Manager, LFD provided a summary of three draft bills revising the Long-Range Building Program Funding Mechanism. **(Exhibit 14)**
- LC0594 - SB 79 Revision **(Exhibit 14a)**
 - LC5943 - Lump Sum Transfer Alternative **(Exhibit 14b)**
 - LC5942 - Facility Assessment (Only) Alternative **(Exhibit 14c)**

COMMITTEE DISCUSSION

- 06:28:05 Sen. Sesso
- 06:33:41 Rep. Dudik
- 06:35:33 Rep. Tropila
- 06:37:21 Sen. Caferro
- 06:37:56 Rep. Ballance
- 06:42:49 Rep. Tropila
- 06:43:21 Sen. Sesso
- 06:43:36 Rep. Tropila
- 06:45:52 **MOTION:** Rep. Ballance moved the Legislative Finance Committee carry LC 5942 - Facility Assessment (only) Alternative. **VOTE:** Motion Passed unanimously. Sen. Sesso will sponsor the bill.

COMMITTEE BUSINESS

- 06:47:33 Ms. Carlson noted under tab 9 are copies of reports provided to the RTIC. **(Exhibit 15)**
- 06:48:50 Scott Conrady, Fiscal Analyst, LFD responded to the committee regarding the autism waiver. No expenditures were made in FY 2016 and no expenditures have been made against the appropriation.
- 06:50:42 Greg DeWitt, Fiscal Analyst, LFD responded to the committee regarding the Highway Patrol FTE. Mr. DeWitt provided a table on MHP HB 2 FTE History. **(Exhibit 16)**

PUBLIC COMMENT

- 06:51:51 Sheila Hogan, Director, Department of Administration commented on the report Working with Employees with Chronic Medical Conditions. She said cost is important as is the health and welfare of plan members. At some point she would like the opportunity to discuss with the committee the state employee group benefit system.

06:53:42 Sherri Rickman, Nurse Case Manager, Health Care & Benefits Division said she has some concerns that were addressed in the report on the transition process. She is available to all plan members if they are having issues.

06:55:45 Rep. Tropila thanked all the members he served with in the Montana Legislature, LFD staff, lobbyist, republicans, democrats, executive agency branches and the general public.

ADJOURNMENT

06:56:26 **MOTION:** This being the final meeting of the interim and with no further business before the committee Rep. Tropila moved to adjourn. **VOTE:** Motion passed unanimously. Meeting adjourned at 5:00 p.m.