



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

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MARY CAFERRO
LLEW JONES
BOB KEENAN
FREDERICK (ERIC) MOORE
CYNTHIA WOLKEN

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AMY CARLSON, Director

MINUTES LOG

March 10-11, 2016
Room 152, 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. FREDERICK (ERIC) MOORE
SEN. CYNTHIA WOLKEN

REP. NANCY BALLANCE, Vice Chair
REP. KIMBERLY DUDIK
REP. PAT NOONAN
REP. RYAN OSMUNDSON
REP. MITCH TROPILA
REP. BRAD TSCHIDA

COMMITTEE MEMBERS EXCUSED

SEN. MARY CAFERRO

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
- ◆ Approved December LFC meeting date
- ◆ Approved operating plan change adjustment
- ◆ Approved staff to draft legislation to repeal 15-70-601

CALL TO ORDER AND ROLL CALL

00:11:05 Sen. Sesso called the Legislative Finance Committee to order at 10:00 a.m. on Thursday, March 10, 2016 in Hearing room 152 of the State Capitol. The committee secretary called roll. (Attachment #3).

00:11:10 **MOTION:** Rep. Dudik moved to approve the minutes of the previous meeting.
VOTE: Motion passed.

COMPARISONS BETWEEN STATE EMPLOYEES' GROUP BENEFIT PLAN

00:11:45 Kris Wilkinson, Fiscal Analyst, LFD presented the Comparison Between State Employee Group Benefit Plans And Between State Plans and Insurance Provided By Large Montana Employers. As part of this study of the group benefits plans the LFC requested a report comparing two states health plans and comparison between state health plans and large private employers health care insurance. (Exhibit 1)

00:30:34 Connie Welch, Director of Benefits, Montana University System provided an overview of the MUS Group Benefit Plan. (Exhibit 2) The overview included information on enrollment, benefits vendors, care management and wellness results, and state plan reserve status.

00:50:54 Marilyn Bartlett, Administrator, Health Care and Benefits presented an overview of the State Employee's Group Benefit Plan (SEGBP) The overview provided information on 2016 cost containment and SB 418 measures. (Exhibit 3)

Committee Questions

01:04:54 Rep. Ballance
01:12:48 Rep. Tschida
01:16:05 Sen. Jones
01:19:17 Rep. Dudik
01:20:31 Rep. Ballance
01:21:12 Sen. Jones
01:22:02 Sen. Sesso
01:34:07 Sen. Keenan

STATE INFORMATION TECHNOLOGY UPDATE

- 01:36:32 Kris Wilkinson, Fiscal Analyst, LFD presented a memorandum on Oracle Licensing Agreement (Exhibit 4) The purpose of this memorandum is to provide the LFC with information regarding the final agreement between the state and Oracle, the associated cost of the agreement, and the impact of the costs on state agencies.
- 01:39:21 Ron Baldwin, State CIO, Dept. of Administration, commented that this is a very good agreement for the State of Montana.
- 01:44:37 Ms. Wilkinson presented the following items:
- ◆ Development Tracking and IT Project Portfolio Report. (Exhibits 4a)
 - ◆ IT Project Portfolio Report (Exhibit 4b)
- Also included in the committee notebooks are:
- ◆ Supplemental Reports (Exhibit 4c)
 - ◆ MDT BIMS
 - ◆ DOA MPERA
 - ◆ Livestock Milk & Egg System
 - ◆ CIO Report (Exhibit 4d)
 - ◆ Volume 10 draft format (Exhibit 4e)
- 01:49:30 Mike Honeycut, Executive Officer, Dept. of Livestock responded to the milk & egg system issue. The system was originally intended to be an addition to the new Laboratory Information System at the Diagnostic Laboratory in Bozeman.
- 01:56:00 Angie Riley, IT Manager, discussed the current status of the MPERAtiv project. The overall health of the project is yellow due to first phase of testing was missed and any significant issues found at this point would have an impact on the go live data.
- 01:59:46 Stuart Fuller, CIO, Dept. of Public Health and Human Services provided an update on MMIS. The contract amendment reduces the scope of the Xerox DDI contract. All non-pharmacy deliverables were effectively cancelled from the contract.
- 02:05:31 Mr. Baldwin presented the CIO Report on MITA Compliance and Exceptions. The Department granted 4 exception requests. The State Strategic Plan for IT has been published. Click on the link to review:
<http://sitsd.mt.gov/Portals/77/docs/IT%20Plans/State%20IT%20Plans/Strategic%20Plan%202016%20Final.pdf>

Committee Questions

- 02:06:21 Rep. Ballance
- 02:13:05 Sen. Keenan
- 02:14:45 Rep. Tschida
- 02:24:43 Ms. Wilkinson presented the proposal for volume 10 format. During the last legislative session a subcommittee requested additional information related to

information technology. The next step is to have a meeting with the Office of Budget and Program Planning.

LUNCH

MEDICAID VOLATILITY

03:33:06 Cynthia Hollimon, Fiscal Analyst, LFD presented Medicaid Volatility: Montana's History and Other States' Approaches. (Exhibit 5) This report examines Montana's estimates and actuals in recent years, and concludes by summarizing the approaches taken by other states to account for volatility and challenges associated with budgeting Medicaid.

Committee Questions

03:36:59 Sen Sesso
03:48:33 Rep Ballance
03:49:53 Rep. Dudik
03:52:18 Sen. Keenan
03:52:36 Rep. Noonan
03:53:53 Sen. Keenan
03:56:00 Sen. Sesso
04:02:26 Sen. Sesso
04:06:33 Sen. Sesso
04:10:02 Sen. Keenan
04:11:34 Rep. Noonan
04:12:49 Sen. Sesso
04:13:53 Rep. Ballance
04:14:44 Rep. Noonan

BUDGET STATUS REPORT (Exhibit 6)

04:16:53 Susie Lindsay, Communications Supervisor, LFD gave an update on the general fund balance sheet on page 2 of the Budget Status Report (BSR). The FY 2015 Comprehensive Annual Financial Report (CAFR) adjustments of \$328,000 are included in the balance sheet.

Revenues

04:18:46 Stephanie Morrison, Fiscal Analyst, LFD gave an overview of general fund revenue collections beginning on page 2 of the BSR and an update on individual income tax. General fund revenue collections are currently below the overall growth estimate contained in HJ 2.

04:32:13 Nick VanBrown, Fiscal Analyst, LFD reported that property tax collections are above last year and currently below HJ 2 estimated growth. Oil and natural gas production tax is below last year and below HJ 2 estimates.

04:36:43 Sam Schaefer, Fiscal Analyst, LFD summarized tax collections for corporation income tax; vehicle fees and taxes; and video gaming tax. Both corporation income tax collections and vehicle taxes and fees are below last year collections at this time. Video gaming tax is currently above collections from last year at this time and slightly below HJ 2 estimate.

04:39:34 Cynthia Hollimon, Fiscal Analyst, LFD provided an update on insurance tax. Year-to-date collections are above FY 2015. HJ 2 anticipates growth of 8.6% at fiscal year-end.

Budget and Expenditures

04:41:36 Kris Wilkinson, Fiscal Analyst, LFD explained the budget and expenditure portion of the BSR focuses on fiscal year expenditure percentages that were below 50.0% or above 70.0% of expenditure for general fund or state special resources as a whole. A summary of budgetary changes by section, agency, and program can be found in Appendix A.

04:45:54 Ms. Wilkinson discussed HB 2 expenditures and statutory appropriations for the Legislative Branch. The majority of the divisions have expenditures in line with fiscal year expenditure percentages.

04:46:30 Micaela Kurth, Fiscal Analyst, LFD provided HB 2 budget and expenditure information for the Consumer Counsel, Governor's Office, and State Auditor's Office. Information on Secretary of State and Commissioner of Political Practices is available but not included in the report.

04:47:59 Sam Schaefer, Fiscal Analyst, LFD provided information on program transfers, operating plan changes, HB 2 expenditures, and statutory appropriations for the Department of Revenue (DOR). In addition, the Montana Health and Economic Livelihood Partnership (HELP) Act appropriated \$393,213 in general fund for the 2017 biennium. This authority is considered base funding for the 2019 biennium budget.

04:50:18 Kris Wilkinson, Fiscal Analyst, LFD discussed HB 2 budget, expenditures, and statutory appropriations for the Department of Administration and Department of Commerce. Declining revenues for coal severance taxes are projected to result in a reduction in contributions to the Montana Public Employee Retirement System.

04:54:08 Katie Guenther, Fiscal Analyst, LFD summarized HB 2 budget and expenditure information for the Department of Labor and Industry (DOLI). HB 2 state resources are 50.0% expended compared to fiscal year expenditure percentages of about 66.0% at the end of February.

04:55:56 Kris Wilkinson, Fiscal Analyst, LFD discussed the HB 2 budget and expenditures for the Department of Military Affairs. The department had one minor operating plan change and administers a number of grants related to emergency management and hazard mitigation.

04:58:16 Stephen Forrest, Fiscal Analyst, LFD summarized the HB 2 budget and expenditures highlights for the Department of Fish, Wildlife, and Parks (FWP), Department of Environmental Quality (DEQ). The budget amendment fund was corrected to USDA Forrest Service rather than Pittman/Robertson. DEQ showed operating expenses lower than the anticipated calendar expenditure percentages. Due to declining revenues from resource indemnity trust and resource indemnity ground water assessment, OBPP has requested DEQ and DNRC develop plans for adjusting expenditure.

Committee Questions

05:00:03 Sen. Sesso
05:01:52 Rep. Tropila
05:04:26 Rep. Ballance
05:07:14 Rep. Tropila

05:08:47 Cathy Duncan, Fiscal Analyst, LFD summarized the HB 2 budget and expenditures for the Department of Transportation. Operating expenses are slightly less than the fiscal year expenditure percentage. In addition, MDT received the finalized appropriation schedule for Fixing America's Surface Transportation Act funding in January and is now able to obligate the funding to projects.

05:13:59 Stephen Forrest, Fiscal Analyst, LFD discussed the HB 2 budget and expenditures for the Department of Livestock, Department of Natural Resources and Conservation (DNRC), and Department of Agriculture. The Department of Livestock general fund expenditures are tracking under what is expected at this point in the calendar year. DNRC had a single program transfer and several operating plan changes. Expenditures are slightly under what is expected due to reduction in the pace allocations of local assistance. The majority of programs and budgeted expenditures for the Department of Agriculture are commensurate with the fiscal year end percentages.

Committee Questions

05:14:38 Sen. Moore
05:16:25 Rep. Tropila

05:19:46 Greg DeWitt, Fiscal Analyst, LFD summarized HB 2 budget and expenditures for Section D agencies. The Judicial Branch had a single operating plan change and expenditures are in line with historical trends. Crime Control Division had a time sensitive operating plan change and HB 2 expenditures appear low due to typical delays associated with the grant process. Except for operating expenses in the Forensic Services Division, the Department of Justice expenditures are in line with fiscal year expenditure percentages. The Office of State Public Defender and Department of Corrections expenditures are in line with fiscal year expenditure percentages.

Committee Questions

05:26:19 Sen. Wolkin
05:28:17 Rep. Ballance
05:29:32 Rep. Dudik
05:32:00 Sen. Sesso
05:35:36 Rep. Tropila

05:36:33 Robert Miller, Fiscal Analyst, LFD provided an update on the guarantee account, and state special revenue for the Office of Public Instruction. The LFD forecast estimates for the guarantee account to be lower than HJ 2 estimate. Changes to the guarantee account estimates include lower than expected revenue from oil bonus payments offset by higher than expected grazing fees and revenue from timber. The

Board of Public Education has expended \$9,377 of a restricted one-time-only appropriation for legal fees.

05:41:19 Micaela Kurth, Fiscal Analyst, LFD summarized the HB 2 budget and expenditures for the Office of The Commissioner of Higher Education. The campuses are working towards submitting their budget requests to the Board of Regents for the 2019 biennium. No state appropriation changes are anticipated. A fiscal year transfer of federal special revenue moved appropriation authority in FY 2017 to FY 2016.

05:46:41 Mr. Miller discussed HB 2 expenditures for the Montana Arts Council. The agency will have two retirements. The agency is evaluating their options to address these costs. The Montana State Library had a budget amendment for a contract with US Army Corps. Expenditures are in line with historical expenditure percentages.

05:48:41 Dan Villa, Director, Office of Budget and Program Planning commented on behalf of the executive stating that they generally agree with the revenue report. He is comfortable with revenues and expects strong wage growth.

Committee Questions

05:57:30 Sen. Sesso
05:59:44 Sen. Jones
06:01:09 Sen. Moore
06:03:17 Sen. Wolkin

06:23:14 Quinn Holzer, Fiscal Analyst, LFD discussed the budget modifications and expenditures for the Department of Public Health and Human Services (DPHHS). As of the end of February, the ratios of expenditures to appropriations agency-wide are in line with fiscal year expenditure patterns by both expenditure type and fund type.

MEDICAID MONITORING REPORT

06:27:22 Scott Conrady, Fiscal Analyst, LFD presented the Medicaid Monitoring Report. (Exhibit 7) As part of its interim work plan, the Legislative Finance Committee chose to monitor the Medicaid program administered by the Department of Public Health and Human Services.

06:35:57 Quinn Holzer, Fiscal Analyst, LFD presented the Montana HELP Act, Medicaid Expansion Update (Exhibit 8). The implementation of this Act will significantly impact the budget for the State of Montana. This report provides an update synopsis of the Medicaid expansion and any financial implications.

Committee Questions

06:38:24 Sen. Moore
06:40:28 Sen. Keenan
06:44:01 Rep. Ballance
06:49:09 Sen. Sesso
06:50:04 Rep. Ballance
06:50:44 Sen. Sesso
06:52:38 Sen. Keenan

06:54:21 Rep. Tropila
06:59:26 Sen. Moore

LEGISLATIVE BUDGET POLICY CHOICES, 2019 BIENNIUM REPORT

07:02:20 Barbara Smith, Operations Manager, LFD presented the Budget Policy Choices II report. (Exhibit 9) The Legislative Finance Committee (LFC) voted to accept the FY 2017 Executive Modified Budget as the base budget for the 2017 Budget Analysis. This report describes the pre-budget analysis process and offers options for the methods and comparisons for LFC's recommendation.

Committee Questions

01:28:06 Sen. Sesso
07:28:44 Sen. Moore
07:29:42 Sen. Jones
07:30:47 Sen. Moore
07:31:01 Sen. Sesso
08:31:45 Rep. Ballance
08:33:02 Rep. Tropila
08:35:14 Sen. Jones
08:37:38 Sen. Sesso

COMMITTEE BUSINESS

08:39:00 Amy Carlson discussed options for the December LFC meeting. Legislative Council has asked that general orientation be December 8th for all legislators and rules committee and presiding officer training be on December 7th. An option for the LFC meeting would be December 6th.

08:26:52 Amy Carlson presented an Operating Plan adjustment proposing authorization to move \$20,000 per year from personal services to operating budget. (Exhibit 10)

08:46:25 Sen. Sesso expressed his reservation on the Energy Conference. He does not have a problem with the overall transfer.

08:49:26 **MOTION:** Sen. Jones moved to approve the Operating Plan Adjustment to transfer \$20,000 per year from personal services to operating budget. **Vote:** Motion passed.

08:50:01 Ms. Carlson noted reports provided to the RTIC that are included in the binders.
▶ CY 2014 Taxpayer Data Update (Exhibit 11)
▶ Detailed Uses of the Highway State Special Revenue Account (Exhibit 12)

Ms. Carlson introduced Katie Guenther, new fiscal analyst member and the promotion of Quinn Holzer to Operations Manager to replace Barbara Smith.

RECESS Committee will reconvene Friday at 8:00 a.m.

Friday, March 11, 2016

COMMITTEE MEMBERS PRESENT

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

REP. NANCY BALLANCE, Vice Chair
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REP. BRAD TSCHIDA

COMMITTEE MEMBERS EXCUSED

SEN. MARY CAFERRO

STAFF PRESENT

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

VISITORS' LIST (Attachment #4)

ROLL CALL

00:00:00 The Legislative Finance Committee reconvened on Friday, March 11, 2016 at 8:00 a.m. in Hearing Room 152 of the State Capitol Building, Helena Montana. The secretary called roll. (Attachment #5)

Committee Business Continued

00:01:39 Joe Triem, Fiscal Manager, LFD recognized Greg DeWitt for his service to the State of Montana and presented him with a 20 year pin.

00:03:21 Stephanie Morrison, Fiscal Analyst, LFD presented a chart on Revenue Estimate Comparison by Fiscal Year. (Exhibit 13) The chart includes HJ 2, LFD and OBPP March estimates and actuals for 2015.

STATUTORY APPROPRIATIONS

00:06:47 Sam Schaefer, Fiscal Analyst, LFD presented the Statutory Appropriations report. (Exhibit 14) Included in this report are 2017 biennium projects for all statutory appropriations, an update of 17-1-502(2), MCA guideline analysis, and each statutory appropriation analyzed for growth components.

00:15:14 Susie Lindsay, Communications Supervisor, LFD discussed administrative costs related to statutory appropriation and Sam Schaefer, LFD provided a statutory appropriation growth analysis. LFD staff recommended repeal of 15-70-601. Biodiesel production incentive appropriation as the statute states "Beginning July 1, 2010, there is no tax incentive."
(Exhibit 14a)

Committee Questions

00:18:19 Sen. Sesso
00:20:27 Rep. Tropila
00:21:44 Sen. Sesso

00:29:20 **MOTION: Rep. Dudik** moved to have staff draft legislation to repeal 15-70-601.
VOTE: Motion carried.

CHILD AND FAMILY SERVICES DIVISION UPDATE

00:29:30 Cynthia Hollimon, Fiscal Analyst, LFD introduced Sarah Corbally, Department of Public Health and Human Service; Beth McLaughlin, Supreme Court Administrator; and Corbitt Harrington, Yellowstone County Attorney. Ms Hollimon distributed the following handouts:

- Child Removal Summaries (Exhibit 15)
- Summary 2015 DN Cases (Exhibit 15a), and
- Performance Audit Review of Child Abuse and Neglect Investigations (Exhibit 15b)

00:31:16 Corbitt Harrington, Yellowstone County Attorney discussed the increase in the number of child abuse and neglect cases in Montana, especially in Yellowstone County. (Exhibit 16)

00:54:12 Sarah Corbally, DPHHS discussed the fiscal implications of the Legislative Performance Audit. Ms. Corbally also provided a chart showing caseload growth and the number of children eligible to receive federal funding. (Exhibit 17)

01:22:54 Beth McLaughlin, Supreme Court Administrator discussed District Court child abuse and neglect cases and implementation of HB 612. Ms. McLaughlin provided a handout on the number of statewide district court cases related to child abuse and neglect cases. (Exhibit 18) She also provided information on HB 612 - Child Abuse and Neglect Pilot Project. (Exhibit 18a)

Committee Questions

01:34:36 Rep. Dudik
01:39:55 Rep. Ballance
01:49:02 Sen. Wolkin
01:50:37 Rep. Dudik
01:54:28 Sen. Sesso
02:03:53 Rep. Dudik
02:06:17 Rep. Ballance
02:07:14 Sen. Moore
02:08:14 Rep. Noonan
02:15:00 Sen. Sesso
02:25:57 Rep. Tropila
02:27:30 Sen. Keenan
02:31:54 Rep. Dudik
02:33:11 Rep. Ballance
02:33:43 Sen. Keenan

INFRASTRUCTURE

- 02:53:27 Joe Triem, Fiscal Manager, LFD introduced the infrastructure portion of the agenda. A report will be presented by Cathy Duncan followed by Sam Schaefer will provide a mathematical model showing a variety of scenarios.
- 02:55:05 Cathy Duncan, Fiscal Analyst, LFD presented the Build or Lease report. (Exhibit 19) This report provides an overview of the laws related to providing new space through either a build or lease option, a historic view of how the state's owned and leased space have changed over time.
- 03:09:56 Sam Schaefer, Fiscal Analyst, LFD presented the Build vs Lease Analysis memo. (Exhibit 20) This memo compares the cost of building and leasing under a variety of scenarios.
- 03:24:18 Sen. Moore
03:25:20 Sen. Keenan
03:26:06 Sen. Sesso
03:29:41 Sen. Jones
03:35:33 Sen. Sesso

MONTANA LAW ENFORCEMENT ACADEMY INTERIM STUDY

- 03:50:58 Glen Stinar, Administrator, Montana Law Enforcement Academy. The purpose of this presentation is to discuss the findings of the Architecture and Engineering study, how other states Law Enforcement Academies are funded and growth opportunities. (Exhibit 21) Mr. Stinar also provided a copy of the MLEA 2015 Annual Report. (Exhibit 21a)
- 03:53:44 Marina Little, Planning Manager, Architecture & Engineering discussed the preliminary Master Plan of the existing facility. (Exhibit 21b) This report reflects the findings of on-site building and facility assessments and educational and programing surveys of the requirements of the MLEA.

COMMITTEE QUESTIONS

- 04:13:18 Sen. Sesso
04:15:07 Rep. Dudik

PUBLIC COMMENT

Committee Business Continued

- 04:16:00 The committee reviewed the time sensitive change HA 203 - 41070 Crime Control Division and had no comment.
- 04:19:42 Joe Triem, Fiscal Manager provided a copy of the Individual Income Tax Credit Analysis report that is being presented to the Revenue Transportation Interim Committee.(Exhibit 22)

ADJOURNMENT

- 04:20:16 With no further business before the committee, the meeting adjourned. The next

meeting of the Legislative Finance Committee is June 9 & 10, 2016.