



# LEGISLATIVE FINANCE COMMITTEE

## 65th Montana Legislature

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

### SENATE MEMBERS

LLEW JONES  
EDIE MCCLAFFERTY  
FREDERICK (ERIC) MOORE  
RYAN OSMUNDSON  
JON SESSO  
CYNTHIA WOLKEN

### HOUSE MEMBERS

NANCY BALLANCE  
KIMBERLY DUDIK  
KENNETH HOLMLUND  
MIKE HOPKINS  
JIM KEANE  
MARILYN RYAN

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

## MINUTES LOG

Dec. 3, 2018  
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. LLEW JONES  
SEN. FREDERICK (ERIC) MOORE  
SEN. RYAN OSMUNDSON  
SEN. JON SESSO

REP. NANCY BALLANCE  
REP. KIMBERLY DUDIK  
REP. KENNETH HOLMLUND  
REP. MIKE HOPKINS  
REP. JIM KEANE  
REP. MARILYN RYAN

### **COMMITTEE MEMBERS EXCUSED**

SEN. EDIE MCCLAFFERTY

### **STAFF PRESENT**

AMY CARLSON, Director  
JULIE JOHNSON, Legal Staff  
KAREN GILBERT, Committee Secretary

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

**AGENDA** ([Attachment 2](#))

**COMMITTEE ACTION**

**CALL TO ORDER and ROLL CALL**

10:08:52 Chair Ballance called the meeting to order and the secretary took the roll. Sen. McClafferty was excused. ([Attachment 3](#))

**Medicaid Monitoring – LFD staff**

10:10:17 Jon Arnold, LFD analyst, presented the Medicaid Monitoring report. ([Exhibit 1](#))

10:11:18 Chair Ballance noted the committee could review the minutes on their own, since they did not approve them as the first order of business.

10:14:02 Chair Ballance asked about the HELP population.

10:14:12 Mr. Arnold replied.

10:14:57 Sen. Moore asked about the IHF-eligible population.

**Approval of Minutes**

10:15:19 Chair Ballance said the committee could now vote on adoption of the minutes from the September 2018 meeting. The vote passed unanimously.

**Volume 1 Budget Analysis of the Governor's Budget – Amy Carlson, Legislative Fiscal Analyst**

10:15:57 Amy Carlson presented Volume 1 Budget Analysis of the Governor's Budget. ([Exhibit 2](#))

10:38:24 Sen. Sesso asked Ms. Carlson about the revenue estimate.

10:38:54 Ms. Carlson responded.

10:39:38 Sen. Sesso asked about revenue sources.

10:39:47 Ms. Carlson responded and noted they would further discuss revenue numbers later in the day.

- 10:40:44 Sen. Sesso asked about the time frame in which revenues were estimated.
- 10:41:17 Ms. Carlson responded.
- 10:42:09 Sen. Sesso suggested they use annual or biannual, not a 30-month profile.
- 10:43:31 Ms. Carlson said the Executive and the Legislative Fiscal Division feel very similar about revenues, it doesn't get closer than this.
- 10:43:48 Sen. Sesso referred to page 19 and asked if that was the governor's proposed balance sheet and does LFD have a different one?
- 10:44:13 Ms. Carlson said they run 99% of the Governor's balance sheet except revenues. She said they don't have a balance sheet published at this time, but it would be \$23 million higher than what is shown on page 19.

**Budget Director comments – Tom Livers, Director, Governor’s Office of Budget and Program Planning**

- 10:45:08 Tom Livers, new director of the governor's budget office, discussed the governor's budget.
- 10:50:54 Sen. Sesso asked about \$5 million for OCHE, was that in scholarships?
- 10:51:18 Mr. Livers said yes.

**Public Comment\***

- 10:52:06 Heather O'Loughlin, Montana Budget & Policy Center.
- 10:54:03 Chair Ballance asked about MBPC's report.
- 10:54:10 Ms. O'Loughlin responded.

**LFC recommendations to the Legislature – Quinn Holzer, LFD operations manager**

- 10:55:32 Quinn Holzer, LFD operations manager, presented the report. ([Exhibit 3](#))
- 11:03:02 Chair Ballance asked about the subcommittee hearing process, she said they talked about providing guidance on evidence-based budgeting.
- 11:03:43 Rep. Keane asked about fixed costs in ITSD.
- 11:04:15 Mr. Holzer responded.

- 11:04:24 Rep. Keane said an increase to subsections might be different and asked if they could break out into sections.
- 11:04:55 Mr. Holzer said they would look into it.
- 11:05:03 Sen. Sesso asked about companion bills.
- 11:07:24 Chair Ballance said companion bills were done for transparency, but they brought up more questions.
- 11:08:15 Sen. Jones said the challenge was that the president, speaker and finance chair negotiated with governor and sat in conference committee and waited, it was not transparent. He said they tried to lay out what was happening in a companion bill and folks said it was too complicated, so there were six companion bills, but they got used as carriers for items not in HB 2.
- 11:10:28 Sen. Moore said transparency would trump ease and simplicity. He said Sen. Sesso's argument that the titles are too broad and too many things get stuck in is a good point.

#### **Entitlement Share Biennial update – Sam Schaefer**

- 11:14:18 Sam Schaefer, senior fiscal analyst, presented his report. ([Exhibit 4](#))
- 11:24:30 Sen. Jones commented on property tax reimbursements.
- 11:25:02 Mr. Schaefer said he would check and would get back to the committee.
- 11:25:44 Rep. Dudik said this is not new news to those on Section D.
- 11:26:45 Mr. Schaefer responded.
- 11:27:16 Sen. Sesso referred to a chart on page 4.
- 11:29:52 Mr. Schaefer responded.
- 11:30:24 Sen. Sesso said the legislature's decisions in the past should be kept in mind.
- 11:31:49 Sen. Jones said the state runs on income tax, that is variable. He said linking locals to the same variability as state will impact locals during the next big recession.
- 11:33:12 Chair Ballance said as legislation is being passed each session, they are focused on a specific area and don't do a good job educating legislators about long-term impacts.
- 11:33:36 Sen. Moore asked about graphs on pages 3-4.

11:33:44 Mr. Schaefer responded

11:33:49 Sen. Moore asked about a tax revenue decrease.

11:34:03 Mr. Schaefer responded.

11:34:06 Rep. Dudik asked about constitutionally required services.

11:34:35 Mr. Schaefer responded.

11:35:18 Ms. Carlson also responded.

11:36:48 Rep. Keane commented on past legislatures constitutionally requiring funding for services.

**Office of Public Defender funding statutory analysis – Kris Wilkinson, LFD analyst**

11:38:33 Kris Wilkinson, LFD lead fiscal analyst, discussed her report. ([Exhibit 5](#))

11:41:13 Ms. Carlson explained this report was being provided about 10 years late, it's a required report and they didn't know they needed to be doing it.

11:41:42 Ms. Wilkinson continued her presentation.

11:47:43 Chair Ballance asked about page 7.

11:47:49 Ms. Wilkinson responded.

11:48:23 Sen. Jones asked if local-state relationship is supposed to be adjusted.

11:49:09 Ms. Wilkinson said the intent was to examine it every five years.

11:49:33 Sen. Jones asked about equalization.

11:49:50 Ms. Wilkinson responded.

11:50:05 Sen. Sesso asked about the growth rate mentioned on page 5.

11:50:34 Mr. Schaefer responded.

11:51:56 Rep. Dudik asked Ms. Wilkinson about page 7.

11:53:40 Ms. Wilkinson responded.

11:55:29 Julie Johnson, LSD, said she would like to look into bill a little more.

11:56:06 Ms. Wilkinson said percentages were calculated based on what cities were

paying at the time.

### **Committee Photo & Lunch**

11:57:39 The committee recessed to have its photo taken and lunch.

### **Recommendations**

12:40:17 Chair Ballance called the meeting back to order.

12:40:27 **MOTION:** Sen. Jones moved to adopt the LFC recommendations to the legislature as slightly amended by Chair Ballance.

12:41:45 Chair Ballance said the slight amendment fits under number 7, key performance metrics.

12:41:51 Sen. Jones said this allows staff to get information together for subcommittees.

12:42:33 Rep. Dudik said she wanted to bring attention to not including the statewide present law adjustment for personal services in the base budget. She said it should be included in the base.

12:43:35 **VOTE:** The committee voted unanimously on a voice vote to adopt the recommendations.

12:44:01 Rep. Dudik commented on one-time only appropriations.

12:44:43 Ms. Carlson said LFD tries to do a better job of providing that information with new tables they have developed.

12:46:09 Rep. Keane said another purpose for the OTO is so it can be evaluated.

### **Pension system update:**

#### **Montana Public Employees' Retirement Board – Dore Schwinden, Executive Director, MPERA**

12:46:32 Mr. Schwinden presented his report. ([Exhibit 6](#))

12:59:53 Sen. Sesso asked how the funded ratio improved, but the amortization period goes the other direction.

13:00:23 Mr. Schwinden responded.

13:01:17 Sen. Sesso asked about existing employees paying into the system.

- 13:01:43 Mr. Schwinden responded.
- 13:02:05 Sen. Sesso asked if either of the triggers were met as it relates to GABA.
- 13:02:35 Mr. Schwinden responded
- 13:02:41 Sen. Moore asked if the funded ratio is a snapshot in time.
- 13:02:59 Mr. Schwinden said yes.
- 13:03:14 Chair Ballance said it doesn't look like a bad picture and asked what is the bottom line?
- 13:03:43 Mr. Schwinden said actuaries have recommended they ride it out, markets have been volatile this year.
- 13:04:47 Rep. Keane asked if all Montana retirement systems used the same actuarial firms.
- 13:05:03 Mr. Schwinden said they issued an RFP three years ago to hire the firm they use and it is the same firm as TRS uses.

**Montana Teachers' Retirement System – Shawn Graham, Executive Director, TRS**

- 13:05:43 Mr. Graham presented his report. ([Exhibit 7](#))

**Pension stress testing or risk assessment options – Sam Schaefer, LFD analyst, and Amy Carlson**

- 13:19:03 Ms. Carlson discussed the report. ([Exhibit 8](#))
- 13:26:03 Mr. Schaefer continued the presentation. ([Exhibit 9](#))
- 13:42:06 Rep. Holmlund asked about less money coming into fund and then an upturn.
- 13:42:33 Mr. Schaefer said the return on investments isn't uniform.
- 13:43:46 Rep. Keane asked how the information would be used, he said it was good the pension fund and legislators have a reliable source.
- 13:44:51 Mr. Schaefer responded.
- 13:46:47 Rep. Keane said he was always frustrated with how they never talk about what the pension plans provide to the economy.
- 13:47:40 Mr. Schaefer responded.

13:48:22 Ms. Carlson said this discussion is about information, they are the ones who will pay for it at the end of the day -- the legislature needs to figure out the solution to the problem.

13:51:43 Sen. Sesso asked Mr. Schwinden and Mr. Graham to react to the risk assessment discussion and whether or not they recommend action now or later.

13:52:35 Mr. Schwinden said it was a fruitful discussion and responded to the question.

13:54:26 Sen. Sesso said at this time, going into session, is the board going to make any proposals to respond to the current situation?

13:54:51 Mr. Schwinden said other than discussing with LFD staff, the board hasn't made any recommendations aside from the police officers and game wardens system.

13:55:18 Rep. Dudik asked about cutting positions and not giving salary increases, is the legislature contributing to the problem?

13:55:43 Mr. Schwinden said that is accurate.

13:55:48 Mr. Graham also responded to the question.

13:57:56 Sen. Sesso asked Mr. Graham if given daily review of data and in light of analysis before us, are they bringing forward any recommendations?

14:00:13 Mr. Graham responded.

14:00:15 Sen. Sesso asked about market value of assets in PERS.

14:00:23 Mr. Schwinden responded.

14:00:27 Sen. Sesso said he appreciated the discussion today.

14:00:56 Rep. Holmlund asked about Mr. Schaefer's request for a stress-testing option.

14:01:08 Mr. Schaefer said they are requesting information from the pension board. He said some information is already provided.

14:02:32 Rep. Holmlund requested LFD work with the two pension boards.

14:02:52 Sen. Sesso asked a question on behalf of Sen. McClafferty regarding the TRS fund.

14:03:50 Mr. Graham responded.



**State Information Technology Update:**  
**IT Portfolio Overview – Katie Guenther, LFD analyst**

- 14:06:38 Ms. Guenther presented her report. ([Exhibit 10](#))
- 14:14:44 Chair Ballance said this is an attempt to get more reasonable information. Previously, the level of detail was putting people to sleep -- too much data, not enough information. She said they were still not quite there yet.
- 14:16:32 Rep. Keane asked if there is a way to include projected annual operating costs.
- 14:16:46 Ms. Guenther said she would work on that.
- 14:16:54 Rep. Dudik asked about the project in red on the first page.
- 14:17:16 Ms. Guenther said there was agency staff here to speak further on that.

**IT Portfolio – Tim Bottenfield, State CIO, and state agencies**

- 14:17:50 Mr. Bottenfield presented his report. ([Exhibit 11](#)) He said an HHS representative would respond to Rep. Dudik's question.
- 14:20:17 Chair Ballance said they continue to struggle with getting information that tells them some measurable points of progress from beginning to end of a project.
- 14:21:47 Mr. Bottenfield said noted, and continued his presentation.
- 14:23:14 Mr. Bottenfield discussed HHS's MPATH report and called up Gene Hermensen, director for the MPATH report.
- 14:24:23 Mr. Hermensen said the project should have been reported green.
- 14:25:10 Chair Ballance said they would like the full picture of the MPATH system.
- 14:26:28 Mr. Hermensen responded.
- 14:26:34 Chair Ballance said as systems and Medicaid changes, they need to identify when data is available.
- 14:27:03 Mr. Hermensen continued his update.
- 14:32:54 Erica Johnston, DPHHS operations services branch manager, said the MFSIS project went live today.
- 14:34:27 Chair Ballance said congratulations.

14:34:32 Ms. Johnston said there were questions last time about what is next -- this is the initial phase in legacy system replacement.

14:36:16 Mr. Bottenfield offered his congratulations and said it is a big success.

#### **CIO Policy change report – Tim Bottenfield**

14:36:54 Mr. Bottenfield discussed his report. ([Exhibit 12](#))

14:39:07 Chair Ballance turned the meeting over to Vice Chair Rep. Dudik and left the meeting.

#### **Community college funding formula – Shauna Albrecht Lyons, LFD analyst**

14:59:46 Ms. Albrecht Lyons gave her report. ([Exhibit 13](#))

15:00:49 Rep. Dudik said her constituents are interested in less expensive higher education. She asked for an analysis on state support since the 1980s.

15:01:55 Ms. Albrecht Lyons responded.

#### **State Lab Study follow up – Shauna Albrecht Lyons**

15:02:48 Ms. Albrecht Lyons gave her report. ([Exhibit 14](#))

15:06:12 Rep. Keane asked about the EQC letter.

15:07:00 Ms. Albrecht Lyons responded.

#### **Public Comment**

15:08:08 Jane Karas, Flathead Community College

15:08:43 John Skully, Board of Livestock

#### **Long Range Planning update – Joe Triem, LFD analyst**

15:10:56 Mr. Triem discussed the report. ([Exhibit 15](#))

15:16:54 Sen. Sesso said the Veteran's Home went to bid three days ago, they will open bids on Dec. 20 and will start construction in April.

15:18:49 Sen. Sesso asked about a chart on page 1.

15:22:11 Mr. Triem responded.

**Committee Business**  
**Budget Status Report FY 2019 Biennium – LFD Staff**

15:22:32 Ms. Carlson briefly covered the report. ([Exhibit 16](#))

**Training available in session**

15:23:09 Ms. Carlson mentioned training materials are on the web for legislators.

**Potential legislation**

15:23:35 Ms. Carlson said this committee has no potential legislation.

**Possible evidence based training in January by Pew Charitable Trusts**

15:23:51 Ms. Carlson said Pew and NCSL have offered to do a training in January for all legislators on child protective services.

**LFD reports presented to RTIC available online**

15:24:28 Ms. Carlson said there are resources presented to RTIC available online.

**Staff update**

15:24:46 Ms. Carlson announced Marci Lowendowski as a new LFD fiscal analyst.

15:25:13 Ms. Carlson gave Susie Lindsay, LFD communications supervisor, her 10-year service pin.

**Adjourn**

15:26:25 With no further business before the committee, Vice Chair Dudik adjourned the meeting.