

MINUTES

MONTANA SENATE 59th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN MIKE COONEY**, on January 10, 2005 at 5:00 P.M., in Room 317 Capitol.

ROLL CALL

Members Present:

Sen. Mike Cooney, Chairman (D)
Sen. Keith Bales (R)
Sen. Gregory D. Barkus (R)
Sen. John Brueggeman (R)
Sen. John Cobb (R)
Sen. John Esp (R)
Sen. Steven Gallus (D)
Sen. Ken (Kim) Hansen (D)
Sen. Bob Hawks (D)
Sen. Bob Keenan (R)
Sen. Rick Laible (R)
Sen. Lane L. Larson (D)
Sen. Trudi Schmidt (D)
Sen. Corey Stapleton (R)
Sen. Jon Tester (D)
Sen. Dan Weinberg (D)

Members Excused: None.

Sen. Greg Lind (D)
Sen. Don Ryan (D)
Sen. Carol Williams (D)

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Taryn Purdy, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 28, 1/6/2005; SB 58, 1/6/2005;
SB 93, 1/6/2005
Executive Action: SB 58; SB 93

HEARING ON SB 93**Opening Statement by Sponsor:**

SEN. JOHN COBB (R), SD 9, Augusta, opened the hearing on SB 93, Monthly Medicaid reports to Legislative Finance Committee. The bill would change the requirements for the Department of Health and Human Services (DPHHS) to give monthly cost estimates for Medicaid Services to the **Legislative Finance Committee** at certain times. The DPHHS budget is huge and they do monthly cost estimates. Estimates were given at the beginning of the session but by February or March those estimates could change. If they changed dramatically it could be a lot more or not as much for Medicaid as was projected. During the year, he wanted to know if the department was above or below appropriations, whether they had money to move elsewhere or not spend or whether they would have to ask for a supplemental or cut. The department estimates for a two year period and if they are one percent off it is \$6 million a year. The bill makes clear how often the department must report to the Legislature.

Proponents: John Chappuis, DPHHS

Opponents: None.

Proponents' Testimony:

John Chappuis, DPHHS, spoke in favor of the bill.

Informational Testimony:

Lois Steinbeck, Legislative Fiscal Division advised she worked with the department in helping to propose this language to the Finance Committee and was available for questions.

Questions from Committee Members and Responses:

SEN. CORY STAPLETON asked what would happen in the six months the department is not reporting. **Ms. Steinbeck** advised they looked at it from a fiscal year basis from the start in July. In July, August and September the Medicaid data is very new and not complete enough for estimates until about October. The Finance Committee would get a report on November 15th. In response to a further question from **SEN. STAPLETON**, **Ms. Steinbeck** indicated this would follow the business cycle and the Medicaid business estimates that DPHHS does already. Claims are incomplete for the first quarter of the year. They tried to mimic the current business process in statute.

SEN. BOB KEENAN asked about the lag period for Medicaid for payment of bills. **Mr. Chappuis** advised it was 365 days.

Closing by Sponsor: **SEN. COBB** closed on the bill.

HEARING ON SB 28

Opening Statement by Sponsor: **SEN. RICK LAIBLE (R), SD 44, Victor**, opened the hearing on SB 28, Revise definition of "new proposal" for state budgeting purposes. **SEN. LAIBLE** advised the bill came out of the **Legislative Finance Committee** as a tool to help in the budgeting process.

Proponents: None.

Opponents: Amy Sassano, OBPP

Opponents' Testimony:

Amy Sassano, OBPP advised current law requires that the Budget Director direct agencies with more than 20 FTEs to draw up a plan to reduce their base budget for general fund and certain state special revenue accounts by 5%. She said this was done currently and in the past the budget office used some recommendations from these plans to reduce agency budgets. These plans are also made available to the **Legislative Fiscal Division** for their analysis. Their objection to making these plans into new proposals in SB 28 was it gives the appearance the plan reductions were endorsed by the Governor. The bill states these new proposals are not to be considered recommendations of the Governor; however, if they are called new proposals and are included in the Governor's submission to the **Legislative Fiscal Division**, it is likely they will seem like they are Governor's reductions. It is likely that many of them will absolutely not be endorsed by the Governor. This information is being collected now and is considered in the development of the Executive Budget. It is available and could be presented to the **Appropriations Subcommittee** by the LFD staff. Therefore, they did not believe the bill was necessary.

Questions from Committee Members and Responses:

SEN. KEENAN noted the **Office of Public Instruction (OPI)** had refused to participate in this 5% reduction. He stated there is really no enforcement and this is a voluntary exercise. **Ms. Sassano** advised it is not voluntary for Executive Branch agencies. She confirmed on two or three occasions the **Superintendent of Public Instruction** respectfully declined.

Closing by Sponsor:

SEN. LIABLE closed on the bill. In response to the testimony of **Ms. Sassano**, he acknowledged the information is available now. The bill would allow a new proposal that as of the decision packages. This is one of the reasons the **Legislative Finance Committee** felt it was so important to provide this additional tool. Regarding the concern of the Governor's office, **SEN. LIABLE** suggested a disclaimer on the decision package that said this is not endorsed by the Governor.

HEARING ON SB 58**Opening Statement by Sponsor:**

SEN. GREGORY BARKUS (R), SD 4, Kalispell, opened the hearing on SB 58, Revise state bond laws. **SEN. BARKUS** advised this was a housekeeping bill by request of the **Department of Administration**. SB 58 would amend and repeal sections of law related to long range building bonds. The statutes were out of date. The statues repealing the long range building plan were basically unnecessary due to the conversion of that type of funding to general obligation bonds referred to in another section of code. Language would be repealed that had to do with who paid the expenses of the issuance of the bonds. It could be built into the total refunding cost of the bonds and not itemized as a cost of the purchaser. He advised there was an amendment.

EXHIBIT (fcs06a01)

When an agency of government issues a bond that has a purpose out in the future and may be anticipating another bond issuance, they use a strategy called bond anticipation notes. This amendment extends the terms allowable on bond anticipation notes from one year to three years. The amendment would amend Section 17-5-805 and extend the term of bond anticipation notes from one year to three years. The amendment would allow state agencies to save a considerable amount of dollars and give them more flexibility in the bond market anticipation.

Proponents: **Steve Bender, Department of Administration**
Anna Miller, Department of Natural Resources and
Conservation
Joe Mazurek, D.A. Davidson & Co.

Opponents: None.

Proponents' Testimony:

Steve Bender, DOA, advised this was a housekeeping bill; there were some old provision in statute they needed to get rid of. This was the result of auditing by the **Legislative Auditor's Office**. The bill would repeal all the language that speaks to physical bond certificates. The auditors questioned whether there should be two parts in the codes for long range building and authorization for an employment security building. Those provisions were no longer necessary. Regarding who pays the cost of issuance, the normal practice was to use the bond proceeds of the general fund statutory appropriation to pay all of the issuance cost of the bonds. He said it was naive to think the Board of Examiners could tell a big financial institution to eat those costs. Ultimately those would be passed on to the state anyway. He urged a do pass on the bill.

Anna Miller, DNRC, advised they requested the amendment to this bill. **DNRC** is the department that uses bond anticipation bonds the most. They issue a note in anticipation of doing long term bonds. The reason that they borrow is that they match EPA (Environmental Protection Agency) grant money and use that to fund projects for local governments for water and waste water work.

EXHIBIT (fcs06a02)

Waste water work is done in the spring and a lot of drinking water work is done in the fall. Federal money from EPA comes in at different times. It is more cost effective to issue the bonds for all of that at the same time. They can save printing costs and credit analysis costs. The term of bond anticipation was limited to one year and sometimes one program wasn't ready to go in twelve months so they couldn't achieve those efficiencies of the economy of scale. When they are able to save money and issue the bonds together they usually get a better price and can pass that interest savings back to local governments when they in turn borrow from the department. When the local governments build their projects and pay the department back the department uses that money to pay back the bond anticipation notes and they keep the federal money to recycle again.

Joe Mazurek, D.A. Davidson & Co., testified they underwrite many of the bonds issued by the state of Montana and agreed with **SEN. BARKUS** that this bill was largely housekeeping. It does give a little discretion to the Board of Examiners. They recommended the adoption of the amendment.

Closing by Sponsor:

SEN. BARKUS closed on the bill.

EXECUTIVE ACTION ON SB 93

Motion/Vote: SEN. KEENAN moved that SB 93 DO PASS. Motion carried unanimously.

EXECUTIVE ACTION ON SB 58

Motion: SEN. TESTER moved that SB 58 DO PASS.

Motion/Vote: SEN. ESP moved that AMENDMENT TO SB 58 BE ADOPTED. Motion carried unanimously.

Vote: Motion carried unanimously.

ADJOURNMENT

Adjournment: 5:30 P.M.

SEN. MIKE COONEY, Chairman

PRUDENCE GILDROY, Secretary

MC/PG

Additional Exhibits:

EXHIBIT ([fcs06aad0.PDF](#))