

HOUSE BILL 512

IN THE HOUSE

February 1, 1979

Introduced and referred to  
Committee on Taxation.

March 27, 1979

Committee recomend bill,  
do pass.

Second reading, as amended

Correctly engrossed.

Third reading, passed.

SENATE

March 27, 1979

Referred to Committee on  
Taxation.

April 20, 1979

Died in Committee.

1 House BILL NO. 512  
 2 INTRODUCED BY Gerke, Russau, Vincent

3  
 4 A BILL FOR AN ACT ENTITLED: "AN ACT TO LIMIT STATE GENERAL  
 5 FUND SPENDING AND TO PROVIDE TAX RELIEF WITH ANY REVENUES IN  
 6 EXCESS OF SUCH LIMITATIONS."

7  
 8 WHEREAS, it is desirable to place a ceiling on state  
 9 expenditures from the general fund in order to control the  
 10 growth of state government; and

11 WHEREAS, it is desirable that the rate of growth of  
 12 expenditures from the state general fund not exceed the rate  
 13 of growth of personal income.

14  
 15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

16 Section 1. Short title. [This act] may be cited as the  
 17 "Spending Limitation Act".

18 Section 2. Definitions. As used in [this act], the  
 19 following definitions apply:

20 (1) "Contingency amount" means 5% of the total general  
 21 fund appropriations for the most recently completed fiscal  
 22 year, as determined by the budget director.

23 (2) "General fund appropriations" means those  
 24 appropriations whose source of funding is the general fund  
 25 as provided in [chapter 2 of Title 17] and includes

1 supplemental appropriations from that source.

2 (3) "Montana total personal income" means the current  
 3 income from all sources received during a particular period  
 4 of time by persons residing within Montana, inclusive of  
 5 transfers from government and business, but exclusive of  
 6 transfers between persons, as determined by the bureau of  
 7 economic analysis of the United States department of  
 8 commerce.

9 (4) "Spending limitation" means the product of the  
 10 total general fund appropriation for the preceding biennium  
 11 and the average percentage change in Montana total personal  
 12 income for the 5 most recently completed calendar years for  
 13 which estimates have been made at the time that  
 14 appropriations are enacted.

15 Section 3. General fund appropriation limit. The  
 16 general fund appropriation for a biennium may not exceed the  
 17 spending limitation except upon a two-thirds vote of the  
 18 members present and voting in each house of the legislature.

19 Section 4. Property tax relief account created. There  
 20 is created a property tax relief account in the state  
 21 earmarked revenue fund. At the end of each fiscal year the  
 22 department of administration shall determine the excess, if  
 23 any, of the total revenues accruing to the credit of the  
 24 general fund over the total expenditures from the general  
 25 fund plus a contingency amount. Such excess shall be

1 deposited in the property tax relief account.  
2 Section 5. Tax relief payments -- director of revenue  
3 to certify tax relief. When the director of the department  
4 of revenue certifies that the balance in the property tax  
5 relief account is sufficient to provide an average of \$80  
6 annually per person entitled to relief under the [state  
7 funded homestead tax relief act, initiative No. 72, passed  
8 November 2, 1976, as amended] he shall so inform the  
9 governor. The governor shall direct the director of revenue  
10 to distribute the money available in the property tax relief  
11 account under the provisions of the [state funded homestead  
12 tax relief act].

-End-

## STATE OF MONTANA

Request No. 206-79

## FISCAL NOTE

Form BD-15

In compliance with a written request received February 2, 1979, there is hereby submitted a Fiscal Note for House Bill 512 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly. Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

Description of Proposed Legislation

An act to limit State General Fund spending and to provide tax relief with any revenues in excess of such limitations.

Assumptions

1. Total personal income (in millions) in Montana is as follows:

	<u>Amount</u>	<u>Percent Change</u>		<u>Amount</u>	<u>Percent Change</u>
CY 72	\$2,885.0	-	CY 77	4,661.0	8.9
CY 73	3,466.0	20.1	CY 78	5,019.0	7.7
CY 74	3,666.0	5.8	CY 79	5,421.0	8.0
CY 75	4,019.0	9.6	CY 80	5,855.0	8.0
CY 76	4,282.0	6.5	CY 81	6,323.0	8.0

2. The maximum allowable expenditures will be provided for by the Legislature each year.

3. Total receipts (in millions) to the General Fund will be as follows:

FY 80	\$231.5	FY 82	262.3	FY 84	298.1
FY 81	246.1	FY 83	279.6	FY 85	317.7

4. The fund balance of the General Fund will be \$12.0 million at July 1, 1981.

5. The 1981 Biennium appropriation base (in millions) is as follows:

FY 80 - Operating expenses	\$239.1
FY 81 - Operating expenses	235.1
FY 81 - Supplemental appropriations	4.0
FY 81 - Legislature feed bill	3.5
1981 Biennium emergency statutory appropriation	0.7
	<u>\$482.4</u>

*Richard L. Drury for*  
BUDGET DIRECTOR  
Office of Budget and Program Planning  
Date: 2/6/79

Fiscal Impact

Estimated total General Fund appropriations - 1981 Biennium	\$ 482.4
X Average percentage increase in total personal income during the five calendar years ending December 31, 1979	<u>.0814</u>
Maximum additional General Fund disbursements in 1983 Biennium per proposed spending limitation	39.3
Add: 1981 Biennium General Fund disbursements	<u>482.4</u>
Maximum General Fund disbursements in 1983 Biennium per proposed spending limitation	<u>\$ 521.7</u>

Funds available (in millions) for tax relief under proposed legislation:

	<u>FY 82</u>	<u>FY 83</u>
Beginning fund balance	\$ 12.0	\$ 12.0
Add: Receipts	262.3	279.6
Total funds available	<u>274.3</u>	<u>291.6</u>
Less: Disbursements	260.8	260.9
Ending fund balance	13.5	30.7
Less: Reserve requirement	12.0	13.0
Available for tax relief	<u>\$ 1.5</u>	<u>\$ 17.7</u>

Long-Range Impact - 1985 Biennium

Estimated total General Fund appropriations - 1983 Biennium	\$ 521.7
X Average percentage increase in total personal income during the five calendar years ending December 31, 1981	<u>.0812</u>
Maximum additional General Fund disbursements in 1985 Biennium per proposed spending limitation	42.4
Add: 1983 Biennium General Fund disbursements	<u>521.7</u>
Maximum General Fund disbursements in 1985 Biennium per proposed spending limitation	<u>\$ 564.1</u>

Funds available (in millions) for tax relief under proposed legislation in 1985 Biennium:

	<u>FY 84</u>	<u>FY 85</u>
Beginning fund balance	\$ 13.0	\$ 13.0
Add: Receipts	298.1	317.7
Total funds available	<u>311.1</u>	<u>330.7</u>
Less: Disbursements	282.0	282.1
Ending fund balance	29.1	48.6
Less: Reserve requirement	13.0	14.1
Available for tax relief	<u>\$ 16.1</u>	<u>\$ 34.5</u>

Comparison of estimated 1979, 1981, 1983, and 1985 Biennium expenditures from the General Fund under proposed legislation (in millions):

	<u>Total</u> <u>Expenditures</u>	<u>Percent</u> <u>Change</u>
1979 Biennium	\$458.7	-
1981 Biennium	477.0	4.0
1983 Biennium	521.7	9.4
1985 Biennium	564.1	8.1

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13 account under the provisions of the [state funded homestead  
14 tax relief act]. THE DISTRIBUTION PROVIDED FOR IN THIS  
15 SECTION IS IN ADDITION TO ANY AMOUNTS APPROPRIATED BY THE  
16 LEGISLATURE FOR HOMESTEAD TAX RELIEF.

-End-