

SENATE BILL 163

IN THE SENATE

January 18, 1979	Introduced and referred to Committee on Taxation.
January 19, 1979	Fiscal note requested.
January 25, 1979	Fiscal note returned.
January 30, 1979	Committee recommend bill, as amended.
February 1, 1979	Printed and placed on members' desks.
February 2, 1979	Motion, pass consideration.
February 3, 1979	Motion, pass consideration.
February 5, 1979	Second reading, pass consideration. On motion, taken from second reading and rereferred to Committee on Taxation.
April 20, 1979	Died in Committee.

along

1 Senate BILL NO. 163 *Moore*
 2 INTRODUCED BY: *Wicks, Ramsey, E. Smith, Bolstad*
 3 *Edison*
 4 *Hagerman, Monds, Graham, Thissen, Hindl*
 5 *Underdel, Haime, Sunstad, Meyer*
 6 *Gibson*
 7 *Johnson*
 8 *Kavanaugh*
 9 *Jaeger*
 10 *San*
 11 *Speaker J. K. Falls, Director Bryan, Ruppel*
 12 *Waller, Wash, Young*
 13 *Smith*

1 A BILL FOR AN ACT ENTITLED: "AN ACT TO PROVIDE A LIMITATION
 2 ON STATE EXPENDITURES BASED ON A PERCENTAGE OF TOTAL STATE
 3 PERSONAL INCOME; TO PROVIDE A METHOD FOR EXCEEDING THIS
 4 LIMITATION; TO REQUIRE THAT FUNDS COLLECTED IN EXCESS OF THE
 5 LIMIT BE PLACED IN A RESERVE FUND AND BE USED TO PROVIDE TAX
 6 RELIEF; TO PREVENT THE SHIFTING OF STATE GOVERNMENTAL COSTS
 7 TO LOCAL GOVERNMENT UNITS; AND PROVIDING AN EFFECTIVE DATE."
 8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

13 Section 1. Definitions. As used in [this act], the
 14 following definitions apply:
 15 (1) "Emergency" means an extraordinary event or
 16 occurrence that could not reasonably have been foreseen or
 17 prevented and that requires immediate expenditure to
 18 preserve the health and safety of Montana residents.
 19 (2) "State expenditure" means the total amount of
 20 money generated from state resources that is spent by any
 21 agency of state government, excluding:
 22 (a) money received from the federal government;
 23 (b) payments of principal and interest on bonded
 24 indebtedness;
 25 (c) payments for unemployment or disability insurance;

1 (d) money received from the sale of a good or service
 2 provided that the purchase of the good or service is
 3 discretionary;
 4 (e) money received from permanent endowments, trusts,
 5 or pension funds;
 6 (f) proceeds of gifts or bequests made for purposes
 7 specified by the donor;
 8 (g) money appropriated for tax relief; and
 9 (h) funds transferred within state government or used
 10 to purchase goods for resale.
 11 (3) "Total personal income in the state" means the
 12 total income received from all sources by residents of
 13 Montana, as defined and reported by the United States
 14 department of commerce or its successor agency.
 15 Section 2. Expenditure limitation -- exception. (1)
 16 Except as provided in (2) of this section, the average state
 17 expenditures for each fiscal year of a biennium may not
 18 exceed 10% of the average annual total personal income in
 19 the state during the 3 calendar years prior to the convening
 20 of a session of the legislature.
 21 (2) The legislature may appropriate funds in excess of
 22 this limit from the reserve fund if:
 23 (a) the governor declares that an emergency exists;
 24 and
 25 (b) two-thirds of the members of each house approve a

1 bill stating the amount to be spent in excess of the
2 limitation, the source of the excess revenue to be spent,
3 and an intention to exceed the limitation.

4 (3) Expenditures may exceed the limitation only for
5 the year or years for which an emergency has been declared.

6 (4) The legislature is not required to appropriate the
7 full amount allowed in any year under subsection (1) of this
8 section.

9 Section 3. Funds to be placed in a reserve fund or
10 used for tax relief. (1) Any state revenue collected and not
11 spent during a fiscal year must be transferred at the end of
12 the fiscal year to a reserve account in the earmarked
13 revenue fund, which account is hereby created.

14 (2) The amount in the reserve fund in any year may not
15 exceed 6% of the expenditure allowed under [section 2] for
16 that year. Any money in excess of this amount must be placed
17 in a tax relief account in the earmarked revenue fund, which
18 account is hereby created.

19 (3) The legislature shall provide tax relief with the
20 funds contained in the tax relief account by reducing the
21 rates of any tax imposed under state law or by providing
22 credits or refunds for any tax imposed under state law.

23 Section 4. State mandated costs -- funding shifts. (1)
24 The legislature may not impose any part of the cost of a new
25 or enlarged program or service upon any unit of local

1 government unless state funds sufficient to pay the costs
2 are appropriated to the local government for that purpose.

3 (2) When changes in federal or state law require or a
4 court orders that costs for a program or service be
5 transferred from the state to local government units, state
6 expenditures must be decreased by the amount that
7 expenditures by the local government units increase.

8 Section 5. Severability. If a part of this act is
9 invalid, all valid parts that are severable from the invalid
10 part remain in effect. If a part of this act is invalid in
11 one or more of its applications, the part remains in effect
12 in all valid applications that are severable from the
13 invalid applications.

14 Section 6. Effective date. This act is effective
15 January 1, 1981.

-End-

STATE OF MONTANA

REQUEST NO. 49-79

FISCAL NOTE

Form BD-15

In compliance with a written request received January 19, 19 79, there is hereby submitted a Fiscal Note for Senate Bill 163 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 provide a spending limitation on state expenditures based on a percentage of total state personal income; to provide a method for exceeding this limitation; to require that funds collected in excess of the limit be placed in a reserve fund and be used to provide tax relief; to prevent the shifting of state governmental costs to local government units; and providing an effective date.

ASSUMPTIONS

1. The expenditure limitation will apply only to expenditures from the State General Fund and State Earmarked Revenue Fund.
2. Receipts to the Highways, Fish and Game, and similar earmarked revenue accounts are subject to the spending limitation and are not excluded under Section 1(2)(d) of the proposed legislation.
3. Total personal income (in millions) in Montana is as follows:

FY75 - \$4,019.0	FY78 - \$5,019.0
FY76 - \$4,282.0	FY79 - \$5,421.0
FY77 - \$4,661.0	

4. No appropriations in excess of the maximum allowed under Section 2 (1) will be provided.
5. The maximum allowable expenditures will be authorized by the 1981 Legislature.
6. Total receipts (in millions) to the General Fund and Earmarked Revenue Fund will be as follows:

	<u>GF</u>	<u>ERF</u>		<u>GF</u>	<u>ERF</u>
FY79 -	\$218.7	\$209.3	FY82 -	\$262.3	\$253.6
FY80 -	\$231.5	\$223.1	FY83 -	\$279.6	\$270.3
FY81 -	\$246.1	\$237.9			

7. The fund balance of the General Fund at July 1, 1981, will be \$12,000,000; the fund balance of the Earmarked Revenue Fund at July 1, 1981, will be \$12,000,000.
8. The minimum reserve requirement in each of the General Fund and the Earmarked Revenue Fund is \$12,000,000 in FY82 and \$13,000,000 in FY83.

Richard A. Sawyer
BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 1/25/79

ASSUMPTIONS (continued)

9. Revenues to the General Fund will increase 6.6% in FY82 and FY83.
10. Revenues to the Earmarked Revenue Fund will increase 6.6% in FY79, FY80, FY81, FY82, and FY83.
11. Expenditure will be authorized from the General Fund and Earmarked Revenue Fund in direct relation to revenues received.

FISCAL IMPACT

Maximum Expenditures Under Proposed Legislation:
Montana personal income (in millions)

FY79	\$5,421.0
FY78	5,019.0
FY77	4,661.0
	15,101.0

Average Montana personal income for 3 applicable years	+ 3	5,033.7
x 10% limitation per fiscal year	x .10	
Maximum expenditures per fiscal year in 1983 Biennium		503.4
	x 2	

Maximum 1983 Biennium expenditures from General Fund and Earmarked Revenue Fund under proposed legislation \$1,006.8

Funds available for tax relief under proposed legislation:

	FY82		FY83	
	General Fund	Earmarked Revenue Fund	General Fund	Earmarked Revenue Fund
Beginning fund balance	\$ 12.0	\$ 12.0	\$ 12.0	\$ 12.0
Add: Receipts	262.3	253.6	279.6	270.3
Total funds available	274.3	265.6	291.6	282.3
Less: Expenditures	255.9	247.5	255.9	247.5
Ending fund balance	18.4	18.1	35.7	34.8
Less: Minimum reserve	12.0	12.0	13.0	13.0
Available for tax relief	<u>\$ 6.4</u>	<u>\$ 6.1</u>	<u>\$ 22.7</u>	<u>\$ 21.8</u>

Comparison of estimated 1979 and 1981 Biennium expenditures from the General Fund and Earmarked Revenue Fund (per Executive Budget) with estimated 1983 Biennium expenditures under proposed legislation:

	Estimated Total Expenditures (millions)	Percent Change
1979 Biennium	\$ 842.9	-
1981 Biennium	882.9	4.7
1983 Biennium	1,006.8	14.0

LOCAL IMPACT

None.

TECHNICAL NOTE

SB 163 as proposed is unclear as to which state expenditures are subject to the proposed spending limitation. For instance, does Section 1(2)(c) refer to benefit payments or payments of insurance premiums? Does Section 1(2)(d) pertain to Fish and Game license and permit fees, Highways earmarked revenue collections, and similar items? Does Section 1(2)(h) refer to the Revolving Fund?

Approved by Committee
on Taxation

SENATE BILL NO. 163

INTRODUCED BY MATHERS, RAMIREZ, E. SMITH, KOLSTAD,
MOORE, MARKS, FABREGA, FEDA, STOBIE, ELLISON, TURNAGE,
GRAHAM, THIESSEN, HIMSL, HAFFERMAN, HAZELBAKER, SEIFERT,
UNDERDUAL, HAYNE, HEMSTAD, MEYER, LOWE, DONALDSON,
GOODOVER, JOHNSTON, STAIGMILLER, TEAGUE, LIEN, HAND,
ROSENTHAL, SPILKER, PORTER, FAGG, SIVERTSEN, BENGTSO, N,
SMITH, VINGER, BOYLAN, CONROY, MANLEY

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expenditures for each fiscal year of a biennium may not
exceed 10% of the average annual ESTIMATED total personal

1 income in the state during the 3 calendar years prior to the
2 convening of a session of the legislature.

3 ~~(2) IN CALCULATING THE LIMITATION PROVIDED IN (1) OF~~
4 ~~THIS SECTION, AVERAGE ANNUAL ESTIMATED TOTAL PERSONAL INCOME~~
5 ~~IN THE STATE DURING THE 3 CALENDAR YEARS PRIOR TO THE~~
6 ~~CONVENING OF A SESSION OF THE LEGISLATURE SHALL BE~~
7 ~~DETERMINED USING THE MOST RECENT ESTIMATES AVAILABLE FROM~~
8 ~~THE UNITED STATES DEPARTMENT OF COMMERCE AS OF OCTOBER 31~~
9 ~~PRECEDING THE CONVENING OF THE APPROPRIATING LEGISLATURE.~~

10 ~~(3)~~ The legislature may appropriate funds in excess
11 of this limit from the reserve fund if:

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4 January-1 JULY_1, 1981.

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