

HOUSE BILL NO 842

2/15 Introduced
2/15 Referred to State Administration
2/15 Fiscal Note Requested
2/19 Fiscal Note Received
2/21 Hearing
2/21 Committee Report-Bill Do pass
2/23 2nd Reading Pass As Amended
2/26 3rd Reading Pass

Transmitted to Senate

3/04 Referred to Finance & Claims
3/22 Hearing
3/26 Adverse Committee Report
3/26 Bill Killed

HOUSE BILL NO. 842

INTRODUCED BY

Ray A. ... Daily
... Connolly

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A STATE EMPLOYEE CONTINGENCY FUND DERIVED FROM 1/2 OF 1 PERCENT OF ALL STATE AGENCIES' UNEXPENDED SPENDING AUTHORITY FOR PERSONNEL, OPERATIONS, AND EQUIPMENT AT THE END OF EACH FISCAL YEAR; PROVIDING THAT DISBURSEMENTS MAY BE MADE FROM SUCH FUND TO PAY CERTAIN STATE EMPLOYEE TERMINATION LIABILITIES AND TO REPLACE FUNDS ANTICIPATED BUT UNREALIZED FROM EMPLOYEE VACANCY SAVINGS; AMENDING SECTIONS 2-18-106 AND 17-7-304, MCA."

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

NEW SECTION. Section 1. State employee contingency fund -- source -- disbursements. (1) As used in this section, the following definitions apply:

- (a) "Agency" means an agency as defined in 2-18-101.
- (b) "Appropriation authority" means spending authority appropriated or established by a budget amendment for an agency's personnel services, operating expenses, and equipment.
- (c) "Approving authority" means the governor or his designated representative for executive branch agencies, including the university system, the chief justice of the

supreme court or his designated representative for judicial branch agencies, and the legislative finance committee for legislative branch agencies.

(d) "Employee termination liabilities" means compensation payable to a terminating employee for unused vacation leave as provided in 2-18-617 and unused sick leave as provided in 2-18-618, but does not mean compensation paid for unused compensatory time.

(e) "Fund" means the state employee contingency fund established in subsection (2).

(2) There is a state employee contingency fund in the state special revenue fund.

(3) Each agency must, at the end of each fiscal year, pay to the fund an amount equal to 1/2 of 1% of the agency's appropriation authority not otherwise used by the agency or appropriated for the next fiscal year.

(4) An agency may apply to the agency's approving authority for a disbursement from the fund to:

- (a) fund employee termination liabilities; or
- (b) replace, in whole or in part, funds that became unavailable for agency spending because of a lack of savings from anticipated but unrealized vacancies in full-time equivalent personnel positions in the agency.

(5) Subject to the availability of money in the fund, disbursements may be made from the fund upon the



1 authorization of the agency's approving authority if the
2 approving authority determines:

3 (a) for disbursements to pay employee termination
4 benefits:

5 (i) that the agency lacks funds from its appropriation
6 authority to pay such employee termination liabilities; and

7 (ii) the lack of such funds was not the result of the
8 agency exceeding such appropriation authority for the
9 purpose of personnel upgrades or other action by the agency
10 not contemplated when the appropriation authority was given;
11 or

12 (b) for replacement of unrealized vacancy savings,
13 that the agency did not generate anticipated vacancy savings
14 and the lack of such savings were not a result of personnel
15 upgrades or other action by the agency not contemplated when
16 the appropriation authority was given.

17 Section 2. Section 2-18-106, MCA, is amended to read:

18 "2-18-106. No limitation on legislative authority --
19 transfer of funds. {1} Parts 1, 2, and 3 do not limit the
20 authority of the legislature relative to appropriations for
21 salary and wages. The budget director shall adjust his
22 determinations in accordance with legislative
23 appropriations.

24 {2} ~~Unexpended agency appropriation balances in the~~
25 ~~first year of the biennium may be transferred to the second~~

1 ~~year--of-the-biennium-to-offset-the-costs-of-pay-increases."~~

2 Section 3. Section 17-7-304, MCA, is amended to read:

3 "17-7-304. Disposal of unexpended appropriations. ~~At~~
4 Except as provided in [section 1], all moneys appropriated
5 for any specific purpose shall, after the expiration of the
6 time for which so appropriated, revert to the several funds
7 and accounts from which originally appropriated. However,
8 any unexpended balance in any specific appropriation may be
9 used for the years for which the appropriation was made."

-End-

STATE OF MONTANA

FISCAL NOTE

REQUEST NO. FNN 447-85

Form BD-15

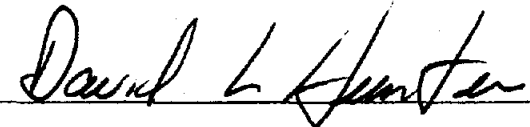
In compliance with a written request received February 15, 19 85, there is hereby submitted a Fiscal Note for House Bill 842 pursuant to Title 5, Chapter 4, Part 2 of the Montana Code Annotated (MCA). Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION OF PROPOSED LEGISLATION:

This bill creates a state employee contingency fund derived from $\frac{1}{2}$ of 1% of all state agencies unexpended spending authority for personnel, operations and equipment at the end of each year; providing that disbursements may be made from such fund to pay certain state employee termination liabilities and to replace funds anticipated but unrealized from employee vacancy savings.

ASSUMPTIONS:

1. Generally, agencies revert at least $\frac{1}{2}$ of 1% of their appropriation authority in all fund types.
2. Currently, most agencies absorb the cost of termination pay within their existing budget.
3. The proposed bill allows only one contingency fund.
4. Administration costs incurred by the various approving authorities will be absorbed within the current operating budgets.
5. "Appropriation authority" means spending authority and not necessarily cash available.
6. General Fund reversions will be \$6.5 million per year.
7. General Fund appropriations for personal services, operating expenses and equipment will be about \$240 million per year or 61.5% of total General Fund appropriations. These numbers include the University System and Vo-Techs although operating expenditures are not made directly from the General Fund.



BUDGET DIRECTOR
Office of Budget and Program Planning

Date: Feb 19, 1985

HB 842

FISCAL IMPACT:

Expenditures from the proposed fund cannot be estimated due to the numerous variables effecting vacancy savings, terminations and agency expenditure patterns.

Using the above assumptions, it is reasonable to expect that General Fund reversions will decrease \$1,200,000 per year. This amount will be increased revenue to the proposed contingency fund, but will decrease the available General Fund. Current and future General Fund revenue estimates will need to be decreased due to the diversion to the contingency fund.

Revenue:

	<u>FY 1986</u>	<u>FY 1987</u>
Decrease to General Fund	(\$1,200,000)	(\$1,200,000)
Increase to State Special Fund	<u>\$1,200,000</u>	<u>\$1,200,000</u>
	\$ -0-	\$ -0-

Other fund contributions to the contingency fund will be substantial, although at this time it is not possible to estimate the impact.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

As long as the law remains in effect, less General Fund will be available for appropriations.

TECHNICAL OR MECHANICAL DEFECTS OR CONFLICTS WITH EXISTING LEGISLATION:

1. Section 1(3) does not specify that funds along with appropriation authority must be transferred to the contingency fund.
2. The bill provides for only one contingency fund. This may create several problems:
 - a) Non-diversion - Some funds, such as highway earmarked, cannot be diverted from their Constitutional obligations. Once in the contingency fund, these funds would lose their identity and could be used for other agency budgets. The same problem may exist for certain federal programs.
 - b) Administrative Coordination - Because there would be three approving authorities operating from the same fund, some coordination provision should be included to ensure equal and fair distribution of available contingency fund money.
3. The bill provides no mechanism to either transfer funds to or expend funds from an agency. A budget amendment could not be utilized because of certification problems. Statutory authority could be used, but would require coordination with House Bill 12 if that bill passes.
4. Currently, appropriations are not generally made at the various expenditure levels. In order to properly monitor available reversions and to determine "need" as defined in the bill, individual appropriations would be required. The increased number of appropriations may create problems for the appropriation control system and the Statewide Budgeting and Accounting System.
5. The bill is not clear "when" the distribution of contingency fund money could occur. Agencies could request funds at the beginning of a fiscal year.

APPROVED BY COMMITTEE
ON STATE ADMINISTRATION

1 HOUSE BILL NO. 842
2 INTRODUCED BY *Long* *Connelly*
3 *History*

4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING A STATE
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-End-

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2 INTRODUCED BY LORY, DONALDSON, QUILICI,

3 EUDAILY, KEATING, CONNELLY, GAGE

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