

HOUSE BILL 95

Introduced by Bird

12/31	Introduced
1/04	Referred to Appropriations
1/04	First Reading
1/04	Fiscal Note Requested
1/06	Fiscal Note Received
1/07	Fiscal Note Printed
1/25	Hearing
2/12	Tabled in Committee

1 HOUSE BILL NO. 95

2 INTRODUCED BY BIRD

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT CREATING THE MONTANA
5 BUDGET STABILIZATION ACCOUNT; ALLOCATING CERTAIN FUNDS TO
6 THE ACCOUNT; PROVIDING DIRECTION FOR AND LIMITS ON USING
7 FUNDS IN THE ACCOUNT; AMENDING SECTIONS 17-7-102 AND
8 17-7-140, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 NEW SECTION. Section 1. Montana budget stabilization
12 account -- purpose. (1) There is a Montana budget
13 stabilization account within the state treasury.

14 (2) The purpose of the account is to ensure that funds
15 are available to mitigate unforeseen and unanticipated
16 fiscal circumstances resulting in a projected general fund
17 budget deficit, as defined in 17-7-102.

18 (3) Prior to each regular legislative session, the
19 governor shall recommend to the legislature an amount to be
20 placed in the account that will maintain the account in an
21 amount equal to 5% of the combined requested general fund
22 and state equalization aid, as defined in 20-9-343,
23 appropriations for each fiscal year contained in the budget
24 submitted to the legislature pursuant to 17-7-122.

25 (4) For fiscal years 1994 and 1995, the following

1 amounts must be deposited to the Montana budget
2 stabilization account:

3 (a) not less than 1% or more than 2 1/2% of the
4 estimated total combined general fund revenue and school
5 equalization account revenue; and

6 (b) all revenue in excess of \$30 million that would
7 otherwise revert to the state general fund at the end of
8 each fiscal year.

9 (5) All interest and income earned on deposits in the
10 account must be deposited in the account.

11 NEW SECTION. Section 2. Transfers from the Montana
12 budget stabilization account. (1) In the event of a
13 projected general fund budget deficit, as defined in
14 17-7-102, the governor, after implementing the authority the
15 governor is legally empowered to exercise pursuant to
16 17-7-140, may order a transfer of money from the Montana
17 budget stabilization account to the general fund.

18 (2) The amount transferred to the general fund may not
19 exceed the least of:

20 (a) the balance in the Montana budget stabilization
21 account;

22 (b) 2 1/2% of the projected combined general fund and
23 school equalization account revenue for the biennium; or

24 (c) an amount that, when combined with projected
25 savings from action taken under 17-7-140, will eliminate a

1 projected general fund budget deficit.

2 **Section 3.** Section 17-7-102, MCA, is amended to read:

3 "17-7-102. Definitions. As used in this chapter, the
4 following definitions apply:

5 (1) "Additional services" means different services or
6 more of the same services.

7 (2) "Agency" means each state office, department,
8 division, board, commission, council, committee,
9 institution, university unit, or other entity or
10 instrumentality of the executive branch, office of the
11 judicial branch, or office of the legislative branch of
12 state government, except for purposes of capital projects
13 administered by the department of administration, for which
14 institutions are treated as one department and university
15 units as one system.

16 (3) "Approved long-range building program budget
17 amendment" means approval by the budget director of a
18 request submitted through the architecture and engineering
19 division of the department of administration to transfer
20 excess funds appropriated to a capital project within an
21 agency to increase the appropriation of another capital
22 project within that agency or to obtain financing to expand
23 a project with funds that were not available for
24 consideration by the legislature.

25 (4) "Approving authority" means:

1 (a) the governor or his--designated a representative
2 designated by the governor for executive branch agencies;

3 (b) the chief justice of the supreme court or his
4 designated a representative designated by the chief justice
5 for judicial branch agencies;

6 (c) the speaker for the house of representatives;

7 (d) the president for the senate;

8 (e) appropriate legislative committees or a designated
9 representative for legislative branch agencies; or

10 (f) the board of regents of higher education or its
11 designated representative for the university system.

12 (5) "Budget amendment" means a legislative
13 appropriation to increase spending authority for the special
14 revenue fund, proprietary funds, or unrestricted subfund,
15 contingent on total compliance with all budget amendment
16 procedures.

17 (6) "Current funding level" means that level of funding
18 required to maintain operations and services at the level
19 authorized by the previous legislature, after adjustment for
20 inflation.

21 (7) "Effectiveness measure" means a criterion for
22 measuring the degree to which the objective sought is
23 attained.

24 (8) "Emergency" means a catastrophe, disaster,
25 calamity, or other serious unforeseen and unanticipated

circumstance that has occurred subsequent to the time an agency's appropriation was made, that was clearly not within the contemplation of the legislature and the governor, and that affects one or more functions of a state agency and the agency's expenditure requirements for the performance of the function or functions.

(9) "Modified funding level" means the current funding level as adjusted to reflect workload increases, the provision of new services, or changes in authorized funding.

(10) "Necessary" means essential to the public welfare and of a nature that cannot wait until the next legislative session for legislative consideration.

(11) "Priority listing" means a ranking of proposed expenditures in order of importance.

(12) "Program" means a combination of resources and activities designed to achieve an objective or objectives.

(13) "Program size" means the magnitude of a program such as the size of clientele served, the volume of service in relation to the population or area, etc.

(14) "Program size indicator" means a measure to indicate the magnitude of a program.

(15) (a) "Projected general fund budget deficit" means an amount, certified by the budget director to the governor, of:

(i) a projected ending general fund balance for the

biennium of less than 2% of all general fund appropriations during the biennium; or

(ii) 2% of the general fund appropriations for the second fiscal year of the biennium.

(b) In determining the amount of the projected general fund budget deficit, the budget director shall take into account:

(i) current and anticipated revenue;

(ii) established levels of appropriation;

(iii) anticipated supplemental appropriations, including those for school equalization aid; and

(iv) anticipated reversions.

~~(15)~~(16) "Requesting agency" means the agency of state government that has requested a specific budget amendment.

~~(16)~~(17) "University system unit" means the board of regents of higher education, office of the commissioner of higher education, university of Montana at Missoula, Montana state university at Bozeman, Montana college of mineral science and technology at Butte, eastern Montana college at Billings, northern Montana college at Havre, western Montana college of the university of Montana at Dillon, the agricultural experiment station with central offices at Bozeman, the forest and conservation experiment station with central offices at Missoula, the cooperative extension service with central offices at Bozeman, the bureau of mines

1 and geology with central offices at Butte, the fire services
2 training school at Great Falls, the vocational-technical
3 centers at Billings, Butte, Great Falls, Helena, and
4 Missoula, or the community colleges at Miles City, Glendive,
5 and Kalispell."

6 **Section 4.** Section 17-7-140, MCA, is amended to read:

7 "17-7-140. Reduction in spending. (1) (a) As the chief
8 budget officer of the state, the governor shall ensure that
9 the expenditure of appropriations does not exceed available
10 revenue. Except as provided in subsection (2), in the event
11 of a projected general fund budget deficit, as defined in
12 17-7-102, the governor, taking into account the criteria
13 provided in subsection (1)(b), shall direct agencies to
14 reduce spending in an amount that ensures that the projected
15 ending general fund balance for the biennium will be at
16 least 1% of all general fund appropriations during the
17 biennium. An agency may not be required to reduce general
18 fund spending for any program, as defined in each general
19 appropriations act, by more than 10% during a biennium.
20 Departments or agencies headed by elected officials or the
21 board of regents may not be required to reduce general fund
22 spending by a percentage greater than the percentage of
23 general fund spending reductions required for the total of
24 all other executive branch agencies. The legislature may
25 exempt from a reduction an appropriation item within a

1 program or may direct that the appropriation item may not be
2 reduced by more than 10%.

3 (b) The governor shall direct agencies to manage their
4 budgets in order to reduce general fund expenditures. Prior
5 to directing agencies to reduce spending as provided in
6 subsection (1)(a), the governor shall direct each agency to
7 analyze the nature of each program that receives a general
8 fund appropriation to determine whether the program is
9 mandatory or permissive and to analyze the impact of the
10 proposed reduction in spending on the purpose of the
11 program. An agency shall submit its analysis to the office
12 of budget and program planning and shall at the same time
13 provide a copy of the analysis to the legislative fiscal
14 analyst. The office of budget and program planning shall
15 review each agency's analysis, and the budget director shall
16 submit to the governor a copy of the office of budget and
17 program planning's recommendations for reductions in
18 spending. The budget director shall provide a copy of the
19 recommendations to the legislative fiscal analyst at the
20 time the recommendations are submitted to the governor and
21 shall provide the legislative fiscal analyst with any
22 proposed changes to the recommendations. The legislative
23 finance committee shall meet within 20 days of the date that
24 the proposed changes to the recommendations for reductions
25 in spending are provided to the legislative fiscal analyst.

The legislative fiscal analyst shall provide a copy of the legislative fiscal analyst's review of the proposed reductions in spending to the budget director at least 5 days before the meeting of the legislative finance committee. The committee may make recommendations concerning the proposed reductions in spending. The governor shall consider each agency's analysis and the recommendations of the office of budget and program planning and the legislative finance committee in determining the agency's reduction in spending. Reductions in spending must be designed to have the least adverse impact on the provision of services determined to be most integral to the discharge of the agency's statutory responsibilities.

(2) Reductions in spending for the following may not be directed by the governor:

- (a) payment of interest and principal on state debt;
 - (b) the legislative branch;
 - (c) the judicial branch;
 - (d) the school foundation program, including special education; and
 - (e) salaries of elected officials during their terms of office.
- (3) ~~{a}-As-used-in--this--section--"projected--general fund--budget--deficit"--means--an--amount--certified-by-the budget-director-to-the--governor--by--which--the--projected~~

~~ending-general-fund-balance-for-the-biennium-is-less-than-2% of--the--general--fund--appropriations-for-the-second-fiscal year-of-the-biennium---in--determining--the--amount--of--the projected--general--fund-budget-deficit--the-budget-director shall-take--into--account--revenue--established--levels--of appropriation--anticipated--supplemental-appropriations-for school-equalization-aid--and-anticipated-reversions--~~

{b} If the budget director determines that an amount of actual or projected receipts will result in an amount less than the amount projected to be received in the revenue estimate established pursuant to 5-18-107, the budget director shall notify the revenue oversight committee of the estimated amount. Within 20 days of notification, the revenue oversight committee shall provide the budget director with any recommendations concerning the amount. The budget director shall consider any recommendations of the revenue oversight committee prior to certifying a projected general fund budget deficit to the governor."

NEW SECTION. **Section 5.** Codification instruction. [Sections 1 and 2] are intended to be codified as an integral part of Title 17, chapter 7, and the provisions of Title 17, chapter 7, apply to [sections 1 and 2].

NEW SECTION. **Section 6.** Effective date. [This act] is effective on passage and approval.

-End-

STATE OF MONTANA - FISCAL NOTE

Form BD-15

In compliance with a written request, there is hereby submitted a Fiscal Note for HB0095, Version: as introducedDescription of Proposed Legislation:

A bill creating a general fund stabilization account and providing direction for and limits on using funds in the account. For the 1995 biennium, there would be deposited to the stabilization account at least 1% but not more than 2.5% of the estimated total combined general fund and school equalization account revenue plus all revenue in excess of \$30 million which would otherwise revert to the general fund at the end of each fiscal year. In subsequent biennia, there would be transferred to the stabilization account an amount projected to be sufficient to maintain a balance equal to 5% of the estimated total combined general fund and school equalization account revenue. In the event of a projected general fund budget deficit, the governor would be authorized, after implementing budget reductions pursuant to 17-7-140, MCA, to transfer amounts from the stabilization account to the general fund.

Assumptions:

1. Based on assumptions adopted by the Revenue Oversight Committee, estimated general fund revenue for FY94 and FY95 is \$477.409 million and \$492.314 million, respectively. Based on assumptions adopted by the Revenue Oversight Committee, estimated school equalization account revenue for FY94 and FY95 is \$381.714 million and \$390.223 million, respectively.
2. Estimated general fund reversions are \$2.5 million in each of FY94 and FY95.
3. Interest earned on treasury cash balances for FY94 and FY95 are estimated at 4.90% and 5.15%, respectively. The interest earned by funds in the stabilization account would be equal to the interest earnings foregone in the combined general fund and school equalization accounts.
4. Transfers to the stabilization account would occur at the end of each fiscal year.
5. The interest loss to the general fund & school equalization account in FY 95 would be \$442,000 under the 1% option or \$1,076,000 under the 2.5% option. These amounts would be deposited in the stabilization account.

Fiscal Impact:

	FY '94			FY '95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Minimum Transfer (1.00%):						
Combined GF & School Accts	859,123,000	850,532,000	(8,591,000)	882,537,000	873,270,000	(9,267,000)
<u>GF Stabilization Account</u>	<u>0</u>	<u>8,591,000</u>	<u>8,591,000</u>	<u>0</u>	<u>9,267,000</u>	<u>9,267,000</u>
Total	859,123,000	859,123,000	0	882,537,000	882,537,000	0
Maximum Transfer (2.50%):						
Combined GF & School Accts	859,123,000	837,645,000	(21,478,000)	882,537,000	859,368,000	(23,169,000)
<u>GF Stabilization Account</u>	<u>0</u>	<u>21,478,000</u>	<u>21,478,000</u>	<u>0</u>	<u>23,169,000</u>	<u>23,169,000</u>
Total	859,123,000	859,123,000	0	882,537,000	882,537,000	0

(Continued)

David Lewis 1-7-93
 DAVID LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning

Jody Bird 7 Jan 93
 JODY BIRD, PRIMARY SPONSOR DATE
 Fiscal Note for HB0095, as introduced

HB 95

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(continued)

Technical or Mechanical Defects or Conflicts with existing Legislation:

Bill should specify the timing of transfers to the stabilization account.