

Ubb House BILL NO. 356

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INTRODUCED BY _____

A BILL FOR AN ACT ENTITLED: "AN ACT PROHIBITING THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES FROM ENCUMBERING FUNDS; AMENDING SECTION 17-1-102, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 17-1-102, MCA, is amended to read:

"17-1-102. Uniform accounting system and expenditure control. (1) The department shall establish a system of financial control so that the functioning of the various ~~agencies of the state~~ agencies may be improved, ~~duplications~~ duplication of work by different state agencies and employees may be eliminated, public service may be improved, and the cost of government may be reduced.

(2) The department shall prescribe and install uniform accounting and reporting for all state agencies and institutions, showing the receipt, use, and disposition of all public money and property in accordance with generally accepted accounting principles, ~~and~~ The department shall develop plans for improvements and economies in the organization and operation of state agencies and institutions, which must be submitted to the respective heads of state agencies and institutions. Copies of all plans must be delivered to the governor, and additional copies must be retained in the office of the department for inspection by the members of the legislature.

(3) The uniform accounting and reporting system must contain three levels of expenditure. The first level must include general categories, such as personal services, operating expenses, equipment, capital outlay, local assistance, grants, benefits and claims, transfers, and debt service. The second level of expenditure must include specific categories of expenditures within each first-level category. The third level of expenditure must include specific items of expenditure within each category of the second level.

(4) The department shall examine all financial affairs of each state agency and institution for the purpose of developing plans for improvements and economies in the organization and operation of the state agencies and institutions and for the purpose of enabling the department to properly perform any of the duties imposed upon the department by this part.



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1 (5) (a) All Except as provided in subsection (5)(b), all state agencies, including units of the
2 university system but excluding community colleges, shall input all necessary transactions to the accounting
3 system prescribed in subsection (2) before the accounts are closed at the end of the fiscal year in order to
4 present the receipt, use, and disposition of all money and property for which the state agency is
5 accountable in accordance with generally accepted accounting principles, ~~except that for~~. For budgetary
6 control purposes, encumbrances that are required by generally accepted accounting principles to be
7 reported as a reservation of fund balance must be recorded as expenditures and liabilities on the accounting
8 records.

9 (b) The department of public health and human services may not encumber funds or reserve a fund
10 balance under subsection (5)(a)."

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12 NEW SECTION. Section 2. Effective date. [This act] is effective July 1, 1997.

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-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0356, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

A bill prohibiting the Department of Public Health and Human Services (DPHHS) from encumbering funds.

ASSUMPTIONS:

1. It is assumed that the intent of the proposed bill is to prohibit DPHHS from recording "A" accruals at fiscal year end. An "A" accrual is defined as: booking the expense against an appropriation in the year goods or services are contracted for, even though the goods and services will be received and paid for in the subsequent fiscal year.
2. At fiscal year end 1996, DPHHS booked \$16.6 million in "A" accruals in the state accounting system. Funding for that amount is: general fund - \$5.658 million; federal special - \$10.464 million; other - \$.478 (note-"other" funds have been eliminated from the fiscal impact below due to its immateriality). It is assumed these amounts would remain the same in FY98 and FY99 under current law.
3. If HB 356 passed, it is assumed that DPHHS would make every effort to receive goods and services in the year appropriated, and thus significantly reduce its "A" accruals. As a result, it is assumed that DPHHS will be 50% successful in reducing "A" accruals in FY98 and 75% in FY99. This will have the impact of reducing general fund expenditures in FY98 by \$2.829 million and \$1.415 million in FY99. Likewise for federal funds of \$5.232 million in FY98 and \$2.616 million in FY99.

FISCAL IMPACT:

Expenditures:

	<u>FY98</u>	<u>FY99</u>
	<u>Difference</u>	<u>Difference</u>
DPHHS:		
General fund (01)	(\$2,829,000)	(\$1,415,000)
Federal special (03)	<u>(\$5,232,000)</u>	<u>(\$2,616,000)</u>
Total	(\$8,061,000)	(\$4,031,000)

Revenue:

Federal special (03)	(\$5,232,000)	(\$2,616,000)
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Net Impact on Fund Balance: (revenue minus expense)

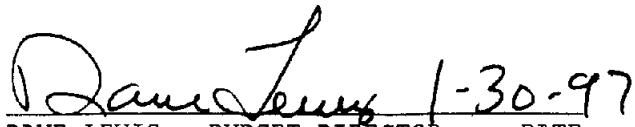
General fund (01)	\$ 2,829,000	\$1,415,000
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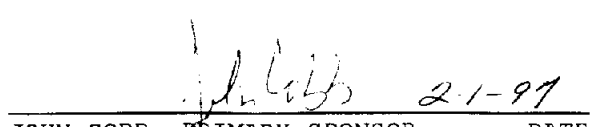
LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

As a result of this bill, DPHHS would modify its budget monitoring systems sufficiently so that the impact would approach zero within a short period of time, perhaps even by FY00.

TECHNICAL NOTES:

One interpretation of the proposed language in HB 356 is that it disallows all DPHHS accruals (both "A" and "B"). The combined "A" and "B" accruals for DPHHS at fiscal year end 1996 was \$112.1 million. Funding for the total accruals is: general fund - \$32.3 million; federal - \$78.5 million; other - \$1.3 million.


 DAVE LEWIS, BUDGET DIRECTOR DATE
 Office of Budget and Program Planning


 JOHN COBB, PRIMARY SPONSOR DATE
 Fiscal Note for HB0356, as introduced

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