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House BILL NO. 576

INTRODUCED BY Cub H. Barndt

BY REQUEST OF THE SUBCOMMITTEE ON HUMAN SERVICES

A BILL FOR AN ACT ENTITLED: "AN ACT CREATING AN ENDOWMENT FOR CHILDREN FUND WITHIN THE NONEXPENDABLE TRUST FUND TYPE; PROVIDING FOR THE USE OF THE FUND; REVISING THE USES OF THE CHILDREN'S TRUST FUND ACCOUNT; AMENDING SECTIONS 41-3-701 AND 41-3-703, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

**Section 1.** Section 41-3-701, MCA, is amended to read:

**"41-3-701. Child abuse and neglect prevention program.** (1) The Montana children's trust fund board, provided for in 2-15-2214, shall use the money in the children's trust fund account established by 41-3-702 to fund services and activities operated by nonprofit private or public community-based educational and service organizations, which services and activities relate ~~solely~~ to the a broad range prevention of child abuse and neglect prevention activities and family resource programs.

(2) In administering the child abuse and neglect prevention program, the board shall:

- (a) develop a state plan, priorities for funded services and activities, and criteria for the receipt of program funds;
- (b) monitor the expenditure of funds by organizations receiving funds under this section;
- (c) evaluate the effectiveness of services and activities funded under this section; and
- (d) adopt rules necessary to implement ~~this section and 41-3-703, and 41-3-704,~~ and this section."

**Section 2.** Section 41-3-703, MCA, is amended to read:

**"41-3-703. Gifts and grants to program.** The Montana children's trust fund board may accept contributions, gifts, and grants, in money or otherwise, to the child abuse and neglect prevention program. Monetary gifts, contributions, and grants must, upon receipt, be paid into the children's trust fund ~~account~~ endowment established by ~~41-3-702~~ [section 3]."

1           **NEW SECTION. Section 3. Endowment for children.** (1) There is within the nonexpendable trust  
2 fund type an endowment for children. The endowment is not subject to appropriation. The purpose of the  
3 endowment is to provide a permanent source of funding to support the programs and services referred to  
4 in 41-3-701. The endowment may not exceed \$5 million.

5           (2) The endowment may receive funds from:

6           (a) appropriations;

7           (b) gifts, grants, and donations, from public or private sources;

8           (c) interest earned on the children's trust fund account;

9           (d) federal reimbursements, grants, or other receipts for prevention activities; and

10          (e) other money credited or transferred to the endowment from any other fund or source.

11          (3) The state treasurer must receive and shall deposit money in the endowment. The board of  
12 investments shall invest the money in the endowment. When the endowment reaches \$5 million, further  
13 deposits may not be made to the endowment.

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15           **NEW SECTION. Section 4. Codification instruction.** [Section 3] is intended to be codified as an  
16 integral part of Title 41, chapter 3, part 7, and the provisions of Title 41, chapter 3, part 7, apply to  
17 [section 3].

18

19           **NEW SECTION. Section 5. Effective date.** [This act] is effective July 1, 1997.

20

-END-

STATE OF MONTANA - FISCAL NOTE

Fiscal Note for HB0576, as introduced

DESCRIPTION OF PROPOSED LEGISLATION:

An act creating an endowment for children fund within the nonexpendable trust fund type; providing for the use of the fund; and revising the uses of the children's trust fund account.

ASSUMPTIONS:

**Department of Commerce/Board of Investments:**

1. The endowment fund is capped at \$5.0 million and will be funded from a variety of sources. The Board of Investments will invest the endowment fund in the trust fund bond pool where it is estimated to generate between 7.0% and 7.5% interest annually.

**Department of Public Health and Human Services:**

2. There would be no expenditures made from the endowment until it reached a \$5 million balance.
3. It may not be possible to deposit federal revenue to the endowment (Please see technical note below).

FISCAL IMPACT:

Unable to determine.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION:

**Department of Commerce/Board of Investments:**

Should this endowment fund reach a principal balance of \$5.0 million, annual interest earnings would be approximately \$350,000 to \$375,000.

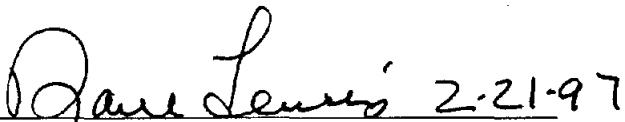
TECHNICAL NOTES:

**Department of Public Health and Human Services:**

1. The bill creates a nonexpendable trust also referred to as an endowment. It seems that no funds can be expended from the trust until it reaches a \$5 million balance. At that point, it is assumed that interest from the trust could be expended, but it is not clear what would happen to other contributions or income to the trust. Would income in excess of \$5 million be returned to contributors or could it be spent?
2. Federal revenue and grants cannot be deposited into accounts to draw interest. The Federal Cash Management Act requires that states draw federal cash as they incur expenses. So it is unclear how federal grants and revenues can be deposited to an endowment and meet the conditions of the act.

**Department of Commerce/Board of Investments:**

3. While this fund would be a nonexpendable trust fund, the legislature may be able to appropriate the principal unless the funds deposited into the account restrict such appropriations.

 2-21-97

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

JOHN COBB, PRIMARY SPONSOR                      DATE

Fiscal Note for HB0576, as introduced

**HB 576**

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- 23 program funds;
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28 **Section 2.** Section 41-3-703, MCA, is amended to read:29 **"41-3-703. Gifts and grants to program.** The Montana children's trust fund board may accept  
30 contributions, gifts, and grants, in money or otherwise, to the child abuse and neglect prevention program.

1 Monetary gifts, contributions, and grants ~~must, upon receipt, be paid into the children's trust fund account~~  
2 EARMARKED FOR THE ENDOWMENT FOR CHILDREN MUST BE PAID INTO THE endowment established  
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5 NEW SECTION. Section 3. Endowment for children. (1) There is within the nonexpendable trust  
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8 in 41-3-701. ~~The endowment may not exceed \$5 million.~~

9 (2) The endowment may receive funds from:

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