

SENATE BILL NO. 261

INTRODUCED BY L. JONES, D. ANKNEY, N. BALLANCE, M. BLASDEL, R. BRODEHL, D. BROWN,
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A BILL FOR AN ACT ENTITLED: "AN ACT REVISING BUDGETING LAWS; ESTABLISHING AN OPERATING
RESERVE AND A BUDGET STABILIZATION RESERVE FUND; AUTHORIZING THE GOVERNOR TO USE
BUDGET STABILIZATION RESERVE TO PAY DEBT OR TO DELAY, FOREGO, OR REDUCE BONDING
WHEN THERE IS EXCESS GENERAL FUND REVENUES EXCEED THE REVENUE ESTIMATE REVENUE;
AUTHORIZING THE GOVERNOR TO MAKE CONDITIONAL TRANSFERS TO THE GENERAL FUND UNDER
CERTAIN CONDITIONS; ENACTING RULES FOR DEPOSITS ~~WHEN GENERAL FUND REVENUES EXCEED~~
~~THE REVENUE ESTIMATE~~; PLACING RESTRICTIONS ON THE REAPPROPRIATION OF APPROPRIATIONS
FOR CAPITAL PROJECTS ISSUED; PROVIDING FOR A CONTINGENT FUND TRANSFER FROM THE FIRE
SUPPRESSION ACCOUNT TO THE GENERAL FUND; PROVIDING AN APPROPRIATION; AMENDING
SECTIONS 17-7-102, 17-7-111, 17-7-131, 17-7-140, 17-7-205, 17-7-212, AND 76-13-150, MCA; AND
PROVIDING AN EFFECTIVE DATE."

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

**NEW SECTION. SECTION 1. BUDGET STABILIZATION RESERVE FUND. (1) THERE IS AN ACCOUNT IN THE STATE
SPECIAL REVENUE FUND ESTABLISHED BY 17-2-102 KNOWN AS THE BUDGET STABILIZATION RESERVE FUND.**

**(2) FOR THE FISCAL YEARS BEGINNING JULY 1, 2016, AND JULY 1, 2017, IF ACTUAL GENERAL FUND REVENUES
EXCEED REVENUE EXCEEDS THE REVENUE ESTIMATE ESTABLISHED PURSUANT TO 5-5-227 FOR THE 2-YEAR PERIOD,
EXCESS REVENUES OVER THE AMOUNT OF REVENUE THAT EXCEEDS THE REVENUE ESTIMATE BY \$30 MILLION ARE IS
ALLOCATED AS FOLLOWS:**

(A) 50% REMAINS IN THE GENERAL FUND; AND

**(B) 50% IS TRANSFERRED INTO THE BUDGET STABILIZATION RESERVE FUND ON OR BEFORE AUGUST 15 OF THE
FOLLOWING FISCAL YEAR.**

**(3) STARTING IN THE FISCAL YEAR BEGINNING JULY 1, 2018, IF ACTUAL GENERAL FUND REVENUES REVENUE FOR
A MOST RECENTLY COMPLETED FISCAL YEAR EXCEED THE REVENUE ESTIMATE ESTABLISHED PURSUANT TO 5-5-227 FOR**

THAT FISCAL YEAR EXCEEDS THE PRIOR FISCAL YEAR GENERAL FUND REVENUE, ALL EXCESS REVENUES ARE REVENUE IS
ALLOCATED AS FOLLOWS:

(A) 50% REMAINS IN THE GENERAL FUND; AND

(B) 50% IS TRANSFERRED INTO THE BUDGET STABILIZATION RESERVE FUND ON OR BEFORE AUGUST 15 IN THE
FOLLOWING FISCAL YEAR.

(4) THE GOVERNOR IS AUTHORIZED TO USE THE BUDGET STABILIZATION RESERVE FUND TO:

(A) PAY BACK CONDITIONAL TRANSFERS MADE PURSUANT TO 17-7-140;

(B) PAY DOWN THE DEBT SERVICE ON BONDS FOR CAPITAL PROJECTS PREVIOUSLY AUTHORIZED BY THE
LEGISLATURE IF ALLOWED WITHOUT PENALTY BY THE TERMS OF THE BOND ISSUANCE;

(C) DELAY, FOREGO, OR REDUCE THE AMOUNT OF AN ISSUANCE OF BONDS AUTHORIZED BY THE LEGISLATURE;

OR

(D) KEEP THE FUNDS IN THE BUDGET STABILIZATION RESERVE FUND.

(5) IF THE GOVERNOR USES FUNDS AS ALLOWED UNDER SUBSECTIONS (4)(A) THROUGH (4)(C), THE GOVERNOR
MUST SUBMIT A REPORT TO THE LEGISLATIVE FINANCE COMMITTEE OF THE AMOUNT USED AND THE PURPOSE OF THE USE
OF THE FUNDS.

(6) FOR THE PURPOSES OF THIS SECTION, THE FOLLOWING DEFINITIONS APPLY:

(A) "ADJUSTED REVENUE" MEANS GENERAL FUND REVENUE FOR THE PRIOR FISCAL YEAR PLUS THE GROWTH
AMOUNT.

(B) "EXCESS REVENUE" MEANS THE AMOUNT OF GENERAL FUND REVENUE FOR THE MOST RECENTLY COMPLETED
FISCAL YEAR MINUS ADJUSTED REVENUE.

(C) "GROWTH AMOUNT" MEANS GENERAL FUND REVENUE FOR THE PRIOR FISCAL YEAR MULTIPLIED BY THE
GROWTH RATE.

(D) "GROWTH RATE" MEANS THE AVERAGE COMPOUND RATE OF GROWTH OF GENERAL FUND REVENUE FOR THE
6 FISCAL YEARS PRIOR TO THE MOST RECENTLY COMPLETED FISCAL YEAR AND THE PRIOR FISCAL YEAR.

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

"17-7-102. (Temporary) Definitions. As used in this chapter, the following definitions apply:

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

(2) "Agency" means all offices, departments, boards, commissions, institutions, universities, colleges,

1 and any other person or any other administrative unit of state government that spends or encumbers public
2 money by virtue of an appropriation from the legislature under 17-8-101.

3 (3) "Approving authority" means:

4 (a) the governor or the governor's designated representative for executive branch agencies;

5 (b) the chief justice of the supreme court or the chief justice's designated representative for judicial
6 branch agencies;

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

8 (d) the president for the senate;

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

10 or

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

12 (4) (a) "Base budget" means the resources for the operation of state government that are of an ongoing
13 and nonextraordinary nature in the current biennium. The base budget for the state general fund and state special
14 revenue funds may not exceed that level of funding authorized by the previous legislature.

15 (b) The term does not include:

16 (i) funding for water adjudication if the accountability benchmarks contained in 85-2-271 are not met;

17 (ii) funding for petroleum storage tank leak prevention if the accountability benchmarks in 75-11-521 are
18 not met.

19 (5) "Budget amendment" means a temporary appropriation as provided in Title 17, chapter 7, part 4.

20 (6) "Budget stabilization reserve" means the amount of unappropriated fund balance in the long-range
21 building program account BUDGET STABILIZATION RESERVE FUND up to 4% 4.5% of all general fund appropriations
22 in the second year of the biennium.

23 (7) "Conditional transfer" means a transfer from a designated account into the general fund that is
24 authorized by the governor PURSUANT TO 17-7-140 and is conditioned upon approval of the legislature in the next
25 legislative session.

26 ~~(6)~~(8) "Emergency" means a catastrophe, disaster, calamity, or other serious unforeseen and
27 unanticipated circumstance that has occurred subsequent to the time that an agency's appropriation was made,
28 that was clearly not within the contemplation of the legislature and the governor, and that affects one or more
29 functions of a state agency and the agency's expenditure requirements for the performance of the function or
30 functions.

~~(7)~~(9) "Funds subject to appropriation" means those funds required to be paid out of the treasury as set forth in 17-8-101.

~~(8)~~(10) "Necessary" means essential to the public welfare and of a nature that cannot wait until the next legislative session for legislative consideration.

~~(9)~~(11) "New proposals" means requests to provide new nonmandated services, to change program services, to eliminate existing services, or to change sources of funding. For purposes of establishing the present law base, the distinction between new proposals and the adjustments to the base budget to develop the present law base is to be determined by the existence of constitutional or statutory requirements for the proposed expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new proposal.

(12) "Operating reserve" means an amount equal to 8.3% of all general fund appropriations in the second year of the biennium.

~~(10)~~(13) "Present law base" means that level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature, including but not limited to:

- (a) changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;
- (b) changes in funding requirements resulting from constitutional or statutory schedules or formulas;
- (c) inflationary or deflationary adjustments; and
- (d) elimination of nonrecurring appropriations.

~~(11)~~(14) "Program" means a principal organizational or budgetary unit within an agency.

~~(12)~~(15) "Requesting agency" means the agency of state government that has requested a specific budget amendment.

~~(13)~~(16) "University system unit" means the board of regents of higher education; office of the commissioner of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and Helena; Montana state university, with campuses at Bozeman, Billings, Havre, and Great Falls; 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 and geology, with central offices at Butte; the fire services training school at Great Falls; and the community colleges at Miles City, Glendive, and Kalispell. (Terminates June 30, 2028--sec. 11, Ch. 269, L. 2015.)

17-7-102. (Effective July 1, 2028) Definitions. As used in this chapter, the following definitions apply:

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

(2) "Agency" means all offices, departments, boards, commissions, institutions, universities, colleges, and any other person or any other administrative unit of state government that spends or encumbers public money by virtue of an appropriation from the legislature under 17-8-101.

(3) "Approving authority" means:

(a) the governor or the governor's designated representative for executive branch agencies;

(b) the chief justice of the supreme court or the chief justice's designated representative for judicial branch agencies;

(c) the speaker for the house of representatives;

(d) the president for the senate;

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

or

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

(4) "Base budget" means the resources for the operation of state government that are of an ongoing and nonextraordinary nature in the current biennium. The base budget for the state general fund and state special revenue funds may not exceed that level of funding authorized by the previous legislature.

(5) "Budget amendment" means a temporary appropriation as provided in Title 17, chapter 7, part 4.

(6) "Budget stabilization reserve" means the amount of unappropriated fund balance in the long-range building program account BUDGET STABILIZATION RESERVE FUND up to 4% 4.5% of all general fund appropriations in the second year of the biennium.

(7) "Conditional transfer" means a transfer from a designated account into the general fund that is authorized by the governor PURSUANT TO 17-7-140 and is conditioned upon approval of the legislature in the next legislative session.

~~(6)~~(8) "Emergency" means a catastrophe, disaster, calamity, or other serious unforeseen and unanticipated circumstance that has occurred subsequent to the time that 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.

~~(7)~~(9) "Funds subject to appropriation" means those funds required to be paid out of the treasury as set forth in 17-8-101.

~~(8)~~(10) "Necessary" means essential to the public welfare and of a nature that cannot wait until the next

1 legislative session for legislative consideration.

2 ~~(9)(11)~~ "New proposals" means requests to provide new nonmandated services, to change program
3 services, to eliminate existing services, or to change sources of funding. For purposes of establishing the present
4 law base, the distinction between new proposals and the adjustments to the base budget to develop the present
5 law base is to be determined by the existence of constitutional or statutory requirements for the proposed
6 expenditure. Any proposed increase or decrease that is not based on those requirements is considered a new
7 proposal.

8 (12) "Operating reserve" means an amount equal to 8.3% of all general fund appropriations in the second
9 year of the biennium.

10 ~~(10)(13)~~ "Present law base" means that level of funding needed under present law to maintain operations
11 and services at the level authorized by the previous legislature, including but not limited to:

- 12 (a) changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;
13 (b) changes in funding requirements resulting from constitutional or statutory schedules or formulas;
14 (c) inflationary or deflationary adjustments; and
15 (d) elimination of nonrecurring appropriations.

16 ~~(11)(14)~~ "Program" means a principal organizational or budgetary unit within an agency.

17 ~~(12)(15)~~ "Requesting agency" means the agency of state government that has requested a specific
18 budget amendment.

19 ~~(13)(16)~~ "University system unit" means the board of regents of higher education; office of the
20 commissioner of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and Helena;
21 Montana state university, with campuses at Bozeman, Billings, Havre, and Great Falls; the agricultural experiment
22 station, with central offices at Bozeman; the forest and conservation experiment station, with central offices at
23 Missoula; the cooperative extension service, with central offices at Bozeman; the bureau of mines and geology,
24 with central offices at Butte; the fire services training school at Great Falls; and the community colleges at Miles
25 City, Glendive, and Kalispell."

26
27 **Section 3.** Section 17-7-111, MCA, is amended to read:

28 **"17-7-111. Preparation of state budget -- agency program budgets -- form distribution and**
29 **contents.** (1) (a) To prepare a state budget, the executive branch, the legislature, and the citizens of the state
30 need information that is consistent and accurate. Necessary information includes detailed disbursements by fund

1 type for each agency and program for the appropriate time period, recommendations for creating a balanced
2 budget, and recommended disbursements and estimated receipts by fund type and fund category.

3 (b) Subject to the requirements of this chapter, the budget director and the legislative fiscal analyst shall
4 by agreement:

5 (i) establish necessary standards, formats, and other matters necessary to share information between
6 the agencies and to ensure that information is consistent and accurate for the preparation of the state's budget;
7 and

8 (ii) provide for the collection and provision of budgetary and financial information that is in addition to or
9 different from the information otherwise required to be provided pursuant to this section.

10 (2) In the preparation of a state budget, the budget director shall, not later than the date specified in
11 17-7-112(1), distribute to all agencies the proper forms and instructions necessary for the preparation of budget
12 estimates by the budget director. These forms must be prescribed by the budget director to procure the
13 information required by subsection (3). The forms must be submitted to the budget director by the date provided
14 in 17-7-112(2), or the agency's budget is subject to preparation based upon estimates as provided in 17-7-112(5).
15 The budget director may refuse to accept forms that do not comply with the provisions of this section or the
16 instructions given for completing the forms.

17 (3) ~~Subject to subsections (7) and (8), the~~ THE agency budget request must set forth a balanced financial
18 plan for the agency completing the forms for each fiscal year of the ensuing biennium. The plan must consist of:

19 (a) a consolidated agency budget summary of funds subject to appropriation, as provided in 17-8-101,
20 for the current base budget expenditures, including statutory appropriations, and for each present law adjustment
21 and new proposal request setting forth the aggregate figures of the full-time equivalent personnel positions (FTE)
22 and the budget, showing a balance between the total proposed disbursements and the total anticipated receipts,
23 together with the other means of financing the budget for each fiscal year of the ensuing biennium, contrasted
24 with the corresponding figures for the last-completed fiscal year and the fiscal year in progress;

25 (b) a schedule of the actual and projected receipts, disbursements, and solvency of each fund for the
26 current biennium and estimated for the subsequent biennium;

27 (c) a statement of the agency mission and a statement of goals and objectives for each program of the
28 agency. The goals and objectives must include, in a concise form, sufficient specific information and quantifiable
29 information to enable the legislature to formulate an appropriations policy regarding the agency and its programs
30 and to allow a determination, at some future date, on whether the agency has succeeded in attaining its goals

1 and objectives.

2 (d) actual FTE and disbursements for the completed fiscal year of the current biennium, estimated FTE
3 and disbursements for the current fiscal year, and the agency's request for the ensuing biennium, by program;

4 (e) actual disbursements for the completed fiscal year of the current biennium, estimated disbursements
5 for the current fiscal year, and the agency's recommendations for the ensuing biennium, by disbursement
6 category;

7 (f) for agencies with more than 20 FTE, a plan to reduce the proposed base budget for the general
8 appropriations act and the proposed state pay plan to 95% of the current base budget or lower if directed by the
9 budget director. Each agency plan must include base budget reductions that reflect the required percentage
10 reduction by fund type for the general fund and state special revenue fund types. Exempt from the calculations
11 of the 5% target amounts are legislative audit costs, administratively attached entities that hire their own staff
12 under 2-15-121, and state special revenue accounts that do not transfer their investment earnings or fund
13 balances to the general fund. The plan must include:

14 (i) a prioritized list of services that would be eliminated or reduced;

15 (ii) for each service included in the prioritized list, the savings that would result from the elimination or
16 reduction; and

17 (iii) the consequences or impacts of the proposed elimination or reduction of each service.

18 (g) a reference for each new information technology proposal stating whether the new proposal is
19 included in the approved agency information technology plan as required in 2-17-523;

20 (h) energy cost saving information as required by 90-4-616; and

21 (i) other information the budget director feels is necessary for the preparation of a budget.

22 (4) The budget director shall prepare and submit to the legislative fiscal analyst in accordance with
23 17-7-112:

24 (a) detailed recommendations for the state long-range building program. Each recommendation must
25 be presented by institution, agency, or branch, by funding source, with a description of each proposed project.

26 (b) a statewide project budget summary as provided in 2-17-526;

27 (c) the proposed pay plan schedule for all executive branch employees at the program level by fund, with
28 the specific cost and funding recommendations for each agency. Submission of a pay plan schedule under this
29 subsection is not an unfair labor practice under 39-31-401.

30 (d) agency proposals for the use of cultural and aesthetic project grants under Title 22, chapter 2, part

3, the renewable resource grant and loan program under Title 85, chapter 1, part 6, the reclamation and development grants program under Title 90, chapter 2, part 11, and the treasure state endowment program under Title 90, chapter 6, part 7.

(5) The board of regents shall submit, with its budget request for each university unit in accordance with 17-7-112, a report on the university system bonded indebtedness and related finances as provided in this subsection (5). The report must include the following information for each year of the biennium, contrasted with the same information for the last-completed fiscal year and the fiscal year in progress:

(a) a schedule of estimated total bonded indebtedness for each university unit by bond indenture;

(b) a schedule of estimated revenue, expenditures, and fund balances by fiscal year for each outstanding bond indenture, clearly delineating the accounts relating to each indenture and the minimum legal funding requirements for each bond indenture; and

(c) a schedule showing the total funds available from each bond indenture and its associated accounts, with a list of commitments and planned expenditures from the accounts, itemized by revenue source and project for each year of the current and ensuing bienniums.

(6) (a) The department of revenue shall make Montana individual income tax information available by removing names, addresses, and social security numbers and substituting in their place a state accounting record identifier number. Except for the purposes of complying with federal law, the department may not alter the data in any other way.

(b) The department of revenue shall provide the name and address of a taxpayer on written request of the budget director when the values on the requested return, including estimated payments, are considered necessary by the budget director to properly analyze state revenue and are of a sufficient magnitude to materially affect the analysis and when the identity of the taxpayer is necessary to evaluate the effect of the return or payments on the analysis being performed.

~~(7) (a) The department of public health and human services' budget request for the 2013 biennium must identify changes necessary to reduce the 2013 biennium expenditures to the level funded in the general appropriations act. The department may include changes such as reducing administrative costs, developing more cost-efficient methods to deliver services, limiting the number of medicaid services that adults may receive, changing medicaid services included in the Montana medicaid state plan, changing eligibility or level-of-care requirements for medicaid waiver services, limiting or changing services that are fully state-funded, or implementing other initiatives that reduce state funds. Achieving the necessary general fund reduction in the 2013~~

1 biennium budget request may not include shifting costs to state special revenue funds.

2 ~~—— (b) The department of public health and human services shall prepare a work plan with goals,~~
3 ~~milestones, and measures to guide its review of alternatives to identify, evaluate, and select initiatives to reduce~~
4 ~~ongoing state spending in its 2013 biennium budget submission. The department shall submit the work plan,~~
5 ~~goals, milestones, and measures to the legislative finance committee at its first meeting after the adjournment~~
6 ~~of the 2009 legislative session for its review and comment. The department shall provide an update of its budget~~
7 ~~reduction for review and comment at each legislative finance committee meeting in a format developed with and~~
8 ~~agreed upon by the committee.~~

9 ~~—— (8) Each agency budget request for the 2013 biennium must include the adjustments to present law base~~
10 ~~specified in 17-7-102(10)(b) 17-7-102(13)(b).~~"

11
12 **Section 4.** Section 17-7-131, MCA, is amended to read:

13 **"17-7-131. Legislative action -- ending fund balance.** (1) The presiding officers of the house of
14 representatives and of the senate shall promptly refer the budgets and budget bills to the proper committees. The
15 budget bill for the maintenance of the agencies of state government and the state institutions must be based upon
16 the budget and proposed budget bill submitted at the request of the governor. The legislature may amend the
17 proposed budget bill, but it may not amend the proposed budget bill so as to affect either the obligations of the
18 state or the payment of any salaries required to be paid by the constitution and laws of the state.

19 (2) The adopted budget must be limited so that a positive ending general fund balance exists at the end
20 of the biennium for which funds are appropriated.

21 (3) When possible, the adopted budget should be limited so that the ending fund balance of the general
22 fund is greater than or equal to the amount of the operating reserve."

23
24 **Section 5.** Section 17-7-140, MCA, is amended to read:

25 **"17-7-140. Reduction in spending -- conditional transfer authority.** (1) (a) As the chief budget officer
26 of the state, the governor shall ensure that the expenditure of appropriations does not exceed available revenue.
27 Except as provided in subsection (2), in the event of a projected general fund budget deficit, the governor, taking
28 into account the criteria provided in subsection (1)(c), shall direct agencies to reduce spending in an amount that
29 ensures that the projected ending general fund balance for the biennium will be at least:

30 (i) ~~3.5%~~ 2.5% of all general fund appropriations for the biennium prior to ~~October~~ June of the year

preceding a legislative session;

~~(ii) 3%~~ 2% of all general fund appropriations for the biennium in June of the year preceding a legislative session;

~~(iii)~~ 1.875% of all general fund appropriations for the biennium in October of the year preceding a legislative session;

~~(iv)~~ 1.25% of all general fund appropriations for the biennium in January of the year in which a legislative session is convened; and

~~(v)~~ 0.625% of all general fund appropriations for the biennium in March of the year in which a legislative session is convened.

(b) An agency may not be required to reduce general fund spending for any program, as defined in each general appropriations act, by more than 10% during a biennium. Departments or agencies headed by elected officials or the board of regents may not be required to reduce general fund spending by a percentage greater than the percentage of general fund spending reductions required for the total of all other executive branch agencies. The legislature may exempt from a reduction an appropriation item within a program or may direct that the appropriation item may not be reduced by more than 10%.

(c) The governor shall direct agencies to manage their budgets in order to reduce general fund expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor shall direct each agency to analyze the nature of each program that receives a general fund appropriation to determine whether the program is mandatory or permissive and to analyze the impact of the proposed reduction in spending on the purpose of the program. An agency shall submit its analysis to the office of budget and program planning and shall at the same time provide a copy of the analysis to the legislative fiscal analyst. The report must be submitted in an electronic format. The office of budget and program planning shall review each agency's analysis, and the budget director shall submit to the governor a copy of the office of budget and program planning's recommendations for reductions in spending. The budget director shall provide a copy of the recommendations to the legislative fiscal analyst at the time that the recommendations are submitted to the governor and shall provide the legislative fiscal analyst with any proposed changes to the recommendations. The recommendations must be provided in an electronic format. The legislative finance committee shall meet within 20 days of the date that the proposed changes to the recommendations for reductions 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

1 finance committee. The committee may make recommendations concerning the proposed reductions in spending.
2 The governor shall consider each agency's analysis and the recommendations of the office of budget and
3 program planning and the legislative finance committee in determining the agency's reduction in spending.
4 Reductions in spending must be designed to have the least adverse impact on the provision of services
5 determined to be most integral to the discharge of the agency's statutory responsibilities.

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

7 (a) payment of interest and principal on state debt;

8 (b) the legislative branch;

9 (c) the judicial branch;

10 (d) the school BASE funding program, including special education;

11 (e) salaries of elected officials during their terms of office; and

12 (f) the Montana school for the deaf and blind.

13 (3) (a) As used in this section, "projected general fund budget deficit" means an amount, certified by the
14 budget director to the governor, by which the projected ending general fund balance for the biennium is less than:

15 (i) ~~5%~~ 4% of the general fund appropriations for the second fiscal year of the biennium prior to October
16 of the year preceding a legislative session;

17 (ii) 1.875% in October of the year preceding a legislative session;

18 (iii) 1.25% in January of the year in which a legislative session is convened; and

19 (iv) 0.625% in March of the year in which a legislative session is convened.

20 (b) In determining the amount of the projected general fund budget deficit, the budget director shall take
21 into account revenue, established levels of appropriation, anticipated supplemental appropriations for school
22 equalization aid and the cost of the state's wildland fire suppression activities exceeding the amount statutorily
23 appropriated in 10-3-312, and anticipated reversions.

24 (c) For purposes of determining the amount of the projected general fund budget deficit if the governor
25 has mandated reductions pursuant to this section, the budget director must also take into account the cash
26 balances from TRANSFERS AND conditional transfers made pursuant to subsections (5) through (9) (10) and
27 reductions in general fund expenditures previously directed by the governor, in addition to those items listed in
28 subsection (3)(b).

29 (4) If the budget director determines that an amount of actual or projected receipts will result in an
30 amount less than the amount projected to be received in the revenue estimate established pursuant to 5-5-227,

the budget director shall notify the revenue and transportation interim committee of the estimated amount. Within 20 days of notification, the revenue and transportation interim committee shall provide the budget director with any recommendations concerning the amount. The budget director shall consider any recommendations of the revenue and transportation interim committee prior to certifying a projected general fund budget deficit to the governor.

(5) If the budget director certifies a projected general fund budget deficit, the governor may authorize TRANSFERS OR conditional transfers to the general fund from certain accounts as set forth in subsections (6) through (9) (10).

(6) THE AMOUNT OF TRANSFERS THAT THE GOVERNOR MAY AUTHORIZE FROM THE BUDGET STABILIZATION RESERVE FUND PROVIDED FOR IN [SECTION 1] IS BASED ON THE DOLLAR REDUCTIONS TO THE GENERAL FUND EXPENDITURES AUTHORIZED BY THE GOVERNOR.

(A) PRIOR TO JUNE OF THE YEAR PRECEDING A LEGISLATIVE SESSION, THE GOVERNOR MAY AUTHORIZE \$2 OF TRANSFERS FOR EACH \$1 OF REDUCTIONS IN SPENDING.

(B) ON OR AFTER JUNE 1 OF THE YEAR PRECEDING A LEGISLATIVE SESSION, THE GOVERNOR MAY AUTHORIZE \$3 OF TRANSFERS FOR EACH \$1 OF REDUCTIONS IN SPENDING.

(7) IF THE TRANSFERS PROVIDED FOR IN SUBSECTION (6) ARE ENCUMBERED AND ARE INSUFFICIENT TO ENSURE THAT THE ENDING FUND BALANCE IS EQUAL TO AT LEAST THE PERCENTAGE OF GENERAL FUND APPROPRIATIONS FOR THE RELEVANT TIME PERIOD IN SUBSECTION (1)(A)(I) THROUGH (1)(A)(V), THEN THE GOVERNOR MAY AUTHORIZE CONDITIONAL TRANSFERS. The amount of conditional transfers the governor may authorize is based on the total percentage DOLLAR AMOUNT of reductions to general fund expenditures identified by the governor.

(a) For spending reductions equal to 1% of the total general fund appropriations for the second fiscal year of the biennium IDENTIFIED PRIOR TO JUNE OF THE YEAR PRECEDING A LEGISLATIVE SESSION, the governor may authorize \$1 of conditional transfers for each \$1 of reductions.

(b) For the second 1% of spending reductions IDENTIFIED ON OR AFTER JUNE 1 OF THE YEAR PRECEDING A LEGISLATIVE SESSION, the governor may authorize \$2 of conditional transfers for each \$1 of reduction.

(c) For any additional spending reductions, the governor may authorize \$4 of conditional transfers for each \$1 of reduction.

(d)(c) The maximum amount of TRANSFERS AND conditional transfers the governor may authorize under this section is 4.5% of the general fund appropriations for the second fiscal year of the biennium.

(8) THE MAXIMUM AMOUNT OF GENERAL FUND EXPENDITURE REDUCTIONS IDENTIFIED:

(A) PRIOR TO JUNE OF THE YEAR PRECEDING A LEGISLATIVE SESSION IS LIMITED TO 2% OF THE TOTAL GENERAL FUND APPROPRIATIONS FOR THE SECOND FISCAL YEAR OF THE BIENNIUM; OR

(B) ON OR AFTER JUNE 1 OF THE YEAR PRECEDING A LEGISLATIVE SESSION IS LIMITED TO 1% OF THE TOTAL GENERAL FUND APPROPRIATIONS FOR THE BIENNIUM.

(7)(9) The governor may authorize conditional transfers from the following accounts in the following priority:

(A) FROM THE BUDGET STABILIZATION RESERVE FUND ESTABLISHED IN [SECTION 1];

—— (a)(b) From the long range building program account, established in 17-7-205. The amount of funds available for a conditional transfer from this account is limited to the sum of the budget stabilization reserve plus the amount of funds that have not been encumbered and ESTIMATED AMOUNT OF FUND BALANCE THAT will not be expended in the next 18 months.

—— (b)(c) From the fire suppression account established in 76-13-150. The amount of funds available for a conditional transfer from this account is limited to the amount of the fund balance PLUS CURRENT YEAR REVENUES in excess of the current year anticipated expenditures plus 150% 125% of the 7-year average annual expenditure from the account.

(c)(d)(B) From any other account in the state special revenue fund type or the capital projects fund type as described in 17-2-102, only if the UNRESTRICTED monthly cash balance of the account PLUS THE MONIES INVESTED IN THE BOARD OF INVESTMENTS' SHORT-TERM INVESTMENT POOL has exceeded \$2 million for the past 24 consecutive months and the accrued PROJECTED REVENUES AND expenditures for the account do not reduce its ANTICIPATED cash balance AND FUNDS INVESTED IN THE BOARD OF INVESTMENTS' SHORT-TERM INVESTMENT POOL to less than \$2 million.

(i) If the governor authorizes a conditional transfer from an account other than the long range building program account or the fire suppression account DESIGNATED IN THIS SUBSECTION (7)(d) (9)(B), the governor must select accounts that do not retain their own interest when possible.

(ii) The amount of a conditional transfer from an account in the state special revenue fund type or the capital projects fund type, as described in 17-2-102, may not cause cash shortages in the next 18 months.

(iii) FUNDS HELD FOR TRIBAL WATER COMPACTS ARE NOT ELIGIBLE FOR CONDITIONAL TRANSFERS.

(8)(10) (a) A conditional transfer made pursuant to this section must be recorded in the state accounting records. Except as provided in subsection (8)(b) (10)(B), funds transferred as a conditional transfer do not bear interest.

(b) If a conditional transfer to the general fund is made from a fund that retains its own interest, except

a conditional transfer from the long-range building program account established in 17-7-205 or the fire suppression account established in 76-13-150, it shall be returned with interest at a rate established by the state treasurer based on the estimated interest rate the funds would have earned if the funds had not been conditionally transferred.

~~(9) If a conditional transfer is made from an account under this section and a transfer back to that account equal to the amount of the transfer is not made prior to the time the legislature convenes, the legislature must act to authorize CONVERT the conditional transfer as TO a permanent transfer, reimburse the account from which the conditional transfer was made, in full or in part, or take other actions to eliminate the conditional transfer."~~

Section 6. Section 17-7-205, MCA, is amended to read:

"17-7-205. Long-range building program account ~~--deposit of revenues in excess of estimate --~~ permissible uses. (1) There is a long-range building program account in the capital projects fund type.

(2) Cigarette tax revenue is deposited in the account pursuant to 16-11-119.

(3) Coal severance taxes allocated to the account under 15-35-108 may be appropriated for the long-range building program or debt service payments on building projects. Coal severance taxes required for general obligation bond debt service may be transferred to the debt service fund.

(4) ~~Interest~~ Except as provided in 17-7-140(8), interest earnings, project carryover funds, administrative fees, and miscellaneous revenue must be retained in the account.

~~(5) If actual general fund revenues for a fiscal year exceed the revenue estimate established pursuant to 5-5-227 for that fiscal year, the excess revenues are allocated as follows:~~

~~(a) 50% remains in the general fund; and~~

~~—— (b) 50% is transferred into the long-range building program account on or before August 15 in the following fiscal year as the budget stabilization reserve;~~

~~—— (6) If a transfer is made pursuant to subsection (5)(b), the governor is authorized to use up to the amount transferred as follows:~~

~~—— (a) to pay back conditional transfers made pursuant to 17-7-140;~~

~~—— (b) to pay down the debt service on bonds for capital projects previously authorized by the legislature if allowed without penalty by the terms of the bond issuance; or~~

~~—— (c) to delay, forego, or reduce the amount of an issuance of bonds authorized by the legislature;~~

~~—— (7) If the governor uses funds as allowed under subsection (6), the governor must submit a report to the~~

~~legislative finance committee of the amount used and the purpose thereof."~~

Section 7. Section 17-7-212, MCA, is amended to read:

"17-7-212. Reappropriation of capital projects. (1) The remaining balances on capital projects previously approved by the legislature are reappropriated for the purposes of the original appropriation until the projects are completed or until the appropriation expires.

(2) An appropriation for a capital project made on or before [20 years before the effective date of this act], is extinguished.

(3) An appropriation for a capital project made before [the effective date of this act] expires 20 years after the effective date of the appropriation.

(4) An appropriation for a capital project made on or after [the effective date of this act] terminates 10 years from the effective date of the original appropriation unless explicitly reauthorized by the legislature."

Section 8. Section 76-13-150, MCA, is amended to read:

"76-13-150. Fire suppression account -- fund transfer. (1) There is a fire suppression account in the state special revenue fund to the credit of the department.

(2) The legislature may transfer money from other funds to the account, and the money in the account is subject to legislative fund transfers.

(3) Funds received for restitution by private parties must be deposited in the account.

(4) Money in the account may be used only for the purpose of paying expenses for fire prevention, including fuel reduction and mitigation, forest restoration, grants for the purchase of fire suppression equipment for county cooperatives, and fire suppression costs.

(5) Interest earned on the balance of the account is retained in the account except as provided in 17-7-140(8).

(6) Except as provided in subsections (7) and (8), by August 15 following the end of each fiscal year, an amount equal to the balance of unexpended and unencumbered general fund money appropriated in excess of 0.5% of the total general fund money appropriated for that fiscal year must be transferred by the state treasurer from the general fund to the fire suppression account. General fund appropriations that continue from a fiscal year to the next fiscal year and any general fund appropriations made pursuant to 10-3-310 or 10-3-312 are excluded from the calculation.

(7) The provisions of subsection (6) do not apply in a fiscal year in which reductions required by 17-7-140

1 occur or if a transfer pursuant to subsection (6) would require reductions pursuant to 17-7-140.

2 (8) The fund balance in the account may not exceed ~~\$100 million~~ 4% of all general fund appropriations
3 in the second year of the biennium.

4 (9) Up to \$5 million each biennium may be used for the purpose of fuel reduction and mitigation and
5 forest restoration.

6 (10) Money in the account is statutorily appropriated, as provided in 17-7-502, to the department for the
7 purposes described in subsection (4)."

8
9 **NEW SECTION. SECTION 9. CONTINGENT FUND TRANSFER FROM FIRE SUPPRESSION ACCOUNT.** (1) FOR THE
10 BIENNIUM ENDING JUNE 30, 2019, IF THE CERTIFIED UNAUDITED GENERAL FUND REVENUE AND TRANSFERS INTO THE
11 GENERAL FUND RECEIVED IN FISCAL YEARS 2017 AND 2018 ARE LESS THAN THE ESTIMATED STATE GENERAL FUND
12 REVENUE IN HOUSE JOINT RESOLUTION NO. 2 FOR THE SAME FISCAL YEARS BY MORE THAN \$50 MILLION, THEN THE
13 GOVERNOR MAY AUTHORIZE A FUND TRANSFER FROM THE FIRE SUPPRESSION ACCOUNT PROVIDED FOR IN 76-13-150 TO
14 THE GENERAL FUND IN THE AMOUNT PROVIDED IN SUBSECTION (2).

15 (2) THE MAXIMUM AMOUNT OF THE FUND TRANSFER PROVIDED BY THIS SECTION IS EQUAL TO THE AMOUNT OF
16 ESTIMATED GENERAL FUND REVENUE IN HOUSE JOINT RESOLUTION NO. 2 FOR FISCAL YEARS 2017 AND 2018 MINUS THE
17 CERTIFIED UNAUDITED GENERAL FUND REVENUE AND TRANSFERS INTO THE GENERAL FUND FOR THE SAME FISCAL YEARS,
18 NOT TO EXCEED \$25 MILLION.

19 (3) FOR THE PURPOSE OF THIS SECTION, CERTIFIED UNAUDITED GENERAL FUND REVENUE AND TRANSFERS INTO
20 THE GENERAL FUND ARE THOSE RECORDED IN THE STATEWIDE ACCOUNTING, BUDGETING, AND HUMAN RESOURCE SYSTEM
21 USING GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN ACCORDANCE WITH 17-7-102 AND INCLUDE TRANSFERS INTO
22 THE GENERAL FUND.

23
24 **NEW SECTION. SECTION 10. APPROPRIATION.** (1) THERE IS APPROPRIATED \$100 FROM THE GENERAL FUND
25 TO THE LEGISLATIVE FISCAL DIVISION FOR THE BIENNIUM BEGINNING JULY 1, 2017.

26 (2) THE APPROPRIATION MUST BE USED TO PAY FOR COSTS OF THE LEGISLATIVE FINANCE COMMITTEE FOR
27 MONITORING THE PROVISIONS OF [THIS ACT].

28
29 **NEW SECTION. SECTION 11. CODIFICATION INSTRUCTION.** [SECTION 1] IS INTENDED TO BE CODIFIED AS AN
30 INTEGRAL PART OF TITLE 17, CHAPTER 7, PART 1, AND THE PROVISIONS OF TITLE 17, CHAPTER 7, PART 1, APPLY TO
31 [SECTION 1].

3 - END -