

## 1 HOUSE BILL NO. 343

2 INTRODUCED BY COOK, WELBORN, HALE, EHLI

3

4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS REGARDING THE BUDGETING AND  
5 APPROPRIATIONS PROCESS; REQUIRING ZERO-BASED BUDGETING FOR CERTAIN STATE AGENCIES;  
6 REQUIRING THAT CERTAIN STATE AGENCIES SUBMIT REQUESTS FOR APPROPRIATIONS BASED ON  
7 CERTAIN COST-EFFECTIVE TASKS, GOALS, AND OBJECTIVES WITHOUT REGARD TO PRIOR  
8 APPROPRIATIONS; ESTABLISHING SUBMISSION DEADLINES FOR PREPARATION OF BUDGETS;  
9 REVISING THE FORM OF THE EXECUTIVE BUDGET TO INCLUDE ZERO-BASED BUDGETING; AMENDING  
10 SECTIONS 5-12-303, 5-13-402, 17-7-102, 17-7-111, 17-7-112, AND 17-7-123, MCA; AND PROVIDING AN  
11 EFFECTIVE DATE AND AN APPLICABILITY DATE."

12

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

14

15 NEW SECTION. **Section 1. Zero-based budget process.** (1) This section applies to agencies and  
16 divisions that are selected by the legislature for inclusion in the zero-based budget process as provided in  
17 subsection (4). An agency or division that is selected shall prepare the information required by this section as a  
18 separate process from the other budgeting procedures set forth in this chapter.

19 (2) The zero-based budget request must set forth the amount of funding necessary to achieve the most  
20 cost-effective performance. The zero-based budget request must consist of:

21 (a) a schedule of the estimated receipts and solvency of each fund or account for the subsequent  
22 biennium;

23 (b) a statement of the agency or division mission and a statement of goals and objectives for each  
24 program that are intended to be accomplished as a result of the agency's request. The goals and objectives must  
25 include, in a concise form, sufficient specific information and quantifiable information to enable the legislature to  
26 formulate an appropriations policy regarding the agency and its programs and to allow a determination, at some  
27 future date, of whether the agency has succeeded in attaining its goals and objectives.

28 (c) a statement delineating by program each of the various activities and services to be performed as  
29 a result of the request;

30 (d) a description by program of the methodology and approach used to carry out each activity or service;

- 1 (e) a compilation enumerating by program the statutory and regulatory provisions that establish the  
2 agency's legal authority, if any, to perform each activity or service;
- 3 (f) an itemized estimate of spending and full-time equivalent personnel positions (FTE) required to  
4 maintain each activity or service at its current level of performance together with an evaluation by program of the  
5 quality and quantity of services provided;
- 6 (g) a projected estimate of spending and FTE required to maintain each activity or service at the  
7 minimum level of service required by statutory or regulatory authority, together with an evaluation by program of  
8 the quality and quantity of services required at that level;
- 9 (h) a statement identifying each group, stakeholder, or community affected or intended to be affected  
10 by each activity or service and a quantitative estimate by program of any adverse effects that reasonably may  
11 be expected to result if the activity or service is eliminated. The statement must contain a description of the  
12 methods by which the adverse effects were estimated.
- 13 (i) a statement detailing by program any other state, federal, or local units of government that administer  
14 a similar activity or service and an outline describing the interaction, if any, among the departments and agencies;
- 15 (j) a statement prioritizing by numerical ranking the activities or services within each program carried out  
16 by the agency with respect to each activity's or service's capacity to fulfill the agency's stated goals and objectives  
17 during the ensuing biennium. If a division is selected for inclusion in the zero-based budget process, the  
18 numerical ranking is based on the activities or services within each program carried out by the division.
- 19 (k) a statement prioritizing by numerical ranking the programs carried out by the agency with respect to  
20 the agency's stated goals and objectives during the ensuing biennium. If a division is selected for inclusion in the  
21 zero-based budget process, the numerical ranking is based on each program carried out by the division.
- 22 (l) an estimate of legislative audit cost for the ensuing biennium as required by 5-13-402;
- 23 (m) recommendations to the legislature regarding whether the legislature should continue funding each  
24 activity or service and, if so, an itemized spending request by program for the ensuing biennium;
- 25 (n) a reference for each new information technology proposal stating whether the new proposal is  
26 included in the approved agency information technology plan as required in 2-17-523;
- 27 (o) energy cost saving information as required by 90-4-616; and
- 28 (p) other information the budget director feels is necessary for the preparation of a zero-based budget.
- 29 (3) The budget director and representatives of selected agencies and divisions expending or applying  
30 for state money may, and when requested by either the house of representatives or the senate shall, appear and

1 present a zero-based budget request that complies with this section and 17-7-123(2).

2 (4) (a) For budget requests pertaining to funding for state fiscal years 2014 and 2015, the following  
3 agencies and division shall justify a request for appropriation by utilizing the zero-based budget process:

4 ~~(i) the department of agriculture;~~

5 ~~(ii) the department of justice;~~

6 ~~(iii) the department of transportation;~~

7 ~~(iv) the legislative branch;~~

8 ~~(v)(I) the Montana arts council;~~

9 ~~(vi)(II) the Montana historical society;~~

10 ~~(vii)(III) the Montana state library commission; AND~~

11 ~~(viii) the office of state auditor;~~

12 ~~(ix)(IV) the office of state public defender; and~~

13 ~~(x) the public health and safety division in the department of public health and human services.~~

14 (b) In addition to any study the legislature may authorize pursuant to 20-9-309(5), for the budget request  
15 pertaining to funding for state fiscal years 2016 and 2017, the following agencies shall justify a request for  
16 appropriation by utilizing the zero-based budget process:

17 (i) the board of public education;

18 (ii) the office of superintendent of public instruction; and

19 (iii) the Montana school for the deaf and blind.

20 (C) FOR PURPOSES OF THIS SECTION, "PROGRAM" HAS THE MEANING PROVIDED IN 17-7-102 UNLESS THE  
21 GOVERNOR'S BUDGET DIRECTOR AND THE LEGISLATIVE FISCAL ANALYST REACH AN AGREEMENT TO DEFINE THE TERM  
22 DIFFERENTLY FOR A SPECIFIC AGENCY'S ZERO-BASED BUDGET SUBMISSION.

23

24 **Section 2.** Section 5-12-303, MCA, is amended to read:

25 **"5-12-303. Fiscal analysis information from state agencies.** (1) The legislative fiscal analyst may  
26 investigate and examine the costs and revenue of state government activities and may examine and obtain copies  
27 of the records, books, and files of any state agency, including confidential records.

28 (2) When confidential records and information are obtained from a state agency, the legislative fiscal  
29 analyst and staff must be subject to the same penalties for unauthorized disclosure of the confidential records  
30 and information provided for under the laws administered by the state agency. The legislative fiscal analyst shall

1 develop policies to prevent the unauthorized disclosure of confidential records and information obtained from  
2 state agencies.

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

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

12 (4) Within 1 day after the legislative finance committee presents its budget analysis to the legislature,  
13 the budget director and the legislative fiscal analyst shall exchange expenditure and disbursement  
14 recommendations by second-level expenditure detail and by funding sources detailed by accounting entity. This  
15 information must be filed in the respective offices and be made available to the legislature and the public. In  
16 preparing the budget analysis for the next biennium for submission to the legislature, the legislative fiscal analyst  
17 shall use the base budget, the present law base, and new proposals as defined in 17-7-102 and analyze  
18 zero-based budget requests using the information required by [section 1(2)].

19 (5) This section does not authorize publication or public disclosure of information if the law prohibits  
20 publication or disclosure or if the department of revenue notifies the fiscal analyst that specified records or  
21 information may contain confidential information."

22

23 **Section 3.** Section 5-13-402, MCA, is amended to read:

24 **"5-13-402. Audit costs.** (1) Prior to July 1 of each even-numbered year, the legislative auditor shall  
25 advise each agency and the budget director of the estimated audit costs for the following biennium. Each agency  
26 shall include the estimated audit costs in its proposed budget and zero-based budget submitted to the budget  
27 director pursuant to 17-7-112 and [section 1]. The budget director shall notify the legislative auditor if the  
28 executive budget recommendation to the legislature for audit costs differs from that proposed by the legislative  
29 auditor.

30 (2) Not later than 60 days after adjournment of each legislature, the budget director shall provide to the

1 legislative auditor a schedule reflecting, by fund, amounts appropriated to each agency for audit costs.

2 (3) The legislative auditor shall bill agencies for audit services that the legislative auditor considers  
3 necessary. The legislative auditor may not bill an agency for audit services in excess of amounts appropriated  
4 for audit services. Additional audit-related services may be provided by the legislative auditor at a cost agreed  
5 to by an agency and billed to the agency."

6

7 **Section 4.** Section 17-7-102, MCA, is amended to read:

8 **"17-7-102. (Temporary) Definitions.** As used in this chapter, the following definitions apply:

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

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

13 (3) "Approving authority" means:

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

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

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

18 (d) the president for the senate;

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

20 or

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

22 (4) (a) "Base budget" means the resources for the operation of state government that are of an ongoing  
23 and nonextraordinary nature in the current biennium. The base budget for the state general fund and state special  
24 revenue funds may not exceed that level of funding authorized by the previous legislature. For the biennium  
25 beginning July 1, 2011, the term includes items specified in section 85, Chapter 489, Laws of 2009.

26 (b) The term does not include funding for water adjudication if the accountability benchmarks contained  
27 in 85-2-271 are not met.

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

29 (6) "Emergency" means a catastrophe, disaster, calamity, or other serious unforeseen and unanticipated  
30 circumstance that has occurred subsequent to the time that an agency's appropriation was made, that was clearly

1 not within the contemplation of the legislature and the governor, and that affects one or more functions of a state  
2 agency and the agency's expenditure requirements for the performance of the function or functions.

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

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

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

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

16 (i) changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;

17 (ii) changes in funding requirements resulting from constitutional or statutory schedules or formulas;

18 (iii) inflationary or deflationary adjustments;

19 (iv) elimination of nonrecurring appropriations; and

20 (v) items specified in section 85, Chapter 489, Laws of 2009.

21 (b) For the budget for the 2011 legislative session, present law base must be adjusted by reducing  
22 general fund budgets by the equivalent of that portion of the 2% across-the-board reduction assessed by the 61st  
23 legislature on selected agencies that was allocated by those agencies to personal services in the 2011 biennium.  
24 The director of the governor's office of budget and program planning and the legislative fiscal analyst shall agree  
25 on a mechanism for determining how agencies have allocated this reduction.

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

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

29 (13) "University system unit" means the board of regents of higher education; office of the commissioner  
30 of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and Helena; Montana state

1 university, with campuses at Bozeman, Billings, Havre, and Great Falls; the agricultural experiment station, with  
 2 central offices at Bozeman; the forest and conservation experiment station, with central offices at Missoula; the  
 3 cooperative extension service, with central offices at Bozeman; the bureau of mines and geology, with central  
 4 offices at Butte; the fire services training school at Great Falls; and the community colleges at Miles City,  
 5 Glendive, and Kalispell.

6 (14) "Zero-based budget" means an approach to developing and evaluating requests for appropriations  
 7 based on the cost-effective achievement of the tasks, goals, and objectives of a particular agency without regard  
 8 to prior appropriations.

9 (15) "Zero-based budget process" means a process of budgeting in which an agency's request for  
 10 appropriation is evaluated and justified, in whole or in part, based upon the cost-effective achievement of the  
 11 tasks, goals, and objectives of a particular agency without regard to prior appropriations. (Terminates June 30,  
 12 2011--sec. 35(1), Ch. 486, L. 2009; sec. 82, Ch. 489, L. 2009.)

13 **17-7-102. (Effective July 1, 2011) Definitions.** As used in this chapter, the following definitions apply:

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

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

18 (3) "Approving authority" means:

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

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

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

23 (d) the president for the senate;

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

25 or

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

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

30 (b) The term does not include funding for water adjudication if the accountability benchmarks contained

1 in 85-2-271 are not met.

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

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

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

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

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

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

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

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

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

26 (13) "University system unit" means the board of regents of higher education; office of the commissioner  
27 of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and Helena; Montana state  
28 university, with campuses at Bozeman, Billings, Havre, and Great Falls; the agricultural experiment station, with  
29 central offices at Bozeman; the forest and conservation experiment station, with central offices at Missoula; the  
30 cooperative extension service, with central offices at Bozeman; the bureau of mines and geology, with central

1 offices at Butte; the fire services training school at Great Falls; and the community colleges at Miles City,  
2 Glendive, and Kalispell.

3 (14) "Zero-based budget" means an approach to developing and evaluating requests for appropriations  
4 based on the cost-effective achievement of the tasks, goals, and objectives of a particular agency without regard  
5 to prior appropriations.

6 (15) "Zero-based budget process" means a process of budgeting in which an agency's request for  
7 appropriation is evaluated and justified, in whole or in part, based upon the cost-effective achievement of the  
8 tasks, goals, and objectives of a particular agency without regard to prior appropriations. (Terminates June 30,  
9 2020--sec. 11, Ch. 319, L. 2007.)

10 **17-7-102. (Effective July 1, 2020) Definitions.** As used in this chapter, the following definitions apply:

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

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

15 (3) "Approving authority" means:

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

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

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

20 (d) the president for the senate;

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

22 or

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

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

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

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

1 agency and the agency's expenditure requirements for the performance of the function or functions.

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

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

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

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

14 (a) changes resulting from legally mandated workload, caseload, or enrollment increases or decreases;

15 (b) changes in funding requirements resulting from constitutional or statutory schedules or formulas;

16 (c) inflationary or deflationary adjustments; and

17 (d) elimination of nonrecurring appropriations.

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

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

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

28 (14) "Zero-based budget" means an approach to developing and evaluating requests for appropriations  
29 based on the cost-effective achievement of the tasks, goals, and objectives of a particular agency without regard  
30 to prior appropriations.

1           (15) "Zero-based budget process" means a process of budgeting in which an agency's request for  
 2 appropriation is evaluated and justified, in whole or in part, based upon the cost-effective achievement of the  
 3 tasks, goals, and objectives of a particular agency without regard to prior appropriations."

4

5           **Section 5.** Section 17-7-111, MCA, is amended to read:

6           **"17-7-111. Preparation of state budget -- agency program budgets -- form distribution and**  
 7 **contents.** (1) (a) To prepare a state budget, the executive branch, the legislature, and the citizens of the state  
 8 need information that is consistent and accurate. Necessary information includes detailed disbursements by fund  
 9 type for each agency and program for the appropriate time period, recommendations for creating a balanced  
 10 budget, and recommended disbursements and estimated receipts by fund type and fund category.

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

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

16           (ii) provide for the collection and provision of budgetary and financial information that is in addition to or  
 17 different from the information otherwise required to be provided pursuant to this section and [section 1].

18           (2) In the preparation of a state budget, the budget director shall, not later than the date specified in  
 19 17-7-112(1), distribute to all agencies the proper forms and instructions necessary for the preparation of budget  
 20 estimates by the budget director. These forms must be prescribed by the budget director to procure the  
 21 information required by subsection (3) and [section 1]. The forms must be submitted to the budget director by the  
 22 date provided in 17-7-112(2), or the agency's budget is subject to preparation based upon estimates as provided  
 23 in 17-7-112(5). The budget director may refuse to accept forms that do not comply with the provisions of this  
 24 section or the instructions given for completing the forms.

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

27           (a) a consolidated agency budget summary of funds subject to appropriation, as provided in 17-8-101,  
 28 for the current base budget expenditures, including statutory appropriations, and for each present law adjustment  
 29 and new proposal request setting forth the aggregate figures of the full-time equivalent personnel positions (FTE)  
 30 and the budget, showing a balance between the total proposed disbursements and the total anticipated receipts,

1 together with the other means of financing the budget for each fiscal year of the ensuing biennium, contrasted  
2 with the corresponding figures for the last-completed fiscal year and the fiscal year in progress;

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

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

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

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

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

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

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

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

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

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

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

30 (4) The budget director shall prepare and submit to the legislative fiscal analyst in accordance with

1 17-7-112:

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

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

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

8 (d) agency proposals for the use of cultural and aesthetic project grants under Title 22, chapter 2, part  
9 3, the renewable resource grant and loan program under Title 85, chapter 1, part 6, the reclamation and  
10 development grants program under Title 90, chapter 2, part 11, and the treasure state endowment program under  
11 Title 90, chapter 6, part 7.

12 (5) The board of regents shall submit, with its budget request for each university unit in accordance with  
13 17-7-112, a report on the university system bonded indebtedness and related finances as provided in this  
14 subsection (5). The report must include the following information for each year of the biennium, contrasted with  
15 the same information for the last-completed fiscal year and the fiscal year in progress:

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

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

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

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

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

1 payments on the analysis being performed.

2 ~~———— (7) (a) The department of public health and human services' budget request for the 2013 biennium must~~  
 3 ~~identify changes necessary to reduce the 2013 biennium expenditures to the level funded in the general~~  
 4 ~~appropriations act. The department may include changes such as reducing administrative costs, developing more~~  
 5 ~~cost-efficient methods to deliver services, limiting the number of medicaid services that adults may receive,~~  
 6 ~~changing medicaid services included in the Montana medicaid state plan, changing eligibility or level-of-care~~  
 7 ~~requirements for medicaid waiver services, limiting or changing services that are fully state-funded, or~~  
 8 ~~implementing other initiatives that reduce state funds. Achieving the necessary general fund reduction in the 2013~~  
 9 ~~biennium budget request may not include shifting costs to state special revenue funds.~~

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

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

19 (7) Agencies that are selected for inclusion in the zero-based budget process as provided in [section  
 20 1(4)] shall prepare the information required by this section as a separate process from the procedures set forth  
 21 in [section 1]."

22

23 **Section 6.** Section 17-7-112, MCA, is amended to read:

24 **"17-7-112. Submission deadlines -- budgeting schedule.** The following is the schedule for the  
 25 preparation of a state budget for submission to the legislature convening in the following year:

26 (1) By August 1, forms necessary for preparation of budget estimates must be distributed pursuant to  
 27 17-7-111(2).

28 (2) (a) Except as provided in ~~subsection~~ subsections (2)(b) and (2)(c), by September 1, each agency  
 29 shall submit the information required under 17-7-111 to the budget director.

30 (b) By September 1, the consolidated legislative branch shall submit a preliminary draft of the information

1 required under 17-7-111 to the budget director. By October 10, the consolidated legislative branch shall submit  
2 the information required under 17-7-111 in final form to the budget director.

3 (c) By September 1, each agency that is selected for inclusion in the zero-based budget process  
4 pursuant to [section 1(4)] shall submit the information required under 17-7-111 and [section 1] to the budget  
5 director.

6 (3) By September 1, the budget director shall submit each state agency's budget request, except the  
7 budget request for the consolidated legislative branch, required under 17-7-111(3) and [section 1] to the  
8 legislative fiscal analyst. The transfer of budget information must be done on a schedule mutually agreed to by  
9 the budget director and the legislative fiscal analyst in a manner that facilitates an even transfer of budget  
10 information that allows each office to maintain a reasonable staff workflow.

11 (4) (a) By October 10, the budget director shall furnish the legislative fiscal analyst with a preliminary  
12 budget reflecting the base budget in a format agreed upon by both the office of budget and program planning and  
13 the legislative fiscal analyst.

14 (b) By October 10, the budget director shall furnish the legislative fiscal analyst with a preliminary  
15 zero-based budget reflecting the information required by [section 1] for each agency that is selected for inclusion  
16 in the zero-based budget process pursuant to [section 1(4)]. The preliminary zero-based budget must be separate  
17 and distinct from the preliminary budget in subsection (4)(a) and must be presented in a format agreed upon by  
18 the office of budget and program planning and the legislative fiscal analyst.

19 (5) By October 30, a budget request must be prepared by the budget director and submitted to the  
20 legislative fiscal analyst on behalf of any agency that did not present the information required by this section. The  
21 budget request must be based upon the budget director's studies of the operations, plans, and needs of the  
22 institution, university unit, or agency. If an agency is selected for inclusion in the zero-based budget process  
23 pursuant to [section 1(4)], the budget director's budget request must include a zero-based budget reflecting the  
24 information required by [section 1(2)].

25 (6) (a) By November 1, the budget director shall furnish the legislative fiscal analyst with a present law  
26 base for each agency and a copy of the documents that reflect the anticipated receipts and other means of  
27 financing the base budget and present law base for each fiscal year of the ensuing biennium. The material must  
28 be in a format agreed upon by both the office of budget and program planning and the legislative fiscal analyst.

29 (b) By November 1, the budget director shall furnish the legislative fiscal analyst with a copy of the  
30 documents that reflect anticipated receipts and other means of financing the zero-based budget request for each

1 agency that is selected for inclusion in the zero-based budget process pursuant to [section 1(4)]. The material  
2 must be separate and distinct from the material in subsection (6)(a) and must be in a format agreed upon by the  
3 office of budget and program planning and the legislative fiscal analyst.

4 (7) By November 12, the budget director shall furnish the legislative fiscal analyst with the documents,  
5 in a format agreed upon by both the office of budget and program planning and the legislative fiscal analyst, that  
6 reflect expenditures to the second level, as provided in 17-1-102(3), by funding source and detailed by accounting  
7 entity.

8 (8) By November 15, the proposed pay plan schedule and the statewide project budget summary  
9 required by 17-7-111(4), a preliminary budget that meets the statutory requirements for submission of the budget  
10 to the legislature, and a summary of the preliminary budget designed for distribution to members and  
11 members-elect of the legislature must be submitted to the legislative fiscal analyst.

12 (9) By December 15, the budget director shall submit a preliminary budget to the governor and to the  
13 governor-elect, if there is one, as provided in 17-7-121, and shall furnish the legislative fiscal analyst with all  
14 amendments to the preliminary budget.

15 (10) By January 7, recommended changes proposed by a governor-elect must be transmitted to the  
16 legislative fiscal analyst and the legislature as provided in 17-7-121."

17

18 **Section 7.** Section 17-7-123, MCA, is amended to read:

19 **"17-7-123. Form of executive budget.** (1) The budget submitted must set forth a balanced financial  
20 plan for funds subject to appropriation, as provided in 17-8-101, for each accounting entity and for the state  
21 government for each fiscal year of the ensuing biennium. The budget must consist of:

22 (a) a consolidated budget summary setting forth the aggregate figures of the budget in a manner that  
23 shows a balance between the total proposed disbursements and the total anticipated receipts, together with the  
24 other means of financing the budget for each fiscal year of the ensuing biennium, contrasted with the  
25 corresponding figures for the last-completed fiscal year and the fiscal year in progress. The consolidated budget  
26 summary must be supported by explanatory schedules or statements.

27 (b) budget and full-time equivalent personnel position comparisons by agency, program, and  
28 appropriated funds for the current and subsequent biennium;

29 (c) the departmental mission and a statement of goals and objectives for the department;

30 (d) base budget disbursements for the completed fiscal year of the current biennium, estimated

1 comparable disbursements for the current fiscal year, and the proposed present law base budget plus new  
2 proposals, if any, for each department and each program of the department;

3 (e) a statement containing recommendations of the governor for the ensuing biennium by program and  
4 disbursement category, including:

5 (i) explanations of appropriation and revenue measures included in the budget that involve policy  
6 changes;

7 (ii) matters not included as a part of the budget bill but included as a part of the executive budget, such  
8 as the state employee pay plan, programs funded through separate appropriations measures, and other matters  
9 considered necessary for comprehensive public and legislative consideration of the state budget; and

10 (iii) a summary of budget requests that include proposed expenditures on information technology  
11 resources. The summary must include funding, program references, and a decision package reference;

12 (f) a report on:

13 (i) enterprise funds not subject to the requirements of subsections (1)(a) through (1)(e), including  
14 retained earnings and contributed capital, projected operations and charges, and projected fund balances; and

15 (ii) fees and charges in the internal service fund type, including changes in the level of fees and charges,  
16 projected use of the fees and charges, and projected fund balances. Fees and charges in the internal service fund  
17 type must be approved by the legislature in the general appropriations act. Fees and charges in a biennium may  
18 not exceed the level approved by the legislature in the general appropriations act effective for that biennium.

19 (g) energy cost saving information as required by 90-4-616 and energy conservation program information  
20 as required by 90-4-606; and

21 (h) any other financial or budgetary material agreed to by the budget director and the legislative fiscal  
22 analyst.

23 (2) In addition to the information required by subsection (1), the budget submitted must include a  
24 separate and distinct zero-based budget for each agency that is selected for inclusion in the zero-based budget  
25 process pursuant to [section 1]. The zero-based budget submitted must set forth the amount of funding necessary  
26 to achieve the most cost-effective performance of each agency. The budget must consist of:

27 (a) the information required by [section 1(2)]; and

28 (b) other information the governor considers necessary for the preparation of a zero-based budget for  
29 the ensuing biennium.

30 ~~(2)~~(3) The statement of departmental goals and objectives and the schedule as required in

1 17-7-111(3)(b) for each fund of the executive budget are not required to be printed but must be available in the  
2 office of budget and program planning and on the internet."

3  
4 NEW SECTION. Section 8. Codification instruction. [Section 1] is intended to be codified as an  
5 integral part of Title 17, chapter 7, part 1, and the provisions of Title 17, chapter 7, part 1, apply to [section 1].

6  
7 NEW SECTION. Section 9. Effective date. [This act] is effective July 1, 2011.

8  
9 NEW SECTION. Section 10. Applicability. [This act] applies to fiscal year 2012 and subsequent fiscal  
10 years.

11 - END -