

1 HOUSE BILL NO. 563

2 INTRODUCED BY F. GARNER

3
4 A BILL FOR AN ACT ENTITLED: "AN ACT REVISING LAWS RELATED TO AN ENDING FUND BALANCE;
5 PROVIDING FOR BUDGET STABILITY BY CREATING A BUDGET STABILIZATION ACCOUNT; PROVIDING
6 THAT A PERCENTAGE OF AUDITED GENERAL FUND UNRESERVED ENDING FUND BALANCE IN EXCESS
7 OF A STATUTORY AMOUNT IS TRANSFERRED TO THE BUDGET STABILIZATION ACCOUNT; PROVIDING
8 LIMITS ON THE AMOUNT THAT CAN BE MAINTAINED IN THE BUDGET STABILIZATION ACCOUNT;
9 PROVIDING FOR POLLING OF THE LEGISLATURE FOR APPROVAL FOR THE GOVERNOR TO USE FUNDS
10 IN THE BUDGET STABILIZATION ACCOUNT DURING THE INTERIM; PROVIDING FOR THE USE OF FUNDS
11 IN THE BUDGET STABILIZATION ACCOUNT TO OFFSET REDUCTIONS IN SPENDING; CLARIFYING THE
12 APPLICABILITY OF THE REDUCTION IN SPENDING LAW TO BASE AID FOR SCHOOL; PROVIDING FOR
13 A FUND TRANSFER; AMENDING SECTIONS 17-7-140 AND 20-9-351, MCA; AND PROVIDING AN
14 IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

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18 NEW SECTION. **Section 1. Budget stabilization account -- funding -- use.** (1) There is a budget
19 stabilization account within the state general fund. Subject to subsection (2), there is transferred from the state
20 general fund to the budget stabilization account 10% of the amount by which the audited general fund unreserved
21 ending fund balance of June 30 of each odd-numbered year, as provided by the state accountant in the
22 comprehensive annual financial report, exceeds \$20 million. Subject to subsection (2), a transfer from the state
23 general fund to the budget stabilization account must be made by December 31 of each odd-numbered calendar
24 year.

25 (2) (a) The balance in the budget stabilization account may not exceed 10% of the general fund
26 appropriations and transfers from the general fund for the biennium prior to the year in which a transfer to the
27 budget stabilization account is made.

28 (b) Once the balance in the account equals 10% of the general fund appropriations and transfers from
29 the general fund for the biennium described in subsection (2)(a), the transfer authorized in subsection (1) may
30 not be made.

1 (3) After receiving legislative approval as outlined in [section 2], the governor may transfer money from
2 the budget stabilization account to the state general fund in order to avoid or offset the amount of a reduction in
3 spending pursuant to 17-7-140.

4 (4) The legislature may appropriate money in the budget stabilization account for any public purpose.
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6 **NEW SECTION. Section 2. Legislative approval for interim transfer -- three-fifths vote -- polling**
7 **procedure.** (1) Before the governor may transfer or expend funds from the budget stabilization account under
8 [section 1] during the interim, the legislature must approve the transfer or expenditure by a three-fifths vote of the
9 members of each house of the legislature by polling. At the governor's request, the secretary of state must send
10 by certified mail to each legislator, at an address provided by the legislator, the following:

11 (a) a letter from the governor and the office of budget and program planning outlining why the
12 expenditure from the budget stabilization account is necessary and including supporting documentation;

13 (b) a ballot to approve or reject the requested expenditure, a return envelope, instructions for casting a
14 vote, and notice of the date by which each legislator shall return a vote.

15 (2) The date for return must be within 30 days after the date on which the letter, supporting
16 documentation, ballot, and voting instructions are sent. A legislator may cast and return a vote by delivering the
17 ballot and return envelope in person or by mailing the ballot in the return envelope by regular mail, postage paid,
18 or by sending the ballot by facsimile transmission to the office of the secretary of state. A legislator may not
19 change the legislator's vote after the ballot is received by the secretary of state. The secretary of state shall tally
20 the votes within 1 working day after the date for return of the votes. The transfer or expenditure from the budget
21 stabilization account is approved if three-fifths vote of the members of each house of the legislature vote in favor
22 of the transfer or expenditure.

23 (3) Nothing in this part confers on the legislative finance committee authority to approve or deny an
24 expenditure from the budget stabilization account.

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26 **Section 3.** Section 17-7-140, MCA, is amended to read:

27 **"17-7-140. Reduction in spending.** (1) (a) As the chief budget officer of the state, the governor shall
28 ensure that the expenditure of appropriations does not exceed available revenue. Except as provided in
29 subsection (2), in the event of a projected general fund budget deficit, the governor may, as approved by the
30 legislature, transfer money from the budget stabilization account established in [section 1] to the general fund

1 and, if necessary, taking into account the criteria provided in subsection (1)(b), shall direct agencies to reduce
2 spending in an amount that ensures that the projected ending general fund balance for the biennium will be at
3 least 1% of all general fund appropriations during the biennium. An agency may not be required to reduce general
4 fund spending for any program, as defined in each general appropriations act, by more than 10% during a
5 biennium. Departments or agencies headed by elected officials or the board of regents may not be required to
6 reduce general fund spending by a percentage greater than the percentage of general fund spending reductions
7 required for the total of all other executive branch agencies. The legislature may exempt from a reduction an
8 appropriation item within a program or may direct that the appropriation item may not be reduced by more than
9 10%.

10 (b) The governor shall direct agencies to manage their budgets in order to reduce general fund
11 expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor shall
12 direct each agency to analyze the nature of each program that receives a general fund appropriation to determine
13 whether the program is mandatory or permissive and to analyze the impact of the proposed reduction in spending
14 on the purpose of the program. An agency shall submit its analysis to the office of budget and program planning
15 and shall at the same time provide a copy of the analysis to the legislative fiscal analyst. The report must be
16 submitted in an electronic format. The office of budget and program planning shall review each agency's analysis,
17 and the budget director shall submit to the governor a copy of the office of budget and program planning's
18 recommendations for reductions in spending. The budget director shall provide a copy of the recommendations
19 to the legislative fiscal analyst at the time that the recommendations are submitted to the governor and shall
20 provide the legislative fiscal analyst with any proposed changes to the recommendations. The recommendations
21 must be provided in an electronic format. The legislative finance committee shall meet within 20 days of the date
22 that the proposed changes to the recommendations for reductions in spending are provided to the legislative
23 fiscal analyst. The legislative fiscal analyst shall provide a copy of the legislative fiscal analyst's review of the
24 proposed reductions in spending to the budget director at least 5 days before the meeting of the legislative
25 finance committee. The committee may make recommendations concerning the proposed reductions in spending.
26 The governor shall consider each agency's analysis and the recommendations of the office of budget and
27 program planning and the legislative finance committee in determining the agency's reduction in spending.
28 Reductions in spending must be designed to have the least adverse impact on the provision of services
29 determined to be most integral to the discharge of the agency's statutory responsibilities.

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

- 1 (a) payment of interest and principal on state debt;
 2 (b) the legislative branch;
 3 (c) the judicial branch;
 4 (d) the school BASE funding program, including special education;
 5 (e) salaries of elected officials during their terms of office; and
 6 (f) the Montana school for the deaf and blind.

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

- 9 (i) 2% of the general fund appropriations for the second fiscal year of the biennium prior to October of
 10 the year preceding a legislative session;
 11 (ii) 3/4 of 1% in October of the year preceding a legislative session;
 12 (iii) 1/2 of 1% in January of the year in which a legislative session is convened; and
 13 (iv) 1/4 of 1% in March of the year in which a legislative session is convened.

14 (b) In determining the amount of the projected general fund budget deficit, the budget director shall take
 15 into account revenue, established levels of appropriation, anticipated supplemental appropriations for school
 16 equalization aid and the cost of the state's wildland fire suppression activities exceeding the amount statutorily
 17 appropriated in 10-3-312 and 76-13-150, and anticipated reversions.

18 (4) If the budget director determines that an amount of actual or projected general fund receipts will result
 19 in an amount less than the amount projected to be received ~~in the revenue estimate established pursuant to~~
 20 ~~5-5-227~~, the budget director shall notify the revenue and transportation interim committee of the estimated
 21 amount. In determining the amount projected to be received, the budget director shall consider the revenue
 22 estimate established pursuant to 5-5-227 and the revenue impact of legislation enacted during the legislative
 23 session in which the revenue estimate was adopted. Within 20 days of notification, the revenue and
 24 transportation interim committee shall provide the budget director with any recommendations concerning the
 25 amount. The budget director shall consider any recommendations of the revenue and transportation interim
 26 committee prior to certifying a projected general fund budget deficit to the governor."
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28 **Section 4.** Section 20-9-351, MCA, is amended to read:

29 **"20-9-351. Funding of deficiency in BASE aid.** If the money available for BASE aid ~~is not the result~~
 30 ~~of a reduction in spending under 17-7-140 and~~ is not sufficient to provide the guaranteed tax base aid required

1 under 20-9-366 through 20-9-369 and BASE aid support determined under 20-9-347, the superintendent of public
2 instruction shall request the budget director to submit a request for a supplemental appropriation in the second
3 year of the biennium that is sufficient to complete the funding of BASE aid for the elementary and high school
4 districts for the current biennium."

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6 NEW SECTION. **Section 5. Initial fund transfer.** The department of administration shall transfer the
7 amount of \$28 million from the state general fund to the budget stabilization account by December 31, 2015.

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9 NEW SECTION. **Section 6. Codification instruction.** [Sections 1 and 2] are intended to be codified
10 as an integral part of Title 17, chapter 7, part 1, and the provisions of Title 17, chapter 7, part 1, apply to [sections
11 1 and 2].

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13 NEW SECTION. **Section 7. Effective date.** [This act] is effective on passage and approval.

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15 NEW SECTION. **Section 8. Applicability.** Transfers under [section 1(1)] apply beginning after June
16 30, 2017.

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