



AN ACT GENERALLY REVISING LAWS RELATED TO BUDGET STABILIZATION AND THE BUDGET STABILIZATION RESERVE FUND; REVISING CONDITIONS FOR TRANSFERRING FUNDS FROM THE FIRE SUPPRESSION ACCOUNT; PROVIDING FOR A FINANCIAL MODERNIZATION AND RISK ANALYSIS STUDY TO BE COMPLETED BY A COMMITTEE OF MEMBERS OF THE LEGISLATIVE FINANCE COMMITTEE; DIRECTING THE LEGISLATIVE FINANCE COMMITTEE TO CONDUCT A STUDY ON LONG-TERM BUDGET EFFICIENCY AND A STUDY ON DYNAMIC FISCAL NOTES; SETTING PARAMETERS FOR THE STUDIES; PROVIDING TRANSFERS; PROVIDING APPROPRIATIONS; AMENDING SECTIONS 5-12-205 AND 17-7-140, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE.

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

Section 1. Section 5-12-205, MCA, is amended to read:

"5-12-205. Powers and duties of committee. The committee:

- (1) may organize, adopt rules to govern its proceedings, form subcommittees, and meet as often as necessary, upon the call of the presiding officer, to advise and consult with the legislative fiscal analyst;
- (2) may employ and, in accordance with the rules for classification and pay adopted by the legislative council, set the salary of the legislative fiscal analyst. The legislative fiscal analyst shall serve at the pleasure of and be responsible for providing services to the committee.
- (3) may exercise the investigatory powers of a standing committee under chapter 5, part 1, of this title;
- (4) shall monitor the information technology policies of the department of administration with specific attention to:
 - (a) identification of information technology issues likely to require future legislative attention; and
 - (b) the evaluation of proposed information technology policy changes and the fiscal implications of the

proposed changes and shall provide written responses to the department of administration communicating the committee's positions and concerns on proposed policy changes;

(5) may accumulate, compile, analyze, and provide information relevant to existing or proposed legislation on how information technology can be used to impact the welfare of the state;

(6) may prepare legislation to implement any proposed changes involving information technology;

(7) shall, before each regular and special legislative session involving budgetary matters, prepare recommendations to the house appropriations committee and the senate finance and claims committee on the application of certain budget issues. At a minimum, the recommendations must include procedures for the consistent application during each session of inflation factors, the allocation of fixed costs, and the personal services budget. The committee may also make recommendations on other issues of major concern in the budgeting process, such as estimating the cost of implementing particular programs based upon present law; ~~and law.~~

(8) may, for the biennium beginning July 1, ~~2019~~ 2021, in consultation with the speaker of the house, appoint up to six ad hoc nonvoting committee members from the house of representatives. These members may participate in meetings but may not vote."

Section 2. Section 17-7-140, MCA, is amended to read:

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

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

(ii) 3% of the general fund appropriations for the second fiscal year of the biennium in October of the year preceding a legislative session;

(iii) 2% of the general fund appropriations for the second fiscal year of the biennium in January of the year in which a legislative session is convened; and

(iv) 1% of the general fund appropriations for the second fiscal year of 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. ~~Starting January 1, 2021, a~~ A governor may not reduce total agency spending in the biennium by more than 4% of the second year general fund appropriations for the agency. 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 weighted average 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 finance committee. The committee may make recommendations concerning the proposed reductions in spending. The governor shall consider each agency's analysis and the recommendations of the office of budget and program planning and the legislative finance committee in

determining the agency's reduction in spending. Reductions in spending must be designed to have the least adverse impact on the provision of services determined to be most integral to the discharge of the agency's statutory responsibilities.

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

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

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

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

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

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

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

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

(4) If the budget director determines that an amount of actual or projected receipts will result in an 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 interim committee of the estimated amount. Within 20 days of notification, the revenue interim committee shall provide the budget director with any recommendations concerning the amount. The budget director shall consider any recommendations of the revenue 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 to the general fund from certain accounts as set forth in subsections (6), and (7), ~~and (8)~~.

~~(6) Before January 1, 2021, the governor may authorize transfers from the budget stabilization reserve fund prior to making reductions in spending. A transfer under this subsection may not cause the fund balance of the budget stabilization reserve fund to be less than 1% of all general fund appropriations in the second year of the biennium.~~

~~(7)~~(6) The governor may authorize transfers from the budget stabilization reserve fund provided for in 17-7-130. The governor may authorize \$2 of transfers from the fund for each \$1 of reductions in spending.

~~(8)~~(7) If the budget director certifies a projected general fund budget deficit, the budget stabilization reserve fund provided for in 17-7-130 is fully expended and the governor determines more spending reductions are needed to address the projected general fund budget deficit, the governor may authorize transfers to the general fund from the fire suppression account established in 76-13-150. The amount of funds available for a transfer from this account is up to the sum of the fund balance of the account, plus expected current year revenue, minus the sum of 1% of the general fund appropriations for the second fiscal year of the biennium, plus estimated expenditures from the account for the fiscal year. The governor may authorize \$1 of transfers from the fire suppression account established in 76-13-150 for each \$1 of reductions in spending."

Section 3. Legislative financial modernization and risk analysis study. (1) A committee of members of the legislative finance committee and appointed members shall study the long-term future budget and revenue needs with changing economics and demographics.

(2) The study must be conducted by a bipartisan committee consisting of the following:

(a) six members of the legislative finance committee, with three members appointed by the chair and three members appointed by the vice chair; and

(b) four members who are not officials or employees in the executive or legislative branches with two appointed by the chair and two appointed by the vice chair of the committee.

(3) The legislative fiscal division shall provide administrative staff support and fiscal analysis. The legislative services division may provide research and legal support at the request of the committee.

(4) Subject to direction provided by the committee, the study may include but is not limited to:

- (a) identifying structural revenue challenges with economic, demographic, and geographical variability considerations;
- (b) exploring revenue sufficiency and probable long-term expenditures by state and local government for services, including but not limited to:
 - (i) health care;
 - (ii) human services;
 - (iii) elementary and secondary education;
 - (iv) higher education;
 - (v) pensions;
 - (vi) public safety and corrections;
 - (vii) infrastructure and public works; and
 - (viii) programs historically funded by revenue generated from natural resource taxes.
- (c) creating data sets and models for future analysis by the legislature; and
- (d) proposing potential solutions and possible legislation for consideration by the 2023 legislature.

Section 4. Long term budget efficiency study. (1) The legislative finance committee shall direct a study of the efficiency of operations of government.

(2) The study will be conducted subject to direction from the legislative finance committee.

(3) The legislative fiscal division shall include in its budget analysis for the 2023 legislative session key results of the study for consideration in the 2023 legislative session.

Section 5. Dynamic fiscal note study. (1) The legislative finance committee shall direct a study of the use of dynamic fiscal notes in other states and their potential use in Montana.

(2) The study will be conducted subject to direction from the legislative finance committee.

(3) The legislative fiscal division will make the report of the study and any recommendations of the legislative finance committee available to the 2023 legislative session.

Section 6. Appropriations. (1) There is appropriated \$50,000 from the general fund to the legislative

fiscal division for the biennium beginning July 1, 2021, for the additional legislative finance committee members and interim activities.

(2) There is appropriated all remaining general fund appropriation authority from section 7(1), Chapter 398, Laws of 2019, from the general fund to the legislative fiscal division for the biennium beginning July 1, 2021, for continued study and interim activities.

Section 7. Transfers of funds. By August 15, 2021, and August 15, 2022, the state treasurer shall transfer \$1.1 million from the account provided for in 33-2-708 to the general fund.

Section 8. Effective date. [This act] is effective on passage and approval.

- END -

I hereby certify that the within bill,
HB 330, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2021.

President of the Senate

Signed this _____ day
of _____, 2021.

HOUSE BILL NO. 330

INTRODUCED BY L. JONES, K. HOLMLUND

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