



AN ACT GENERALLY REVISING SUSTAINABILITY OF STATE FINANCE; REVISING TRANSFER PERCENTAGES INTO THE BUDGET STABILIZATION RESERVE FUND AND THE CAPITAL DEVELOPMENTS LONG-RANGE BUILDING PROGRAM ACCOUNT; INCREASING THE CAP ON THE BUDGET STABILIZATION RESERVE FUND; INCREASING THE CAP ON THE FIRE SUPPRESSION FUND; ALLOWING THE CAPITAL DEVELOPMENTS LONG-RANGE BUILDING PROGRAM ACCOUNT TO PAY ON BONDS AND RELATED COSTS; TEMPORARILY INCREASING THE GOVERNOR'S EMERGENCY FUNDS; REQUIRING THAT FUNDS IN THE CAPITAL DEVELOPMENTS LONG-RANGE BUILDING PROGRAM ACCOUNT BE USED TO FOREGO OR REDUCE THE AMOUNT OF ISSUANCE OF GENERAL OBLIGATION BONDS; PROVIDING FOR GENERAL FUND TRANSFERS AND GENERAL FUND REVERSIONS INTO THE BUDGET STABILIZATION RESERVE FUND; PROVIDING FOR OTHER TRANSFERS FROM THE GENERAL FUND; PROVIDING FOR A STUDY OF STATE BUDGET PROCESS FOR PERSONAL SERVICES EXPENDITURES; ESTABLISHING REPORTING REQUIREMENTS ON THE USE OF APPROPRIATIONS FOR THE OPERATION OF STATE HEALTH CARE FACILITIES; PROVIDING LOCAL DISASTER RESILIENCY FUNDS; ESTABLISHING ELIGIBLE USES FOR THE FUNDS; PROVIDING FOR A PENSION FUND; PROVIDING FOR A STATUTORY APPROPRIATION; PROVIDING A SUPPLEMENTAL APPROPRIATION; PROVIDING APPROPRIATIONS; PROVIDING FOR A CONTINGENT APPROPRIATION; EXPANDING USES OF A STATUTORY APPROPRIATION; AMENDING SECTIONS 10-3-312, 17-7-102, 17-7-130, 17-7-140, 17-7-209, AND 17-7-502, MCA; AMENDING SECTION 1(2), CHAPTER 476, LAWS OF 2019, SECTION 13, CHAPTER 476, LAWS OF 2019, AND SECTION 2(2), CHAPTER 499, LAWS OF 2005; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE.

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

Section 1. Section 10-3-312, MCA, is amended to read:

"10-3-312. Maximum expenditure by governor -- appropriation. (1) Whenever a disaster or an emergency, including an energy emergency as defined in 90-4-302 or an invasive species emergency declared under 80-7-1013, is declared by the governor, there is statutorily appropriated to the office of the governor, as provided in 17-7-502, and, subject to subsection (2), the governor is authorized to expend from the general fund an amount not to exceed ~~\$46~~ \$20 million in any biennium, minus any amount appropriated pursuant to 10-3-310 in the same biennium. The statutory appropriation in this subsection may be used by any state agency designated by the governor.

(2) In the event of the recovery of money expended under this section, the spending authority must be reinstated to a level reflecting the recovery.

(3) If a disaster is declared by the president of the United States, there is statutorily appropriated to the office of the governor, as provided in 17-7-502, and the governor is authorized to expend from the general fund an amount not to exceed \$500,000 during the biennium to meet the state's share of the individuals and households grant programs as provided in 42 U.S.C. 5174. The statutory appropriation in this subsection may be used by any state agency designated by the governor.

(4) At the end of each biennium, an amount equal to the unexpended and unencumbered balance of the ~~\$46~~ \$20 million statutory appropriation in subsection (1), minus any amount appropriated pursuant to 10-3-310 in the same biennium, must be transferred by the state treasurer from the state general fund to the fire suppression account provided for in 76-13-150."

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, 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) (a) "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.

(b) The term does not include:

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

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

(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 budget stabilization reserve fund up to ~~4.5%~~ 16% of all general fund appropriations in the second year of the biennium.

(7) "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.

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

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

(10) "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.

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

(12) "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.

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

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

(15) "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 supervised and coordinated by the board of regents pursuant to 20-15-103. (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 budget stabilization reserve fund up to ~~4.5%~~ 16% of all general fund appropriations in the second year of the biennium.
- (7) "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.
- (8) "Funds subject to appropriation" means those funds required to be paid out of the treasury as

set forth in 17-8-101.

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

(10) "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.

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

(12) "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.

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

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

(15) "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 supervised and coordinated by the board of regents pursuant to 20-15-103."

Section 3. Section 17-7-130, MCA, is amended to read:

"17-7-130. Budget stabilization reserve fund -- rules for deposits and transfers -- purpose. (1)

There is an account in the state special revenue fund established by 17-2-102 known as the budget stabilization reserve fund.

(2) The purpose of the budget stabilization reserve fund is to mitigate budget reductions when there is a revenue shortfall.

(3) Except as provided in subsection (4), 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 budget stabilization reserve fund. 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.

(4) The provisions of subsection (3) do not apply in a fiscal year in which reductions required by 17-7-140 occur or if a transfer pursuant to subsection (3) would require reductions pursuant to 17-7-140.

(5) If the transfer provided for in subsection (3) increases the balance in the budget stabilization reserve fund to exceed 16% of all general fund appropriations in the second year of the biennium, the amount in excess is transferred to the capital developments long-range building program account established in 17-7-209.

~~(3)~~(6) By August 1 of each year, the department of administration shall certify to the legislative fiscal analyst and the budget director the following:

(a) the unaudited, unassigned ending fund balance of the general fund for the most recently completed fiscal year; and

(b) the amount of unaudited general fund revenue and transfers into the general fund received in the prior fiscal year recorded when that fiscal year's statewide accounting, budgeting, and human resource system records are closed. General fund revenue and transfers into the general fund are those recorded in the statewide accounting, budgeting, and human resource system using generally accepted accounting principles

in accordance with 17-1-102.

~~(4)(7)~~ (a) The state treasurer shall calculate the operating reserve level of general fund balance defined in 17-7-102(11). The treasurer shall first apply the excess revenue to reach the operating reserve level general fund balance, if necessary.

(b) Once the general fund balance is at the reserve level, 75% of the remaining excess revenue is transferred to the budget stabilization reserve fund, as follows:

(i) to the budget stabilization reserve fund, until the amount in the fund is equal to 16% of all general fund appropriations in the second year of the biennium; then

(ii) to the account established in 17-7-209, until the amount in the fund in excess of the amount needed for appropriations from the capital developments long-range building program account in the capital projects fund type is equal to 12% of all general fund appropriations in the second year of the biennium.

(c) After the transfers in subsections (7)(b)(i) and (7)(b)(ii) have been made, if the balance of the budget stabilization reserve fund exceeds an amount equal to 16% of the general fund appropriations in the second year of the biennium and the balance of the account established in 17-7-209 in excess of the amount needed for appropriations from the capital developments long-range building program account in the capital projects fund type exceeds 12% of all general fund appropriations in the second year of the biennium, then:

(i) 75% of any funds in excess of that amount must be transferred to the account established in [section 8]; and

(ii) 25% of the funds in excess of that amount remain in the general fund.

~~(5) After a transfer is made pursuant to subsection (4), if the balance of the fund exceeds an amount equal to 4.5% of all general fund appropriations in the second year of the biennium, then 50% of any funds in excess of that amount must be transferred to the account established in 17-7-209 and 50% to the general fund by August 16 of each fiscal year.~~

~~(6)(8)~~ For the purposes of this section, the following definitions apply:

(a) "Adjusted compound annual growth rate revenue" means general fund revenue for the fiscal year prior to the most recently completed fiscal year plus the growth amount.

(b) "Excess revenue" means the amount of general fund revenue, including transfers in, for the most recently completed fiscal year minus adjusted compound annual growth rate revenue.

(c) "Growth amount" means general fund revenue for the fiscal year prior to the most recently completed fiscal year multiplied by the growth rate.

(d) "Growth rate" means the annual compound growth rate of general fund revenue realized over the period 12 years prior to the most recently completed fiscal year, including the most recently completed fiscal year."

Section 4. 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. 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 recommendations must be provided to the legislature in accordance with 5-11-210. 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 in accordance with 5-11-210 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~~ subsection (6) and (7).

(6) The governor may authorize transfers from the budget stabilization reserve fund provided for in 17-7-130. The governor may authorize ~~\$2~~ \$3 of transfers from the fund for each \$1 of reductions in spending but may not authorize a transfer that would cause the balance of the budget stabilization reserve fund to be less than 6% of all general fund appropriations in the second year of the biennium.

~~(7) — If 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 5. Section 17-7-209, MCA, is amended to read:

"17-7-209. Capital developments long-range building program account. (1) (a) There is a capital developments long-range building program account in the capital projects fund type to fund capital developments and to retire general obligation bonds paid by the general fund.

(b) If there are funds in excess of the amount needed for appropriations ~~of~~ from the capital developments long-range building program account in the capital projects fund type, then the excess funds:

(i) may be used to pay down the ~~debt service on~~ principal, interest, premiums, and any costs or fees associated with redeeming or defeasing outstanding general obligation bonds paid by the general fund for capital projects previously authorized ~~by the legislature if allowed without penalty by the terms of the bond issuance and issued pursuant to state law;~~ and

(ii) must be used to ~~delay, forego, or reduce the amount of an issuance of~~ general obligation bonds paid by the general fund and authorized by the legislature pursuant to state law only if the balance in the capital developments long-range building program account established in 17-7-209 is \$100 million or more after reducing the account balance by:

(A) the amount needed for appropriations from the account; and

(B) the amount of funds used to forego or reduce the issuance of general obligation bonds paid by the general fund.

(2) Interest earnings, project carryover funds, administrative fees, and miscellaneous revenue must be retained in the account.

(3) ~~The legislature may transfer unencumbered funds from the account only to supplement funding local infrastructure.~~ For the purposes of subsection (1)(b)(i), funds are statutorily appropriated pursuant to 17-7-502(4) from this account.

~~(4) The state treasurer may temporarily borrow from the fund to address cash balance deficiencies in~~

~~the general fund. A loan made to the general fund does not bear interest and must be recorded in the state accounting records. The fund may not be so impaired by a loan that all legal obligations against the fund cannot be met."~~

Section 6. Montana local disaster resiliency fund. (1) There is statutorily appropriated pursuant to 17-7-502 \$4 million per year beginning in the fiscal year beginning July 1, 2023, from the general fund to the department of military affairs.

(2) Eligible uses of the money are:

(a) state and local mitigation projects that reduce or eliminate long-term risk to people and property from future disasters;

(b) the nonfederal cost share for personnel performing mitigation program management; and

(c) matching funds for grants for the purchase of hazardous material equipment and training to increase local capacity to respond to incidents as defined in 10-3-1203 involving hazardous material.

(3) The appropriation is void in any year that there is a projected general fund budget deficit pursuant to 17-7-140.

Section 7. Section 17-7-502, MCA, is amended to read:

"17-7-502. Statutory appropriations -- definition -- requisites for validity. (1) A statutory appropriation is an appropriation made by permanent law that authorizes spending by a state agency without the need for a biennial legislative appropriation or budget amendment.

(2) Except as provided in subsection (4), to be effective, a statutory appropriation must comply with both of the following provisions:

(a) The law containing the statutory authority must be listed in subsection (3).

(b) The law or portion of the law making a statutory appropriation must specifically state that a statutory appropriation is made as provided in this section.

(3) The following laws are the only laws containing statutory appropriations: 2-17-105; 5-11-120; 5-11-407; 5-13-403; 5-13-404; 7-4-2502; 7-4-2924; 7-32-236; 10-1-108; 10-1-1202; 10-1-1303; 10-2-603; 10-2-807; 10-3-203; 10-3-310; 10-3-312; 10-3-314; 10-3-802; 10-3-1304; 10-4-304; 10-4-310; 15-1-121; 15-1-218;

15-31-165; 15-31-1004; 15-31-1005; 15-35-108; 15-36-332; 15-37-117; 15-39-110; 15-65-121; 15-70-101; 15-70-130; 15-70-433; 16-11-119; 16-11-509; 17-3-106; 17-3-212; 17-3-222; 17-3-241; 17-6-101; 17-7-215; [section 6]; 18-11-112; 19-3-319; 19-3-320; 19-6-404; 19-6-410; 19-9-702; 19-13-604; 19-17-301; 19-18-512; 19-19-305; 19-19-506; 19-20-604; 19-20-607; 19-21-203; 20-8-107; 20-9-534; 20-9-622; [20-15-328]; 20-26-617; 20-26-1503; 22-1-327; 22-3-116; 22-3-117; [22-3-1004]; 23-4-105; 23-5-306; 23-5-409; 23-5-612; 23-7-301; 23-7-402; 30-10-1004; 37-43-204; 37-50-209; 37-54-113; 39-71-503; 41-5-2011; 42-2-105; 44-4-1101; 44-12-213; 44-13-102; 46-32-108; 50-1-115; 53-1-109; 53-6-148; 53-9-113; 53-24-108; 53-24-206; 60-5-530; 60-11-115; 61-3-321; 61-3-415; 67-1-309; 69-3-870; 69-4-527; 75-1-1101; 75-5-1108; 75-6-214; 75-11-313; 75-26-308; 76-13-150; 76-13-151; 76-13-417; 76-17-103; 77-1-108; 77-2-362; 80-2-222; 80-4-416; 80-11-518; 80-11-1006; 81-1-112; 81-1-113; 81-7-106; 81-7-123; 81-10-103; 82-11-161; 85-2-526; 85-20-1504; 85-20-1505; [85-25-102]; 87-1-603; 87-5-909; 90-1-115; 90-1-205; 90-1-504; 90-6-331; and 90-9-306.

(4) There is a statutory appropriation to pay the principal, interest, premiums, and any costs of or fees associated with issuing, paying, ~~and~~ securing, redeeming, or defeasing all bonds, notes, or other obligations, as due in the ordinary course or when earlier called for redemption or defeased, that have been authorized and issued pursuant to the laws of Montana. Agencies that have entered into agreements authorized by the laws of Montana to pay the state treasurer, for deposit in accordance with 17-2-101 through 17-2-107, as determined by the state treasurer, an amount sufficient to pay the principal and interest as due on the bonds or notes have statutory appropriation authority for the payments. (In subsection (3): pursuant to sec. 10, Ch. 360, L. 1999, the inclusion of 19-20-604 terminates contingently when the amortization period for the teachers' retirement system's unfunded liability is 10 years or less; pursuant to sec. 73, Ch. 44, L. 2007, the inclusion of 19-6-410 terminates contingently upon the death of the last recipient eligible under 19-6-709(2) for the supplemental benefit provided by 19-6-709; pursuant to sec. 5, Ch. 383, L. 2015, the inclusion of 85-25-102 is effective on occurrence of contingency; pursuant to sec. 6, Ch. 423, L. 2015, the inclusion of 22-3-116 and 22-3-117 terminates June 30, 2025; pursuant to sec. 12, Ch. 55, L. 2017, the inclusion of 37-54-113 terminates June 30, 2023; pursuant to sec. 4, Ch. 122, L. 2017, the inclusion of 10-3-1304 terminates September 30, 2025; pursuant to sec. 1, Ch. 213, L. 2017, the inclusion of 90-6-331 terminates June 30, 2027; pursuant to secs. 5, 8, Ch. 284, L. 2017, the inclusion of 81-1-112, 81-1-113, and 81-7-106 terminates June 30, 2023; pursuant to sec. 1, Ch. 340, L. 2017, the inclusion of 22-1-327 terminates July 1, 2023; pursuant to sec. 10, Ch.

374, L. 2017, the inclusion of 76-17-103 terminates June 30, 2027; pursuant to sec. 5, Ch. 50, L. 2019, the inclusion of 37-50-209 terminates September 30, 2023; pursuant to sec. 1, Ch. 408, L. 2019, the inclusion of 17-7-215 terminates June 30, 2029; pursuant to secs. 11, 12, and 14, Ch. 343, L. 2019, the inclusion of 15-35-108 terminates June 30, 2027; pursuant to sec. 7, Ch. 465, L. 2019, the inclusion of 85-2-526 terminates July 1, 2023; pursuant to sec. 5, Ch. 477, L. 2019, the inclusion of 10-3-802 terminates June 30, 2023; pursuant to secs. 1, 2, 3, Ch. 139, L. 2021, the inclusion of 53-9-113 terminates June 30, 2027; pursuant to sec. 8, Ch. 200, L. 2021, the inclusion of 10-4-310 terminates July 1, 2031; pursuant to secs. 3, 4, Ch. 404, L. 2021, the inclusion of 30-10-1004 terminates June 30, 2027; pursuant to sec. 5, Ch. 548, L. 2021, the inclusion of 50-1-115 terminates June 30, 2025; pursuant to secs. 5 and 12, Ch. 563, L. 2021, the inclusion of 22-3-1004 is effective July 1, 2027; and pursuant to sec. 15, Ch. 574, L. 2021, the inclusion of 46-32-108 terminates June 30, 2023.)"

Section 8. Pension state special revenue account. (1) There is a pension state special revenue account to the credit of the department of administration.

- (2) The account is funded by a distribution pursuant to 17-7-130.
- (3) Funds in the account may only be used to transfer into:
 - (a) a state-administered pension fund;
 - (b) the budget stabilization reserve fund provided for in 17-7-130;
 - (c) the fire suppression account provided for in 76-13-150; or
 - (d) the capital developments long-range building program account provided for in 17-7-209.
- (4) The fund is subject to legislative transfer.

Section 9. Transfer of funds. (1) By June 30, 2023, the state treasurer shall transfer \$377 million from the general fund to the budget stabilization reserve fund provided for in 17-7-130.

(2) By June 30, 2023, the state treasurer shall transfer \$30 million from the general fund to the state self-insurance reserve fund established in 2-18-812.

(3) By June 30, 2023, the state treasurer shall transfer \$18 million from the general fund to the office of the commissioner of higher education for the Montana university system for one-time benefit of

university system employees.

Section 10. Study of state budget process and personal services expenditures --

appropriation. (1) During the 2025 biennium interim, a subcommittee a working group composed of members from of the legislative finance committee, the legislative fiscal division, and the office of budget and program planning shall jointly study the process by which the state budgets for personal services conduct a study on the state budgeting process.

(2) The study must include consultation with the vendor of the state's budgeting software system on potential options for personal services budgeting. The study must also include a survey of peer states on their personal services budgeting methodology and outcomes.

(3) The subcommittee shall make recommendations by June 2024 to the legislative finance committee and the office of budget and program planning for the budgeting process for the 2027 biennium.

(a) The study must include the development of methods to analyze and present the state budget in a manner that clearly illustrates the various costs associated with providing different services, an analysis of the strengths and weaknesses of the current budget development process, and an assessment of best practices in budget development from other states and jurisdictions.

(b) The methodology developed should enable legislators to understand cost drivers for each public service, including but not limited to personnel costs, operational expenses, and other costs of providing publicly funded services to Montanans. A goal of this study is to optimize the state budgeting process to improve effectiveness and inform decisionmaking in joint subcommittees during sessions. Another goal of this study is to maximize effective use of legislative time and legislative staff time in the joint subcommittees in the first half of each regular session.

(c) The study must additionally include an analysis of the strengths and weaknesses of the current personal services budgeting process and assessment of the personal services budgeting process in peer states.

(2) The study of state budget development and the personal services budgeting process must include consultation with the vendor of the state's budgeting software system on potential options for personal services budgeting. The working group may seek input from relevant stakeholders, including state agencies,

program managers, budget analysts, and financial experts, to gather insights on and areas for improvement in both the state budget development process and personal services budgeting process.

(3) The working group shall submit a comprehensive report of its findings and recommendations to the legislative finance committee and the office of budget and program planning by June 2024 outlining potential options for enhancing both the state budget development process and the personal services budgeting process for the 2027 biennium. The report should include specific proposals for improving transparency, efficiency, accuracy, and effectiveness in budgeting, as well as the development of potential output and outcome measures, supplemental data and analysis considered necessary, and any potentially necessary changes to budgeting laws, rules, or regulations.

(4) The legislative finance committee presiding officer, with consultation of the vice presiding officer, shall appoint seven members from the legislative finance committee to participate with the working group. At each legislative finance committee meeting the legislative fiscal division will report on the progress of the working group and have items for consideration and discussion by the legislative finance committee.

(5) There is appropriated \$25,000 from the general fund to the legislative fiscal division for the biennium beginning July 1, 2023, for costs associated with this study.

Section 11. Section 1(2), Chapter 476, Laws of 2019, is amended to read:

"Section 1. Definitions.

(2) "CPA" means the capital projects account provided for in 17-5-803 and 17-5-804 or the account established in 17-7-209."

Section 12. Section 13, Chapter 476, Laws of 2019, is amended to read:

"Section 13. Authorization of bonds -- conditions -- maturity. (1) The board of examiners is authorized to issue and sell general obligation bonds in one or more series and from time to time for the purposes described in subsection (3) in addition to the amount of general obligation bonds outstanding on January 1, 2019.

(2) The bonds under this section must be issued in accordance with the terms and in the manner required by Title 17, chapter 5, part 8, and the maturity of these bonds must be 10 years. The authority granted

to the board of examiners by this section is in addition to any other authorization to the board of examiners to issue and sell general obligation bonds.

(3) On [the effective date of this act], the board of examiners is authorized to issue and sell general obligation bonds and deposit the proceeds as follows

(a) \$39,550,000 of the proceeds from the bonds sold under this section must be deposited in the capital projects account provided for in 17-5-803 and 17-5-804; and

(b) \$21,500,000 of the proceeds from the bonds sold under this section must be deposited in the delivering local assistance account for grants provided for in [section 2(1)].

(c) \$18,823,553 of the proceeds from the bonds sold under this section must be deposited in the local infrastructure account provided for in [section 2(2)].

(4) For the purposes of subsection (3), funds on hand in the account established in 17-7-209 in excess of the amount needed for appropriations from the account are appropriated and may be deposited in the accounts described in subsection (3) in lieu of the proceeds of bonds authorized in this section. The total amount of funds deposited in the accounts from bond proceeds and funds from the account established in 17-7-209 may not exceed the amounts authorized in subsection (3)."

Section 13. Reporting on appropriations for operation of state health care facilities by department of public health and human services. (1) For any appropriations in House Bill No. 835 or House Bill No. 2 that provide funding for the operation of state health care facilities in the department of public health and human services beyond those budgeted for the fiscal year beginning July 1, 2022, the department shall report to the health and human services interim budget committee as follows:

(a) by September 1, 2023, on the amounts spent by the department from the appropriations referred to in subsection (1) on contract staffing, state employee compensation, and state employee recruitment and retention efforts at each relevant state health care facility in the preceding fiscal year. The department must also report on its plan for mitigating expenditures over the biennium beginning July 1, 2023, at:

(i) the intensive behavior center provided for in 53-20-602;

(ii) the Montana mental health nursing care center provided for in 53-21-411; and

(iii) the Montana state hospital provided for in 53-21-601;

(b) by September 1, 2024, on the amounts spent by the department from the appropriations referred to in subsection (1) on contract staffing, state employee compensation, and state employee recruitment and retention efforts at each relevant state health care facility in the preceding fiscal year; and

(c) by September 1, 2025, on the amounts spent by the department from the appropriations referred to in subsection (1) on contract staffing, state employee compensation, and state employee recruitment and retention efforts at each relevant state health care facility in the preceding fiscal year.

(2) The reports must be provided in an electronic format and presented to the committee in person.

Section 14. Appropriations. (1) There is appropriated \$2.5 million from the general fund to the office of state public defender for the fiscal year ending June 30, 2023, for the purposes of operating the office.

(2) There is appropriated \$175,000 from the general fund to the legislative branch for the fiscal year beginning July 1, 2024, to be used only to change data backup services for the Miles City data center.

Section 15. Section 2(2), Chapter 499, Laws of 2005, is amended to read:

"Section 2. Appropriation of bond proceeds.

(2) The following money is appropriated from the CPF from the proceeds for the bonds authorized by [section 3] or from the account provided for in 17-7-209 to the department of natural resources and conservation for the capital projects described in this section, and if the bond proceeds are used, contingent upon the authorization of general obligation bonds by the 59th legislature and the sale of bonds by the board of examiners:"

Section 16. Severability. If a part of [this act] is invalid, all valid parts that are severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its applications, the part remains in effect in all valid applications that are severable from the invalid applications.

Section 17. Codification instruction. [Sections 6 and 8] are intended to be codified as an integral part of Title 17, chapter 7, and the provisions of Title 17, chapter 7, apply to [sections 6 and 8].

Section 18. Coordination instruction. If both House Bill No. 587 and [this act] are passed and approved, then [section 2 of this act], amending 17-7-102, is void and 17-7-102 must be amended as follows:

"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, 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) (a) "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.
 - (b) The term does not include:
 - (i) funding for water adjudication if the accountability benchmarks contained in 85-2-271 are not met;
 - (ii) funding for petroleum storage tank leak prevention if the accountability benchmarks in 75-11-521 are not met.
 - (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 budget

stabilization reserve fund up to 4.5% 16% of all general ~~fund-revenue~~ appropriations in the second year of the biennium.

(7) "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.

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

(9) "General revenue appropriations" means appropriations from the general fund or the school equalization and property tax reduction account in [section 1 of House Bill No. 587].

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

~~(10)~~(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.

~~(11)~~(12) "Operating reserve" means an amount equal to 8.3% of all general ~~fund-revenue~~ appropriations in the second year of the biennium.

~~(12)~~(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.

~~(13)~~(14) "Program" means a principal organizational or budgetary unit within an agency.

~~(14)~~(15) "Requesting agency" means the agency of state government that has requested a specific budget amendment.

~~(15)~~(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 supervised and coordinated by the board of regents pursuant to 20-15-103. (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 budget stabilization reserve fund up to 4.5% 16% of all general ~~fund-revenue~~ appropriations in the second year of the biennium.

(7) "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.

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

(9) "General revenue appropriations" means appropriations from the general fund or the school equalization and property tax reduction account in [section 1 of House Bill No. 587].

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

~~(10)~~(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.

~~(11)~~(12) "Operating reserve" means an amount equal to 8.3% of all general ~~fund-revenue~~ appropriations in the second year of the biennium.

~~(12)~~(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.

~~(13)~~(14) "Program" means a principal organizational or budgetary unit within an agency.

~~(14)~~(15) "Requesting agency" means the agency of state government that has requested a specific budget amendment.

~~(15)~~(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 supervised and coordinated by the board of regents pursuant to 20-15-103."

Section 19. Coordination instruction. If both House Bill No. 587 and [this act] are passed and approved, then [section 3 of this act], amending 17-7-130, is void and 17-7-130 must be amended as follows:

"17-7-130. Budget stabilization reserve fund -- rules for deposits and transfers -- purpose. (1)

There is an account in the state special revenue fund established by 17-2-102 known as the budget stabilization reserve fund.

(2) The purpose of the budget stabilization reserve fund is to mitigate budget reductions when there is a revenue shortfall.

(3) Except as provided in subsection (4), 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 budget stabilization reserve fund. 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.

(4) The provisions of subsection (3) do not apply in a fiscal year in which reductions required by 17-7-140 occur or if a transfer pursuant to subsection (3) would require reductions pursuant to 17-7-140.

(5) If the transfer provided for in subsection (3) increases the balance in the budget stabilization reserve fund to exceed 16% of all general revenue appropriations in the second year of the biennium, the amount in excess is transferred to the capital developments long-range building program account established in 17-7-209.

(6) By August 1 of each year, the department of administration shall certify to the legislative fiscal analyst and the budget director the following:

(a) the unaudited, unassigned ending fund balance of the general fund for the most recently completed fiscal year; and

(b) the amount of unaudited general fund revenue and transfers into the general fund received in the prior fiscal year recorded when that fiscal year's statewide accounting, budgeting, and human resource system records are closed. General fund revenue and transfers into the general fund are those recorded in the statewide accounting, budgeting, and human resource system using generally accepted accounting principles in accordance with 17-1-102.

~~(4)(7)~~ (a) The state treasurer shall calculate the operating reserve level of general fund balance defined in ~~47-7-402(11)~~ 17-7-102(12). The treasurer shall first apply the excess revenue to reach the operating reserve level general fund balance, if necessary.

(b) Once the general fund balance is at the reserve level, 75% of the remaining excess revenue is transferred to the budget stabilization reserve fund. as follows:

(i) to the budget stabilization reserve fund, until the amount in the fund is equal to 16% of all general revenue appropriations in the second year of the biennium; then

(ii) to the account established in 17-7-209, until the amount in the fund in excess of the amount needed for appropriations from the capital developments long-range building program account in the capital projects fund type is equal to 12% of all general revenue appropriations in the second year of the biennium.

(c) After the transfers in (7)(b)(i) and (7)(b)(ii) have been made, if the balance of the budget stabilization reserve fund exceeds an amount equal to 16% of the general revenue appropriations in the second year of the biennium and the balance of the account established in 17-7-209 in excess of the amount needed for appropriations from the capital developments long-range building program account in the capital projects fund type exceeds 12% of all general revenue appropriations in the second year of the biennium, then:

(i) 75% of any funds in excess of that amount must be transferred to the account established in [section 8 of House Bill No. 424]; and

(ii) 25% of the funds in excess of that amount remain in the general fund.

~~(5) After a transfer is made pursuant to subsection (4), if the balance of the fund exceeds an amount equal to 4.5% of all general fund appropriations in the second year of the biennium, then 50% of any funds in excess of that amount must be transferred to the account established in 17-7-209 and 50% to the general fund by August 16 of each fiscal year.~~

~~(6)~~(8) For the purposes of this section, the following definitions apply:

(a) "Adjusted compound annual growth rate revenue" means general fund revenue for the fiscal year prior to the most recently completed fiscal year plus the growth amount.

(b) "Excess revenue" means the amount of general fund revenue, including transfers in, for the most recently completed fiscal year minus adjusted compound annual growth rate revenue.

(c) "Growth amount" means general fund revenue for the fiscal year prior to the most recently completed fiscal year multiplied by the growth rate.

(d) "Growth rate" means the annual compound growth rate of general fund revenue realized over the period 12 years prior to the most recently completed fiscal year, including the most recently completed fiscal year."

Section 20. Coordination instruction. If both House Bill No. 587 and [this act] are passed and approved, then [section 4 of this act], amending 17-7-140, is void and 17-7-140 must be amended as follows:

"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~~ revenue 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~~ revenue appropriations for the second fiscal year of the biennium in October of the year preceding a legislative session;
- (iii) 2% of the general ~~fund~~ revenue 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~~ revenue 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. A governor may not reduce total agency spending in the biennium by more than 4% of the second year general ~~fund~~ revenue 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 recommendations must be provided to the legislature in accordance with 5-11-210. 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~~ revenue 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 in accordance with 5-11-210 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~~ subsection (6) and (7).

(6) The governor may authorize transfers from the budget stabilization reserve fund provided for in 17-7-130. The governor may authorize ~~\$2~~ \$3 of transfers from the fund for each \$1 of reductions in spending but may not authorized a transfer that would cause the balance of the budget stabilization reserve fund to be less than 6% of all general revenue appropriations in the second year of the biennium.

~~(7) If 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 21. Coordination instruction. If House Bill No. 883, House Bill No. 587, and [this act] are all passed and approved, then the section of House Bill No. 883 amending 76-13-150 is void, and 76-13-150 must be amended as follows:

"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:

(a) fire suppression costs;

(b) fuel reduction and mitigation;

(c) forest restoration;

(d) grants for the purchase of fire suppression equipment for county cooperatives;

(e) forest management projects on federal land;

(f) support for collaborative groups that include at least one representative of an affected county commission that is engaged with a federal forest project and for local governments engaged in litigation related to federal forest projects; ~~and~~

(g) road maintenance on federal lands; and

(h) fire preparedness.

~~(5) Interest earned on the balance of the account is retained in the account.~~

~~(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)(5) In an even-numbered calendar year, after the transfers made pursuant to 17-7-130, if the preliminary general fund ending balance at fiscal yearend was greater than 8.3% of all general revenue appropriations in the second year of the biennium, then the state treasurer shall transfer from the general fund to fire suppression account funds sufficient to bring the fire suppression account fund balance to 6% of the general revenue appropriations in the second year of the biennium. The transfer may not cause the general fund ending fund balance to have a balance of less than 8.3% of all general revenue appropriations in the second year of the biennium.

(6) The provisions of subsection ~~(6)~~ (5) do not apply in a fiscal year in which reductions required by 17-7-140 occur or if a transfer pursuant to subsection ~~(6)~~ (5) would require reductions pursuant to 17-7-140.

~~(8)~~ The fund balance in the account may not exceed 4% of all general fund appropriations in the second year of the biennium.

~~(9)~~(7) ~~By August 15 of each even-numbered fiscal year, if~~ If the balance in the account at the end of the most recently completed odd-numbered fiscal year exceeds \$40 million, ~~the excess, up to \$5 million, must be used in the biennium~~ 3% of all general revenue appropriations in the second year of the biennium, then up to 1% of all general revenue appropriations in the second year of the biennium is statutorily appropriated from the fire suppression account for the purposes in subsections (4)(b) through (4)(g). Of that amount, no more than 5% may be used for the purposes of subsection (4)(f).

(8) For the biennium beginning July 1, 2023, up to 0.5% of all general revenue appropriations in the second year of the biennium is statutorily appropriated from the fire suppression account to the department for the item in subsection (4)(h).

~~(4)~~(9) Money in the account is statutorily appropriated, as provided in 17-7-502, to the department for the purposes described in subsection (4)-(a).

(10) For purposes of this section "general revenue appropriations" has the meaning provided in 17-7-102."

Section 22. Coordination instruction. (1) If both [this act] and House Bill No. 226 are passed and approved, then the following sums are appropriated to the office of budget and program planning from the following sources in the fiscal year beginning July 1, 2023:

- (a) \$299,489 from the general fund;
- (b) \$269,572 from state special revenue;
- (c) \$124,611 from federal special revenue;
- (d) \$117,071 in proprietary funds; and
- (e) \$119,796 from the general fund for the benefit of the Montana University System.

(2) If both [this act] and House Bill No. 226 are passed and approved, then the following sums are appropriated to the office of budget and program planning from the following sources in the fiscal year

beginning July 1, 2024:

- (a) \$1,547,360 from the general fund;
- (b) \$1,392,791 from state special revenue;
- (c) \$643,826 from federal special revenue;
- (d) \$604,869 in proprietary funds; and
- (e) \$618,944 from the general fund for the benefit of the Montana University System.

Section 23. Effective date. [This act] is effective on passage and approval.

Section 24. Termination. (1) [Section 1] terminates June 30, 2025.

(2) [Sections 6 and 7(3)] terminate June 30, 2027.

- END -

I hereby certify that the within bill,
HB 424, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2023.

President of the Senate

Signed this _____ day
of _____, 2023.

HOUSE BILL NO. 424

INTRODUCED BY L. JONES, D. BEDEY, J. ESP, J. ELLSWORTH, K. BOGNER

AN ACT GENERALLY REVISING SUSTAINABILITY OF STATE FINANCE; REVISING TRANSFER PERCENTAGES INTO THE BUDGET STABILIZATION RESERVE FUND AND THE CAPITAL DEVELOPMENTS LONG-RANGE BUILDING PROGRAM ACCOUNT; INCREASING THE CAP ON THE BUDGET STABILIZATION RESERVE FUND; INCREASING THE CAP ON THE FIRE SUPPRESSION FUND; ALLOWING THE CAPITAL DEVELOPMENTS LONG-RANGE BUILDING PROGRAM ACCOUNT TO PAY ON BONDS AND RELATED COSTS; TEMPORARILY INCREASING THE GOVERNOR'S EMERGENCY FUNDS; REQUIRING THAT FUNDS IN THE CAPITAL DEVELOPMENTS LONG-RANGE BUILDING PROGRAM ACCOUNT BE USED TO FOREGO OR REDUCE THE AMOUNT OF ISSUANCE OF GENERAL OBLIGATION BONDS; PROVIDING FOR GENERAL FUND TRANSFERS AND GENERAL FUND REVERSIONS INTO THE BUDGET STABILIZATION RESERVE FUND; PROVIDING FOR OTHER TRANSFERS FROM THE GENERAL FUND; PROVIDING FOR A STUDY OF STATE BUDGET PROCESS FOR PERSONAL SERVICES EXPENDITURES; ESTABLISHING REPORTING REQUIREMENTS ON THE USE OF APPROPRIATIONS FOR THE OPERATION OF STATE HEALTH CARE FACILITIES; PROVIDING LOCAL DISASTER RESILIENCY FUNDS; ESTABLISHING ELIGIBLE USES FOR THE FUNDS; PROVIDING FOR A PENSION FUND; PROVIDING FOR A STATUTORY APPROPRIATION; PROVIDING A SUPPLEMENTAL APPROPRIATION; PROVIDING APPROPRIATIONS; PROVIDING FOR A CONTINGENT APPROPRIATION; EXPANDING USES OF A STATUTORY APPROPRIATION; AMENDING SECTIONS 10-3-312, 17-7-102, 17-7-130, 17-7-140, 17-7-209, AND 17-7-502, MCA; AMENDING SECTION 1(2), CHAPTER 476, LAWS OF 2019, SECTION 13, CHAPTER 476, LAWS OF 2019, AND SECTION 2(2), CHAPTER 499, LAWS OF 2005; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE.