AN ACT GENERALLY REVISING LAWS TO ONLY PROVIDE BUDGET STABILIZATION MEASURES; PROVIDING DEPOSIT RULES FOR FUNDS RECEIVED FROM CERTAIN CONTRACT RENEGOTIATIONS; PROVIDING FOR A CONTINGENT TRANSFER; CREATING A PRIVATE CORRECTIONAL FACILITY CONTRACT RENEGOTIATION STATE SPECIAL REVENUE ACCOUNT; PROVIDING FOR CONTINGENT REDUCTIONS TO THE CALCULATION OF THE PROJECTED ENDING GENERAL FUND BALANCE AND PROJECTED GENERAL FUND BUDGET DEFICIT; PROVIDING ALLOCATIONS WITH EXCESS REVENUE; ELIMINATING TRANSFERS FOR THE SECRETARY OF STATE, THE STATE AUDITOR'S OFFICE, AND THE PUBLIC SERVICE COMMISSION IN FISCAL YEAR 2019 IF EXCESS REVENUES ARE RECEIVED; PROVIDING FOR CONTINGENT VOIDNESS; AMENDING SECTION 17-7-140, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND TERMINATION DATES.

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

Section 1. Private correctional facility contract renegotiation -- use of funds -- creation of account. (1) There is a private correctional facility contract renegotiation account in the state special revenue fund. All money received by the state and any savings realized by the state from contract renegotiations between the state and private correctional facility contractors must be deposited as follows:

(a) up to $15 million must be deposited in the fire suppression account provided for in 76-13-150; and

(b) after $15 million has been deposited as provided in subsection (1)(a), all excess money must be deposited in the private correctional facility contract renegotiation account and may be appropriated by the legislature to fund essential services.

(2) The department of corrections shall report any savings realized by the state during contract renegotiations to the legislative finance committee and the office of budget and program planning. After notifying the legislative finance committee of savings realized by the state, the office of budget and program planning shall reduce general fund appropriation authority for the department of corrections by the amount of reported savings and transfer an equal amount of money from the general fund to the private correctional facility contract
renegotiation account.

(3) As used in this section, the following definitions apply:

(a) (i) "Essential services" means governmental services:

(A) delivered:

(I) to the most vulnerable populations;

(II) to families, children, seniors, and individuals with disabilities; and

(III) to ensure a continuum of care allowing individuals to remain in the least restrictive environment;

(B) that were reduced or eliminated through appropriation reductions after introduction of House Bill No. 2 in the house of representatives;

(C) delivered through one-time-only expenditures to mitigate impacts from reductions to general fund appropriations in House Bill No. 2. Appropriations from the account provided for in subsection (1) are not intended to become a part of the base budget as provided in 17-7-102 for the biennium beginning July 1, 2019.

(ii) The term does not include governmental services that are funded through an appropriation that is greater than the introduced version of House Bill No. 2 in the house of representatives.

(b) "Private correctional facility" has the meaning provided in 53-30-602.

(c) "Private correctional facility contractor" means an individual, corporation, partnership, association, or other private organization or entity that operates a private correctional facility under Title 53, chapter 30, part 6.

**Section 2. Contingent fund transfer.** By June 30, 2018, the state treasurer shall transfer $15 million from the general fund to the fire suppression account provided for in 76-13-150 unless the state treasurer certifies to the legislative fiscal analyst by June 30, 2018, that $15 million was deposited into the fire suppression account provided for in 76-13-150 pursuant to [section 1].

**Section 3.** 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) subject to subsection (b), 6% 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. Departments or agencies headed by elected officials or the board of regents may not be required to reduce general fund spending by a percentage greater than the percentage of general fund spending reductions required for the total of all other executive branch agencies. The legislature may exempt from a reduction an appropriation item within a program or may direct that the appropriation item may not be reduced by more than 10%.

(c) The governor shall direct agencies to manage their budgets in order to reduce general fund expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor shall direct each agency to analyze the nature of each program that receives a general fund appropriation to determine whether the program is mandatory or permissive and to analyze the impact of the proposed reduction in spending on the purpose of the program. An agency shall submit its analysis to the office of budget and program planning and shall at the same time provide a copy of the analysis to the legislative fiscal analyst. The report must be submitted in an electronic format. The office of budget and program planning shall review each agency's analysis, and the budget director shall submit to the governor a copy of the office of budget and program planning's recommendations for reductions in spending. The budget director shall provide a copy of the recommendations to the legislative fiscal analyst at the time that the recommendations are submitted to the governor and shall provide the legislative fiscal analyst with any proposed changes to the recommendations. The recommendations must be provided in an electronic format. The legislative finance committee shall meet within 20 days of the date that the proposed changes to the recommendations for reductions in spending are provided to the legislative fiscal analyst. The legislative fiscal analyst shall provide a copy of the legislative fiscal analyst's review of the
proposed reductions in spending to the budget director at least 5 days before the meeting of the legislative 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) subject to subsection (b), 5% 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 and transportation interim committee of the estimated amount. Within 20 days of notification, the revenue and transportation interim committee shall provide the budget director with any recommendations concerning the amount. The budget director shall consider any recommendations of the
revenue and transportation interim committee prior to certifying a projected general fund budget deficit to the governor.

(5) If the budget director certifies a projected general fund budget deficit, the governor may authorize transfers to the general fund from certain accounts as set forth in subsections (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 of transfers from the fund for each $1 of reductions in spending.

(7) If the budget director certifies a 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.

(8) For the biennium beginning July 1, 2017, the percentages in subsections (1)(a)(i) and (3)(a)(i) are both reduced pursuant to [section 4]."

Section 4. Coordination instruction. (1) The percentage in 17-7-140(1)(a)(i) and the percentage in (3)(a)(i) are amended as follows:

(a) If Senate Bill No. 4 is not passed and approved, then the percentages in 17-7-140(1)(a)(i) and (3)(a)(i) are each reduced by 0.53.

(b) If $15 million in proceeds from [section 1] is not deposited or transferred into the fire suppression account established in 76-13-150 by June 30, 2018, then the percentages in 17-7-140(1)(a)(i) and (3)(a)(i) are each reduced by 0.65.

(c) If House Bill No. 6 is not passed and approved, then the percentages in 17-7-140(1)(a)(i) and (3)(a)(i) are each reduced by 1.51.

(d) (i) If House Bill No. 2 is passed and approved and the governor exercises line item veto authority, then the percentages in 17-7-140(1)(a)(i) and (3)(a)(i) are reduced by a reduction percentage.

(ii) For the purposes of this subsection (1)(d), the following definitions apply:

(A) "Approved line items" means the total general fund line item appropriation amounts in House Bill No. 2 and Chapter 366, Laws of 2017, for fiscal year 2018 and fiscal year 2019 after the governor exercises line item
veto authority.

(B) "Legislative line items" means the total general fund line item appropriation amounts in House Bill No. 2 and Chapter 366, Laws of 2017, for fiscal year 2018 and fiscal year 2019.

(C) "Line item veto amount" is calculated by subtracting approved line items from legislative line items.

(D) "Reduction percentage" means the line item veto amount divided by $2.3 billion and multiplied by 100.

(2) The reductions to the percentage in 17-7-140(1)(a)(i) made pursuant to subsection (1) are cumulative but may not exceed a total reduction of 3.

(3) The reductions to the percentage in 17-7-140(3)(a)(i) made pursuant to subsection (1) are cumulative but may not exceed a total reduction of 3.

Section 5. Allocations to state agencies with excess revenues. (1) The state treasurer shall notify the budget director, the legislative fiscal analyst, and the code commissioner on or before August 15, 2018, if the amount of the certified unaudited state general fund revenue and transfers into the general fund received at the end of fiscal year 2018 is more than $2,264.9 million, to include transfers, except those transfers in House Bill No. 6 and any revenue proceeds generated by Senate Bill No. 5, and shall indicate the amount by which the revenue exceeds $2,264.9 million.

(2) If the certified unaudited state general fund revenue exceeds $2,264.9 million by less than $20 million, all excess revenue remains in the general fund.

(3) (a) If the certified unaudited state general fund revenue exceeds $2,264.9 million by at least $20 million and by no more than $111.4 million, the excess revenue shall be allocated as follows:

(i) $20 million remains in the general fund;

(ii) one-half of the remainder is transferred into the budget stabilization reserve fund provided for in 17-7-130; and

(iii) one-half of the remainder is allocated to agencies to offset reductions to general fund appropriations made in House Bill No. 2.

(b) The amount allocated to an agency to offset reductions is the amount identified in subsection (3)(c) over the total amount of subject to offset multiplied by one-half of the amount that the certified unaudited state general fund revenue is in excess of $20 million.
(c) Agencies and amount subject to offset are as follows:

Commissioner of Political Practices 75,831
Department of Administration 538,446
Department of Commerce 362,949
Department of Labor and Industry 179,538
Department of Military Affairs 468,162
Department of Revenue 995,467
Governor's Office 425,932
Department of Public Health & Human Services 30,551,970
Department of Agriculture 73,854
Department of Environmental Quality 520,616
Department of Livestock 256,234
Department of Natural Resources and Conservation 1,462,945
Crime Control Division 232,828
Department of Corrections 2,225,295
Department of Justice 2,258,568
Board of Public Education 14,211
Commissioner of Higher Education 2,236,411
Montana Arts Council 51,736
Office of Public Instruction 1,141,361
Legislative Branch 443,777
Judicial Branch 1,205,000
TOTAL 45,721,131

(4) If the certified unaudited state general fund revenue exceeds $2,264.9 million by more than $111.4 million, excess funds of $111.4 million or less are allocated pursuant to subsection (3) and excess funds of more than $111.4 million remain in the general fund.

Section 6. Coordination instruction. If both [this act] and House Bill No. 6 are passed and approved,
and if the certified unaudited state general fund revenue exceeds $2,264.9 million by $20 million or more, then:

(1) the transfer in [section 1] of House Bill No. 6 from the secretary of state enterprise fund account provided for in 2-15-405 to the general fund in fiscal year 2019 is void;

(2) the transfer in [section 1] of House Bill No. 6 from the public service commission state special revenue account provided for in 69-1-402 to the general fund in fiscal year 2019 is void; and

(3) [section 2] of House Bill No. 6 must read:

"NEW SECTION. Section 2. State auditor fund transfers. Notwithstanding any other provision of law directing use of its state special revenue funds, the state auditor shall remit $530,825 to the state treasurer by December 15, 2017, credited to the general fund."

Section 7. 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 8. Contingent voidness. If [this act] is not passed and approved, then [LC 19] is void.

Section 9. Effective date. [This act] is effective on passage and approval.

Section 10. Termination dates. (1) Except as provided in subsection (2), [this act] terminates June 30, 2019.

(2) [Sections 3 and 4] terminate October 1, 2018.

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