

1 _____ BILL NO. _____
2 INTRODUCED BY _____
(Primary Sponsor)
3 BY REQUEST OF THE DEPARTMENT OF ADMINISTRATION

5 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING INTERENTITY LOAN PROCEDURES;
6 PERMITTING FEDERAL SPECIAL REVENUE FUNDS TO HAVE A NEGATIVE CASH BALANCE WHEN THE
7 AGENCY WILL BE REIMBURSED FOR EXPENDITURES FROM FEDERAL FUNDS; AMENDING SECTION
8 17-2-107, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

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

Section 1. Section 17-2-107, MCA, is amended to read:

13 **"17-2-107. Accurate accounting records and interentity loans.** (1) The department shall record
14 receipts and disbursements for treasury funds and for accounting entities within treasury funds and shall
15 maintain records in a manner that reflects the total cash and invested balance of each fund and each
16 accounting entity. The department shall adopt the necessary procedures to ensure that interdepartmental or
17 intradepartmental transfers of money or loans do not result in inflation of figures reflecting total governmental
18 costs and revenue.

(2) (a) Except as provided in 77-1-108 and subject to 17-2-105, when the expenditure of an appropriation from a fund designated in 17-2-102(1) through (3) is necessary and the cash balance in the accounting entity from which the appropriation was made is insufficient, the department may authorize a temporary loan, bearing no interest, of unrestricted money from other accounting entities if there is reasonable evidence that the income will be sufficient to repay the loan within 1 calendar year and if the loan is recorded in the state accounting records. An accounting entity receiving a loan or an accounting entity from which a loan is made may not be so impaired that all proper demands on the accounting entity cannot be met even if the loan is extended.

(b) (i) When an expenditure from a fund or subfund designated in 17-2-102(4) is necessary and the cash balance in the fund or subfund from which the expenditure is to be made is insufficient, the

1 commissioner of higher education may authorize a temporary loan, bearing interest as provided in subsection
2 (4) of this section, of money from the agency's other funds or subfunds if there is reasonable evidence that the
3 income will be sufficient to repay the loan within 1 calendar year and if the loan is recorded in the state
4 accounting records. A fund or subfund receiving a loan or from which a loan is made may not be so impaired
5 that all proper demands on the fund or subfund cannot be met even if the loan is extended.

6 (ii) One accounting entity within each fund or subfund designated in 17-2-102(4) must be
7 established for the sole purpose of recording loans between the funds or subfunds. This accounting entity is the
8 only accounting entity within each fund or subfund that may receive a loan or from which a loan may be made.

9 (c) A loan made under subsection (2)(a) or (2)(b) must be repaid within 1 calendar year of the date
10 on which the loan is approved unless it is extended under subsection (3) or by specific legislative authorization.

11 (3) Under unusual circumstances, the director of the department or the board of regents may grant
12 one extension for up to 1 year for a loan made under subsection (2)(a) or (2)(b). The director or board shall
13 prepare a written justification and proposed repayment plan for each loan extension authorized and shall
14 furnish a copy of the written justification and proposed repayment plan to the house appropriations and senate
15 finance and claims committees at the next legislative session.

16 (4) Any loan from the current unrestricted subfund to funds designated in 17-2-102(4)(a)(iv) and
17 (4)(b) through (4)(f) must bear interest at a rate equivalent to the previous fiscal year's average rate of return on
18 the board of investments' short-term investment pool.

19 (5) If for 2 consecutive fiscal yearends a loan or an extension of a loan has been authorized to the
20 same accounting entity as provided in subsection (2) or (3), the department or the commissioner of higher
21 education shall submit to the legislative fiscal analyst by September 1 of the following fiscal year a written report
22 containing an explanation as to why the second loan or extension was made, an analysis of the solvency of the
23 accounting entity or accounting entities within the university fund or subfund, and a plan for repaying the loans.
24 The report must be provided in an electronic format. The department or the commissioner of higher education
25 shall provide a copy of the report to the legislature in accordance with 5-11-210.

26 (6) If for 2 consecutive fiscal yearends an accounting entity in a fund or subfund designated in 17-
27 2-102(4) has a negative cash balance, the commissioner of higher education shall submit to the legislative
28 fiscal analyst by September 1 of the following fiscal year a written report containing an explanation as to why

the accounting entity has a negative cash balance, an analysis of the solvency of the accounting entity, and a plan to address any problems concerning the accounting entity's negative cash balance or solvency. The report must be provided in an electronic format. The commissioner of higher education shall provide a copy of the report to the legislature in accordance with 5-11-210.

(7) (a) (i) ~~An~~ Except as provided in subsection (7)(a)(ii) of this section, an accounting entity in a fund designated in 17-2-102(1) through (3) may not have a negative cash balance at fiscal yearend. ~~The~~ Except as provided in subsection (9) of this section, the department may, ~~however,~~ allow a fund type within each agency to carry a negative balance at any point during the fiscal year if the negative cash balance does not exist for more than 7 working days.

(ii) An accounting entity in a federal special revenue fund described in 17-2-102(1)(b)(ii) may have a negative cash balance at fiscal yearend.

(b) (i) Except as provided in subsection (7)(b)(ii) of this section, a unit of the university system shall maintain a positive cash balance in the funds and subfunds designated in 17-2-102(4).

(ii) If a fund or subfund inadvertently has a negative cash balance, the department may allow the fund or subfund to carry the negative cash balance for no more than 7 working days. If the negative cash balance exists for more than 7 working days, a transaction may not be processed through the statewide accounting, budgeting, and human resource system for that fund or subfund.

(8) Notwithstanding the provisions of subsections (2) through (4), the department may authorize loans to accounting entities in the ~~federal-and-state~~ special revenue funds with long-term repayment whenever necessary because of the timing of the receipt of agreed-upon reimbursements from ~~federal,~~ private, or other governmental entity sources for disbursements made. If possible, the loans must be made from funds other than the general fund. The department may approve the loans if the requesting agency can demonstrate that the total loan balance does not exceed total receivables from ~~federal,~~ private, or other governmental entity sources and that receivables have been billed on a timely basis. The loan must be repaid under terms and conditions that may be determined by the department or by specific legislative authorization.

(9) ~~A loan may not be authorized under this section to any fund or accounting entity that is owed federal or other third-party funds.~~ Federal special revenue funds described in 17-2-102(1)(b)(ii) may not have a negative cash balance by fund type for more than 7 working days unless the requesting agency certifies to the

1 ~~agency approving the loan department~~ that it has and will continue to bill the federal government or other third
2 ~~party~~ for the requesting agency's share of costs incurred in the fund or accounting entity on the earliest date
3 allowable under federal or other third-party regulations applicable to the program. The requesting agency shall
4 recertify its timely billing status to the ~~agency that approved the loan at least monthly during the term of the loan~~
5 ~~department for any month during which cash is negative for more than 7 working days.~~ If at any time the
6 requesting agency fails to recertify the timely billing, ~~the agency that approved the loan shall cancel the loan~~
7 ~~and return the money to its original source~~ a transaction may not be processed through the statewide
8 accounting, budgeting, and human resource system for that fund or subfund.

9 (10) A loan may not be authorized under this section to any fund or accounting entity that is owed
10 third-party funds unless the requesting agency certifies to the department that it has billed and will continue to
11 bill the third party for the requesting agency's share of costs incurred in the fund or accounting entity on the
12 earliest date allowable under the third party's regulations applicable to the program. The requesting agency
13 shall recertify its timely billing status to the department at least monthly during the term of the loan. If at any
14 time the requesting agency fails to recertify the timely billing, a transaction may not be processed through the
15 statewide accounting, budgeting, and human resource system for that fund or subfund."

16
17 NEW SECTION. Section 2. Effective date. [This act] is effective on passage and approval.

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