HOUSE BILL NO. 924

INTRODUCED BY L. JONES, B. LER, C. COCHRAN, E. ALBUS, B. BARKER, D. BEDEY, M. BERTOGLIO, J. FITZPATRICK, J. KARLEN, C. KEOGH, G. PARRY, L. REKSTEN, E. TILLEMAN, P. TUSS, K. WALSH

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING STATE FINANCE LAWS; CREATING THE MONTANA GROWTH AND OPPORTUNITY TRUST; PROVIDING FOR TRANSFERS OF VOLATILE REVENUES TO THE TRUST; PROVIDING FOR ANNUAL DISTRIBUTIONS OF INTEREST INCOME TO STATE SPECIAL REVENUE ACCOUNTS; PROVIDING FOR REINVESTMENT OF A PORTION OF THE TRUST FOR PENSIONS AND HOUSING; PROVIDING FOR CALCULATIONS RELATED TO VOLATILE REVENUE; ESTABLISHING A STATE PROPERTY RELIEF ACCOUNT; ESTABLISHING A MONTANA WATER DEVELOPMENT STATE SPECIAL REVENUE ACCOUNT; ESTABLISHING A BETTER LOCAL BRIDGE ACCOUNT; ESTABLISHING A MONTANA EARLY CHILDHOOD ACCOUNT; PROVIDING PROPERTY TAX ASSISTANCE THAT IS DISTRIBUTED TO COUNTIES TO BE DISTRIBUTED AS A CREDIT TO CERTAIN PRIMARY RESIDENCES; REQUIRING THE DEPARTMENT OF REVENUE TO CERTIFY PRIMARY RESIDENCES; PROVIDING A PENALTY FOR FALSE OR FRAUDULENT PRIMARY RESIDENCE APPLICATIONS; PROVIDING AN APPEALS PROCESS FOR CERTIFICATION OF A PRIMARY RESIDENCE; PROVIDING A DEFINITION; ~~ESTABLISHING A MONTANA EARLY CHILDHOOD ACCOUNT BOARD AND PROVIDING GRANTS;~~ TRANSFERRING AUTHORITY FOR CERTAIN HOUSING LOANS FROM THE COAL TAX TRUST FUND TO THE MONTANA GROWTH AND OPPORTUNITY TRUST; ESTABLISHING A PENSION FUND; REVISING USE OF THE MONTANA HOUSING INFRASTRUCTURE REVOLVING LOAN FUND; LIMITING THE TRANSFER OF VOLATILE REVENUE WHEN GENERAL FUND DEFICIT IS CERTIFIED OR OPERATING RESERVE IS ESTIMATED AT A CERTAIN AMOUNT; PROVIDING FOR TRANSFERS FROM THE PENSION FUND TO THE TEACHERS' RETIREMENT SYSTEM OR THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM ON CERTIFICATION OF THE RETIREMENT SYSTEM BOARD; PROVIDING FOR AN INCREASE TO THE EMPLOYER SUPPLEMENTAL CONTRIBUTION RATE; PROVIDING FOR FUND TRANSFERS; PROVIDING APPROPRIATIONS; ESTABLISHING REPORTING REQUIREMENTS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTIONS 15-7-102, 15-10-420, year."

Section 24. Section 17-7-133, MCA, is amended to read:

"**17-7-133. ~~(Temporary)~~ 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~~ <u>There is a Montana local disaster resiliency fund</u> <u>in the state special revenue fund in the state treasury to the credit</u> <u>of</u>~~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. (Terminates June 30, 2027--sec. 24, Ch. 722, L. 2023.)~~"

Section 25. 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 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 revenue appropriations for the second fiscal year of the biennium in October of the year preceding a legislative session;

(iii) 2% of the general 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 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 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 and entered into the state budgeting software. The recommendations must be provided to the legislature in accordance with 5-11-210. The legislative finance committee established in 5-12-201 and the interim budget committees established in 5-12-501 shall meet within ~~20~~ 30 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 legislative finance 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 and may incorporate information from the interim budget committees in making recommendations. 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 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~~ 30 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 subsection ~~(6)~~ (7).

(6) If the budget director certifies a projected general fund budget DEFICIT, THEN the governor may ~~reduce~~ CANCEL the ~~transfer~~ REMAINING TRANSFERS of volatile revenue to the Montana growth and opportunity trust established in [section 1] ~~by up 40 % of the transfer amount~~ FOR THE BIENNIUM.

~~(6)~~(7) The governor may authorize transfers from the budget stabilization reserve fund provided for in 17-7-130. The governor may authorize $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 revenue appropriations in the second year of the biennium."

Section 26. Section 19-3-316, MCA, is amended to read:

"**19-3-316. Employer contribution rates.** (1) Each employer shall contribute to the system. Except as provided in subsection (2), the employer shall pay as employer contributions 6.9% of the compensation paid to all of the employer's employees plus any additional contribution under subsection (3), except for those employees properly excluded from membership. Of employer contributions made under this subsection for both defined benefit plan and defined contribution plan members, a portion must be allocated for educational programs as provided in 19-3-112. Employer contributions for members under the defined contribution plan must be allocated as provided in 19-3-2117.

(2) Local government and school district employer contributions must be the total employer contribution rate provided in subsection (1) minus the state contribution rates under 19-3-319.

(3) (a) Subject to subsection (4), each employer shall contribute to the system an additional