

HOUSE BILL NO. 863

INTRODUCED BY L. JONES, J. ESP, C. GLIMM, D. BEDEY, B. MERCER, E. TILLEMAN, K. WALSH

A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING STATE FINANCE LAWS; REQUIRING THE BOARD OF INVESTMENTS TO PERFORM DUTIES IN A RESTRICTED FIDUCIARY FUND TYPE; TEMPORARILY ALLOWING USE OF THE ACCOMMODATIONS TAX FOR HISTORICAL SITES AT REEDER'S ALLEY AND VIRGINIA CITY; PROVIDING AN APPROPRIATION; PROVIDING CONTINGENT APPROPRIATIONS; PROVIDING FOR A STUDY FOR THE OFFICE OF BUDGET AND PROGRAM PLANNING ON EXECUTIVE AGENCY STRUCTURE AND OPERATIONS AND MARKET AND ACTUAL WAGES; REQUESTING THAT THE GOVERNOR CALL A SPECIAL SESSION IF CERTAIN FEDERAL ACTIONS AFFECTING MONTANA'S ECONOMY OCCUR; AMENDING SECTION SECTIONS 2-15-1808, 15-65-121, AND 17-7-102, MCA; AND PROVIDING AN EFFECTIVE DATE."

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

Section 1. Section 2-15-1808, MCA, is amended to read:

"2-15-1808. Board of investments -- allocation -- composition -- quasi-judicial -- reporting. (1)

There is a board of investments within the department of commerce.

(2) Except as otherwise provided in this subsection, the board is allocated to the department for administrative purposes as prescribed in 2-15-121. The board may employ a chief investment officer and an executive director who have general responsibility for selection and management of the board's staff and for direct investment and economic development activities. The board shall prescribe the duties and annual salaries of the chief investment officer, executive director, and six professional staff positions. The chief investment officer, executive director, and six professional staff serve at the pleasure of the board.

(3) The board is composed of nine members appointed by the governor, as prescribed in 2-15-124, and two ex officio, nonvoting members. The members are:

(a) one member from the public employees' retirement board, provided for in 2-15-1009, and one member from the teachers' retirement board provided for in 2-15-1010. If either member of the respective

retirement boards ceases to be a member of the retirement board, the position of that member on the board of investments is vacant, and the governor shall fill the vacancy in accordance with 2-15-124.

(b) seven members who will provide a balance of professional expertise and public interest and accountability, who are informed and experienced in the subject of investments, and who are representatives of:

(i) the financial community;

(ii) small business;

(iii) agriculture; and

(iv) labor; and

(c) two ex officio, nonvoting legislative liaisons to the board, of which one must be a senator appointed by the president of the senate and one must be a representative appointed by the speaker of the house. The liaisons may not be from the same political party. Preference in appointments is to be given to legislators who have a background in investments or finance. The legislative liaisons shall serve from appointment through each even-numbered calendar year and may attend all board meetings. Legislative liaisons appointed pursuant to this subsection (3)(c) are entitled to compensation and expenses, as provided in 5-2-302, to be paid by the legislative council.

(4) The board is designated as a quasi-judicial board for the purposes of 2-15-124.

(5) The board shall perform all duties outlined in 2-15-121 subject to the restrictions of Title 17, chapters 5 and 6, in a restricted fiduciary fund type pursuant to 17-2-102(3).

(6) (a) The board shall prepare and present on its budget to the following committees on at least a biannual basis:

(i) the legislative finance committee;

(ii) the state administrative and veterans' affairs interim committee; and

(iii) the general government interim budget committee.

(b) During each legislative session, the board shall report to the house appropriations committee, the senate finance and claims committee, and the general government joint appropriations subcommittee upon request."

Section 2. Section 15-65-121, MCA, is amended to read:

"15-65-121. (Temporary) Distribution of tax proceeds. (1) The proceeds of the tax imposed by 15-65-111 must, in accordance with the provisions of 17-2-124, be deposited in an account in the state special revenue fund to the credit of the department. The department may spend from that account in accordance with an expenditure appropriation by the legislature based on an estimate of the costs of collecting and disbursing the proceeds of the tax. Before allocating the balance of the tax proceeds in accordance with the provisions of 17-2-124 and as provided in subsections (2)(a) through ~~(2)(j)~~ (2)(k) of this section, the department shall determine the expenditures by state agencies for in-state lodging for each reporting period and deduct 4% of that amount from the tax proceeds received each reporting period. The department shall distribute the portion of the 4% that was paid with federal funds to the department of administration for return to the federal government and deposit 30% of the amount deducted less the portion paid with federal funds in the state general fund.

(2) The balance of the tax proceeds received each reporting period and not deducted pursuant to the expenditure appropriation, deposited in the state general fund, distributed to agencies that paid the tax with federal funds, or deposited in the heritage preservation and development account must be transferred to an account in the state special revenue fund to the credit of the department of commerce for the purposes designated under 90-1-122, to the emergency lodging for victims of domestic violence or human trafficking account, to the Montana historical interpretation state special revenue account, to the Montana historical society, to the university system, to the state-tribal economic development commission, and to the department of fish, wildlife, and parks, as follows:

(a) 1% to the Montana historical society to be used for the installation or maintenance of roadside historical signs and historic sites;

(b) 2.5% to the university system for the establishment and maintenance of a Montana travel research program;

(c) 6.5% to the department of fish, wildlife, and parks for the maintenance of facilities in state parks that have both resident and nonresident use;

(d) 1.4% to the invasive species state special revenue account established in 80-7-1004;

(e) 60.2% to be used directly by the department of commerce as provided in 90-1-122~~[- and in part~~

~~to renovate the Miles City train depot];~~

(f) 0.1% to the emergency lodging for victims of domestic violence or human trafficking account established in 44-4-1506;

(g) (i) except as provided in subsection (2)(g)(ii), 22.5% to be distributed by the department to regional nonprofit tourism corporations in the ratio of the proceeds collected in each tourism region to the total proceeds collected statewide; and

(ii) if 22.5% of the proceeds collected annually within the limits of a city, consolidated city-county, resort area, or resort area district exceeds \$35,000, 50% of the amount available for distribution to the regional nonprofit tourism corporation in the region where the city, consolidated city-county, resort area, or resort area district is located, to be distributed to the nonprofit convention and visitors bureau in that city, consolidated city-county, resort area, or resort area district;

(h) 0.5% to the state special revenue account provided for in 90-1-135 for use by the state-tribal economic development commission established in 90-1-131 for activities in the Indian tourism region;

(i) 2.6% to the Montana historical interpretation state special revenue account established in 22-3-115; ~~and~~

(j) 2.7% or \$1 million, whichever is less, to the Montana heritage preservation and development account provided for in 22-3-1004. The Montana heritage preservation and development commission shall report on the use of funds received pursuant to this subsection (2)(j) to the legislative finance committee on a semiannual basis, in accordance with 5-11-210; ~~and~~

~~(k) \$250,000 in each year of the biennium beginning July 1, 2025, to the Montana heritage commission for projects at Reeder's Alley in Helena and Grace Methodist Church in Virginia City.~~

(3) If a city, consolidated city-county, resort area, or resort area district qualifies under 15-68-820(5)(b)(iii) or this section for funds but fails to either recognize a nonprofit convention and visitors bureau or submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds must be allocated to the regional nonprofit tourism corporation in the region in which the city, consolidated city-county, resort area, or resort area district is located.

(4) If a regional nonprofit tourism corporation fails to submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds otherwise allocated to the regional nonprofit tourism

corporation may be used by the department of commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.

(5) The tax proceeds received that are transferred to a state special revenue account pursuant to subsections (2)(a) through (2)(c), (2)(e), and (2)(g) are statutorily appropriated to the entities as provided in 17-7-502. The tax proceeds received that are transferred to the emergency lodging for victims of domestic violence or human trafficking account pursuant to subsection (2)(f) are subject to the appropriation provisions in 44-4-1506.

(6) The tax proceeds received that are transferred to the invasive species state special revenue account pursuant to subsection (2)(d), to the Montana historical interpretation state special revenue account pursuant to subsection (2)(i), and to the Montana heritage preservation and development account pursuant to subsection (2)(j) are subject to appropriation by the legislature. (Terminates June 30, 2027--sec. 12, Ch. 563, L. 2021; sec. 10, Ch. 758, L. 2023; ~~bracketed language in subsection (1)(e) terminates June 30, 2025--sec. 34, Ch. 763, L. 2023.~~)

15-65-121. (Effective July 1, 2027) Distribution of tax proceeds. (1) The proceeds of the tax imposed by 15-65-111 must, in accordance with the provisions of 17-2-124, be deposited in an account in the state special revenue fund to the credit of the department. The department may spend from that account in accordance with an expenditure appropriation by the legislature based on an estimate of the costs of collecting and disbursing the proceeds of the tax. Before allocating the balance of the tax proceeds in accordance with the provisions of 17-2-124 and as provided in subsections (2)(a) through (2)(h) of this section, the department shall determine the expenditures by state agencies for in-state lodging for each reporting period and deduct 4% of that amount from the tax proceeds received each reporting period. The department shall distribute the portion of the 4% that was paid with federal funds to the department of administration for return to the federal government and deposit 30% of the amount deducted less the portion paid with federal funds in the state general fund. The amount of \$400,000 each year must be deposited in the Montana heritage preservation and development account provided for in 22-3-1004.

(2) The balance of the tax proceeds received each reporting period and not deducted pursuant to the expenditure appropriation, deposited in the state general fund, distributed to agencies that paid the tax with federal funds, or deposited in the heritage preservation and development account must be transferred to an

1 account in the state special revenue fund to the credit of the department of commerce for the purposes
2 designated under 90-1-122, to the Montana historical interpretation state special revenue account, to the
3 Montana historical society, to the university system, to the state-tribal economic development commission, and
4 to the department of fish, wildlife, and parks, as follows:

5 (a) 1% to the Montana historical society to be used for the installation or maintenance of roadside
6 historical signs and historic sites;

7 (b) 2.5% to the university system for the establishment and maintenance of a Montana travel
8 research program;

9 (c) 6.5% to the department of fish, wildlife, and parks for the maintenance of facilities in state parks
10 that have both resident and nonresident use;

11 (d) 1.4% to the invasive species state special revenue account established in 80-7-1004;

12 (e) 63% to be used directly by the department of commerce as provided in 90-1-122;

13 (f) (i) except as provided in subsection (2)(f)(ii), 22.5% to be distributed by the department to
14 regional nonprofit tourism corporations in the ratio of the proceeds collected in each tourism region to the total
15 proceeds collected statewide; and

16 (ii) if 22.5% of the proceeds collected annually within the limits of a city, consolidated city-county,
17 resort area, or resort area district exceeds \$35,000, 50% of the amount available for distribution to the regional
18 nonprofit tourism corporation in the region where the city, consolidated city-county, resort area, or resort area
19 district is located, to be distributed to the nonprofit convention and visitors bureau in that city, consolidated city-
20 county, resort area, or resort area district;

21 (g) 0.5% to the state special revenue account provided for in 90-1-135 for use by the state-tribal
22 economic development commission established in 90-1-131 for activities in the Indian tourism region; and

23 (h) 2.6% to the Montana historical interpretation state special revenue account established in 22-3-
24 115.

25 (3) If a city, consolidated city-county, resort area, or resort area district qualifies under 15-68-
26 820(5)(b)(iii) or this section for funds but fails to either recognize a nonprofit convention and visitors bureau or
27 submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds must be
28 allocated to the regional nonprofit tourism corporation in the region in which the city, consolidated city-county,

resort area, or resort area district is located.

(4) If a regional nonprofit tourism corporation fails to submit and gain approval for an annual marketing plan as required in 15-65-122, then those funds otherwise allocated to the regional nonprofit tourism corporation may be used by the department of commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.

(5) The tax proceeds received that are transferred to a state special revenue account pursuant to subsections (2)(a) through (2)(c), (2)(e), and (2)(f) are statutorily appropriated to the entities as provided in 17-7-502.

(6) The tax proceeds received that are transferred to the invasive species state special revenue account pursuant to subsection (2)(d) and to the Montana historical interpretation state special revenue account pursuant to subsection (2)(h) are subject to appropriation by the legislature."

Section 3. 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 16% of all general 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~~ and the school equalization and property tax reduction account in 20-9-336.

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

(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

1 considered a new proposal.

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

4 (13) "Present law base" means that level of funding needed under present law to maintain
5 operations and services at the level authorized by the previous legislature, including but not limited to:

6 (a) changes resulting from legally mandated workload, caseload, or enrollment increases or
7 decreases;

8 (b) changes in funding requirements resulting from constitutional or statutory schedules or
9 formulas;

10 (c) inflationary or deflationary adjustments; and

11 (d) elimination of nonrecurring appropriations.

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

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

15 (16) "University system unit" means the board of regents of higher education; office of the
16 commissioner of higher education; university of Montana, with campuses at Missoula, Butte, Dillon, and
17 Helena; Montana state university, with campuses at Bozeman, Billings, Havre, and Great Falls; the agricultural
18 experiment station, with central offices at Bozeman; the forest and conservation experiment station, with central
19 offices at Missoula; the cooperative extension service, with central offices at Bozeman; the bureau of mines and
20 geology, with central offices at Butte; the fire services training school at Great Falls; and the community
21 colleges supervised and coordinated by the board of regents pursuant to 20-15-103. (Terminates June 30,
22 2028--sec. 11, Ch. 269, L. 2015.)

23 **17-7-102. (Effective July 1, 2028) Definitions.** As used in this chapter, the following definitions
24 apply:

25 (1) "Additional services" means different services or more of the same services.

26 (2) "Agency" means all offices, departments, boards, commissions, institutions, universities,
27 colleges, and any other person or any other administrative unit of state government that spends or encumbers
28 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 16% of all general 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~~ and the school equalization and property tax reduction account in 20-9-336.

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

(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.

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

(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.

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

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

(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."

NEW SECTION. Section 4. Study -- cost-of-living adjustments. During the interim following the

69th legislative session, the legislative finance committee may:

(1) assign to the modernization and risk analysis committee established in 5-12-601 a study of what cost-of-living adjustments may be appropriate based on a state employee's work location, wages, housing costs in the area, and related geographic expenses; or

(2) conduct the study described in subsection (1).

NEW SECTION. Section 5. Study of executive agency structure and operations --

appropriation. (1) The office of budget and program planning shall study the benefits generated by any principal department of the state, as designated in 2-15-104, to the citizens of Montana.

(2) As part of the study, the office of budget and program planning shall consider the expenses associated with any principal department of the state in order to determine the most efficient and effective delivery of government services to the citizens of Montana.

(3) The study must include an examination of the operation and administration of state-owned health care facilities. The facilities to study may include the Montana state hospital, the Montana chemical dependency center, the Montana mental health nursing care center, the intensive behavioral center, the Montana veterans' home, the eastern Montana veterans' home, and the southwestern Montana veterans' home.

(4) This components of the study must include but are not limited to:

(a) the organization and state administration of state-owned health care facilities in peer states;

(b) resident outcomes at Montana's state-owned health care facilities;

(c) state employee retention and staffing;

(d) the role of contract or temporary staff; and

(e) federal and state compliance.

(5) The office of budget and program planning shall consider the findings of relevant reporting from the legislative audit division.

(6) All aspects of the study must be concluded by September 1, 2026, and if there are findings and recommendations, they must be reported to the legislative finance committee.

(7) There is appropriated \$350,000 from the general fund to the office of budget and program

1 planning for the biennium beginning July 1, 2025, to conduct the study provided for in this section.

2 (8) The office of budget and program planning shall report to the legislative finance committee and
3 work with a subcommittee of the finance committee appointed by the chair of the legislative finance committee
4 on the study and pay for the salary, per diem, and travel expenses of legislative members.
5

6 **NEW SECTION. Section 6. Market wage study.** (1) The office of budget and program planning shall
7 study the market wages and actual wages of executive branch employees. The office of budget and program
8 planning may allocate funds provided for in subsection (2) to agencies to increase wages for positions for which
9 actual wages differ from market wages and authorize pay adjustments accordingly. The office of budget and
10 program planning may also consider both public sector and comparable private sector wages and specific
11 recruitment and retention issues to determine prevailing market wages for comparable positions.

12 (2) The following money is appropriated from the designated funds to the office of budget and
13 program planning for the biennium beginning July 1, 2025, to be distributed to agencies to address recruitment
14 and retention issues within executive branch agencies:

15 (a) \$10,600,000 from the general fund;

16 (b) \$7,600,000 from state special revenue funds;

17 (c) \$5,000,000 from federal special revenue funds; and

18 (d) \$2,600,000 from proprietary funds.

19 (3) Each request must be reviewed and approved by the budget director of the governor's office
20 prior to the transfer of appropriation authority to the agency.

21 (4) Funds must be used to adjust base pay for employees upon approval by the budget director
22 and must become a part of the base budget of the receiving agency.
23

24 **NEW SECTION. Section 7. Federal action and legislative response.** During the 2027 biennium, to
25 ensure a responsible and deliberate response to potential federal actions, the governor is encouraged to
26 convene a special session of the legislature, and members of the legislature are encouraged to request the
27 secretary of state to poll legislators pursuant to 5-3-105, if:

28 (1) internal review and action by the office of budget and program planning do not generate

sufficient shortfall mitigation;

(2) a federal bill or other type of legislation or executive order reduces anticipated federal revenues to Montana by more than \$500 million for the 2027 biennium;

(3) a federal bill or other type of legislation or executive order cancels previously enacted spending in a manner that reduces anticipated federal revenues to Montana by more than \$300 million;

(4) a federal bill or other type of legislation reduces anticipated state general fund revenue by more than \$300 million; or

(5) a recession in the United States is declared by the national bureau of economic research before September 1, 2026.

NEW SECTION. Section 8. Contingent appropriation. If a special session is called during the 2027 biennium to address federal actions or a recession as outlined in [section 7], there is appropriated \$280,000 from the general fund to the legislative services division for the biennium beginning July 1, 2025, upon the convening of a special session.

NEW SECTION. Section 9. Appropriation. (1) There is appropriated \$100,000 from the Montana-Ireland trade and development special revenue account to the department of commerce for the biennium beginning July 1, 2025, for implementing the provisions of Senate Bill No. 320.

(2) It is the intent of the legislature that the appropriation be included in the base budget for the department of commerce for the biennium beginning July 1, 2027.

COORDINATION SECTION. Section 10. Coordination instruction. If both House Bill No. 231 and [this act] are passed and approved, then there is appropriated \$90 million from the property tax assistance account provided for in House Bill No. 231 to the department of revenue for the biennium beginning July 1, 2025, to provide tax rebates as set forth in House Bill No. 231.

NEW SECTION. Section 11. Effective date. [This act] is effective July 1, 2025.

- END -