

1 SENATE BILL NO. 182

2 INTRODUCED BY G. HERTZ, M. BLASDEL, J. ELLSWORTH, S. FITZPATRICK, C. SMITH, W. GALT, L.

3 JONES, C. KNUDSEN, M. NOLAND, D. SKEES, B. USHER, S. VINTON

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5 A BILL FOR AN ACT ENTITLED: "AN ACT GENERALLY REVISING STATE FINANCE LAWS; CREATING

6 THE TAX REDUCTION FUND; PROVIDING FOR A REDUCTION OF TAX RATE ON PERSONAL INCOME

7 BASED ON STATE FISCAL HEALTH; PROVIDING FOR CRITERIA FOR REDUCING THE TAX RATE ON

8 PERSONAL INCOME; PROVIDING FOR TRANSFERS; AMENDING SECTIONS 10-3-312, 15-30-2103, 17-7-

9 130, 17-7-140, AND 76-13-150, MCA; AND PROVIDING ~~AN EFFECTIVE DATE, AN APPLICABILITY DATE,~~

10 ~~AND A TERMINATION DATE~~ EFFECTIVE DATES, APPLICABILITY DATES, AND TERMINATION DATES."

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

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14 NEW SECTION. Section 1. Tax reduction fund. (1) There is an account in the state special revenue

15 fund established in 17-2-102 known as the tax reduction fund.

16 (2) The account is funded through transfers made pursuant to 10-3-312, ~~and 17-7-130, 76-13-150~~, or

17 other legislative transfers.

18 (3) Money in this account is used to reduce the individual income tax rate as provided in 15-30-2103

19 depending on the state's fiscal health.

20 (4) The money in the account must be invested pursuant to Title 17, chapter 6. The income and

21 earnings on the account must be deposited in the account.

22 (5) ~~All THE STATE TREASURER SHALL TRANSFER ALL~~ funds in the account ~~are transferred~~ to the state

23 general fund ~~when the individual income tax rate is reduced pursuant to 15-30-2103.~~ BY SEPTEMBER 15 OF

24 EVERY EVEN-NUMBERED YEAR. TRANSFERS TO THE GENERAL FUND MADE PURSUANT TO THIS SECTION MAY NOT BE

25 INCLUDED:

26 (A) IN THE CERTIFIED CALCULATION OF THE AMOUNT OF UNAUDITED GENERAL FUND REVENUE AND

27 TRANSFERS INTO THE GENERAL FUND MADE PURSUANT TO 17-7-130(3); OR

28 (B) IN THE CALCULATION OF ANY TERMS DEFINED IN 17-7-130(6).

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Section 2. 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 \$16 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,~~ Except as provided in subsection (5), by August 15 of every odd-numbered year, an amount equal to the unexpended and unencumbered balance of the \$16 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.

(5) If the transfer provided for in subsection (4) would cause the fund balance in the fire suppression account provided for in 76-13-150 to exceed 4% of all general fund appropriations in the second year of the biennium, the state treasurer shall transfer from the general fund:

(a) to the fire suppression account, that portion required to bring the fund balance in the fire suppression account to 4% of all general fund appropriations in the second year of the biennium; and

(b) half 75% OF the remaining amount of the transfer provided for in subsection (4) to the tax reduction fund provided for in [section 1]. THE REMAINING 25% MUST REMAIN IN THE GENERAL FUND."

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Section 3. Section 15-30-2103, MCA, is amended to read:

"15-30-2103. Rate of tax -- reduction in rate. (1) ~~There~~ Except as provided in subsections (3) and (4), there must be levied, collected, and paid for each tax year upon the taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as provided in this chapter, a tax on the brackets of taxable income as follows:

- (a) on the first \$2,900 of taxable income or any part of that income, 1%;
- (b) on the next \$2,200 of taxable income or any part of that income, 2%;
- (c) on the next \$2,700 of taxable income or any part of that income, 3%;
- (d) on the next \$2,700 of taxable income or any part of that income, 4%;
- (e) on the next \$3,000 of taxable income or any part of that income, 5%;
- (f) on the next \$3,900 of taxable income or any part of that income, 6%;
- (g) on any taxable income in excess of \$17,400 or any part of that income, 6.9%.

(2) By November 1 of each year, the department shall multiply the bracket amount contained in subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest \$100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for imposition of the tax in subsection (1) of this section.

(3) The tax rate provided for in subsection (1)(g), is reduced pursuant to the CERTIFICATION AND calculation provided for in subsection (4) only if all of the following conditions are met:

(a) the balance in the budget stabilization reserve fund provided for in 17-7-130 is at least 4.5% of all general fund appropriations in the second year of the biennium;

(b) THE AMOUNT OF the balance in the fire suppression account provided for in 76-13-150 AS CERTIFIED IN 17-7-130(3) PLUS THE AMOUNT OF TRANSFERS MADE PURSUANT TO 10-3-312 AND 76-13-150 INTO THE FIRE SUPPRESSION ACCOUNT is at least 3% of all general fund appropriations in the second year of the biennium;

(c) the budget director determines that the growth rate, as defined in 17-7-130 exceeds the ratio of current year population to previous year population multiplied by the ratio of the current consumer price index to the previous year consumer price index. The budget director will use the rates provided by the state's contracted econometric analysis and data provider in making the determination.

1 ~~(d)~~ (c) the budget director determines that the reduction to the tax rate in the following tax year would
 2 not require reductions pursuant to 17-7-140.

3 (4) (a) On September 1 of every even-numbered year, the department of administration shall certify
 4 to the legislative fiscal analyst and the budget director the balance in the tax reduction fund provided for in
 5 [section 1].

6 (b) The tax rate provided in subsection (1)(g) is reduced depending on the balance of tax relief fund
 7 as follows:

8 (i) AT LEAST \$10 MILLION AND LESS THAN \$20 MILLION, THE RATE IS REDUCED BY 0.025%;

9 ~~(ii)~~ (ii) at least \$20 million and less than \$40-\$30 million, the rate is reduced by 0.05%;

10 (iii) AT LEAST \$30 MILLION AND LESS THAN \$40 MILLION, THE RATE IS REDUCED BY 0.075%;

11 ~~(iv)~~ (iv) at least \$40 million and less than \$60-\$50 million, the rate is reduced by 0.1%;

12 (v) AT LEAST \$50 MILLION AND LESS THAN \$60 MILLION, THE RATE IS REDUCED BY 0.125%;

13 (vi) AT LEAST \$60 MILLION AND LESS THAN \$70 MILLION, THE RATE IS REDUCED BY 0.15%;

14 ~~(vii)~~ (vii) at least \$60-\$70 million and less than \$80 million, the rate is reduced by 0.15%; 0.175%;

15 ~~(viii)~~ (viii) at least \$80 million and less than \$100-\$90 million, the rate is reduced by 0.2%;

16 (ix) AT LEAST \$90 MILLION AND LESS THAN \$100 MILLION, THE RATE IS REDUCED BY 0.225%;

17 ~~(x)~~ (x) \$100 million or more, the rate is ~~rate is~~ reduced by 0.25%;

18 (c) The total reduction to the tax rate may not exceed 0.25% in a biennium.

19 (d) The reduced rate replaces the rate provided for in subsection (1)(g) and applies to subsequent tax
 20 years.

21 (e) The reduced rate must be further reduced in a subsequent odd-numbered tax year if the
 22 conditions in subsection (3) and this subsection (4) are met IN A SUBSEQUENT EVEN-NUMBERED CALENDAR YEAR.

23 ~~(5) — If the tax rate is reduced pursuant to subsection(4), the entire fund balance in the tax reduction~~
 24 ~~fund provided for in [section 1] must be transferred to the state general fund by September 15 following the~~
 25 ~~September 1 certification of the balance in the tax relief fund.~~

26 ~~(6)~~ (5) Once the budget director determines that the tax rate is reduced pursuant to this section, the
 27 budget director shall:

28 (a) notify the revenue interim committee, the legislative finance committee, and the department of

1 revenue of the determination; and

2 (b) direct the department of revenue to adjust withholding TABLES based on the tax rate reduction for
 3 subsequent tax years."

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5 **SECTION 4. SECTION 15-30-2103, MCA, IS AMENDED TO READ:**

6 **"15-30-2103. Rate of tax.** (1) There must be levied, collected, and paid for each tax year upon the
 7 taxable income of each taxpayer subject to this tax, after making allowance for exemptions and deductions as
 8 provided in this chapter, a tax on the brackets of taxable income as follows:

9 (a) on the first \$2,900 of taxable income or any part of that income, 1%;

10 (b) on the next \$2,200 of taxable income or any part of that income, 2%;

11 (c) on the next \$2,700 of taxable income or any part of that income, 3%;

12 (d) on the next \$2,700 of taxable income or any part of that income, 4%;

13 (e) on the next \$3,000 of taxable income or any part of that income, 5%;

14 (f) on the next \$3,900 of taxable income or any part of that income, 6%;

15 (g) on any taxable income in excess of \$17,400 or any part of that income, ~~6.9%~~ the same rate as
 16 was in effect on December 31, 2025.

17 (2) By November 1 of each year, the department shall multiply the bracket amount contained in
 18 subsection (1) by the inflation factor for the following tax year and round the cumulative brackets to the nearest
 19 \$100. The resulting adjusted brackets are effective for that following tax year and must be used as the basis for
 20 imposition of the tax in subsection (1) of this section."

21

22 **Section 5.** Section 17-7-130, MCA, is amended to read:

23 **"17-7-130. Budget stabilization reserve fund -- rules for deposits and transfers -- purpose.** (1)

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

26 (2) The purpose of the budget stabilization reserve fund is:

27 (a) to mitigate budget reductions when there is a revenue shortfall; and

28 (b) when there are funds in excess of the reserve level, to:

1 (i) pay down the debt service on bonds for capital projects previously authorized by the legislature if
2 allowed without penalty by the terms of the bond issuance; and

3 (ii) delay, forego, or reduce the amount of an issuance of bonds authorized by the legislature.

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

6 (a) the unaudited, unassigned ending fund balance of the general fund for the ~~prior~~ MOST RECENTLY
7 COMPLETED fiscal year;

8 (b) the unaudited, unassigned fund balance of the fire suppression account for the ~~prior~~ MOST
9 RECENTLY COMPLETED fiscal year; and

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

15 ~~(4) For the fiscal years beginning July 1, 2016, through July 1, 2020, if actual general fund revenue~~
16 ~~exceeds the revenue estimate established pursuant to 5-5-227 for that fiscal year, excess revenue over the~~
17 ~~amount of revenue that exceeds the revenue estimate by \$15 million is allocated as follows:~~

18 ~~(a) 50% remains in the general fund; and~~

19 ~~(b) 50% is transferred into the budget stabilization reserve fund on or before August 15 of the~~
20 ~~following fiscal year.~~

21 ~~(5)(4) Starting in the fiscal year beginning July 1, 2021, the~~ By EXCEPT AS PROVIDED IN SUBSECTION (5),
22 BY August 15, the state treasurer shall transfer, ~~by August 15 of the following fiscal year,~~ from the general fund
23 to the budget stabilization reserve fund an amount equal to 50% 75% of the ~~excess revenue~~ AMOUNT OF ACTUAL
24 GENERAL FUND REVENUE for the MOST RECENTLY COMPLETED fiscal year ~~as defined in subsection (6) THAT~~
25 EXCEEDS THE REVENUE ESTIMATE ESTABLISHED PURSUANT TO 5-5-227 ADJUSTED FOR LEGISLATION FOR THAT FISCAL
26 YEAR AS REFLECTED IN VOLUME 2 OF THE LEGISLATIVE FISCAL REPORT AUTHORED BY THE LEGISLATIVE FISCAL
27 DIVISION FOR THAT BIENNIUM.

28 ~~(6)(5) (A) After IF a transfer is made pursuant to~~ PROVIDED FOR IN subsection (4)~~, or (5), if~~ WOULD

1 ~~CAUSE~~ the balance of the fund ~~exceeds~~ TO EXCEED an amount equal to 4.5% of all general fund appropriations
 2 in the second year of the biennium ~~in the subsequent fiscal year~~, then THE STATE TREASURER SHALL TRANSFER
 3 FROM THE GENERAL FUND TO THE FUND THAT PORTION REQUIRED TO BRING THE BALANCE OF THE FUND TO AN AMOUNT
 4 EQUAL TO 4.5% OF ALL GENERAL FUND APPROPRIATIONS IN THE SECOND YEAR OF THE BIENNIUM AND THE REMAINDER
 5 OF THE TRANSFER MUST BE DISTRIBUTED AS FOLLOWS:

6 ~~(i) any 50% OF THE REMAINING funds in excess of that amount must be transferred by August 16 of each~~
 7 ~~fiscal year as follows:~~ TO THE ACCOUNT ESTABLISHED IN 17-7-209; AND

8 ~~(ii) EXCEPT AS PROVIDED IN SUBSECTION (5)(B), 50% OF THE REMAINING FUNDS MUST REMAIN IN THE GENERAL~~
 9 ~~FUND.~~

10 ~~(B) (i) THE REMAINING AMOUNT IN SUBSECTION (5)(A)(ii) MUST BE TRANSFERRED TO THE TAX REDUCTION~~
 11 ~~FUND PROVIDED FOR IN [SECTION 1] IF THE BUDGET DIRECTOR DETERMINES:~~

12 ~~(A) ADJUSTED COMPOUND ANNUAL GROWTH RATE REVENUE EXCEEDS ADJUSTED CONSUMER PRICE INDEX-~~
 13 ~~INFLATION REVENUE; AND~~

14 ~~(B) ACTUAL REVENUE FOR THE MOST RECENTLY COMPLETED FISCAL YEAR EXCEEDS ADJUSTED COMPOUND~~
 15 ~~ANNUAL GROWTH RATE REVENUE.~~

16 ~~(ii) THE BUDGET DIRECTOR SHALL USE THE RATES PROVIDED BY THE STATE'S CONTRACTED ECONOMETRIC~~
 17 ~~ANALYSIS AND DATA PROVIDER IN MAKING THE DETERMINATION IN THIS SUBSECTION (5).~~

18 ~~(a) 50% to the account established in 17-7-208 by August 16 of each fiscal year; and~~

19 ~~(b) 50% to the tax reduction fund established in [section 1].~~

20 ~~(7)(6)~~ For the purposes of this section, the following definitions apply:

21 (a) "Adjusted COMPOUND ANNUAL GROWTH RATE revenue" means general fund revenue for the FISCAL
 22 YEAR PRIOR TO THE prior most recently completed fiscal year plus the growth amount.

23 (b) "ADJUSTED CONSUMER PRICE INDEX-INFLATION REVENUE" MEANS GENERAL FUND REVENUE FOR THE
 24 FISCAL YEAR PRIOR TO THE MOST RECENTLY COMPLETED FISCAL YEAR MULTIPLIED BY THE RATIO OF CURRENT YEAR
 25 POPULATION FOR THE MOST RECENTLY COMPLETED QUARTER TO PREVIOUS YEAR POPULATION FOR THE SAME QUARTER
 26 MULTIPLIED BY THE RATIO OF THE CURRENT CONSUMER PRICE INDEX FOR THE MOST RECENTLY COMPLETED QUARTER
 27 TO THE PREVIOUS YEAR CONSUMER PRICE INDEX FOR THE SAME QUARTER.

28 ~~(b) "Excess revenue" means the amount of general fund revenue, including transfers in, for the most~~

1 ~~recently completed fiscal year minus adjusted revenue.~~

2 (c) "Growth amount" means general fund revenue for the FISCAL YEAR PRIOR TO THE MOST RECENTLY
3 COMPLETED ~~prior~~ fiscal year multiplied by the growth rate.

4 (d) "Growth rate" ~~means the average compound rate of growth of general fund revenue for the most~~
5 ~~recently completed 6 fiscal years.~~ MEANS THE ANNUAL COMPOUND GROWTH RATE OF GENERAL FUND REVENUE
6 REALIZED OVER THE PERIOD 6 YEARS PRIOR TO THE MOST RECENTLY COMPLETED FISCAL YEAR, INCLUDING THE MOST
7 RECENTLY COMPLETED FISCAL YEAR."

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9 **SECTION 6.** SECTION 17-7-140, MCA, IS AMENDED TO READ:

10 **"17-7-140. Reduction in spending.** (1) (a) As the chief budget officer of the state, the governor shall
11 ensure that the expenditure of appropriations does not exceed available revenue. Except as provided in
12 subsection (2), in the event of a projected general fund budget deficit, the governor, taking into account the
13 criteria provided in subsection (1)(c), shall direct agencies to reduce spending in an amount that ensures that
14 the projected ending general fund balance for the biennium will be at least:

15 (i) 4% of the general fund appropriations for the second fiscal year of the biennium prior to October of
16 the year preceding a legislative session;

17 (ii) 3% of the general fund appropriations for the second fiscal year of the biennium in October of the
18 year preceding a legislative session;

19 (iii) 2% of the general fund appropriations for the second fiscal year of the biennium in January of the
20 year in which a legislative session is convened; and

21 (iv) 1% of the general fund appropriations for the second fiscal year of the biennium in March of the
22 year in which a legislative session is convened.

23 (b) An agency may not be required to reduce general fund spending for any program, as defined in
24 each general appropriations act, by more than 10% during a biennium. Starting January 1, 2021, a governor
25 may not reduce total agency spending in the biennium by more than 4% of the second year appropriations for
26 the agency. Departments or agencies headed by elected officials or the board of regents may not be required to
27 reduce general fund spending by a percentage greater than the percentage of general fund spending
28 reductions required for the weighted average of all other executive branch agencies. The legislature may

1 exempt from a reduction an appropriation item within a program or may direct that the appropriation item may
2 not be reduced by more than 10%.

3 (c) The governor shall direct agencies to manage their budgets in order to reduce general fund
4 expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor
5 shall direct each agency to analyze the nature of each program that receives a general fund appropriation to
6 determine whether the program is mandatory or permissive and to analyze the impact of the proposed
7 reduction in spending on the purpose of the program. An agency shall submit its analysis to the office of budget
8 and program planning and shall at the same time provide a copy of the analysis to the legislative fiscal analyst.
9 The report must be submitted in an electronic format. The office of budget and program planning shall review
10 each agency's analysis, and the budget director shall submit to the governor a copy of the office of budget and
11 program planning's recommendations for reductions in spending. The budget director shall provide a copy of
12 the recommendations to the legislative fiscal analyst at the time that the recommendations are submitted to the
13 governor and shall provide the legislative fiscal analyst with any proposed changes to the recommendations.
14 The recommendations must be provided in an electronic format. The legislative finance committee shall meet
15 within 20 days of the date that the proposed changes to the recommendations for reductions in spending are
16 provided to the legislative fiscal analyst. The legislative fiscal analyst shall provide a copy of the legislative fiscal
17 analyst's review of the proposed reductions in spending to the budget director at least 5 days before the
18 meeting of the legislative finance committee. The committee may make recommendations concerning the
19 proposed reductions in spending. The governor shall consider each agency's analysis and the
20 recommendations of the office of budget and program planning and the legislative finance committee in
21 determining the agency's reduction in spending. Reductions in spending must be designed to have the least
22 adverse impact on the provision of services determined to be most integral to the discharge of the agency's
23 statutory responsibilities.

24 (2) Reductions in spending for the following may not be directed by the governor:

- 25 (a) payment of interest and principal on state debt;
26 (b) the legislative branch;
27 (c) the judicial branch;
28 (d) the school BASE funding program, including special education;

- 1 (e) salaries of elected officials during their terms of office; ~~and~~
2 (f) the Montana school for the deaf and blind; and
3 (g) services for people with disabilities and the aged provided by the divisions within the department
4 of public health and human services for addictive and mental disorders, developmental disabilities, and senior
5 and long-term care.

6 (3) (a) As used in this section, "projected general fund budget deficit" means an amount, certified by
7 the budget director to the governor, by which the projected ending general fund balance for the biennium is less
8 than:

- 9 (i) 4% of the general fund appropriations for the second fiscal year of the biennium prior to October of
10 the year preceding a legislative session;
11 (ii) 1.875% in October of the year preceding a legislative session;
12 (iii) 1.25% in January of the year in which a legislative session is convened; and
13 (iv) 0.625% in March of the year in which a legislative session is convened.

14 (b) In determining the amount of the projected general fund budget deficit, the budget director shall
15 take into account revenue, established levels of appropriation, anticipated supplemental appropriations for
16 school equalization aid and the cost of the state's wildland fire suppression activities exceeding the amount
17 statutorily appropriated in 10-3-312, and anticipated reversions.

18 (4) If the budget director determines that an amount of actual or projected receipts will result in an
19 amount less than the amount projected to be received in the revenue estimate established pursuant to 5-5-227,
20 the budget director shall notify the revenue interim committee of the estimated amount. Within 20 days of
21 notification, the revenue interim committee shall provide the budget director with any recommendations
22 concerning the amount. The budget director shall consider any recommendations of the revenue interim
23 committee prior to certifying a projected general fund budget deficit to the governor.

24 (5) If the budget director certifies a projected general fund budget deficit, the governor may authorize
25 transfers to the general fund from certain accounts as set forth in subsections (6), (7), and (8).

26 (6) ~~Before January 1, 2021, the governor may authorize transfers from the budget stabilization~~
27 ~~reserve fund prior to making reductions in spending. A transfer under this subsection may not cause the fund~~
28 ~~balance of the budget stabilization reserve fund to be less than 1% of all general fund appropriations in the~~

1 ~~second year of the biennium. The governor may authorize transfers from the tax reduction fund provided for in~~
 2 ~~[section 1] prior to making reductions in spending.~~

3 (7) The governor may authorize transfers from the budget stabilization reserve fund provided for in
 4 17-7-130. The governor may authorize \$2 of transfers from the fund for each \$1 of reductions in spending.

5 (8) If the budget director certifies a projected general fund budget deficit, the governor may authorize
 6 transfers to the general fund from the fire suppression account established in 76-13-150. The amount of funds
 7 available for a transfer from this account is up to the sum of the fund balance of the account, plus expected
 8 current year revenue, minus the sum of 1% of the general fund appropriations for the second fiscal year of the
 9 biennium, plus estimated expenditures from the account for the fiscal year. The governor may authorize \$1 of
 10 transfers from the fire suppression account established in 76-13-150 for each \$1 of reductions in spending."
 11

12 **SECTION 7. SECTION 17-7-140, MCA, IS AMENDED TO READ:**

13 **"17-7-140. Reduction in spending.** (1) (a) As the chief budget officer of the state, the governor shall
 14 ensure that the expenditure of appropriations does not exceed available revenue. Except as provided in
 15 subsection (2), in the event of a projected general fund budget deficit, the governor, taking into account the
 16 criteria provided in subsection (1)(c), shall direct agencies to reduce spending in an amount that ensures that
 17 the projected ending general fund balance for the biennium will be at least:

18 (i) 4% of the general fund appropriations for the second fiscal year of the biennium prior to October of
 19 the year preceding a legislative session;

20 (ii) 3% of the general fund appropriations for the second fiscal year of the biennium in October of the
 21 year preceding a legislative session;

22 (iii) 2% of the general fund appropriations for the second fiscal year of the biennium in January of the
 23 year in which a legislative session is convened; and

24 (iv) 1% of the general fund appropriations for the second fiscal year of the biennium in March of the
 25 year in which a legislative session is convened.

26 (b) An agency may not be required to reduce general fund spending for any program, as defined in
 27 each general appropriations act, by more than 10% during a biennium. Starting January 1, 2021, a governor
 28 may not reduce total agency spending in the biennium by more than 4% of the second year appropriations for

1 the agency. Departments or agencies headed by elected officials or the board of regents may not be required to
2 reduce general fund spending by a percentage greater than the percentage of general fund spending
3 reductions required for the weighted average of all other executive branch agencies. The legislature may
4 exempt from a reduction an appropriation item within a program or may direct that the appropriation item may
5 not be reduced by more than 10%.

6 (c) The governor shall direct agencies to manage their budgets in order to reduce general fund
7 expenditures. Prior to directing agencies to reduce spending as provided in subsection (1)(a), the governor
8 shall direct each agency to analyze the nature of each program that receives a general fund appropriation to
9 determine whether the program is mandatory or permissive and to analyze the impact of the proposed
10 reduction in spending on the purpose of the program. An agency shall submit its analysis to the office of budget
11 and program planning and shall at the same time provide a copy of the analysis to the legislative fiscal analyst.
12 The report must be submitted in an electronic format. The office of budget and program planning shall review
13 each agency's analysis, and the budget director shall submit to the governor a copy of the office of budget and
14 program planning's recommendations for reductions in spending. The budget director shall provide a copy of
15 the recommendations to the legislative fiscal analyst at the time that the recommendations are submitted to the
16 governor and shall provide the legislative fiscal analyst with any proposed changes to the recommendations.
17 The recommendations must be provided in an electronic format. The legislative finance committee shall meet
18 within 20 days of the date that the proposed changes to the recommendations for reductions in spending are
19 provided to the legislative fiscal analyst. The legislative fiscal analyst shall provide a copy of the legislative fiscal
20 analyst's review of the proposed reductions in spending to the budget director at least 5 days before the
21 meeting of the legislative finance committee. The committee may make recommendations concerning the
22 proposed reductions in spending. The governor shall consider each agency's analysis and the
23 recommendations of the office of budget and program planning and the legislative finance committee in
24 determining the agency's reduction in spending. Reductions in spending must be designed to have the least
25 adverse impact on the provision of services determined to be most integral to the discharge of the agency's
26 statutory responsibilities.

27 (2) Reductions in spending for the following may not be directed by the governor:

28 (a) payment of interest and principal on state debt;

- 1 (b) the legislative branch;
- 2 (c) the judicial branch;
- 3 (d) the school BASE funding program, including special education;
- 4 (e) salaries of elected officials during their terms of office; ~~and~~
- 5 (f) the Montana school for the deaf and blind; and
- 6 (g) services for people with disabilities and the aged provided by the divisions within the department
- 7 of public health and human services for addictive and mental disorders, developmental disabilities, and senior
- 8 and long-term care.

9 (3) (a) As used in this section, "projected general fund budget deficit" means an amount, certified by

10 the budget director to the governor, by which the projected ending general fund balance for the biennium is less

11 than:

- 12 (i) 4% of the general fund appropriations for the second fiscal year of the biennium prior to October of
- 13 the year preceding a legislative session;
- 14 (ii) 1.875% in October of the year preceding a legislative session;
- 15 (iii) 1.25% in January of the year in which a legislative session is convened; and
- 16 (iv) 0.625% in March of the year in which a legislative session is convened.

17 (b) In determining the amount of the projected general fund budget deficit, the budget director shall

18 take into account revenue, established levels of appropriation, anticipated supplemental appropriations for

19 school equalization aid and the cost of the state's wildland fire suppression activities exceeding the amount

20 statutorily appropriated in 10-3-312, and anticipated reversions.

21 (4) If the budget director determines that an amount of actual or projected receipts will result in an

22 amount less than the amount projected to be received in the revenue estimate established pursuant to 5-5-227,

23 the budget director shall notify the revenue interim committee of the estimated amount. Within 20 days of

24 notification, the revenue interim committee shall provide the budget director with any recommendations

25 concerning the amount. The budget director shall consider any recommendations of the revenue interim

26 committee prior to certifying a projected general fund budget deficit to the governor.

27 (5) If the budget director certifies a projected general fund budget deficit, the governor may authorize

28 transfers to the general fund from certain accounts as set forth in subsections (6), and (7), ~~and (8)~~.

1 ~~(6)~~ Before January 1, 2021, the governor may authorize transfers from the budget stabilization
 2 reserve fund prior to making reductions in spending. A transfer under this subsection may not cause the fund
 3 balance of the budget stabilization reserve fund to be less than 1% of all general fund appropriations in the
 4 second year of the biennium.

5 ~~(7)~~ (6) The governor may authorize transfers from the budget stabilization reserve fund provided for in
 6 17-7-130. The governor may authorize \$2 of transfers from the fund for each \$1 of reductions in spending.

7 ~~(8)~~ (7) If the budget director certifies a projected general fund budget deficit budget stabilization
 8 reserve fund provided for in 17-7-130 is full expended and the governor determines more spending reductions
 9 are needed to address the projected general fund budget deficit, the governor may authorize transfers to the
 10 general fund from the fire suppression account established in 76-13-150. The amount of funds available for a
 11 transfer from this account is up to the sum of the fund balance of the account, plus expected current year
 12 revenue, minus the sum of 1% of the general fund appropriations for the second fiscal year of the biennium,
 13 plus estimated expenditures from the account for the fiscal year. The governor may authorize \$1 of transfers
 14 from the fire suppression account established in 76-13-150 for each \$1 of reductions in spending."
 15

16 **Section 8.** Section 76-13-150, MCA, is amended to read:

17 **"76-13-150. Fire suppression account -- fund transfer.** (1) There is a fire suppression account in
 18 the state special revenue fund to the credit of the department.

19 (2) The legislature may transfer money from other funds to the account, and the money in the account
 20 is subject to legislative fund transfers.

21 (3) Funds received for restitution by private parties must be deposited in the account.

22 (4) Money in the account may be used only for:

23 (a) fire suppression costs;

24 (b) fuel reduction and mitigation;

25 (c) forest restoration;

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

27 (e) forest management projects on federal land;

28 (f) support for collaborative groups that include at least one representative of an affected county

1 commission that is engaged with a federal forest project and for local governments engaged in litigation related
2 to federal forest projects; and

3 (g) road maintenance on federal lands.

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

5 (6) Except as provided in subsections (7) ~~and~~, (8), and (9), by August 15 following the end of each
6 fiscal year, an amount equal to the balance of unexpended and unencumbered general fund money
7 appropriated in excess of 0.5% of the total general fund money appropriated for that fiscal year must be
8 transferred by the state treasurer from the general fund to the fire suppression account. General fund
9 appropriations that continue from a fiscal year to the next fiscal year and any general fund appropriations made
10 pursuant to 10-3-310 or 10-3-312 are excluded from the calculation.

11 (7) If the transfer provided for in subsection (6) would cause the fund balance in the fire suppression
12 account to exceed 4% of all general fund appropriations in the second year of the biennium, the state treasurer
13 shall transfer from the general fund:

14 (a) to the fire suppression account, that portion required to bring the fund balance in the account to
15 4% of all general fund appropriations in the second year of the biennium; and

16 (b) ~~half~~ 75% OF the remaining amount of the transfer provided for in subsection (6) to the tax
17 reduction fund provided for in [section 1]. THE REMAINING 25% MUST REMAIN IN THE STATE GENERAL FUND.

18 ~~(7)(8)~~ The provisions of subsection (6) do not apply in a fiscal year in which reductions required by
19 17-7-140 occur or if a transfer pursuant to subsection (6) would require reductions pursuant to 17-7-140.

20 ~~(8)(9)~~ The fund balance in the account may not exceed 4% of all general fund appropriations in the
21 second year of the biennium.

22 ~~(9)(10)~~ By August 15 of each even-numbered fiscal year, if the balance in the account at the end of the
23 most recently completed odd-numbered fiscal year exceeds \$40 million, the excess, up to \$5 million, must be
24 used in the biennium for the purposes in subsections (4)(b) through (4)(g). Of that amount, no more than 5%
25 may be used for the purposes of subsection (4)(f).

26 ~~(10)(11)~~ Money in the account is statutorily appropriated, as provided in 17-7-502, to the department
27 for the purposes described in subsection (4)."

28

1 NEW SECTION. Section 9. Codification instruction. [Section 1] is intended to be codified as an
2 integral part of Title 17, chapter 7, part 1, and the provisions of Title 17, chapter 7, part 1, apply to [section 1].

3
4 NEW SECTION. Section 10. Effective dates. (1) Except as provided in subsections (2) THROUGH (4),
5 [this act] is effective July 1, 2021.

6 (2) [Section 4 5] and this section are effective on passage and approval.

7 (3) [SECTION 7] IS EFFECTIVE JANUARY 1, 2025.

8 (4) [SECTION 4] IS EFFECTIVE JANUARY 1, 2026.

9

10 NEW SECTION. Section 11. Applicability. (1) [Sections 2 and ~~5~~ 8] apply to fiscal years ending after
11 July 1, 2021.

12 (2) [SECTION 3] APPLIES TO TAX YEARS PRIOR TO 2026.

13 (3) [SECTION 4] APPLIES TO TAX YEAR 2026 AND SUBSEQUENT TAX YEARS.

14

15 NEW SECTION. Section 12. Termination. (1) [SECTIONS 1, 2, 5, 6, AND 8] TERMINATE ~~[This act]~~
16 ~~terminates~~ June 30, 2025.

17 (2) [SECTION 3] TERMINATES DECEMBER 31, 2025.

18

- END -