



AN ACT GENERALLY REVISING LAWS RELATED TO PROVIDING FOR A STRATEGIC PLANNING PROCESS FOR CERTAIN GOVERNMENT ENTITIES; REQUIRING DEPARTMENTS TO PRODUCE ANNUAL PLANS; EXEMPTING CERTAIN DEPARTMENTS FROM CERTAIN BUDGET PLANNING PROCESS REQUIREMENTS; REQUIRING THAT ONLY EXISTING RESOURCES MAY BE USED TO IMPLEMENT THE ACT; PROVIDING DIRECTIONS TO THE CODE COMMISSIONER; AMENDING SECTIONS 2-4-102 AND 17-7-111, MCA; REPEALING SECTIONS 2-15-2221, 2-15-2222, 2-15-2223, 2-15-2224, 2-15-2225, AND 2-15-2226, MCA; AND PROVIDING AN EFFECTIVE DATE.

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

Section 1. Short title. [Sections 1 through 6] may be cited as the "State Measurement for Accountable, Responsive, and Transparent Government (SMART) Act".

Section 2. Declaration of policy and purpose. It is the public policy of this state to provide for an annual planning process for state government that results in the development of initiatives and performance measures for each department's divisions to facilitate efficient, transparent, accountable, and responsive government service.

(2) The purpose of [sections 1 through 6] is to ensure the development of executive branch annual plans to provide transparency to policymakers, stakeholders, and the public with regard to departments' initiatives. The annual plans will be guided and evaluated by performance measures designed to assess how well each department has performed with respect to its initiatives.

Section 3. Definitions. As used in [sections 1 through 6], the following definitions apply:

(1) "Annual performance report" means a written annual review and assessment of the outcomes

and outputs of a department as compared to its established annual plan and performance measures.

(2) "Annual plan" means a written plan prepared to guide the ongoing and proposed activities of a department by setting out initiatives, aspirational goals, outcomes, and outputs that the department intends to accomplish, and performance measures to facilitate program evaluations.

(3) "Department" means each entity listed in 2-15-104(1)(a) through (1)(p), the office of the secretary of state, the office of the state auditor, and the office of public instruction.

(4) "Division" has the meaning provided in 2-15-104.

(5) "Initiative" means a specific goal, objective, or target related to a performance measure that is adopted by a department.

(6) "Outcomes" means a quantification of the public benefit for Montanans derived from actions by a department.

(7) "Outputs" means a quantification of the number of services that a department produces for Montanans.

(8) "Performance measure" means a metric or measurement that is designed to help guide government by assessing what a department aspires to achieve pursuant to its annual plan with respect to the outcomes and outputs of its programs.

Section 4. Annual plan. (1) Each department shall produce an annual plan no later than September 1, 2023.

(2) Each department shall publish a subsequent annual plan no later than September 1 every 2 years afterward.

(3) At a minimum, an annual plan must include the following components:

(a) a description of the functions and divisions of the department, including a discussion of the department's priorities;

(b) initiatives of the department that reflect the benefits and outcomes the department expects to achieve on behalf of the public or specific groups through its divisions; and

(c) specific and measurable performance measures for its initiatives, including the preferred outcomes and outputs with respect to each initiative.

- (4) Performance measures must:
 - (a) be tracked on an ongoing basis;
 - (b) assess a department's preferred outcomes and outputs;
 - (c) be quantitative when possible; and
 - (d) be designed to provide meaningful and useful information to policymakers and the public.
- (5) The annual plan adopted by a department must be posted on the websites of the department.

Section 5. Annual performance report. (1) No later than December 1, 2024, and no later than October 1 of each year afterward, each department shall produce an annual performance report for the fiscal year that concluded in the same year and distribute it as provided in subsections (3) and (4).

(2) The annual performance report must focus on measuring outcomes and outputs with respect to the performance measures.

(3) An annual performance report of a department must be posted on the website of the department.

(4) In accordance with 5-11-210, the annual performance report of each department must be provided to the interim budget committee with oversight responsibility for the department pursuant to 5-12-501 and the appropriate legislative policy interim committee provided for in Title 5, chapter 5, part 2.

Section 6. Fiscal impact. A department may use only existing resources to implement the provisions of [sections 1 through 5].

Section 7. Section 2-4-102, MCA, is amended to read:

"2-4-102. Definitions. For purposes of this chapter, the following definitions apply:

(1) "Administrative rule review committee" or "committee" means the appropriate committee assigned subject matter jurisdiction in Title 5, chapter 5, part 2.

(2) (a) "Agency" means an agency, as defined in 2-3-102, of state government, except that the provisions of this chapter do not apply to the following:

- (i) the state board of pardons and parole, which is exempt from the contested case and judicial

review of contested cases provisions contained in this chapter. However, the board is subject to the remainder of the provisions of this chapter.

- (ii) the supervision and administration of a penal institution with regard to the institutional supervision, custody, control, care, or treatment of youth or prisoners;
- (iii) the board of regents and the Montana university system;
- (iv) the financing, construction, and maintenance of public works;
- (v) the public service commission when conducting arbitration proceedings pursuant to 47 U.S.C. 252 and 69-3-837.

(b) The term does not include a school district, a unit of local government, or any other political subdivision of the state.

(3) "ARM" means the Administrative Rules of Montana.

(4) "Contested case" means a proceeding before an agency in which a determination of legal rights, duties, or privileges of a party is required by law to be made after an opportunity for hearing. The term includes but is not restricted to ratemaking, price fixing, and licensing.

(5) (a) "Interested person" means a person who has expressed to the agency an interest concerning agency actions under this chapter and has requested to be placed on the agency's list of interested persons as to matters of which the person desires to be given notice.

(b) The term does not extend to contested cases.

(6) "License" includes the whole or part of an agency permit, certificate, approval, registration, charter, or other form of permission required by law but does not include a license required solely for revenue purposes.

(7) "Licensing" includes an agency process respecting the grant, denial, renewal, revocation, suspension, annulment, withdrawal, limitation, transfer, or amendment of a license.

(8) "Party" means a person named or admitted as a party or properly seeking and entitled as of right to be admitted as a party, but this chapter may not be construed to prevent an agency from admitting any person as a party for limited purposes.

(9) "Person" means an individual, partnership, corporation, association, governmental subdivision, agency, or public organization of any character.

(10) "Register" means the Montana Administrative Register.

(11) (a) "Rule" means each agency regulation, standard, or statement of general applicability that implements, interprets, or prescribes law or policy or describes the organization, procedures, or practice requirements of an agency. The term includes the amendment or repeal of a prior rule.

(b) The term does not include:

(i) statements concerning only the internal management of an agency or state government and not affecting private rights or procedures available to the public, including rules implementing the state personnel classification plan, the state wage and salary plan, or the statewide accounting, budgeting, and human resource system;

(ii) formal opinions of the attorney general and declaratory rulings issued pursuant to 2-4-501;

(iii) rules relating to the use of public works, facilities, streets, and highways when the substance of the rules is indicated to the public by means of signs or signals;

(iv) seasonal rules adopted annually or biennially relating to hunting, fishing, and trapping when there is a statutory requirement for the publication of the rules and rules adopted annually or biennially relating to the seasonal recreational use of lands and waters owned or controlled by the state when the substance of the rules is indicated to the public by means of signs or signals;

(v) uniform rules adopted pursuant to interstate compact, except that the rules must be filed in accordance with 2-4-306 and must be published in the ARM; ~~or~~

(vi) game parameters approved by the state lottery commission relating to a specific lottery game.

This subsection (11)(b)(vi) does not exempt generally applicable policies governing the state lottery that are otherwise subject to the Montana Administrative Procedure Act; or

(vii) annual plan documents governed by [sections 1 through 6] and published as provided in [sections 1 through 6].

(12) (a) "Significant interest to the public" means agency actions under this chapter regarding matters that the agency knows to be of widespread citizen interest. These matters include issues involving a substantial fiscal impact to or controversy involving a particular class or group of individuals.

(b) The term does not extend to contested cases.

(13) "Small business" means a business entity, including its affiliates, that is independently owned

and operated and that employs fewer than 50 full-time employees.

(14) "Substantive rules" are either:

(a) legislative rules, which if adopted in accordance with this chapter and under expressly delegated authority to promulgate rules to implement a statute have the force of law and when not so adopted are invalid; or

(b) adjective or interpretive rules, which may be adopted in accordance with this chapter and under express or implied authority to codify an interpretation of a statute. The interpretation lacks the force of law.

(15) "Supplemental notice" means a notice that amends the proposed rules or changes the timeline for public participation."

Section 8. Section 17-7-111, MCA, is amended to read:

"17-7-111. Preparation of state budget -- agency program budgets -- form distribution and contents. (1) (a) To prepare a state budget, the executive branch, the legislature, and the citizens of the state need information that is consistent and accurate. Necessary information includes detailed disbursements by fund type for each agency and program for the appropriate time period, recommendations for creating a balanced budget, and recommended disbursements and estimated receipts by fund type and fund category.

(b) Subject to the requirements of this chapter, the budget director and the legislative fiscal analyst shall by agreement:

(i) establish necessary standards, formats, and other matters necessary to share information between the agencies and to ensure that information is consistent and accurate for the preparation of the state's budget; and

(ii) provide for the collection and provision of budgetary and financial information that is in addition to or different from the information otherwise required to be provided pursuant to this section.

(2) In the preparation of a state budget, the budget director shall, not later than the date specified in 17-7-112(1), distribute to all agencies the proper forms and instructions necessary for the preparation of budget estimates by the budget director. These forms must be prescribed by the budget director to procure the information required by subsection (3). The forms must be submitted to the budget director by the date provided in 17-7-112(2), or the agency's budget is subject to preparation based upon estimates as provided in 17-7-

112(5). The budget director may refuse to accept forms that do not comply with the provisions of this section or the instructions given for completing the forms.

(3) The agency budget request must set forth a balanced financial plan for the agency completing the forms for each fiscal year of the ensuing biennium. The plan must consist of:

(a) a consolidated agency budget summary of funds subject to appropriation, as provided in 17-8-101, for the current base budget expenditures, including statutory appropriations, and for each present law adjustment and new proposal request setting forth the aggregate figures of the full-time equivalent personnel positions (FTE) and the budget, showing a balance between the total proposed disbursements and the total anticipated receipts, together with the other means of financing the budget for each fiscal year of the ensuing biennium, contrasted with the corresponding figures for the last-completed fiscal year and the fiscal year in progress;

(b) a schedule of the actual and projected receipts, disbursements, and solvency of each fund for the current biennium and estimated for the subsequent biennium;

(c) a statement of the agency mission and a statement of goals and objectives for each program of the agency. The goals and objectives must include, in a concise form, sufficient specific information and quantifiable information to enable the legislature to formulate an appropriations policy regarding the agency and its programs and to allow a determination, at some future date, on whether the agency has succeeded in attaining its goals and objectives. An agency that has complied with the requirements provided in [sections 1 through 6] is exempt from the provision of this subsection (3)(c).

(d) actual FTE and disbursements for the completed fiscal year of the current biennium, estimated FTE and disbursements for the current fiscal year, and the agency's request for the ensuing biennium, by program;

(e) actual disbursements for the completed fiscal year of the current biennium, estimated disbursements for the current fiscal year, and the agency's recommendations for the ensuing biennium, by disbursement category;

(f) for agencies with more than 20 FTE, a plan to reduce the proposed base budget for the general appropriations act and the proposed state pay plan to 95% of the current base budget or lower if directed by the budget director. Each agency plan must include base budget reductions that reflect the required

percentage reduction by fund type for the general fund and state special revenue fund types. Exempt from the calculations of the 5% target amounts are legislative audit costs, administratively attached entities that hire their own staff under 2-15-121, and state special revenue accounts that do not transfer their investment earnings or fund balances to the general fund. The plan must include:

- (i) a prioritized list of services that would be eliminated or reduced;
 - (ii) for each service included in the prioritized list, the savings that would result from the elimination or reduction; and
 - (iii) the consequences or impacts of the proposed elimination or reduction of each service.
- (g) a reference for each new information technology proposal stating whether the new proposal is included in the approved agency information technology plan as required in 2-17-523;
- (h) energy cost saving information as required by 90-4-616; and
- (i) other information the budget director feels is necessary for the preparation of a budget.
- (4) The budget director shall prepare and submit to the legislative fiscal analyst in accordance with 17-7-112:
- (a) detailed recommendations for capital developments for:
 - (i) local infrastructure projects;
 - (ii) funding for energy development-impacted areas; and
 - (iii) the state long-range building program. Each recommendation for the capital developments long-range building program must be presented by institution, agency, or branch, by funding source, with a description of each proposed project.
 - (b) a statewide project budget summary as provided in 2-17-526;
 - (c) the proposed pay plan schedule for all executive branch employees at the program level by fund, with the specific cost and funding recommendations for each agency. Submission of a pay plan schedule under this subsection is not an unfair labor practice under 39-31-401.
 - (d) agency proposals for the use of cultural and aesthetic project grants under Title 22, chapter 2, part 3, the renewable resource grant and loan program under Title 85, chapter 1, part 6, the reclamation and development grants program under Title 90, chapter 2, part 11, and the Montana coal endowment program under Title 90, chapter 6, part 7.

(5) The board of regents shall submit, with its budget request for each university unit in accordance with 17-7-112, a report on the university system bonded indebtedness and related finances as provided in this subsection (5). The report must include the following information for each year of the biennium, contrasted with the same information for the last-completed fiscal year and the fiscal year in progress:

- (a) a schedule of estimated total bonded indebtedness for each university unit by bond indenture;
- (b) a schedule of estimated revenue, expenditures, and fund balances by fiscal year for each outstanding bond indenture, clearly delineating the accounts relating to each indenture and the minimum legal funding requirements for each bond indenture; and
- (c) a schedule showing the total funds available from each bond indenture and its associated accounts, with a list of commitments and planned expenditures from the accounts, itemized by revenue source and project for each year of the current and ensuing bienniums.

(6) (a) The department of revenue shall make Montana individual income tax information available by removing names, addresses, and social security numbers and substituting in their place a state accounting record identifier number. Except for the purposes of complying with federal law, the department may not alter the data in any other way.

(b) The department of revenue shall provide the name and address of a taxpayer on written request of the budget director when the values on the requested return, including estimated payments, are considered necessary by the budget director to properly analyze state revenue and are of a sufficient magnitude to materially affect the analysis and when the identity of the taxpayer is necessary to evaluate the effect of the return or payments on the analysis being performed.

(7) The following provisions apply to the development of the budget request for the department of public health and human services:

(a) Adjustments to the present law base must be separated by each category described in 17-7-102(10) in order for the legislature to determine the changes that are attributable to legally mandated workload, caseload, or enrollment increases or decreases, constitutional or statutory schedules or formulas, inflationary or deflationary adjustments, and elimination of nonrecurring appropriations.

(b) Inflation adjustments to the present law base for the institutions or services described in subsection (7)(c) must be based on a reliable national index for the particular service or a similar service or the

consumer price index for urban wage earners and workers. An inflation adjustment that is greater than the applicable national index or consumer price index must be presented as a new proposal.

(c) Subsection (7)(b) applies to inflation adjustments for:

(i) the department-operated institutions described in 53-1-602; and

(ii) services provided by private sector businesses and other entities that provide direct services to beneficiaries in medicaid programs that are administered by the department divisions responsible for overseeing services for the elderly and for persons with mental illness, physical disabilities, or developmental disabilities."

Section 9. Repealer. The following sections of the Montana Code Annotated are repealed:

2-15-2221. Definitions.

2-15-2222. Policy -- performance measures.

2-15-2223. Criteria for measurement system.

2-15-2224. System requirements -- input from legislative audit division.

2-15-2225. Legislative use of performance measures.

2-15-2226. Department and agency use of performance measures.

Section 10. Directions to code commissioner. If [this act] is passed and approved, then the code commissioner is directed to strike the reference in 5-11-222(3)(c)(i) to performance data required by 2-15-2225.

Section 11. Codification instruction. [Sections 1 through 6] are intended to be codified as an integral part of Title 2, and the provisions of Title 2 apply to [sections 1 through 6].

Section 12. Effective date. [This act] is effective on passage and approval.

- END -

I hereby certify that the within bill,
HB 190, originated in the House.

Chief Clerk of the House

Speaker of the House

Signed this _____ day
of _____, 2023.

President of the Senate

Signed this _____ day
of _____, 2023.

HOUSE BILL NO. 190

INTRODUCED BY B. MERCER, T. MOORE, M. BERTOGLIO, L. HELLEGAARD

AN ACT GENERALLY REVISING LAWS RELATED TO PROVIDING FOR A STRATEGIC PLANNING PROCESS FOR CERTAIN GOVERNMENT ENTITIES; REQUIRING DEPARTMENTS TO PRODUCE ANNUAL PLANS; EXEMPTING CERTAIN DEPARTMENTS FROM CERTAIN BUDGET PLANNING PROCESS REQUIREMENTS; REQUIRING THAT ONLY EXISTING RESOURCES MAY BE USED TO IMPLEMENT THE ACT; PROVIDING DIRECTIONS TO THE CODE COMMISSIONER; AMENDING SECTIONS 2-4-102 AND 17-7-111, MCA; REPEALING SECTIONS 2-15-2221, 2-15-2222, 2-15-2223, 2-15-2224, 2-15-2225, AND 2-15-2226, MCA; AND PROVIDING AN EFFECTIVE DATE.