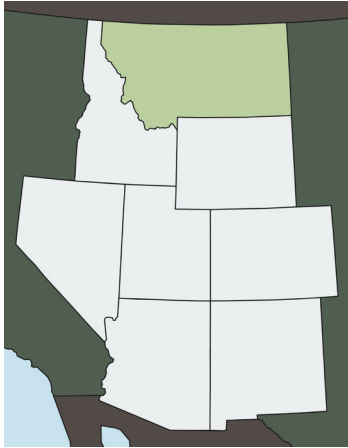


MONTANA Budget Report Card



AN IMPROVEMENT IN MONTANA’S rainy day fund policies lifted its grade in reserve funds to an A in 2018 from D in both of the previous two years, although its past deficiencies left it with a three-year average of C for fiscal 2016 through 2018.

In 2017, the state enacted legislation establishing a budget stabilization reserve fund to be tapped in the event of a revenue shortfall. The first deposit of \$45.7 million was planned for fiscal 2019. If general fund revenues exceed estimates by at least \$15 million in a future fiscal year, half of the excess will be transferred into the rainy day fund on or before August 15 of the following fiscal period.

Before the law, Montana had attempted to maintain a financial cushion with its year-end budgetary balances. That failed to provide enough cash to smooth out the volatile income stream of a state heavily dependent on oil, natural gas, and mineral revenues.

The rainy day fund could be particularly helpful in future years, as Montana has limited budgetary forecasting functions – it lacks consensus estimates, as well as multiyear expenditure and revenue forecasts – and averaged a D in the category.


MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	D	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D	B	B
Utah	C	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


MONTANA Budget Report Card

BUDGET FORECASTING					
	2016	2017	2018		
	CATEGORY GRADE	D	D	D	
	Consensus Revenue Forecasts	X	X	X	
	Multiyear Expenditure Forecasts	X	X	X	
	Multiyear Revenue Forecasts	X	X	X	
	Revenue Growth Projections	✓	✓	✓	
3-YEAR AVERAGE		D	3-YEAR TREND		—

BUDGET MANEUVERS					
	2016	2017	2018		
	CATEGORY GRADE	B	B	B	
	Deferring Recurring Expenditures	✓	✓	✓	
	Revenue and Cost Shifting	X	X	X	
	Funding Recurring Expenditures with Debt	✓	✓	✓	
	Using Asset Sales and Up-Front Revenues	✓	✓	✓	
3-YEAR AVERAGE		B	3-YEAR TREND		—

LEGACY COSTS					
	2016	2017	2018		
	CATEGORY GRADE	C	C	C	
	Public Employee OPEB Funding	X	X	X	
	Public Employee Pension Funding	✓	✓	✓	
	Public Employee Pension Funded Ratio*	71%	73%	73%	
3-YEAR AVERAGE		C	3-YEAR TREND		—

RESERVE FUNDS					
	2016	2017	2018		
	CATEGORY GRADE	D	D	A	
	Positive Reserve or General Fund Balance	✓	✓	✓	
	Reserve Funds Disbursement Policy	X	X	✓	
	Reserve Funds Replenishment Policy	X	X	✓	
	Reserves Tied to Revenue Volatility	X	X	✓	
3-YEAR AVERAGE		C	3-YEAR TREND		↗

TRANSPARENCY					
	2016	2017	2018		
	CATEGORY GRADE	B	B	B	
	Consolidated Budget Website	✓	✓	✓	
	Provides Debt Tables	✓	✓	✓	
	Discloses Deferred Infrastructure Replacement Costs	X	X	X	
	Discloses Tax Expenditures	✓	✓	✓	
3-YEAR AVERAGE		B	3-YEAR TREND		—

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* SOURCE Bloomberg; 2017 data also used for 2018.