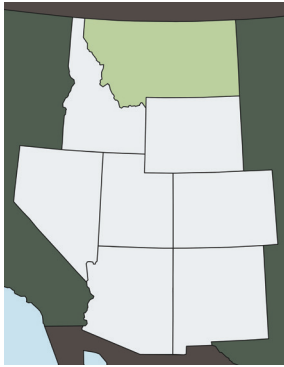# MONTANA Budget Report Card

MONTANA'S ESTABLISHMENT in fiscal 2017 of the Budget Stabilization Reserve Fund—a critical buffer for a state dependent on volatile revenues from oil, gas, and coal production—helped overcome earlier underperformance in the reserve funds category and allowed it to earn a C average for 2015 through 2019. The legislation that established the fund includes procedures for replenishment when revenues exceed estimates and for withdrawals, primarily for revenue shortfalls. The fund held $60 million in 2019, equivalent to 2.5 percent of general fund expenditures.

Montana's lowest average grade was D, the second-lowest mark, in budget forecasting. The state does not use a consensus revenue forecast, depending instead on estimates prepared by the legislature's bipartisan Revenue Interim Committee. Montana's budget projections extend only two years beyond the biennial budget, not the three considered a best practice in revenue estimating.

In legacy costs, which include public worker pensions and other postemployment benefits (OPEB), primarily health care, the state averaged a C. Montana provides funding for its pension in line with the actuarially determined amount, and its 73 percent funding ratio was 2 percentage points above the total for all states in 2019. But the state does not fund OPEB in line with actuaries' recommendations, paying for it instead on a pay-as-you-go basis.

Montana received B averages in budget maneuvers and transparency. It mostly avoided one-time measures to achieve balance, although it did depend on savings in its general fund balance and use a limited number of special fund transfers to support general fund spending in 2016–18.

MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	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	B	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: Preparing for the Storm* at VolckerAlliance.org.

MONTANA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	D	D					
Consensus Revenue Forecasts	X	X	X	X	X					
Multiyear Expenditure Forecasts	X	X	X	X	X					
Multiyear Revenue Forecasts	X	X	X	X	X					
Revenue Growth Projections	✓	✓	✓	✓	✓	●	●	●	●	●
5-YEAR AVERAGE D										

BUDGET MANEUVERS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	A	B	B	B	A					
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●				●
Revenue and Cost Shifting	✓	X	X	X	✓		●	●	●	
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓					
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

LEGACY COSTS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	C	C	C	C	C					
Public Employee OPEB Funding	X	X	X	X	X					
Public Employee Pension Funding	✓	✓	✓	✓	✓	●	●	●	●	●
Public Employee Pension Funded Ratio*	75%	71%	73%	73%	73%					
5-YEAR AVERAGE C										

RESERVE FUNDS

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	D	D	D	B	B					
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					
Reserve Funds Disbursement Policy	X	X	X	✓	✓				●	●
Reserve Funds Replenishment Policy	X	X	X	✓	✓					
Reserves Tied to Revenue Volatility	X	X	X	X	X	●	●	●		
5-YEAR AVERAGE C										

TRANSPARENCY

	2015	2016	2017	2018	2019	TREND '15	'16	'17	'18	'19
CATEGORY GRADE	B	B	B	B	B					
Consolidated Budget Website	✓	✓	✓	✓	✓					
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X					
Discloses Tax Expenditures	✓	✓	✓	✓	✓					
5-YEAR AVERAGE B										

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.

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