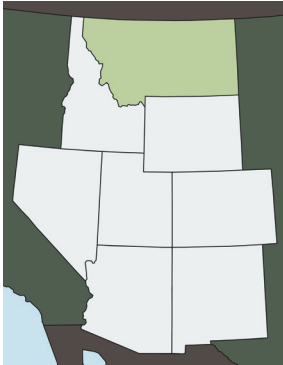


## MONTANA Budget Report Card



STATES THAT DEPEND ON REVENUES from natural resource production generally maintain healthy rainy day funds to help compensate for their economies' vulnerability to volatile commodity prices. Yet until a few years ago, Montana, a major producer of coal, oil, and natural gas, did not have a formal rainy day fund and instead relied on general fund balances in its place. That changed in 2018, when the state began depositing money into the newly created Budget Stabilization Reserve Fund. Montana's mark in reserve funds reflects this shift, which helped the state earn a B average in the category for fiscal 2017 through 2019, up from C for the previous three-year period.

Montana's new rainy day fund policies adhere closely to best practices cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*. Like twenty other states, it ties rainy day funding to historical revenue volatility, requiring that half of revenues above its annual estimate, plus \$15 million, go into the stabilization reserve. In 2021, the volatility formula will change; the fund will receive half of any revenues in excess of the average for the past six years.

In contrast to its improving reserve funds grade, Montana averaged only a D in budget forecasting—the second-lowest mark possible. The state does not provide multiyear revenue or expenditure forecasts, and it lacks a consensus revenue estimating process. It did relatively well in avoiding one-time revenue measures, however, posting a B average in budget maneuvers.

### MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	D	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	B	B
Nevada	C	B	C	B	B
New Mexico	B	C	C	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	B	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: The Balancing Act* at [VolckerAlliance.org](http://VolckerAlliance.org).


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BUDGET FORECASTING				
	2017	2018	2019	
	CATEGORY GRADE	<b>D</b>	<b>D</b>	<b>D</b>
	Consensus Revenue Forecasts	<b>X</b>	<b>X</b>	<b>X</b>
	Multiyear Expenditure Forecasts	<b>X</b>	<b>X</b>	<b>X</b>
	Multiyear Revenue Forecasts	<b>X</b>	<b>X</b>	<b>X</b>
	Revenue Growth Projections	✓	✓	✓
<b>3-YEAR AVERAGE</b> <b>D</b>		<b>3-YEAR TREND</b> <b>—</b>		

BUDGET MANEUVERS				
	2017	2018	2019	
	CATEGORY GRADE	<b>B</b>	<b>B</b>	<b>A</b>
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	<b>X</b>	<b>X</b>	✓
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Upfront Revenues	✓	✓	✓
<b>3-YEAR AVERAGE</b> <b>B</b>		<b>3-YEAR TREND</b> ↗		

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	<b>C</b>	<b>C</b>	<b>C</b>
	Public Employee OPEB Funding	<b>X</b>	<b>X</b>	<b>X</b>
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	73%	73%	73%
<b>3-YEAR AVERAGE</b> <b>C</b>		<b>3-YEAR TREND</b> <b>—</b>		

RESERVE FUNDS				
	2017	2018	2019	
	CATEGORY GRADE	<b>D</b>	<b>A</b>	<b>A</b>
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	<b>X</b>	✓	✓
	Reserve Funds Replenishment Policy	<b>X</b>	✓	✓
	Reserves Tied to Revenue Volatility	<b>X</b>	✓	✓
<b>3-YEAR AVERAGE</b> <b>B</b>		<b>3-YEAR TREND</b> ↗		

TRANSPARENCY				
	2017	2018	2019	
	CATEGORY GRADE	<b>B</b>	<b>B</b>	<b>B</b>
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	<b>X</b>	<b>X</b>	<b>X</b>
	Discloses Tax Expenditures	✓	✓	✓
<b>3-YEAR AVERAGE</b> <b>B</b>		<b>3-YEAR TREND</b> <b>—</b>		

### KEY

✓	Followed best practice
<b>X</b>	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; 2018 data also used for 2019.

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