

State and Local Government Financial Sustainability

December 2019



June through December

January through Sept

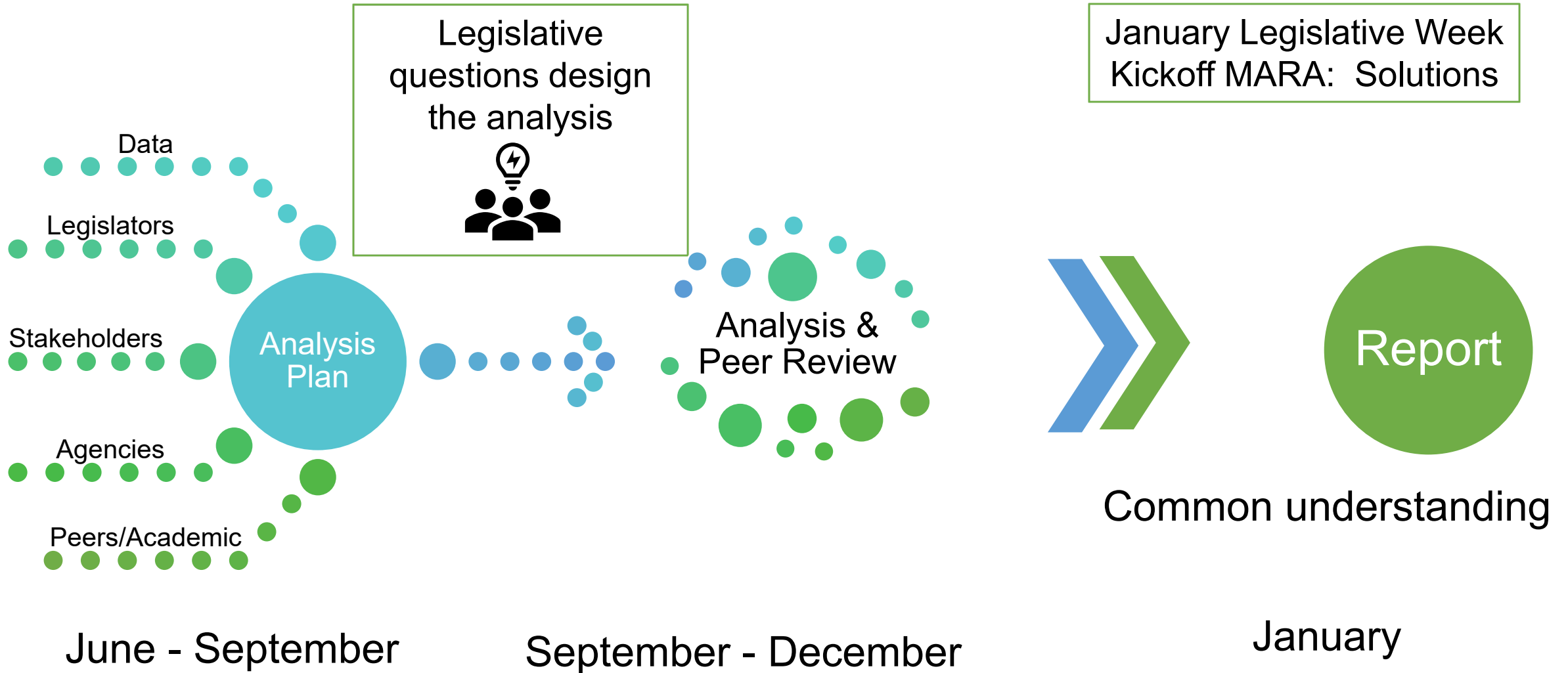
Phase 1: Observations of
Montana demographics &
government
LFC/Interim Committees

Phase 2:
Solution analysis
Continue sustainability
Interim
Committees/LFC-MaRA

Recommendations:
Interim
Committees/LFC-
MARA

MARA - Financial Modernization and
Risk Analysis Study Committee in HB
715

Phase 1: HB 715 Timeline



Phase 1: HB 715 Sustainability

State of Montana
(including political subdivisions)

Risk: Pension funding, Natural Resource economy, Federal funding

State

Local

Revenue

Expense

Revenue

Expense

State and Local Financial Stability

HB 715, section 6, authorizes the LFC to direct a study of state and local government fiscal and economic conditions. The study may include analysis of financial risk factors on state and local budgets including pensions, federal funding, and the natural resource economy.

The study includes analysis of the past 20 years and a projection of the next 10 years. Supporting work will add to a deeper understanding of financial sustainability.

Examples of additional work include a study of property tax trends and effective tax rates; infrastructure funding and requirements; and if possible, income tax collections and the impact of demographic trends.

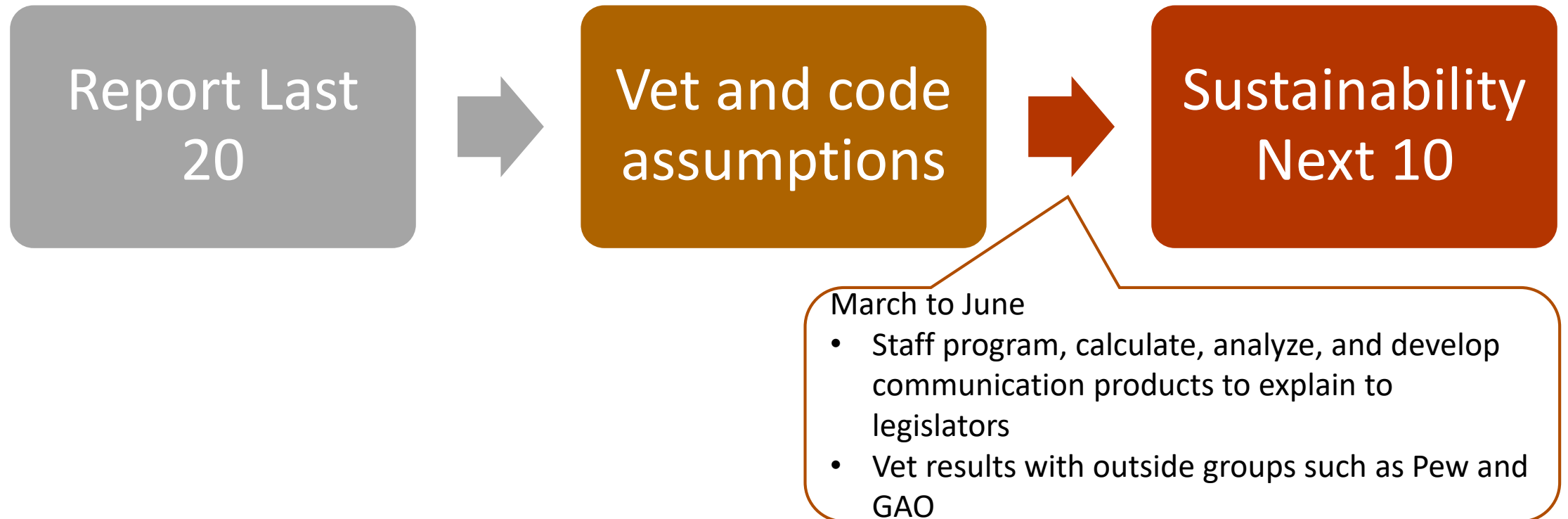


LFC Phase 2: HB 715 Timeline

January

February and March

June



MARA Phase 2: HB 715 Timeline

January

January - September

September



Phase 2: HB 715

Section 5: Financial Modernization and Risk Analysis (MARA)

- Identify structural revenue challenges
- Explore revenue sufficiency
- Propose potential solutions to sustainability challenges

Section 6: LFC Sustainability of State and Local Government

- Forecast state and local government 10 years out
- Identify assumptions
- Identify cost pressures and risks
- Identify revenue risks
- Personal services budgeting

Section 5. Legislative financial modernization & risk analysis study.

(1) A committee of members of the legislative finance committee & appointed members shall study the long-term future budget & revenue needs with changing economics and demographics. (2) The study must be conducted by a bipartisan committee consisting of the following: (a) six members of the legislative finance committee, with three members appointed by the chair and three members appointed by the vice chair; & (b) four members with two appointed by the chair & vice chair of the committee. (3) The legislative fiscal division shall provide administrative staff support & fiscal analysis. The legislative services division may provide research & legal support at the request of the committee. (4) Subject to direction provided by the committee, the study shall include but is not limited to: (a) identifying structural revenue challenges with economic, demographic, & geographical variability considerations; (b) exploring revenue sufficiency for long-term potential expenditures, including but not limited to the following: (i) health care costs, consumption, & funding; (ii) K-12 inflationary increases; (iii) higher education; (iv) pensions; (v) state infrastructure; (vi) natural resource revenue funded programs; & (vii) local government spending including infrastructure; & (c) proposing potential solutions & possible legislation for consideration by the 2021 legislature.

Section 6. Long term budget stabilization study.

(1) The LFC shall direct a study of fiscal & economic conditions. (2) Subject to direction provided by the legislative finance committee the study may include but is not limited to research related to the following topics: (a) budget stress tests, including pension stress testing, revenue volatility, revenue trends, expenditure trends, & expenditure volatility; (b) local government expenditures & funding; (c) financial sustainability of revenue sources supporting natural resource programs, education programs, & medicaid & the children's health insurance program; & (d) personal services budgeting practices. (3) The legislative fiscal division shall complete the study & report the results of the study to the LFC for consideration & possible legislation to be introduced in the 2021 legislative session.