



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: September 17, 2019
TO: Legislative Finance Committee
FROM: Susie Lindsay, Communications Supervisor
RE: HB 715 Budget Sustainability Questions

The 2019 legislature passed [HB 715](#) directing the Legislative Finance Committee (LFC) to study state and local financial sustainability. As per the work plan adopted during the May LFC meeting, the Legislative Fiscal Division (LFD) staff has divided phase one, budget sustainability, into four components:

1. Gather questions from legislators and stakeholders
2. Compile state and local data
3. Analyze state and local data
4. Report and answer questions on findings

In June, we implemented a communications outreach plan to gather questions and hear from lawmakers and stakeholders. During the summer, our staff conducted a series of face-to-face meetings, telephone conferences, and social media reminders to better understand fiscal policy questions and concerns. We will continue to talk with legislators and stakeholders in the next three months to ensure that questions are answered or that a plan is in place for those questions requiring additional research.

The following areas generated the most questions from legislators and stakeholders:

1. Individual income tax: impacts from policy choices, tariffs, decile shifts, & demographic impact to income tax collections
2. Natural resource revenues: compare with other states & impact on locals, what impact does a boom and bust cycle have on local infrastructure demand and funding
3. Property tax revenues: impacts from policy changes, tax expenditures, and economic shifts on local funding, determine the magnitude of shifting local funding to fees instead of property taxes, land use changes and capped local government resources
4. State special revenues: how many funds, what is the level of fund balances, and policy impacts of limited state special resources
5. Federal special revenues: changes that impact state and local governments
6. State and local pensions: current amortization period and the risk for future amortization, impacts of automatic contribution changes if required to maintain amortization period, investment risk impact on funding level, & risk of underfunding
7. State and local budget and service interactions: entitlement share, grants, and other

8. Local government budgets & infrastructure projects: do local government infrastructure projects have enough funding to maintain public health and adequate service level; include impacts from state and federal funding changes

LFD staff will be available at all interim policy committees for the convenience of legislators. Please continue to send your thoughts to us as you think of them to slindsay@mt.gov. We intend to address all questions submitted.