

FINANCIAL MODERNIZATION AND RISK ANALYSIS (MARA) STUDY: LOCAL GOVERNMENTS

MARA Study Overview

As directed by [HB 330](#), the Financial Modernization and Risk Analysis Committee has undertaken a study of the long-term financial needs of the state and the local governments, while considering changes in demographics, technology, and the economy. The MARA committee relies on a data-driven approach to identify potential financial concerns for the state and for local governments. As such, the MARA committee is developing a forecasting model based on econometric data, capable of identifying future financial risks to the state's revenues and expenditures, as well as considering impacts on local governments' revenues and expenditures. This approach has a medium- to long-term time focus, from present to 2040.

Local Government Overview

The MARA model for local governments, because of the interrelationships with state government and local school districts, will include both data and modeling results from other MARA models. The property tax model includes taxes collected by the state, counties, cities, towns, and special districts and is modeled using tax collection data by tax jurisdiction projected forward to 2040. The infrastructure model includes buildings, water, and wastewater projects, and solid waste facilities operated by state or local governments. Initial findings will be based on an evaluation of projected annual spending through 2040, revenue sources to fund that spending, in comparison to anticipated needs.

In addition to using data from the property taxes and infrastructure modules, the Legislative Fiscal Division will be including additional data when developing the MARA model for local government expenditures and revenues. Cost projections forward to 2040 will be based on projected annual spending for the following areas:

- Public safety including sheriff, police, fire, disaster and emergency services, and protective inspections
- Public works including highways and air transportation
- Public health including county health departments, county hospitals or nursing homes, environmental health services, disease control, and predatory pest control
- Social and economic services including services to senior citizens, human services, and county extension services
- Cultural and recreations including libraries, fairs, and parks and recreation
- General government operations

In addition to property taxes, local government revenue collections for the following will be projected:

- Federal grants, shared revenues and payment in lieu of taxes
- State entitlement share payments and state grants
- Licenses, permits, and fees paid to local governments
- Miscellaneous revenues such as fines, interest earnings, rents, and royalties

Data sources

- Local government annual financial reports (AFR) submitted by local governments to the Local Government Services Bureau at the Department of Administration (DOA)

- State payments to local governments including state entitlement share payments, grant payments, and local assistance
- Property tax data from the Department of Revenue

Data Challenges

The Legislative Fiscal Division has identified the following challenges with the data:

- Gaps in the local government annual financial reports with a small number of counties, cities, and towns not included in the data in various years
- Special districts such as noxious weed or cemetery districts that are part of local governmental entities are not included in the data submitted to the Local Government Services Bureau at DOA
- AFR reports provided to the Local Government Services Bureau at DOA group expenditures in summary categories by general function of government, such as public safety or public works, and do not provide detail sufficient to differentiate expenditures between sub-categories, such as spending on police versus fire departments which both fall within the public safety function. To capture additional details would require local governments to submit expanded financial information