

## LOCAL GOVERNMENT FINANCIAL DISTRESS

### LEGISLATOR NOTICE

The Legislative Services Division is required to offer a brief history on the subject matter of a bill draft request prior to drafting. (5-4-105, MCA; [Chapter 309, Laws of 2017](#)) The history must include related legislation introduced over the last five sessions and hyperlinks to the bill, hearing information, and fiscal notes. The legislation links below open to the page showing the status and history of bills introduced on this topic in the past. The bill text and any related fiscal notes can be accessed through the link at the top of that page.

**Legislation can be complex and this history is not intended to be exhaustive. Please contact the drafter of the requested bill for more information.**

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### Background Materials and Research

**Topic Summary:** Different states have different approaches to local governments in financial distress. Currently, Montana monitors local government compliance and financial accountability through the Single Audit Act under Title 2, chapter 7, part 5. In addition, Montana has authorized cities (but not counties) to declare bankruptcy under Title 7, chapter 7, part 1.

**Legislative Services Division Materials:** N/A

#### Other Materials:

[The State Role in Local Government Financial Distress](#) – PEW Charitable Trusts

[State Strategies for Detecting Fiscal Distress in Local Governments](#) – PEW Charitable Trusts

[Preventing Local Government Fiscal Crises: Emerging Best Practices](#) -- Coe, Charles K. “Preventing Local Government Fiscal Crises: Emerging Best Practices.” Public Administration Review, vol. 68, no. 4, 2008, pp. 759–767.

[Your Government Needs a Financial Emergency Policy](#) – Government Finance Officers Association

[Local Government Bankruptcy](#) – Mackinac Center for Public Policy

Handbook of Local Government Fiscal Health, Levine, Helisse, Jones & Bartlett: 2012.

### Introduced Legislation

**2021**

None

**2019**

## LOCAL GOVERNMENT FINANCIAL DISTRESS

[SB 302](#) - Chapter Number Assigned - AN ACT GENERALLY REVISING LAWS RELATED TO BUDGETING AND ACCOUNTING BY LOCAL GOVERNMENT ENTITIES; PROVIDING AUDIT TIMELINES; REQUIRING THE STOPPAGE OF STATE FINANCIAL ASSISTANCE TO LOCAL GOVERNMENTS UNDER CERTAIN CIRCUMSTANCES; PROVIDING FOR THE REVIEW OF COMPLAINTS AGAINST LOCAL GOVERNMENT ENTITIES BY THE DEPARTMENT OF ADMINISTRATION; PROVIDING AN INDEPENDENT CAUSE OF ACTION AGAINST A LOCAL GOVERNMENT ENTITY; ALLOWING A FINANCIAL RECEIVER TO BE APPOINTED UNDER CERTAIN CIRCUMSTANCES; AMENDING SECTIONS 2-7-515, 7-6-611, AND 15-1-121, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE.

[SB 19](#) - Died in Standing Committee - AN ACT GENERALLY REVISING LAWS RELATED TO BUDGETING AND ACCOUNTING BY LOCAL GOVERNMENT ENTITIES; REQUIRING THE ATTORNEY GENERAL TO PERFORM INVESTIGATIONS AND BRING ACTIONS AGAINST LOCAL GOVERNMENT ENTITIES UNDER CERTAIN CIRCUMSTANCES; REVISING THE DUTIES OF THE DEPARTMENT OF ADMINISTRATION AND AUDITORS WITH RESPECT TO AUDITS; REQUIRING SPECIAL AUDITS UNDER CERTAIN CIRCUMSTANCES; REQUIRING NOTIFICATION OF THE CITY OR COUNTY ATTORNEY IF A SHORTAGE IS FOUND BY AN INDEPENDENT AUDITOR; PROVIDING AUDIT TIMELINES; REQUIRING THE STOPPAGE OF STATE FINANCIAL ASSISTANCE TO LOCAL GOVERNMENT ENTITIES UNDER CERTAIN CIRCUMSTANCES; PROVIDING A TAXPAYER WITH AN INDEPENDENT CAUSE OF ACTION AGAINST A LOCAL GOVERNMENT; ALLOWING A RECEIVER TO BE APPOINTED UNDER CERTAIN CIRCUMSTANCES; ALLOWING THE DEPARTMENT OF ADMINISTRATION TO COMPEL ACTION BY A LOCAL GOVERNMENT UNDER CERTAIN CIRCUMSTANCES; IMPOSING MANDATORY DUTIES ON CERTAIN LOCAL GOVERNMENT AND STATE OFFICERS; PROVIDING PENALTIES; AMENDING SECTIONS 2-7-503, 2-7-506, 2-7-508, 2-7-511, 2-7-515, 2-7-517, AND 7-6-611, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE.

**2017**

[HB 422](#) – Chapter Number Assigned – AN ACT GENERALLY REVISING LAWS RELATED TO LOCAL GOVERNMENT; WITHHOLDING CERTAIN PAYMENTS TO A LOCAL GOVERNMENT UNDER CERTAIN CIRCUMSTANCES; REQUIRING THE ATTORNEY GENERAL TO REVIEW COMPLAINTS CONCERNING THE ALLEGED OFFICIAL MISCONDUCT OF LOCAL GOVERNMENT PUBLIC OFFICERS UNDER CERTAIN CIRCUMSTANCES; AMENDING SECTIONS 2-7-517, 15-1-121, 15-36-331, 15-36-332, 15-37-117, 15-39-110, AND 20-9-310, MCA; AND PROVIDING AN EFFECTIVE DATE

[SB 372](#) – Chapter Number Assigned – AN ACT REVISING LOCAL GOVERNMENT FINANCIAL REPORTING AND AUDITING REQUIREMENTS; PROVIDING THAT REVENUE OR FINANCIAL ASSISTANCE RECEIVED BY A LOCAL GOVERNMENT IN EXCESS OF AN AMOUNT ESTABLISHED BY THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET CAUSES AN AUDIT EVERY 2 YEARS; LIMITING THE AMOUNT THAT CERTAIN LOCAL GOVERNMENTS ARE REQUIRED TO PAY FOR FILING AN AUDIT REPORT OR FINANCIAL REPORT; AMENDING SECTIONS 2-7-503 AND 2-7-514, MCA; AND PROVIDING AN EFFECTIVE DATE

**2015**

None

## LOCAL GOVERNMENT FINANCIAL DISTRESS

**2013**

None

**2011**

[SB 420](#) -- Chapter Number Assigned – AN ACT PROVIDING PENALTIES FOR DELINQUENT FILING OF REQUIRED AUDITS AND REPORTS BY A LOCAL GOVERNMENT ENTITY TO THE DEPARTMENT OF ADMINISTRATION; REQUIRING THE DEPARTMENT TO ADOPT RULES ESTABLISHING A FINE; ALLOWING THE DEPARTMENT TO WAIVE THE PENALTIES UNDER CERTAIN CIRCUMSTANCES; AMENDING SECTIONS 2-7-503 AND 2-7-517, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND AN APPLICABILITY DATE.

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October 2022