

FINANCIAL TOOLS FOR MANAGING VOLATILITY

Training is available on the financial tools the state has for managing economic volatility. Tools listed below include a brief description and the link to online training.

Operating Reserve

Recommended operating reserve level of general fund balance at 8.3% of second year appropriations that will help manage cash flow in the general fund. Online training is available via online [video presentation](#).

Rainy Day Fund: Budget Stabilization Reserve Fund

Montana has a rainy-day fund called the Budget Stabilization Reserve Fund (BSRF). The differences between a rainy-day fund and general fund ending fund balance are: 1) rainy-day funds limit the Governor's immediate access to reserved funds so that a combination of spending reductions and rainy-day fund transfers can occur at the same time and 2) rainy-day funds have statutory provisions that determine when deposits are made into the fund and when they can be withdrawn. In general, deposits are made into the BSRF when revenues are higher than trend so that BSRF funds may be used to balance the budget when revenues are lower than anticipated. Additional information is provided in the [online video presentation](#).

Multi-year financial plan

The Legislative Fiscal Division tracks and reports a four-year budget at certain times to the legislature in an effort to extend the outlook and number of years considered in the budget.

Prioritized Spending Plan

Develop a prioritized spending plan to identify reductions ahead of time. The legislature could identify specific items or programs that could be reduced at legislative direction if revenues do not meet expectations. Legislative Fiscal Analyst provides an online [video presentation](#) of prioritized spending options.

Pay-as-You-Go Infrastructure and Debt Management Policy

The legislature developed a long-term plan for "pay as you go infrastructure funding" when budget and revenue levels permit, and bonding when revenues cannot support it. The first step in this direction was the passage of [SB 43 \(2017 Session\)](#), which put in place a facility condition assessment program to identify, track, and prioritize deferred maintenance needs within state-owned buildings and campuses.

Step two was the passage of [SB 553 \(2019 session\)](#) that provides ongoing funding sources for state building maintenance major repairs projects) and new state buildings and local infrastructure (capital development projects) and limits the amount of general obligation bonds that the legislature may authorize. This legislation changed the nature and availability of future infrastructure funding. Maintenance of the state assets, buildings, are prioritized and funded before new infrastructure projects are constructed.

HB 533 sets statutory debt limits and policies for debt repayment when funds are available and sets maximum debt levels to manage when cash is short. The policy limits how much money the state may borrow and spend on infrastructure projects, based on state revenues and existing debt.

A more complete explanation is available in the [2021 biennium fiscal report](#), page 10.