

2023 Biennium Budget

Legislative Fiscal Division

Accelerating Trends Already in the Economy



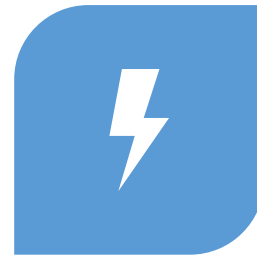
AUTOMATION



INNOVATION



REMOTE WORK



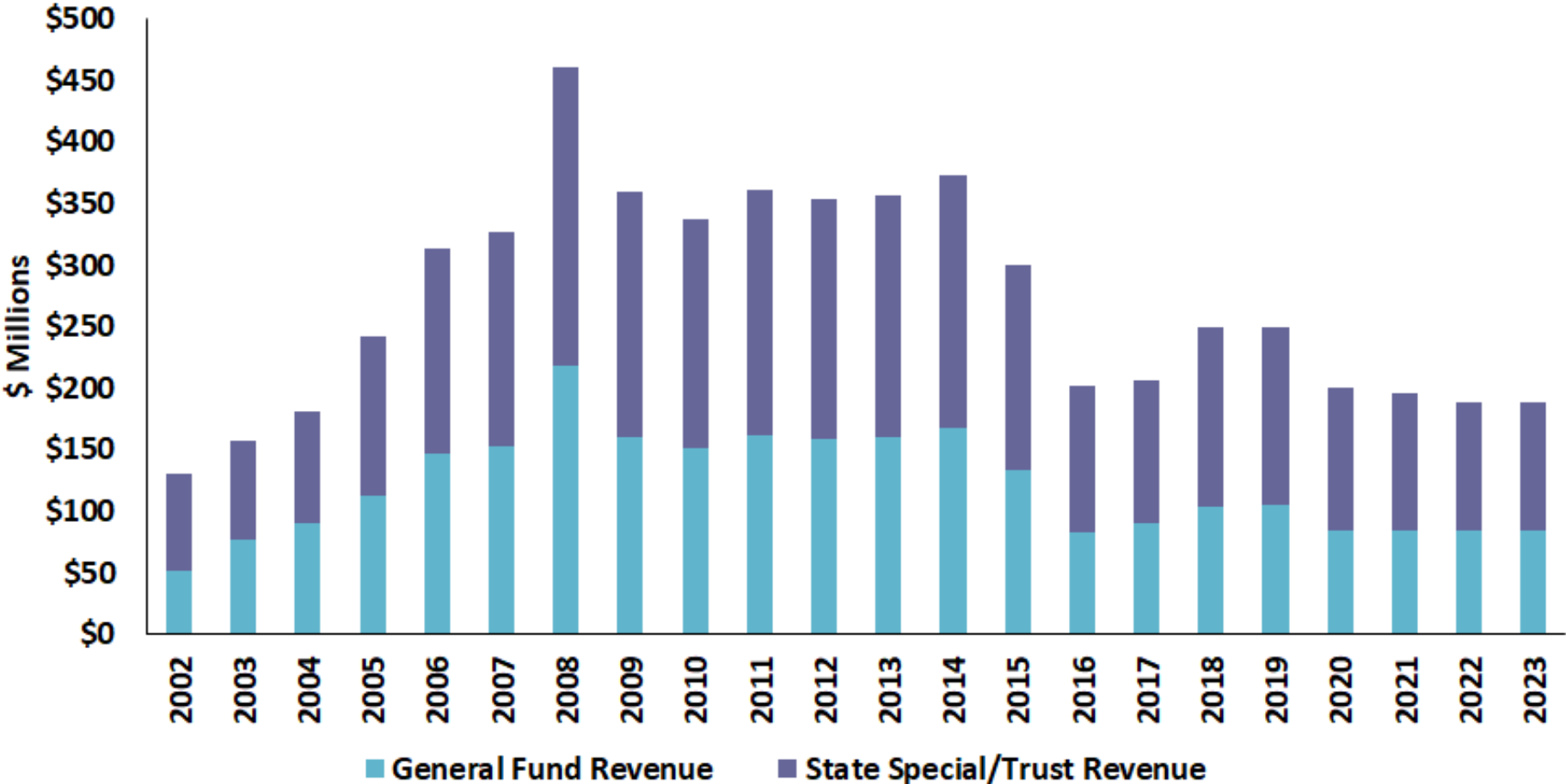
ENERGY



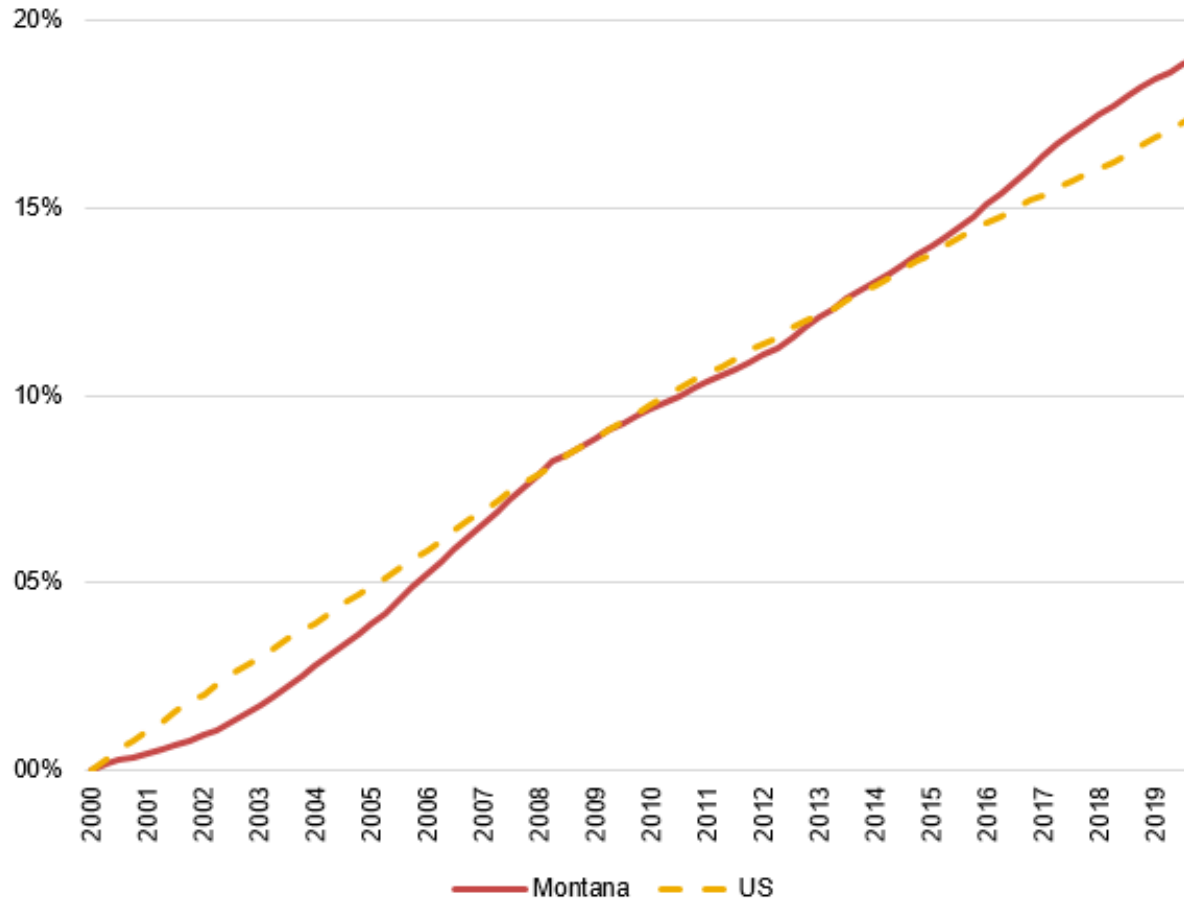
RELOCATION

Natural Resource Revenue Rise and Fall

Historical Natural Resource/Energy Direct Revenues



Population Growth: Montana compared to United States

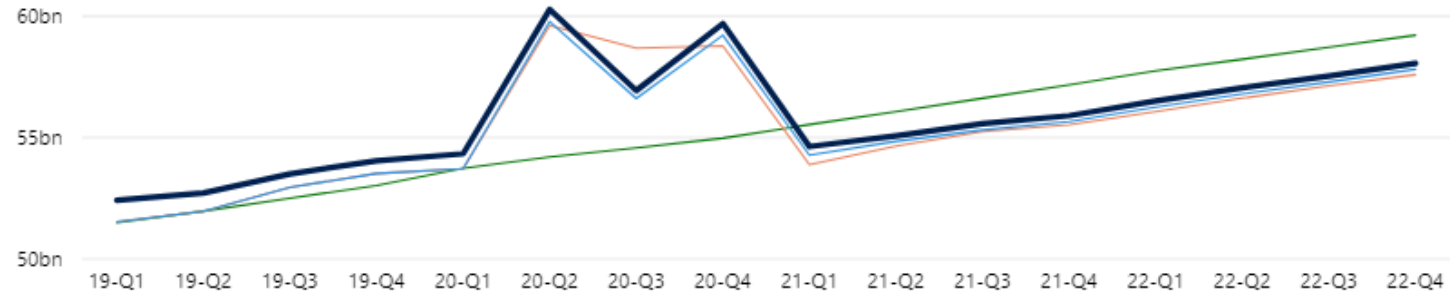


Pre-COVID
Population
Trend

IHS Markit October – Personal Income

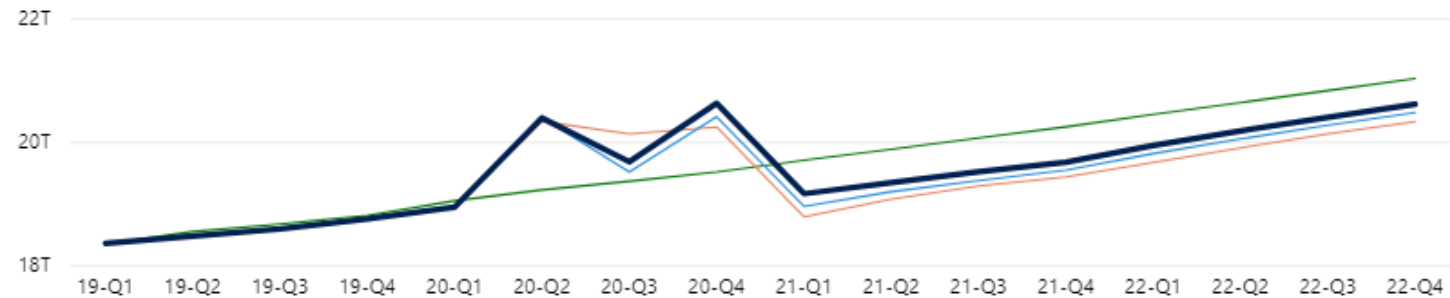
Montana Personal Income

Forecast Month Year ● March, 2020 ● August, 2020 ● September, 2020 ● October, 2020



National Personal Income

Forecast Month Year ● March, 2020 ● August, 2020 ● September, 2020 ● October, 2020



Economic Forecast to be Updated

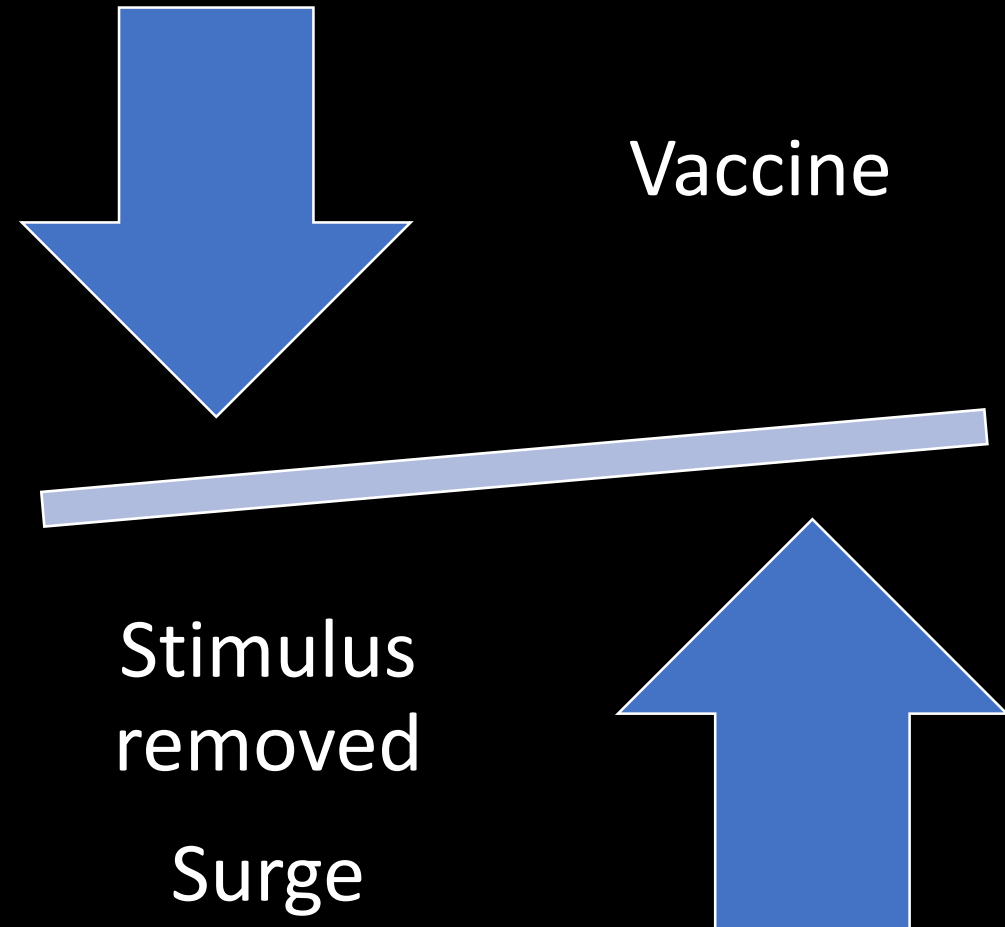
Downward:

Stimulus assumed in the October IHS Markit forecast, but not the November

Revised IHS Markit modeling with current case surge

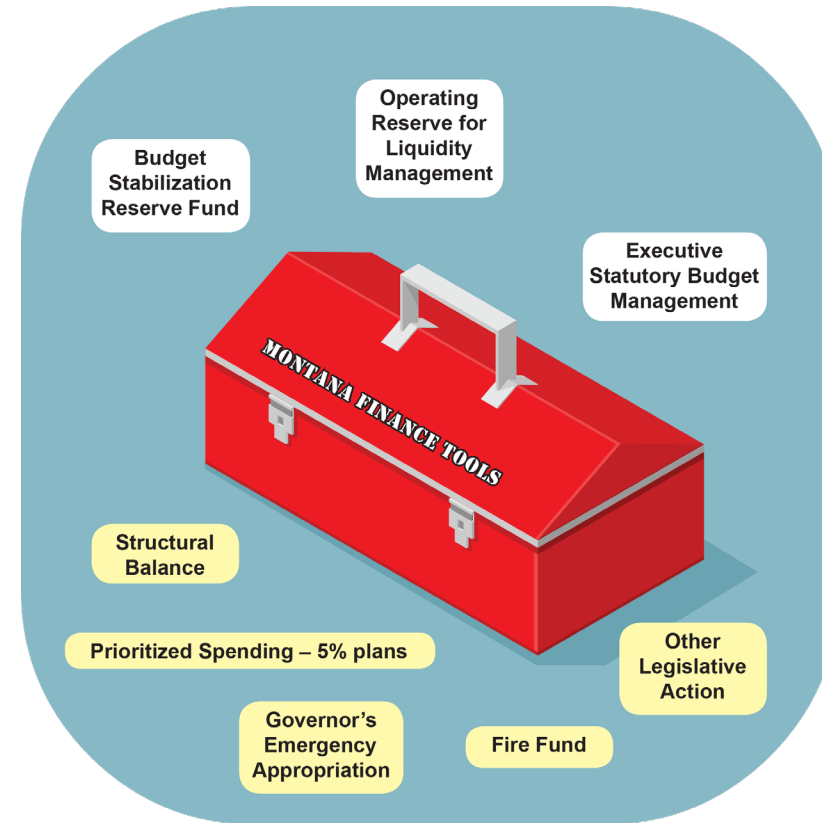
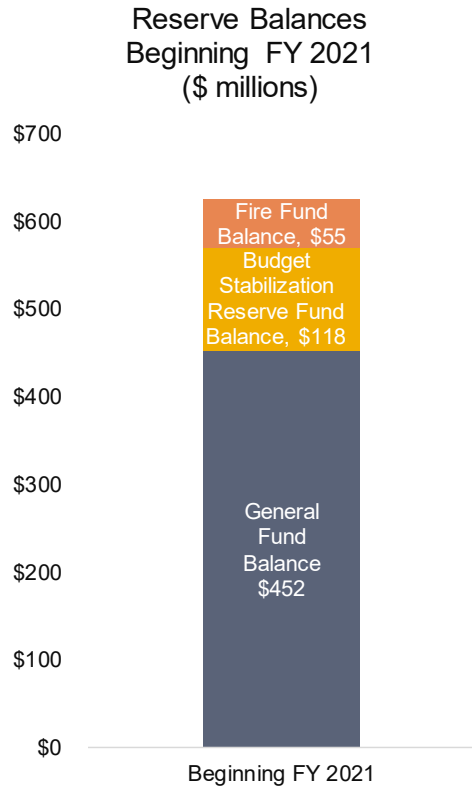
Upward:

Vaccine availability was not included



CPA input:
Taxpayer
choices will
impact timing
of income and
taxes paid

- People are filing quarterly payments to be penalty free – aka Safe Harbor
- February filing could be the first indication of big refunds
- Individuals may accelerate income into 2020 in 2021 in anticipation of higher federal tax rates
- Uncertain what losses will finally materialize, many companies doing well with the PPP and state programs

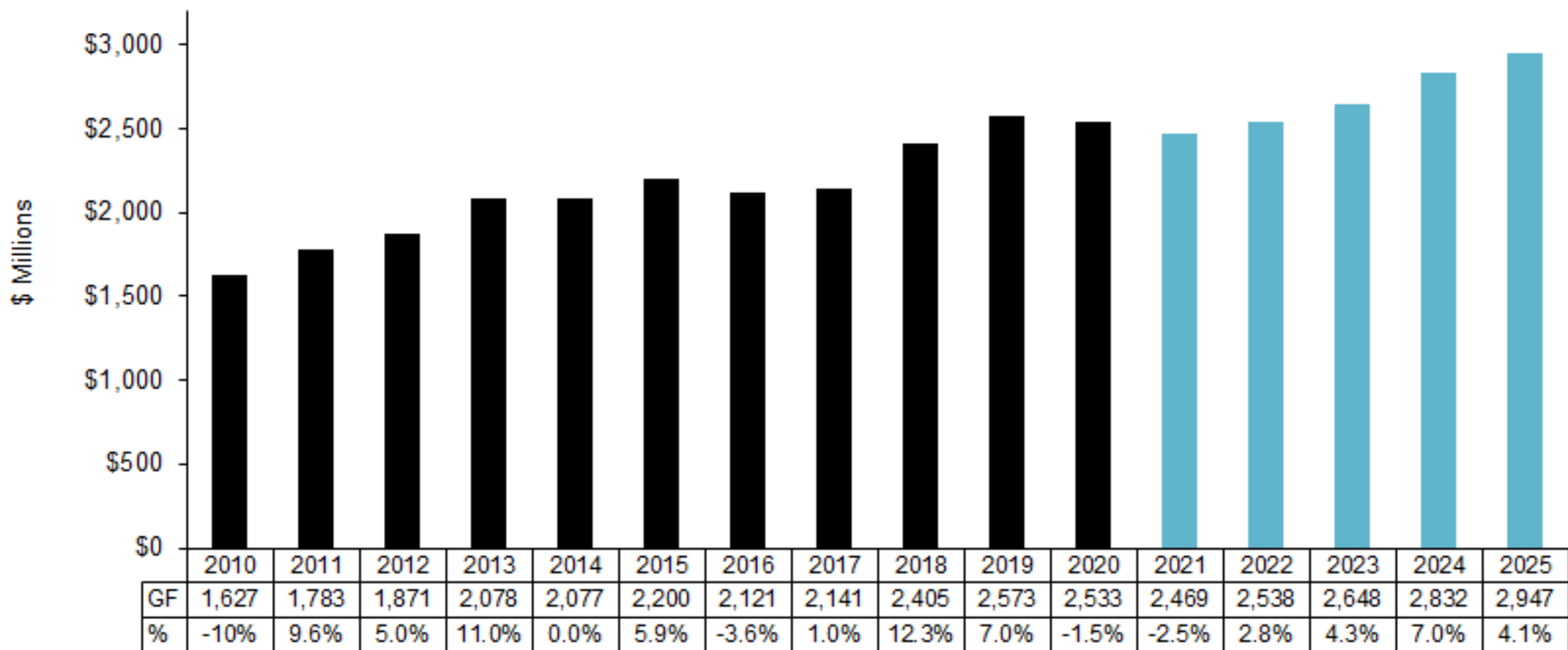


Balances and other tools

Revenue Forecast



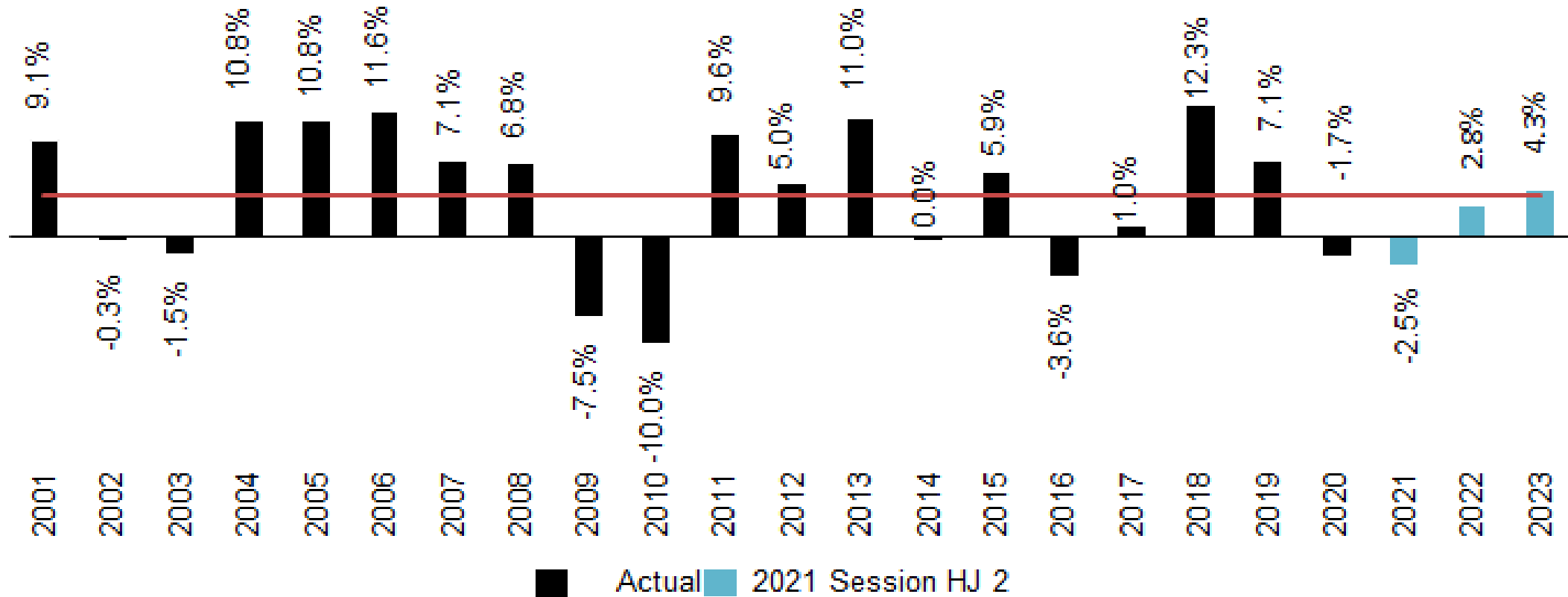
General Fund Revenue (\$ Millions) by Fiscal Year



HJ 2 as Adopted by RIC

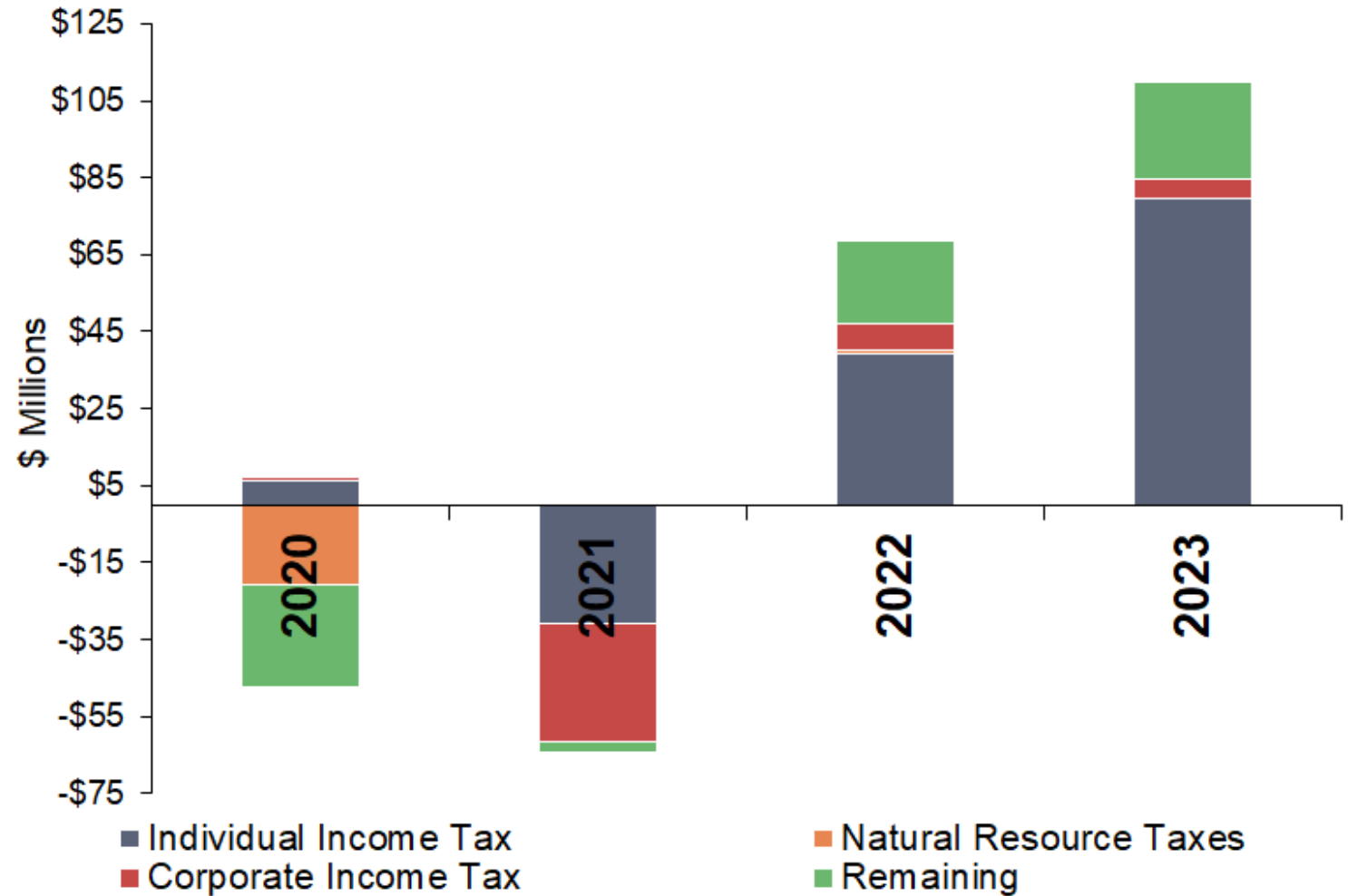
- RIC adopted the LFD baseline assumptions with and adjustment that resulted in an estimate between the LFD and OBPP recommendations.

General Fund Revenue Growth



Year-over-Year
Difference by
Revenue Type
by Fiscal Year

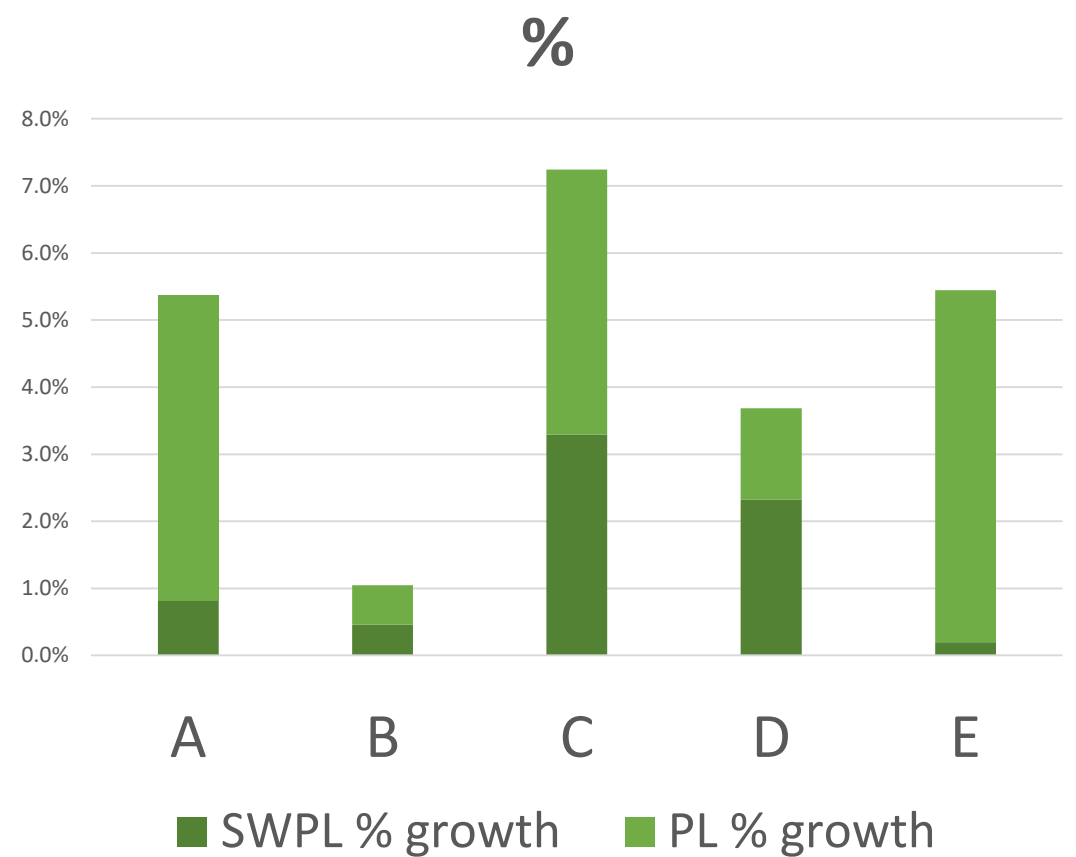
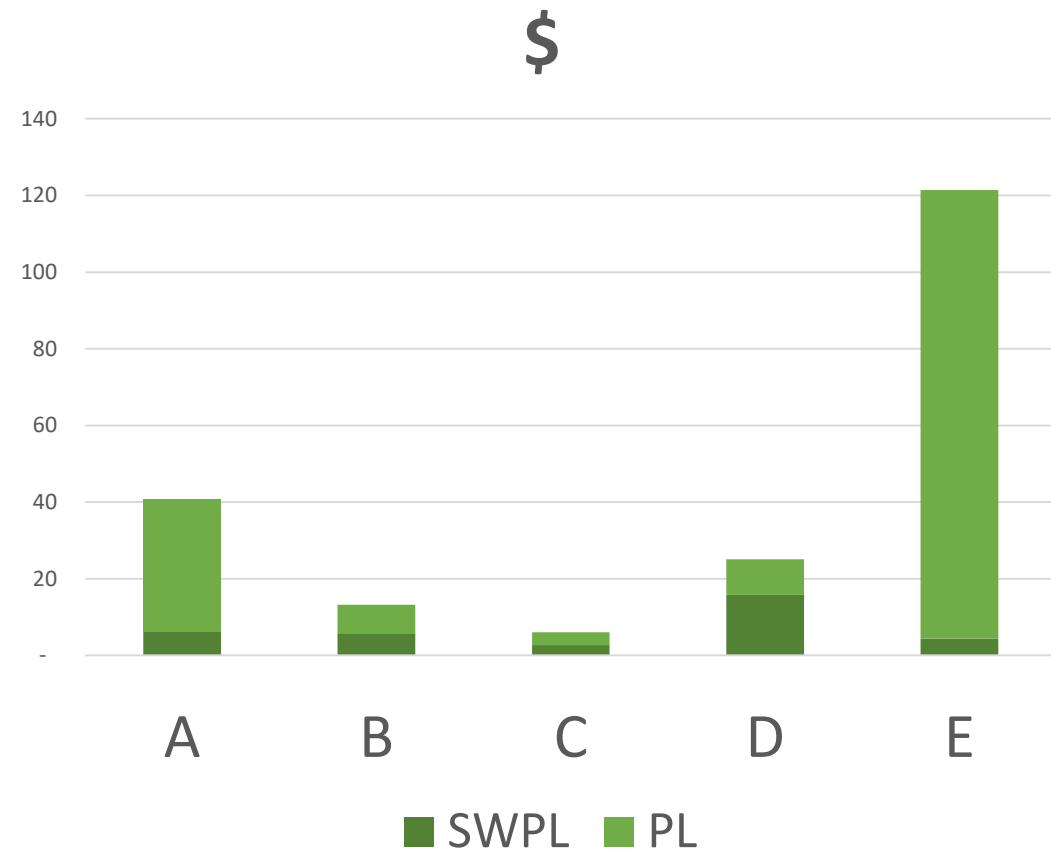
Year-over-Year Difference by Revenue Type by Fiscal Year



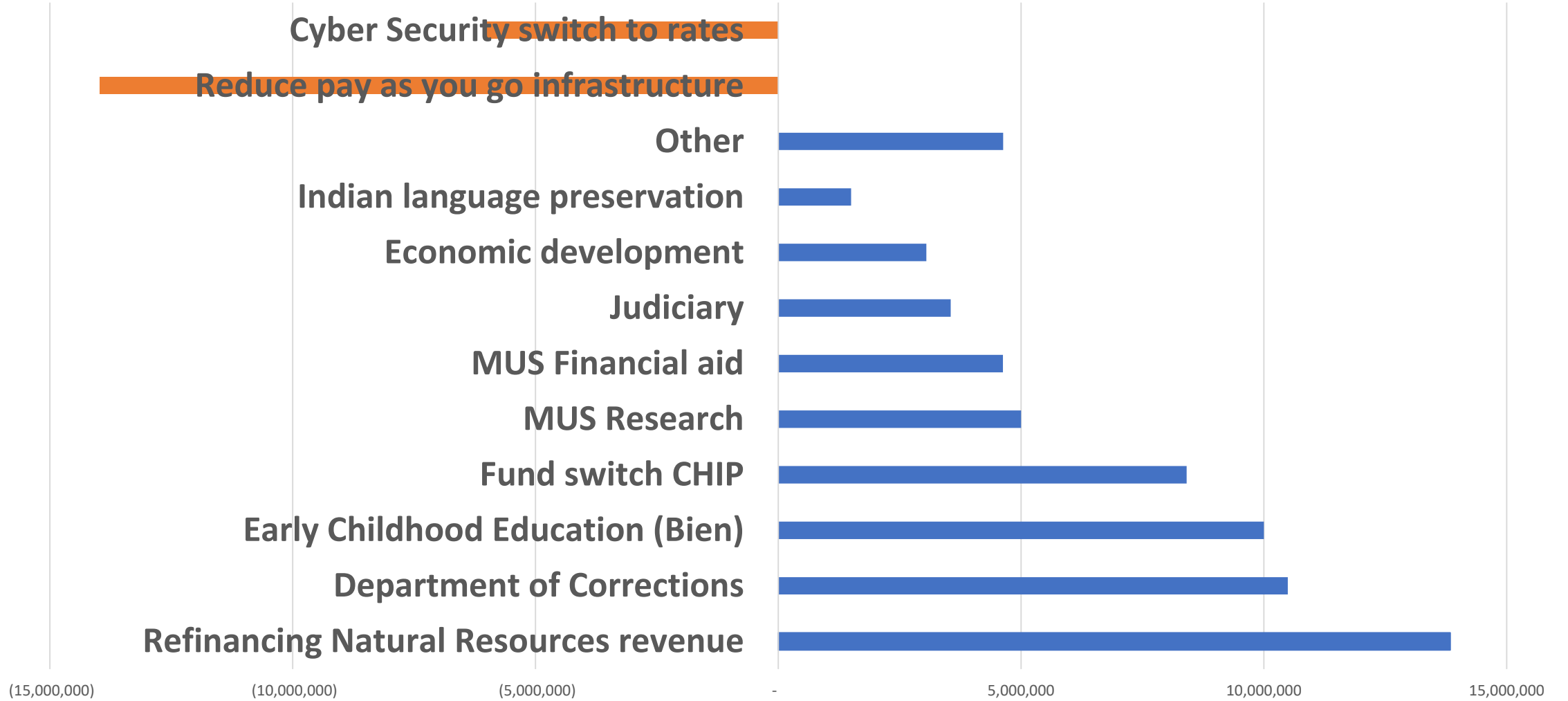
Expenditures for Operating

Quinn Holzer review Bullock expenditure recommendations

General Fund Present Law Biennial Growth from the Base

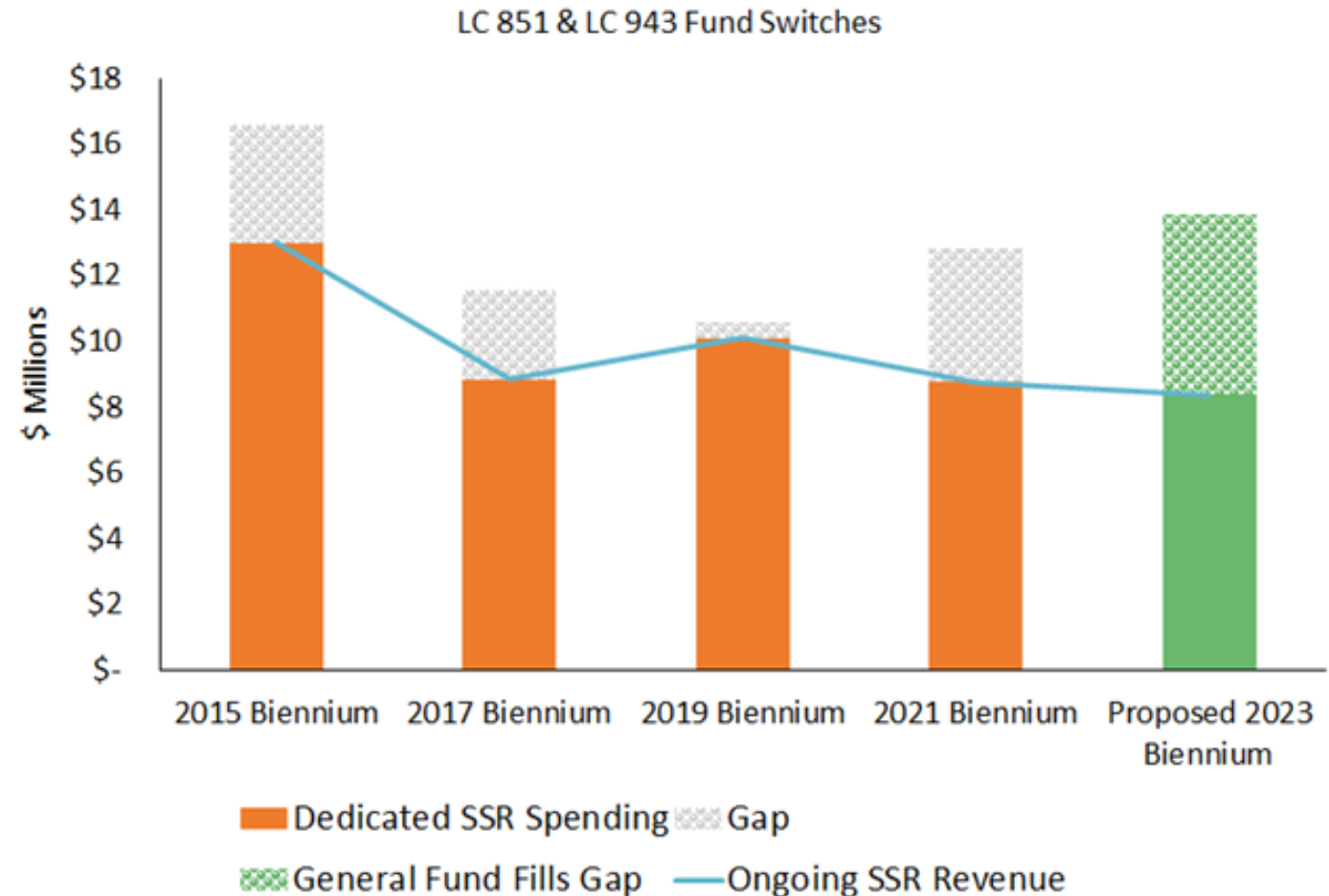


Governor Bullock New Proposals



The decline in natural resource state special revenues causes shortfalls.

- Until FY 2015, revenues from oil and natural gas, metal mines, and coal severance taxes were sufficient to cover the natural resource operations, conservation districts, and library services programs. With declines in both oil and coal taxes, transfers from other funds and existing fund balances have been used to fill the gap between these revenues and expenditures.
- Governor Bullock's budget proposes to deposit the revenues into the general fund and replace the current and future shortfalls with general fund.



Expenditures for Infrastructure

Joe Triem review Bullock recommendations

Cybersecurity Switch to Rates

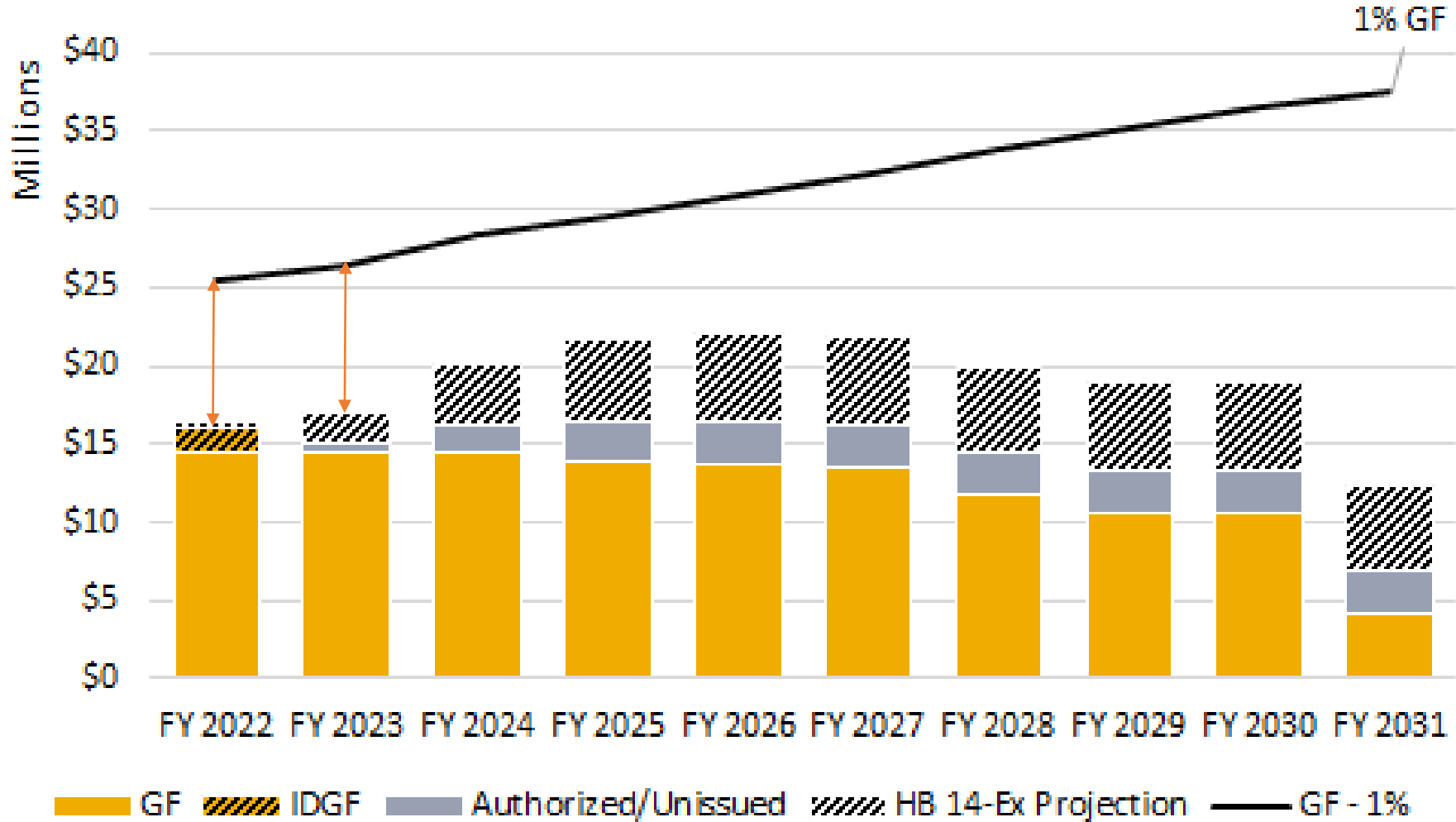
- Reduces Dept of Administration HB 2 general fund by \$6 million
- Now paid by all agencies within the Enterprise Service Rate
 - General Fund proportion approx. – 39.5%
 - State Special Revenue – 23.8%
 - Federal Special Revenue – 17.6%
 - Other funding sources – 19.1% (internal service funds, enterprise, etc.)
- HB 10 includes MT Cybersecurity Enhancement Appropriation
 - \$4.9 million general fund

Pay as you go
Replaced with
Bonding

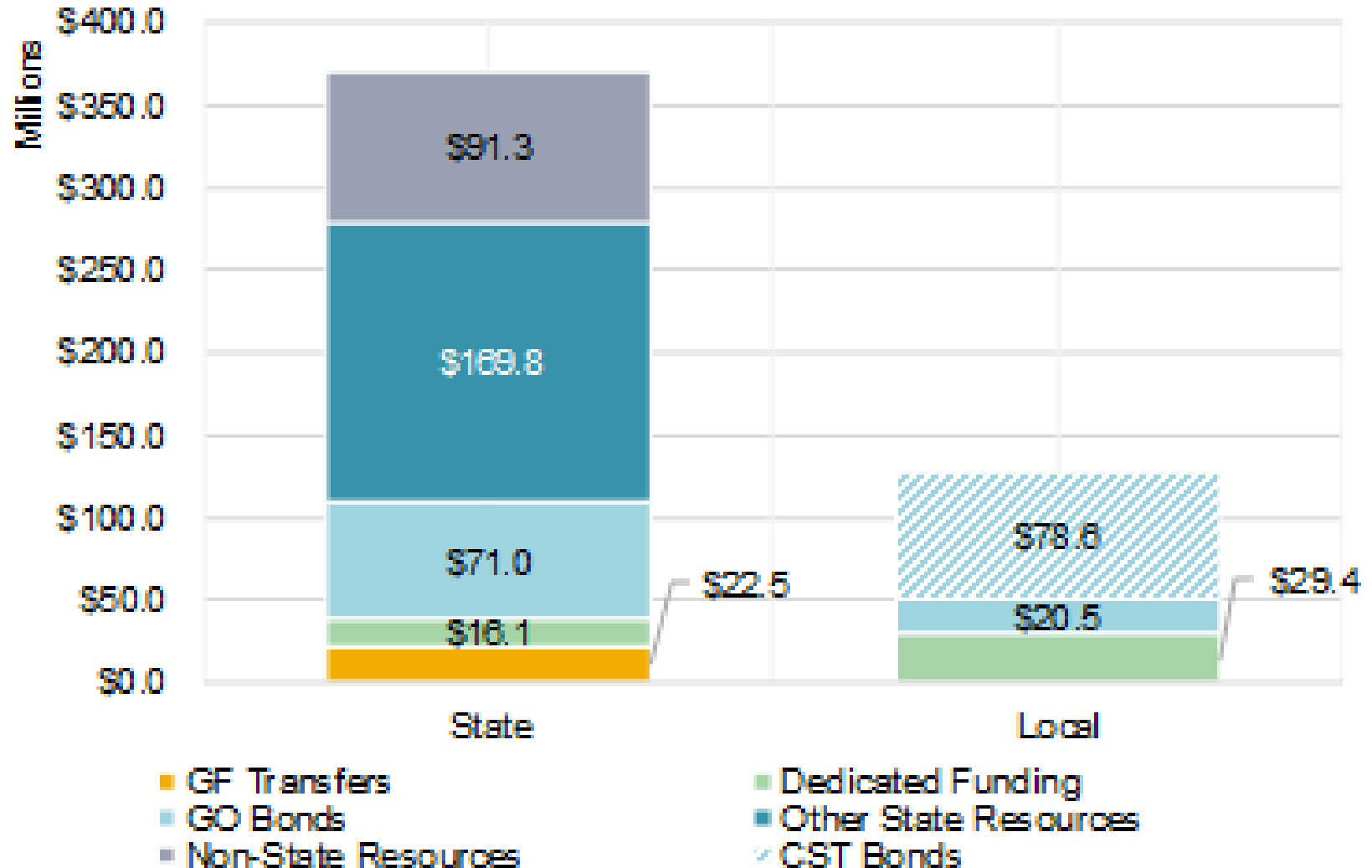
Reduce pay go by \$16 million in FY 22 and \$14 million in FY 23

Replace with \$91.5 million bonds

GF Debt Service and 1% General Fund Revenue



Montana Infrastructure by Type and Funding Source

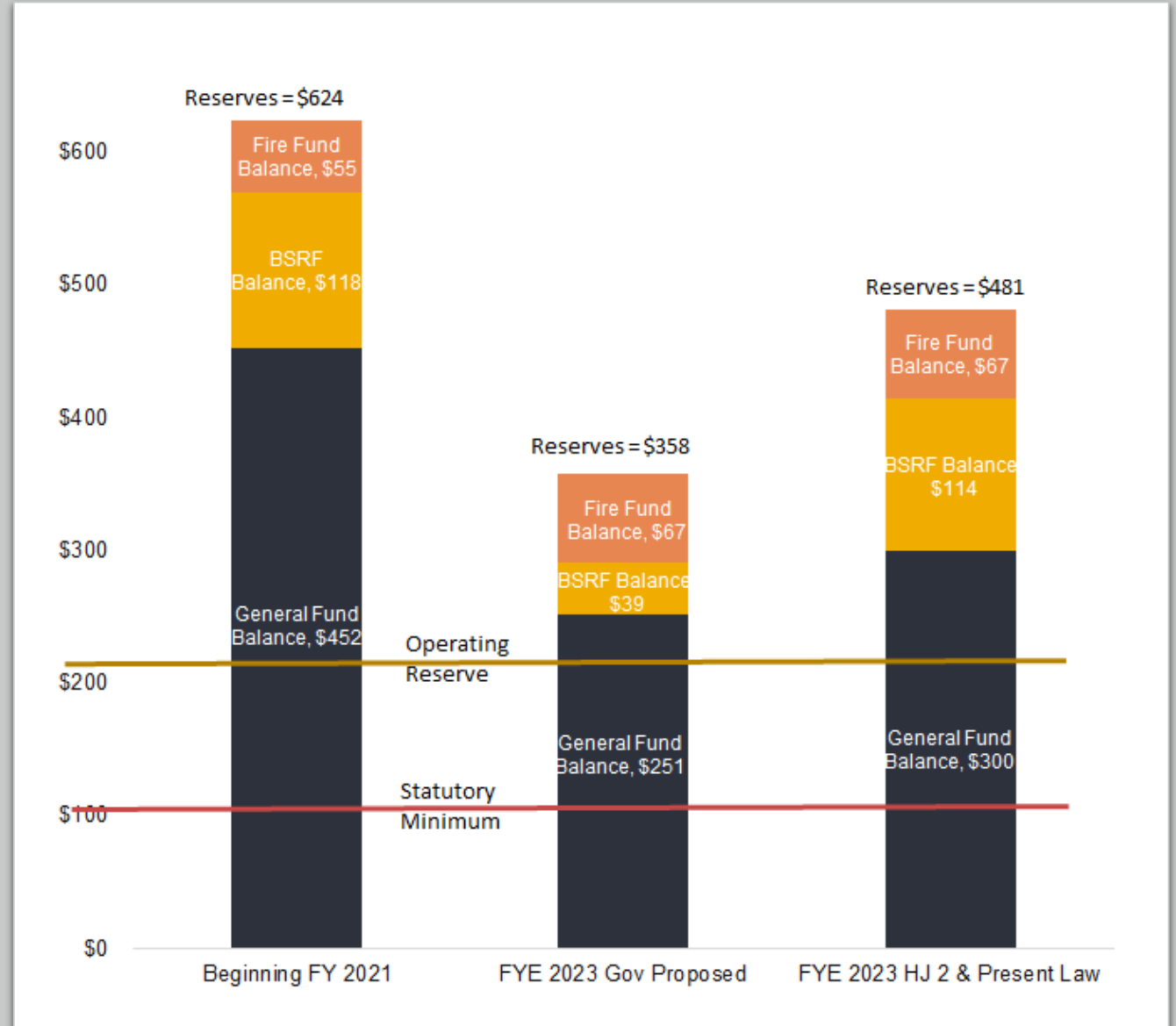


General Fund Balance

Susie Lindsay

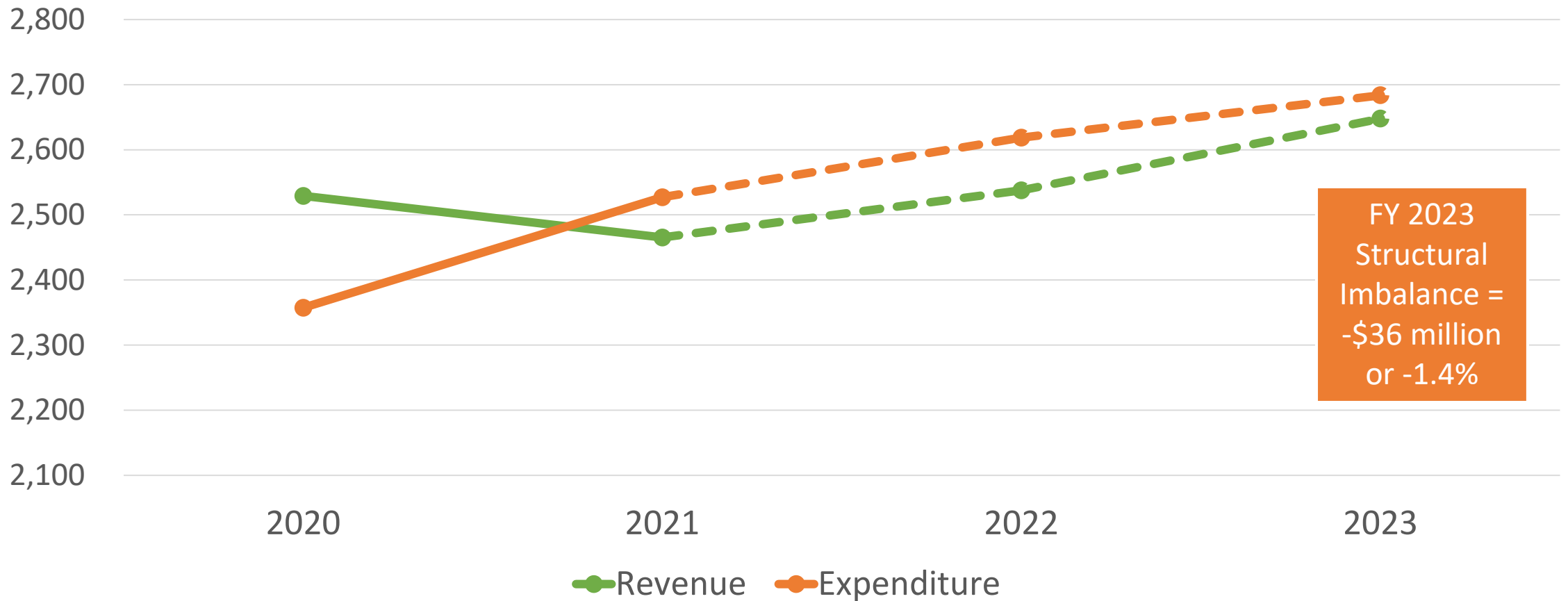
Governor Bullock's Budget with HJ 2 Revenue

Reserve Balances



General Fund Structural Balance

HJ 2 Revenues and Present Law Expenditures



Wrap up

Amy Carlson

Key Points



Revenue uncertain



Balances and other tools are strong



Present law is out of structural balance



End