Outlook

2023 Biennium and Beyond

2023 Outlook

As usual, we will take the 2023 Outlook to legislators in preparation for session

A " Zoom tour" by region will be available to all legislators in late September and early October

This year on our "tour" I will be joined by Susan Fox to discuss the up coming legislative session and the preparations that are being made for a potential remote or hybrid session

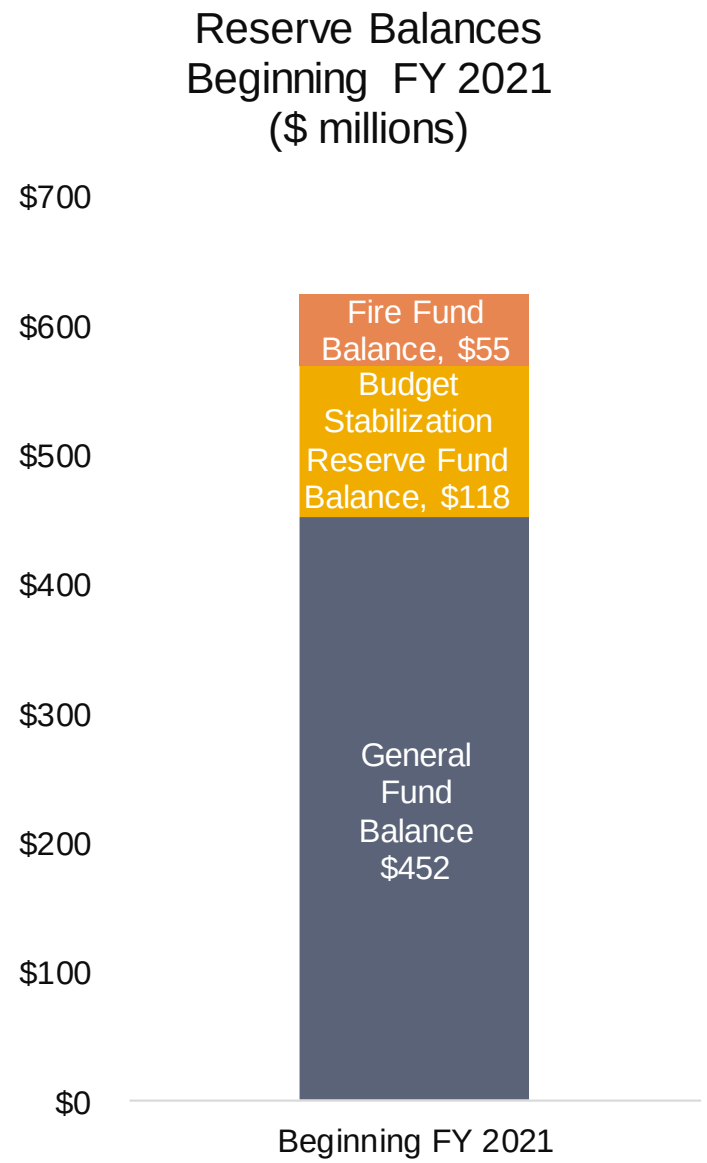
- Both general fund revenues and expenditures
- Balances in the general fund and other reserve fund
- Risks of revenues and expenditures
- Cost pressures

Beginning Fund Balances are Strong

Fund balances were strong going into FY 2020

FY 2020 ended strong with less expenditures and more revenue than anticipated

Reserve fund balances at the beginning of FY 2021 are strong



Revenue Forecast

Individual Income Tax

- There is significant uncertainty in forecasting individual income taxes due:
- Taxpayer behavior and the impacts of the CARES Act
- Potential for economic changes

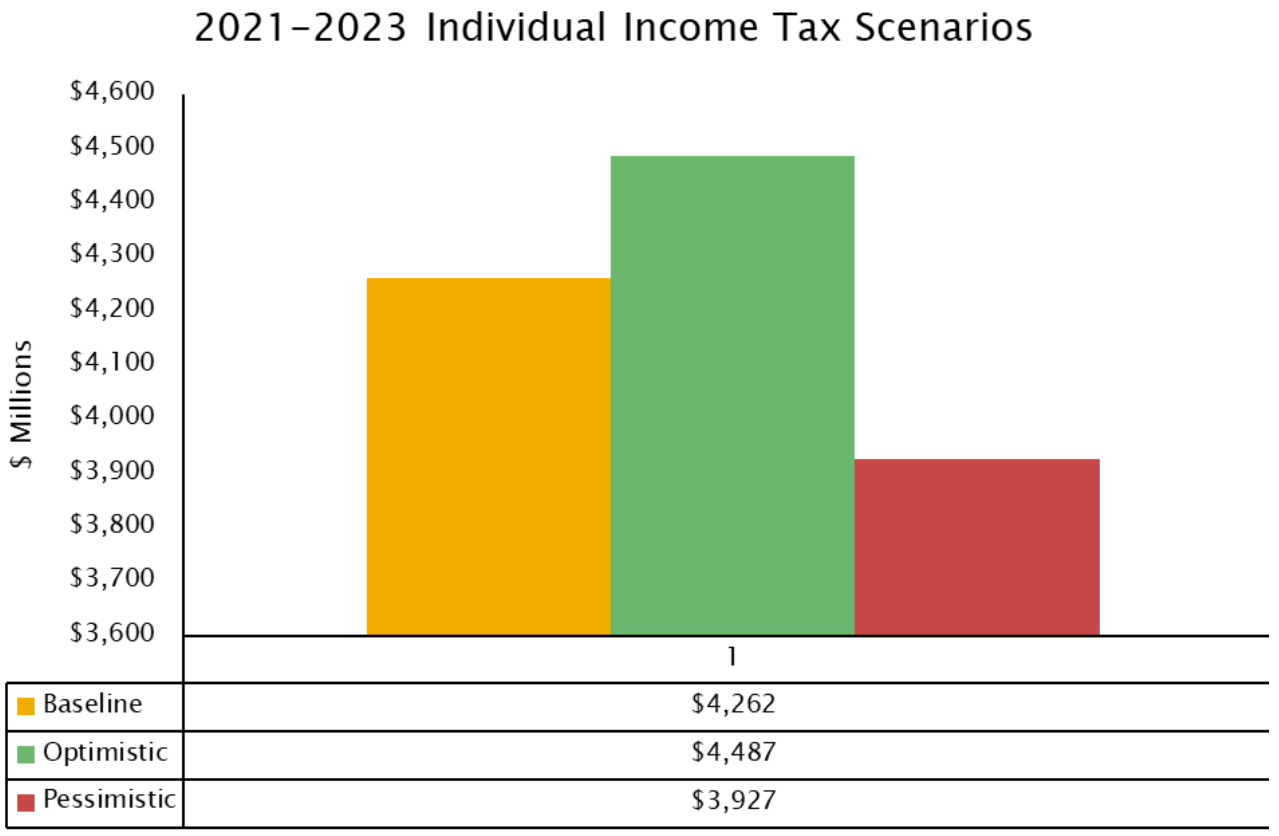
August Assumption	September Assumption	September Baseline	Optimistic Forecast	Pessimistic Forecast
Taxpayers will maximize liquidity and opt to choose refunds as opposed to putting them towards future payments	Unchanged from August	Baseline includes a reduction of $30 million in FY 2021	Same as baseline	Same as baseline
The CARES Act suspended required minimum distributions from tax deferred retirement account.	Unchanged from August	Reduces tax liabiilty by approximately $20 million	Same as baseline	Same as baseline
The Federal Cares Act provides additional abilities for taxpayers to carryback Net-Operating Losses. In August it was assumed that this would reduce FY 2021 revenues by $58 million and FY 2022 revenues by $6.5 million	CY 2018 return data suggests that losses in this amount would reduce MT net business income to nearly $0. This seems unlikely	Reduction of $44 million in FY 2021 and $5 million in FY 2022	Reduction of $29 million in FY 2021 and $3 million in FY 2022	Same as August assumption
The Federal Cares Act provides additional abilities for taxpayers to offset non-business income with business losses. it was assumed that this would reduce FY 2021 revenues by $63 million and FY 2022 by $54 million	CY 2018 data suggests that nearly 2/3 of additional non-business income would need to be offset to reach the August assumption	Reduction of $47 million in FY 2021 and $41 million in FY 2022	Reduction of $32 million in FY 2021 and $27 million in FY 2022	Same as August assumption
CY 2018 income contained one-time money due to tax-payers shifting money into CY 2018 to take advantage of the federal tax reform late in CY 2017	Strong individual income tax collections in FY 2020 indicate that some of this may be ongoing	Some of the growth is ongoing. Increases FY 2021 & FY 2022 by $50 million.	$100 million is on-going before gradually decreasing down to $50 million	Assumes it was all one-time-only

Key Modeling Assumptions and Changes from the August Revenue Update

Individual Income Tax Variation

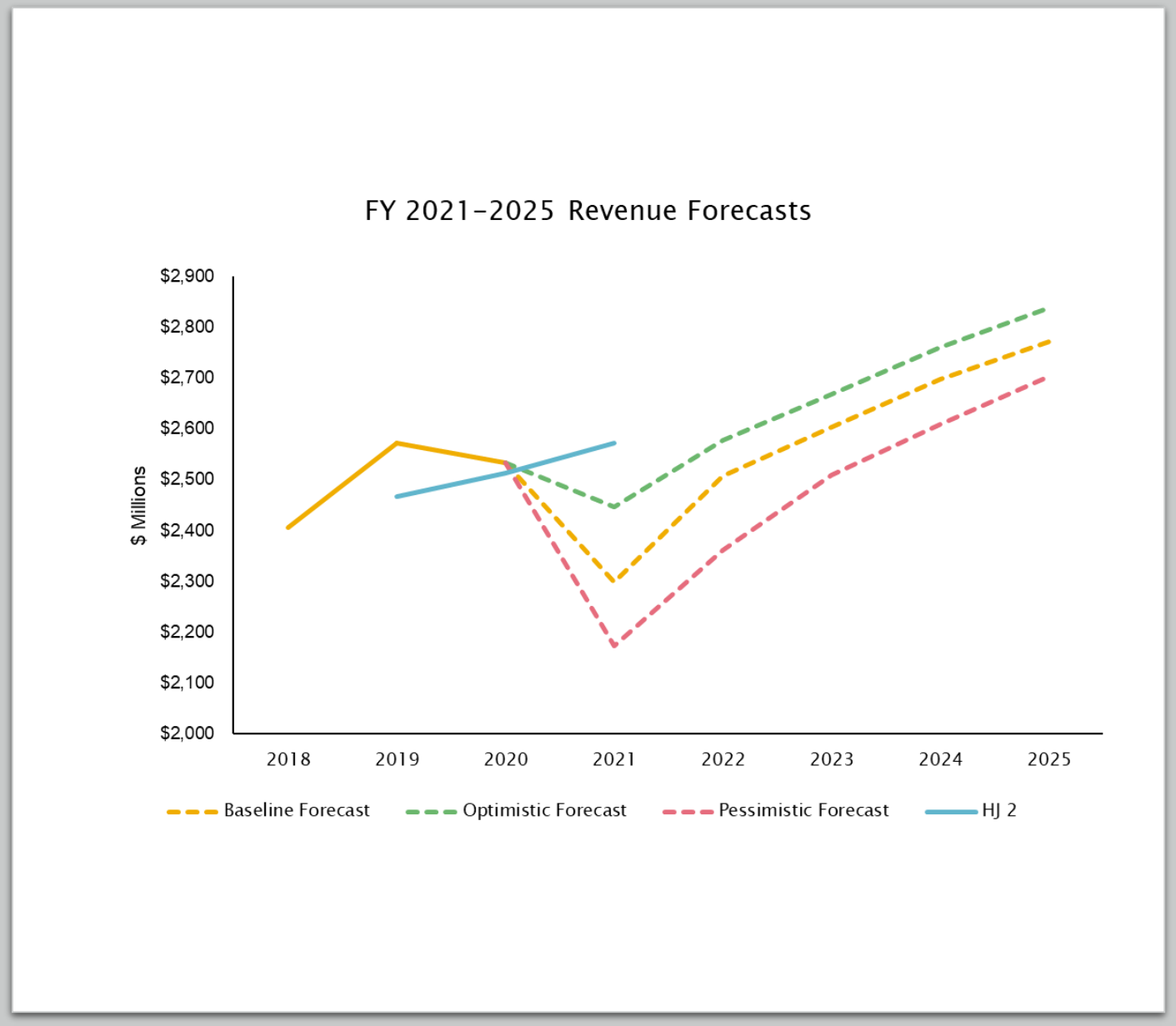
- Note that the variation between Optimistic and Pessimistic – at this time, does not vary the wage assumption. A wage assumption range will be included in the November Estimate update.

- Over the three-year period, the range of possibilities from individual income tax vary by $560 million.



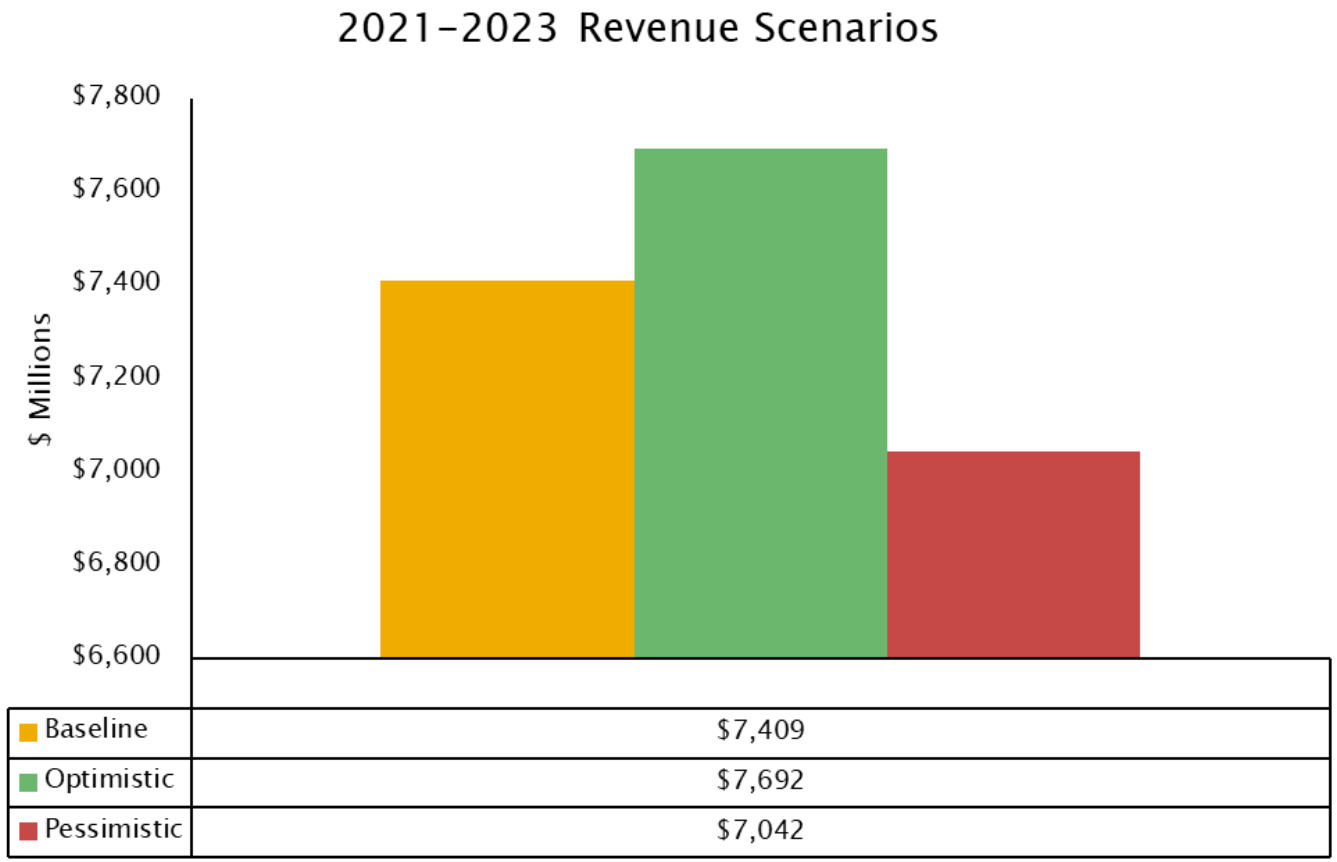
General Fund

- Note that there is a significant range of possible final collections, especially in FY 2021.
- The baseline forecast is $274 million below the previously adopted HJ 2 for FY 2021.
- Even in the optimistic scenario, collections fall short of HJ 2 by $127 million in FY 2021.

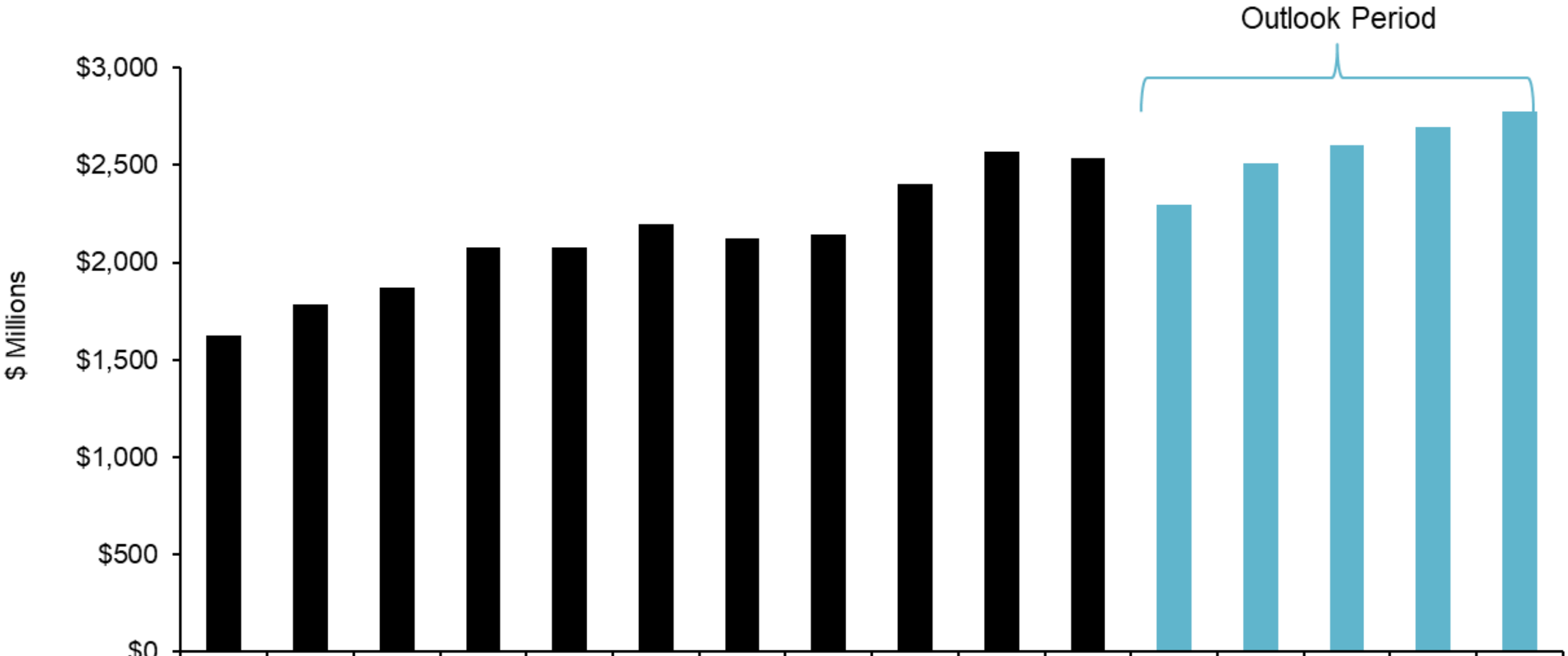


3 year Revenue Estimate

- Variation high (3-year totals vary by $650 million)
- Likelihood of a higher or lower actual revenue strong
- Wage variable when extrapolate in November is expected to widen this variation



General Fund Revenue ($ Millions) by Fiscal Year

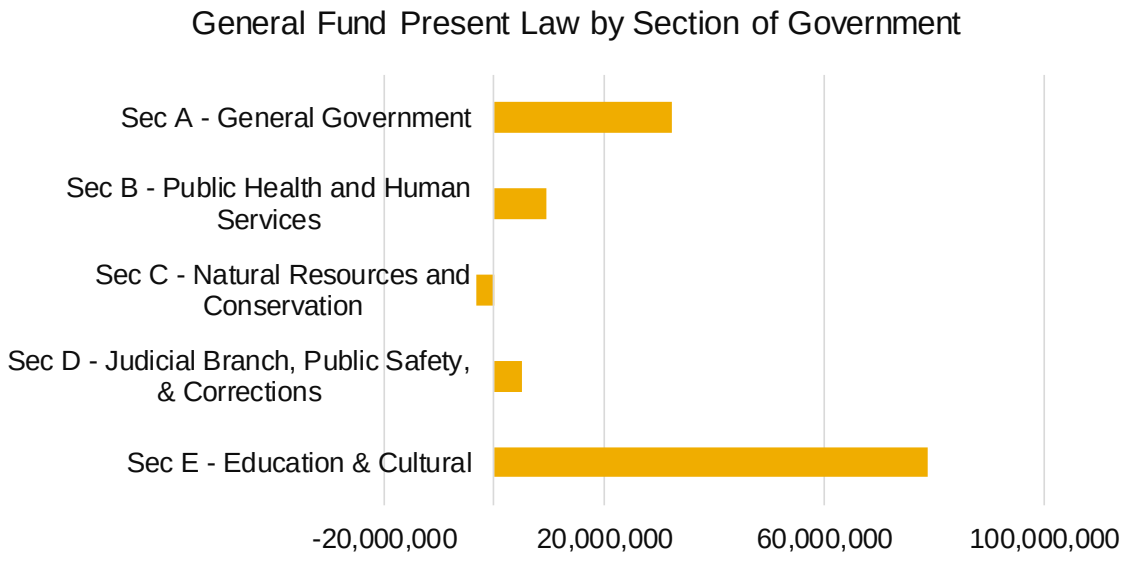


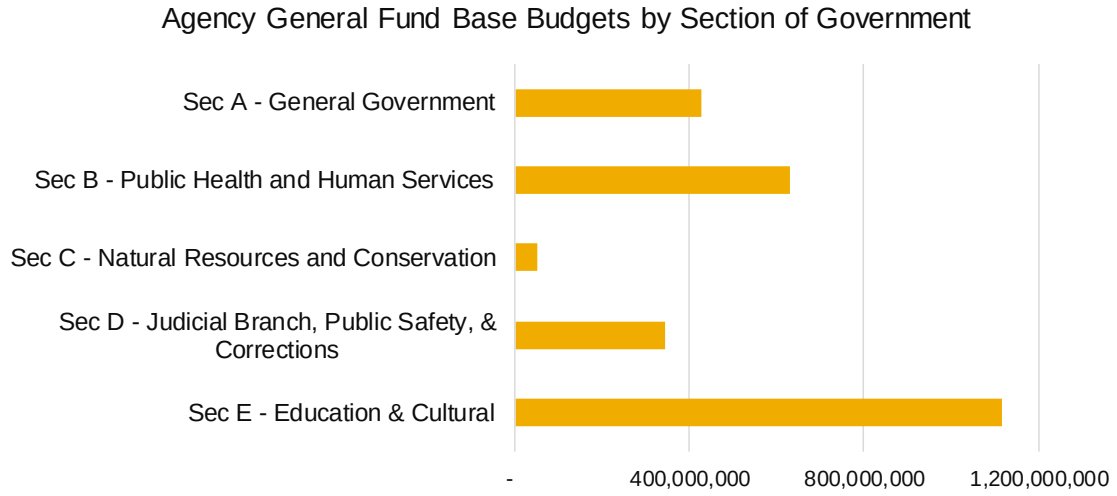
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
GF	1,627	1,783	1,871	2,078	2,077	2,200	2,121	2,141	2,405	2,573	2,533	2,298	2,508	2,603	2,698	2,772
%	-10%	9.6%	5.0%	11.0%	0.0%	5.9%	-3.6%	1.0%	12.3%	7.0%	-1.5%	-9.3%	9.1%	3.8%	3.7%	2.8%

Expenditures

Quinn Holzer

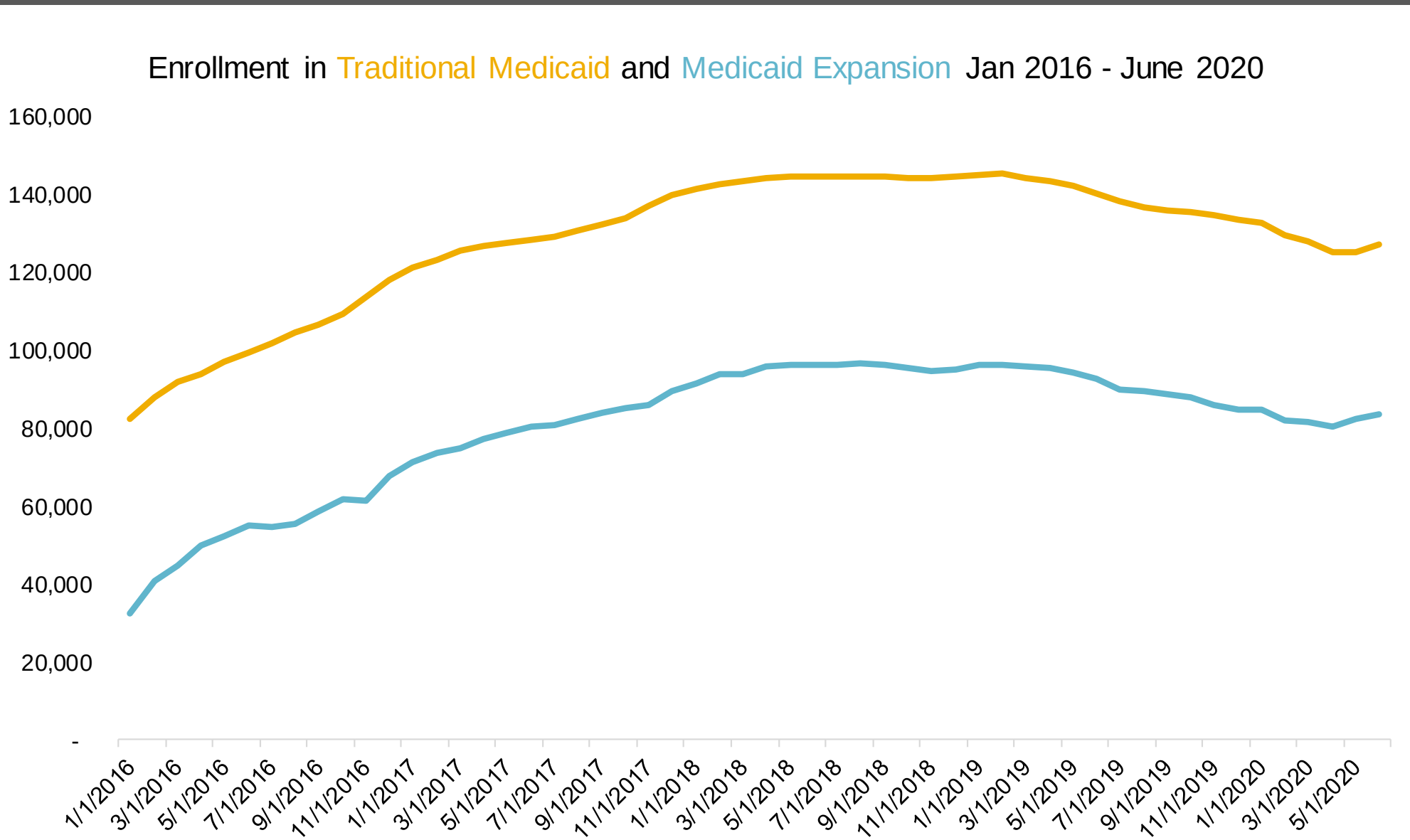
Base Budget and Present Law



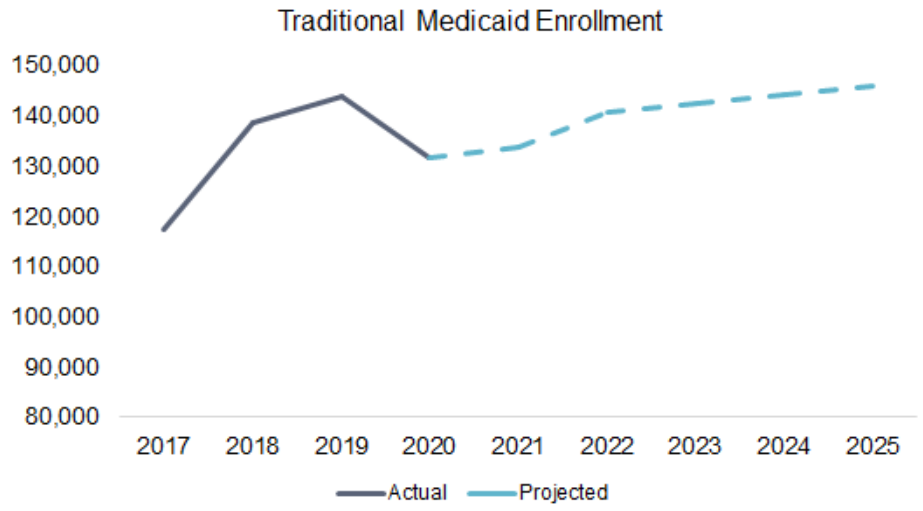


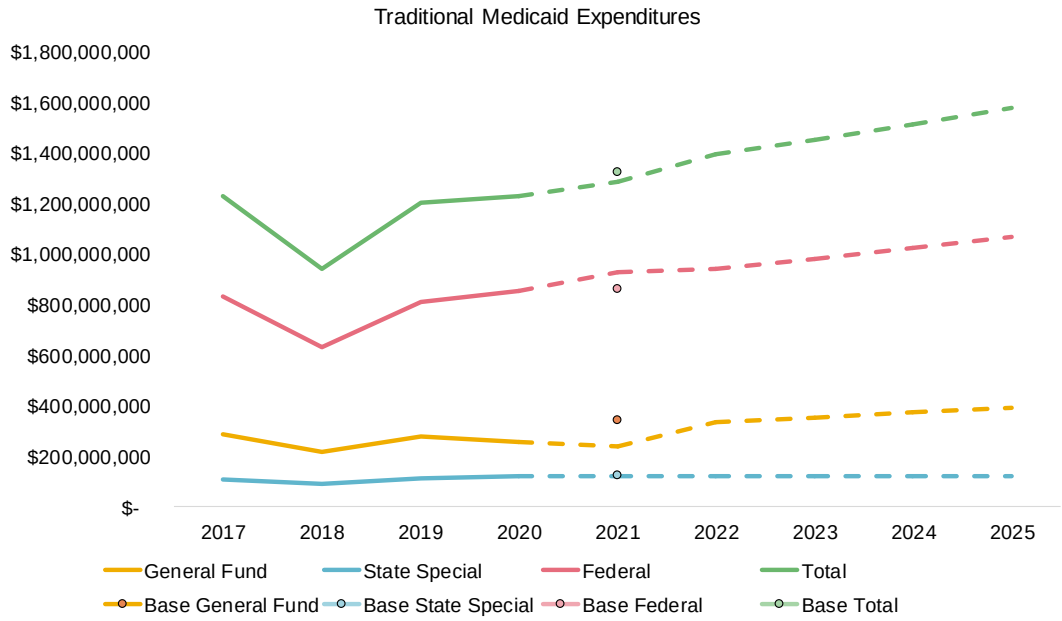
Deep Dive into Health and Human Services

Josh Poulette

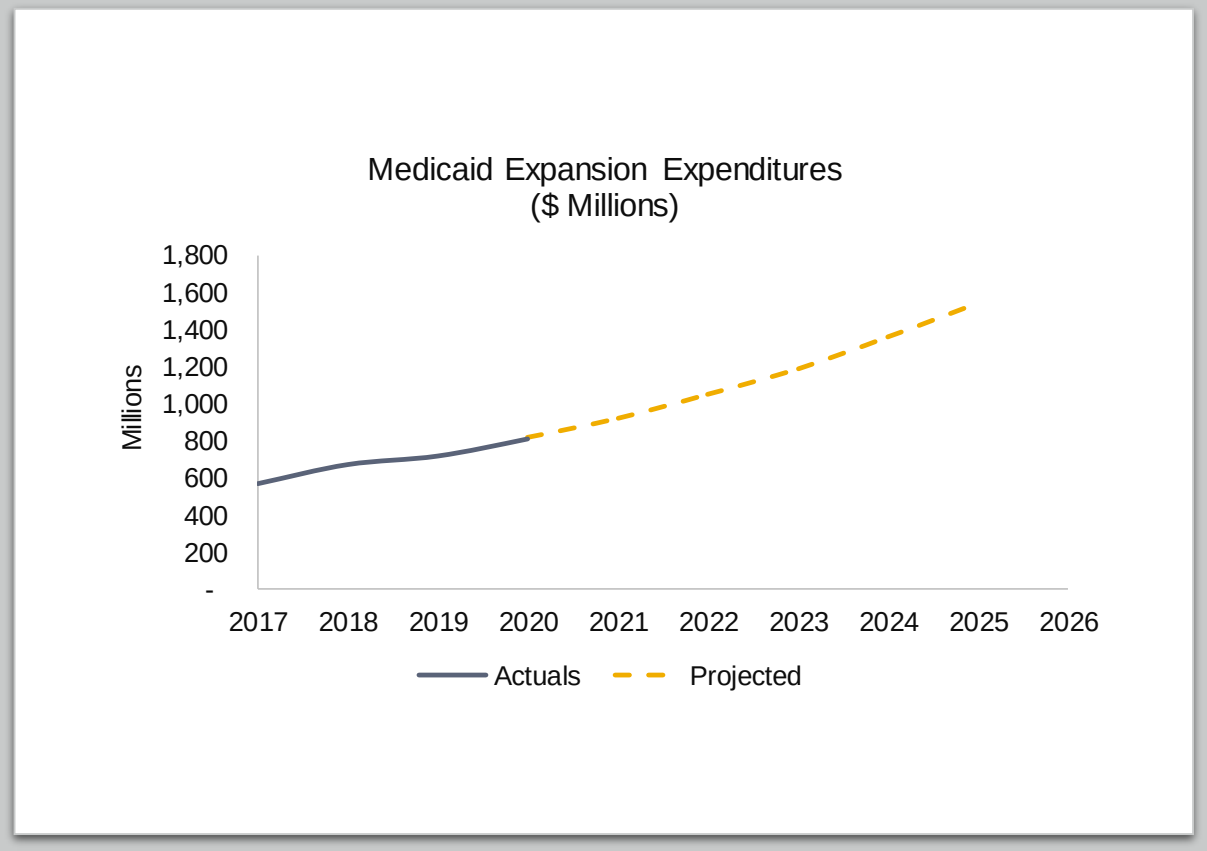

Enrollment in Traditional Medicaid and Medicaid Expansion Jan 2016 - June 2020
160,000
140,000
120,000
100,000
80,000
60,000
40,000
20,000
-
1/1/2016
3/1/2016
5/1/2016
7/1/2016
9/1/2016
11/1/2016
1/1/2017
3/1/2017
5/1/2017
7/1/2017
9/1/2017
11/1/2017
1/1/2018
3/1/2018
5/1/2018
7/1/2018
9/1/2018
11/1/2018
1/1/2019
3/1/2019
5/1/2019
7/1/2019
9/1/2019
11/1/2019
1/1/2020
3/1/2020
5/1/2020

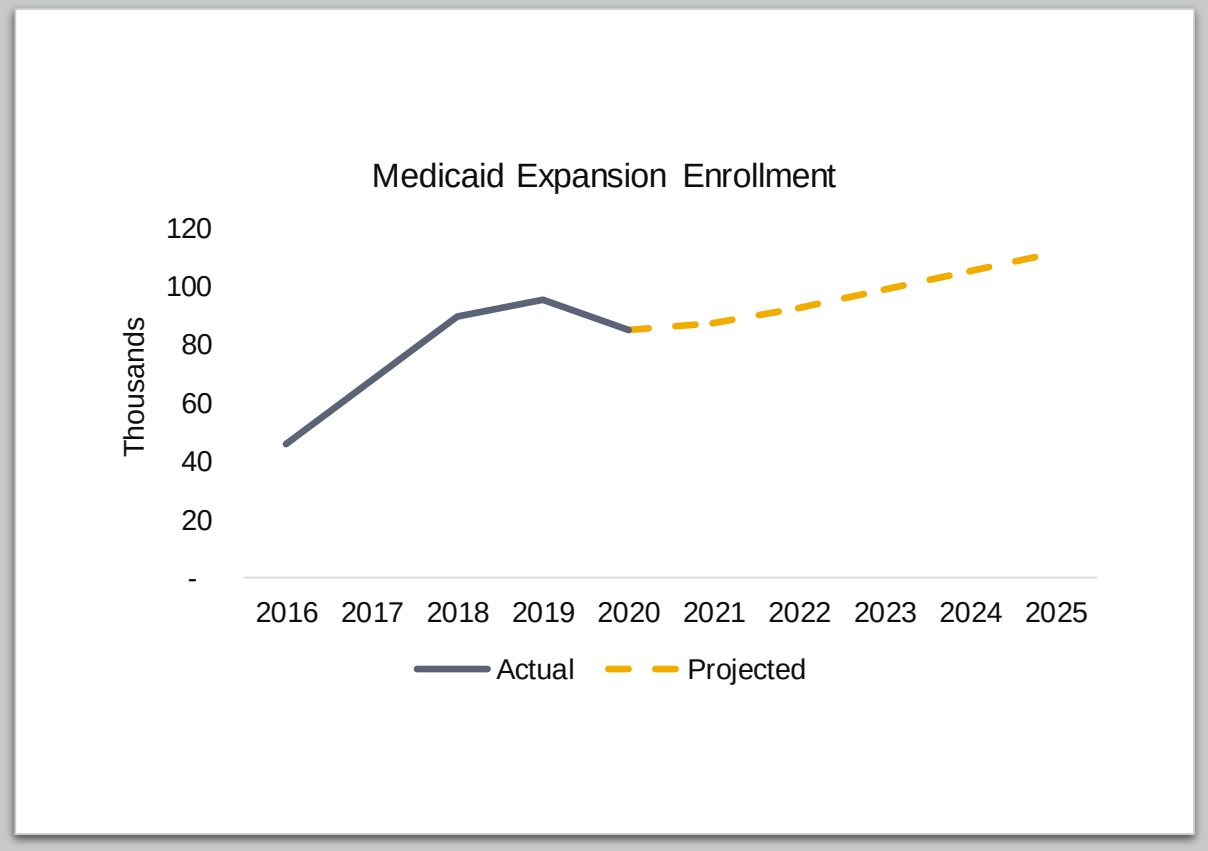
Traditional Medicaid



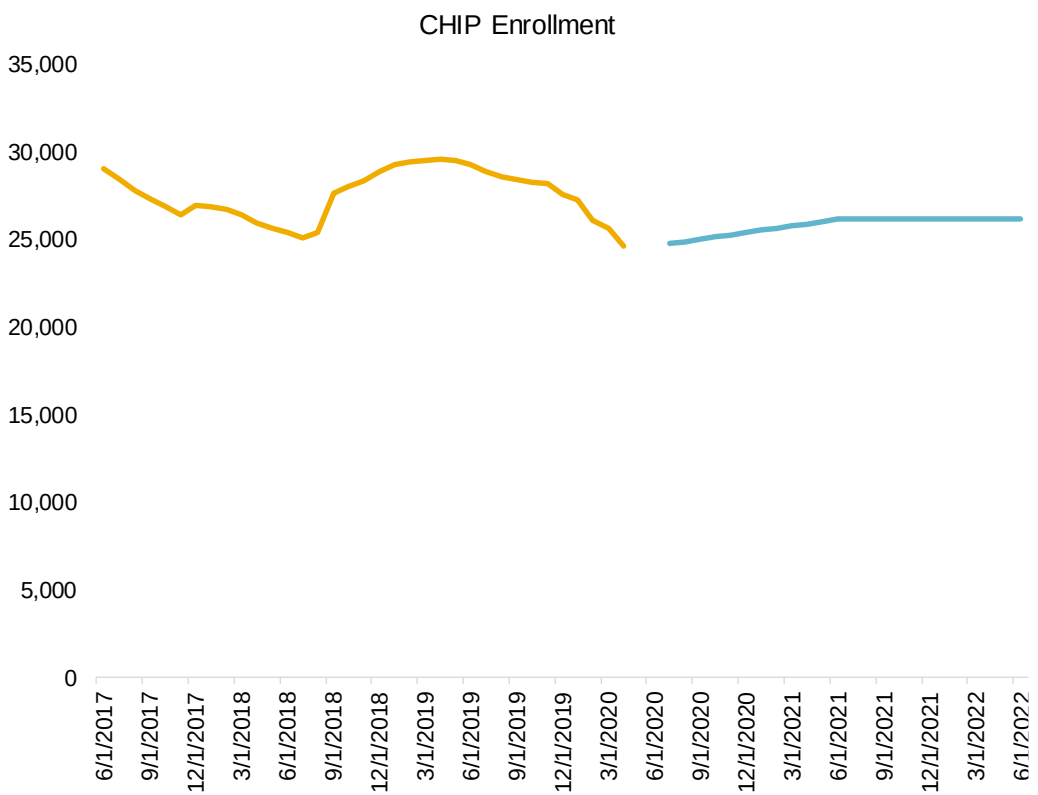


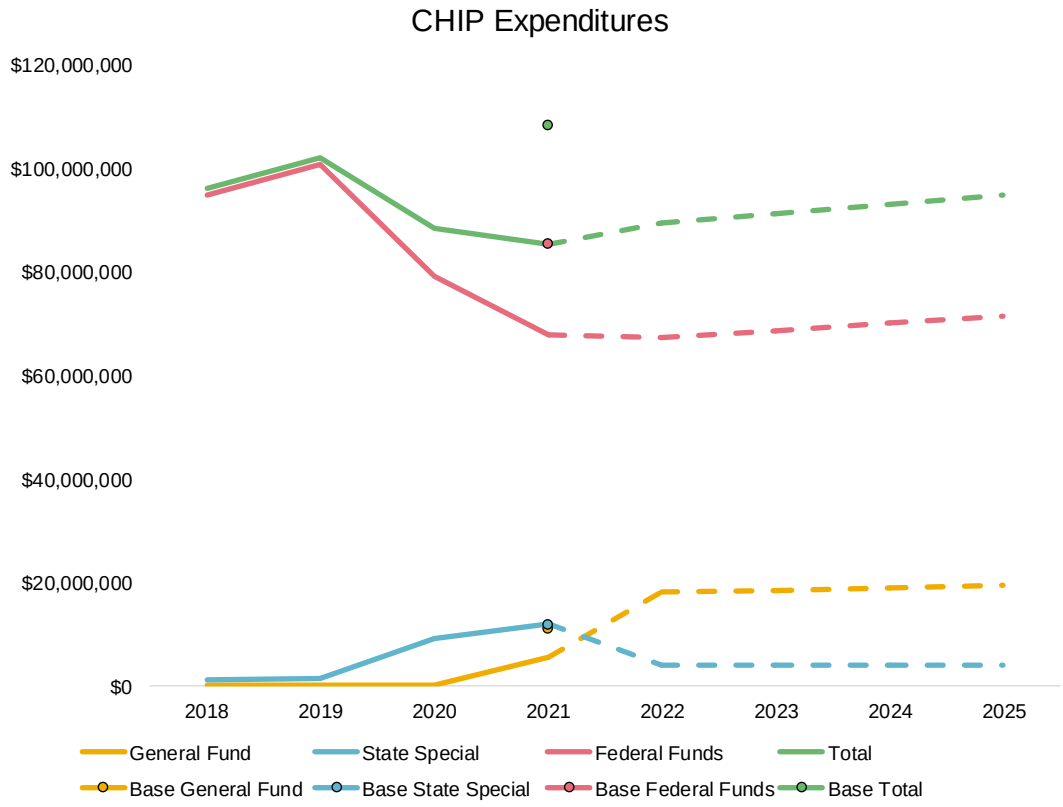
Expansion


Medicaid Expansion Expenditures
($ Millions)
Millions
1,800
1,600
1,400
1,200
1,000
800
600
400
200
-
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
Actuals
Projected

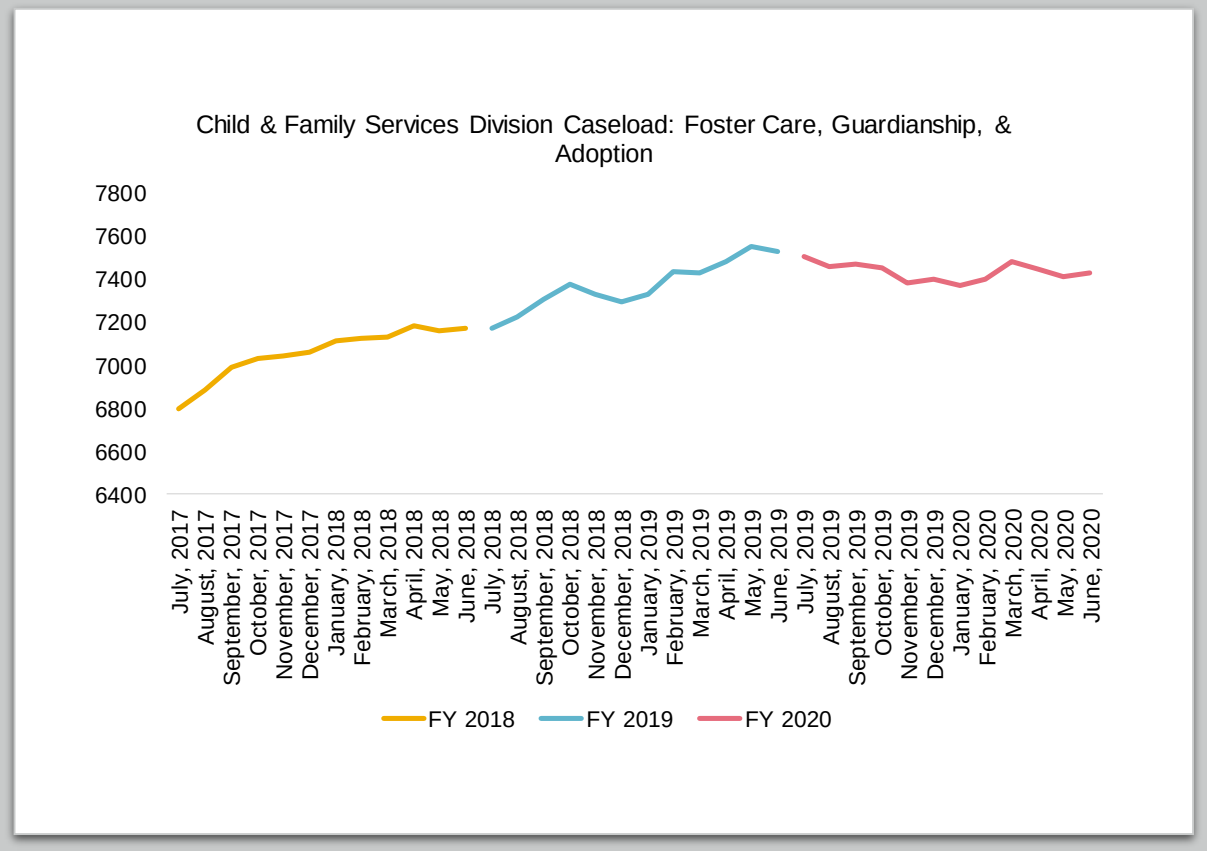

Medicaid Expansion Enrollment
Thousands
120
100
80
60
40
20
-
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
Actual
Projected

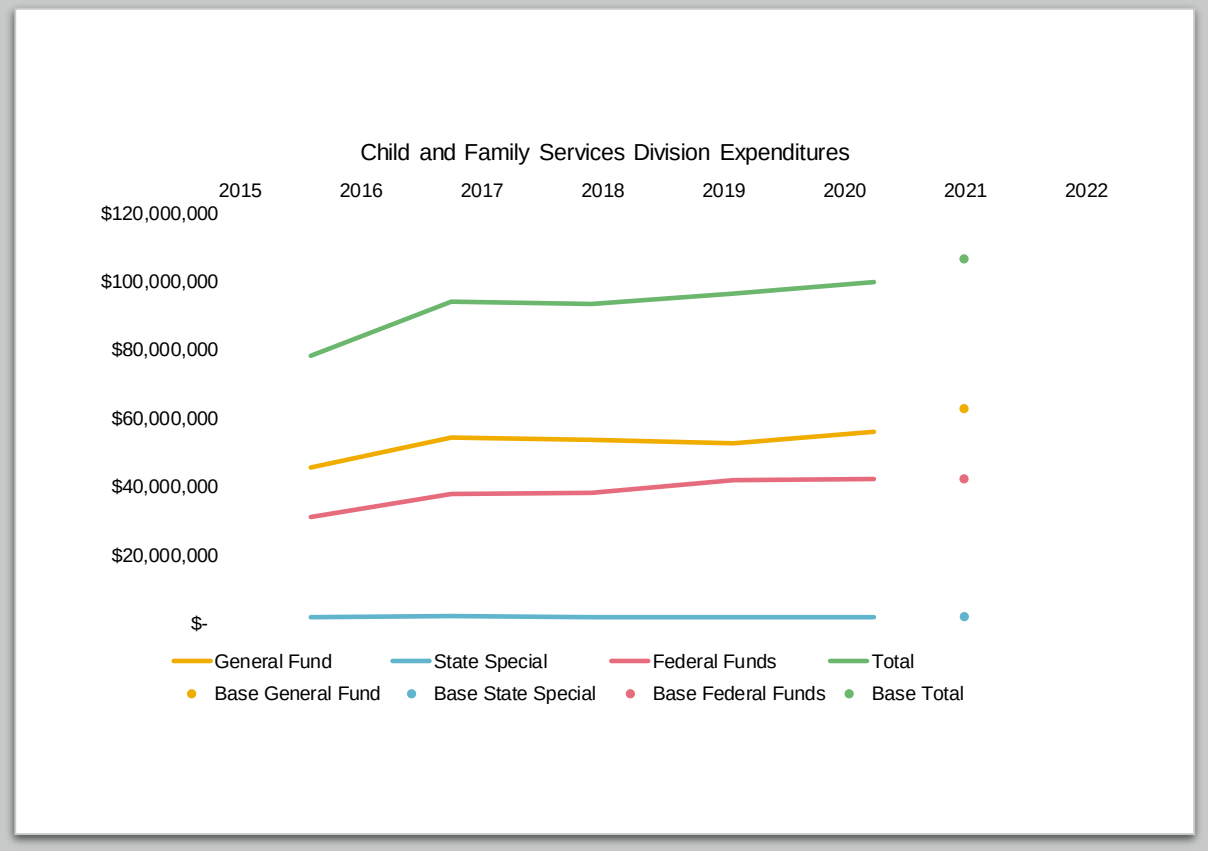
Children's Health Insurance (CHIP)





Children and Families

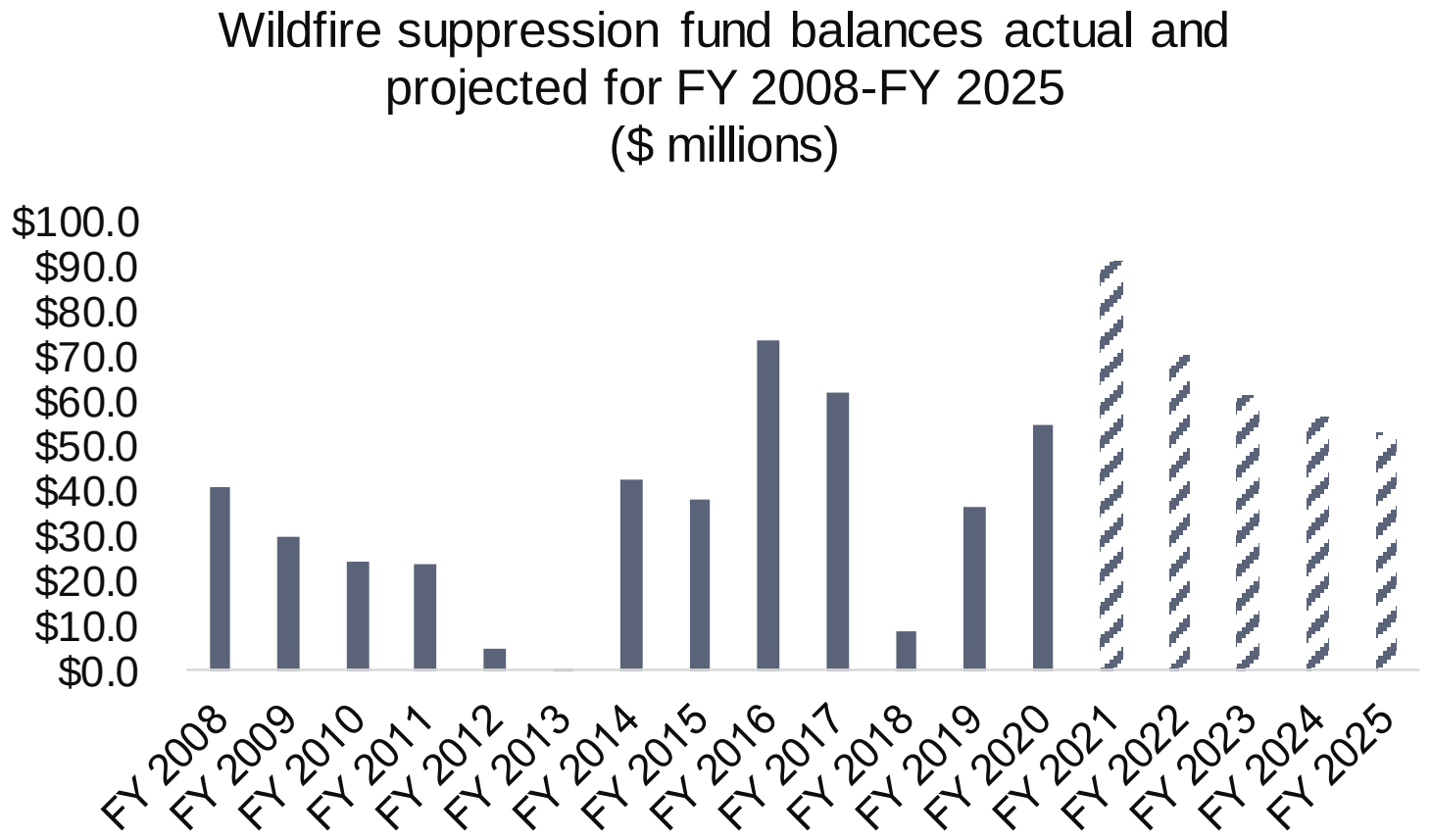




Section C and D Highlights

Quinn Holzer

Fire Fund Balance



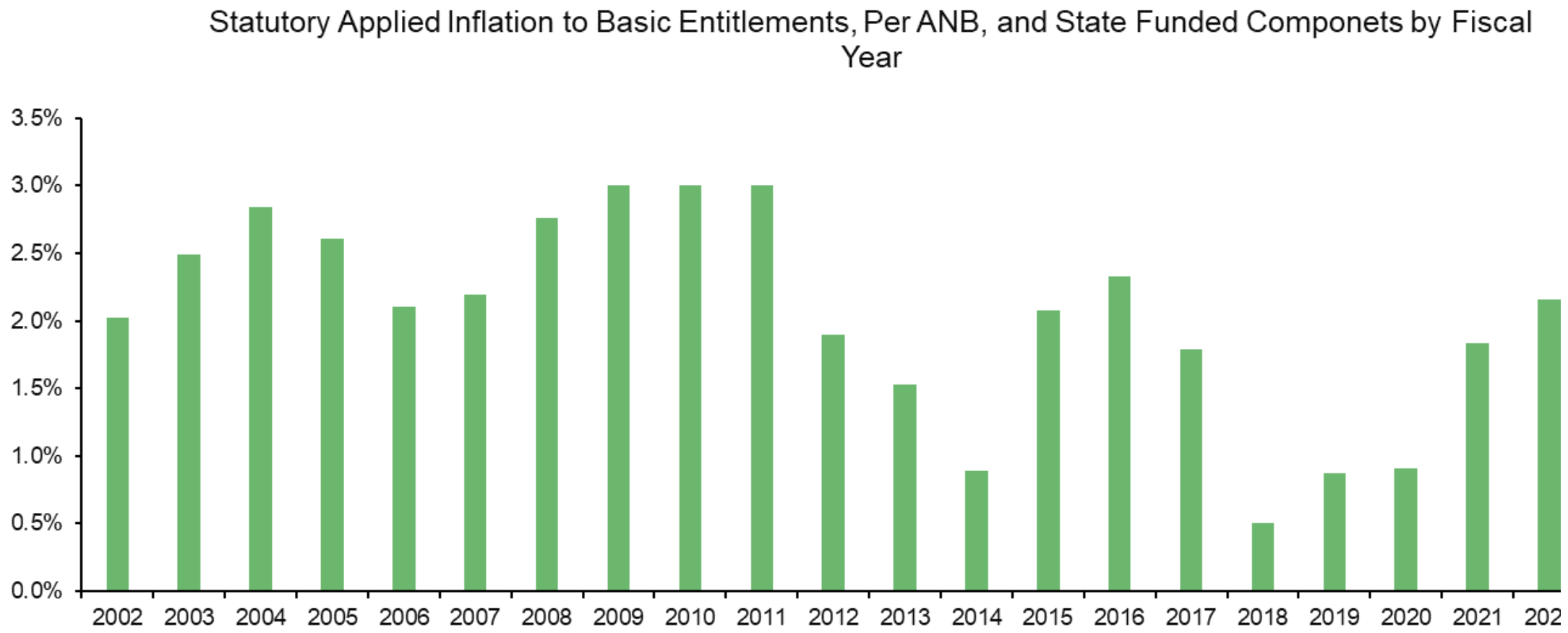
K-12 Education

Julia Pattin and Nick VanBrown

Present Law Growth

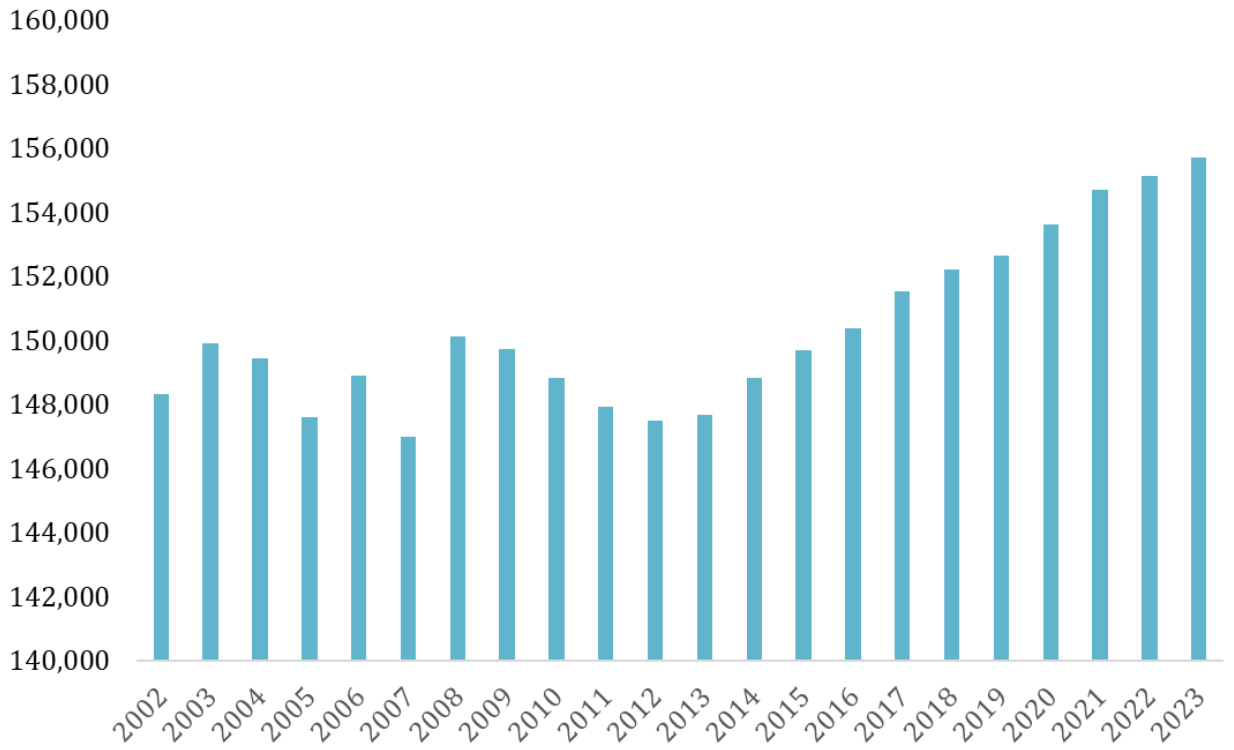
OPI Present Law Detail (*$ in millions*)	
Component	Growth
BASE Aid (Inflation & ANB Growth)	63.7
K-12 Facilities Payment (2017 Session)	2.8
Transformational Learning (2019 Session)	4.3
Advanced Opportunities (2019 Session)	4.2
All Other	1.2
Total (Including BASE Aid)	$76.1

K-12 Inflation



Enrollment Trends (ANB)

Enrollment (ANB) cycled up and down slightly between FY 2002 and FY 2012, but the recent uptick in enrollment from FY 2013 is projected to continue into the future. *(Note that the scale on this chart does not begin at zero.)*

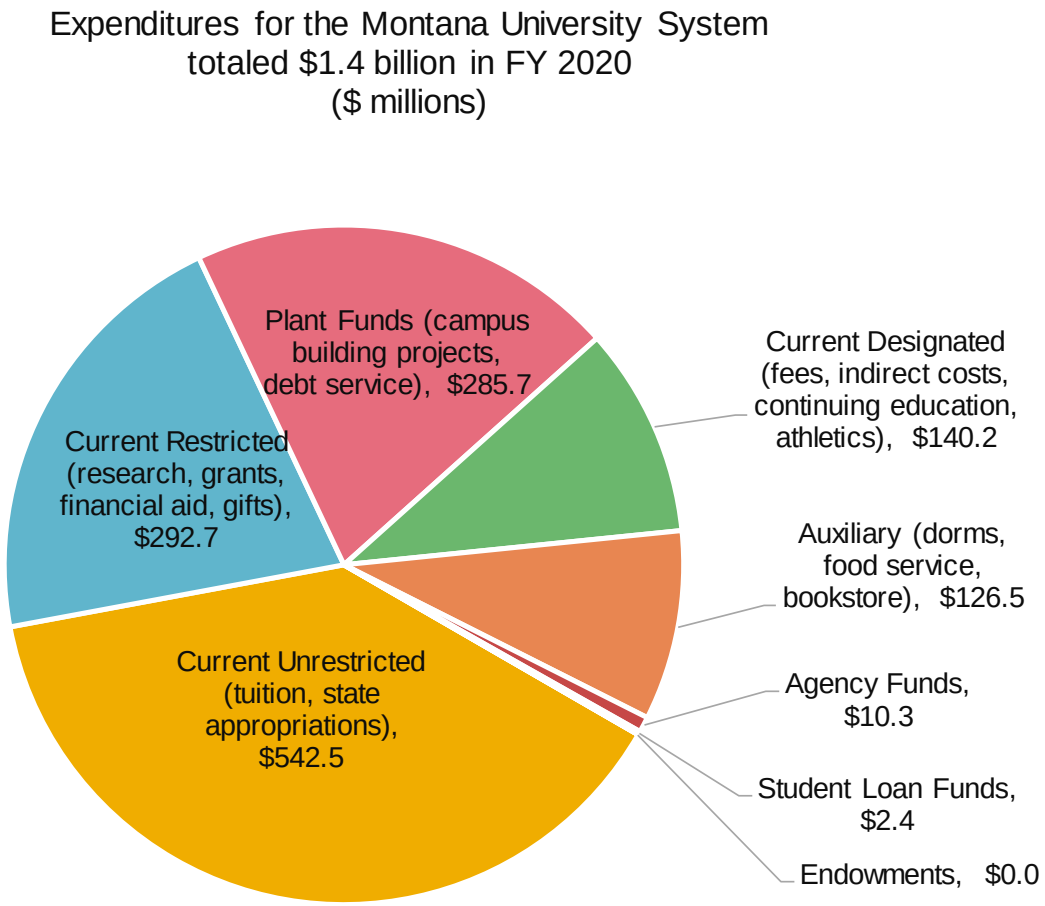


MUS, Long Range, and Pensions

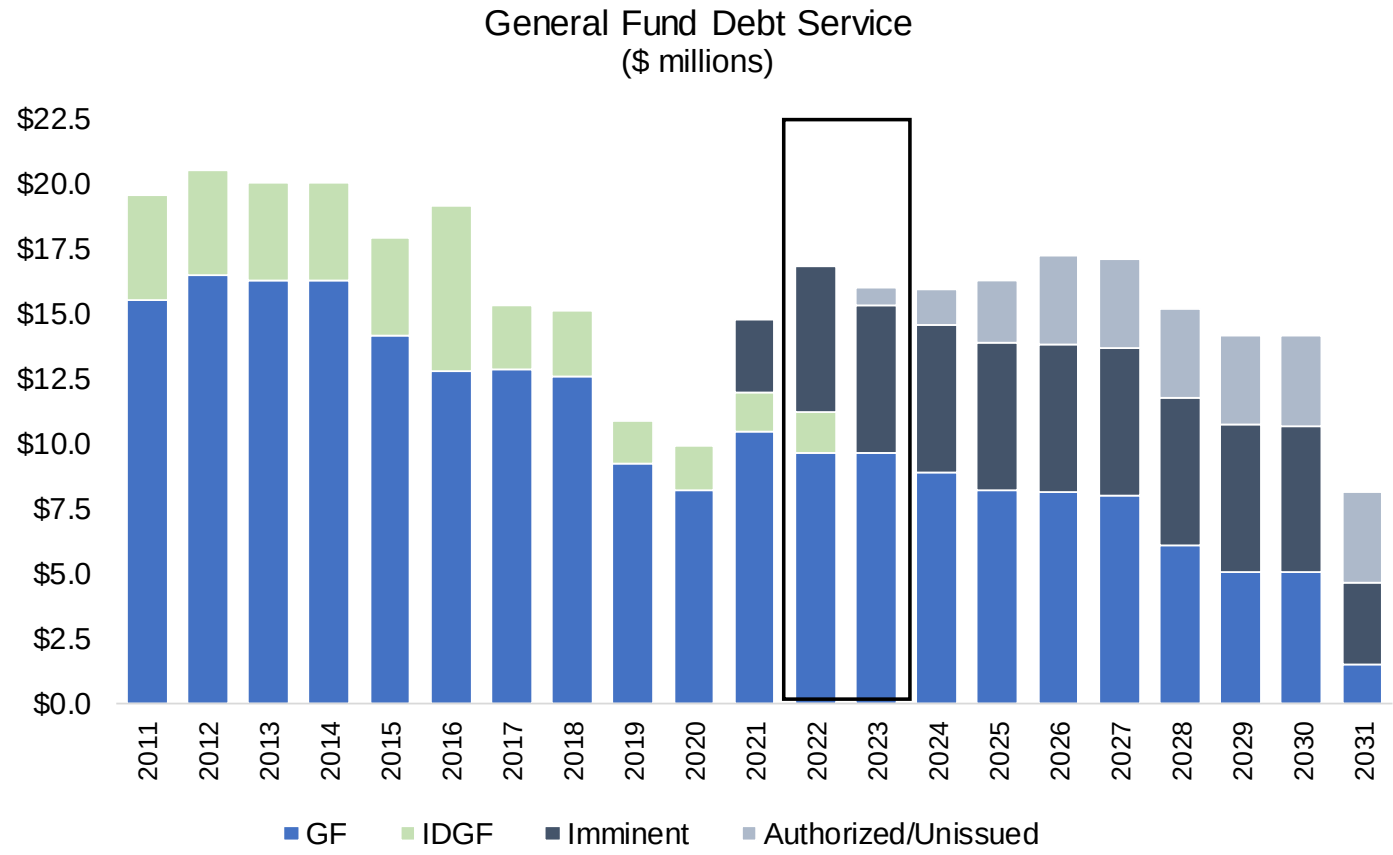
Joe Triem

University System Risk

- Most University System spending is not state funds



Debt Service Update



Pensions – 20 year Layered - potential pressure

PERS

Funding Source	($ Millions)
City	$4.37
Consolidated	0.6
County	5.6
Other Local Gov't	1.1
School Districts*	2.9
University System	1.9
General Fund	4.6
State Special Funds	3.7
Federal	2.1
Other State Funds	1.2
Total	$28.0
* Approximately $0.8 million of this would be GF	

TRS

Funding Source	($ Millions)
State Retirement GTB (General Fund)	$6.9
Local Retirement Mills	18.1
Total	$25.0

Overview and Wrap up

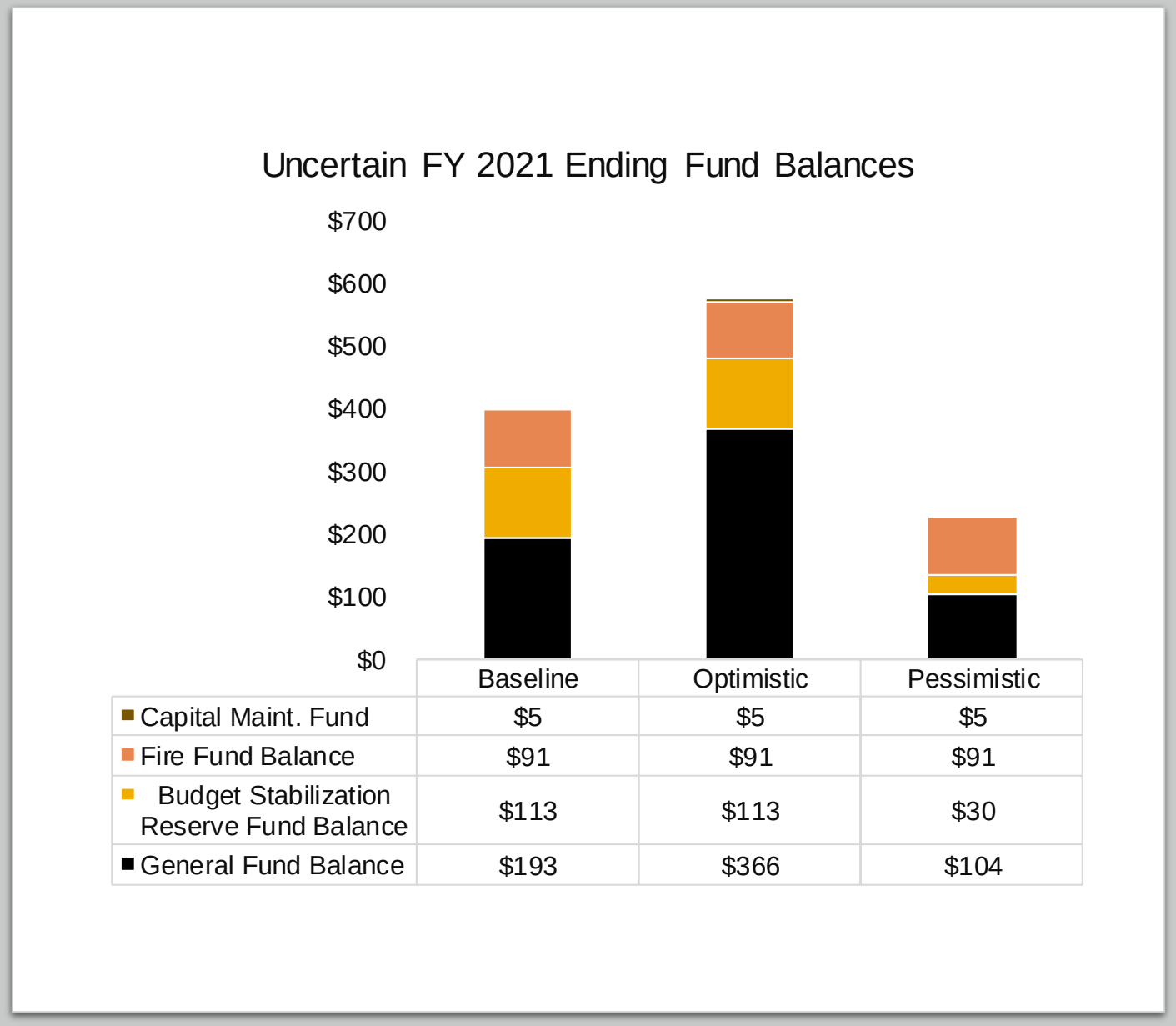
Amy Carlson

General Fund Ending Fund Balance

The bar on the left shows the state general fund financial reserves at FYE 2020. The bar on the right shows what reserves might look like at FYE 2021 if baseline assumptions materialize.

All Reserve Fund Balances

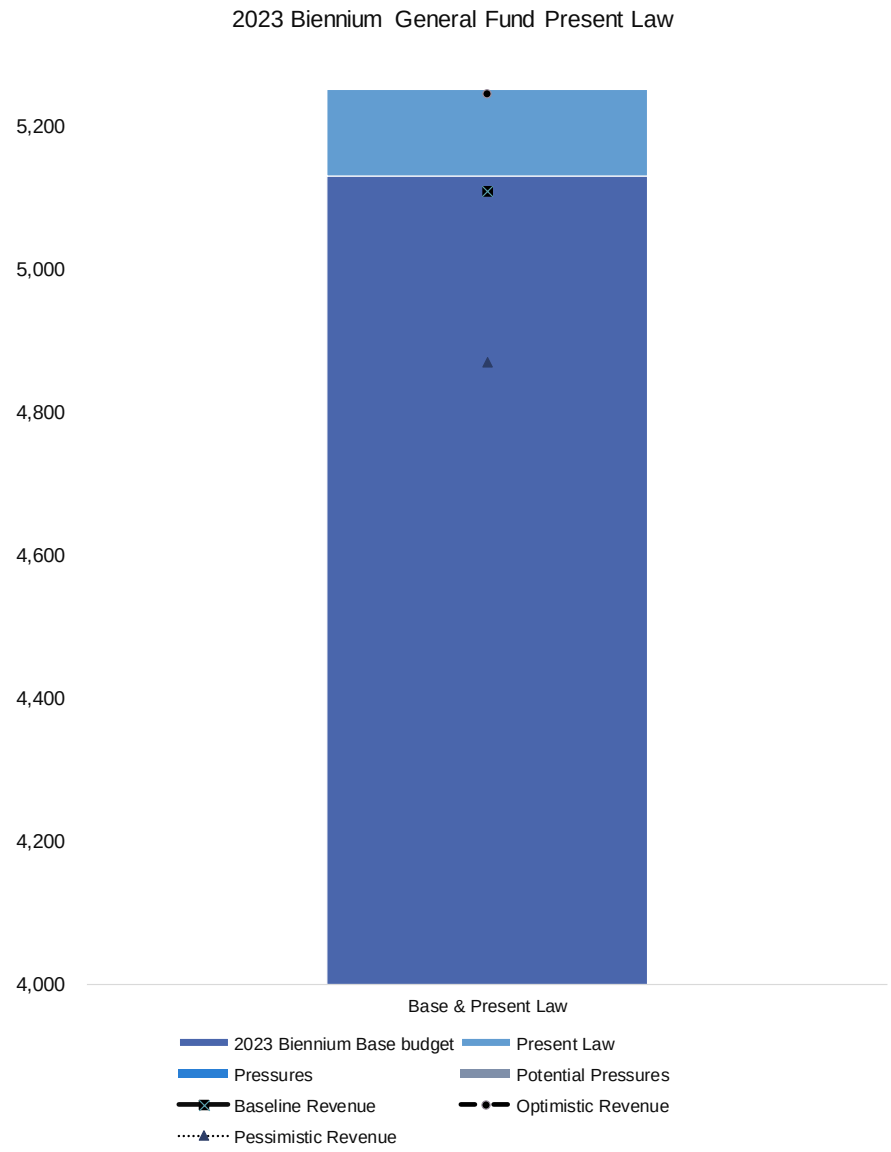
- FY 2021 is uncertain



	Baseline	Optimistic	Pessimistic
Capital Maint. Fund	$5	$5	$5
Fire Fund Balance	$91	$91	$91
Budget Stabilization Reserve Fund Balance	$113	$113	$30
General Fund Balance	$193	$366	$104

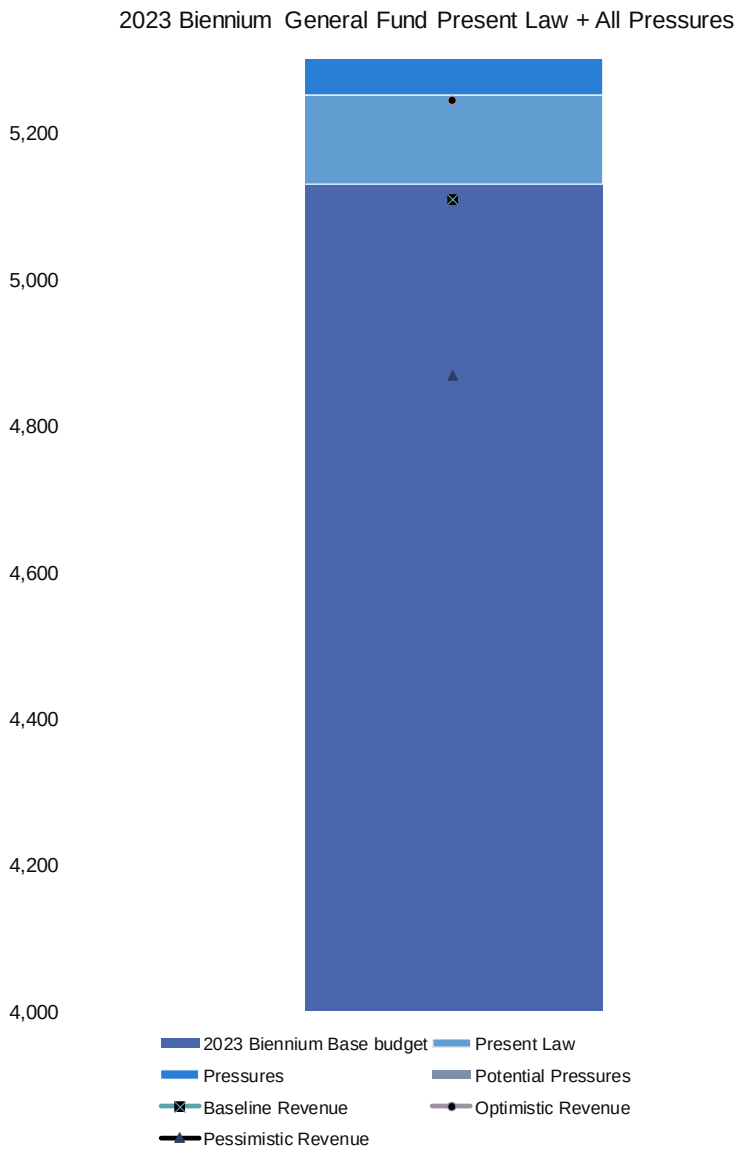
Base plus Present Law

Present law above anticipated revenues by $142 million or 2.7%



Present Law Plus Pressures

- Present Law and minimal pressures are $194 million above baseline revenues or 3.7%
  - In the 2025 Biennium this is anticipated to be less than 2%
- Potential pressures are unlikely



End