

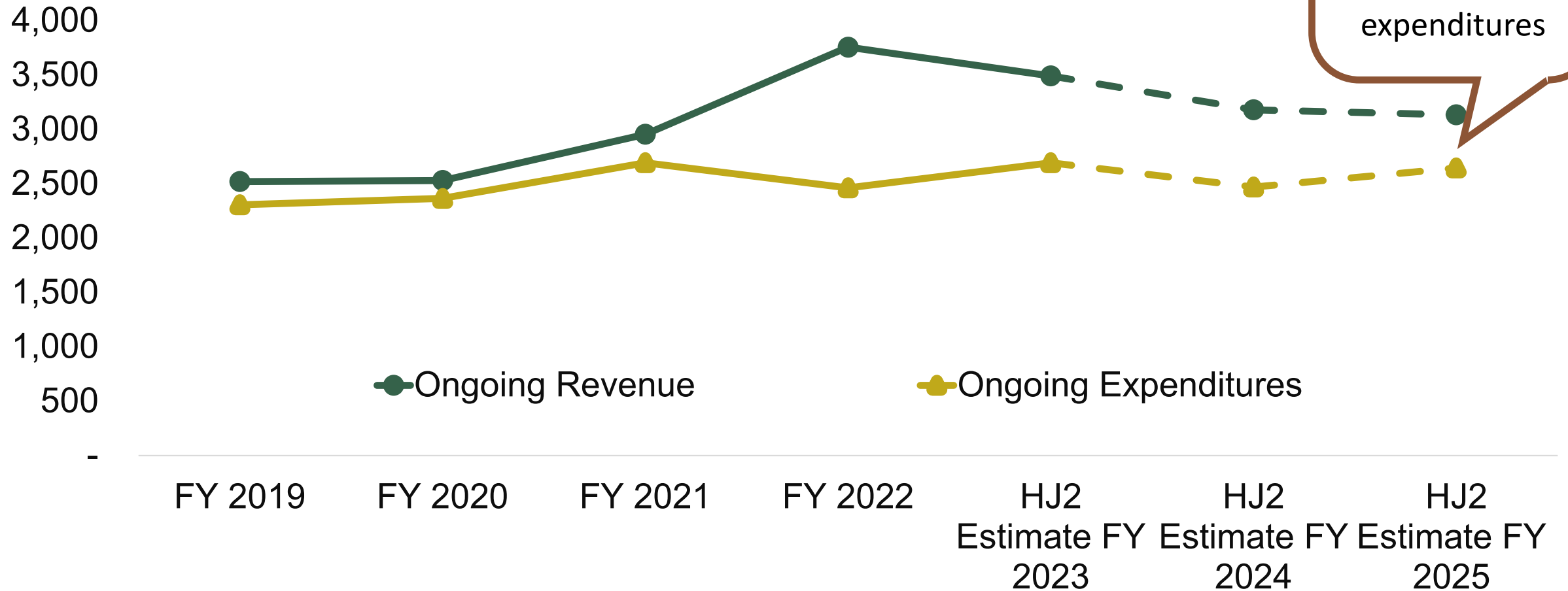


Revenue and Risk Analysis

Amy Carlson

Legislative Fiscal Analyst and Director of Legislative Fiscal Division

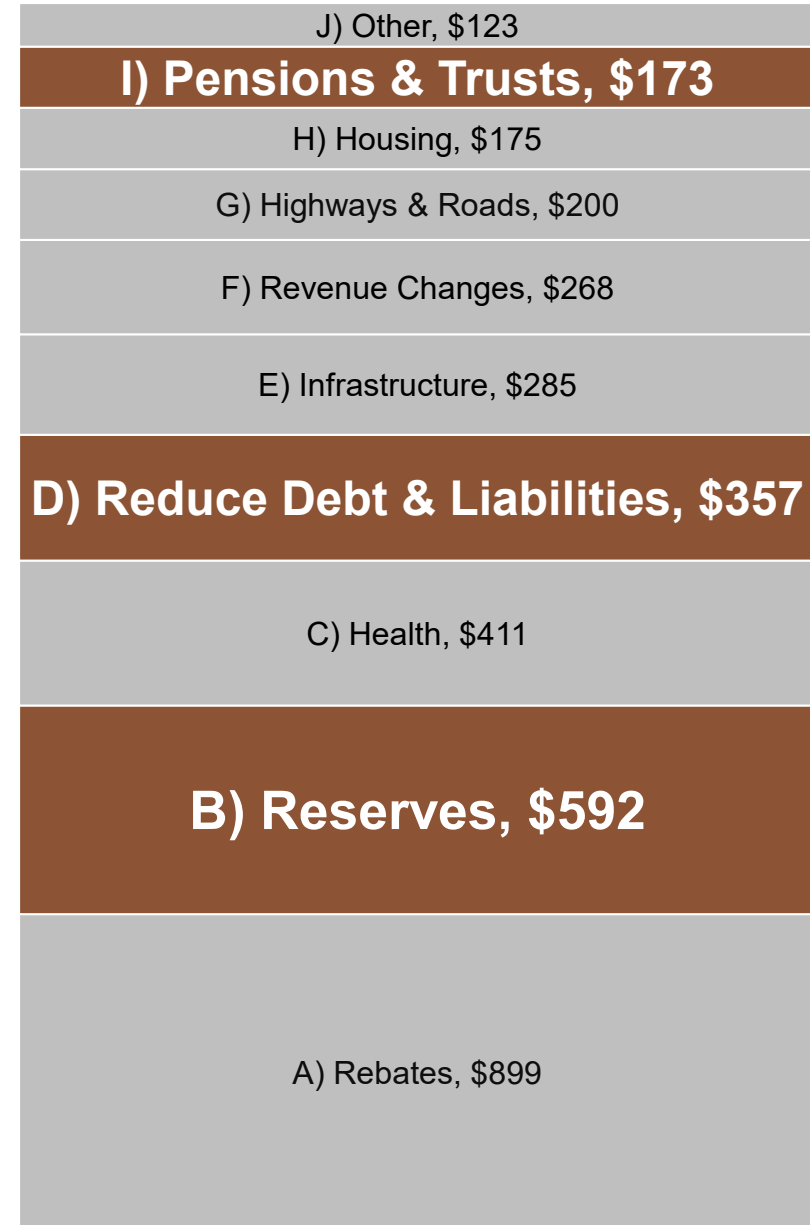
2023 Session Adopted a 16% Positive Structural Balance



The 2023 Session adopted uses of funding that absorb risk

Of the \$3.5 billion spent, about **a third** of it reduces risk with reserves, trust infusions, reducing debt, and pensions

\$3,500
\$3,000
\$2,500
\$2,000
\$1,500
\$1,000
\$500
\$0



Legislature left
2023 Session
with a strong
structural
balance, what
are revenues
now and what
are the risks on
the horizon?

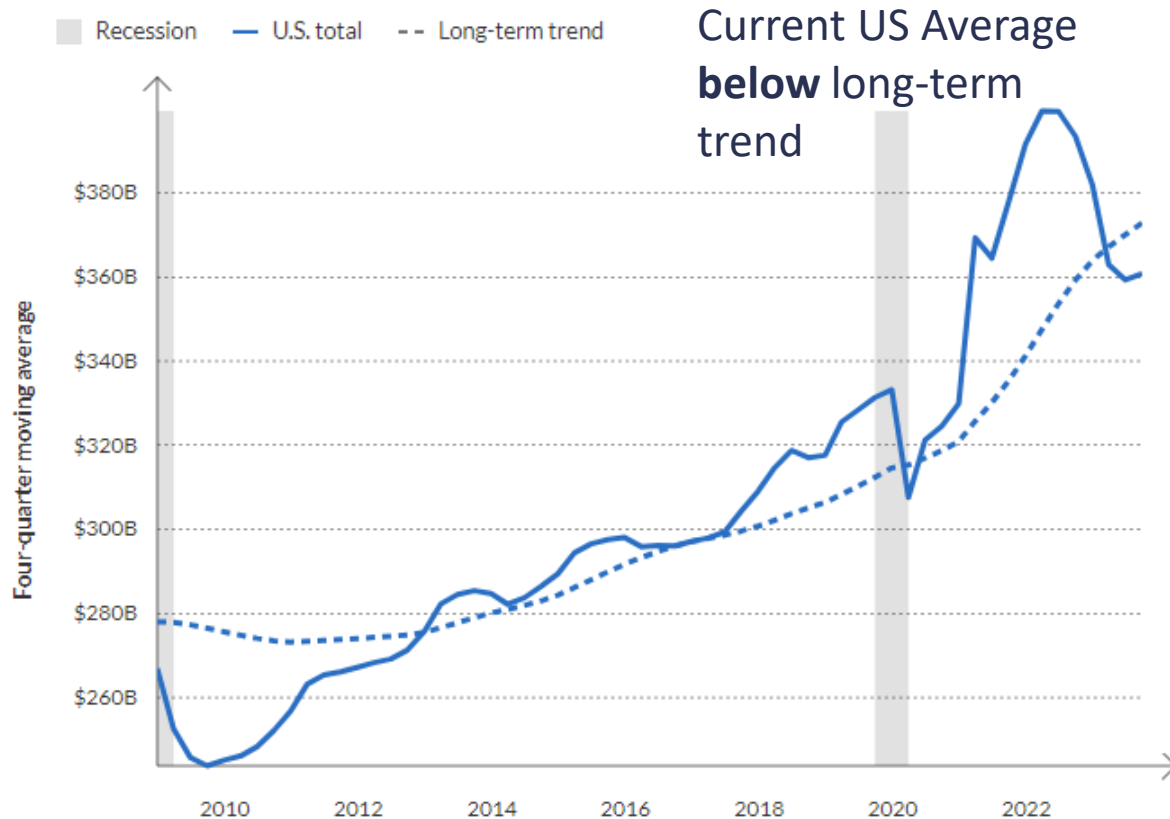
In June, after the Outlook
Report showed continued strong
revenue, the Legislative Finance
Committee requested an
analysis of risk.

Pew Fiscal 50 Comparison:

Montana is an Outlier on Revenue Growth

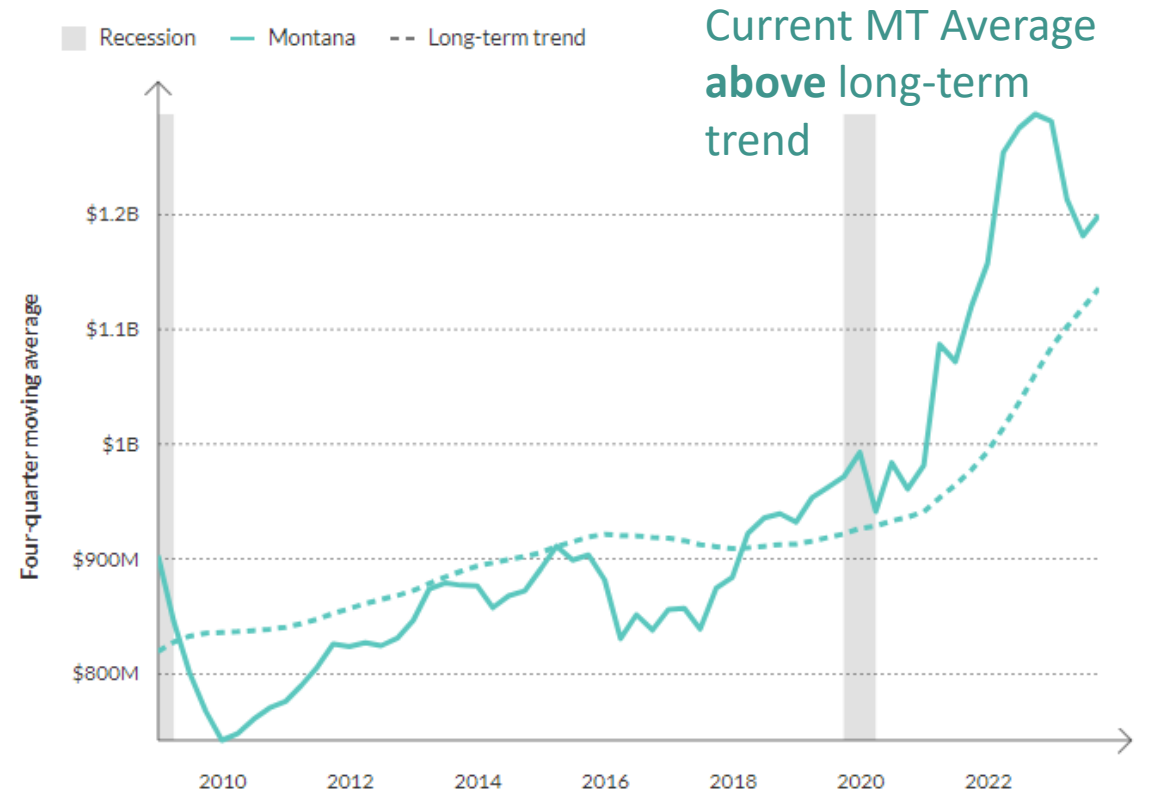
State Tax Revenue, Adjusted for Inflation and Seasonality

How quarterly receipts compare with their long-term trend through the same period, 50 states

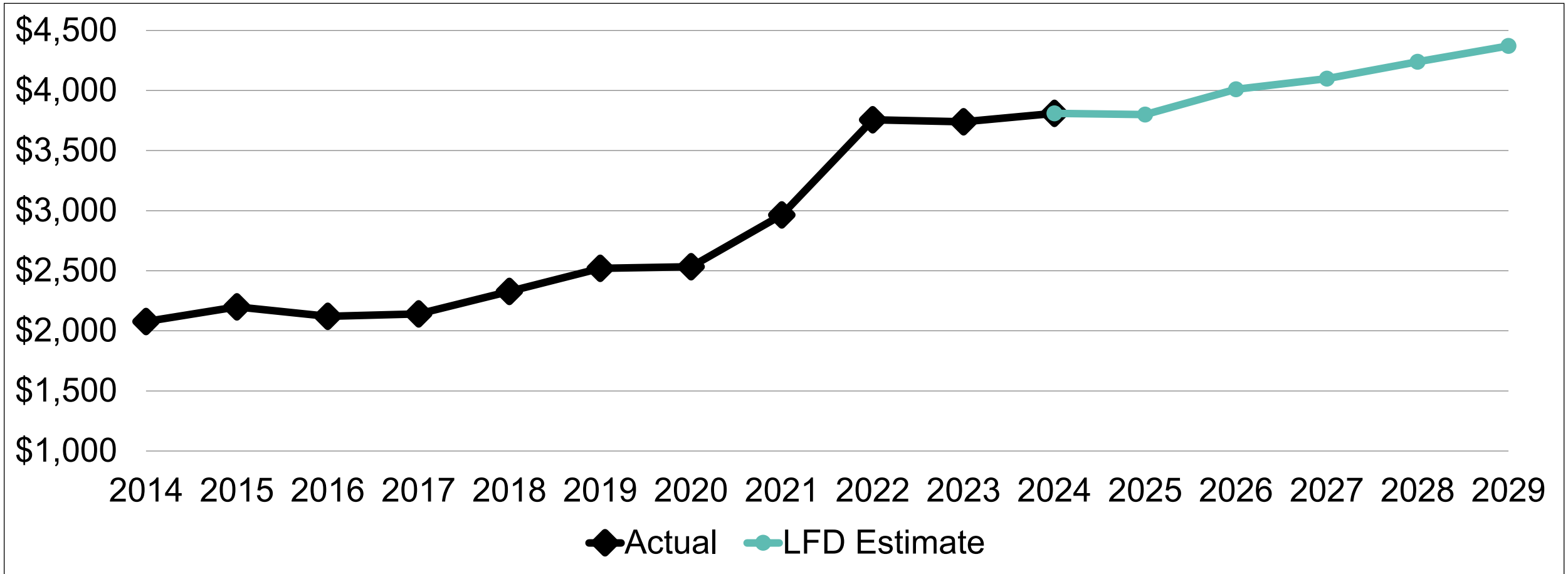


Montana State Tax Revenue, Adjusted for Inflation and Seasonality

How quarterly receipts compare with their long-term trend through the same period, Montana



Current forecast of General Revenue continues to be strong, slightly lower than the Outlook in June



Future Risk

More volatile revenue streams

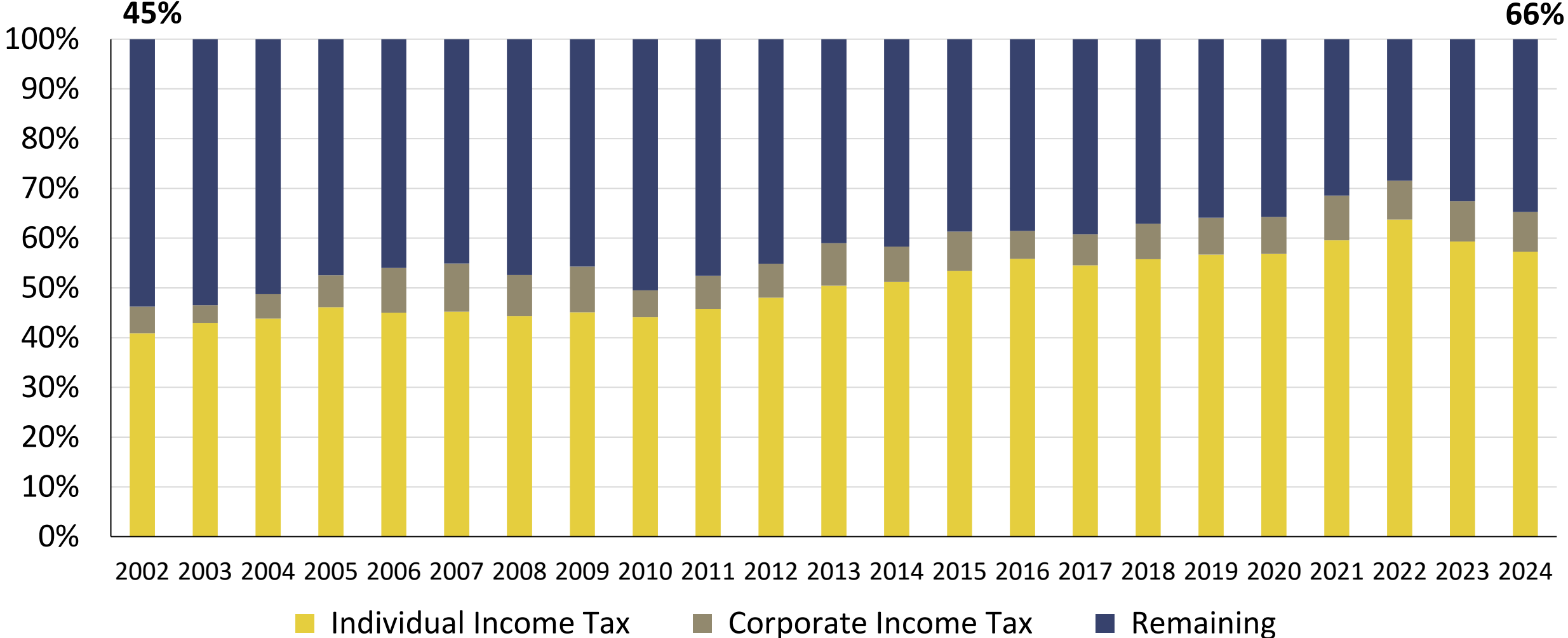
Federal funding

Aging infrastructure

Unfunded liabilities like pensions

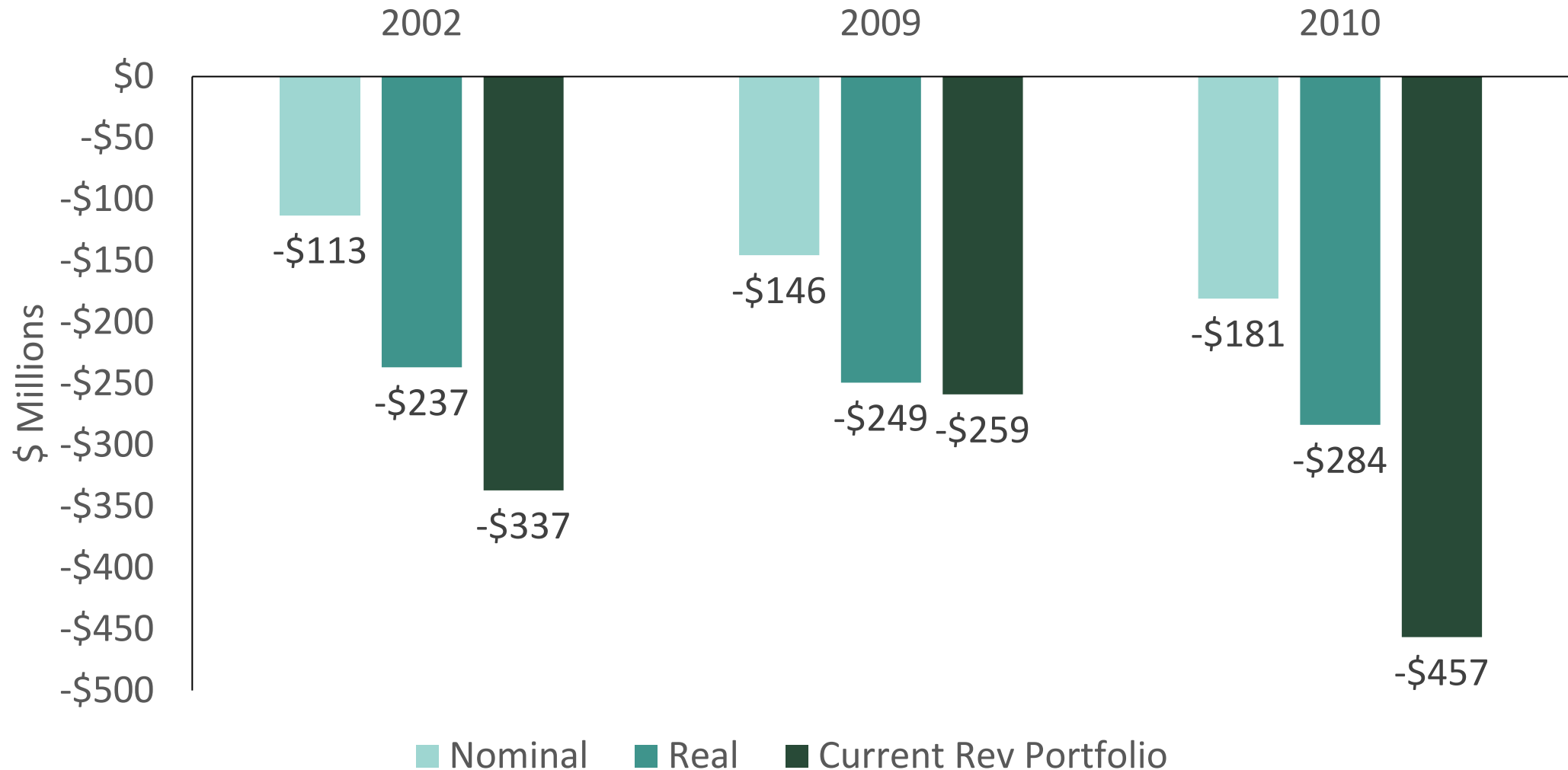
More Revenue Risk

Income Taxes as a Share of Total General Revenues

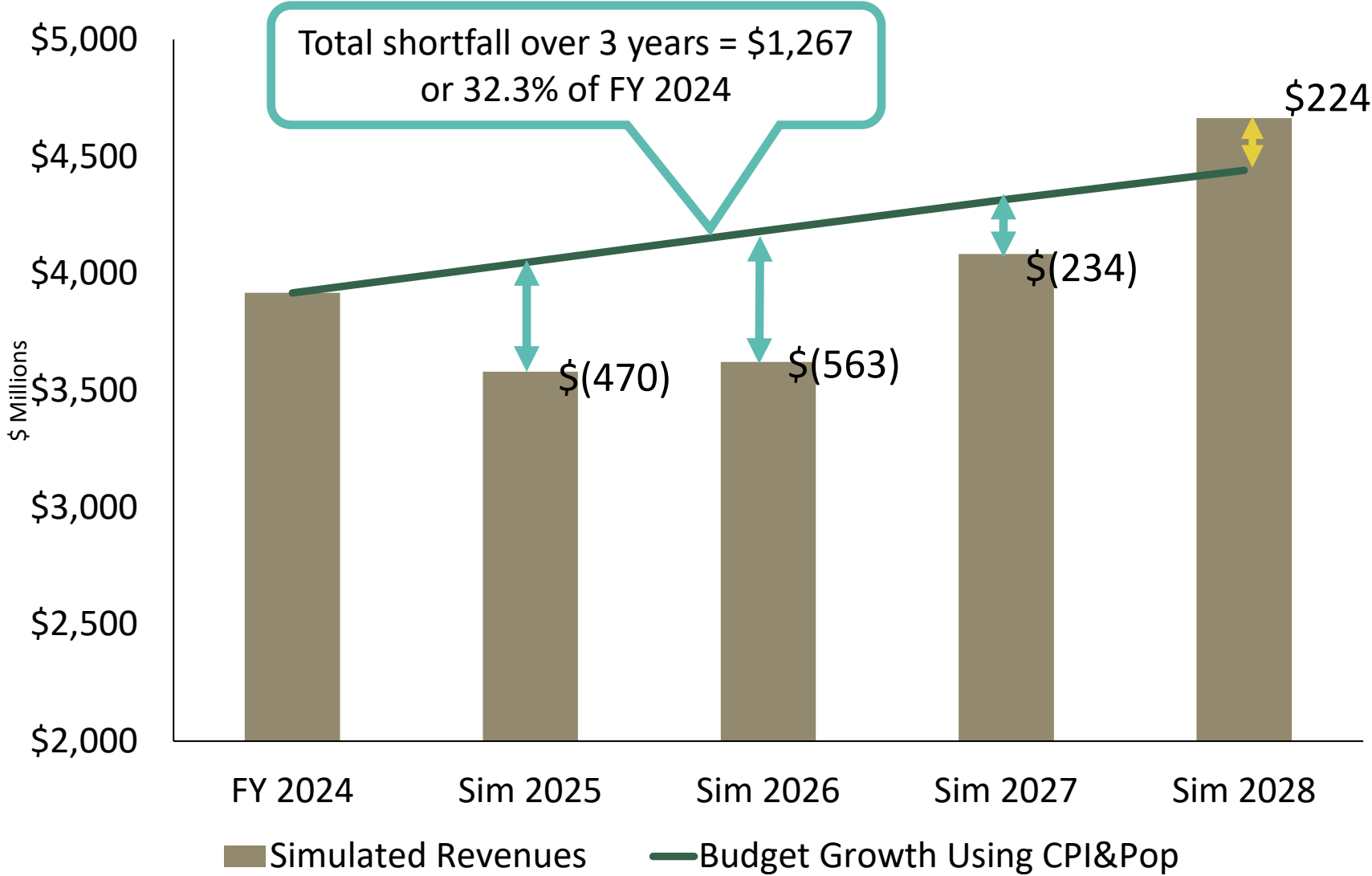


More Reliance on Income Taxes Creates More Volatility

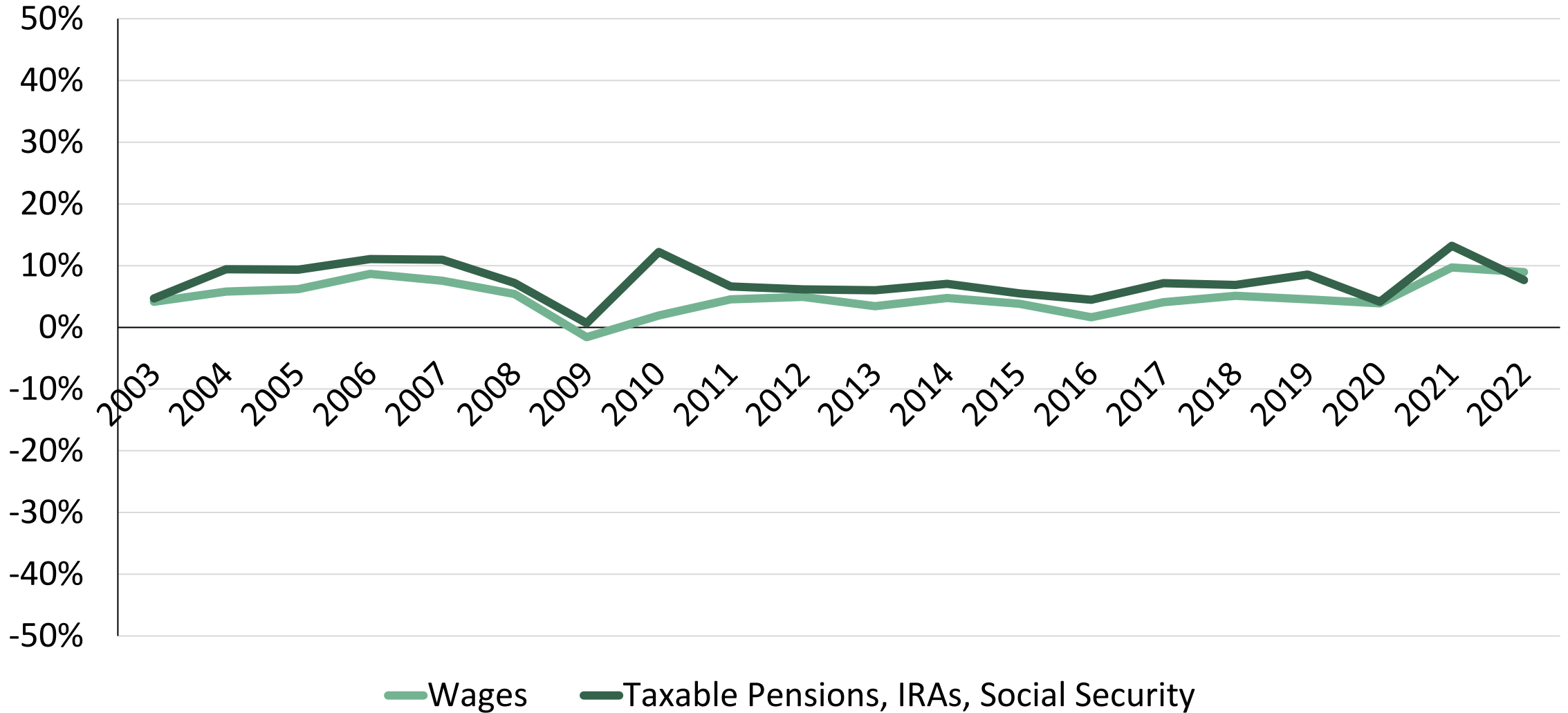
Montana Year-Over-Year Declines in General Revenues



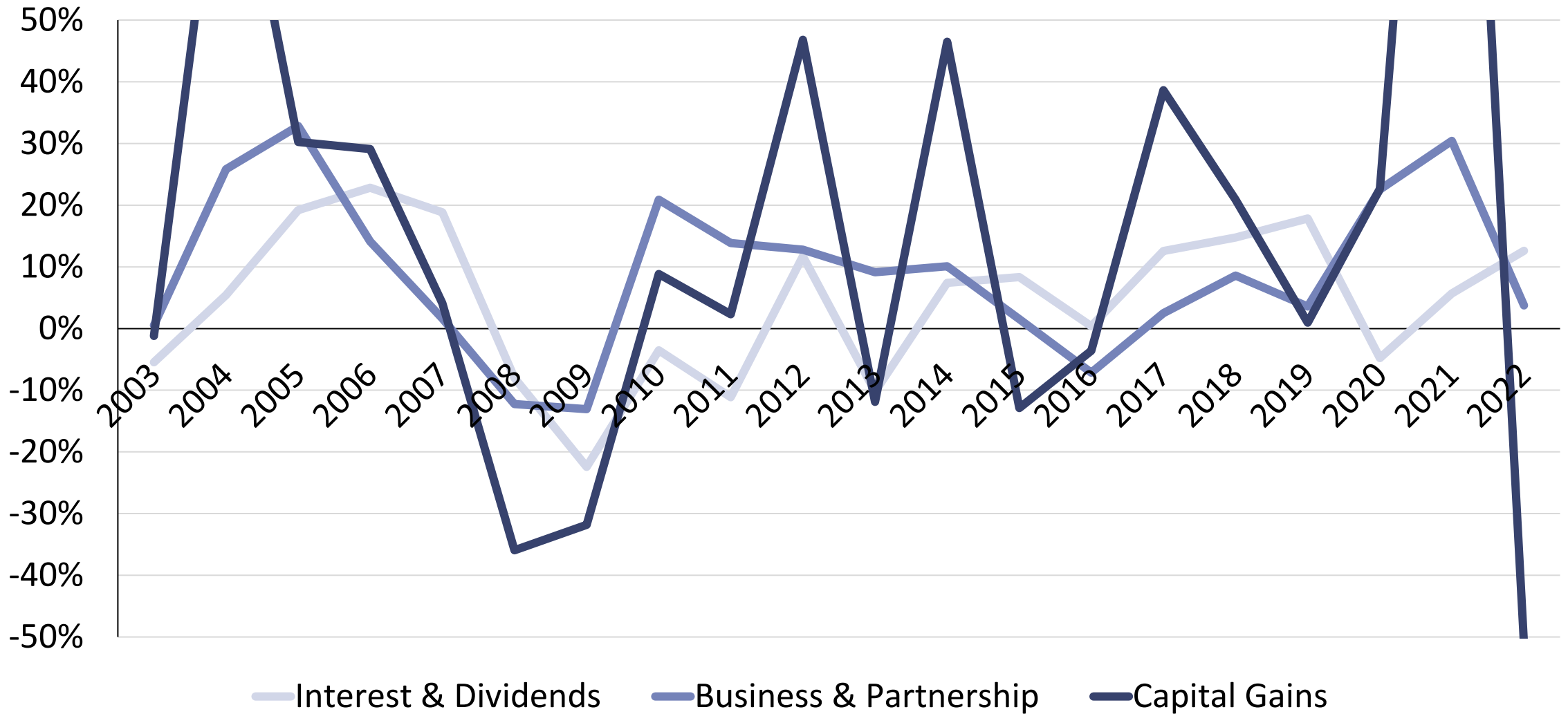
Revenue Growth Simulated Using the **Mild** Recession of 2001 Growth Rates Compared to Simulated Budget



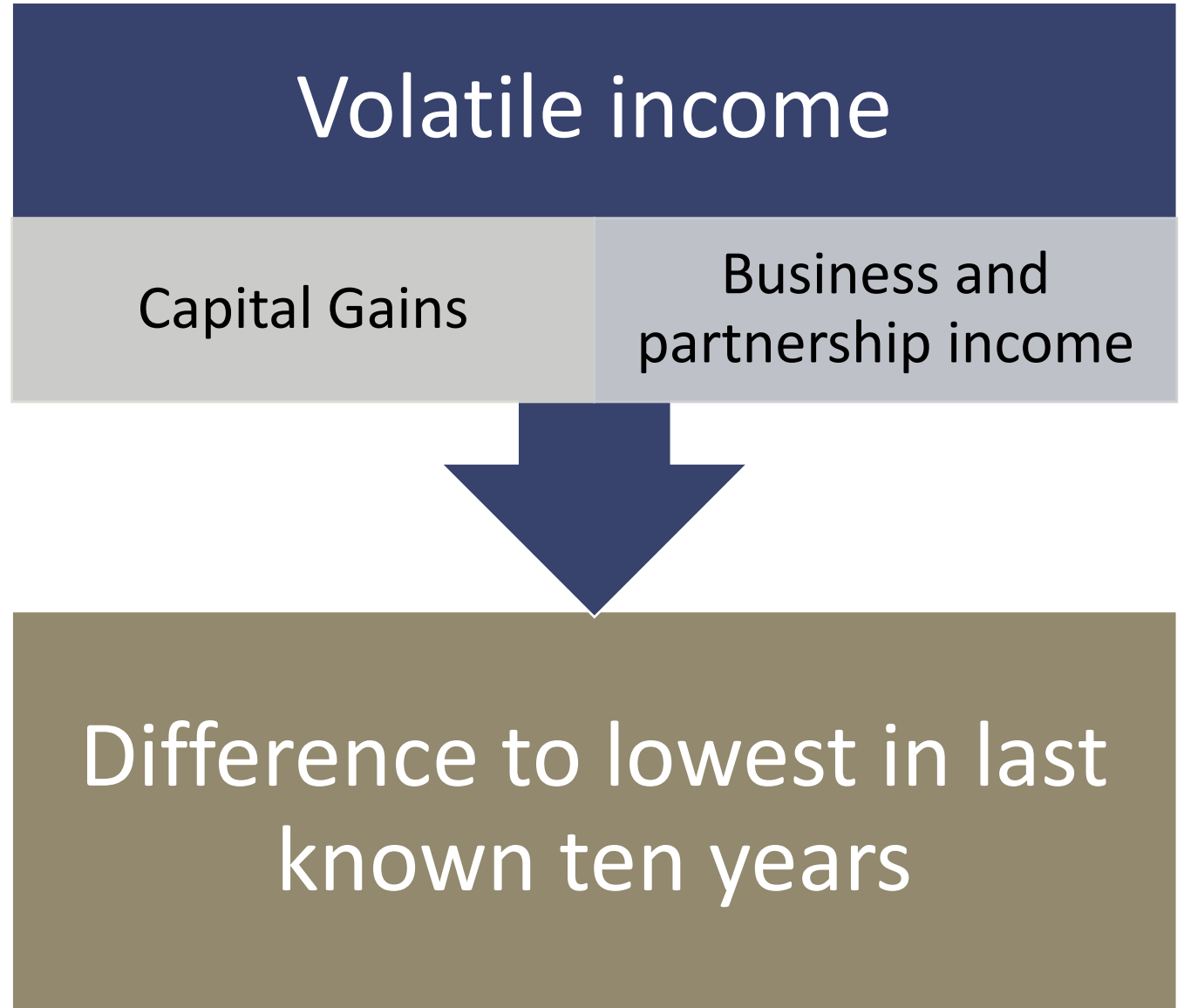
Annual Growth of Relatively Stable Personal Income Sources



Annual Growth of More Volatile Income Sources



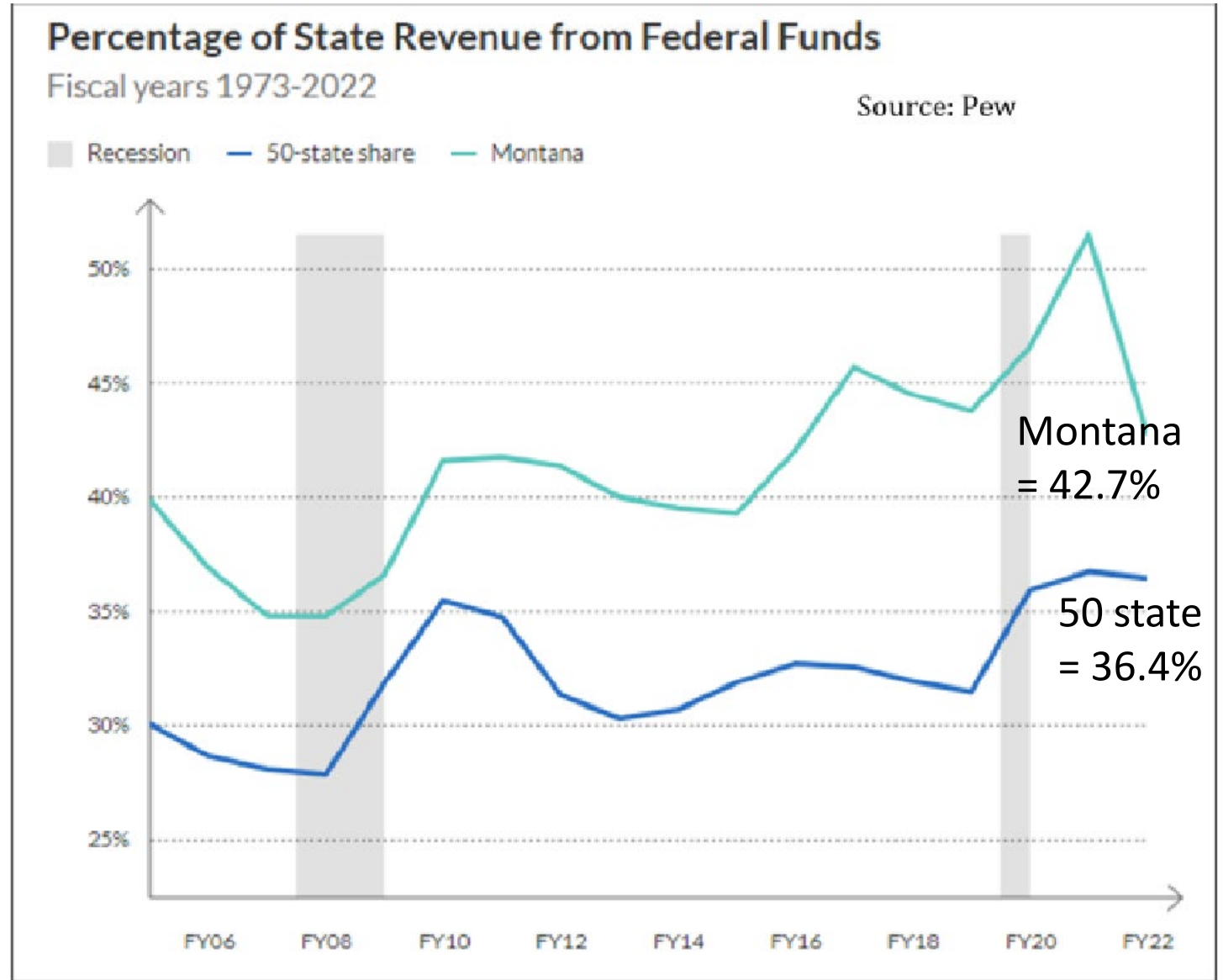
Should Risky
Revenue be
defined?





Other sources of financial risk

Montana is
More Reliant on
Federal Funds
Than Most
States

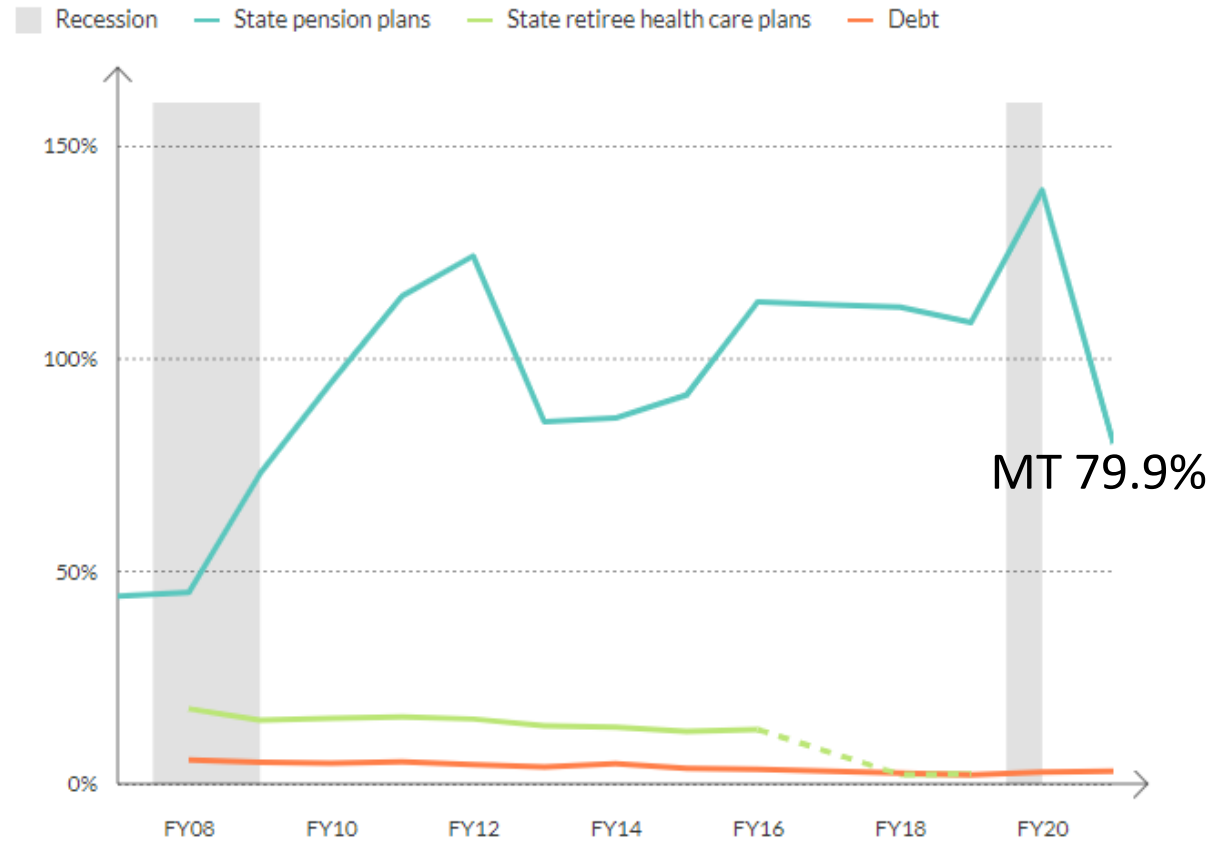


[Source: Pew Fiscal 50](#)

Pew Pension Debt Comparison Montana to Other States

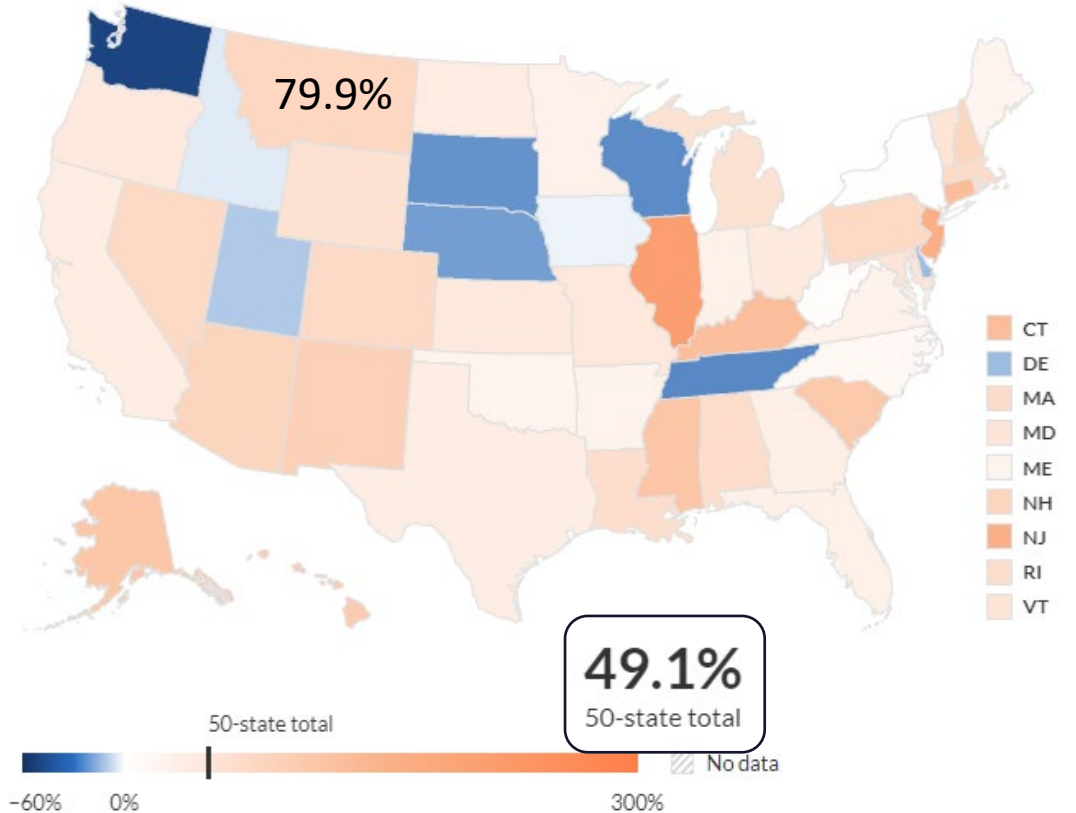
Debt and Unfunded Retirement Liabilities

As a share of own-source revenue, FY 2007-2021, Montana



Total Unfunded Pension Liabilities

As a share of states' own-source revenue, FY 2021



Infrastructure



THERE IS NO NATIONAL
EVALUATION OF BACKLOGS IN
INFRASTRUCTURE BUILDING AND
MAINTENANCE



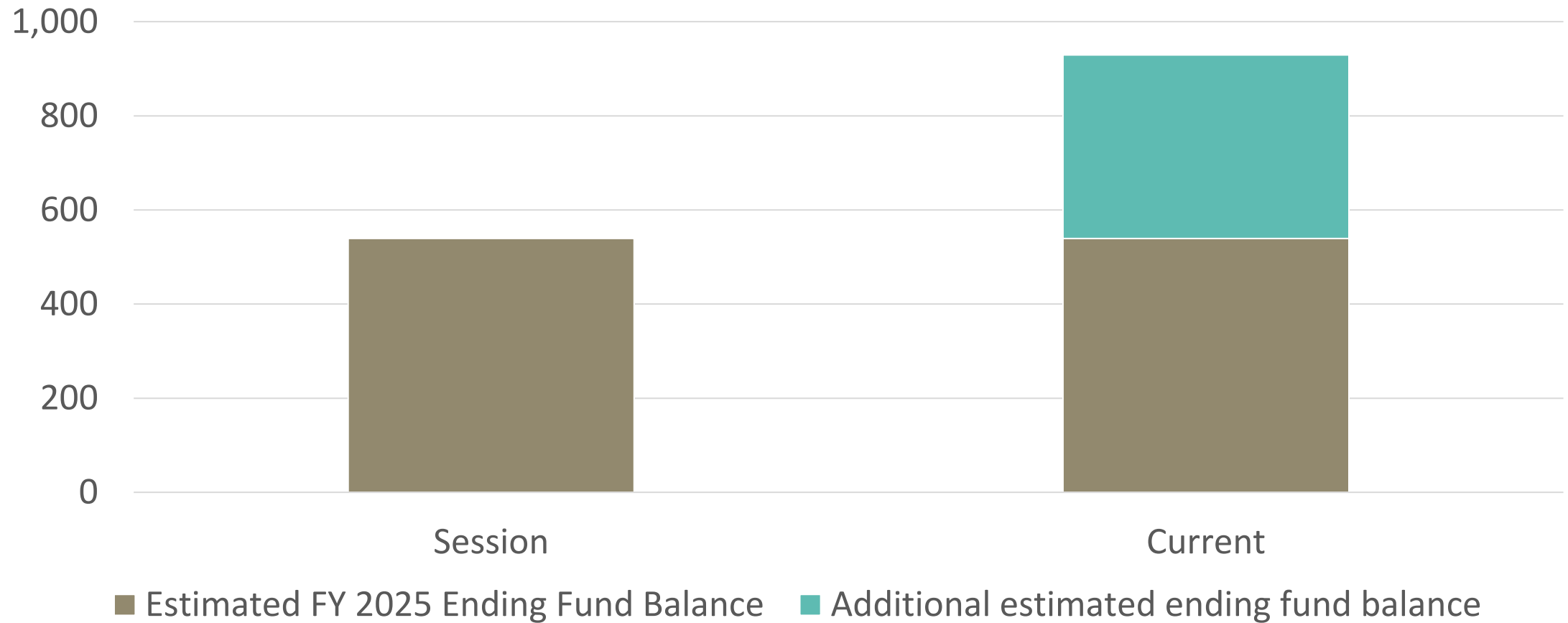
LFD IS RESEARCHING MONTANA
INFRASTRUCTURE AND WILL
REPORT TO THE 2025 SESSION



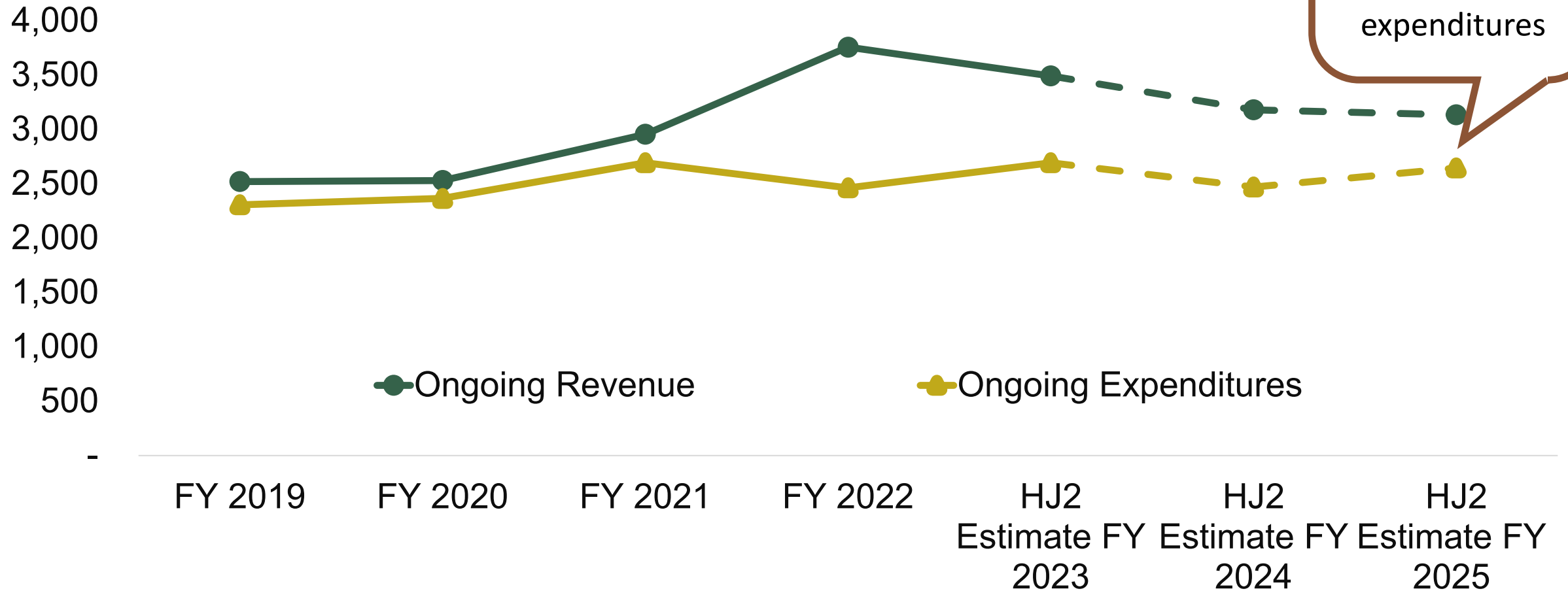
Budget Analysis

Current Law Fund Balance = Strong

The FY 2025 ending fund balance is currently anticipated to be greater than the estimate during session

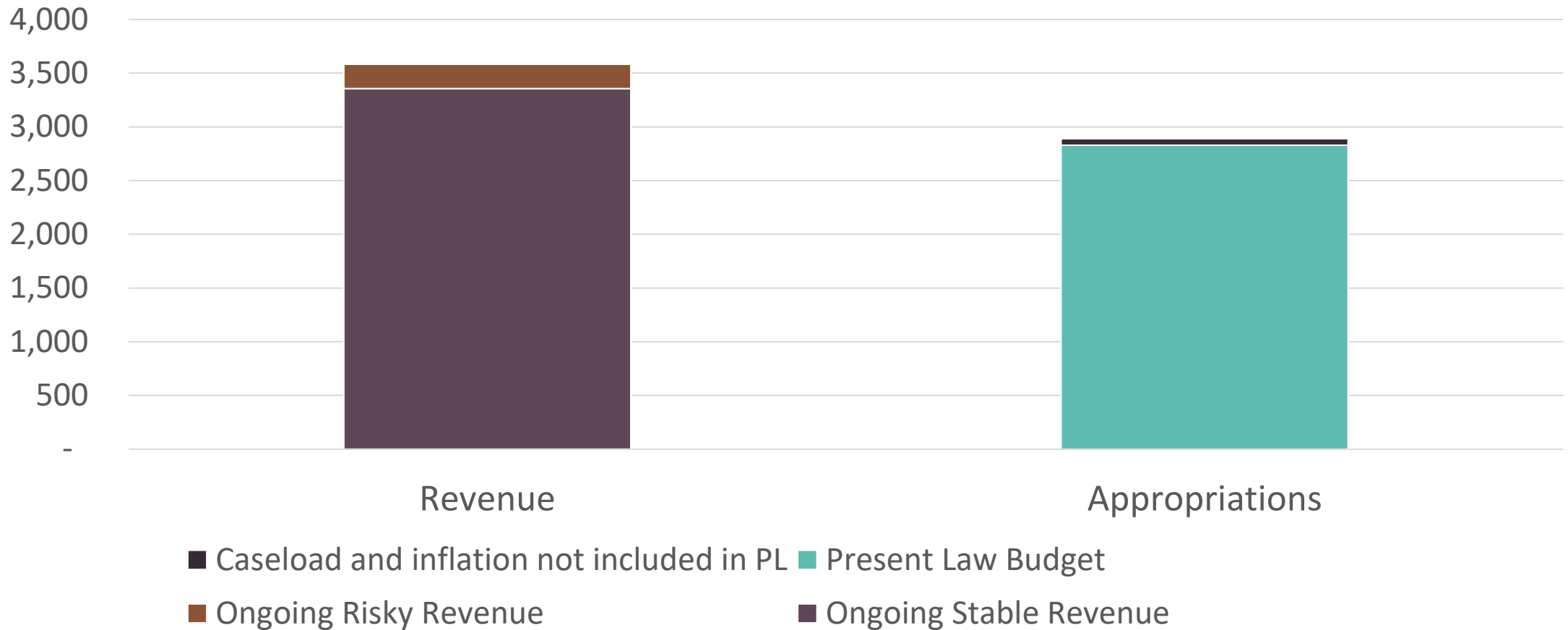


2023 Session Adopted a 16% Positive Structural Balance



Estimated FY 2025 structural balance = 16% more revenue than expenditures

FY 2027 By the definition previously discussed “Risky Revenue” is about 6% of Ongoing Revenue



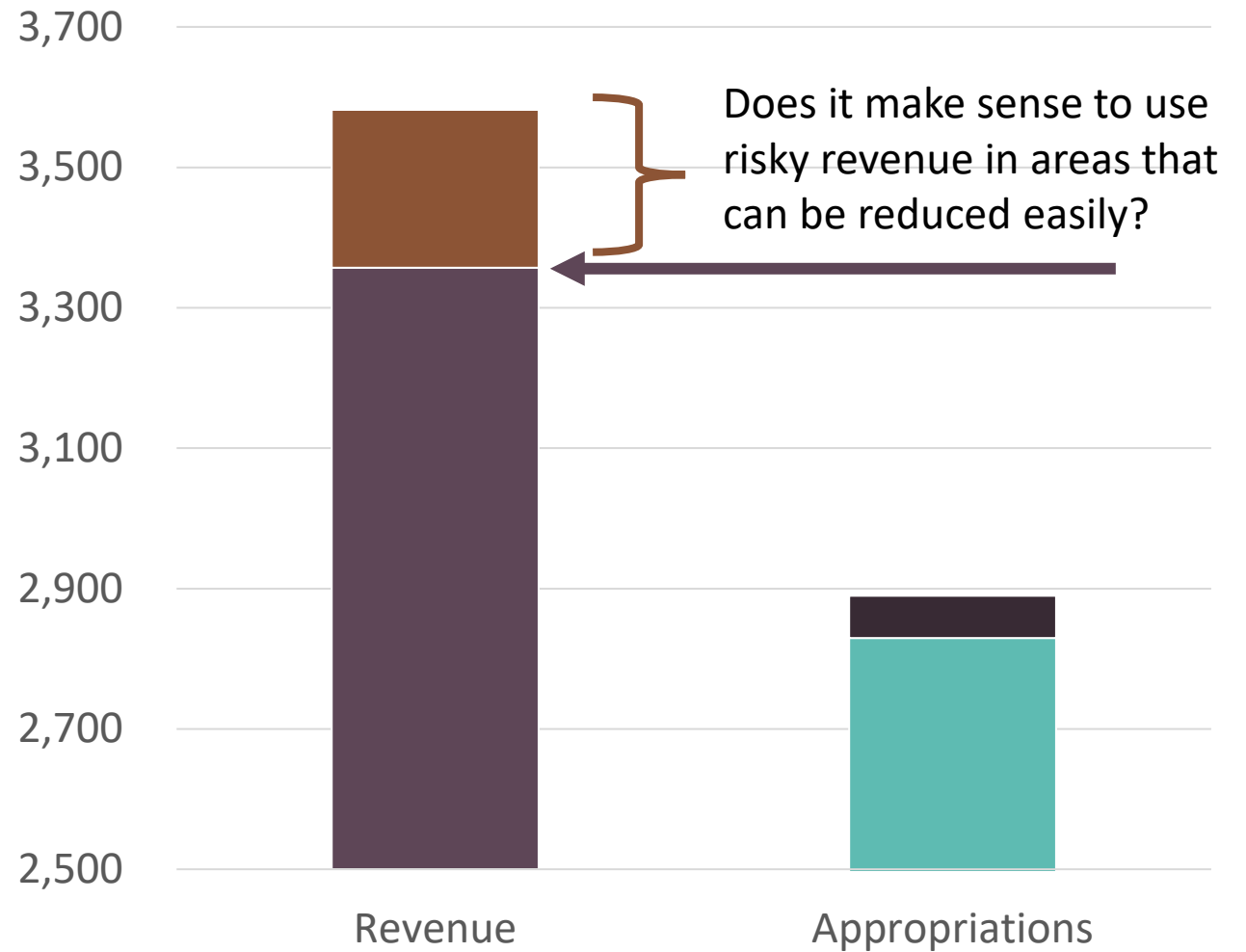
Looking at it
closer....



Comparing Revenues to Appropriations

Capital gains and business income are very volatile sources of income for Montanans and result in volatile income tax payments to the state.

Is it logical to dedicate these volatile sources to revenue reductions like tax rebates, paying off long-term liabilities like pensions, or funding back logs in infrastructure maintenance like roads, bridges, buildings?



Next Steps – Analysis



Refine options for the legislature to define “Risky Revenue”



Full Budget Analysis of Governor’s budget and other factors