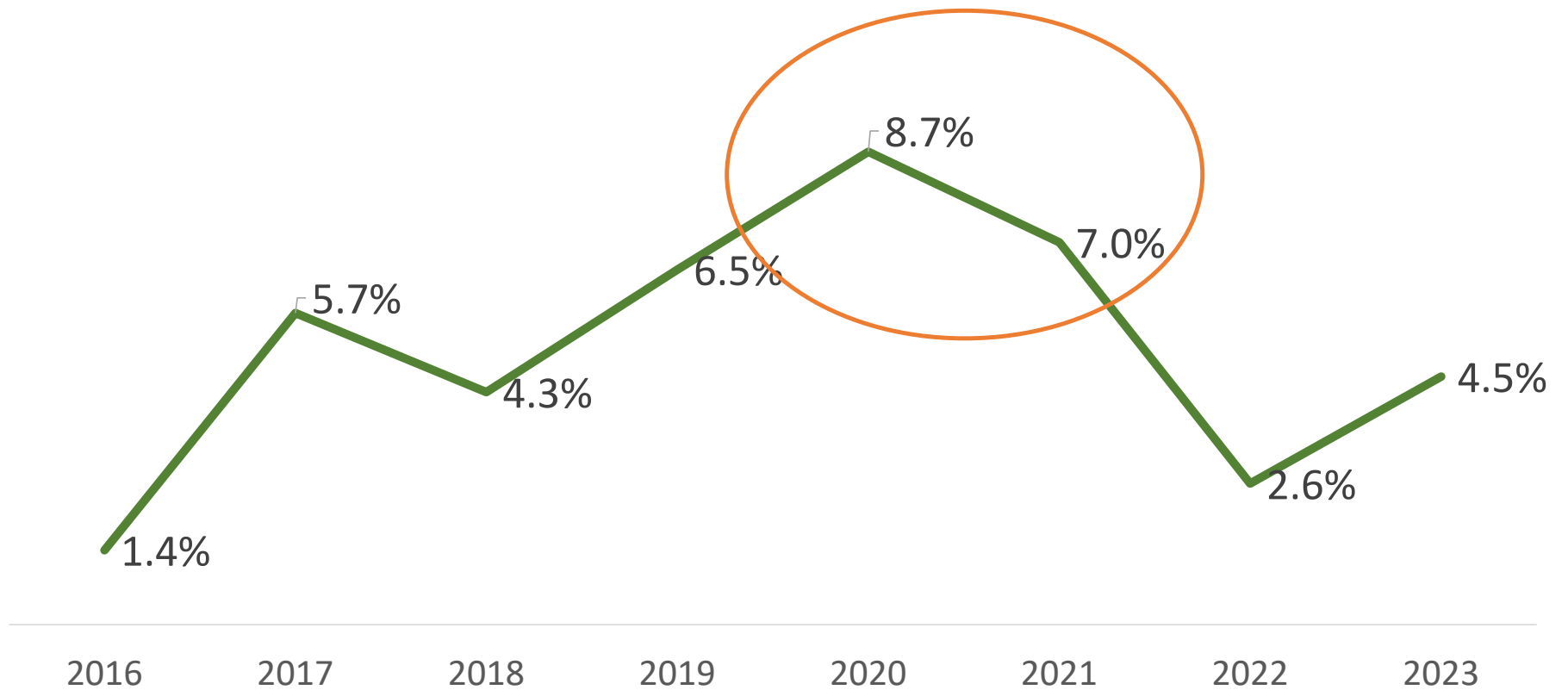


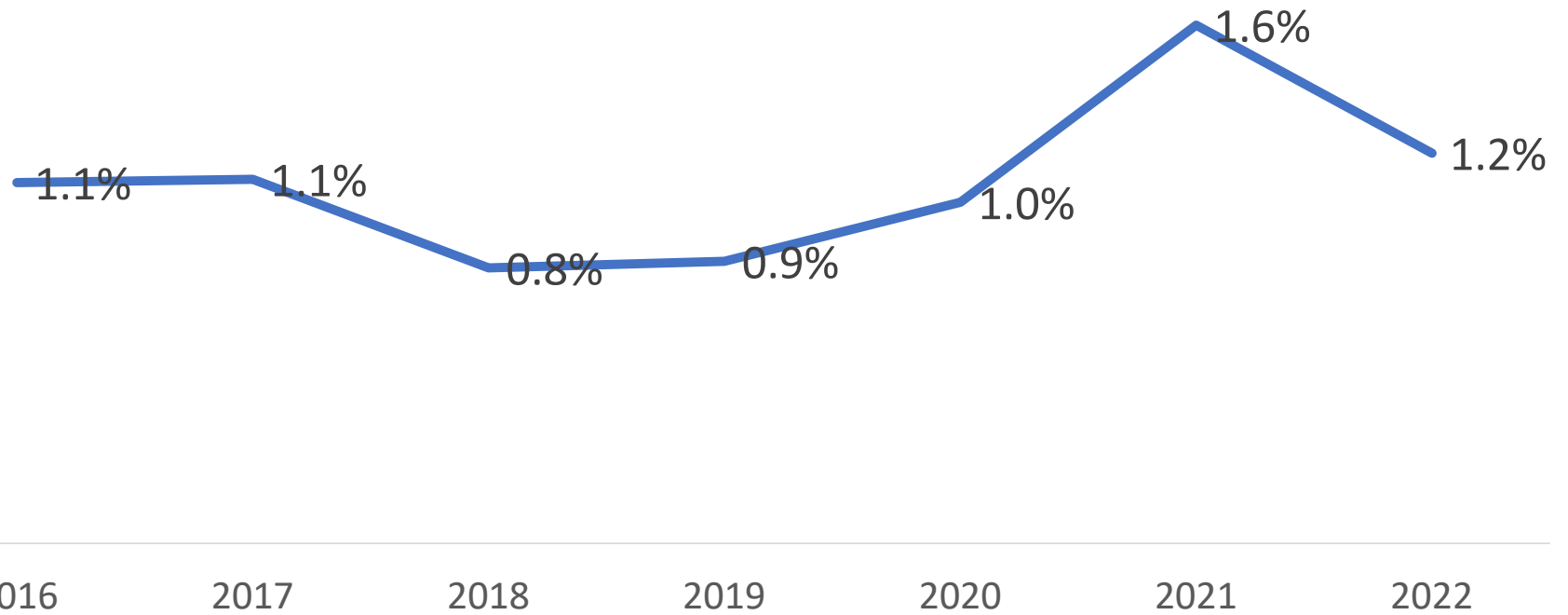
General Fund Budget

Amy Carlson

Personal Income Growth

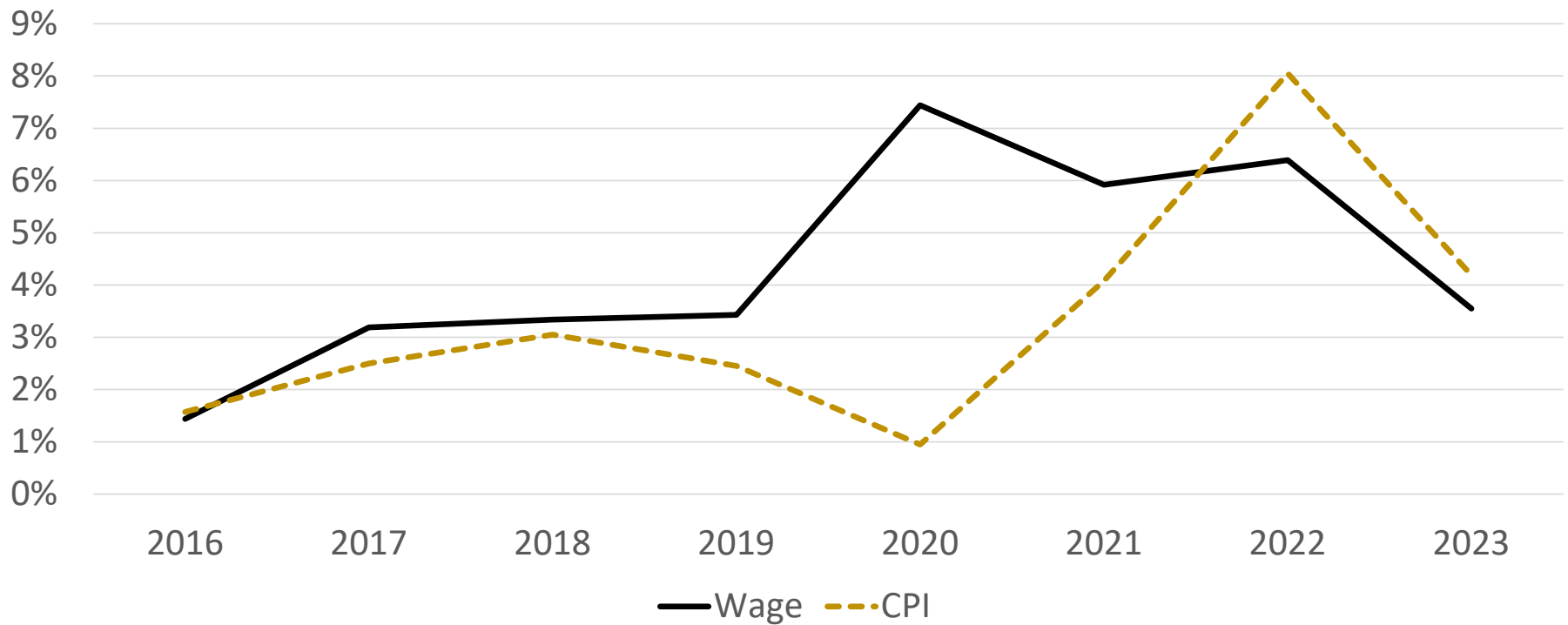


Population Growth



Wages and CPI

Average wage growth 2020 to 2023 = 5.8%
Average CPI growth 2020 to 2023 = 4.3%

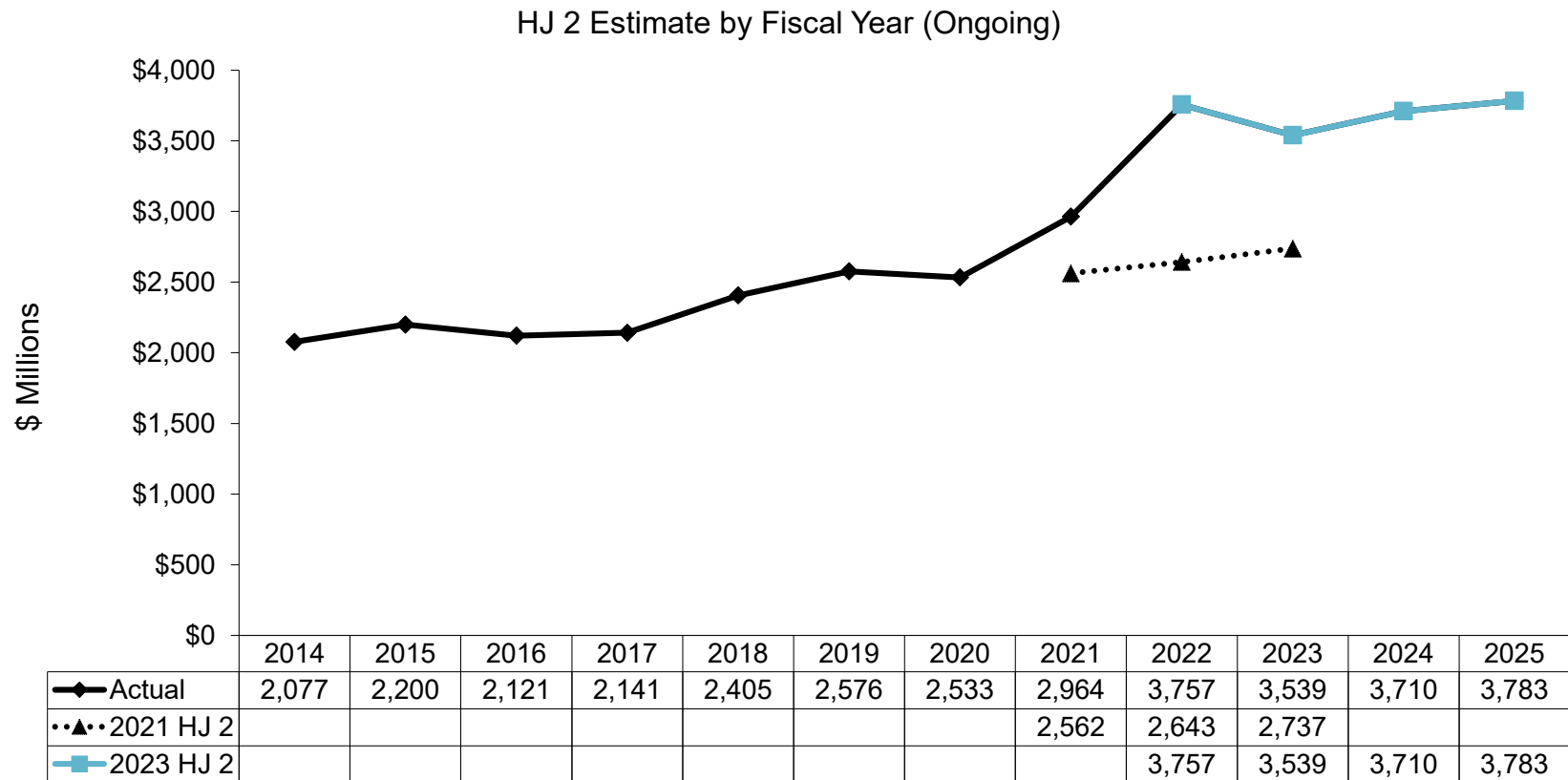


Revenues automatically
adjust for Inflation and
Population and collect like
the reservoir of a dam

Expenditures must be appropriated
by the legislature like the water
released from a dam

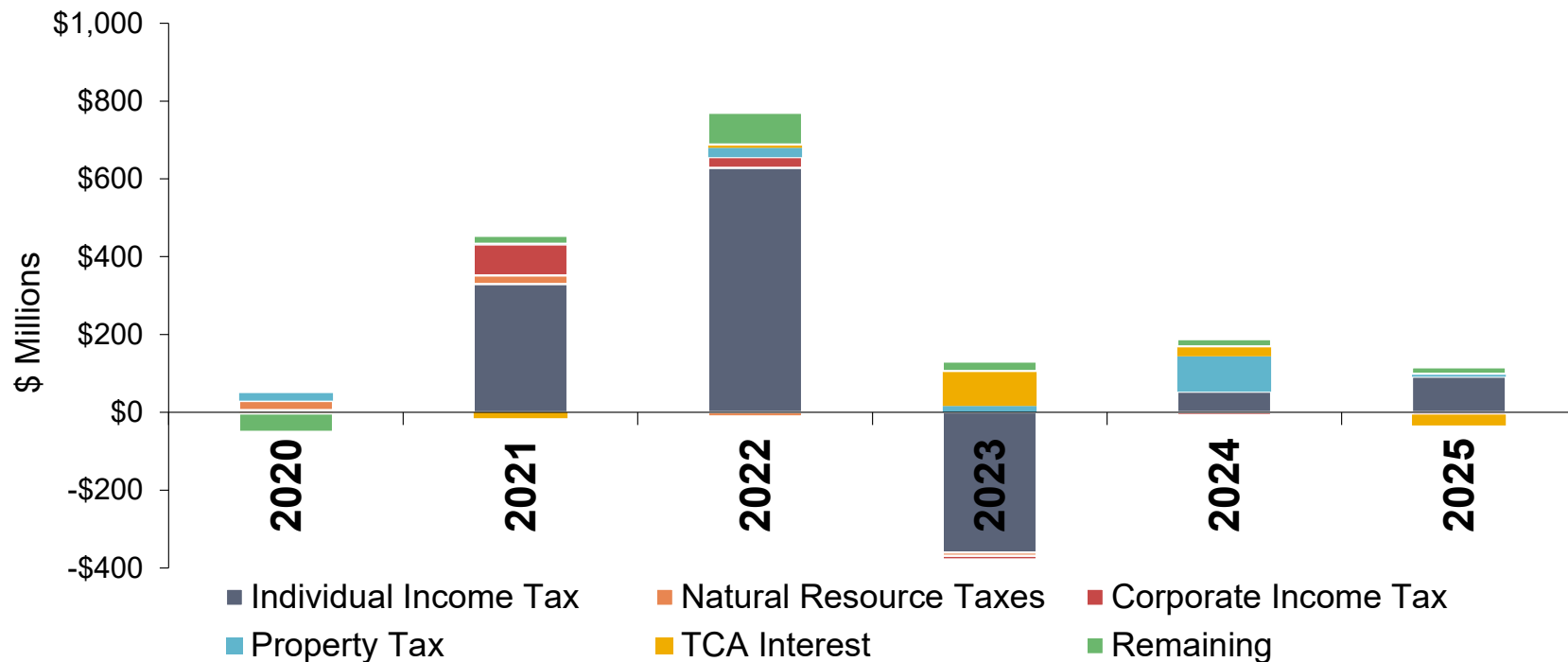


Ongoing revenues are expected to decline by 5.8% in FY 2023, then grow modestly through FY 2025.



But the decline in individual income taxes is partially offset by increases in Treasury Cash interest and Property Taxes

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



Revenues automatically adjust for Inflation and Population and collect like the reservoir of a dam

Expenditures must be appropriated by the legislature like the water released from a dam...

Inflation and population also increase the cost and number of services for citizens



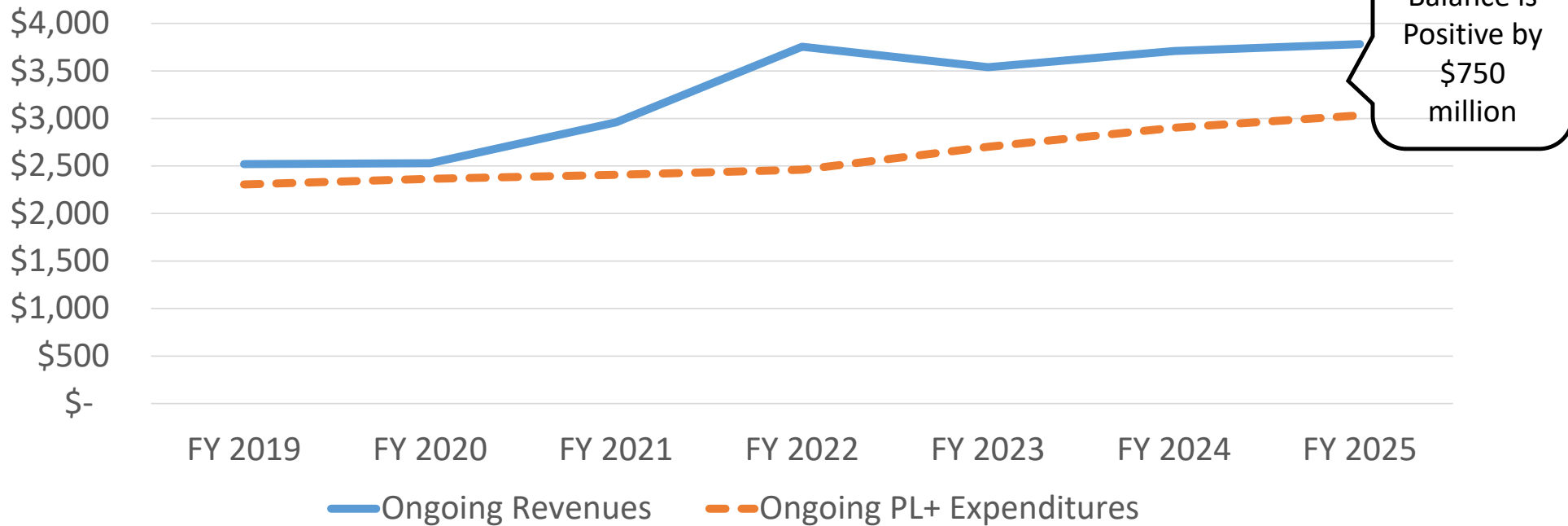
Expenditures Adjusting for Population and Inflation – PL +

- Inflation
 - Pay increases to account for wage inflation
 - Provider rate increases – provide services to the state of Montana on behalf of citizens – nursing homes, treatment facilities, private and regional prisons, etc....
 - Other price increases
- Population or caseload increases
 - Service to all Montanan's
 - School enrollment
 - Medicaid enrollment and utilization

Current budgeting practice has evolved away from the definition of "Present Law" that includes both inflation and caseload increases.

General Fund Present Law plus inflation and caseload completion (PL +)

GF PL + Structural Balance

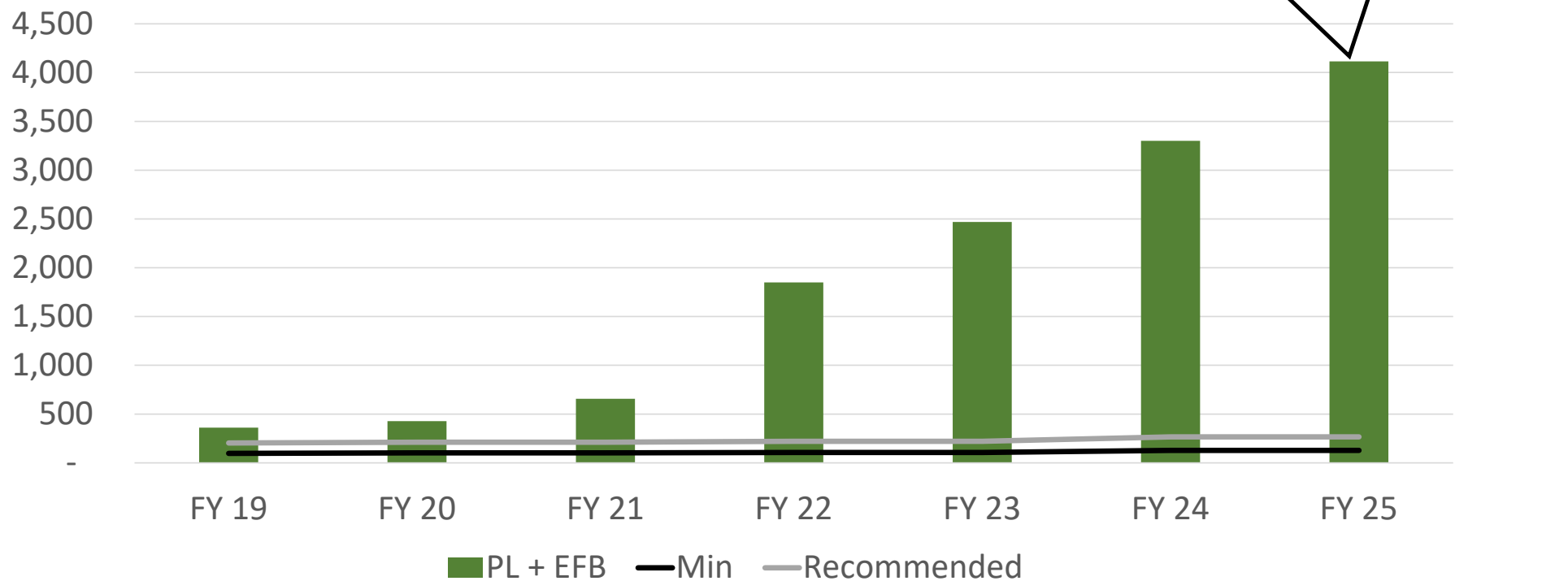


Question if inflation is fully captured in Governor's Budget

Example - Wages

- Last four year pay plan
 - \$0.50 per hour FY 2020
 - \$0.50 per hour FY 2021
 - \$0 FY 2022
 - \$0.55 per hour FY 2023
 - \$1.50 per hour or 4% in FY 2024
 - \$1.50 per hour or 4% in FY 2025
- Average state employee in FY 2019 made \$25.30 per hour. An average employee would get an average wage over this period of 2.8%. Higher income workers would have received less than 2.8% per year
- Average Wage inflation from FY 2020 to FY 2023 = 5.8%, IHS Markit forecast FY 2020 through FY 2025 average 5.3%
- Remote work wage pressure puts higher pressure on professional wages

General Fund Ending Fund Balance with only PL + changes



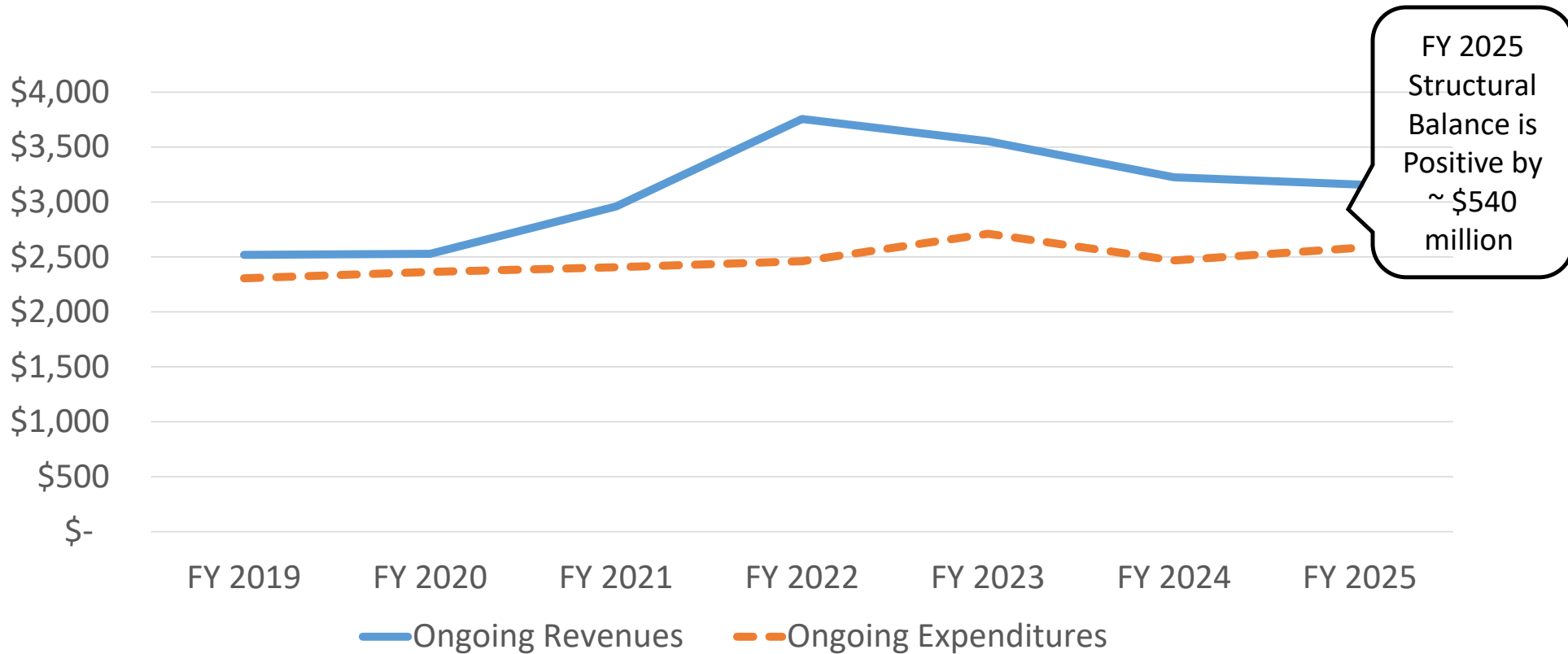
Note this is only General fund and does not include other reserve funds

Governor Gianforte's Budget Ongoing General Fund Recommendations

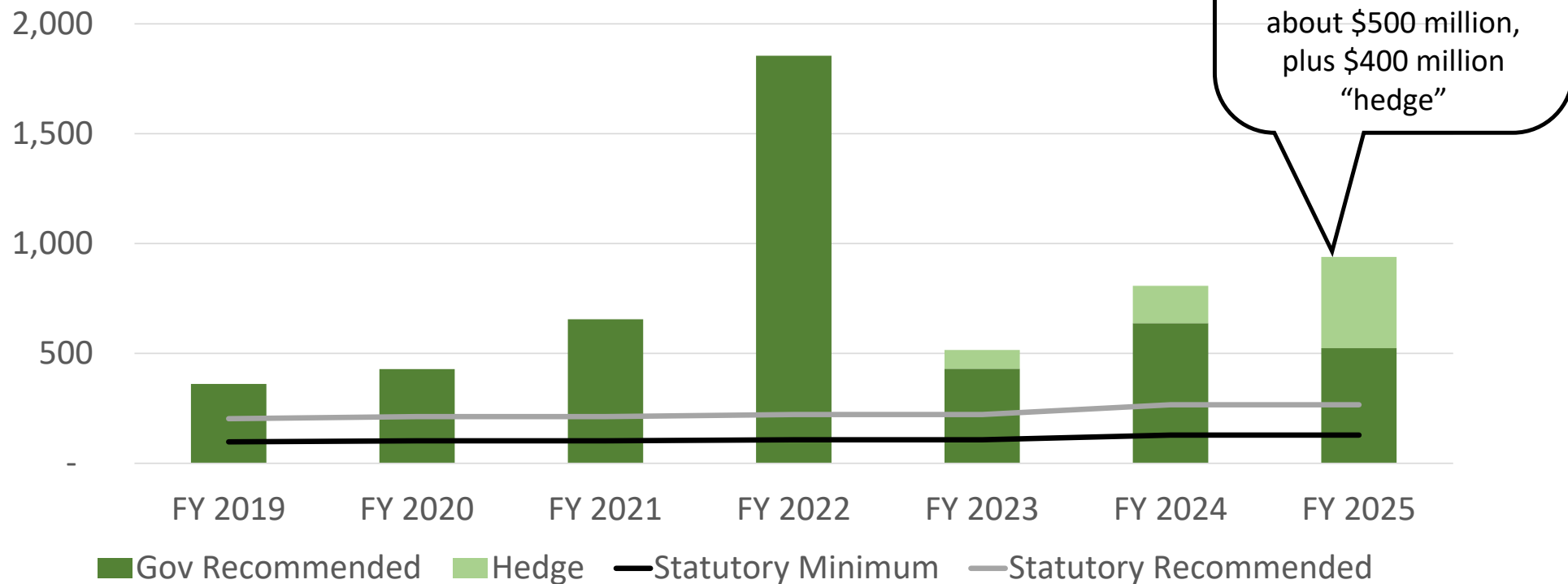
- Revenue
 - Income Tax reductions ~ \$255 million in FY 2025
 - Other smaller tax impacts
 - Shift property tax to school account
- Expenditure
 - Caseloads and inflation
 - Shift property to school account

Ongoing impacts structural balance of the general fund

Governor's Structural Balance

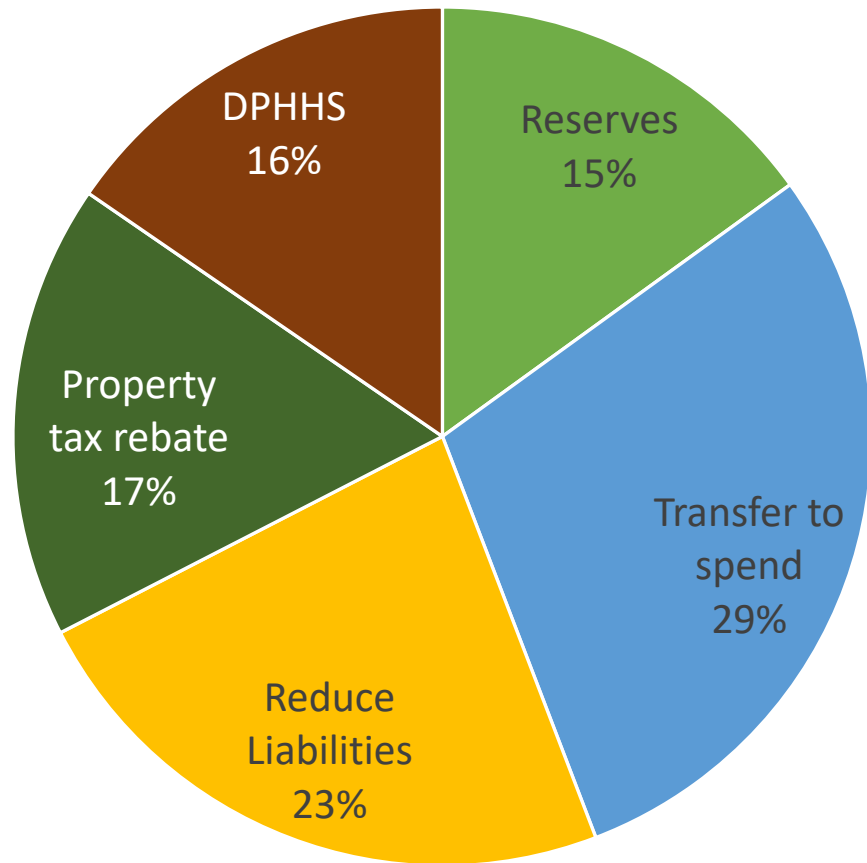


Governor's recommended Ending Fund Balance



Note this is only General fund and does not include other reserve funds

OTO Impacts to
General Fund
Ending Fund
Balance = \$2.9
billion

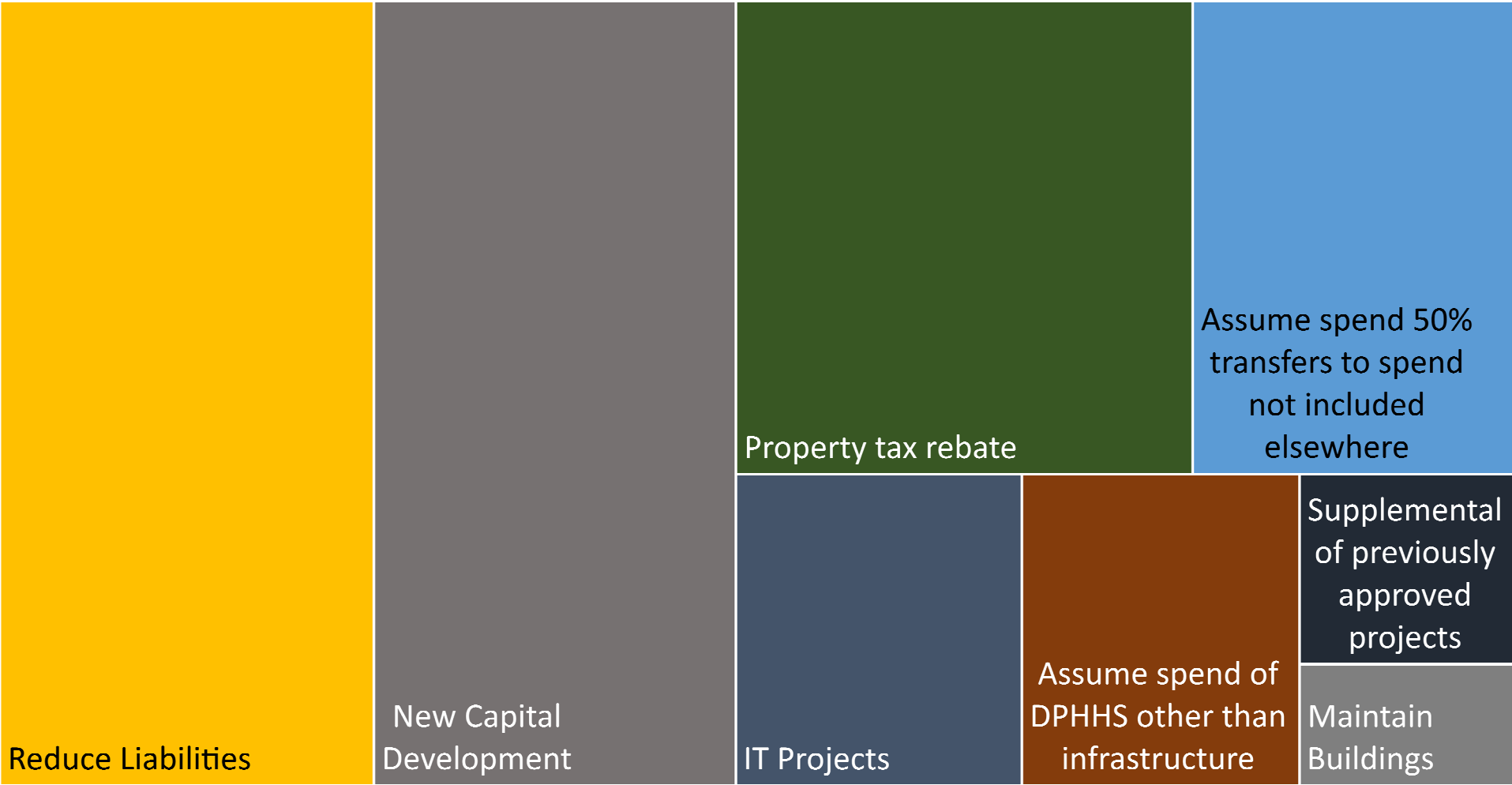


\$150 million
Medicaid/Facilities

\$300 million
Mental Health

HB 2 \$1,414 million

Estimated Appropriations = \$2.7 billion



Estimated Appropriations = \$2.7 billion

Reduce Liabilities

