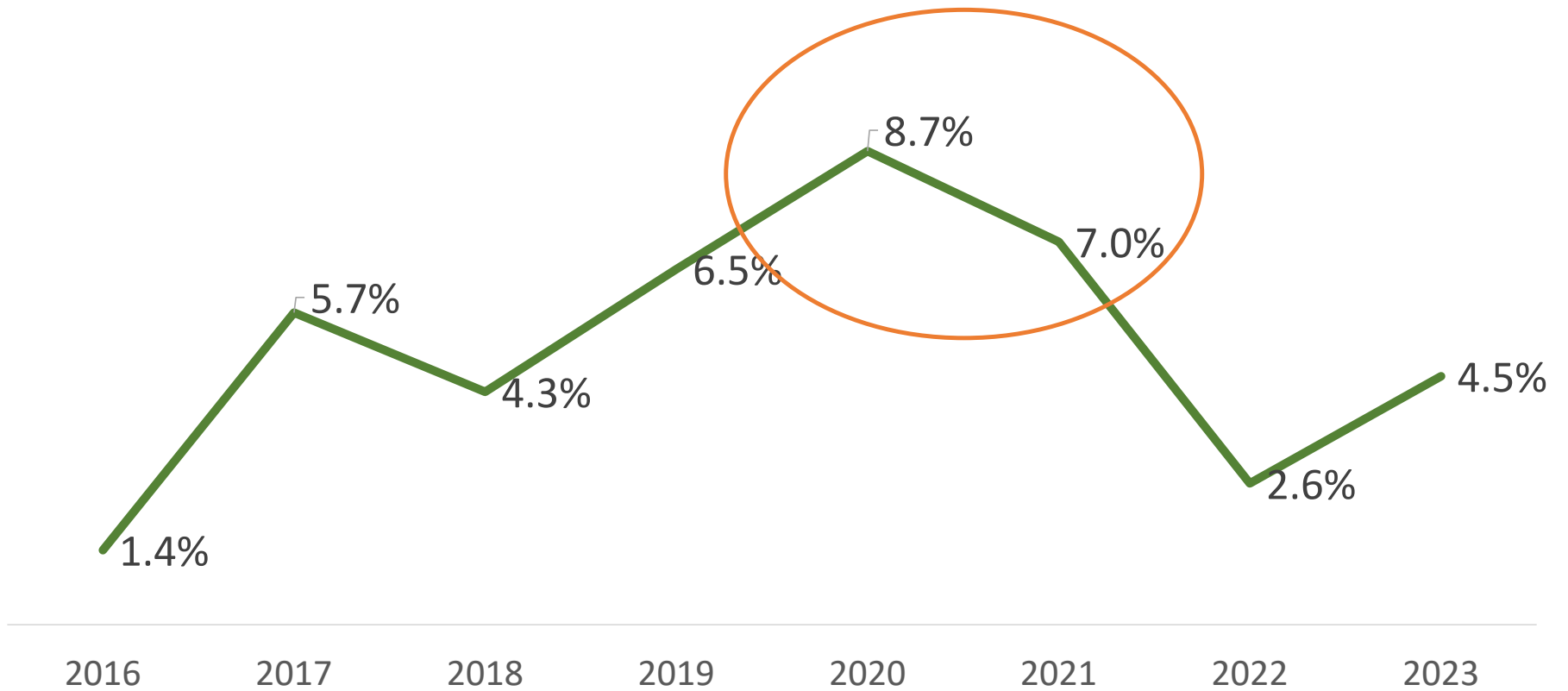


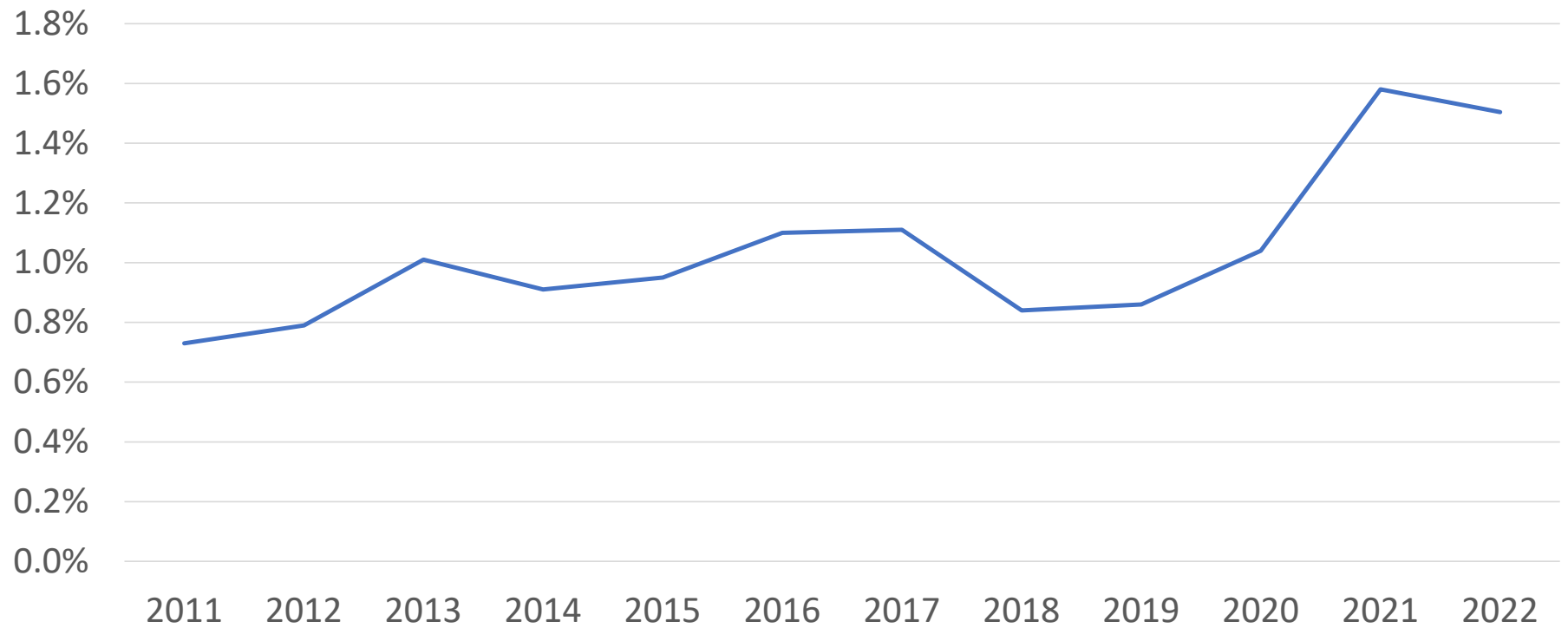
General Fund Budget

Amy Carlson

Personal Income Growth Annual Growth

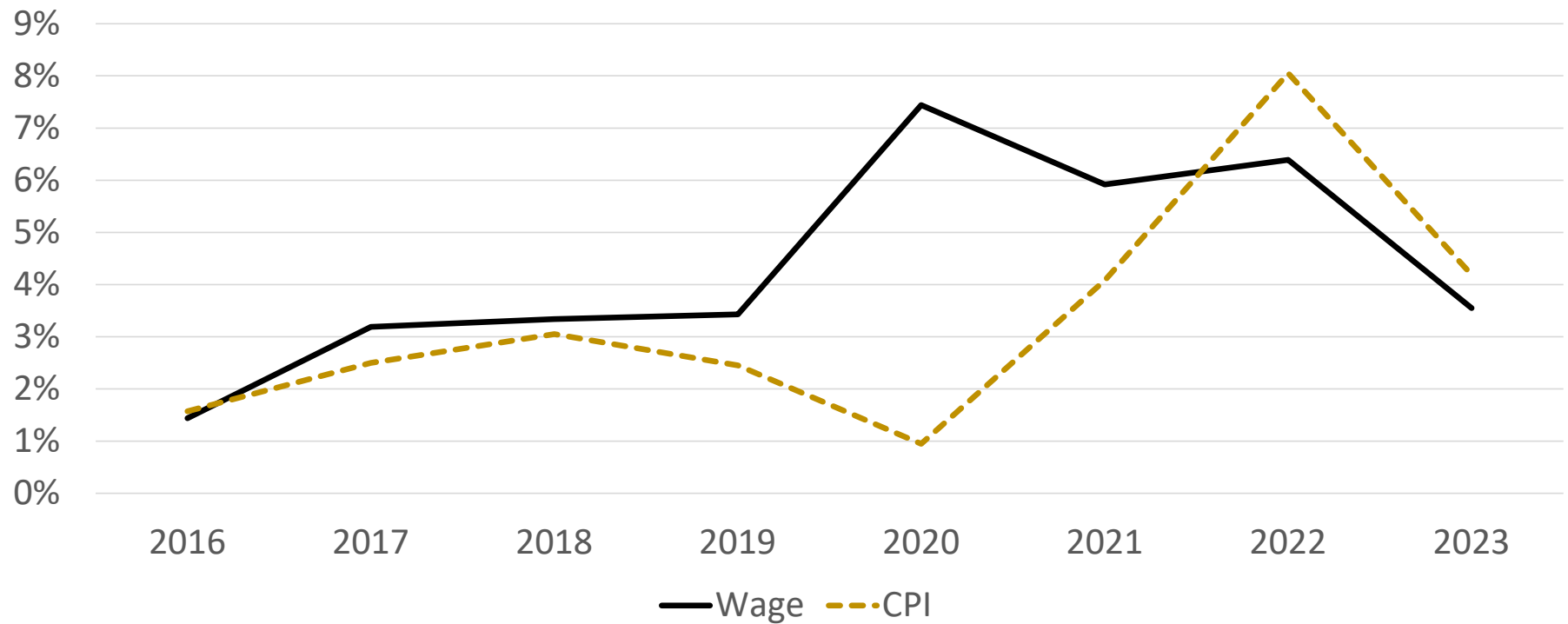


Population Annual Growth



Montana Wages and CPI

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



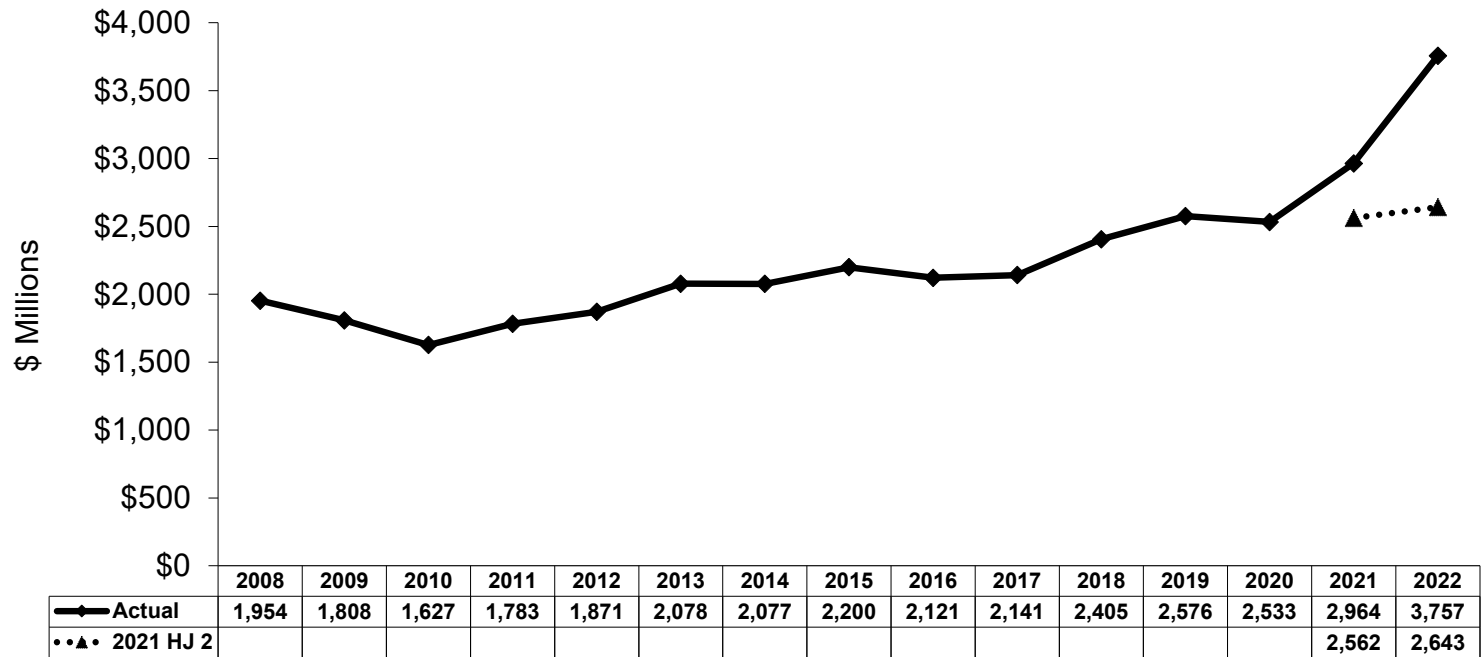
Revenue Estimate

Sam Schaefer

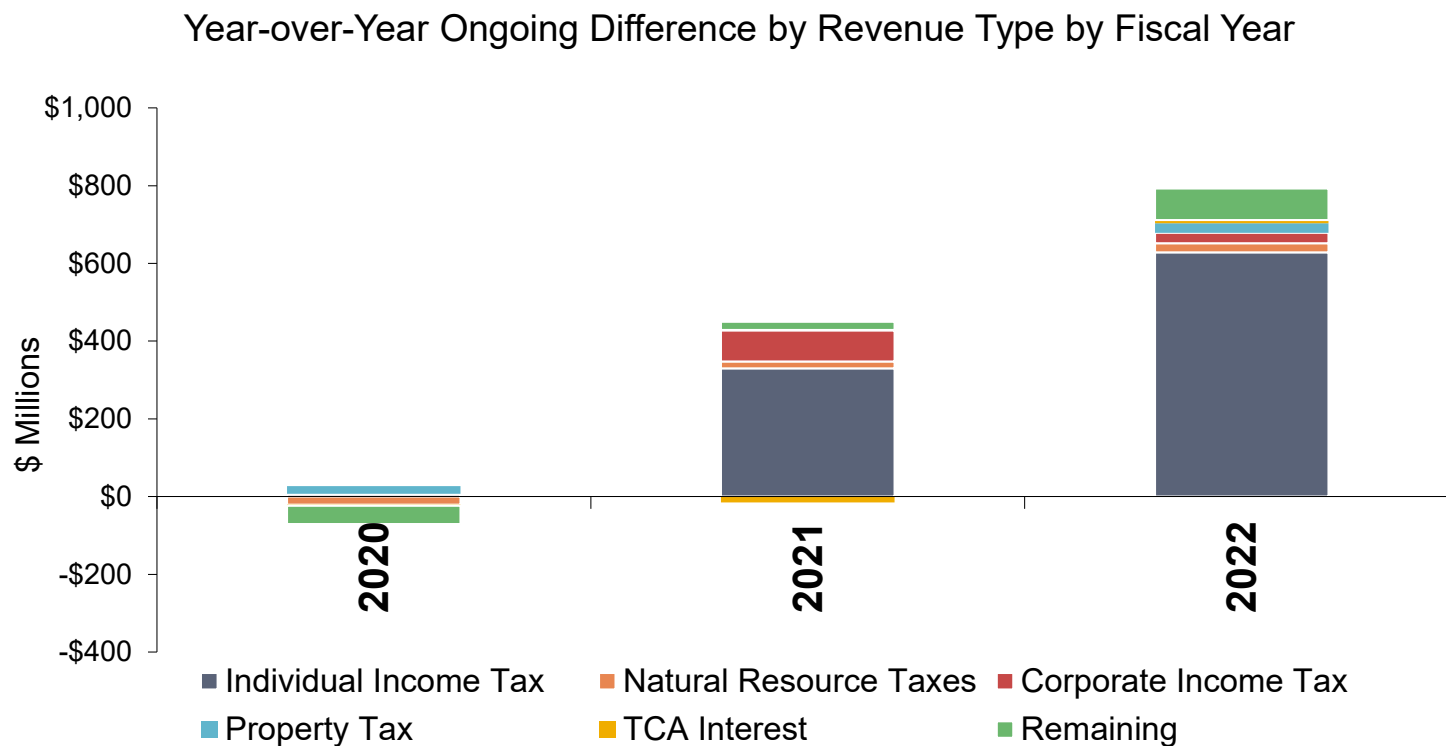
Strong revenue growth over the last two years

- Ongoing FY 2021 revenues exceeded HJ 2 by \$402 million
- Ongoing FY 2022 revenues exceeded HJ 2 by \$1.1 billion

General Fund Collections by Fiscal Year



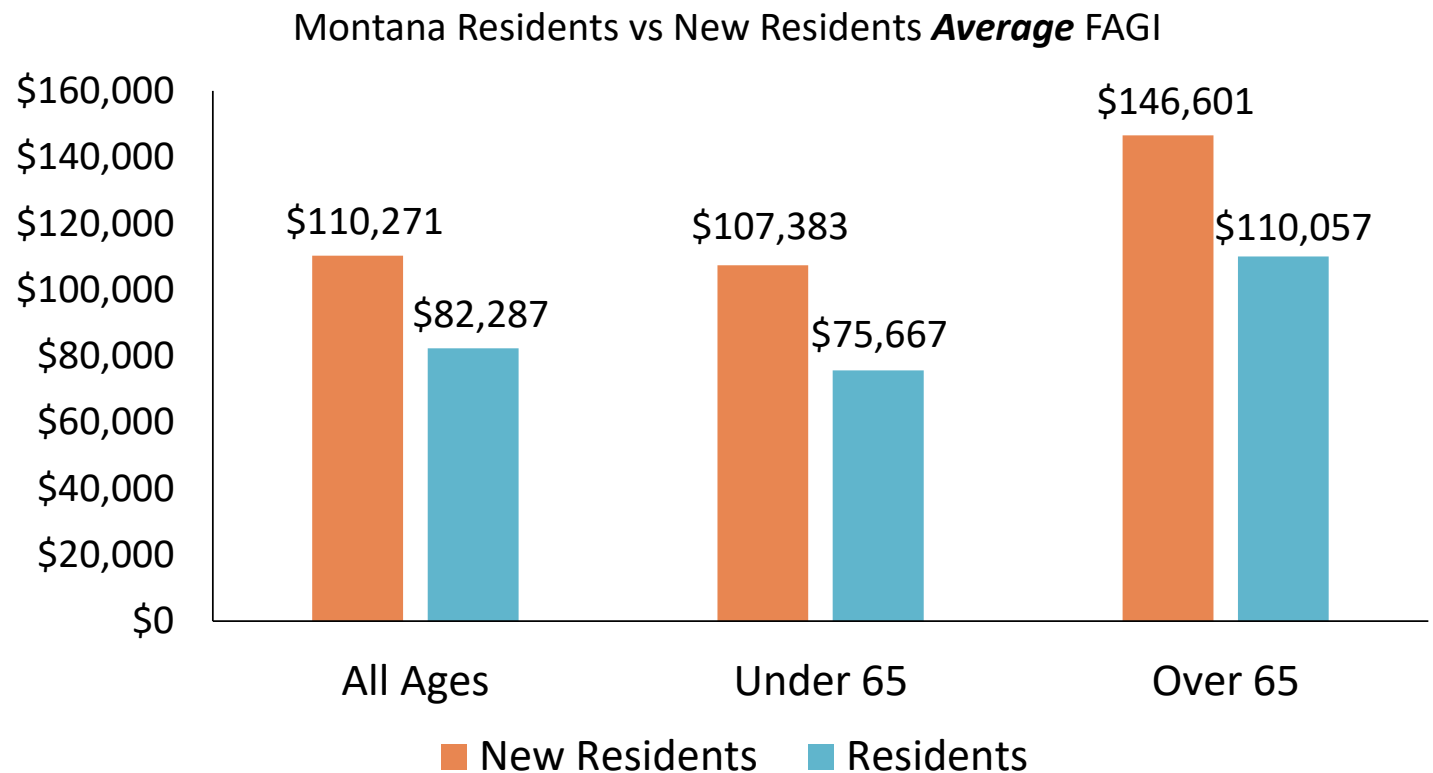
Strong revenue growth over the last two years was dominated by individual income taxes, but most sources saw growth as well.



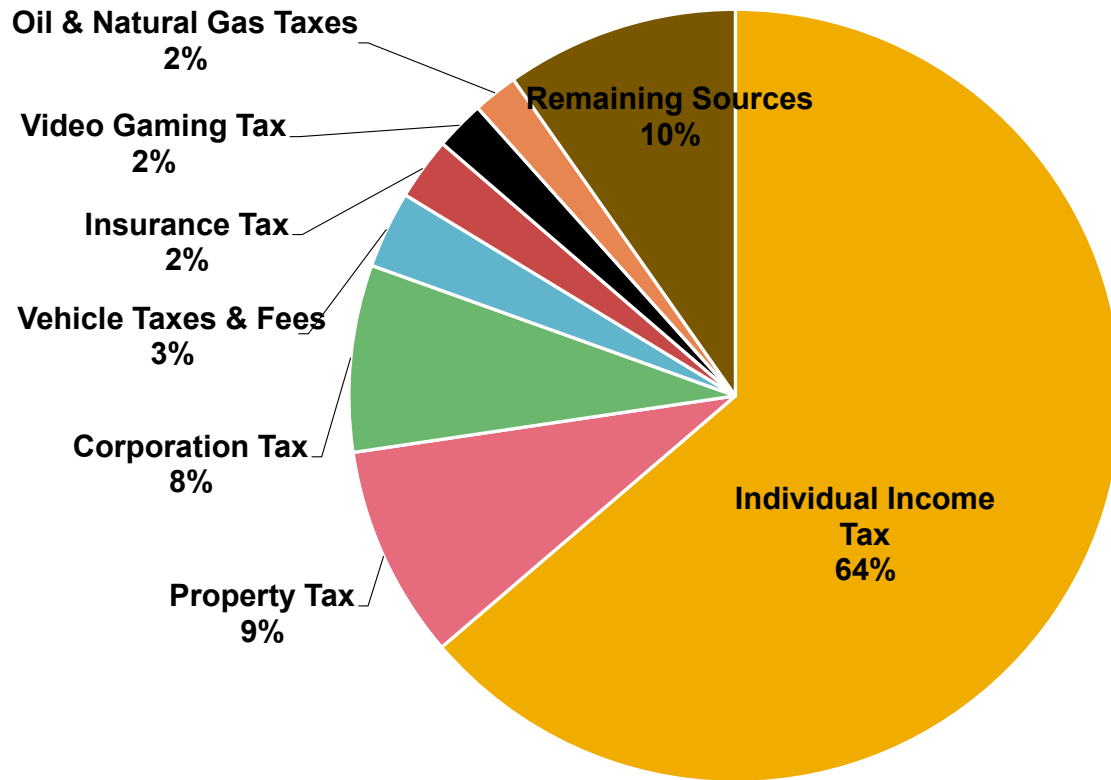
Reasons for strong individual income tax growth

- Multiple rounds of federal stimulus.
- Inflation
- Population growth including high income individuals

The top 10% of new resident filers had an average FAGI of \$598,737, compared to \$312,759 for the top 10% of full-year resident filers.

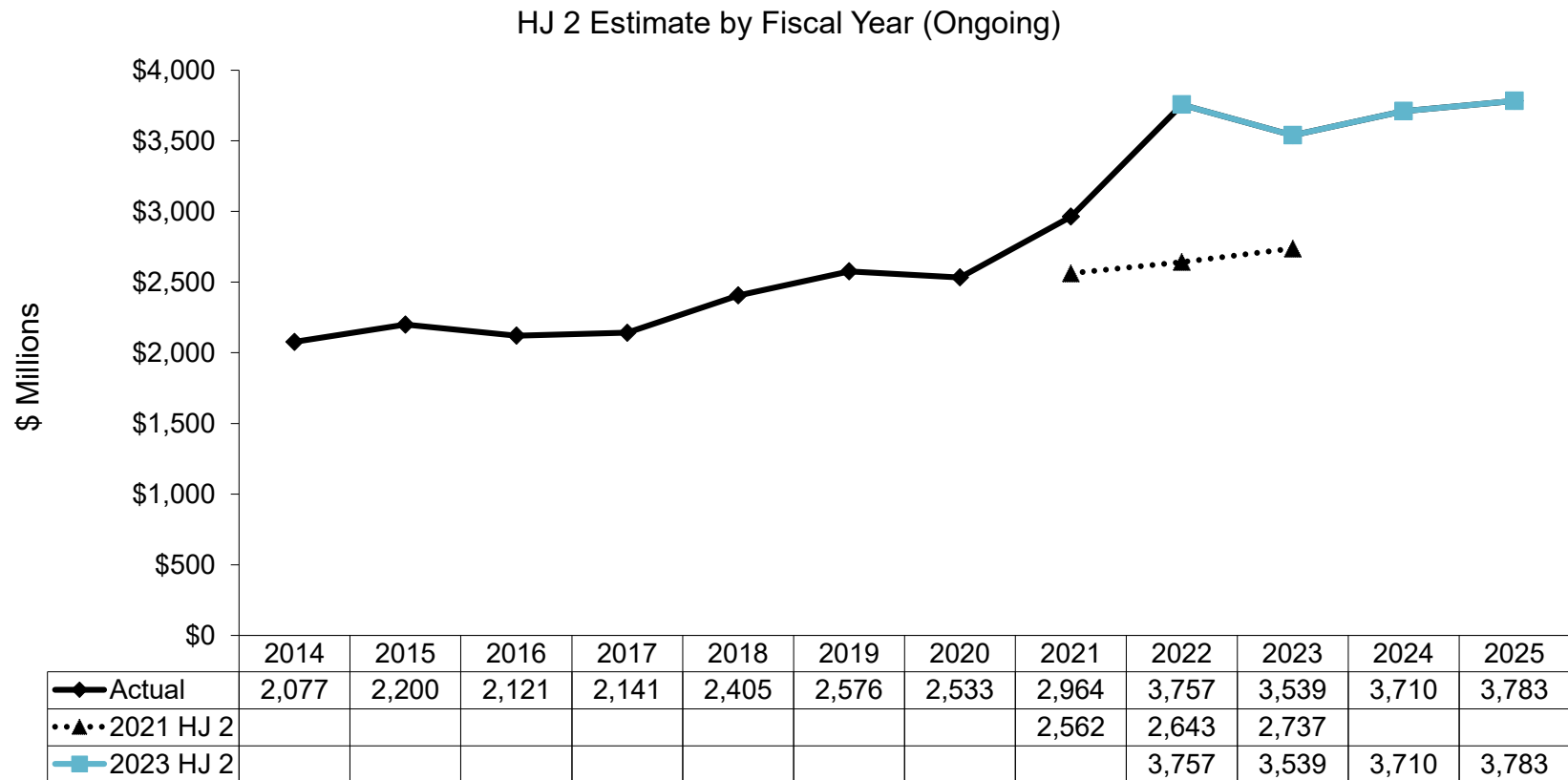


FY 2022 Ongoing General Fund Revenue = \$3,755.7 million



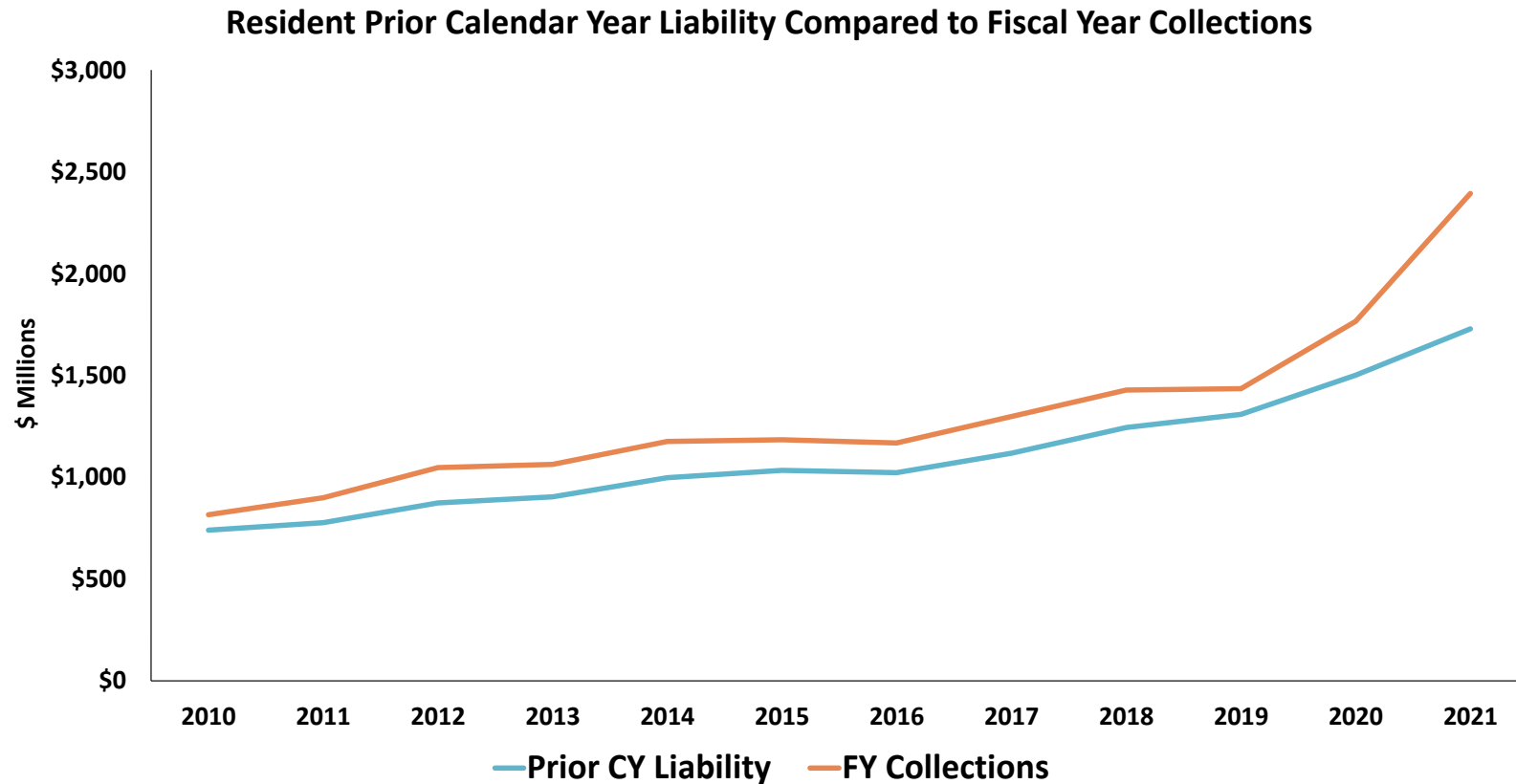
Are higher revenues
going to continue?

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



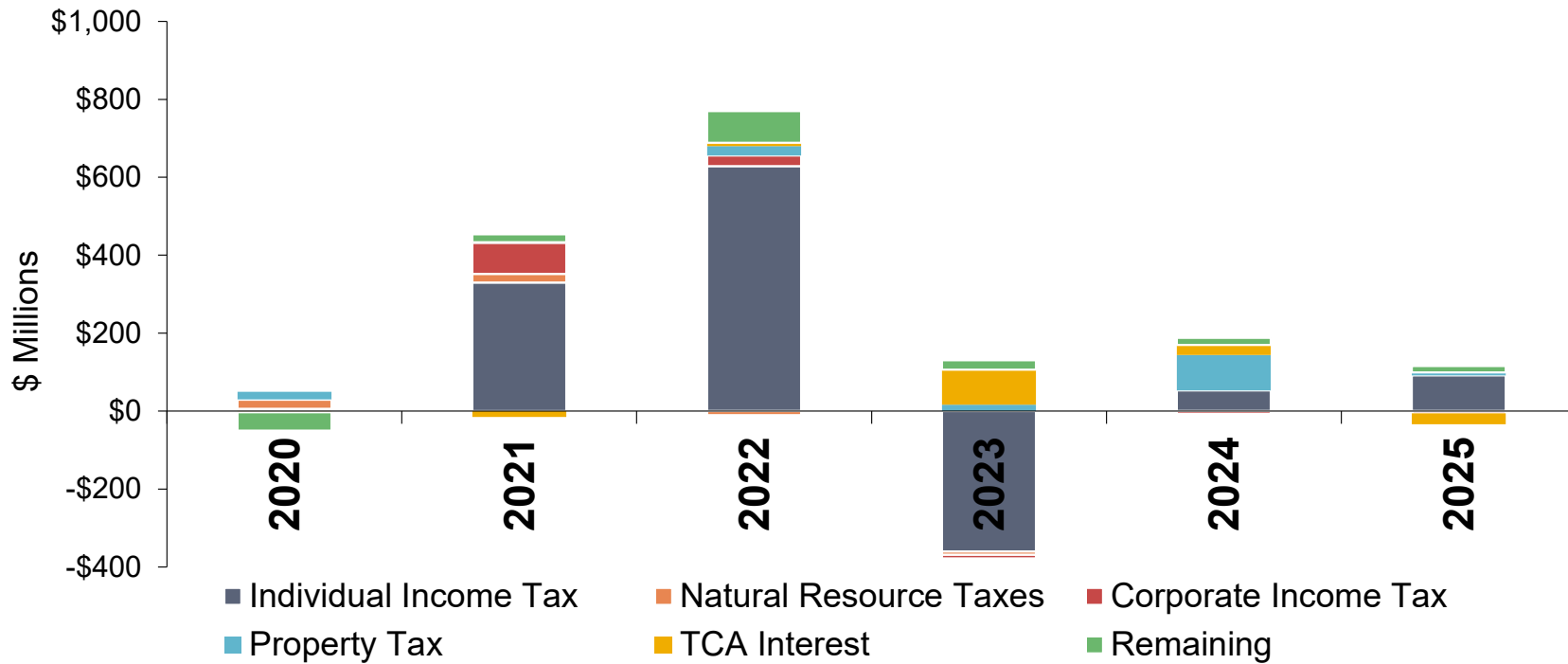
After recent increases, Individual income taxes are expected to decline by 15% in FY 2023

- Fiscal year individual income tax collections usually exceed the prior calendar year liability.
- However, FY 2022 collections exceeded the CY 2021 liability by more than usual.
- As a result, a portion of collections in FY 2022 are believed to be of the one-time-only variety and will not continue in future years.



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



Budget

Amy Carlson

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

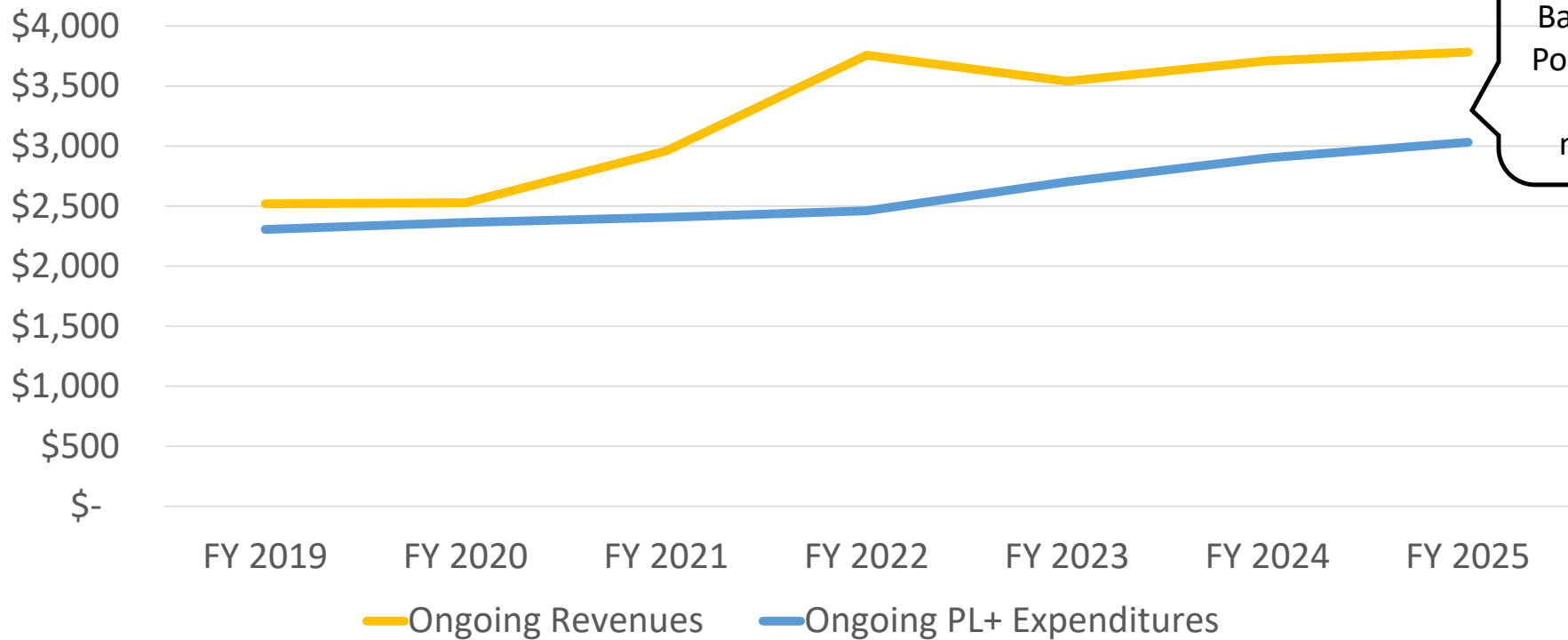


Expenditures Adjusting for Population and Inflation – PL +

- 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 +)



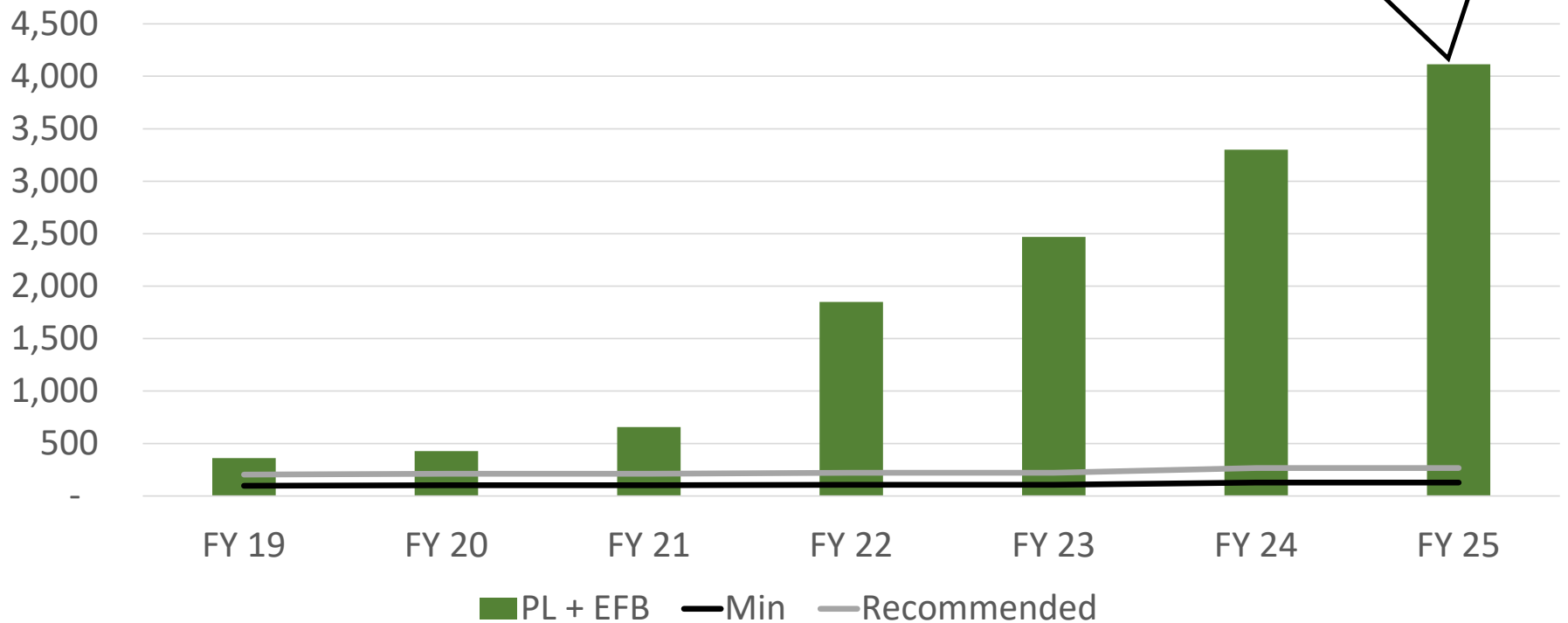
FY 2025
Structural
Balance is
Positive by
\$748
million

Question if inflation is fully captured in Governor's Budget

Example – State Wages

- Last four year pay plan and the next two
 - \$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 increase 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



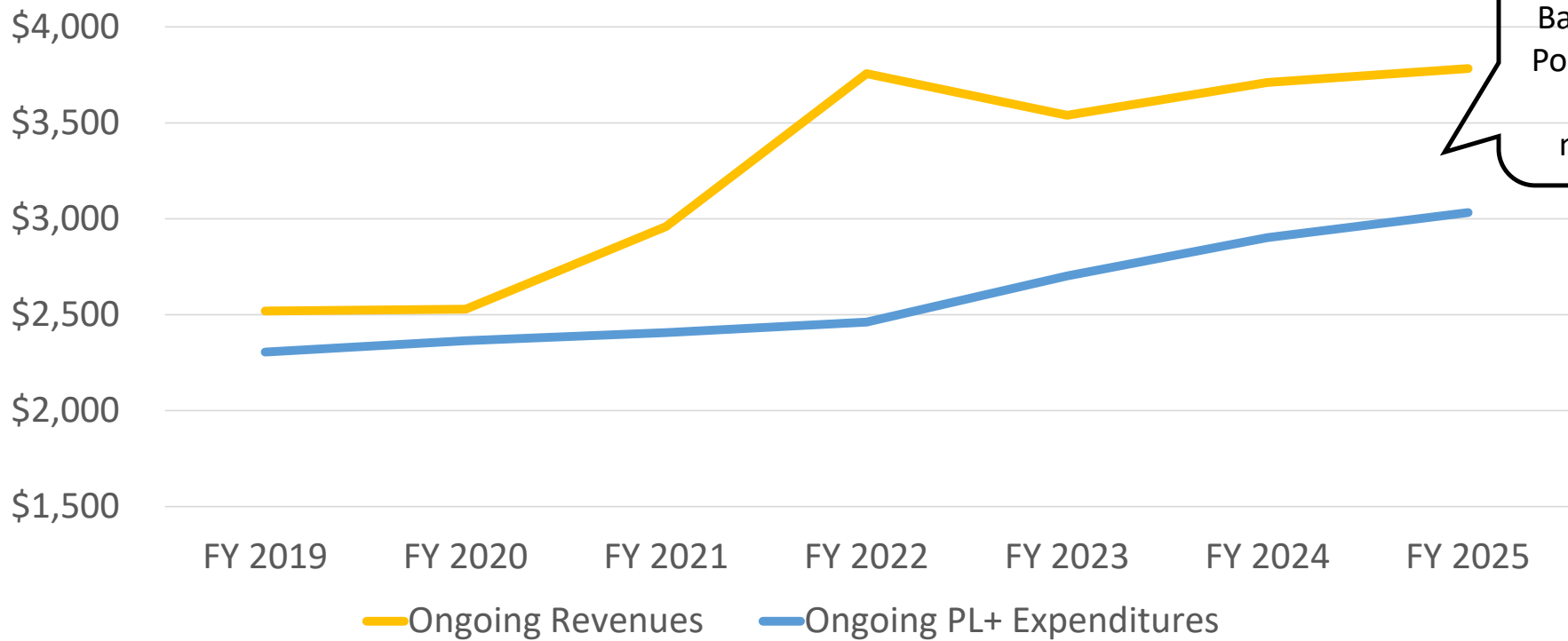
If only PL+ expenditures were adopted by the legislature
FY 2025 Ending Fund Balance = \$4 billion

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

Analysis of Risk

Legislative Fiscal Division recent [work on budget volatility](#)

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



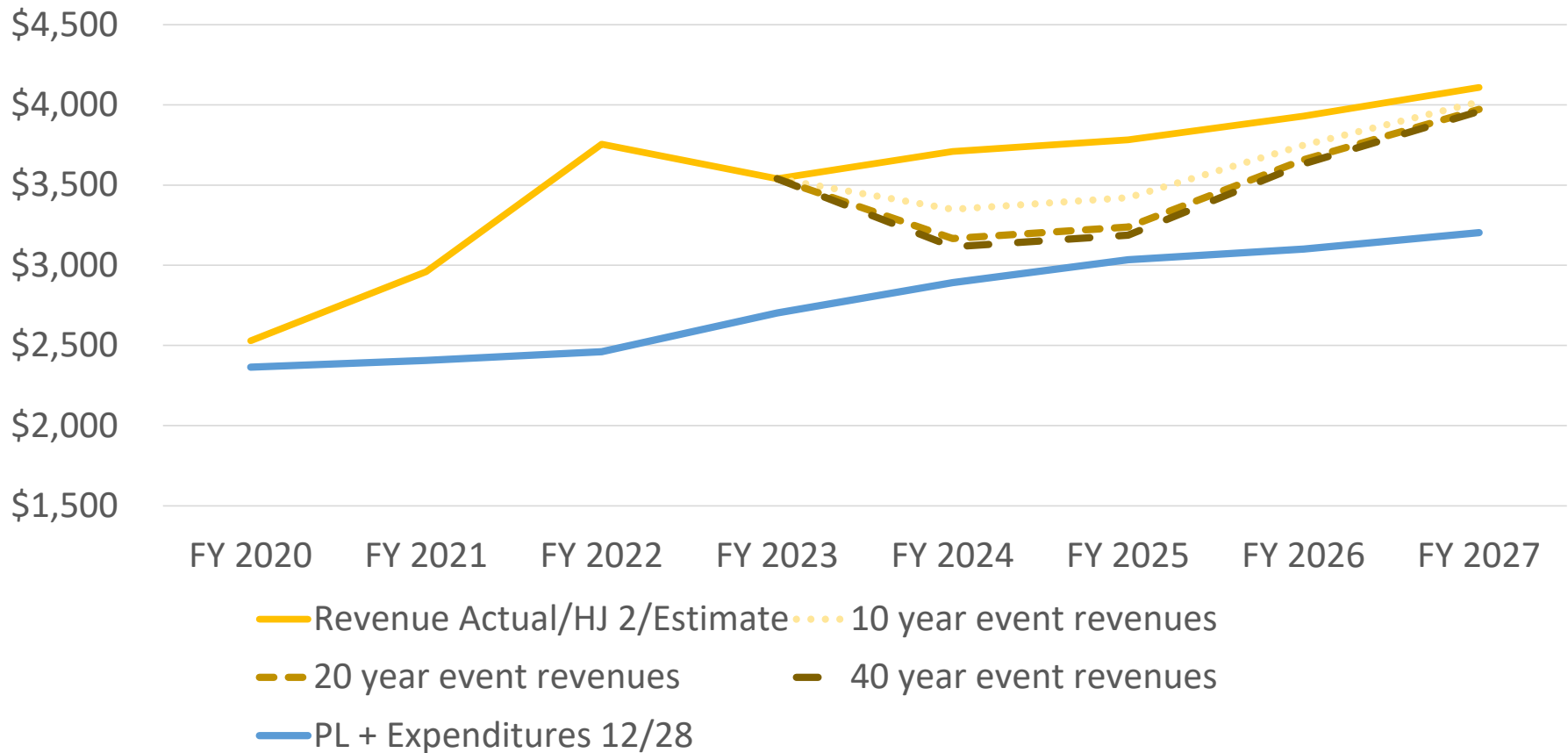
Question if inflation is fully captured in Governor's Budget

Spreadsheet to Evaluate Risk

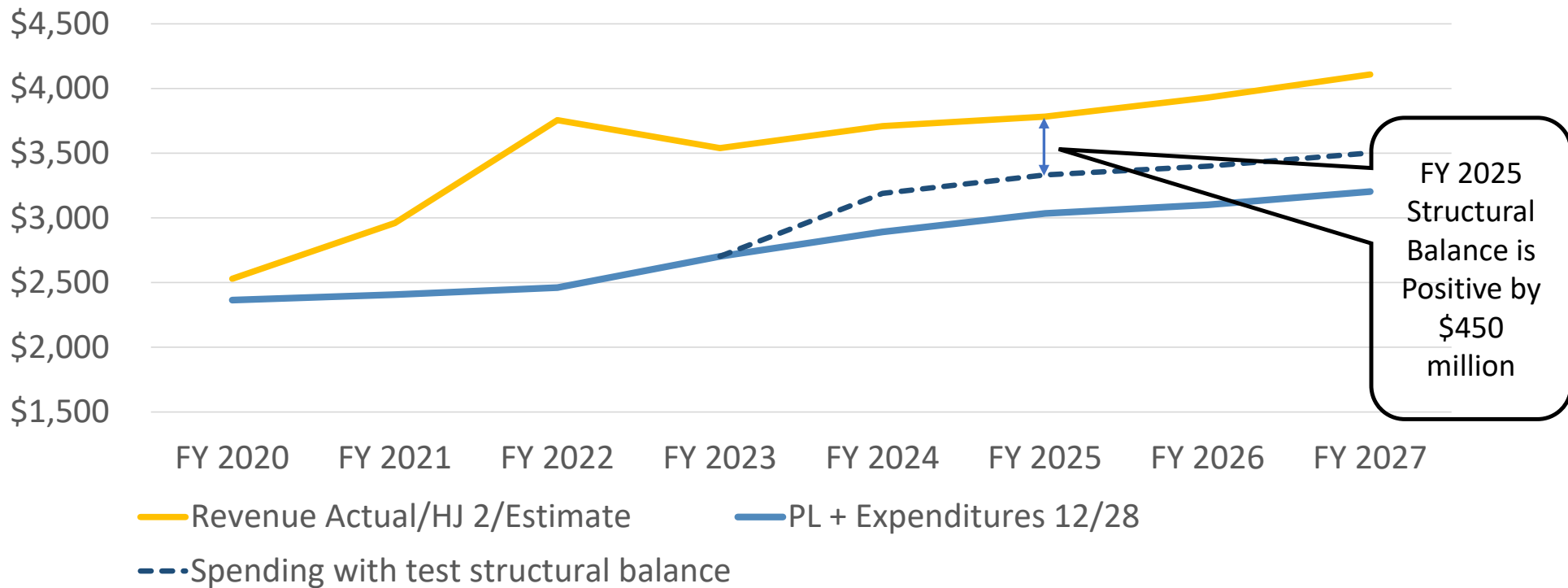
Risk Analysis																	
The brown highlights are the numbers you would seek on the																	
Adjust the green values to get the brown numbers where you want them																	
Gold gives you the event impact by statistically analyzed																	
time periods - note assume 50% return to normal each year																	
No event - receive HJ 2 revenues									Assume reduced revenue by a 10 year event								
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Beginning fund balance	361	452	720	1,854	529	500	400	881	Beginning fund balance	361	453	720	1,854	692	288	(173)	1
Actual and HJ 2 revenues on	2,529	2,960	3,756	3,539	3,710	3,783	3,930	4,108	Actual and HJ 2 revenues	2,529	2,960	3,756	3,539	3,710	3,783	3,930	4,1
Actual OTO	1	(8)	122	261	-	-	-	-	10 year event					(361)	(361)	(181)	(
Revenue total	2,530	2,952	3,878	3,800	3,710	3,783	3,930	4,108	Revenue total	2,530	2,952	3,878	3,800	3,349	3,421	3,749	4,0
Revenue and EFB	2,891	3,404	4,598	5,655	4,239	4,282	4,330	4,989	Revenue and EFB	2,891	3,404	4,598	5,655	4,040	3,709	3,576	4,1
PL + Expenditures 12/28	2,364	2,407	2,461	2,702	2,892	3,034	3,101	3,204	PL + Expenditures	2,364	2,407	2,461	2,702	2,892	3,034	3,101	3,2
Ongoing spend or reduce revenue					348	348	348	348	Ongoing spend or reduce revenue					348	348	348	3
Structural Balance	165	553	1,294	837	470	400	481	557	Structural Balance	165	553	1,294	837	109	39	300	4
OTO Actual and current law	74	277	282	497					OTO Actual and current law	74	277	282	497				
OTO spend or reduce revenue				1,926	500	500			OTO spend or reduce revenue				1,926	500	500		
Ending Fund Balance	452	720	1,854	529	500	400	881	1,437	Ending Fund Balance	452	720	1,854	529	300	(173)	127	5
Other Reserve Balances				600	600	600	600	600	Other Reserve Balances				600	600	600	600	6
1% reduction					32	34	34	36	1% reduction					32	34	34	
Assume reduced revenue by a 20 year event									Assume reduced revenue by a 40 year event								
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Beginning fund balance	361	453	720	1,854	692	106	(537)	(328)	Beginning fund balance	361	453	720	1,854	692	55	(640)	(4)
Actual and HJ 2 revenues	2,529	2,960	3,756	3,539	3,710	3,783	3,930	4,108	Actual and HJ 2 revenues	2,529	2,960	3,756	3,539	3,710	3,783	3,930	4,1
20 year event				(544)	(544)	(272)	(136)		40 year event					(595)	(595)	(297)	(1
Revenue total	2,530	2,952	3,878	3,800	3,166	3,239	3,658	3,972	Revenue total	2,530	2,952	3,878	3,800	3,115	3,188	3,632	3,9
Revenue and EFB	2,891	3,404	4,598	5,655	3,858	3,345	3,120	3,644	Revenue and EFB	2,891	3,404	4,598	5,655	3,807	3,243	2,993	3,5
PL + Expenditures	2,364	2,407	2,461	2,702	2,892	3,034	3,101	3,204	PL + Expenditures	2,364	2,407	2,461	2,702	2,892	3,034	3,101	3,2
Ongoing spend or reduce revenue					348	348	348	348	Ongoing spend or reduce revenue					348	348	348	3
Structural Balance	165	553	1,294	837	(74)	(143)	209	421	Structural Balance	165	553	1,294	837	(125)	(194)	183	4
OTO Actual and current law	74	277	282	497					OTO Actual and current law	74	277	282	497				
OTO spend or reduce revenue				1,926	500	500			OTO spend or reduce revenue				1,926	500	500		
Ending Fund Balance	452	720	1,854	529	118	(538)	(329)	92	Ending Fund Balance	452	720	1,854	529	67	(640)	(456)	(
With this type of event, it is likely that the federal government would be offering assistance to states.									With this type of event, it is likely that the federal government would be offering assistance to states.								
Other Reserve Balances				600	600	600	600	600	Other Reserve Balances				600	600	600	600	6
1% reduction					32	34	34	36	1% reduction					32	34	34	

Available for you to choose different parameters and evaluate risk

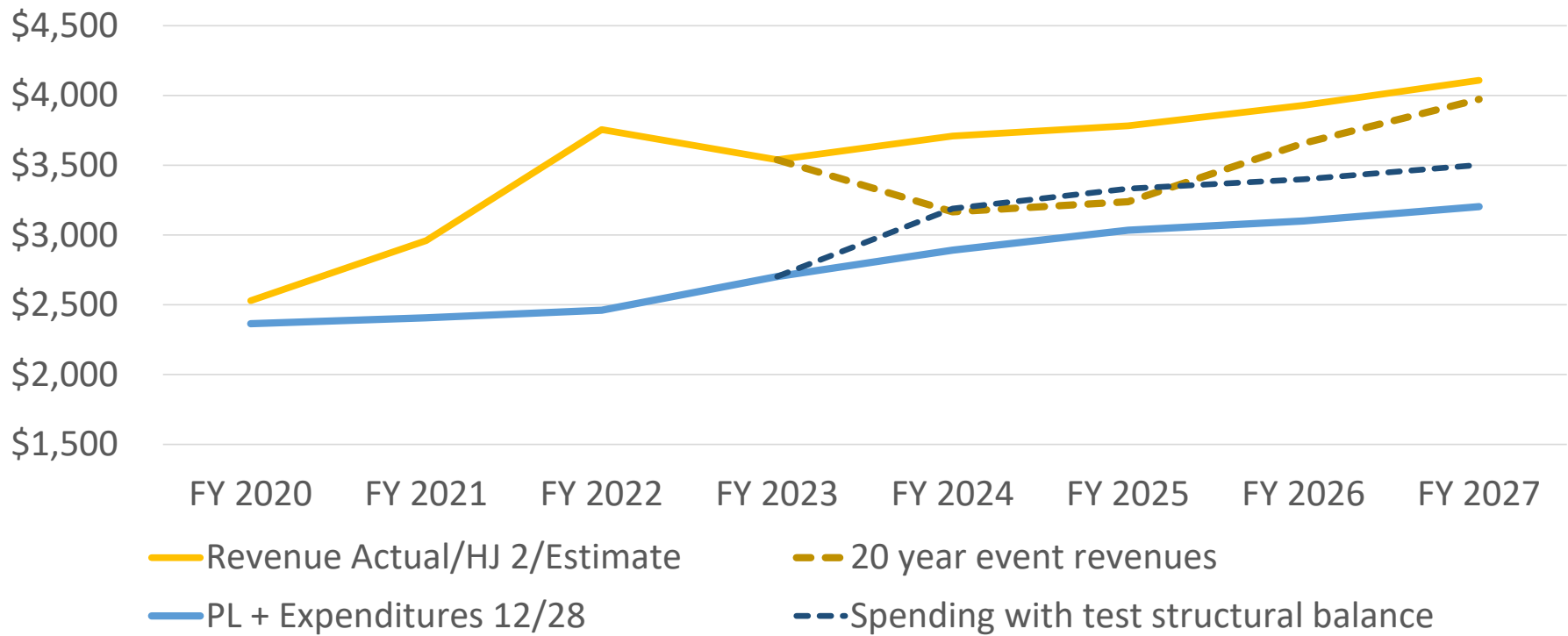
Present Law Plus and Revenue Events



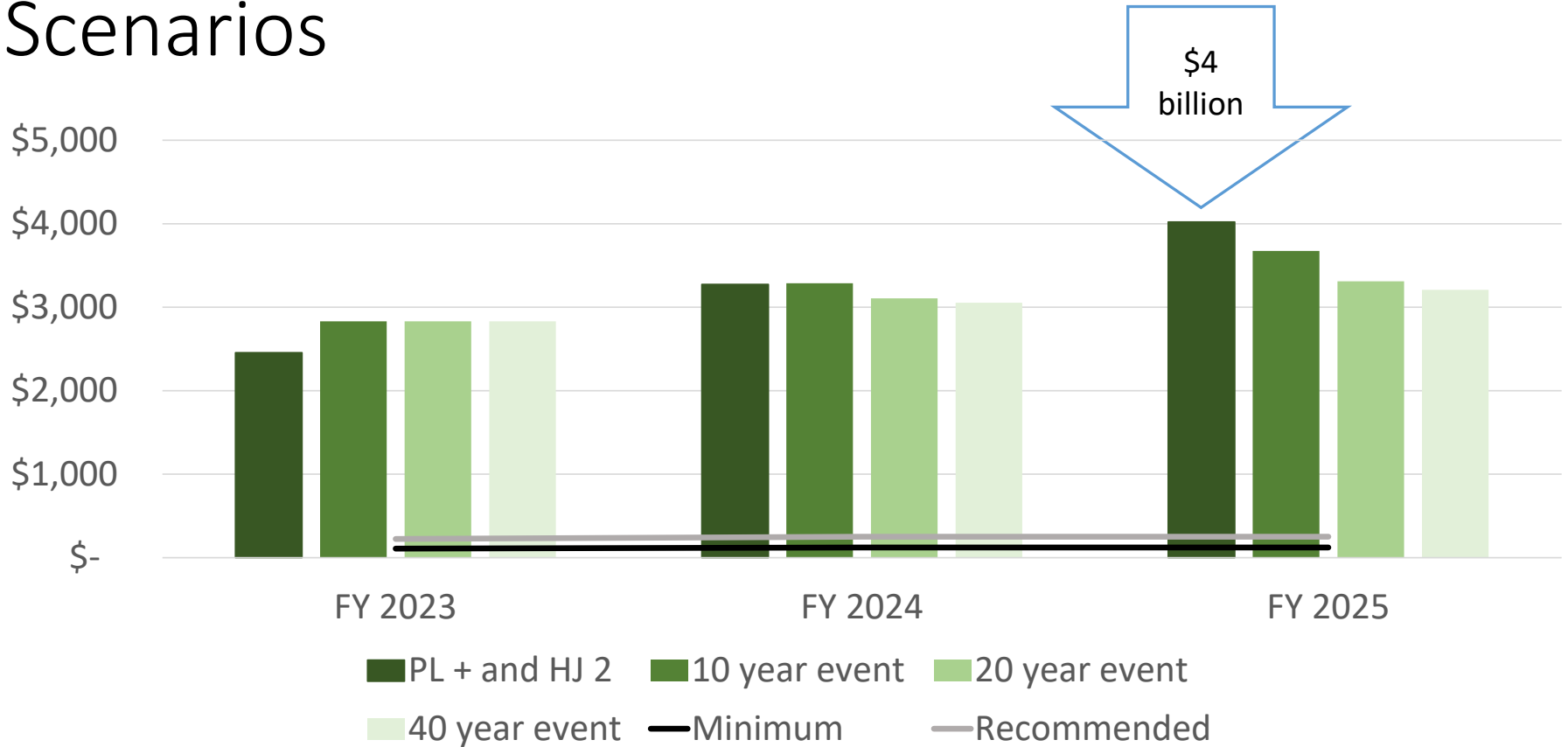
\$450 million Structural Balance in FY 2025



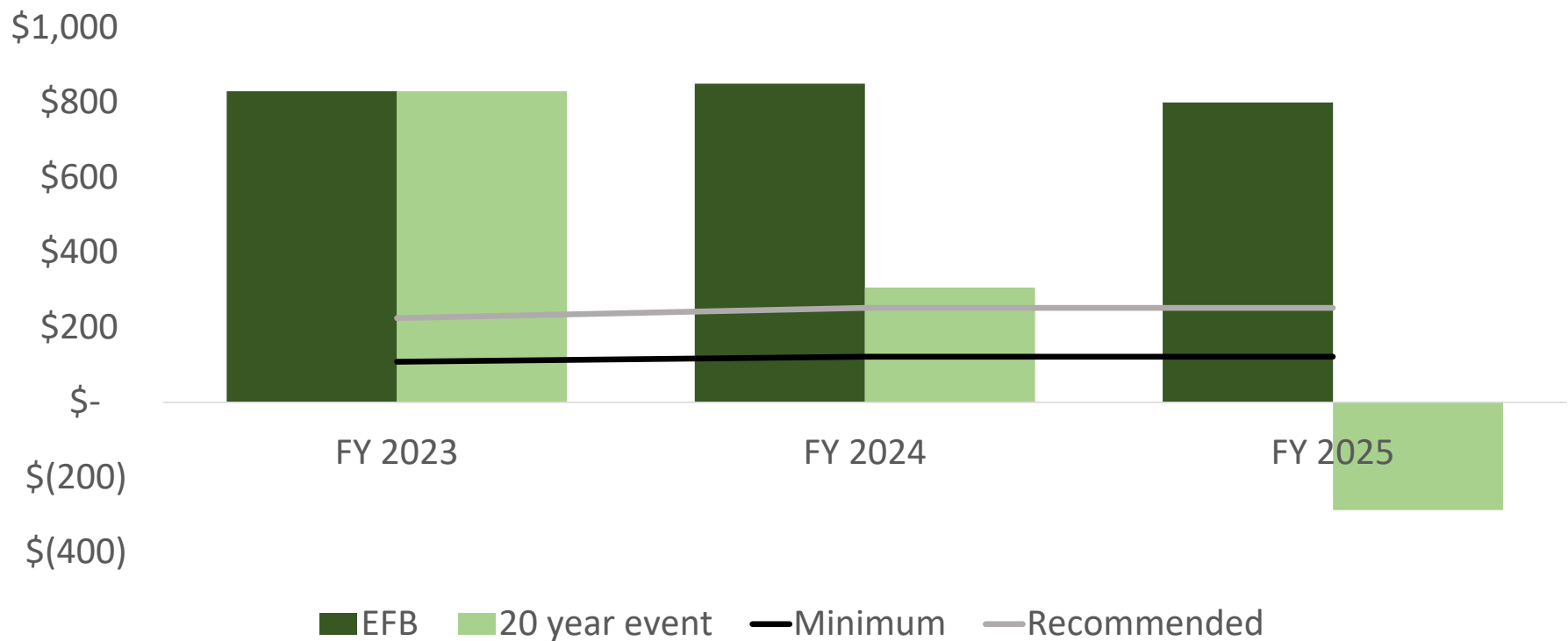
\$450 million structural balance and the 20-year event scenario



Ending Fund Balance with PL+ and Event Scenarios



HJ 2 and 20-year event scenario comparison with \$800 million ending fund balance



Other tools for re-balancing the budget with an economic event

MCA 17-7-140 - Current Law

- Reductions ~\$33 million for 1% reduction in one year
- Access to the Budget Stabilization Reserve at 2:1
- Access to the Fire Fund at 1:1

Federal Action

Legislative Action

Other ideas during session

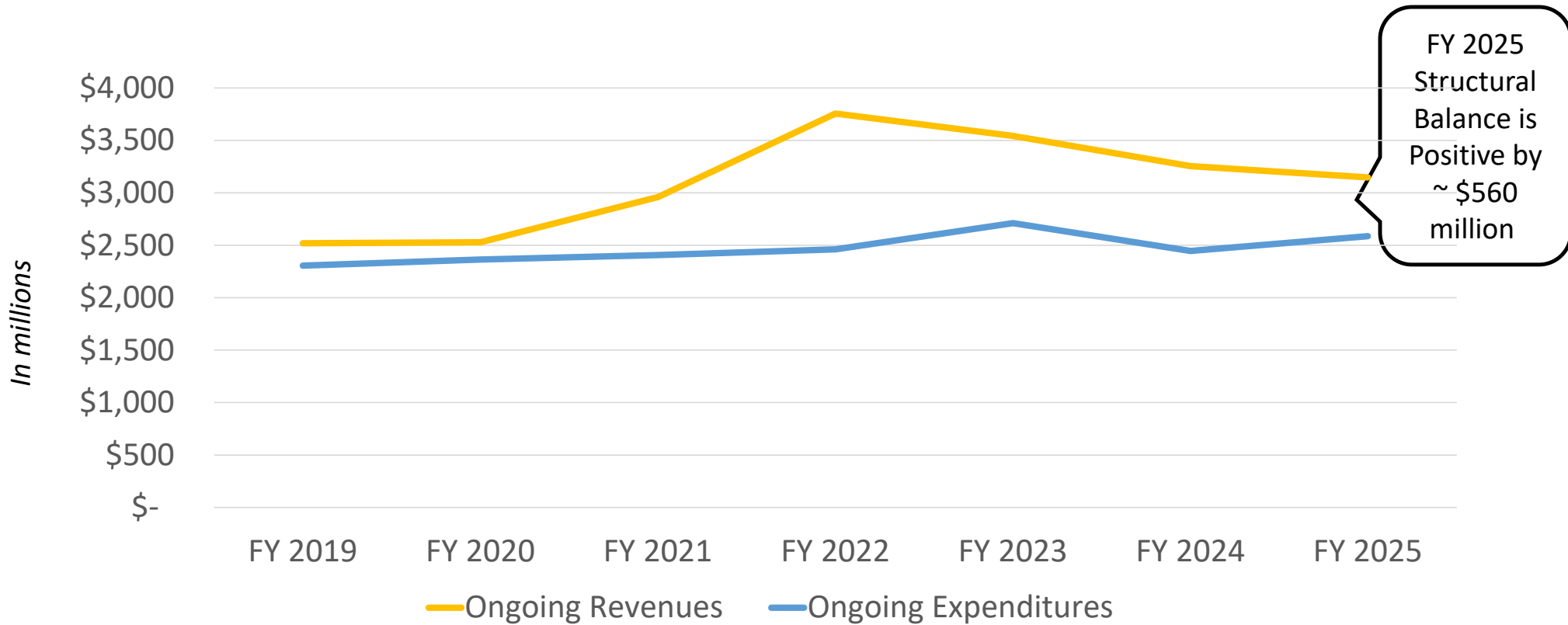
Governor's Budget

Governor
Gianforte's Budget
Ongoing General
Fund
Recommendations

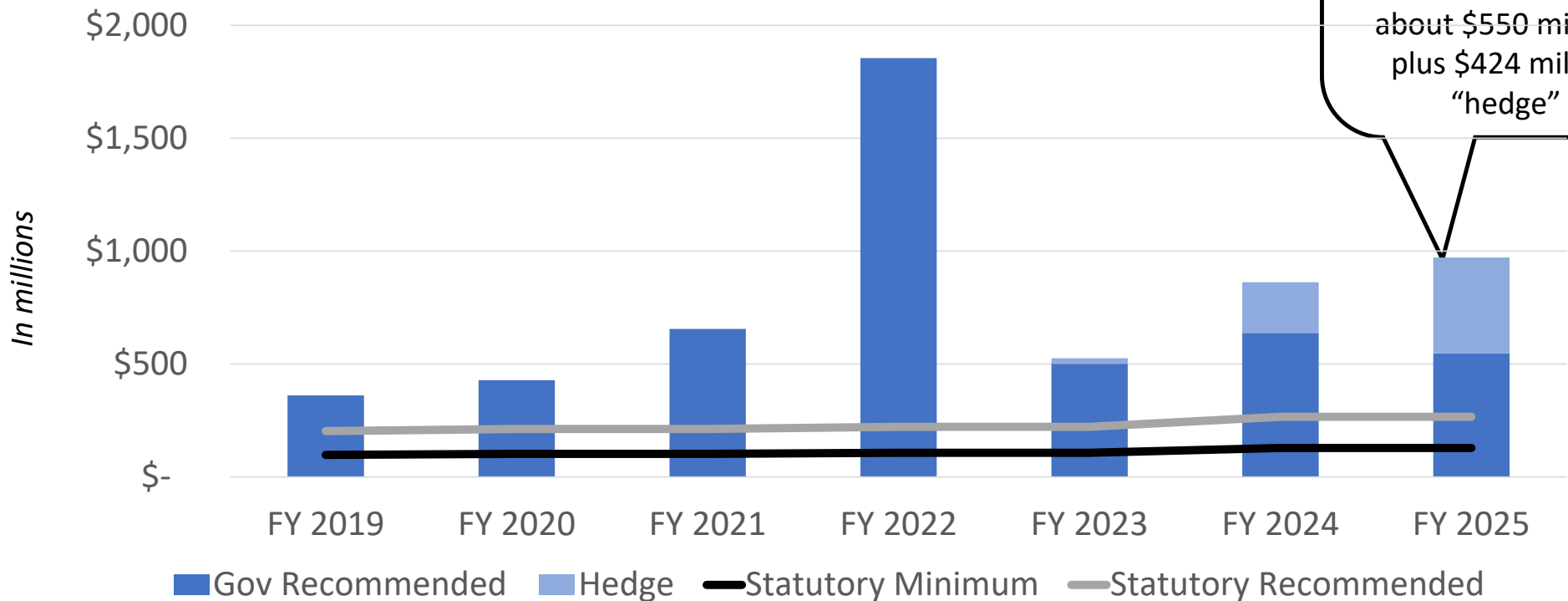
- Revenue
 - Income Tax reductions ~ \$200 million in FY 2025
 - Other smaller tax impacts
 - Shift property tax to school account
- Expenditure
 - Caseloads and inflation
 - Shift property to school account

*Ongoing impacts structural
balance of the general fund*

Governor's Recommended Structural Balance



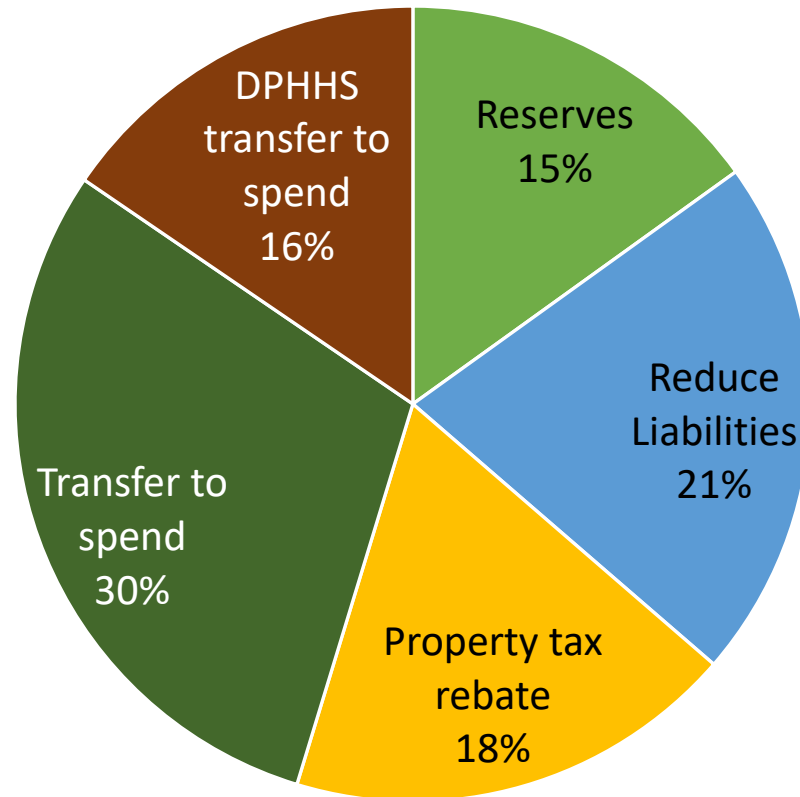
Governor's recommended Ending Fund Balance



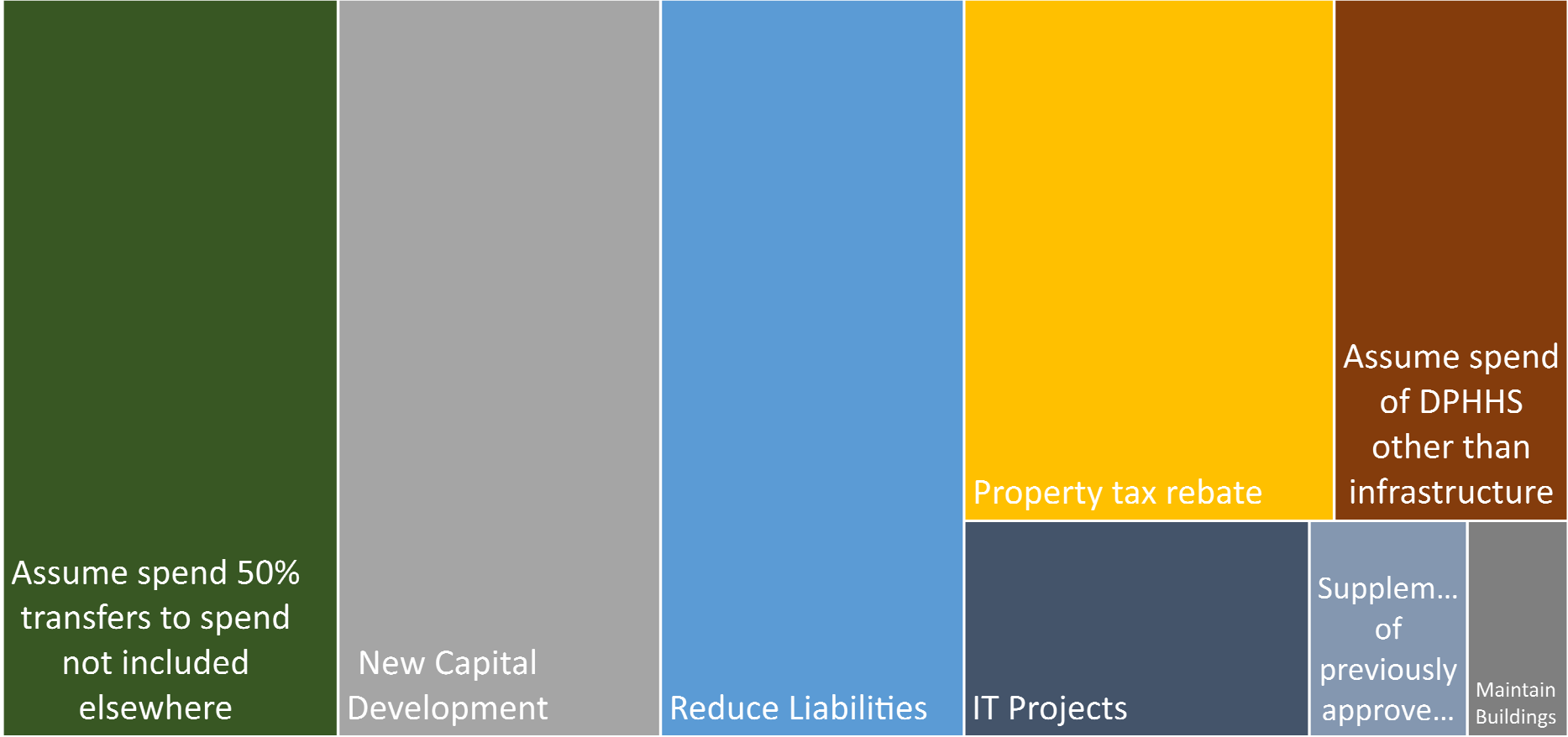
If Governor's final recommendations were adopted by the legislature
FY 2025 Ending Fund Balance is estimated about \$550 million, plus \$424 million "hedge"

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

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



Estimated Appropriations = \$3.2 billion



Biennial Comparison – without all the budget bills

- Initial assumptions on appropriations requested in the Governor's budget led to a biennial comparison of state resource appropriations of the following:
 - 8.8% increase including the federal stimulus package appropriations
 - 17.3% increase if the federal stimulus package appropriations were excluded
- The high amount of one-time expenditures includes a one-time property tax rebate appropriation.

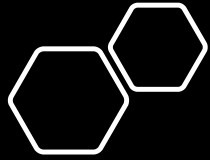
One-time Only Projects and Appropriations

Quinn Holzer and Joe Triem

\$150 million
Medicaid/Facilities

\$300 million
Mental Health

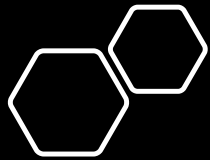
HB 2 \$1,414 million



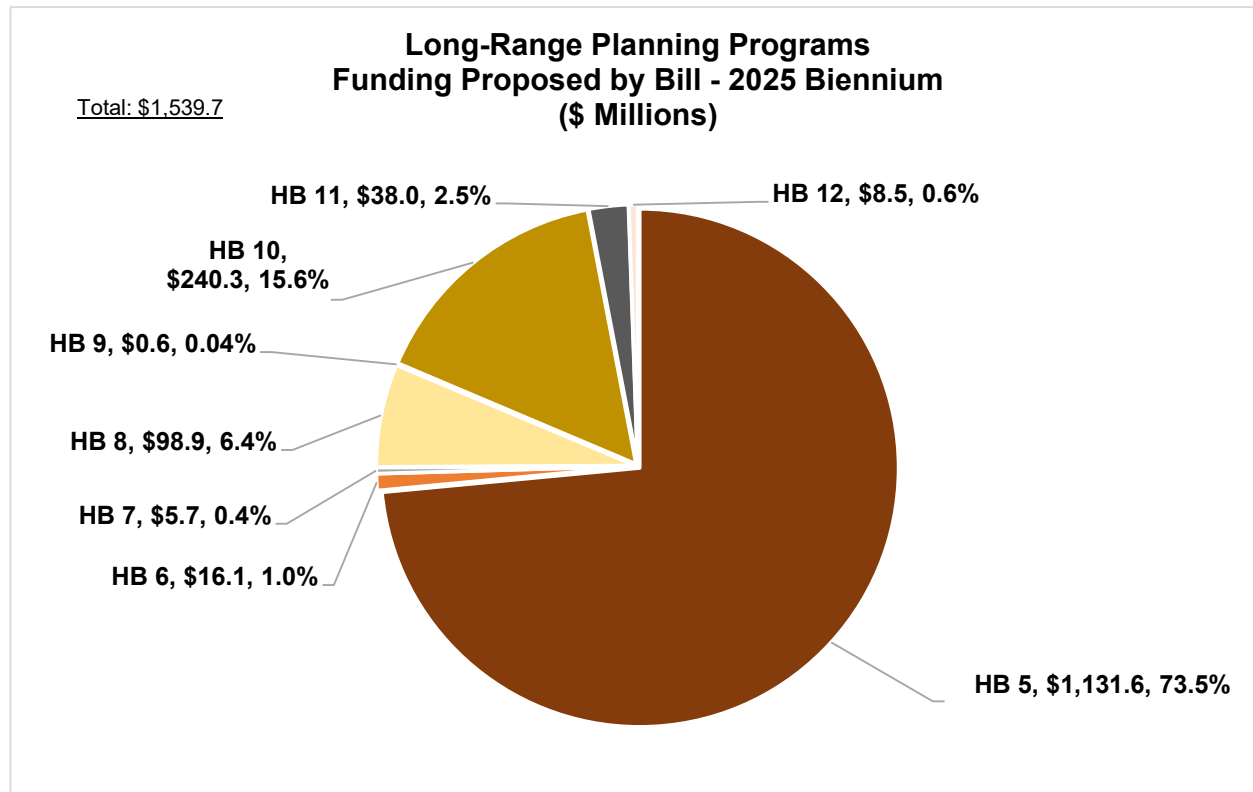
Long-Range Planning

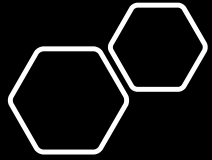
Overview

- **\$1.5 billion in total appropriations, approximately \$913.8 million or 146% more than the 2023 biennium appropriations**
- **Includes these programs (largest to smallest):**
 - **Long-Range Building Program**
 - **Long-Range Information Technology Program**
 - Renewable Resource Grant & Loan Program
 - Montana Coal Endowment Program (MCEP)
 - MCEP Regional Water Program
 - Montana Historic Preservation Grant Program
 - Reclamation & Development Grant Program
 - State Building Energy Conservation Program
 - Cultural & Aesthetic Grant Program



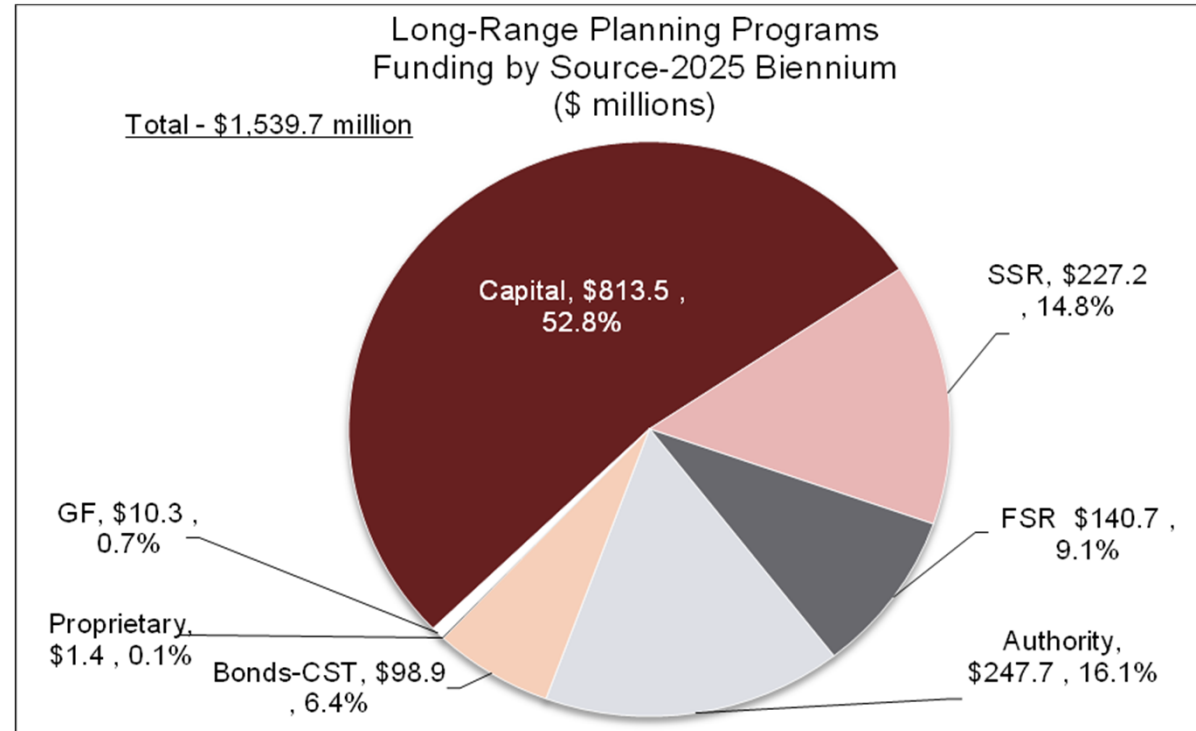
Long-Range Planning Overview

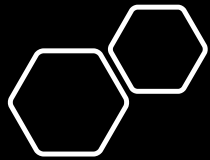




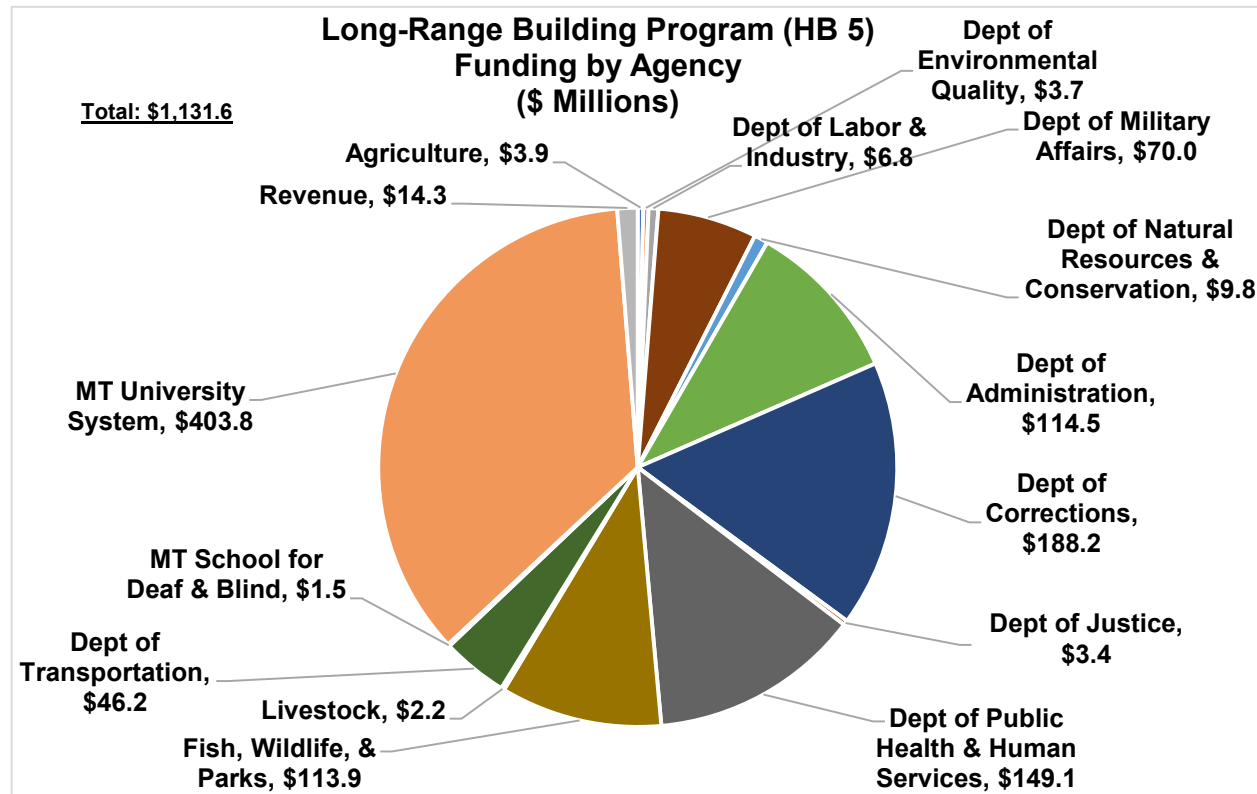
Long-Range Planning

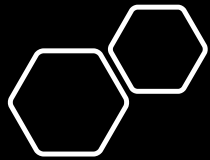
Overview





Long-Range Building Program Overview





Long-Range IT Program

Overview

