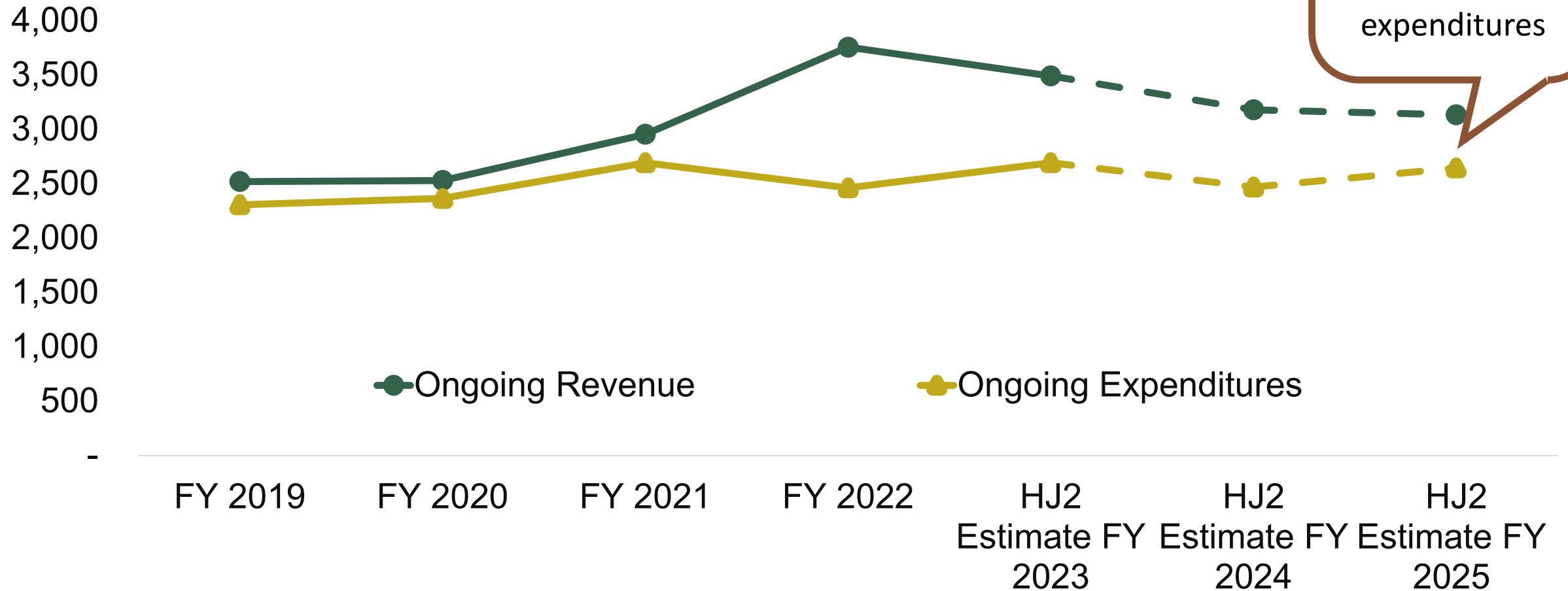


# Planning for Financial Risk

Amy Carlson

Legislative Fiscal Analyst and Director of Legislative Fiscal  
Division

# 2023 Session Adopted a 16% Positive Structural Balance

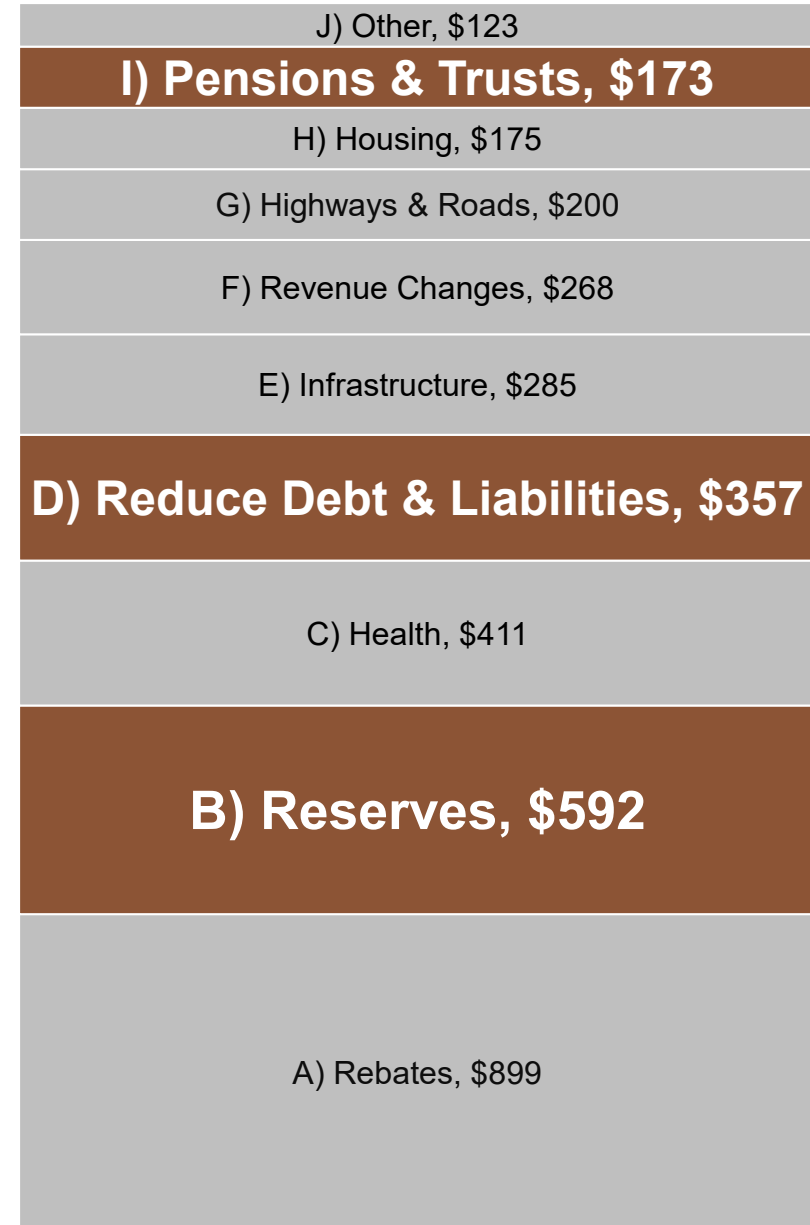


Estimated FY 2025 structural balance = 16% more revenue than expenditures

# 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



Left 2023 Session strong, what are revenues now and what are the risks on the horizon?

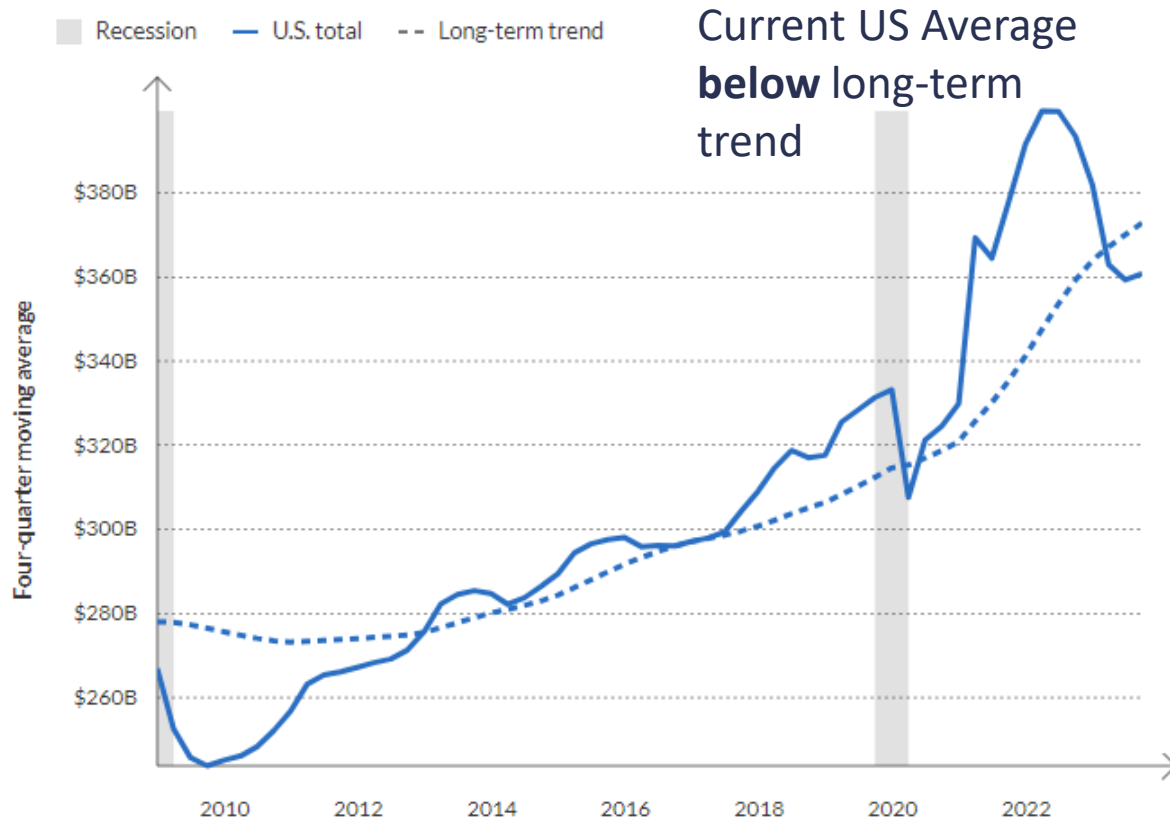
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# Pew Fiscal 50 Comparison

## Montana is an Outlier on Revenue Growth

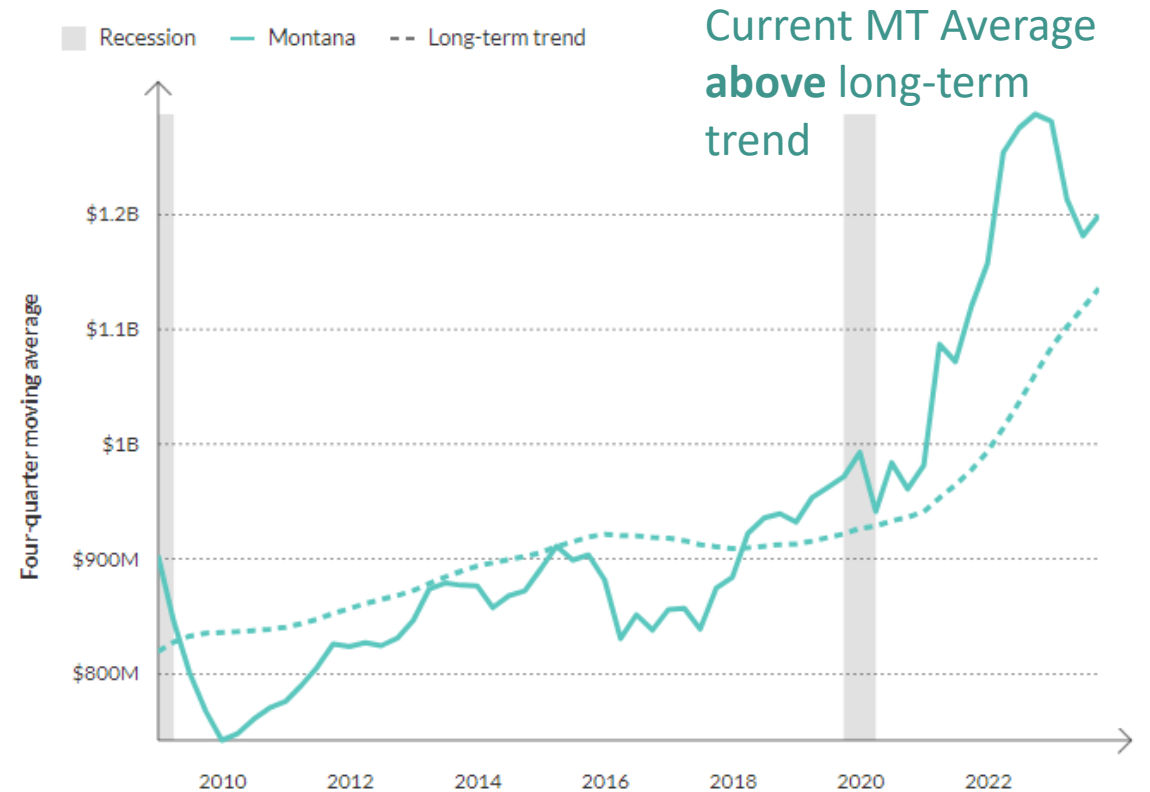
### State Tax Revenue, Adjusted for Inflation and Seasonality

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



# Future Risk

More volatile revenue streams

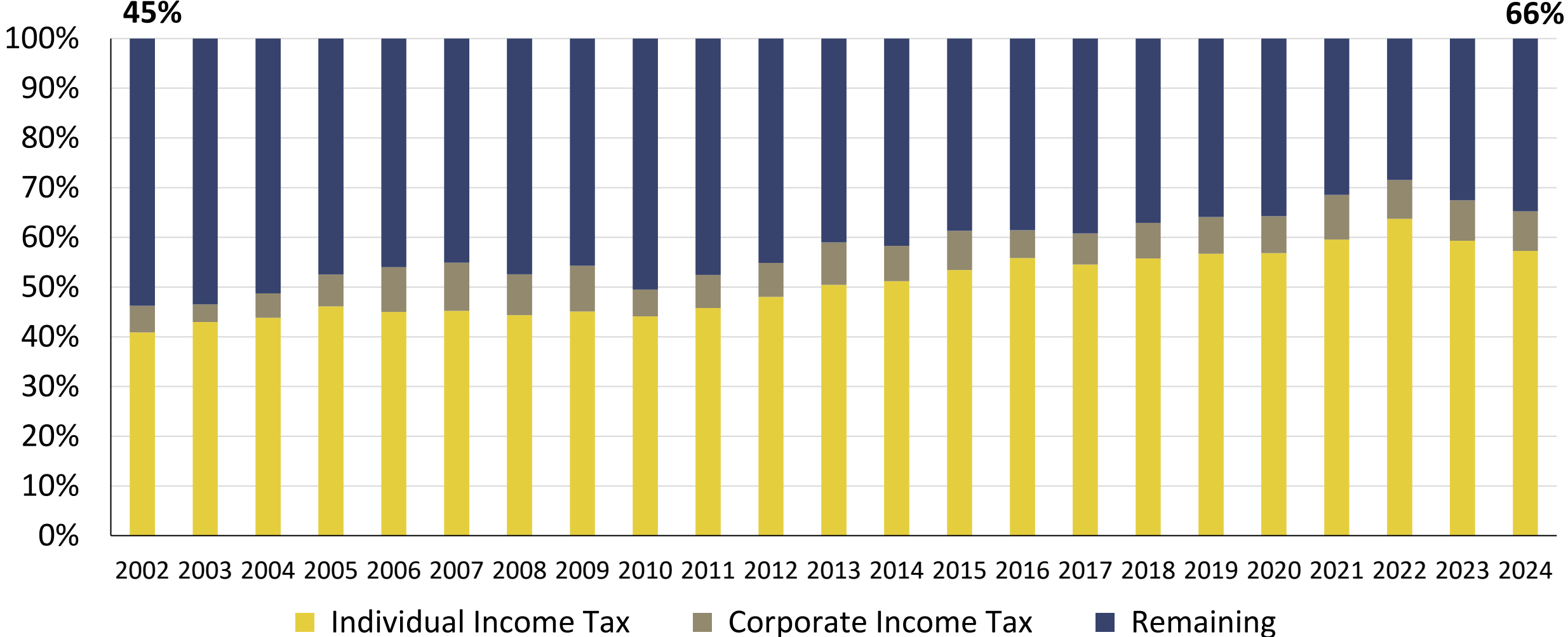
Federal Funding

Aging infrastructure

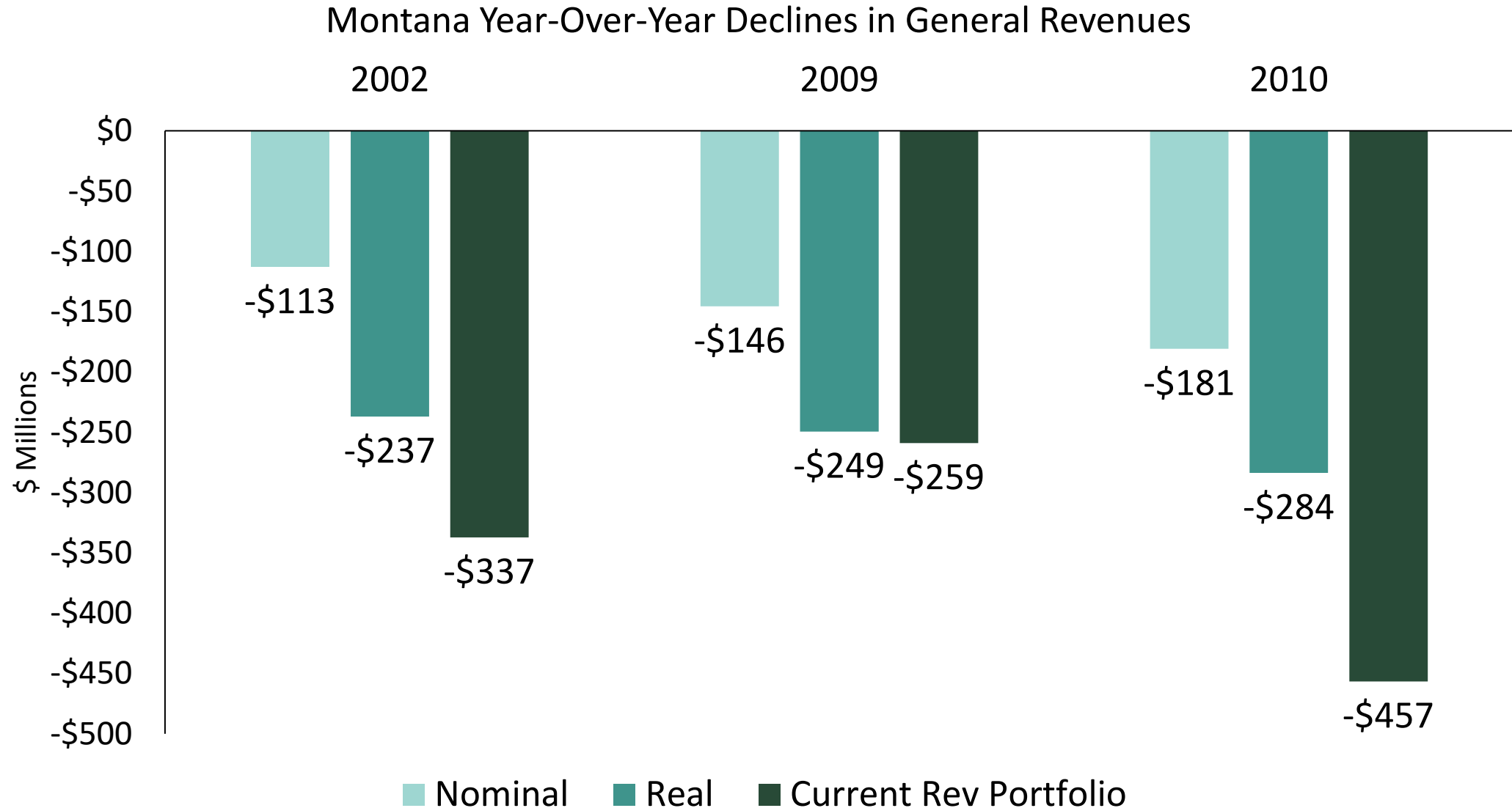
Unfunded liabilities like pensions

# More Revenue Risk

Income Taxes as a Share of Total General Revenues

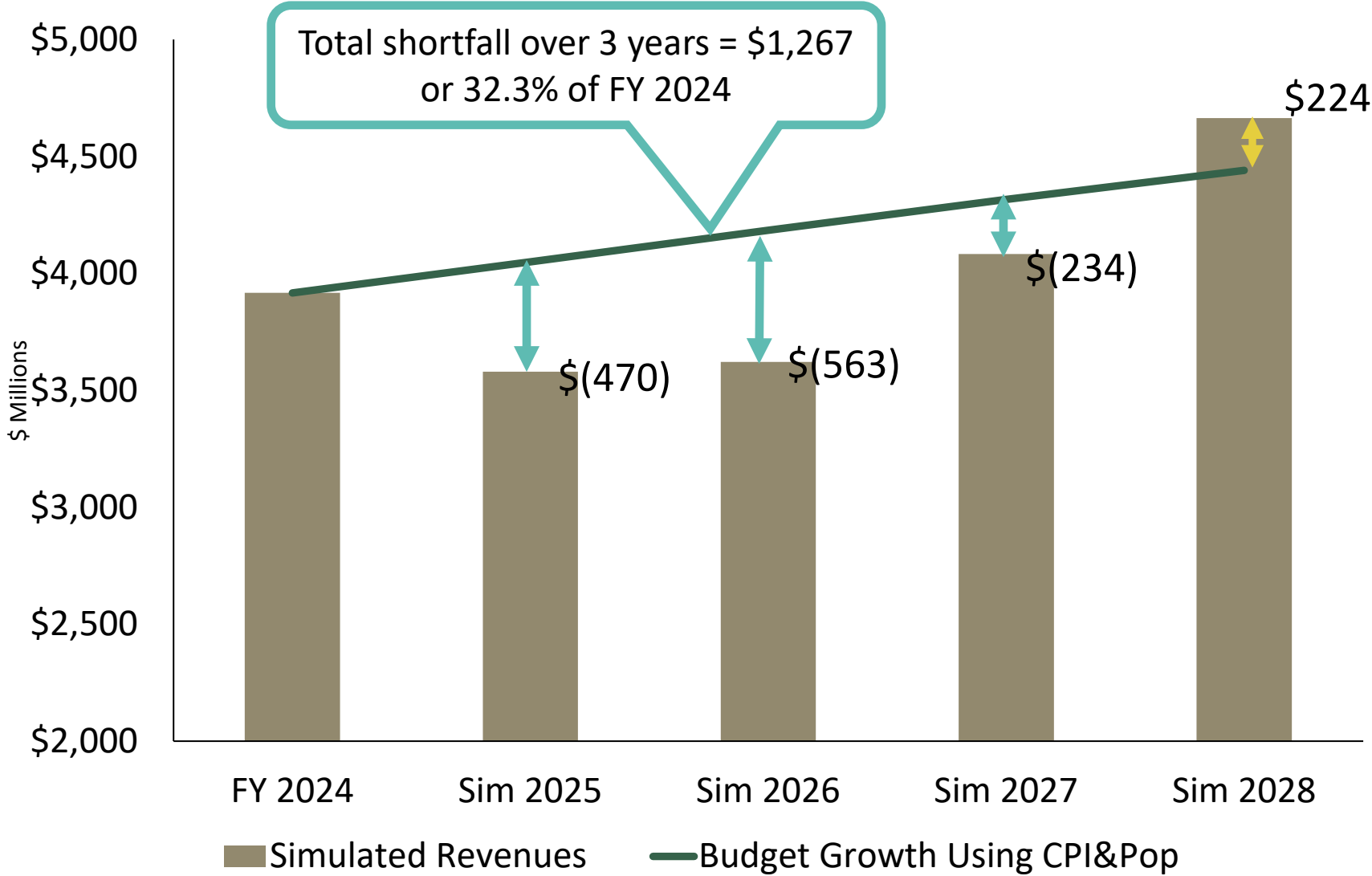


# More Reliance on Income Taxes Create More Volatility

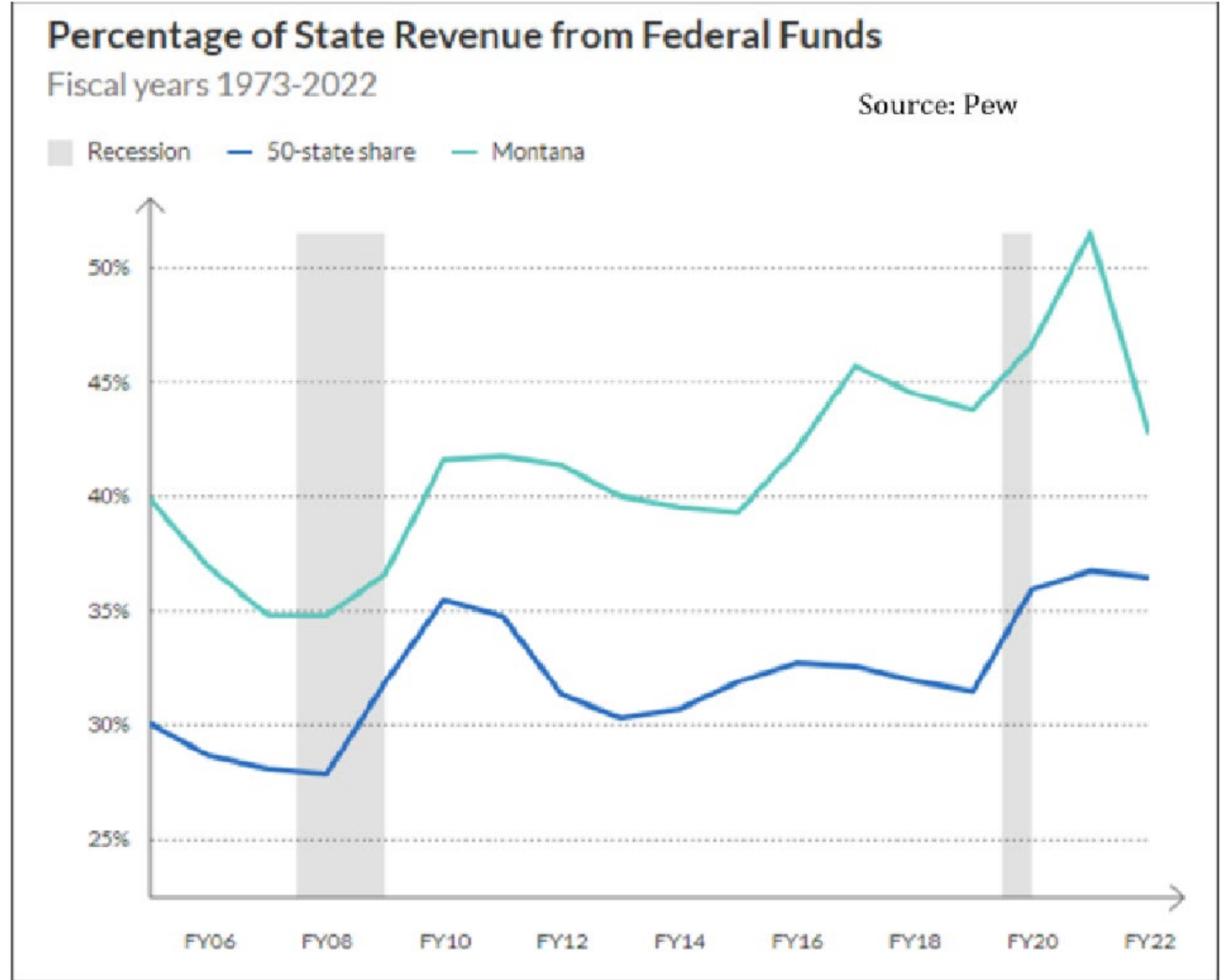




# Revenue Growth Simulated Using the **Mild** Recession of 2001 Growth Rates Compared to Simulated Budget



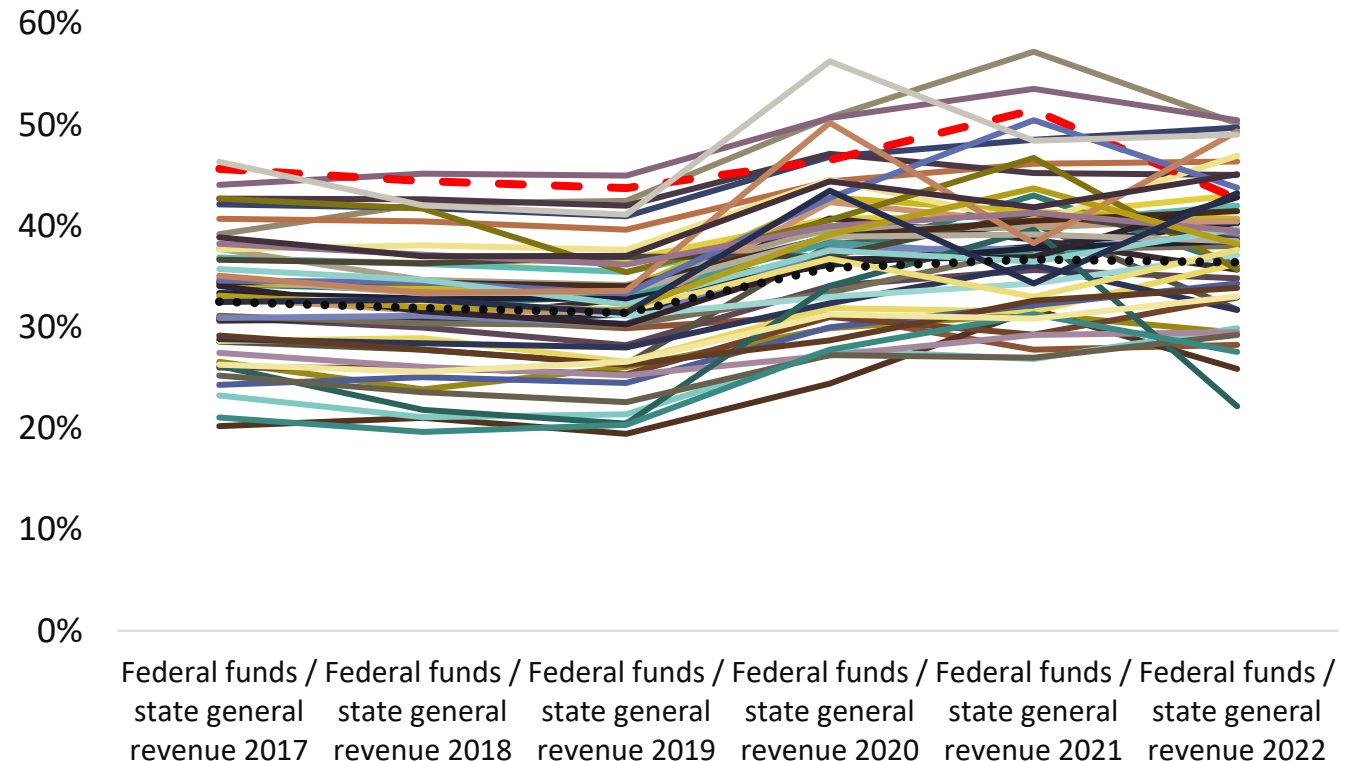
Montana is  
More Reliant on  
Federal Funds  
Than Most  
States



[Source: Pew Fiscal 50](#)

# Montana Continues to be more reliant on federal funds, but it is decreasing

Federal Funds as % of State General Revenue,  
2017-2022  
(Pew Charitable Trusts)



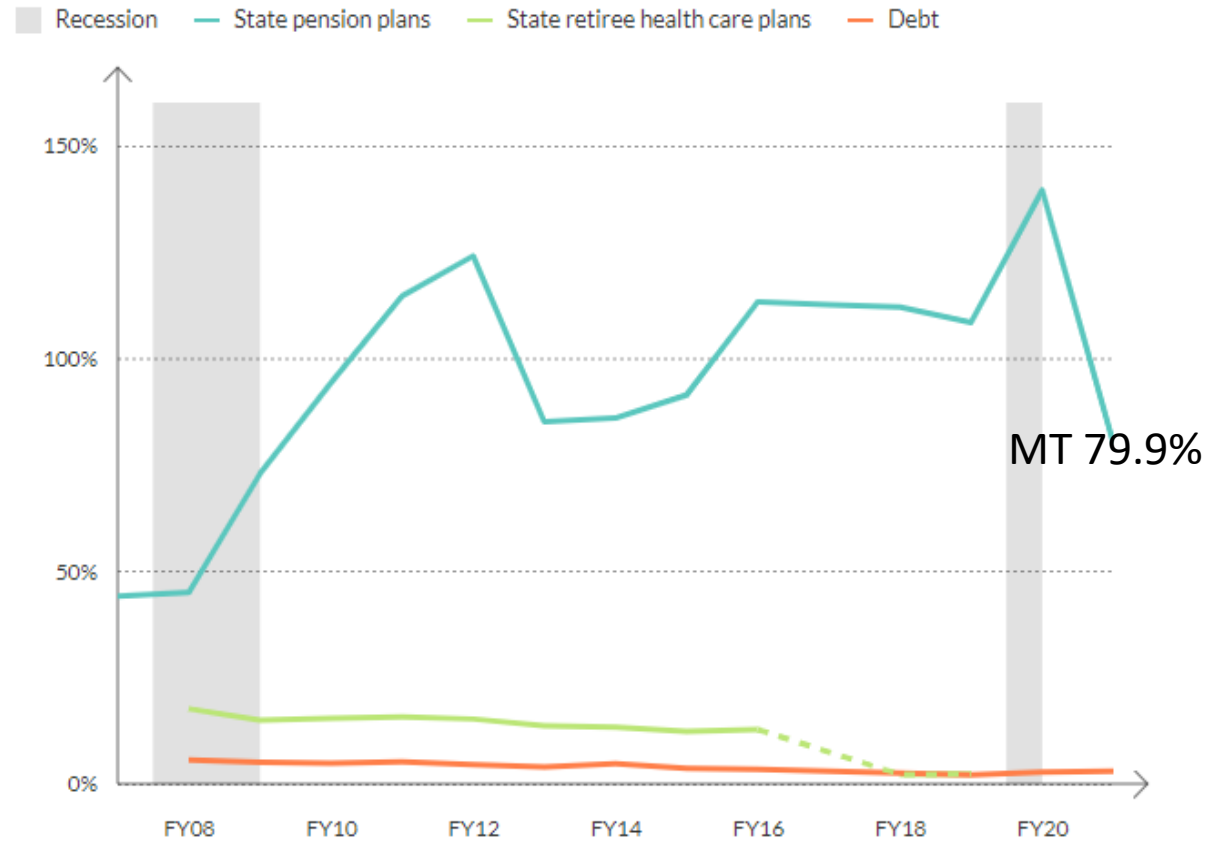
- Montana is the red dashes
- The national average is the black dots

[Source: Pew Fiscal 50](#)

# Pew Pension Debt Comparison Montana to Other States

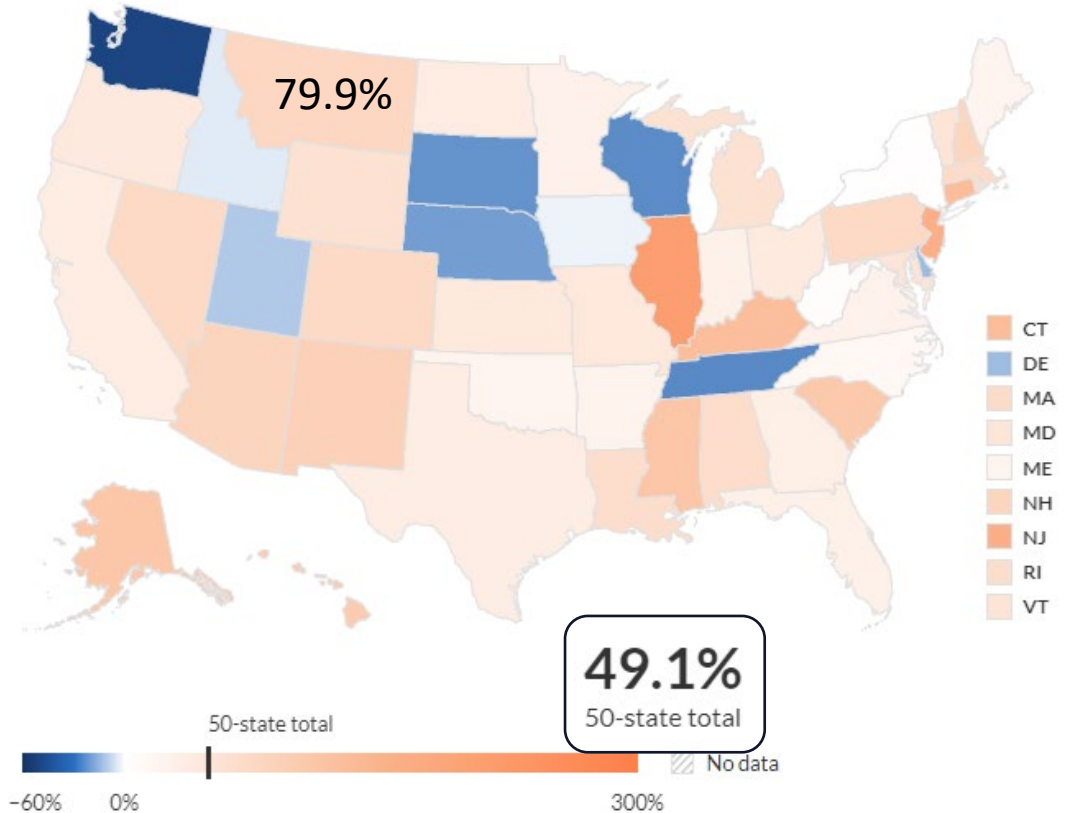
## Debt and Unfunded Retirement Liabilities

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

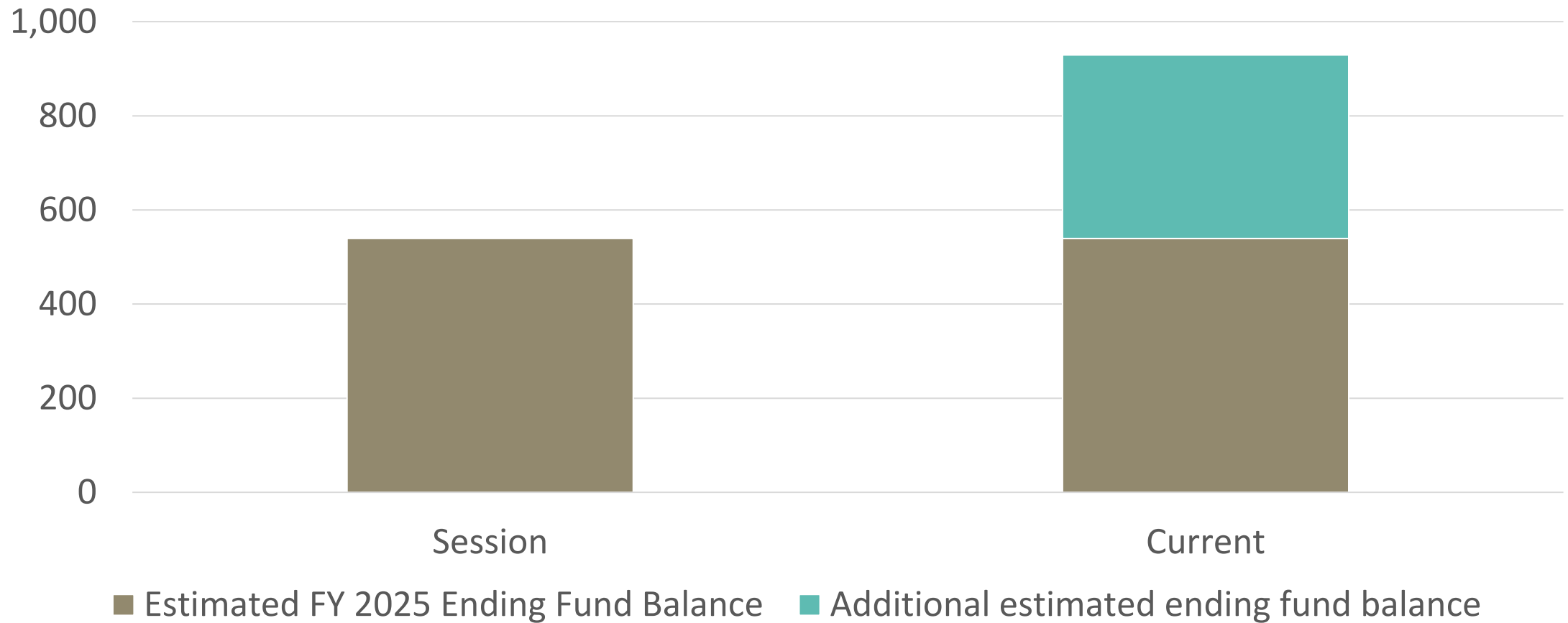


LFD IS RESEARCHING MONTANA  
INFRASTRUCTURE AND WILL  
REPORT TO THE 2025 SESSION

Budget Outlook and what to expect in the next few months?

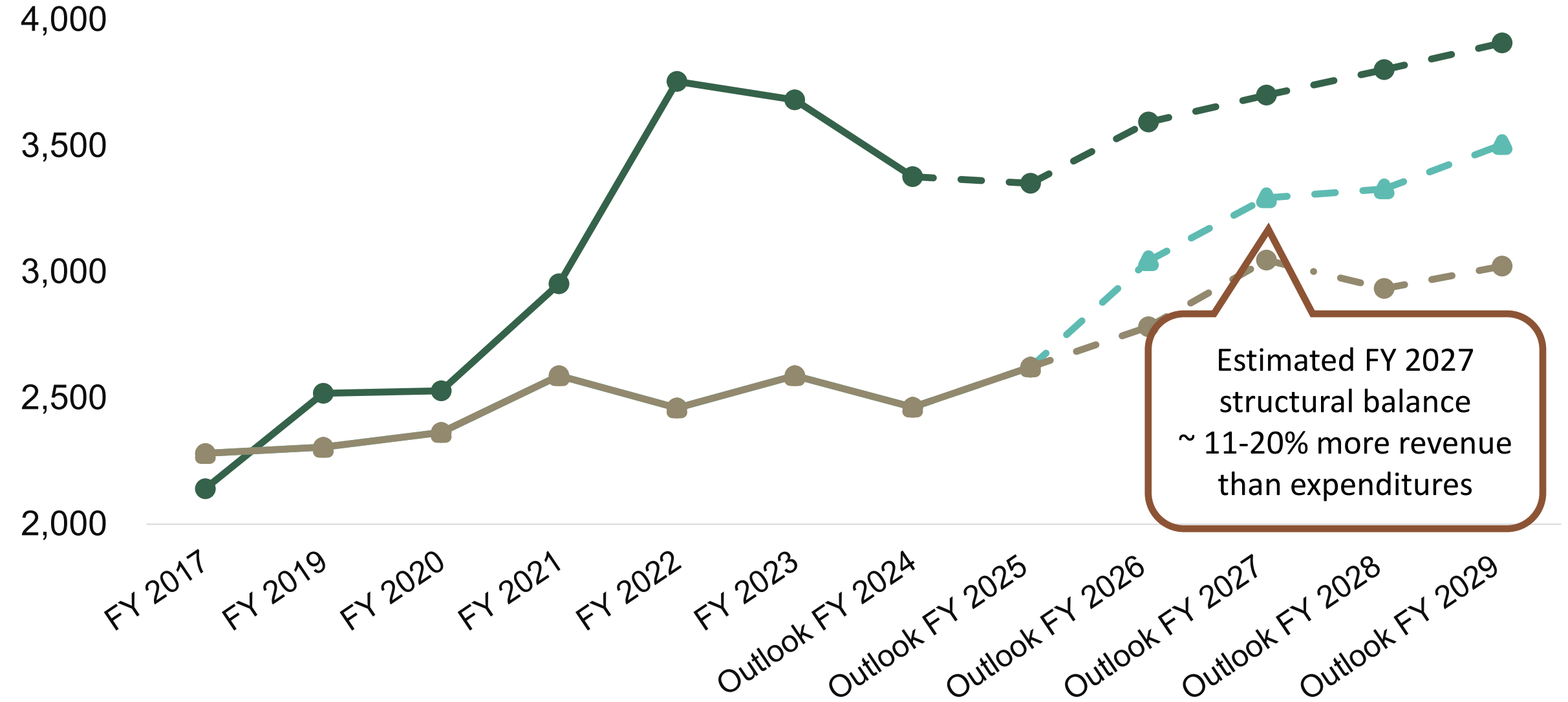
# Outlook Fund Balance = Strong

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



# Structural Balance Still Strongly Positive with All Anticipated Inflation Pressures

(\$ Millions)







# Next Steps: Revenue Estimates

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Mid-November Release of **Revenue Forecasts** from both the Governor's Office (OBPP) and the Fiscal Division



November 18 – Revenue Interim Committee hears the forecasts and adopts the official **Legislative Revenue Estimate**



HJ 2, the official Legislative Revenue Estimate Resolution, is introduced by the Chair of House Tax

# Next Steps –Analysis



Update analysis of structural balance with the HJ 2 revenue estimate and present law expenditures to understand structural balance



Update analysis of ending fund balance

# Next step: Options for the legislature



Evaluate the ending fund balance with the **updated risk analysis** discussed in this document



Develop comparisons of current **ending fund balance** to re-evaluated risk in this document and develop options



Develop comparisons of **structural balance** to re-evaluated risk and develop options for mitigating risk