

Revenue and Budget Analysis

Amy Carlson and Sam Schaefer



Outline

Economic Changes

Income trends

Revenue Forecast

Budgets

- Governor's budget
- Pressures on future budgets
- Risks to future budgets

Economic Changes

Finance and Data Analytics Act

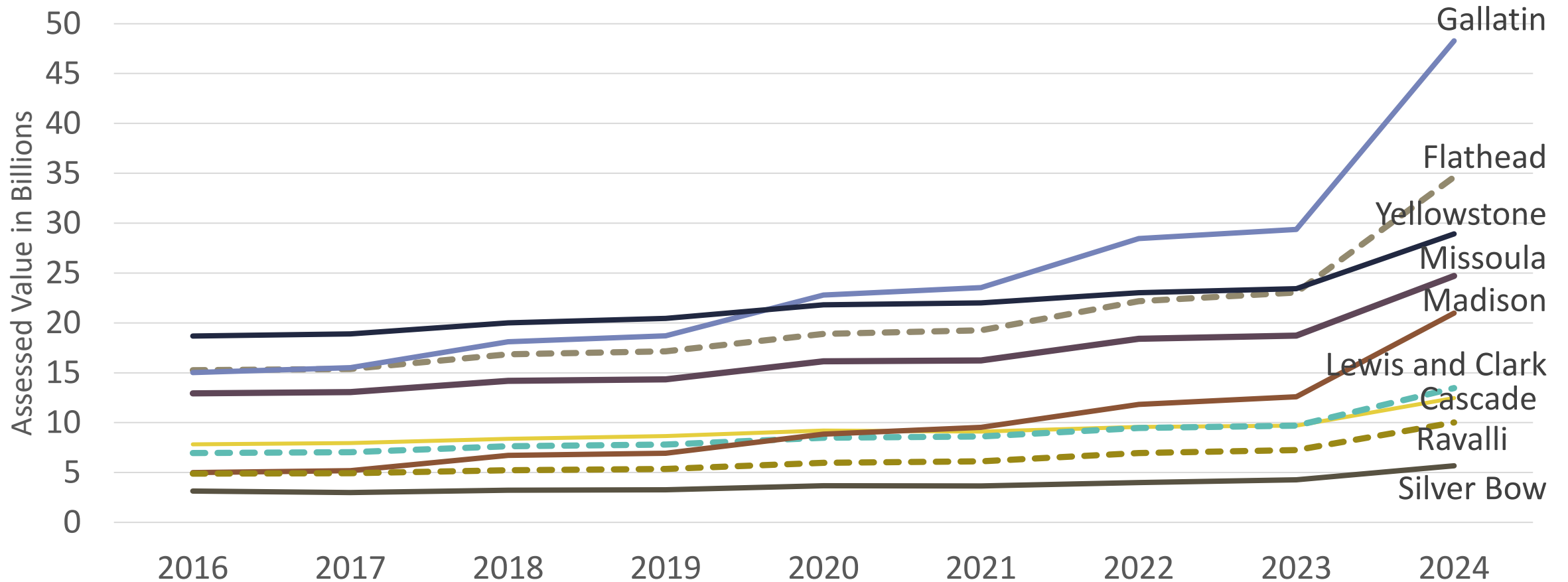


Demographic changes in Montana are driving changes

Changes

Metric	FY 2014 - FY 2019	FY 2019 – FY 2024
CPI Growth	7.8%	22.7%
MT Population Growth	5.0%	6.2%
MT CPI*Population Growth	13.1%	30.3%
MT Personal Income Growth	24.5%	45.5%
General Revenue Growth	21.4%	51.1%

Assessed Value of All Property by County by Fiscal Year



High End Residential Property

Residential houses greater than \$1.5 million are taxed at a higher rate

Total statewide assessed value is \$25.5 billion

Top counties

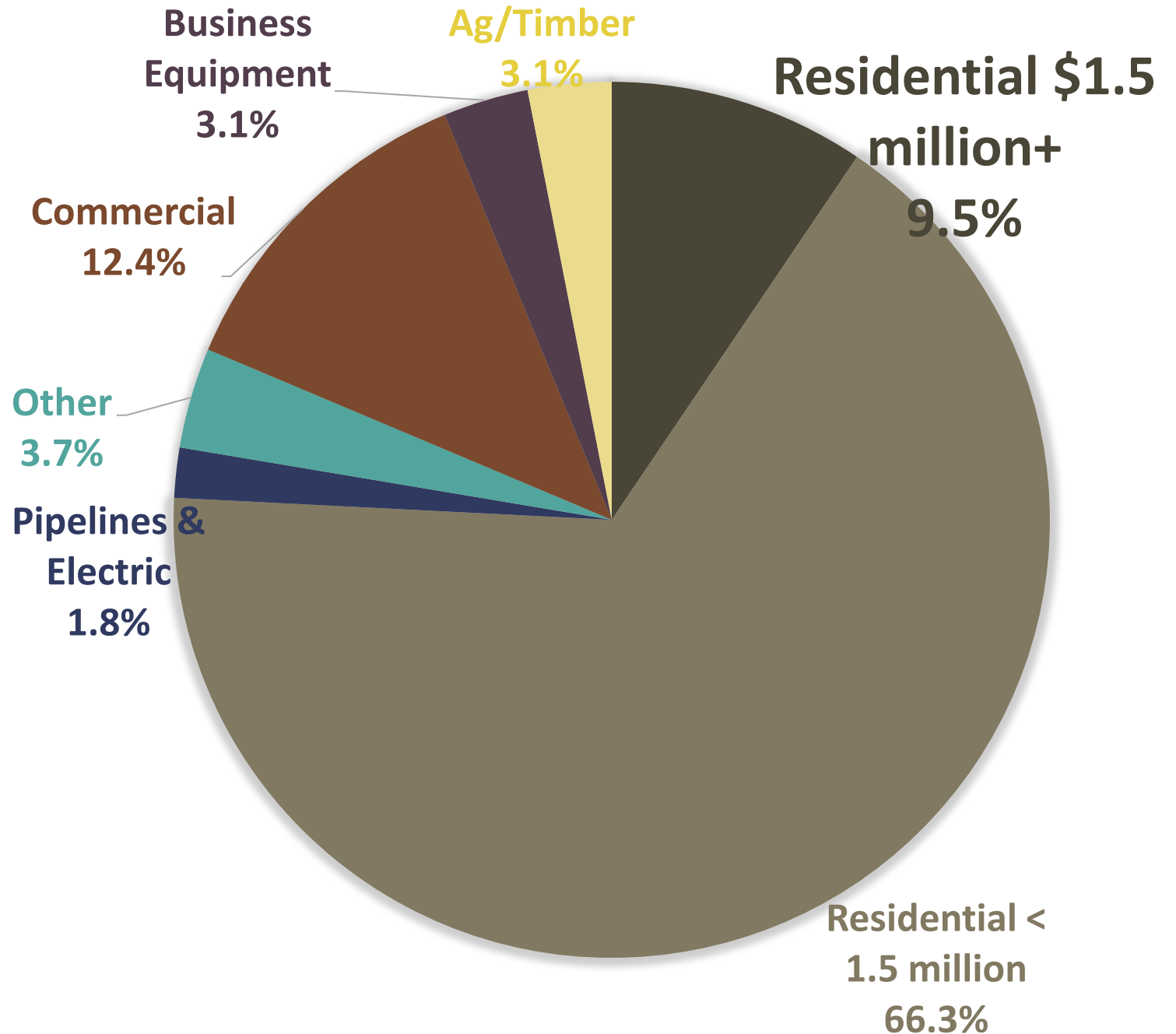
1. Madison = \$14.5 billion
2. Gallatin = \$6.1 billion
3. Flathead = \$2.9 billion
4. Lake = \$0.5 billion
5. Ravalli = \$0.4 billion

Assessed Value of All Property

While Residential total is 75.8% of all assessed property, Residential greater than \$1.5 million = 9.5%

Residential property where the home value, without considering the lot that the property sits on, is greater than \$1.5 million

The total assessed value in the chart include the value of the land with the same geocode.



Montana's Changing Income Tax Base

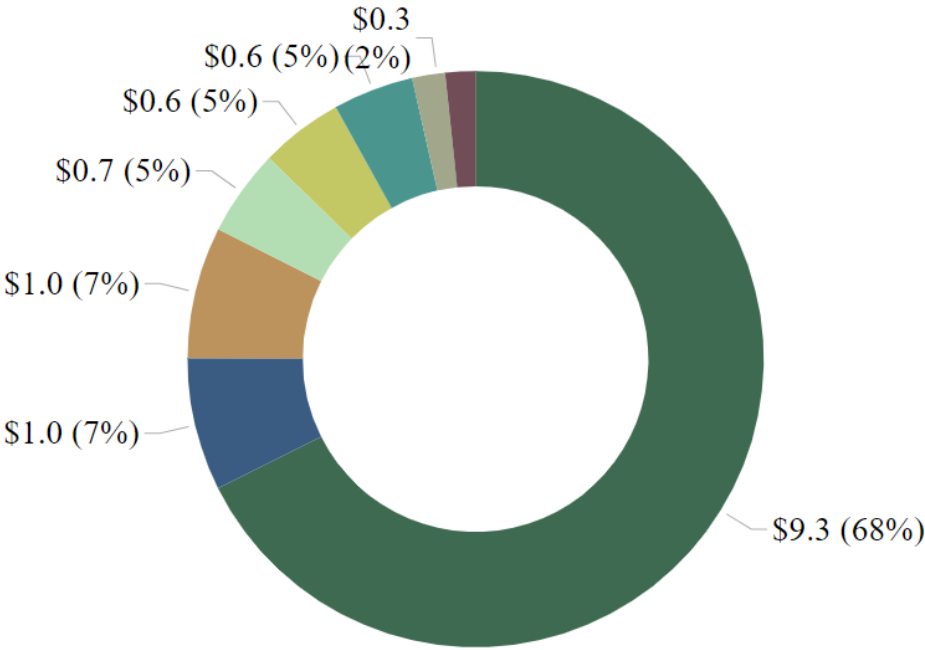
Sam Schaefer, Lead Revenue
Analyst

*Recommend: Analysis of New Montana
Residents in CY 2020 & CY 2021*



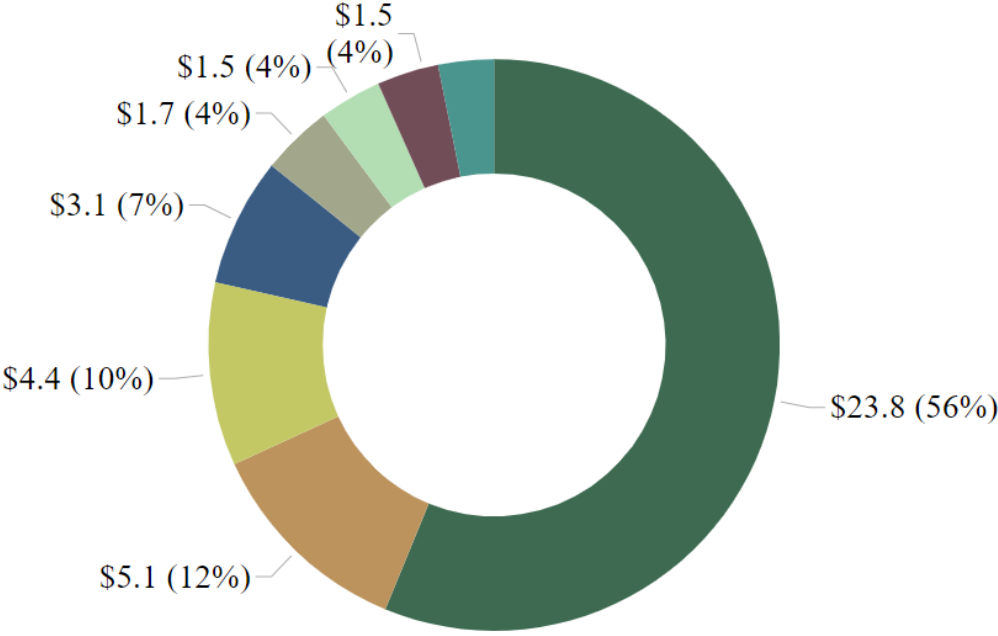
- Income Type**
- Wage Income
 - Rental/Partnership Inco
 - Capital Gains
 - Taxable Pensions
 - Taxable Social Security
 - Other
 - IRA Income
 - Business Income

Montana Tax Return Income Pie Chart
(\$ Billions)



Calendar Year 2002
Total Income=\$13.7
Billion

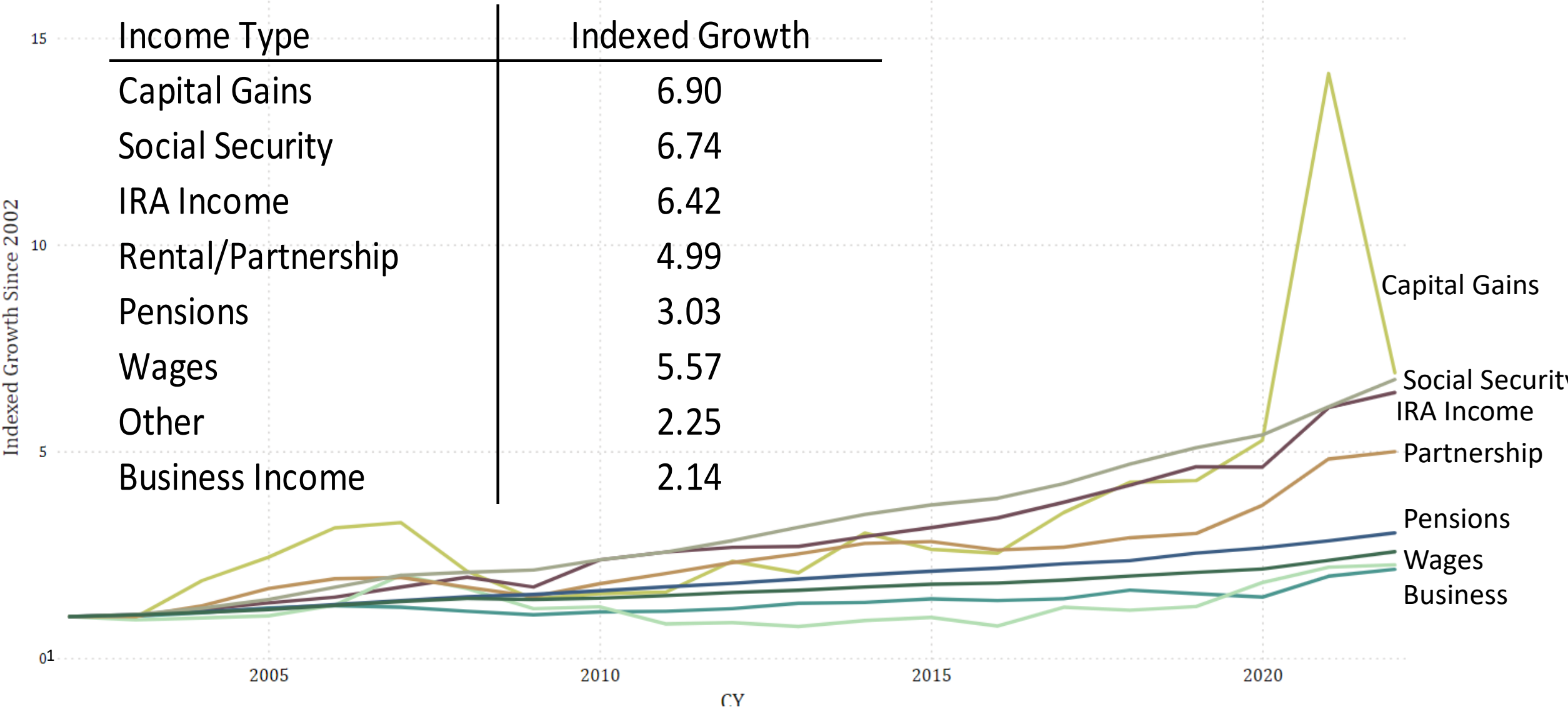
Montana Tax Return Income Pie Chart
(\$ Billions)



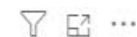
Calendar Year 2022
Total Income=\$42.4
Billion

Indexed Growth by Income Type

Income Type ● Business Income ● Capital Gains ● IRA Income ● Other ● Rental/Partnership Income ● Taxable Pensions ● Taxable Social Security ● Wage Income

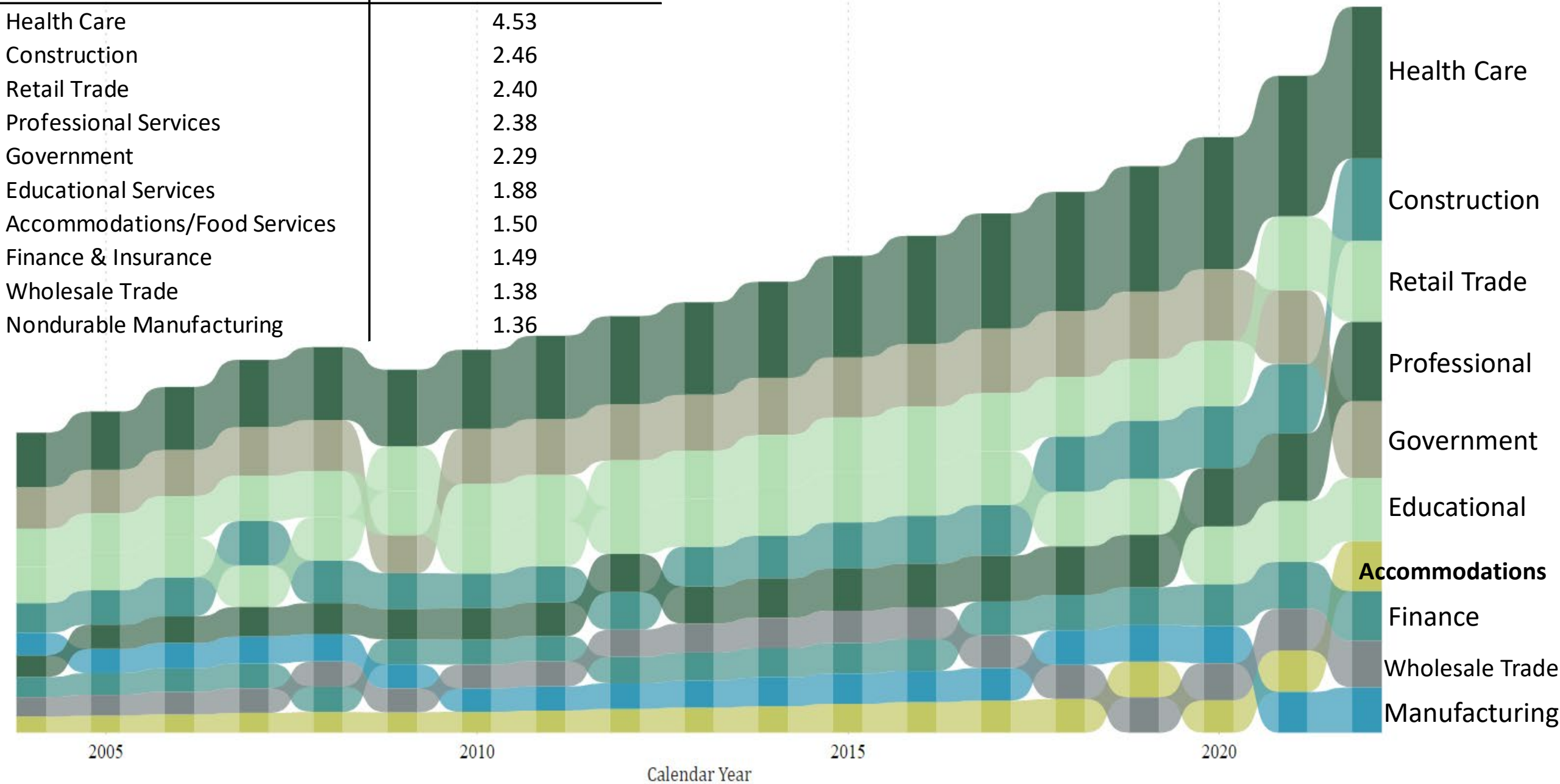


Annual Wages by Calendar Year and Sector

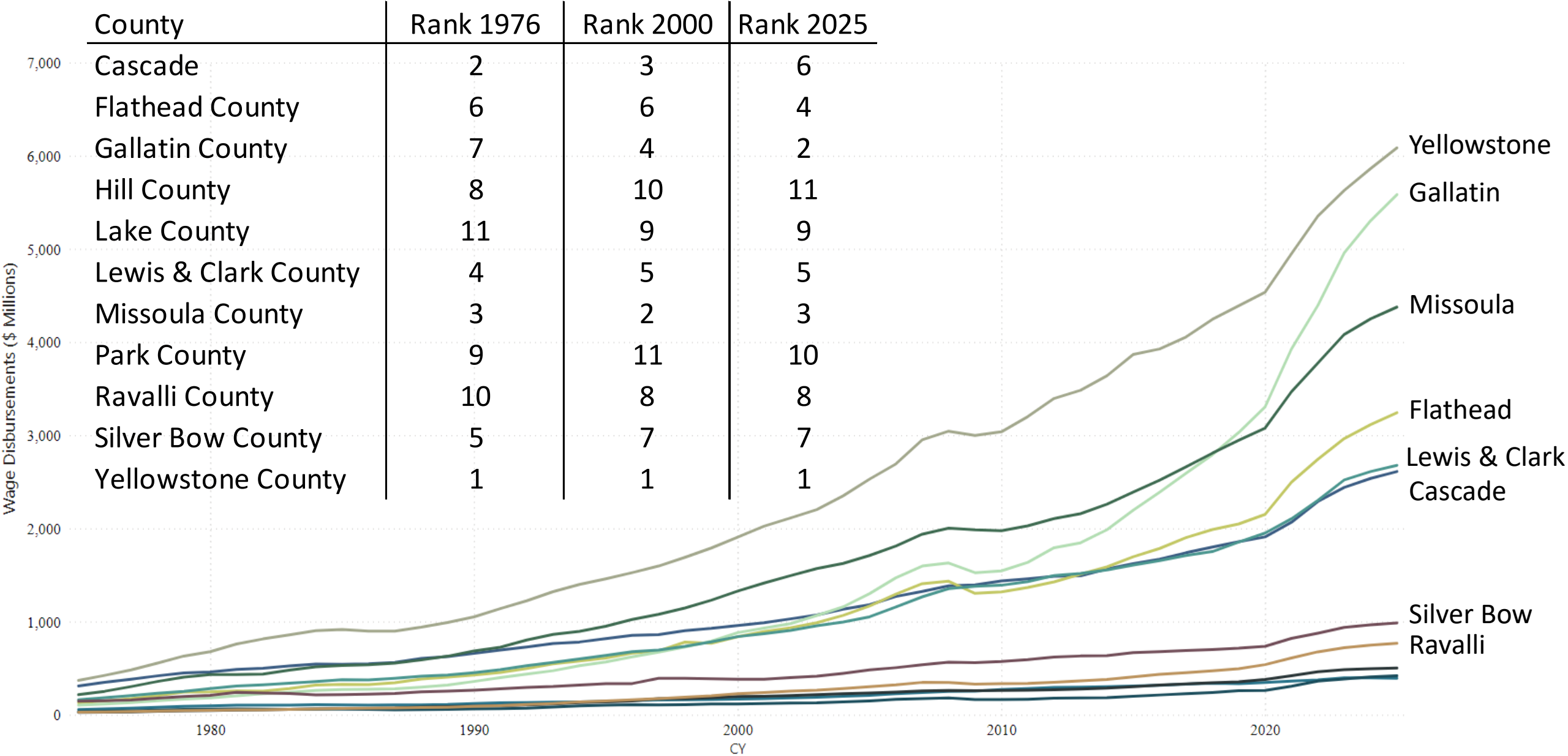


Sector	CY 2022 Wages (\$ Billions)
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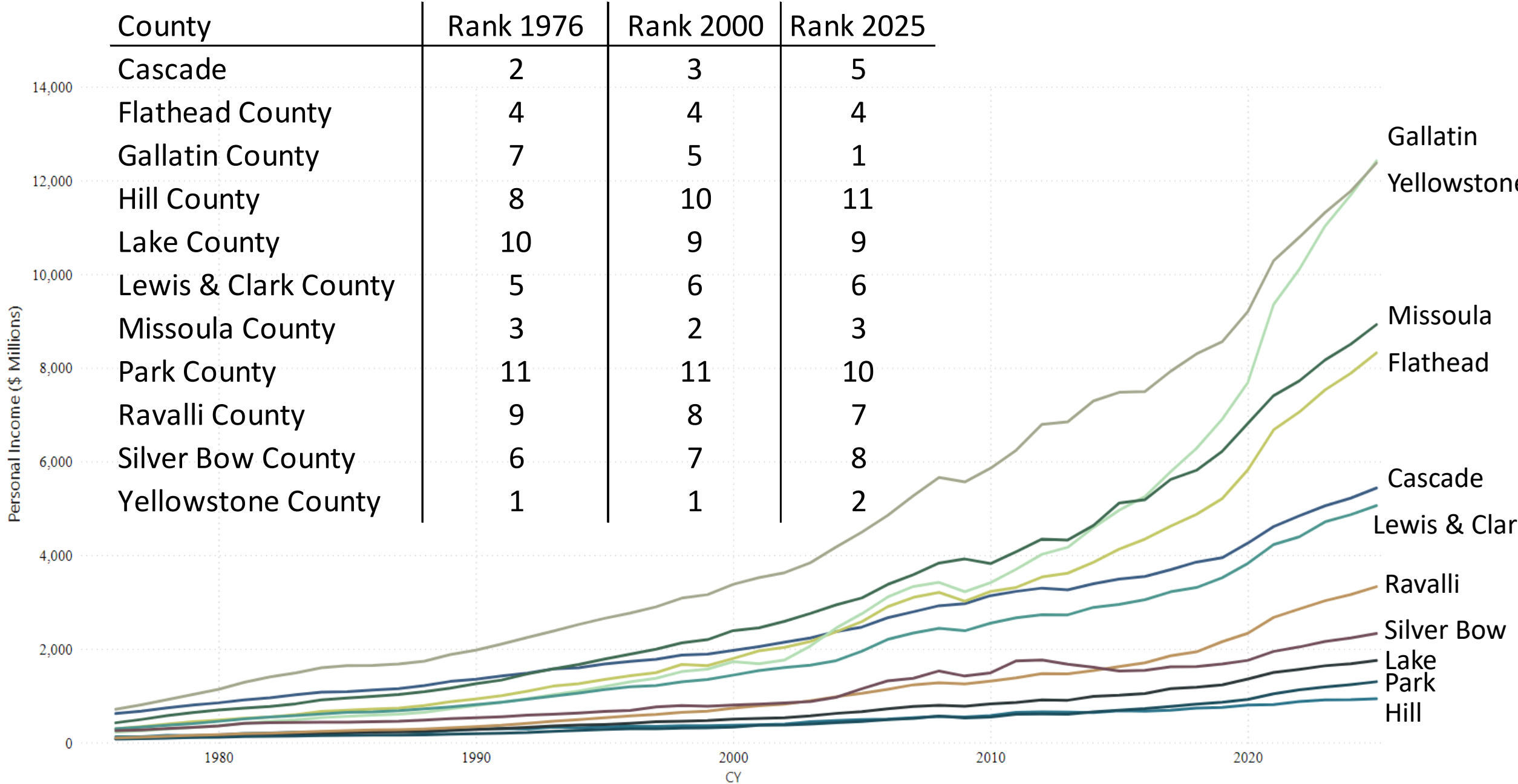
Health Care	4.53
Construction	2.46
Retail Trade	2.40
Professional Services	2.38
Government	2.29
Educational Services	1.88
Accommodations/Food Services	1.50
Finance & Insurance	1.49
Wholesale Trade	1.38
Nondurable Manufacturing	1.36



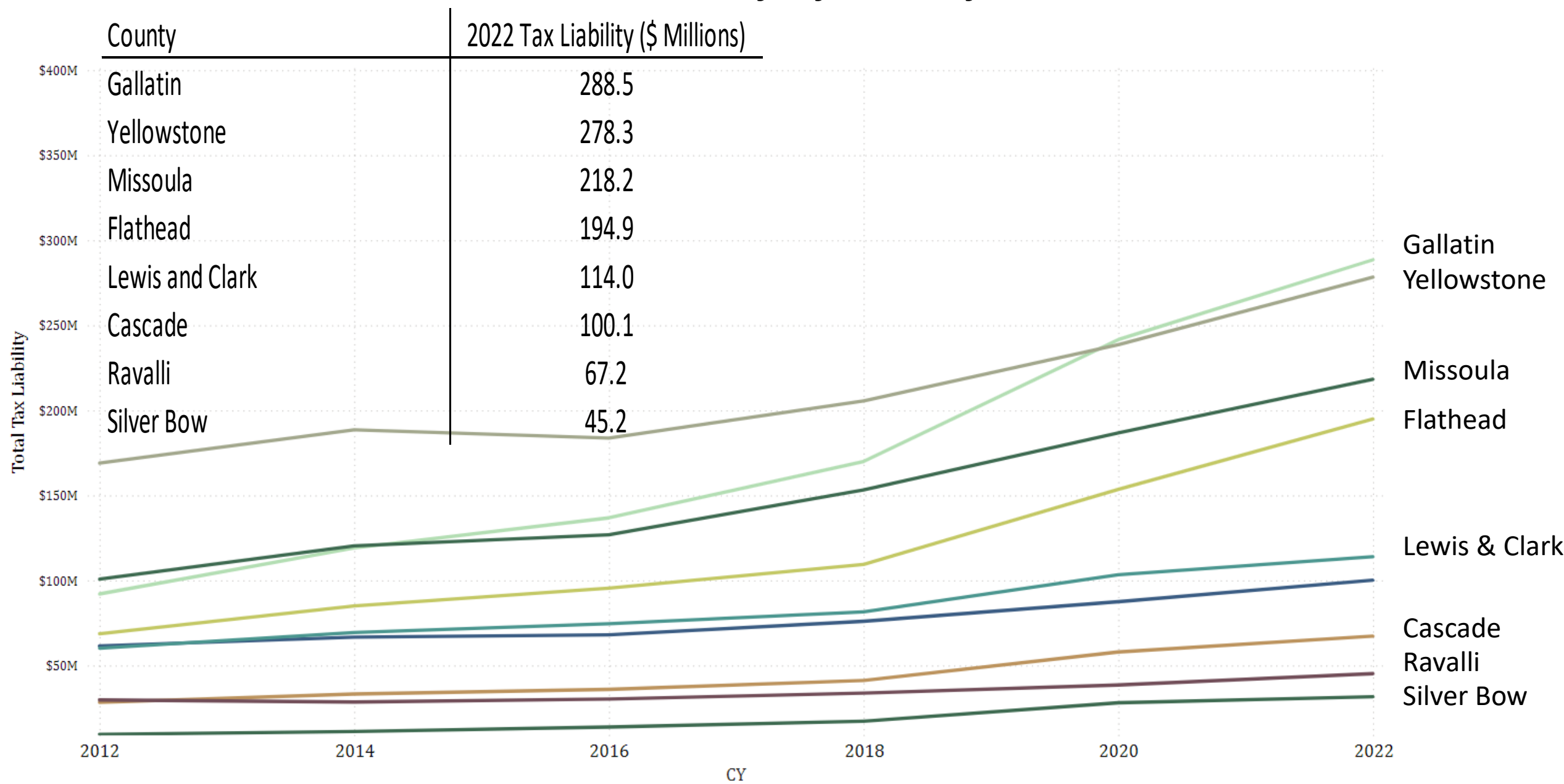
Wage Disbursements by County (\$Millions)



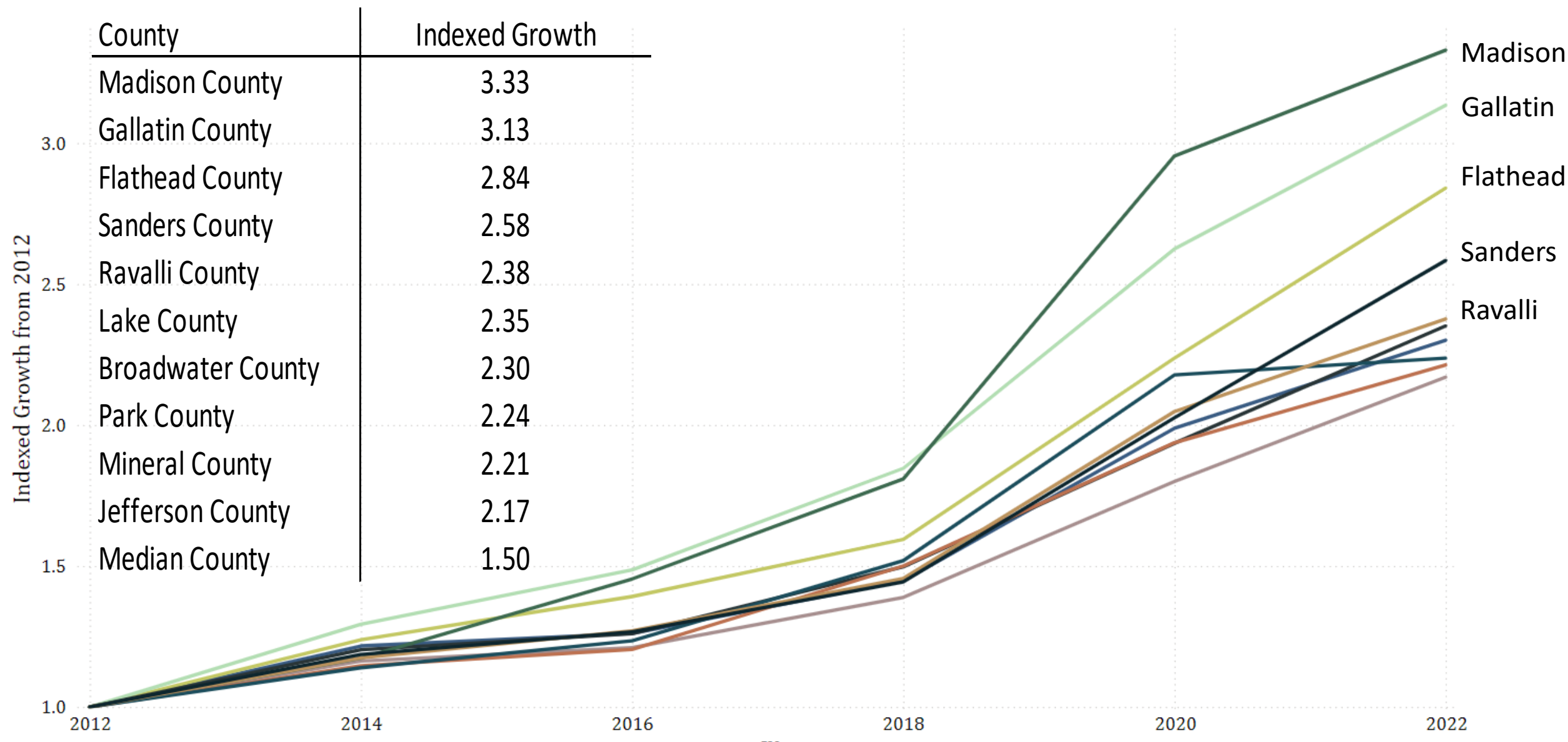
Personal Income by County (\$ Millions)



Tax Liability by County



Individual Income Tax Liability Indexed Growth by County



General Revenue HJ 2

Sam Schaefer

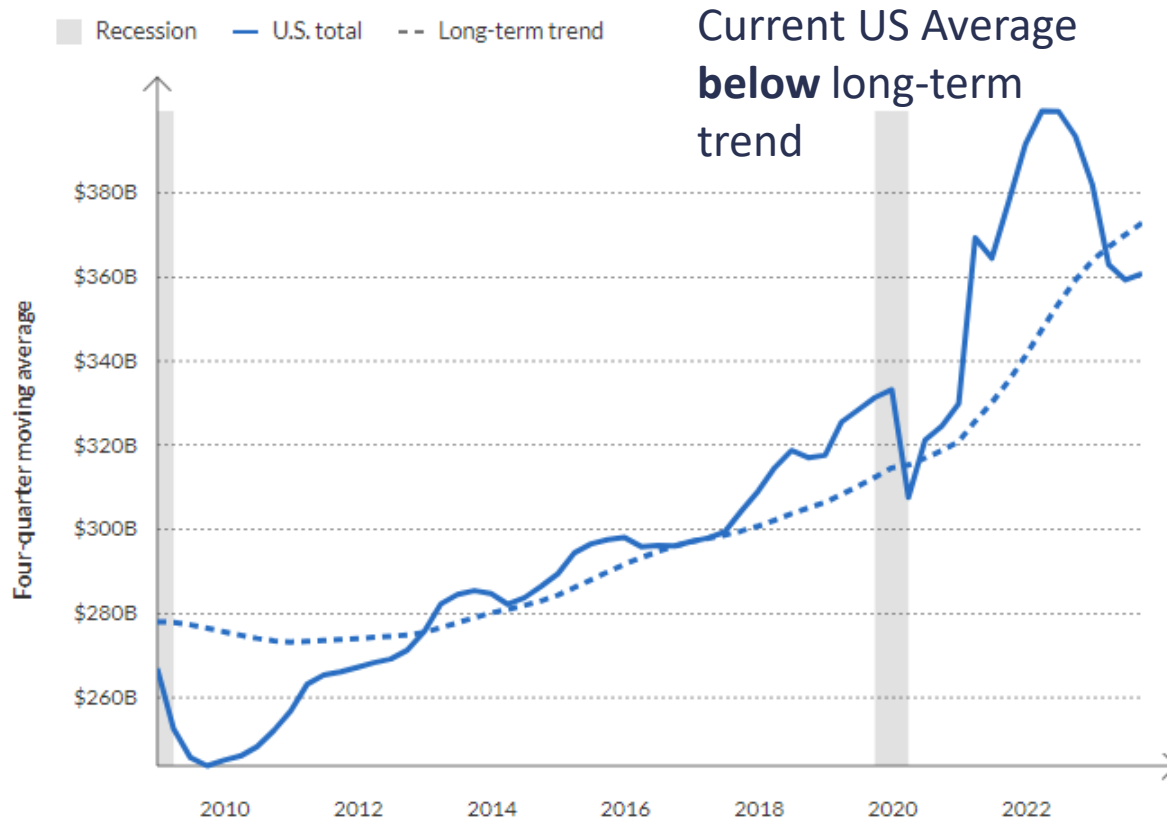


Pew Fiscal 50 Comparison:

Montana is an Outlier on Revenue Growth

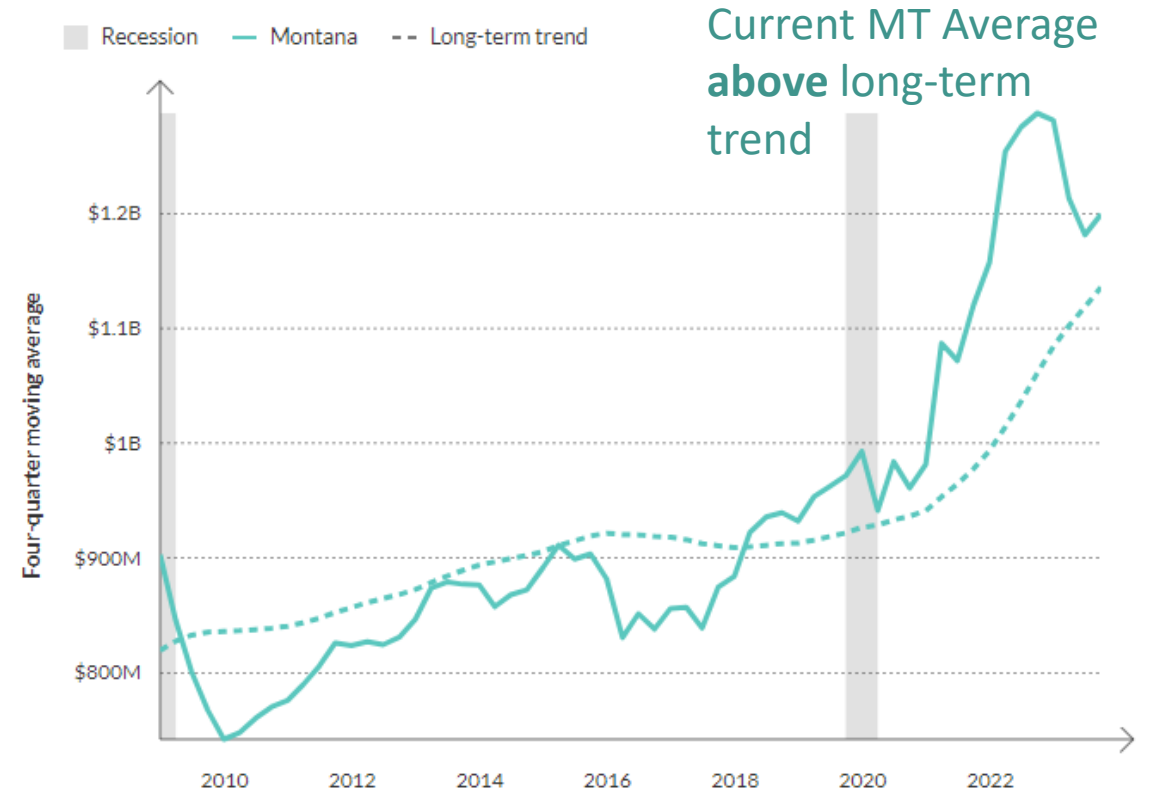
State Tax Revenue, Adjusted for Inflation and Seasonality

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

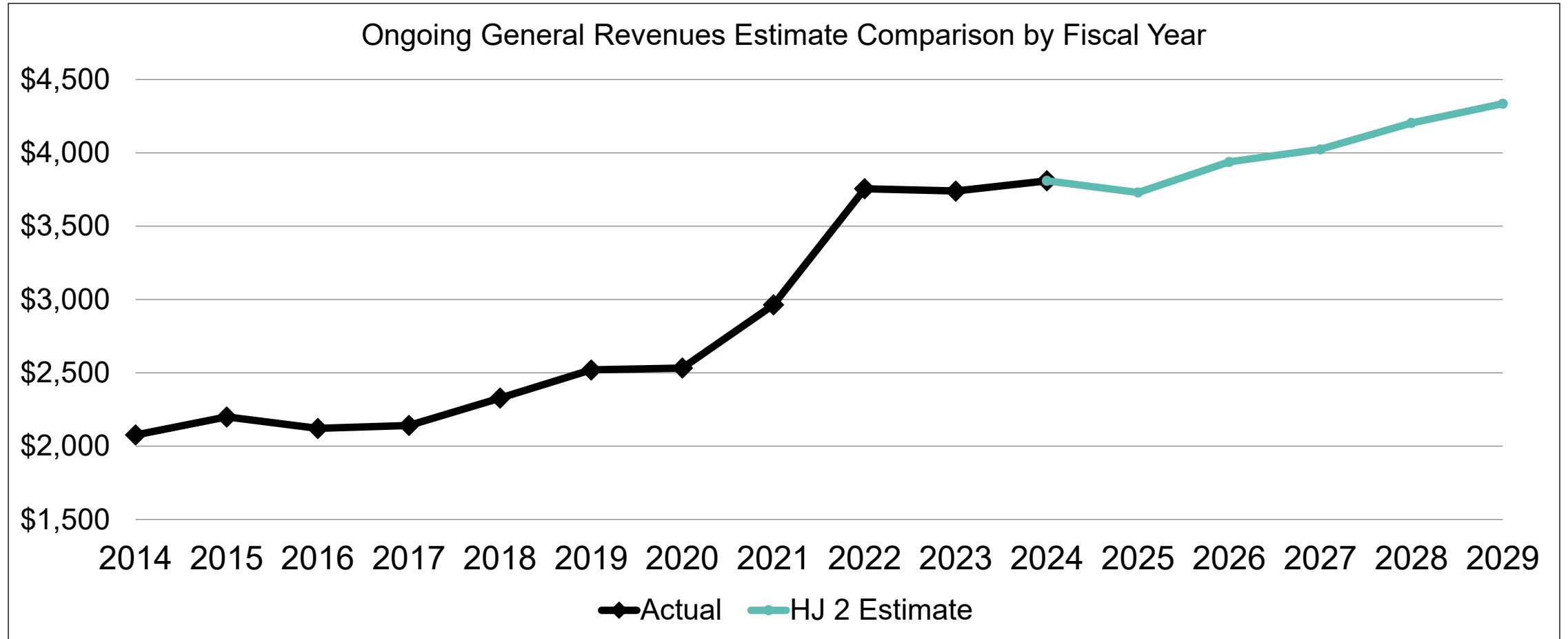


Montana State Tax Revenue, Adjusted for Inflation and Seasonality

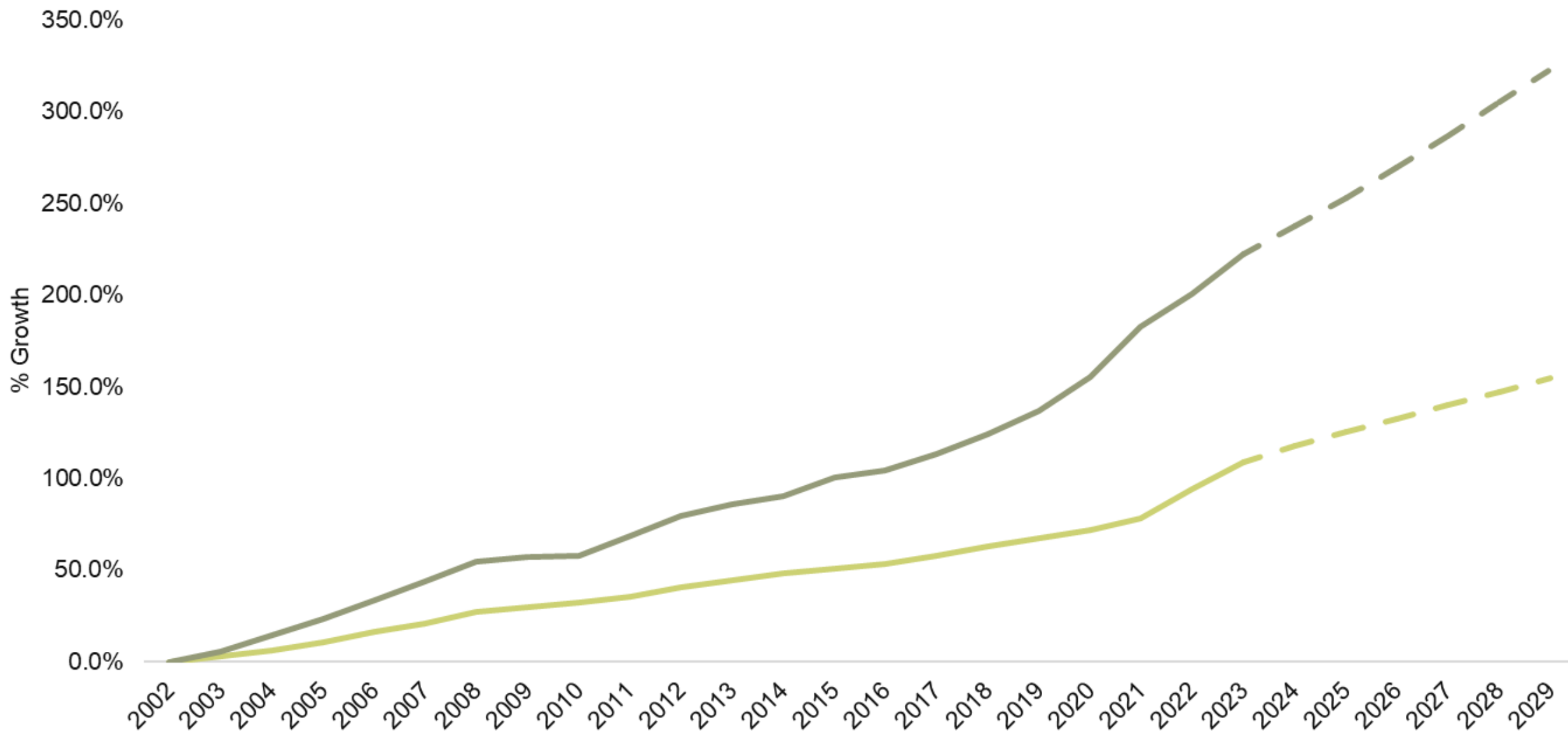
How quarterly receipts compare with their long-term trend through the same period, Montana



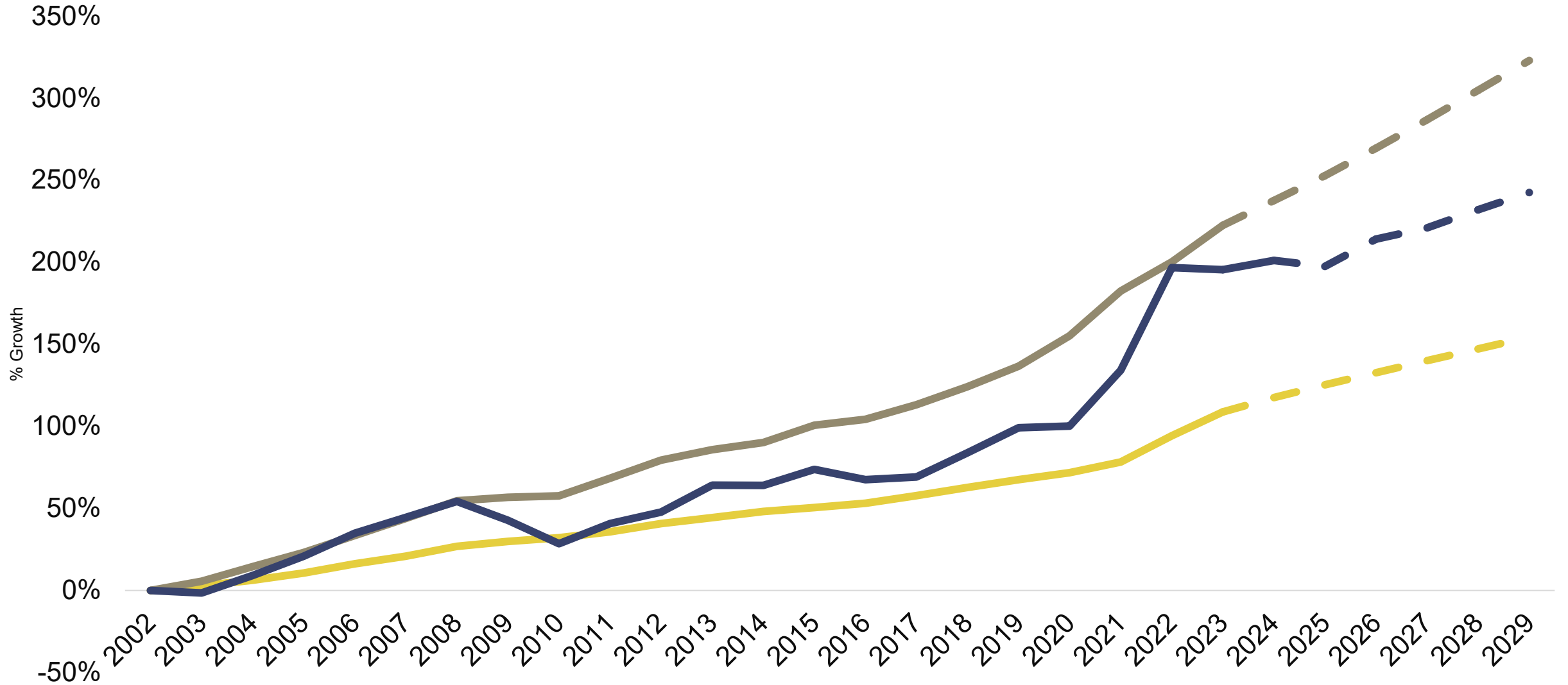
Current forecast of General Revenue continues to be strong, slightly lower than the Outlook in June



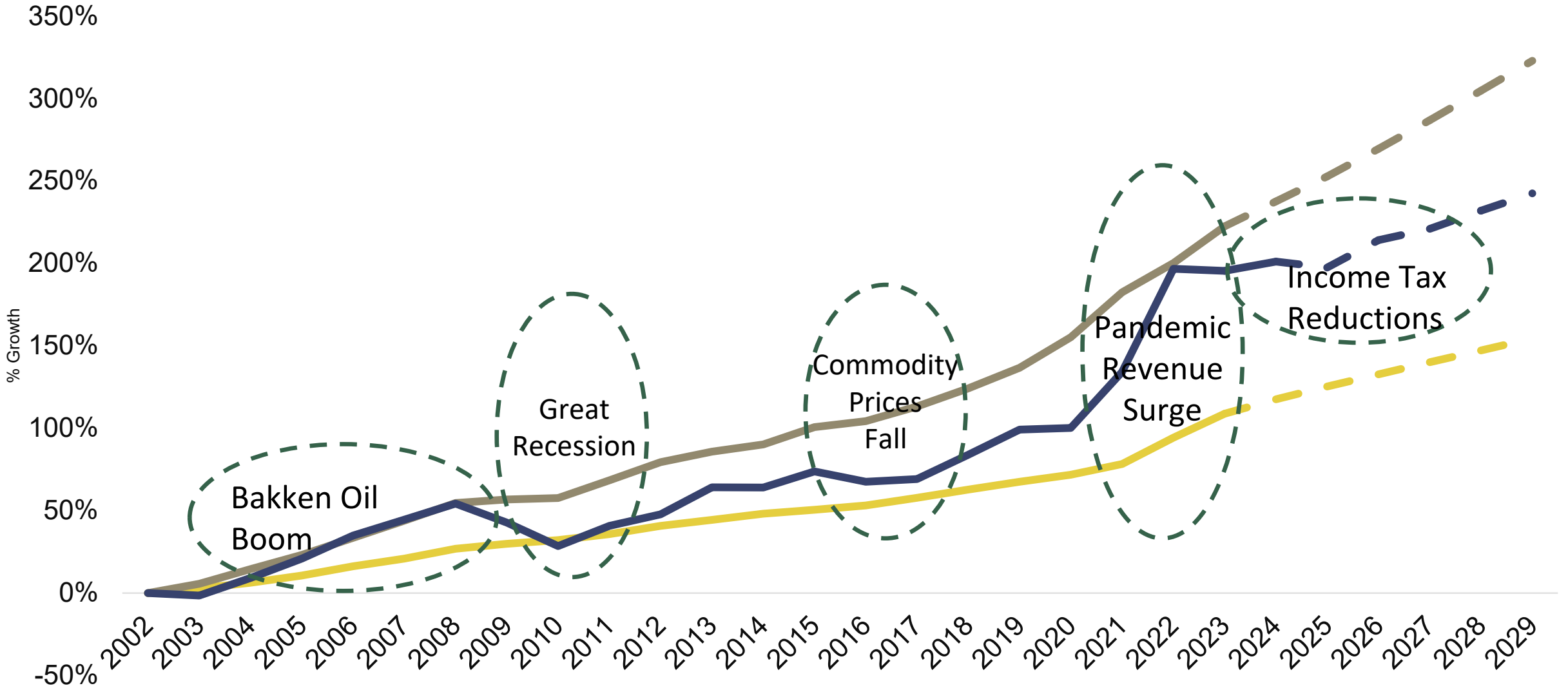
This chart shows the percentage compared to the growth in **personal income** and **consumer price index with population** from FY 2002 (dashed lines represent estimates).



This chart shows the percentage growth in ongoing **state general revenues** from FY 2002 (dashed lines represent estimates) compared to the growth in **personal income** and **consumer price index with population**.



This chart shows the percentage growth in ongoing **state general revenues** from FY 2002 (dashed lines represent estimates) compared to the growth in **personal income** and **consumer price index with population**.

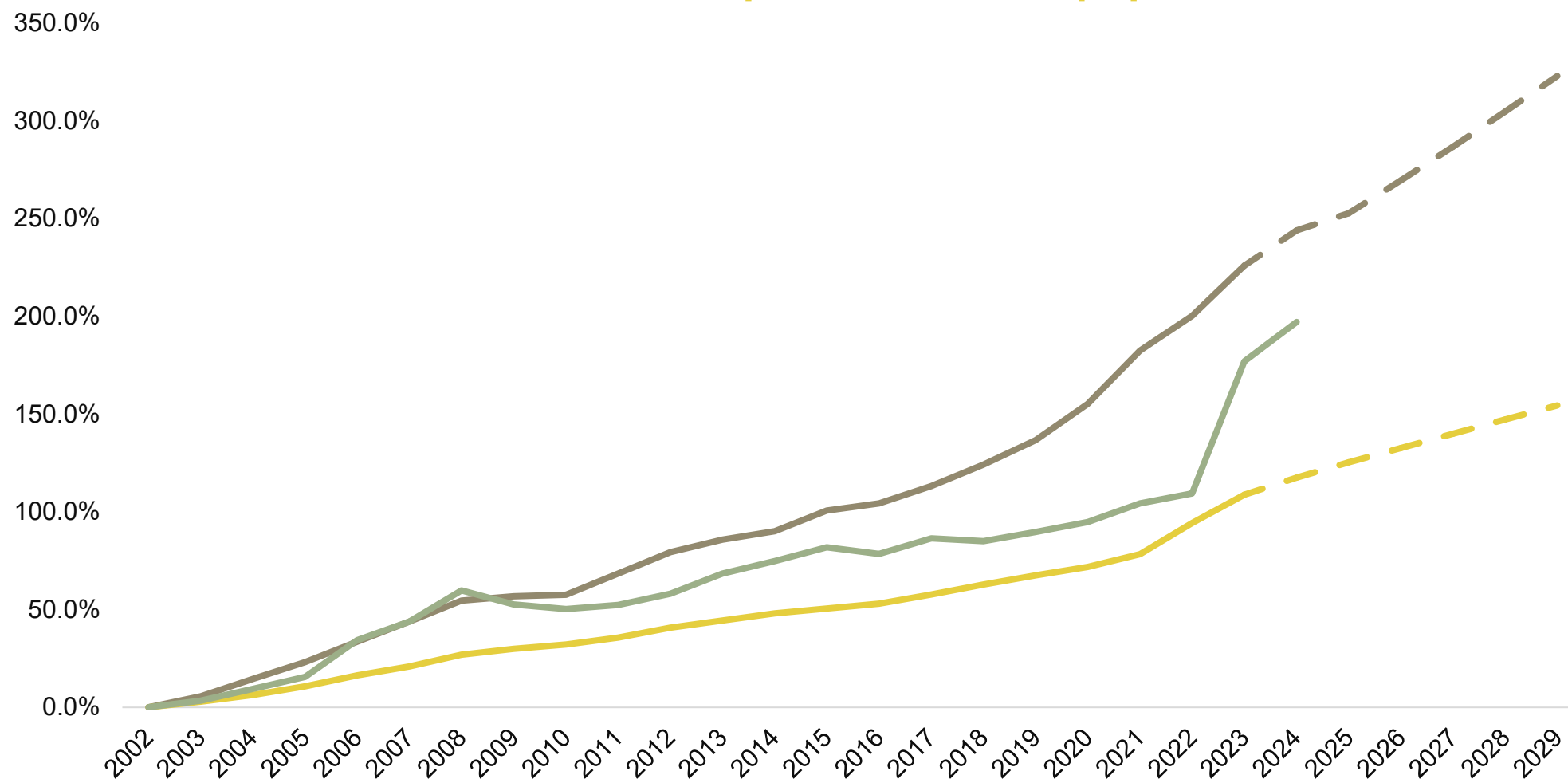


State Special and General Fund Expenditures

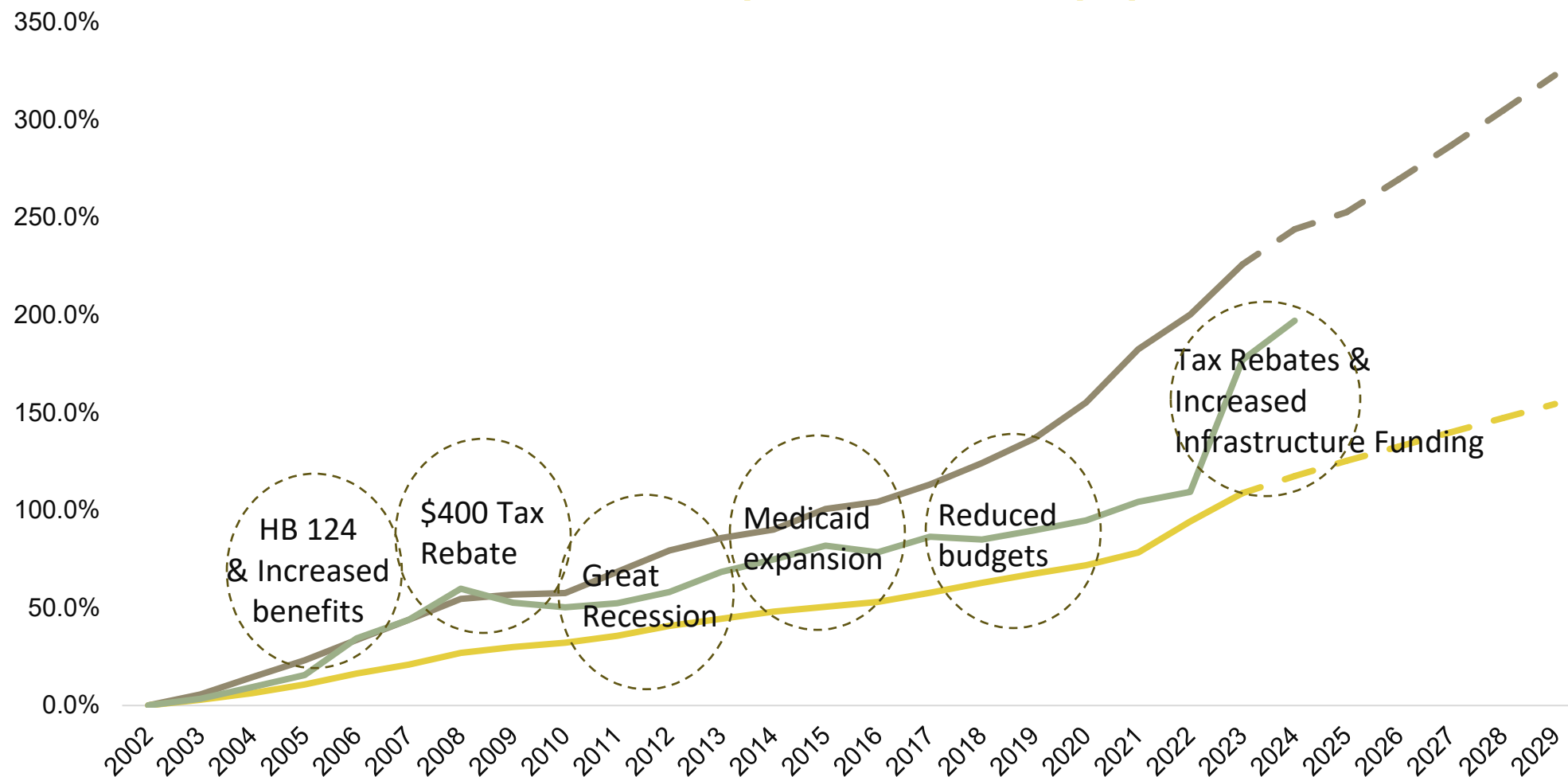
Amy Carlson



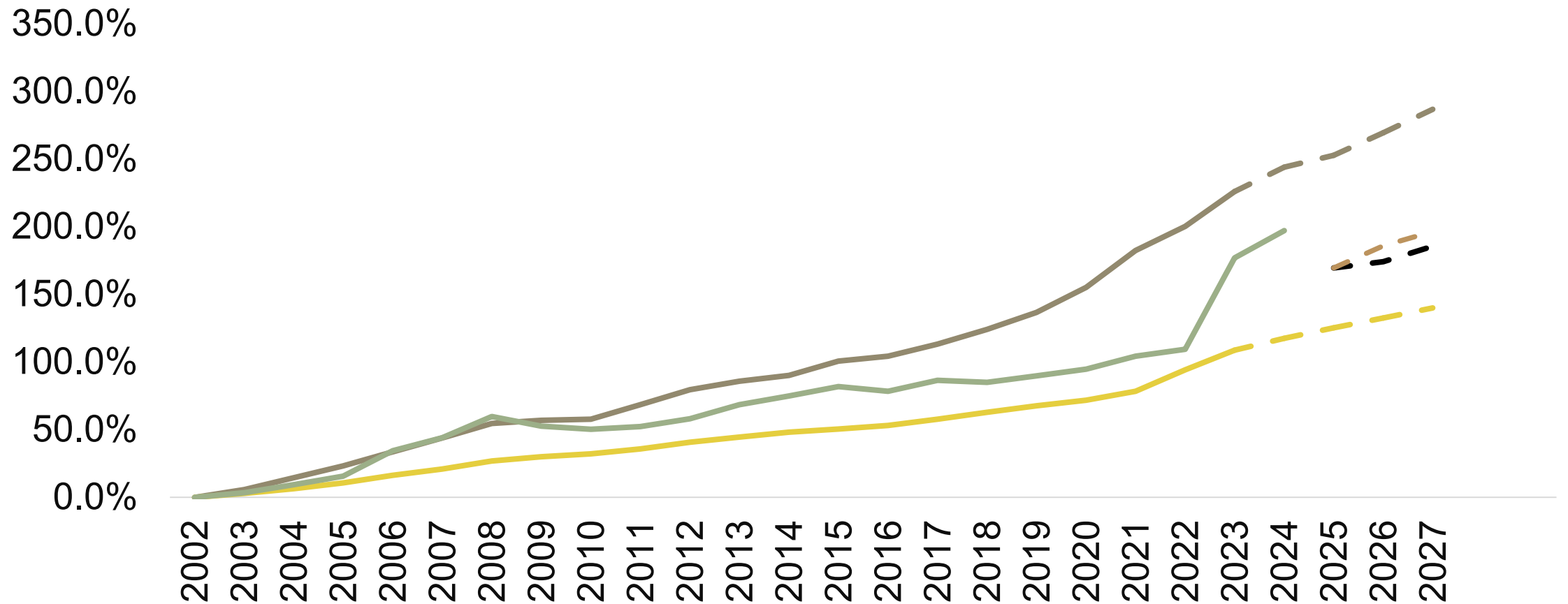
This chart shows the growth in **state resource expenditures of state special and general fund** compared to the growth in **personal income** and **consumer price index with population**.



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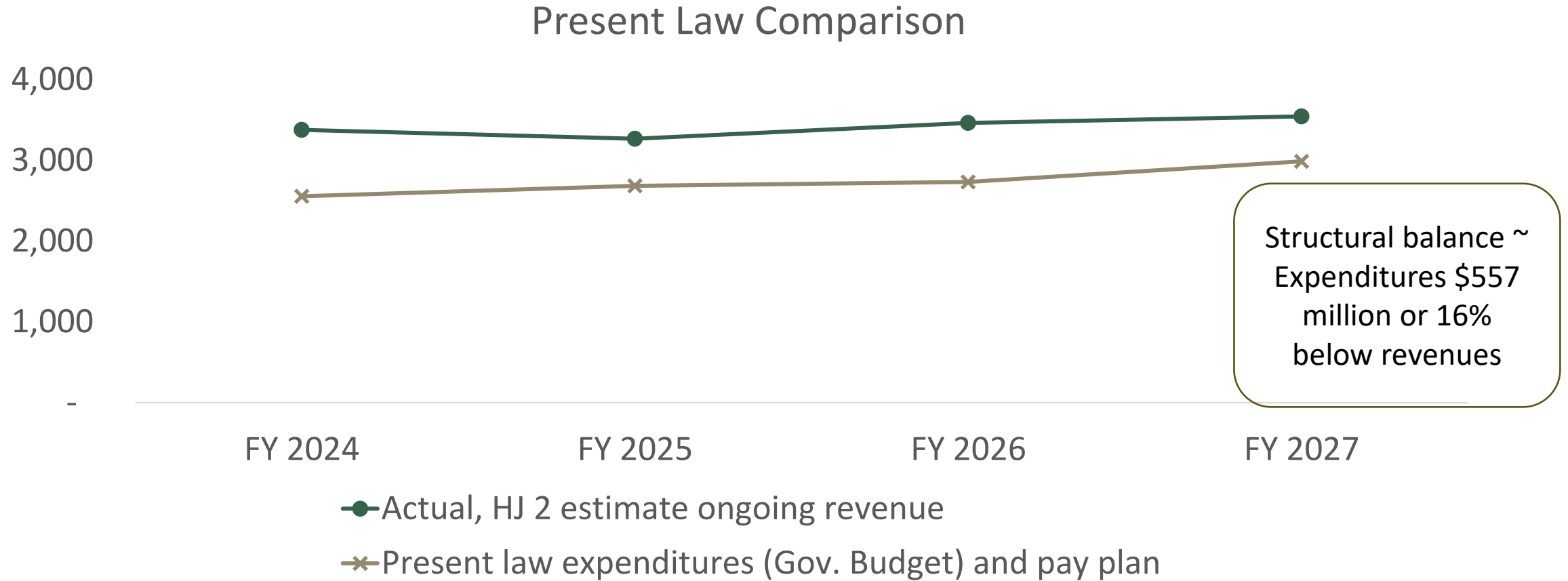


This chart shows the growth in state special and general fund state resource expenditures for **present law** and **present law plus new proposals** compared to the growth in **personal income** and **consumer price index with population**.



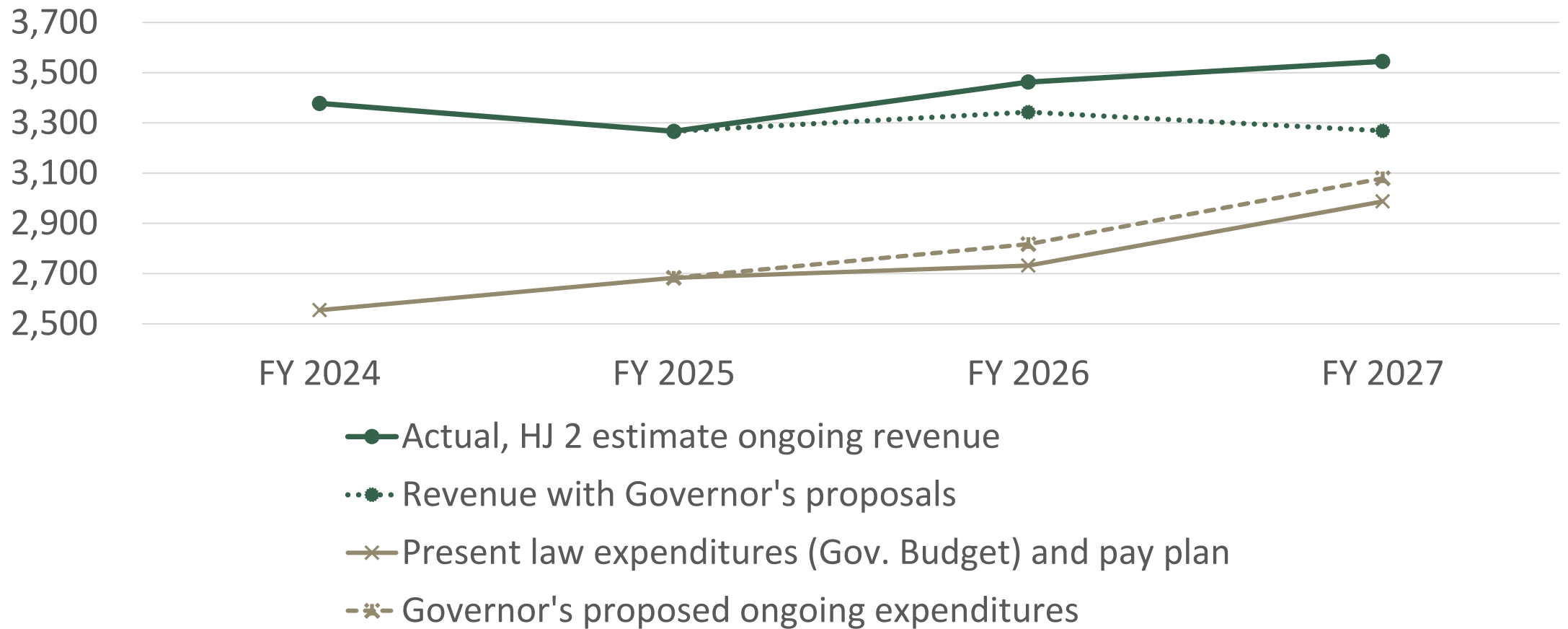
General Fund Structural Balance

Present Law Budget Compared to Anticipated Revenue



Governor's Proposed Ongoing Budget Through FY 2027

Structural Balance is Narrowing



Additional Possible Expenditure Pressures

Further Research Needed

Corrections/Judicial/Justice/Office of Public Defender: current trends in public safety are anticipated to continue to add cost pressure

Behavioral Health recent work has illustrated behavioral health needs currently funding with one time revenue in the Governor's budget

K-12 inflation and funding will be studied and may add spending pressure

Sources of Financial Risk



Future Risk

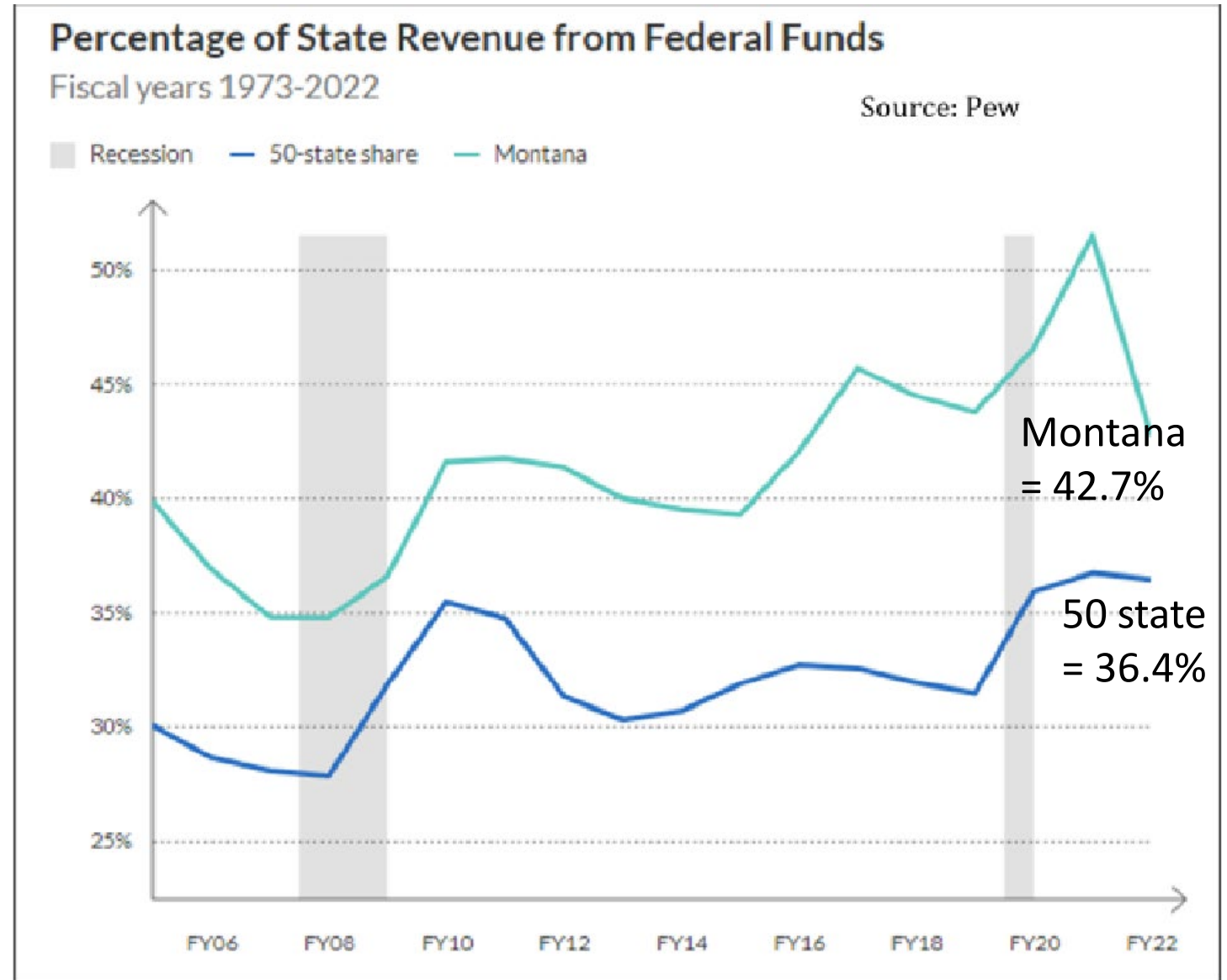
More volatile revenue streams

Federal funding

Aging infrastructure

Unfunded liabilities like pensions

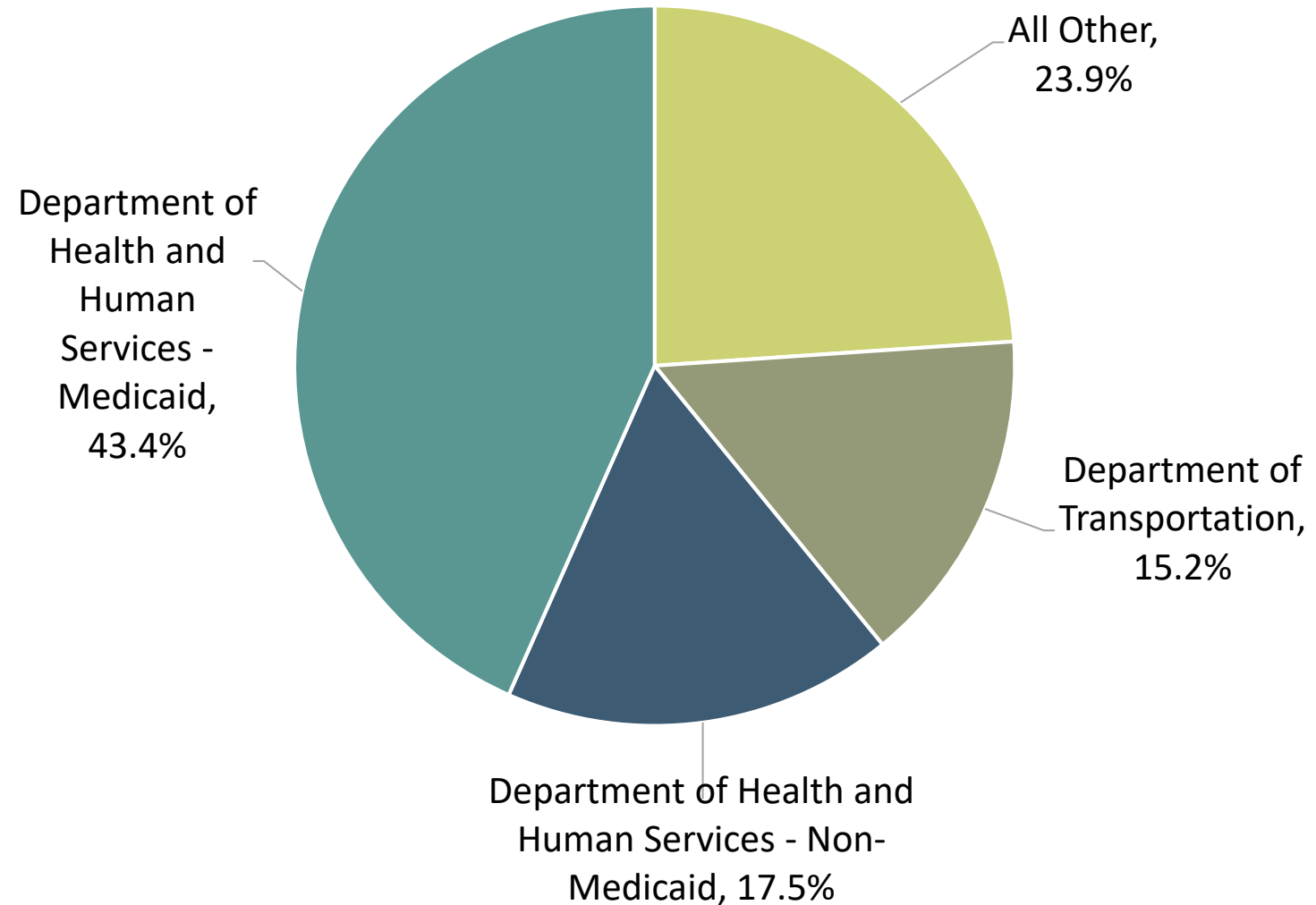
Montana is
More Reliant on
Federal Funds
Than Most
States



[Source: Pew Fiscal 50](#)

Statewide expenditures from federal funds totaled \$4.1 billion in FY 2024

- The Department of Health and Human Services and the Department of Transportation expend the largest proportion of federal funds in Montana at \$2.5 billion and \$625.9 million, respectively
- If the federal government were to pass a balanced budget, federal spending would need to decrease by 27.9%. Montana could see a decrease in federal funds of up to \$1.1 billion
- Chart does not include University, Experiment Stations, or Local government receipt of federal funds

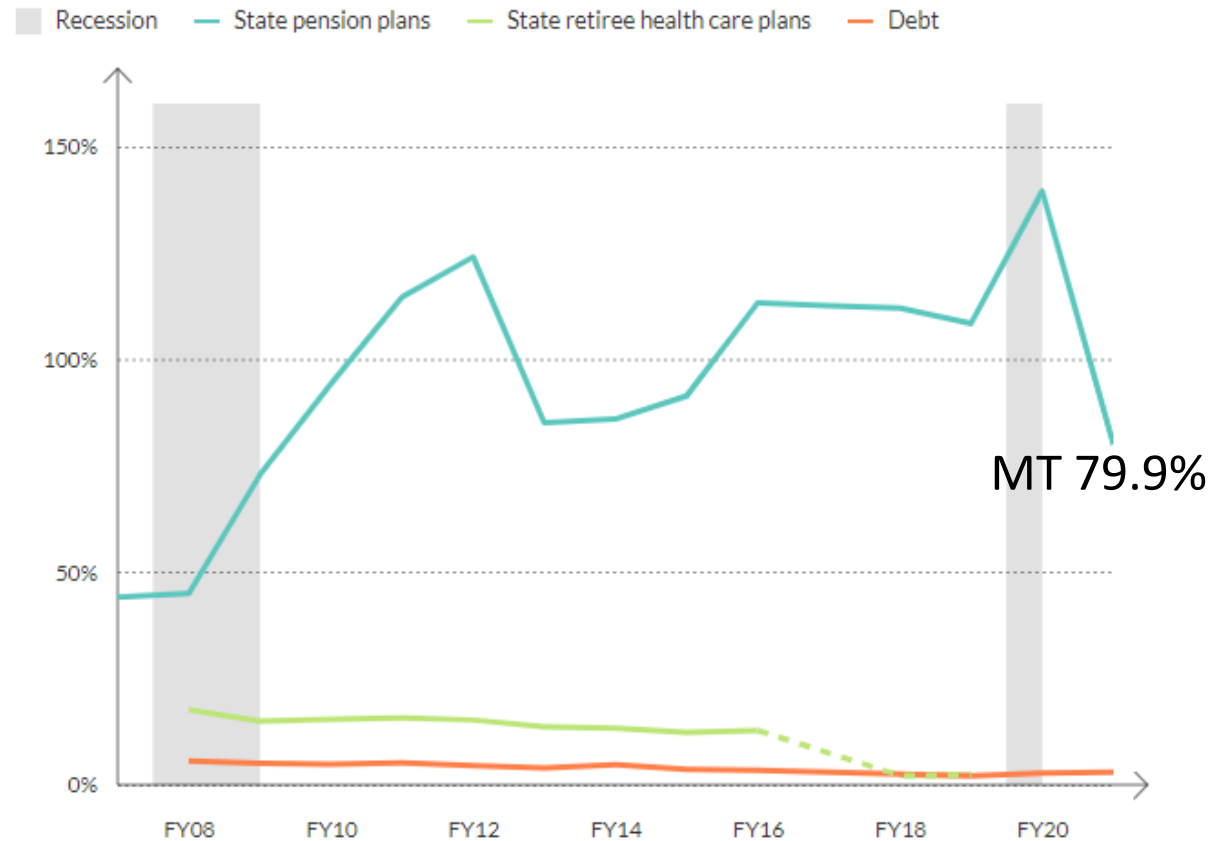


Note: Funding from the CARES Act and ARPA is included in the chart and totals \$392.0 million, with the largest proportion in the all other category.

Pew Pension Debt Comparison Montana to Other States

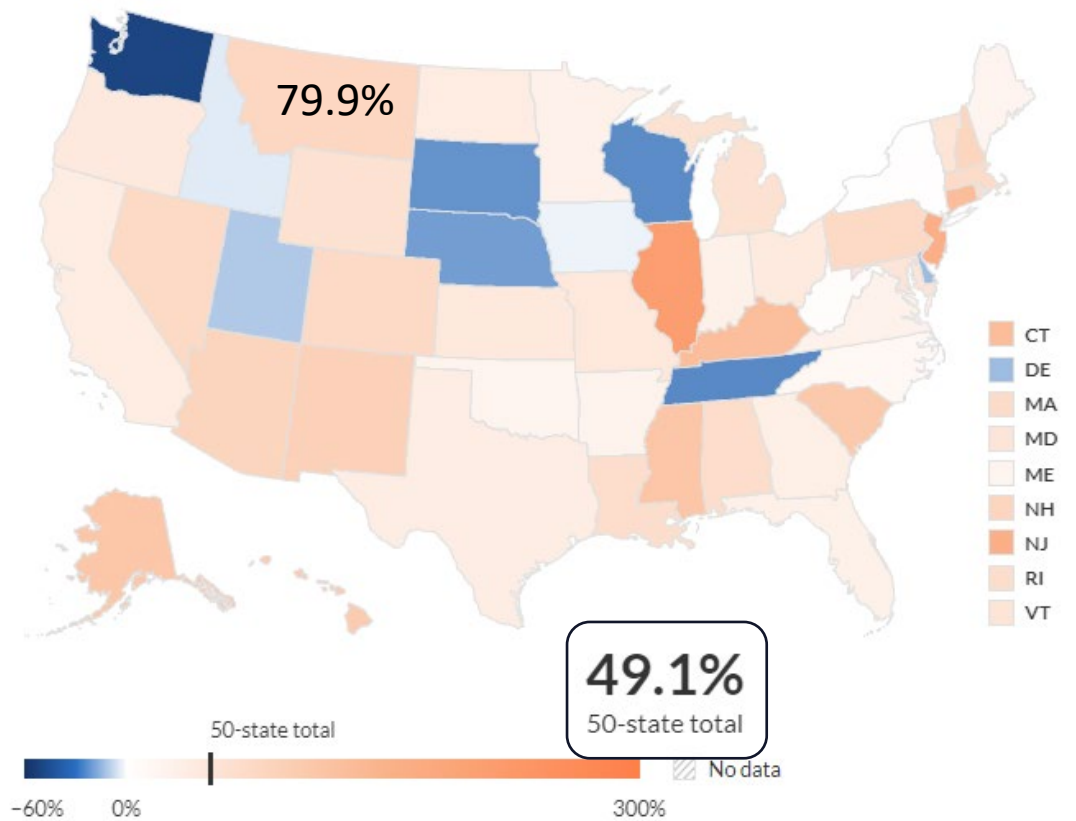
Debt and Unfunded Retirement Liabilities

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
CALCULATION OF BACKLOGS IN
INFRASTRUCTURE BUILDING AND
MAINTENANCE



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

Next steps:
Pulling it all together in
the Budget Analysis

2025 Session Preparation

