

Overview of Montana Budget and Tax Structure



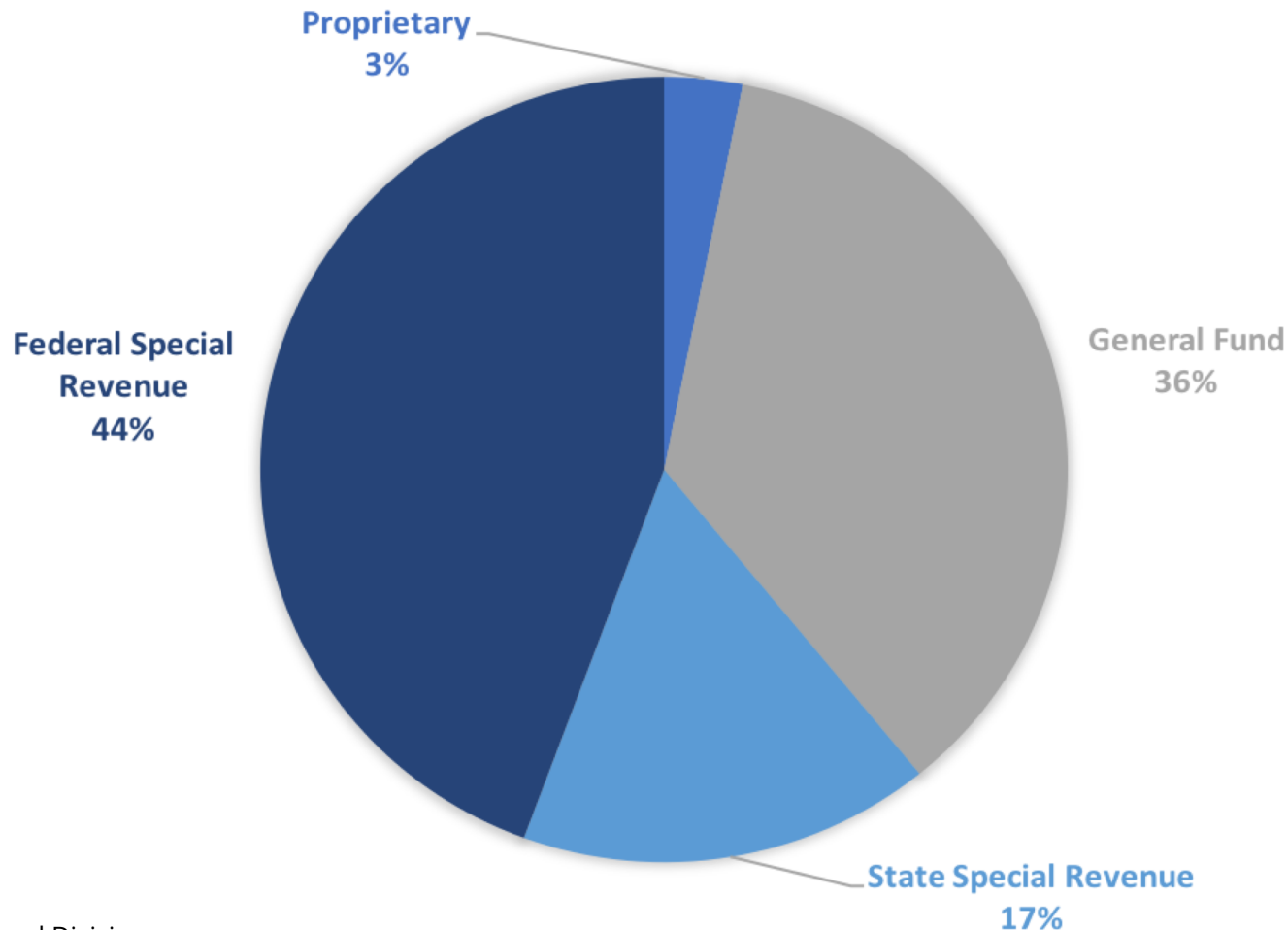
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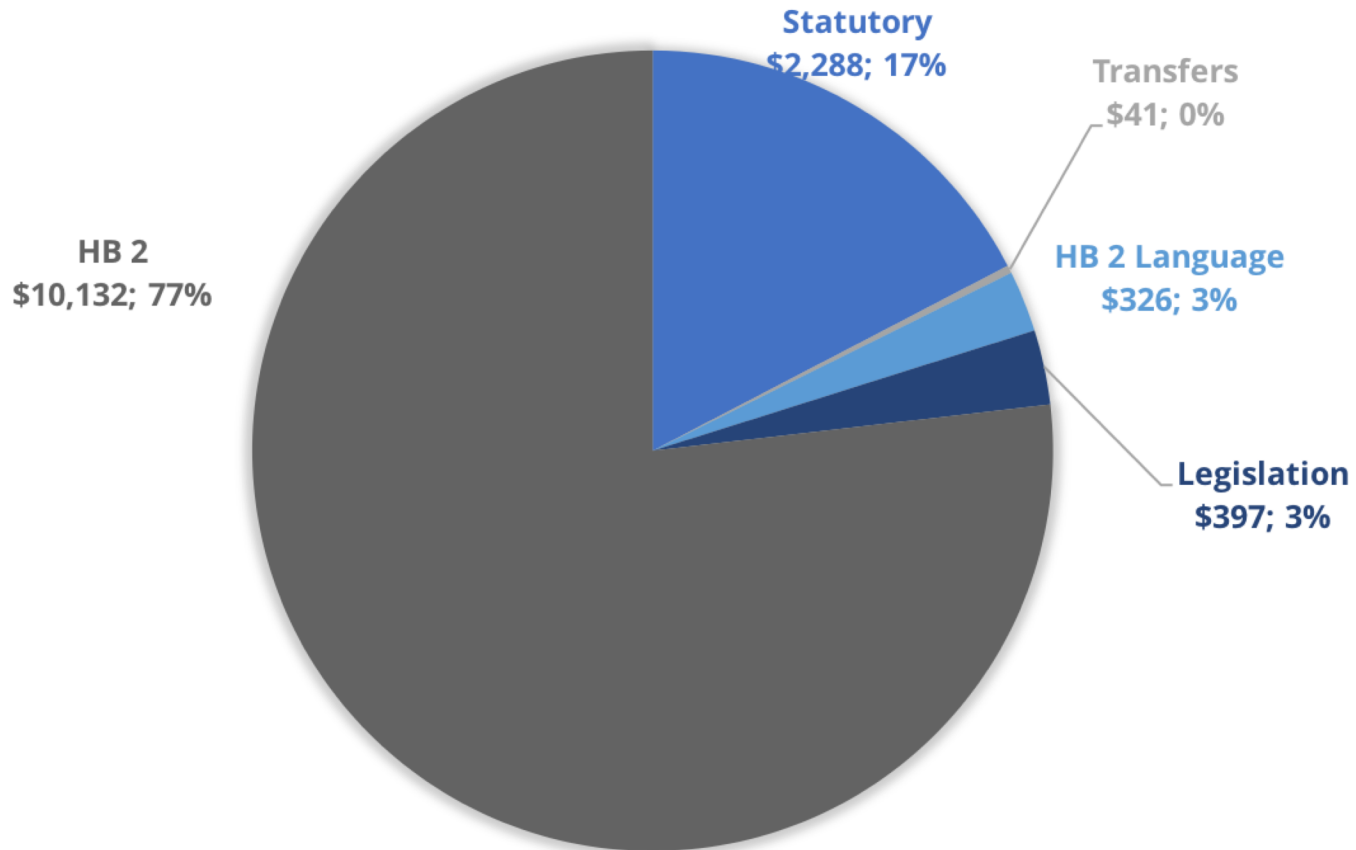
Federal funds comprise nearly half of revenue for Montana's state budget.

2019 BIENNIUM TOTAL BUDGET (REGULAR SESSION) = \$14,183.9
BY SOURCE OF FUNDING
(\$ MILLIONS)



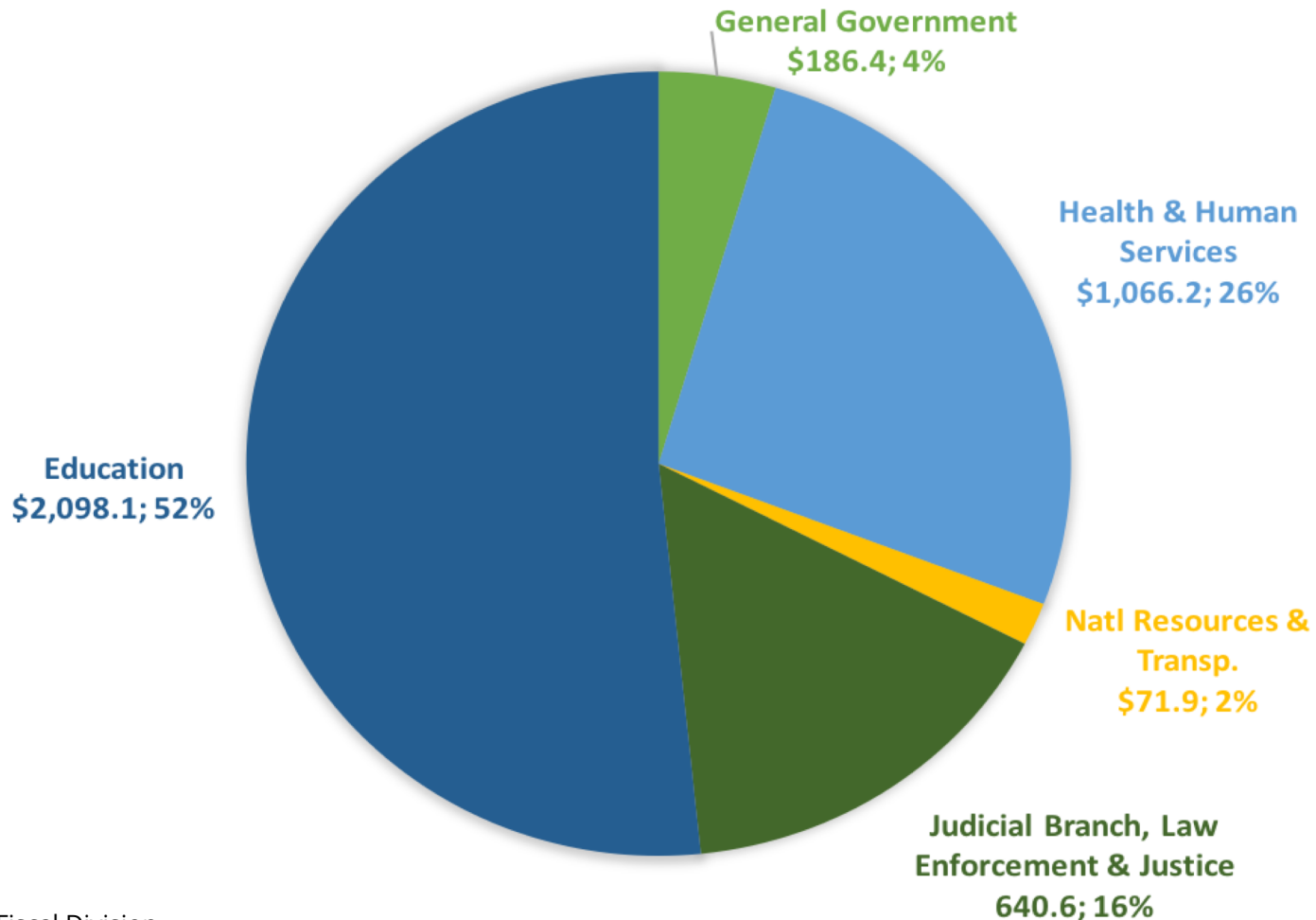
The vast majority of the state budget is within HB 2. (Notable exception: Local Entitlement Share)

2019 BIENNIUM TOTAL BUDGET = \$13,183.9
BY SOURCE OF APPROPRIATION AUTHORITY
(\$ MILLIONS)



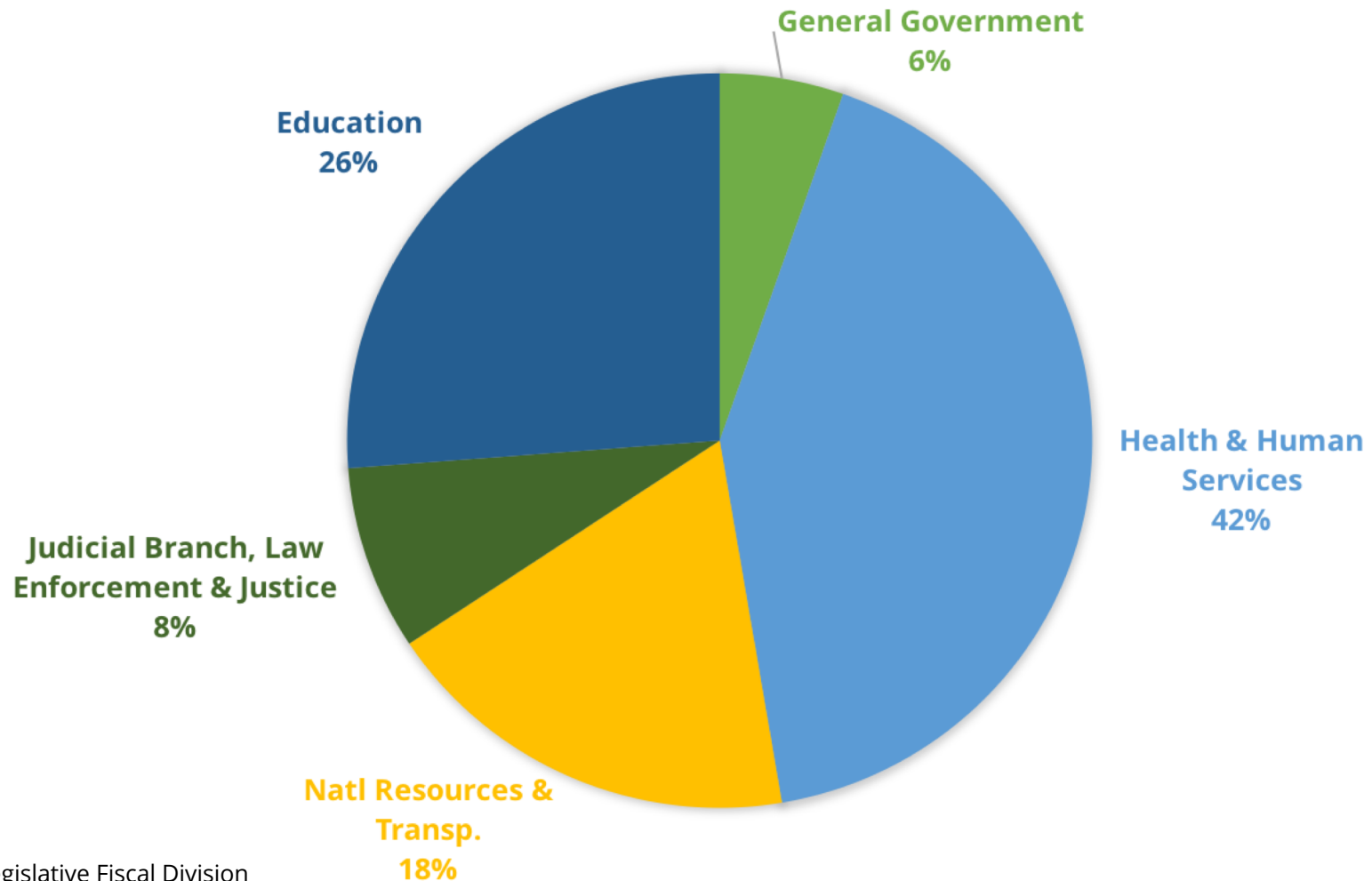
Education funding makes up half of state general fund appropriations.

2019 BIENNIUM BUDGET (REGULAR SESSION)
GENERAL FUND - HB 2 ONLY - \$4,063.2
(IN MILLIONS)

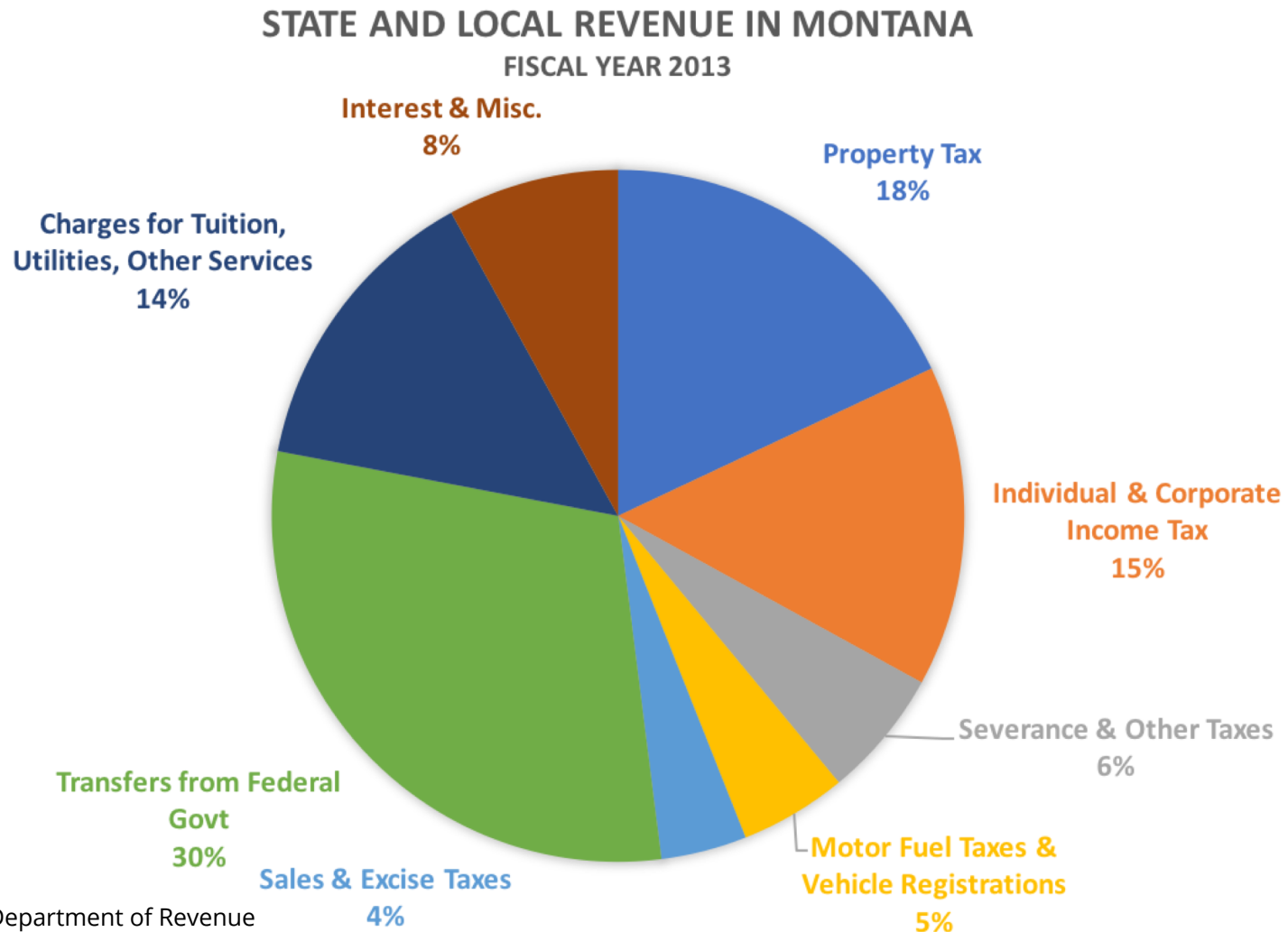


But when factoring in federal funds, HHS makes up the biggest share of the budget.

2019 BIENNIUM BUDGET (REGULAR SESSION)
TOTAL FUNDS - HB 2 ONLY - \$10,131.9
(IN MILLIONS)

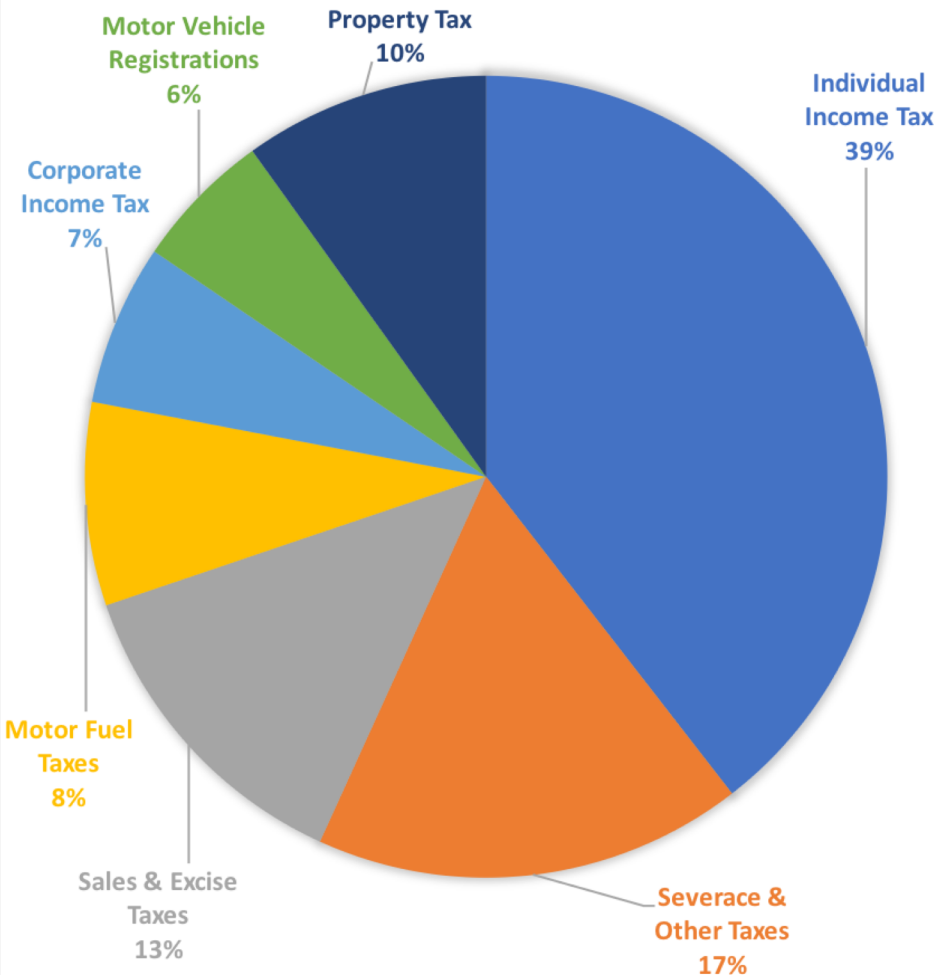


The state and local governments rely heavily on federal transfers, along with a mixture of other revenue sources.

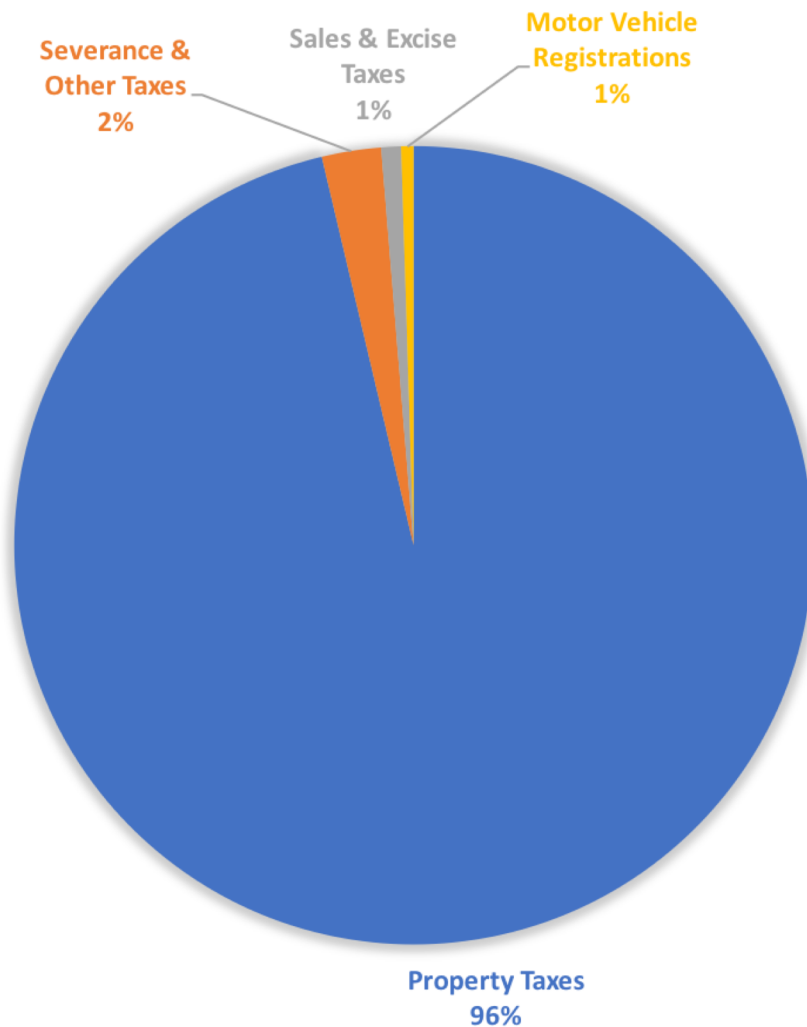


State taxes versus local taxes

STATE TAXES IN MONTANA
FISCAL YEAR 2013

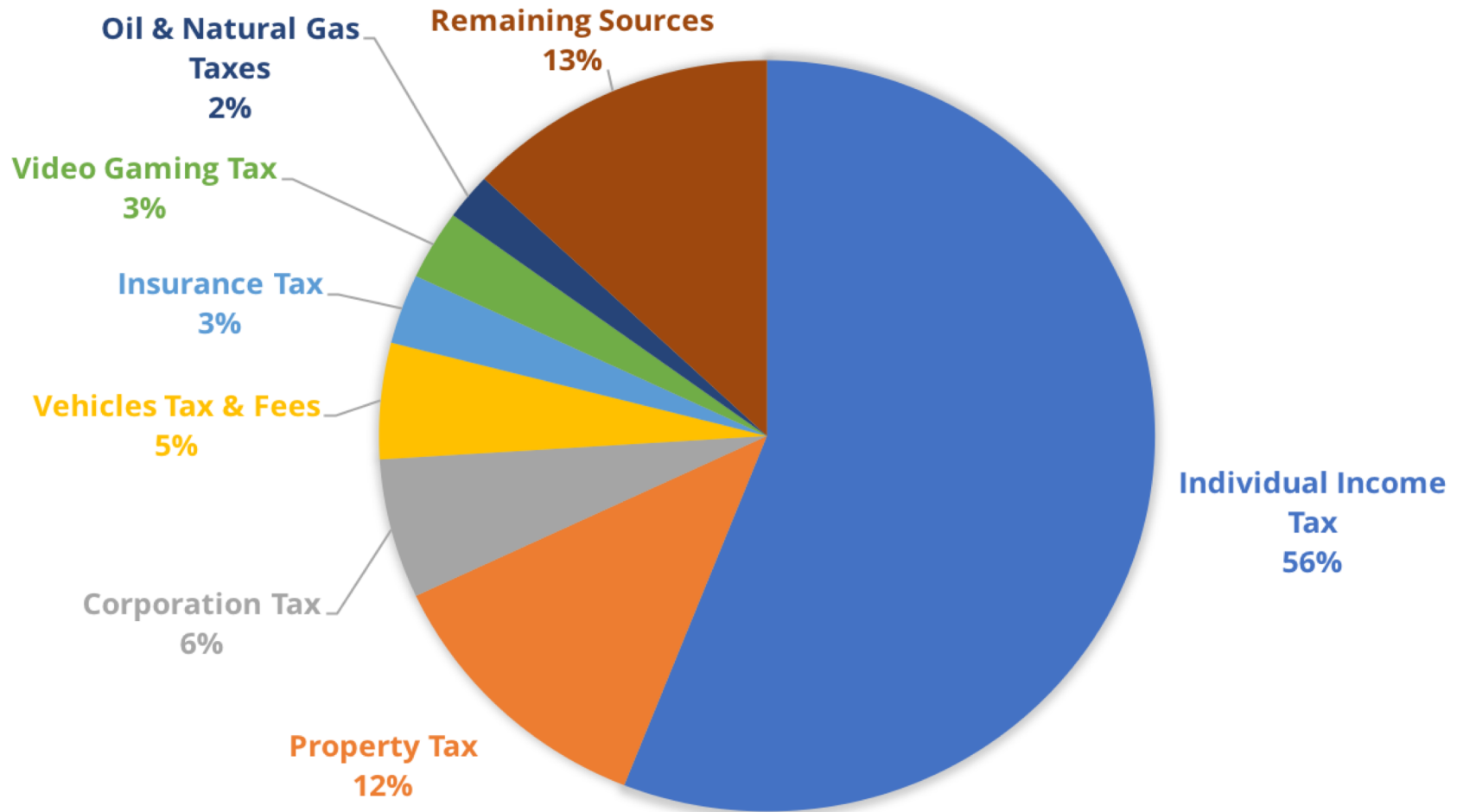


LOCAL TAXES IN MONTANA
FISCAL YEAR 2013

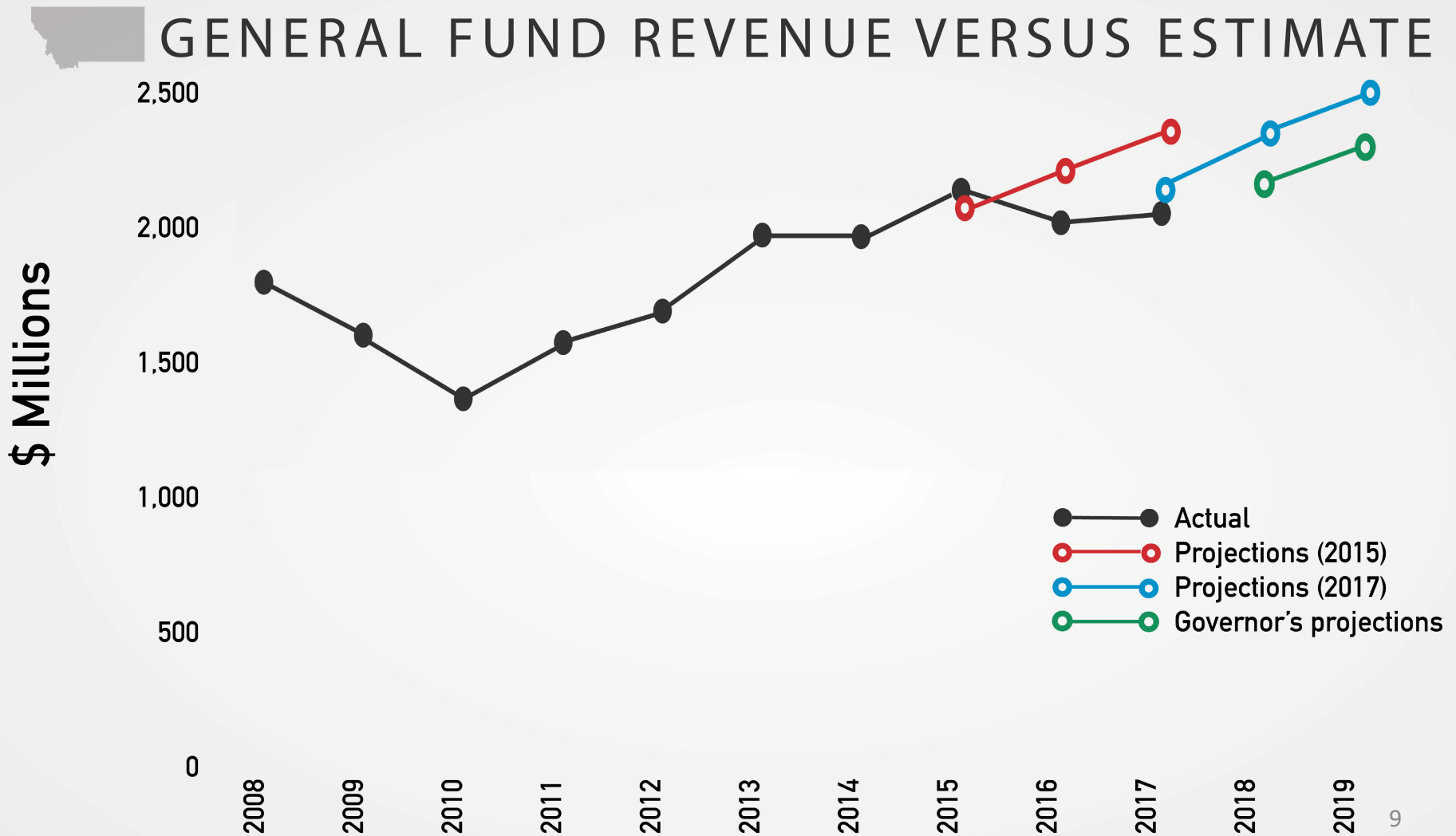


Individual income taxes comprise the largest share of *general fund* revenue.

FY2016 GENERAL FUND REVENUE - \$2,121.3
(IN MILLIONS)



General Fund revenue dropped in 2016. While revenue grows, it still came in below 2017 projections.



Health and Human Services has faced significant budget cuts in 2019 biennium. Recent restorations are 32% of total cuts.

Timing of the Cuts	Description	2019 Biennium General Fund
Cuts taken in 2017 Regular Legislative Session	DPHHS budget cuts (HB 2)	(\$12,017,536)
	DPHHS additional vacancy savings (HB 2)	(\$3,354,337)
	Unfunded Medicaid caseload (HB 2, HB 639)	(\$13,375,257)
Cuts enacted in August 2017	Cuts to Medicaid provider rates, targeted case management, unfunded state employee pay raises (SB 261)	(\$17,334,849)
Cuts enacted in November 2017 Special Session	DPHHS budget cuts (HB 2, special session)	(\$49,213,958)
TOTAL GENERAL FUND CUTS TO DPHHS		(\$95,295,937)
Restoration in August 2018	Includes restore some Medicaid provider rates, one-fourth targeted case management, and some new obligations (Child Family Services, MT State Hospital)	\$30,551,970
NET GENERAL FUND CUTS TO DPHHS		(\$64,743,967)

The \$30.5 million restored to DPHHS will address some, but not all, of the cuts made for FY2019.

- **Targeted case management** funds restored are **1/4** of original appropriation.
- Additional cuts **not restored** includes:
 - Second chance homes;
 - Chemical treatment services;
 - Closure of 19 offices of public assistance*;
 - Support for children and adults with developmental disabilities;
 - Services for seniors and people with disabilities living in their homes
- Some “restoration” funds went toward **meeting new or increased obligations**:
 - Increased caseload within child welfare system
 - Increased costs at Montana State Hospital

Most state agencies will start the 2021 biennium budget process below FY2017 base levels

Agency		Percent Above/Below FY2017 Base (GF only)
Labor & Industry	-7.9%	Staff vacancies within Human Rights Bureau, limited outreach to businesses and employees.
Corrections	0.3%	Possible supplemental appropriation for FY19 to address increased prison populations; increased county jail holds.
Natural Resource & Conservation	-10.7%	Reductions to water resource division, including stream gauges, water monitoring and testing.
Revenue	-4.8%	Elimination of 28 county property tax assistance offices, over 100 vacancies within PAD (some will be filled now, but will have to keep at least 24 open in FY19).
Higher Education	-2.9%	Reductions felt by individual colleges and universities, with corresponding tuition increases.
Office of Public Instruction	1.0%	\$18 million in special session cuts reduced total \$45 million present law adjustment during regular session. Many school districts raised mills to fill gap.
Military Affairs	-1.6%	Some reductions to disaster & emergency services division (including HazMat teams).

Additional Cuts/Transfers Impacting Local Governments

- **Reduced Inflationary Increase of Local Entitlement Share.**
 - FY2018: 0.50% (**-\$3.6 million**)
 - FY2019: 1.87% (**-\$5.78 million**)
 - Inflationary increase set to go back to previous calculation
- **OTO Transfer from TSEP:**
 - **\$7.5 million** transferred to general fund – results in negative balance in TSEP if all current and awarded projects fully expended - 15 lowest-ranked grant awardees notified that projects would not be funded.
 - Possible restoration of funds in 2021 biennium?
- **Elimination of K-12 School Block Grants:**
 - Schools increased mills to offset to loss of a state funds
 - Future GTB increases will stabilize FY2018, 2019 loss of funds

What Happens Now?

2021 Biennium Budget Outlook

- **Governor will release proposed 2021 biennium budget in November**
 - Revenue projections (FY2019 – FY2021)
 - Restoration amounts reflected in base
 - **Likely another tight budget cycle**
- Budgetary cuts taken are inefficient and will result in **increased state costs** (as well as risk lower revenue collections) over time
- Legislative action has resulted in **increased pressure on local governments, nonprofits, and local property taxpayers** to pick up the tab.
- State policymakers must have an honest discussion about **additional revenue sources** that the state should consider.

Questions?



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