

Overview of Montana Budget and Tax Structure



Heather O'Loughlin

Co-director

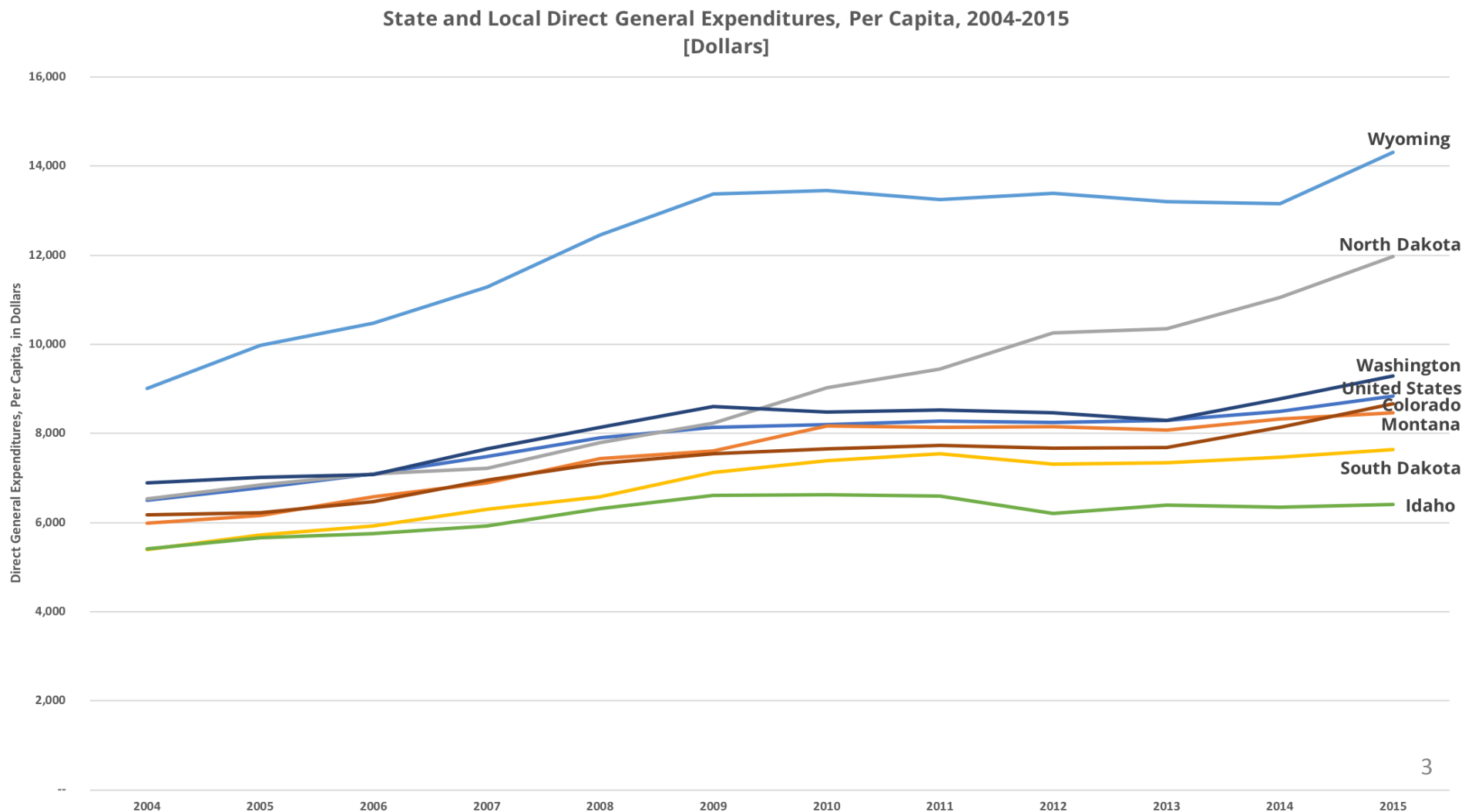
Montana Budget and Policy Center

What is the Montana Budget & Policy Center?



It is our **MISSION** to advance responsible tax, budget, and economic policies through **credible research and analysis** in order to promote opportunity and fairness for **all Montanans.**

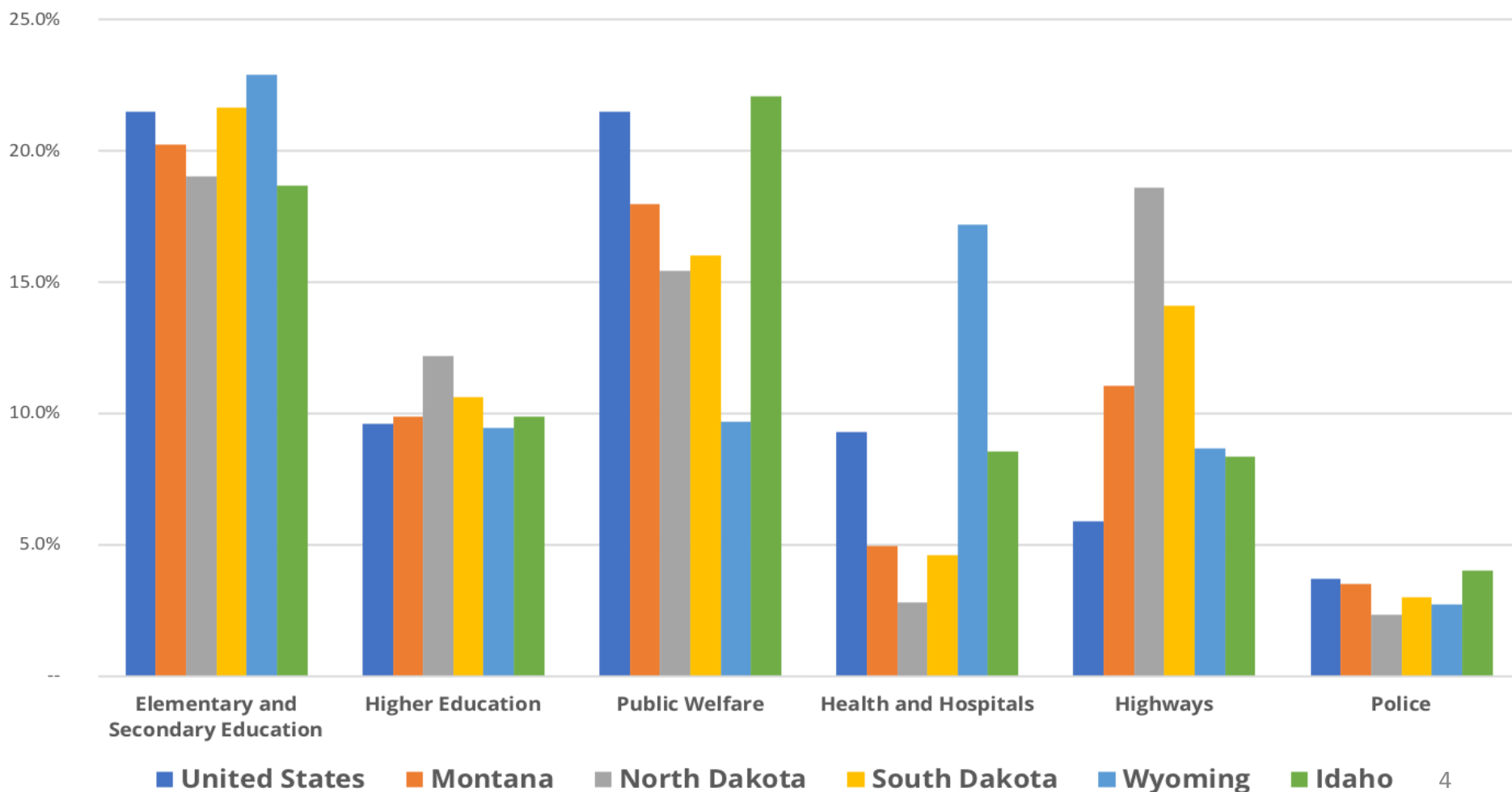
Montana's expenditure growth largely tracks neighboring states and U.S. average.



Source: State & Local Government Finance Data Query System.

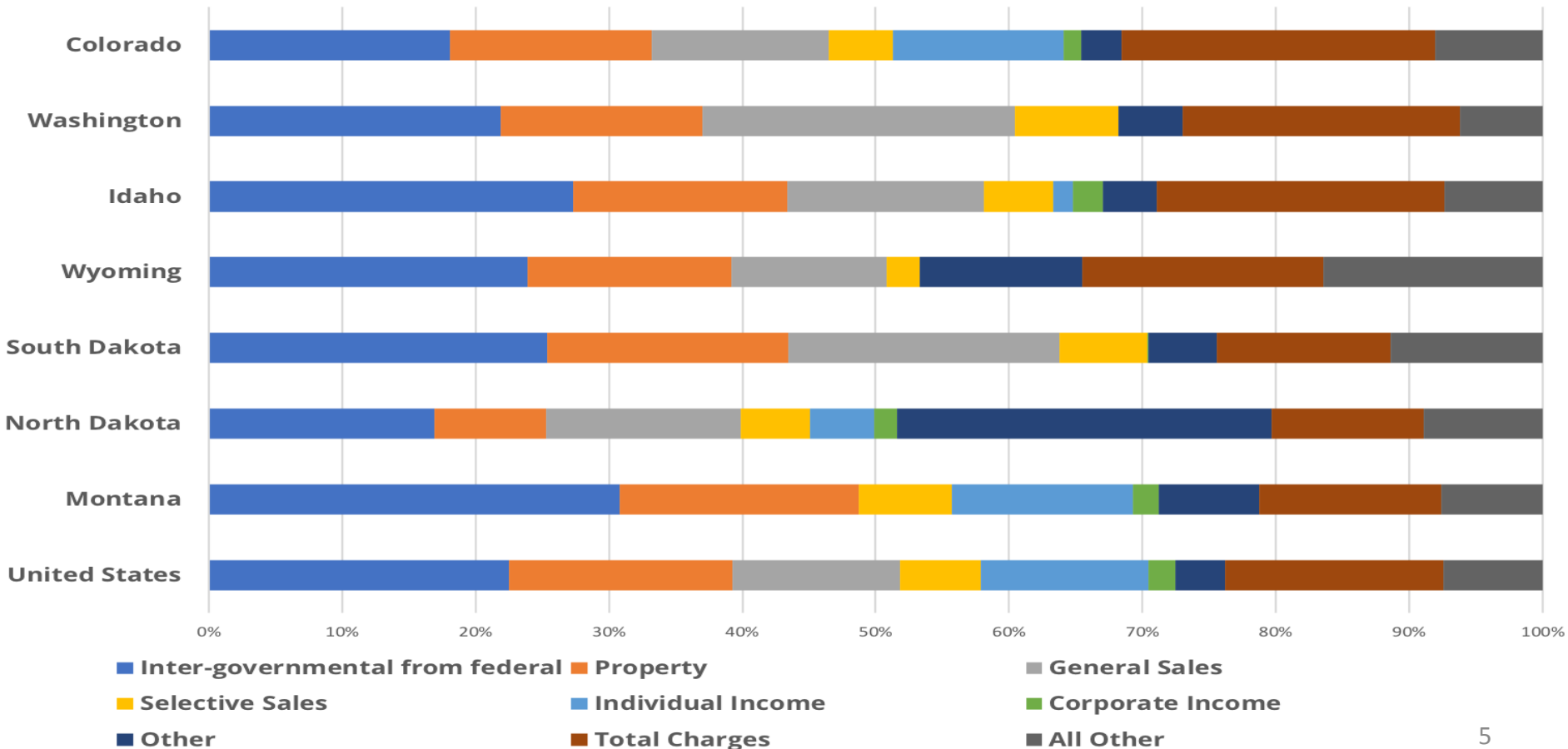
Montana's expenditures focus on K-12 education and public welfare.

State and Local Expenditures, Percentage Distribution, 2015



Montana relies on federal funds, individual income tax, and property tax to fund the budget.

State and Local General Revenue
Percentage Distribution, FY2015



Source: State & Local Government Finance Data Query System.

Montana Economy (At a Glance)

Montana's top five industries (by share of GDP):

- Government (federal, state, and local)
- Real Estate
- Health Care
- Manufacturing
- Retail Trade

Montana's top five industries (by employment):

- Government (federal, state, and local)
- Health Care
- Retail Trade
- Accommodation and Food Services
- Construction

Over 56% of government employment is at the local level, including teachers in local schools.

Montana Economy (At a Glance)

- ✓ Montana's **unemployment rate of 4.0%** (April 2018), compared to U.S. rate of 3.9%.
- ✓ **Personal income in Montana grew by 2.3% in 2016**, compared to national average of 3.6%.
- ✓ Increasing **service industry** employment, general outpacing declines in mining and energy (though with some regional differences).
- ✓ Steady wage growth over ten years, but Montana's **average annual wage** (\$40,735) still **ranks toward the bottom (45th)** for average wages in the nation.
- ✓ Montana has high rate of workers **working part-time**, with 19 percent of part-time workers indicating they would prefer full-time work.
- ✓ Montana has **high rate of veterans** (at 11.4% of population, second highest in the nation), but vets have lower labor force participation in Montana compared to veterans nationally. **Nearly one-third of Montana veterans have a disability.**
- ✓ Montana has an **aging workforce** – the labor force over age 55 is growing by nearly 4,000 people per year (compared to growth in workforce of age 16 to 24 of just 130 people per year).

Key Budget Terms

General Fund: Primary fund for the state budget, and unlike other funds, is not a specific purpose fund.

Federal Special Revenue: Accounts deposited in the state treasury from federal sources, to be used for operation of state government.

State Special Revenue: State and other nonfederal sources that are earmarked for a particular purpose or restricted by law.

Proprietary Funds: Enterprise or internal service funds that are generated from the sale of goods or providing services.

HB 2: The General Appropriations Act to authorize funding for the operation of state government.

Statutory Appropriation: Funds appropriated in permanent law rather than a temporary bill, such as HB 2, and listed in 17-7-502, MCA.

Key Budget Terms

One-time-only Appropriations: Appropriations for a one-time purposes and are not reflected in the base budget.

Base Budget: The funding needed for the operation of state government that provide for expenses of an ongoing and non-extraordinary nature in the current biennium.

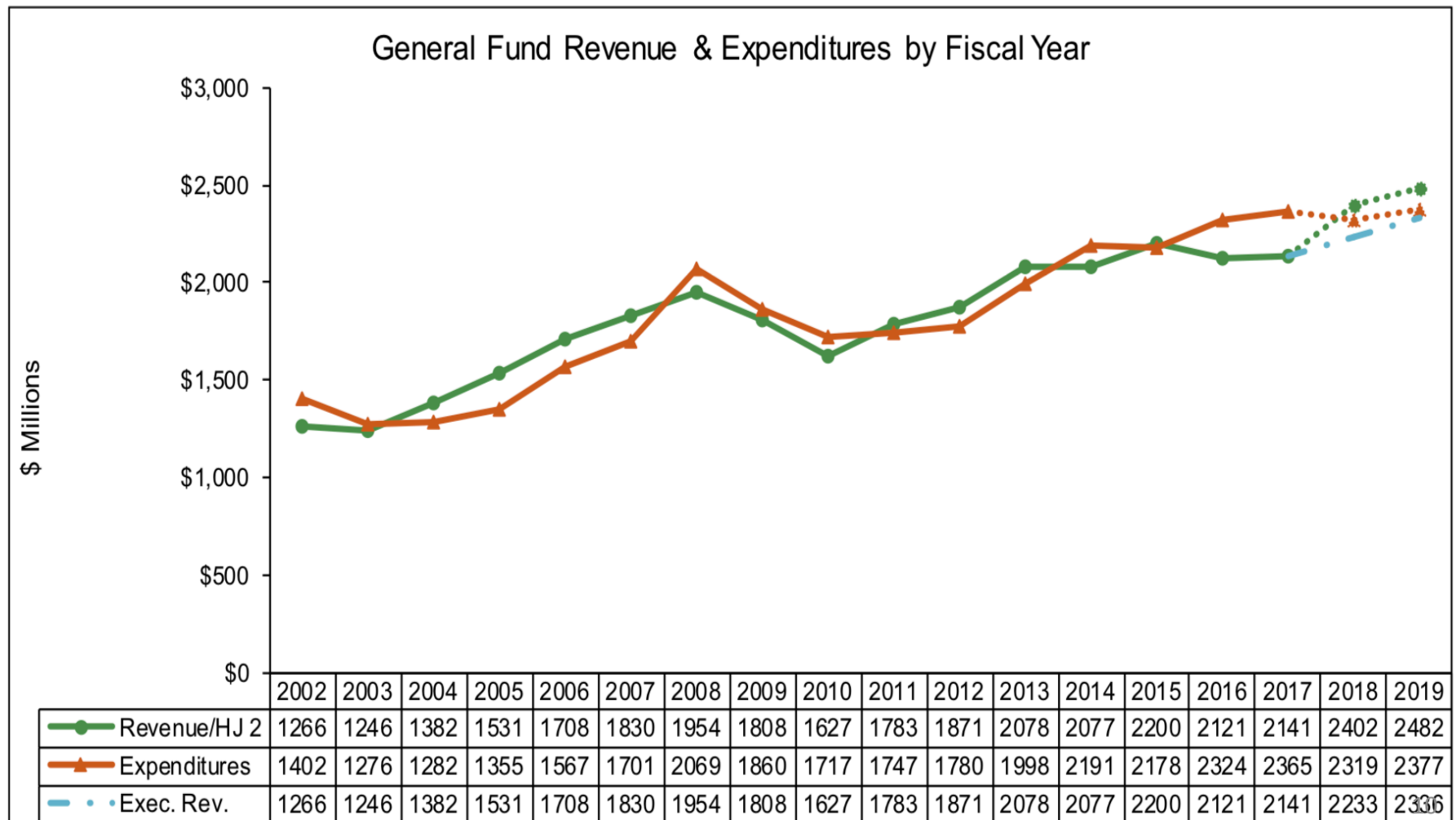
Present Law: The additional level of funding needed under present law to maintain operations and services at the level authorized by the previous legislature.

Decision Package: separate, specific adjustment to the base budget.
DPs can be either:

- Present Law Adjustments**

- New Proposals**

From 2002 to 2017, revenue and expenditures have grown at the same rate.





Sections of the State Budget

Section A – Gen. Govt.

Legislative Branch
Consumer Counsel
Governor's Office
Secretary of State
Commissioner of Political Practices
State Auditor
Revenue
Administration
Commerce
Labor and Industry
Military Affairs

Section B – Health and Human Services

Public Health and Human Services

Section C – Natl. Resources and Transp.

Fish, Wildlife and Parks
Environmental Quality
Transportation
Livestock
Natural Resources and Conservation
Agriculture

Section D – Justice

Judicial Branch
Board of Crime Control
Justice
Public Service Regulation
State Public Defender
Corrections

Section E – Education

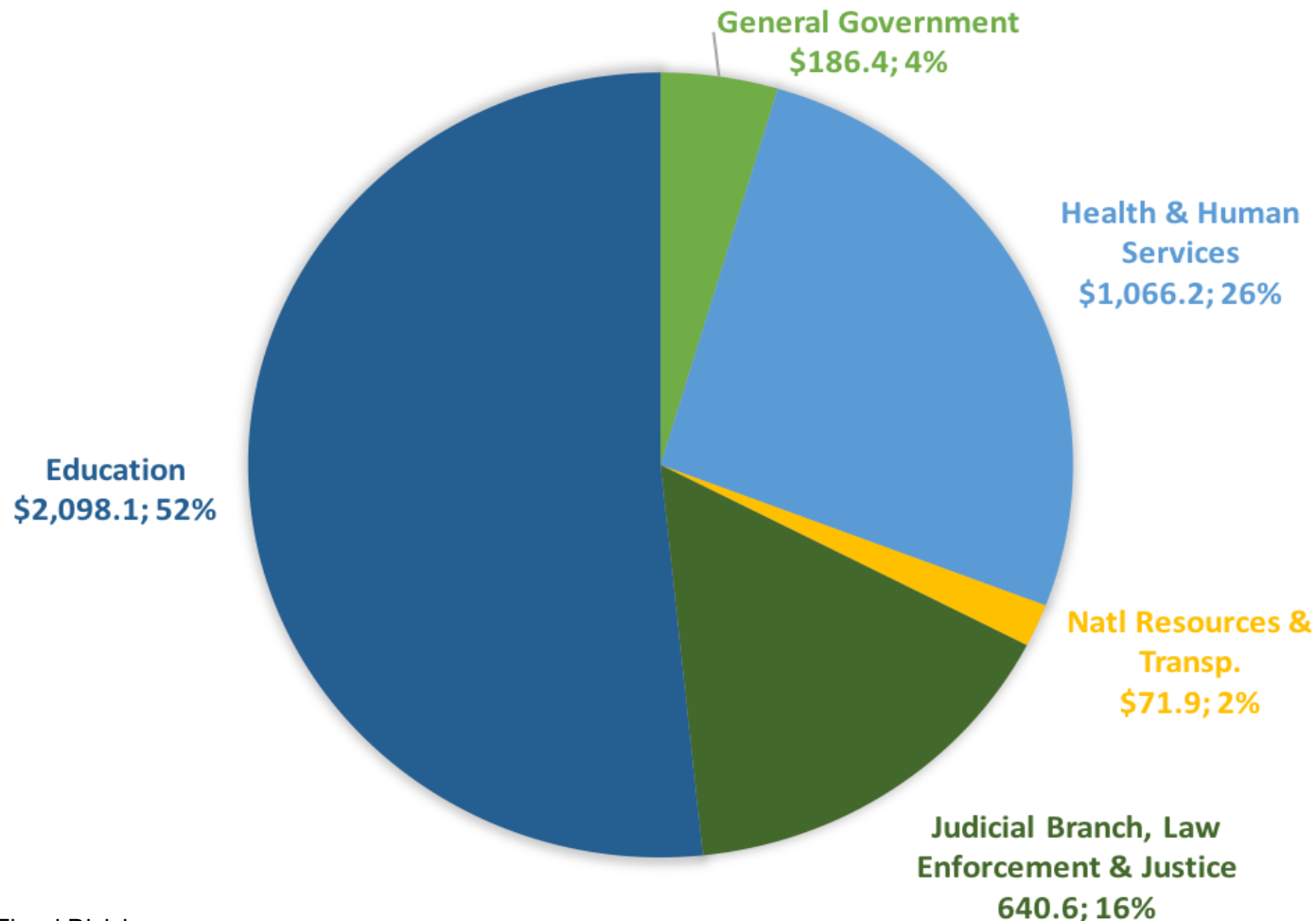
Public Instruction
Board of Public Ed
Higher Education
School for Deaf and Blind
Arts Council
State Library
Historical Society

Section F – Long-Range Planning

Long-Range Building Program
State Building Energy Conservation
Treasure State Endowment Program (TSEP)
Treasure State Regional Water Program
Quality Schools Facility Grant Program
Long-Range IT Program
Reclamation and Development Grant
Renewable Resource Grant and Loan Program
Cultural and Aesthetic Grant Program

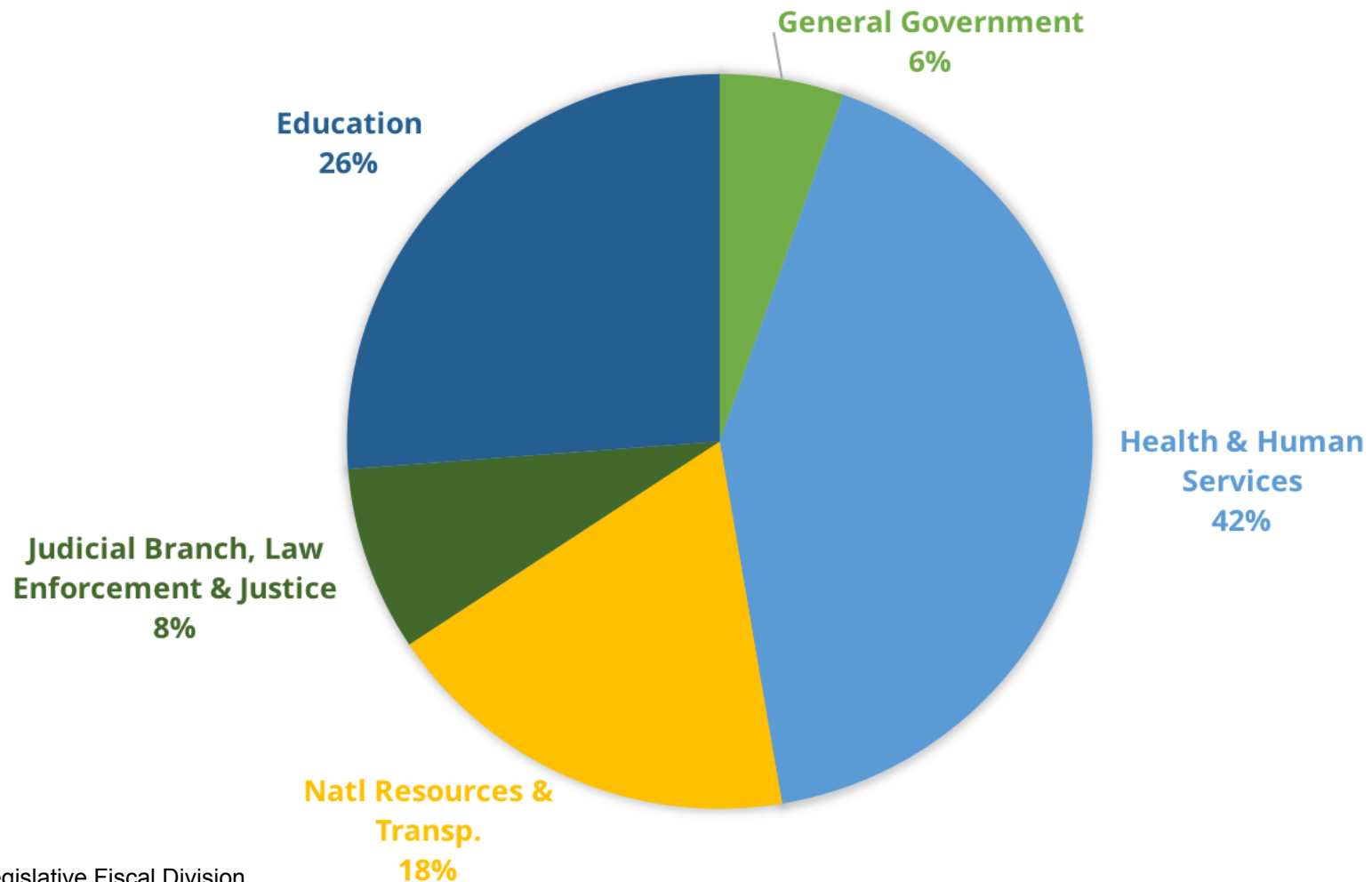
Education funding makes up half of general fund appropriations.

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



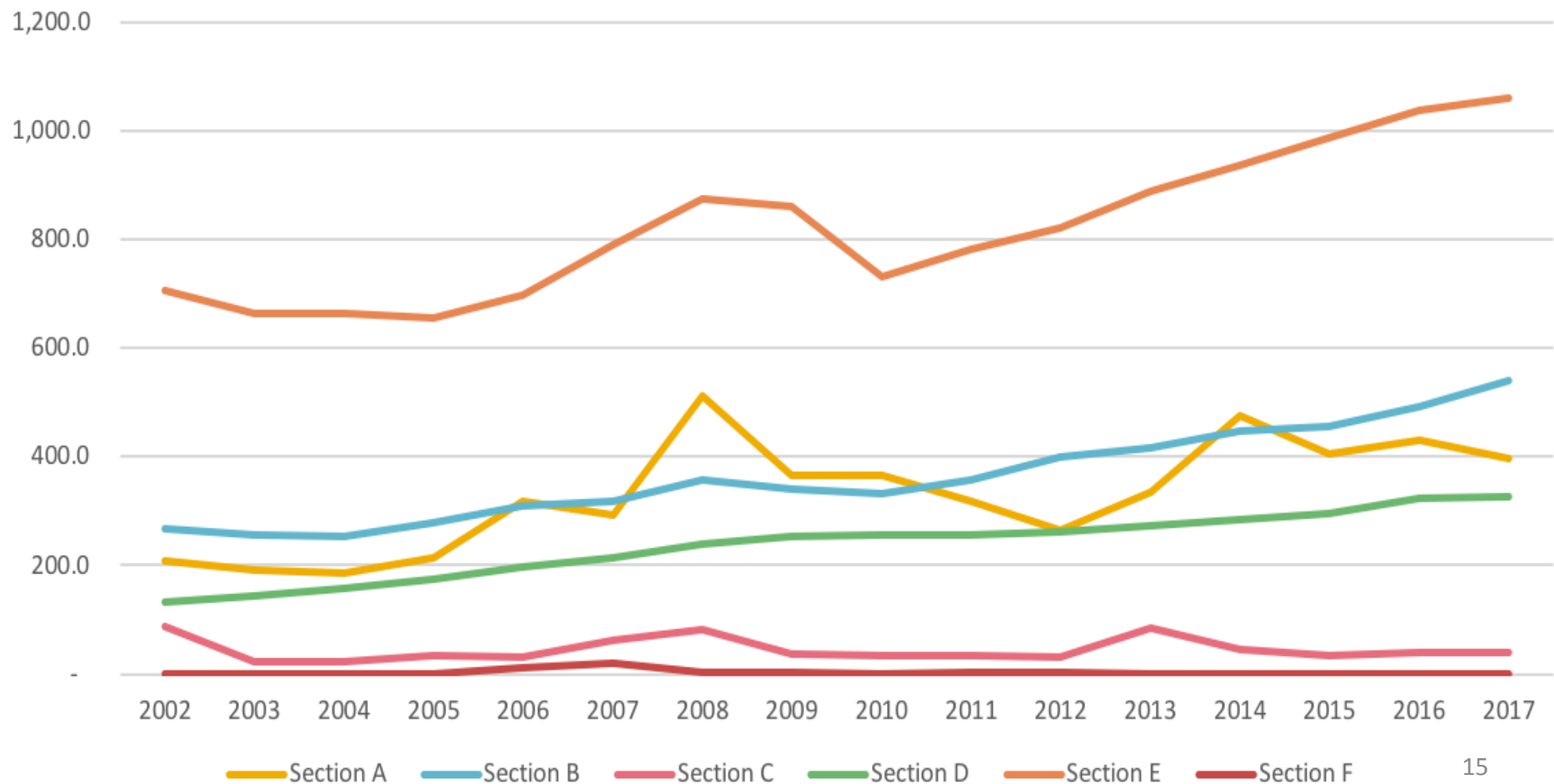
But when factoring in federal funds, HHS makes up the biggest share of the budget.

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



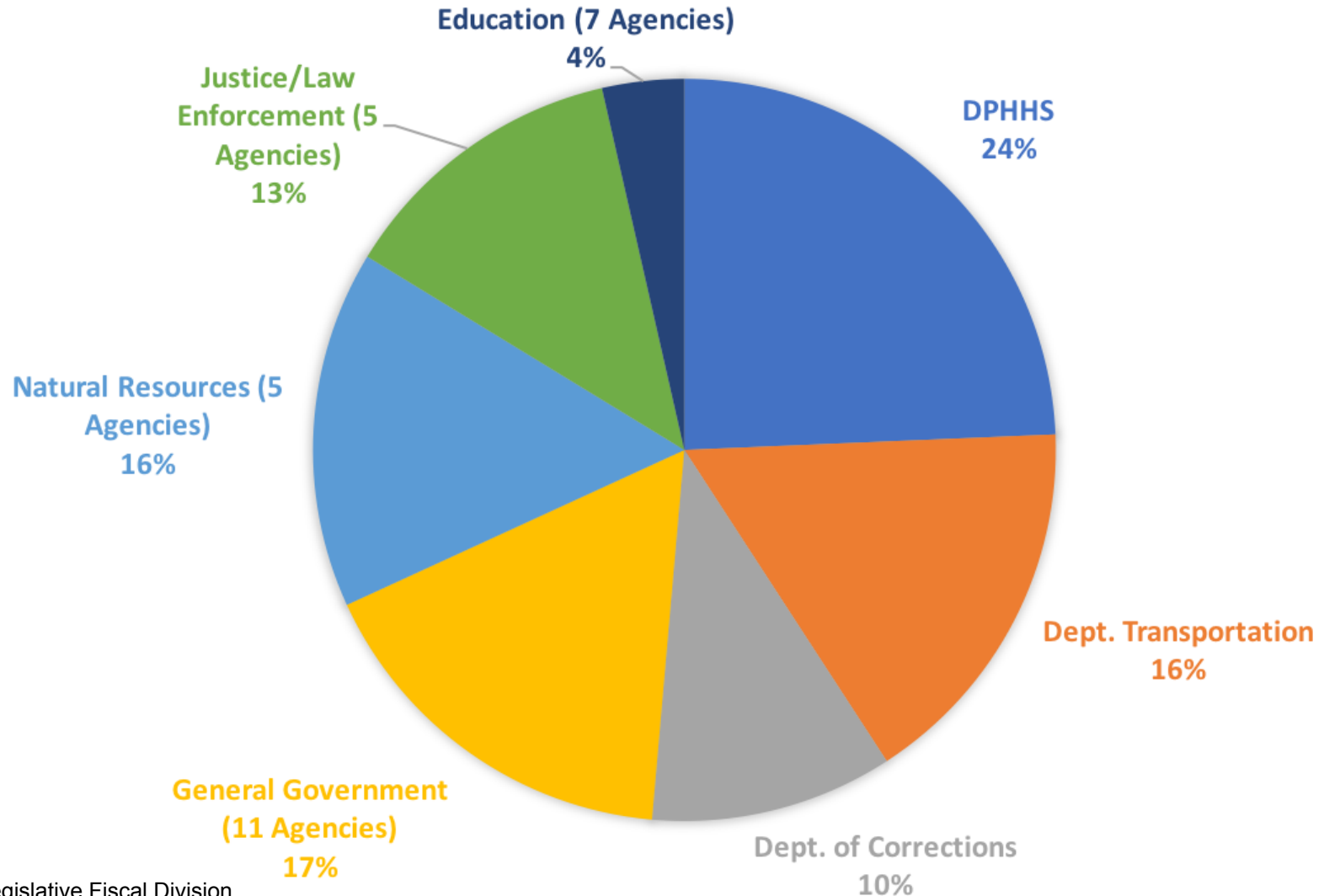
Investments in education play a significant role in state budget growth.

GENERAL FUND EXPENDITURES BY SECTION BY FISCAL YEAR
2002 - 2017

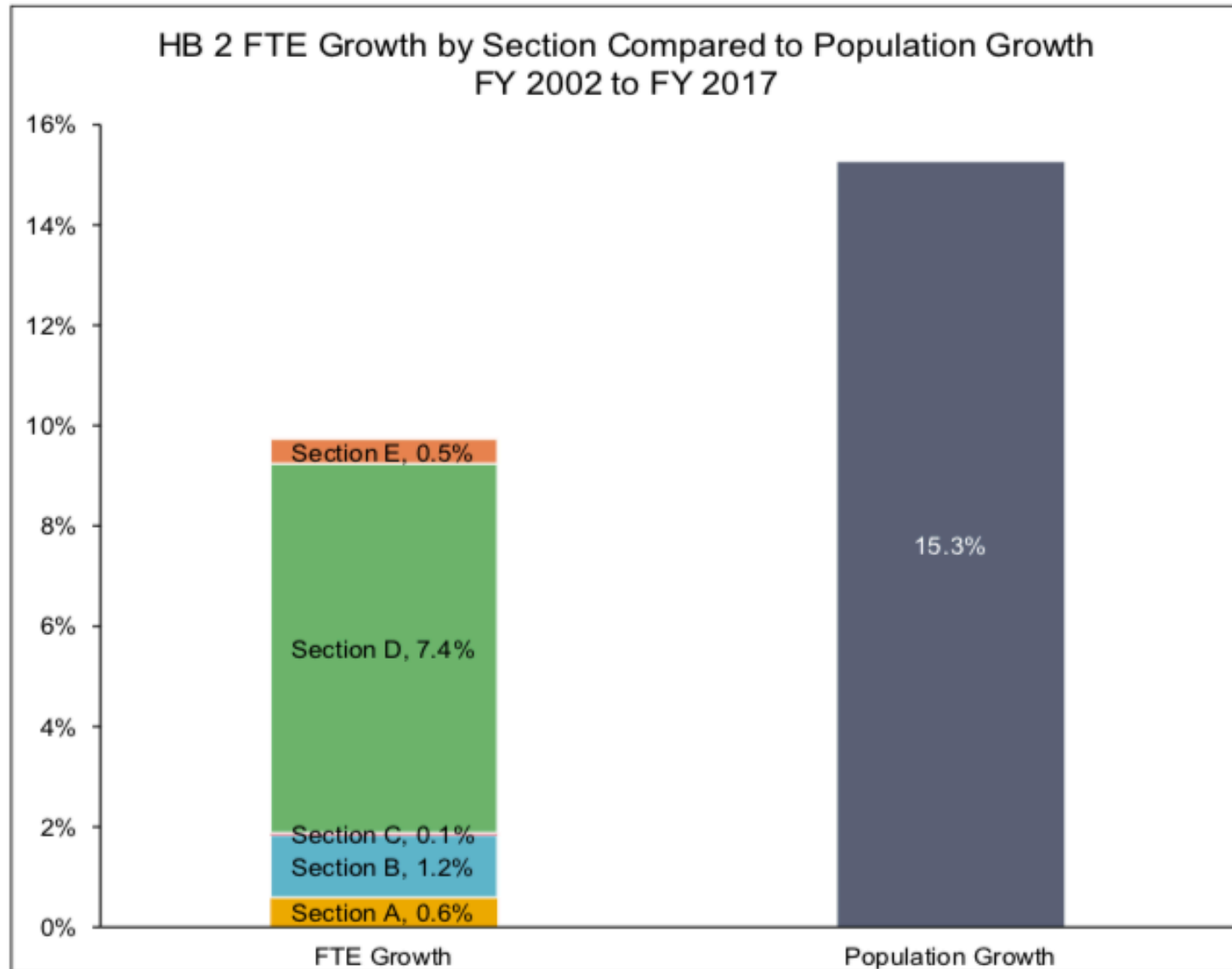


FTE by Department

FTE FUNDED IN HB 2 - FY 2019
(PRIOR TO SPECIAL SESSION REDUCTIONS - 12,063 TOTAL)

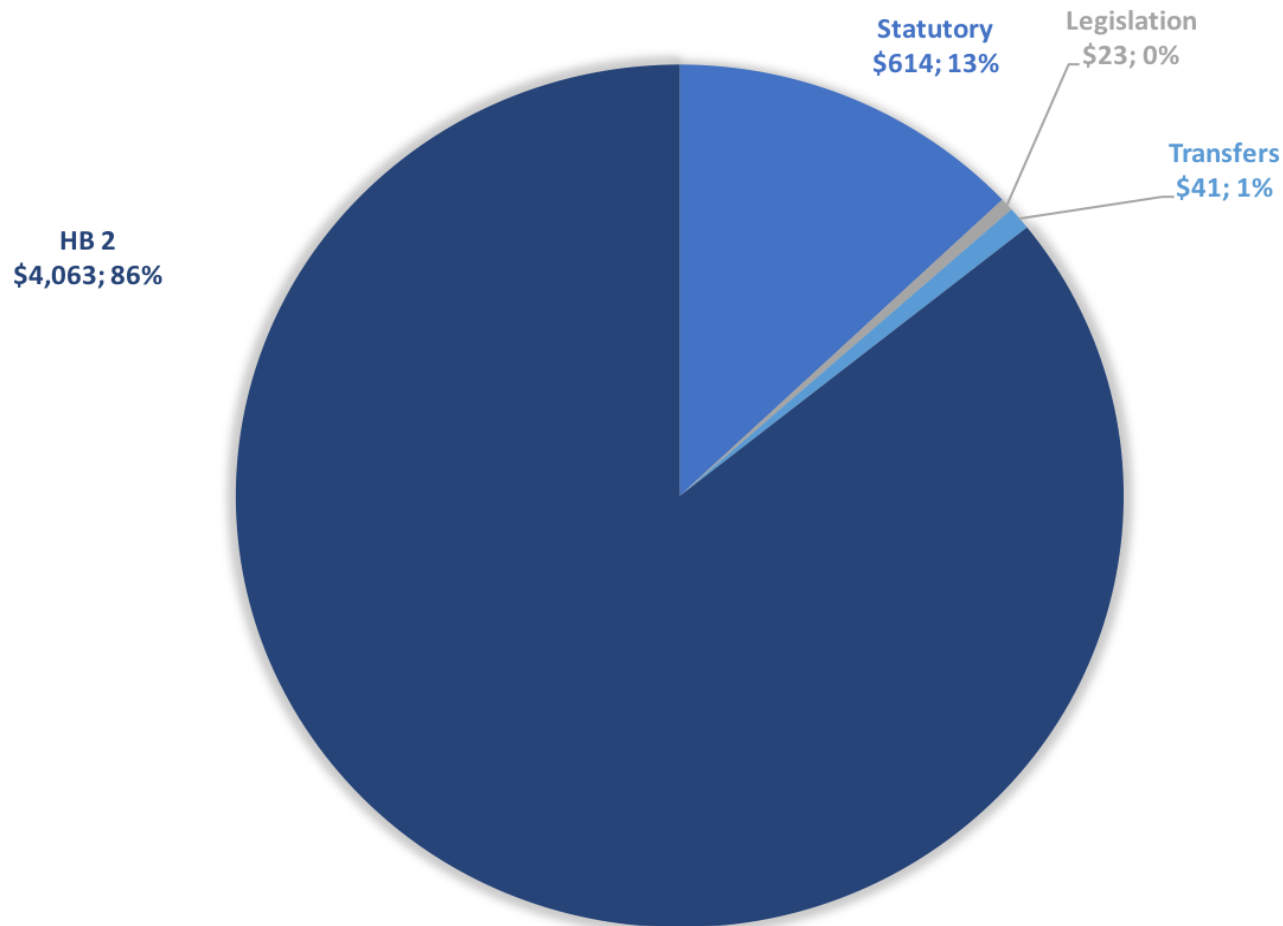


Total FTE within HB 2 has grown 9.7% from 2002 to 2017, compared to 15.3% population growth over the same time.



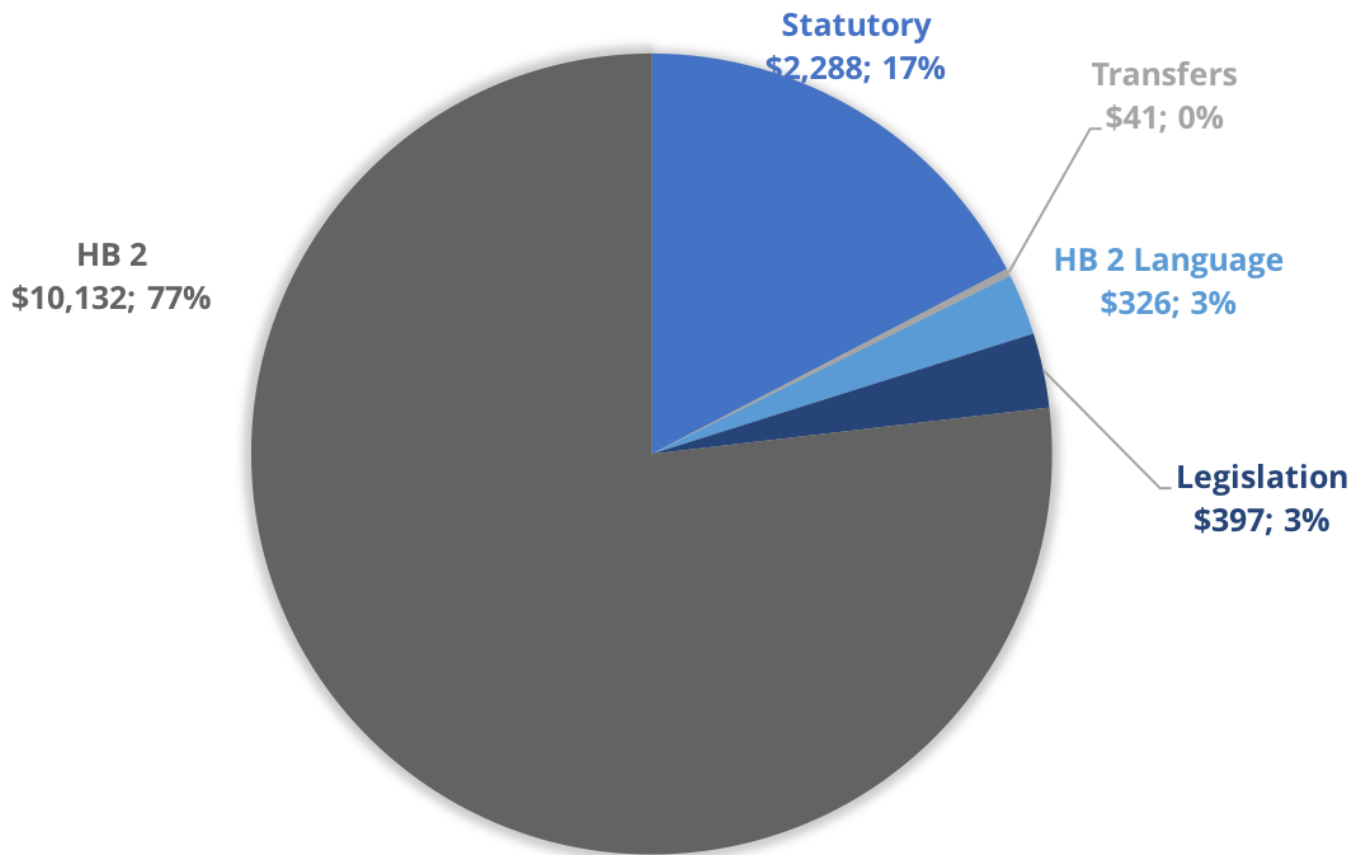
The vast majority of the state budget is within HB 2.

2019 BIENNIUM GENERAL FUND BUDGET = \$4,741
BY SOURCE OF APPROPRIATION AUTHORITY
(\$ MILLIONS)



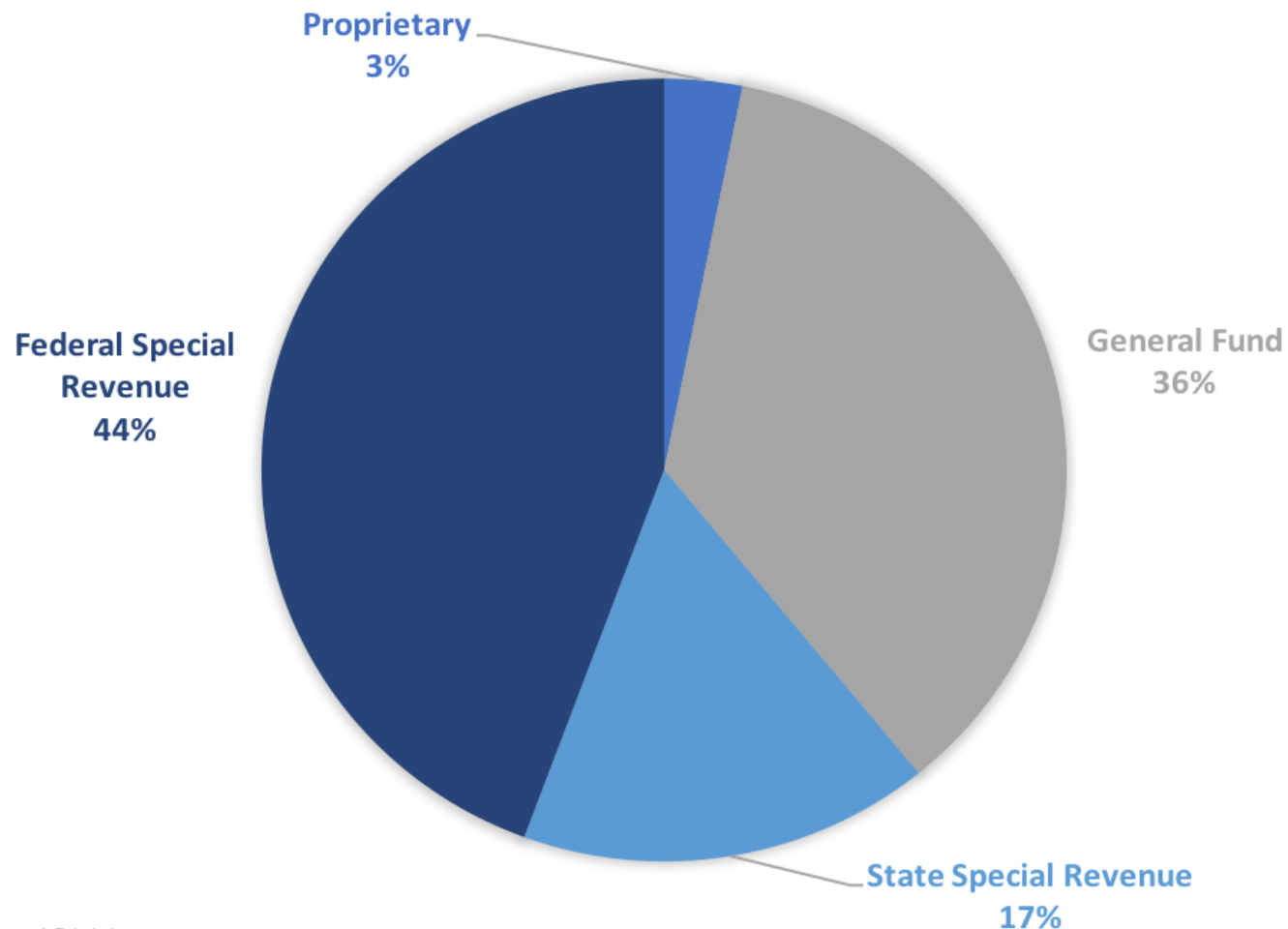
The vast majority of the state budget is within HB 2.

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

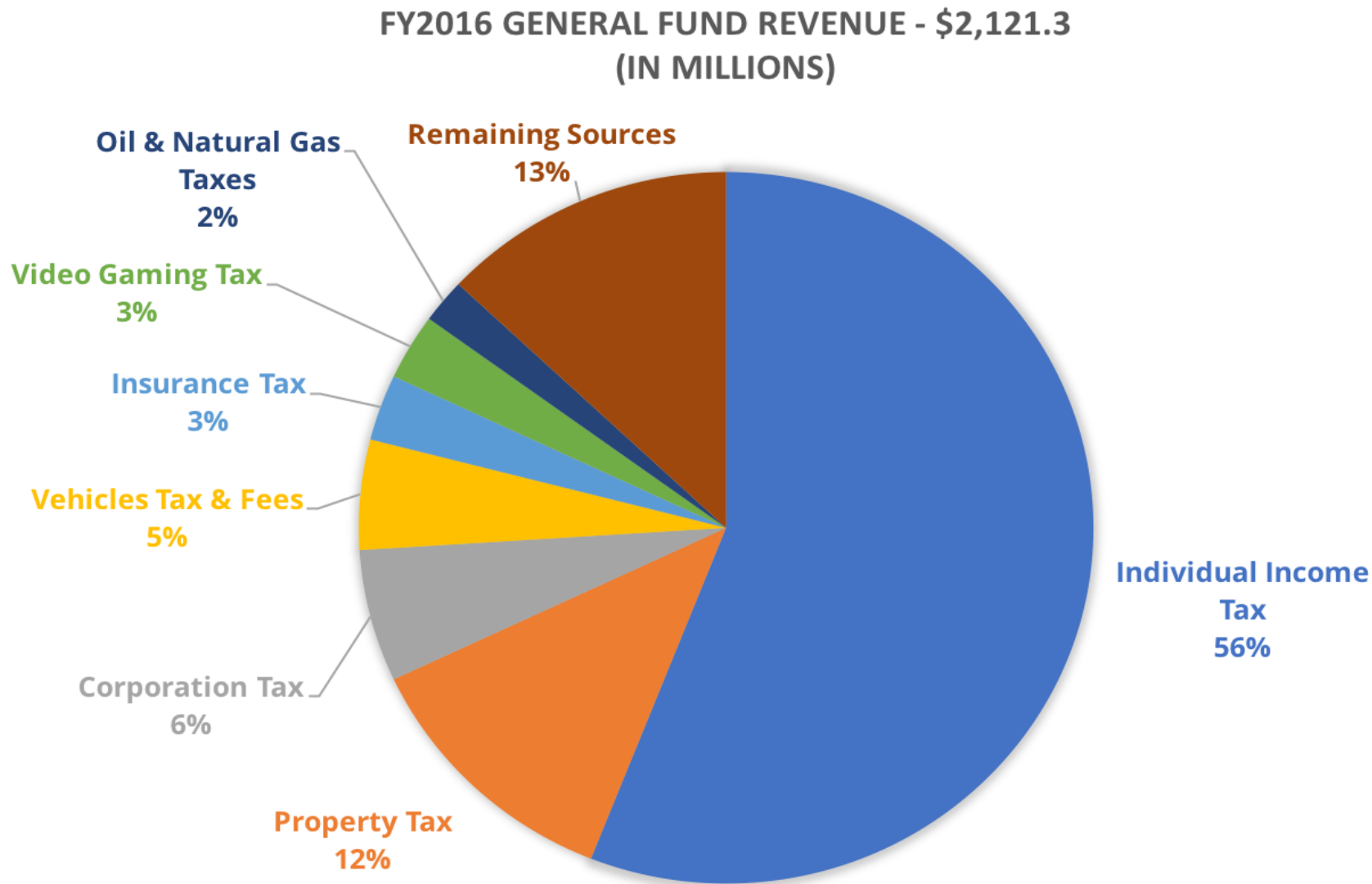


Federal funds comprise nearly half of revenue for Montana's state budget.

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

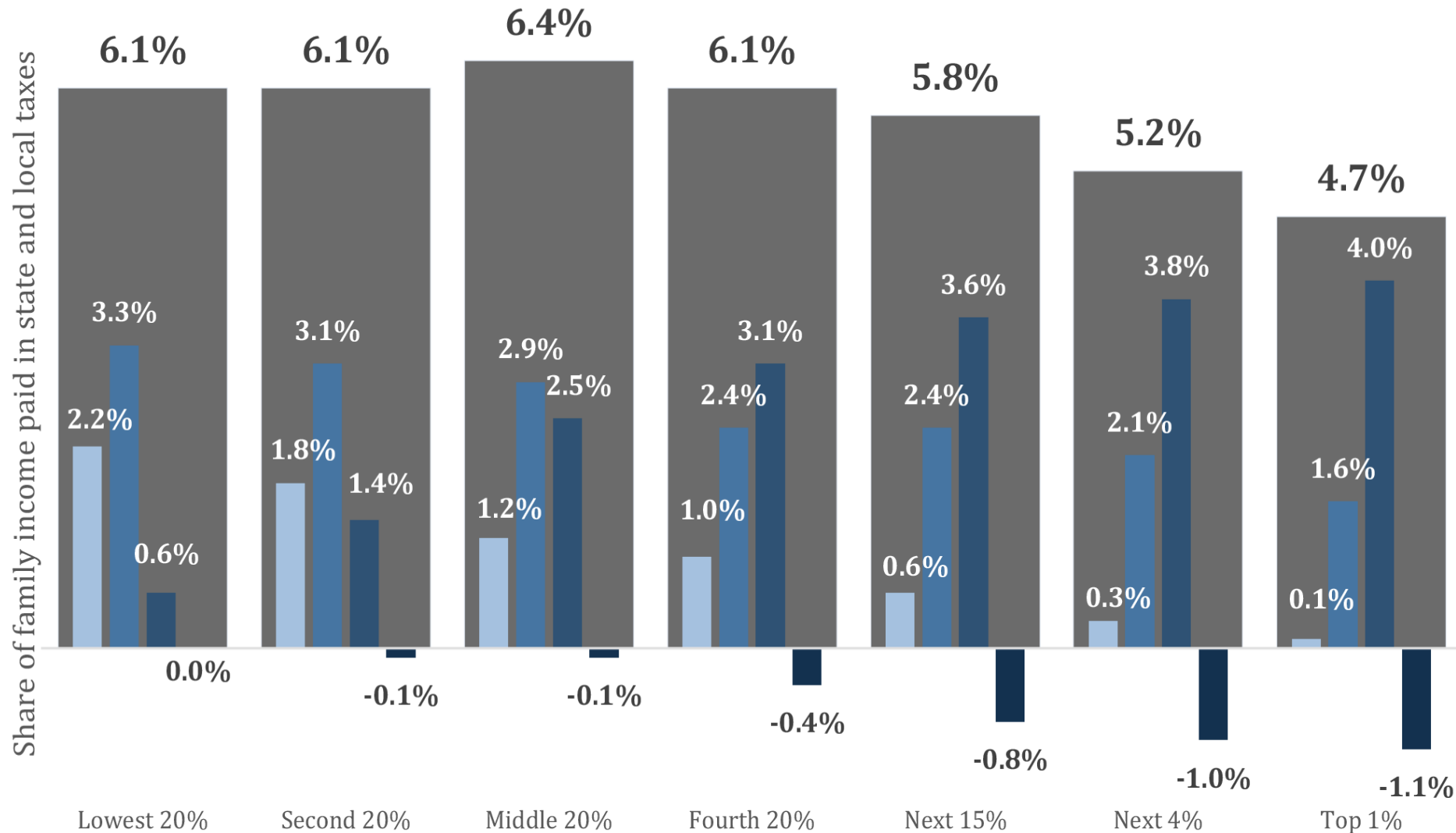


Individual income taxes comprise the largest share of *general fund* revenue.



Who Pays?

Montana's Low- and Middle-Income Families Pay the Highest Tax Rates



Questions?



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www.montanabudget.org