Overview of Montana Budget and Tax Structure

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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

Source: State & Local Government Finance Data Query System.
Montana relies on federal funds, individual income tax, and property tax to fund the budget.
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.**

Source: Montana Department of Labor & Industry
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.

Source: Legislative Fiscal Division
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 BIENNIAL BUDGET (REGULAR SESSION)
GENERAL FUND - HB 2 ONLY - $4,063.2
(IN MILLIONS)

- **General Government**: $186.4; 4%
- **Health & Human Services**: $1,066.2; 26%
- **Natl Resources & Transp.**: $71.9; 2%
- **Educational Branch, Law Enforcement & Justice**: $640.6; 16%

Source: Legislative Fiscal Division
But when factoring in federal funds, HHS makes up the biggest share of the budget.

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

- Health & Human Services: 42%
- Education: 26%
- Natl Resources & Transp.: 18%
- Judicial Branch, Law Enforcement & Justice: 8%
- General Government: 6%

Source: Legislative Fiscal Division
Investments in education play a significant role in state budget growth.

Source: Legislative Fiscal Division
FTE by Department

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

- DPHHS: 24%
- Dept. Transportation: 16%
- Dept. of Corrections: 10%
- General Government (11 Agencies): 17%
- Natural Resources (5 Agencies): 16%
- Justice/Law Enforcement (5 Agencies): 13%
- Education (7 Agencies): 4%

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

Source: Legislative Fiscal Division
The vast majority of the state budget is within HB 2.

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

- HB 2: $4,063; 86%
- Statutory: $614; 13%
- Transfers: $41; 1%
- Legislation: $23; 0%

Source: Legislative Fiscal Division
The vast majority of the state budget is within HB 2.

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

- **HB 2**
  - $10,132; 77%
- **Statutory**
  - $2,288; 17%
- **HB 2 Language**
  - $326; 3%
- **Legislation**
  - $397; 3%
- **Transfers**
  - $41; 0%

Source: Legislative Fiscal Division
Federal funds comprise nearly half of revenue for Montana’s state budget.

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

- Federal Special Revenue 44%
- General Fund 36%
- State Special Revenue 17%
- Proprietary 3%

Source: Legislative Fiscal Division
Individual income taxes comprise the largest share of *general fund* revenue.
Montana's Low- and Middle-Income Families Pay the Highest Tax Rates

<table>
<thead>
<tr>
<th>Share of family income paid in state and local taxes</th>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Middle 20%</th>
<th>Fourth 20%</th>
<th>Next 15%</th>
<th>Next 4%</th>
<th>Top 1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Taxes After Off Set</td>
<td>0.0%</td>
<td>-0.1%</td>
<td>-0.1%</td>
<td>-0.4%</td>
<td>-0.8%</td>
<td>-1.0%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Sales and Excise Taxes</td>
<td>2.2%</td>
<td>1.8%</td>
<td>1.4%</td>
<td>1.2%</td>
<td>2.4%</td>
<td>2.1%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Property Taxes</td>
<td>3.3%</td>
<td>3.1%</td>
<td>2.9%</td>
<td>2.5%</td>
<td>3.6%</td>
<td>2.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Income Taxes</td>
<td>3.3%</td>
<td>3.1%</td>
<td>2.9%</td>
<td>2.5%</td>
<td>3.6%</td>
<td>2.4%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Federal Deduction Offset</td>
<td>0.6%</td>
<td>1.4%</td>
<td>1.2%</td>
<td>1.0%</td>
<td>0.6%</td>
<td>0.3%</td>
<td>0.1%</td>
</tr>
</tbody>
</table>

Source: Institute on Taxation and Economic Policy
Questions?

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www.montanabudget.org