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

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
Education funding makes up half of state 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%
- Education: $2,098.1; 52%
- Natl Resources & Transp.: $71.9; 2%
- Judicial 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.
The state and local governments rely heavily on federal transfers, along with a mixture of other revenue sources.

STATE AND LOCAL REVENUE IN MONTANA
FISCAL YEAR 2013

- Transfers from Federal Govt: 30%
- Charges for Tuition, Utilities, Other Services: 14%
- Property Tax: 18%
- Interest & Misc.: 8%
- Individual & Corporate Income Tax: 15%
- Sales & Excise Taxes: 4%
- Motor Fuel Taxes & Vehicle Registrations: 5%
- Severance & Other Taxes: 6%

Source: Montana Department of Revenue
State taxes versus local taxes

State Taxes in Montana
Fiscal Year 2013

- Individual Income Tax: 39%
- Property Tax: 10%
- Motor Vehicle Registrations: 6%
- Corporate Income Tax: 7%
- Motor Fuel Taxes: 8%
- Sales & Excise Taxes: 13%
- Severance & Other Taxes: 17%

Local Taxes in Montana
Fiscal Year 2013

- Property Taxes: 96%
- Severance & Other Taxes: 2%
- Sales & Excise Taxes: 1%
- Motor Vehicle Registrations: 1%

Source: Montana Department of Revenue
Individual income taxes comprise the largest share of *general fund* revenue.

FY2016 GENERAL FUND REVENUE - $2,121.3 million

- **Individual Income Tax**: 56%
- **Property Tax**: 12%
- **Vehicles Tax & Fees**: 5%
- **Corporation Tax**: 6%
- **Insurance Tax**: 3%
- **Video Gaming Tax**: 3%
- **Oil & Natural Gas Taxes**: 2%
- **Remaining Sources**: 13%

*Source: Legislative Fiscal Division*
General Fund revenue dropped in 2016. While revenue grows, it still came in below 2017 projections.

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

<table>
<thead>
<tr>
<th>Timing of the Cuts</th>
<th>Description</th>
<th>2019 Biennium General Fund</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cuts taken in 2017 Regular Legislative Session</td>
<td>DPHHS budget cuts (HB 2)</td>
<td>($12,017,536)</td>
</tr>
<tr>
<td></td>
<td>DPHHS additional vacancy savings (HB 2)</td>
<td>($3,354,337)</td>
</tr>
<tr>
<td></td>
<td>Unfunded Medicaid caseload (HB 2, HB 639)</td>
<td>($13,375,257)</td>
</tr>
<tr>
<td>Cuts enacted in August 2017</td>
<td>Cuts to Medicaid provider rates, targeted case management, unfunded state employee pay raises (SB 261)</td>
<td>($17,334,849)</td>
</tr>
<tr>
<td>Cuts enacted in November 2017 Special Session</td>
<td>DPHHS budget cuts (HB 2, special session)</td>
<td>($49,213,958)</td>
</tr>
<tr>
<td>TOTAL GENERAL FUND CUTS TO DPHHS</td>
<td></td>
<td>($95,295,937)</td>
</tr>
</tbody>
</table>

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 \( \frac{1}{4} \) 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

<table>
<thead>
<tr>
<th>Agency</th>
<th>Percent Above/Below FY2017 Base (GF only)</th>
</tr>
</thead>
</table>
| 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).              |

Source: Legislative Fiscal Division
**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 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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Montana Budget and Policy Center

www.montanabudget.org