

Overview of Montana Budget and Tax Structure



Heather O'Loughlin

Co-director

Montana Budget and Policy Center

What is the Montana Budget & Policy Center?

The logo is a dark blue circle containing the text "MONTANA BUDGET & POLICY CENTER" in white, sans-serif, uppercase letters. The word "MONTANA" is at the top, "BUDGET" is in the middle, "& POLICY" is below it, and "CENTER" is at the bottom.

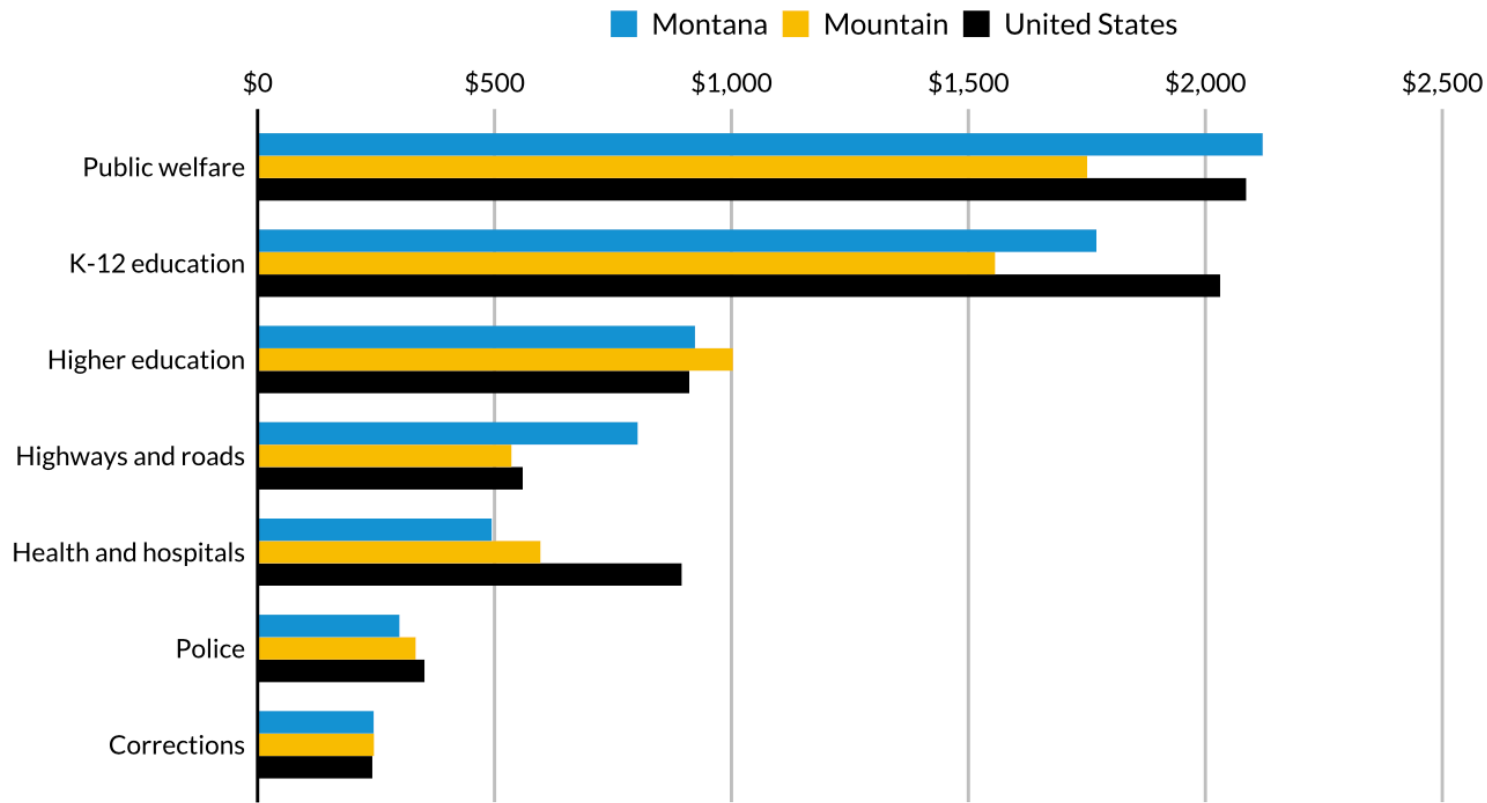
MONTANA
BUDGET
& POLICY
CENTER

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 expenditures focus on K-12 education and public welfare.

Montana's State and Local Per Capita Expenditures, Fiscal Year 2017

Compared with national and regional averages



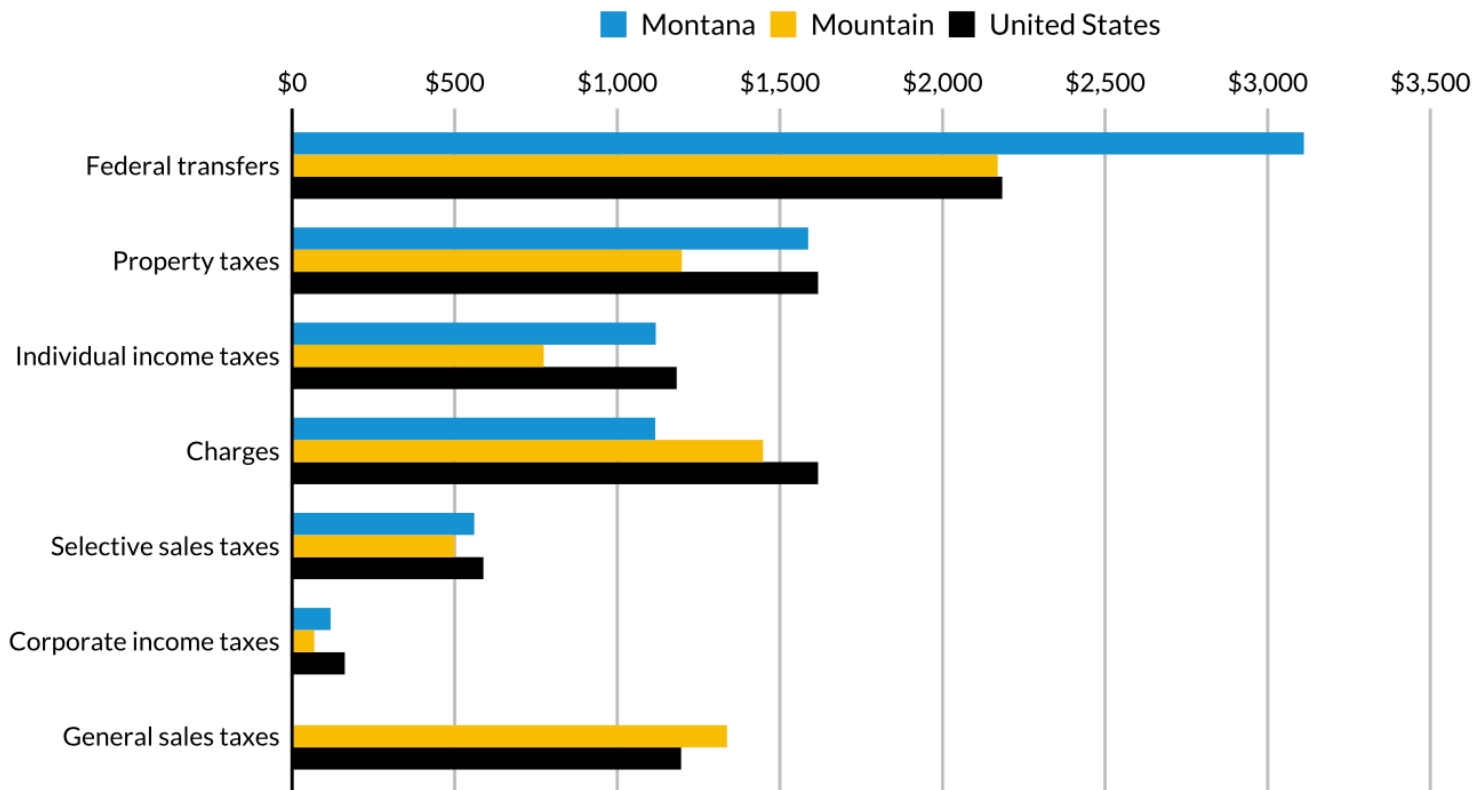
Source: US Census, Fiscal Year 2017.

Note: Medicaid spending is allocated to both public welfare and health and hospitals, with the majority of dollars allocated to the former. Census's definition of the Mountain region includes Arizona, Colorado, Idaho, Minnesota, New Mexico, Nevada, Utah, and Wyoming.

Montana relies on federal funds, individual income tax, and property tax to fund state and local services.

Montana's State and Local Per Capita Revenue, Fiscal Year 2017

Compared with national and regional averages

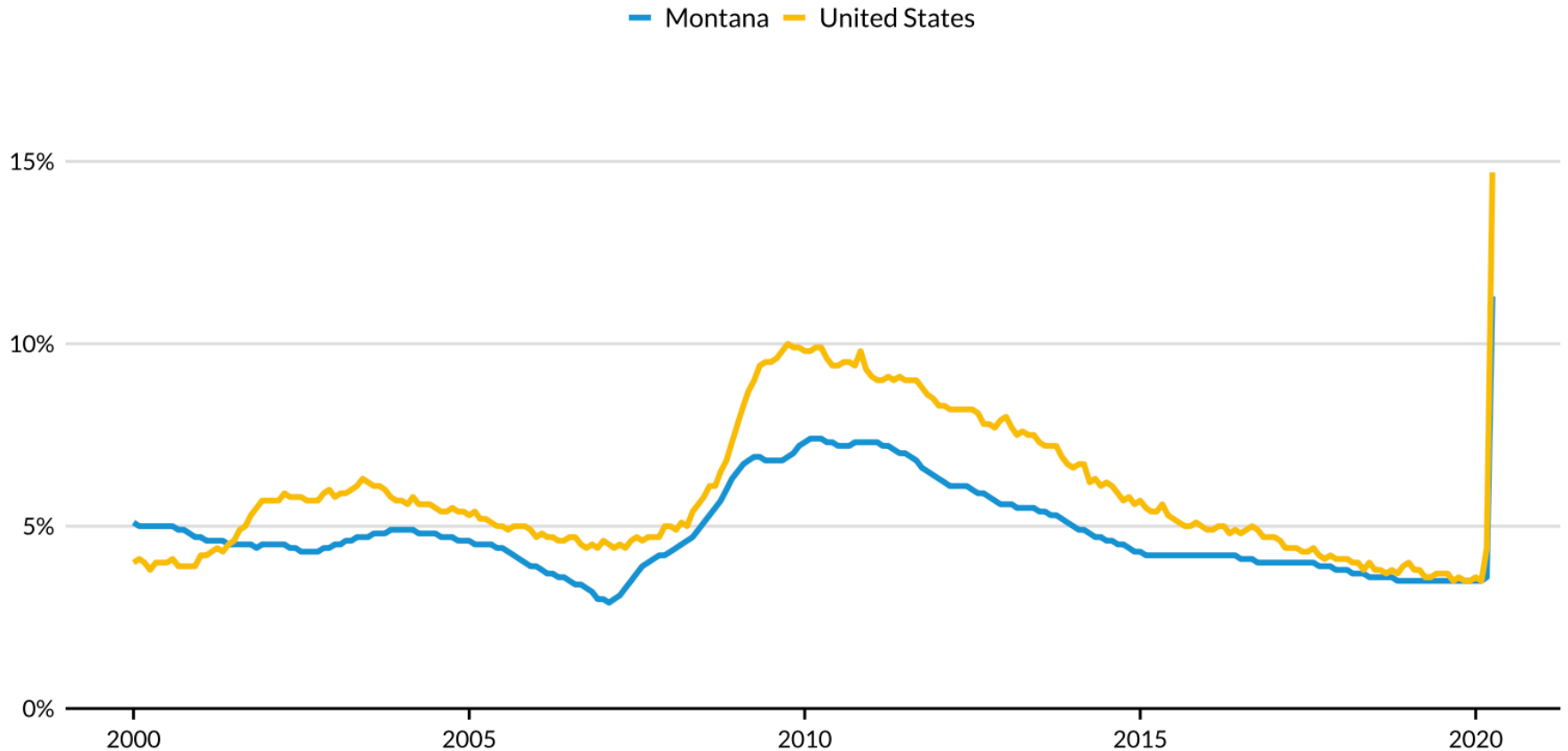


Source: US Census, Fiscal Year 2017.

Note: Census's definition of the Mountain region includes Arizona, Colorado, Idaho, Minnesota, New Mexico, Nevada, Utah, and Wyoming.

Montana has seen a lower unemployment rate compared to nationally, but experiencing similar uptick tied to COVID-19.

Montana's Unemployment Rate
2000-2020

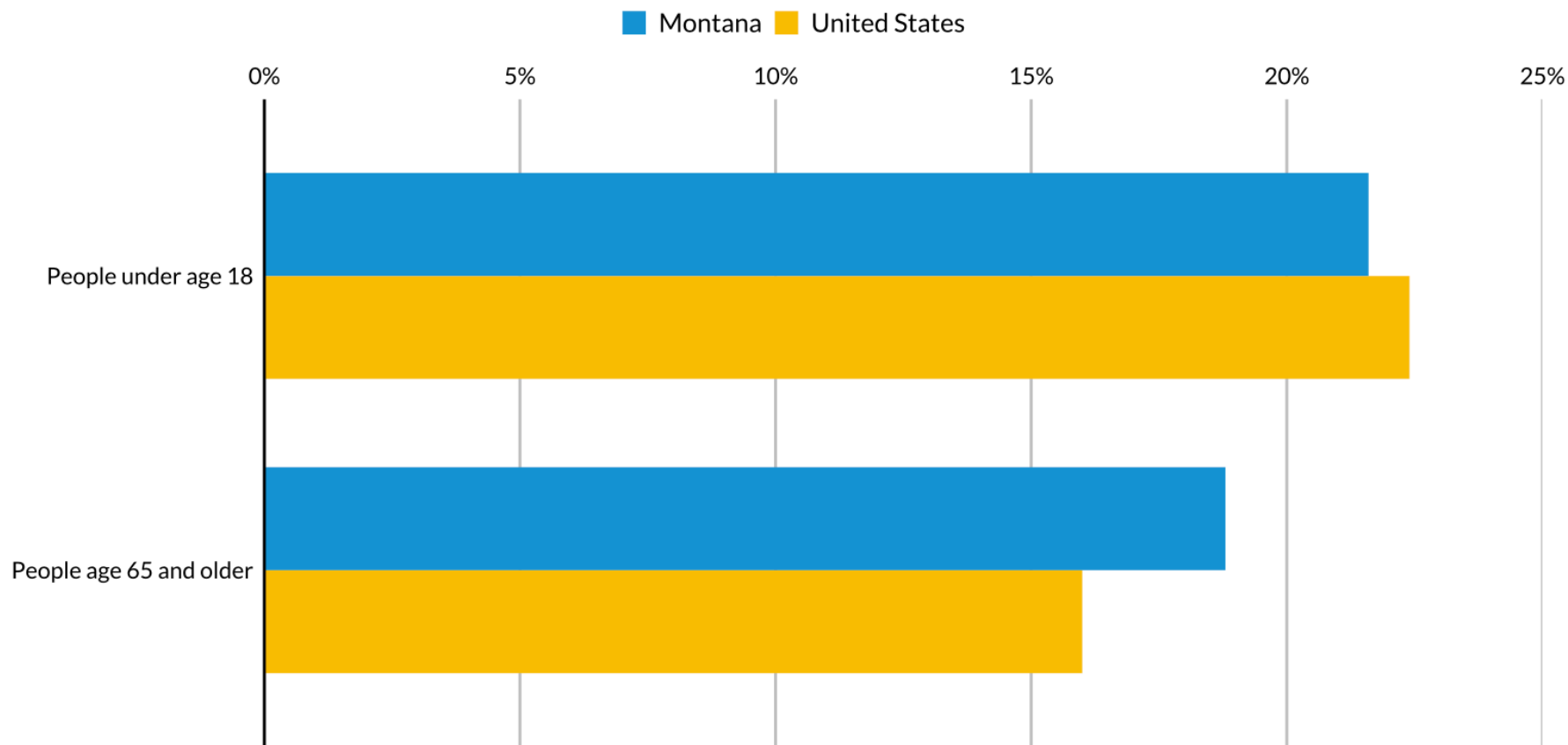


Source: Bureau of Labor Statistics.

Montana's population is older than national average.

Montana's Age Demographics, 2018

Compared with national averages



Source: US Census Bureau.

Montana Economy (At a Glance)

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

- Finance/Real Estate
- Government (federal, state, and local)
- 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.

Key Budget Terms

Biennium: A two-year period. Montana's legislative biennium is named for the second year in the biennium.

- Last budget cycle was the **2021 Biennium**, which included FY20 and FY21.
- This upcoming budget cycle is the **2023 Biennium**, which includes FY22 and FY23.

Fiscal Year: A 12-month period used for accounting purposes. Montana's fiscal year runs from July 1 - June 30.

- **FY20:** July 1, 2019 – June 30, 2020
- **FY21:** July 1, 2020 – June 30, 2021

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.

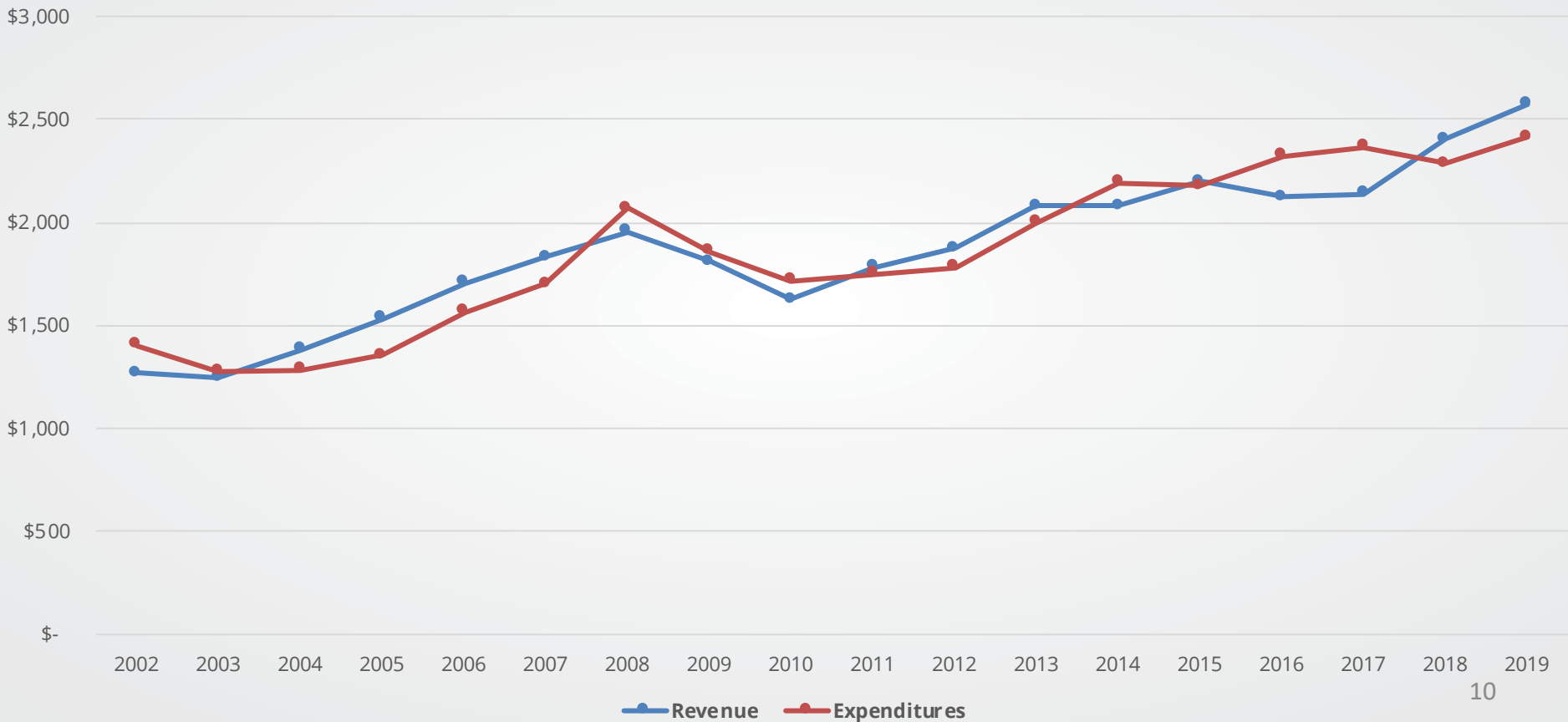
Proprietary Funds: Enterprise or internal service funds that are generated from the sale of goods or providing services.

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.

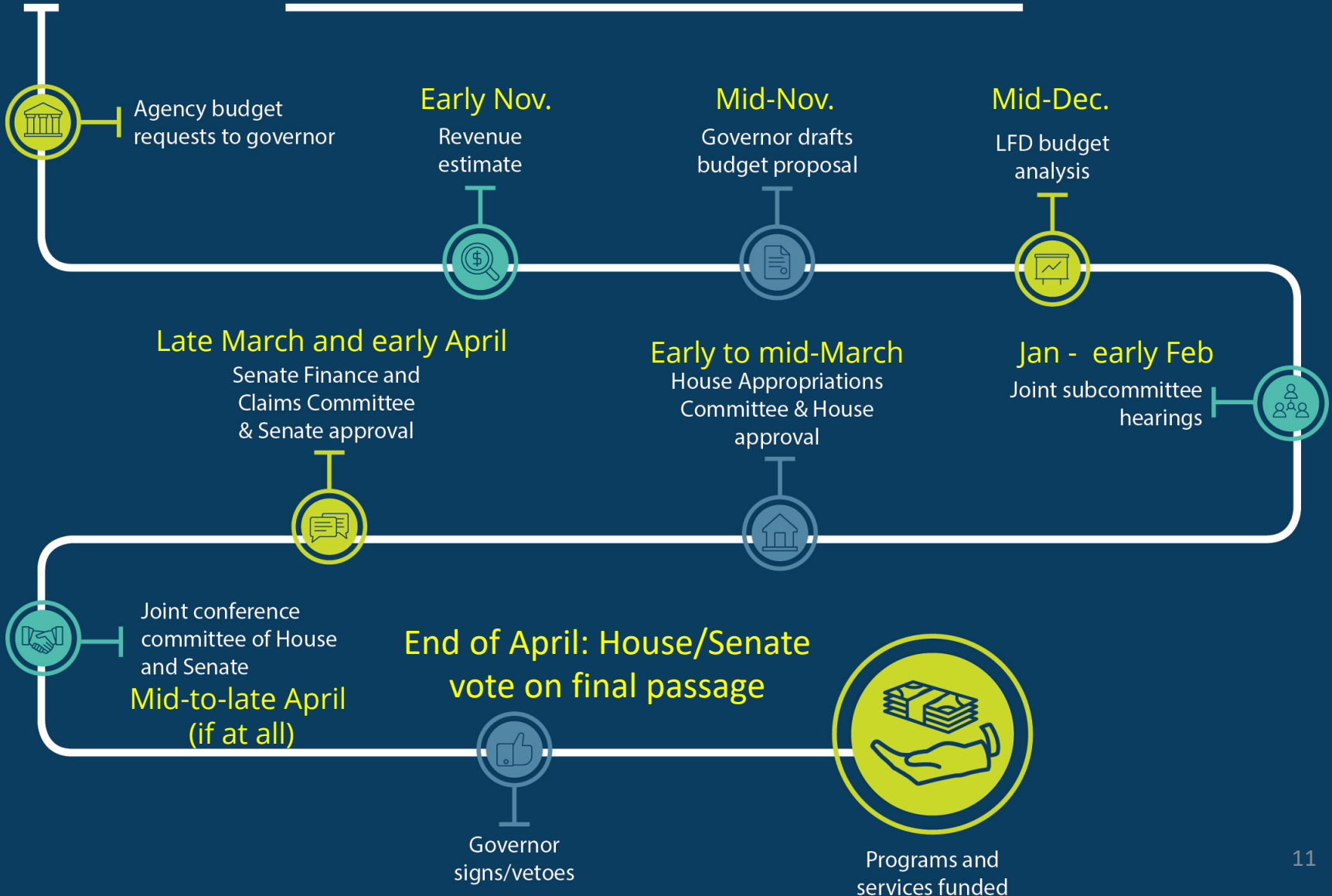
From 2002 to 2019, revenue and expenditures have grown at the same rate.

General Fund Revenue & Expenditures by Fiscal Year
(in millions)



BUILDING A BUDGET

A GUIDE TO MONTANA'S PROCESS



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

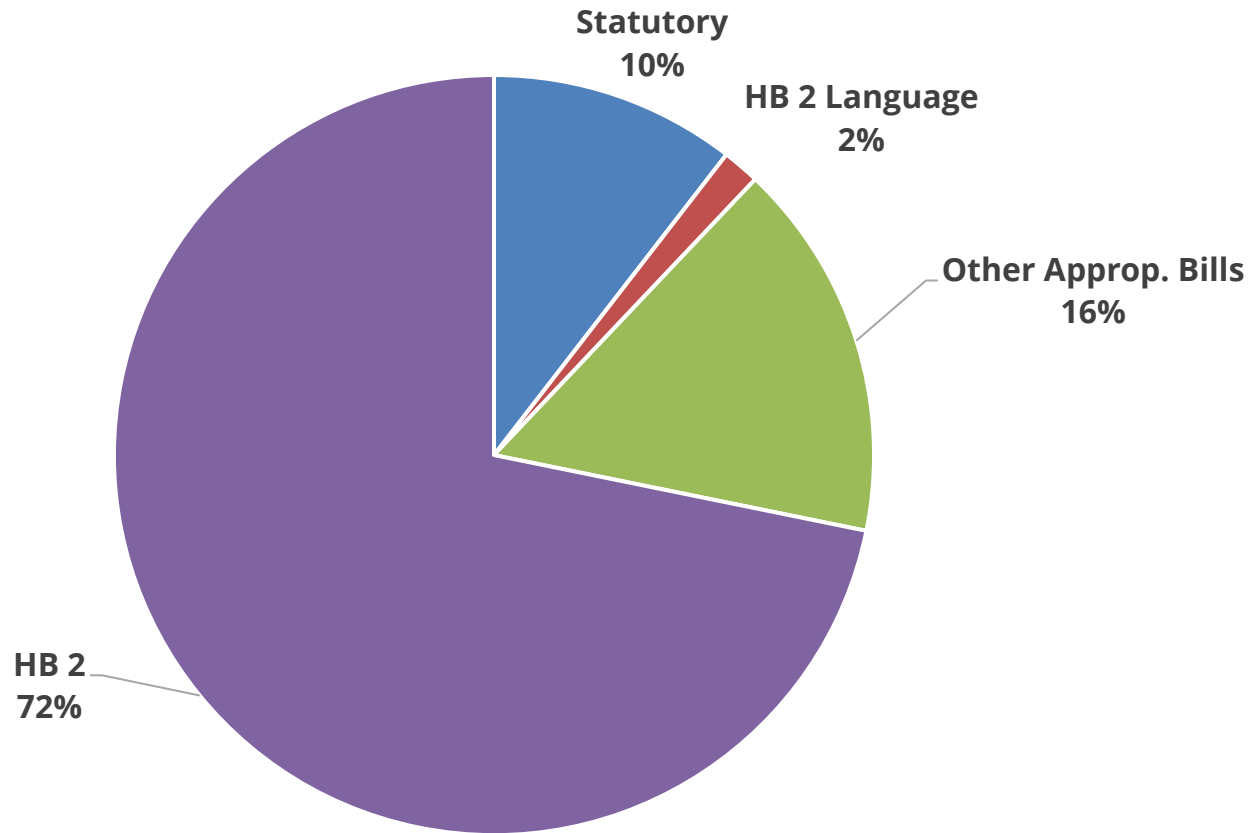
Public Instruction
Board of Public Ed
Higher Education
School for Deaf and Blind
Arts Council
State Library
Historical Society

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

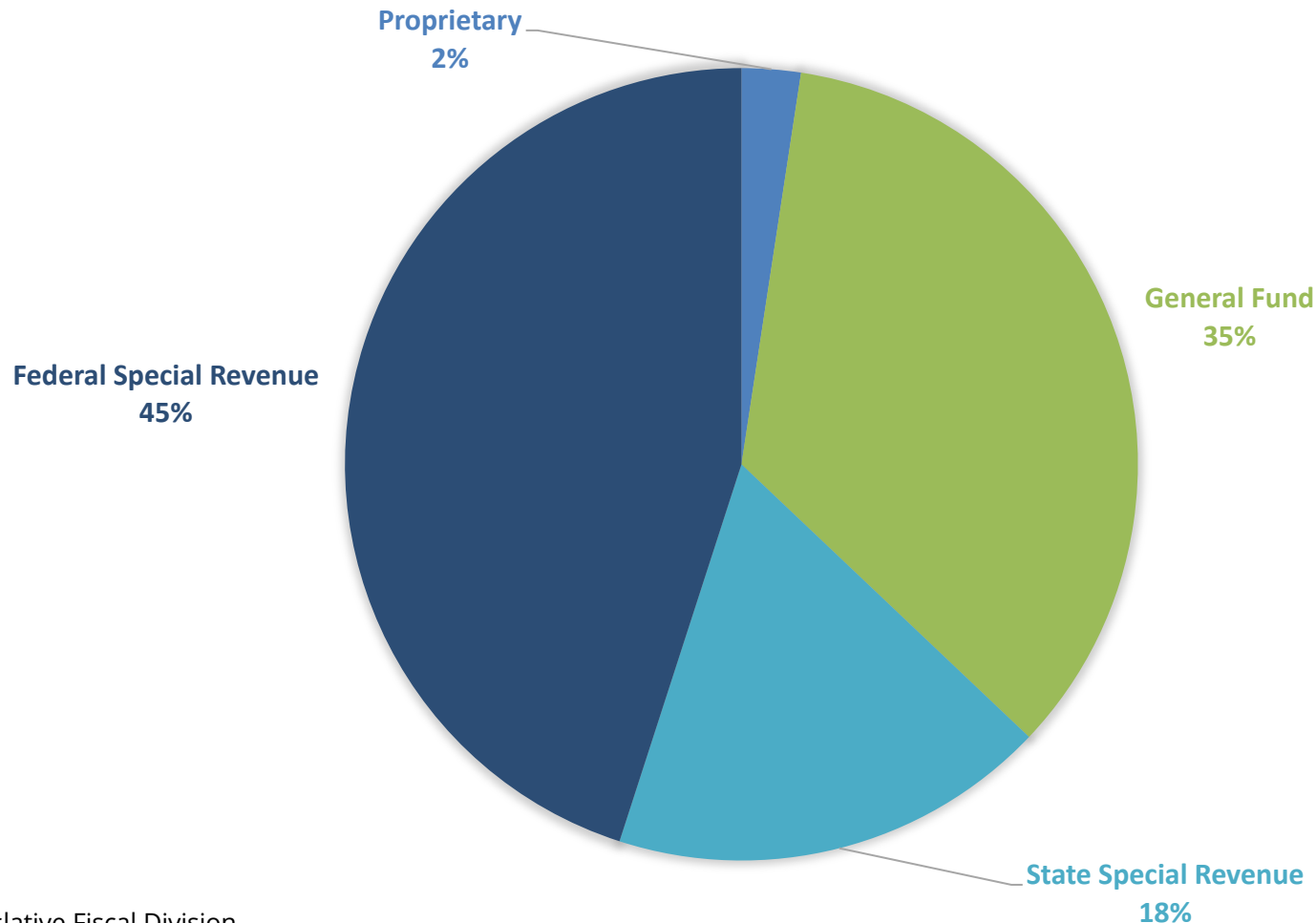
The vast majority of the state budget is within HB 2.

2021 Biennium Total Budget = \$14,366
By Source of Appropriation Authority
(\$ Millions)

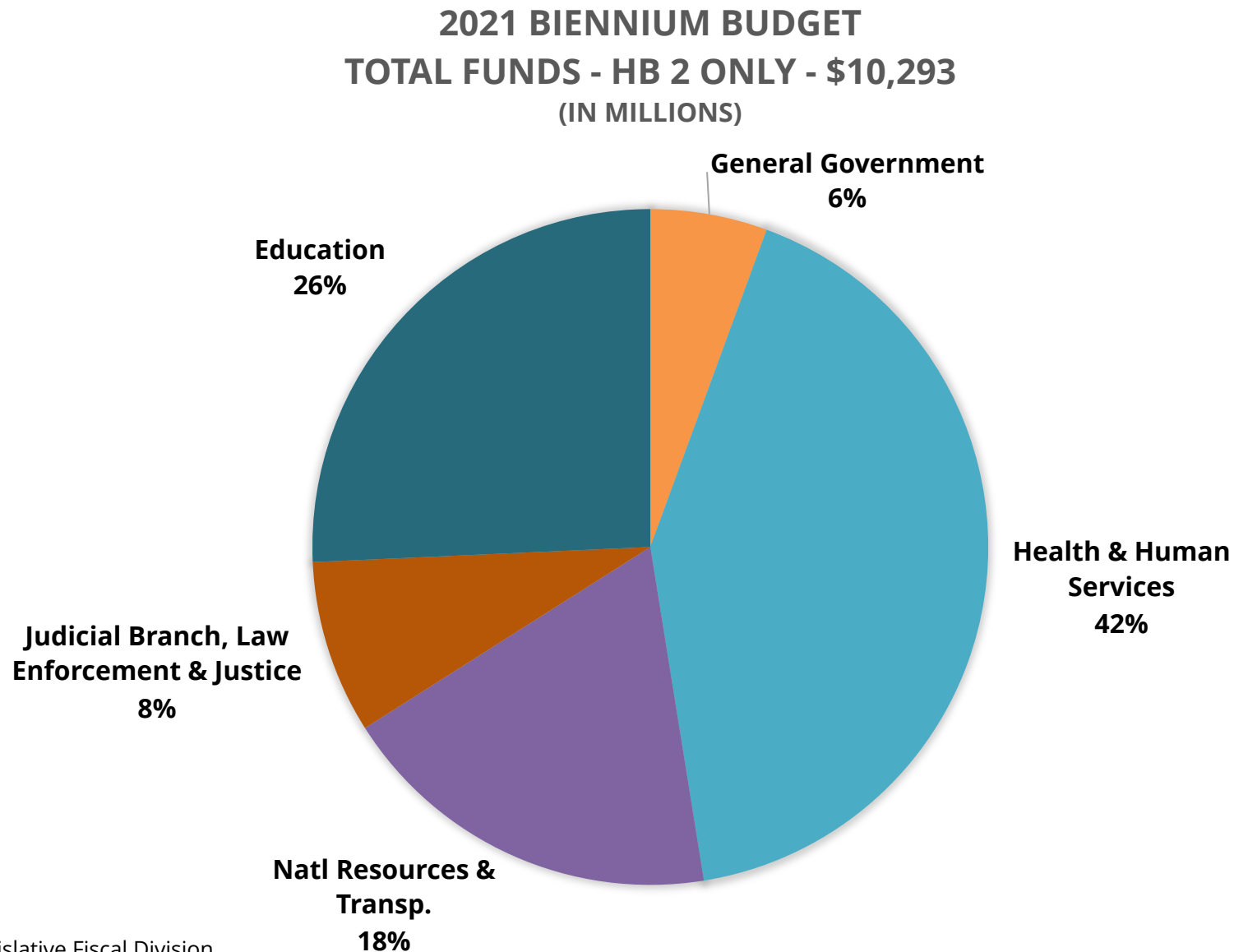


Federal funds comprise nearly half of revenue for Montana's state budget.

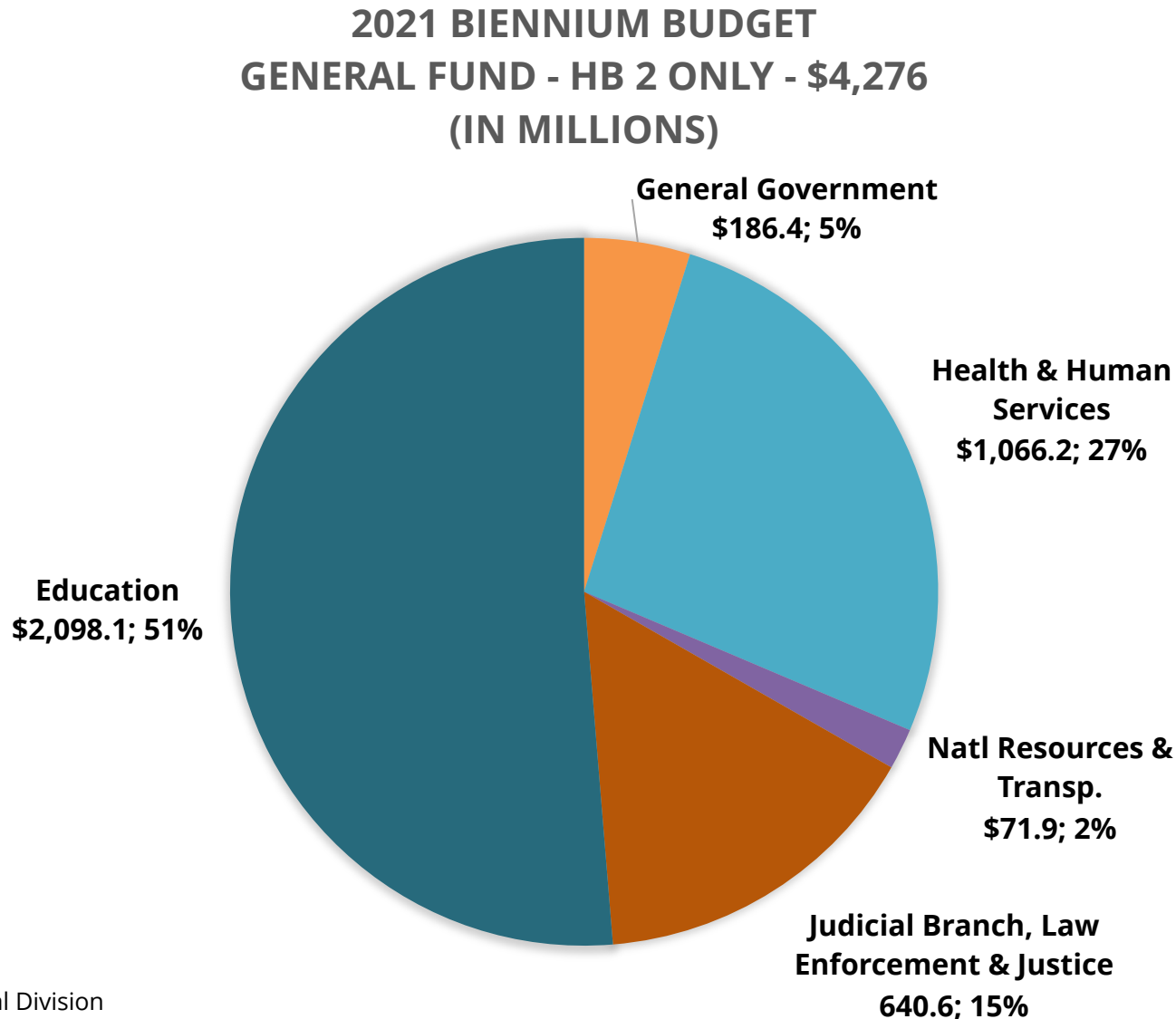
2021 BIENNIUM TOTAL BUDGET (REGULAR SESSION) = \$14,336
BY SOURCE OF FUNDING
(\$ MILLIONS)



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

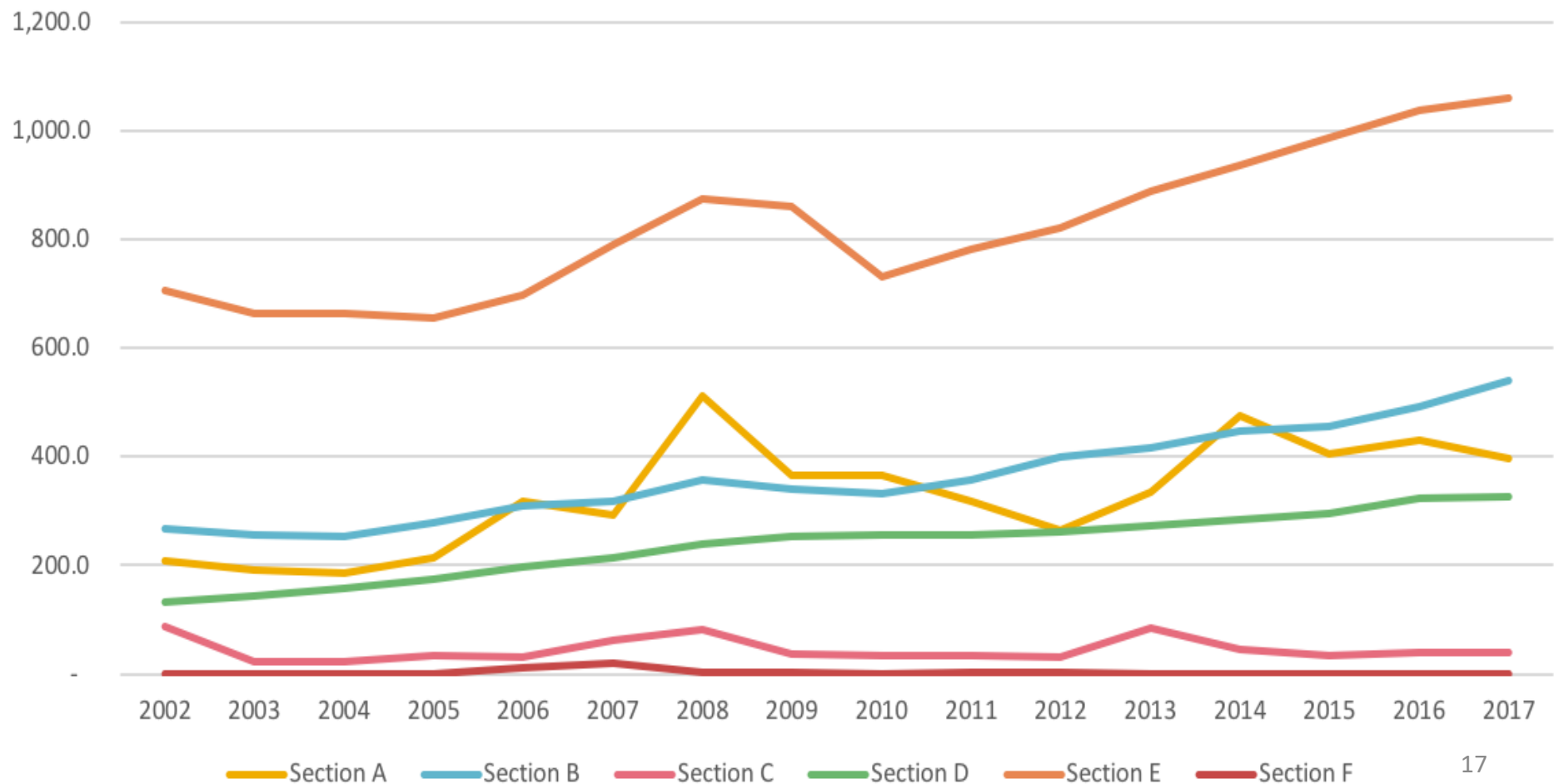


Education funding makes up half of general fund appropriations.

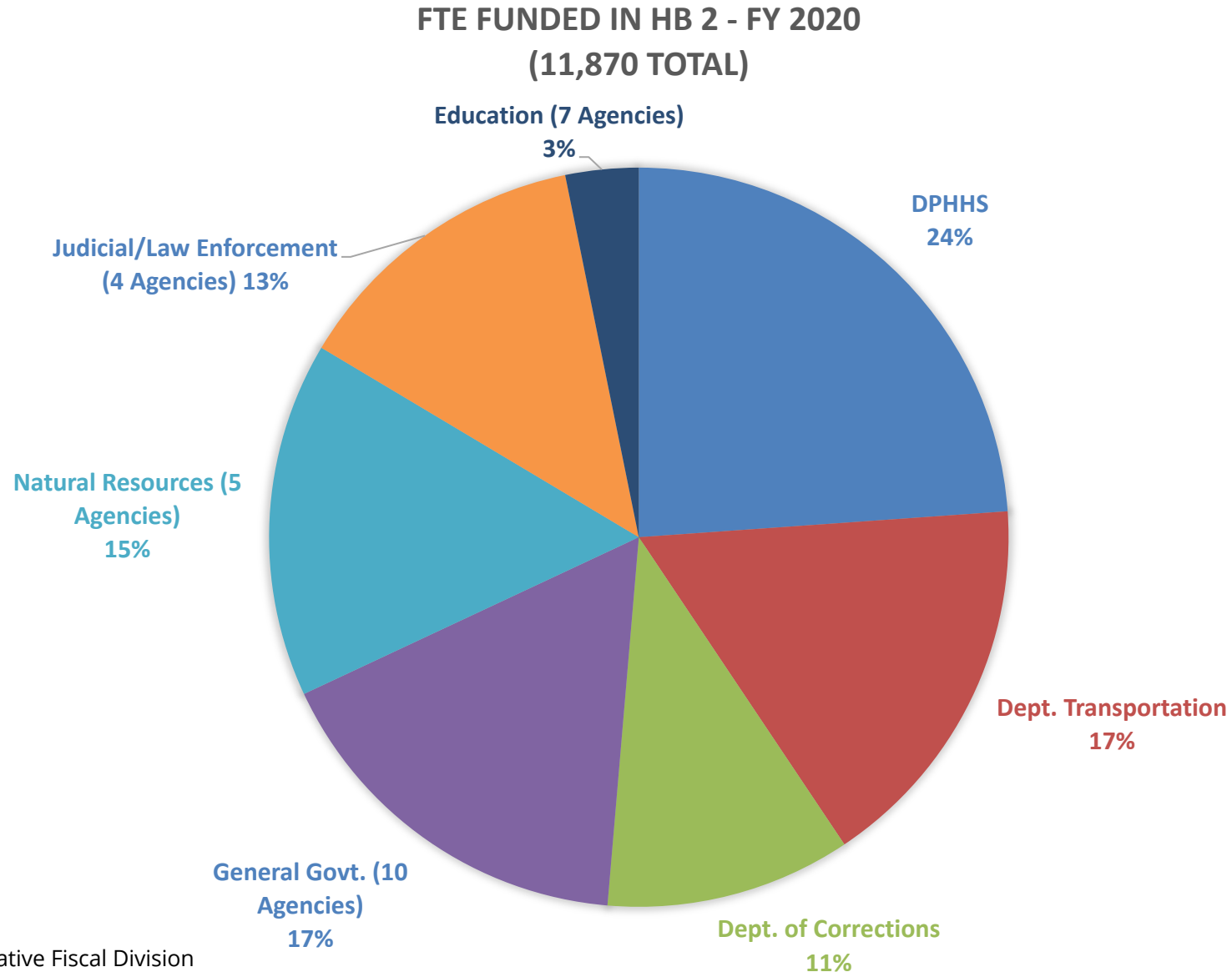


Investments in education play a significant role in state budget growth.

GENERAL FUND EXPENDITURES BY SECTION BY FISCAL YEAR
2002 - 2017



FTE by Department



Questions?



Heather O'Loughlin

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Montana Budget and Policy Center

www.montanabudget.org

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Montana Government Revenues

June 17, 2020

Mike Kadas

MONTANA DEPARTMENT OF REVENUE

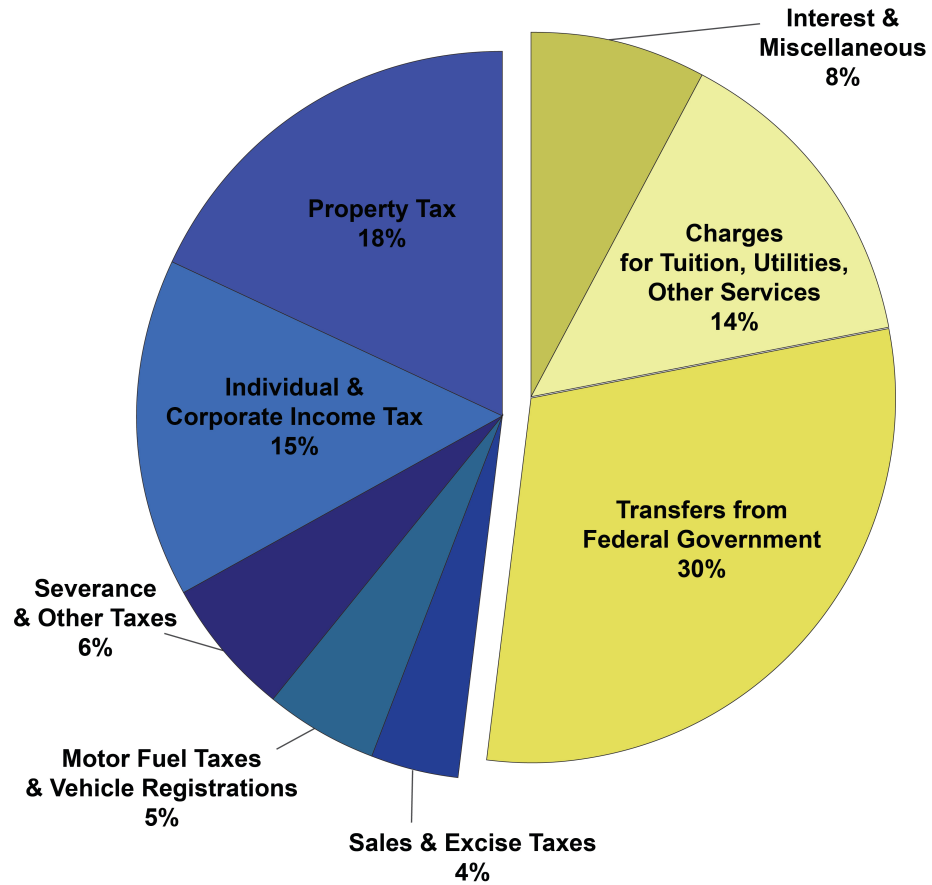
BIENNIAL REPORT

JULY 1, 2016 - JUNE 30, 2018

<https://mtrevenue.gov/publications/biennial-reports/>



Detailed State and Local Revenue in Montana, Fiscal Year 2016

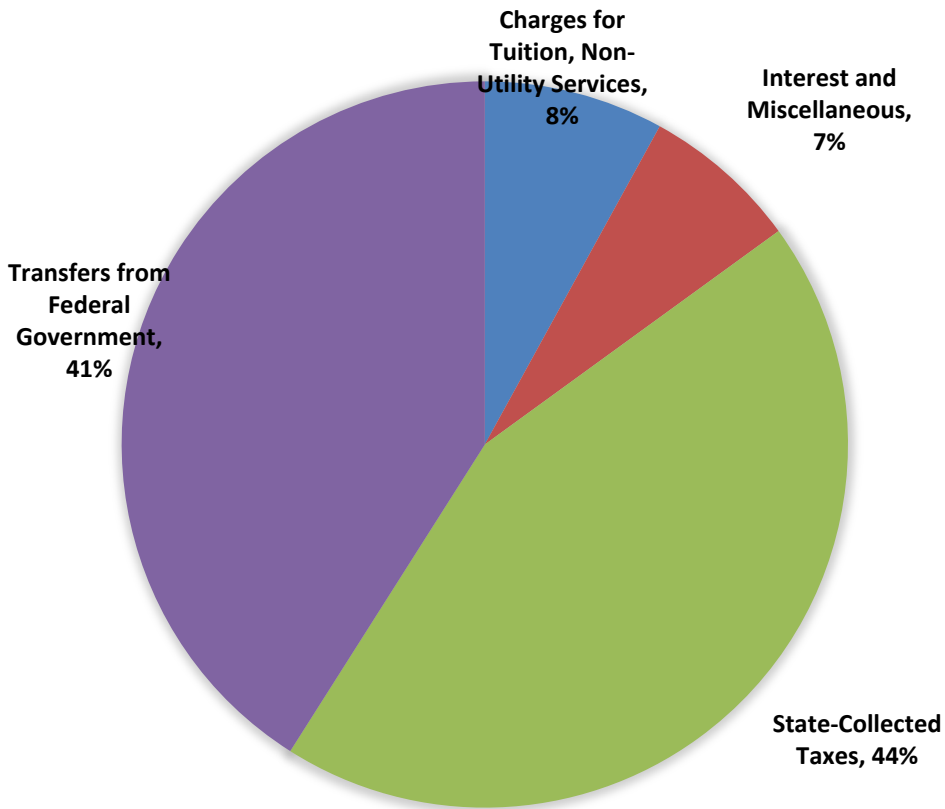


Revenue, by Source, for State and Local

Federal funds as well as charges, such as tuition, comprise significant portion of overall state revenue.

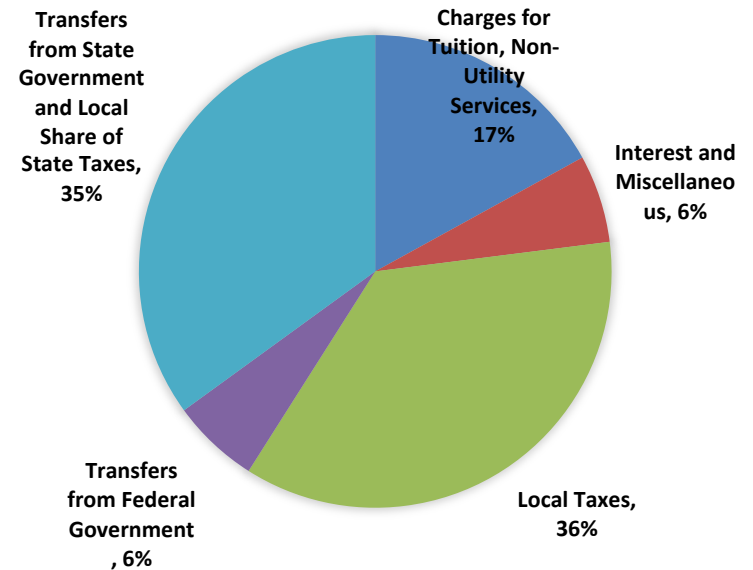
State Revenue in Montana, FY 2016

\$6.006 billion



Local Revenue in Montana, FY 2016

\$3.762 billion

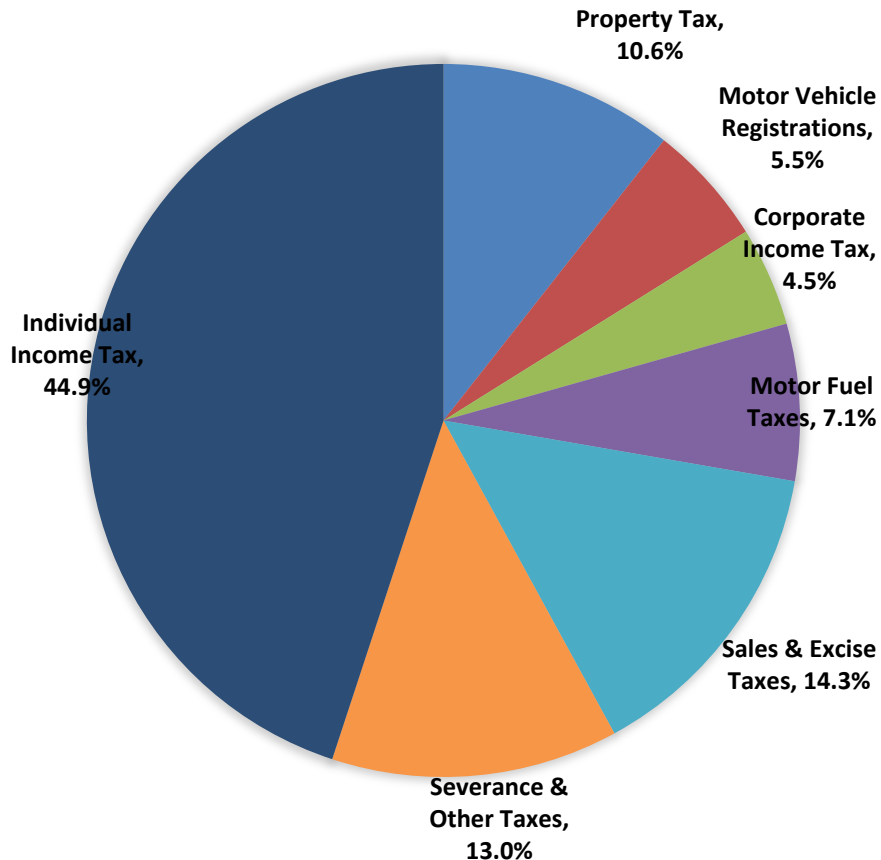


State and Local *Taxes*, by Source

Individual income tax is largest source of *tax revenue* to the state, while property tax is the largest source of *tax revenue* to local governments.

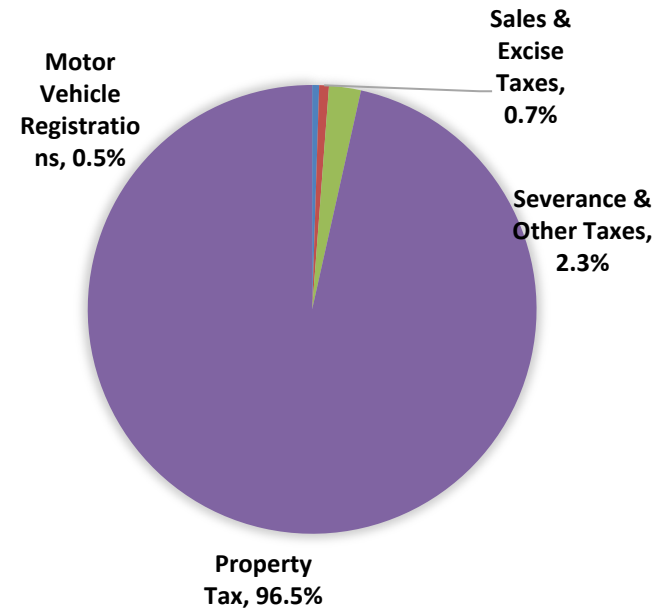
State Taxes in Montana, FY 2016

\$2.628 billion



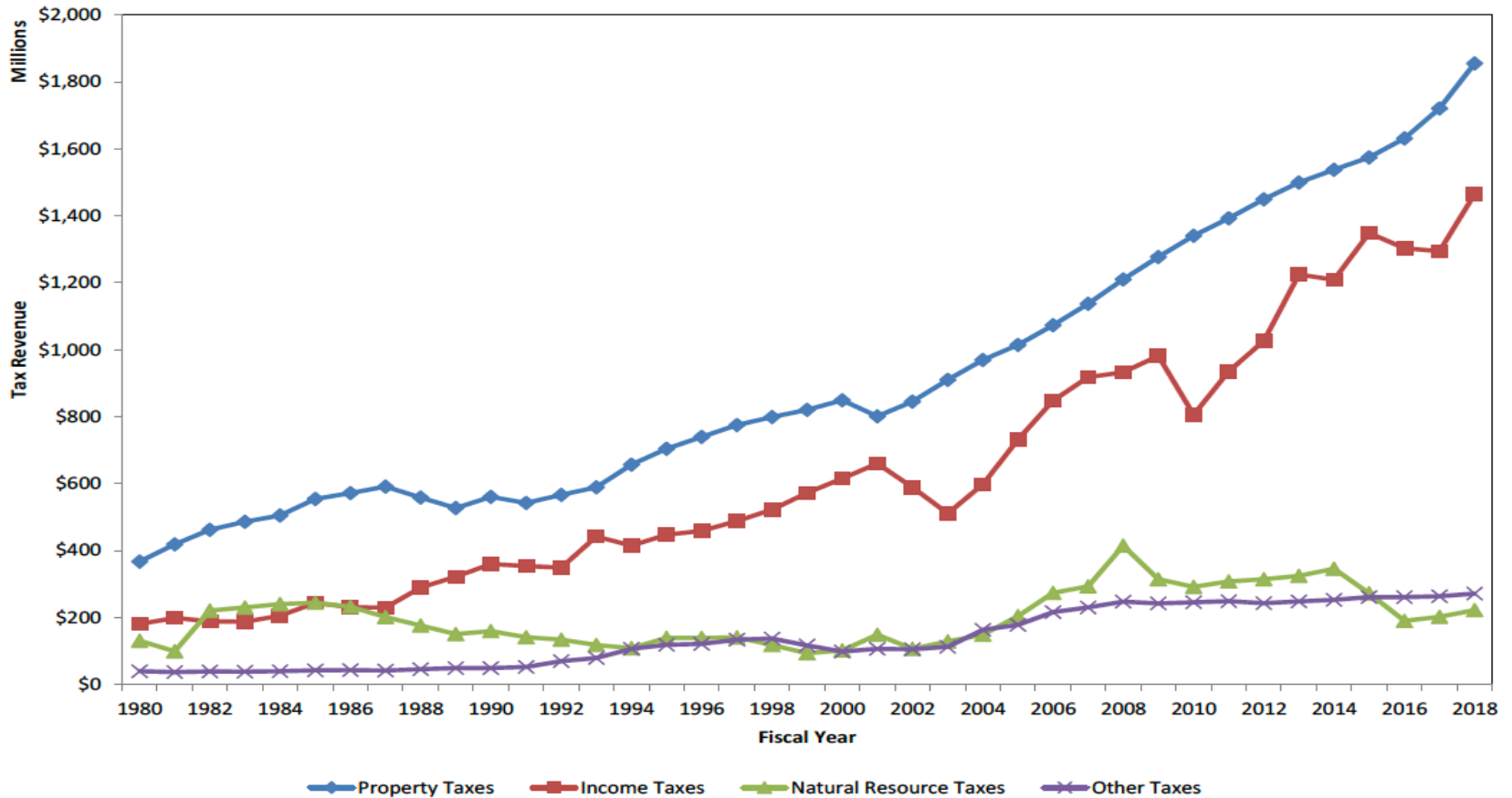
Local Taxes in Montana, FY 2016

\$1.344 billion



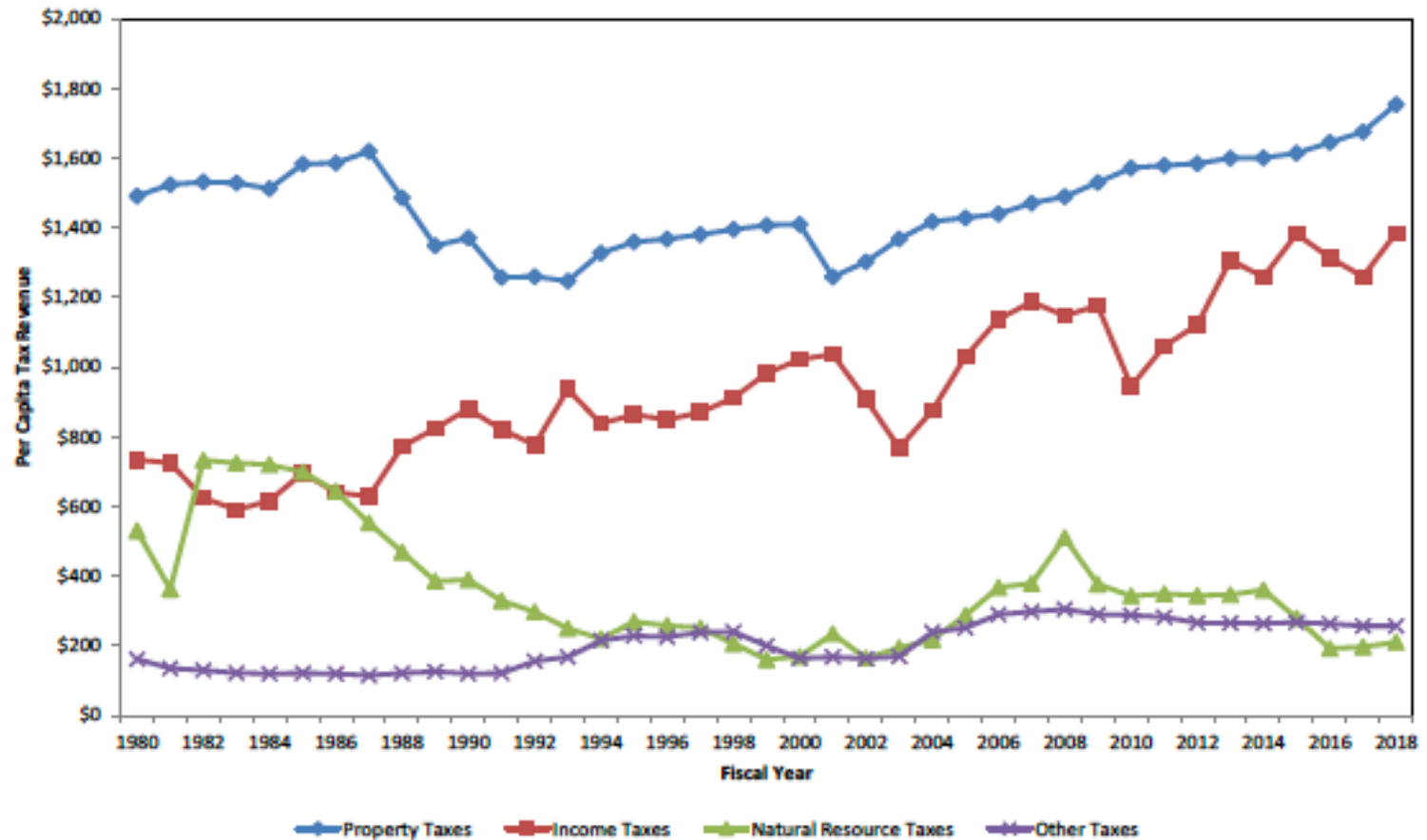
DOR State and Local Taxes in Montana 1980 - 2018

Four Types of Taxes Reported Separately



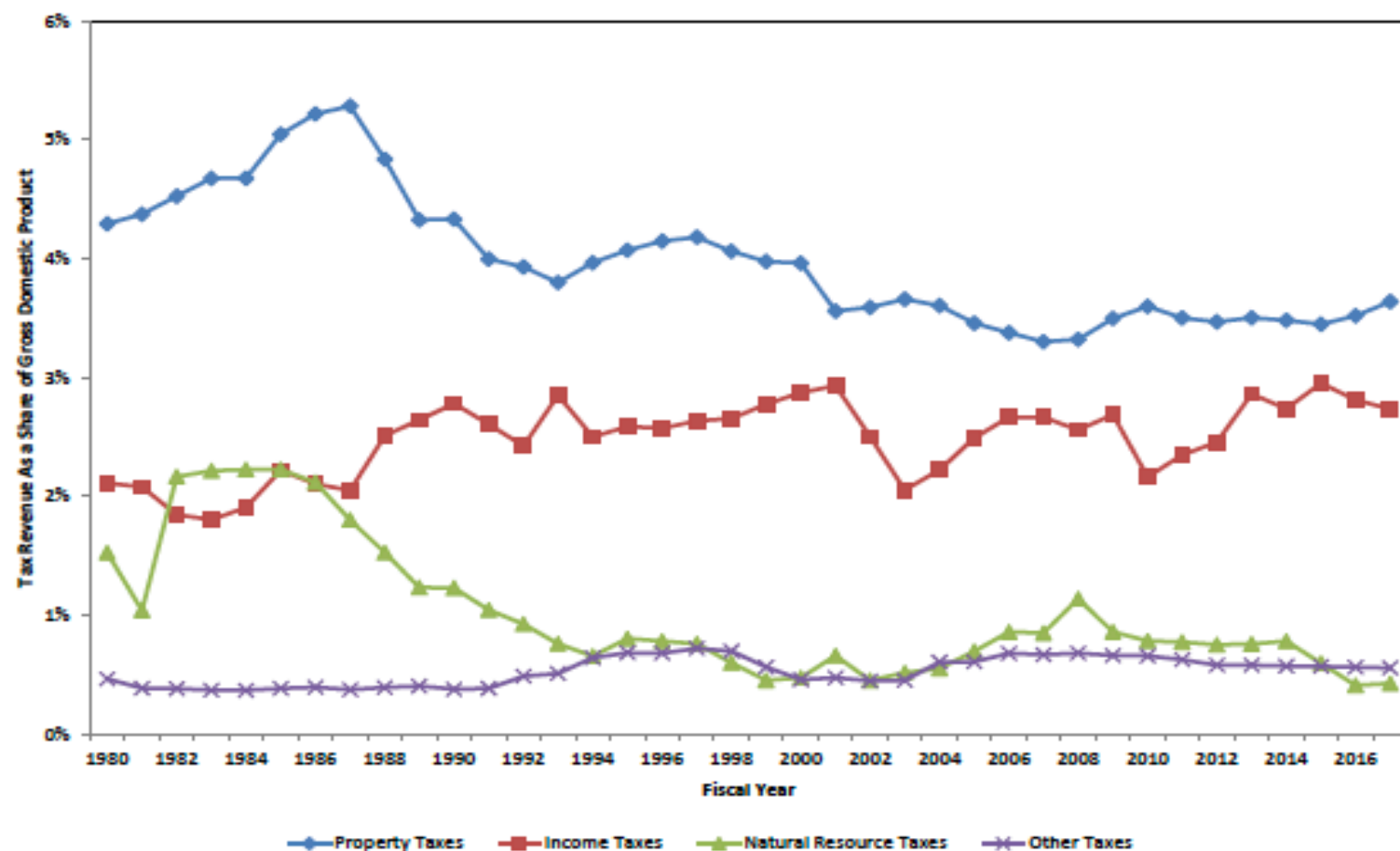
Per Capita DOR State and Local Taxes in Montana 1980 - 2018

Four Types of Taxes Reported Separately
Adjusted for Inflation



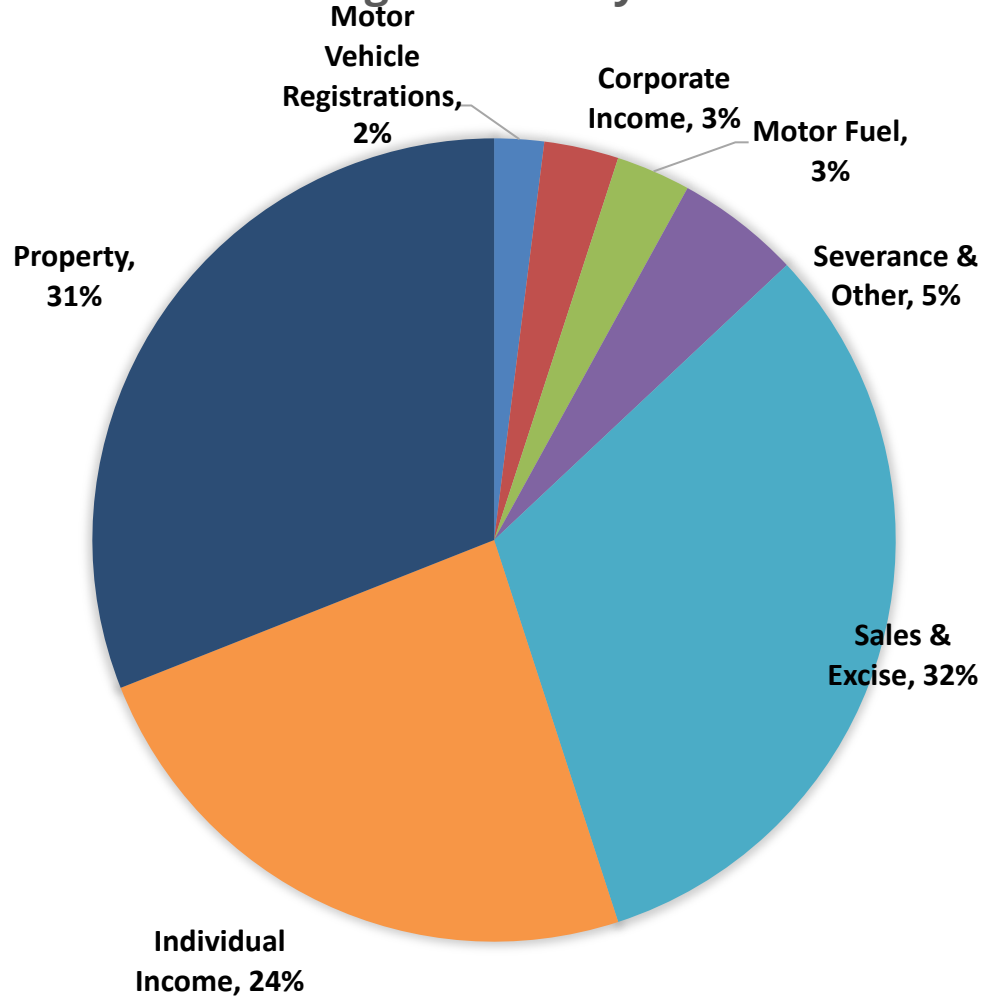
DOR State and Local Taxes as a Share of GDP in Montana 1980 - 2017

Four Types of Taxes Reported Separately

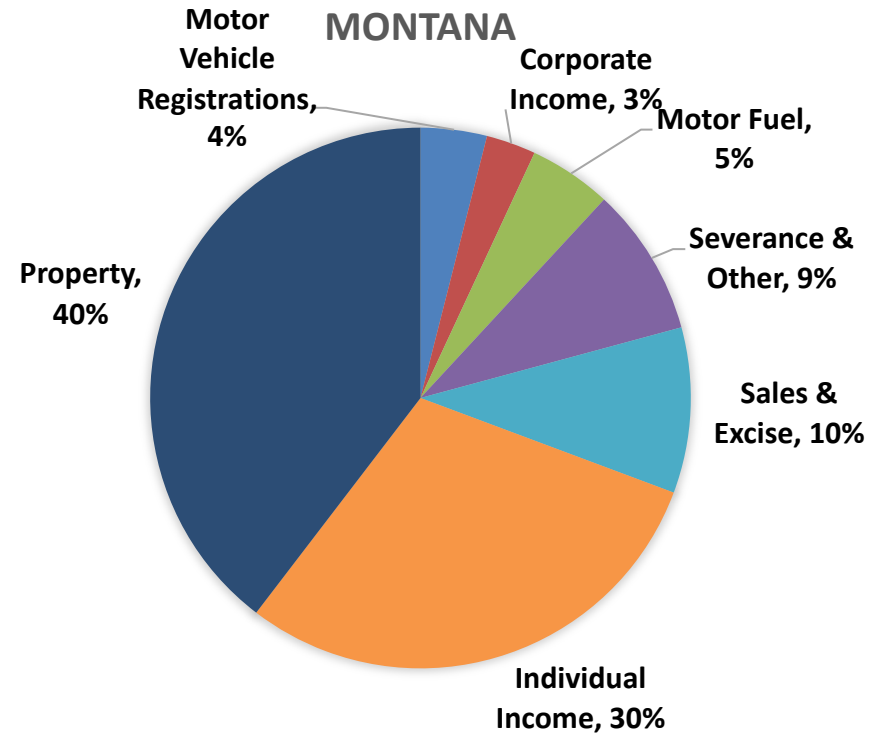


State and Local Tax Comparison

Average of all Fifty States

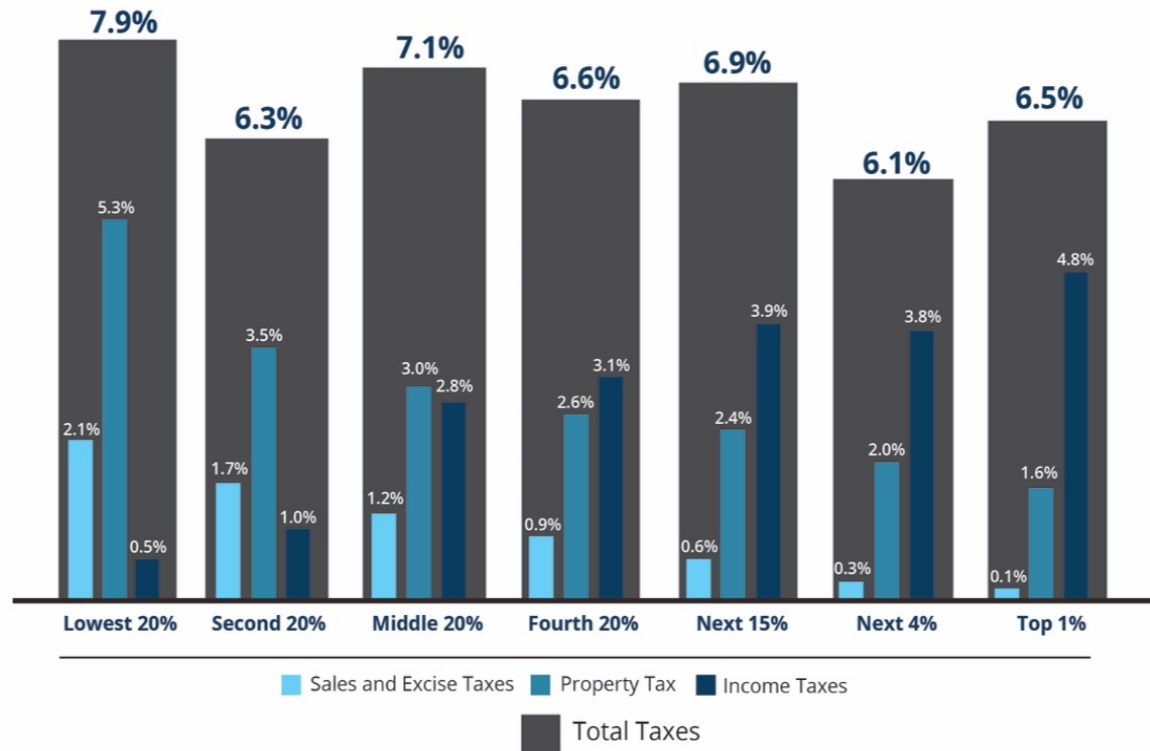


MONTANA



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

State and local taxes as a share of family income for non-elderly taxpayers



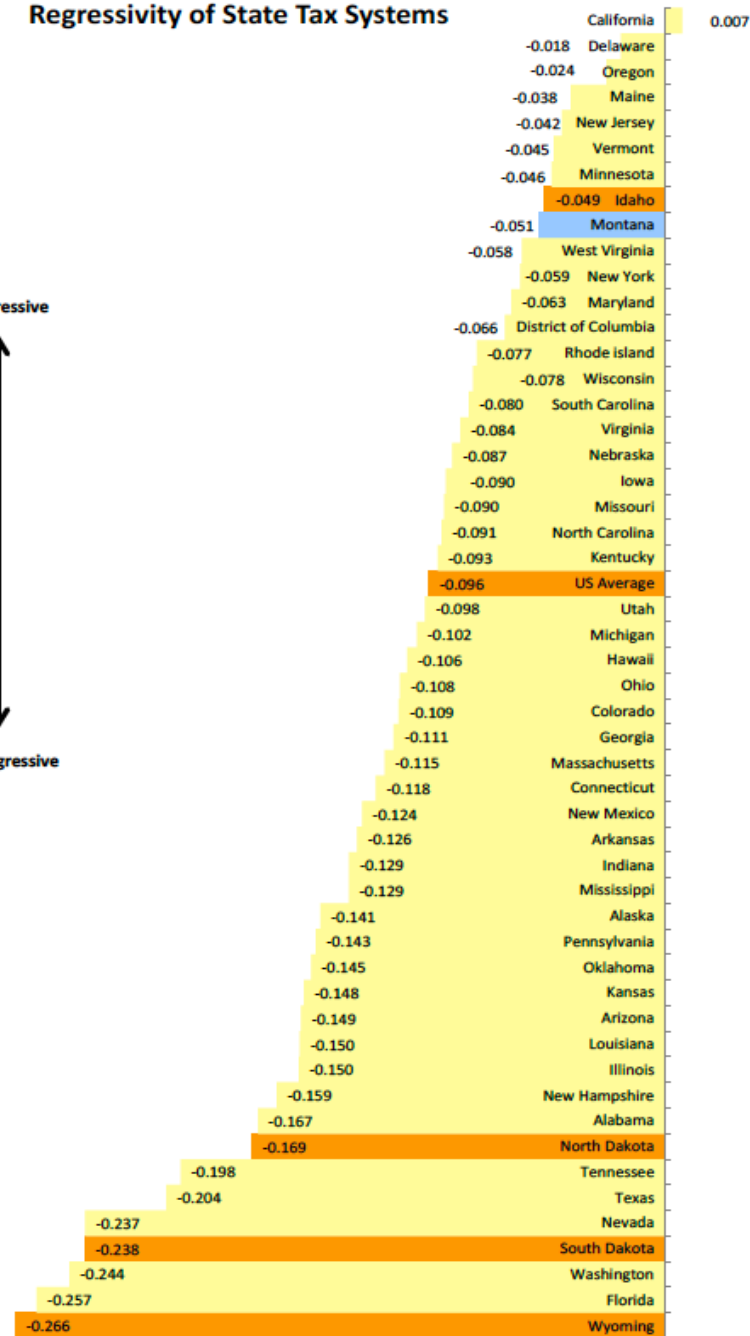
Source: Institute on Taxation and Economic Policy. "Who Pays? A Distributional Analysis of the Tax Systems in All 50 States, 6th Edition." October, 2018.

Regressivity of State Tax Systems

Less Regressive



More Regressive



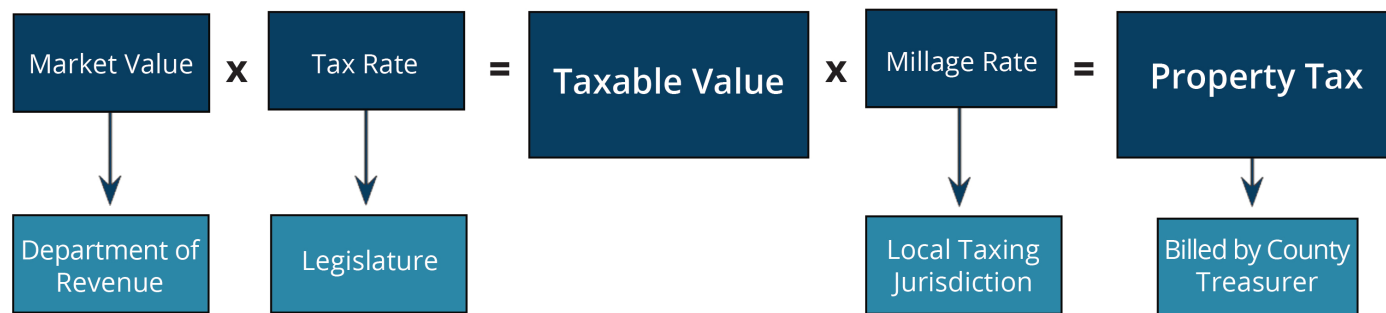
Suits Index, More Negative = More Regressive

Taxes Per Person - FY 2016

State	Property Tax		Sales and Gross Receipts		Individual and Corporate Income Tax		Other Taxes		Total	
	\$	Rank	\$	Rank	\$	Rank	\$	Rank	\$	Rank
Average of All States	\$1,556		\$1,728		\$1,331		\$330		\$4,946	
Alabama	\$545	51	\$1,574	30	\$821	37	\$264	33	\$3,203	51
Alaska	\$2,047	12	\$806	47	\$286	44	\$673	5	\$3,812	40
Arizona	\$1,062	35	\$1,725	20	\$657	40	\$138	49	\$3,582	45
Arkansas	\$712	49	\$1,981	10	\$1,081	31	\$183	46	\$3,958	31
California	\$1,559	18	\$1,837	16	\$2,307	5	\$374	18	\$6,077	9
Colorado	\$1,425	26	\$1,669	23	\$1,286	22	\$241	38	\$4,622	23
Connecticut	\$2,927	4	\$1,714	21	\$2,307	6	\$272	31	\$7,220	3
Delaware	\$860	45	\$583	49	\$1,568	10	\$1,746	2	\$4,757	22
District of Columbia	\$3,535	1	\$2,607	4	\$3,601	1	\$1,098	4	\$10,841	1
Florida	\$1,263	31	\$1,764	19	\$110	46	\$340	24	\$3,478	47
Georgia	\$1,159	33	\$1,283	44	\$1,107	29	\$110	51	\$3,660	43
Hawaii	\$1,140	34	\$3,336	1	\$1,557	11	\$434	13	\$6,467	7
Idaho	\$944	42	\$1,287	43	\$1,018	33	\$265	32	\$3,514	46
Illinois	\$2,120	11	\$1,880	14	\$1,338	17	\$316	27	\$5,654	12
Indiana	\$967	41	\$1,632	26	\$1,142	27	\$131	50	\$3,872	37
Iowa	\$1,582	16	\$1,652	24	\$1,288	21	\$361	21	\$4,884	19
Kansas	\$1,490	22	\$1,906	12	\$903	34	\$196	44	\$4,494	26
Kentucky	\$775	47	\$1,418	37	\$1,449	15	\$181	47	\$3,823	39
Louisiana	\$887	44	\$2,126	8	\$648	41	\$227	43	\$3,888	36
Maine	\$2,124	10	\$1,570	31	\$1,270	23	\$264	34	\$5,227	15
Maryland	\$1,547	19	\$1,621	27	\$2,463	3	\$396	16	\$6,027	10
Massachusetts	\$2,357	9	\$1,331	42	\$2,457	4	\$324	26	\$6,469	6
Michigan	\$1,413	27	\$1,361	40	\$1,077	32	\$231	41	\$4,082	29
Minnesota	\$1,567	17	\$1,897	13	\$2,217	7	\$409	15	\$6,090	8
Mississippi	\$988	38	\$1,639	25	\$758	38	\$228	42	\$3,613	44
Missouri	\$971	40	\$1,401	39	\$1,119	28	\$191	45	\$3,682	42
Montana	\$1,517	21	\$550	50	\$1,252	24	\$505	9	\$3,824	38
Nebraska	\$1,909	13	\$1,491	33	\$1,338	16	\$349	23	\$5,087	16
Nevada	\$994	37	\$2,676	3	\$0	48	\$606	6	\$4,277	28
New Hampshire	\$3,115	3	\$739	48	\$590	43	\$373	19	\$4,818	20
New Jersey	\$3,127	2	\$1,489	34	\$1,736	9	\$357	22	\$6,709	4
New Mexico	\$768	48	\$1,926	11	\$731	39	\$466	11	\$3,891	35
New York	\$2,782	5	\$2,189	6	\$3,464	2	\$522	7	\$8,957	2
North Carolina	\$975	39	\$1,417	38	\$1,291	20	\$236	40	\$3,919	33
North Dakota	\$1,296	29	\$2,365	5	\$601	42	\$2,368	1	\$6,630	5
Ohio	\$1,264	30	\$1,794	17	\$1,172	26	\$244	37	\$4,473	27
Oklahoma	\$699	50	\$1,531	32	\$848	36	\$379	17	\$3,458	48
Oregon	\$1,444	24	\$507	51	\$2,051	8	\$505	8	\$4,508	25
Pennsylvania	\$1,477	23	\$1,614	28	\$1,551	12	\$416	14	\$5,058	17
Rhode Island	\$2,415	7	\$1,602	29	\$1,305	19	\$239	39	\$5,562	13
South Carolina	\$1,164	32	\$1,096	46	\$869	35	\$306	29	\$3,435	49
South Dakota	\$1,394	28	\$2,141	7	\$38	47	\$365	20	\$3,938	32
Tennessee	\$836	46	\$1,875	15	\$280	45	\$331	25	\$3,322	50
Texas	\$1,762	14	\$2,014	9	\$0	48	\$244	36	\$4,020	30
Utah	\$1,019	36	\$1,354	41	\$1,218	25	\$153	48	\$3,744	41
Vermont	\$2,593	6	\$1,691	22	\$1,329	18	\$291	30	\$5,904	11
Virginia	\$1,545	20	\$1,155	45	\$1,544	13	\$316	28	\$4,560	24
Washington	\$1,436	25	\$3,113	2	\$0	48	\$501	10	\$5,050	18
West Virginia	\$915	43	\$1,468	35	\$1,088	30	\$445	12	\$3,917	34
Wisconsin	\$1,624	15	\$1,424	36	\$1,468	14	\$254	35	\$4,770	21
Wyoming	\$2,393	8	\$1,767	18	\$0	48	\$1,384	3	\$5,545	14

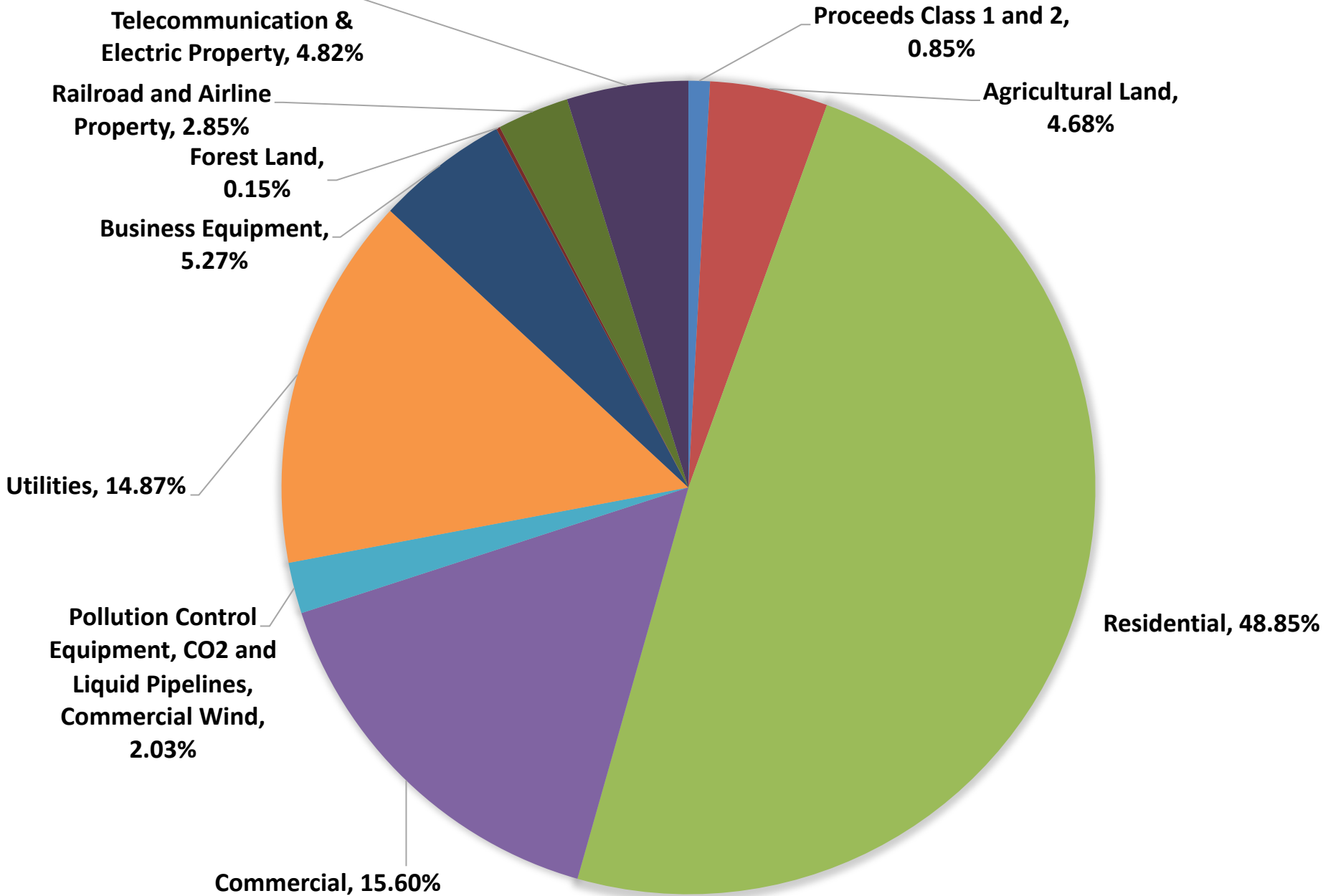
Property Taxes

\$1.752 billion (FY 2019)

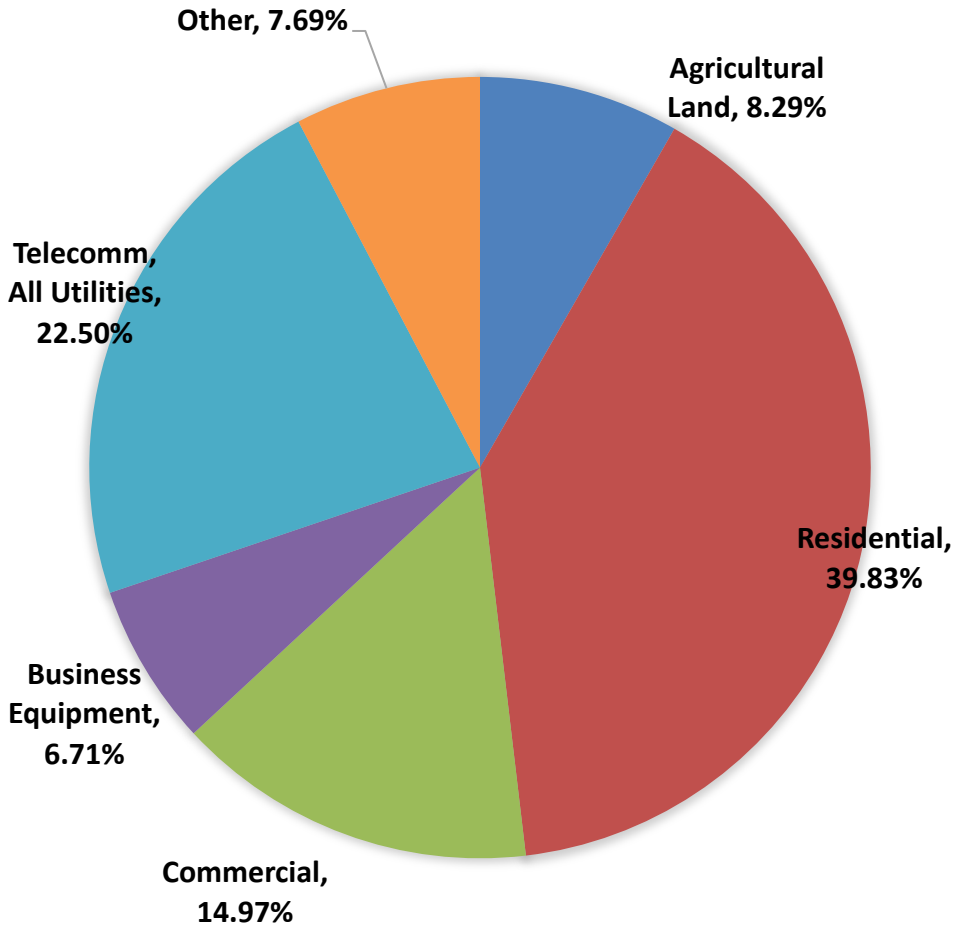


- State 17% (101 mills)
- Schools 42%
- Local Government 41%

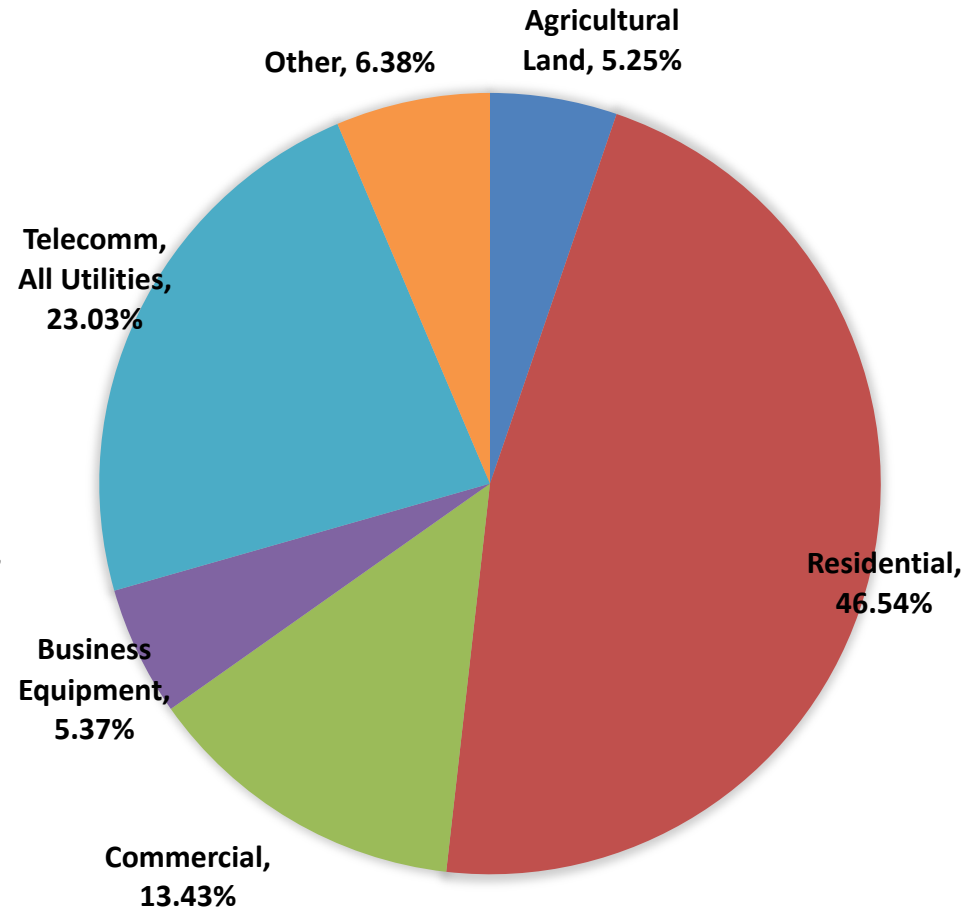
PERCENT OF PROPERTY TAX PAID BY CLASS TY 2018



**PERCENT OF TAXABLE VALUE BY
CLASS TY 2000**

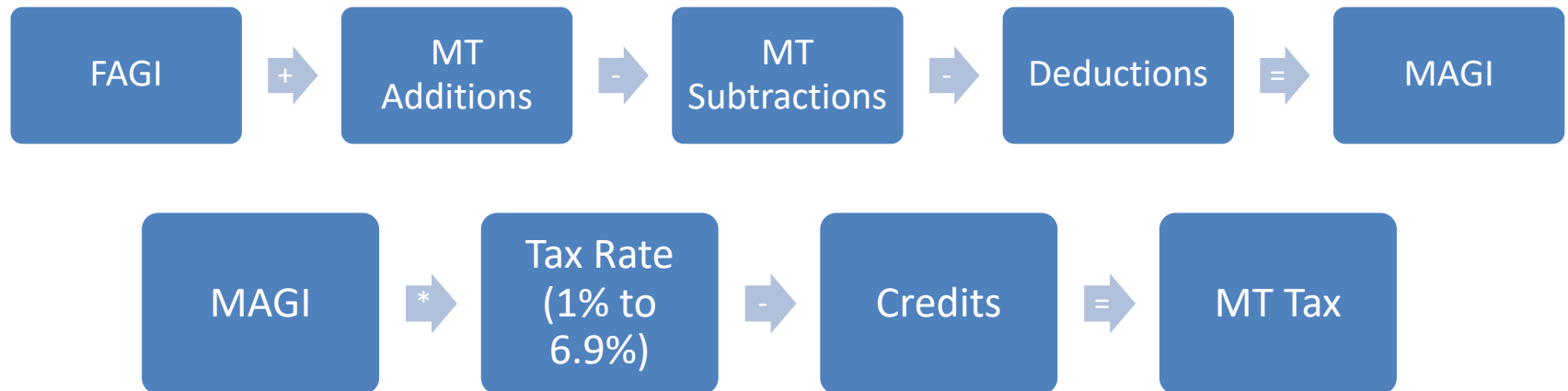


**PERCENT OF TAXABLE VALUE BY
CLASS TY 2018**



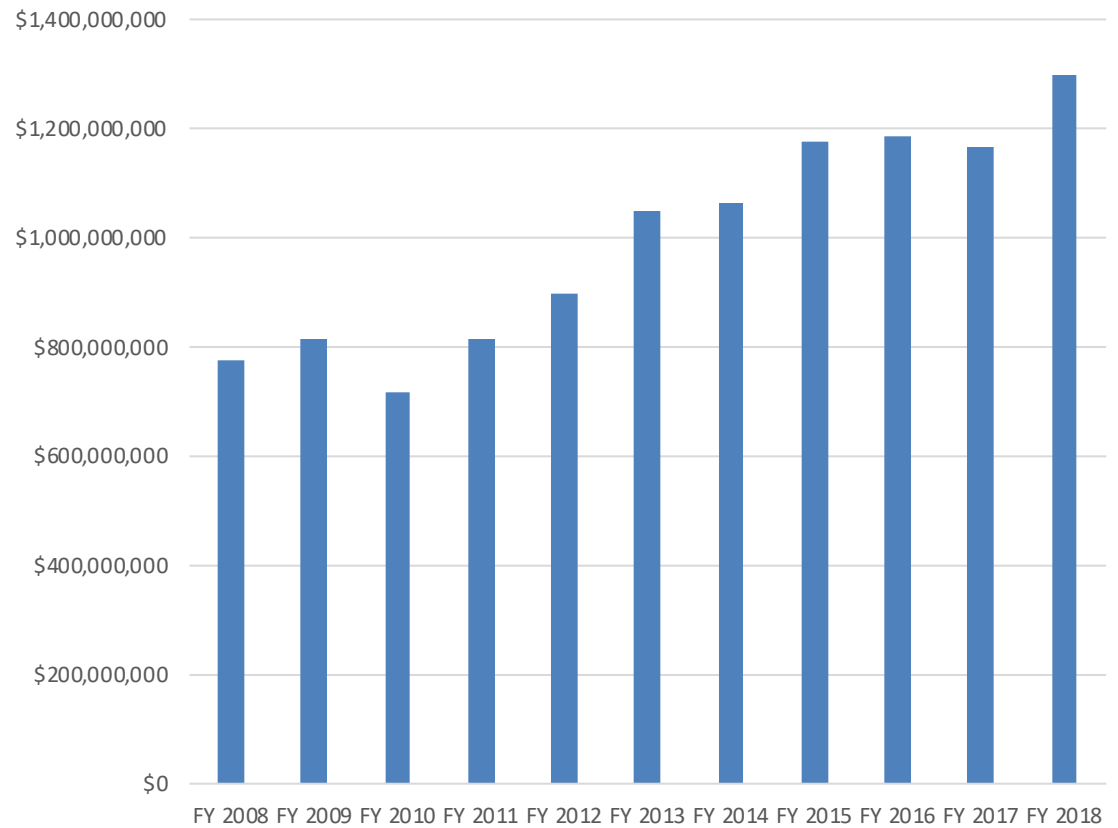
Personal Income Taxes

\$1.298 billion (FY 2018)



Individual Income Tax Collections

Fiscal Year	Total Revenue
FY 2008	\$776,574,977
FY 2009	\$815,138,193
FY 2010	\$717,834,371
FY 2011	\$816,089,973
FY 2012	\$898,851,201
FY 2013	\$1,047,789,985
FY 2014	\$1,063,284,408
FY 2015	\$1,175,744,881
FY 2016	\$1,184,827,762
FY 2017	\$1,168,224,644
FY 2018	\$1,297,776,586

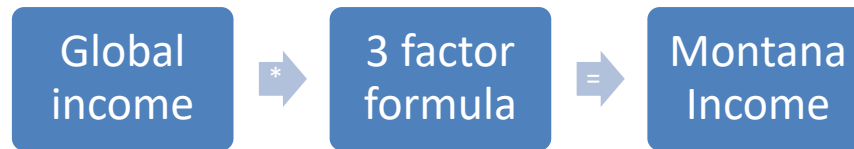


Taxable Income and Tax
Full-Year Residents 2017

Decile Group	Taxable Income			Tax Liability		
	\$ million	Average	% of Total	\$ million	Average	% of Total
1	\$0.5	\$8	0%	\$0.0	\$0	0%
2	\$116.0	\$2,029	1%	\$1.5	\$26	0%
3	\$344.2	\$6,021	2%	\$6.9	\$121	1%
4	\$629.2	\$11,007	3%	\$18.1	\$317	2%
5	\$968.9	\$16,950	5%	\$36.8	\$644	3%
6	\$1,335.2	\$23,358	7%	\$60.3	\$1,054	6%
7	\$1,720.5	\$30,098	9%	\$85.9	\$1,503	8%
8	\$2,245.6	\$39,284	11%	\$121.3	\$2,122	11%
9	\$3,118.6	\$54,556	16%	\$180.1	\$3,151	16%
10	\$9,409.1	\$164,598	47%	\$584.4	\$10,224	53%
Top 5%	\$7,156.5	\$250,385	36%	\$448.2	\$15,683	41%
Top 1%	\$3,874.9	\$677,783	20%	\$242.9	\$42,486	22%
All	\$19,887.8	\$34,791	100%	\$1,095.5	\$1,916	100%

Corporate Income Taxes

\$167 million (FY 2018)

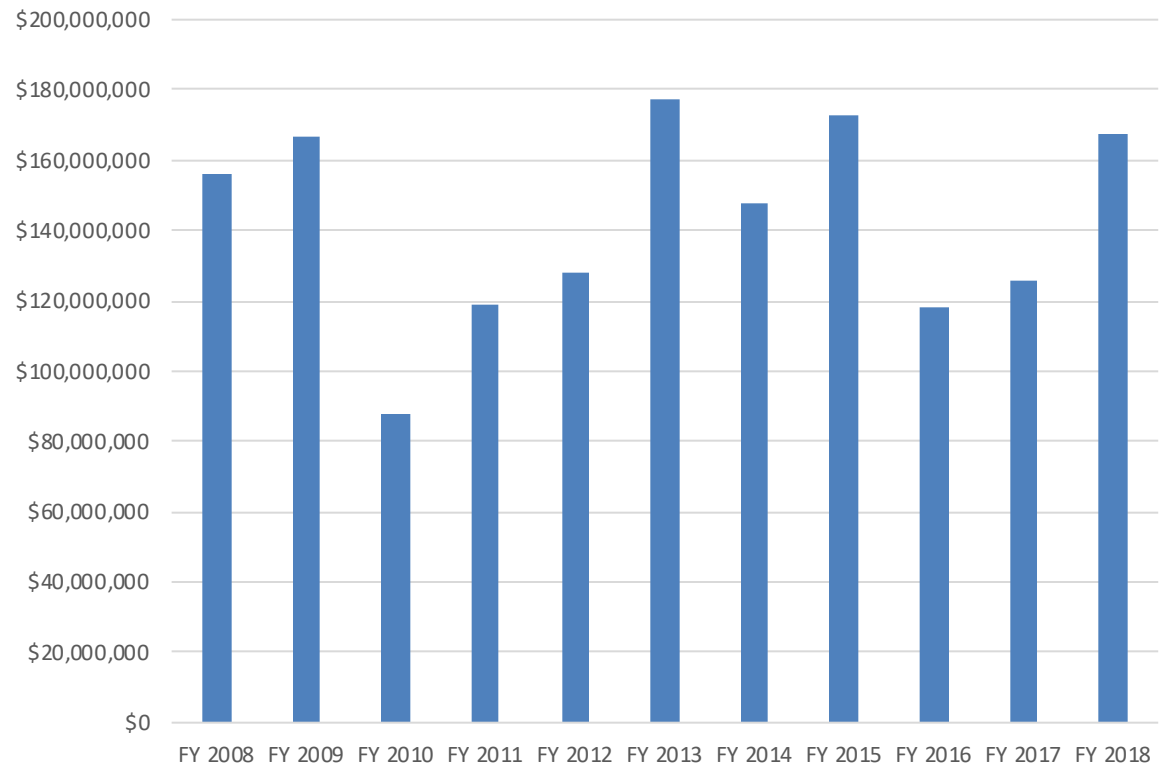


3 factor formula: $\left(\frac{MT\ Property}{Global\ Property} + \frac{MT\ Sales}{Global\ Sales} + \frac{MT\ Payroll}{Global\ Payroll} \right) / 3$

- Tax rate 6.75% (Water's Edge Election 7%)
- Volatility
- Confidentiality

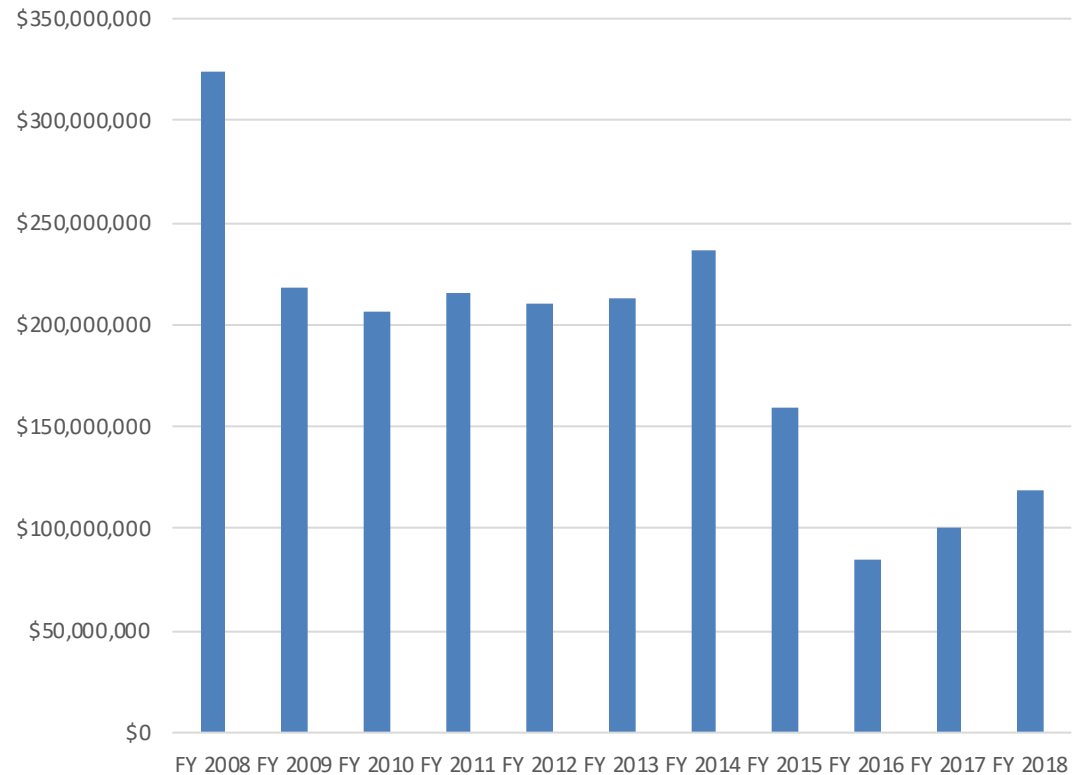
Corporate Income Tax Collections

Fiscal Year	Total Revenue
FY 2008	\$155,890,705
FY 2009	\$166,352,453
FY 2010	\$87,906,411
FY 2011	\$119,045,890
FY 2012	\$127,774,092
FY 2013	\$177,500,421
FY 2014	\$147,550,091
FY 2015	\$172,731,561
FY 2016	\$118,386,603
FY 2017	\$125,991,635
FY 2018	\$167,099,816



Oil and Natural Gas Production Tax Collections

Fiscal Year	Total Revenue
FY 2008	\$324,311,269
FY 2009	\$218,425,215
FY 2010	\$206,286,268
FY 2011	\$215,129,820
FY 2012	\$210,644,361
FY 2013	\$213,229,045
FY 2014	\$236,496,773
FY 2015	\$159,107,050
FY 2016	\$84,972,199
FY 2017	\$100,769,218
FY 2018	\$119,133,397



HJ 35 Study of State and Local Tax Systems and HB 715 Study

<https://leg.mt.gov/committees/interim/2019rev/hj-35-study-state-and-local-tax-policy/>

<https://leg.mt.gov/lfd/financial-modernization-risk-analysis-study-committee/>

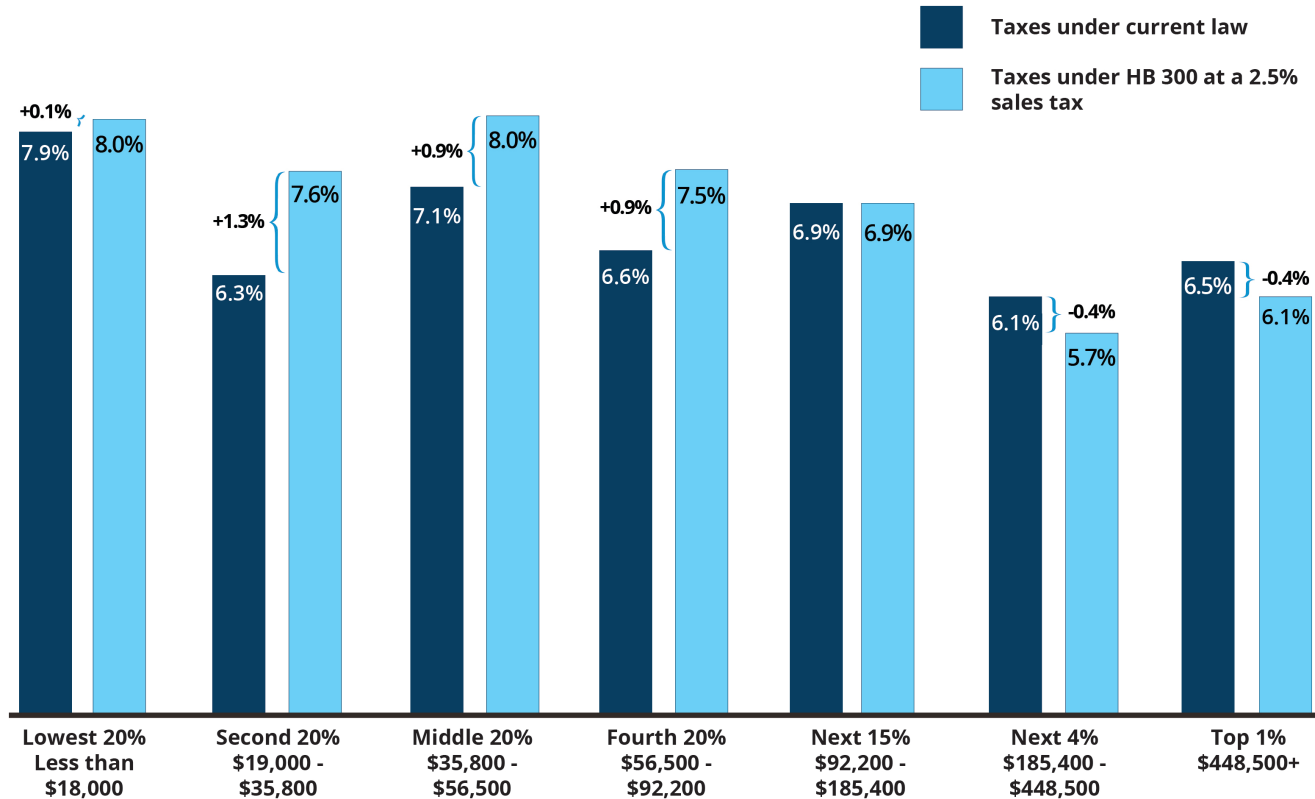
Questions?

Tax Expenditures

Tax Type	Expenditure	Count
Personal Income	\$234,596,442	49
Corporate Income	\$9,112,201	24
Natural Resources	\$3,976,584	6
Property	\$45,310,845	8
Total	\$292,109,869	87

Share of Family Income Paid in State and Local Taxes

Current Law Versus HB 300



Source: Institute on Taxation and Economic Policy