

Overview of Montana Budget and Tax Structure

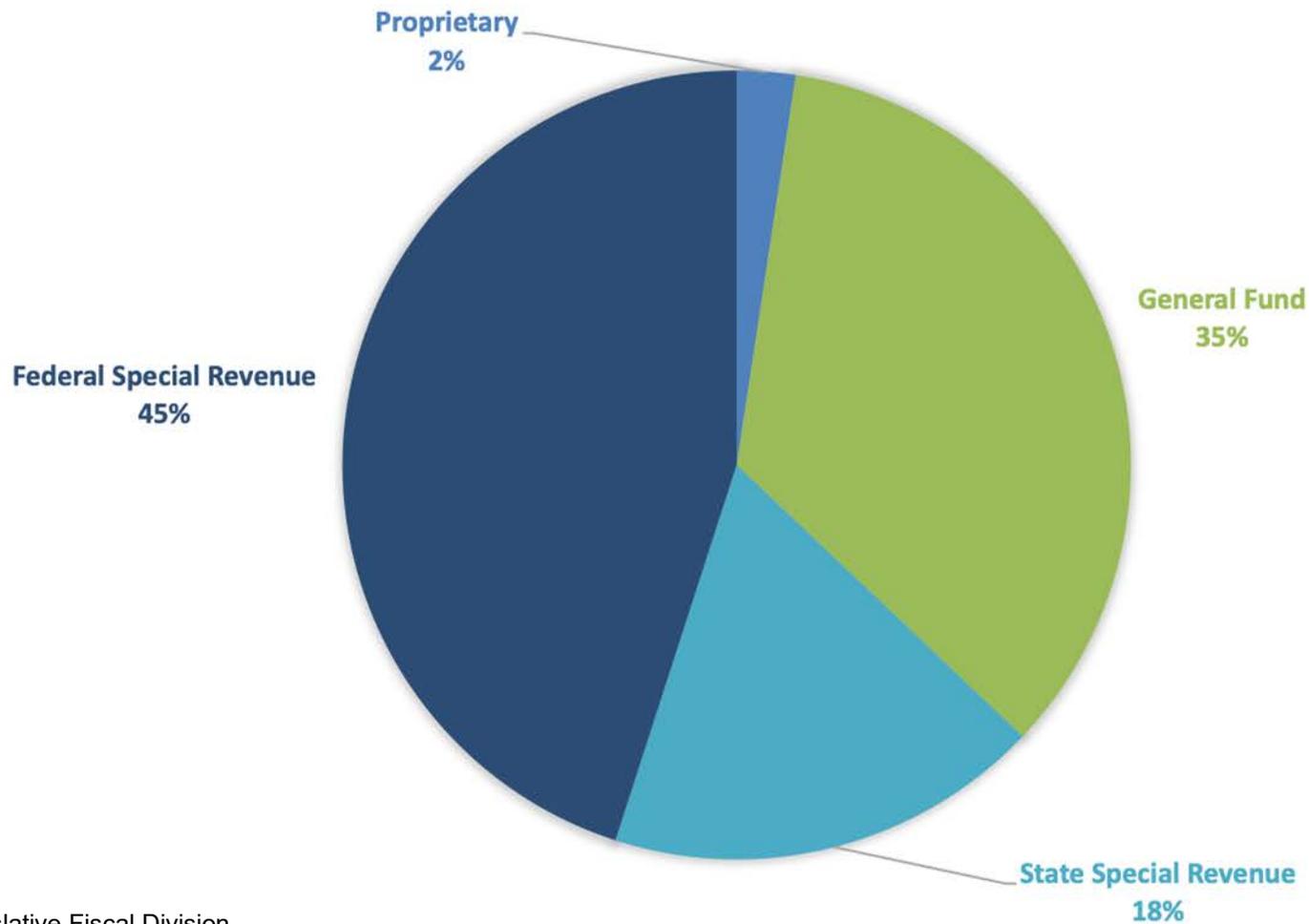


Heather O'Loughlin

Montana Budget and Policy Center

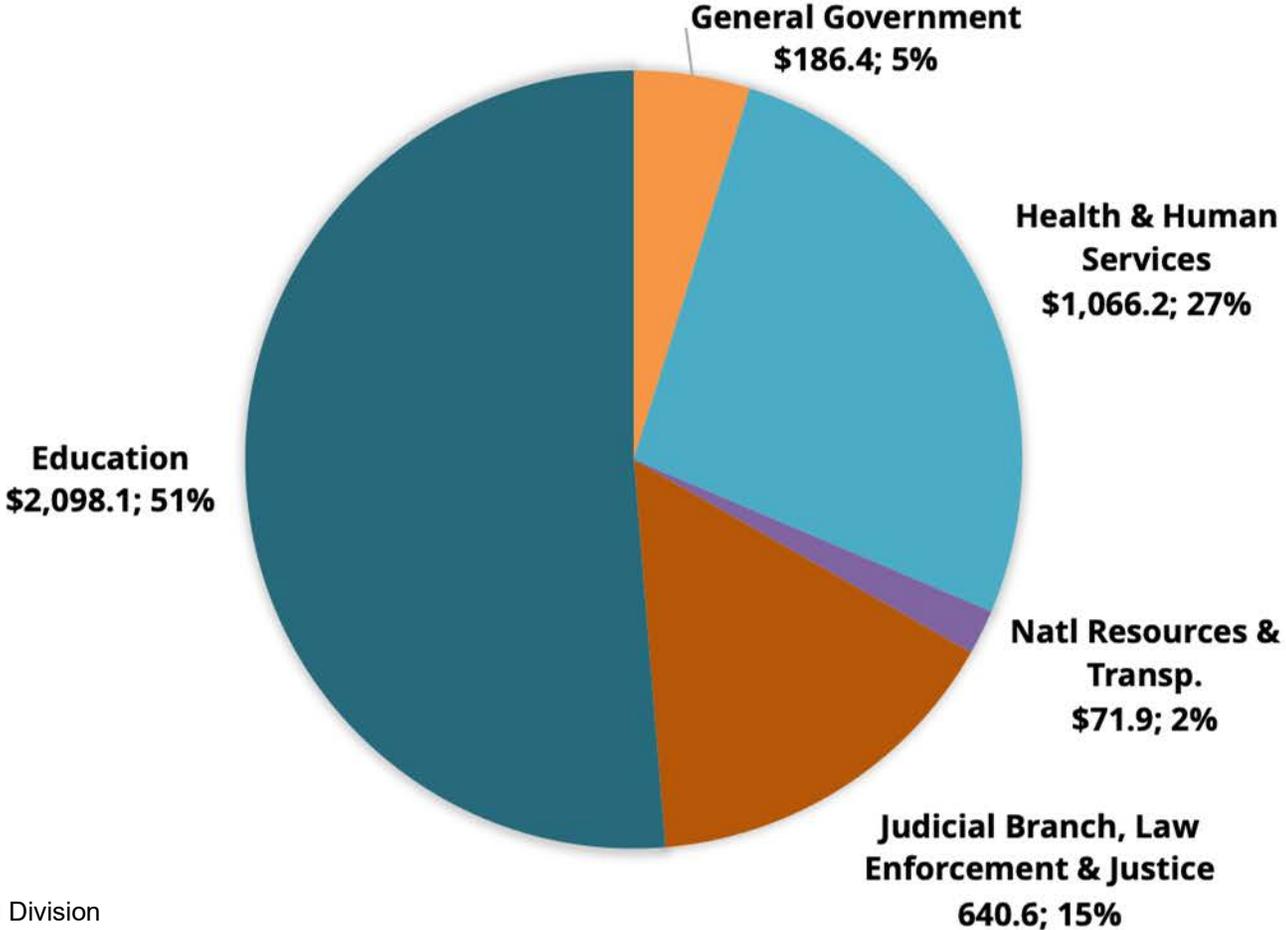
Federal funds comprise nearly half of revenue for Montana's state budget.

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



Education funding makes up half of general fund appropriations.

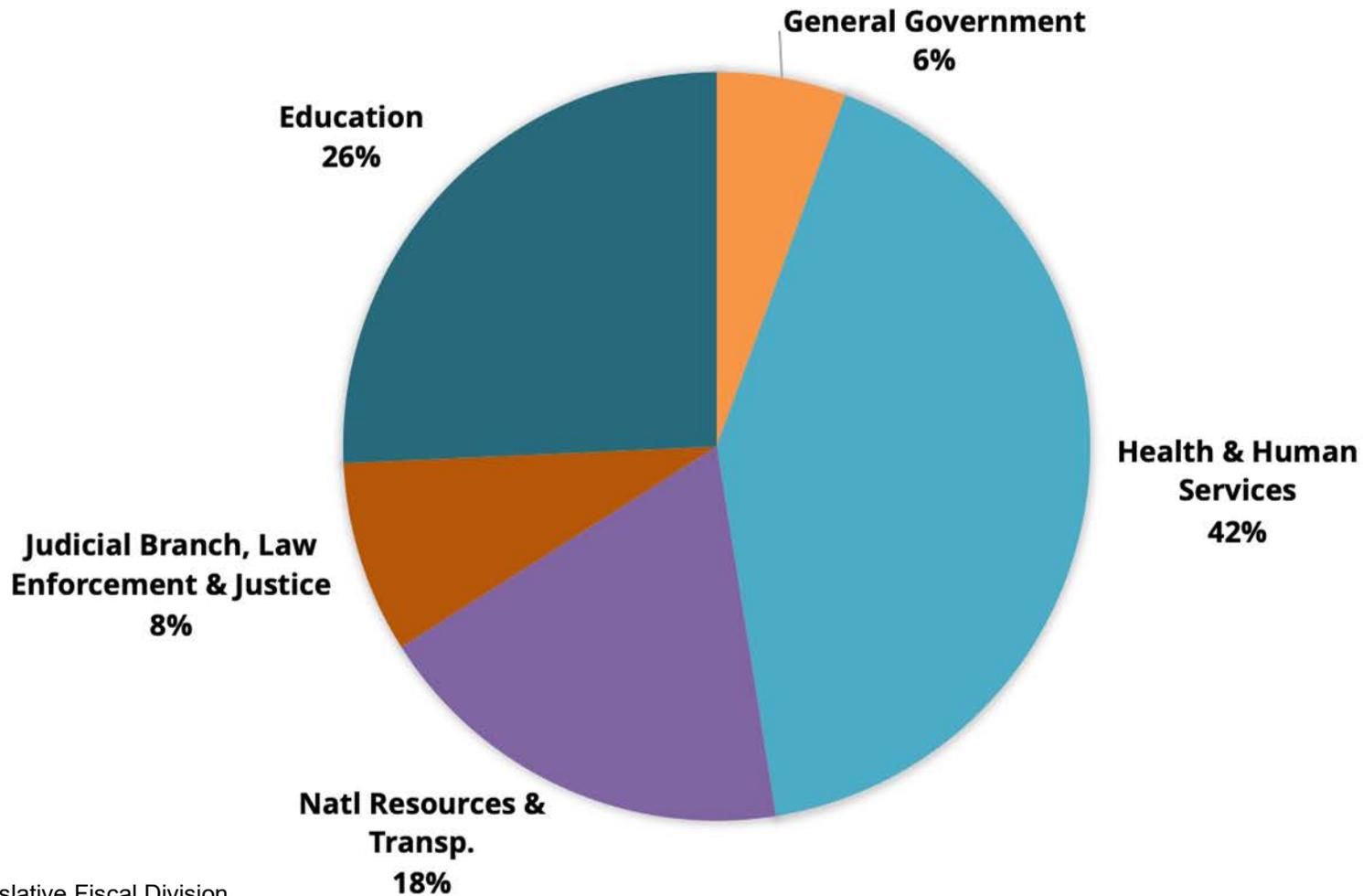
2021 BIENNIUM BUDGET
GENERAL FUND - HB 2 ONLY - \$4,276
(IN MILLIONS)



Source: Legislative Fiscal Division

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

2021 BIENNIUM BUDGET
TOTAL FUNDS - HB 2 ONLY - \$10,293
(IN MILLIONS)



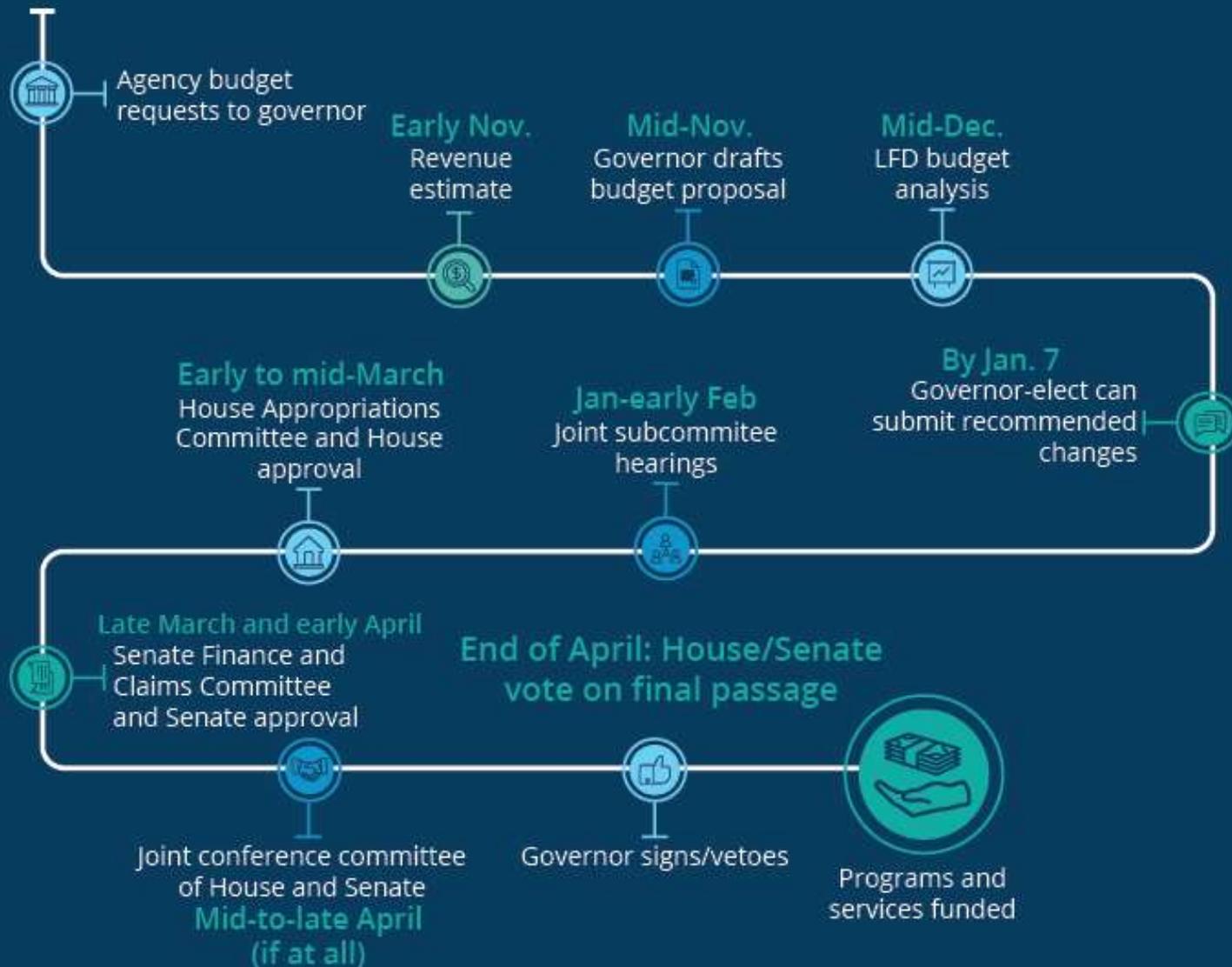
Most state agencies faced deep budget cuts in 2017

- Cuts to services for **seniors and adults and children with disabilities** that allow them to live in their homes
- Significant reduction in **targeted case management** for those accessing Medicaid services
- Closure of **7 job services offices** (federal budget cuts)
- Closure of **19 public assistance offices**
- Elimination of **K-12 school block grants**, resulting in increased local property taxes
- Budget reductions in **higher education**, resulting in increased tuition for families
- Cuts to **stream water quality monitoring**
- Closure of **26 county property tax offices**



BUILDING A BUDGET

A GUIDE TO MONTANA'S PROCESS



A Comparison of Governor Bullock's and Governor Gianforte's Budgets

- Maintains most of Governor Bullock's budget, including critical present law adjustments to maintain current level of services.
- **\$100 million** less in expenditures over 2 years
 - Vacancy savings rate
 - Eliminating some new programs – early childhood education, need-based college aid
 - Reductions to Office of Public Defender, Dept. of Corrections, Montana University System
 - Some **new** spending for SUD treatment, K-12 teacher recruitment.
- Proposed tax cuts, aimed at higher-income households and businesses, will result in loss of over **\$50 million** in general fund revenue.
 - Reduce top income tax rate – Roughly 80% of the benefit will go to the wealthiest 20% of households
 - Further cut business equipment tax
 - Modest boosts to property tax assistance programs
 - Tax cuts to “incentivize” entrepreneurs to move to Montana

Early Action on DPHHS Budget

On January 8, the Joint Appropriations Subcommittee for Health & Human Services reduced DPHHS's budget by \$965 million in total funds over the 2023 biennium to start the budget process.

DPHHS Division	2021 Base	2019 Actuals	Difference (one-year)	Difference (Biennium)
Disability Transitions & Employment	\$29.5 million	\$21.5 million	(\$8 million)	(\$16 million)
Child & Family Services	\$106.7 million	\$95.6 million	(\$11 million)	(\$22 million)
Developmental Services	\$309.6 million	\$262.7 million	(\$46.8 million)	(\$46.8 million)
Health Resources	\$1,571 million	\$1,269 million	(\$301 million)	(\$603 million)
Senior & Long-Term Care	\$355.7 million	\$307 million	(\$48 million)	(\$96 million)
Addictive & Mental Disorders	\$202 million	\$185 million	(\$17 million)	(\$34 million)

The failure to pass a present law budget will equate to cuts in services.

Defending a strong state budget will also require defending existing revenue.

“What I think we ought to do is hold the line on new spending. That is stop the growth in spending,” he said. “Catch our breath. Let the economy catch up with us. And then as the economy gets started again, I want to use any surplus that we generate to reduce the tax burden for all Montanans.”

Gov.-Elect Gianforte, October 2020

Governor Tax Cut Proposals:

- Cut to the top income tax bracket (SB 159)
- Cut the tax on some capital gains income / selling stock (SB 184)
- Reduce business equipment (property) tax (HB 303)
- Trigger future income tax cuts during high revenue growth (SB 182)

Tax cut proposals, aimed at the wealthy and businesses, would cut over \$50 million in general fund revenue and put the state budget at risk in the future.

Questions?



Heather O'Loughlin

Co-director

Montana Budget and Policy Center

www.montanabudget.org