



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

DATE: March 13, 2018

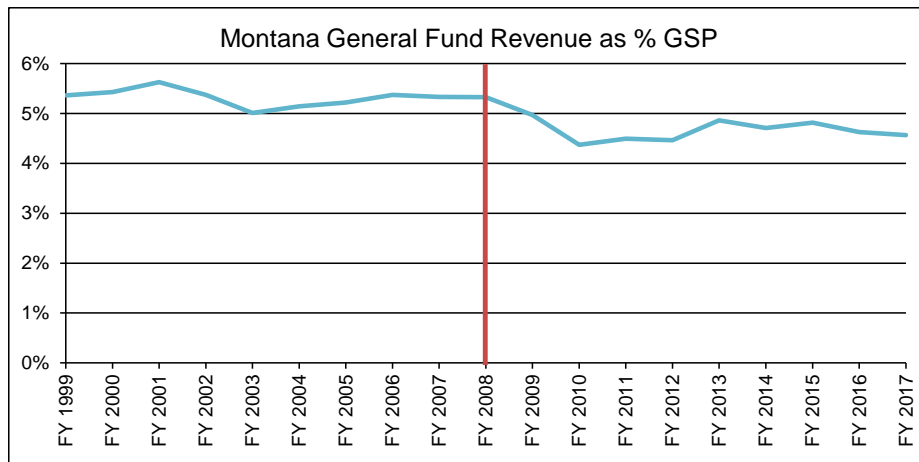
TO: Joint Subcommittee on the Changing Economy and Impacts to the Long-Term Viability of Montana's Tax Structure

FROM: Stephanie Morrison

RE: State Comparison of General Fund Revenue and Gross State Product

Analysis

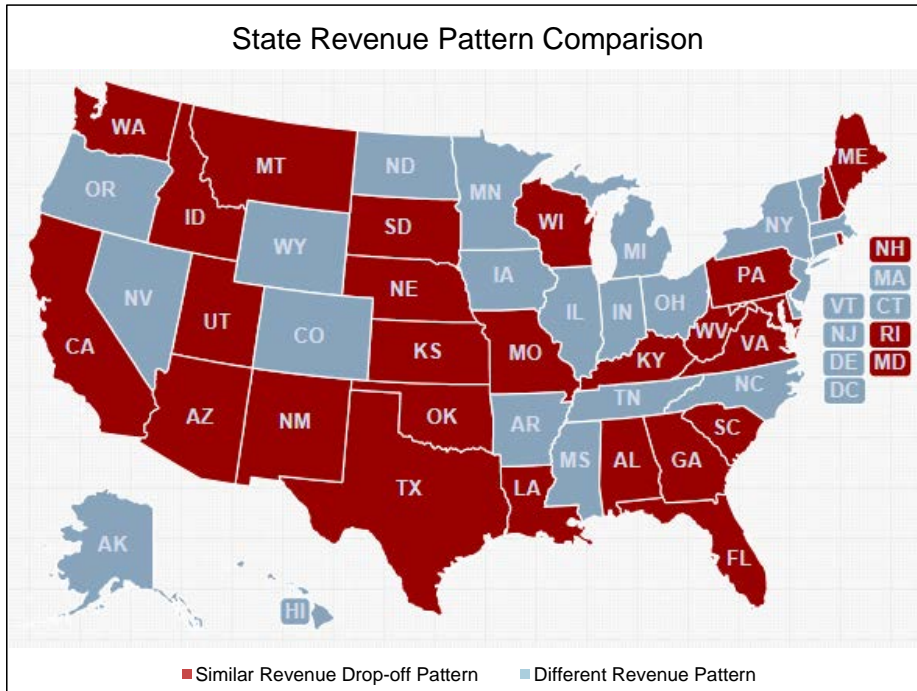
As noted in a recent Legislative Fiscal Division (LFD) report, [General Fund Revenue & Expenditure Trends](#), Montana's general fund revenue has not kept pace with the Montana economy as measured by GSP, with the decline occurring after FY 2008 as shown in the following chart.



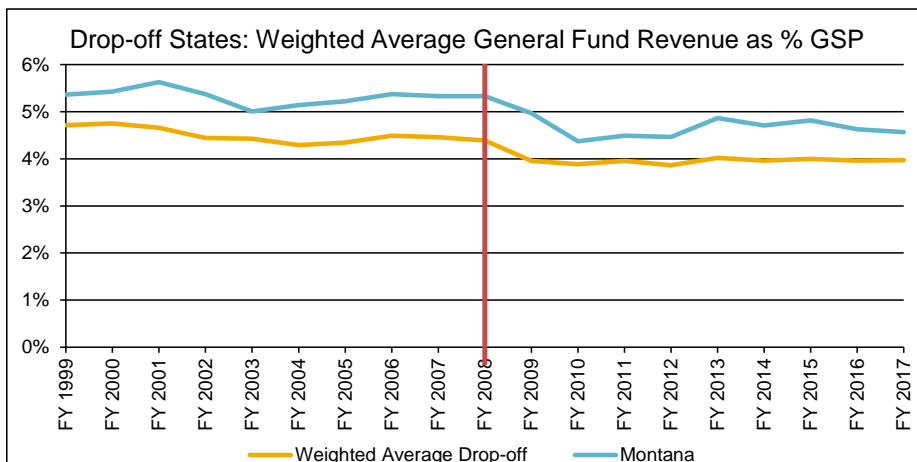
Reasons for the slower revenue growth include legislative policy decisions, revenue diversions, flat fee structures, consumer behavior, and low short-term interest rates. This analysis compares other states' general fund revenue with corresponding GSP to determine whether other states are experiencing a similar revenue collection pattern.

Findings

Montana is not alone: 26 other states show a remarkably similar pattern of general fund revenue as a share of GSP dropping off after FY 2008. The map at the top of the next page—which depicts states with similar revenue drop-off patterns in red—shows the widely varying regional and political environments of states whose general fund revenue is failing to keep up with GSP. The revenue patterns of the blue states are different from Montana in a variety of ways.



The chart below shows the weighted average of general fund revenue as a share of GSP for all 27 states with the revenue drop-off pattern, and includes Montana for comparison.



Conclusion

Although the reasons for individual state revenue collections failing to match the growth of the corresponding state economy are likely varied, it is striking that more than half of the states show a similar pattern. One possible conclusion is that there has been a shift in the overall economy, and many state tax structures are struggling to respond to the change.

Data Sources

General fund revenue for FY 1999 through FY 2017 for all states is from the National Association of State Budget Offices (NASBO) [website](#). Gross domestic product by state (GSP) for FY 1999 through FY 2005 is from the [online](#) economic data portal from the St. Louis Federal Reserve Bank; GSP for FY 2006 through FY 2017 is from the Bureau of Economic Analysis [website](#).