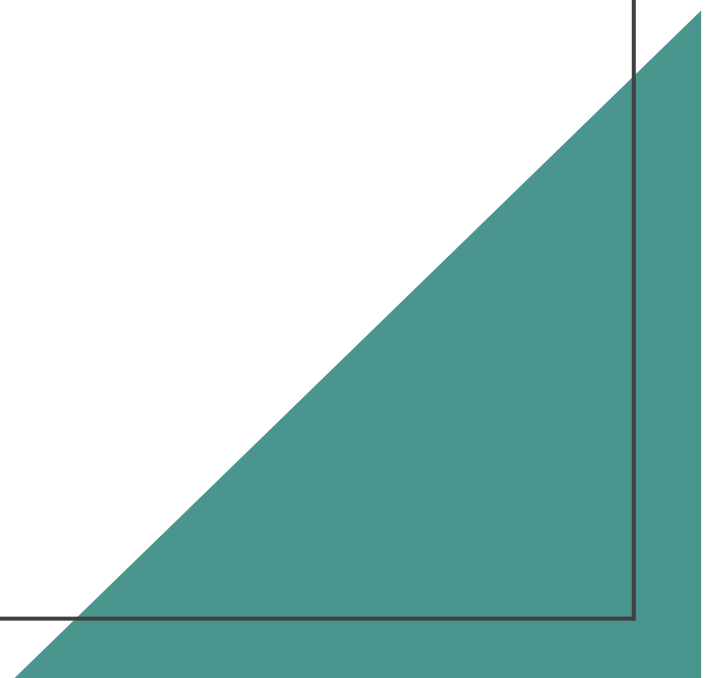


Welcome

Jerry Howe, Executive Director

Amy Carlson, Legislative Fiscal Analyst, Director



Jerry Howe,
Executive
Director

Welcome

Plan for the Legislative Days



Amy Carlson

- Plan for the Plenary Session
 - Economics, Demographics, and the Financial Outlook
 - Campaign Finance Ethics
 - Bill Draft Requests
 - Website Preview

Outlook for the 2027 and 2029 Biennia

Amy Carlson
Legislative Fiscal Analyst
Director of the Legislative
Fiscal Division



Outline



HIGH LEVEL
TRENDS AND THE
BUDGET



ECONOMIC AND
DEMOGRAPHIC
TRENDS



BUDGET OUTLOOK



SUMMARY AND
TAKEAWAYS



HIGH LEVEL
TRENDS AND
THE BUDGET

Economic and Demographic changes in Montana are driving changes in the budget

Montana Changes

Metric	FY 2014 - FY 2019	FY 2019 – FY 2024
CPI Growth	7.8%	22.3%
MT Population Growth	5.0%	6.1%
MT CPI*Population Growth	13.1%	29.8%
MT Personal Income Growth	24.4%	42.6%
General Revenue Growth	21.3%	48.0%

Montana Changes and the Budget



Given these metrics, much of the growth in General Revenues are expected and in line with economic and demographic shifts



General Revenues grew faster than Personal Income.

Higher interest rates and balances

Higher capital gains income

Higher effective tax rates due to inflation and wage growth impact on brackets



ECONOMIC AND DEMOGRAPHIC TRENDS

*Recommend checking out
[Montana's Changing Demographics
Report](#)*

Why all the change
and will it go back
to “normal”?

+
o •

Before Montana was defined: indigenous people came for the land



In the last 200 years more people came to Montana for the production value and potential production value of the land



Explorers



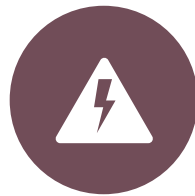
Mines



Agriculture



Timber



Energy



Reclamation

Now, the land itself is the attraction



Outdoor recreation

Hunting, fishing

Snowmobiling, skiing

ATV riding, mountain biking

Boating, rafting

Hiking, photography



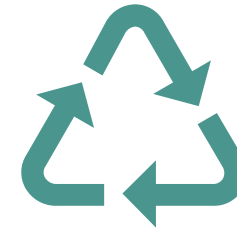
Scenery

Tourism

Retirees

Scenic secluded privacy

Remote workers



Land for Other Purposes

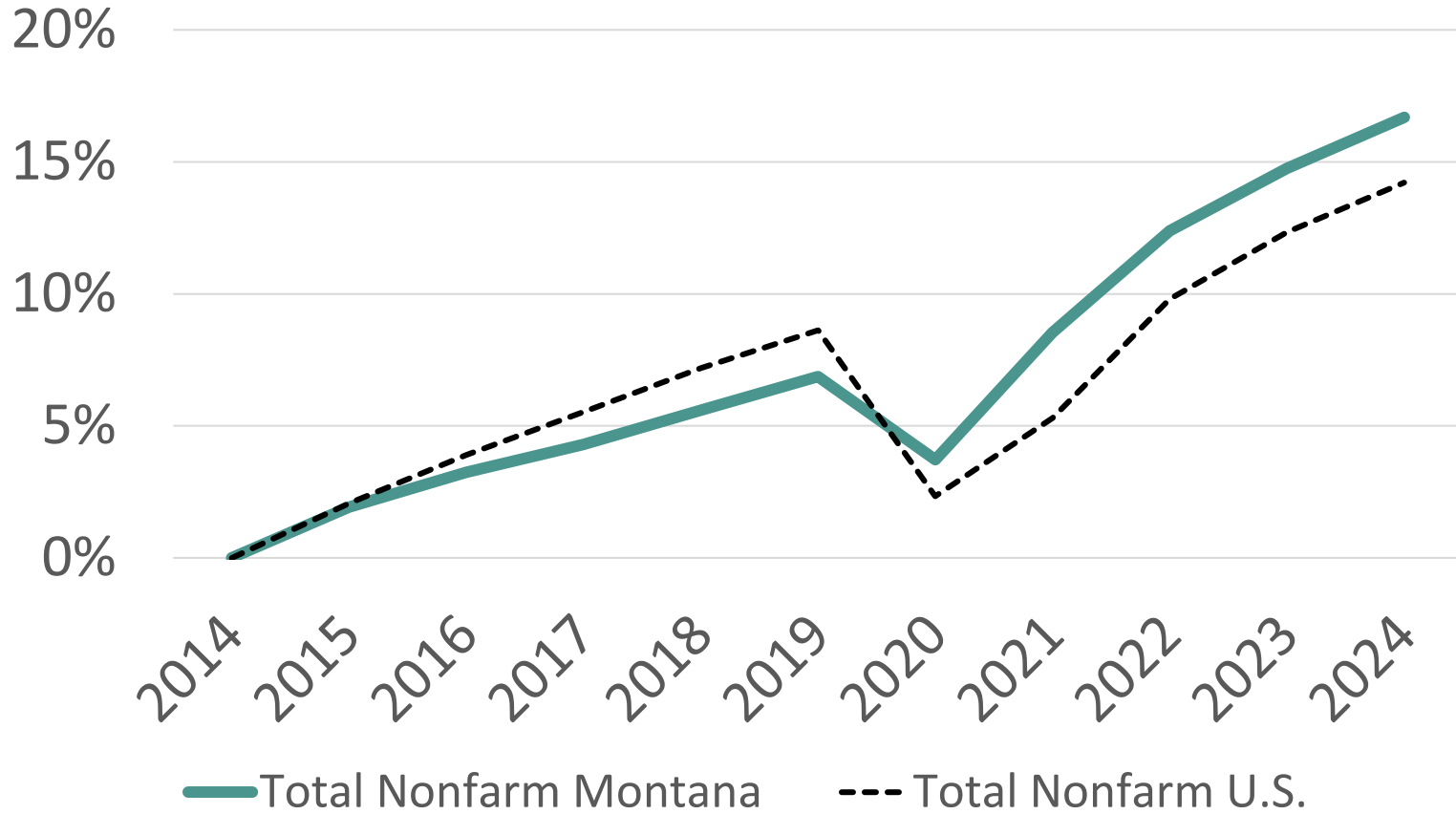
Conservation Easements

Reclamation

Land trades

Estate and tax planning

Cumulative Growth of Montana and U.S. Total Nonfarm Employment



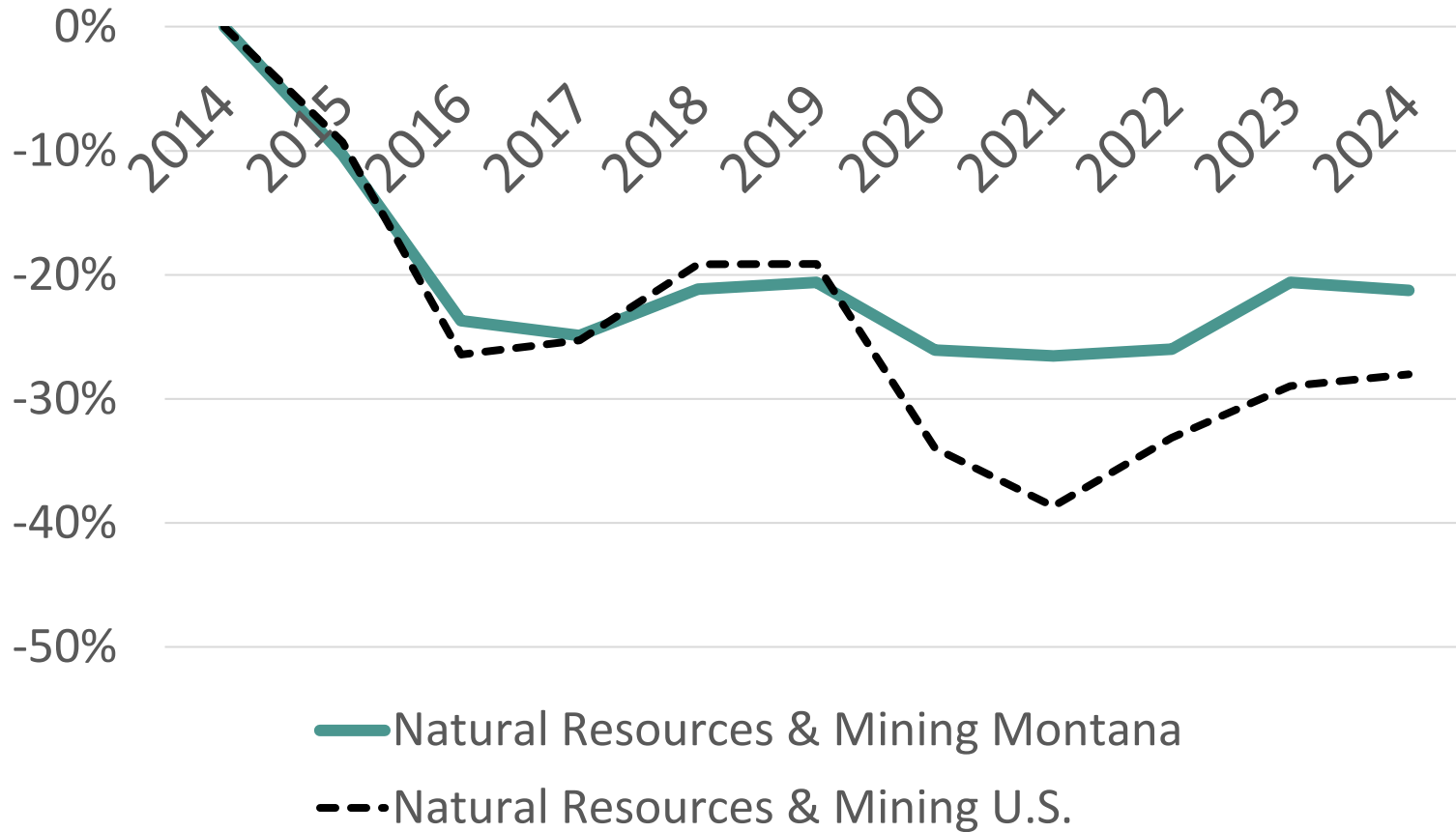
2014 EMPLOYMENT

- Montana – 453,375
- US – 138,919,500

2024 EMPLOYMENT

- Montana – 529,010
- US – 158,667,900

Cumulative Growth of Natural Resources & Mining Employment



2014 EMPLOYMENT

- Montana – 9,141
- US – 838,275

2024 EMPLOYMENT

- Montana – 7,199
- US – 603,388

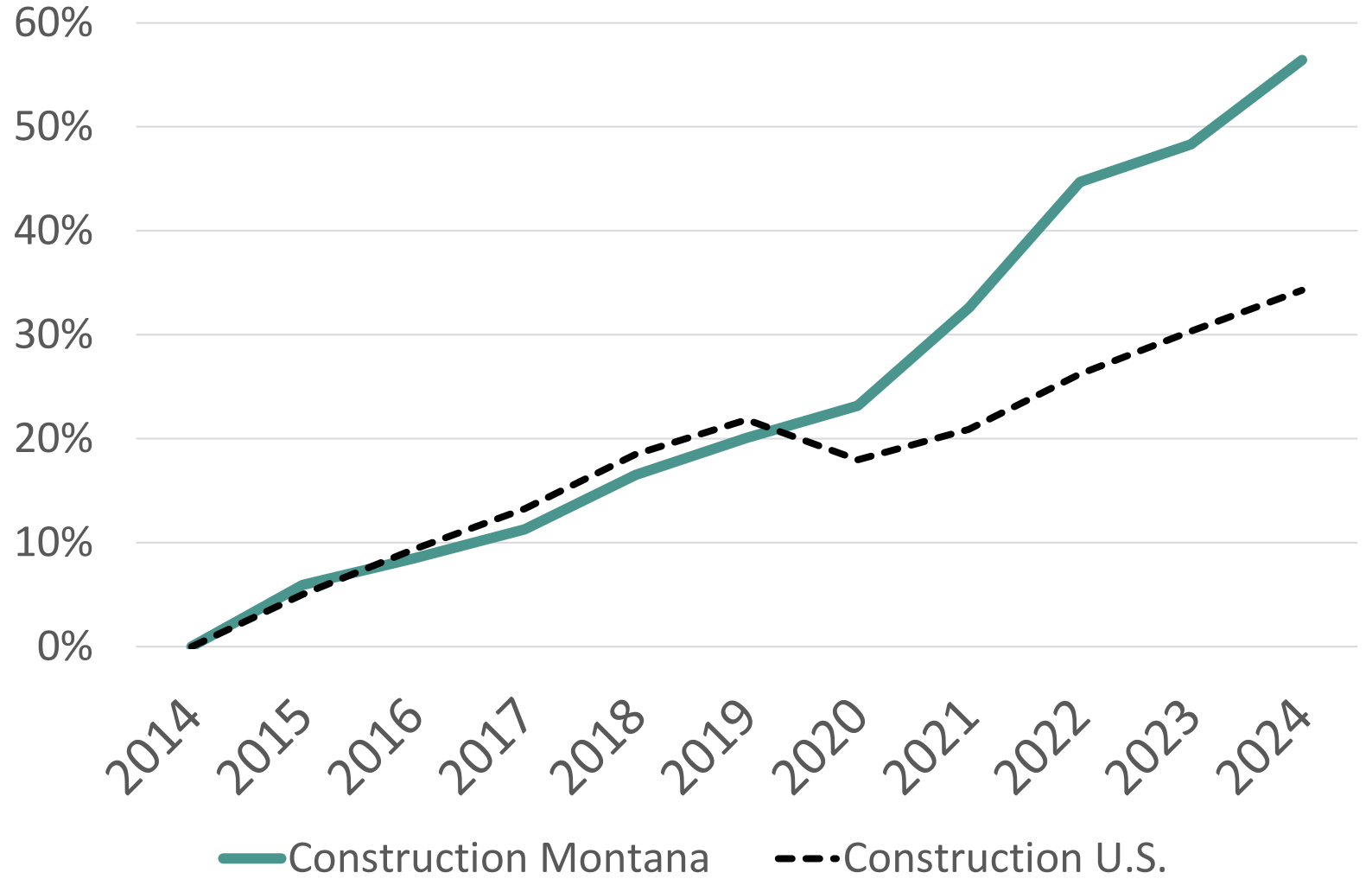
2014 EMPLOYMENT

- Montana – 24,967
- US – 6,150,833

2024 EMPLOYMENT

- Montana – 39,056
- US – 8,259,883

Cumulative Growth in Construction Employment



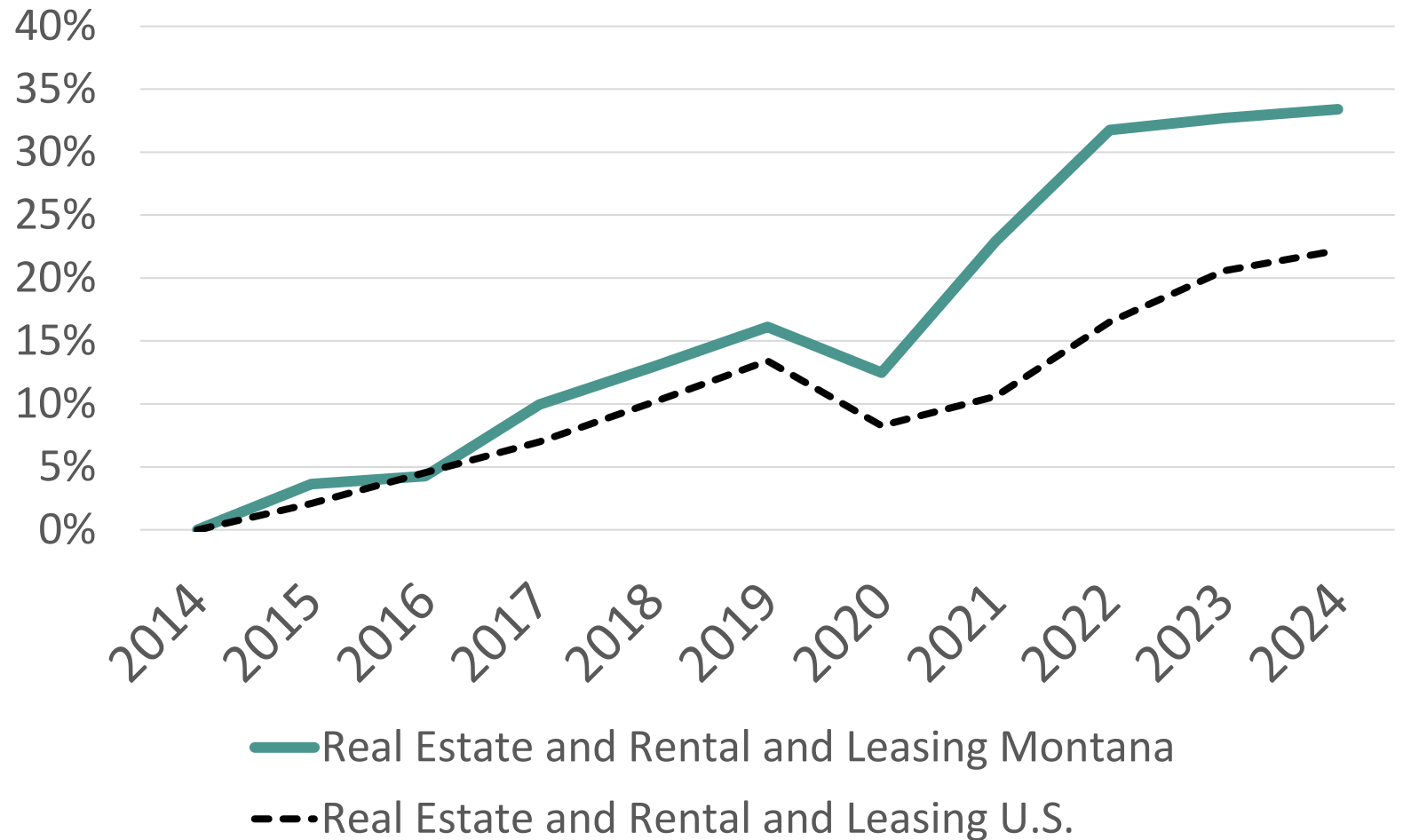
2014 EMPLOYMENT

- Montana – 5,275
- US – 2,045,475

2024 EMPLOYMENT

- Montana – 7,036
- US – 2,499,670

Cumulative Growth Real Estate and Rental and Leasing Employment



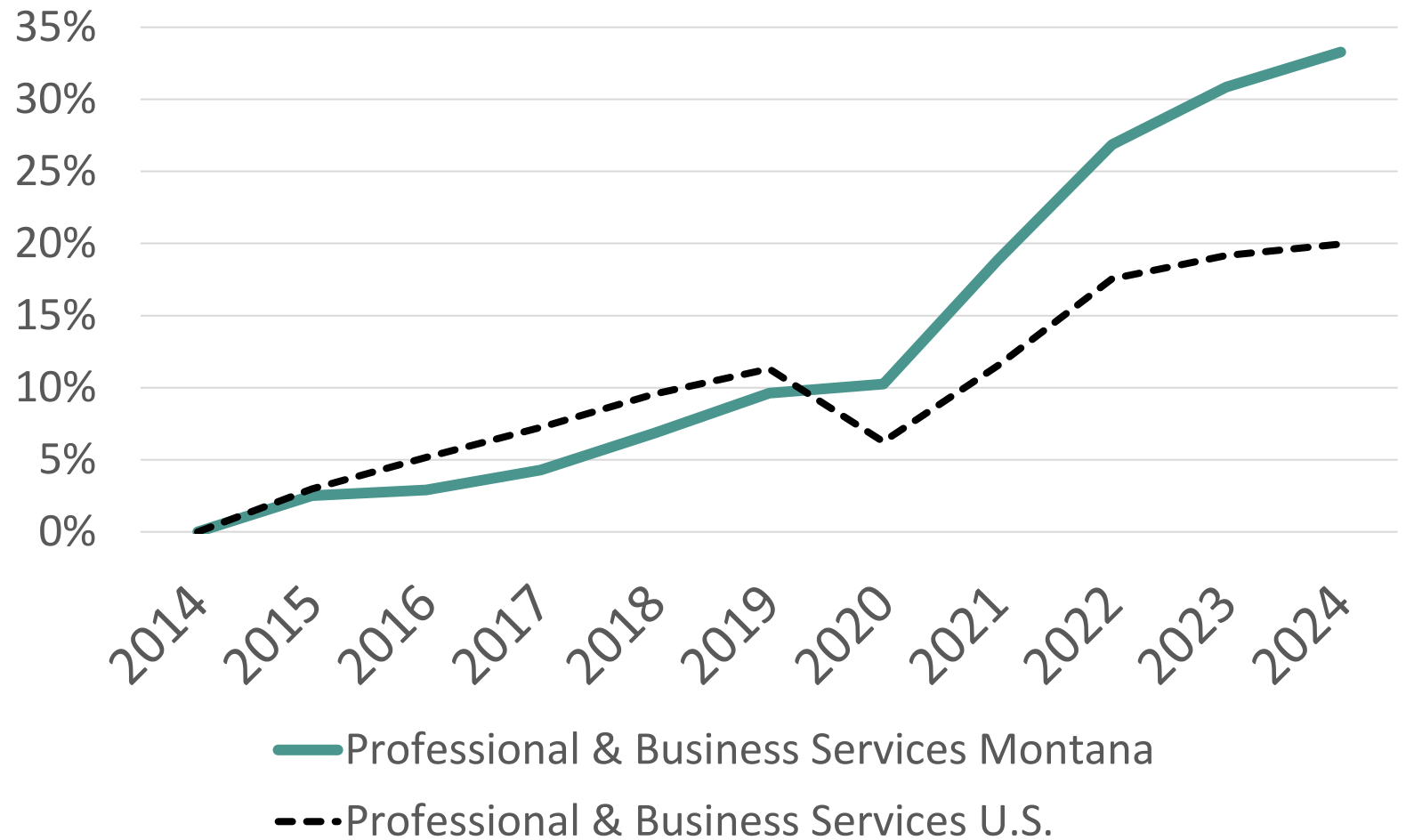
2014 EMPLOYMENT

- Montana – 39,517
- US – 19,171,917

2024 EMPLOYMENT

- Montana – 52,663
- US – 22,997,681

Cumulative Growth in Professional & Business Services Employment

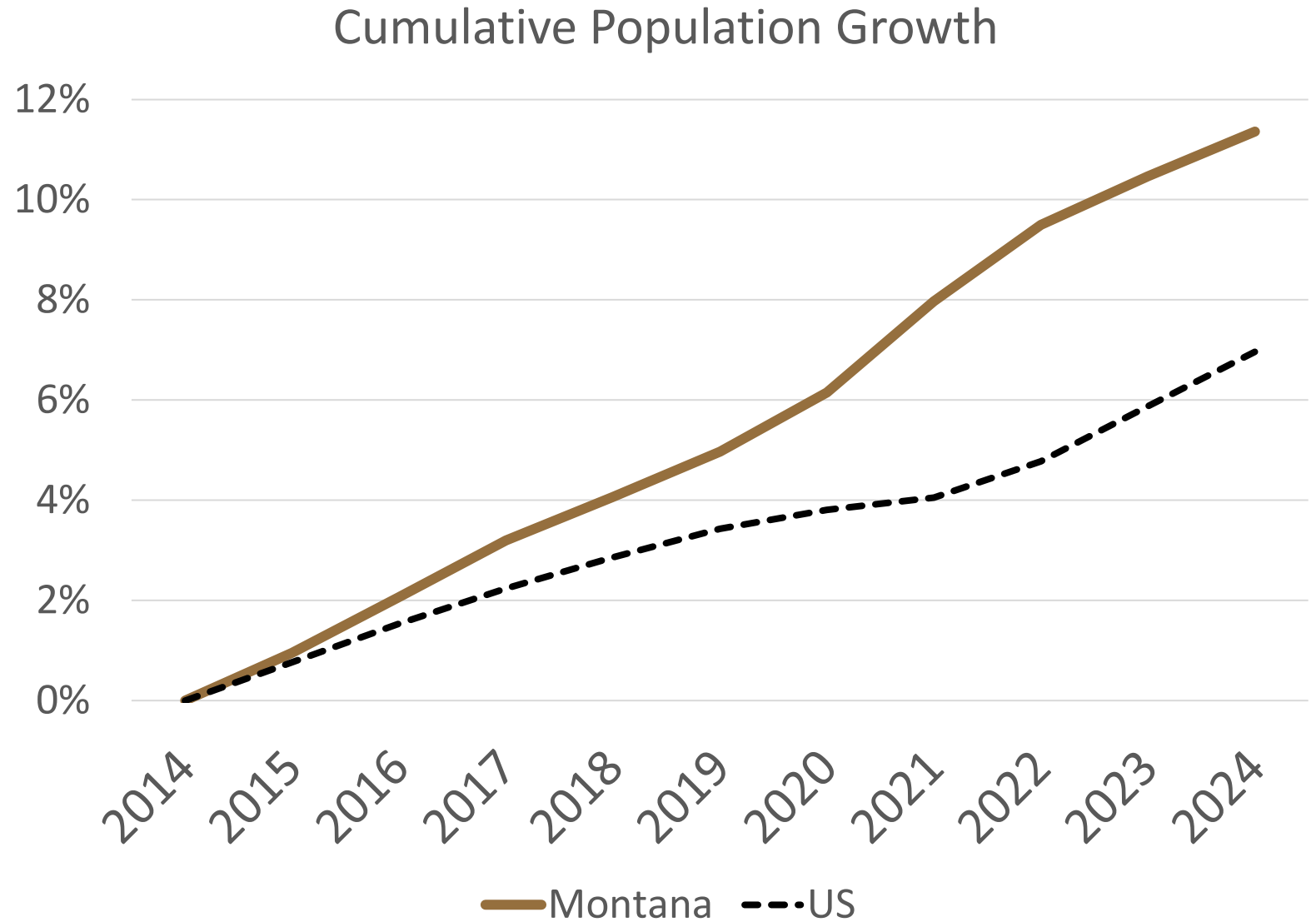


2014 POPULATION

- Montana – 1,026,473
- US – 319,597,005

2024 POPULATION

- Montana – 1,143,048
- US – 341,847,500



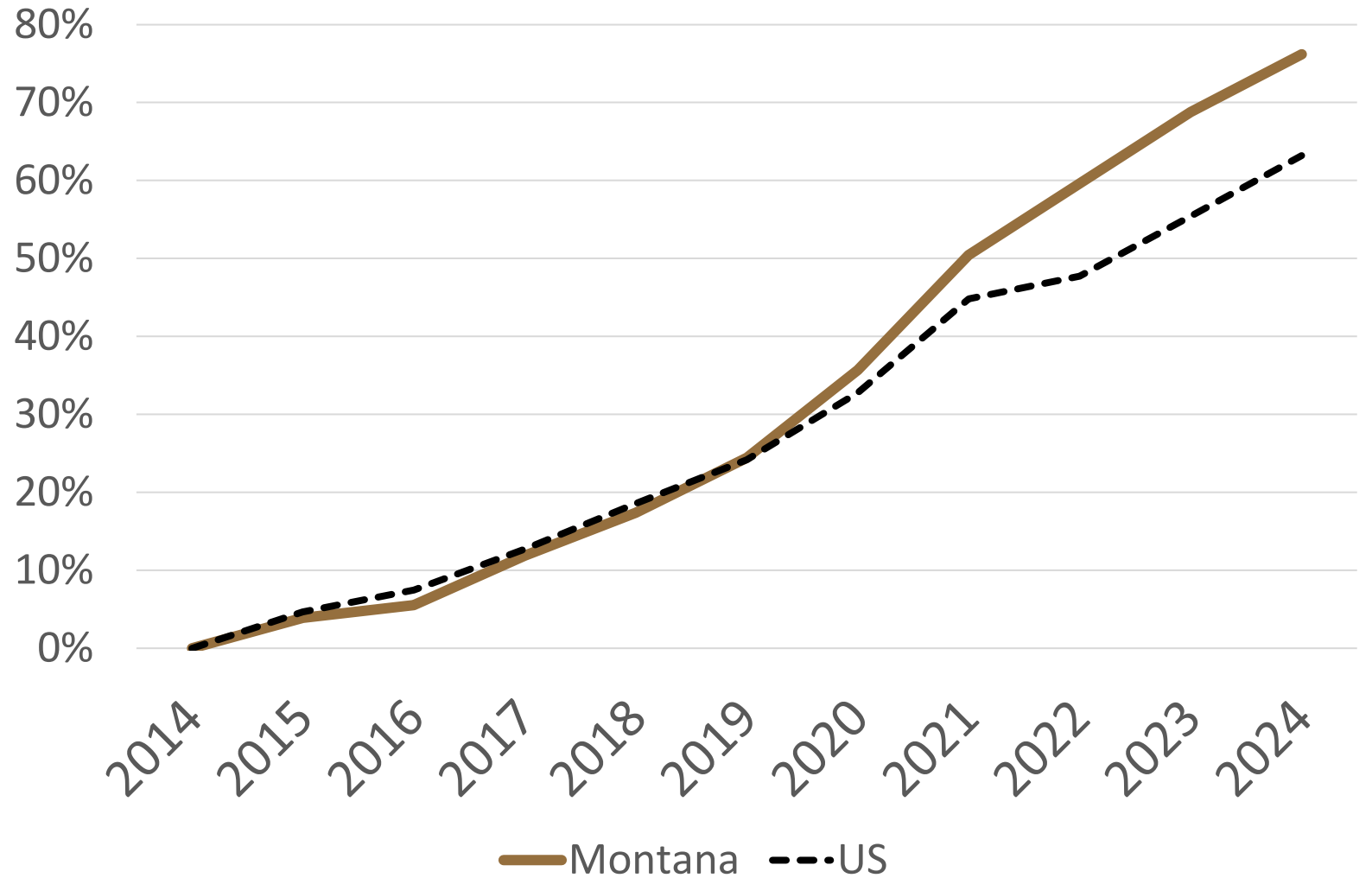
2014 PERSONAL INCOME

- Montana – \$42.901 million
- US – \$14.784 billion

2024 PERSONAL INCOME

- Montana – \$75.588 million
- US – \$24.127 billion

Cumulative Personal Income Growth



Why the change?



Outdoor recreation

Hunting and fishing
Snowmobiling and skiing
ATV riding, and mountain biking
Boating and rafting
Hiking and photography



Scenery

Tourism
Retirees

Scenic secluded privacy

Remote workers



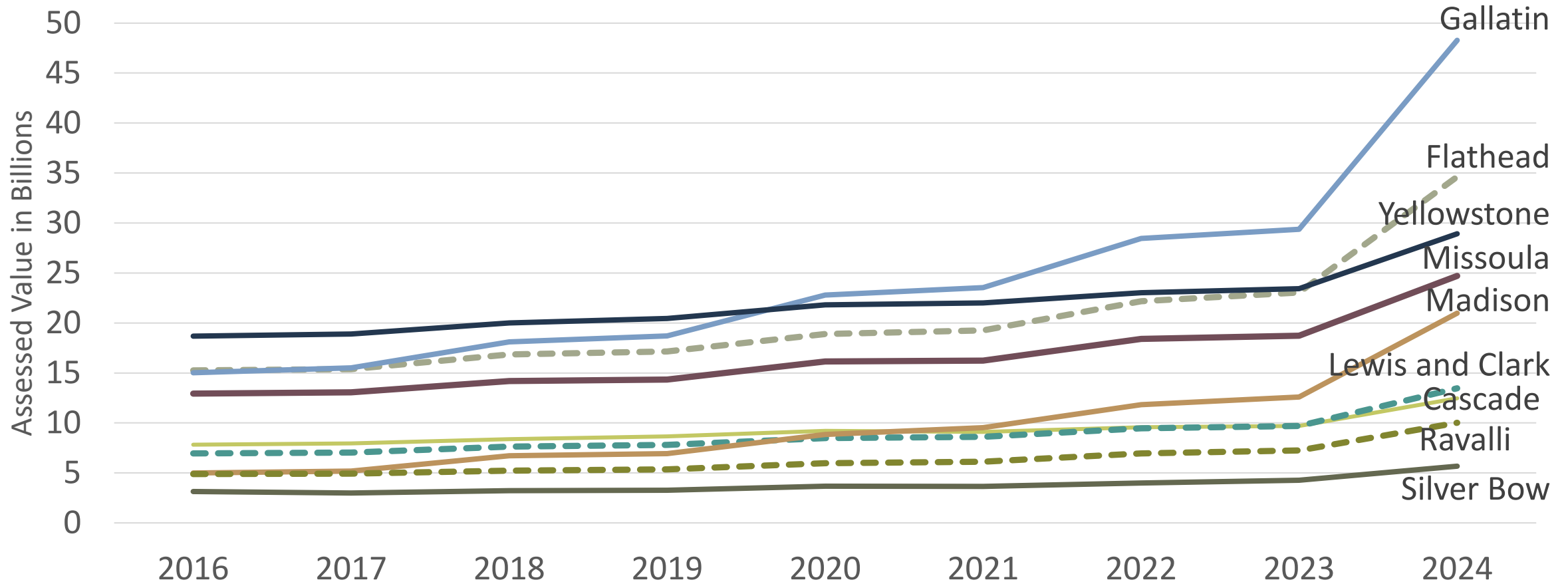
Land for Other Purposes

Conservation Easements
Reclamation
Land trades
Estate and tax planning

How much is high valued
scenery and privacy impacting
Montana?

Evidence of the magnitude of the new impacts

Assessed Value of All Property by County by Fiscal Year



High End Residential Property

Residential houses greater than \$1.5 million are taxed at a higher rate and can be found in the property tax base file

Total statewide assessed value is \$25.5 billion

Top counties

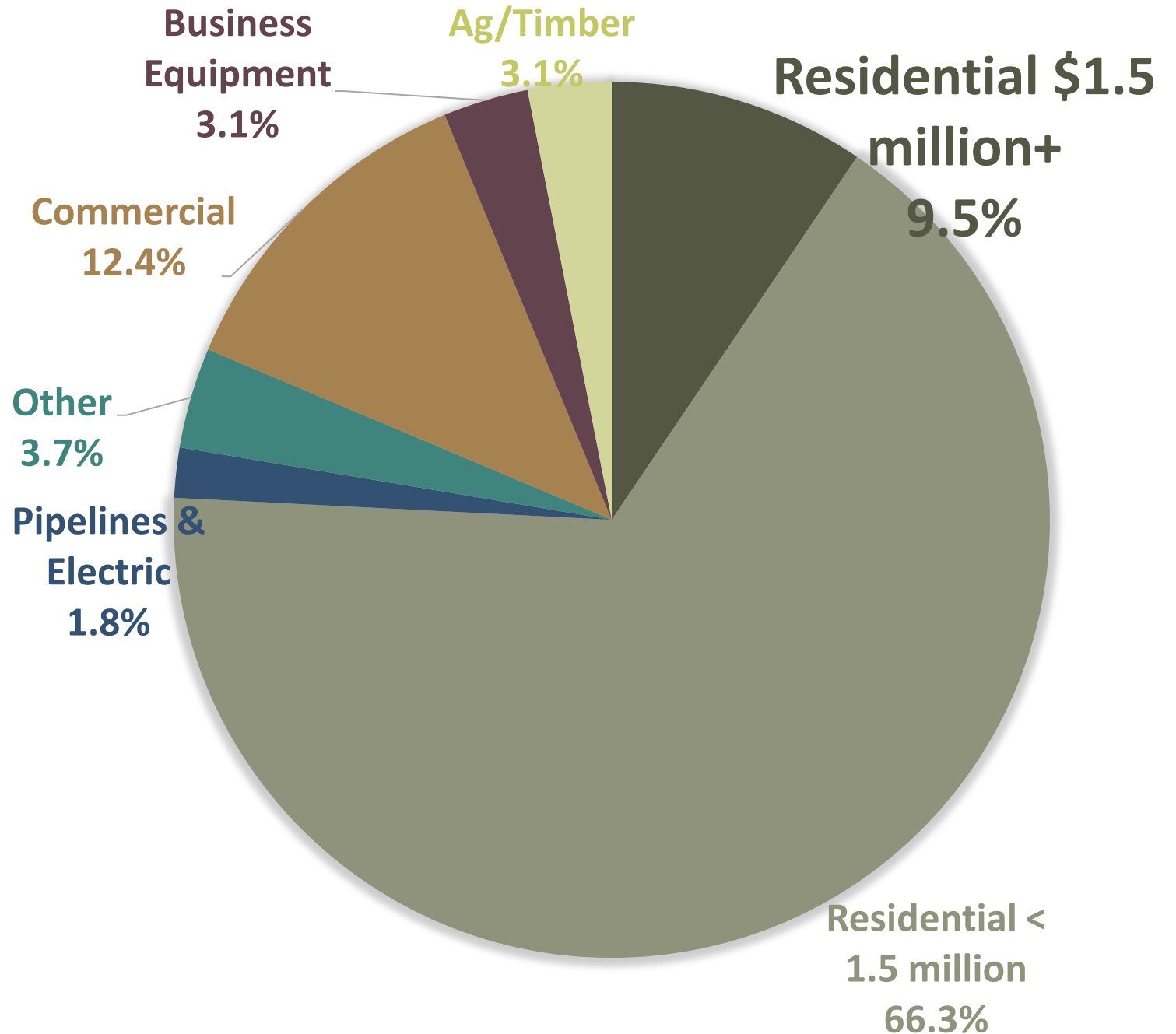
1. Madison = \$14.5 billion
2. Gallatin = \$6.1 billion
3. Flathead = \$2.9 billion
4. Lake = \$0.5 billion
5. Ravalli = \$0.4 billion


Assessed Value of All Property

While Residential total is 75.8% of all assessed property, Residential greater than \$1.5 million = 9.5%

Residential property where the home value, without considering the lot that is sitting on that is greater than \$1.5 million

The total assessed value in the chart include the value of the land with the same geocode.



A topographic map of Oklahoma is shown with a black outline of the state. The map uses a color gradient from green to brown to represent elevation, with blue lines indicating rivers and streams. The text is centered over the state.

Remote Workers
Electronic Communication and Airports
Change Transportation Costs for Remote
Workers and Certain Industries

Remote workers
new companies
?

Share of GSP by sector by fiscal year	2014	2019	2024
Agriculture, Forestry, & Fishing	3.9%	3.7%	2.1%
Construction	5.5%	5.6%	6.5%
Educational (private) & Health Services	9.9%	10.9%	10.8%
Financial Activities	18.7%	18.9%	18.7%
Government	15.0%	14.6%	13.1%
Leisure & Hospitality	5.0%	5.2%	6.1%
Information (media)	2.2%	2.4%	2.8%
Manufacturing	5.6%	5.7%	5.4%
Mining	4.9%	3.2%	3.4%
Other Services	2.3%	2.4%	2.2%
Professional & Business Services	7.2%	7.9%	9.8%
Trade, Transp.& Utilities	19.8%	19.5%	18.9%

+
• ◦ Will it go back to “normal”? + ◦
◦

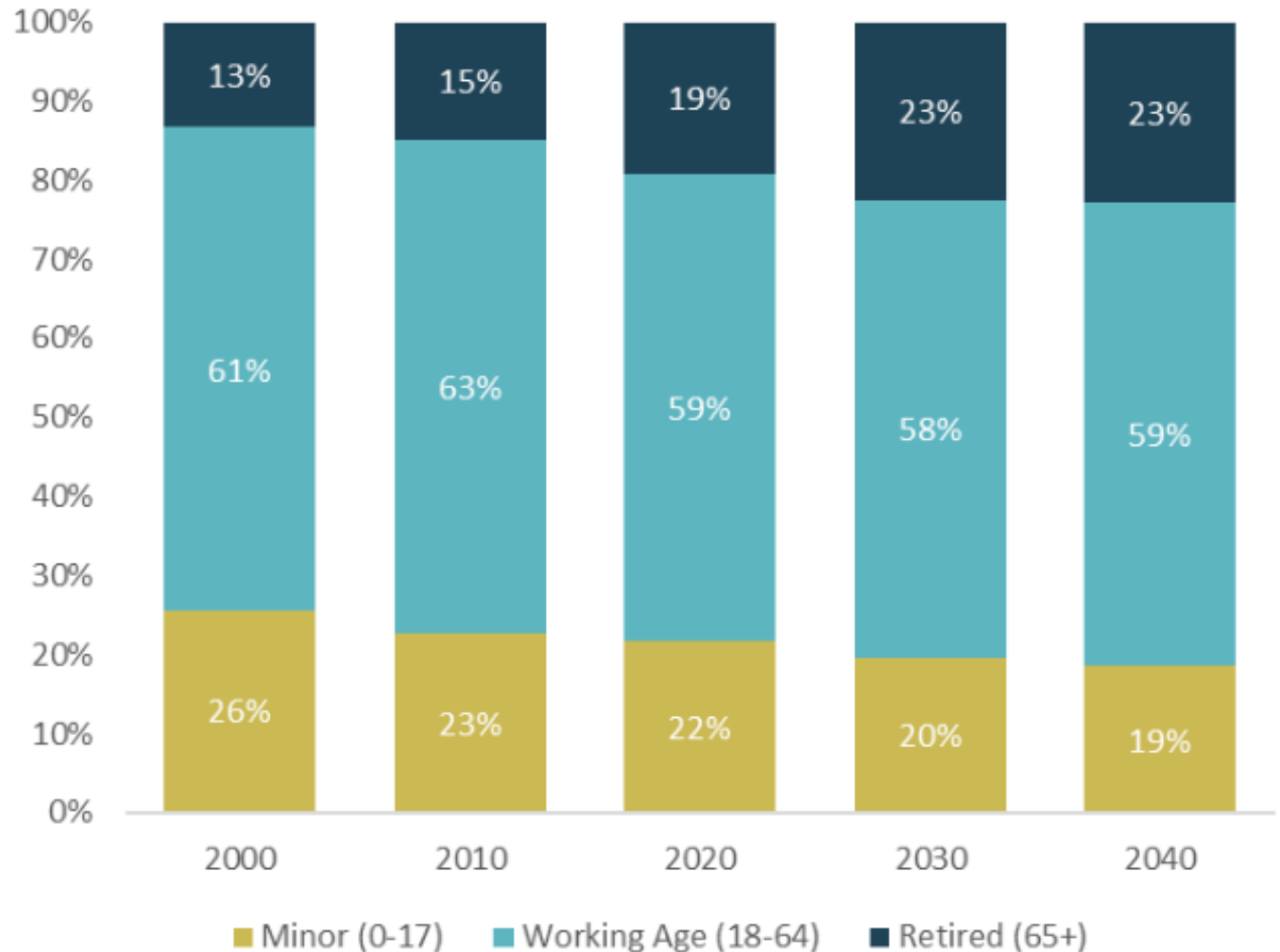
New Population and Where They are Settling

Josh Poulette, PhD, Lead Fiscal Policy Analyst

Montana's Population is Relatively Aged, and Population Aging is Expected to Continue

Future aging is projected to be more pronounced in rural counties

Retirement age is expected to increase as a share of the population through 2030, **working age** is expected to decrease and **youth** share of the population is expected to decrease



Ten Year Net Migration – Varied Experiences Across the State (2013-2022)

Total net migration over this time: 123,000 persons or 12.7% statewide

Seven Urban Counties

89,432

Ten Year Migration

14.63%

10 Year Percent Growth



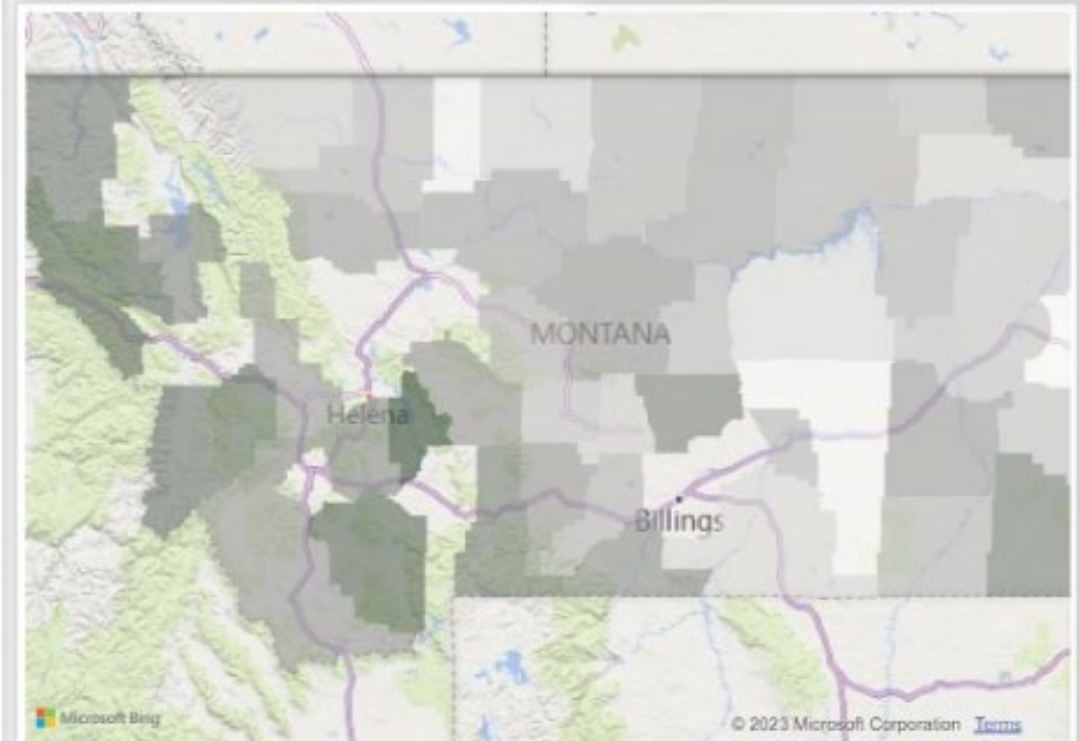
49 Other Counties

33,913

Ten Year Migration

9.40%

10 Year Percent Growth



Income Trends of the New and Existing Population

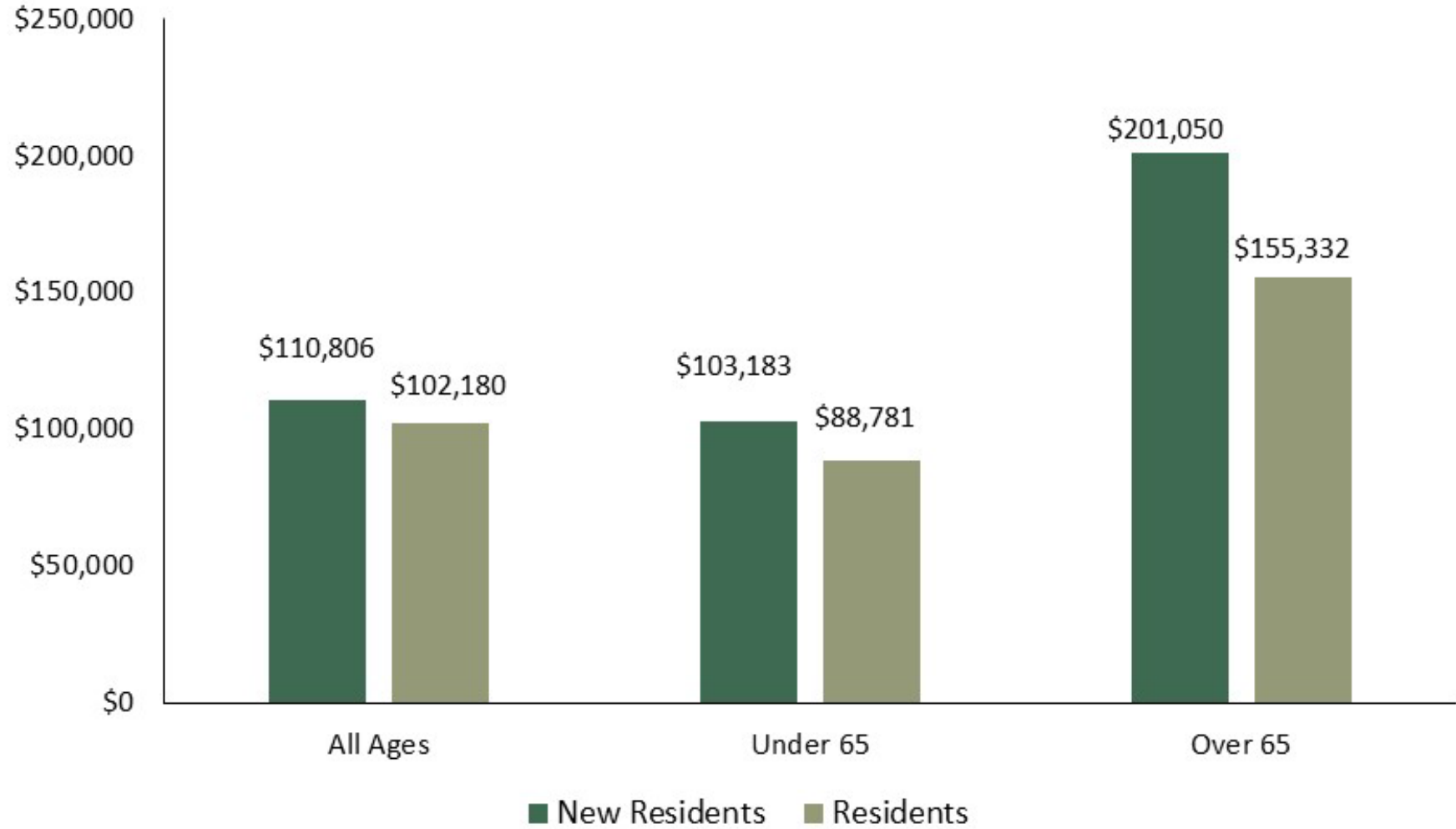
Sam Schaefer, Lead Revenue Analyst

Recommend checking out
[Analysis of New Montana Residents in CY
2020 & CY 2021](#)

CY 2021 saw the largest rate of in-migration in recent years.

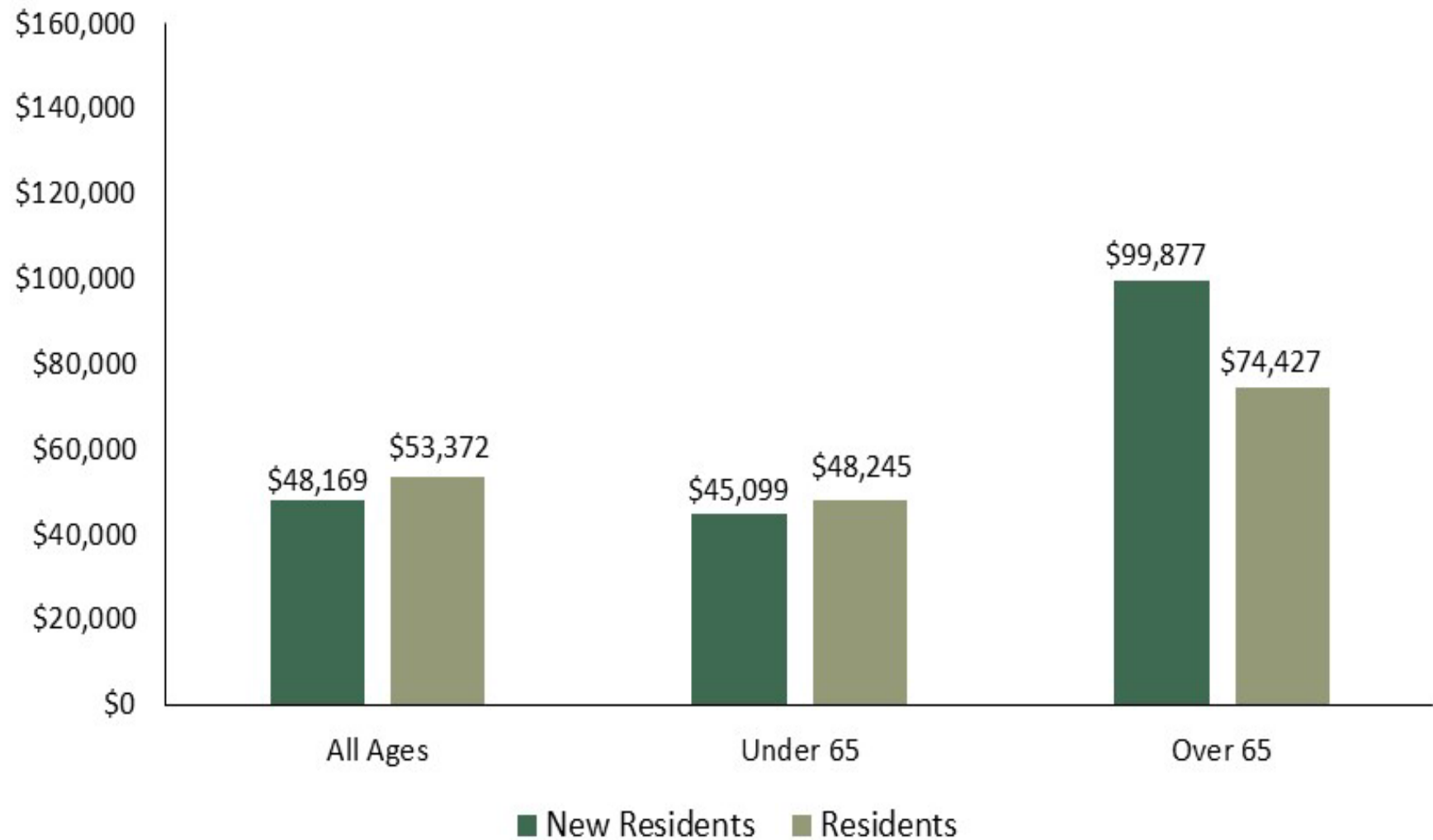
New residents to the state had higher average incomes than existing residents. Wealthy newcomers are generally more wealthy than high-income full-year residents.

CY 2021 Montana Residents vs New Residents **Average** FAGI

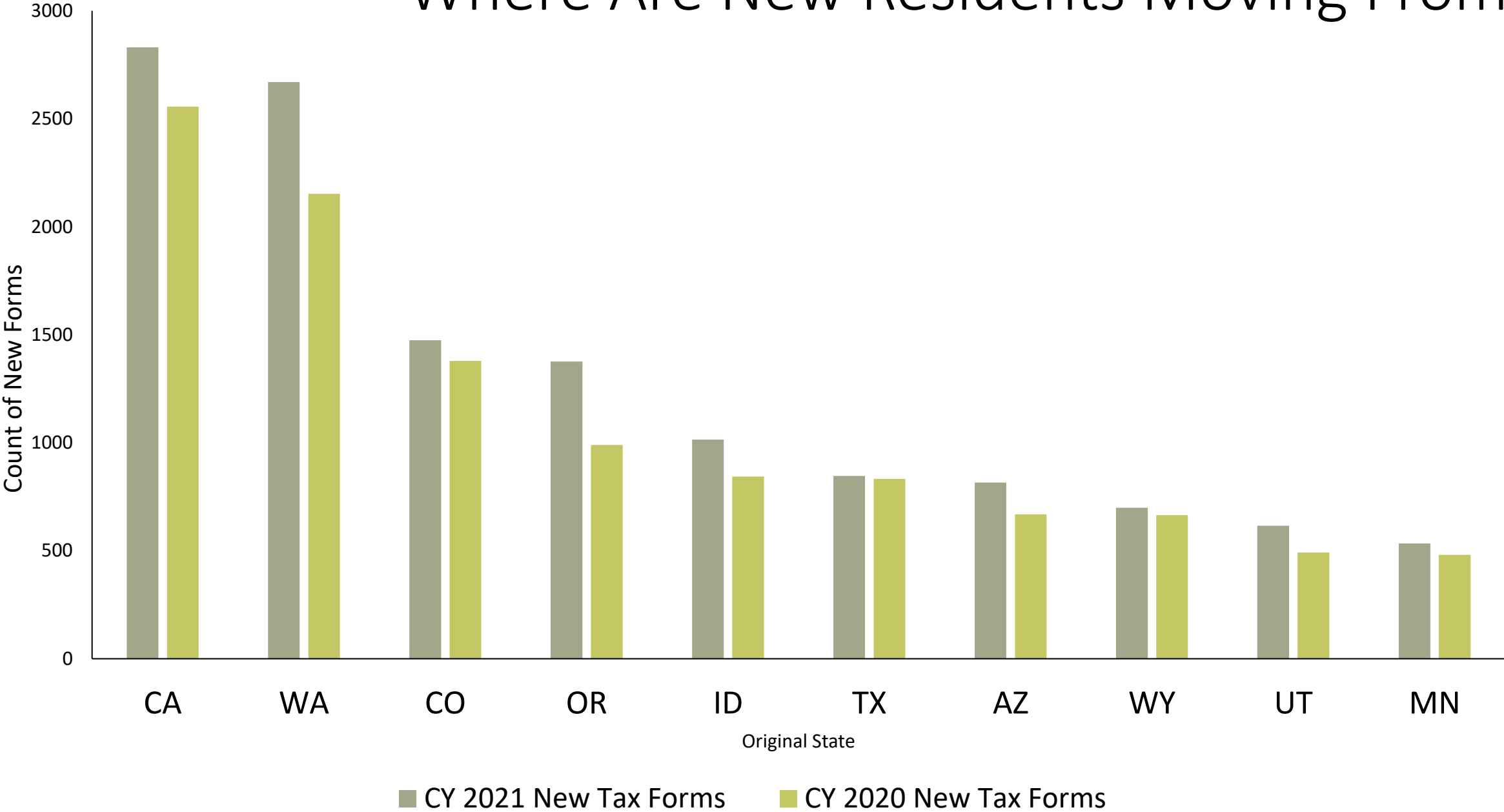


However, when looking at median incomes, only those new residents over the age of 65 had larger incomes than existing residents.

CY 2021 Montana Residents vs New Residents *Median* FAGI



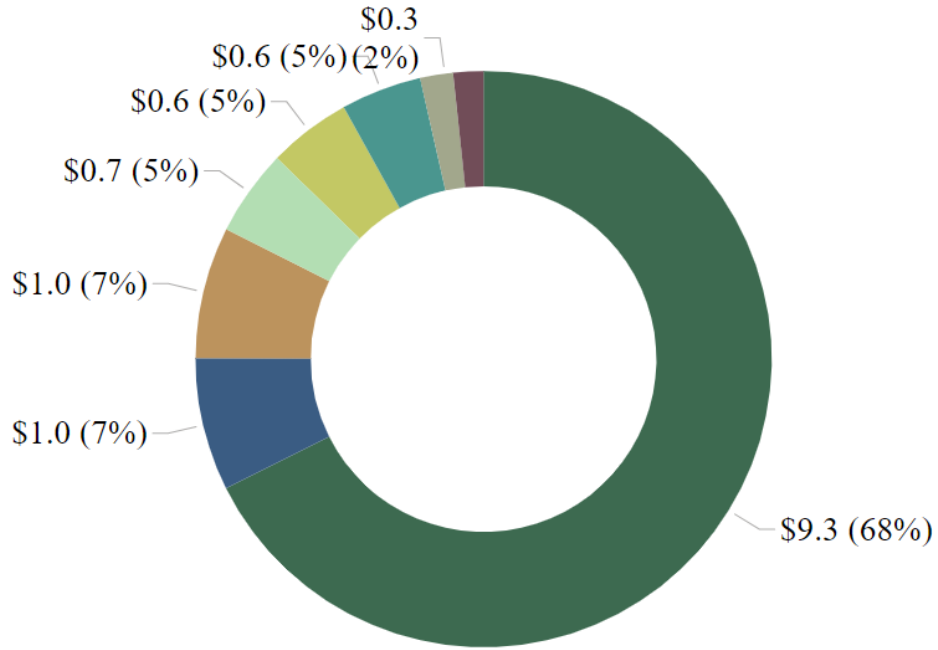
Where Are New Residents Moving From?



Income Type

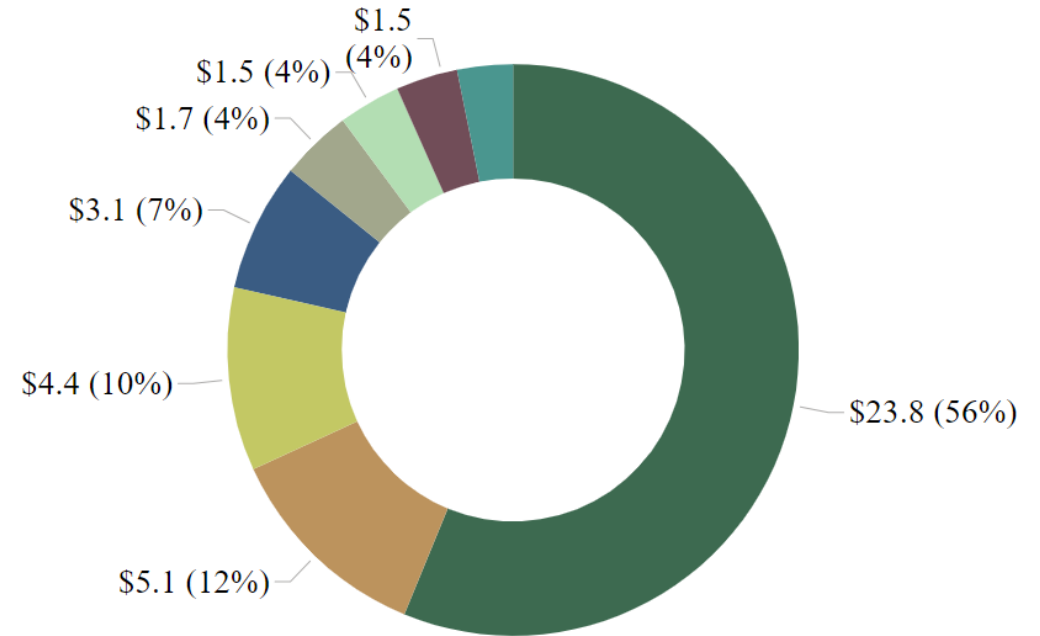
- Wage Income
- Rental/Partnership Inco
- Capital Gains
- Taxable Pensions
- Taxable Social Security
- Other
- IRA Income
- Business Income

Montana Tax Return Income Pie Chart
(\$ Billions)



Calendar Year 2002
Total Income=\$13.7
Billion

Montana Tax Return Income Pie Chart
(\$ Billions)



Calendar Year 2022
Total Income=\$42.4
Billion

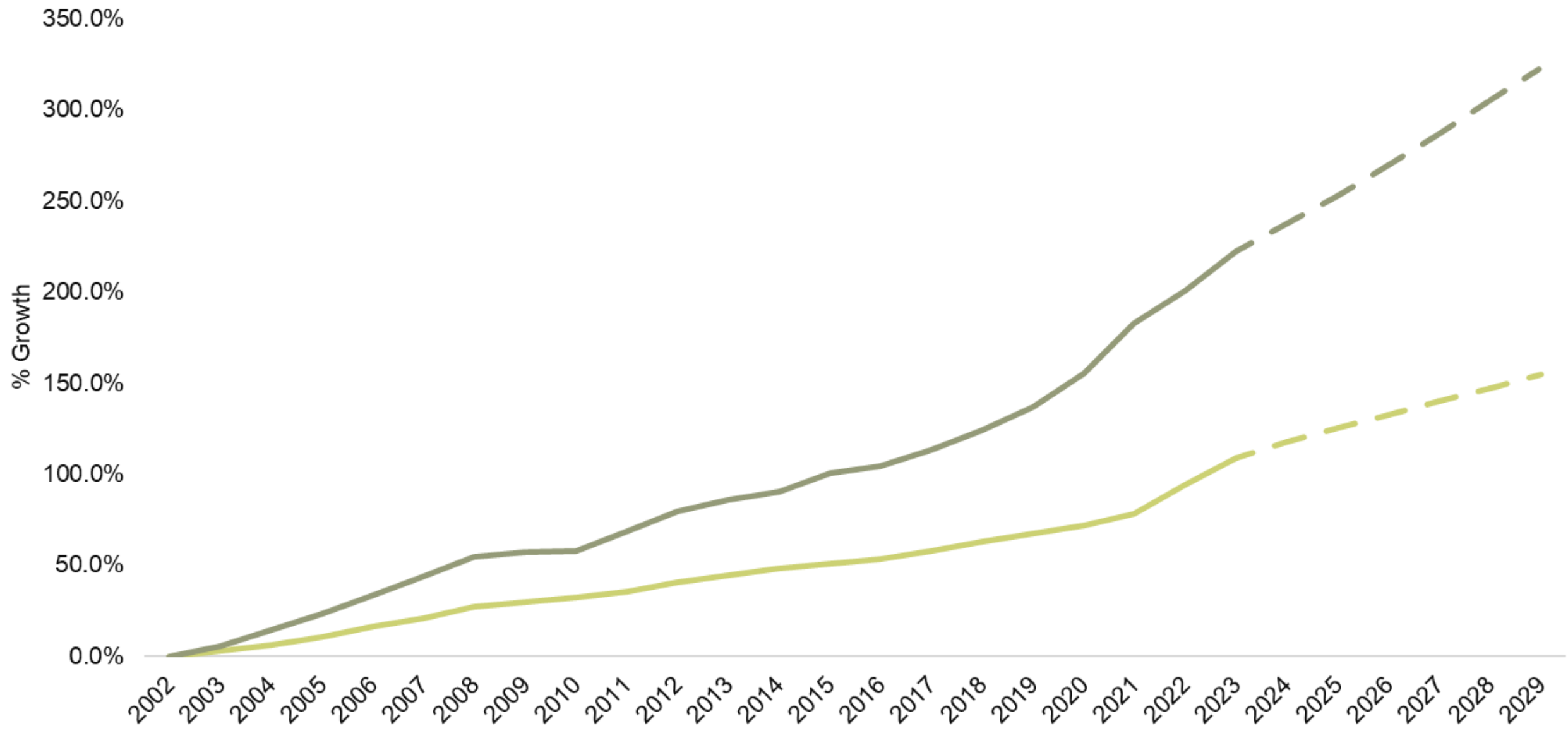


BUDGET
OUTLOOK

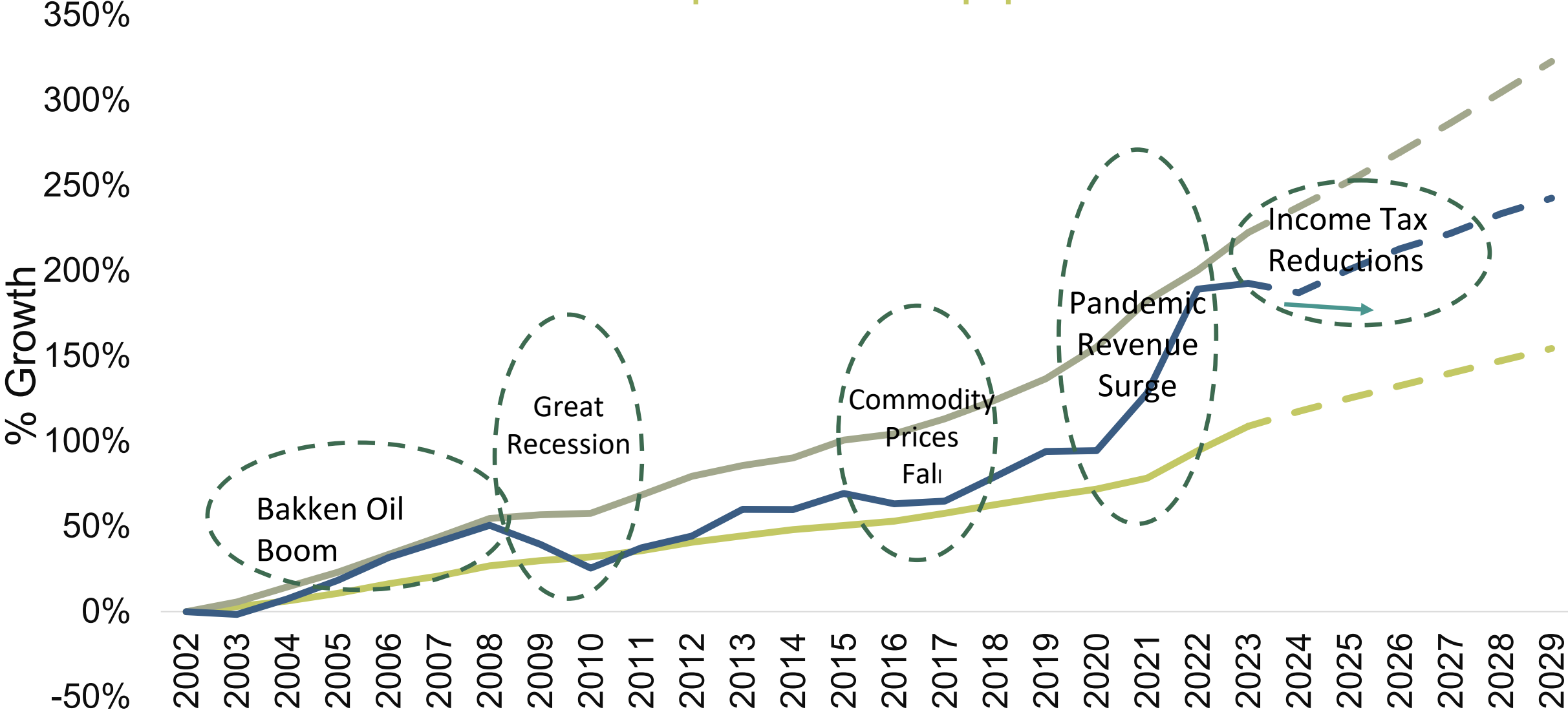
Outlook Montana General Revenue

Sam Schaefer

This chart shows the percentage compared to the growth in **personal income** and **consumer price index with population** from FY 2002 (dashed lines represent estimates).



This chart shows the percentage growth in **state general revenues** from FY 2002 (dashed lines represent estimates) compared to the growth in **personal income** and **consumer price index with population**.



This chart shows the percentage growth in **state general revenues** from FY 2002 (dashed lines represent estimates) compared to the growth in **personal income** and **consumer price index with population**.



Why higher than personal income growth?



Higher interest earning due to high interest rates and high balances of state funds



Taxes on capital gains income: new residents that moved to Montana had a higher share of their income

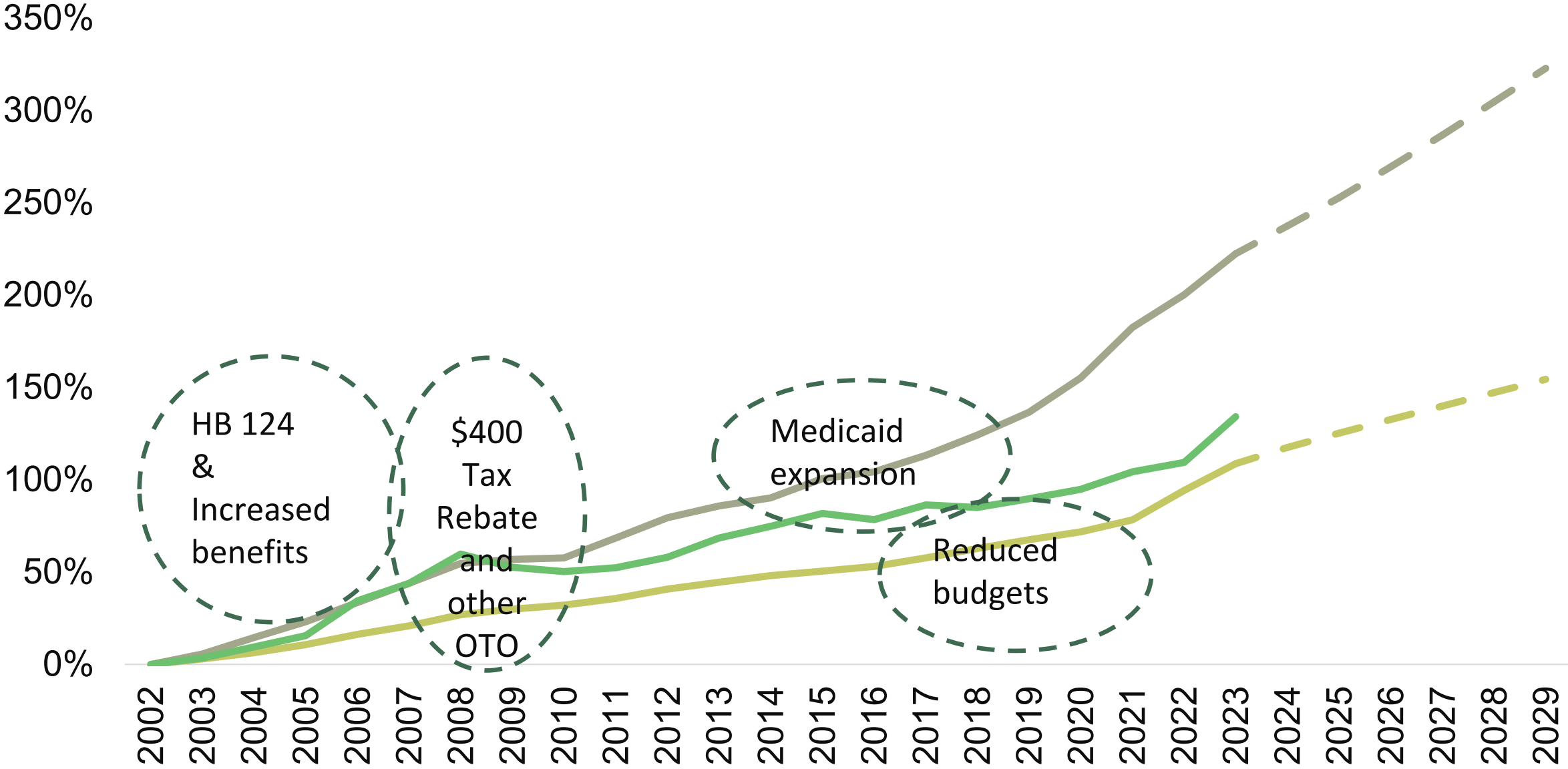


Higher effective tax rates due to inflation's impact on the tax brackets

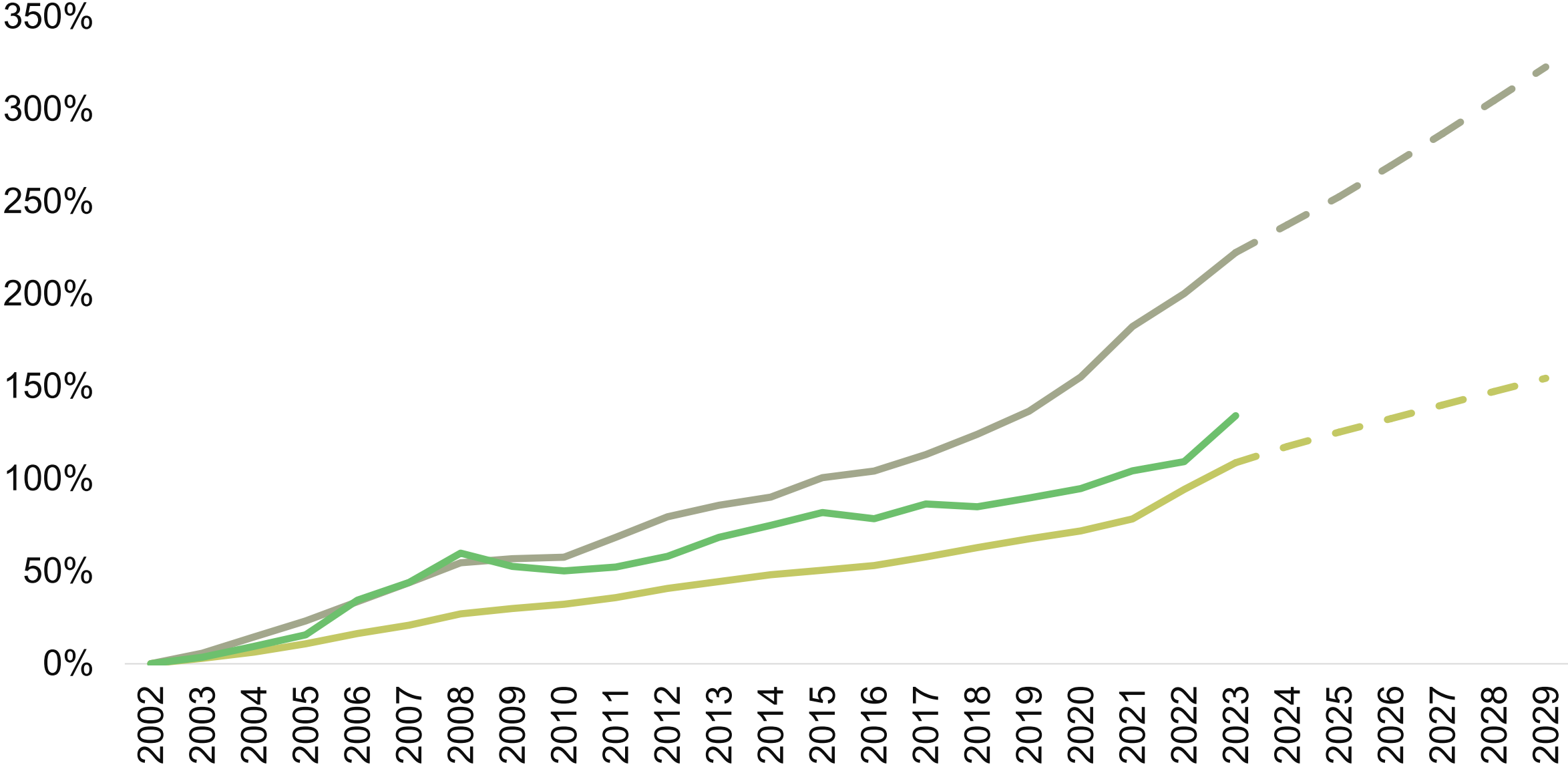
Expenditure Trends

Amy Carlson

This chart shows the growth in state resource expenditures of state special and general fund compared to the growth in personal income and consumer price index with population.



This chart shows the growth in state resource expenditures of state special and general fund compared to the growth in personal income and consumer price index with population.



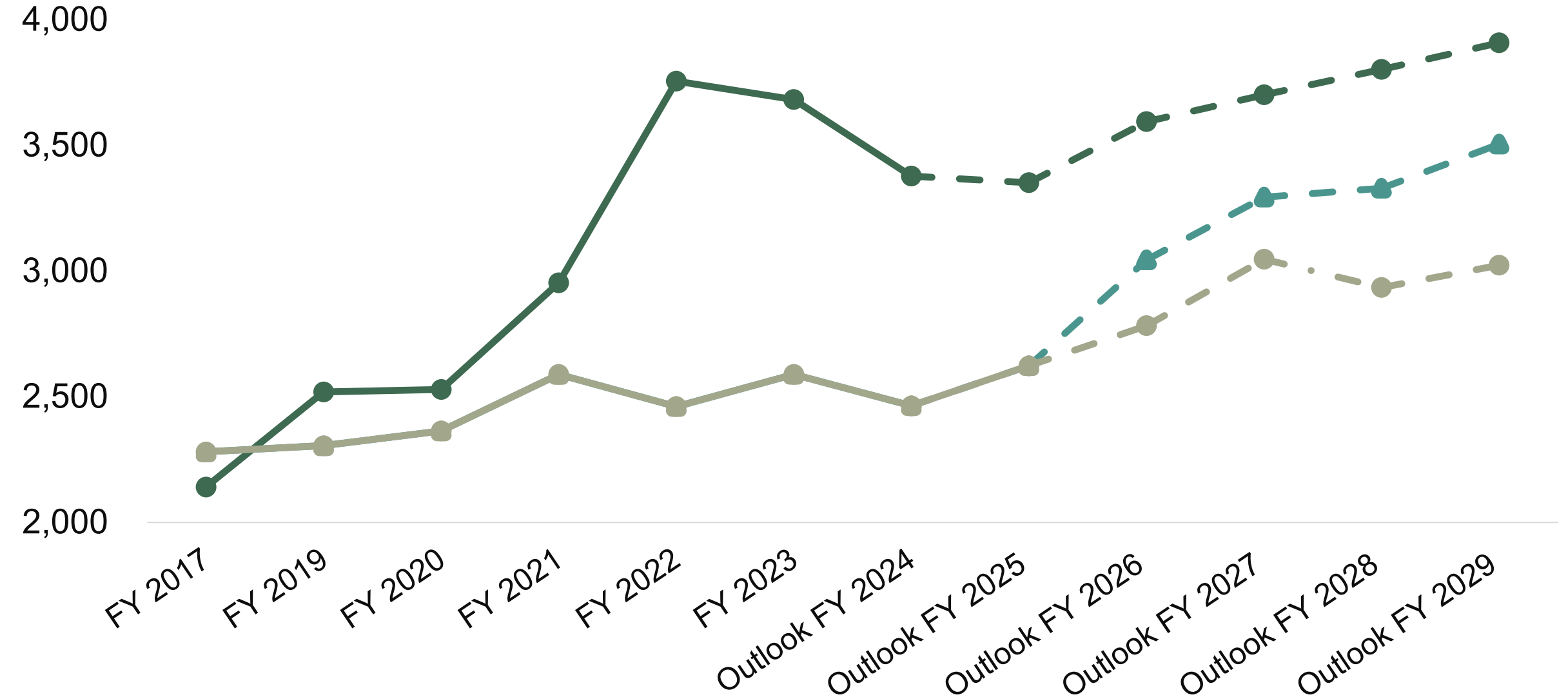
Assumptions for Order of Magnitude Analysis

- Enrollments/populations
- Inflation
 - K-12
- Corrections
- Medicaid Expansion
- HB 872 Behavioral Health

Outlook General Fund Structural Balance

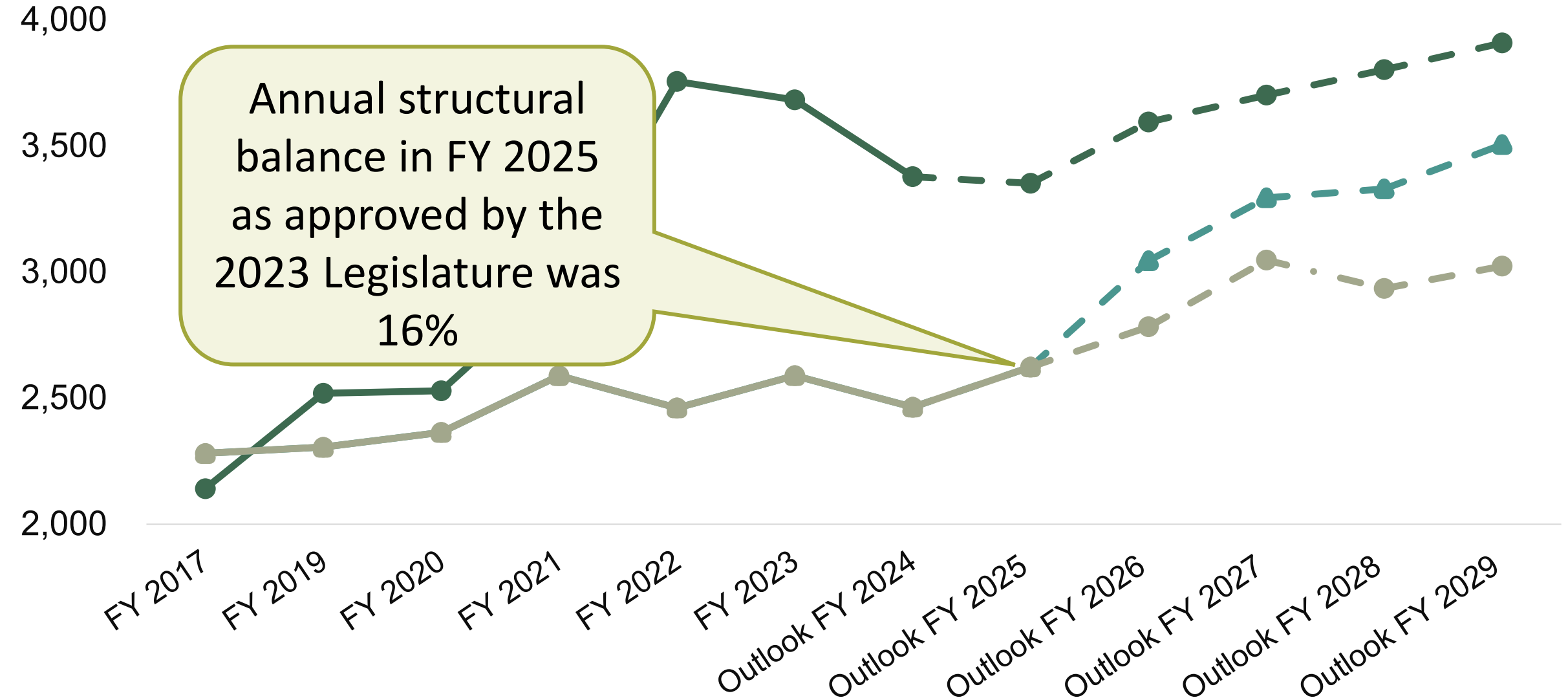
Structural Balance Still Strongly Positive with All Anticipated Inflation Pressures

(\$ Millions)

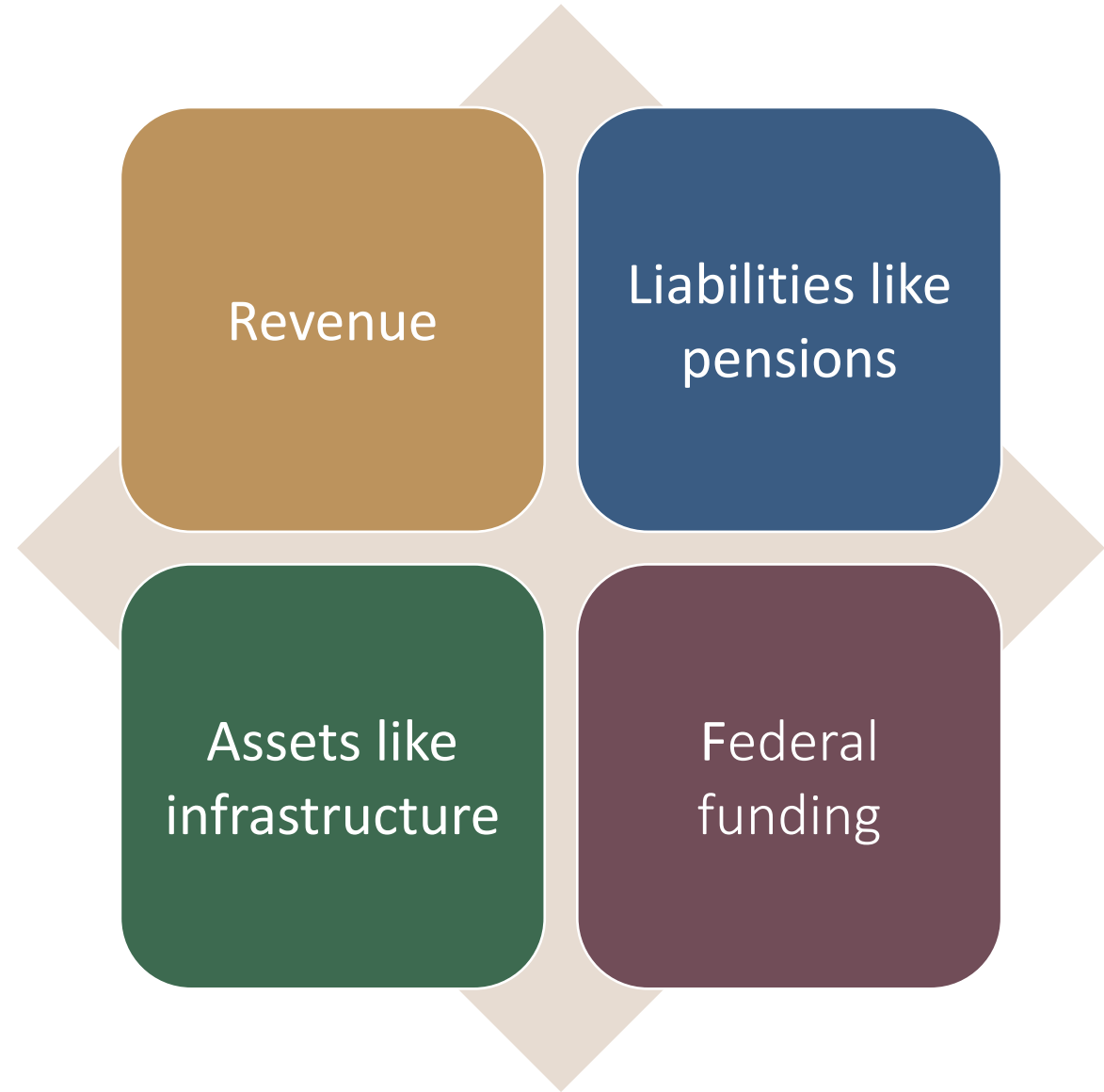


Structural Balance Still Strongly Positive with All Anticipated Inflation Pressures

(\$ Millions)



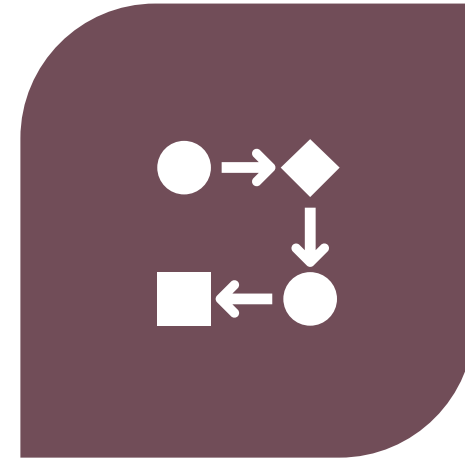
Risks and Pressures to Long-term Structural Balance



New Volatility in General Revenues

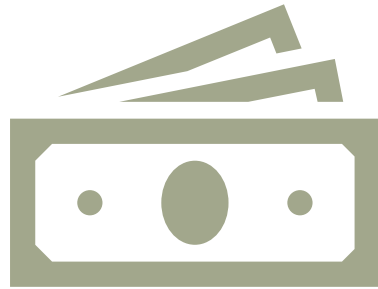


**CAPITAL GAINS PORTION OF THE
REVENUE STREAM IS GREATER**



**FEDERAL TAX CHANGES IMPACT
TAX PLANNING OF INDIVIDUALS**

Interest in Reducing Taxes



Income Taxes



Property Taxes

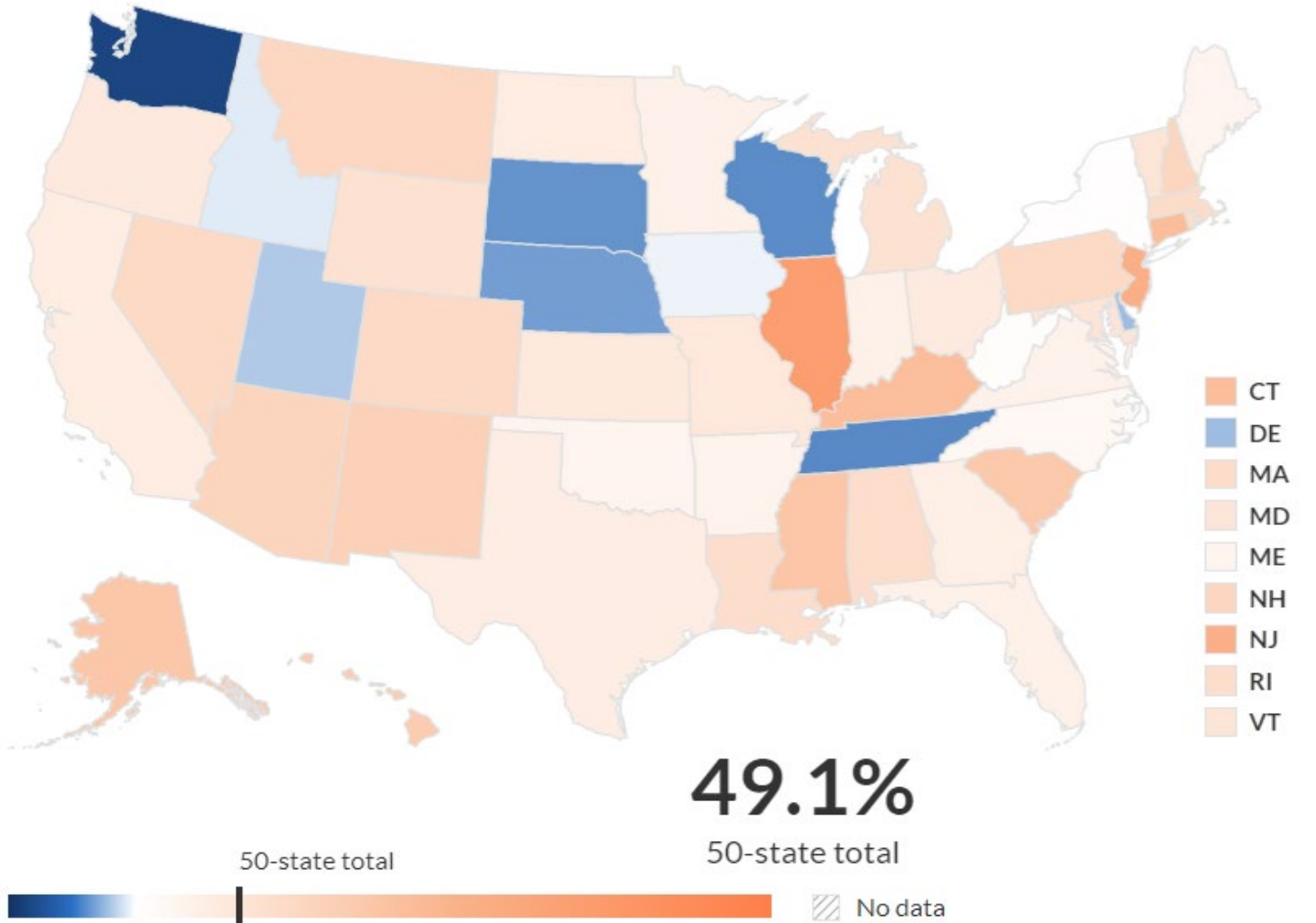
Liabilities

[Pew's analysis of pension liabilities](#) relative to other states indicates that Montana's debt is relatively greater than other states.

From Pew Charitable Trusts Fiscal Fifty website the 50-state average portion of own source (not federal funds) funding that would be required to pay down the debt is 49.1% in comparison to 79.9% for Montana.

Total Unfunded Pension Liabilities

As a share of states' own-source revenue, FY 2021



Deferred
maintenance
has developed
over time

Roads and bridges (asset value of over \$12 billion)

Buildings (replacement value of current buildings = \$5.6 billion)

- University
- Capitol Complex
- Across state

Water and Sewer systems (estimated current asset value \$4 billion plus St. Mary's and dams)

School Buildings (estimated replacement value ~ \$7.5 billion)

Federal Funding Uncertainty



Federal revenues and outlays are misaligned

Federal Receipts and Outlays in Constant 2017 Dollars
(\$ in billions)



Source: FY 2025 President's Budget, Historical Table 1-3

In FFY 2023 Outlays were \$5,088 billion and Receipts were \$3,683 billion or roughly 38% difference. This difference will likely decrease as COVID stimulus ends.

Top Federal
Funding Areas
in Montana
Total ~\$3.7
billion in
FY 2025

Health and Human
Services - \$2.6 billion

Transportation - \$0.7
billion

Other- \$0.4 billion



SUMMARY AND TAKEAWAYS

*Recommend checking out
[Pew's Fiscal 50 website](#)
for comparisons to other states*

Financial Strength

- Strong balances to cushion our finances from quick shocks
- Very strong structural position

Yet ...

- Pension liabilities
- Housing costs, including property taxes are a concern
- Revenue volatility
- Pressure to reduce taxes
- Infrastructure deferred maintenance backlogs

2025 Montana Legislature will chart the course of our financial future



End

