

# 2023 Biennium Budget

Legislative Fiscal Division

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Accelerating  
Trends  
Already in the  
Economy



AUTOMATION



INNOVATION



REMOTE WORK



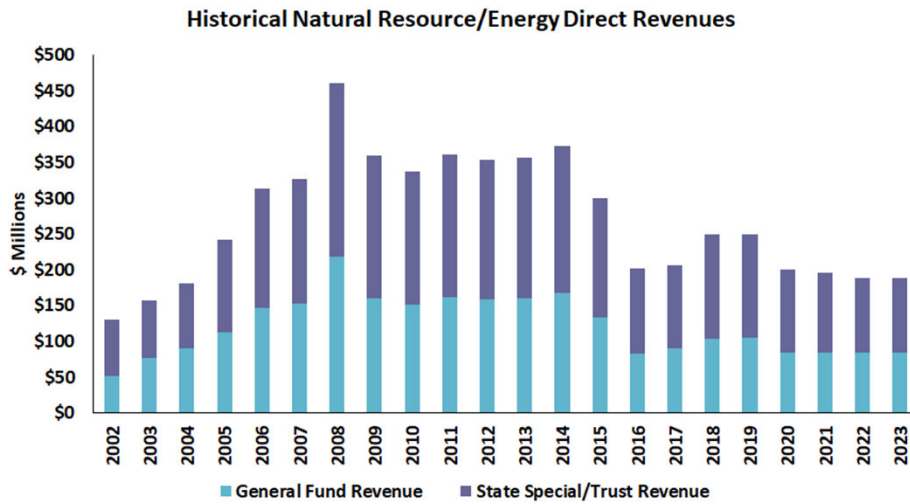
ENERGY



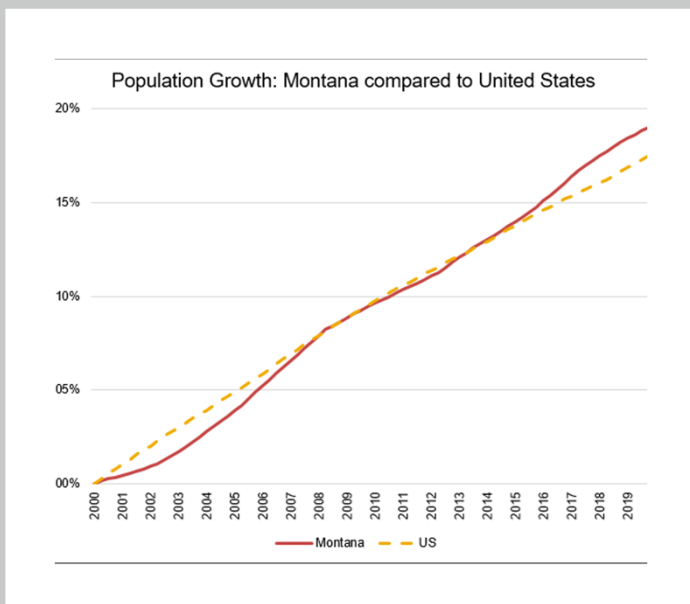
RELOCATION

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# Natural Resource Revenue Rise and Fall



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## Pre-COVID Population Trend

Analytic tool on demographics from Legislative Week is available on slides 9 and 10 of this [tool](#).

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## HJ 2 Built on October 2020 IHS Markit Economic Forecast

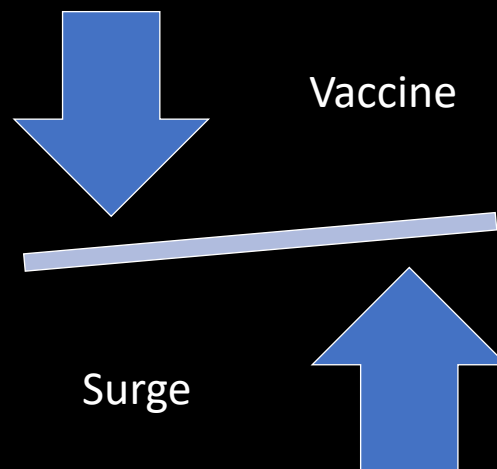
Note that: Governor Gianforte is using HJ 2  
revenues in his budget

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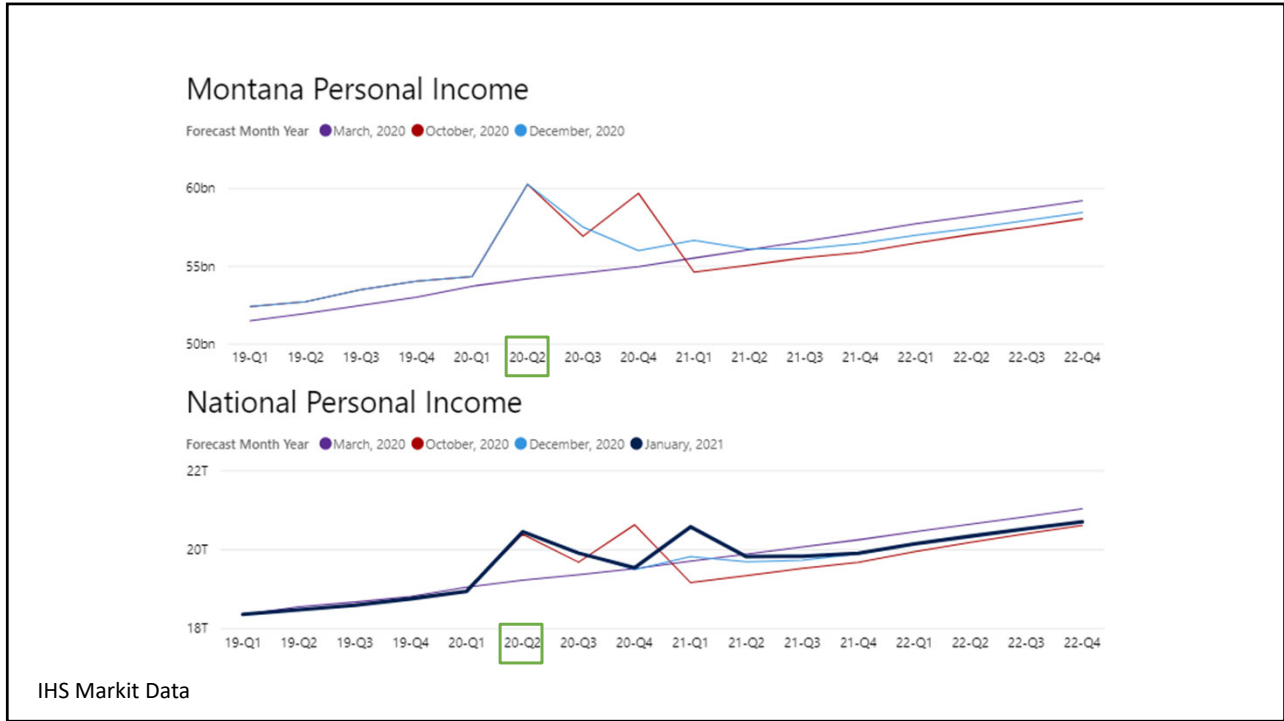
Expected Updates  
from IHS Markit  
Stimulus assumed in the  
October IHS Markit forecast  
4<sup>TH</sup> quarter 2020

**Downward:**  
COVID case surge

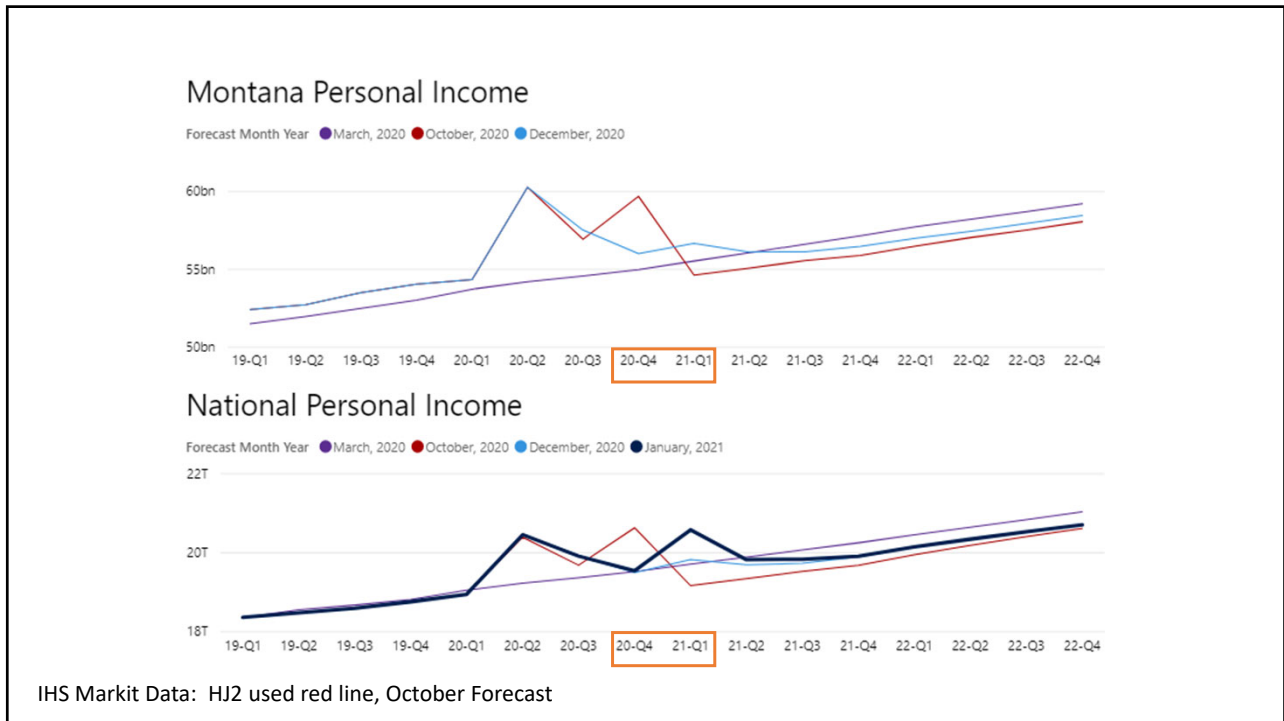
**Upward:**  
Vaccine availability date was  
not known



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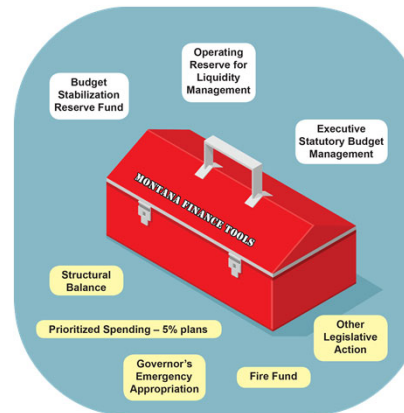
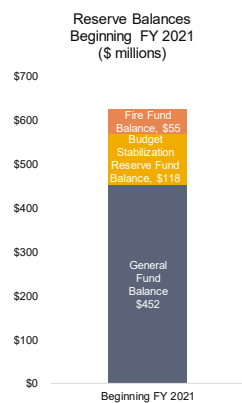


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CPA input:  
Taxpayer  
choices will  
impact timing  
of income and  
taxes paid

- People are filing quarterly payments to be penalty free – aka Safe Harbor
- February filing could be the first indication of big refunds
- Individuals may accelerate income into 2020 in 2021 in anticipation of higher federal tax rates
- Second stimulus changed the law on PPP loans and made the forgiven loans not count as income – not included in HJ 2

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## Balances and other tools

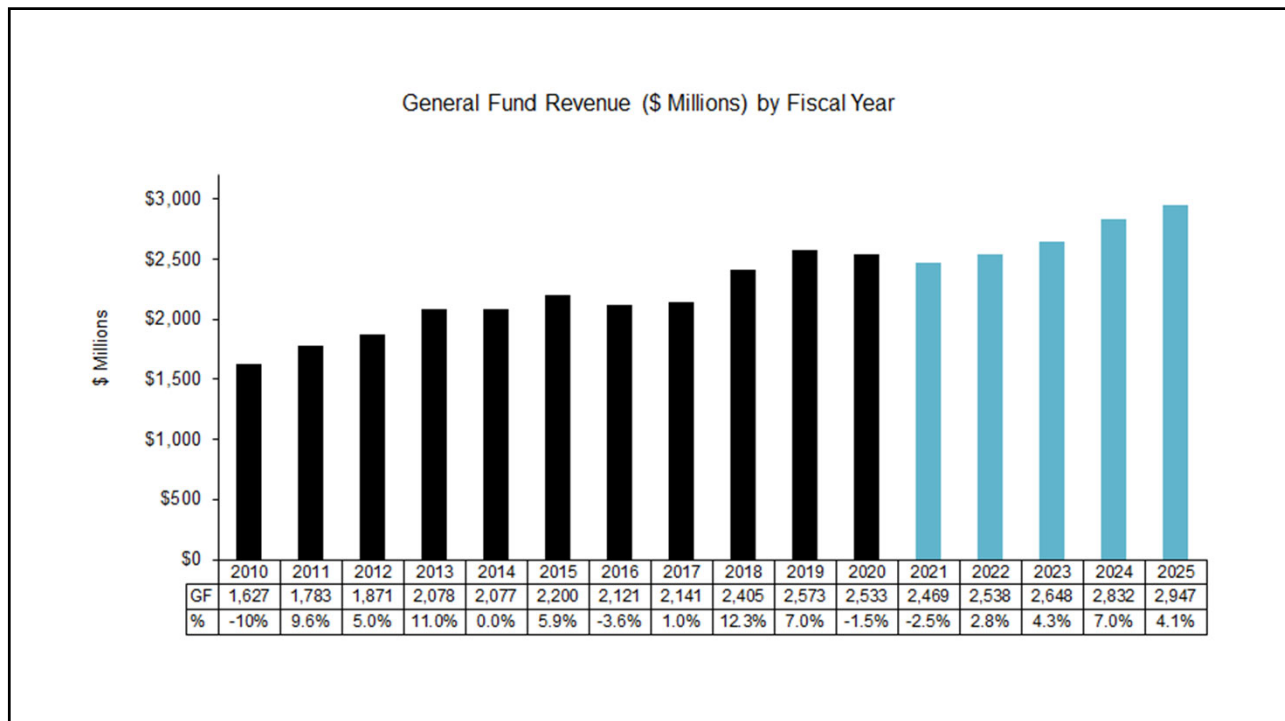
LFD training on [Basics](#)  
video and [Managing](#)  
[Volatility](#) slides

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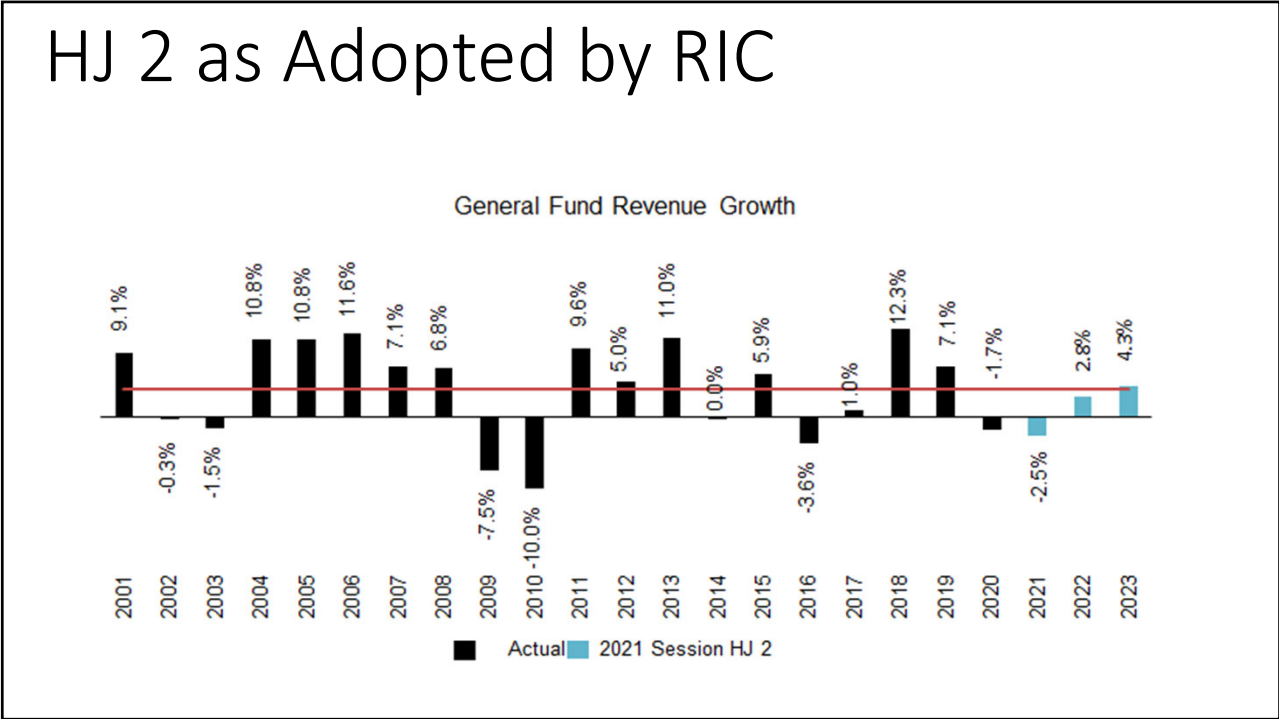
# HJ 2 Revenue Forecast



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# Expenditures

Recommended by Governor Gianforte

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# Recategorizations: fine tuning for legislative analysis, a statutory lens

**Present law versus New Proposals:**

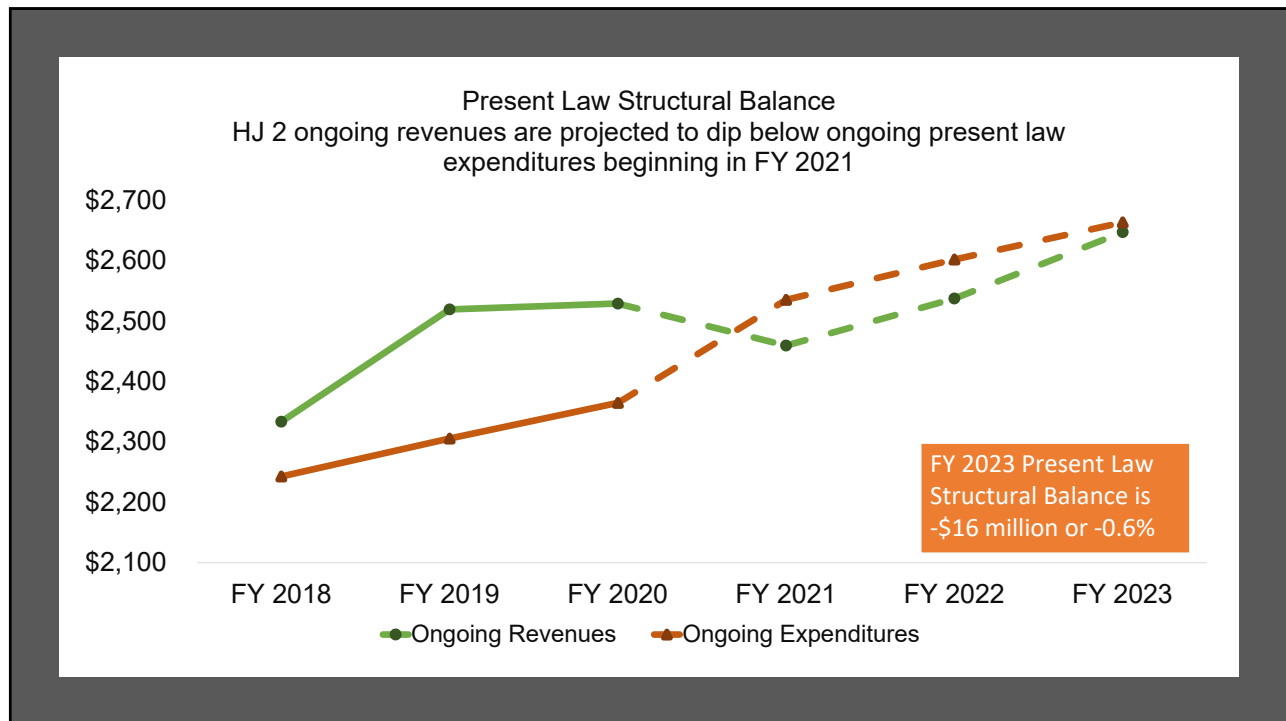
\$23.1 million fund of switches in Department of Health and Human Services have been changed to new proposals

**Ongoing versus one-time-only (OTO) under new law HB 553 adopted in 2019**

New law from last session requires operation and maintenance of new buildings and a continued investment in capitol development be included in the present law budget. Reductions in these amounts need to be considered one-time only.

Maintenance for new construction must be appropriated, but may be reverted

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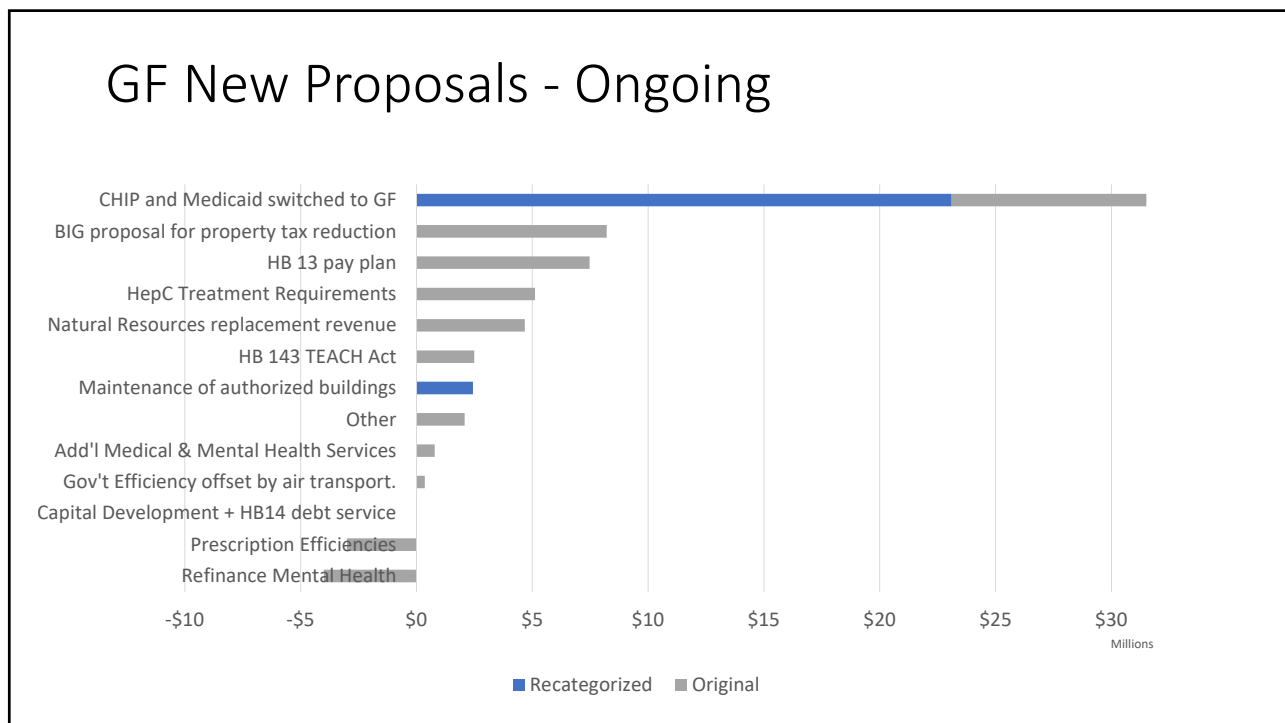


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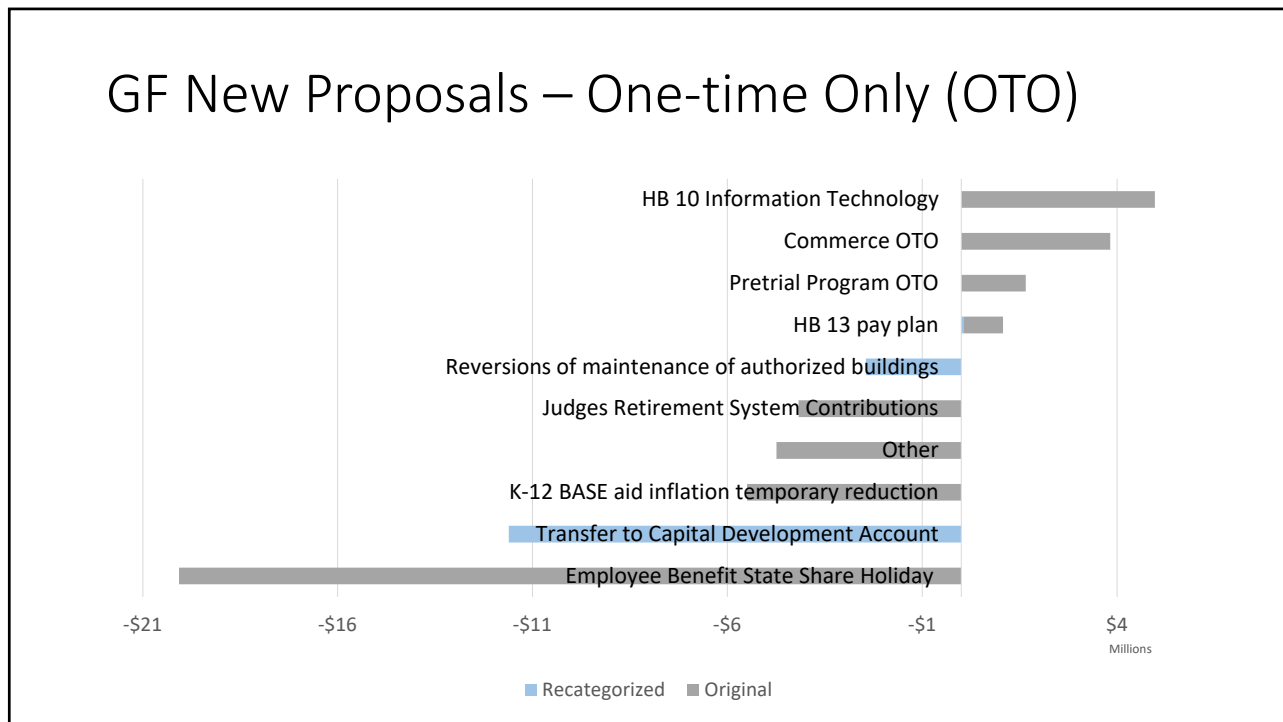




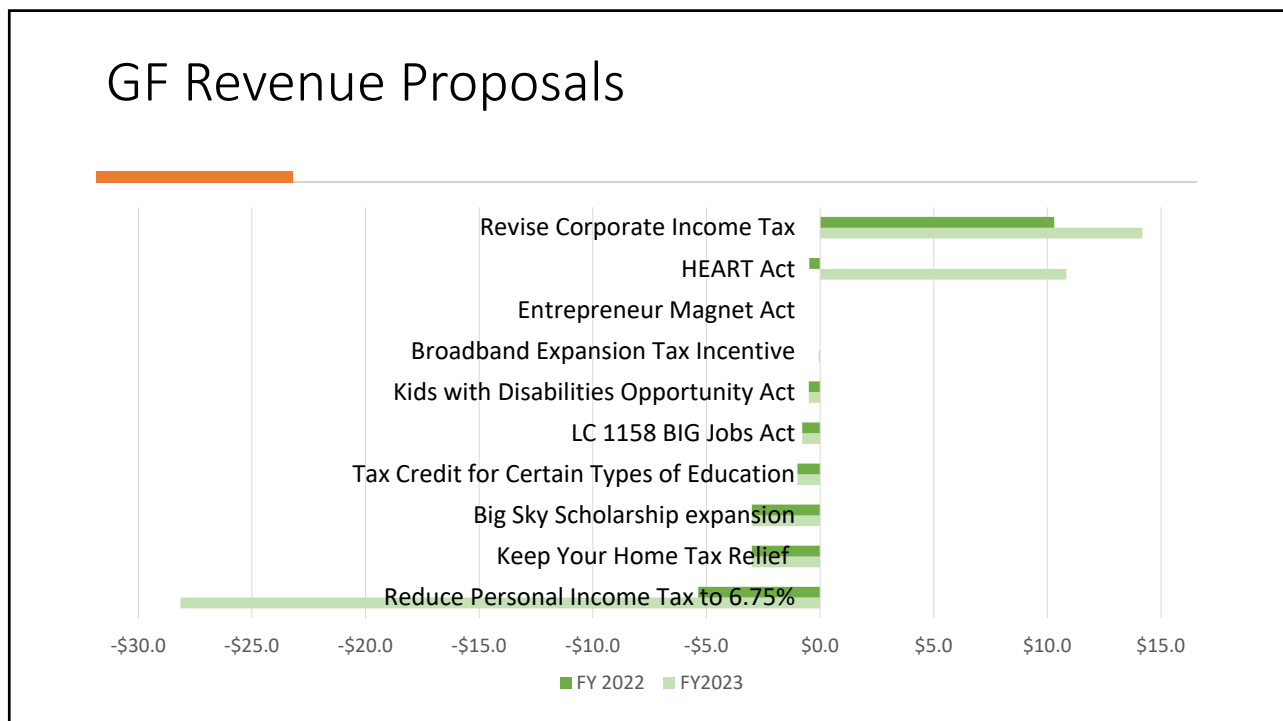
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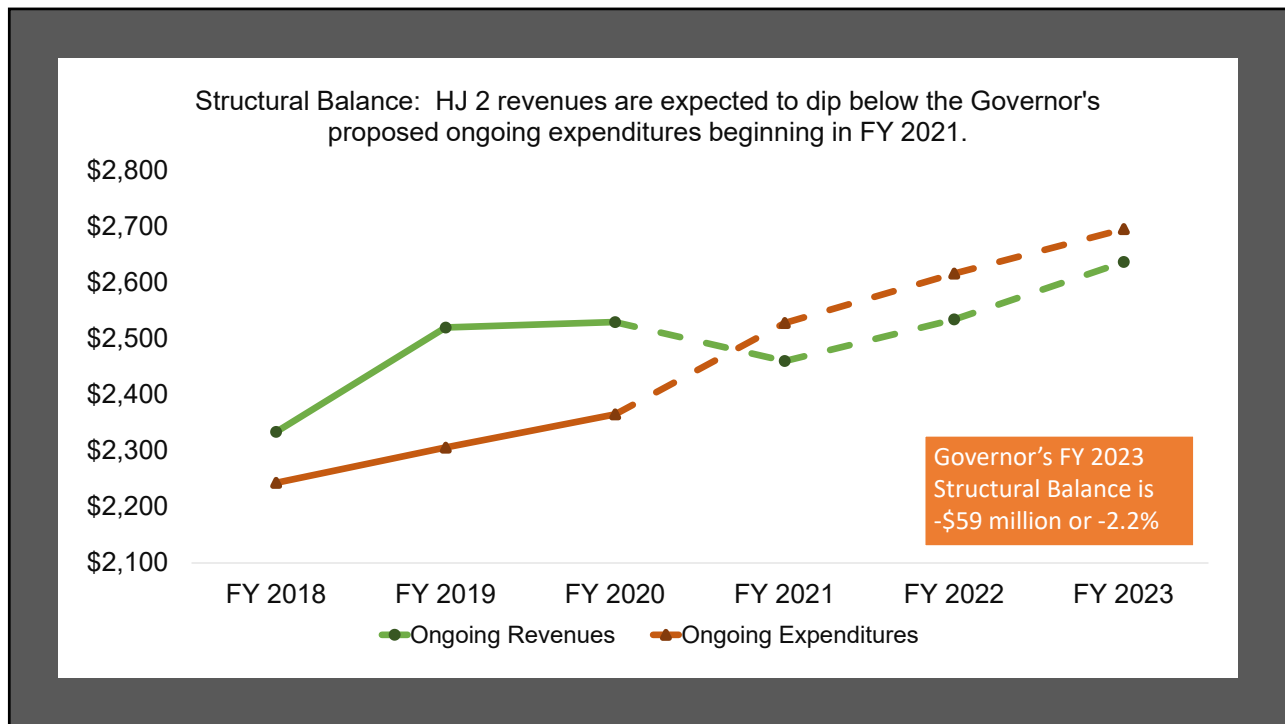
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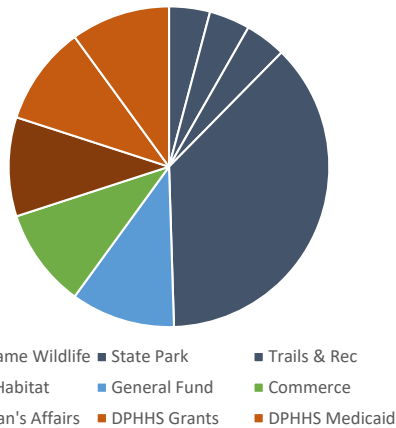
Focus on funding and finance

Subcommittees will review more details

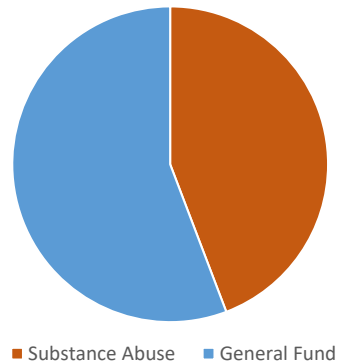
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## Recreational Marijuana Tax Revenue

Initiative 190 allocation



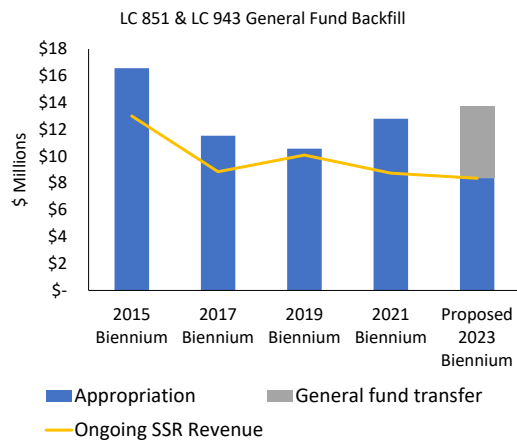
Governor Gianforte allocation



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## Natural Resource Revenue Replacement

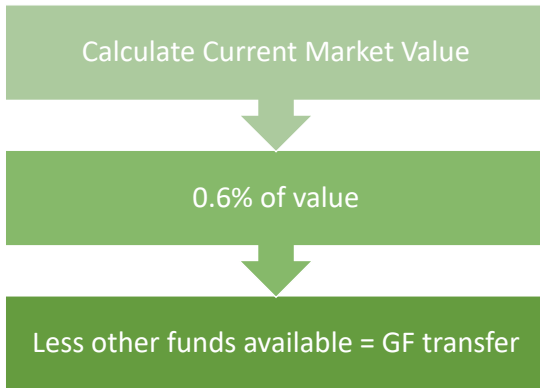
- Declines in oil and coal taxes have required transfers from other funds and existing resources have been used to fill the gap between revenues and expenditures in past years
- Governor Gianforte proposes a non-budgeted transfer of general fund to backfill up to the appropriated level.
- Backfill with a non-budget transfer is difficult to manage when general fund budgets need to be reduced.
- General fund appropriations that fund these programs along with the state special is an option that resolves that concern.



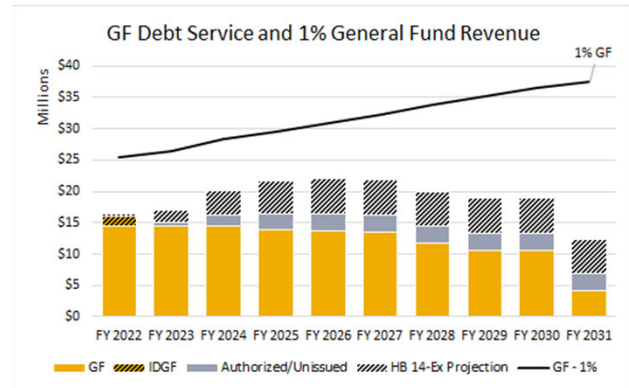
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## New Law HB 553 from the 2019 session

### Major Maintenance Fund



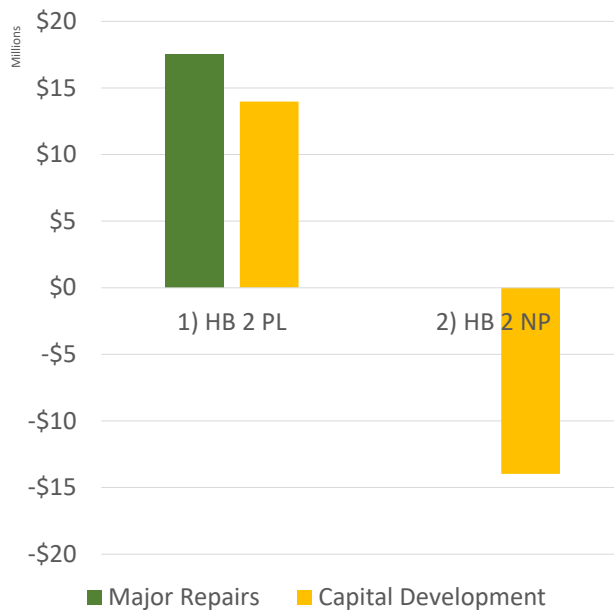
### Capital Development fund



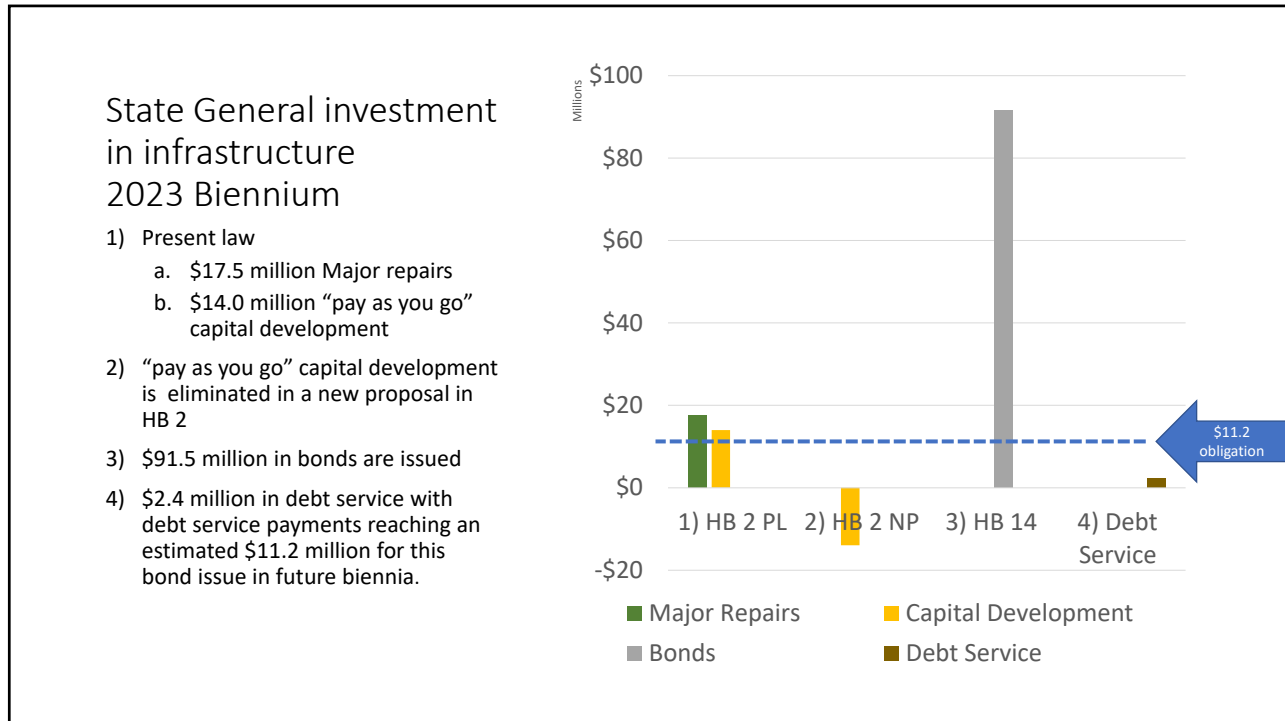
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### State General investment in infrastructure 2023 Biennium

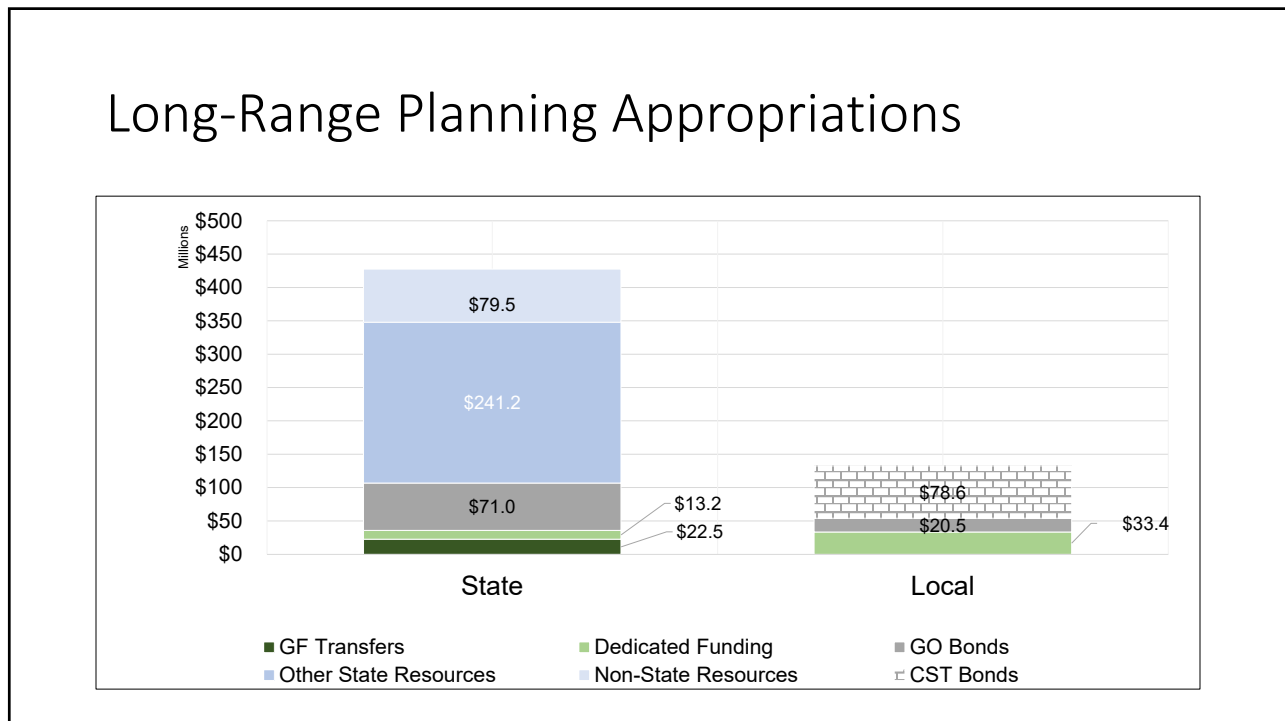
- 1) Present law
  - a. \$17.5 million Major repairs
  - b. \$14.0 million “pay as you go” capital development
- 2) “pay as you go” capital development is eliminated in a new proposal in HB 2




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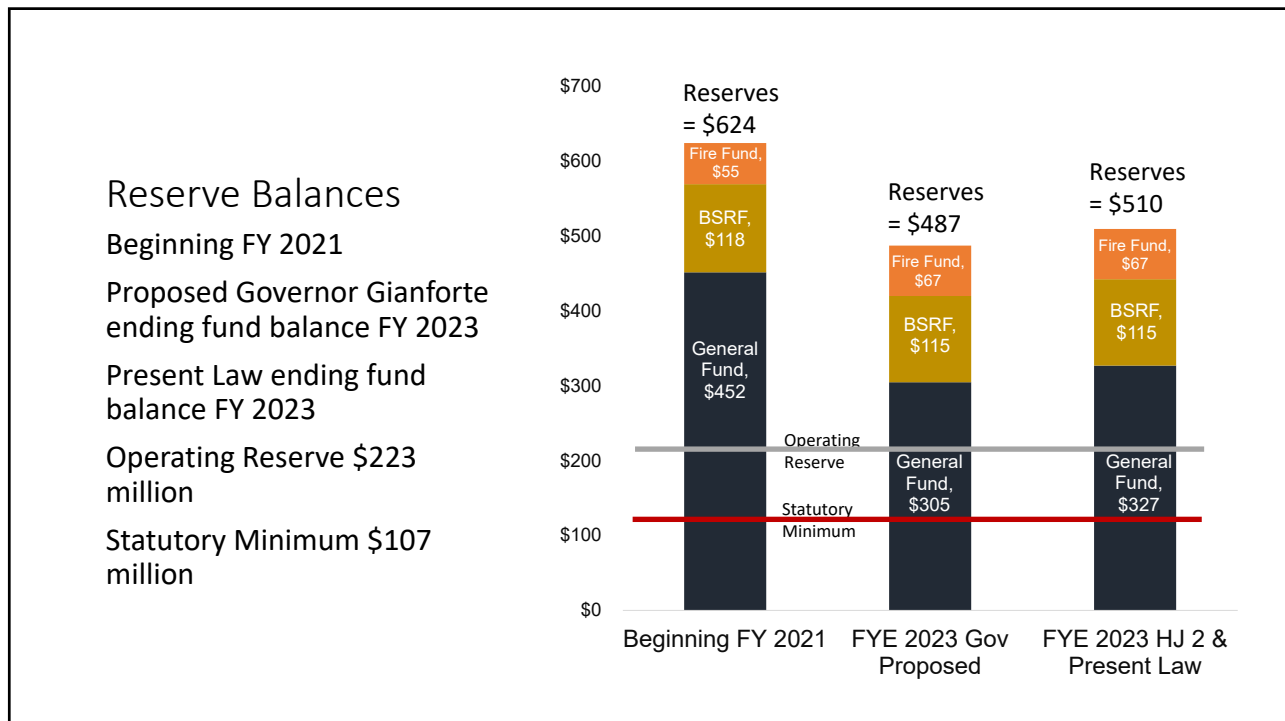


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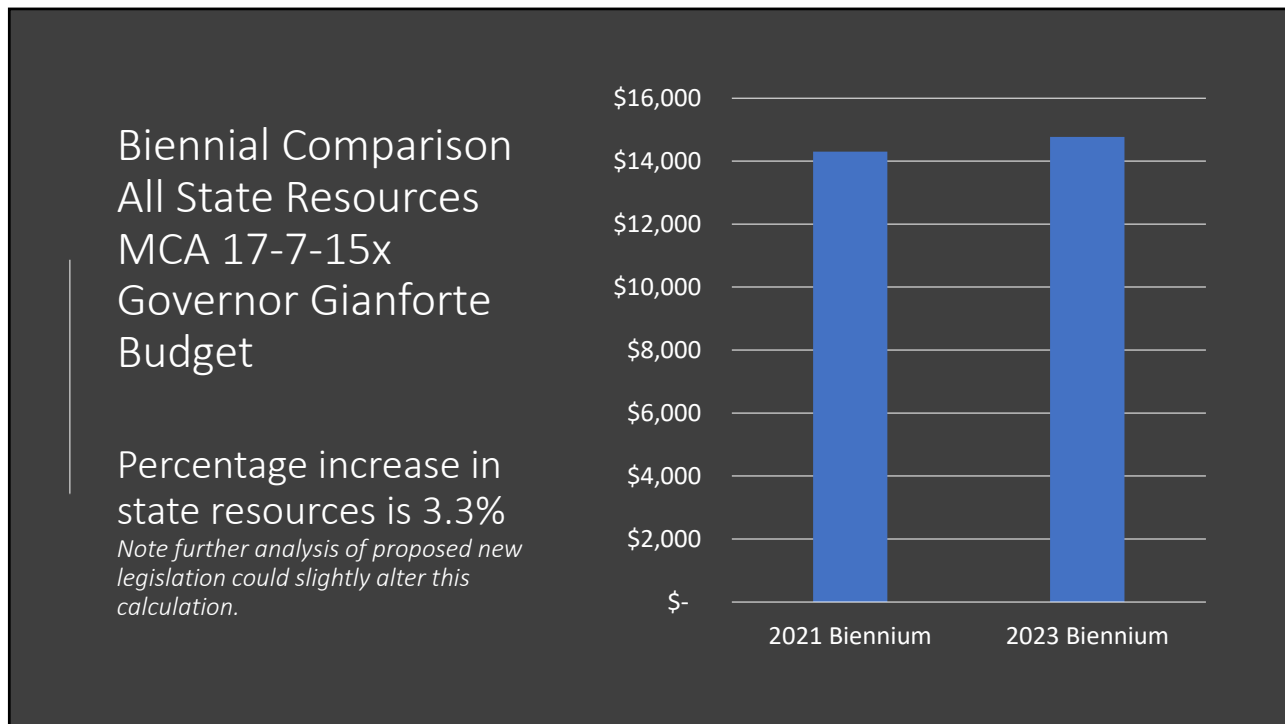


# Wrap up

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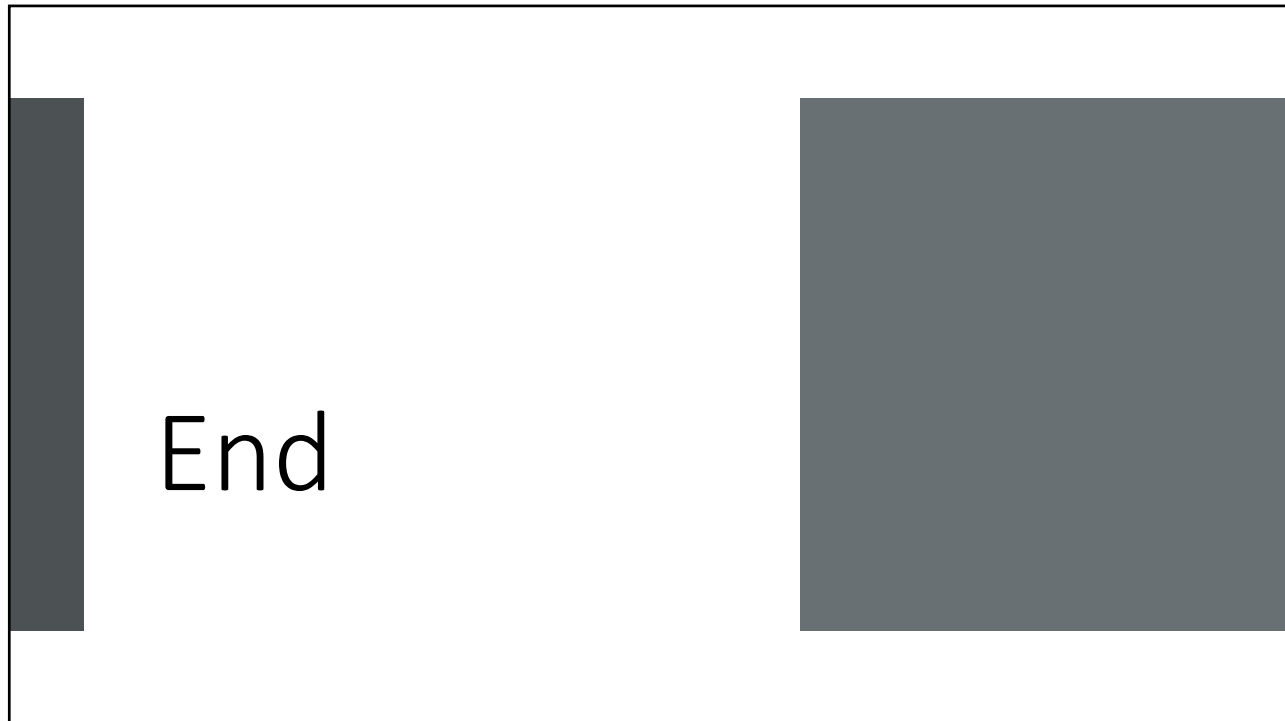
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## Key Points

-  Revenue uncertain
-  Balances and other tools are strong
-  Present law and the Governor's Budget are out of structural balance

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## Difference between Bullock and Gianforte Present Law

Differences between Governor Bullock and Governor Gianforte's present law recommendations total \$26 million in the biennium:

- 1) Vacancy savings \$12 million
- 2) Montana University system \$6.6 million due to a reduced distribution to the campuses which would have include a new proposal for tuition offset
- 3) Department of Revenue removal of \$4.3 million reduction that paid for the I190 implementation that was funded with state special funds
- 4) All other \$3.0 million

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