

Reviewing state budgets and spending ahead of upcoming legislative sessions

5 FACTS

1. *Wyoming has the shortest legislative session and Washington has the longest*
2. *Idaho's legislative session typically lasts 75-90 days*
3. *Spending increases over the past decade are more pronounced in Idaho and Washington*
4. *Policymakers should pay close attention to their state rainy day funds, which can help shield state taxpayers from economic storms*
5. *Idaho's rainy-day fund would allow the state to operate normally for at least 75 days, while Washington's rainy-day funds allow for just four days of operation*

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Introduction

Legislators in Idaho, Montana, Washington, and Wyoming are preparing to head back to their respective capitals this January to begin their governing work.

In some states, policymakers will be dealing with major issues regarding homelessness and crime. In other states, lawmakers will be reviewing ideas to improve a business climate or lower the tax burden.

One thing all states have in common is the requirement to produce a budget. But how much is enough? Is the tax burden too high? Are government budgets under or overspending? And how does each state arrive at a budget?

Idaho

Idaho's 2023 legislative session begins January 9th with the target ending 75 days later. Typically, legislative sessions in Idaho last between 75-90 days.

Republicans control both chambers of the legislature and the governor's office, but the new legislature features tremendous turnover, with 39 first time lawmakers. Republicans have held a supermajority in both the Senate and the House since the early 1990's.

KEY INFORMATION COLUMN

Idaho's state budget has increased 63% over the past decade.

Income tax revenues account for Idaho's largest state tax source.

Washington's state general fund budget is double what it was a decade ago.

Idaho's most recent general fund budget topped \$4.4 billion – a 63% increase over the past 10 years. K-12 spending is the largest component of the state budget.¹

Idaho lawmakers have a budget surplus that tops \$1.5 billion – a remarkable number considering the size of the state's general fund budget.² In a special legislative session in September of 2022, lawmakers passed an increase in education spending, a one-time tax rebate and, coupled with previous sessions, have reformed the state's income tax – taking the rate from a high of 6.5% to a flat charge of 5.8%.

Idaho's state income tax accounts for its largest state government revenue source.

Washington

The legislative session in Washington state begins on January 9th and will last for 105 days. Washington's constitution provides for longer, 105-day sessions in odd numbered years for the purpose of budget writing, with shorter, 60-day sessions in even numbered years.

In the last general election, Democrats in Washington gained a seat in both the House and the Senate, moving them closer to supermajority control in the Evergreen State.³ Washington adopts budgets for a biennium.

Washington state's most recent two-year operating budget topped \$64.1 billion – *double* what it was a decade ago.⁴

While continuing to increase spending at a remarkable clip, Washington state lawmakers have not followed the example of other states and passed major tax relief. This is despite the fact state revenues continue to surge.

¹ Idaho state budget information, available at <https://legislature.idaho.gov/iso/bpa/budgetinformation/>

² U.S. News and World Report, October 2022, Idaho tax revenues fall short but budget surplus remains, available at <https://www.usnews.com/news/best-states/idaho/articles/2022-10-17/idaho-tax-collections-fall-short-but-budget-surplus-remains>

³ The Seattle Times, November 2022, Republicans hit blue wall in Washington, meet your new legislature, available at <https://www.seattletimes.com/seattle-news/politics/republicans-hit-blue-wall-in-wa-meet-your-new-state-legislature/>

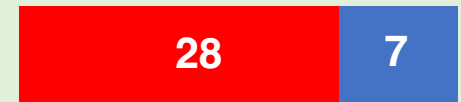
⁴ Washington state budget information, available at <https://ofm.wa.gov/budget/state-budgets/2021-23-enacted-budgets>

Idaho

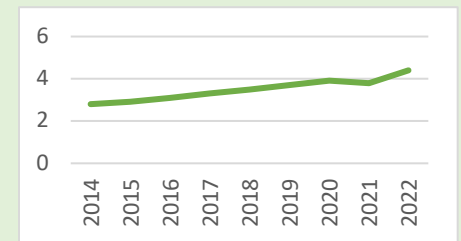
HOUSE



SENATE



SPENDING HISTORY (IN BILLIONS)



\$6,260 – 41ST
STATE REVENUE PER PERSON & RANK

5.8%
INCOME TAX RATE

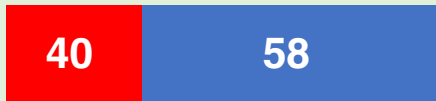
6.0%
SALES TAX RATE

\$3,438
STATE & LOCAL DEBT PER PERSON

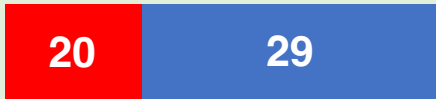
KEY INFORMATION COLUMN

Washington

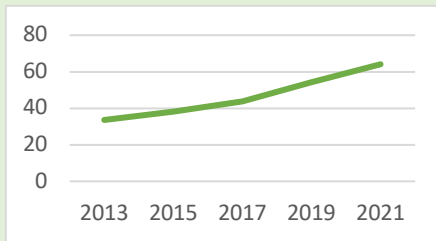
HOUSE



SENATE



SPENDING HISTORY (IN BILLIONS)



\$7,135 – 28TH
STATE REVENUE PER PERSON & RANK

0%*
INCOME TAX RATE

6.5%
SALES TAX RATE

\$12,416
STATE & LOCAL DEBT PER PERSON

Montana

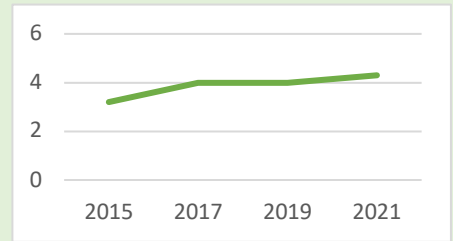
HOUSE



SENATE



SPENDING HISTORY (IN BILLIONS)



\$7,498 – 22ND
STATE REVENUE PER PERSON & RANK

6.75%
INCOME TAX RATE

0%
SALES TAX RATE

\$5,224
STATE & LOCAL DEBT PER PERSON

Washington lawmakers have not passed major tax relief.

Washington state receives most of its tax revenue via its high sales tax.⁵ However, state lawmakers continue to push to add a state income tax to the mix – most recently passing an income tax that begins with capital gains income. It is currently being reviewed in the courts over questions of constitutionality.

Montana

Montana legislators head back to work on January 2nd for 90 days. It'll be the first time since 2021 that legislators in Montana have met in a regular session, as the state constitution dictates regular sessions of the legislature are to occur in only odd numbered years.

In the last general election, Republicans gained supermajority control of the Montana legislature – the first time both chambers will each be held by a supermajority of the same party.⁶

Montana's legislature meets once every other year.

⁵ Washington state Office of Financial Management, revenue by source, available at <https://ofm.wa.gov/washington-data-research/statewide-data/washington-trends/revenue-expenditures-trends/state-local-government-revenue-sources>

⁶ Montana Free Press, November 2022, Montana Republicans win legislative supermajority, available at <https://montanafreepress.org/2022/11/15/montana-republicans-win-legislative-supermajority/>

KEY INFORMATION COLUMN

Montana does not have a state sales tax. The state receives most of its revenue from the state income tax.

Wyoming's legislative session is just 40 days in odd-numbered years.

Montana adopts budgets for a biennium.

Like many other states, Montana has a large surplus of more than \$1 billion. Over the past decade, Montana has increased its general fund spending in a more responsible manner – by only 20%.

Montana does not have a state sales tax. Roughly half of Montana's tax revenue comes from its income tax.

Governor Greg Gianforte has introduced a plan to cut the Montana state income tax to 5.9%.⁷ Democrats in Montana have also announced plans to push tax cuts, concentrating on the state's property tax.⁸

Wyoming

In Wyoming, the legislature will gavel into session on January 10th – but it will be forced to make quick work. In odd numbered years, the Wyoming Legislature meets for just 40 days. In even numbered years, the legislature simply holds a budget session that typically lasts 20 days. Wyoming adopts state budgets for a biennium.

The balance of power in Wyoming consists of a trifecta of Republican control, with a supermajority in the Wyoming legislature. In fact, Republicans control more than 90% of the seats in the Wyoming legislature.

Remarkably, Wyoming has had a recent history of reducing government spending.⁹ Wyoming has no state income tax.¹⁰ Its largest revenue source is property tax. Because of the rural nature of the state, the state government has revenues exceeding \$11,000 per person.

⁷ Mountain States Policy Center, November 2022, Gov. Gianforte: Lower Montana's income tax, available at <https://www.mountainstatespolicy.org/post/gov-gianforte-lower-montana-s-state-income-tax>

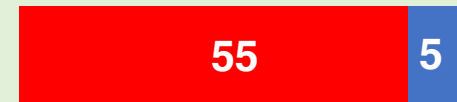
⁸ KTVH-TV, October 2022, Montana state lawmakers start debating how to use expected budget surplus, available at <https://www.ktvh.com/news/montana-lawmakers-start-debating-how-to-use-expected-1b-budget-surplus>

⁹ Wyoming state budget information available at <https://sbd.wyo.gov/home/wyoming-state-budget>

¹⁰ Wyoming state budget information available at <https://www.wyoleg.gov/StateFinances/StateBudgeting>

Wyoming

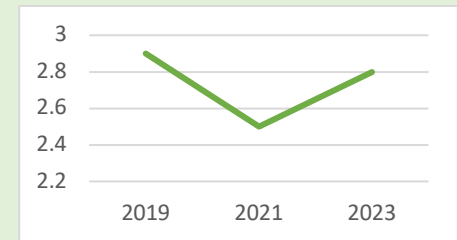
HOUSE



SENATE



SPENDING HISTORY (IN BILLIONS)



\$11,690 – 4TH
STATE REVENUE PER PERSON & RANK

0%
INCOME TAX RATE

4%
SALES TAX RATE

\$3,437
STATE & LOCAL DEBT PER PERSON

**KEY INFORMATION
COLUMN**

Wyoming has the best state rainy-day fund in the country.

Washington's rainy-day fund would provide enough revenue to last the state just four days.

Nothing in this publication shall be construed as an attempt to aid or hinder the passage of any legislation.

Saving for a rainy day

One of the most important things a lawmaker can do is to ensure an adequate rainy-day fund. To properly shield a state from turbulent economic storms, many states have savings requirements built into their budgeting process.

In its 2020 report, the *Tax Foundation* ranked Wyoming's rainy-day fund as tops in the country – with balances as a percentage of expenses at 109%.¹¹ Pew's 2022 report now shows Wyoming could run on its rainy-day fund for almost an entire year – roughly 349 days.¹²

Idaho's rainy-day fund leaves the state able to run on savings for roughly 76 days. Meantime, Montana could operate the state on savings for just 16 days. Washington state ranks the worst in the country – with rainy-day funds only able to sustain state spending and programs for a little more than four days.¹³

Conclusion

Whether it be their first or tenth legislative session, policymakers from across the region will have a unique opportunity to strengthen their state finances while giving a break to their hard-working constituents.

As we have shown, each has a budget surplus that can and should be spent on reducing the severe inflationary pressures made worse by intense government spending. Drastically increasing state government spending in these economic times will only make matters worse. Lawmakers should resist that temptation.

Special thanks to the Tax Foundation and its 2022 "Facts and Figures" booklet.

¹¹ Tax Foundation, 2020, How healthy is your state's rainy-day fund, available at <https://taxfoundation.org/2020-state-rainy-day-funds/>

¹² Pew, October 2022, States build their reserves amid fiscal uncertainties, available at <https://www.pewtrusts.org/en/research-and-analysis/articles/2022/10/18/states-build-their-reserves-amid-growing-uncertainties>

¹³ Ibid