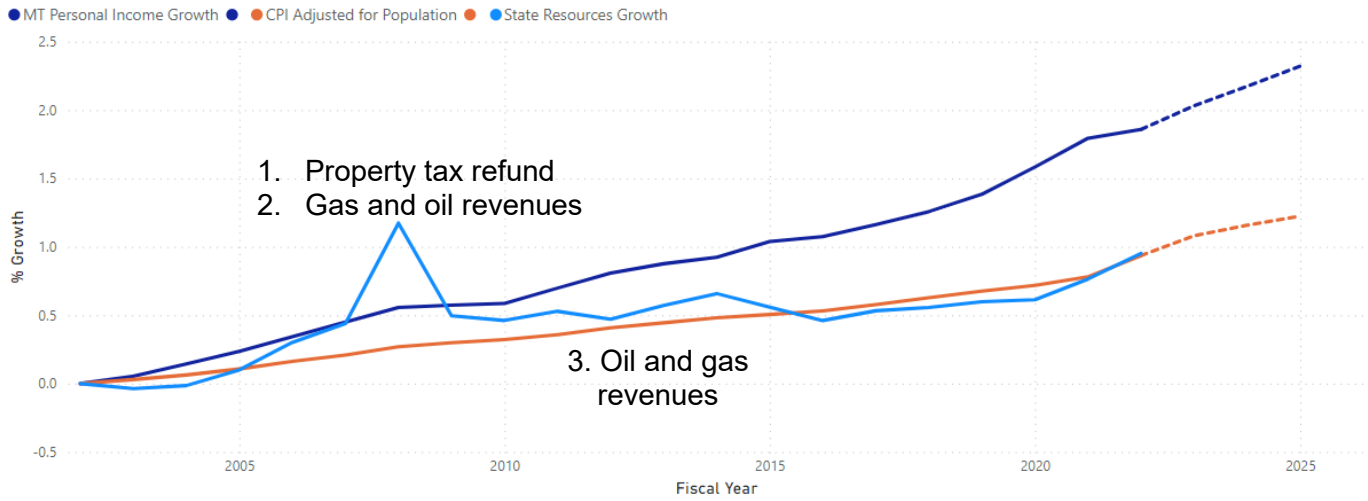


Department of Revenue

This report includes a series of charts that compare state resource expenditure growth to the growth in personal income and growth in inflation adjusted for population. Montana statute, 17-8-106, MCA, recommends using growth in personal income for comparison purposes. Personal income is a measure for growth in the economy. Comparing growth allows financial planners to consider past and future demands in services or changes in revenues.

All Government Funds

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



Overall, the trend for expenditures related to all governmental funds in the Department of Revenue has followed the growth in inflation adjusted for population.

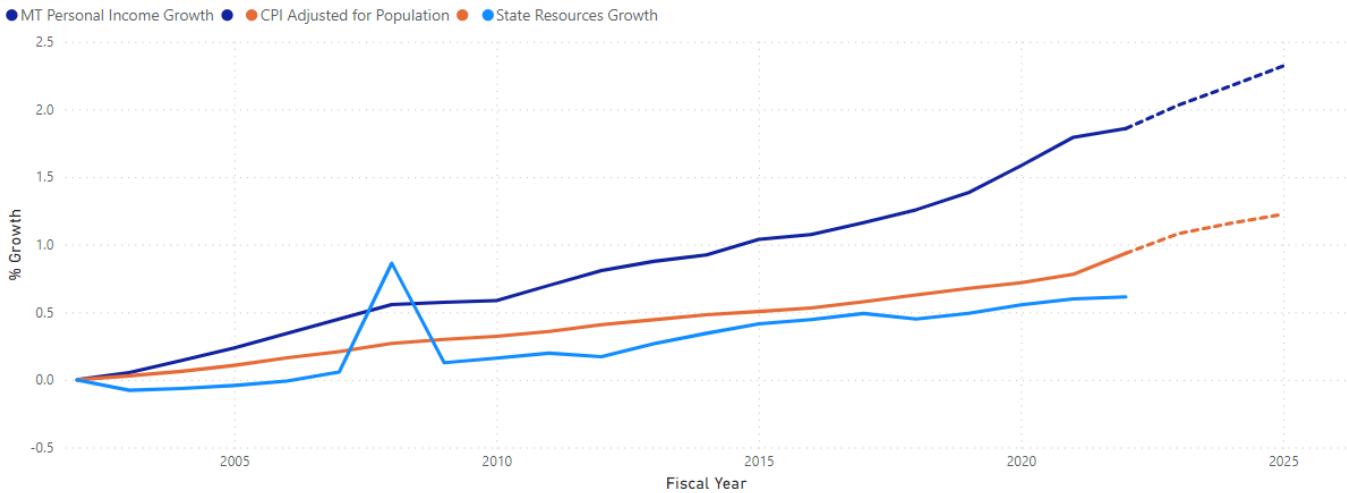
The following list discusses in more detail the inflection points on the charts:

1. HB 9 from the May 2007 Special Session provided \$1.0 million in general fund for the administration of a property tax refund of up to \$400 of the 2006 Montana property taxes paid on principal residences, \$100.0 million was appropriated for distribution;
2. Department of Revenue (DOR) provides revenue distributions to local governments including local assistance for oil and natural gas distributions. The largest component of oil and natural gas distributions is the oil production tax. In FY 2008, distributions for oil production tax increased \$51.8 million from \$97.9 million in FY 2007 to \$149.7 million in FY 2008 due to increased activity in the Bakken oil fields. Subsequently these distributions have declined as oil production in Montana has declined;
3. Oil and natural gas production declined between FY 2014 and FY 2016. Oil production taxes distributed to local governments dropped from \$96.7 million in FY 2014 to \$63.3 million in FY 2015 and \$39.2 million in FY 2016.

General fund

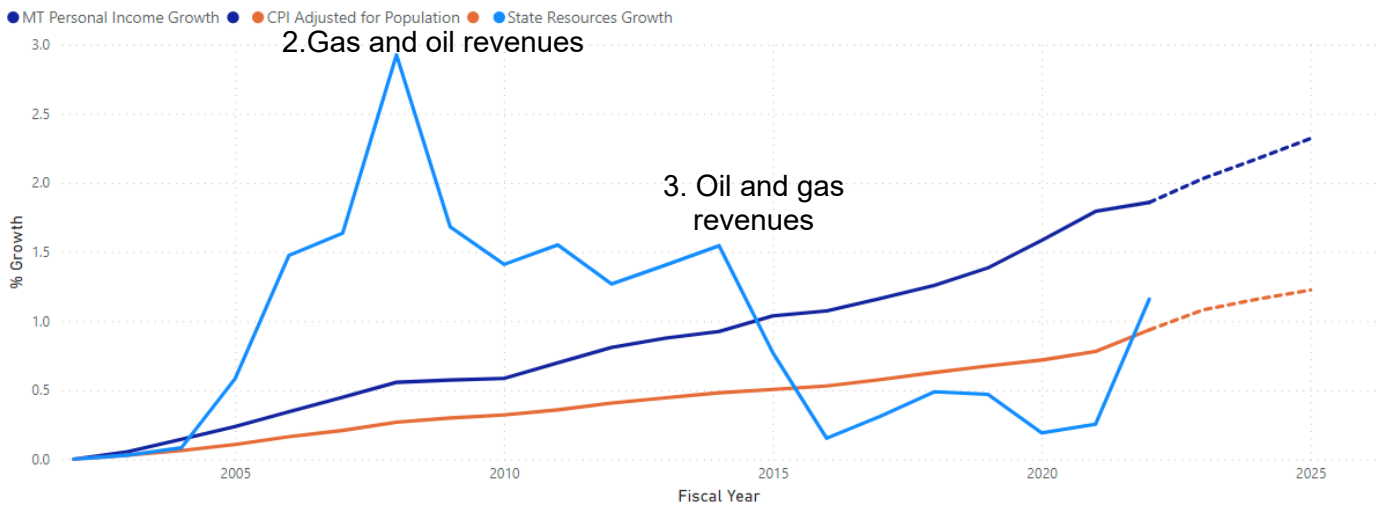
The annual growth rate for general fund expenditures between FY 2002 and FY 2019 was 2.3%. About 70.0% of the general fund appropriation in the Department of Revenue is for entitlement share payments to local governments. HB 124, passed during the 2001 Legislative Session, revised laws governing local and state government revenue collection and allocation. The state would assume control of alcohol, vehicle, and gambling taxes as well as district court fees; in return, the state would reimburse local governments for the lost revenue in the form of an entitlement share payment and assume the costs associated with district courts and local welfare offices. In FY 2007, the passage of SB 146 created the Office of the Public Defender (OPD) and the state assumed control of district courts and local welfare office costs. As a result, local governments' entitlement share payments were slightly decreased to account for the increased costs to the state. The increase in FY 2008 in general fund is due to the passage of HB 9 for the property tax refund, which increased general fund expenditures by approximately \$100.0 million.

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



State Special Revenue

The chart shows the growth in state resource expenditures compared to the growth in personal income and growth in inflation.



State special revenues support statutory appropriations for local assistance distributed to local and tribal governments including:

- Beer, wine, tobacco, and cigarette taxes
- Oil and natural gas production taxes
- Metal mine taxes
- Bentonite production taxes

Over 80.0% of the distribution is for oil production taxes in any given year.

It should be noted that between FY 2002 and FY 2009 this also included coal gross proceeds taxes. Changes in statute eliminated this distribution in subsequent years.