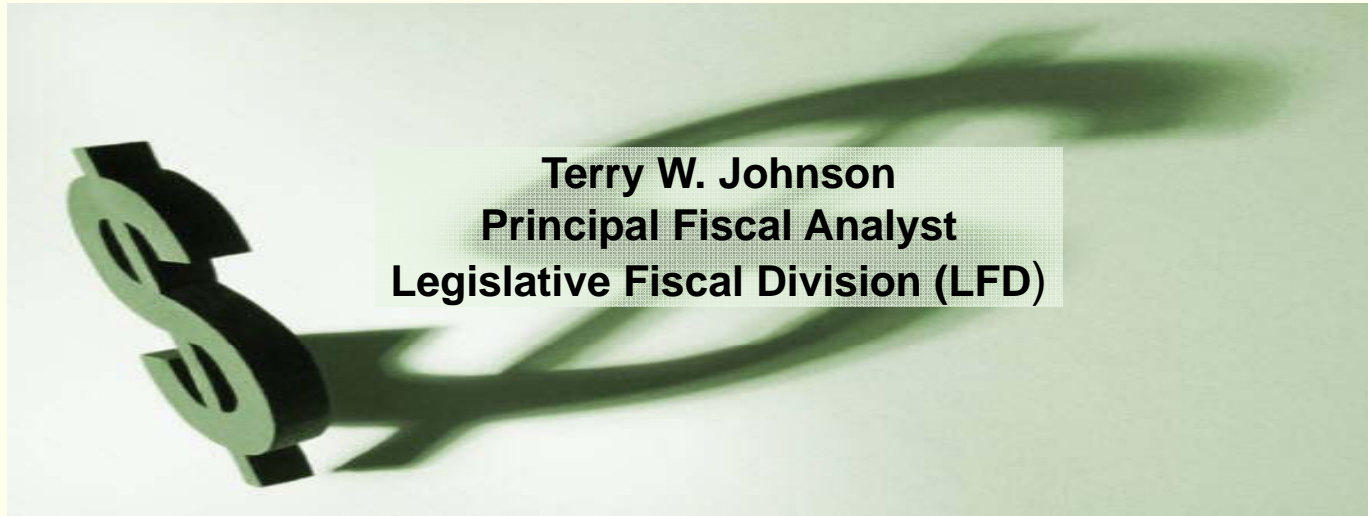




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# General Fund Revenue Update

## 2013 Biennium



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**December 5, 2011**

**A report to the  
Legislative Finance Committee**

Legislative Fiscal Division



[www.leg.mt.gov/css/fiscal](http://www.leg.mt.gov/css/fiscal)



## Presentation Outline

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- **Current Revenue Trends**
- **Potential Adjustments 2013 Biennium Revenue Estimates**
- **Discussion Selected Tax Sources**
- **Revised 2013 Biennium Ending Fund Balance**
- **Summary**





## Fiscal 2012 To Date Summary General Fund Revenue Comparison

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- Through November FY 2011 \$ 585.8 M
- Through November FY 2012 \$ 643.7 M
  
- Current Change and Rate (5 months) \$ 57.9 M 9.88%
- HJ 2\* Growth and Rate (Full Year) \$ 3.1 M 0.17%

\* Legislature's Revenue Estimating Resolution

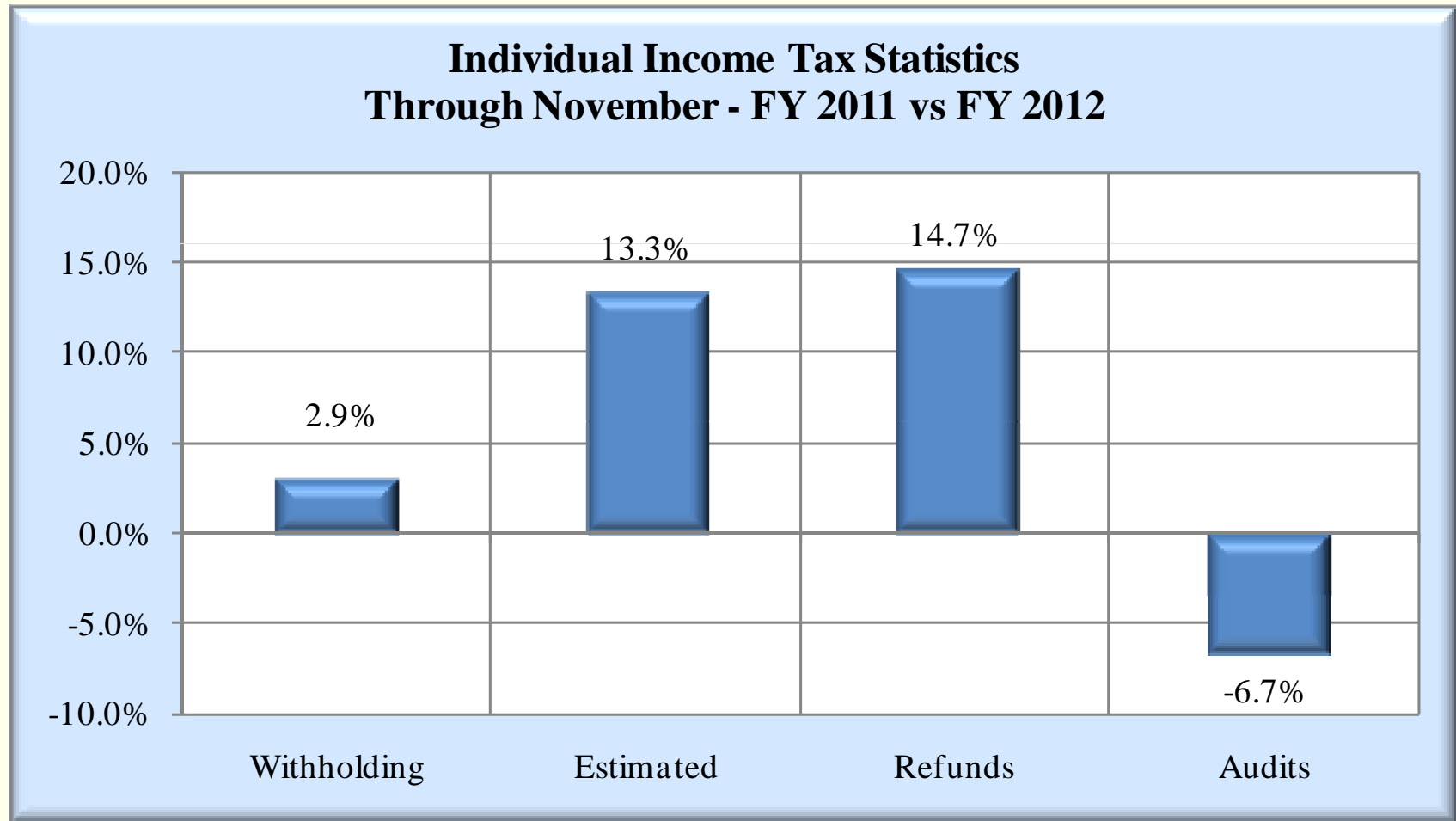


# What Changes are Occurring ?

2013 Biennium General Fund Revenue Estimates					
Anticipated Revenue Adjustments - In Millions					
Tax Source	FY 2012 HJ2 Estimate	% of Total	Adjustment FY 2012	Adjustment FY 2013	Adjustment 2013 Biennium
1 Individual Income Tax	\$809.322	45.3%	\$56.861	\$60.411	\$117.272
2 Property Tax	237.188	13.3%	No Chg.	No Chg.	No Chg.
3 Corporation License Tax	115.086	6.5%	15.079	16.777	31.856
4 Vehicle Fee/Tax	106.716	6.0%	(7.775)	(7.807)	(15.582)
5 Oil & Gas Production Tax	102.996	5.8%	5.329	19.917	25.245
6 Insurance Tax	57.372	3.2%	1.878	1.982	3.860
Remaining	<u>356.942</u>	20.0%	<u>(9.495)</u>	<u>(15.327)</u>	<u>(24.822)</u>
Totals	\$1,785.622		\$61.877	\$75.953	\$137.829
Interest & Income (Oil & Gas Bonus Payments)			\$17.400	\$6.400	\$23.800



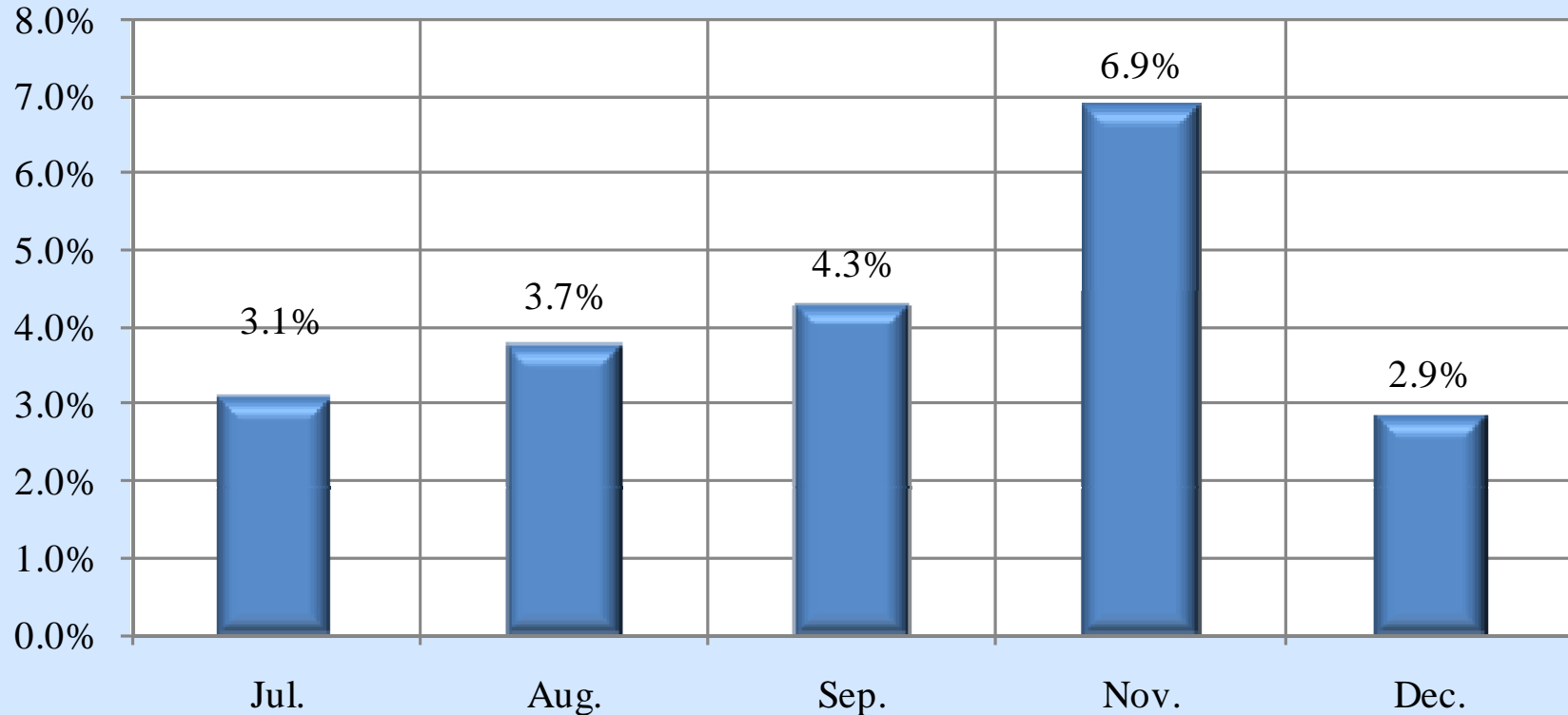
# Individual Income Tax Snapshot



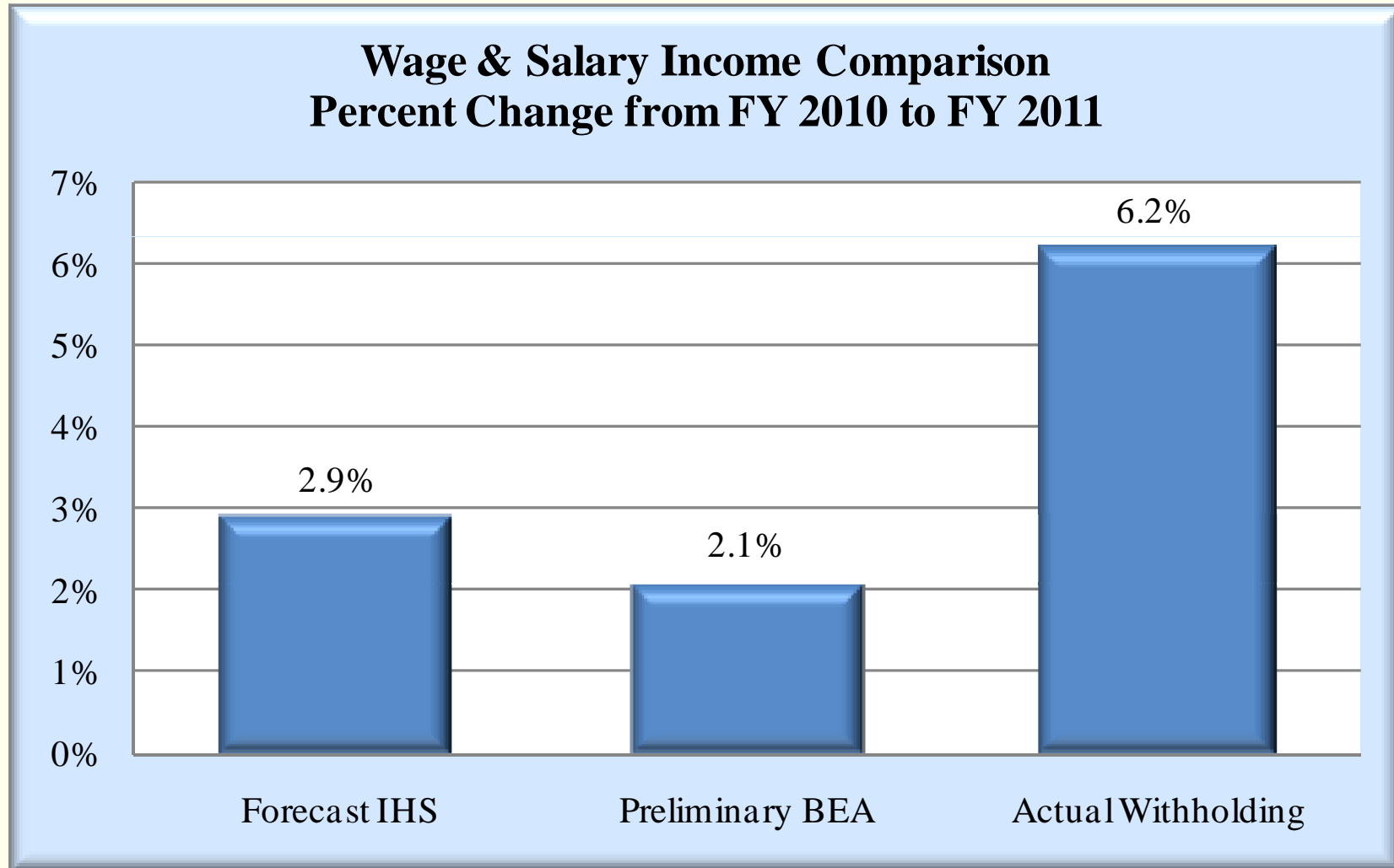


# Are Withholding Taxes Softening ?

**Individual Income Tax Withholding  
Cumulative Percent Change By Month - FY 2011 to FY 2012**



## Withholding Tax Issue



## Withholding Tax Issue Current Research & Analysis

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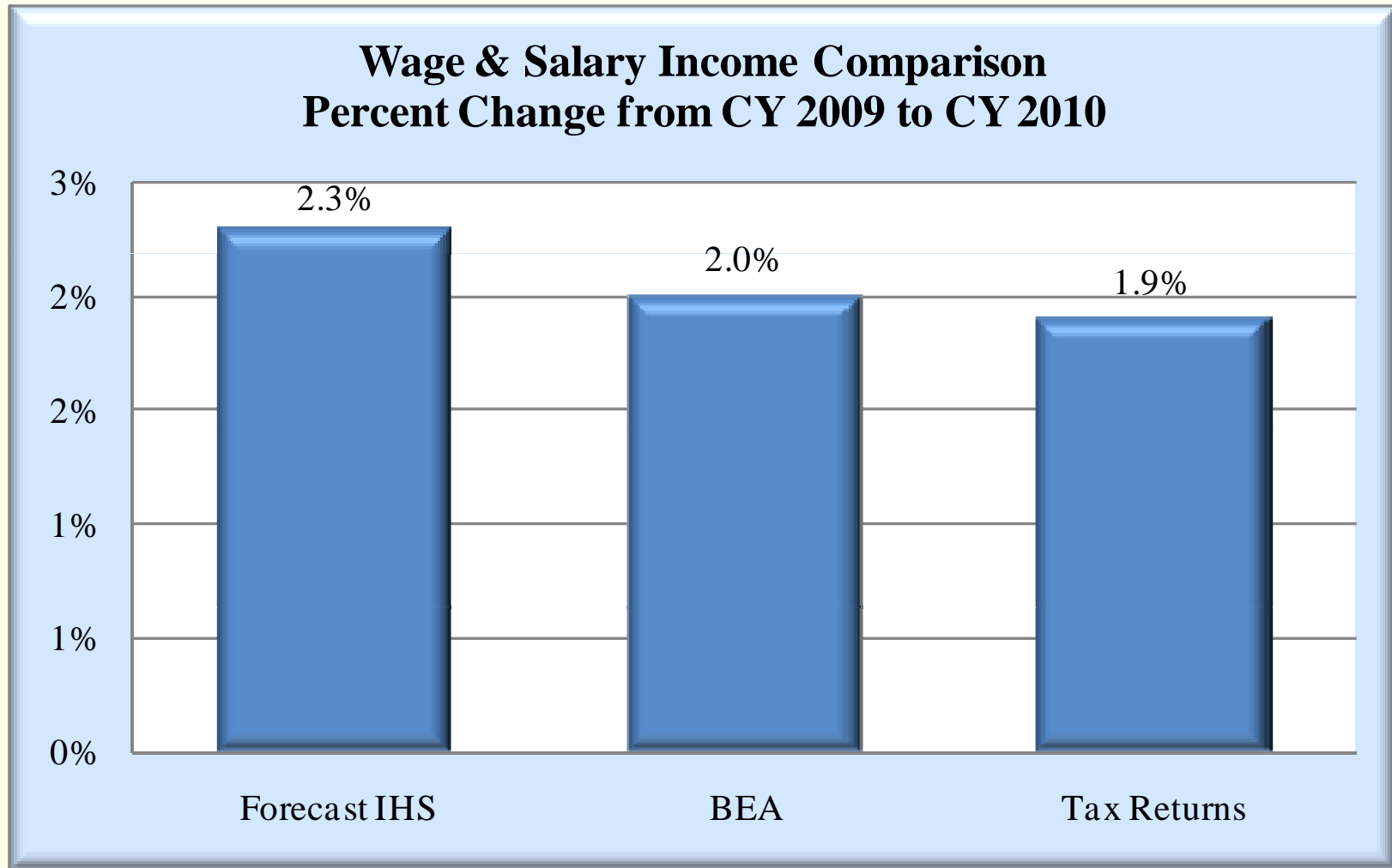


- **Data Source Comparison**
- **North Dakota/Montana Tax Agreement**
- **Withholding Taxes Includes Non-Wage Income**
- **Tax Year 2010 Return Information**

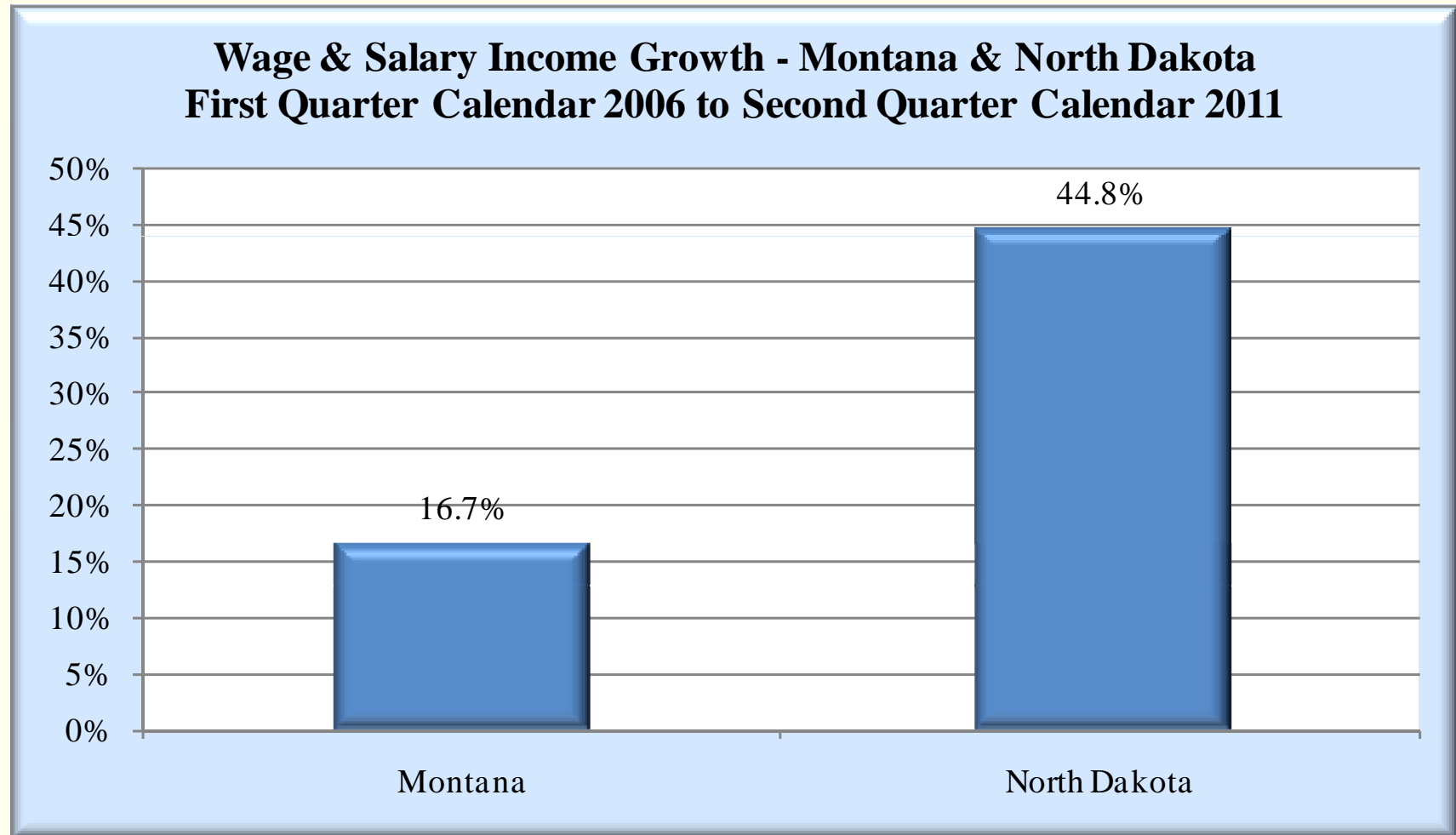




## Is There a Wage & Salary Issue ?

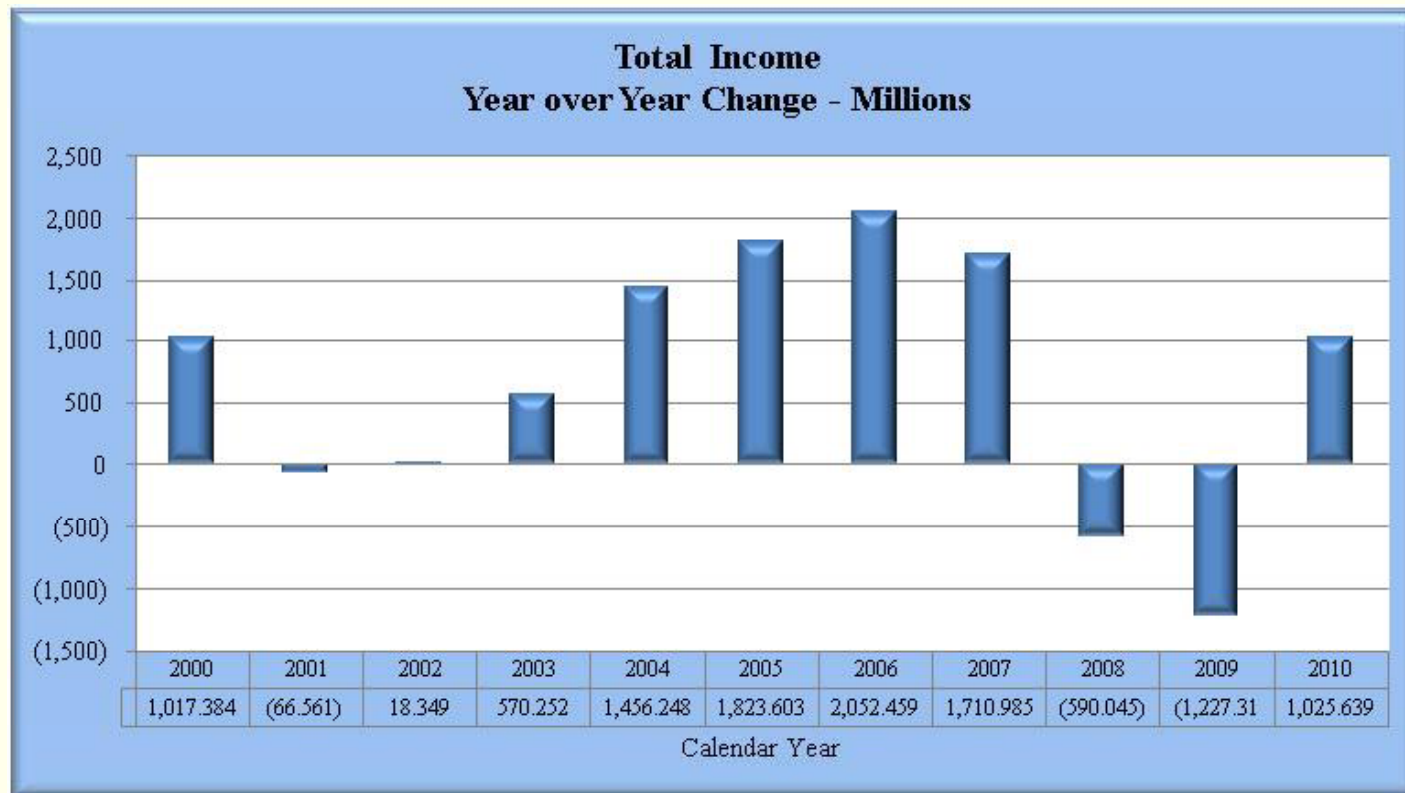


# Wage & Salary Income – Mt. vs. ND.



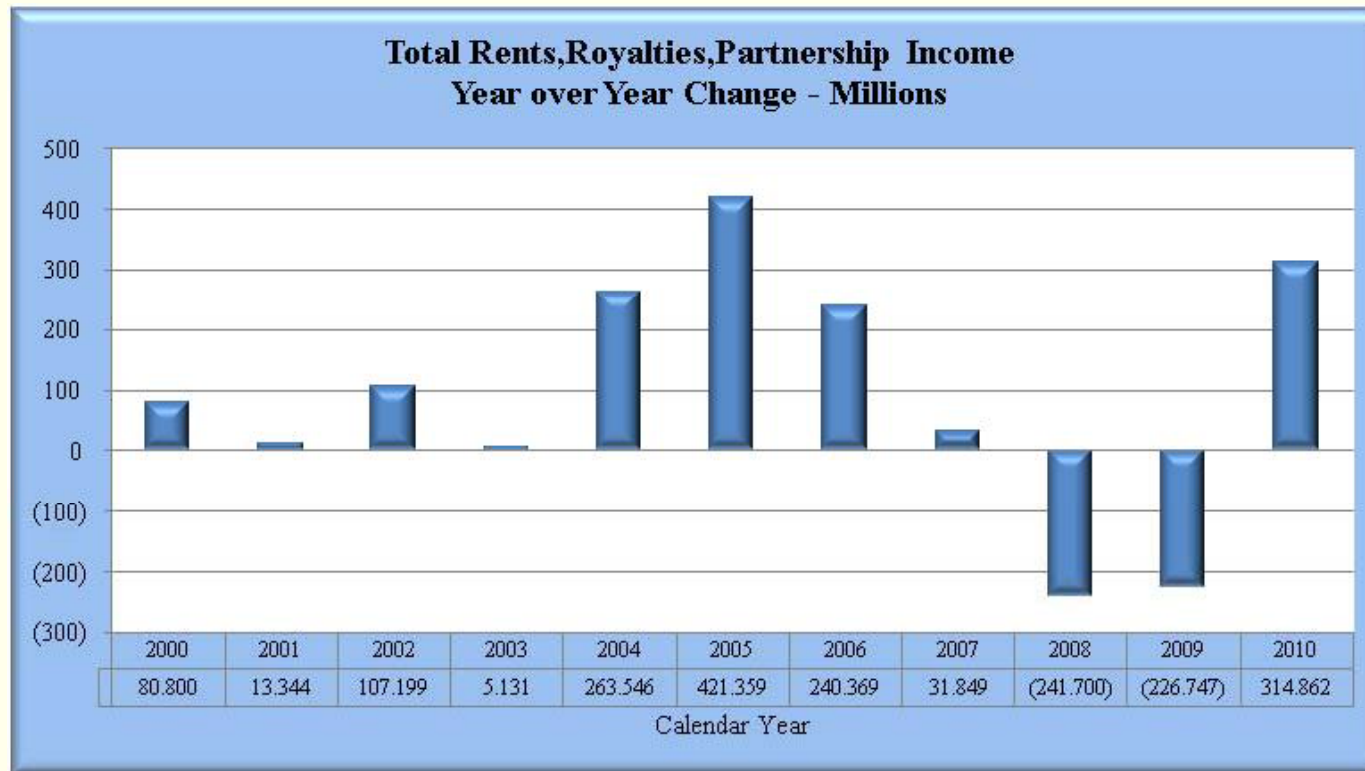


## What Happened ? 2010 Reported Income



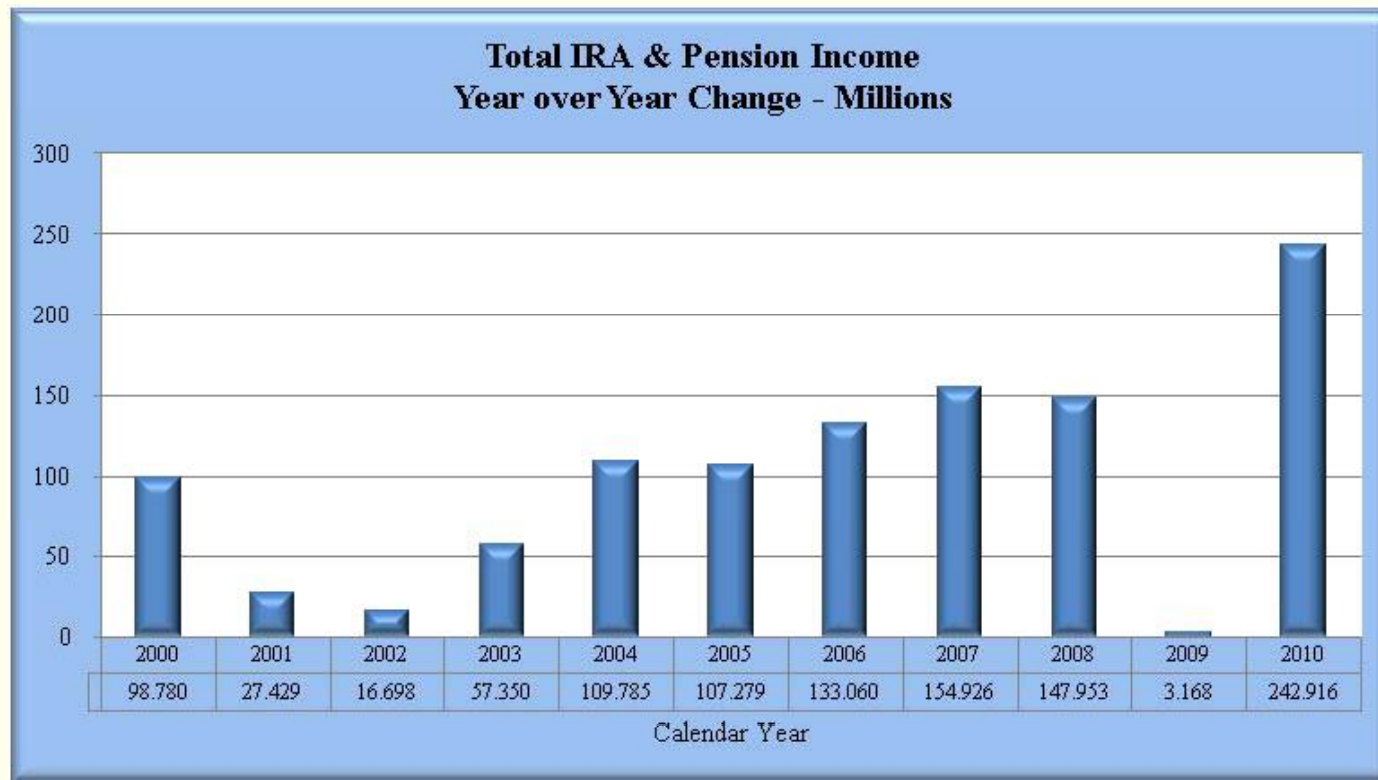


## Rents, Royalties, Partnership Income

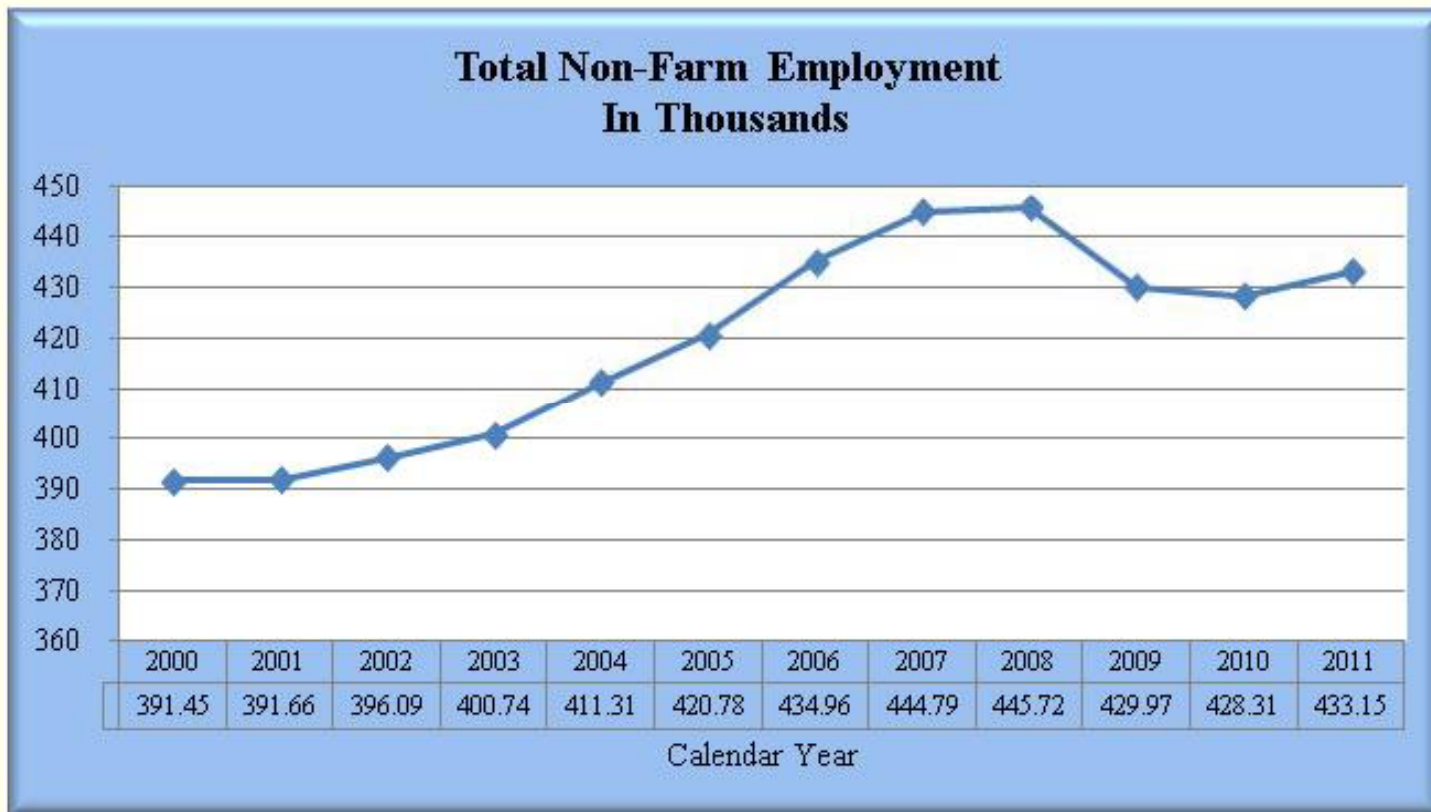




## IRA and Pension Income



## A Look at Non-Farm Employment



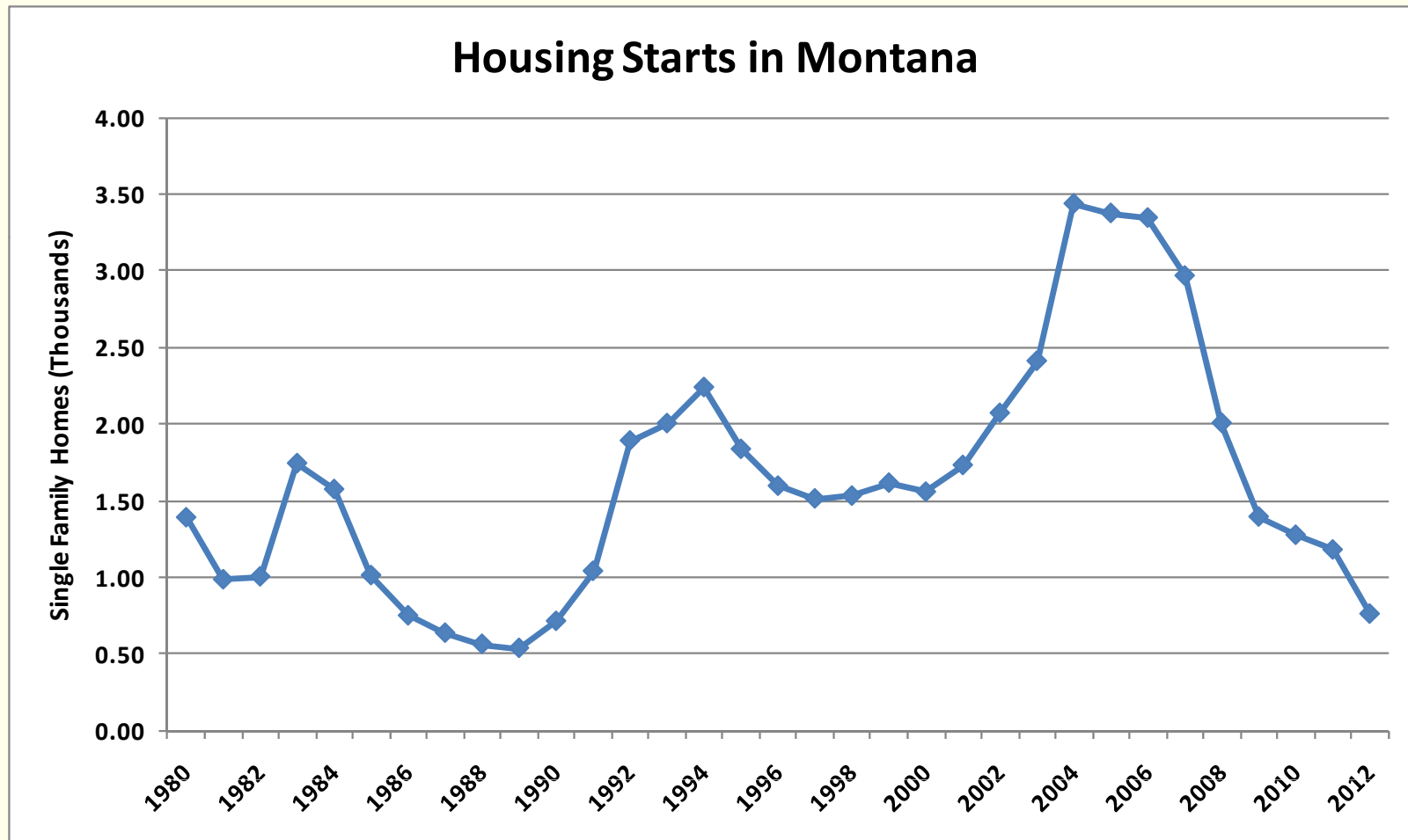


## Construction Employment is Struggling





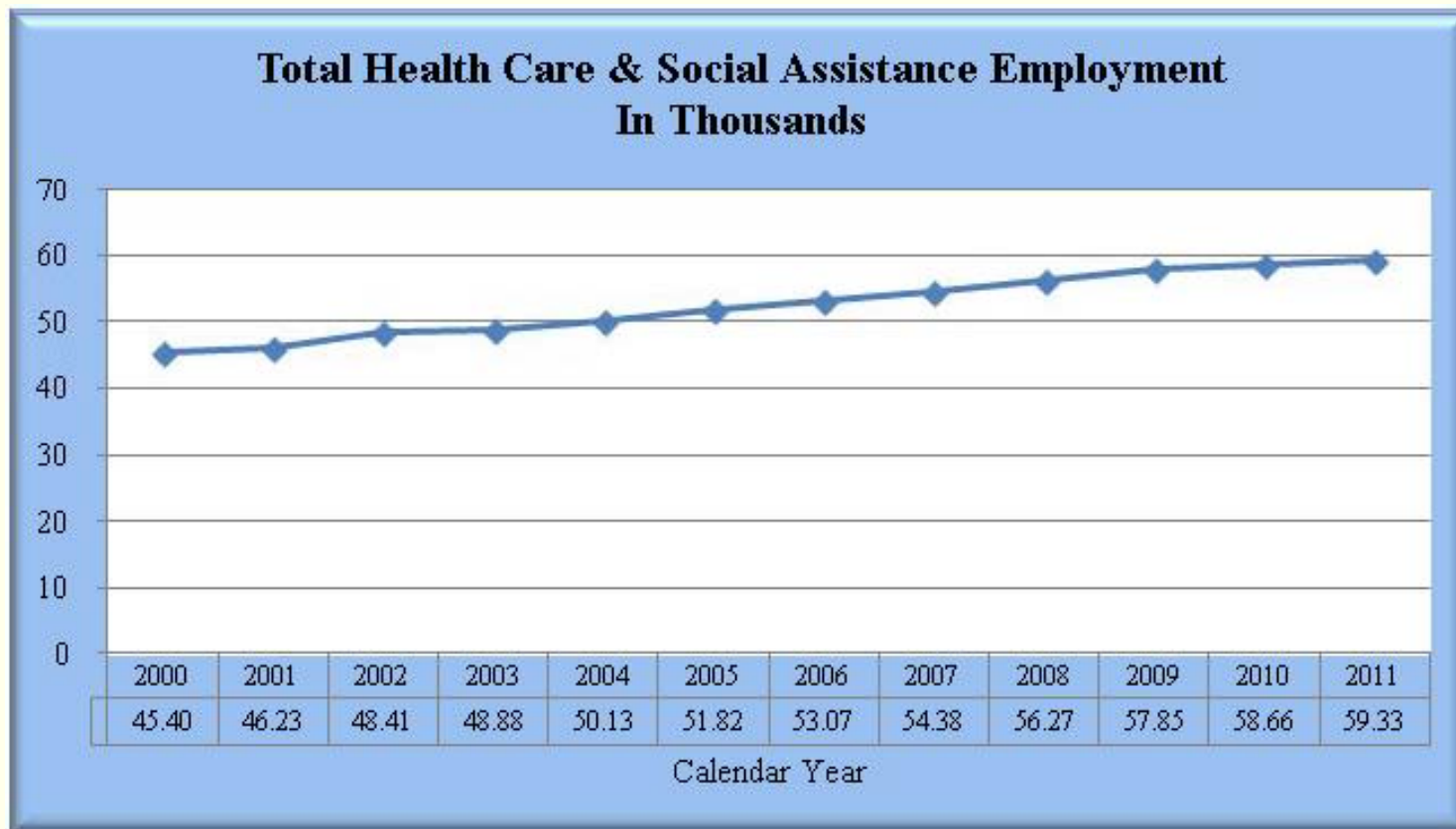
# Housing Starts Continue to Fall



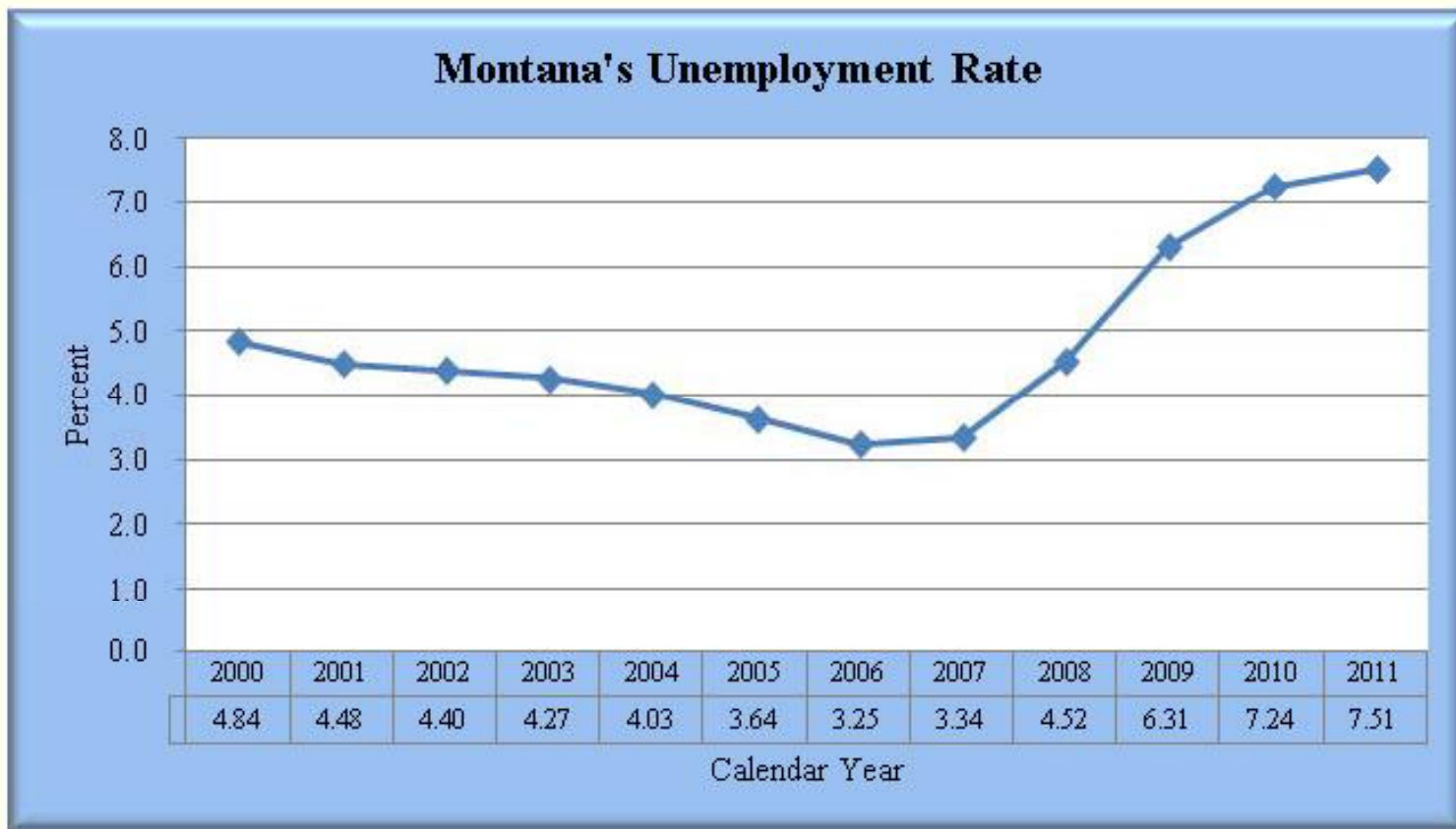




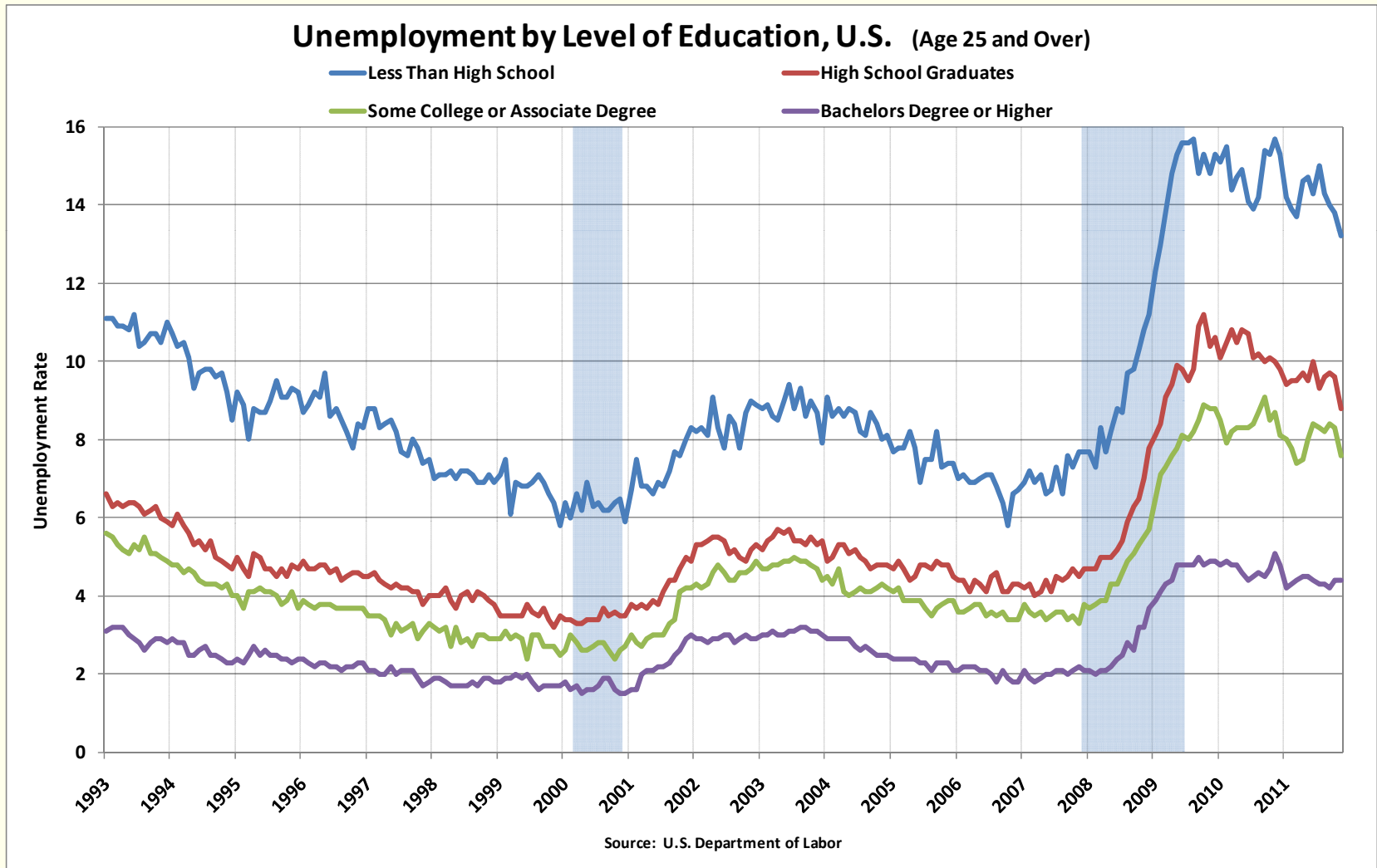
## Health Care Employment Stable & Growing



## Is Unemployment Rate Abating ?

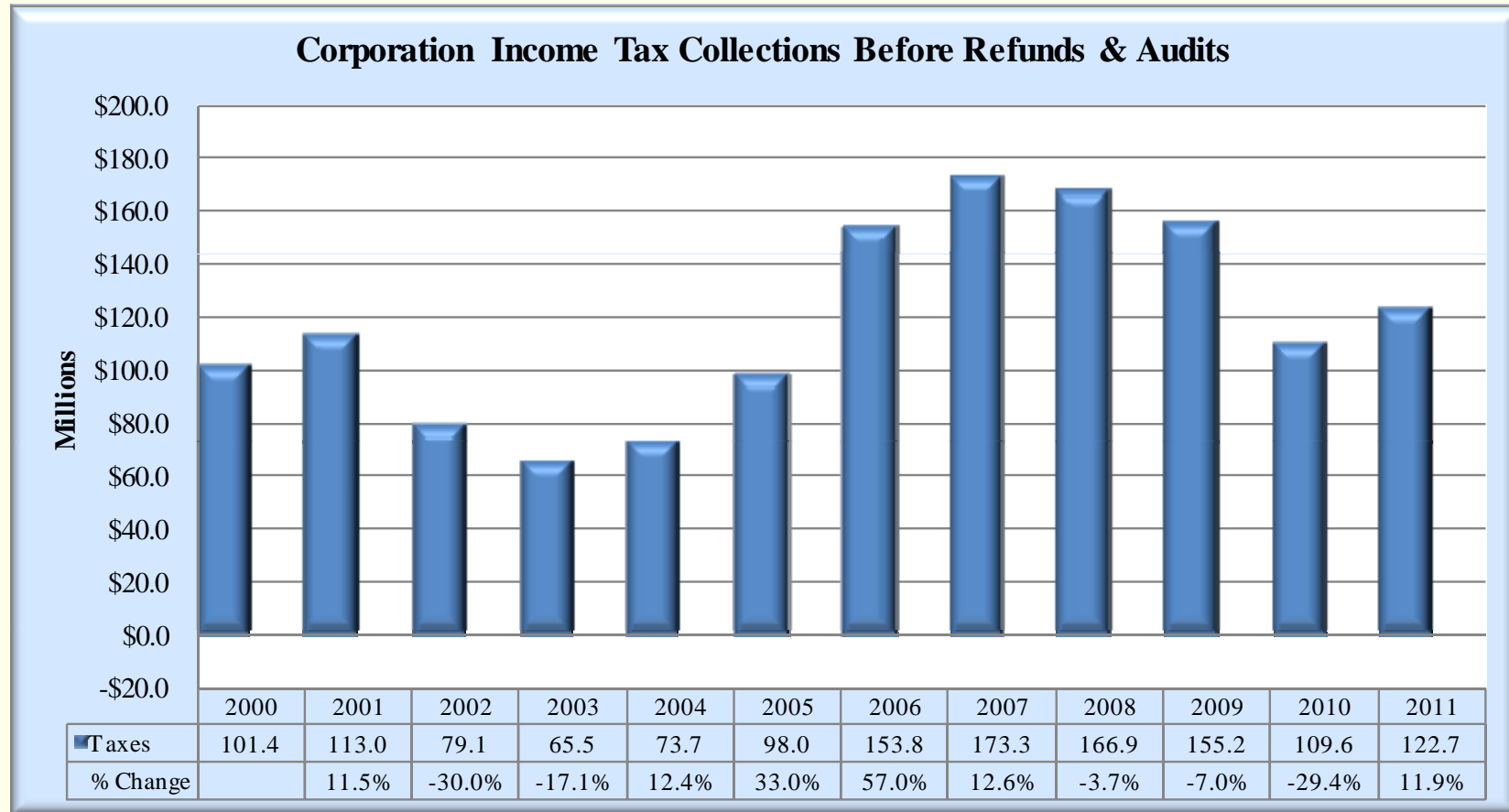


# Could This Explain Wage & Salary Growth ?



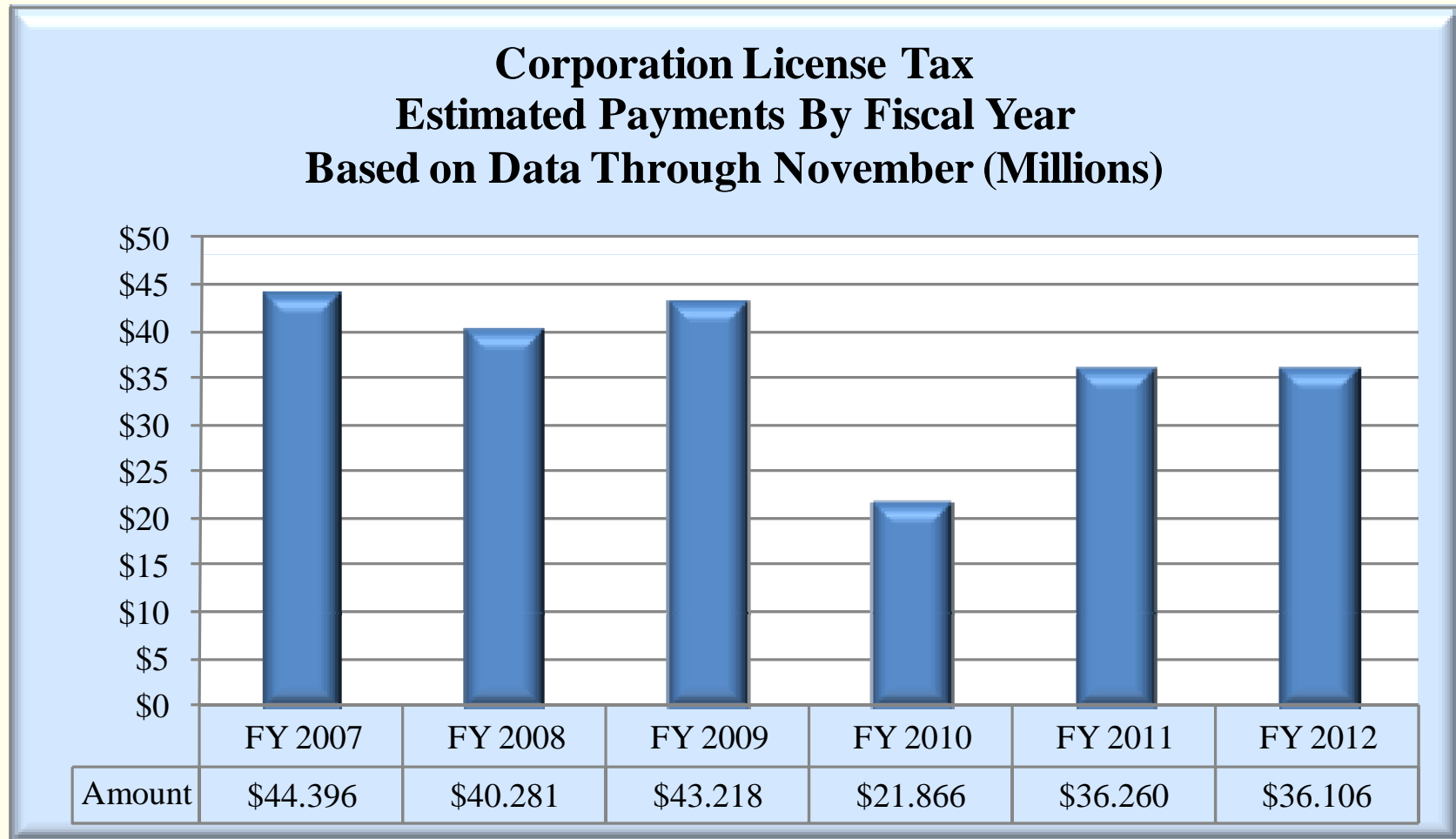


# Underlying Corporate Tax Growth





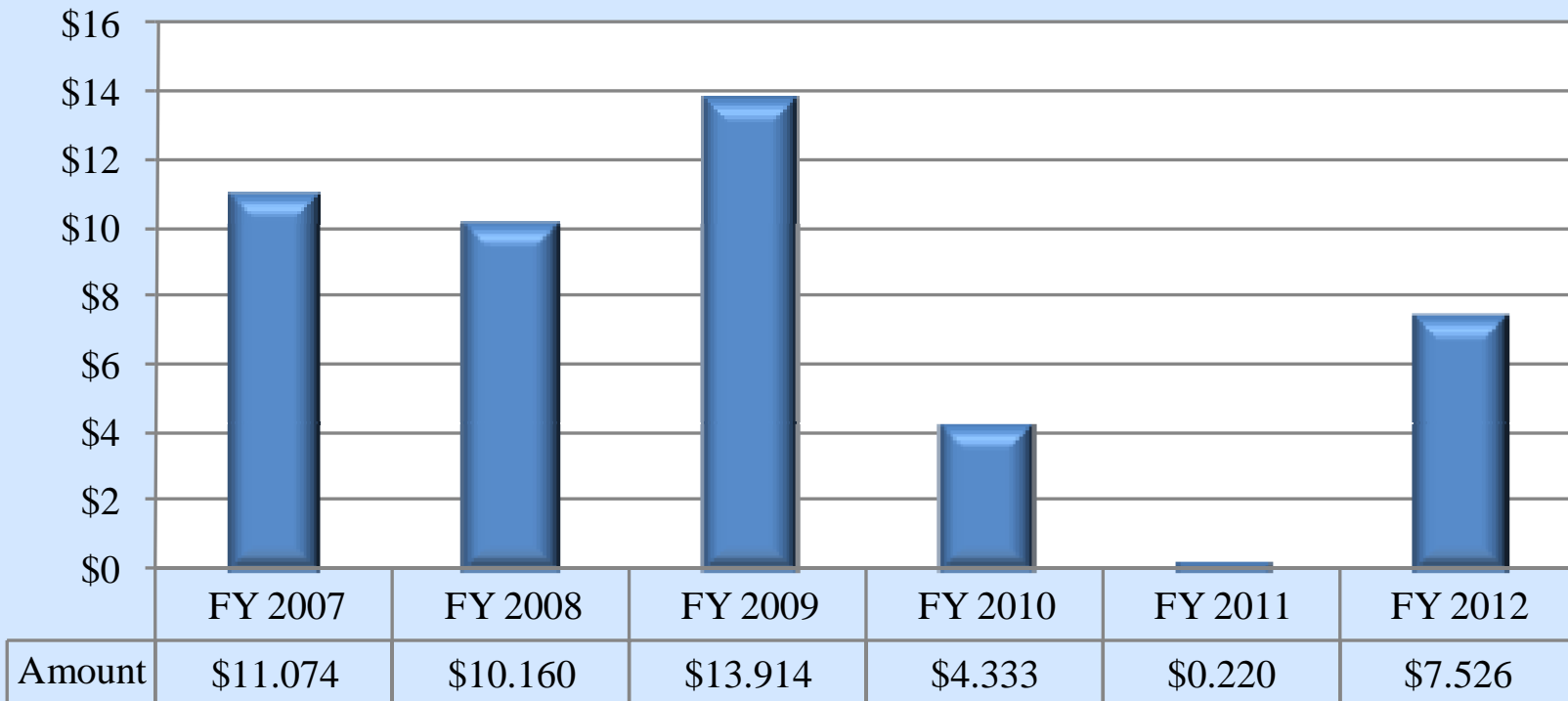
# What are Estimated Payments Showing ?





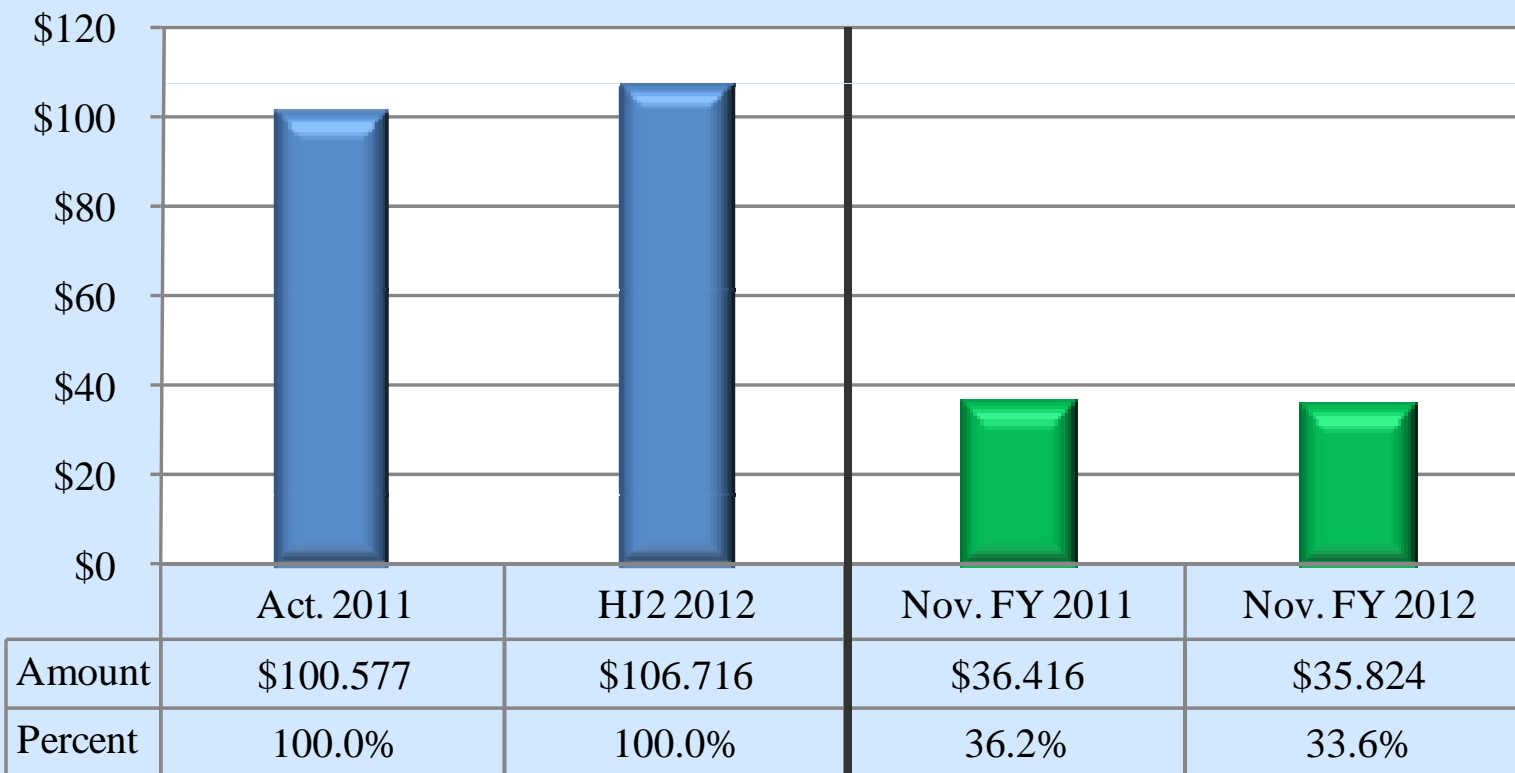
# Improvements in Current Year Payments

**Corporation License Tax  
Current Year Payments By Fiscal Year  
Based on Data Through November (Millions)**

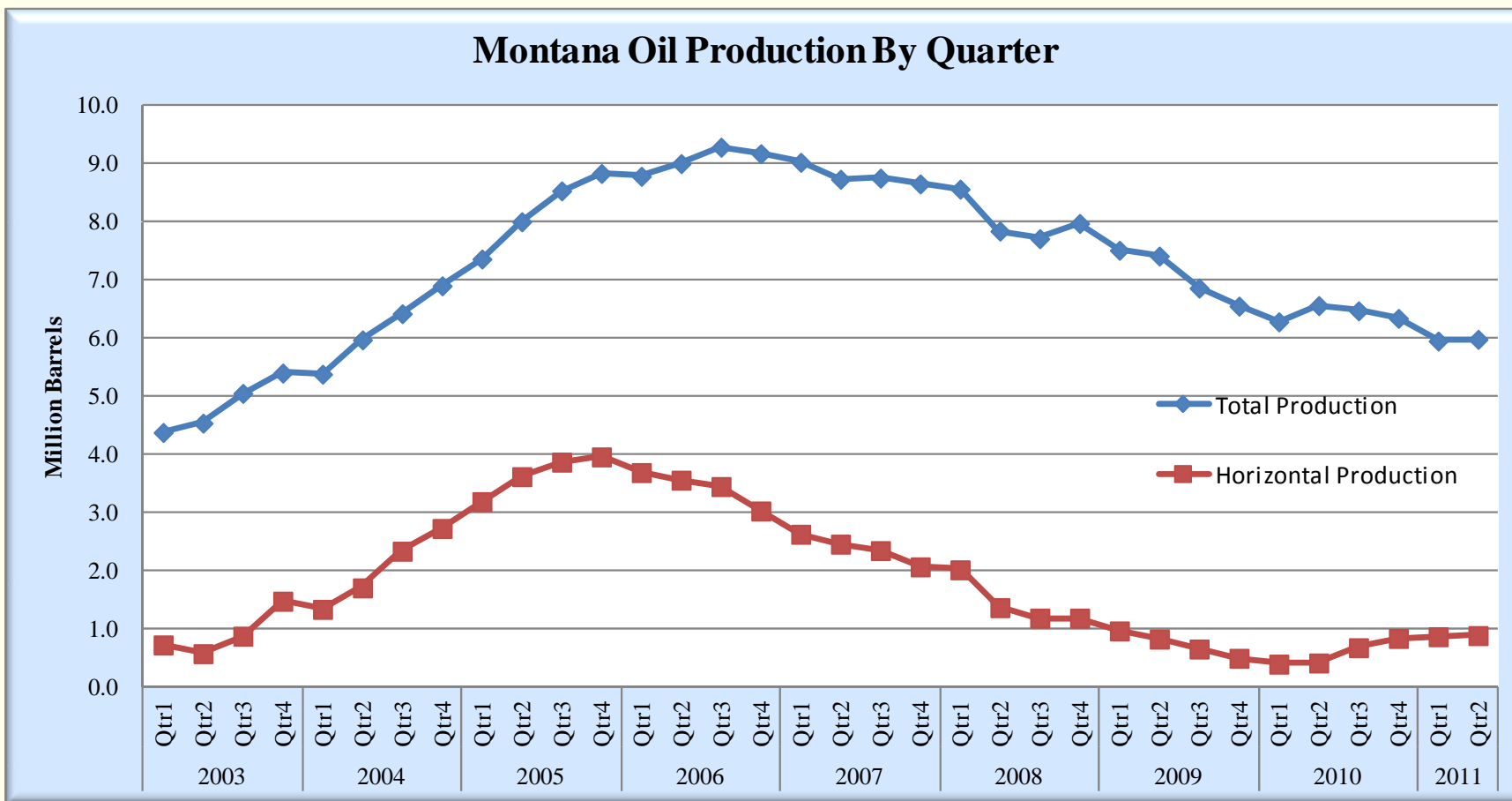


# Vehicle Fees/Taxes Have Stalled

**General Fund Vehicle Fees/Taxes  
Through November FY 2011 vs FY 2012 (In Millions)**



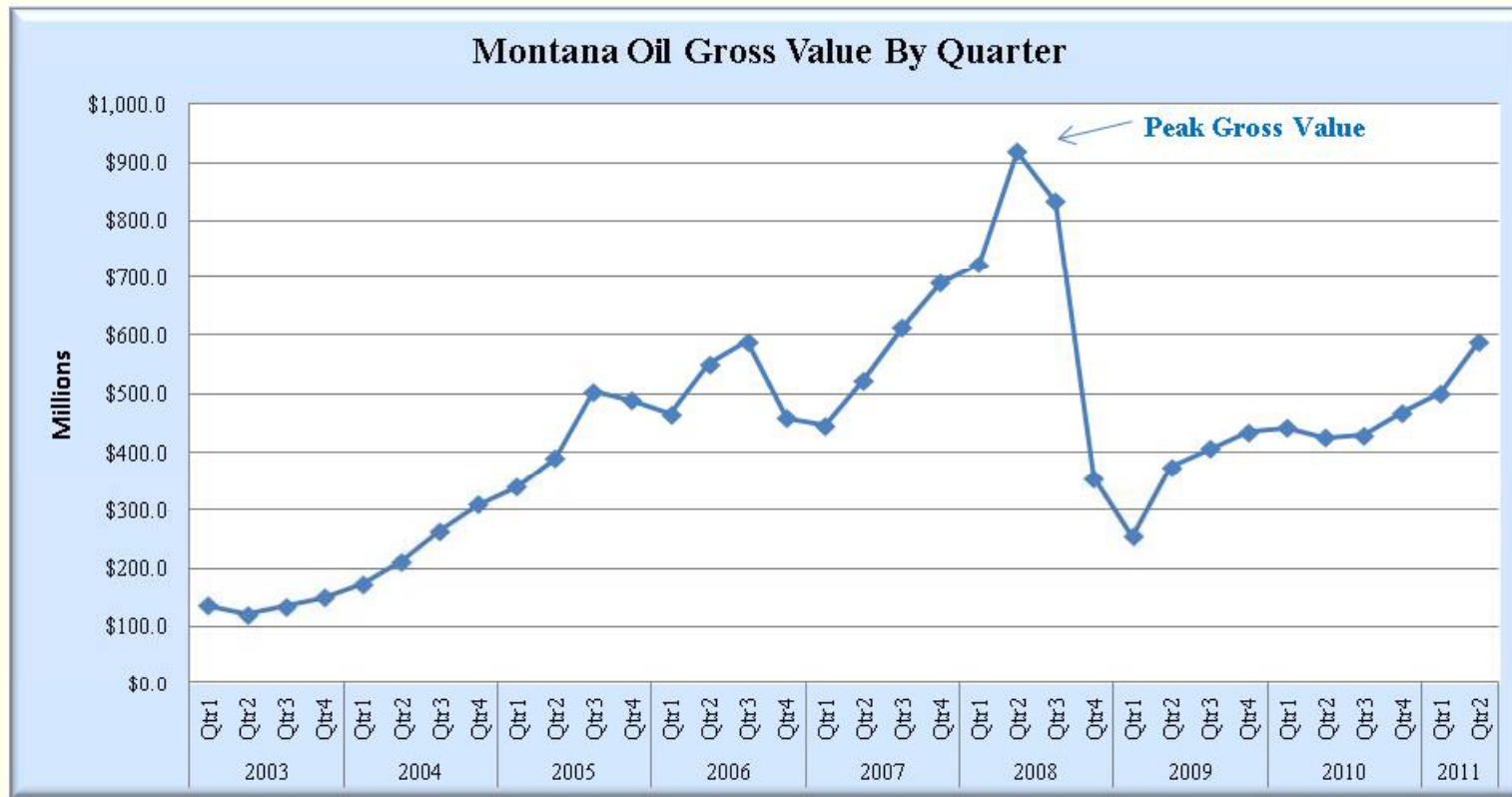
# The Oil Slide May be Ending



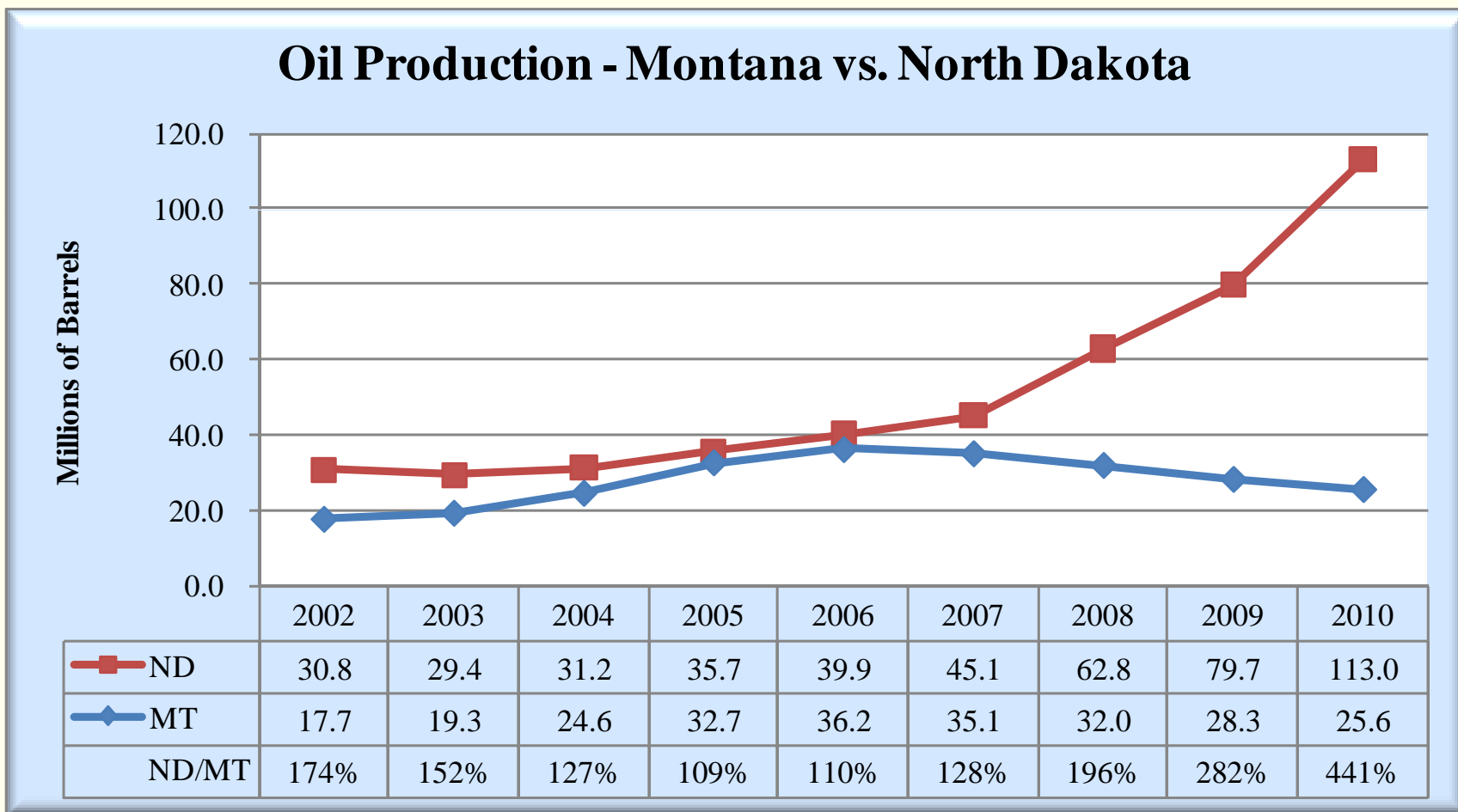




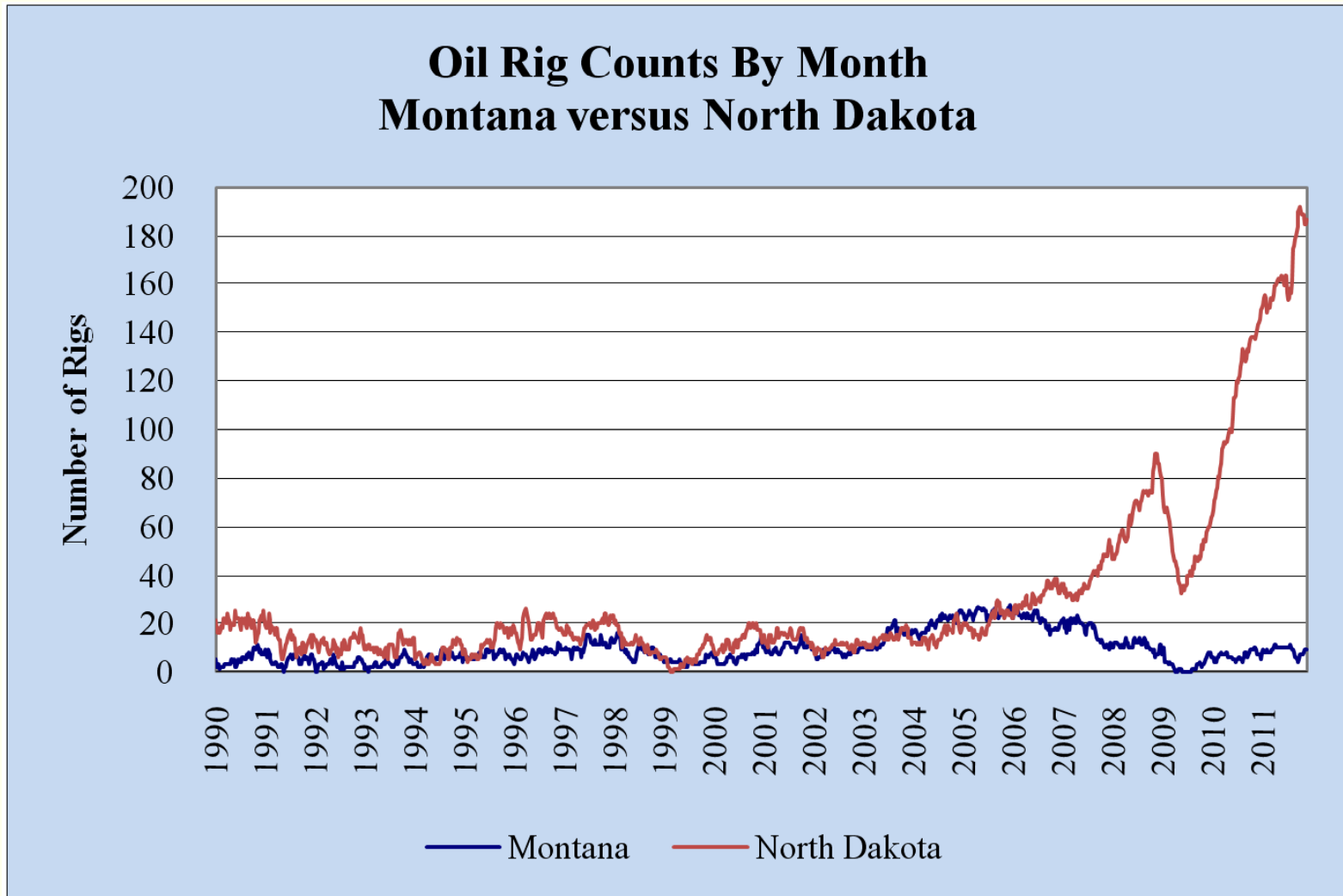
## Prices Keep Total Value Increasing



## North Dakota Production is Booming

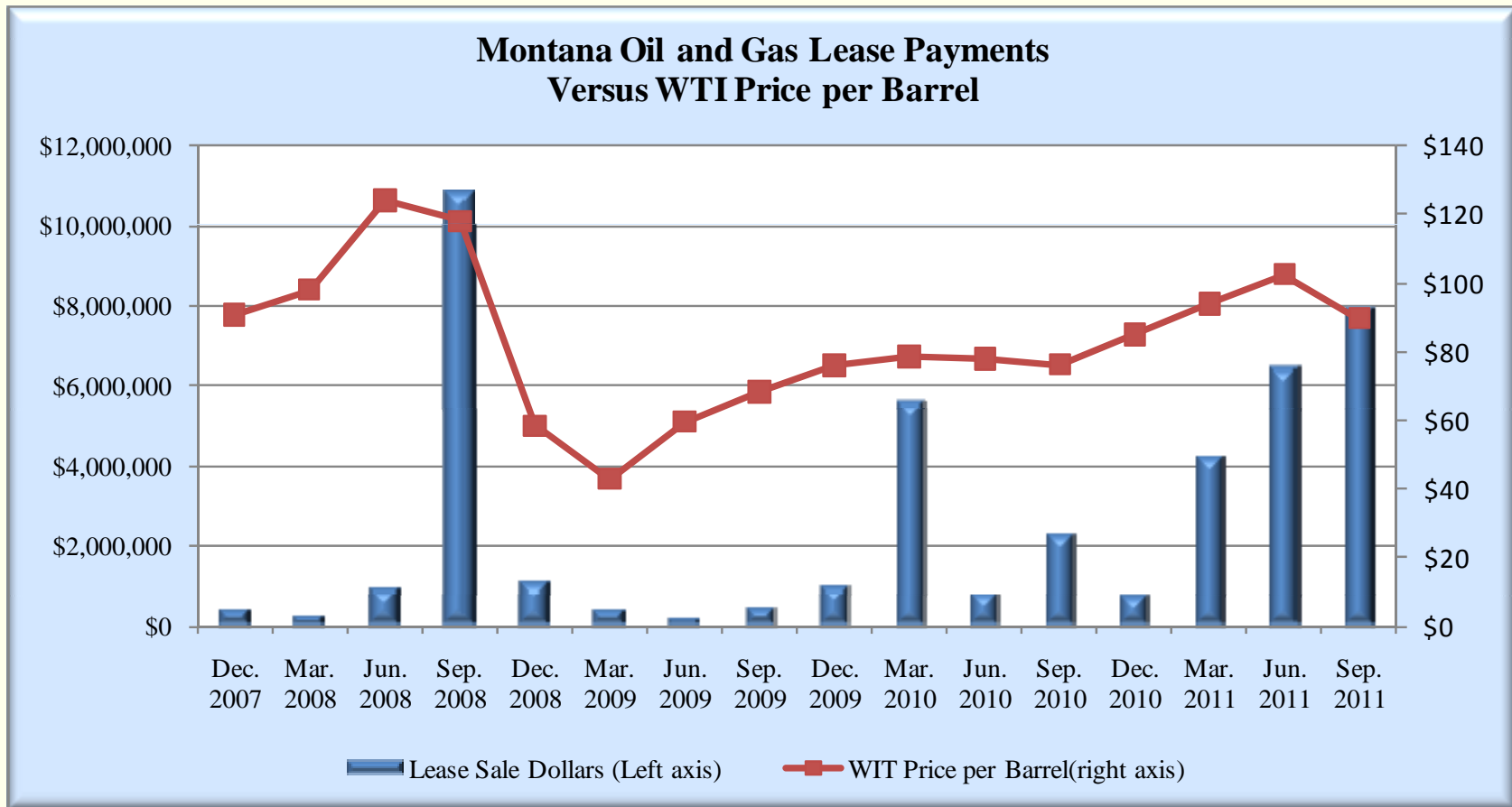


# Oil Rig Counts Support Production





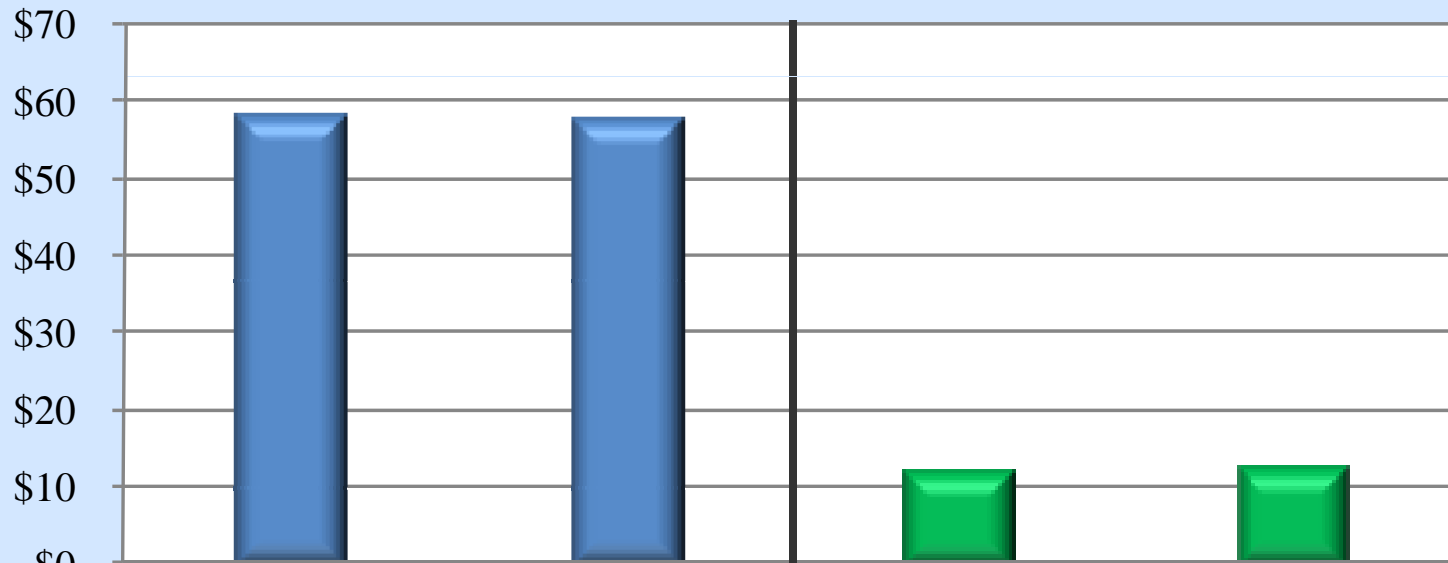
# Does Price Impact Lease Payments ?





# Insurance Tax Improving

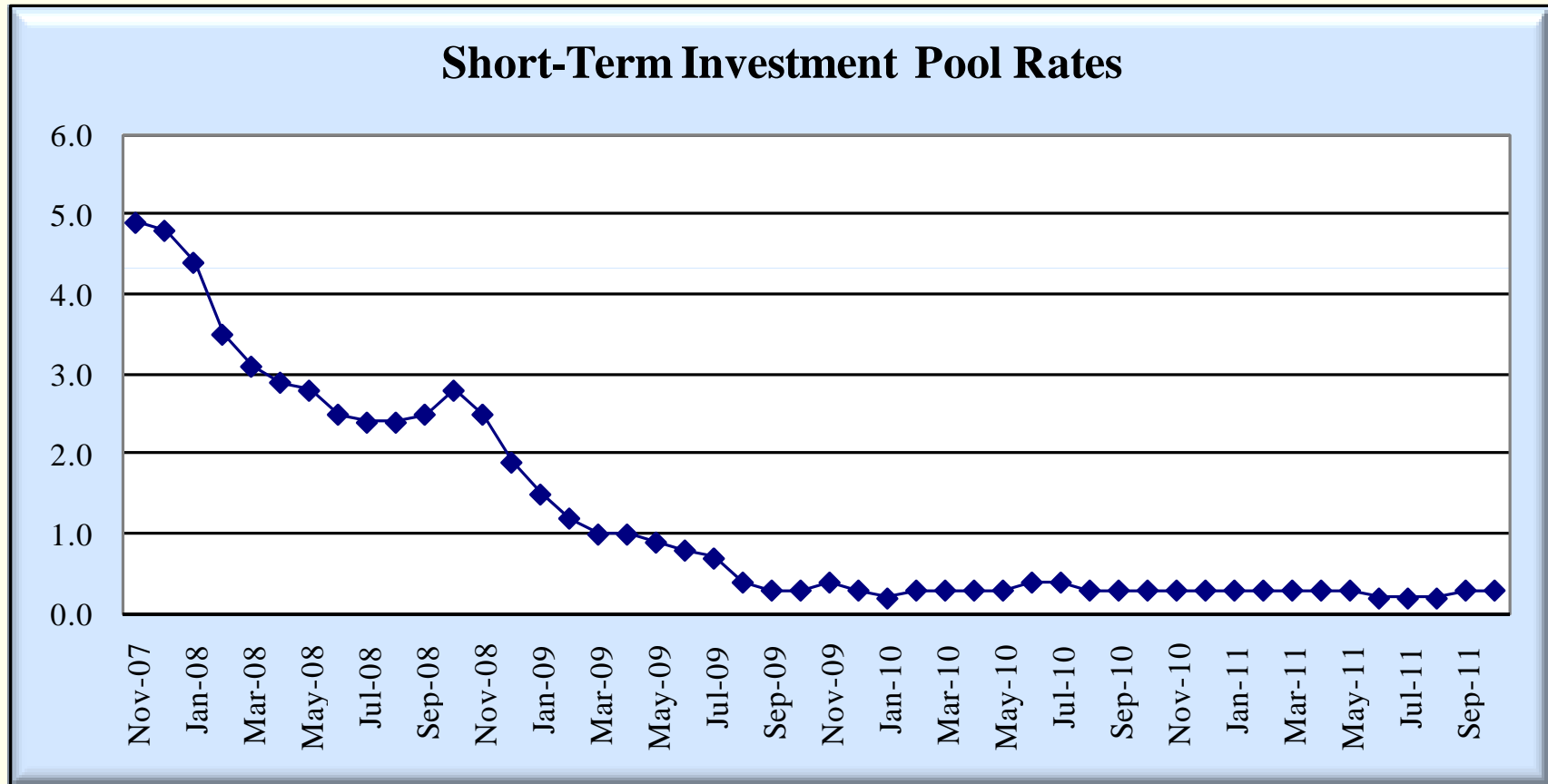
### General Fund Insurance Tax Through November FY 2011 vs FY 2012 (In Millions)



	Act. 2011	HJ2 2012	Nov. FY 2011	Nov. FY 2012
Amount	\$57.964	\$57.372	\$12.257	\$12.529
Percent	100.0%	100.0%	21.1%	21.8%



## Interest Rates Continue at All Time Lows





# How Revenue Adjustments Impact Outlook

<b>Legislative Budget - General Fund Outlook</b>		
Figures in Millions		
	<b>2011</b>	<b>2013</b>
	<b>Biennium</b>	<b>Biennium</b>
Beginning Fund Balance	\$396.334	\$343.762
Revenue		
HJ2 Revenue Estimate	3,409.703	3,638.761
Anticipated Adjustments	-	137.829
Total Funds Available	\$3,806.037	\$4,120.353
Disbursements		
General Appropriations - HB2	3,273.726	3,249.690
Statutory Appropriations	340.721	379.702
Transfers	135.516	30.020
Other Appropriations	-	4.206
Supplementals	-	29.614
Feed Bill	-	12.478
Reversions	(285.936)	(12.069)
Total Disbursements	\$3,464.027	\$3,693.641
Fund Balance Adjustments	1.752	-
Ending Fund Balance	\$343.762	\$426.712



## Summary – Significant Issues

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- Revenue Improvement Continues
- Withholding Growth May be Abating
- North Dakota Tax Agreement
- Bakken Formation Influence
- Reduced Supplemental Approps.
- Structural Balance
- SB426 Potential Impacts





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For a larger version of the chart, mouse over the below chart. If you would like to print a version of the chart, please click on it.

**Montana Coal Production By Quarter**

Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4
2003	7.0	7.5	8.0	8.5
2004	7.5	8.0	8.5	9.0
2005	8.0	8.5	9.0	9.5
2006	8.5	9.0	9.5	10.0
2007	9.0	9.5	10.0	10.5
2008	9.5	10.0	10.5	11.0
2009	10.0	10.5	11.0	11.5
2010	10.5	11.0	11.5	12.0
2011	11.0	11.5	12.0	12.5

The above chart shows Montana coal production by quarter since calendar year 2003. As indicated by the chart, total production by quarter has varied between 7 to 10 million taxable tons since 2003. Total quarterly production peaked in the third and fourth quarter of 2010 at 10.5 and 10.4 million taxable tons, respectively. Source: Montana Department of Revenue tax return data.

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