

FY 2014 GENERAL FUND REVENUE

A Report Prepared for the
Revenue & Transportation Interim Committee

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INTRODUCTION

This report provides an overview of the preliminary FY 2014 ending balance of the general fund and detailed revenue collection information. Although the revenue and disbursement data for the fund have been finalized on the Statewide Accounting, Budgeting, and Human Resource System (SABHRS), the Generally Accepted Accounting Principles (GAAP) balance shown in this report reflects only the adjustments made to date by the Department of Administration (DOA). The general fund account has not yet been audited by the Legislative Auditor, as the audited balance is normally finalized in late fall.

The outline of this report is as follows:

- The general fund balance for the end of FY 2014 and start of FY 2015
- Estimated 2015 biennium expenditures
- Detailed FY 2014 actual vs. estimated revenue collections

GENERAL FUND BALANCE

The state accountant reported that unaudited, unassigned general fund ending balance was \$426.5 million. This includes one known Comprehensive Annual Financial Report adjustment for FY 2014. The higher FY 2014 ending fund balance results in an anticipated \$364.4 ending fund balance for FY 2015 compared with \$349.1 million stated in June 2014. This analysis does not include any anticipated supplemental appropriations.

General Fund Status September 2014				
(\$ Millions)				
	Actual FY 2012	Actual FY 2013	Actual FY 2014	Budget FY 2015
Beginning Fund Balance	\$341.9	\$452.4	\$537.6	\$426.5
Revenue	<u>1,871.0</u>	<u>2,077.6</u>	<u>2,077.0</u>	<u>2,136.6</u>
Total Funds Available	\$2,212.8	\$2,530.0	\$2,614.7	\$2,563.1
Disbursements				
Ongoing				
HB 2, HB 13, and pension bills	\$1,577.9	\$1,613.5	\$1,763.7	\$1,821.0
Statutory	171.2	199.7	254.6	281.8
Transfers	15.5	15.9	14.8	13.9
Other (includes feed bill)	1.4	60.4	3.0	32.3
Reversions	0.0	0.0	0.0	(8.1)
OTO				
HB 2	\$10.1	\$13.7	\$19.0	\$25.9
Transfers	3.7	36.5	133.5	25.4
Other (includes carry forward)	<u>0.0</u>	<u>58.3</u>	<u>2.0</u>	<u>6.5</u>
Total Disbursements	\$1,779.7	\$1,997.9	\$2,190.6	\$2,198.6
Adjustments	<u>\$19.2</u>	<u>\$5.5</u>	<u>\$2.4</u>	<u>\$0.0</u>
Ending Fund Balance (Unaudited, unassigned)	<u>\$452.3</u>	<u>\$537.6</u>	<u>\$426.5</u>	<u>\$364.4</u>

CLOSING OUT 2014

The \$426.5 million FY 2014 general fund ending balance came in \$43.1 million higher than stated in the June 2014 budget outlook report. The difference is due to \$20.7 million of additional revenue, \$20 million of reduced expenditures, and an additional \$2.4 million in adjustments.

General Fund FY 2014 Estimated vs. Actual			
(\$ Millions)			
	Estimated FY 2014	Actual FY 2014	Difference
Beginning Fund Balance	\$537.6	\$537.6	\$0.0
Revenue	<u>2,056.4</u>	<u>2,077.0</u>	<u>20.7</u>
Total Funds Available	\$2,594.0	\$2,614.7	\$20.7
Disbursements			
Ongoing			
HB 2	\$1,755.6	\$1,763.7	\$8.1
Statutory	259.0	254.6	(4.4)
Transfers	15.4	14.8	(0.6)
Other	8.4	3.0	(5.4)
OTO	<u>172.2</u>	<u>154.5</u>	<u>(17.7)</u>
Total Disbursements	\$2,210.6	\$2,190.6	(\$20.0)
Adjustments		<u>\$2.4</u>	<u>\$2.4</u>
Ending Fund Balance (Unaudited, unassigned)	<u>\$383.4</u>	<u>\$426.5</u>	<u>\$43.1</u>

On the revenue side, individual income tax, oil severance tax, insurance tax, and property taxes were higher than anticipated, while corporation income tax and all remaining sources combined were below anticipated collections. On net, revenues were higher than SJ 2 by \$20.7 million.

General fund expenditures in FY 2014 were \$20.0 million less than anticipated. Since FY 2014 is the first year of the 2015 biennium, actual expenditures in FY 2014 impact estimates of FY 2015 expenditures for biennial appropriations. The lower expenditures in FY 2014 are more than offset by three items within the biennium:

- Higher expenditures from unspent biennial authority in FY 2014
- Lower than LFD anticipated net reversions
- Transfers to the Wildfire Suppression Fund of \$3.6 million

The current estimate of 2015 biennium general fund disbursements are higher than anticipated in June by \$7.7 million, as shown in the following table. Further information regarding expenditures will be included in the full Fiscal Year End Report to be prepared for the Legislative Finance Committee meeting on September 25, 2014.

General Fund 2015 Biennium Expenditures: June Est. vs. Sept. Est.			
(\$ Millions)			
	June Est. 2015 Bien.	Sept. Est. 2015 Bien.	Difference
HB 2 & HB 13	\$3,633.6	\$3,629.6	(\$4.0)
Statutory	533.0	536.4	3.4
Transfers	185.3	187.5	2.2
Other	45.6	43.8	(1.8)
Reversions	<u>(15.9)</u>	<u>(8.1)</u>	<u>7.8</u>
Biennium Total	<u>\$4,381.5</u>	<u>\$4,389.2</u>	<u>\$7.7</u>

FY 2014 REVENUE COLLECTIONS

In summary, actual FY 2014 general fund revenues were \$20.7 million or 1.0% ahead of the SJ 2 estimate. The difference can be attributed to strong growth in four sources—individual income, oil severance, insurance and property taxes—and below-expected growth in corporate income tax and all remaining sources combined.

Summary of FY 2014 Changes from SJ 2				
(\$ Millions)				
	Estimate	Actual	\$ Difference	% Difference
Individual Income Tax	\$1,039.1	\$1,063.2	\$24.1	2.3%
Oil Severance Tax	99.3	109.6	10.3	10.3%
Insurance Tax	52.0	60.9	8.9	17.0%
Property Tax	245.3	250.3	5.1	2.1%
Corporation Income Tax	154.1	147.5	(6.5)	-4.2%
Remaining Sources	<u>466.6</u>	<u>445.5</u>	<u>(21.1)</u>	-4.5%
General Fund Total	\$2,056.4	\$2,077.0	\$20.7	1.0%

The table on the following page shows actual FY 2013 revenues in the first numerical column, followed by estimated and actual FY 2014 revenues. The next two columns show the estimated and actual growth in FY 2014 from FY 2013. The last two columns compare the actual FY 2014 revenue to the estimate, showing the difference as an amount and as a percentage. Summaries of each of the revenue sources and differences from the estimate are organized in the order of the revenue list on the table.

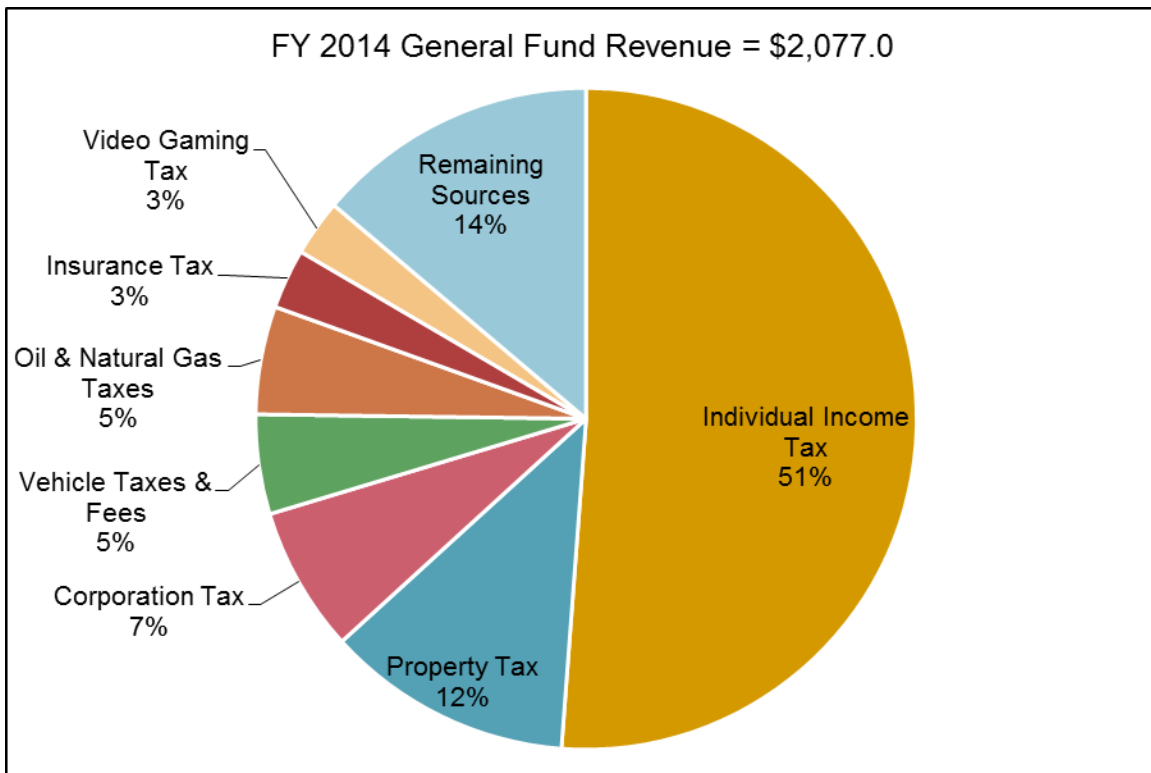
General Fund Revenue--FY 2014 Actuals Compared to SJ 2 Estimate
(\$ Millions)

Revenue Source	Actual FY 2013	SJ 2* FY 2014	Actual FY 2014	SJ 2 % Change	Actual % Change	Act.-SJ 2 \$ Diff.	Act./SJ 2 % Diff.
Largest Seven Sources							
Individual Income Tax	\$1,047.790	\$1,039.082	\$1,063.284	-0.8%	1.5%	\$24.202	2.3%
Property Tax	244.607	245.287	250.344	0.3%	2.3%	5.056	2.1%
Corporation Tax	177.497	154.096	147.548	-13.2%	-16.9%	(6.548)	-4.2%
Vehicle Taxes & Fees	99.352	102.659	101.088	3.3%	1.7%	(1.571)	-1.5%
Oil & Natural Gas Taxes	98.683	99.336	109.606	0.7%	11.1%	10.270	10.3%
Insurance Tax	61.678	52.021	60.873	-15.7%	-1.3%	8.852	17.0%
Video Gaming Tax	57.261	59.929	57.147	4.7%	-0.2%	(2.782)	-4.6%
Other Business Taxes							
Drivers License Fee	4.527	4.435	4.051	-2.0%	-10.5%	(0.384)	-8.7%
Investment Licenses	6.951	7.457	7.115	7.3%	2.4%	(0.342)	-4.6%
Lodging Facilities Sales Tax	16.720	18.365	17.725	9.8%	6.0%	(0.640)	-3.5%
Public Contractor's Tax	(0.138)	3.259	0.887	-2468.7%	-744.7%	(2.372)	-72.8%
Railroad Car Tax	2.179	2.320	2.418	6.5%	11.0%	0.098	4.2%
Rental Car Sales Tax	3.523	3.632	3.521	3.1%	-0.1%	(0.111)	-3.0%
Retail Telecom Excise Tax	20.652	23.236	19.657	12.5%	-4.8%	(3.579)	-15.4%
Other Natural Resource Taxes							
Coal Severance Tax	13.265	14.857	14.745	12.0%	11.2%	(0.112)	-0.8%
Electrical Energy Tax	5.067	4.521	4.280	-10.8%	-15.5%	(0.241)	-5.3%
Metal Mines Tax	10.049	10.595	7.948	5.4%	-20.9%	(2.647)	-25.0%
U.S. Mineral Royalties	29.205	30.953	27.744	6.0%	-5.0%	(3.209)	-10.4%
Wholesale Energy Trans Tax	3.558	4.140	3.112	16.4%	-12.5%	(1.028)	-24.8%
Other Interest Earnings							
Coal Trust Interest Earnings	24.153	24.354	21.996	0.8%	-8.9%	(2.358)	-9.7%
TCA Interest Earnings	2.465	2.346	1.756	-4.8%	-28.7%	(0.590)	-25.1%
Other Consumption Taxes							
Beer Tax	3.033	3.067	3.023	1.1%	-0.3%	(0.044)	-1.4%
Cigarette Tax	31.011	30.433	30.623	-1.9%	-1.3%	0.190	0.6%
Liquor Excise Tax	17.724	19.284	18.418	8.8%	3.9%	(0.866)	-4.5%
Liquor Profits	10.500	11.080	10.500	5.5%	0.0%	(0.580)	-5.2%
Lottery Profits	13.084	14.342	12.091	9.6%	-7.6%	(2.251)	-15.7%
Tobacco Tax	5.853	6.005	5.929	2.6%	1.3%	(0.076)	-1.3%
Wine Tax	2.195	2.218	2.250	1.0%	2.5%	0.032	1.5%
Other Sources							
All Other Revenue	36.578	32.548	37.320	-11.0%	2.0%	4.772	14.7%
Highway Patrol Fines	4.140	4.467	4.142	7.9%	0.0%	(0.325)	-7.3%
Nursing Facilities Fee	4.928	4.740	4.961	-3.8%	0.7%	0.221	4.7%
Public Institution Reimb.	16.212	17.802	17.298	9.8%	6.7%	(0.504)	-2.8%
Tobacco Settlement	3.321	3.519	3.646	6.0%	9.8%	0.127	3.6%
Largest Seven Subtotal	\$1,786.868	\$1,752.411	\$1,789.890	-1.9%	0.2%	\$37.479	2.1%
Remaining Sources Subtotal	290.754	303.974	287.155	4.5%	-1.2%	(16.820)	-5.5%
Grand Total	\$2,077.622	\$2,056.385	\$2,077.044	-1.0%	0.0%	\$20.659	1.0%

*SJ 2, Adjusted for Legislative Impacts

Large Revenue Sources

In FY 2014, the largest seven revenue sources accounted for 86% of total general fund revenue. This section will highlight the differences between actual and anticipated revenue collections for each source and go into further detail if applicable.



Individual Income Tax: \$24.2 million

Individual income tax collections were \$24.2 million or 2.3% above the estimate contained in SJ 2. The difference may be explained by slightly above-anticipated withholding growth—a proxy for wage and retirement income—which offset the net decline in estimated and current year payments—a proxy for all other non-wage income. Total audit income was also above estimate. The table below shows the accounting level detail for FY 2014 compared to FY 2013.

Individual Income Tax				
(\$ Millions)				
	FYE 2014	FYE 2013	Difference	% Difference
Withholding	\$816.7	\$783.6	\$33.1	4.2%
Estimated Payments	242.7	233.7	9.0	3.8%
Current Year Payments	177.9	211.2	(33.3)	-15.8%
Audit, P&I, Amended	41.0	31.8	9.2	28.8%
Refunds	(253.5)	(244.0)	(9.5)	3.9%
Partnership Income Tax	17.0	14.0	3.0	21.3%
Mineral Royalties	21.5	17.4	4.1	23.6%
Total	\$1,063.3	\$1,047.8	\$15.5	1.5%

Wage Income

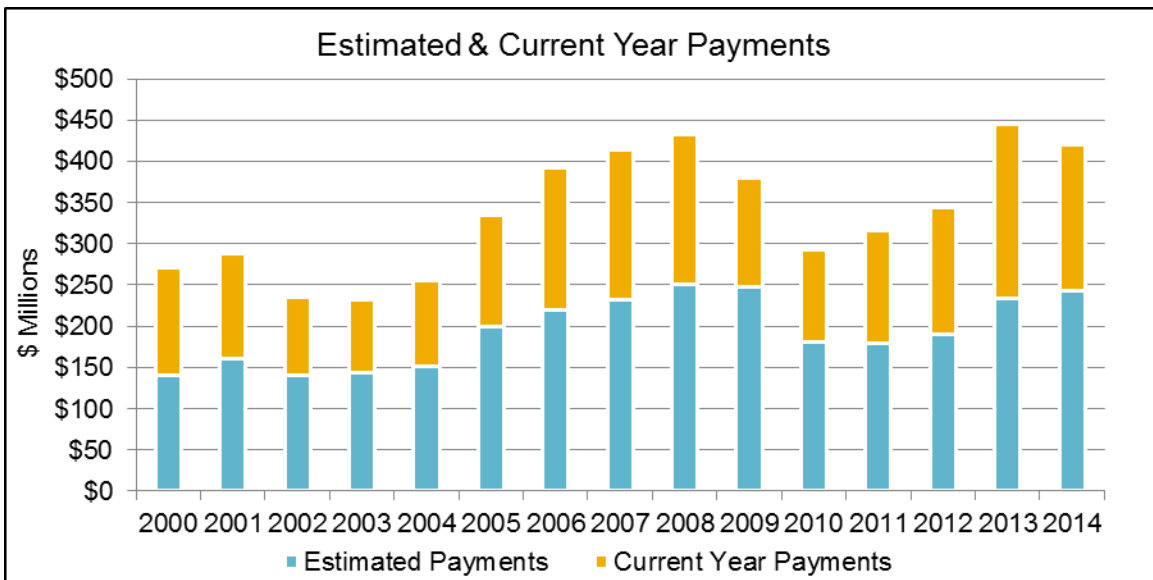
There is a correlation between withholding growth and wage income growth; however, the correlation is not particularly strong, as shown in the graph below:



Actual wage income growth for calendar year 2013 won't be available until early November, and even then data won't be available with which to approximate FY 2014 wage income growth. The moderate withholding growth suggests that wage income growth was close to the estimate contained in SJ 2.

Non-Wage Income

Estimated and current year payments are a proxy for non-wage income. While FY 2014 estimated payments posted moderate gains over FY 2013, current year payments declined over the same period. However, FY 2013 current year payments were unusually high, likely due to taxpayers' responses to the federal tax uncertainty at the end of calendar year 2012. FY 2014 current year payments may be unusually low: if taxpayers realized gains in CY 2012 that they would have primarily realized in CY 2013, the resulting FY 2014 estimated and current year payments could be lower than otherwise anticipated.



The extent to which reduced current year payments may reflect income shifting to the prior year rather than underlying economic weakness cannot be estimated until CY 2013 return information is available; even then, the data will likely not provide a strong indicator of taxpayer behavior change versus normal growth. Future estimates for non-wage income sources—especially those likely to be influenced by unusual shifting in CY 2012—will be carefully examined to insure that an outsized reduction in CY 2013 non-wage income does not result in significantly reducing subsequent growth.

Audit, Penalty & Interest, and Amended: \$4.8 million

Audit, penalty and interest, and amended collections are forecast explicitly in SJ 2; combined collections in FY 2014 were higher than expected by \$4.8 million.

Property Tax: \$5.1 million

General fund property tax revenue was 2.1% or \$5.1 million above the SJ 2 estimate. The primary reason for the difference is protested taxes; about \$3.1 million of previously protested taxes were released to the state property tax accounts as a result of settlements with Puget Sound Energy and Bresnan Communications. FY 2014 protested taxes were also somewhat lower than anticipated.

Corporation Tax: (\$6.5 million)

Corporation income tax collections were \$6.5 million or 4.2% below SJ 2 primarily due to unusually low audit, penalty & interest collections.

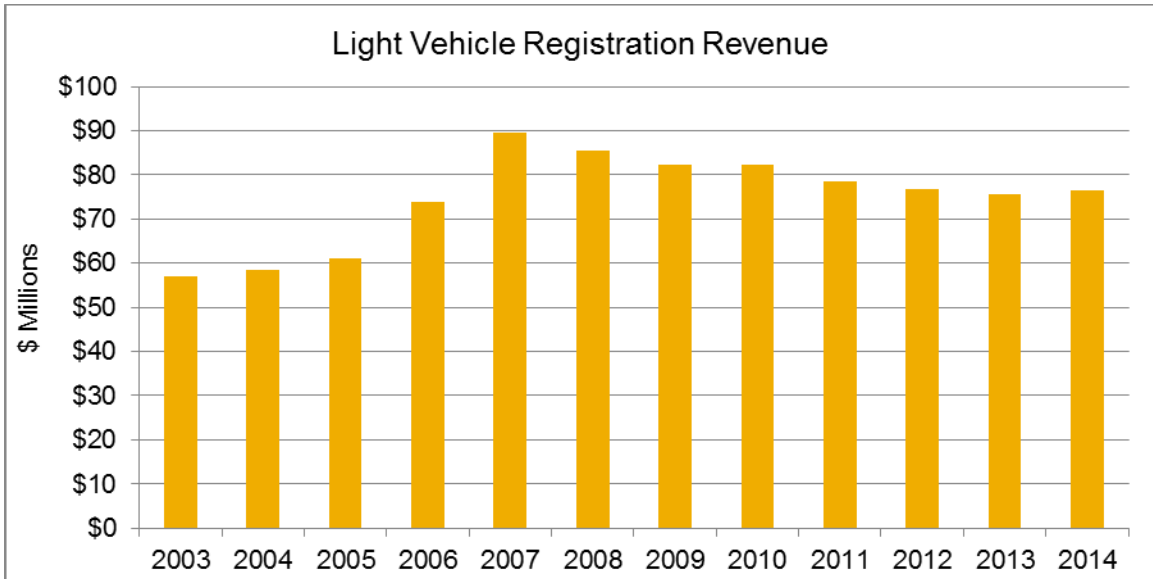
Corporation Income Tax--FY 2014 Actuals versus SJ 2			
(\$ Millions)			
	SJ 2	Actual	Difference
Tax Liability & Adjustments	\$156.1	\$160.3	\$4.2
Refunds	-24.6	-21.7	2.9
Audit, Penalty & Interest	22.6	8.9	-13.7
Total	\$154.1	\$147.5	-\$6.5

Audit, penalty & interest income was unusually low in FY 2014, as shown below:



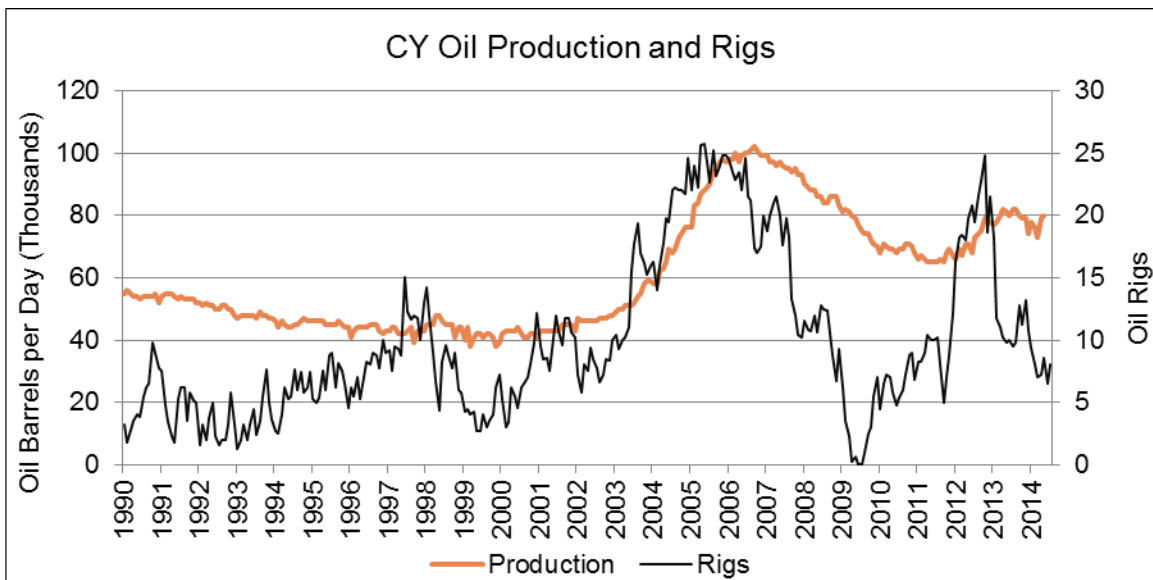
Vehicle Taxes & Fees: (\$1.6 million)

Combined revenue collections from vehicle fees and taxes were 1.5% or \$1.6 million less than anticipated in SJ 2. However, revenue from this source did increase from FY 2013 by \$1.7 million. This increase was due primarily to increases in light vehicle registrations and light vehicle permanent registrations as compared to FY 2013. FY 2014 was the first year to see a year-over-year increase in revenue generated from light vehicle registrations since FY 2007.



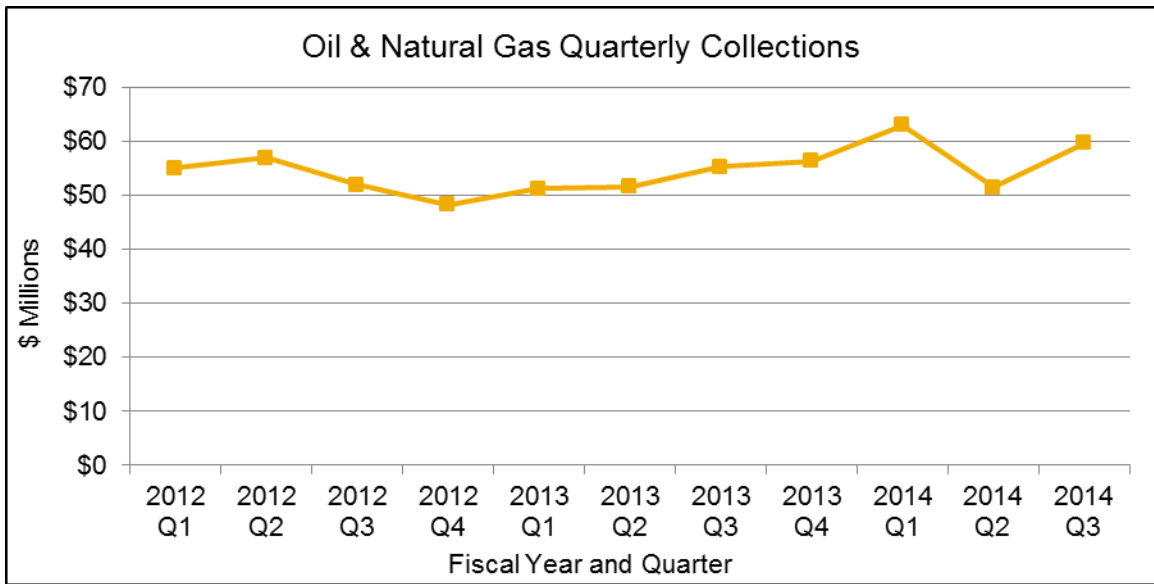
Oil & Natural Gas Taxes: \$10.3 million

Oil and natural gas contributions to the general fund have been fairly consistent in the state since the Elm Coulee increase which peaked in FY 2008. This trend was expected to continue in FY 2014; however, due to a temporary increase in drilling and subsequent production spike, FY 2014 collections came in \$10.3 million, or 10.3% above the SJ 2 estimate.



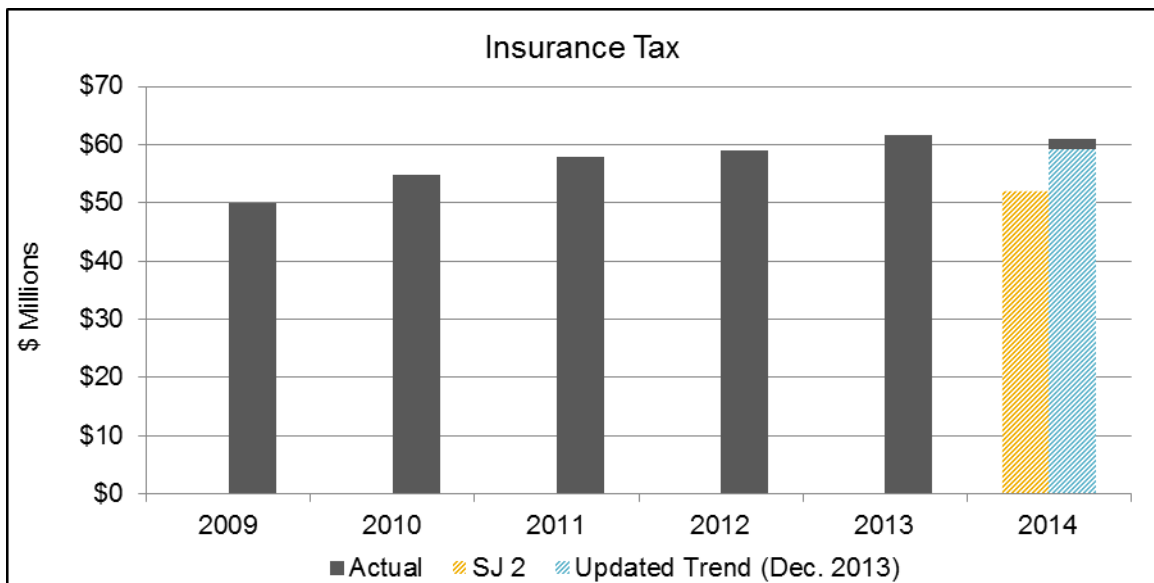
Of the \$10.3 million, approximately \$5.5 million was due to a high quarterly collection in the first quarter of FY 2014, as was discussed in the [RTIC May Update](#). It was expected then that the remaining quarters would be similar to FY 2013 quarterly collections. The fourth quarter accrual,

however, was larger than expected as an oil price increase of 4.7% was used by DOR to make the accrual estimate. Quarterly collections are illustrated in the chart below:



Insurance Tax: \$8.9 million

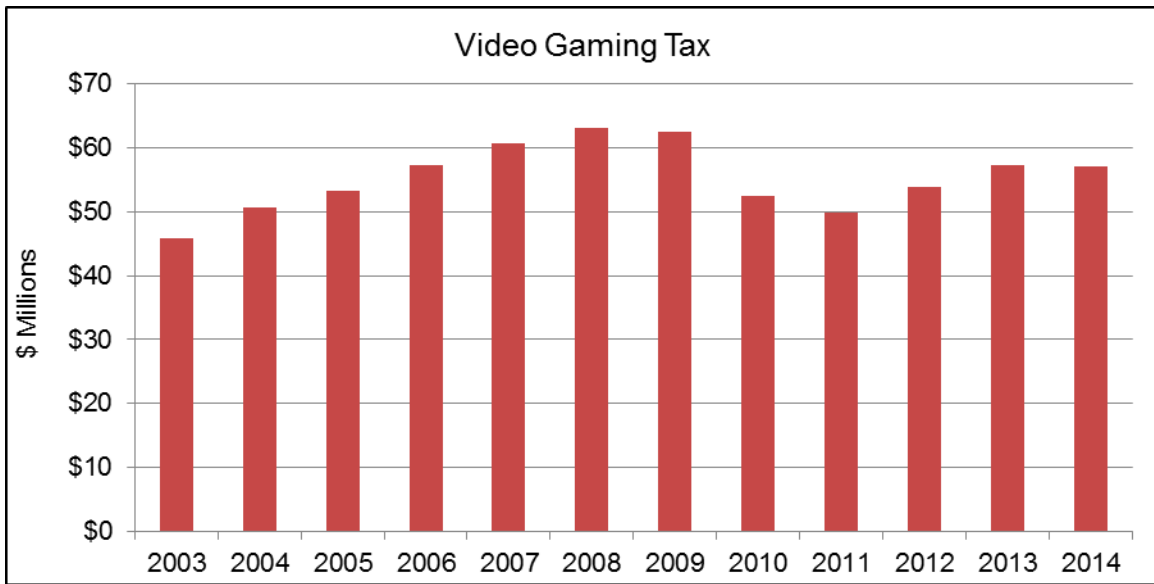
FY 2014 insurance tax came in \$8.9 million or 17% above the official SJ 2 revenue estimate. This is attributable in large part to the buyout of Blue Cross Blue Shield and its resulting loss of tax exempt status that has been discussed throughout the fiscal year. The chart below includes both the SJ 2 estimate and the updated trend presented in December 2013 accounting for prior years’ Blue Cross Blue Shield premium values. The updated trend was still somewhat lower than the FY 2014 total. This source is destined for some volatility in the next few years as the effects of the Affordable Care Act begin to manifest.



Video Gaming Tax: (\$2.8 million)

Video gaming revenue in FY 2014 was \$2.8 million or 4.6% less than what was anticipated in SJ 2. Furthermore, video gambling revenue decreased by \$0.1 million from FY 2013 to FY 2014 after

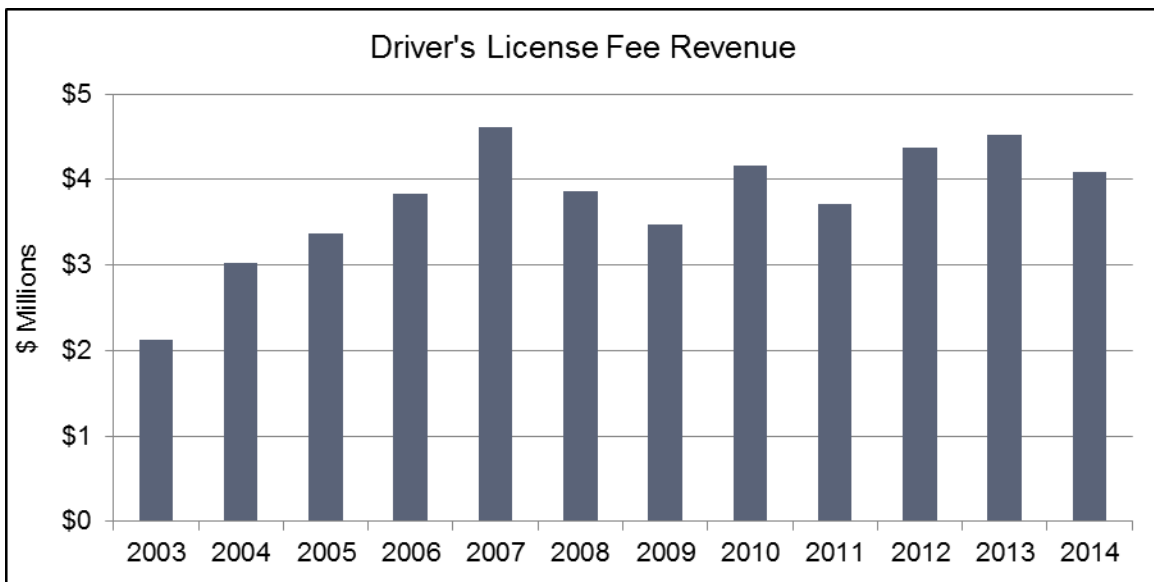
increasing substantially from FY 2011 to FY 2013. Revenue from this source may be leveling out once again as it did prior to the prominent decrease in FY 2010 and FY 2011.



Other Business Taxes

Driver’s License Fee: (\$0.4 million)

Total driver’s license revenue was \$0.8 million or 8.7% less than anticipated in SJ 2. Furthermore, revenue from this source decreased from amounts collected in FY 2013 by \$0.4 million. Since fees are fixed, this decrease in revenue was caused by fewer-than-expected Class D (standard) driver’s license purchases.



Investment License Fee: (\$0.3 million)

Investment license fee collections were \$0.3 million or 4.6% below the estimate contained in SJ 2. Consistent with the explanation from the State Auditor’s Office (SAO) for lower-than-anticipated growth in FY 2013, the reduction in FY 2014 revenue is a continuation of a trend in the investment industry toward consolidation by mergers and acquisitions. This results in a declining total number of

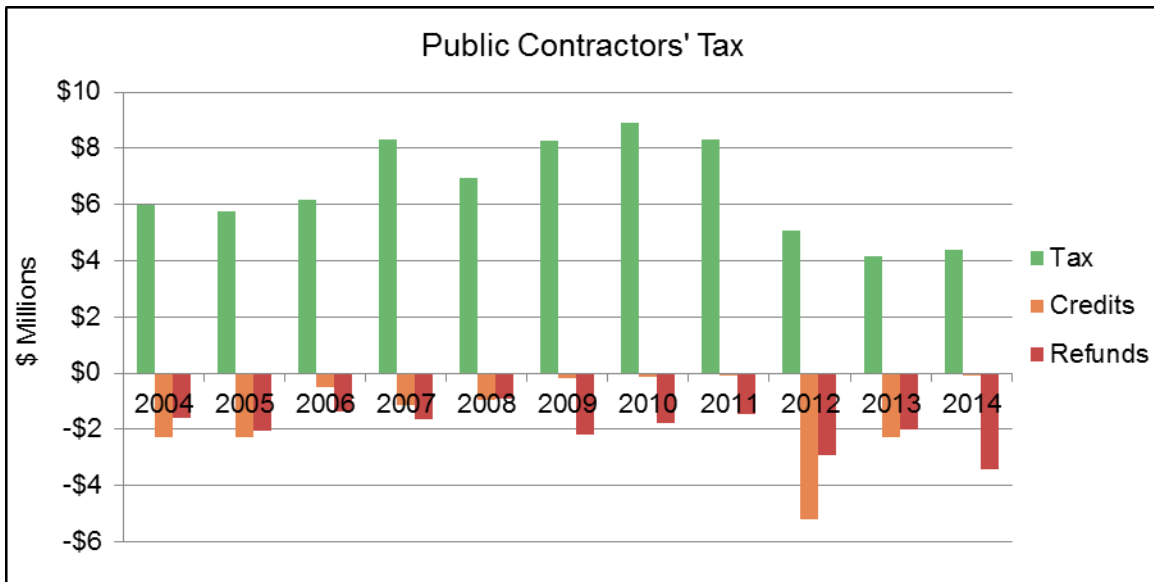
firms and a corresponding loss of license fee revenue. Collections were forecast in SJ 2 based on the S&P 500 Index. Based on the information from SAO, future models will account for the declining number of firms.

Lodging Facilities Sales Tax: (\$0.6 million)

Lodging facilities sales tax collections were \$0.6 million or 3.5% below the estimate contained in SJ 2. This revenue source was forecast in SJ 2 based on Montana retail sales. The outlook for Montana retail sales has improved since the production of SJ 2. Given that the lodging tax declined, Montana retail sales may not be a good economic indicator for this source. Preliminary research suggests that U.S. personal income may have a better fit; furthermore, the outlook for U.S. personal income has decreased since the production of SJ 2, which is consistent with lodging collections coming in below estimate.

Public Contractors' Gross Receipts Tax: (\$2.4 million)

Public contractors' gross receipts tax collections were finally positive—after two years of negative collections in a row—although still \$2.4 million below the estimate contained in SJ 2. Higher levels of credits & refunds due to the increased number of public projects funded through the American Recovery & Reinvestment Act (ARRA) in 2009 and 2010, coupled with the subsequent decrease in publicly funded projects are still producing reduced net taxes. There is a significant time lag between the date of the contract and the reimbursement of the tax through credits or refunds, so large fluctuations in public construction projects will produce unusual future collection patterns.



Railroad Car Tax: \$0.1 million

Railroad car tax revenue was \$0.1 million, or 4.2% above the SJ 2 estimate. While this is a relatively small amount of money compared to the general fund, it does represent strong growth in this revenue source. The year-over-year change was 11%, primarily due to strong railroad mileage growth between CY 2013 and CY 2014.

Rental Car Sales Tax: (\$0.1 million)

Rental car sales tax collections were very close to the estimate contained in SJ 2. Rental car sales tax was forecast in SJ 2 based on Montana retail sales. As with lodging facilities sales tax, it may make more sense to model this source on U.S. personal income rather than Montana retail sales.

Retail Telecommunications Excise Tax: (\$3.6 million)

Retail telecommunications excise tax collections were \$3.6 million or 15.4% below the estimate contained in SJ 2. The revenue has been declining since FY 2011 in part due to the DOR's loss of the pre-paid wireless case in 2011. The impact of the case was initially estimated to be an annual reduction in revenue of about \$1.0 million. However, the strong growth in the market share of prepaid smartphones was likely underestimated, resulting in an underestimate of the revenue reduction.

Collections were forecast in SJ 2 based on GSP for the information sector. Revised modeling based on U.S. Census Bureau data for landline use decline and cell phone use growth, IDC Mobile Phone Tracker statistics, Google smartphone statistics, and the IHS forecast of Montana population growth suggests continued decline, which is consistent with recent trends.

Other Natural Resource Taxes

Coal Severance Tax: (\$0.1 million)

Coal severance tax collections were below the SJ 2 estimate by \$0.1 million or 0.8%. There are two factors that affect the estimate: the number of tons of coal produced and the contract sales price (CSP) of coal. Both of these were up in FY 2014 compared to FY 2013—from 35.5 million tons to 35.6 million tons for production and from \$12.3 to \$12.5 per ton for price. These two increases produced a year-over-year increase in revenue of 11.2%, just slightly lower than what was expected from the coal company survey data.

Electrical Energy Tax: (\$0.2 million)

Taxable energy production was below the forecast by \$0.2 million, or 5.3%, at \$4.3 million. It was forecast in SJ 2 that FY 2014 would be below FY 2013 collections of \$5.1 million. Collections fell more than expected, however, 15.5% year-over-year, which is similar to the drop in year-over-year wholesale energy transaction tax of 12.5%. A major reason for this drop appears to be a shutdown in early FY 2014 at Colstrip.

Metalliferous Mines Tax: (\$2.6 million)

Metal mines tax collections were \$2.6 million or 25% below the estimate contained in SJ 2. The decline in revenue is primarily due to a decline in production.

U.S. Mineral Royalties: (\$3.2 million)

Revenue from U.S. mineral leases in the state was \$3.2 million or 10.4% below the SJ 2 estimate. Detailed federal FY 2014 information is not yet available; however, given the one quarter lag between federal and state fiscal years, the loss of a large oil and gas lease in McCone County in federal FY 2013 reduced FY 2014 collections. This was discussed as far back as the [December 2013 RTIC meeting](#).

Wholesale Energy Transaction Tax: (\$1.0 million)

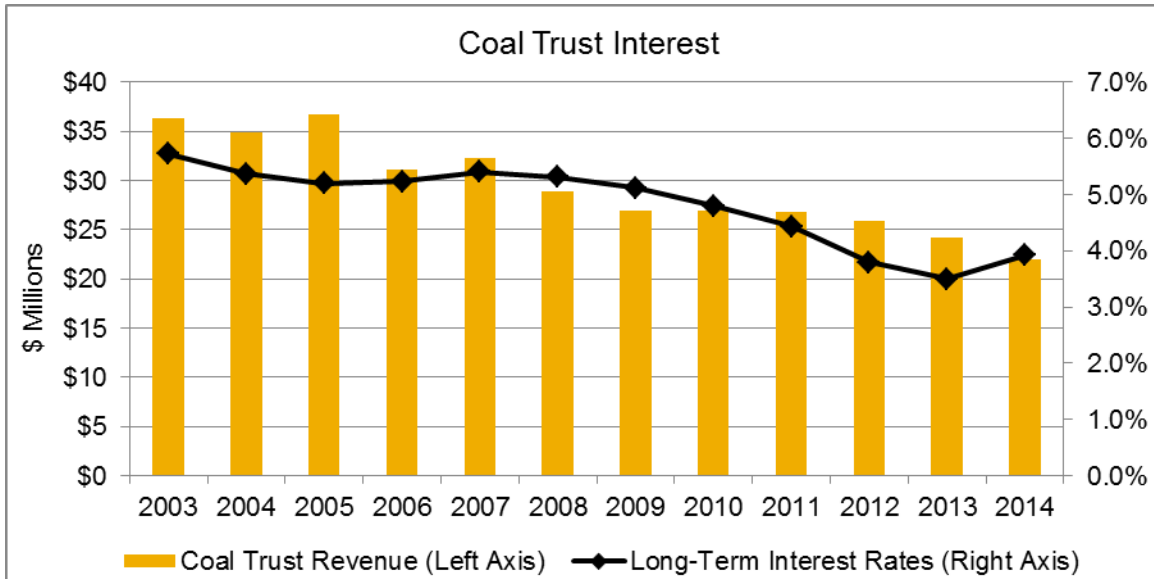
Wholesale energy transaction tax was down \$1.0 million or 24.8% from SJ 2 to \$3.6 million. As discussed in Electrical Energy Tax, the year-over-year drop was 12.5%, due in part to the shutdown at Colstrip. Collections were anticipated to increase to levels seen in FY 2008, 2009, and 2011.

Other Interest Earnings

Coal Trust Interest Earnings: (\$2.4 million)

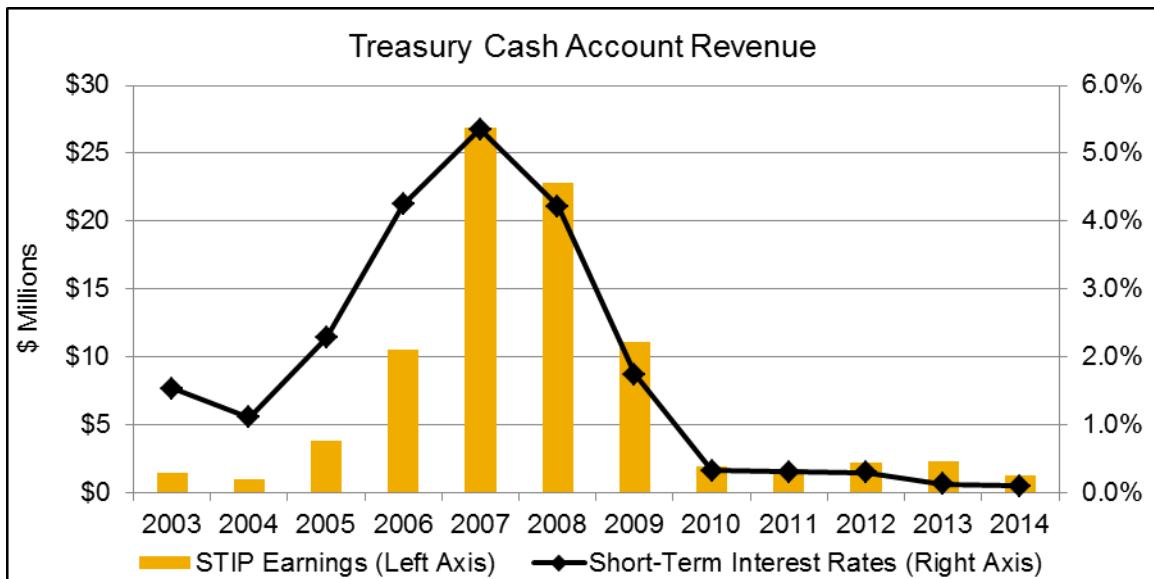
Coal trust interest earnings fell below the revenue estimate in SJ 2 by 9.7% or \$2.4 million. In addition, revenue decreased from FY 2013 by \$2.2 million. The coal trust is invested in the Trust

Funds Bond Pool, Short-Term Investment Pool, as well as in-state investments. The continued decrease in revenue is a result of lower rates of return than were expected when SJ 2 estimates were produced.



Treasury Cash Account Interest Earnings: (\$0.6 million)

Based on year-end data for FY 2014, the TCA interest earnings were 25.1% or \$0.6 million below the SJ 2 estimate. Earnings are dependent on the average balance and short-term interest rates. The majority of this revenue is produced from earnings in the Short-Term Investment Pool (STIP). As short-term interest rates continue to sit near zero, revenue from this source will continue to produce amounts far smaller than those seen in the past.



Other Consumption Taxes

Beer Tax: (\$0.0 million)

Beer tax revenue was very close to the SJ 2 estimate, coming in at 1.4% or \$0.0 million below the official projection. As with some other revenue sources, Montana retail sales is used as a driver in the current model, and its inclusion will be reevaluated and potentially altered.

Cigarette Tax: \$0.2 million

Cigarette taxes exceeded the SJ 2 revenue estimates by 0.6% or \$0.2 million. As with FY 2013, a decline did occur from the prior year, but SJ 2 projected a slightly steeper drop than was actually observed. The continual decline is due to the decrease in cigarette sales associated with lower smoking rates.

Liquor Excise & License Tax: (\$0.9 million)

Liquor excise tax revenue was overestimated in SJ 2; actuals came in 5.2% or \$0.9 million under the estimate. The actuals are only \$0.1 million under the updated trend from December at which time FYE 2013 actuals – which had come in under estimate – were incorporated, and the model had been modified slightly to rely on more than simply US CPI as a driver.

Liquor Profits: (\$0.6 million)

The SJ 2 revenue projection for liquor profits was \$11.1 million and FY 2014 actuals came in at \$10.5 million or 5.2% under estimate. Important to note is that the transfer of liquor profits to the general fund is always a round number rather than total collections and keeping that in mind, the SJ 2 estimate could have been \$11.0 million, and slightly closer. As with liquor tax, once the lower-than-expected FY 2013 revenues were input into the modified model, the updated trend indicated a transfer of \$10.5 million for FY 2014.

Lottery Profits: (\$2.3 million)

Lottery profits for FY 2014 came in 15.7%, or \$2.3 million, under the SJ 2 revenue estimate. There were three Powerball winners in FY 2014, which resulted in lower advertised jackpots and reduced ticket sales.

Tobacco Tax: (\$0.1 million)

Tobacco tax revenue came in under the SJ 2 estimate by 1.3% or \$0.1 million. While cigarette usage continues its slow decline, other tobacco use continues to experience slow growth in Montana. As with beer tax, this revenue source uses Montana retail sales; other economic variables will be explored that may have a more consistent relationship with the revenue source.

Wine Tax: \$0.0 million

Wine tax revenue came in close with growth of 1.5% more than expected. Fun fact: wine has the fastest growing per capita usage in the consumption sector.

Other Sources

All Other Revenue: \$4.8 million

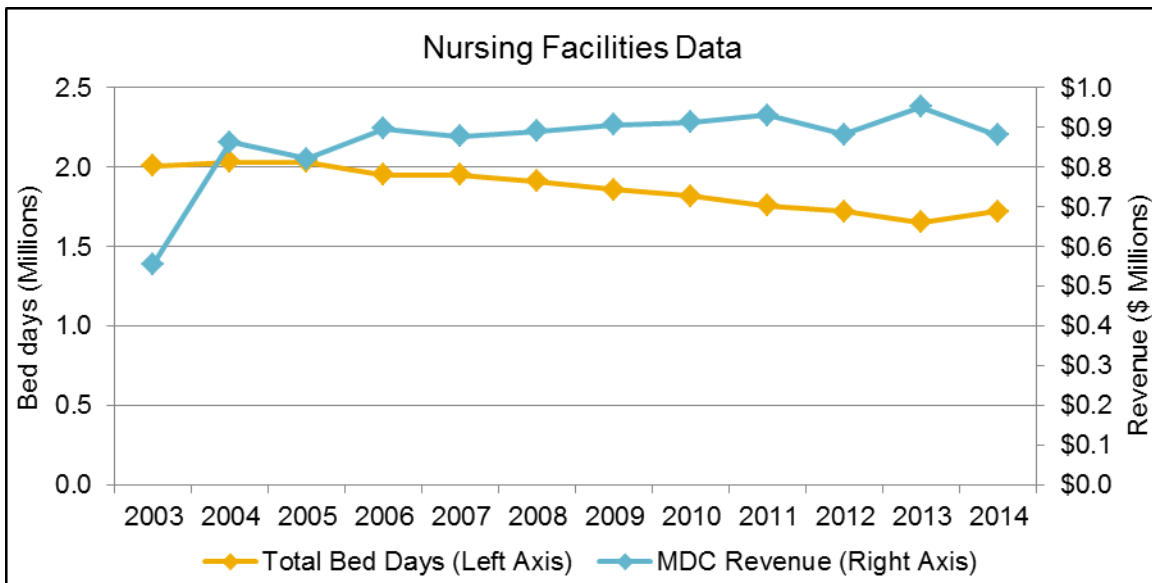
The combined revenue from all other general fund sources exceeded the SJ 2 estimate by 14.7% or \$4.8 million. In SJ 2, abandoned property collections were estimated to be \$2.2 million. In FY 2014, abandoned property collections were unusually high at \$7.7 million. These collections explain the majority of the discrepancy between all other revenue in FY 2014 and the estimate contained in SJ 2.

Highway Patrol Fines: (\$0.3 million)

Total revenue generated from highway patrol fines in FY 2014 was 7.3% or \$0.3 million less than the SJ 2 estimate. This revenue source follows a time trend with random fluctuations; actual collections are likely to be close to forecast values, but not exact.

Nursing Facilities Fees: \$0.2 million

Nursing facilities fees came in 4.7% or \$0.2 million over the SJ 2 revenue estimate. Revenue and bed days both increased for the first time since 2007. At the same time, after strong growth in FY 2013 Montana Developmental Center (MDC) revenue declined to approximately FY 2009 amounts.



Public Institution Reimbursements: (\$0.5 million)

Public institution reimbursements were 2.8% or \$0.5 million less than SJ 2 revenue estimate, due to a larger Montana State Hospital debt service payment and a decline in Montana's Federal Medical Assistance Percentage (FMAP), determining Medicaid reimbursement levels.

Tobacco Settlement: \$0.1 million

Tobacco settlement revenue was above the SJ 2 estimate by 3.6% or \$0.1 million for FY 2014. Fluctuations in this revenue source are generally due to disputes and litigation brought forth by attorneys representing the cigarette companies and the states that delay or mildly adjust the amount of the settlement. These cannot be captured in the revenue model and will always contribute to discrepancies between estimates and actuals in this source.