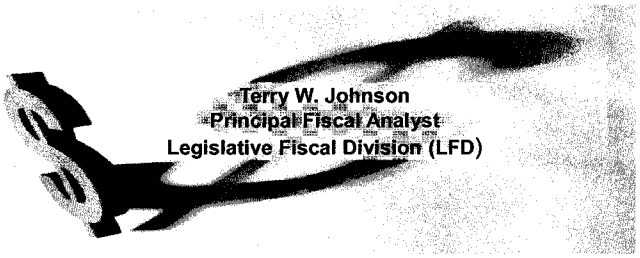
EXHIBIT 1
DATE 3/17/11
HB HJ2

General Fund Revenue Update #2



Terry W. Johnson
Principal Fiscal Analyst
Legislative Fiscal Division (LFD)

March 17, 2011
Presented to the
House Taxation Committee

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Presentation Outline

- Information Sources
- Economic Information and Forecasts
- Year to Date Collection Analysis
- LFD Recommended Adjustments
- Summary

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Information Sources

- IHS Global Insight
  - National Forecast
  - State Forecast
- SABHRS
  - Collections through January
- Montana Department of Revenue
  - Various Tax Return Data
- Numerous Publications

National Economic Indicators

National Economic Indicators (IHS)
Year-to-Year Growth Comparison

	Gross Domestic Product				Consumer Price Index				Short-term Interest Rate				Long-term Interest Rate			
	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth
2009	14,119		14,119		2.145		2.145		0.567		0.567		5.037		5.037	
2010	14,630	3.6%	14,658	3.8%	2.180	1.6%	2.181	1.6%	0.312	-45.0%	0.309	-45.5%	4.657	-7.5%	4.695	-6.8%
2011	15,164	3.6%	15,348	4.7%	2.215	1.6%	2.235	2.5%	0.432	38.5%	0.433	40.1%	4.204	-9.7%	4.986	6.2%
2012	15,836	4.4%	16,028	4.4%	2.256	1.9%	2.275	1.8%	1.839	325.9%	1.895	337.7%	4.770	13.5%	5.320	6.7%
2013	16,516	4.3%	16,767	4.6%	2.301	2.0%	2.320	2.0%	3.950	114.7%	3.970	109.5%	6.094	27.8%	6.110	14.9%

	West Texas Oil Price				Henry Hubb Natural Gas Price				S&P 500 Index				Corporate Profits ($ billion)			
	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth
2009	61.767		61.767		3.917		3.919		947		947		1,317		1,317	
2010	77.452	25.4%	79.450	28.6%	4.465	14.0%	4.379	11.7%	1,117	18.0%	1,139	20.3%	1,770	34.5%	1,795	36.3%
2011	82.583	6.6%	93.071	17.1%	4.181	-6.3%	4.135	-5.6%	1,166	4.5%	1,334	17.1%	1,824	3.0%	1,664	-7.3%
2012	89.163	8.0%	95.164	2.2%	5.238	25.3%	4.449	7.6%	1,261	8.1%	1,407	5.5%	1,883	3.3%	1,668	0.2%
2013	93.015	4.3%	99.015	4.0%	5.573	6.4%	4.989	12.1%	1,342	6.4%	1,487	5.7%	1,861	-1.2%	2,015	20.8%

State Economic Indicators

Montana Economic Indicators (IHS)
Year-to-Year Growth Comparison

	Gross State Product* ($ million)				Wage Disbursements ($ million)				Non Farm Employment			
	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth
2009	35,102		35,607		15,327		15,327		429,200		429,967	
2010	36,349	3.6%	37,005	3.9%	15,689	2.4%	15,679	2.3%	425,777	-0.8%	428,308	-0.4%
2011	37,725	3.8%	38,609	4.3%	16,263	3.7%	16,310	4.0%	428,022	0.5%	431,538	0.8%
2012	39,331	4.3%	40,262	4.3%	16,986	4.4%	17,134	5.1%	435,747	1.8%	438,882	1.7%
2013	40,936	4.1%	42,050	4.4%	17,698	4.2%	17,939	4.7%	442,766	1.6%	447,013	1.9%

	Retail Sales ($ million)				Housing Starts				Median House Price			
	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth	Nov	Growth	Mar	Growth
2009	13,902		13,893		1,321		1,321		168,660		169,141	
2010	14,721	5.9%	14,884	7.1%	1,307	-1.0%	1,230	-6.9%	165,709	-1.7%	165,395	-2.2%
2011	15,432	4.8%	16,065	7.9%	1,244	-4.9%	1,101	-10.5%	165,332	-0.2%	163,447	-1.2%
2012	16,210	5.0%	16,851	4.9%	1,716	38.0%	1,526	38.6%	172,336	4.2%	169,829	3.9%
2013	16,675	2.9%	17,531	4.0%	1,984	15.6%	2,042	33.8%	181,008	5.0%	178,005	4.8%

*Following the release of the IHS forecast in November, the Bureau of Economic Analysis (BEA) released a comprehensive revision of their GSP figures from 1963 to 2008. The changes included significant classification changes to better reflect state economies.

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Sources with Significant Revisions

- Individual Income Tax ↑
- Corporation Tax ↓
- Insurance Tax ↑
- Oil & Gas Production Tax ↑
- US Mineral Royalty ↑
- Video Gaming Tax ↓
- Coal Severance Tax ↓
- Lottery Profits ↓
- Metal Mines Tax ↑
- Public Contractors Tax ↑
- All Other Revenue ↑

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Sources with Accounting/Timing Issues

- Vehicle Fees/Taxes
- Property Tax
- Liquor Excise Tax
- Lodging Facilities Sales Tax
- Retail Telecommunications Tax
- Electrical Energy Tax
- Other Revenue
- All Other Categories

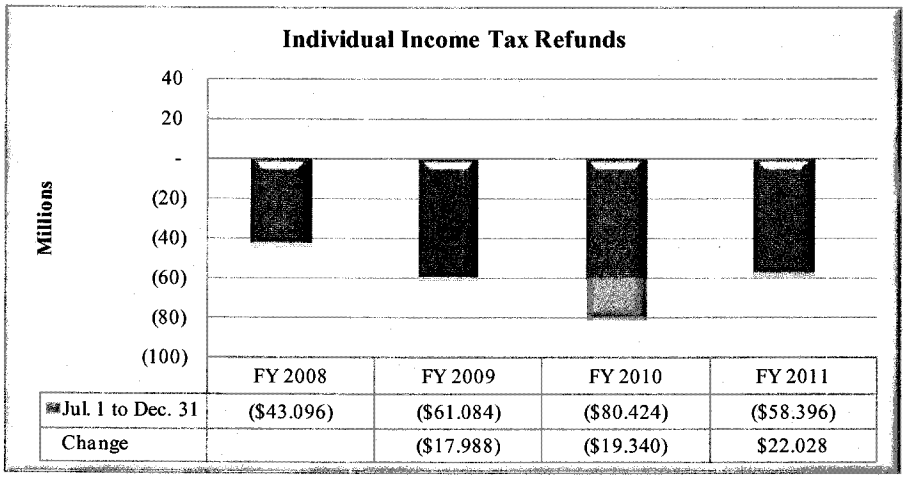
Fiscal 2011 To Date Summary
General Fund Revenue Comparison

- Through February 28th FY 2010 $ 966.5 M
- Through February 28th FY 2011 $ 1,053.7 M

- Current Change and Rate (8 months) $ 87.2 M 9.0%
- HJ 2* Growth and Rate (Full Year) $ 45.0 M 2.8%

* Legislature's Revenue Estimating Resolution

Legislative Fiscal Division



	FY 2008	FY 2009	FY 2010	FY 2011
Jul. 1 to Dec. 31	($43.096)	($61.084)	($80.424)	($58.396)
Change		($17.988)	($19.340)	$22.028

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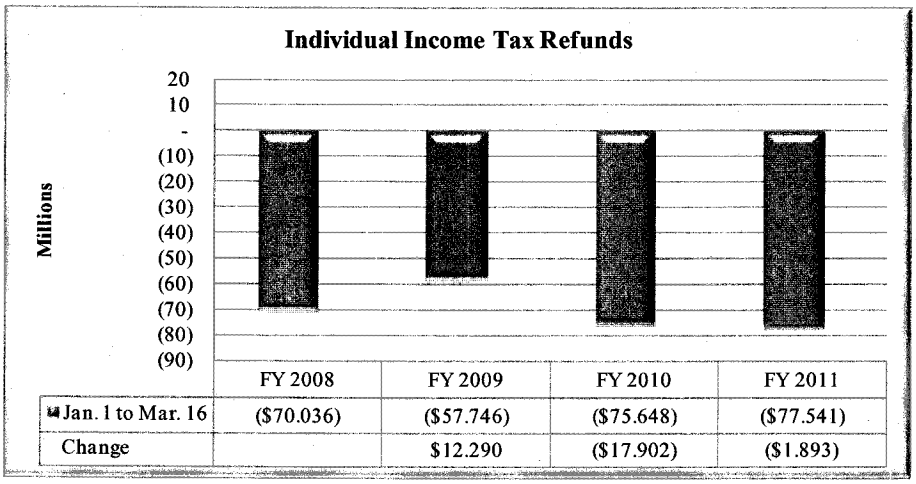
Legislative Fiscal Division



	FY 2008	FY 2009	FY 2010	FY 2011
Jan. 1 to Mar. 16	($70.036)	($57.746)	($75.648)	($77.541)
Change		$12.290	($17.902)	($1.893)

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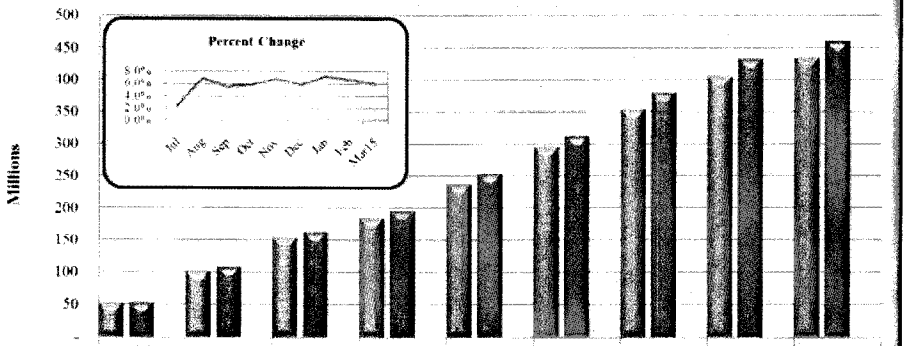
Legislative Fiscal Division

Individual Withholding Tax



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar15
FY 2010	51.721	101.936	154.089	185.061	237.639	295.611	354.018	406.016	434.490
FY 2011	52.981	108.917	162.504	195.663	253.683	312.655	379.346	432.712	460.142
% Change	2.4%	6.9%	5.5%	5.7%	6.8%	5.8%	7.2%	6.6%	5.9%

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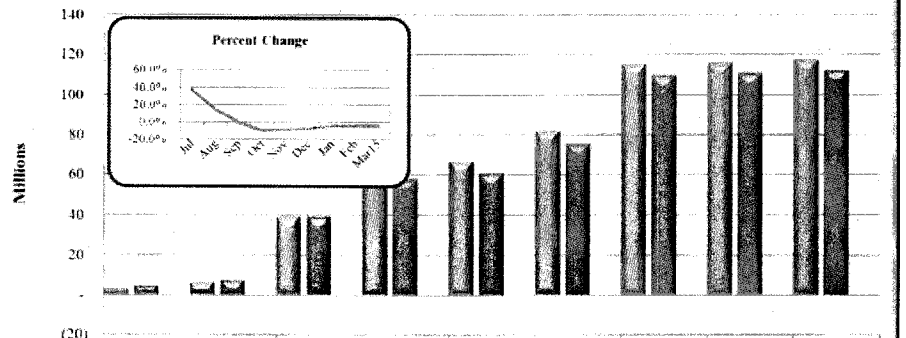
Legislative Fiscal Division

Individual Estimated Tax



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar15
FY 2010	3.399	6.542	39.401	64.379	66.580	82.230	114.805	115.873	117.174
FY 2011	4.679	7.496	39.253	57.746	60.664	75.558	109.499	110.571	111.821
% Change	37.7%	14.6%	-0.4%	-10.3%	-8.9%	-8.1%	-4.6%	-4.6%	-4.6%

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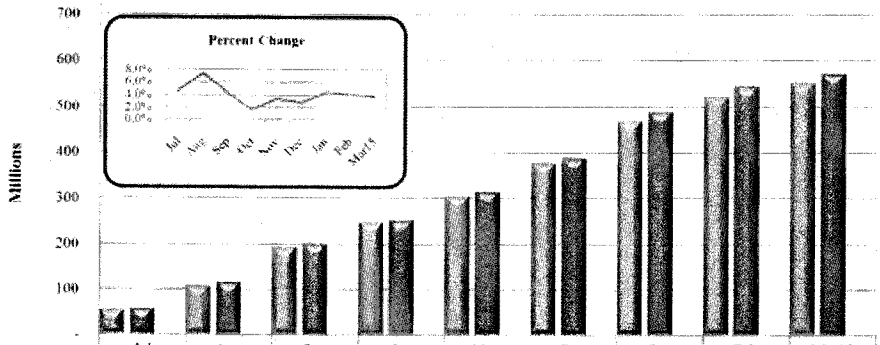
Legislative Fiscal Division

Individual Withholding & Estimated Tax Components



	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar15
FY 2010	55.319	108.478	193.490	249.410	304.219	377.840	468.822	521.889	551.664
FY 2011	57.660	116.413	201.757	253.409	314.347	388.213	488.845	543.283	571.963
% Change	4.6%	7.3%	4.3%	1.6%	3.3%	2.8%	4.3%	4.1%	3.7%

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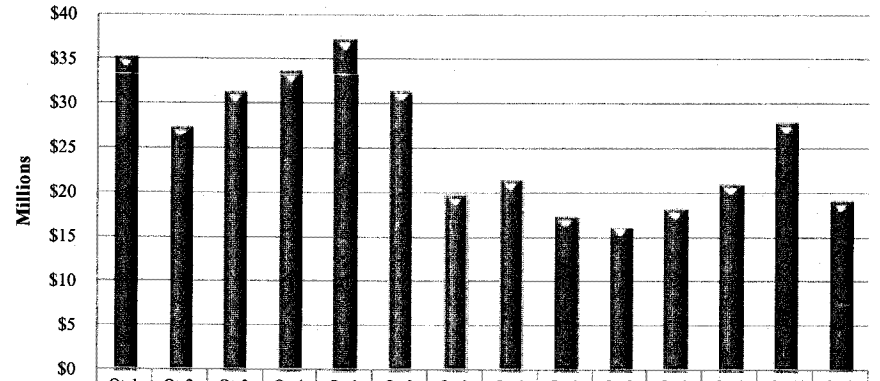
Legislative Fiscal Division

Corporation Income Tax Estimated Payments



	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2	Qtr3	Qtr4	Qtr1	Qtr2
	FY2008				FY2009				FY2010				FY2011	
Amount	$35.2	$27.4	$31.2	$33.6	$37.2	$31.4	$19.7	$21.3	$17.3	$16.2	$18.2	$21.0	$27.9	$19.0

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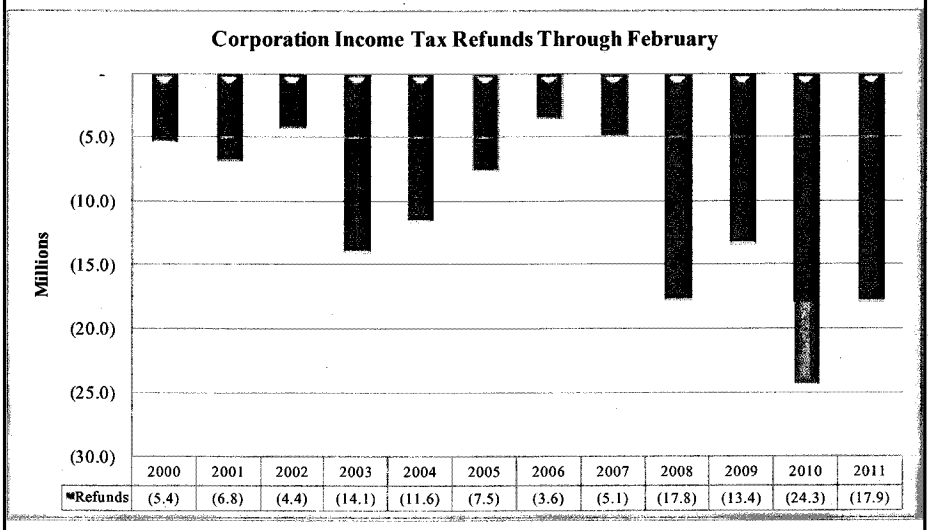
Legislative Fiscal Division



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Refunds	(5.4)	(6.8)	(4.4)	(14.1)	(11.6)	(7.5)	(3.6)	(5.1)	(17.8)	(13.4)	(24.3)	(17.9)

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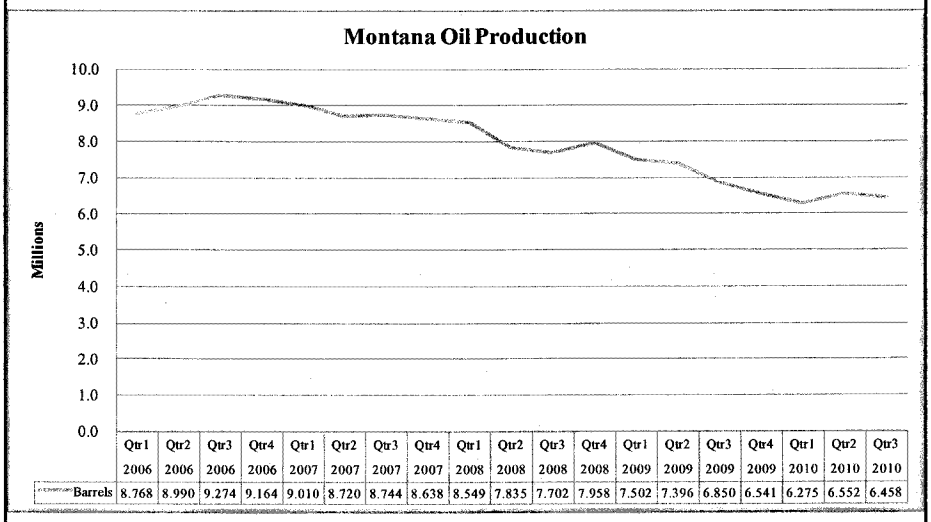
Legislative Fiscal Division



	Qtr1 2006	Qtr2 2006	Qtr3 2006	Qtr4 2006	Qtr1 2007	Qtr2 2007	Qtr3 2007	Qtr4 2007	Qtr1 2008	Qtr2 2008	Qtr3 2008	Qtr4 2008	Qtr1 2009	Qtr2 2009	Qtr3 2009	Qtr4 2009	Qtr1 2010	Qtr2 2010	Qtr3 2010
Barrels	8.768	8.990	9.274	9.164	9.010	8.720	8.744	8.638	8.549	7.835	7.702	7.958	7.502	7.396	6.850	6.541	6.275	6.552	6.458

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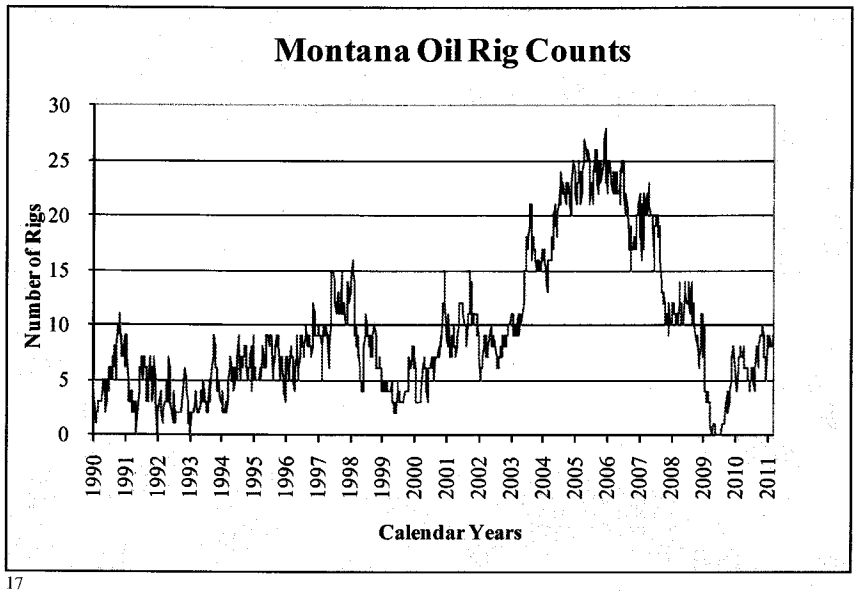

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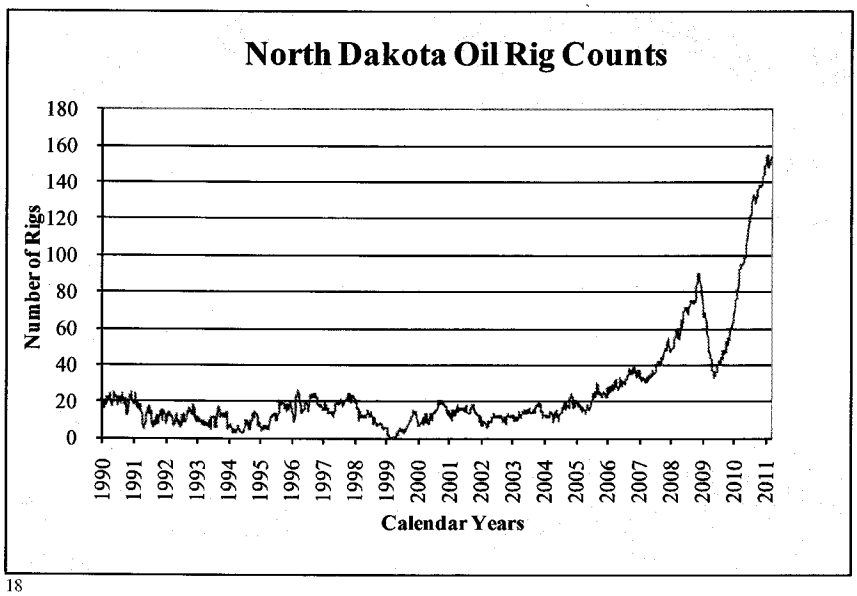
Legislative Fiscal Division



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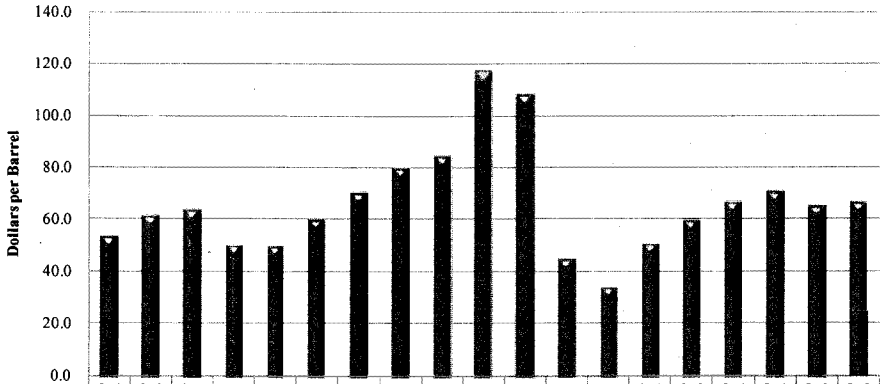
Legislative Fiscal Division

Montana Wellhead Oil Price



	Qtr1 2006	Qtr2 2006	Qtr3 2006	Qtr4 2006	Qtr1 2007	Qtr2 2007	Qtr3 2007	Qtr4 2007	Qtr1 2008	Qtr2 2008	Qtr3 2008	Qtr4 2008	Qtr1 2009	Qtr2 2009	Qtr3 2009	Qtr4 2009	Qtr1 2010	Qtr2 2010	Qtr3 2010
Price	53.24	61.38	63.67	50.13	49.55	60.03	70.14	79.93	84.69	117.33	108.26	44.72	33.96	50.60	59.32	66.67	70.58	64.98	66.63

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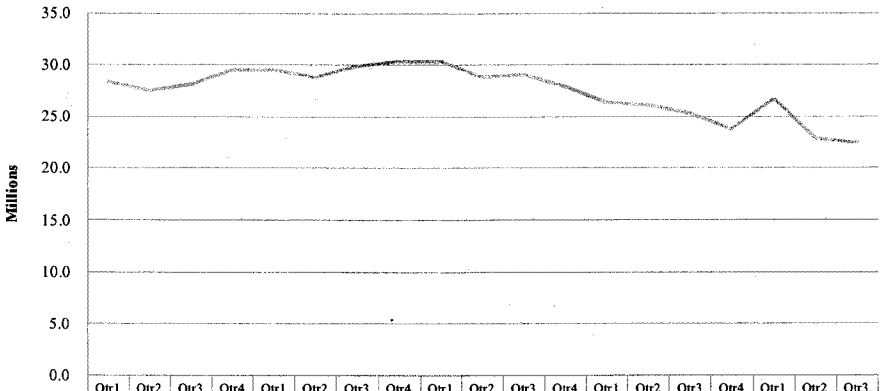
Legislative Fiscal Division

Montana Gas Production



	Qtr1 2006	Qtr2 2006	Qtr3 2006	Qtr4 2006	Qtr1 2007	Qtr2 2007	Qtr3 2007	Qtr4 2007	Qtr1 2008	Qtr2 2008	Qtr3 2008	Qtr4 2008	Qtr1 2009	Qtr2 2009	Qtr3 2009	Qtr4 2009	Qtr1 2010	Qtr2 2010	Qtr3 2010
MCF's	28.394	27.533	28.072	29.560	29.559	28.869	29.837	30.372	30.338	28.865	29.066	27.889	26.414	26.140	25.305	23.768	26.699	22.780	22.505

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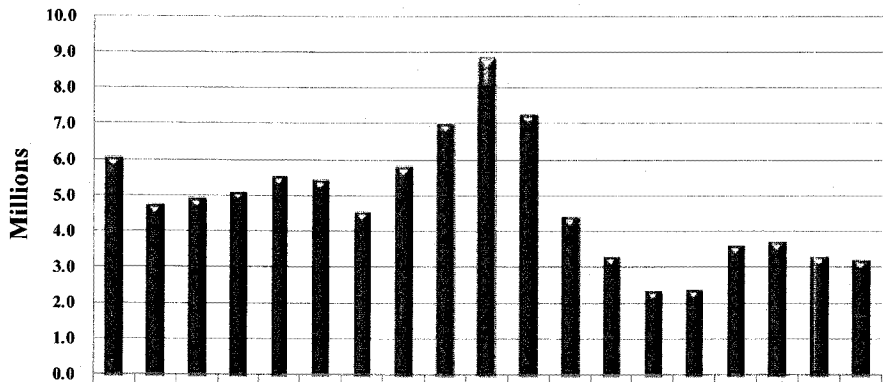
Legislative Fiscal Division

Montana Wellhead Gas Price



	Qtr1 2006	Qtr2 2006	Qtr3 2006	Qtr4 2006	Qtr1 2007	Qtr2 2007	Qtr3 2007	Qtr4 2007	Qtr1 2008	Qtr2 2008	Qtr3 2008	Qtr4 2008	Qtr1 2009	Qtr2 2009	Qtr3 2009	Qtr4 2009	Qtr1 2010	Qtr2 2010	Qtr3 2010
Price	6.06	4.74	4.89	5.11	5.54	5.46	4.53	5.84	7.01	8.83	7.27	4.40	3.29	2.34	2.36	3.61	3.71	3.30	3.19

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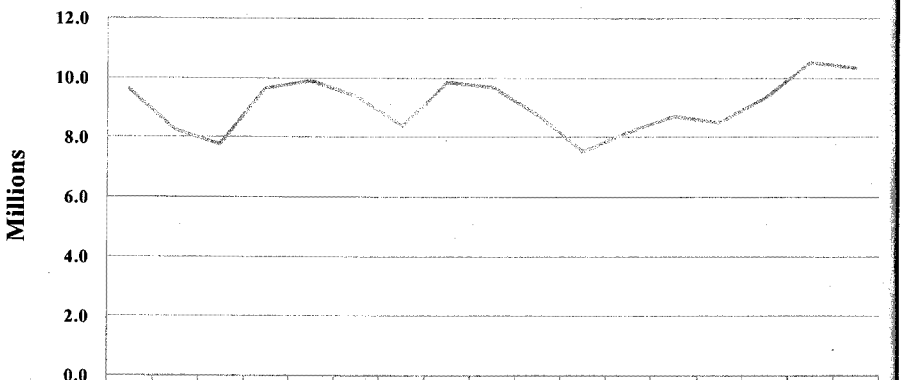
Legislative Fiscal Division

Montana Coal Production



	Qtr4 2006	Qtr1 2007	Qtr2 2007	Qtr3 2007	Qtr4 2007	Qtr1 2008	Qtr2 2008	Qtr3 2008	Qtr4 2008	Qtr1 2009	Qtr2 2009	Qtr3 2009	Qtr4 2009	Qtr1 2010	Qtr2 2010	Qtr3 2010	Qtr4 2010
Net Tons	9.600	8.268	7.783	9.677	9.911	9.422	8.395	9.852	9.704	8.745	7.506	8.182	8.719	8.499	9.313	10.506	10.371

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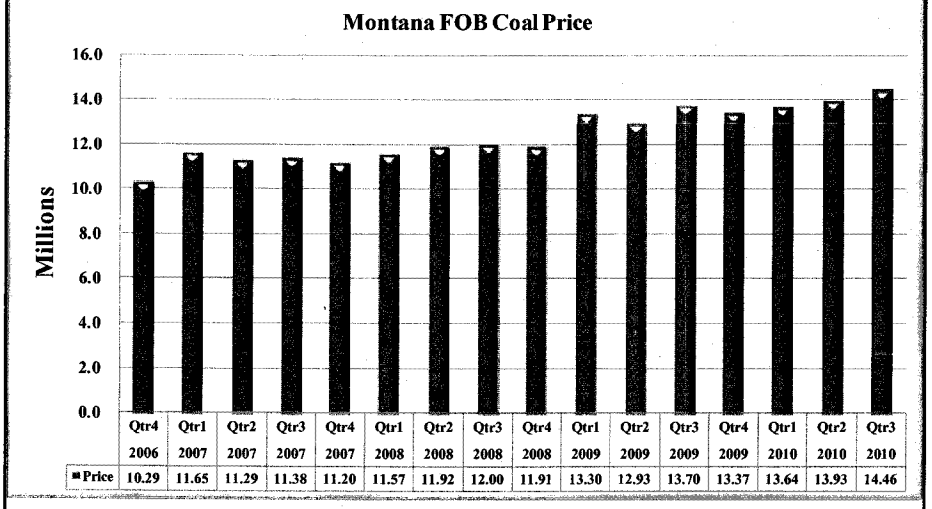
Legislative Fiscal Division



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Legislative Fiscal Division

Recommended Adjustments to HJ2
Figures in Millions

Revenue Category	Revision FY 2011	Revision FY 2012	Revision FY 2013	Biennium 2012-13
Individual Income Tax	23.635	27.545	33.880	61.425
Corporation Income Tax	(5.960)	(8.229)	(0.204)	(8.433)
Oil & Gas Production Tax	3.092	1.192	(2.582)	(1.389)
Metalliferous Mines Tax	2.450	2.600	2.620	5.220
Video Gaming Tax	(6.007)	(6.286)	(7.223)	(13.509)
All Other Categories	2.283	1.016	(0.320)	0.696
Total General Fund	**$19.494**	**$17.838**	**$26.171**	**$44.009**
Interest & Income	**$9.300**	**$0.000**	**$0.000**	**$0.000**

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Summary Points

- Minimal Economic Changes
- Significant Adjustments
  - Individual Income Tax Refunds
  - Federal Accelerated Depreciation
  - Video Gaming Tax
- Total Recommended Adjustments
  - FY 2011 $19.5 million
  - 2013 Biennium $44.0 million
  - Interest & Income $ 9.3 million
- Positive and Negative Risks

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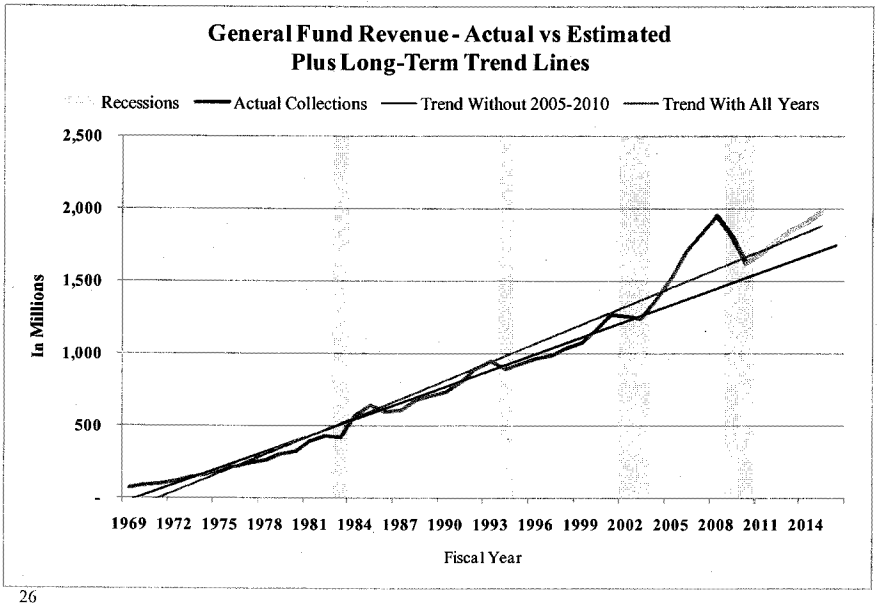

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