

EXHIBIT 45
 DATE 3/17/11
 HB HJB 2

FY 2011 to-date Through February

	Actual	Implied from Estimate
2000	75.6%	
2001	53.1%	
2002	56.9%	
2003	58.2%	
2004	57.2%	
2005	55.5%	
2006	55.2%	
2007	55.2%	
2008	55.1%	
2009	59.5%	
2010*	52.1%	
2011*		55.1%

Note the LFD recommends not using FY 2000 and FY 2001 in analysis due to the inconsistencies in SABHRS data in its first two years.

If LFD estimate is correct, then 55.1% will have been collected YTD 2011

*Accrual adjusted to compare to other years FY 2011 adjusted is \$932.45 million

Comparison		Implied from Comparison
High	FY 2010	1,791,093,196
Low not counting FY 2000	FY 2009	1,566,735,836
Difference		224,357,360
Average (FY 2002 to FY 2010)	56.1%	1,662,471,963
LFD estimate		1,691,627,000
LFD estimate above the average		29,155,037

Updates to Estimates

With five months of FY 2011 general fund revenue actually known, the forecast results using the current models strongly indicate that they are not high enough, and unless there is a substantial economic softening, the use of the current models will, once again, significantly understate revenues, and continue a decade-long pattern of missing actual collections, but never by overstating them. It is analogous to having a compass that always points to magnetic north and has never been recalibrated to point to true north. OBPP is now shifting to a more realistic and defensible estimating methodology that will reduce the likelihood of underestimating revenue.

OBPP's current FY 2011 total general fund revenue estimate is \$1,694 million. Today OPBB is updating its FY 2011 estimate to \$1,732 million, and has applied this base number to its revenue growth rates for 2012 and 2013 to arrive at a new total of \$118.7 million increase over the next three years.

Methodology Change

The following table details the past eleven years history of the percentage of cumulative revenue received through November of each respective year. A higher number reflects a year in which revenue was proportionately collected earlier in the year whereas a lower number reflects a year in which revenue was collected proportionately later. Extrapolating general fund revenue is done by dividing the revenue received year-date by the 11-year average (26.51%) of cumulative revenue received through November (i.e. \$459.245 million/26.51%).

Cumulative Revenue Received through November	
Fiscal Year	% Received
FY 2000	25.06%
FY 2001	24.74%
FY 2002	28.21%
FY 2003	27.33%
FY 2004	26.17%
FY 2005	26.35%
FY 2006	26.39%
FY 2007	25.69%
FY 2008	26.91%
FY 2009	29.69%
FY 2010	25.12%
11-Year Average	26.51%

As seen in the following table, the result of applying this methodology to general fund revenue estimates for FY 2011 increases OBPP's November estimate by \$37.93 million to \$1,732.04 million. This figure assumes a 6.43% increase in revenue between FY 2010 and FY 2011. For FY 2012 and FY 2013, original growth rates as estimated on November 15 were used. The net effect of applying this methodology to OBPP's general fund revenue estimates adds \$118.70 million to OBPP's three year general fund revenue estimate. This increase reflects a 2.24% increase over the November 15 estimate.

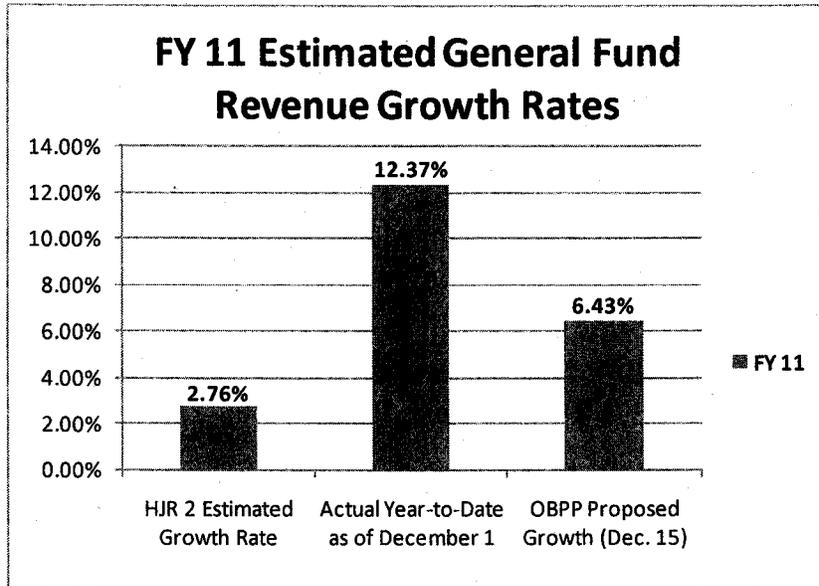
OBPP General Fund Revenue Estimates Change - As of December 15, 2010							
	General Fund Revenue				Estimated Growth Rates		
	FY 2011	FY 2012	FY 2013	Three Year Total	FY 2011	FY 2012	FY 2013
OBPP Nov. 15	1,694.11	1,757.10	1,846.14	5,297.35	4.09%	3.72%	5.07%
OBPP Dec. 15	1,732.04	1,796.47	1,887.55	5,416.05	6.43%	3.72%	5.07%
Change	37.93	39.37	41.41	118.70	2.34%	0.00%	0.00%

Reasonability of New Methodology

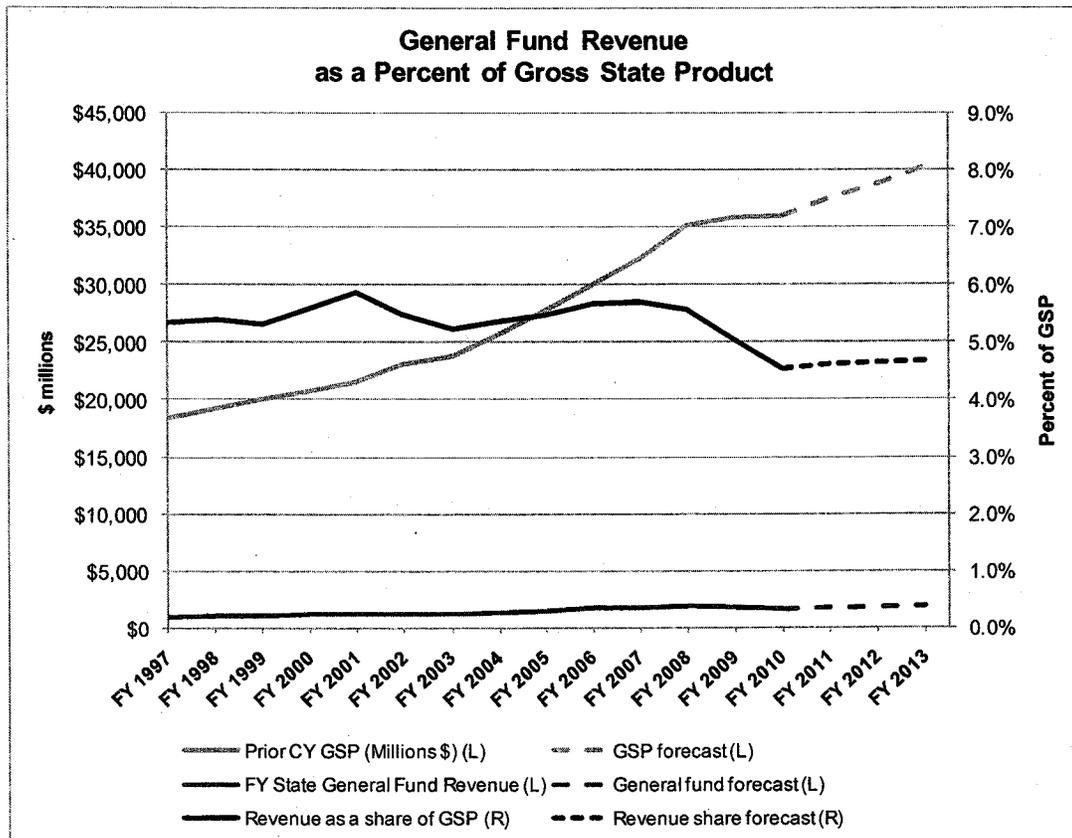
Many data points suggest that these proposed changes are reasonable. First, analysis was undertaken to determine a reasonable amount of growth in revenue in fiscal years which follow a recession. The following table shows that in FY 1995, for every dollar lost to revenue decline in FY 1994, approximately \$0.76 was recouped. Likewise, in FY 2003, for every dollar lost to revenue decline in FY 2002, approximately \$0.61 was recouped. Using OBPP's revised growth rate of 6.43% for FY 2011, it is estimated that only \$0.37 will be recouped in FY 2011 for every dollar lost in the back-to-back recession years of FY 2009 and FY 2010 – far less than the amount recovered in previous recessions.

General Fund "Bounce Back" After Recession			
Fiscal Year	GF Revenue In Millions	% Change from Previous Year	GF Revenue Loss/Reclaim Factor
1994	892	-6.42%	
1995	935	4.88%	0.76
2002	1,214	-4.35%	
2003	1,246	2.65%	0.61
2009	1,808	-7.50%	
2010	1,627	-10.00%	
2011	1,732	6.43%	0.37

Additionally, the following chart compares OBPP's revised growth rate for FY 2011 with the official growth rate adopted by the Revenue and Transportation Interim Committee on November 19, 2010 and the actual year-to-date collections growth rate (12.37%). When compared, OBPP's growth rate errs on the conservative side as it is significantly less than the actual year-to-date rate and implicitly assumes that collections will not continue at the rate currently realized through the end of November, 2010.



Furthermore, it is important to consider state general fund revenues in the context of other global variables which inevitably have impact on general fund revenue. State general fund revenue tracks the broadest measure of state economic activity - gross state product (GSP) - well. The following chart presents the relationship between calendar year GSP and the subsequent fiscal year's general fund revenue collections.



These data show the FY 1997 – FY 2010 actual general fund collections and OBPP projection of general fund revenue for FY 2011 and the 2013 biennium relative to the Bureau of Economic Affairs estimates of GSP (CY 1996 - CY 2009) and the Global Insight projection of GSP for CY 2010 through CY 2012. The results show that estimated revenue share in the forecast period experiences minimal gain with respect to total state economic activity in CY 2010, CY 2011 and CY 2012. The share for this forecast period averages approximately 4.65% of GSP while the FY 1997 – FY 2010 average share is 5.40% of GSP. This implies a conservative range of proposed revenue estimates relative to recent and projected recovery in economic activity in the state of Montana.

This new methodology when employed to last year produces estimates that may be very telling going forward. July-Nov. 2009 actual collections were \$400.703 million; the ten year total collection rate was 26.65% resulting in a total FY 2010 predicted revenue estimate of \$1,533 million. Applying the methodology for July through December 2009 (FY 2010); actual collections data amounted to \$600.813 million; 10 year cumulative average collected 36.97%. The predicted 2010 total revenue was \$1.625 million. FY 2010 resulted in an actual total revenue collection of \$1,627 million.

There are at least three points that can be made:

- 1) The model can cause significant revenue adjustments by just one month's data. This can be viewed as a new volatile component or an appropriate way to capture inflection points. The change in revenue estimates from the November to December projections rose by 6%.
- 2) The December prediction turned out to be amazingly accurate. This model may have caught the inflection point of the economy recovering out of recession.
- 3) December numbers, not yet known, may suggest that \$1,732 is still significantly under-estimated.

Finally, OBPP will be assessing its revenue outlook during the 2011 legislative session, especially in an economic environment that may well suggest even higher revenue estimates.