

# **2015 BIENNIUM BUDGET AND GENERAL FUND REVENUE TREND UPDATE**

A Report Prepared for the  
**Legislative Finance Committee**

By  
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December 9, 2013



## INTRODUCTION

The purpose of this report is to provide the committee with an update to the projected general fund ending balance for the 2015 biennium and to discuss emerging budget issues of all funding sources. 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 December.

In addition, this report includes an in-depth analysis of general fund revenues and an updated look at the trends for the 2015 biennium. Staff has updated the revenue estimating models with current data and done minor improvements in modeling techniques.

## FUND BALANCE DISCUSSION

As shown in the chart below, the preliminary general fund unaudited and unassigned balance for FY 2013 was \$537.3 million. In September, the projected FY 2015 ending fund balance was \$348.6 million. The updated projected ending fund balance shown below is \$347.1 million, or a reduction of \$1.5 million. This reduction includes minor changes in appropriations, primarily \$1.4 million of carry forward appropriations that were established based on MCA 17-7-304(4), and other minor adjustments. Aside from these small changes, no adjustments are included from SJ 2 revenue and session expenditure estimates for FY 2014 and FY 2015.

<b>General Fund Update December 2013</b>				
(in Millions)				
	Actual FY 2012	Actual FY 2013	Budget FY 2014	Budget FY 2015
Beginning Fund Balance	341.9	452.4	537.3	383.5
Revenue	1,871.0	2,077.6	2,056.4	2,136.6
<b>Total Funds Available</b>	<b>2,212.8</b>	<b>2,530.0</b>	<b>2,593.7</b>	<b>2,520.1</b>
Disbursements				
Ongoing				
HB 2, HB 13, and pension bills	1,577.9	1,613.5	1,755.6	1,832.3
Statutory	171.2	199.7	260.9	278.0
Transfers	15.5	15.9	13.6	12.1
Other (includes feed bill)	1.4	60.4	16.2	24.0
Reversions			(7.8)	(8.1)
OTO				
HB 2	10.1	13.7	22.7	23.0
Transfers (including \$51.7 wildland fire in FY 2014)	3.7	36.5	145.0	10.9
Other (includes carry forward)		58.3	4.1	0.9
<b>Total Disbursements</b>	<b>1,779.7</b>	<b>1,997.9</b>	<b>2,210.2</b>	<b>2,173.0</b>
Adjustments	19.2	5.2		
<b>Ending Fund Balance (Unassigned/Unaudited)</b>	<b>452.4</b>	<b>537.3</b>	<b>383.5</b>	<b>347.1</b>

## REVENUE ANALYSIS

This section of the report highlights the year-to-date revenue collections through the end of November FY 2014, and provides an overview by revenue source of the impact of new data and revised modeling on revenue trends.

### SUMMARY OF UPDATED TREND REVENUES

Although the updated revenue trends will not be incorporated into the official revenue estimate, the changes could have a small, positive impact on the ending fund balance. The chart below takes the updated trend totals and subtracts the potential fire fund transfer due to the increased corporation tax trend. The difference between the net updated trend and SJ 2 is summed over the biennium to produce a potential increase to the ending fund balance of \$3.9 million.

Potential Fund Balance Impact of Updated Trend				
<i>( in Millions)</i>				
	FY 2014	FY 2015	FY 2016	Total Impact
Updated Trend	\$2,064.4	\$2,138.2		
Less Potential Corp Transfer to Fire Fund	-	1.7	4.1	
Net Updated Trend	\$2,064.4	\$2,136.6	(\$4.1)	
Less SJ 2	2,056.4	2,136.6	-	
Potential Change to Fund Balance	\$8.0	(\$0.0)	(\$4.1)	
Potential Change Total				\$3.9

### FY 2014 YEAR-TO-DATE REVENUE

FY 2014 general fund revenues through the end of November are \$10.3 million or 1.5% ahead of FY 2013 revenues through the same period; this increase is above the anticipated growth of -1.0%. The income level for the FY 2014 forecast in SJ 2 is lower than the actual collections received in FY 2013, which is why anticipated growth is negative.

About half of the increase can be attributed to the top seven revenue sources. Individual income tax continues to increase over FY 2013. Strong growth may continue through January 2014, as CY 2013 quarterly estimated payments are likely to be based on elevated CY 2012 income. The increase in individual income tax is offset by a sharp decrease in corporation income tax. Year-to-date differences for all major revenue sources are discussed in further detail in the next section.

General Fund Revenue Monitoring Report

(in Millions)

Revenue Source	Actual FY 2013	SJ2 Estimate* FY 2014	SJ2 Estimate % Difference	11/30/2012 FY 2013	11/30/2013 FY 2014	YTD Difference	YTD % Change
<b>Largest Seven Sources</b>							
Individual Income Tax	\$1,047.790	\$1,039.082	-0.8%	\$467.876	\$494.723	\$26.848	5.7%
Property Tax	244.607	245.287	0.3%	11.955	11.452	(0.502)	-4.2%
Corporation Tax	177.497	154.096	-13.2%	63.906	42.926	(20.980)	-32.8%
Vehicle Taxes & Fees	99.352	102.659	3.3%	33.152	35.590	2.438	7.4%
Oil Severance Tax	98.683	99.336	0.7%	-	-	-	
Insurance Tax	61.678	52.021	-15.7%	12.757	10.645	(2.112)	-16.6%
Video Gaming Tax	57.261	59.929	4.7%	14.104	14.049	(0.055)	-0.4%
<b>Other Business Taxes</b>							
Drivers License Fee	4.527	4.435	-2.0%	1.729	1.461	(0.268)	-15.5%
Investment Licenses	6.951	7.457	7.3%	0.832	0.945	0.112	13.5%
Lodging Facilities Sales Tax	16.720	18.365	9.8%	6.689	6.767	0.078	1.2%
Public Contractor's Tax	(0.138)	3.259	-2468.7%	(0.820)	1.927	2.747	-335.1%
Railroad Car Tax	2.179	2.320	6.5%	1.586	1.602	0.016	1.0%
Rental Car Sales Tax	3.523	3.632	3.1%	1.489	1.440	(0.049)	-3.3%
Retail Telecom Excise Tax	20.652	23.236	12.5%	4.162	4.120	(0.042)	-1.0%
<b>Other Natural Resource Taxes</b>							
Coal Severance Tax	13.265	14.857	12.0%	4.358	3.763	(0.595)	-13.6%
Electrical Energy Tax	5.067	4.521	-10.8%	1.085	0.909	(0.176)	-16.2%
Metal Mines Tax	10.049	10.595	5.4%	0.005	0.008	0.003	64.9%
U.S. Mineral Royalties	29.205	30.953	6.0%	8.576	8.674	0.099	1.2%
Wholesale Energy Trans Tax	3.558	4.140	16.4%	0.863	0.795	(0.068)	-7.9%
<b>Other Interest Earnings</b>							
Coal Trust Interest Earnings	24.153	24.354	0.8%	6.395	5.443	(0.952)	-14.9%
TCA Interest Earnings	2.465	2.346	-4.8%	0.993	0.707	(0.285)	-28.7%
<b>Other Consumption Taxes</b>							
Beer Tax	3.033	3.067	1.1%	1.143	1.149	0.006	0.5%
Cigarette Tax	31.011	30.433	-1.9%	13.100	12.654	(0.446)	-3.4%
Liquor Excise Tax	17.724	19.284	8.8%	6.232	6.440	0.208	3.3%
Liquor Profits	10.500	11.080	5.5%	-	-	-	
Lottery Profits	13.084	14.342	9.6%	-	-	-	
Tobacco Tax	5.853	6.005	2.6%	2.114	2.240	0.126	5.9%
Wine Tax	2.195	2.218	1.0%	0.767	0.789	0.022	2.8%
<b>Other Sources</b>							
All Other Revenue	36.578	32.548	-11.0%	13.613	16.164	2.551	18.7%
Highway Patrol Fines	4.140	4.467	7.9%	1.379	1.355	(0.024)	-1.8%
Nursing Facilities Fee	4.928	4.740	-3.8%	1.246	1.223	(0.023)	-1.9%
Public Institution Reimbursements	16.212	17.802	9.8%	1.827	3.416	1.589	87.0%
Tobacco Settlement	3.321	3.519	6.0%	-	-	-	
Largest Seven Subtotal	\$1,786.868	\$1,752.411	-1.9%	\$603.749	\$609.387	\$5.637	0.9%
Remaining Sources Subtotal	290.754	303.974	4.5%	79.363	83.991	4.628	5.8%
<b>Grand Total</b>	<b>\$2,077.622</b>	<b>\$2,056.385</b>	<b>-1.0%</b>	<b>\$683.112</b>	<b>\$693.378</b>	<b>\$10.265</b>	<b>1.5%</b>

\* SJ 2, Adjusted for Legislative Impacts