

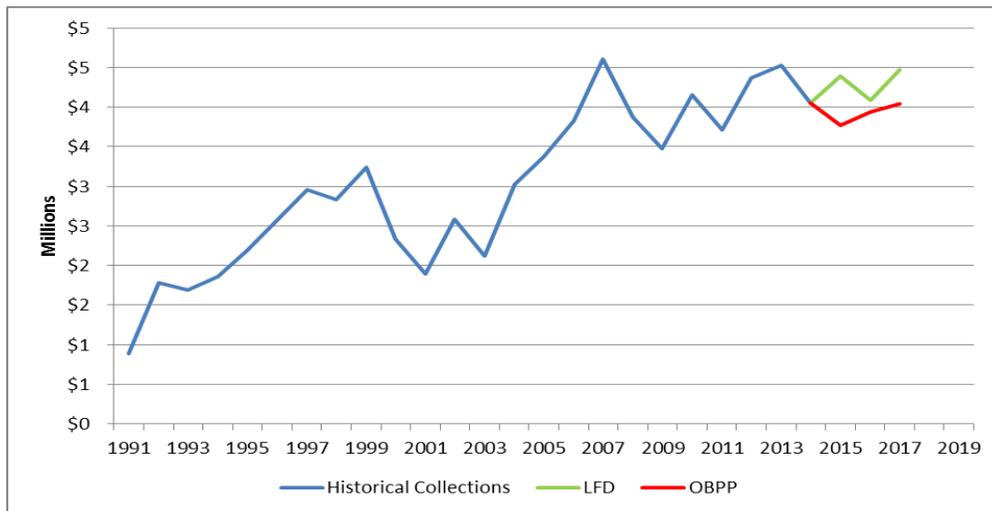
DRIVERS' LICENSE FEES: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments, if applicable, made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

Drivers License Fee Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$4.4	\$3.8	\$4.4	(\$0.6)			\$0.0	
2016	4.1	3.9	4.1	(0.1)			-	
2017	4.5	4.0	4.5	(0.4)			-	
Total	\$12.9	\$11.7	\$12.9	(\$1.2)	\$0.0	\$0.0	\$0.0	

MODEL COMPARISON

- As shown in the graph below, this source follows a cyclical trend in recent years.



- Using forecasts for the MT driver eligible population, the LFD attempts to forecast the number of licenses sold in the state. This is done by using the ratio of MT eligible drivers to licenses from two years ago to generate the licenses in the current year, given the IHS estimate of driver eligible individuals. The difference in estimates arises from trying to predict the nature of the cyclical behavior. The LFD is assuming that the drop in FY 2014 will be followed by an increase while OBPP is estimating back-to-back decreasing years, which has also been seen in the historical behavior.

COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS

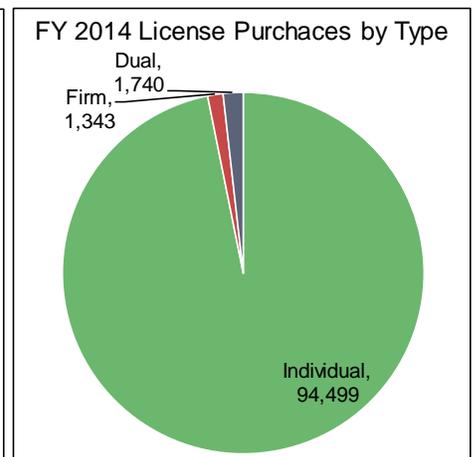
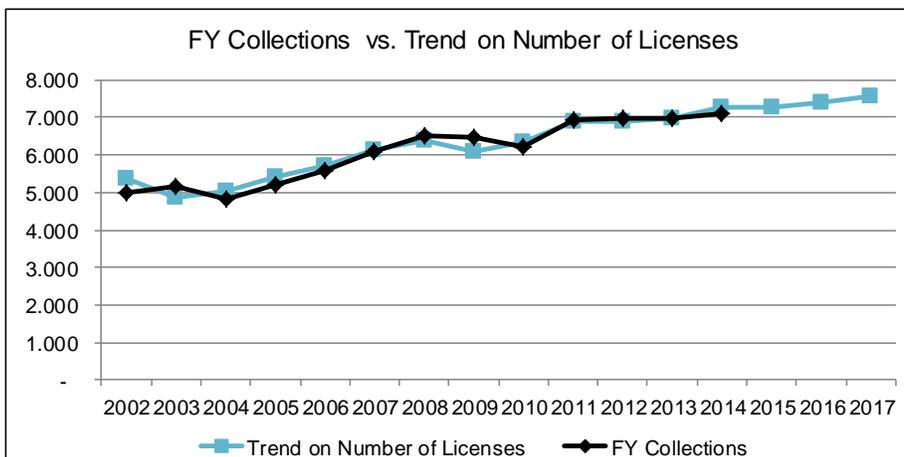
INVESTMENT LICENSE FEES: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments, if applicable, made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

Investment License Fee Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$7.3	\$7.5	\$7.3	\$0.2			\$0.0	
2016	7.4	7.8	7.4	0.4			-	
2017	7.6	8.0	7.6	0.5			-	
Total	\$22.2	\$23.3	\$22.2	\$1.1	\$0.0	\$0.0	\$0.0	

MODEL COMPARISON

- The LFD model grows each type of license—individual, firm or dual—on a time trend, then models the license tax against historical and forecast licenses. This model has an $r^2=0.94$
- The executive model also includes an S&P 500-related indicator



COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS

LODGING FACILITIES USE TAX: SUMMARY OF DIFFERENCES & ADJUSTMENTS

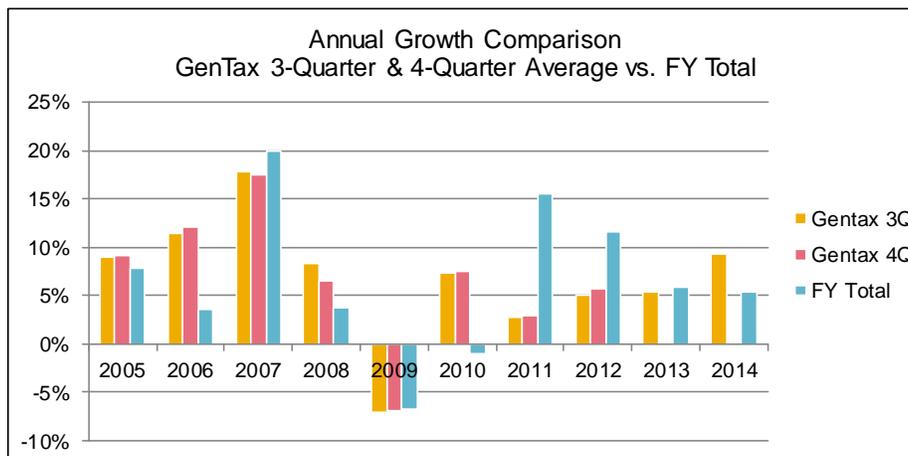
The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments, if applicable, made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

Lodging Facilities Use Tax Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$19.2	\$20.1	\$19.1	\$1.0			\$0.0	
2016	20.1	21.9	20.1	1.8			-	
2017	21.3	23.8	21.3	2.6			-	
Total	\$60.6	\$65.8	\$60.4	\$5.4	\$0.0	\$0.0	\$0.0	

MODEL COMPARISON

- The LFD model is based on historical fiscal year collection data from SABHRS and actual & forecast U.S. personal income from IHS
- The executive model relies on quarterly data from GenTax and actual and forecast total U.S. wage disbursements from IHS, as well as an adjustment to account for seasonality

While U.S. disposable income or personal consumption expenditures for tourism-related activities may be better underlying forecast variables, it is not clear that using GenTax data produces better outcomes in the forecast. The chart below compares the annual growth of three-quarter and four-quarter average growth from the GenTax data with the actual fiscal year growth from SABHRS. As evident from the chart, the growth in GenTax collections is higher than the final fiscal year collections growth about half of the time, and lower the other half of the time.



COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS

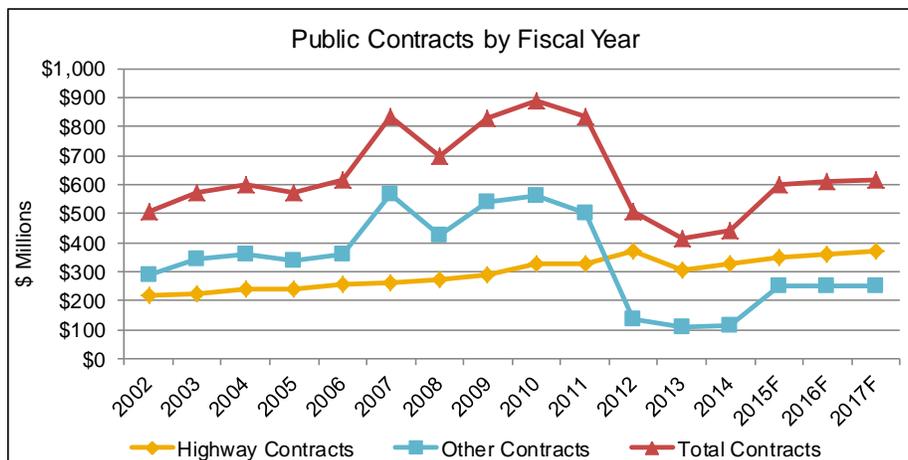
PUBLIC CONTRACTORS' GROSS RECEIPTS TAX: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments, if applicable, made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

Public Contractors' Gross Receipts Tax Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$2.8	\$2.9	\$2.8	\$0.1			\$0.0	
2016	3.6	3.2	3.6	(0.3)			-	
2017	3.5	3.5	3.5	0.1			-	
Total	\$9.9	\$9.7	\$9.9	(\$0.1)	\$0.0	\$0.0	\$0.0	

MODELING COMPARISON

- Both the executive and LFD model separate highway and all other publically funded projects
- The LFD model for highway payments uses a time trend to forecast forward
- The LFD forecast for the proxy of all other payments assumes a return to a lower-than-pre-ARRA level of \$250 million per year; a ten-year pre-ARRA average of \$310 million with annual growth driven by the IHS forecast of nominal state & local government spending on construction may be a better alternative



COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS

RAILROAD CAR TAX: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

Railroad Car Tax Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$3.6	\$3.6	\$3.6	(\$0.0)		\$3.6		
2016	3.7	3.8	3.7	0.1		3.7		
2017	3.8	4.0	3.8	0.1		3.9		
Total	\$11.2	\$11.4	\$11.2	\$0.2	\$0.0	\$11.3		

ADJUSTMENTS TO JANUARY UPDATES

- The difference in estimates between OPBB and LFD stand at 1.7% in January. While it may or may not improve the estimate, LFD is willing to adjust which year starting point actuals are used for calculations, at the committee's discretion. Adjusting to starting with 2008, for example, cuts the difference between LFD and OBPP less than 1%.

COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS

RENTAL CAR SALES TAX: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments, if applicable, made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

Rental Car Sales Tax Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$3.7	\$3.5	\$3.7	(\$0.2)			\$0.0	
2016	3.9	3.5	3.9	(0.4)			-	
2017	4.1	3.5	4.1	(0.5)			-	
Total	\$11.7	\$10.6	\$11.7	(\$1.1)	\$0.0	\$0.0	\$0.0	

MODELING COMPARISON

- LFD model used MT retail sales; this may be adjusted to incorporate the personal consumption expenditures series by IHS. Due to data availability, IHS analysts recommended the PCE series as being more accurate than the retail sales
- Executive model relies on lodging tax forecast

COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS

RETAIL TELECOMMUNICATIONS EXCISE TAX: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments, if applicable, made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

Retail Telecommunications Excise Tax Revenue Estimate Differences (\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$20.2	\$19.5	\$20.2	(\$0.7)		\$19.2	(\$19.2)	
2016	19.9	19.4	19.9	(0.5)		19.0	(19.0)	
2017	19.8	19.3	19.8	(0.4)		18.8	(18.8)	
Total	\$59.9	\$58.2	\$59.9	(\$1.6)	\$0.0	\$57.1	(\$57.1)	

MODEL COMPARISON

- Although the models of the LFD and the executive are different, the revenue difference appears to be primarily due to the LFD model simply incorporating the model outputs, rather than applying the associated growth rate to the actual FY 2014 base year collections

COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS

VEHICLE TAXES & FEES: SUMMARY OF DIFFERENCES & ADJUSTMENTS

The table below shows the estimate contained in HJ 2, the January estimate updates provided by the executive and LFD, and the adjustments, if applicable, made since the initial presentation to the Joint Subcommittee on Revenue Estimates.

Vehicle Taxes & Fees Revenue Estimate Differences								
(\$ Millions)								
FY	HJ 2	January Executive	January LFD	January \$ Diff.	Adjusted Executive	Adjusted LFD	Adjusted \$ Diff.	Comments
2015	\$102.3	\$103.2	\$102.2	\$1.0			\$0.0	
2016	103.6	105.5	103.7	1.8			-	
2017	104.8	107.6	105.0	2.6			-	
Total	\$310.6	\$316.3	\$310.9	\$5.4	\$0.0	\$0.0	\$0.0	

MODEL COMPARISON

- OBPP uses the current registered stock of cars and attempts to estimate these age classes into the future and then applies the appropriate fee rates
- LFD attempts to estimate the percentage change in the vehicle stock in the state, and then applies this rate to future years to forecast total revenues
- Though the two modeling processes differ they produce very similar results.

COMMITTEE COMMENTS, CONCERNS OR SUGGESTIONS