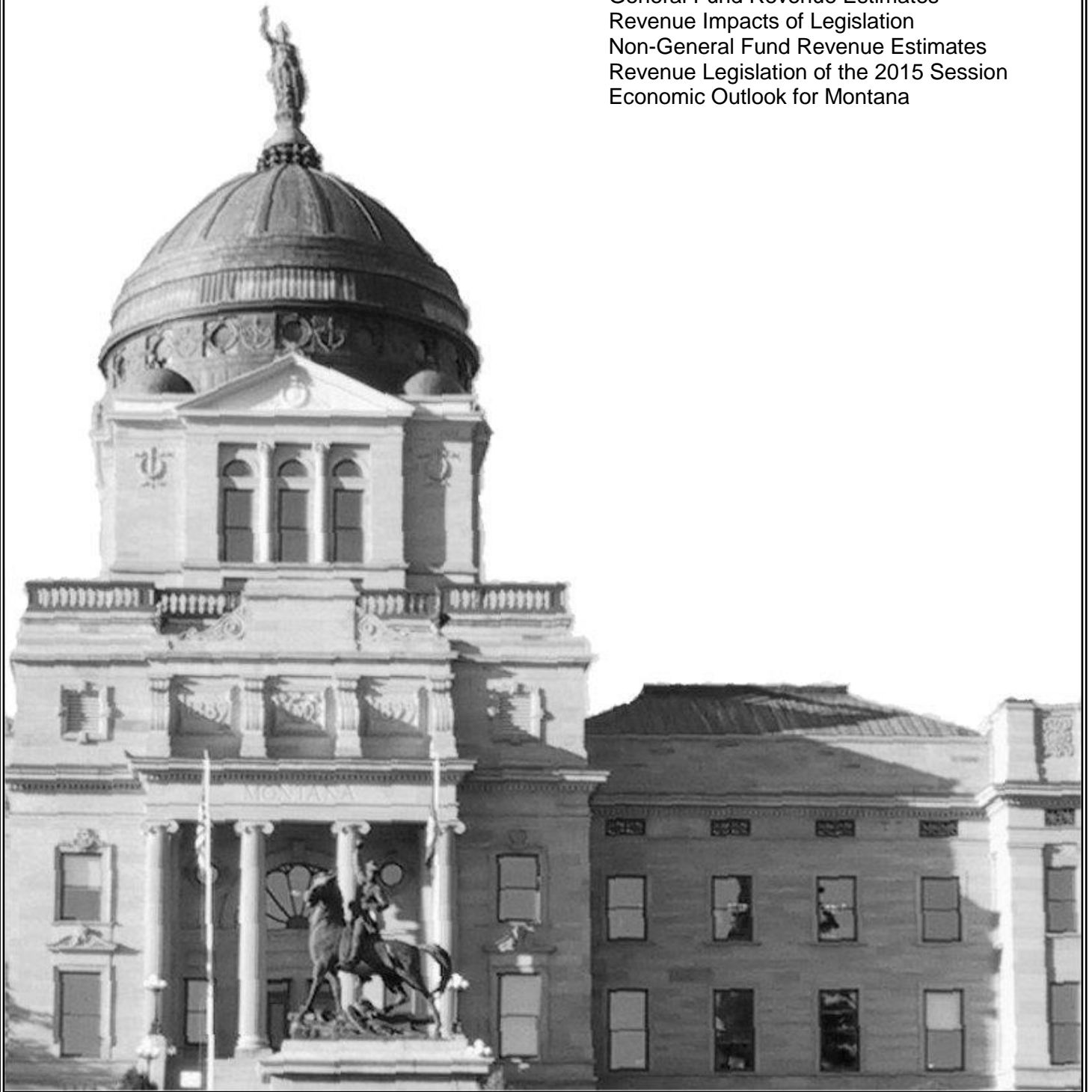


# OVERVIEW

Purpose of the Report  
History  
General Fund Revenue Estimates  
Revenue Impacts of Legislation  
Non-General Fund Revenue Estimates  
Revenue Legislation of the 2015 Session  
Economic Outlook for Montana





### Purpose of the Report

The purpose of this report is to document the legislative general fund revenue estimate—including economic and modeling assumptions—for FY 2015 through FY 2017, as well as enacted legislation that impacts future revenue collections. Selected non-general fund revenue estimates are included due to their importance in the budgeting process.

### History

In 1989, the Montana Legislature established a process for the Legislature to develop revenue estimates for legislative appropriation. SB 341 (1989 Session) directed the then-Revenue Oversight Committee to prepare the revenue estimates. The legislation also provided that the revenue estimating resolution introduced by the Committee and subsequent periodic reports issued by the Committee constitute the Legislature's current revenue estimate until final adoption of the resolution by both houses of the Legislature.

In 1991, the Legislature revised the procedures of estimating revenue by inserting the language that is now contained in [5-5-227\(2\)\(a\) and \(3\), MCA](#), including the language that the Committee's revenue estimates and underlying assumptions should be used by state agencies in the preparation of fiscal notes (Chapter 603, Laws 1991).

Because of disparities in the revenue estimates between the LFD and the Department of Revenue (DOR) during the 1997 session, House leadership requested that the Revenue Oversight Committee work with LFD and DOR to develop a process to resolve differences in revenue estimates before the 1999 legislative session.

### Recent Process

In 1999, the Legislature revised the structure of interim committees and assigned the revenue estimating responsibilities to RTIC (Chapter 19, Laws 1999). In the past, RTIC has adopted the revenue estimates in November of the year proceeding the next regular session. As a practical matter, the Committee cannot adopt the estimates much earlier than mid-November because the DOR income tax data is not available until November 1 (October 15 is the general deadline for taxpayers who requested an extension of time for filing an income tax return).

Staff of the LFD and the Governor's Office of Budget and Program Planning (OBPP) each present assumptions and corresponding revenue estimates for the Committee's consideration. In the past, the Committee has initially adopted the revenue estimates of the LFD and may make changes to those estimates based on information presented by OBPP, economists from the Montana university system, and other experts.

Finally, the resolution containing the Committee's revenue estimates must be pre-introduced by December 15th (see Rules of the Montana Legislature, Joint Rules 40-40(5)(a)). The Committee's estimate, as introduced in the Legislature, constituted the Legislature's current revenue estimate until amended or until final adoption of the estimate by both houses.

### Path through the Legislature

In the 1999 through 2003 legislative sessions, both houses of the Legislature adopted the resolution, and it was filed with the Secretary of State.

In 2005, the House of Representatives did not concur in the Senate amendments to the resolution, and the resolution died in the process. As such, the Senate estimates were the Legislature's current revenue estimates.

In 2007, the resolution died in the House Taxation Committee. Therefore, the RTIC estimates were the Legislature's current revenue estimates.

## Overview

In February 2009, the House Taxation Committee amended HJR 2 and adopted a committee report. The resolution was rereferred to the Committee. In March, the Committee again amended the resolution and adopted a committee report. In each instance, the House Taxation Committee estimates became the Legislature's current revenue estimate. The resolution died in the process.

In March 2011, the House Taxation Committee amended HJR 2 and adopted a committee report. The resolution was rereferred to the Committee, where it died in process.

In November 2012, RTIC met to review and adopt a revenue estimate recommendation, but were unable to agree on the estimate. Therefore, the committee did not introduce a resolution with the Committee's estimate. The Rules Committee subsequently met and adopted rules for the 63<sup>rd</sup> Legislative Session, including a requirement that the chair of the Senate Taxation Committee prepare a revenue estimate to be introduced in the Senate. The estimate contained in SJR 2, along with an initial set of amendments passed both houses by early February 2013. A revised estimate contained in SJR 27 was introduced in early April; however, due missing the transmittal deadline for revenue bills, it ultimately failed to pass both houses.

In November 2014, RTIC met to review and adopt a revenue estimate recommendation. The OBPP recommendation was \$295.4 million above the LFD recommendation. The committee ultimately adopted the LFD recommendations, with total adjustments in individual income tax and oil & natural gas tax equal to half of the total difference between the OBPP and LFD recommendations for individual income tax, corporation income tax, and oil & natural gas tax.

In January 2015, OBPP and LFD presented updated revenue estimates to a joint meeting of the House and Senate Tax Committees. At this time, the OBPP estimate was above the LFD estimate by \$358.6 million. The two tax committees formed a joint subcommittee to understand the revenue estimates and the corresponding differences in more detail, and make a recommendation to the House Tax Committee. The joint subcommittee met weekly throughout February and March, and ultimately made a recommendation to the House Tax Committee based on the LFD estimate, with a variety of alternative assumptions that increased the three-year estimate to \$43.6 million above the RTIC estimate.

General Fund Revenue Estimates & Adjustments by the 64th Legislature (\$ Millions)			
	FY 2013	FY 2014	FY 2015
House Joint Resolution 2 - RTIC	\$2,133.018	\$2,230.731	\$2,353.508
Joint Subcommittee Adjustments	18.768	20.450	4.370
Final Revenue Estimates	\$2,151.786	\$2,251.181	\$2,357.877

Note that the alternative assumptions were included in four revenue sources: individual income tax, corporation income tax, vehicle taxes and fees, and lodging taxes. These alternative assumptions are summarized in each of the corresponding sections.

## Overview

### General Fund Revenue Estimate

The table below shows the amended current law general fund estimates by revenue category as contained in [HJ 2](#). Actual FY 2014 collections are shown, along with projections for FY 2015 through 2017.

General Fund Revenue Estimate Summary As Recommended by the Joint Subcommittee (\$ Millions)						
Source of Revenue	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017	Estimated 2015 Bien	Estimated 2017 Bien
<b>Largest Seven Sources</b>						
Individual Income Tax	\$1,063.284	\$1,142.481	\$1,229.127	\$1,311.185	\$2,205.765	\$2,540.312
Property Tax	250.344	250.239	242.929	252.480	500.582	495.409
Corporation Income Tax	147.548	154.272	179.829	156.851	301.820	336.680
Vehicle Taxes & Fees	101.088	103.500	106.200	108.600	204.588	214.800
Oil & Natural Gas Production Tax	109.606	78.811	59.250	68.589	188.417	127.839
Insurance Tax & License Fees	60.873	67.787	72.325	74.877	128.660	147.202
Video Gambling Tax	57.147	60.029	62.007	64.966	117.175	126.973
<b>Other Business Taxes</b>						
Driver's License Fee	4.051	4.395	4.081	4.465	8.446	8.547
Investment License Fee	7.115	7.257	7.412	7.567	14.372	14.978
Lodging Taxes	17.725	20.079	21.872	23.835	37.804	45.707
Public Contractors Tax	0.887	2.817	3.560	3.476	3.704	7.036
Railroad Car Tax	2.418	3.641	3.741	3.883	6.059	7.624
Rental Car Sales Tax	3.521	3.714	3.818	4.012	7.235	7.830
Telecommunications Excise Tax	19.657	19.239	18.999	18.842	38.896	37.841
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	14.745	15.629	16.164	16.642	30.374	32.806
Electrical Energy Tax	4.280	4.738	4.580	4.553	9.018	9.132
Metalliferous Mines Tax	7.948	8.238	8.311	7.918	16.185	16.228
US Mineral Royalty	27.744	26.109	24.069	24.675	53.852	48.744
Wholesale Energy Tax	3.112	3.623	3.595	3.565	6.735	7.160
<b>Other Interest Earnings</b>						
Coal Trust Interest	21.996	20.470	19.842	22.485	42.465	42.326
Treasury Cash Account Interest	1.756	1.605	8.527	20.786	3.361	29.312
<b>Other Consumption Taxes</b>						
Beer Tax	3.023	3.095	3.129	3.189	6.118	6.318
Cigarette Tax	30.623	30.713	31.036	30.453	61.336	61.490
Liquor Excise & License Tax	18.418	18.950	19.472	20.300	37.368	39.771
Liquor Profits	10.500	10.663	11.035	11.530	21.163	22.565
Lottery Profits	12.091	12.177	11.631	13.439	24.268	25.070
Tobacco Tax	5.929	6.233	6.396	6.559	12.163	12.954
Wine Tax	2.250	2.298	2.363	2.434	4.548	4.797
<b>Other Sources</b>						
All Other Revenue	37.320	40.096	37.119	37.133	77.416	74.252
Highway Patrol Fines	4.142	4.224	4.255	4.251	8.366	8.506
Nursing Facilities Fee	4.961	4.859	4.756	4.654	9.820	9.410
Public Institution Reimbursements	17.298	16.630	16.606	16.570	33.928	33.176
Tobacco Settlement	3.646	3.176	3.145	3.115	6.822	6.260
<b>Total General Fund</b>	<b>\$2,077.044</b>	<b>\$2,151.786</b>	<b>\$2,251.181</b>	<b>\$2,357.877</b>	<b>\$4,228.830</b>	<b>\$4,609.057</b>

## Overview

### Revenue Impacts of Legislation

The table below shows the revenue impacts of legislation enacted by the 64<sup>th</sup> Legislature. If more than one bill was enacted that impact a certain revenue source, the cumulative impact of the bills is shown for each revenue source.

Revenue Legislation Impacts of the 64th Legislature General Fund (\$ Millions)						
Source of Revenue	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017	Estimated 2015 Bien	Estimated 2017 Bien	Estimated 3-Yr Total
<b>Largest Seven Sources</b>						
Individual Income Tax	\$0.000	\$0.490	(\$3.829)	\$0.000	(\$3.339)	(\$3.339)
Property Tax	-	10.869	8.941	-	19.810	19.810
Corporation Income Tax	-	0.068	(0.100)	-	(0.032)	(0.032)
Vehicle Taxes & Fees	-	(0.001)	(0.001)	-	(0.002)	(0.002)
Oil & Natural Gas Production Tax	-	-	-	-	-	-
Insurance Tax & License Fees	(0.043)	(0.045)	(0.045)	(0.043)	(0.091)	(0.134)
Video Gambling Tax	-	-	-	-	-	-
<b>Other Business Taxes</b>						
Driver's License Fee	-	-	-	-	-	-
Investment License Fee	-	-	-	-	-	-
Lodging Taxes	-	-	-	-	-	-
Public Contractors Tax	-	-	-	-	-	-
Railroad Car Tax	-	-	-	-	-	-
Rental Car Sales Tax	-	(0.332)	(0.704)	-	(1.036)	(1.036)
Telecommunications Excise Tax	-	-	-	-	-	-
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	-	(1.730)	(1.784)	-	(3.514)	(3.514)
Electrical Energy Tax	-	-	-	-	-	-
Metalliferous Mines Tax	-	-	(1.389)	-	(1.389)	(1.389)
US Mineral Royalty	-	-	-	-	-	-
Wholesale Energy Tax	-	-	-	-	-	-
<b>Other Interest Earnings</b>						
Coal Trust Interest	-	(0.037)	(2.326)	-	(2.363)	(2.363)
Treasury Cash Account Interest	-	-	-	-	-	-
<b>Other Consumption Taxes</b>						
Beer Tax	-	-	-	-	-	-
Cigarette Tax	-	-	-	-	-	-
Liquor Excise & License Tax	-	0.050	0.077	-	0.127	0.127
Liquor Profits	-	(0.015)	0.061	-	0.046	0.046
Lottery Profits	-	(0.600)	(1.462)	-	(2.062)	(2.062)
Tobacco Tax	-	-	-	-	-	-
Wine Tax	-	-	-	-	-	-
<b>Other Sources</b>						
All Other Revenue	2.250	2.941	7.336	2.250	10.277	12.527
Highway Patrol Fines	-	0.094	0.065	-	0.160	0.160
Nursing Facilities Fee	-	-	(0.164)	-	(0.164)	(0.164)
Public Institution Reimbursements	-	-	(7.194)	-	(7.194)	(7.194)
Tobacco Settlement	-	-	-	-	-	-
<b>Total General Fund</b>	<b>\$2.207</b>	<b>\$11.752</b>	<b>(\$2.516)</b>	<b>\$2.207</b>	<b>\$9.235</b>	<b>\$11.442</b>

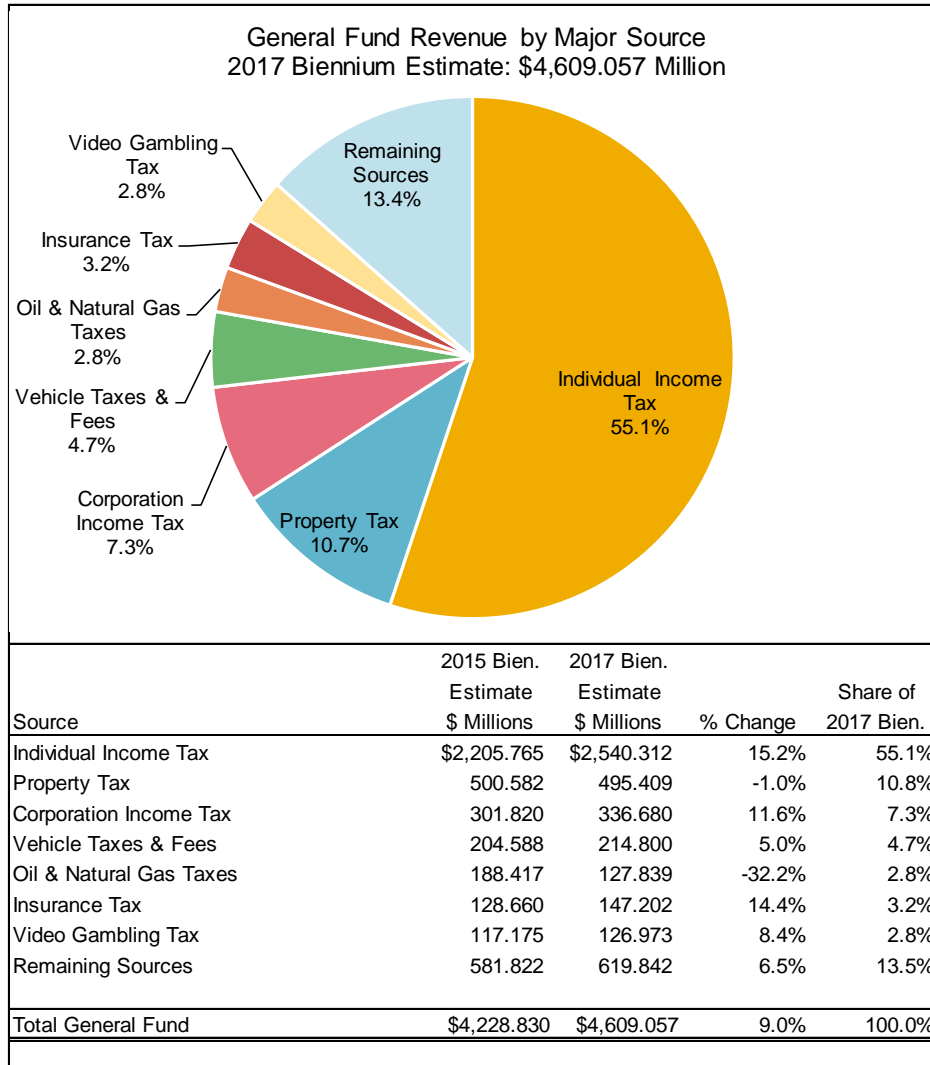
## Overview

The following table shows the revised general fund revenue estimates by source which is the sum of HJ 2 estimates and all enacted legislation impacts. These revised estimates are used in [Volume 1 – Statewide Perspectives](#) to determine the overall financial condition of the general fund for the 2017 biennium.

House Joint Resolution 2 Plus Legislation Impacts General Fund Revenue Estimates (\$ Millions)						
Source of Revenue	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017	Estimated 2015 Bien	Estimated 2017 Bien
<b>Largest Seven Sources</b>						
Individual Income Tax	\$1,063.284	\$1,142.481	\$1,229.616	\$1,307.356	\$2,205.765	\$2,536.972
Property Tax	250.344	250.239	253.799	261.421	500.582	515.219
Corporation Income Tax	147.548	154.272	179.898	156.751	301.820	336.649
Vehicle Taxes & Fees	101.088	103.500	106.199	108.599	204.588	214.798
Oil & Natural Gas Production Tax	109.606	78.811	59.250	68.589	188.417	127.839
Insurance Tax & License Fees	60.873	67.744	72.279	74.832	128.617	147.111
Video Gambling Tax	57.147	60.029	62.007	64.966	117.175	126.973
<b>Other Business Taxes</b>						
Driver's License Fee	4.051	4.395	4.081	4.465	8.446	8.547
Investment License Fee	7.115	7.257	7.412	7.567	14.372	14.978
Lodging Taxes	17.725	20.079	21.872	23.835	37.804	45.707
Public Contractors Tax	0.887	2.817	3.560	3.476	3.704	7.036
Railroad Car Tax	2.418	3.641	3.741	3.883	6.059	7.624
Rental Car Sales Tax	3.521	3.714	3.486	3.308	7.235	6.794
Telecommunications Excise Tax	19.657	19.239	18.999	18.842	38.896	37.841
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	14.745	15.629	14.434	14.858	30.374	29.292
Electrical Energy Tax	4.280	4.738	4.580	4.553	9.018	9.132
Metalliferous Mines Tax	7.948	8.238	8.311	6.529	16.185	14.839
US Mineral Royalty	27.744	26.109	24.069	24.675	53.852	48.744
Wholesale Energy Tax	3.112	3.623	3.595	3.565	6.735	7.160
<b>Other Interest Earnings</b>						
Coal Trust Interest	21.996	20.470	19.805	20.159	42.465	39.964
Treasury Cash Account Interest	1.756	1.605	8.527	20.786	3.361	29.312
<b>Other Consumption Taxes</b>						
Beer Tax	3.023	3.095	3.129	3.189	6.118	6.318
Cigarette Tax	30.623	30.713	31.036	30.453	61.336	61.490
Liquor Excise & License Tax	18.418	18.950	19.521	20.377	37.368	39.898
Liquor Profits	10.500	10.663	11.021	11.591	21.163	22.611
Lottery Profits	12.091	12.177	11.031	11.977	24.268	23.008
Tobacco Tax	5.929	6.233	6.396	6.559	12.163	12.954
Wine Tax	2.250	2.298	2.363	2.434	4.548	4.797
<b>Other Sources</b>						
All Other Revenue	37.320	42.346	40.060	44.469	79.666	84.529
Highway Patrol Fines	4.142	4.224	4.349	4.316	8.366	8.666
Nursing Facilities Fee	4.961	4.859	4.756	4.490	9.820	9.246
Public Institution Reimbursements	17.298	16.630	16.606	9.377	33.928	25.983
Tobacco Settlement	3.646	3.176	3.145	3.115	6.822	6.260
<b>Total General Fund</b>	<b>\$2,077.044</b>	<b>\$2,153.993</b>	<b>\$2,262.932</b>	<b>\$2,355.360</b>	<b>\$4,231.037</b>	<b>\$4,618.293</b>

## Overview

General fund revenue for the 2017 biennium is projected to increase 9.0% over the 2015 biennium projection. As shown in the pie chart below, the largest seven revenue sources are anticipated to account for 86.6% of general fund revenue in the 2017 biennium; since 2002, these sources have on average accounted for 82% of general fund revenue.





## Overview

### Select Non-General Fund Revenue Estimates

The table below shows estimates for selected non-general fund revenue for the 2017 biennium as contained in HJ 2 and from enacted legislation. These estimates are included because of their importance in the budgeting process.

House Joint Resolution 2 Plus Legislation Impacts Non-General Fund Revenue Estimates (\$ Millions)						
Source of Revenue	Actual FY 2014	Estimated FY 2015	Estimated FY 2016	Estimated FY 2017	Estimated 2015 Bien	Estimated 2017 Bien
Property Tax: 6 Mill	\$16.156	\$16.032	\$16.455	\$16.992	\$32.188	\$33.447
Natural Resource Taxes						
Federal Forest Receipts	18.675	2.137	2.053	2.017	20.811	4.070
Resource Indemnity Tax	2.279	2.419	2.505	2.559	4.698	5.064
Interest Earnings						
Capital Land Grant Interest and Income	0.666	0.892	1.021	0.847	1.558	1.868
Common School Interest and Income	49.676	50.182	48.825	48.359	99.858	97.184
Cultural Trust Interest	0.504	0.501	0.485	0.471	1.006	0.957
Deaf & Blind Interest and Income	0.275	0.286	0.288	0.284	0.561	0.571
Economic Development Trust	2.822	3.090	3.256	3.471	5.912	6.727
Parks Trust Interest	0.906	0.911	0.891	0.875	1.817	1.766
Pine Hills Interest and Income	0.345	0.387	0.394	0.400	0.731	0.794
Regional Water Trust Interest	2.993	3.210	3.267	3.109	6.203	6.375
RIT Trust Interest	4.296	4.044	3.787	3.530	8.340	7.317
TSE Trust Interest	9.356	9.708	9.836	10.074	19.064	19.910
Tobacco Trust Interest	6.592	7.040	7.174	7.277	13.633	14.451
Consumption Taxes						
Diesel Tax	75.560	76.411	76.752	77.975	151.972	154.726
Gasoline Tax	139.653	142.689	141.197	142.915	282.342	284.112
GVW and Other Fees	35.923	36.467	37.041	37.605	72.389	74.645
Total Selected Non-General Fund	\$366.678	\$356.404	\$355.226	\$358.758	\$723.082	\$713.984

## Overview

### Revenue Legislation of the 2015 Session

The following tables summarize the revenue impacts of legislation enacted by the 64<sup>th</sup> Legislature by bill number. For the three-year period—FY 2015 through 2017—the enacted legislation is anticipated to increase total general fund revenue by a net \$11.4 million.

General Fund Impact of Legislation Enacted by the 64th Legislature (\$ Millions)				
Bill Number and Short Title	FY 2015	FY 2016	FY 2017	Total
HB0089 Generally revise human trafficking laws	-	(\$0.253)	(\$0.253)	(\$0.506)
HB0156 Revise tax laws related to pollution control equipment	-	(0.065)	(0.132)	(0.197)
HB0167 Generally revise off-highway vehicle laws	-	(0.006)	(0.006)	(0.011)
HB0180 Revise regional water laws	-	-	(2.270)	(2.270)
HB0228 Increase coal board funding until June 30, 2019	-	(1.730)	(1.784)	(3.514)
HB0300 Create snowmobile trail pass	-	0.005	0.005	0.009
HB0379 Generally revise income tax laws	-	-	-	-
HB0421 Extend termination date of coal severance tax coal washing credit	-	-	-	-
HB0488 Generally revise DUI laws	-	0.268	0.268	0.537
HB0506 Allowing microdistilleries to deliver products directly to agency liquor	-	(0.122)	0.005	(0.117)
HB0617 Provide scholarship opportunities for higher education in Montana	-	(0.600)	(1.462)	(2.062)
SB0020 Reallocate metal mines license tax	-	-	(1.389)	(1.389)
SB0052 Revise captive insurance laws	-	0.040	0.040	0.081
SB0066 Generally revise laws regarding alternative nicotine or vapor products	-	0.008	0.008	0.017
SB0157 Generally revise tax reappraisal laws	-	10.934	9.073	20.007
SB0180 Revise the disposition of rental car sales tax	-	(0.332)	(0.704)	(1.036)
SB0193 Revise agency liquor store laws	-	0.158	0.133	0.290
SB0234 Revise tax and fees for professional liability insurance	(\$0.043)	(0.086)	(0.086)	(0.214)
SB0309 Revise laws to incentivize access to isolated state and federal lands	-	-	(0.020)	(0.020)
SB0375 Revise certain highway speed limits	-	0.094	0.065	0.160
SB0380 Increase coal tax trust fund money available for MT veteran home loa	-	(0.037)	(0.056)	(0.093)
SB0386 Revising late file penalty, filing, and withholding for pass-through entit	-	0.570	0.570	1.140
SB0387 Revise water quality violation penalties	-	(0.005)	(0.005)	(0.010)
SB0393 Revise vehicle security interest & title filing fees; driver license renew	-	-	-	-
SB0399 Provide for 529 account for disability expenses	-	(0.012)	(0.030)	(0.042)
SB0405 Creating the Healthy Montana Act to Expand Health Care Coverage	-	2.922	7.317	10.240
SB0410 Provide for tax credits for contributions to public and private schools	-	-	(4.449)	(4.449)
SB0411 Plan for the closure of Montana developmental center at Boulder	-	-	(7.357)	(7.357)
SB0418 Authorizing transfers to implement provisions of House Bill 2	2.250	-	-	2.250
Total	\$2.207	\$11.752	(\$2.516)	\$11.442

## Overview

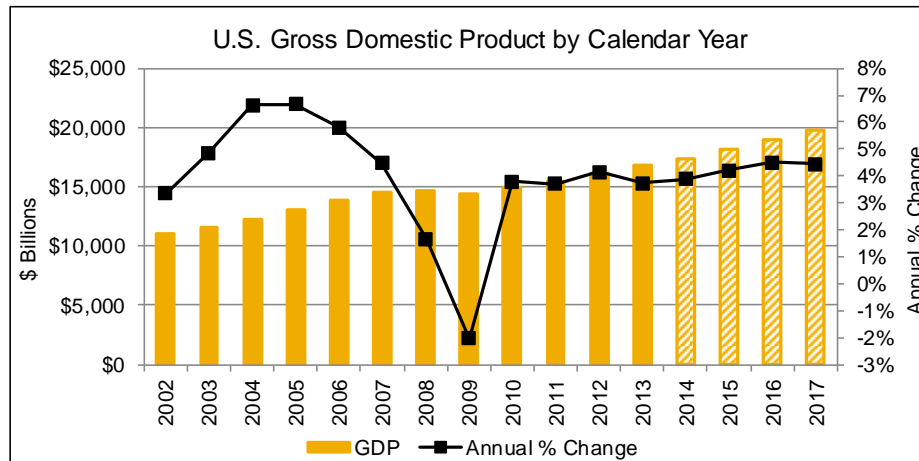
### Economic Outlook for Montana

This section highlights a few of the key national and state-specific economic variables that are used in the revenue estimate. The forecasts for each of these economic indicators—and many others that are also used in the revenue estimate—are provided by IHS.

#### U.S. Economic Indicators

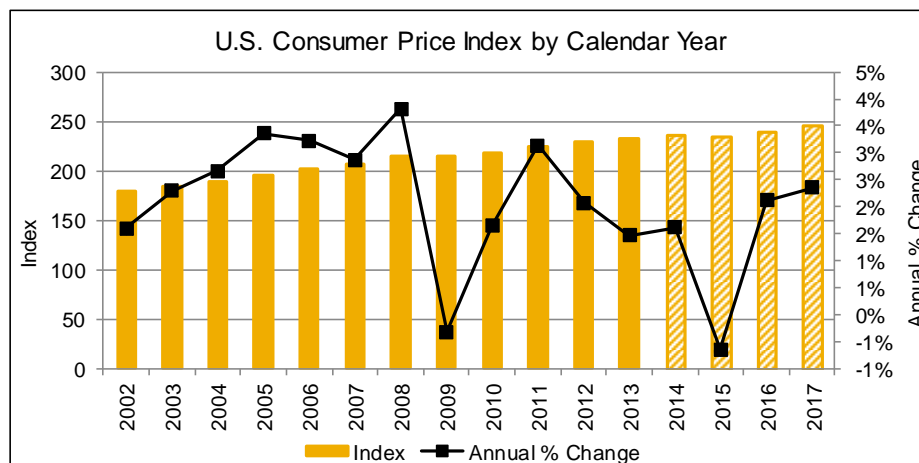
##### Gross Domestic Product (GDP)

GDP is one of the most comprehensive national economic statistics. As noted by the Bureau of Economic Analysis (BEA), GDP is used by the White House and Congress to prepare the Federal budget, by the Federal Reserve to formulate monetary policy, by Wall Street as an indicator of economic activity, and by the business community to prepare forecasts of economic performance that provide the basis for production, investment, and employment planning.



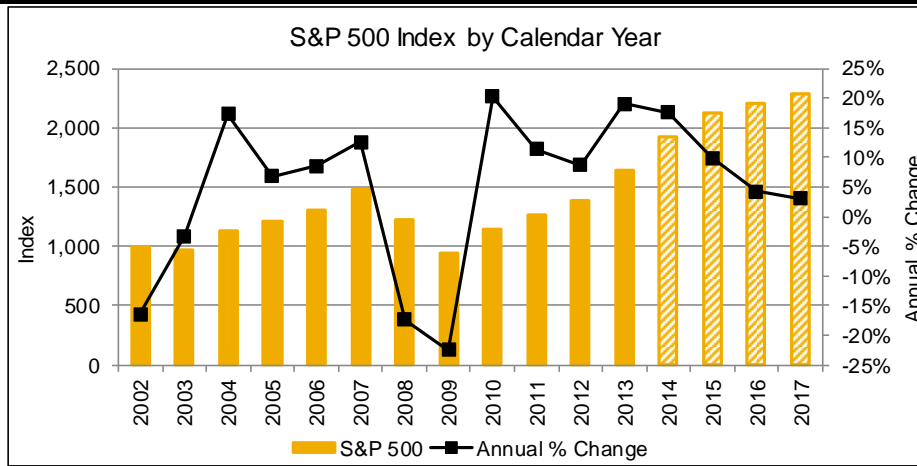
##### Consumer Price Index (CPI)

The inflation rate is measured by the price change of the CPI “shopping basket” of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable income and spends less.



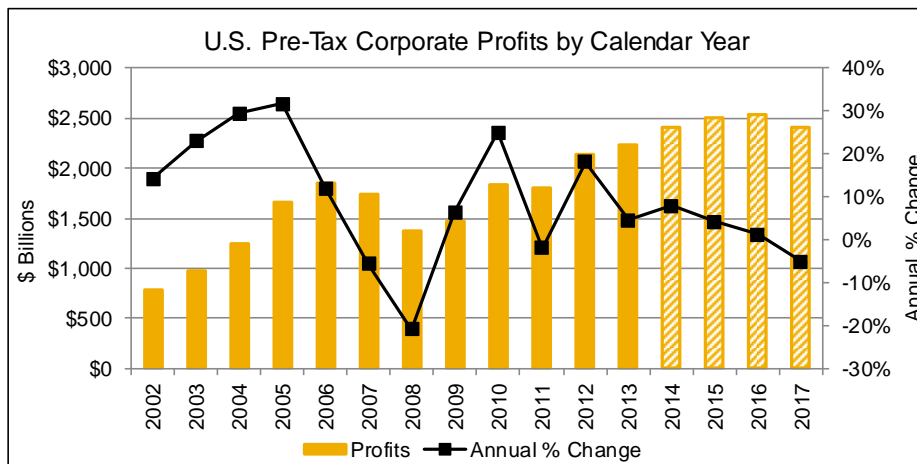
##### S&P 500 Stock Market Index

The S&P 500 is a stock market index based on the market capitalizations of 500 large companies. Due to the diversity of companies, it is a broad representation of the U.S. stock market and is a good indicator for investment income.



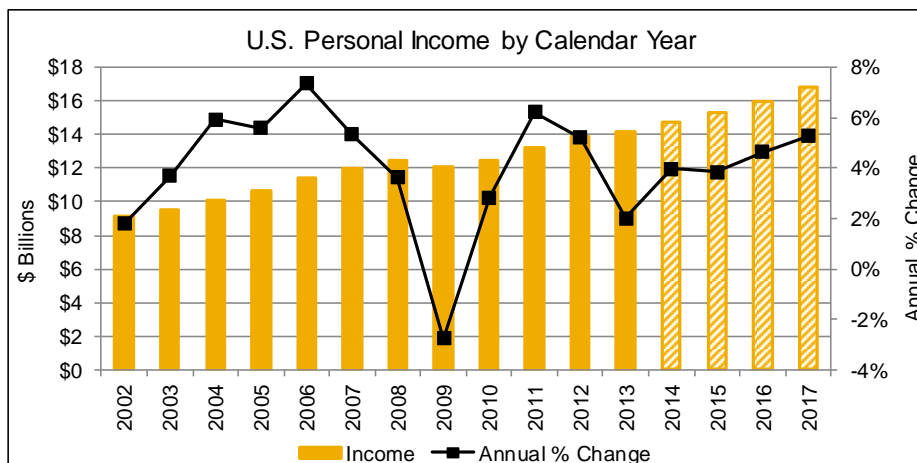
### U.S. Corporate Profits

Corporate profitability affects both corporation license tax and individual income tax estimates. When corporations are profitable nationally, there is an expectation that corporations will be profitable in Montana. Additionally, greater corporate profitability is largely responsible for the amount of dividends corporations pay to stockholders as well as the value of equity investments.



### U.S. Personal Income

Growth in Montana's tourism industry is related to growth in U.S. personal income. In addition, the outlook for U.S. personal income likely impacts the outlook for Montana personal income.

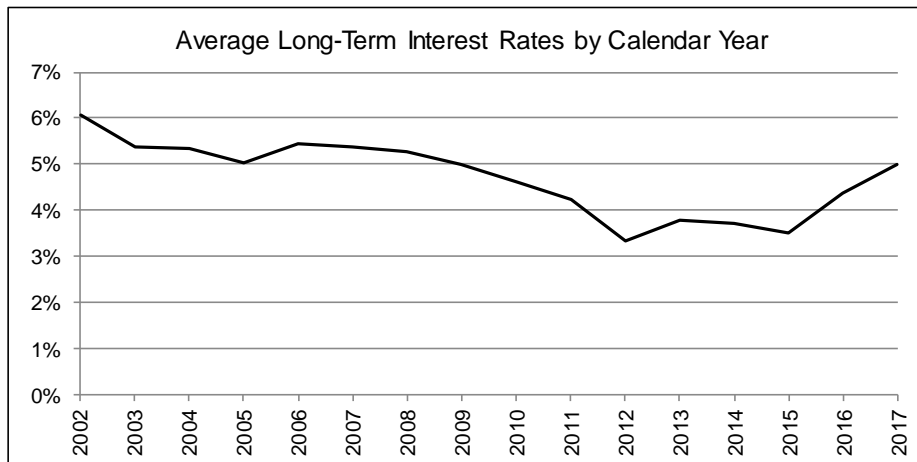
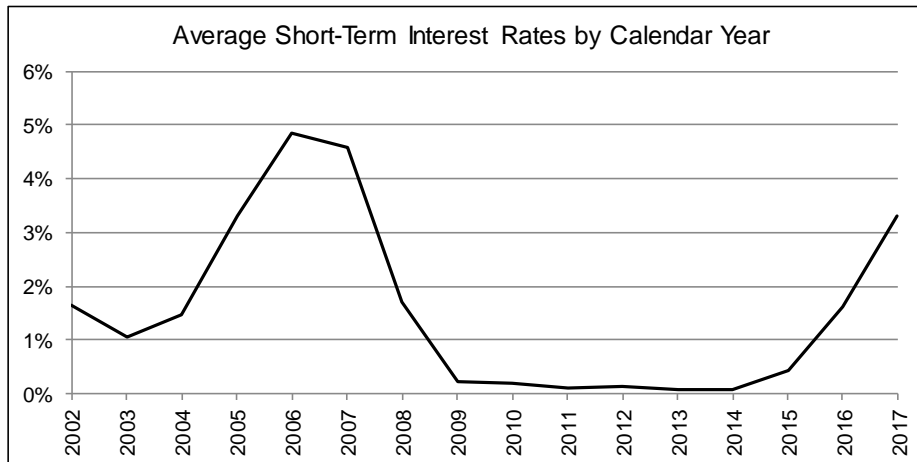


## Overview

### Long & Short Term Interest Rates

A large portion of Montana's revenues is derived from investment earnings from trust accounts and daily invested cash. Interest rates also affect the amount of investment income that is reported on individual income tax returns. In addition to the state revenue impact, interest rates impact the climate in which consumers and businesses are likely to make investments and large purchases. While low interest rates produce less revenue for Montana's trust and interest holdings, higher income tax earnings might be expected as construction and sales activities increase.

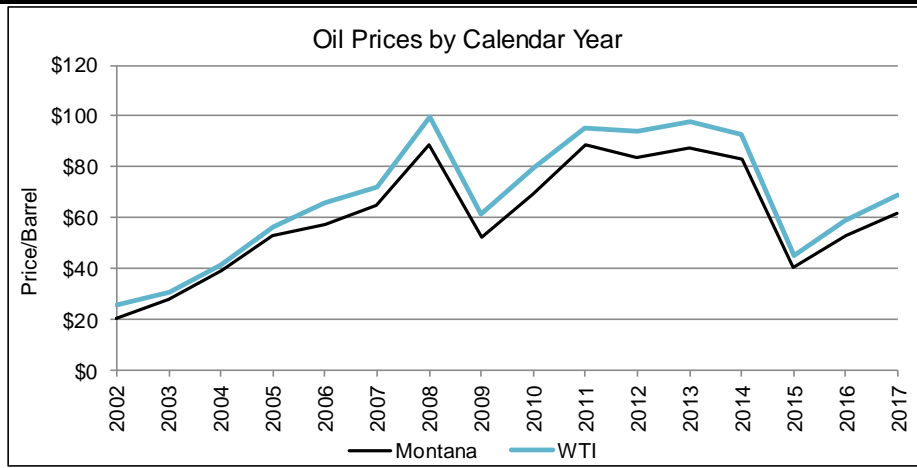
Short-term rates are an average of 3-month corporate paper and 3 and 6-month Treasury bills. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year Treasury bonds, and 30-year Treasury bonds.



### Oil Price: West Texas Intermediate (WTI)

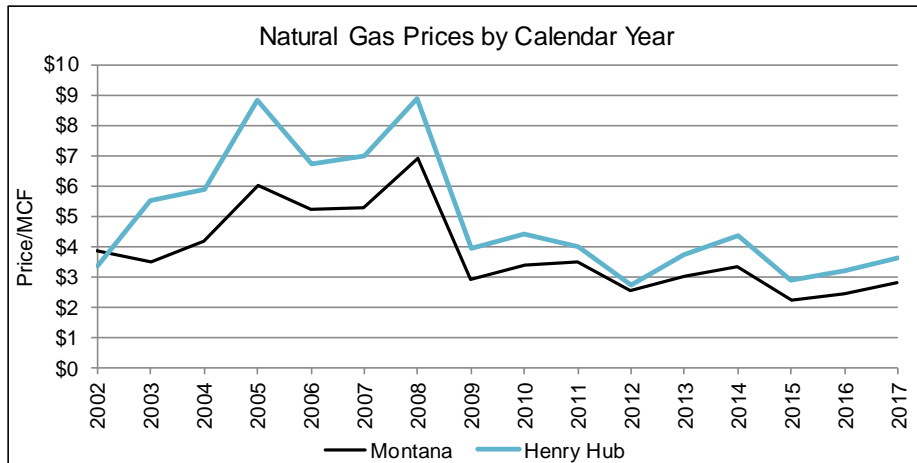
At the national level, lower oil prices tend to correspond with a better economic outlook; manufacturing and transportation costs are lower, and consumers have more income to spend on goods and services. The impact on Montana revenue is more nuanced, however—although overall consumer activity may increase with lower prices, natural resource extraction and related industry activity may also decline, resulting in lower individual, corporation and natural resource tax collections.

Montana oil price tracks closely with WTI, with an approximate 10% reduction to account for transportation costs.



*Natural Gas Price: Henry Hub*

Montana natural gas price tracks the national Henry Hub price, with an average 24% deduction for transportation costs.

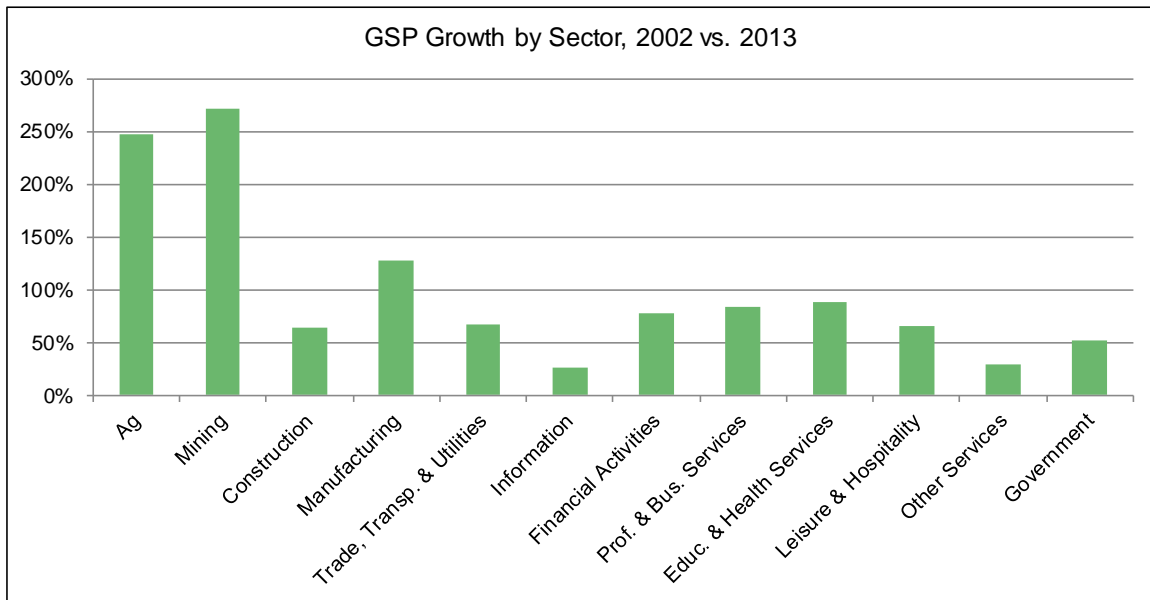


## Overview

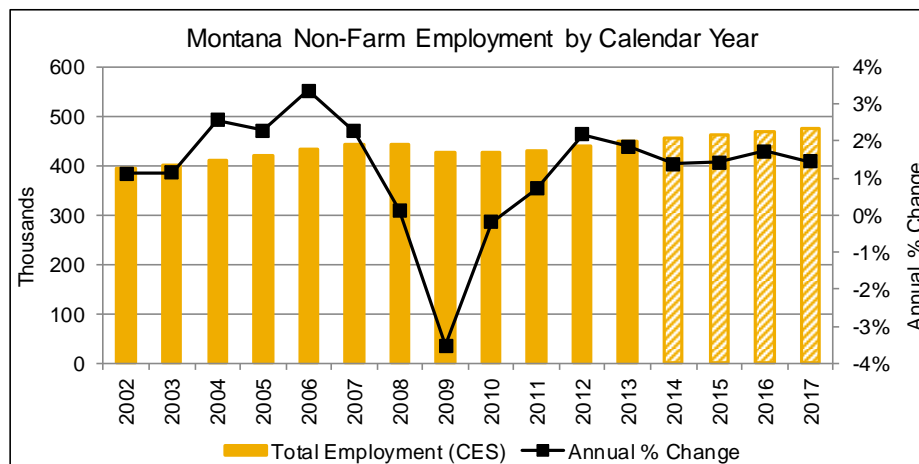
### Montana Economic Indicators

#### Gross State Product (GSP)

All broad industry categories have grown since 2002, as measured by GSP; however, the strongest growth has occurred in the agriculture and mining (which includes oil extraction) industries. These two industries combined account for 6.4% of total GSP in 2002, and grew to account for 12.5% of GSP in 2013.

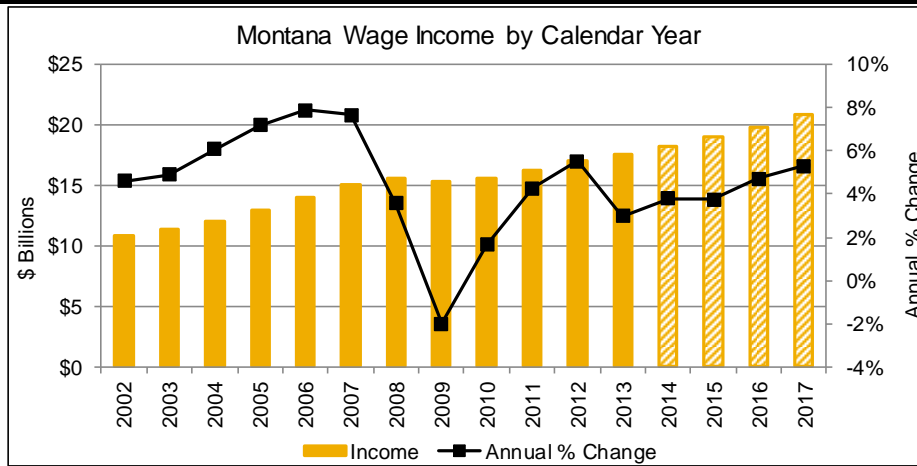


#### Employment



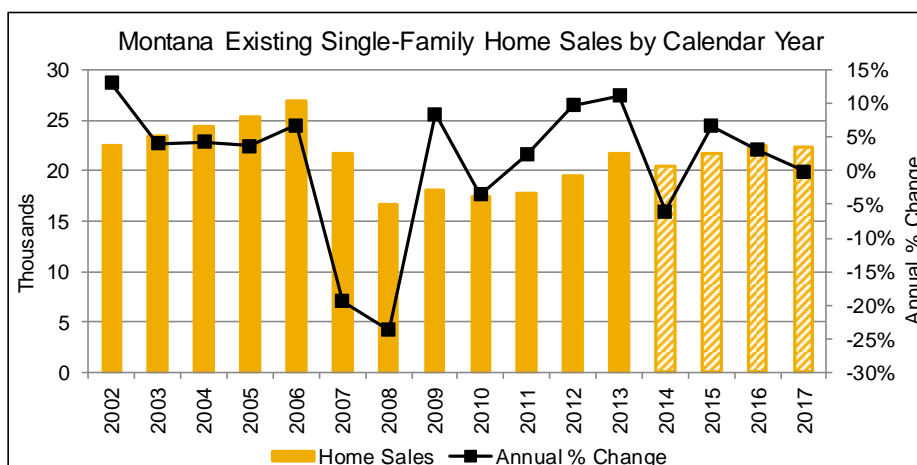
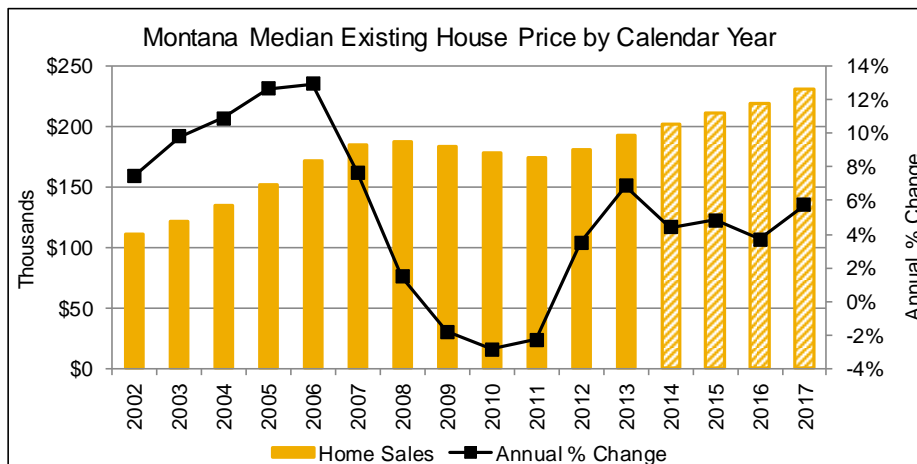
#### Wages

Wage income accounts for nearly two-thirds of individual income, and individual income tax accounts for about half of general fund revenue. Although wage income is not as volatile as several other income or revenue sources, even small changes in the outlook for wage income and produce large swings in the revenue estimate. The IHS wage disbursements variable for Montana is probably the single most important underlying indicator in the entire general fund revenue estimate.



### Housing

The health of the housing market can be measured by median house price and annual sales. Housing is an important—and leading—measure of economic activity: it drives construction and related industry growth, and reflects household formation and asset accumulation. Housing indicators are used in the individual and corporation income tax estimates.

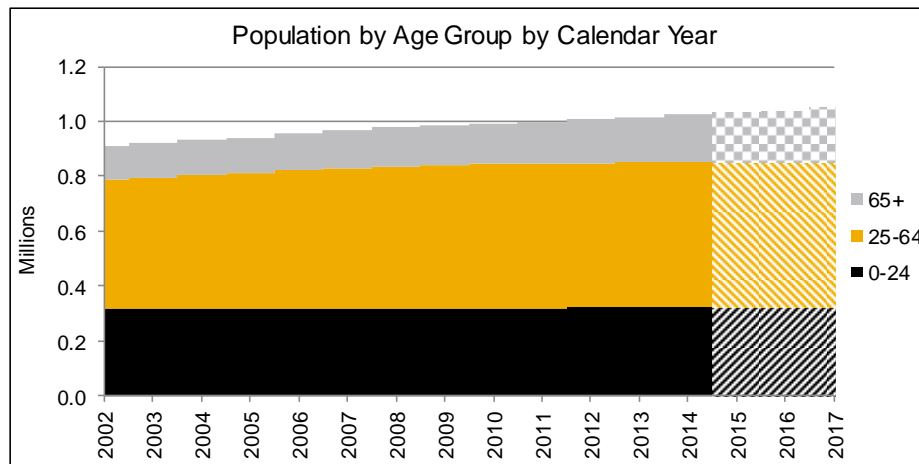
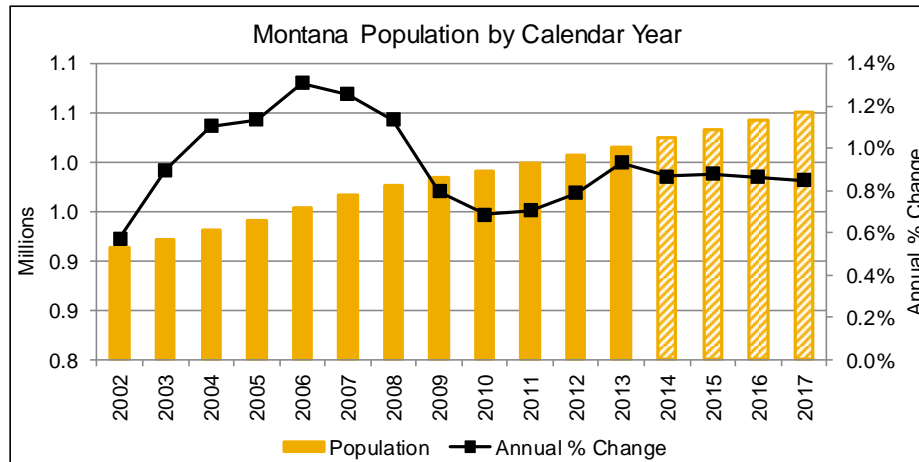




## Overview

### Population

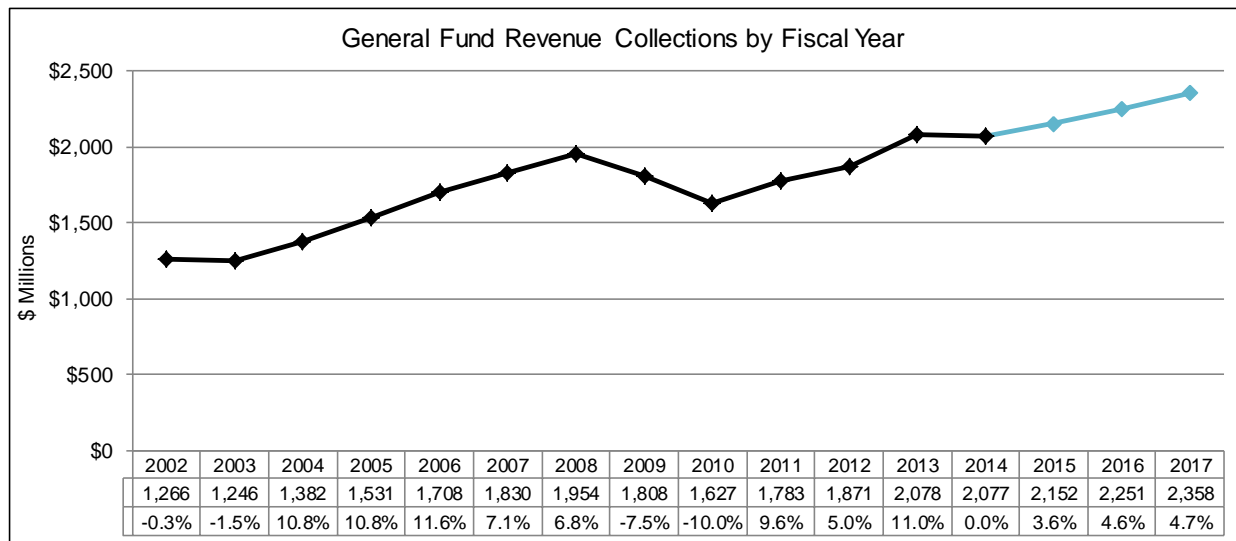
Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide.



## Overview

### General Fund History

The graph below shows actual total general fund collections from FY 2002 to FY 2014 and includes FY 2015 through FY 2017 projected collections as adopted by the 64<sup>th</sup> Legislature in [HJ 2](#).



### Summary

A complete summary of each general fund and selected non-general fund revenue sources follows. Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, and distribution mechanisms. A legislation impact table (if applicable) is shown summarizing all bills that impact the particular source of revenue.

Throughout the document, the state accounting system—Statewide Accounting, Budgeting and Human Resources System—is referred to only by its acronym, SABHRS. Likewise, the Department of Revenue is simply referred to as DOR.

Finally, note that the revenue projection table and graph at the end of each section are based on HJ 2 estimates plus the impacts, if any, of enacted legislation. The corresponding revenue estimate assumption tables reflect only assumptions pertinent to the HJ 2 revenue estimates and have not been updated for the impacts of enacted legislation.