

Montana Taxpayers Association

State Budget Report



Outline

- ▶ State Funds & Highlights of FY 2015
- ▶ Revenue
 - FY 2015 Overview
 - Updated Trend
- ▶ 2017 Biennium Outlook

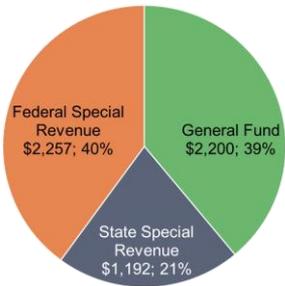


State Fund Types

- ▶ General
 - ▶ State Special
 - ▶ Federal Special
 - ▶ Capital Projects
 - ▶ Non-Budgeted Proprietary
 - ▶ Debt Service
 - ▶ Expendable Trust
 - ▶ Fiduciary
 - ▶ University Funds
- } "Three Funds" }
- } "All Funds" or State Resources
17-7-150, MCA

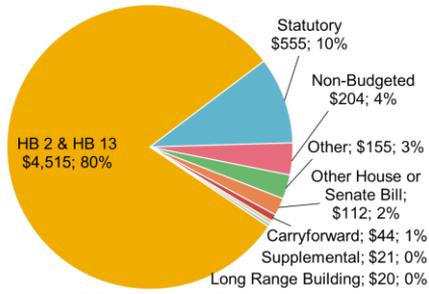


**FY 2015 Three Funds Revenues:
\$5,649 Million**



Source: SABHRS (unaudited, unassigned & includes transfers)

**FY 2015 Three Funds Expenditures:
\$5,627 Million**



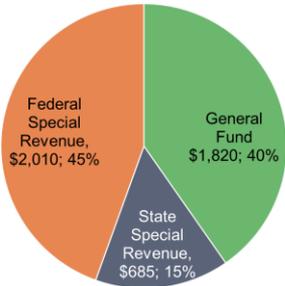
By Source of Authority

Source: SABHRS (unaudited, unassigned & includes transfers)

FY 2015 HB 2 & HB 13 Expenditures



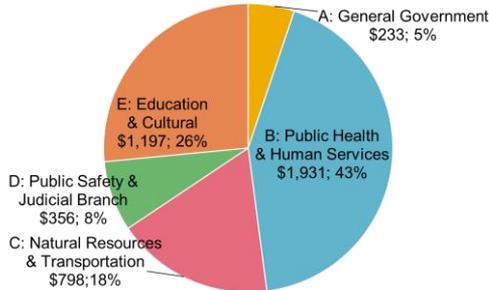
**FY 2015 Three Funds HB 2 & HB 13
Expenditures: \$4,515 Million**



By Fund Type

Source: SABHRS (unaudited, unassigned & includes transfers)

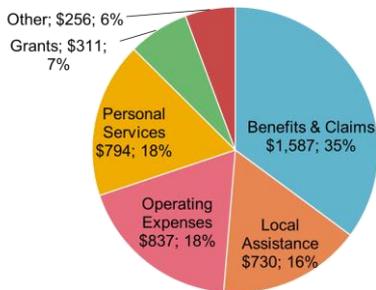
**FY 2015 Three Funds HB 2 & HB 13
Expenditures: \$4,515 Million**



By Government Section

Source: SABHRS (unaudited, unassigned & includes transfers)

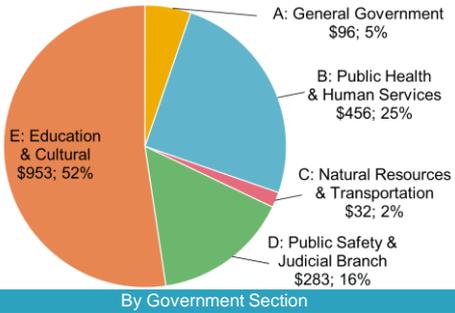
**FY 2015 Three Funds HB 2 & HB 13
Expenditures: \$4,515 Million**



By Function

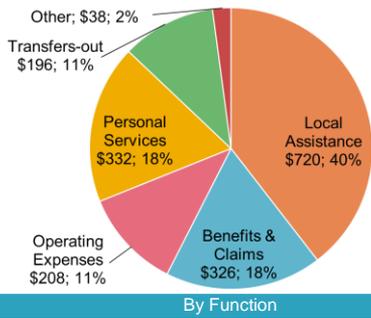
Source: SABHRS (unaudited, unassigned & includes transfers)

**FY 2015 General Fund HB 2 & HB 13
Expenditures: \$1,820 Million**



Source: SABHRS (unaudited, unassigned & includes transfers)

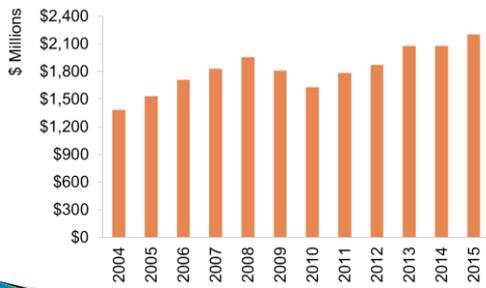
**FY 2015 General Fund HB 2 & HB 13
Expenditures: \$1,820 Million**



Source: SABHRS (unaudited, unassigned & includes transfers)

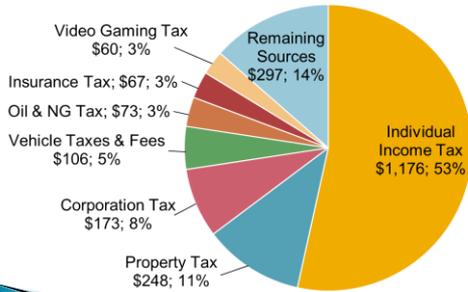
FY 2015 General Fund Revenue

General Fund Revenue by Fiscal Year



Source: SABHRS (FY 2015 unaudited)

FY 2015 General Fund Revenue: \$2,200 Million



Source: SABHRS (unaudited)

FY 2015 General Fund Revenue: \$45.7 Million Above HJ 2

	HJ 2 Estimate	Actual	\$ Difference	% Difference
Individual Income Tax	\$1,142.5	\$1,175.7	\$33.3	2.9%
Corporation Tax	154.3	172.7	18.5	12.0%
Oil & Nat. Gas Taxes	78.8	73.2	(5.6)	-7.1%
Remaining Sources	778.4	778.0	(0.4)	-0.1%
General Fund Total	\$2,154.0	\$2,199.7	\$45.7	2.1%



Source: SABHRS (unaudited)

Updated Revenue Trends



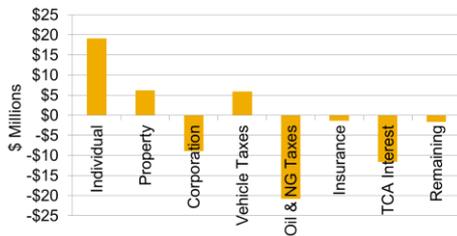
2015 Session: Revenue Impacts

- ▶ HB 411: Oil production tax triggers
 - Changed trigger price for stripper wells from \$38 to \$54
 - Trigger reached in FY 2016 Q1; likely for Q2
- ▶ HB 617: STEM scholarships via lottery revenue
- ▶ SB 157: Property tax reappraisal
- ▶ SB 411: Closure of MT Developmental Center
 - Expenditure reductions mitigate revenue loss



In Sum, Updated Trend Consistent with HJ 2

- ▶ Updated trend \$13.2 million or 0.3% below HJ 2

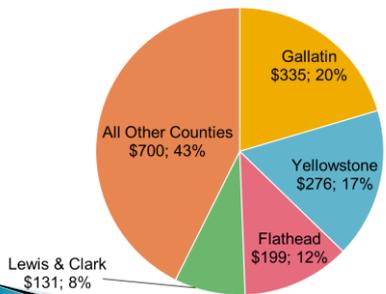


Individual Income Tax: CY 2014 Growth Driven by 44% Increase in Capital Gains



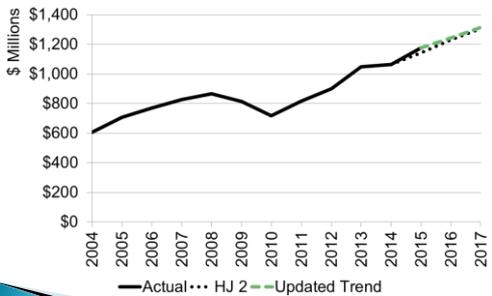
Source: CY 2014 return data

Individual Income Tax: CY 2014 Increase of \$1,641 Million Led by Gallatin County



Source: CY 2014 return data

Individual Income Tax: Updated Trend Builds on Growth in Capital Gains Income



Source: SABHRS (FY 2015 unaudited) & current modeling

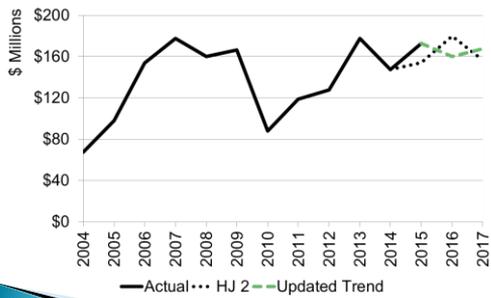
Corporation Income Tax: CY 2013 Actual Liabilities Close to HJ 2

- ▶ CY 2012 was used as the base year in the HJ 2 modeling process
- ▶ Actual CY 2013 collections were 1.1% above forecast CY 2013 collections
- ▶ Decreases in the mining and manufacturing sector were offset by increases in the information and transportation sectors



Source: CY 2013 return data

Corporation Income Tax: Updated Trend Builds on Growth in Information Sector



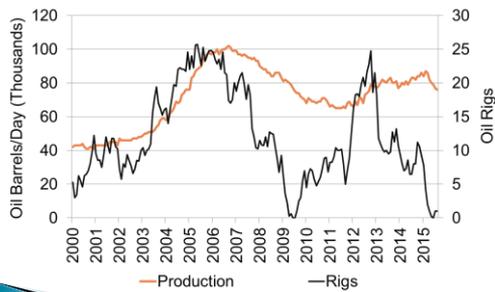
Source: SABHRS (FY 2015 unaudited) & current modeling

A Lower Outlook for Oil Prices...



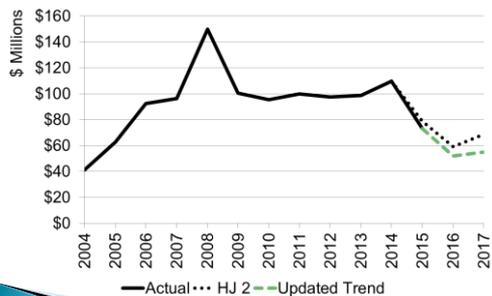
Source: CY WTI forecast from IHS

...Combined with Reduced Production...



Source: Energy Information Administration / Baker Hughes

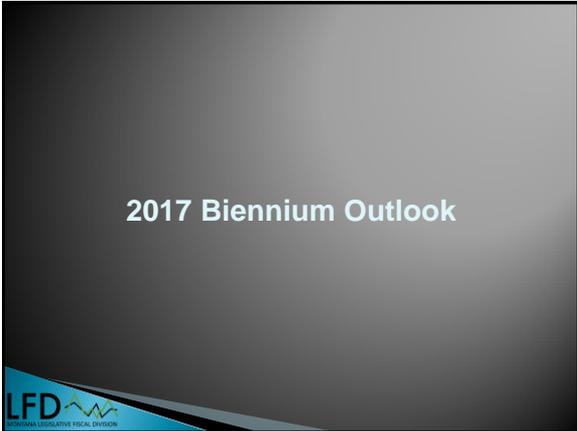
...Leads to a Lower Forecast for Oil Taxes



Source: Current Modeling

Outlook for Coal: Impact of Federal and Washington State Regulation Changes

- ▶ Major revenue impacts unlikely in 2017 biennium
 - No adjustment included in the updated trend
- ▶ Montana's plan to address federal regulations changes has not been adopted
 - No current analysis on revenue impacts
- ▶ Washington state bill to allow Puget Sound Energy to exit Colstrip is still being drafted
 - Preliminary analysis on a similar bill from last session was done by the Montana Department of Revenue and has been presented to the Energy & Telecommunications Interim Committee



**FY 2015 General Fund Expenditures:
\$ 35.6 Million Less Than Anticipated**

- ▶ HB 2: \$22.7 million less
- ▶ Statutory appropriations: \$17.0 million less
 - Includes \$13.5 million less from Emergency & Disaster appropriations
- ▶ Net remaining differences small

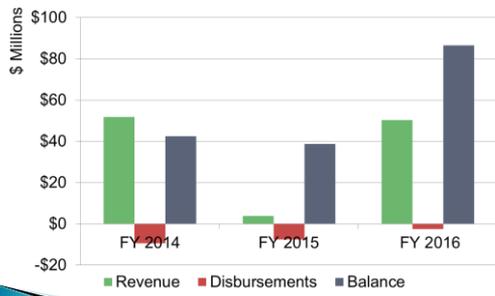
Source: SABHRS (unaudited)

FY 2015 Fire Fund Transfers: \$50.3 million

- ▶ Corporation Tax: \$15.2 million
- ▶ General Fund Reversions: \$21.6 million
- ▶ Governor's Emergency Fund: \$13.5 million

Source: SABHRS (unaudited)

Fire Fund Approaching \$100 Million Cap



Source: SABHRS (unaudited)

FY 2015 Net Impact to 2017 Biennium Ending Fund Balance: \$43 Million Increase

- ▶ Difference primarily due to higher revenues & lower expenditures
- ▶ Updated revenue trend is consistent with HJ 2



Source: SABHRS (unaudited)

Watch List

- ▶ Implementation of SB 405, the Montana HELP Act
- ▶ K-12 School Funding Interim Commission
- ▶ Local and state infrastructure study
- ▶ Coal outlook
- ▶ Federal budget



Questions?



<http://leg.mt.gov/css/fiscal/default.asp>
