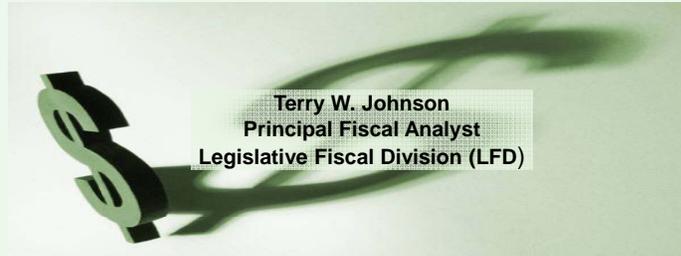




## General Fund Budget Outlook 2011 and 2013 Biennium

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Montana Independent Telecom Systems Symposium

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Legislative Fiscal Division



### Presentation Outline

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- Revised 2011 Biennium Ending Fund Balance
- Where Does General Fund Revenue Come From?
- Economic Drivers
- Revenue Trends
  - Actual Fiscal Year 2010
  - To Date Fiscal Year 2011
- 2013 Biennium Risk Assessment



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## Fiscal 2011 Biennium Budgeted General Fund Balance



**Legislative Adopted Balance:** \$ 282.4 M  
**Projected Balance Today:** \$ 205.9 M  
**Potential Balance:** \$ 235.6 M

### Why?



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## What Happened During the 2011 Biennium



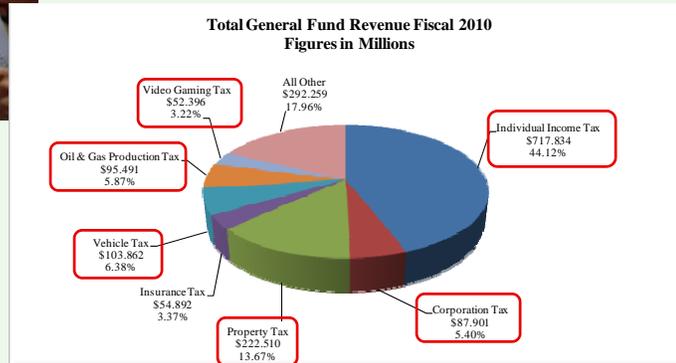
Post Session Projected General Fund Balance		\$282.4
1	Reduced Revenue Collections/Estimates	(309.0)
2	Prior Year & Fund Balance Adjustments	16.9
3	Federal Tier 3 FMAP Change	19.3
4	Federal Clawback	8.4
5	Governors Spending Reductions	39.8
6	Legislative/Judicial Spending Reductions	1.2
7	Otter Creek Bonus Payment	81.5
8	FMAP Extension	25.0
9	Federal Education Funding	30.7
		<b>\$205.9</b>
10	PPL Rent Payments	18.4
11	Governor's Spending - Legislation Required	21.0
	<b>Total Changes</b>	<b>(\$46.8)</b>
Revised 2011 Biennium General Fund Balance (rounded)		\$235.6



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## Where Does General Fund Revenue Come From



\*Revenue sources in Red are in the top 6 categories of general fund revenue



## Major Revenue Economic Drivers



- Wage Income/Unemployment
- Non-Wage Income Components
  - Capital Gains Income
  - Interest, Dividend and Other Investment Income
  - Business & Partnership Income
- Corporate Profitability
- Property Values
- Commodity Prices





## FY 2010 General Fund Revenue Trends Major Sources Above HJ 2 Estimate

<b>Oil &amp; Natural Gas Tax*</b>	<b>\$ 28.6 M</b>
<b>Institution Reimbursements</b>	<b>\$ 6.0 M</b>
<b>Remaining Sources</b>	<b>\$ 8.4 M</b>
<b>Total Above Estimate:</b>	<b>\$ 43.0 M</b>



\*This source is in the top 6 categories of general fund revenue



## FY 2010 General Fund Revenue Trends Major Sources Above HJ 2 Estimate

<b>Insurance Tax</b>	<b>\$ -3.9 M</b>
<b>Treasury Cash Account Interest</b>	<b>\$ -5.3 M</b>
<b>Property Tax*</b>	<b>\$ -6.3 M</b>
<b>Vehicle Fee/Tax*</b>	<b>\$ -6.4 M</b>
<b>Video Gaming Tax*</b>	<b>\$ -16.6 M</b>
<b>Corporation Income Tax*</b>	<b>\$ -27.7 M</b>
<b>Individual Income Tax*</b>	<b>\$ -122.4 M</b>
<b>Total Below Estimate:</b>	<b>\$ -188.6 M</b>



\*This source is in the top 6 categories of general fund revenue



## FY 2010 General Fund Revenue Trends Summary of Changes

<b>Total Above Estimate</b>	\$ 43.0 M
<b>Total Below Estimate</b>	<u>\$-188.6 M</u>
<b>Total Net Change:</b>	\$-145.6 M



## FY 2010 Individual Income Tax Comparison

Individual Income Tax Comparison - FY 2009 to FY 2010				
Revenue Description	Actual FY 2009	Actual FY 2010	Dollar Change	Percent Change
Withholding	646,910,709	644,991,064	(1,919,645)	-0.30%
Mineral Withholding	17,574,261	15,703,393	(1,870,868)	-10.65%
Estimated Payments	247,228,513	180,497,517	(66,730,996)	-26.99%
Current Year Payments	131,893,651	112,312,664	(19,580,987)	-14.85%
Audit Revenue	34,743,381	35,293,432	550,051	1.58%
Refunds	<u>(263,212,323)</u>	<u>(270,963,699)</u>	<u>(7,751,376)</u>	<u>2.94%</u>
<b>Total</b>	<b>\$815,138,192</b>	<b>\$717,834,371</b>	<b>(\$97,303,821)</b>	<b>-11.94%</b>

\* FY 2009 Includes a large estimated payment received in January



## FY 2010 Corporation Income Tax Comparison



Corporation Income Tax Comparison - FY 2009 to FY 2010				
Revenue Description	Actual FY 2009	Actual FY 2010	Change	Change
Current Year Payments	45,608,755	36,909,143	(8,699,612)	-19.07%
Estimated Payments	109,585,667	72,732,614	(36,853,053)	-33.63%
Audit Revenue	31,041,454	15,380,337	(15,661,117)	-50.45%
Refunds	<u>(19,881,362)</u>	<u>(37,121,182)</u>	<u>(17,239,820)</u>	<u>86.71%</u>
<b>Total</b>	<b>\$166,354,514</b>	<b>\$87,900,912</b>	<b>(\$78,453,602)</b>	<b>-47.16%</b>



## FY 2011 Individual Income Tax Comparison



Individual Income Tax Comparison - FY 2010 to FY 2011				
Revenue Description	Through 10/31/2009 FY 2010	Through 10/31/2010 FY 2011	Dollar Change	Percent Change
Withholding	185,060,538	195,662,521	10,601,983	5.73%
Mineral Withholding	2,852,375	2,982,878	130,503	4.58%
Estimated Payments	64,379,207	57,746,268	(6,632,939)	-10.30%
Current Year Payments	6,292,381	5,952,705	(339,676)	-5.40%
Audit Revenue	7,942,695	6,103,806	(1,838,889)	-23.15%
Refunds	<u>(62,489,738)</u>	<u>(51,480,183)</u>	<u>11,009,555</u>	<u>-17.62%</u>
<b>Total</b>	<b>\$204,037,458</b>	<b>\$216,967,995</b>	<b>\$12,930,537</b>	<b>6.34%</b>





## FY 2011 Corporation Income Tax Comparison

Corporation Income Tax Comparison - FY 2010 to FY 2011				
Revenue Description	Through 10/31/2009 FY 2010	Through 10/31/2010 FY 2011	Dollar Change	Percent Change
Current Year Payments	6,144,702	2,349,751	(3,794,951)	-61.76%
Estimated Payments	20,862,801	31,571,629	10,708,828	51.33%
Audit Revenue	1,704,289	5,151,130	3,446,841	202.25%
Refunds	<u>(5,376,858)</u>	<u>(2,315,314)</u>	<u>3,061,544</u>	<u>-56.94%</u>
<b>Total</b>	<b>\$23,334,934</b>	<b>\$36,757,196</b>	<b>\$13,422,262</b>	<b>57.52%</b>



## Economic Indicators

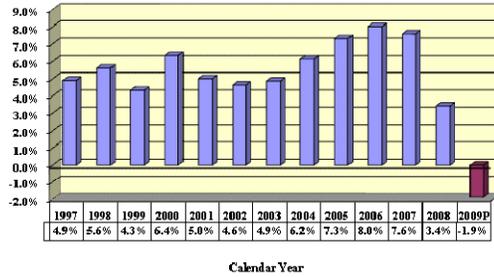




### Economic Indicators



Year to Year Percent Change in Montana Wage & Salary Income



Above graph reflects BEA revisions for 2001-2007.

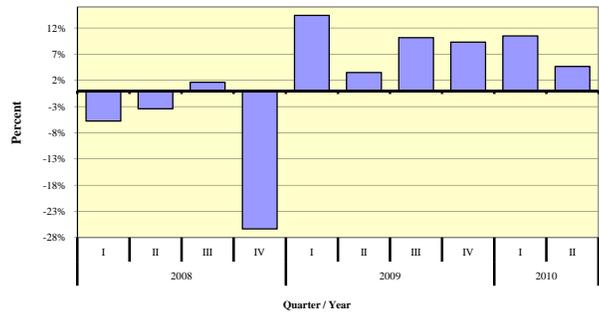
BEA



### Economic Indicators



Quarterly Change in U.S. Corporate Profits





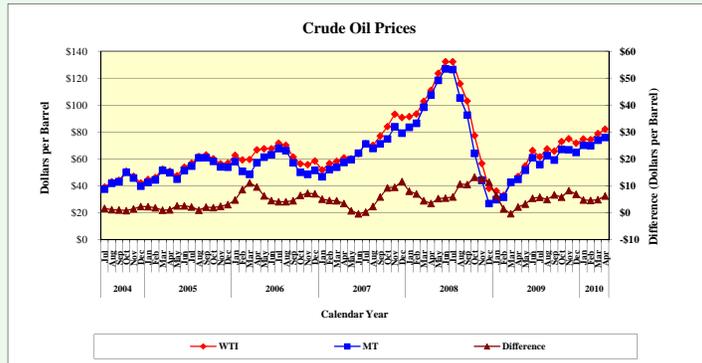
## Economic Indicators

Short-Term Investment Pool Rates



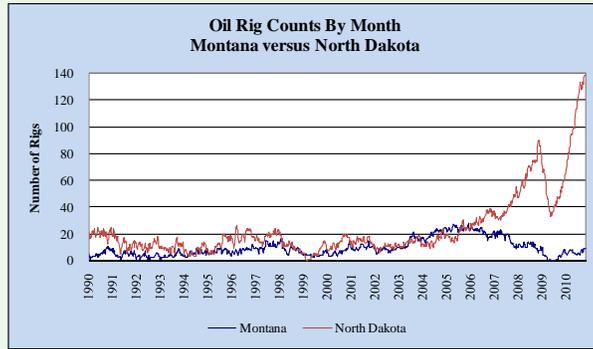
## Economic Indicators

Crude Oil Prices

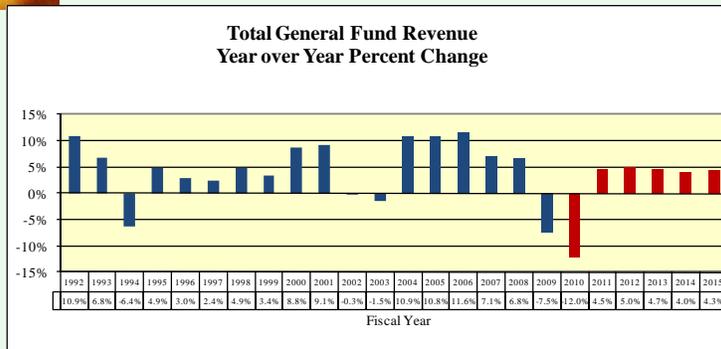




### Economic Indicators

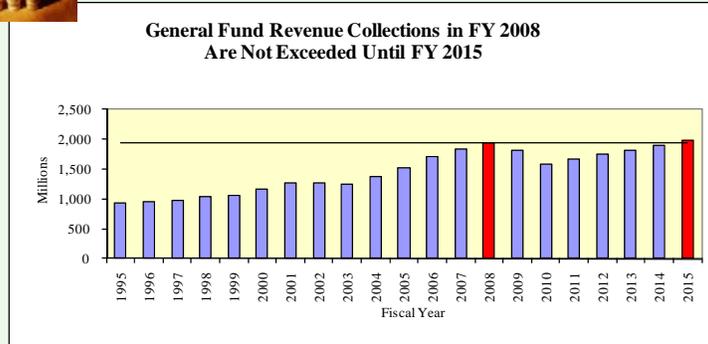


### General Fund Revenue Year over Year Percent Change (March Estimates)

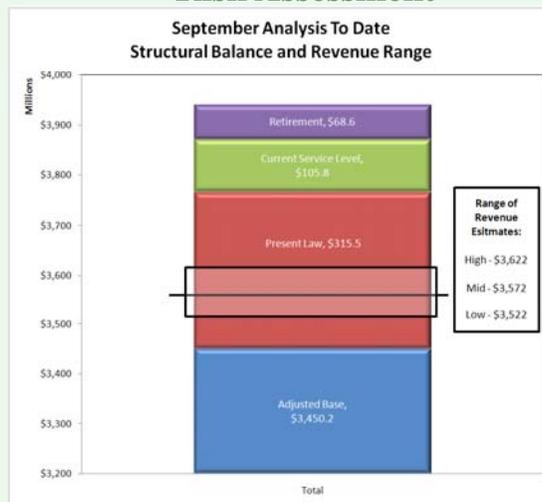




## General Fund Revenue Collections by Year (March Estimates)



## 2013 Biennium General Fund Risk Assessment



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## Long-Term General Fund Outlook Considerations

- **Maintaining Structural Balance**
- **Maintaining An Adequate Ending Fund Balance**
- **Retirement System Funding**
- **Health Care Reform Impacts**
- **Loss of Federal Funds**
- **Aging Population Impacts**



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## Questions ?



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