

REVENUE ESTIMATES - Introduction

Overview

The state budget for the 2001 biennium as enacted by the Fifty-sixth Legislature depends upon the current and future economic condition of the state, nation, and world. Rapidly changing technology, enhanced global economic interdependence, major changes in regional and international trade agreements such as NAFTA and GATT, and congressional response to our federal deficit, all have the ability to impact the state's economy more than ever before. Economic events occurring locally, as well as globally, affect tax receipts and influence the cost of goods and services purchased by state government. Because of these impacts, economic assumptions were clearly a vital consideration by the legislature in formulating the biennial budget.

The key economic assumptions targeted as most affecting state government receipts and disbursements were: Montana wage and salary income, Montana population and employment levels, inflation rates, energy prices, and interest rates.

These assumptions, plus numerous other less significant variables, were presented to the 1999 legislature via HJR 2 in accordance with section 5-18-107(5)(b), MCA. This statute specifies that the Revenue Oversight Committee's (ROC) estimate, as introduced in the legislature: ? constitutes the legislature's current revenue estimate until amended or until final adoption of the estimate by both houses.? It is intended that the legislature's estimate and the assumptions underlying the estimates will be used by all agencies with responsibilities for estimating revenues or costs, including the preparation of fiscal notes.

Legislative Revenue Adjustments

The Fifty-sixth Legislature adopted HJR 2 with some modifications to the recommendations offered by the ROC. Table 1 shows the total impact of the amendments adopted by revenue category. For the three year period, fiscal 1999 through 2001, total general fund revenue estimates were increased by \$116.6 million.

Table 1					
Revenue Estimate Adjustments					
56th Legislature					
In Millions					
	Estimated Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	3-Year Total	
Individual Income Tax	\$25.636	\$8.544	\$8.064	\$42.244	
Oil Price Revision					
Property Tax	(0.047)	(0.352)	(0.318)	(0.717)	
US Federal Royalty	(0.182)	(0.417)	(0.413)	(1.012)	
Oil Severance Tax	(0.097)	(0.725)	(0.656)	(1.478)	
Inheritance Tax	2.414	0.702	0.757	3.873	
TCA Interest Earnings	2.505			2.505	
All Other Revenue					
ARCO Distribution	1.176			1.176	
Fire Reimbursement	1.088			1.088	
Property Tax (Cyprus Mines Case)					
40 Mill Property Tax	0.865			0.865	
55 Mill Property Tax	1.189			1.189	
Tobacco Settlement	<u>0.000</u>	<u>37.428</u>	<u>29.409</u>	<u>66.837</u>	
Total Change From Revenue Oversight Committee	\$34.547	\$45.180	\$36.843	\$116.570	

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HJR 2 Final Estimates

shown, along with projections for fiscal 1999 through 2001.

Table 2 shows the amended HJR 2 general fund revenue estimate by category. Actual fiscal 1998 collections are

Table 2							
House Joint Resolution 2							
General Fund Revenue Estimates							
Figures In Millions							
Source of Revenue	Actual Fiscal 1998	Estimated Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 98-99	Estimated Fiscal 00-01	
Individual Income Tax	444.161	472.703	475.687	496.634	916.864	972.321	
Property Tax	202.351	205.547	209.910	218.959	407.898	428.869	
Corporation Income Tax	69.725	67.380	95.206	65.739	137.105	160.945	
Common School Interest & Income	41.130	41.437	42.657	42.583	82.567	85.240	
Permanent Trust Interest Earnings	40.746	40.528	41.022	41.941	81.274	82.963	
Insurance Premiums Tax	36.813	37.445	38.629	39.226	74.258	77.855	
All Other Revenue	25.428	31.235	55.495	47.464	56.663	102.959	
US Federal Royalty	22.241	19.039	18.492	18.245	41.280	36.737	
TCA Interest Earnings	18.247	17.425	14.621	14.733	35.672	29.354	
Inheritance Tax	15.727	17.679	16.733	17.878	33.406	34.611	
Video Gaming Tax	12.256	12.748	13.389	14.030	25.004	27.419	
Motor Vehicle License Fee	10.778	10.957	11.191	11.406	21.735	22.597	
Institution Reimbursements	10.335	11.314	9.697	10.041	21.649	19.738	
Cigarette Tax	9.544	9.676	9.810	9.946	19.220	19.756	
Coal Severance Tax	8.849	8.854	8.480	8.041	17.703	16.521	
Oil Severance Tax	8.146	6.392	6.768	7.531	14.538	14.299	
Lottery Profit	6.564	5.424	6.537	6.464	11.988	13.001	
Liquor Excise Tax	6.412	6.517	6.628	6.744	12.929	13.372	
Nursing Facilities Fee	6.200	6.090	5.981	5.874	12.290	11.855	
Telephone License Tax	5.773	6.052	6.344	6.650	11.825	12.994	
Liquor Profits	5.400	5.582	5.667	5.754	10.982	11.421	
Electrical Energy Tax	4.402	4.564	4.567	4.606	8.966	9.173	
Investment Licenses	4.086	4.393	4.691	4.978	8.479	9.669	
Highway Patrol Fines	3.801	3.965	4.136	4.314	7.766	8.450	
Drivers' License Fee	2.828	2.846	2.242	1.925	5.674	4.167	
Metalliferous Mines Tax	2.307	2.869	3.525	3.356	5.176	6.881	
Contractors Gross Receipts Tax	2.291	2.573	3.176	3.520	4.864	6.696	
Railcar Tax	2.054	2.110	2.130	2.153	4.164	4.283	
Tobacco Tax	1.779	1.882	1.995	2.116	3.661	4.111	
Long Range Bond Excess	1.746	0.456	0.432	0.410	2.202	0.842	
Natural Gas Severance Tax	0.974	1.100	1.124	1.109	2.074	2.233	
Wine Tax	0.930	0.982	1.039	1.099	1.912	2.138	
Beer Tax	0.358	0.358	0.362	0.366	0.716	0.728	
Vehicle Fee	0.000	0.000	0.000	0.000	0.000	0.000	
Total General Fund	\$1,034.382	\$1,068.122	\$1,128.363	\$1,125.835	\$2,102.504	\$2,254.198	
Residual Equity Transfers							
Fund Balance Adjustments							
Total General Fund	\$1,034.382	\$1,068.122	\$1,128.363	\$1,125.835	\$2,102.504	\$2,254.198	

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It should be noted that the legislature discussed in detail two significant emergent revenue issues shown in Table 3. By their formal actions, the legislature included the utility generation asset sale and “State Tobacco Settlement”

funds in the revenue estimate for the 2001 biennium. The combined impact of these two emergent revenue issues is \$96.8 million for the 2001 biennium.

Table 3		
Significant Revenue Issues		
Action By 56th Legislature		
		Revenue Impact
<u>Revenue Issue</u>	<u>Legislative Action</u>	<u>Millions</u>
Utility Generation Assest Sale	Included in Estimate	\$30.000
State Tobacco Settlement	Included in Estimate	<u>66.837</u>
Totals		\$96.837

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Impacts of Tax Policy Legislation

enacted that impacts a given revenue source, the cumulative impact of the bills is shown for each revenue component.

Table 4 shows the revenue impacts of legislation enacted by the Fifty-sixth Legislature. If more than one bill was

Table 4							
Revenue Legislation Impacts of 56th Legislature							
Total General Fund							
Figures In Millions							
Source of Revenue	Actual Fiscal 1998	Estimated Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 98-99	Estimated Fiscal 00-01	
Individual Income Tax		0.000	(0.050)	0.086		0.037	
Property Tax		0.000	(16.493)	(41.542)		(58.035)	
Corporation Income Tax		0.000	(0.105)	(0.105)		(0.210)	
Common School Interest & Income		0.000	(0.151)	(0.368)		(0.519)	
Permanent Trust Interest Earnings		0.000	0.093	(0.488)		(0.395)	
Insurance Premiums Tax		0.000	0.000	(2.580)		(2.580)	
All Other Revenue		0.000	0.062	0.043		0.106	
US Federal Royalty							
TCA Interest Earnings		0.000	(0.143)	(0.243)		(0.386)	
Inheritance Tax		0.000	0.000	(0.291)		(0.291)	
Video Gaming Tax		0.000	0.000	0.094		0.094	
Motor Vehicle License Fee		0.000	1.200	1.200		2.400	
Institution Reimbursements							
Cigarette Tax							
Coal Severance Tax		0.000	(0.171)	(0.254)		(0.424)	
Oil Severance Tax		0.000	(0.718)	(0.906)		(1.624)	
Lottery Profit							
Liquor Excise Tax							
Nursing Facilities Fee							
Telephone License Tax		(0.011)	9.195	17.286	(0.011)	26.470	
Liquor Profits							
Electrical Energy Tax		0.000	1.701	3.425		5.126	
Investment Licenses							
Highway Patrol Fines		0.000	0.521	0.695		1.216	
Drivers' License Fee							
Metalliferous Mines Tax		0.000	(0.137)	(0.131)		(0.268)	
Contractors Gross Receipts Tax							
Railcar Tax							
Tobacco Tax							
Long Range Bond Excess		0.000	(0.171)	(0.167)		(0.339)	
Natural Gas Severance Tax							
Wine Tax							
Beer Tax							
Vehicle Fee							
Totals General Fund		(\$0.011)	(\$5.366)	(\$24.245)	(\$0.011)	(\$29.622)	
Residual Equity Transfers		0.000	(0.812)	(2.803)		(3.616)	
Fund Balance Adjustments		0.000	9.931	0.000		9.931	
Total General Fund		(\$0.011)	\$3.753	(\$27.049)	(\$0.011)	(\$23.307)	

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Combined Revenue Estimates

HJR 2/Other Legislation

Table 5 shows the revised general fund revenue estimates by source which is merely HJR 2 estimates plus all legislation impacts.

Table 5							
House Joint Resolution 2 Plus Legislation Impacts							
General Fund Revenue Estimates							
Figures In Millions							
Source of Revenue	Actual Fiscal 1998	Estimated Fiscal 1999	Estimated Fiscal 2000	Estimated Fiscal 2001	Estimated Fiscal 98-99	Estimated Fiscal 00-01	
Individual Income Tax	444.161	472.703	475.637	496.720	916.864	972.358	
Property Tax	202.351	205.547	193.417	177.417	407.898	370.834	
Corporation Income Tax	69.725	67.380	95.101	65.634	137.105	160.735	
Common School Interest & Income	41.130	41.437	42.506	42.215	82.567	84.721	
Permanent Trust Interest Earnings	40.746	40.528	41.115	41.453	81.274	82.568	
Insurance Premiums Tax	36.813	37.445	38.629	36.646	74.258	75.275	
All Other Revenue	25.428	31.235	55.557	47.507	56.663	103.065	
US Federal Royalty	22.241	19.039	18.492	18.245	41.280	36.737	
TCA Interest Earnings	18.247	17.425	14.478	14.490	35.672	28.968	
Inheritance Tax	15.727	17.679	16.733	17.587	33.406	34.320	
Video Gaming Tax	12.256	12.748	13.389	14.124	25.004	27.513	
Motor Vehicle License Fee	10.778	10.957	12.391	12.606	21.735	24.997	
Institution Reimbursements	10.335	11.314	9.697	10.041	21.649	19.738	
Cigarette Tax	9.544	9.676	9.810	9.946	19.220	19.756	
Coal Severance Tax	8.849	8.854	8.309	7.787	17.703	16.097	
Oil Severance Tax	8.146	6.392	6.050	6.625	14.538	12.675	
Lottery Profit	6.564	5.424	6.537	6.464	11.988	13.001	
Liquor Excise Tax	6.412	6.517	6.628	6.744	12.929	13.372	
Nursing Facilities Fee	6.200	6.090	5.981	5.874	12.290	11.855	
Telephone License Tax	5.773	6.041	15.539	23.936	11.814	39.464	
Liquor Profits	5.400	5.582	5.667	5.754	10.982	11.421	
Electrical Energy Tax	4.402	4.564	6.268	8.031	8.966	14.299	
Investment Licenses	4.086	4.393	4.691	4.978	8.479	9.669	
Highway Patrol Fines	3.801	3.965	4.657	5.009	7.766	9.666	
Drivers' License Fee	2.828	2.846	2.242	1.925	5.674	4.167	
Metalliferous Mines Tax	2.307	2.869	3.388	3.225	5.176	6.613	
Contractors Gross Receipts Tax	2.291	2.573	3.176	3.520	4.864	6.696	
Railcar Tax	2.054	2.110	2.130	2.153	4.164	4.283	
Tobacco Tax	1.779	1.882	1.995	2.116	3.661	4.111	
Long Range Bond Excess	1.746	0.456	0.261	0.243	2.202	0.503	
Natural Gas Severance Tax	0.974	1.100	1.124	1.109	2.074	2.233	
Wine Tax	0.930	0.982	1.039	1.099	1.912	2.138	
Beer Tax	0.358	0.358	0.362	0.366	0.716	0.728	
Vehicle Fee	0.000	0.000	0.000	0.000	0.000	0.000	
Total General Fund	\$1,034.382	\$1,068.111	\$1,122.997	\$1,101.590	\$2,102.493	\$2,224.576	
Residual Equity Transfers	0.000	0.000	(0.812)	(2.803)	0.000	(3.616)	
Fund Balance Adjustments	0.000	0.000	9.931	0.000	0.000	9.931	
Total General Fund	\$1,034.382	\$1,068.111	\$1,132.116	\$1,098.786	\$2,102.493	\$2,230.891	

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Chart A shows the revenue contribution to the general fund account by the most significant revenue components. During the 2001 biennium, over 67.5 percent of total general fund revenue will come from income and property taxes while about 8.8 percent will be generated from investment earnings. Natural resource taxes are estimated to produce approximately 3.3 percent of total general fund revenue during the 2001 biennium. The information shown in Chart A illustrates the significant dependence the state has on income and property taxes to fund general government operations. In addition, the table below Chart A shows the general fund account will receive an estimated \$196.2 million in the 2001 biennium from investment earnings. Although these revenues are due to the investment by the state of taxpayer dollars, these monies can be viewed as taxpayer savings or relief.

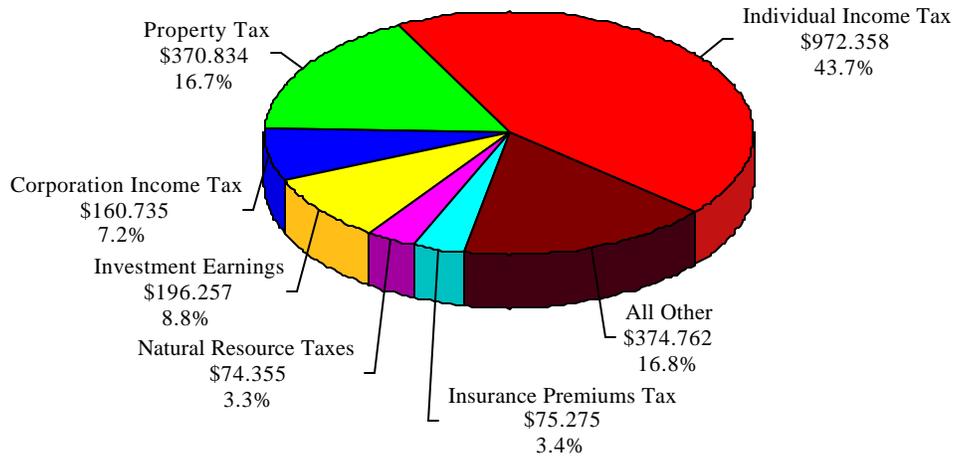
Without these revenues, the state would either have to cut services, increase other revenues, or a combination of both.

Revenue Estimate Summary by Component

The following is a complete “summary” of each general fund revenue source. Each “summary” provides information on the particular source of revenue including a description, 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. A brief description of these bills is also provided. Finally, each “summary” includes a table and graph showing historical and projected collections for each general fund revenue source.

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Chart A
General Fund Revenue
By Major Component 2001 Biennium



Major Category	1999 Biennium Estimate Millions	2001 Biennium Estimate Millions	Percent Change
Individual Income Tax	916.864	972.358	6.05%
Property Tax	407.898	370.834	-9.09%
Corporation Income Tax	137.105	160.735	17.23%
Investment Earnings	199.513	196.257	-1.63%
Natural Resource Taxes	80.771	74.355	-7.94%
Insurance Premiums Tax	74.258	75.275	1.37%
All Other	286.084	374.762	31.00%
Total General Fund	\$2,102.493	\$2,224.576	5.81%