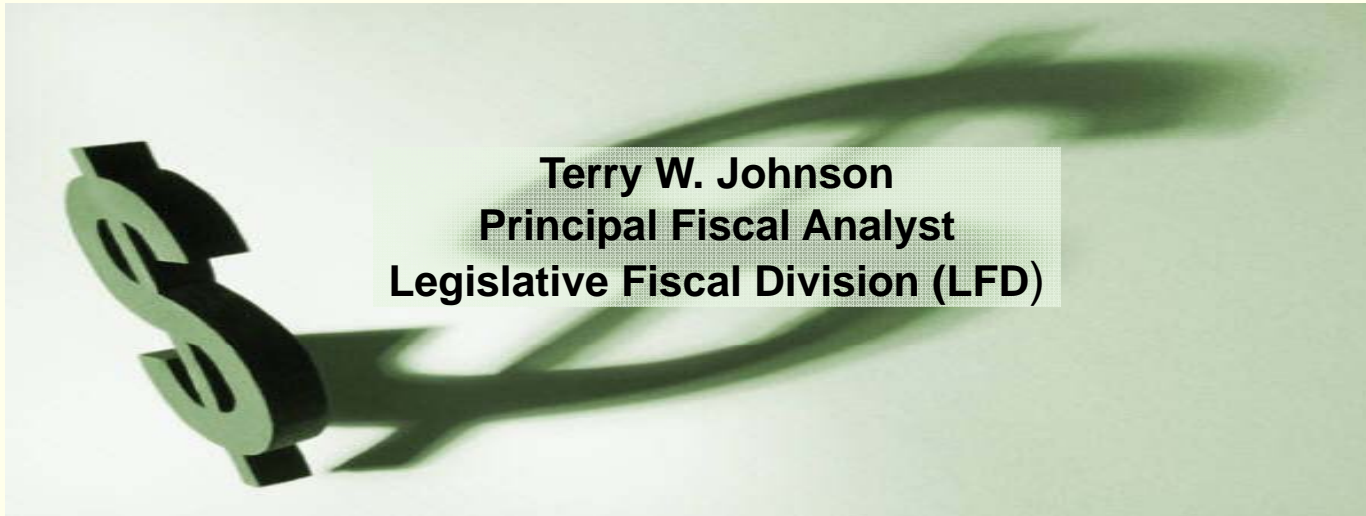




Montana's Fiscal Snapshot



Terry W. Johnson
Principal Fiscal Analyst
Legislative Fiscal Division (LFD)

December 8, 2011

A report to the
Montana Taxpayers Association

Legislative Fiscal Division



www.leg.mt.gov/css/fiscal



Presentation Outline

- **State Finances - Background**
- **Focus on Fiscal 2011**
- **2013 Biennium Outlook**
- **Longer-Term Outlook**





State Fund Structure

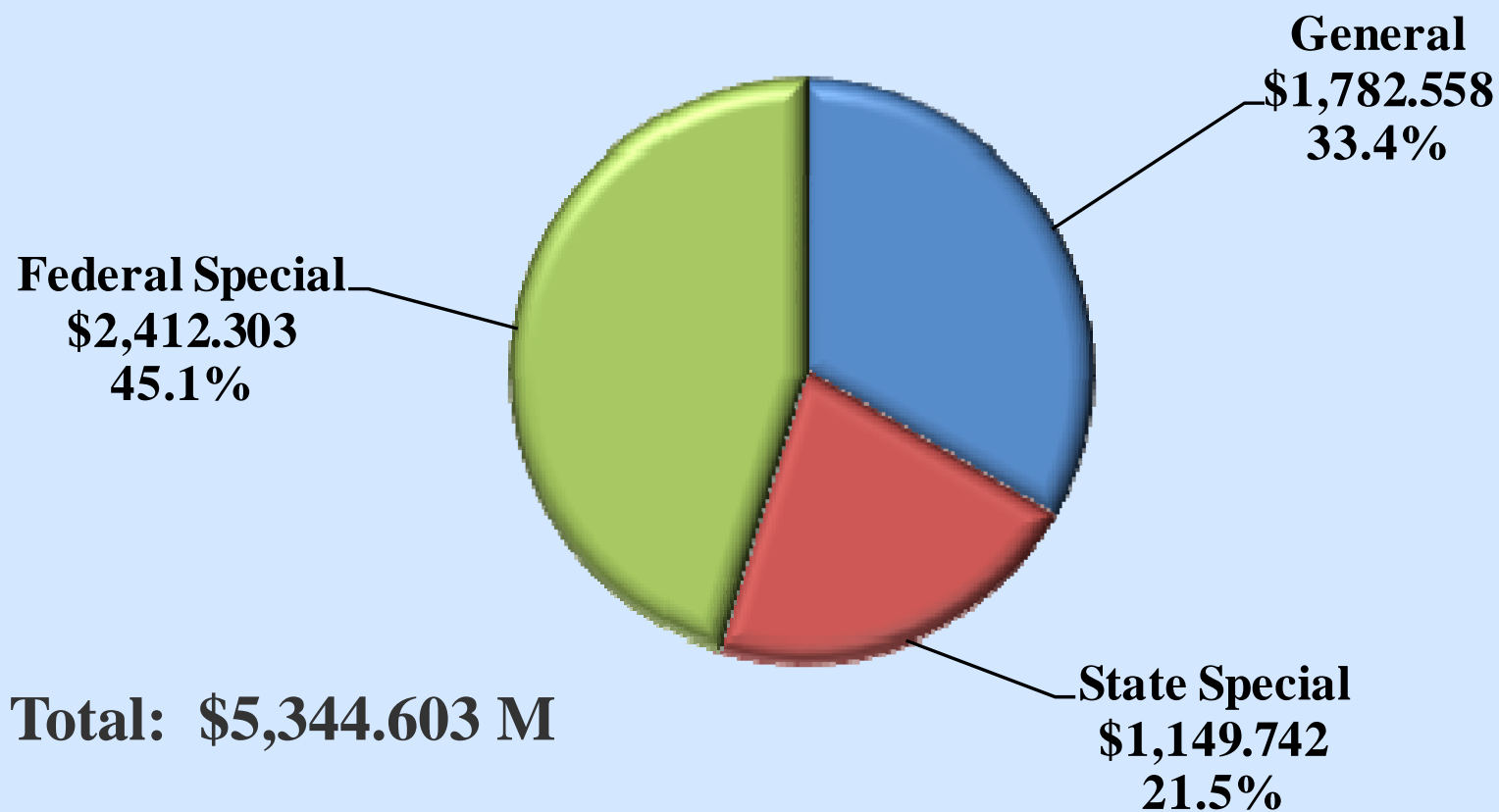
- | | |
|---------------------------|---------------------------|
| ➤ General | ➤ Debt Service |
| ➤ State Special | ➤ Proprietary |
| ➤ Federal Special | ➤ Expendable Trust |
| ➤ Capital Projects | ➤ Fiduciary |





State Government Revenues By Fund - FY 2011

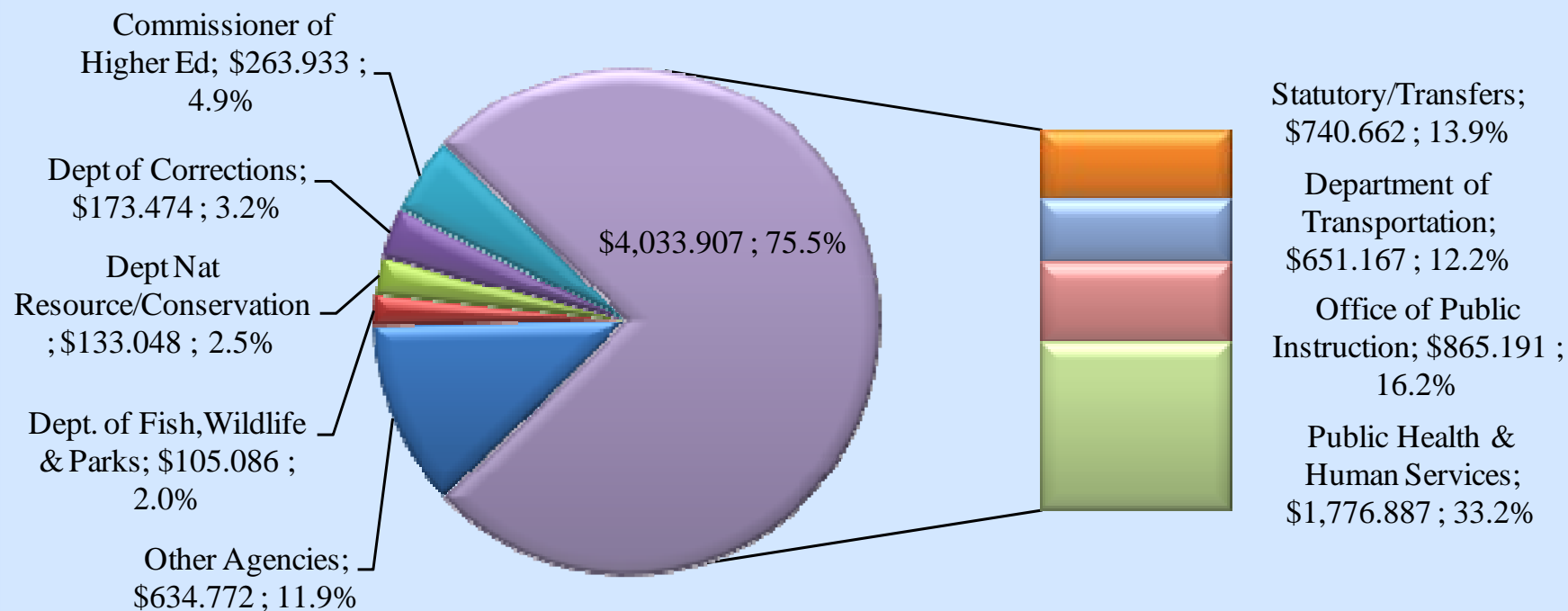
Figures in Millions





General, State, Federal Spending By Function - FY 2011

Figures in Millions

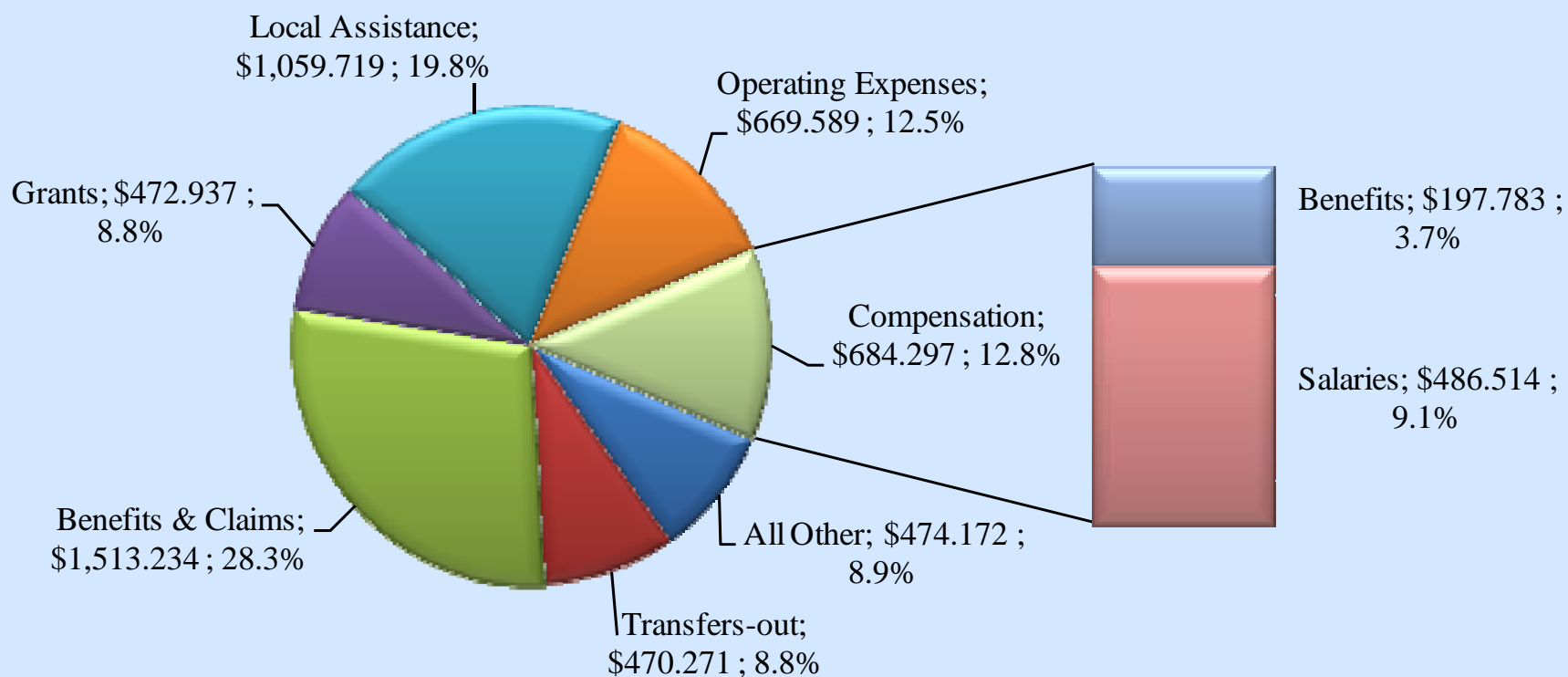


Total: \$5,344.220 M



General, State, Federal Spending By First Level - FY 2011

Figures in Millions

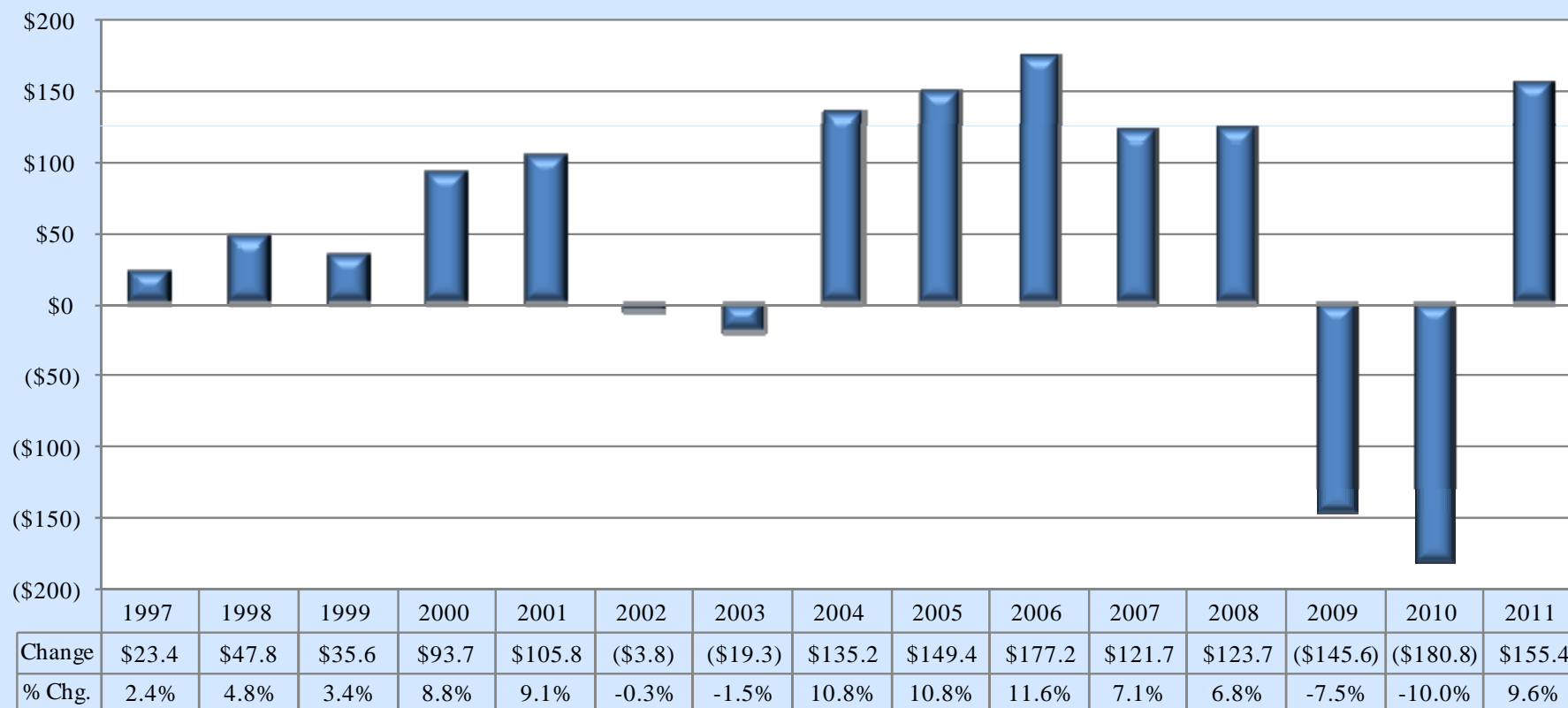


Total: \$5,344.219 M



General Fund Revenue History

**General Fund Revenue - Year over Year Change
By Fiscal Year in Millions**





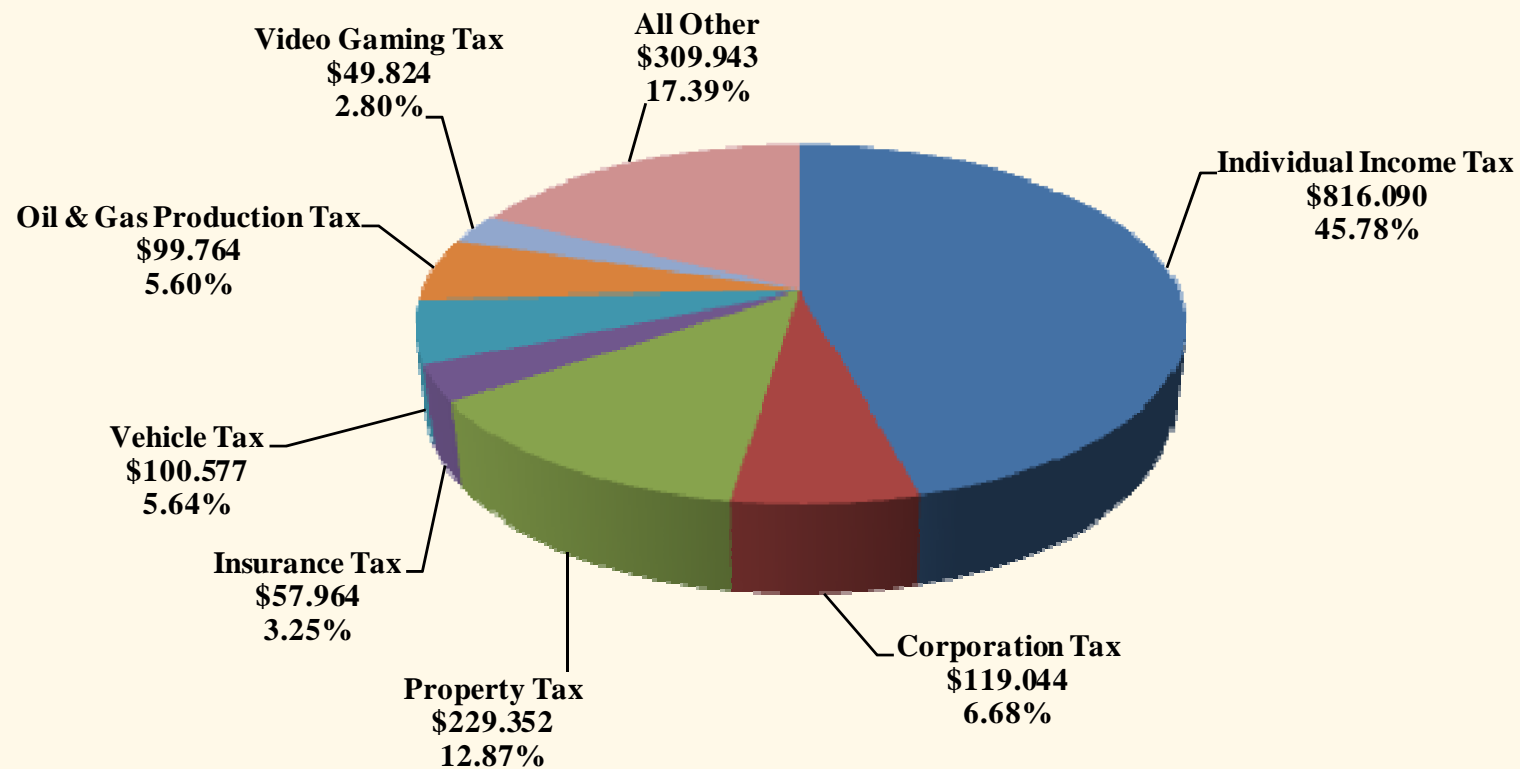
Focus on Fiscal 2011

| Revenue Category | Legislative Estimate | Actual FY 2011 | Over(Under) Estimate | Percent Change |
|--------------------------|----------------------|------------------|----------------------|----------------|
| Individual Income Tax | \$762.396 | \$816.090 | \$53.694 | 7.04% |
| Corporation Tax | \$97.360 | \$119.044 | \$21.684 | 22.27% |
| Property Tax | \$229.084 | \$229.352 | \$0.268 | 0.12% |
| Insurance Tax | \$55.445 | \$57.964 | \$2.519 | 4.54% |
| Vehicle Tax | \$107.004 | \$100.577 | (\$6.427) | -6.01% |
| Oil & Gas Production Tax | \$104.514 | \$99.764 | (\$4.750) | -4.54% |
| Video Gaming Tax | \$49.333 | \$49.824 | \$0.491 | 1.00% |
| All Other | <u>\$301.520</u> | <u>\$309.943</u> | <u>\$8.423</u> | <u>2.79%</u> |
| Totals | \$1,706.655 | \$1,782.558 | \$75.903 | 4.45% |



Focus on Fiscal 2011

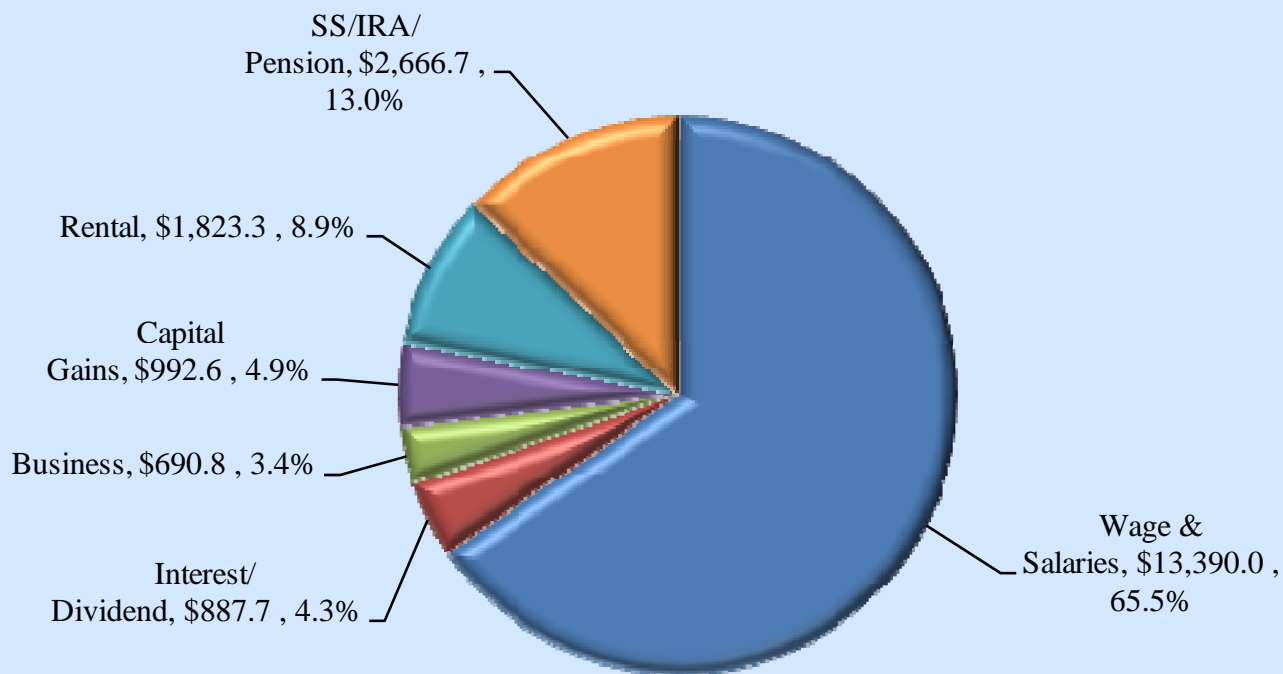
Total General Fund Revenue Fiscal 2011
Figures in Millions





Focus on Fiscal 2011

Individual Income Tax Income Components - CY 2010
Figures in Millions

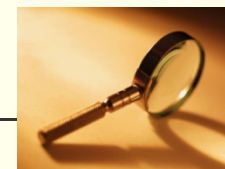




General Fund Balance Change Fiscal 2011 Summary



| | |
|----------------------------------|------------------|
| ➤ Revenues | \$ 75.9 M |
| ➤ Reversions (Before Continuing) | \$ 46.4 M |
| ➤ Adjustments | <u>\$ -5.9 M</u> |
| Total Change | \$ 116.4 M |





Legislative Fiscal Division

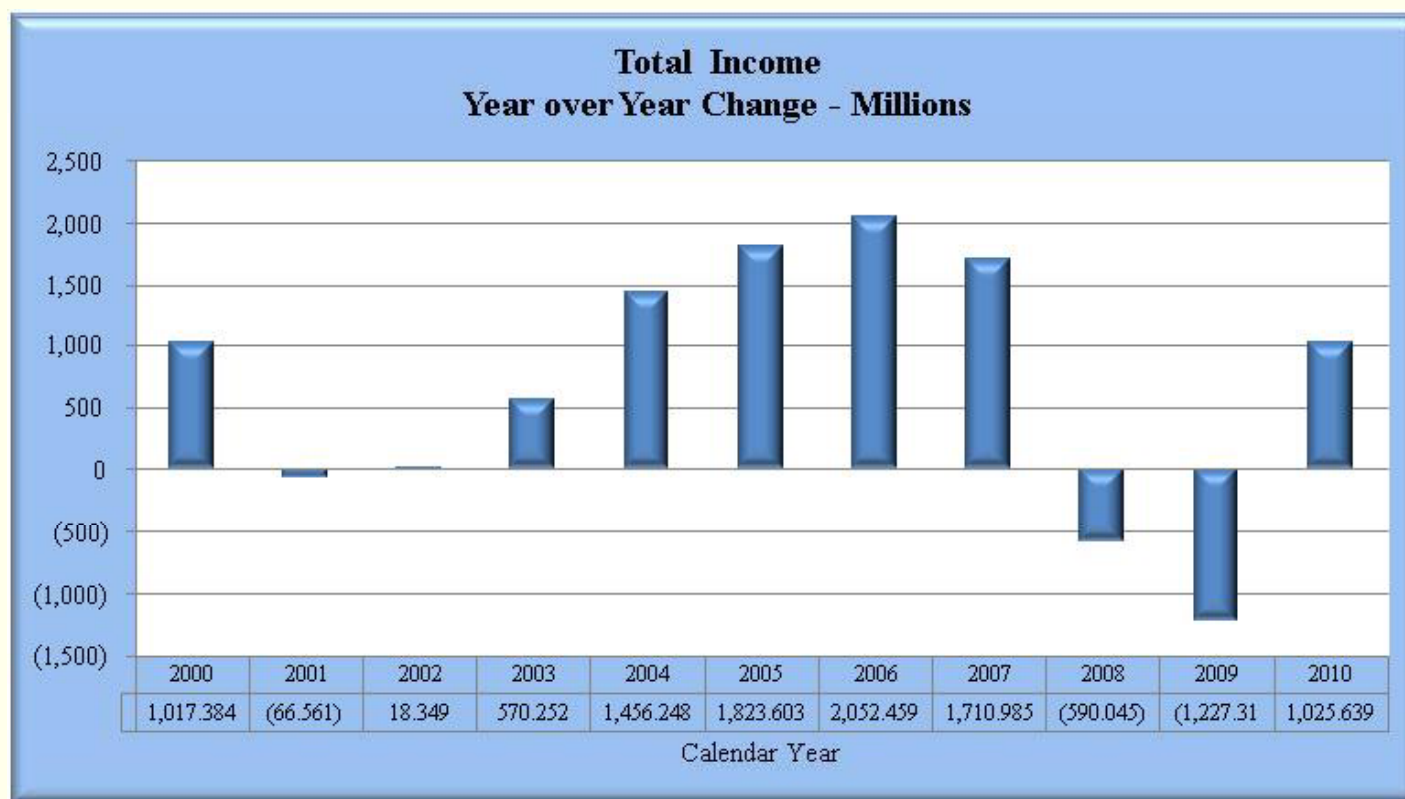


What Changes are Occurring? 2013 Biennium

| 2013 Biennium General Fund Revenue Estimates | | | | | |
|--|---------------------------------|-----------------------|-------------------------------|-------------------------------|-------------------------------------|
| Anticipated Revenue Adjustments - In Millions | | | | | |
| Tax Source | FY 2012 HJ2 Estimate | % of Total | Adjustment FY 2012 | Adjustment FY 2013 | Adjustment 2013 Biennium |
| 1 Individual Income Tax | \$809.322 | 45.3% | \$56.861 | \$60.411 | \$117.272 |
| 2 Property Tax | 237.188 | 13.3% | No Chg. | No Chg. | No Chg. |
| 3 Corporation License Tax | 115.086 | 6.5% | 15.079 | 16.777 | 31.856 |
| 4 Vehicle Fee/Tax | 106.716 | 6.0% | (7.775) | (7.807) | (15.582) |
| 5 Oil & Gas Production Tax | 102.996 | 5.8% | 5.329 | 19.917 | 25.245 |
| 6 Insurance Tax | 57.372 | 3.2% | 1.878 | 1.982 | 3.860 |
| Remaining | <u>356.942</u> | 20.0% | <u>(9.495)</u> | <u>(15.327)</u> | <u>(24.822)</u> |
| Totals | \$1,785.622 | | \$61.877 | \$75.953 | \$137.829 |
| Interest & Income (Oil & Gas Bonus Payments) | | | \$17.4 | \$6.4 | \$23.800 |



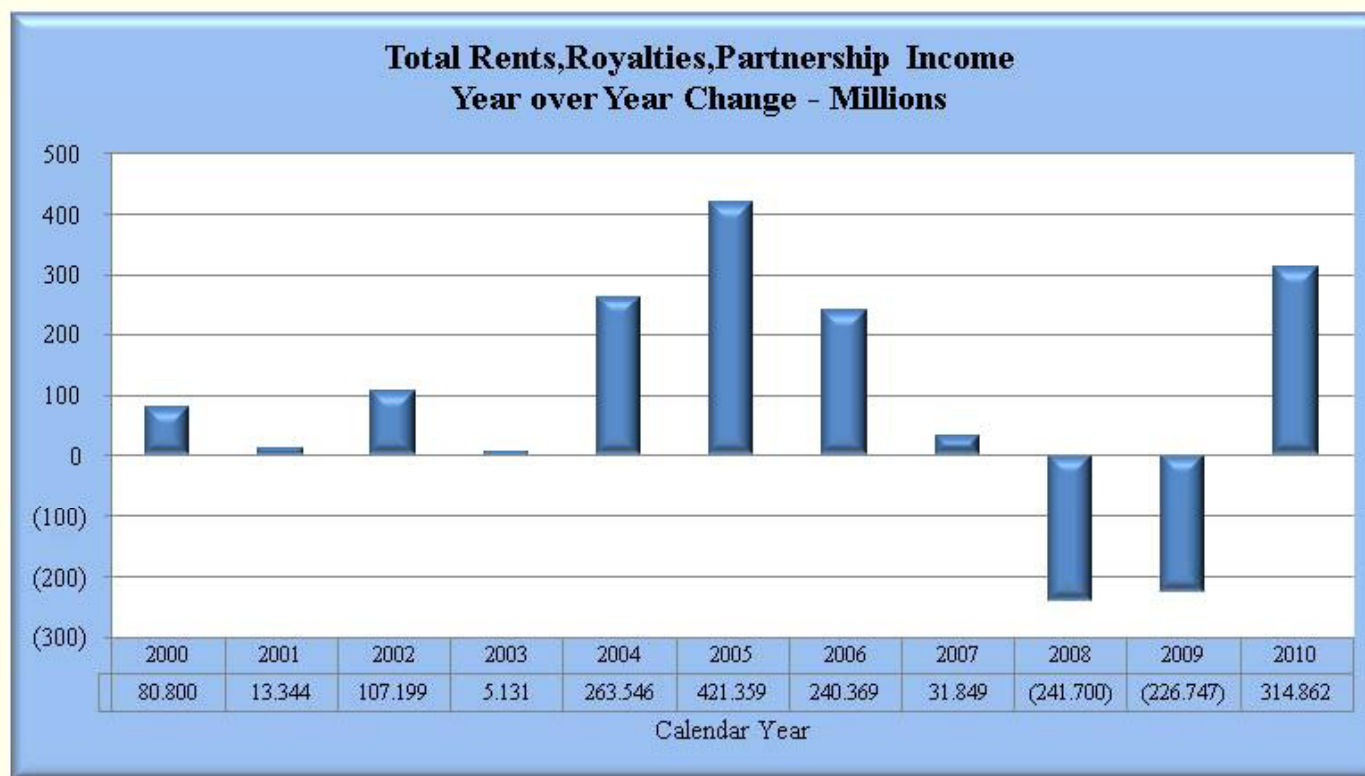
What We Know 2010 Reported Income





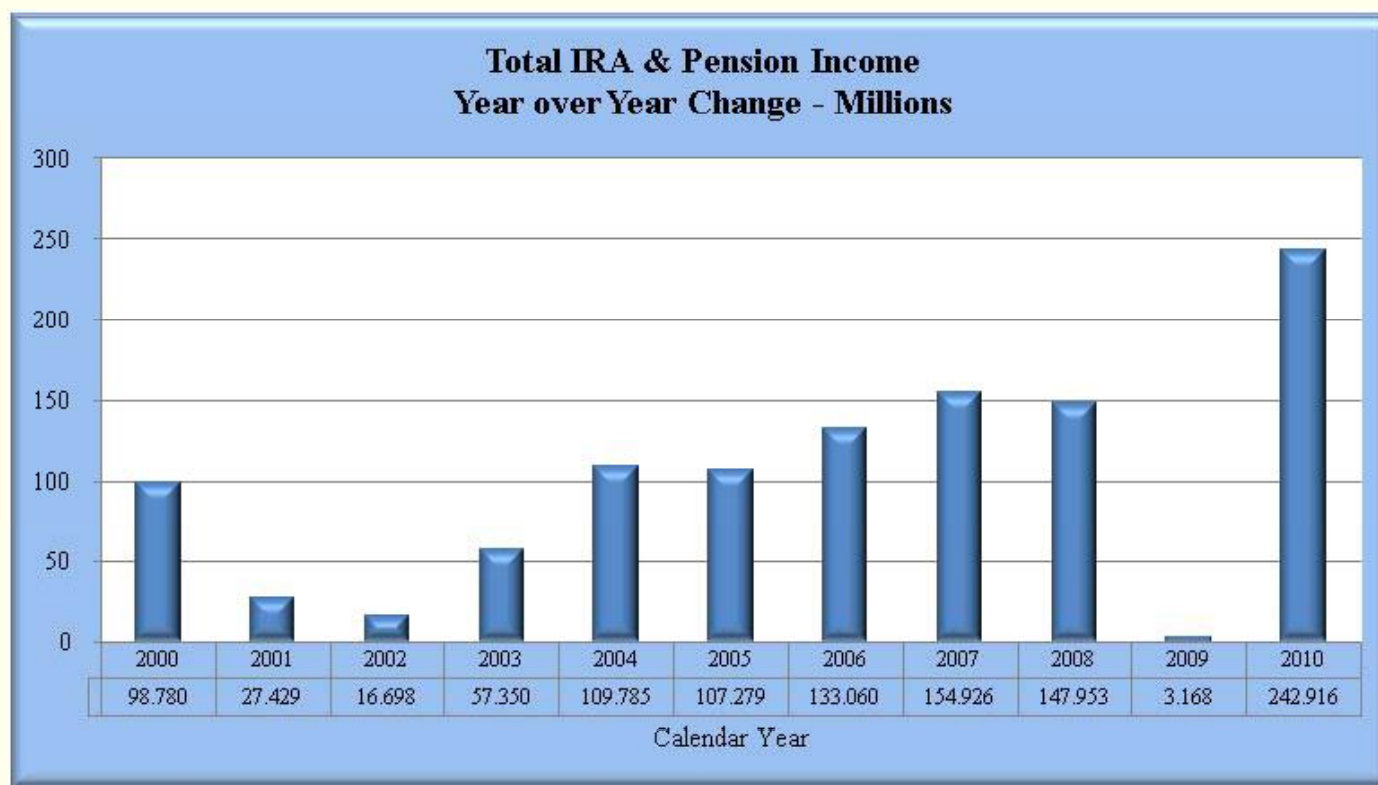
What We Know

Rents, Royalties, Partnership Income



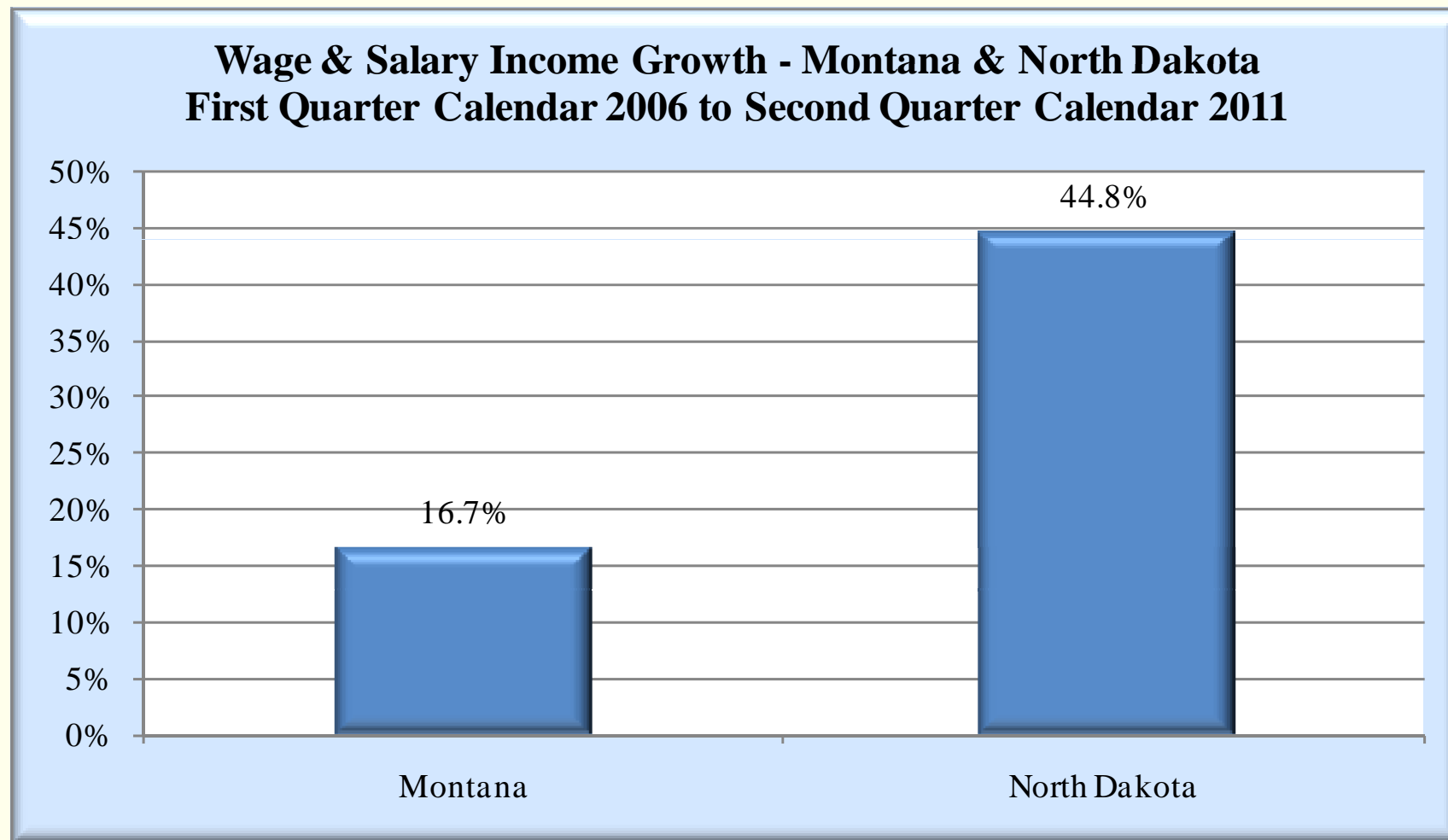


What We Know IRA and Pension Income





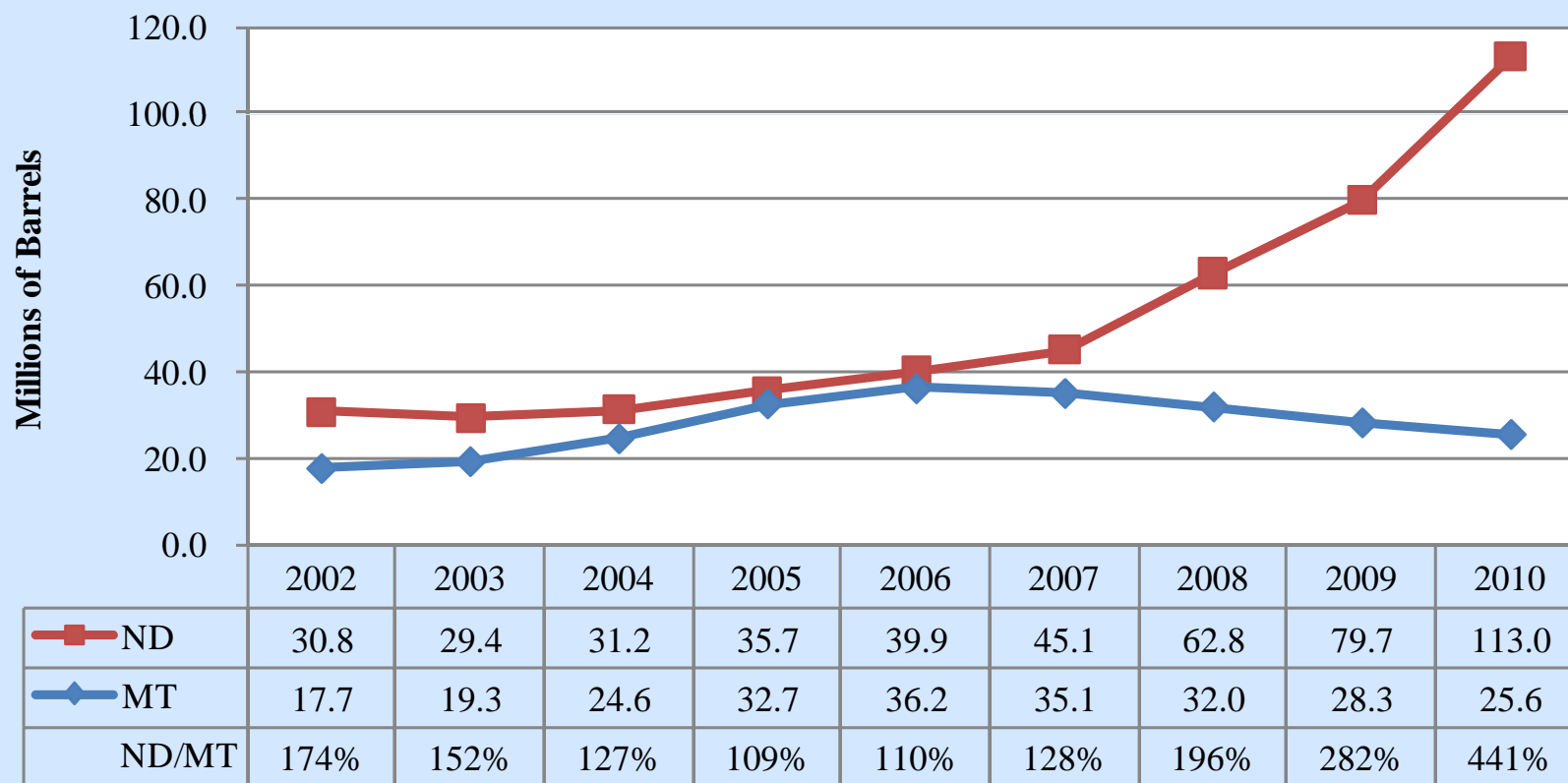
Wage & Salary Income – Mt. vs. ND.





North Dakota Production is Booming

Oil Production - Montana vs. North Dakota





Impacts of Revenue Adjustments on 2013 General Fund Biennium Outlook

Legislative Budgeted Ending Balance \$150.4 M

| | |
|-------------------------------------|--------------|
| Additional Revenue (FY2011) | 75.9M |
| Less Spending (FY2011) | 46.4M |
| Adjustments (FY2011) | - 7.6M |
| Additional Revenue (2013 Biennium) | 137.8M |
| Additional Revenue (Public Schools) | <u>23.8M</u> |

Revised 2013 Ending Balance \$426.7M





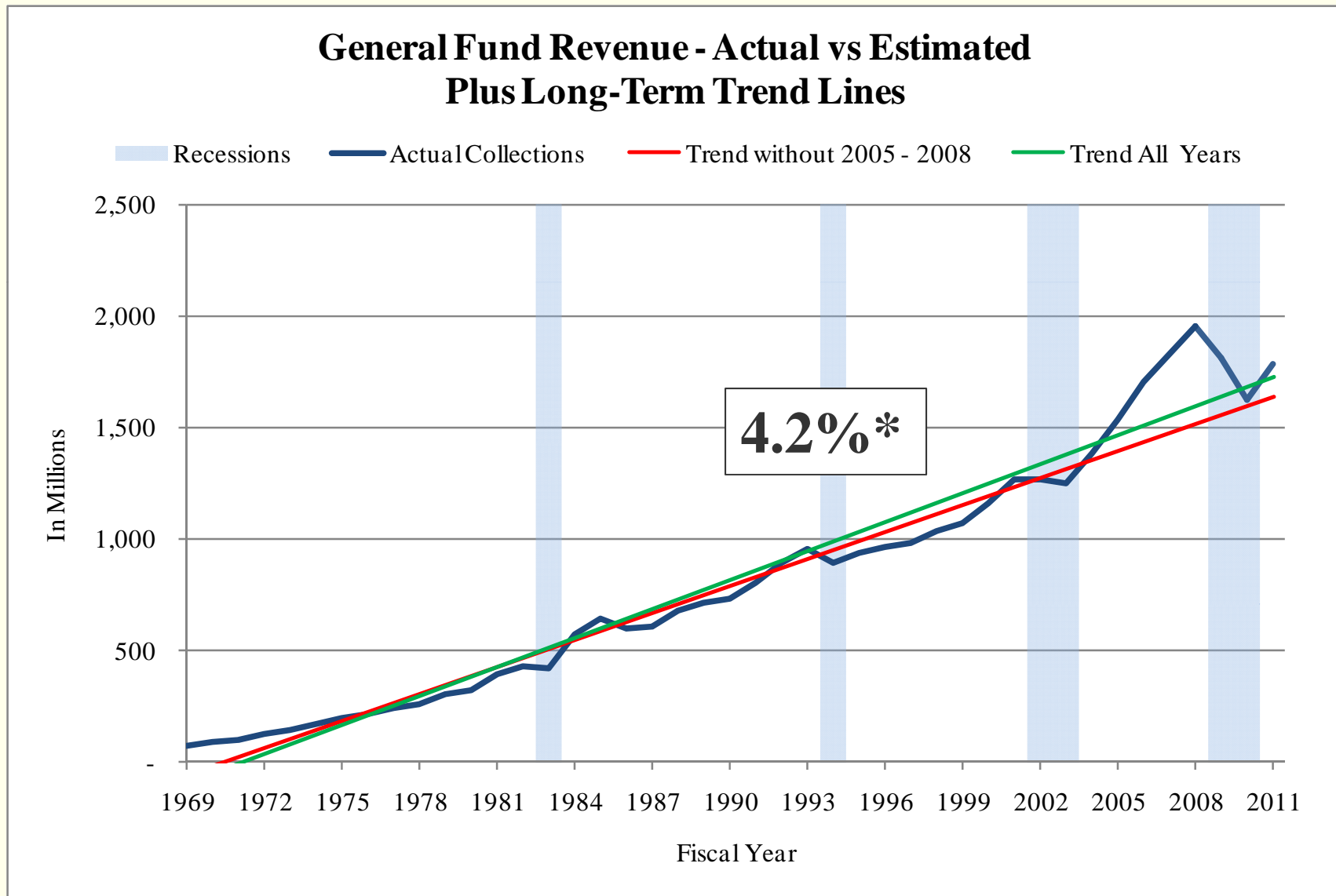
Longer-Term Outlook

- General Fund Growth Potential
- Changing Demographics
- Reliance on Federal Funds
- State Spending Trends



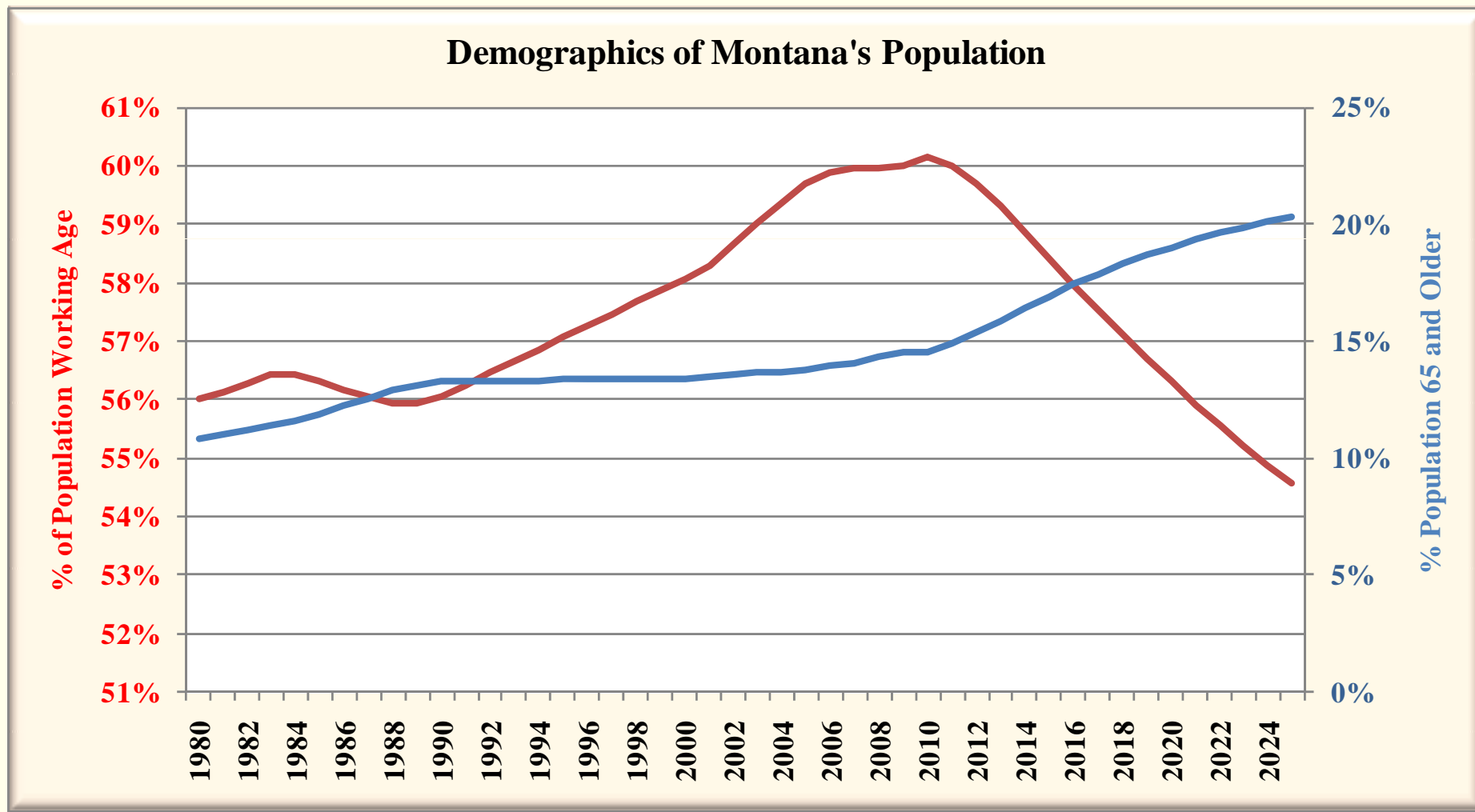


Revenue Growth Potential





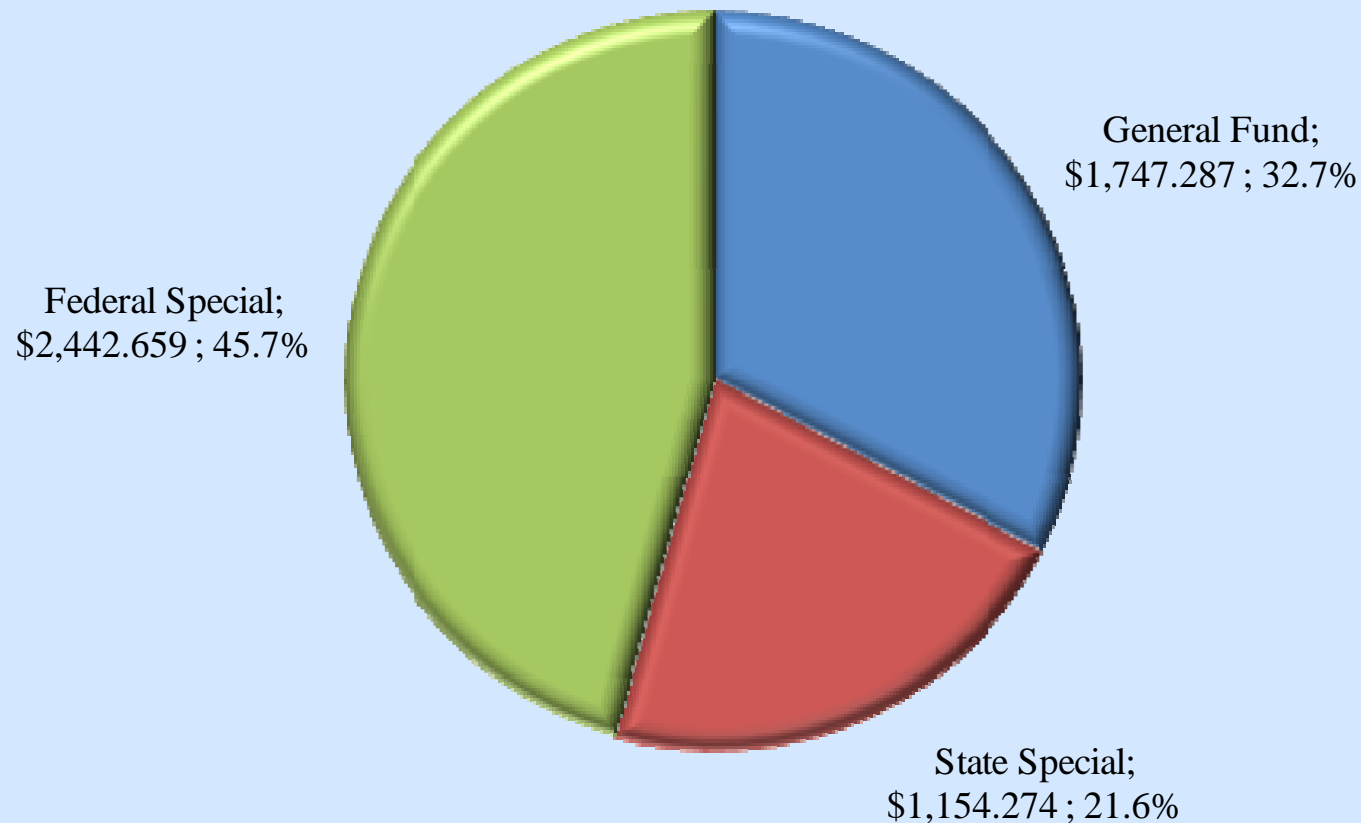
Changing Demographics





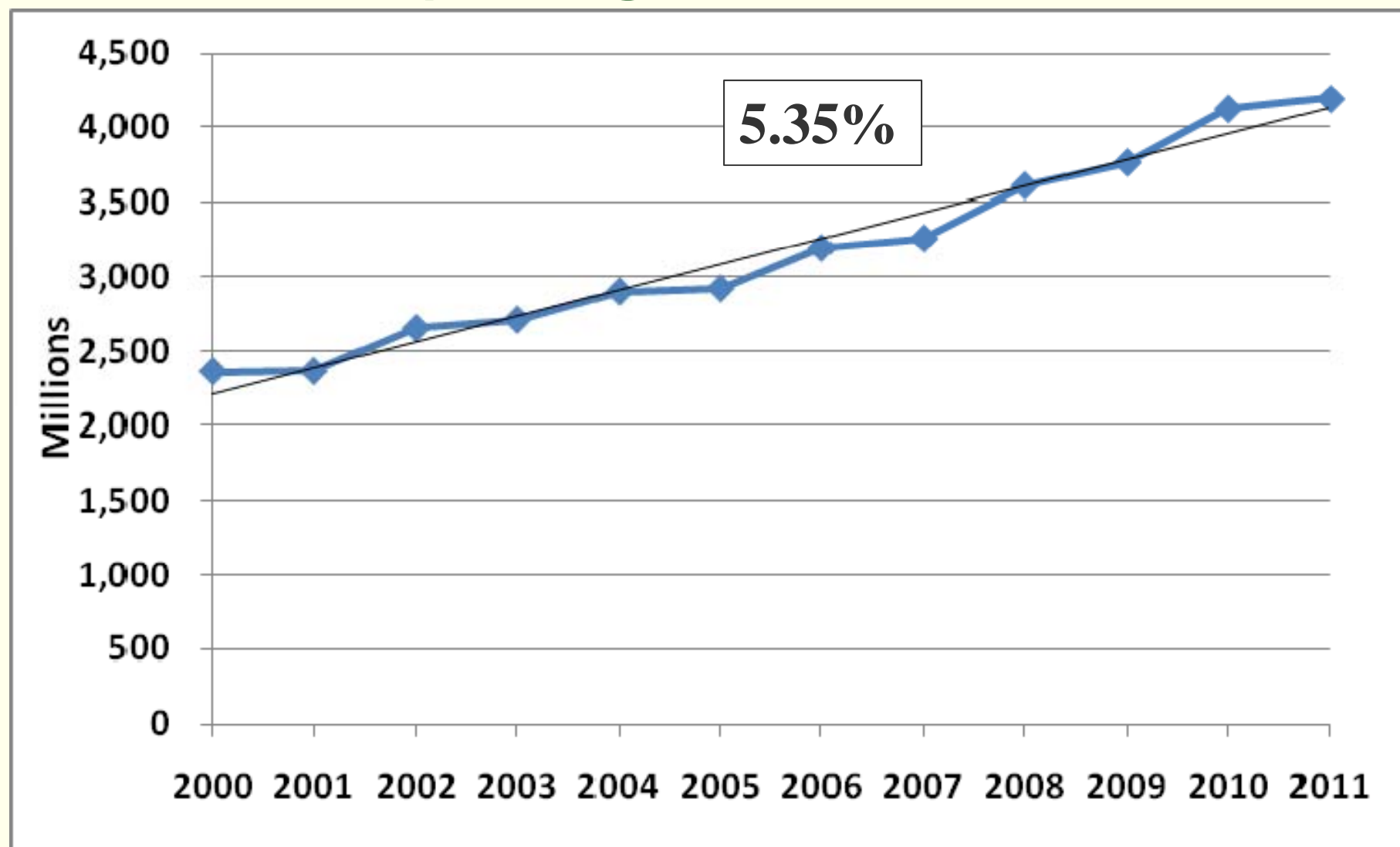
Reliance on Federal Funds

General, State, Federal Spending - FY 2011
Figures in Millions



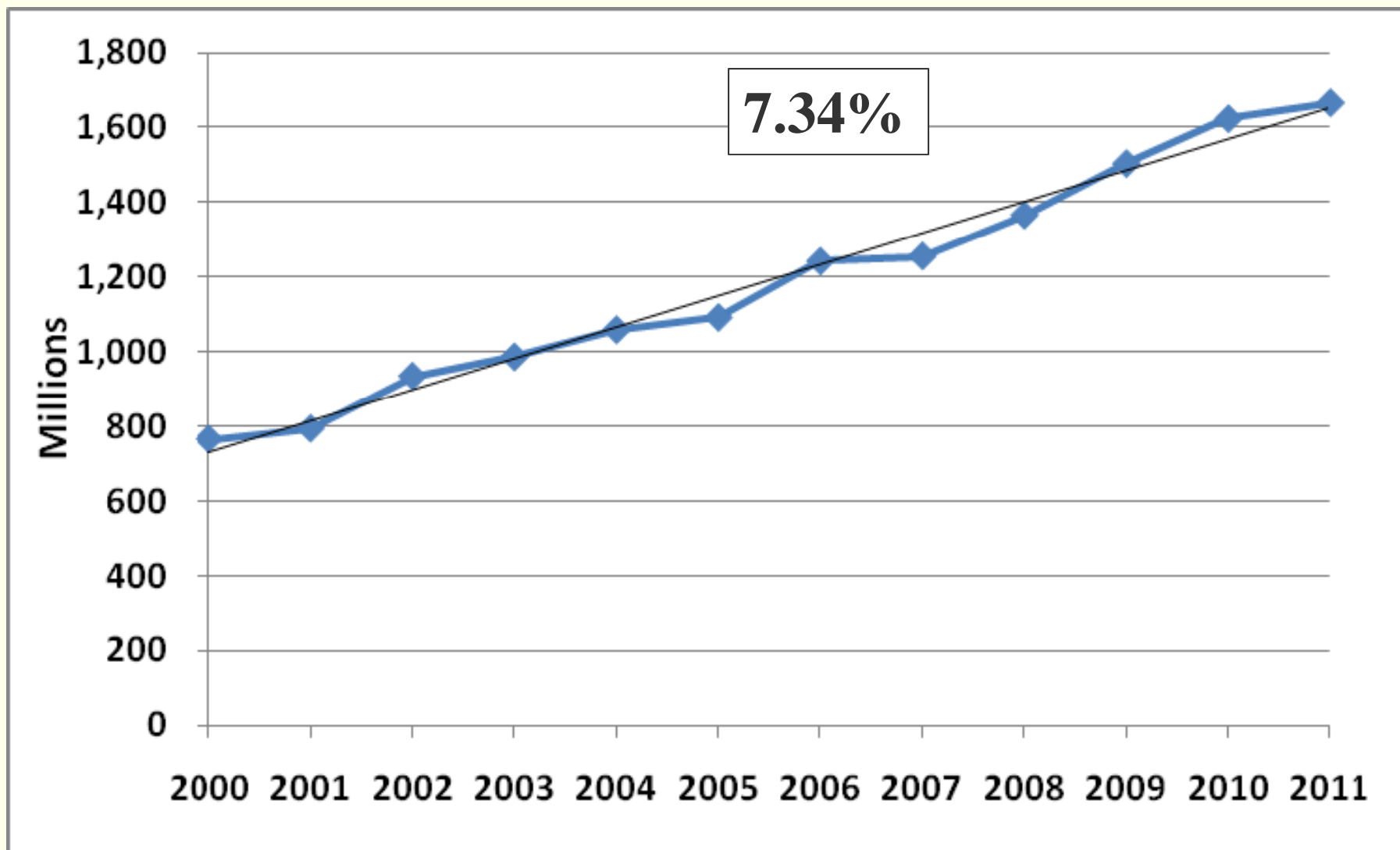


State Spending Trends – Statewide



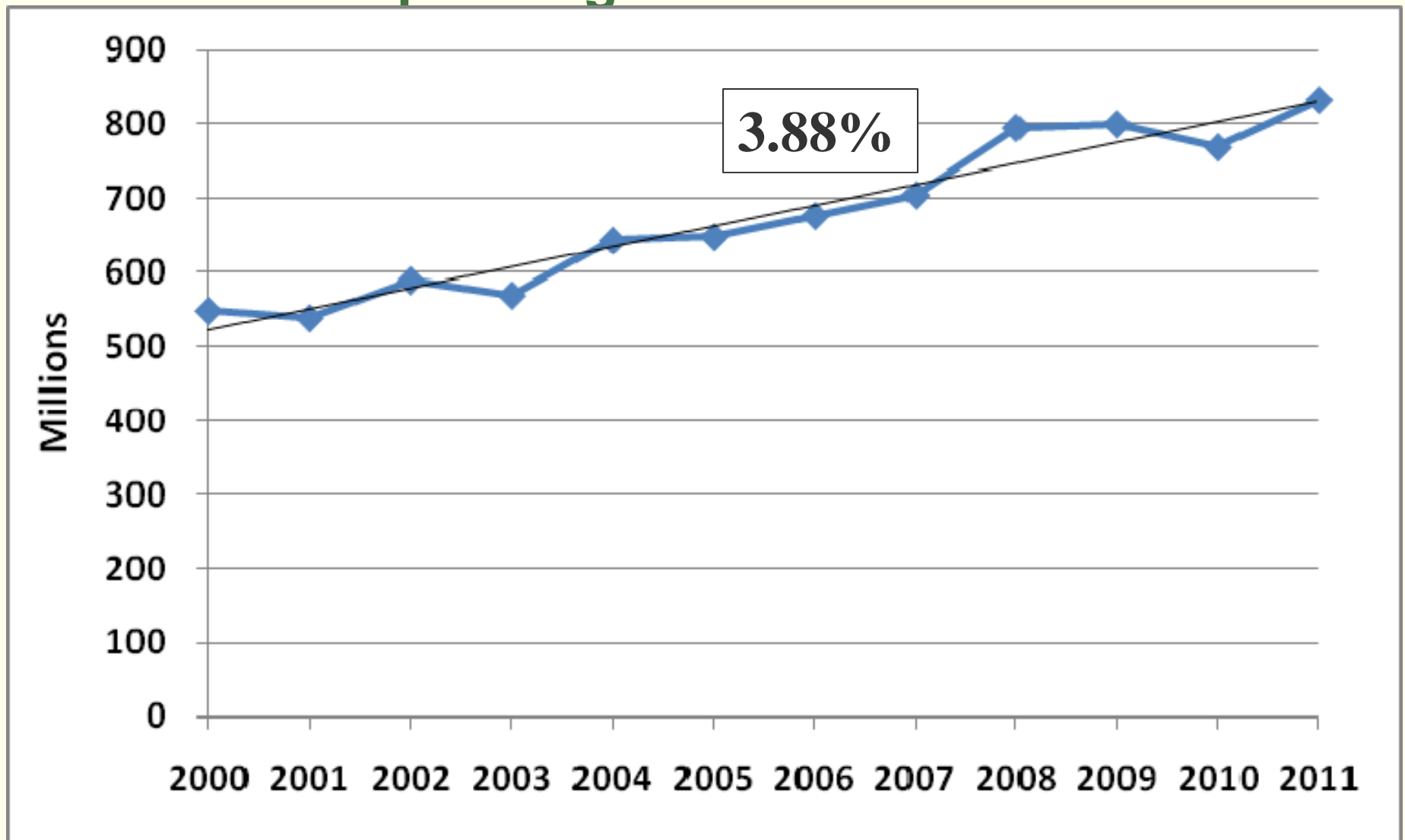


State Spending Trends - Public Health & Human Services



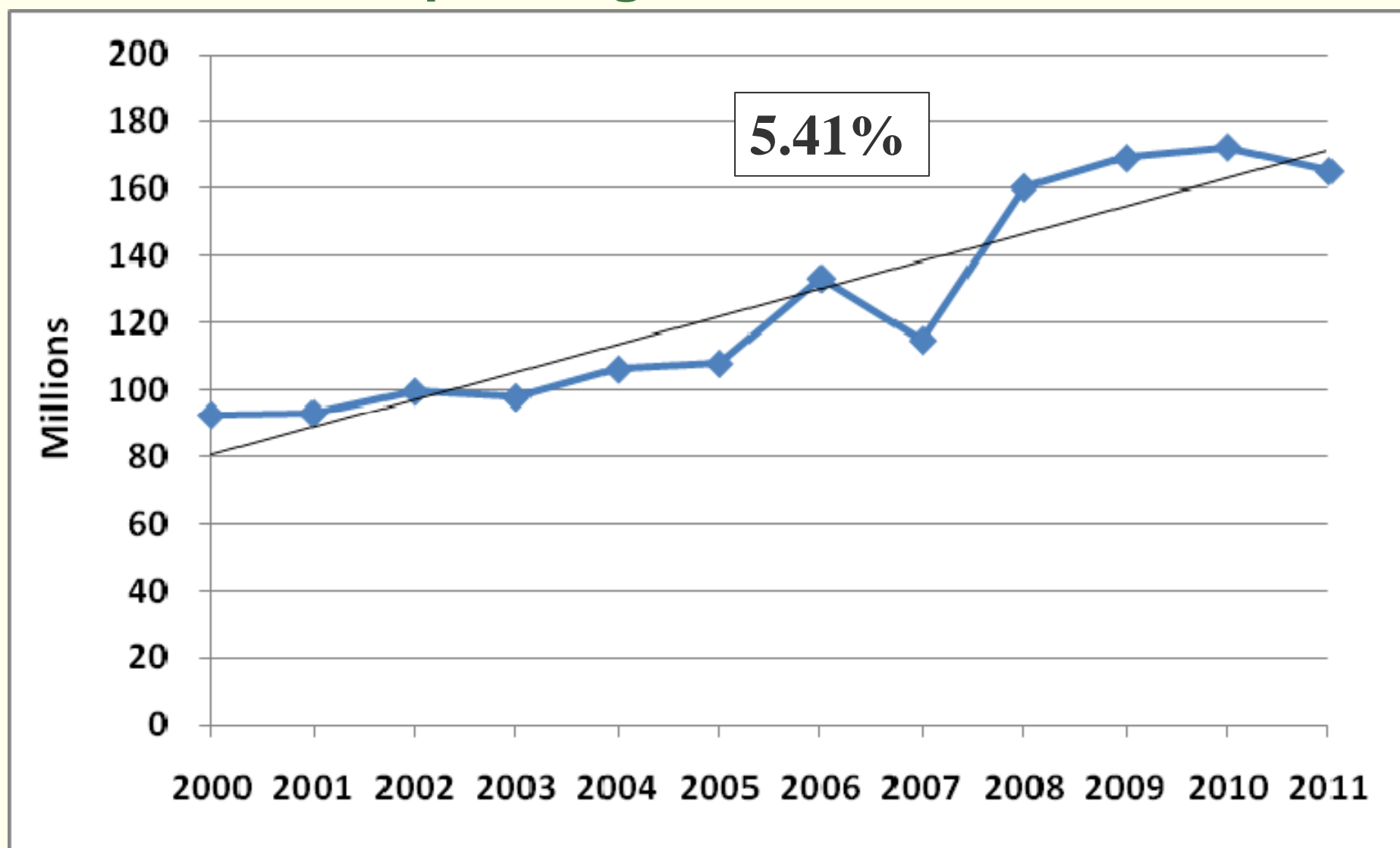


State Spending Trends – Public Schools



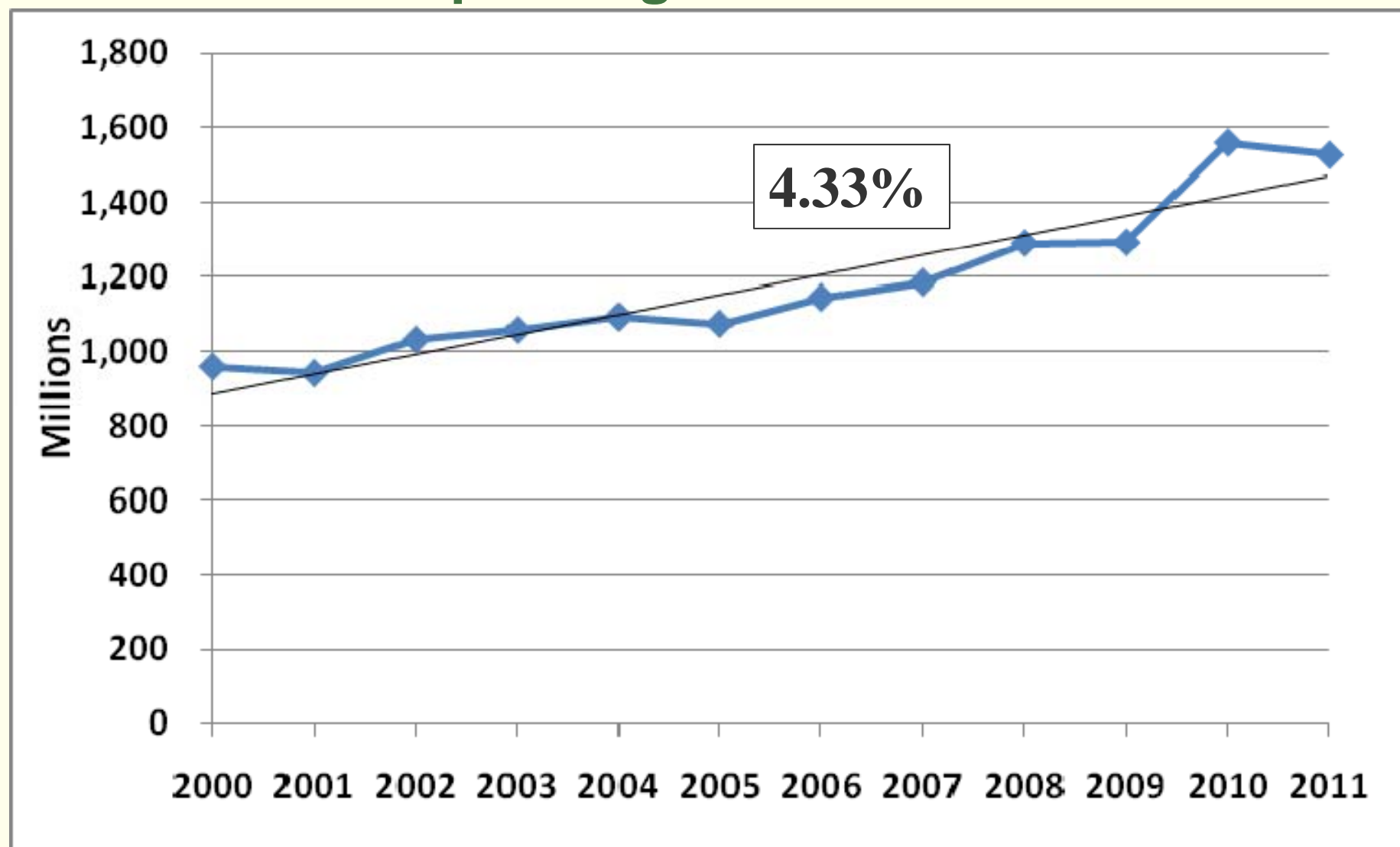


State Spending Trends - Corrections





State Spending Trends - All Other





Summary – Significant Issues to Monitor



- General Fund Growth Potential
- Changing Demographics
- Reliance on Federal Funds
- State Spending Trends
- Natural Resource Trends
- Pension Funds
- Litigation Potentials
- SB 426 – Potential Tax Relief



Questions?

Visit us online: www.leg.mt.gov/css/fiscal

Call us: 406.444.2986



Legislative Fiscal Division



www.leg.mt.gov/css/fiscal