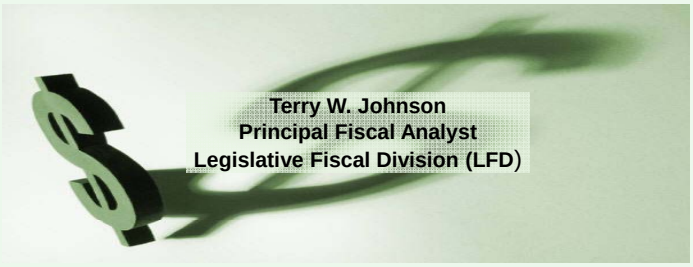
Revenue Estimation Overview
Legislative Fiscal Division



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

November 19, 2010

Revenue and Transportation Interim Committee

1

Presentation Outline

- Staff Recognition
- Economic Forecasting Services and Comparison
- Where Does General Fund Revenue Come From?
- Major Revenue Source Forecasts
- Federal Tax Policy Impacts
- What Changed this Biennium?
- Revenue Estimate Recommendations

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LFD Revenue Staff

- Terry Johnson
- Roger Lloyd
- Jim Standaert
- Cathy Duncan
- Stephanie Morrison
- Brian Hannan

Legislative Fiscal Division

Subscribed Forecast Services

IHS Global Insight

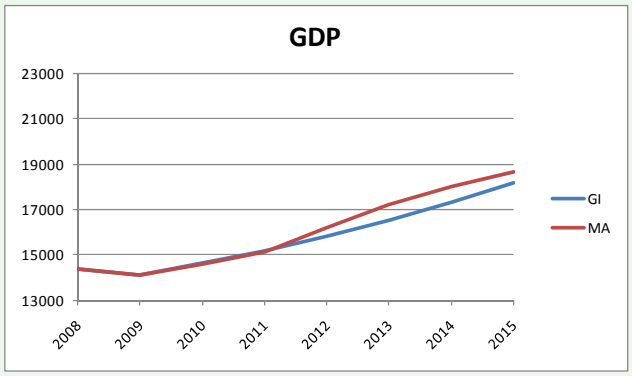
- **National and Montana specific forecasts**

Moody's Analytics – Since September 2010

- **National and Montana specific forecasts**

Selected Economic Variable Comparison

Gross Domestic Product (GDP)



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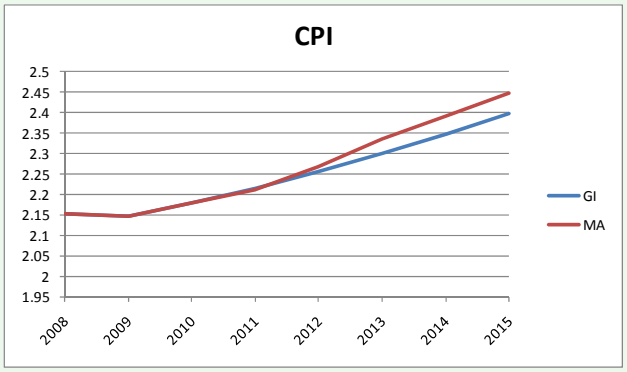
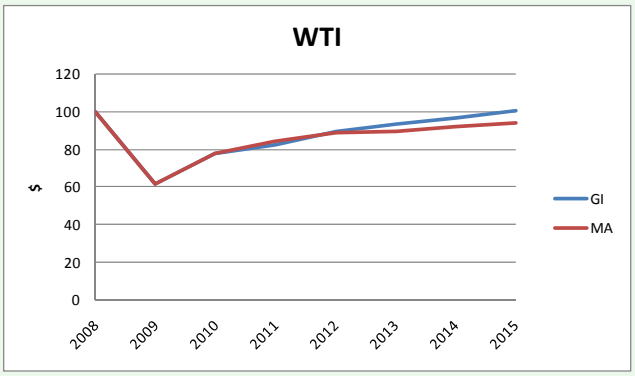
Consumer Price Index (CPI)



West Texas Intermediate (WTI) Price



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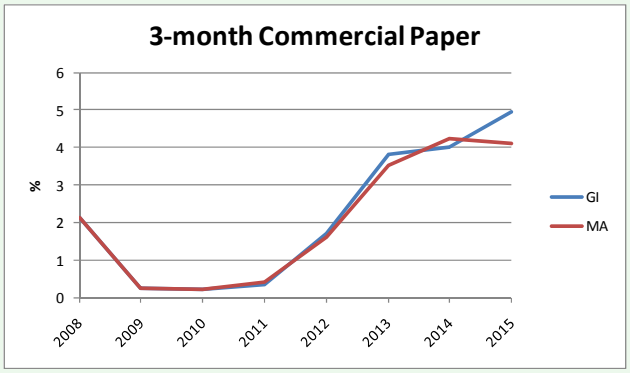
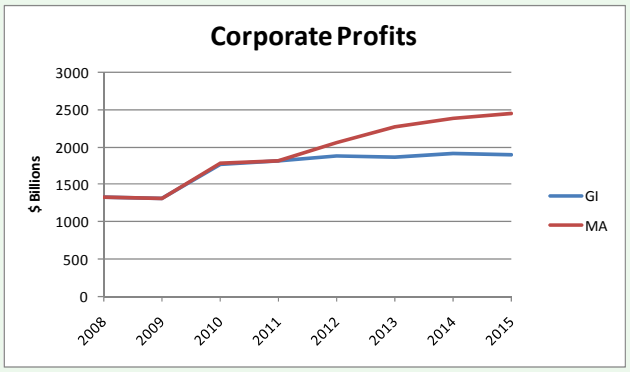
3 Month Commercial Paper

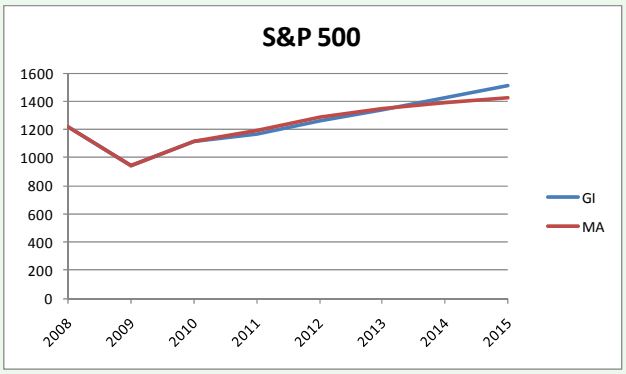


U.S. Corporate Profits

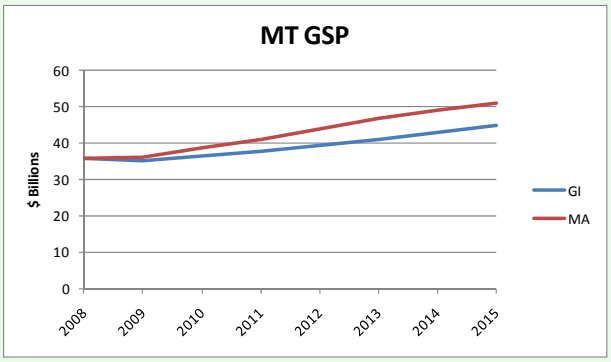


Legislative Fiscal Division

S&P 500 Index



Gross State Product (GSP)



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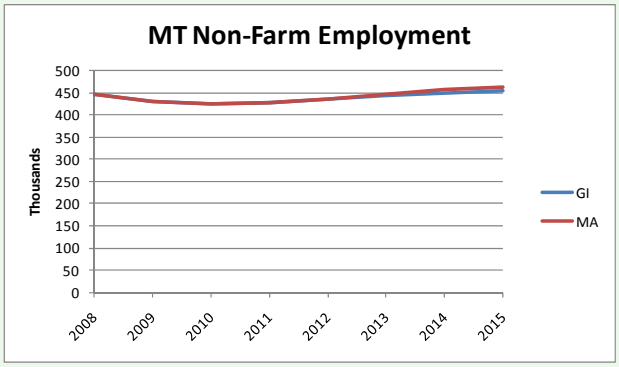
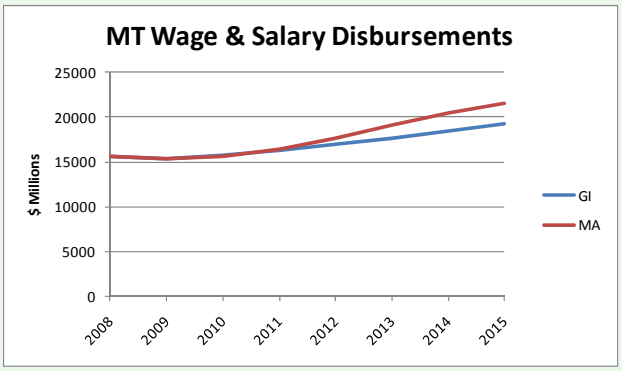
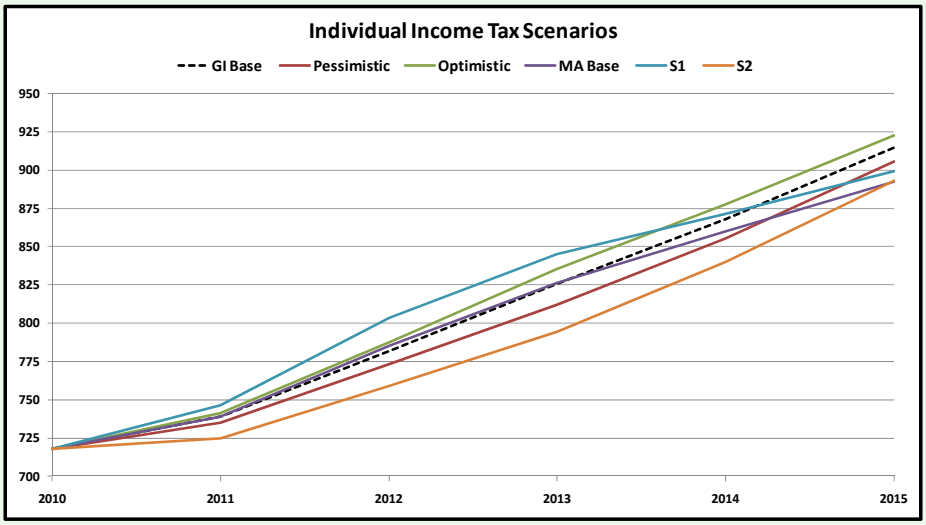
Montana Non-Farm Employment



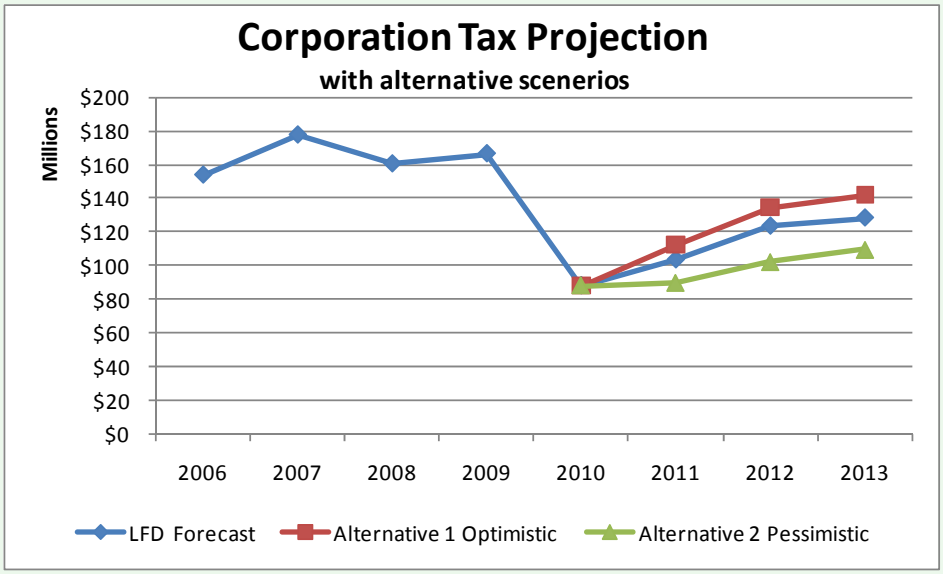
Montana Wage & Salary Disbursements



Individual Income Tax with Alternative Scenarios						
FY	LFD Estimate	GI Pessimistic	GI Optimistic	MA Base	MA S1	MA S2
2006	$768,922,343	-	-	-	-	-
2007	827,145,498	-	-	-	-	-
2008	866,658,538	-	-	-	-	-
2009	815,138,193	-	-	-	-	-
2010	717,834,371	-	-	-	-	-
2011	738,760,983	734,816,267	741,035,936	739,135,732	746,550,527	725,040,857
2012	781,891,417	773,047,122	787,734,236	785,189,140	803,242,100	759,210,259
2013	825,590,910	812,141,507	835,450,135	826,346,177	845,112,720	794,068,598



Corporation Tax with Alternative Scenerios			
FY	LFD Forecast	Alternative 1 Optimistic	Alternative 2 Pessimistic
2006	$153,675,068		
2007	177,503,707		
2008	160,341,786		
2009	166,354,514		
2010	87,900,911		
2011	103,319,487	$112,494,360	$89,413,313
2012	123,314,052	134,387,762	102,067,048
2013	128,177,697	142,060,203	109,535,918



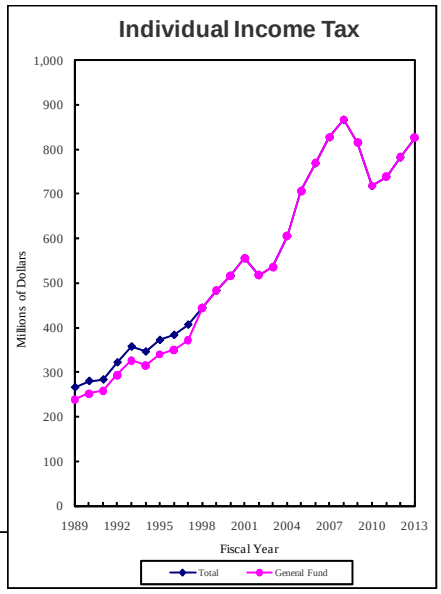
General Fund Top Six Sources

Major General Fund Revenue Sources

	Category	Actual FY 2010	% of Total	Cumulative Percent
1	Individual Income Tax	717,834,371	44.12%	44.12%
2	Property Tax	222,509,767	13.67%	57.79%
3	Vehicle Fees/Taxes	103,861,549	6.38%	64.17%
4	Oil & Gas Production Tax	95,490,812	5.87%	70.04%
5	Corporation Income Tax	87,900,911	5.40%	75.44%
6	Video Gaming Tax	52,395,999	3.22%	78.66%
	Remaining Sources	347,151,129	21.33%	99.99%
	Total	**$1,627,144,538**		

Legislative Fiscal Division

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	265.539814	238.963596	Not App.
A	1990	279.642960	252.230465	5.55%
A	1991	282.960086	258.216424	2.37%
A	1992	321.538093	293.564151	13.69%
A	1993	356.986934	326.187735	11.11%
A	1994	345.643403	315.677433	-3.22%
A	1995	371.902909	339.939156	7.69%
A	1996	383.091612	350.161013	3.01%
A	1997	406.275740	371.275410	6.03%
A	1998	444.160729	444.160729	19.63%
A	1999	483.031571	483.031571	8.75%
A	2000	516.261912	516.261912	6.88%
A	2001	556.014554	556.014554	7.70%
A	2002	517.567691	517.567691	-6.91%
A	2003	535.830664	535.830664	3.53%
A	2004	605.582309	605.348420	12.97%
A	2005	707.343333	706.234579	16.67%
A	2006	768.922343	768.922343	8.88%
A	2007	827.145498	827.145498	7.57%
A	2008	866.658538	866.658538	4.78%
A	2009	815.138193	815.138193	-5.94%
A	2010	717.834371	717.834371	-11.94%
F	2011	738.761000	738.761000	2.92%
F	2012	781.891000	781.891000	5.84%
F	2013	825.590000	825.590000	5.59%



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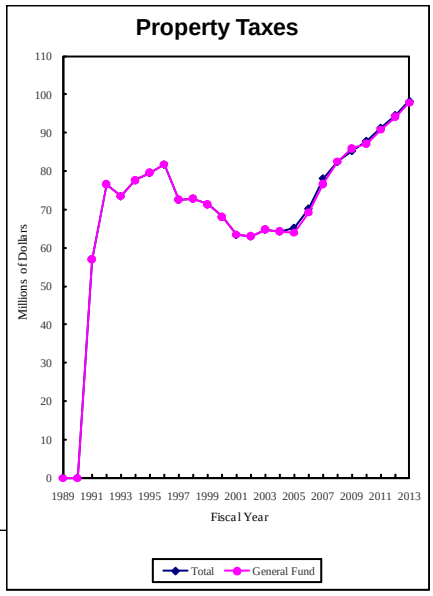
Legislative Fiscal Division

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	114.444609	114.444609	Not App.
A	1990	133.619694	112.374543	-1.81%
A	1991	196.551532	176.154583	56.76%
A	1992	228.220531	206.138029	17.02%
A	1993	231.757476	207.646372	0.73%
A	1994	223.577122	202.381945	-2.54%
A	1995	226.944990	205.842671	1.71%
A	1996	226.234755	204.082588	-0.86%
A	1997	231.943080	209.284365	2.55%
A	1998	224.562154	202.350380	-3.31%
A	1999	225.681256	202.774979	0.21%
A	2000	215.866432	194.196158	-4.23%
A	2001	201.103545	180.050247	-7.28%
A	2002	181.923409	169.339388	-5.95%
A	2003	183.690786	171.679862	1.38%
A	2004	180.905286	169.530994	-1.25%
A	2005	182.587822	167.270350	-1.33%
A	2006	192.118042	177.639199	6.20%
A	2007	206.872427	190.981939	7.51%
A	2008	218.222981	205.043751	7.36%
A	2009	229.945033	217.042057	5.85%
A	2010	239.055986	222.509767	2.52%
F	2011	245.192891	229.084000	2.95%
F	2012	254.491498	237.809000	3.81%
F	2013	260.081757	242.859000	2.12%



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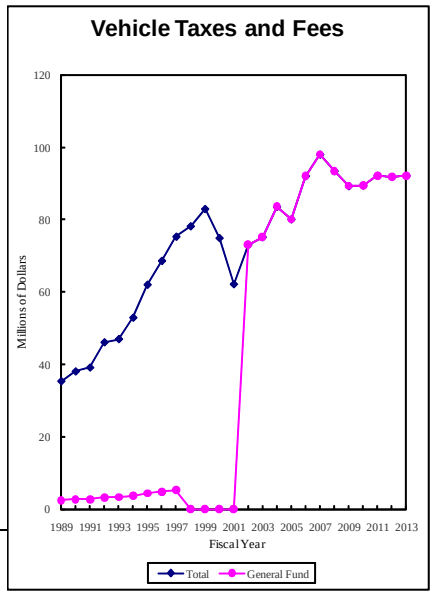
Legislative Fiscal Division

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	40.139702	2.471472	Not App.
A	1990	44.232002	8.869602	258.88%
A	1991	46.947105	10.582218	19.31%
A	1992	56.247735	13.378654	26.43%
A	1993	56.358436	12.670105	-5.30%
A	1994	62.629657	13.424539	5.95%
A	1995	71.925382	14.238226	6.06%
A	1996	78.442141	14.605759	2.58%
A	1997	85.645500	15.588374	6.73%
A	1998	88.988649	10.778306	-30.86%
A	1999	94.058206	11.053035	2.55%
A	2000	86.666587	11.715716	6.00%
A	2001	74.720471	12.548251	7.11%
A	2002	100.548823	100.398624	700.10%
A	2003	104.092316	103.537563	3.13%
A	2004	115.208780	114.330455	10.42%
A	2005	111.494279	110.771948	-3.11%
A	2006	114.000647	113.292384	2.28%
A	2007	117.211161	116.471506	2.81%
A	2008	113.108912	112.487931	-3.42%
A	2009	105.240081	104.679977	-6.94%
A	2010	104.401578	103.861549	-0.78%
F	2011	107.587000	107.025000	3.05%
F	2012	107.175000	106.615000	-0.38%
F	2013	107.561000	106.999000	0.36%



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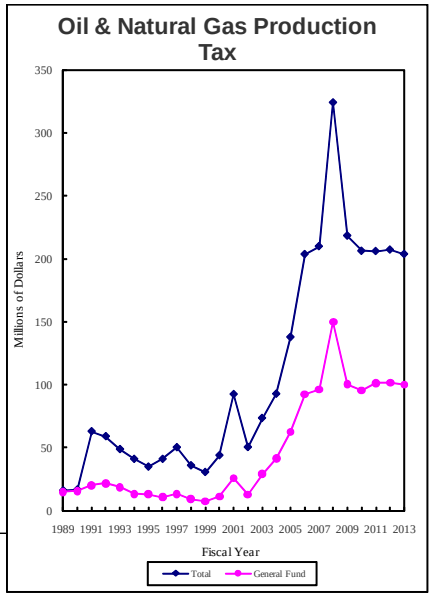
Legislative Fiscal Division

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	15.748241	14.959251	Not App.
A	1990	16.486405	15.567426	4.07%
A	1991	62.879742	20.163269	29.52%
A	1992	58.892324	21.822893	8.23%
A	1993	48.650604	18.676586	-14.42%
A	1994	40.871318	13.403408	-28.23%
A	1995	34.704332	12.963887	-3.28%
A	1996	40.826475	10.665986	-17.73%
A	1997	50.150068	13.283093	24.54%
A	1998	35.709042	9.120152	-31.34%
A	1999	30.446634	7.505617	-17.70%
A	2000	43.772950	11.362741	51.39%
A	2001	92.395790	25.791723	126.99%
A	2002	50.303610	12.902439	-49.97%
A	2003	73.389376	29.086038	125.43%
A	2004	92.676050	41.323718	42.07%
A	2005	137.754331	62.625939	51.55%
A	2006	203.681078	92.562800	47.80%
A	2007	209.946350	96.334992	4.08%
A	2008	324.311270	149.993826	55.70%
A	2009	218.425215	100.490971	-33.00%
A	2010	206.286267	95.490812	-4.98%
F	2011	206.132000	101.421247	6.21%
F	2012	207.277000	101.803362	0.38%
F	2013	203.815000	100.119249	-1.65%



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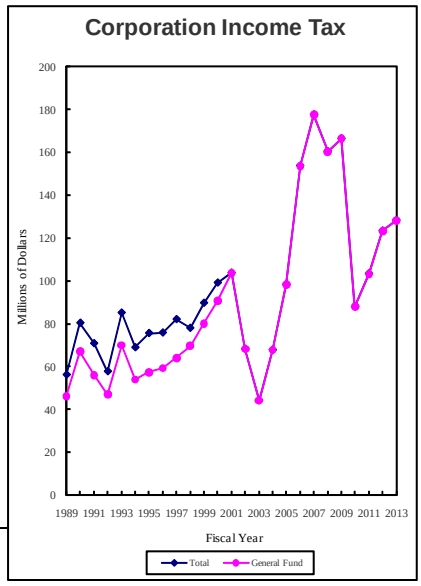
Legislative Fiscal Division

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	56.139749	46.152627	Not App.
A	1990	80.315504	67.087905	45.36%
A	1991	70.784279	56.006784	-16.52%
A	1992	57.682672	47.027797	-16.03%
A	1993	85.054483	70.003987	48.86%
A	1994	68.871909	53.996713	-22.87%
A	1995	75.519940	57.425136	6.35%
A	1996	75.761891	59.336677	3.33%
A	1997	81.999138	64.078549	7.99%
A	1998	77.928498	69.724680	8.81%
A	1999	89.624560	80.142416	14.94%
A	2000	99.088867	90.682672	13.15%
A	2001	103.670487	103.670487	14.32%
A	2002	68.173253	68.173253	-34.24%
A	2003	44.137518	44.137518	-35.26%
A	2004	67.722940	67.722940	53.44%
A	2005	98.213716	98.213716	45.02%
A	2006	153.675068	153.675068	56.47%
A	2007	177.503707	177.503707	15.51%
A	2008	160.341786	160.341786	-9.67%
A	2009	166.354514	166.354514	3.75%
A	2010	87.900911	87.900911	-47.16%
F	2011	103.320000	103.320000	17.54%
F	2012	123.315000	123.315000	19.35%
F	2013	128.179000	128.179000	3.94%



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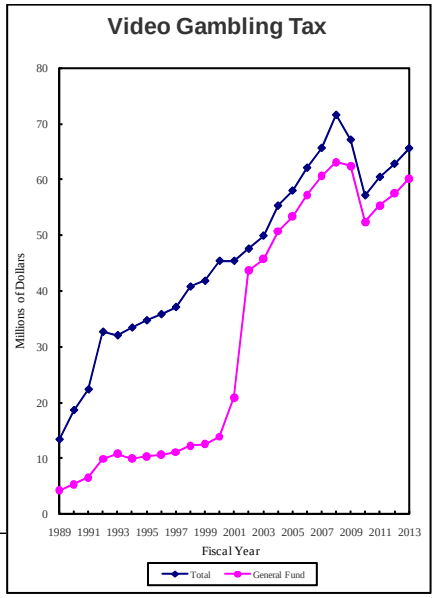
Legislative Fiscal Division

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	13.375319	4.249364	Not App.
A	1990	18.625011	5.302840	24.79%
A	1991	22.349233	6.551179	23.54%
A	1992	32.680802	9.875213	50.74%
A	1993	32.058946	10.818364	9.55%
A	1994	33.453057	9.955424	-7.98%
A	1995	34.741154	10.346068	3.92%
A	1996	35.846067	10.666089	3.09%
A	1997	37.132691	11.073315	3.82%
A	1998	40.799673	12.256082	10.68%
A	1999	41.837753	12.559098	2.47%
A	2000	45.426465	13.850821	10.29%
A	2001	45.427406	20.891449	50.83%
A	2002	47.597125	43.666145	109.01%
A	2003	49.942010	45.794025	4.87%
A	2004	55.323853	50.748949	10.82%
A	2005	58.038258	53.361007	5.15%
A	2006	62.128935	57.277216	7.34%
A	2007	65.684155	60.641063	5.87%
A	2008	71.606752	63.134000	4.11%
A	2009	67.170939	62.458106	-1.07%
A	2010	57.195366	52.395999	-16.11%
F	2011	60.477000	55.340000	5.62%
F	2012	62.842000	57.562000	4.02%
F	2013	65.631000	60.199000	4.58%



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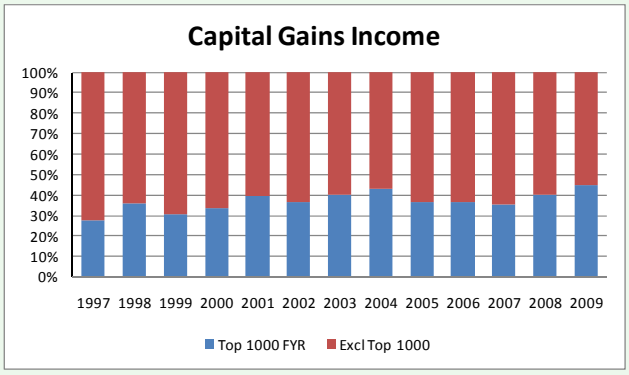
Risk Assessment

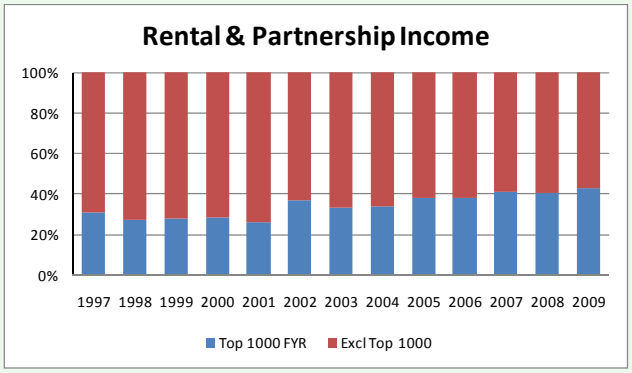
Individual Income Tax

- Variability – High
- Critical Assumptions – Wage and Salary Income
  - Capital Gains Income
  - Rent, Royalty, Partnership Income
  - Taxpayer Payment Behavior
  - DOR Audit Program

Income Tax Highlight – Capital Gains Income



Income Tax Highlight – Rent/Royalty/ Partnership Income



Risk Assessment

Property Tax
- Variability – Low
- Critical Assumptions – Business Equipment Property
  – Centrally Assessed Property
  – Generation Facilities
  – New Facilities

Vehicle Fees
- Variability – Low
- Critical Assumptions – Vehicle Distribution Change

Risk Assessment

Oil and Gas Production

- Variability – High
- Critical Assumptions – Oil Wellhead Price
  – Gas Wellhead Price
  – Oil Production by Type
  – Gas Production by Type

Corporation Income Tax

- Variability – High
- Critical Assumptions – Corporation Profitability
  – Net Operating Loss Carryback
  – Taxpayer Payment Behavior
  – DOR Audit Program

Risk Assessment

Video Gaming Tax

- Variability – Low
- Critical Assumptions – Disposable Income
  – Smoking Ban Impact

Impact of Bush Tax Reductions

Repeal of Bush Tax Reductions
Estimated Impact in Millions

Revenue Category	Estimated FY 2011	Estimated FY 2012	Estimated FY 2013	3 Year Total
Individual Income Tax	(0.118)	(0.254)	(0.155)	(0.527)
Estate Tax	1.530	7.669	12.356	21.555
Totals	**$1.412**	**$7.415**	**$12.201**	**$21.028**

Legislative Fiscal Division

Revenue Estimate Comparison

General Fund Revenue Estimate Comparisons
LFD Big Picture Estimates versus Revised Estimates (Millions)

Revenue Category	Big Picture Estimate FY 2012	Big Picture Estimate FY 2013	LFD Rev. Estimate FY 2012	LFD Rev. Estimate FY 2013	Big Picture Estimate 2013 Biennium	LFD Rev. Estimate 2013 Biennium	Change
Individual Income Tax	801.321	854.057	781.891	825.590	1,655.378	1,607.481	(47.897)
Property Tax	239.082	243.529	237.809	242.859	482.611	480.668	(1.943)
Corporation Income Tax	79.868	91.106	123.315	128.179	170.974	251.494	80.520
Vehicle Taxes and Fees	103.778	104.714	106.615	106.999	208.492	213.614	5.122
Oil and Gas Production Tax	95.174	91.840	101.803	100.119	187.014	201.922	14.908
Video Gaming Tax	64.335	67.772	57.562	60.199	132.107	117.761	(14.346)
Insurance Premiums Tax	59.276	60.854	57.500	60.789	120.130	118.289	(1.841)
Treasury Cash Interest	20.147	25.712	6.173	17.398	45.859	23.571	(22.288)
All Other Categories	281.928	287.055	281.099	283.831	568.983	564.930	(4.053)
Totals	**$1,744.909**	**$1,826.639**	**$1,753.767**	**$1,825.963**	**$3,571.548**	**$3,579.730**	**$8.182**

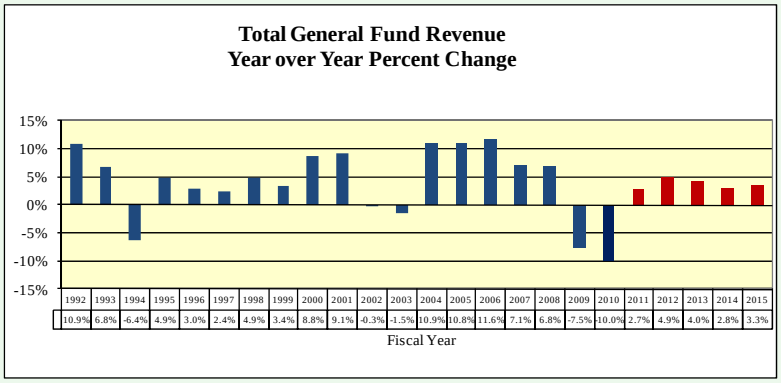
What Changed 2011 Biennium?

What Happened?

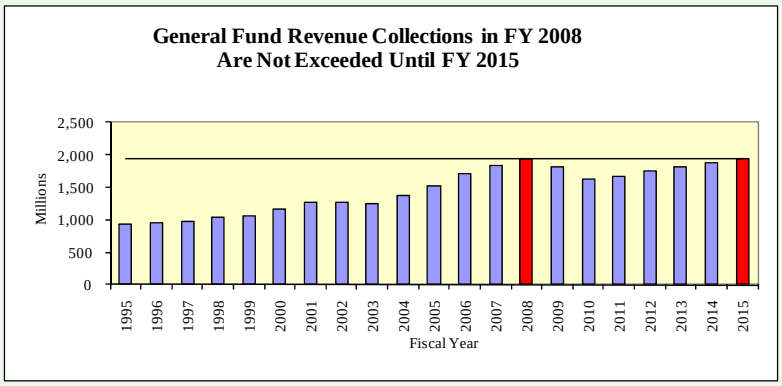
Changes Since Adjournment 61st Legislature	2011 Biennium Millions
Federal Fiscal Policies	83.4
Spending Reductions	41.0
Otter Creek Bonus Payment	81.5
Total Biennium Change	**$205.9**

Legislative Fiscal Division

General Fund Revenue Outlook



General Fund Revenue Long-Term Trend



Legislative Fiscal Division

Summary

- Revenue Stability Since February
- Federal Tax Policies
- Loss of Federal Stimulus $'s
- Non-Wage Income
- World Economic Volatility
- Recommend Adoption of LFD Assumptions