

# GENERAL FUND REVENUE UPDATE FISCAL 2010

A Report Prepared for the  
**Revenue and Transportation Interim Committee**  
**Legislative Finance Committee**

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**Legislative Fiscal Division**



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## INTRODUCTION

The purpose of this report is to provide the committees with general fund revenue collection data through February FY 2009 compared to February FY 2010. This and future updates are intended to provide the most recent information on general fund revenue collections as we proceed through the 2011 biennium. These reports, most of the time, will only highlight the significant revenue sources with a brief explanation of what trends may be developing. It should be noted that these reports are designed to be similar in content and structure from month to month so new readers will have the benefit of the historical information provided.

As a reminder, during the regular legislative session, our office recommended to the 61st Legislature that the general fund revenue estimates be decreased by \$292.6 million for fiscal 2009, 2010, and 2011. The House Taxation Committee adopted these recommendations and included the assumptions in HJ 2, the revenue estimating resolution. The reduced revenue was anticipated from major sources such as individual and corporation income taxes and oil and gas production taxes. The revenue estimates used by the legislature for the 2011 biennium have been incorporated into this report.

## THE BOTTOM LINE

Total general fund revenue collections through February continue to lag the revenue estimates used by the 61<sup>st</sup> Legislature for FY 2010. As shown in Figure 1, total general fund revenues are estimated to be \$349.9 million less than anticipated by the 61<sup>st</sup> Legislature, the same amount as estimated last month. The potential shortfall from vehicle fees/taxes is based on information received from the Department of Justice (DOJ) extracted from their new automated system (MERLIN). The vehicle fee/tax collections data shown on the Statewide Budgeting and Human Resource system (SABHRS) continue to show a substantial reduction when compared to FY 2009 collections.

Figure 1

<b>Estimated Revenue Changes From HJ 2 (Millions)</b>			
Category	FY 2010	FY 2011	Biennium
Individual Income Tax	(\$118.1)	(\$95.0)	(\$213.1)
Corporation Income Tax	(58.2)	(52.7)	(110.9)
Oil & Gas Production Tax	21.3	12.3	33.6
TCA Interest	(4.5)	(6.4)	(10.9)
Video Gaming Tax	(11.5)	(11.1)	(22.6)
Vehicle Fees/Taxes	(7.0)	(4.8)	(11.8)
Remaining Sources	<u>(4.1)</u>	<u>(10.1)</u>	<u>(14.2)</u>
<b>Current Estimate</b>	<b>(\$182.1)</b>	<b>(\$167.8)</b>	<b>(\$349.9)</b>
February Estimate	<u>(\$182.1)</u>	<u>(\$167.8)</u>	<u>(\$349.9)</u>
<b>Change From February Estimate</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

Figure 1a shows cumulative individual income tax collections through February versus the HJ 2 annual revenue estimate allocated by month. As shown in Figure 1a, individual income tax collections are not keeping pace with the HJ 2 estimate and are lagging the estimate more each month. Our statistical analysis, however, suggests the estimate should be adjusted downward based on the level of refund activity observed in February. But because it is difficult to determine whether increased refund activity is due to electronic filing and the economic recession, a further negative adjustment will not be considered until additional return processing is completed in March and April.

The difference shown for December in Figure 1a, however, did show a small improvement from previous months. This was because November's difference "spiked" due to an unusual large refund that reduced collections significantly. Based on these trends, individual income tax collections could be below the HJ 2 estimate by \$118 million for FY 2010.

Figure 1a

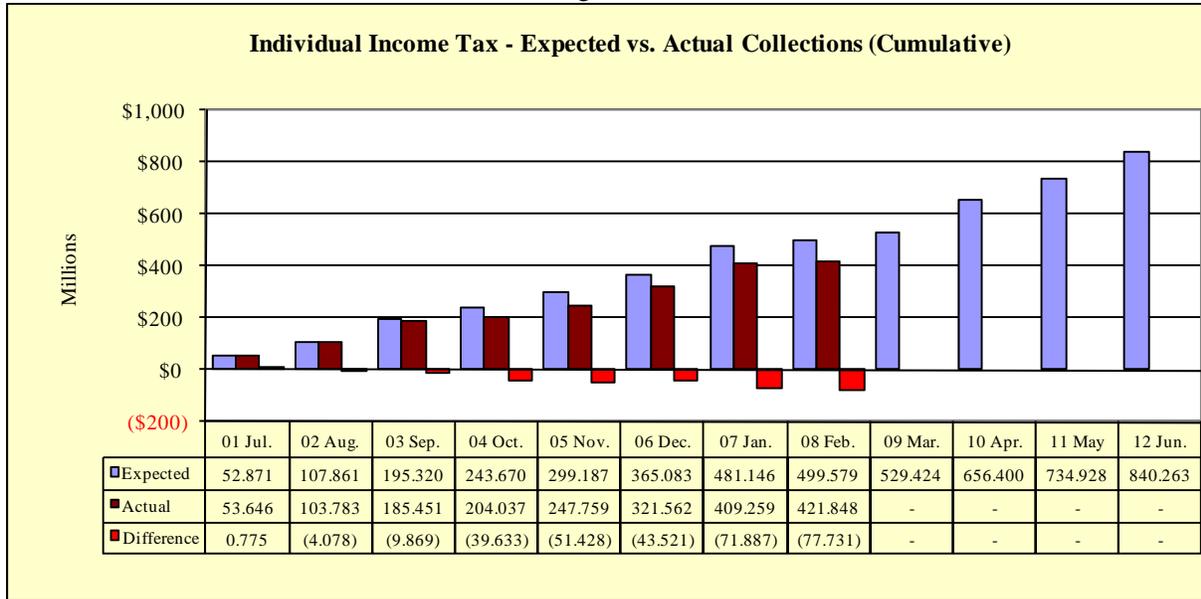
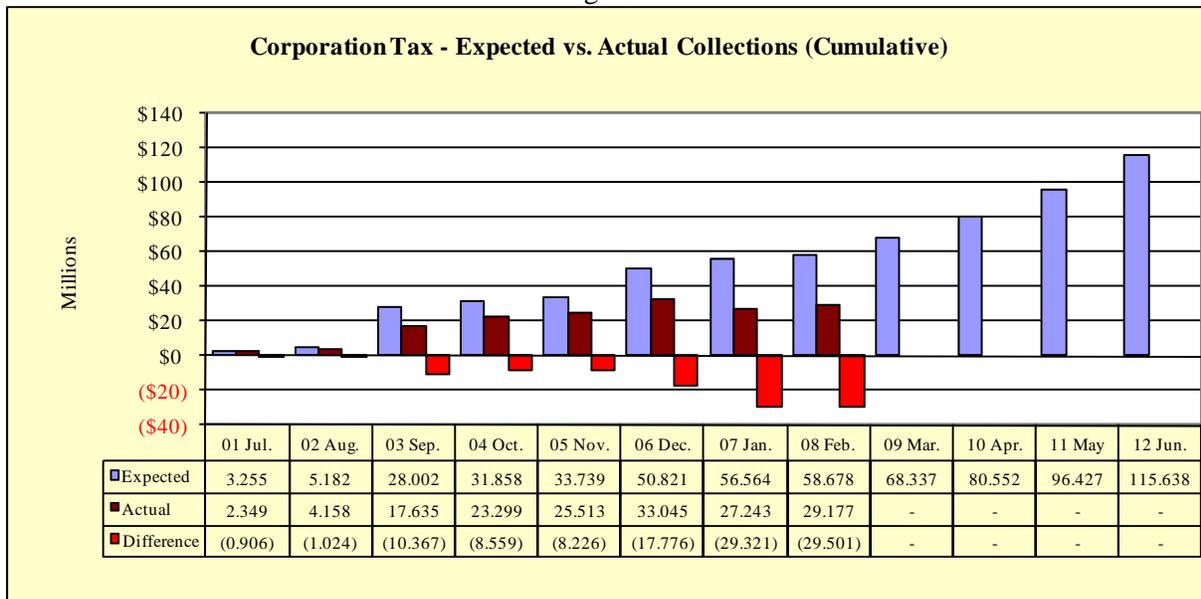


Figure 2 shows cumulative corporation income tax collections through February versus the HJ 2 annual revenue estimate allocated by month. As shown in Figure 2, corporation income tax collections are not keeping pace with the HJ 2 estimate but have stabilized by the end of February. This was not unexpected because revenue collections during the month of February are minimal. Based on these trends, corporation income tax collections could be below the HJ 2 estimate by \$58 million for FY 2010.

Figure 2



When the potential shortfall from individual and corporation income taxes, TCA interest earnings, video gaming taxes, vehicle fees/taxes, and the remaining sources is combined with the potential excess from oil and gas production taxes, total general fund revenues could be below the HJ 2 revenue estimate for FY 2010 by \$182.1 million. Using these trends combined with recent economic and tax return data, FY 2011 general fund revenues could also be below the HJ 2 revenue estimate by \$167.8 million. Combined, the total general fund 2011 biennium revenue shortfall could be \$349.9 million or about 9.7 percent of the HJ 2 revenue estimates.

The 61<sup>st</sup> Legislature adopted a policy to maintain a higher general fund ending fund balance for the 2011 biennium (\$282.4 million) in the event of revenue shortfalls. The potential shortfalls discussed above would decrease this

Figure 2a

<b>Legislative Fiscal Division - General Fund Outlook</b>					
Figures in Millions					
	<b>Revised FY 2010</b>	<b>Revised FY 2011</b>	<b>2009 Biennium</b>	<b>2011 Biennium</b>	<b>Biennial \$ Change</b>
Beginning Fund Balance	\$391.964	\$138.285	\$543.541	\$391.964	(\$151.577)
Revenue					
LFD Revenue Estimate	1,590.833	1,661.583	3,761.508	3,252.416	(509.092)
Total Funds Available	\$1,982.797	\$1,799.868	\$4,305.049	\$3,644.380	(\$660.669)
Disbursements					
General Appropriations - HB2	1,498.930	1,565.832	3,398.123	3,064.762	(333.361)
Stimulus Approps. - HB645	53.069	57.052	-	110.121	110.121
Stimulus Transfers - HB645	79.247	38.209	-	117.456	117.456
Statutory Appropriations	179.451	181.379	422.348	360.830	(61.518)
Transfers	8.924	13.022	273.280	21.946	(251.334)
Other Appropriations	33.864	3.906	-	37.770	37.770
Feed Bill	2.929	10.608	-	13.537	13.537
Reversions	(5.193)	(7.105)	(164.732)	(12.298)	152.434
Total Disbursements	\$1,851.221	\$1,862.903	\$3,929.019	\$3,714.124	(\$214.895)
Fund Balance Adjustments	6.709	-	15.934	6.709	(9.225)
Ending Fund Balance Before Other Issues	\$138.285	(\$63.035)	\$391.964	(\$63.035)	(\$454.999)
Other Fiscal Issues					
Executive Spending Proposals					
Spending Reductions	11.063	28.706	-	39.769	39.769
Revenue Transfers	0.271	0.417	-	0.688	0.688
Reductions Requiring Legislation	-	20.960	-	20.960	20.960
Tier 3 FMAP Change	5.316	13.940	-	19.256	19.256
Tier 3 Revenue Change	1.094	2.790	-	3.884	3.884
Total Executive Proposals	\$17.744	\$66.813	\$0.000	\$84.557	\$84.557
Legislative Spending Proposals	-	0.586	-	0.586	0.586
Judicial Spending Proposals	0.002	0.617	-	0.619	0.619
Federal Clawback	6.331	2.032	-	8.363	8.363
Total Disbursements	\$1,828.509	\$1,796.062	\$3,929.019	\$3,624.571	\$343.822
Ending Fund Balance After Other Issues	\$162.362	\$31.090	\$391.964	\$31.090	(\$360.874)

<b>Other Fund Balance Issues Not Included</b>					
Supplemental Appropriations					
Pending Litigation					
Otter Creek Coal Leases					
PPL Inc., River Bed Lease Payments					
Federal Enhanced FMAP Rate Extension					

projected balance to negative \$63.0 million before the spending reduction proposals of the executive. This projected balance includes the additional \$5.0 million received in the FY 2009 ending balance but does not include any supplemental appropriations. Staff is currently researching the need for supplemental appropriations.

The projected balance of negative \$63.0 million is mitigated to a positive \$31.1 million when the executive spending proposals are included. The Legislative Finance Committee (LFC) discussed the proposed executive budget reductions on March 4<sup>th</sup>. As of this writing, the Governor has not notified the LFD of final spending reductions.

When the revenue estimates, as prepared by the executive, are included in the general fund balance sheet, the projected balance at the end of the 2011 biennium is \$97.7 million. The main reason for the difference in the projected balance is the

revenue estimates for individual and corporation income taxes prepared by the respective offices. The executive is more optimistic than the legislative estimates for both of these tax sources during the 2011 biennium.

As discussed in previous general fund revenue reports, the revenue collection trends have progressively worsened the past several months. It is important to note that as monthly collections continue to lag the HJ 2 estimates, growth in subsequent months will need to be much greater to achieve the legislature's estimates. It also should be noted that as revenues fall below expectations, the structural imbalance (difference between on-going revenues and on-going expenditures) widens thereby creating a significant 2013 biennium budget challenge for the 2011 Legislature.

## GENERAL FUND REVENUE UPDATE

### FISCAL 2010 REVENUE COLLECTIONS

Based on information recorded on the Statewide Accounting, Budgeting, and Human Resource System (SABHRS), total general fund receipts through February for FY 2010 were \$844.3 million as shown in Figure 3. This compares to

\$1,076.0 million collected through February for FY 2009. This is a decline in collections from FY 2009 of \$231.8 million or a 21.5 percent decrease.

Total general fund collections as estimated by the legislature for FY 2010 were expected to be \$35.1 million (1.9 percent) below the FY 2009 actual collections. These estimates were used by the 61st Legislature and are contained in the adjusted HJ 2 (revenue estimate resolution plus impacts of enacted legislation). Most of this reduction was expected from corporate income tax, oil and gas production tax, and TCA (treasury cash account) investment earnings. Corporation income tax collections were expected to decline because of the impacts of the economic recession on corporate profits. Oil and gas production collections were expected to decline because of significantly reduced commodity prices and reduced production levels. TCA investments earnings were expected to decline because of the historical low level for short-term interest rates. Individual income tax, the largest general fund revenue source, was expected to increase as the effects of the economic recession were expected to subside by the end of FY 2010.

Figure 3 shows revenue collection and estimate data by major revenue category. The last three columns in the figure compare collections from each revenue source to the estimate contained in HJ 2. For example, corporation income tax (10<sup>th</sup> line) shows a negative \$67.5 million in the “Difference” column. This means collections through February of this year are \$67.5 million less than the amount received through February of FY 2009 for a negative 69.8 percent difference shown in the “% Change” column. The legislature assumed collections would be down by 30.5 percent shown in the last column. This means collections are lagging the legislative estimate and will need to accelerate in subsequent months to be on track with the HJ 2 estimate.

Figure 3

General Fund Revenue Monitoring Report							
Revenue Source	Actual Fiscal 2009	HJ2 Estimate * Fiscal 2010	Through 2/28/09	Through 2/28/10	Difference	% Change	HJ2 Estimate % Change
GF0100 Drivers License Fee	3,478,285	3,920,000	1,532,214.67	2,463,873.60	931,658.93	60.80%	12.70%
GF0200 Insurance Tax	50,038,468	58,762,000	23,639,833.48	24,160,693.67	520,860.19	2.20%	17.43%
GF0300 Investment Licenses	6,461,446	6,210,000	5,427,295.62	5,354,046.69	(73,248.93)	-1.35%	-3.89%
GF0400 Vehicle License Fee	89,334,878	92,247,000	53,933,239.74	46,656,439.67	(7,276,800.07)	-13.49%	3.26%
GF0500 Vehicle Registration Fee	15,344,744	17,970,000	9,624,318.20	7,018,581.68	(2,605,736.52)	-27.07%	17.11%
GF0600 Nursing Facilities Fee	5,468,766	5,213,000	2,744,418.27	2,657,196.16	(87,222.11)	-3.18%	-4.68%
GF0700 Beer Tax	3,114,729	3,218,000	1,691,555.24	1,819,738.76	128,183.52	7.58%	3.32%
GF0800 Cigarette Tax	34,320,412	32,007,000	22,257,109.14	20,500,357.86	(1,756,751.28)	-7.89%	-6.74%
GF0900 Coal Severance Tax	13,028,228	10,846,000	7,001,738.62	6,078,100.86	(923,637.76)	-13.19%	-16.75%
GF1000 Corporation Tax	166,354,514	115,638,000	96,634,367.79	29,176,500.79	(67,457,867.00)	-69.81%	-30.49%
GF1100 Electrical Energy Tax	4,824,659	4,717,000	2,420,371.57	2,107,117.39	(313,254.18)	-12.94%	-2.23%
GF1150 Wholesale Energy Trans Tax	3,864,771	3,931,000	1,981,912.59	1,784,837.41	(197,075.18)	-9.94%	1.71%
GF1200 Railroad Car Tax	2,099,454	2,295,000	1,574,554.79	1,977,026.66	402,471.87	25.56%	9.31%
GF1300 Individual Income Tax	815,138,193	840,263,000	540,684,539.18	421,848,022.20	(118,836,516.98)	-21.98%	3.08%
GF1400 Inheritance Tax	217,097	29,000	97,798.30	63,079.77	(34,718.53)	-35.50%	-86.64%
GF1500 Metal Mines Tax	5,992,923	3,248,000	407,410.34	7,225.90	(400,184.44)	-98.23%	-45.80%
GF1700 Oil Severance Tax	100,490,971	66,930,000	44,535,368.05	21,314,801.54	(23,220,566.51)	-52.14%	-33.40%
GF1800 Public Contractor's Tax	5,929,999	4,322,000	3,956,518.01	5,594,563.81	1,638,045.80	41.40%	-27.12%
GF1850 Rental Car Sales Tax	2,904,340	3,182,000	1,736,458.65	1,701,338.78	(35,119.87)	-2.02%	9.56%
GFxxxx Property Tax	217,042,057	228,853,000	124,679,803.91	128,327,469.60	3,647,665.69	2.93%	5.44%
GF2150 Lodging Facilities Sales Tax	12,477,461	13,376,000	7,297,383.50	7,085,543.58	(211,839.92)	-2.90%	7.20%
GF2200 Telephone Tax	-	-	-	-	-	-	-
GF2250 Retail Telecom Excise Tax	22,250,383	21,672,000	6,382,921.31	6,033,998.79	(348,922.52)	-5.47%	-2.60%
GF2300 Tobacco Tax	4,990,497	4,738,000	2,728,244.62	3,184,618.44	456,373.82	16.73%	-5.06%
GF2400 Video Gaming Tax	62,458,106	69,003,000	31,501,619.85	27,520,271.56	(3,981,348.29)	-12.64%	10.48%
GF2500 Wine Tax	1,936,052	2,043,000	1,078,694.76	1,172,996.21	94,301.45	8.74%	5.52%
GF2600 Institution Reimbursements	14,100,804	16,047,000	8,372,057.24	10,497,749.52	2,125,692.28	25.39%	13.80%
GF2650 Highway Patrol Fines	4,179,882	4,055,000	2,447,495.62	2,530,605.81	83,110.19	3.40%	-2.99%
GF2700 TCA Interest Earnings	15,506,889	7,967,000	11,669,277.55	1,722,960.50	(9,946,317.05)	-85.24%	-48.62%
GF2900 Liquor Excise Tax	12,650,902	16,581,000	9,235,964.82	6,367,910.89	(2,868,053.93)	-31.05%	31.07%
GF3000 Liquor Profits	7,250,000	7,039,000	-	-	-	-	-2.91%
GF3100 Coal Trust Interest Earnings	26,958,378	28,574,000	13,489,068.88	13,615,352.89	126,284.01	0.94%	5.99%
GF3300 Lottery Profits	10,136,213	10,969,000	2,743,202.00	2,794,584.00	51,382.00	1.87%	8.22%
GF3450 Tobacco Settlement	4,127,609	4,007,000	-	-	-	-	-2.92%
GF3500 U.S. Mineral Leasing	31,573,364	27,796,000	16,552,667.97	15,257,165.88	(1,295,502.09)	-7.83%	-11.96%
GF3600 All Other Revenue	31,922,159	35,247,000	15,964,386.41	15,878,008.58	(86,377.83)	-0.54%	10.42%
Grand Total	1,807,967,633	1,772,915,000	1,076,023,810.69	844,272,779.45	(231,751,031.24)	-21.54%	-1.94%

\* Plus impacts of enacted legislation

## DISCUSSION OF SELECTED SOURCES FOR FISCAL 2010 AND FISCAL 2011

The following section of the report addresses some of the key general fund revenue sources that were monitored closely during the regular session. These sources are individual income tax, corporation income tax, treasury cash account (TCA) interest earnings, and oil and gas production tax. These sources were chosen because of their vulnerability to the economic recession and the discussion these sources received during the past legislative session. This section of the report also includes a discussion on sources that are showing very unusual collection patterns. These sources are insurance taxes, vehicle fees/taxes, liquor excise taxes, and video gaming taxes. As discussed in the September report, cigarette taxes and US mineral leasing revenues were lagging the HJ 2 estimate because of an accrual and revenue deposit timing issues, respectively. These issues have been resolved and the revenues are now more comparable to historical patterns.

### Individual Income Tax

Based on February accounting data, net individual income tax collections for FY 2010 (gross collections less refunds) were 22.0 percent below net collections for FY 2009 or a decrease of \$118.8 million. The 61st Legislature assumed that revenues would increase by 3.1 percent from the FY 2009 amount or an increase of \$25.1 million. This increase was anticipated because the effects of the economic recession were expected to subside by the end of FY 2010.

Figure 4 shows the accounting details through February of individual income tax collections for FY 2010 compared to the same period for FY 2009. Since withholding tax collections are a proxy of total wage growth, the negative 2.3 percent growth from last year indicates total wages have declined from the level observed a year ago. It should be noted, however, that the rate of decline has improved from last month (negative 3.1 percent). The most recent state unemployment rate has edged up slightly. This means the rate of decline in withholding payments will probably not change in the near term. Withholding payments for mineral royalties have declined by \$6.0 million or 45.9 percent. This decline was anticipated because of the significant reduction in Montana's wellhead oil price.

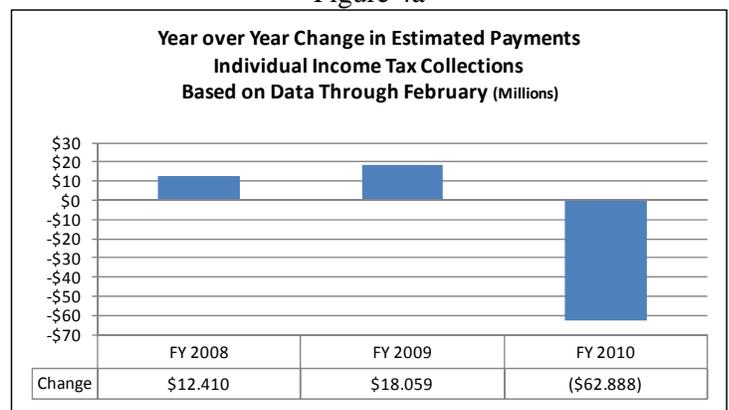
Figure 4

Individual Income Tax Comparison				
Revenue Code & Description	Through 2/28/2009	Through 2/28/2010	Difference	Percent Change
	Fiscal 2009	Fiscal 2010		
510101 Withholding Tax	415,640,529.96	406,015,513.11	(9,625,016.85)	-2.32%
510482 Mineral Royalty WH Tax	13,130,603.34	7,101,915.24	(6,028,688.10)	-45.91%
510102 Estimated Tax	178,761,374.67	115,873,322.14	(62,888,052.53)	-35.18%
510103 Current Year I/T	15,252,637.84	6,714,773.40	(8,537,864.44)	-55.98%
510105 Income Tax - Audit Collections	17,129,824.00	20,799,687.00	3,669,863.00	21.42%
510106 Income Tax Refunds	(99,230,430.63)	(15,295,216.52)	83,935,214.11	-84.59%
Income Tax Refunds Adjustment	0.00	(119,361,972.17)	(119,361,972.17)	
Totals	\$540,684,539.18	\$421,848,022.20	(\$118,836,516.98)	-21.98%
Percent of Actual/Estimated	62.39%	50.20%		

Estimated payments, due October 15<sup>th</sup> and January 15<sup>th</sup>, were \$62.9 million (35.2 percent) below last year. During the last two quarters of FY 2009, estimated payments declined by 14.5 and 33.6 percent, respectively. Review of the first and second quarter FY 2010 payments shows a continuation of this trend. With a substantial drop in the equity markets during late 2008 and early 2009, historical low interest rates, and reductions in corporate profitability, it is not surprising to observe a significant reduction in estimated payments. Estimated payments and current year payments are a good indicator of how taxpayers' non-wage components of income are changing relative to economic conditions.

Figure 4a shows year over year change in estimated payments from FY 2008 to FY 2010. As shown,

Figure 4a

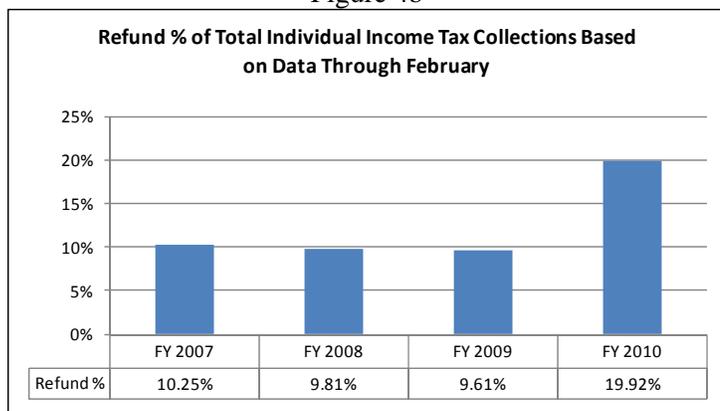


estimated payments have dropped off significantly when compared to the two previous years. The next payment, due on April 15<sup>th</sup>, will provide insight on whether taxpayers expect their non-wage income to be better in calendar 2010 as compared to calendar 2009.

Figure 4 shows two lines for individual income tax refunds. Because of a legislative audit recommendation, the DOR processed a refund payable adjustment in October that was previously recorded during the fiscal year-end adjustment period. By including the adjustment amount in Figure 4, total collections between fiscal years continue to be an “apples to apples” comparison. Without the refund adjustment amount, refunds through February would have shown a negative \$15.3 million, an amount not comparable to the negative \$99.2 million shown for FY 2009. This refund adjustment will be shown in subsequent months to maintain comparability with last year.

Since October 15, 2009 was the due date for tax returns that were extended beyond the April 15<sup>th</sup> due date, refunds issued by the end of February are an indication of under or overpayment of taxes during FY 2009 plus the trends for this tax season. As stated in previous reports, if refunds issued by December 31<sup>st</sup> were unusually high, this would indicate taxpayers overpaid during FY 2009 thereby inflating actual receipts for FY 2009. Conversely, if refunds were unusually low, taxpayers underpaid during FY 2009 which would mean FY 2009 receipts were understated. As of the end of February, refunds (the two refund lines combined) were \$134.7 million or 35.4 million (35.7 percent) above the same period for FY 2009. The data suggests that refunds are higher for this tax season and taxpayers overpaid their taxes during FY 2009, thereby overstating FY 2009 total collections. This is an unfavorable trend for FY 2010 since overpayments in FY 2009 mean the income base is lower than originally assumed by the legislature. If the income base is lower, then growth from FY 2009 to FY 2010 needs to be stronger in order to achieve the HJ 2 estimate. Figure 4b shows refunds as a percent of total individual income tax collections. As shown, the refund percent has increase significantly from previous years. It should be noted, however, that some of this increase could be due to economic conditions as well as taxpayers utilizing electronic filing. It is too early in the refund cycle to determine whether this may explain the increase.

Figure 4b



When all of the accounting categories are added together, total individual income tax collections through February are \$118.8 million below FY 2009 amounts. Since total FY 2010 collections were estimated to be \$25.1 million above FY 2009 amounts, the HJ 2 individual income tax estimate for FY 2010 is too optimistic. Based on eight months of accounting information and tax return data for calendar 2008, individual income tax revenues could be below the HJ 2 estimate by \$118 million in FY 2010 and \$95 million in FY 2011.

### Corporation Income Tax

Based on February accounting data, net corporation income tax collections for FY 2010 (gross collections less refunds) were 69.8 percent below net collections for FY 2009 or a decrease of \$67.5 million (Figure 5). The 61st Legislature assumed that revenues would decrease by 30.5 percent from the FY 2009 amount or a decrease of \$50.7 million. This decrease was anticipated because of the effects the economic recession on corporate profitability for both state and national corporations.

As pointed out in previous reports, part of the strength in FY 2009 collections was explained by the auditing efforts of the DOR and the resulting unusual high audit collections. Total audit collections were \$31.0 million in FY 2009 compared to \$16.9 million in FY 2008. When audit collections are removed from FY 2008 and 2009 totals, then the trend for the remaining collections are a negative 5.7 percent, a decline rate greater than estimated in HJ 2 for FY 2009. The good news is that audit collections in FY 2010 continue to be strong, \$7.9 million. This amount represents 27.1 percent of total corporation income tax collections through February but is \$8.9 million less than received through February of FY 2009. An unusually large audit payment was received in February 2009.

Estimated payments, due October 15<sup>th</sup> and December 15<sup>th</sup>, were \$38.1 million (47.1 percent) below last year. Further review of tax payment detail by corporation provides some additional insight to estimated payments. Similar to individual income tax, estimated payments for the last two quarters of FY 2009 declined by 34.9 and 41.3 percent, respectively. Review of the first eight months of FY 2010 payments shows a continuation of this trend. With announced job layoffs, business closures and/or cutbacks, significant consumer spending reductions, and construction plummeting, it is not surprising to observe a significant reduction in estimated payments.

Figure 5

Corporation Income Tax Comparison				
Revenue Code & Description	Through 2/28/2009 Fiscal 2009	Through 02/28/2010 Fiscal 2010	Difference	Percent Change
510501 Corporation Tax	21,203,067.27	7,495,588.95	(13,707,478.32)	-64.65%
510505 Corporation Tax Estimated Paym	72,061,519.71	38,078,998.95	(33,982,520.76)	-47.16%
510502 Corporation Tax Refunds	(13,383,169.19)	(21,464,790.46)	(8,081,621.27)	60.39%
510503 Corporation Tax-Audit Collect.	16,752,950.00	7,894,460.00	(8,858,490.00)	-52.88%
Corporation Tax Refunds Adjustment	<u>0.00</u>	<u>(2,827,756.65)</u>	<u>(2,827,756.65)</u>	
Totals	\$96,634,367.79	\$29,176,500.79	(\$67,457,867.00)	-69.81%
Percent of Actual/Estimated	60.27%	25.23%		

Figure 5a shows year over year change in estimated payments from FY 2008 to FY 2010. As shown, estimated payments have dropped off significantly when compared to the two previous years. The next payment, due on April 15<sup>th</sup>, will provide insight on whether corporations expect their profits to be better in calendar 2010 as compared to calendar 2009.

Figure 5 shows two lines for corporation income tax refunds. Because of a legislative audit recommendation, the DOR processed a refund payable adjustment in October that was previously recorded during the fiscal year-end adjustment period. By including the adjustment amount in Figure 5, total collections between fiscal years continue to be an “apples to apples” comparison. Without the refund adjustment amount, refunds through February would have shown a negative \$21.5 million instead of a negative \$24.3 million (the two refund amounts added together). By showing the refund adjustment, total refunds have increased by 81.5 percent compared to last year. This suggests that corporate taxpayers may be carrying back losses that result in increased refunds. It may also indicate corporate taxpayers overpaid their taxes during FY 2009 thereby overstating FY 2009 total collections. Figure 5b shows refunds as a percent of total corporation income tax collections. As shown, the refund percent has increased significantly from previous years.

Figure 5a

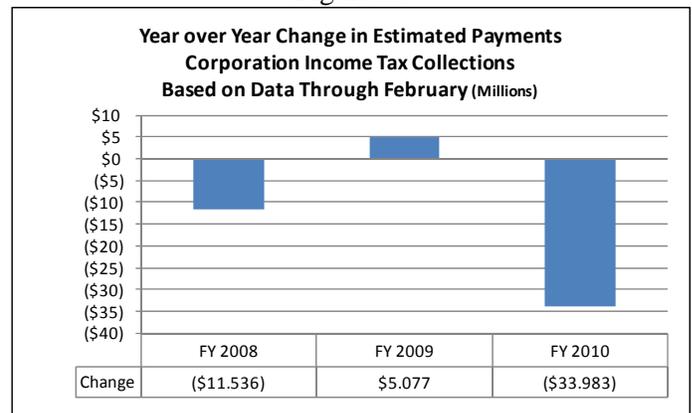
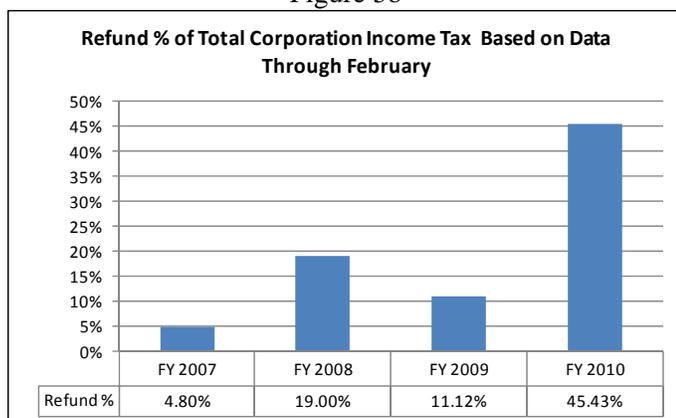


Figure 5b



When all of the accounting categories are added together, total corporation income tax collections through February are \$67.5 million or 69.8 percent below FY 2009. Since total FY 2010 collections were estimated to be \$50.7 million (30.5 percent) below FY 2009 amounts, the HJ 2 corporation income tax estimate for FY 2010 is too optimistic. Based on eight months of accounting information and tax payment data by corporation, corporation income tax revenues could be below the HJ 2 estimate by \$58 million in FY 2010 and \$53 million in FY 2011.

## Treasury Cash Account (TCA) Interest Earnings

Based on February accounting data, TCA interest earnings for FY 2010 were 85.2 percent below collections for FY 2009 or a decrease of \$9.9 million. The 61st Legislature assumed that revenues would decrease by 48.6 percent from the FY 2009 amount or a decrease of \$7.5 million. This decrease was anticipated because of the reduced rate of return anticipated for short-term securities.

For FY 2009, collections from this source were below estimate by \$1.0 million or 6.1 percent. This trend appears to be much worse in FY 2010 as collections are down 85.2 percent when February's collections of FY 2009 are compared to the same period of FY 2010. Since TCA interest earnings are based on cash available for investment and the rate of return for short-term securities, reduced earnings are primarily due to reduced short-term interest rates. Figure 6 shows the average monthly rate of return received on the short-term investment pool (STIP) as published by the Board of Investments since November 2007. Short-term rates have plummeted from 4.9 percent in November 2007 to 0.28 percent in February 2010.

Figure 6

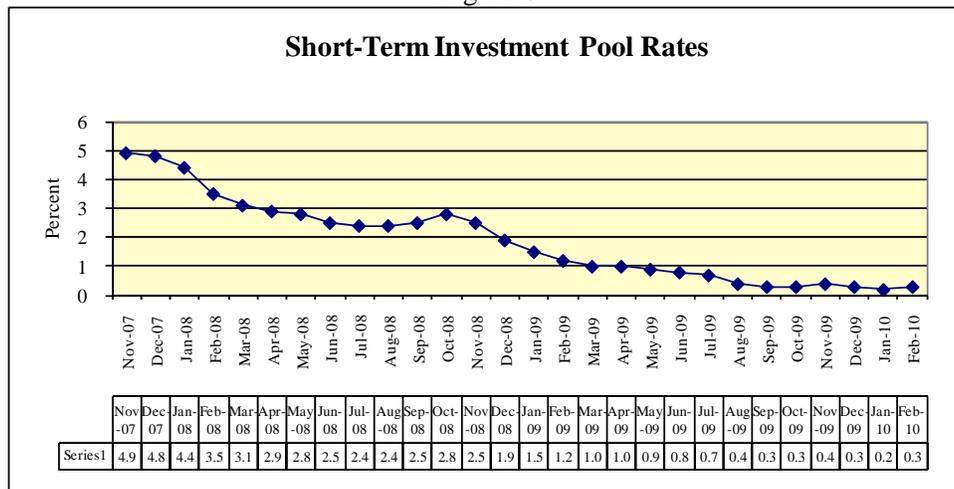
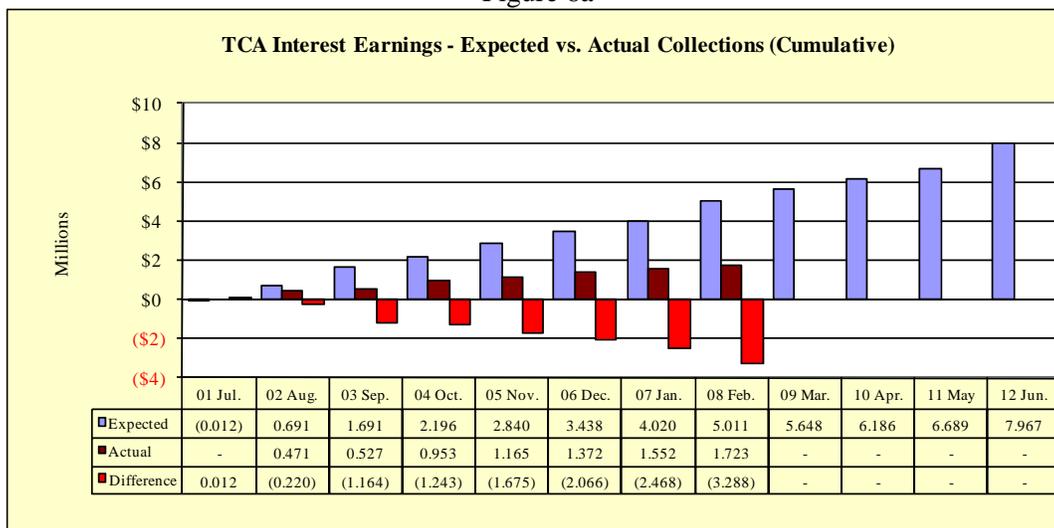


Figure 6a shows TCA interest earnings through February (cumulative) versus the HJ 2 annual revenue estimate allocated by month. As shown in Figure 6a, TCA interest earnings are not keeping pace with the HJ 2 estimate and are lagging the estimate more each month. Based on these trends, TCA interest earnings could be below the HJ 2 estimate by \$4.5 million for FY 2010 and \$6.4 million in FY 2011.

Figure 6a



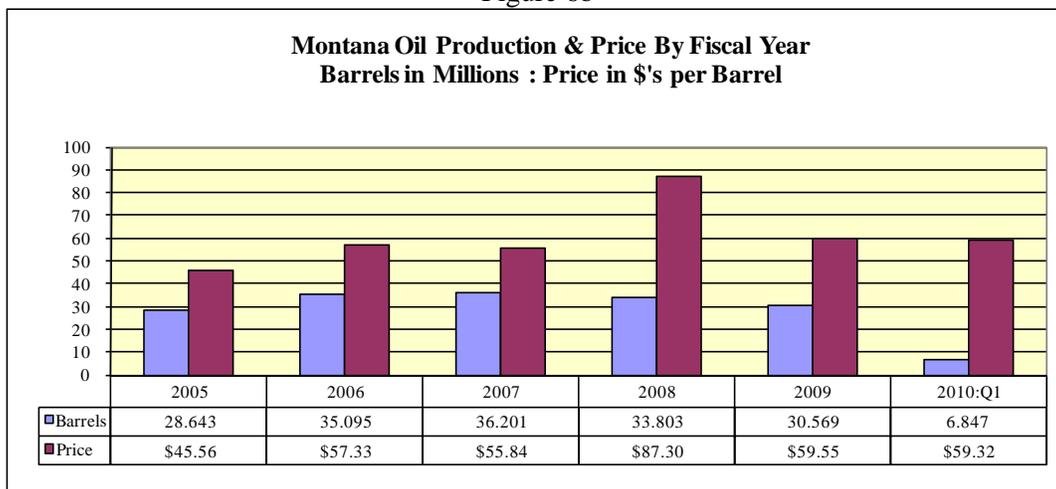
## Oil and Gas Production Tax

Oil and natural gas production taxes are one of the major sources of revenue that could exceed the HJ 2 estimate. As shown in Figure 3 (page 4), oil and gas production tax collections through February FY 2010 are below FY 2009 collections by \$23.2 million. This was expected because oil and gas prices were significantly higher for the first quarter of FY 2009 versus FY 2010. The most recent tax return data as filed with the DOR provide information on production and wellhead prices for FY 2009 and the first quarter of FY 2010. As shown in Figure 6b, oil production in Montana was 30.6 million barrels at an average price of \$59.55 per barrel for FY 2009. The estimates contained in HJ 2 were for production to be 30.1 million barrels at an average price of \$54.36 per barrel.

As shown in Figure 6b, total oil production for the first quarter of FY 2010 was 6.8 million barrels. If production continues at this rate for the remaining three quarters, FY 2010 production would be 27.4 million barrels. The estimated production contained in HJ 2 is 27.4 million barrels for FY 2010.

Using the production estimate contained in HJ 2 for FY 2010 (27.4 million barrels) and a price assumption of \$62.73 per barrel (approximate current price), general fund oil production tax revenue in FY 2010 would exceed the HJ 2 estimate by approximately \$29 million. General fund natural gas production tax, on the other hand, could be below the HJ 2 estimate by as much as \$8 million. Natural gas production and prices are currently well below the HJ 2 assumptions for FY 2010. When combined, oil and natural gas production revenue could be \$21 million above the HJ 2 estimate for FY 2010 and \$12 million for FY 2011.

Figure 6b



## Unusual Collection Patterns

As shown in Figure 3, several sources of revenue are showing unusual collection patterns other than those sources previously discussed. Some of the larger sources are insurance taxes, vehicle fees/taxes, liquor excise taxes, and video gaming taxes.

### *Insurance Taxes*

The insurance tax collection variation shown in previous reports is no longer an issue. Previous receipt fluctuations were due to the timing of deposits this year versus previous years. Historically, the first estimated payment for insurance taxes is deposited either in October or November. As shown in Figure 7, the first estimated payment for FY 2007 was recorded in October while the first payment was recorded in November for FY 2008 and FY 2009. This fiscal year, the first estimated payment was deposited in September. In addition, the second estimated payment for FY 2010 was recorded in December. Historically, this payment was deposited in January or in February as was the case in FY 2009.

It should be noted that collections shown for FY 2010 reflect the reduced insurance tax deposits to the general fund because of the passage of Initiative 155 and the subsequent modification of statute in HB 676 by the 61<sup>st</sup> Legislature.

Initiative 155 allocated 33 percent of the insurance tax to the Healthy Montana Kids account. HB 676, enacted after Initiative 155, reduced the insurance tax distribution to the Healthy Montana Kids account from 33 percent to 16.67 percent and allocated the difference to the general fund. This legislation was effective July 1, 2009, and the section changing the percentage distribution of insurance taxes terminates June 30, 2013.

Figure 7

Insurance Tax Collections				
Month	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010
01 Jul.	-	-	-	85,036.88
02 Aug.	17,351.87	142,074.46	(66,186.21)	426,556.78
03 Sep.	706,428.30	523,190.61	10,629.00	<b>11,448,689.03</b>
04 Oct.	<b>11,847,042.80</b>	(64.05)	72,949.25	30,688.53
05 Nov.	551,560.59	<b>13,221,557.58</b>	<b>14,049,612.52</b>	292,115.31
06 Dec.	429,657.82	236,967.83	22,597.79	<b>11,305,965.43</b>
07 Jan.	<b>12,305,424.58</b>	<b>8,153,338.01</b>	20,609.00	270,249.86
08 Feb.	<u>4,763.50</u>	<u>109,654.50</u>	<b><u>9,529,622.13</u></b>	<u>301,391.85</u>
<b>Total</b>	<b>\$25,862,229.46</b>	<b>\$22,386,718.94</b>	<b>\$23,639,833.48</b>	<b>\$24,160,693.67</b>

### Vehicle Fees/Taxes

During September, our office contacted the Department of Justice (DOJ) regarding vehicle fees/taxes. At that time, DOJ personnel indicated that the interface between MERLIN (the new DOJ vehicle system) and SABHRS was not totally working correctly. DOJ personnel assured LFD staff that by the end of October, general fund collections for motor vehicle fees/taxes would be adjusted to reflect correct collections to date. Near the end of October, DOJ staff contacted our office to inform us of further unresolved issues and that the correcting adjustments would not be completed by the end of October. On December 31<sup>st</sup>, the DOJ staff informed our office that the department had successfully processed the accounting transaction backlog except for approximately \$2.5 million in uncleared collections. The DOJ staff indicated that collections through December 2009 should be comparable to December 2008 collections.

As shown in Figure 8, total vehicle fees/taxes as recorded on SABHRS are \$9.9 million below last year's amount as of the end of February. The DOJ, however, has provided our office with information extracted from the MERLIN system that shows a comparison between fiscal years including payments that are due from counties but have not yet been received. This data indicate that collections are down from FY 2009 amounts by about 0.4 percent after five months of collections activity (through November). Based on this trend, revenue from this source could be below the HJ 2 estimate by \$7.0 million in FY 2010 and \$4.8 million in FY 2011.

Figure 8

Vehicle Fee/Tax Collections and Estimates					
Revenue Category	Actual FY 2009	HJ 2 Estimate FY 2010	Through Feb. FY 2009	Through Feb. FY 2010	Change
GF0400 Vehicle License Fee	89,334,878	92,247,000	53,933,240	46,656,440	(7,276,800)
GF0500 Vehicle Registration Fee	<u>15,344,744</u>	<u>17,970,000</u>	<u>9,624,318</u>	<u>7,018,582</u>	<u>(2,605,737)</u>
<b>Total Vehicle Fees/Taxes</b>	<b>\$104,679,622</b>	<b>\$110,217,000</b>	<b>\$63,557,558</b>	<b>\$53,675,021</b>	<b>(\$9,882,537)</b>

### Liquor Excise Taxes

Liquor excise tax collections through February 2010 are not comparable to the same period of 2009. This is because of an accounting procedure change implemented by the DOR due to an audit recommendation by the Legislative Auditor. Our office requested the Legislative Audit Division (LAD) to review the procedures implemented by the department to determine whether these changes conform to appropriate accounting principles. LAD has reviewed these procedures and has discussed their findings with DOR personnel. At this time, liquor excise tax collections are expected to lag last year's collections until fiscal year end when collections should be more comparable between fiscal years.

## Video Gaming Taxes

The video gaming tax collection variation is due to the timing of deposits this year versus previous years and also a decline in machine play. Historically, the first payment for video gaming taxes is deposited in July and/or August as shown in Figure 9. The revenue accrual reversal (shown as negative) should occur in October per state accounting policy. Figure 9 shows the accrual reversal did not occur until November in FY 2008 and not until December in FY 2010. The accrual reversal did not occur until February in FY 2009.

As mentioned in previous reports, a decrease in collections was noted during the legislative session but it was premature to assess the trend until further collection activity was received. For FY 2009, collections from this source were below estimate by \$4.1 million or 6.2 percent. This downturn trend has continued into FY 2010. After adjusting for the deposit anomalies discussed above, video gaming tax collections are lagging the FY 2010 HJ 2 estimate by \$4.0 million or 12.6 percent. On an annual basis, the shortfall for FY 2010 is expected to be \$11.5 million. A similar trend is expected in FY 2011 with an additional shortfall of \$11.1 million. Since video gaming tax revenues are based on gross income (defined as net of payouts), reduced tax revenues are due to less machine play. This suggests that individuals have less to spend (economic recession impacts) or are choosing to spend their disposable income on other items or to increase savings. The additional factor that has impacted video gaming tax collections is the passage of the smoking ban which went into effect on October 1, 2009.

Figure 9

Video Gaming Tax Collections			
Month	Actual FY 2008	Actual FY 2009	Actual FY 2010
01 Jul.	6,723,404.94	15,982,192.05	15,334,630.29
02 Aug.	8,642,589.97	8,339.34	7,678.82
03 Sep.	24,045.75	56,439.70	75,826.60
04 Oct.	14,726,602.92	15,793,382.36	14,543,265.35
05 Nov.	(14,182,034.95)	(39,493.32)	409,568.80
06 Dec.	15,602.75	88,608.80	(15,198,697.62)
07 Jan.	15,345,436.50	15,163,868.67	12,309,438.70
08 Feb.	658,327.95	(15,551,717.75)	38,560.62
<b>Total</b>	<b>\$31,953,975.83</b>	<b>\$31,501,619.85</b>	<b>\$27,520,271.56</b>

In conclusion, unusual collection patterns can skew total general fund revenues when comparisons are made from month to month. All of these anomalies have been considered when determining the anticipated revenue shortfall shown in Figure 1. Our office will continue to monitor these issues further as well as any new issues before the next report in early April.

## SUMMARY

Total general fund revenue collections through February for FY 2010 are below the same period of FY 2009 by \$231.8 million or 21.5 percent. The 61<sup>st</sup> Legislature assumed revenue would decline by only 1.9 percent from FY 2009 to FY 2010 or \$35.1 million. This means that total future collections must improve by a net \$196.7 million in subsequent months to be on track with the HJ 2 estimate for FY 2010.

The focus of this analysis was on individual income tax, corporation income tax, TCA interest earnings, oil and gas production tax, and sources with unusual collection patterns. Since individual income tax is the predominate source of revenue in the general fund account, a small percentage change in this source can have a significant impact on total general fund revenues. As detailed in the report, however, accounting data for eight months of the fiscal year combined with new economic and tax return data show that individual and corporation income tax revenues, TCA interest earnings, video gaming taxes, vehicle fees/taxes, and all remaining sources could be below the HJ 2 estimate by \$203.4 million for FY 2010 and an additional \$180.1 million for FY 2011. Conversely, oil and gas production tax

revenue could exceed the HJ 2 estimate by as much as \$33.6 million for the biennium if prices exceed \$62.73 per barrel and production does not fall below the HJ 2 estimate.

The previous reports indicated that collections were lagging expectations and that the lag in collections would have to be “made up” in subsequent months in order to achieve the HJ 2 estimated level. Collections through February have not improved but our analysis suggests revenue estimate adjustments are not warranted at this time. It should be noted, however, that unusual collection patterns for the sources discussed previously can skew the total general fund collections from month to month. These unusual collection patterns have been accounted for in the summary information shown in Figure 1 on page 1. Your staff will continue to research each of these issues and any other issues before the next report is issued in early April. That report will highlight collections through the end of March.

Attachment 1 and 2 are pages first added to the monthly updates on general fund revenue collections in November. Attachment 1 shows a variety of important economic and revenue indicators for Montana. For example, if you are interested in price and production statistics for Montana’s natural resource industry, this document shows oil, coal, and natural gas data for the last completed two years. For each statistic shown, the data source, measurement unit, whether the information is by calendar or fiscal year, an amount for 2008 and 2009, change amount, and percentage change is provided. The purpose of this information is to provide the reader with some relevant data on Montana’s economic climate.

Attachment 2 shows a summary of the general fund cash balance flow by month, current year revenue collections and disbursements by month, and cumulative current year revenue collections and disbursements by month. These summaries provide an insight to the fluctuations in cash balances as well as the variances between monthly revenues and disbursements. Particular attention should be given to the first figure in attachment 2. The beginning cash balance for FY 2010 was \$446.4 million. This balance has declined by \$167.9 million to \$278.5 million after the first eight months of FY 2010. Ending fund balance is always the focal point in budget deliberations but it takes cash to pay for the services provided by state government. The cash balance is a key number to watch in subsequent monthly updates.

The third figure on attachment 2 shows cumulative revenues and expenditures by month for FY 2010. This figure indicates that revenues are being collected at a slower rate than the expenditures for state services. The reason this can occur is because of the large carry forward cash balance from FY 2009.

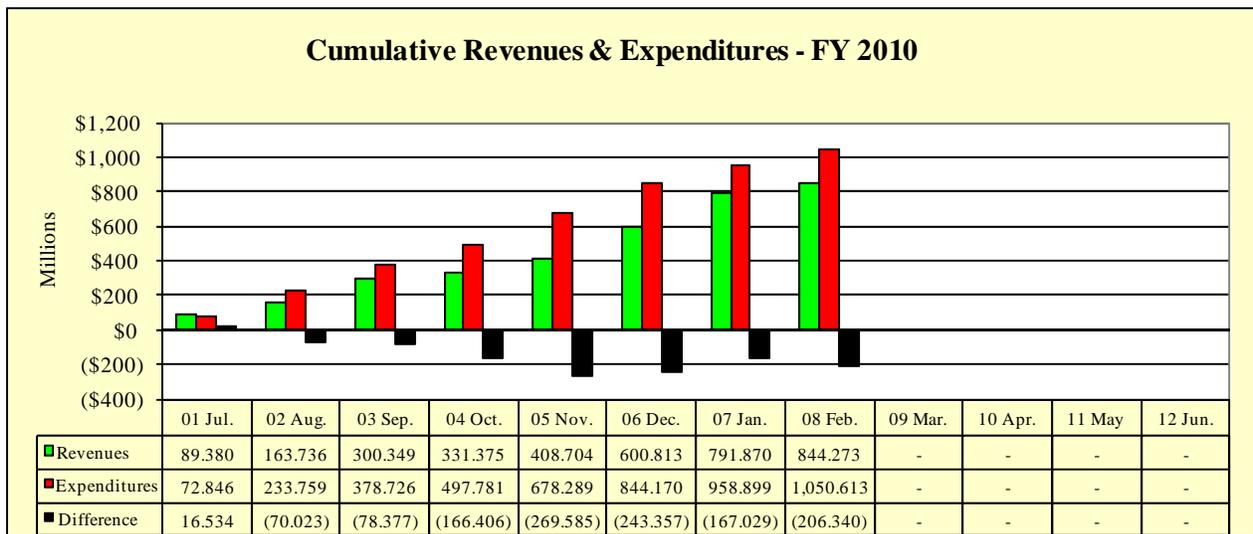
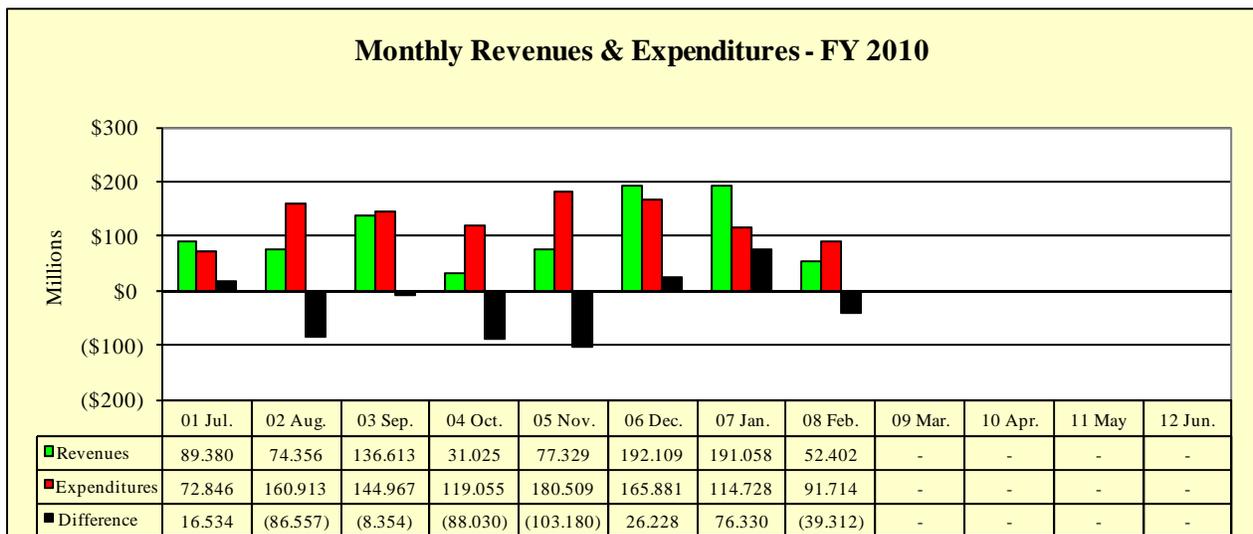
Attachment 3 is a “forecast flash” on the US economy as prepared by IHS Global Insight (GI). This article is an assessment by GI on what they are expecting for the US economy in the months ahead. As you may recall, GI is the national economic forecasting firm the state contracts with to provide economic forecasts.

Attachment 1 – Economic & Revenue Indicators

Group	Statistic	Source*	Unit	Year Type	2008	2009	Change Amount	Percent Change
<b>General Economy Indicators</b>								
	MT Wage and Salary Income (Q <sub>:1-3</sub> to Q <sub>:1-3</sub> )	BEA	Dollars	Calendar	\$15,575,000,000	\$15,294,000,000	(\$281,000,000)	-1.80%
	MT Non-Farm Employment (Q <sub>:1-4</sub> to Q <sub>:1-4</sub> )	DOL	Count	Calendar	446,475	429,250	(17,225)	-3.86%
	US Consumer Price Index (Q <sub>:1-4</sub> to Q <sub>:1-4</sub> )	DOL	Index	Calendar	215.3	214.5	(0.8)	-0.37%
	MT Housing Starts (SAAR) (Q <sub>:1-4</sub> to Q <sub>:1-4</sub> )	IHS	Count	Calendar	2,280	1,560	(720)	-31.58%
	MT Existing Home Sales (Q <sub>:1-4</sub> to Q <sub>:1-4</sub> )	IHS	Count	Calendar	19,800	20,830	1,030	5.20%
	MT Agricultural Cash Receipts (2007 to 2008)	BEA	Dollars	Calendar	\$2,646,477,000	\$3,063,104,000	\$416,627,000	15.74%
	MT Statewide Taxable Values (2009 to 2010)	DOR	Dollars	Fiscal	\$2,137,780,356	\$2,192,158,238	\$54,377,882	2.54%
	MT Short-Term Investment Pool (STIP) Rate	BOI	Percent	Fiscal	4.49%	1.74%	-2.75%	-61.25%
	MT Trust Funds Bond Pool Rate	LFD	Percent	Fiscal	5.57%	5.54%	-0.03%	-0.54%
<b>Natural Resources</b>								
	Montana Oil Production (Taxable)	DOR	Barrels	Fiscal	33,803,342	30,569,789	(\$3,233,553)	-9.57%
	Montana Oil Wellhead Price	DOR	\$'s/Barrel	Fiscal	\$87.30	\$59.55	(\$27.75)	-31.79%
	Montana Coal Production (Taxable)	DOR	Tons	Fiscal	37,404,304	35,807,130	(1,597,174)	-4.27%
	Montana Coal Price (Contract Price)	DOR	\$'s/Ton	Fiscal	\$8.13	\$8.78	\$0.64	7.89%
	Montana Natural Gas Production (Taxable)	DOR	MCF's	Fiscal	119,472,119	109,552,439	(9,919,681)	-8.30%
	Montana Natural Gas Wellhead Price	DOR	\$'s/MCF	Fiscal	\$6.54	\$4.41	(\$2.13)	-32.59%
<b>Consumption</b>								
	Cigarettes Sold (Taxable)	DOR	Packs	Fiscal	50,306,100	48,146,775	(2,159,325)	-4.29%
	Other Tobacco Products (Value)	DOR	Dollars	Fiscal	5,509,256	6,305,416	\$796,160	14.45%
	Other Tobacco Products (Roll)	DOR	Ounces	Fiscal	2,674,010	2,631,629	(42,382)	-1.58%
	Other Tobacco Products (Moist)	DOR	Ounces	Fiscal	8,777,115	8,989,006	211,892	2.41%
	Lottery Ticket Sales	SABHRS	Dollars	Fiscal	\$43,821,752	\$43,826,879	\$5,127	0.01%
	Video Gaming Net Income	Computed	Dollars	Fiscal	\$420,893,335	\$416,387,371	(\$4,505,963)	-1.07%
	Liquor Sales	DOR	Dollars	Fiscal	\$86,480,196	\$89,781,906	\$3,301,710	3.82%
	Beer Produced/Imported	DOR	Barrels	Fiscal	973,346	990,269	16,923	1.74%
	Wine Imports	DOR	Liters	Fiscal	10,010,357	10,600,521	590,164	5.90%
	Rental Vehicle Sales (Taxable)	DOR	Dollars	Fiscal	\$82,195,538	\$75,931,257	(\$6,264,281)	-7.62%
	Lodging Facility Sales (Taxable)	DOR	Dollars	Fiscal	\$465,811,826	\$442,643,115	(\$23,168,711)	-4.97%
	Gasoline Gallons (Taxable)	DOT	Gallons	Fiscal	495,175,969	483,073,024	(12,102,945)	-2.44%
	Diesel Gallons (Taxable)	DOT	Gallons	Fiscal	266,624,089	249,174,745	(17,449,344)	-6.54%
<b>Source *</b>								
BEA - US Department of Commerce, Bureau of Economic Analysis								
DOL - Montana Department of Labor and Industry								
IHS - IHS Global Insight								
BOI - Board of Investments								
LFD - Legislative Fiscal Division								
DOR - Montana Department of Revenue								
SABHRS - Statewide Accounting, Budgeting, Human Resource System								
Computed - Computed using collections and tax rate								
DOT - Montana Department of Transportation								

General Fund Cash Balance By Month - FY 2010			
Period	Cash In Bank Monthly Change	Cash In Bank Cumulative	Cash Variations * Current Year Only
Beginning	446,407,475.56	446,407,475.56	
07/30/09	(6,614,483.38)	439,792,992.18	(6,614,483.38)
08/31/09	(74,152,696.93)	365,640,295.25	(80,767,180.31)
09/30/09	(41,150,783.45)	324,489,511.80	(121,917,963.76)
10/31/09	5,562,359.78	330,051,871.58	(116,355,603.98)
11/30/09	(92,094,829.66)	237,957,041.92	(208,450,433.64)
12/31/09	6,989,272.24	244,946,314.16	(201,461,161.40)
01/31/10	88,502,097.97	333,448,412.13	(112,959,063.43)
02/28/10	(54,953,076.58)	278,495,335.55	(167,912,140.01)
03/15/10	(24,733,268.35)	253,762,067.20	(192,645,408.36)

\* Cash variation represents the net change in cash for the year without including the carryover cash balance. As of the today, the state general fund has expended \$192.6 million more than deposited as revenue.





## U.S. Economy

This information was last updated on Mon 08 Mar 2010, 4:41 PM EST (21:41 GMT)

### Forecast Flash: First Take Waiting for Jobs

The long wait for sustained job creation to return is nearly over. February's 36,000 job loss would probably have been an increase but for bad weather, while a steady unemployment rate signaled that January's drop from 10.0% to 9.7% was not a fluke. Making the transition to job growth is an important step in the expansion. It will not change the story that this will be a subdued recovery, due to credit and balance-sheet constraints, but will reduce the odds of a relapse.

**Modest Pace of Hiring Expected.** We expect the overall pace of hiring to be modest—around 850,000 jobs added over the course of 2010. The private sector will probably add more than 1-million jobs, but we will keep losing jobs in state and local government. And the coming federal Census jobs will be gone by the end of the year. Could the anticipated \$13-billion jobs tax credit make a big difference? Probably not, since the credit is small and much of it will be spent on hires that would have been made anyway.

**Growth Coming Back to Earth in the First Quarter.** Fourth-quarter GDP growth of 5.9% was hugely dependent on a dramatic slowdown in the rate of inventory decumulation (inventories added 3.9 percentage points to growth). Final sales growth improved only from 1.5% to 1.9%. In the first quarter, we expect final sales growth to slow as residential investment falls back and as inventory rebuilding pulls in imports. Overall, we expect first-quarter GDP growth to ease to a more-subdued 2.6% rate. We still expect 3.0% growth for calendar 2010, the same as last month.

**Consumer Spending Improving, But Housing Reverses Course.** Consumer spending is holding up well, despite weather disruption and some weak signals from confidence surveys. We expect spending to increase 2.6% in the first quarter, up from 1.7% growth in the fourth quarter. Housing, in contrast, has temporarily gone into reverse. Home sales have dropped even more sharply than feared since November 30, the original expiry date for the homebuyers' tax credit. So far, there is little evidence that the extended credit is having an impact. Although we do expect a second (albeit muted) surge in sales during the second quarter, the market remains fragile. As employment revives, though, sales and starts should begin to turn up on a sustained basis.

**Mixed Business Spending Outlook.** Possibly the best news in the fourth-quarter GDP report was the 18.2% increase in business equipment and software spending. This year got off to a bad start, though, with core capital goods orders and shipments declining in January, and we expect a much more subdued 2.7% advance in the first quarter. But businesses are flush with cash, and we expect replacement spending to pull equipment purchases 8.9% higher in 2010. Nonresidential construction, however, is still dropping. Spending on buildings fell more than 30% (annual rate) in the fourth quarter, and we see further declines (but of diminishing severity) through the end of 2010.

**Foreign Trade Revival Continues.** Both exports and imports jumped at strong double-digit annualized rates during the fourth quarter, with exports leading the way. With the U.S. inventory cycle turning so quickly, we would have expected imports to bounce up more than exports; we now expect to see that pattern emerge during the first quarter. The debt woes of the Eurozone periphery have pushed the euro down, hurting dollar competitiveness, but not enough to stop double-digit export growth in 2010.

**An Extended Wait for the Fed.** Inflation is very quiet—the core CPI even fell in January, and wage inflation in the private sector is negligible. The Federal Reserve has been reiterating that it is in no hurry to tighten, and we have pushed back our expectation of its first rate move (aside from technical adjustments to the discount rate) from September to November 2010.

by Nigel Gault

### A Quick Look at the Numbers (Annual rates)

	Quarterly				Annual				
	09:4	10:1	10:2	10:3	2009	2010	2011	2012	2013
Real GDP (Percent change)	5.9	2.6	2.4	2.7	-2.4	3.0	2.9	3.4	3.0
Federal Funds Rate (Percent)	0.12	0.12	0.13	0.12	0.16	0.20	1.70	3.35	3.55
Ten-Year Treasury Yield (Percent)	3.46	3.69	3.68	3.73	3.26	3.72	3.99	4.51	4.72

Oil Prices, WTI (Dollars/barrel)	76	77	74	73	62	74	78	83	87
Consumer Price Index (% change y/y)	1.5	2.5	1.9	1.5	-0.3	1.8	1.8	2.2	2.2
Housing Starts (Millions)	0.56	0.58	0.65	0.75	0.55	0.71	1.19	1.55	1.73
Consumer Sentiment (Univ. of Michigan)	70	74	77	76	66	76	78	79	81
Unemployment Rate (Percent)	10.0	9.7	9.6	9.7	9.3	9.6	9.1	8.2	7.4

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