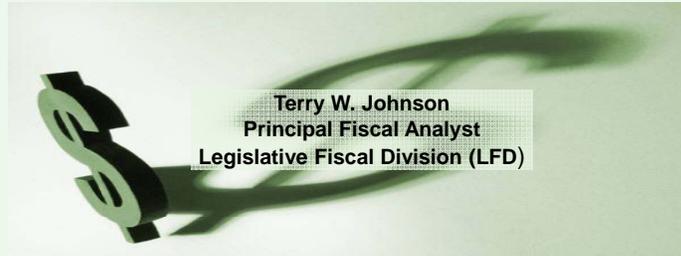




# General Fund Outlook 2011 and 2013 Biennium

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June 14, 2010  
A Report to the

**Legislative Finance Committee**

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Legislative Fiscal Division



## Presentation Outline

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- **Current Revenue Trends**
  - Individual Income Tax
  - Corporation Income Tax
- **Revised 2011 Biennium Ending Fund Balance**
- **2013 Biennium Projected Ending Fund Balance**
- **Summary**



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## Fiscal 2010 To Date Summary General Fund Revenue Comparison



- Through May 31<sup>st</sup> FY 2009                      \$ 1,446.3 M
- Through May 31<sup>st</sup> FY 2010                     \$ 1,217.3 M
  
- Current Change and Rate (11 months) \$ -229.0 M    -15.8%
- HJ 2\* Growth and Rate (Full Year)     \$ -35.1 M     -1.9%

\* Legislature's Revenue Estimating Resolution + Legislation



## Fiscal 2010 To Date Summary By Significant Revenue Category



General Fund Revenue Collections Eleven Month Comparison - FY 2009 to FY 2010		
Category	Change In Millions	Percent Change
Individual Income Tax	(120.1)	-16.78%
Corporation Income Tax	(80.4)	-55.11%
Oil & Gas Production Tax	(19.5)	-30.05%
Vehicle Fees/Taxes	0.2	0.25%
TCA Interest	(12.2)	-84.38%
Video Gaming Tax	(7.3)	-15.50%
Remaining Sources	10.3	2.74%
<b>Total</b>	<b>(\$229.0)</b>	<b>-15.83%</b>



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## Why is Revenue Down?

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- Employment
- Wages
- Non-Wage Income Components
  - Capital Gains Income
  - Interest, Dividend and Other Investment Income
  - Business & Partnership Income
- Corporate Profitability



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## Non-Wage Income Trends

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**Non-wage Income & Est./Current Year Payments**

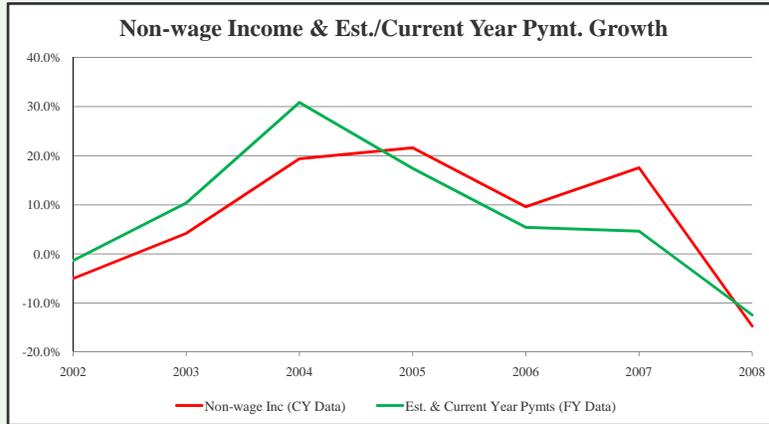
Year	Non-wage Inc (CY Data)	Est. & Current Year Payments (FY Data)
1986	1,000	50
1987	1,500	75
1988	2,000	100
1989	2,500	125
1990	2,800	150
1991	3,000	175
1992	3,200	200
1993	3,400	225
1994	3,600	250
1995	3,800	275
1996	4,000	300
1997	4,200	325
1998	4,500	350
1999	4,800	375
2000	5,200	400
2001	5,000	425
2002	4,500	450
2003	4,800	475
2004	5,500	500
2005	6,500	425
2006	7,500	350
2007	8,500	275
2008	8,000	200
2009	7,500	125

— Non-wage Inc (CY Data)   
 — Est. & Current Year Payments (FY Data)

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## Growth Trends of Non-Wage Income



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## Individual Income Tax Comparison

Revenue Description	Through 5/31/2009 FY 2009	Through 5/31/2010 FY 2010	Dollar Change	Percent Change
Withholding	569,292,407	564,091,691	(5,200,716)	-0.91%
Mineral Withholding	15,120,674	11,145,496	(3,975,178)	-26.29%
Estimated Payments	218,055,733	150,143,355	(67,912,378)	-31.14%
Current Year Payments	128,414,816	104,155,821	(24,258,995)	-18.89%
Audit Revenue	23,998,135	28,433,066	4,434,931	18.48%
Refunds	<u>(239,238,129)</u>	<u>(262,383,410)</u>	<u>(23,145,281)</u>	<u>9.67%</u>
<b>Total</b>	<b>\$715,643,636</b>	<b>\$595,586,019</b>	<b>(\$120,057,617)</b>	<b>-16.78%</b>

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



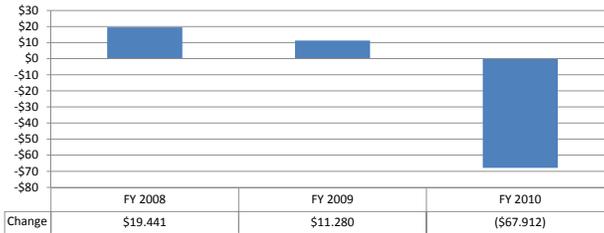
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## Fiscal 2010 Summary Individual Income Tax Estimated Payments



**Year over Year Change in Estimated Payments  
Individual Income Tax Collections  
Based on Data Through May (Millions)**



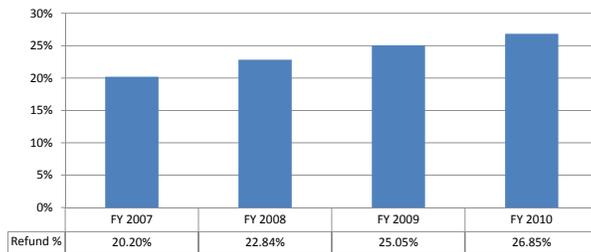
\* FY 2009 Includes a large estimated payment received in January



## Fiscal 2010 Summary Individual Income Tax Refund %



**Refund % of Total Individual Income Tax  
Collections Based on Data Through May**





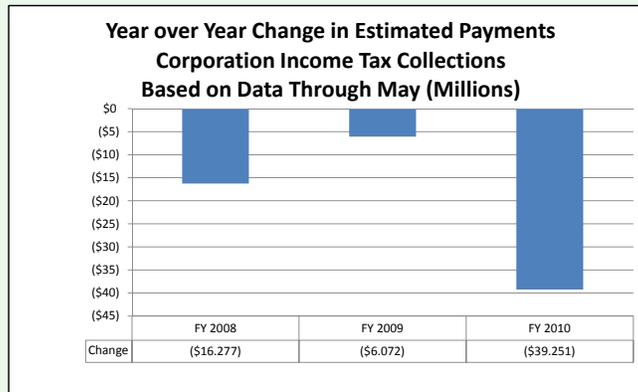
## Corporation Income Tax Comparison



Revenue Description	Through 5/31/2009 FY 2009	Through 5/31/2010 FY 2010	Dollar Change	Percent Change
Current Year Payments	48,728,967	31,793,393	(16,935,574)	-34.75%
Estimated Payments	92,811,571	53,561,039	(39,250,532)	-42.29%
Audit Revenue	24,793,817	13,463,151	(11,330,666)	-45.70%
Refunds	<u>(20,351,830)</u>	<u>(33,284,619)</u>	<u>(12,932,789)</u>	<u>63.55%</u>
<b>Total</b>	<b>\$145,982,525</b>	<b>\$65,532,964</b>	<b>(\$80,449,561)</b>	<b>-55.11%</b>



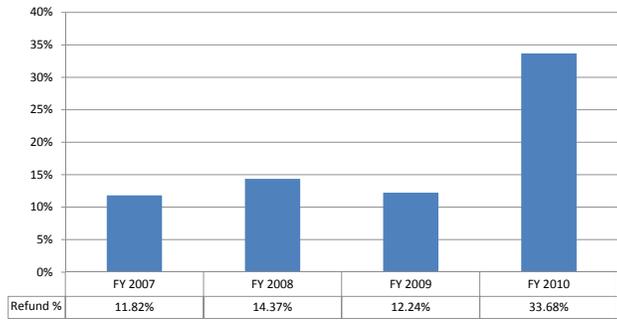
## Fiscal 2010 Summary Corporation Income Tax Estimated Payments





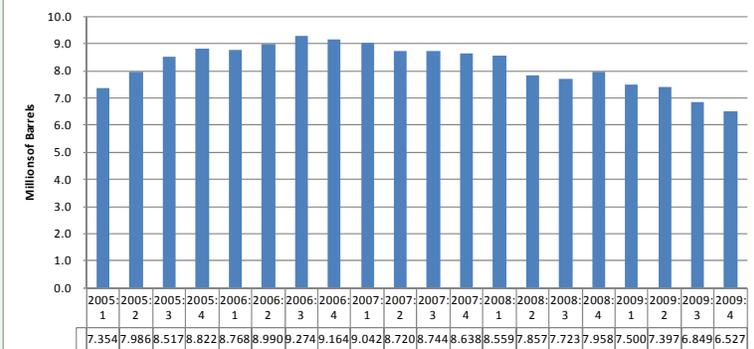
## Fiscal 2010 Summary Corporation Income Tax Refund %

Refund % of Total Corporation Income Tax Based on Data Through May



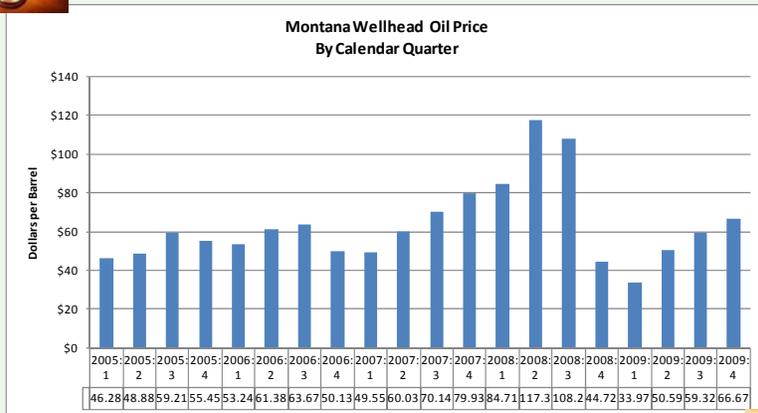
## Fiscal 2010 Summary Oil Production Tax - Production

Montana Oil Production  
By Calendar Quarter





## Fiscal 2010 Summary Oil Production Tax – Wellhead Price



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## Fiscal 2010 & FY 2011 Summary Estimated Revenue Changes



Estimated Revenue Changes From HJ 2 (Millions)				
Category	Current Year			
	Trend	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	?	(4.1)	(10.1)	(14.2)
<b>Current Estimate</b>		<b>(\$182.1)</b>	<b>(\$167.8)</b>	<b>(\$349.9)</b>
February Estimate		(182.1)	(167.8)	(349.9)
<b>Change From February Estimate</b>		<b>\$0.0</b>	<b>\$0.0</b>	<b>\$0.0</b>

\*Not updated with current trends

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## 2011 Biennium General Fund Revenue Impact on Legislative Projected Balance

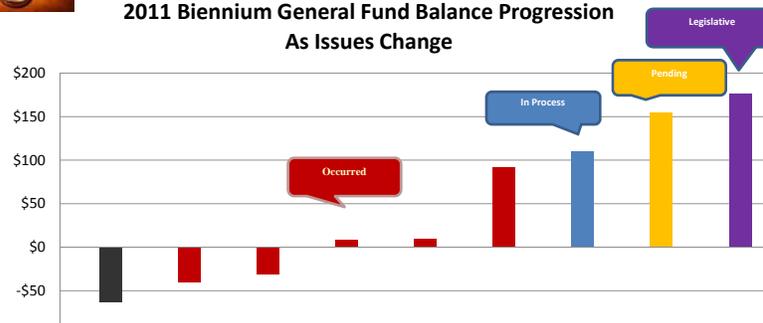
2011 Biennium General Fund Outlook	
In Millions	
	Biennium
Legislative Projected Balance	\$282.4
FY 2009 Balance Change	5.0
Net Revenue Changes	(349.9)
Fund Balance Adjustments	(0.5)
Supplementals	?
<b>New Projected Balance *</b>	<b>(\$63.0)</b>

\*Excludes Otter Creek, PPL and spending reductions as proposed by the Governor.  
 \*Also excludes FMAP Extension and Transfers.



## 2011 Biennium General Fund Revenue Impact on Legislative Projected Balance

2011 Biennium General Fund Balance Progression As Issues Change



	Ending Balance	Tier 1 FMAP	Clawback	Spending Reductions	Legislative / Judicial	Otter Creek Lease	PPL River Beds	FMAP Extension	Transfers Eliminated
Est.Amount		\$23.1	\$8.4	\$40.5	\$1.2	\$81.5	\$18.4	\$45.0	\$21.0
New Balance	(\$63.0)	(\$39.9)	(\$31.5)	\$9.0	\$10.2	\$91.7	\$110.1	\$155.1	\$176.1



## 2013 Biennium General Fund Projected Balance (Millions)

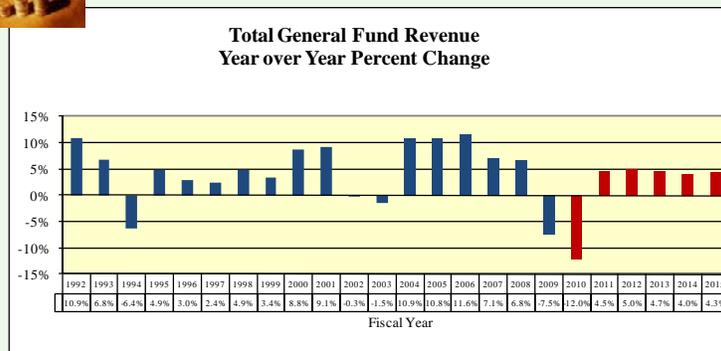


2013 Biennium General Fund Outlook	
In Millions	
	Biennium
Beginning Balance *	\$91.7
LFD Revenue Estimates	3,571.5
Present Law Services	(3,968.4)
Supplementals	?
Fund Balance Reserve	(\$100)
<b>Potential Deficit</b>	<b>(\$405.2)</b>
<b>Budget Gap</b>	<b>(\$396.9)</b>

\*Includes Otter Creek and spending reductions as proposed by the Governor.  
\*Excludes PPL, FMAP Extension and Transfers.



## General Fund Revenue Year over Year Percent Change





## General Fund Cash Balance

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)
03/31/10	(68,328,633.38)	210,166,702.17	(236,240,773.39)
04/30/10	80,733,132.38	290,899,834.55	(155,507,641.01)
05/31/10	(120,528,915.59)	170,370,918.96	(276,036,556.60)
06/14/10	122,051,105.02	292,422,023.98	(153,985,451.58)

\* 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 \$154 million more than deposited as revenue.



## Long-Term General Fund Outlook Considerations



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



Questions ?

