

Revenue Estimate Recommendations

Fiscal Years 2006 and 2007



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A report for the
Revenue & Transportation Interim Committee

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Presentation Outline

- Committee Direction on September 30th
- Review of Fiscal 2005 Revenues
- Discussion of Recommendations
- 2007 Biennium General Fund Outlook
- 2009 Biennium General Fund Outlook





Committee Direction on September 30, 2005

Limit review to:

- Income tax, corporation tax, oil & gas tax
- Property tax (due to school funding)
- Residual impacts (US royalty and school I&I)

Work with the executive branch:

- To identify differences
- Prepare document highlighting differences for decision making



What Happened in 2005?





General Fund Fiscal 2005 Revenue: \$131.2 M

- Individual income.....\$ 91.5 M
 - ➔ Non-wage growth
 - ➔ Audits
 - ➔ SB 407 effects
- Corporation income.....\$ 31.9 M
 - ➔ Audits
 - ➔ Delayed refunds
 - ➔ Profit growth
- Oil & natural gas.....\$ 4.4 M
 - ➔ Prices and production
- Other.....\$ 3.4 M

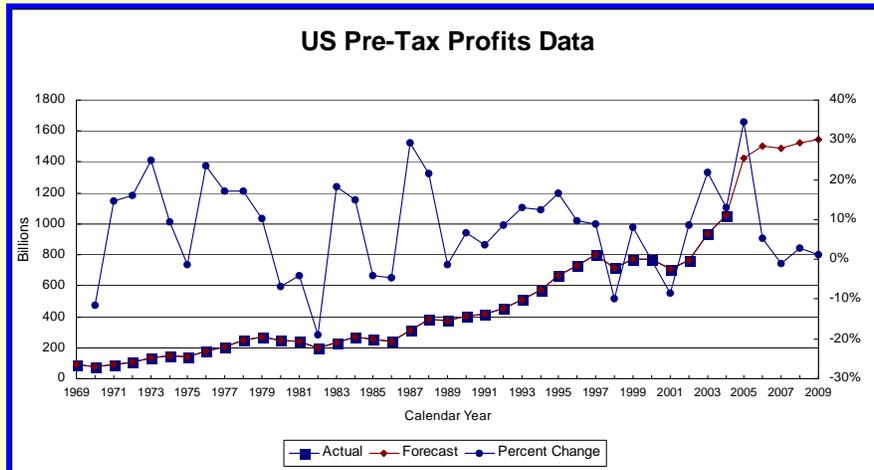


Summary of Revenue Recommendations Corporation Tax - \$28.6 M ↑

- Percentage changes
 - FY 2005 - FY 2006: (6.9)%
 - FY 2006 - FY 2007: 6.4%
- US Profits
 - Growth: FY 2001.... \$707.9 B (8.5)%
 - Growth: FY 2005.... \$1,425.3 B 34.5%



Summary of Revenue Recommendations Corporation Tax - \$28.6 M ↑



Summary of Revenue Recommendations Income Tax - \$153.2 M ↑

- Percentage changes
 - FY 2005 - FY 2006: (4.0)%
 - FY 2006 - FY 2007: 5.1%
- Income components
- SB 407 impacts



Summary of Revenue Recommendations Income Tax - \$153.2 M ↑

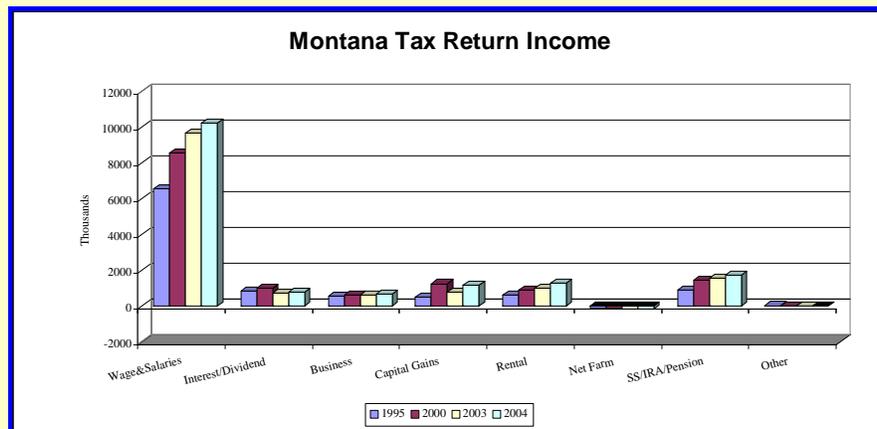


Individual Income Tax Income Components Comparison (In Millions)

Income Components	Tax Year 2004 Estimated	Tax Year 2004 Actual	Difference	Percent Difference
Dividend Income	\$332.987	\$379.386	\$46.399	12.23%
Net Capital Gain	790.913	1,193.177	402.264	33.71%
Rent, Royalty, Partnership	1,123.657	1,283.271	159.614	12.44%
All Other Income	<u>12,858.049</u>	<u>12,877.313</u>	<u>19.264</u>	0.15%
Totals	\$15,105.606	\$15,733.147	\$627.541	3.99%



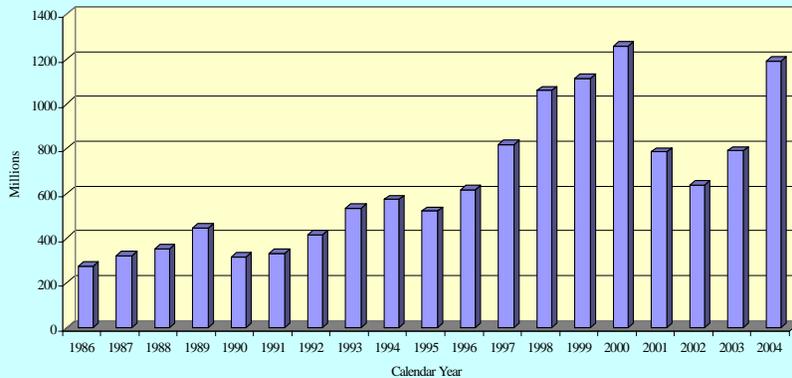
Summary of Revenue Recommendations Income Tax - \$153.2 M ↑





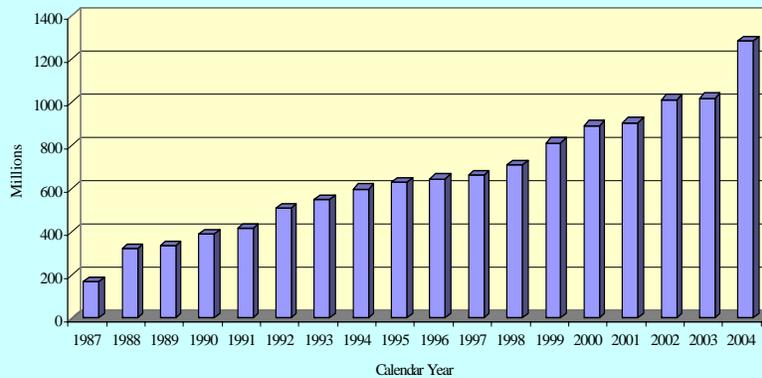
Summary of Revenue Recommendations Income Tax - \$153.2 M ↑

Montana Capital Gains Income



Summary of Revenue Recommendations Income Tax - \$153.2 M ↑

Montana Rents, Royalties, Partnership Income



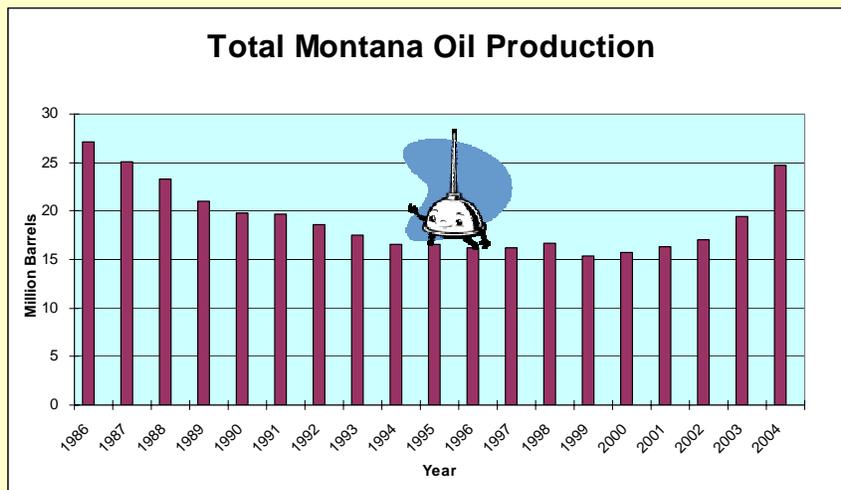


Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑

- Percentage changes
 - FY 2005 - FY 2006: 58.7%
 - FY 2006 - FY 2007: (6.9)%
- Oil production/price:
 - FY 2006: 34.9 M barrels \$57.79/barrel
 - FY 2007: 35.5 M barrels \$50.49/barrel
- Natural gas production/price:
 - FY 2006: 102.2 million MCF \$8.35/MCF
 - FY 2007: 101.1 million MCF \$8.10/MCF

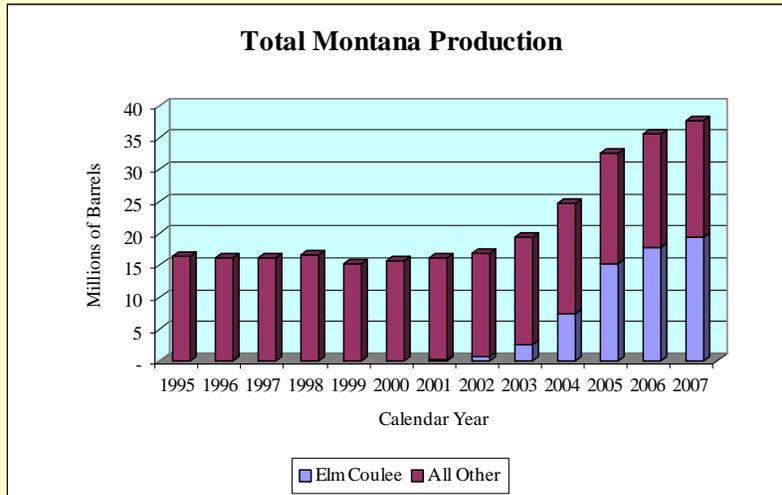


Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑

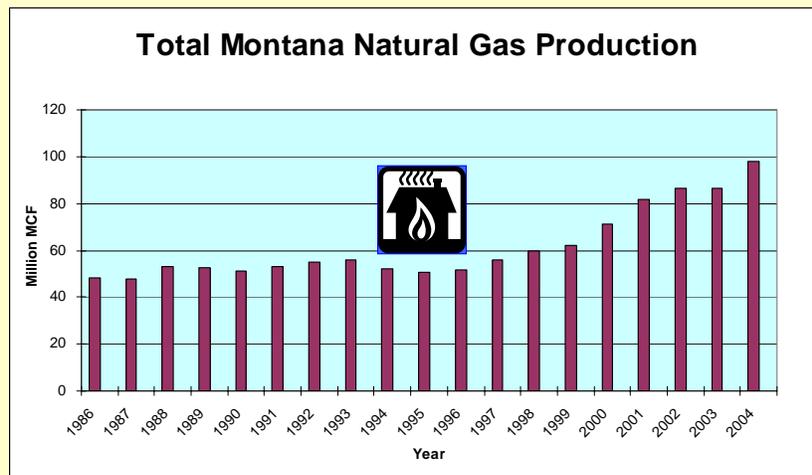




Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑



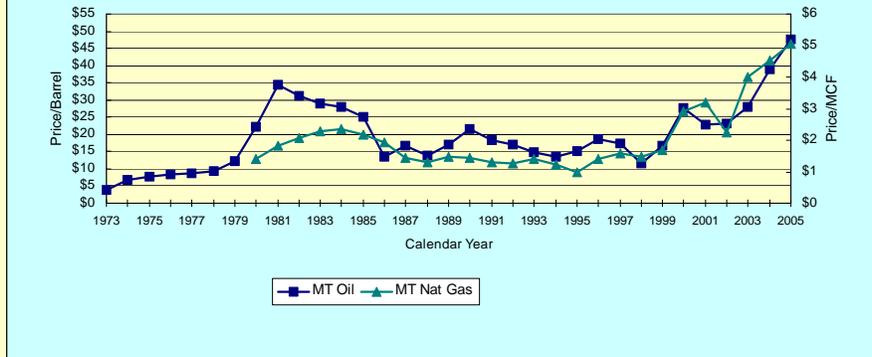
Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑





Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑

Montana Energy Price Data



Summary of Revenue Recommendations Property Tax - \$5.4 M ↑

- Percentage changes
 - FY 2005 - FY 2006: 5.5%
 - FY 2006 - FY 2007: 3.7%
- Taxable values



Summary of Revenue Recommendations Common School Interest & Income - \$17.9 M ↑

- Residual effects due to oil and natural gas changes



What does it all mean?





2007 Biennium General Fund Outlook (without Governor's proposal)

Budgeted ending balance	\$ 76.0 M
Unanticipated 2005	\$ 135.0 M
Additional revenues (recommended)	\$ 253.0 M
Supplementals	\$ (38.3) M
Additional reversions (due to I&I)	\$ 12.2 M
Adjustments	<u>\$ (12.5) M</u>
Projected Balance	\$ 425.4 M

(Before a Reserve)



2007 Biennium General Fund Outlook (with Governor's proposal)

Budgeted ending balance	\$ 76.0 M
Unanticipated 2005	\$ 135.0 M
Additional revenues (recommended)	\$ 253.0 M
Supplementals	\$ (38.3) M
Additional reversions (due to I&I)	\$ 12.2 M
Adjustments	\$ (12.5) M
Governor's proposal	<u>\$ (189.7) M</u>
Projected Balance	\$ 235.7 M

(Before a Reserve)





2009 Biennium General Fund Outlook (with Governor's proposal)

Beginning balance	\$ 235.7 M
Anticipated revenue	\$ 3,293.4 M
Present law costs	\$ (3,136.6) M
Session costs	\$ (10.0) M
Governor's proposal	\$ (62.4) M
Projected balance (Before a Reserve)	\$ 320.1 M

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2009 Biennium General Fund Outlook Structural Balance (with Governor's proposal)

Revenues	\$ 3,293.4 M
Disbursements	\$ (3,209.0) M
Structural balance	\$ 84.4 M

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Oil & Gas Impacts on State Revenue



Revenue Estimate Recommendations

Fiscal Years 2006 and 2007



Check here for the facts!



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