



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

Room 110 Capitol Building * P.O. Box 201711 * Helena, MT 59620-1711 * (406) 444-2986 * FAX (406) 444-3036

Director
AMY CARLSON

DATE: July 17, 2014
TO: Revenue & Transportation Interim Committee
FROM: Stephanie Morrison, LFD
RE: Revenue Source Ordering & Assumptions Included in HJ 2

This memo offers two alternatives to the current structure of HJ 2:

1. Matching the order of the general fund and non-general fund revenue estimates to the standard presentation
2. Consistently providing the underlying assumptions of each revenue source if available.

The first change reorders the listed revenue estimates and includes revenue section types where applicable. This would allow for consistency and easier comparison with all current LFD published documents that contain a revenue source listing. Tables of the current and proposed revenue order are included in the body of this memo.

The second change is more substantive. Currently, HJ 2 includes as assumptions intermediate modeled values rather than the underlying assumptions going into the models. An example of this issue is provided by many of the consumption taxes in HJ 2: the current assumptions list estimated quantity sold or consumed, rather than the underlying assumptions of population and personal income that produce those estimates.

The second change proposes to consistently identify the underlying assumptions of each estimate in HJ 2. This would allow for a better understanding of the drivers of each revenue source, and provide more clarity when discussing the forecast of various economic indicators. An example of current and proposed assumptions for oil production tax is included on the last page of this memo.

Current and Proposed Order of Revenue Estimates in Bill

CURRENT ORDER IN BILL General Fund Revenue Estimates (In Millions of Dollars)

Source of Revenue	Actual Fiscal 2012	Estimated Fiscal 2013	Estimated Fiscal 2014	Estimated Fiscal 2015
Individual Income Tax	898.851	983.953	1,039.16	1,104.90
Property Tax	236.662	241.741	246.621	254.664
Corporation License Tax	127.771	150.658	154.096	155.022
Vehicle Tax	83.871	84.608	85.07	85.651
Insurance Tax & License Fees	58.951	59.932	52.021	54.052
Coal Trust Interest	25.84	24.451	24.424	24.411
US Mineral Royalty	31.057	36.989	30.953	29.009
All Other Revenue	47.258	32.595	32.488	32.773
Tobacco Settlement	3.322	3.552	3.519	3.486
Telecommunications Excise Tax	21.459	22.606	23.236	23.823
Video Gambling Tax	53.824	57.706	59.929	62.117
Treasury Cash Account Interest	2.654	2.779	2.346	2.778
Estate Tax	0.06	0	0	0
Oil & Natural Gas Production Tax	97.56	98.75	99.336	97.427
Motor Vehicle Fee	16.084	16.225	16.314	16.425
Public Institution Reimbursements	14.562	16.332	17.663	18.301
Lodging Facility Use Tax	15.606	17.314	18.365	19.477
Coal Severance Tax	12.35	12.864	14.857	15.906
Liquor Excise & License Tax	17.037	18.206	19.284	20.431
Cigarette Tax	31.483	30.991	30.433	29.499
Investment License Fee	6.961	7.21	7.457	7.714
Lottery Profits	13.061	14.477	14.342	15.076
Liquor Profits	9.5	10.604	10.985	11.602
Nursing Facilities Fee	5.077	4.876	4.74	4.603
Electrical Energy Tax	4.481	4.442	4.521	4.565
Metalliferous Mines Tax	10.01	10.904	10.595	10.039
Highway Patrol Fines	4.385	4.427	4.467	4.508
Public Contractors Tax	-3.042	1.14	3.259	3.259
Wholesale Energy Tax	3.427	4.038	4.14	4.217
Tobacco Tax	5.709	5.821	6.005	6.197
Driver's License Fee	4.369	3.867	4.389	3.923
Rental Car Sales Tax	3.42	3.539	3.632	3.744
Railroad Car Tax	2.273	2.157	2.32	2.437
Wine Tax	2.104	2.144	2.218	2.291
Beer Tax	2.956	3.052	3.067	3.085
Total General Fund	1,870.95	1,994.95	2,056.25	2,137.41

PROPOSED ORDER
General Fund Revenue Estimates
(In Millions of Dollars)

Source of Revenue	Actual Fiscal 2012	Estimated Fiscal 2013	Estimated Fiscal 2014	Estimated Fiscal 2015
Largest Seven Sources				
Individual Income Tax	898.851	983.953	1039.160	1104.898
Property Tax	236.662	241.741	246.621	254.664
Corporation Income Tax	127.771	150.658	154.096	155.022
Vehicle Tax	83.871	84.608	85.070	85.651
Motor Vehicle Fee	16.084	16.225	16.314	16.425
Oil & Natural Gas Production Tax	97.560	98.750	99.336	97.427
Insurance Tax & License Fees	58.951	59.932	52.021	54.052
Video Gambling Tax	53.824	57.706	59.929	62.117
Other Business Taxes				
Driver's License Fee	4.369	3.867	4.389	3.923
Investment License Fee	6.961	7.210	7.457	7.714
Lodging Taxes	15.606	17.314	18.365	19.477
Public Contractors Tax	-3.042	1.140	3.259	3.259
Railroad Car Tax	2.273	2.157	2.320	2.437
Rental Car Sales Tax	3.420	3.539	3.632	3.744
Telecommunications Excise Tax	21.459	22.606	23.236	23.823
Other Natural Resource Taxes				
Coal Severance Tax	12.350	12.864	14.857	15.906
Electrical Energy Tax	4.481	4.442	4.521	4.565
Metalliferous Mines Tax	10.010	10.904	10.595	10.039
US Mineral Royalty	31.057	36.989	30.953	29.009
Wholesale Energy Tax	3.427	4.038	4.140	4.217
Other Interest Earnings				
Coal Trust Interest	25.840	24.451	24.424	24.411
Treasury Cash Account Interest	2.654	2.779	2.346	2.778
Other Consumption Taxes				
Beer Tax	2.956	3.052	3.067	3.085
Cigarette Tax	31.483	30.991	30.433	29.499
Liquor Excise & License Tax	17.037	18.206	19.284	20.431
Liquor Profits	9.500	10.604	10.985	11.602
Lottery Profits	13.061	14.477	14.342	15.076
Tobacco Tax	5.709	5.821	6.005	6.197
Wine Tax	2.104	2.144	2.218	2.291
Other Sources				
All Other Revenue	47.318	32.595	32.488	32.773
Highway Patrol Fines	4.385	4.427	4.467	4.508
Nursing Facilities Fee	5.077	4.876	4.740	4.603
Public Institution Reimbursements	14.562	16.332	17.663	18.301
Tobacco Settlement	3.322	3.552	3.519	3.486
Total General Fund	1,870.954	1,994.950	2,056.252	2,137.410

Example of Current and Proposed Underlying Assumptions for Oil Production Tax

CURRENT OIL PRODUCTION TAX ASSUMPTIONS

<u>Assumption</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
CY Oil Production (Million Barrels)	25.014	25.652	26.344	26.806
CY Montana Oil Price (Weighted Price/Barrel)	\$87.93	\$83.71	\$80.55	\$76.19
CY Effective Tax Rate (Percent)	9.58%	10.10%	10.28%	10.48%

PROPOSED OIL PRODUCTION TAX ASSUMPTIONS

<u>Assumption</u>	<u>Unit</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
CY Average Number of Rigs Drilling		16	16	16	16
CY Average # Wells per Rig per Month		0.5	0.5	0.5	0.5
CY Total Horizontal Production	Millions of Barrels	17.90	20.09	21.23	22.28
CY Total Vertical Production	Millions of Barrels	8.48	7.24	6.65	6.06
CY WTI Price	\$/Barrel	94.21	90.84	88.20	84.79
CY MT Price to WTI Price Ratio		0.90	0.90	0.90	0.90