

# State of Montana

## 2017 Biennium Revenue Estimates

Presented by the Office of Budget and  
Program Planning

*November 20, 2014*



# Montana budget deficit projected at \$400M in 2013

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June 15, 2010 6:02 am • CHARLES S. JOHNSON Gazette State Bureau 0

HELENA - The state's legislative and executive branches' projected revenue forecasts and potential budget deficit as of mid-2013 are about in the in the same range, officials told a legislative committee Friday.

Terry Johnson, the Legislature's chief revenue forecaster, estimated a potential budget deficit of \$405.2 million as of mid-2013, if the 2011 Legislature sets a \$100 million budget surplus.



# State surplus up at end of 2013 fiscal year

September 27, 2013 12:00 am • IR State Bureau

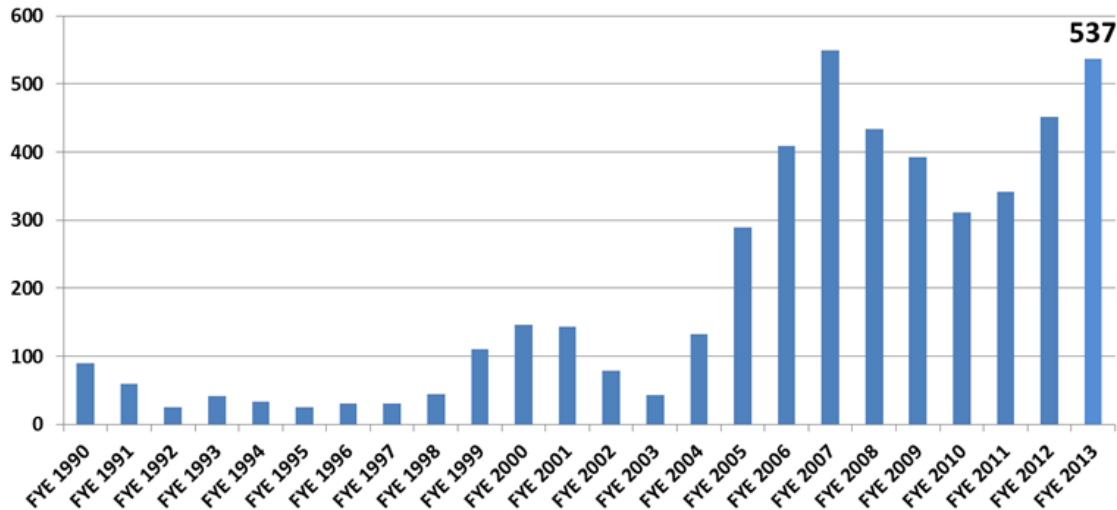
(0) Comments

State government's general fund surplus for the fiscal year that ended June 30 was nearly 24 percent, or \$102.4 million, more than estimated, a report from the Legislative Fiscal Division released Thursday showed.

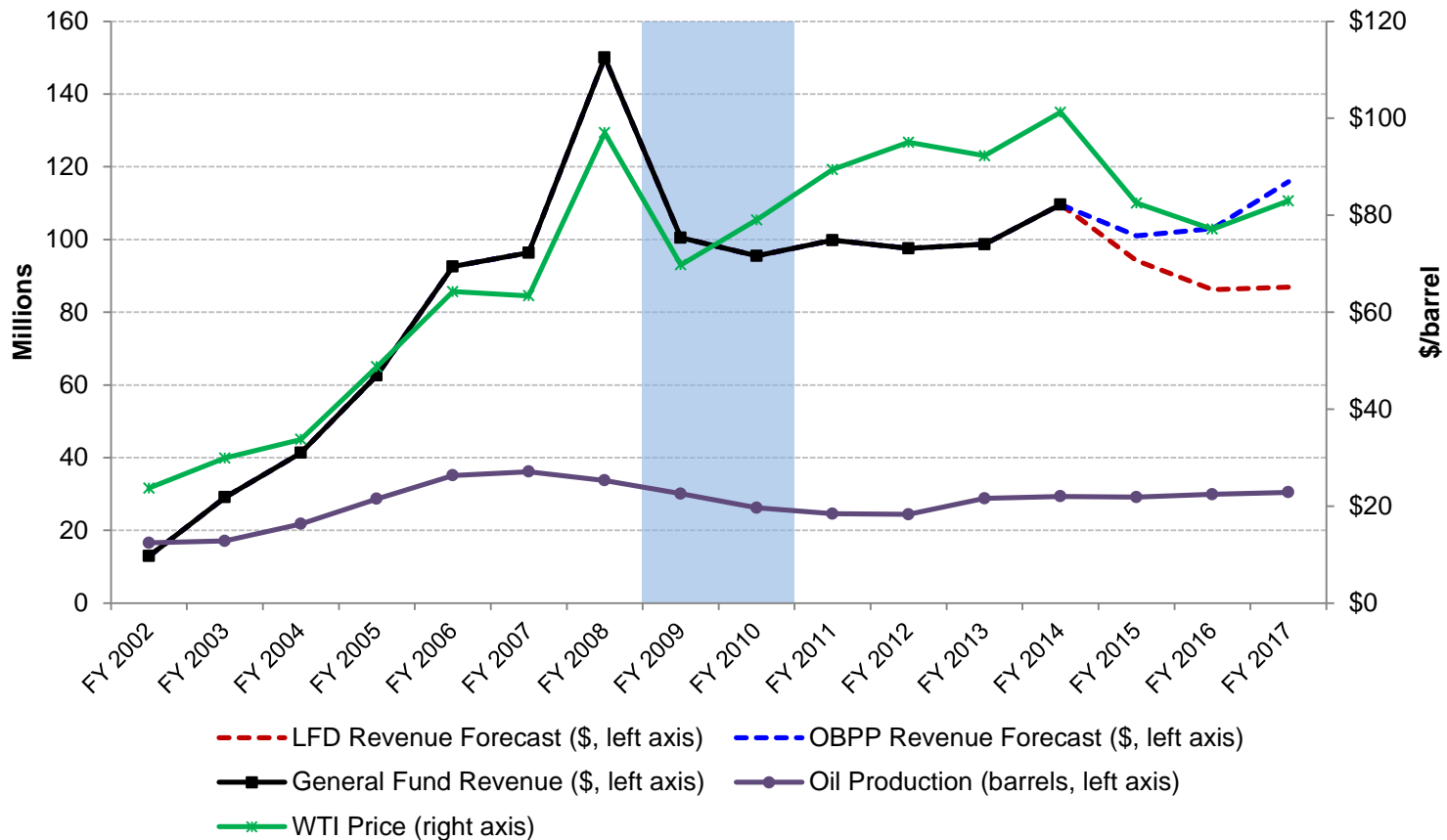
These numbers are considered preliminary because they have not yet been audited by the state legislative auditor, state Legislative Fiscal Analyst Amy Carlson said in her report.

Legislators had estimated a general fund surplus — called an ending fund balance in government accounting lingo — of \$434.9 million for the 2013 fiscal year that ended June 30. However, the actual surplus turned out to be \$537.2 million.

Actual and Forecast General Fund Ending Fund Balance (Millions \$)  
1990 - 2013 Actual



### General Fund Revenue from Oil & Natural Gas Production Tax, Price of WTI Oil, and Montana Oil Production





# As oil prices fall, North Dakota budget officials mull impact

November 10, 2014 10:44 am • [By Tu-Uyen Tran, Forum News Service](#)

FARGO – As North Dakota Gov. Jack Dalrymple works on a budget for the next biennium, he'll have to assume that less money will be going into state coffers because of falling oil prices.

When assured that **“WTI is an industry standard against which the price of oil from other places, such as North Dakota’s Bakken Formation, is measured.”**

Late last month, OMB said **“Oil prices could recover by the time the Legislature starts meeting in January, at which time OMB will provide another forecast, Sharp said. Moody’s Analytics, which provides advice to the OMB advisory committee, is looking at oil prices increasing over the next three to four years, she said.”**

“It was a middle of the Legislature **“OMB is assuming oil prices will reach \$82 at the end of the next biennium.”**

It isn't known how much falling oil prices will affect the budget until the governor releases his plan Dec. 3.



### COMPANY UPDATE

# Taking a hedge gamble

*Continental slows production slightly but banks on crude oil prices rebounding*

By **MAXINE HERR**

*For Petroleum News Bakken*

**C**ontinental Resources feels it is “sensible” to adjust some finances until higher oil prices return, but it has taken a bold move in light of pulled-back prices and monetized nearly all of its oil contracts from October through 2016.

By lifting its hedging, Continental netted \$433 million of proceeds in the fourth quarter in a move where the company loses protection against further oil price declines but opens the door to higher profits should prices soar. But Chairman and Chief Executive Officer Harold



**HAROLD HAMM**

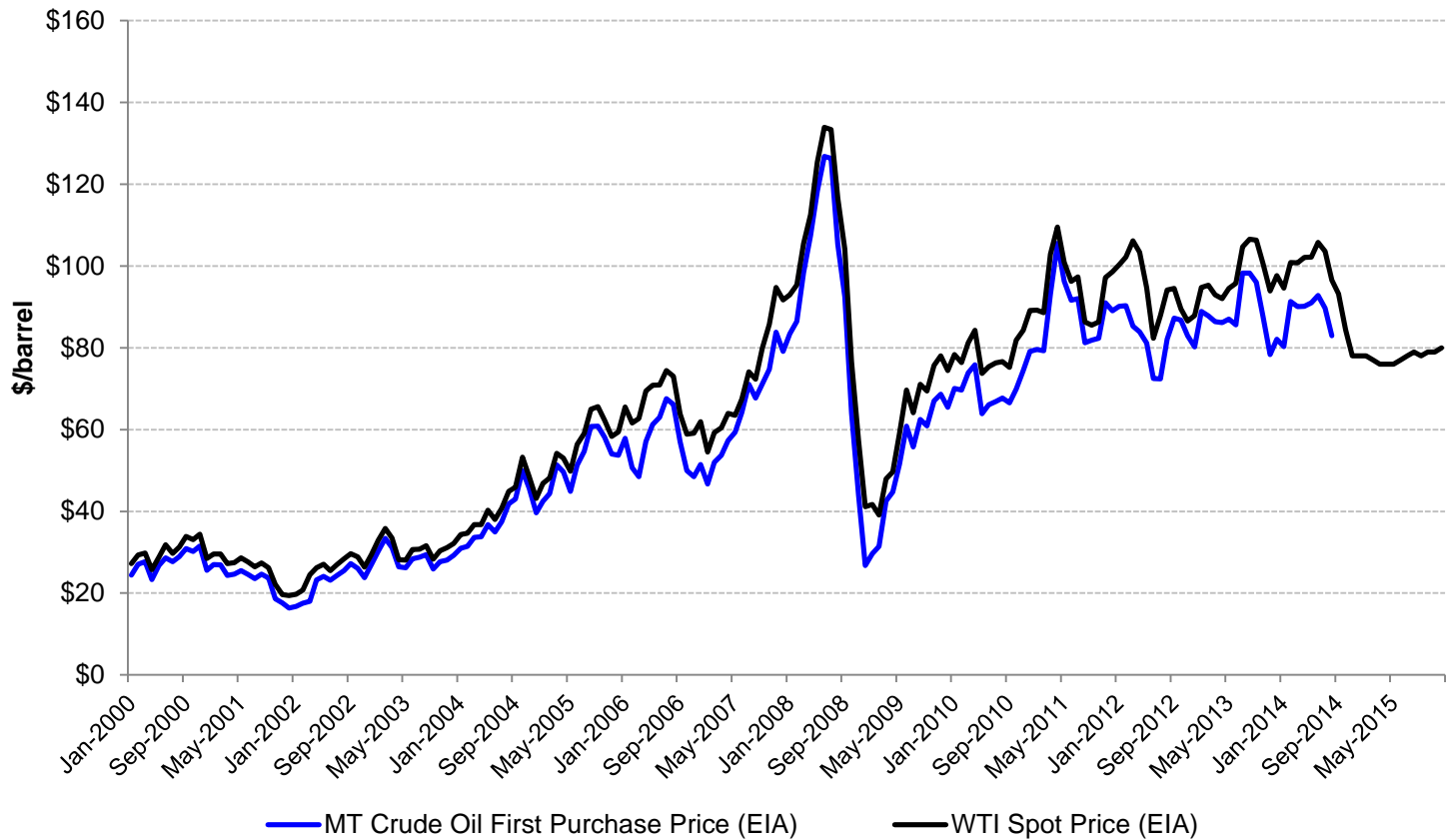
**MIKE ELLERD** Hamm is confident that the oil price drop will be short-lived and expects prices to strengthen to the mid-\$80s or \$90 in the near future.

Even though it took the profit on its hedges, Continental also cut its capital spending budget for 2015 by 12 percent, slashing \$600 million from its previous estimate of \$5.2 billion, and said production will likely taper to only 23 percent growth next year instead of initial projections of 29 percent.

“An adjustment in capex is called for, as we believe the recent pullback in oil prices will ultimately prove to be beneficial to Continental in

see **HEDGE GAMBLE** page 19

### Monthly West Texas Intermediate vs. Montana Oil Prices\*



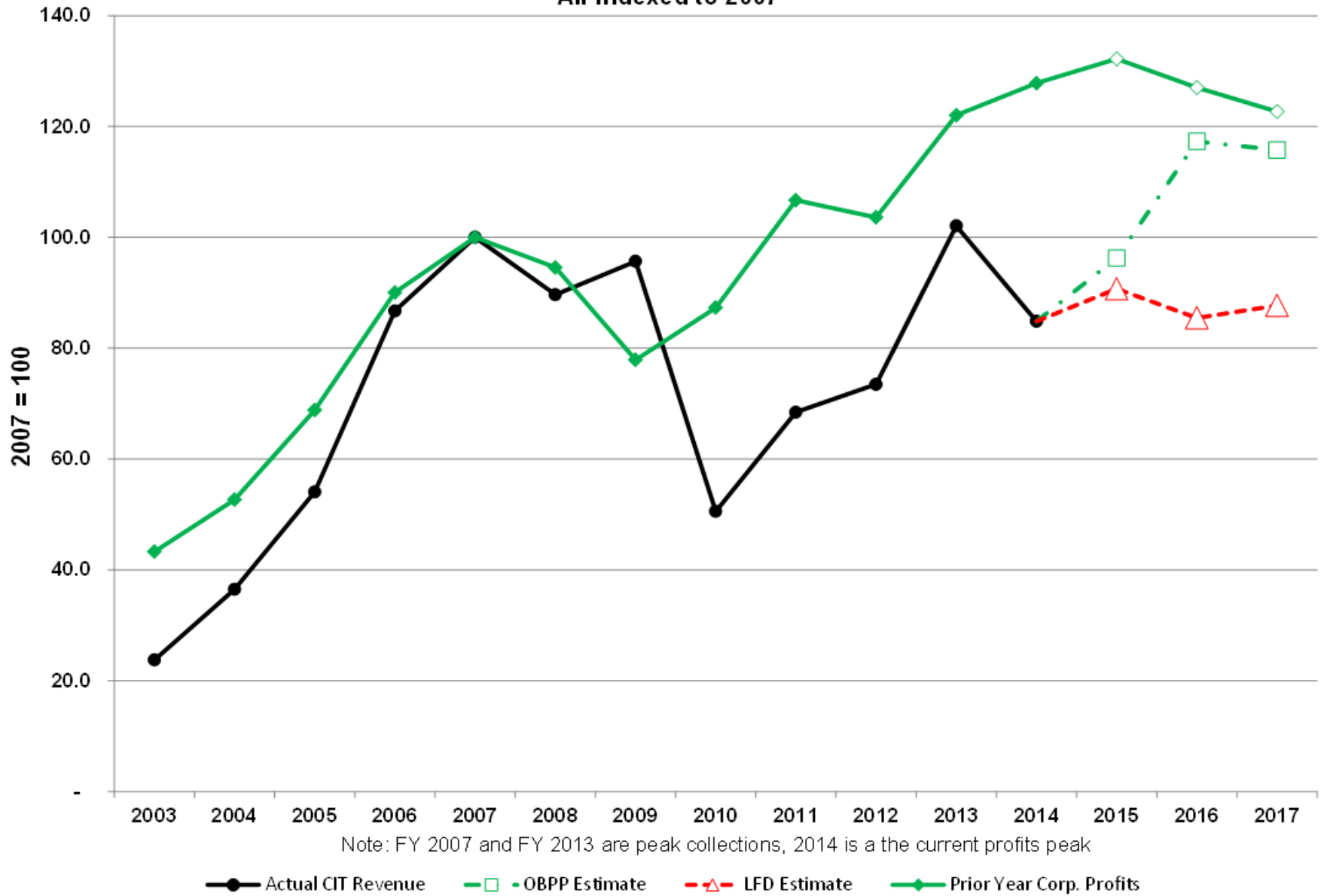
\*Forecast WTI spot prices are from EIA's November Short-Term Energy Outlook

**Prior Fiscal Year U.S. Before-Tax Corporate Profits with IHS Economics Forecasts of October 2012 (base scenario) and October 2014 (with scenarios)**

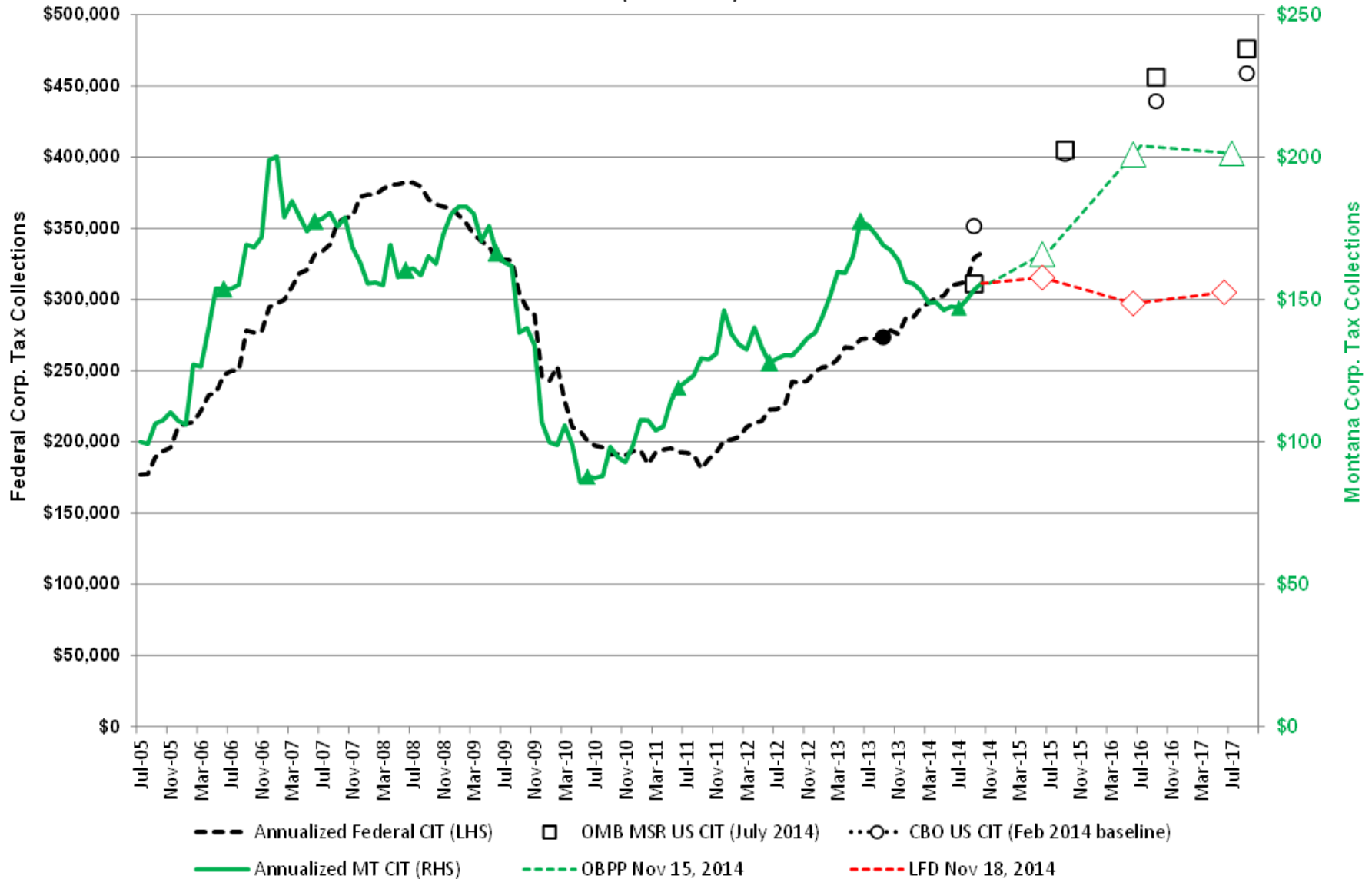




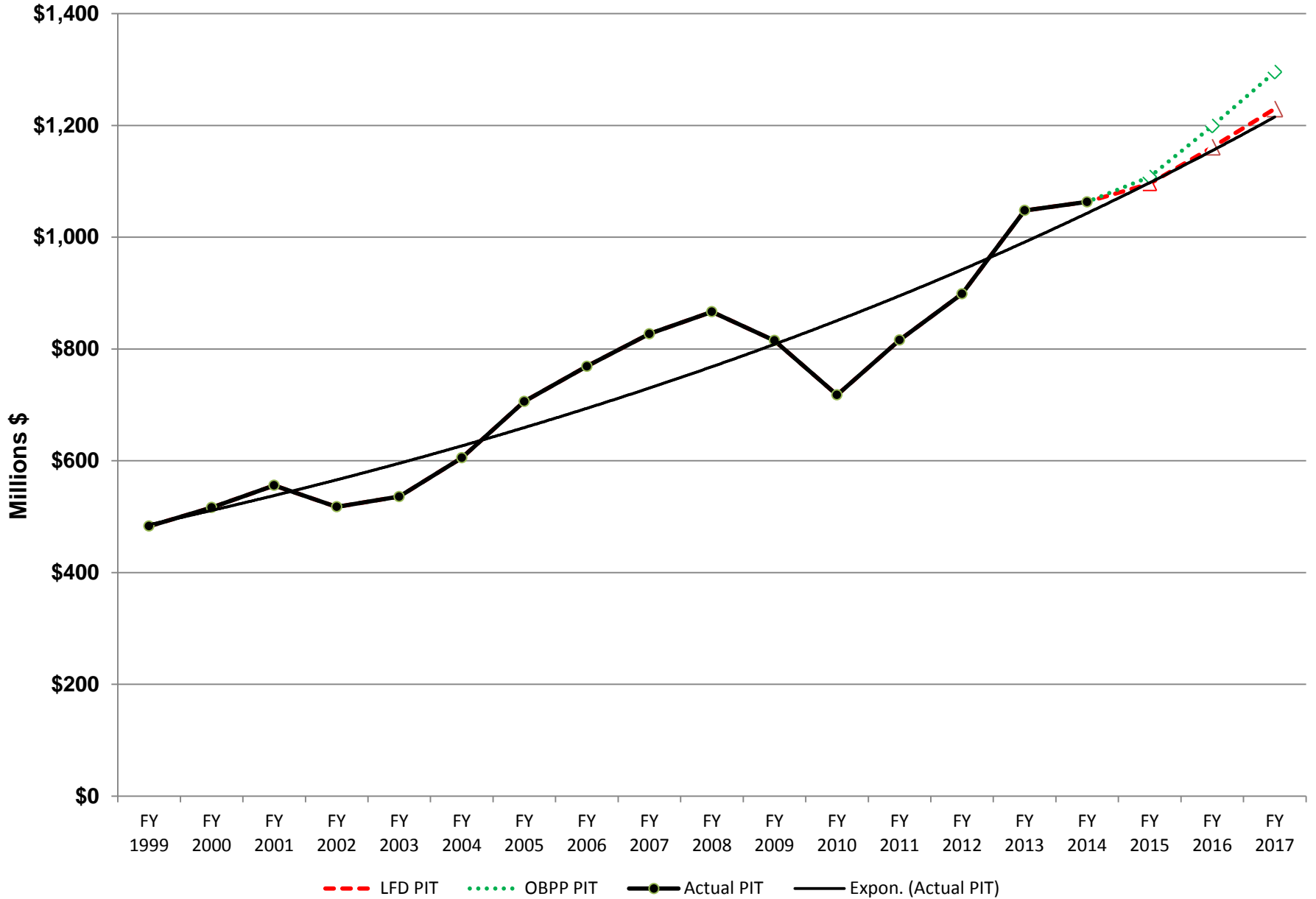
**Actual Montana FY Corp. Tax Collections and Prior CY Corp Profits (IHS Pessimistic Outlook)  
with Indexed OBPP and LFD Estimates for FY 2015, FY 2016, and FY 2017  
All Indexed to 2007**



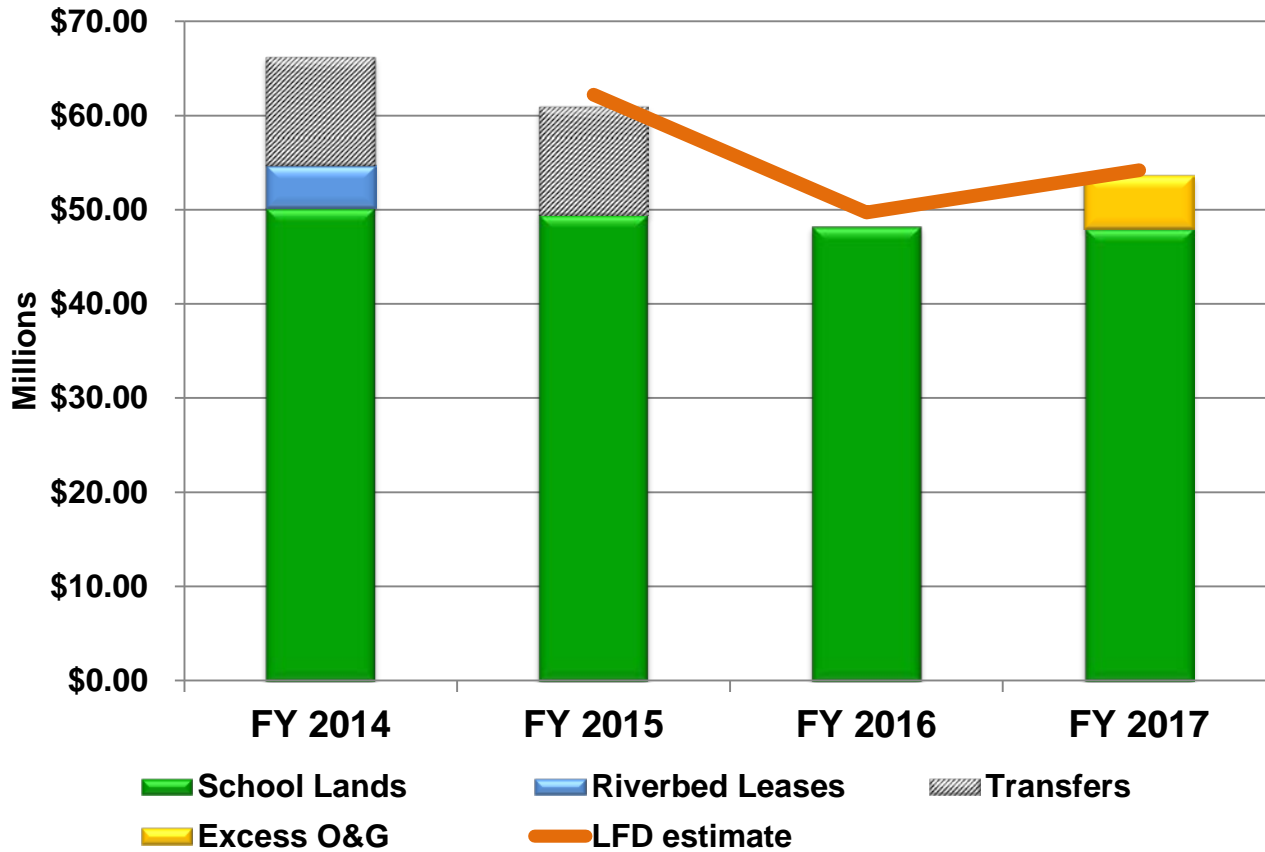
**ALTERNATIVE COMPARISON: Federal & Montana Corporate Income Tax Collections**  
**July 2005 through October 2014 (12 month sums) Relative to CBO and OMB CIT Forecasts**  
**and OBPP and LFD November 2014 Forecasts.**  
 (Millions \$)



# Individual Income Tax Collections with OBPP and LFD Forecast



## Guarantee Account Revenue 20-9-622, MCA



- Interest income down
- Ag & Grazing rents down
- Riverbed leases no longer to this fund after FY 2014
- 70% of school district's excess O&G to this fund beginning in FY 2017

## OBPP/LFD GF Estimates Compared to Trend (Millions \$)

