



MONTANA LEGISLATIVE BRANCH

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Director
AMY CARLSON

DATE: September 5, 2014
TO: Revenue & Transportation Interim Committee
FROM: LFD Revenue Staff
RE: Revenue Estimate Next Steps

The [2017 Outlook Revenue Detail](#) was presented to the Revenue & Transportation Interim Committee (RTIC) at the previous meeting on July 17, 2014. The report provides preliminary estimates by revenue source for the upcoming biennium, and highlights modeling changes and potential areas of concern. New information has been received already, and other sources of detailed data will be available in early fall that will form the base year of data for the LFD revenue estimate recommendation.

New information already received

- FY 2014 actual collection data
- Revised IHS forecasts

Additional information available prior to November meeting

- Individual income taxpayer data from CY 2013
- Corporation income taxpayer data from CY 2012
- Property tax valuation data for FY 2015
- Oil & natural gas production and tax data through FYE 2014
- Information from the State Auditor's Office regarding health insurance premiums
- Updated production information from surveys of coal & metal producers
- Federal FY 2014 natural resource production data
- Board of Investments estimates of bond yields
- Official lottery sales & expenses data
- Further updates from IHS

In addition to the updated data, the LFD revenue estimate recommendations will incorporate various model adjustments. LFD and OBPP staff is working with DOR to ensure the individual income tax model is up-to-date with current federal law. As stated in the FY 2014 General Fund Revenue report, the non-wage portions of individual income will be carefully examined to insure that a potentially outsized reduction in CY 2013 non-wage income—due to the “federal fiscal cliff” income shifting at the end of CY 2012—does not result in significantly reducing subsequent growth.

RTIC comments, questions or concerns regarding the economic overview presentations of this meeting will be distilled into key points and investigated further. The issues identified will be addressed at the November presentation of the revenue estimate recommendation. Finally, LFD revenue analyst Sam Schaefer's rigorous [standard error analysis](#)—undertaken to better understand the source of estimate volatility and to direct data and model changes that would minimize the estimating error—will be extended to other top seven general fund revenue sources.