



# General Fund Revenue Outlook

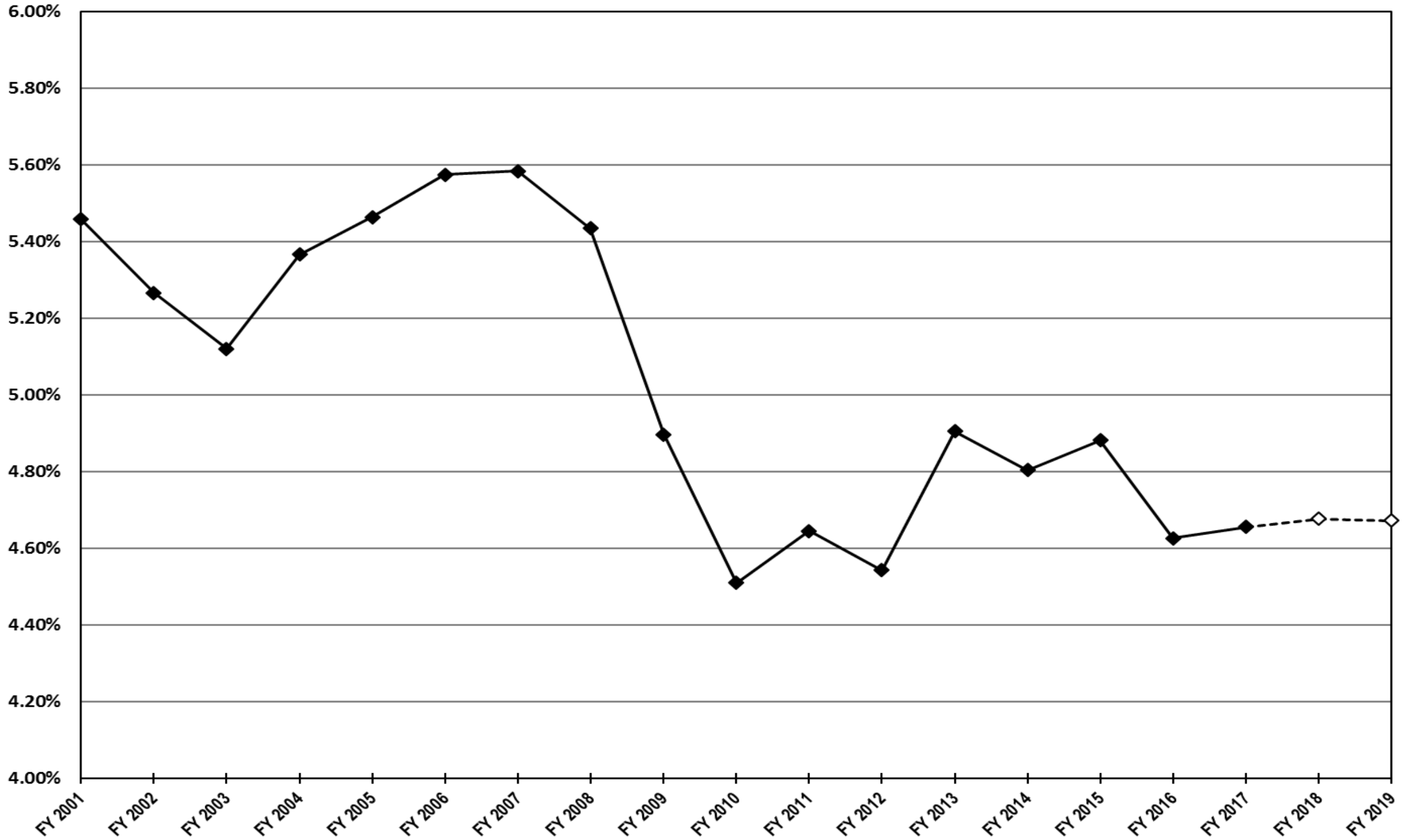
**Dan Villa, Budget Director**  
State of Montana  
Office of Budget and Program Planning

*September 14, 2017*

For the Revenue and Transportation Interim Committee

# Our Revenue Streams Do Not Reflect Our Economy As They Once Did

General Fund Collections Relative to Gross State Product  
FY 2001 Through FY 2017 and Projection to FY 2019 (OBPP September 5, 2017 Estimate)



**OBPP General Fund Revenue Forecast Relative to HJR 2 (Adjusted for Legislation)**  
**September 5, 2017**



Revenue Category	FY 2017			FY 2018			FY 2019			Biennium
	Actual	HJR 2	Difference	Forecast	HJR 2	Difference	Forecast	HJR 2	Difference	Difference
<b>MAJOR TAXES</b>										
Individual Income Tax	\$1,168.22	\$1,238.52	(\$70.29)	\$1,241.41	\$1,320.81	(\$79.40)	\$1,312.38	\$1,404.30	(\$91.92)	(\$171.32)
Property Tax	\$260.22	\$261.00	(\$0.78)	\$276.71	\$277.12	(\$0.41)	\$283.01	\$286.13	(\$3.12)	(\$3.53)
Vehicle Taxes and Fees	\$109.19	\$110.84	(\$1.65)	\$112.20	\$112.96	(\$0.76)	\$116.40	\$114.55	\$1.85	\$1.09
Corporation License Tax	\$125.99	\$139.95	(\$13.96)	\$132.49	\$168.76	(\$36.27)	\$141.55	\$173.15	(\$31.59)	(\$67.86)
Insurance Premiums Tax	\$75.56	\$73.41	\$2.14	\$77.79	\$76.00	\$1.79	\$79.81	\$79.89	(\$0.08)	\$1.71
Video Gambling License Tax	\$59.96	\$59.28	\$0.68	\$60.90	\$61.90	(\$1.00)	\$62.45	\$64.52	(\$2.06)	(\$3.07)
<b>Total Major Taxes</b>	<b>\$1,799.15</b>	<b>\$1,883.01</b>	<b>(\$83.86)</b>	<b>\$1,901.50</b>	<b>\$2,017.55</b>	<b>(\$116.05)</b>	<b>\$1,995.61</b>	<b>\$2,122.53</b>	<b>(\$126.92)</b>	<b>(\$242.98)</b>
<b>NATURAL RESOURCE TAXES</b>										
Oil and Gas Production Taxes	\$46.33	\$45.29	\$1.05	\$43.04	\$49.94	(\$6.90)	\$40.79	\$48.91	(\$8.13)	(\$15.03)
U.S. Mineral Royalties	\$17.32	\$19.25	(\$1.93)	\$16.32	\$20.50	(\$4.18)	\$16.13	\$21.23	(\$5.10)	(\$9.28)
Coal Severance Tax	\$13.80	\$13.58	\$0.22	\$14.16	\$13.81	\$0.35	\$13.99	\$14.30	(\$0.31)	\$0.05
Metalliferous Mines Tax	\$4.84	\$4.41	\$0.43	\$5.32	\$4.27	\$1.04	\$5.43	\$4.16	\$1.27	\$2.32
Electrical Energy Tax	\$4.31	\$4.45	(\$0.13)	\$4.61	\$4.44	\$0.17	\$4.50	\$4.52	(\$0.02)	\$0.15
Wholesale Energy Transactions Tax	\$3.46	\$3.54	(\$0.07)	\$3.49	\$3.51	(\$0.02)	\$3.44	\$3.54	(\$0.10)	(\$0.12)
<b>Total Natural Resource Taxes</b>	<b>\$90.07</b>	<b>\$90.51</b>	<b>(\$0.44)</b>	<b>\$86.93</b>	<b>\$96.47</b>	<b>(\$9.53)</b>	<b>\$84.27</b>	<b>\$96.66</b>	<b>(\$12.38)</b>	<b>(\$21.92)</b>
<b>INTEREST EARNINGS</b>										
Coal Trust Interest Earnings	\$19.80	\$19.96	(\$0.16)	\$17.89	\$19.83	(\$1.94)	\$17.28	\$19.07	(\$1.78)	(\$3.73)
Treasury Cash Account Interest	\$5.69	\$4.27	\$1.42	\$8.57	\$7.58	\$0.99	\$16.16	\$15.51	\$0.66	\$1.65
<b>Total Interest Earnings</b>	<b>\$25.49</b>	<b>\$24.24</b>	<b>\$1.25</b>	<b>\$26.45</b>	<b>\$27.41</b>	<b>(\$0.95)</b>	<b>\$33.45</b>	<b>\$34.57</b>	<b>(\$1.12)</b>	<b>(\$2.08)</b>
<b>LIQUOR TAXES</b>										
Liquor Excise and License Taxes	\$20.37	\$21.36	(\$0.99)	\$21.79	\$22.27	(\$0.48)	\$22.86	\$23.22	(\$0.36)	(\$0.84)
Liquor Profits	\$11.75	\$11.50	\$0.25	\$12.50	\$12.08	\$0.42	\$13.19	\$12.58	\$0.61	\$1.03
Beer Tax	\$3.00	\$3.05	(\$0.05)	\$3.04	\$3.07	(\$0.03)	\$3.04	\$3.08	(\$0.04)	(\$0.07)
Wine Tax	\$2.43	\$2.48	(\$0.05)	\$2.49	\$2.58	(\$0.10)	\$2.56	\$2.67	(\$0.12)	(\$0.22)
<b>Total Liquor Taxes</b>	<b>\$37.54</b>	<b>\$38.39</b>	<b>(\$0.85)</b>	<b>\$39.82</b>	<b>\$40.00</b>	<b>(\$0.18)</b>	<b>\$41.64</b>	<b>\$41.55</b>	<b>\$0.09</b>	<b>(\$0.09)</b>
<b>TOBACCO TAXES</b>										
Cigarette Tax	\$30.56	\$30.92	(\$0.37)	\$30.84	\$30.65	\$0.19	\$30.63	\$30.46	\$0.16	\$0.35
Tobacco Products Tax	\$6.25	\$6.62	(\$0.38)	\$6.48	\$6.81	(\$0.34)	\$6.61	\$7.00	(\$0.39)	(\$0.72)
Tobacco Settlement	\$3.34	\$3.10	\$0.24	\$2.89	\$2.62	\$0.27	\$2.83	\$2.60	\$0.23	\$0.49
<b>Total Tobacco Taxes</b>	<b>\$40.15</b>	<b>\$40.65</b>	<b>(\$0.50)</b>	<b>\$40.21</b>	<b>\$40.09</b>	<b>\$0.12</b>	<b>\$40.07</b>	<b>\$40.06</b>	<b>\$0.00</b>	<b>\$0.12</b>
<b>SALES TAXES</b>										
Telecommunications Excise Tax	\$15.60	\$16.09	(\$0.49)	\$14.97	\$15.57	(\$0.60)	\$14.15	\$14.97	(\$0.82)	(\$1.42)
Institutional Reimbursements	\$14.26	\$14.16	\$0.10	\$11.91	\$15.72	(\$3.80)	\$12.02	\$14.73	(\$2.72)	(\$6.52)
Health Care Facility Utilization Fees	\$4.63	\$4.59	\$0.05	\$4.28	\$4.31	(\$0.02)	\$4.25	\$4.25	\$0.01	(\$0.02)
Accommodations Tax	\$21.78	\$22.20	(\$0.42)	\$23.25	\$23.40	(\$0.15)	\$25.16	\$24.77	\$0.39	\$0.24
Rental Car Sales Tax	\$3.40	\$3.31	\$0.09	\$3.42	\$3.36	\$0.06	\$3.53	\$3.66	(\$0.13)	(\$0.07)
<b>Total Sales Taxes</b>	<b>\$59.68</b>	<b>\$60.35</b>	<b>(\$0.66)</b>	<b>\$57.84</b>	<b>\$62.35</b>	<b>(\$4.51)</b>	<b>\$59.10</b>	<b>\$62.38</b>	<b>(\$3.27)</b>	<b>(\$7.78)</b>
<b>OTHER TAXES AND REVENUES</b>										
Lottery	\$9.62	\$12.36	(\$2.74)	\$10.17	\$12.36	(\$2.19)	\$10.65	\$12.36	(\$1.72)	(\$3.90)
Highway Patrol Fines	\$3.93	\$4.10	(\$0.17)	\$3.97	\$4.15	(\$0.18)	\$4.07	\$4.19	(\$0.12)	(\$0.30)
Investment Licenses and Permits	\$7.33	\$7.45	(\$0.13)	\$7.73	\$7.66	\$0.08	\$8.01	\$7.99	\$0.01	\$0.09
Contractors' Gross Receipts Tax	\$3.08	\$2.55	\$0.53	\$3.08	\$2.54	\$0.54	\$3.16	\$2.53	\$0.64	\$1.18
Driver's License Fee	\$4.31	\$4.94	(\$0.63)	\$4.37	\$4.34	\$0.03	\$4.60	\$5.01	(\$0.41)	(\$0.38)
Rail Car Tax	\$3.79	\$3.39	\$0.40	\$3.54	\$3.64	(\$0.10)	\$3.58	\$3.91	(\$0.32)	(\$0.43)
Other Revenue	\$57.34	\$45.00	\$12.34	\$47.64	\$46.06	\$1.58	\$48.03	\$47.32	\$0.71	\$2.29
<b>Total Other Taxes and Revenues</b>	<b>\$89.39</b>	<b>\$79.80</b>	<b>\$9.60</b>	<b>\$80.51</b>	<b>\$80.76</b>	<b>(\$0.25)</b>	<b>\$82.10</b>	<b>\$83.30</b>	<b>(\$1.20)</b>	<b>(\$1.45)</b>
<b>TOTAL GENERAL FUND REVENUE</b>	<b>\$2,141.48</b>	<b>\$2,216.94</b>	<b>(\$75.46)</b>	<b>\$2,233.27</b>	<b>\$2,364.62</b>	<b>(\$131.36)</b>	<b>\$2,336.24</b>	<b>\$2,481.05</b>	<b>(\$144.81)</b>	<b>(\$276.17)</b>

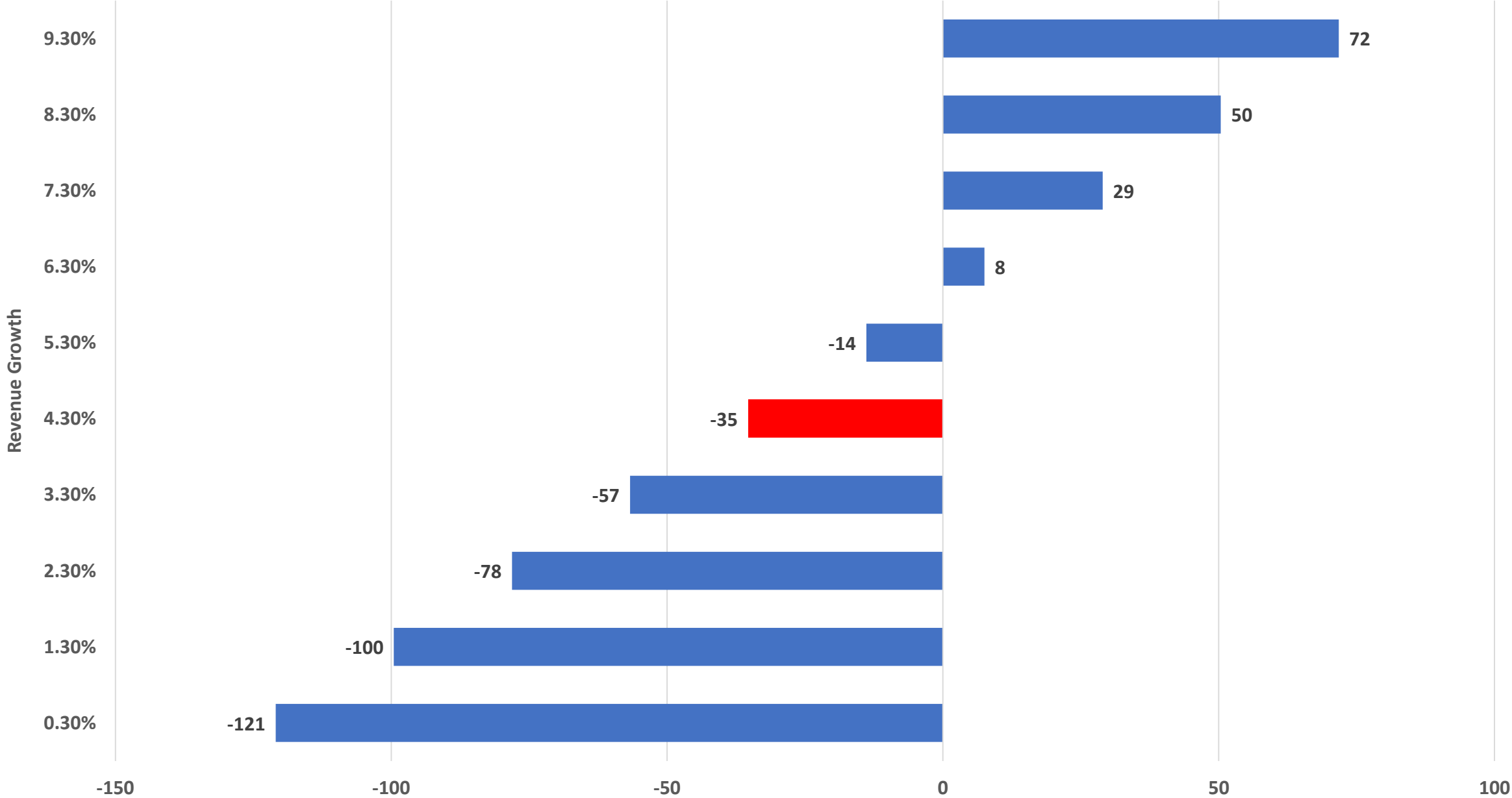


**FY 2017 and 2019 Biennium General Fund Status (Millions \$)**

<u>Description</u>	<u>Actual</u>	<u>Enacted</u>	
	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
<u>Beginning Fund Balance</u>	256.478	47.564	(35.576)
OBPP Revenue Estimate - August, 2017	2,141.479	2,233.266	2,336.240
Transfers-In (SB 261)		31.640	1.640
Prior Year Revenue Adjustments	(2.111)		
<b>Total Funds Available</b>	<b>2,395.846</b>	<b>2,312.470</b>	<b>2,302.304</b>
<u>General Appropriations Act</u>			
HB 2 Disbursements (Adjusted for SB 261)	2,004.574	1,986.310	2,033.305
<u>Non-HB 2 Disbursements</u>			
HB 1 - Feed Bill	8.239	2.210	9.063
HB 3 - Supplemental	23.167	20.000	20.000
Non HB 2 Reductions (SB 261)		(2.630)	(2.630)
<u>Other Disbursements</u>			
Statutory Appropriations	291.065	325.531	313.825
Transfers	20.668	20.108	20.693
Fire Fund Transfer (HB 354)	11.422		
Other Appropriations	5.602	4.291	0.281
Reversions		(7.774)	(7.902)
Prior Year Expenditure Adjustments	(4.058)		
<b>Total Disbursements</b>	<b>2,360.679</b>	<b>2,348.046</b>	<b>2,386.635</b>
Fund Balance Adjustments	12.397		
<b>Ending Fund Balance</b>	<b>47.564</b>	<b>(35.576)</b>	<b>(84.331)</b>
YOY Expenditure Growth		-0.54%	1.64%
YOY Revenue Growth		4.29%	4.61%
Fund Balance as a % of Total Spend		-1.52%	-3.53%
"Cut-To" Target			143.20
Trigger			119.33

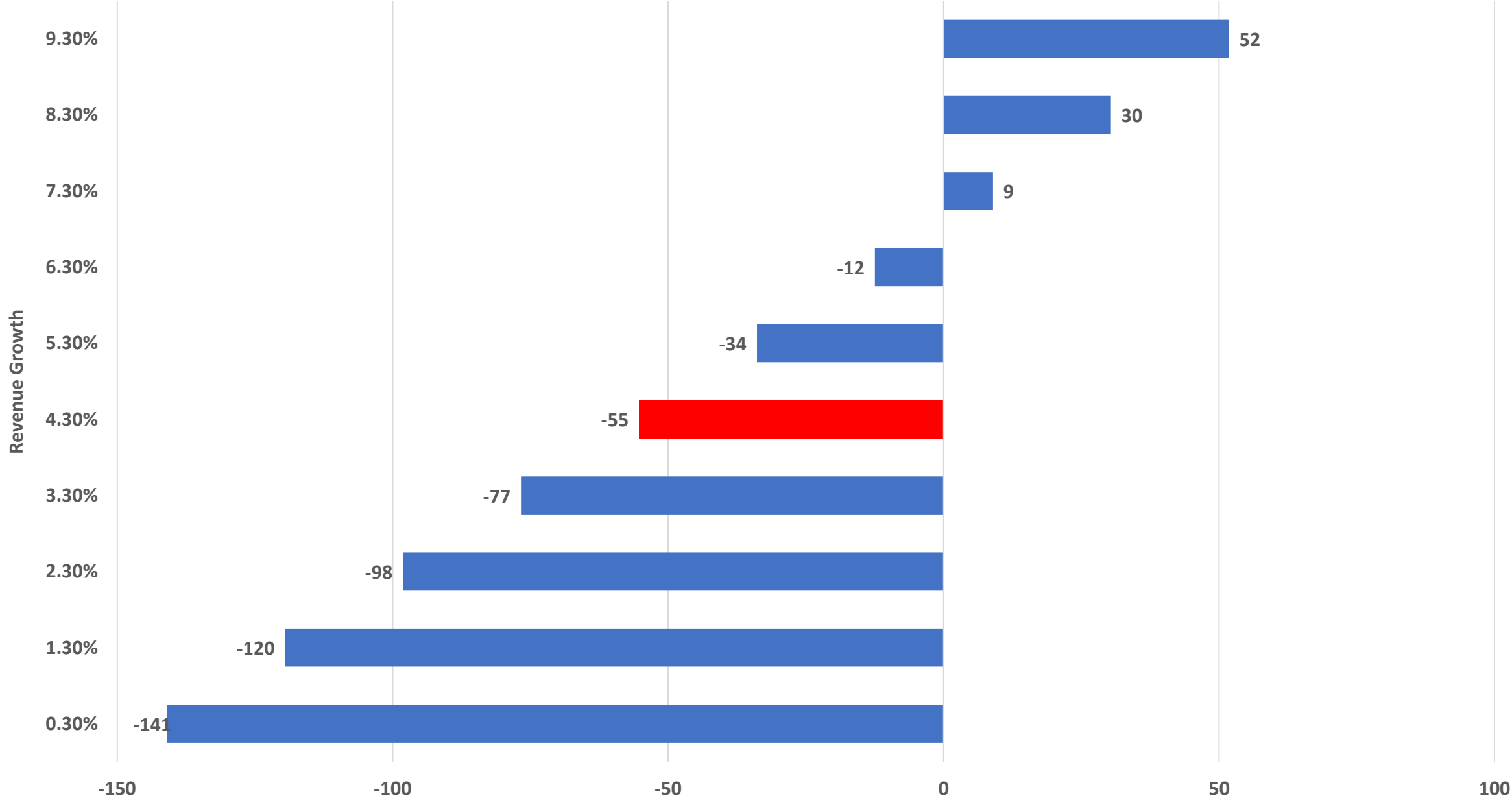
# Scenario A

FY 2018 Ending Fund Balance Scenario's Based on Revenue Growth  
(\$20 million fire cost scenario for FY 18)

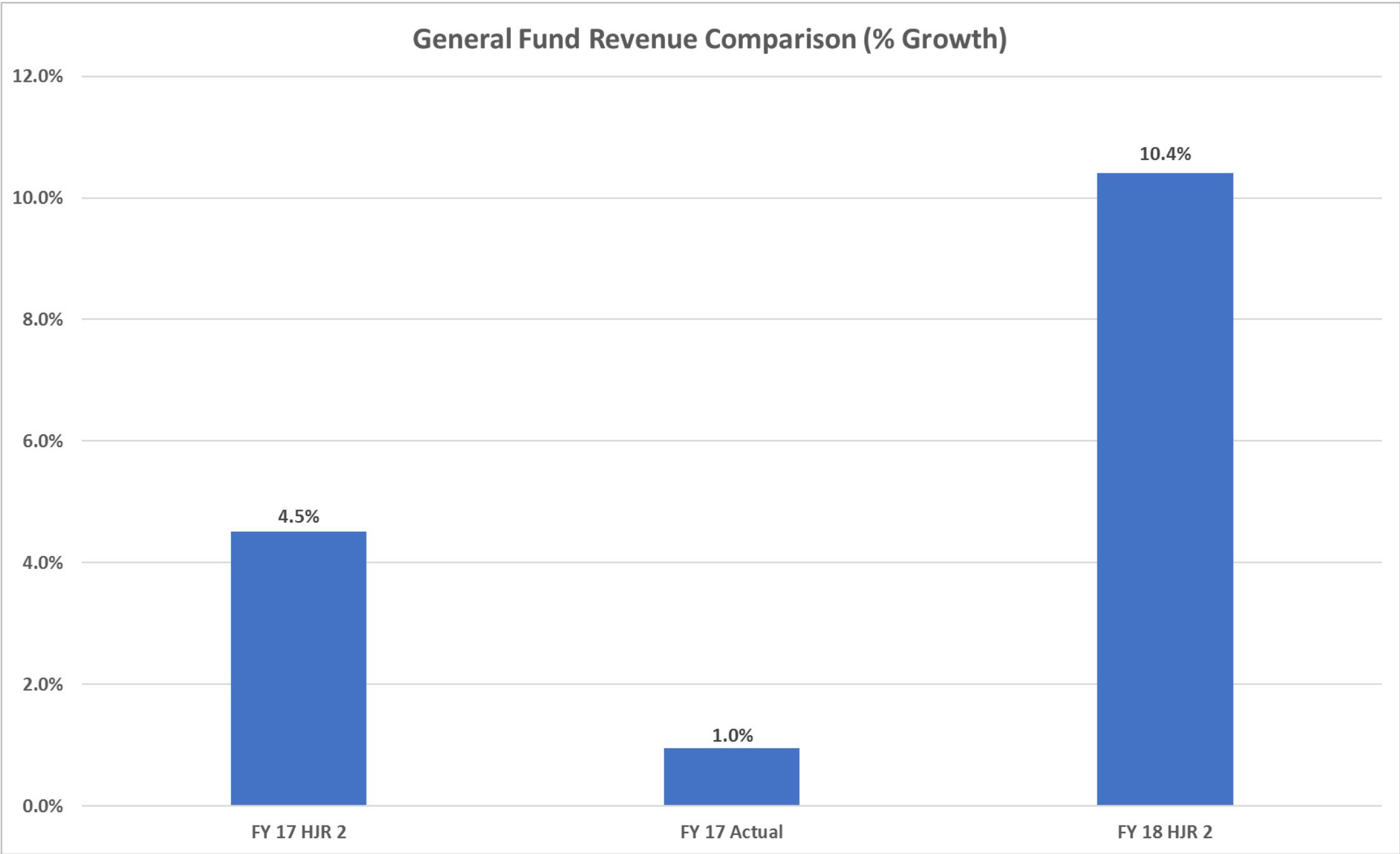


# Scenario B

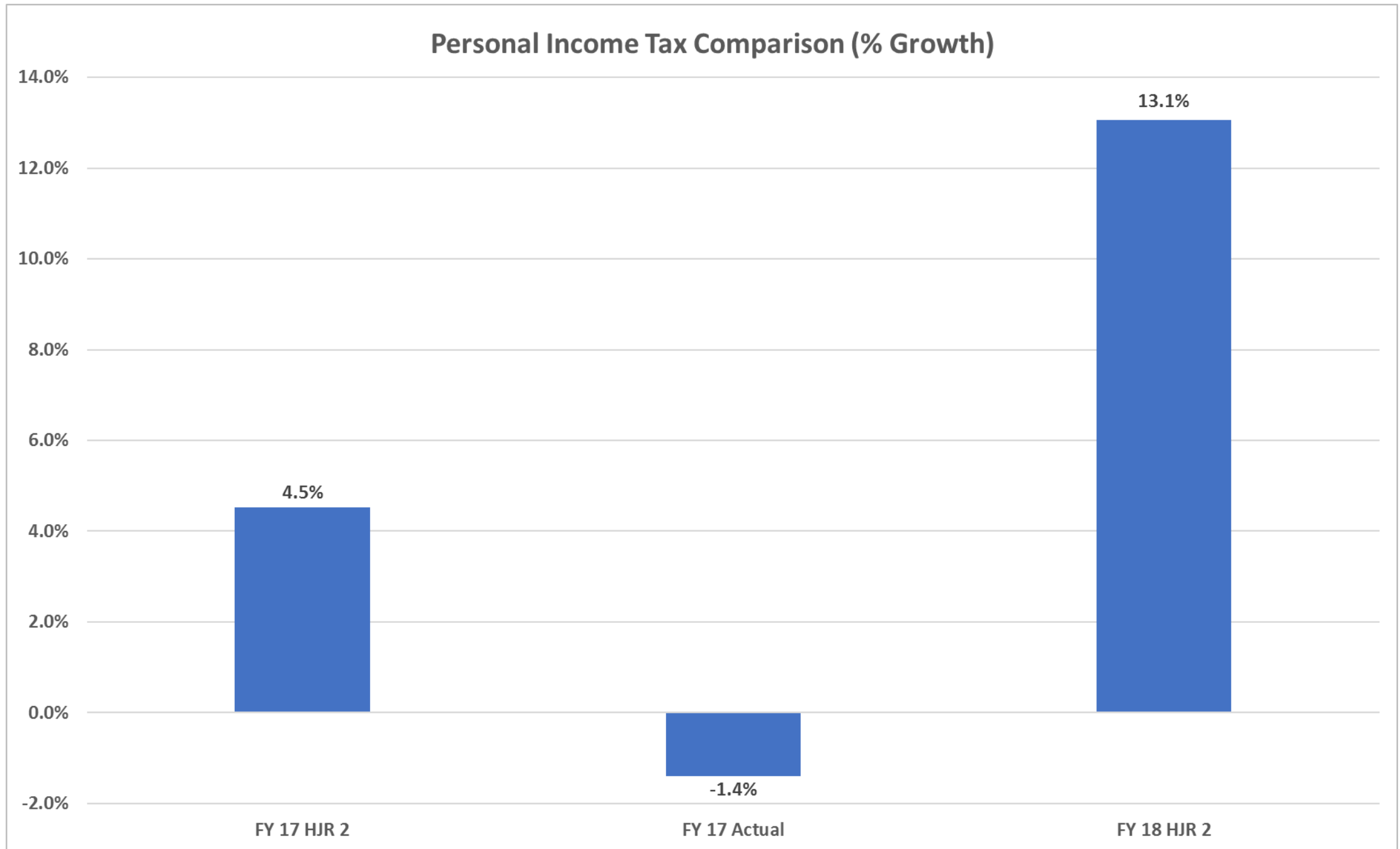
FY 2018 Ending Fund Balance Scenario's Based on Revenue Growth  
(\$40 million fire cost scenario for FY 18)



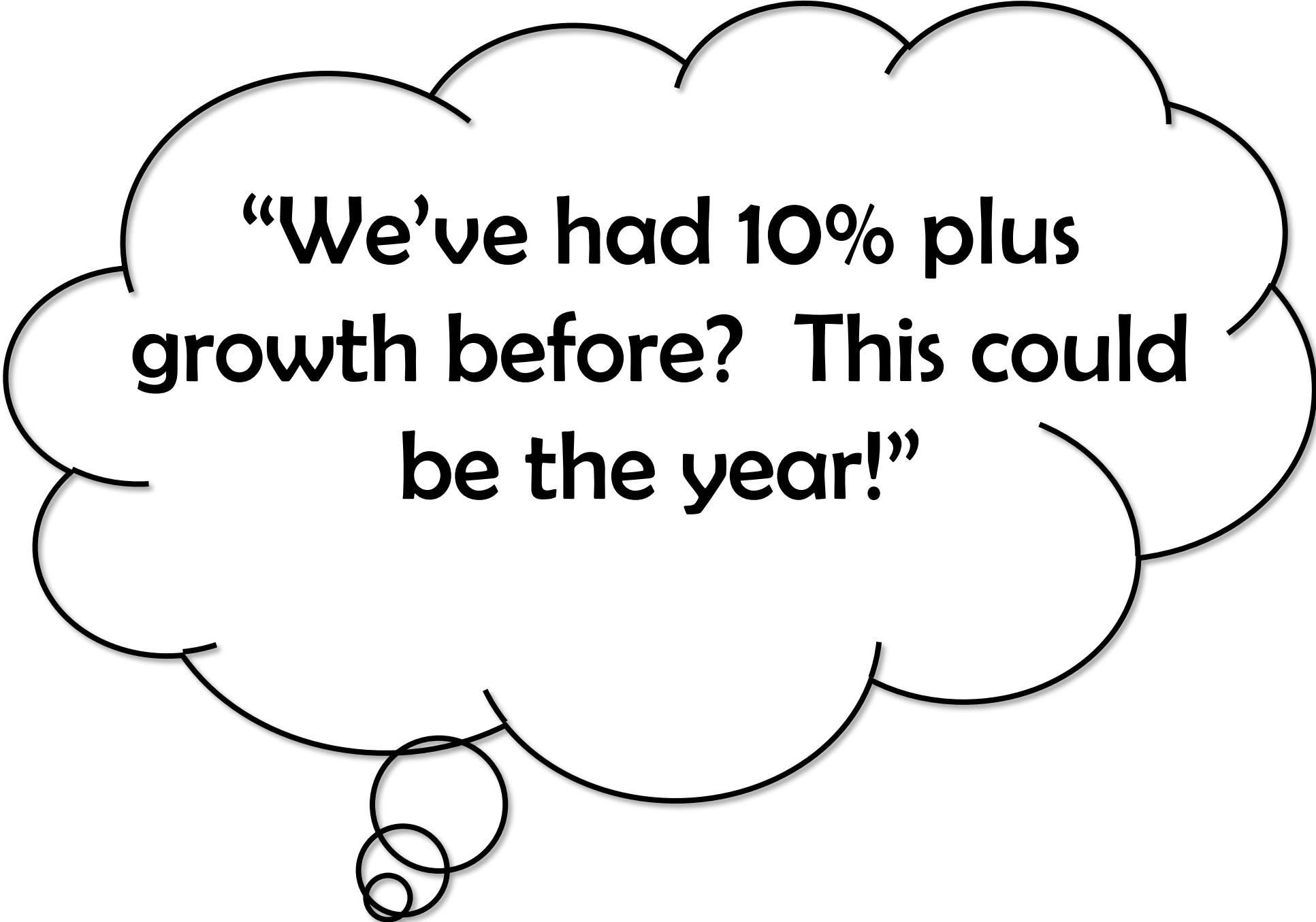
# How do we reach HJ2 estimates?



# How do we reach HJ2 estimates for PIT?





A large, hand-drawn thought bubble with a scalloped top edge and a tail of three overlapping circles at the bottom. The text inside is centered and reads: 

**“We’ve had 10% plus growth before? This could be the year!”**

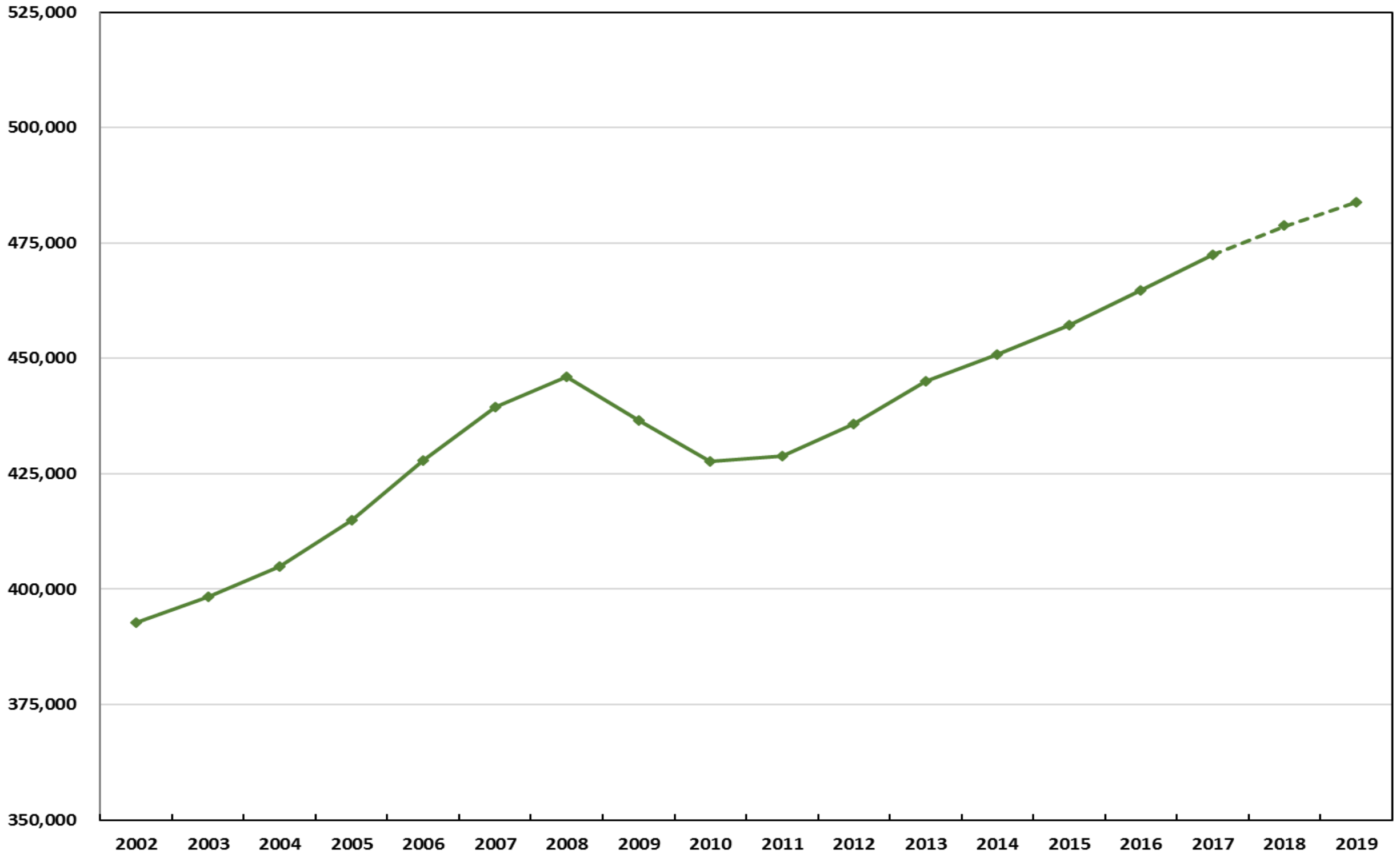
# Natural Resource Revenues Are Beyond Our Control

## Montana Quarterly Oil Production

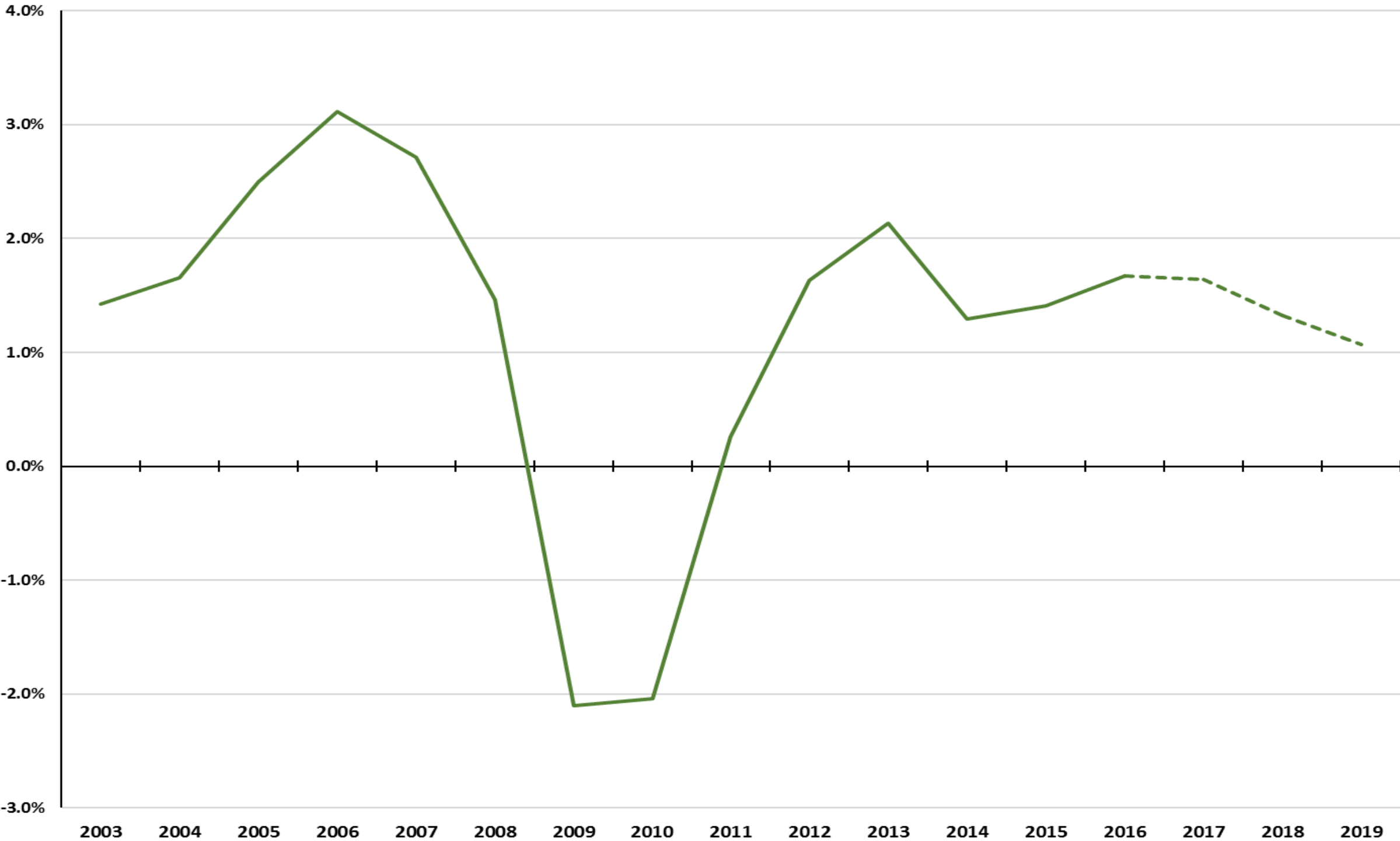


# Workforce Hurdles Are Higher...

Non-Farm Employment (CES) by Fiscal Year and IHS Markit Projection for FY 2018 and FY 2019

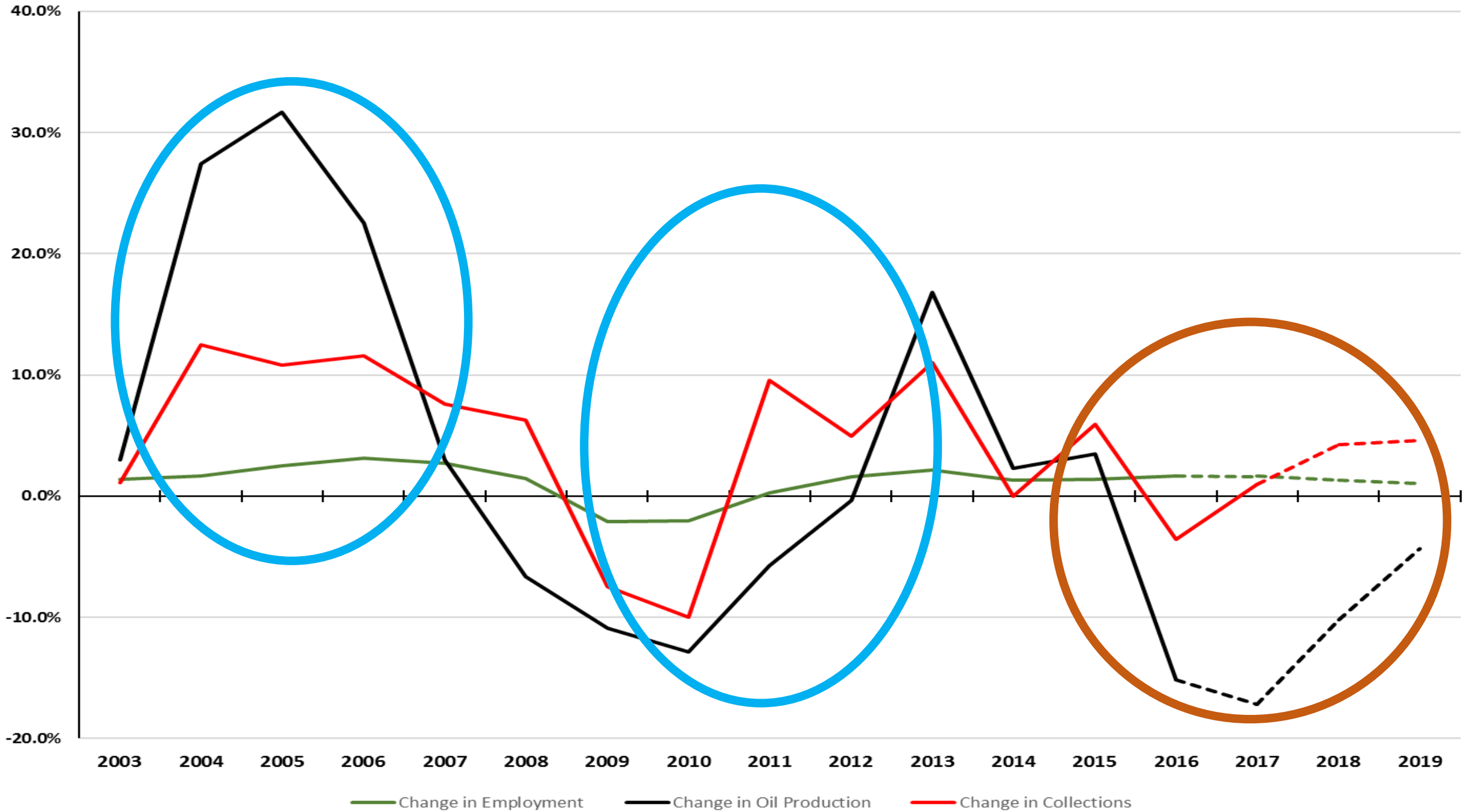


Change in Montana Employment by Fiscal Year and IHS Projection for FY 2017 - FY 2019



# The Conditions Which Correlate to 10%+ Revenue Growth Are Not Present

Change in Employment, Oil Production, and Collections by Fiscal Year with Projections



## The Role of This Committee

**17-7-140(4)** If the budget director determines that an amount of actual or projected receipts will result in an amount less than the amount projected to be received in the revenue estimate established pursuant to [5-5-227](#), the budget director shall notify the revenue and transportation interim committee of the estimated amount. Within 20 days of notification, the revenue and transportation interim committee shall provide the budget director with any recommendations concerning the amount. The budget director shall consider any recommendations of the revenue and transportation interim committee prior to certifying a projected general fund budget deficit to the governor.