



Legislative Fiscal Report

2007 Biennium

Volume 2 – Revenue Estimates

Presented to the Fifty-ninth Legislature

Submitted by the
Legislative Fiscal Division

Helena, Montana
May 2005

Revenue and Transportation Interim Committee

Representative Jill Cohenour
Representative Dave McAlpin
Representative Cindy Hiner
Representative Bob Lake
Representative Karl Waitschies
Representative Penny Morgan

Senator Ken Toole
Senator Jim Elliott
Senator Kim Gillan
Senator Greg Barkus
Senator Jerry Black
Senator Sam Kitzenberg

Staff Assignments

Legislative Fiscal Division

Terry Johnson **Roger Lloyd**
Catherine Duncan **Jim Standaert**
Mike Allen

Legislative Fiscal Division



www.leg.mt.gov/css/fiscal

Revenue Estimates Table of Contents

Staff Assignments.....	i
Table of Contents	iii
How to Use This Report	vii
Overview	1
General Fund Revenue Estimates	3
Revenue Impacts of Other Legislation	5
Non-General Fund Revenue Estimates	11
Economic Outlook For Montana	12
Business Taxes.....	17
Corporation Income Tax	19
Driver’s License Fees	23
Estate Tax	27
Individual Income Tax.....	30
Insurance Tax & License Fees.....	40
Investment License Fee.....	44
Lodging Taxes	47
Motor Vehicle Fee	50
Public Contractors Tax	54
Railroad Car Tax.....	57
Rental Car Sales Tax.....	59
Telecommunications Excise Tax	61
Vehicle Tax.....	63
Natural Resource Taxes	67
Coal Severance Tax	69
Electrical Energy Tax	72
Federal Forest Receipts.....	74
Metalliferous Mines Tax.....	76
Oil and Natural Gas Production Tax.....	81
Resource Indemnity Tax	87
US Mineral Royalty	90
Wholesale Energy Tax.....	94
Interest Earnings.....	97
Capital Land Grant Interest and Income	99
Coal Trust Interest	103
Common School Interest and Income	107
Cultural Trust Interest.....	113
Deaf and Blind Trust Interest and Income	116
Parks Trust Interest	120
Pine Hills Interest and Income	123
Regional Water Trust Interest.....	127
Resource Indemnity Trust Interest.....	129
Tobacco Trust Interest	133
Treasure State Endowment Trust Interest.....	136
Treasury Cash Account Interest.....	138

Revenue Estimates
Table of Contents
(continued)

Consumption Taxes	141
Beer Tax.....	143
Cigarette Tax.....	145
Diesel Tax	148
Gasoline Tax	151
GVW and Other Fees.....	155
Liquor Excise and License Tax	157
Liquor Profits.....	160
Lottery Profits.....	163
Tobacco Tax	165
Video Gambling Tax	168
Wine Tax	171
Property Taxes	173
Property Tax	175
Property Tax 55 Mill	178
Property Tax 40 Mill	183
Property Tax 6 Mill	186
Property Tax 1.5 Mill	189
Other General Fund Revenue.....	191
All Other Revenue	193
Highway Patrol Fines.....	199
Nursing Facilities Fee	202
Public Institution Reimbursements	205
Tobacco Settlement.....	208
House Joint Resolution 2.....	211

How to Use This Report

The following report provides a detailed profile of the revenue estimates used by the 2005 legislature for the 2007 biennium. It is arranged into six main revenue sections. Each section contains profiles of revenue sources that share common characteristics, have many of the same assumptions, and have common estimating methodologies. The six sections are:

1. Business Taxes
2. Natural Resource Taxes
3. Interest Earnings
4. Consumption Taxes
5. Property Taxes
6. Other General Fund Revenue

The sections are marked by divider pages that list each revenue source within that section. The sources are arranged alphabetically within each section.

The report contains profiles of each revenue source estimated by the 59th Legislature. Ten categories of information are provided for each source. These categories and a short description of each follow:

Revenue Description: A brief description of the source is provided including the origin of the revenue and, in the case of taxes and fees, the item that is taxed.

Applicable Tax Rate(s): This section provides an explanation of the tax rate or license fee, more detail on the items that are taxed, and other information such as exemptions, minimums, initial versus annual fees, etc.

Distribution: This section shows how the revenue is distributed. In cases where uses or entities other than general fund receive a portion of the revenue, percentage distribution or the dollar amount is shown for each recipient.

Summary of Legislative Action: Legislation affecting the revenue source and/or distribution is noted and explained. A table is provided showing the revenue impact of each piece of legislation.

Statute: These are the citations from the Montana Code Annotated (MCA) applicable to the revenue source.

% of Total FY 2004 General Fund Revenue: To give the reader an idea of the size of a particular revenue source, its percentage of total fiscal 2004 general fund revenue is provided.

Revenue Projection: This section consists of a graph and accompanying data table. The line graph shows the amount of actual collections through fiscal 2004 and the projected amounts for fiscal years 2005, 2006, and 2007. Total collections are depicted by a dark line while general fund collections are shown by a lighter line. The data table contains historic information about this data source since 1983 including: 1) actual total collections; 2) actual general fund collections; 3) projected total and general fund amounts for fiscal years 2005, 2006, and 2007; and 4) the yearly percentage change in general fund.

Forecast Methodology: This section includes a flow chart illustrating a simplified diagram of the methodology used to determine the revenue estimate.

Distribution Methodology: This section includes a flow chart illustrating a simplified diagram of how the revenue received from the source is distributed in the state accounting system.

Revenue Estimate Assumptions: The data provided in these tables are used to derive the revenue estimate and do not reflect changes, if any, enacted by the 2005 legislature that may affect future estimates of the revenue source. The tables also show the revenue estimates for fiscal years 2005, 2006, and 2007, the estimated general fund amount, and, if applicable, distributions to other funds or uses.

The remaining portion of this document is the legislature's revenue estimates by revenue source.

Overview

General Fund Revenue Estimates
Revenue Impacts of Legislation
General Fund Revenue Outlook
Non-General Fund Revenue
Estimates
Economic Outlook For Montana



General Fund Revenue Estimates

House Joint Resolution 2

During November 2004, prior to the convening of the Fifty-ninth Legislature, the Revenue and Transportation Interim Committee (RTIC) formally adopted economic assumptions and the associated revenue estimates for fiscal 2005, 2006 and 2007. This process is in accordance with 5-18-107, MCA, which states that these estimates “constitute the legislature’s current revenue estimates until amended or until final adoption of the estimates by both houses.” The actions taken by the RTIC were incorporated into HJR 2 and were introduced at the beginning of the Fifty- ninth Legislature. During the legislative process, the legislature amended HJR 2 with some adjustments to the recommendations offered by the RTIC. Figure 1 shows the total general fund impact of the amended adjustments by the House and Senate by revenue category. Although the House failed to concur with Senate amendments, for the three-year period, fiscal 2005 through 2007, total general fund revenue estimates were increased \$34.1 million from the recommendations of the RTIC.

Figure 1				
Revenue Estimate Adjustments by 59th Legislature				
General Fund In Millions				
Revenue Issue	Fiscal 2005	Fiscal 2006	Fiscal 2007	3-Year Total
Revenue and Transportation Committee	\$1,384.639	\$1,429.143	\$1,469.173	\$4,282.955
House Taxation Committee Adjustments				
Coal Trust Interest	(2.107)	(3.227)	(3.345)	(8.679)
Treasury Cash Account Interest	(1.428)	(0.171)	1.366	(0.233)
Individual Income Tax	15.424	-	-	15.424
Total House Adjustments	\$11.889	(\$3.398)	(\$1.979)	\$6.512
Senate Taxation Committee Adjustments				
Individual Income Tax	15.424	-	-	15.424
Oil and Natural Gas Production Tax	-	3.067	6.206	9.273
US Mineral Royalty	-	0.956	1.949	2.905
Total Senate Adjustments	\$15.424	\$4.023	\$8.155	\$27.602
Grand Total All Adjustments	\$27.313	\$0.625	\$6.176	\$34.114
Revised HJR2 Revenue Estimates	\$1,411.952	\$1,429.768	\$1,475.349	\$4,317.069

Figure 2 shows the amended current law general fund estimates by revenue category as contained in HJR 2. Actual fiscal 2004 collections are shown, along with projections for fiscal 2005 through 2007.

Figure 2 House Joint Resolution 2 General Fund Revenue Estimates In Millions								
Source of Revenue	Percent of 2004	Actual Fiscal 2004	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Cumulative % of Total
1 Individual Income Tax	43.82%	\$605.348	\$619.486	\$605.029	\$629.840	\$1,224.834	\$1,234.869	42.51%
2 Property Tax	12.27%	169.531	170.051	175.823	182.663	339.582	358.486	54.85%
3 Corporation Income Tax	4.90%	67.723	66.332	80.621	77.927	134.055	158.548	60.30%
4 Vehicle Tax	6.05%	83.607	80.360	80.140	82.050	163.967	162.190	65.89%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	65.89%
6 Insurance Tax & License Fees	4.09%	56.533	59.272	62.163	65.220	115.805	127.383	70.27%
7 Coal Trust Interest	2.53%	34.907	33.892	33.563	33.898	68.799	67.461	72.59%
8 US Mineral Royalty	2.08%	28.736	35.837	35.616	37.283	64.573	72.899	75.10%
9 All Other Revenue	2.19%	30.242	28.304	24.734	24.923	58.546	49.657	76.81%
10 Tobacco Settlement	0.21%	2.934	2.871	2.319	2.309	5.805	4.628	76.97%
11 Telecommunications Excise Tax	1.51%	20.890	21.307	21.700	22.101	42.197	43.801	78.48%
12 Video Gambling Tax	3.67%	50.749	52.932	55.304	57.782	103.681	113.086	82.37%
13 Treasury Cash Account Interest	0.46%	6.393	9.174	13.116	14.381	15.567	27.497	83.32%
14 Estate Tax	0.83%	11.431	3.701	1.950	0.939	15.132	2.889	83.42%
15 Oil & Natural Gas Production Tax	2.99%	41.324	58.206	61.565	65.263	99.530	126.828	87.78%
16 Motor Vehicle Fee	2.22%	30.724	31.730	36.770	37.819	62.454	74.589	90.35%
17 Public Institution Reimbursements	1.31%	18.110	16.032	14.900	14.900	34.142	29.800	91.38%
18 Lodging Facility Use Tax	0.67%	9.279	10.113	10.715	11.419	19.392	22.134	92.14%
19 Coal Severance Tax	0.63%	8.643	9.105	8.659	8.841	17.748	17.500	92.74%
20 Liquor Excise & License Tax	0.78%	10.718	11.125	11.535	11.959	21.843	23.494	93.55%
21 Cigarette Tax	2.61%	36.002	34.608	33.193	32.030	70.610	65.223	95.80%
22 Investment License Fee	0.35%	4.834	4.464	4.598	4.736	9.298	9.334	96.12%
23 Lottery Profits	0.59%	8.116	7.273	7.288	7.953	15.389	15.241	96.64%
24 Liquor Profits	0.47%	6.500	6.608	6.854	7.158	13.108	14.012	97.12%
25 Nursing Facilities Fee	0.43%	5.916	5.833	5.793	5.757	11.749	11.550	97.52%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.52%
27 Electrical Energy Tax	0.34%	4.661	4.295	4.276	4.270	8.956	8.546	97.82%
28 Metalliferous Mines Tax	0.23%	3.232	4.483	5.328	5.533	7.715	10.861	98.19%
29 Highway Patrol Fines	0.30%	4.084	4.104	4.125	4.143	8.188	8.268	98.47%
30 Public Contractors Tax	0.15%	2.120	1.748	3.030	2.872	3.868	5.902	98.68%
31 Wholesale Energy Tax	0.24%	3.293	3.485	3.520	3.555	6.778	7.075	98.92%
32 Tobacco Tax	0.26%	3.562	3.677	3.779	3.847	7.239	7.626	99.18%
33 Driver's License Fee	0.22%	3.021	2.997	3.011	3.018	6.018	6.029	99.39%
34 Rental Car Sales Tax	0.18%	2.486	2.593	2.704	2.820	5.079	5.524	99.58%
35 Railroad Car Tax	0.11%	1.568	1.585	1.574	1.562	3.153	3.136	99.69%
36 Wine Tax	0.10%	1.423	1.436	1.487	1.538	2.859	3.025	99.79%
37 Beer Tax	0.21%	2.897	2.933	2.986	3.039	5.830	6.025	100.00%
38 Telephone License Tax	0.00%	0.029	-	-	-	0.029	-	100.00%
39 Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
Total General Fund	100.00%	\$1,381.565	\$1,411.952	\$1,429.768	\$1,475.348	\$2,793.517	\$2,905.116	100.00%

Revenue Impacts of Legislation

Figure 3 shows the revenue impacts of legislation enacted by the Fifty-ninth Legislature. If more than one bill was enacted that impacts a given revenue source, the cumulative impact of the bills is shown for each revenue source.

Figure 3						
Revenue Legislation Impacts of 59th Legislature						
Total General Fund						
In Millions						
Source of Revenue	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Estimated 05,06,07
1 Individual Income Tax	(\$4.750)	\$2.149	\$0.220	(\$4.750)	\$2.369	(\$2.381)
2 Property Tax	(0.681)	(2.019)	(2.601)	(0.681)	(4.620)	(5.301)
3 Corporation Income Tax	-	0.527	1.070	-	1.597	1.597
4 Vehicle Tax	-	-	-	-	-	-
5 Common School Interest and Income	-	-	-	-	-	-
6 Insurance Tax & License Fees	-	(0.583)	(0.583)	-	(1.166)	(1.166)
7 Coal Trust Interest	-	(1.352)	(1.608)	-	(2.960)	(2.960)
8 US Mineral Royalty	(8.959)	(8.904)	(9.321)	(8.959)	(18.225)	(27.184)
9 All Other Revenue	-	2.655	4.678	-	7.333	7.333
10 Tobacco Settlement	-	-	-	-	-	-
11 Telecommunications Excise Tax	-	-	-	-	-	-
12 Video Gambling Tax	-	(0.273)	(0.273)	-	(0.546)	(0.546)
13 Treasury Cash Account Interest	-	(0.014)	(0.014)	-	(0.028)	(0.028)
14 Estate Tax	-	-	-	-	-	-
15 Oil & Natural Gas Production Tax	-	(0.373)	(0.305)	-	(0.678)	(0.678)
16 Motor Vehicle Fee	-	(1.741)	(0.859)	-	(2.600)	(2.600)
17 Public Institution Reimbursements	0.050	0.227	0.149	0.050	0.376	0.426
18 Lodging Facility Use Tax	-	-	-	-	-	-
19 Coal Severance Tax	-	(0.193)	(0.197)	-	(0.390)	(0.390)
20 Liquor Excise & License Tax	-	-	-	-	-	-
21 Cigarette Tax	-	(0.124)	(0.240)	-	(0.364)	(0.364)
22 Investment License Fee	-	-	-	-	-	-
23 Lottery Profits	-	0.556	(0.114)	-	0.442	0.442
24 Liquor Profits	-	(0.068)	(0.141)	-	(0.209)	(0.209)
25 Nursing Facilities Fee	0.022	0.058	0.067	0.022	0.125	0.147
26 Foreign Capital Depository Tax	-	-	-	-	-	-
27 Electrical Energy Tax	-	-	-	-	-	-
28 Metalliferous Mines Tax	-	(0.092)	(0.095)	-	(0.187)	(0.187)
29 Highway Patrol Fines	-	0.917	1.181	-	2.098	2.098
30 Public Contractors Tax	-	-	(0.350)	-	(0.350)	(0.350)
31 Wholesale Energy Tax	-	-	-	-	-	-
32 Tobacco Tax	-	-	-	-	-	-
33 Driver's License Fee	(0.039)	(0.227)	(0.226)	(0.039)	(0.453)	(0.492)
34 Rental Car Sales Tax	-	-	-	-	-	-
35 Railroad Car Tax	-	-	-	-	-	-
36 Wine Tax	-	-	-	-	-	-
37 Beer Tax	-	-	-	-	-	-
38 Telephone License Tax	-	-	-	-	-	-
39 Long Range Bond Excess	-	-	-	-	-	-
Total General Fund	<u>(\$14.357)</u>	<u>(\$8.874)</u>	<u>(\$9.562)</u>	<u>(\$14.357)</u>	<u>(\$18.436)</u>	<u>(\$32.793)</u>

Figure 4 shows the revenue impacts of legislation enacted by the Fifty-ninth legislature summarized by bill number. For the three- year period, fiscal 2005 through 2007, total general fund revenues were decreased by \$32.8 million. Senate Bill 212 (US mineral royalties) accounts for 84 percent of this decreased revenue.

Figure 4
Impact of Enacted Legislation By Bill Number
General Fund and Total Funds

Bill Number and Short Description	General Fund	General Fund	General Fund	General Fund	Total Funds
	Impact Fiscal 2005	Impact Fiscal 2006	Impact Fiscal 2007	Impact 05,06,07	Impact 05,06,07
HB0002 General appropriations act	\$ -	\$ 1,191,907	\$ 1,843,395	\$ 3,035,302	\$ 3,035,302
HB0005 Long-range building appropriations	-	(470,000)	(470,000)	(940,000)	(940,000)
HB0006 Renewable resource grants	-	-	-	-	600,000
HB0007 Reclamation and development grants	-	-	-	-	457,116
HB0008 Renewable resource bonds and loans	-	-	-	-	7,236,264
HB0009 Cultural and aesthetic grant appropriations	-	-	-	-	4,323,877
HB0014 Authorize auction of mountain goat license	-	-	-	-	19,000
HB0017 Revise treatment of donations to historical society	-	-	-	-	-
HB0018 Extend duration of state-tribal economic development commission	-	-	-	-	2,000,000
HB0022 Funding for water adjudication	-	-	-	-	6,200,000
HB0034 Revise nonresident turkey tag laws	-	-	-	-	108,420
HB0035 Highway patrol officer salaries and retention	-	-	-	-	9,940,725
HB0053 Conform Board of Horseracing laws to GASB	-	-	-	-	-
HB0060 Indoor cleanup standards for methamphetamine labs	-	7,500	7,500	15,000	15,000
HB0071 Revise license fees on certain mortgage brokers	-	-	-	-	(30,000)
HB0077 Increase septic pumper application review fees	-	-	-	-	54,250
HB0079 Make the Habitat Montana program permanent	-	-	-	-	7,200,000
HB0083 Revise school district tuition payments	-	-	336,000	336,000	336,000
HB0087 Transfer fleet vehicle registration to Department of Justice	-	-	-	-	-
HB0099 Penalty for driving when license suspended or revoked for DUI or test refusal	-	712,000	949,000	1,661,000	1,661,000
HB0102 Statutory appropriation for highway patrol officers' retirement	-	600,000	-	600,000	600,000
HB0109 Transfer capitol complex maintenance to department of administration	-	-	-	-	-
HB0113 Require DNA samples from all felons	-	-	-	-	409,480
HB0119 Make permanent county recreational boating safety grants, boating advisory encl	-	-	-	-	40,000
HB0140 Revise laws on consumer credit counseling	-	-	-	-	5,000
HB0158 Revise and clarify income tax withholding	(4,750,000)	-	-	(4,750,000)	(4,750,000)
HB0159 Revise unemployment insurance laws	-	-	-	-	17,250
HB0160 Revise building code administration, enforcement provisions	-	-	-	-	100,750
HB0161 Revise certain workers' compensation laws	-	-	-	-	26,430
HB0170 Clarify fund transfers for certain vehicle taxes and fees	-	-	-	-	1,495,498
HB0172 Revise certain resident & nonresident hunting and fishing license fees	-	-	-	-	4,146,734
HB0173 Allow use of search and rescue surcharge in fiscal year after deposit	-	-	-	-	200,000
HB0174 Revise private pond licensing laws	-	-	-	-	25,830
HB0192 Revise commercial driver's license, driver's license, and cmv laws	(38,595)	(231,565)	(231,565)	(501,725)	(501,739)
HB0201 Fund natural resource damage litigation	-	(13,706)	(27,324)	(41,030)	(41,030)
HB0203 Clarify responsibility of boards and department of labor and industry	-	-	-	-	9,500
HB0214 Authorize nonresident youth big game combination license	-	-	-	-	187,500
HB0235 Enhance hunter management laws--PL/PW recommendations	-	-	-	-	746,232
HB0249 Economic development trust fund	-	(1,338,000)	(1,581,000)	(2,919,000)	17,081,000
HB0272 Half-priced hunting licenses to certain disabled veterans	-	-	-	-	5,830
HB0274 Revise feed registration and licensing laws	-	-	-	-	196,250
HB0301 Revise use of Lewis & Clark license plate funds	-	-	-	-	75,147
HB0316 Revise fees charged by public service commission	-	(6,728)	(6,728)	(13,456)	-
HB0348 Revise youth access to alcohol and provide for keg registration	-	12,500	12,500	25,000	25,000

Figure 4 (Continued)
Impact of Enacted Legislation By Bill Number
General Fund and Total Funds

Bill Number and Short Description	General Fund	General Fund	General Fund	General Fund	Total Funds
	Impact Fiscal 2005	Impact Fiscal 2006	Impact Fiscal 2007	Impact 05,06,07	Impact 05,06,07
HB0370 Revise strip and underground mine reclamation act	-	(200)	(300)	(500)	(500)
HB0374 Increase drunk driving penalty when person under 16 was in vehicle	-	73,069	97,425	170,494	170,494
HB0377 Enforce license plate violations by nonresidents working in Montana	-	8,438	11,250	19,688	19,688
HB0379 Fund Zortman-Landusky mine reclamation	-	-	-	-	2,400,000
HB0421 Nonresident child of resident hunting and fishing licenses	-	-	-	-	(26,946)
HB0425 Transfer consumer protection functions from D of Admin to Department of Justice	-	-	-	-	-
HB0428 Revise laws related to enforcement of strip and underground mine reclamation	-	-	-	-	35,000
HB0439 Disallow double credit for foreign income tax payment	-	-	369,000	369,000	369,000
HB0447 Increase state employee pay	-	(172,424)	(463,340)	(635,764)	(1,110,283)
HB0453 Administrative penalties for certain environmental law violations	-	600	1,200	1,800	4,800
HB0463 Increase and extend tax credit for postconsumer glass use	-	-	-	-	(4,400)
HB0470 Applicants to pay for certain environmental impact statements	-	-	-	-	500,000
HB0476 Increase marriage lic. fees for funding dom. & sex. violence victims' services	-	-	-	-	186,966
HB0482 Revise allocation of funds to coal tax shared account	-	(192,772)	(196,835)	(389,607)	-
HB0484 Mobile meat processor licensing and inspection	-	-	-	-	88,904
HB0514 Increase restitution for illegal taking of grizzly bear	-	4,278	4,278	8,556	8,556
HB0528 Year round beer and wine license for west Yellowstone airport	-	400	400	800	1,600
HB0535 Revise taxation of stripper well production	-	(374,404)	(305,992)	(680,396)	(1,502,294)
HB0536 Generally revise court automation surcharge	-	1,605,336	1,605,336	3,210,672	3,210,672
HB0541 Allow motor homes 11 years old and older to be permanently registered	-	38,988	32,246	71,234	71,234
HB0552 Change asset test for children for medicaid	-	-	-	-	5,881,419
HB0584 Promote growth of film and other media in Montana	-	(369,360)	(369,360)	(738,720)	(703,550)
HB0592 Standardize penalty and interest calculations for taxes	-	542,997	70,044	613,041	613,041
HB0628 Registration and board requirements for certain alternative schools and programs	-	-	-	-	44,000
HB0643 Eliminate smoking in enclosed public places	-	(147,384)	(284,355)	(431,739)	(875,606)
HB0667 Purchasing pools, tax credit for health insurance	-	-	-	-	2,570,312
HB0671 Generally revise motor vehicle law	-	943,300	1,890,100	2,833,400	3,602,575
HB0698 Warm water fishery enhancement program	-	-	-	-	46,868
HB0700 Revise allocation and use of metal mines license tax	-	(92,000)	(95,000)	(187,000)	-
HB0704 Time requirements for certain DPHHS actions involving long-term care facilities	-	-	-	-	404,586
HB0726 Revise law on community corrections to allow day reporting	-	-	-	-	12,500
HB0740 Appropriate money for asbestos-disease related programs	-	-	-	-	175,000
HB0749 Revise nursing home bed tax	-	32,700	55,767	88,467	32,229,918
HB0757 Revolving loan account for rehabilitation of railroad branch lines	-	-	-	-	3,444,000
HB0758 Oil, gas, and coal natural resource account fund	-	-	-	-	-
HB0761 Life insurance premium reimbursement for members of national guard/reserve	-	-	-	-	660,000
HB0772 Pay travel expenses for catastrophically injured workers	-	-	-	-	25,000
HB0802 Eliminate annual permit surcharge fee for video gambling machines	-	(273,275)	(273,275)	(546,550)	(546,550)
SB0001 Authorize living will indicator on driver's license	-	4,459	5,945	10,404	15,721
SB0048 Stop class 8 property tax reduction	-	(171,716)	(456,864)	(628,580)	(671,079)
SB0064 Revise contractor registration laws	-	-	-	-	129,756
SB0067 Increase fees for marriage license and declaration of marriage w/o solemnization	-	(1,798)	(1,798)	(3,596)	(3,596)
SB0074 Clarify eligibility of land for valuation as nonqualified agricultural land	-	-	52,022	52,022	55,308
SB0077 Remove sunset on hunting access enhancement & hunter management programs	-	-	-	-	10,205,021

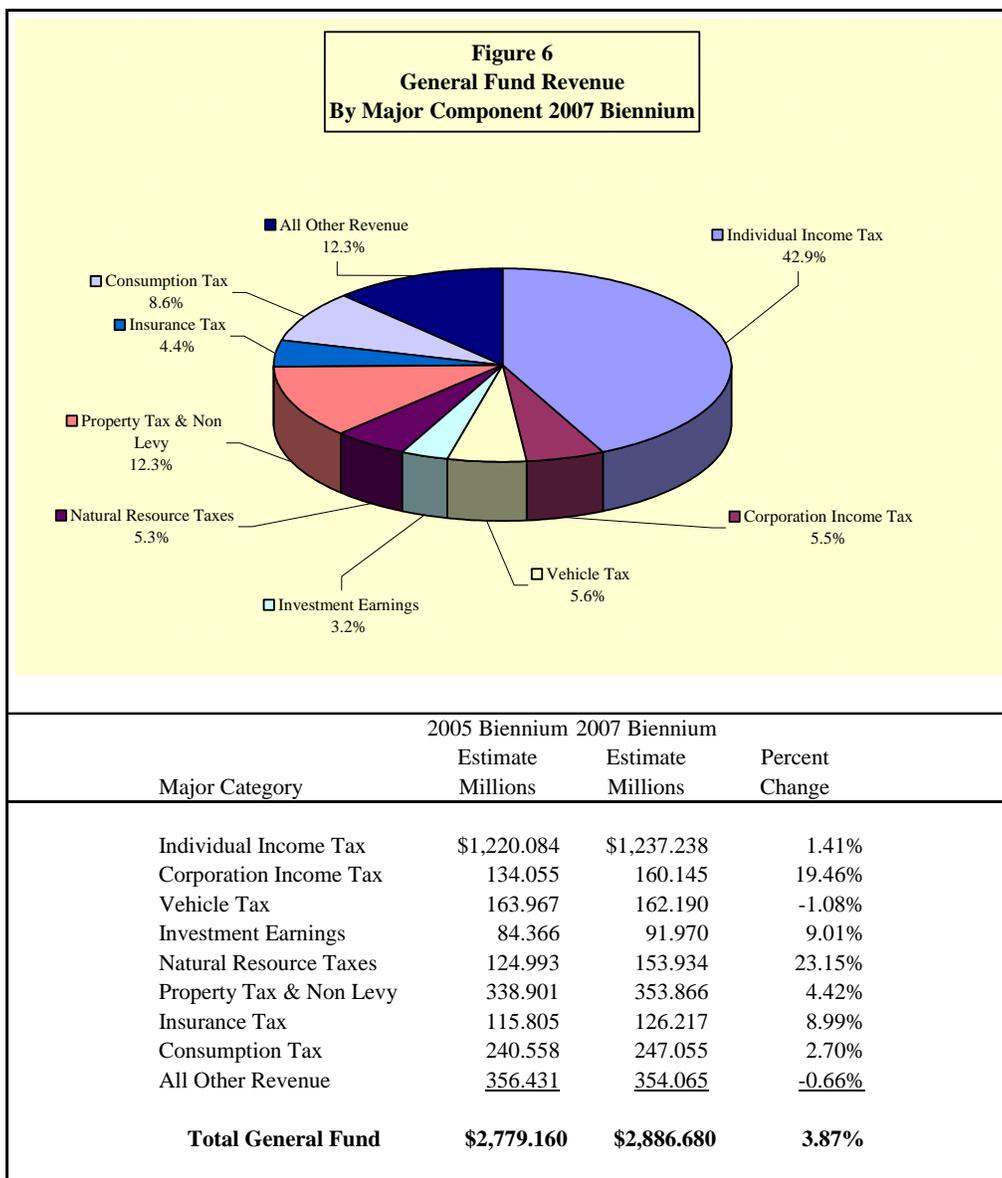
Figure 4 (Continued)
Impact of Enacted Legislation By Bill Number
General Fund and Total Funds

Bill Number and Short Description	General Fund	General Fund	General Fund	General Fund	Total Funds
	Impact Fiscal 2005	Impact Fiscal 2006	Impact Fiscal 2007	Impact 05,06,07	Impact 05,06,07
SB0080 Prohibit open alcohol containers in vehicles	-	122,625	122,625	245,250	245,250
SB0082 Revise definition of and utilization fee on ICF/DD	72,269	142,787	141,759	356,815	615,415
SB0084 Generally revise gambling laws	-	5,000	5,000	10,000	63,000
SB0085 Income tax checkoff for renal dialysis	-	-	-	-	24,000
SB0087 Clarify appeal and payment of protested taxes for centrally assessed property	(680,750)	(1,361,500)	(1,361,500)	(3,403,750)	2,800,000
SB0091 Allocation of special wild buffalo licenses to Montana Indian tribes	-	-	-	-	(3,750)
SB0098 Montana land information act	-	-	-	-	2,100,000
SB0108 Provide additional judge for 18th judicial district	-	-	-	-	1,640,000
SB0110 Medicaid redesign: HIFA and 1115 demonstration waiver authority	-	-	-	-	14,520,000
SB0115 Equitable taxation of wind energy facilities	-	-	(632,082)	(632,082)	(672,003)
SB0120 Extend hospital tax on inpatient bed days	-	-	-	-	86,431,478
SB0121 Revise laws governing state hospital charges for criminally convicted	-	109,397	18,864	128,261	128,261
SB0123 Revise contractor recordkeeping for special fuels	-	500	500	1,000	1,000
SB0126 Revise boating registration laws	-	-	-	-	146,588
SB0130 Revise microbusiness development program	-	(13,507)	(13,507)	(27,014)	-
SB0133 Capital formation act for venture capital	-	-	-	-	65,259
SB0137 License tattoo and body-piercing businesses	-	-	-	-	34,750
SB0143 Authorize contingent transfer and appropriation from orphan share account	-	-	-	-	600,000
SB0146 Statewide public defender system	-	-	-	-	80,000
SB0167 Technology districts -- tax increment financing	-	-	-	-	-
SB0208 Increase conviction charge to fund victim services	-	34,178	34,178	68,356	68,356
SB0212 Revise allocation and distribution of federal mineral leasing funds	(8,959,250)	(8,904,000)	(9,321,000)	(27,184,250)	-
SB0213 Revise recycling laws	-	-	(221,437)	(221,437)	(221,437)
SB0248 Revise penalty for no motor vehicle insurance	-	21,000	28,000	49,000	49,000
SB0274 Revise coverage of mortgage broker law	-	-	-	-	139,350
SB0275 Revising voluntary genetics program; increasing program fees	-	(582,956)	(582,956)	(1,165,912)	499,676
SB0276 Revise taxes on bentonite	-	(244,534)	(241,139)	(485,673)	1,579,570
SB0282 Revise racial profiling law	-	-	-	-	11,520
SB0285 Organize and simplify motor vehicle laws	-	(2,743,892)	(2,809,745)	(5,553,637)	-
SB0296 Alternative method for assessing, taxing certain land parcels	-	-	(52,178)	(52,178)	(55,457)
SB0298 Clarify fish production at & planting of fish from Fort Peck warm water hatchery	-	-	-	-	70,000
SB0320 Facilitate establishment of concentrated animal feeding operations	-	-	-	-	(81,000)
SB0323 Carryforward of contractor's gross receipts tax -- corporate income	-	-	(350,000)	(350,000)	(350,000)
SB0324 Prescription drug assistance and discount programs	-	-	-	-	4,177,440
SB0339 Provide low-cost sports licenses for active military personnel	-	-	-	-	(27,709)
SB0340 Builder allowed tax credit for residential geothermal systems	-	-	(45,000)	(45,000)	(45,000)
SB0359 Revise statutes related to school district enrollment	-	(5,600)	(5,600)	(11,200)	(11,200)
SB0370 Detention officers included in sheriffs' retirement system	-	-	-	-	1,267,520
SB0406 Fund civil legal assistance for indigent victims of domestic violence	-	-	-	-	54,900
SB0412 Provide for regulation of elevator contractors, mechanics, and inspectors	-	-	-	-	99,840
SB0433 Medicaid pilot program for individuals with developmental disabilities	-	-	-	-	32,000
SB0442 Repeal POINTS replacement fee	-	2,623,970	3,144,202	5,768,172	-
SB0459 Transfer motor carrier safety assistance program from justice to transportation	-	-	-	-	500,633
SB0461 Wolf collaring near livestock or population center	-	-	-	-	50,000
SB0486 Revise viatical settlement law	-	-	-	-	20,000
Total Impact of Legislation Listed Above	<u>\$ (14,356,326)</u>	<u>\$ (8,873,392)</u>	<u>\$ (9,561,344)</u>	<u>\$ (32,791,062)</u>	<u>\$239,999,528</u>

Figure 5 shows the revised general fund revenue estimates by source which is the sum of HJR 2 estimates and all enacted legislation impacts. These revised estimates are used in “Volume 1 – Statewide Perspectives” to determine the overall financial condition of the general fund for the 2005 and 2007 biennia.

Figure 5								
House Joint Resolution 2 Plus Legislation Impacts								
General Fund Revenue Estimates								
In Millions								
Source of Revenue	Percent of 2004	Actual Fiscal 2004	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Cumulative % of Total
1 Individual Income Tax	43.82%	\$605.348	\$614.736	\$607.178	\$630.060	\$1,220.084	\$1,237.238	42.86%
2 Property Tax	12.27%	169.531	169.370	173.804	180.062	338.901	353.866	55.12%
3 Corporation Income Tax	4.90%	67.723	66.332	81.148	78.997	134.055	160.145	60.67%
4 Vehicle Tax	6.05%	83.607	80.360	80.140	82.050	163.967	162.190	66.29%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	66.29%
6 Insurance Tax & License Fees	4.09%	56.533	59.272	61.580	64.637	115.805	126.217	70.66%
7 Coal Trust Interest	2.53%	34.907	33.892	32.211	32.290	68.799	64.501	72.89%
8 US Mineral Royalty	2.08%	28.736	26.878	26.712	27.962	55.614	54.674	74.79%
9 All Other Revenue	2.19%	30.242	28.304	27.389	29.601	58.546	56.990	76.76%
10 Tobacco Settlement	0.21%	2.934	2.871	2.319	2.309	5.805	4.628	76.92%
11 Telecommunications Excise Tax	1.51%	20.890	21.307	21.700	22.101	42.197	43.801	78.44%
12 Video Gambling Tax	3.67%	50.749	52.932	55.031	57.509	103.681	112.540	82.34%
13 Treasury Cash Account Interest	0.46%	6.393	9.174	13.102	14.367	15.567	27.469	83.29%
14 Estate Tax	0.83%	11.431	3.701	1.950	0.939	15.132	2.889	83.39%
15 Oil & Natural Gas Production Tax	2.99%	41.324	58.206	61.192	64.958	99.530	126.150	87.76%
16 Motor Vehicle Fee	2.22%	30.724	31.730	35.029	36.960	62.454	71.989	90.25%
17 Public Institution Reimbursements	1.31%	18.110	16.082	15.127	15.049	34.192	30.176	91.30%
18 Lodging Facility Use Tax	0.67%	9.279	10.113	10.715	11.419	19.392	22.134	92.06%
19 Coal Severance Tax	0.63%	8.643	9.105	8.466	8.644	17.748	17.110	92.66%
20 Liquor Excise & License Tax	0.78%	10.718	11.125	11.535	11.959	21.843	23.494	93.47%
21 Cigarette Tax	2.61%	36.002	34.608	33.069	31.790	70.610	64.859	95.72%
22 Investment License Fee	0.35%	4.834	4.464	4.598	4.736	9.298	9.334	96.04%
23 Lottery Profits	0.59%	8.116	7.273	7.844	7.839	15.389	15.683	96.58%
24 Liquor Profits	0.47%	6.500	6.608	6.786	7.017	13.108	13.803	97.06%
25 Nursing Facilities Fee	0.43%	5.916	5.855	5.851	5.824	11.771	11.675	97.47%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.47%
27 Electrical Energy Tax	0.34%	4.661	4.295	4.276	4.270	8.956	8.546	97.76%
28 Metalliferous Mines Tax	0.23%	3.232	4.483	5.236	5.438	7.715	10.674	98.13%
29 Highway Patrol Fines	0.30%	4.084	4.104	5.042	5.324	8.188	10.366	98.49%
30 Public Contractors Tax	0.15%	2.120	1.748	3.030	2.522	3.868	5.552	98.68%
31 Wholesale Energy Tax	0.24%	3.293	3.485	3.520	3.555	6.778	7.075	98.93%
32 Tobacco Tax	0.26%	3.562	3.677	3.779	3.847	7.239	7.626	99.19%
33 Driver's License Fee	0.22%	3.021	2.958	2.784	2.792	5.979	5.576	99.39%
34 Rental Car Sales Tax	0.18%	2.486	2.593	2.704	2.820	5.079	5.524	99.58%
35 Railroad Car Tax	0.11%	1.568	1.585	1.574	1.562	3.153	3.136	99.69%
36 Wine Tax	0.10%	1.423	1.436	1.487	1.538	2.859	3.025	99.79%
37 Beer Tax	0.21%	2.897	2.933	2.986	3.039	5.830	6.025	100.00%
38 Telephone License Tax	0.00%	0.029	-	-	-	0.029	-	100.00%
39 Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
Total General Fund	100.00%	<u>\$1,381.565</u>	<u>\$1,397.595</u>	<u>\$1,420.894</u>	<u>\$1,465.786</u>	<u>\$2,779.160</u>	<u>\$2,886.680</u>	100.00%

Figure 6 shows the revenue contribution to the general fund account by the most significant revenue components. During the 2007 biennium, over 66 percent of total general fund revenue comes from income, property, and vehicle taxes, while about 3 percent is generated from investment earnings. Natural resource taxes are estimated to produce about 5 percent of total general fund revenue during the 2007 biennium. The information shown in Figure 6 illustrates the significant dependence the state has on income, property, and vehicle taxes to fund general government operations. In addition, Figure 6 shows the general fund will receive an estimated \$92 million in the 2007 biennium from investment earnings. Although these revenues are due to the investment by the state of taxpayer dollars, they can be viewed as taxpayer savings or relief. Without these revenues, the state would either have to cut services, increase other revenues, or do a combination of both.



Total general fund revenues for the 2007 biennium are projected to increase 3.9 percent over the 2005 biennium projections. The comparative change by major revenue category is shown at the bottom of Figure 6. Included in this increase is \$32.8 million of reduced revenue in the 2007 biennium due to the enactment of the legislation shown in Figure 4.

Non-General Fund Revenue Estimates

Figure 7 shows estimates for selected non-general fund revenue for fiscal years 2005, 2006, and 2007. These estimates were adopted because of their importance in the budgeting process.

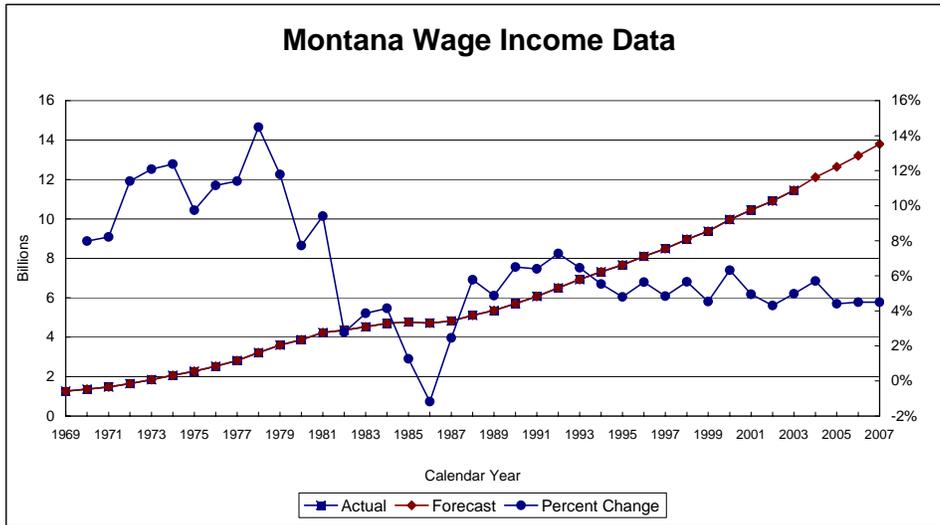
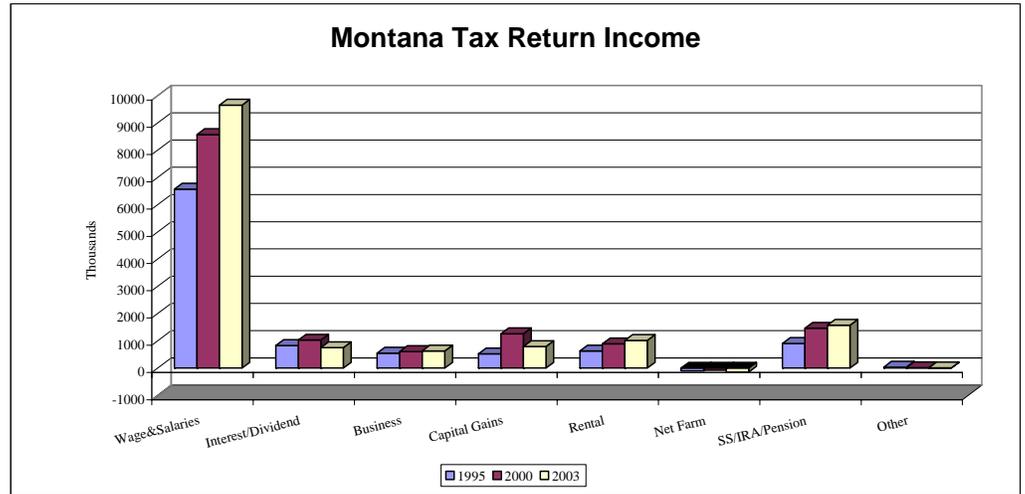
Figure 7 House Joint Resolution 2 Plus Legislation Impacts Non-General Fund Revenue Estimates In Millions								
Source of Revenue	Percent of Total	Actual Fiscal 2004	Estimated Fiscal 2005	Estimated Fiscal 2006	Estimated Fiscal 2007	Estimated Fiscal 04-05	Estimated Fiscal 06-07	Cumulative % of Total
1 Diesel Tax	19.23%	\$ 63.181	\$ 65.819	\$ 68.567	\$ 71.430	\$ 129.000	\$ 139.997	20.68%
2 Federal Forest Receipts	3.80%	12.491	12.654	12.795	12.878	25.145	25.673	24.48%
3 Gasoline Tax	40.46%	132.962	133.577	134.177	134.774	266.539	268.951	64.22%
4 GVW and Other Fees	8.37%	27.500	27.896	28.287	28.732	55.396	57.019	72.64%
5 Resource Indemnity Tax	0.38%	1.251	1.229	1.176	1.323	2.480	2.499	73.01%
6 Arts Trust Interest	0.10%	0.326	0.315	0.315	0.328	0.641	0.643	73.11%
7 Capital Land Grant Interest and Income	0.73%	2.413	0.820	0.939	0.943	3.233	1.882	73.38%
8 Deaf & Blind Interest and Income	0.09%	0.299	0.289	0.282	0.283	0.588	0.565	73.47%
9 Parks Trust Interest	0.35%	1.140	1.080	1.061	1.086	2.220	2.147	73.78%
10 Pine Hills Interest and Income	0.12%	0.394	0.373	0.365	0.366	0.767	0.731	73.89%
11 RIT Trust Interest	2.25%	7.380	6.898	6.626	6.627	14.278	13.253	75.85%
12 TSE Trust Interest	2.54%	8.349	8.337	8.578	9.071	16.686	17.649	78.46%
13 Property Tax: 6 Mill	3.46%	11.374	10.660	10.854	11.090	22.034	21.944	81.70%
14 Property Tax: 9 Mill	0.00%	-	-	-	-	-	-	81.70%
15 Tobacco Trust Interest	0.81%	2.670	2.841	3.301	3.820	5.511	7.121	82.75%
16 Regional Water Trust Interest	0.37%	1.201	1.348	1.553	1.797	2.549	3.350	83.25%
17 Common School Interest and Income	<u>16.94%</u>	<u>55.663</u>	<u>59.004</u>	<u>57.149</u>	<u>56.233</u>	<u>114.667</u>	<u>113.382</u>	<u>100.00%</u>
Total Non-General Fund	100.00%	\$328.594	\$333.140	\$336.025	\$340.781	\$661.734	\$676.806	100.00%

Economic Outlook For Montana

Montana Total Income

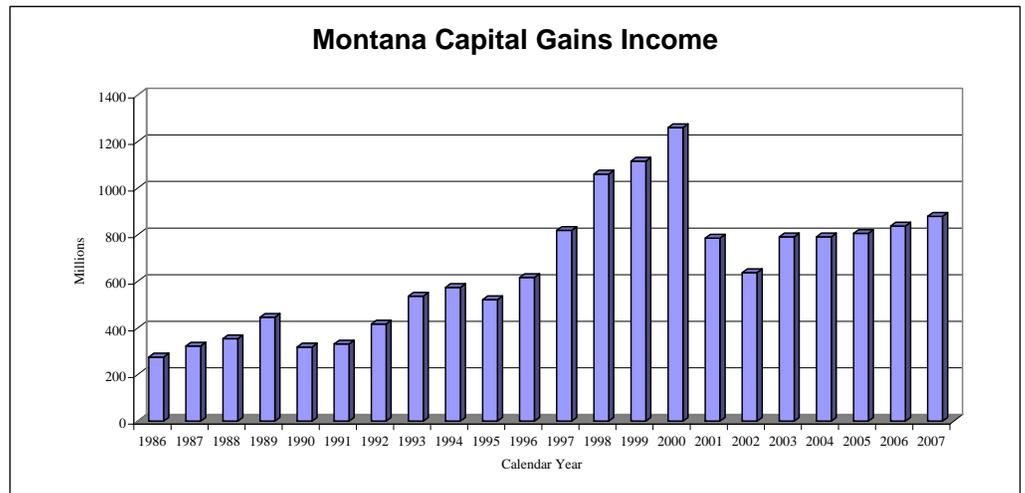
The total of all income sources listed on the Montana personal income tax form is referred to as Montana total income. The Department of Revenue tracks income from 11 different components, including wages, interest, dividends, business, capital gains, supplemental, rental, farm, social security, IRA and pension, and other incomes. Montana total income is the single most important variable to consider in the revenue estimation process. Of the 11 income items, wage and salary income provides the largest portion of Montana total income.

Since 1990, wage and salary income has contributed an annual average of 65.2 percent of total income. In calendar 2001, it contributed 65.8 percent, or \$9.013 billion. The average annual growth from calendar 1990 to 2001 has been 5.5 percent.



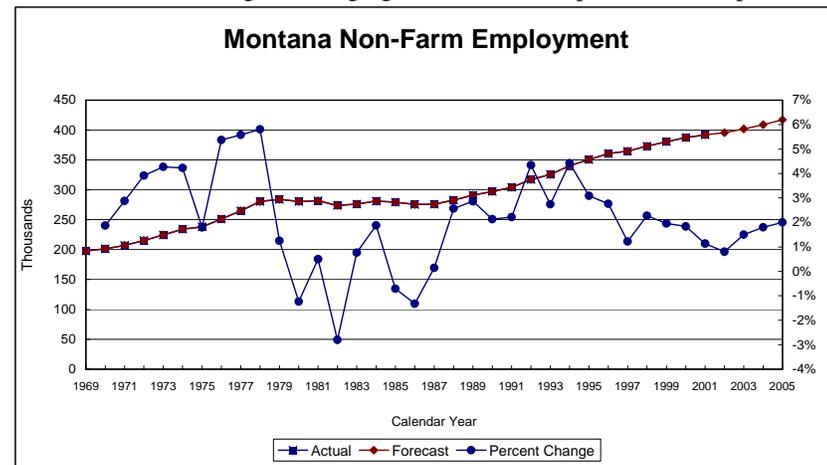
In recent times, capital gains income has been the focus of much conversation and speculation. Capital gains income has increased in relative importance over the decade. In 1990, capital gains made up only 4.2 percent of total income, with reported income of \$318 million. In 2000, capital gains contributed 9.2 percent of total income, at \$1.260 billion. In 2001, capital gains receded to 5.7 percent of total income, with income at \$786 million. That equates to a reduction of over 37.6 percent over the previous year, or \$474 million in income.

For the 2005 biennium, growth in wages and salaries is expected to be slow in calendar 2002 and 2003, while gradually increasing to about 5 percent by calendar 2005. Capital gains is projected to decline an additional 28 percent in calendar 2002 and remain flat in calendar 2003. For the last two years of the biennium, capital gains are estimated to rebound to a historic growth rate of 7.5 percent per year.



Montana Employment

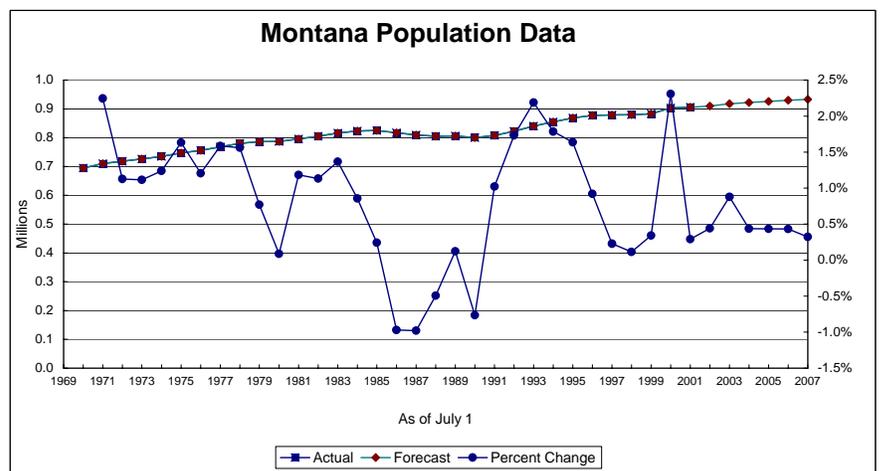
Like personal income, employment plays a key role in shaping the estimate of the individual income tax revenues. Furthermore, the information allows a view into the changing employment climate in Montana, where jobs are migrating, and how incomes might be altered. Dr. Paul Polzin, Director of the Montana Bureau of Business and Economic Research, is one of the several sources that provide information concerning the changing industrial make up of the state. Specific detailed data is gathered from the Montana Department of



Labor, Research and Analysis Division. The statistics collected include employment in manufacturing, mining, construction, public utilities, whole and retail, finance, insurance, real estate, services, and government sectors. Average annual growth since 1996 has been 2.0 percent. The estimates for future growth, during the forecast period, reflects a gradual increase of 0.8 percent in calendar 2002 to 1.8 percent by calendar 2005. Over the past decade, the largest area of growth was seen in construction employment, which experienced 98.1 percent positive growth. The service sectors follows, experiencing 55.4 percent growth in the same period. Mining is the only area that saw negative growth, with a workforce reduction of 12.7 percent since 1990.

Montana Population

Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide. Accurate population estimates are especially important when determining the changes expected in overall and per capita income for the state.

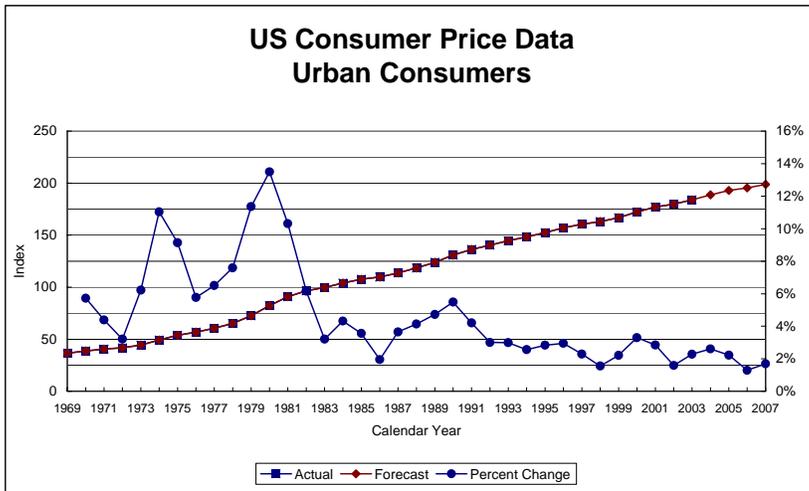


Consumption of any given item is highly reliant upon the size of the population, so accurate population forecasts are essential when determining tax revenues from the sources mentioned above. Historic population data is gathered from the U.S. Census department while projections are obtained from Woods and Poole Econometric Service. Since the early 1990's, Montana has experienced positive growth in total population varying between 0.1 percent in 1998 to 2.3 percent in 2000. Growth through the next biennium is estimated at 0.9 percent annually.

Inflation Rates

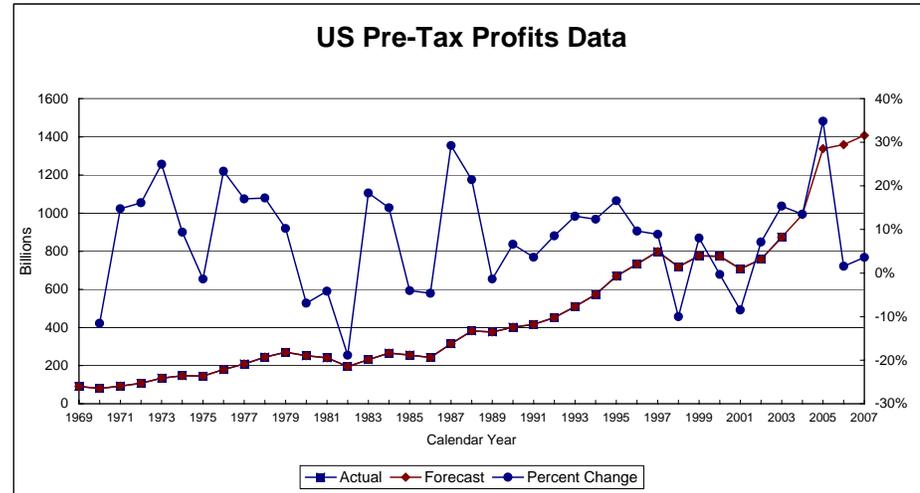
The inflation rate is measured by the price change of the Consumer Price Index (CPI) "shopping basket" of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable income and spends less. Several areas where this information is vital in determining costs include minerals, timber, energy resources, and most services.

Since Montana's individual income tax structure is fully indexed by changes in the consumer price index, this assumption is critical in the formulation of the individual income tax forecasts. The U.S. Bureau of Labor Statistics provides the required CPI data for the all-urban customers data set. Since 1990, the average annual rate of inflation has been 3.0 percent. Global Insight Company (formerly DRI-WEFA) estimates inflation during the next biennium at an average annual rate of 2.9 percent.



Corporate Profits

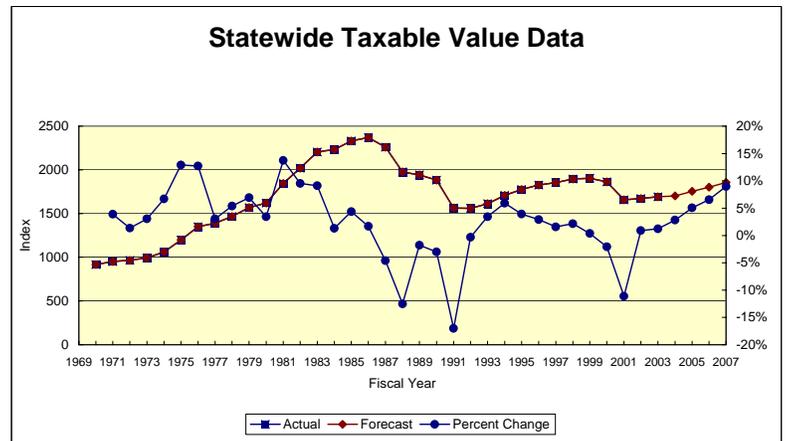
The profitability of corporate America is an important factor in estimating the revenues from the corporate license tax. There is a significant relationship between the profits reported by US corporations and those taxed in Montana. Many of the large



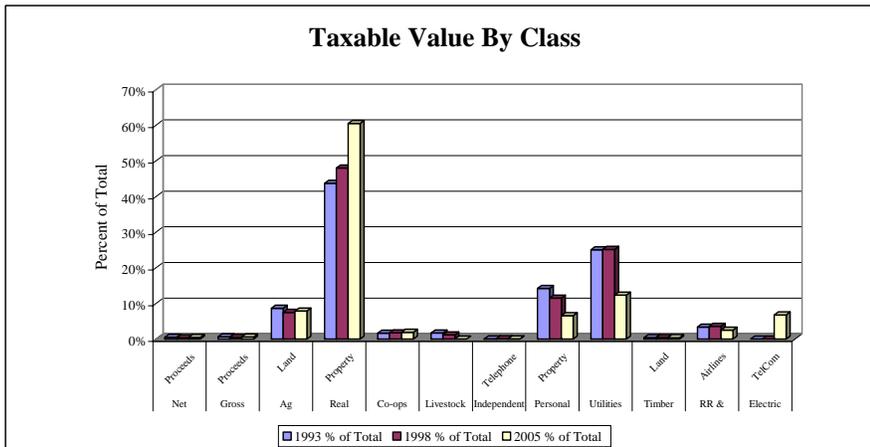
corporations operating in Montana are multi-state entities. During the most recent years, the reduction of corporate profits has translated to lower corporate license tax collections. According to Global Insight, between 1990 and 1997, US corporation pre-tax profits increased by an annual average of 9.8 percent. However, from 1998 through 2001, profits have decreased by an average of 3.9 percent, the greatest decrease of 7.7 percent occurring in 2001. The reduction in corporate profits is projected to continue through 2002, at which time the outlook of corporate profitability is expected begin a phase of slow improvement.

Property Values

Change in statewide property values is the critical assumption behind the estimates for property taxes. Historic property values are obtained from the Montana Department of Revenue. Total statewide taxable value increased slowly during the first part of the 1990's but fell in both fiscal 2000 and 2001. This decline was primarily due to changes in law by the 1999 legislature that led to reductions in tax rates on business equipment, electrical generating and telecommunications property, and the phased elimination of taxes on livestock. Estimates of total statewide taxable value for the 2005 biennium include the impacts of reappraisal on residential and commercial real estate, and agricultural land, although these are not reflected in the statewide taxable value chart. Estimates of the new reappraised values were presented to the legislature, which in response passed SB 461. SB 461 reduced tax rates for residential, commercial and agricultural land and raised the homestead and comstead exemptions for residential and commercial property. On a statewide basis, the new taxable values for the 2005 biennium are close to the values that would have been in force in the absence of reappraisal.



SB 461 reduced tax rates for residential, commercial and agricultural land and raised the homestead and comstead exemptions for residential and commercial property. On a statewide basis, the new taxable values for the 2005 biennium are close to the values that would have been in force in the absence of reappraisal.

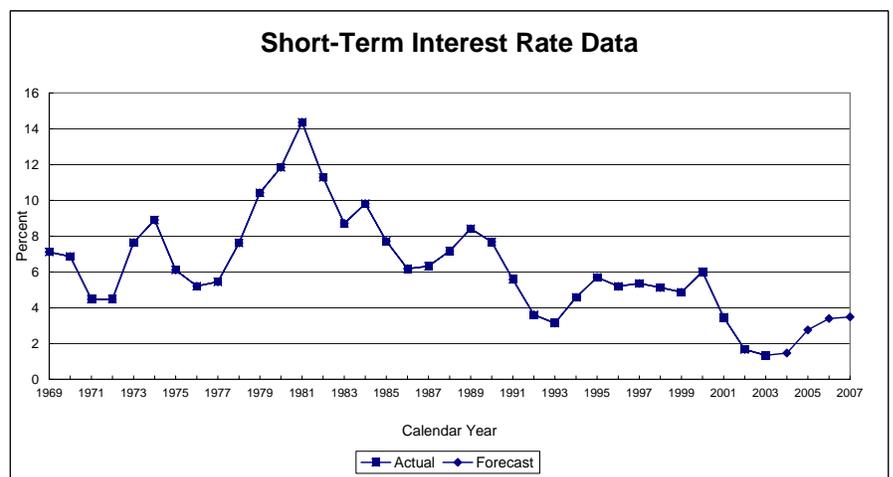


Significant changes have taken place in statewide property values since fiscal 1998. In that year, 48.0 percent of total statewide value was in class 4, residential and commercial property, and 11.5 percent of total value was in class 8, business equipment personal property. In fiscal 2003, the class 4 taxable value is expected to make up 58.4 percent of the total property tax base, while class 8 will be only 7.0 percent of the base.

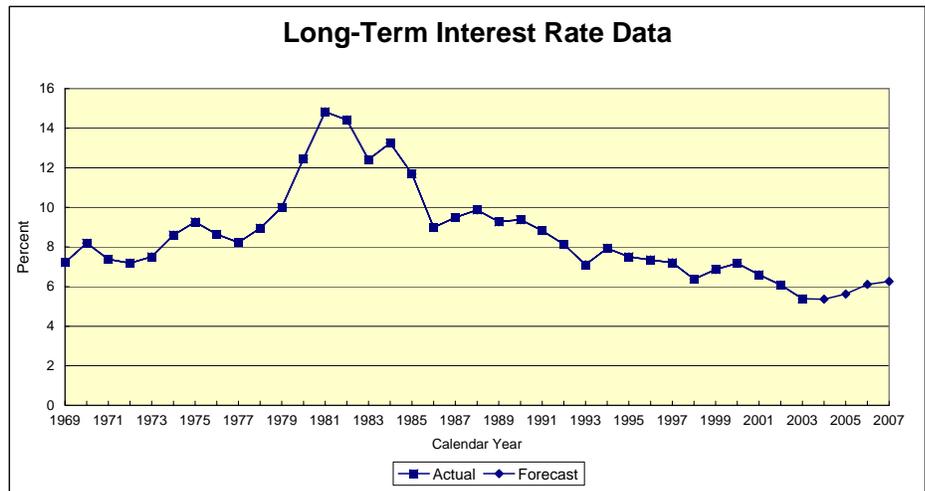
Interest Rates

A large portion of Montana's revenues is derived from investment earnings from trust accounts and daily cash. Interest rates also affect the amount of investment income that is reported on individual income tax returns. As such, interest rates are a significant assumption when estimating future state revenues.

In addition to the state revenue impact, interest rates are fundamental in understanding the climate in which consumers and businesses are likely to make investments and large purchases. While low interest rates produce less revenue for Montana's trust and interest holdings, higher income tax earnings might be expected as construction and sales activities increase. Two types of interest rates, long and short term, are estimated and used in determining future

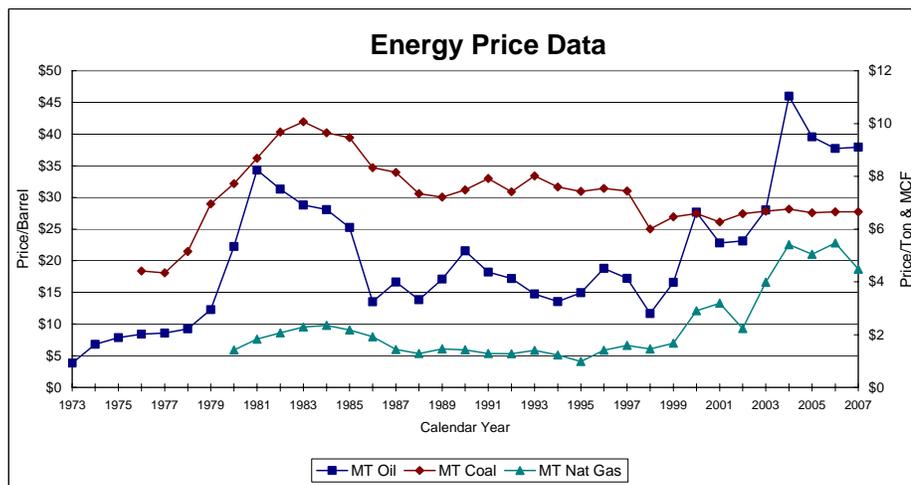


revenues. Both rates are an average across a selection of investment instruments. The forecasted rates are obtained from Global Insight. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year T bonds, and 30-year T bonds. Short-term rates are an average of 3 and 6-month Corporate paper and 3 and 6-month T bills. Long and short-term interest rates have been on the decline since January 2001, when the Federal Reserve began reducing the discount rate. Rates are expected to reverse and begin an upward trend during the forecast period.



Energy Prices

Energy prices are very important to Montana's economy. Montana's rich bounty of energy land holdings plays an important part in the state's employment and economic stability. Additionally, the taxation of those commodities adds significant revenues to the state's coffers. Coal, oil, and natural gas production are each taxed on the value of production. Global Insight supplies information on coal, oil, and natural gas prices. Among the specific energy price indexes forecast by Global Insight are the *U.S. Refiner's Acquisition Price*, the *U.S. Minemouth Coal Price* and the *West Texas Oil Price*. This information plus conversations with industry experts is used to develop Montana's energy prices.



Since 1990, the price of Montana coal has decreased 16.3 percent, oil has increased by 5.8 percent, and natural gas has increased by 123.5 percent.

Summary

A complete summary of each general fund and selected non-general fund revenue source follows. Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, and distribution mechanisms. A legislation impact table (if applicable) is shown summarizing all bills that impact the particular source of revenue.

It should be noted that the revenue projection table and graph are based on HJR2 estimates plus the impacts, if any, of enacted legislation. The corresponding revenue estimate assumption tables reflect only assumptions pertinent to the HJR2 revenue estimates and have not been updated for the impacts of enacted legislation.