

Resource Indemnity Trust Interest

Revenue Description

The Resource Indemnity Trust was set up from resource extraction taxes. The interest money from this fund is used for a variety of purposes (see distribution chart below) focusing on natural resource and environmental projects.

[Article IX, Section 2](#) of the Montana Constitution and [Title 15, Chapter 38, MCA](#), requires that certain resource extraction taxes, as determined by the legislature, be placed in a trust. The principal of the Resource Indemnity Trust (RIT), up to \$100 million, cannot be appropriated and is guaranteed by the state against loss or diversion. The principal of the trust reached \$100 million in FY 2003, and subsequently no longer receives additional tax deposits. Interest earnings on the RIT are spent to improve the total environment and rectify damage to the environment. It was also the legislature’s intent that the use of interest earnings for operations of state government be minimized.

Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 2](#); [15-38-202\(2\), MCA](#); [15-38-203, MCA](#)

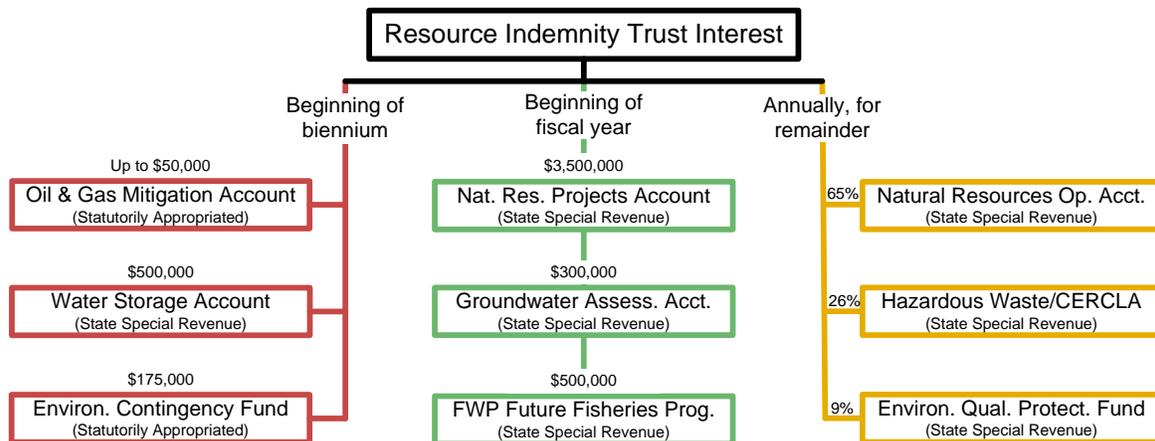
Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Statute allocates RIT interest earnings in the following manner:

- 1) At the beginning of the biennium, an amount not to exceed \$50,000 to the oil and gas mitigation account to bring the balance up to \$200,000;
- 2) At the beginning of the biennium, \$500,000 to the water storage state special revenue account;
- 3) At the beginning of the biennium, \$175,000 to the environmental contingency fund;
- 4) \$3.5 million annually to the natural resources projects state special revenue account;
- 5) \$300,000 annually to the ground water assessment account;
- 6) \$500,000 annually to the future fisheries program for bull trout and cutthroat trout recovery; and
- 7) Of the remaining RIT interest earnings:
 - a) 65% to the natural resources operations state special revenue account;
 - b) 26% to the hazardous waste/CERCLA state special revenue account; and
 - c) 9% to the environmental quality protection state special revenue fund.



Forecast Risks

- Short and long-term interest rates

Revenue Estimate Methodology

Data

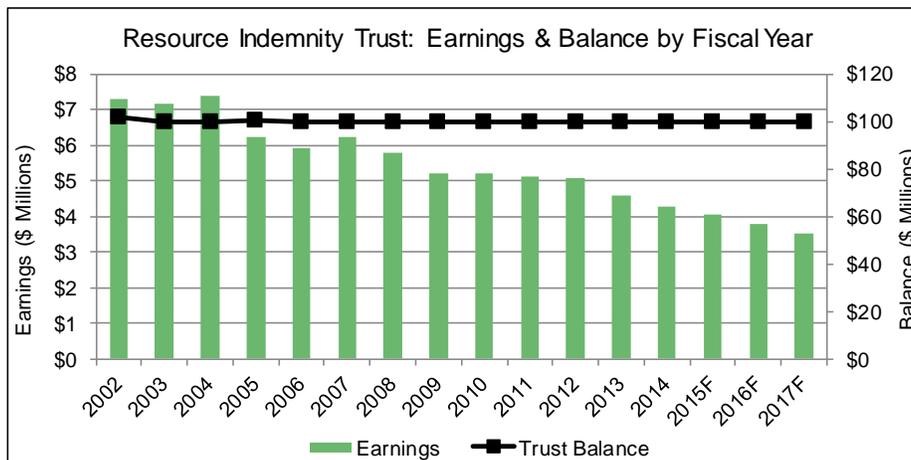
The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and IHS, and historic interest collections are obtained from SABHRS.

Analysis

Each of the following interest or income components are estimated independently and combined:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)

The TFBP was formed in 1995 to manage the fixed investments held in the state’s major trust funds. Each trust owns “shares” of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. Short-term interest forecasts from IHS are applied to money not invested in the TFBP to calculate future STIP earnings.

Interest Earnings

Resource Indemnity Trust Interest

Revenue Estimate Assumptions

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate	Net Tax New Deposit \$ Millions
A 2002	\$7.321	\$0.000	\$7.286	\$0.034	\$100.000	0.0%	\$1.589
A 2003	7.174	-	7.161	0.013	100.000	7.2%	-
A 2004	7.380	-	7.375	0.005	100.000	7.4%	(0.000)
A 2005	6.247	-	6.890	0.012	100.000	6.9%	0.252
A 2006	5.916	-	5.897	0.019	100.000	5.9%	-
A 2007	6.220	-	6.198	0.023	100.000	6.2%	-
A 2008	5.801	-	5.786	0.015	100.000	5.8%	-
A 2009	5.197	-	5.191	0.006	100.000	5.2%	-
A 2010	5.213	-	5.212	0.001	100.000	5.2%	-
A 2011	5.135	-	5.133	0.001	100.000	5.1%	-
A 2012	5.064	-	5.062	0.001	100.000	5.1%	-
A 2013	4.602	-	4.601	0.001	100.000	4.6%	-
A 2014	4.296	-	4.296	0.000	100.000	4.3%	-
F 2015	4.044	-	4.044	0.000	100.000	4.0%	-
F 2016	3.787	-	3.787	0.000	100.000	3.8%	-
F 2017	3.530	-	3.530	0.000	100.000	3.5%	-

FY	STIP Balance \$ Millions	Non Pool STIP Rate	Hazardous Waste \$ Millions	Environmental Quality \$ Millions	Renewable Resource \$ Millions	Reclamation Development \$ Millions
A 2002	\$2.176	1.8%	\$0.534	\$0.185	\$3.357	\$2.219
A 2003	0.741	0.9%	0.679	0.231	3.027	2.588
A 2004	0.644	0.7%	0.564	0.192	2.894	2.354
A 2005	0.910	1.6%	0.475	0.162	2.790	2.171
A 2006	0.506	2.6%	0.169	0.059	2.435	1.728
A 2007	0.723	3.7%	0.437	0.151	2.744	2.088
A 2008	0.504	2.5%	0.202	0.070	-	-
A 2009	0.484	1.2%	0.188	0.065	-	-
A 2010	0.434	0.3%	0.049	0.017	-	-
A 2011	0.442	0.3%	0.217	0.075	-	-
A 2012	0.420	0.3%	0.048	0.017	-	-
A 2013	0.366	0.2%	0.078	0.027	-	-
A 2014	0.002	0.2%	0.012	-	-	-
F 2015	0.002	0.3%	-	-	-	-
F 2016	0.002	1.1%	-	-	-	-
F 2017	0.002	2.5%	-	-	-	-

FY	Environmental Contingency \$ Millions	Water Storage \$ Millions	Oil & Gas Receipts \$ Millions	FWP Receipts \$ Millions	Groundwater Receipts \$ Millions	NR Operation Receipts \$ Millions	NR Projects Receipts \$ Millions
A 2002	\$0.175	\$0.500	\$0.050	\$0.000	\$0.300	\$0.000	\$0.000
A 2003	-	-	-	0.350	0.300	-	-
A 2004	0.175	0.500	0.050	0.350	0.300	-	-
A 2005	-	-	-	0.350	0.300	-	-
A 2006	0.175	0.500	0.050	0.500	0.300	-	-
A 2007	-	-	-	0.500	0.300	-	-
A 2008	0.175	0.500	0.050	0.500	0.300	0.504	3.500
A 2009	0.175	-	-	0.500	0.300	0.469	3.500
A 2010	0.175	0.500	0.050	0.500	0.300	0.122	3.500
A 2011	-	-	-	0.500	0.300	0.542	3.500
A 2012	0.028	0.500	0.050	0.500	0.300	0.121	3.500
A 2013	-	-	-	0.500	0.300	0.196	3.500
A 2014	0.151	0.500	0.056	0.432	0.259	-	3.022
F 2015	-	-	-	0.500	0.282	-	3.292
F 2016	0.175	0.500	0.050	0.500	0.264	-	3.082
F 2017	-	-	-	0.500	0.246	-	2.873

