

## Treasure State Endowment Trust Interest

### Revenue Description

The Treasure State Endowment Trust is one of several trusts set up with money from the coal severance tax; the trust currently receives 25% of total coal severance tax collections. Interest earned on the fund is used to finance local infrastructure projects, as prioritized by the Departments of Commerce and Natural Resources and Conservation and authorized by the legislature via the Treasure State Endowment Program (TSEP).

The deposit of coal severance tax revenue to this fund terminates the end of FY 2016. For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

### Statutory Reference

Distribution – [17-5-703 \(4c\), MCA](#); [90-6-701\(2\), MCA](#)

Date Due – Monthly ([17-5-703 \(4c\), MCA](#))

**Applicable Tax Rates:** N/A

**Collection Frequency:** Monthly

**Distribution:** Interest earnings are allocated to the Department of Commerce to fund TSEP.

### Forecast Risks

- Short and long-term interest rates
- Bond rates
- Coal price and production

### Revenue Estimate Methodology

#### Data

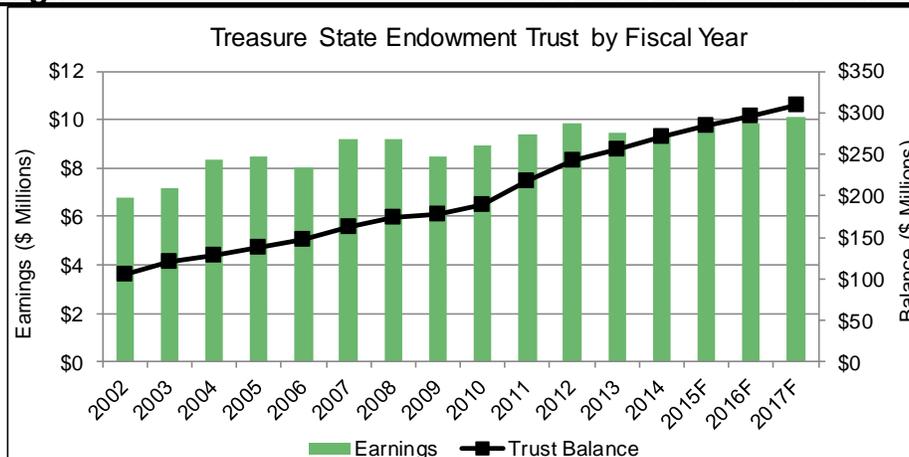
The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by IHS and historic interest collections are obtained from SABHRS.

#### Analysis

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

- Trust funds bond pool (TFBP)
- In-state investments
- Short-term investment pool (STIP)
- New trust deposits

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.



Earnings from in-state investments have historically been the second largest source of income to the TSE trust. The BOI is required by statute to invest 25% of coal tax trust in the Montana economy. In-state investments primarily consist of loans to Montana business entities and earnings are equal to the interest charged on the loans.

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.

Coal severance tax distributions to the TSE trust are considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. These new trust deposits are forecast using estimates of coal severance tax collections.

### Revenue Estimate Assumptions

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Loan Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2002	\$6.805	\$0.000	\$5.140	\$0.135	\$1.531	\$79.334	0.0%
A 2003	7.175	-	5.719	0.092	1.365	89.015	6.8%
A 2004	8.349	-	6.930	0.086	1.333	103.214	7.2%
A 2005	8.482	-	7.272	0.237	0.970	116.514	6.6%
A 2006	8.039	-	7.001	0.514	0.523	129.403	5.7%
A 2007	9.225	-	8.102	0.719	0.404	141.852	6.0%
A 2008	9.194	-	8.296	0.639	0.259	156.152	5.6%
A 2009	8.450	-	8.131	0.182	0.141	169.552	5.1%
A 2010	8.940	-	8.799	0.026	0.118	181.247	5.1%
A 2011	9.416	-	9.287	0.029	0.104	194.848	5.0%
A 2012	9.866	-	9.742	0.049	0.079	205.133	4.9%
A 2013	9.448	-	9.344	0.053	0.054	219.433	4.4%
A 2014	9.356	-	9.297	0.029	0.003	233.933	4.1%
F 2015	9.708	-	9.649	0.058	0.002	245.889	3.7%
F 2016	9.852	-	9.624	0.228	0.002	258.822	3.5%
F 2017	10.088	-	9.563	0.524	0.002	271.755	3.4%

## Interest Earnings

## Treasure State Endowment Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	Non Pool STIP Bal \$ Millions	Non Pool STIP Rate	Non Pool Loan Rate	Non Pool Loan Bal \$ Millions
A 2002	\$11.855	\$7.427	2.3%	8.3%	\$17.859
A 2003	11.034	11.675	1.0%	7.4%	18.814
A 2004	7.886	10.527	0.8%	8.3%	13.435
A 2005	9.409	12.141	2.1%	8.8%	8.681
A 2006	8.955	11.708	4.3%	7.1%	6.039
A 2007	10.190	14.764	5.4%	7.5%	4.750
A 2008	11.333	14.042	4.4%	7.5%	2.115
A 2009	12.391	6.445	1.8%	7.3%	1.727
A 2010	11.044	5.990	0.4%	7.1%	1.561
A 2011	13.743	11.411	0.3%	6.9%	1.427
A 2012	13.186	19.140	0.3%	6.6%	0.990
A 2013	14.143	20.036	0.3%	6.8%	0.601
A 2014	14.419	19.688	0.1%	0.5%	0.461
F 2015	12.317	19.688	0.3%	0.5%	0.397
F 2016	12.960	19.688	1.1%	0.5%	0.411
F 2017	13.277	19.688	2.5%	0.5%	0.417

## Revenue Projection

