

Economic Development Trust Interest

Revenue Description

The Economic Development trust is one of several trusts set up with money from the coal severance tax. The interest money from this fund is used primarily for economic development by local governments and certified regional and economic development organizations. The deposits of coal severance tax revenue to this fund terminate at the end of FY 2025. For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

[Article IX, Section 5](#) of the Montana Constitution requires that 50% of all coal severance tax revenue be deposited in a permanent coal trust fund in which appropriation of the principal requires a three-fourths vote of each house of the legislature. Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. The remaining funds are then split 50% (25% of total revenue) to the Treasure State Endowment trust fund, 25% (12.5% of total revenue) to the Treasure State Endowment Regional Water System trust fund, and 25% (12.5% of total revenue) to the Big Sky Economic Development trust fund. The permanent trust fund currently receives no coal severance tax revenue.

Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 5](#); [17-5-703 \(5b\), MCA](#); [90-1-205, MCA](#)
 Date Due – Monthly ([17-5-703\(5b\), MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Interest earnings are deposited to a state special revenue fund and are statutorily appropriated to the Department of Commerce to pay administrative expenses with the remainder for:

1. 75% to local governments to be used for job creation; and
2. 25% to certified regional development corporations and economic development organizations



Summary of Legislative Action: No impacting legislation was enacted in the 2015 session.

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

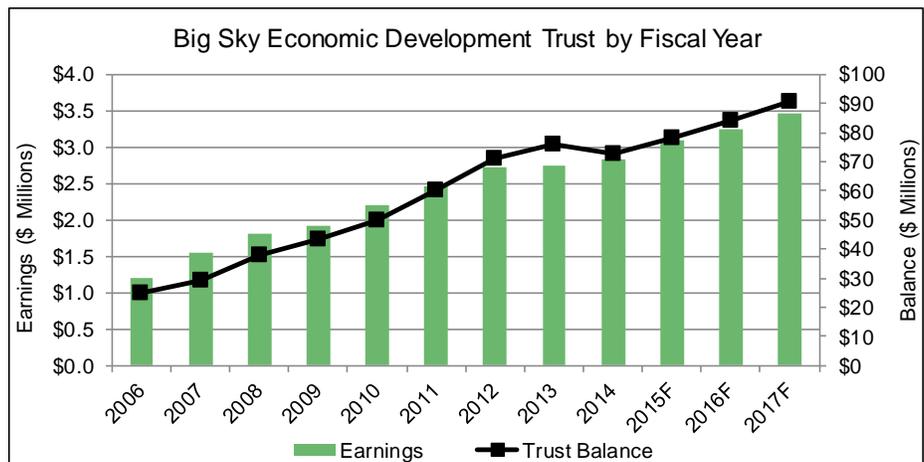
Each of the following interest or income components are estimated independently and combined to produce the overall estimate:

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

Interest Earnings

Economic Development Trust Interest

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 table below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit 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 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

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2015 Legislature.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2002	-	-	-	-	-	
A 2003	-	-	-	-	-	
A 2004	-	-	-	-	-	
A 2005	-	-	-	-	-	
A 2006	\$1.194	-	\$1.174	\$0.019	\$23.000	5.1%
A 2007	1.559	-	1.526	0.033	28.849	5.3%
A 2008	1.801	-	1.738	0.063	34.469	5.0%
A 2009	1.925	-	1.867	0.059	41.019	4.6%
A 2010	2.196	-	2.185	0.011	46.779	4.7%
A 2011	2.472	-	2.459	0.013	53.499	4.6%
A 2012	2.731	-	2.711	0.020	58.549	4.6%
A 2013	2.745	-	2.722	0.023	65.999	4.1%
A 2014	2.822	-	2.807	0.015	72.749	3.9%
F 2015	3.090	-	3.063	0.025	78.137	3.6%
F 2016	3.256	-	3.147	0.103	84.322	3.5%
F 2017	3.471	-	3.208	0.249	90.507	3.3%

Interest Earnings

Economic Development Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	STIP Bal Balance \$ Millions	Non Pool STIP Rate
A 2002	-	-	
A 2003	-	-	
A 2004	-	-	
A 2005	-	-	
A 2006	\$4.478	\$0.609	3.2%
A 2007	5.095	0.273	12.0%
A 2008	5.666	3.215	2.0%
A 2009	6.196	2.172	2.7%
A 2010	5.522	2.976	0.4%
A 2011	6.871	4.462	0.3%
A 2012	6.593	8.401	0.2%
A 2013	7.072	9.834	0.2%
A 2014	7.210	10.158	0.1%
F 2015	6.252	10.158	0.2%
F 2016	6.480	10.158	1.0%
F 2017	6.652	10.158	2.5%

Revenue Projection

