

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 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](#)

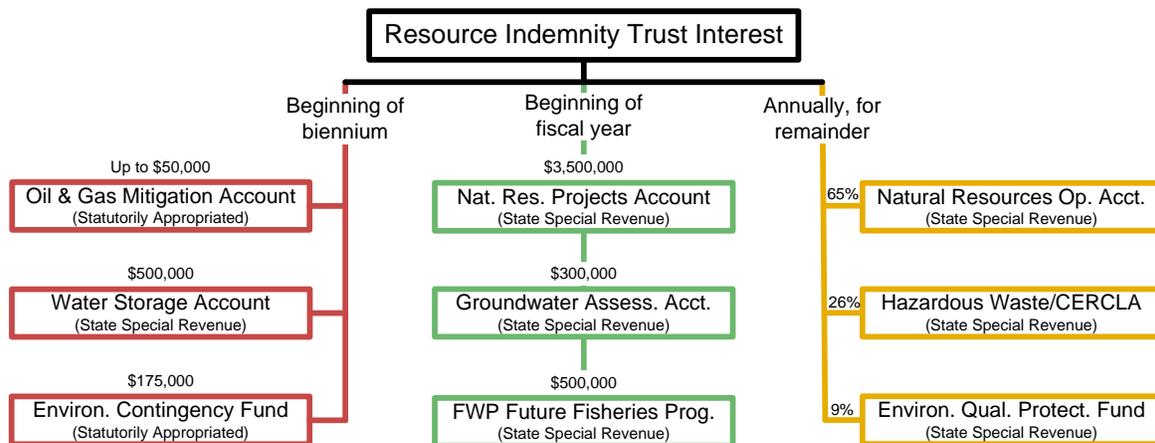
Applicable Tax Rates: N/A

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.



Summary of Legislative Action

[House Bill 226](#) – This legislation changes the allocation of the resource indemnity trust fund interest, increasing the distribution to the oil and gas damage mitigation account and decreasing the

Interest Earnings

Resource Indemnity Trust Interest

distribution to the natural resource projects account. Note that this legislation will alter the distribution chart shown above

Revenue Estimate Methodology

Data

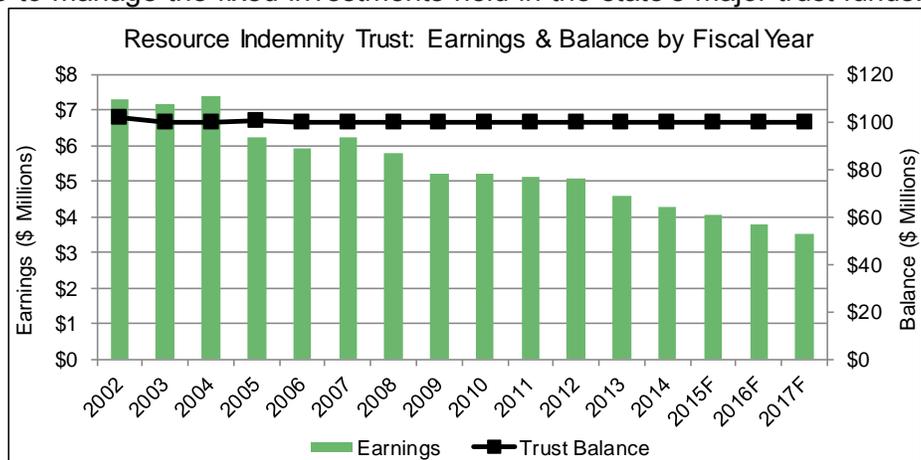
The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and IHS, and historic interest collections are obtained from SABHRS.

Analysis

Each of the interest or income components—trust funds bond pool (TFBP), short-term investment pool (STIP), and new trust deposits—are estimated independently and combined.

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.

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 | Net Tax New Deposit \$ Millions |
|--------|---------------------------|------------------------|---------------------------------|---------------------------------|------------------------------------|---------------------------|---------------------------------------|
| A 2002 | \$7.321 | - | \$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% | - |

Interest Earnings

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| 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 | 0.2% | - | - | - | - |
| F 2016 | 0.002 | 1.0% | - | - | - | - |
| 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 | - | \$0.300 | - | - |
| 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 | - | - | - | 0.470 | 0.282 | - | 3.292 |
| F 2016 | 0.132 | 0.377 | 0.038 | 0.377 | 0.226 | - | 2.638 |
| F 2017 | - | - | - | 0.410 | 0.246 | - | 2.873 |

Revenue Projection

