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# Legislative Fiscal Division

## Revenue Estimate Profile

### Parks Trust Interest

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**Revenue Description:** Beginning in FY 1976, a portion of coal severance tax revenue was deposited into the Parks Acquisition and Arts Protection trust fund. The 1991 Legislature split the principal of this trust into two separate trusts, the Parks Acquisition trust (parks trust) and the Arts Protection trust (cultural trust), with coal severance taxes allocated to each one. Except for FY 2003, the amount of 1.27% of coal tax revenues is statutorily allocated to the parks trust for the purpose of parks acquisition or management. The August 2002 special legislative session eliminated the allocation for FY 2003 only. Income from the parks trust must be appropriated for the acquisition, development, operation, and maintenance of state parks, state recreational areas, state monuments, and state historical sites under control of the Department of Fish, Wildlife and Parks.

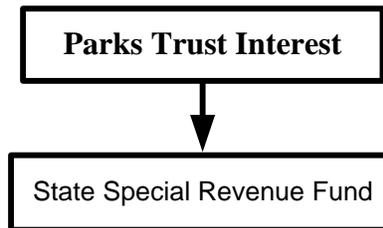
**Statutory Reference:**

Tax Rate – NA  
Distribution (MCA) – 15-35-108(4)  
Date Due – NA

**Applicable Tax Rate(s):** N/A

**Distribution:** Interest earnings on the parks trust are allocated to the Department of Fish, Wildlife, and Parks and deposited to a state special revenue fund.

Distribution Chart:



**Collection Frequency:** Monthly

**% of Total General Fund Revenue:** N/A

**Revenue Estimate Methodology:**

Data

The data used to estimate interest earnings from the parks trust are obtained from the Board of Investments (BOI), IHS, and the state accounting system (SABHRS). The 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

The parks trust, formed in the late 1970's, was created from distributions of the coal severance tax. The parks trust receives coal tax distributions at the rate of 1.27% of the total tax. In one year of budget stress, the coal tax distribution to the parks trust was temporarily eliminated.

To forecast the parks trust interest earnings, each of the following three interest/income components are estimated independently and combined:

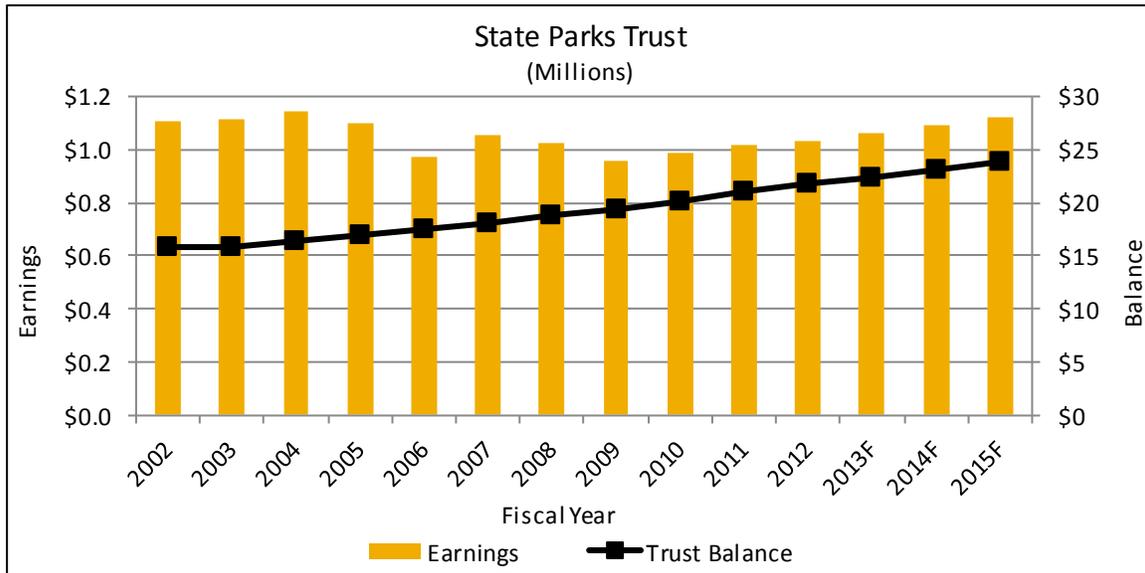
- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

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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. To estimate TFBP earnings, the base year rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable long-term rate for these securities is based on an average of four long-term rates projected by IHS.



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. To estimate future STIP earnings, an average short-term interest rate is developed, based on IHS projections of three short-term investments.

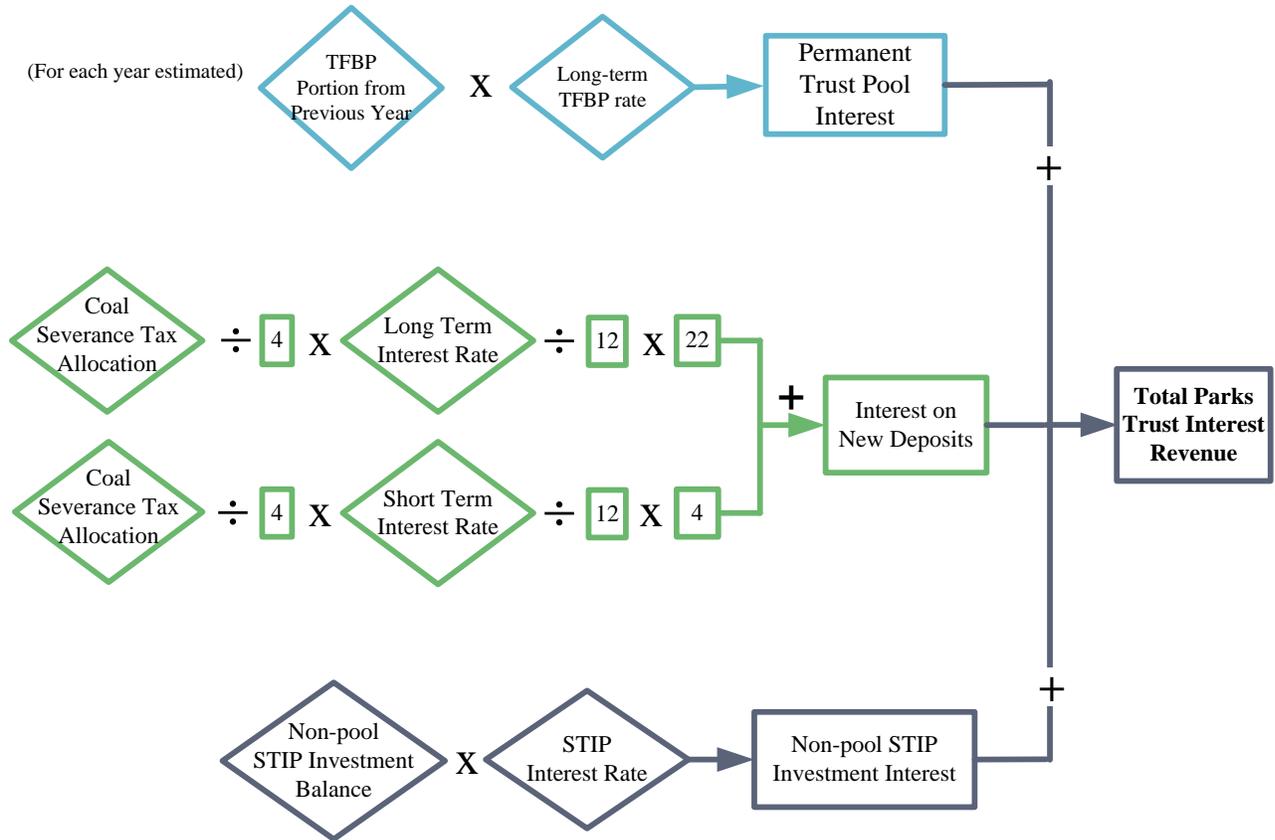
The 1.27% coal severance tax distribution to the parks trust is considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

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#### Forecast Methodology:



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#### Revenue Estimate Assumptions:

	t	Total Rev.	GF Rev.	TFBP	STIP	Invested	Average
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Balance</u>	<u>Return</u>
						<u>Millions</u>	<u>Rate</u>
Actual	2002	1.106	0.000	1.100	0.006		
Actual	2003	1.115	0.000	1.101	0.003		
Actual	2004	1.140	0.000	1.138	0.002	16.189	7.0%
Actual	2005	1.100	0.000	1.095	0.005	16.772	6.6%
Actual	2006	0.972	0.000	0.957	0.015	17.305	5.6%
Actual	2007	1.055	0.000	1.034	0.021	17.950	5.9%
Actual	2008	1.025	0.000	1.008	0.017	18.569	5.5%
Actual	2009	0.954	0.000	0.951	0.003	19.284	4.9%
Actual	2010	0.989	0.000	0.989	0.001	19.953	5.0%
Actual	2011	1.014	0.000	1.013	0.001	20.803	4.9%
Actual	2012	1.034	0.000	1.033	0.001	21.590	4.8%
Forecast	2013	1.063	0.000	1.051	0.012	22.287	4.8%
Forecast	2014	1.089	0.000	1.076	0.014	23.022	4.7%
Forecast	2015	1.122	0.000	1.104	0.019	23.788	4.7%

	t	Net Coal Tax	New Deposit	Non Pool	Non Pool
	<u>Fiscal</u>	<u>New Deposit</u>	<u>Long Term</u>	<u>STIP</u>	<u>STIP Bal</u>
		<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Millions</u>
Actual	2002	0.401	6.2%	2.6%	0.309
Actual	2003	0.000	5.7%	1.4%	0.140
Actual	2004	0.401	5.4%	1.3%	0.328
Actual	2005	0.478	5.2%	2.4%	0.236
Actual	2006	0.455	5.2%	4.1%	0.469
Actual	2007	0.518	5.4%	4.7%	0.514
Actual	2008	0.576	5.3%	3.1%	0.133
Actual	2009	0.629	5.1%	1.0%	0.138
Actual	2010	0.561	4.8%	0.2%	0.242
Actual	2011	0.698	4.4%	0.1%	0.252
Actual	2012	0.670	3.8%	0.1%	0.289
Forecast	2013	0.697	3.5%	0.1%	0.289
Forecast	2014	0.735	3.9%	0.2%	0.289
Forecast	2015	0.766	4.5%	0.5%	0.289

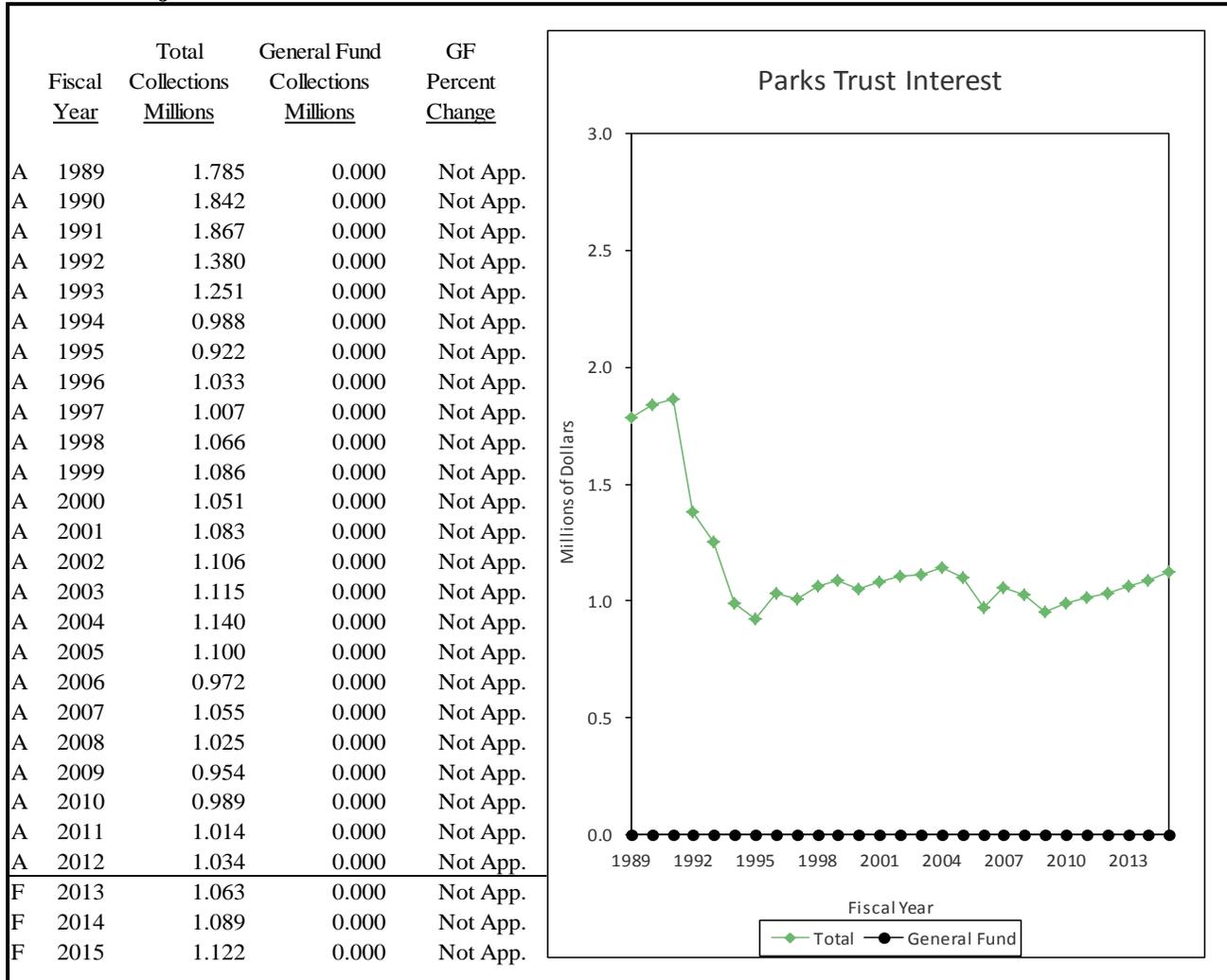
Total Rev. = Invested Balance × Average Return

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#### Revenue Projection:



**Data Source(s):** Board of Investments, SABHRS, *Wall Street Journal*, IHS

**Contacts:**