Other General Fund Revenue

All Other Revenue
Highway Patrol Fines
Nursing Facilities Fee
Public Institution Reimbursements
Tobacco Settlement

www.leg.mt.gov/css/fiscal

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Revenue Description: There are a number of other taxes, fees, and fines that historically have generated less than $2.5 million each in annual general fund revenue. In addition, the statutes governing these miscellaneous taxes, fees, and fines are frequently changed, making meaningful comparison between tax years impractical and accurate estimation of the revenue difficult.

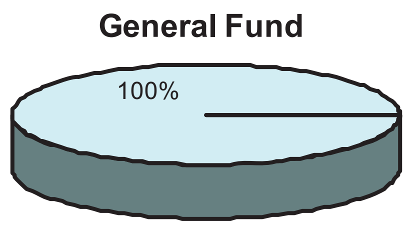
"All Other Revenue" sources are estimated in aggregate except for the following: court automation surcharge (enacted by the 2005 Legislature in House Bill 536), investment license transfers, liquor license fee transfers, civil fines, lodging facility use tax, deposits by state agencies for SWCAP/ SFCAP, district court fees, BOI reimbursement of State Street Banking fees, transfers of excess coal tax revenue in the shared account (beginning FY 2013), bentonite tax enacted in SB 276 by the 2005 Legislature, excess balances in the captive insurance and the procurement accounts, and transfer of the excess over $2.0 million from the veterans' cigarette tax account administered by DPHHS. In the past, general fund wildfire costs incurred on federal jurisdiction fires and reimbursed by the federal government had been included in this revenue source, but beginning in FY 2003 they are deposited to the federal special revenue fund. Due to a settlement with Federal Express, a one-time amount of $1.457 million was added to FY 2011.

Statutory Reference: Various

Applicable Tax Rate(s): Various

Distribution: "All Other Revenue" is deposited in the general fund.

Distribution Chart:



Summary of Legislative Action:

House Bill 2 – The money appropriated from certain accounts impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature (such as those in HB 2 and HB 5) may differ and, thus, may affect revenue. Revenue changes due to changes in appropriations occur in the following accounts: 1) liquor enterprise fund (DOR and DOJ); 2) securities fee account (State Auditor's Office); 3) captive account (State Auditor's Office); 4) cigarette tax revenue account (DPHHS); and 5) liquor division account (DOR). These changes increase general fund revenue $184,155 in FY 2012 and decrease general fund revenue $13,717 in FY 2013.

House Bill 5 – The legislation directs the transfer of $11,185,622 from the long-range building program account to the general fund by June 30, 2011. The legislation is effective on passage and approval.

House Bill 10 – The legislation directs the transfer of $4,762,033 from the long-range information technology program account to the general fund by June 30, 2011. The legislation is effective on passage and approval.

House Bill 111 – Changes the allocation of the lodging facility use taxes collected from state agencies for in-state lodging. The Department of Administration will deposit 30% of the total amount plus the amount paid by federal funds to the general fund. The amount paid by federal funds will be reimbursed to the federal government from the general fund through the statutory appropriation in 17-3-106, MCA. General fund revenue increases $104,804 in FY 2012 and $106,901 in FY 2013. The legislation is effective July 1, 2011.

All Other Revenue

House Bill 351 – The legislation directs the transfer of $1,570,000 from the treasure state endowment state special revenue account to the general fund and $1,000,000 from the treasure state endowment regional water system state special revenue account to the general fund. The transfers are to occur prior to July 1, 2013. General fund revenue is increased $2,570,000 in the 2013 biennium. The legislation is effective July 1, 2011.

House Bill 449 – The legislation increases the fine for illegal introduction of fish from $500 to $2,000. Half of the fine is deposited to the county general fund and half to the state general fund. General fund increases $750 in each year of the FY 2013 biennium. The legislation is effective October 1, 2011.

House Bill 604 – The legislation directs the transfer of money from and to various accounts within the state treasury (see the following table). Transfers to the general fund in FY 2012 are $10.85 million. The legislation is effective on passage and approval.

House Bill 604 - Transfers
2011 Session - Includes Governor's Amendments

From	To	2011 Amount	2012 Amount	2013 Amount
Telecom.	General Fund	$0.000000	$1.850000	0.000000
Fire Suppression	General Fund	0.000000	3.000000	0.000000
Old Mt Trust	General Fund	0.000000	6.000000	0.000000
Total:		$0.000000	$10.850000	0.000000
Junk vehicle	Guarantee Acct	$0.000000	$2.500000	0.000000
Coal bed methane	Guarantee Acct	0.000000	8.500000	0.000000
Orphan share	Guarantee Acct	0.000000	4.400000	0.000000
Bd. Oil & Gas	Guarantee Acct	0.000000	12.000000	0.000000
Total:		$0.000000	$27.400000	0.000000
Old Mt Trust	Health/Medicaid	$0.000000	$3.166502	$0.000000
Revenues		2011	2012	2013
Guarantee Acct		0.000000	27.400000	0.000000
General Fund		0.000000	10.850000	0.000000
Health/Medicaid		0.000000	3.166502	0.000000

Senate Bill 67 – The legislation directs the transfer of $25,000 from the youth court intervention and prevention account to the general fund in FY 2011 and FY 2012. The legislation is effective on passage and approval.

Senate Bill 335 – The legislation reduces the time for which the owner of a stale-dated warrant can claim payment from four years to one year. A one-time transfer to the general fund of $3.7 million is anticipated in FY 2012. However, since HJ 2 revenue estimates already anticipates this revenue, general fund reductions of $925,000 in each year of the 2013 and 2015 biennia will occur. The legislation is effective July 1, 2011.

All Other Revenue -- Legislation Passed by 62nd Legislature
Estimated General Fund Impact for Fiscal 2011, 2012, 2013

Bill Number and Short Title	Fiscal 2011	Fiscal 2012	Fiscal 2013
HB0002 General Appropriations Act		184,155	(13,717)
HB0005 Long-range building appropriations	11,185,622		
HB0010 Long-range information technology appropriations	4,762,033		
HB0111 Improving tax administration by depositing state agency lodging tax in gen fund		104,804	106,901
HB0351 Treasure state endowment appropriations and transfers to the general fund		1,285,000	1,285,000
HB0449 Revise penalties for unlawful introduction of fish		750	750
HB0604 Provide for fund transfers to various accounts		10,850,000	
SB0067 Temporarily suspend juvenile delinquency intervention program annual evaluation	25,000	25,000	
SB0335 Revise laws related to stale-dated warrants		2,775,000	(925,000)
Total Estimated General Fund Impact	$15,972,655	$15,224,709	$453,934

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

% of Total General Fund Revenue:

FY 2004 – 2.19%	FY 2007 – 1.04%	FY 2010 – 2.17%
FY 2005 – 2.27%	FY 2008 – 1.96%	
FY 2006 – 1.87%	FY 2009 – 1.77%	

Revenue Estimate Methodology:

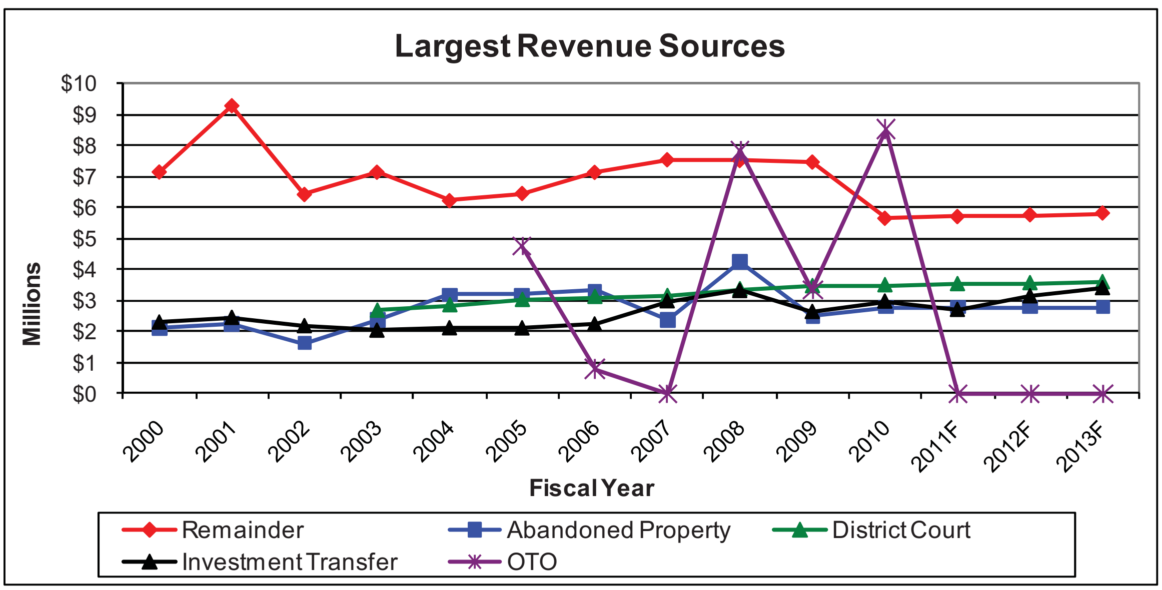
There are numerous smaller sources of revenue deposited to the general fund that are treated as a single source termed "All Other". Fifteen of these revenue sources are estimated individually with the remainder estimated as a group.

Data

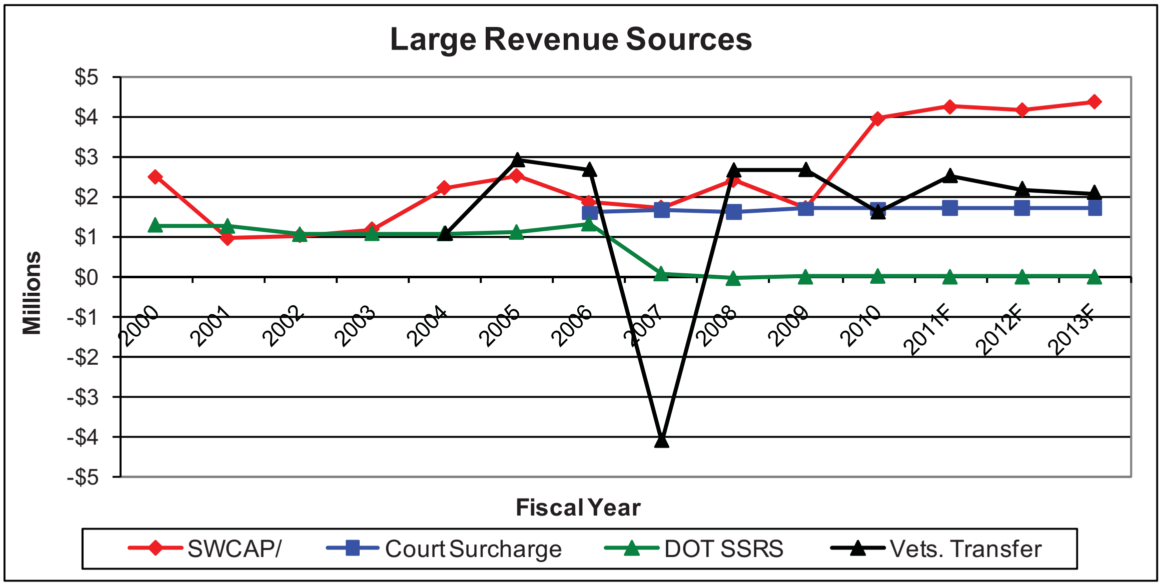
Numerous data sources are consulted for each of the applicable 13 revenue sources that are estimated individually.

Analysis

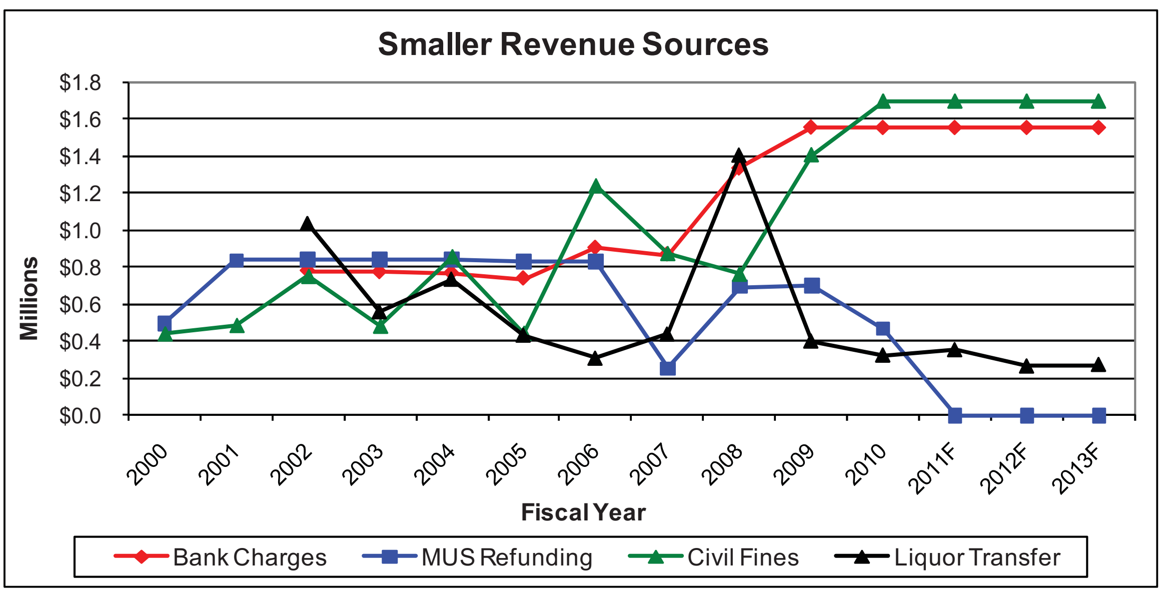
1. Largest Revenue Sources (see the figure below)
   a. The remainder of "All Other" revenue, after the 13 revenue sources have been estimated individually, is estimated by increasing the amount received in FY 2010 and each subsequent forecast year by 1%.
   b. Abandoned Property – The amount collected in FY 2010 (less an unusual $8.5 million one-time payment) is used for the estimates for FY 2011-FY 2013.
   c. District Court Fees – The previous year's amount is increased by the growth rate between the prior two years.
   d. Investment License Fee Transfer – The transfer amount is the net between non-general fund investment fee revenue collected by the State Auditor and its expenses. These amounts are determined in the "Investment License Fee" revenue source.



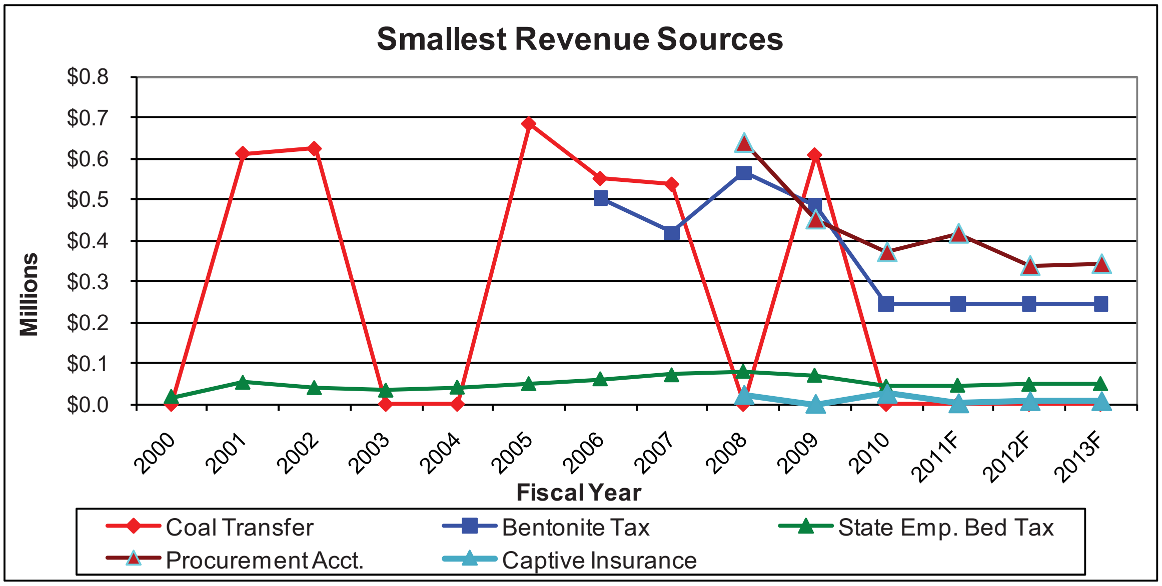
2. Large Revenue Sources (see the figure below)
   a. Statewide Cost Allocation Plan – Amounts budgeted for agencies in HB 2 for the SWCAP are used for the forecast amounts from this source.
   b. Court Surcharge – The previous year's amount is increased by the growth rate between the prior two years.
   c. Veteran's Cigarette Account Transfer – Money in the account at the end of a fiscal year in excess of $2.0 million is transferred to the general fund. To estimate the excess amounts, distributions of cigarette tax revenue to the account (as determined in the "Cigarette Tax" revenue source) is reduced by budgeted present law amounts from the account for each fiscal year obtained from MBARS. Included are expenditure estimates from long range building appropriations. The $2.0 million limit is then subtracted from the net revenue.



3. Smaller Revenue Sources (see the figure below)
   a. Banking Charges – The rate the Board of Investments charges funds for its services is determined by a contract with a financial institution. Board personnel state that the current contract is $1,550,000, but may be more if additional accounts are established. The current contract amount for FY 2010 was used for all forecast years.
   b. Montana University System Refunding – Payments are determined by a loan repayment schedule calculated by the Department of Administration. The loan was paid off in FY 2011.
   c. Civil Fines – The amount collected in FY 2010 is carried forward for FY 2011-FY2013.
   d. Liquor License Fee Transfer – Money collected from liquor license fees, net of operating costs of the Department of Revenue and Department of Justice, is transferred to the general fund. License fee revenue and operating costs (obtained from MBARS budgets) are estimated and shown in the "Liquor Profits" revenue source.



4. Smallest Revenue Sources (see the figure below)
   a. Coal Shared Account (beginning FY 2013), Captive Insurance Account, and Procurement Account Transfers – Any excess fund balance in the accounts are transferred to the general fund. To estimate the excess amounts, distributions of coal severance tax revenue to the account (as determined in the "Coal Severance Tax" revenue source) and revenues estimated by the Governor's budget office are reduced by budgeted present law amounts for each fiscal year from the account obtained from MBARS.
   b. Bentonite Tax – The amount collected in FY 2010 is carried forward for FY 2011-FY2013.
   c. State Employees Lodging Facility Use Tax – Revenue from this tax paid by state employees is returned to the funds from which they were paid, including the general fund. The general fund estimate is calculated by multiplying the estimate for non-general fund (estimated in the "Lodging Taxes" revenue source) by the ratio of the previous lodging facility use tax general fund portion to the total non-general fund portion.

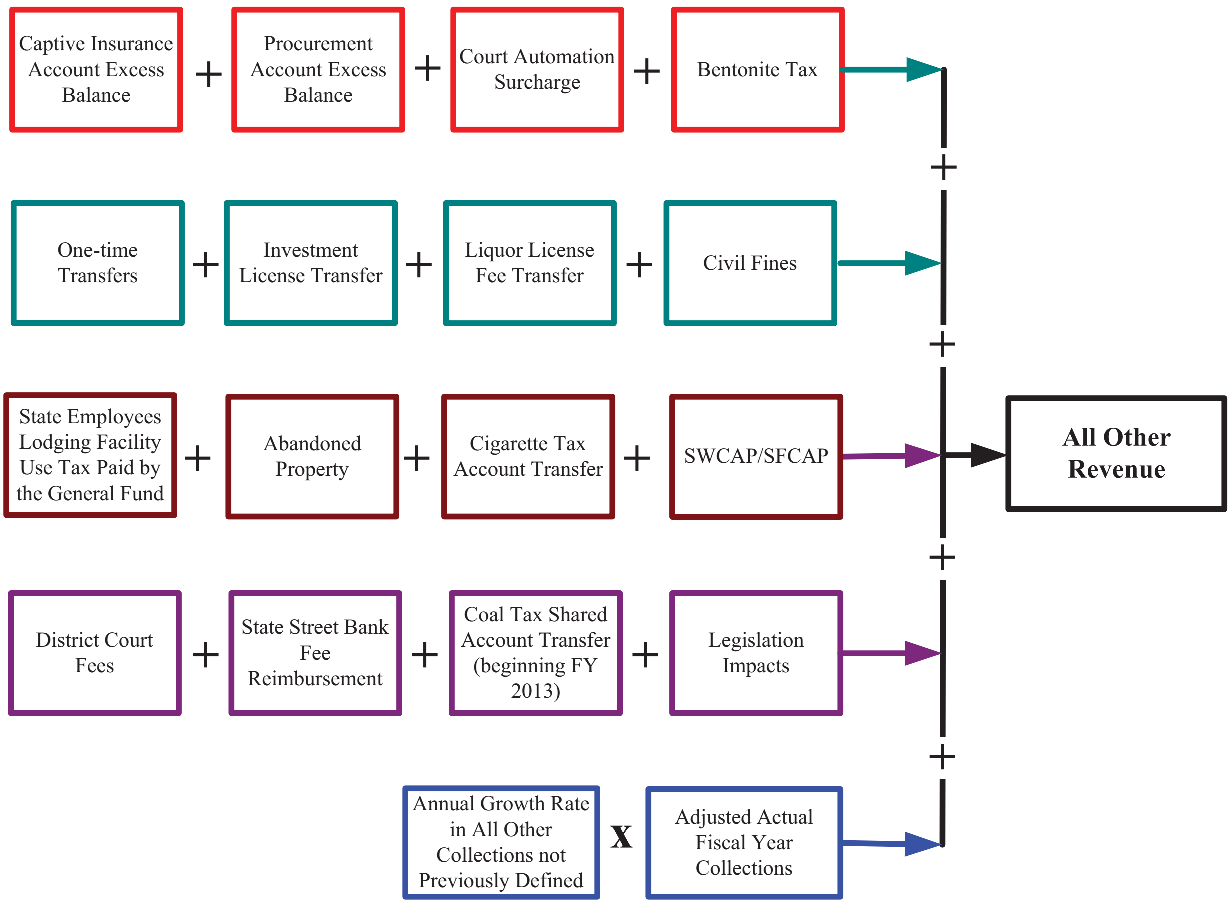


<u>Adjustments and Distribution</u>

Once total revenue for each fiscal year is determined 100% of the revenue is distributed to the general fund.

All Other Revenue

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

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 2011 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Base Millions	Annual Growth	Adjustments Millions	Vet. Account Transfer Millions	One-Time Transfer Millions
Actual	2000	20.488330	20.488330	7.125477	-35.0763%			
Actual	2001	51.821783	51.821783	9.260235	29.9595%			
Actual	2002	43.215892	43.215892	6.401065	-30.8758%	1.162288		
Actual	2003	42.440179	42.440179	7.119579	11.2249%	21.282497		
Actual	2004	30.241562	30.241562	6.201217	-12.8991%	8.189612	1.054958	
Actual	2005	34.724084	34.724084	6.434436	3.7609%	0.000000	2.893230	4.767070
Actual	2006	31.867090	31.867090	7.114255	10.5653%	0.000000	2.652808	0.781063
Actual	2007	19.090874	19.090874	7.520019	5.7035%	0.000000	-4.115855	0.000000
Actual	2008	38.433555	38.433555	7.493960	-0.3465%	0.000000	2.636252	7.821451
Actual	2009	31.921805	31.921805	7.445692	-0.6441%	0.000000	2.650261	3.350186
Actual	2010	35.360264	35.360264	5.634170	-24.3298%	0.000000	1.590230	8.509366
Forecast	2011	29.848000	29.848000	5.690512	1.0000%	1.315000	2.598299	0.000000
Forecast	2012	27.425000	27.425000	5.747417	1.0000%	0.000000	2.301698	0.000000
Forecast	2013	27.997000	27.997000	5.804891	1.0000%	0.000000	2.172418	0.000000

	t Fiscal	Investment Transfer Millions	Land Grant Millions	Civil Fines Millions	GVW Fees Millions	Accom. Tax Millions	MSU&EMC Debt Millions	SABHRS Debt Millions
Actual	2000	2.296258	0.086129	0.439498	1.275935	0.016878	0.495693	2.506520
Actual	2001	2.445000	0.091699	0.484739	1.252221	0.052215	0.837170	2.490067
Actual	2002	2.179165	0.000000	0.749382	1.044512	0.038912	0.839583	2.468857
Actual	2003	2.036200	0.000000	0.480945	1.071278	0.032547	0.838186	2.050913
Actual	2004	2.113000	0.000000	0.855870	1.067278	0.040021	0.837743	0.000000
Actual	2005	2.110000	0.000000	0.442752	1.100125	0.048903	0.833016	0.000000
Actual	2006	2.234000	0.000000	1.238230	1.304052	0.061096	0.831704	0.000000
Actual	2007	2.977013	0.000000	0.872801	0.078732	0.071144	0.251949	0.000000
Actual	2008	3.309251	0.000000	0.761666	-0.034714	0.080180	0.694164	0.000000
Actual	2009	2.635640	0.000000	1.405939	0.000563	0.070188	0.697341	0.000000
Actual	2010	2.968882	0.000000	1.695480	0.018772	0.042582	0.466249	0.000000
Forecast	2011	2.779000	0.000000	1.695480	0.000000	0.046000	0.000000	0.000000
Forecast	2012	3.038000	0.000000	1.695480	0.000000	0.049000	0.000000	0.000000
Forecast	2013	3.223000	0.000000	1.695480	0.000000	0.051000	0.000000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

	t Fiscal	FEMA Millions	Coal Transfer Millions	SFCAP SWCAP Millions	Liquor License Transfer Millions	District Court Millions	Bank Charges Millions
Actual	2000	0.000000	0.000000	2.486250	0.000000	0.000000	0.000000
Actual	2001	31.097802	0.611432	0.949777	0.000000	0.000000	0.000000
Actual	2002	23.246341	0.623227	1.023875	1.036184	0.000000	0.777640
Actual	2003	0.000000	0.000000	1.179279	0.558198	2.664891	0.771108
Actual	2004	0.145792	0.000000	2.214579	0.734102	2.839310	0.766000
Actual	2005	5.540426	0.684019	2.514237	0.431146	3.009058	0.736556
Actual	2006	3.535414	0.550453	1.844039	0.305976	3.107784	0.902735
Actual	2007	0.302060	0.536230	1.722981	0.436316	3.134942	0.866971
Actual	2008	0.088273	0.000000	2.399295	1.407218	3.349474	1.334035
Actual	2009	0.291001	0.607935	1.714515	0.399280	3.449824	1.556085
Actual	2010	0.027817	0.000000	3.937773	0.322967	3.481407	1.553958
Forecast	2011	0.000000	0.000000	4.235768	0.352224	3.513279	1.553958
Forecast	2012	0.000000	0.000000	4.159821	0.263678	3.545443	1.553958
Forecast	2013	0.000000	0.197592	4.367810	0.271896	3.577901	1.553958

	t Fiscal	Abandoned Property Millions	Court Surcharge Millions	Bentonite Millions	Captive Account Millions	Procurement Account Millions
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003					
Actual	2004					
Actual	2005					
Actual	2006	3.310185	1.589184	0.504112		
Actual	2007	2.358695	1.659546	0.417330		
Actual	2008	4.253455	1.615904	0.563727	0.023101	
Actual	2009	2.470295	1.685550	0.482705	0.000000	0.450750
Actual	2010	2.778109	1.691840	0.243547	0.026093	0.371022
Forecast	2011	3.709109	1.698153	0.243547	0.001419	0.416399
Forecast	2012	2.778109	1.704490	0.243547	0.007000	0.337891
Forecast	2013	2.778109	1.710851	0.243547	0.007000	0.342302

Total Rev. = Base × (1+ Annual Growth) + Vet. Account Transfer + Investment Transfer + Civil Fines + GVW Fees + Accom. Tax + MSU/EMC Debt + Coal Transfer + SFCAP/SWCAP + Liquor License Transfer + District Court + Bank Charges + Court Automation + Abandoned Property + Bentonite + Captive Account + Procurement Account

Total Rev. = GF Rev.

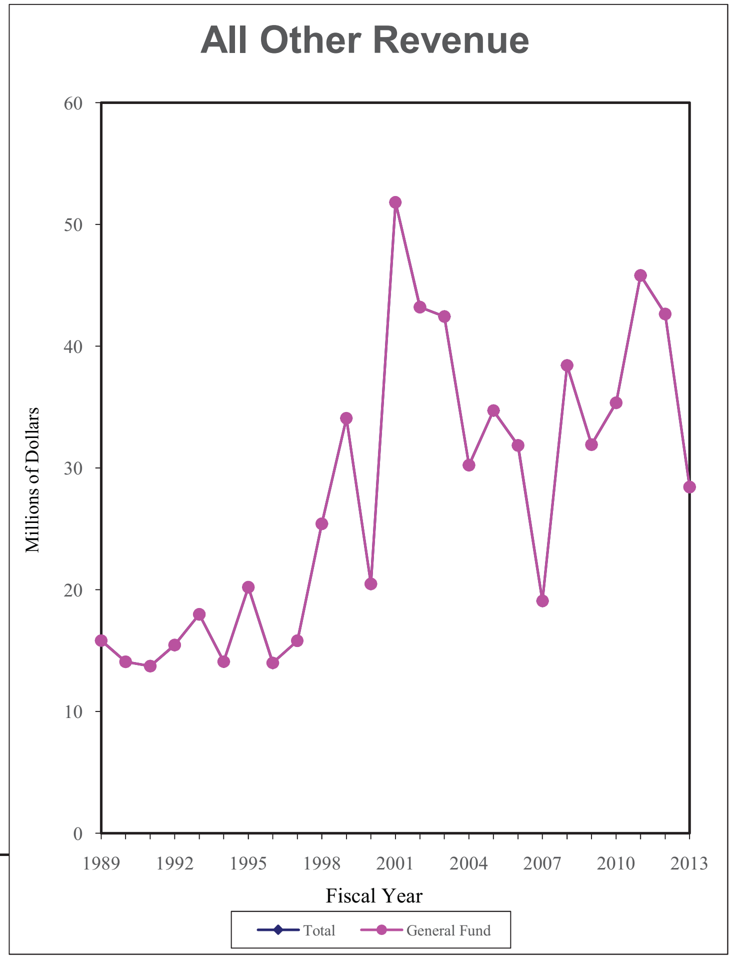
Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	15.834736	15.834736	Not App.
A	1990	14.097344	14.097344	-10.97%
A	1991	13.741633	13.741633	-2.52%
A	1992	15.466237	15.466237	12.55%
A	1993	17.993470	17.993470	16.34%
A	1994	14.105385	14.105385	-21.61%
A	1995	20.217103	20.217103	43.33%
A	1996	14.000938	14.000938	-30.75%
A	1997	15.822433	15.822433	13.01%
A	1998	25.427788	25.427788	60.71%
A	1999	34.096246	34.096246	34.09%
A	2000	20.488330	20.488330	-39.91%
A	2001	51.821783	51.821783	152.93%
A	2002	43.215892	43.215892	-16.61%
A	2003	42.440179	42.440179	-1.79%
A	2004	30.241562	30.241562	-28.74%
A	2005	34.724084	34.724084	14.82%
A	2006	31.867090	31.867090	-8.23%
A	2007	19.090874	19.090874	-40.09%
A	2008	38.433555	38.433555	101.32%
A	2009	31.921805	31.921805	-16.94%
A	2010	35.360264	35.360264	10.77%
F	2011	45.821000	45.821000	29.58%
F	2012	42.650000	42.650000	-6.92%
F	2013	28.451000	28.451000	-33.29%



Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

Revenue Description: The Montana Highway Patrol issues citations for speeding, driving under the influence of alcohol or drugs, and other misdemeanors. The fines and forfeitures associated with these citations are collected by various state and local courts.

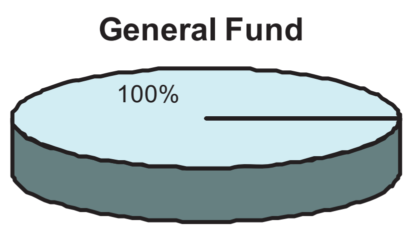
Statutory Reference:

Tax Rate (MCA) – general fines (61-3-601, 61-5-307, 61-7-118, 61-8-711, 61-9-511), multiple others
Tax Distribution (MCA) – 3-10-601 (fines collected in justice court are included in "All Other General Fund"), 61-10-148 (violations of vehicle size, weight & load), 61-12-701 (fines by Highway Patrol)
Date Due – upon conviction

Applicable Tax Rate(s): Fines for citations are variable.

Distribution: All of Highway Patrol fines and forfeitures on all offenses that result from citations issued by the Highway Patrol, except those paid to a justices' court, and received by the state are deposited in the general fund.

Distribution Chart:



Summary of Legislative Action:

Senate Bill 15 – The legislation establishes the offense of aggravated driving under the influence. Upon conviction and in addition to imprisonment, monetary fines range from $300 to $10,000. A first offense with a blood alcohol concentration of 0.20 would result in a fine of $650. Revenue from these fines is distributed 50% to the state general fund and 50% to the county in which the violation occurred. General fund revenue increases $5,500 in FY 2011, $33,000 in FY 2012 and 2013. The legislation is effective on passage and approval.

Senate Bill 319 – The legislation allows the Department of Justice or its agent to stop a driver if a person under 6-years of age and less than 60 pounds is not properly restrained in the vehicle. Such an offense is punishable by a fine of up to $100. Revenue from these fines is distributed 50% to the state general fund and 50% to the county in which the violation occurred. General fund revenue increases $7,350 in FY 2012, and $7,350 in FY 2012. The legislation is effective July 1, 2011.

Highway Patrol Fines -- Legislation Passed by 62nd Legislature
Estimated General Fund Impact for Fiscal 2011, 2012, 2013

Bill Number and Short Title	Fiscal 2011	Fiscal 2012	Fiscal 2013
SB0015 Create misdemeanor crime of aggravated DUI	5,500	33,000	33,000
SB0319 Generally revise transportation laws on child safety restraints		7,350	7,350
Total Estimated General Fund Impact	$5,500	$40,350	$40,350

% of Total General Fund Revenue:

FY 2004 – 0.30% FY 2007 – 0.23% FY 2010 – 0.29%
FY 2005 – 0.28% FY 2008 – 0.21%
FY 2006 – 0.25% FY 2009 – 0.23%

Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

Revenue Estimate Methodology:

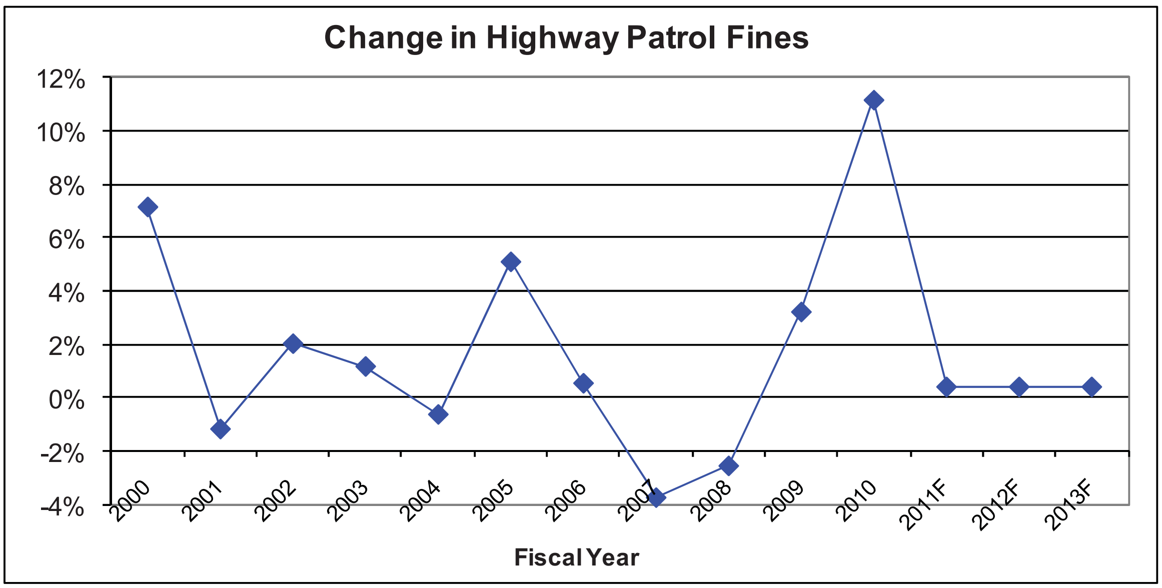
The estimate for the highway patrol fine revenue is derived by estimating a growth rate for each of the fiscal years for the 3-year period in question.

Data

Data from the statewide accounting system (SABHRS) provide a history of highway patrol fine revenue.

Analysis

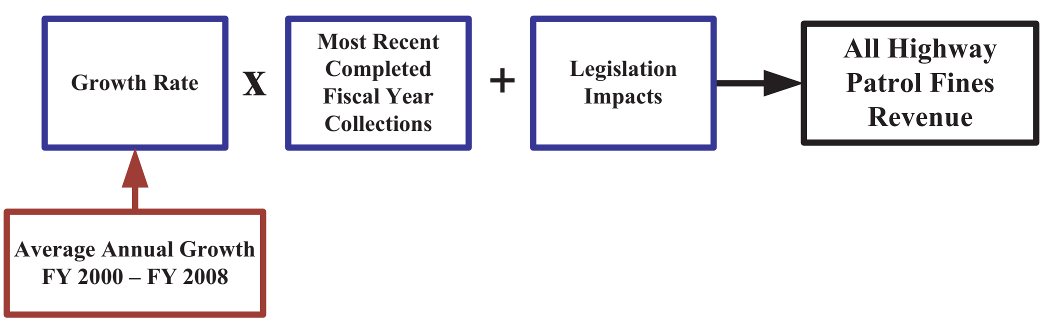
The estimate for highway patrol fines is derived by multiplying the revenue amount from the last known fiscal year by the average annual growth between FY 2000 and FY 2009. All subsequent years are held constant at this amount. Legislation impacts, if any, are added.



Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentage, 100% to the general fund, is applied.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

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 2011 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Fine Growth Rate
Actual	2000	4.027557	4.027557	0.071580
Actual	2001	3.980688	3.980688	-0.011637
Actual	2002	4.061733	4.061733	0.020360
Actual	2003	4.109703	4.109703	0.011810
Actual	2004	4.084340	4.084340	-0.006171
Actual	2005	4.292730	4.292730	0.051022
Actual	2006	4.316381	4.316381	0.005510
Actual	2007	4.155144	4.155144	-0.037355
Actual	2008	4.049390	4.049390	-0.025451
Actual	2009	4.179882	4.179882	0.032225
Actual	2010	4.646462	4.646462	0.111625
Forecast	2011	4.666000	4.666000	0.004133
Forecast	2012	4.685000	4.685000	0.004133
Forecast	2013	4.704000	4.704000	0.004133

Total Tax = Prevous year × (1 + Growth Rate)
GF Tax = Total Tax

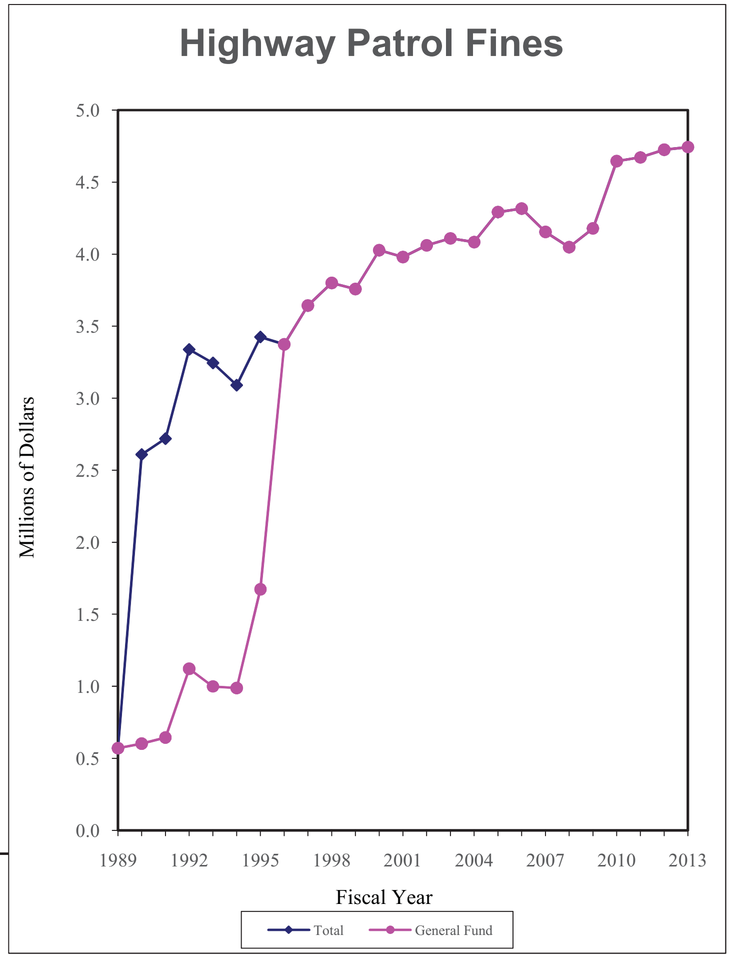
Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.570900	0.570900	Not App.
A	1990	2.609737	0.602244	5.49%
A	1991	2.720146	0.644476	7.01%
A	1992	3.339020	1.122195	74.13%
A	1993	3.245957	0.999230	-10.96%
A	1994	3.091071	0.988376	-1.09%
A	1995	3.425943	1.672991	69.27%
A	1996	3.373631	3.373631	101.65%
A	1997	3.643555	3.643555	8.00%
A	1998	3.800656	3.800656	4.31%
A	1999	3.758521	3.758521	-1.11%
A	2000	4.027557	4.027557	7.16%
A	2001	3.980688	3.980688	-1.16%
A	2002	4.061733	4.061733	2.04%
A	2003	4.109703	4.109703	1.18%
A	2004	4.084340	4.084340	-0.62%
A	2005	4.292730	4.292730	5.10%
A	2006	4.316381	4.316381	0.55%
A	2007	4.155144	4.155144	-3.74%
A	2008	4.049390	4.049390	-2.55%
A	2009	4.179882	4.179882	3.22%
A	2010	4.646462	4.646462	11.16%
F	2011	4.672000	4.672000	0.55%
F	2012	4.725000	4.725000	1.13%
F	2013	4.744000	4.744000	0.40%



Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Revenue Description: This source consists of two similar utilization fees on nursing homes: 1) nursing facility utilization fee and 2) intermediate care facility utilization fee.

With the enactment of House Bill 749 by the 2005 Legislature, qualified nursing facilities are required to pay a nursing facility utilization fee of $8.30 for each bed day in the facility. Nursing facilities are health care facilities licensed by the Department of Public Health and Human Services and include those operated for profit or non-profit, freestanding or part of another health facility, and publicly or privately owned. Specifically included by statute is the Montana Mental Health Nursing Care Center. According to federal definitions, nursing facilities do not include adult foster homes, retirement homes, and other alternative living arrangements. Bed days are defined as a 24-hour period in which a resident of a nursing facility is present in the facility or in which a bed is held for a resident while on temporary leave.

An intermediate care facility utilization fee is imposed on resident bed days of intermediate care facilities for the mentally disabled. The only qualifying facility is the Montana Developmental Center. With the enactment of Senate Bill 82 by the 2005 Legislature, the fee is 6% of a facility's quarterly revenue divided by the quarterly bed days.

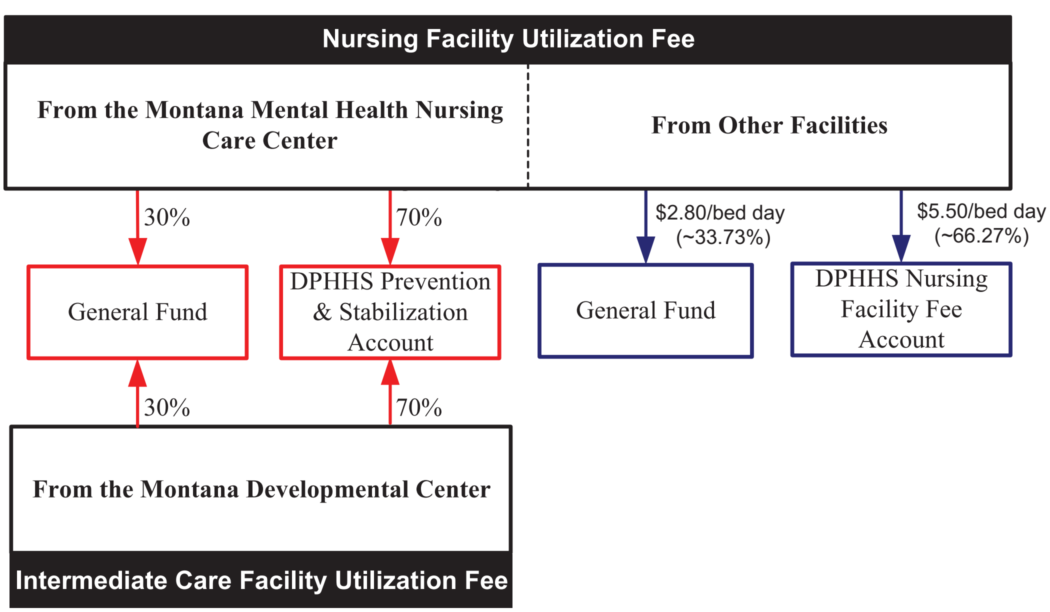
Statutory Reference:

Tax Rate (MCA) – Nursing facility utilization fee (15-60-102), intermediate care facility utilization fee (15-67-102(2))
Tax Distribution (MCA) – Nursing facility utilization fee (15-60-102 & 15-60-210), intermediate care facility utilization fee (15-67-102(3))
Date Due – Nursing facility utilization fee due the last day of the month following the close of the calendar quarter (15-60-201), intermediate care facility utilization fee due the month following the close of the calendar quarter (15-67-201(1))

Applicable Tax Rate(s): 1) Nursing facility utilization fee – $8.30 per bed day; 2) Intermediate care facility utilization fee - 6% of a facility's quarterly revenue divided by the quarterly bed days

Distribution: Nursing facility utilization fee: 1) for fees paid by the Montana Mental Health Nursing Care Center – 30% to the general fund and 70% to the prevention and stabilization account (for use by the Department of Public Health and Human Services to provide health and human services); 2) for all other facilities - $2.80/bed day to the general fund, and $5.50/bed day to the nursing facility fee account (for use by the Department of Public Health and Human Services to increase the average price paid for Medicaid nursing home services). Intermediate care facility utilization fee: for fees paid by the Montana Developmental Center - 30% to the general fund and 70% to the prevention and stabilization account.

Distribution Chart:



Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Summary of Legislative Action: The 62nd Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.43%	FY 2007 – 0.31%	FY 2010 – 0.33%
FY 2005 – 0.39%	FY 2008 – 0.29%	
FY 2006 – 0.33%	FY 2009 – 0.30%	

Revenue Estimate Methodology:

Data

To create the nursing facility fees projection, data are obtained from the Department of Revenue (DOR), the Department of Public Health and Human Services (DPHHS), and the state accounting system (SABHRS). DOR provides the number of taxable bed days occupied by clientele of private and state run nursing homes. DPHHS provides counts on the bed days at the Montana Developmental Center (MDC) and total revenues collected, which are used in the calculation of the intermediate care facility fee. SABHRS data provides aggregate historic collections of the nursing facility fees. No adjustments to the raw data are required in the data step for the nursing facility fee analysis.

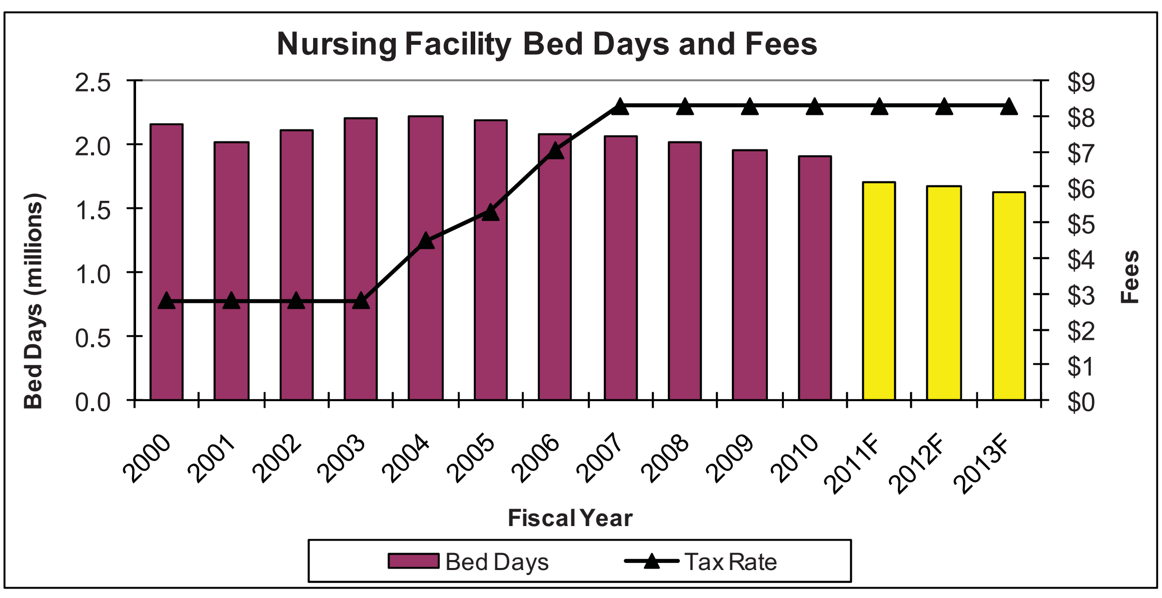
Analysis

Nursing facility fees consist of two distinct fees, the nursing facility fee and the intermediate care facility fee. Consequently, two techniques are required to estimate the collection of these fees. The nursing facility fees are estimated using a log model to project future bed days at nursing care facilities. MDC is the only intermediate care facility in Montana and the only facility subject to the intermediate care facility fee. The intermediate facility fee is projected by applying the average growth rate of the past fiscal years (2007 to 2010) to the last year of actual revenue collections at MDC, FY 2010.

Total nursing fee revenue has increased since FY 2003, as a result of fee increases and new fees, but as seen in the figure below the number of taxable bed days at nursing care facilities has declined at the same time. Generally, taxable bed days have been in decline since the fee was imposed in the mid 1990's. Consequently, taxable nursing facility bed days are projected with a log model which smoothes the excessive variability in the data for the purpose of measurement. To obtain the projection for nursing facility fees, the following equation is employed:

$$\textbf{Projected Nursing Facility Fees} = TBD_{NCF} * NFFR$$

Where:
TBD_{NCF} = Taxable Bed Days, Nursing Care Facilities
NFFR = Nursing Facility Fee Rate



Nursing Facilities Fee

The statistics of fit show that a logarithmic curve accurately measures the rate of growth in the number of taxable nursing facility bed days in Montana. The model has an R^2 rating of 0.962. This means that the linear trend explains 96.2% of the variability of the number of taxable nursing facility bed days in Montana, when all other impacts are held constant.* The model projects average compound growth of negative 3.2% per fiscal year resulting in bed day projections of 1.71 million, 1.67 million, and 1.63 million in FY 2011 through 2013, respectively. Next, the current fee of $8.30 is applied to the projected taxable bed days to obtain the estimate for nursing facility fees.

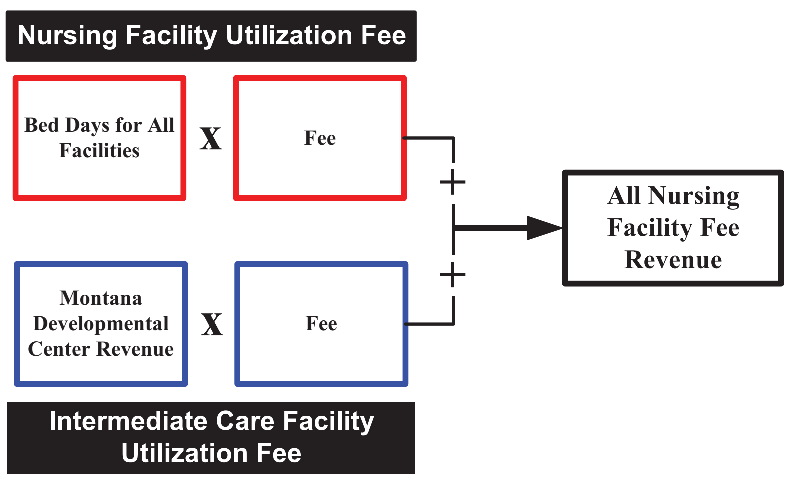
In addition to private nursing homes, the Montana Mental Health Nursing Care Center (MMHNCC) is also required to pay the nursing facility fee. The MMHNCC component of the tax is calculated separately, making use of the bed days that are calculated in the estimate for "Institutional Reimbursements". The bed days are multiplied by the fee of $8.30 to obtain the estimate for the MMHNCC nursing fee.

The intermediate care facility fee is assessed against the per-bed day receipts of the facility. The fee is projected by applying the rate of growth in the revenues previous year of actual collection. The rate of revenue growth at MDC between FY 2007 and FY 2010 was 1.4%. In applying that rate of growth to the FY 2010 base, projections equal $15.4 million in FY 2011, $15.7 million in FY 2012, and $15.9 million in FY 2013. Next, the tax is applied to the estimate of total intermediate care facility bed day receipts.

Finally, the fiscal year projections then are summed to provide the total nursing facility fees estimates.

*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

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 2011 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Nursing Facilities Fee	Bed Days	Intermediate Care Rate	Intermediate Care Revenue	MMHNCC Tax Millions
Actual	2000	6.054947	6.054947	2.800000	2.113805			
Actual	2001	5.655978	5.655978	2.800000	2.083501			
Actual	2002	5.918173	5.918173	2.800000	2.072696			
Actual	2003	6.178135	5.859870	2.800000	2.052202	5.0000%	11.131460	
Actual	2004	10.021866	5.915841	4.500000	2.043377	5.0000%	17.260720	
Actual	2005	11.602112	5.911586	5.300000	1.979893	5.0000%	16.438460	
Actual	2006	14.649976	5.711693	7.050000	1.922617	6.0000%	14.953783	
Actual	2007	17.073592	5.716794	8.300000	1.844016	6.0000%	14.624700	
Actual	2008	16.758718	5.610098	8.300000	1.803945	6.0000%	14.844850	0.251864
Actual	2009	16.348379	5.468766	8.300000	1.841026	6.0000%	15.129400	0.248021
Actual	2010	16.019204	5.300229	8.300000	1.794380	6.0000%	15.232850	0.252212
Forecast	2011	15.342000	4.984000	8.300000	1.706900	6.0000%	15.441135	0.248419
Forecast	2012	15.019000	4.876000	8.300000	1.666300	6.0000%	15.652268	0.249782
Forecast	2013	14.694000	4.768000	8.300000	1.625700	6.0000%	15.866288	0.248419

Total Tax = Nursing Facilities × Bed + Intermediate Care Rate × Intermediate Care Revenue + MMHNCC

GF Tax = MMHNCC × 30% + (Nursing Fee × Bed Days - MMHNCC) × \$2.80/\$8.30 +
Care Revenue × Care Rate × 30%

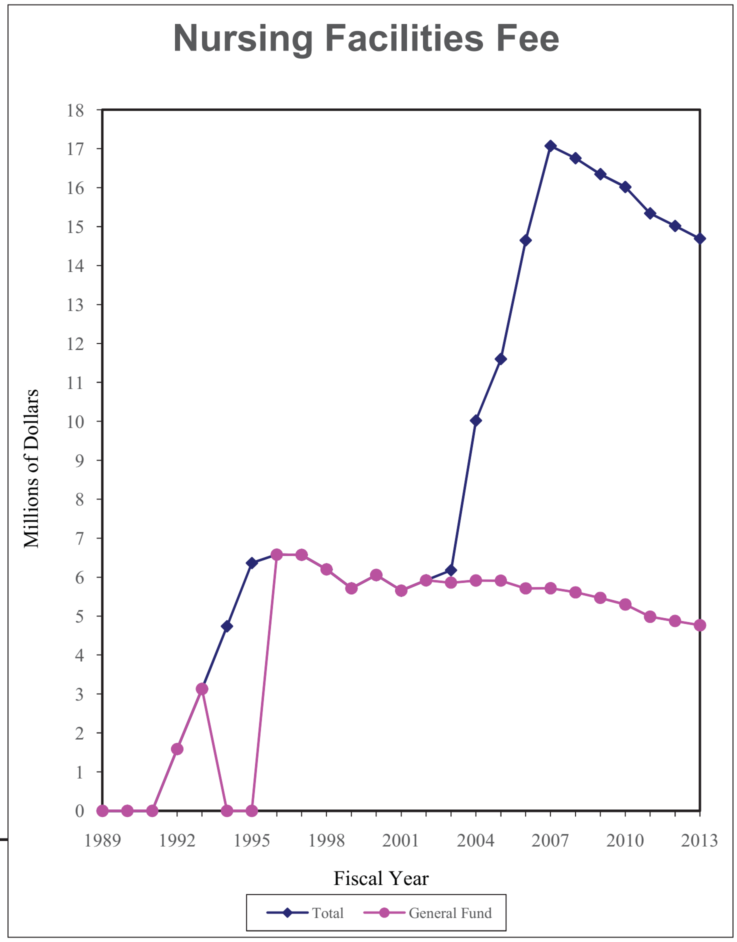
Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	1.587432	1.587432	Not App.
A	1993	3.131331	3.131331	97.26%
A	1994	4.739832	0.000000	-100.00%
A	1995	6.364377	0.000000	Not App.
A	1996	6.579620	6.579620	Not App.
A	1997	6.572123	6.572123	-0.11%
A	1998	6.200413	6.200413	-5.66%
A	1999	5.713357	5.713357	-7.86%
A	2000	6.054947	6.054947	5.98%
A	2001	5.655978	5.655978	-6.59%
A	2002	5.918173	5.918173	4.64%
A	2003	6.178135	5.859870	-0.99%
A	2004	10.021866	5.915841	0.96%
A	2005	11.602112	5.911586	-0.07%
A	2006	14.649976	5.711693	-3.38%
A	2007	17.073592	5.716794	0.09%
A	2008	16.758718	5.610098	-1.87%
A	2009	16.348379	5.468766	-2.52%
A	2010	16.019204	5.300229	-3.08%
F	2011	15.342000	4.984000	-5.97%
F	2012	15.019000	4.876000	-2.17%
F	2013	14.694000	4.768000	-2.21%



Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Revenue Description: The Department of Public Health and Human Services receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center (MDC), the Montana Mental Health Nursing Care Center (MMHNCC), Montana State Hospital (MSH), Montana Chemical Dependency Treatment Center (MCDC), and the Montana Veterans' Home (MVH). There are four sources of reimbursement income: 1) state and federally matched Medicaid monies; 2) insurance proceeds from companies with whom the resident is insured; 3) payments by residents or persons legally responsible for them; and 4) federal Medicare funds. Most of the reimbursements come from federal Medicaid payments.

Three variables determine the level of Medicaid nursing home payments: 1) the number of patient days eligible for Medicaid reimbursement; 2) the reimbursement rate per patient day; and 3) the private resources of Medicaid patients.

Statutory Reference:

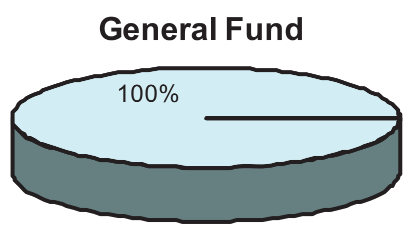
Tax Rate (MCA) – 53-1-402 (requirement to pay)
Tax Distribution (MCA) – 53-1-413
Date Due – monthly (53-1-405(3)

Applicable Tax Rate(s): N/A

Distribution: Revenue collected from the above sources is deposited in the general fund with the following exceptions:

1. Reimbursements from MDC and MSH are first used to pay debt service on bonds issued to fund construction at these facilities. The remainder is deposited into the general fund.
2. Reimbursements received for the Veterans' Home and Montana Chemical Dependency Treatment Center are deposited into a state special revenue account and appropriated to the institutions.

Distribution Chart:



Summary of Legislative Action:

House Bill 2 – The money appropriated from certain accounts impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature (such as those in HB 2) may differ and, thus, may affect revenue. Due to reduction in the licensed bed capacity at the Montana Developmental Center, the legislature appropriated less federal funds for Medicaid which decreases general fund revenue from institutional reimbursements by $46,773 in FY 2012 and $348,277 in FY 2013

Public Institution Reimbursements -- Legislation Passed by 62nd Legislature
Estimated General Fund Impact for Fiscal 2011, 2012, 2013

Bill Number and Short Title	Fiscal 2011	Fiscal 2012	Fiscal 2013
HB0002 General Appropriations Act		(46,773)	(348,277)
Total Estimated General Fund Impact	$0	($46,773)	($348,277)

% of Total General Fund Revenue:

FY 2004 – 1.31%
FY 2005 – 0.82%
FY 2006 – 0.75%
FY 2007 – 0.58%
FY 2008 – 0.78%
FY 2009 – 0.78%
FY 2010 – 1.35%

Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

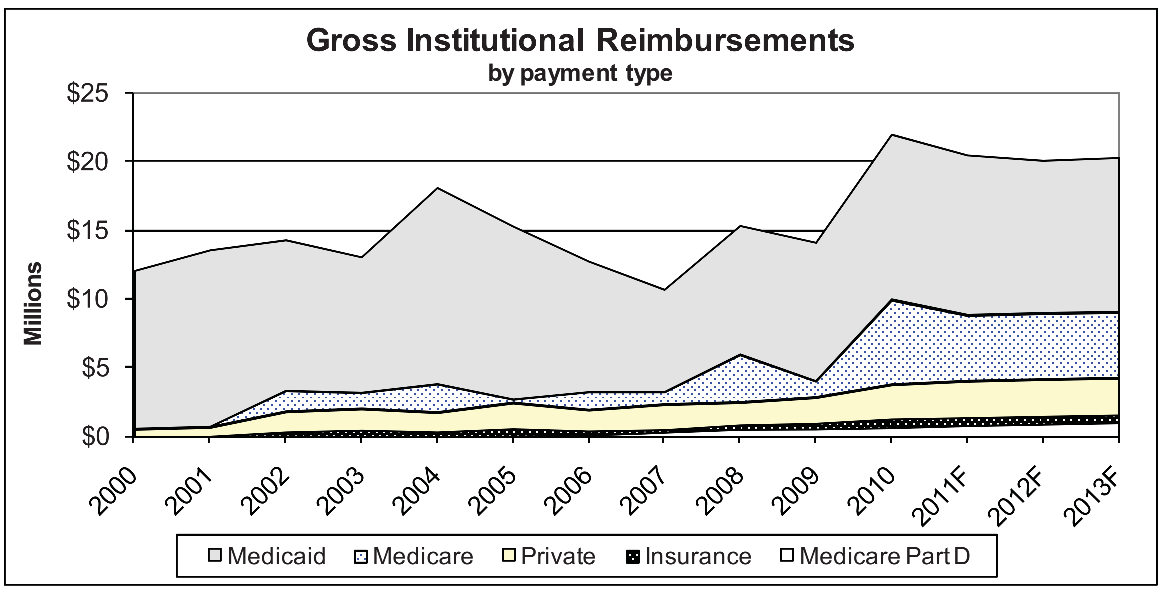
Revenue Estimate Methodology:

Data

Data are collected from the Department of Public Health and Human Services (DPHHS) and the state accounting system (SABHRS) to develop the estimate for the public institution reimbursements. In addition to residency data, DPHHS provides the data used to develop relationships of payment patterns of individuals and insurance companies to the federal government reimbursements (Medicaid and Medicare). SABHRS provides historical data used to assess the accuracy of the estimates.

Analysis

The largest component of Montana's institutional reimbursements is Medicaid, as seen in the figure below. Medicaid and Medicare payments are responsible for most of the variability in reimbursement collections. Consequently, the variability can in large part be attributed to the changes in the FMAP rates for the state. The FMAP rates are set annually based on the state's relative per capita income. States like Montana, with a relatively low per capita income and a higher FMAP rate, receive more federal assistance than states with a higher per capita income. If the state per capita income rises in relation to other states, the FMAP rate and federal reimbursements will decline. The American Recovery and Reinvestment Act of 2009 temporarily increased and enhanced the FMAP rate for the 2011 biennium, and the enhanced rate will continue through FY 2011. In FY 2012, the enhanced rate will no longer be in effect and the FMAP is expected to decline from approximately 71.5% in FY 2011 to 65.5% in FY 2013. Most of the Medicare payments result from billings at Montana State Hospital (MSH), while most Medicaid payments are generated through care at the Montana Mental Health Care Center (MMHCC).



Estimates for institutional reimbursements are derived using average daily population (ADP) estimates and reimbursement rates provided by DPHHS for three state hospitals: the Montana Dependency Center (MDC), MMHCC, and MSH. Both the ADP and the facility rates are estimated with expected growth percentages. The ADP is adjusted by Medicare and Medicaid eligibility rates. The FMAP rate, is adjusted for the state fiscal year. The equation for calculating the reimbursements for each facility follows:

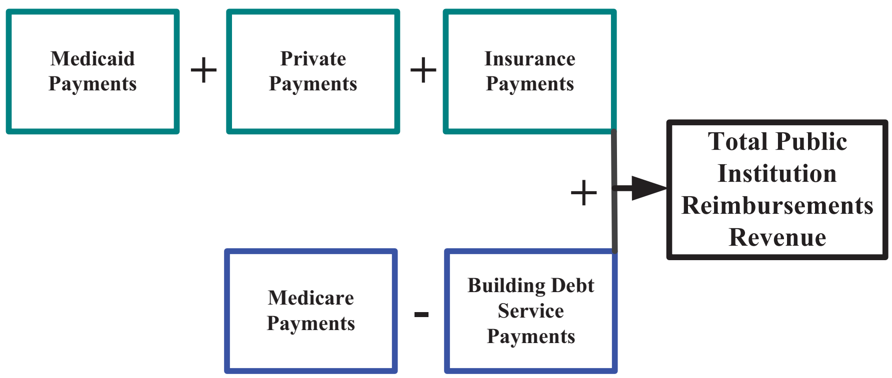
$$\textbf{Reimbursements}=(ADP_I*Rate_I)+(ADP_P*Rate_P)+(ADP_{MR}*Elig_{MR}*Rate_{MR}*FMAP)+(ADP_{MD}*Elig_{MD}*Rate_{MD}*FMAP_{MD})$$

Where:
ADP = Average Daily Population
I = Insurance
P = Private
MR = Medicare
MD = Medicaid
ELIG = Eligibility Rate
FMAP = Federal Medical Percentage

According to DPHHS, bed days are expected to remain relatively constant at all three facilities. The state fiscal year FMAP rates are expected to be 71.5%, 66.2%, and 65.5% in FY 2011 through 2013, respectively. Private rates and insurance rates are expected to grow slowly over the biennium at all three facilities. The estimates for total private payments are estimated to be $2.7 million and the estimates for insurance payments are expected to average 607,000 through the biennium. Medicaid payments are expected to be $11.6 million, $11.1 million, and $11.2 million through the three years of this analysis. Medicare payments are estimated to average $4.8 million per year over the three-year period. New since FY 2006 are Medicare Part D reimbursements to MMHCC. Medicare Part D is expected to grow at a rate determined by the Congressional Budget Office and reimbursements from the source are expected to account for $2.6 million in the 2013 biennium. The final step in creating the reimbursement estimate is to combine the estimates by payment type estimates.

<u>Adjustment and Distribution</u>
Two adjustments are required to complete the estimates for institutional reimbursements. Gross reimbursements must be reduced by two debt service payments in each fiscal year. The debt service is the result of bonds issued for the purpose of facility upgrades. After subtracting the debt service reimbursement collections are $17.6 million in FY 2011, $17.2 million in FY 2012, and $17.4 million in FY 2013.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

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 2011 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	Private Millions	Insurance Millions	Medicaid Millions	Medicare Millions
Actual	2000	11.345440	11.345440	0.512403	0.000257	12.490967	0.003044
Actual	2001	13.553585	13.553585	0.649965	0.000498	12.887899	0.015223
Actual	2002	14.282894	14.282894	1.483431	0.317047	10.994744	1.487671
Actual	2003	13.042526	13.042526	1.564208	0.451974	9.900342	1.126001
Actual	2004	18.110443	18.110443	1.424453	0.311203	14.336601	2.038187
Actual	2005	12.508688	12.508688	1.887627	0.556631	12.631385	0.210973
Actual	2006	12.727569	12.727569	1.534775	0.283624	9.531139	1.273948
Actual	2007	10.669017	10.669017	1.850027	0.187443	7.472999	0.867377
Actual	2008	15.334683	15.334683	1.646587	0.345821	9.391640	3.455721
Actual	2009	14.100804	14.100804	1.893647	0.440477	10.108697	1.145015
Actual	2010	22.000354	22.000354	2.524878	0.660782	12.029551	6.176876
Forecast	2011	17.555000	17.555000	2.684861	0.606340	11.645428	4.785836
Forecast	2012	17.172000	17.172000	2.708024	0.608118	11.116472	4.799244
Forecast	2013	17.374000	17.374000	2.709477	0.606340	11.231951	4.786268

	t Fiscal	MDC Debt Millions	MSH Debt Millions	Adjustments Millions	Medicare Part D Millions
Actual	2000	0.965496	0.000000		
Actual	2001	1.079220	1.909252	0.000000	
Actual	2002	1.075405	1.911032	0.000000	
Actual	2003	1.045873	1.776461	-1.572893	
Actual	2004	0.868888	1.752261	-3.180119	
Actual	2005	1.005833	1.785072	0.012977	
Actual	2006	0.950665	1.775375	0.000000	0.104083
Actual	2007	0.958509	1.792631	0.000000	0.291171
Actual	2008	0.982030	1.796631	0.000000	0.494915
Actual	2009	0.959052	1.746327	0.000000	0.512969
Actual	2010	0.988899	1.691252	0.000000	0.608265
Forecast	2011	1.015788	1.912643	0.000000	0.761235
Forecast	2012	1.013533	1.909393	0.000000	0.863385
Forecast	2013	1.014218	1.908085	0.000000	0.962573

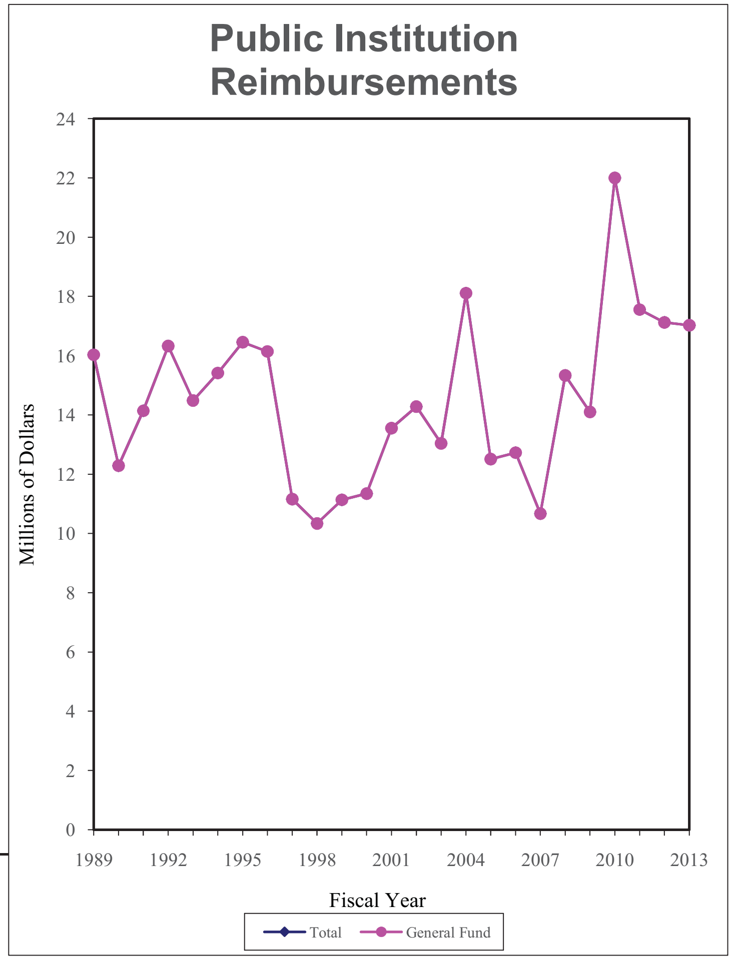
Total Rev. = Private + Insurance + Medicaid + Medicare - MDC Debt - MSH Debt + Adjustments + Medicare Part I

GF Rev. = Total Rev.

Public Institution Reimbursements

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	16.031423	16.031423	Not App.
A	1990	12.284668	12.284668	-23.37%
A	1991	14.140931	14.140931	15.11%
A	1992	16.329459	16.329459	15.48%
A	1993	14.486422	14.486422	-11.29%
A	1994	15.414542	15.414542	6.41%
A	1995	16.455809	16.455809	6.76%
A	1996	16.141901	16.141901	-1.91%
A	1997	11.158482	11.158482	-30.87%
A	1998	10.335336	10.335336	-7.38%
A	1999	11.135977	11.135977	7.75%
A	2000	11.345440	11.345440	1.88%
A	2001	13.553585	13.553585	19.46%
A	2002	14.282894	14.282894	5.38%
A	2003	13.042526	13.042526	-8.68%
A	2004	18.110443	18.110443	38.86%
A	2005	12.508688	12.508688	-30.93%
A	2006	12.727569	12.727569	1.75%
A	2007	10.669017	10.669017	-16.17%
A	2008	15.334683	15.334683	43.73%
A	2009	14.100804	14.100804	-8.05%
A	2010	22.000354	22.000354	56.02%
F	2011	17.555000	17.555000	-20.21%
F	2012	17.125000	17.125000	-2.45%
F	2013	17.026000	17.026000	-0.58%



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Revenue Description: Montana receives revenue as a settling party to a Master Settlement Agreement (MSA) with four original tobacco companies and 56 subsequent companies to end a four-year legal battle with 46 states, Puerto Rico, American Samoa, the U.S. Virgin Islands, the North Mariana Island, Guam and the District of Columbia (52 total settling entities).

Montana is eligible for four types of payments: 1) reimbursement for legal costs (received December 1999); 2) five initial payments (Two were received in FY 2000 and one each year was received in FY 2001, 2002, and 2003); 3) on-going, perpetual annual payments; and 4) strategic contribution payments (from FY 2008 through 2017). The MSA places no restrictions on how the settling parties spend the money.

The total amount of tobacco settlement funds available to Montana is affected by a number of adjustments. These may include inflation, sales volume changes, non-participating manufacturers (NPM) adjustment for the loss of market shares, operating income of the original four tobacco companies, number and operating income of subsequent participating manufactures, number of states reaching state specific finality, settlements reached by the four states not party to the agreement (Florida, Texas, Minnesota, and Mississippi), litigation offsets, disputed payments, and federal tobacco legislation offsets among others.

The reduction for the NPM adjustment was first included in the revenue estimates beginning FY 2006. Amounts paid by manufacturers who participate in the MSA may decrease if they have lost market shares and it is proven that a significant portion of the loss (to companies not participating in the MSA) is due to the disadvantages caused by the MSA. An economics firm must determine if this is the case. The adjustment does not apply if a state has enacted "model statutes" and enforced them. Although it has not yet been determined if all these conditions have been met, it is expected that participating manufactures will withhold a portion of their payments in disputed escrow accounts until the matter is resolved, thus reducing payments to the settling entities.

Statutory Reference:

Tax Rate – NA
Tax Distribution (MCA) – Montana Constitution, Article X11, Section 4; 17-6-606; 53-4-1011
Date Due – annual payments from settling entities due April 15th (Master Settlement Agreement, Chapter IX(c)), General Tobacco annual payments through calendar 2016 due August 30th (General Tobacco Adherence Agreement)

Applicable Tax Rate(s): NA

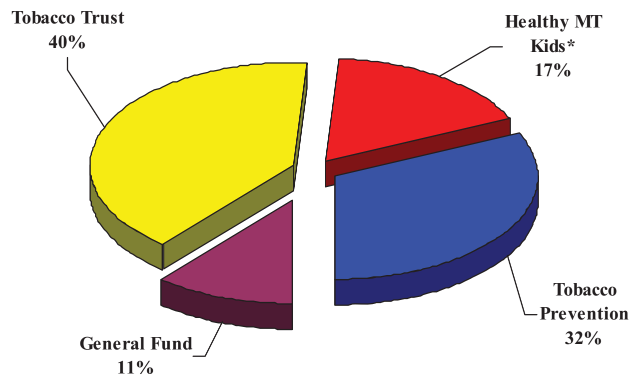
Distribution: Due to passage of Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate no less than 40% of tobacco settlement money to a permanent trust fund. Since the legislature has not yet determined the exact percentage to be deposited to the trust fund, the revenue estimate assumes 40%. For FY 2003, the remaining 60% of the money was deposited to the general fund. Due to passage of Initiative 146 by the electorate in November 2002, beginning FY 2004, 32% of the tobacco settlement money funds tobacco prevention programs and 17% of the funds is used for the Children's Health Insurance Program (except in the 2011 biennium [due the enactment of HB 676] when the allocation is used to fund the healthy Montana kids plan). In HB 743, the 2007 Legislature added chronic disease programs to the allowable uses of the 32%distribution. The remaining 11% of the money is deposited to the general fund.

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Distribution Chart:



Summary of Legislative Action: The 62nd Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.21%	FY 2007 – 0.16%	FY 2010 – 0.21%
FY 2005 – 0.19%	FY 2008 – 0.19%	
FY 2006 – 0.16%	FY 2009 – 0.23%	

Revenue Estimate Methodology:

The derivation of the tobacco settlement revenue estimate involves many factors. The Master Settlement Agreement specifies base amounts to be paid by all participating manufacturers, but also allows various adjustments to be made to these payments.

Data

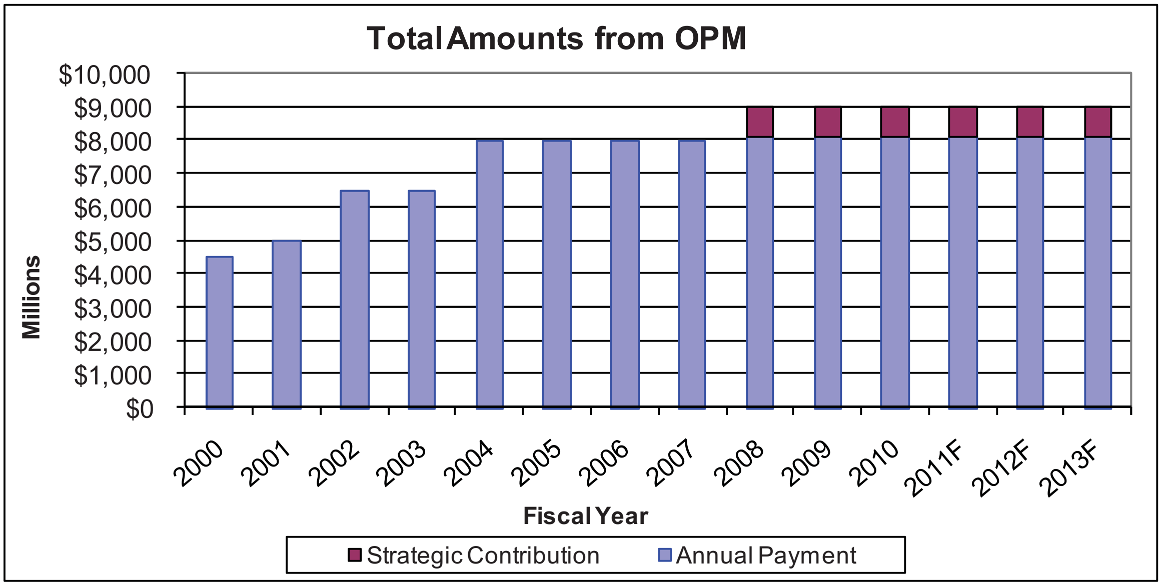
The Master Settlement Agreement, signed by the settling entities and participating tobacco manufacturers (PM), is the driving document for the procedure to use in determining how much the original participating manufacturers (OPM) to the agreement and the subsequent participating manufacturers (SPM) have to pay to the settling entities. PriceWaterhouseCoopers, the independent auditor to the agreement, gathers all the data and makes all the calculations required by the Master Settlement Agreement for determining what the PM owe. Documents produced by PriceWaterhouseCoopers provide the historic data needed to project future payments. Staff at the Montana Attorney General's Office and the National Association of Attorneys General may also be consulted. Since an adjustment for a change in volume of cigarettes shipped is necessary, various knowledgeable sources are consulted as to expected changes in smoking or the sale of cigarettes.

Payments

Currently, there are two types of payments from OPM:

1. On-going annual payments to be received April 15th each year of which Montana receives 0.4247591%. These payments are to be made in perpetuity and increased in FY 2008 and will increase again in FY 2018; and
2. Strategic contribution payments are to be made from FY 2008 through FY 2017 of which Montana receives 1.0447501%.

The table below shows the total of these payments available to all settling entities before any adjustments.

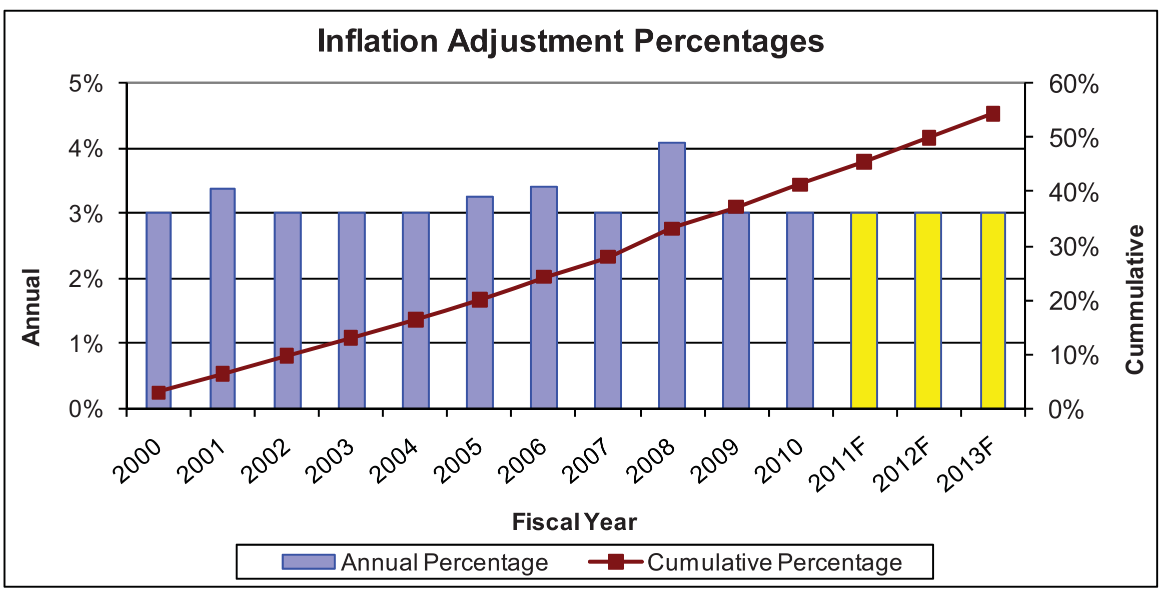


Manufacturers who subsequently participate in the agreement also make payments based on the total annual and strategic contribution payments required by the OPM. The amount of these payments is also subject to various adjustments.

<u>Adjustments</u>

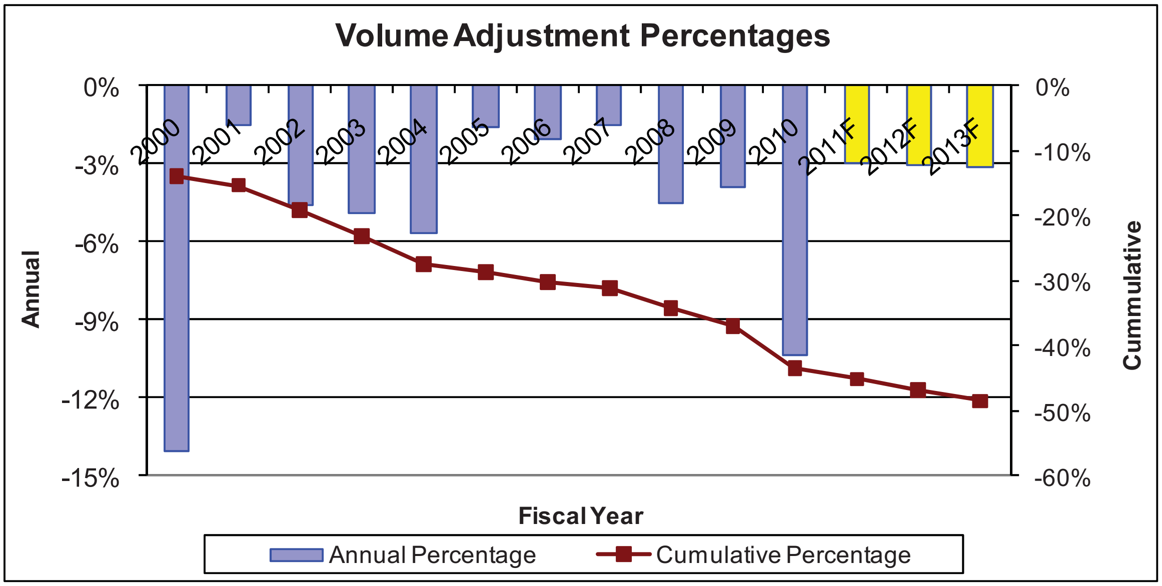
There are five potential adjustments to the payments.

1. Inflation – This adjustment increases the amount owed by PM. The set amounts of the annual and the strategic contribution payments are increased by the greater of 3% or the amount of the Consumer Price Index for Urban Consumers. The effect is cumulative so that the previous year's inflation percentage is increased by the current year's amount plus the amount of the current year's percentage. The chart shows the annual and cumulative inflation factors.



2. Volume – As the number of cigarettes shipped nationally decreases, payments by PM are reduced. The current number of cigarettes is compared to the 1997 base number of 475.656 billion cigarettes. A proxy for the estimated annual change in the number of cigarettes shipped is determined by developing an estimate for the percentage change in cigarette consumption. For this analysis, the trend (downward) of the number of cigarette shipped from FY 2004 to FY 2009 was applied to the FY 2010 base year to estimate each subsequent year. FY 2010 was an unusual year with a greater than 10% decline due to the increase in the federal

tax rate. Like the inflation adjustment, the effect is cumulative so that the previous year's percentage adjustment is increased by the current year's amount plus the amount of the current year's percentage. According to the settlement agreement, the cumulative percentage is then reduced by 2%. The chart shows the annual and adjusted cumulative volume factors.



3. Operating income – If the aggregate operating income from the OPM sales of cigarettes exceeds the 1996 base amount of $7,060.840 million, as adjusted for inflation (see above) and by the percentage of states who have finalized acceptance of the agreement (100% since calendar 2001), then the dollar amount of the volume reduction is reduced and the amount of OPM payments increases. This adjustment has not been applied since calendar 2000.
4. Previous settling states – Previous to the Master Settlement Agreement, four states had settled lawsuits with certain cigarette manufacturers. The agreement recognized this by allowing reductions to the OPM annual payments (as adjusted for inflation and volume) of 12.45% through the FY 2007 payment, 12.24% through the FY 2017 payment, and 11.07% thereafter.
5. Non-participating manufacturers (NPM) – If tobacco manufacturers who participate in the Master Settlement Agreement lose market share to those manufacturers who do not, their payments may be reduced. It must be shown that there was a loss of market share to NPM and that the disadvantages caused by the agreement were a significant factor contributing to the loss. However, the NPM adjustment does not apply to a state that had a "qualifying statute" in effect for the full year in question and had diligently enforced it. The "qualifying statute" requires a manufacturer who is not a PM to pay into a state-specific escrow account $0.0167539 per cigarette sold in that state in CY 2006 and $0.0188482 thereafter. Money in the account may be used to pay a judgment or settlement against the manufacturer. The Montana legislature enacted SB 359 (1999 session) and HB 663 (2003 session) in response to the agreement (see Title 15, Chapter 11, Parts 4 and 5). Although the agreement's independent auditor calculates the NPM adjustment, it has never applied it to required payments.

   The NPM adjustment is three times the market share loss of PM. Market share loss is determined by subtracting the current year market share of PM from the 1997 base market share of 99.5835% less 2.0 percentage points or 97.5835%. This percentage difference is multiplied by the annual payment amount adjusted for inflation, volume, and previous settling states. If the computed market share loss exceeds 16-2/3%, the formula changes to reduce the percentage adjustment. For this to occur, the change in market share for all PM would have to fall to 80%. It is unlikely that this will occur. Based on this formula, the NPM adjustment could reduce Montana's payments by a maximum of $2.4 million in FY 2011, $2.4 million in FY 2012 and $2.4 million in FY 2013, if all the conditions were met. The estimates include a portion of these reductions; not because all the conditions have been met, but because the PM may dispute a portion of a payment. Many PM feel the adjustment should be applied and have subsequently deposited disputed amounts into special escrow accounts until the issue is resolved. However, not all companies dispute the full amount, so the revenue estimate reduces the maximum amount that could be disputed by a percentage adjustment. The end result for the settling entities is that some portion of the money is unavailable even though the adjustment was not applied to the payments. This unavailability of money has occurred in Montana: FY 2006-$3.5 million, FY 2007- $3.0 million, FY 2008-$2.3 million, FY 2009-$2.3 million, and FY 2010-$3.2 million. It is anticipated that PM will continue to dispute a portion of future payments.

Analysis

Once adjustments amounts have been calculated, the applicable adjustments to the OPM and SMP payments can be applied and other revenue components calculated.

OPM Annual Payment - The estimate for tobacco settlement revenue from OPM is derived by first multiplying the payment amount by 1 plus the cumulative percentages for the inflation and volume adjustments and the previous settled states' percentage then adding the dollar amount of the operating income adjustment (zero) and the NPM adjustment. To this total amount, Montana's allocation of 0.4247591% is applied.

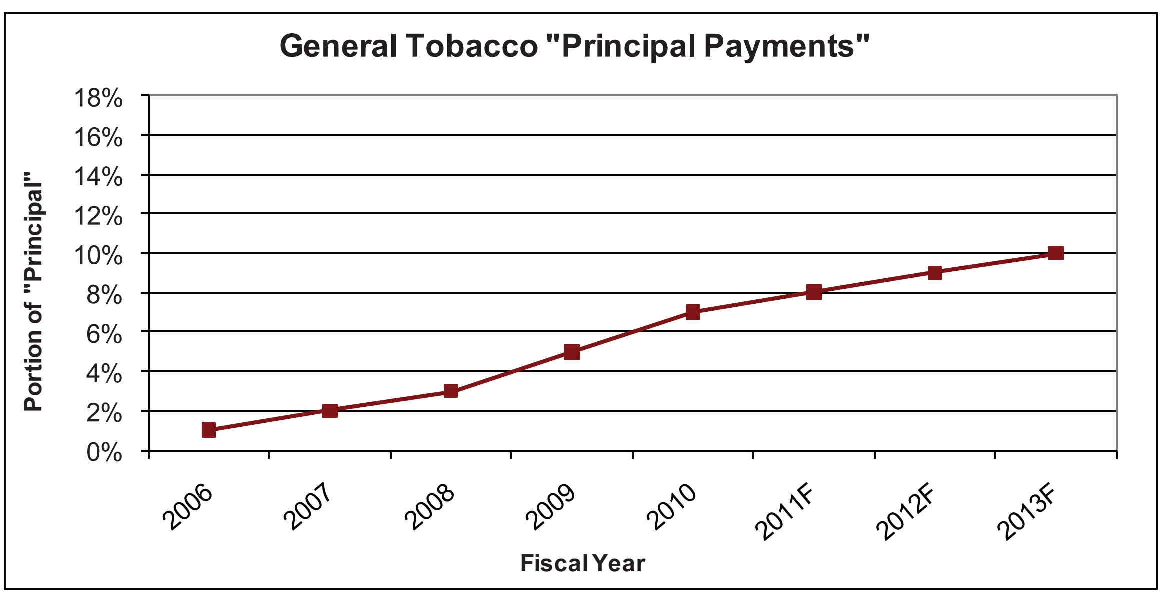
SPM Annual Payment - The estimate for tobacco settlement revenue from SPM is derived by a five-step process:

1. The volume adjustment (a reduction) is calculated by multiplying the annual OPM amount by the cumulative volume percentage.
2. A market share adjustment (a reduction to the amount owed) is calculated by: a) subtracting the volume adjustment, derived above, from the OPM amount; b) multiplying the result by a market share proxy to derive the base amount owed; c) the inflation adjustment is applied by multiplying the annual OPM amount by the cumulative inflation percentage; and d) the inflation adjustment is added to the base amount owed.
3. The proxy is calculated in the last completed year by dividing the SPM adjusted base payment (adjust for volume) by the total known amount due after adjustments for market share changes. The proxy from the last known fiscal year is used in all subsequent years.
4. The NPM maximum adjustment (a possible reduction), as determined above, is calculated. Since not all companies will dispute the entire amount, a percentage is applied to reduce the reduction. For FY 2008, this percentage was 61.6% and is used in all subsequent years.
5. The total SPM amount is adjusted by the above three adjustments and multiplied by 0.4247591% to obtain Montana's share.

OPM Strategic Contribution Payment – From FY 2008 through FY 2017, the OPM owe yearly strategic contribution payments to the settling entities in the amount of $861,000,000. This amount is increased by the inflation adjustment and decreased by the volume adjustment, both described above. The result is multiplied by Montana's share of 1.0447501%.

SPM Strategic Contribution Payment – From FY 2008 through FY 2017, the SPM owe yearly strategic contribution payments to the settling entities based on the OPM amount of $861,000,000. This amount is increased by the inflation adjustment, decreased by the market share adjustment, and decreased by the volume adjustment, all described above. The result is multiplied by Montana's share of 1.0447501%.

General Tobacco – The General Tobacco Company joined the Master Settlement Agreement in August 2004 and will make future payments the same as the other SPM. However, the company entered into a separate agreement with the settling entities for making the required payments owed retroactively from the date of its joining to the date the Master Settlement Agreement was signed. These obligations total $272.3 million. This "principal" amount will be paid yearly over a 12-year period based on a percentage schedule based on the year.

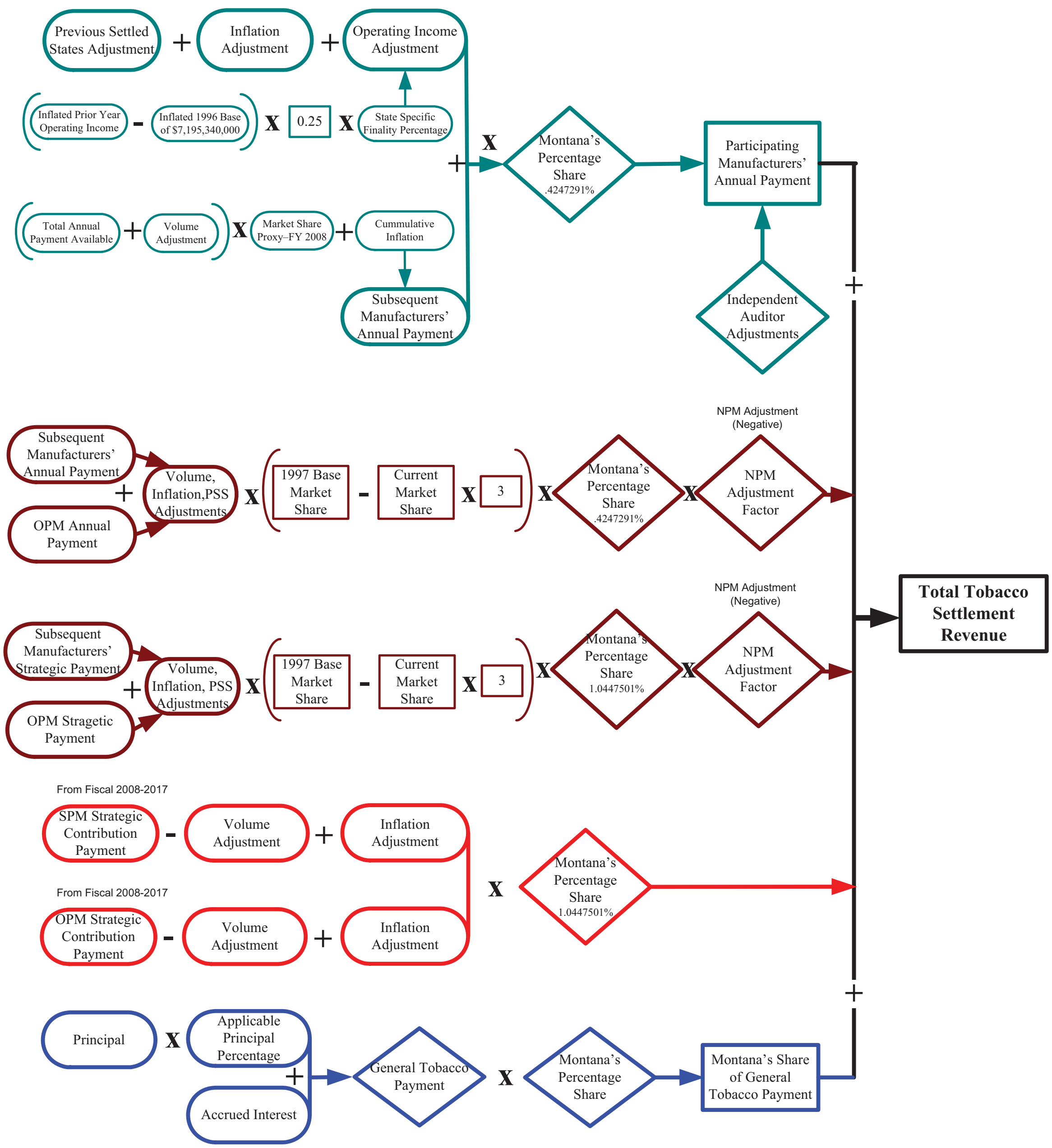


For FY 2013 and 2013, the percentage of the “principal” to be paid is 9% and 10%, respectively. Interest on unpaid balances at 5% is then added to the “principal” payment. Once the total annual payment is calculated, it is multiplied by 0.4247591% to obtain Montana’s share.

Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentages are applied.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

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 2011 Legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Settle Millions	GF Settle Millions	Initial Payment Millions	Annual Payment Millions	Annual Share Percent	PSS Reduction Percent	GF Allocation Percent
Actual	2000	34.804411	34.804411	4872.000000	4500.000000	0.004247591	-0.124500000	1.000000
Actual	2001	26.639851	15.989101	2546.160000	5000.000000	0.004247591	-0.124500000	0.600195
Actual	2002	31.079018	18.647411	2622.544800	6500.000000	0.004247591	-0.124500000	0.600000
Actual	2003	31.166018	18.699611	2701.221144	6500.000000	0.004247591	-0.124500000	0.600000
Actual	2004	26.672072	2.933928	0.000000	8000.000000	0.004247591	-0.124500000	0.110000
Actual	2005	27.070703	2.977777	0.000000	8000.000000	0.004247591	-0.124500000	0.110000
Actual	2006	24.851033	2.733614	0.000000	8000.000000	0.004247591	-0.124500000	0.110000
Actual	2007	25.931124	2.861266	0.000000	8000.000000	0.004247591	-0.124500000	0.110341
Actual	2008	34.614275	3.807570	0.000000	8139.000000	0.004247591	-0.122373756	0.110000
Actual	2009	37.523718	4.127609	0.000000	8139.000000	0.004247591	-0.122373756	0.110000
Actual	2010	31.532937	3.468623	0.000000	8139.000000	0.004247591	-0.122373756	0.110000
Forecast	2011	32.406000	3.565000	0.000000	8139.000000	0.004247591	-0.122373756	0.110000
Forecast	2012	32.398000	3.564000	0.000000	8139.000000	0.004247591	-0.122373756	0.110000
Forecast	2013	32.359000	3.559000	0.000000	8139.000000	0.004247591	-0.122373756	0.110000

	t Fiscal	Annual Vol. Change Percent	Cummulative Vol. Change Percent	Adjustment Factor Percent	Adjusted Vol. Change Percent	Annual CPI Change Percent	Cummulative CPI Change Percent	NPM Adj. Factor Percent
Actual	2000	-0.140094943	-0.140094943	0.980000000	-0.137293044	0.030000000	0.030000000	
Actual	2001	-0.015542065	-0.153459643	0.980000000	-0.150390450	0.033868093	0.064884100	
Actual	2002	-0.045780332	-0.192214542	0.980000000	-0.188370251	0.030000000	0.096830600	
Actual	2003	-0.049400356	-0.232119431	0.980000000	-0.227477042	0.030000000	0.129735500	
Actual	2004	-0.056361859	-0.275398607	0.980000000	-0.269890635	0.030000000	0.163627600	
Actual	2005	-0.016096976	-0.287062498	0.980000000	-0.281321248	0.032555600	0.201510200	
Actual	2006	-0.020662729	-0.301793732	0.980000000	-0.295757857	0.034156600	0.242549700	
Actual	2007	-0.015004246	-0.312269791	0.980000000	-0.306024395	0.030000000	0.279826200	
Actual	2008	-0.044973909	-0.343199707	0.980000000	-0.336335713	0.040812700	0.332059400	0.616260
Actual	2009	-0.039211167	-0.368953613	0.980000000	-0.361574541	0.030000000	0.372021200	0.616260
Actual	2010	-0.103497790	-0.434265519	0.980000000	-0.425580209	0.030000000	0.413181800	0.616260
Forecast	2011	-0.029773872	-0.451109625	0.980000000	-0.442087433	0.030000000	0.455577300	0.616260
Forecast	2012	-0.030687559	-0.467953731	0.980000000	-0.458594656	0.030000000	0.499244600	0.616260
Forecast	2013	-0.031659100	-0.484797837	0.980000000	-0.475101880	0.030000000	0.544221900	0.616260

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	34.804411	34.804411	Not App.
A	2001	26.639851	15.989101	-54.06%
A	2002	31.079018	18.647411	16.63%
A	2003	31.166018	18.699611	0.28%
A	2004	26.672072	2.933928	-84.31%
A	2005	27.070703	2.977777	1.49%
A	2006	24.851033	2.733614	-8.20%
A	2007	25.931124	2.861266	4.67%
A	2008	34.614275	3.807570	33.07%
A	2009	37.523718	4.127609	8.41%
A	2010	31.532937	3.468623	-15.97%
F	2011	32.406000	3.565000	2.78%
F	2012	32.398000	3.564000	-0.03%
F	2013	32.359000	3.559000	-0.14%