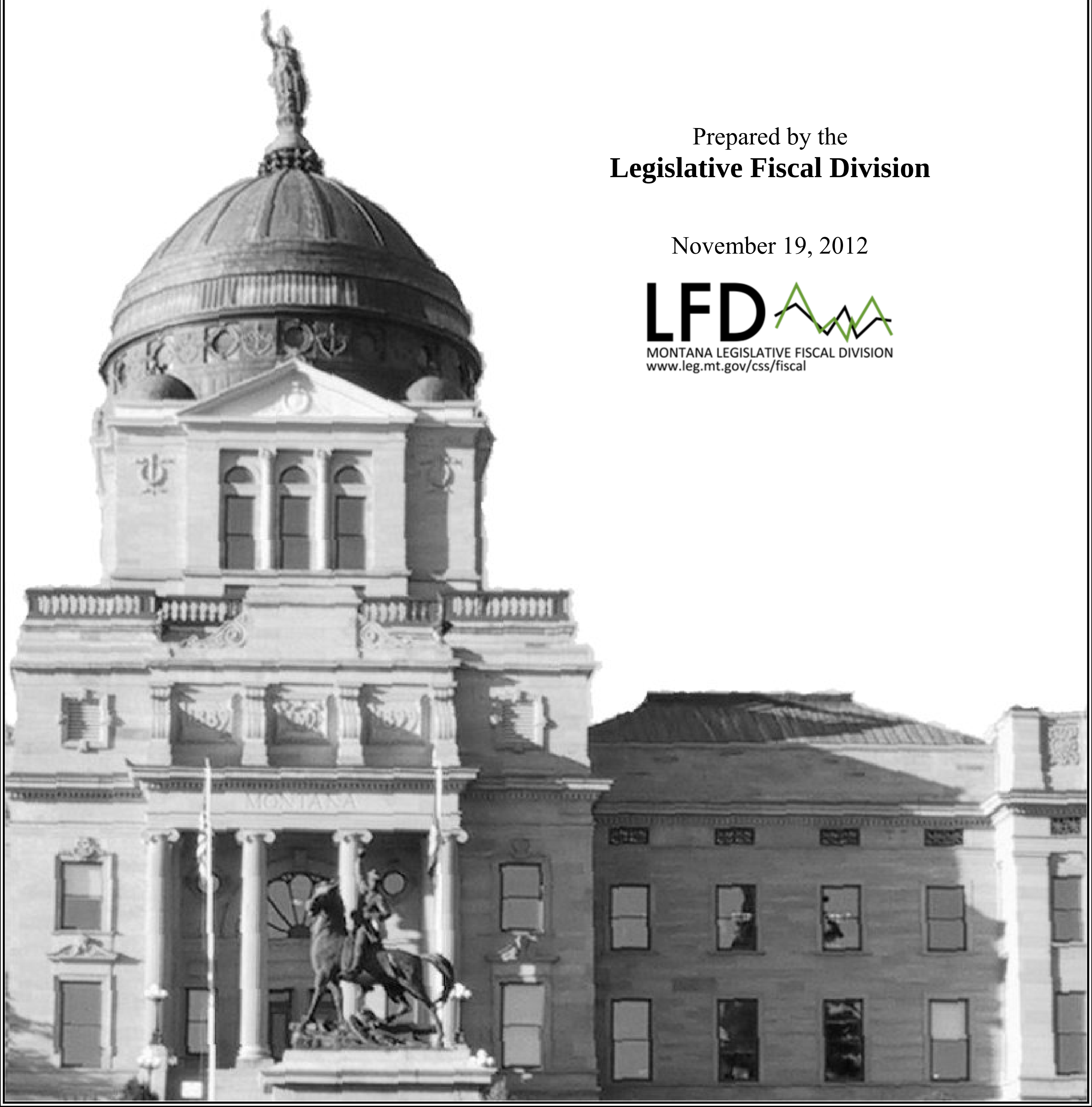
Revenue Estimate Recommendations

Fiscal Years ***2013, 2014,*** *and* ***2015***



Prepared by the

Legislative Fiscal Division

November 19, 2012

MONTANA LEGISLATIVE FISCAL DIVISION

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Legislative Fiscal Analyst
Amy Carlson

November 16, 2012

Members of the Revenue and Transportation Interim Committee (RTIC):

In accordance with the provisions of Section 5-12-302, MCA, I am submitting electronically the Legislative Fiscal Division revenue estimate recommendations for the fiscal years 2013, 2014, and 2015. I am providing this information in advance of the November 19th RTIC meeting to provide an opportunity for committee members to study the estimates and assumptions used in developing the estimates.

This report provides a "profile" of each major general fund revenue source, with specific detail on the methodology and assumptions used to develop these recommendations. Please note that in addition to the general fund components, the LFD report also contains recommendations for some specific non-general fund revenue sources that are significant in the development of the state budget for the 2015 biennium.

A paper copy of this report will be provided during the committee meeting.

We believe this document and the process outlined above will serve as an effective tool as you carry out your statutory responsibility to develop revenue estimates for the 2013 legislative session. My staff and I look forward to assisting in this task.

Respectfully submitted,

Amy Carlson
Legislative Fiscal Analyst

Attachments

Purpose of the Report

As delineated in Section 5-5-227(2)(a), MCA, the Revenue and Transportation Interim Committee (RTIC) is required to prepare "an estimate of the amount of revenue projected to be available for legislative appropriation." In addition, sections 5-12-302(2) and 5-12-302(6) specifically require the Legislative Fiscal Analyst (LFA) to "estimate revenue from existing and proposed taxes" and also requires the LFA to "assist the revenue and transportation interim committee in performing its revenue estimating duties..."

The purpose of this report is to document the LFD recommendations regarding anticipated revenues for FY 2013 through 2015. It should be noted that the accompanying LFD estimates are based on current federal and state laws and do not include estimates for revenues due to litigation or any other pending legal issues. This position is consistent with past recommendations to the RTIC.

Montana state government, like any other business, is influenced by economic and demographic developments. For example, Montana's economic base and the strength of the U.S. economy determines the level of revenues collected from personal income and corporate license taxes, property taxes, natural resource taxes, and investment earnings. Similarly, both economic and demographic variables affect state government disbursements for education, human services, corrections, and other governmental services.

Montana's total revenue base is comprised of a number of taxes and fees plus numerous federal reimbursements or grants. Revenues are further enhanced from the investment of trust monies and idle cash pending disbursement from the state treasury. Since individual income tax is the state's largest general fund tax source, economic developments or trends in the areas of employment and income levels significantly influence available revenues to fund governmental services. Federal revenue correspondingly is used to fund a number of human service, transportation, and educational services. In a number of instances, general or state special revenue fund dollars are required to provide a state match before the federal funds can be disbursed.

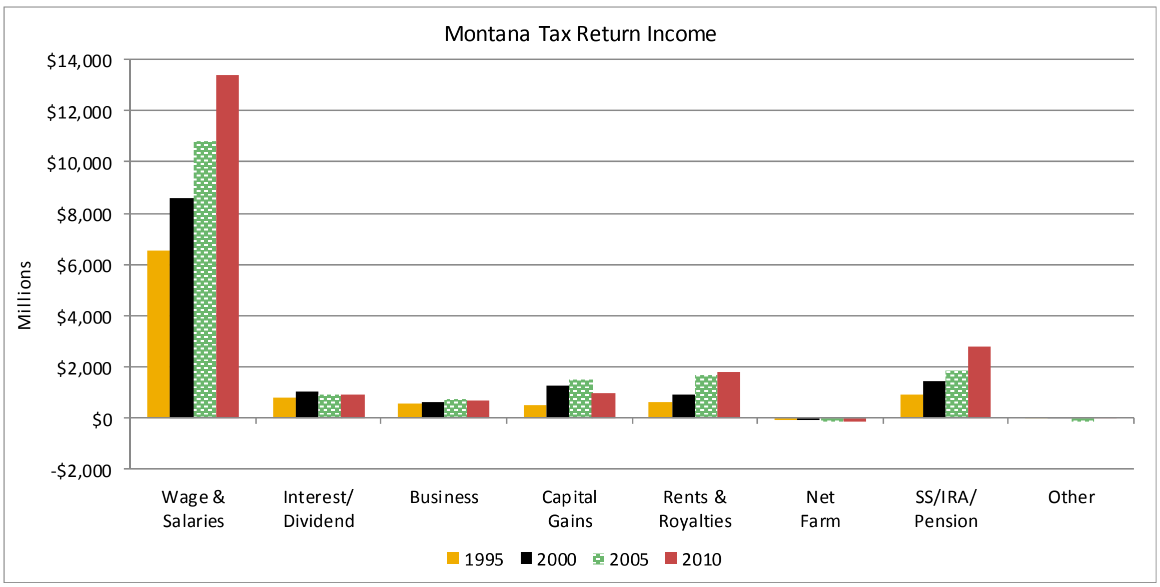
Montana's total expenditure base is targeted toward educational and human service programs with a significant allocation to highway construction. Education and human service costs are driven by some of the same economic and demographic conditions that influence state revenues. If employment levels increase, this usually translates to an increase in population or a reduction in unemployment levels. With population increases comes a corresponding increase in educational and human service costs. A greater population requires a better transportation system not only for the general populace, but also for the businesses that expect to expand to meet the needs of an ever-growing population.

Over the past 20 years, Montana has experienced a wide variety of economic conditions. The 1990's were generally good years for Montana's economy; with a few exceptions, Montana experienced above-average employment and wage levels that translated into strong tax revenue growth. This revenue growth was further enhanced by a significant increase in the equity markets and resulting growth in capital gains income. In 2001, the national economy went through a brief recession, which negatively impacted Montana's revenue stream by the same factors that had earlier created extraordinary growth. Beginning in FY 2004, general fund revenues began a period of unprecedented growth increasing by 9.4% annually from FY 2003 to FY 2008. At the beginning of FY 2008, the U.S. economy again slid into recession, led by the sub-prime mortgage crisis. Due to the high price of commodities, Montana's economy initially seemed unlikely to experience the same level of economic downturn; however, by FY 2009, it was apparent that general fund revenues were declining. Total general fund revenues declined 7.5% in FY 2009 and 10.0% in FY 2010. Similar to the anemic national growth following the "Great Recession," Montana general fund revenues have increased at 9.6% in FY 2011 and 5.0% in FY 2012.

The three income sources primarily responsible for Montana's revenue volatility are individual income tax, corporation income tax, and oil and natural gas production taxes. Individual income tax experienced increased growth from federal tax reform, and the housing and commodity bubbles; this led to increases in wage growth (especially in real wage growth per worker); higher rent, royalty, and partnership income; and higher capital gains income from 2004 through 2008. These increases in individual income tax revenues occurred even with the implementation of SB407, the state individual income tax reform legislation enacted by the 2003 Legislature. SB 407 reduced tax rates on income and instituted a new capital gains credit of 1% beginning January 1, 2005. The capital gains credit increased to 2% on January 1, 2007. Conversely, it was the decline of housing and commodity prices, as well as the drop in the stock market, that produced sharply lower revenues in FY 2009-2010. The corporation income tax revenues rebounded as Montana corporations have recovered from the recession of 2001 and the effects of September 11, 2001; the revenues retracted as Montana started to feel the effects of the more recent recession. Although the natural resource boom in Montana increased corporate profitability for energy companies and its residual industries, the declining level of production will continue to negatively impact the industry.

Key Risks to Economic Assumptions

Income – As the unemployment rate increases or stabilizes, Montana wage and salary income may decline or increase only modestly. Since the taxes paid on wage and salary income is the largest component of individual income tax revenue (Montana's largest general fund revenue source), even a minimal decline in wage and salary income could have a negative impact on general fund revenue. The graph below shows the importance of wage and salary income compared to the other components of income.



Interest Rates – The federal funds rate set by the Federal Reserve is currently at historical lows. This rate cannot get much lower and may increase if inflation shows signs of life. Low interest rates are a double-edged sword in which low rates may stimulate economic activity which potentially increases wage and salary and business income. On the other hand, Montana's earnings from trust funds and excess investable cash decrease fairly quickly at reduced interest rates. Investment income reported for income tax purposes also declines, although this impact can be delayed.

Corporate Profits - In light of the current federal "fiscal cliff" issue, a significant risk to corporate profitability exists that could reduce corporation license tax receipts in the near term as well as the long term. Net operating loss (NOL) carry back provisions provided in 15-31-119, MCA occurs when deductions exceed gross income. If for any taxable period a net operating loss is sustained, the loss must first be accounted for as a carry back to each of the three taxable periods proceeding the taxable period of the loss. If the NOL deductions cannot be fully deducted from the prior years, the remaining deductions may be carried forward to each of the five taxable periods following the taxable period of the loss. Typically, the NOL can be fully deducted through the three period carry back. The loss is deducted against taxes that have usually been paid prior to the period of the loss and refunds are issued for the paid taxes. This situation makes the impact of corporate NOL's on total fiscal year collections appear even greater than they may have been because much of the effect is realized in the current fiscal year.

Energy Prices – If the global economic recovery continues to be gradual or even slows, the demand for energy commodities, primarily oil and natural gas, may be slow to recover. A current example is the retraction in oil prices and the continued weak price for natural gas. If a "double dip" recession were to occur because of the federal "fiscal cliff" reduced prices could prevail until an economic recovery occurs at a later date. Low energy prices could hamper further natural resource exploration and development efforts and would result in less revenue to state accounts.

Equities – The equity markets can play havoc on state general fund revenues. A significant portion of non-labor income is derived from net capital gains and interest and dividend income. Just because the equity markets are increasing does not necessarily mean state revenue will corresponding increase. In order for a gain to materialize, investors need to sell equities at a higher price than they paid for them. Conversely, investors may sell equities at a loss thereby offsetting other types of income. Losses can be carried forward at $3,000 per year until the loss is liquidated.

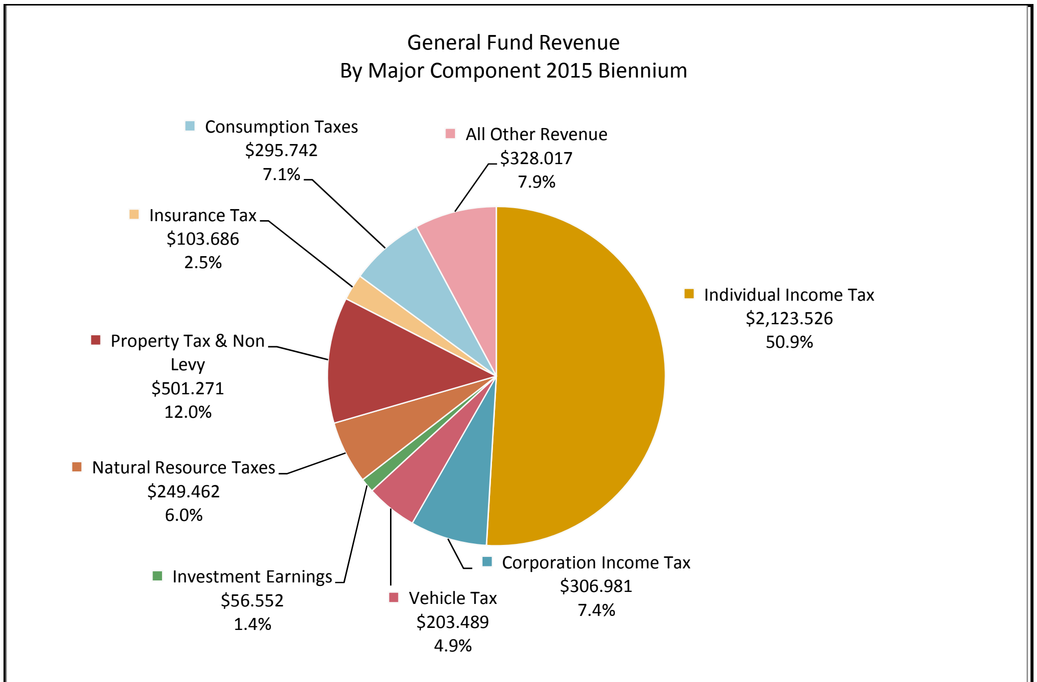
Federal "Fiscal Cliff" – Federal fiscal policy could impact state general fund revenues and force the legislature to decide whether to supplant loss federal funds or reduce state services. At this time, Congress has not taken any action on the expiration of the Economic Growth and Tax Relief Reconciliation Act of 2001, and the Jobs Growth Tax Relief and Reconciliation act of 2003 tax reductions, nor has it dealt with the automatic reductions in federal spending. Without Congressional action, the tax reductions will expire on January 1, 2011 and significant spending cuts with be implemented. Many economists have warned that no Congressional action will translate to a significant economic downturn. The current retreat in the equities market suggests that the U.S. and other countries are quite concerned about this issue. The current general fund estimates are based on the termination of the tax reductions but without the corresponding spending reductions.

Major revenue source contributors to the state general fund (and interrelated state special funds) are experiencing significant improvements from the FY 2009 and FY 2010 levels. These improvements began in FY 2011 and are expected to continue through FY 2015. Montana's revenue recovery has been strong while the nation's economic recovery has been slow. This disparity is highly correlated to Montana's natural resource industry and the positive impacts of the developments in Eastern Montana.

General Fund Revenue Implications

Montana's fiscal outlook for revenue growth is more optimistic than the last biennium. The key economic assumptions targeted as most affecting state government receipts are Montana total income, employment, population levels, inflation rates, corporate profits, property values, interest rates, and energy prices.

As shown in the following figure, individual income tax, corporation income tax, property tax, vehicle tax, and natural resource taxes are expected to contribute 81% to the total general fund revenue stream during the 2015 biennium. Total general fund revenues for the 2015 biennium are projected to increase 8.0% over the 2013 biennium projections. The comparative change by major revenue category is shown at the bottom of the figure.

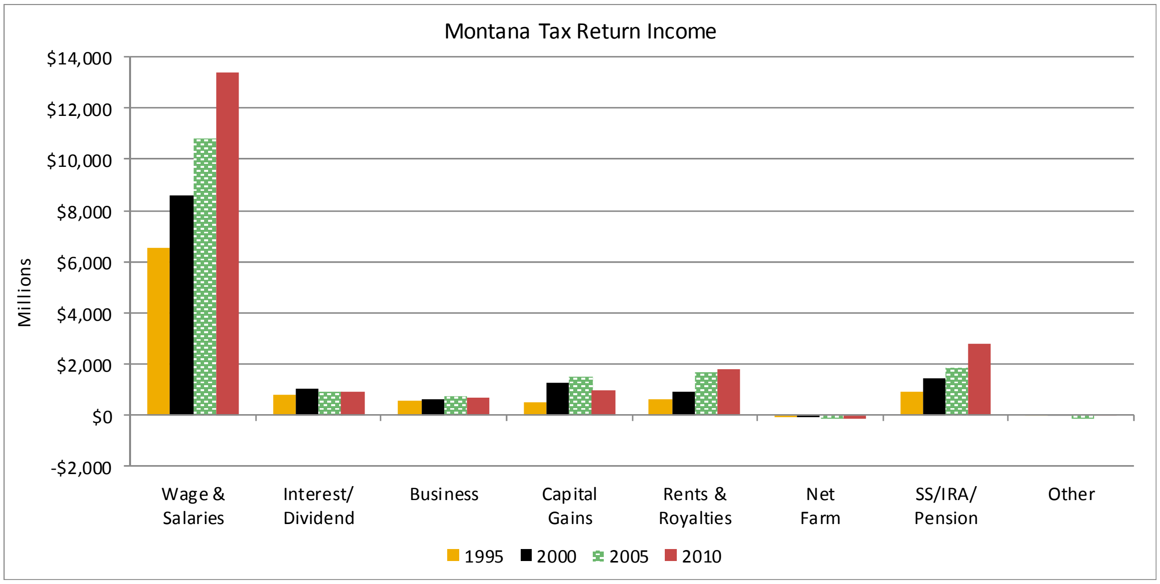


Major Category	2013 Biennium Estimate Millions	2015 Biennium Estimate Millions	Percent Change	Percent of 2015 Biennium
Individual Income Tax	$1,882.518	$2,123.526	12.8%	50.9%
Corporation Income Tax	276.929	$306.981	10.9%	7.4%
Vehicle Tax	200.655	$203.489	1.4%	4.9%
Investment Earnings	55.842	$56.552	1.3%	1.4%
Natural Resource Taxes	241.942	$249.462	3.1%	6.0%
Property Tax & Non Levy	478.403	$501.271	4.8%	12.0%
Insurance Tax	118.038	$103.686	-12.2%	2.5%
Consumption Taxes	278.465	$295.742	6.2%	7.1%
All Other Revenue	326.915	$328.017	0.3%	7.9%
Total General Fund	**$3,859.708**	**$4,168.726**	**8.0%**	

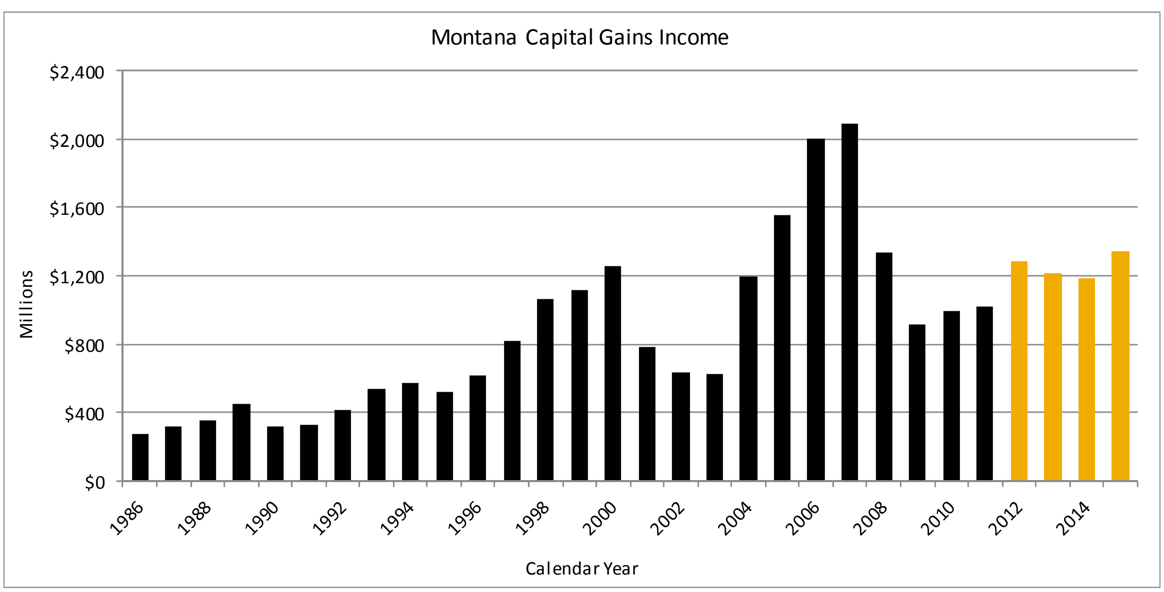
The next section of the report highlights the significant economic assumptions used by the LFD to develop the revenue estimate recommendations contained in this document. Each assumption is discussed and is graphically portrayed to give the reader a perspective of the historical trend versus the forecast amount.

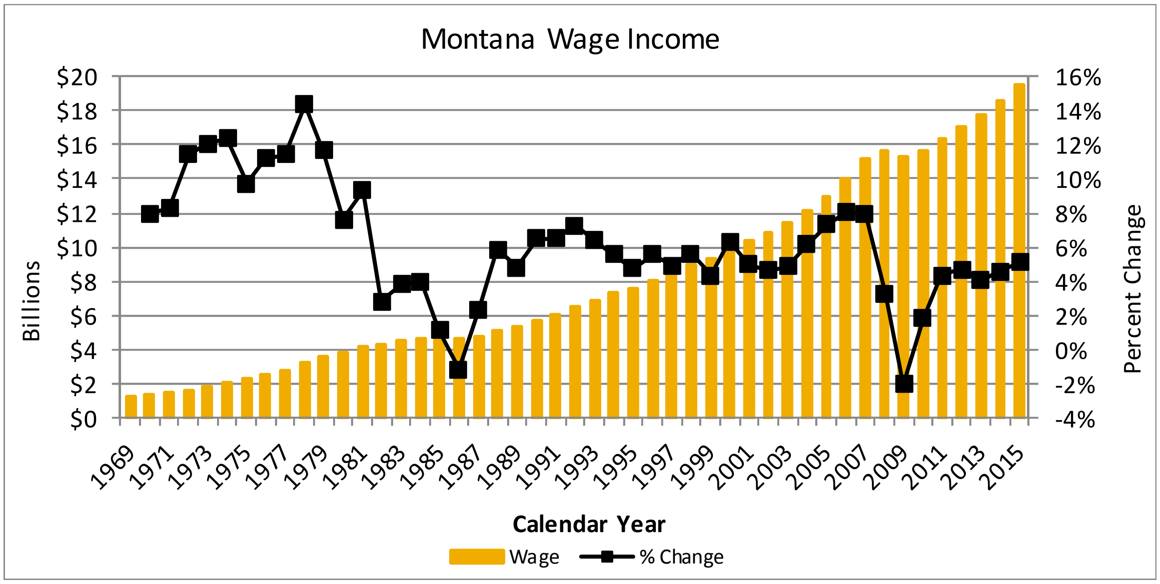
Montana Total Income

The total of all income sources listed on the Montana personal income tax form is referred to as Montana total income. The Department of Revenue tracks income from 11 different components, including wages, interest, dividends, business, capital gains, supplemental, rental, farm, social security, IRA and pension, and other incomes. Montana total income is the single most important variable to consider in the revenue estimation process. Of the 11 income items, wage and salary income provides the largest portion of Montana total income. Since 1990, wage and salary income has contributed an annual average of 64.9% of total income. In 2011, it contributed 65.6%, or $14.0 billion. The average compounded growth from 1990 to 2011 is 5.0%.



In recent times, capital gains income has been the focus of much conversation and speculation. Capital gains income has increased in relative importance over the decade. In 1990, capital gains made up only 4.2% of total income, with reported income of $318 million. Capital gains income grew moderately through the decade, when in 2001 a significant decline occurred, coinciding with the recession. Rapid growth followed in the later part of the 2000 decade, and by 2007 capital gains had grown to 9.7% of total income, with income at $2,088.6 million. However, in 2008, capital gains income was again influenced by a recession and declined by over 35%. In 2009, capital gains income declined by almost 32% reaching the amount of $912 million. Projections of IHS indicate that capital gains income will increase by 7.2% annually between 2012 and 2015.





Montana Wages

The average annual growth in Montana wages and salaries income is 5.1% between 1990 and 2011. Wage growth exceeding this average occurred in the early nineties and again in 2004-2007. In both of these periods inflation was relatively high, i.e. greater than 2.5%, and employment growth was relatively high. However, the growth of wages has declined sharply to rates of -2.1% and 1.8% in 2010 and 2011 respectively.

The following table displays the data considered in developing the forecast for the individual income tax. The Montana inflation forecast for 2012 through 2015, as provided by IHS in the November 2012 issue of forecasts, shows the rate of inflation remaining relatively low through the period of analysis. The state rate is expected to be 1.3% in 2013, 1.8% in 2014, and 1.6% in 2015.

The growth in wages between 2012 through 2015 is provided through the LFD wage and salary projections. From 2005 through 2007, wages on average grew at a rate of 7.6%. However in 2008 and 2009, wages grew at a rate of only 5.4% and -1.6% respectively. The state wages are expected to show moderate growth in the forecast period of 4.0% in 2013, 4.0% in 2014, and 4.5% in 2015.

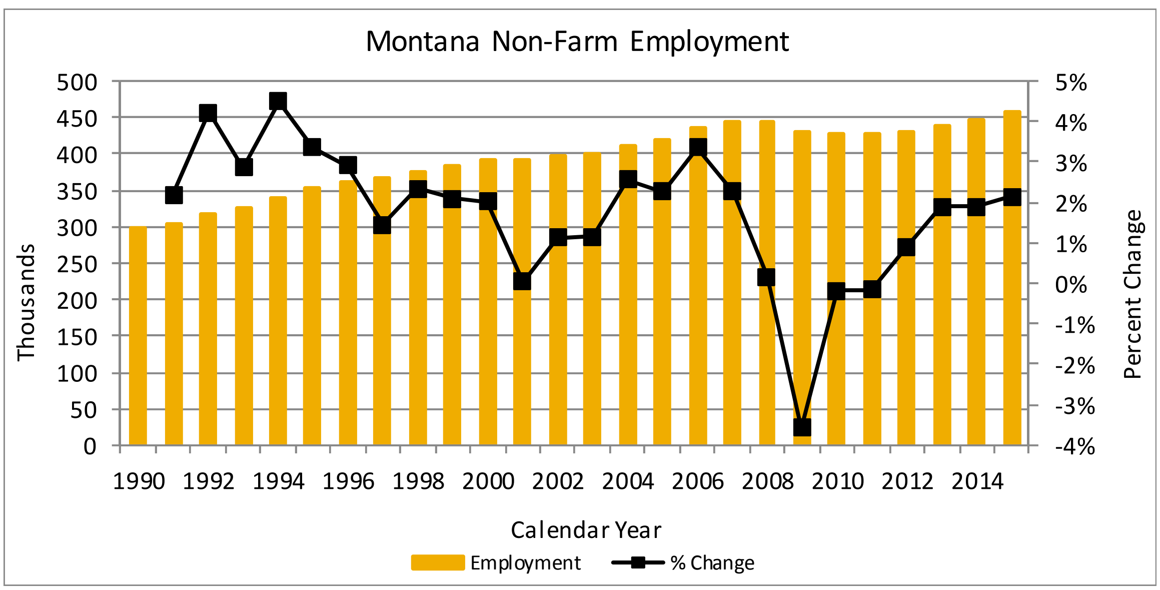
Employment growth is also expected to be modest in 2012 through 2015. Employment growth between 2003 and 2007 averaged 2.4%. However, in 2008 employment grew at only 0.2% and in 2009 it turned negative. Estimates for 2012 through 2015 project an average growth of 1.7% annually.

The average growth in real wages per worker, defined as wages per worker adjusted for inflation, since 1991 is 0.7%. Considering the assumptions on growth in wages, employment, and inflation, real wages are expected to increase slightly higher than average at around 1% through the forecast period.

Wage and Salary Income Growth				
CY	Employment Growth	State Inflation	Real Wage Per Worker	Wage Growth
1991	2.2%	4.7%	-0.4%	6.5%
1992	4.2%	3.1%	-0.2%	7.3%
1993	2.9%	3.0%	0.4%	6.4%
1994	4.5%	2.5%	-1.4%	5.6%
1995	3.4%	3.0%	-1.6%	4.8%
1996	2.9%	2.8%	-0.1%	5.6%
1997	1.5%	2.3%	1.1%	4.9%
1998	2.3%	1.7%	1.5%	5.6%
1999	2.1%	2.0%	0.2%	4.3%
2000	2.0%	3.7%	0.5%	6.4%
2001	0.0%	3.2%	1.7%	5.0%
2002	1.1%	1.1%	2.4%	4.6%
2003	1.2%	2.1%	1.5%	4.9%
2004	2.6%	3.3%	0.2%	6.1%
2005	2.3%	2.5%	2.3%	7.3%
2006	3.4%	4.3%	0.2%	8.0%
2007	2.3%	2.7%	2.8%	7.9%
2008	0.2%	5.0%	-1.8%	3.3%
2009	-3.6%	-1.4%	3.1%	-2.0%
2010	-0.2%	1.1%	0.9%	1.8%
2011	-0.2%	3.6%	0.9%	4.3%
2012	0.9%	1.7%	2.1%	4.7%
2013	1.9%	1.3%	0.8%	4.1%
2014	1.9%	1.8%	0.8%	4.6%
2015	2.1%	1.6%	1.3%	5.1%

Montana Employment

Average annual growth in total employment between 1990 and 2011 is 1.7%. It is expected that total non-farm employment growth through 2012 will be 0.9%, and continue to grow slowly in the forecast period with rates of 1.9% in 2013 and 2014, and 2.1% in 2015.

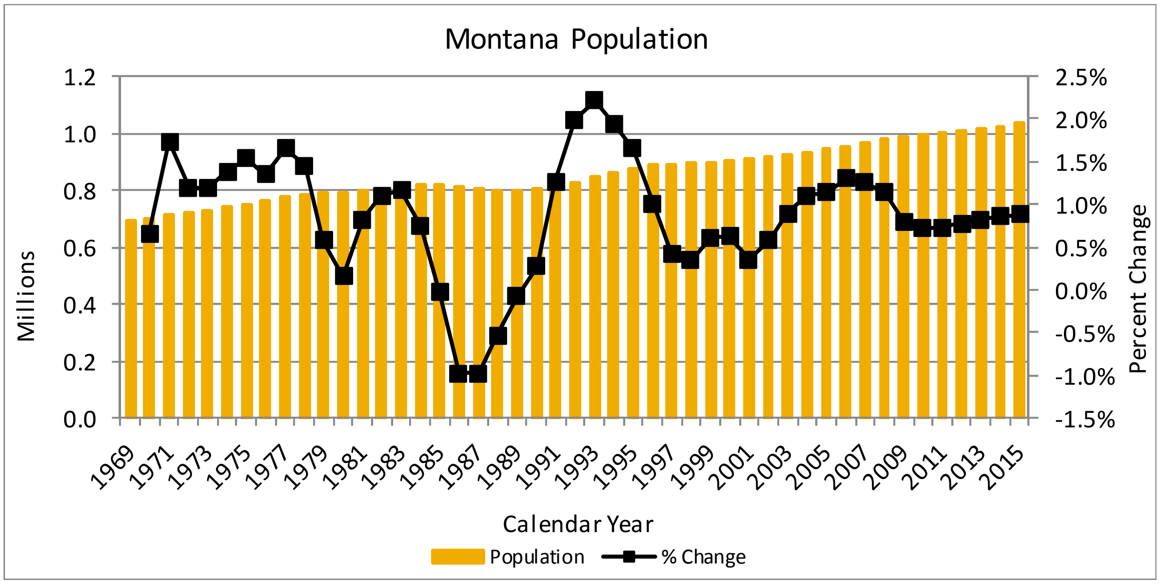


Montana Population

Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide. Accurate population estimates are especially important when determining the changes expected in overall and per capita income for the state.

Historic population data is gathered from the U.S. Census department while projections are obtained from IHS.

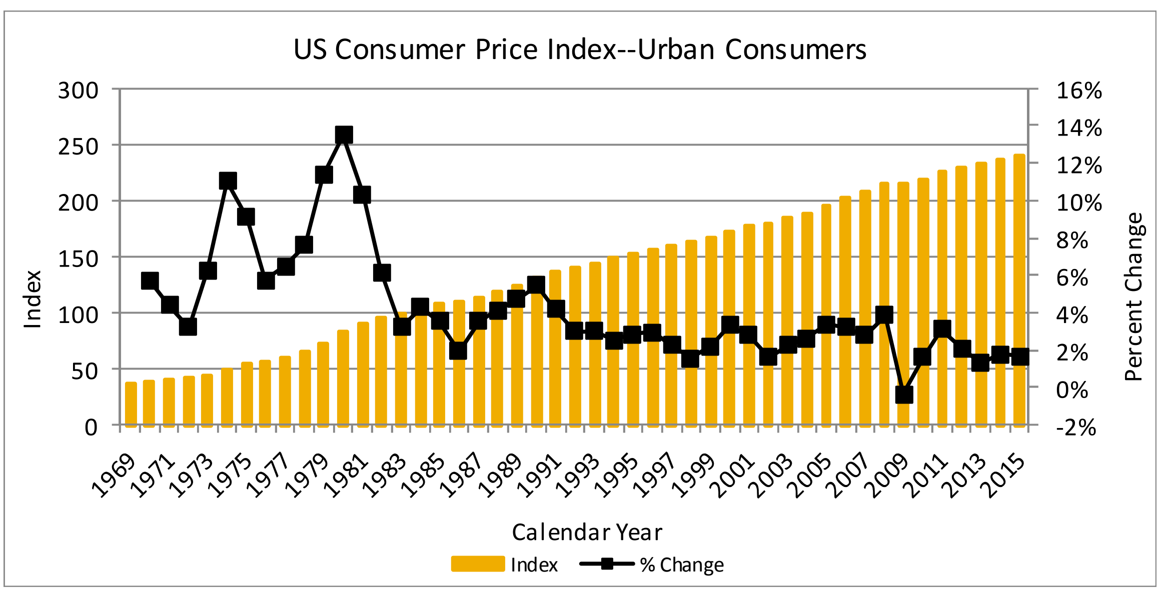
Since the early 1990's, Montana has experienced positive growth in total population varying between 0.1% in 1998 to 2.3% in 1994. Growth in recent years has been slow, averaging 0.8% growth annually from 2007 to 2010. Growth through the next biennium is estimated at about 0.9% annually.



Inflation Rates

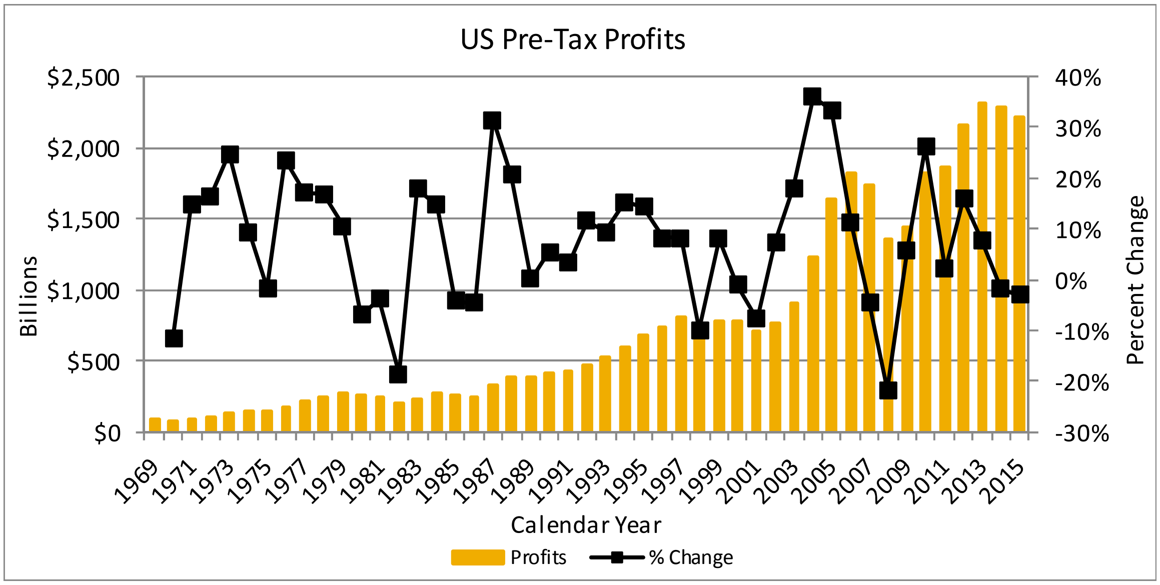
The inflation rate is measured by the price change of the Consumer Price Index (CPI) "shopping basket" of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable income and spends less. Several areas where this information is vital in determining costs include minerals, timber, energy resources, and most services.

Since Montana's individual income tax structure is fully indexed by changes in the consumer price index, this assumption is critical in the formulation of the individual income tax forecasts. The U.S. Bureau of Labor Statistics provides the historical CPI data for the all-urban customers data set. Since 1990, the average annual rate of inflation has been 2.6%. IHS forecasts inflation at 2.1% for 2012, 1.3% for 2013, 1.8% for 2014, and 1.7% in 2015.



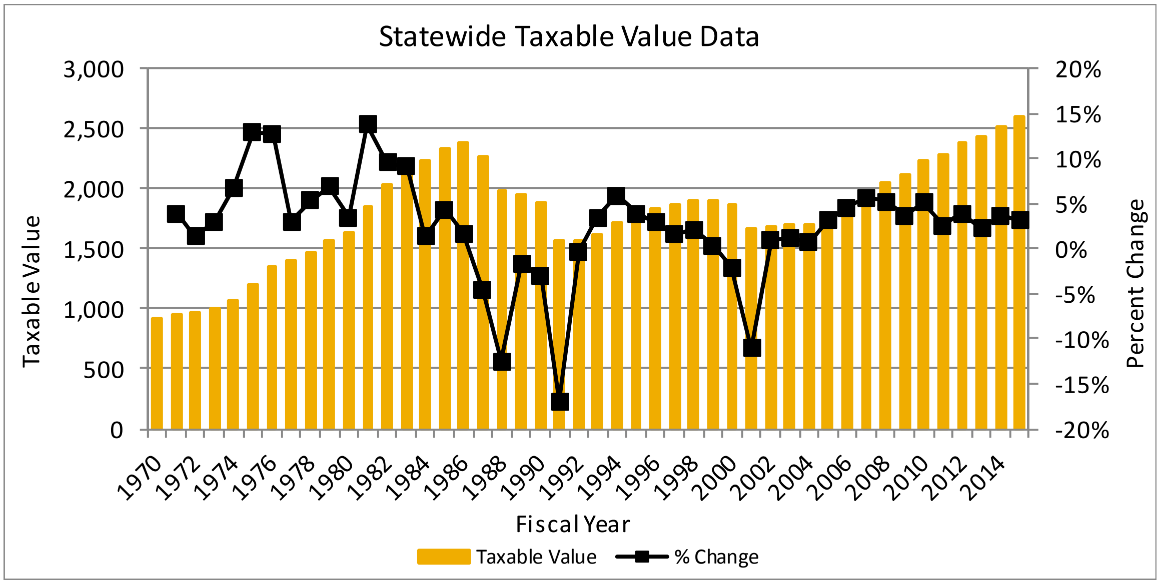
Corporate Profits

The profitability of corporate America is an important factor in estimating revenues. Corporate profitability affects both corporation license tax and individual income tax estimates. When corporations are profitable nationally, there is an expectation that corporations will be profitable in Montana. Additionally, greater corporate profitability is largely responsible for the amount of dividends corporations pay to stockholders as well as the value of equity investments. During the most recent years, the reduction of corporate profits has translated to lower corporate license tax collections. According to IHS, between 1990 and 1997, U.S. corporation pre-tax profits increased by an annual average of 10.3%. However, from 1997 through 2001, profits decreased by an average of 3.0%, the greatest decrease of 8.5% occurring in 2001. Between 2006 and 2011, corporate profitability grew an average annual rate of 0.3%. During the forecast period, corporation profits are expected to decline at an average rate of 2.4% annually.

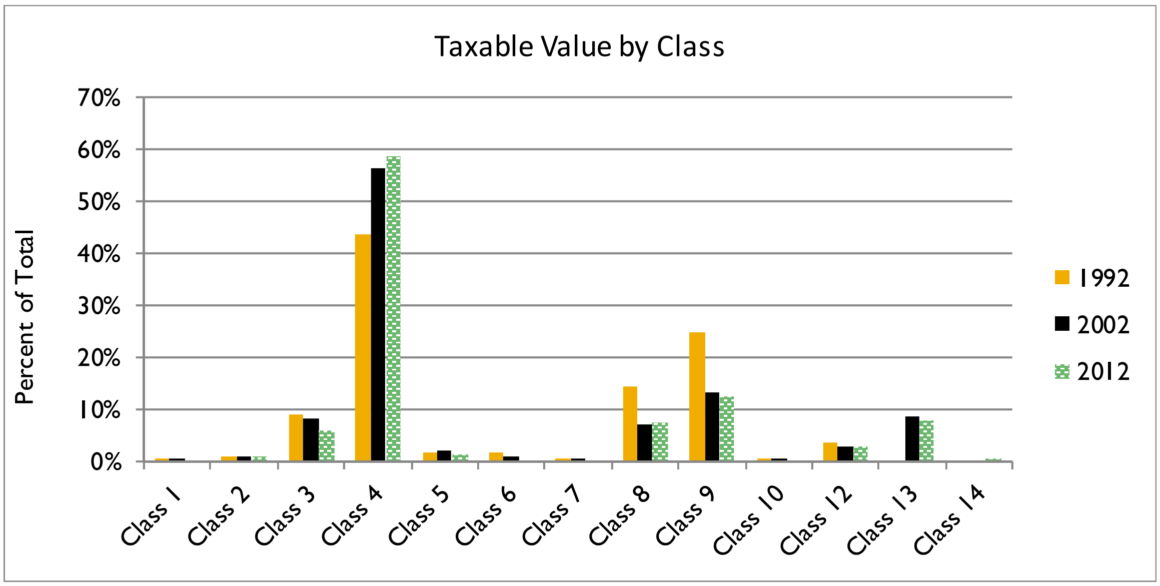


Property Values

Change in statewide property values is the critical assumption behind the estimates for property taxes. Historic property values are obtained from the Montana Department of Revenue. Total statewide taxable value increased slowly during the first part of the 1990's, but fell in FY 2000. This decline was primarily due to business equipment tax changes enacted by previous legislatures. Other reductions occurred in electrical generating and telecommunication property. Property values resumed an upward trend in 2001 and have increased every year since that time. On January 1, 2009, new reappraisal values were placed on residential, commercial, agricultural land and timber land. The 2009 Legislature mitigated these increases by continuing to phase in assessed values and providing a schedule over the following six years by which tax rates are decreased and homestead and comstead exemptions are increased. Taxable values are expected to increase at an annual average of 3.0% between FY 2012 and FY 2015, compared with 4.5% per year between FY 2004 through FY 2010.



Significant changes have taken place in statewide property values since FY 1998. In that year, 48.0% of total statewide value was in class 4, residential and commercial property, and 11.5% of total value was in class 8, business equipment personal property. In FY 2012, the class 4 taxable value was 58.7% of the total property tax base, while class 8 was only 7.7% of the base.

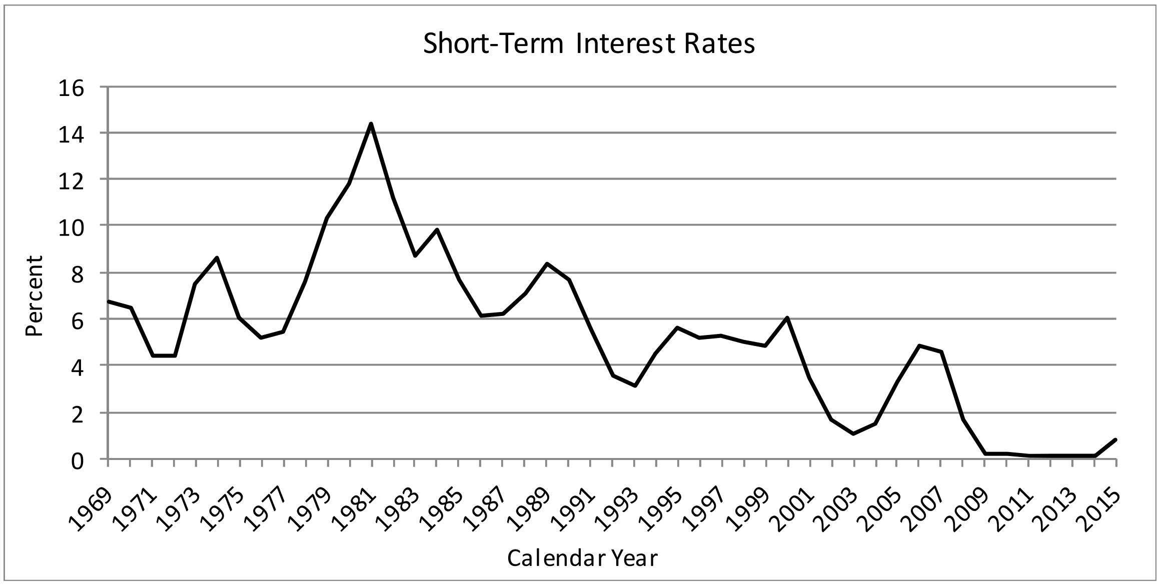


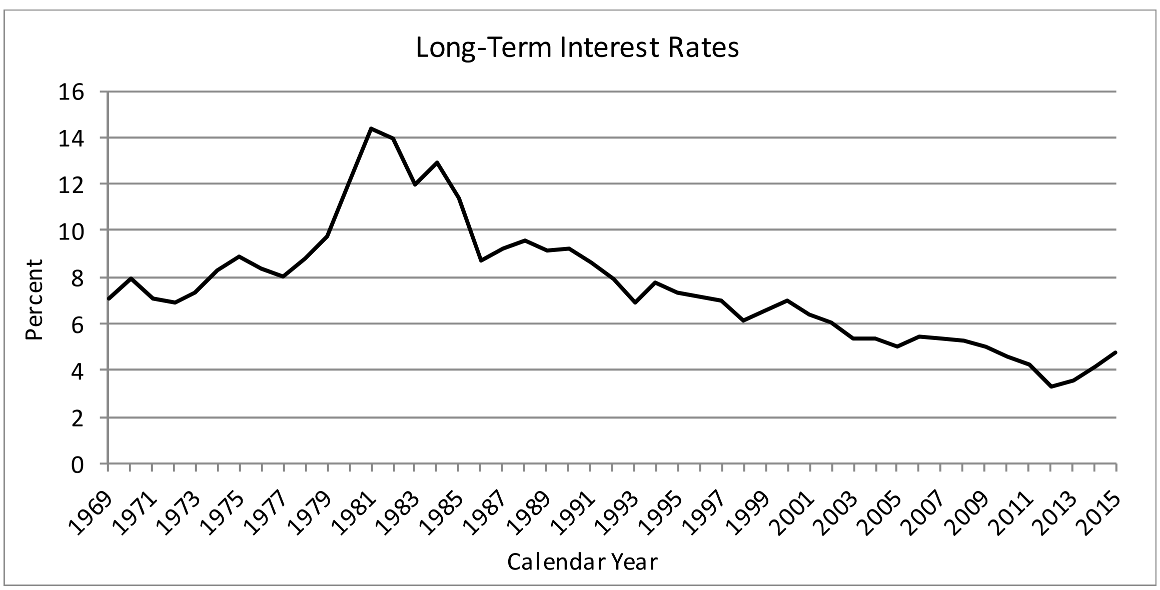
Interest Rates

A large portion of Montana's revenues is derived from investment earnings from trust accounts and daily invested cash. Interest rates also affect the amount of investment income that is reported on individual income tax returns. As such, interest rates are a significant assumption when estimating future state revenues.

In addition to the state revenue impact, interest rates are fundamental in understanding the climate in which consumers and businesses are likely to make investments and large purchases. While low interest rates produce less revenue for Montana's trust and interest holdings, higher income tax earnings might be expected as construction and sales activities increase.

Two types of interest rates, long and short-term, are estimated and used in determining future revenues. Both rates are an average across a selection of investment instruments. The forecast rates are obtained from IHS. Short-term rates are an average of 3-month corporate paper and 3 and 6-month T-bills. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year T bonds, and 30-year T bonds. The fiscal year computation of short-term interest rates reached unprecedented low rate of 0.1% in 2011. The future short-term interest rates are expected to remain low at 0.1% in 2013, 0.2% in 2014, and 0.5% in 2015. Long-term rates are expected to be 3.5% in 2013, 3.9% in 2014, and 4.5% in 2015.





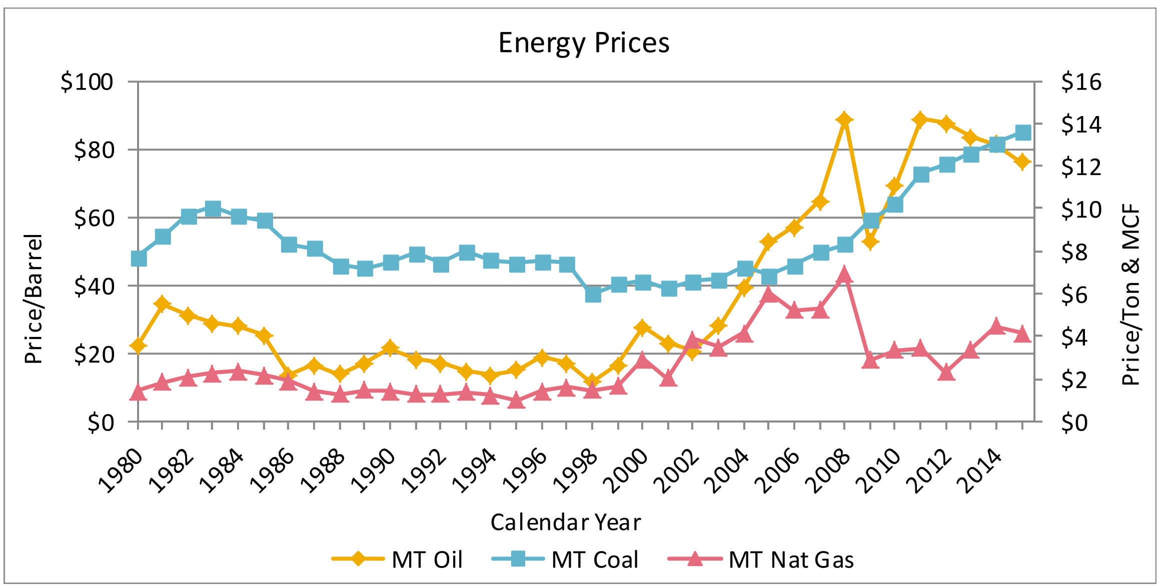
Energy Prices and Consumption

West Texas Intermediate (WTI) spot oil prices averaged $25.96 per barrel in 2001 and increased every year through 2008. In 2009, the WTI price dropped by 38.1% to $61.69 per barrel, and has subsequently increased to an estimated $93.88 per barrel in 2012. IHS forecasts WTI oil prices to be $89.45 in 2013, $87.22 in 2014, and $81.60 in 2015. Montana prices are expected to follow a similar trend.

Natural gas prices at the wellhead in the U.S. reached as high as $8.84 per MCF in 2008, but the prices have declined significantly since then. The average price in 2012 is expected to be $2.67 per MCF. IHS is forecasting average well head natural gas prices at $3.91 in 2013, $5.13 in 2014, and $4.78 in 2015. While Montana wellhead prices are usually lower than the US average well head price, Montana prices are expected to follow a similar trend.

After a period of decline in oil production, from a peak in 1974 of 34 million barrels to a trough in 1999 of 15 million barrels, the discovery of new oil fields and advances in technologies increased oil production in Montana. New drilling activity increased 75% in 2003, and increased nearly the same amount in 2004. In 2006, the new production hit a peak, with production of over 36 million barrels. Since 2006, oil production has declined but has stabilized at about 6 million barrels per quarter since the first quarter of 2011. That trend is expected to change with a modest improvement in total production through 2015. Montana oil production is expected to increase at an annual rate of about 0.6 million barrels per year to 25.7 million barrels in 2013, 26.3 million barrels in 2014, and to 26.8 million barrels in 2015.

Natural gas production in Montana almost tripled between 1981 and 2007, from 40 million MCF to 119 million MCF. Production has increased around 70% since 2000. As in the oil market, new drilling activity was up substantially in 2003 and 2004, but production has started to drop and that trend is expected through 2015. Montana natural gas production is expected to be 75.6 million MCF in 2012, 68.4 million MCF in 2013, 61.5 million MCF in 2014, and 55.1 million MCF in 2015.



Legislative Fiscal Division
General Fund Revenue Estimates
In Millions

	Source of Revenue	Percent of 2012	Actual Fiscal 2012	Estimated Fiscal 2013	Estimated Fiscal 2014	Estimated Fiscal 2015	Estimated Fiscal 12-13	Estimated Fiscal 14-15	Cumulative % of Total
1	Individual Income Tax	48.04%	$898.851	$983.667	$1,031.320	$1,092.206	$1,882.518	$2,123.526	50.94%
2	Property Tax	12.65%	236.662	241.741	246.620	254.651	478.403	501.271	62.96%
3	Corporation License Tax	6.83%	127.771	149.158	152.832	154.149	276.929	306.981	70.33%
4	Vehicle Tax	4.48%	83.871	84.497	85.078	85.668	168.368	170.746	74.42%
5	Common School Interest and Income	0.00%	-	-	-	-	-	-	74.42%
6	Insurance Tax & License Fees	3.15%	58.951	59.087	50.817	52.869	118.038	103.686	76.91%
7	Coal Trust Interest	1.38%	25.840	24.455	24.431	24.498	50.295	48.929	78.08%
8	US Mineral Royalty	1.66%	31.057	34.286	29.368	27.645	65.343	57.013	79.45%
9	All Other Revenue	2.53%	47.258	32.536	32.373	32.644	79.794	65.017	81.01%
10	Tobacco Settlement	0.18%	3.322	3.552	3.519	3.486	6.874	7.005	81.18%
11	Telecommunications Excise Tax	1.15%	21.459	22.601	23.238	23.902	44.060	47.140	82.31%
12	Video Gambling Tax	2.88%	53.824	57.704	59.932	62.133	111.528	122.065	85.24%
13	Treasury Cash Account Interest	0.14%	2.654	2.894	2.533	5.090	5.548	7.623	85.42%
14	Estate Tax	0.00%	0.060	-	-	-	0.060	-	85.42%
15	Oil & Natural Gas Production Tax	5.21%	97.560	98.266	99.857	98.226	195.827	198.083	90.17%
16	Motor Vehicle Fee	0.86%	16.084	16.204	16.315	16.428	32.288	32.743	90.96%
17	Public Institution Reimbursements	0.78%	14.562	16.232	17.641	18.403	30.794	36.044	91.82%
18	Lodging Facility Use Tax	0.83%	15.606	17.309	18.356	19.467	32.915	37.823	92.73%
19	Coal Severance Tax	0.66%	12.350	12.851	14.842	15.903	25.201	30.745	93.47%
20	Liquor Excise & License Tax	0.91%	17.037	18.196	19.269	20.433	35.233	39.702	94.42%
21	Cigarette Tax	1.68%	31.483	30.680	29.844	28.847	62.163	58.691	95.83%
22	Investment License Fee	0.37%	6.961	7.204	7.440	7.689	14.165	15.129	96.19%
23	Lottery Profits	0.70%	13.061	14.563	14.518	15.283	27.624	29.801	96.91%
24	Liquor Profits	0.51%	9.500	10.606	10.988	11.601	20.106	22.589	97.45%
25	Nursing Facilities Fee	0.27%	5.077	4.876	4.740	4.603	9.953	9.343	97.67%
26	Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.67%
27	Electrical Energy Tax	0.24%	4.481	4.442	4.521	4.565	8.923	9.086	97.89%
28	Metalliferous Mines Tax	0.54%	10.010	10.904	10.595	10.039	20.914	20.634	98.39%
29	Highway Patrol Fines	0.23%	4.385	4.430	4.469	4.508	8.815	8.977	98.60%
30	Public Contractors Tax	-0.16%	(3.042)	1.140	3.259	3.259	(1.902)	6.518	98.76%
31	Wholesale Energy Tax	0.18%	3.427	4.038	4.140	4.217	7.465	8.357	98.96%
32	Tobacco Tax	0.31%	5.709	5.830	6.015	6.193	11.539	12.208	99.25%
33	Driver's License Fee	0.23%	4.369	3.873	4.394	3.930	8.242	8.324	99.45%
34	Rental Car Sales Tax	0.18%	3.420	3.563	3.679	3.788	6.983	7.467	99.63%
35	Railroad Car Tax	0.12%	2.273	2.157	2.322	2.452	4.430	4.774	99.74%
36	Wine Tax	0.11%	2.104	2.157	2.229	2.300	4.261	4.529	99.85%
37	Beer Tax	0.16%	2.956	3.055	3.070	3.087	6.011	6.157	100.00%
38	Telephone License Tax	0.00%	-	-	-	-	-	-	100.00%
39	Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
	Total General Fund	100.00%	$1,870.954	$1,988.754	$2,044.564	$2,124.162	$3,859.708	$4,168.726	100.00%

Legislative Fiscal Division
Non-General Fund Revenue Estimates
In Millions

	Source of Revenue	Percent of 2012	Actual Fiscal 2012	Estimated Fiscal 2013	Estimated Fiscal 2014	Estimated Fiscal 2015	Estimated Fiscal 12-13	Estimated Fiscal 14-15	Cumulative % of Total
1	Diesel Tax	17.84%	$74.292	$76.300	$78.362	$80.479	$150.592	$158.841	21.44%
2	Federal Forest Receipts	4.92%	20.487	18.101	2.284	2.138	38.588	4.422	22.04%
3	Gasoline Tax	32.82%	136.661	137.161	137.663	138.166	273.822	275.829	59.26%
4	GVW and Other Fees	8.34%	34.745	33.969	34.707	35.486	68.714	70.193	68.74%
5	Resource Indemnity Tax	0.56%	2.344	2.210	2.538	2.618	4.554	5.156	69.43%
6	Arts Trust Interest	0.14%	0.568	0.580	0.593	0.609	1.148	1.202	69.60%
7	Capital Land Grant Interest and Income	0.15%	0.610	0.232	0.664	1.022	0.842	1.686	69.82%
8	Deaf & Blind Interest and Income	0.06%	0.242	0.288	0.246	0.265	0.530	0.511	69.89%
9	Parks Trust Interest	0.25%	1.034	1.063	1.089	1.122	2.097	2.211	70.19%
10	Pine Hills Interest and Income	0.09%	0.393	0.302	0.370	0.392	0.695	0.762	70.29%
11	RIT Trust Interest	1.22%	5.064	4.661	4.661	4.664	9.725	9.325	71.55%
12	TSE Trust Interest	2.37%	9.866	9.881	10.403	11.155	19.747	21.558	74.46%
13	Economic Development Trust	0.66%	2.731	2.862	3.123	3.491	5.593	6.614	75.35%
14	Tobacco Trust Interest	1.61%	6.701	6.826	7.305	7.858	13.527	15.163	77.40%
15	Regional Water Trust Interest	0.71%	2.937	3.035	3.295	3.654	5.972	6.949	78.34%
16	Property Tax: 6 Mill	3.68%	15.325	15.815	16.535	16.989	31.140	33.524	82.86%
17	Common School Interest and Income	24.59%	102.391	67.668	65.272	61.693	170.059	126.966	100.00%
	Total Non-General Fund	100.00%	$416.389	$380.954	$369.110	$371.801	$797.343	$740.912	100.00%

HOW TO USE THIS REPORT

The following report is arranged into six main revenue sections and a comparison section. Each section contains revenue sources that share common characteristics, have many of the same assumptions, and have common estimating methodologies. The committee's time can be more efficiently used by considering those sources by section due to their commonalities. The main sections of the report are:

1. Business Taxes
2. Natural Resource Taxes
3. Interest Earnings
4. Consumption
5. Property Taxes
6. Other General Fund Revenue
7. Comparison to Executive

The sections are marked by divider pages that list each revenue source within that section. The sources are arranged alphabetically within each section. Section 7 includes a comparison between the LFD revenue estimates and those of the executive.

The report contains profiles of each revenue source estimated by the LFD staff. Twelve categories of information are provided for each source. These categories and a short description of each follow:

Revenue Description: A brief description of the source is provided including the origin of the revenue and, in the case of taxes and fees, the item that is taxed.

Statutory Reference: These are the citations from the Montana Code Annotated (MCA) applicable to the revenue source and include citations for the tax rate, the distribution, and when the tax is due.

Applicable Tax Rate(s): This section provides an explanation of the tax rate or license fee, more detail on the items that are taxed, and other information such as exemptions, minimums, initial versus annual fees, etc.

Distribution: This section explains how the revenue is distributed. In cases where uses or entities other than general fund receive a portion of the revenue, percentage distribution or the dollar amount is discussed. This section contains a simplified flow chart illustrating a simplified diagram of how the revenue received from the source is distributed in the state accounting system.

Collection Frequency: Timing of the revenue deposited in the state treasury may affect the revenue estimate. Revenue is usually received on a quarterly or monthly basis.

% of Total General Fund Revenue: To give the reader an idea of the importance of a particular revenue source, the percentage of total general fund revenue for FY 2004 - FY 2012 is included.

Revenue Estimate Methodology: A general description of the revenue estimating methods is provided followed by a more detailed explanation of the methodology used to derive assumptions for the revenue source. Methods differ between sources and may change each biennium depending on circumstances. Specific information on the type and source of the data used, analytical techniques, and any adjustments are also provided. Charts are included to show major assumptions.

Forecast Methodology: This section includes a simplified flow chart illustrating a simplified diagram of the methodology used to determine the revenue estimates.

Revenue Estimate Assumptions: In most cases, the data provided in these tables can be used in the formulas shown at the bottom of the tables in the "Forecast Methodology" to derive the revenue estimate. The tables show the revenue estimates for FY 2013, 2014, and 2015, the estimated general fund amount, and, if applicable, distributions to other funds or uses.

Revenue Projection: This section consists of a graph and accompanying data table. The line graph shows the amount of actual collections from FY 1989 and the projected amounts for FY 2013, 2014, and 2015. Total collections are depicted by a dark line while general fund collections are shown by a lighter line. The data table contains historic information about this data source since 1989 including: 1) actual total collections; 2) actual general fund collections; 3) projected total and general fund amounts for FY 2013, 2014, and 2015; and 4) the yearly percentage change in general fund.

Data Source(s): The various state agencies, federal agencies, companies, information systems, publications, fiscal notes, etc., that were consulted or reviewed in the estimation process are listed.

Contacts: The reader may contact these entities for more information about the revenue source.

The remaining portion of this document is the LFD revenue estimates by revenue source.

LEGISLATIVE FISCAL DIVISION
Revenue Estimate Recommendations
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LEGISLATIVE FISCAL DIVISION
Revenue Estimate Recommendations
Table of Contents (Continued)

Business and Personal Taxes

Corporation Income Tax
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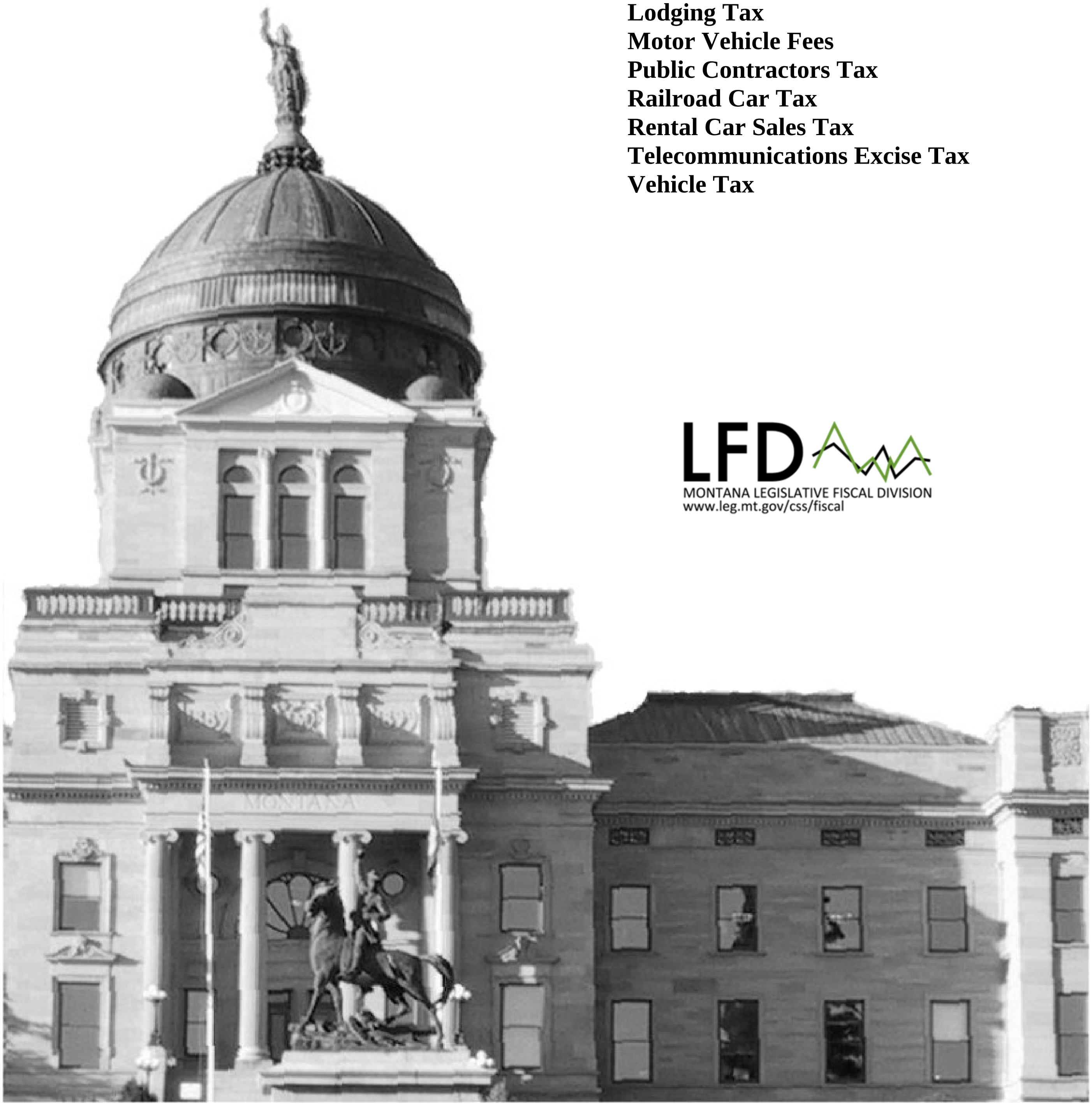
Railroad Car Tax
Rental Car Sales Tax
Telecommunications Excise Tax
Vehicle Tax

LFD
MONTANA LEGISLATIVE FISCAL DIVISION
www.leg.mt.gov/css/fiscal



Legislative Fiscal Division

Revenue Estimate Profile

Corporation License Tax

Revenue Description: The corporation license tax is a license fee levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. Factors that affect corporation license tax receipts include tax credits and the audit efforts by the Department of Revenue. As with individual income tax, all tax liability is adjusted for allowable credits.

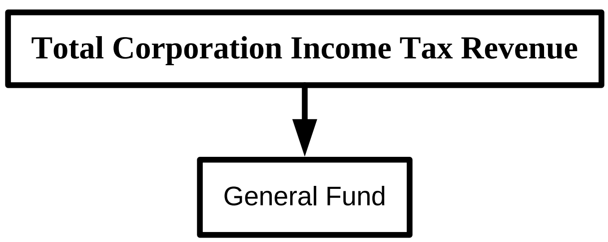
Statutory Reference:

Tax Rate (MCA) – 15-31-121,
Tax Distribution (MCA) – 15-31-121
Date Due – by the 15th day of the fifth month following the close of the corporate fiscal year (15-31-111, 15-31-502). Estimated taxes due April 15th, June 15th, September 15th, and December 15th (15-31-502).

Applicable Tax Rate(s): The tax rate is 6.75%, except for corporations making a "water's edge" election (see 15-31-322, MCA), who pay a 7.0% tax on their net income.

Distribution: Beginning FY 2006, all corporation tax revenue is distributed to the general fund.

Distribution Chart:



Collection Frequency: Monthly, Quarterly, and Annually

% of Total General Fund Revenue:

FY 2004 – 4.90%	FY 2007 – 9.67%	FY 2010 – 5.40%
FY 2005 – 6.42%	FY 2008 – 8.17%	FY 2011 – 6.88%
FY 2006 – 9.00%	FY 2009 – 9.20%	FY 2012 – 6.83%

Revenue Estimate Methodology:

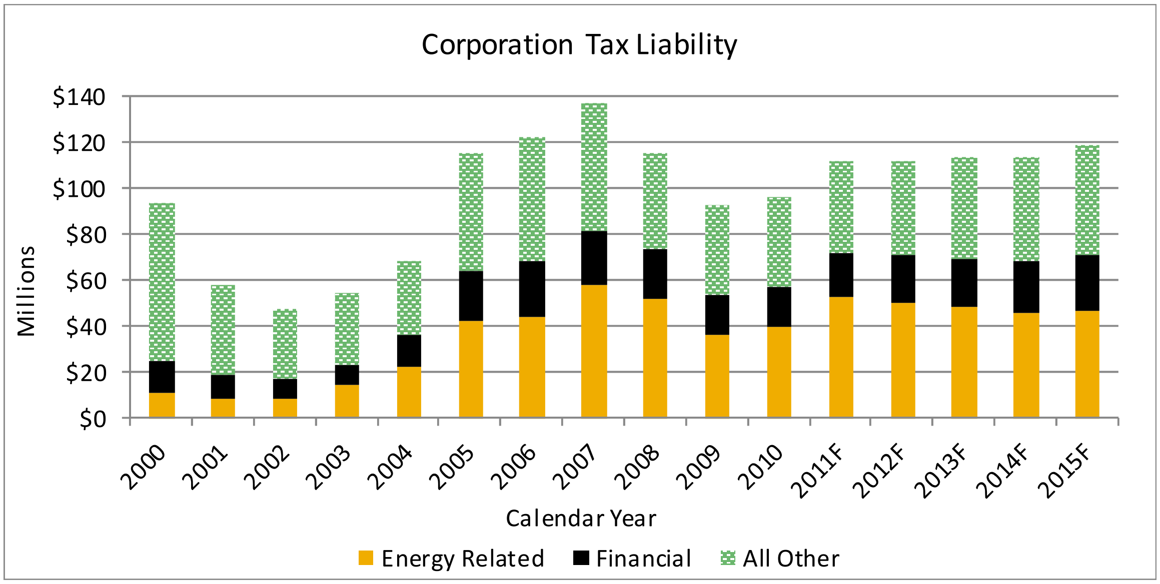
Data

The data used to develop the estimates for the corporation income tax are provided by the Department of Revenue (DOR), the state accounting system (SABHRS), and IHS. The DOR provides corporation data from the corporation income tax return series that include total corporation income, Montana allocation information, and the Montana tax liability. The return series is dated information since corporations are allowed up to 10.5 months after the end of the tax year to file the return. The DOR also provides a series based on the tax payment data. This series provides more timely data and includes individual corporation payment by type (estimated, tentative, return, refund, and audit). SABHRS provides historic fiscal year data of total collections, current year payments, estimated payments, audits and penalty and interest, and refunds.

Analysis

The corporation license tax is highly volatile. Collection patterns show that current tax payments often originate in a previous year. Included in fiscal year data are late payments, audit payments, and refunds. The data often includes payment for tax periods more than 20 years in the past. These activities promote misinterpretation of how high, or low as the case may be, Montana corporate profitability is in any given tax year. A simple review of SABHRS data will not distinguish the many anomalies of the data, and may lead to the adoption of incorrect assumptions.

DOR now requires industry sector information on the corporate tax returns. Significant work has been done to apply the new sector information to prior years' return data. The result is a sixteen-year history of income and tax liability for each sector. The historical tax liability of each sector is modeled against characteristic national or Montana-specific economic variables from IHS to produce a forecast of calendar year tax liability. As shown in the figure below, energy related sectors account for nearly half of total tax liability. The underlying volatility of the energy industry is a large contributor to the overall volatility of this tax source.



Assumptions

Each of the eleven sectors is listed below, followed by the average share of tax liability, a brief description of the sector, and the underlying economic variables used to develop the projection. The variables used to develop most of the projections are the average price of West Texas Intermediate Crude, GDP, the average number of housing starts in Montana, and the median existing home price in Montana. All variable projections are provided by IHS.

- Manufacturing (25%)—The manufacturing industry in Montana is highly correlated with energy prices and is therefore a relatively variable with respect to its aggregate tax liability. This sector is modeled on the average price of West Texas Intermediate Crude.

- Financial services (19%)—This sector includes banks, bank holding corporations, and companies involved in investment activities. Financial sector tax liability is modeled on median existing home prices in Montana.

- Wholesale and retail trade (13%)—This combined sector models well against Montana retail sales.

- Mining (9%)—The mining industry in Montana is heavily dependent on energy prices; it is modeled on the average price of West Texas Intermediate Crude.

- Professional and business services (8%)—The professional service sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. The business service sector comprises establishments performing routine support activities for the day-to-day operations of other organizations. The combined sectors' tax liability is modeled on GDP.

- Transportation and warehousing (6%)—The transportation and warehousing sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Its tax liability is modeled on median house price.

- Information (4%)—The main components of this sector are the publishing industries, the motion picture and sound recording industries, the broadcasting industries, the telecommunications industries, and the information services industries. Its tax liability is modeled on the average number of housing starts per year.

- Utilities (3%)—The utilities sector includes establishments engaged in the provision of electric power, natural gas, steam supply, water supply, and sewage removal. The tax liability of this sector is modeled on the average number of housing starts per year.

- Agriculture (3%)—The tax liability of the agriculture sector is modeled on real GSP for agriculture.

- Social and educational services (2%)—This is a broad grouping of educational and health services, and arts, entertainment and recreation. The tax liability is modeled on GDP.

- Construction (2%)—The construction industry is the smallest contributor to corporation tax liability, likely because most construction companies are organized as S-corps or limited liability companies. Its tax liability is modeled on the average annual number of housing starts.

To develop the estimate for the corporation income tax, the sector growth rate is applied to the most recent tax year collections, 2010. The industrial sectors are then summed to provide an estimate for the tax year corporation tax liabilities. Because the industrial sector estimates are based on a tax year analysis, but are paid in a state fiscal year, payment timing must be taken into consideration. Analysis shows that the payments made in any given state fiscal year are made of the tax liability of the numerous previous tax years. Estimated tax payments made in the first half of the fiscal year are assumed to be payments for the liabilities of the previous tax year and payments in the second half of the fiscal year are assumed to be liabilities of the current tax year. Audits and refunds are generally assumed to be corrections to tax liabilities of the prior year. When calculated, the analysis suggests that 5% of the payments in the current fiscal year occur from liabilities of two years previous, 55% of the fiscal year payments are from tax liabilities of one year previous, and 40% of the payments are related to the current year's tax liability. When the percentages of each tax year are combined, the resulting value is adjusted by an average factor to produce the fiscal year corporate tax liability.

Adjustments

After the estimate for the fiscal year gross corporation tax liability is complete, several adjustments are required. The adjustments and the corresponding estimate process for each is described below.

- Refunds—After elevated levels in FY 2010 through FY 2012, refunds are projected to resume a more historical average based on the ratio to prior years' gross liability.

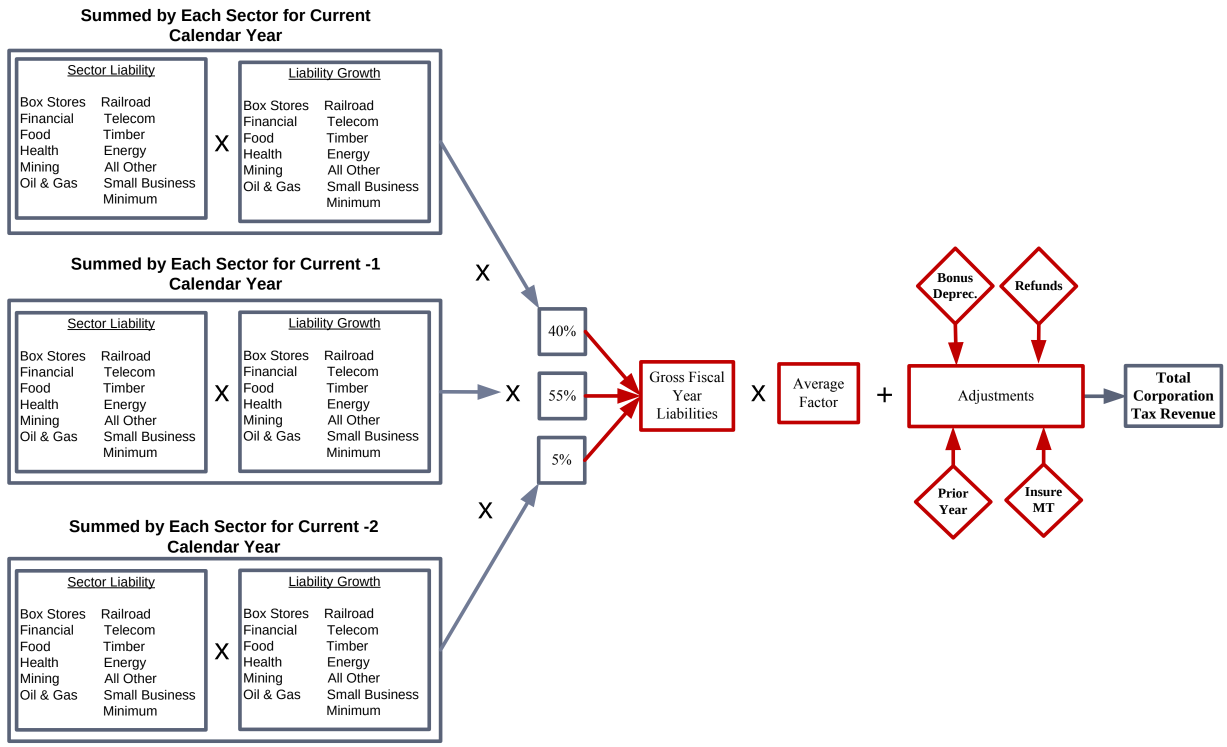
- Audits, penalties and interest—Audits, penalties and interest revenue are determined based on an average of past year ratios to gross fiscal year liability; these amounts included with the forecast gross tax liability in determining total fiscal year liability.

- Bonus depreciation—The bonus depreciation provisions of the Economic Stimulus Act of 2008 allows taxpayers to accelerate the depreciation on certain qualified property. The net effect is zero, but the timing of payments changes. The accelerated depreciation resulted in lower fiscal year payments in FY 2009 and FY 2010; the lingering effect is increased payments for each year in the forecast biennium.

- Insure Montana credit reimbursement—Beginning in FY 2010, the DOR adjusted the corporation tax account for the refund of the Insure Montana credit. As a result, the reimbursement will necessarily be shown as an adjustment in future years.

- Legislation impacts – any changes implemented by the 2011 Legislature that have yet to be fully implemented in the base year are added to future years.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Corporation License Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax Rate	Refunds Millions	Audit & P&I Payments Millions	Bonus Depreciation Millions	Insure MT Credit Millions
Actual	2002	68.173	68.173	6.75%				
Actual	2003	44.138	44.138	6.75%				
Actual	2004	67.723	67.723	6.75%				
Actual	2005	98.214	98.214	6.75%				
Actual	2006	153.675	153.675	6.75%	(13.859)	10.830		
Actual	2007	177.504	177.504	6.75%	(26.200)	26.813		
Actual	2008	160.342	160.342	6.75%	(27.900)	16.874		
Actual	2009	166.355	166.355	6.75%	(19.881)	31.036		
Actual	2010	87.901	87.901	6.75%	(37.121)	15.380		
Actual	2011	119.044	119.044	6.75%	(29.800)	26.116		
Actual	2012	127.771	127.771	6.75%	(38.757)	27.366		
Forecast	2013	149.158	149.158	6.75%	(24.400)	22.100	2.137	1.000
Forecast	2014	152.832	152.832	6.75%	(24.477)	22.425	4.103	1.000
Forecast	2015	154.149	154.149	6.75%	(25.593)	22.496	3.282	1.000

	t Cal	Agriculture Millions	Mining Millions	Utilities Millions	Construction Millions	Manufacture Millions	Trade Millions	Transport Millions
Actual	2002	1.966	2.021	1.604	1.033	5.918	7.983	1.417
Actual	2003	1.614	4.031	1.649	1.104	9.738	8.485	1.147
Actual	2004	1.636	5.256	1.561	1.151	16.532	8.859	3.860
Actual	2005	2.269	14.589	4.471	2.278	27.314	13.892	9.269
Actual	2006	2.823	9.798	4.938	2.873	34.111	13.071	10.250
Actual	2007	3.437	12.237	6.594	2.721	45.595	14.836	10.145
Actual	2008	3.094	11.654	2.508	2.373	39.358	9.942	11.268
Actual	2009	3.043	11.613	2.394	2.364	24.276	13.361	6.455
Actual	2010	3.224	10.006	1.399	1.518	29.653	12.019	7.114
Actual	2011	2.657	14.688	1.006	1.112	37.291	13.881	8.341
Actual	2012	2.765	14.481	0.806	1.040	35.462	14.285	8.670
Forecast	2013	2.778	13.709	1.544	1.305	34.540	14.664	9.195
Forecast	2014	2.821	13.320	1.807	1.399	32.215	15.017	9.922
Forecast	2015	2.865	12.339	2.311	1.580	34.280	15.463	10.591

Legislative Fiscal Division

Revenue Estimate Profile

Corporation License Tax

	t Cal	Information Millions	Professional Millions	Large Banks Millions	Social Millions	Unknown Millions	Total CY Liability Millions
Actual	2002	2.420	5.306	8.959	1.208	6.258	46.092
Actual	2003	2.686	5.536	9.170	1.370	5.699	52.230
Actual	2004	2.008	6.132	13.739	1.433	4.346	66.512
Actual	2005	3.770	7.233	21.306	1.891	4.848	113.130
Actual	2006	4.701	7.844	23.826	1.922	3.803	119.959
Actual	2007	3.788	6.564	23.253	2.501	2.339	134.011
Actual	2008	3.396	4.776	22.402	1.703	0.948	113.422
Actual	2009	1.758	6.356	17.051	1.774	0.171	90.616
Actual	2010	2.697	6.570	17.203	1.954	0.190	93.547
Actual	2011	1.982	7.097	19.467	1.966	0.150	109.640
Actual	2012	1.880	7.302	20.200	2.108	0.150	109.149
Forecast	2013	2.254	7.538	20.902	2.179	0.150	110.758
Forecast	2014	2.387	7.786	22.022	2.262	0.150	111.108
Forecast	2015	2.642	8.034	23.572	2.349	0.150	116.177

	t Fiscal	Calculated Fiscal Factor	Payroll Tax Millions	Legislation Millions
Actual	2002			
Actual	2003			
Actual	2004			
Actual	2005			
Actual	2006	1.330		
Actual	2007	1.384		
Actual	2008	1.334		
Actual	2009	1.473		
Actual	2010	1.180		
Actual	2011	1.230		
Actual	2012	1.282		
Forecast	2013	1.350	0.067	
Forecast	2014	1.350	0.176	
Forecast	2015	1.350	0.255	

Total Tax = (5%*(Total CY Liability)_(t-2) + 55%*(Total CY Liability)_(t-1) + 40%*(Total CY Liability)_t)
*Calculated Fiscal Factor + Refunds + Audit & P&I + Insure MT Credit + Bonus + Payroll +Legislation
GF Tax = Total Tax

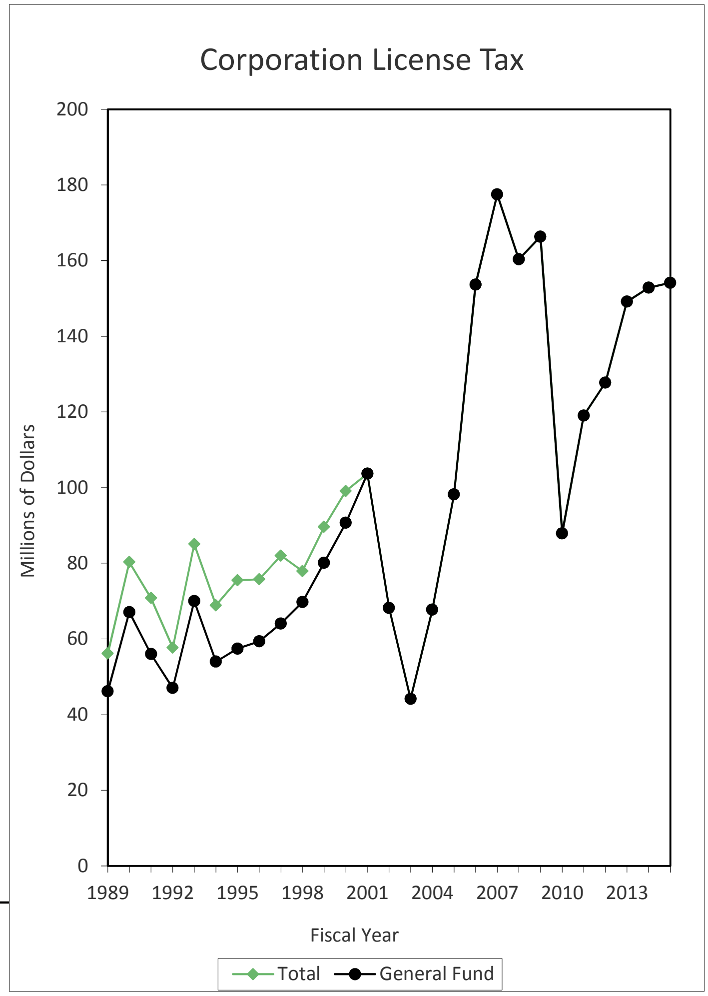
Legislative Fiscal Division

Revenue Estimate Profile

Corporation License Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	56.140	46.153	Not App.
A	1990	80.316	67.088	45.4%
A	1991	70.784	56.007	-16.5%
A	1992	57.683	47.028	-16.0%
A	1993	85.054	70.004	48.9%
A	1994	68.872	53.997	-22.9%
A	1995	75.520	57.425	6.4%
A	1996	75.762	59.337	3.3%
A	1997	81.999	64.079	8.0%
A	1998	77.928	69.725	8.8%
A	1999	89.625	80.142	14.9%
A	2000	99.089	90.683	13.2%
A	2001	103.670	103.670	14.3%
A	2002	68.173	68.173	-34.2%
A	2003	44.138	44.138	-35.3%
A	2004	67.723	67.723	53.4%
A	2005	98.214	98.214	45.0%
A	2006	153.675	153.675	56.5%
A	2007	177.504	177.504	15.5%
A	2008	160.342	160.342	-9.7%
A	2009	166.355	166.355	3.8%
A	2010	87.901	87.901	-47.2%
A	2011	119.044	119.044	35.4%
A	2012	127.771	127.771	7.3%
F	2013	149.158	149.158	16.7%
F	2014	152.832	152.832	2.5%
F	2015	154.149	154.149	0.9%



Data Source(s): SABHRS, IHS, Department of Revenue

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Revenue Description: A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays fees. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. If collected by the county treasurers, a portion is retained by the county. The estimates shown in this source are net of revenue retained by the counties. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, duplicate driver's licenses, and renewal notices. Between October 1, 1995 and October 1, 1999, one-half of the licenses issued for those between the ages of 21 and 67 were 4-year licenses and one-half were 8-year licenses. Drivers outside these age brackets were assigned driver's licenses with terms which depend on how many years the driver was less than 21 or less than 75 years old. Between October 1, 1999 and July 1, 2005, all licenses for those 21-67 years of age were valid for 8 years. With the enactment of House Bill 192 by the 2005 Legislature, commercial licenses are valid for 5 years.

Statutory Reference:

Tax Rates (MCA) – Duplicate license (61-5-114), all others (61-5-111(6))
Tax Distribution (MCA) – 61-5-121
Date Due – upon application

Applicable Tax Rate(s): Driver's license fees are:

- driver's license, except a commercial driver's license - $5.00 per year or fraction of a year
- motorcycle endorsement - $0.50 per year or fraction of a year
- commercial driver's licenses (includes the basic license fee of $5.00):
  - interstate - $10.00 per year or fraction of a year
  - intrastate - $8.50 per year or fraction of a year
- duplicate license - $10.00
- renewal notice - $0.50

Distribution: The distribution of license fee revenue varies by the type of license and who collects the fee. The table shows the current statutory distribution. Note: the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

Distribution of Driver's License Fees

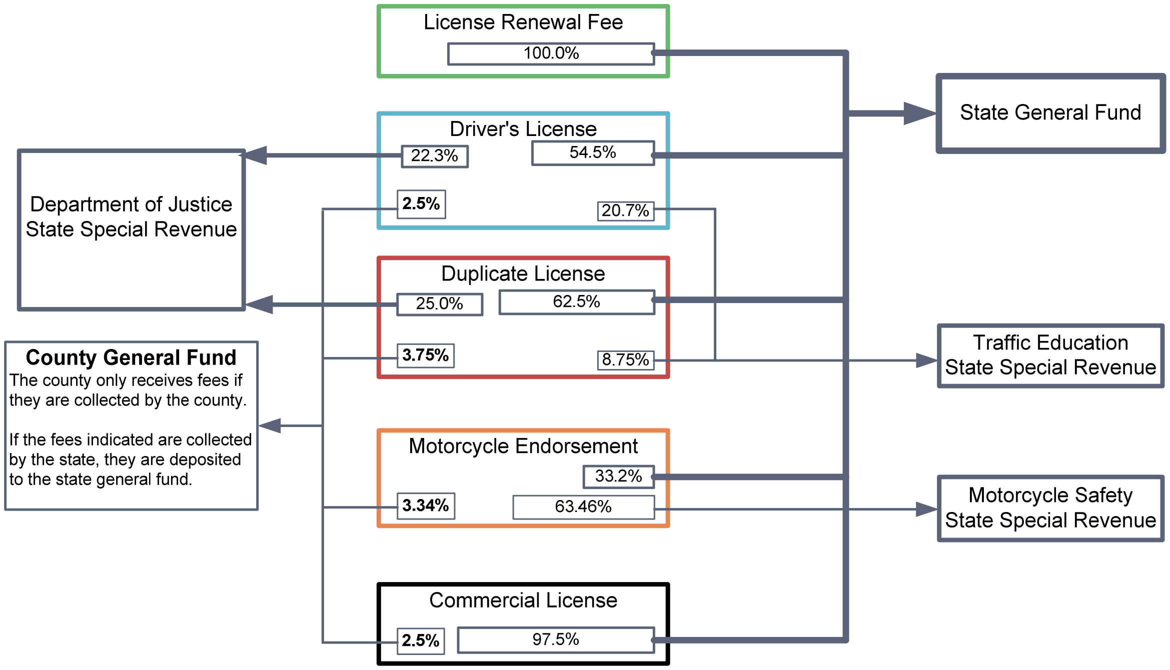
Allocation	Driver's License	Replacement License	Motorcycle Endorsement	Commercial Driver's License	Renewal Notice
County or State General Fund	2.5%	3.8%	3.3%	2.5%	0.0%
Motorcycle Safety Account	0.0%	0.0%	63.5%	0.0%	0.0%
Traffic Education Account	20.7%	8.8%	0.0%	16.5%	0.0%
State General Fund (remainder)	76.8%	87.5%	33.2%	80.6%	100.0%
Total	100.0%	100.0%	100.0%	99.6%	100.0%

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 0.22%	FY 2007 – 0.25%	FY 2010 – 0.26%
FY 2005 – 0.22%	FY 2008 – 0.20%	FY 2011 – 0.21%
FY 2006 – 0.22%	FY 2009 – 0.19%	FY 2012 – 0.23%

Revenue Estimate Methodology:

Deriving an estimate of driver's license revenue is a matter of determining an estimate for the number of each of the six various licenses/fees. Once determined, each number can be multiplied by the applicable fee and the resulting products added together to obtain the total revenue estimate. Since the number of licenses depends on the number of drivers, an estimate of the number of people in the driving age bracket is also used in determining the estimate. As the distribution chart above shows, a portion of the revenue is collected and retained at the county level. Therefore, these revenue estimates only show the state's portion.

Data

There are six different sources of revenue - five different driver's licenses and the renewal notice. The best source of data for the number of licenses and the renewal notice is contained in the history of revenue collections for each of these six items. This information is readily available from the state accounting system (SABHRS) which records revenue from each source separately. By knowing the actual revenue collected from a specific fee and the amount of the fee, the number of licenses can be calculated. To adjust for population, population estimates for Montana are used.

Analysis

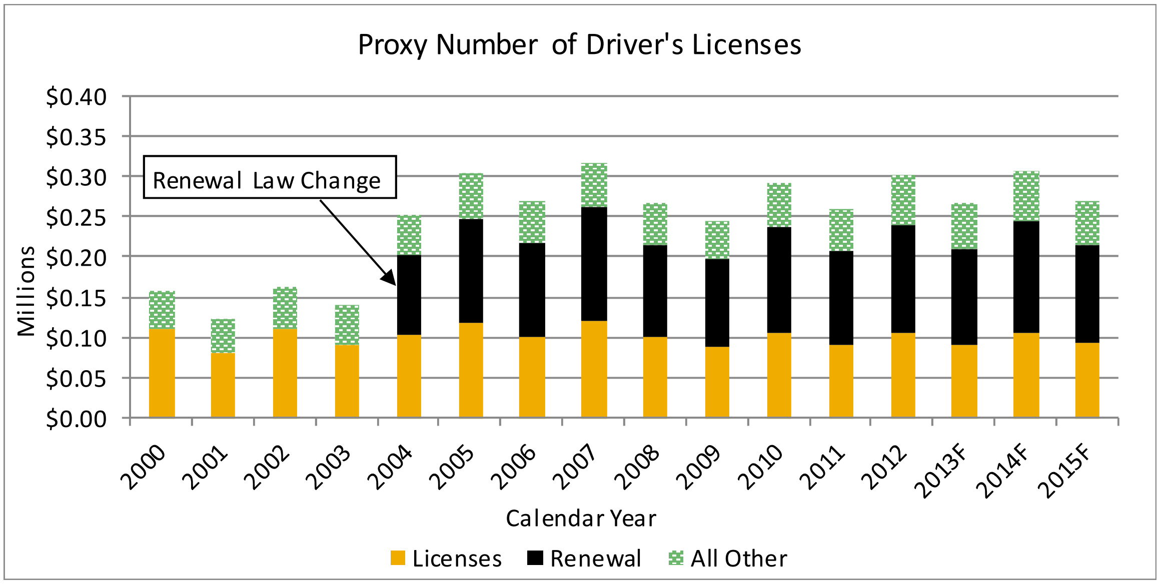
The methodology used to determine the number of each license/fee differs slightly:

1. The proxy numbers for driver's and motorcycle licenses are derived by multiplying the population estimate for those 16 years or older for each year by: a) for FY 2011 and FY 2013, the ratio between the number of licenses in FY 2009 and the population for the previous year; and b) for FY 2012, the ratio between the number of licenses in FY 2010 and the population for the previous year.
2. For duplicate licenses, the proxy number is derived by multiplying the number of driver's licenses by the previous year's ratio between the number of duplicates and drivers licenses. Because the driver's license proxy includes the

effects of population change, these effects are also included in the proxy for duplicate licenses.

3. The proxies for the number of interstate and intrastate licenses are the amounts from the last known fiscal year.
4. To approximate the number of renewal notices, the ratio between the previous years' number of notices to the proxy number of licenses is multiplied by the estimated number of licenses. Since the license proxy includes the effects of population change, these effects are also included in the proxy for renewal notices.
5. Based on historical percentages, amounts retained by the counties are calculated and subtracted from the total revenue to derive the state's portion.

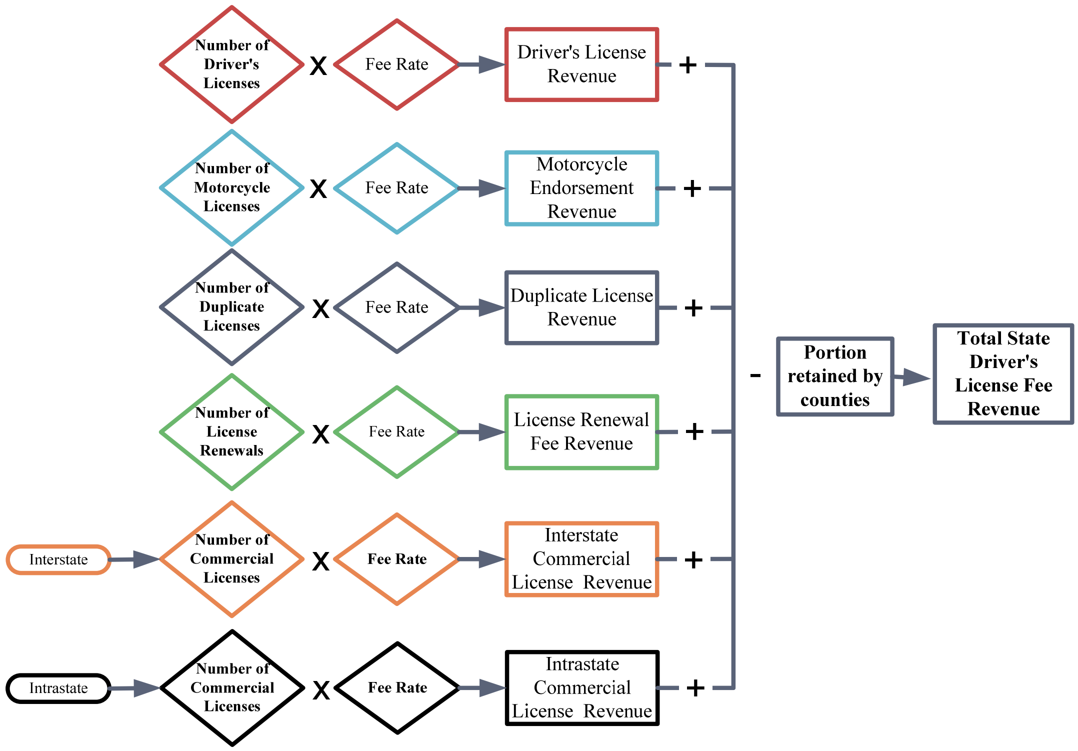
If necessary, adjustments are made; usually based on legislation enacted the previous legislative session. For example, the renewal notice was first authorized in October 2003 and, so, was in effect for 2/3 of FY 2004. Using FY 2003 actual collections required an adjustment to reflect a full year's revenue so future years could be estimated. Once the proxies for the numbers of various licenses are estimated, the revenue from each can be derived by multiplying the number by the applicable fee. The amount from each license is then summed and the portion retained by the counties subtracted.



<u>Adjustments and Distribution</u>

Once the proxy number for each license has been estimated, adjustments, if any, are made. After any adjustments, the applicable distribution percentage of the revenue for each license fee is applied (see the "Distribution" section).

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Revenue Estimate Assumptions:

	t Fiscal	Total Fee Millions	GF Fee Millions	GF Fee Licenses Millions	GF Fee Duplicates Millions	GF Fee Cycle Millions	GF Fee Commercial Millions	GF Fee Renewal Millions
Actual	2002	4.173	2.580	0.000	0.000	0.000	0.000	0.000
Actual	2003	3.421	2.119	0.000	0.000	0.000	0.000	0.000
Actual	2004	4.895	3.021	2.224	0.190	0.013	0.410	0.049
Actual	2005	5.562	3.373	2.557	0.216	0.016	0.401	0.064
Actual	2006	4.872	3.828	3.072	0.307	0.012	0.346	0.058
Actual	2007	5.747	4.609	3.654	0.282	0.017	0.439	0.071
Actual	2008	4.845	3.866	3.037	0.285	0.013	0.377	0.058
Actual	2009	4.326	3.478	2.778	0.288	0.012	0.314	0.054
Actual	2010	5.166	4.156	3.315	0.278	0.018	0.430	0.065
Actual	2011	4.614	3.711	2.808	0.285	0.014	0.515	0.058
Actual	2012	5.432	4.369	3.259	0.295	0.018	0.689	0.068
Forecast	2013	4.817	3.873	2.851	0.258	0.015	0.689	0.059
Forecast	2014	5.472	4.394	3.317	0.300	0.018	0.689	0.069
Forecast	2015	4.889	3.930	2.902	0.263	0.015	0.689	0.060

License Count Millions	t Fiscal	Proxy Licenses	Proxy Duplicates	Proxy Cycle	Proxy Interstate	Proxy Intrastate	Proxy Renewal
Actual	2002	0.108	0.029	0.010	0.011	0.003	0.000
Actual	2003	0.089	0.035	0.008	0.009	0.001	0.000
Actual	2004	0.102	0.030	0.010	0.010	0.001	0.099
Actual	2005	0.117	0.035	0.012	0.009	0.001	0.129
Actual	2006	0.100	0.035	0.009	0.008	0.001	0.116
Actual	2007	0.119	0.032	0.013	0.010	0.001	0.141
Actual	2008	0.099	0.033	0.010	0.008	0.001	0.116
Actual	2009	0.088	0.032	0.009	0.007	0.001	0.108
Actual	2010	0.105	0.031	0.012	0.009	0.001	0.130
Actual	2011	0.089	0.032	0.010	0.011	0.001	0.116
Actual	2012	0.104	0.033	0.013	0.015	0.002	0.136
Forecast	2013	0.091	0.029	0.010	0.015	0.002	0.119
Forecast	2014	0.106	0.033	0.013	0.015	0.002	0.138
Forecast	2015	0.092	0.029	0.011	0.015	0.002	0.121

Driver's License Fees

GF Fee Rate in $	t Fiscal	Proxy Licenses	Proxy Duplicates	Proxy Cycle	Proxy Interstate	Proxy Intrastate	Proxy Renewal
Actual	2002						
Actual	2003						
Actual	2004	21.80	6.25	1.33	39.00	27.30	0.50
Actual	2005	21.80	6.25	1.33	39.00	27.30	0.50
Actual	2006	30.72	8.75	1.33	40.28	34.24	0.50
Actual	2007	30.72	8.75	1.33	40.28	34.24	0.50
Actual	2008	30.72	8.75	1.33	40.28	34.24	0.50
Actual	2009	31.42	9.01	1.42	41.16	34.98	0.50
Actual	2010	31.42	9.01	1.42	41.16	34.98	0.50
Actual	2011	31.42	9.01	1.42	41.16	34.98	0.50
Actual	2012	31.42	9.01	1.42	41.16	34.98	0.50
Forecast	2013	31.42	9.01	1.42	41.16	34.98	0.50
Forecast	2014	31.42	9.01	1.42	41.16	34.98	0.50
Forecast	2015	31.42	9.01	1.42	41.16	34.98	0.50

Total Fee Rate in $	t Fiscal	Proxy Licenses	Proxy Duplicates	Proxy Cycle	Proxy Interstate	Proxy Intrastate	Proxy Renewal
Actual	2002	32.00	5.00	4.00	40.00	28.00	0.00
Actual	2003	32.00	5.00	4.00	40.00	28.00	0.00
Actual	2004	40.00	10.00	4.00	40.00	28.00	0.50
Actual	2005	40.00	10.00	4.00	40.00	28.00	0.50
Actual	2006	40.00	10.00	4.00	50.00	42.50	0.50
Actual	2007	40.00	10.00	4.00	50.00	42.50	0.50
Actual	2008	40.00	10.00	4.00	50.00	42.50	0.50
Actual	2009	40.00	10.00	4.00	50.00	42.50	0.50
Actual	2010	40.00	10.00	4.00	50.00	42.50	0.50
Actual	2011	40.00	10.00	4.00	50.00	42.50	0.50
Actual	2012	40.00	10.00	4.00	50.00	42.50	0.50
Forecast	2013	40.00	10.00	4.00	50.00	42.50	0.50
Forecast	2014	40.00	10.00	4.00	50.00	42.50	0.50
Forecast	2015	40.00	10.00	4.00	50.00	42.50	0.50

Total Fee = Licenses × Fee + Duplicates × Fee + Cycle × Fee + Interstate × Fee + Intrastate × Fee + Renewal × Fee

GF Fee = Licenses × GF Fee + Duplicates × GF Fee + Cycle × GF Fee + Interstate × GF Fee + Intrastate × GF Fee + Renewal × GF Fee

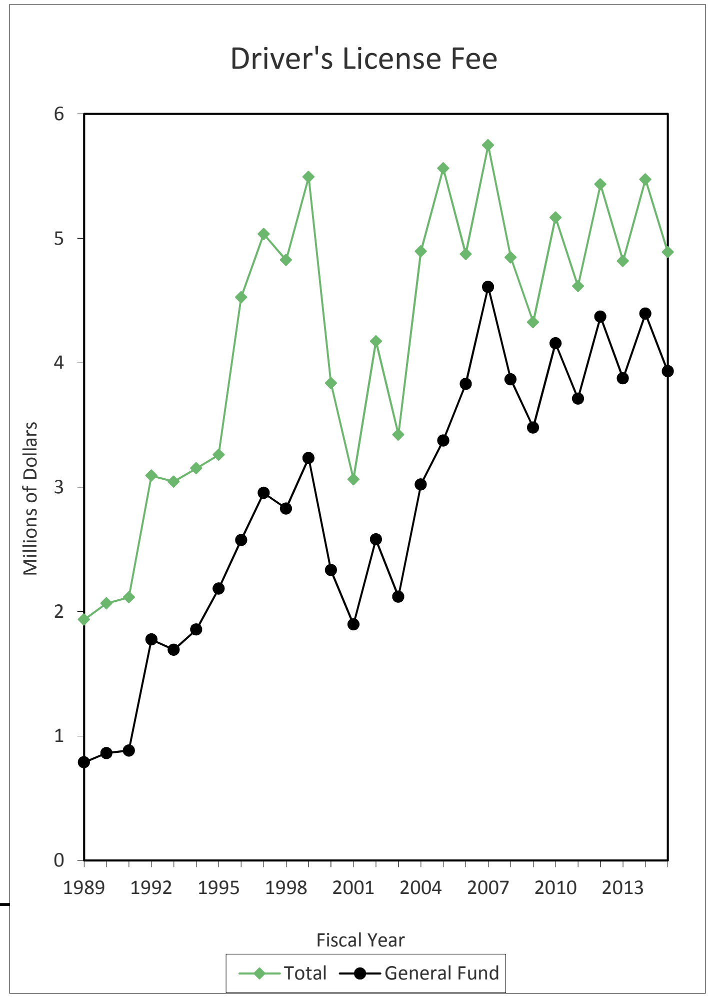
Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	1.934	0.788	Not App.
A	1990	2.066	0.863	9.5%
A	1991	2.115	0.883	2.3%
A	1992	3.092	1.776	101.2%
A	1993	3.044	1.693	-4.7%
A	1994	3.151	1.855	9.6%
A	1995	3.260	2.184	17.7%
A	1996	4.525	2.574	17.9%
A	1997	5.034	2.954	14.7%
A	1998	4.824	2.828	-4.3%
A	1999	5.492	3.234	14.4%
A	2000	3.836	2.333	-27.9%
A	2001	3.063	1.896	-18.8%
A	2002	4.173	2.580	36.1%
A	2003	3.421	2.119	-17.9%
A	2004	4.895	3.021	42.6%
A	2005	5.562	3.373	11.6%
A	2006	4.872	3.828	13.5%
A	2007	5.747	4.609	20.4%
A	2008	4.845	3.866	-16.1%
A	2009	4.326	3.478	-10.0%
A	2010	5.166	4.156	19.5%
A	2011	4.614	3.711	-10.7%
A	2012	5.432	4.369	17.7%
F	2013	4.817	3.873	-11.4%
F	2014	5.472	4.394	13.5%
F	2015	4.889	3.930	-10.6%



Data Source(s): SABHRS, Department of Administration, County Treasurer Offices

Contacts: Department of Justice

Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Revenue Description: Since 1980, revenues from inheritance taxes have fluctuated because of federal and state law changes, changes in wealth, changes in the death rate of the population, accounting procedures, and the processing of large estates. Due to passage of Legislative Referendum 116 by the electorate in November 2000, the state inheritance tax was repealed. The tax had been imposed on the transfer of any decedent's property, interest in property, or income from property within the state, to any other person or corporation except a surviving spouse, child or lineal descendant, stepchild, or governmental or charitable organization. Although the referendum was effective immediately, it applied to deaths occurring after December 31, 2000. Thus, inheritance tax revenue will continue to produce revenue, but the amount of revenue will decrease each year. In addition to the inheritance tax, the state receives a credit from the federal estate tax based on the value of Montana property transferred to estates at the time of death. The Montana estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Congress passed the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) which scheduled a step down approach to the repeal of the federal estate tax. Provisions of the act included the elimination of the state estate tax credit, the source of Montana’s estate tax revenue. The estate tax credit of those who died in 2002, 2003, and 2004 was reduced by 25% per each year until 2005 when the credit equaled zero. Many years may pass before the time that estates are finally settled and the taxes of the estates are paid, and estate tax revenues collected by the state are expected to become insignificant.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reinstated federal estate taxes for 2011 and 2012, but did not reinstate the state estate tax credit. For these years, the federal estate tax exemption will be $5 million and the estate tax rate for estates valued over this amount will be 35%; however, because the state credit was not continued, Montana will not receive any increase in revenues.

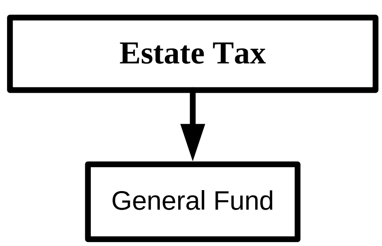
Statutory Reference:

Tax Rate (MCA) – 72-16-905
Tax Distribution (MCA) – 17-2-124(2), 72-16-1003
Date Due – 18 months after death (72-16-909)

Applicable Tax Rate(s): The estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Distribution: All proceeds are deposited into the general fund.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 0.83%	FY 2007 – 0.05%	FY 2010 – 0.01%
FY 2005 – 0.27%	FY 2008 – 0.01%	FY 2011 – 0.00%
FY 2006 – 0.10%	FY 2009 – 0.01%	FY 2012 – 0.00%

Revenue Estimate Methodology:

Changes to the Federal Estate Tax

The provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) were designed to be temporary unless Congress took action to extend the tax revisions. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 reinstated federal estate taxes for 2011 and 2012, but did not reinstate the state estate tax credit. For these years, the federal estate tax exemption will be $5 million and the estate tax rate for estates valued over this amount will be 35%; however, because the state credit was not continued, Montana will not receive any increase in revenues.

Data

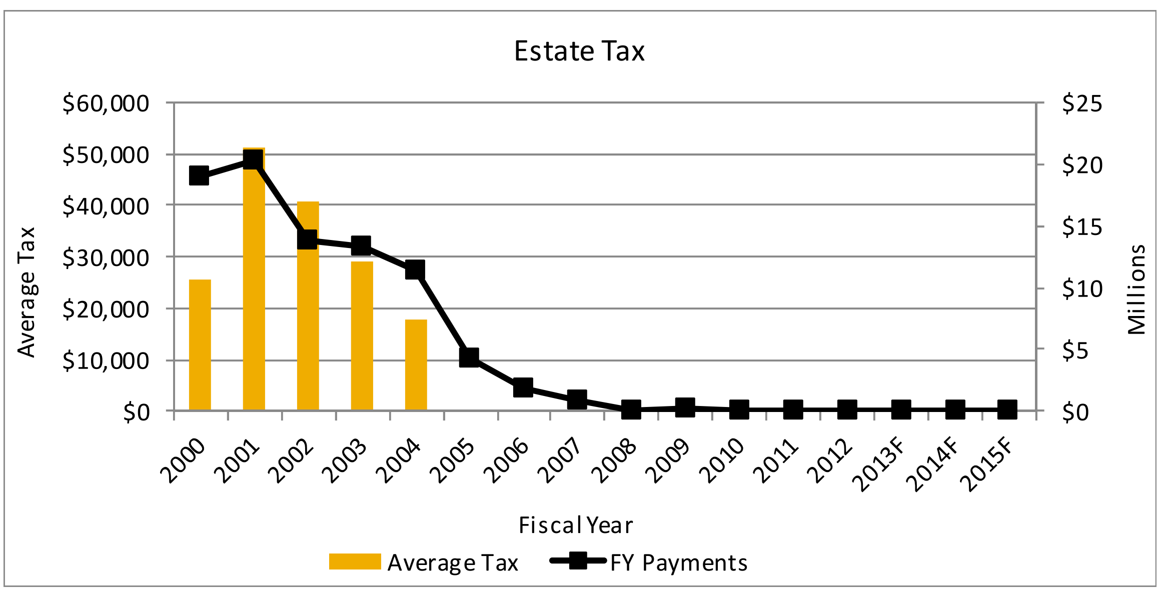
To create the estate tax projection, data are supplied by the Department of Revenue (DOR) and the state accounting system (SABHRS). The DOR provides the details of fiscal year tax filers on individual estates. SABHRS data provides aggregate historic collections of the estate tax.

To prepare fiscal year data from DOR for analysis, several steps must occur. First, the data is separated based on the individual's year of death. This is a necessary step because the estate tax laws are imposed based on the year of death. Next, all new and prior year data is combined by year of death, and that data is sorted based on total tax payment. For the estate tax analysis, the tax filers who do not owe estate tax are ignored.

Analysis

Because the state credit to the federal estate tax was effectively eliminated in 2005, no recent data exists and the estimates are based on data from 2002, the year that most closely mirrored the pre-EGTRRA tax provisions. The Tax Relief Act of 2010 changed the exemptions on the decedent's taxable estate value to be $5 million and the top tax rate for taxable estates will be 35%.

Future collections of the estate tax are developed with a complex system of averaging. First, a ratio of taxpayers to deaths is created. The product of that ratio is then adjusted in recognition of the changes in the laws governing the "death" taxes. Next, the average tax paid by taxpayer is calculated. When those quantities are multiplied, the result is the expected estate taxes for the given year of death. The figure above shows the number of taxpayers and the average tax as calculated with this methodology.



Finally, payments of the estate tax are distributed across the years based on federal tax provisions which require the estate tax to be filed within 9 months of death. A six month extension is available on the taxpayers request, however the Internal Revenue Service requires the requesting estates to estimate the tax due and pay the estimated amount.

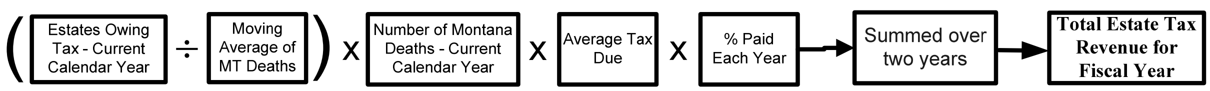
Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Due to the Tax Relief Act of 2010 exclusion of the state tax credit provisions of the federal estate tax, no estate tax estimate has been included for the 2013 biennium.

Forecast Methodology:



Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Annual Growth
Actual	2002	13.816	13.816	-31.9%
Actual	2003	13.306	13.306	-3.7%
Actual	2004	11.431	11.431	-14.1%
Actual	2005	4.191	4.191	-63.3%
Actual	2006	1.773	1.773	-57.7%
Actual	2007	0.839	0.839	-52.7%
Actual	2008	0.122	0.122	-85.4%
Actual	2009	0.217	0.217	77.7%
Actual	2010	0.091	0.091	-58.3%
Actual	2011	0.043	0.043	-52.3%
Actual	2012	0.060	0.060	38.3%
Forecast	2013	0.000	0.000	-100.0%
Forecast	2014	0.000	0.000	0.0%
Forecast	2015	0.000	0.000	0.0%

Total Tax = Previous Fiscal Total Tax × (1 + Annual Growth)
GF Tax = Total Tax

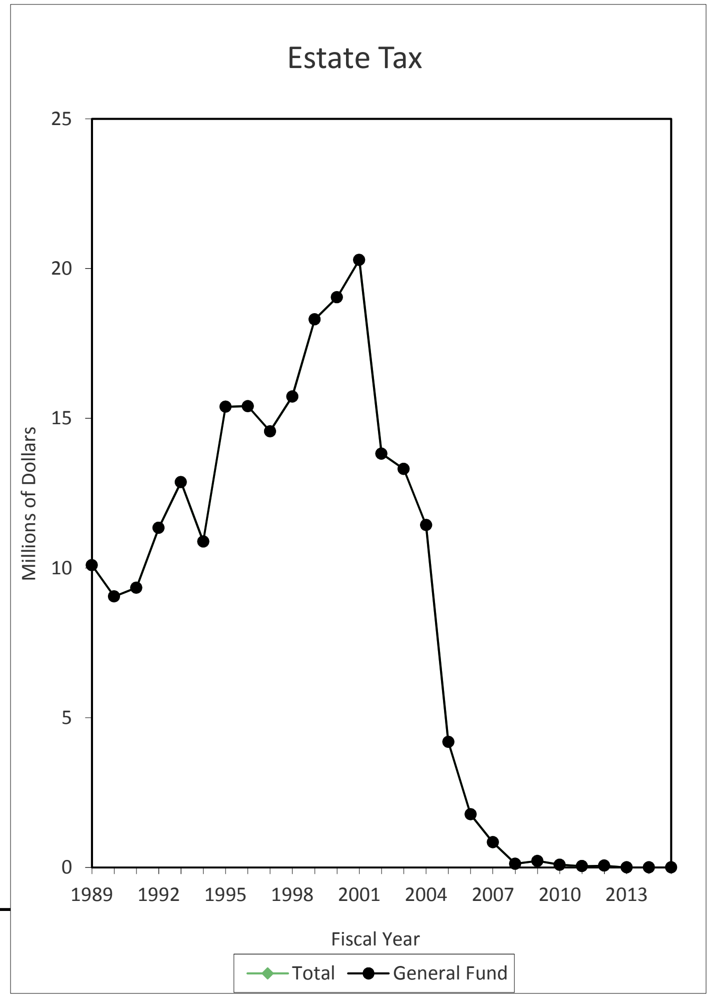
Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	10.092	10.092	Not App.
A	1990	9.049	9.049	-10.3%
A	1991	9.340	9.340	3.2%
A	1992	11.338	11.338	21.4%
A	1993	12.869	12.869	13.5%
A	1994	10.886	10.886	-15.4%
A	1995	15.382	15.382	41.3%
A	1996	15.404	15.404	0.1%
A	1997	14.562	14.562	-5.5%
A	1998	15.727	15.727	8.0%
A	1999	18.302	18.302	16.4%
A	2000	19.039	19.039	4.0%
A	2001	20.286	20.286	6.6%
A	2002	13.816	13.816	-31.9%
A	2003	13.306	13.306	-3.7%
A	2004	11.431	11.431	-14.1%
A	2005	4.191	4.191	-63.3%
A	2006	1.773	1.773	-57.7%
A	2007	0.839	0.839	-52.7%
A	2008	0.122	0.122	-85.4%
A	2009	0.217	0.217	77.7%
A	2010	0.091	0.091	-58.3%
A	2011	0.043	0.043	-52.3%
A	2012	0.060	0.060	38.4%
F	2013	0.000	0.000	-100.0%
F	2014	0.000	0.000	Not App.
F	2015	0.000	0.000	Not App.



Data Source(s): SABHRS

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Description: The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

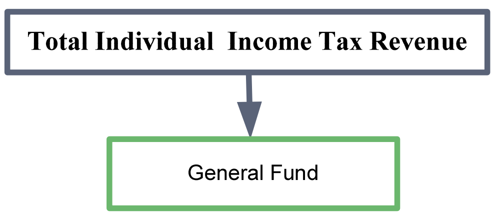
Statutory Reference:

Tax Rate (MCA) – 15-30-2103, 15-30-2104, 15-30-2105
Tax Distribution (MCA) – 17-2-124(2)
Date Due – 15th day of the fourth month of the filer's fiscal year (15-30-2604). Withholding taxes are due monthly, quarterly, or on an accelerated schedule depending on income (15-30-2504). Estimated taxes are due on the 15th day of the 4th, 6th, and 9th month and the month following the close of the tax year.

Applicable Tax Rate(s): Tax rates vary from 1.0% to 6.9%, depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted for inflation each year. SB 407, enacted by the 2003 Legislature, created a new capital gains income tax credit. As a result, the tax rate on capital gains income was less than the tax rate on ordinary income by 1% in tax years 2005 and 2006, and by 2% in tax year 2007 and beyond.

Distribution: All proceeds are deposited into the general fund.

Distribution Chart:



Collection Frequency: Withholding and estimated taxes are collected monthly, bi-weekly, and weekly.

% of Total General Fund Revenue:

FY 2004 – 43.82%	FY 2007 – 45.04%	FY 2010 – 44.12%
FY 2005 – 46.13%	FY 2008 – 44.17%	FY 2011 – 45.78%
FY 2006 – 45.01%	FY 2009 – 45.09%	FY 2012 – 48.04%

Revenue Estimate Methodology:

Data

There are three kinds of data required to make forecasts of individual income tax revenue: historical individual income tax return data; state and national historical data on income, inflation, employment, and other economic variables; and forecasts of economic activity that determine income and deductions.

Actual individual income tax return data is supplied annually by the Department of Revenue (DOR). This data is usually available in November and is for the prior tax year. It includes line-by-line tax return information for each state income taxpayer (except those that have been removed because of the existence of certain federal information).

The historical information on type of income, inflation rates, employment and other economic variables is available from individual income tax returns, Bureau of Economic Analysis, Bureau of Labor Statistics, IHS and MA.

IHS provides forecasts of a wide variety of state and national economic variables that are used to assess overall state and national economic activity. These data are used to produce future growth rates for each income and deduction item, as explained in the methodology section below.

Individual Income Tax

Analysis

An individual income tax simulation model is used to forecast Montana calendar year individual income tax liability for all residents. These forecasts are converted to fiscal year liability and are adjusted for audits, legislative impacts and one-time events. The model includes the effects of SB 407, which changed the individual income tax system in Montana and was passed by the 2003 legislature. This legislation collapsed 10 tax brackets with a top tax rate of 11% into a system of 7 tax brackets with a top rate of 6.9%, and limited the deductibility of federal taxes paid to $5,000 for single taxpayers and $10,000 for married taxpayers.

The calendar year state tax liability forecast is developed by applying growth rates to each resident taxpayer's income and deduction items. The latest year for which tax return data is available is tax year 2011; therefore, growth rates must be formulated for tax years 2012 through 2015 and applied to each taxpayer's 2011 tax return data. The result is a forecast of calendar year state individual income tax liability for each resident, the sum of which produces a statewide forecast of individual income tax liability for each year.

The statewide forecast of resident liability is multiplied by an all-filers percentage to include the tax liability for nonresidents and partial-year residents. In tax year 2011, the tax liability of nonresidents and part-time residents amounted to 7.3% of resident filers' liability. Next, the all-filers calendar year tax liability is adjusted by the expected growth in the number of taxpayers. This results in a forecast of total calendar year individual income tax liability before credits. An estimate of allowable credits is deducted, producing a calendar year individual income tax liability for each future year.

Fiscal Year Conversion

The calendar year liabilities are converted to fiscal year liabilities by summing 50% of the prior calendar year's liability with 50% of the current calendar year tax liability.

Audits and Other Assumptions

After fiscal year liabilities are determined, growth rates between fiscal years are calculated; these growth rates are applied to the base year (FY 2012) collections of individual income tax to produce forecasted collections before audits and other adjustments. Projected audit revenue and any other adjustments are added in, resulting in total fiscal year collections. The table below summarizes these assumptions:

Audit and Other Assumptions (Millions)

	Fiscal Year		
	2013	2014	2015
Audits, Penalties and Interest	$36.049	$36.734	$37.245
Legislation Impacts	(2.064)	(1.473)	(1.033)
Insure Montana Credit	2.500	2.500	2.500
Bonus Depreciation	0.713	0.529	0.418
Federal PPACA	0.750	0.085	0.856

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Growth Rates

The table below contains the growth rates used to forecast calendar years 2010 through 2013 individual income and deduction items:

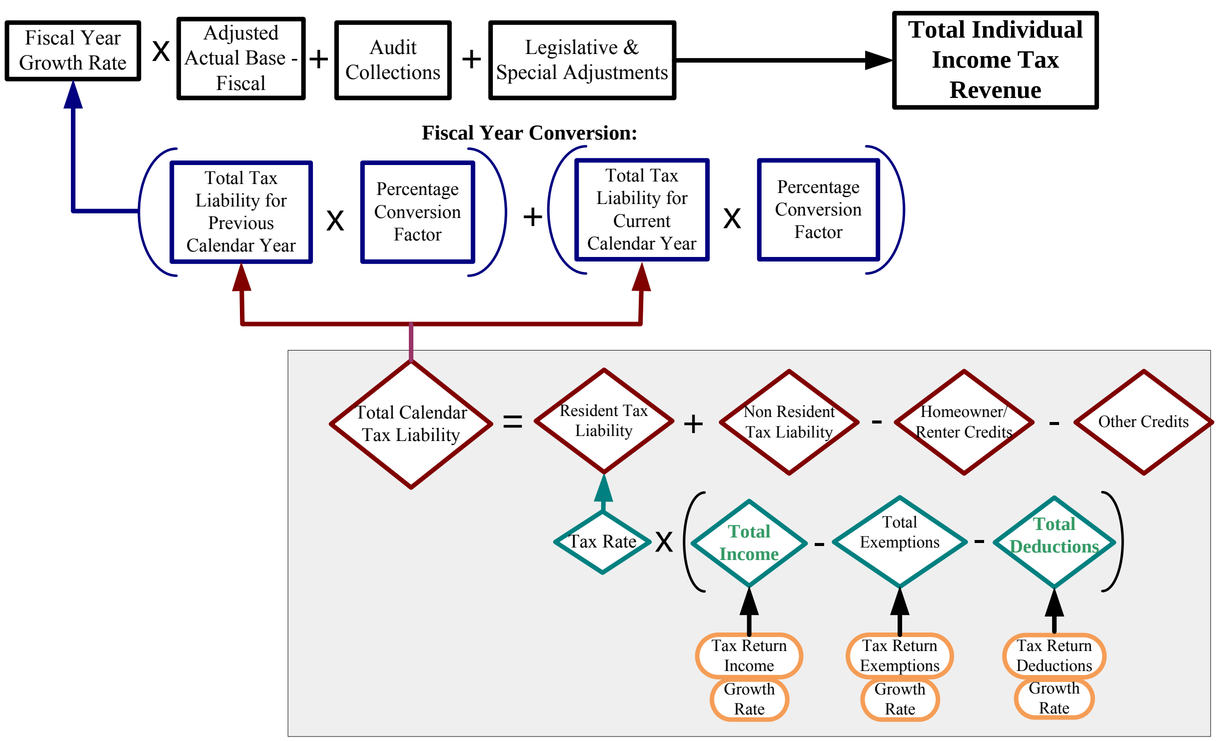
Income Tax Growth Rates 2012 - 2015				
	Calendar Year			
	2012	2013	2014	2015
Full Year Resident Returns (Annual)	0.6%	1.4%	1.4%	1.5%
Full Year Resident Returns (Cumulative)	100.6%	102.0%	103.4%	105.0%
Inflation State	1.7%	1.3%	1.8%	1.6%
Inflation Federal	2.4%	2.6%	1.4%	1.7%
INCOME:				
Wages and salaries	4.6%	4.0%	4.5%	5.0%
Interest income	-1.2%	0.0%	4.0%	7.4%
Dividend income	1.7%	12.8%	6.4%	-1.4%
Taxable refunds	0.0%	0.0%	0.0%	0.0%
Alimony received	3.4%	3.4%	3.4%	3.4%
Net business income	4.8%	9.3%	-2.4%	1.7%
Capital gains	26.6%	-5.8%	-2.1%	13.2%
Supplemental gains	12.9%	5.4%	10.7%	5.0%
IRA distributions	15.4%	15.5%	14.3%	12.4%
Taxable pensions	6.7%	7.4%	7.8%	7.8%
Rents, royalties, etc.	3.3%	1.9%	7.4%	2.8%
Farm income	-26.5%	80.2%	26.2%	5.8%
Unemployment compensation	0.0%	0.0%	0.0%	0.0%
Taxable soc. sec.	3.2%	4.3%	8.1%	7.3%
Other income	0.0%	0.0%	0.0%	0.0%
ADJUSTMENTS:				
Educator expenses	0.0%	0.0%	0.0%	0.0%
Business expenses	0.0%	0.0%	0.0%	0.0%
Health SA deduction	11.0%	10.0%	9.0%	8.0%
Moving expenses	0.0%	0.0%	0.0%	0.0%
One-half self-employment tax	0.0%	0.0%	0.0%	0.0%
Self-employed SEP, SIMPLE, and qual. plans	0.0%	0.0%	0.0%	0.0%
Self-employed health insurance deduction	0.0%	0.0%	0.0%	0.0%
Penalty on early withdrawl of savings	0.0%	0.0%	0.0%	0.0%
Alimony paid	3.4%	3.4%	3.4%	3.4%
IRA deduction	-1.7%	-1.7%	-1.7%	-1.7%
Student loan interest deduction	5.0%	5.0%	5.0%	5.0%
Tuition and fees	0.0%	0.0%	0.0%	0.0%
Domestic production activites deduction	0.0%	0.0%	0.0%	0.0%
Federal write ins	0.0%	0.0%	0.0%	0.0%
Federal write-in adjustments	0.0%	0.0%	0.0%	0.0%
ADDITIONS:				
Interest on local govt. bonds	15.2%	-2.3%	-7.2%	-10.6%
Dividends not included in FAGI	0.0%	0.0%	0.0%	0.0%
Recoveries of amounts deducted in earlier years	0.0%	0.0%	0.0%	0.0%
Additions to federal taxable social security or railroad retirement	4.1%	4.1%	4.1%	4.1%
Allocation of compensation to spouse	0.0%	0.0%	0.0%	0.0%
Medical savings account nonqualified withdrawls	0.0%	0.0%	0.0%	0.0%
First-time homebuyer's account nonqualified withdrawls	0.0%	0.0%	0.0%	0.0%
Farm and ranch risk management account taxable distributions	0.0%	0.0%	0.0%	0.0%
Dependent care assistance credit adjustment	0.0%	0.0%	0.0%	0.0%
Smaller federal estate and trust taxable distributions	-75.0%	0.0%	0.0%	0.0%
Federal net operating loss carryover	0.0%	0.0%	0.0%	0.0%
Federal taxes paid by your S. corporation	0.0%	0.0%	0.0%	0.0%
Title plant depreciation	0.0%	0.0%	0.0%	0.0%
Premiums for Insure MT SB health	14.1%	14.1%	14.1%	14.1%
Other additions	19.6%	19.6%	19.6%	19.6%

Income Tax Growth Rates 2012 - 2015 (Continued)				
	Calendar Year			
	2012	2013	2014	2015
REDUCTIONS:				
Exclusion for savings bonds	-25.0%	15.5%	14.2%	21.9%
Exempt tribal income	18.9%	18.9%	18.9%	18.9%
Unemployment income	0.0%	0.0%	0.0%	0.0%
Exempt worker's comp benefits	0.0%	0.0%	0.0%	0.0%
Capital gains from small business investment companies	0.0%	0.0%	0.0%	0.0%
State tax refunds included in federal AGI	0.0%	0.0%	0.0%	0.0%
Recoveries of amounts deducted in earlier years	0.0%	0.0%	0.0%	0.0%
Exempt active duty military salary	4.3%	4.3%	4.3%	4.3%
Nonresident exempt military income	16.8%	16.8%	16.8%	16.8%
Exempt life insurance premiums reimbursement (National Gu	0.0%	0.0%	0.0%	0.0%
Exempt retirement disability income (under age 65)	0.0%	0.0%	0.0%	0.0%
Exempt tip income	10.4%	10.4%	10.4%	10.4%
Exempt income of child taxed to parent	0.0%	0.0%	0.0%	0.0%
Exempt health insurance premiums taxed to employee	0.0%	0.0%	0.0%	0.0%
Health Care Prof. Loan Pmt Excl	0.0%	0.0%	0.0%	0.0%
Medical savings account excl.	4.9%	4.9%	4.9%	4.9%
First-time homebuyers acct. excl.	0.0%	0.0%	0.0%	0.0%
Family education account excl.	2.5%	2.5%	2.5%	2.5%
Farm risk management account	0.0%	0.0%	0.0%	0.0%
Subtraction to federal taxable social security/Tier 1 railroad re	11.4%	11.4%	11.4%	11.4%
Subtraction for federal taxable Tier II railroad retirement	4.5%	4.5%	4.5%	4.5%
Subtraction for spouse filing joint return: passive loss carryov	0.0%	0.0%	0.0%	0.0%
Subtraction for spouse filing joint return: capital loss adjustm	2.1%	2.1%	2.1%	2.1%
Allocation of compensation to spouse	-4.2%	-4.2%	-4.2%	-4.2%
Montana net operation loss carryover	18.1%	18.1%	18.1%	18.1%
40% capital gain exclusion (Montana)	0.0%	0.0%	0.0%	0.0%
Business expense of recycled material	30.0%	30.0%	30.0%	30.0%
Sales of land to beginning farmers	0.0%	0.0%	0.0%	0.0%
Larger federal estate and trust taxable distributions	0.0%	0.0%	0.0%	0.0%
Wage deduction reduced by federal targeted jobs credit	0.0%	0.0%	0.0%	0.0%
Certain gains recognized by liquidating corporation	0.0%	0.0%	0.0%	0.0%
Other subtractions	7.6%	7.6%	7.6%	7.6%
TAX ITEMS:				
Montana tax withheld	4.6%	4.0%	4.5%	5.0%
Payments of estimated tax	8.8%	3.7%	5.5%	6.7%
ITEMIZED DEDUCTIONS:				
Deductible medical expenses	4.1%	4.1%	4.1%	4.1%
Medical insurance premiums	5.4%	5.4%	5.4%	5.4%
Long-term care insurance premiums	9.4%	9.4%	9.4%	9.4%
Real estate taxes	5.2%	5.2%	5.2%	5.2%
Personal property taxes	1.2%	1.2%	1.2%	1.2%
Local income taxes	0.0%	0.0%	0.0%	0.0%
Other deductible taxes	3.3%	3.3%	3.3%	3.3%
Home mortgage interest	3.6%	3.6%	3.6%	3.6%
NR Home mortgage interest	5.4%	5.4%	5.4%	5.4%
Home mortgage interest points	0.0%	0.0%	0.0%	0.0%
Home mortgage interest premiums	0.0%	0.0%	0.0%	0.0%
Deductible investment interest	2.3%	2.3%	2.3%	2.3%
Contributions by cash or check	7.7%	7.7%	7.7%	7.7%
Contributions other than cash or check	-2.3%	-2.3%	-2.3%	-2.3%
Contributions carryover	10.5%	10.5%	10.5%	10.5%
Child/dependent care expenses	0.1%	0.1%	0.1%	0.1%
Casualty and theft losses	-40.0%	0.0%	0.0%	0.0%
Tier I - Miscellaneous	4.7%	4.7%	4.7%	4.7%
Tier II - Miscellaneous	0.0%	0.0%	0.0%	0.0%
Political Contributions	0.0%	0.0%	0.0%	0.0%
Gambling Losses	10.3%	10.3%	10.3%	10.3%

The forecast of individual income tax collections is shown in the table below:

Income Tax Forecast (Millions)		
Fiscal Year	Amount	Change
2013	$ 983.666	9.4%
2014	$ 1,031.319	4.8%
2015	$ 1,092.205	5.9%

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Legislation Millions	Depreciation Bonus Millions	Insure MT Adjustement Millions	PPACA Adjustement Millions
Actual	2002	517.568	517.568	0.000	0.000	0.000	0.000
Actual	2003	535.831	535.831	0.000	0.000	0.000	0.000
Actual	2004	605.582	605.348	0.000	0.000	0.000	0.000
Actual	2005	707.343	706.235	0.000	0.000	0.000	0.000
Actual	2006	768.922	768.922	0.000	0.000	0.000	0.000
Actual	2007	827.145	827.145	0.000	0.000	0.000	0.000
Actual	2008	866.659	866.659	0.000	0.000	0.000	0.000
Actual	2009	815.138	815.138	0.000	0.000	0.000	0.000
Actual	2010	717.834	717.834	0.000	0.000	0.000	0.000
Actual	2011	816.090	816.090	0.000	0.000	0.000	0.000
Actual	2012	898.851	898.851	0.000	0.713	0.000	0.750
Forecast	2013	983.667	983.667	-2.064	0.529	2.500	0.085
Forecast	2014	1031.320	1031.320	-1.473	0.418	2.500	0.856
Forecast	2015	1092.206	1092.206	-1.033	0.274	2.500	0.565

	t Fiscal	Total Tax Percent	GF Tax Percent	Legislation Percent	Depreciation Bonus Percent	Insure MT Adjustement Percent	PPACA Adjustements Percent
Actual	2002	-6.9%	-6.9%	NA	NA	NA	NA
Actual	2003	3.5%	3.5%	NA	NA	NA	NA
Actual	2004	13.0%	13.0%	NA	NA	NA	NA
Actual	2005	16.8%	16.7%	NA	NA	NA	NA
Actual	2006	8.7%	8.9%	NA	NA	NA	NA
Actual	2007	7.6%	7.6%	NA	NA	NA	NA
Actual	2008	4.8%	4.8%	NA	NA	NA	NA
Actual	2009	-5.9%	-5.9%	NA	NA	NA	NA
Actual	2010	-11.9%	-11.9%	NA	NA	NA	NA
Actual	2011	13.7%	13.7%	NA	NA	NA	NA
Actual	2012	10.1%	10.1%	NA	NA	NA	NA
Forecast	2013	9.4%	9.4%	NA	NA	NA	NA
Forecast	2014	4.8%	4.8%	NA	NA	NA	NA
Forecast	2015	5.9%	5.9%	NA	NA	NA	NA

	t Fiscal	Total Liability Millions	Total Liability Percent	Collections less Audits & Adjus Millions	Collections less Audits & Adjus Percent	Audits & P&I & Amend Millions	Audits & P&I & Amend Percent
Actual	2002	496.596	-3.0%	495.756	-9.1%	21.812	107.7%
Actual	2003	518.493	4.4%	512.204	3.3%	23.627	8.3%
Actual	2004	584.732	12.8%	575.660	12.4%	29.922	26.6%
Actual	2005	646.513	10.6%	670.103	16.4%	37.240	24.5%
Actual	2006	700.957	8.4%	746.179	11.4%	22.744	-38.9%
Actual	2007	760.264	8.5%	801.670	7.4%	25.475	12.0%
Actual	2008	774.578	1.9%	836.022	4.3%	30.637	20.3%
Actual	2009	720.909	-6.9%	780.395	-6.7%	34.743	13.4%
Actual	2010	706.177	-2.0%	682.541	-12.5%	35.293	1.6%
Actual	2011	759.198	7.5%	782.622	14.7%	33.468	-5.2%
Actual	2012	809.274	6.6%	870.544	11.2%	28.307	-15.4%
Forecast	2013	852.787	5.4%	947.182	8.8%	36.049	27.3%
Forecast	2014	894.542	4.9%	993.558	4.9%	36.734	1.9%
Forecast	2015	948.504	6.0%	1,053.494	6.0%	37.245	1.4%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t Cal	Resident Liability Millions	Population Adjustment Percent	Homeowner Credit Millions	All Other Credits Millions	All Filers Multiplier Percent	All Filers Liability Millions
Actual	2002	494.216	100.0%	11.049	18.955	106.3%	495.118
Actual	2003	538.246	100.0%	11.889	21.119	106.8%	541.868
Actual	2004	620.965	100.0%	12.193	26.462	107.3%	627.595
Actual	2005	652.487	100.0%	11.580	31.606	108.6%	665.431
Actual	2006	731.493	100.0%	10.726	41.553	107.8%	736.482
Actual	2007	771.627	100.0%	9.811	38.111	107.8%	784.046
Actual	2008	741.689	100.0%	10.396	38.219	109.7%	765.110
Actual	2009	687.751	100.0%	10.316	37.626	105.4%	676.708
Actual	2010	739.846	100.0%	11.355	43.461	106.8%	735.647
Actual	2011	776.522	100.0%	10.786	35.901	106.8%	782.748
Forecast	2012	825.674	100.6%	10.786	46.422	107.3%	835.799
Forecast	2013	847.787	102.0%	10.786	48.212	107.3%	869.776
Forecast	2014	882.904	103.4%	10.786	51.053	107.3%	919.308
Forecast	2015	924.644	105.0%	10.786	54.430	107.3%	977.701

	t Cal	Resident Liability Percent	Population Adjustment Percent	Homeowner Credit Percent	All Other Credits Percent	All Filers Multiplier Percent	All Filers Liability Percent
Actual	2002	-0.8%	0.0%	15.8%	-19.9%	-0.3%	-0.6%
Actual	2003	8.9%	0.0%	7.6%	11.4%	0.5%	9.4%
Actual	2004	15.4%	0.0%	2.6%	25.3%	0.5%	15.8%
Actual	2005	5.1%	0.0%	-5.0%	19.4%	1.2%	6.0%
Actual	2006	12.1%	0.0%	-7.4%	31.5%	-0.7%	10.7%
Actual	2007	5.5%	0.0%	-8.5%	-8.3%	0.0%	6.5%
Actual	2008	-3.9%	0.0%	6.0%	0.3%	1.8%	-2.4%
Actual	2009	-7.3%	0.0%	-0.8%	-1.6%	-4.0%	-11.6%
Actual	2010	7.6%	0.0%	10.1%	15.5%	1.4%	8.7%
Actual	2011	5.0%	0.0%	-5.0%	-17.4%	0.0%	6.4%
Forecast	2012	6.3%	0.6%	0.0%	29.3%	0.5%	6.8%
Forecast	2013	2.7%	1.4%	0.0%	3.9%	0.0%	4.1%
Forecast	2014	4.1%	1.4%	0.0%	5.9%	0.0%	5.7%
Forecast	2015	4.7%	1.5%	0.0%	6.6%	0.0%	6.4%

	t Cal	Wages Millions	Annual Growth	Interest Millions	Annual Growth	Dividends Millions	Annual Growth	Fed Inflation Growth
Actual	2002	9,265.904	2.8%	528.959	-20.2%	264.875	-12.4%	3.3%
Actual	2003	9,649.687	4.1%	453.025	-14.4%	297.423	12.3%	1.6%
Actual	2004	10,209.869	5.8%	411.889	-9.1%	379.386	27.6%	2.3%
Actual	2005	10,840.674	6.2%	480.088	16.6%	463.027	22.0%	2.3%
Actual	2006	11,779.592	8.7%	636.780	32.6%	521.734	12.7%	3.1%
Actual	2007	12,669.894	7.6%	756.826	18.9%	619.819	18.8%	3.9%
Actual	2008	13,352.105	5.4%	674.053	-10.9%	592.113	-4.5%	2.3%
Actual	2009	13,136.979	-1.6%	519.760	-22.9%	462.423	-21.9%	4.3%
Actual	2010	13,389.962	1.9%	442.983	-14.8%	504.422	9.1%	0.2%
Actual	2011	13,995.864	4.5%	376.777	-14.9%	465.230	-7.8%	1.5%
Forecast	2012	14,608.957	4.4%	372.803	-1.1%	472.948	1.7%	2.4%
Forecast	2013	15,134.173	3.6%	374.414	0.4%	527.604	11.6%	2.6%
Forecast	2014	15,807.528	4.4%	390.292	4.2%	562.830	6.7%	1.4%
Forecast	2015	16,602.145	5.0%	419.146	7.4%	557.109	-1.0%	1.7%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t Cal	Business Income Millions	Annual Growth	Capital Gains Millions	Annual Growth	Supplemental Gains Millions	Annual Growth	State Inflation Growth
Actual	2002	620.572	0.4%	637.444	-18.9%	32.565	-24.1%	1.1%
Actual	2003	629.701	1.5%	629.701	-1.2%	55.547	70.6%	2.1%
Actual	2004	680.790	8.1%	1193.177	89.5%	69.724	25.5%	3.3%
Actual	2005	749.588	10.1%	1554.054	30.2%	77.631	11.3%	2.5%
Actual	2006	785.303	4.8%	2006.021	29.1%	67.793	-12.7%	4.3%
Actual	2007	762.060	-3.0%	2088.579	4.1%	66.367	-2.1%	2.7%
Actual	2008	701.307	-8.0%	1337.810	-35.9%	56.735	-14.5%	5.0%
Actual	2009	648.187	-7.6%	912.041	-31.8%	19.035	-66.4%	-1.4%
Actual	2010	690.830	6.6%	992.632	8.8%	42.064	121.0%	1.1%
Actual	2011	702.187	1.6%	1015.745	2.3%	41.884	-0.4%	3.6%
Forecast	2012	735.283	4.7%	1284.069	26.4%	47.266	12.9%	1.7%
Forecast	2013	799.689	8.8%	1204.611	-6.2%	49.808	5.4%	1.3%
Forecast	2014	778.167	-2.7%	1179.613	-2.1%	55.133	10.7%	1.8%
Forecast	2015	794.587	2.1%	1342.199	13.8%	57.910	5.0%	1.6%

	t Cal	Rents, Royalties S-Corps Millions	Annual Growth	Farm Income Gains Millions	Annual Growth	Social Security Millions	Annual Growth
Actual	2002	1014.593	11.8%	-157.525	39.9%	254.249	-1.1%
Actual	2003	1019.724	0.5%	-146.211	-7.2%	267.287	5.1%
Actual	2004	1283.271	25.8%	-139.623	-4.5%	305.542	14.3%
Actual	2005	1704.629	32.8%	-125.935	-9.8%	359.184	17.6%
Actual	2006	1944.999	14.1%	-176.145	39.9%	434.518	21.0%
Actual	2007	1976.847	1.6%	-155.989	-11.4%	508.637	17.1%
Actual	2008	1735.147	-12.2%	-210.131	34.7%	527.626	3.7%
Actual	2009	1508.400	-13.1%	-183.602	-12.6%	540.620	2.5%
Actual	2010	1823.263	20.9%	-145.068	-21.0%	603.827	11.7%
Actual	2011	2075.865	13.9%	-127.273	-12.3%	651.771	7.9%
Forecast	2012	2144.602	3.3%	-94.219	-26.0%	672.122	3.1%
Forecast	2013	2191.052	2.2%	-172.201	82.8%	701.227	4.3%
Forecast	2014	2356.586	7.6%	-214.583	24.6%	758.706	8.2%
Forecast	2015	2430.871	3.2%	-227.133	5.8%	814.637	7.4%

	t Cal	IRA Income Millions	Annual Growth	Pension Income Millions	Annual Growth	Other Income Millions	Annual Growth
Actual	2002	231.217	-12.6%	1019.172	5.2%	-5.377	-76.0%
Actual	2003	237.257	2.6%	1070.482	5.0%	-47.936	791.5%
Actual	2004	271.069	14.3%	1146.455	7.1%	-78.402	63.6%
Actual	2005	308.394	13.8%	1216.409	6.1%	-218.921	179.2%
Actual	2006	339.909	10.2%	1317.954	8.3%	-204.405	-6.6%
Actual	2007	396.199	16.6%	1416.590	7.5%	41.344	-120.2%
Actual	2008	451.709	14.0%	1509.033	6.5%	2.641	-93.6%
Actual	2009	396.729	-12.2%	1567.181	3.9%	-24.918	-1043.4%
Actual	2010	548.648	38.3%	1658.178	5.8%	-23.266	-6.6%
Actual	2011	592.390	8.0%	1752.608	5.7%	-210.837	806.2%
Forecast	2012	685.389	15.7%	1874.424	7.0%	-210.361	-0.2%
Forecast	2013	790.925	15.4%	2015.645	7.5%	-209.868	-0.2%
Forecast	2014	902.798	14.1%	2176.968	8.0%	-209.359	-0.2%
Forecast	2015	1013.680	12.3%	2346.347	7.8%	-208.832	-0.3%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t Cal	Total Income Millions	Annual Growth	IRA, Etc Reductions Millions	Annual Growth	Fed Adjusted Gross Income Millions	Annual Growth
Actual	2002	13,706.648	0.1%	252.613	23.2%	13,454.034	-0.2%
Actual	2003	14,115.688	3.0%	292.241	15.7%	13,984.658	3.9%
Actual	2004	15,733.147	11.5%	322.438	10.3%	15,410.710	10.2%
Actual	2005	17,408.821	10.7%	367.927	14.1%	17,188.824	11.5%
Actual	2006	19,454.052	11.7%	389.095	5.8%	19,220.114	11.8%
Actual	2007	21,147.172	8.7%	427.200	9.8%	20,892.994	8.7%
Actual	2008	20,730.149	-2.0%	417.744	-2.2%	20,312.405	-2.8%
Actual	2009	19,502.835	-5.9%	378.735	-9.3%	19,124.100	-5.9%
Actual	2010	20,528.474	5.3%	417.143	10.1%	20,111.331	5.2%
Actual	2011	21,332.211	3.9%	434.745	4.2%	20,897.467	3.9%
Forecast	2012	22,593.284	5.9%	438.886	1.0%	22,154.398	6.0%
Forecast	2013	23,407.081	3.6%	443.179	1.0%	22,963.902	3.7%
Forecast	2014	24,544.678	4.9%	447.577	1.0%	24,097.101	4.9%
Forecast	2015	25,942.664	5.7%	452.027	1.0%	25,490.637	5.8%

	t Cal	Bond Interest Millions	Annual Growth	FIT Refunds Millions	Annual Growth	Other Additions Millions	Annual Growth
Actual	2002	43.230	-3.0%	247.312	21.3%	150.548	2.6%
Actual	2003	44.962	4.0%	256.908	3.9%	177.862	18.1%
Actual	2004	47.871	6.5%	271.611	5.7%	205.779	15.7%
Actual	2005	47.838	-0.1%	252.492	-7.0%	247.926	20.5%
Actual	2006	71.965	50.4%	147.708	-41.5%	326.648	31.8%
Actual	2007	79.868	11.0%	146.328	-0.9%	300.556	-8.0%
Actual	2008	94.381	18.2%	122.653	-16.2%	315.525	5.0%
Actual	2009	92.213	-2.3%	122.977	0.3%	395.449	25.3%
Actual	2010	114.984	24.7%	126.672	3.0%	494.396	25.0%
Actual	2011	110.168	-4.2%	111.495	-12.0%	262.700	-46.9%
Forecast	2012	126.863	15.2%	106.654	-4.3%	293.570	11.8%
Forecast	2013	123.913	-2.3%	102.024	-4.3%	331.076	12.8%
Forecast	2014	114.997	-7.2%	97.594	-4.3%	375.805	13.5%
Forecast	2015	102.860	-10.6%	93.357	-4.3%	429.161	14.2%

	t Cal	Farm Risk Mgmt Excl. Millions	Annual Growth	Elderly Interest Millions	Annual Growth	Savings Bond Millions	Annual Growth
Actual	2002	0.062	NA	43.310		59.642	-30.6%
Actual	2003	0.873	1309.1%	40.099		47.157	-20.9%
Actual	2004	0.010	-98.9%	37.999		43.524	-7.7%
Actual	2005	0.000	-100.0%	38.041		49.152	12.9%
Actual	2006	0.000	NA	43.447	14.2%	67.566	37.5%
Actual	2007	0.000	NA	47.408	9.1%	76.997	14.0%
Actual	2008	0.000	NA	46.872	-1.1%	51.862	-32.6%
Actual	2009	0.000	NA	43.633	-6.9%	37.421	-27.8%
Actual	2010	0.000	NA	40.227	-7.8%	31.017	-17.1%
Actual	2011	0.000	NA	36.798	-8.5%	25.765	-16.9%
Forecast	2012	0.000	NA	36.798	0.0%	19.323	-25.0%
Forecast	2013	0.000	NA	36.798	0.0%	22.326	15.5%
Forecast	2014	0.000	NA	36.798	0.0%	25.505	14.2%
Forecast	2015	0.000	NA	36.798	0.0%	31.088	21.9%

Individual Income Tax

	t Cal	Unemployment Millions	Annual Growth	Med. Savings Millions	Annual Growth	Family Education Millions	Annual Growth
Actual	2002	78.266	31.5%	5.480	60.4%	0.000	
Actual	2003	85.702	9.5%	6.584	20.1%	0.381	
Actual	2004	67.368	-21.4%	7.474	13.5%	0.330	-13.4%
Actual	2005	56.427	-16.2%	14.352	92.0%	6.984	2015.5%
Actual	2006	58.694	4.0%	15.791	10.0%	7.515	7.6%
Actual	2007	62.872	7.1%	16.638	5.4%	8.009	6.6%
Actual	2008	99.749	58.7%	16.968	2.0%	6.854	-14.4%
Actual	2009	169.813	70.2%	17.484	3.0%	6.592	-3.8%
Actual	2010	268.586	58.2%	18.732	7.1%	6.547	-0.7%
Actual	2011	192.982	-28.1%	19.396	3.5%	6.529	-0.3%
Forecast	2012	192.982	0.0%	20.352	4.9%	6.689	2.5%
Forecast	2013	192.982	0.0%	21.356	4.9%	6.853	2.5%
Forecast	2014	192.982	0.0%	22.409	4.9%	7.021	2.5%
Forecast	2015	192.982	0.0%	23.515	4.9%	7.193	2.5%

	t Cal	First Time Home Millions	Annual Growth	Doctor Student Loan Excl. Millions	Annual Growth	Other Reductions Millions	Annual Growth
Actual	2002	0.929	1.8%	9.937	20.6%	496.251	5.0%
Actual	2003	1.067	14.9%	11.398	14.7%	530.169	6.8%
Actual	2004	0.866	-18.8%	13.876	21.7%	585.907	10.5%
Actual	2005	0.732	-15.5%	0.258	-98.1%	656.587	12.1%
Actual	2006	0.587	-19.8%	0.251	-2.9%	784.247	19.4%
Actual	2007	0.539	-8.3%	0.257	2.4%	855.991	9.1%
Actual	2008	0.538	0.0%	0.295	14.9%	908.568	6.1%
Actual	2009	0.710	31.9%	0.371	25.8%	1,039.095	14.4%
Actual	2010	0.358	-49.6%	0.477	28.5%	1,161.909	11.8%
Actual	2011	0.395	10.4%	0.666	39.8%	1,331.638	14.6%
Forecast	2012	0.395	0.0%	0.666	0.0%	1,500.332	12.7%
Forecast	2013	0.395	0.0%	0.666	0.0%	1,694.716	13.0%
Forecast	2014	0.395	0.0%	0.666	0.0%	1,920.784	13.3%
Forecast	2015	0.395	0.0%	0.666	0.0%	2,184.047	13.7%

	t Cal	Reductions to Income Millions	Reductions Annual Growth	Additions to Income Millions	Additions Annual Growth	MT Adjusted Gross Income Millions	MAGI Annual Growth
Actual	2002	860.312	2.6%	441.091	11.7%	13,034.813	0.0%
Actual	2003	892.111	3.7%	479.732	8.8%	13,572.280	4.1%
Actual	2004	924.793	3.7%	525.260	9.5%	15,011.177	10.6%
Actual	2005	953.277	3.1%	550.350	4.8%	16,785.897	11.8%
Actual	2006	1,107.147	16.1%	546.321	-0.7%	18,659.288	11.2%
Actual	2007	1,195.607	8.0%	550.710	0.8%	20,248.096	8.5%
Actual	2008	1,265.730	5.9%	532.558	-3.3%	19,579.234	-3.3%
Actual	2009	1,447.997	14.4%	610.638	14.7%	18,286.742	-6.6%
Actual	2010	1,670.219	15.3%	736.051	20.5%	19,177.163	4.9%
Actual	2011	1,764.863	5.7%	484.364	-34.2%	19,934.727	4.0%
Forecast	2012	1,740.740	-1.4%	527.087	8.8%	20,940.745	5.0%
Forecast	2013	1,939.294	11.4%	557.013	5.7%	21,581.620	3.1%
Forecast	2014	2,169.763	11.9%	588.396	5.6%	22,515.734	4.3%
Forecast	2015	2,439.887	12.4%	625.377	6.3%	23,676.128	5.2%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t Cal	Medical Premiums Millions	Annual Growth	Medical Deductions Millions	Annual Growth	Long Term Care Millions	Annual Growth
Actual	2002	239.494	9.9%	222.983	9.7%	15.887	13.0%
Actual	2003	234.737	-2.0%	236.627	6.1%	17.295	8.9%
Actual	2004	251.763	7.3%	258.564	9.3%	18.472	6.8%
Actual	2005	266.946	6.0%	273.369	5.7%	19.125	3.5%
Actual	2006	304.942	14.2%	274.060	0.3%	21.552	12.7%
Actual	2007	314.537	3.1%	287.408	4.9%	24.551	13.9%
Actual	2008	328.606	4.5%	309.033	7.5%	26.552	8.1%
Actual	2009	345.055	5.0%	307.848	-0.4%	26.195	-1.3%
Actual	2010	353.881	2.6%	304.437	-1.1%	27.301	4.2%
Actual	2011	364.570	3.0%	301.438	-1.0%	33.986	24.5%
Forecast	2012	384.119	5.4%	313.798	4.1%	37.191	9.4%
Forecast	2013	404.717	5.4%	326.664	4.1%	40.698	9.4%
Forecast	2014	426.420	5.4%	340.057	4.1%	44.536	9.4%
Forecast	2015	449.286	5.4%	354.000	4.1%	48.736	9.4%

	t Cal	Federal Income Tax Deducted Millions	Annual Growth	Real Estate Millions	Annual Growth	Other Taxes Millions	Annual Growth
Actual	2002	1,644.517	-11.9%	274.873	10.7%	39.533	11.6%
Actual	2003	1,587.057	-3.5%	291.351	6.0%	40.721	3.0%
Actual	2004	1,749.652	10.2%	313.020	7.4%	44.860	10.2%
Actual	2005	915.475	-47.7%	313.168	0.0%	49.392	10.1%
Actual	2006	1,003.149	9.6%	335.796	7.2%	53.801	8.9%
Actual	2007	1,065.150	6.2%	351.508	4.7%	54.986	2.2%
Actual	2008	977.041	-8.3%	375.863	6.9%	54.112	-1.6%
Actual	2009	1,007.166	3.1%	390.524	3.9%	53.773	-0.6%
Actual	2010	1,015.360	0.8%	400.710	2.6%	52.672	-2.0%
Actual	2011	1,132.027	11.5%	411.428	2.7%	52.698	0.1%
Forecast	2012		NA	432.885	5.2%	53.305	1.2%
Forecast	2013		NA	455.461	5.2%	53.920	1.2%
Forecast	2014		NA	479.214	5.2%	54.541	1.2%
Forecast	2015		NA	504.206	5.2%	55.170	1.2%

	t Cal	Home Mortgage Millions	Annual Growth	Deductible Interest Millions	Annual Growth	Contributions Millions	Annual Growth
Actual	2002	752.226	4.2%	27.933	-22.6%	345.228	13.1%
Actual	2003	744.359	-1.0%	24.518	-12.2%	337.411	-2.3%
Actual	2004	775.952	4.2%	27.544	12.3%	375.310	11.2%
Actual	2005	833.941	7.5%	38.056	38.2%	432.055	15.1%
Actual	2006	965.231	15.7%	54.142	42.3%	463.826	7.4%
Actual	2007	1,099.986	14.0%	59.497	9.9%	658.658	42.0%
Actual	2008	1,151.150	4.7%	49.398	-17.0%	530.993	-19.4%
Actual	2009	1,114.955	-3.1%	31.369	-36.5%	510.963	-3.8%
Actual	2010	1,075.407	-3.5%	37.073	18.2%	537.900	5.3%
Actual	2011	1,008.850	-6.2%	33.365	-10.0%	556.132	3.4%
Forecast	2012	1,045.343	3.6%	34.118	2.3%	593.493	6.7%
Forecast	2013	1,083.156	3.6%	34.888	2.3%	633.989	6.8%
Forecast	2014	1,122.336	3.6%	35.676	2.3%	677.870	6.9%
Forecast	2015	1,162.934	3.6%	36.482	2.3%	725.406	7.0%

	t Cal	Child Care Millions	Annual Growth	Casuality Millions	Annual Growth	Miscellaneous Expense 1 Millions	Annual Growth
Actual	2002	1.668	1.6%	4.464	41.3%	146.328	3.8%
Actual	2003	1.704	2.2%	4.105	-8.0%	146.982	0.4%
Actual	2004	1.545	-9.4%	3.619	-11.9%	160.408	9.1%
Actual	2005	1.495	-3.2%	4.478	23.7%	174.095	8.5%
Actual	2006	1.392	-6.9%	7.373	64.7%	186.204	7.0%
Actual	2007	1.471	5.7%	4.675	-36.6%	204.621	9.9%
Actual	2008	1.382	-6.1%	5.566	19.1%	213.815	4.5%
Actual	2009	1.601	15.8%	6.906	24.1%	191.103	-10.6%
Actual	2010	1.468	-8.3%	4.922	-28.7%	198.644	3.9%
Actual	2011	1.607	9.5%	9.738	97.9%	219.574	10.5%
Forecast	2012	1.609	0.1%	5.843	-40.0%	229.922	4.7%
Forecast	2013	1.610	0.1%	5.843	0.0%	240.757	4.7%
Forecast	2014	1.612	0.1%	5.843	0.0%	252.102	4.7%
Forecast	2015	1.613	0.1%	5.843	0.0%	263.982	4.7%

	t Cal	Miscellaneous Expense 2 Millions	Annual Growth	Gambling Losses Millions	Annual Growth	Capital Gains Credit Millions	Annual Growth
Actual	2002	4.267	13.5%	4.846	0.1%		
Actual	2003	7.147	67.5%	4.674	-3.6%		
Actual	2004	4.928	-31.0%	5.748	23.0%		
Actual	2005	6.133	24.4%	7.371	28.2%	15.441	
Actual	2006	8.989	46.6%	7.916	7.4%	19.599	26.9%
Actual	2007	5.362	-40.4%	8.914	12.6%	40.025	104.2%
Actual	2008	7.970	48.6%	10.936	22.7%	26.152	-34.7%
Actual	2009	17.171	115.4%	10.916	-0.2%	17.974	-31.3%
Actual	2010	7.635	-55.5%	10.773	-1.3%	19.642	9.3%
Actual	2011	5.625	-26.3%	12.302	14.2%	19.622	-0.1%
Forecast	2012	5.625	0.0%	13.572	10.3%		NA
Forecast	2013	5.625	0.0%	14.972	10.3%		NA
Forecast	2014	5.625	0.0%	16.517	10.3%		NA
Forecast	2015	5.625	0.0%	18.222	10.3%		NA

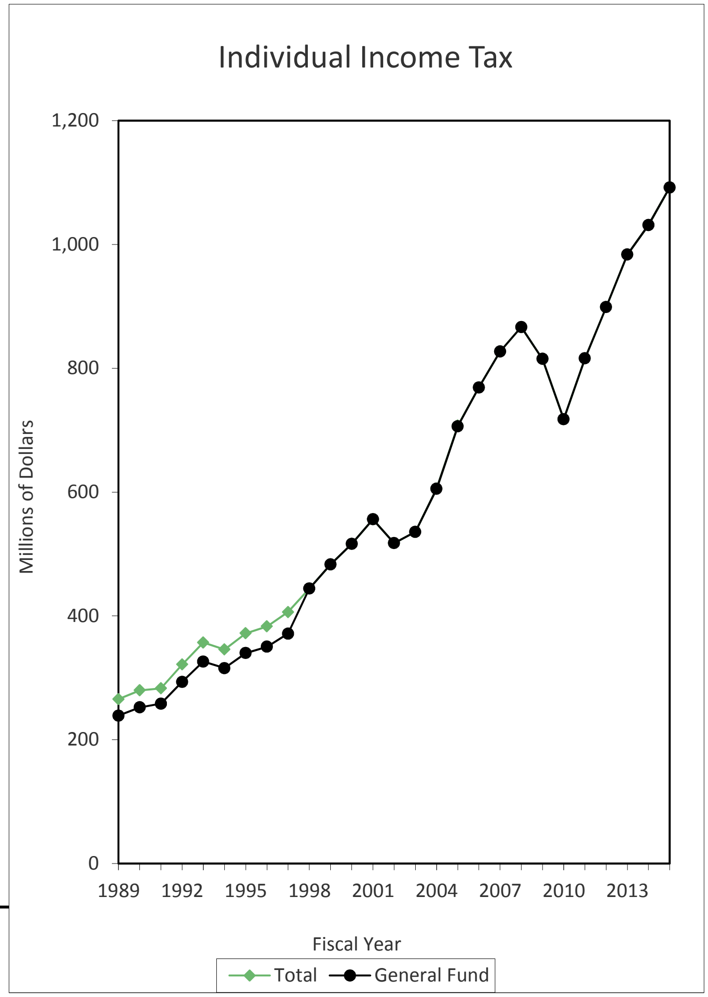
Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	265.540	238.964	Not App.
A	1990	279.643	252.230	5.6%
A	1991	282.960	258.216	2.4%
A	1992	321.538	293.564	13.7%
A	1993	356.987	326.188	11.1%
A	1994	345.643	315.677	-3.2%
A	1995	371.903	339.939	7.7%
A	1996	383.092	350.161	3.0%
A	1997	406.276	371.275	6.0%
A	1998	444.161	444.161	19.6%
A	1999	483.032	483.032	8.8%
A	2000	516.262	516.262	6.9%
A	2001	556.015	556.015	7.7%
A	2002	517.568	517.568	-6.9%
A	2003	535.831	535.831	3.5%
A	2004	605.582	605.348	13.0%
A	2005	707.343	706.235	16.7%
A	2006	768.922	768.922	8.9%
A	2007	827.145	827.145	7.6%
A	2008	866.659	866.659	4.8%
A	2009	815.138	815.138	-5.9%
A	2010	717.834	717.834	-11.9%
A	2011	816.090	816.090	13.7%
A	2012	898.851	898.851	10.1%
F	2013	983.667	983.667	9.4%
F	2014	1,031.320	1,031.320	4.8%
F	2015	1,092.206	1,092.206	5.9%



Data Source(s): SABHRS, Income Tax Returns, Labor Statistics - Departments of Commerce, Labor & Industry and Revenue; Bureau of Economic Analysis, Bureau of Labor Statistics, IHS, Congressional Budget Office, Industry

Contacts: Department of Revenue, Census and Economic Information

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Description: The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance and license fees are also collected.

Statutory Reference:

Tax Rate (MCA) – 33-2-705(2), 33-2-311, 33-28-201(1&2), 50-3-109(1)
Fee Rate (MCA) – 33-2-708(1&2), 33-14-201(2), 33-2-712, 33-38-105
Tax Distribution (MCA) – 33-2-708(3), 33-2-712, 50-3-109(1), 33-28-120
Date Due – March 1st each year (33-2-705(1), 33-2-712, 33-28-201(1&2)). Quarterly payments due the 15th of April, June, September, and December (Administrative Rules 6.6.2704, 6.6.2705)

Applicable Tax Rate(s): The current tax rate is 2.75% of net premiums (including cancellation and return premiums) on policies sold in Montana. In addition to this tax, there is a 2.5 % tax on the fire portion of net premiums for selected risks. Beginning FY 2008 with the enactment of HB 278 (2007 session), for each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay $1.00 to the State Insurance Commissioner. The fee had been scheduled to be reduced to $0.70, but the legislation extended the $1.00 fee indefinitely. This fee is deposited to the state special revenue fund and used to fund the statewide genetics program established in statute (50-19-211, MCA). Senate Bill 132 (passed by the 1999 legislature) eliminated many disparate fees on insurance companies, which had partially been deposited into the general fund, and replaced them with a single company annual fee of $1,900. Revenue from this fee is deposited to the state special revenue fund for administration of insurance activities. The following lists various insurance related fees. Captive insurance companies are taxed 0.4% on the first $20 million of net direct premiums and 0.3% on each subsequent dollar collected. The annual $5,000 minimum tax is prorated based on the quarter in which the company is first licensed.

Insurance Fees Collected by the State Auditor

Fee	Amount	MCA Cite	ARM Cite
General Fund			
Farm mutual insurer filing of articles of incorporation	10.00	33-4-202	
Farm mutual county insurer certificate of authority	10.00	33-4-505	
Farm mutual state insurer certificate of authority	25.00	33-4-505	
Benevolent association certificate of authority and reinstatement	25.00	33-6-401	
Fraternal benefit society report filing	25.00	33-7-118	
Fraternal benefit society certificate of authority renewal	10.00	33-7-217	
Fraternal benefit society lapsed certificate of authority reinstatement	25.00	33-7-217	
Insurance administrator certificate of registration application and renewal	100.00	33-17-603	
Medical care discount card certification and renewal	100.00	33-38-105	
State Auditor's Office			
Domestic and foreign insurer accreditation	275.00	33-1-313	6.6.4101
Insurance producers charges and expenses for examinations	Variable	33-1-413	
Reinstatement of certificate of authority	100.00	33-2-117	
Certificate of authority	1,900.00	33-2-708	
Non-resident application for original license	100.00	33-2-708	
Non-resident biennial license renewal	50.00	33-2-708	
Non-resident lapsed license reinstatement	100.00	33-2-708	
Resident lapsed insurance producer's license reinstatement	100.00	33-2-708	
Surplus lines insurance producer license application	50.00	33-2-708	
Surplus lines insurance producer license biennial renewal	100.00	33-2-708	
Surplus lines insurance lapsed producer license reinstatement	200.00	33-2-708	
Insurance adjuster license application	50.00	33-2-708	
Insurance adjuster license biennial renewal	100.00	33-2-708	
Insurance adjuster lapsed license reinstatement	200.00	33-2-708	
Insurance consultant license application	50.00	33-2-708	
Insurance consultant license biennial renewal	100.00	33-2-708	
Insurance consultant lapsed license reinstatement	200.00	33-2-708	
Rental car entity producer license application	100.00	33-2-708	
Rental car entity producer quarterly filing	25.00	33-2-708	
A copy of each document page	0.50	33-2-708	

Insurance Fees Collected by the State Auditor (continued)			
Fee	Amount	MCA Cite	ARM Cite
Review of each course or program submitted for continuing education	75.00	33-2-708	
Genetics program fee for each MT resident insured	1.00	33-2-712	
Surplus lines stamping fee	1% of base	33-2-321	6.6.2804
Charges and expenses for examinations	Variable	33-4-315	
Fraternal benefit society charges and expenses for examinations	Variable	33-7-119	
Fraternal benefit society service of process	2.00	33-7-123	
Guaranty associations charges and expenses for examinations	Variable	33-10-218	
Premium finance company license application	100.00	33-14-201	
Premium finance company license renewal	100.00	33-14-201	
Rating & advisory organization charges and expenses for examinations	Variable	33-16-106	
Rating & advisory organization license application	100.00	33-16-403	
Insurance producers background examination	Variable	33-17-201	
Insurance producers charges and examinations	Variable	33-17-212	
Review of each non-resident course submitted for continuing education	75.00	33-17-1206	6.6.4213
Viatical settlement provider registration application	1,900.00	33-20-1315	6.6.8502
Viatical settlement broker license	50.00	33-20-1315	6.6.8502
Viatical settlement provider license renewal	1,900.00	33-20-1315	6.6.8503
Captive insurance company license application	200.00	33-28-102	
Captive insurance company license renewal	300.00	33-28-102	
Captive insurance company examinations and investigations	Variable	33-28-108	
Health service corporation certified copies	0.50	33-30-204	
Health service corporation membership contract filing	25.00	33-30-204	
Health service corporation membership contract package filing	100.00	33-30-204	
Health service corporation filing statement	25.00	33-30-204	
Health service corporation license	300.00	33-30-204	
Health service corporation license renewal	300.00	33-30-204	
Health maintenance organization certification of authority	300.00	33-31-212	
Health maintenance organization amendment to documents	25.00	33-31-212	
Health maintenance organization statement filing	25.00	33-31-212	
Health maintenance organization certification of authority renewal	300.00	33-31-212	
Health maintenance organization charges & examinations	Variable	33-31-401	
Actual cost to review an application for a managed care community network	Variable	53-6-703	6.6.5805

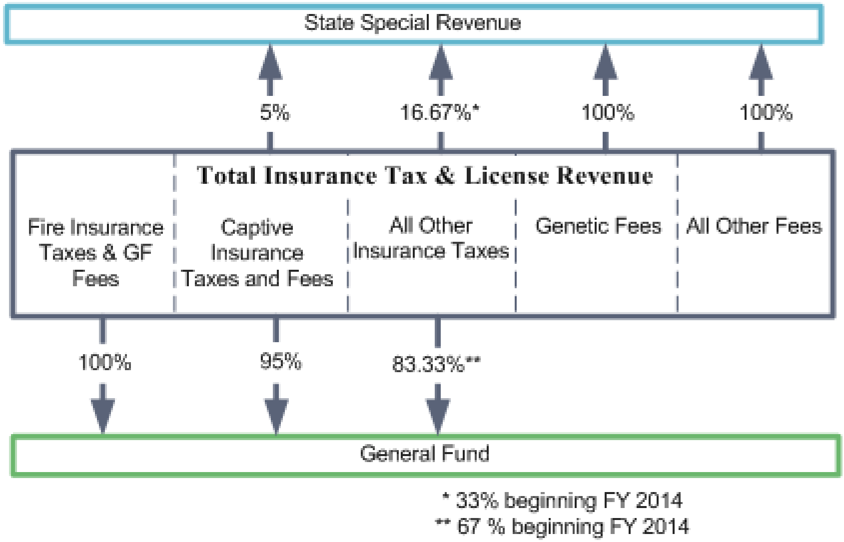
Distribution: With the approval of Initiative 155 by the electorate in November 2008, 67% of insurance tax proceeds from the tax on surplus lines premiums and net premiums have been deposited into the general fund. The remaining 33% of revenue have been deposited to the state special revenue to expand the children health insurance program and Medicaid eligibility of uninsured children. HB 676 enacted by the 2009 Legislature temporarily changed the 33% distribution to 16.67% for the 2011 and 2013 biennia with 83.33% deposited to the general fund. Beginning FY 2014 the distribution will again be 33% with 67% deposited to the general fund. All fire insurance premiums are deposited to the general fund. Due to enactment of SB 161 by the 2007 Legislature, 5% of premium tax revenue from captive insurance company and all fees and assessments on captive insurance companies are deposited to a state special revenue fund to be used to administer captive insurance captive insurance company statutes and reimburse expenses incurred in promoting captive insurance in Montana. The other 95% of captive insurance premium tax revenue is deposited to the general fund. License fees and the 1% stamping fee on surplus lines insurance premiums are deposited into the state special revenue fund for use by the State Auditor. Beginning October 2005, the genetic fee revenue is deposited to the state special revenue fund.

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Distribution Chart:



Collection Frequency: Quarterly and annually

% of Total General Fund Revenue:

FY 2004 – 4.11%	FY 2007 – 3.33%	FY 2010 – 3.37%
FY 2005 – 3.74%	FY 2008 – 3.26%	FY 2011 – 3.25%
FY 2006 – 3.44%	FY 2009 – 2.77%	FY 2012 – 3.15%

Revenue Estimate Methodology:

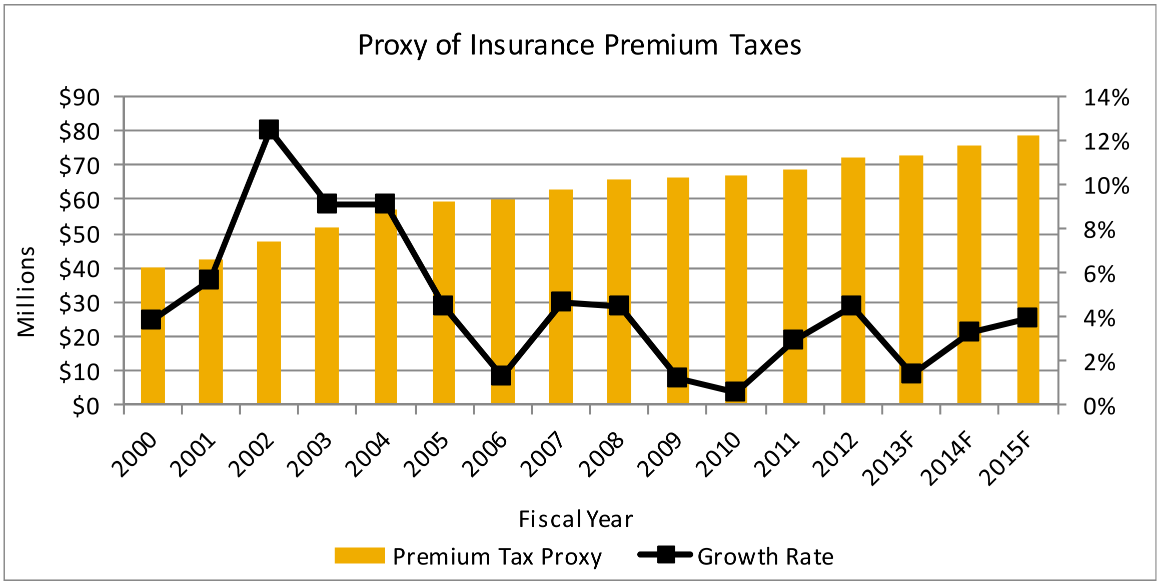
The large majority of insurance tax and license fee revenue is from premium taxes with minor amounts from a multitude of different fees. Estimates are made for these components based on measures of growth and then summed. This total is reduced by estimates of refunds and guarantee offsets. Guarantees are amounts that members of the Montana comprehensive health associations are required to pay into a reserve account (up to 1% of the total disability insurance premium received from Montana residents). The amount of these payments reduces (offsets) premium tax liabilities dollar for dollar (33-22-1513(7), MCA).

Data

The state accounting system provides historical collection data for the various components needed for the analysis. These include collections of insurance premium taxes, genetics program fees, and various general fund and state special revenue fees. The State Auditor's Office provides historical data on offsets and refunds as well as estimates for these items for the 3-year period.

Analysis

Because offsets and refunds can vary substantially, the technique used to estimate the premium tax revenue component of this source begins by adding the offset and refund amounts to the amounts shown on the state accounting system to derive a "true" amount of taxes. To estimate premium taxes, an exponent to the base of the natural logarithm is determined from a regression analysis based on long-term interest rates and housing starts from FY 1990. Premium taxes paid show an inverse relationship to long-term interest rates and a positive relationship to housing starts.



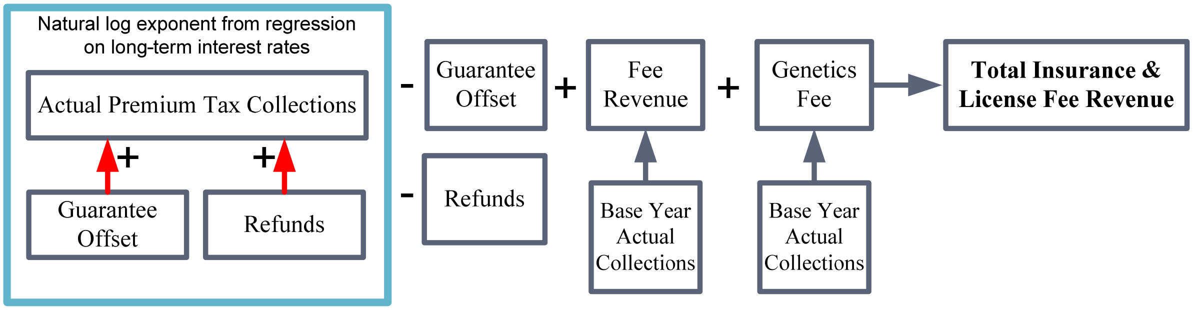
From the estimated amounts, offsets and refunds as estimated by the State Auditor's Office are subtracted to derive the amount of net premium taxes expected to be received by the state.

If no better information is available, the estimates for the other components such as genetics program fees, general fund fees, and state special revenue fees are a continuation of the last known fiscal year amounts.

Adjustments and Distribution

Once each component has been estimated adjustments, if any, are made. Since each component is estimated separately and each goes to either the general fund or the state special revenue fund, the distribution of the revenue has already been done.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Non-GF Fees Millions	GF Fees Millions	CHIP Millions
Actual	2002	51.084	47.291	3.793	0.291	
Actual	2003	54.790	50.810	3.980	0.378	
Actual	2004	61.063	56.533	4.530	0.623	
Actual	2005	61.290	57.308	3.981	-0.417	
Actual	2006	64.521	58.795	4.816	0.199	
Actual	2007	66.321	61.074	4.200	0.002	
Actual	2008	69.269	64.004	4.504	0.068	
Actual	2009	71.122	50.038	5.323	0.030	14.622
Actual	2010	70.581	54.892	4.872	0.024	9.661
Actual	2011	74.599	57.964	5.165	0.024	9.960
Actual	2012	75.706	58.951	5.019	0.028	10.401
Forecast	2013	76.787	59.087	5.019	0.028	11.056
Forecast	2014	80.502	50.817	5.019	0.028	23.040
Forecast	2015	83.478	52.869	5.019	0.028	23.964

	t Fiscal	Genetics Millions	Premium Tax Millions	Offsets Millions	Refunds Millions
Actual	2002	0.570	47.683	0.740	0.513
Actual	2003	0.563	52.038	1.463	0.707
Actual	2004	0.583	56.775	1.161	0.287
Actual	2005	0.635	59.309	1.650	0.568
Actual	2006	0.911	60.064	1.116	0.353
Actual	2007	1.047	62.880	1.679	0.128
Actual	2008	0.750	65.703	1.576	0.180
Actual	2009	1.138	66.508	1.704	0.173
Actual	2010	1.135	66.880	2.079	0.252
Actual	2011	1.480	68.871	0.826	0.115
Actual	2012	1.295	71.963	2.400	0.200
Forecast	2013	1.295	72.944	2.300	0.200
Forecast	2014	1.295	75.359	1.000	0.200
Forecast	2015	1.295	78.336	1.000	0.200

Total Tax = Non-GF Fees + GF Fees + Genetics + Premium Tax - Offsets - Refunds
GF Tax = GF Fees + Premium Tax - Offsets - Refunds - CHIP

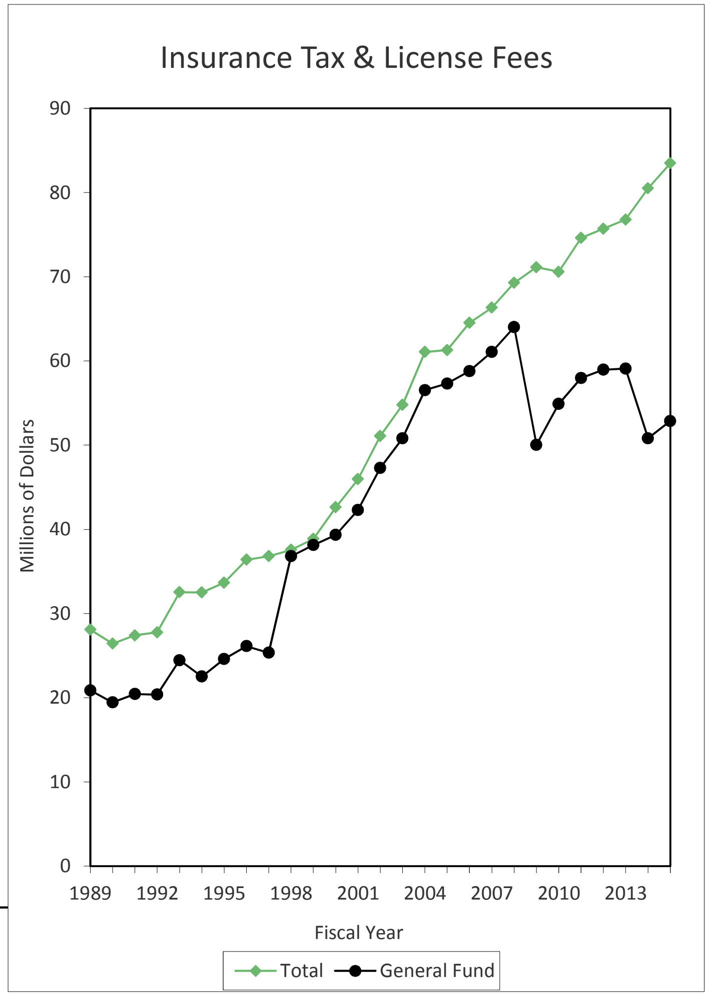
Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	28.085	20.883	Not App.
A	1990	26.430	19.446	-6.9%
A	1991	27.400	20.438	5.1%
A	1992	27.768	20.387	-0.3%
A	1993	32.536	24.464	20.0%
A	1994	32.506	22.511	-8.0%
A	1995	33.662	24.600	9.3%
A	1996	36.388	26.133	6.2%
A	1997	36.813	25.342	-3.0%
A	1998	37.561	36.813	45.3%
A	1999	38.849	38.137	3.6%
A	2000	42.618	39.334	3.1%
A	2001	45.952	42.298	7.5%
A	2002	51.084	47.291	11.8%
A	2003	54.790	50.810	7.4%
A	2004	61.063	56.533	11.3%
A	2005	61.290	57.308	1.4%
A	2006	64.521	58.795	2.6%
A	2007	66.321	61.074	3.9%
A	2008	69.269	64.004	4.8%
A	2009	71.122	50.038	-21.8%
A	2010	70.581	54.892	9.7%
A	2011	74.599	57.964	5.6%
A	2012	75.706	58.951	1.7%
F	2013	76.787	59.087	0.2%
F	2014	80.502	50.817	-14.0%
F	2015	83.478	52.869	4.0%



Data Source(s): SABHRS, State Auditor

Contacts: State Auditor

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Revenue Description: Investment advisors and investment companies pay various fees to the state. These fees are for: 1) registration of securities and agents; 2) registration of securities by notification; 3) notice of a federal filing of a federally secured security; and 4) name changes.

Statutory Reference:

Fee Rate (MCA) – 30-10-209, 30-10-904
Fee Distribution (MCA) – excess to general fund (30-10-115), 30-10-209(6), portfolio notice fee (30-10-209(1d)), 30-10-210(2), 30-10-907
Date Due (Regulation of dealers) – initial (upon registration), annual (prior to December 31st) (30-10-201 (9&11)
Date Due (Regulation of securities) – upon registration (30-10-206(3c), valid for one year (30-10-209(1b)), renewal (prior to termination date):

Applicable Tax Rate(s): Initial and annual security registration fees vary based on the offering price of securities, but cannot be less than $200 or more than $1,000. Initial and annual registration fees for a broker-dealer, investment adviser, and federal covered adviser are $200. Initial and annual registration fees for a salesperson or investment adviser are $50. The fee for name changes to series, portfolio, or a subdivision of an investment company is $50. More details on the fees are provided below.

Security Fees Collected by the State Auditor			
Fee	Amount	MCA Cite	ARM Cite
General Fund			
Certified or uncertified copies	0.5	30-10-107	
Initial registration for the first $100,000 issue	200	30-10-209	
Additional registration fee of 0.1% over $100,000 max of $1,000	1,000	30-10-209	
Registration renewal fee of 0.1%, min of $200 & max of $1,000	1,000	30-10-209	
Late amended registration 0.3%, min of $600 & max of $3,000	3,000	30-10-209	
Name change of series, portfolio or other subdivision of an issuer	50	30-10-209	
Registration for broker-dealer or investment adviser	200	30-10-209	
Registration renewal for broker-dealer or investment adviser	200	30-10-209	
Initial registration for salesperson or investment adviser representative	50	30-10-209	
Registration renewal for salesperson or investment adviser representative	50	30-10-209	
Transfer of registration for salesperson or investment adviser representative	50	30-10-209	
Initial registration for federal covered adviser	200	30-10-209	
Registration renewal for federal covered adviser	200	30-10-209	
Certified or uncertified copies	Various	30-10-209	
Request for exemption for transaction in compliance with rules-first $100,000	200	30-10-209	6.10.120
Request for exemption for transaction in compliance with rules-0.1% over $100,000, $1,000 max	1,000	30-10-209	6.10.120
Request for exemption for other transactions	50	30-10-209	
Living trusts initial license application for the first $100,000 issue	200	30-10-904	
Living trusts additional license application fee of 0.1% over $100,000 max of $1,000	1,000	30-10-904	
Living trusts license renewal fee of 0.1%, min of $200 & max of $1,000	1,000	30-10-904	
State Auditor's Office			
Collected examination costs	Various	30-10-115	
Portfolio notice filing - Initial registration for the first $100,000 issue	200	30-10-209	
Portfolio notice filing - Additional registration fee of 0.1% over $100,000 max of $1,000	1,000	30-10-209	
Portfolio notice filing - Registration renewal fee of 0.1%, min of $200 & max of $1,000	1,000	30-10-209	
Portfolio notice filing - Late amended registration 0.3%, min of $600 & max of $3,000	3,000	30-10-209	

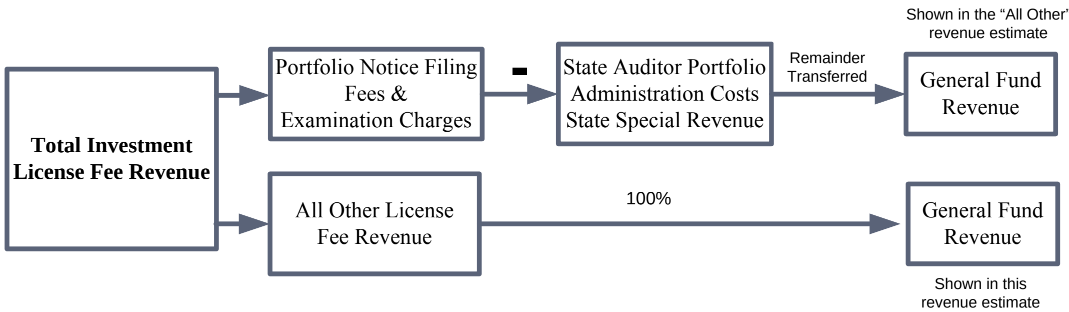
Distribution: All fees except portfolio notice filing fees and examination charges are deposited to the general fund. Portfolio notice filing fees and examination charges are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a non-budgeted transfer and is shown under the "All Other" revenue category.

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Distribution Chart:



Collection Frequency: Varies

% of Total General Fund Revenue:

FY 2004 – 0.35%	FY 2007 – 0.33%	FY 2010 – 0.38%
FY 2005 – 0.34%	FY 2008 – 0.33%	FY 2011 – 0.39%
FY 2006 – 0.33%	FY 2009 – 0.36%	FY 2012 – 0.37%

Revenue Estimate Methodology: Investment license fee revenue is obtained from two major sources: 1) portfolio notice filing and examination fees (state special revenue); and 2) many other varied fees (general fund). The portfolio notice filing fees, examination fees, and other permit revenue are estimated separately and then summed.

Data

The state accounting system (SABHRS) provides historical collection data for the state special revenue portfolio notice filing fees. Revenue from examination fee and fees distributed to the general fund is also available and, depending on the analysis technique used to derive the estimate for this source, this data is also used. The State Auditor's Office provides revenue estimates of the general fund and examination fees in its biennial budget submission for the 3-year period under consideration. Also provided in the budget submission are requested appropriations for the portfolio regulatory program that are needed to determine the transfer amount of portfolio notice filing and examination fee revenue to the general fund.

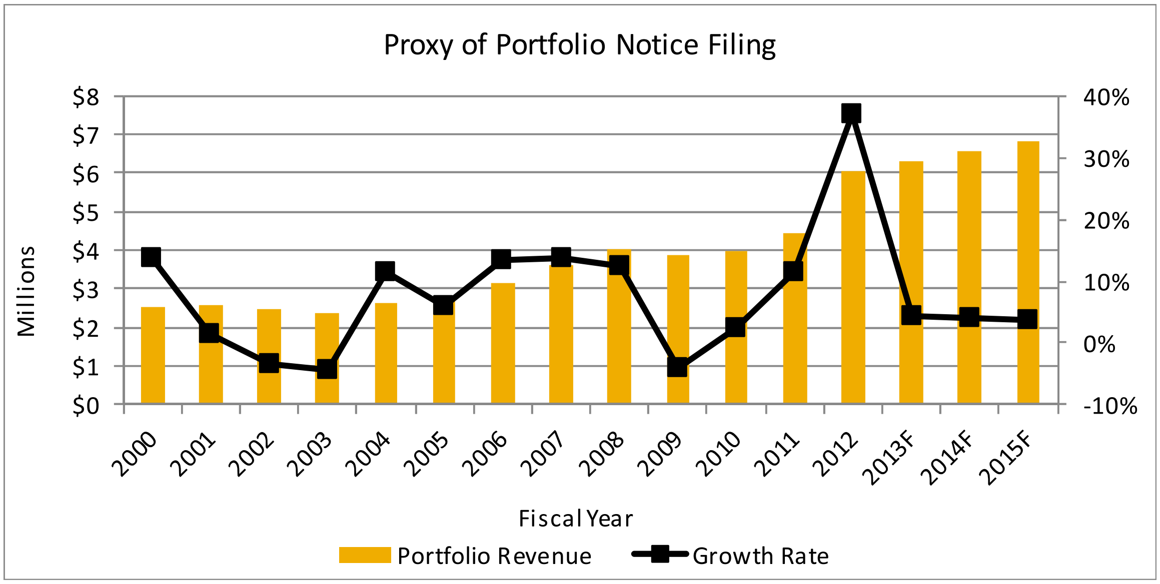
Analysis

To estimate the revenue from the portfolio notice filing fee and the licenses and permits, the same technique is used. A regression analysis based on the S&P Index derives the estimate for each fiscal year (see the figure below).

Legislative Fiscal Division

Revenue Estimate Profile

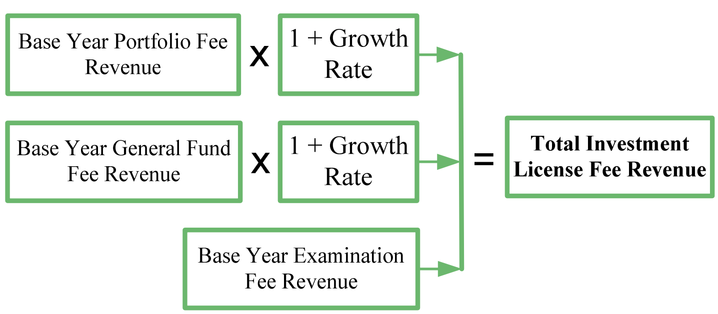
Investment License Fee



<u>Adjustments and Distribution</u>

Once each component has been estimated, adjustments, if any, are made. Since the general fund and the state special revenue component are estimated under separate methodologies, the distribution of the revenue has already been done. However, there is a further distribution of the portfolio notice filing and examination fee revenue after it is in the state special revenue fund. Once there, the revenue is reduced by estimates of the appropriations required by the State Auditor's Office to regulate portfolio activities. The remaining amount of the fee revenue is then transferred to the general fund. The general fund transfer amounts are not shown in this revenue source, but are shown in the "All Other" revenue source.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Transfer Millions	Licenses Millions	Portfolio Millions	Portfolio Expenses Millions
Actual	2002	7.467	4.992	2.179	4.992	2.476	0.202
Actual	2003	7.520	5.142	2.036	5.142	2.378	0.321
Actual	2004	7.486	4.834	2.113	4.834	2.652	0.684
Actual	2005	8.007	5.192	2.110	5.192	2.815	0.690
Actual	2006	8.764	5.584	2.234	5.584	3.180	0.654
Actual	2007	9.692	6.095	2.977	6.095	3.597	0.630
Actual	2008	10.556	6.514	3.309	6.514	4.068	0.674
Actual	2009	10.333	6.461	3.318	6.461	3.887	0.675
Actual	2010	10.195	6.225	2.969	6.225	3.994	1.056
Actual	2011	11.342	6.922	3.278	6.922	4.426	1.152
Actual	2012	13.016	6.961	4.965	6.961	6.065	1.139
Forecast	2013	13.540	7.204	5.146	7.204	6.336	1.190
Forecast	2014	14.025	7.440	5.201	7.440	6.585	1.384
Forecast	2015	14.526	7.689	5.460	7.689	6.837	1.377

	t Fiscal	Licenses Growth %	Portfolio Growth %	Expense Growth %
Actual	2002	-15.2%	-3.4%	49.2%
Actual	2003	3.0%	-4.2%	58.5%
Actual	2004	-6.0%	11.5%	113.1%
Actual	2005	7.4%	5.8%	0.9%
Actual	2006	7.5%	13.3%	-5.2%
Actual	2007	9.1%	13.7%	-3.6%
Actual	2008	6.9%	12.4%	6.9%
Actual	2009	-0.8%	-4.2%	0.2%
Actual	2010	-3.7%	2.5%	56.5%
Actual	2011	11.2%	11.3%	9.1%
Actual	2012	0.6%	37.0%	-1.1%
Forecast	2013	0.0%	0.0%	4.4%
Forecast	2014	0.0%	0.0%	16.3%
Forecast	2015	0.0%	0.0%	-0.5%

Total Tax = Licenses + Portfolio - Portfolio Expenses
GF Tax = Licenses
GF Transfer = Portfolio - Portfolio Expenses

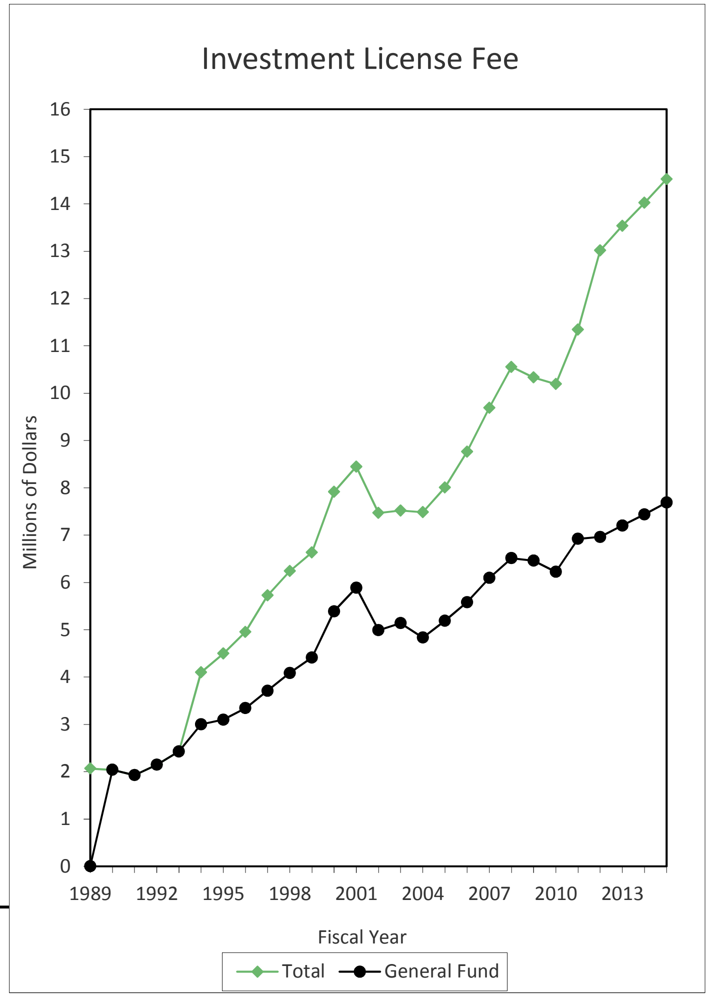
Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	2.067	0.000	Not App.
A	1990	2.040	2.040	Not App.
A	1991	1.926	1.926	-5.6%
A	1992	2.148	2.148	11.5%
A	1993	2.428	2.428	13.0%
A	1994	4.099	3.000	23.6%
A	1995	4.497	3.099	3.3%
A	1996	4.954	3.344	7.9%
A	1997	5.725	3.710	11.0%
A	1998	6.241	4.086	10.1%
A	1999	6.635	4.413	8.0%
A	2000	7.915	5.390	22.1%
A	2001	8.447	5.889	9.3%
A	2002	7.467	4.992	-15.2%
A	2003	7.520	5.142	3.0%
A	2004	7.486	4.834	-6.0%
A	2005	8.007	5.192	7.4%
A	2006	8.764	5.584	7.6%
A	2007	9.692	6.095	9.2%
A	2008	10.556	6.514	6.9%
A	2009	10.333	6.461	-0.8%
A	2010	10.195	6.225	-3.7%
A	2011	11.342	6.922	11.2%
A	2012	13.016	6.961	0.6%
F	2013	13.540	7.204	3.5%
F	2014	14.025	7.440	3.3%
F	2015	14.526	7.689	3.4%



Data Source(s): State Auditor

Contacts: State Auditor

Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

Revenue Description: The state imposes two taxes on room charges collected by lodging facilities and campgrounds – a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging.

The 3% lodging sales tax began June 1, 2003 and applies to hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exempt are facilities: 1) for health care; 2) owned by non-profit corporations for use by people under 18-years of age for camping; 3) whose average daily charge is less than 60% of the amount the state of Montana reimburses for lodging; or 4) rented for 30 days or more. Sales to the U.S. government are also exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The vendor must pay the tax due by the last day of the month following a calendar quarter. Vendors are allowed to claim and keep 5% of the tax as an allowance, not to exceed $1,000 a quarter. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed.

The 4% lodging facility use tax applies to facilities containing individual sleeping rooms or suites, providing overnight lodging for periods of less than 30 days to the general public for compensation. This includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, or bed and breakfasts. Exempt are: 1) non-profit or religious corporation facilities used primarily by persons under 18 years of age for camping; 2) facilities whose average daily charge does not exceed 60% of the amount the state of Montana reimburses for lodging; or 4) rented for 30 days or more. All facilities must be registered with the Department of Revenue. Due to enactment of HB 111 in the 2011 session, 30% of taxes paid by state employees is deposited to the general fund. Taxes paid by federal funds are deposited to the general fund and reimbursed to the federal government from the general fund through the statutory appropriation in 17-3-106. The remainder of taxes paid by state employees is distributed under current allocations. The 30% returned to the general fund is shown in the "All Other Revenue" profile.

Statutory Reference:

Tax Rate (MCA) – 15-65-111 (lodging facility use tax), 15-68-102 (lodging sales tax)
Tax Distribution (MCA) – 15-65-121 (lodging facility use tax), 15-68-820 (lodging sales tax)
Date Due – Lodging facility use tax is due before the end of calendar quarter (15-65-112). The lodging sales tax is due the last day of the month following the calendar quarter (15-68-502(1)).

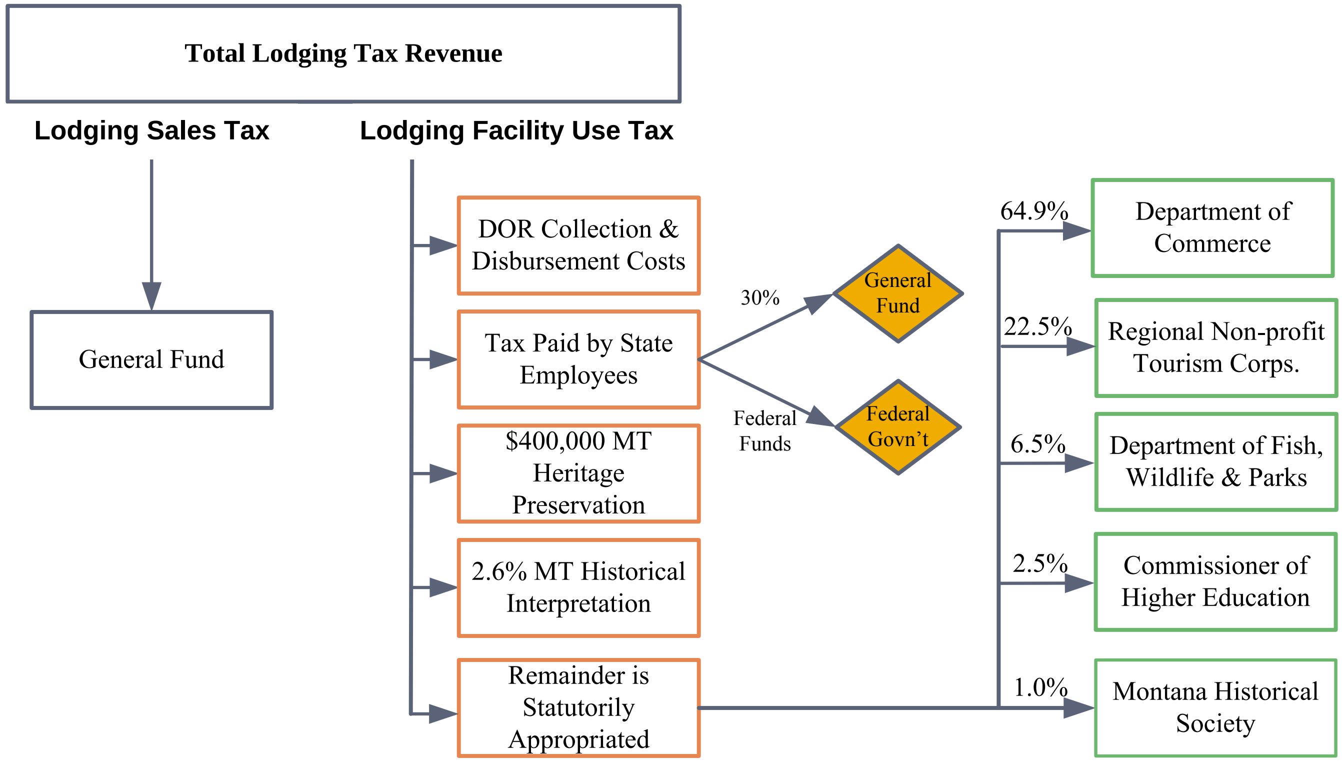
Applicable Tax Rate(s): The lodging sales tax is 3.0% of the sales price. The lodging facility use tax is 4.0% of room charges.

Distribution:

1. Sales Tax: 100% general fund
2. Lodging Facility Use Tax: The revenue is first distributed: 1) to the Department of Revenue in the amount appropriated for collection and disbursement costs; 2) 30% of the taxes paid by state employees to the general fund (taxes paid with federal funds are reimbursed to the federal government from the general fund); 3) $400,000 to the Montana heritage preservation and development fund which is statutorily appropriated for restoring and maintaining historic properties; and 4) 2.6% to the historical interpretation account. After these distributions, the remainder is distributed and statutorily appropriated:
    - 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
    - 22.5% to regional nonprofit tourism corporations.
    - 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
    - 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
    - 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

Lodging Taxes

Distribution Chart:



Collection Frequency: The owner of a facility collects the tax and remits it quarterly to the Department of Revenue.

% of Total General Fund Revenue:

A small portion for reimbursement of lodging facility taxes paid by state employees is included in "All Other General Fund Revenue"

FY 2004 – 0.67%	FY 2007 – 0.70%	FY 2010 – 0.76%
FY 2005 – 0.67%	FY 2008 – 0.68%	FY 2011 – 0.80%
FY 2006 – 0.63%	FY 2009 – 0.69%	FY 2012 – 0.83%

Revenue Estimate Methodology:

Data

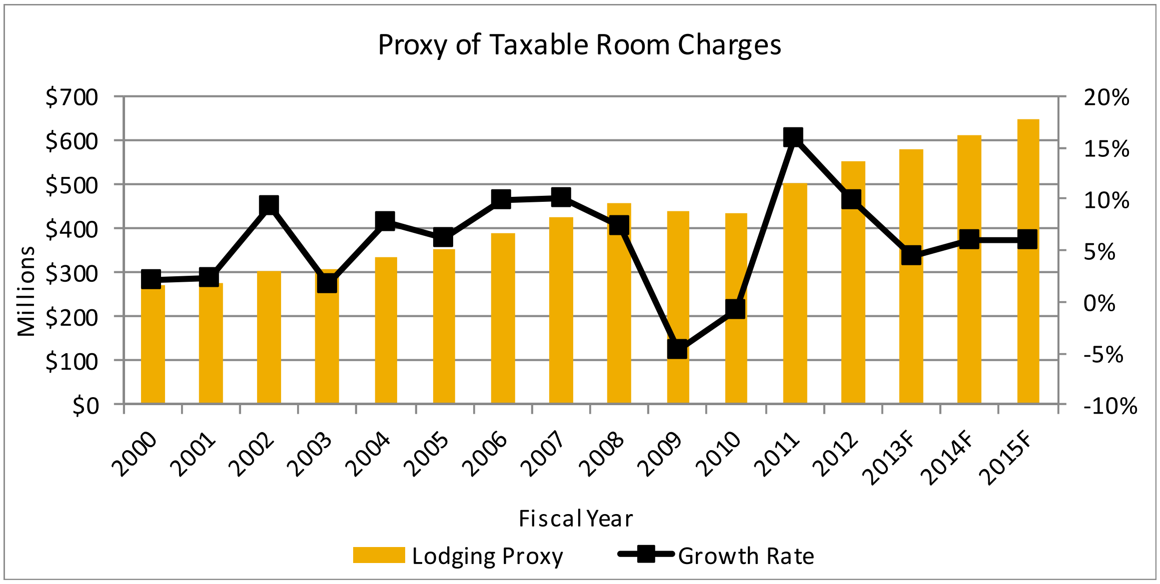
Data from the state accounting system (SABHRS) is used to prepare the estimate for the two lodging facility taxes. Additional data, such as the consumer price index projections, provided by the IHS, and non-residential tourism expenditures, provided by the Institute for Tourism and Recreation Research, is used to evaluate the results of the methodology.

Total lodging taxes are made up of two separate taxes, the lodging facility use tax, which is deposited into state special revenue accounts to fund state tourism activities, and the lodging sales tax, which is deposited into the general fund. The same base, in the form of a proxy for taxable room charges, is used as the starting point both sources, and both taxes are estimated using a single proxy of the taxable room charges in Montana.

Analysis

Because the lodging taxes exhibit relatively consistent growth from year to year, the projection of the proxy for lodging receipts is estimated using a linear trend regression model. The trend is based on the proxy taxable room charges, beginning in FY 1988 when the tax was first assessed. The results of the model are depicted in the figure below.

Lodging Taxes

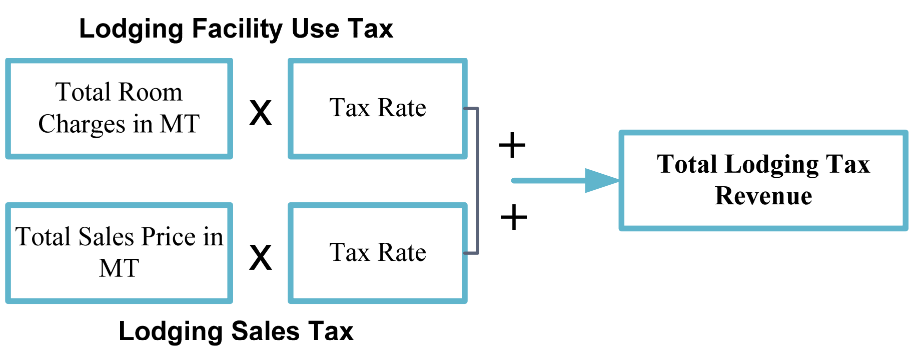


After the projections for the taxable room charges are determined, the amounts are reduced by a ratio to account for the difference apparent in the taxable room receipts of the lodging facility use tax and lodging sales tax. Finally, the estimates for each of the taxes are determined by multiplying the estimates of taxable room charges by the tax rate. Revenue from the two taxes is then added together to create the gross fiscal year estimates of the lodging facility taxes.

Adjustments

Several adjustments are required before the revenues of the lodging facility use tax are distributed. A portion of the collections is distributed to the DOR to cover the expenses associated with administration of the tax. Of the taxes paid by state employees who stay in lodging facilities in connection with their jobs, 30% is distributed to the general fund. Taxes paid by employees with federal funds are reimbursed to the federal government. After the gross lodging facility use tax estimates are adjusted, the remainder of the revenues is distributed to the statutorily designated agencies.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Accom. Sales Millions	Accom. Tax Rate Rate	Net Lodging Sales Millions	Lodging Tax Rate Rate	DOR Admin. Millions
Actual	2002	11.862	0.000	303.948	4.0%			0.126
Actual	2003	12.613	2.271	309.013	4.0%			0.103
Actual	2004	22.848	9.279	333.172	4.0%	333.172	3.0%	0.137
Actual	2005	24.636	10.201	353.689	4.0%	338.826	3.0%	0.141
Actual	2006	25.519	10.679	388.456	4.0%	371.961	3.0%	0.029
Actual	2007	30.620	12.916	427.346	4.0%	409.048	3.0%	0.150
Actual	2008	31.744	13.390	458.526	4.0%	439.406	3.0%	0.149
Actual	2009	29.581	12.477	437.313	4.0%	419.059	3.0%	0.154
Actual	2010	29.265	12.331	434.054	4.0%	416.004	3.0%	0.131
Actual	2011	33.809	14.241	503.265	4.0%	482.164	3.0%	0.132
Actual	2012	37.724	15.606	552.942	4.0%	529.700	3.0%	0.136
Forecast	2013	40.389	17.309	576.979	4.0%	576.979	3.0%	0.136
Forecast	2014	42.831	18.356	611.871	4.0%	611.871	3.0%	0.141
Forecast	2015	45.424	19.467	648.916	4.0%	648.916	3.0%	0.141

	t Fiscal	Higher Ed. Millions	DOC Millions	Sites & Signs Millions	Regional Millions	FWP Millions	MT. Heritage Millions	All Other Entities Millions
Actual	2002	0.283	7.651	0.114	2.550	0.737	0.400	0.000
Actual	2003	0.288	6.088	0.116	2.596	0.750	0.400	0.000
Actual	2004	0.326	8.797	0.130	2.932	0.847	0.400	0.000
Actual	2005	0.347	9.378	0.139	3.126	0.903	0.400	0.000
Actual	2006	0.360	9.727	0.144	3.242	0.937	0.400	0.000
Actual	2007	0.429	11.579	0.172	3.860	1.115	0.400	0.000
Actual	2008	0.445	12.019	0.178	4.006	1.157	0.400	0.000
Actual	2009	0.414	11.171	0.165	3.724	1.076	0.400	0.000
Actual	2010	0.410	11.072	0.164	3.691	1.066	0.400	0.000
Actual	2011	0.476	12.850	0.190	4.283	1.237	0.400	0.000
Actual	2012	0.540	14.012	0.216	4.856	1.403	0.400	0.000
Forecast	2013	0.564	14.631	0.225	5.072	1.465	0.400	0.000
Forecast	2014	0.598	15.533	0.239	5.385	1.556	0.400	0.000
Forecast	2015	0.635	16.495	0.254	5.719	1.652	0.400	0.000

Total Tax = Accom. Sales × Accom. Tax Rate + Net Lodging Sales × Lodging Tax Rate

GF Tax = Lodging Sales × Lodging Tax Rate

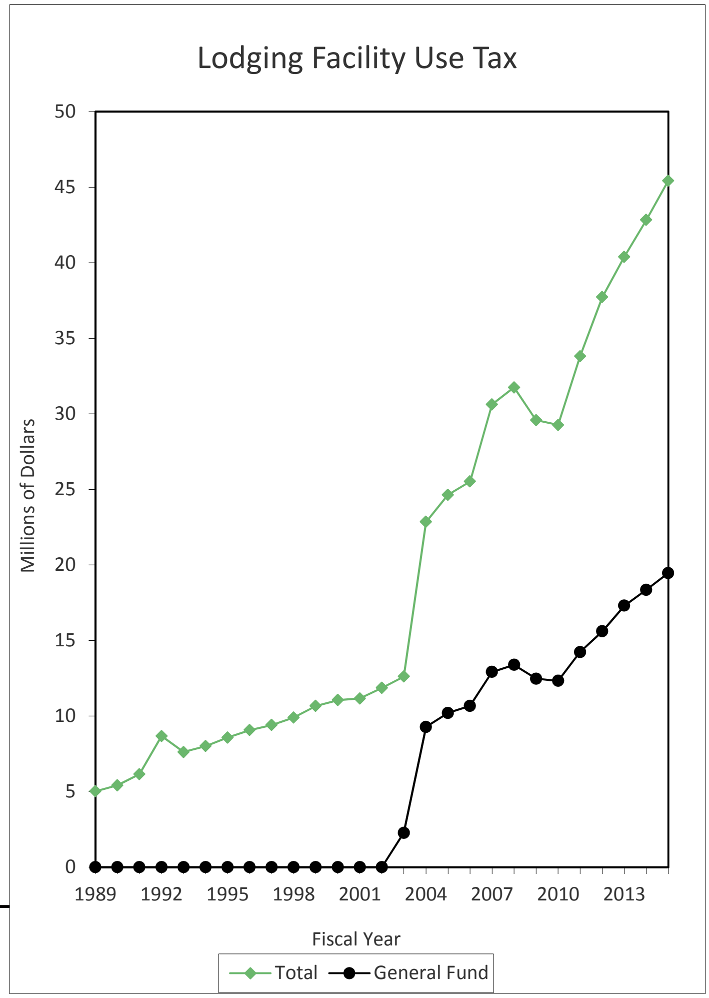
Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	5.018	0.000	Not App.
A	1990	5.413	0.000	Not App.
A	1991	6.159	0.000	Not App.
A	1992	8.676	0.000	Not App.
A	1993	7.618	0.000	Not App.
A	1994	8.010	0.000	Not App.
A	1995	8.572	0.000	Not App.
A	1996	9.071	0.000	Not App.
A	1997	9.405	0.000	Not App.
A	1998	9.903	0.000	Not App.
A	1999	10.664	0.000	Not App.
A	2000	11.053	0.000	Not App.
A	2001	11.162	0.000	Not App.
A	2002	11.862	0.000	Not App.
A	2003	12.613	2.271	Not App.
A	2004	22.848	9.279	308.5%
A	2005	24.636	10.201	9.9%
A	2006	25.519	10.679	4.7%
A	2007	30.620	12.916	21.0%
A	2008	31.744	13.390	3.7%
A	2009	29.581	12.477	-6.8%
A	2010	29.265	12.331	-1.2%
A	2011	33.809	14.241	15.5%
A	2012	37.724	15.606	9.6%
F	2013	40.389	17.309	10.9%
F	2014	42.831	18.356	6.1%
F	2015	45.424	19.467	6.1%



Data Source(s): UM Institute for Tourism and Recreation Research, SABHRS, IHS

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Revenue Description: The state assesses a variety of motor vehicle fees, such as fees for the filing of motor vehicle liens, fees for new license plates, title fees, and annual and permanent registration fees. The fees vary according to the type of vehicle (i.e., motor vehicle, snowmobile, etc.) and the type of license plate (regular, personal, military, etc.). There are also Gross Vehicle Weight (GVW) fees on trucks and pickups, as well as special fees for senior citizen transportation, veteran services, the highway patrol pension fund, salaries for the highway patrol, motorcycle safety, electronic commerce applications, and an optional $4 registration fee on light vehicles for state parks and fishing access sites.

Effective January 1, 2004, all fees on motorcycles and quadricycles, trailers, travel trailers, snowmobiles, off-highway vehicles, and watercraft are one-time only and permanent, except upon change of ownership. Fees on other vehicles are annual. Light vehicles older than ten years old may be licensed permanently, at the option of the owner. New license plate fees increased from $2 to $5. The registration fees on campers and pontoons and rubber rafts are eliminated. Beginning January 1, 2005, the registration fees on all light vehicles increased, as did permanent fees on recreational trailers, off-highway vehicles, snowmobiles, recreational vehicles, and motorcycles. Beginning January 2006, motor homes 11 years or older may be permanently registered and the registration fee for certain vehicles increased $5 to fund Highway Patrol salaries.

Due to changes enacted by HB 671 and SB 285 by the 2005 Legislature, registration fee revenue reported by counties on the county collection report are now being recorded as vehicle taxes. Therefore, revenue shown for this source shows a large decline in FY 2006 from FY 2005, but revenue increases by a like amount in the “Vehicle Tax” revenue source. Due to enactment of HB 90 by the 2007 Legislature, lien filing fee increases are extended through June 2016 and certificate of title fee increases are extended through June 2018. SB 508 enacted by the 2009 Legislature created an online vehicle insurance verification system funded by new fees, increased existing fees, and earmarking of existing fees.

Statutory Reference:

Tax Fee rate – multiple, but generally in Title 61, chapter 3. Permanent registration 61-3-562
Tax Distribution (MCA) – all fees in Title 61 are distributed to the general fund unless stated otherwise (61-3-108)

Applicable Tax Rate(s): Various

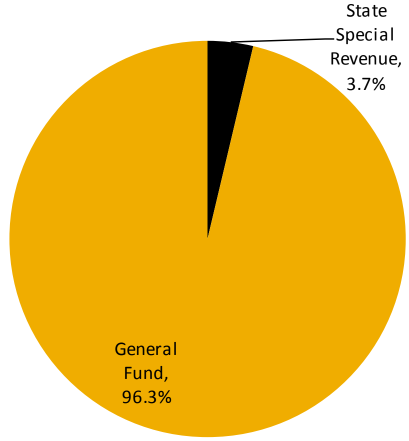
Distribution: Most motor vehicle fees are allocated to the general fund. The following fees are distributed to the Motor Vehicle Information Technology Systems state special revenue account: 1) $4 of the $8 recording lien fee (including boats, snowmobiles, and off highway vehicles); 2) $5.00 of the $10.00 certificate of ownership fees for watercraft, snowmobiles, off-highway vehicles and all other vehicles; 3) $5.00 of the $10.00 duplicate certificate of ownership fee; and 4) all of the $10.00 fee for the issuance of a new certificate of title following the release of a lien. Other distributions to other state special revenue accounts (and county general fund) are: 1) $10 of the $30 donation fee for collegiate license plates to the student academic scholarship fund or foundation of the named institution; 2) the annual donation fee of $20 for motorcycle or quadricycles specialty license plates for grants to chronically or critically ill children; 3) $5 of the $15 administrative fee for generic specialty license plates to the county general fund; 4) all of the $15 surcharge for sponsoring a generic patriotic license plate for the construction, maintenance, operation, and administration of state veterans’ cemeteries; and 5) with the enactment of SB 285 by the 2005 Legislature, the optional $4 fee for parks is deposited in a state special account rather than the general fund. With the enactment of HB 671 by the 2005 Legislature, revenue from the newly enacted temporary registration fees of $3 and $8 are deposited in a non-budgeted enterprise fund. SB 508 enacted by the 2009 Legislature created an online vehicle insurance verification system funded by new fees, increased existing fees, and earmarking of existing fees.

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Distribution Chart:



Collection Frequency: The various fees are generally collected on a monthly basis.

% of Total General Fund Revenue:

FY 2004 – 2.22%	FY 2007 – 1.03%	FY 2010 – 0.88%
FY 2005 – 2.00%	FY 2008 – 1.07%	FY 2011 – 0.83%
FY 2006 – 1.24%	FY 2009 – 0.85%	FY 2012 – 0.86%

Revenue Estimate Methodology:

Data

The data used to estimate the motor vehicle (MV) fees are obtained from the state accounting system (SABHRS) and IHS. No adjustments are required on the raw data in preparation for analysis.

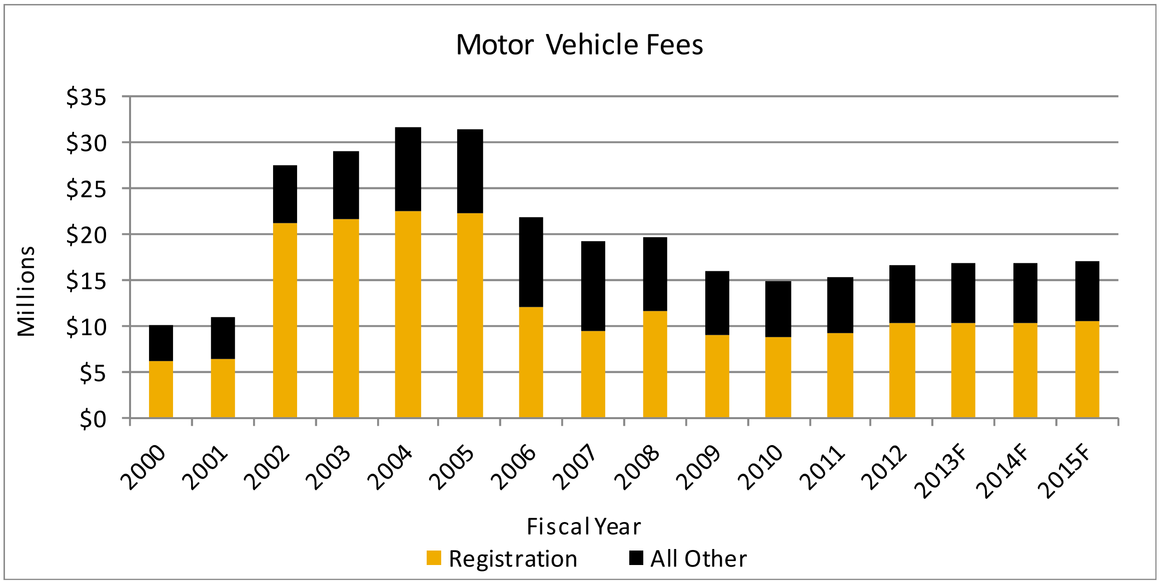
Analysis

MV fees are currently imposed at different rates on eight major categories. Included in the fees assessed on motor vehicles in Montana are registration fees, two types of record liens, title fees, personal and new plate fees, senior transit fees, and veteran's administration fees. The ninth category is made up of other miscellaneous fees assessed on motor vehicles. As shown in the figure below, the collection of motor vehicle fees has been highly variable since FY 2000. The figure below also shows the impact of the reduction and subsequent change in classifying vehicle registration fee revenue as vehicle tax revenue in FY 2006 and FY 2007. This change in the vehicle registration fees is the combined impact of SB 285 and HB 671, both implemented in the 2005 session. However, since registration fee revenues are now recorded as vehicle taxes, the net change to total revenues is zero.

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

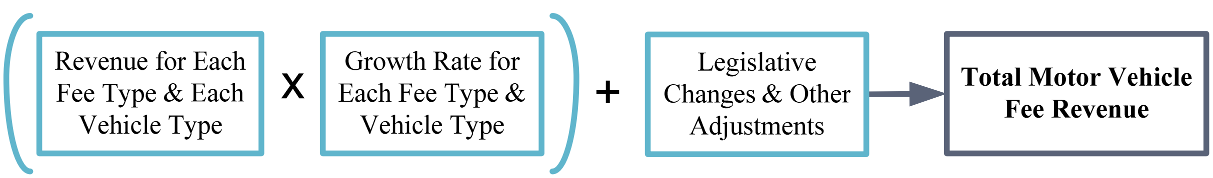


With constant fees, the future change in MV fees results from change in the vehicle stock in Montana. Because fee payments are directly connected to the number of vehicles in the state, estimates for the MV fees are made by applying estimated growth rates to the previous year revenue. Growth rates for the stock of Montana vehicles are derived by first obtaining IHS estimates for the national vehicle stock, new car sales nationwide, and for Montana. A ratio is then developed to project the stock of Montana vehicles. An average of the Montana stock in the current and previous years is used in this estimate from which growth between two years is calculated. The growth rate is applied to the base year (FY 2010) revenues of each fee category and projected forward at the same rate for all estimated fiscal years. The estimated tax collections of each category are then combined to create the total estimates for the MV fees.

Adjustments

In past years, adjustments to MV fees have been required as a result of legislative actions. For example: House Bill 737 enacted by the 2007 Legislature required that new license plates be issued every four years beginning January 1, 2010. The legislation also required that new license plates be issued every four years beginning January 1, 2008. For the current estimates, no adjustments are required.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Fee Registration Millions	GF Fee Record Millions	GF Fee Titles Millions	GF Fee Personal Millions	GF Fee VA Cemetery Millions
Actual	2002	27.457	27.271	21.180	0.728	2.353	1.270	
Actual	2003	28.906	28.352	21.712	0.696	2.442	1.354	
Actual	2004	31.602	30.724	22.577	0.737	2.660	1.492	
Actual	2005	31.362	30.640	22.231	0.717	2.608	1.508	
Actual	2006	21.903	21.195	12.085	0.688	2.369	1.418	0.233
Actual	2007	19.141	18.401	9.452	0.699	2.495	1.364	0.231
Actual	2008	19.616	18.995	11.677	0.719	2.464	1.336	0.193
Actual	2009	15.905	15.345	9.114	0.526	2.126	1.219	0.183
Actual	2010	14.917	14.377	8.826	0.545	2.156	1.233	0.185
Actual	2011	15.353	14.814	9.283	0.538	2.286	1.230	0.189
Actual	2012	16.643	16.084	10.242	0.559	2.387	1.246	0.195
Forecast	2013	16.767	16.204	10.319	0.563	2.405	1.255	0.197
Forecast	2014	16.882	16.315	10.390	0.567	2.422	1.264	0.198
Forecast	2015	16.999	16.428	10.461	0.571	2.438	1.273	0.200

	t Fiscal	GF Fee New Plate Millions	GF Fee Computer Millions	GF Fee $.25 Millions	GF Fee Other Millions	GF Fee Transit Millions	Non GF Fee Lien Millions	Adjustments Millions
Actual	2002	0.525	-0.001	0.024	1.084	0.109	0.186	
Actual	2003	0.492	0.000	0.000	1.221	0.435	0.554	
Actual	2004	0.910	0.000	0.000	1.559	0.394	0.878	
Actual	2005	1.192	0.000	0.000	1.468	0.373	0.722	0.000
Actual	2006	2.865	0.000	0.000	1.335	0.203	0.708	0.000
Actual	2007	3.102	0.000	0.000	1.057	0.000	0.740	0.000
Actual	2008	1.493	0.000	0.000	1.113	0.000	0.621	0.000
Actual	2009	1.278	0.000	0.000	0.899	0.000	0.560	0.000
Actual	2010	0.660	0.000	0.000	0.772	0.000	0.540	0.000
Actual	2011	0.529	0.000	0.000	0.759	0.000	0.538	0.000
Actual	2012	0.554	0.000	0.000	0.900	0.000	0.559	0.000
Forecast	2013	0.558	0.000	0.000	0.907	0.000	0.563	0.000
Forecast	2014	0.562	0.000	0.000	0.913	0.000	0.567	0.000
Forecast	2015	0.566	0.000	0.000	0.919	0.000	0.571	0.000

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

	t Fiscal	GF Fee Registration Growth	GF Fee Record Growth	GF Fee Titles Growth	GF Fee Personal Growth	GF Fee New Plate Growth	GF Fee Other Growth	GF Fee VA Cemetery Growth
Actual	2002	232.6%	14.5%	82.4%	78.1%	-65.9%	196.8%	
Actual	2003	2.5%	-4.3%	3.8%	6.6%	-6.3%	12.7%	
Actual	2004	4.0%	5.9%	9.0%	10.2%	85.1%	27.6%	
Actual	2005	-1.5%	-2.8%	-2.0%	1.1%	30.9%	-5.8%	37.9%
Actual	2006	-45.6%	-4.0%	-9.2%	-6.0%	140.5%	-9.1%	-57.2%
Actual	2007	-21.8%	1.5%	5.3%	-3.8%	8.3%	-20.8%	-0.8%
Actual	2008	23.5%	2.9%	-1.3%	-2.1%	-51.9%	5.3%	-16.5%
Actual	2009	-22.0%	-26.9%	-13.7%	-8.7%	-14.4%	-19.3%	-4.9%
Actual	2010	-3.2%	3.7%	1.4%	1.1%	-48.3%	-14.2%	1.0%
Actual	2011	5.2%	-1.3%	6.0%	-0.2%	-19.9%	-1.6%	2.2%
Actual	2012	10.3%	3.9%	4.4%	1.3%	4.7%	18.6%	3.2%
Forecast	2013	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Forecast	2014	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Forecast	2015	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%

	t Fiscal	GF Fee New Plate Growth	GF Fee Computer Growth	GF Fee $0.25 Growth	GF Fee Other Growth	GF Fee Transit Growth	Non GF Fee Lien Growth
Actual	2002	-65.9%	-100.1%	-92.1%	196.8%		
Actual	2003	-6.3%	-100.0%	-100.0%	12.7%	300.4%	-4.3%
Actual	2004	85.1%			27.6%	-9.4%	5.9%
Actual	2005	30.9%			-5.8%	-5.5%	-2.8%
Actual	2006	140.5%			-9.1%	-45.6%	-4.0%
Actual	2007	8.3%			-20.8%	-100.0%	1.5%
Actual	2008	-51.9%			5.3%		2.9%
Actual	2009	-14.4%			-19.3%		-26.9%
Actual	2010	-48.3%			-14.2%		3.7%
Actual	2011	-19.9%			-1.6%		-1.3%
Actual	2012	4.7%			18.6%		3.9%
Forecast	2013	0.7%			0.7%		0.7%
Forecast	2014	0.7%			0.7%		0.7%
Forecast	2015	0.7%			0.7%		0.7%

Total Tax = Registration + Record + Titles + Personal + New Plate + VA Cemetery + Other + Transit + Lien
GF Tax = Total Tax - Lien

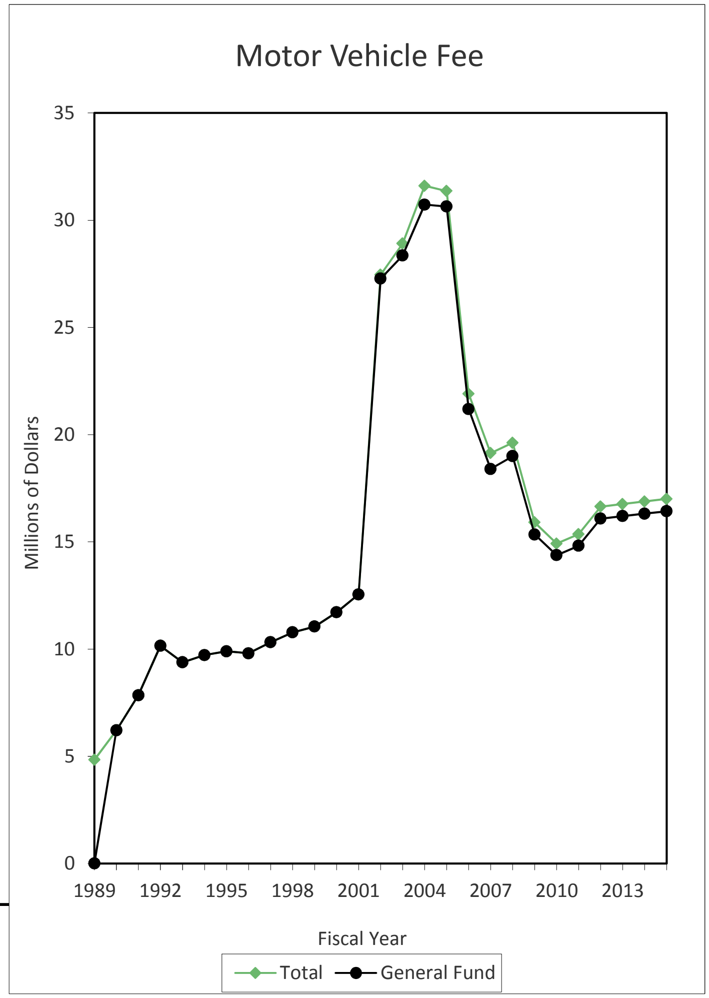
Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	4.833	0.000	Not App.
A	1990	6.208	6.208	Not App.
A	1991	7.845	7.845	26.4%
A	1992	10.152	10.152	29.4%
A	1993	9.382	9.382	-7.6%
A	1994	9.721	9.721	3.6%
A	1995	9.896	9.896	1.8%
A	1996	9.801	9.801	-1.0%
A	1997	10.315	10.315	5.3%
A	1998	10.778	10.778	4.5%
A	1999	11.053	11.053	2.6%
A	2000	11.716	11.716	6.0%
A	2001	12.548	12.548	7.1%
A	2002	27.457	27.271	117.3%
A	2003	28.906	28.352	4.0%
A	2004	31.602	30.724	8.4%
A	2005	31.362	30.640	-0.3%
A	2006	21.903	21.195	-30.8%
A	2007	19.141	18.401	-13.2%
A	2008	19.616	18.995	3.2%
A	2009	15.905	15.345	-19.2%
A	2010	14.917	14.377	-6.3%
A	2011	15.353	14.814	3.0%
A	2012	16.643	16.084	8.6%
F	2013	16.767	16.204	0.8%
F	2014	16.882	16.315	0.7%
F	2015	16.999	16.428	0.7%



Data Source(s): SABHRS, Department of Justice

Contacts: Department of Justice

Legislative Fiscal Division

Revenue Estimate Profile

Public Contractors Tax

Revenue Description: Contractors or subcontractors submitting a proposal to perform construction work in Montana for the federal government, state government, or any political subdivision, must be licensed as a public contractor. A license is not required in order to bid on contracts in which federal aid is used for highway construction, but a license is required once the bid is awarded.

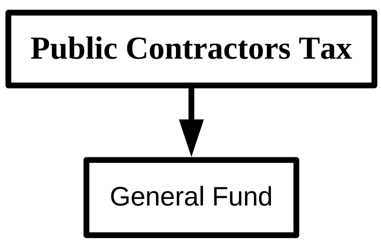
Statutory Reference:

Tax Rate (MCA) – 15-50-205
Tax Distribution MCA) – 15-50-311
Date Due – within 30 days after payment to the contractor (15-50-309)

Applicable Tax Rate(s): A 1.0% license fee is applied to the gross receipts of each separate project let by any of the listed public entities. However, a credit (in the form of a refund) against the license fee is allowed for personal property taxes and certain motor vehicle fees paid in Montana on personal property or vehicles used in the business of the contractor. In addition, the amount of the net license fee paid (gross less the property tax refund) may be used as a credit on the contractor's corporate or individual tax return. Overpayments are also refunded.

Distribution: All public contractor tax revenue is deposited into the general fund.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 0.15%	FY 2007 – 0.30%	FY 2010 – 0.43%
FY 2005 – 0.09%	FY 2008 – 0.26%	FY 2011 – 0.38%
FY 2006 – 0.25%	FY 2009 – 0.33%	FY 2012 – -0.16%

Revenue Estimate Methodology:

Data

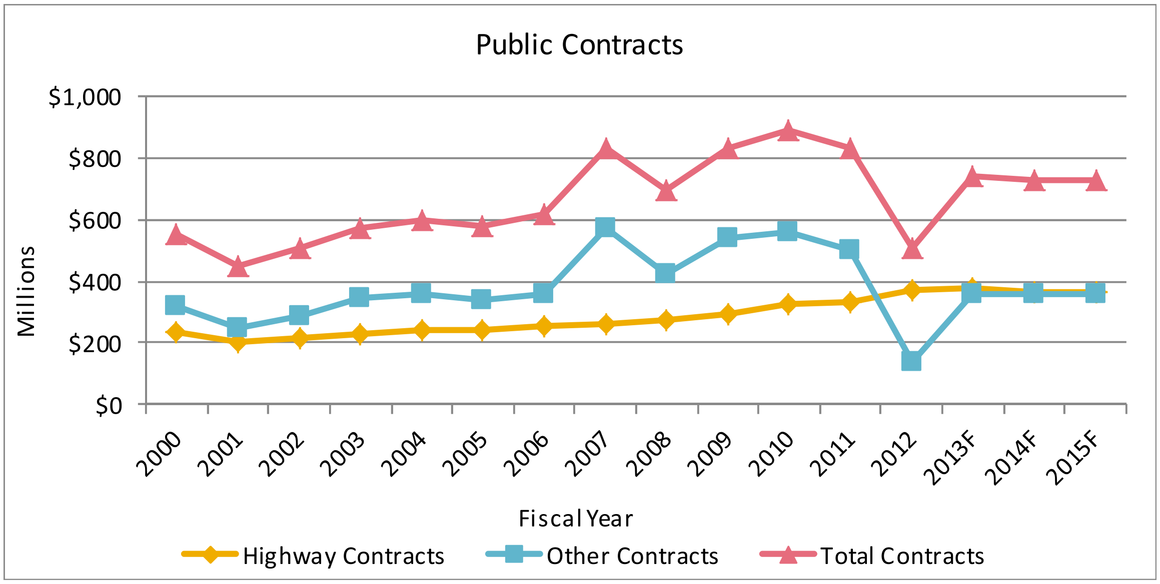
Data for the public contractor's tax are obtained from the state accounting system (SABHRS), the Department of Transportation (DOT), and the Department of Revenue (DOR) and are used to make the public contractors gross receipts tax (PCGRT) estimate. SABHRS data are utilized for total fiscal year tax collections. The DOT provides estimates of highway contracts for future biennia. The DOR provides information on the amounts of credits and refunds paid in each fiscal year.

Several steps are involved in preparing the data for analysis. After collecting the SABHRS total collection data, net tax collections are increased to account for the reductions of refunds and credits, creating a proxy for gross tax collections. From there, the gross tax data must be disaggregated into two contract classifications, highway and all other contracts. This is done by reducing the gross tax by the total amount of highway/road contracts, also obtained through SABHRS. Historically, highway contracts have been responsible for almost 38% of the gross tax collections.

Legislative Fiscal Division

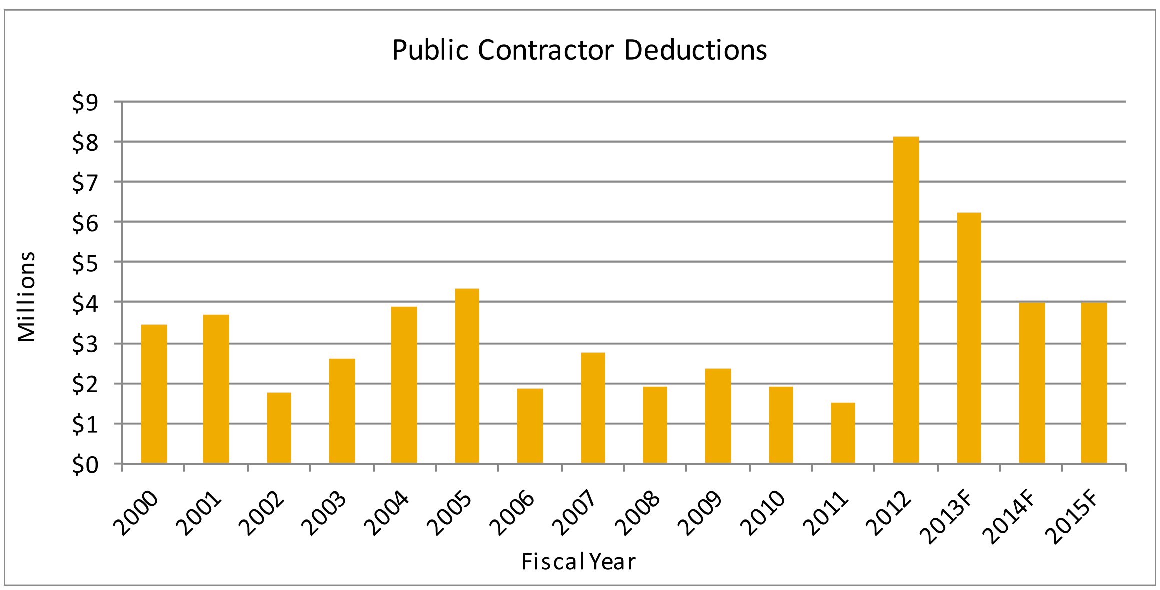
Revenue Estimate Profile

Public Contractors Tax



The remainder of the gross collections can be credited to other types of contracts. These contracts include forestry, bridge construction, and public building projects. The figure above shows both the aggregated and disaggregated Montana public contract values and a trend line illustrating the moderate rate of growth inherent in the aggregated public contracts, approximately 4.6% annually.

The DOR provides historical data of refund and credit activity for the analysis. The PCGRT revenue has been highly variable over time. However, the variability is not caused by volatility in the number of contracts but instead by inconsistencies in processing payment of refunds and credits. As apparent in the figure below, the DOR deferred some of the refund and credit processing in FY 2002 and FY 2003, creating a processing backlog. Consequently, processing for those years was postponed to FY 2004 and FY 2005, exaggerating the credit and refund amounts.



PCGRT refunds are made up primarily of refund claims against the class 8-business property tax. Changes in the property tax rate, such as in FY 2000 when the rate was reduced from 6% to 3%, affect the amount of refunds. Credits are authorized for both individual income tax and the corporation license tax. The credit series as observed in the figure above is a combination of both individual and corporation credits.

Legislative Fiscal Division

Revenue Estimate Profile

Public Contractors Tax

Analysis

Analysis of the PCGRT shows a growth of Montana highway contracts at 3.4% annually. However, highway contract growth is highly reliant on federal appropriations for highway construction in the state. In the 2011 biennium, highway projects funded with American Recovery and Reinvestment Act of 2009 is assumed to have increased total tax revenues. Each biennium, the DOT legislative budget shows the amount of contracts that are expected in the upcoming biennium. Highway contracts through the DOT are expected to be $327.7 million, $297.0 million, and $295.6 million in FY 2011 through FY 2013, respectively. While annual growth for "other" contracts has been approximately 3.4% historically, growth in other public contracts is expected to decline, -3.6% annually, for the estimated period and is expected to average $448.1 million through the three year period. Next, the annual contract amounts are summed. Finally, the tax rate is applied to the amount of total contracts to determine the gross collections of the PCGRT.

Adjustments

The final step in estimating the PCGRT is to reduce the gross collections by two adjustments, income tax credits and property tax refunds. According to the DOR, the backlog in processing has been eliminated, and net collections should appear more consistent in the future. Consequently, growth of the refund and credit activity should become more stable. Total credits and refunds are expected to average $1.6 million each year from FY 2011 through FY 2013.

Forecast Methodology:

(Highway Construction Payments + Other Construction Payments) x Tax Rate - Credits - Property Tax Refunds → **Total Public Contractor Tax Revenue**

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Gross Tax Millions	Credits & Refunds Millions	Tax Rate	DOT Contracts Millions	Other Contracts Millions
Actual	2002	3.267	3.267	5.053	1.788	1.0%	217.749	287.595
Actual	2003	3.082	3.082	5.706	2.625	1.0%	226.114	344.530
Actual	2004	2.120	2.120	6.004	3.884	1.0%	241.630	358.780
Actual	2005	1.411	1.411	5.752	4.341	1.0%	239.291	335.919
Actual	2006	4.275	4.275	6.158	1.883	1.0%	254.388	361.377
Actual	2007	5.567	5.567	8.336	2.769	1.0%	263.661	569.907
Actual	2008	5.063	5.063	6.964	1.902	1.0%	271.911	424.512
Actual	2009	5.930	5.930	8.287	2.357	1.0%	290.543	538.191
Actual	2010	6.969	6.969	8.882	1.913	1.0%	327.699	560.550
Actual	2011	6.803	6.803	8.329	1.525	1.0%	330.290	502.570
Actual	2012	-3.042	-3.042	5.068	8.110	1.0%	369.168	137.636
Forecast	2013	1.140	1.140	7.394	6.254	1.0%	379.194	360.186
Forecast	2014	3.259	3.259	7.241	3.983	1.0%	363.947	360.186
Forecast	2015	3.259	3.259	7.241	3.983	1.0%	363.947	360.186

Total Tax = (DOT Contracts + Other Contracts) × Tax Rate - Credits & Refunds

GF Tax = Total Tax

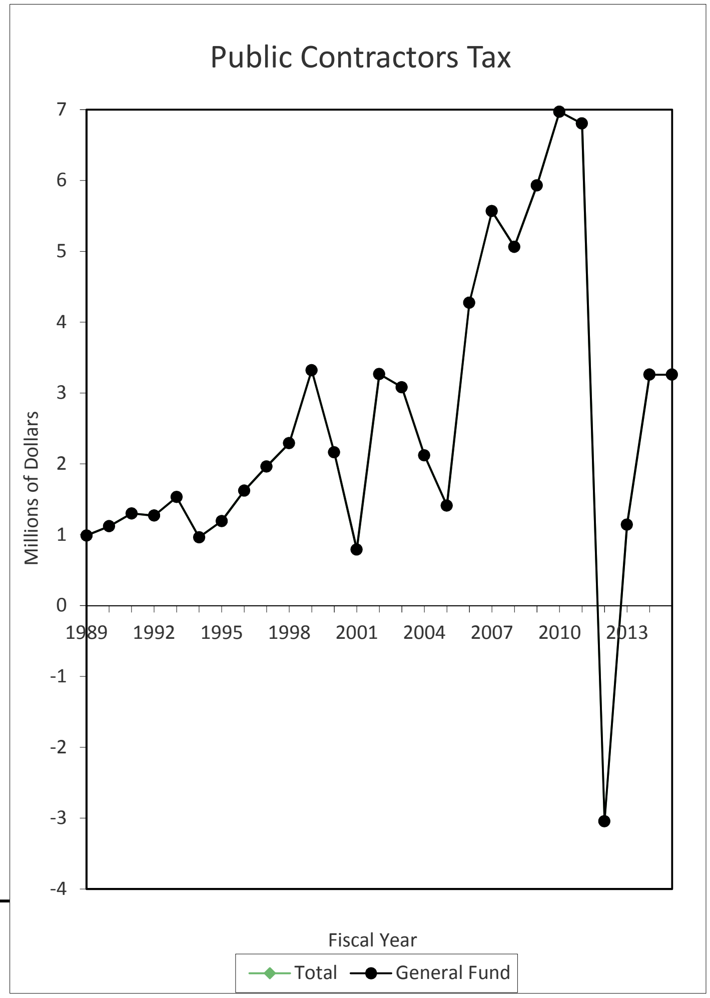
Legislative Fiscal Division

Revenue Estimate Profile

Public Contractors Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.988	0.988	Not App.
A	1990	1.118	1.118	13.2%
A	1991	1.301	1.301	16.3%
A	1992	1.270	1.270	-2.4%
A	1993	1.531	1.531	20.5%
A	1994	0.964	0.964	-37.0%
A	1995	1.192	1.192	23.7%
A	1996	1.621	1.621	36.0%
A	1997	1.964	1.964	21.1%
A	1998	2.291	2.291	16.7%
A	1999	3.320	3.320	44.9%
A	2000	2.162	2.162	-34.9%
A	2001	0.792	0.792	-63.4%
A	2002	3.267	3.267	312.7%
A	2003	3.082	3.082	-5.7%
A	2004	2.120	2.120	-31.2%
A	2005	1.411	1.411	-33.5%
A	2006	4.275	4.275	203.0%
A	2007	5.567	5.567	30.2%
A	2008	5.063	5.063	-9.1%
A	2009	5.930	5.930	17.1%
A	2010	6.969	6.969	17.5%
A	2011	6.803	6.803	-2.4%
A	2012	-3.042	-3.042	-144.7%
F	2013	1.140	1.140	-137.5%
F	2014	3.259	3.259	185.9%
F	2015	3.259	3.259	0.0%



Data Source(s): SABHRS, Department of Revenue, Department of Transportation

Contacts: Department of Revenue, Department of Transportation

Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

Revenue Description: All railroad property is subject to taxation as defined in the federal Railroad Revitalization and Regulatory Reform Act of 1976. The Railroad car tax applies to the rolling stock owned by railroad companies. The railroad car tax rate the average property tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

Statutory Reference:

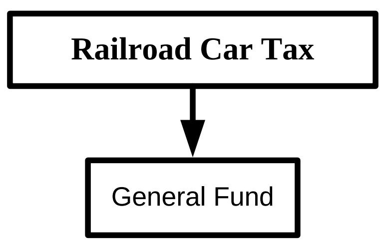
Tax Rate (MCA) - 15-23-214(1)
Tax Distribution (MCA) – 15-23-215
Date Due – Report due to the Department of Revenue April 15th of each year for the previous calendar year (15-23-103(2), 15-23-212). The department calculates the tax due by the third Monday in October (15-23-214(1)). One-half of the tax is due by November 30th and one-half is due by May 31st (15-23-214(3), 15-16-102(1)).

Applicable Tax Rate(s): The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property. This is multiplied by the statewide average mill levy for commercial and industrial property. The most current tax year rates are:

FY 2004 – 3.88%	FY 2007 – 3.55%	FY 2010 – 3.40%
FY 2005 – 3.81%	FY 2008 – 3.52%	FY 2011 – 3.40%
FY 2006 – 3.74%	FY 2009 – 3.44%	FY 2012 – 3.50%

Distribution: All revenue from this tax is deposited into the general fund.

Distribution Chart:



Collection Frequency: Semi-annually

% of Total General Fund Revenue:

FY 2004 – 0.11%	FY 2007 – 0.09%	FY 2010 – 0.16%
FY 2005 – 0.10%	FY 2008 – 0.11%	FY 2011 – 0.12%
FY 2006 – 0.10%	FY 2009 – 0.12%	FY 2012 – 0.12%

Revenue Estimate Methodology:

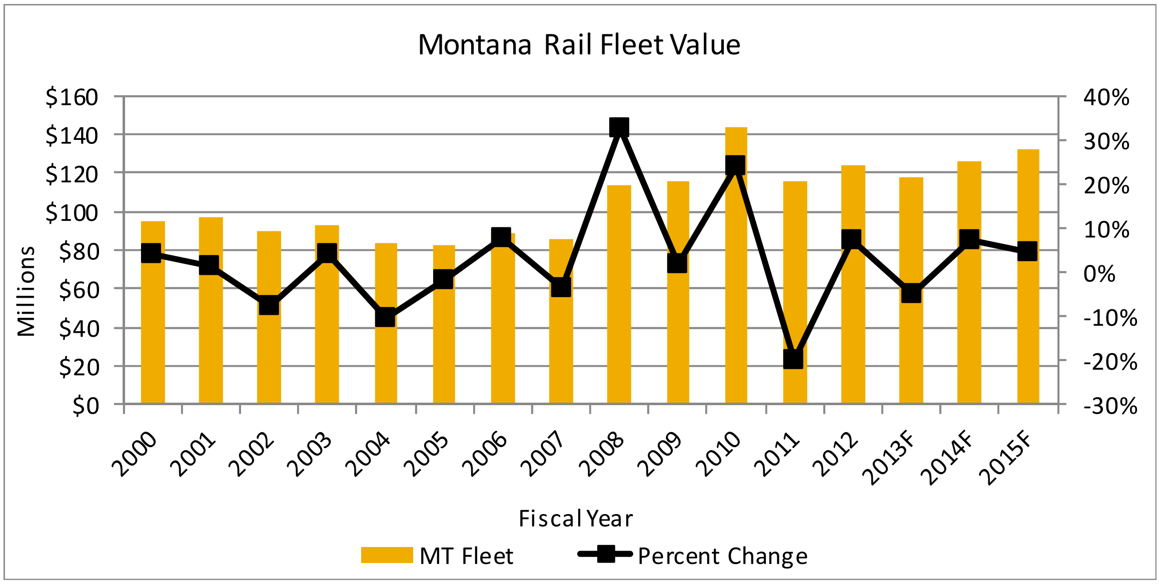
Data

Data from the Department of Revenue (DOR) are used to estimate railcar tax collections. Additionally, SABHRS data are used to check the estimates against the historic values. DOR provides data on the value of national railroad car fleet, Montana's rolling stock, and railroad car tax assessed by company. DOR also provides the historic observations of the average mill levy and applicable tax rate.

Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax



<u>Analysis</u>

Although the railcar tax appears quite volatile, most of the volatility is caused by shifts in average mill levies and tax rates, both of which are controlled in large part by factors outside of the growth in rail shipments. Furthermore, a large part of the volatility can be traced to litigation brought by rail companies and settled in federal legislation. In 1993, some rail companies protested tax rates. Tax payments were reduced for four years. Then, in 1997, the litigation was settled and the companies were required to make both past and current payments. Railroad properties are taxed as class 12 properties. To calculate total railroad car tax collections (class 12 property), the market value of the Montana fleet is multiplied by the average mill levy and tax rate.

The estimate of the railroad car tax is based on the market value of the rail fleet in Montana. Before the market value can be ascertained, some preliminary estimates must be developed. As illustrated in the figure below, the market value of Montana's fleet is based on a relationship with market value of the U.S. fleet. Consequently, an estimate for the value of the national fleet is developed using the average rate of growth in the U.S. fleet value, based on a four-year pattern of growth. That rate is then applied to the last year of actual fleet value available. Next, a measure of the apportionment of Montana fleet value is developed in percent terms. The apportionment is then applied to the estimate for the national fleet market value to determine the Montana railroad fleet market value. Since 2004, the market value of Montana's rail fleet has been ranged between 0.44% and 0.51% of the nation's fleet. The growth in Montana allocated value is expected to grow with the national fleet at 7.4 percent in FY 2014 and by 4.5 percent in FY 2015.

In FY 2010, the value of Montana fleet compared to the value of the national fleet was high at 0.51 percent. This was likely due to an economic slowdown in which many railroad cars were parked in the state. These cars paid the Montana railcar tax at a higher rate and as a result Montana Railcar revenues were temporarily high

After the Montana market fleet value is determined, the average commercial and industrial mill levy and tax rate must be calculated. The rate of the mill levy is calculated from the average of statewide commercial and industrial mill levies. The average mill levy is expected to increase because counties are able to raise levies at a rate equal to half of the annual rate of inflation. Furthermore, the increasing costs of school budgets will further force the average mill levy to increase. The calculated mill levy growth estimates are less than 1 percent throughout the forecast period.

The tax rate for the railroad property is created from a weighted average of five property classes containing commercial and industrial property: class 4, 7, 8, 9, 13 and 14. Class 4 property tax, which contains commercial real estate is weighted more heavily than the other classes. The estimated tax rate will be 3.45% in FY 2012, FY 2013 and FY 2015.

Finally, the rail car tax estimates are completed by multiplying the Montana market value by the average mills and the tax rate.

Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

Forecast Methodology:

Percent of Fleet Value Allocated to Montana X Total Market Value of Fleet X Property Tax Rate X Average Mill Levy → **Total Railcar Tax Revenue**

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Total MV of Fleet Millions	MT Allocation Percent	MT MV of Fleet Millions	Tax Rate	Mills
Actual	2002	1.490	1.490	20,065.084	0.4%	89.657	4.2%	0.401
Actual	2003	1.484	1.484	19,527.800	0.5%	93.549	4.0%	0.419
Actual	2004	1.568	1.568	19,231.928	0.4%	84.020	3.9%	0.474
Actual	2005	1.604	1.604	18,767.655	0.4%	82.646	3.8%	0.487
Actual	2006	1.667	1.667	20,014.412	0.4%	89.056	3.7%	0.510
Actual	2007	1.615	1.615	21,120.423	0.4%	85.817	3.6%	0.516
Actual	2008	2.064	2.064	22,553.070	0.5%	113.859	3.5%	0.520
Actual	2009	2.099	2.099	25,133.266	0.5%	116.184	3.4%	0.525
Actual	2010	2.579	2.579	28,120.571	0.5%	144.031	3.5%	0.525
Actual	2011	2.130	2.130	27,258.969	0.4%	115.455	3.4%	0.517
Actual	2012	2.273	2.273	26,010.981	0.5%	123.766	3.5%	0.533
Forecast	2013	2.157	2.157	26,722.252	0.4%	117.899	3.5%	0.530
Forecast	2014	2.322	2.322	28,712.047	0.4%	126.678	3.5%	0.532
Forecast	2015	2.452	2.452	30,005.708	0.4%	132.385	3.5%	0.537

Total Tax = Total MV of Fleet × MT Allocation × Tax Rate × Mills
GF Tax = Total Tax

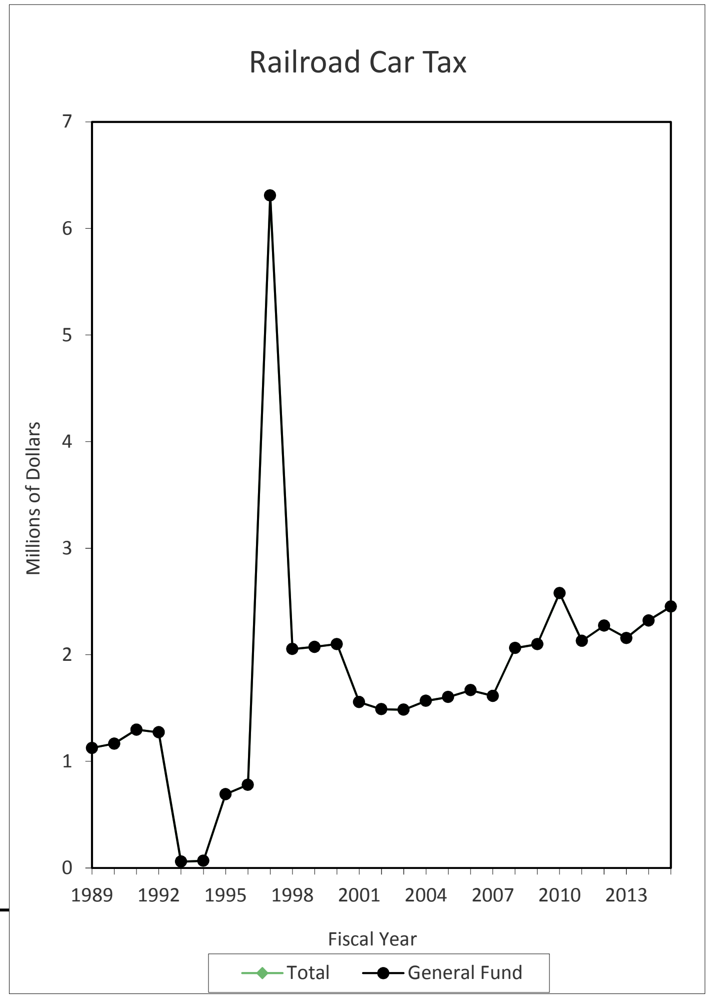
Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	1.126	1.126	Not App.
A	1990	1.166	1.166	3.6%
A	1991	1.298	1.298	11.3%
A	1992	1.272	1.272	-2.0%
A	1993	0.060	0.060	-95.3%
A	1994	0.067	0.067	11.0%
A	1995	0.692	0.692	940.1%
A	1996	0.780	0.780	12.7%
A	1997	6.309	6.309	708.7%
A	1998	2.054	2.054	-67.4%
A	1999	2.074	2.074	0.9%
A	2000	2.101	2.101	1.3%
A	2001	1.556	1.556	-25.9%
A	2002	1.490	1.490	-4.2%
A	2003	1.484	1.484	-0.4%
A	2004	1.568	1.568	5.6%
A	2005	1.604	1.604	2.3%
A	2006	1.667	1.667	4.0%
A	2007	1.615	1.615	-3.2%
A	2008	2.064	2.064	27.8%
A	2009	2.099	2.099	1.7%
A	2010	2.579	2.579	22.9%
A	2011	2.130	2.130	-17.4%
A	2012	2.273	2.273	6.7%
F	2013	2.157	2.157	-5.1%
F	2014	2.322	2.322	7.7%
F	2015	2.452	2.452	5.6%



Data Source(s): SABHRS, Department of Revenue

Contacts: Railroad Car Companies, Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Rental Car Sales Tax

Revenue Description: Beginning July 1, 2003, a new 4% sales tax was imposed on the base rental charge for rental vehicles. The base rental charge includes use charges for time and mileage, insurance, accessory equipment, and charges for additional or underage drivers. It does not include price discounts, charges for operating an airport concession, motor fuel, intercity drop charges, and government taxes. A rental vehicle is one that is used by a person other than the owner by arrangement and for consideration. Included are light vehicles, motorcycles, motor-driven cycles, quadricycles, motorboats and sailboats, and off-highway vehicles. Sales to the U.S. government are exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed. Vendors are allowed to claim and keep 5% of the tax as an allowance, not to exceed $1,000 a quarter.

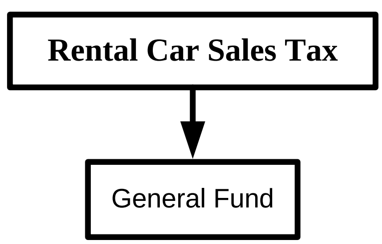
Statutory Reference:

Tax Rate (MCA) - 15-68-102(1b)
Tax Distribution MCA) - 15-68-820
Date Due - before the last day of the month following the calendar quarter (15-68-502(1))

Applicable Tax Rate(s): A 4% sales tax is imposed on the base rental charge for rental vehicles.

Distribution: All revenue from this tax is deposited into the general fund.

<u>Distribution Chart:</u>



Collection Frequency: The vendor must pay the tax due by the last day of the month following a calendar quarter.

% of Total General Fund Revenue:

FY 2004 – 0.18%	FY 2007 – 0.16%	FY 2010 – 0.17%
FY 2005 – 0.17%	FY 2008 – 0.16%	FY 2011 – 0.18%
FY 2006 – 0.16%	FY 2009 – 0.16%	FY 2012 – 0.18%

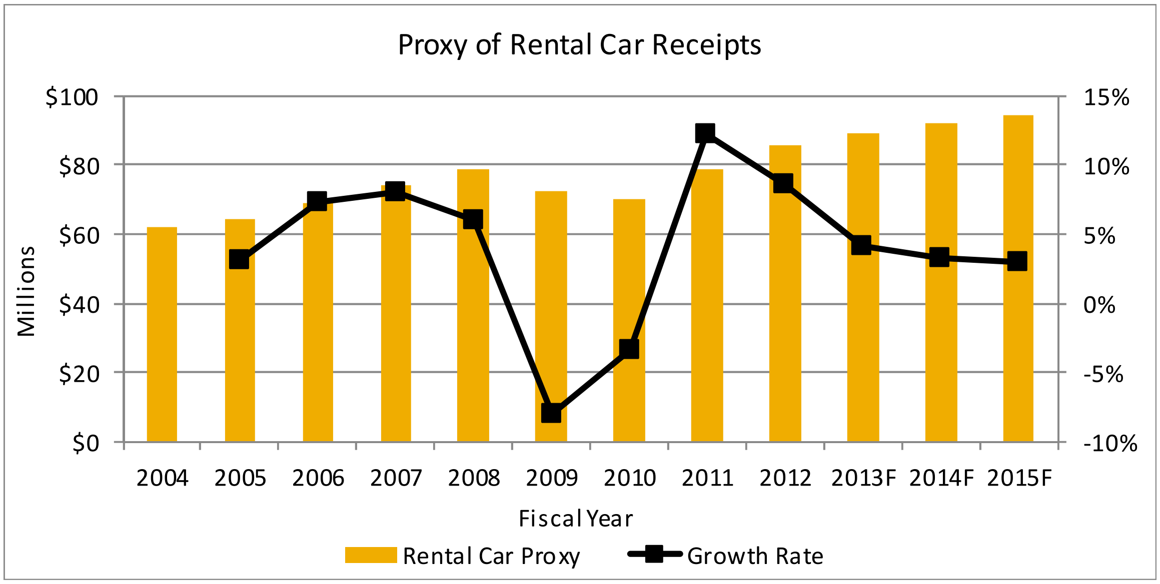
Revenue Estimate Methodology:

<u>Data</u>

The estimate of the rental car sales tax requires data from two sources, the state accounting system (SABHRS) and the Institute for Tourism and Recreation Research (ITRR). The SABHRS data includes the historic tax collection observations and the ITRR data is used as an indicator for the historic growth associated with the tourism industry.

Before analysis can begin on the rental car tax, a proxy value for rental car expenditures must be developed. This calculation is made by dividing historic tax receipts, provided through SABHRS, by the current tax rate.

Rental Car Sales Tax



Analysis

Because the relatively new rental car sales tax now has seven collection observations, a regression model provides acceptable results for estimating future tax collections. Because there is strong connection between the use of rental cars and Montana retail sales, the LFD uses the growth rate of retail sales to project future rental car receipts.

The rental car tax is projected with a regression model of the proxy of Montana retail sales. The statistics show that the regression proxy of retail sales in Montana accurately measures the rate of growth in the value of the taxable rental car receipts. The model produces an R^2 rating of 0.92. This means that the trend explains 92% of the variability of the taxable rental car receipts, when all other impacts are held constant.* The growth rate is then applied to the most recent base (FY 2010) of the proxy of rental car receipts.

Adjustment and Distribution

The final step in development of the rental car sales tax projection is to reduce the projection by credits and audits. Credits may be requested by vendors for tax payments on dollars that are later recognized as bad debt. Additionally, a credit is allowed if a similar tax has been levied and paid in another state on property that was leased outside this state but used in the state. Additionally, the DOR may audit the accounts of vendors who pay the rental car sales tax, and both positive and negative adjustments may be made to the total collections. To date, no credits or audits have occurred.

Forecast Methodology:

Rental Car Sales Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Taxable Sales Millions	Tax Rate Percent	Credits Millions	Audits Millions
Actual	2002	0.000	0.000	0.000	0.0%	0.000	0.000
Actual	2003	0.000	0.000	0.000	0.0%	0.000	0.000
Actual	2004	2.486	2.486	62.150	4.0%	0.000	0.000
Actual	2005	2.566	2.566	64.139	4.0%	0.000	0.000
Actual	2006	2.755	2.755	68.877	4.0%	0.000	0.000
Actual	2007	2.976	2.976	74.406	4.0%	0.000	0.000
Actual	2008	3.157	3.157	78.931	4.0%	0.000	0.000
Actual	2009	2.904	2.904	72.609	4.0%	0.000	0.000
Actual	2010	2.807	2.807	70.185	4.0%	0.000	0.000
Actual	2011	3.149	3.149	78.730	4.0%	0.000	0.000
Actual	2012	3.420	3.420	85.494	4.0%	0.000	0.000
Forecast	2013	3.563	3.563	89.062	4.0%	0.000	0.000
Forecast	2014	3.679	3.679	91.951	4.0%	0.000	0.000
Forecast	2015	3.788	3.788	94.684	4.0%	0.000	0.000

Total Tax = Taxable Sales × Tax Rate - Credits + Audits
GF Tax = Total Tax

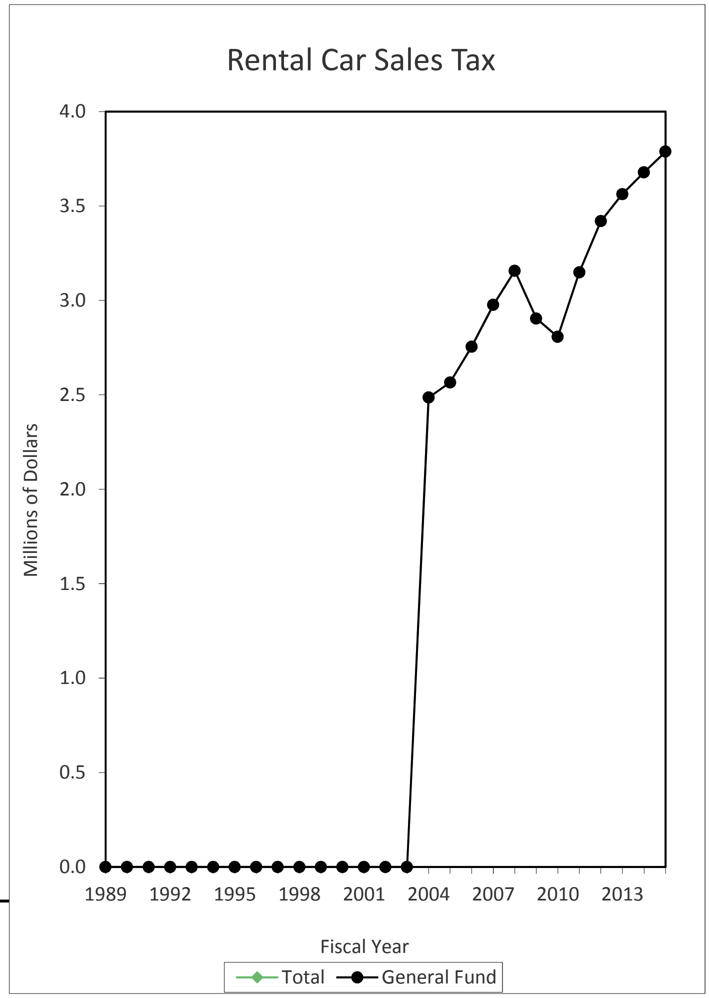
Legislative Fiscal Division

Revenue Estimate Profile

Rental Car Sales Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	0.000	0.000	Not App.
A	1992	0.000	0.000	Not App.
A	1993	0.000	0.000	Not App.
A	1994	0.000	0.000	Not App.
A	1995	0.000	0.000	Not App.
A	1996	0.000	0.000	Not App.
A	1997	0.000	0.000	Not App.
A	1998	0.000	0.000	Not App.
A	1999	0.000	0.000	Not App.
A	2000	0.000	0.000	Not App.
A	2001	0.000	0.000	Not App.
A	2002	0.000	0.000	Not App.
A	2003	0.000	0.000	Not App.
A	2004	2.486	2.486	Not App.
A	2005	2.566	2.566	3.2%
A	2006	2.755	2.755	7.4%
A	2007	2.976	2.976	8.0%
A	2008	3.157	3.157	6.1%
A	2009	2.904	2.904	-8.0%
A	2010	2.807	2.807	-3.3%
A	2011	3.149	3.149	12.2%
A	2012	3.420	3.420	8.6%
F	2013	3.563	3.563	4.2%
F	2014	3.679	3.679	3.3%
F	2015	3.788	3.788	3.0%



Data Source(s): SABHRS, Department of Revenue

Contacts: Rental Car Companies

Legislative Fiscal Division

Revenue Estimate Profile

Telecommunications Excise Tax

Revenue Description: The retail telecommunications excise tax is levied on the sales price of retail telecommunications services originating or terminating in the state. It is paid by the retail purchaser and collected by the provider.

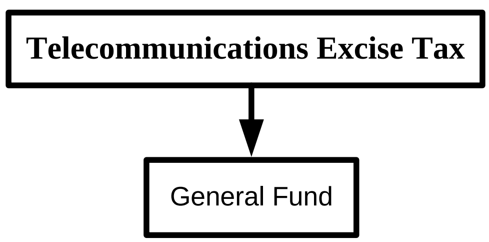
Statutory Reference:

Tax Rate (MCA) – 15-53-130
Tax Distribution (MCA) – 15-53-156
Date Due – 60 days after the end of the calendar quarter (15-53-139)

Applicable Tax Rate(s): The current tax rate of 3.75% is applied to the sales price of retail telecommunications services. Sales price includes payment for services such as distribution, supply, transmission, and delivery, but excludes federal taxes, relocation of service, equipment repair, prepaid calling cards, and other items. Gross receipts from the provision of internet services are also exempt. Credits previously allowed for costs of advanced telecommunications infrastructure improvements were repealed in House Bill 96 by the 2003 legislature.

Distribution: After retaining an allowance for refunds, all proceeds are deposited into the general fund.

Distribution Chart:



Collection Frequency: Quarterly

% of Total General Fund Revenue:

FY 2004 – 1.51%	FY 2007 – 1.14%	FY 2010 – 1.45%
FY 2005 – 1.38%	FY 2008 – 1.15%	FY 2011 – 1.24%
FY 2006 – 1.24%	FY 2009 – 1.23%	FY 2012 – 1.15%

Revenue Estimate Methodology:

Data

Data from quarterly reports produced by DOR provide a history of retail telecommunications sales for each individual company. CPI data is obtained from IHS.

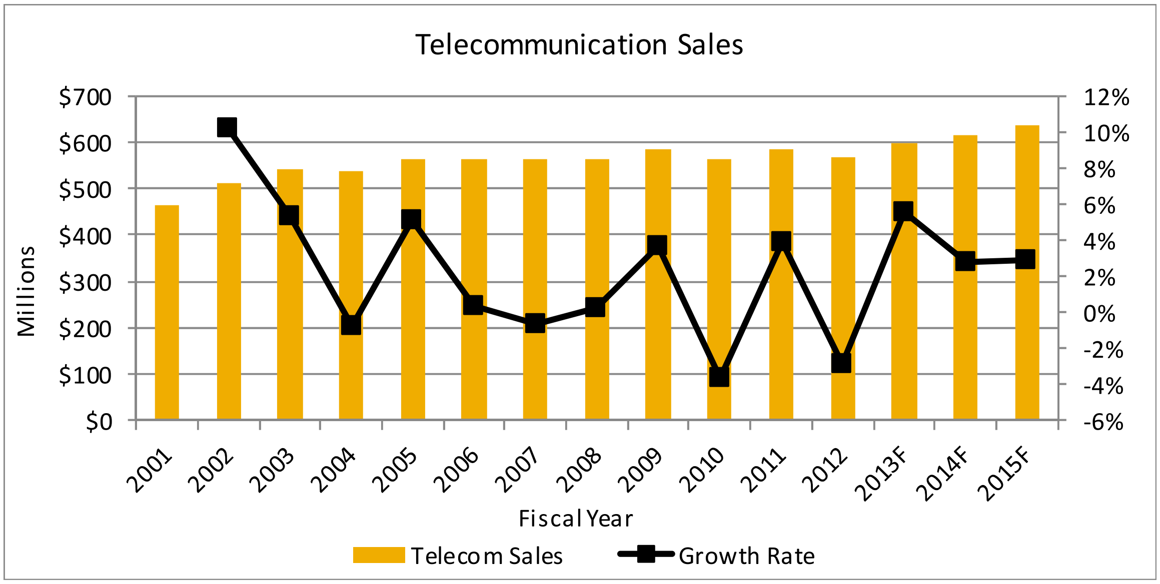
Analysis

The total retail telecommunication sales are reported by the DOR. The estimate for gross sales for each fiscal year is determined by an eight-year moving average of actual and estimated gross sales beginning in FY 2003. Yearly estimated taxable sales are multiplied by the tax rate to derive gross tax revenue from this source.

Legislative Fiscal Division

Revenue Estimate Profile

Telecommunications Excise Tax



<u>Adjustments and Distribution</u>
Once gross tax revenue for each fiscal year is determined, the value is adjusted by audits. Audits are projected based on a ten-year moving average of actual audits beginning in FY 2001. Next, the applicable distribution percentage, 100% to the general fund, is applied.

Forecast Methodology:

(Total Taxable Gross Receipts **x** Growth Rate **x** Tax Rate) **+** Audits → **Total Telecommunications Excise Tax Revenue**

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Taxable Sales Millions	Tax Rate Percent	Credits Millions	Audits Millions
Actual	2002	19.594	19.594	512.754	3.75%	0.252	0.617
Actual	2003	20.805	20.805	540.397	3.75%	0.004	0.544
Actual	2004	20.890	20.890	536.139	3.75%	0.053	0.838
Actual	2005	21.144	21.144	563.780	3.75%	0.000	0.003
Actual	2006	21.209	21.209	565.572	3.75%	0.000	0.000
Actual	2007	21.066	21.066	561.756	3.75%	0.000	0.000
Actual	2008	22.350	22.350	563.408	3.75%	0.000	1.223
Actual	2009	22.250	22.250	584.146	3.75%	0.000	0.345
Actual	2010	23.523	23.523	563.234	3.75%	0.000	2.402
Actual	2011	22.050	22.050	585.333	3.75%	0.000	0.100
Actual	2012	21.459	21.459	568.306	3.75%	0.000	0.148
Forecast	2013	22.601	22.601	600.021	3.75%	0.000	0.100
Forecast	2014	23.238	23.238	617.004	3.75%	0.000	0.100
Forecast	2015	23.902	23.902	634.710	3.75%	0.000	0.100

Total Tax = Taxable Sales × Tax Rate - Credits + Audits

GF Tax = Total Tax

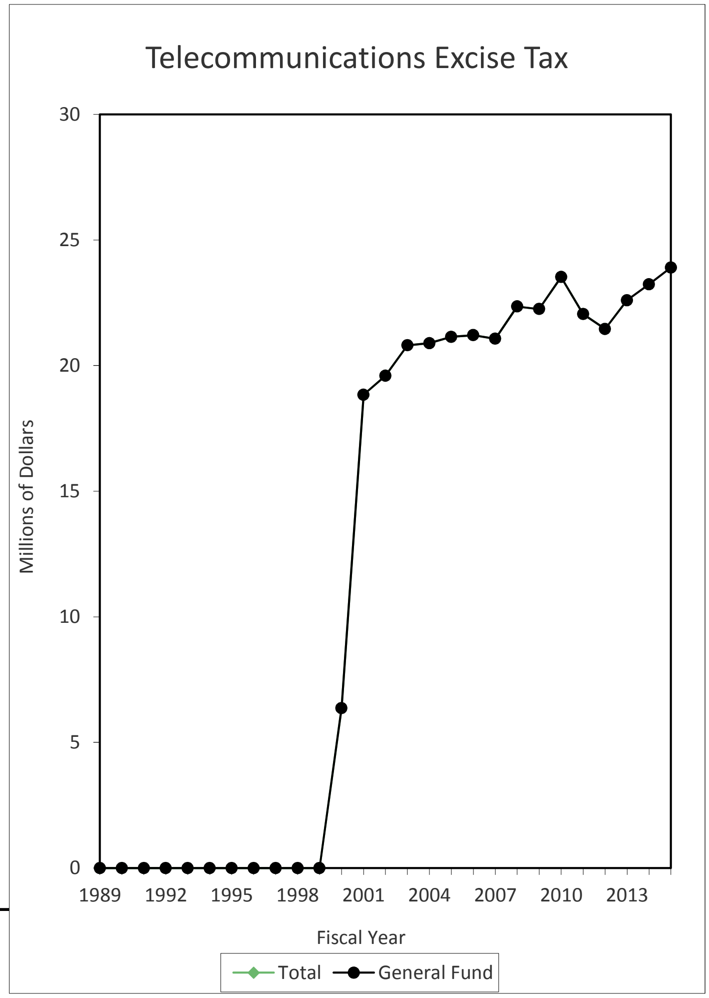
Legislative Fiscal Division

Revenue Estimate Profile

Telecommunications Excise Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	0.000	0.000	Not App.
A	1992	0.000	0.000	Not App.
A	1993	0.000	0.000	Not App.
A	1994	0.000	0.000	Not App.
A	1995	0.000	0.000	Not App.
A	1996	0.000	0.000	Not App.
A	1997	0.000	0.000	Not App.
A	1998	0.000	0.000	Not App.
A	1999	0.000	0.000	Not App.
A	2000	6.366	6.366	Not App.
A	2001	18.838	18.838	195.9%
A	2002	19.594	19.594	4.0%
A	2003	20.805	20.805	6.2%
A	2004	20.890	20.890	0.4%
A	2005	21.144	21.144	1.2%
A	2006	21.209	21.209	0.3%
A	2007	21.066	21.066	-0.7%
A	2008	22.350	22.350	6.1%
A	2009	22.250	22.250	-0.5%
A	2010	23.523	23.523	5.7%
A	2011	22.050	22.050	-6.3%
A	2012	21.459	21.459	-2.7%
F	2013	22.601	22.601	5.3%
F	2014	23.238	23.238	2.8%
F	2015	23.902	23.902	2.9%



Data Source(s): SABHRS, Department of Revenue

Contacts: Major Telecommunications Companies

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Revenue Description: Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, truck tractors having a manufacturer's rated capacity of more than 1 ton, motor homes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight.

Before January 1, 2001, light vehicles were taxed on an ad valorem basis. As a result of Referendum (LR) 115 (HB540), passed by the electorate in November 2000, light vehicles pay a fee-in-lieu of tax (FILT). The fee is $195 for light vehicles of age between zero and four years, $65 for vehicles between five and ten years of age, and $6 for vehicles over ten years old. Owners of vehicles greater than ten years old may pay $87.50 (plus other applicable fees) for a permanent registration.

Effective January 1, 2003, the fee schedule on heavy trucks is reduced by 1/6th for calendar 2003, by 1/3rd for calendar 2004 and by ½ for calendar 2005. These changes were enacted by HB 247 in the 2003 legislative session. The fee schedule for truck varies by age and weight capacity.

Effective January 1, 2004, the fees-in-lieu-of-tax on motorcycles and quadricycles, trailers and travel trailers, snowmobiles, watercraft, off-highway vehicles are one-time payments, except upon change of ownership. These one-time fees in calendar 2004 doubled in calendar 2005 and thereafter.

Due to changes enacted by HB 671 and SB 285 by the 2005 Legislature, registration fee revenue reported by counties on the county collection report are now being recorded as vehicle taxes. Therefore, revenue shown for this source shows a large increase in FY 2006 from FY 2005, but revenue decreases by a like amount in the "Motor Vehicle Fee" revenue source.

Statutory Reference:

Tax Rate (MCA) – watercraft one-time (23-2-516), snowmobiles one-time (23-2-626), OHV one-time (23-2-803), vehicle registrations (61-3-321), vehicles greater than 1 ton (61-3-529)

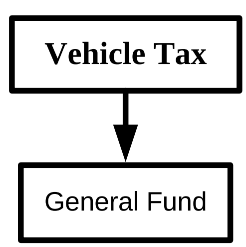
Tax Distribution (MCA) – watercraft (23-2-518), snowmobiles (23-2-619(7)), OHV (23-2-803), vehicle registrations (61-3-321(16)), motorcycles and quadricycles registrations (61-3-509), motor homes registrations (61-3-509), vehicles greater than 1 ton registrations (61-3-509)

Date Due – County treasurers remit the revenue to the Department of Revenue every 30 days (15-1-504 & 61-3-509).

Applicable Tax Rate(s): Varies

Distribution: All fees-in-lieu-of-tax are deposited in the general fund.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 6.05%	FY 2007 – 5.51%	FY 2010 – 5.50%
FY 2005 – 5.23%	FY 2008 – 5.26%	FY 2011 – 5.64%
FY 2006 – 5.39%	FY 2009 – 4.94%	FY 2012 – 5.34%

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

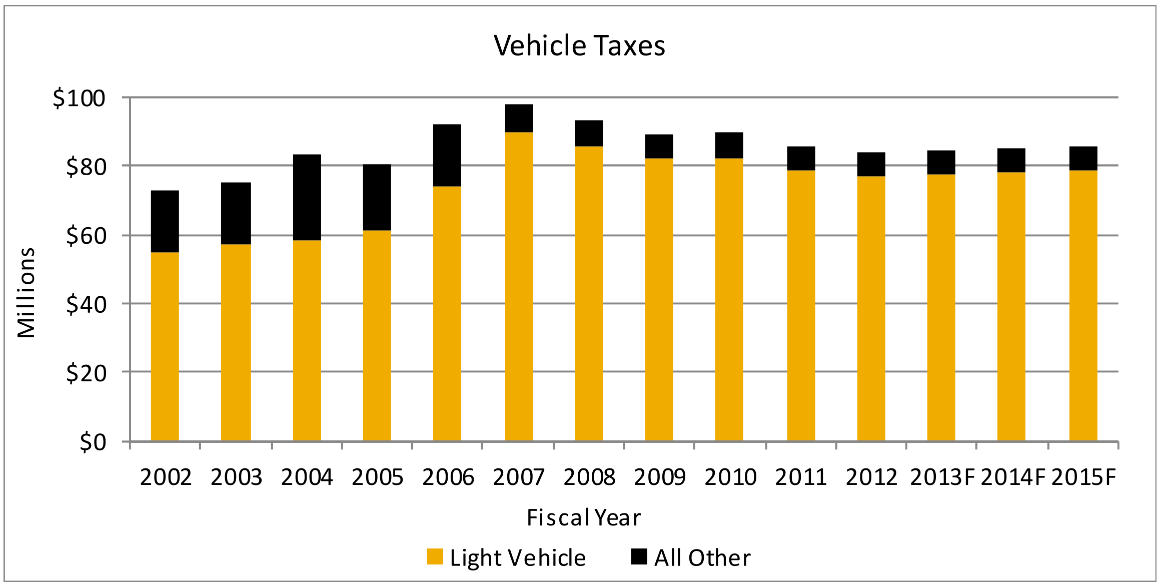
Revenue Estimate Methodology:

Data

The data used to estimate the motor vehicle tax are obtained from the state accounting system (SABHRS) and IHS (both national and state projections). No adjustments are required on the raw data in preparation for analysis.

Analysis

Vehicle taxes are currently imposed at different rates on five categories of vehicles (tax schedule varies by age and weight) including light vehicles, large trucks, motor homes, motor cycles (including tri-cycles), and boats and snowmobiles. As shown in the figure below, the taxes have increased at a slow rate since FY 2002. The figure below also shows greater rate of growth for light vehicle taxes in FY 2006 and FY 2007. This growth results from the legislative impacts of SB 285 and HB 671, both implemented in the 2005 session. In FY 2012 vehicle taxes began to show a decline, but recovers in FY 2013.



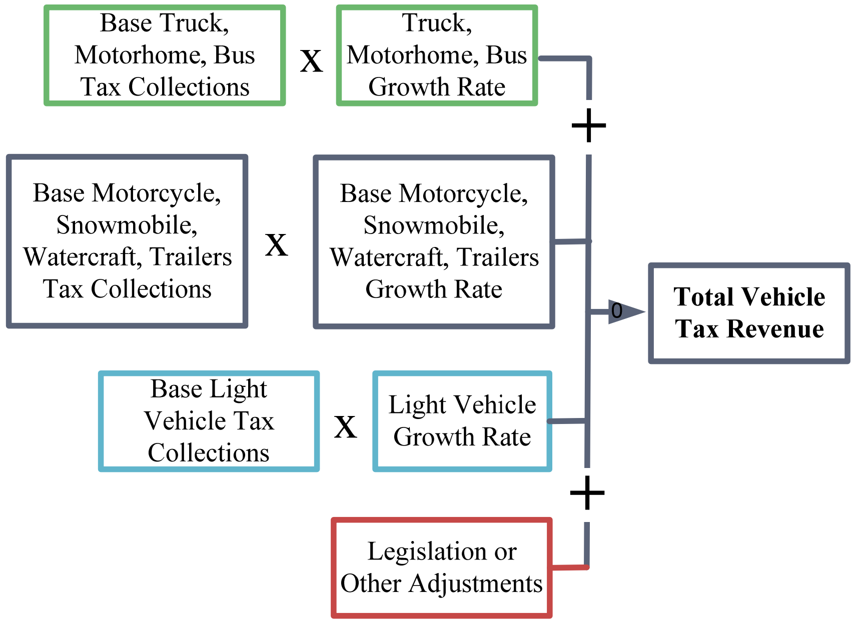
With constant tax rates, the future change in vehicle tax revenue results from change in the vehicle stock in Montana. Because tax payments are directly connected to the number of vehicles in the state, estimates for the revenues are made by applying estimated growth rates to the pervious year revenue. Growth rates for the stock of Montana vehicles are derived by first obtaining IHS estimates for the national vehicle stock and new car sales nationwide and for Montana. A ratio is then developed to project the stock of Montana vehicles. An average of the Montana stock in the current and previous years is used in this estimate from which growth between two years is calculated. The growth rate is applied to the base year (FY 2010) revenues of each tax category and projected forward at the same rate for all forecast fiscal years. The estimated tax collections of each category are then combined to create the total estimates for vehicle tax revenue.

Adjustments

In past years, adjustments to vehicle taxes have been required as a result of legislative actions. For these estimates, no adjustments are required.

Vehicle Tax

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Non-GF Tax Millions	Legislation Millions
Actual	2002	73.092	73.127	-0.036	0.000
Actual	2003	75.186	75.185	0.001	0.000
Actual	2004	83.607	83.607	0.000	0.000
Actual	2005	80.132	80.132	0.000	0.000
Actual	2006	92.097	92.097	0.000	0.000
Actual	2007	98.070	98.070	0.000	0.000
Actual	2008	93.493	93.493	0.000	0.000
Actual	2009	89.335	89.335	0.000	0.000
Actual	2010	89.485	89.485	0.000	0.000
Actual	2011	85.762	85.762	0.000	0.000
Actual	2012	83.871	83.871	0.000	0.000
Forecast	2013	84.497	84.497	0.000	0.000
Forecast	2014	85.078	85.078	0.000	0.000
Forecast	2015	85.668	85.668	0.000	0.000

	t Fiscal	Large Truck Millions	Motor Home Millions	Light Vehicle Millions	Boats/ Snow Millions	MCO Registration Millions	District Courts Millions
Actual	2002	5.384	3.607	54.602	2.076	7.459	-0.036
Actual	2003	5.117	3.342	56.961	2.196	7.569	0.000
Actual	2004	8.562	4.485	58.457	3.980	8.122	0.000
Actual	2005	4.433	3.835	60.940	2.369	8.555	0.000
Actual	2006	5.577	5.236	73.980	2.325	4.980	0.000
Actual	2007	3.024	4.000	89.575	1.470	0.001	0.000
Actual	2008	2.779	3.743	85.624	1.347	0.000	0.000
Actual	2009	2.668	3.216	82.259	1.191	0.000	0.000
Actual	2010	2.584	3.489	82.212	1.199	0.000	0.000
Actual	2011	2.726	3.460	78.443	1.133	0.000	0.000
Actual	2012	2.745	3.035	76.880	1.211	0.000	0.000
Forecast	2013	2.765	3.058	77.454	1.220	0.000	0.000
Forecast	2014	2.784	3.079	77.986	1.228	0.000	0.000
Forecast	2015	2.804	3.100	78.527	1.237	0.000	0.000

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

	t Fiscal	Large Truck Growth	Motor Home Growth	Light Vehicle Growth	Boats/ Snow Growth	MCO Registration Growth
Actual	2002					
Actual	2003	-5.0%	-7.3%	4.3%	5.8%	1.5%
Actual	2004	67.3%	34.2%	2.6%	81.2%	7.3%
Actual	2005	-48.2%	-14.5%	4.2%	-40.5%	5.3%
Actual	2006	25.8%	36.5%	21.4%	-1.8%	-41.8%
Actual	2007	-45.8%	-23.6%	21.1%	-36.8%	-100.0%
Actual	2008	-8.1%	-6.4%	-4.4%	-8.4%	-100.0%
Actual	2009	-4.0%	-14.1%	-3.9%	-11.6%	
Actual	2010	-3.1%	8.5%	-0.1%	0.7%	
Actual	2011	5.5%	-0.8%	-4.6%	-5.5%	
Actual	2012	0.7%	-12.3%	-2.0%	6.9%	
Forecast	2013	0.7%	0.7%	0.7%	0.7%	
Forecast	2014	0.7%	0.7%	0.7%	0.7%	
Forecast	2015	0.7%	0.7%	0.7%	0.7%	

Total Tax = Large Trucks + Motor Home + Light Vehicle + Boats/Snow + MCO Registration
GF Tax = Total Tax

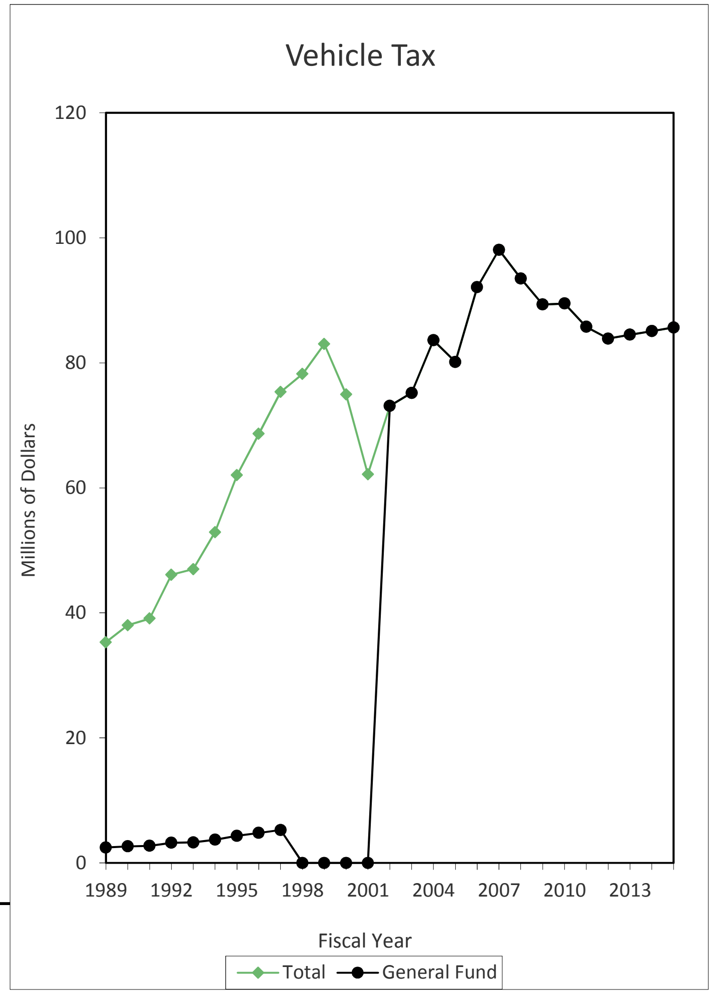
Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	35.307	2.471	Not App.
A	1990	38.024	2.662	7.7%
A	1991	39.102	2.737	2.8%
A	1992	46.096	3.227	17.9%
A	1993	46.977	3.288	1.9%
A	1994	52.909	3.704	12.6%
A	1995	62.029	4.342	17.2%
A	1996	68.641	4.805	10.7%
A	1997	75.330	5.273	9.7%
A	1998	78.210	0.000	-100.0%
A	1999	83.005	0.000	Not App.
A	2000	74.951	0.000	Not App.
A	2001	62.172	0.000	Not App.
A	2002	73.092	73.127	Not App.
A	2003	75.186	75.185	2.8%
A	2004	83.607	83.607	11.2%
A	2005	80.132	80.132	-4.2%
A	2006	92.097	92.097	14.9%
A	2007	98.070	98.070	6.5%
A	2008	93.493	93.493	-4.7%
A	2009	89.335	89.335	-4.5%
A	2010	89.485	89.485	0.2%
A	2011	85.762	85.762	-4.2%
A	2012	83.871	83.871	-2.2%
F	2013	84.497	84.497	0.8%
F	2014	85.078	85.078	0.7%
F	2015	85.668	85.668	0.7%

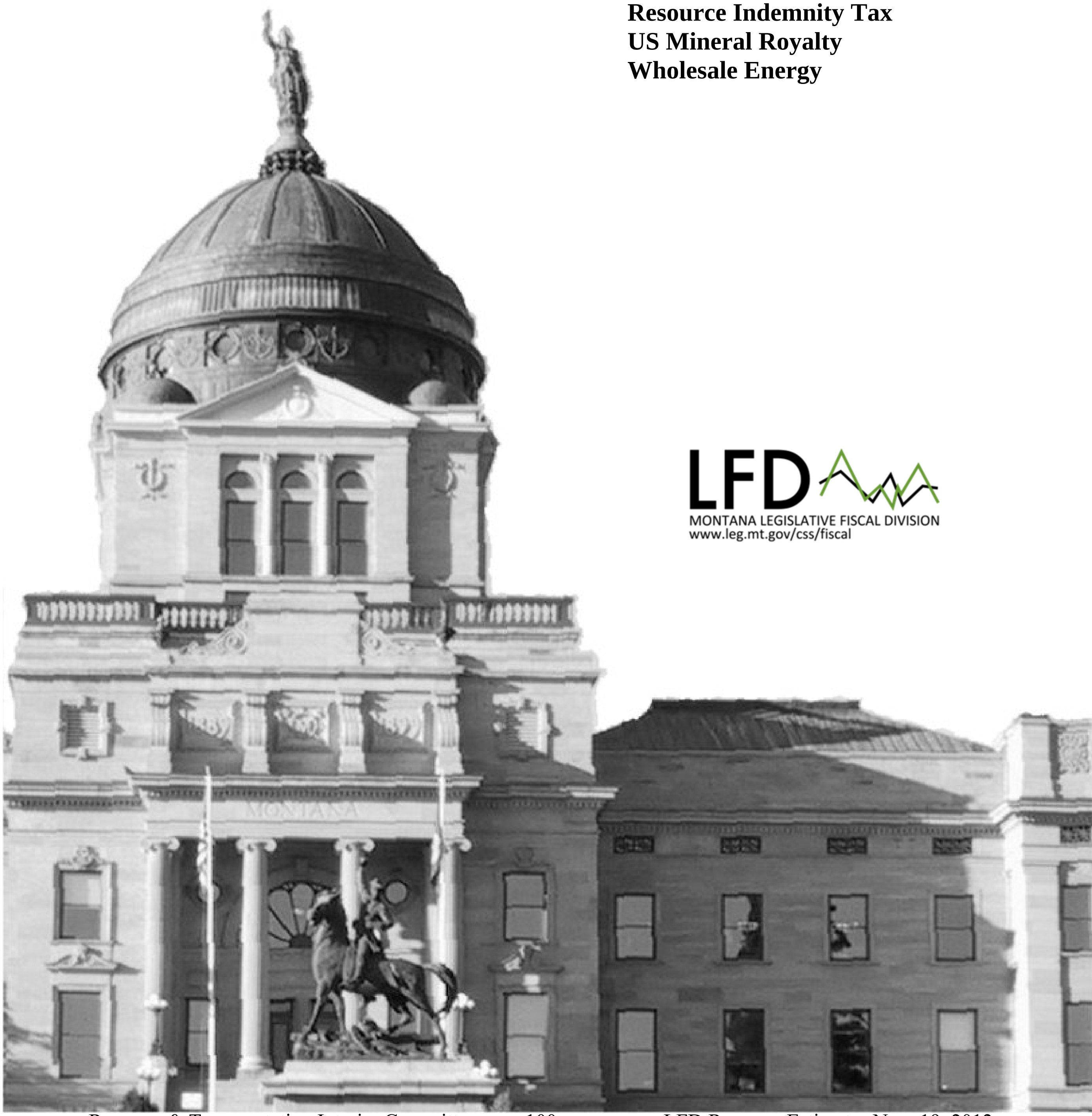


Data Source(s): Department of Justice, SABHRS

Contacts: Department of Justice

Natural Resource Taxes

Coal Severance Tax
Electrical Energy Tax
Federal Forest Receipts
Metalliferous Mines Tax
Oil & Natural Gas Production Tax
Resource Indemnity Tax
US Mineral Royalty
Wholesale Energy



MONTANA LEGISLATIVE FISCAL DIVISION
www.leg.mt.gov/css/fiscal

Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Revenue Description: For large producers, the coal severance tax is imposed on all coal production in excess of 20,000 tons per company per calendar year. However, producers of 50,000 tons or less in any calendar year are exempt from the tax.

Statutory Reference:

Tax Rate (MCA) – 15-35-103
Tax Distribution (MCA) – Montana Constitution, Article IX, Section 5; 15-35-108; 17-5-703
Date Due – the report to the Department of Revenue and tax is due 30 days following the close of the quarter (15-35-104)

Applicable Tax Rate(s): 10.0% - on the value of surfaced mined coal with a heating quality < 7,000 BTU

15.0% - on the value surfaced mined coal with a heating quality ≥ 7,000 BTU
3.0% - on the value underground mined coal with a heating quality < 7,000 BTU
4.0% - on the value underground mined coal with a heating quality ≥ 7,000 BTU
3.75% - on the value of auger mined coal with a heating quality < 7,000 BTU
5.0 % - on the value of auger mined coal with a heating quality ≥ 7,000 BTU

Distribution: (Percentage)

Coal Severnce Tax Distribution

Account Name	FY 1998-1999	FY 2000-2002	FY 2003	FY 2004-2005	FY 2006-2007	FY 2008-2013*
Permanent Trust	25.0%	0.0%	0.0%	12.5%	0.0%	0.0%
Treasure State Endowment	25.0%	37.5%	37.5%	25.0%	25.0%	25.0%
TSEP Regional Water	0.0%	12.5%	12.5%	12.5%	12.5%	12.5%
Big Sky Economic Development	0.0%	0.0%	0.0%	0.0%	12.5%	12.5%
LRBP-Cash Account	12.0%	12.0%	10.0%	12.0%	12.0%	12.0%
Coal Natural Resource *	0.0%	0.0%	0.0%	0.0%	2.9%	5.8%*
Shared Account * *	8.4%	8.4%	6.0%	7.8%	5.5%	5.5%
Park Acquisition Trust	1.3%	1.3%	0.0%	1.3%	1.3%	1.3%
Water Development	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Cultural Trust	0.0%	0.6%	0.0%	0.6%	0.6%	0.6%
Coal & Uranium	0.0%	0.0%	0.0%	0.0%	0.0%	$250,000
LRBP-Debt Service	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Cultural & Aesthetic Projects	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%
General Fund	25.3%	26.8%	33.0%	27.4%	26.8%	Remainder

* Allocation reduced to 2.90% after September 30, 2013

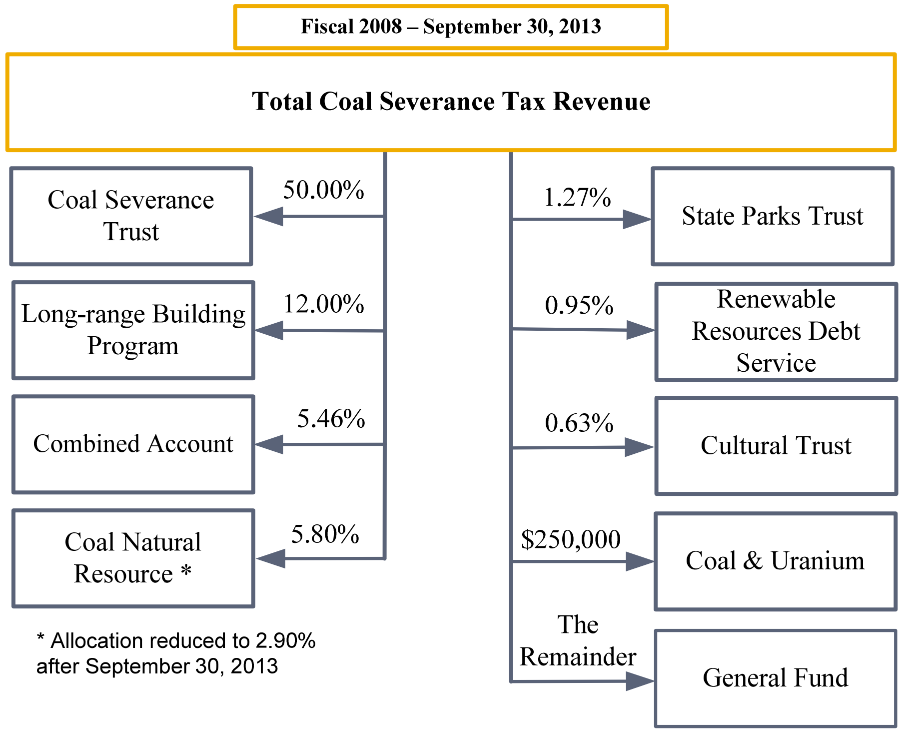
** Used for Growth Through Agriculture, State Library, Conservation Districts, Coal Board (before FY 2006), and County Land Planning (before FY 2004)

Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Distribution Chart:



Collection Frequency: Quarterly: The coal severance tax is due 30 days after the end of the quarter.

% of Total General Fund Revenue:

FY 2004 – 0.63%	FY 2007 – 0.59%	FY 2010 – 0.63%
FY 2005 – 0.67%	FY 2008 – 0.61%	FY 2011 – 0.72%
FY 2006 – 0.56%	FY 2009 – 0.72%	FY 2012 – 0.66%

Revenue Estimate Methodology:

The coal severance tax is applied to the value of coal produced. The coal severance tax estimate is developed by estimating the annual contract sales price and production for each producing coal company and any company anticipated to be producing within the 3-year period in question. From these estimates, taxable value can be determined to which the tax rate is applied. Since all production and price information is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

Data

Major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. Data from quarterly reports produced by DOR provide a history of production and prices for individual coal companies. These companies are:

Decker Coal Company
Spring Creek Coal Company
Rosebud (Western Energy Company)
Westmoreland Savage Corporation
Signal Peak Energy LLC

Legislative Fiscal Division

Revenue Estimate Profile

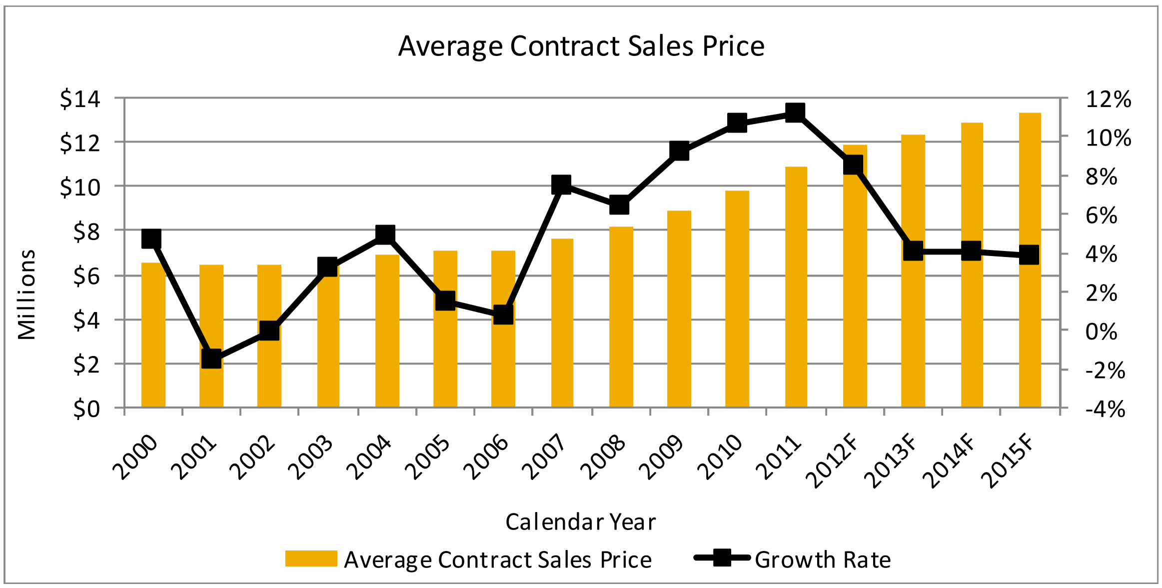
Coal Severance Tax

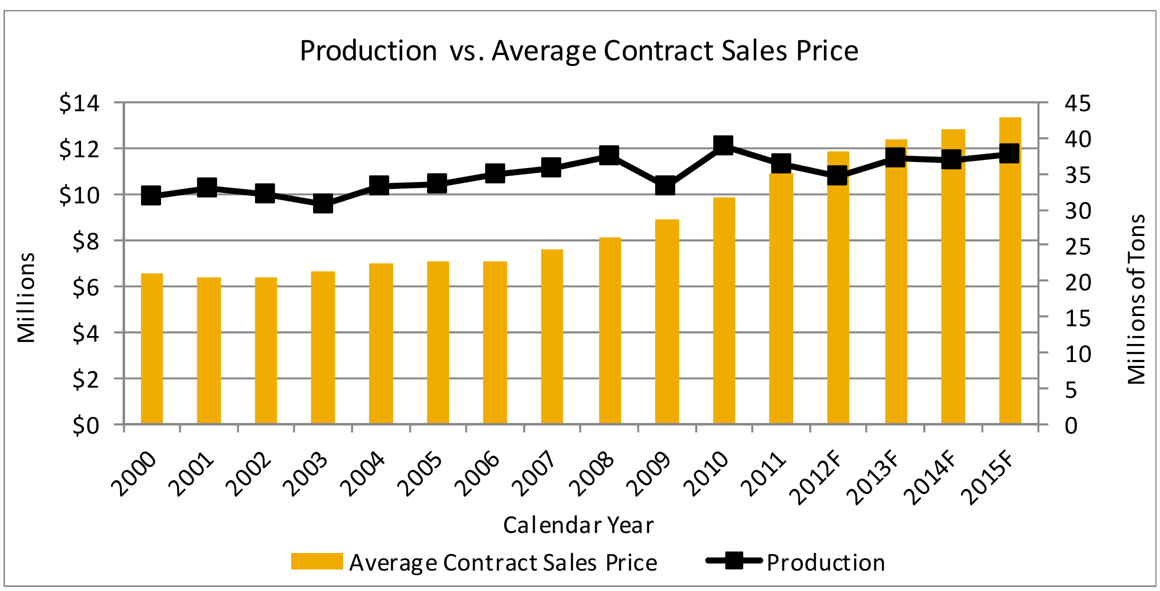
Analysis

The taxable value of coal is determined in a three-step process:

1. The future coal production for each company, as reported on the survey, is reduced by the exempt amount of 20,000 tons to get taxable tons.
2. To determine the future price for each company's coal, the company's average contract sales price for the last year increased by 1.7%, the average price increase in FY 2010. The average contract sales price for all companies is shown in the figure below.
3. The estimated production and price for each company are multiplied together and the product for all companies summed to obtain the total taxable value.

The taxable value is multiplied by the applicable tax rate (3, 3.75, 4, 5, 10 or 15%) to determine total coal severance tax revenue. At this point the total represents estimates for calendar years. To convert the estimates to a fiscal year basis, half the previous calendar year's estimate is added to the half of the current calendar year's estimate.

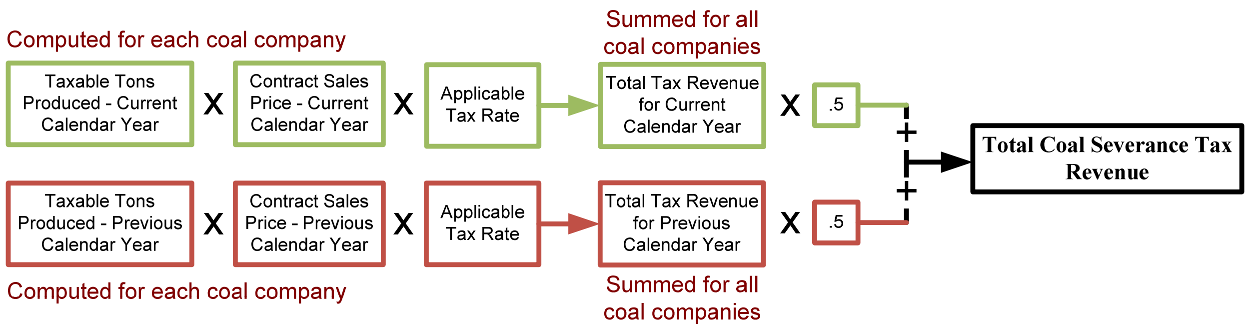




Adjustments and Distribution

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

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Allocation Percent	Tons (FY) Millions	CSP (FY) Dollars	Fiscal Effective Rate	Coal/ Uranium Millions
Actual	2002	31.614	8.469	0.0%	33.149	6.380	14.9%	
Actual	2003	29.424	9.722	33.0%	30.246	6.487	15.0%	
Actual	2004	31.545	8.643	27.4%	31.834	7.218	13.7%	
Actual	2005	37.635	10.312	27.4%	34.191	6.993	15.7%	
Actual	2006	35.822	9.597	26.8%	34.107	7.005	15.0%	
Actual	2007	40.759	10.919	26.8%	34.611	7.552	15.6%	0.000
Actual	2008	45.332	11.894	26.2%	37.404	8.133	14.5%	0.250
Actual	2009	49.564	13.028	26.3%	35.263	8.851	14.7%	0.250
Actual	2010	44.177	10.322	23.4%	35.921	9.861	14.0%	0.250
Actual	2011	54.971	12.883	23.4%	37.505	10.906	13.3%	0.250
Actual	2012	52.743	12.350	23.4%	35.407	11.850	12.9%	0.250
Forecast	2013	54.845	12.851	23.9%	35.774	12.345	12.4%	0.250
Forecast	2014	57.899	14.842	26.1%	37.001	12.830	12.2%	0.250
Forecast	2015	60.297	15.903	26.8%	37.309	13.330	12.1%	0.250

	t Cal	Tons (CY) Millions	CSP (CY) Dollars	Tax Rate	Tax Rate	Calendar Tax	Calendar Effective Rate
Actual	2002	31.981	6.583	15.0%	10.0%	31.442	14.9%
Actual	2003	30.802	6.681	15.0%	10.0%	30.701	14.9%
Actual	2004	33.365	7.234	15.0%	10.0%	36.030	14.9%
Actual	2005	33.632	6.889	15.0%	10.0%	34.553	14.9%
Actual	2006	34.904	7.339	15.0%	10.0%	37.919	14.8%
Actual	2007	35.638	7.949	15.0%	10.0%	42.153	14.9%
Actual	2008	37.373	8.326	15.0%	10.0%	46.255	14.9%
Actual	2009	33.153	9.443	15.0%	10.0%	45.768	14.6%
Actual	2010	38.690	10.219	15.0%	10.0%	53.376	13.5%
Actual	2011	36.321	11.639	15.0%	10.0%	55.478	13.1%
Actual	2012	34.493	12.072	15.0%	10.0%	52.624	12.6%
Forecast	2013	37.056	12.599	15.0%	10.0%	57.067	12.2%
Forecast	2014	36.946	13.062	15.0%	10.0%	58.732	12.2%
Forecast	2015	37.671	13.592	15.0%	10.0%	61.862	12.1%

Total Tax = Tons(FY) × CSP(FY) × Fiscal Effective

GF Tax = (Tons(FY) × CSP(FY) × Fiscal Effective - Coal/Uranium) × GF Allocation

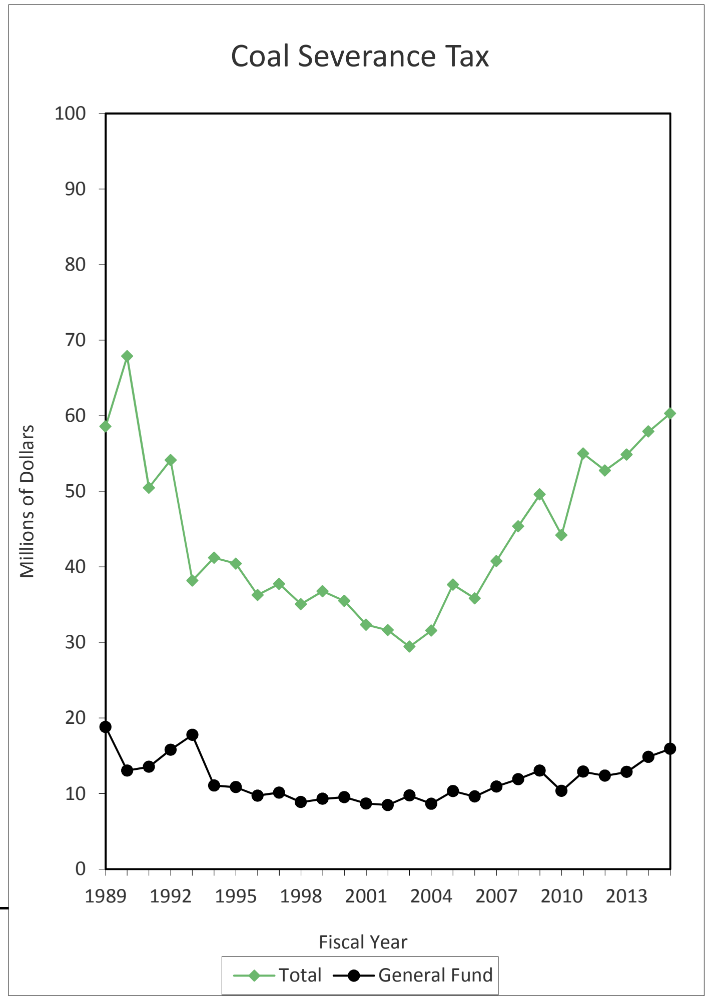
Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	58.566	18.805	Not App.
A	1990	67.871	13.024	-30.7%
A	1991	50.458	13.518	3.8%
A	1992	54.114	15.778	16.7%
A	1993	38.181	17.744	12.5%
A	1994	41.201	11.046	-37.8%
A	1995	40.416	10.828	-2.0%
A	1996	36.261	9.714	-10.3%
A	1997	37.740	10.111	4.1%
A	1998	35.045	8.849	-12.5%
A	1999	36.767	9.284	4.9%
A	2000	35.470	9.502	2.4%
A	2001	32.337	8.663	-8.8%
A	2002	31.614	8.469	-2.2%
A	2003	29.424	9.722	14.8%
A	2004	31.545	8.643	-11.1%
A	2005	37.635	10.312	19.3%
A	2006	35.822	9.597	-6.9%
A	2007	40.759	10.919	13.8%
A	2008	45.332	11.894	8.9%
A	2009	49.564	13.028	9.5%
A	2010	44.177	10.322	-20.8%
A	2011	54.971	12.883	24.8%
A	2012	52.743	12.350	-4.1%
F	2013	54.845	12.851	4.1%
F	2014	57.899	14.842	15.5%
F	2015	60.297	15.903	7.2%



Data Source(s): SABHRS, Department of Revenue Coal Tax Returns

Contacts: Coal Companies' Financial Personnel

Legislative Fiscal Division

Revenue Estimate Profile

Electrical Energy Tax

Revenue Description: The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax enacted by the 1999 legislature (HB 174).

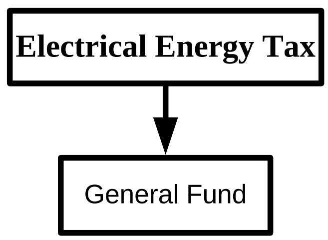
Statutory Reference:

Tax Rate MCA) – 15-51-101
Tax Distribution (MCA) – 17-2-124(2), 15-51-103
Date Due – 30 days after the calendar quarter (15-51-101, 15-51-102)

Applicable Tax Rate(s): The tax of $0.0002 per kilowatt-hour (or $0.20 per megawatt-hour) is levied against all electrical energy produced within the state. A deduction is allowed for "actual and necessary" energy use by the plant for the production of the energy.

Distribution: All proceeds are deposited into the general fund.

Distribution Chart:



Collection Frequency: Quarterly: The electrical energy tax is due 30 days after the end of the quarter.

% of Total General Fund Revenue:

FY 2004 – 0.34%	FY 2007 – 0.25%	FY 2010 – 0.29%
FY 2005 – 0.27%	FY 2008 – 0.26%	FY 2011 – 0.24%
FY 2006 – 0.27%	FY 2009 – 0.27%	FY 2012 – 0.24%

Revenue Estimate Methodology:

The electrical energy tax is applied to the number of kilowatt hours of electricity produced. The estimate for the tax revenue is derived by estimating the annual taxable kilowatt hours produced by each company and any company anticipated to be producing within the 3-year period in question. From these production estimates, the tax rate is applied.

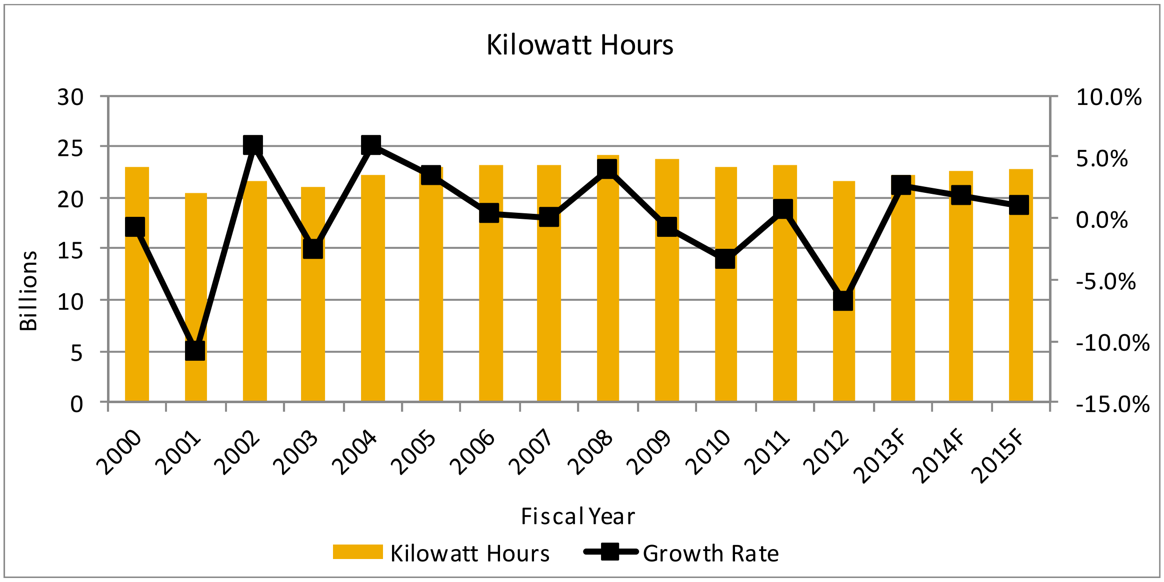
Data

All electrical energy producing companies were surveyed for anticipated kilowatt hours produced, anticipated new production, and anticipated downtime or reduced production. Although the accuracy in the results of the survey was questionable, the raw data were used to develop growth rates. Data from quarterly reports produced by DOR provide a history of kilowatt hours produced for each individual company.

Electrical Energy Tax

Analysis

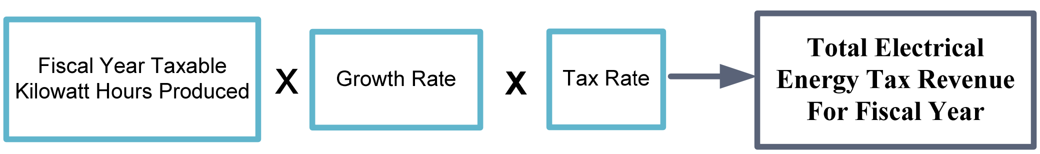
A growth rate based on the change in total yearly production from the actual/estimated year to the amount provided by the surveys was applied to the previous production amount. Taxable kilowatt hours are then multiplied by the tax rate to derive total revenue from this source.



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

Electrical Energy Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	KWH Fiscal Millions	Credits Millions	Tax Rate
Actual	2002	4.197	4.197	21,642.219	0.000	0.02%
Actual	2003	4.130	4.130	21,068.970	0.000	0.02%
Actual	2004	4.661	4.661	22,310.179	0.000	0.02%
Actual	2005	4.074	4.074	23,065.262	0.000	0.02%
Actual	2006	4.645	4.645	23,156.213	0.000	0.02%
Actual	2007	4.564	4.564	23,159.175	0.000	0.02%
Actual	2008	5.179	5.179	24,081.011	0.000	0.02%
Actual	2009	4.825	4.825	23,872.111	0.000	0.02%
Actual	2010	4.713	4.713	23,078.519	0.000	0.02%
Actual	2011	4.332	4.332	23,221.915	0.000	0.02%
Actual	2012	4.481	4.481	21,624.098	0.000	0.02%
Forecast	2013	4.442	4.442	22,207.522	0.000	0.02%
Forecast	2014	4.521	4.521	22,604.971	0.000	0.02%
Forecast	2015	4.565	4.565	22,824.278	0.000	0.02%

Total Tax = KWH Fiscal × Tax Rate - Credits
GF Tax = Total Tax

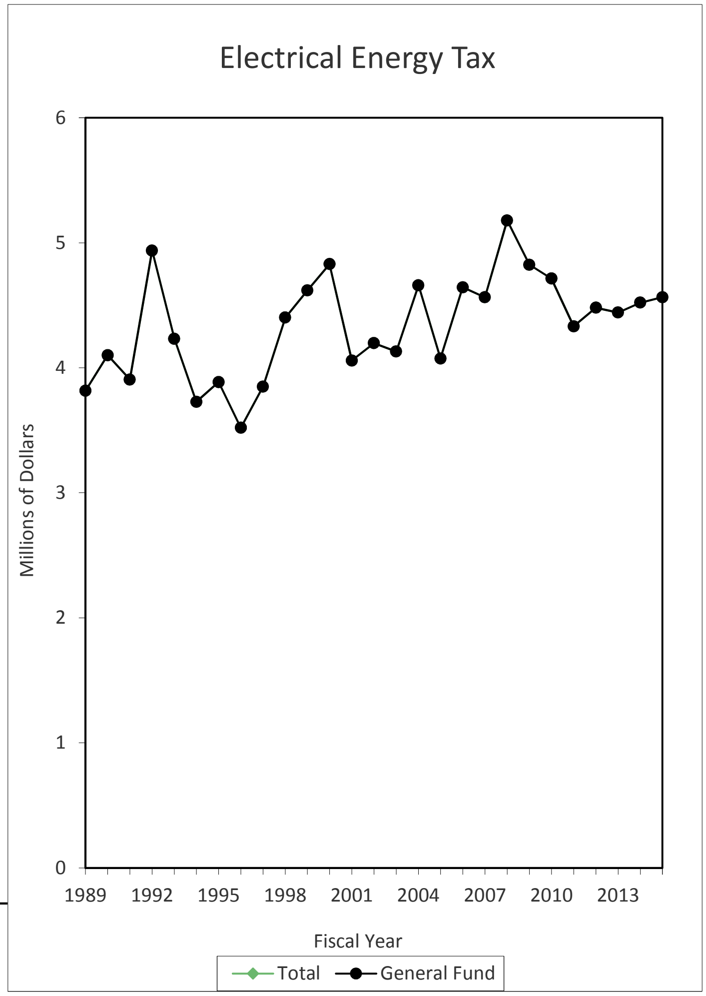
Legislative Fiscal Division

Revenue Estimate Profile

Electrical Energy Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	3.816	3.816	Not App.
A	1990	4.101	4.101	7.5%
A	1991	3.906	3.906	-4.7%
A	1992	4.938	4.938	26.4%
A	1993	4.232	4.232	-14.3%
A	1994	3.728	3.728	-11.9%
A	1995	3.886	3.886	4.2%
A	1996	3.520	3.520	-9.4%
A	1997	3.849	3.849	9.3%
A	1998	4.402	4.402	14.4%
A	1999	4.618	4.618	4.9%
A	2000	4.829	4.829	4.6%
A	2001	4.058	4.058	-16.0%
A	2002	4.197	4.197	3.4%
A	2003	4.130	4.130	-1.6%
A	2004	4.661	4.661	12.9%
A	2005	4.074	4.074	-12.6%
A	2006	4.645	4.645	14.0%
A	2007	4.564	4.564	-1.7%
A	2008	5.179	5.179	13.5%
A	2009	4.825	4.825	-6.8%
A	2010	4.713	4.713	-2.3%
A	2011	4.332	4.332	-8.1%
A	2012	4.481	4.481	3.4%
F	2013	4.442	4.442	-0.9%
F	2014	4.521	4.521	1.8%
F	2015	4.565	4.565	1.0%



Data Source(s): SABHRS, Department of Revenue Electrical Energy Tax Returns

Contacts: Electrical Companies' Financial Personnel

Legislative Fiscal Division

Revenue Estimate Profile

Federal Forest Receipts

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. The state sends the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

The previous formula for distributing federal forest payments terminated in FY 2008. In the federal Emergency Economic Stabilization Act of 2008 (the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through FY 2012 considers acres of federal land within an eligible county, the average three highest 25% payments made to each eligible state for each eligible county under the previous formula, and an income adjustment based on the per capita personal income for each county. As before, not more than 20% but at least 15% must be used by county governments for projects on federal lands. Beginning in FY 2013, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold averaged over the prior 3 years. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline around $4 million per year.

Statutory Reference:

Tax Rate – NA
Tax Distribution MCA) – 17-3-211, 17-3-212
Date Due – the state treasurer distributes the funds within 30 days after receiving full payment

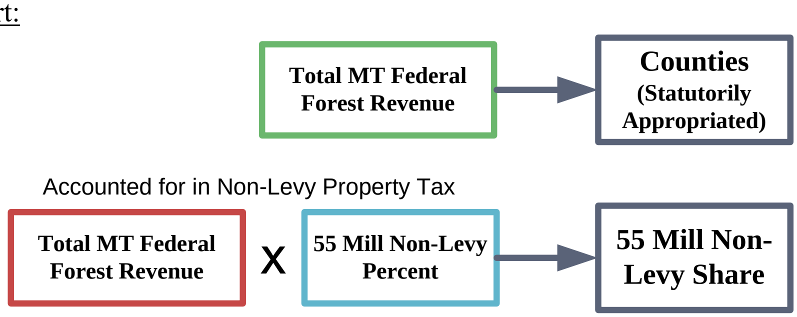
Applicable Tax Rate(s): N/A

Distribution: The county treasurer apportions federal forest receipts in the following manner:

- 66 2/3% to the general fund of the county
- 33 1/3% to the following county wide accounts, based on the mill ratios of each to total mills in the current year:
  - the county equalization accounts (55 mills)
  - the county transportation account
  - the county retirement accounts

This revenue source represents one component used to calculate total non-levy property tax revenue.

Distribution Chart:



Collection Frequency: Twice annually (usually October and December).

% of Total General Fund Revenue: Non levy is included in "Property Tax: 55 mills".

Legislative Fiscal Division

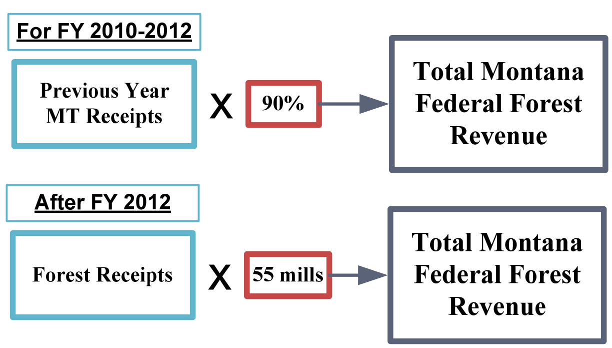
Revenue Estimate Profile

Federal Forest Receipts

Revenue Estimate Methodology: A number of analytical techniques are used to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used to develop the revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the process used to develop the revenue estimate.

With the passage of the federal Emergency Economic Stabilization Act of 2008 (the Bailout Bill), the amount available to each county for FY 2009 is known and declines 10% per year until FY 2012, after which the act sunsets. The general fund share will vary because of this and as a result of changes in the 55 mill share as a percent of the total countywide school mills. Beginning in FY 2013, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold averaged over the prior 3 years. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline around $4 million per year.

Forecast Methodology:



Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	CPI Percent Change	50% CPI % Change	Secure Rural Schools Millions
Actual	2002	13.475	0.000	1.6%		
Actual	2003	12.479	0.000	2.3%	0.8%	
Actual	2004	12.491	0.000	2.7%	1.1%	
Actual	2005	12.431	0.000	3.4%	1.3%	
Actual	2006	12.800	0.000	3.2%	1.7%	
Actual	2007	12.935	0.000	2.8%	1.6%	
Actual	2008	13.028	0.000	3.9%	1.4%	
Actual	2009	28.175	0.000	-0.3%	1.9%	
Actual	2010	24.619	0.000	1.6%	-0.2%	
Forecast	2011	23.345	0.000	3.1%	0.8%	
Forecast	2012	20.487	0.000	2.1%	1.6%	
Forecast	2013	18.101	0.000	1.3%	1.0%	
Forecast	2014	2.284	0.000	1.8%	0.7%	
Forecast	2015	2.138	0.000	1.7%	0.9%	

Total Tax = Secure Rural Schools Act - Federal Legislation
Total Tax = Total Tax Previous Year × (1+50% CPI %)

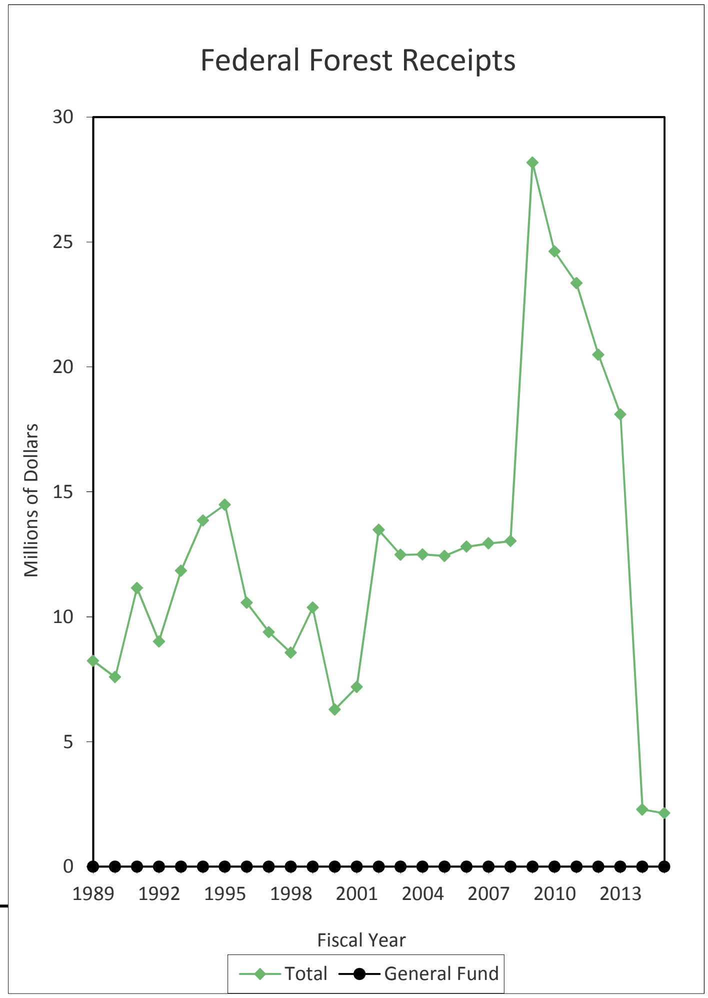
Legislative Fiscal Division

Revenue Estimate Profile

Federal Forest Receipts

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	8.239	0.000	Not App.
A	1990	7.582	0.000	Not App.
A	1991	11.150	0.000	Not App.
A	1992	9.009	0.000	Not App.
A	1993	11.839	0.000	Not App.
A	1994	13.855	0.000	Not App.
A	1995	14.482	0.000	Not App.
A	1996	10.556	0.000	Not App.
A	1997	9.383	0.000	Not App.
A	1998	8.558	0.000	Not App.
A	1999	10.367	0.000	Not App.
A	2000	6.283	0.000	Not App.
A	2001	7.185	0.000	Not App.
A	2002	13.475	0.000	Not App.
A	2003	12.479	0.000	Not App.
A	2004	12.491	0.000	Not App.
A	2005	12.431	0.000	Not App.
A	2006	12.800	0.000	Not App.
A	2007	12.935	0.000	Not App.
A	2008	13.028	0.000	Not App.
A	2009	28.175	0.000	Not App.
A	2010	24.619	0.000	Not App.
A	2011	23.345	0.000	Not App.
A	2012	20.487	0.000	Not App.
F	2013	18.101	0.000	Not App.
F	2014	2.284	0.000	Not App.
F	2015	2.138	0.000	Not App.



Data Source(s): SABHRS, Department of Labor

Contacts: Montana Department of Labor, Montana Association of Counties

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Revenue Description: The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. Senate Bill 30, enacted in the August 2002 special legislative session, revised the payment of taxes from once to twice a year. The first $250,000 of value is exempt from taxation. A company taxed at both rates can claim both exemptions.

Statutory Reference:

Tax Rate (MCA) – 15-37-103
Tax Distribution (MCA) –15-37-117, 17-2-124(2)
Date Due – August 15th for period January through June, March 31st for period July through December (15-37-105)

Applicable Tax Rate(s): The tax rate for a 6-month period is as follows:

Gross value is defined as monetary amounts or refined metal received for the products less:

1. Basic treatment and refinery charges
2. Transportation costs from the mine to a mill or other processor
3. Quantity and price deductions
4. Interest
5. Penalty metal, impurity and moisture deductions

Metalliferous Mines Tax Rates

	Gross Value	Tax Rate
For concentrates shipped to a smelter, mill or reduction work:	$0-$250,000	Exempt
	$250,000+	1.81%
For gold, silver, or any platinum group metal that is dore*,	$0-$250,000	Exempt
bullion, or matte* and that is shipped to a refinery:	$250,000+	1.6%

Distribution: The distribution of the metal mines tax has been altered several times since the 1990s. Prior to the 2005 Legislature, the most recent change had been enacted by the 2001 Legislature in Senate Bill 484 (effective July 1, 2002) that created a hard-rock mining reclamation debt service fund to pay debt service on the $8.0 million of bonds authorized for state costs related to hard-rock mining reclamation, operation, and maintenance. The 8.5% allocation of metalliferous mines tax revenue previously allocated to the orphan share account was allocated to the hard-rock mining reclamation debt service fund. The 2005 Legislature increased the allocation to counties from 24% to 25% and decreased the general fund allocation from 58% to 57%. The table below shows recent historical distributions of the tax revenue.

Metalliferous Mines Tax Distribution

Account Name	FY 1998-1999	FY 2000-2002	FY 2003	FY 2004-2005	FY 2006-2007	FY 2008 & Beyond
General Fund	58.0%	58.0%	58.0%	65.0%	58.0%	57.0%
Counties *	25.0%	25.0%	24.0%	24.0%	24.0%	25.0%
Hard Rock Reclamation Debt Service	0.0%	0.0%	0.0%	8.5%	8.5%	8.5%
Natural Resources Operations**	0.0%	4.8%	7.0%	0.0%	7.0%	7.0%
Hard Rock Mining	1.5%	1.5%	2.5%	2.5%	2.5%	2.5%
RIT Trust	15.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Groundwater Assessment	0.0%	2.2%	0.0%	0.0%	0.0%	0.0%
Abandoned Mines	0.0%	8.5%	0.0%	0.0%	0.0%	0.0%
Orphan Share	0.0%	0.0%	8.5%	0.0%	0.0%	0.0%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Statutorily appropriated
**Name changed by HB 116 in the 2007 session

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Collection Frequency: Biannually

% of Total General Fund Revenue:

FY 2004 – 0.23%	FY 2007 – 0.49%	FY 2010 – 0.40%
FY 2005 – 0.34%	FY 2008 – 0.55%	FY 2011 – 0.45%
FY 2006 – 0.41%	FY 2009 – 0.33%	FY 2012 – 0.54%

Revenue Estimate Methodology:

The metalliferous mines tax is applied to the taxable gross value of production. The metalliferous mines tax estimate is developed by estimating the annual sales price for each type of metal produced and the anticipated production quantity of each metal by company. From these estimates, taxable gross value can be determined to which an effective tax rate is applied. Since all production and price information is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

Data

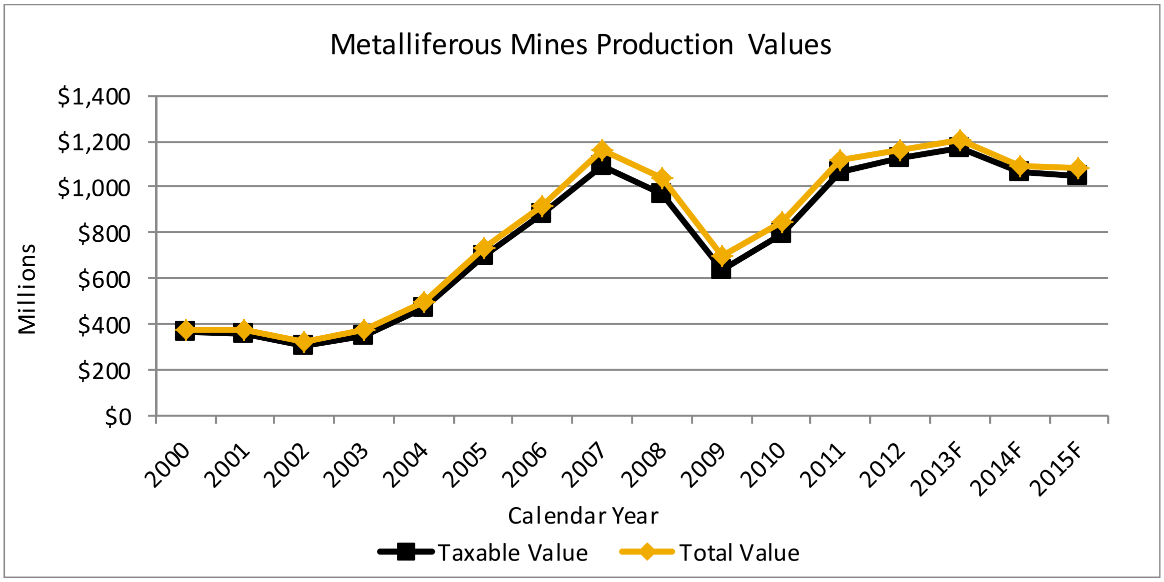
Mining companies are surveyed for anticipated production levels, general indications of applicable metal prices, and any possible changes in production due to expansion or contraction. Historical and future prices are obtained from various sources depending on the metal. Common sources include COMEX, NYMEX, and KITCO. In addition, a review is performed of historical trends, current literature on metals and metal prices, and companies' 10-Q reports. Data from biannual reports produced by DOR provide a history of production and prices by commodity and taxable gross value for each mining company. In FY 2012 these companies were:

* Golden Sunlight Mines
* Stillwater Mining
* Montana Resources
* Elkhorn Gold Fields
* Bear Creek Placer
* Troy Mine
* RX Gold & Silver
* Tags Realty
* Mammoth
* Coronado Resources
* Grant Hartford
* Mark Runkle Black Friday
* Steel Resources

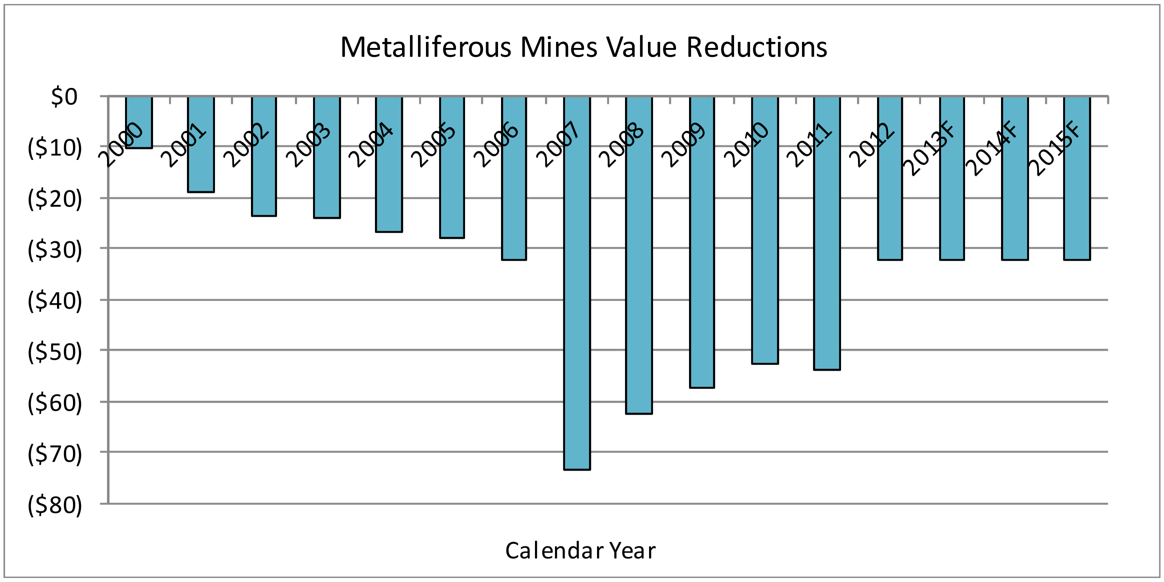
Analysis

The taxable value of metals is determined in a four-step process:

- As reported on the survey, future metals production for each company is summed by commodity. Amounts may be adjusted to fit with historical trends or if major changes are expected from historical production.
- To determine the future price for each metal, different techniques are used depending on the commodity and the reasonableness of future prices based on research of the literature and directions of future markets.
  - Gold – the future prices are used for all the forecast years
  - Copper, silver – the most current futures price is multiplied by the ratio of Montana's price for the last known or forecast year to the most current futures price
  - Molybdenum – the current market price is carried forward for all forecast years
  - Lead, Zinc – the price from 2008 is carried forward for all forecast years
  - Palladium, platinum, rhodium, nickel – the price for the last known calendar year is used for all future years.
- The estimated production amount for each metal for all companies is summed and multiplied by the estimated price for that metal. This is done for each metal and the products summed to yield a total gross value.
- Total taxable value is obtained by reducing the total gross value by: a) the tax exempt amount of $250,000/year for each company; and b) allowable treatment, refinery, transportation, and other costs.



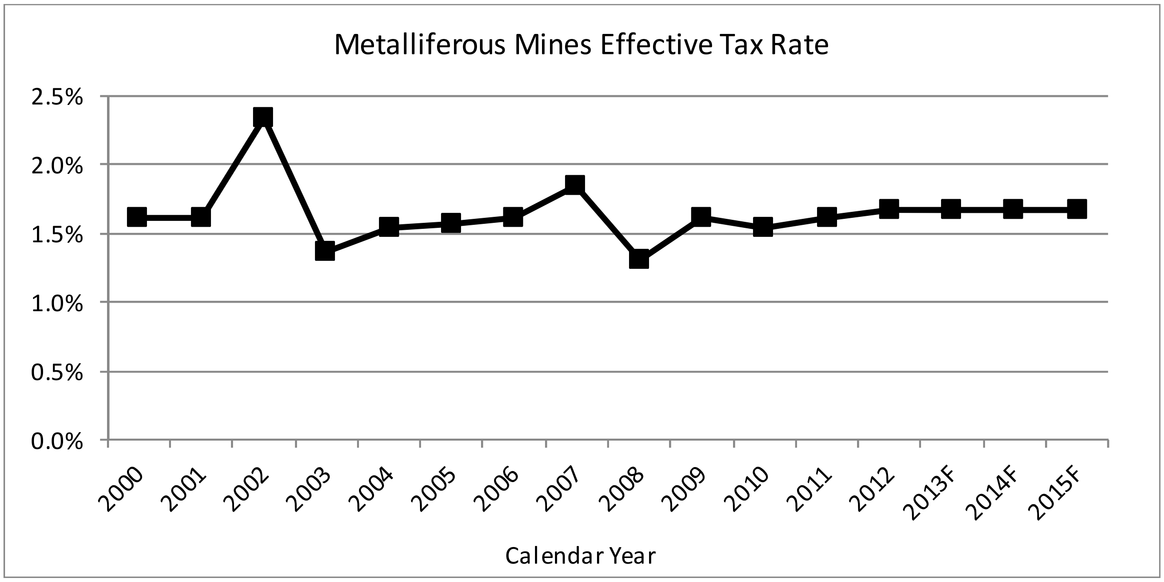
Metalliferous Mines Production Values
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
Millions
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013F
2014F
2015F
Calendar Year
Taxable Value
Total Value



Metalliferous Mines Value Reductions
$0
($10)
($20)
($30)
($40)
($50)
($60)
($70)
($80)
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
2012
2013F
2014F
2015F
Calendar Year

Metalliferous Mines Tax

Taxable value is multiplied by an effective tax rate. Since a company's taxable value could be subject to two tax rates - 1.81% for concentrates shipped to a smelter, mill or reduction work and 1.6% for dore, bullion, or matte that is shipped to a refinery - an effective tax rate is used to capture both these rates. The effective tax rate for FY 2010 was rounded and used for the estimate. The rate is consistent with previous years. The estimate is obtained by multiplying the total taxable value by the effective tax rate.



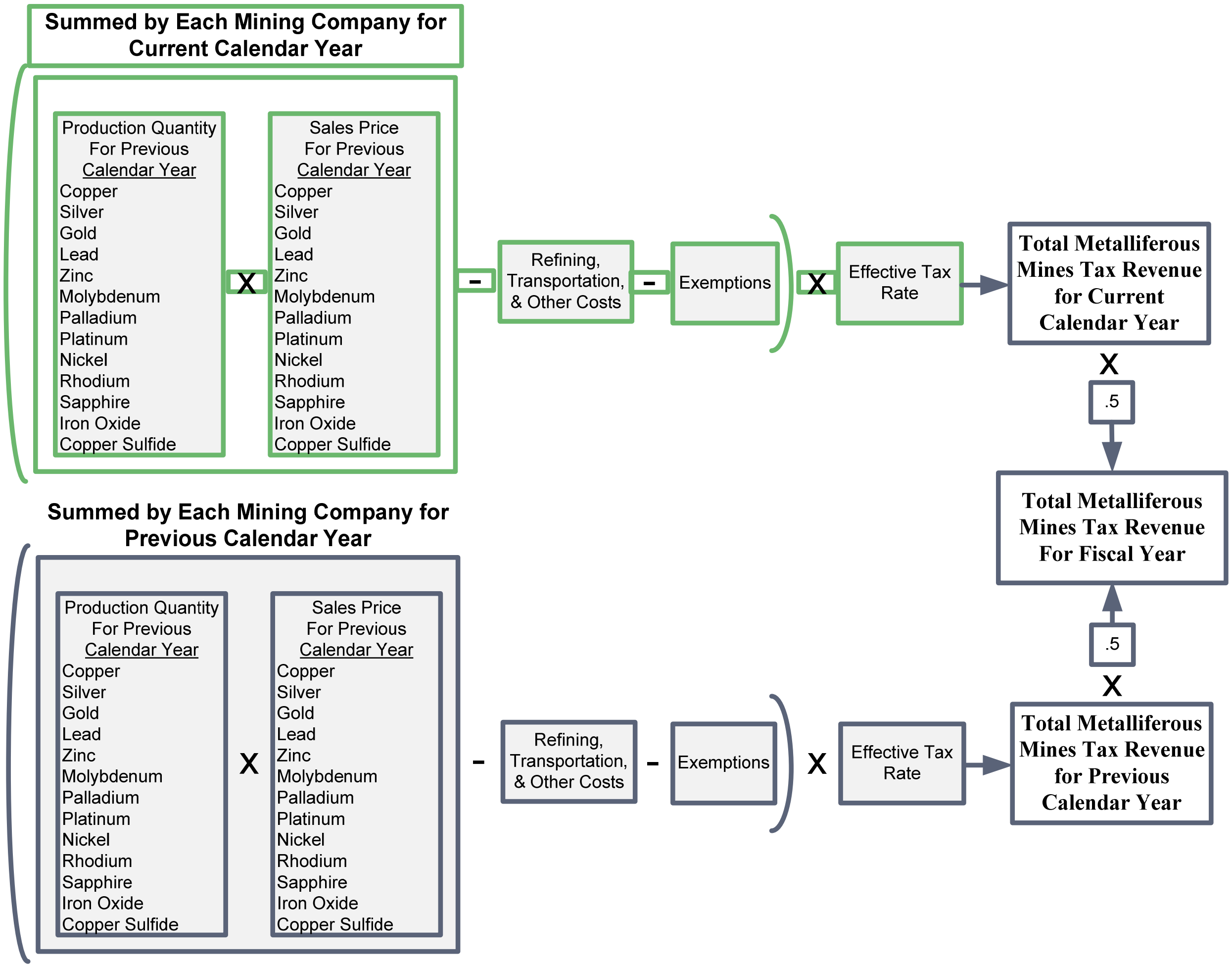
At this point the total represents estimates for calendar years. To convert the estimates to a fiscal year basis, half the previous calendar year's estimate is added to the half of the current calendar year's estimate.

Adjustments and Distribution

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

Metalliferous Mines Tax

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax Value CY Millions	Effective CY Rate	GF Allocation Percent
Actual	2002	5.740	3.329	303.045		58.0%
Actual	2003	7.056	4.586	347.630		65.0%
Actual	2004	5.572	3.232	472.985	1.7%	58.0%
Actual	2005	9.076	5.264	702.353	1.7%	58.0%
Actual	2006	12.435	7.028	880.571	1.7%	56.5%
Actual	2007	15.774	8.991	1087.728	1.7%	57.0%
Actual	2008	18.902	10.774	970.936	1.7%	57.0%
Actual	2009	10.514	5.993	638.071	1.7%	57.0%
Actual	2010	11.476	6.541	791.496	1.7%	57.0%
Actual	2011	14.204	8.097	1061.164	1.7%	57.0%
Actual	2012	17.562	10.010	1127.344	1.7%	57.0%
Forecast	2013	19.129	10.904	1168.536	1.7%	57.0%
Forecast	2014	18.588	10.595	1062.376	1.7%	57.0%
Forecast	2015	17.613	10.039	1051.499	1.7%	57.0%

Total Tax = (Copper Prod. × Copper Price + Silver Prod. × Silver Price + Gold Prod. × Gold Price +
Lead Prod. × Lead Price + Zinc Prod. × Zinc Price + Moly Prod. × Moly Price +
Palladium Prod. × Palladium Price + Platinum Prod. × Platinum Price + Nickel Prod. × Nickel Price +
Rodium Prod. × Rodium Price + Deduction + Refining) × Effective CY Rate

GF Tax = (Previous Cal. Total Tax + Current Cal. Total Tax) × .5 × GF Allocation

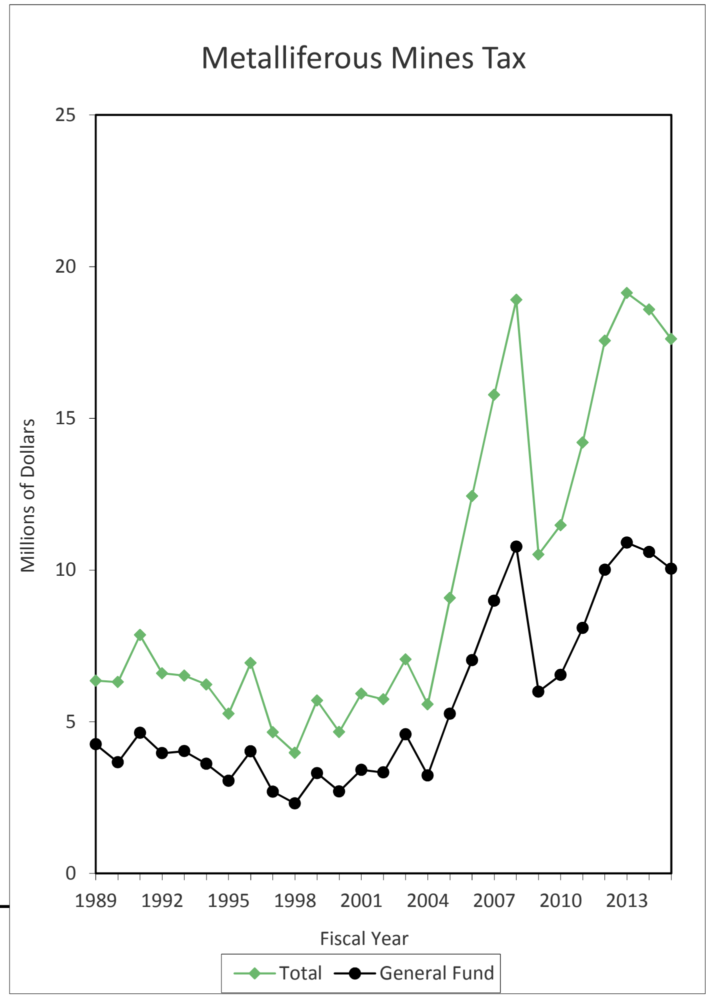
Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	6.355	4.258	Not App.
A	1990	6.306	3.665	-13.9%
A	1991	7.855	4.639	26.6%
A	1992	6.595	3.966	-14.5%
A	1993	6.521	4.031	1.7%
A	1994	6.230	3.613	-10.4%
A	1995	5.259	3.050	-15.6%
A	1996	6.941	4.026	32.0%
A	1997	4.649	2.696	-33.0%
A	1998	3.978	2.307	-14.4%
A	1999	5.700	3.306	43.3%
A	2000	4.661	2.703	-18.2%
A	2001	5.924	3.417	26.4%
A	2002	5.740	3.329	-2.6%
A	2003	7.056	4.586	37.8%
A	2004	5.572	3.232	-29.5%
A	2005	9.076	5.264	62.9%
A	2006	12.435	7.028	33.5%
A	2007	15.774	8.991	27.9%
A	2008	18.902	10.774	19.8%
A	2009	10.514	5.993	-44.4%
A	2010	11.476	6.541	9.2%
A	2011	14.204	8.097	23.8%
A	2012	17.562	10.010	23.6%
F	2013	19.129	10.904	8.9%
F	2014	18.588	10.595	-2.8%
F	2015	17.613	10.039	-5.3%



Data Source(s): SABHRS, Department of Revenue, *Wall Street Journal*, KITCO, COMEX, NYMEX, company 10K and 10Q reports

Contacts: Major Producers

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Revenue Description: The oil and natural gas production tax is imposed on the production of petroleum and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production. A portion of the revenue from the tax may be returned to Indian tribes per agreements between the Department of Revenue and the tribes.

Statutory Reference:

Tax Rate (MCA) – 15-36-304. Privilege and license tax – 82-11-131, Administrative Rules 36.72.1242
Tax Distribution (MCA) – 15-36-331(4), 15-36-332(2&3) (to taxing units)
Date Due – within 60 days after the end of the calendar quarter (15-36-311(1))

Applicable Tax Rate(s): The oil and natural gas production tax has numerous tax rates depending on several factors. These factors include whether the oil or gas is produced from a stripper well, a stripper incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or 18 months, and whether the interest being taxed is the working interest or the royalty interest. The Board of Oil and Gas Conservation imposes an additional privilege and license (P & L) tax on all oil and natural gas tax rates. Starting October 2006 as set by the Board, the P&L tax rate is 0.09%. Based on this rate, HB 758 enacted by the 2005 Legislature allows an additional tax rate of 0.17% to generate revenue for local impacts for local governments. The two taxes may not exceed 0.3%. The following table shows tax rate percentages for each type of pre-1999 oil and post-1999 oil, excluding the P & L tax and the new Local Impact tax. The quarterly tax rates on stripper production and on incremental production are lower than that for regular production unless the price of West Texas Intermediate averages above $30 for the quarter. Similarly, the quarterly tax rate for stripper well exemption production (1-3 barrels a day) is lower than that for regular production unless the price of West Texas Intermediate averages above $38 for the quarter.

Oil and Natural Gas Production Tax

Oil Tax Rates 15-36-304(5), MCA	
Working Interest	
Primary recovery production	
First 12 months of qualifying production	0.5%
After 12 months:	
pre-1999 wells	12.5%
post-1999 wells	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil<$30)	
1 through 10 barrels a day production	5.5%
>10 through 14 barrels a day production	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil>=$30)	*
Stripper wells (3 barrels or less/day)	
Stripper well exemption production (if oil <$38)	0.5%
Stripper well bonus production (if oil >=$38)	6.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months	
pre-1999 wells	12.5%
post-1999 wells	9.0%
Incremental production (if oil <$30/barrel)	
New or expanded secondary recovery production	8.5%
New or expanded tertiary production	5.8%
Incremental production (if oil >=$30/barrel)	
Pre-1999 wells	12.5%
Post-1999 wells	9.0%
Horizontally recompleted well	
First 18 months	5.5%
After 18 months	
pre-1999 wells	12.5%
post-1999 wells	9.0%
Nonworking Interest	14.8%

* No stripper tax rate. Taxed at primary recovery rates. See 15-36-303(22a)

Natural Gas Tax Rates 15-36-304(2), MCA	
Working Interest	
Qualified production	
First 12 months	0.5%
After 12 months	
pre-1999 wells	14.8%
post-1999 wells	9.0%
Stripper natural gas pre-1999 wells	11.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months	9.0%
Nonworking Interest	14.8%

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Distribution: Once the oil and natural gas production taxes have been collected, the revenue is first distributed based on the amounts collected from the P & L and Local Impact taxes. The amounts from the P & L tax are distributed to the Board of Oil and Gas Conservation. The amounts from the Local Impact tax are distributed to the oil and gas natural resource state special revenue account. The amounts received by the Board and the oil and gas natural resource account vary based on a sliding tax scale based on the P & L tax set by the Board. Counties producing oil and natural gas receive the next share of total revenue with each county having its own statutory distribution percentage of total revenue, including the revenue generated by the P & L and Local Impact taxes. A portion of the revenue may be returned to Indian tribes per agreements between the Department of Revenue and the tribes. The remainder of the revenue is distributed to other state accounts in the following manner:

FY 2008 though FY 2011

- Coal bed methane account – 1.23%
- Natural resources projects account – 1.45%
- Natural resources operations account – 1.45%
- Orphan share account – 2.99%
- University system 6 mill levy account – 2.65%
- General fund – the remainder (90.23%)

The distributions of county shares and the amount of oil and natural gas production tax revenue deposited in the oil and gas natural resource account are statutorily appropriated and are based on the statutorily set percentages for each county.

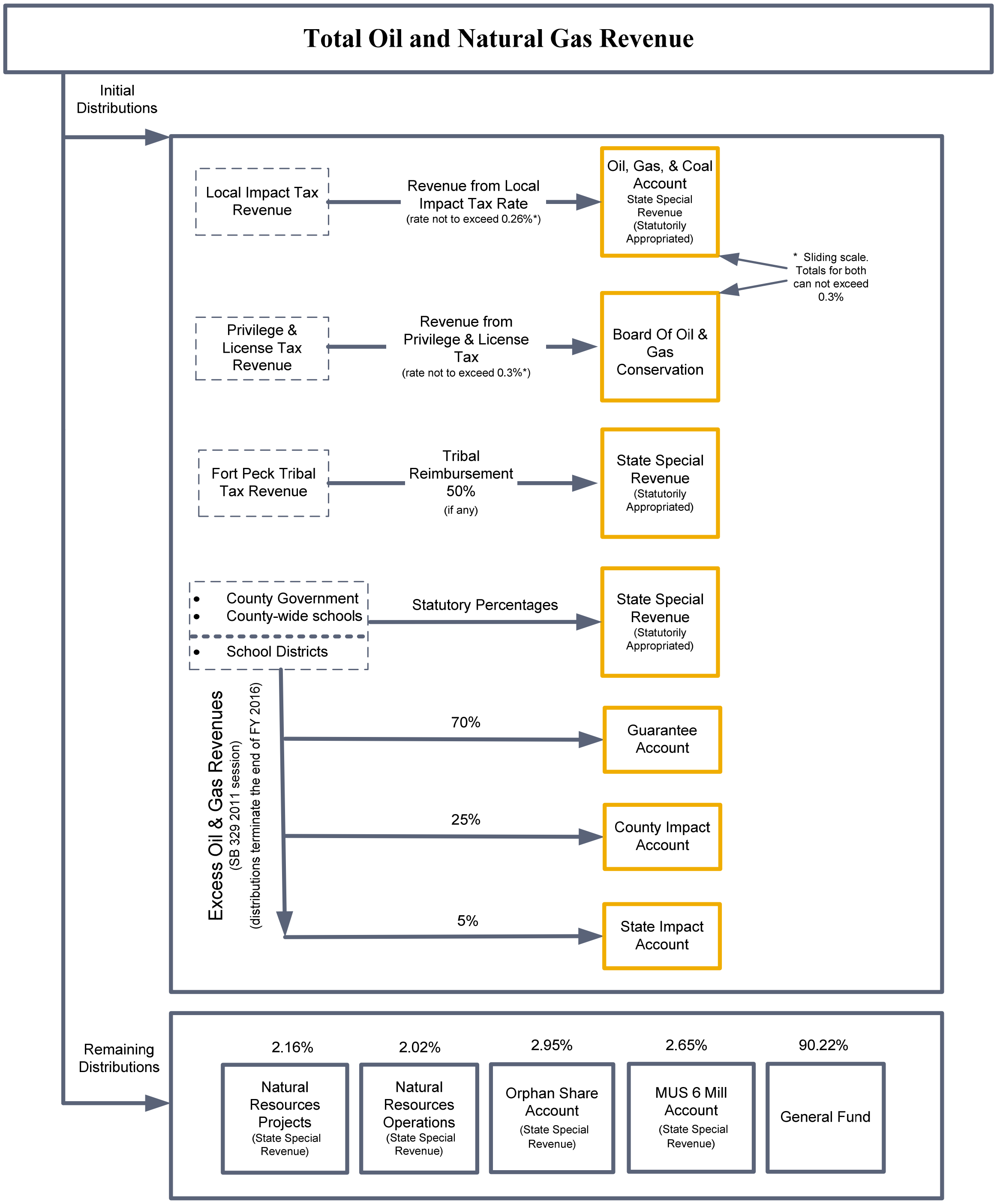
Distribution Chart:

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

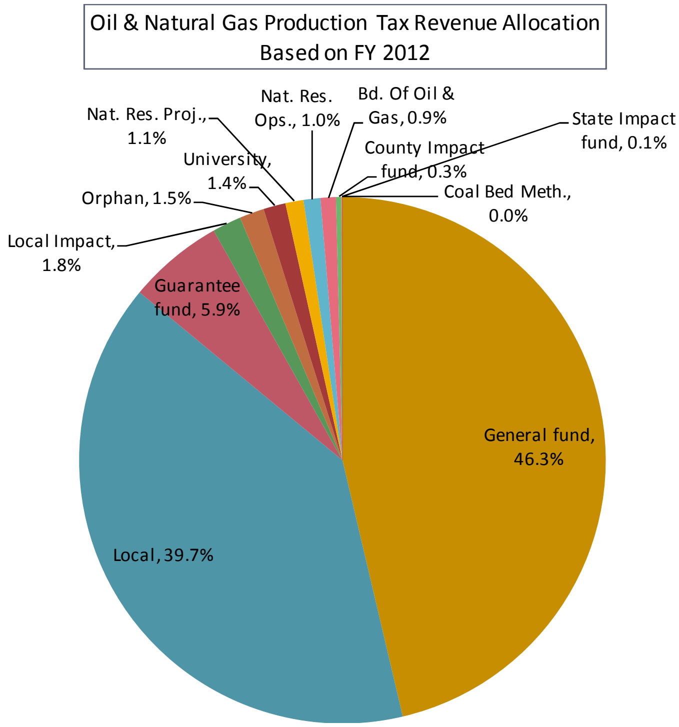
Fiscal Years Beginning 2013



Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax



Because the exact distribution of oil & natural gas revenue varies depending on various factors, the chart only reflects FY 2012 actual distributions. Please see the table above for exact distribution percentages.

Collection Frequency: Quarterly: The oil and natural gas production tax is due 60 days after the end of the production quarter.

% of Total General Fund Revenue:

FY 2004 – 2.99%	FY 2007 – 5.25%	FY 2010 – 5.87%
FY 2005 – 4.09%	FY 2008 – 7.64%	FY 2011 – 5.60%
FY 2006 – 5.42%	FY 2009 – 5.56%	FY 2012 – 5.21%

Revenue Estimate Methodology:

The estimate for oil and natural gas revenue is derived from estimating the price and specific production subject to varying tax rates from which value can be obtained. Specific statutory tax rates are used for the types of oil and natural gas that are taxed differently.

Data

Data from the Board of Oil and Gas Conservation are used extensively to isolate monthly historical production of oil and natural gas by field and by individual well. IHS provides future estimates of West Texas Intermediate oil and national well head natural gas prices. Production, price, value, and revenue collections, by oil type, are provided on a quarterly basis by the Department of Revenue.

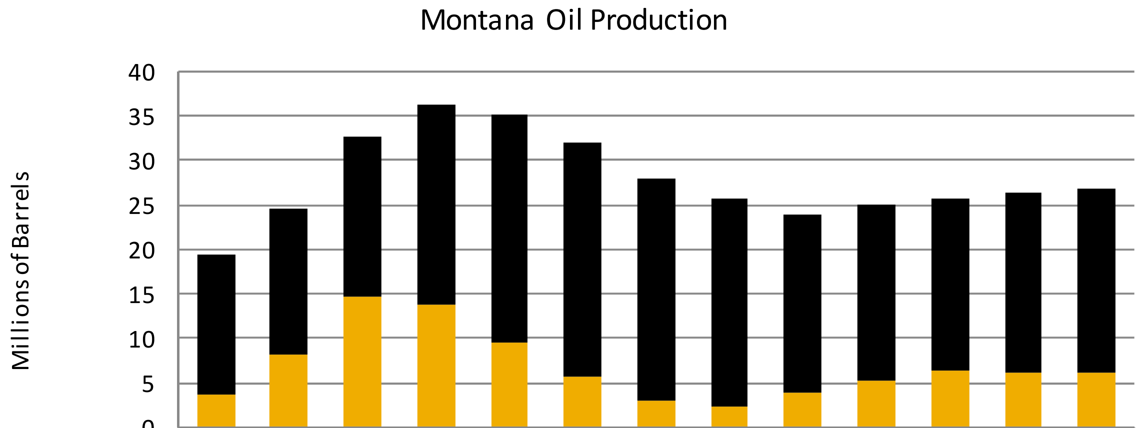
Oil Analysis

- Production - The estimate is developed on a quarterly basis with production from horizontal wells separate from all other production. Analysis of the data indicates that the majority of the increased production is from horizontal wells. The importance of horizontal production can be seen in the figure below.

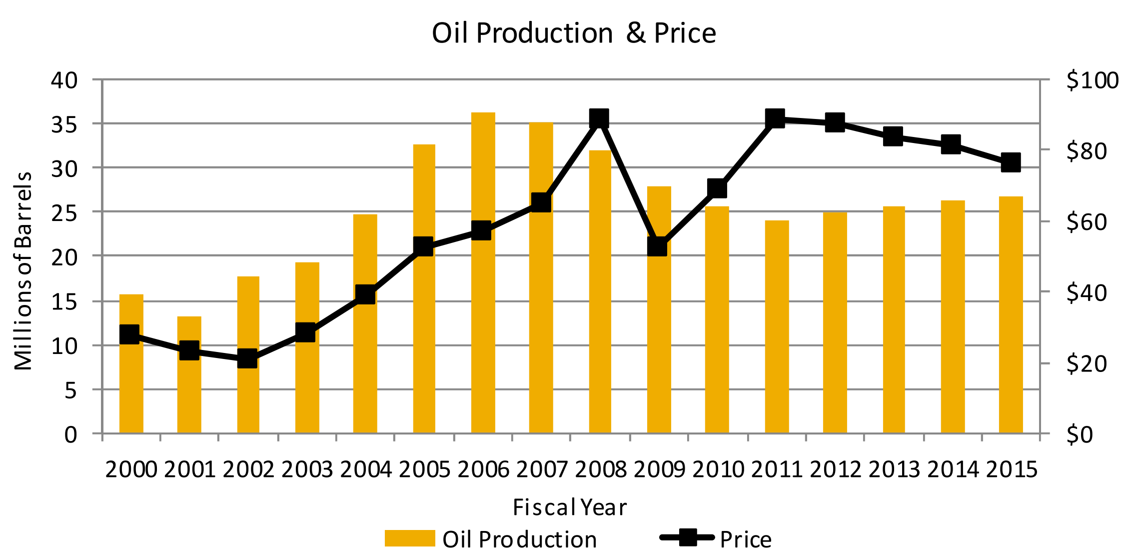
Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
All Other	15.7	16.5	18.1	22.5	25.6	26.2	25.1	23.3	20.1	19.8	19.4	20.2	20.7
New Horiz	3.6	8.1	14.6	13.7	9.5	5.7	2.9	2.3	3.9	5.3	6.3	6.1	6.1



Existing horizontal wells will follow a production decline curve unique to the characteristics of these wells. Future production from completed wells can be estimated by developing a normalized production decline curve from the producing wells. In doing so, the difficulty of having different starting time for each well can be eliminated by averaging each well's production from a common time point. The result is a curve that represents the average production of horizontal wells by month of production. Production from future wells can be estimated by applying the production curve coefficients to an estimate of future spudded wells. Knowing monthly production from each well and the date it was placed into production is essential for estimating oil tax revenue because tax rates vary based on the length of time a well has been in production. The dynamics in the timing of when wells enter and fall out of the various tax rates and the changes in production at the various stages is complex, but needs to be modeled to ensure accurate estimates.

Production from all other wells is also estimated on an annual basis and by the different taxation types. For each year, the estimate is derived by multiplying the previous year by the ratio of the results of a regression analysis for the current and the previous year. The results for each tax type are then summed by year.

- Price – The price for each quarter is estimated by adjusting the IHS West Texas Intermediate oil price for that quarter by the ratio of the previous three year average Montana price to the three year average of the IHS price.

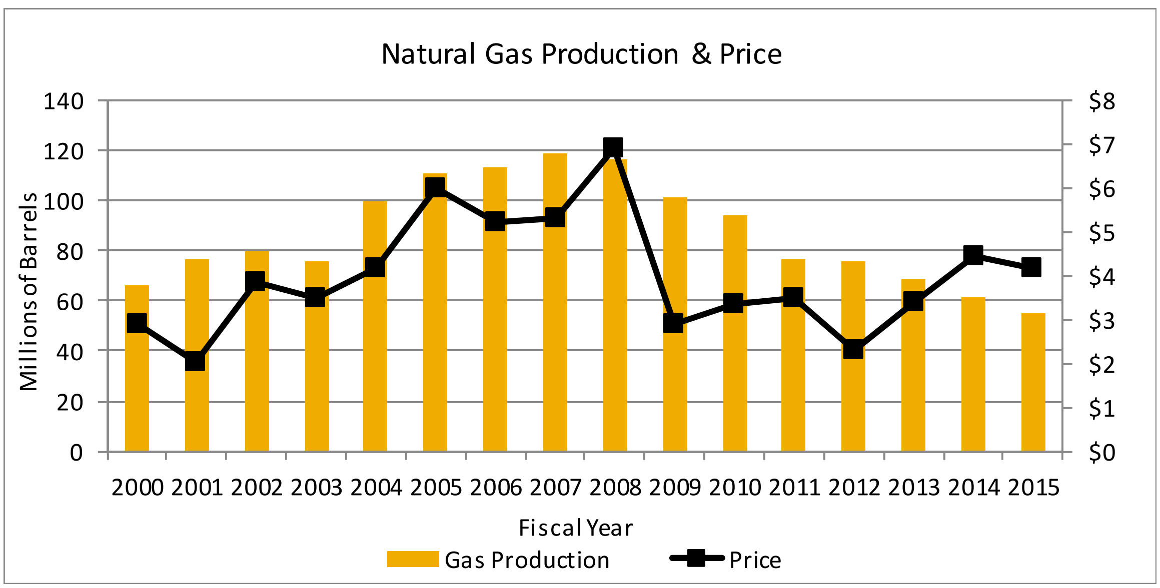
Once production and prices have been estimated, the value can be calculated by the product of the two. The quarterly value of each tax type is then multiplied by the applicable tax rate to obtain the estimate. The sum of the revenue from all tax types for each fiscal year determines the oil production revenue estimate.

Natural Gas Analysis

- Production - The estimate is developed on quarterly basis with data from the Board of Oil and Gas Conservation. Existing wells will follow a production decline curve unique to the characteristics of these wells. Future production from completed wells can be estimated by developing a normalized production decline curve from the producing wells. In doing so, the difficulty of having different starting time for each well can be eliminated by averaging each well's production from a common time point. The result is a curve that represents the average production of wells by month of production. Production from future wells can be estimated by applying the production curve coefficients to an estimate of future spudded wells. Knowing monthly production from each well and the date it was placed into production is essential for estimating gas tax revenue because tax rates vary based on the length of time a well has been in production. The dynamics in the timing of when wells enter and fall out of the various tax rates and the changes in production at the various stages is complex, but needs to be modeled to ensure accurate estimates.

  Production from all wells is estimated on an annual basis and by the different taxation types. For each year, the estimate is derived by multiplying the previous year by the ratio of the results of a regression analysis for the current and the previous year. The results for each tax type are then summed by year.

- Price – The price for each quarter is estimated by adjusting the IHS West Texas national well head price for that quarter by the ratio of the previous three year average Montana price to the three year average of the IHS price.



Once production and prices have been estimated, the value can be calculated by the product of the two. The quarterly value of each tax type is then multiplied by the applicable tax rate to obtain the revenue. The sum of the revenue from all tax types for each fiscal year determines the natural gas revenue estimate.

Adjustments and Distribution

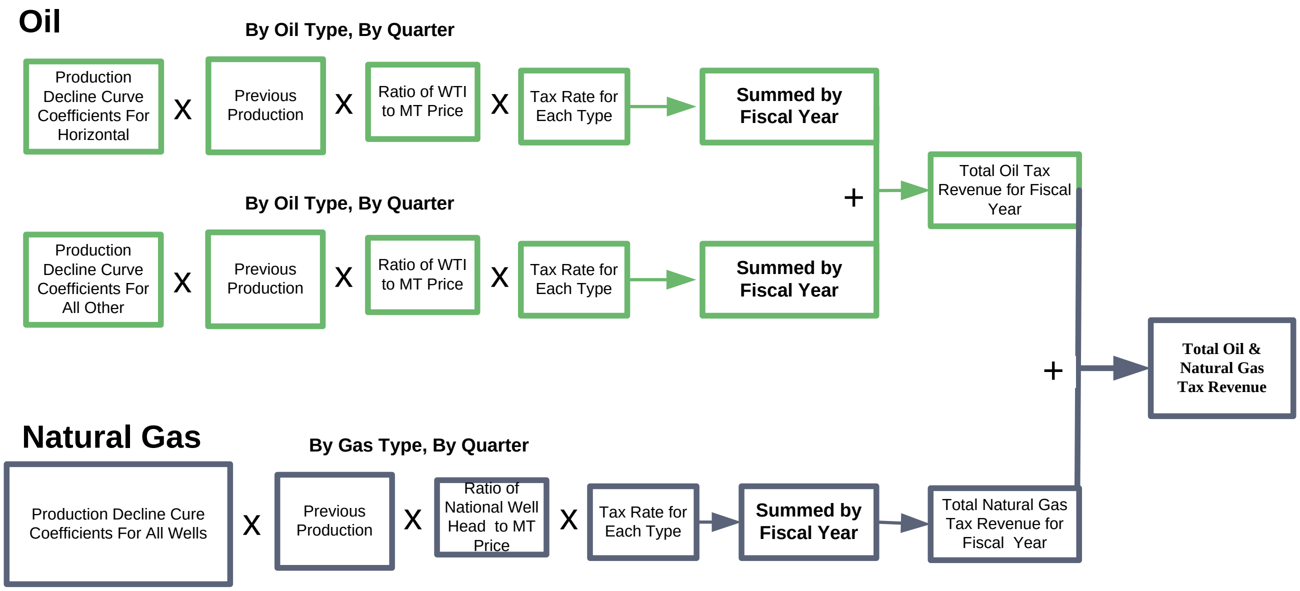
Once the oil and natural gas estimates have been summed, the distribution formula is applied with the amounts to the Board of Oil and Gas and to local governments distributed first and the remainder subject to statutory percentages.

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Allocation Percent	Audits Millions	Total Tax Oil Millions	Total Tax Gas Millions
Actual	2002	50.304	12.902	25.6%			
Actual	2003	73.389	29.086	39.6%	2.436		
Actual	2004	92.676	41.324	44.6%	1.688		
Actual	2005	137.754	62.626	45.5%	1.127		
Actual	2006	203.681	92.563	45.4%	1.429	140.641	51.586
Actual	2007	209.946	96.335	45.9%	1.242	174.193	48.858
Actual	2008	324.311	149.994	46.3%	3.168	227.099	57.400
Actual	2009	218.425	100.491	46.0%	5.221	203.277	46.279
Actual	2010	206.286	95.491	46.3%	1.395	160.377	28.668
Actual	2011	215.130	99.764	46.4%	1.254	188.114	27.486
Actual	2012	210.644	97.560	46.3%	0.737	199.126	20.747
Forecast	2013	215.806	98.266	45.5%	0.737	195.545	19.525
Forecast	2014	219.313	99.857	45.5%	0.737	194.228	24.349
Forecast	2015	215.717	98.226	45.5%	0.737	191.020	23.960

Oil	t Fiscal	Barrels Millions	Price Per Barrel	Gross Value Millions	Effective Tax Rate	Tax Millions	Non-Tax Value Millions
Actual	2002						
Actual	2003						
Actual	2004						
Actual	2005						
Actual	2006	34.438	55.06	1896.214	7.6%	140.641	48.525
Actual	2007	35.654	60.89	2170.999	8.2%	174.193	54.924
Actual	2008	33.501	76.22	2553.434	9.1%	227.099	65.224
Actual	2009	29.929	71.92	2152.399	9.7%	203.277	56.681
Actual	2010	26.790	60.47	1620.102	10.2%	160.377	43.691
Actual	2011	24.781	78.58	1947.329	9.9%	188.114	51.144
Actual	2012	24.481	88.21	2159.382	9.5%	199.126	55.693
Forecast	2013	25.332	85.57	2167.661	9.3%	195.545	56.257
Forecast	2014	25.997	82.48	2144.073	9.3%	194.228	55.645
Forecast	2015	26.573	78.80	2093.921	9.4%	191.020	54.343

Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Gas	t Fiscal	MCF's Millions	Price Per MCF	Gross Value Millions	Effective Tax Rate	Tax Millions	Non-Tax Value Millions
Actual	2002						
Actual	2003						
Actual	2004						
Actual	2005						
Actual	2006	111.998	5.60	627.347	8.6%	51.586	29.763
Actual	2007	116.096	5.26	610.131	8.4%	48.858	27.796
Actual	2008	117.397	6.09	715.213	8.4%	57.400	31.173
Actual	2009	108.884	5.03	547.756	8.8%	46.279	24.422
Actual	2010	97.972	3.12	305.969	9.8%	28.668	14.269
Actual	2011	85.445	3.42	291.906	9.9%	27.486	13.262
Actual	2012	76.080	2.90	220.641	9.9%	20.747	10.149
Forecast	2013	71.991	2.83	204.028	10.0%	19.525	9.373
Forecast	2014	64.930	3.90	253.128	10.1%	24.349	11.629
Forecast	2015	58.273	4.32	251.467	10.0%	23.960	11.553

Oil	t Cal	Barrels Millions	Price Per Barrel	Gross Value Millions	Effective Tax Rate	Total Tax Millions	Non-Tax Value Millions
Actual	2002						
Actual	2003						
Actual	2004						
Actual	2005	32.679	52.76	1,724.104	7.5%	125.296	43.861
Actual	2006	36.196	57.14	2,068.324	7.7%	155.985	53.189
Actual	2007	35.112	64.75	2,273.674	8.7%	192.402	56.659
Actual	2008	31.890	88.84	2,833.194	9.5%	261.795	73.789
Actual	2009	27.967	52.62	1,471.605	10.1%	144.759	39.573
Actual	2010	25.613	69.05	1,768.599	10.2%	175.995	47.808
Actual	2011	23.949	88.78	2,126.059	9.7%	200.233	54.480
Actual	2012	25.013	87.66	2,192.705	9.3%	198.019	56.907
Forecast	2013	25.651	83.53	2,142.617	9.3%	193.070	55.607
Forecast	2014	26.342	81.45	2,145.530	9.3%	195.386	55.682
Forecast	2015	26.804	76.19	2,042.312	9.4%	186.653	53.004

Gas	t Cal	MCF's Millions	Price Per MCF	Gross Value Millions	Effective Tax Rate	Total Tax Millions	Non-Tax Value Millions
Actual	2002						
Actual	2003						
Actual	2004						
Actual	2005	110.440	6.00	662.994	8.7%	55.016	31.675
Actual	2006	113.555	5.21	591.700	8.5%	48.156	27.851
Actual	2007	118.636	5.30	628.562	8.2%	49.560	27.740
Actual	2008	116.157	6.90	801.864	8.5%	65.240	34.606
Actual	2009	101.611	2.89	293.648	9.8%	27.317	14.238
Actual	2010	94.332	3.37	318.289	9.9%	30.020	14.300
Actual	2011	76.559	3.47	265.523	9.9%	24.952	12.223
Actual	2012	75.601	2.32	175.758	9.9%	16.541	8.074
Forecast	2013	68.381	3.40	232.297	10.2%	22.509	10.672
Forecast	2014	61.478	4.46	273.959	10.0%	26.188	12.586
Forecast	2015	55.068	4.16	228.975	9.9%	21.733	10.519

Total Tax = Barrels × Price × Tax Rate + MCF's × Price × Tax Rate + Audits
GF Rev = Total Tax × GF Allocation + Audits

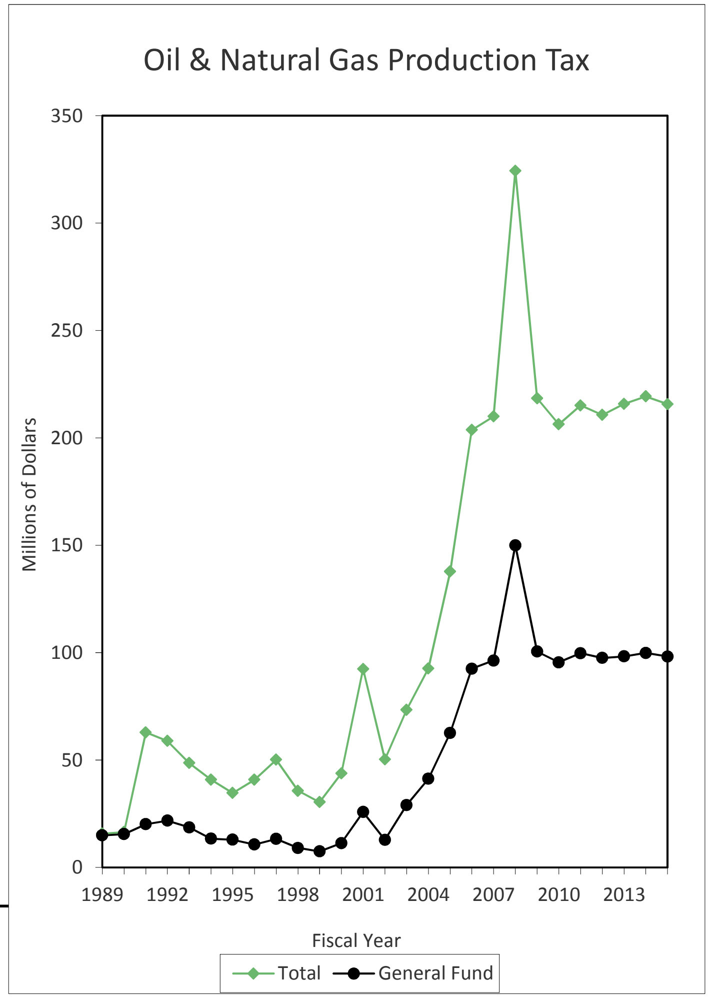
Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	15.748	14.959	Not App.
A	1990	16.486	15.567	4.1%
A	1991	62.880	20.163	29.5%
A	1992	58.892	21.823	8.2%
A	1993	48.651	18.677	-14.4%
A	1994	40.871	13.403	-28.2%
A	1995	34.704	12.964	-3.3%
A	1996	40.826	10.666	-17.7%
A	1997	50.150	13.283	24.5%
A	1998	35.709	9.120	-31.3%
A	1999	30.447	7.506	-17.7%
A	2000	43.773	11.363	51.4%
A	2001	92.396	25.792	127.0%
A	2002	50.304	12.902	-50.0%
A	2003	73.389	29.086	125.4%
A	2004	92.676	41.324	42.1%
A	2005	137.754	62.626	51.6%
A	2006	203.681	92.563	47.8%
A	2007	209.946	96.335	4.1%
A	2008	324.311	149.994	55.7%
A	2009	218.425	100.491	-33.0%
A	2010	206.286	95.491	-5.0%
A	2011	215.130	99.764	4.5%
A	2012	210.644	97.560	-2.2%
F	2013	215.806	98.266	0.7%
F	2014	219.313	99.857	1.6%
F	2015	215.717	98.226	-1.6%



Data Source(s): SABHRS, Department of Revenue, IHS, *Wall Street Journal*

Contacts: Department of Revenue, Board of Oil & Gas

Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Revenue Description: The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal (based on the contract sales price), as well as most minerals, but not gravel, metals, oil, and natural gas. Prior to July 1, 2002 when the Governor by executive order certified to the Secretary of State that the resource indemnity trust balance had reached $100 million, a portion of oil and natural gas taxes had been distributed under the same methodology as the RIGWA tax. Once the RIT balance reached $100 million, this portion of oil and natural gas taxes no longer has a connection to the RIGWA tax. The RIGWA tax on all other production is specific to each resource as described below.

Statutory Reference:

Tax Rate (MCA) – 15-38-104
Tax Distribution (MCA) – 15-38-106
Date Due from metal producers – March 31st following the end of the calendar year (15-38-105, 15-38-106(1))
Date Due from mineral producers – 60 days following the end of the calendar year (15-38-105, 15-38-106(1))

Applicable Tax Rate(s): The applicable rates are as follows:

Coal: $25 plus 0.4% of the gross value of coal produced in the preceding year in excess of $6,250
Minerals: $25 plus 0.5% of the gross value of minerals (excluding gravel and metals, and excluding oil and natural gas since the resource indemnity trust has reached $100 million) produced in the preceding year in excess of $5,000
Talc: $25 plus 0.4% of the gross value of talc produced in the preceding year in excess of $625
Vermiculite: $25 plus 2.0% of the gross value of vermiculite produced in the preceding year in excess of $1,250
Limestone: $25 plus 10.0% of the gross value of limestone produced in the preceding year in excess of $250
Garnets: $25 plus 1.0% of the gross value of garnets produced in the preceding year in excess of $2,500

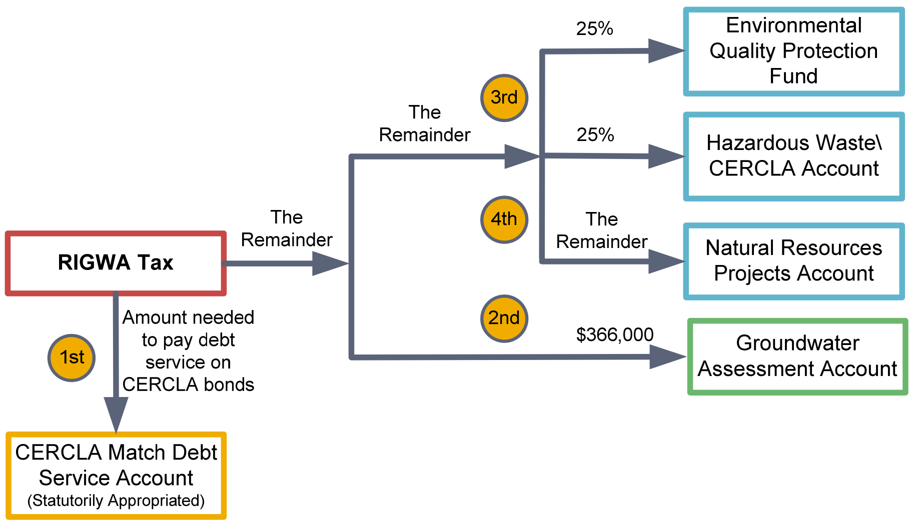
Distribution: Beginning FY 2004, the amount needed to cover debt service on CERCLA bonds (after amounts transferred from the CERCLA cost recovery account) is deposited to the CERCLA match debt service account. Beginning FY 2008, the remainder of RIGWA tax proceeds is distributed in the following order:

1. $366,000 each year to the ground water assessment account
2. $150,000 to the water storage account for the 2009 biennium only
3. 50.0% of the remainder split evenly between the environmental quality protection fund and the hazardous waster/CERCLA account
4. the remainder to the natural resources projects account

Resource Indemnity Tax

Distribution Chart:

Beginning FY 2011



Collection Frequency: Annually - the tax is paid on or before March 31 of the year following the production year.

% of Total General Fund Revenue: N/A

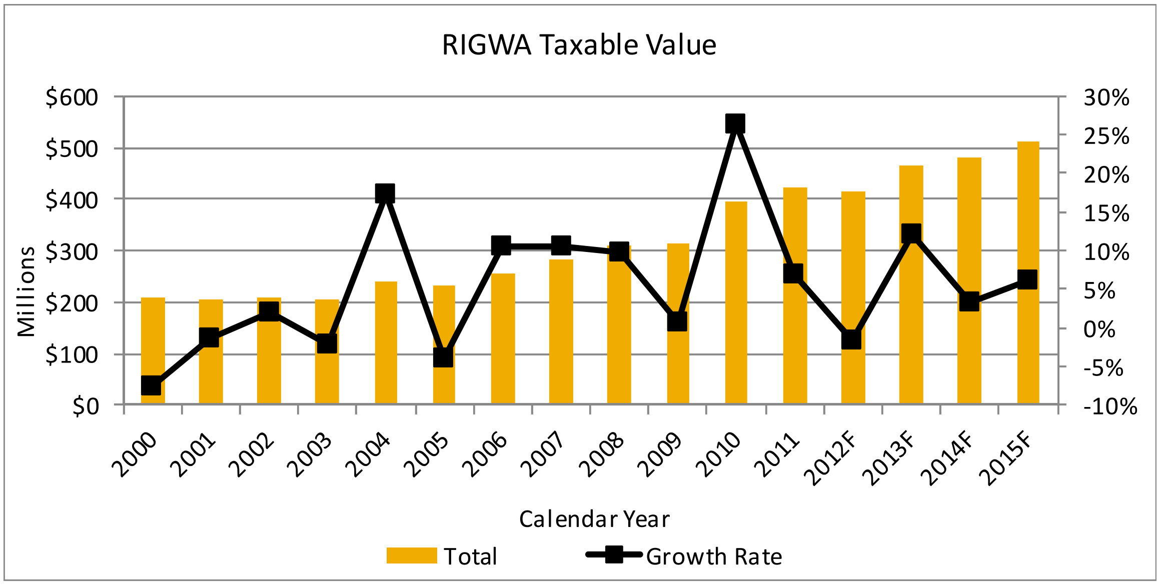
Revenue Estimate Methodology:

Data

The data used to estimate the resource indemnity and groundwater assessment (RIGWA) tax are obtained from the coal severance tax source, the property tax source, and the state accounting system (SABHRS). No adjustments are required on the raw data in preparation for analysis.

Analysis

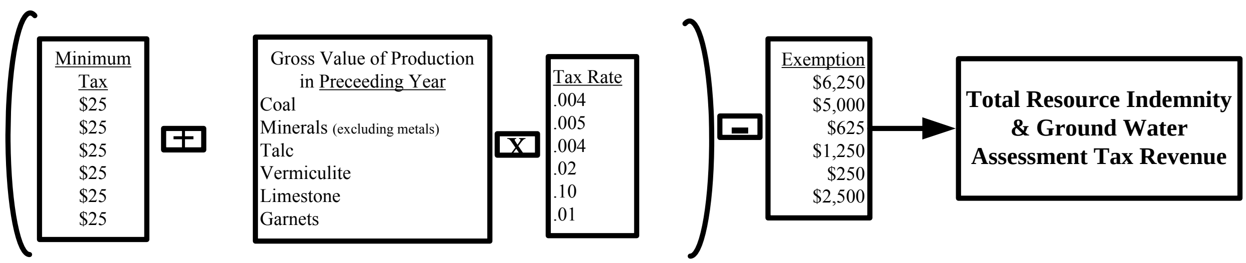
The RIGWA tax is imposed on the gross taxable value from the production of coal and miscellaneous mines. Before FY 2002, when Governor Martz certified that the resource indemnity trust had reached the required principal amount of $100 million, oil and natural gas production was also taxed under RIGWA, but the oil and natural gas component of the tax ended when the trust reached the limit. The gross value estimates prepared for the coal severance tax and class 1 property tax (miscellaneous minerals) are used in the estimate for the RIGWA tax.



The future taxable value of coal, produced by all mines, is estimated in the coal severance tax source. The estimate of coal value is $364.7 million, $506.7 million, and $497.9 million in FY 2009 through 2011, respectively. The future taxable value of other mineral production is estimated at the FY 2008 amount.

To develop the estimates for RIGWA tax collections, the tax rates are applied to the production value of each of the components, coal and other minerals. The tax estimates for the two components are summed to produce the total estimate of the RIGWA tax.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Oil Millions	Natural Gas Millions	Coal Millions	Metals Millions	Other Millions
Actual	2002	2.201	0.000	0.976	0.000	0.999	0.000	0.225
Actual	2003	1.226	0.000	0.000	0.000	1.005	0.000	0.220
Actual	2004	1.251	0.000	0.002	0.000	0.966	0.000	0.285
Actual	2005	1.436	0.000	0.000	0.000	1.118	0.000	0.318
Actual	2006	1.456	0.000	0.000	0.000	1.087	0.000	0.370
Actual	2007	1.647	0.000	0.000	0.000	1.212	0.000	0.435
Actual	2008	1.926	0.000	0.000	0.000	1.346	0.000	0.580
Actual	2009	2.054	0.000	0.000	0.000	1.465	0.000	0.589
Actual	2010	1.712	0.000	0.000	0.000	1.459	0.000	0.253
Actual	2011	2.147	0.000	0.000	0.000	1.785	0.000	0.362
Actual	2012	2.344	0.000	0.000	0.000	1.915	0.000	0.429
Forecast	2013	2.210	0.000	0.000	0.000	1.780	0.000	0.429
Forecast	2014	2.538	0.000	0.000	0.000	2.109	0.000	0.429
Forecast	2015	2.618	0.000	0.000	0.000	2.189	0.000	0.429

	t Fiscal	Trust Other Millions	Trust Metal Millions	Renewable Millions	Ground Millions	Reclamation Millions	Orphan Millions
Actual	2002	1.589	0.000	0.000	0.300	0.156	0.156
Actual	2003	0.000	0.000	0.000	0.366	0.430	0.280
Actual	2004	0.000	0.000	0.000	0.366	0.442	0.442
Actual	2005	0.252	0.000	0.000	0.114	0.535	0.442
Actual	2006	0.000	0.000	0.000	0.366	0.451	0.451
Actual	2007	0.000	0.000	0.000	0.366	0.509	0.509
Actual	2008	0.000	0.000	0.000	0.366	0.000	0.000
Actual	2009	0.000	0.000	0.000	0.366	0.000	0.000
Actual	2010	0.000	0.000	0.000	0.366	0.000	0.000
Actual	2011	0.000	0.000	0.000	0.366	0.000	0.000
Actual	2012	0.000	0.000	0.000	0.366	0.000	0.000
Forecast	2013	0.000	0.000	0.000	0.366	0.000	0.000
Forecast	2014	0.000	0.000	0.000	0.366	0.000	0.000
Forecast	2015	0.000	0.000	0.000	0.366	0.000	0.000

Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

	t Fiscal	Scholarship Millions	Debt Service Millions	Water Storage Millions	Protection Fund Millions	CERCLA Account Millions	Projects Account Millions	Trust Balance Millions
Actual	2002	0.000	0.000	0.000	0.000	0.000	0.000	102.066
Actual	2003	0.150	0.000	0.000	0.000	0.000	0.000	100.001
Actual	2004	0.000	0.000	0.000	0.000	0.000	0.000	100.002
Actual	2005	0.094	0.000	0.000	0.000	0.000	0.000	100.255
Actual	2006	0.000	0.188	0.000	0.000	0.000	0.000	100.023
Actual	2007	0.000	0.264	0.000	0.000	0.000	0.000	100.023
Actual	2008	0.000	0.273	0.150	0.284	0.284	0.568	100.023
Actual	2009	0.000	0.272	0.000	0.354	0.354	0.708	100.023
Actual	2010	0.000	0.272	0.150	0.231	0.231	0.462	100.023
Actual	2011	0.000	0.274	0.000	0.377	0.377	0.753	100.023
Actual	2012	0.000	0.267	0.150	0.390	0.390	0.780	100.023
Forecast	2013	0.000	0.296	0.000	0.387	0.387	0.774	100.023
Forecast	2014	0.000	0.296	0.000	0.469	0.469	0.938	100.023
Forecast	2015	0.000	0.296	0.000	0.489	0.489	0.978	100.023

Total Tax = Coal + Other

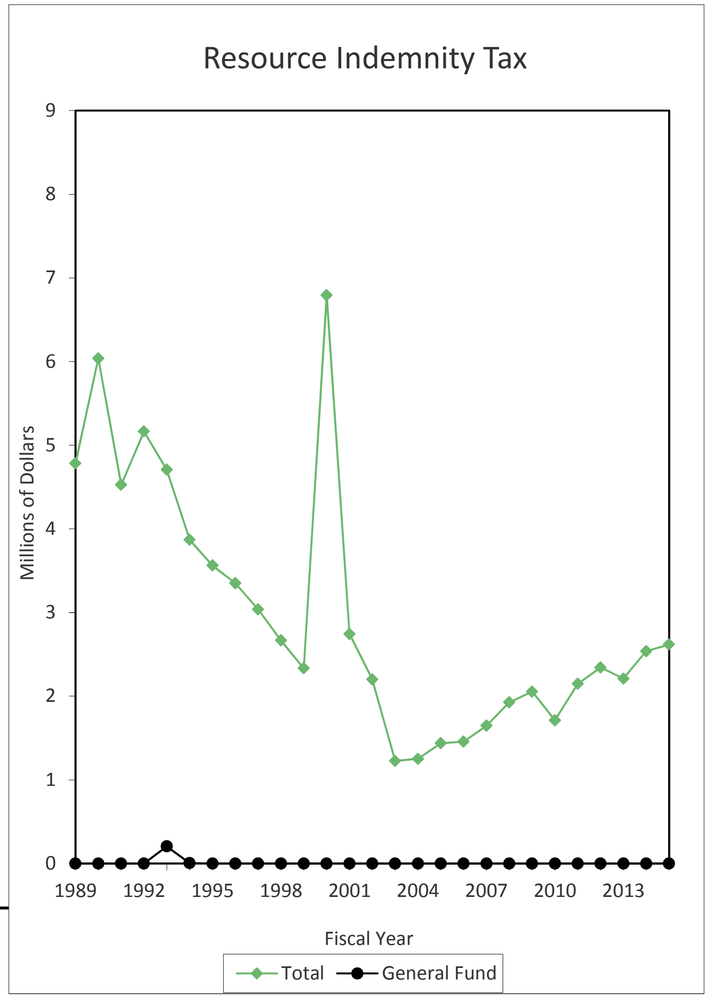
Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	4.782	0.000	Not App.
A	1990	6.037	0.000	Not App.
A	1991	4.527	0.000	Not App.
A	1992	5.165	0.000	Not App.
A	1993	4.706	0.204	Not App.
A	1994	3.868	0.004	-97.9%
A	1995	3.561	0.000	-98.2%
A	1996	3.351	0.000	-100.0%
A	1997	3.036	0.000	Not App.
A	1998	2.667	0.000	Not App.
A	1999	2.332	0.000	Not App.
A	2000	6.793	0.000	Not App.
A	2001	2.744	0.000	Not App.
A	2002	2.201	0.000	Not App.
A	2003	1.226	0.000	Not App.
A	2004	1.251	0.000	Not App.
A	2005	1.436	0.000	Not App.
A	2006	1.456	0.000	Not App.
A	2007	1.647	0.000	Not App.
A	2008	1.926	0.000	Not App.
A	2009	2.054	0.000	Not App.
A	2010	1.712	0.000	Not App.
A	2011	2.147	0.000	Not App.
A	2012	2.344	0.000	Not App.
F	2013	2.210	0.000	Not App.
F	2014	2.538	0.000	Not App.
F	2015	2.618	0.000	Not App.



Data Source(s): SABHRS, Department of Revenue, Surveys of Various Companies

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Description: Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0% of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. However due to federal legislation, from October 2007 through the current year, state shares were 48.0%. Based on statements by Office of Natural Resources Revenue personnel, the reduced rate is assumed to continue. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

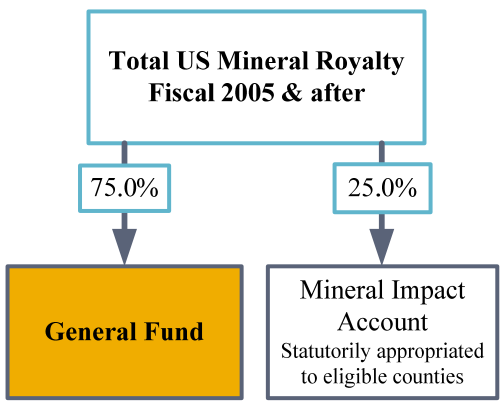
Statutory Reference:

Tax Rate – NA
Distribution – 17-3-240, MCA

Applicable Tax Rate(s): N/A

Distribution: With the enactment of Senate Bill 212 by the 2005 Legislature, receipts are deposited 75% to the general fund and 25% to the state special revenue mineral impact account. Money in the mineral impact account is statutorily appropriated for distribution to eligible counties in which the minerals were extracted.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 2.08%	FY 2007 – 1.54%	FY 2010 – 1.86%
FY 2005 – 1.78%	FY 2008 – 1.85%	FY 2011 – 1.79%
FY 2006 – 1.72%	FY 2009 – 1.75%	FY 2012 – 1.66%

Revenue Estimate Methodology:

The estimate for Montana's share of mineral royalties and other mineral related income from its federal lands is derived from estimating each of the major sources of revenue, applying the applicable royalty rate for each, and multiplying by Montana's share of the revenue.

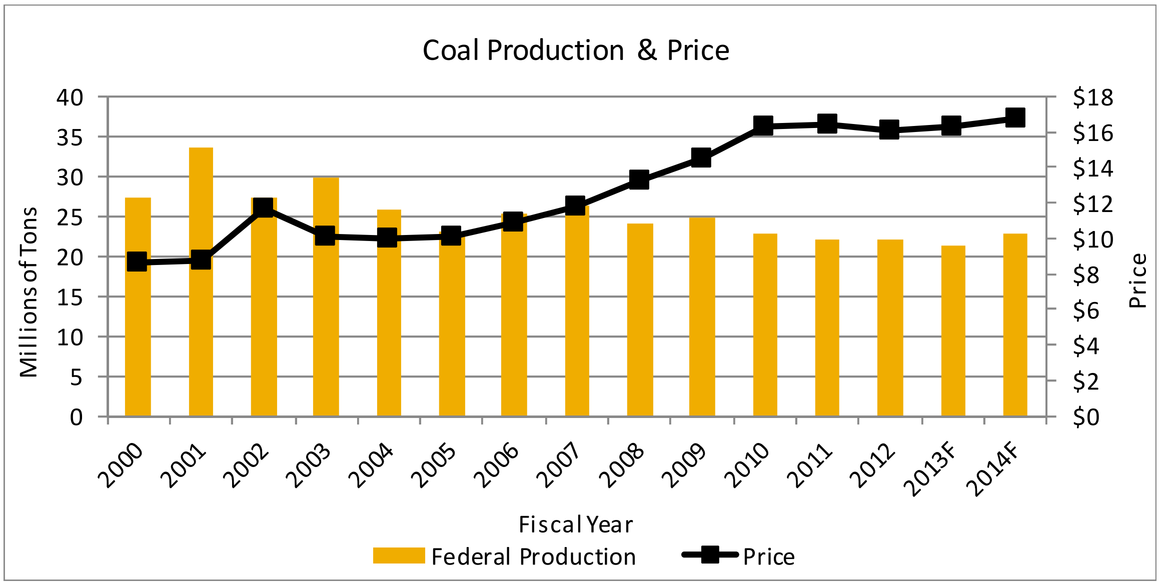
Data

Data from which to base estimates for this revenues source have been sparse and incomplete. Up until October 2001, the Mineral Management Service (now called Office of Natural Resources Revenue) of the U.S. Department of Interior had provided data used to make the estimate. However, lawsuits and court orders have stifled the flow of data since then. Only recently has yearly data been available for federal fiscal years through 2009. The current estimates rely on these data, future prices of oil and natural gas, and coal production on federal land obtained from a survey of Montana's coal companies.

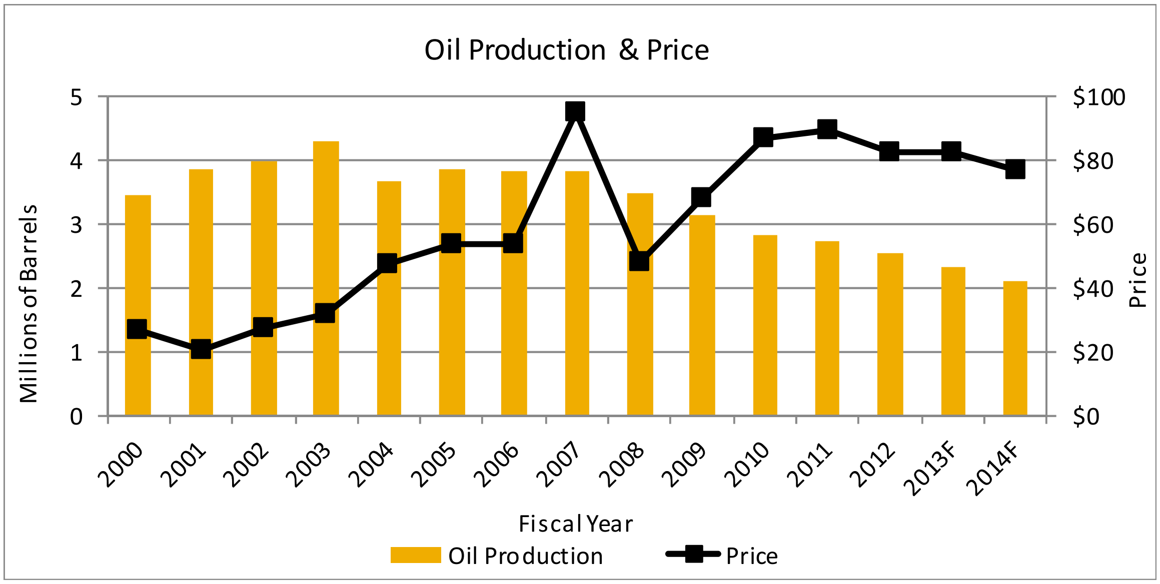
Analysis

The estimate is derived by first estimating the individual revenue components. The estimate for mineral royalties is obtained by multiplying together estimates for production, price, the applicable royalty rate, and Montana's percentage share.

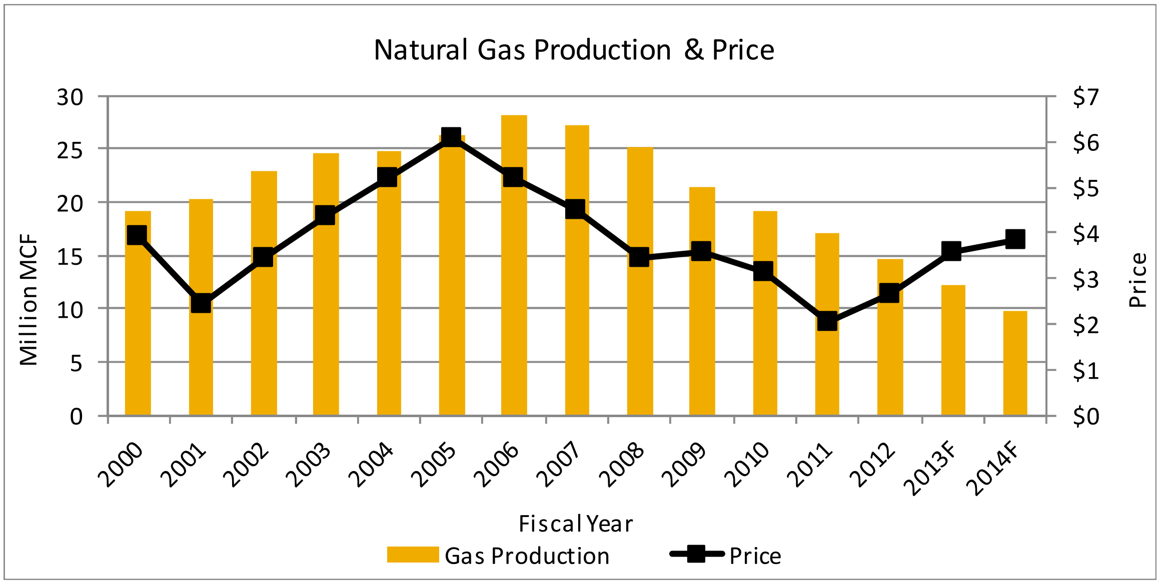
- Coal – Calendar year production is estimated by multiplying the calendar year production reported by each company on the coal survey by the percent of production each anticipated to be from federal lands multiplied by a federal fiscal year conversion factor. Price is determined by calculating a federal fiscal year growth by converting the calendar year Montana contract sales price into a federal fiscal year price and determining the growth between the current and previous years. Production multiplied by price yields value. The value is then multiplied by the royalty rate for the last known federal fiscal year. This royalty rate is used for all estimated years. Of the total calculated royalty, Montana receives 48%.



- Oil – Federal fiscal year production is estimated by multiplying the current year's amount by the growth between it and the previous year. Yearly prices are determined by first averaging quarterly future prices of West Texas Intermediate oil as forecast by IHS, based on the federal fiscal year, for the current and previous year. Price for the current federal fiscal year is determined by multiplying current year's IHS price by the ratio of the previous year's estimated (or actual) price to IHS price for the previous year. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana receives 48%.



- Natural Gas – Calendar year production is estimated by multiply the previous year's production by the growth rate of the two previous years. Yearly prices are determined by first averaging quarterly future prices of well head natural gas as forecast by IHS, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year's price to the previous year's estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana receives a portion. Of the total calculated royalty, Montana receives 48%.



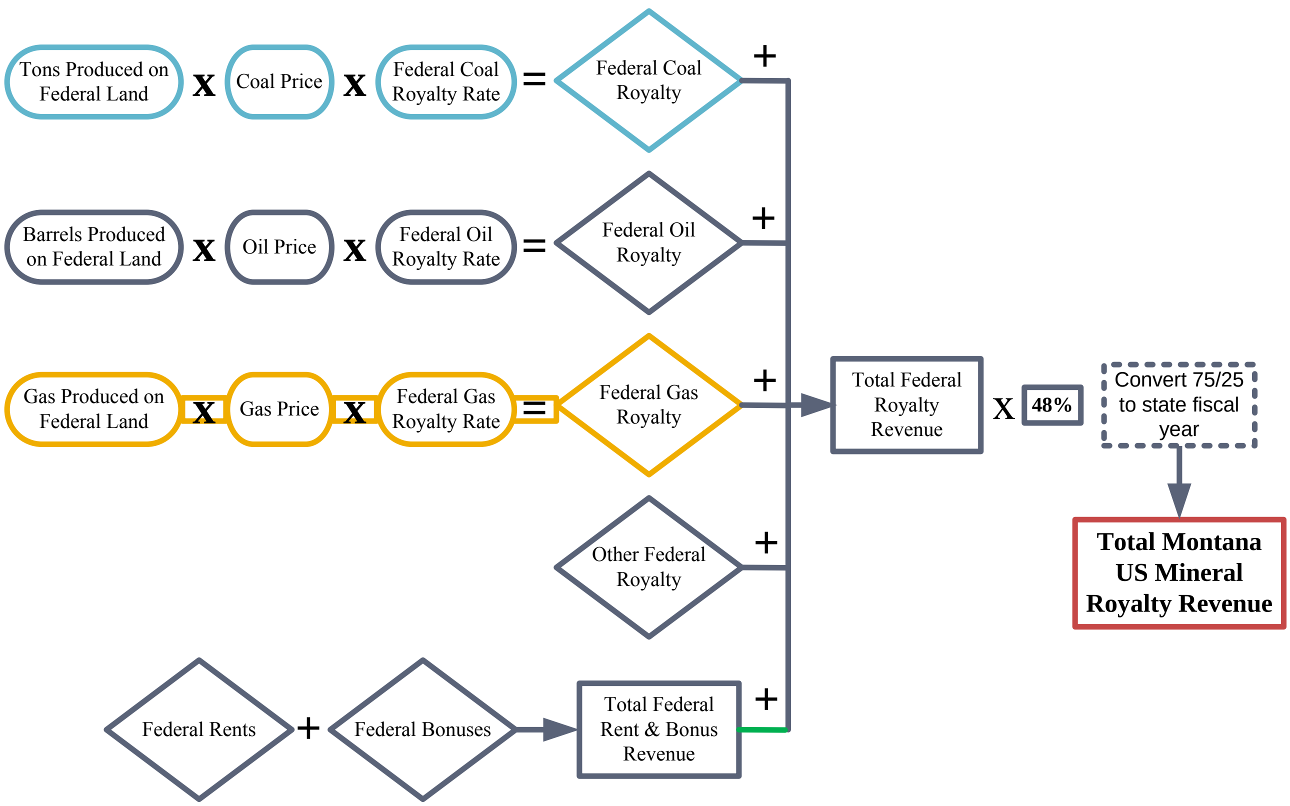
- Natural Gas Liquid – Federal fiscal year production is estimated by changing the previous year's amount by the percentage change in the last two years for all of the estimated years. Yearly prices are determined by first averaging quarterly future prices of well head natural gas as forecast by IHS, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year's price to the previous year's estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana receives 48%.

- Methane – Federal fiscal year production is estimated by changing the 2009 amount and each forecast year by the average annual change between 2005 and 2009. Yearly prices are determined by first averaging quarterly future prices of national well head natural gas as forecast by IHS, based on the federal fiscal year, for the current and previous year. The current year price is then multiplied by the ratio of the previous year's price to the previous year's estimated (or actual) price. Production multiplied by price yields value. The value is then multiplied by the royalty rate. The actual royalty rate for federal FY 2009 is used for all estimated years. Of the total calculated royalty, Montana 48%.
- Rents, Bonuses, and Other – The amounts from actual federal FY 2009 are used for all estimated years. Montana's portion is 48%.

Adjustments and Distribution

Since the estimates are based on the federal fiscal year a 25/75 split is used to convert to a state fiscal year. The total amount of anticipated revenue is distributed 75% to the general fund and 25% to the state special revenue fund.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	One-Time Settlement Millions	Mineral Impact Millions	GF Allocation Percent
Actual	2002	19.772	19.772	0.000		100.0%
Actual	2003	25.990	25.990	0.000		100.0%
Actual	2004	28.736	28.736	0.000		100.0%
Actual	2005	36.392	27.294	0.000	9.098	75.0%
Actual	2006	39.071	29.304	0.000	9.768	75.0%
Actual	2007	37.628	28.221	0.000	9.407	75.0%
Actual	2008	48.518	36.389	0.000	12.130	75.0%
Actual	2009	42.098	31.573	0.000	10.524	75.0%
Actual	2010	40.384	30.288	0.000	10.096	75.0%
Actual	2011	42.564	31.923	0.000	10.641	75.0%
Actual	2012	41.409	31.057	0.000	10.352	75.0%
Forecast	2013	45.715	34.286	0.000	11.429	75.0%
Forecast	2014	39.157	29.368	0.000	9.789	75.0%
Forecast	2015	36.860	27.645	0.000	9.215	75.0%

	t Cal	Oil Barrels Millions	Coal Tons Millions	Gas MCF's Millions	Oil Price	Coal Price	Gas Price
Actual	2002	3.863	33.491	20.392	20.66	8.79	2.42
Actual	2003	3.975	27.206	23.003	27.51	11.71	3.45
Actual	2004	4.296	29.781	24.538	31.98	10.05	4.36
Actual	2005	3.679	25.938	24.767	47.47	10.04	5.21
Actual	2006	3.845	23.192	26.324	53.70	10.12	6.09
Actual	2007	3.836	25.440	28.181	53.82	10.94	5.19
Actual	2008	3.820	26.286	27.199	95.08	11.74	4.49
Actual	2009	3.483	23.985	25.138	47.72	13.28	3.43
Actual	2010	3.138	24.940	21.489	68.26	14.47	3.58
Actual	2011	2.832	22.842	19.090	86.67	16.31	3.16
Actual	2012	2.743	22.020	17.052	89.34	16.37	2.03
Forecast	2013	2.529	22.147	14.663	82.69	16.02	2.65
Forecast	2014	2.315	21.259	12.274	82.63	16.33	3.60
Forecast	2015	2.100	22.720	9.885	76.94	16.78	3.84

Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

	t Cal	Oil Roy. Rate	Coal Roy. Rate	Gas Roy. Rate	Oil Revenue Millions	Coal Revenue Millions	Gas Revenue Millions
Actual	2002	11.3%	11.6%	12.4%	9.052	34.182	6.121
Actual	2003	11.3%	11.8%	12.4%	12.385	37.486	9.803
Actual	2004	11.2%	11.4%	12.1%	15.336	34.201	12.884
Actual	2005	10.8%	12.2%	11.7%	18.877	31.761	15.082
Actual	2006	11.1%	12.2%	11.2%	22.979	28.687	17.962
Actual	2007	11.1%	12.1%	11.1%	22.984	33.709	16.196
Actual	2008	10.6%	12.2%	16.4%	38.614	37.539	20.085
Actual	2009	10.6%	12.0%	11.0%	17.550	38.197	9.483
Actual	2010	10.8%	11.6%	11.0%	23.165	41.926	8.499
Actual	2011	10.8%	11.6%	11.1%	26.417	43.261	6.697
Actual	2012	10.8%	11.6%	11.1%	26.375	41.862	3.855
Forecast	2013	10.8%	11.6%	11.1%	22.507	41.188	4.312
Forecast	2014	10.8%	11.6%	11.1%	20.585	40.316	4.906
Forecast	2015	10.8%	11.6%	11.1%	17.395	44.262	4.215

	t Cal	Other Royalty Millions	Rent&Bonus Revenue Millions	Other Revenue Millions	Total Revenue Millions	State Share Millions	State Share Percent
Actual	2002	0.681	3.183	0.293	53.512	22.329	41.7%
Actual	2003	1.018	7.105	1.572	69.369	25.535	36.8%
Actual	2004	0.505	5.009	1.800	69.736	30.295	43.4%
Actual	2005	4.413	4.752	0.976	75.861	35.406	46.7%
Actual	2006	4.014	4.616	1.097	79.355	38.001	47.9%
Actual	2007	2.342	4.318	2.106	81.655	39.157	48.0%
Actual	2008	16.752	7.857	-0.521	120.325	48.938	40.7%
Actual	2009	1.894	8.036	-0.462	74.698	46.551	62.3%
Actual	2010	2.190	13.533	0.148	89.462	43.762	48.9%
Actual	2011	1.745	11.501	6.082	95.704	43.144	45.1%
Actual	2012	0.876	20.577	0.148	93.691	44.972	48.0%
Forecast	2013	0.898	26.703	0.148	95.756	45.963	48.0%
Forecast	2014	0.969	9.927	0.148	76.851	36.889	48.0%
Forecast	2015	0.826	9.927	0.148	76.772	36.850	48.0%

Total Rev. = (Oil Barrels × Oil Price × Oil Roy. Rate + Coal Tons × Coal Price × Coal Roy. Rate + Gas MCF's × Gas Price × Gas Roy. Rate + Other Royalty + Rent&Bonus Revenue + Other Revenue) × State Share

GF Rev. = Total Rev × GF Allocation

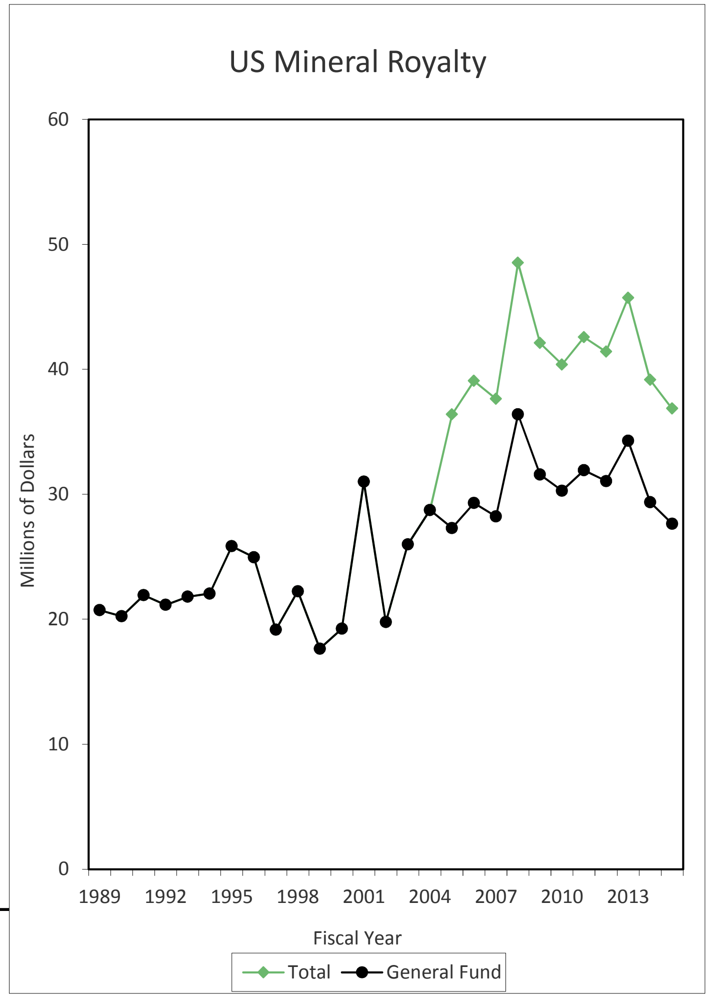
Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	20.727	20.727	Not App.
A	1990	20.241	20.241	-2.4%
A	1991	21.928	21.928	8.3%
A	1992	21.150	21.150	-3.6%
A	1993	21.800	21.800	3.1%
A	1994	22.052	22.052	1.2%
A	1995	25.848	25.848	17.2%
A	1996	24.959	24.959	-3.4%
A	1997	19.161	19.161	-23.2%
A	1998	22.241	22.241	16.1%
A	1999	17.650	17.650	-20.6%
A	2000	19.243	19.243	9.0%
A	2001	31.008	31.008	61.1%
A	2002	19.772	19.772	-36.2%
A	2003	25.990	25.990	31.5%
A	2004	28.736	28.736	10.6%
A	2005	36.392	27.294	-5.0%
A	2006	39.071	29.304	7.4%
A	2007	37.628	28.221	-3.7%
A	2008	48.518	36.389	28.9%
A	2009	42.098	31.573	-13.2%
A	2010	40.384	30.288	-4.1%
A	2011	42.564	31.923	5.4%
A	2012	41.409	31.057	-2.7%
F	2013	45.715	34.286	10.4%
F	2014	39.157	29.368	-14.3%
F	2015	36.860	27.645	-5.9%



Data Source(s): SABHRS, Department of Revenue

Contacts: U.S. Minerals Management Service

Legislative Fiscal Division

Revenue Estimate Profile

Wholesale Energy Tax

Revenue Description: The wholesale energy transaction tax, enacted by the 1999 Legislature (HB 174 effective January 1, 2000) is imposed on the amount of electricity transmitted by a transmission services provider in the state.

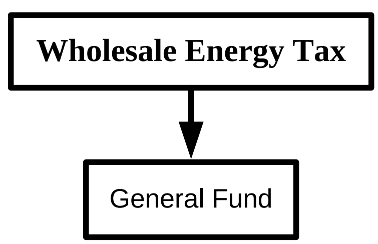
Statutory Reference:

Tax Rate (MCA) – 15-72-104(1)
Tax Distribution (MCA) – 15-72-106(3)
Date Due – 30th day of the month following the end of the calendar quarter (15-72-110)

Applicable Tax Rate(s): The tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted (or $0.15 per megawatt). If the electricity is produced in-state and sold out-of-state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider. The tax does not apply to: 1) electricity that is transmitted through the state that is neither produced nor consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB 390 (1997 legislature); 4) electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; 6) electricity that has been subject to the transmission tax in another state; and 7) a 5% line loss exemption for transmission of electricity produced in the state for delivery outside of the state.

Distribution: All proceeds are deposited into the general fund.

Distribution Chart:



Collection Frequency: Quarterly

% of Total General Fund Revenue:

FY 2004 – 0.24%	FY 2007 – 0.20%	FY 2010 – 0.22%
FY 2005 – 0.22%	FY 2008 – 0.20%	FY 2011 – 0.22%
FY 2006 – 0.22%	FY 2009 – 0.21%	FY 2012 – 0.18%

Revenue Estimate Methodology:

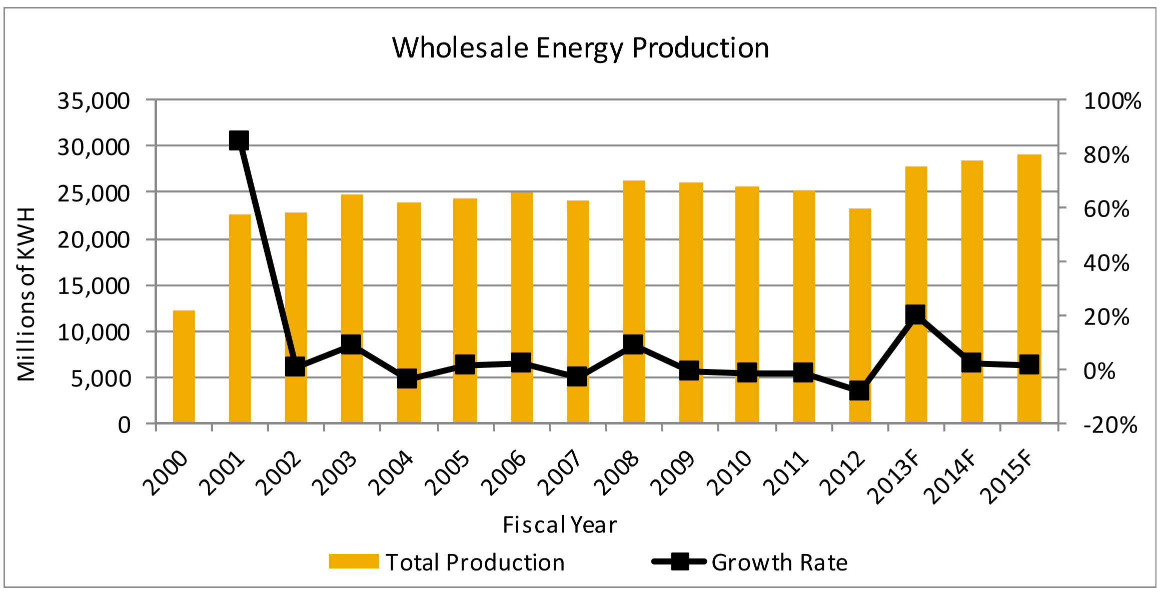
The wholesale energy transaction tax is applied to the number of kilowatt hours transmitted less 5% for line loss on out-of-state transmissions. The estimate for the tax revenue is derived by estimating the annual taxable kilowatt hours transmitted for each company and any company anticipated to be transmitting within the 3-year period in question. From these estimates, the tax rate is applied. Since all kilowatt hours transmitted is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

Data

All energy transmitting companies are surveyed for anticipated kilowatt hours transmitted, anticipated new transmissions, anticipated downtime or reduced transmission, and a percentage split between in-state and out-of-state transmissions. Although the accuracy in the results of the survey was questionable, the raw data were used to develop growth rates. Data from quarterly reports produced by DOR provide a history of in-state and out-of-state kilowatt hours transmitted by each individual company.

Analysis

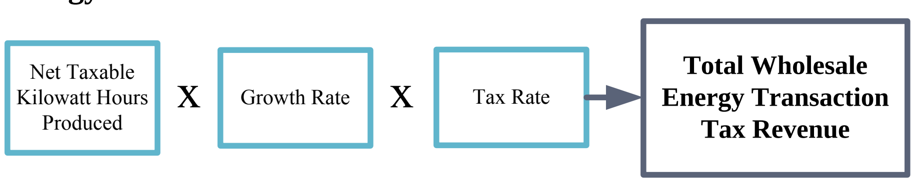
A number of different techniques can be used to develop the revenue estimate for this source. Choosing a technique depends on whether the technique passes the "reasonable" test. The technique based on historical data was used in this analysis. A growth rate based on the change in total yearly production from the actual/estimated year to the amount provided by the surveys was applied to the previous gross production amount. The totals are added for each year and allowable line loss is calculated and subtracted from the yearly total. Net taxable kilowatt hours are multiplied by the tax rate to derive total revenue from this source.



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

Wholesale Energy Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	KWH Fiscal Millions	Line Loss Fiscal Millions	Credits Millions	Tax Rate
Actual	2002	2.906	2.906	22,775.158	697.796	0.000	0.015%
Actual	2003	3.532	3.532	24,780.402	730.789	0.000	0.015%
Actual	2004	3.293	3.293	23,961.126	725.187	0.000	0.015%
Actual	2005	3.370	3.370	24,326.536	749.863	0.000	0.015%
Actual	2006	3.813	3.813	24,870.822	758.471	0.000	0.015%
Actual	2007	3.651	3.651	24,070.521	709.589	0.000	0.015%
Actual	2008	3.856	3.856	26,192.843	796.685	0.000	0.015%
Actual	2009	3.865	3.865	26,004.638	783.005	0.000	0.015%
Actual	2010	3.556	3.556	25,546.398	774.161	0.000	0.015%
Actual	2011	3.946	3.946	25,240.578	759.051	0.000	0.015%
Actual	2012	3.427	3.427	23,182.689	663.193	0.000	0.015%
Forecast	2013	4.038	4.038	27,762.064	840.774	0.000	0.015%
Forecast	2014	4.140	4.140	28,461.344	861.952	0.000	0.015%
Forecast	2015	4.217	4.217	28,992.297	878.032	0.000	0.015%

Total Tax = (KWH Fiscal - Line Loss Fiscal) × Tax Rate - Credits
GF Tax = Total Tax

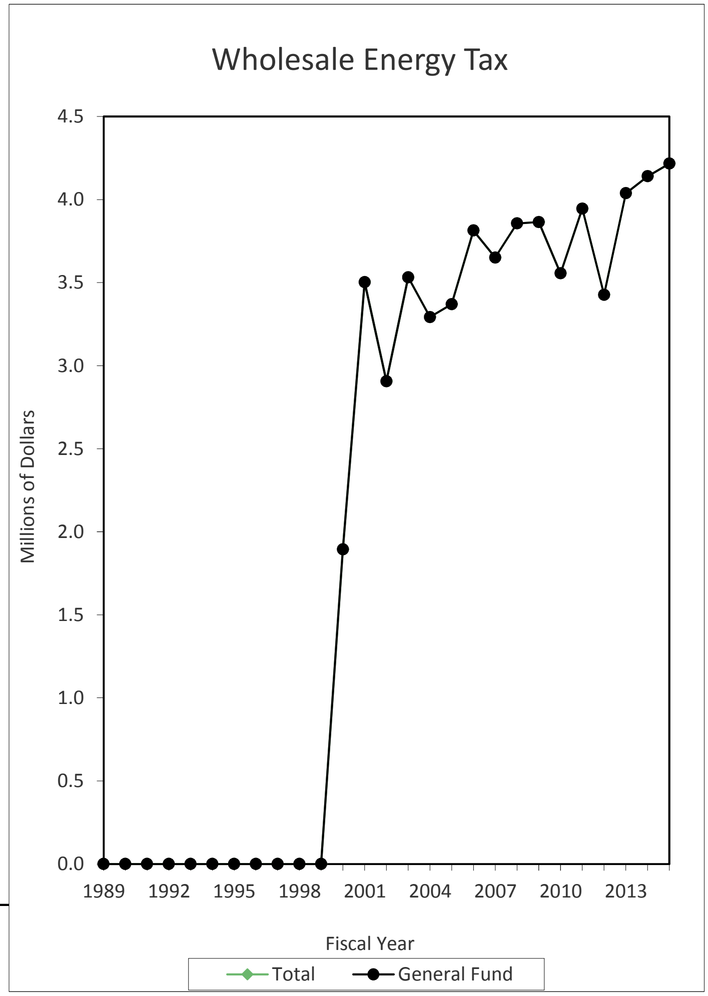
Legislative Fiscal Division

Revenue Estimate Profile

Wholesale Energy Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	0.000	0.000	Not App.
A	1992	0.000	0.000	Not App.
A	1993	0.000	0.000	Not App.
A	1994	0.000	0.000	Not App.
A	1995	0.000	0.000	Not App.
A	1996	0.000	0.000	Not App.
A	1997	0.000	0.000	Not App.
A	1998	0.000	0.000	Not App.
A	1999	0.000	0.000	Not App.
A	2000	1.895	1.895	Not App.
A	2001	3.503	3.503	84.9%
A	2002	2.906	2.906	-17.1%
A	2003	3.532	3.532	21.5%
A	2004	3.293	3.293	-6.8%
A	2005	3.370	3.370	2.4%
A	2006	3.813	3.813	13.2%
A	2007	3.651	3.651	-4.3%
A	2008	3.856	3.856	5.6%
A	2009	3.865	3.865	0.2%
A	2010	3.556	3.556	-8.0%
A	2011	3.946	3.946	11.0%
A	2012	3.427	3.427	-13.1%
F	2013	4.038	4.038	17.8%
F	2014	4.140	4.140	2.5%
F	2015	4.217	4.217	1.9%

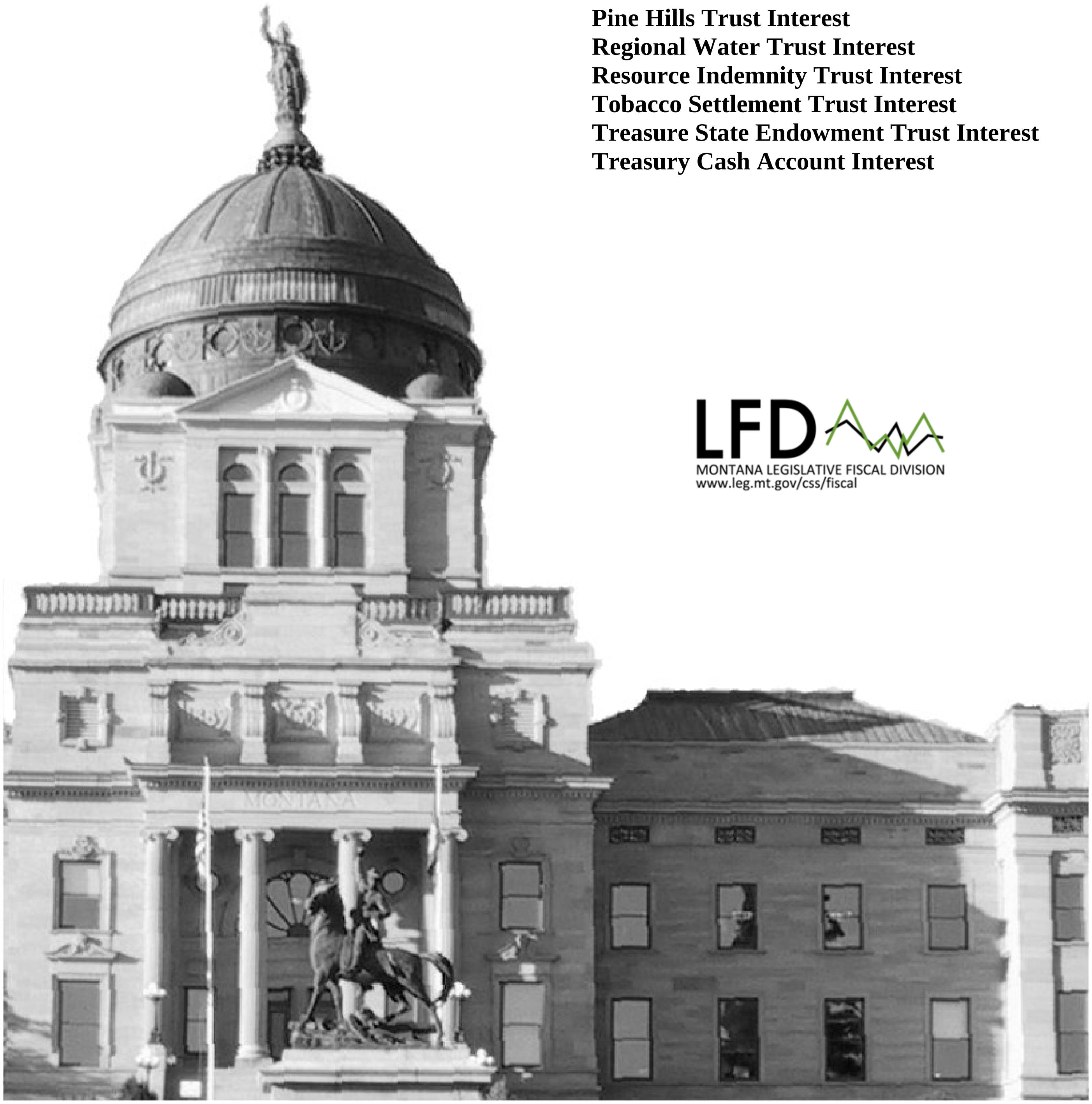


Data Source(s): SABHRS, Department of Revenue Wholesale Energy Tax Returns, IHS, *Wall Street Journal*

Contacts: Transmission companies' financial personnel, Department of Revenue

Interest Earnings

Capital Land Grant
Coal Trust Interest
Common School Interest & Income
Cultural & Aesthetics Trust Interest
Deaf & Blind Trust Interest
Economic Development Trust Interest
Parks Trust Interest
Pine Hills Trust Interest
Regional Water Trust Interest
Resource Indemnity Trust Interest
Tobacco Settlement Trust Interest
Treasure State Endowment Trust Interest
Treasury Cash Account Interest



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Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

Revenue Description: Lands granted by the federal government to the state generate income from a variety of sources. Section 12 of the *Enabling Act* requires that income generated on certain sections of federally granted land be used for public buildings at the state capital for construction, repair, renovation, and other permanent improvements of state buildings. Capital land grant funds can also be used for the acquisition of land for such buildings, as well as the payment of principal and interest on bonds issued for any of these purposes.

Non-permanent sources of revenue generated from capital land grant lands include: grazing fees, agricultural fees, miscellaneous fees and rentals, and oil and natural gas leases and penalties. Senate Bill 65, enacted by the 2009 Legislature, allows an amount up to 25% of distributable revenue to be diverted to the trust land administration account to fund DNRC administrative costs. Permanent sources of revenue generated from capital land grant lands include timber sales and oil and natural gas royalties. All sources of revenue are subject for diversion to DNRC for administration.

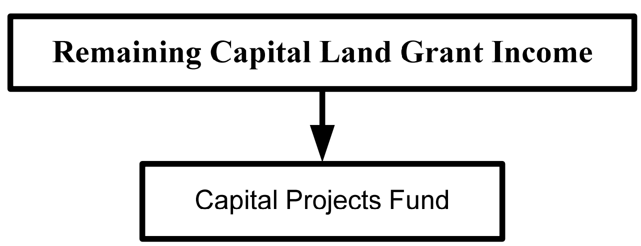
Statutory Reference:

Tax Rate – NA
Tax Distribution (MCA) – 18-2-107
Enabling Act, Sections 10, 12 & 17
Other (MCA) – DNRC trust land administration diversion (77-1-108 & 109)
DNRC land bank administration diversion (77-2-362)

Applicable Tax Rate(s): N/A

Distribution: After diversions for DNRC administration, all remaining capital land grant income is deposited into a capital projects fund to be used for projects on the state capital complex in accordance with the provisions of Section 12 of the *Enabling Act*.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

The estimate for interest and income from the capital land grant trust determines the net amount of revenue that will be distributed to the trust beneficiary. This means that in addition to estimating the various revenues from the capital land grant trust, estimates of the diversion for DNRC administration costs that reduce the amount of revenue deposited to the capital program fund must also be estimated. Therefore, the estimated amounts shown for this revenue source are not total revenues, but are net of diversions. Since all of the trust income is distributed, the trust has no monetary corpus.

Data

Data from SABHRS provide a history of each individual interest and income revenue component from which estimates can be made. Department of Natural Resources and Conservation (DNRC) annual reports provide additional information such as mineral prices and production. Budget submissions on the state budgeting system (MBARS) provide anticipated amount of diversions.

Legislative Fiscal Division

Revenue Estimate Profile

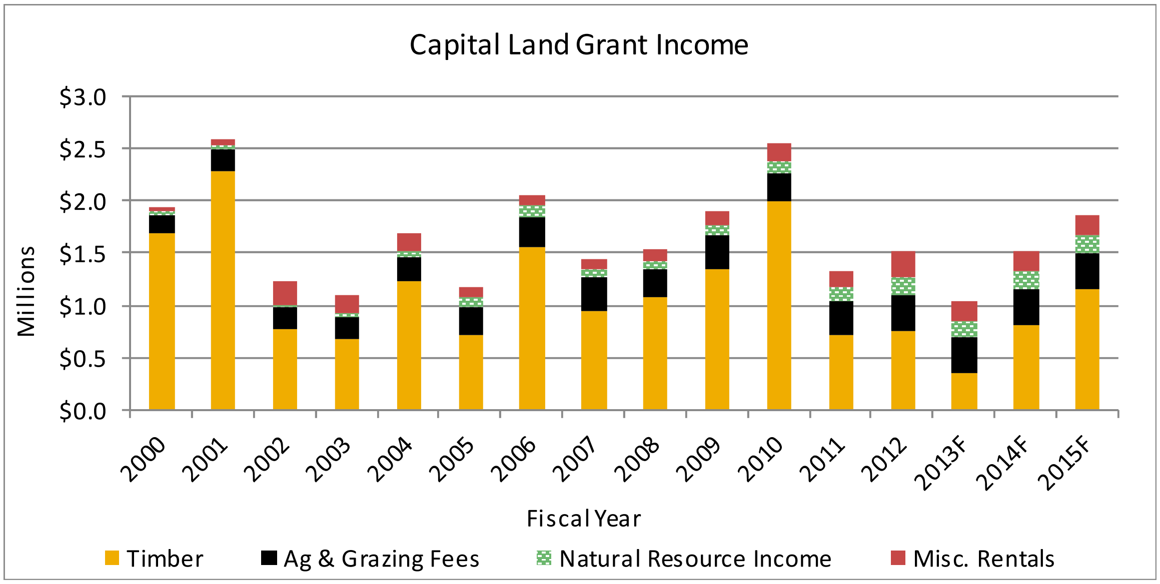
Capital Land Grant Interest and Income

Analysis

The estimate is derived by first estimating the revenue components and then estimating the diversion amount.

Revenue Components

1. Timber – Estimates of timber harvest from capital land grant trust lands are taken directly from DNRC estimates.
2. Grazing Fees – Rates are tied to the price of cattle. Cattle prices are expected to be close to those experienced in FY 2010, perhaps slightly less. It is anticipated the grazing fee revenue will be similar to FY 2010.



3. Miscellaneous Rentals - These are small income components that are combined and estimated together. For each fiscal year estimated, the estimate is based on the average annual growth rate of the previous four years with the highest and lowest amounts removed.
4. Agricultural Fees - Fees are based on a crop share basis. Commodity prices are expected to be about the same as FY 2010 resulting in similar returns.
5. Oil & Gas Bonuses - Estimates continue the amount received in FY 2010.
6. Oil & Gas Leases – For each fiscal year estimated, the estimate is the average of the previous nine years with the highest and lowest years discarded.
7. Mineral Royalties – Mineral royalties are received from oil and natural gas. Royalties are estimated by increasing the previous fiscal year's production by the growth rate obtained from average annual growth from for the previous 15 years with the highest and lowest years discarded.
8. Oil & Gas Penalties – For each fiscal year estimated, the estimate is the average of the previous two years.

Diversion

The diversion amount fund operational costs in DNRC, but reduce the amount of revenue distributed to the trust beneficiaries (see the figure below). To determine future diversion amounts, DNRC's present law budget amounts are used.

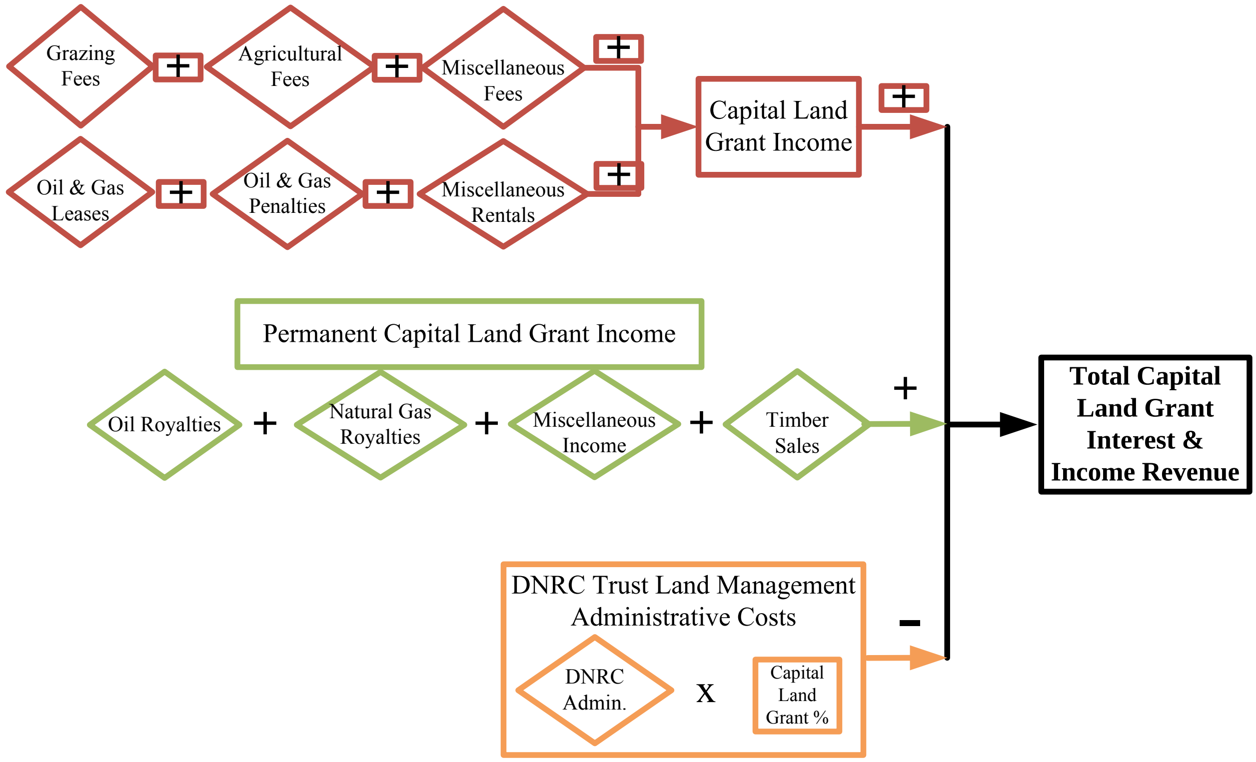
1. Trust Land Administration Account – Of the total expenditures requested to be made from this account, a portion is funded by capital land grant trust revenue. That portion is determined by multiplying current year revenue estimates by the ratio of FY 2010 costs that this trust paid to the total administration costs. In FY 2010, the capital land grant trust funded 8.4% of total expenditures.

Adjustments and Distribution

Once total revenue and total diversions have been estimated, the net amounts are distributed to the capital project fund.

Capital Land Grant Interest and Income

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Capital Land Share T&L
Actual	2000	1.921	0.000			0.000
Actual	2001	2.527	0.000			0.000
Actual	2002	1.065	0.000	29.627	0.103	0.000
Actual	2003	0.809	0.000	29.147	0.068	0.000
Actual	2004	1.977	0.000	30.087	0.054	0.000
Actual	2005	0.853	0.000	28.106	0.270	0.000
Actual	2006	1.590	0.000	24.428	0.408	0.000
Actual	2007	0.871	0.000	26.207	0.268	0.000
Actual	2008	0.983	0.000	25.160	0.129	0.000
Actual	2009	1.078	0.000	22.711	0.066	0.000
Actual	2010	1.635	0.000	22.916	0.018	0.000
Actual	2011	0.581	0.000	23.194	0.033	0.000
Actual	2012	0.610	0.000	24.175	0.028	0.000
Forecast	2013	0.232	0.000	23.209	0.411	0.000
Forecast	2014	0.664	0.000	24.111	0.512	0.000
Forecast	2015	1.022	0.000	25.245	0.641	0.000

	t Fiscal	Trust Income New Deposit Millions	Trust Land Admin. Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2000	10.969		6.8%	5.4%	11.676
Actual	2001	12.668	-0.048	6.7%	4.7%	6.985
Actual	2002	2.348	-0.151	6.2%	2.6%	7.334
Actual	2003	2.363	-0.305	5.7%	1.4%	6.242
Actual	2004	2.972	-0.099	5.4%	1.3%	7.050
Actual	2005	1.458	-0.173	5.2%	2.4%	12.107
Actual	2006	1.425	-0.063	5.2%	4.1%	3.863
Actual	2007	7.174	-0.115	5.4%	4.7%	14.954
Actual	2008	3.102	-0.085	5.3%	3.1%	2.461
Actual	2009	4.126	-0.104	5.1%	1.0%	4.161
Actual	2010	10.710	0.000	4.8%	0.2%	11.340
Actual	2011	22.233	0.000	4.4%	0.1%	15.565
Actual	2012	31.517	0.000	3.8%	0.1%	11.492
Forecast	2013	25.974	0.000	3.5%	0.1%	11.492
Forecast	2014	29.101	0.000	3.9%	0.2%	11.492
Forecast	2015	27.623	0.000	4.5%	0.5%	11.492

Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

	t Fiscal	Grazing Millions	Agriculture Millions	Misc. Millions	O&G Lease Millions	O&G Bonus Millions	O&G Penalty Millions	Misc. Millions
Actual	2000	0.133	0.044	0.000	0.019	0.009	0.002	0.048
Actual	2001	0.160	0.043	0.000	0.014	0.003	0.003	0.057
Actual	2002	0.174	0.031	0.000	0.018	0.002	0.004	0.215
Actual	2003	0.170	0.043	0.000	0.018	0.001	0.004	0.174
Actual	2004	0.132	0.088	0.000	0.018	0.000	0.005	0.183
Actual	2005	0.197	0.074	0.000	0.019	0.019	0.009	0.110
Actual	2006	0.210	0.063	0.000	0.019	0.051	0.010	0.092
Actual	2007	0.239	0.093	0.000	0.024	0.004	0.016	0.101
Actual	2008	0.206	0.067	0.000	0.021	0.000	0.018	0.115
Actual	2009	0.208	0.115	0.000	0.023	0.021	0.014	0.152
Actual	2010	0.185	0.087	0.000	0.027	0.032	0.014	0.157
Actual	2011	0.190	0.143	0.000	0.028	0.076	0.013	0.165
Actual	2012	0.240	0.103	0.000	0.032	0.109	0.011	0.258
Forecast	2013	0.240	0.103	0.000	0.023	0.109	0.012	0.183
Forecast	2014	0.240	0.103	0.000	0.024	0.109	0.011	0.191
Forecast	2015	0.240	0.103	0.000	0.024	0.109	0.012	0.199

	t Fiscal	Int. Land Millions	Int. STIP Millions	Int. Trust Millions	Res. Dev. Millions	Lease Total Millions	Timber Cost Millions	TLMD Adm. Millions
Actual	2000	0.000	0.000	0.000	-0.008	0.248		
Actual	2001	0.000	0.000	0.000	-0.008	0.272		
Actual	2002	0.000	0.000	0.000	-0.009	0.436		
Actual	2003	0.000	0.000	0.000	-0.009	0.401	0.000	
Actual	2004	0.000	0.000	0.000	-0.013	0.414	-0.448	
Actual	2005	0.000	0.000	0.000	-0.009	0.419	-0.169	
Actual	2006	0.000	0.000	0.000	-0.013	0.432	-0.412	
Actual	2007	0.000	0.000	0.000	-0.014	0.464	-0.445	
Actual	2008	0.000	0.000	0.000	-0.013	0.415	-0.457	
Actual	2009	0.000	0.000	0.000	-0.015	0.518	-0.709	
Actual	2010	0.000	0.000	0.000	0.000	0.502	0.000	-0.915
Actual	2011	0.000	0.000	0.000	0.000	0.615	0.000	-0.769
Actual	2012	0.000	0.000	0.000	0.000	0.752	0.000	-0.905
Forecast	2013	0.000	0.000	0.000	0.000	0.669	0.000	-0.815
Forecast	2014	0.000	0.000	0.000	0.000	0.677	0.000	-0.854
Forecast	2015	0.000	0.000	0.000	0.000	0.686	0.000	-0.845

Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

	t Fiscal	Oil Roy. Millions	Gas Roy. Millions	Timber Millions	Misc. Millions	Perm. Total Millions
Actual	2000	0.004	0.004	1.676	0.028	1.713
Actual	2001	0.006	0.008	2.278	0.011	2.303
Actual	2002	0.003	0.002	0.769	0.006	0.781
Actual	2003	0.004	0.013	0.672	0.023	0.713
Actual	2004	0.003	0.028	1.231	0.847	1.661
Actual	2005	0.005	0.028	0.712	0.030	0.607
Actual	2006	0.005	0.033	1.558	0.036	1.220
Actual	2007	0.007	0.018	0.934	0.008	0.522
Actual	2008	0.008	0.023	1.072	0.006	0.652
Actual	2009	0.007	0.030	1.333	0.007	0.667
Actual	2010	0.017	0.024	1.990	0.017	2.048
Actual	2011	0.006	0.006	0.701	0.009	0.722
Actual	2012	0.016	0.005	0.742	0.016	0.778
Forecast	2013	0.007	0.017	0.342	0.012	0.378
Forecast	2014	0.007	0.018	0.803	0.013	0.841
Forecast	2015	0.007	0.019	1.143	0.013	1.181

Total Rev. = Grazing + Agriculture + O&G Lease + O&G Bonus + O&G Penalty + Misc. + Int. Land + Int. Stip + Int. Trust + Timber + Res. Dev. + Oil Roy. + Gas Roy. + Timber + Misc. + Timber Cost + Trust Land Admin. + TLMD Adm.

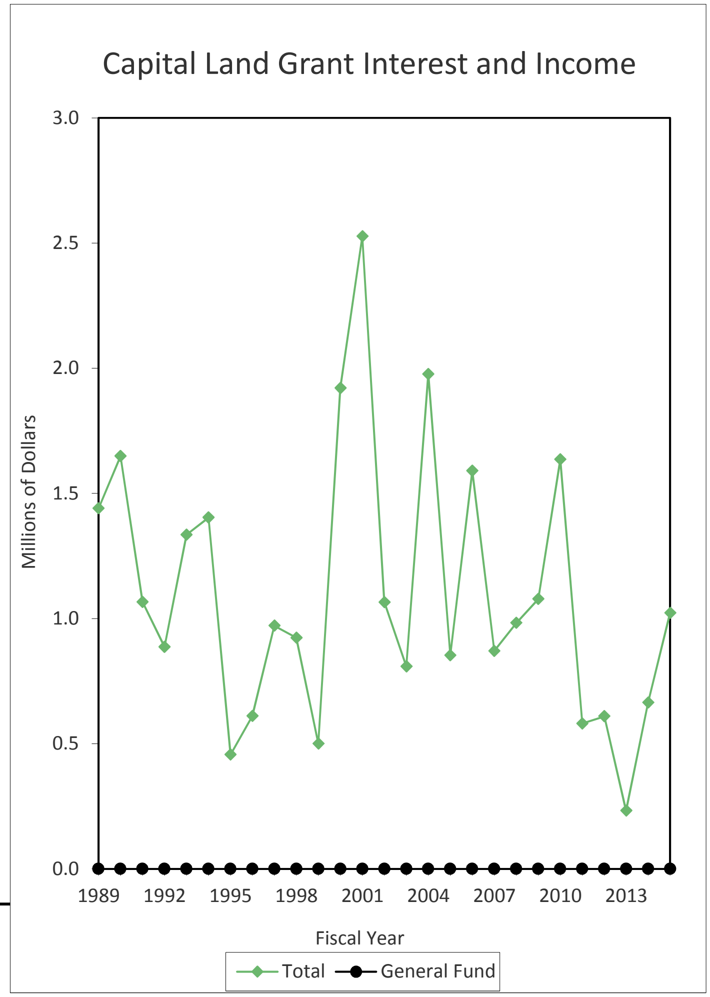
Legislative Fiscal Division

Revenue Estimate Profile

Capital Land Grant Interest and Income

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	1.440	0.000	Not App.
A	1990	1.649	0.000	Not App.
A	1991	1.066	0.000	Not App.
A	1992	0.887	0.000	Not App.
A	1993	1.335	0.000	Not App.
A	1994	1.403	0.000	Not App.
A	1995	0.456	0.000	Not App.
A	1996	0.611	0.000	Not App.
A	1997	0.972	0.000	Not App.
A	1998	0.923	0.000	Not App.
A	1999	0.500	0.000	Not App.
A	2000	1.921	0.000	Not App.
A	2001	2.527	0.000	Not App.
A	2002	1.065	0.000	Not App.
A	2003	0.809	0.000	Not App.
A	2004	1.977	0.000	Not App.
A	2005	0.853	0.000	Not App.
A	2006	1.590	0.000	Not App.
A	2007	0.871	0.000	Not App.
A	2008	0.983	0.000	Not App.
A	2009	1.078	0.000	Not App.
A	2010	1.635	0.000	Not App.
A	2011	0.581	0.000	Not App.
A	2012	0.610	0.000	Not App.
F	2013	0.232	0.000	Not App.
F	2014	0.664	0.000	Not App.
F	2015	1.022	0.000	Not App.



Data Source(s): SABHRS, *Wall Street Journal*, Department of Natural Resources and Conservation

Contacts: Department of Administration, Department of Natural Resources and Conservation

Coal Trust Interest

Revenue Description: 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 and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". 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. With the enactment of House Bill 249 by the 2005 Legislature, beginning FY 2006 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 no longer receives coal severance tax revenue. By statute, interest earned on the permanent trust that is not earmarked to other programs is deposited to the general fund. When calculating interest earnings, the impact of loans made from the trust, such as the in-state investment program, is taken into account.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created trust fund bond pool (TFBP). The majority of permanent coal tax trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's short-term investment pool (STIP). In addition, state law provides that trust funds may be used for in-state commercial loans to stimulate economic development. The state Constitution prohibits the investment of the permanent trust in common stock.

Statutory Reference:

Tax Rate - NA
Distribution (MCA) - Montana Constitution, Article IX, Section 5; 17-5-704; 15-35-108
Date Due - NA

Applicable Tax Rate(s): N/A

Distribution: Interest earned on the permanent coal tax trust fund is deposited into the general fund. Statute further annually statutorily appropriates interest income from $140 million of the coal severance tax permanent fund as follows:

FY 2006 - 2010

$3,650,000 – to the research and commercialization state special revenue account
$1,250,000 – for the growth through agriculture program
$425,000 – to the Department of Commerce for certified regional development corporations
$300,000 – to the Department of Commerce for export trade enhancement
$200,000 – to the Department of Commerce for the Montana manufacturing extension center at MSU-Bozeman
$125,000 – to the Department of Commerce for a small business development center
$65,000 – to the Cooperative Development Center
$50,000 – to the Department of Commerce for a small business innovative research program
$6,065,000

FY 2011 - 2013

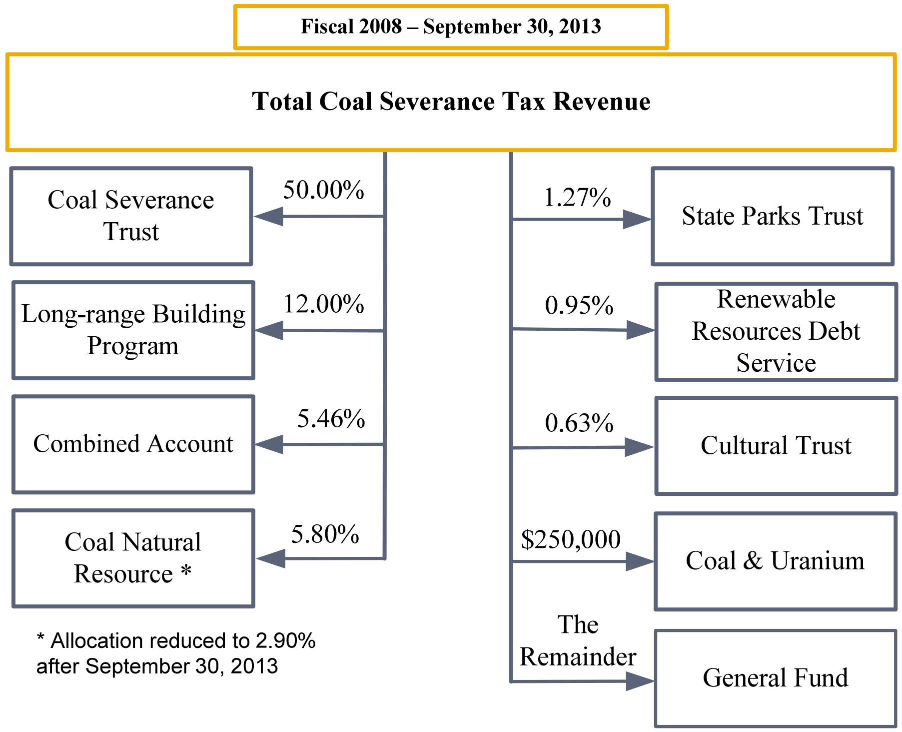
$1,275,000 – to the research and commercialization state special revenue account
$625,000 – for the growth through agriculture program
$425,000 – to the Department of Commerce for certified regional development corporations
$300,000 – to the Department of Commerce for export trade enhancement
$200,000 – to the Department of Commerce for the Montana manufacturing extension center at MSU-Bozeman
$125,000 – to the Department of Commerce for a small business development center
$65,000 – to the Cooperative Development Center
$50,000 – to the Department of Commerce for a small business innovative research program
$3,065,000

Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 2.53%	FY 2007 – 1.76%	FY 2010 – 1.65%
FY 2005 – 2.40%	FY 2008 – 1.47%	FY 2011 – 1.5%
FY 2006 – 1.82%	FY 2009 – 1.49%	FY 2012 – 1.38%

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the coal 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

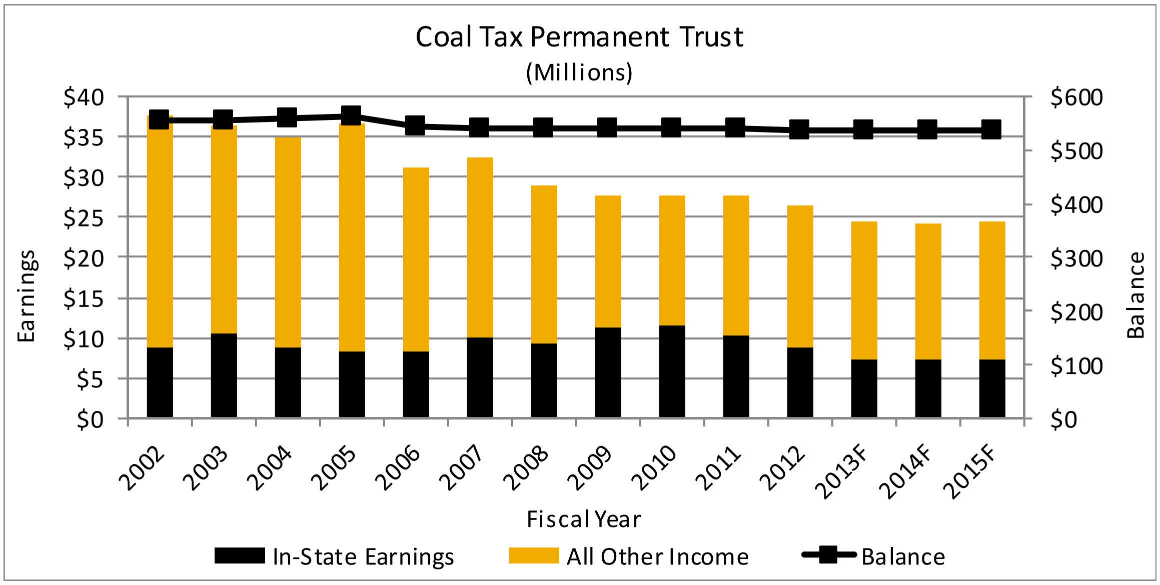
The coal trust was created from distributions of the coal severance tax. While the Constitution requires that 50% of the coal severance tax collections be distributed into the coal trust, in early the 1990's the first sub-trust was created and two more were subsequently formed. Currently, the required coal tax revenue flows into the three sub-trusts and none of the tax revenue is deposited into the permanent coal trust. The principal or corpus of the coal trust (the portion that generates general fund interest) now stands at $531.7 million.

To forecast the coal trust interest earnings, four interest/income components are estimated independently and summed. The interest/income components include:

- Trust funds bond pool (TFBP)
- In-state investments
- Short-term investment pool (STIP)
- Payback interest

Coal 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 figure below. To estimate TFBP earnings, the base year (FY 2010) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable new long-term rate for these securities is based on an average of four long-term rates projected by IHS. The fiscal year long-term rate is expected to be 4.2% in FY 2011, 4.2% in FY 2012, and 5.0% for FY 2013.



As seen in the figure above, earnings from in-state investments are the second largest source of income to the coal tax trust. The BOI is required by statute to invest 25% of the coal tax trust in the Montana economy. Investments must be made to maximize the long-term benefit to 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. The in-state balance is held constant throughout the biennium because no new flow of revenue is expected.

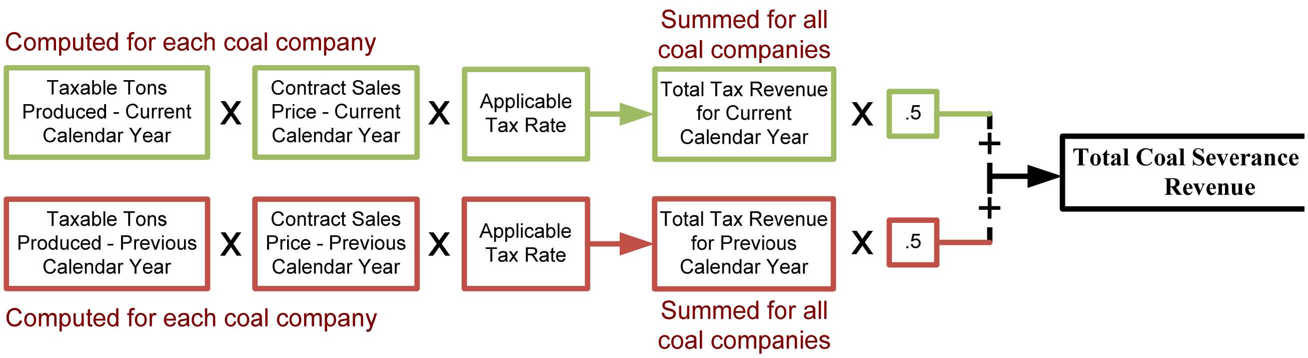
STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed based on IHS projections of three short-term investments. The average of these rates is then converted to a fiscal year basis. The average fiscal year short-term rate is expected to be 0.3% in FY 2011, 0.9% in FY 2012, and 2.5% in FY 2013.

Payback interest earnings result from a loan of $46.4 million to the common school trust fund, approved in SB 495 during the 2003 session. Interest on the loan is required to equal the rate of return generated by the TFBP. Additional income is derived from payment of the loan principal. Principal repayments may be temporarily placed into STIP and earn interest until invested in the TFBP. Loan interest paid into the trust declines as the outstanding principal is repaid. Earnings on loan principal payments are projected by applying the TFBP long-term interest rate to the principal payments.

After the estimates are calculated, the projected earnings from the four sources are combined to reach total coal trust interest revenue, and the revenues are distributed as described above.

Coal Trust Interest

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	In_State Interest Millions	Other Interest Millions	STIP Interest Millions	Payback Interest Millions
Actual	2000	39.195	39.195					
Actual	2001	37.660	37.660					
Actual	2002	37.605	37.605	23.318	8.765	0.402	1.097	3.370
Actual	2003	36.298	36.298	21.079	10.501	0.028	0.388	3.307
Actual	2004	34.907	34.907	22.274	8.722	0.055	0.451	3.405
Actual	2005	36.752	36.752	21.419	8.231	2.310	0.691	3.006
Actual	2006	31.106	31.106	16.718	8.338	0.346	2.117	2.256
Actual	2007	32.335	32.335	17.616	10.085	1.220	1.378	1.505
Actual	2008	28.855	28.855	17.570	9.346	0.154	1.501	0.283
Actual	2009	26.958	26.958	16.071	11.264	0.572	0.229	0.000
Actual	2010	26.914	26.914	16.102	11.454	0.119	0.060	0.000
Actual	2011	26.783	26.783	16.687	10.416	0.585	0.053	0.000
Actual	2012	25.840	25.840	17.618	8.701	0.128	0.041	0.000
Forecast	2013	24.455	24.455	17.219	7.213	-0.131	0.039	0.000
Forecast	2014	24.431	24.431	17.219	7.213	-0.159	0.043	0.000
Forecast	2015	24.498	24.498	17.219	7.213	-0.189	0.140	0.000

	t Fiscal	Net Coal Tax New Deposit Millions	Bond Subsidy Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool In State Rate	Non Pool Loan Rate	Gains Millions
Actual	2000	0.000	0.194	6.8%	5.4%	0.0%	0.0%	
Actual	2001	0.000	0.481	6.7%	4.7%	0.0%	0.0%	
Actual	2002	0.000	0.265	6.2%	2.6%	5.6%	7.3%	0.654
Actual	2003	0.000	0.780	5.7%	1.4%	6.2%	7.0%	0.994
Actual	2004	3.943	1.474	5.4%	1.3%	5.4%	7.3%	0.000
Actual	2005	4.704	1.294	5.2%	2.4%	5.4%	7.3%	0.857
Actual	2006	0.000	0.417	5.2%	4.1%	5.4%	7.3%	1.332
Actual	2007	0.000	0.000	5.4%	4.7%	5.6%	6.2%	0.531
Actual	2008	0.000	0.000	5.3%	3.1%	4.9%	5.7%	0.000
Actual	2009	0.000	0.803	5.1%	1.0%	5.9%	5.1%	(0.381)
Actual	2010	0.000	0.085	4.8%	0.2%	5.8%	5.1%	0.000
Actual	2011	0.000	2.704	4.4%	0.1%	5.7%	5.0%	0.000
Actual	2012	0.000	1.043	3.8%	0.1%	5.6%	4.9%	0.000
Forecast	2013	0.000	0.000	3.5%	0.1%	5.2%	4.9%	0.000
Forecast	2014	0.000	0.000	3.9%	0.2%	5.2%	4.9%	0.000
Forecast	2015	0.000	0.000	4.5%	0.5%	5.2%	4.9%	0.000

Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

	t Fiscal	Non Pool STIP Bal Millions	Non Pool In-State Bal Millions	Non Pool Loan Bal Millions	SB495 Loan Payment Millions	Invested Balance Millions	Average Return Rate	SB69 Impacts Millions
Actual	2000	15.335	127.567	0.000				
Actual	2001	22.785	145.402	0.000				
Actual	2002	26.722	168.249	46.367				
Actual	2003	37.107	169.738	46.367				
Actual	2004	41.478	156.146	46.367				
Actual	2005	48.814	150.708	44.546	1.821	552.184	6.6%	
Actual	2006	50.510	160.850	41.896	2.650	541.170	5.7%	
Actual	2007	33.159	199.324	31.047	10.849	548.455	5.9%	
Actual	2008	15.911	182.302	11.574	19.473	538.681	5.4%	
Actual	2009	20.176	201.284	0.000	11.574	528.974	5.2%	(0.292)
Actual	2010	17.745	194.937	0.000	0.000	537.040	5.2%	(0.584)
Actual	2011	16.065	168.605	0.000	0.000	527.685	5.3%	(0.301)
Actual	2012	13.821	139.779	0.000	0.000	523.115	5.1%	0.115
Forecast	2013	13.821	139.779	0.000	0.000	523.115	4.7%	0.115
Forecast	2014	13.821	139.779	0.000	0.000	523.115	4.7%	0.115
Forecast	2015	13.821	139.779	0.000	0.000	523.115	4.7%	0.115

Total Rev. = Invested Balance × Average Return
GF Rev. = Total Rev.

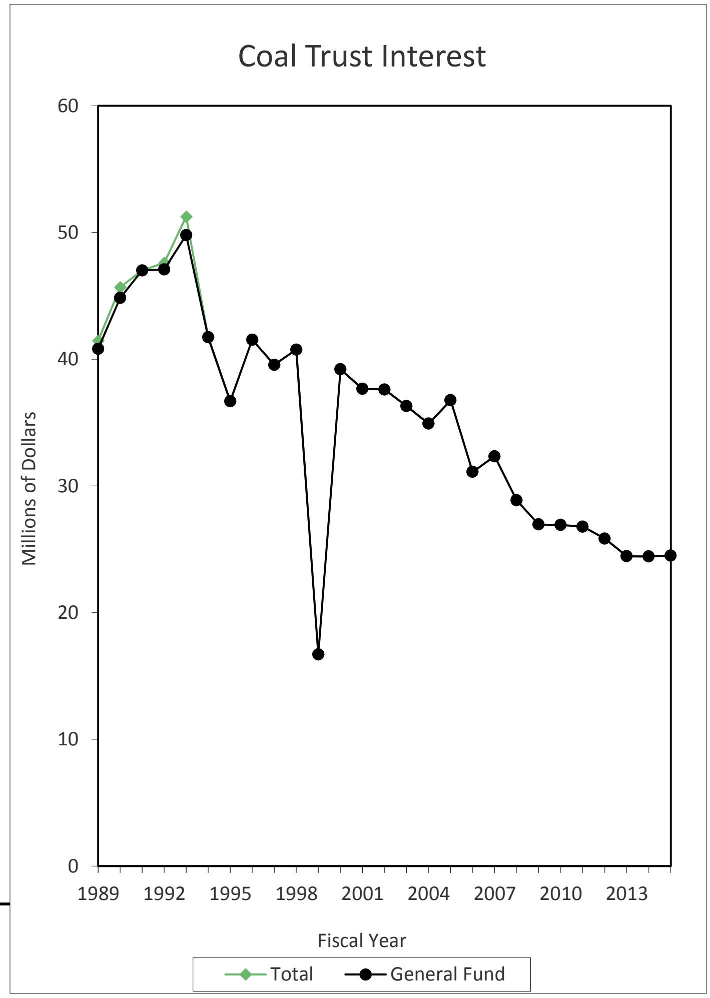
Legislative Fiscal Division

Revenue Estimate Profile

Coal Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	41.457	40.806	Not App.
A	1990	45.671	44.830	9.9%
A	1991	46.999	46.999	4.8%
A	1992	47.596	47.070	0.2%
A	1993	51.248	49.788	5.8%
A	1994	41.725	41.725	-16.2%
A	1995	36.675	36.675	-12.1%
A	1996	41.532	41.532	13.2%
A	1997	39.553	39.553	-4.8%
A	1998	40.746	40.746	3.0%
A	1999	16.698	16.698	-59.0%
A	2000	39.195	39.195	134.7%
A	2001	37.660	37.660	-3.9%
A	2002	37.605	37.605	-0.1%
A	2003	36.298	36.298	-3.5%
A	2004	34.907	34.907	-3.8%
A	2005	36.752	36.752	5.3%
A	2006	31.106	31.106	-15.4%
A	2007	32.335	32.335	4.0%
A	2008	28.855	28.855	-10.8%
A	2009	26.958	26.958	-6.6%
A	2010	26.914	26.914	-0.2%
A	2011	26.783	26.783	-0.5%
A	2012	25.840	25.840	-3.5%
F	2013	24.455	24.455	-5.4%
F	2014	24.431	24.431	-0.1%
F	2015	24.498	24.498	0.3%



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

Contacts: Board of Investments

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools generate income. The common school trust is actually part of the trust and legacy trust fund that includes nine other trusts. Prior to FY 1996, interest and income from the common school trust was deposited in the state equalization account. Beginning in FY 1996, this interest and income was deposited in the general fund, as mandated by SB 83, passed by the 1995 Legislature. Beginning FY 2003, House Bill 7 from the August 2002 special legislative session changed the deposit to the state special revenue guarantee account and statutorily appropriated the money for schools. The estimates show the amount of revenue deposited to the guarantee account and are net of amounts diverted for DNRC administration costs and those deposited directly to the school facility and technology account. With the enactment of Senate Bill 65 by the 2009 Legislature, diverted revenue can be derived from: 1) distributable revenue; 2) sale of easements; 3) timber, except from public school and Montana university system lands; 4) mineral royalties; and 5) fees from sales of state lands except lands granted by the Morrill Act. The amount of the permanent revenue (mineral royalties and easements) diverted from the common school trust reduces the growth of the trust fund balance and, hence, reduces the amount of future distributable interest earnings.

With the enactment of HB 152 by the 2009 Legislature, revenue from the value of timber over 18 million board feet and revenue from power site rents are no longer deposited to the guarantee account, but are deposited to the school facility and technology account. Mineral royalty revenue required to pay interest and principal on the SB 495 loan is not included since the loan was repaid in FY 2008. All net (excluding amounts for administration) mineral royalty revenue is deposited to the guarantee account for transfer to the school facility and technology account. These items are explained below.

Common school lands produce two kinds of revenue: 1) distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and 2) permanent income that is returned to the trust such as income from the sale of minerals (see the effects of Senate Bill 495 from the 2003 legislative session below), land, and easements. Excluding the amount of revenue diverted for DNRC administration (Senate Bill 65 enacted by the 2009 Legislature) and to the school facility and technology account (House Bill 152 enacted by the 2009 Legislature), 95% of certain distributable revenue is available to fund public schools. Timber revenue is allocated: 1) 5% to the permanent school trust; 2) revenue received from production over 18 million board feet is deposited to the school facility and technology account; and 3) any remainder to the guarantee account for the support of public schools.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds (which include the trust and legacy fund of which the common school trust is a part), were transferred to a newly-created Trust Funds Bond Pool (TFBP). The majority of common school trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state Constitution prohibits the investment of common school trust funds in common stock. Interest income is distributed 95% to the guarantee account and 5% to the trust.

Senate Bill 495 (enacted by the 2001 Legislature) authorized DNRC to purchase the mineral production rights (with a loan from the coal severance trust) from the common school trust. The department subsequently purchased $138.9 million of net future mineral royalties from the school trust for $46.4 million. Since these royalties will no longer be deposited to the trust, interest earnings from the trust corpus are lessened. It is estimated that the trust balance will be at least $92.5 million less after all the $138.9 million has been distributed. The net mineral royalties are first used to pay the principal and interest of the $46.4 million loan with the remainder deposited to the guarantee account to fund base aid. Since the loan was paid off in FY 2008, SB 2 (May 2007 special session) directs that all net mineral royalties (until the total amount of $138.9 million that was purchased is received) are to be deposited to the guarantee account and then transferred to the school facility improvement account (changed to the facility and technology account in HB 152 enacted by the 2009 Legislature). The amount of $138.9 million in net mineral royalties was achieved at the end of FY 2010. After FY 2010, all mineral royalties (except those diverted for administration costs under SB 65 enacted by the 2009 Legislature) will be deposited to the permanent school trust fund. For further information and analysis on Senate Bill 495 contact the Legislative Fiscal Division for a copy of the two-part report: "Senate Bill 495-Implementation, Impacts and Implications".

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Statutory Reference:

Tax Rate – NA

Distribution (MCA) – Montana Constitution Article X, Section 5; 20-9-342 (school technology); 20-9-622 (guarantee account)

Enabling Act, Section 10

Other (MCA) – DNRC trust land administration diversion (77-1-108 & 77-1-109)

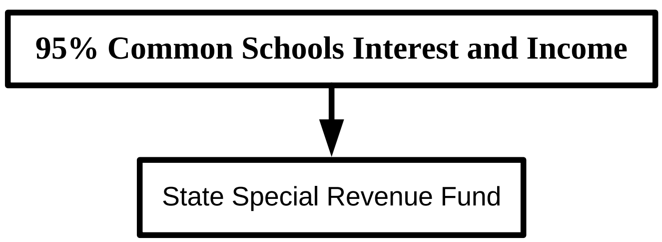
DNRC land bank administration diversion (77-2-362)

Date Due - the last business day of February following the calendar year in which the money was received (20-9-342).

Applicable Tax Rate(s): N/A

Distribution: As described above, 95% of interest and income from common school permanent trust fund (excluding a portion of timber sale revenue and after amounts diverted for DNRC administration) is distributed to the state special revenue guarantee account and is statutorily appropriated for schools. The remaining 5% is deposited to the permanent trust fund. The amount of timber sale revenue over 18 million board feet is deposited to the school facility and technology account. Up until the total of $138.9 million of purchased royalties was reached, the portion of mineral royalties not used for DNRC administration was deposited to the guarantee account and, with the enactment of SB 2 (May 2007 special session), transferred to the school facility and technology account (renamed in HB 152 enacted by the 2009 Legislature). Since the $138.9 million was reached late in FY 2010, mineral royalties will again be deposited to the common school permanent trust fund and will generate additional distributable income. The amounts deposited to the guarantee account are shown in this revenue source.

Distribution Chart:



Collection Frequency: Revenue is received monthly. However, distribution to the state special revenue fund takes place three times per year.

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

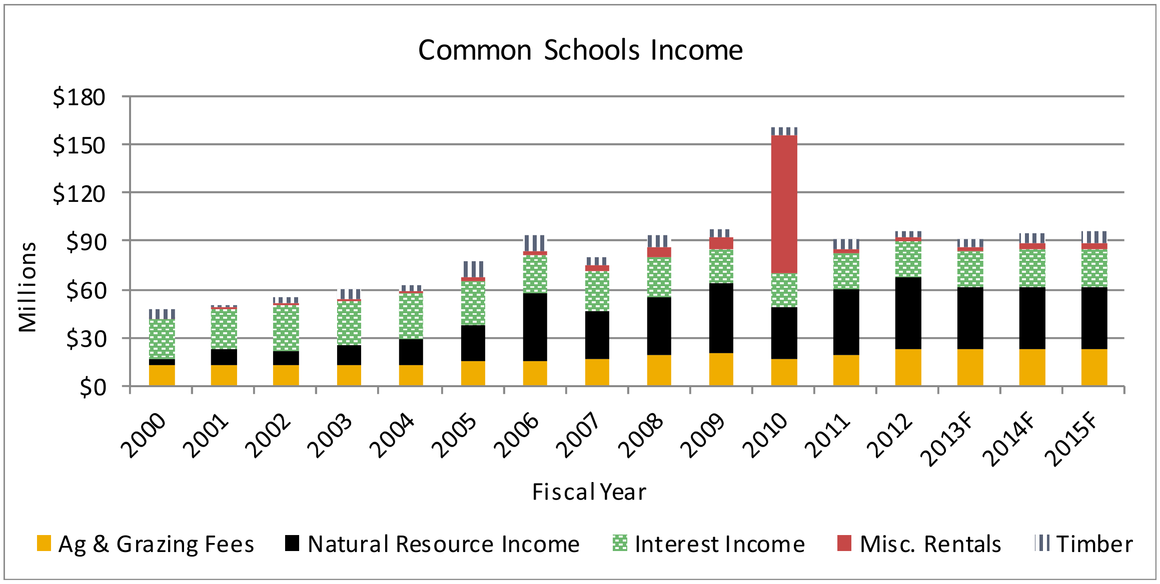
The estimate for interest and income from the common school trust determines the net amount of revenue that will be deposited to the guarantee account. This means that in addition to estimating the various revenues from the common school trust, estimates of the diversions for DNRC administration costs that reduce the amount of revenue deposited to the guarantee account must also be estimated. Therefore, the estimated amounts shown for this revenue source are not total revenues, but are net of diversions.

Data

Data from the state accounting system (SABHRS) provide a history of each individual interest and income revenue component from which estimates can be made. Department of Natural Resources and Conservation (DNRC) annual reports provide additional information such as mineral prices and production. Budget submissions on the state budgeting system (MBARS) provide anticipated amount of diversions. DNRC personnel are contacted for their views on potential future factors that may influence revenues such as easement sales, changes in grazing and agricultural rentals, and timber harvest volumes. IHS provides future estimates of West Texas Intermediate oil and national well head natural gas prices.

Analysis

The estimate is derived by first estimating the revenue components and then estimating the amounts of the diversions.



Revenue Components

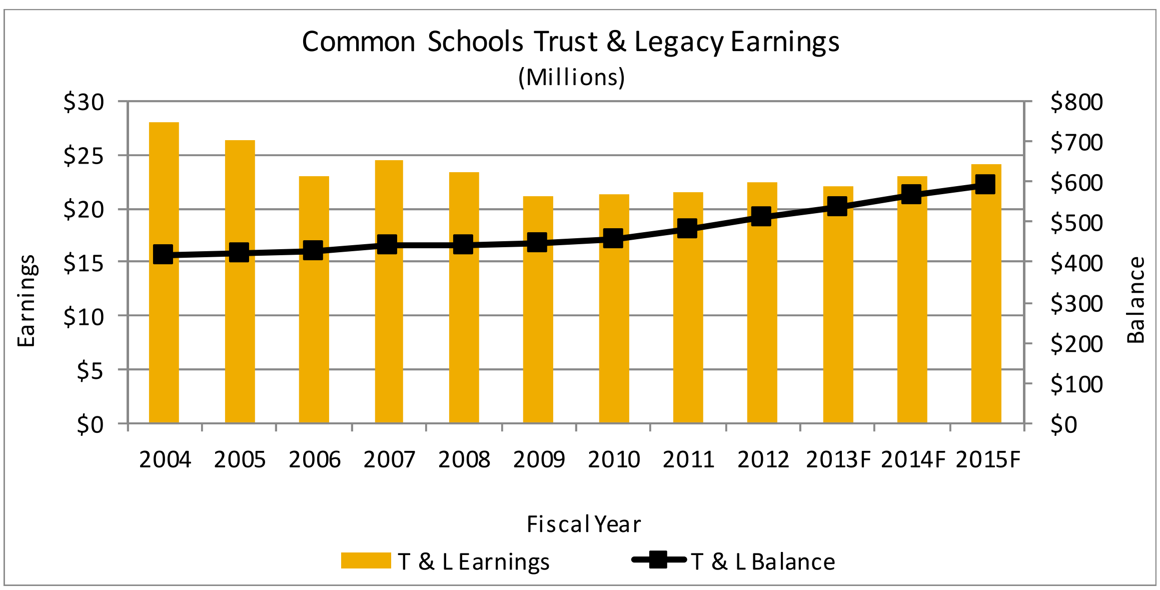
1. Agricultural Fees – Fees are based on a crop share basis. Estimates received from DNRC were used in all forecast years.
2. Timber – Estimates of timber harvest revenue from common school trust lands are taken directly from DNRC estimates provided in November 2010.
3. Oil & Gas Bonuses – With record highs in energy prices in the past and increased competition to obtain mineral leases bonus payments have varied substantially. All years contain the amount of $2.1 million, an average of FY 2007 and FY 2008.
4. Grazing Fees – Rates are tied to the price of cattle. Cattle prices are expected to be close to those experienced in FY 2010, perhaps slightly less. The amount of fees received in FY 2010 is used in all forecast years.
5. Oil & Gas Leases – For each fiscal year estimated, an average annual growth rate over the previous eight year period was applied beginning with FY 2010 collections.
6. Oil & Gas Penalties – For each fiscal year estimated, the ratio of the previous year's penalties to the previous year's oil and gas lease revenue was multiplied by that year's estimate for oil and gas lease revenue.
7. Miscellaneous Rentals – Because of the anomalies experienced in fiscal years 2008-2010 due to the Avista river bed lease and the agreement of Arch Coal to pay for the mineral rights to Otter Creek Coal ($81.5 million of which was deposited to the guarantee account), an average of fiscal years 2004-2009 collections were used, excluding the Avista payments.
8. Short-term Investment Pool (STIP) – Because revenue initially deposited in the common school trust is invested on a short-term basis (about one month) before being invested in the T & L fund, a short-term rate is used to calculate the earnings. The short-term rate is a composite of IHS forecasts for the 3-month commercial paper, 3-month treasury bill, and 6-month treasury bill rates and is estimated to be 0.25% in FY 2011, 0.915% in FY 2012, and 2.543% in FY 2013.
9. Mineral Royalties – Mineral royalties are received from the mining of oil, natural gas, coal, sand and gravel, and other smaller sources. Since the effects of SB 495 (enacted by the 2001 Legislature effective FY 2002) ended late in FY 2010, mineral royalties will again be deposited to the common school trust and will become part of the trust corpus. The additional corpus will generate additional earnings. The figure below shows total mineral royalties since FY 2002. The estimate for mineral royalties is obtained by multiplying together estimates for production, price, and the applicable royalty rate.
    - Production – Oil and natural gas production is estimated by increasing the previous fiscal year's production by the growth rate obtained from a two-year average of the estimates for statewide oil and natural gas production (see the Oil and Natural Gas Production Tax profile). Coal production on state lands comes primarily from a single coal company with minor amounts from another company. Calendar year information on projected

production and percentage of production on state lands was obtained by surveying coal companies, including the companies producing on state lands, from which the amount of production on state lands is derived. Fiscal year production is obtained by averaging production for the current and previous calendar years. All other mineral production was held constant at the amount of gravel royalty collection in FY 2010.

- Price – Oil prices are calculated by increasing the previous year's Montana price by the growth between the average West Texas Intermediate price estimates obtained from IHS for the four quarters of the same fiscal years. The same methodology is used for natural gas with the driving factor being the IHS estimated national well head price. Coal price is determined by increasing the previous fiscal year's price by a growth rate obtained from a two-year average of the calendar year estimates for Montana coal prices (see the Coal Severance Tax profile).

10. Trust and Legacy Earnings – The monetary assets of the common school trust are pooled with monetary assets of other land trusts (termed "Trust and Legacy") and invested by the Board of Investment in the trust funds bond pool. Based on the number of shares each trust owns, a share of the earnings is deposited in each trust. For the common school trust, the actual FY 2010 share of 92.64% is used. The pool balance grows when permanent revenue is deposited from the various land trust, including the common school trust. DNRC personnel state that no substantial sales of right-of-ways (a source of permanent revenue) are anticipated in the three forecast years. However, due to the ending of SB 495 in FY 2010, mineral royalties (permanent revenue) will once again add to the balance. The estimation of the total pool earnings is a three stage process:
    - Earnings from new deposits – New deposits in the pool are estimated to be $22.0 million in FY 2011, $20.5 million in FY 2012 and $22.1 million in FY 2013. This additional money initially earns interest at the short-term rate (0.25% in FY 2011, 0.915% in FY 2012, and 2.543% in FY 2013) before it is invested in a longer term investment (4.214% in FY 20119, 4.159% in FY 2012, and 5.034% in FY 2013). Also included in these calculations are short-term earnings from the estimated $4.1 million average balance in the common school Land Bank Trust Fund.
    - Earnings from existing balance – The pool balance in FY 2010 was $444.7 million. The majority of these funds have been invested in bonds purchased over the past several year and average a return rate of 5.2%.
    - Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate on a balance of $11.3 million, the actual balance from FY 2010.

Once the total amount of the pool earnings has been estimated by summing the above three items, the common school share of 92.64% is applied.



Diversions

Diversions fund operational costs in DNRC, but reduce the amount of permanent revenue that would have been deposited to the common school trust and revenue distributed to the trust beneficiaries (see the figure below). To determine future diversion amounts, DNRC's present law budget amounts are used.

- Trust Land Administration Account – Of the total expenditures requested to be made from this account, a portion is funded by the trust's distributable revenue. That portion is determined by multiplying current year revenue estimates by the ratio of FY 2010 costs that this trust paid to the total administration costs. In FY 2010, the common school trust funded 3.6% of total expenditures. A portion of mineral royalties ($4.0 million in each of the forecast years) and other permanent income can be diverted to this account to fund department's activities in managing the common school trust lands. The portion of permanent revenue was determined by discussions with DNRC staff.
-

Adjustments and Distribution

Once total revenue and total diversions have been estimated, the amounts are distributed:

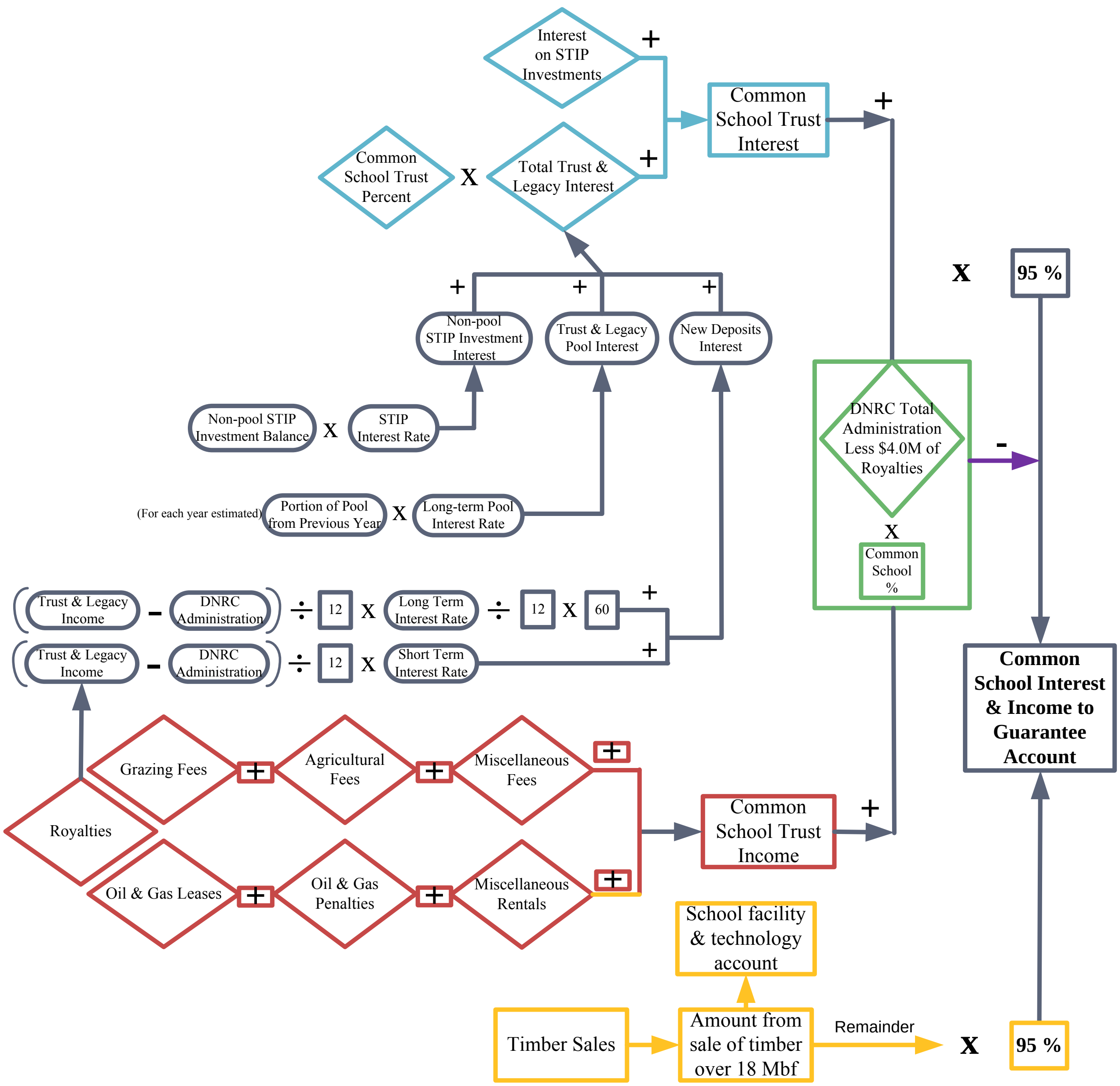
- 95% of the distributable interest and income (excluding a portion of timber revenue) net of diversions is deposited to the guarantee account and the remaining 5% is returned to the permanent trust fund. The money deposited to the guarantee account is used to fund public schools.
- The value received from timber sales over 18 million board feet is distributed to the school facility and technology account. The amount of money distributed to the account in one year is spent in the next year.
- Mineral royalties are used to fund a portion of administrative costs with the remainder distributed to the school permanent trust fund.

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Common School Share T&L	SB495 Loan Pay. Millions	Trust Land Expense Millions
Actual	2002	50.875	48.938	29.627	0.103	0.933		
Actual	2003	48.977	0.000	29.147	0.068	0.931	0.000	-3.551
Actual	2004	55.663	0.000	30.087	0.054	0.929	-1.821	-3.312
Actual	2005	68.036	0.000	28.106	0.270	0.927	-2.650	-3.680
Actual	2006	82.606	0.000	24.428	0.408	0.928	-10.849	-3.905
Actual	2007	70.429	0.000	26.207	0.268	0.927	-19.473	-3.130
Actual	2008	83.026	0.000	25.160	0.129	0.926	-11.574	-3.809
Actual	2009	61.821	0.000	22.711	0.066	0.926	0.000	-9.943
Actual	2010	133.315	0.000	22.916	0.018	0.932	0.000	-8.674
Actual	2011	60.144	0.000	23.194	0.033	0.929	0.000	-8.837
Actual	2012	102.391	0.000	24.175	0.028	0.930	0.000	-8.717
Forecast	2013	67.668	0.000	23.209	0.032	0.930	0.000	-9.107
Forecast	2014	65.272	0.000	24.111	0.036	0.930	0.000	-9.085
Forecast	2015	61.693	0.000	25.245	0.116	0.930	0.000	-9.073

	t Fiscal	Trust Income New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions	SB495 Interest Millions	Oil&Gas From Schools Millions
Actual	2002	2.348	6.2%	2.6%	7.334		
Actual	2003	2.363	5.7%	1.4%	6.242		
Actual	2004	2.972	5.4%	1.3%	7.050		
Actual	2005	1.458	5.2%	2.4%	12.107	-3.006	
Actual	2006	1.425	5.2%	4.1%	3.863	-2.256	
Actual	2007	7.174	5.4%	4.7%	14.954	-1.505	
Actual	2008	3.102	5.3%	3.1%	2.461	-0.283	
Actual	2009	4.126	5.1%	1.0%	4.161	0.000	
Actual	2010	10.710	4.8%	0.2%	11.340	0.000	
Actual	2011	22.233	4.4%	0.1%	15.565	0.000	
Actual	2012	31.517	3.8%	0.1%	11.492	0.000	12.336
Forecast	2013	25.974	3.5%	0.1%	11.492	0.000	8.917
Forecast	2014	29.101	3.9%	0.2%	11.492	0.000	8.203
Forecast	2015	27.623	4.5%	0.5%	11.492	0.000	7.306

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

	t Fiscal	Grazing Millions	Agriculture Millions	Misc. Millions	O&G Lease Millions	O&G Bonus Millions	O&G Penalty Millions	Misc. Millions
Actual	2002	5.467	6.999	0.000	1.540	0.478	0.335	1.244
Actual	2003	5.243	7.975	0.000	1.575	0.301	0.399	1.349
Actual	2004	4.971	8.051	0.000	1.649	0.871	0.534	2.156
Actual	2005	5.918	8.816	0.000	1.893	3.827	0.641	2.057
Actual	2006	6.277	9.453	0.000	2.331	13.005	0.864	2.193
Actual	2007	7.057	9.408	0.000	2.506	2.102	1.067	2.510
Actual	2008	6.408	12.282	0.000	2.701	2.154	0.812	6.418
Actual	2009	6.470	14.081	0.000	2.760	11.828	0.541	6.795
Actual	2010	5.861	10.985	0.000	2.873	7.243	0.615	85.247
Actual	2011	5.984	13.464	0.000	2.937	13.234	1.008	2.840
Actual	2012	7.471	15.009	0.000	3.672	15.104	1.411	3.162
Forecast	2013	7.471	15.009	0.000	4.037	11.205	1.551	3.162
Forecast	2014	7.471	15.009	0.000	4.366	7.627	1.677	3.162
Forecast	2015	7.471	15.009	0.000	4.726	7.627	1.816	3.162

	t Fiscal	Int. Land Millions	Int. STIP Millions	Int. Trust Millions	Timber Millions	Res. Dev. Millions	Commercial Lease Millions	Avista Millions
Actual	2002	0.000	0.305	27.775	3.625	-0.504		
Actual	2003	0.020	0.189	27.202	3.606	-0.499		
Actual	2004	0.003	0.200	27.991	0.667	-0.518		
Actual	2005	0.026	0.408	26.306	3.652	-0.686	-0.067	
Actual	2006	0.000	0.642	23.048	2.879	-1.003	-0.068	
Actual	2007	0.000	0.733	24.541	1.929	-0.722	-0.057	
Actual	2008	0.000	0.606	23.428	2.251	-0.786	-0.057	
Actual	2009	0.000	0.293	21.094	1.855	-1.129	-0.096	
Actual	2010	0.000	0.063	21.370	2.990	0.000	0.000	
Actual	2011	0.000	0.042	21.570	2.713	0.000	0.000	
Actual	2012	0.000	0.053	22.515	1.886	0.000	0.000	
Forecast	2013	0.000	0.035	21.973	2.438	0.000	0.000	4.321
Forecast	2014	0.000	0.036	22.906	2.753	0.000	0.000	4.398
Forecast	2015	0.000	0.115	24.081	2.793	0.000	0.000	0.000

Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

	t Fiscal	Total Timber Millions	Timber Sales Pgm. Millions	School Technology Millions	Oil Royalties Millions	Gas Royalties Millions	Coal Royalties Millions	Other Royalties Millions
Actual	2002	3.625	0.000	1.822	2.390	1.523	2.837	0.144
Actual	2003	5.508	-1.829	0.000	3.682	1.995	3.877	0.148
Actual	2004	2.968	-1.941	3.179	4.852	2.718	4.677	0.170
Actual	2005	10.602	-2.536	4.414	7.966	4.330	4.240	0.194
Actual	2006	10.227	-2.707	4.641	14.759	6.317	4.180	0.356
Actual	2007	5.398	-2.573	0.896	15.133	5.083	3.729	0.148
Actual	2008	7.317	-3.117	1.949	19.367	5.660	5.865	0.156
Actual	2009	5.457	-2.901	0.701	14.809	4.738	7.841	0.485
Actual	2010	5.381	0.000	2.391	12.478	2.841	4.984	0.488
Actual	2011	6.412	0.000	3.699	12.621	2.329	8.497	0.285
Actual	2012	3.583	0.000	1.697	14.371	1.468	7.400	0.894
Forecast	2013	4.568	0.000	2.130	13.937	1.449	10.239	0.137
Forecast	2014	6.790	0.000	4.037	14.374	1.852	13.081	0.137
Forecast	2015	7.699	0.000	4.906	13.814	1.976	12.292	0.137

	t Fiscal	Oil Barrels Millions	Gas MCF's Millions	Coal Tons Millions	Oil Price $/Barrel	Gas Price $/MCF	Coal Price $/Ton	Excess Royalties To Trust
Actual	2002	0.911	5.892	2.758	20.32	1.91	11.80	
Actual	2003	1.017	5.381	3.689	28.14	3.20	9.59	
Actual	2004	1.123	5.720	4.183	31.02	3.95	8.60	
Actual	2005	1.400	7.240	3.914	44.69	5.09	9.12	
Actual	2006	2.024	7.878	4.213	57.24	6.64	8.63	
Actual	2007	2.012	7.708	3.006	55.85	5.13	9.55	
Actual	2008	1.809	7.752	4.720	88.87	6.12	10.87	
Actual	2009	1.662	6.710	5.604	60.16	4.66	11.97	-5.542
Actual	2010	1.571	5.306	2.680	60.74	3.36	12.09	-1.398
Actual	2011	1.242	4.527	4.813	80.30	3.25	13.13	19.733
Actual	2012	1.292	3.989	4.175	84.38	2.57	13.94	20.134
Forecast	2013	1.337	3.774	5.553	79.08	2.68	14.50	17.763
Forecast	2014	1.372	3.404	6.820	79.47	3.80	15.09	21.444
Forecast	2015	1.403	3.055	6.170	74.72	4.51	15.67	20.219

Total Rev. = (Grazing + Agriculture + O&G Lease + O&G Bonus + O&G Penalty + Misc. + Int. Land + Int. Stip + Int. Trust + Timber + Res. Dev. + Commercial Lease) × .95 + Oil Roy. + Gas Roy + Coal Roy. + Other Roy. + School Technology + Trust Land Admin. - Excess Royalties To Trust

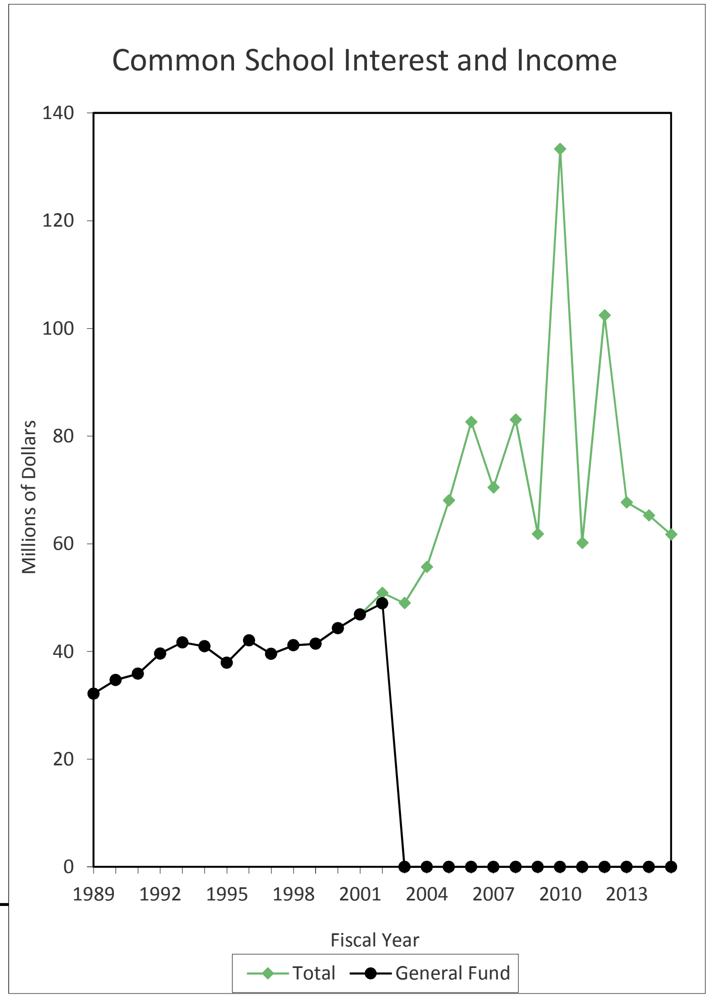
Legislative Fiscal Division

Revenue Estimate Profile

Common School Interest and Income

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	32.165	32.165	Not App.
A	1990	34.707	34.707	7.9%
A	1991	35.866	35.866	3.3%
A	1992	39.616	39.616	10.5%
A	1993	41.674	41.674	5.2%
A	1994	40.944	40.944	-1.8%
A	1995	37.904	37.904	-7.4%
A	1996	42.032	42.032	10.9%
A	1997	39.539	39.539	-5.9%
A	1998	41.130	41.130	4.0%
A	1999	41.433	41.433	0.7%
A	2000	44.296	44.296	6.9%
A	2001	46.846	46.846	5.8%
A	2002	50.875	48.938	4.5%
A	2003	48.977	0.000	-100.0%
A	2004	55.663	0.000	Not App.
A	2005	68.036	0.000	Not App.
A	2006	82.606	0.000	Not App.
A	2007	70.429	0.000	Not App.
A	2008	83.026	0.000	Not App.
A	2009	61.821	0.000	Not App.
A	2010	133.315	0.000	Not App.
A	2011	60.144	0.000	Not App.
A	2012	102.391	0.000	Not App.
F	2013	67.668	0.000	Not App.
F	2014	65.272	0.000	Not App.
F	2015	61.693	0.000	Not App.



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

Contacts: Department of Natural Resources and Conservation

Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

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 and the Arts Protection trust (cultural trust), with coal severance taxes allocated to each one. The 1997 Legislature appropriated $3.9 million from the cultural trust fund for the immediate purchase of Virginia and Nevada City properties. This action resulted in a loss of trust interest revenue that otherwise would be used to fund cultural and aesthetic (C&A) projects in the state during the 1999 biennium. Thus, beginning July 1, 1997, and ending June 30, 1999, 0.87% in coal severance tax revenue was allocated to an account in the state special revenue fund to compensate for the lost interest earnings and the previous 0.63% distribution of coal severance tax to the cultural trust was eliminated. Except for FY 2003, beginning July 1, 1999, the amount of 0.63% is once again statutorily allocated to the cultural trust, the interest from which is to be used for the purpose of protection of works of art in the capitol and for other cultural and aesthetic projects. The August 2002 special legislative session eliminated the allocation for FY 2003 only. In HB 9, the 2005 Legislature transferred $3,412,500 from the general fund to the trust and the 2007 Legislature transferred $1,500,000 from the general fund to the trust. Both these actions increase the earnings from the trust.

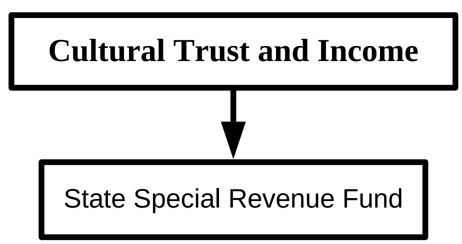
Statutory Reference:

Tax Rate - NA
Distribution (MCA) - 15-35-108(6), 22-2-305
Date Due - NA

Applicable Tax Rate(s): N/A

Distribution: All income from the trust is deposited in a state special revenue fund to be appropriated for protection of works of art in the state capitol and for other cultural and aesthetic projects.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used to estimate the interest and earnings of the cultural trust are collected from the Board of Investments (BOI), IHS, and the state accounting system (SABHRS). The BOI provides historic interest earnings from the trust as well as the gains and losses from the sale of investment instruments. Projections of interest rates are provided by IHS, and historic earnings are provided from SABHRS. No adjustments are required on the raw data in preparation for analysis.

Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

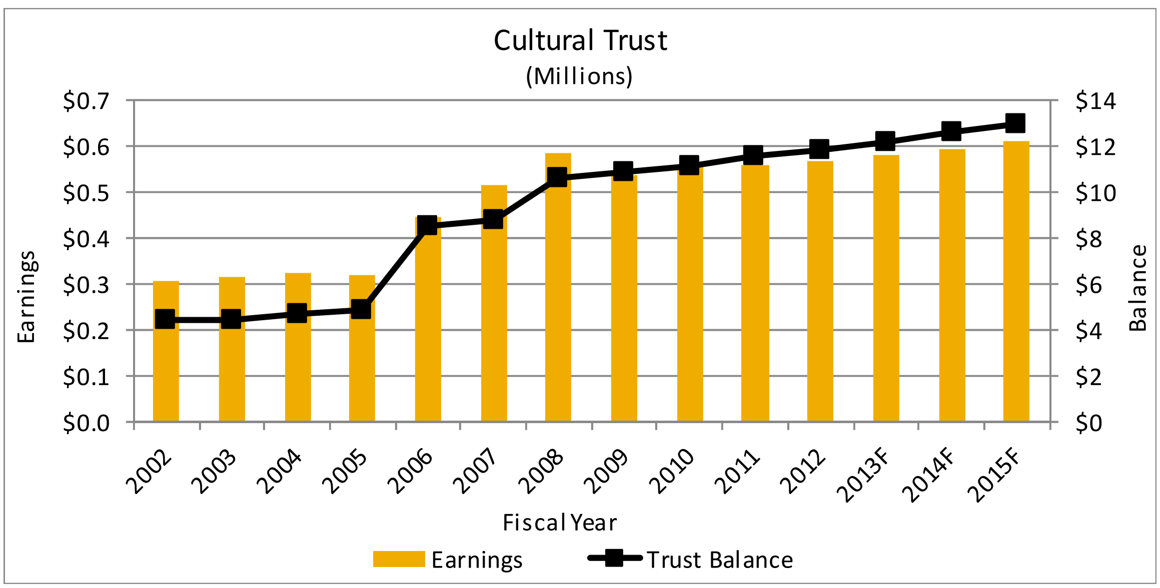
Analysis

The cultural trust, formed in the late 1970's, was created from distributions of the coal severance tax. The cultural trust receives coal tax distributions at the rate of 0.63% of the total tax. In several years of budget stress, the coal tax distribution to the cultural trust was temporarily eliminated or reduced. The principal of the trust was reduced by $3.9 million in FY 1997 and the funds were used for the purchase of Virginia and Nevada Cities. In FY 2006, the trust was reimbursed for $3.4 million, substantially increasing the principal of the trust. The principal or corpus of the cultural trust now stands at $11.2 million, as demonstrated by the line in the figure below. Estimates of future deposits to the cultural trust are developed in the coal severance tax projection and are expected to be $294,000 in FY 2011, $297,000 in FY 2012, and $302,000 in FY 2013.

To forecast the cultural trust interest earnings, each of three interest/income components are estimated independently and combined. The estimated interest/income components include:

- The trust funds bond pool (TFBP)
- The 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. TFBP earnings are the largest source of earnings for the trust. The TFBP earnings are estimated by applying a long-term interest rate to the projected TFBP balance. The applicable long term rate is an average of four rates projected by IHS: the corporation Aaa bond rate, the corporate Baa bond rate, the rate on 10-year treasury bonds, and the rate on 30-year treasury bonds. The fiscal year average long-term interest rate is expected to be 4.2% in FY 2011, 4.2% in FY 2012, and 5.0% in FY 2013.



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. To estimate future STIP earnings, an average short-term interest rate is developed, based on IHS projections of the interest rates on three and six-month corporate loans and three and six-month treasury bills. The average fiscal year short-term interest rate is expected to be 0.3% in FY 2011, 0.9% in FY 2012, and 2.5% in FY 2013.

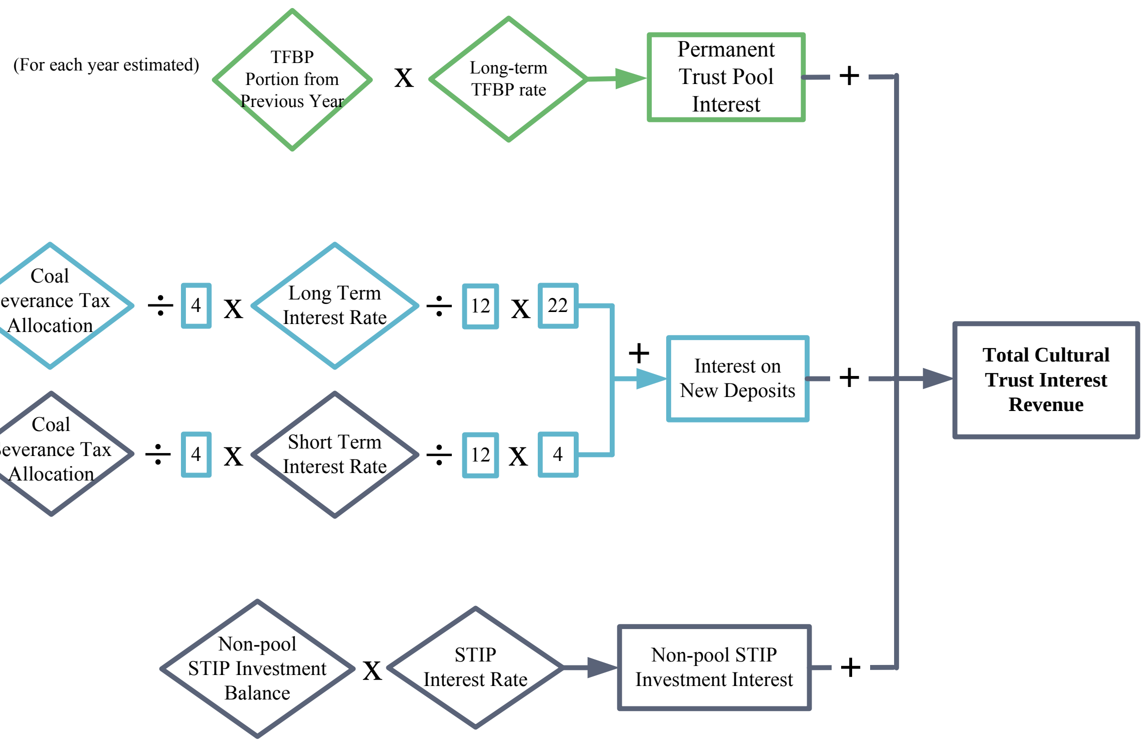
The 0.63% coal severance tax distribution to the cultural trust is considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before 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.

Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2002	0.305	0.000	0.304	0.001		
Actual	2003	0.314	0.000	0.310	0.001	4.518	7.0%
Actual	2004	0.326	0.000	0.325	0.001	4.693	6.9%
Actual	2005	0.318	0.000	0.316	0.002	4.932	6.5%
Actual	2006	0.447	0.000	0.421	0.026	8.478	5.3%
Actual	2007	0.516	0.000	0.513	0.003	8.785	5.9%
Actual	2008	0.584	0.000	0.573	0.011	10.595	5.5%
Actual	2009	0.535	0.000	0.534	0.001	10.862	4.9%
Actual	2010	0.553	0.000	0.553	0.000	11.096	5.0%
Actual	2011	0.561	0.000	0.559	0.000	11.436	4.9%
Actual	2012	0.568	0.000	0.567	0.001	11.786	4.8%
Forecast	2013	0.580	0.000	0.574	0.006	12.132	4.8%
Forecast	2014	0.593	0.000	0.586	0.007	12.497	4.7%
Forecast	2015	0.609	0.000	0.601	0.009	12.877	4.7%

	t Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2002	0.199	6.2%	2.6%	0.102
Actual	2003	0.000	5.7%	1.4%	0.063
Actual	2004	0.199	5.4%	1.3%	0.088
Actual	2005	0.237	5.2%	2.4%	0.092
Actual	2006	0.226	5.2%	4.1%	0.063
Actual	2007	0.257	5.4%	4.7%	0.060
Actual	2008	0.286	5.3%	3.1%	0.191
Actual	2009	0.312	5.1%	1.0%	0.137
Actual	2010	0.278	4.8%	0.2%	0.071
Actual	2011	0.346	4.4%	0.1%	0.006
Actual	2012	0.332	3.8%	0.1%	0.076
Forecast	2013	0.346	3.5%	0.1%	0.076
Forecast	2014	0.365	3.9%	0.2%	0.076
Forecast	2015	0.380	4.5%	0.5%	0.076

Total Rev. = Invested Balance × Average Return

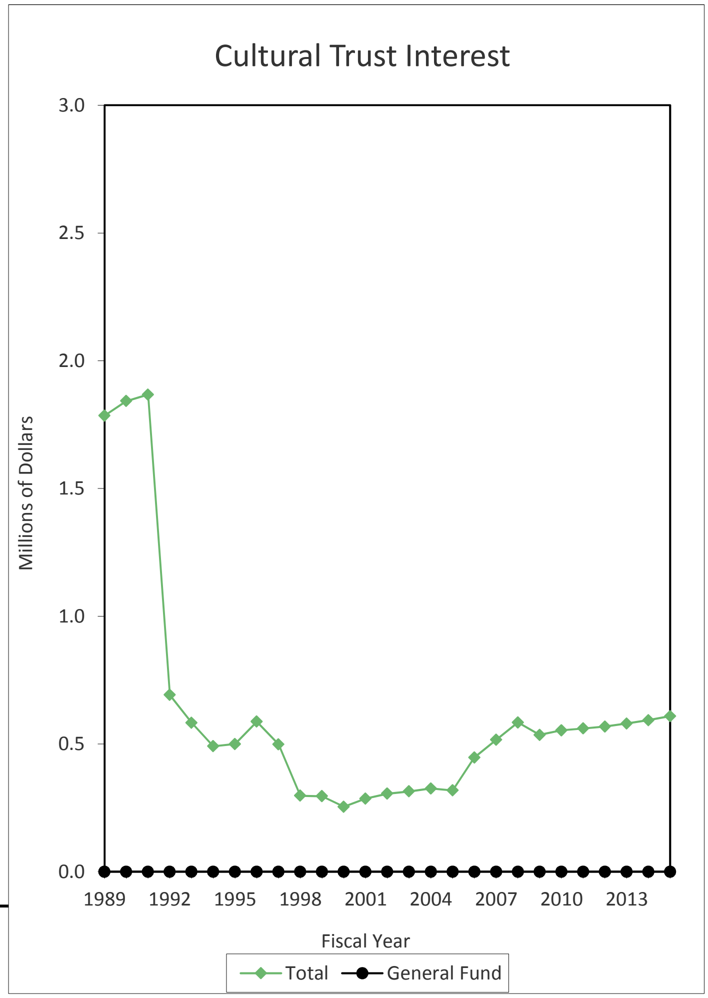
Legislative Fiscal Division

Revenue Estimate Profile

Cultural Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	1.785	0.000	Not App.
A	1990	1.842	0.000	Not App.
A	1991	1.867	0.000	Not App.
A	1992	0.692	0.000	Not App.
A	1993	0.583	0.000	Not App.
A	1994	0.491	0.000	Not App.
A	1995	0.499	0.000	Not App.
A	1996	0.588	0.000	Not App.
A	1997	0.499	0.000	Not App.
A	1998	0.298	0.000	Not App.
A	1999	0.295	0.000	Not App.
A	2000	0.254	0.000	Not App.
A	2001	0.286	0.000	Not App.
A	2002	0.305	0.000	Not App.
A	2003	0.314	0.000	Not App.
A	2004	0.326	0.000	Not App.
A	2005	0.318	0.000	Not App.
A	2006	0.447	0.000	Not App.
A	2007	0.516	0.000	Not App.
A	2008	0.584	0.000	Not App.
A	2009	0.535	0.000	Not App.
A	2010	0.553	0.000	Not App.
A	2011	0.561	0.000	Not App.
A	2012	0.568	0.000	Not App.
F	2013	0.580	0.000	Not App.
F	2014	0.593	0.000	Not App.
F	2015	0.609	0.000	Not App.



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

Contacts:

Legislative Fiscal Division

Revenue Estimate Profile

Deaf and Blind Trust Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income. These lands produce revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Income from certain portions of public school/institution lands has been designated for support of the School for the Deaf and Blind. Thus, some of these funds are deposited into a component of the trust and legacy trust fund referred to as the Deaf and Blind trust, which generates interest earnings for the state. As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Funds Bond Pool (TFBP). The majority of trust and legacy trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state constitution prohibits the investment of the permanent trust in common stock.

With the enactment of SB 65 by the 2009 Legislature, up to 25% of Deaf and Blind trust revenue can be diverted to the trust land administration account to fund Department of Natural Resources and Conservation (DNRC) administration costs. This revenue can include distributable revenue, mineral royalties, and timber revenue. Diversions reduce the amount of revenue distribute to the trust beneficiaries. Revenue diverted from the Deaf and Blind permanent trust fund reduces the growth of the trust balance and, hence, reduces the amount of distributable interest earnings. The legislation is effective July 1, 2009.

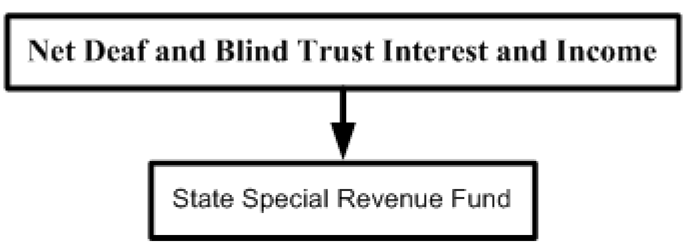
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 20-8-110
Enabling Act, Sections 11 & 17
Other (MCA) – DNRC trust land administration diversion (77-1-108 & 109)
DNRC land bank administration diversion (77-2-362)

Applicable Tax Rate(s): N/A

Distribution: Interest and income from the trust, net of amounts to fund DNRC administration, are allocated to the School for the Deaf and Blind.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

The estimate for interest and income from the Deaf and Blind trust determines the net amount of revenue that will be distributed to the trust beneficiary. This means that in addition to estimating the various distributable revenues from the trust, estimates of the diversions that reduce the amount of distributable or permanent revenue must also be estimated. Therefore, the estimated amounts shown for this revenue source are not total revenues, but are net of diversions. Permanent revenue (revenue that is not distributed, but remains in the trust such as from mineral royalties), is estimated as part of the entire Trust and Legacy account (T & L) and earnings are apportioned to this trust according to the number of shares owned.

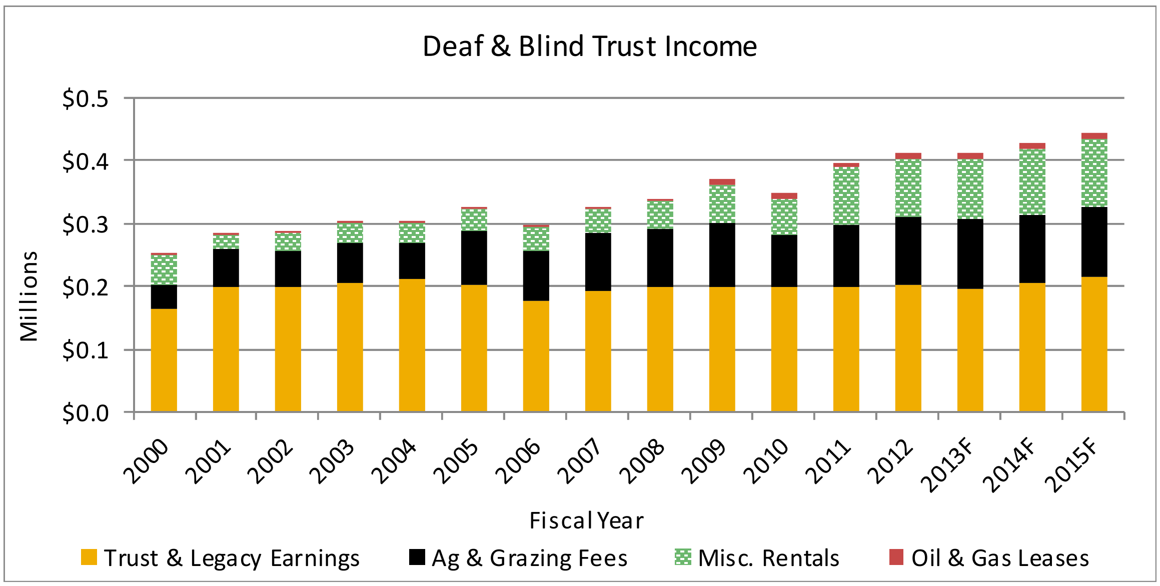
Deaf and Blind Trust Interest and Income

Data

Data from the state accounting system (SABHRS) provide a history of each individual interest and income revenue component from which estimates can be made. Department of Natural Resources and Conservation (DNRC) annual reports provide additional information such as mineral prices and production and timber estimates. Budget submissions on the state budgeting system (MBARS) provide anticipated amount of diversions.

Analysis

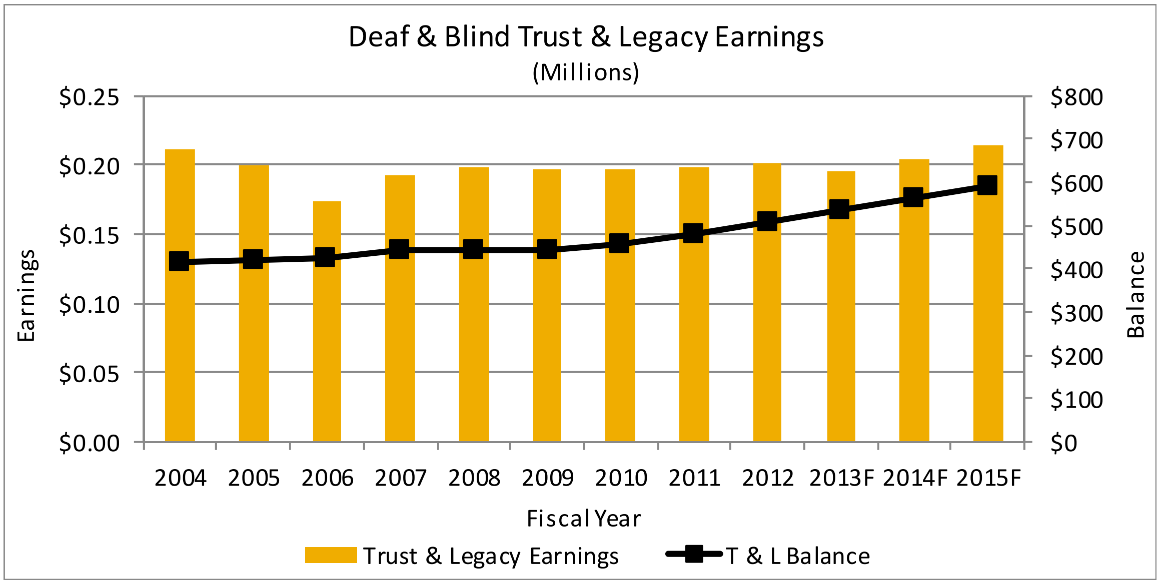
The estimate is derived by first estimating the distributable revenue components and then estimating the amounts of the diversions.



Revenue Components

1. Trust and Legacy Earnings (see the figure below) – The monetary assets of the trust are pooled with monetary assets of other land trusts in the T & L and invested by the Board of Investment in the trust funds bond pool. Based on the number of share each trust owns, a share of the earnings is deposited in each trust. For the Deaf and Blind trust, the actual FY 2010 share percentage of 0.86 is used. The estimation of the total pool earnings is a three stage process:
   - Earnings from new deposits – New deposits in the pool are estimated to be in $22.0 million in FY 2011, $20.5 million in FY 2012 and $22.1 million in FY 2013. This additional money initially earns interest at the short-term rate (0.3% in FY 2011, 0.9% in FY 2012, and 2.5% in FY 2013) before it is invested in a longer term investment (4.2% in FY 20119, 4.2% in FY 2012, and 5.0% in FY 2013).
   - Earnings from existing balance – The pool balance in FY 2010 was $444.7 million. The majority of these funds have been invested in bonds purchased over the past several year and average a return rate of 5.2%.
   - Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate on a balance of $11.3 million, the actual balance from FY 2010.

   Once the total amount of the pool earnings has been estimated by summing the above three items, the Deaf and Blind trust share of 0.86% is applied.



2. Grazing Fees – Rates are tied to the price of cattle. Cattle prices are expected to be close to those experienced in FY 2010. It is anticipated the grazing fee revenue will be similar to FY 2010.
3. Miscellaneous Rentals - These are small income components that are combined and estimated together. For each fiscal year estimated, the estimate is based on the average annual growth rate between FY 2002 and FY 2008.
4. Agricultural Fees – Fees are based on a crop share basis. Commodity prices are expected to be about the same as FY 2010 resulting in similar returns.
5. Oil & Gas Leases – For each fiscal year estimated, the estimate is the average of the previous two years.

Diversions

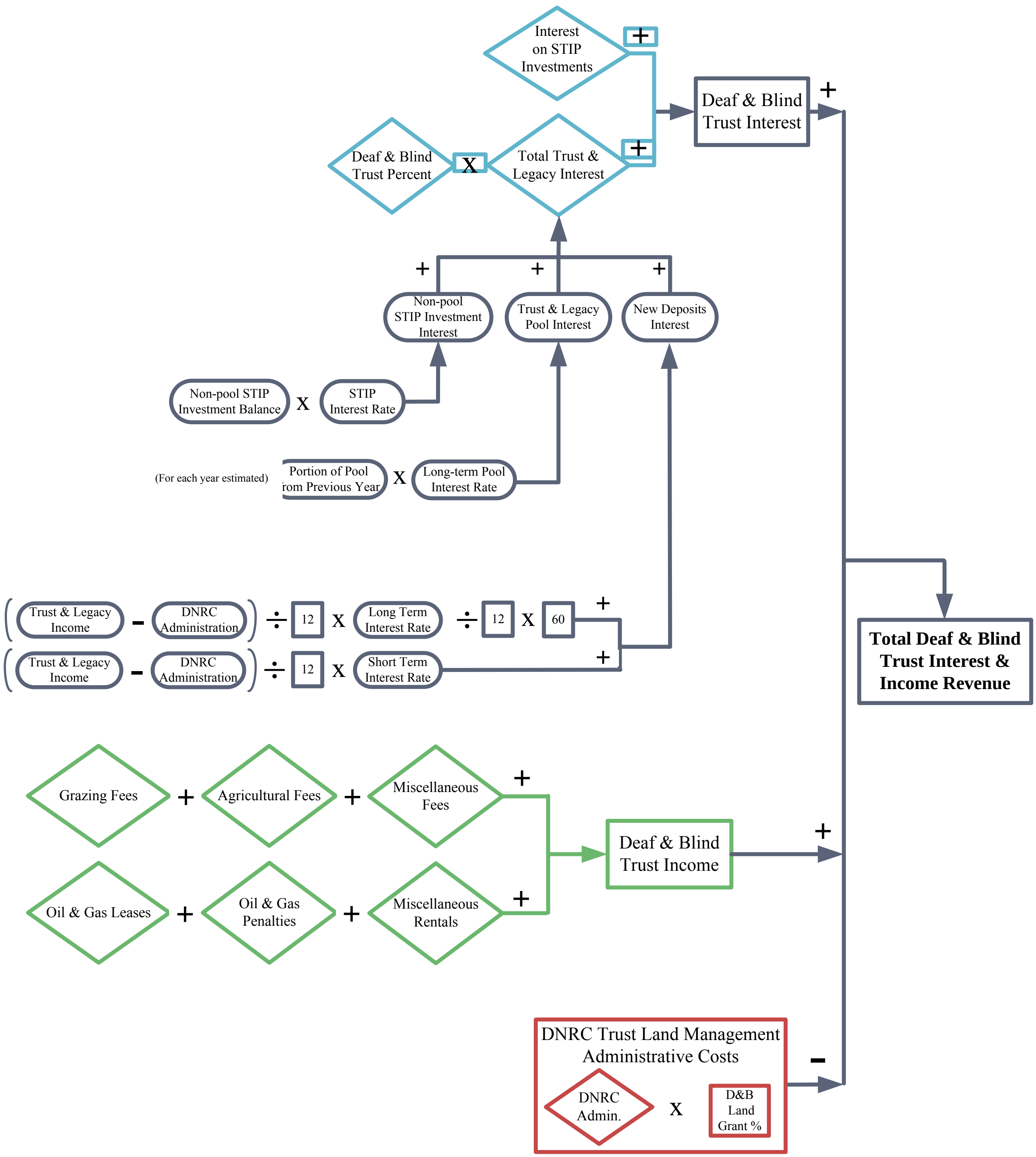
Diversions fund administration costs in DNRC, but reduce the amount of revenue distributed to the trust beneficiaries or permanent revenue deposited to the trust fund (see the figure below). To determine future diversion amounts, DNRC's present law budget amounts are used. Of the total expenditures requested to be made from this account, a portion is funded by the trust's distributable revenue. That portion is determined by multiplying current year revenue estimates by the ratio of FY 2010 costs that this trust paid to the total administration costs. In FY 2010, the deaf and blind trust funded 0.78% of total expenditures.

Adjustments and Distribution

Once total revenue and total diversions have been estimated, the net amounts are distributed to the state special revenue fund.

Deaf and Blind Trust Interest and Income

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Deaf and Blind Trust Interest and Income

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Deaf & Blind Share T&L
Actual	2002	0.284	0.000	29.627	0.103	0.007
Actual	2003	0.300	0.000	29.147	0.068	0.007
Actual	2004	0.299	0.000	30.087	0.054	0.007
Actual	2005	0.319	0.000	28.106	0.270	0.007
Actual	2006	0.291	0.000	24.428	0.408	0.007
Actual	2007	0.323	0.000	26.207	0.268	0.007
Actual	2008	0.334	0.000	25.160	0.129	0.008
Actual	2009	0.373	0.000	22.711	0.066	0.009
Actual	2010	0.265	0.000	22.916	0.018	0.009
Actual	2011	0.327	0.000	23.194	0.033	0.009
Actual	2012	0.242	0.000	24.175	0.028	0.008
Forecast	2013	0.288	0.000	23.209	0.411	0.008
Forecast	2014	0.246	0.000	24.111	0.512	0.008
Forecast	2015	0.265	0.000	25.245	0.641	0.008

	t Fiscal	Trust Income New Deposit Millions	Trust Land Admin. Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2002	2.348	0.000	6.2%	2.6%	7.334
Actual	2003	2.363	0.000	5.7%	1.4%	6.242
Actual	2004	2.972	0.000	5.4%	1.3%	7.050
Actual	2005	1.458	0.000	5.2%	2.4%	12.107
Actual	2006	1.425	0.000	5.2%	4.1%	3.863
Actual	2007	7.174	0.000	5.4%	4.7%	14.954
Actual	2008	3.102	0.000	5.3%	3.1%	2.461
Actual	2009	4.126	0.000	5.1%	1.0%	4.161
Actual	2010	10.710	0.000	4.8%	0.2%	11.340
Actual	2011	22.233	0.000	4.4%	0.1%	15.565
Actual	2012	31.517	0.000	3.8%	0.1%	11.492
Forecast	2013	25.974	0.000	3.5%	0.1%	11.492
Forecast	2014	29.101	0.000	3.9%	0.2%	11.492
Forecast	2015	27.623	0.000	4.5%	0.5%	11.492

Legislative Fiscal Division

Revenue Estimate Profile

Deaf and Blind Trust Interest and Income

	t Fiscal	Grazing Millions	Agriculture Millions	Misc. Millions	O&G Lease Millions	O&G Bonus Millions	O&G Penalty Millions	Misc. Millions
Actual	2002	0.041	0.015	0.000	0.002	0.000	0.000	0.030
Actual	2003	0.043	0.023	0.000	0.002	0.000	0.000	0.032
Actual	2004	0.039	0.016	0.000	0.002	0.000	0.000	0.033
Actual	2005	0.048	0.039	0.000	0.002	0.000	0.000	0.033
Actual	2006	0.051	0.030	0.000	0.002	0.000	0.000	0.037
Actual	2007	0.061	0.029	0.000	0.002	0.000	0.003	0.040
Actual	2008	0.056	0.036	0.000	0.002	0.000	0.003	0.043
Actual	2009	0.062	0.042	0.000	0.009	0.008	0.003	0.060
Actual	2010	0.056	0.027	0.000	0.009	0.000	0.003	0.057
Actual	2011	0.057	0.042	0.000	0.008	0.000	0.001	0.091
Actual	2012	0.066	0.043	0.000	0.010	0.042	0.000	0.092
Forecast	2013	0.066	0.043	0.000	0.009	0.000	0.000	0.098
Forecast	2014	0.066	0.043	0.000	0.009	0.000	0.000	0.104
Forecast	2015	0.066	0.043	0.000	0.009	0.000	0.000	0.110

	t Fiscal	Int. Land Millions	Int. STIP Millions	Int. Trust Millions	Timber Millions	Res. Dev. Millions	TLMD Adm. Millions
Actual	2002	0.000	0.000	0.199	0.000	-0.003	
Actual	2003	0.000	0.000	0.203	0.000	-0.003	
Actual	2004	0.000	0.000	0.212	0.000	-0.003	
Actual	2005	0.000	0.000	0.201	0.000	-0.004	
Actual	2006	0.000	0.000	0.175	0.000	-0.003	
Actual	2007	0.000	0.000	0.193	0.000	-0.004	
Actual	2008	0.000	0.000	0.199	0.000	-0.004	
Actual	2009	0.000	0.000	0.197	0.000	-0.005	
Actual	2010	0.000	0.000	0.198	0.000	0.000	-0.085
Actual	2011	0.000	0.000	0.198	0.000	0.000	-0.207
Actual	2012	0.000	0.000	0.201	0.000	0.000	-0.142
Forecast	2013	0.000	0.000	0.196	0.000	0.000	-0.124
Forecast	2014	0.000	0.000	0.205	0.000	0.000	-0.179
Forecast	2015	0.000	0.000	0.215	0.000	0.000	-0.178

Total Rev. = Grazing + Agriculture + O&G Lease + O&G Bonus + O&G Penalty + Misc. +
Int. Land + Int. Stip + Int. Trust + Timber + Res. Dev. + TLMD Adm.

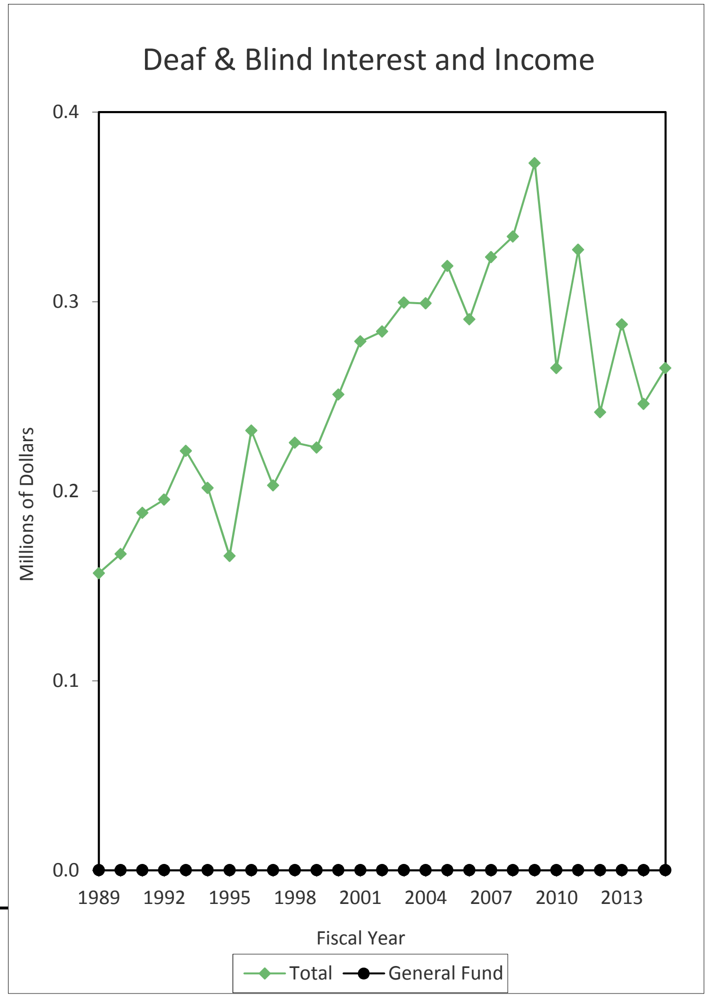
Legislative Fiscal Division

Revenue Estimate Profile

Deaf and Blind Trust Interest and Income

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.157	0.000	Not App.
A	1990	0.167	0.000	Not App.
A	1991	0.189	0.000	Not App.
A	1992	0.196	0.000	Not App.
A	1993	0.221	0.000	Not App.
A	1994	0.202	0.000	Not App.
A	1995	0.166	0.000	Not App.
A	1996	0.232	0.000	Not App.
A	1997	0.203	0.000	Not App.
A	1998	0.226	0.000	Not App.
A	1999	0.223	0.000	Not App.
A	2000	0.251	0.000	Not App.
A	2001	0.279	0.000	Not App.
A	2002	0.284	0.000	Not App.
A	2003	0.300	0.000	Not App.
A	2004	0.299	0.000	Not App.
A	2005	0.319	0.000	Not App.
A	2006	0.291	0.000	Not App.
A	2007	0.323	0.000	Not App.
A	2008	0.334	0.000	Not App.
A	2009	0.373	0.000	Not App.
A	2010	0.265	0.000	Not App.
A	2011	0.327	0.000	Not App.
A	2012	0.242	0.000	Not App.
F	2013	0.288	0.000	Not App.
F	2014	0.246	0.000	Not App.
F	2015	0.265	0.000	Not App.



Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, IHS, Department of Natural Resources and Conservation

Contacts: Department of Natural Resources and Conservation

Legislative Fiscal Division

Revenue Estimate Profile

Economic Development Trust Interest

Revenue Description: 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 and that the principal of the trust "shall forever remain inviolate unless appropriated by a three-fourths vote of each house". 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. With the enactment of House Bill 249 by the 2005 Legislature, beginning FY 2006 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 no longer receives coal severance tax revenue.

As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created trust funds bond pool (TFBP). The majority of permanent coal tax trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's short-term investment pool (STIP). In addition, state law provides that trust funds may be used for in-state commercial loans to stimulate economic development.

Statutory Reference:

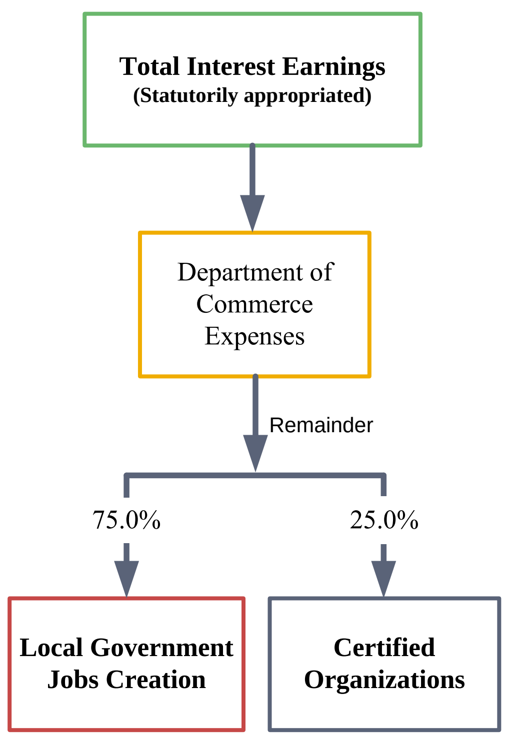
Tax Rate – NA
Distribution (MCA) – 17-5-703 (5b); use of earnings (90-1-205)
Date Due (MCA) – monthly (17-5-703(5b))

Applicable Tax Rate(s): N/A

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

Distribution Chart:



Legislative Fiscal Division

Revenue Estimate Profile

Economic Development Trust Interest

Collection Frequency: Monthly

% of Total General Fund Revenue: N/A

- Economic Factors
  - Prevailing national interest and bond rates
  - Inflationary pressures
  - Coal price
  - Coal production costs
- Social Factors - None
- Legislative Factors
  - State legislative impacts
    - Coal severance tax and distribution related changes
    - Constitutional restrictions on types of investments (i.e. no investments in equities)
    - Appropriations from the trust sub-fund
  - Federal legislative impacts

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the big sky economic 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

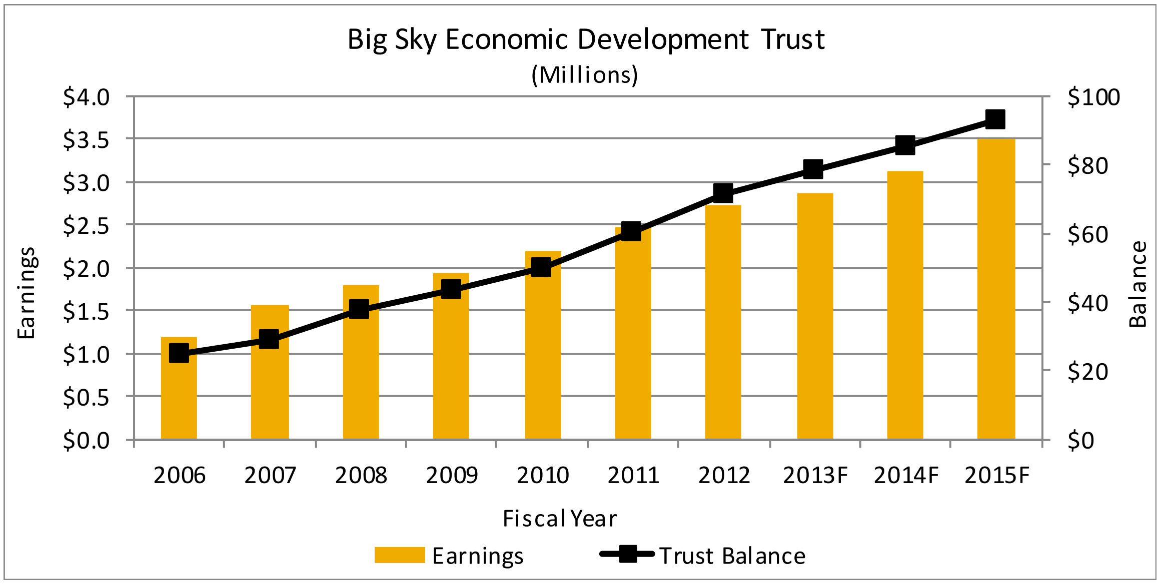
The economic trust was created from distributions of the coal severance tax. The economic trust was formed in FY 2006 as a sub-trust to the permanent coal trust. The Constitution requires that 50% of the coal severance tax collections be distributed to the coal trust, and 25% of that distribution (after the water bond debt service obligation is met) or 12.5% of total coal severance tax revenues is distributed to the Big Sky Economic Development trust. The principal or corpus of the trust now stands at $49.9 million. Estimates of future deposits to the trust are developed in the coal severance tax projection and are expected to be $5.8 million in FY 2011, $5.8 million in FY 2012, and $5.9 million in FY 2012.

To forecast the economic 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

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 (FY 2010) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable new long-term rate for these securities is based on an average of four long-term rates projected by IHS. The fiscal year average long-term interest rate is expected to be 4.2% in FY 2011, 4.2% in FY 2012, and 5.0% in FY 2013.

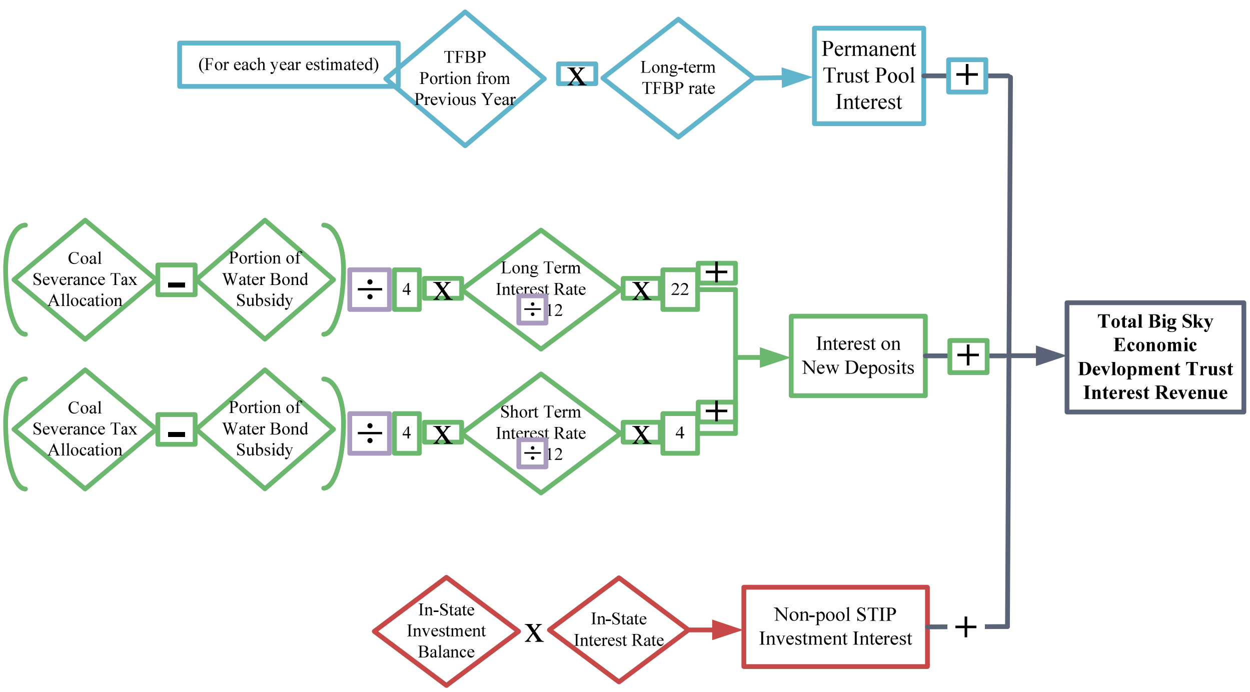
Economic Development Trust Interest



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 average fiscal year short-term interest rate is expected to be 0.3% in FY 2011, 0.9% in FY 2012, and 2.5% in FY 2013.

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. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Forecast Methodology:



Economic Development Trust Interest

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Loan Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2002	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Actual	2003	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Actual	2004	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Actual	2005	0.000	0.000	0.000	0.000	0.000	0.000	0.0%
Actual	2006	1.194	0.000	1.174	0.019	0.000	23.608	5.1%
Actual	2007	1.559	0.000	1.526	0.033	0.000	29.122	5.4%
Actual	2008	1.801	0.000	1.738	0.063	0.000	37.684	4.8%
Actual	2009	1.925	0.000	1.867	0.059	0.000	43.191	4.5%
Actual	2010	2.196	0.000	2.185	0.011	0.000	49.755	4.4%
Actual	2011	2.472	0.000	2.459	0.013	0.000	57.961	4.3%
Actual	2012	2.731	0.000	2.711	0.020	0.000	66.950	4.1%
Forecast	2013	2.862	0.000	2.728	0.134	0.000	73.806	3.9%
Forecast	2014	3.123	0.000	2.966	0.156	0.000	81.043	3.9%
Forecast	2015	3.491	0.000	3.248	0.242	0.000	88.580	3.9%

	t Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2002	0.000	6.2%	2.6%	0.000
Actual	2003	0.000	5.7%	1.4%	0.000
Actual	2004	0.000	5.4%	1.3%	0.000
Actual	2005	0.000	5.2%	2.4%	0.000
Actual	2006	4.478	5.2%	4.1%	0.609
Actual	2007	5.095	5.4%	4.7%	0.273
Actual	2008	5.666	5.3%	3.1%	3.215
Actual	2009	6.196	5.1%	1.0%	2.172
Actual	2010	5.522	4.8%	0.2%	2.976
Actual	2011	6.871	4.4%	0.1%	4.462
Actual	2012	6.593	3.8%	0.1%	8.401
Forecast	2013	6.856	3.5%	0.1%	8.401
Forecast	2014	7.237	3.9%	0.2%	8.401
Forecast	2015	7.537	4.5%	0.5%	8.401

Total Rev. = Invested Balance × Average Return

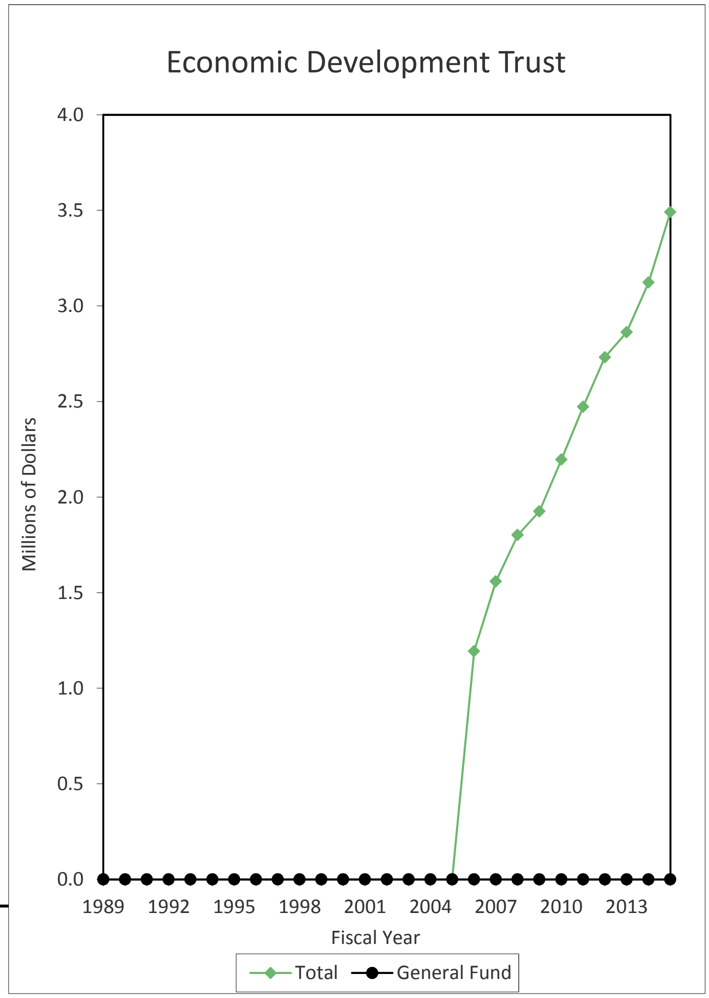
Legislative Fiscal Division

Revenue Estimate Profile

Economic Development Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	0.000	0.000	Not App.
A	1992	0.000	0.000	Not App.
A	1993	0.000	0.000	Not App.
A	1994	0.000	0.000	Not App.
A	1995	0.000	0.000	Not App.
A	1996	0.000	0.000	Not App.
A	1997	0.000	0.000	Not App.
A	1998	0.000	0.000	Not App.
A	1999	0.000	0.000	Not App.
A	2000	0.000	0.000	Not App.
A	2001	0.000	0.000	Not App.
A	2002	0.000	0.000	Not App.
A	2003	0.000	0.000	Not App.
A	2004	0.000	0.000	Not App.
A	2005	0.000	0.000	Not App.
A	2006	1.194	0.000	Not App.
A	2007	1.559	0.000	Not App.
A	2008	1.801	0.000	Not App.
A	2009	1.925	0.000	Not App.
A	2010	2.196	0.000	Not App.
A	2011	2.472	0.000	Not App.
A	2012	2.731	0.000	Not App.
F	2013	2.862	0.000	Not App.
F	2014	3.123	0.000	Not App.
F	2015	3.491	0.000	Not App.



Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, IHS, Department of Natural Resources and Conservation

Contacts: Department of Natural Resources and Conservation

Legislative Fiscal Division

Revenue Estimate Profile

Parks Trust Interest

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.

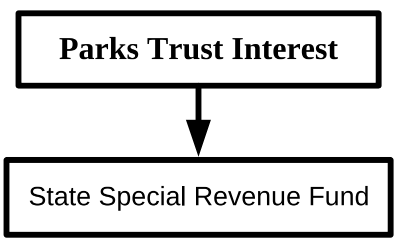
Statutory Reference:

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

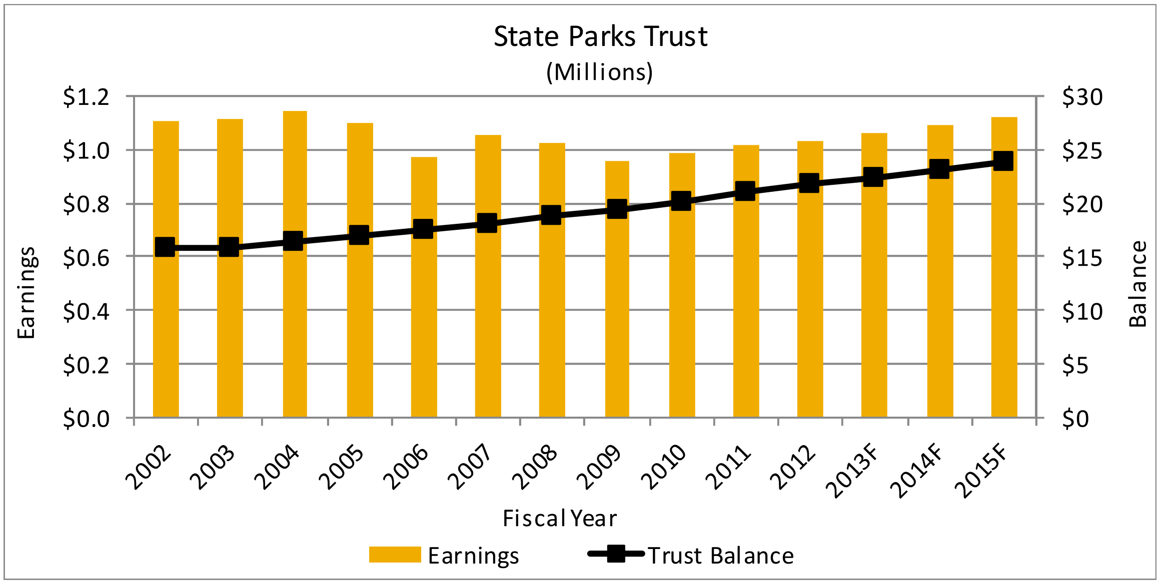
The parks trust, formed in the late 1970's, was created from distributions of the coal severance tax. The parks trust receives coal tax distributions at the rate of 1.27% of the total tax. In one year of budget stress, the coal tax distribution to the parks trust was temporarily eliminated. The principal or corpus of the parks trust now stands at $20.2 million, as demonstrated by the line in the figure below. Estimates of future deposits to the parks trust are developed in the coal severance tax projection and are expected to be $593,000 in FY 2011, $598,000 in FY 2012, and $608,000 in FY 2013.

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

Parks 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 figure below. To estimate TFBP earnings, the base year (FY 2008) 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. The fiscal year average long-term interest rate is expected to be 4.2% in FY 2011, 4.2% in FY 2012, and 5.0% in FY 2013.



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 average fiscal year short-term interest rate is expected to be 0.3% in FY 2011, 0.9% in FY 2012, and 2.5% in FY 2013.

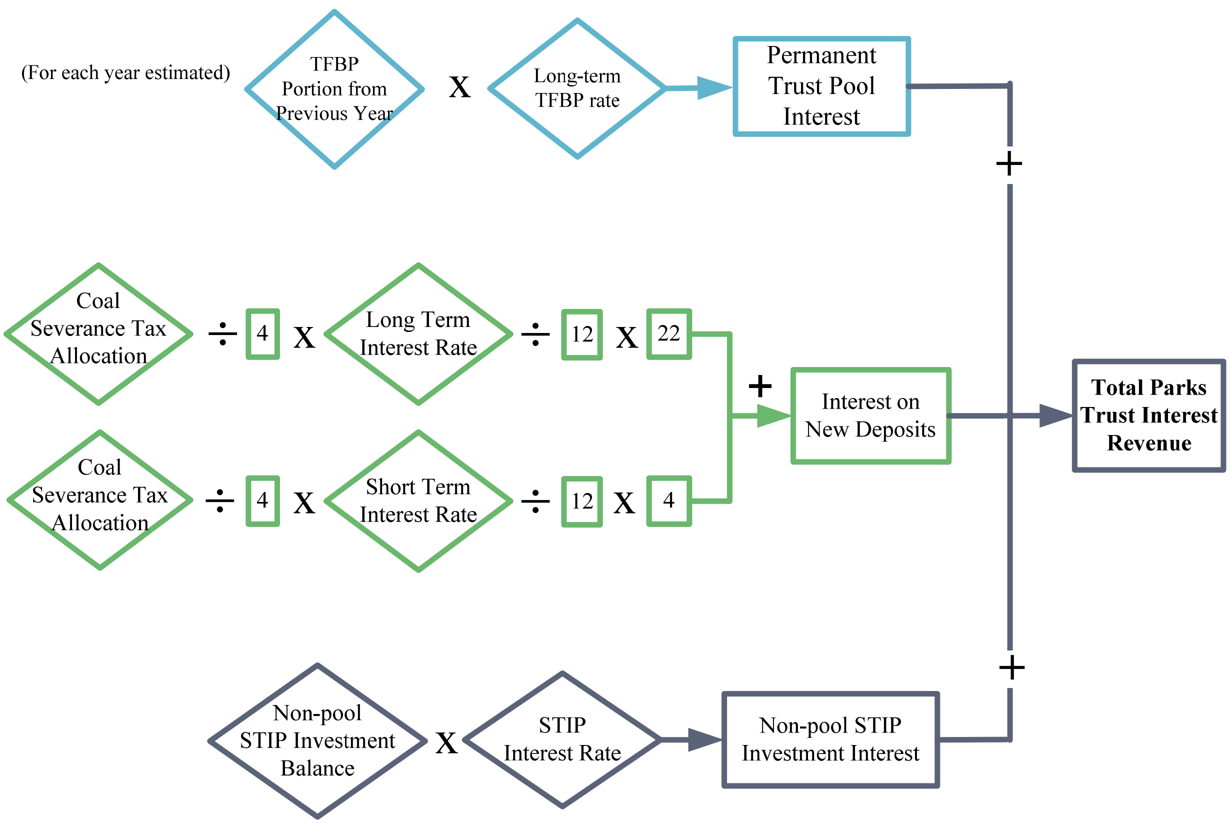
The 1.27% coal severance tax distribution to the parks trust is considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being 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.

Legislative Fiscal Division

Revenue Estimate Profile

Parks Trust Interest

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Parks Trust Interest

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Invested Balance Millions	Average Return Rate
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 Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
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

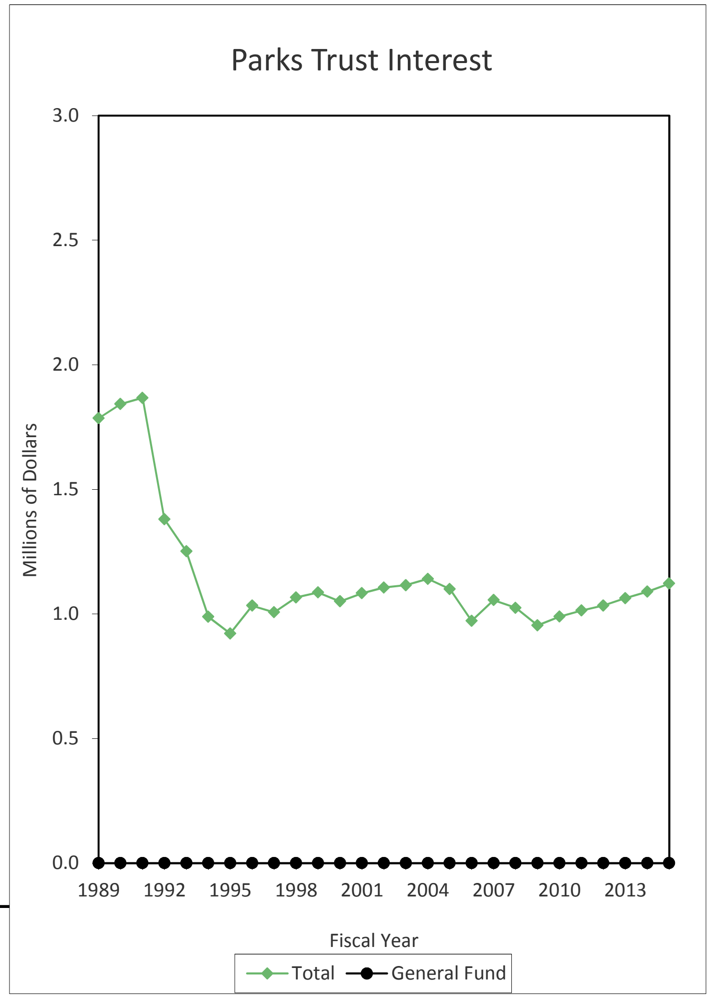
Legislative Fiscal Division

Revenue Estimate Profile

Parks Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	1.785	0.000	Not App.
A	1990	1.842	0.000	Not App.
A	1991	1.867	0.000	Not App.
A	1992	1.380	0.000	Not App.
A	1993	1.251	0.000	Not App.
A	1994	0.988	0.000	Not App.
A	1995	0.922	0.000	Not App.
A	1996	1.033	0.000	Not App.
A	1997	1.007	0.000	Not App.
A	1998	1.066	0.000	Not App.
A	1999	1.086	0.000	Not App.
A	2000	1.051	0.000	Not App.
A	2001	1.083	0.000	Not App.
A	2002	1.106	0.000	Not App.
A	2003	1.115	0.000	Not App.
A	2004	1.140	0.000	Not App.
A	2005	1.100	0.000	Not App.
A	2006	0.972	0.000	Not App.
A	2007	1.055	0.000	Not App.
A	2008	1.025	0.000	Not App.
A	2009	0.954	0.000	Not App.
A	2010	0.989	0.000	Not App.
A	2011	1.014	0.000	Not App.
A	2012	1.034	0.000	Not App.
F	2013	1.063	0.000	Not App.
F	2014	1.089	0.000	Not App.
F	2015	1.122	0.000	Not App.



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

Contacts:

Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

Revenue Description: Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income. These lands produce revenue through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Income from certain portions of public school/institution lands has been designated for the support of the Pine Hills youth correctional facility. Thus, some of these funds are deposited into a component of the trust and legacy trust fund referred to as the Pine Hills trust, which generates interest earnings for the state. As of October 1, 1995, all fixed-income investments held by the state's major trust funds were transferred to a newly-created Trust Funds Bond Pool (TFBP). The majority of trust and legacy trust funds are invested as part of the TFBP. Some funds, however, are invested on a short-term basis in the state's Short Term Investment Pool (STIP). The state constitution prohibits the investment of the permanent trust in common stock.

With the enactment of SB 65 by the 2009 Legislature, up to 25% of Pine Hills revenue can be diverted to the trust land administration account to fund Department of Natural Resources and Conservation (DNRC) administration costs. This revenue can include distributable revenue, mineral royalties, and timber revenue. Diversions reduce the amount of revenue distribute to the trust beneficiaries. Revenue diverted from the Pine Hills permanent trust fund reduces the growth of the trust balance and, hence, reduces the amount of distributable interest earnings. The legislation was effective July 1, 2009.

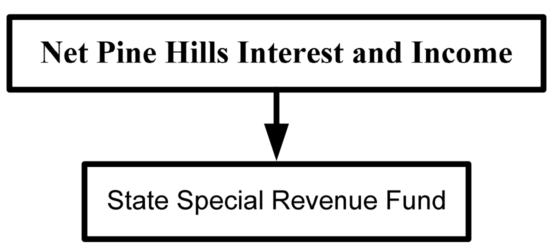
Statute:

Tax Rate – NA
Distribution (MCA) – 17-3-1003
Enabling Act, Sections 11 & 17
Other (MCA) – DNRC trust land administration diversion (77-1-108 & 109)
DNRC land bank administration diversion (77-2-362)

Applicable Tax Rate(s): N/A

Distribution: Interest and income from the trust, net of amounts to fund DNRC administration, is allocated to the Department of Corrections for support of the Pine Hills youth correctional facility.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

The estimate for interest and income from the Pine Hills trust determines the net amount of revenue that will be distributed to the trust beneficiary. This means that in addition to estimating the various distributable revenues from the capital land grant trust, estimates of the diversions that reduce the amount of distributable revenue must also be estimated. Therefore, the estimated amounts shown for this revenue source are not total revenues, but are net of diversions. Permanent revenue (revenue that is not distributed, but remains in the trust such as from timber and mineral royalties), is estimated as part of the entire Trust and Legacy account (T & L) and earnings are portioned to this trust according to the number of shares owned.

Legislative Fiscal Division

Revenue Estimate Profile

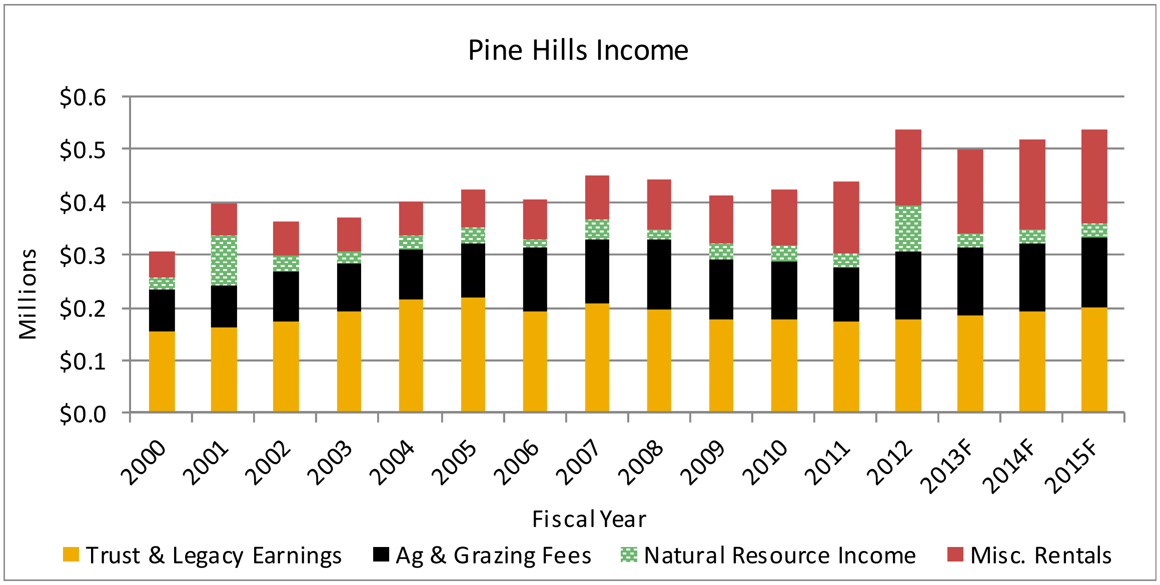
Pine Hills Interest and Income

Data

Data from SABHRS provide a history of each individual interest and income revenue component from which estimates can be made. Department of Natural Resources and Conservation (DNRC) annual reports provide additional information such as mineral prices and production and timber estimates. Budget submissions on the state budgeting system (MBARS) provide anticipated amount of diversions.

Analysis

The estimate is derived by first estimating the distributable revenue components and then estimating the amounts of the diversions.

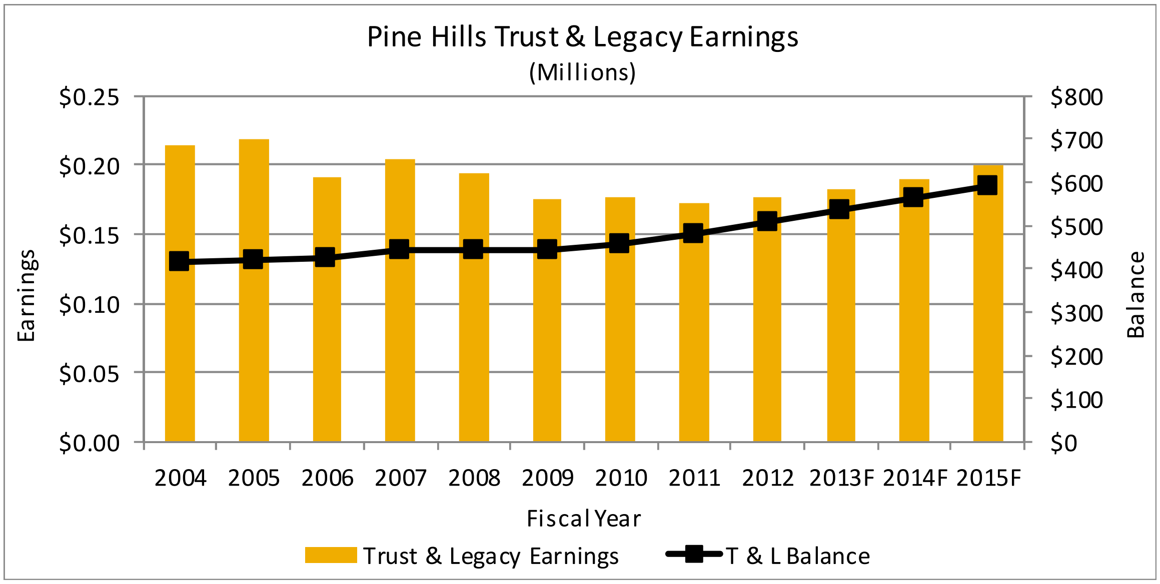


Revenue Components

1. Trust and Legacy Earnings (see the figure below) – The monetary assets of the trust are pooled with monetary assets of other land trusts in the T & L and invested by the Board of Investment in the trust funds bond pool. Based on the number of share each trust owns, a share of the earnings is deposited in each trust. For the Pine Hills trust, the actual FY 2010 share percentage of 0.77 is used. The estimation of the total pool earnings is a three stage process:
   - Earnings from new deposits – New deposits in the pool are estimated to be in $22.0 million in FY 2011, $20.5 million in FY 2012 and $22.1 million in FY 2013. This additional money initially earns interest at the short-term rate (0.3% in FY 2011, 0.9% in FY 2012, and 2.5% in FY 2013) before it is invested in a longer term investment (4.2% in FY 20119, 4.2% in FY 2012, and 5.0% in FY 2013).
   - Earnings from existing balance – The pool balance in FY 2010 was $444.7 million. The majority of these funds have been invested in bonds purchased over the past several year and average a return rate of 5.2%.
   - Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate of 0.3% in FY 2009, 0.9% in FY 2010, and 2.5% in FY 2011 on a balance of $11.3 million, the actual balance from FY 2010.

Once the total amount of the pool earnings has been estimated by summing the above three items, the Pine Hills trust share of 0.77% is applied.

Pine Hills Interest and Income



2. Grazing Fees – Rates are tied to the price of cattle. Cattle prices are expected to be close to those experienced in FY 2010. DNRC personnel anticipate the grazing fee revenue will be similar to FY 2010.
3. Miscellaneous Rentals - These are small income components that are combined and estimated together. For each fiscal year estimated, the estimate is based on the growth rate between FY 2002 and FY 2008.
4. Agricultural Fees – Fees are based on a crop share basis. Commodity prices are expected to be about the same as FY 2010 resulting in similar returns.
5. Oil & Gas Leases – For each fiscal year estimated, the estimate is the average of the previous two years.
6. Oil & Gas Bonuses & Penalties – No bonus revenue and a small amount of penalty revenue was received in FY 2010. These revenues are continued into the future.

Diversions

Diversions fund operational costs in DNRC, but reduce the amount of revenue distributed to the trust beneficiaries (see the figure below). To determine future diversion amounts, DNRC's present law budget amounts are used. Of the total expenditures requested to be made from this account, a portion is funded by the trust's distributable revenue. That portion is determined by multiplying current year revenue estimates by the ratio of FY 2010 costs that this trust paid to the total administration costs. In FY 2010, the Pine Hills trust funded 1.5% of total expenditures.

Adjustments and Distribution

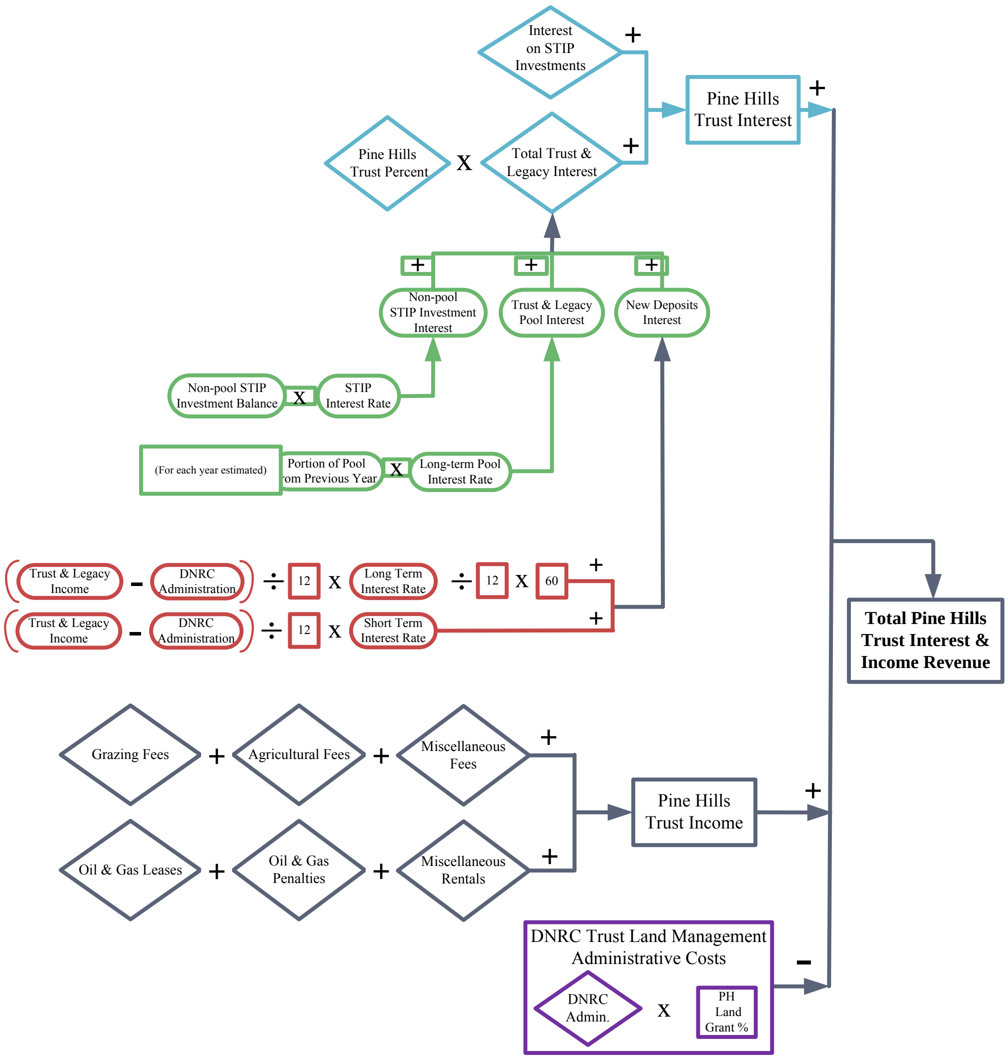
Once total revenue and total diversions have been estimated, the net amounts are distributed to the state special revenue fund.

Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Pine Hills Share T&L
Actual	2002	0.355	0.000	29.627	0.103	0.006
Actual	2003	0.364	0.000	29.147	0.068	0.007
Actual	2004	0.394	0.000	30.087	0.054	0.007
Actual	2005	0.415	0.000	28.106	0.270	0.008
Actual	2006	0.397	0.000	24.428	0.408	0.008
Actual	2007	0.443	0.000	26.207	0.268	0.008
Actual	2008	0.435	0.000	25.160	0.129	0.008
Actual	2009	0.437	0.000	22.711	0.066	0.008
Actual	2010	0.263	0.000	22.916	0.018	0.008
Actual	2011	0.326	0.000	23.194	0.033	0.008
Actual	2012	0.393	0.000	24.175	0.028	0.008
Forecast	2013	0.302	0.000	23.209	0.411	0.008
Forecast	2014	0.370	0.000	24.111	0.512	0.008
Forecast	2015	0.392	0.000	25.245	0.641	0.008

	t Fiscal	Trust Income New Deposit Millions	Trust Land Admin. Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2002	2.348	0.000	6.2%	2.6%	7.334
Actual	2003	2.363	0.000	5.7%	1.4%	6.242
Actual	2004	2.972	0.000	5.4%	1.3%	7.050
Actual	2005	1.458	0.000	5.2%	2.4%	12.107
Actual	2006	1.425	0.000	5.2%	4.1%	3.863
Actual	2007	7.174	0.000	5.4%	4.7%	14.954
Actual	2008	3.102	0.000	5.3%	3.1%	2.461
Actual	2009	4.126	0.000	5.1%	1.0%	4.161
Actual	2010	10.710	0.000	4.8%	0.2%	11.340
Actual	2011	22.233	0.000	4.4%	0.1%	15.565
Actual	2012	31.517	0.000	3.8%	0.1%	11.492
Forecast	2013	25.974	0.000	3.5%	0.1%	11.492
Forecast	2014	29.101	0.000	3.9%	0.2%	11.492
Forecast	2015	27.623	0.000	4.5%	0.5%	11.492

Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

	t Fiscal	Grazing Millions	Agriculture Millions	Misc. Millions	O&G Lease Millions	O&G Bonus Millions	O&G Penalty Millions	Misc. Millions
Actual	2002	0.078	0.017	0.064	0.022	0.000	0.007	0.000
Actual	2003	0.071	0.019	0.065	0.021	0.000	0.002	0.000
Actual	2004	0.072	0.022	0.065	0.024	0.000	0.002	0.000
Actual	2005	0.085	0.015	0.071	0.023	0.001	0.009	0.000
Actual	2006	0.093	0.027	0.077	0.007	0.003	0.004	0.000
Actual	2007	0.105	0.017	0.086	0.013	0.017	0.007	0.000
Actual	2008	0.093	0.039	0.097	0.012	0.000	0.008	0.000
Actual	2009	0.093	0.021	0.092	0.022	0.000	0.010	0.000
Actual	2010	0.084	0.024	0.106	0.025	0.000	0.005	0.000
Actual	2011	0.080	0.023	0.135	0.024	0.000	0.002	0.000
Actual	2012	0.100	0.030	0.147	0.033	0.047	0.005	0.000
Forecast	2013	0.100	0.030	0.157	0.023	0.000	0.005	0.000
Forecast	2014	0.100	0.030	0.167	0.023	0.000	0.005	0.000
Forecast	2015	0.100	0.030	0.178	0.023	0.000	0.005	0.000

	t Fiscal	Int. Land Millions	Int. STIP Millions	Int. Trust Millions	Timber Millions	Res. Dev. Millions	TLMD Adm. Millions
Actual	2002	0.000	0.000	0.174	0.000	-0.005	
Actual	2003	0.000	0.000	0.192	0.000	-0.005	
Actual	2004	0.000	0.000	0.214	0.000	-0.006	
Actual	2005	0.000	0.000	0.218	0.000	-0.006	
Actual	2006	0.000	0.000	0.192	0.000	-0.006	
Actual	2007	0.000	0.000	0.205	0.000	-0.007	
Actual	2008	0.000	0.000	0.194	0.000	-0.007	
Actual	2009	0.000	0.000	0.175	0.000	-0.008	
Actual	2010	0.000	0.000	0.177	0.000	0.000	-0.158
Actual	2011	0.000	0.000	0.173	0.000	0.000	-0.112
Actual	2012	0.000	0.000	0.176	0.000	0.000	-0.115
Forecast	2013	0.000	0.000	0.182	0.000	0.000	-0.195
Forecast	2014	0.000	0.000	0.190	0.000	0.000	-0.145
Forecast	2015	0.000	0.000	0.200	0.000	0.000	-0.144

Total Rev. = Grazing + Agriculture + O&G Lease + O&G Bonus + O&G Penalty + Misc. + Int. Land + Int. Stip + Int. Trust + Timber + Res. Dev. + TLMD Adm.

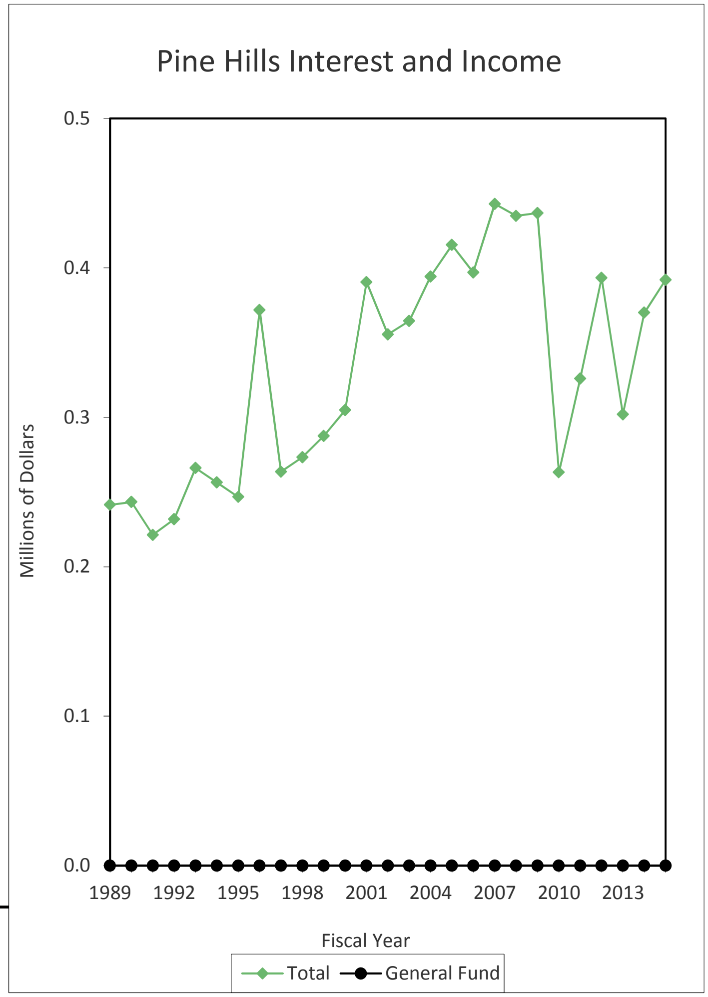
Legislative Fiscal Division

Revenue Estimate Profile

Pine Hills Interest and Income

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.241	0.000	Not App.
A	1990	0.243	0.000	Not App.
A	1991	0.221	0.000	Not App.
A	1992	0.232	0.000	Not App.
A	1993	0.266	0.000	Not App.
A	1994	0.256	0.000	Not App.
A	1995	0.247	0.000	Not App.
A	1996	0.372	0.000	Not App.
A	1997	0.264	0.000	Not App.
A	1998	0.273	0.000	Not App.
A	1999	0.288	0.000	Not App.
A	2000	0.305	0.000	Not App.
A	2001	0.390	0.000	Not App.
A	2002	0.355	0.000	Not App.
A	2003	0.364	0.000	Not App.
A	2004	0.394	0.000	Not App.
A	2005	0.415	0.000	Not App.
A	2006	0.397	0.000	Not App.
A	2007	0.443	0.000	Not App.
A	2008	0.435	0.000	Not App.
A	2009	0.437	0.000	Not App.
A	2010	0.263	0.000	Not App.
A	2011	0.326	0.000	Not App.
A	2012	0.393	0.000	Not App.
F	2013	0.302	0.000	Not App.
F	2014	0.370	0.000	Not App.
F	2015	0.392	0.000	Not App.



Data Source(s): Board of Investments, SABHRS, *Wall Street Journal*, IHS, Department of Natural Resources and Conservation

Contacts: Department of Natural Resources and Conservation

Legislative Fiscal Division

Revenue Estimate Profile

Regional Water Trust Interest

Revenue Description: The 1999 Legislature (Senate Bill 220) created the Treasure State Endowment (TSE) Regional Water System Fund within the permanent coal tax trust fund. The fund receives 12.5% of total coal severance tax collections through June 2016. Interest earned on the fund is used to provide matching funds to plan and construct regional drinking water systems in Montana and fund state and local entity administrative expenses. Except for administrative expenses, each state dollar must be matched equally by local funds. The funds in the account are further restricted to finance regional drinking water systems from the waters of the Tiber reservoir and the Missouri River within specific geographic areas. The deposit of coal severance tax revenue to this fund terminates the end of FY 2016.

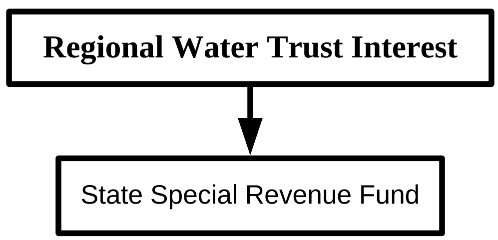
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 17-5-703 (4b); use of earnings (90-6-715)
Date Due (MCA) – monthly (17-5-703(4d))

Applicable Tax Rate(s): NA

Distribution: Interest earnings are deposited to a state special revenue fund and appropriated to the Department of Natural Resources and Conservation to fund eligible projects and pay administrative expenses.

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 regional water 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 regional water trust was created from distributions of the coal severance tax. The regional water trust was formed in 2000 as a sub-trust to the permanent coal trust. The Constitution requires that 50% of the coal severance tax collections be distributed to the coal trust, and 25% of that distribution (after the water bond debt service obligation is met) or 12.5% of total coal severance tax revenues is distributed to the regional water trust. The principal or corpus of the regional water trust now stands at $56.3 million. Estimates of future deposits to the trust are developed in the coal severance tax projection and are expected to be $5.8 million in FY 2009, $5.8 million in FY 2010, and $5.9 million in FY 2011.

To forecast the regional water trust interest earnings, each of three interest/income components are estimated independently and combined. The estimated interest/income components include:

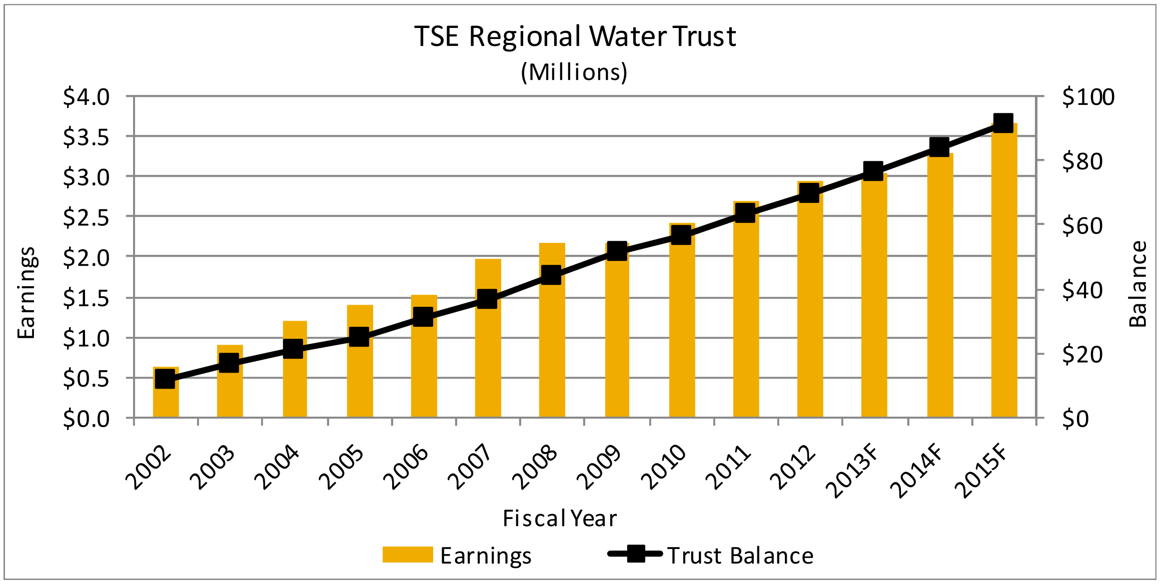
- Trust fund bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

Legislative Fiscal Division

Revenue Estimate Profile

Regional Water 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 figure below. To estimate TFBP earnings, the base year (FY 2010) 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. The fiscal year average long-term interest rate is expected to be 4.2% in FY 2011, 4.2% in FY 2012, and 5.0% in FY 2013.

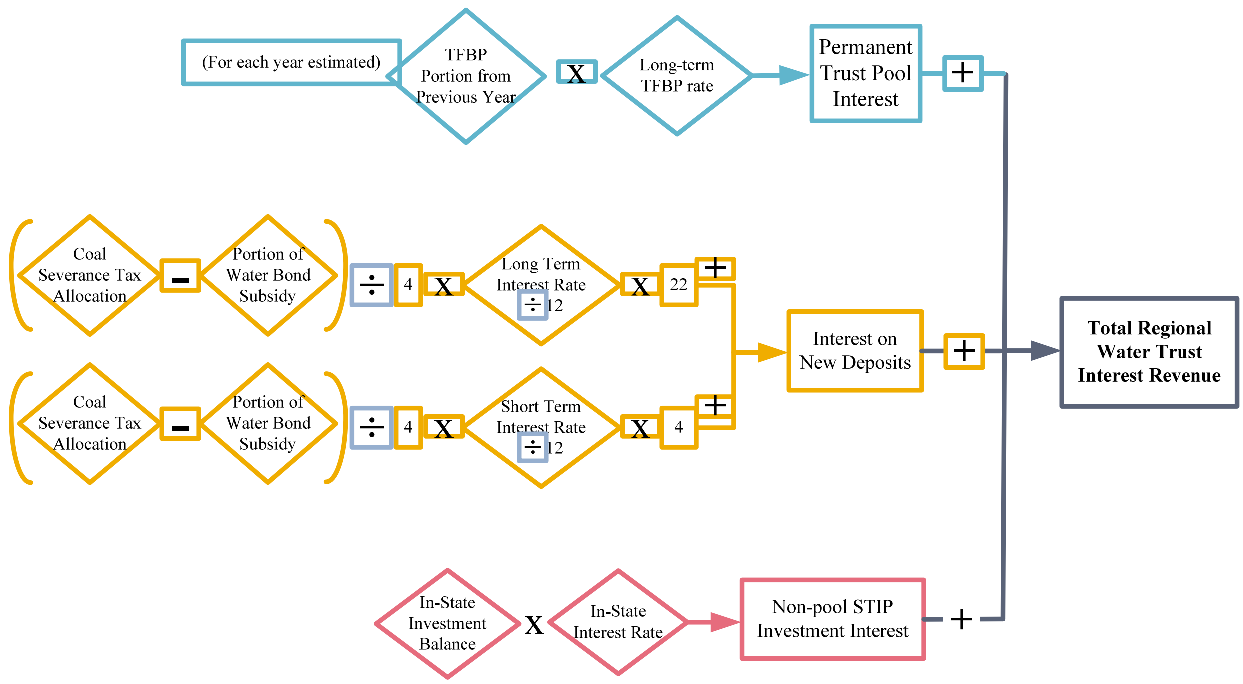


STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed, based on IHS projections of three short-term investments. The average fiscal year short-term interest rate is expected to be 0.3% in FY 2011, 0.9% in FY 2012, and 2.5% in FY 2013.

Coal severance tax distributions to the regional water 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. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Regional Water Trust Interest

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Regional Water Trust Interest

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Loan Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2002	0.643	0.000	0.611	0.033	0.000		
Actual	2003	0.894	0.000	0.865	0.030	0.000		
Actual	2004	1.201	0.000	1.174	0.027	0.000	20.942	5.7%
Actual	2005	1.396	0.000	1.340	0.056	0.000	24.913	5.6%
Actual	2006	1.527	0.000	1.391	0.137	0.000	30.573	5.0%
Actual	2007	1.979	0.000	1.772	0.206	0.000	36.505	5.4%
Actual	2008	2.175	0.000	1.970	0.205	0.000	43.858	5.0%
Actual	2009	2.179	0.000	2.073	0.105	0.000	51.593	4.2%
Actual	2010	2.419	0.000	2.393	0.025	0.000	56.060	4.3%
Actual	2011	2.685	0.000	2.664	0.021	0.000	64.480	4.2%
Actual	2012	2.937	0.000	2.913	0.019	0.000	69.540	4.2%
Forecast	2013	3.035	0.000	2.905	0.130	0.000	76.396	4.0%
Forecast	2014	3.295	0.000	3.143	0.153	0.000	83.633	3.9%
Forecast	2015	3.654	0.000	3.425	0.230	0.000	91.170	4.0%

	t Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2002	3.952	6.2%	2.6%	1.579
Actual	2003	3.678	5.7%	1.4%	1.894
Actual	2004	3.943	5.4%	1.3%	2.694
Actual	2005	4.704	5.2%	2.4%	2.765
Actual	2006	4.478	5.2%	4.1%	3.826
Actual	2007	5.095	5.4%	4.7%	3.908
Actual	2008	5.666	5.3%	3.1%	5.611
Actual	2009	6.196	5.1%	1.0%	6.786
Actual	2010	5.522	4.8%	0.2%	5.488
Actual	2011	6.871	4.4%	0.1%	7.188
Actual	2012	6.593	3.8%	0.1%	7.198
Forecast	2013	6.856	3.5%	0.1%	7.198
Forecast	2014	7.237	3.9%	0.2%	7.198
Forecast	2015	7.537	4.5%	0.5%	7.198

Total Rev. = Invested Balance × Average Return

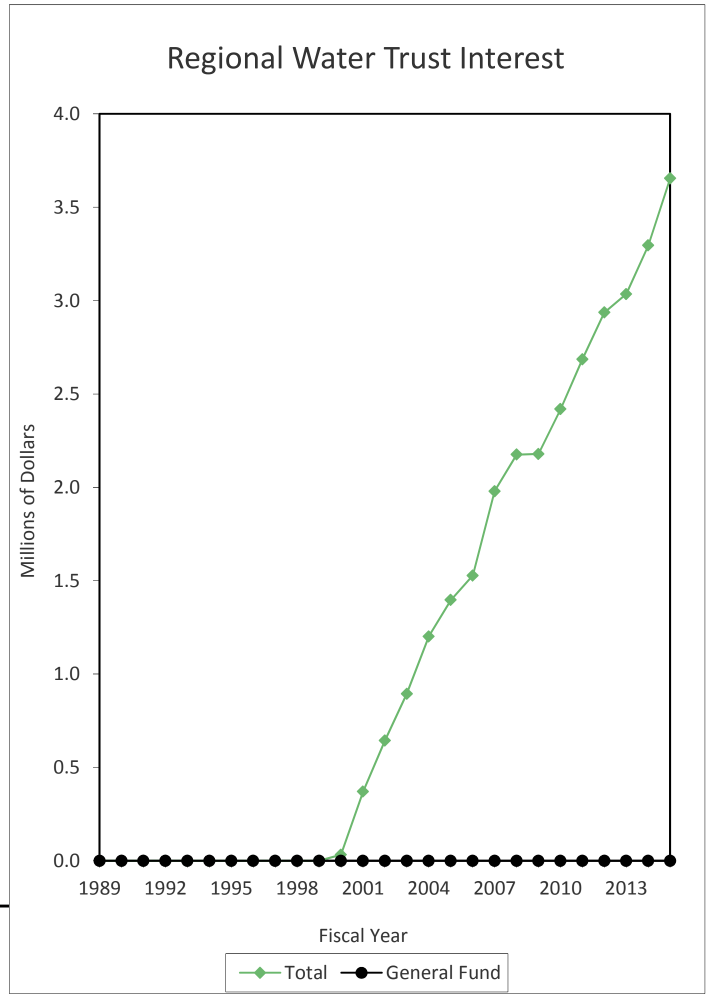
Legislative Fiscal Division

Revenue Estimate Profile

Regional Water Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	0.000	0.000	Not App.
A	1992	0.000	0.000	Not App.
A	1993	0.000	0.000	Not App.
A	1994	0.000	0.000	Not App.
A	1995	0.000	0.000	Not App.
A	1996	0.000	0.000	Not App.
A	1997	0.000	0.000	Not App.
A	1998	0.000	0.000	Not App.
A	1999	0.000	0.000	Not App.
A	2000	0.032	0.000	Not App.
A	2001	0.370	0.000	Not App.
A	2002	0.643	0.000	Not App.
A	2003	0.894	0.000	Not App.
A	2004	1.201	0.000	Not App.
A	2005	1.396	0.000	Not App.
A	2006	1.527	0.000	Not App.
A	2007	1.979	0.000	Not App.
A	2008	2.175	0.000	Not App.
A	2009	2.179	0.000	Not App.
A	2010	2.419	0.000	Not App.
A	2011	2.685	0.000	Not App.
A	2012	2.937	0.000	Not App.
F	2013	3.035	0.000	Not App.
F	2014	3.295	0.000	Not App.
F	2015	3.654	0.000	Not App.



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

Contacts:

Resource Indemnity Trust Interest

Revenue Description: 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) "shall forever remain inviolate in an amount of one hundred million dollars ($100,000,000), guaranteed by the state against loss or diversion." Once the principal of the trust reaches $100 million, any additional tax deposits may be appropriated. Interest earnings on the RIT are to be spent to improve the total environment and rectify damage to the environment. It is also the legislature's intent that the use of interest earnings for operations of state government be minimized.

On July 1, 2002 the Governor by executive order certified to the Secretary of State that the RIT balance had reached $100 million. In prior years, the RIT had received revenue from the resource indemnity and ground water assessment tax and the oil and gas tax. Because these allocations of revenue are no longer deposited to the trust, the trust balance will remain constant and interest earnings will be dependent only on the interest rates.

Statutory Reference:

Tax Rate – NA
Distribution (MCA) – Montana Constitution, Article IX, Section 2; 15-38-202(2), use of earnings (15-38-203)
Date Due – NA

Applicable Tax Rate(s): N/A

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. Money in this account is statutorily appropriated to the Board of Oil and Gas Conservation for the cost of plugging wells that have been abandoned and for which no responsible party can be found;
2) at the beginning of the biennium, $500,000 to the water storage state special revenue account to provide loans and grants for water storage projects;
3) at the beginning of the biennium, $175,000 to the environmental contingency fund which is statutorily appropriated upon authorization of the Governor for unanticipated public needs arising from certain disasters and emergencies;
4) $3.5 million annually to the natural resources projects state special revenue account for distribution as grants;
5) $300,000 annually to the ground water assessment account to improve ground water management and protection;
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 for program and administrative costs; b) 26% to the hazardous waste/CERCLA state special revenue account for superfund activities; and c) 9% to the environmental quality protection state special revenue fund for additional clean-up activities.

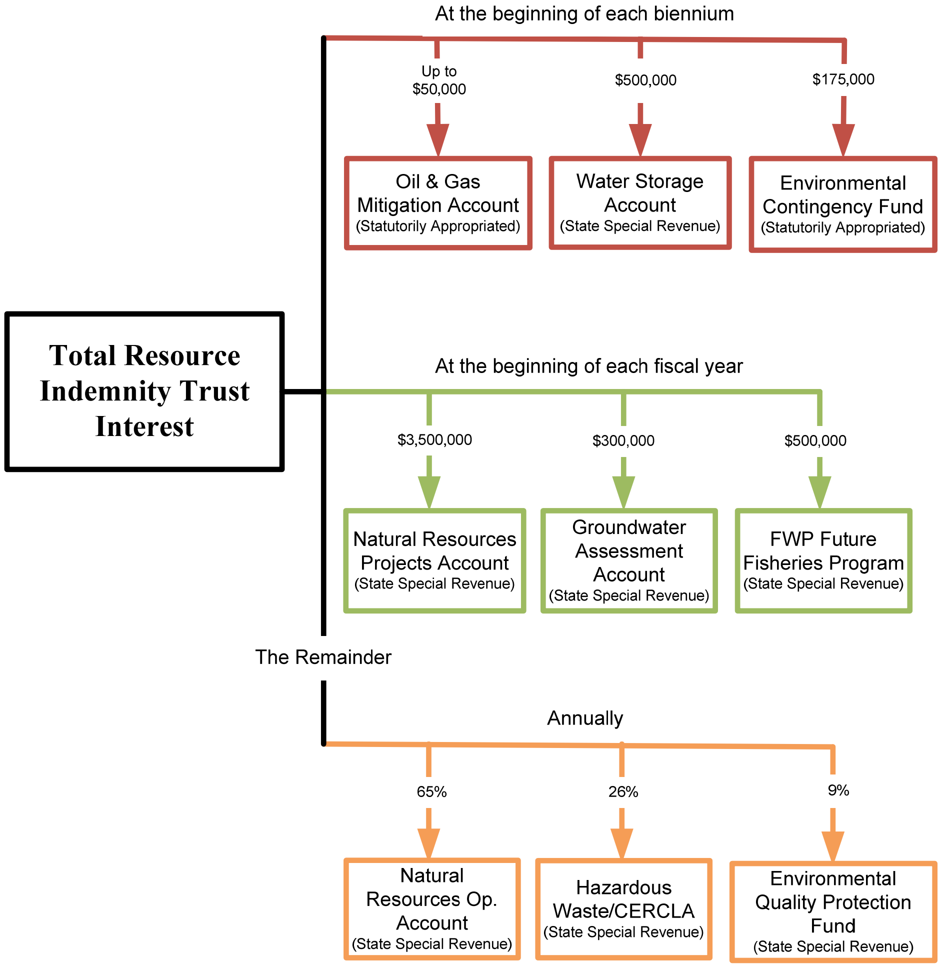
The Department of Natural Resources and Conservation administers two of the RIT interest accounts which are used for grants, loans, and administrative costs: the renewable resource grant and loan program account and the reclamation and development grant account. These accounts also receive funding from other sources. All grants and loans made from these accounts require legislative approval. Grants must also be appropriated.

Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Trust Interest

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 resource indemnity (RIT) 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.

Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Trust Interest

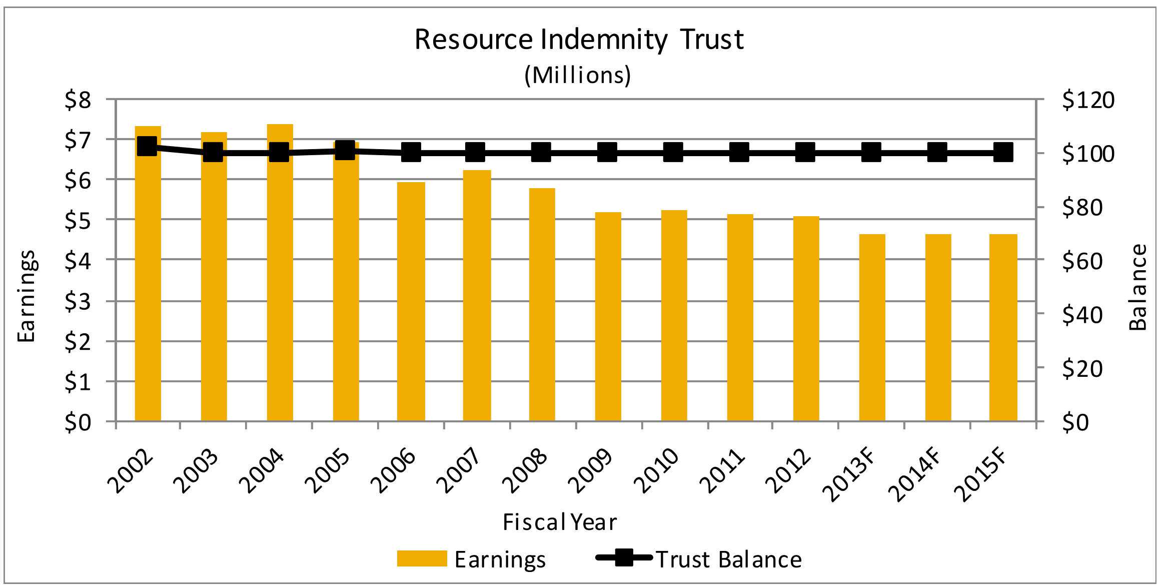
Analysis

The RIT trust, formed in the mid 1970's, was created from distributions of the resource indemnity and ground water assessment tax (RIGWA) and the oil and gas tax. The resource indemnity trust reached its constitutionally required principal of $100 million in FY 2002. As a result, the trust no longer receives new income from tax distributions. The principal or corpus of the resource indemnity trust now stands at $100 million, as shown by the line in the figure below. No new deposits are anticipated for the trust.

To forecast the resource indemnity 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 (if anticipated)

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 (FY 2010) 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 a two-year average of four long-term rates projected by IHS. The fiscal year long-term rate is estimated to be 4.2%, 4.2%, and 5.0% for FY 2011 through 2013, respectively. The applicable rates are multiplied by the trust balance to determine earnings.



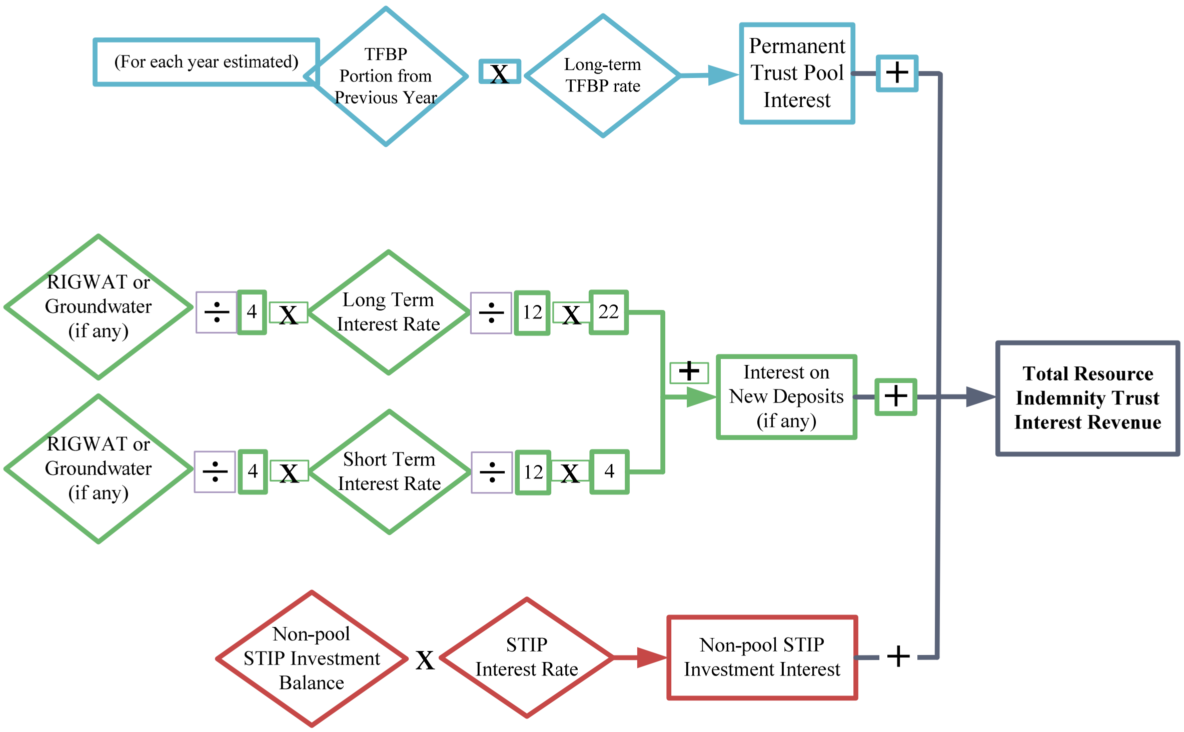
STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. To estimate future STIP earnings, an average short-term interest rate is developed, based on IHS projections of three short-term investments. Because no new deposits are anticipated for the trust, STIP earnings are projected for only non-pool balances estimated at the FY 2010 amount.

Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Trust Interest

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Trust Interest

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2002	7.321	0.000	7.286	0.034		
Actual	2003	7.174	0.000	7.161	0.013		
Actual	2004	7.380	0.000	7.375	0.005	100.644	7.3%
Actual	2005	6.247	0.000	6.890	0.012	100.910	6.8%
Actual	2006	5.916	0.000	5.897	0.019	100.506	5.9%
Actual	2007	6.220	0.000	6.198	0.023	100.723	6.2%
Actual	2008	5.801	0.000	5.786	0.015	100.504	5.8%
Actual	2009	5.197	0.000	5.191	0.006	100.484	5.2%
Actual	2010	5.213	0.000	5.212	0.001	100.434	5.2%
Actual	2011	5.135	0.000	5.133	0.001	100.442	5.1%
Actual	2012	5.064	0.000	5.062	0.001	100.420	5.0%
Forecast	2013	4.661	0.000	4.660	0.001	100.420	4.6%
Forecast	2014	4.661	0.000	4.660	0.001	100.420	4.6%
Forecast	2015	4.664	0.000	4.660	0.004	100.420	4.6%

	t Fiscal	Net Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions
Actual	2002	1.589	6.2%	2.6%	2.176
Actual	2003	0.000	5.7%	1.4%	0.741
Actual	2004	0.000	5.4%	1.3%	0.644
Actual	2005	0.252	5.2%	2.4%	0.910
Actual	2006	0.000	5.2%	4.1%	0.506
Actual	2007	0.000	5.4%	4.7%	0.723
Actual	2008	0.000	5.3%	3.1%	0.504
Actual	2009	0.000	5.1%	1.0%	0.484
Actual	2010	0.000	4.8%	0.2%	0.434
Actual	2011	0.000	4.4%	0.1%	0.442
Actual	2012	0.000	3.8%	0.1%	0.420
Forecast	2013	0.000	3.5%	0.1%	0.420
Forecast	2014	0.000	3.9%	0.2%	0.420
Forecast	2015	0.000	4.5%	0.5%	0.420

Resource Indemnity Trust Interest

	t Fiscal	Hazardous Waste Millions	Environmental Quality Millions	Renewable Resource Millions	Reclamation Development Millions	Environmental Contingency Millions
Actual	2002	0.534	0.185	3.357	2.219	0.175
Actual	2003	0.679	0.231	3.027	2.588	0.000
Actual	2004	0.564	0.192	2.894	2.354	0.175
Actual	2005	0.475	0.162	2.790	2.171	0.000
Actual	2006	0.169	0.059	2.435	1.728	0.175
Actual	2007	0.437	0.151	2.744	2.088	0.000
Actual	2008	0.202	0.070	0.000	0.000	0.175
Actual	2009	0.188	0.065	0.000	0.000	0.175
Actual	2010	0.049	0.017	0.000	0.000	0.175
Actual	2011	0.217	0.075	0.000	0.000	0.000
Actual	2012	0.048	0.017	0.000	0.000	0.028
Forecast	2013	0.094	0.032	0.000	0.000	0.000
Forecast	2014	0.000	0.000	0.000	0.000	0.000
Forecast	2015	0.095	0.033	0.000	0.000	0.000

	t Fiscal	Water Storage Millions	Oil & Gas Receipts Millions	FWP Receipts Millions	Groundwater Receipts Millions	NR Operation Receipts Millions	NR Projects Receipts Millions
Actual	2002	0.5000	0.0500	0.0000	0.3000	0.0000	0.0000
Actual	2003	0.0000	0.0000	0.3500	0.3000	0.0000	0.0000
Actual	2004	0.5000	0.0500	0.3500	0.3000	0.0000	0.0000
Actual	2005	0.0000	0.0000	0.3500	0.3000	0.0000	0.0000
Actual	2006	0.5000	0.0500	0.5000	0.3000	0.0000	0.0000
Actual	2007	0.0000	0.0000	0.5000	0.3000	0.0000	0.0000
Actual	2008	0.5000	0.0500	0.5000	0.3000	0.5043	3.5000
Actual	2009	0.0000	0.0000	0.5000	0.3000	0.4693	3.5000
Actual	2010	0.5000	0.0500	0.5000	0.3000	0.1222	3.5000
Actual	2011	0.0000	0.0000	0.5000	0.3000	0.5425	3.5000
Actual	2012	0.5000	0.0500	0.5000	0.3000	0.1205	3.5000
Forecast	2013	0.0000	0.0000	0.5000	0.3000	0.2347	3.5000
Forecast	2014	0.4855	0.0000	0.4855	0.2913	0.0000	3.3986
Forecast	2015	0.0000	0.0000	0.5000	0.3000	0.2366	3.5000

Total Rev. = Invested Balance × Average Return

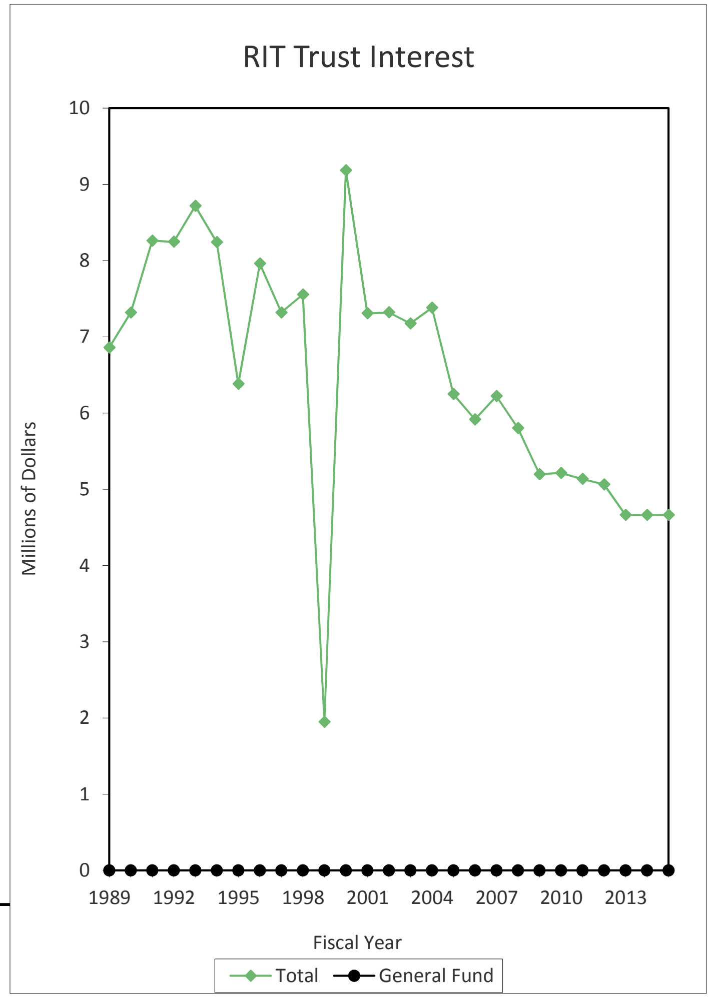
Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	6.858	0.000	Not App.
A	1990	7.316	0.000	Not App.
A	1991	8.261	0.000	Not App.
A	1992	8.246	0.000	Not App.
A	1993	8.715	0.000	Not App.
A	1994	8.239	0.000	Not App.
A	1995	6.380	0.000	Not App.
A	1996	7.960	0.000	Not App.
A	1997	7.318	0.000	Not App.
A	1998	7.556	0.000	Not App.
A	1999	1.948	0.000	Not App.
A	2000	9.184	0.000	Not App.
A	2001	7.306	0.000	Not App.
A	2002	7.321	0.000	Not App.
A	2003	7.174	0.000	Not App.
A	2004	7.380	0.000	Not App.
A	2005	6.247	0.000	Not App.
A	2006	5.916	0.000	Not App.
A	2007	6.220	0.000	Not App.
A	2008	5.801	0.000	Not App.
A	2009	5.197	0.000	Not App.
A	2010	5.213	0.000	Not App.
A	2011	5.135	0.000	Not App.
A	2012	5.064	0.000	Not App.
F	2013	4.661	0.000	Not App.
F	2014	4.661	0.000	Not App.
F	2015	4.664	0.000	Not App.



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

Contacts:

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

Revenue Description: Due to passage of Montana Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate not less than 40% of tobacco settlement money to a permanent trust fund. Initially, the legislature did not determine the exact percentage to be deposited to the trust fund; the revenue estimate assumes 40%. Since the passage of Initiative 146 by the electorate in November 2002, 32% of the tobacco settlement money is to fund tobacco prevention and 17% is to fund the Children's Health Insurance Program. As amended in SB 485 by the 2003 legislature, money from these allocations can also be used to fund human services programs and to match federal Medicaid funds through FY 2005. The remaining 11% of the money is deposited to the general fund. Interest earnings from the trust can only be used for tobacco disease prevention programs and programs providing benefits, services, or coverage that are related to the health care needs of Montanans. HB 743 enacted by the 2007 Legislature added chronic disease programs to the definition of tobacco disease prevention programs. The earnings cannot be used to replace state or federal money used to fund tobacco disease prevention programs and state programs that existed on December 31, 1999, providing benefits, services, or coverage of the health care needs of Montanans.

Statutory Reference:

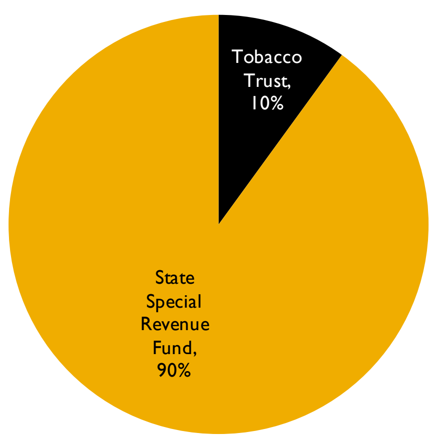
Tax Rate – NA
Distribution (MCA) – Montana Constitution Article XII, Section 4; 17-6-601; 17-6-603
Date Due – Interest deposits are mostly made monthly, but none in July and two in June

Applicable Tax Rate(s): NA

Distribution: Interest earnings from the trust fund are distributed:

1. 90% to a state special revenue account for appropriation by the legislature for disease prevention programs (include chronic disease programs) and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana; and
2. 10% to the tobacco settlement trust fund.

Distribution Chart:



Collection Frequency: Trust interest earnings are deposited monthly to the state special revenue account and the trust.

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used to estimate interest earnings from the tobacco settlement 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.

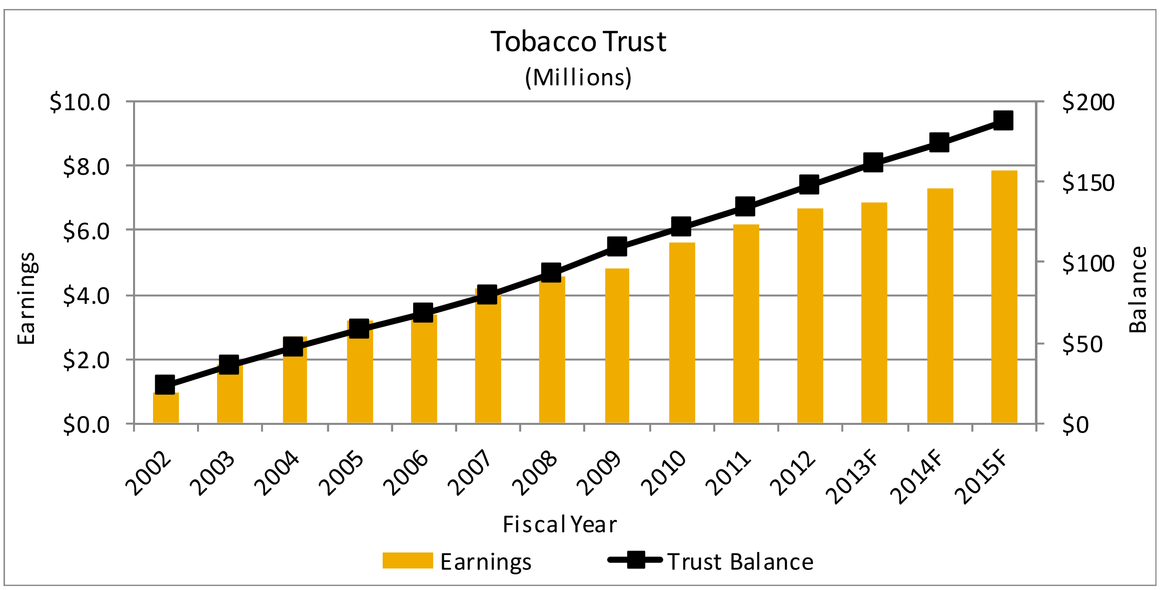
Analysis

The tobacco settlement trust, formed in 2000, was created from distributions of the tobacco settlement funds. In 2000, as required by constitutional amendment, the state began depositing 40% of the tobacco settlement funds into a trust. As required in statute, 10% of the trust earnings must be deposited in the trust. The principal or corpus of the tobacco trust now stands at $122.0 million, as shown by the line in the figure below. New deposits are expected to be $13.5 million in FY 2011, $13.5 million in FY 2012, and $13.6 million in FY 2013.

To forecast the tobacco settlement 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

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 (FY 2010) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable new long-term rate for these securities is based on an average of four long-term rates projected by IHS. The fiscal year average long-term interest rate is expected to be 4.2% in FY 2011, 4.2% in FY 2012, and 5.0% in FY 2013.



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 average fiscal year short-term interest rate is expected to be 0.3% in FY 2011, 0.9% in FY 2012, and 2.5% in FY 2013.

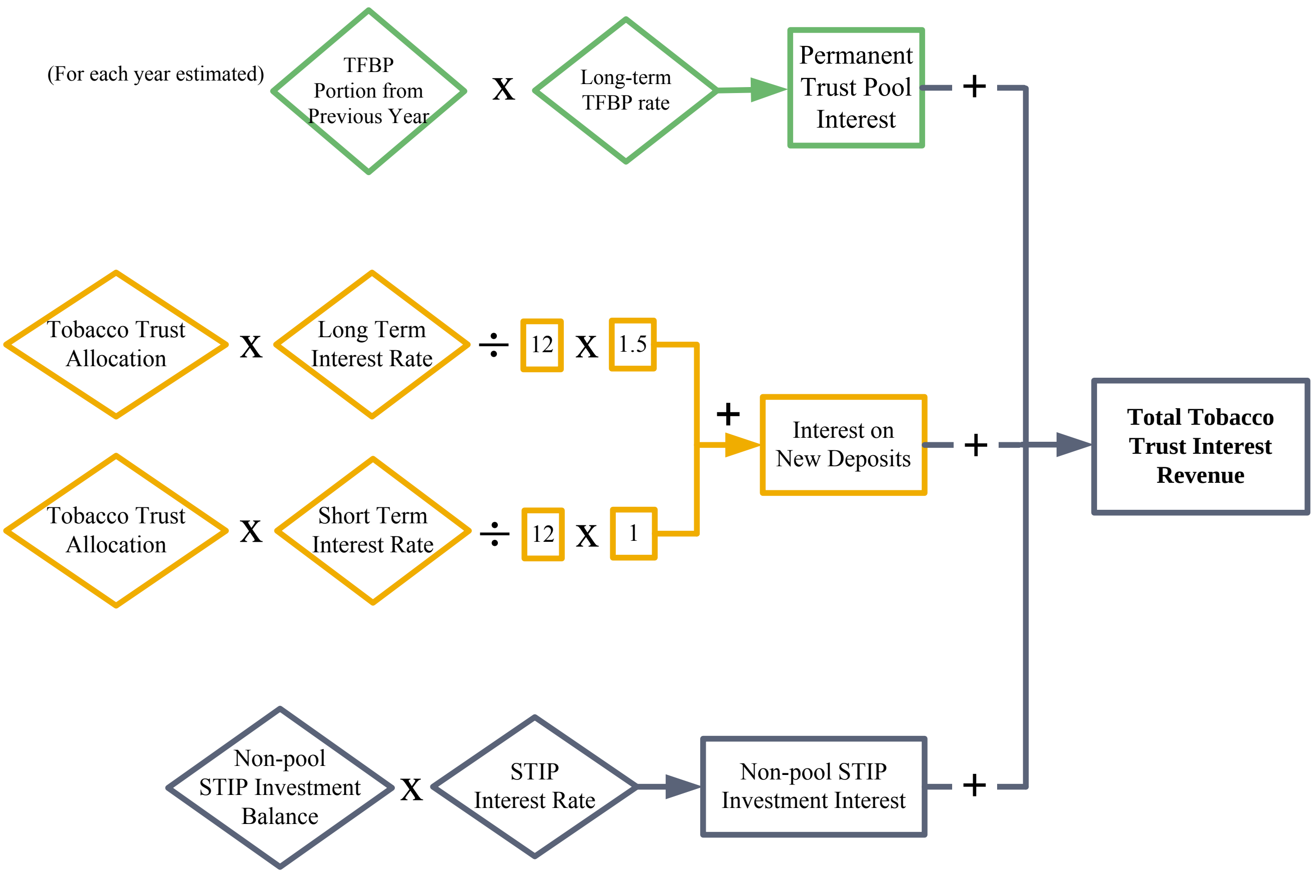
Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

The 40% distribution of tobacco settlement funds and 10% of retained interest earnings are considered new deposits in the tobacco settlement trust. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the tobacco settlement funds, they 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.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	90 Percent Interest Millions	10 Percent Interest Millions
Actual	2002	0.968	0.000	0.955	0.012		
Actual	2003	1.830	0.000	1.816	0.014	1.647	0.183
Actual	2004	2.670	0.000	2.662	0.008	2.403	0.267
Actual	2005	3.202	0.000	3.166	0.037	2.882	0.320
Actual	2006	3.388	0.000	3.321	0.067	3.049	0.339
Actual	2007	4.208	0.000	4.156	0.052	3.787	0.421
Actual	2008	4.546	0.000	4.525	0.021	4.091	0.455
Actual	2009	4.825	0.000	4.817	0.008	4.343	0.483
Actual	2010	5.599	0.000	5.597	0.002	5.039	0.560
Actual	2011	6.173	0.000	6.148	0.001	5.556	0.617
Actual	2012	6.701	0.000	6.615	0.003	6.031	0.670
Forecast	2013	6.826	0.000	6.819	0.008	6.143	0.683
Forecast	2014	7.305	0.000	7.297	0.008	6.575	0.731
Forecast	2015	7.858	0.000	7.832	0.027	7.072	0.786

	t Fiscal	Tobacco New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal Millions	Invested Balance Millions	Average Return Rate
Actual	2002	12.432	6.2%	2.6%	0.585		
Actual	2003	12.466	5.7%	1.4%	0.251		
Actual	2004	10.669	5.4%	1.3%	0.133	46.756	5.7%
Actual	2005	10.828	5.2%	2.4%	2.854	57.902	5.5%
Actual	2006	9.940	5.2%	4.1%	0.917	68.175	5.0%
Actual	2007	10.324	5.4%	4.7%	0.493	79.001	5.3%
Actual	2008	13.846	5.3%	3.1%	0.537	93.294	4.9%
Actual	2009	15.009	5.1%	1.0%	0.098	108.776	4.4%
Actual	2010	12.613	4.8%	0.2%	0.064	121.957	4.6%
Actual	2011	12.410	4.4%	0.1%	0.105	134.421	4.6%
Actual	2012	12.698	3.8%	0.1%	2.109	147.168	4.6%
Forecast	2013	13.586	3.5%	0.1%	2.109	160.754	4.2%
Forecast	2014	13.480	3.9%	0.2%	2.109	174.234	4.2%
Forecast	2015	13.406	4.5%	0.5%	2.109	187.640	4.2%

Total Rev. = Invested Balance × Average Return

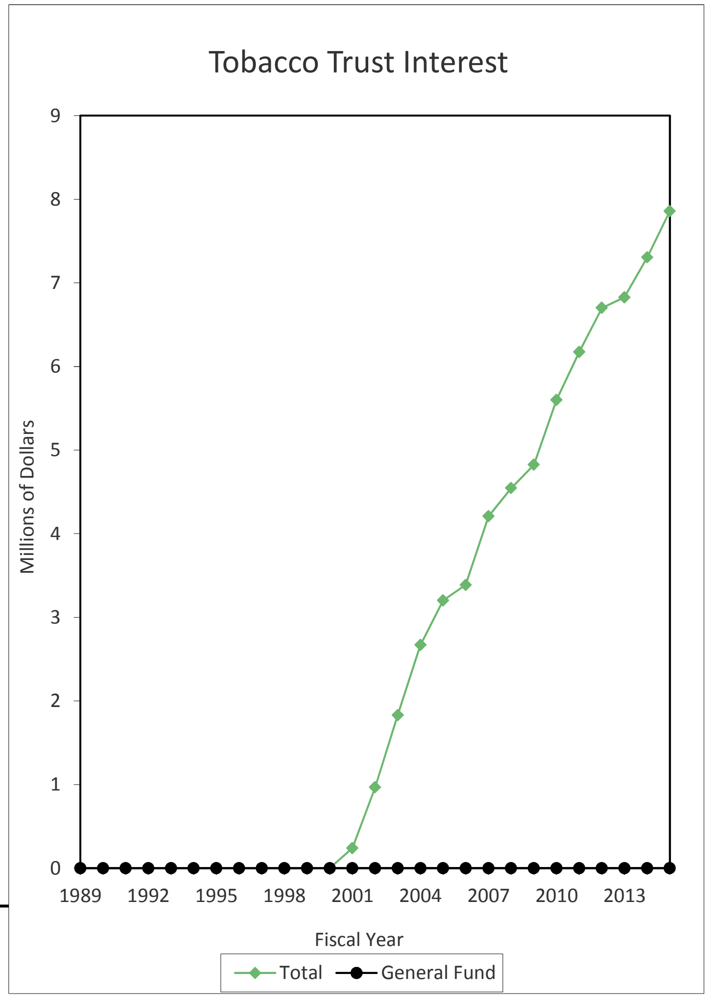
Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	0.000	0.000	Not App.
A	1992	0.000	0.000	Not App.
A	1993	0.000	0.000	Not App.
A	1994	0.000	0.000	Not App.
A	1995	0.000	0.000	Not App.
A	1996	0.000	0.000	Not App.
A	1997	0.000	0.000	Not App.
A	1998	0.000	0.000	Not App.
A	1999	0.000	0.000	Not App.
A	2000	0.000	0.000	Not App.
A	2001	0.240	0.000	Not App.
A	2002	0.968	0.000	Not App.
A	2003	1.830	0.000	Not App.
A	2004	2.670	0.000	Not App.
A	2005	3.202	0.000	Not App.
A	2006	3.388	0.000	Not App.
A	2007	4.208	0.000	Not App.
A	2008	4.546	0.000	Not App.
A	2009	4.825	0.000	Not App.
A	2010	5.599	0.000	Not App.
A	2011	6.173	0.000	Not App.
A	2012	6.701	0.000	Not App.
F	2013	6.826	0.000	Not App.
F	2014	7.305	0.000	Not App.
F	2015	7.858	0.000	Not App.



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

Contacts: Department of Justice

Legislative Fiscal Division

Revenue Estimate Profile

Treasure State Endowment Trust Interest

Revenue Description: In the June 1992 election, voters approved a referendum to create the Treasure State Endowment Fund (TSEF) within the permanent coal tax trust fund. The TSEF received a $10 million grant from the permanent trust principal in FY 1994 and received 37.5% of total coal severance tax collections from July 1999 through June 2003. Beginning FY 2004, the trust receives 25% of total collections. Interest earned on the TSEF 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).

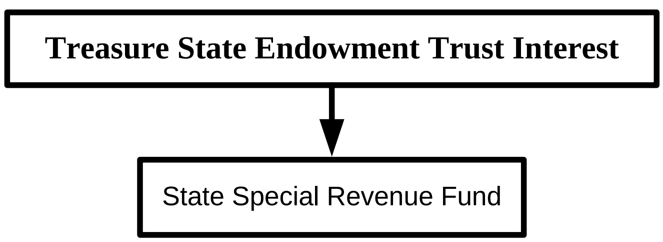
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 17-5-703 (4c); use of earnings (90-6-701(2))
Date Due (MCA) – Monthly (17-5-703 (4c))

Applicable Tax Rate(s): N/A

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

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 treasure state endowment (TSE) trust is 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

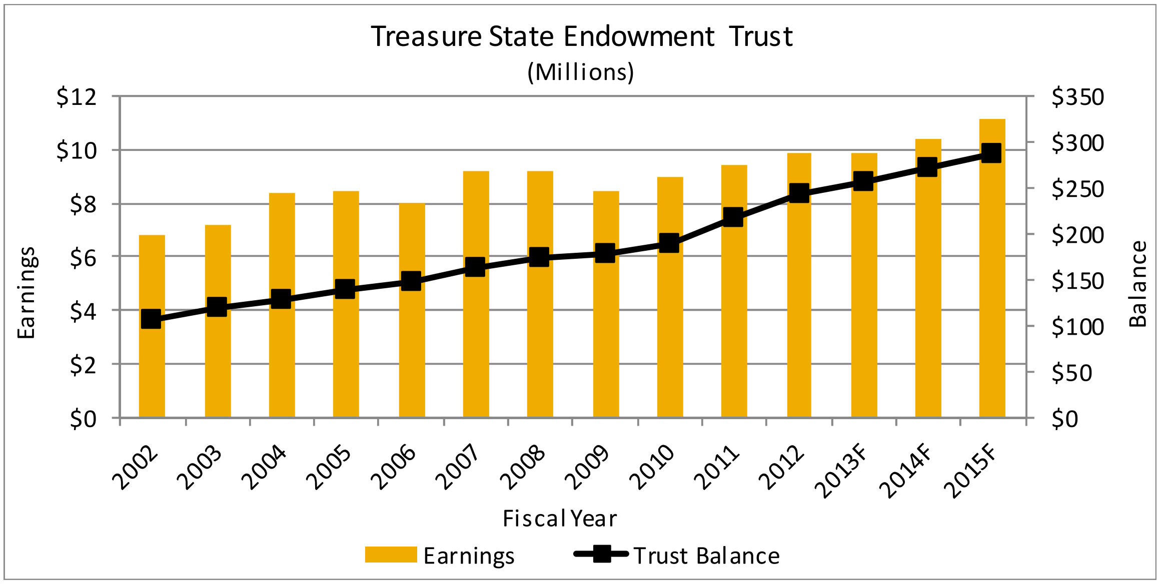
The TSE trust was created from distributions of the coal severance tax. The TSE trust was formed early in the 1990's as a sub-trust to the permanent coal trust. The Constitution requires that 50% of the coal severance tax collections be distributed to the coal trust, and 50% of that distribution (after the water bond debt service obligation is met) or 25% of total coal severance tax revenues is distributed to the TSE trust. The principal or corpus of the TSE trust now stands at $189.6 million. The estimates of future deposits to the TSE trust are developed in the coal severance tax projection and are expected to be $11.5 million in FY 2010, $11.6 million in FY 2012, and $11.8 million in FY 2013.

To forecast the TSE trust interest earnings, each of the following four interest/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. To estimate TFBP earnings, the base year (FY 2010) rate of return generated by the pool, as reported by the BOI, is adjusted during the forecast period for maturing securities. The applicable new long-term rate for these securities is based on an average of four long-term rates projected by IHS. The fiscal year average long-term interest rate is expected to be 4.2% in FY 2010, 4.2% in FY 2012, and 5.0% in FY 2013.



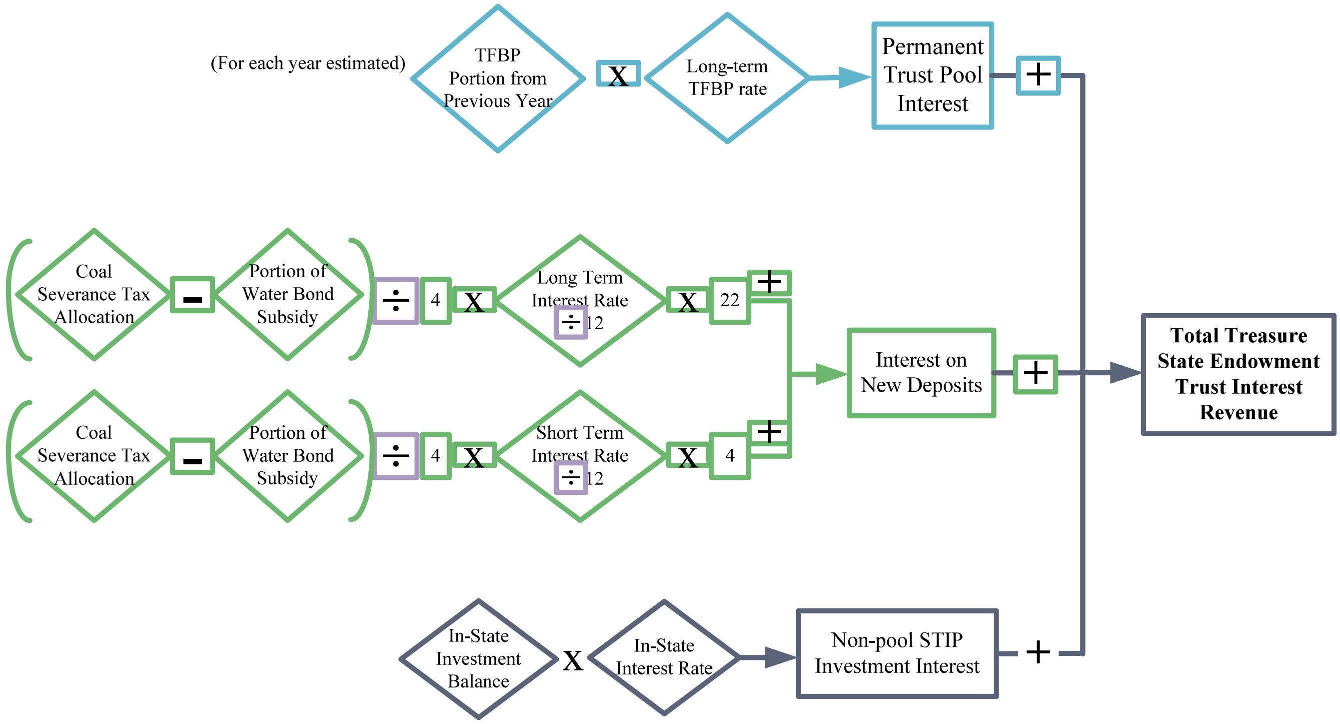
As seen in the figure above, earnings from in-state investments have historically been the second largest source of income to the TSE trust. The BOI is required by statute to invest 25% of coal tax trust in the Montana economy. Investments must be made to maximize the long-term benefit to the Montana economy. In-state investments primarily consist of loans to Montana business entities and earnings are equal to the interest charged on the loans. In the 2013 biennium, the average loan rate is forecast to be 4.5%.

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 average of these rates is then converted to a fiscal year basis. The average fiscal year short-term interest rate is expected to be 0.3% in FY 2011, 0.9% in FY 2012, and 2.5% in FY 2013.

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. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Treasure State Endowment Trust Interest

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Treasure State Endowment Trust Interest

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	TFBP Interest Millions	STIP Interest Millions	Loan Interest Millions	Invested Balance Millions	Average Return Rate
Actual	2002	6.805	0.000	5.140	0.135	1.531		
Actual	2003	7.175	0.000	5.719	0.092	1.365		
Actual	2004	8.349	0.000	6.930	0.086	1.333	127.176	6.6%
Actual	2005	8.482	0.000	7.272	0.237	0.970	137.336	6.2%
Actual	2006	8.039	0.000	7.001	0.514	0.523	147.151	5.5%
Actual	2007	9.225	0.000	8.102	0.719	0.404	161.366	5.7%
Actual	2008	9.194	0.000	8.296	0.639	0.259	172.310	5.3%
Actual	2009	8.450	0.000	8.131	0.182	0.141	177.724	4.8%
Actual	2010	8.940	0.000	8.799	0.026	0.118	188.798	4.7%
Actual	2011	9.416	0.000	9.287	0.029	0.104	207.687	4.5%
Actual	2012	9.866	0.000	9.742	0.049	0.079	225.263	4.4%
Forecast	2013	9.881	0.000	9.559	0.274	0.051	238.974	4.1%
Forecast	2014	10.403	0.000	10.035	0.320	0.051	253.449	4.1%
Forecast	2015	11.155	0.000	10.599	0.508	0.051	268.523	4.2%

	t Fiscal	Net Coal Tax New Deposit Millions	New Deposit Long Term Rate	Non Pool STIP Rate	Non Pool Loan Rate	Non Pool STIP Bal Millions	Non Pool Loan Bal Millions
Actual	2002	11.855	6.2%	2.6%	8.3%	7.427	17.859
Actual	2003	11.034	5.7%	1.4%	7.4%	11.675	18.814
Actual	2004	7.886	5.4%	1.3%	8.3%	10.527	13.435
Actual	2005	9.409	5.2%	2.4%	8.8%	12.141	8.681
Actual	2006	8.955	5.2%	4.1%	7.1%	11.708	6.039
Actual	2007	10.190	5.4%	4.7%	7.5%	14.764	4.750
Actual	2008	11.333	5.3%	3.1%	7.5%	14.042	2.115
Actual	2009	12.391	5.1%	1.0%	7.3%	6.445	1.727
Actual	2010	11.044	4.8%	0.2%	7.1%	5.990	1.561
Actual	2011	13.743	4.4%	0.1%	6.9%	11.411	1.427
Actual	2012	13.186	3.8%	0.1%	6.6%	19.140	0.990
Forecast	2013	13.711	3.5%	0.1%	5.2%	19.140	0.990
Forecast	2014	14.475	3.9%	0.2%	5.2%	19.140	0.990
Forecast	2015	15.074	4.5%	0.5%	5.2%	19.140	0.990

Total Rev. = Invested Balance × Average Return

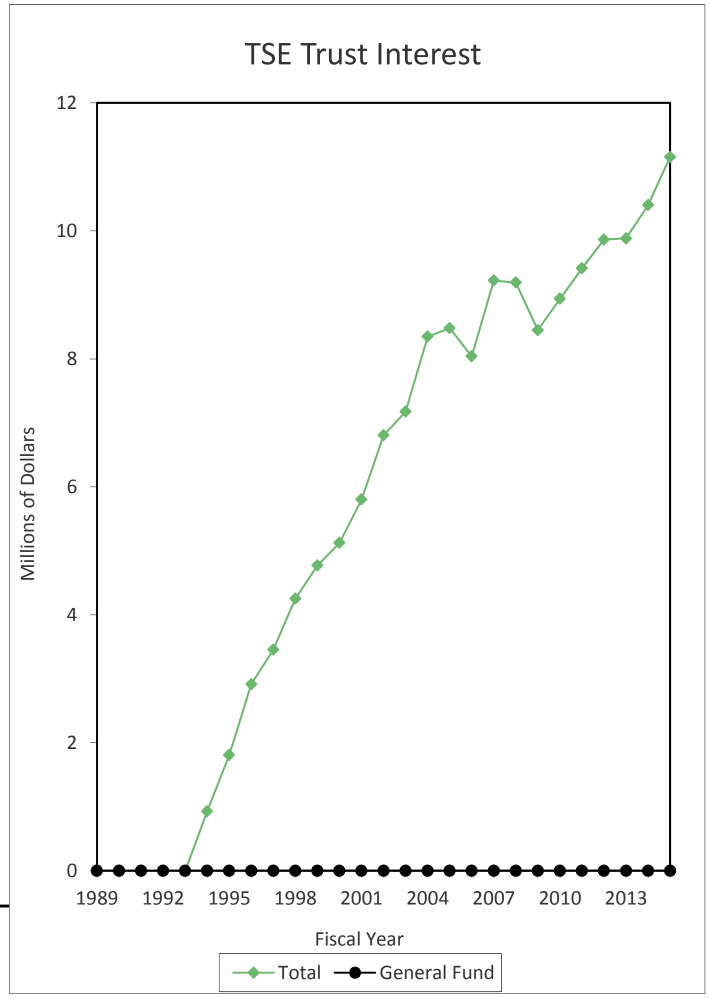
Legislative Fiscal Division

Revenue Estimate Profile

Treasure State Endowment Trust Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	0.000	0.000	Not App.
A	1992	0.000	0.000	Not App.
A	1993	0.000	0.000	Not App.
A	1994	0.929	0.000	Not App.
A	1995	1.810	0.000	Not App.
A	1996	2.916	0.000	Not App.
A	1997	3.454	0.000	Not App.
A	1998	4.250	0.000	Not App.
A	1999	4.773	0.000	Not App.
A	2000	5.123	0.000	Not App.
A	2001	5.802	0.000	Not App.
A	2002	6.805	0.000	Not App.
A	2003	7.175	0.000	Not App.
A	2004	8.349	0.000	Not App.
A	2005	8.482	0.000	Not App.
A	2006	8.039	0.000	Not App.
A	2007	9.225	0.000	Not App.
A	2008	9.194	0.000	Not App.
A	2009	8.450	0.000	Not App.
A	2010	8.940	0.000	Not App.
A	2011	9.416	0.000	Not App.
A	2012	9.866	0.000	Not App.
F	2013	9.881	0.000	Not App.
F	2014	10.403	0.000	Not App.
F	2015	11.155	0.000	Not App.



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

Contacts: Department of Commerce and Department of Natural Resources and Conservation

Legislative Fiscal Division

Revenue Estimate Profile

Treasury Cash Account Interest

Revenue Description: The Department of Commerce, Board of Investments is responsible for investing all state funds. Title 17, Chapter 6, MCA, provides guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund. Treasury cash is invested in a mixture of short and medium-term investments. Consequently, the interest assumptions adopted by the legislature incorporate a blend of short and intermediate-term rates. When needed to address cash flow problems, the state typically issues tax and revenue anticipation notes (TRANS). The legislature would then adopt TRANS issuance assumptions, since this affects the average invested balance. No TRANS issues are anticipated in the 2011 or 2013 biennia.

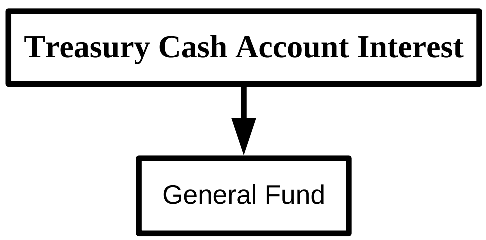
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 17-6-202(2)
Date Due – interest deposits are mostly made monthly, with two in June and none in July

Applicable Tax Rate(s): N/A

Distribution: All investment earnings on the treasury cash account (TCA) are deposited into the general fund.

Distribution Chart:



Collection Frequency: On-going

% of Total General Fund Revenue:

FY 2004 – 0.46%	FY 2007 – 1.85%	FY 2010 – 0.17%
FY 2005 – 0.66%	FY 2008 – 1.57%	FY 2011 – 0.14%
FY 2006 – 1.09%	FY 2009 – 0.86%	FY 2012 – 0.14%

Revenue Estimate Methodology:

Excess cash in the state treasury is deposited to the treasury cash account (TCA) and invested in short and medium-term investments. Earnings are dependent on the investable cash balance and interest rates. Investment earnings are deposited to the general fund.

Data

The Board of Investments provides monthly reports on the treasury cash account balance. The state accounting system (SABHRS) provides information on monthly investment earnings.

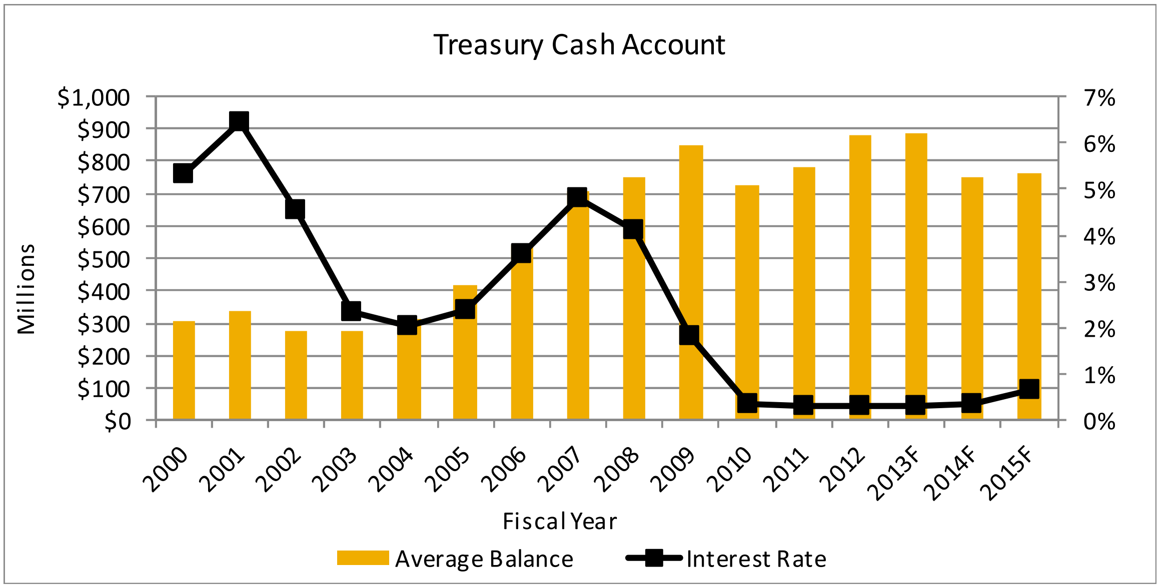
Analysis

- The average balance of the TCA is estimated by increasing the previous year's balance by half the difference between the anticipated general fund balances for the past and current years. When cash flow is insufficient, tax revenue anticipation notes (TRANS) are issued to meet short-term cash flow needs. The term of the loan and amount borrowed are used to determine the amount to be added to the average balance calculations. No TRANS are anticipated for FY 2011 -2013.

Legislative Fiscal Division

Revenue Estimate Profile

Treasury Cash Account Interest



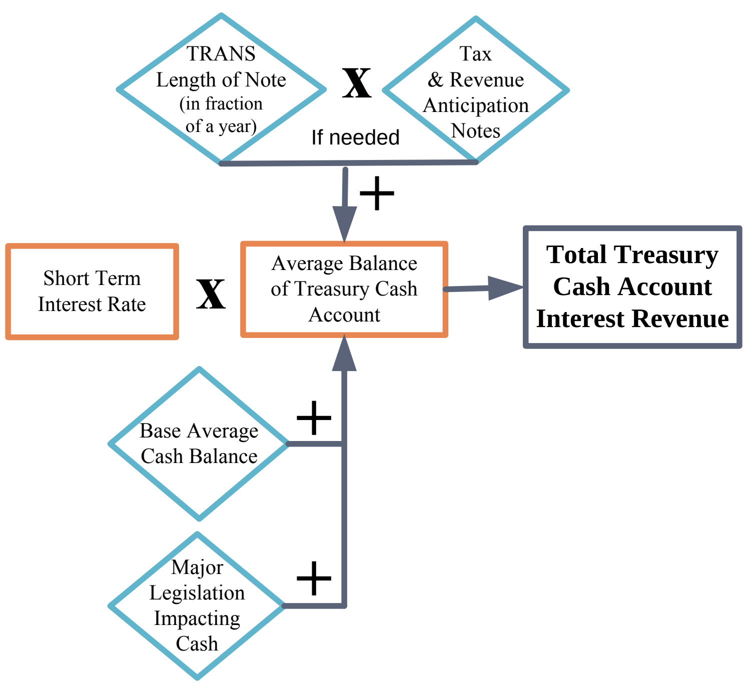
- Short-term interest rates are estimated by deriving a composite rate of IHS forecasts for the 3-month commercial paper, 3-month treasury bill, and 6-month treasury bill rates.

- The average TCA balance multiplied by the composite interest rate produces total fiscal year revenue.

Adjustments and Distribution

Once total 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

Treasury Cash Account Interest

Revenue Estimate Assumptions:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	Avg. Bal. Millions	Interest Rate	Issue Rate	TRANS Cost
Actual	2002	12.414	12.414	273.343	4.5%	0.0%	0.000
Actual	2003	6.366	6.366	273.929	2.3%	2.6%	1.639
Actual	2004	6.393	6.393	311.478	2.1%	0.2%	0.099
Actual	2005	10.047	10.047	419.349	2.4%	0.0%	0.000
Actual	2006	18.631	18.631	542.420	3.6%	0.0%	0.000
Actual	2007	33.951	33.951	710.102	4.8%	0.0%	0.000
Actual	2008	30.783	30.783	750.831	4.1%	0.0%	0.000
Actual	2009	15.507	15.507	849.208	1.8%	0.0%	0.000
Actual	2010	2.692	2.692	725.341	0.4%	0.0%	0.000
Actual	2011	2.519	2.519	781.879	0.3%	0.0%	0.000
Actual	2012	2.654	2.654	880.340	0.3%	0.0%	0.000
Forecast	2013	2.894	2.894	886.495	0.3%	0.2%	0.000
Forecast	2014	2.533	2.533	752.826	0.3%	0.2%	0.000
Forecast	2015	5.090	5.090	762.482	0.7%	0.4%	0.000

	t Fiscal	Base Bal. Millions	TRANS Millions	TRANS Length
Actual	2002	273.343	0.000	0.000
Actual	2003	212.062	92.800	0.667
Actual	2004	262.545	73.400	0.667
Actual	2005	419.349	0.000	0.000
Actual	2006	542.420	0.000	0.000
Actual	2007	710.102	0.000	0.000
Actual	2008	750.831	0.000	0.000
Actual	2009	849.208	0.000	0.000
Actual	2010	725.341	0.000	0.000
Actual	2011	781.879	0.000	0.000
Actual	2012	880.340	0.000	0.000
Forecast	2013	886.495	0.000	0.000
Forecast	2014	752.826	0.000	0.000
Forecast	2015	762.482	0.000	0.000

Total Rev. = Average Balance × Interest Rate
GF Rev = Total Rev.

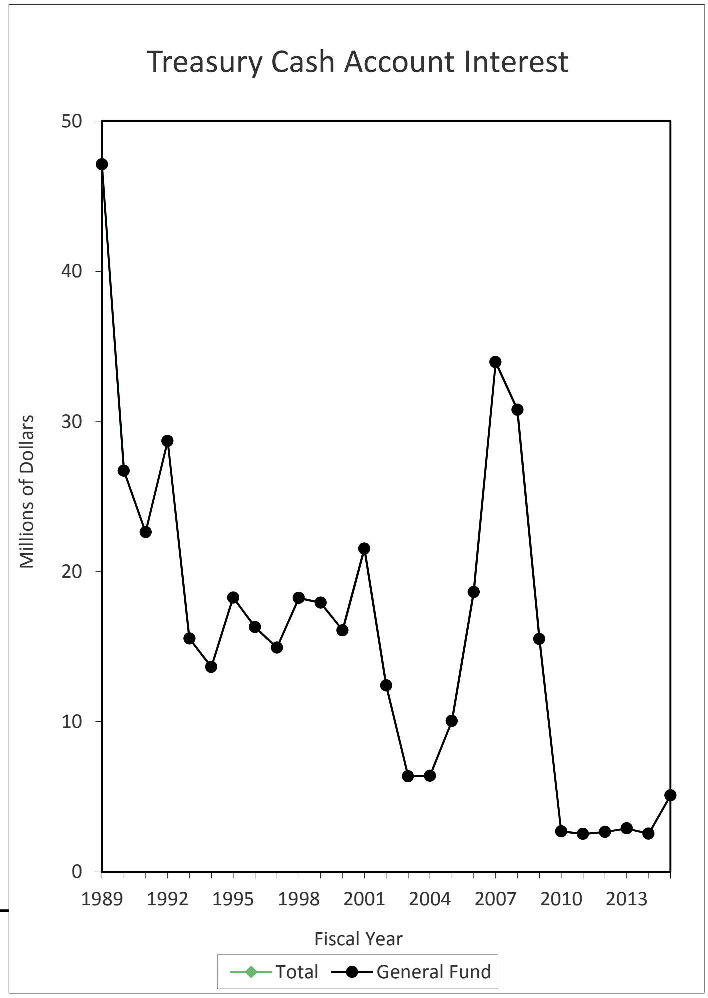
Legislative Fiscal Division

Revenue Estimate Profile

Treasury Cash Account Interest

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	47.124	47.124	Not App.
A	1990	26.725	26.725	-43.3%
A	1991	22.624	22.624	-15.4%
A	1992	28.703	28.703	26.9%
A	1993	15.535	15.535	-45.9%
A	1994	13.642	13.642	-12.2%
A	1995	18.270	18.270	33.9%
A	1996	16.294	16.294	-10.8%
A	1997	14.925	14.925	-8.4%
A	1998	18.247	18.247	22.3%
A	1999	17.920	17.920	-1.8%
A	2000	16.088	16.088	-10.2%
A	2001	21.532	21.532	33.8%
A	2002	12.414	12.414	-42.3%
A	2003	6.366	6.366	-48.7%
A	2004	6.393	6.393	0.4%
A	2005	10.047	10.047	57.2%
A	2006	18.631	18.631	85.5%
A	2007	33.951	33.951	82.2%
A	2008	30.783	30.783	-9.3%
A	2009	15.507	15.507	-49.6%
A	2010	2.692	2.692	-82.6%
A	2011	2.519	2.519	-6.4%
A	2012	2.654	2.654	5.4%
F	2013	2.894	2.894	9.1%
F	2014	2.533	2.533	-12.5%
F	2015	5.090	5.090	101.0%

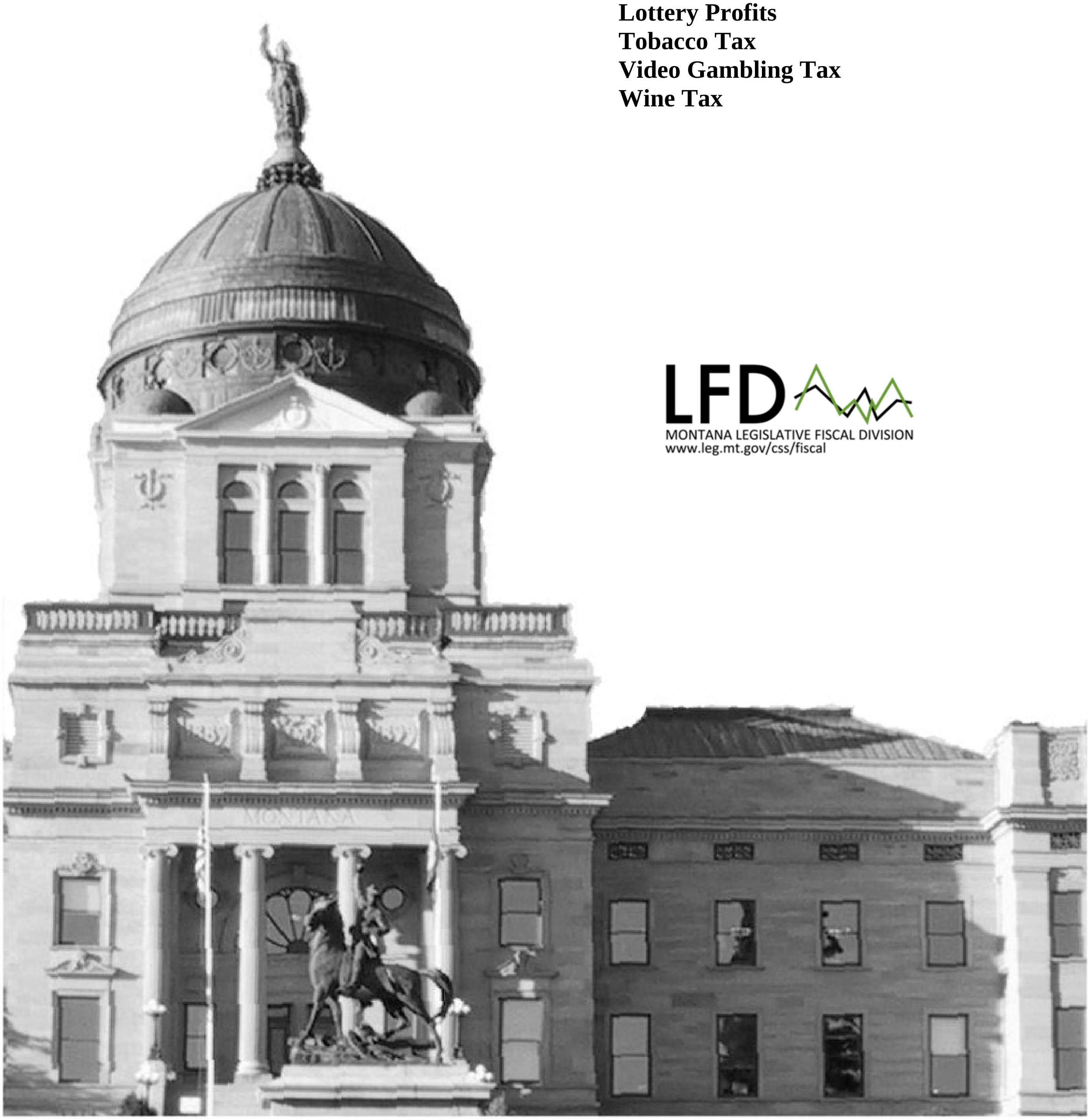


Data Source(s): SABHRS, Department of Administration, *Wall Street Journal*, IHS

Contacts: Department of Administration

Consumption Taxes

Beer Tax
Cigarette Tax
Diesel Tax
Gasoline Tax
GVW & Other Fees
Liquor Excise & License Tax
Liquor Profits
Lottery Profits
Tobacco Tax
Video Gambling Tax
Wine Tax



MONTANA LEGISLATIVE FISCAL DIVISION
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Legislative Fiscal Division

Revenue Estimate Profile

Beer Tax

Revenue Description: A tax is levied on each barrel of beer (31 gallons) produced in or imported into Montana based on the amount produced. A portion of the revenue from the beer tax is returned to Native American tribes per an agreement between the Department of Revenue (DOR) and the tribes.

Statutory Reference:

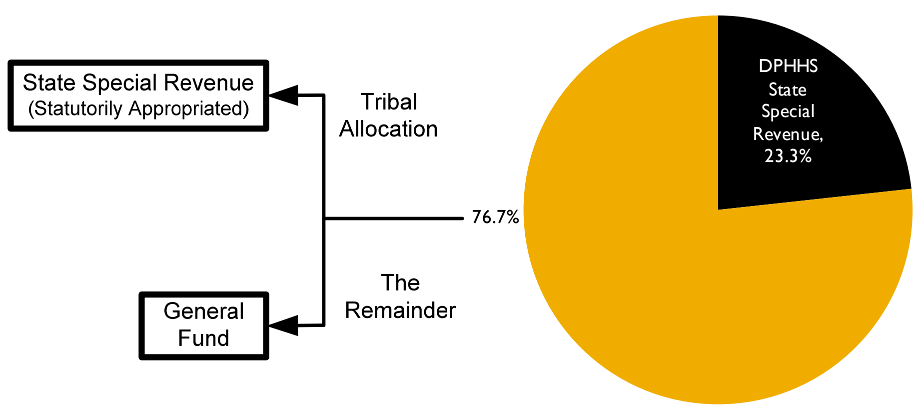
Tax Rate (MCA) – 16-1-406
Distribution (MCA) – 16-1-406
Date Due – end of the month and collected in the next month (16-1-406(2))

Applicable Tax Rate(s): The per-barrel tax varies based on barrels of production:

up to 5,000 barrels - $1.30
5,001 to 10,000 barrels - $2.30
10,001 to 20,000 barrels - $3.30
over 20,000 barrels - $4.30

Distribution: Beer tax revenue is distributed 76.74% to the general fund and 23.26% to the DPHHS state special revenue alcohol account. The general fund portion is reduced by the amount of the tribal distribution.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 0.21%	FY 2007 – 0.17%	FY 2010 – 0.19%
FY 2005 – 0.19%	FY 2008 – 0.16%	FY 2011 – 0.17%
FY 2006 – 0.17%	FY 2009 – 0.17%	FY 2012 – 0.16%

Revenue Estimate Methodology:

Data

The beer tax estimate is based on data obtained from DOR and the state accounting system (SABHRS). The DOR data provides details of taxes paid at each of the four incremental tax rates and information on tribal distributions. SABHRS data shows total fiscal year tax collections.

The DOR data are used to develop an effective tax rate and determine a "proxy" for barrels of beer consumed. The effective tax rate is a weighted average of beer sales by tax rate and is calculated as follows:

$$\mathbf{ETR = (Rate_{\$4.30} * \%Taxed_{\$4.30}) + (Rate_{\$3.30} * \%Taxed_{\$3.30}) + (Rate_{\$2.30} * \%Taxed_{\$2.30}) + (Rate_{\$1.30} * \%Taxed_{\$1.30})}$$

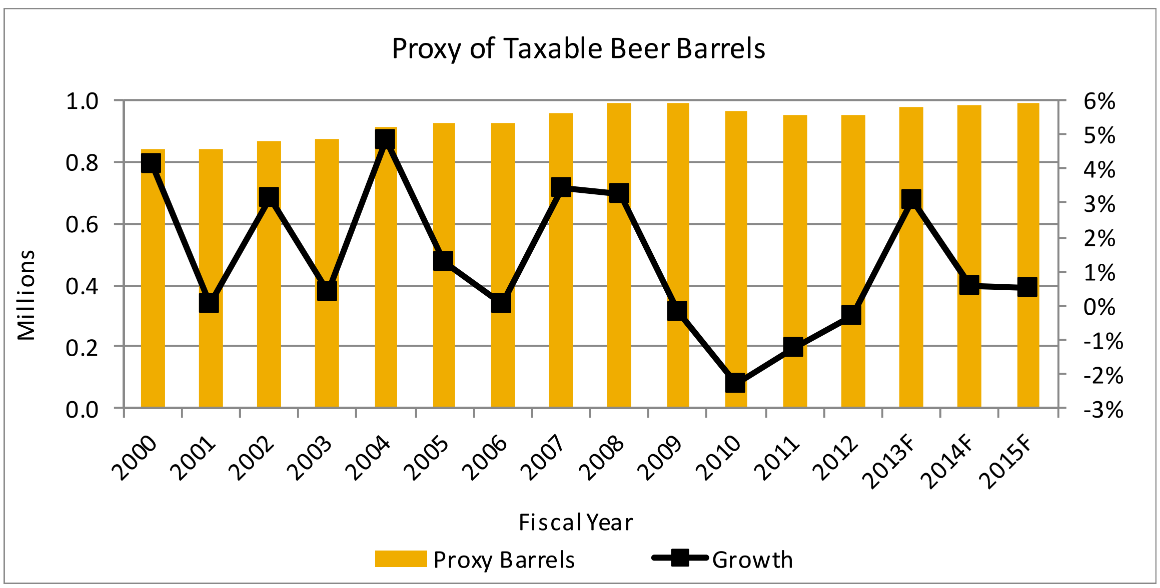
In the estimated period, the effective tax rate is $4.18 per barrel.

SABHRS data are used in conjunction with DOR data to derive the number of taxable barrels sold in the state; total tax collected in each fiscal year divided by the effective tax rate yields the number of taxable barrels.

<u>Analysis</u>

Analysis of the beer data shows a constant trend for taxable barrels sold in Montana, as demonstrated in the figure below. Therefore, the proxy of taxable barrels sold is regressed in a linear trend model to determine the future taxable barrels of beer that will be sold in Montana. The trend is based on the series of proxy barrels beginning in FY 1988.

The statistics of fit show that a linear trend accurately measures the rate of growth in the number of taxable barrels of beer sold in Montana. The model provides an R^2 rating of 0.983. This means that the linear trend explains 98.3% of the variability of the number of barrels sold in Montana, when all other impacts are held constant.* The model provides a rate of growth of 14,181 barrels per fiscal year.



The rate of growth developed in the trend model is 1.42% annually; this rate is applied to the most recent actual data (FY 2010). Estimated beer consumption in Montana is 996,829 barrels in FY 2011; 1,011,011 barrels in FY 2012; and 1,025,192 barrels in FY 2013. The effective tax rate is applied to the proxy of barrels, which produces total tax estimates of $4.2 million in FY 2011, $4.2 million in FY 2012, and $4.3 million in FY 2013.

<u>Adjustment and Distribution</u>

Beer taxes are distributed between two funds: the general fund at 76.74%, and the DPHHS alcohol state special revenue account at 23.26%. The general fund distribution is reduced by tribal reimbursements. Three of the seven tribal governments—Blackfeet, Fort Belknap, and Fort Peck—receive beer tax dollars. These tribal governments adhere to the Montana beer tax laws. The state of Montana collects the tribes' portion of the beer tax and quarterly distributes those collections based on a formula (per capita beer consumption times tribal membership times the Montana tax rate).

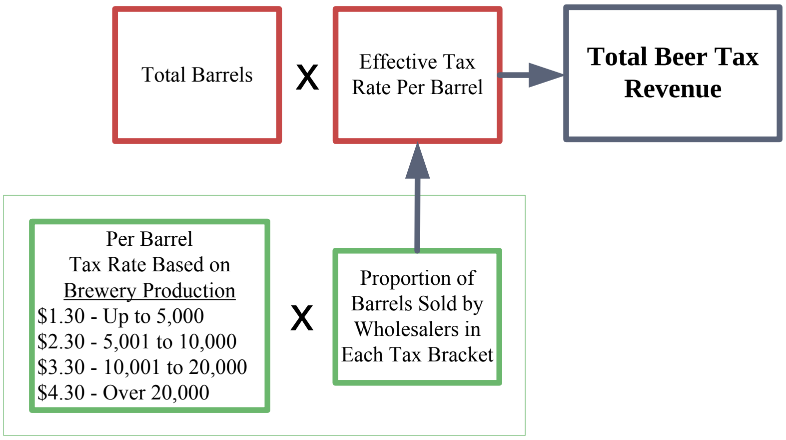
*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

Legislative Fiscal Division

Revenue Estimate Profile

Beer Tax

Forecast Methodology:



Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Barrels Millions	Tax Rate $ Per Barrel	Effective Tax Rate $ Per Barrel	GF Allocation Percent	Tribal Millions
Actual	2002	3.674	2.784	0.867	4.30	4.24	76.7%	0.035
Actual	2003	3.681	2.771	0.871	4.30	4.23	76.7%	0.053
Actual	2004	3.852	2.897	0.913	4.30	4.22	76.7%	0.059
Actual	2005	3.903	2.937	0.924	4.30	4.22	76.7%	0.059
Actual	2006	3.866	2.908	0.925	4.30	4.18	76.7%	0.059
Actual	2007	4.031	3.034	0.957	4.30	4.21	76.7%	0.059
Actual	2008	4.151	3.124	0.988	4.30	4.20	76.7%	0.061
Actual	2009	4.141	3.115	0.986	4.30	4.20	76.7%	0.063
Actual	2010	4.032	3.032	0.964	4.30	4.18	76.7%	0.063
Actual	2011	3.963	2.982	0.952	4.30	4.16	76.7%	0.060
Actual	2012	3.935	2.956	0.949	4.30	4.15	76.7%	0.063
Forecast	2013	4.057	3.055	0.978	4.30	4.15	76.7%	0.058
Forecast	2014	4.079	3.070	0.984	4.30	4.15	76.7%	0.060
Forecast	2015	4.101	3.087	0.989	4.30	4.15	76.7%	0.060

Total Tax = Barrels × Effective Tax Rate
GF Tax = Barrels × Effective Tax Rate × GF Allocation - Tribal

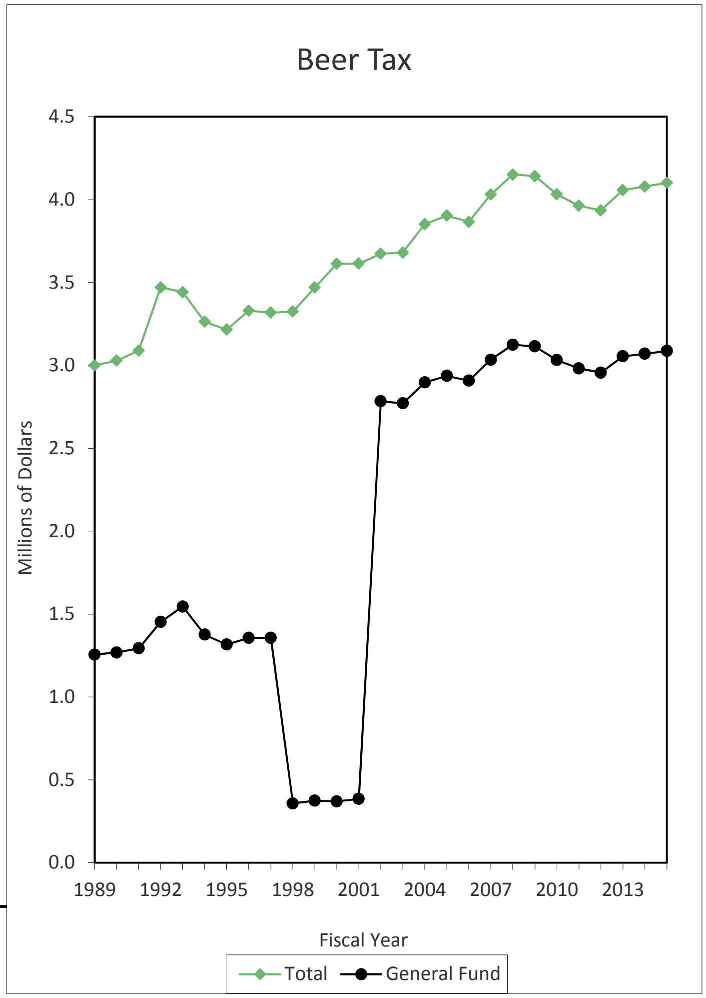
Legislative Fiscal Division

Revenue Estimate Profile

Beer Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	3.000	1.256	Not App.
A	1990	3.029	1.268	1.0%
A	1991	3.089	1.293	2.0%
A	1992	3.471	1.453	12.4%
A	1993	3.441	1.545	6.4%
A	1994	3.263	1.376	-11.0%
A	1995	3.216	1.317	-4.3%
A	1996	3.330	1.356	3.0%
A	1997	3.318	1.357	0.0%
A	1998	3.324	0.358	-73.6%
A	1999	3.470	0.374	4.4%
A	2000	3.613	0.370	-1.0%
A	2001	3.614	0.385	3.8%
A	2002	3.674	2.784	623.8%
A	2003	3.681	2.771	-0.5%
A	2004	3.852	2.897	4.5%
A	2005	3.903	2.937	1.4%
A	2006	3.866	2.908	-1.0%
A	2007	4.031	3.034	4.4%
A	2008	4.151	3.124	3.0%
A	2009	4.141	3.115	-0.3%
A	2010	4.032	3.032	-2.7%
A	2011	3.963	2.982	-1.7%
A	2012	3.935	2.956	-0.9%
F	2013	4.057	3.055	3.3%
F	2014	4.079	3.070	0.5%
F	2015	4.101	3.087	0.6%



Data Source(s): SABHRS, Bureau of Economic Analysis, U.S. Dept. of Commerce, MT Department of Labor and Industry

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

Revenue Description: The cigarette tax is an excise tax imposed on all cigarettes sold or possessed in Montana. The tax is imposed on the retail consumer, but is collected by wholesalers or retailers through the use of tax insignia. The insignias are purchased from the state and affixed to each package of cigarettes. The tax does not apply to quota cigarettes sold on an Indian reservation. In practice, the tax is levied on all cigarettes and the wholesaler receives a refund for the amount within the quota that has been sold within the boundaries of an Indian reservation. Each tribe's quota is equal to 150.0% of Montana's per capita general fund cigarette tax revenue multiplied by the enrolled tribal member population, or any other amount agreed to in a state-tribal agreement. The state has agreements with five tribes in Montana.

Beginning May 1, 2003, the Fifty-eighth Legislature passed SB 407 increasing the tax on cigarettes to $0.70 per 20-cigarette package, a 289% increase from the previous $0.18 tax. Shortly thereafter, the electorate approved I-149 that raised the tax on packs of 20 cigarettes by $1.00 to $1.70, beginning January 1, 2005, an increase of 143%. Both SB 407 and I-149 changed the distributor percentage discounts, but the amounts that distributors are allowed to retain for administration of the tax stayed relatively constant. SB 407 changed the distribution of the tax revenues to increase the amount deposited into the state general fund. I-149 increased tax revenues for veterans' nursing home operation and maintenance and provided revenue to a new state special revenue fund for health and Medicaid initiatives. The 2009 Legislature enacted HB 213 and established a new 1.2% distribution only for the 2011 biennium to fund a state veterans' home in southwestern Montana. The 2011 Legislature enacted HB 296 which extended the 1.2% distribution through FY 2015. The distribution to the general fund is reduced by 1.2%.

Note: If the money in the veteran's cigarette account at the end of a fiscal year exceeds $2.0 million, after reductions for budgeted present law amounts for each fiscal year, the excess is transferred to the general fund as a revenue transfer to the "All Other Revenue" source.

Statutory Reference:

Tax Rate (MCA) – 16-11-111
Tax Distribution (MCA) – 16-11-119
Date Due – within 30 days after purchase of the insignia (16-11-117)

Applicable Tax Rate(s):

- Beginning January 2005, the excise tax on cigarettes is $1.70 per package of 20 cigarettes, prorated for packages that differ from 20 cigarettes.
- Wholesalers pay a license fee of $50.00 and each retailer pays a license fee of $5.00. License fees are renewable each year and are non-transferable. Revenue from these fees is shown in "All Other General Fund Revenue".

Distribution: All wholesaler and retailer license fees are deposited in the general fund. After deductions for tribal refunds, the cigarette tax revenue is distributed:

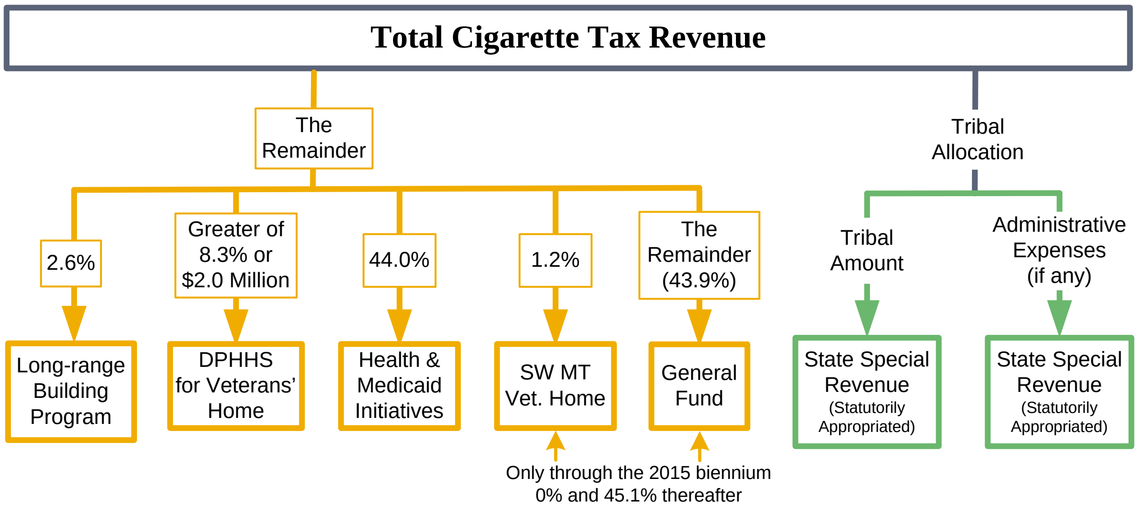
- The greater of 8.3% or $2.0 million to DPHHS for veterans' nursing home operation and maintenance
- 2.6% to the long-range building program
- 44.0% for health and Medicaid initiatives and children health insurance
- 1.2% for a veterans' home in southwestern Montana only through FY 2015
- The remainder (43.9%) to the general fund through FY 2015, 45.1% thereafter

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

Distribution Chart



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 2.61%	FY 2007 – 1.95%	FY 2010 – 1.98%
FY 2005 – 2.29%	FY 2008 – 1.83%	FY 2011 – 1.74%
FY 2006 – 2.02%	FY 2009 – 1.90%	FY 2012 – 1.68%

Revenue Estimate Methodology:

Data

Data from the state accounting system (SABHRS) and the Department of Revenue (DOR) are used to forecast cigarette tax revenues. The DOR provides information on the number of cigarette insignias (stamps) sold in each month and the amount of discounts given to cigarette distributors. Historic observations of tax collections are available through SABHRS.

DOR provides detailed information on the sales of tax insignias by pack size, company, Tribal, and month. To prepare the raw data for analysis, the total number of insignia sales is reduced by discounts and refunds given to the distributor. The resulting amount serves as a proxy for the number of taxable cigarette packs consumed in Montana in a year. The actual SABHRS data serves as a check against the number of proxy packs of cigarettes calculated by this method.

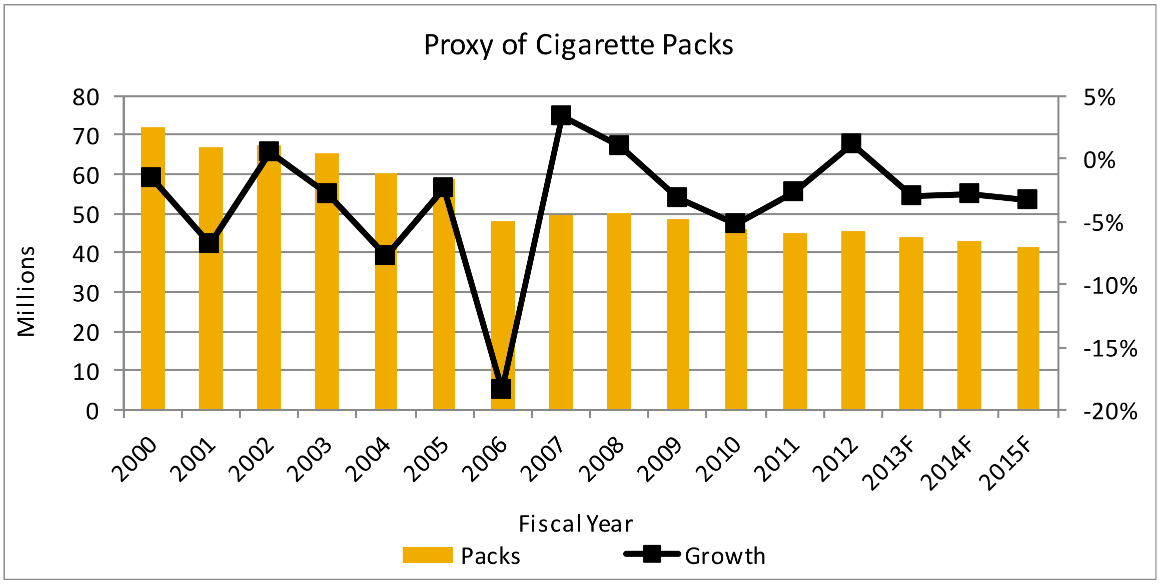
Analysis

In 1982, the consumption of cigarettes began to decrease as a result of an increased awareness of the health risks associated with smoking. Between 1982 and 2002, cigarette consumption decreased at a rate of almost 2% annually. Each of the two recent tax increases caused consumption to decrease at a greater rate for two years. These decreases forced downward shifts in Montana's consumption curve. The shifts are evident in the figure below between FY 2003 and FY 2004, -7.7%, and between FY 2005 and FY 2006, -21.7%.

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax



Experts in the field of cigarette consumption find that following the initial consumption response to the price adjustment of a tax increase, the consumption decline should return to the normal pattern. However, cigarette consumption in Montana has rebounded following the initial price related decline. As shown in the figure above, the number of packs consumed increases between FY 2006 and FY 2008 by a rate of 2.2% annually. A portion of the increased consumption might be attributed to heightened efforts to capture the tax on internet sales of cigarettes.

With cigarette consumption expected to resume a more normal negative trend in the 2013 biennium, the estimate of taxable cigarette pack sales for the forecast period is calculated by applying a growth rate of negative 3.2% to the base year, FY 2010, of the proxy for taxable packs. The estimates of proxy taxable cigarette packs are 44.6 million, 43.2 million, and 41.8 million for FY 2011 through FY 2013, respectively. Finally, the current tax rate is applied to the proxy for taxable packs to determine the estimate for gross cigarette tax collections.

<u>Adjustment and Distribution</u>

After estimating the gross cigarette tax collections, the estimates are increased by revenues from internet cigarette sales and reduced by the discounts and credits passed on to distributors. The last step in producing the estimate for the cigarette tax is to calculate the tax distributions. First, cigarette tax revenue is reduced by tribal distributions. At this time, five of the seven tribal governments receive cigarette tax dollars, Blackfeet, Fort Belknap, Fort Peck, Chippewa Cree, and Crow. These tribal governments adhere to Montana cigarette tax laws. The state of Montana collects the tribes' portion of the tax and quarterly distributes the collections based on a formula (per capita cigarette consumption times 150% times tribal membership times the Montana tax rate). Finally, the remaining tax revenues are distributed proportionally to the programs funded with cigarette tax revenues and to the general fund.

Forecast Methodology:

Cigarette Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Pack Millions	Tax Rate Per Pack	GF Percent Allocation	Tribal Millions
Actual	2002	11.052	7.887	67.334	0.18	71.4%	0.254
Actual	2003	16.093	12.576	65.469	0.27	78.1%	0.286
Actual	2004	41.583	36.002	60.423	0.70	86.6%	0.396
Actual	2005	54.765	35.117	59.043	1.20	64.1%	0.842
Actual	2006	80.180	34.573	48.149	1.70	43.1%	3.522
Actual	2007	83.380	35.830	49.800	1.70	43.0%	3.935
Actual	2008	83.883	36.004	50.306	1.70	42.9%	4.051
Actual	2009	79.906	34.320	48.717	1.70	43.0%	3.807
Actual	2010	77.071	32.218	46.171	1.70	41.8%	3.682
Actual	2011	74.091	30.992	44.959	1.70	41.8%	3.495
Actual	2012	75.533	31.483	45.450	1.70	41.7%	3.818
Forecast	2013	73.473	30.680	44.090	1.70	43.9%	3.587
Forecast	2014	71.443	29.844	42.872	1.70	43.9%	3.461
Forecast	2015	69.046	28.847	41.433	1.70	43.9%	3.336

	t Fiscal	Discounts Millions	Refunds Millions	Internet Sales Millions	Tribal Exempt Millions
Actual	2002				
Actual	2003				
Actual	2004	0.393	0.659		
Actual	2005	0.428	3.156		
Actual	2006	0.420	0.417	0.061	1.302
Actual	2007	0.428	0.343	0.750	1.183
Actual	2008	0.429	0.426	0.253	1.129
Actual	2009	0.409	0.310	0.058	1.409
Actual	2010	0.394	0.051	0.025	1.283
Actual	2011	0.385	0.098	0.000	1.181
Actual	2012	0.388	0.149	0.000	0.998
Forecast	2013	0.378	0.121	0.000	0.980
Forecast	2014	0.368	0.117	0.000	0.953
Forecast	2015	0.356	0.114	0.000	0.921

Total Tax = Packs × Tax Rate - Discounts - Refunds + Internet Sales - Tribal Exempt
GF Tax = (Total Tax - Tribal) × GF Allocation

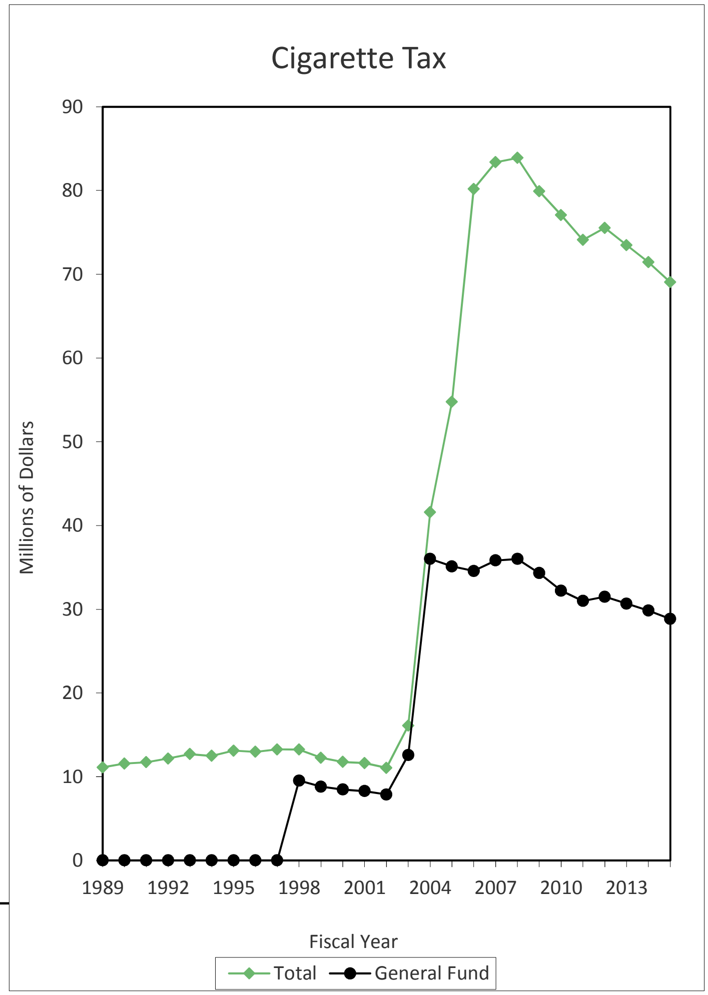
Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	11.113	0.000	Not App.
A	1990	11.567	0.000	Not App.
A	1991	11.733	0.000	Not App.
A	1992	12.173	0.000	Not App.
A	1993	12.698	0.000	Not App.
A	1994	12.496	0.000	Not App.
A	1995	13.115	0.000	Not App.
A	1996	12.969	0.000	Not App.
A	1997	13.267	0.000	Not App.
A	1998	13.245	9.544	Not App.
A	1999	12.265	8.823	-7.6%
A	2000	11.766	8.464	-4.1%
A	2001	11.628	8.285	-2.1%
A	2002	11.052	7.887	-4.8%
A	2003	16.093	12.576	59.5%
A	2004	41.583	36.002	186.3%
A	2005	54.765	35.117	-2.5%
A	2006	80.180	34.573	-1.6%
A	2007	83.380	35.830	3.6%
A	2008	83.883	36.004	0.5%
A	2009	79.906	34.320	-4.7%
A	2010	77.071	32.218	-6.1%
A	2011	74.091	30.992	-3.8%
A	2012	75.533	31.483	1.6%
F	2013	73.473	30.680	-2.6%
F	2014	71.443	29.844	-2.7%
F	2015	69.046	28.847	-3.3%



Data Source(s): SABHRS, Department of Revenue Collection Reports, U.S. Department of Commerce, MT Department of Labor and Industry, Center for Disease Control

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Revenue Description: The Montana Constitution (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

There are two sources of revenue associated with the taxation of special fuels (primarily diesel): 1) the main source of revenue is a diesel tax of $0.2775 per gallon paid to the Department of Transportation (DOT) for every gallon of diesel sold or used in the state; and 2) a tax of $0.0075 assessed on each gallon of diesel fuel for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0% of the diesel tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for commercial vehicle use other than for use on public highways and streets, governmental use, and nonpublic school use for the transportation of pupils.

Statutory Reference:

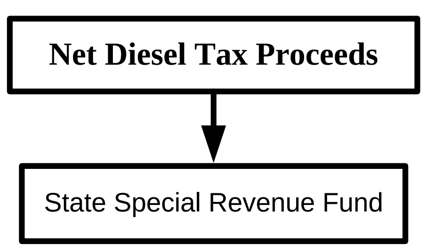
Tax Rate (MCA) – 15-70-321(2), 75-11-313 (storage tank cleanup)
Tax Distribution (MCA) – 15-70-101(1), 75-11-314 (storage tank cleanup)
Date Due – 25th of the following month (15-70-344(1))

Applicable Tax Rate(s):

1. Diesel (Special) Fuel Tax - $0.2775 per gallon
2. Petroleum Storage Tank Cleanup Tax - $0.0075

Distribution: After reductions for: 1) the 1.0% withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement (if any) that are deposited in the tribal motor fuels administration account and statutorily appropriated; 3) diesel tax refunds; and 4) amounts refunded through the international fuel tax agreement, diesel tax proceeds are distributed to DOT. Of that amount, 1/4 of $0.01 per gallon is allocated specifically to the funding of highway system maintenance.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used in the diesel fuel tax estimate are obtained from the state accounting system (SABHRS). The SABHRS data includes a historic series of diesel tax revenues and is used to produce a proxy amount for taxable gallons of diesel sold in Montana.

Legislative Fiscal Division

Revenue Estimate Profile

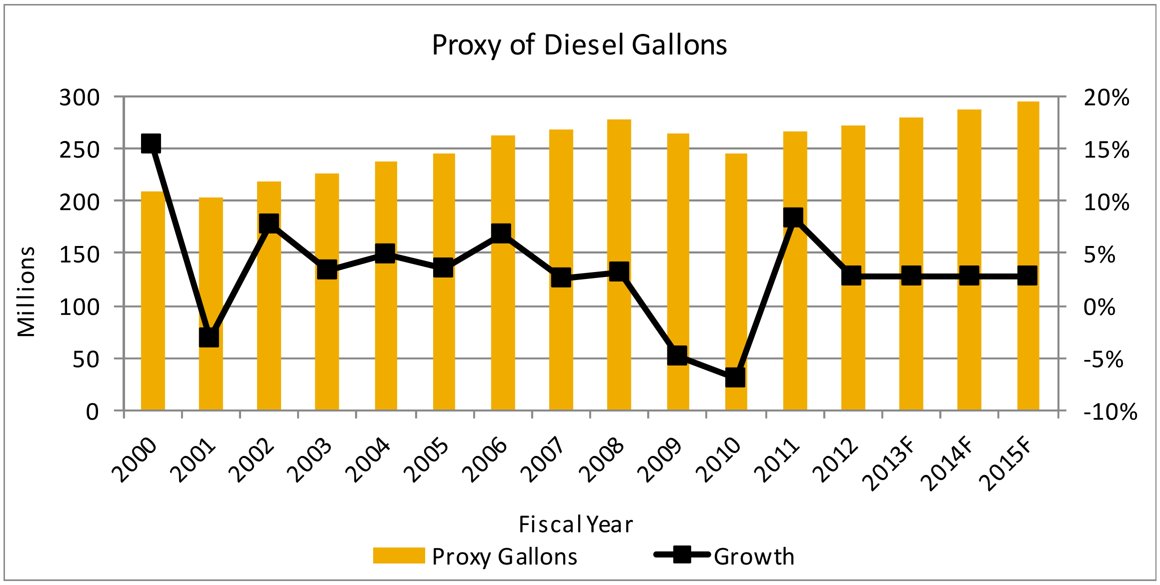
Diesel Tax

Total diesel taxes are composed of two distinct taxes, the diesel tax and the diesel petroleum storage tank cleanup tax (imposed to cover the cost of storage tank cleanup). Each rate is applied to a proxy for taxable diesel gallons. To create the proxy, the actual tax revenues are increased by refunds and then divided by the "effective tax rate". The effective tax rate is created in recognition of the statutory credit provided to diesel distributors for collection and payment of the tax. Under current law, diesel distributors are allowed to keep 1% of the tax on all diesel receipts and must pay 99% of the tax receipts to the state. The effective rate for the forecast period is $0.2747. After calculating the proxy taxable gallons, the data can be analyzed.

Analysis

Diesel fuel taxes are estimated as separate taxes. First, the diesel tax is imposed on each gallon of diesel sold in the state. A second tax is imposed on all diesel fuel distributed in the state for the purpose of diesel storage tank clean-up costs (storage tank tax). The two taxes are applied to different bases, because the diesel fuel tax provides credits against the cost of the tax to consumers who use the diesel "off highway".

Diesel fuel sales may be considered a function of the price per gallon of diesel and are highly susceptible to economic activity. To determine the future consumption of diesel fuel, the change in consumption experienced in FY 2010 is duplicated in FY 2011. The growth for FY 2012 and FY 2013 is developed using an average historic rate of growth. The storage tank tax is expected to follow the same patterns as the diesel fuel tax.



The figure above shows the actual gallons of diesel fuel sold in Montana between FY 2000 and FY 2010 and the expected sales of diesel fuel for FY 2011 through FY 2013, along with the expected change between the years. In determining future consumption, the growth rates described above are applied to the base year (FY 2010). The results of the method provide an overall average growth in the proxy of diesel fuel gallons consumed in Montana of 1.0% for each year of the analysis. The same rate of growth is next applied to the base year of the proxy for the storage tank gallons. Finally, the effective diesel fuel tax rates are applied to the estimates to produce the estimate for gross tax revenues.

Adjustments

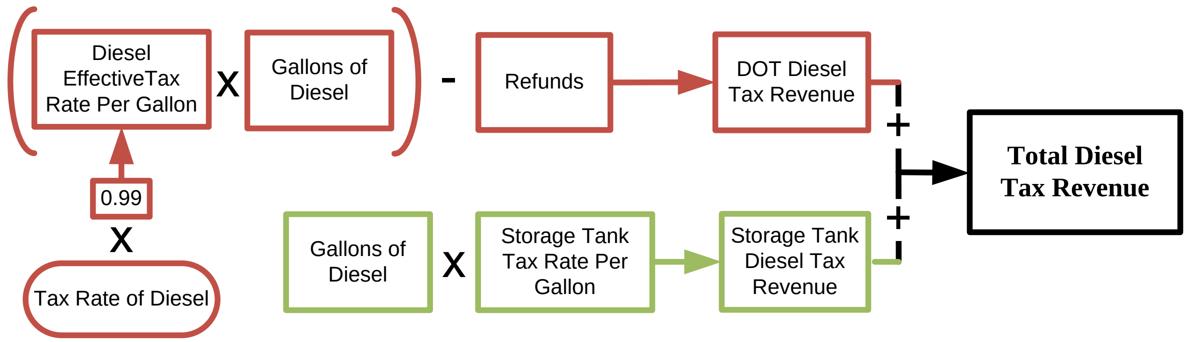
Several adjustments are made to the expected gross diesel fuel tax revenues. Gross tax revenues are reduced by refunds, incentives, DOT administrative costs, and tribal agreements, resulting in the estimate for net diesel fuel tax revenue. No adjustments are required for the storage tank tax. The net tax revenues of the two taxes are combined to determine the estimate for total diesel fuel tax revenue. Finally, the tax revenues are distributed to the various state special revenue accounts as described above.

Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Forecast Methodology:



Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Gross Millions	Diesel Tax Millions	Tank Tax Millions
Actual	2002	58.261	0.000	62.221	56.094	2.166
Actual	2003	60.133	0.000	64.332	57.902	2.232
Actual	2004	63.181	0.000	67.600	60.750	2.431
Actual	2005	65.367	0.000	70.069	62.723	2.644
Actual	2006	70.595	0.000	74.767	67.780	2.815
Actual	2007	71.020	0.000	76.687	68.185	2.835
Actual	2008	74.302	0.000	79.004	71.488	2.814
Actual	2009	71.791	0.000	75.135	69.159	2.632
Actual	2010	66.896	0.000	70.016	64.313	2.583
Actual	2011	71.994	0.000	75.820	69.181	2.813
Actual	2012	74.292	0.000	77.922	71.350	2.943
Forecast	2013	76.300	0.000	80.027	73.278	3.022
Forecast	2014	78.362	0.000	82.190	75.258	3.104
Forecast	2015	80.479	0.000	84.411	77.291	3.188

	t Fiscal	Refunds Millions	Diesel Effective Rate	Tank Effective Rate	Diesel Gallons Millions	Tank Gallons Millions
Actual	2002	-3.960	27.5%	0.8%	218.597	288.854
Actual	2003	-4.199	27.5%	0.8%	226.047	297.553
Actual	2004	-4.419	27.5%	0.8%	237.218	324.090
Actual	2005	-4.702	27.5%	0.8%	245.428	352.536
Actual	2006	-4.172	27.5%	0.8%	261.906	375.269
Actual	2007	-5.667	27.5%	0.8%	268.819	378.036
Actual	2008	-4.702	27.5%	0.8%	277.333	375.173
Actual	2009	-3.344	27.5%	0.8%	263.909	350.994
Actual	2010	-3.120	27.5%	0.8%	245.455	344.436
Actual	2011	-3.826	27.5%	0.8%	265.744	375.099
Actual	2012	-3.629	27.5%	0.8%	272.924	392.360
Forecast	2013	-3.727	27.5%	0.8%	280.299	402.962
Forecast	2014	-3.828	27.5%	0.8%	287.873	413.851
Forecast	2015	-3.932	27.5%	0.8%	295.652	425.033

Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

	t Fiscal	GF Percent	DOT Percent	GF Millions	DOT Millions
Actual	2002	0.0%	100.0%	0.000	56.094
Actual	2003	0.0%	100.0%	0.000	57.902
Actual	2004	0.0%	100.0%	0.000	60.750
Actual	2005	0.0%	100.0%	0.000	62.723
Actual	2006	0.0%	100.0%	0.000	67.780
Actual	2007	0.0%	100.0%	0.000	68.185
Actual	2008	0.0%	100.0%	0.000	71.488
Actual	2009	0.0%	100.0%	0.000	69.159
Actual	2010	0.0%	100.0%	0.000	64.313
Actual	2011	0.0%	100.0%	0.000	69.181
Actual	2012	0.0%	100.0%	0.000	71.350
Forecast	2013	0.0%	100.0%	0.000	73.278
Forecast	2014	0.0%	100.0%	0.000	75.258
Forecast	2015	0.0%	100.0%	0.000	77.291

Total Tax = Diesel Effective × Diesel Gallons + Tank Effective × Tank Gallons + Refunds

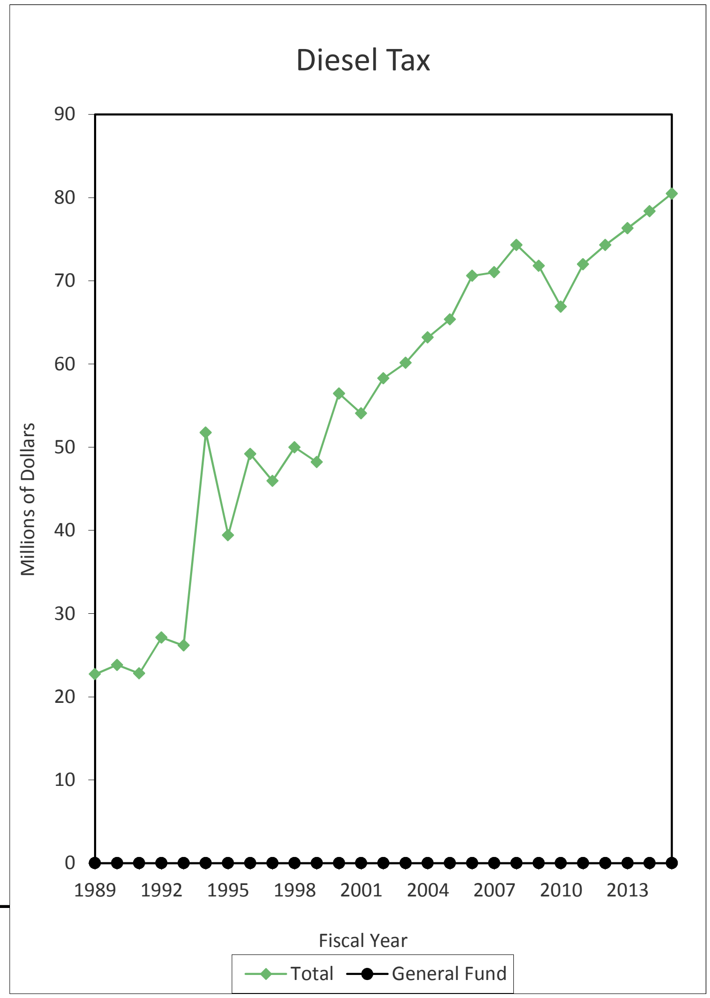
Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	22.708	0.000	Not App.
A	1990	23.822	0.000	Not App.
A	1991	22.798	0.000	Not App.
A	1992	27.113	0.000	Not App.
A	1993	26.158	0.000	Not App.
A	1994	51.751	0.000	Not App.
A	1995	39.413	0.000	Not App.
A	1996	49.192	0.000	Not App.
A	1997	45.957	0.000	Not App.
A	1998	49.981	0.000	Not App.
A	1999	48.217	0.000	Not App.
A	2000	56.455	0.000	Not App.
A	2001	54.048	0.000	Not App.
A	2002	58.261	0.000	Not App.
A	2003	60.133	0.000	Not App.
A	2004	63.181	0.000	Not App.
A	2005	65.367	0.000	Not App.
A	2006	70.595	0.000	Not App.
A	2007	71.020	0.000	Not App.
A	2008	74.302	0.000	Not App.
A	2009	71.791	0.000	Not App.
A	2010	66.896	0.000	Not App.
A	2011	71.994	0.000	Not App.
A	2012	74.292	0.000	Not App.
F	2013	76.300	0.000	Not App.
F	2014	78.362	0.000	Not App.
F	2015	80.479	0.000	Not App.



Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Description: The constitution of the state (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

There are two sources of revenue associated with the taxation of gasoline: 1) the primary source of revenue is a gasoline license tax of $0.27 per gallon paid to the Department of Transportation (DOT) by every distributor for the privilege of selling gasoline; and 2) a tax of $.0075 assessed on each gallon of gasoline for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0% of the gasoline tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for denaturing alcohol used in gasohol, stationary gasoline engines used off public highways and streets, and commercial vehicle use other than for use on public highways and streets.

Statutory Reference:

Tax Rate (MCA) – 15-70-204(1), 75-11-314 (storage tank cleanup)
Distribution (MCA) – 15-70-101(1), 60-3-201(1), 75-11-313 (storage tank cleanup)
Date Due – 25th of the following month (15-70-205(1))

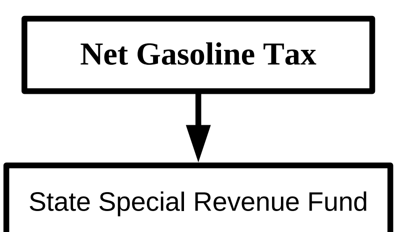
Applicable Tax Rate(s):

1. Gasoline License Tax - $0.27 per gallon
2. Petroleum Storage Tank Cleanup Tax - $0.0075

Distribution: After reductions for: 1) the 1.0% withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement that are deposited in the tribal motor fuels administration account and statutorily appropriated; 3) gasoline tax refunds; and 4) amounts refunded through the international fuel tax agreement, the remainder of the gasoline tax is allocated as follows:

- 9/10 of 1.0% to the state park account
- 15/28 of 1.0% to a snowmobile account in the state special revenue fund. This amount is further allocated 86.0% for general use, 4.33% for enforcement, 8.67% for safety and education, and 1.0% to the noxious weed trust.
- 1/8 of 1.0% to an off-highway vehicle account in the state special revenue fund. This amount is further allocated 90% for general use (including repair of damaged areas) and 10% for safety.
- 1/25 of 1.0% to the aeronautics revenue fund of the Department of Transportation
- 98.3993% to DOT to be used for highway-related purposes, primarily construction projects and administrative costs. One-fourth of $.01 per gallon is allocated specifically to the funding of highway system maintenance.

<u>Distribution Chart:</u>



Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Collection Frequency: Monthly

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology:

Data

The data used in the gasoline tax estimate are obtained from the state accounting system (SABHRS). The SABHRS data includes a historic series of gasoline tax revenues and is used to produce a proxy amount for taxable gallons of gasoline sold in Montana.

Total gasoline taxes are made up of two distinct taxes, the gasoline tax and the gasoline petroleum storage tank cleanup tax (imposed to cover the cost of storage tank cleanup). Each rate is applied to a proxy for taxable gasoline gallons. To create the proxy, the actual tax revenues are increased by refunds and then divided by the "effective tax rate". The effective tax rate is created in recognition of the statutory credit provided to gasoline distributors for collection and payment of the tax. Under current law, gasoline distributors are allowed to keep 1% of the tax on all gasoline receipts and must pay 99% of the tax receipts to the state. The effective rate for the forecast period is $0.2673. After calculating the proxy taxable gallons, the data can be analyzed.

Analysis

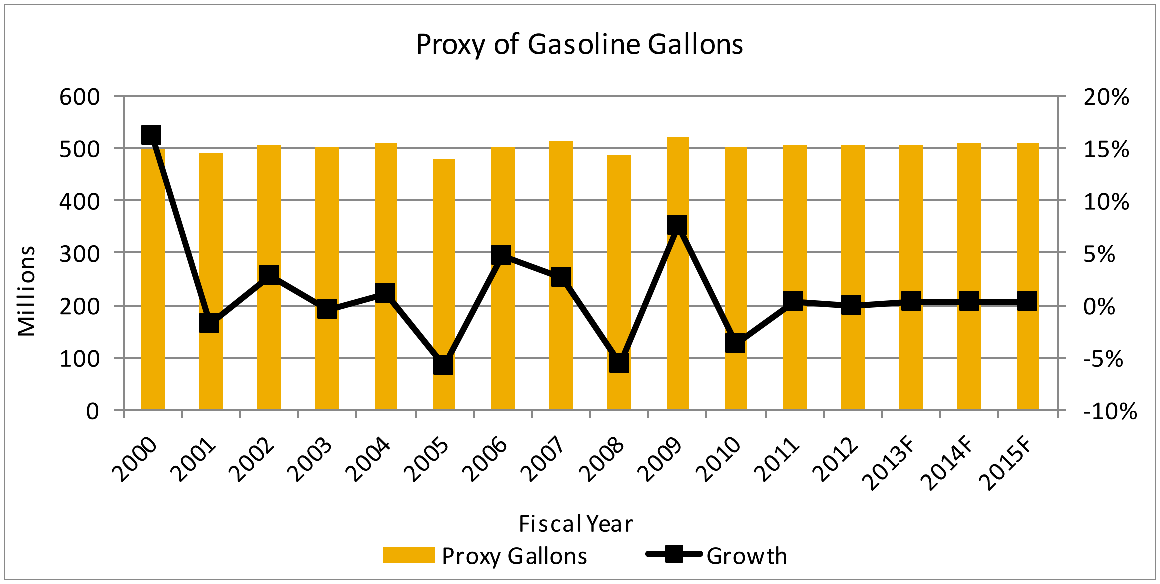
Gasoline taxes are estimated as separate taxes. First, the gasoline tax is imposed on each gallon of gasoline sold in the state. A second tax is imposed on all gasoline distributed in the state for the purpose of gasoline storage tank clean-up costs (storage tank tax). The two taxes are applied to different bases, because the gasoline tax provides credits against the cost of the tax to consumers who use the gasoline "off highway".

Gasoline sales may be considered a function of the price per gallon of gasoline and are highly susceptible to economic activity. To determine the future consumption of gasoline, the change in consumption experienced in FY 2010 is duplicated in FY 2011. The growth for FY 2012 and FY 2013 is developed using an average historic rate of growth. The storage tank tax is expected to follow the same patterns as the gasoline tax.

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

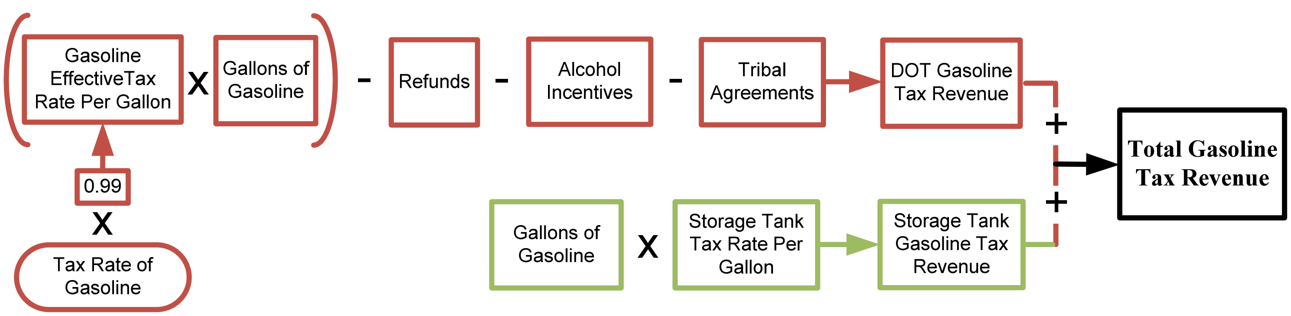


The figure above shows the actual gallons of gasoline sold in Montana between FY 2000 and FY 2010 and the expected sales of gasoline for FY 2011 through FY 2013, along with the expected change between the years. In determining future consumption, the growth rates described above are applied to the base year (FY 2010). The results of the method provide an overall average growth in the proxy of gasoline gallons consumed in Montana of 1.9% for each of the forecast years. The same rate of growth is next applied to the base year of the proxy for the storage tank gallons. Finally, the effective gasoline tax rates are applied to the estimates to produce the estimate for gross tax revenues.

<u>Adjustments</u>

Several adjustments are made to the expected gross gasoline tax revenues. Gross tax revenues are reduced by refunds, incentives, DOT administrative costs, and tribal agreements, resulting in the estimate for net gasoline tax revenue. No adjustments are required for the storage tank tax. Next, the net tax revenues of the two taxes are combined to determine the estimate for total gasoline tax revenue. Finally, the tax revenues are distributed to the various state special revenue accounts as described above.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Gross Tax Millions	Gas Tax Millions	Tank Tax Millions
Actual	2002	131.731	0.000	138.613	128.001	3.729
Actual	2003	131.269	0.000	137.967	127.490	3.779
Actual	2004	132.962	0.000	139.553	129.154	3.808
Actual	2005	125.076	0.000	131.616	121.343	3.734
Actual	2006	135.192	0.000	137.652	131.465	3.727
Actual	2007	138.762	0.000	141.013	135.042	3.720
Actual	2008	131.147	0.000	133.429	127.433	3.714
Actual	2009	141.120	0.000	143.215	137.510	3.610
Actual	2010	136.036	0.000	138.041	132.351	3.685
Actual	2011	136.514	0.000	138.635	132.774	3.740
Actual	2012	136.661	0.000	138.497	132.911	3.750
Forecast	2013	137.161	0.000	139.004	133.397	3.764
Forecast	2014	137.663	0.000	139.512	133.885	3.778
Forecast	2015	138.166	0.000	140.023	134.375	3.791

	t Fiscal	Refunds Millions	Alcohol Incentives Millions	Tribal Millions	Gas Effective Rate	Tank Effective Rate	Gas Gallons Millions	Tank Gallons Millions
Actual	2002	-3.153	0.000	-3.729	26.7%	0.8%	504.614	497.261
Actual	2003	-2.985	0.000	-3.713	26.7%	0.8%	502.014	503.874
Actual	2004	-2.830	0.000	-3.761	26.7%	0.8%	507.837	507.767
Actual	2005	-2.787	0.000	-3.753	26.7%	0.8%	478.424	497.805
Actual	2006	-2.460	0.000	-3.785	26.7%	0.8%	501.029	496.919
Actual	2007	-2.252	0.000	-0.046	26.7%	0.8%	513.631	495.958
Actual	2008	-2.282	0.000	0.000	26.7%	0.8%	485.278	495.246
Actual	2009	-2.095	0.000	0.000	26.7%	0.8%	522.279	481.336
Actual	2010	-2.006	0.000	0.000	26.7%	0.8%	502.644	491.267
Actual	2011	-2.121	0.000	0.000	26.7%	0.8%	504.656	498.668
Actual	2012	-1.836	0.000	0.000	26.7%	0.8%	504.105	500.016
Forecast	2013	-1.843	0.000	0.000	26.7%	0.8%	505.949	501.845
Forecast	2014	-1.850	0.000	0.000	26.7%	0.8%	507.799	503.680
Forecast	2015	-1.856	0.000	0.000	26.7%	0.8%	509.656	505.522

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

	t Fiscal	GF Percent	DOT Percent	FWP Snow Percent	FWP Boat Percent	Aeronautics Percent	Off Highway Percent
Actual	2002	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Actual	2003	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Actual	2004	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Actual	2005	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Actual	2006	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Actual	2007	0.0%	98.3%	0.5%	0.9%	0.04%	0.0%
Actual	2008	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Actual	2009	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Actual	2010	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Actual	2011	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Actual	2012	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Forecast	2013	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Forecast	2014	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%
Forecast	2015	0.0%	98.4%	0.5%	0.9%	0.04%	0.0%

	t Fiscal	DOT Percent	FWP Snow Percent	FWP Boat Percent	Aeronautics Percent
Actual	2002	0.01%	0.02%	0.05%	0.01%
Actual	2003	0.01%	0.02%	0.05%	0.01%
Actual	2004	0.01%	0.02%	0.05%	0.01%
Actual	2005	0.01%	0.02%	0.05%	0.01%
Actual	2006	0.01%	0.02%	0.05%	0.01%
Actual	2007	0.01%	0.02%	0.05%	0.01%
Actual	2008	0.01%	0.02%	0.05%	0.01%
Actual	2009	0.01%	0.02%	0.05%	0.01%
Actual	2010	0.01%	0.02%	0.05%	0.01%
Actual	2011	0.01%	0.02%	0.05%	0.01%
Actual	2012	0.01%	0.02%	0.05%	0.01%
Forecast	2013	0.01%	0.02%	0.05%	0.01%
Forecast	2014	0.01%	0.02%	0.05%	0.01%
Forecast	2015	0.01%	0.02%	0.05%	0.01%

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

	t Fiscal	GF Millions	DOT Millions	FWP Snow Millions	FWP Boat Millions	Aeronautics Millions	Off Highway Millions
Actual	2002	0.000	125.907	0.603	1.181	0.053	0.143
Actual	2003	0.000	125.391	0.604	1.181	0.052	0.144
Actual	2004	0.000	127.028	0.611	1.196	0.053	0.146
Actual	2005	0.000	119.338	0.576	1.126	0.050	0.138
Actual	2006	0.000	129.396	0.595	1.163	0.052	0.142
Actual	2007	0.000	132.884	0.621	1.215	0.054	0.148
Actual	2008	0.000	125.352	0.587	1.147	0.051	0.141
Actual	2009	0.000	135.295	0.631	1.237	0.055	0.150
Actual	2010	0.000	130.226	0.617	1.191	0.053	0.149
Actual	2011	0.000	130.642	0.619	1.195	0.053	0.149
Actual	2012	0.000	130.784	0.612	1.196	0.053	0.150
Forecast	2013	0.000	131.237	0.621	1.215	0.054	0.149
Forecast	2014	0.000	131.715	0.624	1.220	0.054	0.149
Forecast	2015	0.000	132.198	0.626	1.224	0.054	0.150

	t Fiscal	Weed Gasoline Millions	Snow Enforce. Gasoline Millions	Snow Con-Ed. Gasoline Millions	OHV Con-Ed. Gasoline Millions
Actual	2002	0.013	0.025	0.063	0.013
Actual	2003	0.013	0.026	0.066	0.013
Actual	2004	0.013	0.027	0.066	0.013
Actual	2005	0.013	0.026	0.064	0.013
Actual	2006	0.013	0.026	0.065	0.013
Actual	2007	0.014	0.027	0.067	0.014
Actual	2008	0.013	0.026	0.064	0.013
Actual	2009	0.014	0.027	0.067	0.014
Actual	2010	0.007	0.031	0.061	0.017
Actual	2011	0.007	0.031	0.062	0.017
Actual	2012	0.007	0.031	0.062	0.017
Forecast	2013	0.013	0.027	0.068	0.013
Forecast	2014	0.014	0.027	0.068	0.014
Forecast	2015	0.014	0.027	0.068	0.014

Total Tax = Gas Effective × Gas Gallons + Tank Effective × Tank Gallons + Refunds

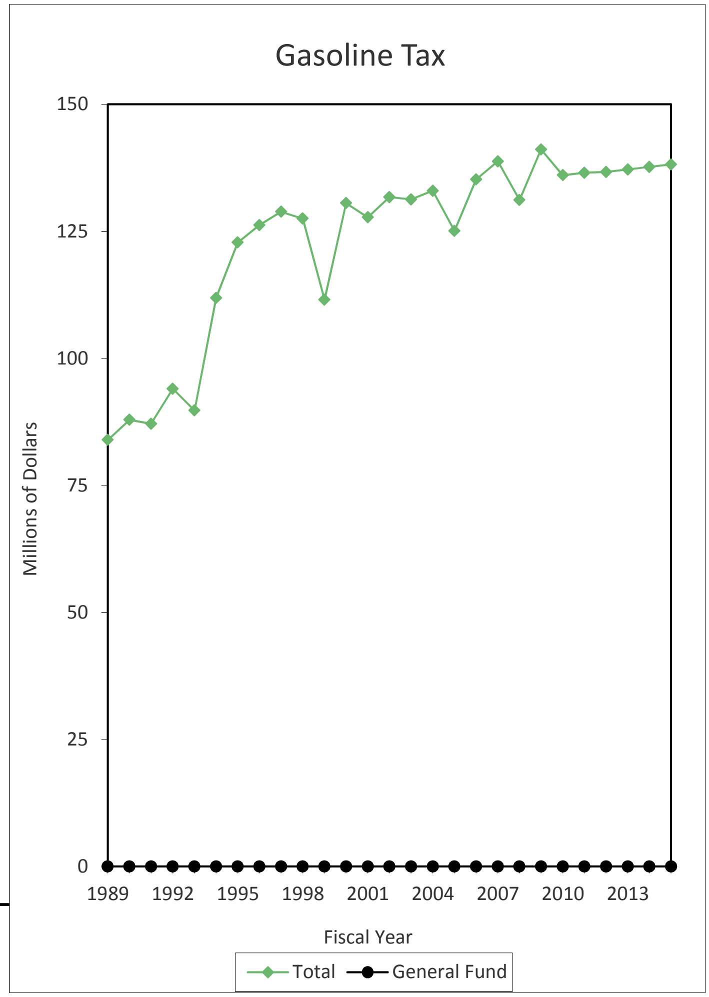
Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	83.951	0.000	Not App.
A	1990	87.893	0.000	Not App.
A	1991	87.111	0.000	Not App.
A	1992	94.019	0.000	Not App.
A	1993	89.739	0.000	Not App.
A	1994	111.864	0.000	Not App.
A	1995	122.796	0.000	Not App.
A	1996	126.214	0.000	Not App.
A	1997	128.848	0.000	Not App.
A	1998	127.513	0.000	Not App.
A	1999	111.537	0.000	Not App.
A	2000	130.552	0.000	Not App.
A	2001	127.755	0.000	Not App.
A	2002	131.731	0.000	Not App.
A	2003	131.269	0.000	Not App.
A	2004	132.962	0.000	Not App.
A	2005	125.076	0.000	Not App.
A	2006	135.192	0.000	Not App.
A	2007	138.762	0.000	Not App.
A	2008	131.147	0.000	Not App.
A	2009	141.120	0.000	Not App.
A	2010	136.036	0.000	Not App.
A	2011	136.514	0.000	Not App.
A	2012	136.661	0.000	Not App.
F	2013	137.161	0.000	Not App.
F	2014	137.663	0.000	Not App.
F	2015	138.166	0.000	Not App.



Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Revenue Description: There are two types of revenue derived from over 20 different sources classified under gross vehicle weight (GVW) and other income: fee revenue and permit revenue. The majority of revenue is derived from a variety of GVW fees, including those fees collected by counties when vehicles are registered. Miscellaneous permits comprise the second income component under this source. Enactment of the federal "Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users" replaces the single state registration system (SSRS) with a new uniform carrier registration program. Elimination of the SSRS (effective January 1, 2007) eliminated the $5 state fee that was deposited to the general fund. The revenue was replaced with revenue from a federal fee. Montana is expected to receive revenue from this fee in the same amount of the lost SSRS revenue.

Statutory Reference:

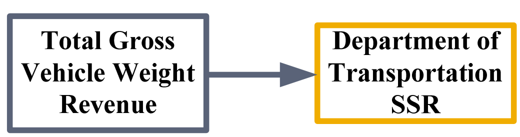
Tax Rate – Multiple (Administrative Rules 18.8.202)
Tax Distribution (MCA) – Multiple

Applicable Tax Rate(s): Various

Distribution: The majority of GVW revenue is allocated to the Department of Transportation.

Distribution Chart:

Beginning January 1, 2007



Collection Frequency: Various

% of Total General Fund Revenue: 0.00% (the general portion is included in "All Other General Fund")

Revenue Estimate Methodology:

Data

The data used in the gross weight vehicle (GVW) tax estimate are obtained from the state accounting system (SABHRS) and the Department of Transportation (DOT). The SABHRS data provide the historic collection data for the 13 different types of fees and permits. The DOT provides statistics on the number of gross weight vehicle licenses for use in Montana. No adjustments are required on the raw data in preparation for analysis.

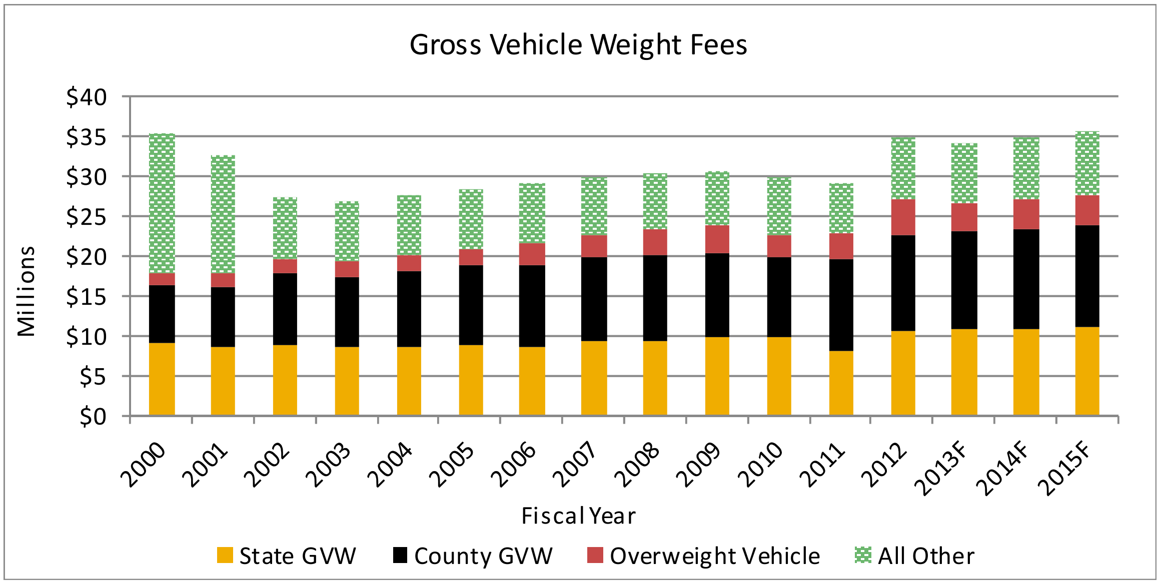
Analysis

The state of Montana imposes many fees and requires several types of permits based on the gross weight of commercial and large privately owned vehicles. In preparing the GVW estimate, 13 sources of fees and permit revenues are analyzed. Most of the sources demonstrate a payment history that can be adequately measured by applying a growth rate to a base year (FY 2010). The largest sources of revenue in the GVW are the gross vehicle weight fees collected by both counties and the state. The figure below demonstrates the relative importance of these two sources to the overall GVW collections.

Legislative Fiscal Division

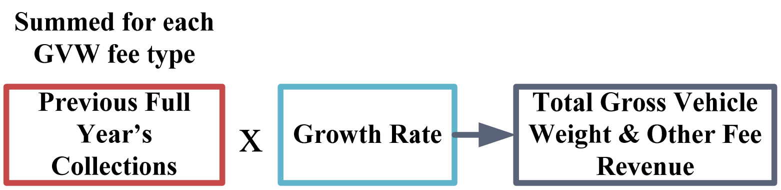
Revenue Estimate Profile

GVW and Other Fees



Both county and state GVW fees are forecast with a compound growth rate with the historical high and low rates removed. The forecast fees are expected to grow by over 1.6% in the next biennium. Another large source of revenue included in the GVW is the fee for overweight vehicles. This fee is estimated with an eight-year moving average growth rate base on changes in the two previous years with the historical high and low rates removed. The all other GVW fees, as shown in the figure above, are a collection of 10 different fees and permit types. While each of these fees is estimated separately, in combination the fees are expected to increase at an annual rate of over 2.1% during the biennium. Finally, the estimates for each of the GWV fees and permit collections are combined to produce the total estimate for GVW fees for FY 2011 through FY 2013.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	GVW Millions	SSRS Millions	Form 3 Millions	Trip Millions	County Millions
Actual	2002	27.266	1.045	8.814	1.045	0.860	0.441	8.933
Actual	2003	26.818	1.184	8.503	1.184	1.044	0.441	8.800
Actual	2004	27.500	1.215	8.586	1.215	1.007	0.455	9.398
Actual	2005	28.149	1.169	8.690	1.169	0.992	0.514	9.920
Actual	2006	28.916	1.330	8.555	1.336	1.059	0.542	10.243
Actual	2007	29.761	0.110	9.257	0.110	1.133	0.583	10.544
Actual	2008	30.238	-0.035	9.266	-0.035	1.137	0.642	10.827
Actual	2009	30.565	0.001	9.676	0.001	0.961	0.589	10.572
Actual	2010	29.630	0.019	9.618	0.019	1.023	0.565	10.120
Actual	2011	28.866	0.000	8.073	0.000	1.028	0.658	11.305
Actual	2012	34.745	0.000	10.489	0.000	1.102	0.865	12.086
Forecast	2013	33.969	0.000	10.651	0.000	1.134	0.700	12.272
Forecast	2014	34.707	0.000	10.814	0.000	1.161	0.750	12.461
Forecast	2015	35.486	0.000	10.984	0.000	1.197	0.805	12.657

	t Fiscal	Sales Millions	Overweight Millions	Special Millions	Restricted Millions	Fuel Millions	LPG Millions	Other Millions
Actual	2002	-0.640	1.845	0.903	0.000	0.108	0.000	4.957
Actual	2003	0.000	1.816	0.922	0.000	0.106	0.000	4.002
Actual	2004	0.000	1.903	0.978	0.000	0.108	0.000	3.850
Actual	2005	0.000	2.075	1.030	0.000	0.110	0.000	3.649
Actual	2006	0.000	2.646	1.104	0.000	0.118	0.000	3.314
Actual	2007	0.000	2.779	1.170	0.000	0.126	0.000	4.059
Actual	2008	0.000	3.185	1.229	0.000	0.151	0.000	3.834
Actual	2009	0.000	3.382	1.129	0.000	0.150	0.000	4.106
Actual	2010	0.000	2.730	1.081	0.000	0.142	0.000	4.332
Actual	2011	0.000	3.305	1.182	0.000	0.185	0.000	3.131
Actual	2012	0.000	4.353	1.422	0.000	0.254	0.000	4.174
Forecast	2013	0.000	3.477	1.240	0.000	0.263	0.000	4.231
Forecast	2014	0.000	3.659	1.300	0.000	0.274	0.000	4.289
Forecast	2015	0.000	3.850	1.361	0.000	0.284	0.000	4.349

Total Tax = GVW + SSRS + Form 3 + Trip + County + Sales + Overweight + Special + Restricted + Fuel + LPG + Other

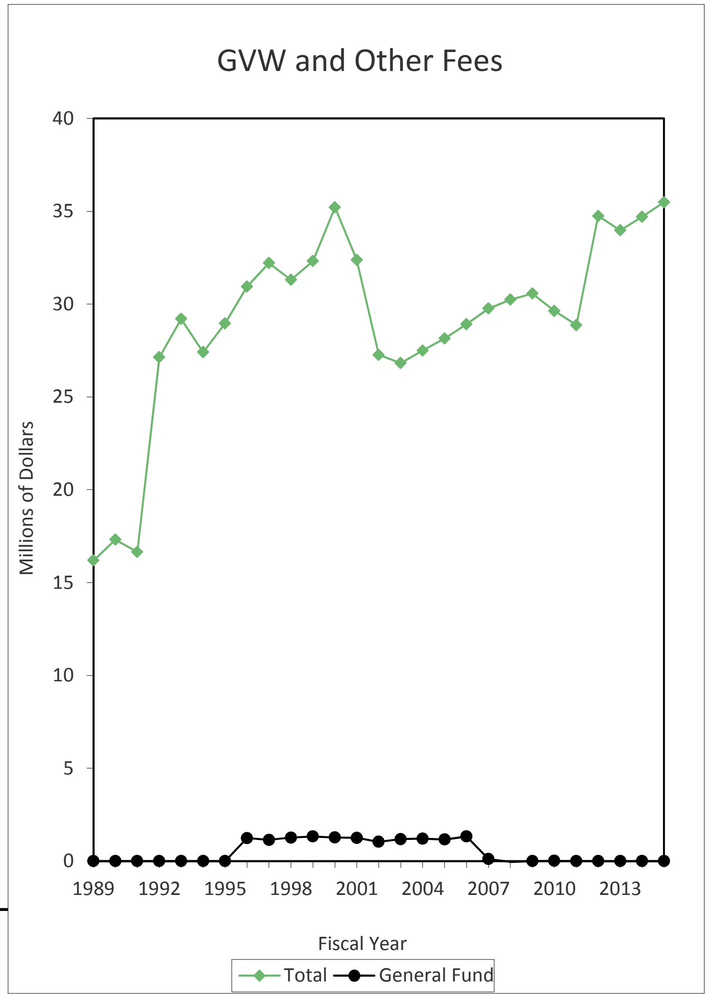
Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	16.197	0.000	Not App.
A	1990	17.314	0.000	Not App.
A	1991	16.653	0.000	Not App.
A	1992	27.135	0.000	Not App.
A	1993	29.201	0.000	Not App.
A	1994	27.408	0.000	Not App.
A	1995	28.957	0.000	Not App.
A	1996	30.946	1.241	Not App.
A	1997	32.207	1.143	-7.9%
A	1998	31.304	1.266	10.8%
A	1999	32.316	1.333	5.2%
A	2000	35.211	1.276	-4.3%
A	2001	32.377	1.252	-1.9%
A	2002	27.266	1.045	-16.6%
A	2003	26.818	1.184	13.3%
A	2004	27.500	1.215	2.6%
A	2005	28.149	1.169	-3.8%
A	2006	28.916	1.330	13.8%
A	2007	29.761	0.110	-91.8%
A	2008	30.238	-0.035	-131.7%
A	2009	30.565	0.001	-101.6%
A	2010	29.630	0.019	3234.3%
A	2011	28.866	0.000	-100.0%
A	2012	34.745	0.000	Not App.
F	2013	33.969	0.000	Not App.
F	2014	34.707	0.000	Not App.
F	2015	35.486	0.000	Not App.



Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state accounts. An excise tax is collected both on liquor sold by DOR and liquor purchased outside the state, by airlines and railroads (carriers), for consumption within the state. The department also collects a license tax on the sale of liquor. A portion of the excise tax revenue is returned to Native American tribes through an agreement with DOR.

Statutory Reference:

Tax Rate (MCA) – Excise tax (16-1-401), License tax (16-1-404)
Tax Distribution (MCA) – Excise tax (16-1-401 & 16-2-108), License tax (16-1-404)
Date Due – Excise tax is collected at the time of sale and distributed by the 10th day of each month. License tax is collected at the time of sale.

Applicable Tax Rate(s):

Excise Tax Rate

All liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed the liquor is taxed a percentage rate on the retail selling price based on the following number of proof gallons of liquor nationwide in the calendar year preceding imposition of the tax:

- 3.0% - < 20,000 proof gallons
- 8.0% - 20,000 to 50,000 proof gallons
- 13.8% - 50,001 to 200,000 proof gallons
- 16.0% - Over 200,000 proof gallons

The amount of excise taxes paid by carriers includes additional factors related to departures and passenger miles.

License Tax Rate

- 10.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

Distribution:

Excise tax revenue, less amounts distributed to the tribes, is deposited in the enterprise fund for transfer to the general fund.

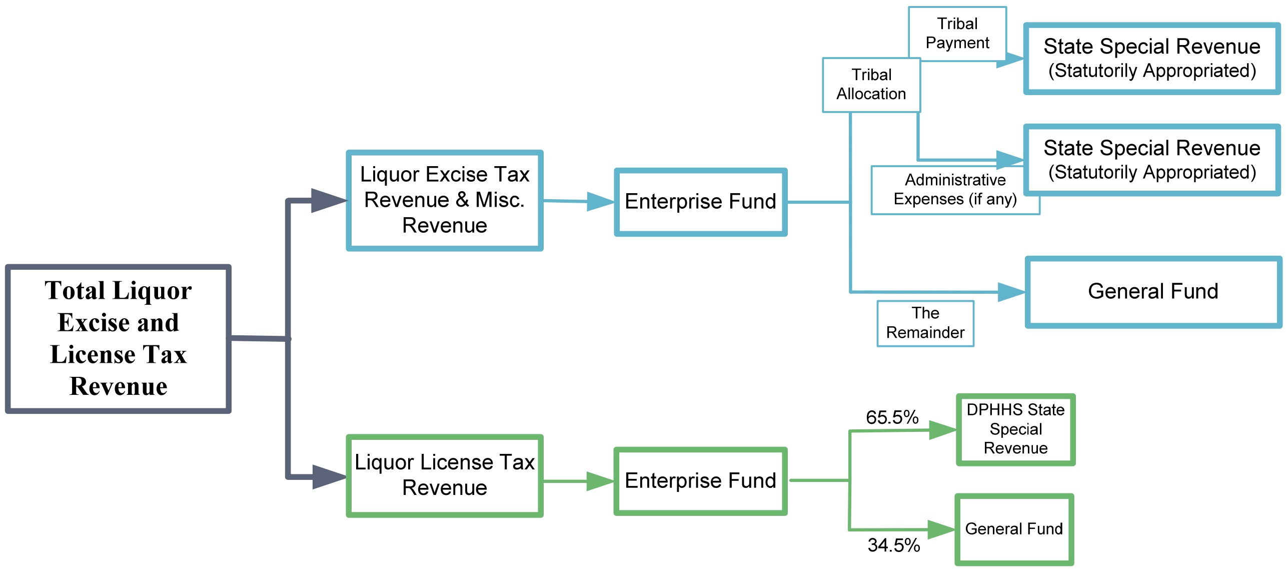
License tax revenue is allocated to the enterprise fund for transfer 34.5 % to the general fund and 65.5% to the Department of Public Health and Human Services (DPHHS) for alcohol treatment and rehabilitation programs.

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Distribution Chart:



Collection Frequency: Both the liquor excise tax and the license tax on liquor are collected at the time of the sale and delivery of liquor. Deposits to the general fund are made monthly.

% of Total General Fund Revenue:

FY 2004 – 0.78%	FY 2007 – 0.76%	FY 2010 – 0.96%
FY 2005 – 0.75%	FY 2008 – 0.76%	FY 2011 – 0.90%
FY 2006 – 0.74%	FY 2009 – 0.70%	FY 2012 – 0.91%

Revenue Estimate Methodology:

Data

The liquor excise and the liquor license tax estimates are based on data obtained from DOR, IHS, and the state accounting system (SABHRS). The DOR data provides the details of monthly liquor sales and costs, IHS projects the change in the consumer price index (CPI), and historic tax revenue data from SABHRS confirms the adequacy of the estimates.

Total liquor taxes are made up of two taxes, an excise tax and a license tax. While each tax has a different rate, both taxes are assessed on the retail sales price of the commodity. The tax rate is lower for companies that produce less than 200,000 gallons; however, for the purpose of estimating future liquor taxes, these lower tax rates are not considered. The rate of the excise tax is estimated at 16% of the price and the license tax is estimated at 10% of the price.

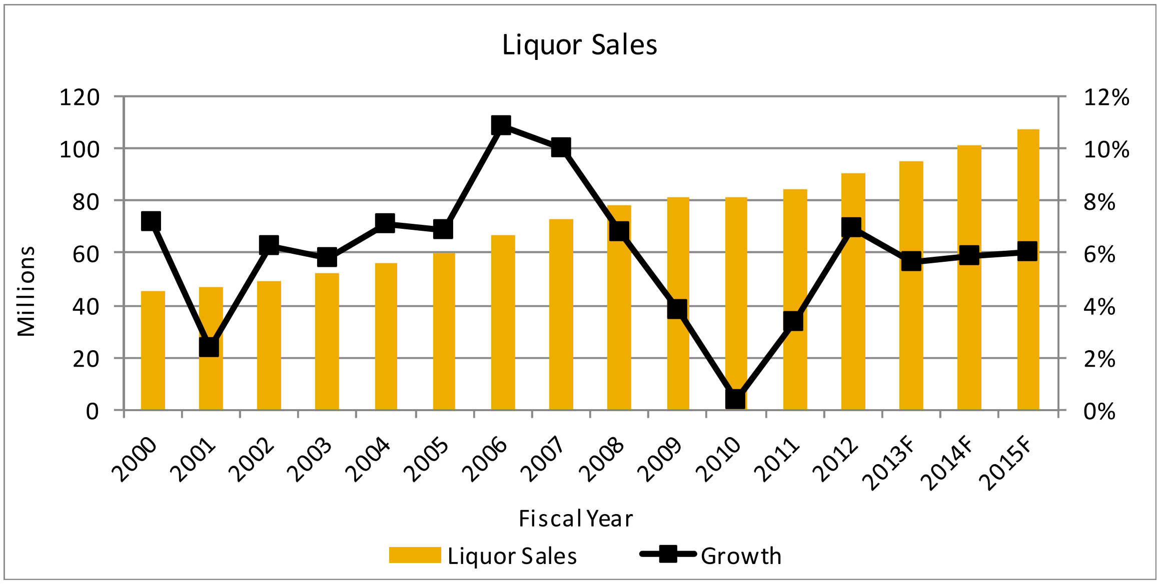
Analysis

Analysis shows a constant upward trend in liquor sales in Montana, as demonstrated in the figure below. Accordingly, unit sales is regressed in a linear trend model to determine the future unit sales. The model provides an R^2 rating of 0.970, which means the linear trend explains 97.0% of the variability unit sales in Montana, when all other impacts are held constant.*

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax



The liquor taxes estimate is calculated by applying growth rates to base year values of both the number of liquor units sold and the per unit price of liquor. The sales of liquor units are estimated by applying a three-year average growth factor. The annual growth factor for the forecast period is 2.85%. The growth rate for the price per liquor unit is estimated using the past year price as the base. This price is adjusted in subsequent years by the change in the CPI, adjusted by the long term ratio of the change in the cost of liquor units to the change in the CPI. The calculated growth rates are 1.0% in FY 2011, 1.3% in FY 2012, and 1.5% in FY 2013.

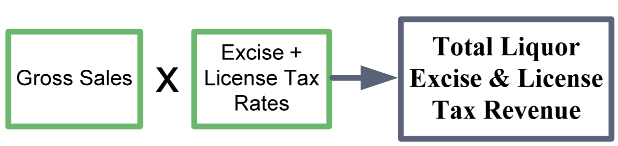
When total units and sales per unit are multiplied, total estimated gross liquor sales in Montana are estimated to be $93.3 million, $97.1 million, and $101.2 million for FY 2011 through 2013, respectively. The final step is to apply both tax rates to the estimate of liquor sales to determine the estimate for the combined liquor excise and license taxes.

Adjustment and Distribution

Liquor taxes are distributed to the general fund after a reduction for tribal reimbursements. Three of the seven tribal governments—Blackfeet, Fort Belknap, and Fort Peck—receive liquor tax dollars. These tribal governments adhere to the Montana liquor tax laws. The state of Montana collects the tribes' portion of the liquor taxes and quarterly distributes those collections based on a formula (per capita liquor consumption times tribal membership times the Montana tax rate). After reducing the excise tax revenue by the tribal distribution, the revenue is distributed to the enterprise fund and then to the general fund. The license tax is distributed to the enterprise fund and then to the general fund and DPHHS.

*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

Liquor Excise and License Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Tribal Millions	Gross Sales - Taxes Millions	Excise Rate Percent	License Rate Percent	GF License Allocation Percent
Actual	2002	12.896	9.514	0.133	49.615	16.0%	10.0%	34.5%
Actual	2003	13.644	10.042	0.165	52.479	16.0%	10.0%	34.5%
Actual	2004	14.615	10.718	0.216	56.212	16.0%	10.0%	34.5%
Actual	2005	15.619	11.468	0.217	60.069	16.0%	10.0%	34.5%
Actual	2006	17.312	12.709	0.242	66.600	16.0%	10.0%	34.5%
Actual	2007	19.042	13.982	0.264	73.255	16.0%	10.0%	34.5%
Actual	2008	20.335	14.925	0.288	78.250	16.0%	10.0%	34.5%
Actual	2009	17.325	12.651	0.310	81.224	16.0%	10.0%	34.5%
Actual	2010	21.308	15.626	0.314	81.535	16.0%	10.0%	34.5%
Actual	2011	21.792	15.989	0.313	84.196	16.0%	10.0%	34.5%
Actual	2012	23.222	17.037	0.335	89.987	16.0%	10.0%	34.5%
Forecast	2013	24.774	18.196	0.337	95.283	16.0%	10.0%	34.5%
Forecast	2014	26.235	19.269	0.357	100.902	16.0%	10.0%	34.5%
Forecast	2015	27.814	20.433	0.374	106.974	16.0%	10.0%	34.5%

Total Tax = Gross Sales × Excise Rate + Gross Sales × License Rate

GF Tax = Gross Sales × Excise Rate - Tribal + Gross Sales × License Rate × GF License Allocation

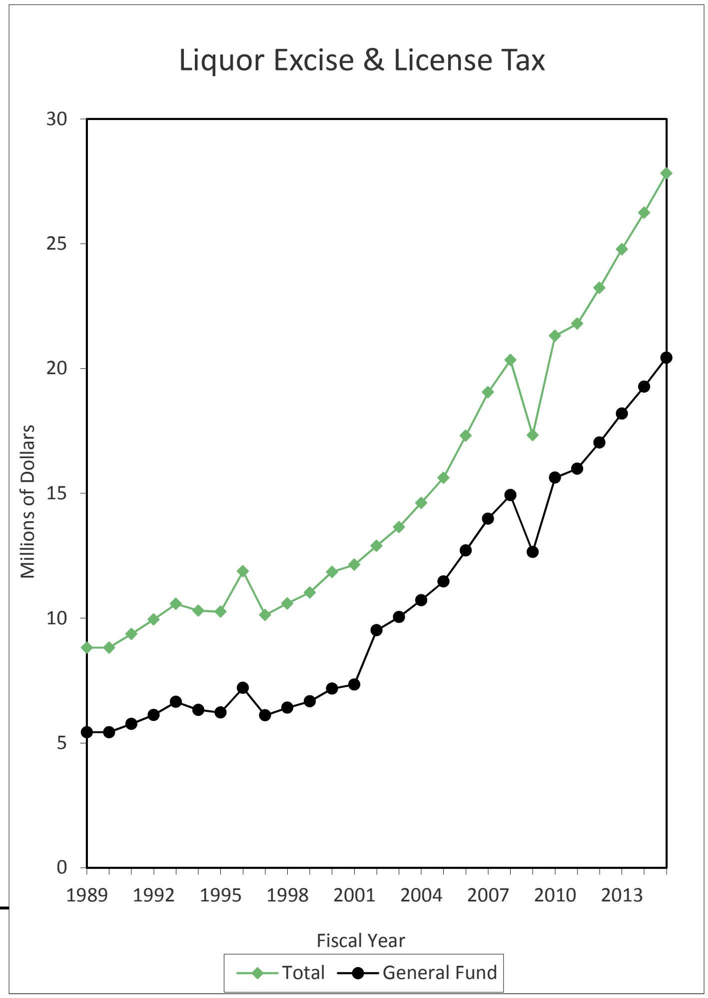
Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	8.819	5.429	Not App.
A	1990	8.814	5.428	0.0%
A	1991	9.361	5.759	6.1%
A	1992	9.946	6.122	6.3%
A	1993	10.572	6.645	8.5%
A	1994	10.303	6.324	-4.8%
A	1995	10.256	6.218	-1.7%
A	1996	11.872	7.203	15.8%
A	1997	10.126	6.107	-15.2%
A	1998	10.585	6.412	5.0%
A	1999	11.025	6.666	4.0%
A	2000	11.849	7.172	7.6%
A	2001	12.137	7.343	2.4%
A	2002	12.896	9.514	29.6%
A	2003	13.644	10.042	5.6%
A	2004	14.615	10.718	6.7%
A	2005	15.619	11.468	7.0%
A	2006	17.312	12.709	10.8%
A	2007	19.042	13.982	10.0%
A	2008	20.335	14.925	6.8%
A	2009	17.325	12.651	-15.2%
A	2010	21.308	15.626	23.5%
A	2011	21.792	15.989	2.3%
A	2012	23.222	17.037	6.6%
F	2013	24.774	18.196	6.8%
F	2014	26.235	19.269	5.9%
F	2015	27.814	20.433	6.0%



Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor and fortified wine to retail liquor establishments throughout the state. These sales result in profits that are deposited in the general fund. Tax revenues generated from liquor excise and license taxes, as well as wine taxes, are estimated under separate methodologies.

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and fortified wine, less costs such as commissions and discounts. House Bill 348 enacted by the 2001 Legislature phased-in liquor store commission increases based on sales volume over a three-year period beginning FY 2003. A 40.0% mark-up is added to the state's base cost for liquor. The state's mark-up percentage on the base cost of fortified wine (more than 16% but no greater than 24% alcohol by volume) is 51%. The mark-up percentage for both liquor and wine is determined by administrative rule (see ARM 42.11.104).

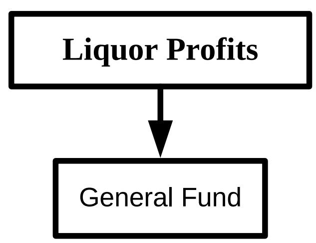
Statutory Reference:

Tax Rate – Authority to markup the price is found in 16-1-404(2) and ARM 42.11.104
Tax Distribution (MCA) – 16-2-108(4)
Date Due – NA

Applicable Tax Rate(s): N/A

Distribution: Liquor profits are deposited in the general fund annually.

Distribution Chart:



Collection Frequency: Payment for liquor purchases is due within 60 days of the invoice date and revenue is deposited into an enterprise fund**.**

% of Total General Fund Revenue:

FY 2004 – 0.47%	FY 2007 – 0.45%	FY 2010 – 0.55%
FY 2005 – 0.43%	FY 2008 – 0.45%	FY 2011 – 0.50%
FY 2006 – 0.44%	FY 2009 – 0.40%	FY 2012 – 0.51%

Revenue Estimate Methodology:

Data

The liquor profits estimate is based on data obtained from DOR, the state budget system (MBARS), and the state accounting system (SABHRS). DOR provides monthly historical data for the total liquor sales, the number of units of liquor sold, and the average price for each unit of liquor. MBARS provides the present law operational budget for the DOR liquor division. SABHRS data provides a historic breakout of liquor expenses and is used as a comparison to check the adequacy of the estimate.

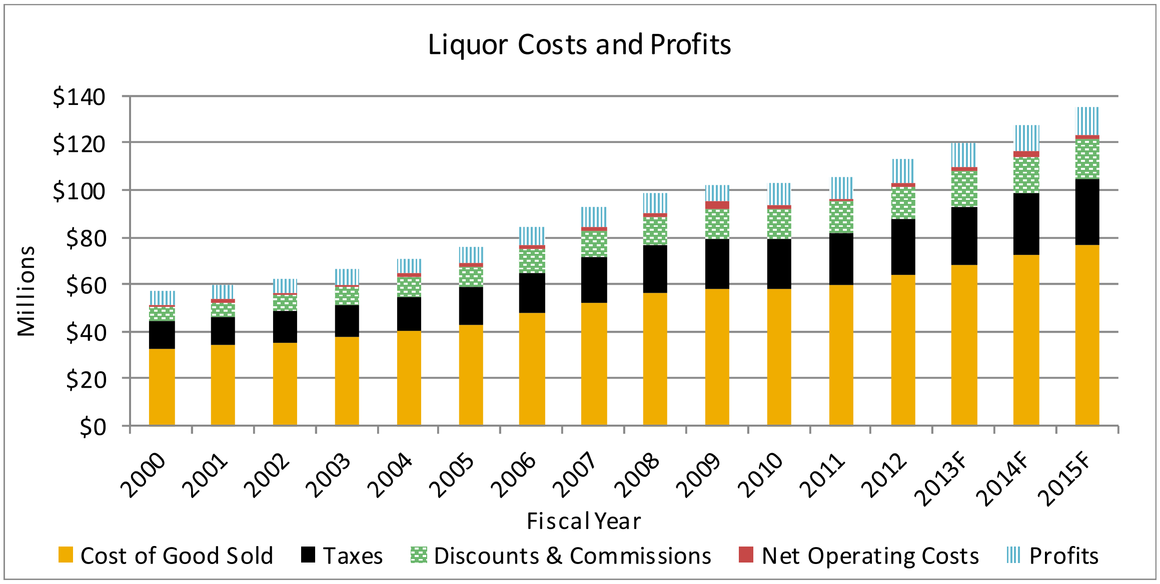
Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Analysis

As seen in the figure below, the profits are a small part of the total liquor sales. Since FY 2000, profits have averaged about 9.2% of total tax included liquor sales. In the forecast period, profits are expected to be approximately 8.1% of total tax included sales.



The starting point in estimating liquor profits is the gross sales of liquor. The steps in determining the liquor profits are as follows:

- Determine units
- Determine total sales value (units × price per unit)
- Determine costs of goods sold (units × cost per unit)
- Calculate discounts and commissions
- Obtain operating budgets
- Calculate taxes

Liquor profits are estimated by reducing total tax included liquor sales (for the methodology of total liquor sales, see the "Liquor Excise and License Tax" revenue section) by all the costs of doing business. For the purpose of estimating liquor profits, the cost of doing business includes the cost of the goods sold (cost of liquor and transportation), the taxes (excise and license), discounts and commissions, and net operating costs (program administration). These costs historically represent 91.1% of the cost of a unit of liquor. When costs are subtracted from total sales, the resulting amount is the estimate for liquor profits.

Forecast Methodology:

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Revenue Estimate Assumptions:

	t Fiscal	GF Profit Millions	Gross Sales + Taxes Millions	Excise License Tax Millions	Discount Commission Millions	Cost of Goods Millions	Operation Costs Millions	Other Income Millions
Actual	2002	5.600	62.515	12.898	6.797	35.279	1.478	0.008
Actual	2003	6.000	66.124	13.643	7.433	37.321	1.485	0.008
Actual	2004	6.500	70.828	14.614	8.165	39.933	1.507	0.010
Actual	2005	6.650	75.687	15.616	9.162	42.693	1.553	0.000
Actual	2006	7.450	83.916	17.310	10.148	47.307	1.692	0.000
Actual	2007	8.200	92.301	19.039	11.131	52.142	1.736	0.000
Actual	2008	8.775	98.595	20.333	12.114	55.688	1.683	0.000
Actual	2009	7.250	102.342	21.107	12.558	57.704	3.396	-0.012
Actual	2010	9.000	102.734	21.159	12.617	57.881	1.796	-0.010
Actual	2011	9.000	106.087	21.792	13.112	59.761	1.643	-0.007
Actual	2012	9.500	113.383	23.223	14.013	63.924	1.923	-0.009
Forecast	2013	10.606	120.057	24.774	14.837	67.908	1.923	-0.009
Forecast	2014	10.988	127.136	26.234	15.712	72.089	2.103	-0.009
Forecast	2015	11.601	134.787	27.813	16.658	76.637	2.069	-0.009

GF Profits = Gross Sales - Excise/License Tax - Discount/Commission - Cost of Goods - Operation Costs + Other

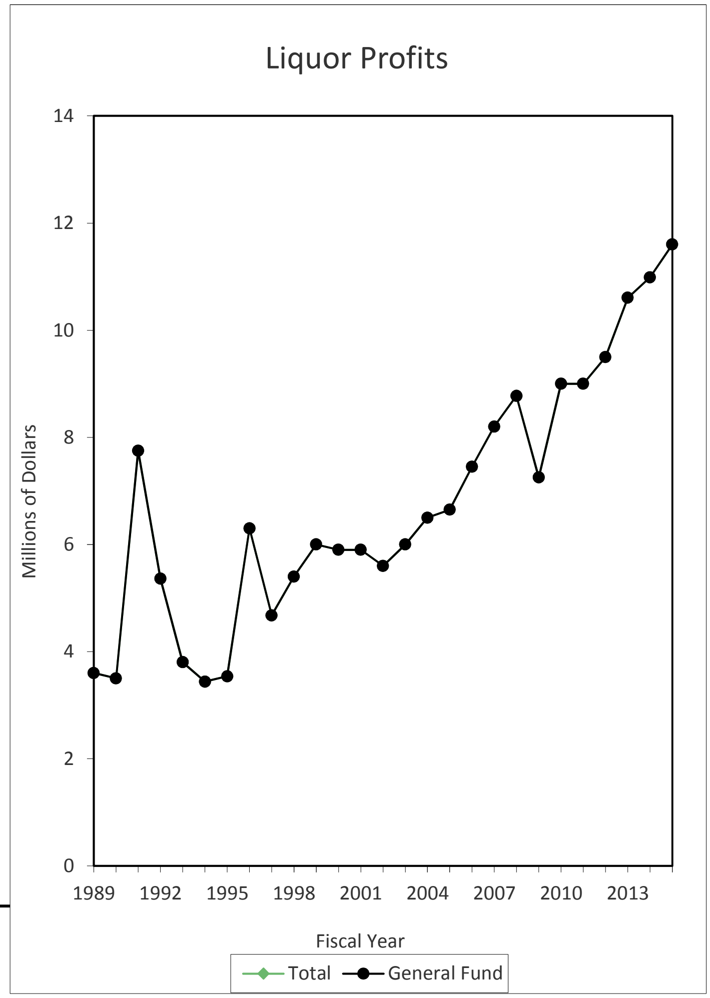
Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	3.600	3.600	Not App.
A	1990	3.500	3.500	-2.8%
A	1991	7.750	7.750	121.4%
A	1992	5.363	5.363	-30.8%
A	1993	3.800	3.800	-29.1%
A	1994	3.438	3.438	-9.5%
A	1995	3.537	3.537	2.9%
A	1996	6.300	6.300	78.1%
A	1997	4.675	4.675	-25.8%
A	1998	5.400	5.400	15.5%
A	1999	6.000	6.000	11.1%
A	2000	5.900	5.900	-1.7%
A	2001	5.900	5.900	0.0%
A	2002	5.600	5.600	-5.1%
A	2003	6.000	6.000	7.1%
A	2004	6.500	6.500	8.3%
A	2005	6.650	6.650	2.3%
A	2006	7.450	7.450	12.0%
A	2007	8.200	8.200	10.1%
A	2008	8.775	8.775	7.0%
A	2009	7.250	7.250	-17.4%
A	2010	9.000	9.000	24.1%
A	2011	9.000	9.000	0.0%
A	2012	9.500	9.500	5.6%
F	2013	10.606	10.606	11.6%
F	2014	10.988	10.988	3.6%
F	2015	11.601	11.601	5.6%



Data Source(s): SABHRS, MBARS, Department of Revenue

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Revenue Description: The Montana state lottery was enacted by legislative referendum and became effective January 1, 1987. The first lottery game began in June 1987. A lottery is generally defined as “any procedure in which one or more prizes are distributed among persons who have paid for a chance to win a prize”. The games are administered by the Department of Administration. By law, a minimum of 45.0% of the money paid for tickets or chances must be paid out as prizes.

Lottery revenue is derived from ticket sales, sales agents license fees, and unclaimed prizes. Sales revenue is initially deposited into an enterprise fund known as the state lottery fund. After paying prizes, ticket costs, commissions, and other operating costs, profits are transferred to the general fund.

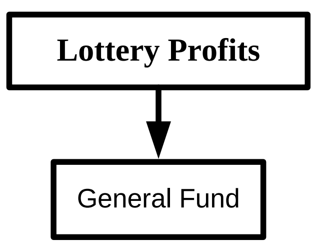
Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 23-7-402(3)
Date Due – quarterly (23-7-402(3))

Applicable Tax Rate(s): There is no actual tax rate involved. However, applicants for sales agent licenses are charged a $50.00 fee to cover the cost of investigating and processing the applications.

Distribution: All gross lottery revenue not used for prizes, commissions, administration, and operating expenses, together with the interest earned (on the gross revenue while the gross revenue is in the enterprise fund), is considered net revenue. This net revenue is transferred to the general fund. Senate Bill 55, passed by the 1999 Legislature, requires the Department of Commerce to submit a biennium budget for the state lottery fund for appropriation by the legislature. By determining the amount appropriated, the legislature has better control over the amount transferred to the general fund.

Distribution Chart:



Collection Frequency: Lottery revenues are collected on an on-going basis. Transfers to the general fund are usually made quarterly.

% of Total General Fund Revenue:

FY 2004 – 0.59%	FY 2007 – 0.62%	FY 2010 – 0.65%
FY 2005 – 0.41%	FY 2008 – 0.56%	FY 2011 – 0.60%
FY 2006 – 0.53%	FY 2009 – 0.56%	FY 2012 – 0.70%

Revenue Estimate Methodology:

The estimate for lottery profits is derived by estimating the various sources of revenue to the enterprise fund and then estimating the various expenses of the fund. Revenues less expenses are considered net revenue (profits).

Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Data

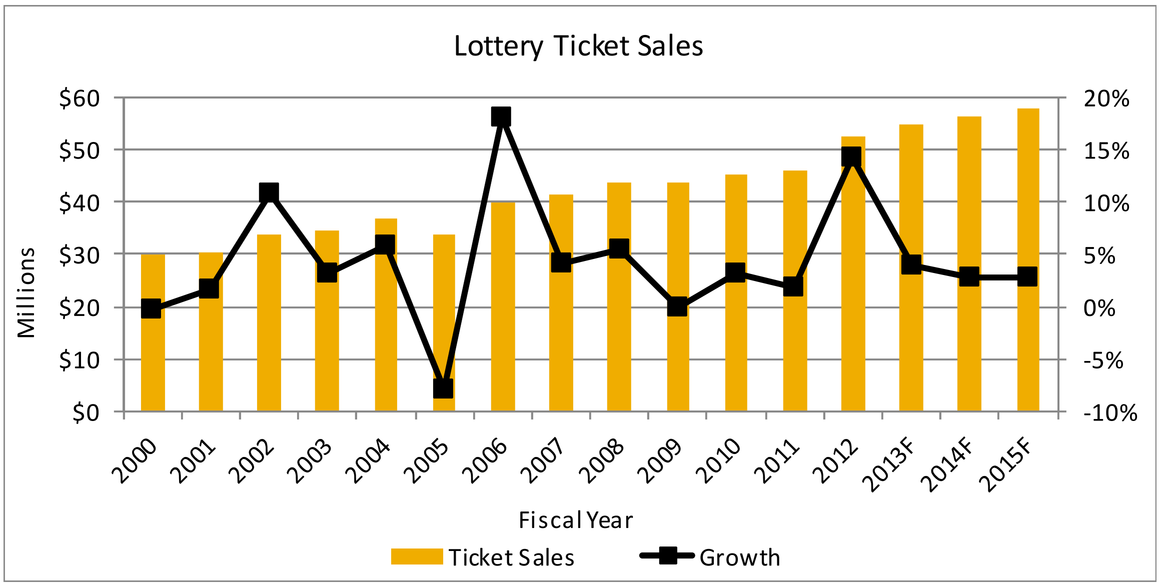
Data from the state accounting system (SABHRS) provide a history of the enterprise fund revenues and expenditures. Annual reports received from the Montana Lottery Commission provide additional financial information about the fund. Lottery personnel are contacted for their views on trends in lottery tickets sale and other factors that may influence revenues or expenditures. The state budgeting system is used to obtain estimates of appropriated administrative expenses. Montana population statistics from IHS (see "Montana Population" in the Overview section) are used to derive per capita ticket sales.

Analysis

The estimate for lottery profits is difference between the four revenue components and the two expenditure components, each of which are forecast separately.

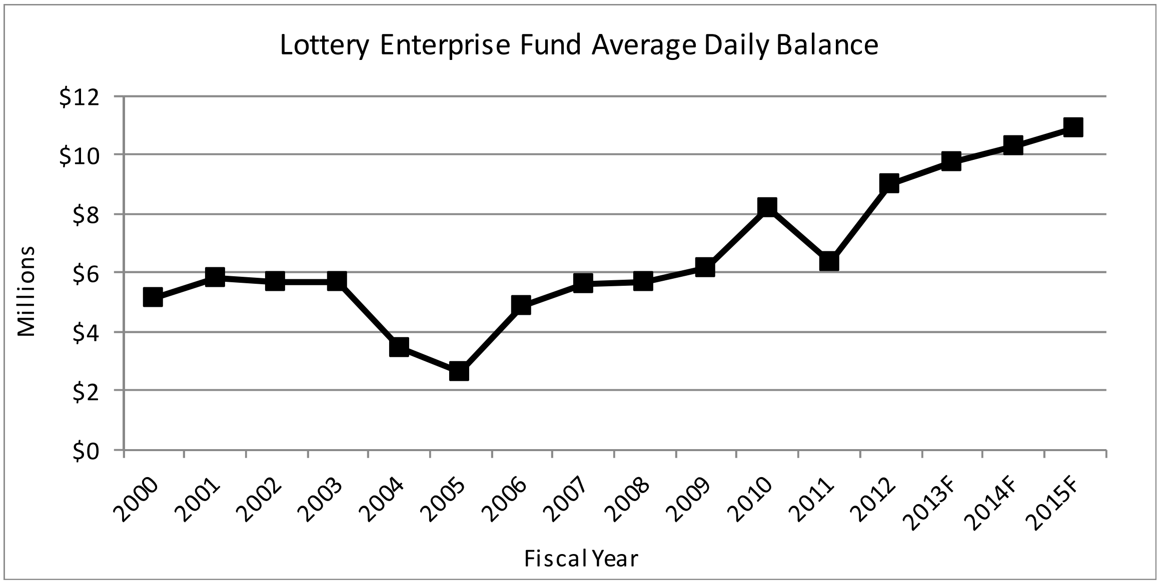
Revenue

1. Ticket sales – This is the largest component of lottery revenue. Per capita ticket sales are modeled on a time trend with an adjustment for unusually low sales in FY 2005, and multiplied by the forecast of Montana's population to produce future ticket sales.



2. Licenses – Applicants who apply for a sales agent license pay a $50 license fee. The amount from the last known fiscal year is used for all subsequent years.
3. Interest earnings – Money in the lottery enterprise fund, as well as Montana's share of money held by the Multi-State Lottery Association, earns interest at the short-term interest rate and is deposited to the enterprise fund. To estimate interest earnings, the average daily balance is multiplied by the short-term interest rate. The average daily balance is determined by:
   a. Deriving the balance for the last known fiscal year by dividing known interest earnings by the known short-term interest rate
   b. Developing a balance ratio between the balance derived from (a) and ticket sales from the last known fiscal year
   c. Multiplying the balance ratio by the ticket sales estimate for each subsequent year to derive the average daily balance.

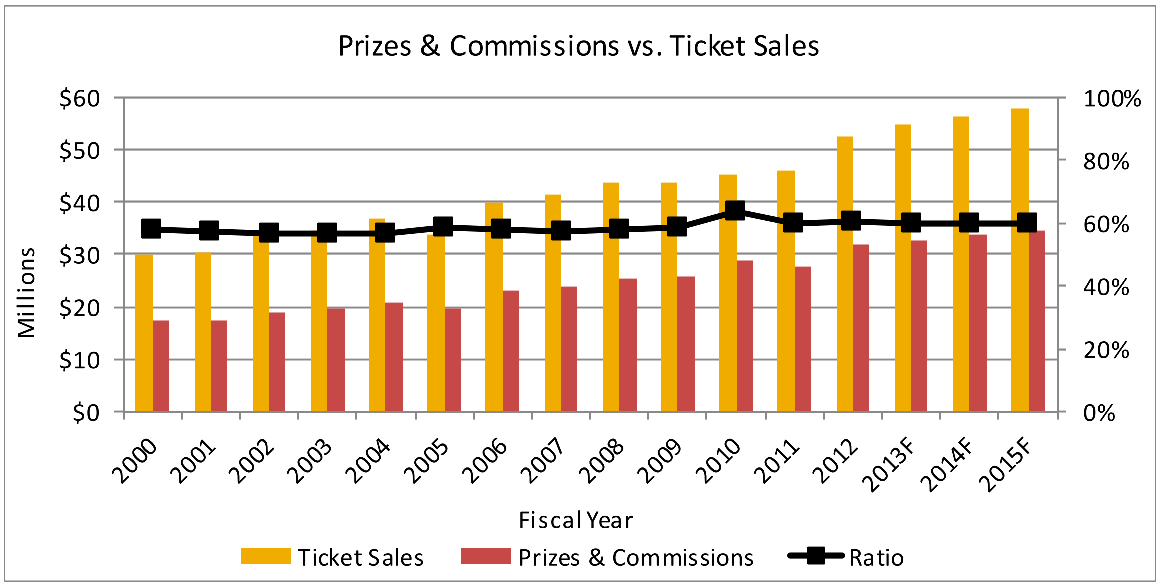
   Once the balance has been estimated, it is multiplied by the applicable short-term interest rate (see the "Treasury Cash Account" revenue source for details on the development of this rate).



4. Other – The small amount of miscellaneous revenue from the last known fiscal year is used for all subsequent years.

Expenditures

1. Prizes and Commissions – The ratio of prizes and commissions to ticket sales is relatively constant, so an average ratio is computed for all years with actual data. This ratio is multiplied by the estimated amount of ticket sales (see above) for each corresponding fiscal year to derive the estimate of prizes and commissions.

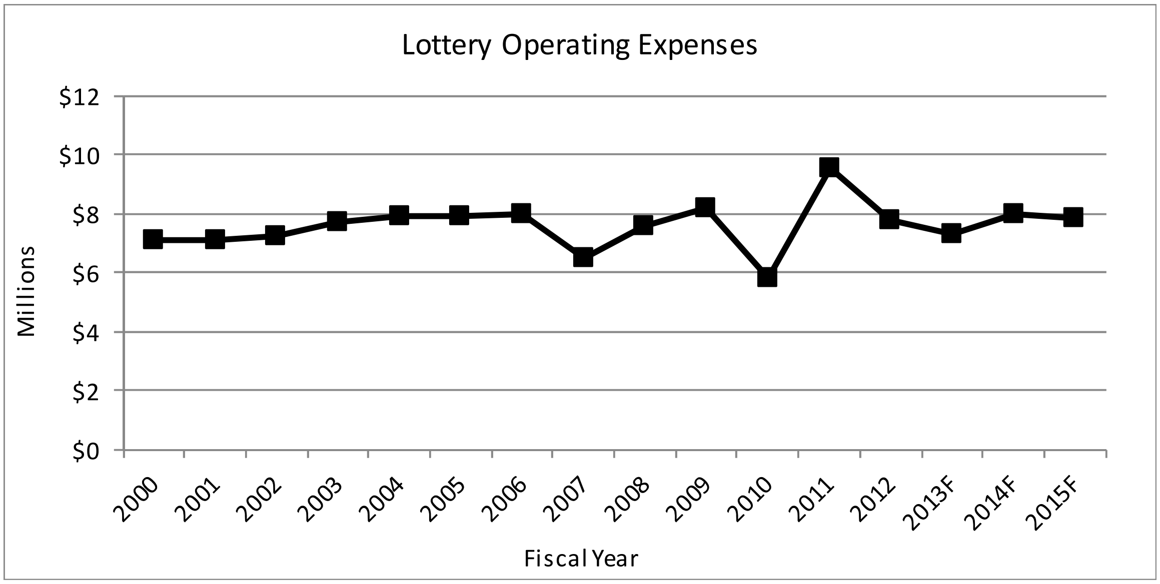


2. Operations – Operational costs are estimated using the budget submissions by the Lottery Commission, as shown on the state budgeting system.

Legislative Fiscal Division

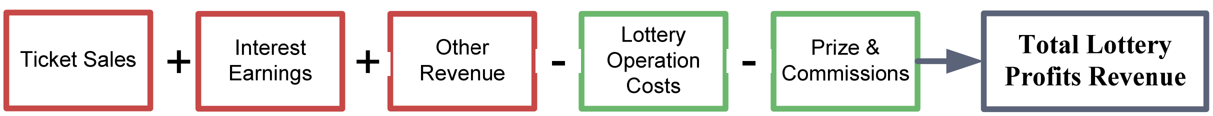
Revenue Estimate Profile

Lottery Profits



<u>Adjustments and Distribution</u>
All profits are deposited to the general fund.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Revenue Estimate Assumptions:

	t Fiscal	Total Profit Millions	GF Profits Millions	Sales Millions	Interest Millions	Other Millions	Operating Millions	Prizes Millions
Actual	2002	7.467	7.467	33.632	0.146	0.039	7.264	19.086
Actual	2003	7.453	7.453	34.682	0.077	0.014	7.722	19.599
Actual	2004	8.116	8.116	36.738	0.044	0.003	7.898	20.771
Actual	2005	6.223	6.223	33.811	0.063	0.030	7.913	19.769
Actual	2006	9.110	9.110	39.918	0.200	0.011	7.962	23.056
Actual	2007	11.420	11.420	41.565	0.267	0.004	6.529	23.886
Actual	2008	11.029	11.029	43.822	0.179	0.006	7.575	25.403
Actual	2009	10.136	10.136	43.827	0.059	0.025	8.177	25.598
Actual	2010	10.631	10.631	45.193	0.017	0.021	5.825	28.775
Actual	2011	10.611	10.611	46.035	0.009	1.638	9.577	27.494
Actual	2012	13.061	13.061	52.602	0.011	0.015	7.807	31.761
Forecast	2013	14.563	14.563	54.628	0.015	0.015	7.290	32.805
Forecast	2014	14.518	14.518	56.195	0.016	0.015	7.963	33.746
Forecast	2015	15.283	15.283	57.740	0.053	0.015	7.853	34.674

Total Profits = Sales + Interest + Other - Operating - Prizes

GF Profits = Total Profits

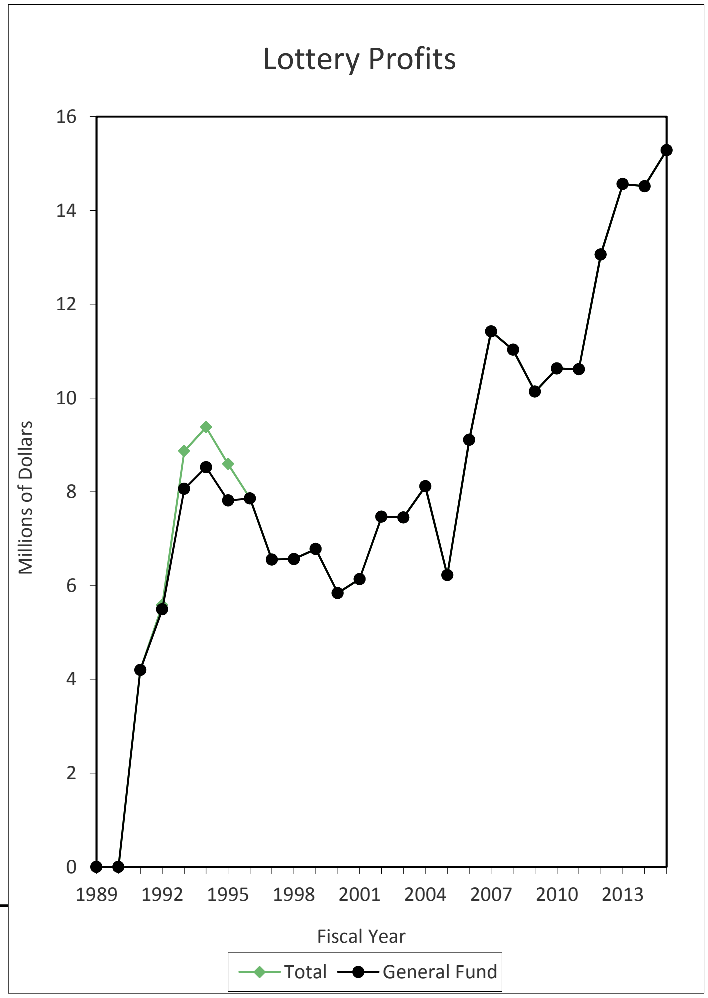
Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	4.200	4.200	Not App.
A	1992	5.583	5.494	30.8%
A	1993	8.869	8.062	46.8%
A	1994	9.377	8.524	5.7%
A	1995	8.594	7.812	-8.4%
A	1996	7.859	7.859	0.6%
A	1997	6.553	6.553	-16.6%
A	1998	6.564	6.564	0.2%
A	1999	6.780	6.780	3.3%
A	2000	5.841	5.841	-13.9%
A	2001	6.137	6.137	5.1%
A	2002	7.467	7.467	21.7%
A	2003	7.453	7.453	-0.2%
A	2004	8.116	8.116	8.9%
A	2005	6.223	6.223	-23.3%
A	2006	9.110	9.110	46.4%
A	2007	11.420	11.420	25.4%
A	2008	11.029	11.029	-3.4%
A	2009	10.136	10.136	-8.1%
A	2010	10.631	10.631	4.9%
A	2011	10.611	10.611	-0.2%
A	2012	13.061	13.061	23.1%
F	2013	14.563	14.563	11.5%
F	2014	14.518	14.518	-0.3%
F	2015	15.283	15.283	5.3%



Data Source(s): SABHRS, MBARS, Department of Revenue, Department of Administration - Montana Lottery

Contacts: Department of Administration

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Revenue Description: The tobacco tax is an excise tax on tobacco products sold in Montana. Cigarettes are not subject to the tobacco tax. The tax is considered a direct tax on retail consumers, but is collected by the wholesaler. Tobacco products shipped from Montana and destined for retail sale and consumption outside the state are not subject to the tax.

Beginning May 1, 2003, the Fifty-eighth Legislature passed SB 407 that doubled the tax on all tobacco products other than cigarettes and moist snuff from 12.5% to 25.0% of the wholesale price. Furthermore, moist snuff is now taxed individually, increasing the rate from the equivalent of $0.28 an ounce to $0.35 an ounce. Beginning January 1, 2005, the electorate approved I-149 that raised the tax on other tobacco products to 50% of the wholesale price and moist snuff to $0.85 per ounce. Wholesalers are allowed a discount of 1.5%, to cover collection and administrative expenses. The wholesaler is entitled to a refund for tobacco products that remain unsold. I-149 adjusted distributions to allow half of the tax revenues to flow into the state general fund and half to flow into a new state special revenue fund for health and Medicaid initiatives.

The state has tobacco revenue sharing agreements with five tribes in Montana. In the agreements with the Blackfeet, Fort Belknap, Fort Peck, Chippewa Cree, and Crow tribes, the state collects the tax imposed by the tribes and distributes the revenue to the tribes on a quarterly basis. Indian consumers of tobacco on other reservations are exempt from paying the tobacco tax.

Statutory Reference:

Tax Rate (MCA) – 16-11-111(7)
Tax Distribution (MCA) – 16-11-114(2), 16-11-119(3)
Date Due (MCA) – 16-11-111(8)

Applicable Tax Rate(s):

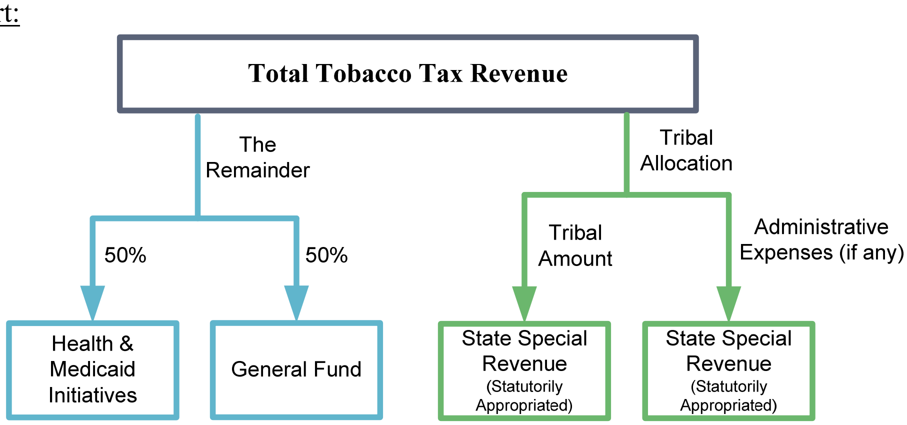
- Tobacco products - 50.0% of the wholesale price
- Moist snuff - $0.85 per ounce

Distribution:

After amounts allocated for expenses and tribal distributions:

- 50% to a state special revenue fund to be used of health and Medicaid initiatives
- 50% to the general fund

Distribution Chart:



Collection Frequency: Monthly

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

% of Total General Fund Revenue:

FY 2004 – 0.26%	FY 2007 – 0.25%	FY 2010 – 0.33%
FY 2005 – 0.26%	FY 2008 – 0.24%	FY 2011 – 0.31%
FY 2006 – 0.26%	FY 2009 – 0.28%	FY 2012 – 0.31%

Revenue Estimate Methodology:

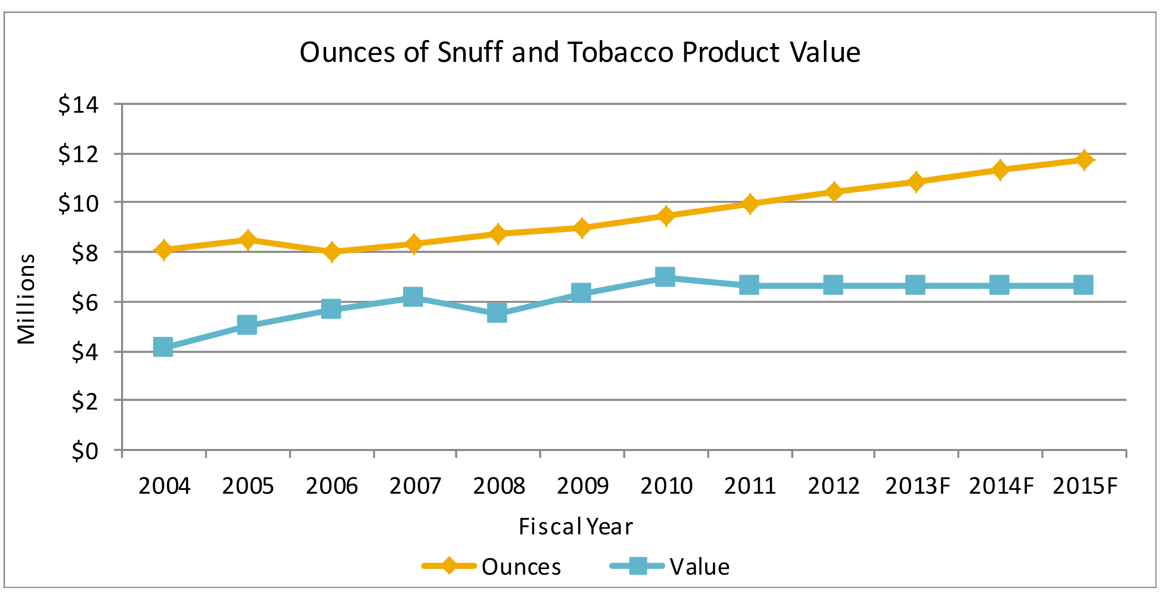
Data

Data are obtained from the state accounting system (SABHRS), the Department of Revenue (DOR), U.S. Census Bureau, and IHS is used to forecast tobacco tax revenues. The tobacco tax is made up of two taxes on the consumption of tobacco products. The tax on moist snuff (the largest component of the tax) is assessed on the number of ounces sold, and the tax on all other tobacco products (not including cigarettes) is assessed on the wholesale value of the product. The DOR provides information, by distributor and month, on the number of ounces of snuff and the value of the tobacco products sold in each month and the records of tribal distributions. Other data provided by DOR include the amount of discounts and credits given to tobacco distributors. Historic observations of tax collections are available through SABHRS, projections for Montana population greater than or equal to 21 years of age are supplied by the Census Bureau, and IHS supplies projections of the consumer price index (CPI).

DOR provides monthly data on the sales of snuff, in ounces, and the wholesale value of the sales of other tobacco products purchased in Montana. To prepare the data for analysis, the monthly data is summed across all distributor purchases and over the fiscal years. For the estimate of moist snuff tax, the data is divided by the estimate of the Montana population of ages 21 or greater. The per-capita consumption estimate is then used later to determine the total taxes paid on moist snuff. DOR data includes administrative discounts and credits, provided to the distributors for collecting the tax, which is used later in the process. The actual SABHRS data serves as a comparative check against the collection data provided by the DOR.

Analysis

For the first full year in FY 2004, the tobacco tax assessment distinguished between moist snuff and other tobacco products. In the 58th Legislature, the taxation of moist snuff was changed. A new tax rate is now imposed on the ounces of snuff sold instead of on value, as other tobacco products are taxed. Consequently, the method used to estimate tobacco tax collections was changed to reflect the changes in the law. The figure below shows the number of ounces of moist snuff sold to wholesalers since FY 2004 and the projected sales of ounces through the forecast period. Additionally, the figure shows the wholesaler sales and projected sales of other tobacco products (value) over the same period.



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Analysis shows that sales of moist snuff and other tobacco products are not consistent. In recent years, the consumption of moist snuff has increased at a slower rate than the "value" of other tobacco products. Consequently, the estimate for the tobacco taxes is derived using unique growth factors of the proxy of each moist snuff and other tobacco products.

The forecast for the consumption of moist snuff is obtained by increasing the per-capita consumption of moist snuff by the recent rate of increased consumption, 2.8%, and allowing the consumption to increase further with the growth of the population of 21 and up. The number of ounces of snuff sold in Montana is expected to be 9.8 million in FY 2011, 10.2 million in FY 2012, and 10.6 million in FY 2013.

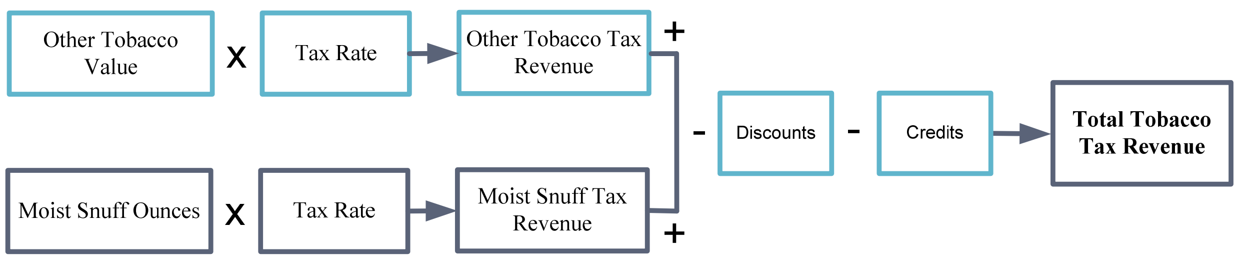
The forecast for the value of other tobacco products sold in Montana is obtained by applying the rate of growth incurred in FY 2010, 10.2%, to the base year of FY 2010 and forward. The value of the sales of tobacco products is expected to be $7.7 million in FY 2011, $8.5 million in FY 2012, and $9.4 million in FY 2013.

To finish the estimate, the individual tax rates are applied to the consumption/value forecasts to create a gross tax estimate. This methodology produces gross tax estimates of total tobacco tax collections of $11.8 million in FY 2011, $12.6 million in FY 2012, and $13.3 million in FY 2013.

Adjustment and Distribution

The estimates for gross collections of the tobacco taxes are adjusted for discounts and credits provided to the distributors. Finally, calculations are made for the distribution of the tobacco tax. Tobacco taxes are distributed 50% to a state special revenue fund to be used of health and Medicaid initiatives and 50% to the general fund. The general fund distribution is then reduced by tribal reimbursements. At this time, five of the seven tribal governments receive tobacco tax dollars: Blackfeet, Fort Belknap, Fort Peck, Chippewa Cree, and Crow. These tribal governments adhere to Montana tobacco tax laws. The state of Montana collects the tribes' portion of the tax and quarterly distributes the collections based on a formula (per capita tobacco products consumption times 150% times tribal membership times the Montana tax rate).

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Tribal Millions	Other Value Millions	Tax Rate Percent	Snuff Ounces Millions	Tax Rate Per Ounce
Actual	2002	2.229	2.183	0.046	17.828	12.5%		
Actual	2003	2.360	2.305	0.056	18.884	12.5%		
Actual	2004	3.626	3.562	0.064	4.160	25.0%	8.080	0.35
Actual	2005	6.452	4.024	0.087	5.000	37.5%	8.460	0.60
Actual	2006	9.119	4.360	0.399	5.697	50.0%	7.982	0.85
Actual	2007	9.810	4.670	0.471	6.129	50.0%	8.305	0.85
Actual	2008	9.872	4.699	0.475	5.513	50.0%	8.758	0.85
Actual	2009	10.479	4.990	0.498	6.320	50.0%	8.965	0.85
Actual	2010	11.210	5.334	0.541	6.972	50.0%	9.453	0.85
Actual	2011	11.492	5.477	0.538	6.664	50.0%	9.924	0.85
Actual	2012	12.024	5.709	0.606	6.649	50.0%	10.398	0.85
Forecast	2013	12.231	5.830	0.571	6.656	50.0%	10.829	0.85
Forecast	2014	12.605	6.015	0.576	6.656	50.0%	11.280	0.85
Forecast	2015	12.974	6.193	0.589	6.656	50.0%	11.725	0.85

	t Fiscal	Discount Millions	Credits Millions	GF Allocation Percent
Actual	2002			
Actual	2003			
Actual	2004	0.096	0.092	98.2%
Actual	2005	0.120	0.098	62.4%
Actual	2006	0.144	0.425	47.8%
Actual	2007	0.152	0.222	47.6%
Actual	2008	0.153	0.200	47.6%
Actual	2009	0.161	0.207	47.6%
Actual	2010	0.173	0.105	47.6%
Actual	2011	0.176	0.097	47.7%
Actual	2012	0.182	0.125	47.5%
Forecast	2013	0.187	0.115	50.0%
Forecast	2014	0.193	0.119	50.0%
Forecast	2015	0.198	0.122	50.0%

Total Tax = Snuff Ounces × Tax Rate Per Ounce + Other Value × Tax Rate Percent - Discount - Credit

GF Tax = (Total Tax - Tribal) × GF Allocation

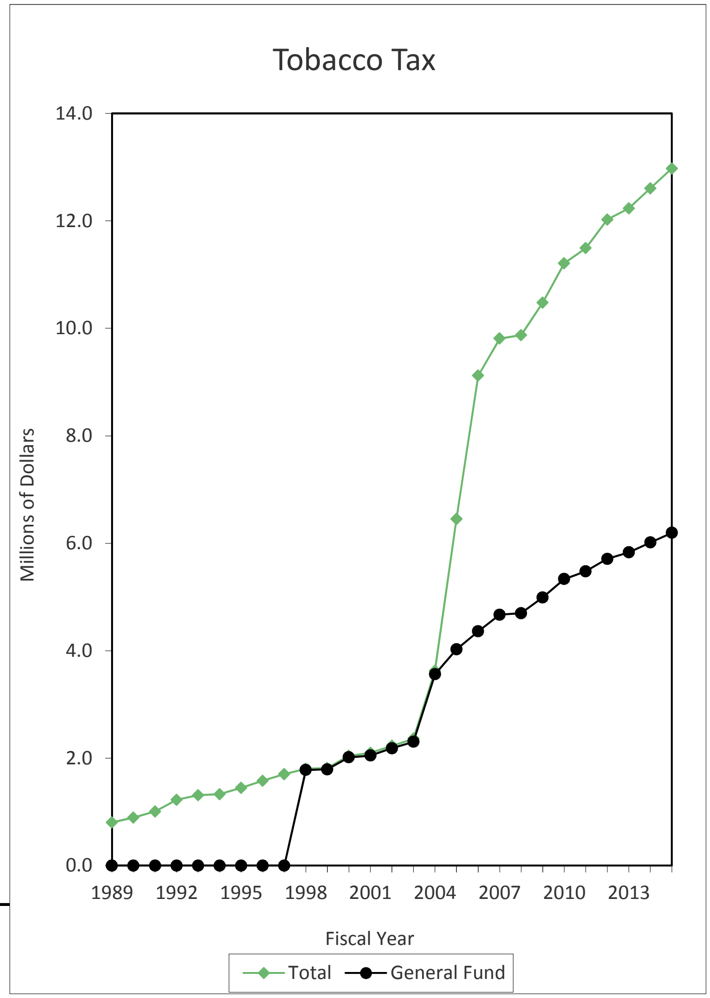
Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.803	0.000	Not App.
A	1990	0.893	0.000	Not App.
A	1991	1.007	0.000	Not App.
A	1992	1.225	0.000	Not App.
A	1993	1.309	0.000	Not App.
A	1994	1.329	0.000	Not App.
A	1995	1.446	0.000	Not App.
A	1996	1.580	0.000	Not App.
A	1997	1.702	0.000	Not App.
A	1998	1.801	1.779	Not App.
A	1999	1.816	1.791	0.7%
A	2000	2.042	2.017	12.6%
A	2001	2.098	2.048	1.6%
A	2002	2.229	2.183	6.6%
A	2003	2.360	2.305	5.6%
A	2004	3.626	3.562	54.6%
A	2005	6.452	4.024	13.0%
A	2006	9.119	4.360	8.4%
A	2007	9.810	4.670	7.1%
A	2008	9.872	4.699	0.6%
A	2009	10.479	4.990	6.2%
A	2010	11.210	5.334	6.9%
A	2011	11.492	5.477	2.7%
A	2012	12.024	5.709	4.2%
F	2013	12.231	5.830	2.1%
F	2014	12.605	6.015	3.2%
F	2015	12.974	6.193	3.0%



Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

Revenue Description: Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees that generate revenue. Numerous fees are paid by operators for both video gambling machines and for non-video games such as poker. In addition, persons pay an annual fee for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15.0% of the gross income (defined as net of payouts) from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes. All video gambling tax revenue is deposited into the general fund.

Statutory Reference:

Tax Rate (MCA) – route operator license (23-5-129), gambling establishment operator license (23-5-177), card table fee (23-5-306(2)), bingo/keno permit (23-5-407), sports tab tax (23-5-502), video tax (23-5-610(1)), machine permit fee (23-5-612(2))

Tax Distribution (MCA) – card table fee (23-5-306(3&4)), bingo and keno tax (23-5-409), sports tab tax (23-5-502), video (23-5-610(6)), machine permit fee (23-5-612(3))

Date Due – card table fees due annually and distributed quarterly to local governments (23-5-306(1&4)), video tax due 15 and 25 days after the end of the quarter (23-5-610(5)(a&b)), machine permit fees due annually prorated on a quarterly basis (23-5-612(2a)), bingo and keno taxes due July 31.

Applicable Tax Rate(s):

License Fees

- Video Gambling Machine Permit - $220 annually (prorated basis), $25 machine transfer processing fee
- Video Gambling Manufacturer License - $1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application. The manufacture license may be waived by the DOJ if the manufacture is also a licensed distributor or route operator.
- Video Gambling Machine Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Distributor License - $1,000 annually. The distributor license may be waived by the DOJ if the distributor is also a licensed operator or manufacturer. An additional application fee is charged distributors to cover processing costs of the initial application.
- Route Operator License - $1,000 annually. The operator license may be waived by the DOJ if the operator is also a licensed distributor or manufacturer. An additional application fee is charged operators to cover processing costs of the initial application.
- Bingo/Keno Manufacture License - $1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application.
- Gambling Establishment Operator License – An amount equal to the actual DOJ costs of determining licensure qualifications
- Antique Slot Machine Seller Permit - $50 annually
- Live Card Game Table - $250 annually for the first table and $500 for each additional table
- Card Game Dealer License - $75 for the first year, $25 for each subsequent year
- Pinochle Tournament Permit - $25
- Card Room Contractor License - $150 annually
- Bingo/Keno Permit - $250 annually
- Bingo/Keno Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Sports Tab Game Seller License - $100 annually. An additional application fee is charged to cover processing costs of the initial application.
- Casino Night Permit - $25
- Associated Business - $100

Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

Gambling Taxes

- Video – 15.0% of gross income (defined as net of payouts) per video gambling machine
- Bingo/Keno – 1.0% of gross proceeds
- Sport Tabs – $1.00 for each 100 sport tabs sold

Distribution:

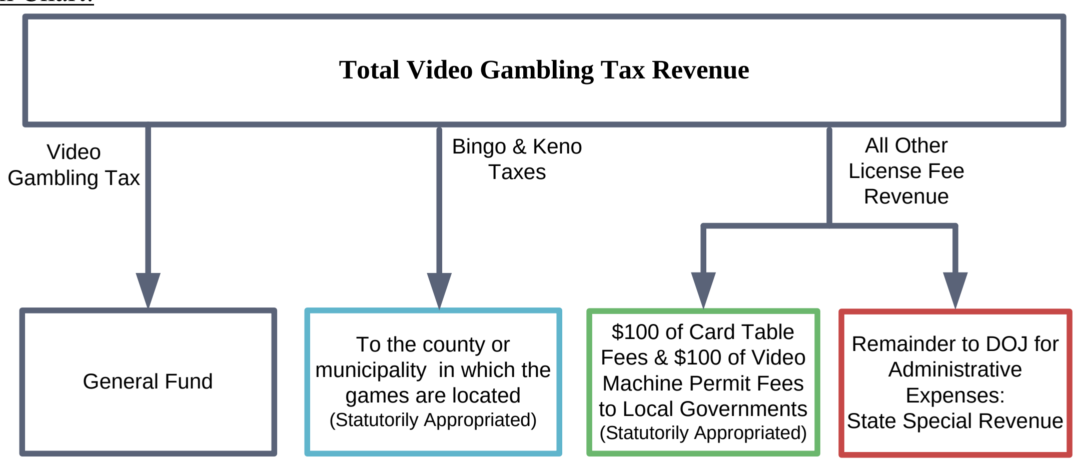
License Fees

1. $100 of the live card game table fee and $100 of the video gambling machine permit fee (prorated basis) are statutorily appropriated for distribution to local governments.
2. All other license fee revenue is retained by DOJ to cover administrative costs.

Gambling Taxes

1. Video – All of video gambling tax receipts are deposited into the general fund.
2. Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.
3. Sport Tabs – All collections are retained by DOJ for administration purposes.

Distribution Chart:



Collection Frequency: Video tax – quarterly, machine permit fees – quarterly, other fees – annually

% of Total General Fund Revenue:

FY 2004 – 3.69%	FY 2007 – 3.30%	FY 2010 – 3.22%
FY 2005 – 3.49%	FY 2008 – 3.22%	FY 2011 – 2.80%
FY 2006 – 3.35%	FY 2009 – 3.45%	FY 2012 – 2.88%

Revenue Estimate Methodology:

Video gambling revenue is comprised of many components. Because these components have separate distributions, the estimating methodology incorporates separate estimates for the components based on the type of revenue, either tax revenue or permit revenue.

Data

Monthly reports are no longer provided from the Department of Justice. Limited applicable data is available from the department's web site. The department provides quarterly statewide net income and average daily income by machine type (poker, keno, and multi-game) and other data upon request. Historic and current revenue collections are obtained from SABHRS. Montana population statistics are used to derive per capita video gambling machine gross income.

Legislative Fiscal Division

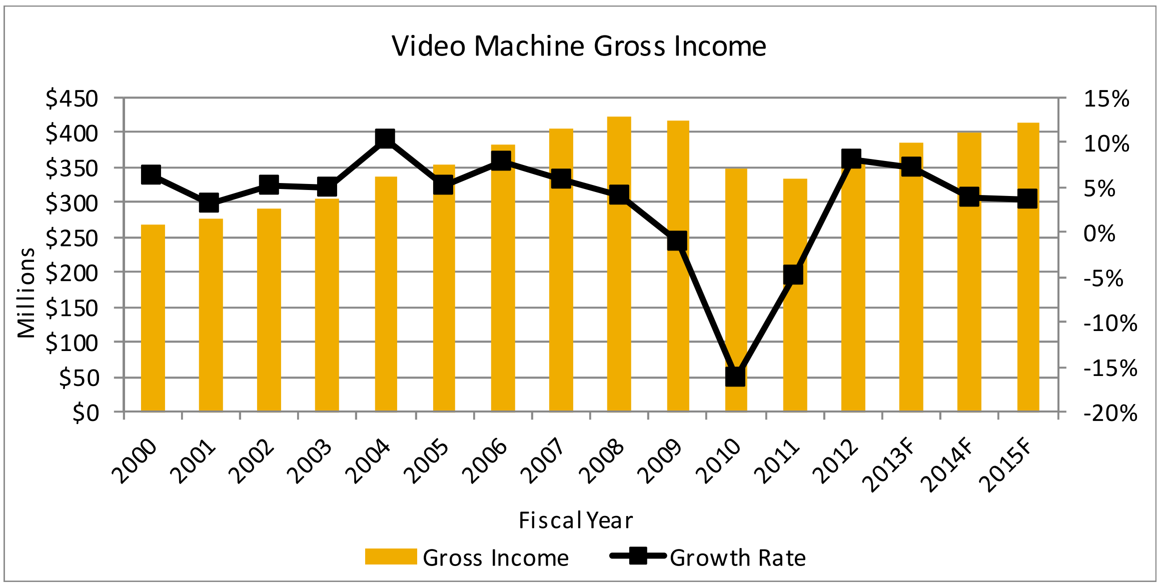
Revenue Estimate Profile

Video Gambling Tax

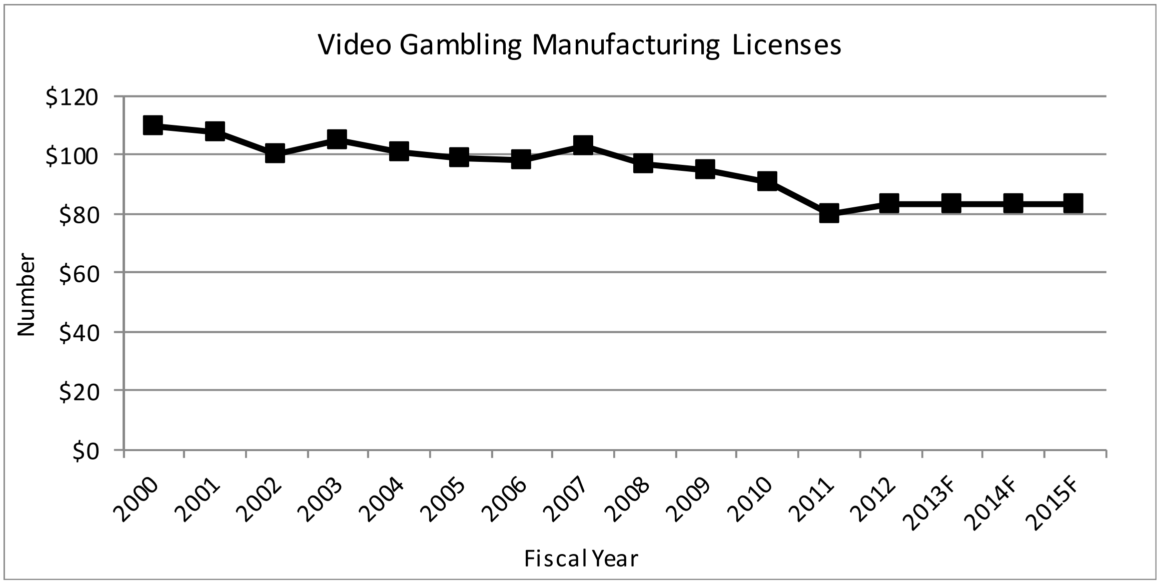
<u>Analysis</u>

The revenue estimate is determined in a three-step process:

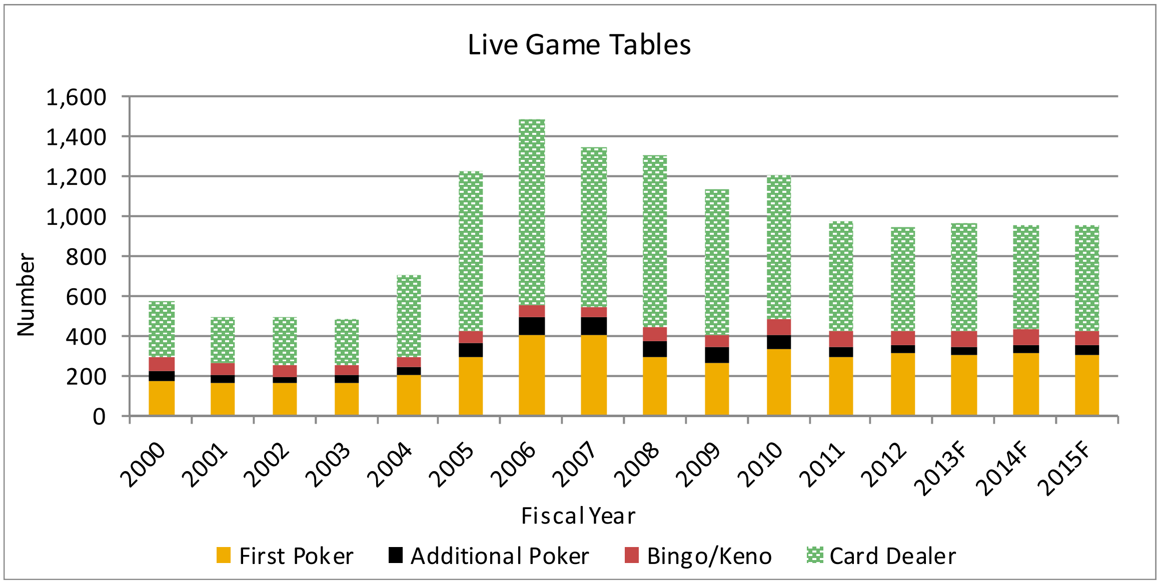
1. Revenue from the tax on video gambling machine gross income (defined as net of payouts) is the largest component of this revenue source and all revenue from this tax is distributed to the general fund. To determine total gross income, gross income for poker, keno, and multiple-game machines are calculated from revenue collections. The amount from the most recently completed fiscal year and the estimates for each succeeding fiscal year are multiplied by a growth factor based on Montana personal income. The growth factor represents the rate of increase of per capita gross revenue between FY 1990 and FY 2010. FY 2010 gross income decreased 16.1% from FY 2009 due in part to the start of the smoking ban in bars. To account for this factor, the amount of the decline was isolated by developing a ratio of per capital play to Montana per capita income. It was determined income was reduced by $72.5 million. Future estimates based on the methodology above were each reduced by this amount. Once total gross income is estimated, the revenue estimate for this component is determined by multiplying total gross income by the tax rate. The total gross income and growth rates are shown in the chart below.



2. Permit and license fees are the second component to this revenue source, the revenue from which is deposited to the state special revenue fund and distributed to the Department of Justice to pay administrative costs and to local governments. There are three separate estimates for permit and license fees:
   a. Video gambling manufacturing license – The number of licenses from the last known fiscal year (2010) is multiplied by the $1,000 license fee and the product used as the estimate for all subsequent fiscal years.



b. Live game permit/license fees – The amounts of "first" poker tables, "additional" poker tables, bingo/keno, and card dealers are estimated by the average of the prior two actual/estimated amounts beginning with fiscal years 2010 and 2009. The numbers are multiplied by the applicable fees of $250, $500, $250, and $75 respectively, and the product used for all subsequent fiscal years for each type.

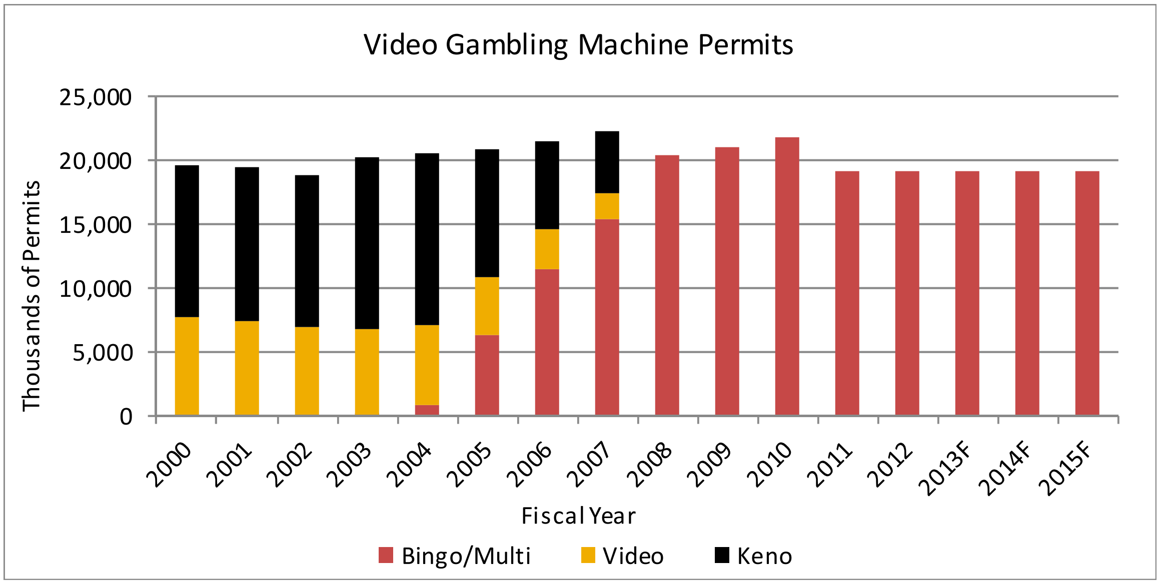


c. Video gambling machine permit fees – The numbers of video, bingo/multi game, and keno machine permits for the last known fiscal year (2010) are summed. The sum is multiplied by the ratio of the amount of revenue deposited to DOJ gambling license account to the total amount of permit fee revenue for the last known fiscal year (this ratio is less than 1 and so reduces the total machine permit fees). This is done to adjust for discrepancies in the last known fiscal year between actual collections and totals derived by multiplying number of permits by the applicable permit/license fee. Once the total adjusted number of permits has been estimated, it is multiplied by the $220 fee.

Legislative Fiscal Division

Revenue Estimate Profile

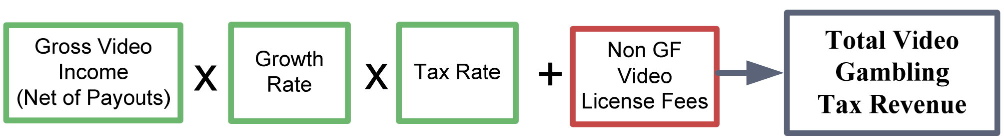
Video Gambling Tax



<u>Adjustments and Distribution</u>

Since the general fund and the state special revenue component are estimated under separate methodologies, the distribution of the revenue has already been done.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Net Income Millions	Tax Rate	Net Income Tax Millions	Non GF Fee Millions	Surtax Millions
Actual	2002	47.597	43.666	291.123	15.0%	43.668	3.929	
Actual	2003	49.942	45.794	305.443	15.0%	45.816	4.126	
Actual	2004	55.324	50.749	336.638	15.0%	50.769	4.555	0.273
Actual	2005	58.038	53.361	354.176	15.0%	53.401	4.637	0.274
Actual	2006	62.129	57.277	381.981	15.0%	57.297	4.832	0.000
Actual	2007	65.684	60.641	404.274	15.0%	60.641	5.043	0.000
Actual	2008	71.607	63.134	420.985	15.0%	63.148	8.459	0.000
Actual	2009	67.171	62.458	416.387	15.0%	62.458	4.713	0.000
Actual	2010	57.195	52.396	349.307	15.0%	52.396	4.799	0.000
Actual	2011	54.195	49.824	332.162	15.0%	49.824	4.370	0.000
Actual	2012	58.250	53.824	358.824	15.0%	53.824	4.427	0.000
Forecast	2013	62.123	57.704	384.696	15.0%	57.704	4.419	0.000
Forecast	2014	64.351	59.932	399.548	15.0%	59.932	4.419	0.000
Forecast	2015	66.552	62.133	414.220	15.0%	62.133	4.419	0.000

Total Tax = Net Income × Tax Rate + Non GF Fee + Surtax
GF Tax = Net Income × Tax Rate

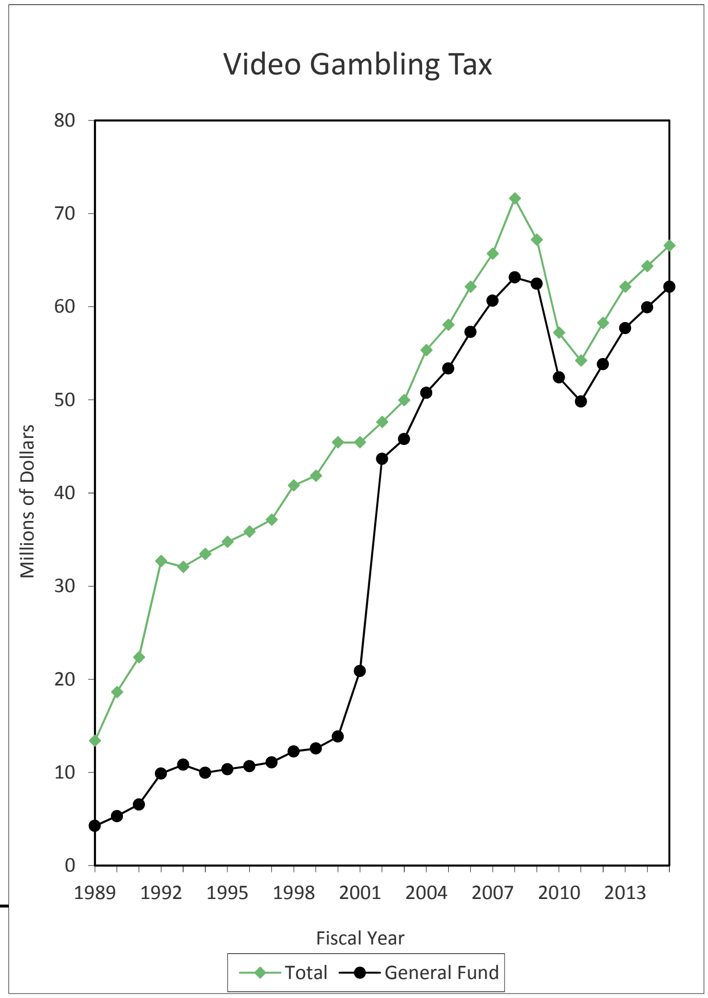
Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	13.375	4.249	Not App.
A	1990	18.625	5.303	24.8%
A	1991	22.349	6.551	23.5%
A	1992	32.681	9.875	50.7%
A	1993	32.059	10.818	9.6%
A	1994	33.453	9.955	-8.0%
A	1995	34.741	10.346	3.9%
A	1996	35.846	10.666	3.1%
A	1997	37.133	11.073	3.8%
A	1998	40.800	12.256	10.7%
A	1999	41.838	12.559	2.5%
A	2000	45.426	13.851	10.3%
A	2001	45.427	20.891	50.8%
A	2002	47.597	43.666	109.0%
A	2003	49.942	45.794	4.9%
A	2004	55.324	50.749	10.8%
A	2005	58.038	53.361	5.2%
A	2006	62.129	57.277	7.3%
A	2007	65.684	60.641	5.9%
A	2008	71.607	63.134	4.1%
A	2009	67.171	62.458	-1.1%
A	2010	57.195	52.396	-16.1%
A	2011	54.195	49.824	-4.9%
A	2012	58.250	53.824	8.0%
F	2013	62.123	57.704	7.2%
F	2014	64.351	59.932	3.9%
F	2015	66.552	62.133	3.7%



Data Source(s): SABHRS, Department of Justice

Contacts: Department of Justice

Wine Tax

Revenue Description: A wine tax is levied on table wines imported into Montana by wine distributors or by the Department of Revenue (DOR), who is authorized to sell wines to retail liquor establishments throughout the state. A tax is also imposed on hard cider imported by a table wine distributor or DOR. A portion of wine tax revenue is returned to Native American tribes per an agreement between DOR and the tribes.

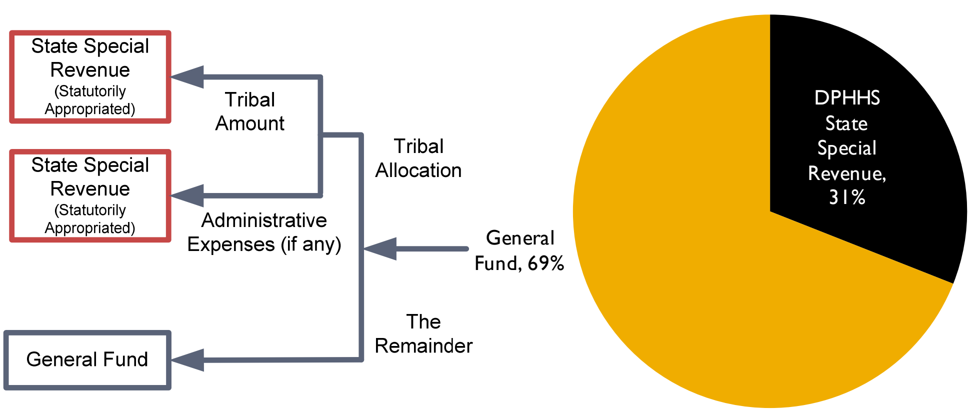
Statutory Reference:

Tax Rate (MCA) – 16-1-411(1), 16-2-301(2)
Tax Distribution (MCA) – 16-1-411(3), 16-2-301(2)
Date Due – 15th day of the month following the sale from the distributor's warehouse (16-1-411(2))

Applicable Tax Rate(s): A tax of $0.27 is imposed per liter of wine and a tax of $0.037 per liter is imposed on hard cider. An additional tax of $0.01 per liter is imposed on table wine sold by a table wine distributor to an agent.

Distribution: The $0.01 per liter tax is deposited into the general fund. After expenses and tribal allocations, other wine tax revenue is distributed 69.0% to the general fund and 31.0% to the Department of Public Health and Human Services (DPHHS) alcohol account. The general fund distribution is reduced by the amount of the tribal agreements.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 0.10% FY 2007 – 0.10% FY 2010 – 0.12%
FY 2005 – 0.10% FY 2008 – 0.09% FY 2011 – 0.11%
FY 2006 – 0.10% FY 2009 – 0.11% FY 2012 – 0.11%

Revenue Estimate Methodology:

Data

The state accounting system (SABHRS) and DOR provide data for the wine tax estimates. The SABHRS data includes total fiscal year tax collection data. The DOR data provides the information related to historic tribal distributions.

Legislative Fiscal Division

Revenue Estimate Profile

Wine Tax

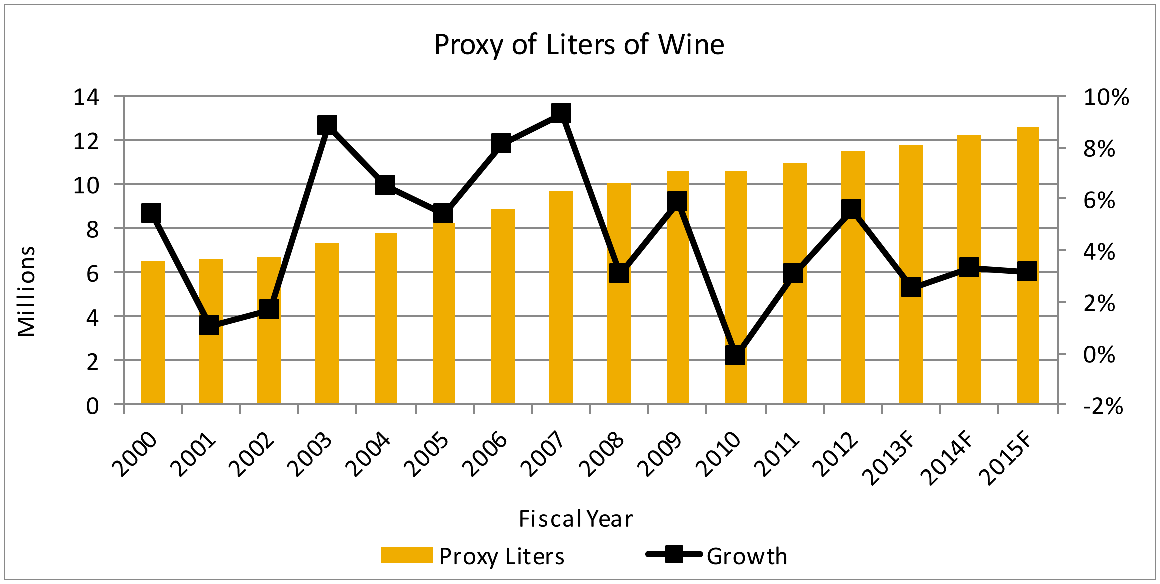
Wine tax collections are made up of the collections of two taxes, the wine tax and the hard cider tax. Although each tax is individually established in statute, no distinction between the taxes is made when preparing the estimates. In the past several years, the cider tax has contributed no more than 0.09% of the total wine tax collections. In the future, if cider tax collections become more significant the wine tax methodology will be adapted to forecast hard cider tax.

Only one data transformation is required to forecast the future collections of the wine tax. Because wine projections are based on the number of liters of wine consumed in Montana, the data obtained through SABHRS must be used. This task is accomplished by dividing the total tax receipts by the wine tax rate, producing a proxy number of liters of wine.

The total tax receipts include those taxes that will be distributed to tribal governments.

Analysis

Growth in wine tax collections, measured in liters of wine, has followed a consistent upward trend through time. The trend is apparent in the figure below. Consequently, liters of wine are forecast using a linear regression model.



The model provides a good fit as shown by a R^2 rating of 0.982. This measure means that 98.2% of the variability in the change in liters of wine consumed in Montana can be explained by the passage of time, holding all other impacts constant.*

The model predicts that each year the consumption of wine in Montana will increase by approximately 4.5%, holding all other impacts constant. The growth rate developed in the model is then applied to the most recent actual wine consumption data available (FY 2010). Total wine consumption is expected to be 11.5 million liters in FY 2011, 12.0 million liters in FY 2012, and 12.5 million liters in FY 2013. Finally, the tax rate is applied to the estimate of proxy liters, resulting in estimates of $3.1 million, $ 3.2 million, and $3.4 million for FY 2009 through 2011, respectively.

Adjustment and Distribution

The wine taxes are distributed between two funds; the general fund receives 69% and the DPHHS alcohol state special revenue account receives 31%. The general fund distribution is reduced by tribal reimbursements. At this time, three of the seven tribal governments—Blackfeet, Fort Belknap, and Fort Peck—receive wine tax dollars. These tribal governments adhere to Montana wine tax laws. The state of Montana collects the tribes' portion of the tax, and quarterly distributes the collections based on a formula (per capita wine consumption times tribal membership times the Montana tax rate).

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

Legislative Fiscal Division

Revenue Estimate Profile

Wine Tax

Forecast Methodology:

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Liters Millions	Tax Rate $ Per Liter	Gf Allocation Percent	Tribal Millions
Actual	2002	1.816	1.232	6.725	0.27	69.0%	0.021
Actual	2003	1.976	1.340	7.319	0.27	69.0%	0.024
Actual	2004	2.104	1.423	7.794	0.27	69.0%	0.029
Actual	2005	2.218	1.503	8.215	0.27	69.0%	0.029
Actual	2006	2.398	1.624	8.880	0.27	69.0%	0.031
Actual	2007	2.620	1.775	9.703	0.27	69.0%	0.034
Actual	2008	2.701	1.829	10.005	0.27	69.0%	0.036
Actual	2009	2.860	1.936	10.592	0.27	69.0%	0.038
Actual	2010	2.857	1.933	10.580	0.27	69.0%	0.039
Actual	2011	2.945	1.994	10.907	0.27	69.0%	0.039
Actual	2012	3.109	2.104	11.515	0.27	69.0%	0.042
Forecast	2013	3.187	2.157	11.805	0.27	69.0%	0.042
Forecast	2014	3.292	2.229	12.195	0.27	69.0%	0.042
Forecast	2015	3.395	2.300	12.576	0.27	69.0%	0.043

Total Tax = Liters × Tax Rate
GF Tax = Liters × Tax Rate × GF Allocation - Tribal

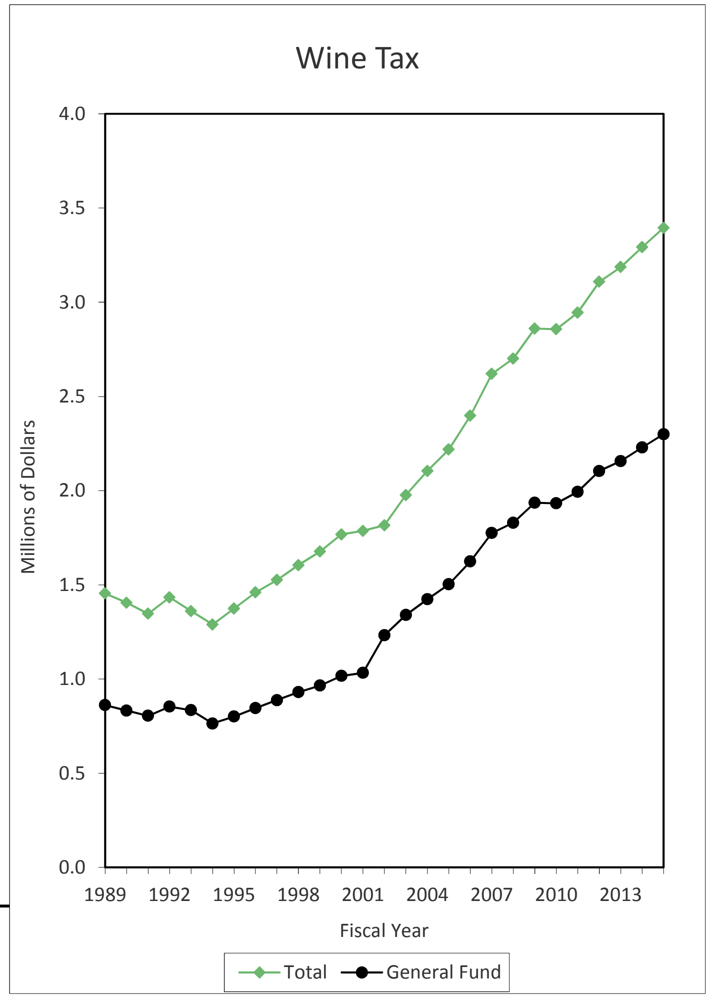
Legislative Fiscal Division

Revenue Estimate Profile

Wine Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	1.454	0.862	Not App.
A	1990	1.405	0.832	-3.4%
A	1991	1.347	0.805	-3.3%
A	1992	1.433	0.853	6.0%
A	1993	1.361	0.835	-2.2%
A	1994	1.289	0.764	-8.5%
A	1995	1.374	0.801	4.8%
A	1996	1.460	0.846	5.6%
A	1997	1.525	0.887	4.9%
A	1998	1.604	0.930	4.9%
A	1999	1.677	0.965	3.7%
A	2000	1.768	1.017	5.3%
A	2001	1.786	1.033	1.6%
A	2002	1.816	1.232	19.3%
A	2003	1.976	1.340	8.8%
A	2004	2.104	1.423	6.2%
A	2005	2.218	1.503	5.6%
A	2006	2.398	1.624	8.1%
A	2007	2.620	1.775	9.3%
A	2008	2.701	1.829	3.1%
A	2009	2.860	1.936	5.8%
A	2010	2.857	1.933	-0.2%
A	2011	2.945	1.994	3.2%
A	2012	3.109	2.104	5.6%
F	2013	3.187	2.157	2.5%
F	2014	3.292	2.229	3.3%
F	2015	3.395	2.300	3.2%



Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Property Taxes

Property Tax
55 Mill Property Tax
40 Mill Property Tax
6 Mill Property Tax
1.5 Mill Property Tax

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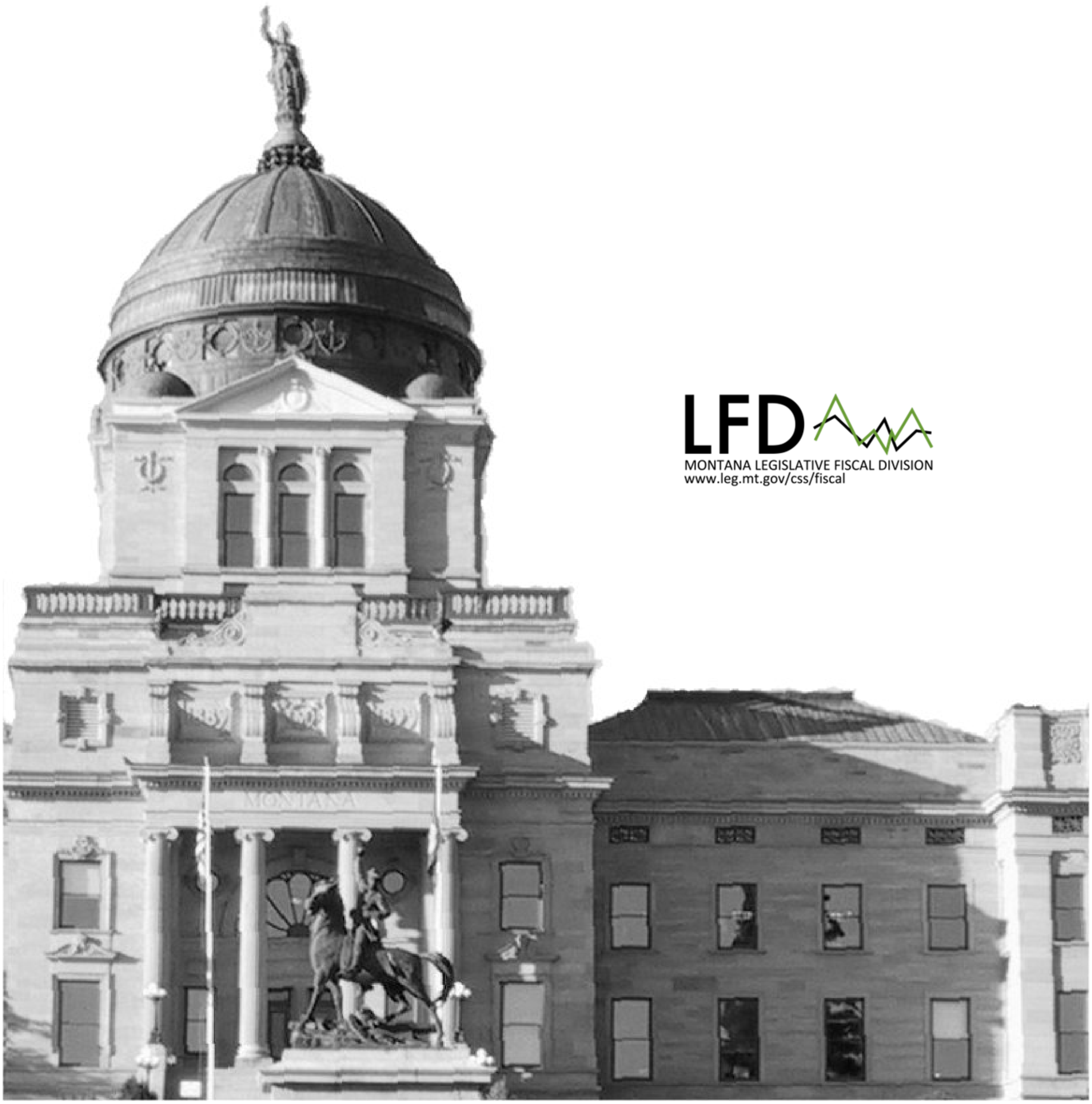


Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Revenue Description: Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills, and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is defined as the market value of statutorily defined property times a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. The last reappraisal cycle took effect January 1, 2009.

Beginning January 1, 2009, residential and commercial property as well as agricultural land and timberland reflect the impact of the new reappraisal on assessed values. The current reappraisal cycle is 6 years, during which increases in property values are phased in by 1/6th per year. Property that declines in value was assessed immediately at its new reappraised value. The impact of the 2009 reappraisal on assessed values increased the market value of the average residence by 55.1%. The equivalent increases for commercial property were 34.5%, for agricultural land by 26.8%, and for timberland by 51.7%.

The 2009 legislature passed a reappraisal mitigation bill – HB 658. Beginning in tax year 2009, reappraisal values are phased in over the next six years. The new tax rates and the new homestead and comstead exemptions are shown in the accompanying table. In addition to mitigation through lower tax rates and higher exemptions, HB 658 also: 1) created an upper limit of $1.5 million in market value of residences for which the homestead exemption is available, 2) increased the irrigation costs in valuing irrigated agricultural land, and 3) increased the capitalization rate used to value timberland. MCA 15-10-420 limits the growth from year to year in property tax to one half the rate of inflation. Before HB 658, the calculation allowed each state mill to be rounded up to the nearest whole mill. HB 658 changed MCA 15-10-420 so that each state mill is to be rounded up to the nearest tenth of a mill. If the growth in taxable value exclusive of new property exceeds one-half the rate of inflation, then each state mill levy must be reduced to the point where expected revenue exceeds no more than half the rate of inflation. Newly taxable property was also redefined as current year value less prior year value.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

Tax Rates and Exemptions Class 3 and Class 4				
	Tax Rate	Homestead	Comstead	Tax Rate
Tax Year	Class 3 & 4	Exemption	Exemption	Timber Land
2010	2.8%	39.5%	15.9%	0.3%
2011	2.7%	41.8%	17.5%	0.3%
2012	2.6%	44.0%	19.0%	0.3%
2013	2.5%	45.5%	20.3%	0.3%
2014	2.5%	47.0%	21.5%	0.3%
The homestead exemption applies up to a market value of $1.5 million for single family dwellings.				

This source also includes the state's share of protested taxes paid by centrally assessed companies. Fifty percent of taxes paid under protest by centrally assessed firms are deposited in the general fund and the rest are deposited in a state special account. Should the state fail in its defense of the taxation of these companies, the protested taxes must be returned to the taxpayer. If the state prevails in the case, the money in the state special account is transferred to the general fund.

The state has established programs that lower property taxes for homeowners whose homesteads have increased above certain thresholds due to reappraisal and whose income falls below certain levels. These programs are known as taxpayer assistance programs.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Revenue Estimate Methodology:

<u>Data</u>

The property tax received by the state is composed of two kinds of revenue. First there is property tax proper, i.e. each property has a taxable value which is multiplied by a mill levy (a tax rate per thousand dollars of taxable value) set by the government, in this case the state. The second kind of revenue is "nonlevy" revenue that is distributed proportionally to each mill levy and is included as property tax revenue.

The state imposes five types of mill levies. These are the 33-mill elementary county equalization levy, the 22-mill high school county equalization levy, the 40-mill state equalization levy, the 6-mill university levy, and the 1.5-mill vocational technical college (vo-tech) levy. The first three (most often called the 95 mills for education) are applied to all property in the state and are deposited in the general fund. The 6-mill levy is applied to all property in the state and is deposited in a special account for university operations. The 1.5-mill levy is also deposited in the general fund and is applied to all property in the counties in which the five vo-tech colleges are located, i.e. Butte-Silver Bow, Cascade, Yellowstone, Missoula, and Lewis and Clark.

The data required to produce forecasts of property tax received by the state are historical data on assessed and taxable value by class of property, the amount of property in tax increment financing (TIF) districts, the amount of local abatements conferred by local governments, and future growth rates for these variables. Also required is historical and future data on the nonlevy components of property tax. These are gross proceeds revenue, federal forest revenue, and miscellaneous revenue allocated to the various state mill levies. The latest taxable value data is for tax year 2010 which began January 1, 2010, and the latest data for the nonlevy revenue is FY 2010.

The historical data on assessed and taxable value by property tax class, TIF taxable value, and abated taxable value are provided to the LFD and OBPP by the Department of Revenue on an annual basis, usually in October. TIF taxable value is required because state law allows a TIF district to apply the state 95 mills and 1.5 vo-tech mills to the increment in property value that occurred since the TIF was created, but allows the TIF district to keep the revenue associated with these mill levies. The state does not receive its share of the mill levies applied to incremental TIF property. Thus the taxable value of the state must be adjusted downward by the value of TIF property for the 95 mills and the 1.5-mill levy. The 6-mill levy revenue derived from incremental TIF property does flow to the state special account for university operations, and thus the tax base for the 6-mill levy is not adjusted for the incremental taxable value in a TIF.

Montana law allows local governments (usually counties) to temporarily reduce the tax rate applied to the assessed value of property. This is called abated property. For instance, in tax year 2010, an electrical generation plant outside Hardin and another in Silver Bow County were granted a 10 year exemption on all personal and real estate property. The abatement applies to all local mills for those jurisdictions in which the properties are located. However, the tax rate reduction and the resulting partial exemption from property taxes does not apply to state mills. The taxable value data received by the department does not include the exempted property and thus for state property tax revenue purposes this property must be added back to the statewide taxable value. For the first time in tax year 2010, abated taxable values were available by class of property and were added back to each class of taxable value to form the tax base for the state mills. Previously these values had been added back without respect to class of property.

Assessed and taxable values are measured on January 1 of the tax year. The taxes are due to the state in the following November and May, i.e. in the fiscal year following the calendar year in which the values are measured. Coal gross proceeds are due to the state in the fiscal year two years after the calendar year in which the coal was produced. Federal forest receipts are received by the federal government in December of each year, and miscellaneous nonlevy revenue (primarily interest) is deposited as earned.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

Analysis

The latest year for which taxable value by class is available is the base from which future taxable values are derived. Growth rates are applied to the taxable value in each class of property. The table below shows growth rates for each class of property, for TIF and the resulting growth rates in net taxable value.

Statewide Taxable Value by Fiscal Year

		Taxable Value (Millions)			Growth Rates		
Class of Property	Class No.	2011	2012	2013	2011	2012	2013
Mine Net Proceeds	1	$3.181	$3.888	$3.888	-20.5%	22.3%	0.0%
Gross Proceeds Metal Mines	2	18.291	22.987	22.987	-23.3%	25.7%	0.0%
Ag Land	3	153.566	150.429	150.429	-4.7%	-2.0%	0.0%
Residential and Commercial Real Estate	4	1,396.074	1,418.797	1,464.515	2.0%	1.6%	3.2%
Pollution Control Equiopment	5	38.994	40.642	42.267	4.0%	4.2%	4.0%
Non Centrally Assed Utilities	7	1.298	1.194	1.241	2.6%	-8.0%	3.9%
Business Personal Property	8	182.310	186.854	170.868	7.5%	2.5%	-8.6%
Electrical Utilities	9	280.633	304.226	324.609	10.4%	8.4%	6.7%
Forest Land	10	6.519	6.390	6.390	-6.7%	-2.0%	0.0%
Railroads and Airlines	12	51.836	71.336	72.215	10.5%	37.6%	1.2%
Telecomm and Electric Generation	13	174.430	193.267	200.997	13.0%	10.8%	4.0%
Wind Generation	14	17.889	17.143	22.286	163.8%	-4.2%	30.0%
C02/Qualifying Liquid Pipeline	15	-	-	-	NA	NA	NA
High Voltage DC Converter	16	-	-	-	NA	NA	NA
Total Taxable Value		$2,325.021	$2,417.153	$2,482.694	4.0%	4.0%	2.7%
Tax Increment Financing Values		41.946	46.300	45.712	31.0%	10.4%	-1.3%
Net Taxable Value		$2,283.076	$2,370.852	$2,436.981	2.6%	3.8%	2.8%
Net Votech Taxable Value		793.177	821.374	851.561	2.5%	3.6%	3.7%
Net 6-Mill Taxable Value		$2,325.021	$2,417.153	$2,482.694	4.0%	4.0%	2.7%

FY 2011 taxable values are tax year 2010 taxable values. The property was valued on January 1, 2010, and the revenue from these values is collected by the state in November and May of the following fiscal year. FY 2011 values are known, although preliminary.

For the most part, growth rates are based on historical growth since FY 2001 and on expected changes in tax rates in FY 2014 and 2015.

The growth rate for class 4 – residential and commercial real estate – is an estimate of the amount of new property expected to be added. The growth in new class 4 residential property is assumed to be 1.7% in FY 2013 and around 2.1% thereafter. The growth in commercial property is assumed to be around 2.7 percent, both the average since 2009. It is further assumed that as existing residential and commercial property values are phased in over the reappraisal cycle, the combination of declining tax rates and rising homestead and comstead exemptions will completely offset the growth in phased in value of existing property in each year of the forecast period. The only growth in class 4 taxable is assumed to be derived from new property.

Agricultural property is expected to decline in taxable value through FY 2013. The department phased in agricultural assessed values over the 6 year phase in cycle. Department rules required that changes in value between the 2002 reappraisal and the 2008 reappraisal phase in changes in value due to changes in productivity. The department failed to phase these values in but instead assigned the 2008 values immediately in tax year 2009. The department has devised a method to correct this by adjusting the phase in starting in tax year 2010 for the next 5 years. As a result taxable growth will be negative for agricultural land over the forecast period.

Timberland values are also expected to decrease slightly over the forecast period as some timberland is lost to development.

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

There are several projects in the planning stages or on hold – natural gas electrical generation plants (either in class 5 or class 9), industrial grade transmission lines (class 13), oil pipelines, specifically the Keystone pipeline (class 13) – that may add to the tax base in the forecast period. None of these have been explicitly added into the growth forecasts. Only know wind power projects have been incorporated in the estimate. The Montana Alberta Tie Line, if it gets built will be split 50 percent between class 9 – electrical transmission – and class 14 – wind generation and transmission.

The market value of business equipment is expected to grow at 5.4% per year in the 2015 biennium. However, SB 372 from the 1022 legislative session reduced the tax rate from 3% to 2% for the first $2 million in market value of business equipment starting January 1, 2012. If income and corporation tax grow by more than 4% in FY 2013, the tax rate will drop to 1.5% on the market value of the first $3 million in business equipment on January 1, 2014. Both of these tax reductions will slow the growth in taxable value of business equipment substantially in the 2015 biennium.

The growth in net proceeds and gross proceeds taxable value is based on the projected growth in the mineral values. Net proceeds growth is based on the growth in taxable value of metals as derived from miscellaneous mines tax base. Gross proceeds growth is based on growth rate for metal mines gross proceeds tax base.

There are two new classes of property that have been added to the property tax base beginning in FY 2009. These are class 15, property associated with carbon sequestration, and class 16, property associated transmission lines that connect to other major electrical grids. Neither of these classes is expected to contain any property before the end of FY 2015.

For the classes of property that are reappraised annually, almost all will experience constant tax rates through 2013. Under the federal 4R act, the tax rate on railroads and airlines, the tax rate for class 12 is a weighted average of tax rates for all commercial and industrial property in the state. This includes business equipment, centrally assessed property and commercial real estate. As the tax rate for commercial property continues to decline while the other commercial and industrial tax rates are constant, the railroad and airline property tax rate also declines.

The figure below shows for FY 2013 through FY 2015 the tax rates for all classes of property as well as the values for the homestead and comstead exemptions.

Tax Rates and Exemptions by Property Tax Class by Fiscal Year

Class of Property	2013	Tax Rates 2014	2015
Mine Net Proceeds	100.0%	100.0%	100.0%
Gross Proceeds Metal Mines	3.0%	3.0%	3.0%
Ag Land	2.6%	2.5%	2.5%
Residential and Commercial Real Estate	2.6%	2.5%	2.5%
Pollution Control Equiopment	3.0%	3.0%	3.0%
Non Centrally Assed Utilities	3.0%	3.0%	3.0%
Business Personal Property, above threshold	3.0%	3.0%	3.0%
Business Personal Property, below threshold	2.0%	2.0%	1.5%
Electrical Utilities	12.0%	12.0%	12.0%
Forest Land	0.3%	0.3%	0.3%
Railroads and Airlines	3.5%	3.5%	3.5%
Telecomm and Electric Generation	6.0%	6.0%	6.0%
Wind Generation	3.0%	3.0%	3.0%
C02/Qualifying Liquid Pipeline	3.0%	3.0%	3.0%
High Voltage DC Converter	2.3%	2.3%	2.3%
		Exemptions	
Homestead Exemption for Residential Property	44.0%	45.5%	47.0%
Comstead Exemption for Commercial Property	0.19	0.203	0.215

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax

The following table shows the projected property tax revenue from the property tax base and nonlevy revenue.

Property Tax Revenue in General Fund and University Account by Fiscal Year

General Fund Property Tax Revenue	Revenue (Millions) 2013	2014	2015
95 Mill Revenue	$230.166	$238.715	$246.012
1.5 Mill Revenue	1.210	1.255	1.294
Property Tax in the General Fund	$231.377	$239.969	$247.307
Nonlevy - Coal Gross Proceeds	7.876	7.457	8.181
Nonlevy - Federal Forest Receipts	3.771	0.476	0.445
Nonlevy - Miscellaneous Revenue	1.000	1.000	1.000
Protested Taxes in Protest account	(2.282)	(2.282)	(2.282)
Net Property Taxes - 95 Mills and 1.5 Mills	$241.741	$246.620	$254.651
6-Mill Property Tax Revenue - University Account	$14.940	$15.484	$15.939
Nonlevy Revenue Associated with 6-Mills	0.875	1.051	1.050
Protested Taxes in Protest account	(0.143)	(0.143)	(0.143)
Net Property Taxes in University Account	$15.672	$16.392	$16.846

Once net taxable values are determined, the mill levies are applied. To this are added forecasts of nonlevy revenue. Nonlevy revenues come from coal gross proceeds, federal forest receipts and miscellaneous revenue (interest on investments, penalty and interest on delinquent taxes, etc). The tax on the gross proceeds for coal is 5% of gross value and is estimated in conjunction with the coal severance tax. In the 2011 legislative session HB 266 lowered the tax rate on underground mines to 2.5% for ten years beginning in calendar year 2011. Of the total gross proceeds revenue, a state share is distributed to the elementary and high school county equalization levies as they existed in FY 1990. In FY 1990, the elementary and high school county equalization levy was a combined 45 mills. For some of mines, 45 mills was as much as 49 percent of the consolidated mills of all jurisdictions, and for some other mines the 45 mills was as little as 20 percent of the consolidated mills for all jurisdictions.

Federal forest receipts are receipts from the federal government in lieu of revenues from the sale of forest products on federal land. By state law, two-thirds of this revenue is distributed to the county road fund in the counties with federal forestland and the remaining one-third is distributed to the county equalization mills and the county retirement and transportation mills. The share distributed to the 55 mills is the proportion that 55 mills is to all countywide mills in the prior year. This is assumed constant at 62.5% over the forecast period. The proportion that the 55 mills is to all countywide mills is multiplied times 1/3 of the federal forest receipts. The previous formula for distributing federal forest payments to counties was sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2013 considers acres of Federal land within an eligible county, the average 3 highest 25% payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20% but at least 15% must be used by county governments for projects on federal lands. The amount of federal forest receipts in total is expected to be around 2.5 times greater than the amount available previously. Thus the amount distributed to the 55 mills will also increase substantially. Beginning in FY 2014, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold averaged over the prior 3 years. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline by around $0.47 million per year in FY 2014 compared with around $3.8 million in FY 2013.

Miscellaneous receipts distributed to the 95 mills are such things as investment earnings, tax title sales, and penalties and interest on delinquent taxes. In FY 2011, the latest year for which data are available, miscellaneous nonlevy revenue was $1.0 million, which is expected to remain constant in the future.

Legislative Fiscal Division

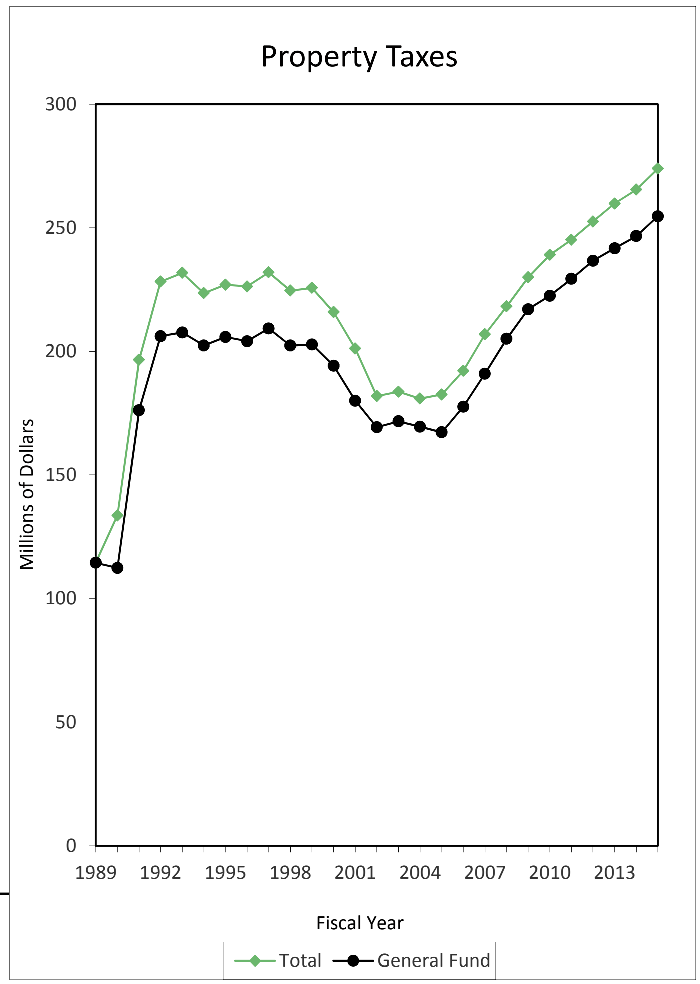
Revenue Estimate Profile

Property Tax

Once property tax revenue adjusted for nonlevy revenue is determined, one more adjustment is made. This adjustment is for centrally assessed protested taxes. In FY 2012, certain electrical generation, transmission companies, pipeline companies and telecommunication companies protested a portion of their property taxes. Under state law, half of the protested taxes from these companies is deposited in a special account and half in the general fund. It is expected that $2.3 million will be deposited in the special account each of the next three years on behalf of the 95 mills and an additional $140,000 on behalf of the six mills.

Revenue Projection

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	114.445	114.445	Not App.
A	1990	133.620	112.375	-1.8%
A	1991	196.552	176.155	56.8%
A	1992	228.221	206.138	17.0%
A	1993	231.757	207.646	0.7%
A	1994	223.577	202.382	-2.5%
A	1995	226.945	205.843	1.7%
A	1996	226.235	204.083	-0.9%
A	1997	231.943	209.284	2.6%
A	1998	224.562	202.350	-3.3%
A	1999	225.681	202.775	0.2%
A	2000	215.866	194.196	-4.2%
A	2001	201.104	180.050	-7.3%
A	2002	181.923	169.339	-6.0%
A	2003	183.691	171.680	1.4%
A	2004	180.905	169.531	-1.3%
A	2005	182.588	167.270	-1.3%
A	2006	192.118	177.639	6.2%
A	2007	206.872	190.982	7.5%
A	2008	218.223	205.044	7.4%
A	2009	229.945	217.042	5.9%
A	2010	239.056	222.510	2.5%
A	2011	245.181	229.352	3.1%
A	2012	252.559	236.662	3.2%
F	2013	259.838	241.741	2.2%
F	2014	265.437	246.620	2.0%
F	2015	273.922	254.651	3.3%



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Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

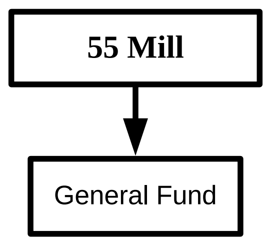
Statutory Reference:

Tax Rate (MCA) – 20-9-331(1), 20-9-333(1)
Tax Distribution (MCA) – 20-9-331(1), 20-9-333(1)
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every $1,000 in taxable value, 55 mills generate $55 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Distribution Chart:



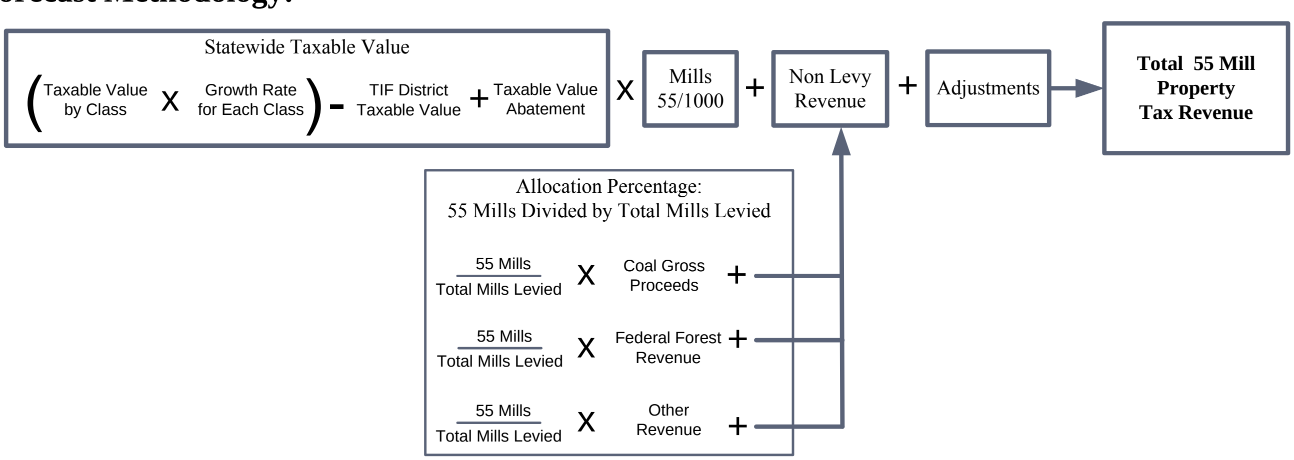
Collection Frequency: Monthly with significant state deposits in December and June.

% of Total General Fund Revenue:

FY 2004 – 7.54 %	FY 2007 – 6.37%	FY 2010 – 8.25%
FY 2005 – 6.69%	FY 2008 – 6.83%	FY 2011 – 7.65%
FY 2006 – 6.29%	FY 2009 – 7.19%	FY 2012 – 7.47%

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2002	105.376	105.376	1,671.590	0.055	13.809	0.000
Actual	2003	106.029	106.029	1,691.720	0.055	11.424	0.000
Actual	2004	104.224	104.224	1,703.301	0.055	12.701	0.000
Actual	2005	104.184	102.416	1,756.251	0.055	0.000	0.000
Actual	2006	108.949	107.495	1,836.488	0.055	0.000	0.000
Actual	2007	115.230	113.285	1,940.709	0.055	0.000	0.000
Actual	2008	121.355	121.432	2,041.767	0.055	0.000	0.000
Actual	2009	129.080	129.949	2,117.330	0.055	13.051	0.000
Actual	2010	135.277	134.249	2,226.295	0.055	12.938	-2.148
Actual	2011	137.021	136.447	2,283.076	0.055	12.309	0.000
Actual	2012	140.144	139.813	2,370.852	0.055	13.027	0.000
Forecast	2013	145.901	144.590	2,422.804	0.055	12.647	0.000
Forecast	2014	147.136	145.825	2,512.787	0.055	8.933	0.000
Forecast	2015	152.055	150.744	2,589.604	0.055	9.627	0.000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2002	7.843	11.015	139.057	954.102	35.668	12.459	0.189
Actual	2003	8.691	10.669	138.900	1,002.874	35.382	6.167	0.216
Actual	2004	7.808	8.800	140.240	1,034.656	32.725	0.000	0.995
Actual	2005	8.032	10.428	139.902	1,076.985	34.024	0.000	0.974
Actual	2006	2.694	13.045	140.988	1,129.794	34.611	0.000	0.953
Actual	2007	3.252	21.106	141.002	1,183.821	35.078	0.000	1.068
Actual	2008	3.840	18.849	141.329	1,244.916	35.418	0.000	1.096
Actual	2009	4.013	24.540	142.099	1,296.595	35.155	0.000	1.214
Actual	2010	4.002	23.837	161.073	1,368.081	37.502	0.000	1.266
Actual	2011	3.181	18.291	153.566	1,396.074	38.994	0.000	1.298
Actual	2012	3.888	22.987	150.429	1,418.797	40.642	0.000	1.194
Forecast	2013	4.189	31.132	147.792	1,446.304	45.673	0.000	1.170
Forecast	2014	4.275	33.820	145.202	1,478.146	48.816	0.000	1.147
Forecast	2015	4.331	35.056	142.657	1,511.683	52.176	0.000	1.124

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2002	116.605	219.956	8.199	48.658	144.488	30.530	3.880
Actual	2003	118.349	206.360	7.170	46.688	137.185	30.803	3.870
Actual	2004	118.297	212.111	6.789	45.630	125.623	33.562	3.188
Actual	2005	117.241	219.993	6.791	45.074	120.485	27.767	4.088
Actual	2006	123.055	238.767	6.794	44.267	122.846	25.464	4.137
Actual	2007	135.613	248.320	6.816	41.577	130.476	28.830	18.855
Actual	2008	138.658	264.324	6.822	43.004	152.942	30.120	18.099
Actual	2009	151.317	260.190	6.816	43.567	154.611	25.752	20.021
Actual	2010	169.606	254.253	6.988	46.901	154.314	32.014	23.706
Actual	2011	182.310	280.633	6.519	51.836	174.430	41.946	27.058
Actual	2012	186.854	304.226	6.390	71.336	193.267	46.300	25.369
Forecast	2013	179.237	322.490	6.349	72.349	197.605	47.037	20.225
Forecast	2014	180.358	345.727	6.308	76.657	208.267	47.037	20.877
Forecast	2015	179.206	370.637	6.268	81.222	219.505	45.359	21.539

Total Tax = Tax Value × Mills/1000 + Non-Levy + Adjustments

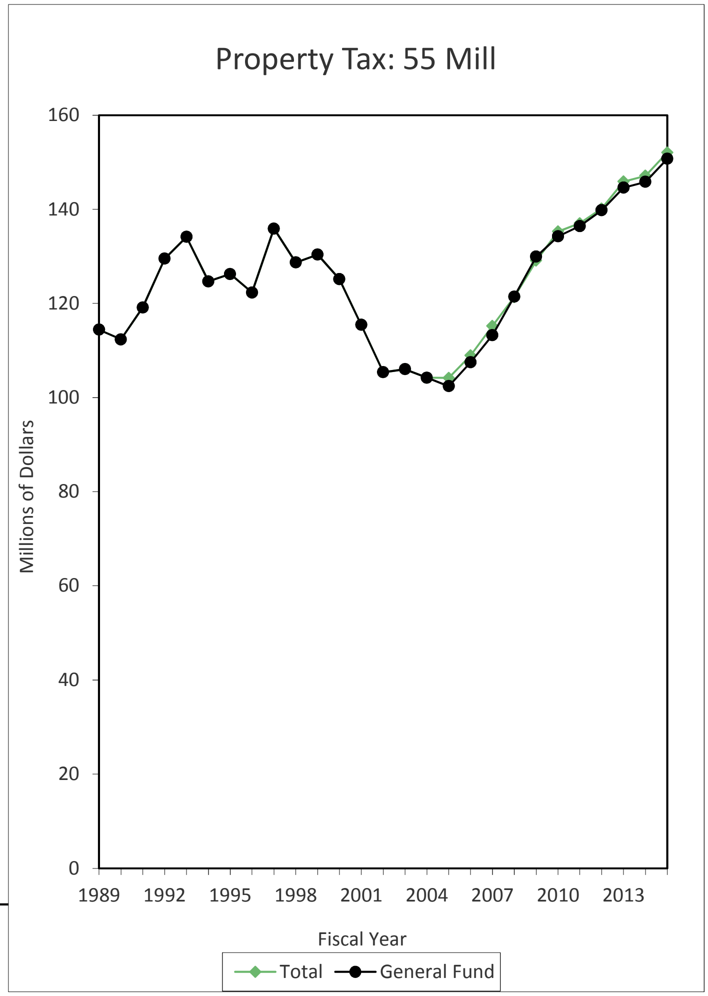
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	114.445	114.445	Not App.
A	1990	112.375	112.375	-1.8%
A	1991	119.161	119.161	6.0%
A	1992	129.526	129.526	8.7%
A	1993	134.155	134.155	3.6%
A	1994	124.697	124.697	-7.1%
A	1995	126.266	126.266	1.3%
A	1996	122.329	122.329	-3.1%
A	1997	135.894	135.894	11.1%
A	1998	128.709	128.709	-5.3%
A	1999	130.388	130.388	1.3%
A	2000	125.146	125.146	-4.0%
A	2001	115.455	115.455	-7.7%
A	2002	105.376	105.376	-8.7%
A	2003	106.029	106.029	0.6%
A	2004	104.224	104.224	-1.7%
A	2005	104.184	102.416	-1.7%
A	2006	108.949	107.495	5.0%
A	2007	115.230	113.285	5.4%
A	2008	121.355	121.432	7.2%
A	2009	129.080	129.949	7.0%
A	2010	135.277	134.249	3.3%
A	2011	137.021	136.447	1.6%
A	2012	140.144	139.813	2.5%
F	2013	145.901	144.590	3.4%
F	2014	147.136	145.825	0.9%
F	2015	152.055	150.744	3.4%



Data Source(s): Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

Contacts: Department of Revenue

Non Levy Revenue includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. Before July 1, 2001, vehicle fees in lieu of taxes, financial institution taxes, and reimbursements from the state were non levy revenue. Before January 1, 2003, oil and natural gas receipts were treated as non-levy revenue. The mills to which non levy revenue is distributed are unique for each county and each non levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax. For instance, statewide 40 mill revenue includes a property tax portion and a non levy portion.

A description for each individual source follows below.

Federal Forest Receipts

Revenue Description: The federal government authorizes logging operations on forest lands located within the borders of Montana. Through federal FY 2000, the sale of timber generated revenue that the federal government shared with the state in the following year. The state received 25% of the federal forest receipts and sent the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

The previous formula for distributing federal forest payments sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25% payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20% but at least 15% must be used by county governments for projects on federal lands. Beginning in FY 2013, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline by around $4 million per year.

Applicable Tax Rate(s): N/A

Distribution: The county treasurer apportions federal forest receipts in the following manner. Not more than 20% and not less than 15% is distributed to county government for special projects on federal land. Of the remainder:

- 66 2/3% goes to the general fund of the county
- 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year: county equalization accounts (55 mills), county transportation account, county retirement accounts

Collection Frequency: Twice annually (usually October and December).

Applicable Assumptions and/or Relevant Indicators:

Federal Forest Timber Prices
Federal Board Feet Harvested
Mill Levies for County Transportation and Retirement Accounts

Data Source(s): U.S. Forest Service survey, SABHRS

Contacts: U.S. Forest Service

Statutory References:

Tax Rate – NA
Distribution (MCA) – 17-3-211, 17-3-212
Date Due - the state treasurer distributes the funds within 30 days after receiving full payment

% of Total General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source.

The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The previous formula for distributing federal forest payments sunset in FY 2008. In the Emergency Economic Stabilization Act of 2008 (I.e. the Bailout Bill), a new formula for the distribution of forest receipts was enacted. The new formula for FY 2009 through 2012 considers acres of Federal land within an eligible county, the average 3 highest 25% payments made to each eligible State for each eligible county, and an income adjustment based on the per capita personal income for each county. As before, not more than 20% but at least 15% must be used by county governments for projects on federal lands. Beginning in FY 2013, because the federal law will sunset, it is assumed that the old method of distributing these monies will prevail – 25% of the value of timber sold. As a result, the state share of federal forest receipts distributed to the 55 mills is expected to decline by around $4 million per year.

Coal Gross Proceeds Tax

Revenue Description: The state imposes a gross proceeds tax of 5% on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. This is the same gross value as used in the calculation of the state coal severance tax.

The tax is applied to one year's worth of production and the producer is billed in the following year. The producer pays the tax to the county treasurer in which the mine is located in two equal installments in the following fiscal year. One is in November of the notice year and the other is in May of the following year. Once received by the county treasurer, the tax revenue is distributed one month after receipt.

Applicable Tax Rate(s): The amount of tax due is 5% of the value of production as measured by the contract sales price for production in the preceding calendar year.

Distribution: The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in tax year 1989. At that time the county equalization mill levy was 45 mills. However, coal gross proceeds from new mines (starting business after December 31, 1988) are distributed across mill levies in the previous fiscal year. However, a new mine – Signal Peak in Musselshell County – which recently started production will be subject to the old distribution mechanism under HB 588, a bill passed by the 2009 legislature.

Collection Frequency: The coal gross proceeds tax is collected twice annually in November and May. The state receives the tax revenue in December and June.

Data Source(s): Coal Company Surveys, Department of Revenue, County Treasurers

Statutory References:

Tax Rate (MCA) – 15-23-703(1)
Tax Distribution (MCA) – 15-23-703(3)

% of Total General Fund Revenue: Included in total property tax contribution.

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section of this document. The following summarizes the LFD process used to develop the revenue estimate.

The major coal companies are surveyed for anticipated production levels and general indications of coal prices. In addition, a review is performed of historical trends and current literature on coal prices. The taxable value is then computed for each company by taking anticipated production, and multiplying that number by the contract sales price. Taxable value is then multiplied by the applicable tax rate to determine tax revenue. The final step involves applying the mill ratio for the state county equalization levy to the average statewide levy for FY 1990 for the counties in which mines are located.

Other Revenue

Revenue Description:

The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing and Bankhead Jones payments.

Applicable Tax Rate(s): N/A

Distribution: Varies

Collection Frequency: Varies

Applicable Assumptions and/or Relevant Indicators: Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections.

Data Source(s): County Collection Reports

Contacts: Office of Public Instruction

Statutory References: Various

% of Total General Fund Revenue: Included in total property tax contribution.

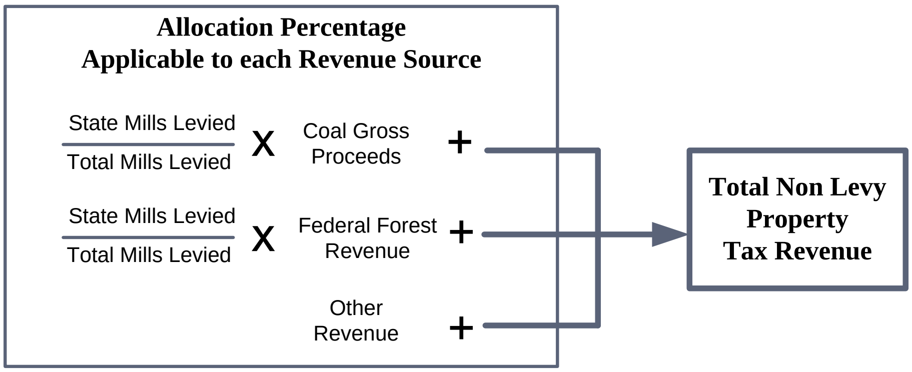
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 55 Mill

Revenue Estimate Methodology: Because these sources are fairly stable in total, the last known year of collections is usually used to forecast future collections. Data for the last known year are obtained from data provided to the Office of Public Instruction by the county treasurers.

Forecast and Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

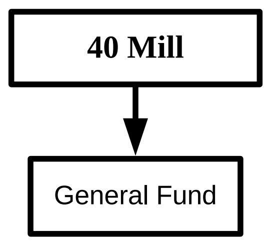
Statutory Reference:

Tax Rate (MCA) – 20-9-360
Tax Distribution (MCA) – 20-9-360
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every $1,000 in taxable value, 40 mills generate $40 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Distribution Chart:



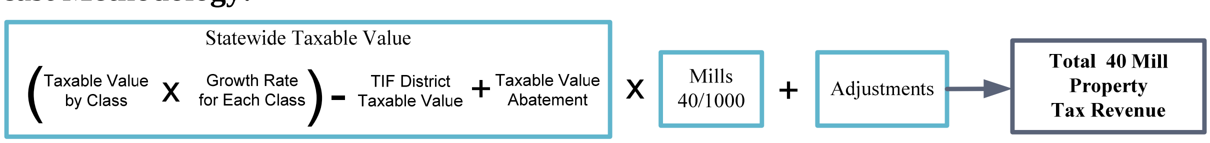
Collection Frequency: Monthly with significant state deposits in December and June.

% of Total General Fund Revenue:

FY 2004 – 4.66 %	FY 2007 – 4.31%	FY 2010 – 5.36%
FY 2005 – 4.18%	FY 2008 – 4.64%	FY 2011 – 5.15%
FY 2006 – 4.05%	FY 2009 – 4.76%	FY 2012 – 5.11%

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under “Property Tax”.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2002	63.045	63.045	1,671.590	0.040	4.705	-9.888
Actual	2003	64.767	64.767	1,691.720	0.040	2.983	-8.475
Actual	2004	64.339	64.339	1,703.301	0.040	3.889	-7.063
Actual	2005	65.237	63.951	1,756.251	0.040	0.000	-5.650
Actual	2006	70.257	69.199	1,836.488	0.040	0.000	-4.238
Actual	2007	78.130	76.712	1,940.709	0.040	0.000	-2.825
Actual	2008	82.459	82.518	2,041.767	0.040	0.000	-1.413
Actual	2009	85.343	85.977	2,117.330	0.040	0.000	0.000
Actual	2010	87.888	87.145	2,226.295	0.040	0.000	-1.562
Actual	2011	92.171	91.749	2,283.076	0.040	0.000	0.000
Actual	2012	95.917	95.690	2,370.852	0.040	0.000	0.000
Forecast	2013	96.912	95.958	2,422.804	0.040	0.000	0.000
Forecast	2014	100.511	99.557	2,512.787	0.040	0.000	0.000
Forecast	2015	103.584	102.630	2,589.604	0.040	0.000	0.000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2002	7.843	11.015	139.057	954.102	35.668	12.459	0.189
Actual	2003	8.691	10.669	138.900	1,002.874	35.382	6.167	0.216
Actual	2004	7.808	8.800	140.240	1,034.656	32.725	0.000	0.995
Actual	2005	8.032	10.428	139.902	1,076.985	34.024	0.000	0.974
Actual	2006	2.694	13.045	140.988	1,129.794	34.611	0.000	0.953
Actual	2007	3.252	21.106	141.002	1,183.821	35.078	0.000	1.068
Actual	2008	3.840	18.849	141.329	1,244.916	35.418	0.000	1.096
Actual	2009	4.013	24.540	142.099	1,296.595	35.155	0.000	1.214
Actual	2010	4.002	23.837	161.073	1,368.081	37.502	0.000	1.266
Actual	2011	3.181	18.291	153.566	1,396.074	38.994	0.000	1.298
Actual	2012	3.888	22.987	150.429	1,418.797	40.642	0.000	1.194
Forecast	2013	4.189	31.132	147.792	1,446.304	45.673	0.000	1.170
Forecast	2014	4.275	33.820	145.202	1,478.146	48.816	0.000	1.147
Forecast	2015	4.331	35.056	142.657	1,511.683	52.176	0.000	1.124

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2002	116.605	219.956	8.199	48.658	144.488	30.530	3.880
Actual	2003	118.349	206.360	7.170	46.688	137.185	30.803	3.870
Actual	2004	118.297	212.111	6.789	45.630	125.623	33.562	3.188
Actual	2005	117.241	219.993	6.791	45.074	120.485	27.767	4.088
Actual	2006	123.055	238.767	6.794	44.267	122.846	25.464	4.137
Actual	2007	135.613	248.320	6.816	41.577	130.476	28.830	18.855
Actual	2008	138.658	264.324	6.822	43.004	152.942	30.120	18.099
Actual	2009	151.317	260.190	6.816	43.567	154.611	25.752	20.021
Actual	2010	169.606	254.253	6.988	46.901	154.314	32.014	23.706
Actual	2011	182.310	280.633	6.519	51.836	174.430	41.946	27.058
Actual	2012	186.854	304.226	6.390	71.336	193.267	46.300	25.369
Forecast	2013	179.237	322.490	6.349	72.349	197.605	47.037	20.225
Forecast	2014	180.358	345.727	6.308	76.657	208.267	47.037	20.877
Forecast	2015	179.206	370.637	6.268	81.222	219.505	45.359	21.539

Total Tax = Tax Value × Mills/1000 + Non-Levy + Adjustments

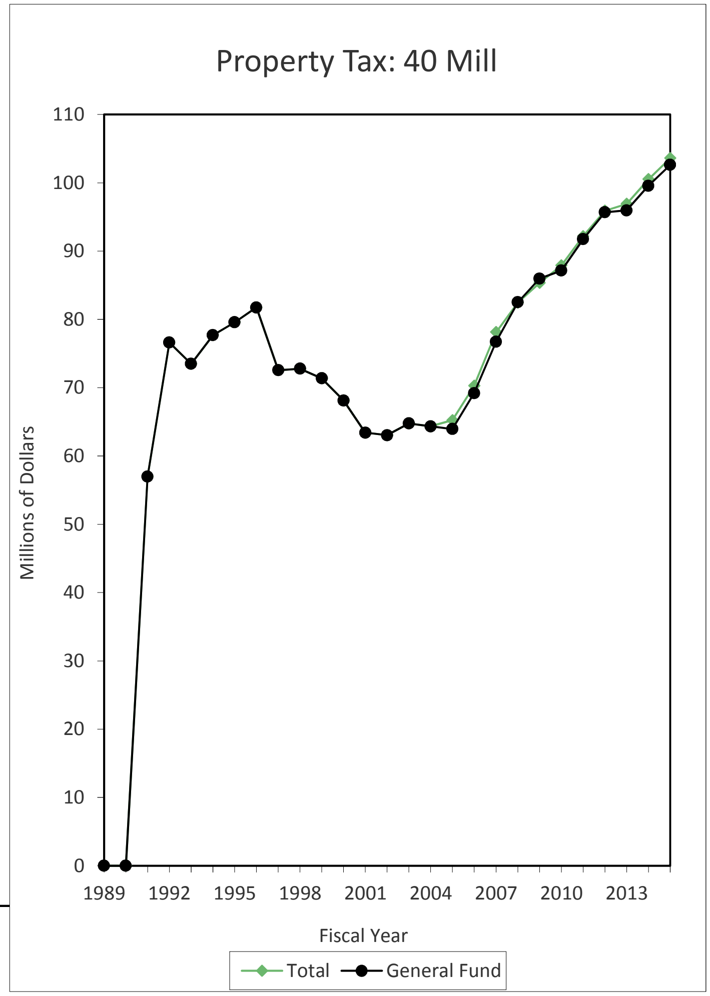
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 40 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	56.993	56.993	Not App.
A	1992	76.612	76.612	34.4%
A	1993	73.491	73.491	-4.1%
A	1994	77.685	77.685	5.7%
A	1995	79.577	79.577	2.4%
A	1996	81.754	81.754	2.7%
A	1997	72.561	72.561	-11.2%
A	1998	72.793	72.793	0.3%
A	1999	71.371	71.371	-2.0%
A	2000	68.120	68.120	-4.6%
A	2001	63.424	63.424	-6.9%
A	2002	63.045	63.045	-0.6%
A	2003	64.767	64.767	2.7%
A	2004	64.339	64.339	-0.7%
A	2005	65.237	63.951	-0.6%
A	2006	70.257	69.199	8.2%
A	2007	78.130	76.712	10.9%
A	2008	82.459	82.518	7.6%
A	2009	85.343	85.977	4.2%
A	2010	87.888	87.145	1.4%
A	2011	92.171	91.749	5.3%
A	2012	95.917	95.690	4.3%
F	2013	96.912	95.958	0.3%
F	2014	100.511	99.557	3.8%
F	2015	103.584	102.630	3.1%



Data Source(s): Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

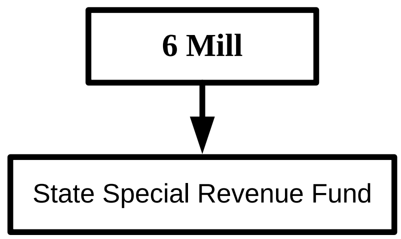
Statutory Reference:

Tax Rate (MCA) – 15-10-107
Tax Distribution (MCA) – 15-10-107
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every $1,000 in taxable value, 6 mills generate $6 in state property taxes.

Distribution: All tax receipts are deposited into the university system 6 mill levy state special revenue account.

Distribution Chart:

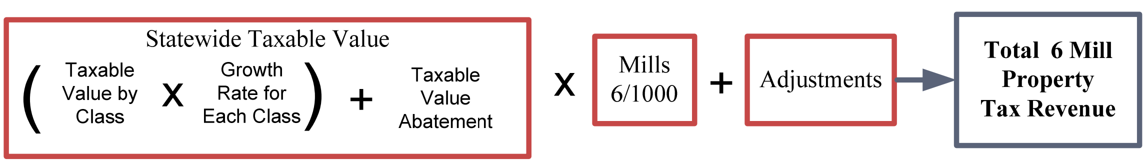


Collection Frequency: Monthly with significant state deposits in December and June.

% of Total General Fund Revenue: N/A

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2002	12.298	0.000	1,698.239	0.006	1.588	0.000
Actual	2003	12.011	0.000	1,722.523	0.006	1.082	0.000
Actual	2004	11.374	0.000	1,736.863	0.006	0.000	0.000
Actual	2005	12.245	0.000	1,784.018	0.006	0.000	0.000
Actual	2006	11.952	0.000	1,861.952	0.006	0.000	0.000
Actual	2007	12.517	0.000	1,969.539	0.006	0.000	0.000
Actual	2008	13.313	0.000	2,071.887	0.006	0.000	0.000
Actual	2009	14.422	0.000	2,143.082	0.006	0.667	0.000
Actual	2010	14.771	0.000	2,258.309	0.006	0.738	-0.234
Actual	2011	14.838	0.000	2,352.079	0.006	0.814	0.000
Actual	2012	15.325	0.000	2,442.522	0.006	0.890	0.000
Forecast	2013	15.815	0.000	2,490.066	0.006	0.875	0.000
Forecast	2014	16.535	0.000	2,580.701	0.006	1.051	0.000
Forecast	2015	16.989	0.000	2,656.503	0.006	1.050	0.000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2002	7.843	11.015	139.057	954.102	35.668	12.459	0.189
Actual	2003	8.691	10.669	138.900	1,002.874	35.382	6.167	0.216
Actual	2004	7.808	8.800	140.240	1,034.656	32.725	0.000	0.995
Actual	2005	8.032	10.428	139.902	1,076.985	34.024	0.000	0.974
Actual	2006	2.694	13.045	140.988	1,129.794	34.611	0.000	0.953
Actual	2007	3.252	21.106	141.002	1,183.821	35.078	0.000	1.068
Actual	2008	3.840	18.849	141.329	1,244.916	35.418	0.000	1.096
Actual	2009	4.013	24.540	142.099	1,296.595	35.155	0.000	1.214
Actual	2010	4.002	23.837	161.073	1,368.081	37.502	0.000	1.266
Actual	2011	3.181	18.291	153.566	1,396.074	38.994	0.000	1.298
Actual	2012	3.888	22.987	150.429	1,418.797	40.642	0.000	1.194
Forecast	2013	4.189	31.132	147.792	1,446.304	45.673	0.000	1.170
Forecast	2014	4.275	33.820	145.202	1,478.146	48.816	0.000	1.147
Forecast	2015	4.331	35.056	142.657	1,511.683	52.176	0.000	1.124

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2002	116.605	219.956	8.199	48.658	144.488	30.530	3.880
Actual	2003	118.349	206.360	7.170	46.688	137.185	30.803	3.870
Actual	2004	118.297	212.111	6.789	45.630	125.623	33.562	3.188
Actual	2005	117.241	219.993	6.791	45.074	120.485	27.767	4.088
Actual	2006	123.055	238.767	6.794	44.267	122.846	25.464	4.137
Actual	2007	135.613	248.320	6.816	41.577	130.476	28.830	18.855
Actual	2008	138.658	264.324	6.822	43.004	152.942	30.120	18.099
Actual	2009	151.317	260.190	6.816	43.567	154.611	25.752	20.021
Actual	2010	169.606	254.253	6.988	46.901	154.314	32.014	23.706
Actual	2011	182.310	280.633	6.519	51.836	174.430	41.946	27.058
Actual	2012	186.854	304.226	6.390	71.336	193.267	46.300	25.369
Forecast	2013	179.237	322.490	6.349	72.349	197.605	47.037	20.225
Forecast	2014	180.358	345.727	6.308	76.657	208.267	47.037	20.877
Forecast	2015	179.206	370.637	6.268	81.222	219.505	45.359	21.539

Total Tax = Tax Value × Mills/1000 + Non-Levy + Adjustments

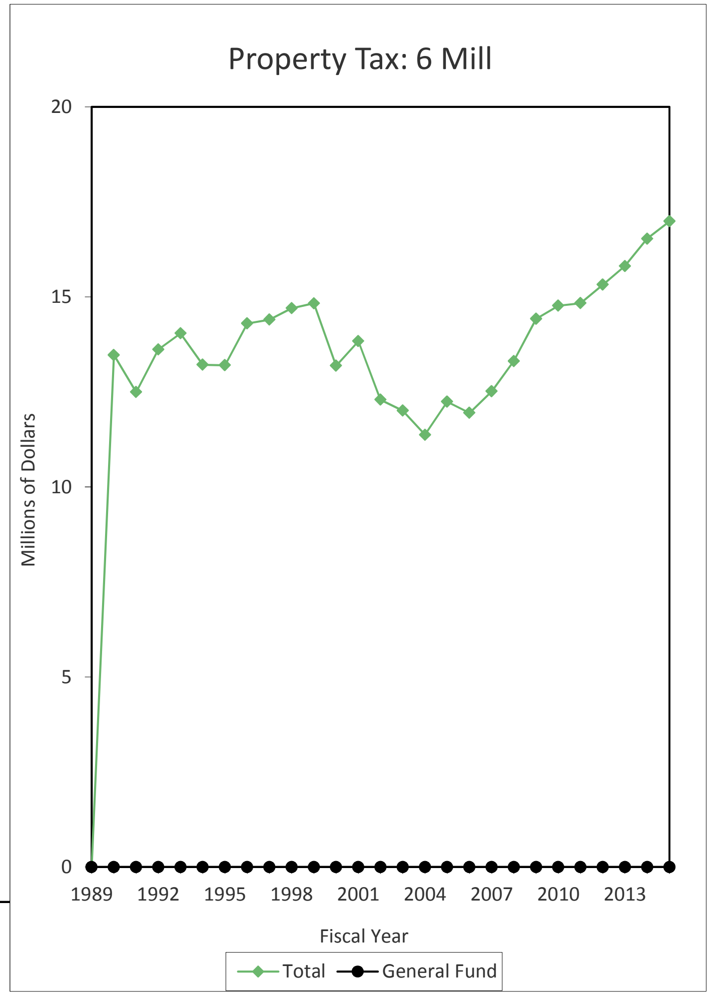
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 6 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	13.475	0.000	Not App.
A	1991	12.497	0.000	Not App.
A	1992	13.618	0.000	Not App.
A	1993	14.044	0.000	Not App.
A	1994	13.217	0.000	Not App.
A	1995	13.205	0.000	Not App.
A	1996	14.303	0.000	Not App.
A	1997	14.404	0.000	Not App.
A	1998	14.702	0.000	Not App.
A	1999	14.834	0.000	Not App.
A	2000	13.189	0.000	Not App.
A	2001	13.838	0.000	Not App.
A	2002	12.298	0.000	Not App.
A	2003	12.011	0.000	Not App.
A	2004	11.374	0.000	Not App.
A	2005	12.245	0.000	Not App.
A	2006	11.952	0.000	Not App.
A	2007	12.517	0.000	Not App.
A	2008	13.313	0.000	Not App.
A	2009	14.422	0.000	Not App.
A	2010	14.771	0.000	Not App.
A	2011	14.838	0.000	Not App.
A	2012	15.325	0.000	Not App.
F	2013	15.815	0.000	Not App.
F	2014	16.535	0.000	Not App.
F	2015	16.989	0.000	Not App.



Data Source(s): Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

Contacts: Department of Revenue

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Description: Beginning in FY 1997, statute requires the boards of county commissioners in the five counties where colleges of technology reside, to levy 1.5 mills for deposit in the state general fund. This revenue component used to include collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. HB 124, passed during the 2001 legislative session, eliminated distribution of non-levy sources to the 1.5 mill levy.

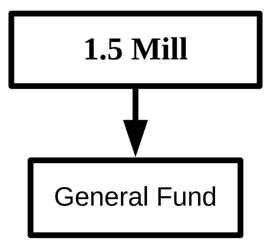
Statutory Reference:

Tax Rate (MCA) – 20-25-439(1)
Tax Distribution (MCA) – 20-25-439(2)
Date Due – one-half of taxes due November 30th and one-half due May 31st (15-16-102(1)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month (15-1-504(1))

Applicable Tax Rate(s): Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every $1,000 in taxable value,1.5 mills generate $1.50 in state property taxes.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Distribution Chart:



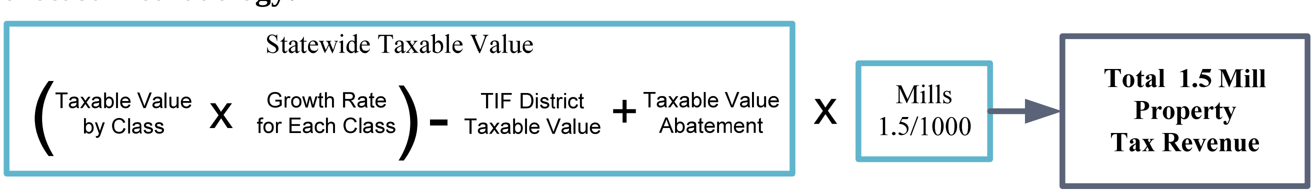
Collection Frequency: Monthly with significant state deposits in December and June.

% of Total General Fund Revenue:

FY 2004 – 0.07 %	FY 2007 – 0.06%	FY 2010 – 0.07%
FY 2005 – 0.06%	FY 2008 – 0.06%	FY 2011 – 0.06%
FY 2006 – 0.06%	FY 2009 – 0.06%	FY 2012 – 0.06%

Revenue Estimate Methodology: The methodology used to derive revenue from this source is explained in the methodology section under "Property Tax".

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax. Value Millions	Mills/1000 Applied	Non-Levy Millions	Adjustments Millions
Actual	2002	0.919	0.919	563.452	0.002	0.020	0.034
Actual	2003	0.884	0.884	586.588	0.002	0.000	0.000
Actual	2004	0.968	0.968	596.513	0.002	0.000	0.000
Actual	2005	0.922	0.904	608.056	0.002	0.000	0.000
Actual	2006	0.960	0.945	662.811	0.002	0.000	0.000
Actual	2007	0.996	0.984	693.488	0.002	0.000	0.000
Actual	2008	1.097	1.094	721.234	0.002	0.000	0.000
Actual	2009	1.100	1.116	743.921	0.002	0.000	0.000
Actual	2010	1.120	1.115	759.598	0.002	0.000	0.000
Actual	2011	1.151	1.155	778.415	0.002	0.000	0.000
Actual	2012	1.173	1.160	797.739	0.002	0.000	0.000
Forecast	2013	1.210	1.193	806.969	0.002	0.000	0.000
Forecast	2014	1.255	1.238	836.367	0.002	0.000	0.000
Forecast	2015	1.294	1.277	862.955	0.002	0.000	0.000

	t Fiscal	Class 1 Millions	Class 2 Millions	Class 3 Millions	Class 4 Millions	Class 5 Millions	Class 6 Millions	Class 7 Millions
Actual	2002	7.843	11.015	139.057	954.102	35.668	12.459	0.189
Actual	2003	8.691	10.669	138.900	1,002.874	35.382	6.167	0.216
Actual	2004	7.808	8.800	140.240	1,034.656	32.725	0.000	0.995
Actual	2005	8.032	10.428	139.902	1,076.985	34.024	0.000	0.974
Actual	2006	2.694	13.045	140.988	1,129.794	34.611	0.000	0.953
Actual	2007	3.252	21.106	141.002	1,183.821	35.078	0.000	1.068
Actual	2008	3.840	18.849	141.329	1,244.916	35.418	0.000	1.096
Actual	2009	4.013	24.540	142.099	1,296.595	35.155	0.000	1.214
Actual	2010	4.002	23.837	161.073	1,368.081	37.502	0.000	1.266
Actual	2011	3.181	18.291	153.566	1,396.074	38.994	0.000	1.298
Actual	2012	3.888	22.987	150.429	1,418.797	40.642	0.000	1.194
Forecast	2013	4.189	31.132	147.792	1,446.304	45.673	0.000	1.170
Forecast	2014	4.275	33.820	145.202	1,478.146	48.816	0.000	1.147
Forecast	2015	4.331	35.056	142.657	1,511.683	52.176	0.000	1.124

Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

	t Fiscal	Class 8 Millions	Class 9 Millions	Class 10 Millions	Class 12 Millions	Class 13 Millions	TIF's Millions	Abatement Millions
Actual	2002	116.605	219.956	8.199	48.658	144.488	30.530	3.880
Actual	2003	118.349	206.360	7.170	46.688	137.185	30.803	3.870
Actual	2004	118.297	212.111	6.789	45.630	125.623	33.562	3.188
Actual	2005	117.241	219.993	6.791	45.074	120.485	27.767	4.088
Actual	2006	123.055	238.767	6.794	44.267	122.846	25.464	4.137
Actual	2007	135.613	248.320	6.816	41.577	130.476	28.830	18.855
Actual	2008	138.658	264.324	6.822	43.004	152.942	30.120	18.099
Actual	2009	151.317	260.190	6.816	43.567	154.611	25.752	20.021
Actual	2010	169.606	254.253	6.988	46.901	154.314	32.014	23.706
Actual	2011	182.310	280.633	6.519	51.836	174.430	41.946	27.058
Actual	2012	186.854	304.226	6.390	71.336	193.267	46.300	25.369
Forecast	2013	179.237	322.490	6.349	72.349	197.605	47.037	20.225
Forecast	2014	180.358	345.727	6.308	76.657	208.267	47.037	20.877
Forecast	2015	179.206	370.637	6.268	81.222	219.505	45.359	21.539

Total Tax = Tax Value × Mills/1000 + Non-Levy + Adjustments

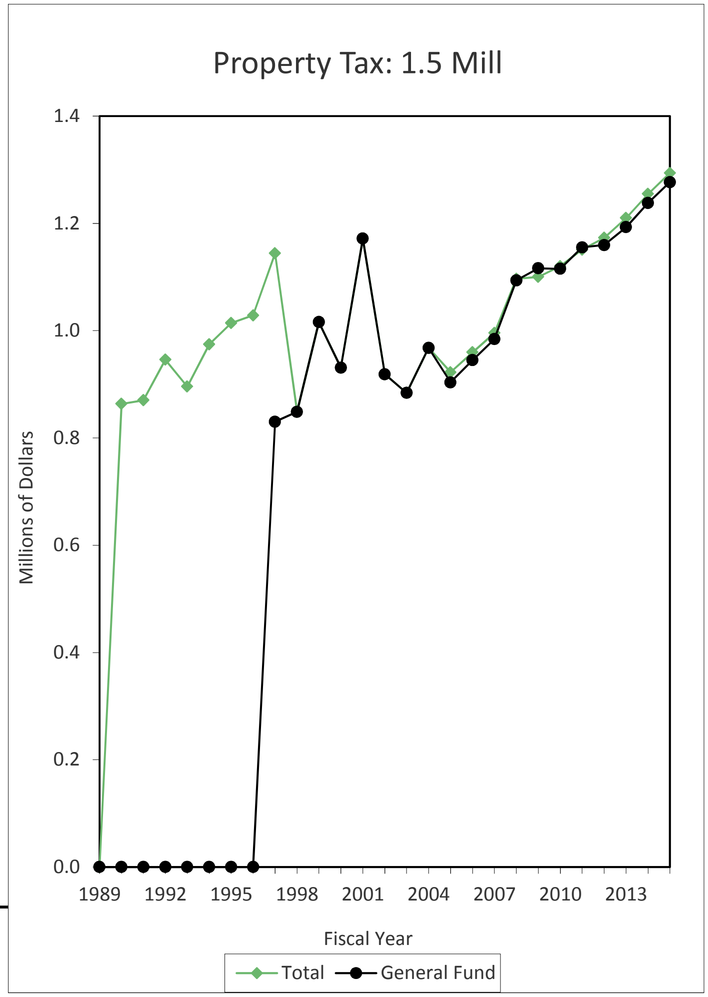
Legislative Fiscal Division

Revenue Estimate Profile

Property Tax: 1.5 Mill

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.864	0.000	Not App.
A	1991	0.870	0.000	Not App.
A	1992	0.946	0.000	Not App.
A	1993	0.896	0.000	Not App.
A	1994	0.975	0.000	Not App.
A	1995	1.014	0.000	Not App.
A	1996	1.029	0.000	Not App.
A	1997	1.144	0.830	Not App.
A	1998	0.849	0.849	2.2%
A	1999	1.016	1.016	19.7%
A	2000	0.931	0.931	-8.4%
A	2001	1.172	1.172	25.9%
A	2002	0.919	0.919	-21.6%
A	2003	0.884	0.884	-3.8%
A	2004	0.968	0.968	9.5%
A	2005	0.922	0.904	-6.6%
A	2006	0.960	0.945	4.6%
A	2007	0.996	0.984	4.1%
A	2008	1.097	1.094	11.1%
A	2009	1.100	1.116	2.1%
A	2010	1.120	1.115	-0.1%
A	2011	1.151	1.155	3.6%
A	2012	1.173	1.160	0.4%
F	2013	1.210	1.193	2.9%
F	2014	1.255	1.238	3.8%
F	2015	1.294	1.277	3.2%



Data Source(s): Department of Revenue (DOR), Office of Public Instruction (OPI), County Assessor Offices, Montana Association of Counties (MACO)

Contacts: Department of Revenue

Other General Fund Revenue

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

MONTANA LEGISLATIVE FISCAL DIVISION
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.

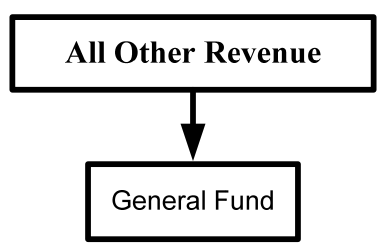
"All Other Revenue" sources are estimated in aggregate except for the following: court automation surcharge (enacted by the 2005 Legislature in House Bill 536), investment license transfers, liquor license fee transfers, civil fines, lodging facility use tax, deposits by state agencies for SWCAP/ SFCAP, 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:



Collection Frequency: The various revenue sources are generally collected on a monthly basis.

% 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 2011 – 2.83%
FY 2006 – 1.87%	FY 2009 – 1.77%	FY 2012 – 2.53%

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.

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Analysis

1. Largest Revenue Sources
   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
   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.

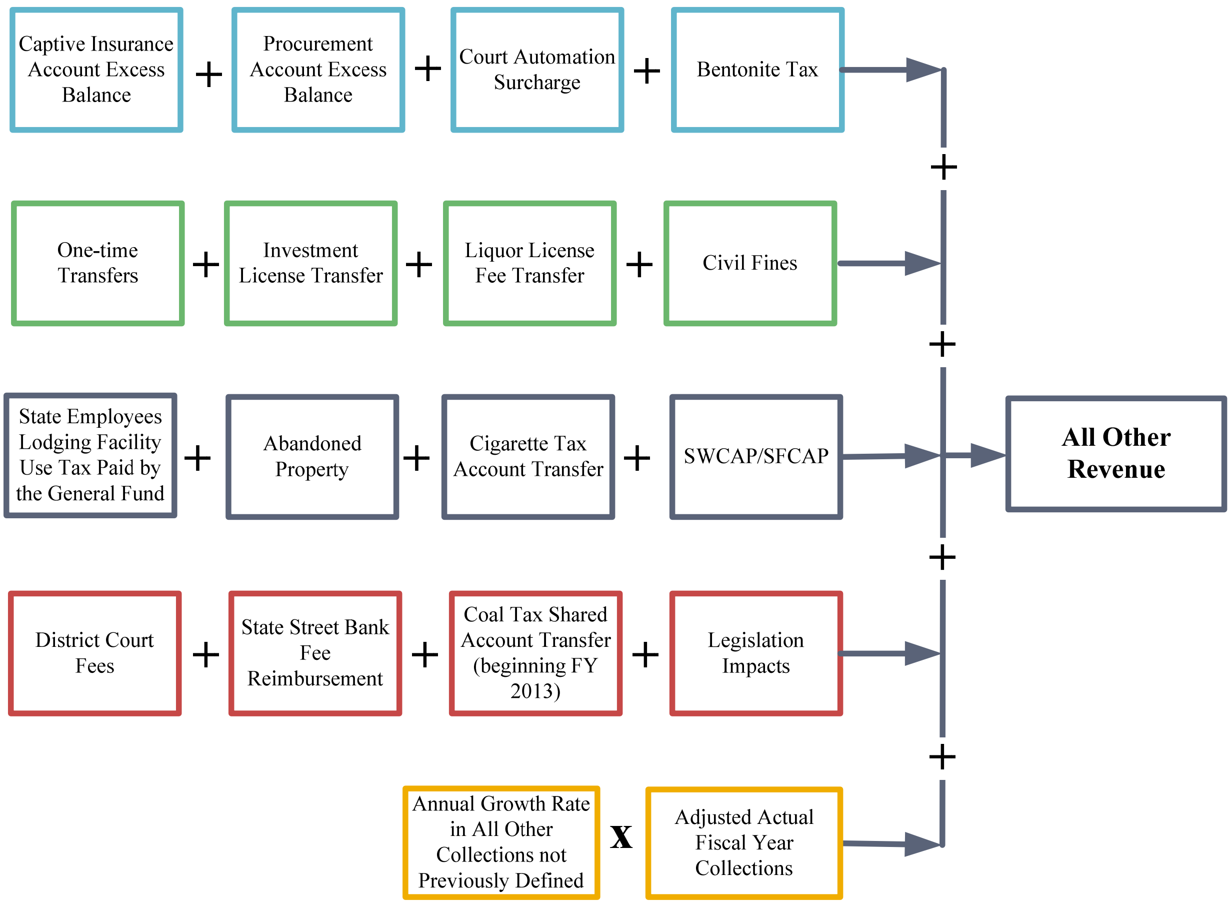
3. Smaller Revenue Sources
   a. Banking Charges – The rate the Board of Investments charges funds for its services is determined by a contract with a financial institution. Board personnel state that the current contract is $1,550,000, but may be more if additional accounts are established. The current 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
   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.

Adjustments and Distribution

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

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Base Millions	Annual Growth	Adjustments Millions	Vet. Account Transfer Millions	One-Time Transfer Millions
Actual	2002	43.216	43.216	6.401	-30.9%	1.162		
Actual	2003	42.440	42.440	7.120	11.2%	21.282		
Actual	2004	30.242	30.242	6.201	-12.9%	8.190	1.055	
Actual	2005	34.724	34.724	6.434	3.8%	0.000	2.893	4.767
Actual	2006	31.867	31.867	7.114	10.6%	0.000	2.653	0.781
Actual	2007	19.091	19.091	7.520	5.7%	0.000	-4.116	0.000
Actual	2008	38.434	38.434	7.494	-0.3%	0.000	2.636	7.821
Actual	2009	31.922	31.922	7.446	-0.6%	0.000	2.650	3.350
Actual	2010	35.360	35.360	5.634	-24.3%	0.000	1.590	8.509
Actual	2011	50.393	50.393	9.274	64.6%	1.315	3.905	15.973
Actual	2012	47.258	47.258	8.799	-5.1%	0.000	3.676	15.052
Forecast	2013	32.536	32.536	8.975	2.0%	0.000	2.453	0.000
Forecast	2014	32.373	32.373	9.154	2.0%	0.000	3.212	0.000
Forecast	2015	32.644	32.644	9.337	2.0%	0.000	3.029	0.000

	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	2002	2.179	0.000	0.749	1.045	0.039	0.840	2.469
Actual	2003	2.036	0.000	0.481	1.071	0.033	0.838	2.051
Actual	2004	2.113	0.000	0.856	1.067	0.040	0.838	0.000
Actual	2005	2.110	0.000	0.443	1.100	0.049	0.833	0.000
Actual	2006	2.234	0.000	1.238	1.304	0.061	0.832	0.000
Actual	2007	2.977	0.000	0.873	0.079	0.071	0.252	0.000
Actual	2008	3.309	0.000	0.762	-0.035	0.080	0.694	0.000
Actual	2009	2.636	0.000	1.406	0.001	0.070	0.697	0.000
Actual	2010	2.969	0.000	1.695	0.019	0.043	0.466	0.000
Actual	2011	3.278	0.000	0.982	0.000	0.045	0.000	0.000
Actual	2012	4.970	0.000	0.864	0.000	0.061	0.000	0.000
Forecast	2013	5.146	0.000	0.864	0.000	0.000	0.000	0.000
Forecast	2014	5.201	0.000	0.864	0.000	0.000	0.000	0.000
Forecast	2015	5.460	0.000	0.864	0.000	0.000	0.000	0.000

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	2002	23.246	0.623	1.024	1.036	0.000	0.778
Actual	2003	0.000	0.000	1.179	0.558	2.665	0.771
Actual	2004	0.146	0.000	2.215	0.734	2.839	0.766
Actual	2005	5.540	0.684	2.514	0.431	3.009	0.737
Actual	2006	3.535	0.550	1.844	0.306	3.108	0.903
Actual	2007	0.302	0.536	1.723	0.436	3.135	0.867
Actual	2008	0.088	0.000	2.399	1.407	3.349	1.334
Actual	2009	0.291	0.608	1.715	0.399	3.450	1.556
Actual	2010	0.028	0.000	3.938	0.323	3.481	1.554
Actual	2011	0.000	0.000	3.931	0.363	3.596	1.538
Actual	2012	0.000	0.000	3.974	0.059	3.434	1.595
Forecast	2013	0.000	0.366	4.368	0.160	3.434	2.141
Forecast	2014	0.000	0.244	3.001	0.304	3.434	2.236
Forecast	2015	0.000	0.000	3.152	0.289	3.434	2.346

	t Fiscal	Abandoned Property Millions	Court Surcharge Millions	Bentonite Millions	Captive Account Millions	Procurement Account Millions
Actual	2002					
Actual	2003					
Actual	2004					
Actual	2005					
Actual	2006	3.310	1.589	0.504		
Actual	2007	2.359	1.660	0.417		
Actual	2008	4.253	1.616	0.564	0.023	
Actual	2009	2.470	1.686	0.483	0.000	0.451
Actual	2010	2.778	1.692	0.244	0.026	0.371
Actual	2011	3.756	1.663	0.376	0.021	0.376
Actual	2012	2.234	1.585	0.456	0.051	0.450
Forecast	2013	2.234	1.585	0.456	0.020	0.334
Forecast	2014	2.234	1.585	0.456	0.000	0.448
Forecast	2015	2.234	1.585	0.456	0.000	0.458

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.

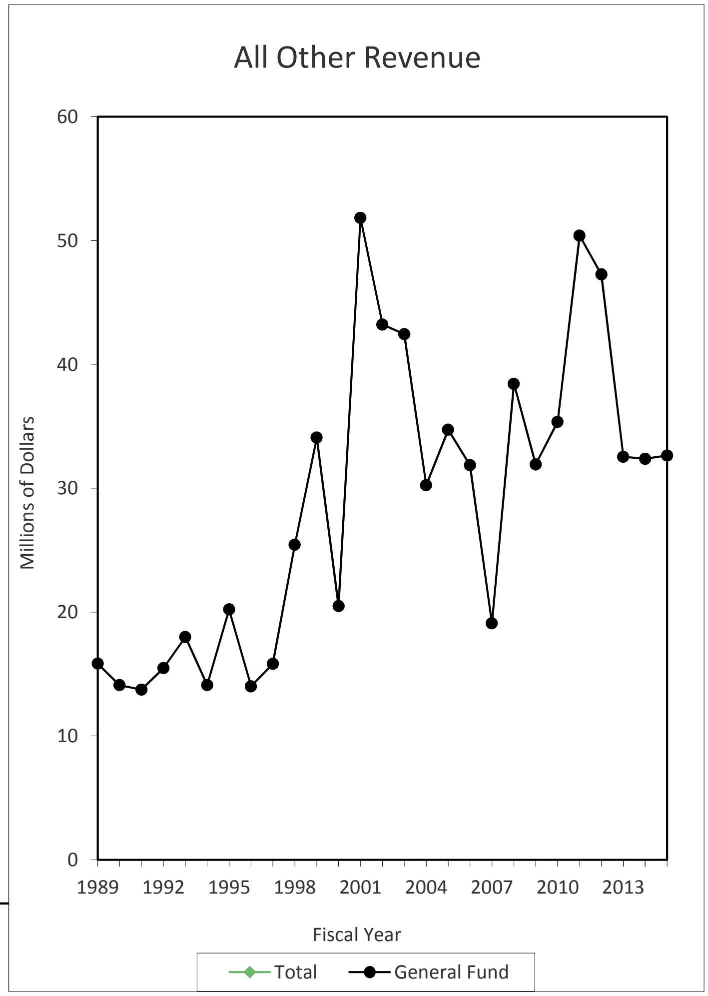
Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	15.835	15.835	Not App.
A	1990	14.097	14.097	-11.0%
A	1991	13.742	13.742	-2.5%
A	1992	15.466	15.466	12.6%
A	1993	17.993	17.993	16.3%
A	1994	14.105	14.105	-21.6%
A	1995	20.217	20.217	43.3%
A	1996	14.001	14.001	-30.8%
A	1997	15.822	15.822	13.0%
A	1998	25.428	25.428	60.7%
A	1999	34.096	34.096	34.1%
A	2000	20.488	20.488	-39.9%
A	2001	51.822	51.822	152.9%
A	2002	43.216	43.216	-16.6%
A	2003	42.440	42.440	-1.8%
A	2004	30.242	30.242	-28.7%
A	2005	34.724	34.724	14.8%
A	2006	31.867	31.867	-8.2%
A	2007	19.091	19.091	-40.1%
A	2008	38.434	38.434	101.3%
A	2009	31.922	31.922	-16.9%
A	2010	35.360	35.360	10.8%
A	2011	50.393	50.393	42.5%
A	2012	47.258	47.258	-6.2%
F	2013	32.536	32.536	-31.2%
F	2014	32.373	32.373	-0.5%
F	2015	32.644	32.644	0.8%



Data Source(s): SABHRS, Office of Budget and Program Planning, Department of Justice, Department of Public Health and Human Services, Department of Administration, Department of Revenue, and the State Auditor

Contacts: Multiple state agencies**:**

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.

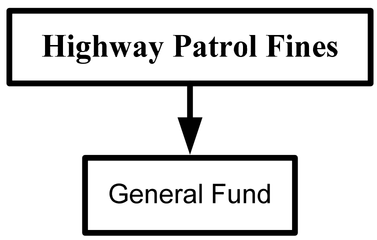
Statutory Reference:

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:



Collection Frequency: Monthly

% 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 2011 – 0.24%
FY 2006 – 0.25%	FY 2009 – 0.23%	FY 2012 – 0.23%

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

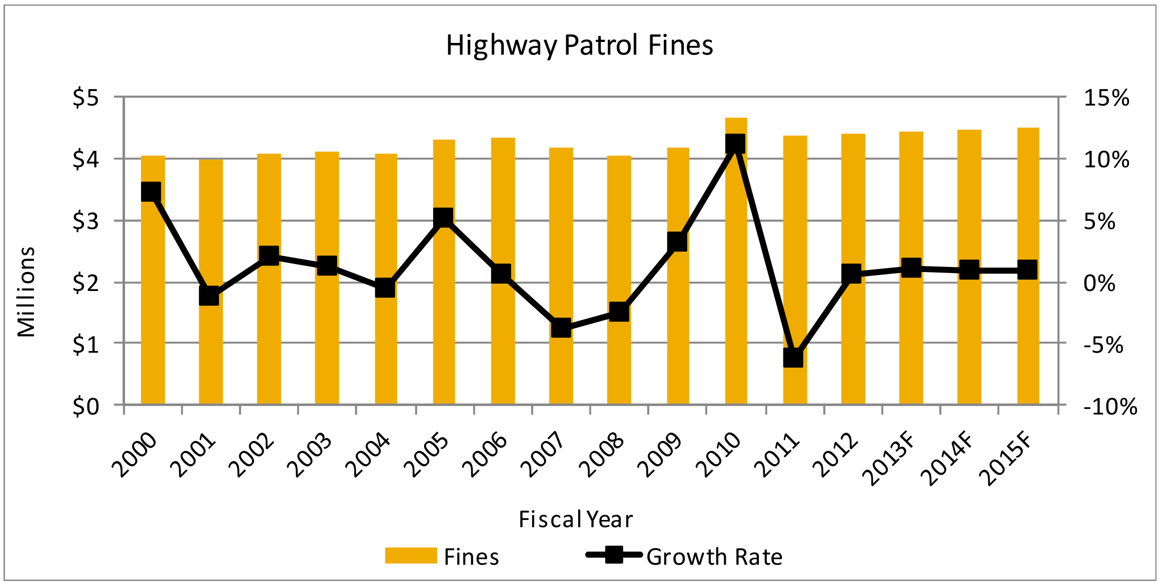
Data from the statewide accounting system (SABHRS) provide a history of highway patrol fine revenue.

Revenue Estimate Profile

Highway Patrol Fines

Analysis

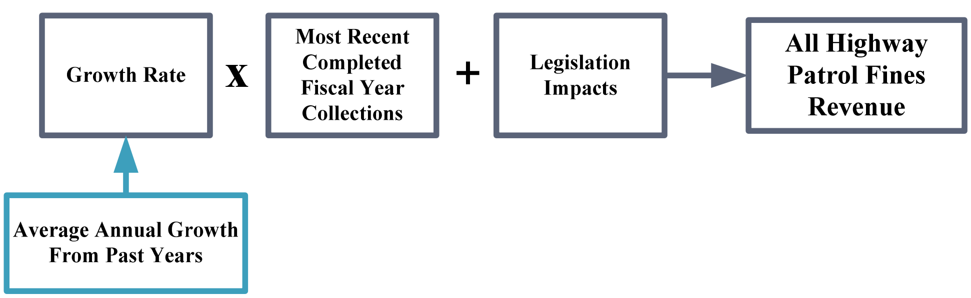
The estimate for highway patrol fines is derived by multiplying the revenue amount from the last known fiscal year by the average annual growth between FY 2000 and FY 2009. All subsequent years are held constant at this amount. Legislation impacts, if any, are added.



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:

	t Fiscal	Total Tax Millions	GF Tax Millions	MT. Pop. >=16 Millions	Per Capita Fines
Actual	2002	4.062	4.062	0.718	5.658
Actual	2003	4.110	4.110	0.727	5.652
Actual	2004	4.084	4.084	0.738	5.537
Actual	2005	4.293	4.293	0.749	5.732
Actual	2006	4.316	4.316	0.760	5.676
Actual	2007	4.155	4.155	0.771	5.387
Actual	2008	4.049	4.049	0.780	5.188
Actual	2009	4.180	4.180	0.788	5.306
Actual	2010	4.646	4.646	0.794	5.855
Actual	2011	4.359	4.359	0.799	5.457
Actual	2012	4.385	4.385	0.806	5.442
Forecast	2013	4.430	4.430	0.813	5.449
Forecast	2014	4.469	4.469	0.820	5.449
Forecast	2015	4.508	4.508	0.827	5.449

Total Tax = Mt. Pop. >=16 * Per Capita Fine
GF Tax = Total Tax

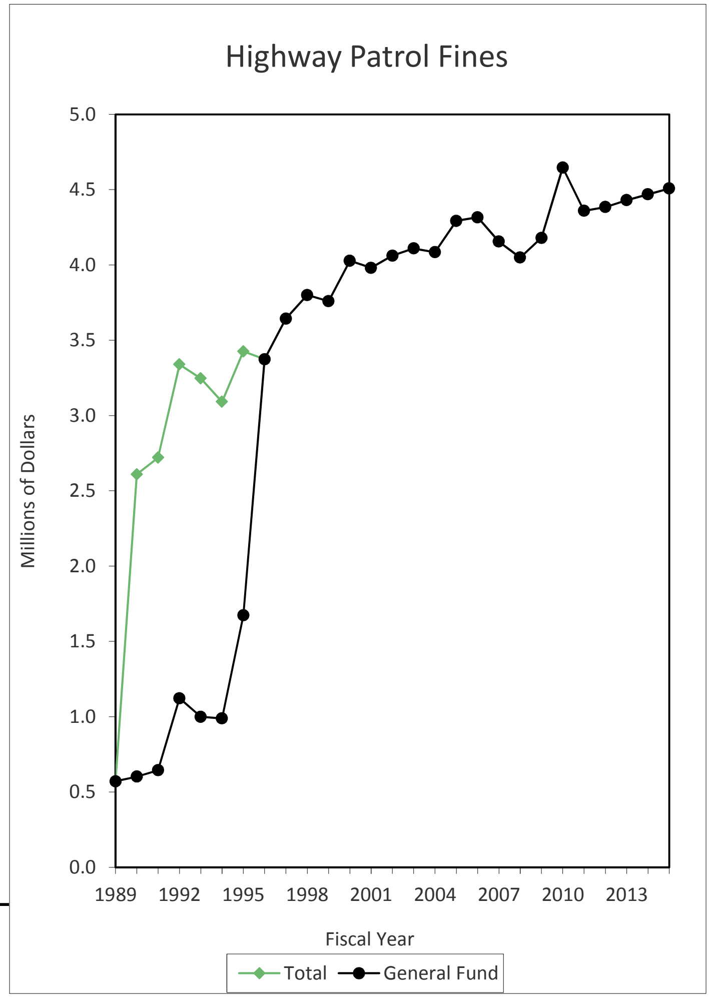
Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.571	0.571	Not App.
A	1990	2.610	0.602	5.5%
A	1991	2.720	0.644	7.0%
A	1992	3.339	1.122	74.1%
A	1993	3.246	0.999	-11.0%
A	1994	3.091	0.988	-1.1%
A	1995	3.426	1.673	69.3%
A	1996	3.374	3.374	101.7%
A	1997	3.644	3.644	8.0%
A	1998	3.801	3.801	4.3%
A	1999	3.759	3.759	-1.1%
A	2000	4.028	4.028	7.2%
A	2001	3.981	3.981	-1.2%
A	2002	4.062	4.062	2.0%
A	2003	4.110	4.110	1.2%
A	2004	4.084	4.084	-0.6%
A	2005	4.293	4.293	5.1%
A	2006	4.316	4.316	0.6%
A	2007	4.155	4.155	-3.7%
A	2008	4.049	4.049	-2.6%
A	2009	4.180	4.180	3.2%
A	2010	4.646	4.646	11.2%
A	2011	4.359	4.359	-6.2%
A	2012	4.385	4.385	0.6%
F	2013	4.430	4.430	1.0%
F	2014	4.469	4.469	0.9%
F	2015	4.508	4.508	0.9%



Data Source(s): Department of Justice, Highway Patrol, SABHRS

Contacts: Department of Justice, Highway Patrol

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

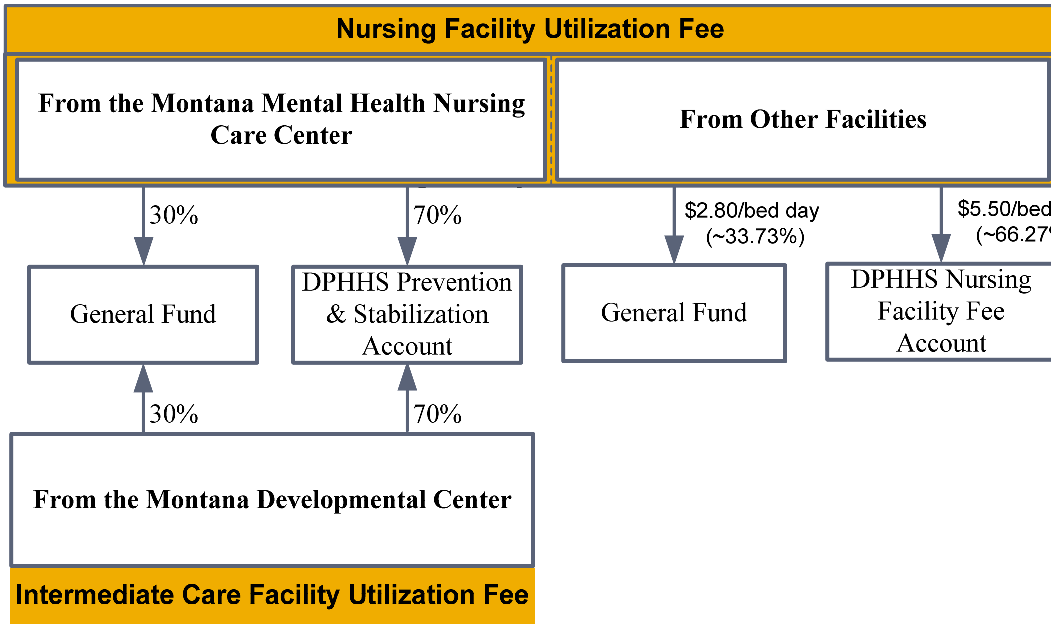
Distribution: Nursing facility utilization fee: 1) for fees paid by the Montana Mental Health Nursing Care Center – 30% to the general fund and 70% to the prevention and stabilization account (for use by the Department of Public Health and Human Services to provide health and human services); 2) for 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.

Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Distribution Chart:



Collection Frequency: Quarterly

% 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 2011 – 0.29%
FY 2006 – 0.33%	FY 2009 – 0.30%	FY 2012 – 0.27%

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.

Legislative Fiscal Division

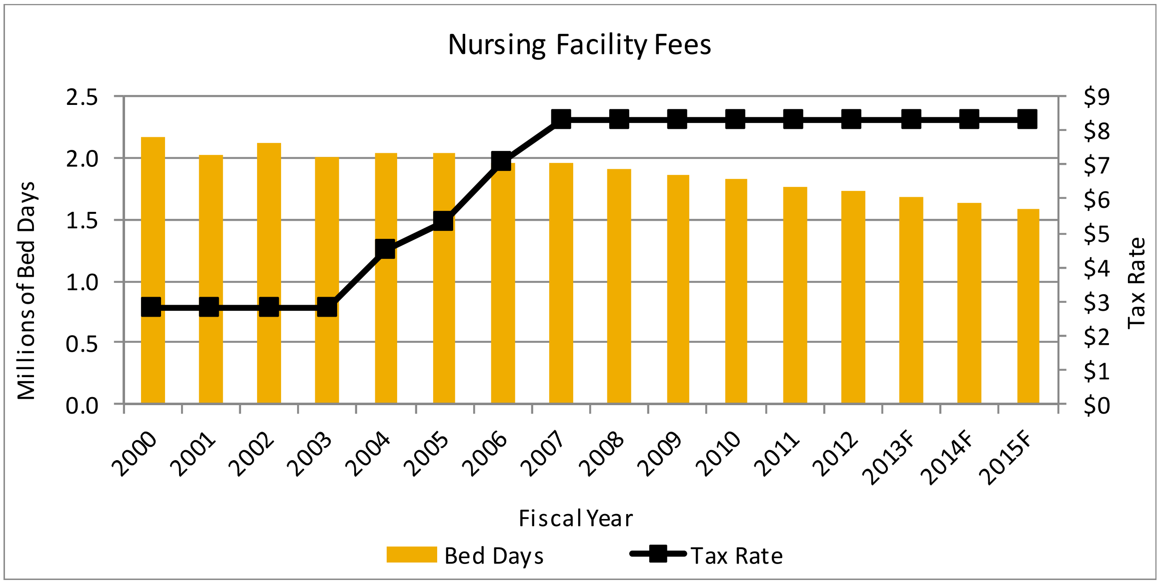
Revenue Estimate Profile

Nursing Facilities Fee

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:

Projected Nursing Facility Fees = TBD_{NCF} * NFFR

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



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.

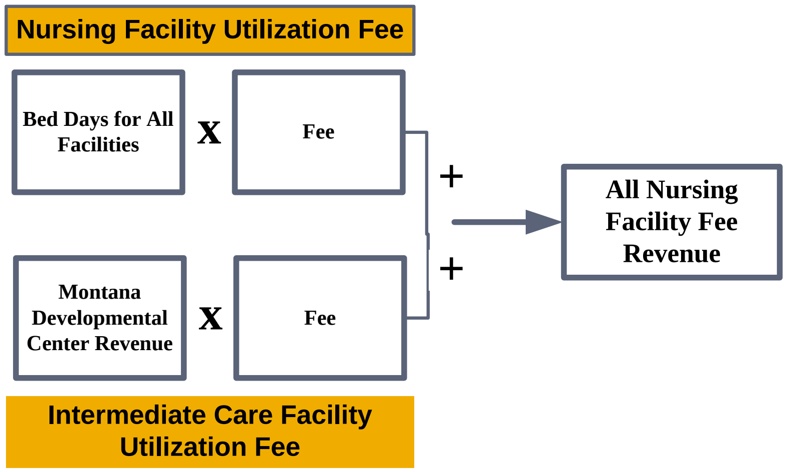
*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Forecast Methodology:



Revenue Estimate Assumptions:

	t Fiscal	Total Tax Millions	GF Tax Millions	Nursing Facilities Fee	Bed Days Millions	Intermediate Care Rate	Intermediate Care Revenue	MMHNCC Tax Millions
Actual	2002	5.918	5.918	2.80	2.114			
Actual	2003	6.178	5.860	2.80	2.008	5.0%	11.131	
Actual	2004	10.022	5.916	4.50	2.035	5.0%	17.261	
Actual	2005	11.602	5.912	5.30	2.034	5.0%	16.438	
Actual	2006	14.650	5.712	7.05	1.951	6.0%	14.954	
Actual	2007	17.074	5.717	8.30	1.951	6.0%	14.625	
Actual	2008	16.759	5.610	8.30	1.912	6.0%	14.845	0.122
Actual	2009	16.348	5.469	8.30	1.860	6.0%	15.129	0.095
Actual	2010	16.019	5.300	8.30	1.820	6.0%	15.233	0.095
Actual	2011	15.541	5.197	8.30	1.760	6.0%	15.526	0.091
Actual	2012	15.176	5.077	8.30	1.722	6.0%	14.700	0.088
Forecast	2013	14.748	4.876	8.30	1.674	6.0%	14.304	0.092
Forecast	2014	14.435	4.740	8.30	1.627	6.0%	13.919	0.099
Forecast	2015	14.028	4.603	8.30	1.580	6.0%	13.544	0.103

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%

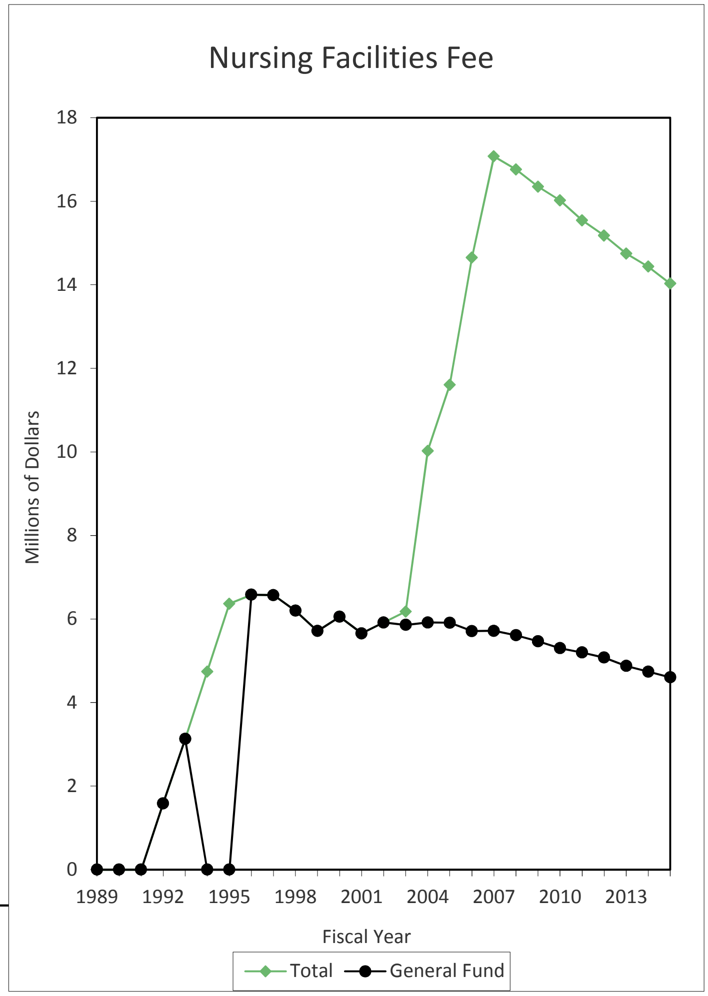
Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	0.000	0.000	Not App.
A	1992	1.587	1.587	Not App.
A	1993	3.131	3.131	97.3%
A	1994	4.740	0.000	-100.0%
A	1995	6.364	0.000	Not App.
A	1996	6.580	6.580	Not App.
A	1997	6.572	6.572	-0.1%
A	1998	6.200	6.200	-5.7%
A	1999	5.713	5.713	-7.9%
A	2000	6.055	6.055	6.0%
A	2001	5.656	5.656	-6.6%
A	2002	5.918	5.918	4.6%
A	2003	6.178	5.860	-1.0%
A	2004	10.022	5.916	1.0%
A	2005	11.602	5.912	-0.1%
A	2006	14.650	5.712	-3.4%
A	2007	17.074	5.717	0.1%
A	2008	16.759	5.610	-1.9%
A	2009	16.348	5.469	-2.5%
A	2010	16.019	5.300	-3.1%
A	2011	15.541	5.197	-1.9%
A	2012	15.176	5.077	-2.3%
F	2013	14.748	4.876	-4.0%
F	2014	14.435	4.740	-2.8%
F	2015	14.028	4.603	-2.9%



Data Source(s): Department of Public Health and Human Services, Nursing Facilities

Contacts: Department of Public Health and Human Services

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:

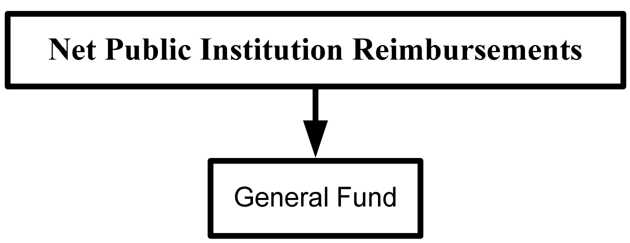
Tax Rate (MCA) – 53-1-402 (requirement to pay)
Tax Distribution (MCA) – 53-1-413
Date Due – monthly (53-1-405(3)

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.

<u>Distribution Chart:</u>



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 1.31%	FY 2007 – 0.58%	FY 2010 – 1.35%
FY 2005 – 0.82%	FY 2008 – 0.78%	FY 2011 – 1.13%
FY 2006 – 0.75%	FY 2009 – 0.78%	FY 2012 – 0.78%

Revenue Estimate Methodology:

<u>Data</u>

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.

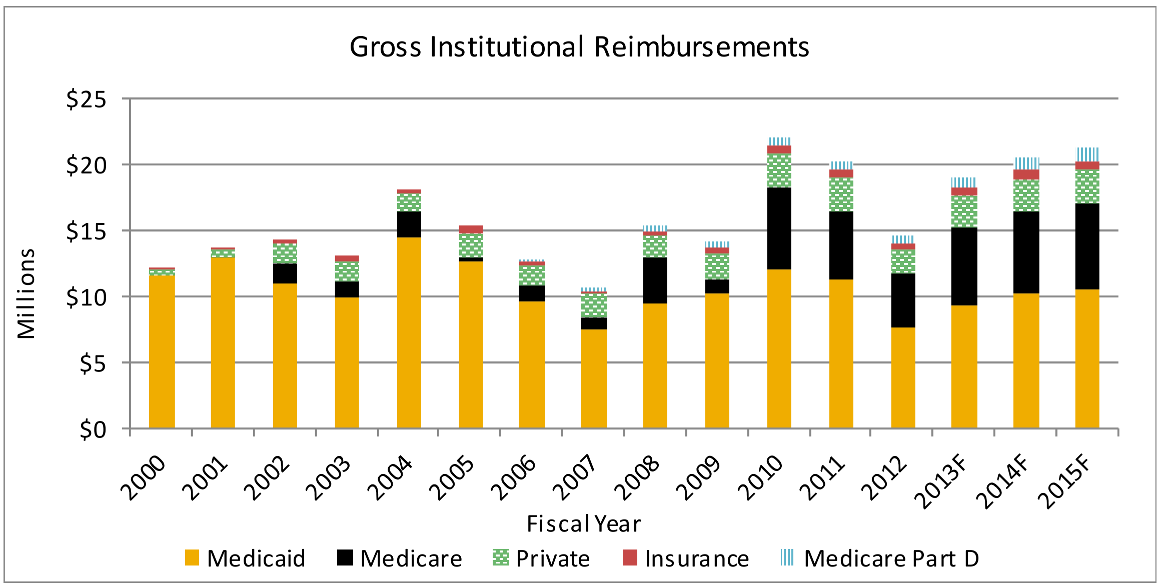
Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

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:

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

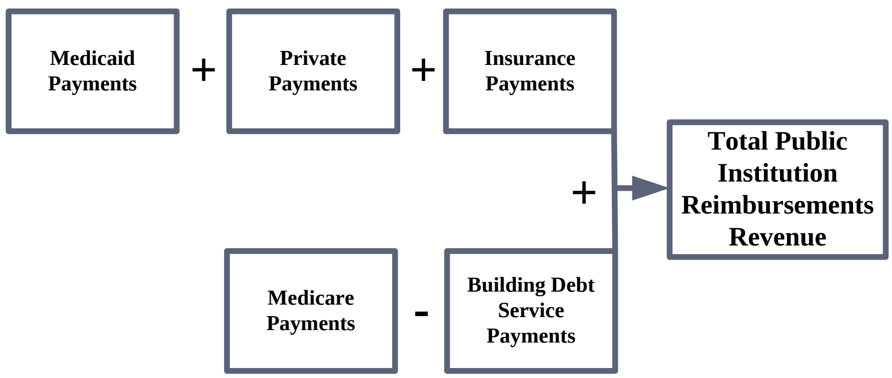
Where:
ADP = Average Daily Population
I = Insurance
P = Private
MR = Medicare
MD = Medicaid
ELIG = Eligibility Rate
FMAP = Federal Medical Percentage

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.

Adjustment and Distribution

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:

	t Fiscal	Total Rev. Millions	GF Rev. Millions	Private Millions	Insurance Millions	Medicaid Millions	Medicare Millions
Actual	2002	14.283	14.283	1.483	0.317	10.995	1.488
Actual	2003	13.043	13.043	1.564	0.452	9.900	1.126
Actual	2004	18.110	18.110	1.424	0.311	14.337	2.038
Actual	2005	12.509	12.509	1.888	0.557	12.631	0.211
Actual	2006	12.728	12.728	1.535	0.284	9.531	1.274
Actual	2007	10.669	10.669	1.850	0.187	7.473	0.867
Actual	2008	15.335	15.335	1.647	0.346	9.392	3.456
Actual	2009	14.101	14.101	1.894	0.440	10.109	1.145
Actual	2010	22.000	22.000	2.525	0.661	12.030	6.177
Actual	2011	20.158	20.158	2.477	0.687	11.176	5.256
Actual	2012	14.562	14.562	1.840	0.462	7.645	3.996
Forecast	2013	16.232	16.232	2.415	0.663	9.203	5.918
Forecast	2014	17.641	17.641	2.470	0.659	10.143	6.225
Forecast	2015	18.403	18.403	2.499	0.653	10.470	6.539

	t Fiscal	MDC Debt Millions	MSH Debt Millions	Adjustments Millions	Medicare Part D Millions
Actual	2002	1.075	1.911	0.000	
Actual	2003	1.046	1.776	-1.573	
Actual	2004	0.869	1.752	-3.180	
Actual	2005	1.006	1.785	0.013	
Actual	2006	0.951	1.775	0.000	0.104
Actual	2007	0.959	1.793	0.000	0.291
Actual	2008	0.982	1.797	0.000	0.495
Actual	2009	0.959	1.746	0.000	0.513
Actual	2010	0.989	1.691	0.000	0.608
Actual	2011	0.980	1.760	0.000	0.561
Actual	2012	0.984	1.834	0.000	0.619
Forecast	2013	0.988	1.794	0.000	0.814
Forecast	2014	0.988	1.794	0.000	0.926
Forecast	2015	0.988	1.794	0.000	1.024

Total Rev. = Private + Insurance + Medicaid + Medicare - MDC Debt - MSH Debt + Adjustments + Medicare Pa
GF Rev. = Total Rev.

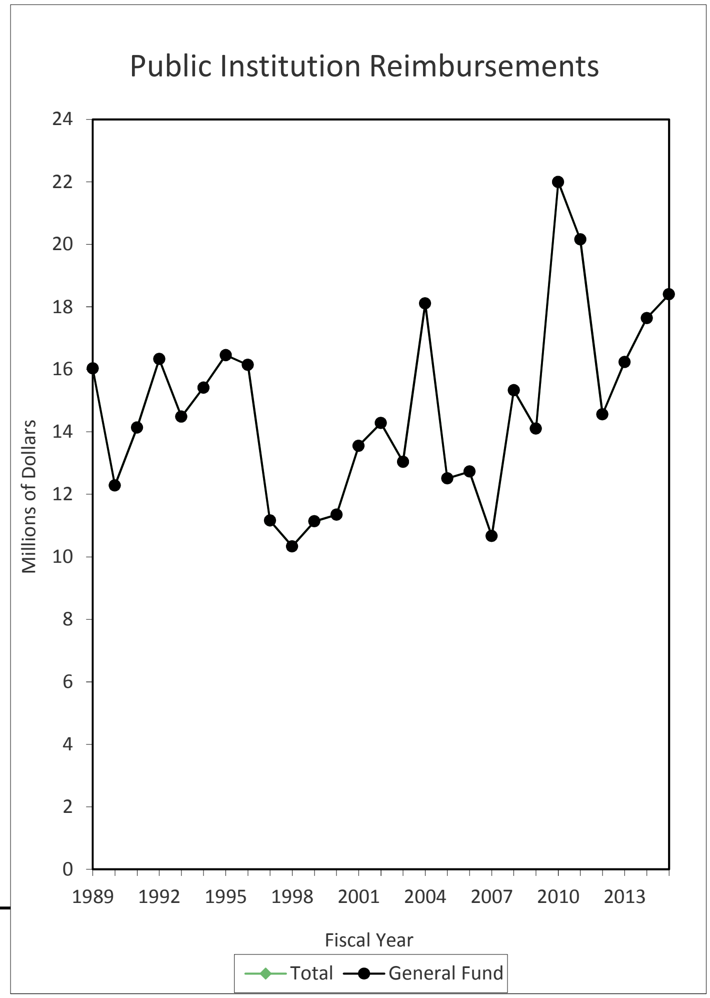
Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	16.031	16.031	Not App.
A	1990	12.285	12.285	-23.4%
A	1991	14.141	14.141	15.1%
A	1992	16.329	16.329	15.5%
A	1993	14.486	14.486	-11.3%
A	1994	15.415	15.415	6.4%
A	1995	16.456	16.456	6.8%
A	1996	16.142	16.142	-1.9%
A	1997	11.158	11.158	-30.9%
A	1998	10.335	10.335	-7.4%
A	1999	11.136	11.136	7.8%
A	2000	11.345	11.345	1.9%
A	2001	13.554	13.554	19.5%
A	2002	14.283	14.283	5.4%
A	2003	13.043	13.043	-8.7%
A	2004	18.110	18.110	38.9%
A	2005	12.509	12.509	-30.9%
A	2006	12.728	12.728	1.8%
A	2007	10.669	10.669	-16.2%
A	2008	15.335	15.335	43.7%
A	2009	14.101	14.101	-8.1%
A	2010	22.000	22.000	56.0%
A	2011	20.158	20.158	-8.4%
A	2012	14.562	14.562	-27.8%
F	2013	16.232	16.232	11.5%
F	2014	17.641	17.641	8.7%
F	2015	18.403	18.403	4.3%



Data Source(s): SABHRS, Department of Public Health and Human Services

Contacts: Department of Public Health and Human Services

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

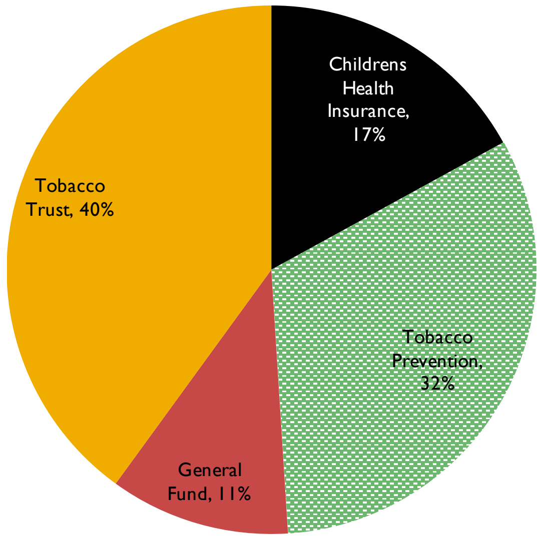
Distribution: Due to passage of Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate no less than 40% of tobacco settlement money to a permanent trust fund. Since the legislature has not yet determined the exact percentage to be deposited to the trust 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 was 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:



Collection Frequency: For FY 2003: The last initial payment is expected January 10, 2003 and the annual payment is expected April 15th 2003. Beginning FY 2004, annual payments are expected each April 15th into perpetuity. General Tobacco, a subsequent participating manufacturer, is required to make annual payments every August 30th through calendar 2016 for obligations incurred from 2000 to 2003.

% 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 2011 – 0.18%
FY 2006 – 0.16%	FY 2009 – 0.23%	FY 2012 – 0.18%

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

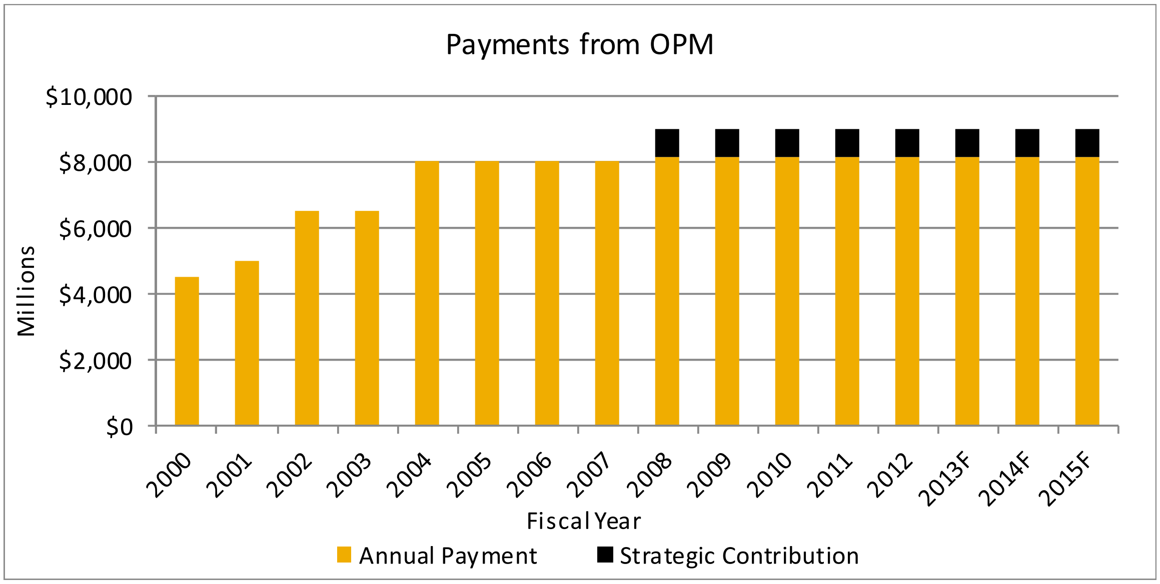
The Master Settlement Agreement, signed by the settling entities and participating tobacco manufacturers (PM), is the driving document for the procedure to use in determining how much the original participating manufacturers (OPM) to the agreement and the subsequent participating manufacturers (SPM) 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.

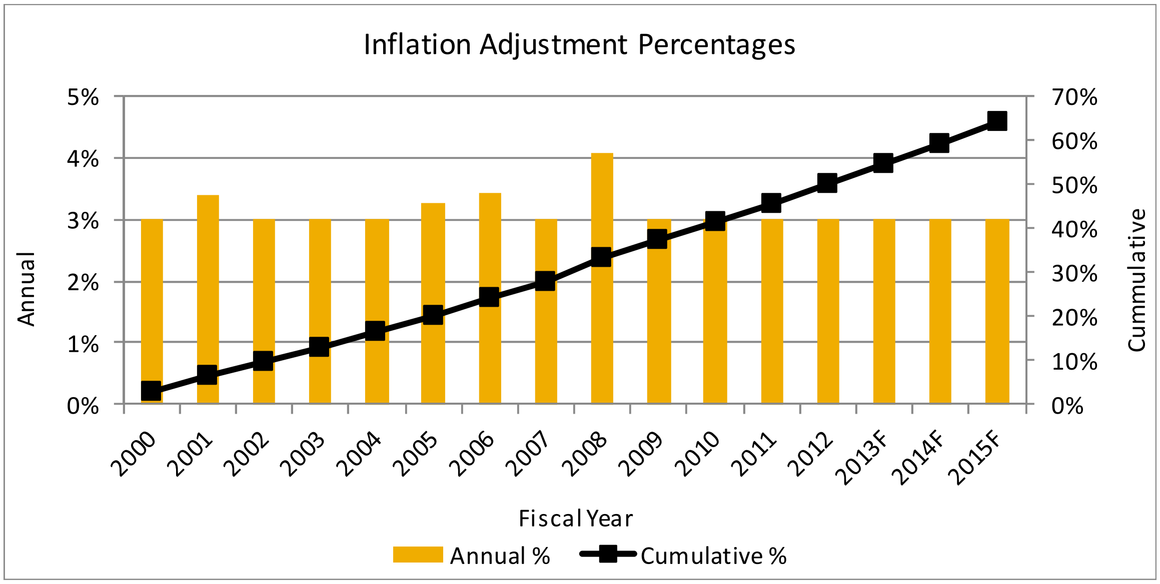


Manufacturers who subsequently participate in the agreement also make payments based on the total annual and strategic contribution payments required by the OPM. The amount of these payments is also subject to various adjustments.

<u>Adjustments</u>

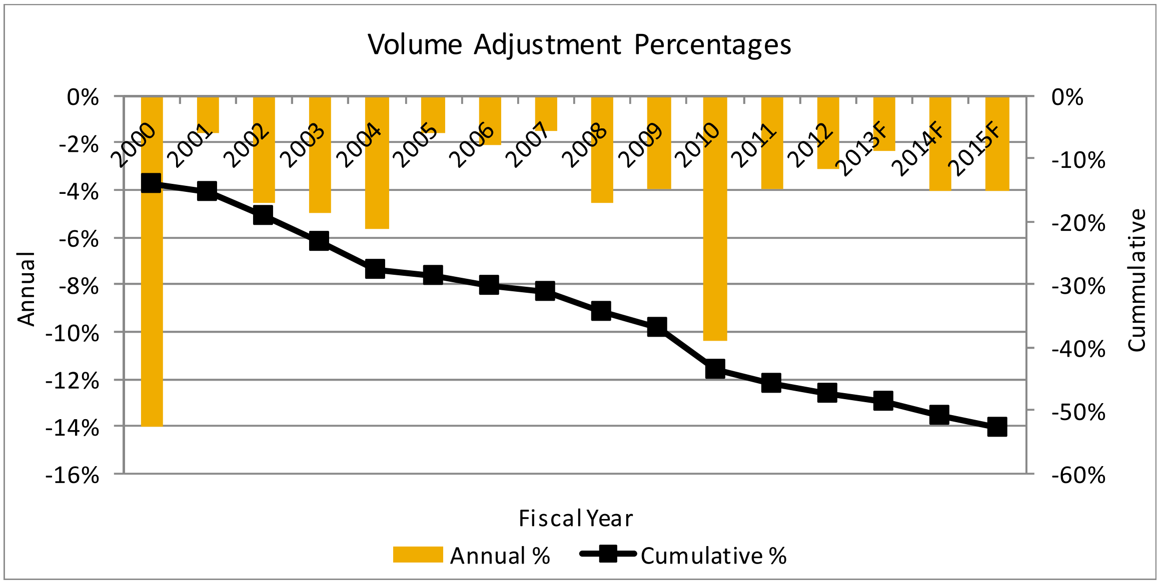
There are five potential adjustments to the payments.

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 2000 to FY

2012 was applied to estimate each subsequent fiscal years. 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 <u>may</u> 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 $4.0 million in FY 2013, $3.9 million in FY 2014 and $3.9 million in FY 2015, if all the conditions were met. <u>The estimates include a portion of these reductions</u>; 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, FY 2010-$3.2 million, FY 2011-$4.6, and FY 2012-$3.9 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 2014 and 2015, the percentage of the "principal" to be paid is 12% and 13%, 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

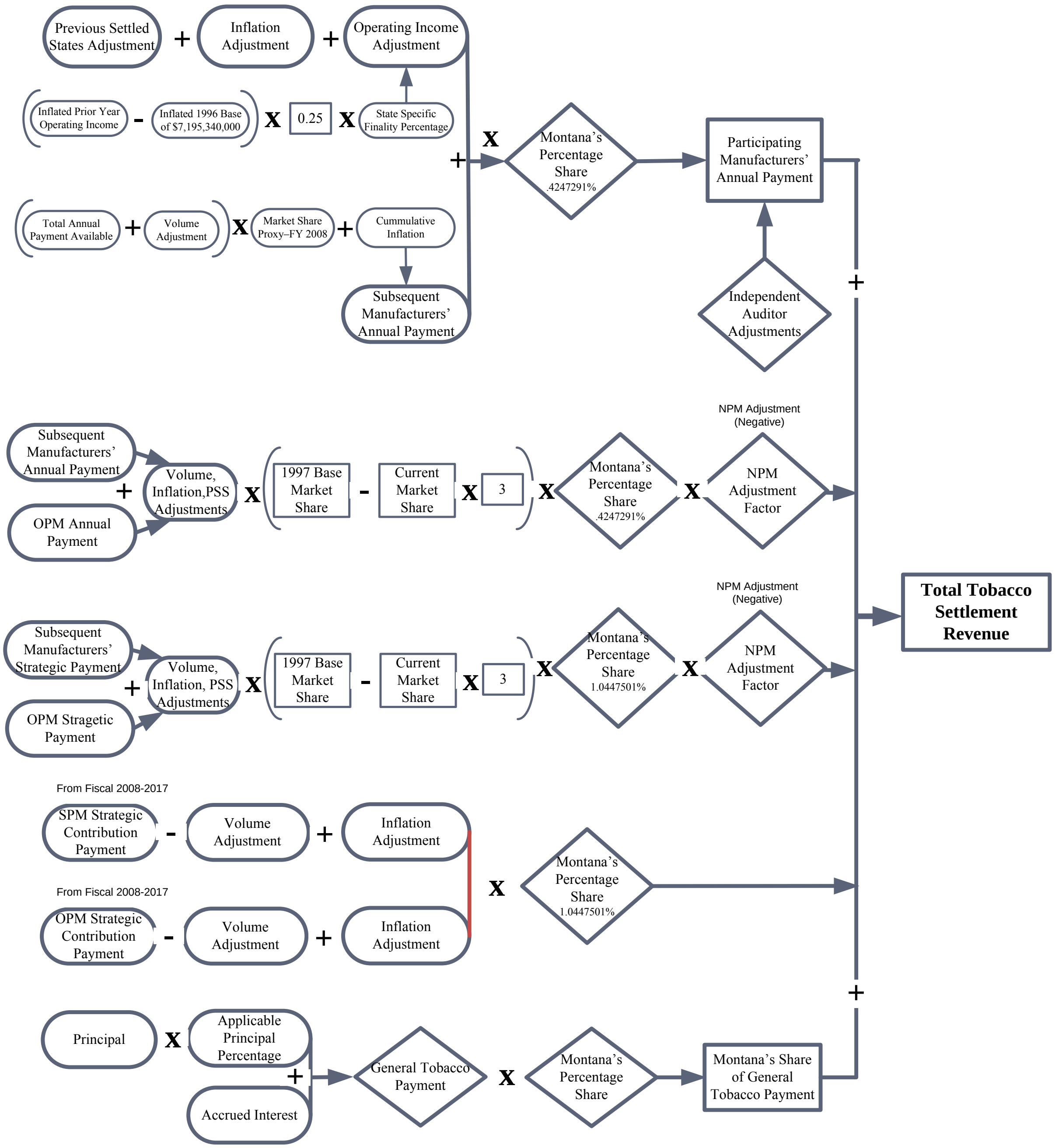
Once total tax revenue for each fiscal year is determined, the applicable distribution percentages are applied.

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Revenue Estimate Assumptions: .

	t Fiscal	Total Settle Millions	GF Settle Millions	Initial Payment Millions	Annual Payment Millions	Annual Share Percent	PSS Reduction Percent	GF Allocation Percent
Actual	2002	31.079	18.647	2622.545	6500.000	0.4%	-12.5%	60.0%
Actual	2003	31.166	18.700	2701.221	6500.000	0.4%	-12.5%	60.0%
Actual	2004	26.672	2.934	0.000	8000.000	0.4%	-12.5%	11.0%
Actual	2005	27.071	2.978	0.000	8000.000	0.4%	-12.5%	11.0%
Actual	2006	24.851	2.734	0.000	8000.000	0.4%	-12.5%	11.0%
Actual	2007	25.931	2.861	0.000	8000.000	0.4%	-12.5%	11.0%
Actual	2008	34.614	3.808	0.000	8139.000	0.4%	-12.2%	11.0%
Actual	2009	37.524	4.128	0.000	8139.000	0.4%	-12.2%	11.0%
Actual	2010	31.533	3.469	0.000	8139.000	0.4%	-12.2%	11.0%
Actual	2011	29.625	3.259	0.000	8139.000	0.4%	-12.2%	11.0%
Actual	2012	30.203	3.322	0.000	8139.000	0.4%	-12.2%	11.0%
Forecast	2013	32.291	3.552	0.000	8139.000	0.4%	-12.2%	11.0%
Forecast	2014	31.993	3.519	0.000	8139.000	0.4%	-12.2%	11.0%
Forecast	2015	31.688	3.486	0.000	8139.000	0.4%	-12.2%	11.0%

	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	2002	-4.6%	-19.2%	98.0%	-18.8%	3.0%	9.7%	
Actual	2003	-4.9%	-23.2%	98.0%	-22.7%	3.0%	13.0%	
Actual	2004	-5.6%	-27.5%	98.0%	-27.0%	3.0%	16.4%	
Actual	2005	-1.6%	-28.7%	98.0%	-28.1%	3.3%	20.2%	
Actual	2006	-2.1%	-30.2%	98.0%	-29.6%	3.4%	24.3%	
Actual	2007	-1.5%	-31.2%	98.0%	-30.6%	3.0%	28.0%	
Actual	2008	-4.5%	-34.3%	98.0%	-33.6%	4.1%	33.2%	61.6%
Actual	2009	-3.9%	-36.9%	98.0%	-36.2%	3.0%	37.2%	61.6%
Actual	2010	-10.3%	-43.4%	98.0%	-42.6%	3.0%	41.3%	61.6%
Actual	2011	-4.0%	-45.7%	98.0%	-44.8%	3.0%	45.6%	61.6%
Actual	2012	-3.1%	-47.3%	98.0%	-46.4%	3.0%	49.9%	61.6%
Forecast	2013	-2.4%	-48.6%	98.0%	-47.6%	3.0%	54.4%	61.6%
Forecast	2014	-4.0%	-50.7%	98.0%	-49.6%	3.0%	59.1%	61.6%
Forecast	2015	-4.0%	-52.6%	98.0%	-51.6%	3.0%	63.8%	61.6%

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

	t Fiscal	Op. Income Adjustment Millions	SPM Payment Millions	General Tobacco Millions	NPM Adjustment Millions	Strategic Payment Millions	Strategic Share Percent	SPM Strat. Pay. Millions
Actual	2002	0.000	144.418			0.000	0.0%	
Actual	2003	0.000	240.733			0.000	0.0%	
Actual	2004	0.000	293.807			0.000	0.0%	
Actual	2005	0.000	433.300			0.000	0.0%	
Actual	2006	0.000	441.940	0.072	-2.906	0.000	0.0%	
Actual	2007	0.000	531.993	0.080	-2.477	0.000	0.0%	34.166
Actual	2008	0.000	430.211	0.091	-2.669	861.000	1.0%	45.511
Actual	2009	0.000	512.377	0.112	-3.210	861.000	1.0%	54.203
Actual	2010	0.000	516.812	0.132	-3.038	861.000	1.0%	54.672
Actual	2011	0.000	511.973	0.140	-3.168	861.000	1.0%	54.160
Actual	2012	0.000	511.641	0.147	-3.166	861.000	1.0%	54.125
Forecast	2013	0.000	514.960	0.153	-3.186	861.000	1.0%	54.476
Forecast	2014	0.000	509.915	0.171	-3.155	861.000	1.0%	53.942
Forecast	2015	0.000	504.952	0.175	-3.125	861.000	1.0%	53.417

	t Fiscal	Strategic NPM Adj. Millions	NPM Adj. Factor Percent	Montana Share Millions
Actual	2000			
Actual	2001			
Actual	2002			
Actual	2003			
Actual	2004			
Actual	2005			
Actual	2006			
Actual	2007			
Actual	2008	-0.823	61.6%	-0.507
Actual	2009	-0.825	61.6%	-0.508
Actual	2010	-0.769	61.6%	-0.474
Actual	2011	-0.762	61.6%	-0.470
Actual	2012	-0.761	61.6%	-0.469
Forecast	2013	-0.766	61.6%	-0.472
Forecast	2014	-0.759	61.6%	-0.468
Forecast	2015	-0.752	61.6%	-0.463

+ Op. Income Adjustment) × Annual Share + General Tobacco + (SPM Payment × Annual Share)
+ (NPM Adjustment × NPM Adjustment Factor)
+ Strategic Payment × ((1+ Cumulative CPI Change) × (1+ Adjusted Vol. Change) + SPM Strategic Payn
× Strategic Share

GF Settle = Total Settle × GF Allocation

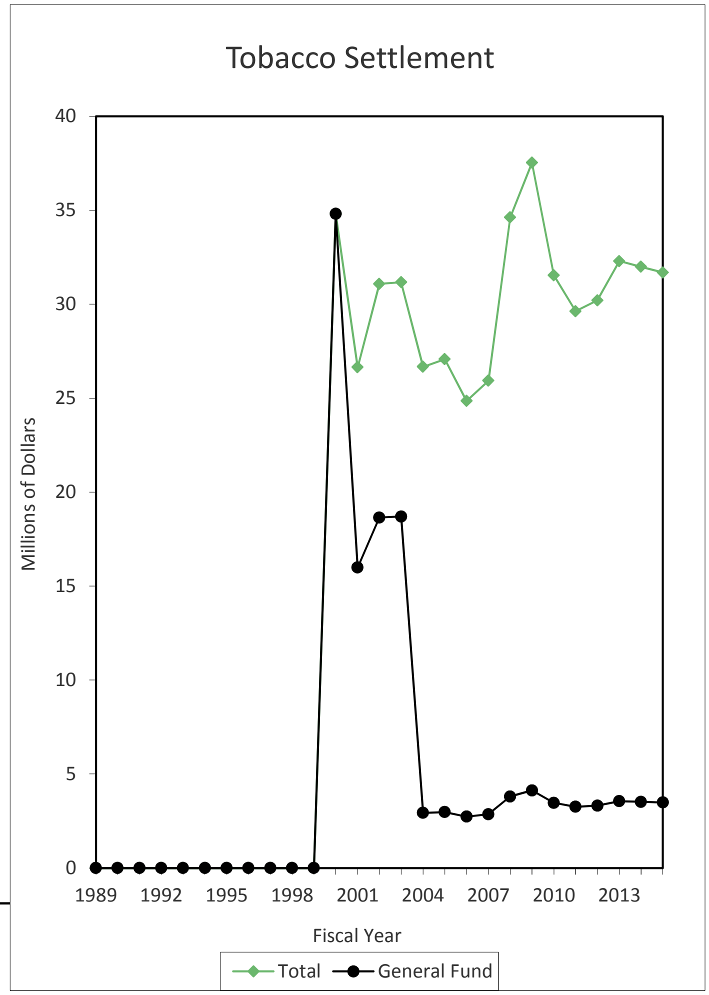
Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	0.000	0.000	Not App.
A	1990	0.000	0.000	Not App.
A	1991	0.000	0.000	Not App.
A	1992	0.000	0.000	Not App.
A	1993	0.000	0.000	Not App.
A	1994	0.000	0.000	Not App.
A	1995	0.000	0.000	Not App.
A	1996	0.000	0.000	Not App.
A	1997	0.000	0.000	Not App.
A	1998	0.000	0.000	Not App.
A	1999	0.000	0.000	Not App.
A	2000	34.804	34.804	Not App.
A	2001	26.640	15.989	-54.1%
A	2002	31.079	18.647	16.6%
A	2003	31.166	18.700	0.3%
A	2004	26.672	2.934	-84.3%
A	2005	27.071	2.978	1.5%
A	2006	24.851	2.734	-8.2%
A	2007	25.931	2.861	4.7%
A	2008	34.614	3.808	33.1%
A	2009	37.524	4.128	8.4%
A	2010	31.533	3.469	-16.0%
A	2011	29.625	3.259	-6.1%
A	2012	30.203	3.322	2.0%
F	2013	32.291	3.552	6.9%
F	2014	31.993	3.519	-0.9%
F	2015	31.688	3.486	-0.9%



Data Source(s):

Master Settlement Agreement (as amended), Center for Disease Control and Prevention, National Council of State Legislatures, National Association of Attorneys General, Tobacco companies' 10Q report

Contacts: Department of Justice