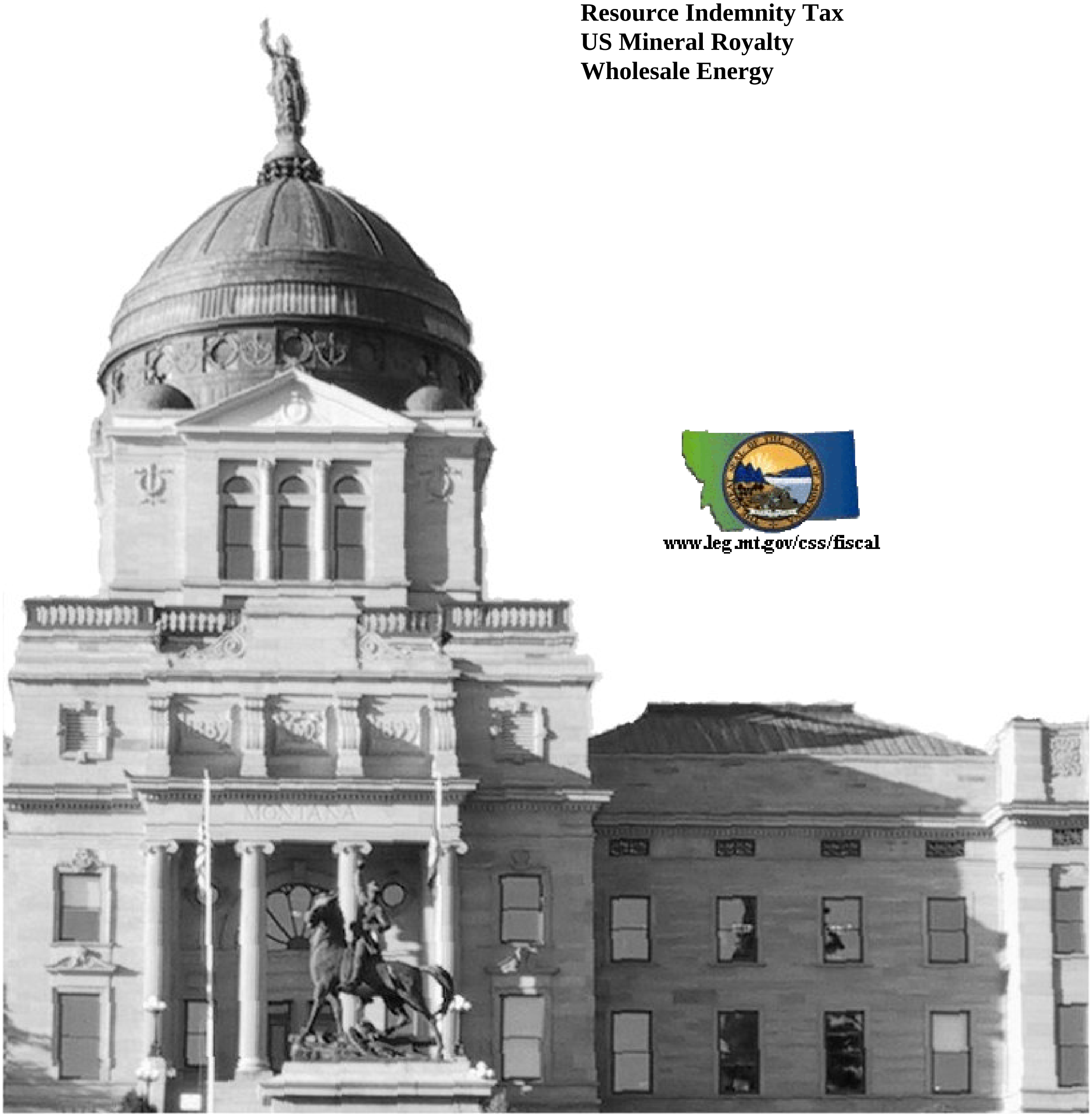
Natural Resource Taxes

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



www.leg.mt.gov/css/fiscal

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
Date Due – the report to the Department of Revenue and tax is due 30 days following the close of the quarter (15-35-104)

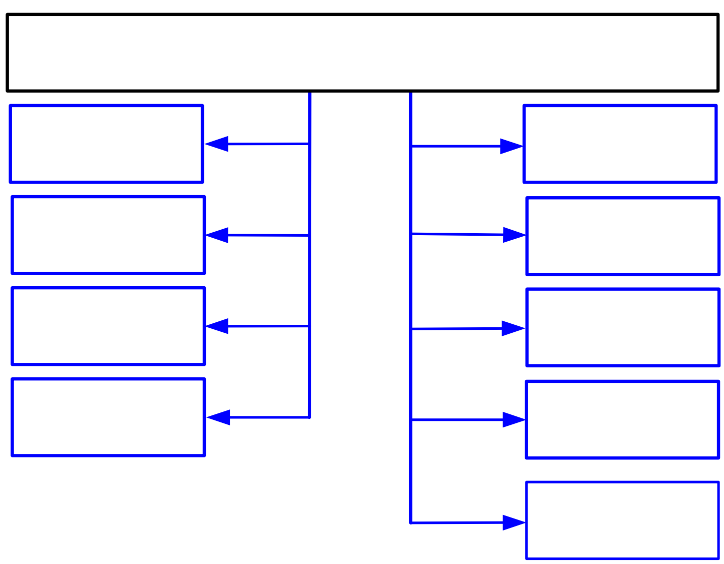
Applicable Tax Rate(s): 10.0% - on the value of coal with a heating quality < 7,000 BTU
15.0% - on the value of coal with a heating quality > 7,000 BTU

Distribution: (Percentage)

Account Name	Fiscal 1998 - 1999	Fiscal 2000 - 2002	Fiscal 2003	Fiscal 2004 - 2005	Fiscal 2006 - 2007	Fiscal 2008 - 2016
Permanent Trust	25.000	0.000	0.000	12.500	0.000	0.000
Treasure State Endowment	25.000	37.500	37.500	25.000	25.000	25.000
TSEP Regional Water	0.000	12.500	12.500	12.500	12.500	12.500
Big Sky Economic Development	0.000	0.000	0.000	0.000	12.500	12.500
LRBP-Cash Account	12.000	12.000	10.000	12.000	12.000	12.000
Oil, Gas & Coal Natural Resource	0.000	0.000	0.000	0.000	2.900	2.900
Shared Account *	8.360	8.360	6.010	7.750	5.460	5.460
Park Acquisition Trust	1.270	1.270	0.000	1.270	1.270	1.270
Water Development	0.950	0.950	0.950	0.950	0.950	0.950
Cultural Trust	0.000	0.630	0.000	0.630	0.630	0.630
Coal & Uranium	0.000	0.000	0.000	0.000	0.000	$250,000
LRBP-Debt Service	1.300	0.000	0.000	0.000	0.000	0.000
Cultural & Aesthetic Projects	0.870	0.000	0.000	0.000	0.000	0.000
General Fund	25.250	26.790	33.040	27.400	26.790	Remainder

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

Distribution Chart:



Legislative Fiscal Division
Revenue Estimate Profile
Coal Severance Tax

Summary of Legislative Action:

House Bill 44 –The legislation eliminates the coal severance tax school bond contingency loan fund. The 53rd Legislature in the January 2002 special session enacted Senate Bill 5. The legislation among other things: 1) authorized state loans to school districts to pay holders of school district bonds declared invalid or un-enforceable by a final court order or injunction; 2) provided criteria to qualify for the state loans; and 3) established a coal severance tax school bond contingency loan fund (09038) within the coal severance tax trust. The legislation was approved January 21, 1992. Since all applicable school districts have refunded their bonds and the state no longer secures any outstanding loans, the fund is no longer needed. There are no fiscal impacts due to the elimination. The bill is effective on passage and approval.

House Bill 688 – A new allocation of $250,000 each fiscal year from the coal severance tax revenue is deposited to the new coal and uranium mine permitting and reclamation program state special revenue account. Money in this account is to be used by the Department of Environmental Quality to administer and enforce coal and uranium mine reclamation. General fund revenue is reduced $250,000 each fiscal year and state special revenue is increased by like amounts. The legislation is effective July 1, 2007.

Coal Severance Tax -- Legislation Passed by 60th Legislature
Estimated General Fund Impact for Fiscal 2007,2008,2009

Bill Number and Short Title	Fiscal 2007	Fiscal 2008	Fiscal 2009
HB0688 Provide an allocation of coal severance taxes to DEQ for certain mines progra		(250,000)	(250,000)
Total Estimated General Fund Impact	$0	($250,000)	($250,000)

% of Total General Fund Revenue:

FY 2004 - 0.63%
FY 2005 - 0.67%
FY 2006 - 0.56%

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 is applied the tax rate. 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:

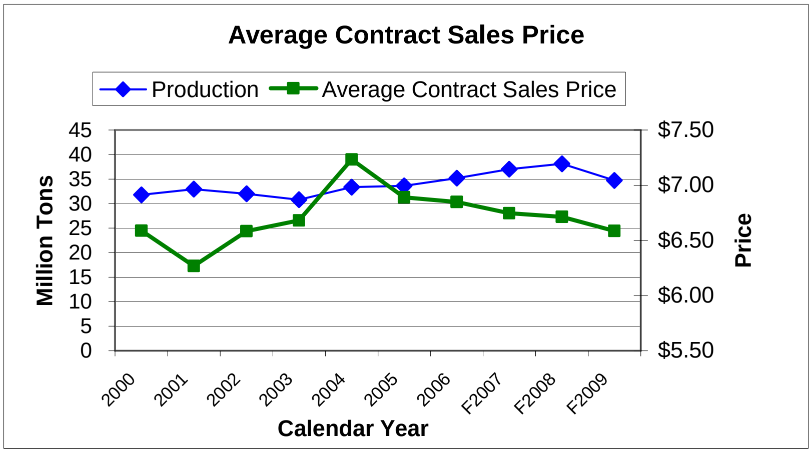
Decker Coal Company
Spring Creek Coal Company
Western Energy Company
Westmoreland Savage Corporation

Analysis

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

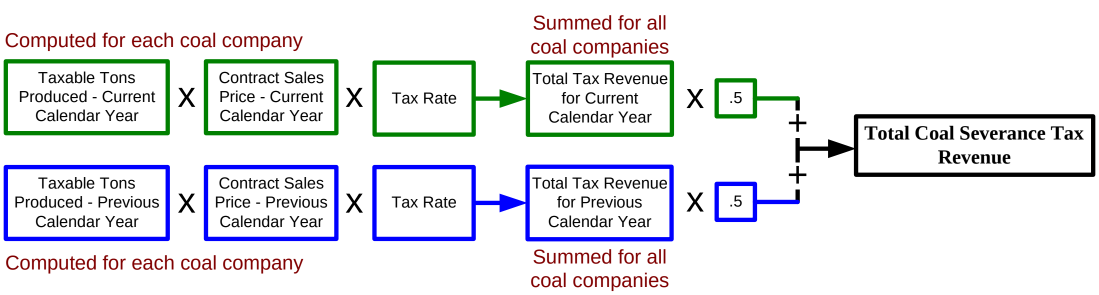
1. The future coal production for each company, as reported on the survey, is reduced by the exempt amount of 20,000 tons to get taxable tons.
2. To determine the future price for each company's coal, the company's average contract sales price for the last year was used since prices have remained stable for several years. 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 (10 or 15 percent) 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:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2007 legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Allocation Percent	Tons (FY) Millions	CSP (FY) Dollars	Fiscal Effective Rate
Actual	2000	35.469791	9.502357	0.267900			
Actual	2001	32.337172	8.663128	0.267900			
Actual	2002	31.614047	8.469404	0.267900			
Actual	2003	29.423547	9.721540	0.330400			
Actual	2004	31.544681	8.643243	0.274000			
Actual	2005	37.634511	10.311856	0.274000			
Actual	2006	35.821524	9.596586	0.267900			
Forecast	2007	36.630000	9.813000	0.267900	36.095700	6.796709	0.149308
Forecast	2008	37.752000	10.114000	0.267900	37.567700	6.729608	0.149326
Forecast	2009	36.164000	9.688000	0.267900	36.411700	6.651880	0.149311

	t Cal	Tons (CY) Millions	CSP (CY) Dollars	Tax Rate	Tax Rate	Calendar Tax	Calendar Effective Rate
Actual	2000	31.784308	6.588243	0.150000	0.100000	31.253448	0.149250
Actual	2001	32.961265	6.266994	0.150000	0.100000	30.883924	0.149510
Actual	2002	31.980880	6.583257	0.150000	0.100000	31.441574	0.149339
Actual	2003	30.802151	6.680719	0.150000	0.100000	30.701209	0.149194
Actual	2004	33.365039	7.233763	0.150000	0.100000	36.030034	0.149282
Actual	2005	33.632110	6.888637	0.150000	0.100000	34.599359	0.149342
Actual	2006	35.173200	6.849089	0.150000	0.100000	35.966546	0.149298
Forecast	2007	37.018200	6.746939	0.150000	0.100000	37.293840	0.149319
Forecast	2008	38.117200	6.712776	0.150000	0.100000	38.211234	0.149337
Forecast	2009	34.706200	6.584999	0.150000	0.100000	34.116846	0.149282

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

GF Tax = Tons(FY) * CSP(FY) * Fiscal Effective * GF Allocation

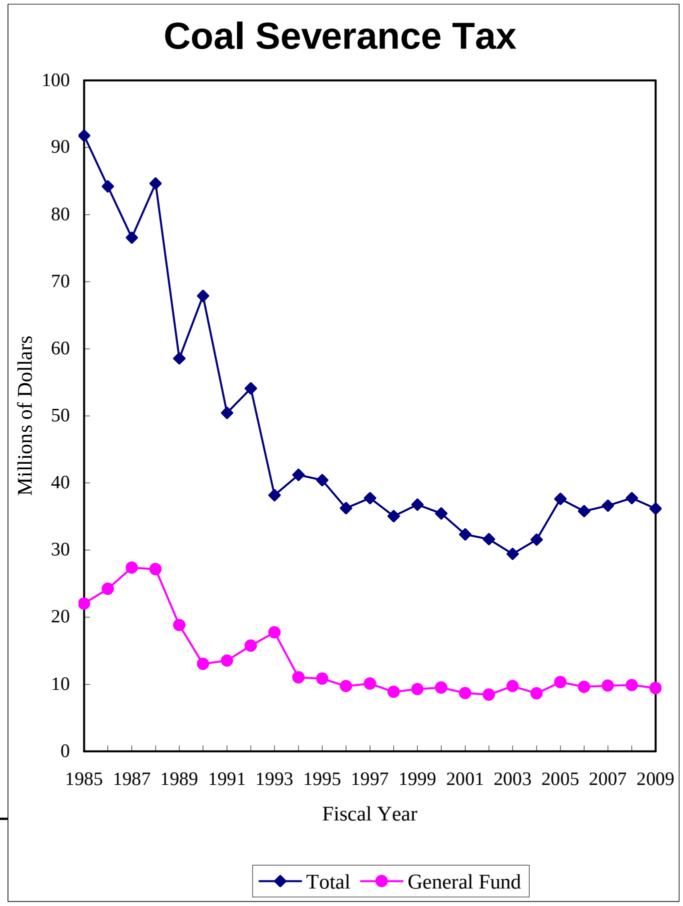
Legislative Fiscal Division

Revenue Estimate Profile

Coal Severance Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1985	91.748855	22.019726	Not App.
A	1986	84.217223	24.212459	0.099600
A	1987	76.546602	27.394944	0.131400
A	1988	84.638333	27.177382	-0.007900
A	1989	58.565583	18.805414	-0.308000
A	1990	67.870544	13.024366	-0.307400
A	1991	50.457848	13.517663	0.037900
A	1992	54.114107	15.778084	0.167200
A	1993	38.181298	17.744422	0.124600
A	1994	41.200704	11.046468	-0.377500
A	1995	40.416416	10.827741	-0.019800
A	1996	36.260949	9.714308	-0.102800
A	1997	37.740212	10.110603	0.040800
A	1998	35.045243	8.848924	-0.124800
A	1999	36.767488	9.283791	0.049100
A	2000	35.469791	9.502357	0.023500
A	2001	32.337172	8.663128	-0.088300
A	2002	31.614047	8.469404	-0.022400
A	2003	29.423547	9.721540	0.147800
A	2004	31.544681	8.643243	-0.110900
A	2005	37.634511	10.311856	0.193100
A	2006	35.821524	9.596586	-0.069400
F	2007	36.630000	9.813000	0.022600
F	2008	37.752000	9.864000	0.005200
F	2009	36.164000	9.438000	-0.043200



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).

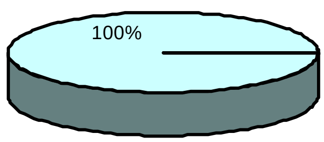
Statutory Reference:

Tax Rate MCA) – 15-51-101
Tax Distribution (MCA) – 15-1-501(1), 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 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:



Summary of Legislative Action: The 60th Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.34%
FY 2005 – 0.27%
FY 2006 – 0.27%

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. Since all kilowatt hours produced is reported on a calendar year basis, the resulting calendar year estimates are converted into fiscal year estimates.

Data

All electrical energy producing companies are surveyed for anticipated kilowatt hours produced, anticipated new production, and anticipated downtime or reduced production. Data from quarterly reports produced by DOR provide a history of kilowatt hours produced for each individual company. Department of Environmental Quality provides a list of pending permits for electrical generation facilities in Montana along with expected dates of operation, type of generation, capacity, and the ones with the most likelihood of coming online in the 2009 biennium.

Analysis

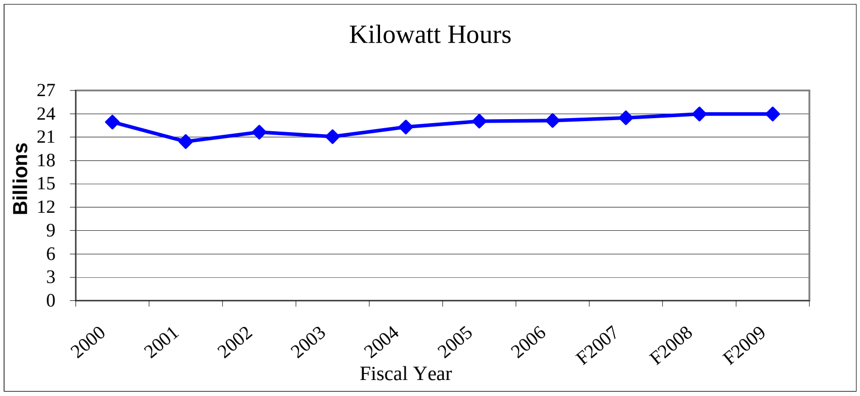
1. The taxable kilowatt hours, as reported on the survey and adjusted for any downtime or production reductions, are summed.
2. For those companies who did not respond or did not respond fully to the survey, estimates of production are derived from growth rates based on historical data.
3. Since the survey results are reported on a calendar year basis, they are converted to a fiscal year basis by adding half the previous calendar year's estimate to half of the current calendar year's estimate.

Taxable kilowatt hours are multiplied by the tax rate to derive total revenue from this source.

Legislative Fiscal Division

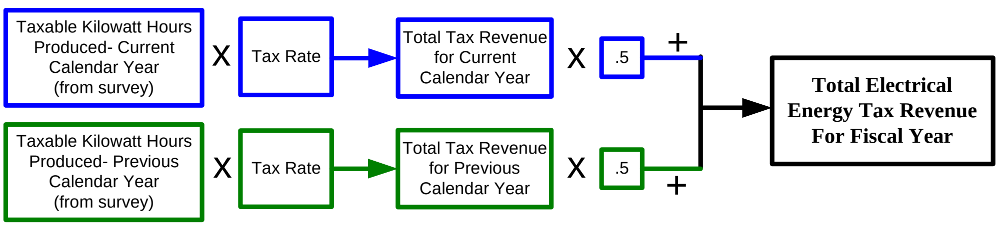
Revenue Estimate Profile

Electrical Energy Tax



<u>Adjustments and Distribution</u>
Once total tax revenue for each fiscal year is determined, the applicable distribution percentage, 100 percent to the general fund, is applied.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2007 legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	KWH Fiscal Millions	Credits Millions	Tax Rate
Actual	2000	4.829002	4.829002	22937.761931	0.000189	0.000200
Actual	2001	4.057952	4.057952	20444.170990	0.000000	0.000200
Actual	2002	4.197477	4.197477	21642.219243	0.000000	0.000200
Actual	2003	4.130019	4.130019	21068.970125	0.000000	0.000200
Actual	2004	4.660529	4.660529	22310.179496	0.000000	0.000200
Actual	2005	4.074409	4.074409	23065.262028	0.000000	0.000200
Actual	2006	4.644508	4.644508	23156.213077	0.000000	0.000200
Forecast	2007	4.698000	4.698000	23490.774000	0.000000	0.000200
Forecast	2008	4.798000	4.798000	23989.247000	0.000000	0.000200
Forecast	2009	4.797000	4.797000	23981.800000	0.000000	0.000200

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

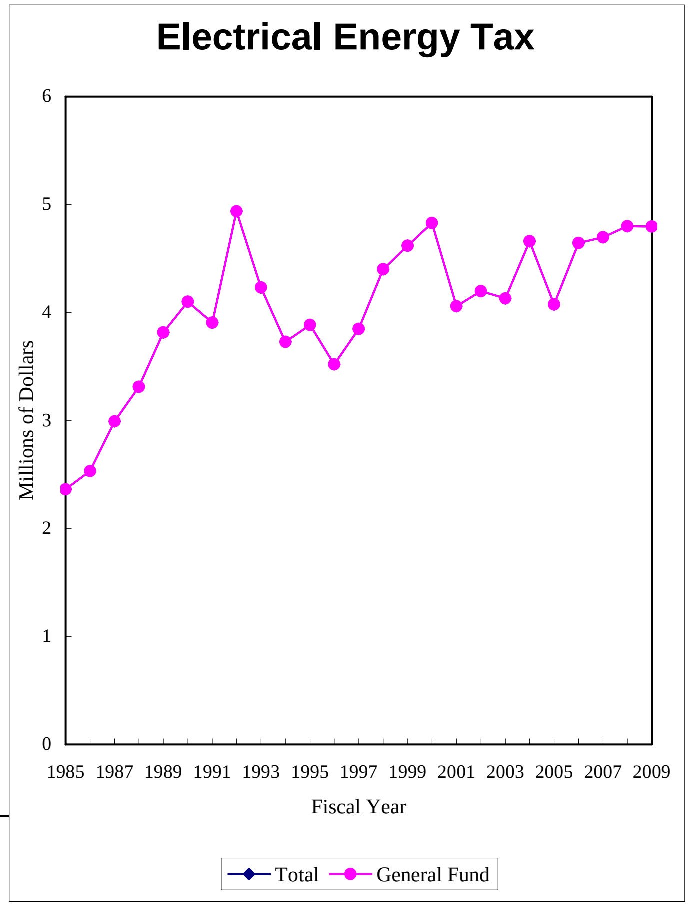
Legislative Fiscal Division

Revenue Estimate Profile

Electrical Energy Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1985	2.361855	2.361855	Not App.
A	1986	2.530403	2.530403	7.14%
A	1987	2.991861	2.991861	18.24%
A	1988	3.311082	3.311082	10.67%
A	1989	3.815964	3.815964	15.25%
A	1990	4.100543	4.100543	7.46%
A	1991	3.906194	3.906194	-4.74%
A	1992	4.937510	4.937510	26.40%
A	1993	4.232200	4.232200	-14.28%
A	1994	3.728365	3.728365	-11.90%
A	1995	3.885910	3.885910	4.23%
A	1996	3.520407	3.520407	-9.41%
A	1997	3.849052	3.849052	9.34%
A	1998	4.401728	4.401728	14.36%
A	1999	4.618433	4.618433	4.92%
A	2000	4.829002	4.829002	4.56%
A	2001	4.057952	4.057952	-15.97%
A	2002	4.197477	4.197477	3.44%
A	2003	4.130019	4.130019	-1.61%
A	2004	4.660529	4.660529	12.85%
A	2005	4.074409	4.074409	-12.58%
A	2006	4.644508	4.644508	13.99%
F	2007	4.698000	4.698000	1.15%
F	2008	4.798000	4.798000	2.13%
F	2009	4.797000	4.797000	-0.02%



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 receives 25 percent of the federal forest receipts. 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.

Beginning November 2000, HR 2389 (federal legislation) fixed the allocation to the state at the average of the highest three years of forest receipts in the state. In subsequent years, the amounts are increased by one-half the rural CPI. No more than 20 percent and no less than 15 percent may be used by county governments for special projects on federal lands. The remainder is distributed under state law as described below.

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

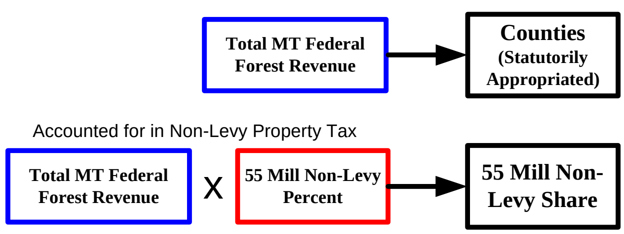
Applicable Tax Rate(s): N/A

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:



Summary of Legislative Action:

Senate Bill 84 – The legislation transfers the administration of the federal funds from the State Auditor to the Department of Administration. There is no change in the amount of revenue. The legislation is effective July 1, 2007.

Federal Forest Receipts -- Legislation Passed by 60th Legislature
Estimated General Fund Impact for Fiscal 2007,2008,2009

Bill Number and Short Title	Fiscal 2007	Fiscal 2008	Fiscal 2009
SB0084 Transfer forest reserve fund administration to DOA			
Total Estimated General Fund Impact	$0	$0	$0

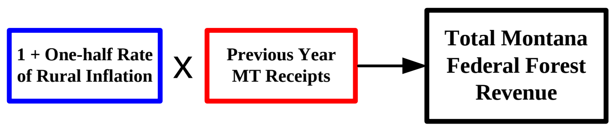
% of Total General Fund Revenue: Non levy is included in "Property Tax: 55 mills".

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 federal HR 2389 in 2000, the level of forest receipts by the state was fixed at the highest three years of receipts from 1986 through 2000. Beginning in fiscal 2003, the average level of receipts for the prior year will grow at one-half the rate of rural inflation (for cities with less than 50,000 population). The state general fund share is the ratio of 55 mills to the sum of the countywide education accounts in each county in which the timber is harvested and is received by the state as non levy property tax.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2007 legislature that may affect future estimates of this revenue source.

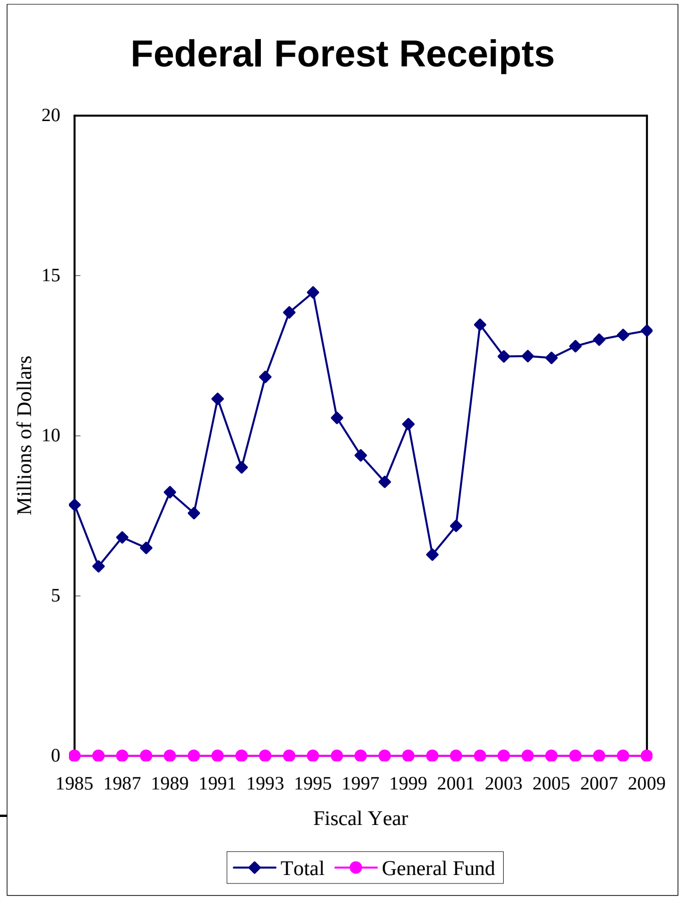
	t Fiscal	Total Tax Millions	GF Tax Millions	CPI Percent Change	50% CPI % Change
Actual	2000	6.283122	0.000000	3.3613%	
Actual	2001	7.185037	0.000000	2.7875%	
Actual	2002	13.474861	0.000000	1.6384%	
Actual	2003	12.478757	0.000000	2.2790%	0.8000%
Actual	2004	12.490680	0.000000	2.6630%	1.1395%
Actual	2005	12.431155	0.000000	3.3880%	1.3315%
Actual	2006	12.799829	0.000000	3.2258%	1.6940%
Forecast	2007	13.006000	0.000000	2.1825%	1.6129%
Forecast	2008	13.148000	0.000000	2.0388%	1.0913%
Forecast	2009	13.282000	0.000000	1.7602%	1.0194%

Total Tax = Total Tax Previous Year * (1+50% CPI %)

Federal Forest Receipts

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1985	7.844447	0.000000	Not App.
A	1986	5.921759	0.000000	Not App.
A	1987	6.822559	0.000000	Not App.
A	1988	6.500201	0.000000	Not App.
A	1989	8.238545	0.000000	Not App.
A	1990	7.581897	0.000000	Not App.
A	1991	11.149715	0.000000	Not App.
A	1992	9.009450	0.000000	Not App.
A	1993	11.839490	0.000000	Not App.
A	1994	13.854903	0.000000	Not App.
A	1995	14.482281	0.000000	Not App.
A	1996	10.555715	0.000000	Not App.
A	1997	9.383236	0.000000	Not App.
A	1998	8.558090	0.000000	Not App.
A	1999	10.366666	0.000000	Not App.
A	2000	6.283122	0.000000	Not App.
A	2001	7.185037	0.000000	Not App.
A	2002	13.474861	0.000000	Not App.
A	2003	12.478757	0.000000	Not App.
A	2004	12.490680	0.000000	Not App.
A	2005	12.431155	0.000000	Not App.
A	2006	12.799829	0.000000	Not App.
F	2007	13.006000	0.000000	Not App.
F	2008	13.148000	0.000000	Not App.
F	2009	13.282000	0.000000	Not App.



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
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

For concentrates shipped to a smelter, mill, or reduction work:		For gold, silver, or any platinum group metal that is dore*, bullion, or matte* and that is shipped to a refinery:	
Gross Value	Rate	Gross Value	Rate
$0-$250,000	Exempt	$0-$250,000	Exempt
$250,001 and Above	1.81%	$250,001 and Above	1.6%
		* Dore: A mixture of gold and silver in cast bars Matte: A crude mixture of sulfides formed in smelting sulfide ores of metals	

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 percent 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 percent to 25 percent and decreased the general fund allocation from 58 percent to 57 percent. The table below shows recent historical distributions of the tax revenue.

Distribution of Metalliferous Mines Tax (Percent)

	Fiscal 1994-1995	Fiscal 1996-1997	Fiscal 1998-2002	Fiscal 2003	Fiscal 2004-2005	Fiscal 2006&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

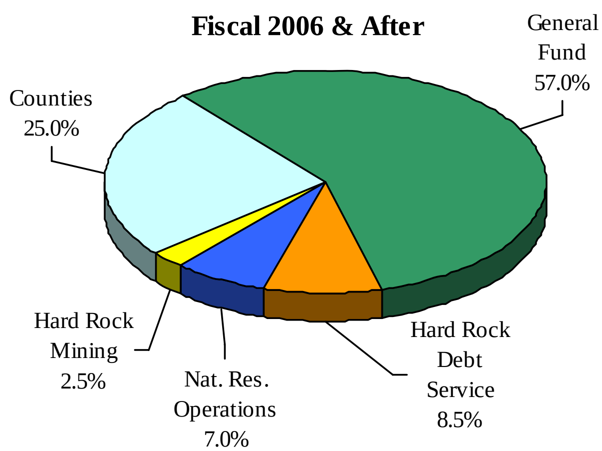
* Stautorily appropriated
** Name changed by HB 116 in the 2007 session

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Distribution Chart:



Summary of Legislative Action: The 60th Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.23%
FY 2005 – 0.34%
FY 2006 – 0.41%

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. These companies are:

* Golden Sunlight
* Stillwater Mining
* Montana Tunnels
* Montana Resources
* Hallet Minerals
* ORO Management
* Genesis

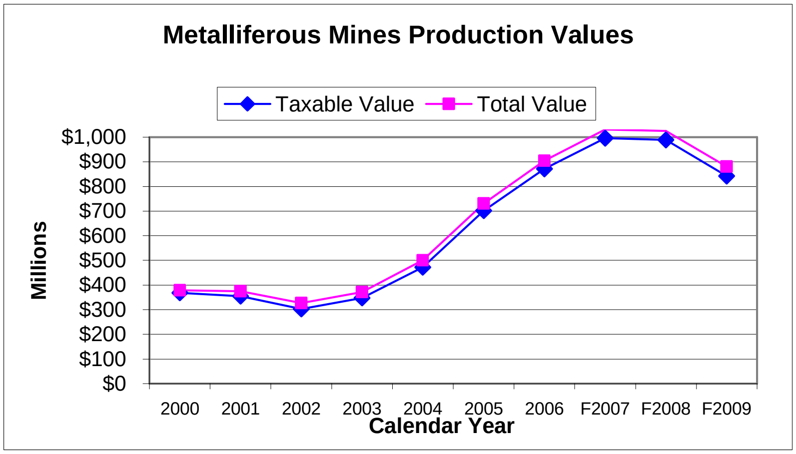
Analysis

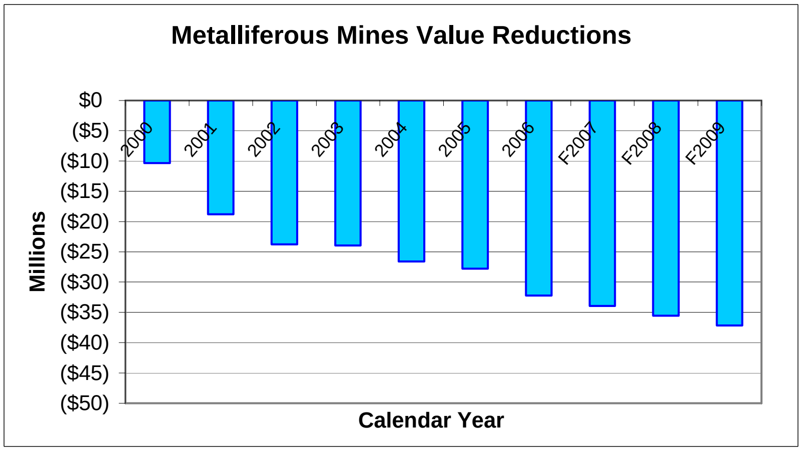
The taxable value of metals is determined in a four-step process:

- 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, a number of 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.
  - Copper, gold, silver, palladium, platinum - the price reported from the most recent half-year report is increased by the percentage growth for that year as shown on the futures market.
  - Lead, zinc, rhodium, nickel – the price for the last known calendar year is used for all future years.

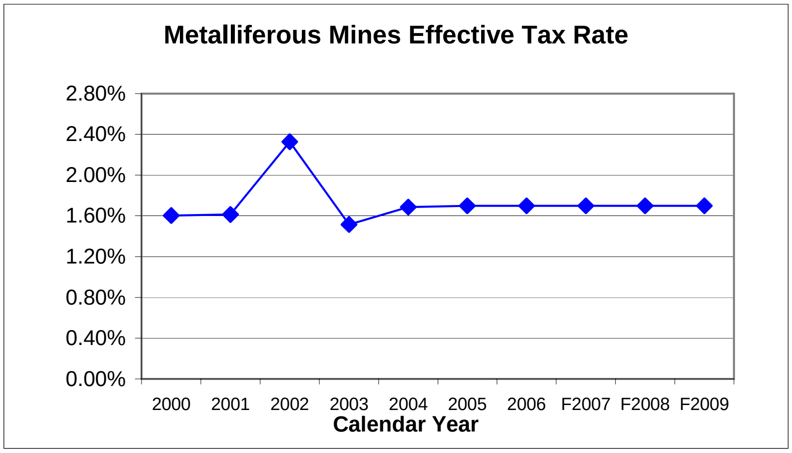
- o Molybdenum – Market prices reached a peak of $40 in May 2005. Forecasts by Phelps Dodge indicate a drop in the fourth quarter to around $24. The estimates use $22.50 for each year which is the price reported for the first half of calendar 2006.

- 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.





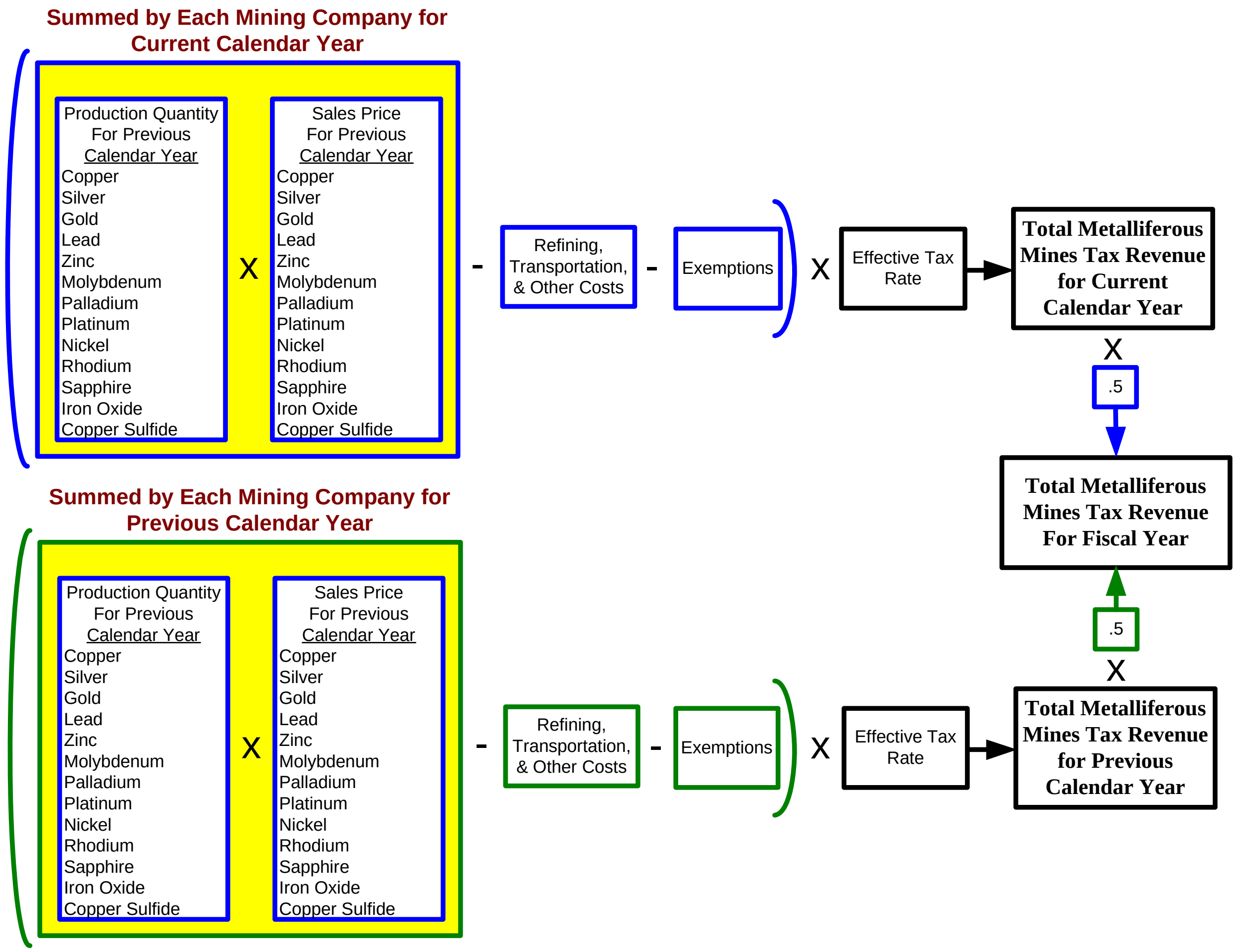
Taxable value is multiplied by an effective tax rate. Since a company's taxable value could be subject to two tax rates - 1.81 percent for concentrates shipped to a smelter, mill or reduction work and 1.6 percent for dore, bullion, or matte that is shipped to a refinery - an effective tax rate is used to capture both these rates. The effective tax rate for FY 2006 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.

Forecast Methodology:



Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2007 legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Tax Value CY Millions	Effective CY Rate	GF Allocation Percent
Actual	2000	4.661371	2.703031	369.117889		57.9879%
Actual	2001	5.923752	3.417475	355.643466		57.6911%
Actual	2002	5.740242	3.329340	303.045425		58.0000%
Actual	2003	7.055900	4.586335	347.630082		65.0000%
Actual	2004	5.572191	3.231871	472.984838	0.016870	58.0000%
Actual	2005	9.076338	5.264276	702.353328	0.017000	58.0000%
Actual	2006	12.435050	7.028159	871.448620	0.017000	56.5189%
Forecast	2007	15.873000	9.048000	995.985307	0.017000	57.0000%
Forecast	2008	16.865000	9.613000	988.200685	0.017000	57.0000%
Forecast	2009	15.557000	8.867000	842.108620	0.017000	57.0000%

Comdty. Prod.	t Cal	Copper Millions	Silver Millions	Gold Millions	Lead Millions	Zinc Millions	Moly Millions	Palladium Millions
Actual	2000	4.311635	1.579330	0.291116	10.105733	21.461326		
Actual	2001	0.279519	0.867094	0.273483	14.750164	24.383338		
Actual	2002	0.594816	0.431664	0.147947	6.454187	9.594224		
Actual	2003	3.586936	0.422095	0.299258	10.620022	14.550050		
Actual	2004	73.520284	1.431613	0.044652	8.977044	17.050902		
Actual	2005	83.678136	1.970639	0.127334	9.190636	14.296209		
Actual	2006	86.012000	2.175000	0.130000	1.196000	3.084000		
Forecast	2007	94.667000	3.654000	0.274000	17.728000	48.144000		
Forecast	2008	94.754000	3.686000	0.213000	18.764000	54.614000		
Forecast	2009	94.887000	3.022000	0.015000	0.000000	0.000000		

Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Comdty. Prod.	t Cal	Platinum Millions	Nickel Millions	Rhodium Millions	Sapphire Millions	Copper Sul Millions	Deduction Millions	Refining Millions
Actual	2000		0.000000		0.000000	0.000000		-10.330456
Actual	2001		0.626935		0.000000	0.000000		-18.811518
Actual	2002		1.254207		0.000000	0.000000		-23.786060
Actual	2003		1.378746		0.000000	0.000000		-23.933463
Actual	2004		1.282423		0.000000	0.000000	-1.000000	-26.616285
Actual	2005		1.306813		0.000000	0.000000	-1.000000	-27.774220
Actual	2006		1.738000		0.000000	0.000000	-1.000000	-32.235000
Forecast	2007		1.156000		0.000000	0.000000	-1.000000	-33.959000
Forecast	2008		1.327000		0.000000	0.000000	-1.000000	-35.564000
Forecast	2009		1.452000		0.000000	0.000000	-1.000000	-37.153000

Comdty. Price	t Cal	Copper Dollars	Silver Dollars	Gold Dollars	Lead Dollars	Zinc Dollars	Moly Dollars	Palladium Dollars
Actual	2000	0.646454	4.603820	276.279562	0.200607	0.502159		
Actual	2001	0.624133	4.067554	267.641016	0.217897	0.377707		
Actual	2002	0.644951	3.801359	312.723867	0.201686	0.368474		
Actual	2003	0.463017	5.229937	366.865992	0.280168	0.416065		
Actual	2004	1.038623	6.599440	411.438865	0.433676	0.498697		
Actual	2005	1.492033	7.003997	448.926031	0.448440	0.662373		
Actual	2006	3.000000	11.500000	590.000000	0.450000	0.660000		
Forecast	2007	2.788000	11.951000	623.740000	0.450000	0.660000		
Forecast	2008	2.594000	12.101000	656.496000	0.450000	0.660000		
Forecast	2009	2.622000	12.233000	689.645000	0.450000	0.660000		

Comdty. Price	t Cal	Platinum Dollars	Nickel Dollars	Rhodium Dollars	Sapphire Dollars	Copper Sul Dollars
Actual	2000				0.000000	0.000000
Actual	2001		2.024806		0.000000	0.000000
Actual	2002		2.905846		0.000000	0.000000
Actual	2003		4.101375		0.000000	0.000000
Actual	2004		6.300544		0.000000	0.000000
Actual	2005		5.956539		0.000000	0.000000
Actual	2006		5.960000		0.000000	0.000000
Forecast	2007		5.960000		0.000000	0.000000
Forecast	2008		5.960000		0.000000	0.000000
Forecast	2009		5.960000		0.000000	0.000000

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

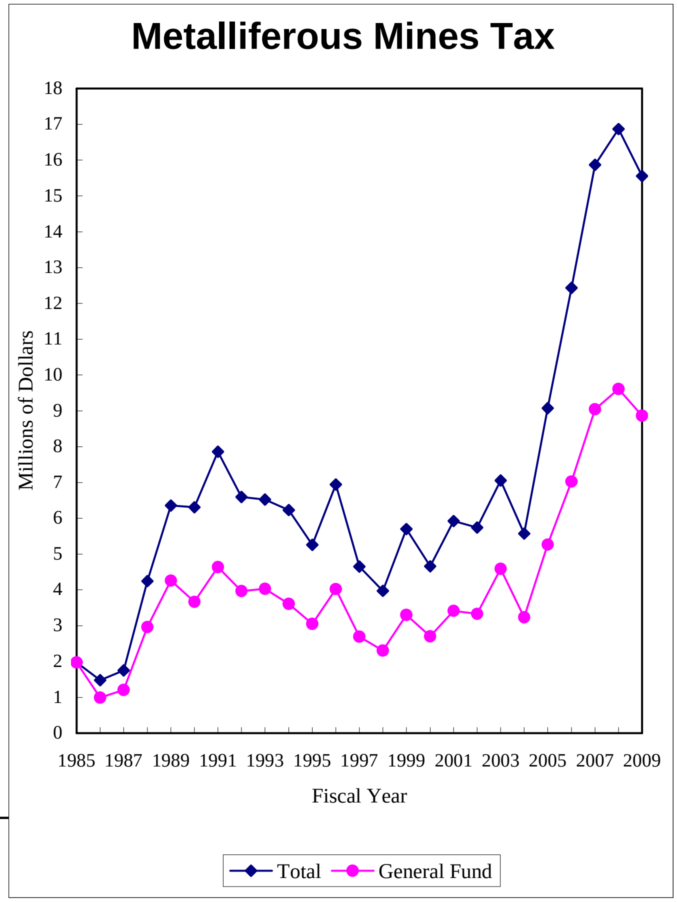
Legislative Fiscal Division

Revenue Estimate Profile

Metalliferous Mines Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1985	1.977324	1.977324	Not App.
A	1986	1.479993	0.989852	-49.94%
A	1987	1.756121	1.211030	22.34%
A	1988	4.248913	2.961778	144.57%
A	1989	6.355005	4.257531	43.75%
A	1990	6.306356	3.664579	-13.93%
A	1991	7.855130	4.638654	26.58%
A	1992	6.595466	3.965609	-14.51%
A	1993	6.521077	4.030946	1.65%
A	1994	6.229683	3.613074	-10.37%
A	1995	5.259335	3.050414	-15.57%
A	1996	6.941131	4.025856	31.98%
A	1997	4.648563	2.696167	-33.03%
A	1998	3.977699	2.306801	-14.44%
A	1999	5.700013	3.305971	43.31%
A	2000	4.661371	2.703031	-18.24%
A	2001	5.923752	3.417475	26.43%
A	2002	5.740242	3.329340	-2.58%
A	2003	7.055900	4.586335	37.76%
A	2004	5.572191	3.231871	-29.53%
A	2005	9.076338	5.264276	62.89%
A	2006	12.435000	7.028000	33.50%
F	2007	15.873000	9.048000	28.74%
F	2008	16.865000	9.613000	6.24%
F	2009	15.557000	8.867000	-7.76%



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.

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 percent. Based on this rate, HB 758 enacted by the 2005 legislature allows an additional tax rate of 0.17 percent to generate revenue for local impacts for local governments. The two taxes may not exceed 0.3 percent. The following table shows tax rate percentages for each type of pre-1999 oil and post-1999 oil, <u>excluding</u> 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 Tax Rates 15-36-304(5)	
<u>**Working Interest**</u>	
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) *	0.0%
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%
<u>**Nonworking Interest**</u>	14.8%
* No stripper tax rate. Taxed at primary recovery rates. See 15-36-303(22a)	

Natural Gas Tax Rates 15-36-304(2)		
Working Interest		
Qualified production		
First 12 months		0.5%
After 12 months		
	pre-1999	14.8%
	post-1999	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%

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, gas, and coal natural resource state special revenue account. The amounts received by Board and the oil, gas, and coal natural resource account vary based on a sliding tax scale based on the P & L tax set by the Board. Counties producing oil receive the next share of total revenue with each county having its own distribution percentage of total revenue, including the revenue generated by the P & L and Local Impact taxes. The remainder of the revenue is distributed to other state accounts in the following manner:

Fiscal 2008 though Fiscal 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%)

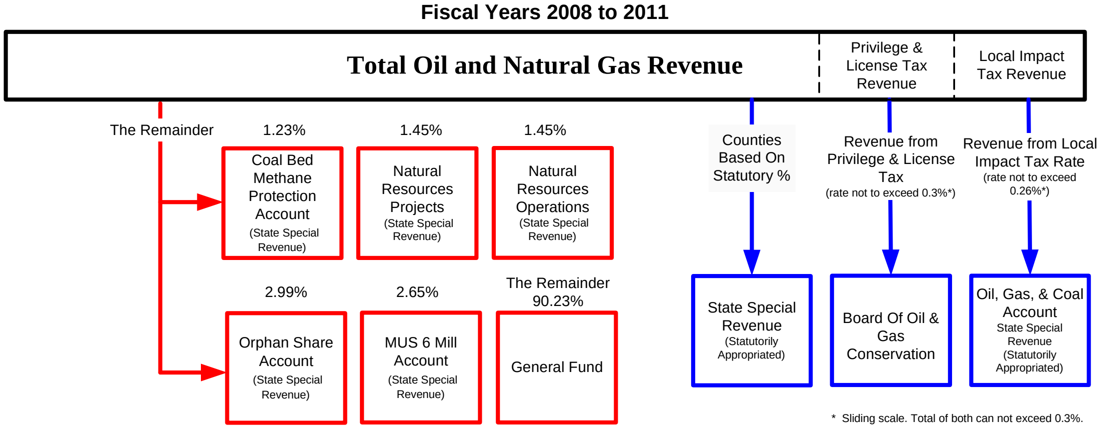
The distributions of county shares and the amount of oil and natural gas production tax revenue deposited in the oil, gas, and coal natural resource account are statutorily appropriated and are based on the statutorily set percentages for each county.

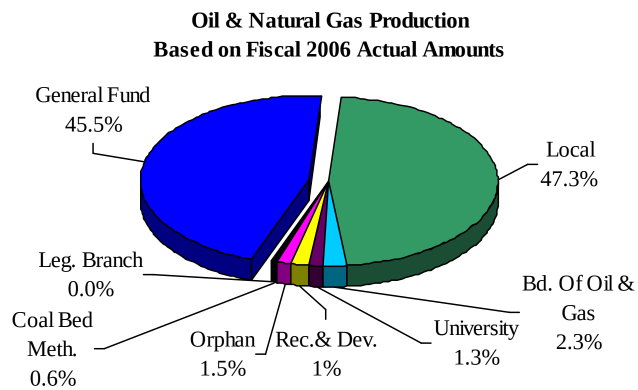
Legislative Fiscal Division

Revenue Estimate Profile

Oil and Natural Gas Production Tax

Distribution Chart:





Because the exact distribution of oil & natural gas revenue will vary depending on various factors, the chart only reflects fiscal 2006 actual distributions. Please see the table above for exact distribution percentages.

Summary of Legislative Action:

House Bill 116 - In addition to changing the distribution of "Oil & Natural Gas Production Tax" revenue, this legislation also changes the distribution of resource indemnity trust interest and the distribution of the resource indemnity tax revenue. The revenue effects and details of the latter changes are shown in the "Resource Indemnity Trust Interest" and "Resource Indemnity Tax" revenue source sections. The legislation repeals the renewable resource grant and loan program account and the reclamation and development grants account. It creates the natural resources operations account (to fund administration and operating costs) and the natural resources projects account (to fund grants and loans).

The legislation: 1) adds a new 1.45 percent distribution of the tax revenue to the new natural resources projects state special revenue account; 2) reduces the distribution to the new natural resources operations state special revenue account (formerly named the reclamation and development grants account) from 2.95 percent to 1.45 percent; and 3) increases the distribution to the orphan share account from 2.95 percent to 2.99 percent. The distribution to the general fund increases 0.01 percent for an increase in revenue of $11,220 in FY 2008 and $11,227 in FY 2009 and a decrease in state special revenue by like amounts. The legislation is effective July 1, 2007.

Oil & Natural Gas Production Tax -- Legislation Passed by 60th Legislature
Estimated General Fund Impact for Fiscal 2007,2008,2009

Bill Number and Short Title	Fiscal 2007	Fiscal 2008	Fiscal 2009
HB0116 Revise RIT funding laws		11,220	11,227
Total Estimated General Fund Impact	$0	$11,220	$11,227

% of Total General Fund Revenue:

FY 2004 – 2.99%
FY 2005 – 4.09%
FY 2006 – 5.42%

Revenue Estimate Methodology:

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

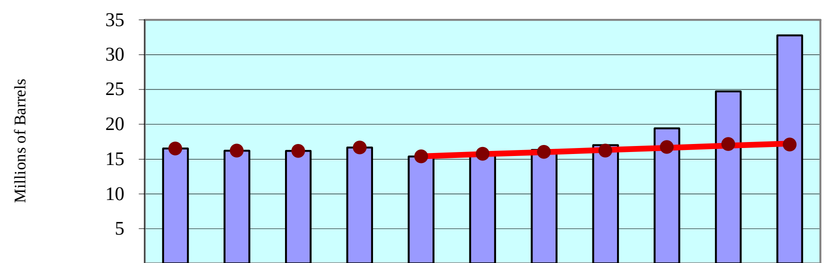
Data

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. Global Insight provides future estimates of West Texas Intermediate oil and Henry Hub 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 the Elm Coulee field separate from all other production. Analysis of the field data indicate that the majority of the increased production is from the relatively new Elm Coulee field in Richland County. The importance of this one field can be seen in the figure below.

Montana Oil Production



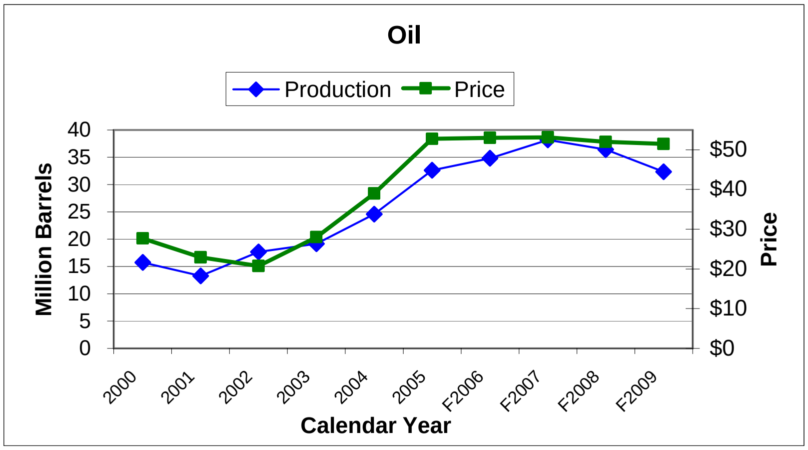
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total	16.525	16.184	16.163	16.648	15.351	15.761	16.288	16.990	19.420	24.719	32.787
wo Elm Coulee	16.525	16.184	16.163	16.648	15.351	15.740	16.011	16.192	16.706	17.147	17.050
Trend Line					15.392	15.699	16.007	16.314	16.621	16.929	17.236

Total wo Elm Coulee Trend Line

Industry personnel state that this field has yet to be fully defined. When it is, fewer new wells will be spudded (drilling initiated). Existing wells will then follow a production decline curve unique to the characteristics of the field. Fields tapped through horizontal drilling, such as Elm Coulee, tend to be depleted more rapidly than those tapped vertically. 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 in the Elm Coulee field 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 are 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 fields is also estimated on a quarterly basis and by the different taxation types. For each quarter, the estimate is derived by multiplying the same quarter of the previous year by the ratio of the results of a regression analysis for the same quarter of the current and the previous year. The results for each tax type are then summed and the quarterly results are summed by year.

- Price – The price for each quarter is estimated by adjusting the Global Insight West Texas Intermediate oil price for that quarter by the ratio of a previous quarter's Montana price to the Global Insight price.



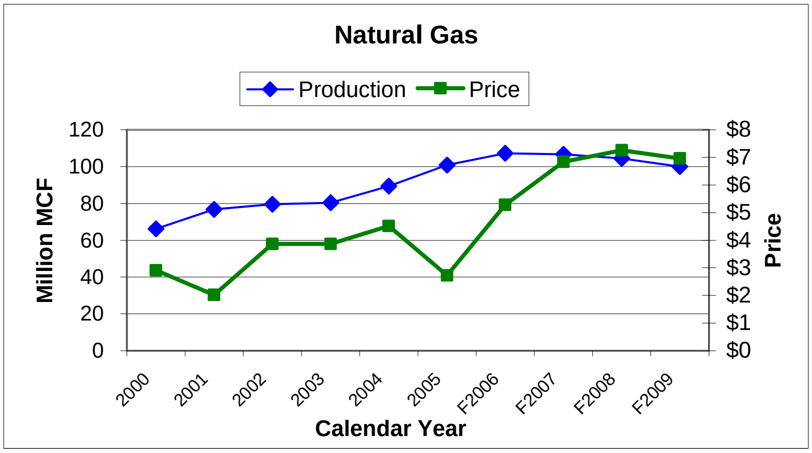
Once production and prices have been estimated, the value can be calculated by the product of the two. The quarterly value of each tax type is then multiplied by the applicable tax rate to obtain the estimate. The sum of the revenue from all tax types for each fiscal year determines the oil production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

Natural Gas Analysis

- Production - The natural gas industry in Montana has also been undergoing major changes. Improved techniques have allowed new fields to be developed and old fields to be more productive. Data from the Board of Oil and Gas Conservation indicate that the majority of increased production is from the relatively new CX field in Big Horn County and the Elm Coulee field in Richland County. Other fields that exhibit increasing production are the Bowdoin and Cedar Creek fields, the second and third largest producing fields, respectively. Since its peak production in 1999, production from Tiger Ridge, the largest producing field, has declined. By excluding production from fields with increasing production, it was found that production from the remaining fields has been decreasing since 2001. Of the fields with increasing production, most is coming from the CX and Elm Coulee fields. The fact that the CX field has been in production for only seven of the last 20 years, yet ranks sixth in total production out of the major fields that have been producing for the last 20 years, illustrates the importance of this field. A similar analysis to that used for oil can also be used for natural gas from the CX and Elm Coulee fields. As with oil, the development of a normalized production curve from individual wells eliminates the difficulty of having different starting time for each well by averaging each well's production from a common point in time. The result is a curve that represents the average production of wells in the CX and Elm Coulee fields by month of production. With the equation of this curve, future production can be estimated.

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

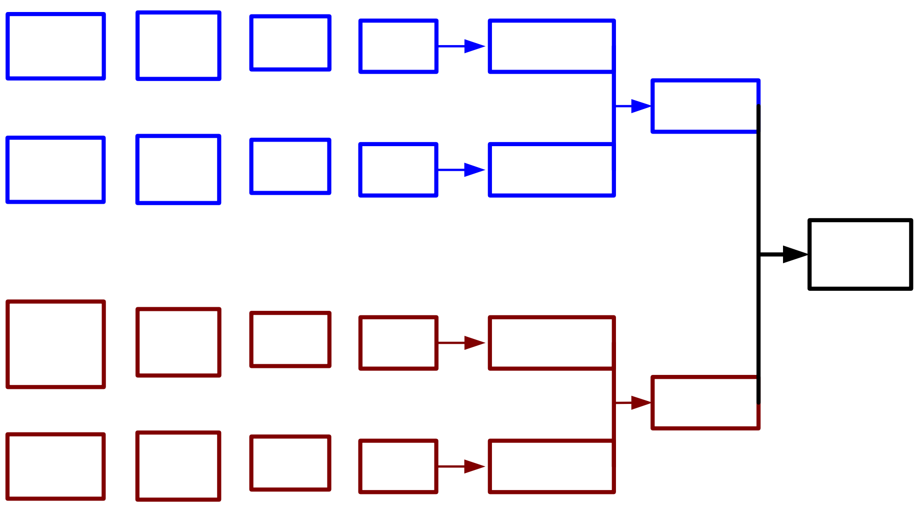
- Price - A similar method to that used for oil is used to estimate natural gas prices on a quarterly basis and by tax type of production. However, the Global Insight Henry Hub natural gas future prices are used to drive changes in the Montana price.



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.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2007 legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	GF Allocation Percent	Audits Millions	Total Tax Oil Millions	Total Tax Gas Millions
Actual	2000	43.772950	11.362741	0.259584			
Actual	2001	92.395790	25.791723	0.279144			
Actual	2002	50.303610	12.902439	0.256491			
Actual	2003	73.389376	29.086038	0.396325	2.436178		
Actual	2004	92.676050	41.323718	0.445894	1.687625		
Actual	2005	137.754331	62.625939	0.454620	1.127243		
Actual	2006	203.681078	92.562800	0.454450	1.428545		
Forecast	2007	195.430000	86.240849	0.441288	0.000000	148.911000	46.519000
Forecast	2008	228.334000	101.224485	0.443318	0.000000	166.609000	61.725000
Forecast	2009	228.477000	101.287880	0.443318	0.000000	168.190000	60.287000

Oil	t Fiscal	Barrels Millions	Price Per Barrel	Gross Value Millions	Effective Tax Rate
Actual	2000				
Actual	2001				
Actual	2002				
Actual	2003				
Actual	2004				
Actual	2005				
Actual	2006	33.700000	56.569941	1906.407000	0.074541
Forecast	2007	36.588000	51.596562	1887.815000	0.078880
Forecast	2008	38.325000	52.714338	2020.277000	0.082468
Forecast	2009	34.136000	51.654236	1763.269000	0.095385

Oil and Natural Gas Production Tax

Gas	t Fiscal	MCF's Millions	Price Per MCF	Gross Value Millions	Effective Tax Rate
Actual	2000				
Actual	2001				
Actual	2002				
Actual	2003				
Actual	2004				
Actual	2005				
Actual	2006	107.934000	6.774964	731.249000	0.078025
Forecast	2007	106.561000	5.560252	592.506000	0.078512
Forecast	2008	106.074000	7.307342	775.119000	0.079633
Forecast	2009	102.366000	7.120392	728.886000	0.082711

Oil	t Cal	Barrels Millions	Price Per Barrel	Gross Value Millions	Effective Tax Rate	Total Tax Millions
Actual	2000	15.770217	27.674692	436.435898	0.114821	48.291803
Actual	2001	13.275582	22.967563	304.907766	0.102083	35.876151
Actual	2002	17.653122	20.779054	366.815175	0.100083	37.755024
Actual	2003	19.177655	28.025523	537.463811	0.095372	50.001667
Actual	2004	24.559083	38.992068	957.609434	0.090422	76.502684
Actual	2005	32.631373	52.762097	1721.699667	0.084783	122.494911
Actual	2006	34.827000	53.016769	1846.415000	0.076733	141.681000
Forecast	2007	38.159000	53.147960	2028.073000	0.079964	162.173000
Forecast	2008	36.425000	51.978970	1893.334000	0.088286	167.155000
Forecast	2009	32.354000	51.452185	1664.684000	0.100336	167.028000

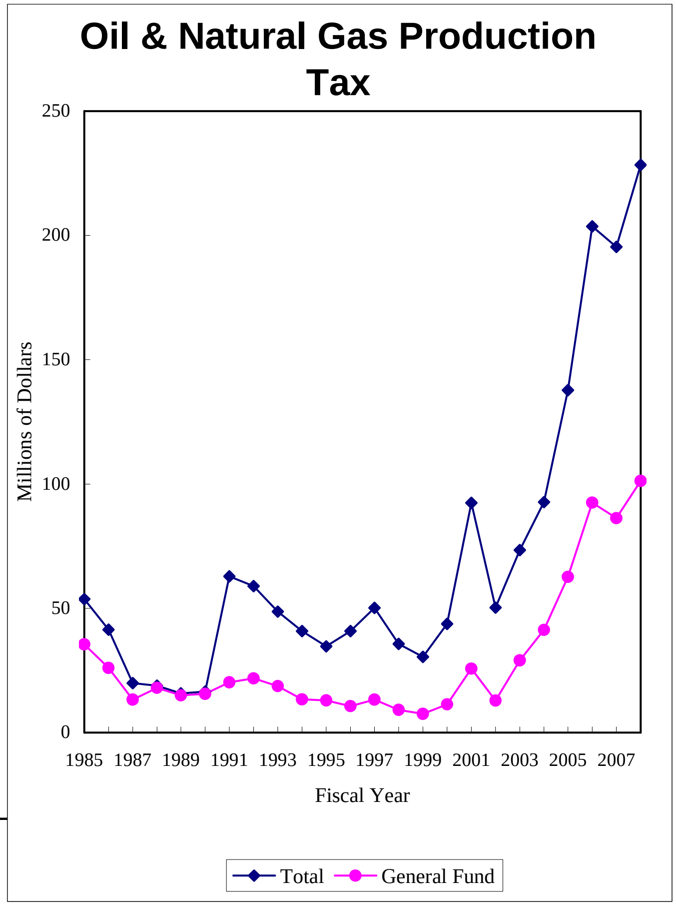
Gas	t Cal	MCF's Millions	Price Per MCF	Gross Value Millions	Effective Tax Rate	Total Tax Millions
Actual	2000	66.163277	2.907561	192.373764	0.106032	19.395351
Actual	2001	76.713082	2.017410	154.761739	0.104020	24.266868
Actual	2002	79.531692	3.866558	307.513900	0.104259	17.289646
Actual	2003	80.327001	3.866558	310.589008	0.099219	30.259247
Actual	2004	89.464491	4.516738	404.087668	0.093759	36.881048
Actual	2005	100.744115	2.724589	274.486307	0.090027	23.838515
Actual	2006	107.258000	5.285144	566.873975	0.077324	43.833000
Forecast	2007	106.687000	6.845829	730.360959	0.078914	57.636000
Forecast	2008	104.476000	7.261074	758.607967	0.081008	61.453000
Forecast	2009	99.981000	6.960783	695.946045	0.084728	58.966000

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

Oil and Natural Gas Production Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1985	53.667357	35.472434	Not App.
A	1986	41.441086	26.043170	-26.58%
A	1987	19.904239	13.254877	-49.10%
A	1988	18.913097	17.975582	35.61%
A	1989	15.748241	14.959251	-16.78%
A	1990	16.486405	15.567426	4.07%
A	1991	62.879742	20.163269	29.52%
A	1992	58.892324	21.822893	8.23%
A	1993	48.650604	18.676586	-14.42%
A	1994	40.871318	13.403408	-28.23%
A	1995	34.704332	12.963887	-3.28%
A	1996	40.826475	10.665986	-17.73%
A	1997	50.150068	13.283093	24.54%
A	1998	35.709042	9.120152	-31.34%
A	1999	30.446634	7.505617	-17.70%
A	2000	43.772950	11.362741	51.39%
A	2001	92.395790	25.791723	126.99%
A	2002	50.303610	12.902439	-49.97%
A	2003	73.389376	29.086038	125.43%
A	2004	92.676050	41.323718	42.07%
A	2005	137.754331	62.625939	51.55%
A	2006	203.681000	92.563000	47.80%
F	2007	195.430000	86.241000	-6.83%
F	2008	228.334000	101.236000	17.39%
F	2009	228.477000	101.299000	0.06%



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, as well as most minerals, but not 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, 39-10-106
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:

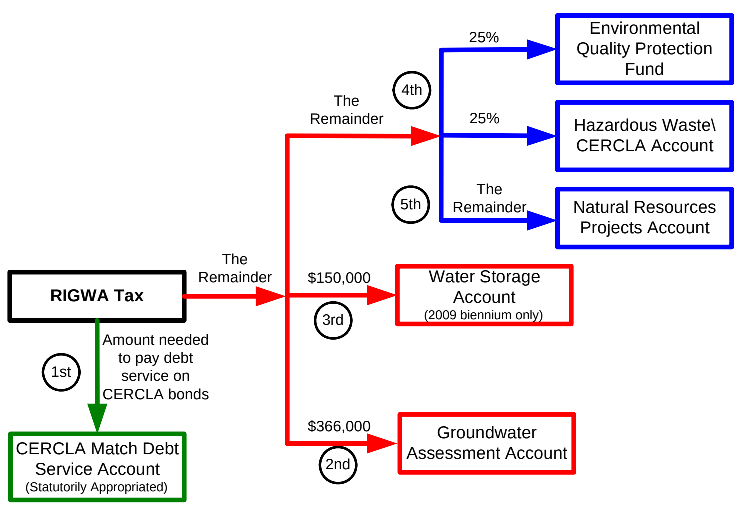
Coal: $25 plus 0.4% of the gross value of coal produced in the preceding year in excess of $6,250
Minerals: $25 plus 0.5% of the gross value of minerals (excluding metals and excluding oil and natural gas because the resource indemnity trust has reached $100 million) produced in the preceding year in 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 fiscal 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 fiscal 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

Distribution Chart:

Beginning Fiscal 2008



Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Summary of Legislative Action:

House Bill 116 – In addition to changing the distribution of "Resource Indemnity Tax" revenue, this legislation also changes the oil and natural gas production tax revenue and the distribution of the resource indemnity trust interest. The revenue effects and details of the latter are shown in the "Oil and Natural Gas Production Tax" and "Resource Indemnity Trust Interest" revenue source sections. The legislation repeals the renewable resource grant and loan program account and the reclamation and development grants account. It creates the natural resources operations account (to fund administration and operating costs) and the natural resources projects account (to fund grants and loans). Allocations of the tax are changed:

- A $150,000 allocation is made to the water storage account
- The 50 percent of the remainder allocation to the orphan share account was eliminated and is allocated equally between the environmental quality protection fund and the hazardous waste/CERCLA account
- All of the remaining proceeds are deposited to the natural resources projects state special revenue account (formerly the renewable resources grant and loan account)

The legislation is effective July 1, 2007.

Resource Indemnity Tax -- Legislation Passed by 60th Legislature Estimated General Fund Impact for Fiscal 2007,2008,2009			
Bill Number and Short Title	Fiscal 2007	Fiscal 2008	Fiscal 2009
HB0116 Revise RIT funding laws			
Total Estimated General Fund Impact	$0	$0	$0

% of Total General Fund Revenue: N/A

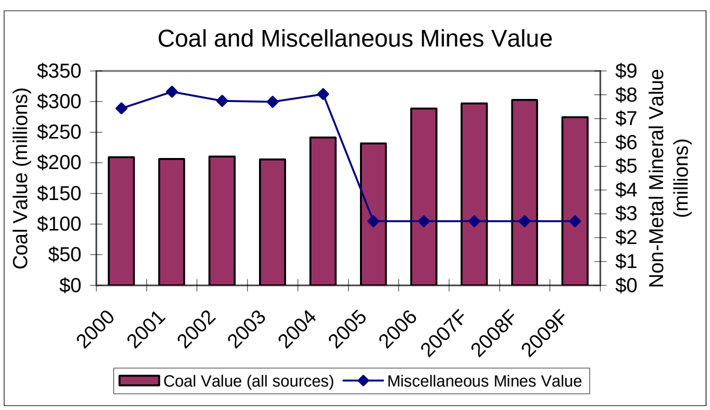
Revenue Estimate Methodology:

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

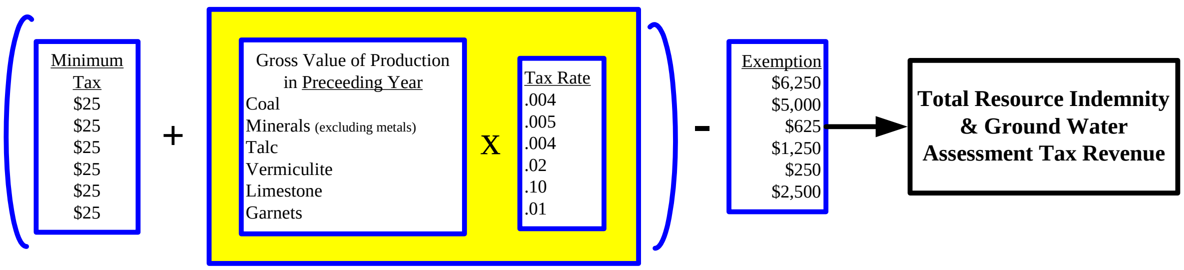
The RIGWA tax is imposed on the gross taxable value from the production of coal and miscellaneous mines. Before fiscal 2002, when Governor Martz certified that the resource indemnity trust had reached the required principal amount of $100 million, oil and natural gas production was also taxed under RIGWA, 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 mines) 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. As seen in the figure above, the value of coal produced in Montana is expected to increase slightly in fiscal years 2007 and 2008, but is expected to decline in fiscal 2009. The estimate of coal value is $297.0 million, $302.9 million, and $274.6 million in fiscal 2007 through fiscal 2009, respectively. The future taxable value of miscellaneous mines production is estimated in the class 1 property tax. The figure above shows that the value of miscellaneous mine production declined significantly between fiscal years 2004 and 2005. SB 276, approved in the 2005 session and effective in fiscal 2005, eliminated the taxation of bentonite production as class 1 property, causing a shift in the value of miscellaneous mines seen in the figure above. The reduction was the result of the decline in miscellaneous mine production value and is not expected to change over the 2009 biennium. The estimate of the value of miscellaneous mines production is $2.7 million for each fiscal year. Further information on the estimates for the value of coal and miscellaneous mines production value can be seen in the methodology descriptions of the sources.

To develop the estimates for RIGWA tax collections, the tax rates are applied to the production value of each of the components, coal and miscellaneous mines. Finally the taxes estimated for the two components are summed to produce the total estimate of the RIGWA tax.

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2007 legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Oil Millions	Natural Gas Millions	Coal Millions	Metals Millions	Other Millions
Actual	2000	6.793459	0.000000	0.851792	0.159668	1.034506	0.000000	0.288596
Actual	2001	2.744480	0.000000	1.667407	0.000000	0.951681	0.001862	0.123529
Actual	2002	2.200785	0.000000	0.976477	0.000000	0.998816	0.000460	0.225031
Actual	2003	1.225610	0.000000	0.000000	0.000000	1.005490	0.000000	0.220121
Actual	2004	1.250528	0.000000	0.001614	0.000000	0.965537	0.000000	0.284991
Actual	2005	1.436378	0.000000	0.000000	0.000000	1.118400	0.000000	0.317978
Actual	2006	1.456411	0.000000	0.000000	0.000000	1.086862	0.001916	0.367633
Forecast	2007	1.307000	0.000000	0.000000	0.000000	1.171672	0.000000	0.135000
Forecast	2008	1.335000	0.000000	0.000000	0.000000	1.199700	0.000000	0.135000
Forecast	2009	1.290000	0.000000	0.000000	0.000000	1.154994	0.000000	0.135000

	t Fiscal	Trust Other Millions	Trust Metal Millions	Renewable Millions	Ground Millions	Reclamation Millions	Orphan Millions	Trust Balance Millions
Actual	2000	3.391472	0.000000	0.000000	0.521579	1.440204	1.440204	96.404163
Actual	2001	2.205880	0.000000	0.000000	0.300000	0.119300	0.119300	100.373547
Actual	2002	1.588631	0.000000	0.000000	0.300000	0.156077	0.156077	102.065653
Actual	2003	0.000000	0.000000	0.000000	0.366000	0.429805	0.279805	100.000965
Actual	2004	-0.000188	0.000000	0.000000	0.366000	0.442358	0.442358	100.002390
Actual	2005	0.252454	0.000000	0.000000	0.113546	0.535189	0.441681	100.254844
Actual	2006	0.000000	0.000000	0.000000	0.366000	0.451163	0.451162	100.023109
Forecast	2007	0.000000	0.000000	0.000000	0.366000	0.401000	0.401150	100.023109
Forecast	2008	0.000000	0.000000	0.000000	0.366000	0.336422	0.336422	100.023109
Forecast	2009	0.000000	0.000000	0.000000	0.366000	0.140179	0.140180	100.023109

Total Tax = Coal + Other

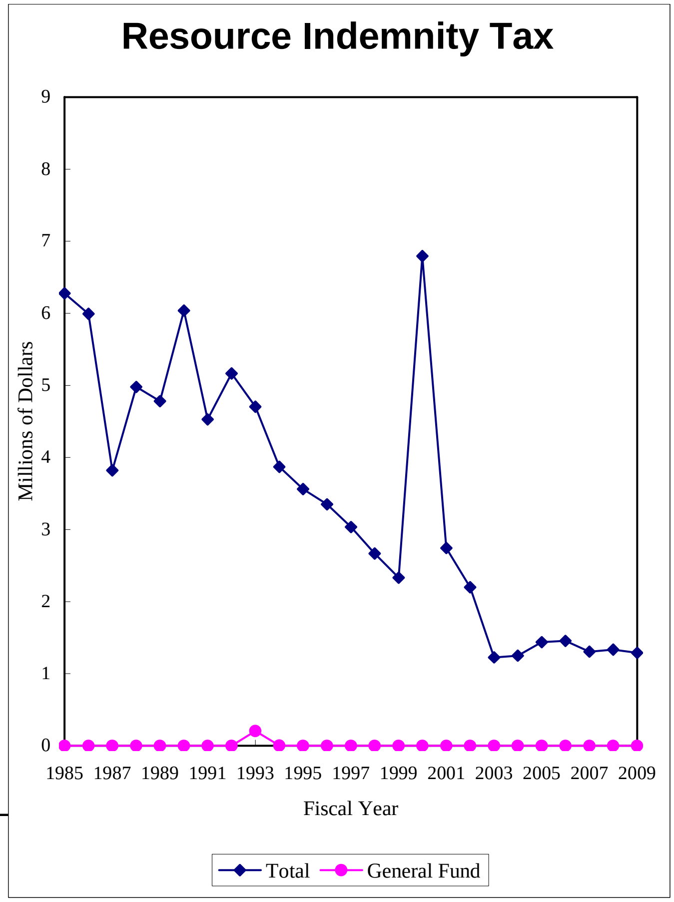
Legislative Fiscal Division

Revenue Estimate Profile

Resource Indemnity Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1985	6.278740	0.000000	Not App.
A	1986	5.992270	0.000000	Not App.
A	1987	3.821952	0.000000	Not App.
A	1988	4.979333	0.000000	Not App.
A	1989	4.782041	0.000000	Not App.
A	1990	6.037436	0.000000	Not App.
A	1991	4.527135	0.000000	Not App.
A	1992	5.164977	0.000000	Not App.
A	1993	4.705596	0.204434	Not App.
A	1994	3.867897	0.004206	-97.94%
A	1995	3.561042	0.000078	-98.15%
A	1996	3.351177	0.000000	-100.00%
A	1997	3.036136	0.000000	Not App.
A	1998	2.666933	0.000000	Not App.
A	1999	2.331948	0.000000	Not App.
A	2000	6.793459	0.000000	Not App.
A	2001	2.744480	0.000000	Not App.
A	2002	2.200785	0.000000	Not App.
A	2003	1.225610	0.000000	Not App.
A	2004	1.250528	0.000000	Not App.
A	2005	1.436378	0.000000	Not App.
A	2006	1.456411	0.000000	Not App.
F	2007	1.307000	0.000000	Not App.
F	2008	1.335000	0.000000	Not App.
F	2009	1.290000	0.000000	Not App.



Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Description: Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50.0 percent of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. 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.

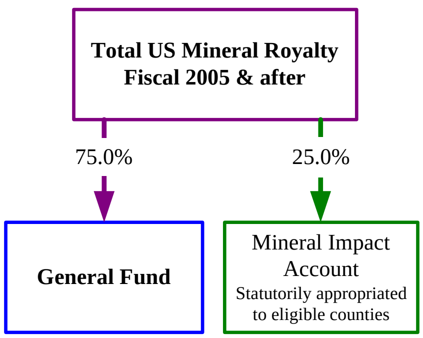
Statutory Reference:

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 percent to the general fund and 25 percent 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:



Summary of Legislative Action: The 60th Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 2.08%
FY 2005 – 1.78%
FY 2006 – 1.72%

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

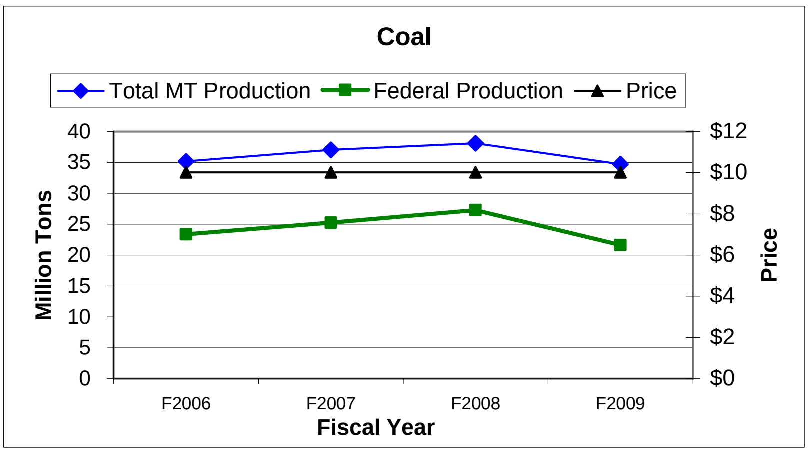
Data from which to base estimates for this revenues source have been sparse and incomplete. Up until October 2001, the Mineral Management Service of the U.S. Department of Interior had provided data used to make the estimate. However, lawsuits and court orders have stifled the flow of data since then. Only recently has yearly data been available for federal fiscal years through 2005. The current estimates rely on this data, future prices of oil and natural gas, and coal production on federal land obtained from a survey of Montana's coal companies.

US Mineral Royalty

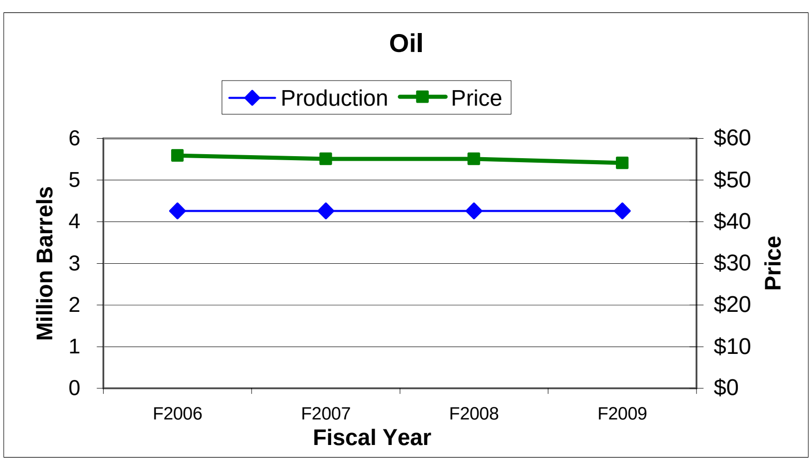
Analysis

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

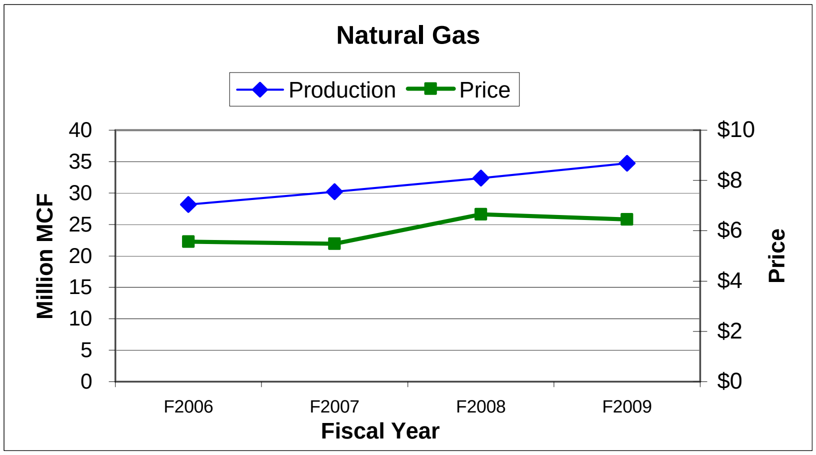
- Coal – Calendar year production is estimated by multiplying the production reported by each company on the coal survey by the percent of production each anticipated to be from federal lands. Since no growth in prices was assumed for the coal severance tax revenue source, price is determined by averaging the Montana contract sales price in calendar 2005 for all coal companies and carrying that price into all the estimated years. Production multiplied by price yields value. The value is then multiplied by the royalty rate that is estimated by dividing the calendar year 2005 royalty by the value for that year. This royalty rate is used for all estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent, actual receipts from calendar year 2005 indicate an actual rate of 49.3 percent. This rate is used for all estimated years.



- Oil - Calendar year production is estimated by carrying the 2005 actual amounts into all of the estimated years since there was almost no growth in production between 2004 and 2005. Yearly prices are determined by first averaging quarterly future prices of West Texas Intermediate oil as forecast by Global Insight, 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 that is estimated by dividing the calendar year 2005 royalty by the value for that year. This royalty rate is used for all estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent, actual receipts from calendar year 2005 indicate an actual rate of 37.5 percent. This rate is used for all estimated years.



- 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 Henry Hub natural gas as forecast by Global Insight, 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 that is estimated by dividing the calendar year 2005 royalty by the value for that year. This royalty rate is used for all the estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent, actual receipts from calendar year 2005 indicate an actual rate of 40.1 percent. This rate is used for all estimated years.



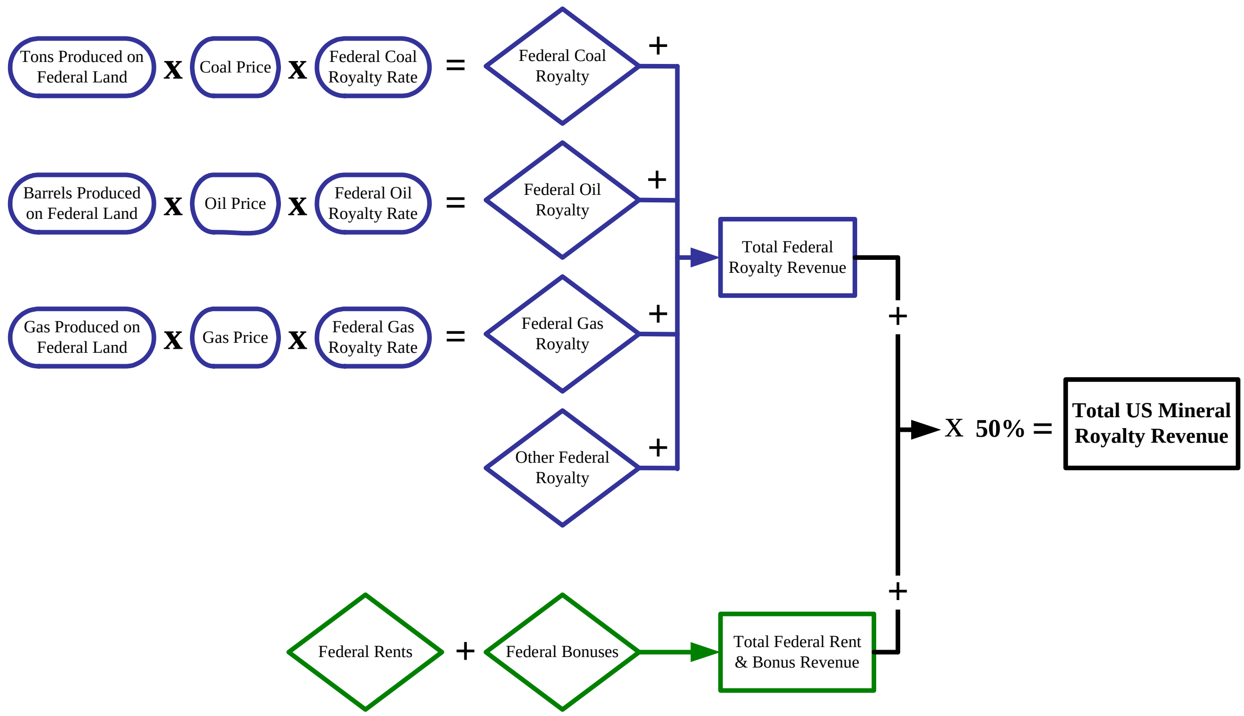
- Natural Gas Liquid - Calendar year production is estimated by carrying the 2005 actual amounts into all of the estimated years. Yearly prices are determined by first averaging quarterly future prices of Henry Hub natural gas as forecast by Global Insight, based on the federal fiscal year, for the current 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 that is estimated by dividing the calendar year 2005 royalty by the value for that year. This royalty rate is used for all the estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent, actual receipts from calendar year 2005 indicate an actual rate of 45.8 percent. This rate is used for all estimated years.
- Methane - 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 Henry Hub natural gas as forecast by Global Insight, 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 that is estimated by dividing the calendar year 2005 royalty by the value for that year. This royalty rate is used for all the estimated years. Of the total calculated royalty, Montana receives a portion. Although the state portion is 50 percent, actual receipts from calendar year 2005 indicate an actual rate of 44.0 percent. This rate is used for all estimated years.
- Other Royalty – Revenues and royalty rates are estimated by carrying the 2005 actual amounts into all of the estimated years.
- Rents, Bonuses, and Other – The average revenue of calendar 2001 to 2005 with the highest and lowest amounts excluded is carried forward into all of the estimated years. To obtain Montana's share, these amounts are adjusted by the ratio of the last known Montana's amount to the last known total revenue.

Adjustments and Distribution

Since the estimates already include the adjustments to determine Montana's share, the estimated revenue is distributed 75 percent to the general fund and 25 percent to the state special revenue fund.

US Mineral Royalty

Forecast Methodology:



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2007 legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Rev. Millions	GF Rev. Millions	One-Time Settlement Millions	Mineral Impact Millions	GF Allocation Percent
Actual	2000	19.242954	19.242954			
Actual	2001	31.007874	31.007874	6.038000		
Actual	2002	19.772193	19.772193	0.000000		
Actual	2003	25.989828	25.989828	0.000000		
Actual	2004	28.736303	28.736303	0.000000		
Actual	2005	36.391633	27.293725	0.000000	9.097908	75.00%
Actual	2006	39.071469	29.303602	0.000000	9.767867	75.00%
Forecast	2007	38.240000	28.680000	0.000000	9.560000	75.00%
Forecast	2008	42.258000	31.694000	0.000000	10.565000	75.00%
Forecast	2009	39.200000	29.400000	0.000000	9.800000	75.00%

Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

	t Cal	Oil Barrels	Coal Tons	Gas MCF's	Oil Price	Coal Price	Gas Price
Actual	2000						
Actual	2001						
Actual	2002	3.862811	33.491273	20.391778	20.655800	8.794516	2.417834
Actual	2003	3.974831	27.206486	23.003369	27.508280	11.709884	3.445458
Actual	2004	4.295711	29.780631	24.537832	31.980751	10.053941	4.355901
Actual	2005	4.255590	27.398404	26.302336	45.324907	10.021523	4.912718
Actual	2006	4.255590	23.358000	28.193725	55.880333	10.021523	5.565376
Forecast	2007	4.255590	25.236000	30.221123	55.086369	10.021523	5.488142
Forecast	2008	4.255590	27.270000	32.394310	55.049593	10.021523	6.654547
Forecast	2009	4.255590	21.604000	34.723770	54.100711	10.021523	6.451032

	t Cal	Oil Roy. Rate	Coal Roy. Rate	Gas Roy. Rate	Oil Revenue	Coal Revenue	Gas Revenue
Actual	2000						
Actual	2001						
Actual	2002	0.113443	0.116053	0.124149	9.051530	34.182163	6.121055
Actual	2003	0.113266	0.117664	0.123688	12.384542	37.485837	9.803198
Actual	2004	0.111631	0.114227	0.120545	15.335865	34.200945	12.884411
Actual	2005	0.114478	0.119807	0.119317	22.080910	32.895894	15.417717
Actual	2006	0.114478	0.119807	0.119317	27.223302	28.044750	18.721873
Forecast	2007	0.114478	0.119807	0.119317	26.836505	30.299568	19.789657
Forecast	2008	0.114478	0.119807	0.119317	26.818589	32.741687	25.721101
Forecast	2009	0.114478	0.119807	0.119317	26.356321	25.938812	26.727503

	t Cal	Other Royalty	Rent&Bonus Revenue	Other Revenue	Total Revenue	State Share	State Share Percent
Actual	2000						
Actual	2001						
Actual	2002	0.680620	3.182765	0.293468	53.511601	22.328620	0.417267
Actual	2003	1.017980	7.105370	1.572410	69.369337	25.535373	0.368107
Actual	2004	0.505445	5.008854	1.800082	69.735602	30.294622	0.434421
Actual	2005	5.023805	4.869587	0.970906	81.258819	35.562306	0.437642
Actual	2006	5.521625	5.169048	0.945595	85.626193	36.774038	0.429472
Forecast	2007	5.664420	5.169048	0.945595	88.704793	38.239549	0.431088
Forecast	2008	6.557726	5.169048	0.945595	97.953746	42.257368	0.431401
Forecast	2009	6.684112	5.169048	0.945595	91.821391	39.199425	0.426910

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

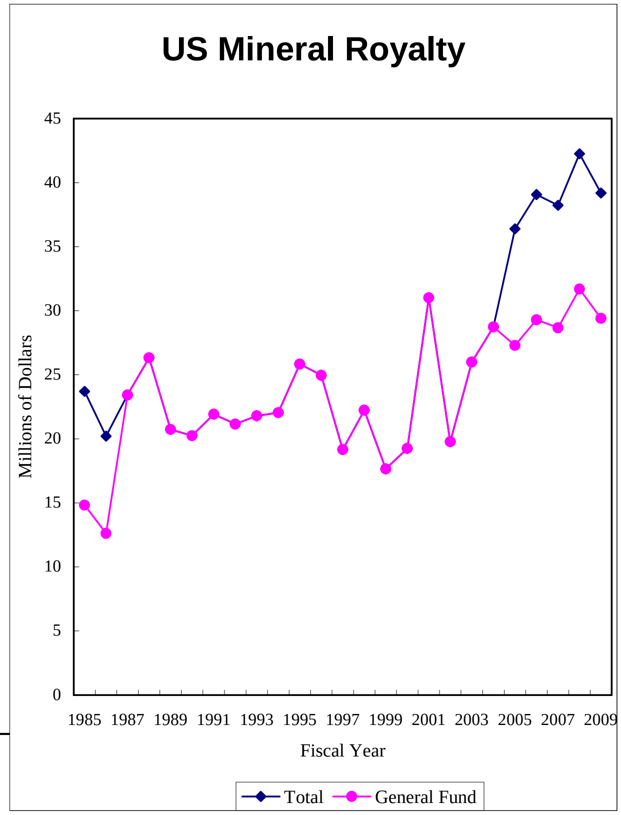
Legislative Fiscal Division

Revenue Estimate Profile

US Mineral Royalty

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1985	23.708214	14.817634	Not App.
A	1986	20.207422	12.629639	-14.77%
A	1987	23.433021	23.433021	85.54%
A	1988	26.327798	26.327798	12.35%
A	1989	20.727404	20.727404	-21.27%
A	1990	20.240644	20.240644	-2.35%
A	1991	21.928394	21.928394	8.34%
A	1992	21.150278	21.150278	-3.55%
A	1993	21.799728	21.799728	3.07%
A	1994	22.052161	22.052161	1.16%
A	1995	25.847747	25.847747	17.21%
A	1996	24.958952	24.958952	-3.44%
A	1997	19.161163	19.161163	-23.23%
A	1998	22.240950	22.240950	16.07%
A	1999	17.650315	17.650315	-20.64%
A	2000	19.242954	19.242954	9.02%
A	2001	31.007874	31.007874	61.14%
A	2002	19.772193	19.772193	-36.23%
A	2003	25.989828	25.989828	31.45%
A	2004	28.736303	28.736303	10.57%
A	2005	36.391633	27.293725	-5.02%
A	2006	39.071469	29.303602	7.36%
F	2007	38.240000	28.680000	-2.13%
F	2008	42.258000	31.694000	10.51%
F	2009	39.200000	29.400000	-7.24%



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.

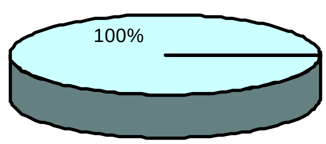
Statutory Reference:

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

Applicable Tax Rate(s): The tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted. 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 percent 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:



Summary of Legislative Action: The 60th Legislature did not enact legislation that impacted this general fund revenue source.

% of Total General Fund Revenue:

FY 2004 – 0.24%
FY 2005 – 0.22%
FY 2006 – 0.22%

Revenue Estimate Methodology:

The wholesale energy transaction tax is applied to the number of kilowatt hours transmitted less five percent 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. Data from quarterly reports produced by DOR provide a history of in-state and out-of-state kilowatt hours transmitted by each individual company.

Legislative Fiscal Division

Revenue Estimate Profile

Wholesale Energy Tax

Analysis

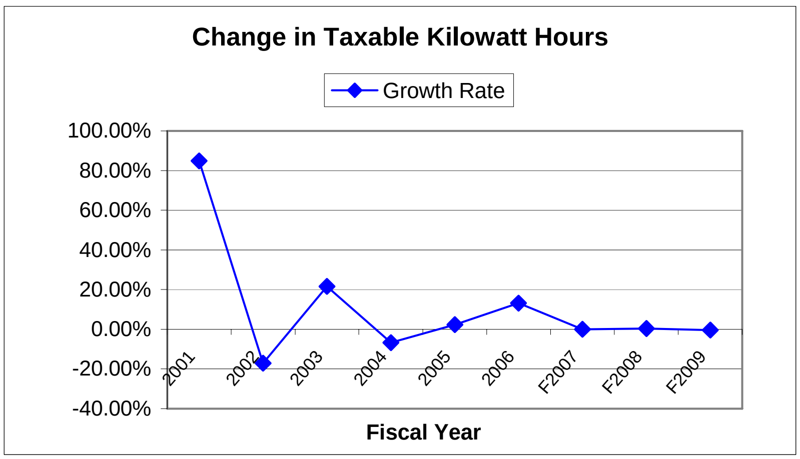
A number of different techniques can be used to develop the revenue estimate for this source. Choosing a technique depends on whether the technique passes the "reasonable" test. The survey technique was used in this analysis.

The Survey Technique

The taxable kilowatt hours are determined in a three-step process:

- The future kilowatt hours (both instate and out-of-state) for each company, as reported on the survey and adjusted for any downtime or transmission reductions, are summed.
- For those companies who did not respond or did not respond fully to the survey, estimates of production are derived from growth rates based on historical data. Out-of-state transmission amounts were estimated by the ratio of out-of-state amounts to total amounts as reported on the quarterly reports.
- Total amounts for out-of-state transmission are reduced by the exempt line loss amount of five percent.
- Since the survey results are reported on a calendar year basis, they are converted to a fiscal year basis by adding half the previous calendar year's estimate to half of the current calendar year's estimate.

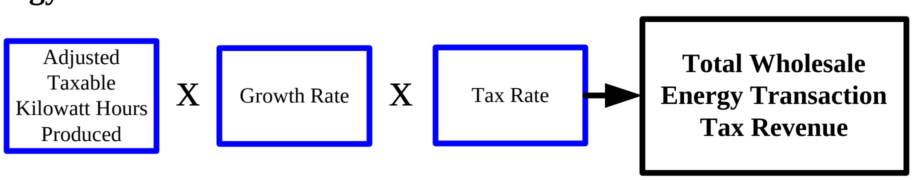
Taxable kilowatt hours are multiplied by the tax rate to derive total revenue from this source.



Adjustments and Distribution

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

Forecast Methodology



Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2007 legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Wholesale Energy Tax

	t Fiscal	Total Tax Millions	GF Tax Millions	KWH Fiscal Millions	Credits Millions	Tax Rate	Line Loss Millions
Actual	2000	1.894704	1.894704	12273.924051	0.000000	0.000150	
Actual	2001	3.503427	3.503427	22658.110488	0.000000	0.000150	
Actual	2002	2.906263	2.906263	22775.157501	0.000000	0.000150	
Actual	2003	3.532056	3.532056	24780.402486	0.000000	0.000150	
Actual	2004	3.292659	3.292659	23961.126405	0.000000	0.000150	
Actual	2005	3.370263	3.370263	24326.536427	0.000000	0.000150	
Actual	2006	3.813495	3.813495	24870.822230	0.000000	0.000150	799.775000
Forecast	2007	3.814000	3.814000	26225.181000	0.000000	0.000150	799.775000
Forecast	2008	3.827000	3.827000	26314.340000	0.000000	0.000150	799.775000
Forecast	2009	3.811000	3.811000	26202.955000	0.000000	0.000150	799.775000

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

GF Tax = Total Tax

Revenue Projection:

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1985	0.000000	0.000000	Not App.
A	1986	0.000000	0.000000	Not App.
A	1987	0.000000	0.000000	Not App.
A	1988	0.000000	0.000000	Not App.
A	1989	0.000000	0.000000	Not App.
A	1990	0.000000	0.000000	Not App.
A	1991	0.000000	0.000000	Not App.
A	1992	0.000000	0.000000	Not App.
A	1993	0.000000	0.000000	Not App.
A	1994	0.000000	0.000000	Not App.
A	1995	0.000000	0.000000	Not App.
A	1996	0.000000	0.000000	Not App.
A	1997	0.000000	0.000000	Not App.
A	1998	0.000000	0.000000	Not App.
A	1999	0.000000	0.000000	Not App.
A	2000	1.894704	1.894704	Not App.
A	2001	3.503427	3.503427	84.91%
A	2002	2.906263	2.906263	-17.05%
A	2003	3.532056	3.532056	21.53%
A	2004	3.292659	3.292659	-6.78%
A	2005	3.370263	3.370263	2.36%
A	2006	3.813495	3.813495	13.15%
F	2007	3.814000	3.814000	0.01%
F	2008	3.827000	3.827000	0.34%
F	2009	3.811000	3.811000	-0.42%