

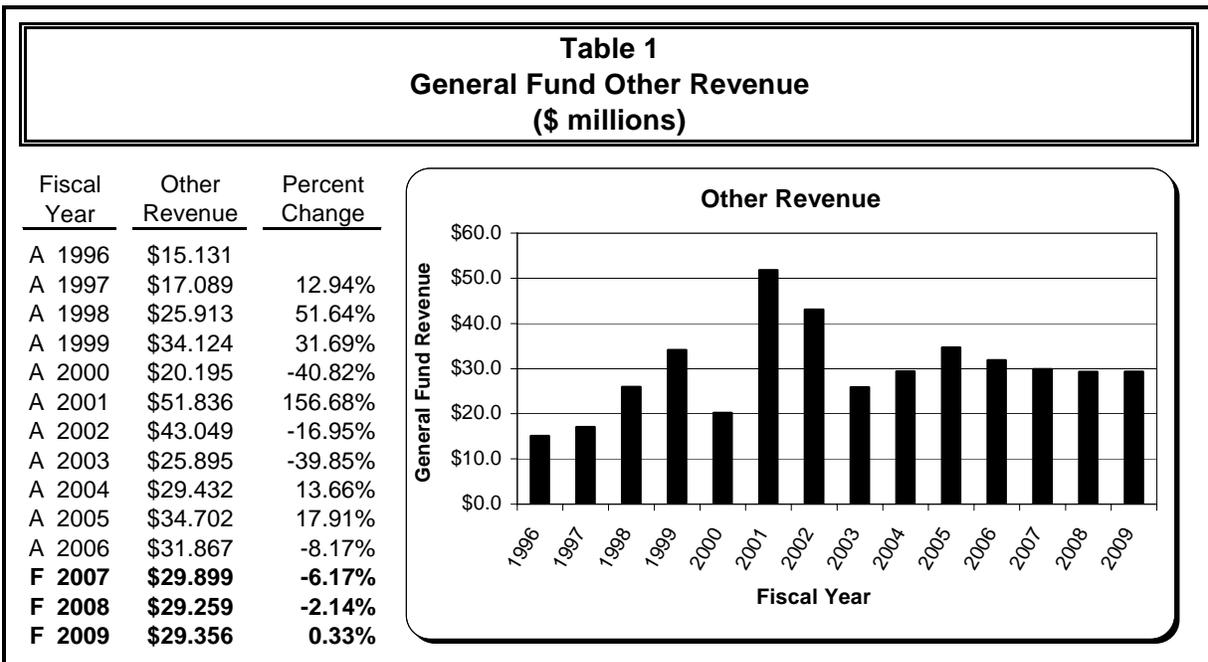
GENERAL FUND OTHER REVENUE

Revenue Description

Other revenue represents the sources of general fund revenue that do not have an individual line item in the revenue estimating resolution. Items included in other revenue have general fund revenue of around \$2 million or less. Other revenue also includes one-time revenue that is often greater than \$2 million.

Historical and Projected Revenue

Table 1 shows actual general fund other revenue from FY 1996 through FY 2006 and forecast revenue for FY 2007 through FY 2009.



Other revenue varies largely across years, primarily because it includes reimbursements for the costs of fighting forest fires. Reimbursements were significantly higher than normal in FY 2001 and FY 2002, causing the spike in general fund revenue.

One-time revenue also causes large variations. Revenue increased \$3.5 million in FY 2004, primarily because of settlements with the State Auditor's Office. Other revenue increased \$5.3 million in FY 2005 because of large fire reimbursements and a \$3.7 million one-time transfer. Revenue decreased \$3.235 million in FY 2006 because one-time transfers decreased to \$0.957 million and fire reimbursement was less than in FY 2005. Revenue is forecast to decrease to \$29.899 million FY 2007, to \$29.259 million in FY 2008, and \$29.356 million in FY 2009.

Forecast Methodology and Projection Calculation

The forecast for general fund revenue from other revenue sources is done in five steps.

1. Project general fund revenue from one-time sources of revenue.
2. Project general fund revenue from individual revenue sources that are consistent across years.
3. Project general fund revenue from residual revenue sources that do not fall into the categories 1 and 2.
4. Project general fund revenue from the bentonite production tax.
5. Sum the four projections to forecast total general fund other revenue.

The first step in examining each item is to account for one-time events and changes in the law.

One-Time Revenue

One-time revenue is allocated to the general fund from sources that do not consistently occur. One-time revenue sources can include non-budgeted transfers, large settlements, non-fixed asset residual equity, and appreciation of investment. Table 2 shows actual and projected general fund revenue from one-time revenue sources for FY 2001 through FY 2009. Revenue was exceptionally high in FY 2003 and FY 2005 due to legislation that had one-time impacts. One-time revenue is projected to continue at \$0.700 million from FY 2007 through FY 2009.

Fiscal Year	Total Collections	% Change
A 2001	\$ 0.478	
A 2002	\$ 0.564	17.83%
A 2003	\$ 2.300	308.11%
A 2004	\$ 0.917	-60.13%
A 2005	\$ 4.634	405.36%
A 2006	\$ 0.957	-79.34%
F 2007	\$ 0.700	-26.86%
F 2008	\$ 0.700	0.00%
F 2009	\$ 0.700	0.00%

Large Individual Sources of Revenue

Revenue is projected for individual sources that consistently allocate revenue to the general fund. Collections are projected by examining historical deposits to determine whether there is a trend or other pattern in receipts. Where receipts are growing steadily with population growth, the forecast was based on Global Insight's projected Montana population growth. For some items, variations in past receipts or recent law changes made a trend forecast inappropriate. In some of these cases, revenues through FY 2009 are forecast to be the same as revenues in FY 2006 or are the average of previous years. In other cases, the forecast was based on discussions with agency staff.

Table 3
Large Individual Sources of Other Revenue
(\$ millions)

Component of Estimate	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Fire Reimbursement	\$ 0.612	\$ 0.146	\$ 5.540	\$ 3.535	\$ 0.082	\$ 0.082	\$ 0.082
Abandoned Property	2.373	3.183	3.179	3.310	3.011	3.011	3.011
Clerk of Court Fees	2.667	2.839	3.009	3.108	3.108	3.108	3.108
Vet's Home Transfer	-	1.055	2.893	2.653	2.750	1.739	1.636
Portfolio Transfer	2.036	2.113	2.110	2.234	2.279	2.324	2.371
Vehicle and Driving Records	1.859	1.675	2.111	2.098	2.098	2.098	2.098
SWCAP / SFCAP	1.196	2.215	2.514	1.844	1.714	2.785	2.785
HB 536 Criminal Surcharge	-	-	0.028	1.589	1.589	1.589	1.589
Single State Registration System Fees	1.071	1.067	1.100	1.304	1.043	-	-
MSU / EMC 1992 Refunding Bonds	0.838	0.838	0.833	0.829	0.696	0.694	0.697
Coal Tax Transfers	-	-	0.533	0.550	0.314	-	-
State Auditor - HB 667 Tax Credit Transfer	-	-	-	-	3.349	3.950	3.950
Taylor Grazing	-	-	-	-	0.134	0.134	0.134
Total Large Individual Sources	\$ 12.653	\$ 15.130	\$ 23.852	\$ 23.054	\$ 22.166	\$ 21.515	\$ 21.461

Revenue sources that are consistently large or are changing in the next biennium are included in large individual revenue sources. As shown in Table 3, total revenue from large individual sources is projected to decline yearly from FY 2006 through FY 2009. The individual sources in Table 3 are discussed below.

The \$3.535 million in fire reimbursement in FY 2006 was for fire costs from 2004. Fire reimbursement to the general fund is expected to be \$0.082 million in FY 2007 through FY 2009. The projection is considerably lower than general fund fire reimbursement in the past because in FY 2007 through FY 2009 federal fire reimbursement will be deposited into a federal special revenue account. The remaining reimbursements are from private land owners, and the forecast is the average amount paid by this group since 1980.

The sale of abandoned property is a large source of other revenue. Abandoned property revenue is from financial accounts that have gone dormant and are forwarded to the state. The revenue from abandoned property is projected to be \$3.011 million, which is the average of collections from FY 2003 through FY 2006.

Clerk of court fees were divided between the state and the counties where they were collected prior to HB 124 (2001 Session). HB 124 brought most revenue collected by clerks of courts to the state, beginning in FY 2003. General fund revenue from clerk of court fees is projected to be \$3.108 million, the FY 2006 level, annually for FY 2007 through FY 2009.

The veteran's home transfer is the cigarette tax allocated to the state veteran's home in excess of appropriations. This revenue is forecast using the cigarette tax revenue projections from the Office of Budget and Program Planning (OBPP) and the executive budget appropriation recommendation for the veteran's home. The projected veteran's home transfer is \$2.750 million in FY 2007, \$1.739 million in FY 2008, and \$1.636 million in FY 2009.

The portfolio transfer is revenue from a fee charged to mutual funds managed by licensed dealers. Portfolio transfer revenue deposited in the general fund is projected by the State Auditor's office to increase 2% yearly. The portfolio transfer is projected to be \$2.279 million in FY 2007, \$2.324 million in FY 2008, and \$2.371 million in FY 2009.

Revenue from fees charged for the use of vehicle and driving records is allocated to the general fund. This revenue is consistently around \$2 million annually, and is projected to remain at the FY 2006 amount of \$2.098 million.

The statewide cost allocation plan (SWCAP) is agency payments for centralized services. Through FY 2004, statewide capital costs were recovered through the separate State Funds Cap Recovery (SFCAP) but, beginning in FY 2005, all costs are recovered through a single SWCAP charge. In the 2005 biennium, the Department of Administration temporarily lowered its charges to agencies for debt service for the state accounting system. Payments in FY 2007 are forecast to remain close to the FY 2006 level at \$1.714. SWCAP payments are then going to increase to \$2.785 million for FY 2008 and FY 2009.

The HB 536 (2005 Session) criminal surcharge is revenue from fees charged to finance state funding of court information technology. This revenue is projected to stay at the FY 2006 level of \$1.589 million dollars until it terminates at the end of FY 2009.

Single state registration system fees are charged to vehicles subject to reciprocal interstate motor carrier agreements. These fees are paid at the time of registration and are currently deposited in the general fund (61-3-708, MCA), but the general fund will not receive these fees from January 1, 2007 onward. Because this program changes January 1, 2007, the FY 2007 forecast is the same as the revenue collected for the first six months of FY 2006. The Department of Administration projects general fund revenue from MSU/EMC 1992 refunding bonds will decrease to \$0.696 million in FY 2007 and to \$0.694 in FY 2008. It is expected to increase slightly to \$0.697 million in FY 2009.

Coal tax transfers are transfers of un-appropriated fund balance from the coal severance tax local impact account (shared account) to the general fund at fiscal year end. The amount transferred depends upon coal tax revenue and appropriations. Coal tax transfers are projected to be the difference between the OBPP estimate of the shared account and the appropriations for FY 2007. The FY 2007 projection is \$0.314 million, and the coal tax transfers are projected to return to zero in FY 2008 and FY 2009. The forecast for FY 2008 and FY 2009 was made under the assumption that appropriations will match revenue estimates in the next biennium.

The tax credit transfer authorized in HB 667 (2005 Session) is projected at \$3.349 million for FY 2007 and \$3.950 million for FY 2008 through FY 2009. The small business tax credit was paid by the general fund and is being reimbursed from the cigarette tax revenue through the State Auditor's Office.

Fifty-percent of the revenue from Taylor grazing will be deposited to the general fund starting in FY 2007 (17-3-222, MCA). This revenue is to be used for equalization of the elementary BASE funding program. The FY 2007 through FY 2009 projection is \$0.134 million, which is 50% of the Taylor grazing collections in FY 2006.

Total revenue from large individual sources is projected to be \$22.166 million in FY 2007 \$21.515 million in FY2008, and \$21.461 in FY 2009.

Small Individual Sources of Revenue

There are many small sources of revenue that were also forecast individually. These sources are also projected like the larger sources of revenue; they are assessed for law changes and forecast based on trends or discussions with agencies. In FY 2006, there were fifty-two individually forecast small revenue sources. The actual and projected total of small revenue sources is shown in Table 4.

Revenue from the small sources is projected to decrease to \$6.387 million in FY 2007 and \$6.374 in FY 2008. In FY 2009 small source revenue is projected to increase 2.29% to \$6.520 million.

Table 4		
Small Individual Sources of Revenue (\$ millions)		
<u>Fiscal Year</u>	<u>Total Collections</u>	<u>% Change</u>
A 2001	\$ 9.536	
A 2002	\$ 9.342	-2.04%
A 2003	\$ 10.677	14.29%
A 2004	\$ 13.040	22.13%
A 2005	\$ 5.861	-55.05%
A 2006	\$ 6.907	17.84%
F 2007	\$ 6.387	-7.52%
F 2008	\$ 6.374	-0.20%
F 2009	\$ 6.520	2.29%

Revenue Sources Estimated as a Group

Table 5		
Collections from Sources Estimated as a Group (\$ millions)		
<u>Fiscal Year</u>	<u>Total Collections</u>	<u>% Change</u>
A 2001	\$ 0.344	
A 2002	\$ 0.389	13.22%
A 2003	\$ 0.265	-31.88%
A 2004	\$ 0.345	30.08%
A 2005	\$ 0.204	-40.73%
A 2006	\$ 0.445	117.46%
F 2007	\$ 0.332	-25.32%
F 2008	\$ 0.332	0.00%
F 2009	\$ 0.332	0.00%

The general fund revenue that is not classified in one of the three previous groups is estimated as a single group. Table 5 shows actual and projected general fund revenue from these residual revenue sources.

General fund revenue from these residual sources is projected to be \$0.332 million in FY 2007 through FY 2009. This is the average group revenue from FY 2001 through FY 2006.

Bentonite Tax

Bentonite mines in Montana pay a production tax based on the weight of bentonite produced (15-39-101, MCA). Prior to FY 2006, bentonite production was taxed as Class 1 property using a net proceeds tax. SB 276 (2005 Session) eliminated the net proceeds tax and created the current production tax. Revenue is distributed into the state special revenue university 6-mill account, a state special revenue account for distribution to the producing counties, and the general fund. Table 6 shows actual bentonite tax general fund revenue for FY 2006 and forecast revenue for FY 2007 through FY 2009. Bentonite revenue decreases substantially to

Table 6 Bentonite Tax - General Fund (\$ millions)		
Fiscal Year	General Fund	% Change
A 2006	\$0.504	-
F 2007	\$0.314	-37.78%
F 2008	\$0.337	7.47%
F 2009	\$0.342	1.43%

\$0.314 million in FY 2007 because FY 2006 included additional FY 2005 production due to the timing of the tax change. Revenue is projected to increase in FY 2008 to \$0.337 million and in FY 2009 to \$0.342 million. The following tables and discussion explain the estimation method for Bentonite tax revenue.

Production is based on a survey of individual mines. The first 20,000 tons produced in a year are tax exempt. Table 7 shows the total bentonite production less the exempt tonnage.

Table 7 Taxable Bentonite Production (tons millions)				
Fiscal Year	Total Production	Total Exempt Tonnage	=	Taxable Production
A 2006	2.010	- 0.080	=	1.930
F 2007	1.215	- 0.080	=	1.135
F 2008	1.140	- 0.080	=	1.060
F 2009	1.288	- 0.080	=	1.208

Based on the survey, taxable production is expected to decrease to \$1.135 million in FY 2007 because more than one year of production is included in FY 2006. Production is projected to fall to \$1.060 million in FY 2008 and then increase slightly to \$1.208 million in FY 2009.

Table 8 shows bentonite revenue, which is the taxable production multiplied by the average tax rate. The average tax rate varies by year because the actual tax rate is based on each mine's production which changes yearly, so the tax rate varies with production.

Table 8 Bentonite Production Tax Revenue						
Fiscal Year	Taxable Production (tons millions)		Average Tax (\$/ton)	=	Tax (\$ millions)	Percent Change
A 2006	1.930	X	\$1.387	=	\$2.676	-
F 2007	1.135	X	\$1.439	=	\$1.633	(38.98%)
F 2008	1.060	X	\$1.627	=	\$1.724	5.61%
F 2009	1.208	X	\$1.428	=	\$1.724	0.00%

Tax collections are projected to decrease to \$1.633 million in FY 2007 due to more than one year of taxable production in FY 2006. Although production decreases between FY 2007 and FY 2008, the tax collected increases 5.61% to \$1.724 million because of an increase in the average tax rate. Tax collections are projected to remain at \$1.724 million in FY 2009.

There is a royalty tax on bentonite production. Royalties paid by the mines to royalty owners are taxed at a rate of 15%. As shown in Table 9, the royalty tax is added to the production tax for total collections. The royalty payment projection is obtained from the mine survey. Total collections are forecast to decrease to \$1.692 million in FY 2007, and then increase to \$1.794 million in FY 2008 and FY 2009.

Table 9						
Total Bentonite Tax Revenue						
(\$ millions)						
Fiscal Year	Production Tax		Royalty Tax		Total Production and Royalty Tax	Percent Change
A 2006	\$2.676	+	\$0.121	=	\$2.797	
F 2007	\$1.633	+	\$0.059	=	\$1.692	(39.51%)
F 2008	\$1.724	+	\$0.069	=	\$1.794	6.02%
F 2009	\$1.724	+	\$0.070	=	\$1.794	0.04%

The allocation of the tax revenue shown in Table 10 is in accordance with SB 276 (2005 Session).

Table 10				
Bentonite Production and Royalty Tax Revenue Allocation by Fund				
(\$ millions)				
Account	FY 2006 Actual	FY 2007 Projected	FY 2008 Projected	FY 2009 Projected
Distribution to Carter & Carbon Counties	\$2.223	\$1.341	\$1.419	\$1.417
University 6-Mill Account	\$0.064	\$0.037	\$0.037	\$0.035
General Fund ¹	\$0.510	\$0.314	\$0.337	\$0.342
Total Bentonite Production and Royalty Tax	<u>\$2.797</u>	<u>\$1.692</u>	<u>\$1.794</u>	<u>\$1.794</u>

¹General Fund revenue does not match Table 6 or Table 11 due to accrual estimation

The allocation percentages change yearly based on 15-39-110, MCA. Revenue from the bentonite tax allocated to the general fund is considered other revenue because it is a small source of revenue. In FY 2006 the bentonite tax contributed \$0.510 million to the general fund, as shown in Table 10. The general fund portion of bentonite tax revenue is projected to be \$0.314 million in FY 2007, \$0.337 million in FY 2008, and \$0.342 million in FY 2009.

Total Other Revenue

Total other revenue shown in Table 11 is the sum of the items estimated individually, the items estimated as a group, and the bentonite tax.

Table 11							
Total Other Revenue							
(\$ millions)							
Component of Estimate	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
One-Time Revenue	\$2.300	\$0.917	\$4.634	\$0.957	\$0.700	\$0.700	\$0.700
Large Sources of Other Revenue	\$12.653	\$15.130	\$23.852	\$23.054	\$22.166	\$21.515	\$21.461
Small Sources of Other Revenue	\$10.677	\$13.040	\$5.861	\$6.907	\$6.387	\$6.374	\$6.520
Revenue Items Estimated As a Group	\$0.265	\$0.345	\$0.204	\$0.445	\$0.332	\$0.332	\$0.332
Bentonite Tax	\$0.000	\$0.000	\$0.000	\$0.504	\$0.314	\$0.337	\$0.342
Total Other Revenue	<u>\$25.895</u>	<u>\$29.432</u>	<u>\$34.551</u>	<u>\$31.867</u>	<u>\$29.899</u>	<u>\$29.259</u>	<u>\$29.356</u>

General fund revenue from other revenue sources is projected to be \$29.899 million in FY 2007, \$29.259 million in FY 2008, and \$29.356 million in FY 2009.

Data Sources

Historical receipts are from SABHRS. Information on changes in revenues and projections of future revenue are from state agencies, fiscal notes from previous legislative sessions, and information contained in OBPP budget analyses and other reports produced by the Legislative Fiscal Division.