



GOVERNOR
BRIAN SCHWEITZER

STATE OF MONTANA

OTHER GENERAL FUND REVENUE SECTION 9

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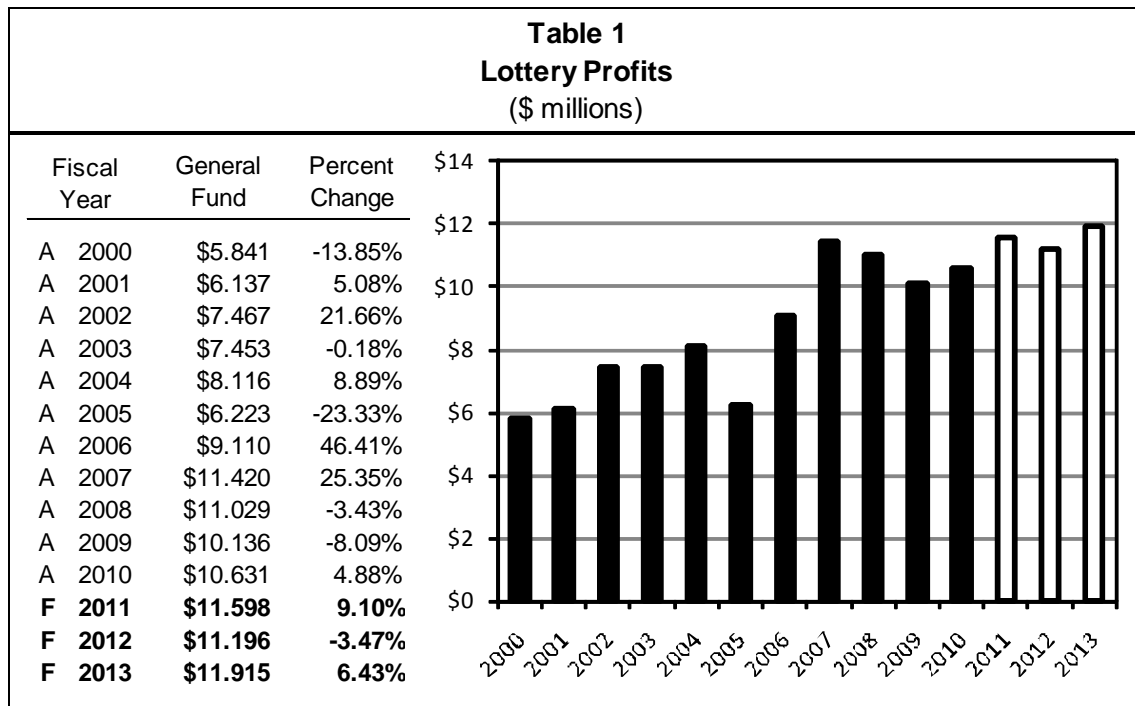


GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Revenue Description

In accordance with 23-7-402, MCA, net revenue from the operation of the lottery is to be deposited quarterly in the general fund. Net revenue from the lottery includes the sum of ticket sales, short-term investment pool (STIP) and Multi-State Lottery Association interest and miscellaneous income, less payment of prizes, commissions, and operating expenses.

Table 1 shows actual lottery revenue transferred to the general fund for FY 2000 to FY 2010 and forecasted revenues for FY 2011 through FY 2013.



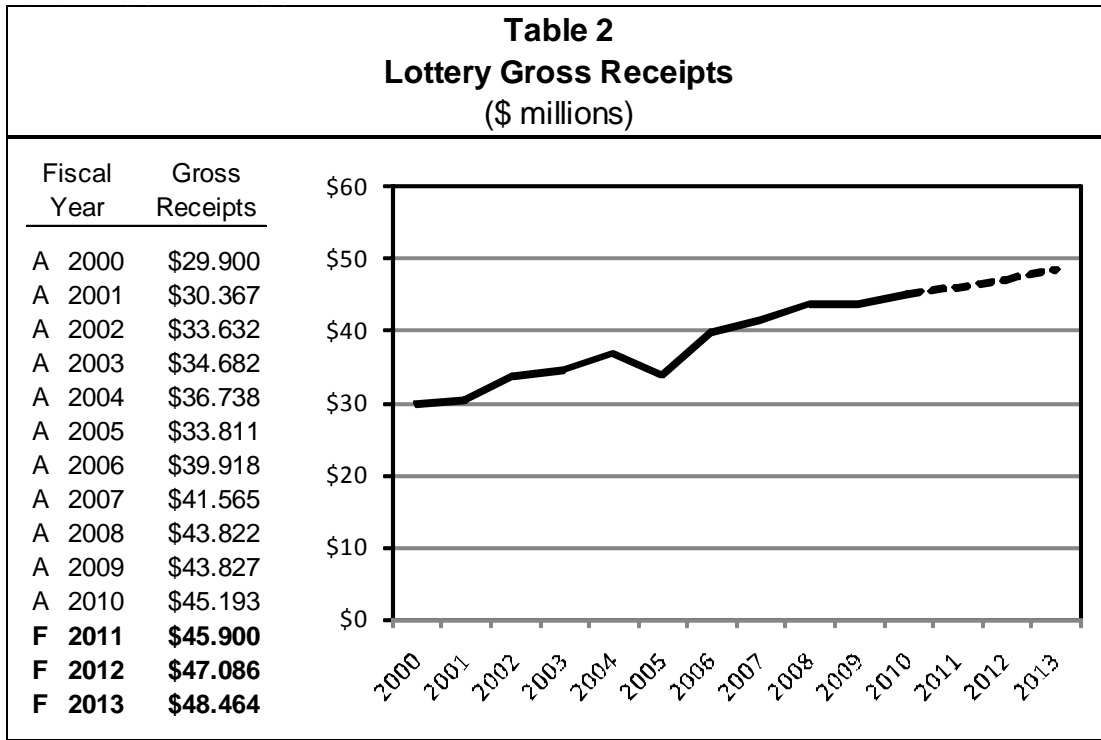
Lower than usual Powerball jackpots are the main reason for the large decrease in revenues from FY 2004 to FY 2005. Beginning in FY 2006 the chances of winning the Powerball were decreased in order to increase the jackpot levels, and this increased player participation for FY 2006 and FY 2007. In FY 2008 lottery sales continued to rise, however, lottery expenses rose slightly faster resulting in a net decrease to the general fund.

Forecast Methodology

Lottery revenue is forecast in three main steps:

Step 1. Forecast the amount of prizes and commissions paid out for the gross receipts.

Table 2 shows actual gross receipts for FY 2000 through FY 2010, and forecast receipts for FY 2011 through FY 2013.



Step 2. The prizes and commissions are estimated as a percentage of gross receipts. There is a clear upward trend in gross receipts. A statistical regression is used to forecast gross receipts for FY 2011 through FY 2013.

Table 3 shows actual prizes and commission, the ratio of prizes and commission to gross receipts for FY 2000 through FY 2010, and forecast values for FY 2011 through FY 2013.

Table 3
Prizes and Commissions
(\$ millions)

Fiscal Year	Gross Receipts	Prizes and Comm.	% of Gross Receipts
A 2000	\$29.900 ÷	\$17.321 =	57.93%
A 2001	\$30.367 ÷	\$17.462 =	57.50%
A 2002	\$33.632 ÷	\$19.277 =	57.32%
A 2003	\$34.682 ÷	\$19.599 =	56.51%
A 2004	\$36.738 ÷	\$20.771 =	56.54%
A 2005	\$33.811 ÷	\$19.769 =	58.47%
A 2006	\$39.918 ÷	\$23.056 =	57.76%
A 2007	\$41.565 ÷	\$23.886 =	57.47%
A 2008	\$43.822 ÷	\$25.403 =	57.97%
A 2009	\$43.827 ÷	\$25.598 =	58.41%
A 2010	\$45.193 ÷	\$25.941 =	57.40%
F 2011	\$45.900 ÷	\$26.425 =	57.57%
F 2012	\$47.086 ÷	\$27.107 =	57.57%
F 2013	\$48.464 ÷	\$27.901 =	57.57%

Step 3. Deduct budgeted operating expenses. Operating expenses and other revenue are forecast, and the pieces are added together to yield the general fund revenue. There were abnormally large levels of depreciation and amortization in past years, which has declined in recent years. It is forecast that these values will remain at the FY 2010 levels in the future.

Table 4						
Total General Fund Revenue						
(\$ millions)						
Fiscal Year	Gross Receipts	Other Income	Prizes & Comm.	Expenses	General Fund Revenue	
A 2009	\$43.827	+	\$0.084	-	\$25.598	- \$8.177 = \$10.136
A 2010	\$45.193	+	\$0.038	-	\$25.941	- \$8.659 = \$10.631
F 2011	\$45.900	+	\$0.038	-	\$26.425	- \$7.915 = \$11.598
F 2012	\$47.086	+	\$0.038	-	\$27.107	- \$8.821 = \$11.196
F 2013	\$48.464	+	\$0.038	-	\$27.901	- \$8.686 = \$11.915

There is a small portion of other revenue, mainly attributable to the short-term interest earnings of prize money. Other revenue is calculated to remain at the FY 2010 levels for FY 2011 through FY 2013.

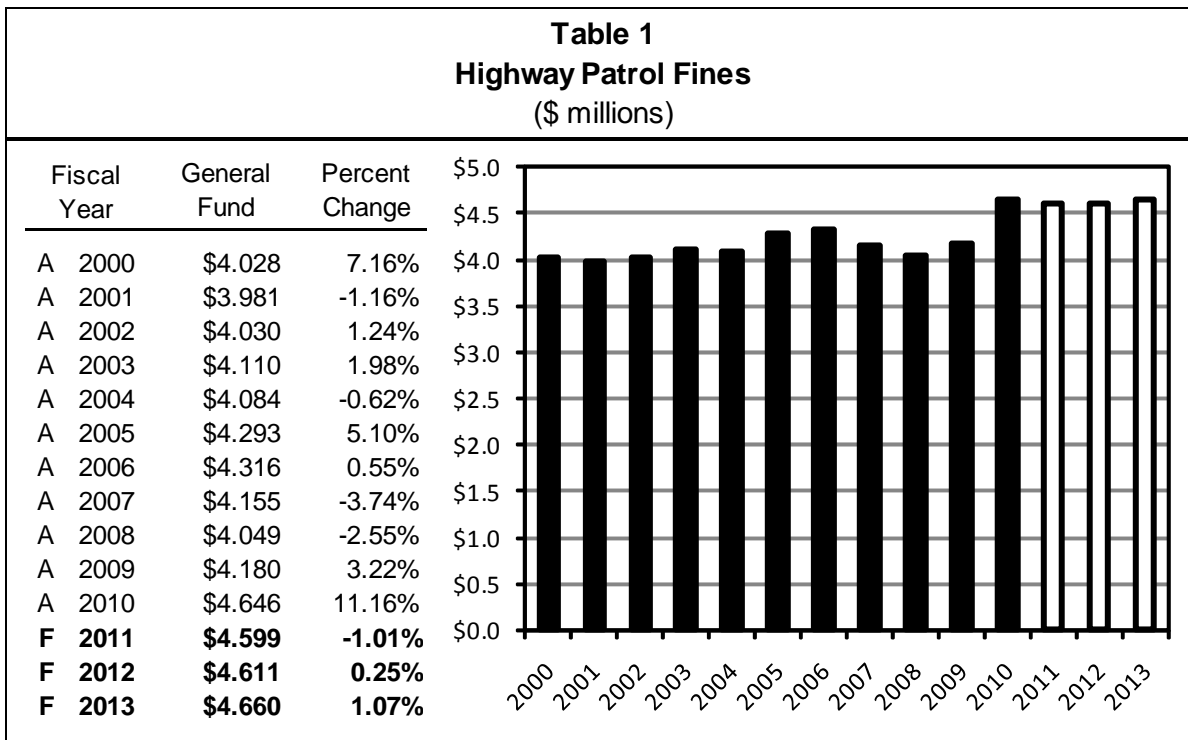
Data Sources

Fiscal year-end revenues were obtained from SABHRS MTGL0109 report, and other lottery figures were provided by the Montana State Lottery and through the web site, <http://www.montanalottery.com/annualreports.xsp>.

Revenue Description

Highway patrol fines are provided for in Title 61, Chapter 8, parts 3 and 7, MCA. Citation fines are collected in justice courts. Highway patrol fines are distributed 50% to the county general fund and 50% to the state general fund, pursuant to 3-10-601, MCA. One-hundred percent of fines resulting from highway patrol officer stops for highway use or vehicle violations processed in any other court are paid into the state general fund (61-12-701, MCA).

Table 1 shows general fund revenue from highway patrol fines for FY 2000 through FY 2010 and forecast revenue for FY 2011 through FY 2013.



The table shows that fine collections demonstrate occasional sharp increases (FY 2000 and FY 2005) followed by several years of modest growth or decline. Recent declines in revenue are attributable to the combined effects of higher fuel prices and the 2005 Legislative Session SB 264 (anti-quota bill) introduced highway patrol officer management changes. Highway patrol fine collections are forecast to gradually increase.

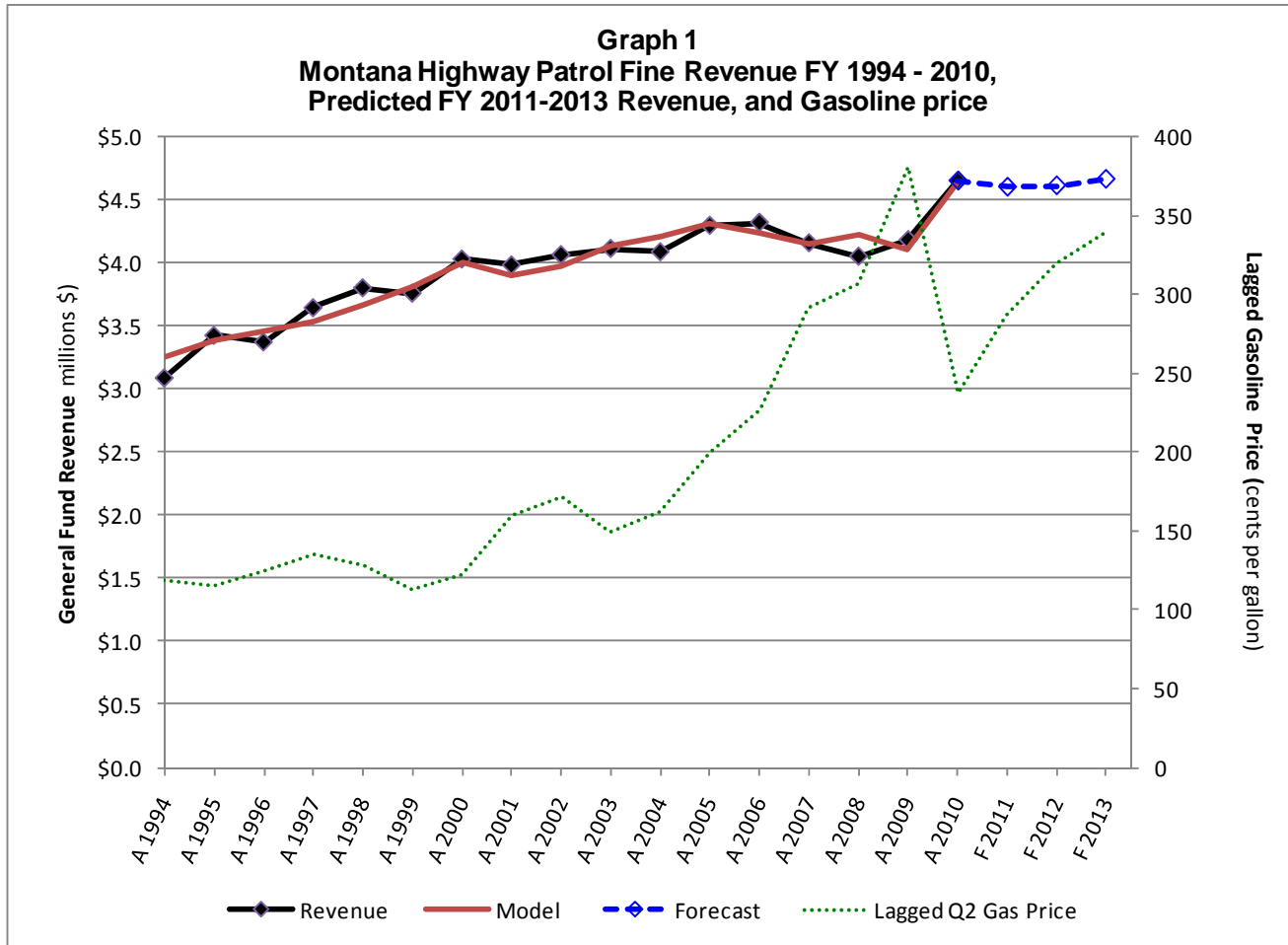
Risks and Significant Factors

- Significant revenue peaks are attributable to major legislative changes. Specifically, FY 2000 revenues increased following the reintroduction of numerical speed limits. In FY 2005, implementation of HB 195 (2003 session) penalties for driving under the influence (DUI) and (SB 13) lower legal blood alcohol thresholds, generated revenue increases.
- Prior to FY 2006, a simple time trend analysis of revenue collected would produce good estimates. Revenue declined in FY 2007 and FY 2008 despite legislation thought to lead to increased revenue collections.
- Enforcement effort was maintained despite the impact of gasoline prices as reports show patrol miles driven in recent years have increased or been maintained.
- Recent decreases in collections appear to be related to increases in gasoline prices and lowered highway traffic volumes. Recent increases in revenue appear to follow decreasing fuel prices.

Forecast Methodology

The estimate is based on a regression model that forecasts revenue based on time trend, and actual and forecast 2nd quarter (spring) gasoline prices lagged one year. There are adjustments for legislation in FY 2000 and FY 2005. Including gasoline prices in the model improved the model fit and accounted for recent declines and increased revenue.

The model fit and forecast is presented in Graph 1. The graph illustrates that revenues tend to increase over time, but slow (or decrease) when gasoline prices rise rapidly.



Distribution

All highway patrol fines received by the state are directed to the general fund.

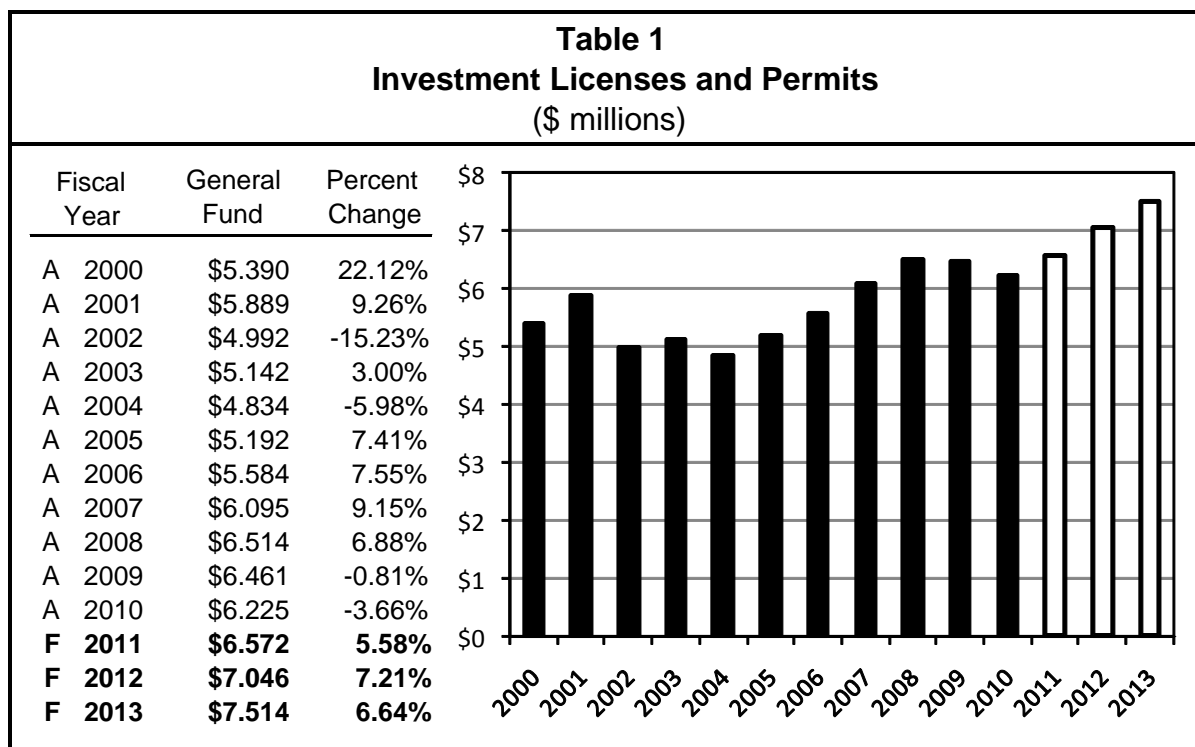
Data Sources

SABHRS provided historical tax revenue. Highway Patrol headquarters staff provided information on trooper management changes, and fiscal year operations reports. Gasoline prices and forecast were obtained from the IHS Global Insight October 2010 national forecast.

Revenue Description

Individuals and firms who plan to sell securities in Montana must register with the State Auditor and pay fees as specified in 33-10-209, MCA. The fee to register as a broker-dealer or investment advisor is \$200 a year. The fee for salespersons and representatives working for a broker-dealer or investment advisor is \$50.

Newly issued securities not regulated at the federal level, or traded on regulated or self-regulating exchanges, or otherwise exempt from state regulation, must be registered with the State Auditor's Office (SAO). The first year registration fees are \$200 plus 0.1% of the issue value over \$100,000, up to a maximum fee of \$1,000. In succeeding years, the registration may be renewed for a fee of 0.1% of the value of securities to be offered that year with a minimum fee of \$200 and a maximum fee of \$1,000



Risks and Significant Factors

- Despite an increase in market volatility and a decline in financial sector jobs, securities brokers-dealers and their sales representatives continue to register to do business in Montana in increasing numbers. This is thought to be precautionary registration to avoid unlicensed securities dealing. This trend may end.
- Legislative Audit Division recommendations has the SAO applying securities fees by the (sub) class of securities offered, not simply the value of the aggregated securities on offer. This is estimated by the Securities Division to increase fees by \$750,000 per calendar year, starting on January 1, 2011. These changes have been incorporated into this estimate. In early 2004, the SAO unsuccessfully attempted to implement this interpretation of the law.
- Most Montana registered securities agents and sales representatives are not state residents.
- Mandatory, standardized, nationwide electronic registration of securities broker-dealer firms, securities sales representatives, investment advisors and investment advisors sales representatives through the Financial Industry Regulatory Authority (FINRA) became effective in January 2003. This registration appears to have accelerated revenue growth during the FY 1997 to FY 2004 period. Since FY 2005, revenues have more

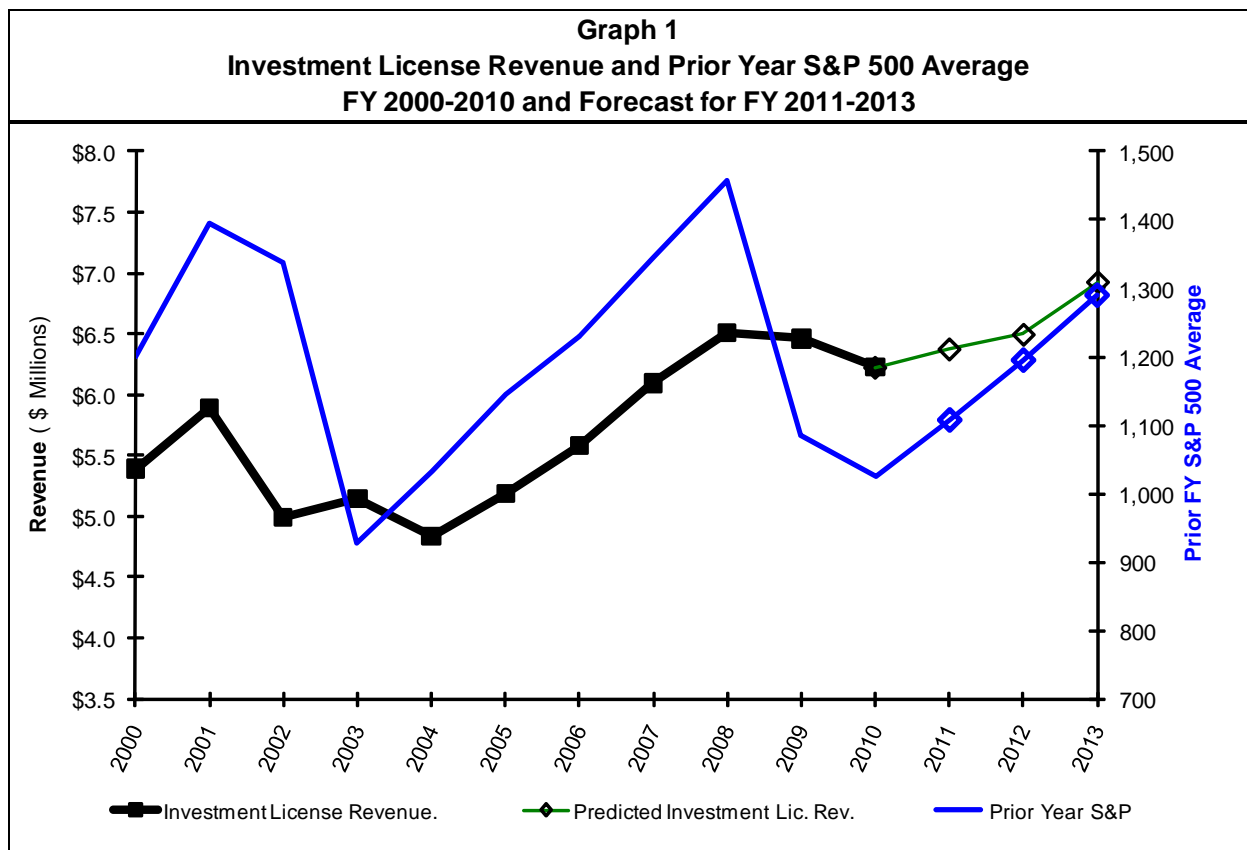
closely tracked nationwide employment in the finance and insurance sector trend and the Standard & Poor's 500 (S&P 500) index.

Forecast Methodology

Step 1. Insurance license and permit revenue is estimated using a regression model of national employment in the financial and insurance sector, prior fiscal year performance of the S&P 500 index, with adjustments for transition to the mandatory nationwide standardized electronic registration of securities brokers and dealers since 2003.

Step 2. The projections are anchored to the Global Insight forecasts of employment in the national financial and insurance sector, and the S&P 500 index.

The model fit and forecast are presented in Graph 1. The graph shows that revenues move in concordance with financial markets.



Data Sources

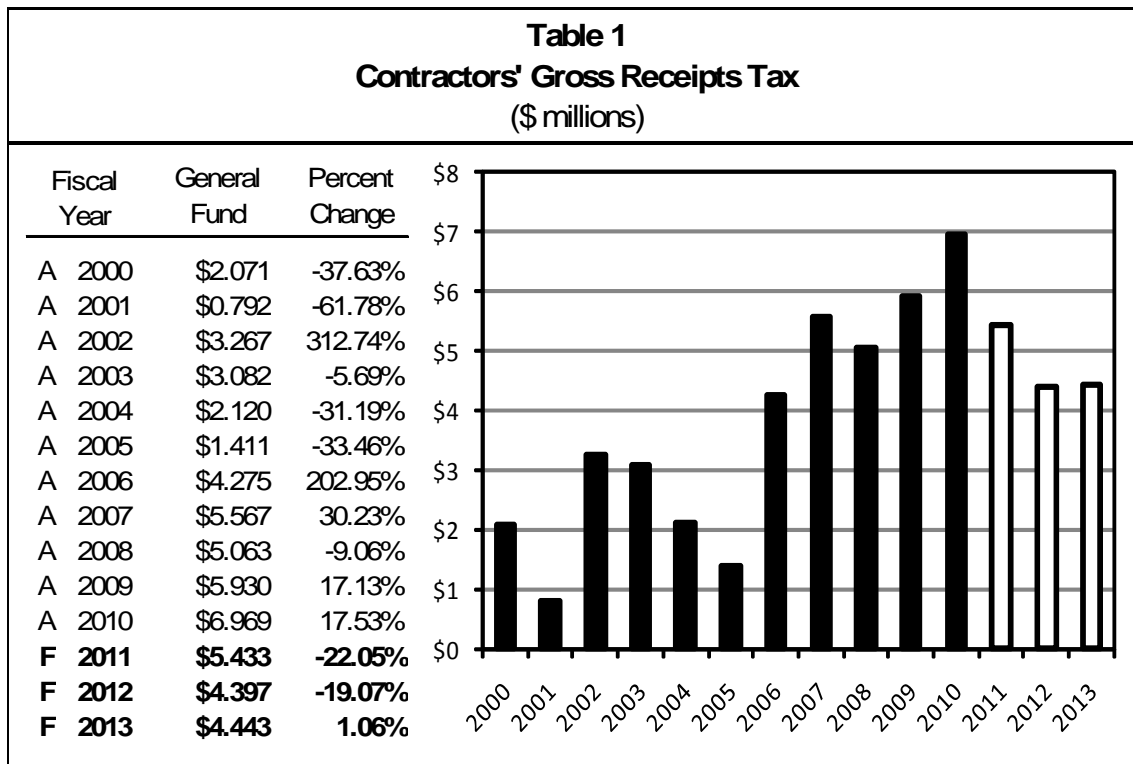
Historical tax revenue is extracted from SABHRS. The Securities Department of the State Auditor's Office provided information on law changes, counts of securities broker-dealers, securities sales representatives, investment advisors, and investment advisor sales representative registrations. The S&P 500 stock index and forecast is from the Global Insight October 2010 national forecast.

Revenue Description

In accordance with 15-50-205, MCA, a 1% tax is assessed on the gross receipts contractors receive for construction work within the state for federal, state, or local governments. Contractors may use the amount of gross receipts tax paid as an offset or credit against either their corporation license tax or their individual income tax. In addition, any personal property taxes paid on property located within Montana and used in the contractor's business may be used to obtain a refund of contractors' gross receipts taxes paid. Any tax not credited or refunded is allocated to the general fund.

Table 1 shows general fund revenue from the contractor's gross receipts tax. General fund revenue increased, by large amounts in FY 2009 and FY 2010. This is believed to be due to the passage of the America Recovery and Reinvestment Act, also known as the Federal Stimulus. As the stimulus money runs out, it is estimated general fund revenue will decrease in FY 2011 and FY 2012.

SB 323 (2005 session) allows public contractors to carry forward individual income or corporate license tax credits for up to five years; this change appears to have an unexpectedly low fiscal impact.



Risks and Significant Factors

- Some of the variation in revenue is largely the result of refund processing fluctuations. Due to administrative and technological changes, backlogs of refunds accumulated in fiscal years 1999, 2002, 2003, and 2006. The high gross receipts of FY 2007 resulted in increased revenue despite the large number of refunds processed. Following the completion of administrative changes in FY 2006 and the processing of the ensuing backlog through FY 2008, the Department of Revenue (DOR) expects all future backlog amounts will be processed in the following year. This should nearly eliminate revenue fluctuations due to processing.
- Federal contracts are taxable, and if federal dollars were to decrease, then public contractors' gross receipts revenue is also likely to decrease.

Forecast Methodology

There are three steps in calculating public contractor's gross receipts tax revenue:

Step 1. Estimate gross tax receipts based on the expected volume of public contracts. Montana Department of Transportation (MDT) contracts are estimated based on the budget prepared by OBPP. Other contractor payments historically fluctuate; therefore, other contractor payments for FY 2011 are the average payments in FY 2009 and FY 2010. Payments for FY 2012 and FY 2013 are estimated using the average of FY 2002 through FY 2008, because of the stimulus money being spent, and then indexed for inflation.

Step 2. Forecast total tax credits and refunds. The ratio of credits and refunds to the total gross receipts for FY 2002 to FY 2010 is used to forecast credits and refunds for FY 2011 through FY 2013.

Step 3. Calculate the tax liability. Subtract the credits and refunds to obtain the general fund revenue.

Table 2 shows actual gross receipts from MDT, other contractors' gross receipts, credits and refunds, the general fund estimate from FY 2002 through FY 2010 and forecast values for FY 2011 through FY 2013.

Fiscal Year	MDT	Other	Credits and Refunds	General Fund
A 2002	\$217.23	\$288.11	(\$1.79)	\$3.27
A 2003	\$226.11	\$344.53	(\$2.62)	\$3.08
A 2004	\$241.63	\$358.78	(\$3.88)	\$2.12
A 2005	\$239.25	\$335.96	(\$4.34)	\$1.41
A 2006	\$254.39	\$361.38	(\$1.88)	\$4.27
A 2007	\$262.78	\$570.78	(\$2.77)	\$5.57
A 2008	\$271.91	\$424.51	(\$1.90)	\$5.06
A 2009	\$290.29	\$538.45	(\$2.36)	\$5.93
A 2010	\$327.79	\$560.46	(\$1.91)	\$6.97
F 2011	\$332.06	\$549.45	(\$3.38)	\$5.43
F 2012	\$330.00	\$383.44	(\$2.74)	\$4.40
F 2013	\$330.00	\$390.97	(\$2.77)	\$4.44

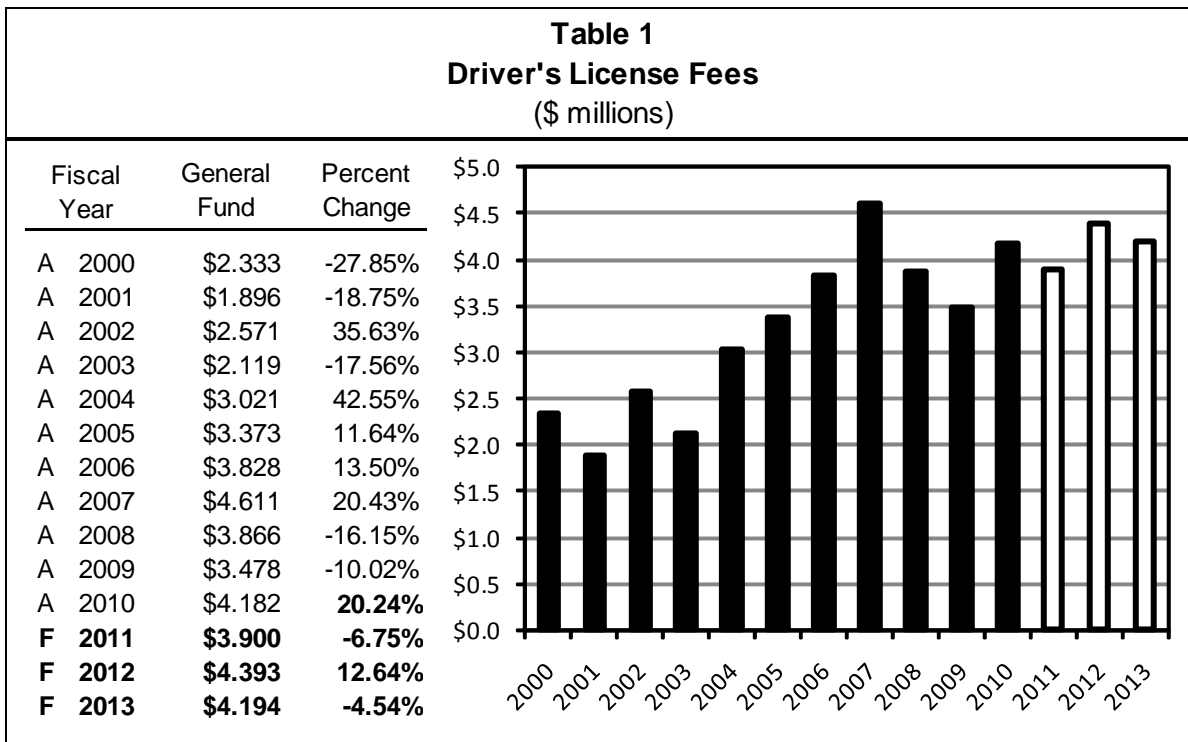
Data Sources

Gross tax receipts, tax credits, property refunds and net general fund collections by month were obtained from DOR and SABHRS. MDT budgeted amounts were obtained from OBPP and inflation estimates are from Global Insight.

Revenue Description

Fees for driver's licenses, commercial driver's licenses, and motorcycle endorsements are set in 61-5-111, MCA. The fee for replacing a lost or destroyed license is set in 61-5-114, MCA. The distribution of revenue from driver's license fees is set in 61-5-121, MCA. Counties retain a small percentage of the fees that they collect.

Table 1 shows general fund revenue from driver's license fees for FY 2000 through FY 2010 and forecast revenue for FY 2011 through FY 2013.



Basic fees for driver's licenses are five dollars per year of validity. Additional fees are charged for motorcycle endorsements (\$0.50 per year). Commercial driver's licenses (\$10 per year for inter-state and \$8.50 per year for intra-state licenses) are valid for a five-year period and include basic driving privileges that run concurrently with the commercial license term. Reduced fees are available to active military personnel for basic driver's licenses and motorcycle endorsements. Replacement licenses are \$10. A \$0.50 renewal notice fee is charged at issue of a license. Most license fees were revised by the 2003 Legislature. Commercial drivers licenses were reduced to 5 years and the fees were revised by HB 192 during the 2005 session. The distribution of fees was corrected by the 2007 Legislature in HB 23.

Risks and Significant Factors

- Revenue swings between fiscal years are principally due to the four-year to eight-year conversion of driver's licenses. While transition rules were put in place to reduce large declines in revenue, peak-to-trough variations grew with fee changes in FY 2003. These fluctuations have persisted throughout the first full eight-year cycle of license renewal which ended in 2007.
- Actual counts of licenses issued by fiscal year, term, and type are not readily available to allow simple modeling of expected revenue. Past license issuance is determined by dividing collections by license type by the likely weighted age-adjusted average licensing fees, reported in SABHRS.
- First year restrictions for drivers 18 years of age and under, beginning in FY 2006 have lengthened the transition to full licensure and reduced the number of drivers 16 and under. However, data from the Motor

Vehicles Division suggests that by age 17, the proportion of 17 year olds with licenses is likely to be equal to that of the recent past and has not materially reduced driver's license revenue.

Forecast Methodology

Forecasting general fund driver's license fee revenue:

- Step 1.** Calculate the number of licenses by term by aging historical counts of the driving population.
- Step 2.** Calculate the average licensing fee for basic licenses. Apply statutory fees to the distribution of licensed drivers at renewal age, by license term, to calculate the weighted average driver's license fee by fiscal year.
- Step 3.** Estimate the number of driver's licenses issued. The apparent number of driver's licenses issued each fiscal year from 2000 through 2008 by dividing the SABHRS reported total basic driver's license collections by the average fees.
- Step 4.** Forecast number of licenses to be issued. Based on the average of the prior seventh and eighth year of the licensing cycle project fiscal year issuance of basic driver's licenses, adjust for growth in driving age population.
- Step 5.** Estimate total basic driver's license revenue. Multiply projected driver's licenses by expected fees.

The results of Steps 1 through 5 are summarized in Table 2.

Fiscal Year	Standard Driver's License Fees	Age Adj. Average Fee	Base Driver Growth	Estimated Number of Licenses	Forecast Std. License Fees
A 2000	\$3,307,555	÷ \$25.56		= 129,398	
A 2001	\$2,346,197	÷ \$25.53		= 91,910	
A 2002	\$3,806,557	÷ \$25.59		= 148,775	
A 2003	\$2,863,413	÷ \$25.70		= 111,408	
A 2004	\$4,092,825	÷ \$30.64		= 133,589	
A 2005	\$4,675,055	÷ \$32.21		= 145,146	
A 2006	\$3,899,811	÷ \$32.25		= 120,931	
A 2007	\$4,764,769	÷ \$32.49		= 146,656	
A 2008	\$3,961,623	÷ \$32.58		= 121,604	
A 2009	\$3,542,739	÷ \$32.38		= 109,417	
A 2010	\$4,238,408	÷ \$32.31		= 131,163	
F 2011		\$32.27	x 100.7%	x 122,499	= \$3,982,369
F 2012		\$32.19	x 100.8%	x 139,368	= \$4,485,612
F 2013		\$32.19	x 100.8%	x 133,039	= \$4,282,128

- Step 6.** Estimate revenue from other licenses. Commercial driver's license, motorcycle endorsement, and replacement license revenue is projected based on their respective five-year weighted average proportion, relative to basic driver's license revenue. These estimates are reported in Table 3. Because counties retain a small portion of the driver's license fee when they issue driver's licenses on behalf of the Motor Vehicles Division, and this retention is not reported in SABHRS, the amount is calculated and added back to the base collections.

Table 3							
Driver's License Total Revenue by Fee Type							
(\$ millions)							
Fiscal Year	Basic Driver's Licenses	Commercial Licenses	Motorcycle Endorsements	Replacement Licenses	Renewal Fee	License Revenue	Estimate of county Retention
A 2006	\$3.900	\$0.429	\$0.033	\$0.351	\$0.058	\$4.770	\$0.012
A 2007	\$4.765	\$0.548	\$0.051	\$0.324	\$0.071	\$5.759	\$0.013
A 2008	\$3.962	\$0.438	\$0.039	\$0.326	\$0.058	\$4.822	\$0.011
A 2009	\$3.543	\$0.384	\$0.035	\$0.320	\$0.054	\$4.335	\$0.010
A 2010	\$4.238	\$0.529	\$0.050	\$0.309	\$0.065	\$5.192	\$0.013
Relative Proportion							
A 2006	1.000	0.110	0.009	0.090	0.015	1.223	0.0030
A 2007	1.000	0.115	0.011	0.068	0.015	1.209	0.0027
A 2008	1.000	0.110	0.010	0.082	0.015	1.217	0.0028
A 2009	1.000	0.108	0.010	0.090	0.015	1.224	0.0028
A 2010	1.000	0.125	0.012	0.073	0.015	1.225	0.0031
Wt. Avg. Proportion		0.114	0.010	0.080	0.015	1.219	0.0029
Revenue by License Type							
F 2011	\$3.982	\$0.454	\$0.041	\$0.318	\$0.060	\$4.855	\$0.012
F 2012	\$4.486	\$0.512	\$0.046	\$0.358	\$0.067	\$5.468	\$0.013
F 2013	\$4.282	\$0.488	\$0.044	\$0.342	\$0.064	\$5.220	\$0.012

Step 7. Allocate statutory distributions of revenue to the state traffic education and state motorcycle safety accounts, by type of licensing revenue. The remainder is distributed to county or state general funds. The basis for distributing fees for each license is shown in Table 4 as set by 61-5-121, MCA.

Table 4				
Driver's License Fee Allocation				
	Basic Driver's License	Commercial Licenses	Motorcycle Endorsement	Replacement License
State General Fund (remainder)	76.80%	80.56%	33.20%	87.50%
State or County General Fund ¹	2.50%	2.50%	3.34%	3.75%
Traffic Safety Education	20.70%	16.94%	0.00%	8.75%
Motorcycle Safety Training	0.00%	0.00%	63.46%	0.00%
	100.00%	100.00%	100.00%	100.00%

¹ County general fund receives the distribution if the license is issued at a county office (vs. a MVD office).

The estimates from the bottom of Table 3 are multiplied by the corresponding distribution percentage listed in Table 4 to estimate driver's license receipts allocated to the state special revenue accounts and to the state general fund. Counties only receive their distribution if they issue the license. Only a small portion of total collections is directed to the county general fund (approximately 0.250% in FY 2010). Based on SABHRS data, less than 10% of all licenses are issued by counties. The state special revenue and general fund estimates presented in Table 5 have been adjusted for the share of licenses issued at county offices. The general fund portion is also presented in Table 1.

Fiscal Year	General Fund	Traffic Safety Education	Motorcycle Safety Training	Total
A 2010	\$4.182	\$0.979	\$0.031	\$5.192
F 2011	\$3.900	\$0.929	\$0.026	\$4.855
F 2012	\$4.393	\$1.047	\$0.029	\$5.468
F 2013	\$4.194	\$0.999	\$0.028	\$5.220

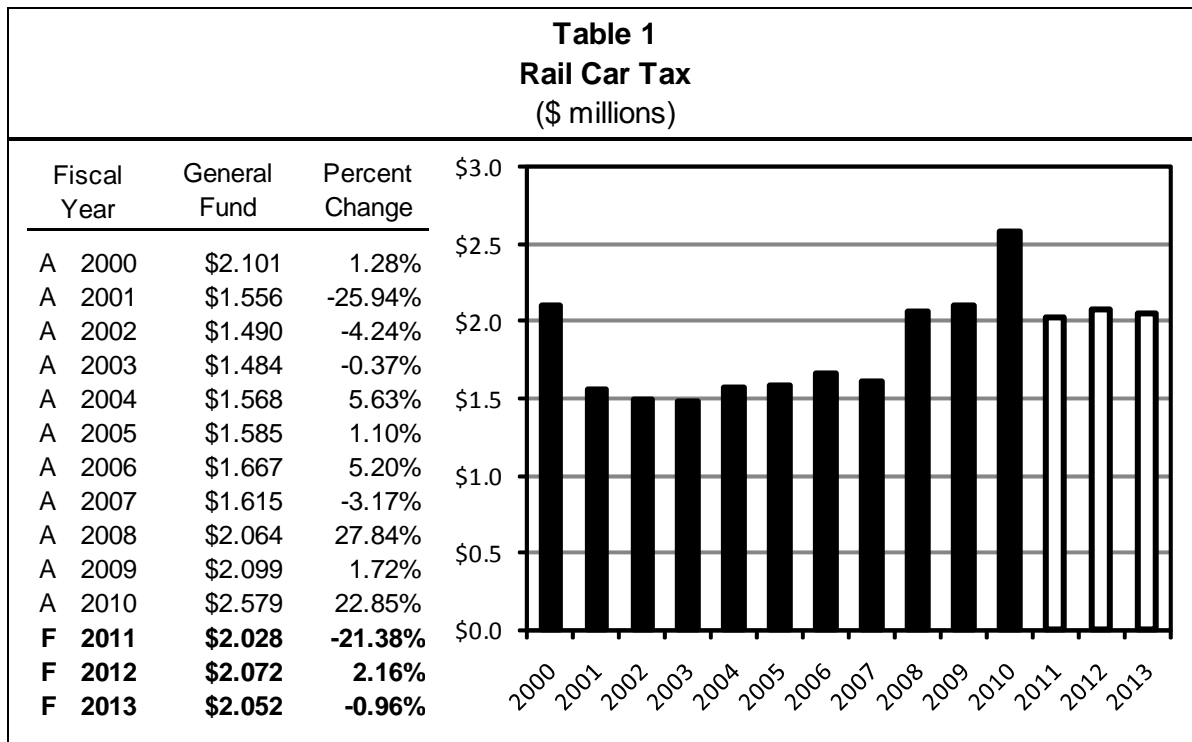
Data Sources

SABHRS provided historical tax revenue data. State licensed drivers, by age group, from FY 1996 through FY 2005 are from the Federal Highway Administration website, based on FHWA – 562 submissions by the state. The FHWA form 562 reports for FY 2006 through FY 2008 were provided by the Motor Vehicles Division of the Department of Justice. FY 2009 and FY 2010 are estimated from SABHRS revenue collections. Population estimates are from Global Insight.

Revenue Description

15-23-101, MCA, provides for the central assessment of rail car companies' operating properties. The tax is computed by multiplying the taxable value of Montana property by the average statewide mill levy for commercial and industrial property defined in 15-23-211, MCA.

Table 1 shows actual general fund revenue from the rail car tax for FY 2000 through FY 2010 and forecast for FY 2011 through FY 2013.



Risks and Significant Factors

- A slow national economic recovery will change rail car traffic patterns. This is evidenced by the reduction in the number of parked rail cars on Montana sidings; this will lower the Montana allocation of the national rail car fleet. Rail car company billings for FY 2011 reflect this change. These reductions may continue.
- Reduced commercial and industrial property growth may raise statewide average commercial and industrial mill rates more than anticipated, increasing state general fund rail car tax revenue.
- Because tax year (TY) 2010 tax liabilities have been calculated by the Department of Revenue for the Montana allocated value, class 12 tax rate and statewide commercial and industrial mills are known for FY 2011.
- Higher general fund collections in FY 2000 are a product of settlements with rail car companies for back taxes. HB 128, HB 174, SB 111, and SB 200, passed during the 1999 legislative session, decreased the class 12 tax rate, causing a decline in revenue in FY 2001
- Trend mill growth is expected to resume in FY 2012 but is offset by a declining Class 12 tax rate.

Forecast Methodology

Step 1. Forecast the allocated market value of rail car companies operating in Montana. The Montana allocated market value of rail cars is expected to resume its slow (outlier adjusted) trend growth rate as average car transit times fall to normal rates, parked rail cars are brought into service, and fewer cars pay (higher) default rates.

Step 2. Apply the estimates of class 12 tax rates developed as part of the property tax estimate. The rate incorporates the effective weighted average of the tax rates that apply to all commercial and industrial property statewide. A modest reduction in the tax rate is anticipated over the forecast period.

Step 3. Estimate the average statewide mill levy for commercial and industrial property. The mill rates that apply to rail car property have dropped as local mills “floated” down with the initial effects of reappraisal incorporated into the rail car tax formula (rail car taxes are lagged one year from property tax). Mills are expected to grow at trend rates in the future

Step 4. Calculate general fund revenue. Table 2 presents the forecast of allocated market value, Class 12 tax rate, the estimated statewide average commercial and industrial property mill levy, and the resulting general fund tax revenue forecast. Rail car tax collections hold essentially level at just over \$2 million over the forecast period.

Description	FY 2010 Actual	FY 2011 Billed	FY 2012 Projected	FY 2013 Projected
Total Montana Allocated Value	\$144.031	\$115.455	\$115.983	\$116.510
Multiplied by Class 12 Tax Rate	3.45%	3.40%	3.42%	3.34%
Taxable Value	\$4.969	\$3.920	\$3.967	\$3.891
Multiplied by Mill Levy	524.81	517.31	522.28	527.25
General Fund Revenue	\$2.608	\$2.028	\$2.072	\$2.052

Distribution

The general fund receives 100% of rail car tax revenue.

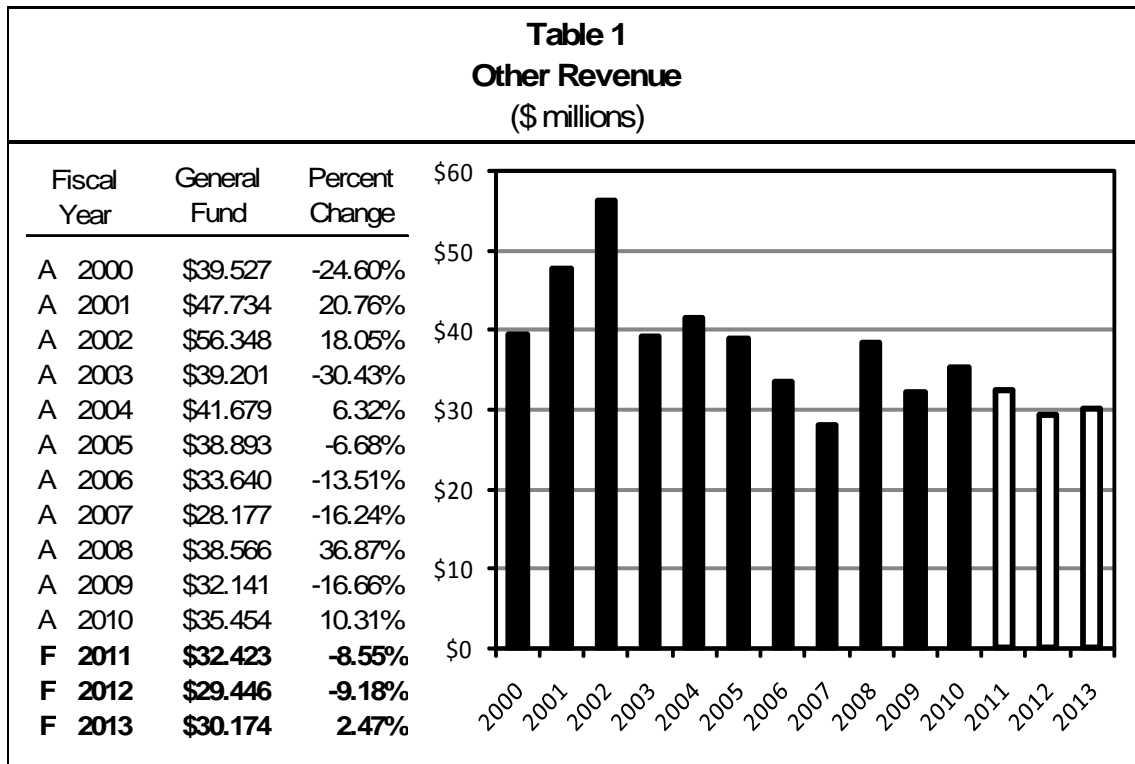
Data Sources

Historical tax revenue is from SABHRS. The summary rail car tax database (TY 2003 – TY 2010), class 12 tax rates for TY 2003 –TY 2010, and statewide average commercial and industrial mill levies for TY 2003 – TY 2010 were provided by the Department of 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” generate general fund revenue of about \$2 million or less. Other revenue also includes one-time revenue. These one-time revenue have been as large as \$8 million as was the case in FY 2008.

Table 1 shows actual general fund other revenue from FY 2000 through FY 2010 and forecast revenue for FY 2011 through FY 2013.



The Montana estate tax was repealed by the passage of Legislative Referendum 116 in 2000, and does not apply for deaths occurring on or after January 1, 2001. Although Montana voters have repealed the inheritance tax and federal law has eliminated the estate tax, the Department of Revenue still collects inheritance and estate tax revenue from unsettled estates of deaths before both taxes were eliminated. All estate and inheritance tax revenue is deposited in the general fund. In the past the estate tax was a much larger revenue source, however this source is not likely to be a significant portion of general fund revenue in the future.

Risks and Significant Factors

- State legislative and national congressional action may have a significant impact on “other revenue”.
- Many small variances over a large number of revenue categories may have a significant aggregate effect.

Forecast Methodology and Projection Calculation

The general fund “other revenue” is forecast in four steps:

Step 1. Estimate future one-time revenue.

- Exceptions to one-time revenue include large one-time revenue in FY 2003 and FY 2005 mainly due to legislative action. In FY 2008, the sale of the armory in Missoula for \$3.5 million; unused funds from the *Jobs and Growth Tax Relief Act* totaling \$2.465 million, and HB 4 (May 2007 Special Session) funded \$2.48 million for the Miles City Readiness Center from the long range building fund. The Department of Military Affairs received funding from the federal government, and as a result of specific wording in HB 4, \$2.4 million was returned to the general fund in FY 2008. In FY 2010 there was a large non-budgeted transfer from the Department of Administration for \$0.371 million. However, this transfer was largely overshadowed by a negative \$1.237 million accounting correction made by the Department of Justice related to the implementation of the MERLIN system.

Step 2. Isolate and estimate large sources of other revenue.

- Coal tax transfers are projected to be the difference between the OBPP estimate of the shared account and the appropriations. The forecast was made under the assumption that appropriations will match revenue estimates in the next biennium.
- 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 OBPP and the executive budget appropriation recommendation for the veteran's home.
- The bentonite tax is revenue based on the weight of bentonite production in the state of Montana. Revenue is split between the counties of production, the university system, and the general fund. Bentonite production is estimated to be similar to FY 2009 and FY 2010 levels, and the total revenue is distributed in accordance with 15-39-110, MCA.
- The sale of abandoned property is from financial accounts that have gone dormant and are forwarded to the state. In FY 2010 there was a large sale of abandoned property that was anomalous to normal fiscal years. This is not expected to continue.
- As part of the federal American Reinvestment and Recovery Act and HB 645 (2009 Session) money will be collected in other revenue related to the hospital utilization fee. This is set to terminate in FY 2012.

Step 3. Isolate and estimate smaller sources of revenue.

- There are many small sources of revenue that were forecast individually. These sources are projected like the larger sources of revenue; they are assessed for law changes and forecast based on trends or discussions with agencies.

Step 4. Estimate the remaining revenue as a group and sum the four categories. The general fund revenue that is not classified in one of the three previous groups is estimated as a single group.

Table 2 shows revenue to the general fund that is categorized as one-time revenue.

Table 2 One Time General Fund Revenue		
Fiscal Year	One Time Revenue	Percent 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	\$1.061	-77.09%
A 2007	\$0.097	-90.89%
A 2008	\$8.387	8570.78%
A 2009	\$0.464	-94.47%
A 2010	-\$0.863	-285.94%
F 2011	\$1.000	-215.87%
F 2012	\$1.000	0.00%
F 2013	\$1.000	0.00%

No extraordinary events are forecast at this time and one-time revenue is anticipated to be \$1 million each year for FY 2011 through FY 2013.

Table 3 shows additional large sources of other revenue. Collections are projected by examining historical deposits to determine whether there is a trend or other pattern in receipts.

Table 3 Large Individual Sources of Other Revenue (\$ millions)						
Source of Revenue	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Fire Reimbursement	\$0.088	\$0.291	\$0.028	\$0.028	\$0.028	\$0.028
Abandoned Property	\$4.264	\$2.480	\$8.503	\$3.021	\$3.082	\$3.143
Clerk of Court Fees	\$3.349	\$3.450	\$3.481	\$3.635	\$3.795	\$3.962
Vet's Home Transfer	\$2.636	\$2.650	\$1.590	\$2.292	\$2.292	\$2.292
Portfolio Transfer	\$3.309	\$3.194	\$2.995	\$3.102	\$3.230	\$3.324
Vehicle and Driving Records	\$2.111	\$2.219	\$1.852	\$1.852	\$1.852	\$1.852
SWCAP / SFCAP	\$2.399	\$1.715	\$3.938	\$3.962	\$4.160	\$4.368
HB 536 Criminal Surcharge	\$1.616	\$1.686	\$1.692	\$1.692	\$1.692	\$1.692
Bentonite Production	\$0.564	\$0.483	\$0.244	\$0.469	\$0.495	\$0.531
Estate Tax	\$0.122	\$0.217	\$0.091	\$0.045	\$0.023	\$0.011
Driver's License Reinstatement	\$1.080	\$1.111	\$1.138	\$1.170	\$1.204	\$1.238
Implementation of Stimulus	\$0.000	\$3.350	\$2.785	\$3.465	\$0.000	\$0.000
DOA Administrative Expense	\$1.334	\$1.556	\$1.554	\$1.554	\$1.554	\$1.554
Total	\$22.873	\$24.401	\$29.890	\$26.287	\$23.406	\$23.996

Table 4 shows the four different revenue categories that make up general fund other revenue for FY 2008 through FY 2010 and forecasted revenue for FY 2011 through FY 2013.

Table 4					
All Other Revenue Sources					
(\$ millions)					
Fiscal Year	One Time	Large Sources	Smaller Sources	Estiamted as a group	Total
A 2008	\$8.387	\$22.873	\$6.935	\$0.371	\$38.566
A 2009	\$0.464	\$24.401	\$6.652	\$0.623	\$32.141
A 2010	(\$0.863)	\$29.890	\$5.679	\$0.749	\$35.454
F 2011	\$1.000	\$26.287	\$4.387	\$0.749	\$32.423
F 2012	\$1.000	\$23.406	\$4.291	\$0.749	\$29.446
F 2013	\$1.000	\$23.996	\$4.430	\$0.749	\$30.174

Data Sources

SABHRS Report MTGL0109 and SABHRS Date Mine provided historical revenue. Global Insight provided forecast numbers for state population, income, and various statistics used in estimating other sources of revenue.