# OTHER TAXES AND REVENUE
# SECTION 9

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GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

# Lottery Profits

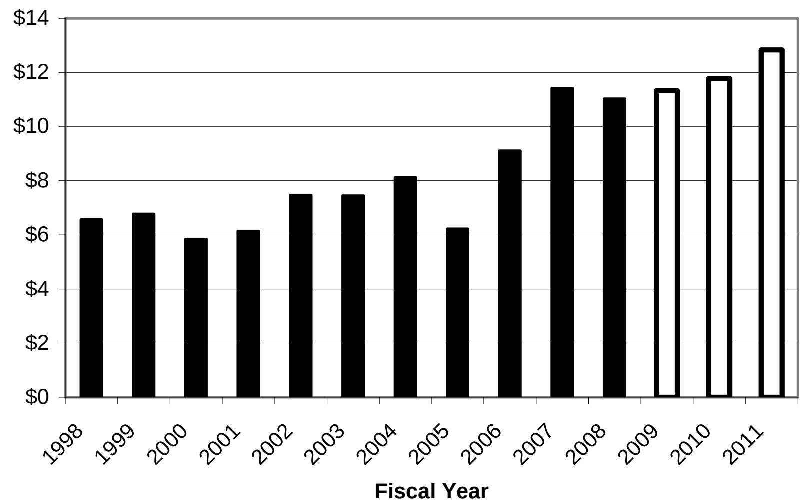


## Revenue Description

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 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 1998 to FY 2008 and forecasted revenues for FY 2009 through FY 2011.

**Table 1**
**Lottery Profits**
**($ millions)**

| | Fiscal Year | General Fund | Percent Change |
|---|---|---|---|
| A | 1998 | $6.564 | 0.2% |
| A | 1999 | $6.780 | 3.3% |
| A | 2000 | $5.841 | -13.8% |
| A | 2001 | $6.137 | 5.1% |
| A | 2002 | $7.467 | 21.7% |
| A | 2003 | $7.453 | -0.2% |
| A | 2004 | $8.116 | 8.9% |
| A | 2005 | $6.223 | -23.3% |
| A | 2006 | $9.110 | 46.4% |
| A | 2007 | $11.420 | 25.4% |
| A | 2008 | $11.029 | -3.4% |
| **F** | **2009** | **$11.320** | **2.6%** |
| **F** | **2010** | **$11.772** | **4.0%** |
| **F** | **2011** | **$12.831** | **9.0%** |




Lower than usual Powerball jackpots are the main reason for the large decrease in revenues from FY 2004 to FY 2005. Beginning 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

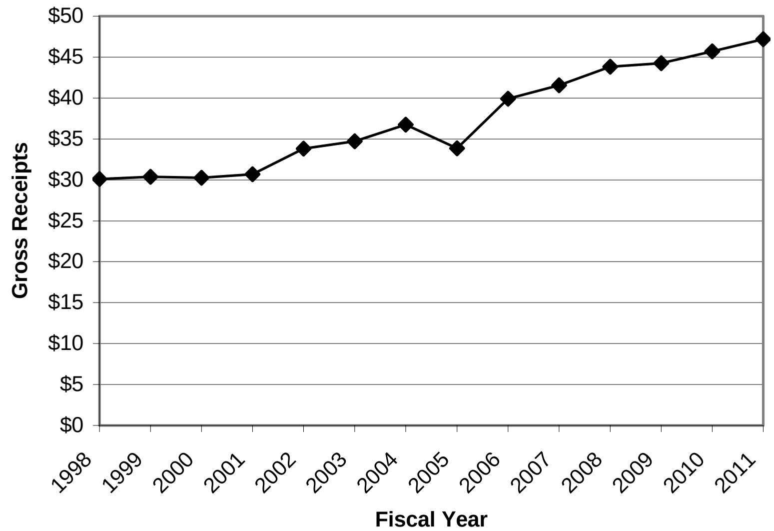
Lottery revenue is forecast in three main steps:

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

Table 2 shows actual gross receipts for FY 1998 through FY 2008, and forecasted receipts for FY 2009 through FY 2011.

**Table 2**
**Lottery Gross Receipts**
**($ millions)**

| Fiscal Year | | Gross Receipts |
|---|---|---|
| A | 1998 | $30.119 |
| A | 1999 | $30.386 |
| A | 2000 | $30.261 |
| A | 2001 | $30.699 |
| A | 2002 | $33.817 |
| A | 2003 | $34.696 |
| A | 2004 | $36.740 |
| A | 2005 | $33.841 |
| A | 2006 | $39.929 |
| A | 2007 | $41.569 |
| A | 2008 | $43.827 |
| **F** | **2009** | **$44.258** |
| **F** | **2010** | **$45.719** |
| **F** | **2011** | **$47.179** |




**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 2009 through FY2010.

Table 3 shows actual prizes and commission, the ratio of prizes and commission to gross receipts for FY 1998 through FY 2008, and forecasted values for FY 2009 through FY 2010.

**Table 3**
**Prizes and Commissions**
**($ millions)**

| Fiscal Year | | Gross Receipts | | Prizes and Comm. | | % of Gross Receipts |
|---|---|---|---|---|---|---|
| A | 1998 | $30.119 | ÷ | $16.971 | = | 56.35% |
| A | 1999 | $30.386 | ÷ | $16.735 | = | 55.08% |
| A | 2000 | $30.261 | ÷ | $17.321 | = | 57.24% |
| A | 2001 | $30.699 | ÷ | $17.462 | = | 56.88% |
| A | 2002 | $33.817 | ÷ | $19.277 | = | 57.00% |
| A | 2003 | $34.696 | ÷ | $19.599 | = | 56.49% |
| A | 2004 | $36.740 | ÷ | $20.771 | = | 56.53% |
| A | 2005 | $33.841 | ÷ | $19.769 | = | 58.42% |
| A | 2006 | $39.929 | ÷ | $23.056 | = | 57.74% |
| A | 2007 | $41.569 | ÷ | $23.886 | = | 57.46% |
| A | 2008 | $43.827 | ÷ | $25.403 | = | 57.96% |
| **F** | **2009** | **$44.258** | ÷ | **$25.233** | = | **57.01%** |
| **F** | **2010** | **$45.719** | ÷ | **$26.066** | = | **57.01%** |
| **F** | **2011** | **$47.179** | ÷ | **$26.899** | = | **57.01%** |

**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 forecasted that these values will remain at the FY 2008 levels in the future.

**Table 4**
**Total General Fund Revenue**
**($ millions)**

| | Fiscal Year | Gross Receipts | | Other Income | | Prizes & Comm. | | Expenses | | General Fund Revenue |
|---|---|---|---|---|---|---|---|---|---|---|
| A | 2003 | $34.696 | + | $0.077 | - | $19.599 | - | $7.721 | = | $7.453 |
| A | 2004 | $36.740 | + | $0.038 | - | $20.771 | - | $7.892 | = | $8.116 |
| A | 2005 | $33.841 | + | $0.062 | - | $19.769 | - | $7.911 | = | $6.223 |
| A | 2006 | $39.929 | + | $0.200 | - | $23.056 | - | $7.962 | = | $9.110 |
| A | 2007 | $41.569 | + | $0.265 | - | $23.886 | - | $6.527 | = | $11.420 |
| A | 2008 | $43.827 | + | $0.077 | - | $25.403 | - | $7.473 | = | $11.029 |
| **F** | **2009** | **$44.258** | **+** | **$0.077** | **-** | **$25.233** | **-** | **$7.705** | **=** | **$11.320** |
| **F** | **2010** | **$45.719** | **+** | **$0.077** | **-** | **$26.066** | **-** | **$7.881** | **=** | **$11.772** |
| **F** | **2011** | **$47.179** | **+** | **$0.077** | **-** | **$26.899** | **-** | **$7.450** | **=** | **$12.831** |

There is a small portion of other revenue, mainly attributable to the short term interest earning of prize money. Other revenue is calculated to remain at the FY 2008 levels for FY 2009 through FY 2011.

## 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 their web site, http://www.montanalottery.com/annualreports.xsp .

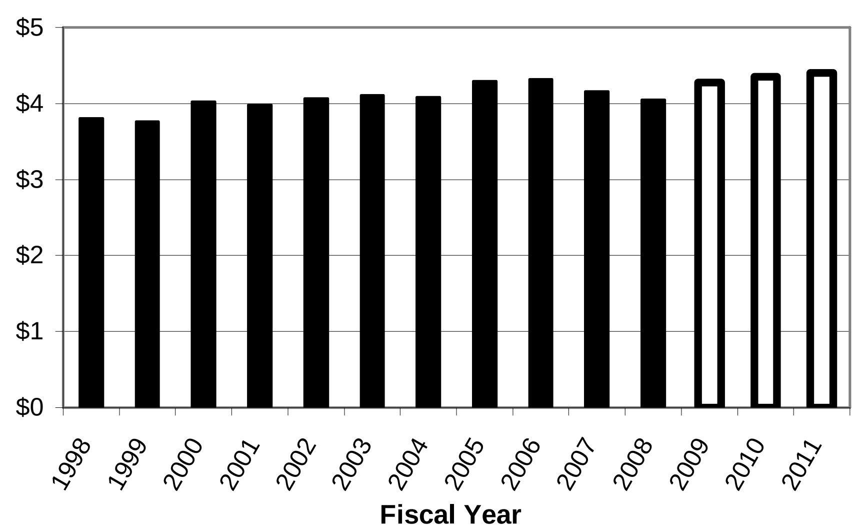
## Revenue Description

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). In all cases, the fines received by the state are deposited in the general fund.

Table 1 shows actual general fund revenue from highway patrol fines for FY 1998 through FY 2008 and forecast revenue for FY 2009 through FY 2011.

**Table 1**
**Highway Patrol Fines**
**($ millions)**

| Fiscal Year | General Fund | Percent Change |
|---|---|---|
| A 1998 | $3.801 | 4.3% |
| A 1999 | $3.759 | -1.1% |
| A 2000 | $4.028 | 7.2% |
| A 2001 | $3.981 | -1.2% |
| A 2002 | $4.062 | 2.0% |
| A 2003 | $4.111 | 1.2% |
| A 2004 | $4.084 | -0.6% |
| A 2005 | $4.293 | 5.1% |
| A 2006 | $4.316 | 0.6% |
| A 2007 | $4.155 | -3.7% |
| A 2008 | $4.049 | -2.5% |
| **F 2009** | **$4.279** | **5.7%** |
| **F 2010** | **$4.353** | **1.7%** |
| **F 2011** | **$4.406** | **1.2%** |



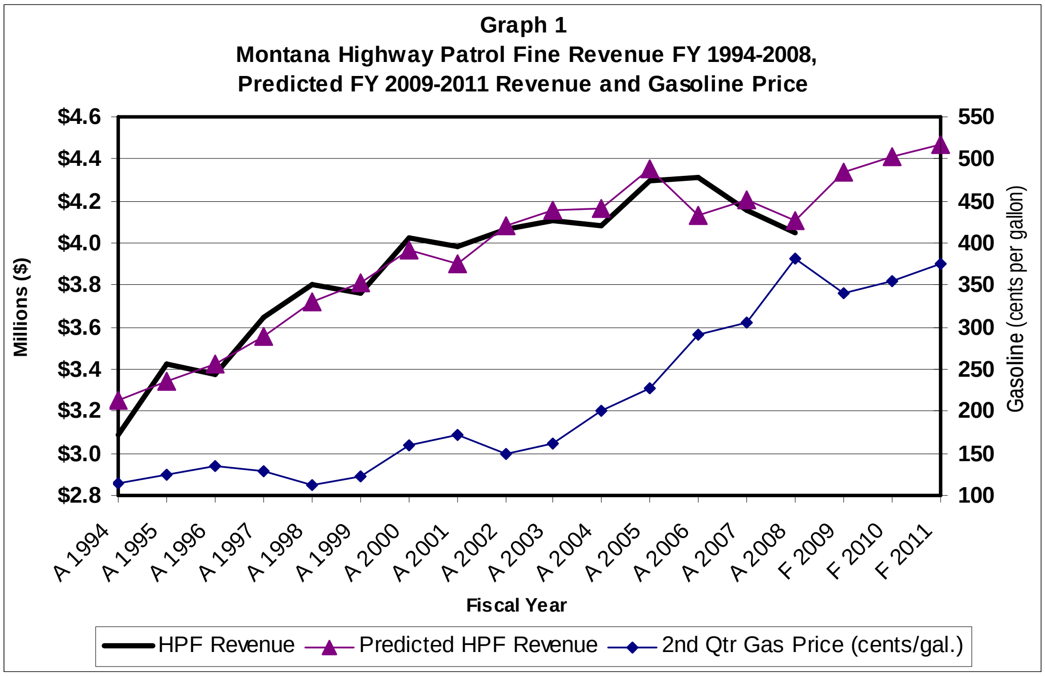

## Significant Factor

In FY 2005, the full impact of 2003 Session (HB 195) mandatory penalties for driving under the influence (DUI) and (SB 13) lower legal blood alcohol thresholds, generated revenue increases.

## Forecast Methodology

The revenue estimate is based on a regression model that forecasts revenue based on time trend, actual and forecast gasoline prices, with adjustments for legislation in FY 2000 and FY 2005. Including gasoline prices in the model improved the model fit and accounted for recent declines in 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.




## 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 *Global Insight* October 2008 national forecast.

# Investment Licenses and Permits

## Revenue Description

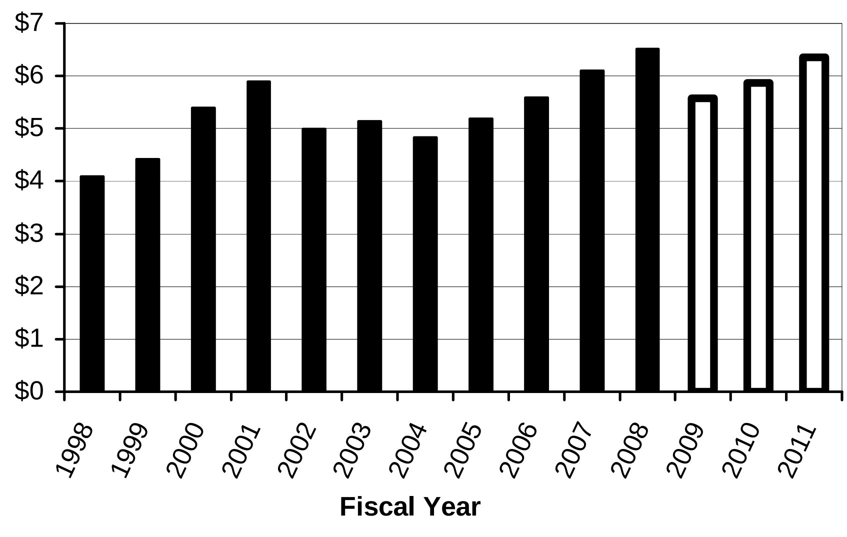
Individuals and firms, who plan to sell financial securities in Montana, must register with the State Auditor and pay fees as specified in 33-10-209, MCA. The fee to register as a broker-dealer or investment advisor is $200 a year. The fee for salespersons and representatives working for a broker-dealer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

The basic fee structure of securities licenses and permits has not changed during the period shown in Table 1. Changes in revenue have principally resulted from increases or decreases in the number of registered securities broker-dealer sales representatives.

**Table 1**
**Investment Licenses and Permits**
**($ millions)**

| | Fiscal Year | General Fund | Percent Change |
|---|---|---|---|
| A | 1998 | $4.086 | 10.1% |
| A | 1999 | $4.413 | 8.0% |
| A | 2000 | $5.390 | 22.1% |
| A | 2001 | $5.889 | 9.3% |
| A | 2002 | $4.992 | -15.2% |
| A | 2003 | $5.142 | 3.0% |
| A | 2004 | $4.834 | -6.0% |
| A | 2005 | $5.192 | 7.4% |
| A | 2006 | $5.584 | 7.6% |
| A | 2007 | $6.095 | 9.2% |
| A | 2008 | $6.514 | 6.9% |
| **F** | **2009** | **$5.573** | **-14.4%** |
| **F** | **2010** | **$5.868** | **5.3%** |
| **F** | **2011** | **$6.359** | **8.4%** |




## Significant Factors

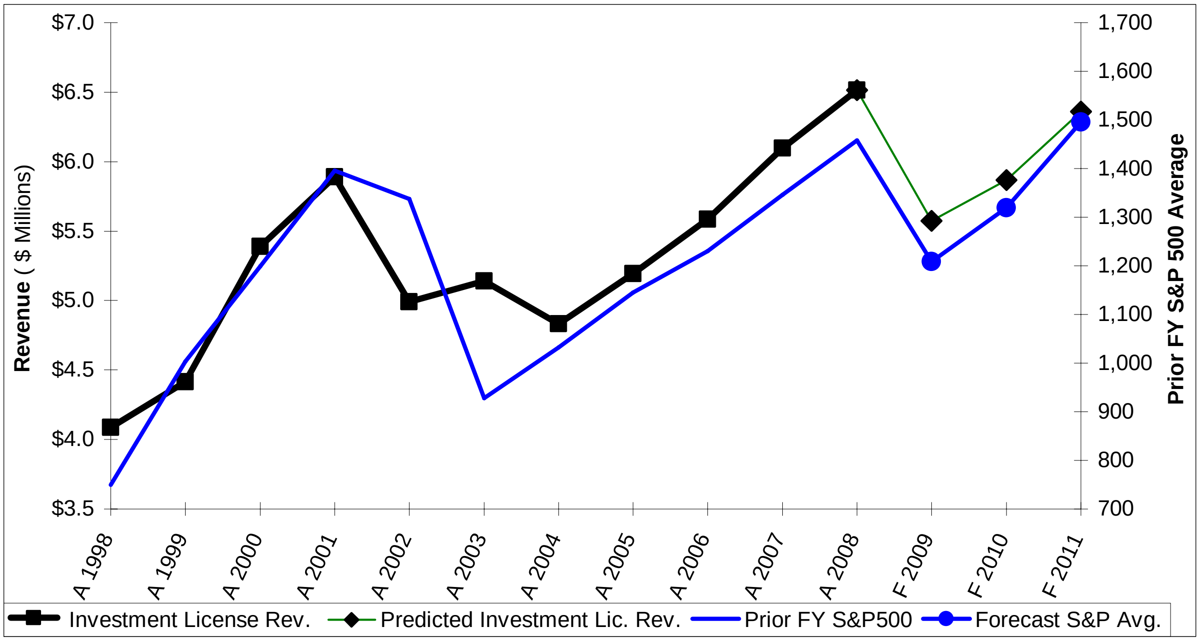
Recent financial sector economic turmoil may result in a greater reduction in financial sector broker-dealer registrations – the principal driver of investment licenses and fees – than implied by the Standard and Poor's 500 stock index (S&P 500) forecast. The impact of this year's financial sector events on securities broker-dealer and sales representative registrations will not be apparent until the annual license renewal period in December 2008.

## Forecast Methodology

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 in 2003. 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 sector employment and financial markets.

**Graph 1**
**Investment License Revenue and Prior Year S&P 500 Average FY 1998-2008,**
**Forecast S&P 500 Average and Investment License Revenue 2009-2011**




## Data Sources

SABHRS provided historical tax revenue. The Securities Department of the State Auditor's Office provided counts of securities broker-dealers, securities sales representatives, investment advisors, and investment advisor sales representative registrations. Standard & Poor's 500-stock index and forecast is from the *Global Insight* October 2008 national forecast.

# Public Contractors' Gross Receipts Tax

**2011 Biennium**

## Revenue Description

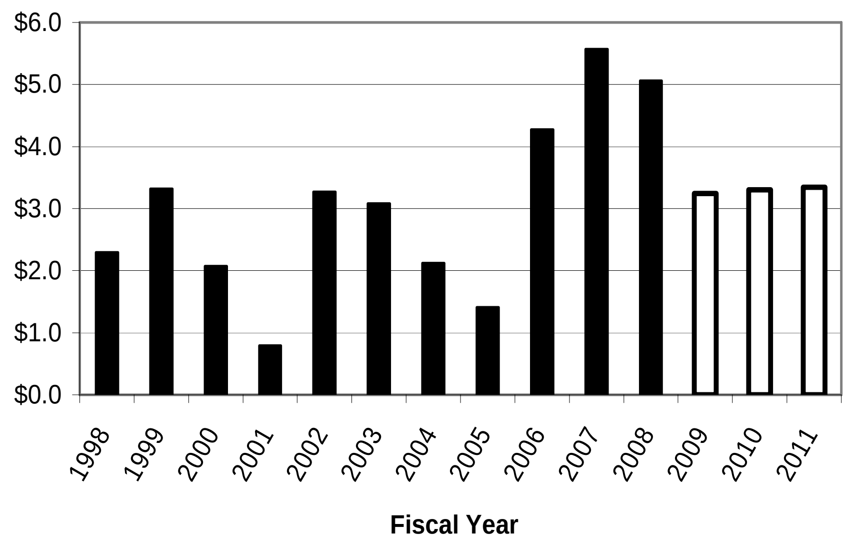
Under 15-50-205, MCA, a 1% tax is assessed on the gross receipts contractors receive for construction work within the state for federal, state, or local governments. Contractors may use the amount of gross receipts tax paid as an offset or credit against either their corporation license tax or their 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 contractors' gross receipts tax. General fund revenue is forecast to decrease for FY 2009 through FY 2011 due to decreasing Montana Department of Transportation (MDT) contracts and decreasing other contracts. It should be noted, however, that other contracts in FY 2007 and FY 2008 were unusually high, making the reduced revenue more in line with previous years.

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.

**Table 1**
**Public Contractors' Gross Receipts Tax**
**($ millions)**

| | Fiscal Year | General Fund | Percent Change |
|---|---|---|---|
| A | 1998 | $2.291 | 16.7% |
| A | 1999 | $3.320 | 44.9% |
| A | 2000 | $2.071 | -37.6% |
| A | 2001 | $0.792 | -61.8% |
| A | 2002 | $3.267 | 312.7% |
| A | 2003 | $3.082 | -5.7% |
| A | 2004 | $2.120 | -31.2% |
| A | 2005 | $1.411 | -33.5% |
| A | 2006 | $4.275 | 203.0% |
| A | 2007 | $5.567 | 30.2% |
| A | 2008 | $5.063 | -9.1% |
| **F** | **2009** | **$3.240** | **-36.0%** |
| **F** | **2010** | **$3.302** | **1.9%** |
| **F** | **2011** | **$3.347** | **1.4%** |




## Significant Factors

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.

## Forecast Methodology

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

**Step 1:** Estimate gross tax receipts based on the expected volume of public contracts. MDT projects its payments to be $2.400 million in FY 2009, $2.524 million in FY 2010, and $2.615 million in FY 2011. Other contractor payments historically fluctuate; therefore, other contractor payments for FY 2009 through FY 2011 are estimated at the average level observed from FY 2006 through FY 2008, which is $4.120 million.

**Step 2:** Forecast total tax credits and refunds. Since FY 1998, credits averaged 23% of gross receipts and refunds averaged 27% of gross receipts. This ratio is used to forecast credits and refunds for FY 2009 through 2011. This percentage assumes that at fiscal year end, there will always be some credits and refunds to process, and that the accounting procedures will not change to accrue these amounts.

**Step 3:** Subtract total credits and refunds from gross receipts to obtain the general fund revenue.

The following table shows actual gross receipts from MDT and other contractors, and credits and refunds processed from FY 1998 through FY 2008, as well as forecast amounts for FY 2009 through FY 2011.

**Table 2**
**Gross Receipts and Credits & Refunds**
**($ millions)**

| | Fiscal Year | MDT | | Other Contractors | | Gross Receipts | | | Credits | | Refunds | | | General Fund* |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| A | 1998 | $1.733 | + | $3.234 | = | $4.967 | - | ( | $0.624 | + | $2.053 | ) | = | $2.290 |
| A | 1999 | $2.006 | + | $3.895 | = | $5.902 | - | ( | $1.013 | + | $1.569 | ) | = | $3.320 |
| A | 2000 | $2.349 | + | $3.167 | = | $5.516 | - | ( | $1.518 | + | $1.927 | ) | = | $2.071 |
| A | 2001 | $2.005 | + | $2.497 | = | $4.503 | - | ( | $1.840 | + | $1.871 | ) | = | $0.791 |
| A | 2002 | $2.177 | + | $3.146 | = | $5.323 | - | ( | $1.263 | + | $0.523 | ) | = | $3.537 |
| A | 2003 | $2.376 | + | $3.330 | = | $5.706 | - | ( | $0.889 | + | $1.736 | ) | = | $3.082 |
| A | 2004 | $2.539 | + | $3.465 | = | $6.004 | - | ( | $2.281 | + | $1.602 | ) | = | $2.120 |
| A | 2005 | $2.351 | + | $3.401 | = | $5.752 | - | ( | $2.296 | + | $2.045 | ) | = | $1.411 |
| A | 2006 | $2.872 | + | $3.288 | = | $6.160 | - | ( | $0.518 | + | $1.365 | ) | = | $4.277 |
| A | 2007 | $3.441 | + | $4.898 | = | $8.339 | - | ( | $1.150 | + | $1.619 | ) | = | $5.570 |
| A | 2008 | $2.793 | + | $4.173 | = | $6.966 | - | ( | $0.974 | + | $0.927 | ) | = | $5.064 |
| **F** | **2009** | **$2.400** | + | **$4.120** | = | **$6.520** | **-** | ( | **$1.491** | + | **$1.789** | ) | = | **$3.240** |
| **F** | **2010** | **$2.524** | + | **$4.120** | = | **$6.644** | **-** | ( | **$1.519** | + | **$1.823** | ) | = | **$3.302** |
| **F** | **2011** | **$2.615** | + | **$4.120** | = | **$6.735** | **-** | ( | **$1.540** | + | **$1.848** | ) | = | **$3.347** |

***These General Fund amounts may not match those on Table 1 due to prior year revenue**

## Data Sources

Gross tax receipts, tax credits, property refunds and net general fund collections by month were obtained from DOR and SABHRS.

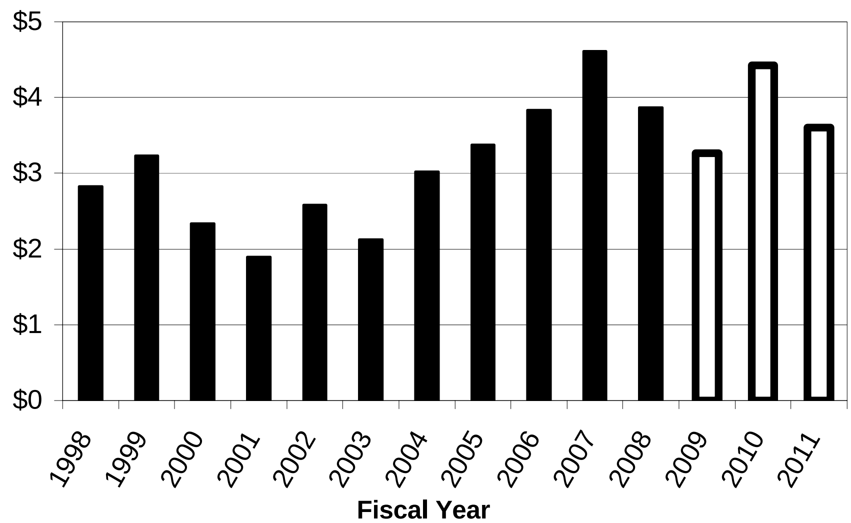
## Revenue Description

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 fees they collect.

Table 1 shows general fund revenue from driver’s license fees. The swings in fiscal year revenue are principally due to the conversion from four-year licenses to eight-year licenses during the October 1995 through September 1999 period.

**Table 1**
**Driver's License Fees**
**($ millions)**

| | Fiscal Year | General Fund | Percent Change |
|---|---|---|---|
| A | 1998 | $2.828 | -4.3% |
| A | 1999 | $3.234 | 14.4% |
| A | 2000 | $2.333 | -27.8% |
| A | 2001 | $1.896 | -18.8% |
| A | 2002 | $2.580 | 36.1% |
| A | 2003 | $2.119 | -17.8% |
| A | 2004 | $3.021 | 42.6% |
| A | 2005 | $3.373 | 11.6% |
| A | 2006 | $3.828 | 13.5% |
| A | 2007 | $4.611 | 20.4% |
| A | 2008 | $3.866 | -16.2% |
| **F** | **2009** | **$3.266** | **-15.5%** |
| **F** | **2010** | **$4.428** | **35.6%** |
| **F** | **2011** | **$3.607** | **-18.5%** |




Basic fees for licenses are five dollars per year that the license is valid. 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 drivers’ 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.

## Forecast Methodology

The forecast of general fund drivers’ license fee revenue is prepared by:

**Step 1:** Calculating the distribution of licenses by term and the underlying licensed population growth, by aging historical counts of the driving population.

**Step 2:** Applying statutory fees and the distribution of licensed drivers at renewal age, by license term, to calculate the weighted average drivers’ license fee in each fiscal year.

**Step 3:** Estimating the apparent number of drivers licenses issued each fiscal year from 2000 through 2008 by dividing the SABHRS reported total basic drivers' license collections by the average fees.

**Step 4:** Forecasting licenses to be issued by growing the license estimate from the prior equivalent point in the eight-year license cycle by the underlying marginal increase in the driver population. These estimates are then multiplied by average fees to estimate total basic license collections.

**Step 5:** Projecting drivers' license, motorcycle endorsement, and replacement license revenue based on their three-year average proportion relative to basic license.

**Step 6:** Allocating statutory distributions of revenue to the state traffic education and state motorcycle safety accounts. The remainder is distributed to county or state general funds.

Steps 1 through 4 are summarized in Table 2:

**Table 2**
**Estimate of Basic Drivers' License Collections**

| Fiscal Year | Base Drivers' License Fees | | Weighed Average Fee | | Cumulative Eight Year Growth | | Estimate of Issued Licenses | | Forecast Revenue |
|---|---|---|---|---|---|---|---|---|---|
| A 2000 | $3,319,740 | ÷ | $25.56 | | | = | 129,875 | | |
| A 2001 | $2,572,672 | ÷ | $25.53 | | | = | 100,782 | | |
| A 2002 | $3,487,253 | ÷ | $25.59 | | | = | 136,295 | | |
| A 2003 | $2,865,442 | ÷ | $25.70 | | | = | 111,487 | | |
| A 2004 | $4,108,010 | ÷ | $30.64 | | | = | 134,084 | | |
| A 2005 | $4,709,097 | ÷ | $32.21 | | | = | 146,203 | | |
| A 2006 | $3,902,768 | ÷ | $32.25 | | | = | 121,022 | | |
| A 2007 | $4,798,644 | ÷ | $32.49 | | | = | 147,699 | | |
| A 2008 | $3,958,717 | ÷ | $32.58 | | | = | 121,515 | | |
| **F 2009** | | | **$32.38** | **x** | **3.9%** | **x** | **104,735** | **=** | **$3,391,153** |
| **F 2010** | | | **$32.31** | **x** | **4.4%** | **x** | **142,300** | **=** | **$4,598,291** |
| **F 2011** | | | **$32.27** | **x** | **4.1%** | **x** | **116,049** | **=** | **$3,745,361** |

Table 3 shows revenue by type of licenses issued.

**Table 3**
**Drivers' License Revenue by Fee Type**
**FY 2006 through FY 2011 ($ millions)**

| Fiscal Year | Basic Drivers' Licenses | Commercial Licenses | Motorcycle Endorsement | Replacement Licenses | License Revenue | Estimate of County Retention |
|---|---|---|---|---|---|---|
| A 2006 | $3.915 | $0.447 | $0.035 | $0.352 | $4.748 | $0.015 |
| A 2007 | $4.806 | $0.580 | $0.051 | $0.325 | $5.762 | $0.010 |
| A 2008 | $3.969 | $0.457 | $0.039 | $0.326 | $4.791 | $0.012 |
| **Average Proportion** | | **0.117** | **0.010** | **0.079** | **1.206** | **0.0029** |
| **Revenue by License Type** | | | | | | |
| **F 2009** | **$3.391** | **$0.397** | **$0.034** | **$0.268** | **$4.089** | $0.010 |
| **F 2010** | **$4.598** | **$0.538** | **$0.046** | **$0.363** | **$5.545** | $0.013 |
| **F 2011** | **$3.745** | **$0.438** | **$0.037** | **$0.296** | **$4.516** | $0.011 |

Table 4 shows the basis for distributing fees for each license type to the state traffic safety fund, the state motorcycle safety fund and state and county general funds as set by 61-5-121, MCA.

**Table 4**
**Driver's License Fees Allocation Percentages**

| | Basic Driver's License | Commercial Licenses | Motorcycle Endorsement | Replacement License |
|---|---|---|---|---|
| General Fund | 76.80% | 80.56% | 33.20% | 87.50% |
| County or State General Fund | 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% |

The estimates from Table 3 are multiplied by the corresponding distribution percentage listed in Table 4 to estimate the projected drivers' license receipt allocation to the state special revenue accounts and to the state general fund is presented in Table 4. SABHRS revenue data shows that approximately 10% of licenses are issued by counties. Of the small portion of revenue directed to either the county or the state general fund 90% is allocated to the state general fund. The resulting state special revenue and general fund estimates are presented in Table 5. The general fund portion is also presented in Table 1.

**Table 5**
**Driver's License Fee Allocation**
**FY 2009 through FY 20011**
**($ milllions)**

| Fiscal Year | General Fund | Traffic & Safety Education | Motorcycle Safety Training | Total |
|---|---|---|---|---|
| **F 2009** | **$3.266** | **$0.793** | **$0.021** | **$4.080** |
| **F 2010** | **$4.428** | **$1.075** | **$0.029** | **$5.532** |
| **F 2011** | **$3.607** | **$0.875** | **$0.024** | **$4.506** |

## 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 from submissions by the State. The FHWA form 562 reports for FY 2006 through 2008 were provided by Motor Vehicles Division of the Department of Justice. Population estimates and projections for the Montana population 15 to 19 years of age are from *Global Insight* Research Service's Montana data extract for July 2008.

## Revenue Description

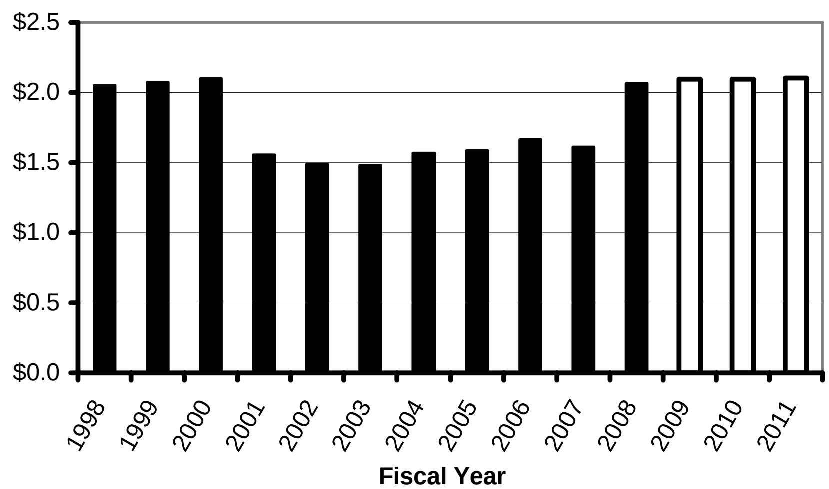
Section 15-23-101, MCA, provides for the central assessment of rail car companies' operating properties. The rail car tax is assessed based on the taxable value of the rolling stock of freight line companies. Section 15-23-214, MCA, states that the tax shall be computed by multiplying the taxable value of the property by the average statewide mill levy for commercial and industrial property. Section 15-23-211, MCA, defines the average statewide mill levy. The general fund receives 100% of the rail car tax revenue.

The higher general fund collections in FY 1998 through FY 2000 are a product, in part, of earlier 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.

Table 1 shows actual general fund revenue from the rail car tax for FY 1998 though FY 2008 and forecast revenue for FY 2009 through FY 2011.

**Table 1**
**Rail Car Tax Revenue**
**(Millions $)**

| | Fiscal Year | General Fund | Percent Change |
|---|---|---|---|
| A | 1998 | $2.054 | -67.44% |
| A | 1999 | $2.074 | 0.96% |
| A | 2000 | $2.101 | 1.28% |
| A | 2001 | $1.556 | -25.94% |
| A | 2002 | $1.490 | -4.24% |
| A | 2003 | $1.484 | -0.37% |
| A | 2004 | $1.568 | 5.64% |
| A | 2005 | $1.585 | 1.09% |
| A | 2006 | $1.667 | 5.17% |
| A | 2007 | $1.615 | -3.12% |
| A | 2008 | $2.064 | 27.78% |
| **F** | **2009** | **$2.097** | **1.64%** |
| **F** | **2010** | **$2.095** | **-0.10%** |
| **F** | **2011** | **$2.102** | **0.33%** |




## 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 grow slowly as a national backlog rail car deliveries clear rail car backorders to maintain or grow the value of the national rail car fleet.

**Step 2:** Apply the estimates of future class 12 tax rates developed as part of the property tax estimate. The rate incorporates the present law effects of reappraisal on the effective weighted average of the tax rates that apply to all commercial and industrial property statewide.

**Step 3:** Estimate the average statewide mill levy for commercial and industrial property. The mill rates that apply to rail car property are projected to grow at a slower rate due to reappraisal values and class 3 and 4 tax rates and exemptions are held constant at the TY 2008 rates.

**Step 4:** Calculate general fund revenue.

Table 3 presents the calculation and forecast of aggregate rail car tax collections. The net effect of the factors are presented in Table 2. Rail car tax collections hold essentially level at just over $2 million over the forecast period.

**Table 2**
**Calculation of Rail Car Tax General Fund Revenue**
**FY 2008 through FY 2011**

| Description | FY 2008 Actual | FY 2009 Projected | FY 2010 Projected | FY 2011 Projected |
|---|---|---|---|---|
| Total Montana Allocated Value | $113,858,954 | **$116,183,769** | **$118,556,053** | **$120,976,775** |
| Multiply by Class 12 Tax Rate | 3.52% | **3.44%** | **3.36%** | **3.29%** |
| Taxable Value | $4,007,835 | **$3,996,722** | **$3,984,659** | **$3,982,182** |
| Multiply by Mill Levy | 520.19 | **524.79** | **525.85** | **527.93** |
| **General Fund Revenue** | $2,084,825 | **$2,097,440** | **$2,095,314** | **$2,102,323** |

## Data Sources

Historical tax revenue is from SABHRS. The summary rail car tax database (TY 2005 -TY 2008) and the Class 12 tax rate for TY 2008 was provided by the department of Revenue. National rail car orders, deliveries and supply backlogs are from the Railcar Supply Institute's website (http://www.railwaysupply.org).

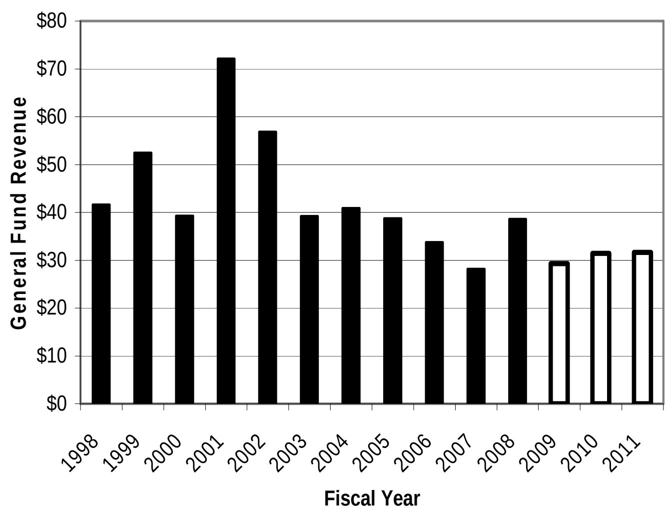
## Revenue Description

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 revenues. These one-time types of revenue have been as large as $8 million as was the case in FY2008.

Table 1 shows actual general fund other revenue from FY 1998 through FY 2008 and forecast revenue for FY 2009 through FY 2011.

**Table 1**
**General Fund Other Revenue**
**($ millions)**

| | Fiscal Year | Estate Tax | Other Revenue | Total | Percent Change |
|---|---|---|---|---|---|
| A | 1998 | $15.727 | $25.913 | $41.640 | 31.6% |
| A | 1999 | $18.302 | $34.124 | $52.426 | 25.9% |
| A | 2000 | $19.039 | $20.195 | $39.234 | -25.2% |
| A | 2001 | $20.286 | $51.836 | $72.122 | 83.8% |
| A | 2002 | $13.816 | $43.049 | $56.865 | -21.2% |
| A | 2003 | $13.306 | $25.895 | $39.201 | -31.1% |
| A | 2004 | $11.431 | $29.432 | $40.863 | 4.2% |
| A | 2005 | $4.191 | $34.551 | $38.742 | -5.2% |
| A | 2006 | $1.773 | $31.971 | $33.745 | -12.9% |
| A | 2007 | $0.839 | $27.338 | $28.177 | -16.5% |
| A | 2008 | $0.122 | $38.444 | $38.566 | 36.9% |
| **F** | **2009** | **$0.061** | **$29.225** | **$29.287** | **-24.1%** |
| **F** | **2010** | **$0.031** | **$31.391** | **$31.422** | **7.3%** |
| **F** | **2011** | **$0.015** | **$31.668** | **$31.683** | **0.8%** |




The Montana estate tax was repealed by the passage of Legislative Referendum 116, 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 and is shown separately.

## Forecast Methodology and Projection Calculation

The general fund other revenue is forecast in four steps:

**Step 1:** Estimate future one-time revenue.

The large one-time revenue in FY 2003 and FY 2005 was mainly due to legislative action. In FY 2008, the main one-time revenue was from the sale of the armory in Missoula for $3.5 million; unused fund 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.

**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 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 2007 and FY 2008 levels, and the total revenue is distributed in accordance with 15-39-110, MCA.

**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.
- The large increase in FY 2008 is primarily due to SB 269 (2007 Session) that increased the number of beer and wine licenses that were issued in FY 2008. It is estimated that most of this increase in revenue was realized in FY 2008 and will return to prior year levels in FY 2009 through FY 2011.

**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 Revenue**
**($ millions)**

| 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 | $1.061 | -77.09% |
| A 2007 | $0.097 | -90.89% |
| A 2008 | $8.387 | 8570.78% |
| **F 2009** | **$1.000** | -88.08% |
| **F 2010** | **$1.000** | 0.00% |
| **F 2011** | **$1.000** | 0.00% |

No extra ordinary events are forecast at this time and one-time revenue is anticipated to be $1 million for FY 2009 through FY 2011.

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

| Table 3<br>Large Individual Sources of Other Revenue<br>($ millions) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Component of Estimate** | FY 2003 | FY 2004 | FY 2005 | FY 2006 | FY 2007 | FY 2008 | **FY 2009** | **FY 2010** | **FY 2011** |
| Fire Reimbursement | $0.612 | $0.146 | $5.540 | $3.535 | $0.302 | $0.088 | **$0.088** | **$0.088** | **$0.088** |
| Abandoned Property | $2.373 | $3.183 | $3.179 | $3.310 | $2.359 | $4.264 | **$3.471** | **$3.471** | **$3.471** |
| Clerk of Court Fees | $2.667 | $2.839 | $3.009 | $3.108 | $3.135 | $3.349 | **$3.507** | **$3.671** | **$3.843** |
| Vet's Home Transfer | $0.000 | $1.055 | $2.893 | $2.653 | $4.116 | $2.636 | **$2.636** | **$2.636** | **$2.636** |
| Portfolio Transfer | $2.036 | $2.113 | $2.110 | $2.234 | $2.997 | $3.309 | **$3.474** | **$3.647** | **$3.829** |
| Vehicle and Driving Records | $1.859 | $1.675 | $2.111 | $2.098 | $2.102 | $2.111 | **$2.103** | **$2.103** | **$2.103** |
| SWCAP / SFCAP | $1.196 | $2.215 | $2.514 | $1.844 | $1.723 | $2.399 | **$2.785** | **$4.034** | **$4.236** |
| HB 536 Criminal Surcharge | $0.000 | $0.000 | $0.028 | $1.589 | $1.660 | $1.616 | **$1.622** | **$1.622** | **$1.622** |
| Single State Registration System Fees | $1.071 | $1.067 | $1.100 | $1.304 | $0.079 | -$0.035 | **$0.000** | **$0.000** | **$0.000** |
| MSU / EMC 1992 Refunding Bonds | $0.838 | $0.838 | $0.833 | $0.829 | $0.696 | $0.694 | **$0.697** | **$0.697** | **$0.697** |
| Coal Tax Transfers | $0.000 | $0.000 | $0.533 | $0.550 | $0.448 | $0.000 | **$0.000** | **$0.000** | **$0.000** |
| Bentonite Production | $0.000 | $0.000 | $0.000 | $0.504 | $0.417 | $0.564 | **$0.509** | **$0.542** | **$0.566** |
| Estate Tax | $13.306 | $11.431 | $4.191 | $1.773 | $0.839 | $0.122 | **$0.061** | **$0.031** | **$0.015** |
| Taylor Grazing | $0.000 | $0.000 | $0.000 | $0.000 | $0.135 | $0.121 | **$0.128** | **$0.128** | **$0.128** |
| **Total Large Individual Sources** | $25.959 | $26.561 | $28.042 | $25.332 | $21.006 | $21.240 | **$21.080** | **$22.669** | **$23.234** |

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

| Table 4<br>Total Other Revenue<br>($ millions) | | | | | | |
|---|---|---|---|---|---|---|
| Component of Estimate | FY 2006 | FY 2007 | FY 2008 | **FY 2009** | **FY 2010** | **FY 2011** |
| One-Time Revenue | $1.061 | $0.097 | $8.387 | **$1.000** | **$1.000** | **$1.000** |
| Large Sources of Other Revenue | $25.332 | $21.006 | $21.240 | **$21.080** | **$22.669** | **$23.234** |
| Small Sources of Other Revenue | $6.907 | $6.493 | $8.150 | **$6.601** | **$7.147** | **$6.844** |
| Revenue Items Estimated As a Group | $0.445 | $0.582 | $0.790 | **$0.605** | **$0.605** | **$0.605** |
| **Total Other Revenue** | $33.745 | $28.177 | $38.566 | **$29.287** | **$31.422** | **$31.683** |

### Data Sources

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