

Other General Fund Revenue

All Other Revenue
Highway Patrol Fines
Nursing Facilities Fee
Public Institution Reimbursements
Tobacco Settlement



Legislative Fiscal Division



www.leg.state.mt.us/fiscal/

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Revenue Description: There are a number of other taxes, fees, and fines that historically have generated less than \$2.5 million each in annual general fund revenue. In addition, the statutes governing these miscellaneous taxes, fees, and fines are frequently changed, making meaningful comparison between tax years impractical and accurate estimation of the revenue difficult.

“All Other Revenue” sources are estimated in aggregate except for the following: investment license transfers, civil fines, single state registration system fees, lodging facility use tax, Montana University System debt service deposits, and deposits by state agencies for SABHRS debt service. In the past, wildfire cost reimbursements had been included in the revenue source, but beginning in fiscal 2003 they are now deposited to the federal special revenue fund.

LFD COMMENT

Department of Administration staff have indicated that pending litigation in four multi-state legal actions joined by the state of Montana may be resolved favorably for the state in fiscal 2003. These suits involve consumer protection cases that claim deceptive advertising practices. Depending on stipulations contained in the settlement agreements, the state may receive \$5.0 million of general fund revenue. Since the occurrence and timing of the litigation settlements are uncertain and the amount and timing of the revenue cannot be accurately estimated at this time, the additional revenues have not been included in the Legislative Fiscal Division’s revenue estimates. The Revenue and Transportation Committee may want to question Department of Administration staff to determine the likelihood and potential amounts of the settlements and make revenue adjustments accordingly.

LFD COMMENT

Since the spring of 2002, the Legislative Fiscal Division has been in contact with the State Auditor’s Office concerning the potential of general fund revenue from a lawsuit concerning the sale of securities. New York has sued Merrill Lynch over a television advertisement that promoted certain investments as good ones when in fact internal memos showed them to be “dogs”. The total settlement is for \$100 million of which New York would receive \$48 million and the rest would be divided among the remainder of the states based on population. Montana would receive the minimum settlement amount of \$0.5 million. However, all states must approve the settlement agreement before it can be finalized. Montana (the State Auditor’s office) has already agreed to the settlement, but not all of the states have. Since the occurrence and timing of the settlement is uncertain, the additional revenue has not been included in the Legislative Fiscal Division’s revenue estimates. The Revenue and Transportation Committee may want to question State Auditor staff to determine the likelihood of the events occurring and make revenue adjustments accordingly.

Applicable Tax Rate(s): Various

Distribution: “All Other Revenue” is deposited in the general fund.

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

Applicable Assumptions:

- Investment Licenses Issued
- Civil Fines
- Debt Service for the 1992 Refunding Bond

Data Source(s): SABHRS, Office of Budget and Program Planning, Department of Justice, Department of Public Health and Human Services, Department of Administration, Department of Revenue, and the State Auditor

Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Contacts:

Statute: Various

% of Total FY 2002 General Fund Revenue: 3.35%

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

Determining total “All Other Revenue” is a multi-step process, as outlined below.

Investment License Transfers

Investment license revenue is determined by multiplying the anticipated number of licenses to be issued by the license fee. Estimated program costs are deducted from the total revenue. By statute, the remainder is transferred to the general fund.

Civil Fines

The estimate for civil fine income is derived by applying a growth rate to a base amount that represents the last known amount for these fines, usually the prior fiscal year.

Gross Vehicle Weight

Fees are estimated based on an historical average.

Lodging Facility Use Tax

The tax paid by state employees is reimbursed to the various funds from which the payments were made, including the general fund.

Montana University System Debt Service

Payments from the Montana University System’s trustee are wired to the general fund to pay debt service on the 1992 refunding bond for debt at MSU and MSU-Eastern. Due to the structure of the payments, deposits to the general fund have exceeded debt service payments from the general fund since fiscal 1997.

SABHRS Debt Service

Agencies pay a fixed amount based on the number of FTE in the agency for debt service on bonds used to fund replacement of the state’s major accounting and human resource computer systems.

All Other Revenue Not Previously Defined

The minor components of “All Other Revenue” are calculated aggregately by applying a growth rate to the adjusted actual (prior) fiscal year collections. Adjustments for any legislative action are included.

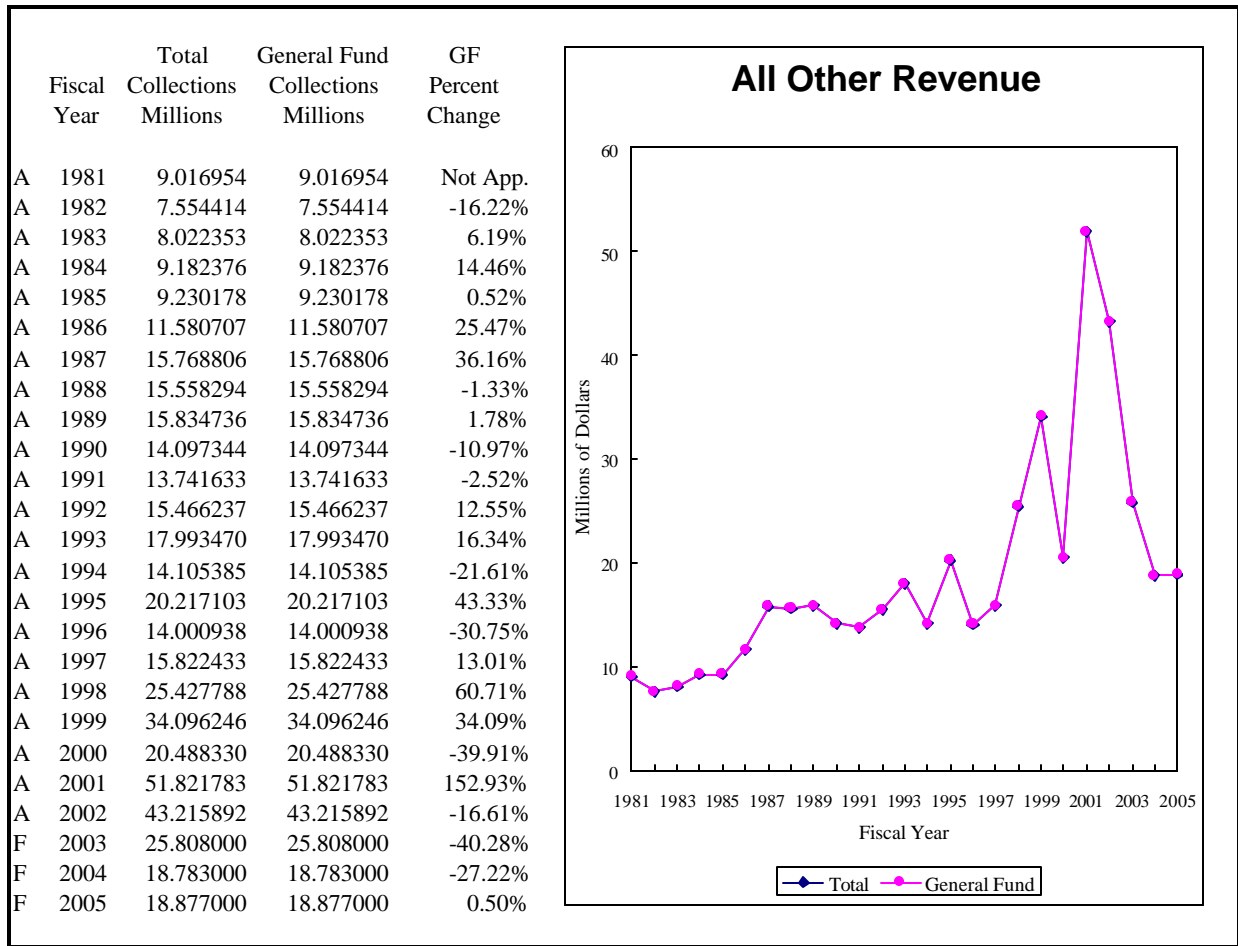
Total “All Other Revenue” is projected by adding the individual totals described above.

Legislative Fiscal Division

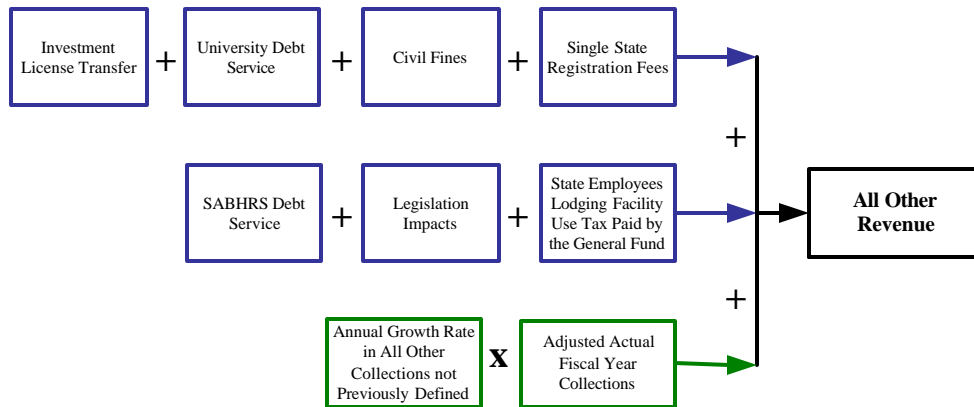
Revenue Estimate Profile

All Other Revenue

Revenue Projection:



Forecast Methodology

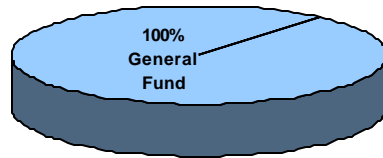


Legislative Fiscal Division

Revenue Estimate Profile

All Other Revenue

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Base	Annual	Adjustments
	Fiscal	Millions	Millions	Millions	Growth	Millions
Actual	2000	20.488330	20.488330	11.125862	-8.9735%	
Actual	2001	51.821783	51.821783	11.876710	6.7487%	
Actual	2002	43.215892	43.215892	8.420755	-29.0986%	1.162288
Forecast	2003	25.808000	25.808000	8.420755	0.0000%	6.299000
Forecast	2004	18.783000	18.783000	8.420755	0.0000%	1.072175
Forecast	2005	18.877000	18.877000	8.420755	0.0000%	0.660880

	t	Investment	Land Grant	Civil Fines	GVW Fees	Accom. Tax	MSU&EMC	SABHRS
	Fiscal	Transfer	Millions	Millions	Millions	Millions	Debt	Debt
		Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	2.296258	0.086129	0.439498	1.275935	0.016878	0.495693	2.506520
Actual	2001	2.445000	0.091699	0.484739	1.252221	0.052215	0.837170	2.490067
Actual	2002	2.179165	0.000000	0.749382	1.044512	0.038912	0.839583	2.468857
Forecast	2003	2.292000	0.000000	0.542723	1.045000	0.040676	0.838186	2.050913
Forecast	2004	2.317000	0.000000	0.533656	1.045000	0.042520	0.837743	0.000000
Forecast	2005	2.342000	0.000000	0.520373	1.045000	0.044449	0.833016	0.000000

	t	FEMA	Coal	SFCAP	Liquor License	District	Bank
	Fiscal	Millions	Transfer	SABHRS	Transfer	Court	Charges
		Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.000000	0.000000	0.577083	0.000000	0.000000	0.000000
Actual	2001	31.097802	0.611432	0.582728	0.000000	0.000000	0.000000
Actual	2002	23.246341	0.623227	0.629046	1.036184	0.000000	0.777640
Forecast	2003	0.000000	0.000000	0.661307	0.899752	1.940363	0.777640
Forecast	2004	0.000000	0.000000	0.898875	0.839455	1.998574	0.777640
Forecast	2005	0.000000	0.000000	1.310170	0.841095	2.058531	0.800969

Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

Revenue Description: The Montana Highway Patrol issues citations for speeding, driving under the influence of alcohol or drugs, and other misdemeanors. Fines and forfeitures associated with these citations are collected by various state and local courts.

Applicable Tax Rate(s): N/A

Distribution: Highway Patrol fines and forfeitures on all offenses that result from citations issued by the Highway Patrol, except those paid to a justice's court, are deposited in the general fund.

Collection Frequency: Monthly

Applicable Assumptions and/or Relevant Indicators:

Number of Violations

Average Fine Per Violation

Data Source(s): Department of Justice, Highway Patrol, SABHRS

Contacts: Department of Justice, Highway Patrol

Statute: Title 61, Chapters 8 and 12; Title 53, Chapter 9, MCA

% of Total FY 2002 General Fund Revenue: 0.32%

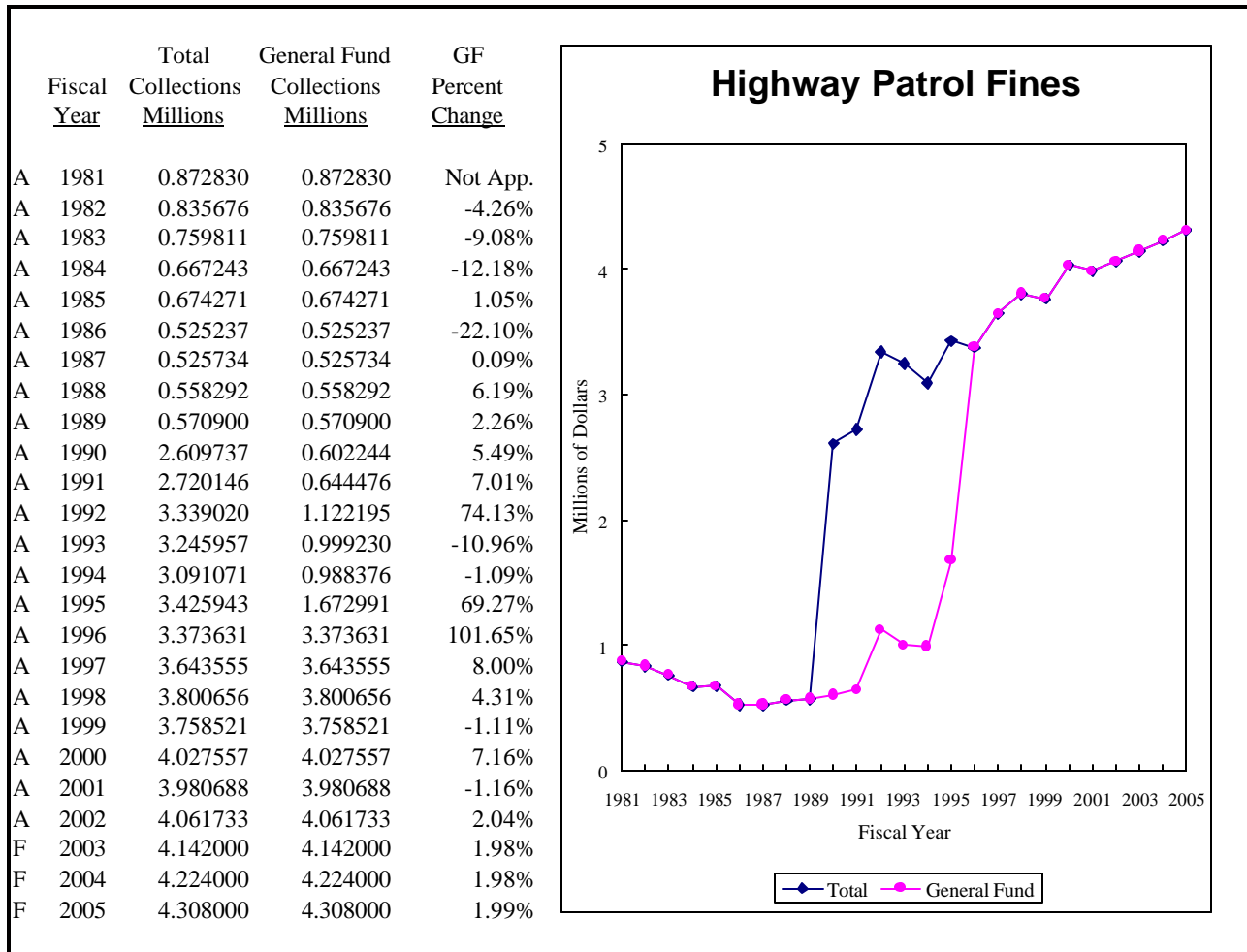
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions.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

In producing the estimate for highway patrol fines, the LFD contacts the Department of Justice, Highway Patrol Office for their evaluation for the potential for significant changes in the number of tickets to be issued over the next biennium. There is a relationship between the number of officers and the number of tickets issued in any year. With this information, the LFD establishes a growth rate for the revenues. The growth rate, is then applied to past years' revenues to determine the estimate for highway patrol fines.

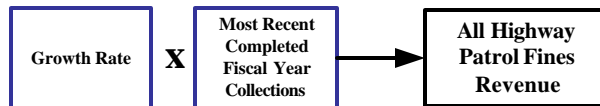
Legislative Fiscal Division

Revenue Estimate Profile Highway Patrol Fines

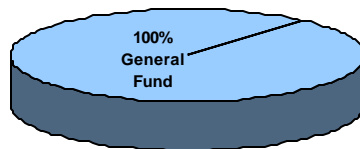
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Highway Patrol Fines

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Fine
	Fiscal	Millions	Millions	Growth Rate
Actual	2000	4.027557	4.027557	0.071580
Actual	2001	3.980688	3.980688	-0.011637
Actual	2002	4.061733	4.061733	0.020360
Forecast	2003	4.142000	4.142000	0.019786
Forecast	2004	4.224000	4.224000	0.019786
Forecast	2005	4.308000	4.308000	0.019786

Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Revenue Description: Qualified nursing facilities are required to pay a utilization fee of \$2.80 per bed day. Nursing facilities are health care facilities licensed by the Department of Public Health and Human Services and include those operated for profit or non-profit, freestanding or part of another health facility, and publicly or privately owned. According to federal definitions, nursing facilities do not include adult foster homes, retirement homes, and other alternative living arrangements. Bed days are defined as a 24-hour period in which a resident of a nursing facility is present in the facility or in which a bed is held for a resident while on temporary leave.

Applicable Tax Rate(s): \$2.80 per bed day

Distribution: All nursing facility fee revenue is deposited into the general fund.

Collection Frequency: Quarterly

Applicable Assumptions and/or Relevant Indicators: Number of Bed Days

Data Source(s): Department of Public Health and Human Services, Nursing Facilities

Contacts: Department of Public Health and Human Services

Statute: Title 15, Chapter 60, MCA

% of Total FY 2002 General Fund Revenue: 0.47%

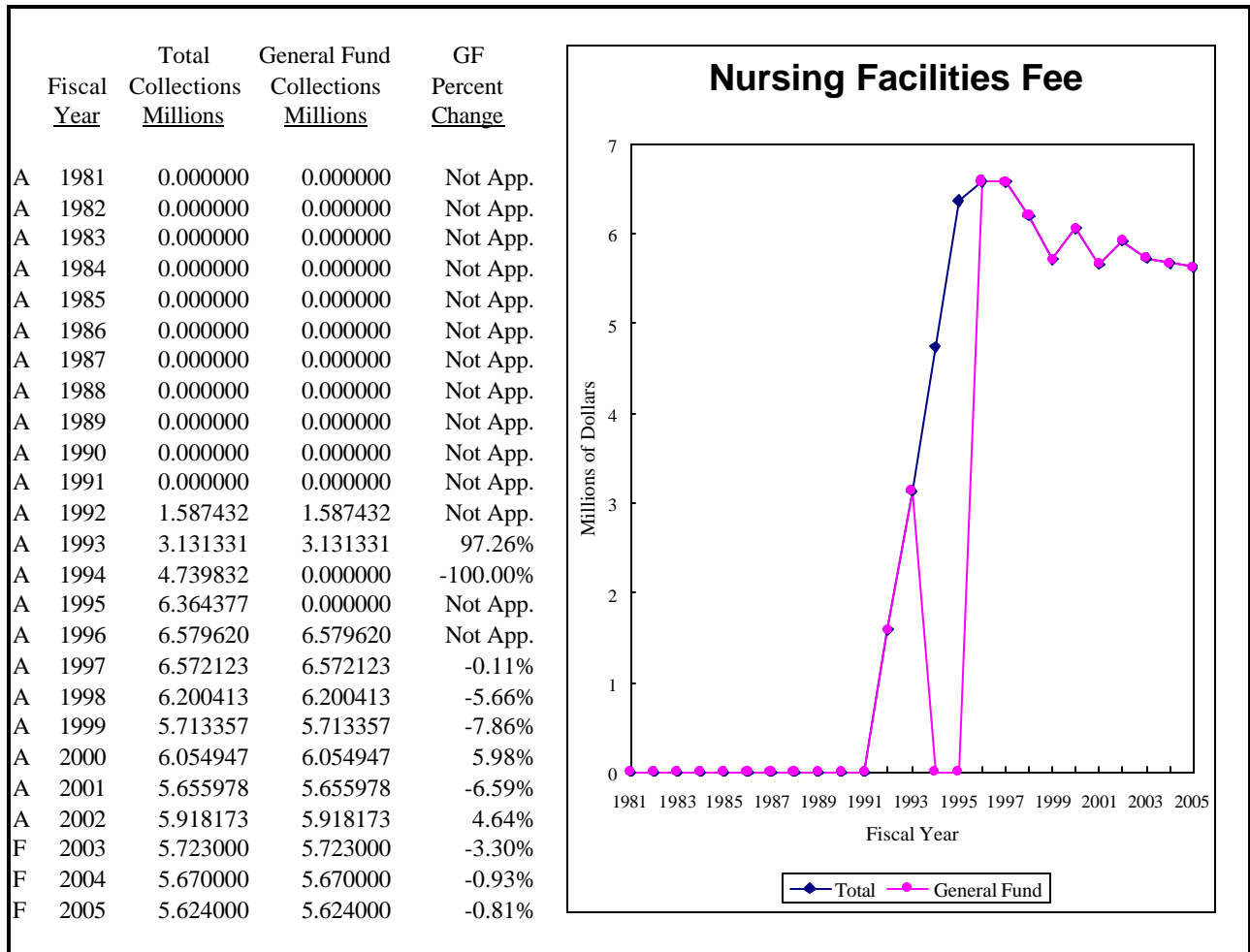
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions.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

To estimate the revenues for the nursing facility fees the LFD uses a trend regression model. The model predicts the number of bed days expected in all nursing facilities in Montana. The LFD is provided historic bed days from the Department of Revenue for the development of the model. The model explains 98 percent of the variation in bed days over time. Additionally, the LFD consults with the Department of Public Health and Human Services to determine the expected bed occupancy rate for state-run nursing facilities. After determining the estimate for future bed days, the fee is applied to the number of bed days to establish the estimate for nursing facility fees.

Legislative Fiscal Division

Revenue Estimate Profile Nursing Facilities Fee

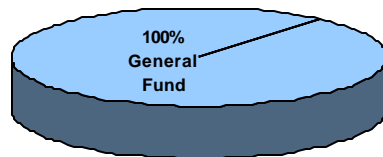
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Nursing Facilities Fee

Revenue Estimate Assumptions

	t	Total Tax	GF Tax		Bed
	Fiscal	Millions	Millions	Fee	Days
Actual	2000	6.054947	6.054947	2.800000	2.113805
Actual	2001	5.655978	5.655978	2.800000	2.083501
Actual	2002	5.918173	5.918173	2.800000	2.072696
Forecast	2003	5.723000	5.723000	2.800000	2.043910
Forecast	2004	5.670000	5.670000	2.800000	2.025123
Forecast	2005	5.624000	5.624000	2.800000	2.008551

Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Revenue Description: The Department of Public Health and Human Services receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center (MDC), the Montana Mental Health Nursing Care Center, Montana State Hospital (MSH), Eastern Montana Veterans' Home, Eastmont Human Services Center, Montana Chemical Dependency Treatment Center, and the Montana Veterans' Home. There are four sources of reimbursement income: 1) state and federally matched Medicaid monies; 2) insurance proceeds from companies with whom the resident is insured; 3) payments by residents or persons legally responsible for them; and 4) federal Medicare funds. Most of the reimbursements come from federal Medicaid payments.

Three variables determine the level of Medicaid nursing home payments: 1) the number of patient days eligible for Medicaid reimbursement; 2) the reimbursement rate per patient day; and 3) the private resources of Medicaid patients.

**LFD
COMMENT**

The Legislative Fiscal Division's estimates of institutional reimbursements have been reduced by about \$3.0 million in fiscal years 2004 and 2005. The Department of Public Health and Human Services has a legal opinion stating that this money should be deposited to the federal special revenue fund rather than the general fund. Legislative Fiscal Division staff has requested an opinion from legislative attorneys concerning this matter. At the time of this writing, a response was still forthcoming. The executive branch plans to introduce legislation directing the funds to the general fund and then would appropriate general fund to the department.

Applicable Tax Rate(s): N/A

Distribution: Revenue collected from the above sources are deposited in the general fund with the following exceptions:

1. Reimbursements from MDC and MSH are first used to pay debt service on bonds issued to fund construction at these facilities. The remainder is deposited into the general fund.
2. Reimbursements received for the Veterans' Home and Montana Chemical Dependency Treatment Center are deposited into a state special revenue account and appropriated to the institutions.
3. Medicaid payments from the Montana Mental Health Nursing Care Center and MSH are deposited into the federal fund and appropriated for the mental health programs.

Collection Frequency: Monthly

Applicable Assumptions:

Medicaid Days
Medicaid Reimbursement Rate
Private Payments
Insurance Payments
Medicare Payments
Debt Service Payments

Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Data Source(s): SABHRS, Department of Public Health and Human Services

Contacts: Department of Public Health and Human Services

Statute: Title 53, Chapter 1, MCA

% of Total FY 2002 General Fund Revenue: 1.13%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) used by the LFD to develop a revenue estimate for this source is provided in the appendix of this document.

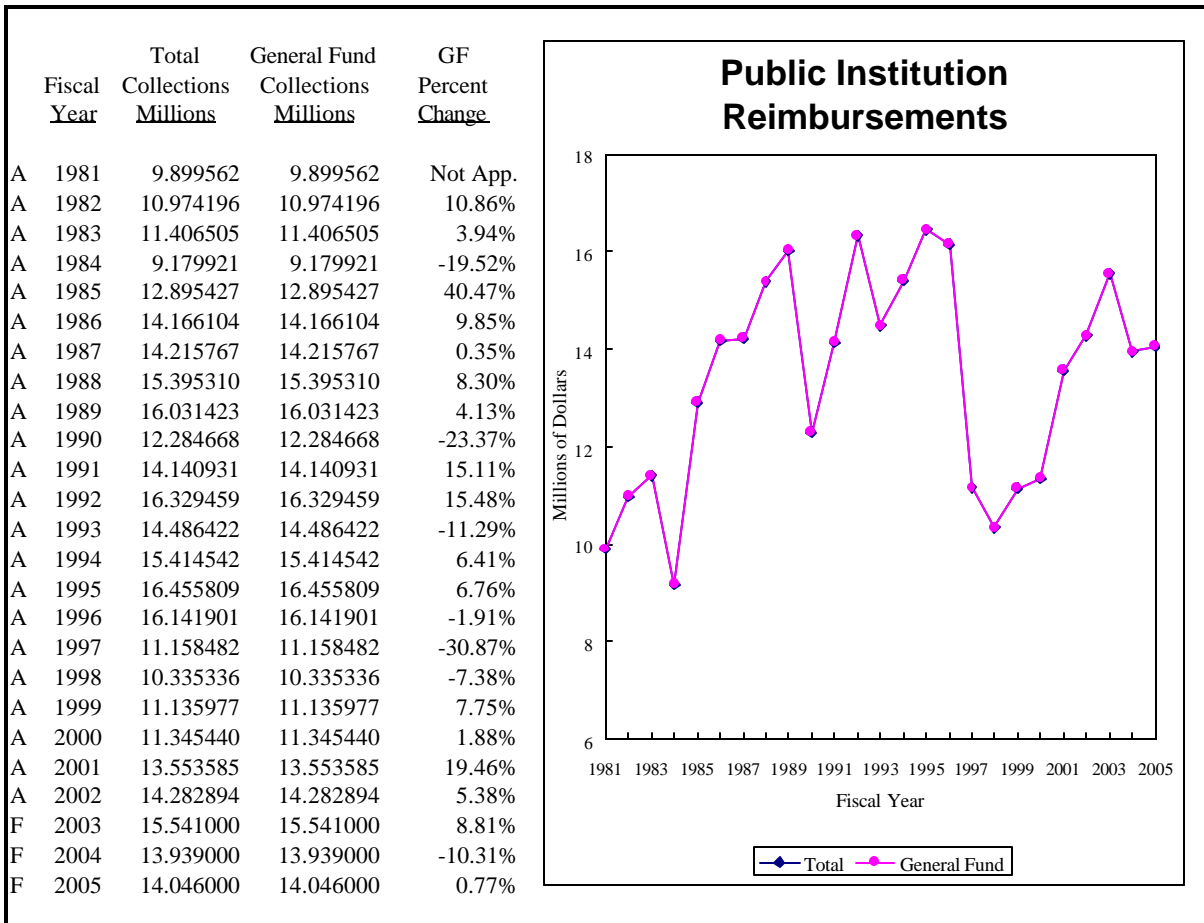
The LFD relies on the Department of Public Health and Human Services (DPHHS) to provide efficient estimates for the future collections of public institution reimbursements. DPHHS has intimate knowledge of all circumstances related to the collections of the reimbursements. The DPHHS methodology includes first multiplying the number of eligible Medicaid days by the reimbursement rate for each institution, then totaling those amounts to derive total Medicaid reimbursement revenue. Then, anticipated reimbursement revenue from private payments, insurance payments, and Medicare payments are added to the Medicaid reimbursements. Building debt service payments for the Montana Developmental Center and the Montana State Hospital are subtracted from total income. After receiving the estimate from DPHHS, the LFD researches particular facts associated with the estimate and then makes any adjustments that may be required to determine the estimate for public institution reimbursements.

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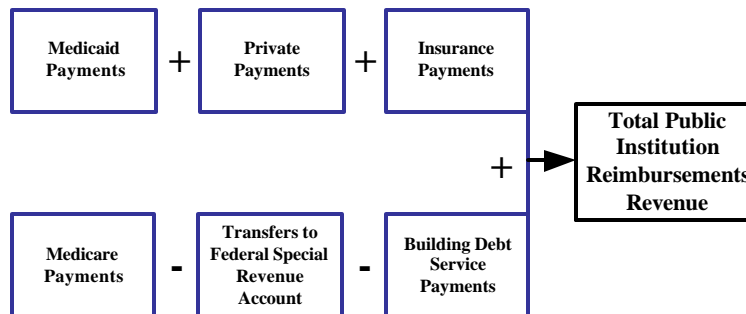
Revenue Estimate Profile

Public Institution Reimbursements

Revenue Projection:



Forecast Methodology

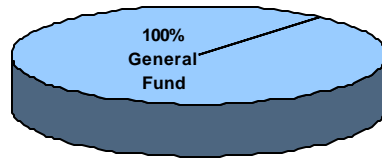


Legislative Fiscal Division

Revenue Estimate Profile

Public Institution Reimbursements

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>Private</u>	<u>Insurance</u>	<u>Medicaid</u>	<u>Medicare</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	11.345440	11.345440	0.512403	0.000257	12.490967	0.003044
Actual	2001	13.553585	13.553585	0.649965	0.000498	12.887899	0.015223
Actual	2002	14.282894	14.282894	1.483431	0.317047	10.994744	1.487671
Forecast	2003	15.541000	15.541000	2.165413	0.545379	14.810559	2.578494
Forecast	2004	13.939000	13.939000	2.180952	0.556214	14.739844	2.629437
Forecast	2005	14.046000	14.046000	2.200049	0.555109	14.831628	2.624241

	<u>t</u>	<u>MDC Debt</u>	<u>MSH Debt</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	-0.965496	0.000000	
Actual	2001	-1.079220	-1.909252	0.000000
Actual	2002	-1.075405	-1.911032	0.000000
Forecast	2003	-1.075425	-1.910858	-1.572893
Forecast	2004	-1.078975	-1.908668	-3.180119
Forecast	2005	-1.075735	-1.909403	-3.180119

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Revenue Description: Montana receives revenue as a settling party to a Master Settlement Agreement with four original tobacco companies and 25 subsequent companies to end a four-year legal battle with 46 states, Puerto Rico, American Samoa, the U.S. Virgin Islands, the North Mariana Island, Guam and the District of Columbia (52 total settling entities).

Montana is eligible for four types of payments: 1) reimbursement for legal costs (received December 1999); 2) five initial payments (Two were received in fiscal 2000. One each year is expected in fiscal 2001, 2002, and 2003); 3) on-going, perpetual annual payments; and 4) strategic contribution payments (from fiscal 2008 through 2017). The Master Settlement Agreement places no restrictions on how the money is to be spent.

The total amount of tobacco settlement funds available to Montana may be affected by a number of adjustments. These include inflation, sales volume changes, operating income of the original four tobacco companies, number and operating income of subsequent participating manufactures, number of state reaching state specific finality, settlements reached by the four states not party to the agreement (Florida, Texas, Minnesota, and Mississippi), litigation offsets, and federal tobacco legislation offsets among others.

Applicable Tax Rate(s): NA

Distribution: Due to passage of Constitutional Amendment 35 by the electorate in November 2000, the legislature is required to dedicate not less than 40 percent of tobacco settlement money to a permanent trust fund. Since the legislature has not yet determined the exact percentage to be deposited to the trust fund, the revenue estimate assumes 40 percent. For fiscal 2003, the remaining 60 percent of the money is deposited to the general fund. Due to passage of Initiative 146 by the electorate in November 2002, beginning fiscal 2004, 32 percent of the tobacco settlement money funds tobacco prevention programs and 17 percent funds the Children's Health Insurance Program. The remaining 11 percent of the money is deposited to the general fund.

Collection Frequency: For fiscal 2003: The last initial payment is expected January 10, 2003 and the annual payment is expected April 15th 2003. Beginning fiscal 2004: Annual payments are expected each April 15th into perpetuity.

Applicable Assumptions and/or Relevant Indicators:

Total settlement amounts available to distribute	Inflation
Montana percentage share of payments	Previous settled states percentage reduction
Tobacco consumption	Trust fund percentage

Data Source(s):

Master Settlement Agreement (as amended), Center for Disease Control and Prevention, National Council of State Legislatures, National Association of Attorneys General, Tobacco companies' 10Q report

Contacts: Department of Justice

Statute: Title 53, Chapter 4

% of Total FY 2002 General Fund Revenue: 1.47%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts,

Legislative Fiscal Division

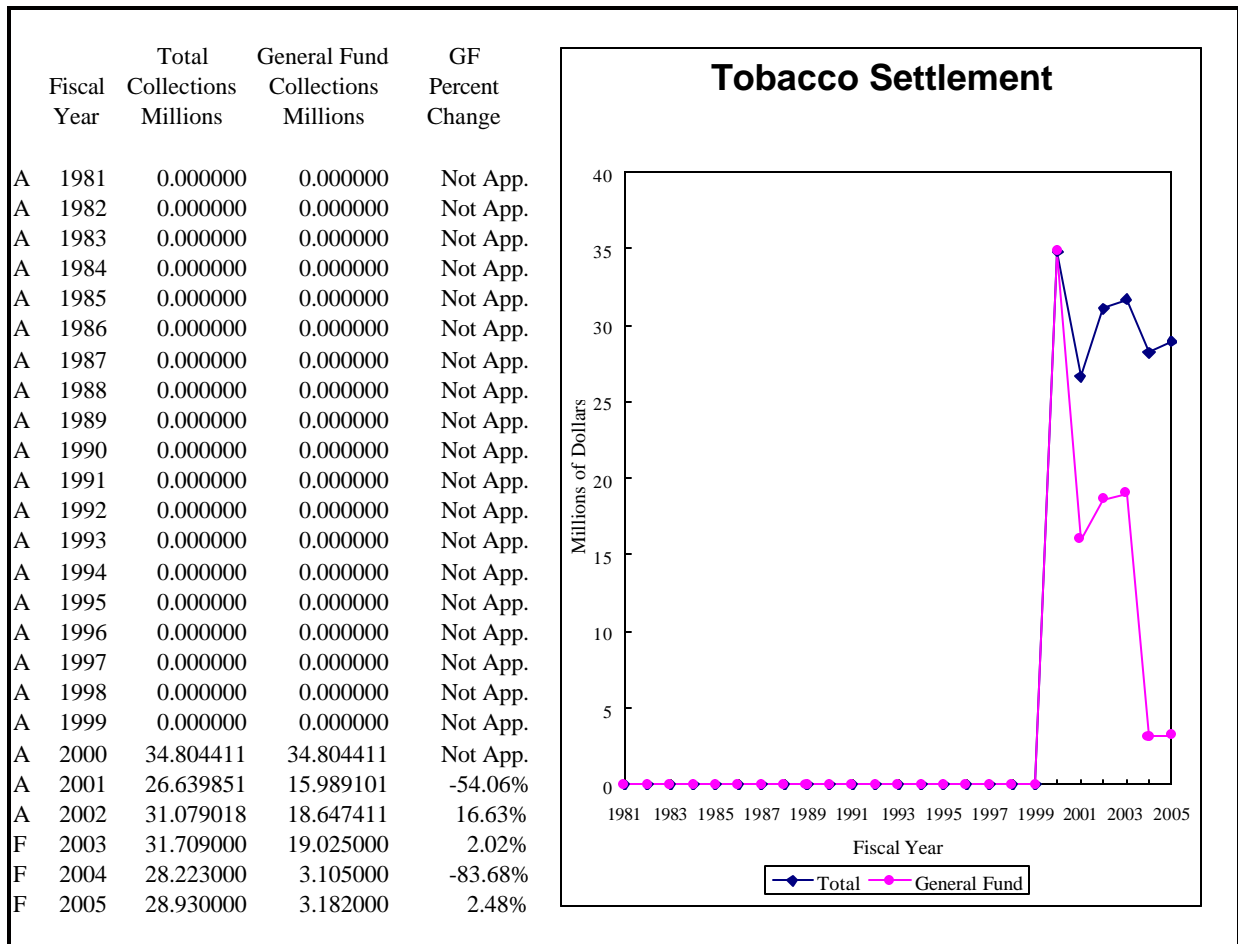
Revenue Estimate Profile

Tobacco Settlement

company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

1. Annual Payments: The total settlement amount available each year from the original participating manufactures annual payment is adjusted by estimates for the inflation, volume, operating income, and previous settled states adjustments. The amount of the annual payment from subsequent participating manufactures is derived by adjusting the total settlement amount available each year from the original participating manufactures for a volume adjustment and a base adjustment and then applying an inflation factor. These two annual payments are summed and then multiplied by the Montana's percentage share.
2. Initial Payments: The total settlement amount available each year from the initial payment is adjusted by an estimate for the volume adjustment then multiplied by the Montana's percentage share.
3. Total: The sum of the annual payment and the initial payment equals the amount Montana will receive in that fiscal year.

Revenue Projection:

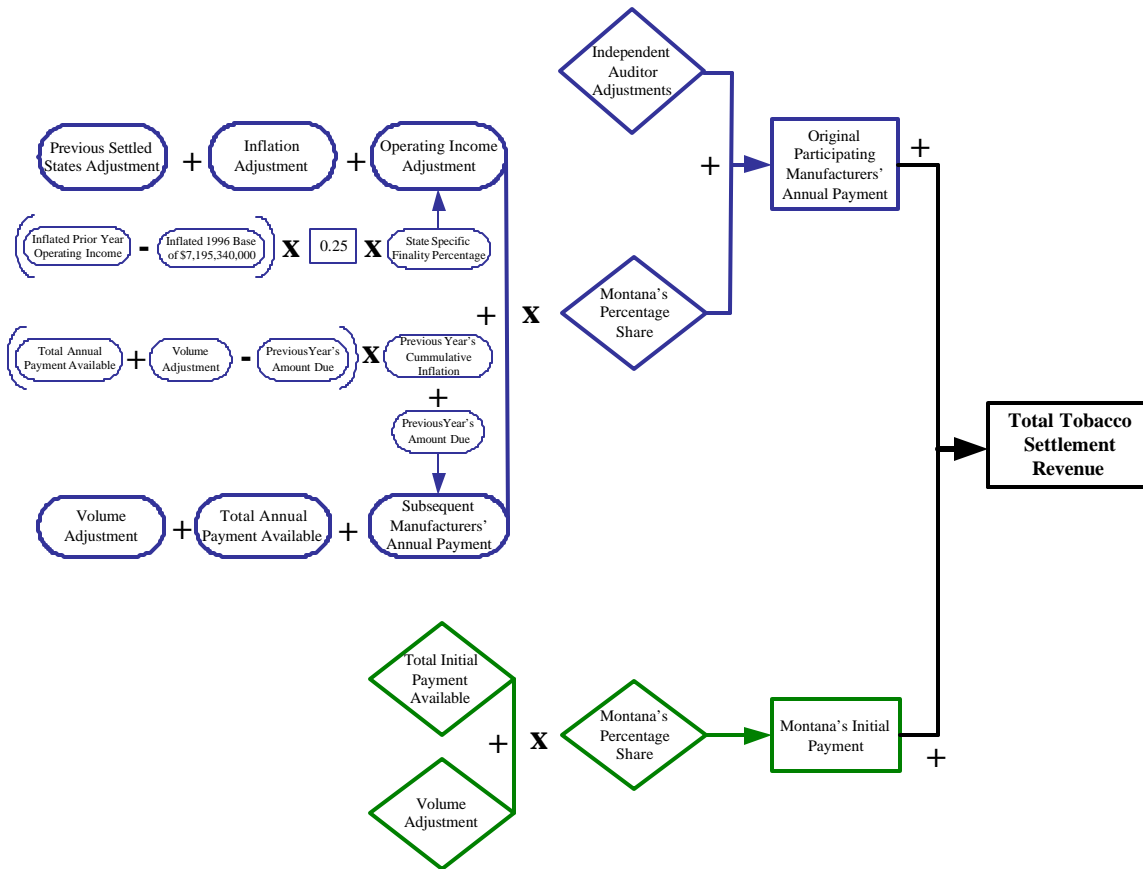


Legislative Fiscal Division

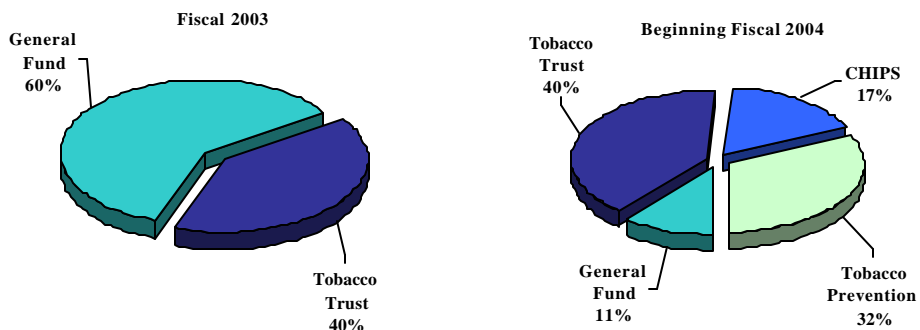
Revenue Estimate Profile

Tobacco Settlement

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Settlement

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Initial	Annual	Montana's	PSS
	Fiscal	Millions	Millions	Payment	Payment	Share	Reduction
				Millions	Millions	Percent	Percent
Actual	2000	34.804411	34.804411	4872.000000	4500.000000	0.004247591	-0.124500000
Actual	2001	26.639851	15.989101	2546.160000	5000.000000	0.004247591	-0.124500000
Actual	2002	31.079018	18.647411	2622.544800	6500.000000	0.004247591	-0.124500000
Forecast	2003	31.709000	19.025000	2701.221144	6500.000000	0.004247591	-0.124500000
Forecast	2004	28.223000	3.105000	0.000000	8000.000000	0.004247591	-0.124500000
Forecast	2005	28.930000	3.182000	0.000000	8000.000000	0.004247591	-0.124500000

	t	Annual	Cummulative	Adjustment	Adjusted	Annual	Cummulative
	Fiscal	Vol. Change	Vol. Change	Factor	Vol. Change	CPI Change	CPI Change
		Percent	Percent	Percent	Percent	Percent	Percent
Actual	2000	-0.140094943	-0.140094943	0.980000000	-0.137293044	0.030000000	0.030000000
Actual	2001	-0.015542065	-0.153459643	0.980000000	-0.150390450	0.033868093	0.064884100
Actual	2002	-0.045780332	-0.192214542	0.980000000	-0.188370251	0.030000000	0.096830600
Forecast	2003	-0.015000000	-0.204331324	0.980000000	-0.200244698	0.030000000	0.129735500
Forecast	2004	-0.010000000	-0.212288011	0.980000000	-0.208042251	0.030000000	0.163627600
Forecast	2005	-0.010000000	-0.220165131	0.980000000	-0.215761828	0.030000000	0.198536400

	t	Op. Income	SPM
	Fiscal	Adjustment	Payment
		Millions	Millions
Actual	2000	40.787986	46.446683
Actual	2001	64.221594	78.134224
Actual	2002	0.000000	144.417783
Forecast	2003	0.000000	163.153896
Forecast	2004	0.000000	189.850376
Forecast	2005	0.000000	227.542586