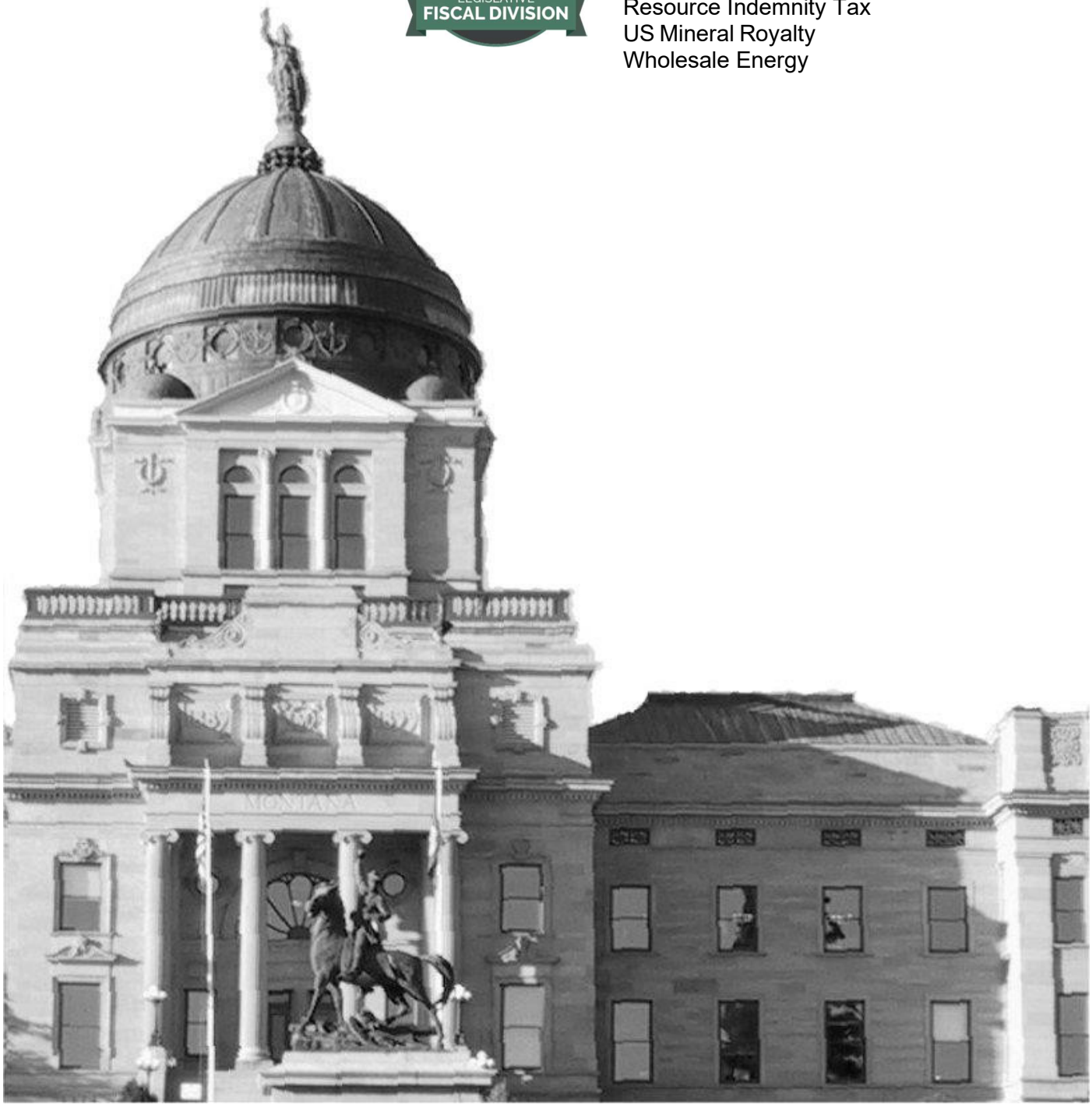
NATURAL RESOURCE TAXES

Coal Severance Tax
Electrical Energy Tax
Federal Forest Receipts
Metalliferous Mines Tax
Oil & Natural Gas Production Tax
Resource Indemnity Tax
US Mineral Royalty
Wholesale Energy



Coal Severance Tax

Revenue Description

For large producers, the coal severance tax is imposed on all coal production, except that on reservations, in excess of 20,000 tons per company per calendar year. Producers of 50,000 tons or less in any calendar year are exempt from the tax.

Statutory Reference

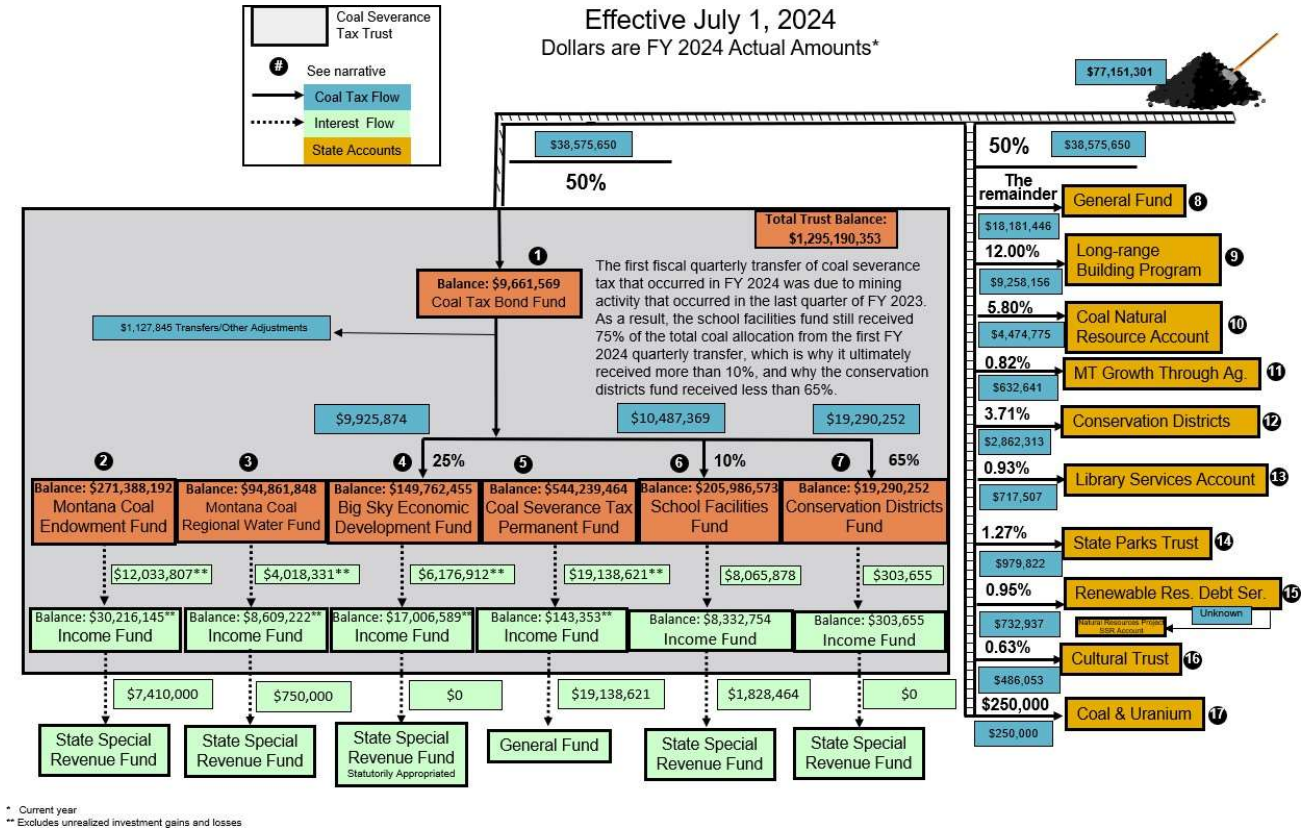
Tax Rate – 15-35-103, MCA
Tax Distribution – Montana Constitution, Article IX, Section 5; 15-35-108, MCA; 17-5-703, MCA
Date Due – Thirty days following the close of the quarter (15-35-104, MCA)

Applicable Tax Rates

10% on the value of surfaced mined coal with a heating quality < 7,000 BTU
15% on the value surfaced mined coal with a heating quality ≥ 7,000 BTU
3% on the value underground mined coal with a heating quality < 7,000 BTU
4% on the value underground mined coal with a heating quality ≥ 7,000 BTU
3.75% on the value of auger mined coal with a heating quality < 7,000 BTU
5% on the value of auger mined coal with a heating quality ≥ 7,000 BTU

Collection Frequency: Quarterly

Distribution



* Current year
** Excludes unrealized investment gains and losses

As directed by Article IX, Section 5 of the Montana Constitution, the coal severance tax trust fund receives 50% of total coal severance tax collections. The money flows through sub-trust funds within the trust. These sub-trusts are:

1) Coal Tax Bond Fund (Title 17, Chapter 5, Part 7)

The legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects (Title 85, Chapter 1, Part 6) and local government infrastructure projects (Title 90, Chapter 6, Part 7). A maximum of $250 million in bonds is authorized as loans for renewable resource projects (17-5-719, MCA) to provide:

- a healthy economy;
- alleviation of social and economic impacts created by coal development; and
- a clean and healthful environment

The total amount of outstanding principal of renewable resource bonds at any time cannot exceed $30 million (85-1-624, MCA). An amount equal to the following year's principal and interest payments is maintained in the fund. Money in the fund is pledged to pay the debt service on the bonds if interest and principal payments by the loan recipients are insufficient to fully pay the debt service. Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources and Conservation (DNRC) in HB 8.

2) Montana Coal Endowment Fund (Title 90, Chapter 6, Part 7)

In June 1992, the voters approved a legislative referendum establishing the treasure state endowment program. Initially funded with $10 million from the permanent fund, the fund received 75% (37.5% of the total) of the remaining coal severance tax revenue after deposits (if any) to the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 session eliminated this fund) through the 2003 biennium. From then through FY 2016, the fund received 50% (25% of the total). Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016. In the 2021 Legislative Session, SB 258 changed the name of this fund to the Montana Coal Endowment Fund.

3) Montana Coal Endowment Regional Water System Fund

The treasure state endowment program was established in SB 220 (1999 Session) to fund regional water system projects. Projects are restricted to drinking water systems that provide water for domestic, industrial, and stock water use for communities and rural residences that lie in specific north central and northeastern geographic areas. Projects are approved and interest earnings from the fund are appropriated to the Department of Natural Resources and Conservation by the legislature in HB 11 as grants for local government infrastructure projects. Until the end of FY 2016, the fund received 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016, and the fund terminates at the end of FY 2031. In the 2021 Legislative Session, SB 258 changed the name of this fund to the Montana Coal Endowment Regional Water Fund.

4) Big Sky Economic Development Fund

The big sky economic development program was established by HB 249 (2005 Session) to fund qualified economic development projects. The fund receives 25% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue to this fund terminates at the end of FY 2035.

Grants and loans are available to local governments for economic development projects and to certified regional development corporations for the purposes of:

1) creating good-paying jobs for Montana residents;
2) promoting long-term, stable economic growth;
3) encouraging local economic development organizations; and

4) retaining or expanding existing businesses

Interest earnings are deposited to a state special revenue fund and are statutorily appropriated to the Department of Commerce to pay administrative expenses with the remainder for:

- 75% to local governments to be used for job creation; and
- 25% to certified regional development corporations and economic development organizations

5) Permanent Fund

Prior to the establishment of the previous four funds, all the coal severance tax revenue distributed to the trust fund was deposited to the permanent fund. From FY 2006 to FY 2016 no coal severance tax revenue was deposited to the fund. In FY 2017, the permanent fund received 75% of the remaining coal severance tax revenue after deposits in the coal tax bond fund. Interest earnings from the fund, audit revenue, and interest and penalties are deposited to the general fund. After a $1.275 million general fund transfer to the research and commercialization account created in 90-3-1002, the remaining interest income from the permanent fund deposited into the general fund is statutorily appropriated as follows:

- $65,000 to the cooperative development center;
- $900,000 for the growth through agriculture program provided for in Title 90, chapter 9;
- $600,000 for the Montana food and agricultural development program
- to the Department of Commerce for specific projects:
  - $325,000 for a small business development center;
  - $50,000 for a small business innovative research program;
  - $625,000 for certified regional development corporations;
  - $500,000 for the Montana manufacturing extension center at MSU-Bozeman; and
  - $300,000 for export trade enhancement
- After the above payments, the remainder is deposited into the state general fund.

6) School Facilities Fund

The school facilities fund was created with the passage of SB 260 (2017 Session). Interest from the fund may be used only for school facility projects authorized by the legislature. Beginning in FY 2018, the school facilities fund began receiving 75% of the coal tax allocation to the coal trust fund. With the passage of HB 321 (2023 Session), the allocation was reduced to 10% after a general fund transfer was made to the fund to bring the balance to $200 million. The school facilities fund will continue to receive 10% of the coal tax allocation until the fund balance reaches $300 million.

7) Conservation District Fund

HB 321 (2023 Session) created the Conservation Districts Fund. Beginning in FY 2024, this fund began receiving 65% of the coal tax allocation to the coal trust fund. Once the balance of this fund reaches $100 million, the 65% allocation will revert to a newly created Coal Board Fund.

Coal Severance Tax Related Funds

The other 50% of the coal severance tax revenue is distributed to the following funds outside of the coal severance tax trust fund (15-35-108, MCA)

8) General Fund (the remainder after all other allocations)

After allocations are made to the coal trust and state special funds, the remaining coal severance tax collections are distributed to the state general fund.

9) Long-range Building Program Account (12.00%)

Coal severance tax revenue in this account can be used for long-range building projects or for general obligation bond debt service. The legislature appropriates the money in HB 5 to finance building projects at universities, vocational education institutions, state buildings and state institutions. Debt service payments are statutorily appropriated and are currently servicing debt for capitol restoration, the UM

pharmacy and psychology, and chemistry buildings, MSU central heating plant and underground utilities, Montana state prison expansion, and regional correctional facilities.

10) Coal Natural Resource Account (5.80%)
Created in HB 758 (2005 Session) and amended by SB 23 (2009 Session), the account receives a portion of the coal severance tax revenue. Money in the account is appropriated to the coal board in HB 2 for local impact grants and administrative costs. Due to SB 100 (2009 Session), the coal tax allocation was doubled to 5.80% beginning FY 2010. After September 2013, the allocation decreased to 2.9% but has been routinely increased to 5.80%. The allocation was increased to 5.80% until FY 2024, with the passage of HB 292 (2019 Session). HB 248 (2023 Session) set the allocation at 5.80% indefinitely.

11) MT Growth through Agriculture (0.82%)
Beginning in FY 2018, what was formerly known as the coal shared account was divided into three separate funds. One of these funds, MT Growth through Agriculture, loans money to businesses for agricultural development projects that stimulate agriculture.

12) Conservation Districts (3.71%)
Another entity that received funds from the old coal shared account was the Montana Conservation Districts. These funds are used to promote natural resource conservation in Montana.

13) Library Services Account (0.93%)
The third program that received funds from the coal shared account was library services. This portion of coal severance taxes is used to assist local libraries in providing basic services.

14) State Parks Trust (1.27%)
The distribution to this trust is for the purpose of parks acquisition or management. Interest earnings from the trust is appropriated to the Department of Fish, Wildlife, and Parks (FWP) by the legislature in HB 2 and HB 5 for the acquisition, development, operation, and maintenance of state parks, recreational areas, public camping grounds, historic sites, and monuments.

15) Renewable Resource Debt Service Fund (0.95%)
Money in this fund is used to service debt on coal severance tax bonds used to finance renewable resource projects. This is in addition to any coal tax paid from the Coal Tax Bond Fund (1 above). Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to DNRC in HB 8.

16) Cultural Trust (0.63%)
The distribution to this trust is for the purpose of protecting works of art in the capitol and for other cultural and aesthetic projects. Interest earnings from the trust are appropriated to the Montana Arts Council by the legislature in HB 9 for these purposes.

17) Coal and Uranium Mine Permitting and Reclamation Program ($250,000)
Enacted by HB 688 (2007 Session), coal severance tax revenue is deposited to the state special revenue account and appropriated in HB 2 to the Department of Environmental Quality (DEQ) to administer and enforce coal and uranium mine reclamation (82-4-244, MCA).

Forecast Risks

- Energy prices
- Production and shipping costs
- Type of coal (BTU)
- Length of company contracts
- Decreased demand domestically

Revenue Estimate Methodology

Data

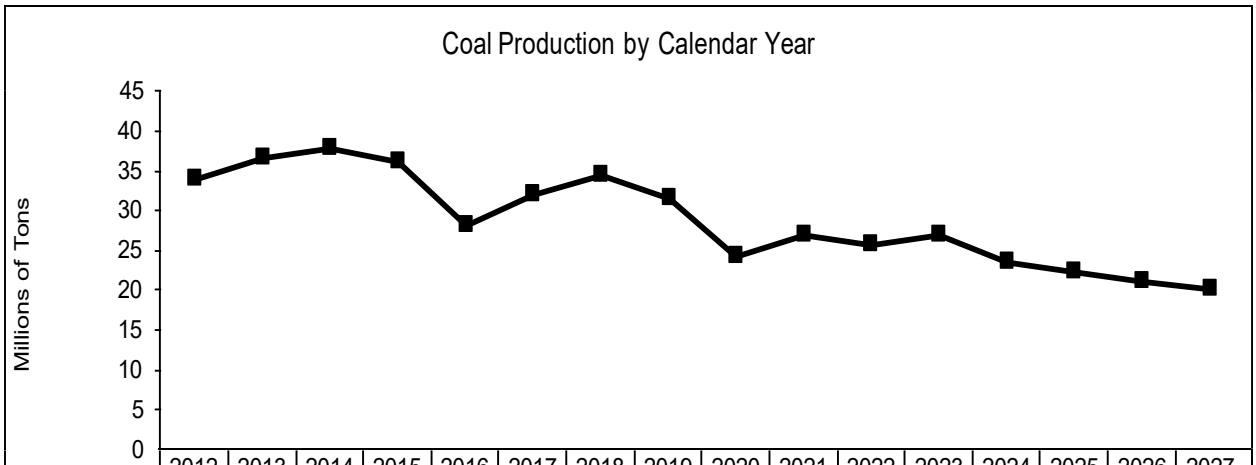
The estimate for this revenue source is based on collection data from SABHRS, historical price and production data from DOR, and production and price forecasts based on recent trends.

Analysis

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

1. The future coal production for each company, based upon most recent years' trends.
2. To determine the future price for each company's coal, the company's average contract sales price for the last year is increased or decreased based upon trends over the past decade.
3. The estimated production and price for each company are multiplied together and the product for all companies summed to obtain the total taxable value.

The calendar year taxable value is multiplied by the applicable tax rate to determine total coal severance tax revenue and converted to fiscal year basis.



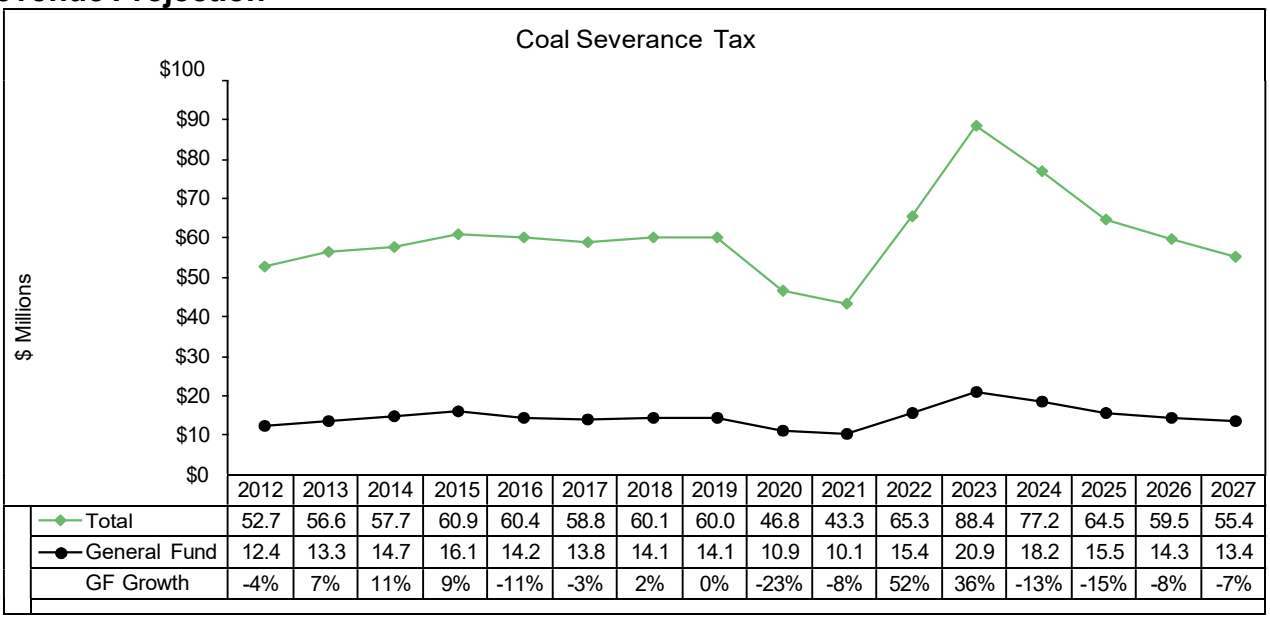
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Price	$12	$12	$13	$12	$14	$15	$17	$16	$15	$19	$39	$41	$31	$28	$25	$23
Prod.	34	37	38	36	28	32	34	32	24	27	26	27	23	22	21	20

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

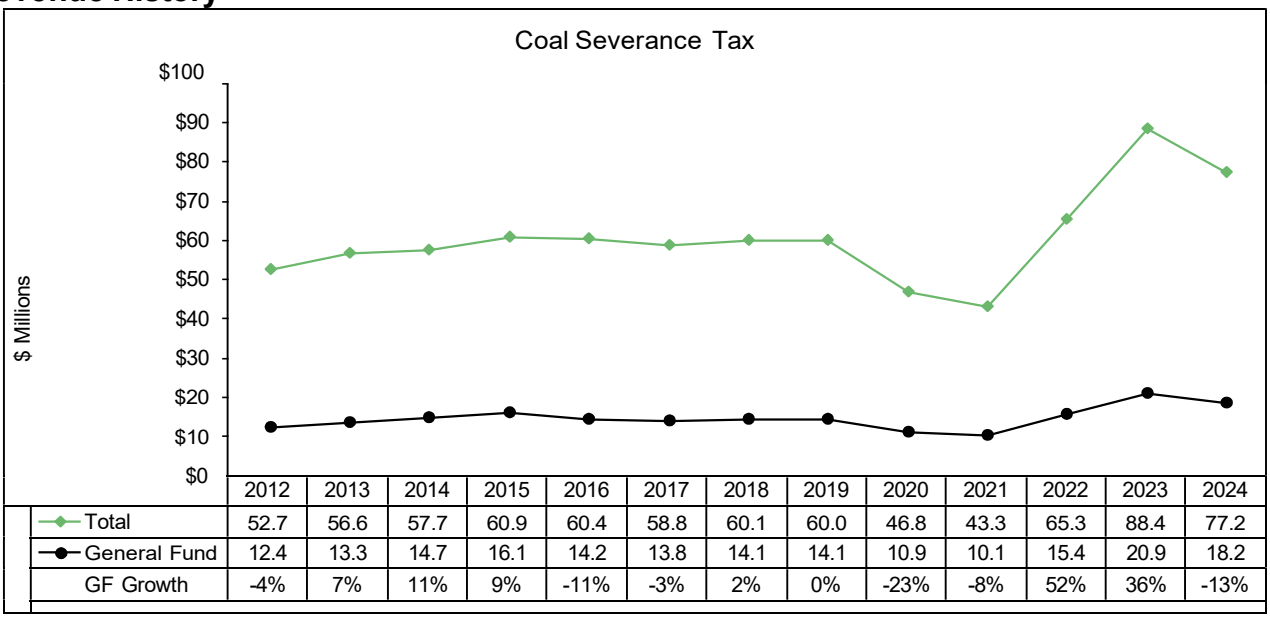
FY	Total Tax $ Millions	GF Tax $ Millions	Tons (CY) Millions	CSP (CY) $/Ton
A 2014	$57.676	$14.745	37.810	$12.56
A 2015	60.891	16.063	36.075	12.38
A 2016	60.359	14.236	28.089	14.02
A 2017	58.808	13.799	31.987	14.82
A 2018	60.097	14.107	34.311	16.51
A 2019	60.028	14.091	31.543	16.29
A 2020	46.754	10.920	24.301	15.26
A 2021	43.256	10.084	26.875	19.01
A 2022	65.339	15.359	25.794	38.68
A 2023	88.442	20.879	26.853	40.80
A 2024	77.151	18.181	23.467	30.58
F 2025	64.502	15.530	22.294	27.56
F 2026	59.542	14.345	21.179	25.33
F 2027	55.442	13.366	20.120	23.48
F 2028	51.777	12.490	19.114	22.04
F 2029	48.633	11.739	18.159	20.93

Revenue Projection



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total	52.7	56.6	57.7	60.9	60.4	58.8	60.1	60.0	46.8	43.3	65.3	88.4	77.2	64.5	59.5	55.4
General Fund	12.4	13.3	14.7	16.1	14.2	13.8	14.1	14.1	10.9	10.1	15.4	20.9	18.2	15.5	14.3	13.4
GF Growth	-4%	7%	11%	9%	-11%	-3%	2%	0%	-23%	-8%	52%	36%	-13%	-15%	-8%	-7%

Revenue History



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	52.7	56.6	57.7	60.9	60.4	58.8	60.1	60.0	46.8	43.3	65.3	88.4	77.2
General Fund	12.4	13.3	14.7	16.1	14.2	13.8	14.1	14.1	10.9	10.1	15.4	20.9	18.2
GF Growth	-4%	7%	11%	9%	-11%	-3%	2%	0%	-23%	-8%	52%	36%	-13%

Electrical Energy Tax

Revenue Description
The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax.

Statutory Reference
Tax Rate – 15-51-101, MCA
Tax Distribution – 17-2-124(2), MCA; 15-51-103, MCA
Date Due – Thirty days after the end of the calendar quarter (15-51-101, MCA; 15-51-102, MCA)

Applicable Tax Rates
A tax of $0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for energy used by the plant itself for the production of energy.

Collection Frequency: Quarterly

Distribution: All proceeds are deposited into the general fund.

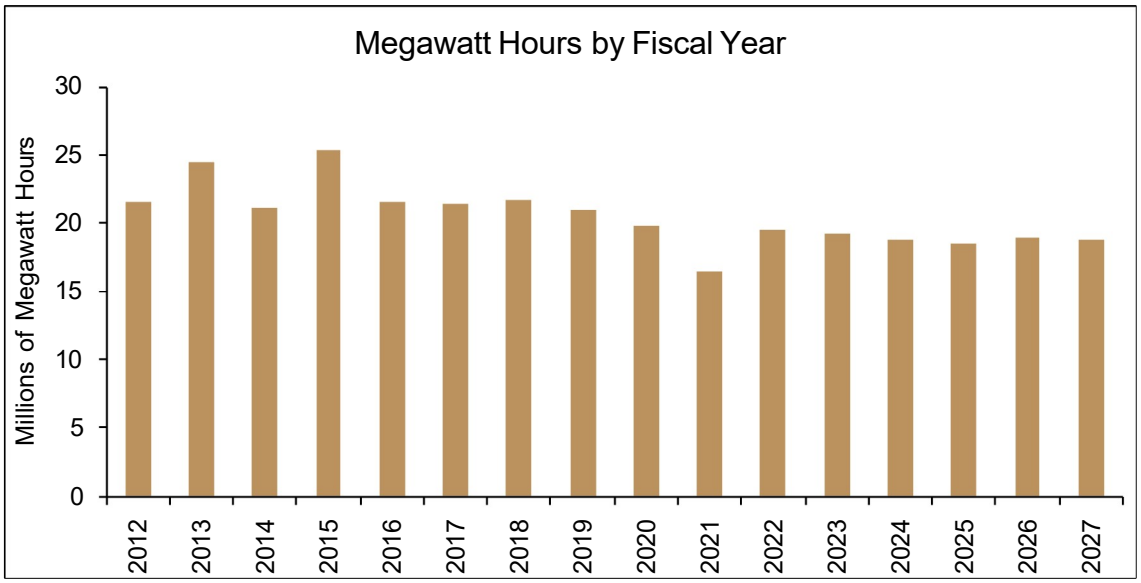
Forecast Risks
- Generation variability

Revenue Estimate Methodology
Data

Data from quarterly reports produced by DOR provide a history of kilowatt hours produced for each individual company.

Analysis

Historic data of kilowatt hours are used to trend forecast future kilowatt hours by year. Taxable kilowatt hours are then multiplied by the tax rate to produce total revenue from this source.

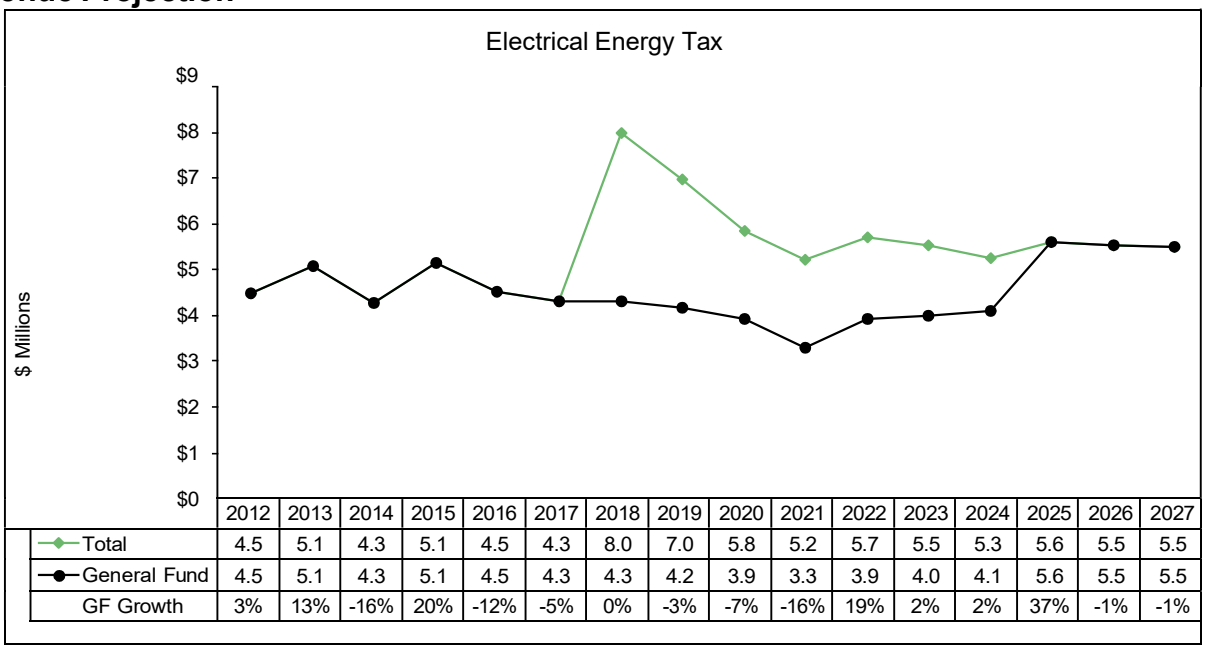


Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

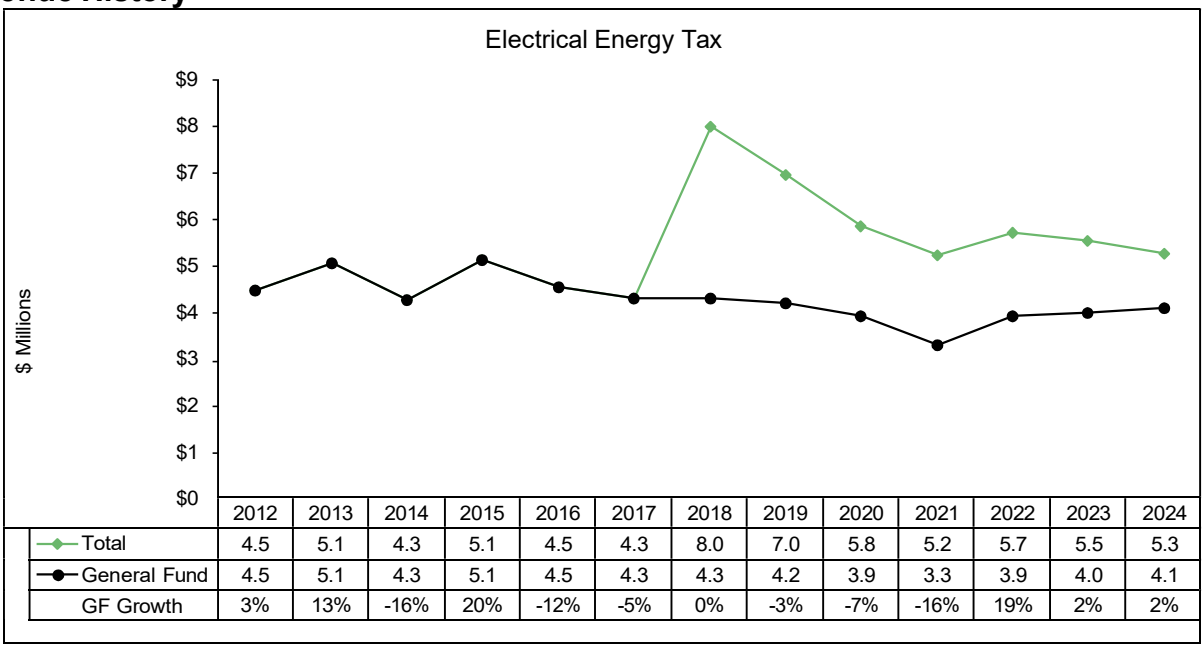
FY	Total Tax $ Millions	GF Tax $ Millions	KWH Millions
A 2014	$4.280	$4.280	21,139
A 2015	5.133	5.133	25,358
A 2016	4.536	4.536	21,541
A 2017	4.314	4.314	21,368
A 2018	7.997	4.302	21,667
A 2019	6.961	4.185	20,997
A 2020	5.847	3.910	19,863
A 2021	5.223	3.298	16,492
A 2022	5.719	3.930	19,473
A 2023	5.537	4.004	20,474
A 2024	5.253	4.090	20,437
F 2025	5.603	5.603	20,128
F 2026	5.543	5.543	20,347
F 2027	5.512	5.512	20,304
F 2028	5.538	5.538	20,260
F 2029	5.481	5.481	20,303

Revenue Projection



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total	4.5	5.1	4.3	5.1	4.5	4.3	8.0	7.0	5.8	5.2	5.7	5.5	5.3	5.6	5.5	5.5
General Fund	4.5	5.1	4.3	5.1	4.5	4.3	4.3	4.2	3.9	3.3	3.9	4.0	4.1	5.6	5.5	5.5
GF Growth	3%	13%	-16%	20%	-12%	-5%	0%	-3%	-7%	-16%	19%	2%	2%	37%	-1%	-1%

Revenue History



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	4.5	5.1	4.3	5.1	4.5	4.3	8.0	7.0	5.8	5.2	5.7	5.5	5.3
General Fund	4.5	5.1	4.3	5.1	4.5	4.3	4.3	4.2	3.9	3.3	3.9	4.0	4.1
GF Growth	3%	13%	-16%	20%	-12%	-5%	0%	-3%	-7%	-16%	19%	2%	2%

Federal Forest Receipts

Revenue Description
Federal forest receipts are payments from the federal government in lieu of revenues from the sale of forest products of federal land. The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. FY 2025 has a significant drop in revenue as Secure Rural Schools was not extended at the federal level and payments reverted to the formula described below.

Statutory Reference
Tax Distribution – 17-3-211, MCA; 17-3-212, MCA
Date Due – The state treasurer distributes the funds within thirty days of receiving full payment.

Applicable Tax Rates: N/A

Collection Frequency: Twice annually (usually October and December)

Distribution
The county treasurer apportions federal forest receipts as follows:

- 66.7% to the road fund of the county
- 33.3% to the following county wide accounts, based on the mill ratios of each to total mills in the current year:
  - The county equalization accounts (55 mills)
  - The county transportation account
  - The county retirement accounts

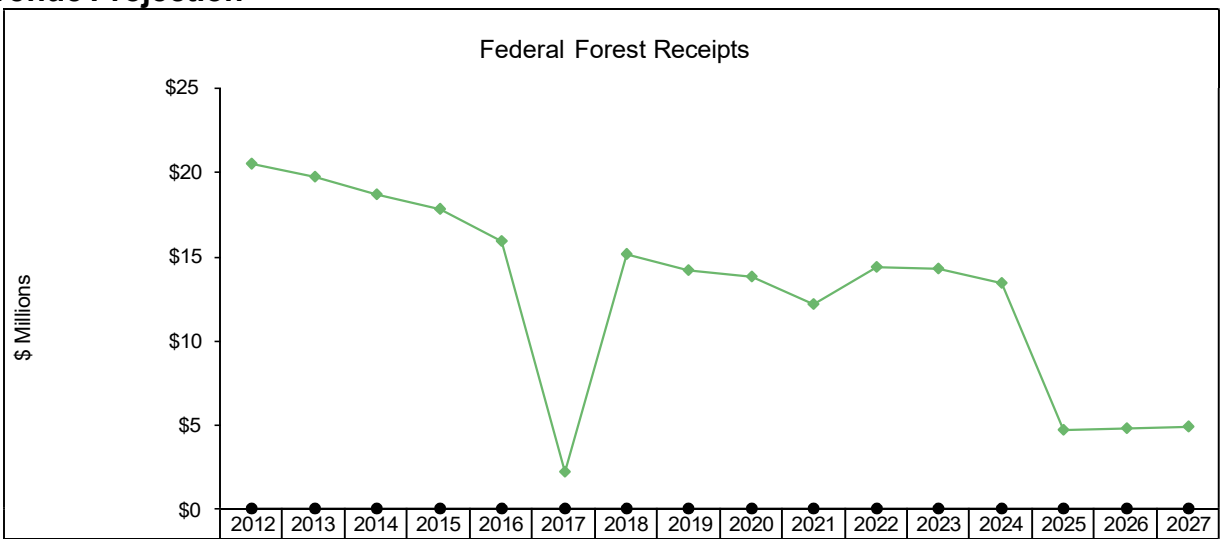
This revenue source represents one component used to calculate total non-levy property tax revenue; this is the 55 mills portion.

Forecast Risks
- Timber harvests
- Federal policy on reauthorizing Secure Rural Schools

Revenue Estimate Methodology
Counties receives 25% of the seven-year rolling average value of timber sold, lagged due to timing of production and payments. The estimate is based on average historical collections. The average state 55 mill share is applied to this and added to non-levy property revenue.

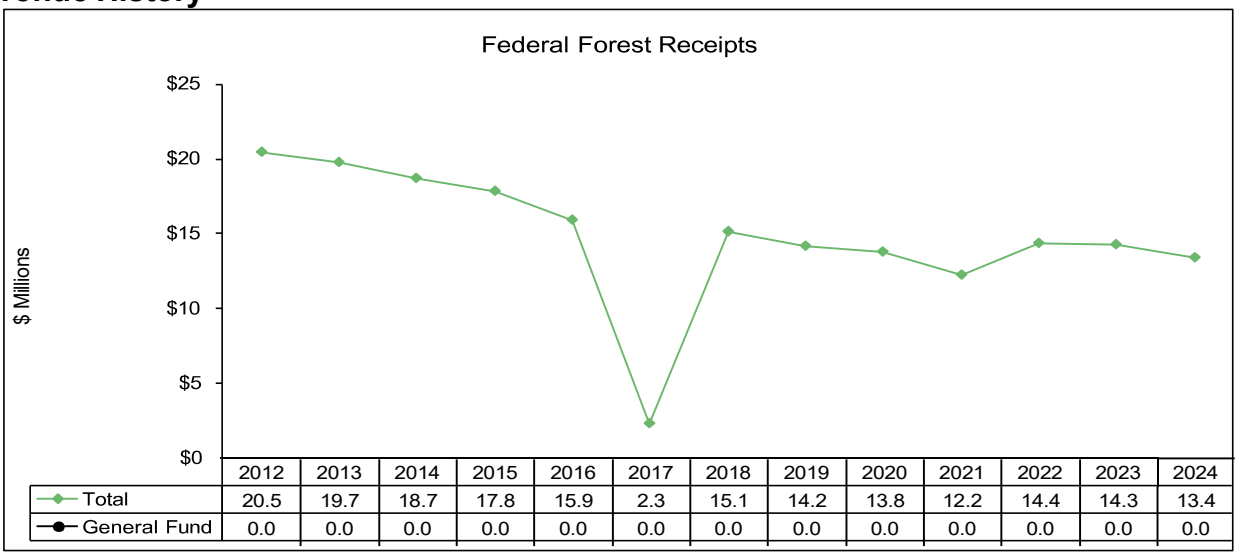
Revenue Estimate Assumptions
This estimate assumes that Secure Rural Schools will not be reauthorized for FY 2025.

Revenue Projection



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total	20.5	19.7	18.7	17.8	15.9	2.3	15.1	14.2	13.8	12.2	14.4	14.3	13.4	4.7	4.8	5.0
General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Revenue History



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	20.5	19.7	18.7	17.8	15.9	2.3	15.1	14.2	13.8	12.2	14.4	14.3	13.4
General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Addendum: The Legislative Fiscal Division has updated the non-levy revenue estimate from federal forest receipts collected through the 55 mills. The previous estimates were incorrect, and federal forest receipt estimates are as follows (in millions of dollars):

FY 2025 – 0.895
FY 2026 – 0.915
FY 2027 – 0.951
FY 2028 – 0.882
FY 2029 – 0.938

Please note that the total estimates for the 95 mill collections and the total non-levy revenue collections estimate are unaffected. This correction is made only for the federal forest receipt line estimate.

Metalliferous Mines Tax

Revenue Description
The metalliferous mines license tax is imposed on the production of metals, gems or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. The first $250,000 of value is exempt from taxation. A company taxed at both rates can claim both exemptions.

Statutory Reference
Tax Rate – 15-37-103, MCA
Tax Distribution – 15-37-117, MCA; 17-2-124(2), MCA
Date Due – August 15th for the period January through June, March 31st for the period July through December (15-37-105, MCA)

Applicable Tax Rates
There are two tax rates which depend on the extraction type:
- 1.60% for ore, bullion or matte that is sent to a refinery
- 1.81% for concentrate sent to a smelter, mill or reduction work

The appropriate tax rate is applied to the gross value less allowable deductions and the $250,000 exemption.

Collection Frequency: Biannually

Distribution
Nearly half of metal mine tax is allocated to the general fund, with impacted counties receiving most of the remaining amount:
- 47% to the general fund
- 8.5% to the hard-rock mining reclamation debt service fund
- 7% to the natural resources operations state special revenue account
- 2.5% to the hard rock mining impact trust account
- 35% impacted counties

Forecast Risks
- Commodity prices
- Changes to production outlook
- Environmental regulations

Revenue Estimate Methodology
Data

The estimate for this source is based on historical prices from the U.S. Geological Survey, historical revenue collections from SABHRS, and historical price and production data from DOR. Forecast prices are based on World Bank's Commodity Market Outlook.

Analysis

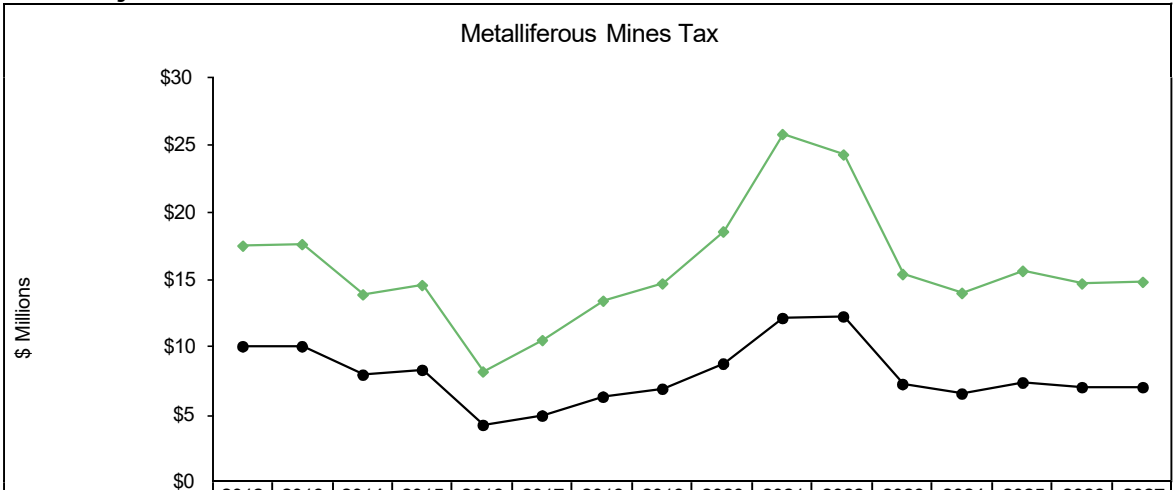
Production for each metal type is forecast as a five-year rolling average. Production multiplied by price results in the total gross value for each metal type. Total taxable value is obtained by reducing the total gross value by a time trended value of refining and other costs. The calendar year estimate is obtained by multiplying the total taxable value by the effective tax rate. Since a company's taxable value could be subject to two tax rates—1.81% for concentrates shipped to a smelter, mill or reduction work and 1.6% for dore, bullion, or matte that is shipped to a refinery—an effective tax rate is used to capture both these rates. Calendar year estimates are converted to fiscal year estimates by an equal allocation.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

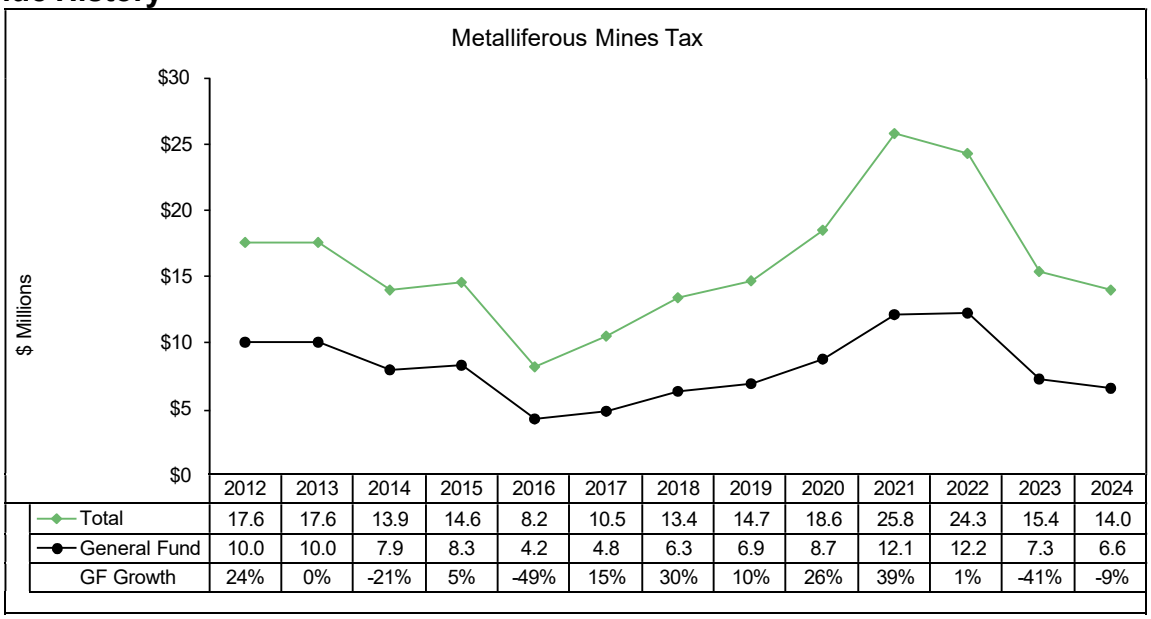
	FY	Total Tax $ Millions	GF Tax $ Millions	Net Value CY $ Millions	Effective CY Rate
A	2014	$13.943	$7.948	$899.995	1.9%
A	2015	14.597	8.320	660.993	1.3%
A	2016	8.164	4.221	609.557	1.5%
A	2017	10.516	4.839	755.910	1.6%
A	2018	13.386	6.291	880.629	1.5%
A	2019	14.695	6.907	1,072.697	1.5%
A	2020	18.562	8.724	1,408.309	1.7%
A	2021	25.821	12.136	1,596.628	1.8%
A	2022	24.340	12.210	1,151.193	1.5%
A	2023	15.428	7.251	902.229	1.5%
A	2024	13.985	6.573	979.072	1.6%
F	2025	15.698	7.378	969.147	1.6%
F	2026	14.755	6.935	940.635	1.6%
F	2027	14.826	6.968	932.229	1.6%
F	2028	15.160	7.125	935.087	1.6%
F	2029	15.654	7.357	957.934	1.6%

Revenue Projection



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total	17.6	17.6	13.9	14.6	8.2	10.5	13.4	14.7	18.6	25.8	24.3	15.4	14.0	15.7	14.8	14.8
General Fund	10.0	10.0	7.9	8.3	4.2	4.8	6.3	6.9	8.7	12.1	12.2	7.3	6.6	7.4	6.9	7.0
GF Growth	24%	0%	-21%	5%	-49%	15%	30%	10%	26%	39%	1%	-41%	-9%	12%	-6%	0%

Revenue History



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	17.6	17.6	13.9	14.6	8.2	10.5	13.4	14.7	18.6	25.8	24.3	15.4	14.0
General Fund	10.0	10.0	7.9	8.3	4.2	4.8	6.3	6.9	8.7	12.1	12.2	7.3	6.6
GF Growth	24%	0%	-21%	5%	-49%	15%	30%	10%	26%	39%	1%	-41%	-9%

Oil & Natural Gas Production Tax

Revenue Description

The oil and natural gas production tax is imposed on the production of oil and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production. A portion of the revenue from the tax may be returned to Indian tribes per agreements between DOR and the tribes.

Statutory Reference

Tax Rate – 15-36-304, MCA; Privilege & license tax – 82-11-131, MCA; Administrative Rules 36.72.1242
Tax Distribution – 15-36-331(4), MCA; 15-36-332(2&3), MCA
Date Due – within 60 days after the end of the calendar quarter (15-36-311(1), MCA)

Applicable Tax Rates

The oil and natural gas production tax has numerous tax rates depending on several factors. The following table shows tax rate percentages for each type of pre- and post-1999 oil, excluding the Privilege & License (P & L) tax and the local impact tax. The P & L and local impact taxes account for less than 0.3% and are shown on the distribution diagram.

Oil Tax Rates	
Working Interest	
Primary recovery production	
First 12 months of qualifying production	0.5%
After 12 months for pre-1999 wells	12.5%
After 12 months for post-1999 wells	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil<$54)	
Post-1999 wells first 10 Barrels per day	5.5%
Pre-1999 wells	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil>=$54)	Primary Recovery Rates
Super Stripper wells (3 barrels or less/day)	
Super Stripper well exemption production (if oil <$54)	0.5%
Super Stripper well bonus production (if oil >=$54)	
Pre-1999 wells	5.0%
Post-1999 wells	5.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months for pre-1999 wells	12.5%
After 18 months for post-1999 wells	9.0%
Incremental production (if oil <$54/barrel)	
New or expanded secondary recovery production	8.5%
New or expanded tertiary production	5.8%
Incremental production (if oil >=$54/barrel)	
Pre-1999 wells	12.5%
Post-1999 wells	9.0%
Horizontally recompleted well	
First 18 months	0.5%
After 18 months for pre-1999 wells	12.5%
After 18 months for post-1999 wells	9.0%
Nonworking Interest	14.8%
Board of Oil & Gas	0.3%

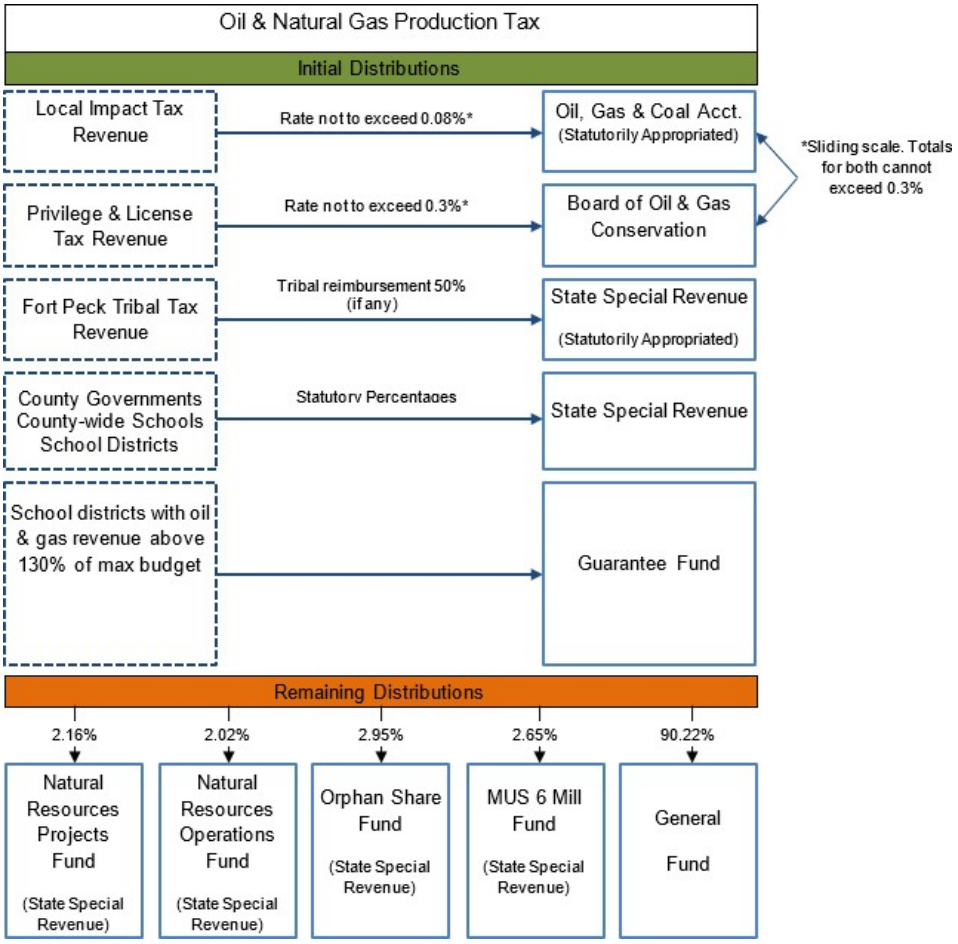
Natural Gas Tax Rates	
Working Interest	
Qualified production	
First 12 months	0.5%
After 12 months for pre-1999 wells	14.8%
After 12 months for post-1999 wells	9.0%
Stripper natural gas pre-1999 wells	11.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months	9.0%
Nonworking Interest	14.8%
Board of Oil & Gas	0.3%

Collection Frequency: Quarterly

Distribution

After the oil and natural gas production taxes have been collected, the revenue is distributed based on the amounts collected from the P & L and local impact taxes. The P & L tax is distributed to the Board of Oil and Gas Conservation. The amounts from the Local Impact tax are distributed to the oil and gas natural resource state special revenue account. The amounts received by the Board and the oil and gas natural resource account vary based on a sliding tax scale based on the P & L tax set by the Board. Counties producing oil and natural gas receive the next share of total revenue with each county having its own statutory distribution percentage of total revenue, including the revenue generated by the P & L and Local Impact taxes.

A portion of the revenue may be returned to Indian tribes per agreements between the DOR and the tribes. The remainder of the revenue is distributed to other state accounts, shown in the distribution chart below. The distributions of county shares and the amount of oil and natural gas production tax revenue deposited in the oil and gas natural resource account are statutorily appropriated and are based on the statutorily set percentages for each county.



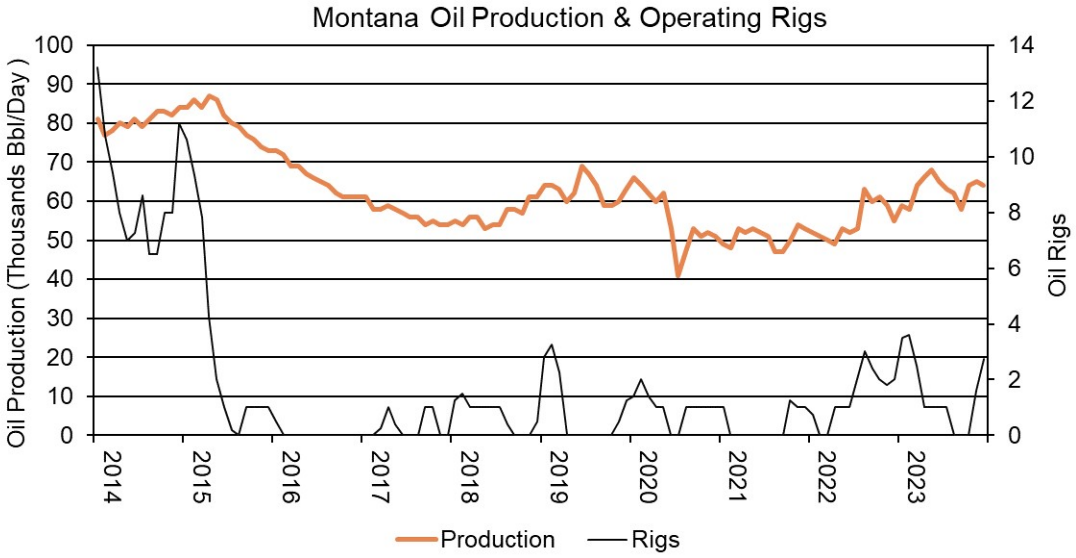
Forecast Risks

- Price
- Production
- New drilling

Revenue Estimate Methodology

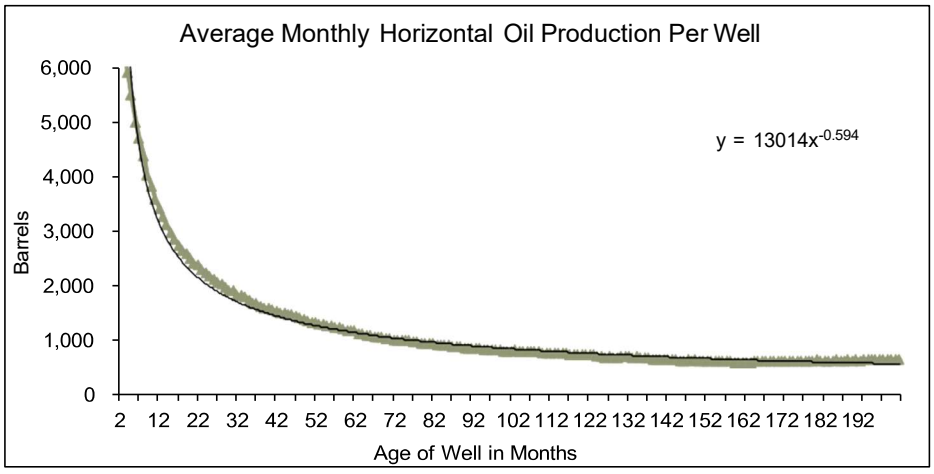
Data

Data from the Board of Oil and Gas Conservation are used extensively to isolate monthly historical production of oil and natural gas by field and by individual well. S&P Global provides future estimates of West Texas Intermediate oil and national well head natural gas prices. Production, price, value, and revenue collections, by oil type, are provided on a quarterly basis by DOR. Drilling rigs from Baker Hughes along with production numbers from the U.S. Energy Information Administration are shown below.



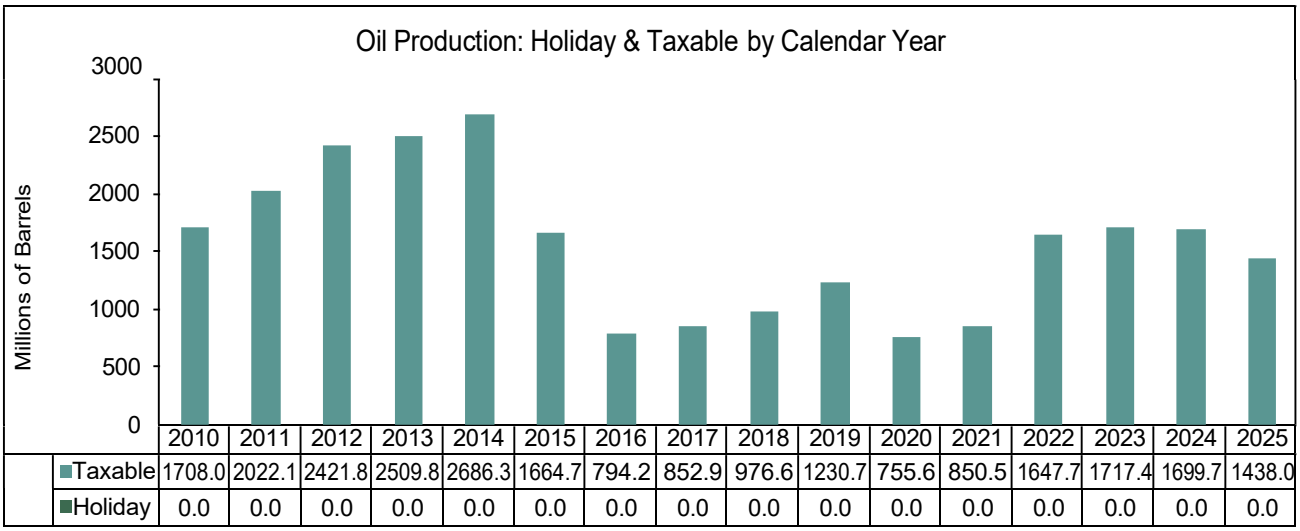
Analysis

Production is estimated independently for oil and natural gas. The estimate is developed on a quarterly basis with production from horizontal wells separate from all other production. Existing horizontal wells follow a production decline curve unique to the characteristics of those wells. Future production from completed wells can be estimated by developing a normalized production decline curve from the producing wells. In doing so, the difficulty of having different starting time for each well can be eliminated by averaging each well's production from a common time point. The result is a curve that represents the average production of horizontal wells by month of production.



Production from future wells can be estimated by applying the production curve coefficients to an estimate of future spudded (wells that have begun drilling) wells. Knowing monthly production from each well and the date it was placed into production is essential for estimating oil tax revenue because tax

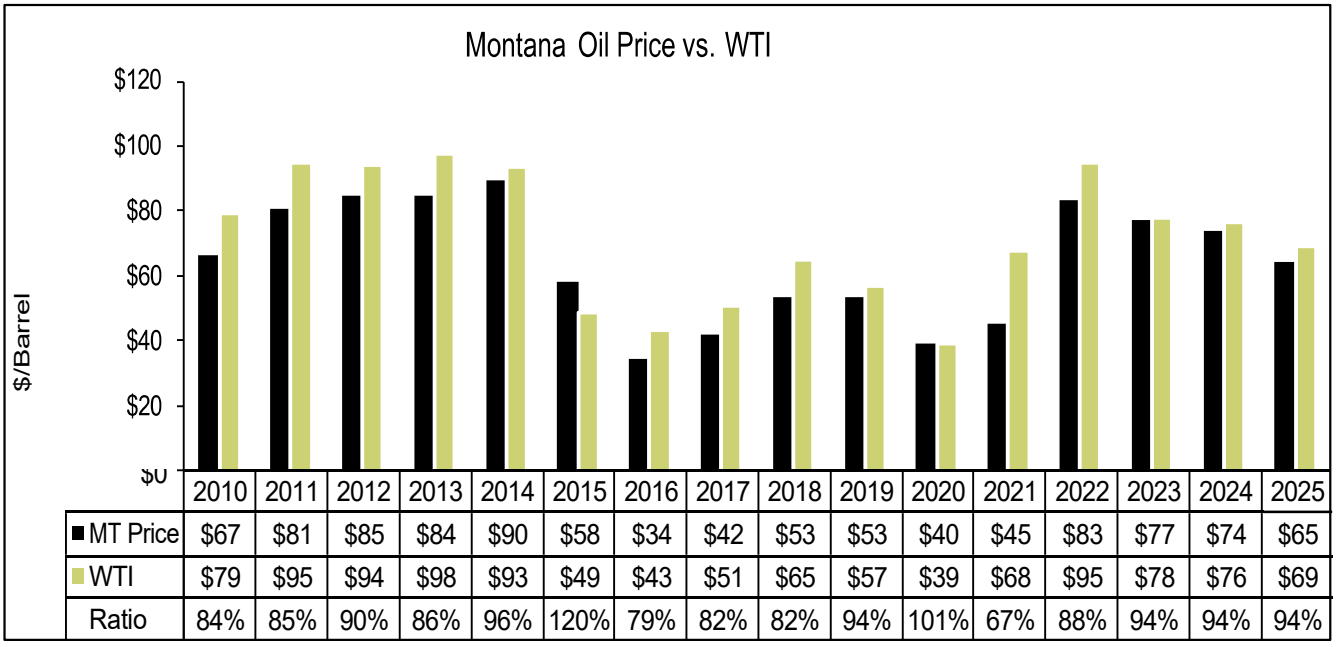
rates vary based on the length of time a well has been in production. The dynamics in the timing of when wells enter and fall out of the various tax rates and the changes in production at the various stages are complex but need to be modeled to create more accurate estimates given future price variability.



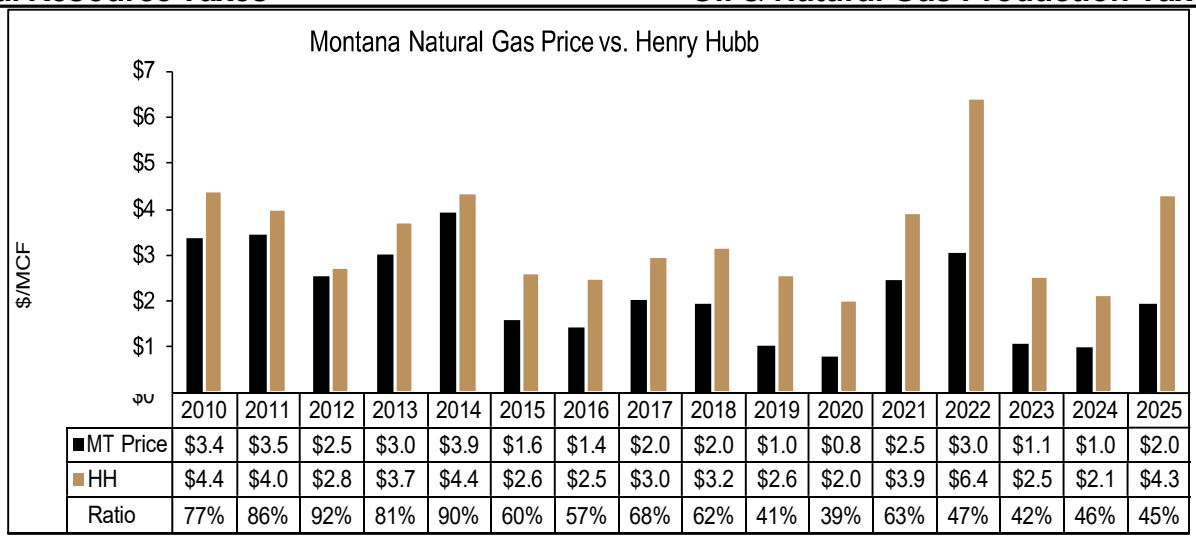
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Taxable	1708.0	2022.1	2421.8	2509.8	2686.3	1664.7	794.2	852.9	976.6	1230.7	755.6	850.5	1647.7	1717.4	1699.7	1438.0
Holiday	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

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

The price for each quarter is estimated by adjusting the S&P Global West Texas Intermediate oil price estimate or Henry Hub natural gas price estimate by a Montana-specific ratio. The Montana price is lower than the national price primarily due to transportation costs.



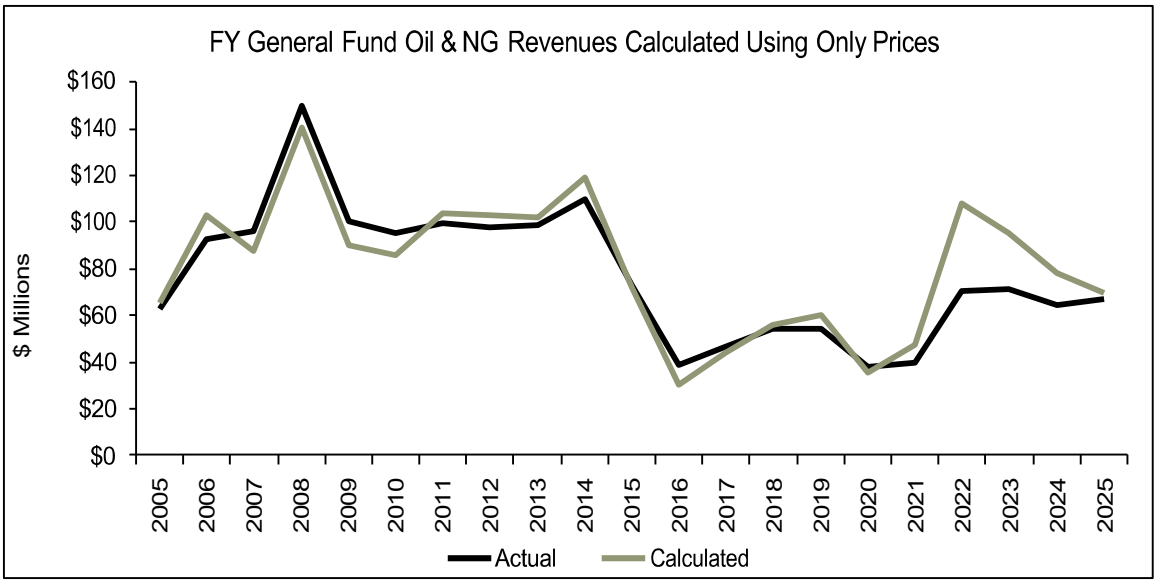
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
MT Price	$67	$81	$85	$84	$90	$58	$34	$42	$53	$53	$40	$45	$83	$77	$74	$65
WTI	$79	$95	$94	$98	$93	$49	$43	$51	$65	$57	$39	$68	$95	$78	$76	$69
Ratio	84%	85%	90%	86%	96%	120%	79%	82%	82%	94%	101%	67%	88%	94%	94%	94%



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
MT Price	$3.4	$3.5	$2.5	$3.0	$3.9	$1.6	$1.4	$2.0	$2.0	$1.0	$0.8	$2.5	$3.0	$1.1	$1.0	$2.0
HH	$4.4	$4.0	$2.8	$3.7	$4.4	$2.6	$2.5	$3.0	$3.2	$2.6	$2.0	$3.9	$6.4	$2.5	$2.1	$4.3
Ratio	77%	86%	92%	81%	90%	60%	57%	68%	62%	41%	39%	63%	47%	42%	46%	45%

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

Price—not production—is the larger driver of the overall estimate. Modeling on only WTI oil prices and HH gas prices, predicted revenues are extremely close to actuals, although this relies on already known prices. As prices are never known with such accuracy, the oil and gas model uses historical production data from each well in the state to model forecast production based on an average decline curve. The additional production modeling essentially acts as a buffer against price forecast volatility.



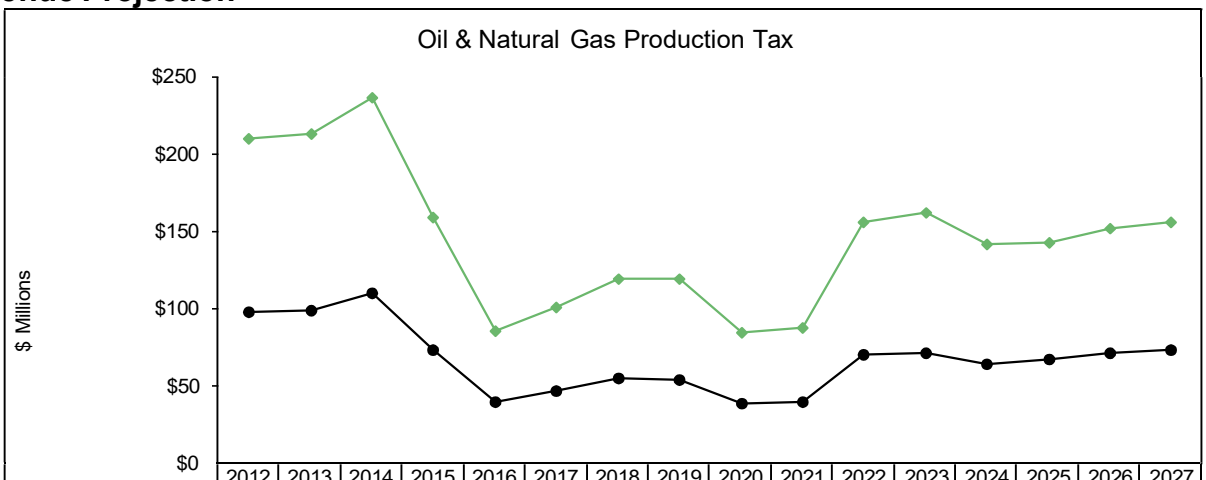
Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax $ Millions	GF Tax $ Millions	CY WTI Price $/Barrel	CY Montana Price $/Barrel	CY WTI / MT Oil Price Ratio	CY Total Production Million Barrels	CY Holiday Production Million Barrels
A 2014	$236.497	$109.606	$93.26	$80.67	0.87	2,686.337	-
A 2015	159.107	73.184	48.689	40.60	0.83	1,664.667	-
A 2016	84.972	39.083	43.206	35.47	0.82	794.181	-
A 2017	100.769	46.334	50.956	45.40	0.89	852.852	-
A 2018	119.130	54.508	64.893	58.81	0.91	976.628	-
A 2019	118.851	54.178	56.978	51.15	0.90	1,230.747	-
A 2020	84.611	38.380	39.247	33.41	0.85	755.568	-
A 2021	87.351	39.540	67.988	63.05	0.93	850.458	-
A 2022	155.861	70.510	94.784	91.76	0.97	1,647.731	-
A 2023	161.700	71.039	77.623	73.96	0.94	1,717.430	-
A 2024	141.993	64.405	76.434	72.83	0.94	1,699.709	-
F 2025	138.731	65.302	68.827	65.58	0.94	1,437.995	-
F 2026	146.918	69.156	74.743	71.21	0.94	1,375.850	-
F 2027	150.729	70.950	77.921	74.24	0.94	1,413.572	-
F 2028	149.669	70.451	80.758	76.95	0.94	1,414.495	-
F 2029	148.505	69.903	82.882	78.97	0.94	1,419.888	-

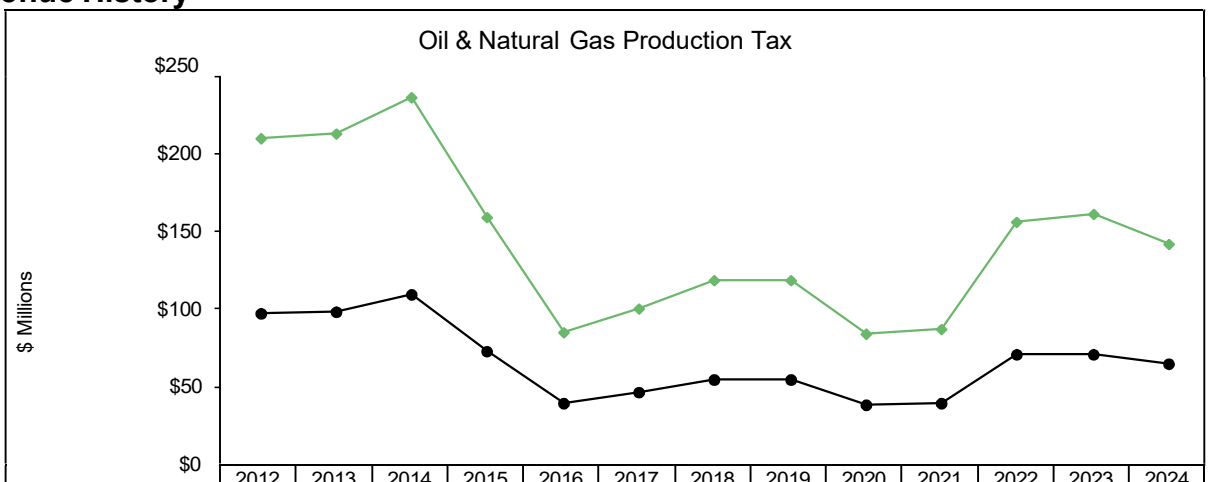
CY	Henry Hub Price $/MCF	Montana NG Price $/MCF	HH/MT NG Price Ratio	Total Production Million MCFs	Holiday Production Million MCFs
A 2014	$4.37	$3.93	0.90	66.235	4.938
A 2015	2.61	1.58	0.60	78.803	4.384
A 2016	2.49	1.42	0.57	80.442	0.665
A 2017	2.97	2.02	0.68	82.595	0.379
A 2018	3.17	1.95	0.62	93.086	0.444
A 2019	2.57	1.04	0.41	104.912	1.796
A 2020	2.03	0.80	0.39	105.811	1.480
A 2021	3.91	2.47	0.63	96.088	1.404
A 2022	6.42	3.04	0.47	95.983	9.588
A 2023	2.54	1.06	0.42	98.117	35.539
A 2024	2.14	0.98	0.46	95.473	14.149
F 2025	4.33	1.96	0.45	87.595	12.034
F 2026	5.00	2.26	0.28	85.998	13.461
F 2027	4.81	2.25	0.47	83.755	4.493
F 2028	4.95	2.85	0.58	82.156	1.504
F 2029	4.63	2.67	0.58	80.559	1.503

Revenue Projection



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total	211	213	236	159	85	101	119	119	85	87	156	162	142	142	152	156
General Fund	98	99	110	73	39	46	55	54	38	40	71	71	64	67	71	73
GF Growth	-2%	1%	11%	-33%	-47%	19%	18%	-1%	-29%	3%	78%	1%	-9%	4%	7%	3%

Revenue History



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	211	213	236	159	85	101	119	119	85	87	156	162	142
General Fund	98	99	110	73	39	46	55	54	38	40	71	71	64
GF Growth	-2%	1%	11%	-33%	-47%	19%	18%	-1%	-29%	3%	78%	1%	-9%

Resource Indemnity Tax

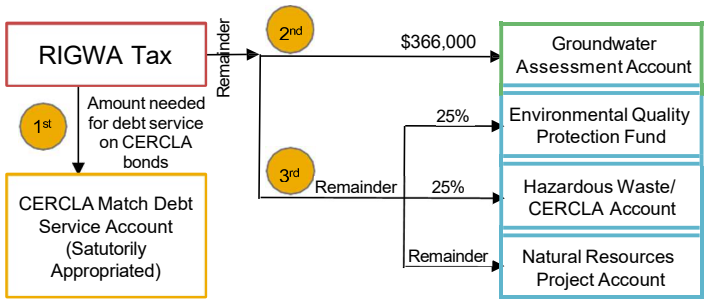
Revenue Description
The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal (based on the contract sales price), as well as most minerals, but not gravel, metals, oil, or natural gas.

Statutory Reference
Tax Rate – 15-38-104, MCA
Tax Distribution – 15-38-106, MCA
Date Due (metal producers) – March 31st following the end of the calendar year (15-38-105, MCA; 15-38-106(1), MCA)
Date Due (mineral producers) – 60 days following the end of the calendar year (15-38-105, MCA; 15-38-106(1), MCA)

Applicable Tax Rates
Coal: $25 plus 0.4% of the gross value of coal produced in the preceding year in excess of $6,250
Minerals: $25 plus 0.5% of the gross value of minerals (excluding gravel and metals, and excluding oil and natural gas since the resource indemnity trust has reached $100 million) produced in the preceding year in excess of $5,000
Talc: $25 plus 0.4% of the gross value of talc produced in the preceding year in excess of $625
Vermiculite: $25 plus 2.0% of the gross value of vermiculite produced in the preceding year in excess of $1,250
Limestone: $25 plus 10.0% of the gross value of limestone produced in the preceding year in excess of $250
Garnets: $25 plus 1.0% of the gross value of garnets produced in the preceding year in excess of $2,500

Collection Frequency: Annually

Distribution
Beginning FY 2004, the amount needed to cover debt service on Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) bonds (after amounts transferred from the CERCLA cost recovery account) is deposited first to the CERCLA match debt service account. Money is then apportioned in steps 2-3 as shown in the distribution chart.



Forecast Risks
- Coal and mineral prices
- Production

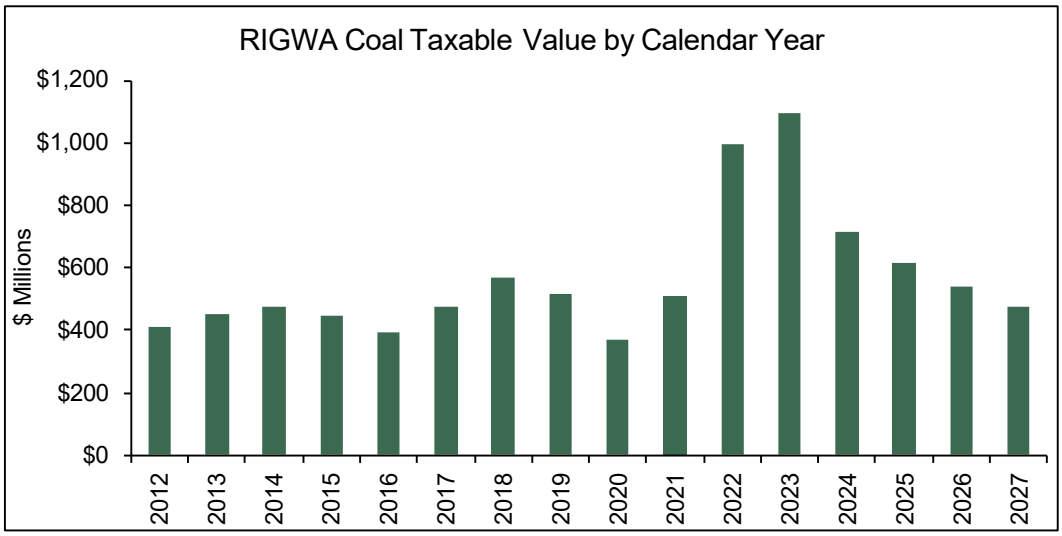
Revenue Estimate Methodology

Data

The data used to estimate the resource indemnity and groundwater assessment (RIGWA) tax are obtained from the coal severance tax estimate and SABHRS.

Analysis

The gross value estimates prepared for the coal severance tax are used in the estimate for the RIGWA tax. The future taxable value of coal, produced by all mines, is estimated in the coal severance tax source. The future taxable value of other mineral production is estimated at the amount of the last known year.



The tax rates are applied to the production value of each of the components, coal and other minerals. The tax estimates for the two components are summed to produce the total estimate of the RIGWA tax.

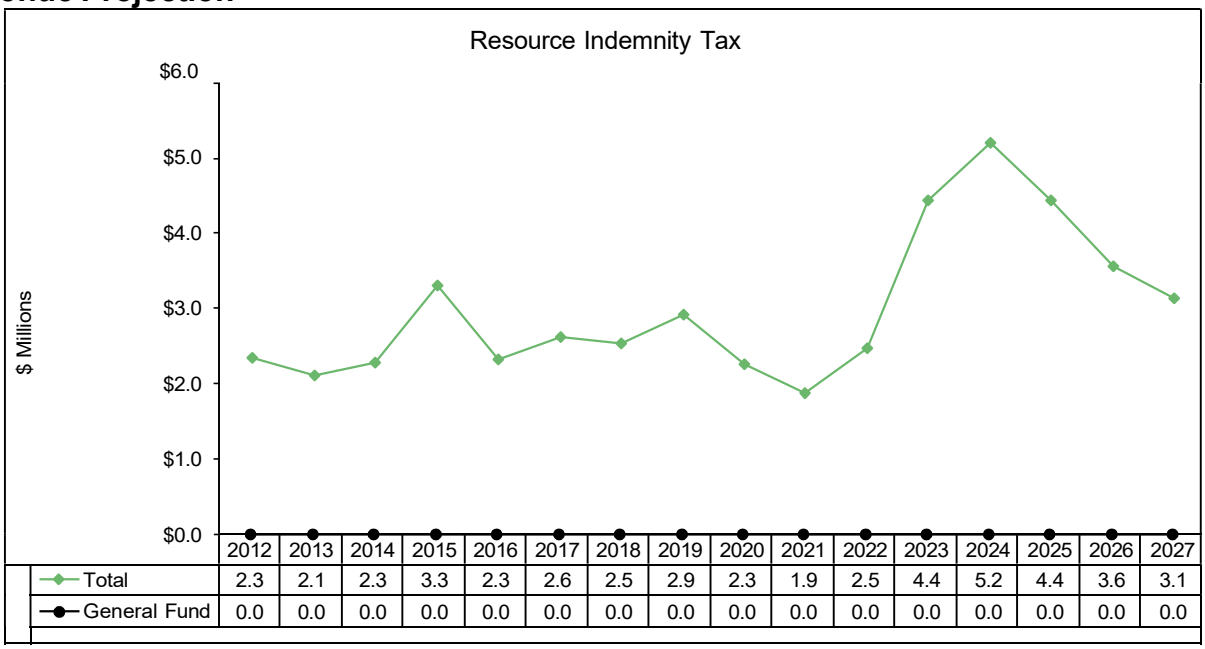
Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

FY	Total Tax $ Millions	GF Tax $ Millions	Oil & NG $ Millions	Coal $ Millions	Other $ Millions
A 2014	$2.279	-	-	$1.962	$0.317
A 2015	3.303	-	-	2.224	1.079
A 2016	2.335	-	-	2.090	0.245
A 2017	2.623	-	-	1.801	0.822
A 2018	2.531	-	-	2.090	0.441
A 2019	2.923	-	-	2.274	0.650
A 2020	2.269	-	-	2.370	(0.101)
A 2021	1.871	-	-	1.967	(0.096)
A 2022	2.471	-	-	1.968	0.502
A 2023	4.444	-	-	3.343	1.101
A 2024	5.198	-	-	4.404	0.793
F 2025	4.425	-	-	3.626	0.799
F 2026	3.562	-	-	2.664	0.898
F 2027	3.132	-	-	2.302	0.830
F 2028	2.860	-	-	2.018	0.842
F 2029	2.644	-	-	1.787	0.857

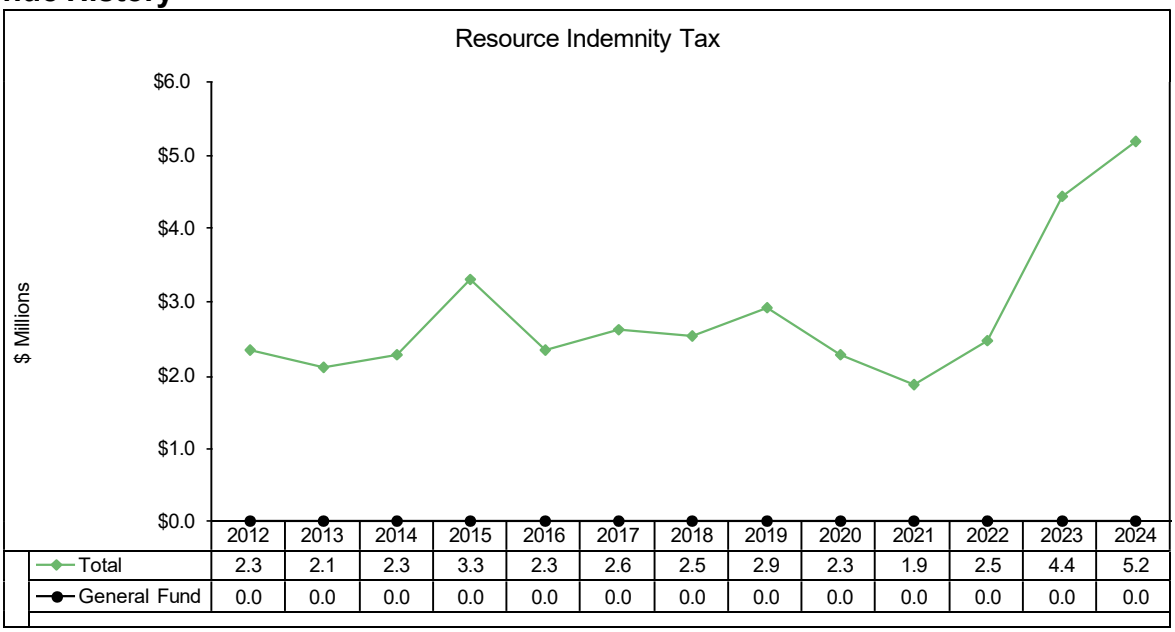
	FY	Debt Service $ Millions	Water Storage $ Millions	Protection Fund $ Millions	Ground $ Millions	CERCLA Account $ Millions	Projects Account $ Millions
A	2014	$0.272	$0.150	$0.373	$0.366	$0.373	$0.745
A	2015	0.268	-	0.667	0.366	0.667	1.334
A	2016	0.270	0.150	0.387	0.366	0.387	0.774
A	2017	0.148	-	0.527	0.366	0.527	1.054
A	2018	0.144	0.150	0.468	0.366	0.468	0.936
A	2019	0.145	-	0.603	0.366	0.603	1.206
A	2020	0.145	0.150	0.402	0.366	0.402	0.804
A	2021	0.145	-	0.340	0.366	0.340	0.680
A	2022	0.145	0.150	0.452	0.366	0.452	0.905
A	2023	0.145	-	0.983	0.366	0.983	1.966
A	2024	0.145	0.150	1.134	0.366	1.134	2.268
F	2025	0.270	-	0.947	0.366	0.947	1.895
F	2026	0.270	0.150	0.694	0.366	0.694	1.388
F	2027	0.270	-	0.624	0.366	0.624	1.248
F	2028	0.270	0.150	0.519	0.366	0.519	1.037
F	2029	0.270	-	0.502	0.366	0.502	1.004

Revenue Projection



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total	2.3	2.1	2.3	3.3	2.3	2.6	2.5	2.9	2.3	1.9	2.5	4.4	5.2	4.4	3.6	3.1
General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Revenue History



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	2.3	2.1	2.3	3.3	2.3	2.6	2.5	2.9	2.3	1.9	2.5	4.4	5.2
General Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

U.S. Mineral Royalties

Revenue Description
Under the federal Mineral Lands Leasing Act (30 USC, Section 191), 50% of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

Statutory Reference
Distribution – 17-3-240, MCA

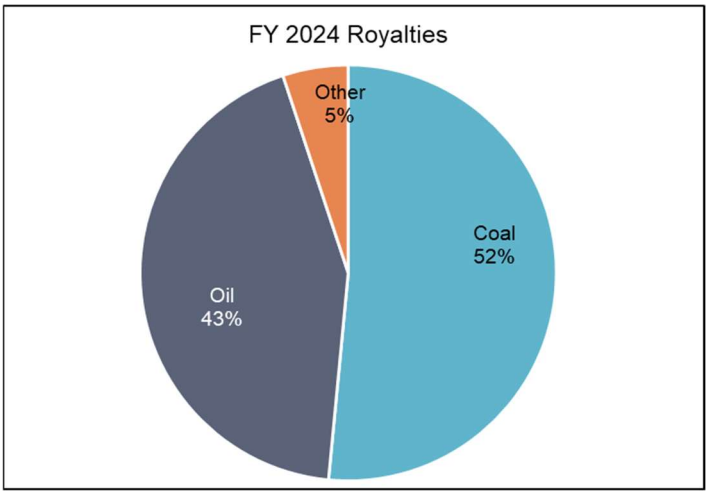
Collection Frequency: Monthly

Distribution
Receipts are deposited 75% to the general fund and 25% to the state special revenue mineral impact account. Money in the mineral impact account is statutorily appropriated for distribution to eligible counties in which the minerals were extracted.

Forecast Risks
- Coal, oil, and other mineral prices
- The amount of production on federal lands
- Federal legislative impacts

Revenue Estimate Methodology
Data

Federal fiscal year data on receipts by mineral type as well as royalty, bonus, rents, and other categories are combined with growth and distribution data from the coal and oil & natural gas analysis.



Analysis

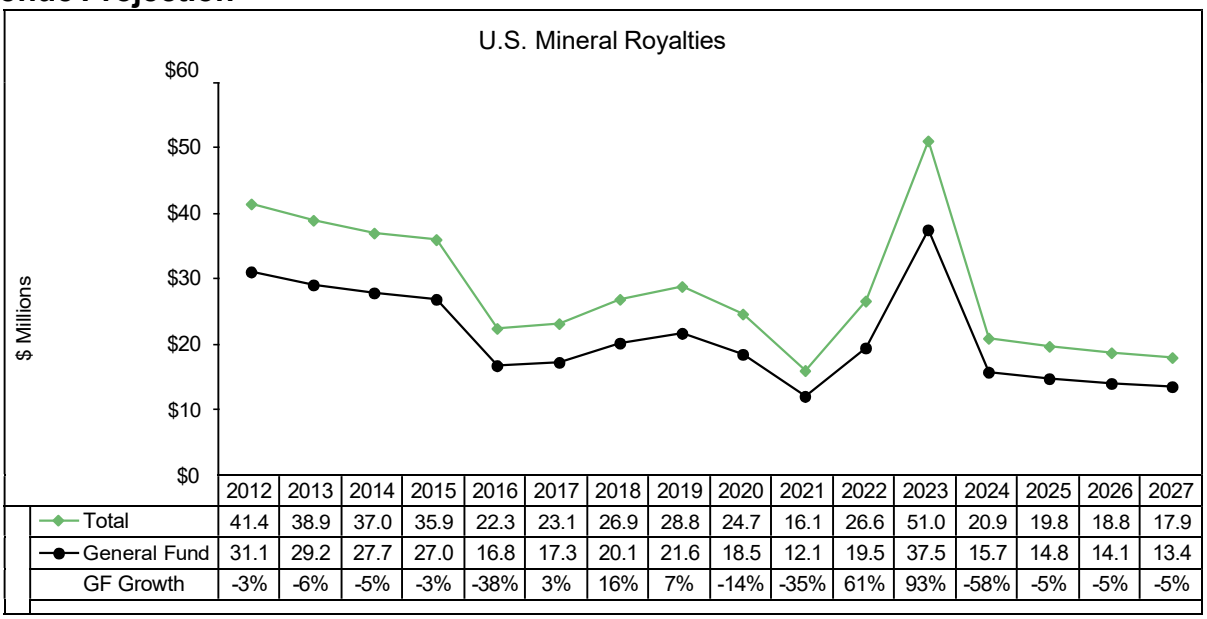
The estimate for mineral royalties is obtained by multiplying together estimates for production & price (based on data from other natural resource analysis) and recent trends in the applicable royalty collections. Rents, bonuses, and other revenues are then simply trended as they are much more volatile than royalties. The adjacent chart shows royalties by source.

Revenue Estimate Assumptions
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

	FY	Total Rev. $ Millions	GF Rev. $ Millions	FFY Total Rents $ Millions	FFY Total Bonuses $ Millions	FFY Total Royalties $ Millions	FFY Total Other $ Millions
A	2014	$36.992	$27.744	$1.688	$1.461	$77.147	$0.200
A	2015	35.947	26.960	1.368	0.139	68.839	0.149
A	2016	22.345	16.759	0.946	0.038	43.705	(0.241)
A	2017	23.096	17.322	0.870	0.763	47.650	0.671
A	2018	26.852	20.139	1.023	0.768	50.555	0.850
A	2019	28.760	21.570	0.840	2.598	59.146	1.280
A	2020	24.703	18.527	0.406	0.014	48.540	0.975
A	2021	16.109	12.082	0.333	0.236	37.608	1.061
A	2022	26.630	19.464	0.694	0.236	57.299	1.042
A	2023	51.042	37.508	0.659	0.236	86.911	1.042
A	2024	20.873	15.655	0.587	0.236	41.568	0.524
F	2025	19.776	14.832	0.536	0.236	39.333	0.524
F	2026	18.844	14.133	0.562	0.236	37.480	0.524
F	2027	17.928	13.446	0.608	0.236	35.497	0.524
F	2028	17.079	12.809	0.590	0.236	33.803	0.524
F	2029	16.350	12.263	0.577	0.236	32.362	0.524

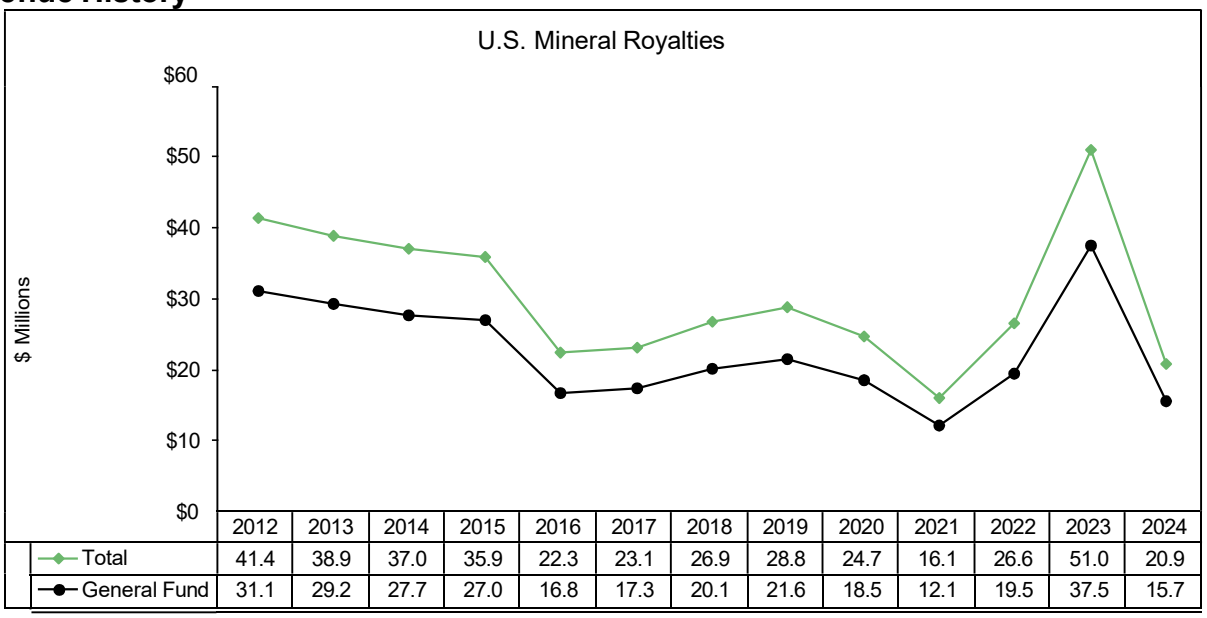
	FFY	Oil Royalties Millions	Coal Royalties Millions	Natural Gas Royalties Millions
A	2014	26.606	43.107	7.435
A	2015	21.680	43.148	3.905
A	2016	10.622	31.549	1.486
A	2017	12.831	33.265	1.488
A	2018	16.804	30.952	2.719
A	2019	17.811	37.706	3.435
A	2020	11.855	34.227	2.227
A	2021	12.741	21.195	2.627
A	2022	23.460	29.732	3.400
A	2023	24.702	56.637	4.989
A	2024	18.043	21.412	1.125
F	2025	15.930	21.627	1.042
F	2026	16.955	18.785	0.948
F	2027	17.317	16.503	0.875
F	2028	17.576	14.667	0.779
F	2029	17.657	13.192	0.708

Revenue Projection



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total	41.4	38.9	37.0	35.9	22.3	23.1	26.9	28.8	24.7	16.1	26.6	51.0	20.9	19.8	18.8	17.9
General Fund	31.1	29.2	27.7	27.0	16.8	17.3	20.1	21.6	18.5	12.1	19.5	37.5	15.7	14.8	14.1	13.4
GF Growth	-3%	-6%	-5%	-3%	-38%	3%	16%	7%	-14%	-35%	61%	93%	-58%	-5%	-5%	-5%

Revenue History



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	41.4	38.9	37.0	35.9	22.3	23.1	26.9	28.8	24.7	16.1	26.6	51.0	20.9
General Fund	31.1	29.2	27.7	27.0	16.8	17.3	20.1	21.6	18.5	12.1	19.5	37.5	15.7

Wholesale Energy Tax

Revenue Description
The wholesale energy transaction tax is imposed on the amount of electricity transmitted by a transmission services provider in the state.

Statutory Reference
Tax Rate – 15-72-104(1), MCA
Tax Distribution – 15-72-106(3), MCA
Date Due – 30th day of the month following the end of the calendar quarter (15-72-110, MCA)

Applicable Tax Rates
The tax rate of $0.15 per megawatt is applied to the number of megawatt hours transmitted. If the electricity is produced in-state and sold out-of-state, the taxpayer is the owner of the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider.

The tax does not apply to the following:
- Electricity that is transmitted through the state that is neither produced nor consumed in the state;
- Electricity generated in the state by an agency of the federal government for delivery outside the state;
- Electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition;
- Electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the U.S. government;
- Electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996;
- Electricity that has been subject to the transmission tax in another state; and
- A 5% line loss exemption for transmission of electricity produced in the state for delivery outside of the state

Collection Frequency: Quarterly

Distribution: All proceeds are deposited into the general fund.

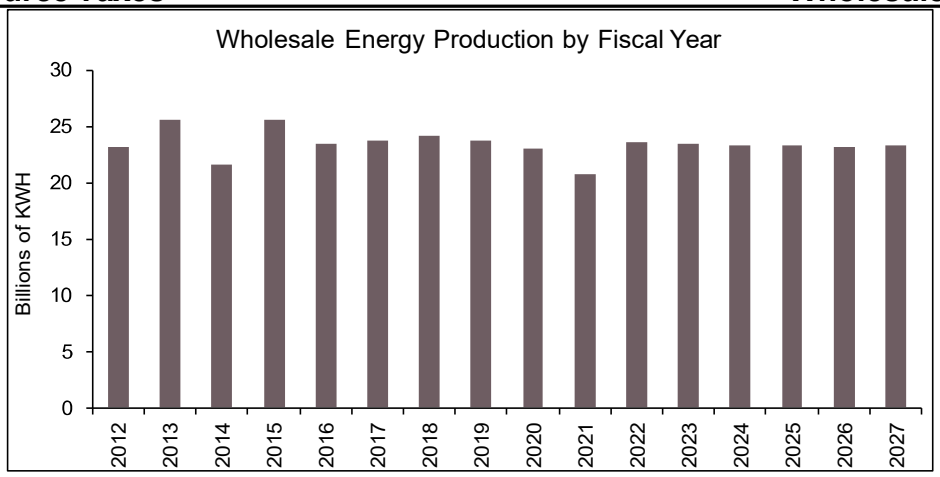
Forecast Risks
- Electricity prices
- Generation and transmission capacity
- Production outages

Revenue Estimate Methodology
Data

Data from quarterly reports produced by DOR provide a history of in-state and out-of-state kilowatt hours transmitted by each company.

Analysis

A trend of historical in and out-of-state kilowatt hour data is applied to the previous gross production amount and line loss is subtracted. Net taxable kilowatt hours are multiplied by the tax rate to produce total revenue from this source.

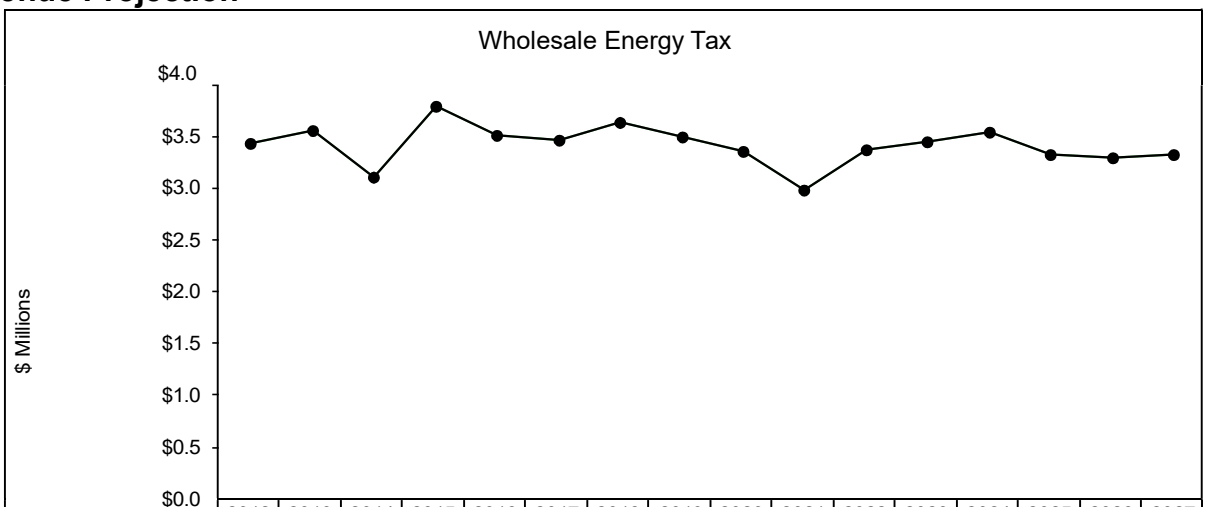


Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2.

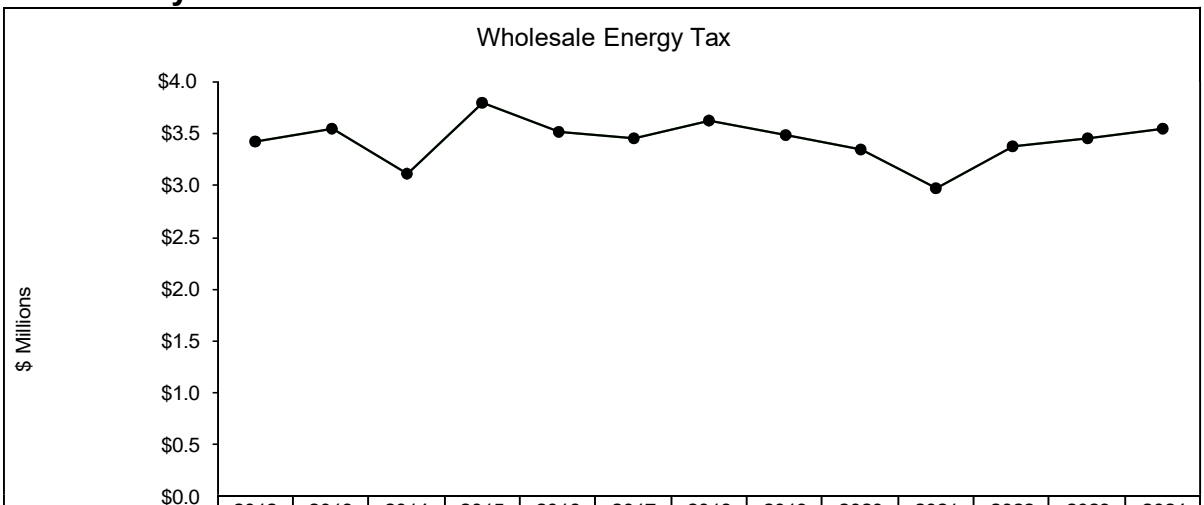
FY	Total Tax $ Millions	GF Tax $ Millions	KWH Millions	Line Loss KWH Millions
A 2014	$3.112	$3.112	21,557	595
A 2015	3.795	3.795	25,661	783
A 2016	3.516	3.516	23,534	659
A 2017	3.464	3.464	23,799	670
A 2018	3.628	3.628	24,239	680
A 2019	3.490	3.490	23,830	635
A 2020	3.351	3.351	22,398	608
A 2021	2.981	2.981	20,035	513
A 2022	3.377	3.377	22,184	654
A 2023	3.455	3.455	23,404	719
A 2024	3.545	3.545	23,490	710
F 2025	3.320	3.320	22,763	627
F 2026	3.292	3.292	22,571	625
F 2027	3.317	3.317	22,752	637
F 2028	3.321	3.321	22,779	641
F 2029	3.339	3.339	22,908	645

Revenue Projection



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total	3.4	3.6	3.1	3.8	3.5	3.5	3.6	3.5	3.4	3.0	3.4	3.5	3.5	3.3	3.3	3.3
General Fund	3.4	3.6	3.1	3.8	3.5	3.5	3.6	3.5	3.4	3.0	3.4	3.5	3.5	3.3	3.3	3.3
GF Growth	-13%	4%	-13%	22%	-7%	-1%	5%	-4%	-4%	-11%	13%	2%	3%	-6%	-1%	1%

Revenue History



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total	3.4	3.6	3.1	3.8	3.5	3.5	3.6	3.5	3.4	3.0	3.4	3.5	3.5
General Fund	3.4	3.6	3.1	3.8	3.5	3.5	3.6	3.5	3.4	3.0	3.4	3.5	3.5
GF Growth	-13%	4%	-13%	22%	-7%	-1%	5%	-4%	-4%	-11%	13%	2%	3%