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# Legislative Fiscal Division

## Revenue Estimate Profile

### Treasury Cash Account Interest

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**Revenue Description:** This revenue source represents the interest gained on the Treasury Cash. The interest comes from excess treasury cash being invested in short and medium-term investments. The interest money from this fund is deposited back into the General Fund.

The Department of Commerce, Board of Investments is responsible for investing all state funds. Title 17, Chapter 6, MCA, provides guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund. Treasury cash is invested in a mixture of short and medium-term investments. Consequently, the interest assumptions adopted by the legislature incorporate a blend of short and intermediate-term rates. When needed to address cash flow problems, the state typically issues tax and revenue anticipation notes (TRANS). The legislature would then adopt TRANS issuance assumptions, since this affects the average invested balance. No TRANS issues are anticipated in the 2015 biennium.

**Statutory Reference:**

Tax Rate – NA

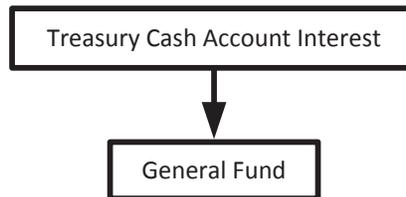
Distribution (MCA) – 17-6-202(2)

Date Due – interest deposits are mostly made monthly, with two in June and none in July

**Applicable Tax Rate(s):** N/A

**Distribution:** All investment earnings on the treasury cash account (TCA) are deposited into the general fund.

Distribution Chart:



**Summary of Legislative Action:** The 63<sup>rd</sup> Legislature did not enact legislation that impacted this source.

**Collection Frequency:** On-going

**% of Total General Fund Revenue:**

FY 2004 – 0.46%	FY 2007 – 1.85%	FY 2010 – 0.17%
FY 2005 – 0.66%	FY 2008 – 1.57%	FY 2011 – 0.14%
FY 2006 – 1.09%	FY 2009 – 0.86%	FY 2012 – 0.14%

**Revenue Estimate Methodology:**

Excess cash in the state treasury is deposited to the treasury cash account (TCA) and invested in short and medium-term investments. Earnings are dependent on the investable cash balance and interest rates. Investment earnings are deposited to the general fund.

Data

The Board of Investments provides monthly reports on the treasury cash account balance. The state accounting system (SABHRS) provides information on monthly investment earnings.

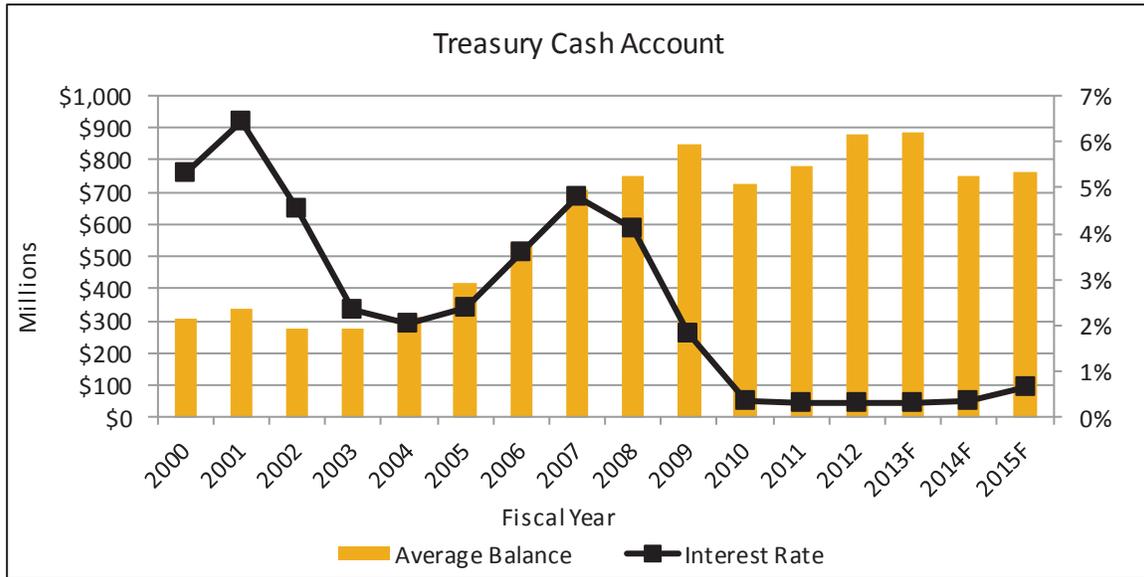
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#### Analysis

- The average balance of the TCA is estimated by increasing the previous year's balance by half the difference between the anticipated general fund balances for the past and current years. When cash flow is insufficient, tax revenue anticipation notes (TRANS) are issued to meet short-term cash flow needs. The term of the loan and amount borrowed are used to determine the amount to be added to the average balance calculations. No TRANS issues are anticipated in the 2015 biennium.

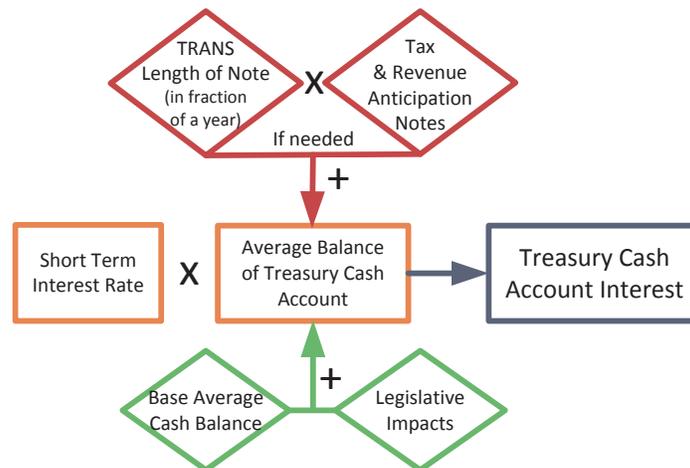


- Short-term interest rates are estimated by based on a composite rate of IHS forecasts for the 3-month commercial paper, 3-month treasury bill, and 6-month treasury bill rates.
- The average TCA balance multiplied by the composite interest rate produces total fiscal year revenue.

#### Adjustments and Distribution

Once total revenue for each fiscal year is determined, the applicable distribution percentage, 100% to the general fund, is applied.

#### Forecast Methodology:



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#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in Senate Joint Resolution 2. It does not reflect changes, if any, enacted by the 2013 Legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Rev.</u>	<u>GF Rev.</u>	<u>Avg. Bal.</u>	<u>Interest</u>	<u>Issue</u>	<u>TRANS</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Rate</u>	<u>Cost</u>
Actual	2002	12.414	12.414	273.343	4.5%	0.0%	0.000
Actual	2003	6.366	6.366	273.929	2.3%	2.6%	1.639
Actual	2004	6.393	6.393	311.478	2.1%	0.2%	0.099
Actual	2005	10.047	10.047	419.349	2.4%	0.0%	0.000
Actual	2006	18.631	18.631	542.420	3.6%	0.0%	0.000
Actual	2007	33.951	33.951	710.102	4.8%	0.0%	0.000
Actual	2008	30.783	30.783	750.831	4.1%	0.0%	0.000
Actual	2009	15.507	15.507	849.208	1.8%	0.0%	0.000
Actual	2010	2.692	2.692	725.341	0.4%	0.0%	0.000
Actual	2011	2.519	2.519	781.879	0.3%	0.0%	0.000
Actual	2012	2.654	2.654	880.340	0.3%	0.0%	0.000
Forecast	2013	2.779	2.779	886.847	0.3%	0.2%	0.000
Forecast	2014	2.346	2.346	753.354	0.3%	0.2%	0.000
Forecast	2015	2.778	2.778	762.300	0.4%	0.2%	0.000

	<u>t</u>	<u>Base Bal.</u>	<u>TRANS</u>	<u>TRANS</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Length</u>
Actual	2002	273.343	0.000	0.000
Actual	2003	212.062	92.800	0.667
Actual	2004	262.545	73.400	0.667
Actual	2005	419.349	0.000	0.000
Actual	2006	542.420	0.000	0.000
Actual	2007	710.102	0.000	0.000
Actual	2008	750.831	0.000	0.000
Actual	2009	849.208	0.000	0.000
Actual	2010	725.341	0.000	0.000
Actual	2011	781.879	0.000	0.000
Actual	2012	880.340	0.000	0.000
Forecast	2013	886.847	0.000	0.000
Forecast	2014	753.354	0.000	0.000
Forecast	2015	762.300	0.000	0.000

Total Rev. = Average Balance × Interest Rate  
 GF Rev = Total Rev.

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**Revenue Projection:**

