

MINUTES OF THE MEETING
TAXATION SUBCOMMITTEE
49th LEGISLATURE
SPECIAL SESSION

June 18, 1986

The meeting of the Revenue Estimating Subcommittee was called to order by Chairman John Harp on June 18, 1986 at 8:00 a.m. in Room 312-3 of the State Capitol.

ROLL CALL: Five members were present with Rep. Harrington excused.

Chairman Harp told the Committee members that Terry Johnson and Judy Waldron were present with the new spread sheet containing figures that they had been asked to rework. He said there was some concern about the corporate license tax and the OBPP estimated revenue less than expected when they met with the Governor's Council in May. The real reduction doesn't occur until FY88. The other question was the decline in the production of coal but, again, that will be later on. There will be some in 1987 but the majority would be in 1988.

Mr. Johnson said he worked with Madalyn Quinlan and Ms. Waldron of the LFA on the numbers for coal and they came up with an agreement so the numbers for coal should be identical to what the LFA has come up with.

Chairman Harp pointed out to the members that Mr. Johnson had inserted a column on the spread sheet, "Post Session 1986 and Post Session 1987". These are basically figures they thought they would have as revenue for general fund as they left the session after the 1985 session. It is \$85 million less in the general fund and the biennium is only one-half done. All the programs, appropriations were planned on a target of \$774 million as of the end of the 1985 session.

Chairman Harp said the foundation program seemed to be a little closer on those figures and asked Terry Johnson for the reason. Mr. Johnson said in the case of the foundation program, it is broken down into three parts; state, county and district revenues. The state revenues were a little different on individual categories but they picked up a little ground in mineral leasing money and education trust interest earnings so that offsets the difference in the other categories. He said on the county levy such as the 45 mill levy the 1986 numbers are known numbers. Of course, 1987 is making an assumption on the 45 mill levy that is the majority of that county revenue.

Chairman Harp said that one of the things they were concerned about on Friday on the 45 mill levy was the centrally assessed utilities. Mr. Johnson said he had talked to the department of revenue and those numbers are not yet available. He said

in terms of the net proceeds and gross proceeds data it looked like it is okay - very close to what was projected. He asked about Class 11. Mr. Johnson said they didn't have any numbers yet for Class 11.

Madalyn Quinlan of the LFA said the interest and income account projected deficit is now very close to the one shown. FY86 for the I & I is 58.611 on the spread sheet rather than the 53.643 as shown.

Chairman Harp, referred to Table 3 on page 6 of the LFA handout, and stated that the Executive branch talked about \$24 million for supplemental and the LFA was at \$30 million. He asked if they were at \$25 million now. That would just get it back to ground zero because of less revenue coming into the foundation program. The disparity is not there that was shown before.

Rep. Sands said it would require \$25 million to give the 4% increase in 1987 on top of what we have. He talked about intereston investments and said they were at the Governor's number; on coal trust interest income they were \$800,000 over and on education trust interest they were \$600,000 over. He asked if each of those didn't pertain to the same factor; the long-term interest rate. Ms. Waldron said the bond calls are factoring in in 1986 and that is why the coal trust interest figure is higher. The bond calls would not apply to the permanent trust and the education trust because they are short-term investments. Mr. Johnson pointed out that the Committee had adopted an assumption on bond calls for the permanent trust of \$5.4 million so that was built in. They pay a premium to have a call and the premium is considered interest earnings.

In regard to the inheritance, the Chairman said another large payment was received and the estimate was right on the nose. Mr. Joynson said there is \$7.6 million as of this date.

Chairman Harp informed the Committee members that he had talked to the Senate leadership and they are interested in a rules change to set up a joint estimating committee. Last session the House rules were changed and such a committee was formed. The Senate now is interested in this committee that would consist of members from the House and Senate Taxation Committees and would meet similar to the Appropriations Committee and simply target revenue. This committee would be established for the 1987 session. He understood the Senate not taking this committee seriously as they have not been included in the process, however, this would change in 1987. He said he would hope the Committee would support a move to change the Senate and House rules to implement a joint committee. The idea would be to get the revenue projections out before the appropriations. Up to now this has been done just the opposite with the

appropriations being made and then it goes to the Finance and Claims Committee.

Rep. Williams asked if this could be handled after they meet in 1987 but Chairman Harp said they would like to get that established now so when the 1987 session convenes the committee will be in place.

Rep. Williams moved that this Committee go on record as supporting such a resolution for a joint revenue estimating committee. MOTION CARRIED.

Chairman Harp said the motion that had just passed would be relayed to the House Taxation Committee. He said there would be a meeting of the House Taxation Committee around 4 p.m. and Dave Bohyer, Researcher from the Legislative Council, said the resolution was in the process and it would be ready for the meeting. He said he only had to insert the figures that have been adopted and have it printed.

Rep. Schye moved to accept the revenue projections that were before the Committee, both for the general fund and the foundation program.

Rep. Williams stated the numbers again for clarity - the foundation program does get the 4% requirement for 1987 and that takes \$25 million. Mr. Johnson said that for 1986 there is not really a need for a supplemental because \$32.5 million was appropriated out of the general fund to help fund the program. They won't need the entire \$32 million in 1986 but they will need the remainder of that \$32 million in 1987 plus an additional amount.

Chairman Harp said they had talked about if they were going to increase the 4% on the foundation program - they had established they would need \$25 million supplemental to do that - going into the 1988-89 biennium, to keep it at 0-0, assuming that there is a 4% increase and they know they need \$25 million for the supplemental, how many additional dollars would they need in that biennium based on current levels if they assume 4%.

Mr. Johnson said there would be a lot of assumptions that would go into that but he said roughly, in the \$90-100 million range for the biennium. So, it would be \$50 million for each year for 1988-89 and another \$25 million just to get to zero. That figure of \$120 million in additional income in the general fund may be fairly close. Mr. Johnson said that the \$25 million for this year would make it hold at 4%. From that point on into 1988-89 at 0-0 it would take roughly \$100 million.

Chairman Harp said that for the Legislature to fund the 4% and to stay on current level for the next biennium it would be \$25million and \$50 million and \$50 million for \$125 million based on current projections on revenue, current enrollment and current levels. Chairman Harp said he felt this sends a message that the 4% is in jeopardy, particularly if nothing looks like it is on the upturn and even if that did occur, it would not be soon enough to infuse another \$100 million into the foundation program. When enrollment increases, the cost does also. He said the money is just not there and it is \$5-6 million less than last year.

Rep. Sands questioned why they had assumed the mineral royalties were higher than the Governor's estimates. Madalyn Quinlan said that the 1976 law said that when the leases came up for renewal they would go to 12.5%. The State would get one-half of the royalty rate. It would go from 10¢ to 6.5% per ton.

Rep. Williams' motion to accept the revenue projections for the general fund and the foundation program was repeated. The question was called and the MOTION CARRIED.

Chairman Harp said he hoped the Committee could meet when major policy decisions are changed to update what they saw as far as availability of funds for the general fund and how the budget is balanced as they get out of session. There is a provision in the resolution, third page from the end, that talks about the decision of the 4% cut in the foundation program, the state pay plan, etc. and all the revenue projections to balance the budget. The expenditures are not included.

Chairman Harp said that if the Committee endorsed this resolution they would be endorsing policy decisions that they were not ready to endorse. Rep. Schye said that everything the Committee had dealt with was current law, therefore, Chairman Harp asked if the Committee would wish that section taken out. This could be inserted within the next two weeks if those pass. Mr. Johnson said that this was so and for the Committee not to mess with the current law revenue estimates.

The policy decision section is included in the resolution. Rep. Sands asked what the Senate would do with this resolution and Chairman Harp said the Senate would be much more receptive to it because they have already talked about having a joint committee in future sessions. Rep. Sands said the thing to do would be to pass the resolution without the changes and then ask for a free conference committee.

Rep. Williams moved to delete any policy changes in the Governor's resolution and to wait for policy changes in the next week or so and then add them to the resolution. MOTION PASSED.

HOUSE JOINT RESOLUTION NO. ____
INTRODUCED BY _____

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA establishing an estimate of the state's anticipated revenue for each year of the 1986-87 biennium for the purpose of achieving a balanced budget as mandated by Article VIII, section 9, of the Montana Constitution; accepting a June 30, 1985, general fund balance that was established based on generally accepted accounting principles; and establishing an estimate of the nongeneral fund revenues for the school foundation program; *and accepting a June 30, 1985, foundation program fund balance.*

WHEREAS, Article VI, section 9, of the Montana Constitution requires the Governor to submit to the Legislature a budget for the ensuing fiscal period containing in detail the estimated revenue of the state; and

WHEREAS, Article VIII, section 9, of the Montana Constitution requires that the Legislature may not appropriate funds in excess of the anticipated revenue of the state; and

WHEREAS, section 5-12-302(2), MCA, requires the Office of the Legislative Fiscal Analyst to estimate revenue from existing and proposed taxes, and section 17-7-123(1), MCA, requires the Governor to submit a budget showing a balance between proposed disbursements and total anticipated receipts; and

WHEREAS, due to the complexity of economic variables involved in revenue forecasting and the diversity of sources from which state revenues are obtained, it has become increasingly difficult to project revenues in order to prepare a balanced budget for the ensuing biennium; and

WHEREAS, past legislatures have not agreed on revenue projections until the last days of the session when there is little time for comprehensive analysis or reasoned criticism; and

WHEREAS, it is in the best interests of the people of the state that revenue forecasts be discussed and arrived at in public hearings wherein all interested persons may attend and participate.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the following estimate of economic conditions and the resulting general fund and foundation program revenue estimates are adopted for fiscal years 1986 and 1987. The projections for total general fund and foundation program revenues during the 1986-87 biennium are based on an assumption of slow economic growth during the period and an assumption of a continuation of Montana law as it existed on July 1, 1985. While current economic growth is slow, some economic recovery is expected by late 1987. It is assumed that the inflation rate will be about 4.5% for calendar year 1986 and 2.7% for calendar year 1987. Interest rates will drift downward during the biennium based on the assumption of a less restrictive monetary policy by the Federal Reserve Board and the continuation of slow economic growth in the United States.

GENERAL FUND REVENUE

<u>Source of Revenue</u>	<u>Fiscal Year 86</u>	<u>Fiscal Year 87</u>	<u>Total</u>
(1) Individual Income Tax	\$110,157,000 \$111,385,000-	\$116,168,000 \$118,272,000	# 226,325,000 \$229,657,000

This revenue consists of 64% of total projected individual income tax collections. Income tax forecasts for the 1986-87 biennium assume a slow growth in ^{non-farm wage} total personal income and employment. Income is forecast to grow 3.8% in calendar year 1986 and 3.6% in calendar year 1987 while non-farm wage and salary employment is expected to remain stable over the biennium. These projections also include the effects of federal income tax indexing and the continuation of Montana law as it existed on July 1, 1985. The effects of federal tax reform and other such proposals are not included in the forecasts.

(2) Corporation Income Tax	\$34,000,000 \$36,227,000	\$28,000,000 \$28,101,000	# 62,000,000 \$64,328,000
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This revenue consists of 64% of total projected corporation income tax collections retained by state government. The forecasts are based on a decrease in Montana corporation taxable income of 5.7% in fiscal year 1986 and 3.5% in fiscal year 1987. These projections include \$7.6 million in additional taxes anticipated to be paid by the Montana Power Company in fiscal year 1986. Also included are \$9.7 million and \$6.1 million in audit collections for fiscal years 1986 and 1987, respectively.

(3) Coal Severance Tax	\$17,125,000 \$19,995,000	\$15,787,000 \$16,728,000	# 35,984,000 -\$36,723,000.
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This revenue consists of 23.75% of total coal severance tax collections in fiscal year 1986 and 20.90% in fiscal year 1987. The forecasts are based on lower demand and competitively priced alternative fuels. It is assumed that these conditions, in conjunction with royalty deductions, will result in a decline in the price of coal during the biennium. A dispute involving the state's authority to tax coal mined on Crow Indian land has prompted a major coal developer to protest taxes paid on this production. Until a settlement is reached, these taxes are being deposited in an escrow account. Tax forecasts for the 1986-87 biennium assume a settlement will not be reached until after fiscal year 1987; therefore, these coal tax revenues are not included in the above revenue estimates. The revenue estimates are further based on the following assumptions of production and price.

Tons of Coal (CY)	FY 31,119,000 CY 32,721,000-	30,500,000 34,000,000	
Price per Ton (CY)	FY \$7.07 CY \$8.46	\$8.46 -\$8.08	
(4) Oil Severance Tax	\$22,526,000 \$22,526,000	\$13,725,000 \$14,046,000-	# 36,251,000 \$36,572,000.

This revenue consists of 66.67% of total oil severance tax collections less the portion remitted to counties with production above the previous year. Since oil is a commodity that is used for diverse purposes, prices depend on federal regulations and world demand. Because a worldwide surplus of oil exists and because of the recent production increases by Saudi Arabia,

it is assumed that Montana's prices and production will follow worldwide trends throughout the biennium. The revenue estimates for oil severance taxes are based on the following assumptions of production and price.

	FY	27,209,000	27,975,000
Barrels of Oil (CY)		28,400,000	26,700,000
	FY	\$23.72	\$15.00
Price per Barrel (CY)		\$15.00	\$16.50

(5) Interest On Investments \$16,001,000 \$10,208,000 \$26,209,000

Interest on investments are projected to decline in fiscal years 1986 and 1987 from fiscal year 1985 levels. The decline in 1986 and 1987 is expected because of lower interest rates and less funds available to invest. The revenue estimates for interest on investments are based on the following assumptions.

Average Daily Cash	\$166,500,000	\$100,000,000	
Average Interest Rate	7.86%	7.00%	
TRANS Issue	\$46,000,000	\$50,000,000	
	\$35,476,000	\$35,181,000	\$70,657,000
(6) Long-Range Bond Excess	\$36,070,000	\$35,560,000	\$71,630,000

The long-range bond debt service account receives 11% of all individual income and corporation income taxes, 79.75% of all cigarette taxes and 100% of tobacco taxes. It is assumed that there will be no additional long-range building bonds sold until after fiscal year 1987. It is also assumed that cigarette sales will be 82.628 million packs and 79.669 million packs in fiscal year 1986 and 1987, respectively. Revenue from tobacco sales is expected to be \$716,000 in fiscal year 1986 and \$776,000 in fiscal year 1987.

	\$31,179,000	\$34,530,000	\$66,009,000
(7) Coal Trust Fund Interest	\$29,074,000	\$36,104,000	\$65,178,000

This revenue is derived from interest earned on the deposit of 50% of coal severance tax receipts dedicated to the permanent trust fund. Eighty-five percent of total interest earnings from the investment of the permanent trust fund is deposited to the general fund. It is assumed that total interest income will increase modestly over the biennium based on higher investable balances but invested at lower interest rates. It is also assumed that no additional water development bonds will be sold throughout the biennium. The revenue estimates for coal trust fund interest are further based on the following assumptions.

	FY	10.00%	9.30%
Average Long-Term Rates (CY)		9.68%	9.72%
Debt Service (Water Bonds)		\$356,000	\$584,000
Coal Severance Tax (Trust)		\$41,739,000	\$39,435,000
		\$1,200,000	\$5,400,000
Bond Calls		\$1,530,000	\$5,610,000

	\$16,845,000	\$18,029,000	\$34,874,000
(8) Insurance Premium Tax	\$15,943,000	\$17,370,000	\$33,313,000

Total insurance, ^{ok} premium taxes have grown 5.5% per year since fiscal year 1980 with the ~~10.7%~~ growth in fiscal year 1984 excluded. It is assumed that receipts will grow ~~11.4%~~ in fiscal year 1986 due to higher premiums for liability insurance and then return to a more normal growth pattern of ~~6.7%~~ in fiscal year 1987. The revenue estimates are further based on the following assumptions.

Police & Firemen Retirement	\$4,900,000 \$5,344,000	\$5,400,000 \$5,483,000	
Insurance Division Budget	\$851,000	\$782,000	
(9) Institution Reimbursement	\$13,676,000 \$13,284,000	\$14,268,000 \$13,632,000	\$27,944,000 \$26,916,000

Approximately 89% of all reimbursements collected are from federal medicaid receipts. ~~Therefore, it is assumed that medicaid revenue will equal the appropriation of the Department of Social and Rehabilitation Services for public institutions medicaid.~~ It is also assumed that the Montana Youth Treatment Center at Billings will not be certified this biennium and that all other institutions will remain certified throughout the biennium.

(10) Liquor Profits	\$4,187,000	\$3,817,000	\$8,004,000
(11) Liquor Excise Tax	\$5,518,000 \$5,906,000	\$5,678,000 \$5,726,000	\$11,496,000 \$11,632,000

Liquor sales for fiscal years 1986 and 1987 are expected to decline further as the trend toward moderation in liquor consumption continues. The liquor division's operating expenses for the 1986-87 biennium are expected to remain constant at fiscal year 1985 levels.

(12) Inheritance Tax	\$7,659,000	\$7,836,000	\$15,495,000
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Inheritance tax revenues for fiscal year 1986 are projected to remain at fiscal year 1985 levels. In fiscal year 1987 receipts are estimated to grow by approximately 2.3%. This trend is consistent with the growth rate observed from fiscal year 1974 to fiscal year 1985.

(13) Metal Mines Tax	\$993,000 \$994,000	\$969,000	\$1,967,000 \$1,963,000
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This revenue consists of 66.67% of total projected metal mines tax. It is assumed that gold, silver, copper and lead production for calendar year 1986 will decline modestly from calendar year 1985 levels. Also, prices are assumed to increase slightly from calendar year 1985 levels. No new companies are expected to begin production in the state by the end of calendar year 1986.

(14) Electrical Energy Tax	\$2,530,000 \$2,529,000	\$2,547,000	\$5,077,000 \$5,076,000
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Total U.S. electricity production has grown by 2.4% since calendar 1974. It is assumed that Montana's production will follow the national trend and that demand for electrical power will increase 2.1% in fiscal year 1986 and 2.3% in fiscal year 1987. In addition, an adjustment to these estimates has been made

based on a April 1986 completion date for Colstrip Unit IV. The generating capacity for Colstrip Unit IV is assumed to be 60% the first year and 70% thereafter.

(15) Drivers' License Fee	\$768,000	\$790,000	\$1,558,000
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Population growth in the age cohort 16 and greater is forecast to increase by 1% throughout the biennium. Since drivers' license fee revenues are dependent upon the number of eligible drivers, it is assumed that collections will follow this trend during the biennium.

(16) Telephone License Tax	\$3,241,000	\$3,419,000	\$6,660,000
	\$3,196,000	\$3,419,000	\$6,615,000

Telephone taxes have grown approximately 8.5% since 1969 excluding the years in which a rate increase was granted by the Public Service Commission. It is assumed this growth rate will increase to ~~9.0%~~ in fiscal year 1986 and then decline to ~~7.0%~~ in fiscal year 1987.

(17) Beer Tax	\$1,234,000	\$1,227,000	\$2,511,000
	\$1,310,000	\$1,238,000	\$2,548,000

Beer consumption on a per capita basis is forecast to decrease 6.5% in fiscal year 1986 and 6.4% in fiscal year 1987. This is a continuation of the downward trend in consumption that began in fiscal year 1982.

(18) Natural Gas Severance Tax	\$2,627,000	\$2,633,000	\$5,260,000
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Natural gas production is projected to increase moderately throughout the biennium. However, prices are expected to decline to \$2.26 and \$2.24 per MCF in fiscal years 1986 and 1987, respectively. The revenue estimates are based on the following assumptions of production and price :

MCF's of Natural Gas (CY)	45,222,000	45,476,000
Price per MCF (CY)	\$2.26	\$2.24
Gallons of Nat.Gas Liquids (CY)	3,285,000	3,304,000
Price per Gallon (CY)	\$.236	\$.233

(19) Freight Line Tax	\$1,195,000	\$1,448,000	\$2,643,000
		\$1,249,000	\$2,444,000

Freight line tax revenues are forecast to decrease 13.4% in fiscal year 1986 and then increase ~~4.5%~~ in fiscal year 1987. Poor agricultural conditions in calendar year 1985 are assumed to be the cause for the decline in fiscal year 1986 receipts.

(20) Wine Tax	\$944,000	\$984,000	\$1,928,000
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Wine consumption on a per capita basis is forecast to increase 3.3% annually. Although this is a trend not consistent with historical data, it reflects the trend observed during the first ten months of fiscal year 1986.

	\$17,304,000	\$19,106,000	\$36,910,000
(21) Other Revenue	\$17,648,000	\$18,636,000	\$36,284,000

Since fiscal year 1981, revenues from a number of other statutory taxes, fees, licenses and fines have grown an average 6.4% per year after adjusting for one-time receipts. It is assumed that these revenues will continue to grow but at a somewhat lesser rate, of ~~4%~~. Included in this revenue estimate is revenue from poker licenses and vehicle license fees.

	\$343,910,000	\$336,852,000	\$685,762,000
General Fund Total	<u>\$349,468,000</u>	<u>\$339,865,000</u>	<u>\$689,333,000</u>

BE IT FURTHER RESOLVED, that section 17-7-123(1), MCA requires the Governor to submit a budget showing a balance between proposed disbursements and total anticipated receipts. The following provides the necessary general fund revenue adjustments for the purpose of achieving a balanced budget. The projections set forth below are based on the assumptions delineated above.

<u>Source of Revenue</u>	<u>Fiscal Year 86</u>	<u>Fiscal Year 87</u>	<u>Total</u>
Coal Severance Tax			
Park Acquisition Trust		\$1,761,000	
Education Trust		7,043,000	
Department of Highways Coal Tax		<u>6,211,000</u>	
Total Coal Severance Tax		\$15,015,000	
Investment Earnings			
Balanced Budget		\$4,655,000	
TRANS Cap Removal		1,283,000	
Department of Highways Account		<u>6,764,000</u>	
Total Investment Earnings		\$12,702,000	
Liquor Profits		\$1,085,000	
Long Range Bond Excess		\$5,100,000	
Other Revenue			
Delay Alternative Energy Loans & Grants		\$1,143,000	
Legislative Council Code Account		500,000	
Social Security Interest Earnings		2,000,000	
Coal Board Funds		1,630,000	
Resource Indemnity Tax		4,068,000	
Deputy County Attorney Earmarked		<u>-142,000</u>	
Total Other Revenue		<u>\$9,194,000</u>	
Total of All Adjustments		<u>\$43,096,000</u>	<u>\$43,096,000</u>
General Fund Total	<u>\$349,468,000</u>	<u>\$382,961,000</u>	<u>\$732,429,000</u>

FOUNDATION PROGRAM REVENUE

<u>Source of Revenue</u>	<u>Fiscal Year 86</u>	<u>Fiscal Year 87</u>	<u>Total</u>
(1) Individual Income Tax	# 43,630,000 \$43,510,000	\$ 45,378,000 \$46,200,000	# 88,408,000 \$89,710,000
(2) Corporation Income Tax	# 13,281,000 \$14,151,000	\$ 10,938,000 \$10,977,000	# 24,219,000 \$25,128,000
(3) Coal Severance Tax	\$4,209,000	\$ 3,366,000 -\$3,522,000	# 7,575,000 -\$7,731,000
(4) Interest & Income	\$32,249,000	\$36,962,000	\$69,211,000

This revenue is primarily from agricultural leases, grazing fees, oil and gas leases and investment earnings from the common school trust account. With a depressed agricultural sector, reduced oil exploration activity and low interest rates it is assumed that fiscal year 1986 revenues will decline from fiscal year 1985 levels. Fiscal year 1987 revenues are assumed to increase moderately due to an improved agricultural sector, higher oil prices and \$2.755 million from bond calls in the common school trust account.

(5) US Oil & Gas Royalties	# 13,670,000 \$12,490,000	# 12,175,000 \$11,175,000	# 25,245,000 \$23,665,000
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Montana receives fifty percent of all federal royalty payments from oil, gas, coal and other mineral production on federal lands located in Montana. It is assumed that production will remain at calendar year 1983 levels and mineral prices will be as projected for the general fund revenue sources.

(6) Education Trust Interest	# 7,442,000 \$6,828,000	\$8,257,000	# 15,699,000 \$15,085,000
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This revenue is derived from interest earned on the education trust fund. Sixty-seven point five percent of the total interest earnings from the investment of the education trust fund is deposited to the foundation program. It is assumed that total interest income will increase modestly over the biennium based on higher investable balances but invested at lower interest rates. The revenue estimates for education trust fund interest are further based on the following assumptions.

Average Long-Term Rates (CY)	10.00% 9.68%	9.80% 9.72%	
Coal Severance Tax (Trust)	\$8,419,000	\$7,043,000	
Bond Calls	\$405,000	\$1,350,000	
(7) County Revenue			
45 Mill Mandatory Levy	\$106,656,000	\$104,668,000	\$211,324,000
Other County Revenue	\$6,044,000	\$5,788,000	\$11,832,000
(8) District Rev.(Permissive)	\$18,730,000	\$18,298,000	\$37,028,000

The mandatory and permissive levies are applied against the statewide taxable valuation of the state. In fiscal year 1986 taxable valuation was \$2.370 billion. It is assumed to decline to \$2.326 billion in fiscal year 1987. The taxable valuation revenue estimates are based on the following components.

Net/Gross Proceeds	\$768,271,000	\$702,773,000	
All Other Valuation	\$1,601,862,000	\$1,623,193,000	
	\$244,711,000	\$245,830,000	\$490,541,000
Foundation Program Total	<u>\$244,867,000</u>	<u>\$245,847,000</u>	<u>\$490,714,000</u>

BE IT FURTHER RESOLVED, that section 17-7-123(1), MCA requires the Governor to submit a budget showing a balance between proposed disbursements and total anticipated receipts. The following policy option provides additional foundation program revenue for the purpose of supplanting general fund monies in order to achieve a balanced general fund budget. The projections set forth below are based on the assumptions delineated above.

<u>Source of Revenue</u>	<u>Fiscal Year 86</u>	<u>Fiscal Year 87</u>	<u>Total</u>
US Oil & Gas Royalties		\$6,705,000	\$6,705,000
	\$244,711,000	\$252,535,000	\$497,246,000
Foundation Program Total	<u>\$244,867,000</u>	<u>\$252,552,000</u>	<u>\$497,419,000</u>

BE IT FURTHER RESOLVED, that the Legislature accepts for budget purposes the unreserved general fund balance of \$27,545,000 prepared according to generally accepted accounting principles as published in the audited state financial statements as of June 30, 1985.

Be It further Resolved, that the Legislative accepts for budget purposes the foundation program balance of \$25,636,000 as of June 30, 1985.

Mr. Johnson said they had some problems with the fiscal note process. When they prepare fiscal notes they base the fiscal note calculations on the Revenue Estimating Advisory Council and that was really their only option. As things proceed through the session that could have an impact on the way fiscal notes are prepared so right now when a bill is discussed in committee the fiscal note is going to be prepared based on the REAC estimates. They based it on \$689 million and the Committee just passed the estimate of \$685 million.

He also said they were unaware of the 2 million ton drop in coal production and that definitely had an impact on some of the options that were proposed. He said they have to go with the current law type concept in preparation of the fiscal notes otherwise there would be such a mixture of numbers.

Rep. Sands said it was not appropriate to use the spread sheet at this time because this is just a subcommittee. Rep. Switzer said there was no way a flat percentage could be adopted.

Dave Bohyer asked for one member of the Committee to work with him in drafting the resolution pertaining to the joint estimating committee. It was the consensus of the Committee that the chairman should be the one to work with him.

Chairman Harp thanked Terry Johnson, Judy Waldron and Madalyn Quinlan for their help and cooperation the last few days.

The meeting adjourned at 9:48 a.m.



REP. JOHN HARP, Chairman

