

MINUTES OF THE MEETING
REVENUE ESTIMATING SUBCOMMITTEE OF THE TAXATION COMMITTEE
50TH LEGISLATIVE SESSION
HOUSE OF REPRESENTATIVES

February 11, 1987

The meeting of the Revenue Estimating Subcommittee was called to order by Chairman Harp on February 11, 1987, at 11 a.m. in Room 312B of the State Capitol.

ROLL CALL: All members were present with the exception of Sens. Bishop and Hirsch, who were excused. Also present were Dave Bohyer, Legislative Council, Terry Johnson, OBPP, and Judy Curtis Waldron, LFA.

DISPOSITION OF COAL PRODUCTION ESTIMATES: Terry Johnson stated the Subcommittee estimate is \$18 million less than that of the OBPP and about \$5 million less than that of the LFA.

Rep. Sands made a motion to approve 9.3 million tons for CY 87 and 10 million tons for CY's 88-89, for Western Energy production.

Madalyn Quinlan advised that Northern States Power buys from both Westmoreland Coal and Western Energy.

Rep. Schye asked what she would lower the figures to. Ms. Quinlan replied she would probably use the coal companies' figures for 1987. Terry Johnson responded that he would revise his 1987 figures, but not those for 1988 and 1989.

Chairman Harp advised that the Subcommittee can always come back and change its revenue estimates for production. He stated that he spoke with Mr. McPherson of Spring Creek Coal this morning, who said his company could very likely pick up another contract if the coal severance tax were reduced to 15%.

Rep. Williams commented that the main interest is to reserve the right to change the coal severance tax, if necessary.

The motion made by Rep. Sands failed on a tie vote (Roll Call Vote attached).

Rep. Schye made a motion to approve 9.3 million tons for CY 87 and 10.5 million tons for CY's 88-89. The motion CARRIED unanimously.

Rep. Sands made a motion to approve production estimates of 9.919 million tons for each year for CY 87, 88, and 89 for Decker Coal.

REVENUE ESTIMATING SUBCOMMITTEE

February 11, 1987

Page 2

Chairman Harp asked Rep. Sands if he would keep the average price and still reduce tonnage for Decker, since Commonwealth and Detroit Edison prices are different. Terry Johnson replied that neither the OBPP nor the LFA has a breakdown on these figures.

Chairman Harp asked if the Subcommittee would need to look at Spring Creek Coal prices again, if it approves Rep. Sands estimates for Decker Coal. Rep. Sands replied he presumed Spring Creek Coal could be left as it is.

Terry Johnson commented that there is a \$3.8 million difference between the original and the new projection for Western Energy production.

Madalyn Quinlan stated that her original projection for Decker Coal was 9.9 million and that she would remain with the projection. Terry Johnson said his original projection for Decker was a little higher than that of the LFA and that he has no information to promote changing that figure right now. Mr. Johnson added that the numbers he received in October estimated 13 million tons for Decker, and the company is now estimating 9.9 million tons.

Chairman Harp asked Terry Johnson if he were aware of Commonwealth Edison nuclear power plants coming on-line in October. Mr. Johnson replied that the information he provided is based on the REAC information from October, 1986.

Chairman Harp asked if total production would be down to around 23.1 million tons if the Subcommittee approved this assumption.

Sen. Neuman commented that it is possible the Subcommittee has been overly pessimistic.

Sen. Lybeck stated he is comfortable with 10.88 million tons projected by Decker Coal.

Madalyn Quinlan advised that she did not recall a representative from Decker Coal being present at subcommittee hearings when the other coal company representatives were present.

The motion made by Rep. Sands to approve a net production figure of 9.9 million tons for each of CY's 87-89, CARRIED five to four (Roll Call Vote attached).

Sen. Neuman advised he had just heard that SRS will need to increase its general fund appropriation by \$22 million for next year.

REVENUE ESTIMATING SUBCOMMITTEE

February 11, 1987

Page 3

DISCUSSION OF LIQUOR TAX: Judy Curtis Waldron stated her assumptions for price were restructured to reflect a 1.5% increase in price in CY 88, for revenue of \$2 million in CY 88 and \$3 million in CY 89. She added that she also assumed the present policy of converting some stores to agency stores would prevail. (Exhibit #1)

Terry Johnson explained he was not optimistic about growth in liquor sales and anticipated a decline in CY's 87-89, of 5% annually for liquor alone. (Exhibits #2 and 3)

Chairman Harp asked how the LFA could project such a raise in liquor revenue. Ms. Waldron replied she anticipated price increases and a decline in unit sales, as a result of a hearing in December which alluded to increased prices for February 1, which have been moved to March 1.

Rep. Williams advised that DOR is not planning to do anything with liquor prices until it sees what action the Legislature takes.

Chairman Harp advised there is a need to look at information for the meeting on Friday, February 13. He indicated daily average balances, public institutions on Medicaid and windfall projections would be discussed and said Mr. Vasquez, Policy Economics, foresees about \$20 million more revenue than the Subcommittee has projected.

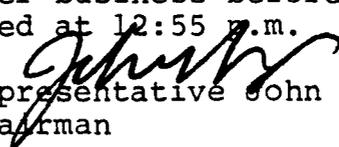
Dave Bohyer advised that that \$20 million has been explained away.

Terry Johnson added that Mr. Vasquez' numbers do not include corporation tax.

Dave Bohyer stated he would call Mr. Vasquez this afternoon to check on these figures.

Terry Johnson explained there are loose ends in the Foundation Program which need to be addressed.

ADJOURNMENT: There being no further business before the Subcommittee, the meeting was adjourned at 12:55 p.m.


Representative John Harp,
Chairman

JH/be

ROLL CALL VOTE

HOUSE TAXATION REVENUE ESTIMATING SUBCOMMITTEE

DATE February 11 BILL NO. _____

NAME	ABSTAIN	AYE	NAY
REP. HARP		7	
REP. ELLISON		7	
REP. HARRINGTON			
REP. SANDS		7	
REP. SCHYE			7
REP. WILLIAMS			7
SEN. NEUMAN (Dravly vote)			7
SEN. BISHOP	7		
SEN. HAGER	7		
SEN. HIRSCH			
SEN. LYBECK			7
SEN. SEVERSON		7	
TALLY		4	4

Joann Banschbach
Secretary

Rep. Jack Ramirez
Chairman

Motion: Sands - mot on roll prod for
West Eng for CX 86 9 3 m
0477 10.0 m
CX 88 10.0 m

EXS
2-11-87
Liquor Tax

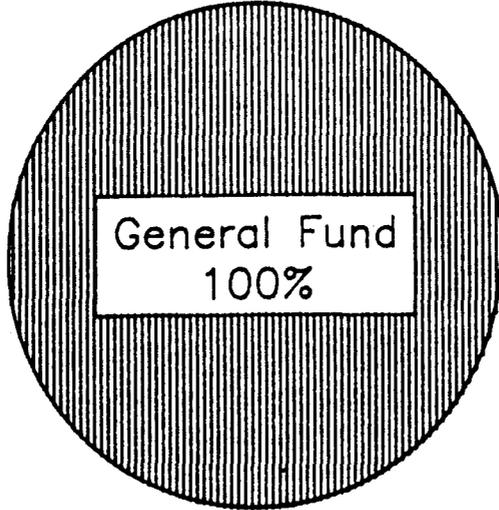
EXHIBIT #
DA 2-11-87
REV Est Sum

LIQUOR TAX REVENUE

	Actual 1986	1987	1988	1989
LIQUOR EXCISE TAX				
Tax Revenue				
LFA	25,845,229	27,022,000	27,022,000	27,022,000
Executive		25,222,000	25,222,000	25,222,000
Difference		1,800,000	1,800,000	1,800,000
Unit Sales				
LFA	5,953,073	5,776,000	5,776,000	5,455,000
Executive		5,409,000	5,409,000	5,124,000
Difference		367,000	367,000	331,000
Revenue per Unit				
LFA	\$4.35	\$4.68	\$4.68	\$4.95
Executive		\$4.64	\$4.64	\$4.93
Difference		\$0.04	\$0.04	\$0.02
LIQUOR PROFITS				
General Fund Revenue from Liquor Profits				
LFA	24,700,000	21,245,000	21,245,000	21,245,000
Executive		20,299,000	20,299,000	20,299,000
Difference		946,000	946,000	946,000

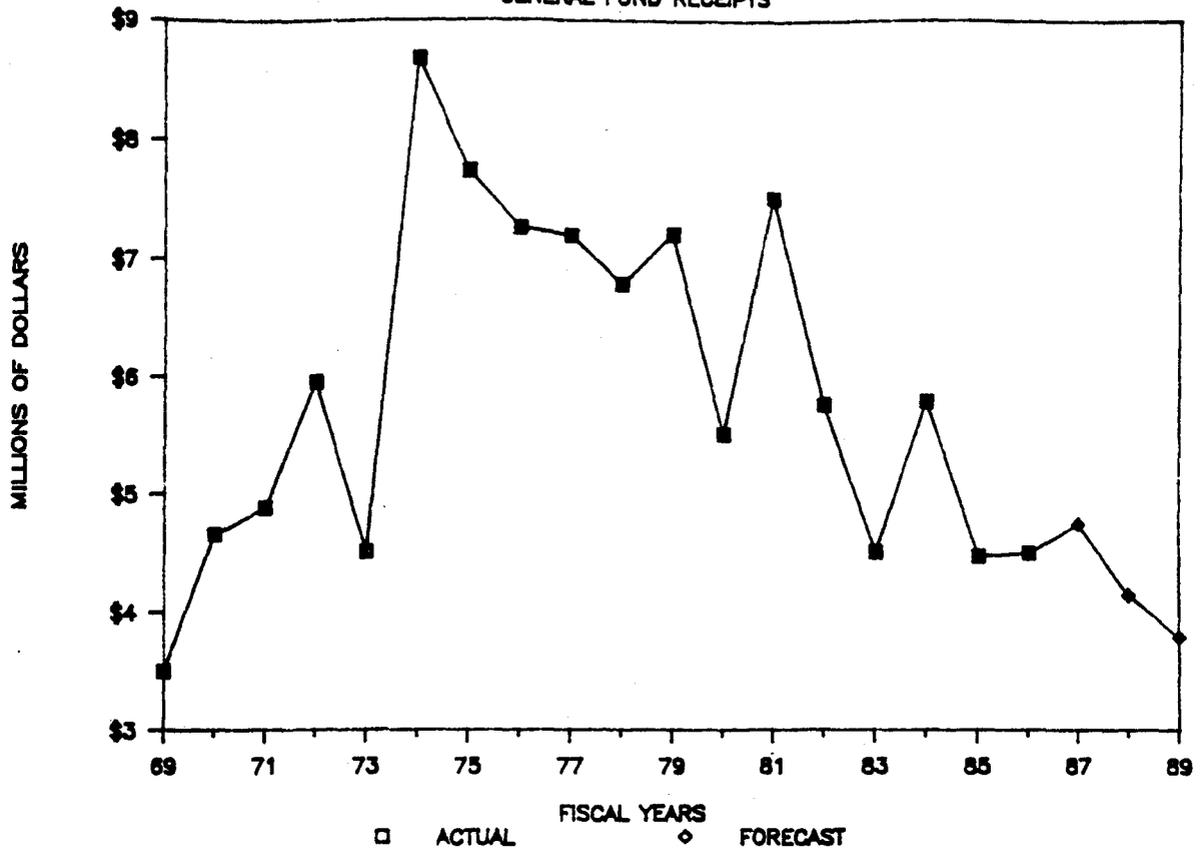
LIQUOR PROFITS
DISTRIBUTION FORMULA

#2
2-11-87
Rev Est Sub c



LIQUOR PROFITS

GENERAL FUND RECEIPTS



YR	GF PROFITS	PERCENT CHANGE
A 69	3.500000	
A 70	4.653815	24.79%
A 71	4.878745	4.61%
A 72	5.950000	18.00%
A 73	4.500000	-32.22%
A 74	8.675600	48.13%
A 75	7.738305	-12.11%
A 76	7.260551	-6.58%
A 77	7.189862	-0.98%
A 78	6.778951	-6.06%
A 79	7.200000	5.85%
A 80	5.500887	-30.89%
A 81	7.499113	26.65%
A 82	5.750000	-30.42%
A 83	4.500000	-27.78%
A 84	5.782000	22.17%
A 85	4.466000	-29.47%
A 86	4.500000	0.76%
F 87	4.749255	5.25%
F 88	4.150949	-14.41%
F 89	3.788675	-9.56%

2-10
Actual Prod

COAL SEVERANCE TAX - CONTRACT SALES PRICE

	DECKER	KNIFE RIVER	REABODY	SPRING CREEK	WESTERN ENERGY	WESTMORELAND	ALL COMPANIES
CY 1986							
QTR 1	\$7,884	\$10,579	\$8,327	\$11,275	\$7,148	\$8,134	\$8,734
QTR 2	\$11,215	\$10,038	\$7,426	\$10,155	\$7,626	\$8,400	\$9,571
QTR 3	\$11,695	\$9,426	\$8,968	\$4,945	\$6,432	\$6,623	\$8,047
QTR 4	\$11,691	\$9,712	\$8,920	\$5,356	\$5,985	\$5,768	\$7,622
CY 86 AVE	\$10,919	\$9,944	\$7,931	\$7,002	\$5,543	\$6,514	\$8,337
CY 87 EST	\$10,750	\$9,610	\$7,720	\$5,000	\$5,340	\$5,460	\$7,551
CY 88 EST	\$10,750	\$9,930	\$7,800	\$5,000	\$5,540	\$5,690	\$7,709
CY 89 EST	\$10,750	\$9,930	\$8,000	\$5,000	\$5,660	\$5,790	\$7,777

COAL SEVERANCE TAX - PRODUCTION (MILLIONS)

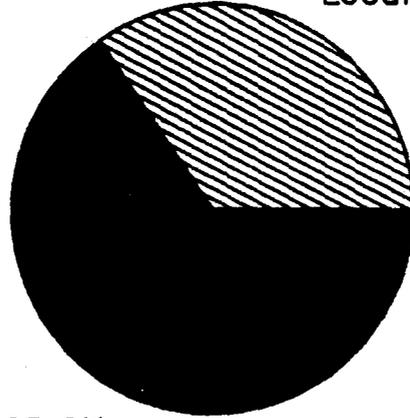
	DECKER	KNIFE RIVER	REABODY	SPRING CREEK	WESTERN ENERGY	WESTMORELAND	ALL COMPANIES
CY 1986							
QTR 1	2.158	0.052	0.659	0.092	3.332	0.135	3.053
QTR 2	3.732	0.027	0.748	0.759	1.699	0.135	6.104
QTR 3	2.892	0.038	0.673	1.418	3.337	0.202	8.662
QTR 4	3.121	0.105	0.773	1.575	3.797	0.301	9.772
CY 86 TOTAL	12.187	0.224	3.075	4.844	12.059	0.775	32.416
CY 87 EST	10.880	0.200	2.730	3.080	10.680	0.519	28.089
CY 88 EST	10.850	0.200	2.730	3.080	10.920	0.798	28.718
CY 89 EST	10.830	0.200	2.730	3.080	10.930	0.798	28.718

BAP

#3
2-11-87
REV Est Su

LIQUOR LICENSE TAX

DISTRIBUTION FORMULA

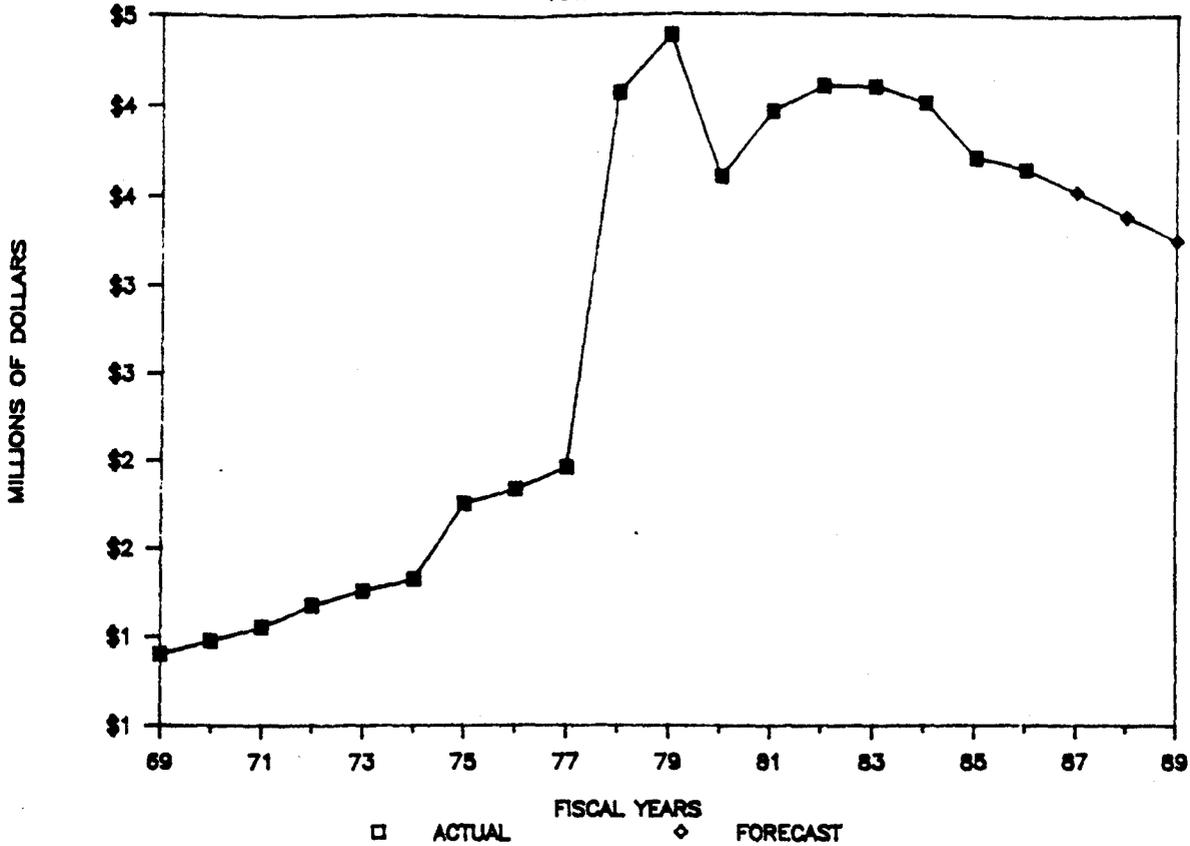


Local Government 34.5%

Department of Institutions 65.5%

LIQUOR LICENSE TAX

TOTAL RECEIPTS



YR	LICENSE RECEIPTS	PERCENT CHANGE
A 69	0.901848	
A 70	0.978516	7.84%
A 71	1.058506	7.56%
A 72	1.179904	10.29%
A 73	1.262476	6.54%
A 74	1.324280	4.67%
A 75	1.757935	24.67%
A 76	1.843855	4.66%
A 77	1.964611	6.15%
A 78	4.069885	51.73%
A 79	4.384195	7.17%
A 80	3.602963	-21.68%
A 81	3.959303	9.00%
A 82	4.103170	3.51%
A 83	4.095694	-0.18%
A 84	4.006857	-2.22%
A 85	3.707794	-8.07%
A 86	3.645692	-1.70%
F 87	3.515691	-3.70%
F 88	3.373306	-4.22%
F 89	3.236686	-4.22%

Chairman Hays -

Please record my votes on all questions on coal prices + production levels as follows:

I vote for leaving the price + production figures for all companies as we left them in committee on Tuesday, Feb 10.

Paul
Huffman