

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON JOINT REVENUE ESTIMATING

Call to Order: By Chairman Bob Ream, on February 9th 1989, at
12:10 p.m.

ROLL CALL

Members Present: All present with exception of:

Members Excused:

Members Absent: Sen. Norman, Sen. Walker

Staff Present: Dave Bohyer, Legislative Council, Maureen Cleary,
Committee Secretary

Announcements/Discussion: Rep. Ream announced to the Committee present that he would give them an overview of the presentation given at the previous meeting. The Committee took testimony last night and that he would prefer to take motions on those figures today. He recommended figures to adopt as assumptions to the Committee based on the information given and opened the floor for discussion as to those recommendations. He noted that he would be amiable to any comments or corrections that the Committee would suggest.

The Committee agreed to consider the figures that Rep. Ream presented and to take action on these in an appropriate order. (See Exhibit #1)

Rep. Ream reviewed each category listed as Exhibit #1, giving specific information and recommendations as follows:

Natural Gas Severance Tax: 1989/ \$1.1 million, 1990/ \$1.0 million
and 1991/ \$1.1 million

Metal mines Taxes: Adopt OBPP/REAC figures for years 89-91.

MOTIONS:

Sen. Harp moved to accept these assumption figures as recommended.

A VOTE WAS TAKEN WITH TWO NO VOTES CAST, (DRISCOLL, GIACOMETTO)
AND THE FIGURES WERE ADOPTED. SEE TABLE #6.

Calendar Year Oil Price in \$/bbl: Adopt OBPP/REAC figures.

Calendar Year Oil Production in Million Bbl: Adopt OBPP/REAC

figures.

Fiscal Year Oil Price in \$/bbl: Adopt OBPP/REAC figures.

Fiscal Year Oil Production in Million Bbl: Adopt OBPP/REAC figures.

Fiscal Year Exempt NEW Production: Adopt LFA figures.

Fiscal Year Exempt STRIPPER Production: Adopt OBPP/REAC figures.

MOTIONS:

Sen. Harp moved to accept these assumptions as recommended.

A VOTE WAS TAKEN WITH TWO NO VOTES CAST, (DRISCOLL, GIACOMETTO)
AND THE FIGURES WERE ADOPTED. SEE TABLE #6.

It was the Committee consensus to take the vote on coal separate from the recommendations made by Rep. Ream.

Rep. Ream: The price of \$7.385 a ton for fiscal year 1988. Neither Mr. Mockler or Ken Williams would make estimates on prices because of the anti-trust law. Rep. Driscoll: Why don't we call Montana Power Company and ask what they pay? Rep. Ream: Both the Budget office and LFA show gradual increases in prices until the last year of the biennium. I suggest we use: \$7.385 for 1988, \$7.40, \$7.50, \$7.60, which are closer to the LFA estimates.

Mr. Terry Johnson/REAC: The difference in the figures that you see here arise from two reasons. One, when information is reported to the Dept. of Revenue, the production off the ceded strip is no longer included in the total numbers. And two, the numbers that Mr. Mockler is using is quoted as reported to Workers Comp., for black lung disease. Those numbers are not necessarily the same as given to the Dept. of Revenue.

Ms. Madalyn Quinlan/LFA: The figure of 36.879 tons is taxable productions, so it includes the 20 thousand ton exemption that the company gets and excludes the 20 thousand ton exemption. In order for us to make revenue estimates, it would be helpful for you to tell us what it is you're using.

Mr. Terry Johnson: You would have to take off another 120 thousand in order to make that figure work due to the exemptions.

Rep. Ream: Mr. Mockler, was optimistic; both LFA and Budget Office show a drop. I would suggest for 1989/ 31 million tons, 1990/ 32 million tons and 1991/ 32 million tons.

Rep. Giacometto: I suggest the REAC estimates, otherwise we will be over.

Sen. Harp: Are there any figures for potential spot sales? What did we get for spot contract last year? Mr. Johnson: That is a difficult question to answer. You don't know how much is really related to spot sales. Rep. Ellison: Mr. Mockler suggested that it be about 4 million tons.

MOTIONS:

Rep. Schye: moved to take LFA figures straight across.

Rep. Giacometto: Let me reiterate my motion. I move to take the OBPP. The reason why is that they are going to be optimistic to show us how well their industry is doing. But we have to deduct that 2.8 tons that is not taxable. Looking at 30 million tons using optimistic figures, I think we ought to go with the Office of Budget and Program Planning.

Sen. Harp: One thing you are not looking at is the spot market, included in these. Rep. Giacometto: The spot market was supposed to be included.

Ms. Quinlin: I think that they have given you optimistic figures. I don't think that our's are optimistic.

Rep. Ream: I hold to my recommendation, 31 million, 32 millions and 32 million are closer to LFA in production and in price.

Mr. Johnson: When you make a motion on an assumption, what we have done in the past is take assumptions based on current law. Any proposed taxation policy that is in the process should not be considered because that will be an add-on at a later date.

Sen. Harp: But you know with House Bill 4, it hasn't been amended in either house and it is going to Stephens' desk. He will sign that bill. So it will just be a matter of time. But as far as current law is concerned you are right.

Rep. Ream: Why is there the big difference in figures in 1990? Mr. Johnson: As Ms. Quinlin pointed out, it is the difference between the production estimated between the two offices. Rep. Ream: What I had suggested was closer to LFA, a slight adjustment upward on price and a slight adjustment downward on production.

Rep. Ellison: Shouldn't we pick the price and the production and let the LFA figure out the tax credits. Rep. Schye: I agree with Rep. Ellison, pick the price and production figures and LFA can base the figure of the tax credit automatically from these.

A VOTE WAS TAKEN WITH TWO NO VOTES CAST, (GAGE, GIACOMETTO) TO
ADOPT THE FIGURES LISTED ON TABLE #6.

ADJOURNMENT

Adjournment At: 1:00 p.m.

Bob Ream

REP. BOB REAM, Chairman

BR/mc

SUB.6

2/09/89
EXHIBIT #1

Date
09-Feb-89

EXHIBIT #1
DATE 2/09/89
HB HJR 13

JOINT REVENUE ESTIMATING SUBCOMMITTEE

ESTIMATOR	Natural Gas Severance Tax -- In \$ Millions		Gen. Fund Revenue	
	1988	1989	1990	1991
LFA	NA	1.055	1.036	1.135
OBPP/REAC	NA	1.143	0.999	1.035
COMMITTEE CONSENSUS		1.1	1.0	1.1

*
PEAM

ESTIMATOR	Metal Mines' Taxes -- In \$ Millions		Gen. Fund Revenue	
	1988	1989	1990	1991
LFA	NA	4.242	4.336	3.703
OBPP/REAC	NA	3.691	4.145	3.595

*
PEAM

COMMITTEE
CONSENSUS

Age = 8
No's = Driscoll (2)
Giacometto

JOINT REVENUE ESTIMATING SUBCOMMITTEE

Date
08-Feb-89

ESTIMATOR	CY Oil Price in \$/bbl			CY Oil Production in Million Bbl.		
	1988	1989	1990	1988	1989	1990
LFA	14.15	14.17	14.72	22.240	21.408	21.252
OBPP/REAC	* 14.50	15.00	15.50	* 22.500	21.500	20.000
COMMITTEE CONSENSUS						19.000

ESTIMATOR	FY Oil Price in \$/bbl			FY Oil Production in Million Bbl.		
	1988	1989	1990	1988	1989	1990
LFA	16.430	14.030	14.360	23.308	21.909	21.252
OBPP/REAC	* 16.487	14.476	15.176	* 23.547	22.275	21.131
COMMITTEE CONSENSUS						19.754

ESTIMATOR	FY Exempt NEW Production			FY Exempt STRIPPER Production		
	1988	1989	1990	1988	1989	1990
LFA	* 0.609	1.712	1.878	1.709	1.636	1.602
OBPP/REAC	REARM 0.613	1.105	1.048	* 1.742	1.648	1.602
COMMITTEE CONSENSUS			0.980			

Discussion: Driscoll its going down = prod price = ↑
Rearm - very little new drilling going on.

JOINT REVENUE ESTIMATING SUBCOMMITTEE

Date
08-Feb-89

ESTIMATOR	CY Coal Price in \$/ton			CY Coal Production in Million Tons		
	1988	1989	1990	1988	1989	1990
LFA	7.330 7.385 Actual	7.320	7.470	35.297 36.879	32.179	33.153
OBPP/REAC	7.769	7.678	7.780	34.428	31.000	29.633
Jim Mockler	NA	NA	NA	NA	NA	NA
Ken Williams	NA	NA	NA	NA	NA	NA
COMMITTEE CONSENSUS	* <u>7.35</u> BEAM	<u>7.4</u>	<u>7.5</u>	* BEAM	<u>31.</u>	<u>32.</u>

32.

~~Motion: Schye = LFA's #1's~~
~~Motion: Giacometto = OBPP #1's~~

Motion: = Schye for price/production

Age: (8)

No: sage/Giacometto

CY Coal Tax Credits in \$Millions

ESTIMATOR	1988	1989	1990	1991
LFA	6.519 BEAM	4.460	4.461	NA
OBPP/REAC	5.800	4.357	2.764	1.842

BEAM: LFA will come back e more figures.

also/BEPP.

Discussion: