

MINUTES OF THE MEETING
FINANCE AND CLAIMS
MONTANA STATE SENATE

January 12, 1977

A joint meeting with the Taxation Committee was held on the above date at 8 A.M. in room 415 of the State Capitol. The meeting was called to order by Senator Mathers, Chairman of the Taxation Committee. Roll call was taken by each secretary, all members of the Taxation Committee present, Finance and Claims attached.

Senator Mathers said the purpose of the meeting is to have Mr. LaFavor report on his budget proposals and to give the members of the committee a chance to ask questions.

John LaFavor, Fiscal Analyst introduced the members of his staff who were present, Bill Gosnel who was working with the Elected Officials sub-committee which included the Legislative, Judicial and Administrative committees of the state. Judy Rippingale who handled the sub-committee on Education and does the analysis of the Universities, the Vo-tech schools, etc. Curt Nichols who handles the Human Services sub-committee and did the analysis for Public School support.

Mr. LaFavor gave an introduction to the budget analysis as per the first 4 pages of the book, stating that this was an alternative and to give the Legislators another view point to compare in making their decisions.

John went on to the tables on page 5 through 8 which compared the budget analysis with the Executive budget bringing out the differences in the 1979 biennium in the SRS of \$8million, and said part of this was taken up in collection of medicaid amounts etc. He said no attempt had been made to cut the number of services. He said the largest difference of expenditures was in the Galen Hospital. The veteran's Home had been reduced with the recommendation of using the medicaid reimbursements rather than General Fund to finance.

He said part of the surplus was because of expenses that had been anticipated in 1976 and did not occur, but would assume they would happen in 1977. Reversion of funds was a part of this. He said they had recommended funding of the existing reappraisal plan, but eliminating the mass appraisal plan which in their estimate had not lived up to it's own projections, and could not be justified.

John said pages 5 through 8 were a summary of the recommendations from the executive, fiscal and the differences with page 10 giving a comparison of the revenue estimates. Some of the highlights hit by Mr. LaFavor in his presentation included the assumptions used in projecting the income tax on page 12,

The historic and projected income tax variables, and his departments attempt to pin-point the windfall which brought the state out of the red and left it with a surplus. He said the increased price of oil was an example of the income variance, and corporate license taxes was another. He also gave an alternative employee pay plan beginnning on page 31.

Questions were asked and answered and included the following:

Senator Towe: Every year there is a tendency to underestimate the budget and to build up the surplus since he had been in Legislature. Why? John answered that the constitutional requirement that they could not exceed in spending what income amounted to, and this left a tendency to be a bit cautious and to lean toward surplus rather than the other way since the effects would be so much more drastic. He also mentioned the corporate tax and the oil prices being major factors in the surplus since the last session, and that no one could have projected this at that time.

Senator Towe: How have you looked at these items in the future? John answered that he felt the best way to explain was to look at page 15 where they have tried to do a historical sequence on what the State has realized from these sources. He said in projecting the figures for 1979 they had used the historical sequence, talked to the Department of Agriculture, and had based their figures on a declining production in oil with a 6.5% inflation figure.

Senator Towe: How did you reach your figures on oil? John answered that it was based on a 6 1/2 % annual increase in oil prices. As to whether this was realistic, he felt that so long as some catastrophic event did not occur, but things went along pretty much on course, this would be a good reflection.

Senator Towe: Could farm income be substantially higher in the next biennium? John answered that this was presented in detail on pages 12 and 13. He said that at the present time wheat is down and after extensive discussions with the department of Agriculture and the University at Bozeman they do not feel wheat will increase more than to \$3 per bushel, and that cattle will probably take the lead. He emphasized that they used an estimate of inflation along with the farm income.

Senator Towe: What adjustments would you make as to how the pie is to be cut in regard to the coal tax? John said his revenue estimate is on working with the sub-committees, on the specific tonnage that is recommended. He said one of the companies have reduced their estimate of what they had given last session, and while it may not do so, one needs to be aware of the possibility. Towe then asked if on page 19 this was the amount of the total, or not. John answered that the total amount in the general fund is the total amount of coal tax that goes there. Towe then asked where the

interest from this was, and John stated that the interest income is not specifically a part of the income of the general fund, but at request would plug this in and give them the figures. Towe said he would appreciate it.

Senator Turnage: Pge 201 on elimination of the computer mass appraisal involves 1.7 million dollars and about 69 employees. He felt the Finance and Claims members should take note. If the Department of Revenue goes ahead it will only touch 20% of the people and will delay action on 80%. This could thrust the residential property ahead, and the constitutional mandate is to take all property into balance. This would leave 20% ahead and 80% trailing along.

Senator Brown: In looking at the figures, how could the surplus decrease if there was no appropriation from it? John said the 1975 Legislature did make a demand on it and it has been and is being spent now based on the appropriation of 1975.

Senator Mathers: In talking to the budget director he had checked on the foundation program. They said the Governor had provided a 6% increase, John had provided a 7.25% increase which in actuality was a 9% increase. John explained this as a difference between a general and a permissive mill levy and the amount of money generated. He gave the example of what could happen to cities with larger populations. He said the counties throughout the state did not need the same amount of spending, and gave Rosebud County in 1965 when they used \$28 million alone as an example. He said in dealing with a general fund levy and a permissive levy, an overestimation of what a mill would generate was made.

Senator Thiessen asked what percentage the state would be funding the school assistance. John answered that the \$30 million would be put into this year, about \$35 million in 78 etc. He said the federal revenue sharing was already plugged in last session. This would merely keep us where we are, and does not add anything.

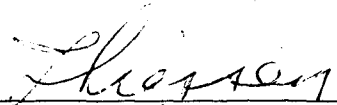
Senator Towe: Did the cuts in the SRS and higher education transfer as part of the differences between the budgets, and is the amount cut from Boulder and Warm Springs transferred to care for these people on a local level? John said they did not sit down and figure where to transfer. They had worked each budget, and what was left over was put into the schools.

Senator Himsl: Mentioned the increased evaluation on older makes of cars, and in Flathead County the constant re-evaluation of older vehicles, anaconda property and railroads were a big factor in taxes.

John LaFavor said he did not mean to imply that their recommendations were the best possible, only to focus the legislator's eye on the problem.

Further questions were asked and answered, mostly on the de-institutionalization of the Boulder and Warm Springs State Hospitals. Curt Nichols and John LaFavor answered these by reiterating previous statements, or referring to the book. They stressed the cost was considerably decreased under mental health programs, for example, over that of institutional care.

The meeting adjourned.



Senator Thiessen, Chairman

ROLL CALL

FINANCE AND CLAIMS COMMITTEE

45th LEGISLATIVE SESSION 1977

Date 1/12/77

NAME	PRESENT	ABSENT	EXCUSED
THIESSEN, CH	✓		
HIMSL, V.C.	✓		
STORY	✓		
ETCHART	✓		
KOLSTAD	✓		
LOCKREM		✓	
NELSON	✓		
SMITH	Excused		
STEPHENS	Excused		
FASBENDER	✓		
BOYLAN	✓		
FLYNN	✓		
MEHRENS		✓	
REGAN	✓		
ROBERTS	Excused		
THOMAS	✓		