

MINUTES OF THE MEETING  
TAXATION COMMITTEE  
MONTANA STATE SENATE

April 8, 1983  
Morning Session

The sixty-second meeting of the Taxation Committee was called to order at 8 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present.

CONSIDERATION OF HOUSE JOINT RESOLUTION 33 (corrected third reading copy): Representative Jack Ramirez, House District 64, said HJR 33 is a unique approach to estimating revenue. Under the Montana Constitution (article VIII, § 9), the legislature is required to adopt a balanced budget. He reviewed the Legislative Fiscal Analyst (LFA) and Office of Budget and Program Planning (OBPP) figures with the committee.

PROPOSERS

Judy Curtis, LFA, said they anticipate inflation of 4.6% in FY84 and 6.1% in FY 85. If inflation goes down, the general fund goes up. This is assuming no investment tax credit, but it appears now that there is going to be a 20% investment credit. See their proposed amendments, attached as Exhibit A.

Dave Lewis, Office of Budget and Program Planning, pointed out that there are differences in interest and in the oil severance tax. If we had lower interest rates and a drop in the price of oil, we would have an offset in individual income tax. We are one of few states having 15% of its income coming from interest earnings. We should not try to project interest rates two years into the future. See Exhibit B, a Wall Street Journal article, "We'd Better Pay Attention to M1," by Lawrence K. Roos, former president of the Federal Reserve Bank (April 7, 1983). See also the OBPP revenue estimate comparison, attached as Exhibit C.

Terry Johnson, OBPP, discussed the oil production and price levels in Montana. Production levels are based on a method of taking historical information from major oil wells in Montana. Other wells are grouped together and treated as one major well. Several new wells have been discovered in Montana. Production is estimated at 1 million barrels per year. Even though we are seeing growth in production, 1982 was the time prices were beginning to decline. The December 1982 quarter average price for a barrel of oil was \$21.29, up 74 cents from the previous year. For the December 1982 quarter, the world oil price was \$32 per barrel. Montana's should be selling at \$28 per barrel.

OPPOSERS

There were no opposers to HJR 33.

Questions from the committee were called for.

Judy Curtis, LFA, said they expect the price of oil in Montana to decline.

The committee discussed the surplus of \$55 million there will be in June 1983.

Jim Felt stated that he had worked with Senator Elliott on the revenue projections for the general fund and said they tried to eliminate some controversy regarding revenue estimates. All figures are coming out relatively close, he said. His figures are based on existing law and on the bills that have already passed both houses. If the cigarette and liquor taxes are raised, that will add \$8 million. SB 317 regarding the hail insurance board may be abolished, which will add another \$3.7 million. That gives us an addition of \$11.7 million, but he wasn't counting on that yet, since action has not been taken yet. A \$15 million ending surplus is rather reasonable.

Mr. Felt said that according to Senator Elliott's figures, \$729,582,000 would be available to spend. The governor says there is going to be \$672,700,000. If the Senate chooses to, they can knock out \$50 million of that:

- \$12.8 million - state pay plan
- 4 million - Build Montana
- 21.7 million - increases in foundation schedules
- 12 million - of the \$23 million to the Highway Patrol

\$50.5 million

So you have \$622,200,000 instead of \$672,700,000, and \$78.265 million still available for grants. Based on figures given yesterday, here are the probable uses of the \$78.265 million grant money:

- \$ 2.6 million - water adjudication
- 4 - tax anticipation notes
- 3.5-4 million - 1985 Legislature
- 2 million - miscellaneous

\$12.1 million

with the remainder of \$66.165 million still available for grants.

HB 798 calls for \$8 million in grants for welfare programs. HB 919 would have to get at least \$3 million from the general fund. HB 600 (cities and towns) is for \$11.151 million, so that totals \$22,151,000.

Senator Towe asked Judy Curtis how she responded to Dave Lewis's comments on interest. She stated that they get a rate of 9.7% in the investment fund.

Dave Lewis noted that the general fund gets the interest from the school foundation. Also, he said, they are assuming there will be an increase in the gas tax. With the highway bonding bill, we are going to pay \$70 million in investment balances over the next two years.

Senator Mazurek asked Jim Felt what assumptions he had made regarding the investment tax credit. Mr. Felt responded that that has not passed both houses, so it is not assumed. He used the LFA bottom line, which assumed a 0 investment credit.

In closing, Representative Ramirez thought it would be a good idea to appoint a subcommittee to work on this. Mr. Felt and others could work with that committee. There are problems on the expenditure side that are not fully explained yet. Some of these things are not in HB 447. A number of other expenses have to be figured in. (This committee's concern is revenue.)

The hearing on HJR 33 was closed.

Senator Norman moved that the chairman appoint a six-member subcommittee to come up with recommendations on HJR 33. The motion was seconded and passed unanimously. Chairman Goodover appointed Senators Elliott (chairman), Towe, McCallum, Turnage, Goodover, and Norman to the subcommittee to study HJR 33 and report back to the committee.

RECONSIDERATION OF HOUSE BILL 637: Senator Severson moved that the committee reconsider its action taken on HB 637 on April 6. (Exhibit E shows the amendments made to HB 637 through April 6.) The motion was seconded and passed unanimously.

There are some questions as to how you arrive at the value of the classifications of land. Some people feel it was done in 1963 on capitalized net income. We could come up with a percentage difference.

Senator Turnage moved to send HB 637 back to subcommittee. The motion was seconded and passed unanimously.

Senator Elliott asked Gregg Groepper if the Department was presently using the form of capitalized net income for assessing farms. Mr. Groepper said they don't know how it was put together.

Senator Elliott asked him if that was what he wanted in the bill. Mr. Groepper said no, there is not enough information out to do that.

Chairman Goodover appointed a subcommittee consisting of Senators Severson, Gage, Turnage, Towe and Brown to come up with further amendments and report back to the committee on HB 637.

The meeting adjourned at 9:35 a.m.

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Chairman

ROLL CALL

SENATE TAXATION

COMMITTEE

48th LEGISLATIVE SESSION -- 1983

Date 4/8 /8

----- morning session

| NAME                            | PRESENT | ABSENT | EXCUSED |
|---------------------------------|---------|--------|---------|
| SENATOR GOODOVER, CHAIRMAN      | ✓       |        |         |
| SENATOR McCALLUM, VICE CHAIRMAN | ✓       |        |         |
| SENATOR BROWN                   | ✓       |        |         |
| SENATOR CRIPPEN                 | ✓       |        |         |
| SENATOR ELLIOTT                 | ✓       |        |         |
| SENATOR GAGE                    | ✓       |        |         |
| SENATOR TURNAGE                 | ✓       |        |         |
| SENATOR SEVERSON                | ✓       |        |         |
| SENATOR HAGER                   | ✓       |        |         |
| SENATOR ECK                     | ✓       |        |         |
| SENATOR HALLIGAN                | ✓       |        |         |
| SENATOR LYNCH                   | ✓ 9am   |        |         |
| SENATOR NORMAN                  | ✓       |        |         |
| SENATOR TOWE                    | ✓       |        |         |
| SENATOR MAZUREK                 | ✓       |        |         |

DATE April 8 , 1933

COMMITTEE ON TAXATION

morning session

## VISITORS' REGISTER

[illegible]

(Please leave prepared statement with 2-

April 8, 1983, a.m.HJR BILL/RES. 33

*corrected*

Amend HJR 33 blue <sup>corrected</sup> third reading copy as follows:

## 1. Page 15, chart

Strike: "HB479" and all corresponding columns in their entirety

Strike: "HB550" and all corresponding columns in their entirety

Strike: "HB631" and all corresponding columns in their entirety

Strike: "HB701" and all corresponding columns in their entirety.

Strike: "HB721" and all corresponding columns in their entirety.

Strike: All figures in GENERAL FUND IMPACT columns (FY1984, FY1985 Biennium) for HB45, HB65, HB125, HB227, HB264, HB511, HB739 and SB244

Insert: Replacement figures as follows--

|       |             |             |              |
|-------|-------------|-------------|--------------|
| HB45  | "700        | 700         | 1000"        |
| HB65  | "(303,000)  | (333,000)   | (636,000)"   |
| HB125 | "(169,000)  | (169,000)   | (338,000)"   |
| HB227 | "(825,000)  | (825,000)   | (1,650,000)" |
| HB264 | "(93,000)   | (111,000)   | (204,000)"   |
| HB511 | "3,500,000  | 3,500,000   | 7,000,000"   |
| HB739 | "(4,668,000 | (4,868,000) | (9,536,000)" |
| SB244 | "163,000    | 163,000     | 326,000"     |

Following: "HB264" and corresponding columns

Insert:

|        |                      |              |              |              |
|--------|----------------------|--------------|--------------|--------------|
| "HB400 | DISPLACED HOMEMAKERS | 125,000      | 125,000      | 250,000      |
| HB418  | BLOCK GRANTS         | (14,281,000) | (13,567,000) | (27,848,000) |
| HB446  | METAL MINES          | (105,000)    | (55,000)     | (160,000)"   |

Following: "HB673" and corresponding columns

Insert:

|        |                  |       |       |        |
|--------|------------------|-------|-------|--------|
| "HB682 | AMBUL. LICENSING | 3,300 | 3,300 | 7,000" |
|--------|------------------|-------|-------|--------|

Following: "HB739" and corresponding columns

Insert:

|        |                 |           |           |           |
|--------|-----------------|-----------|-----------|-----------|
| "HB740 | ACRS ADD-BACK   | 4,092,000 | 5,051,000 | 9,143,000 |
| HB841  | EXEMPT TIPS     |           |           | ?         |
| HB908  | WATER PIPELINES | 16,000    | 16,000    | 32,000"   |

Following: "SB53" and corresponding columns

Insert:

|       |                      |           |           |           |
|-------|----------------------|-----------|-----------|-----------|
| "SB56 | WASTE GENERATOR FEES | 10,000    | 10,000    | 20,000    |
| SB84  | MOVE POWER LINES     | 2,000     | -0-       | 2,000     |
| SB190 | INST. REIMBURSEMENT  | (203,000) | (213,000) | (416,000) |
| SB232 | CERT. COPY FEE       | (34,000)  | (34,000)  | (68,000)" |

Following: SB244 and corresponding columns

Insert:

|        |                      |          |          |          |
|--------|----------------------|----------|----------|----------|
| "SB316 | FARM/RANCH LOANS     | (49,000) | (49,000) | (98,000) |
| SB324  | YOUTH TREATMENT CTR. | -0-      | 839,732  | 839,732" |

Following: "TOTAL"

Strike: All figures in GENERAL FUND IMPACT columns

~~Insert:~~ *Adjust Totals*

Following: "ARE:"

Strike: All figures in GENERAL FUND IMPACT columns

~~Insert:~~ *Adjust Totals*

~~2. Page 16, line 2~~

~~Strike: "55,000,000"~~

~~Insert:~~

3. Page 16, chart

Strike: "HB550" and all corresponding columns in their entirety

Strike: "HB631" and all corresponding columns in their entirety

Strike: All figures in GENERAL FUND IMPACT COLUMNS for HB227

Insert: (275,000) (275,000) (550,000)"

Following: "HB227" and corresponding columns

Insert:

"HB264 ALT. ENERGY TAX CREDIT (31,000) (37,000) (68,000)"

Following: "HB460" and corresponding columns

Insert:

"HB685 MT CAPTIAL COMPANIES -0- (246,000) (246,000)

Following: "HB739" and corresponding columns

Insert:

"HB740 ACRS ADD-BACK 1,363,000 1,682,000 3,045,000

Strike: All figures in GENERAL FUND IMPACT columns for SB94

Insert: "4,600,000 4,600,000 9,200,000"

Following: "SB94" and corresponding columns

Insert:

"SB95 FOREST FUNDS -0- (1,499,000) (1,499,000)

Following: "SB244" and corresponding columns

Insert:

"SB316 FARM/RANCH LOANS (16,000) (16,000) (32,000)

SB413 WINDFALL PROFITS TAX -0- 7,100,000 7,100,000"

Following: "TOTAL"

Strike: all figures in GENERAL FUND IMPACT columns

Insert:

# We'd Better Pay Attention to M1

By LAWRENCE K. ROOS

As a former official of the Federal Reserve System and a participant for many years in the formulation of monetary policy, I am extremely apprehensive about recent trends in that area. There are three developments that, in combination, threaten to reverse the favorable trend of disinflation of the last two years. First, the Fed made a serious mistake in discarding M1 as an intermediate target of policy and adopting instead a multiple set of targets. Second, the money supply has been permitted to expand at an excessive rate that makes a resurgence of inflation inevitable. And third, I fear that the pressures of a presidential election year will preclude an early restoration of monetary restraint necessary to bring money supply growth back to noninflationary levels.

Some may question my concern about inflation. It is true that current inflation rates are a great improvement over the levels of the late 1970s. However, the good inflation news during the last year reflects past monetary policy, particularly the restraint applied in 1981. My concern isn't about inflation during the months immediately ahead, but rather the implication of uncontrolled money growth for inflation in the mid-1980s. Too often in the past, just as we were congratulating ourselves on a successful effort against inflation, we sat back and watched as the seeds of a new round of inflation were sown. My fear is that we are on the same course.

## A Return to Inflation?

The decision last fall by the Fed to abandon M1 (currency and demand deposits) as a target and instead to focus on M2, M3, credit and Gross National Product signaled a retreat from its decision of October 1979 to concentrate on monetary aggregate targeting. It represented a return to the kind of intuitive fine-tuning that produced the double-digit inflation of the 1970s.

The reason given for abandoning M1 was that technical influences—the termination of All-Savers Certificates and the advent of Money Market Deposit Accounts (MMDAs) and Super Now Accounts—would so distort M1 as to make it useless for policy making. I opposed that decision and subsequent events proved the decision to have been a bad one.

The impact of maturing All-Savers Certificates in October was supposed to "temporarily" bloat M1 with an offsetting reduction occurring in late November and December. Actually, M1 continued to grow at double-digit rates in both November and December, suggesting that the temporary bias in October never existed. More recently, the introduction of MMDAs and Super Now Accounts was supposed to distort further the M1 data. In fact, a recently released report from the Board of Governors' research staff indicates that the level of M1 has hardly been biased at all by the

*Without a determined and visible effort by the Fed to slow the trend of money growth during the next few months, inflationary expectations are certain to rise.*

introduction of the new deposit accounts, and that if there is a bias, M1 actually might be understated. According to the Fed study, the switching of funds from transaction (M1) accounts into MMDAs (not M1) matches or exceeds the artificial bloating of M1 resulting from the growth in Super Now Accounts. As a result, the reported M1 growth rates of recent months are relatively accurate and the distortion predicted by the Fed hasn't occurred.

Based on what has happened, M1, from the aspect of controllability and predictability, is still unquestionably the most reliable target for the conduct of monetary policy.

Consequently, by almost any standard of judgment, monetary growth during the past year and a half has been inflationary. M1 growth for fourth quarter 1981-fourth quarter 1982 was targeted within a 2.5%-to-5.5% range. M1 growth for that period averaged 8.5%. Fed targets for M1 during the four quarters of 1983 are a generous 4% to 8%. For the past six months, M1 growth has exceeded 14%, and has skyrocketed at a 20% rate over the most recent two-month reporting period.

Nearly all economists, regardless of their viewpoints on the short-run implications of monetary policy, agree that prolonged changes in money growth have a direct effect on the rate of inflation, with

that effect being felt after a lag period of one and a half to two years. It is generally recognized that when spendable money is permitted to grow in excess of its trend rate of growth (i.e. a three-year average), it causes an acceleration of inflation. The year at which money has grown in the past has already had an upward effect on the trend rate and this is certain to trigger an upward movement in the inflation rate from the 4% average rate of 1982 to perhaps a 7% rate by the end of 1984.

This rise, while disturbing in itself, has serious implications for the durability of

trend rate, and holds it at the lower level for two quarters or more, a recession results.

I wonder if the Fed will have learned from experience that suddenly jamming on the brakes can have disastrous effects on the economy. If not, if the Fed reacts as it has in the past, we can expect still another recession later this year or early in 1984.

Some damage to the economic landscape has already occurred. Given the excessive monetary expansion of the past nine months some acceleration of inflation appears unavoidable for 1984. If the Fed applies restraint to avoid a resurgence of inflation, some slowing in the pace of recovery can be expected. It is too late to correct the situation without some economic discomfort.

## Abandon Multiple Targets

However, it isn't too late for the Fed to minimize the damage. What is called for, if we are to avoid serious re-inflation and/or another intolerable recession, is the abandonment of multiple targets and a gradual and steady reduction in M1 growth. Above all, it means dropping the present practice of "intuitive" or discretionary policy making and substituting sound, common-sense policies based on the consistent control of the money supply. Attempting to conduct policy by targeting M2, M3, credit and GNP simultaneously is confusing, unworkable and counter-productive.

Whether our monetary policy makers have the resolve to exercise the monetary discipline that brought inflation and interest rates from double-digit levels to where they are now remains to be seen. The political pressures for continued ease, especially in an election year, will be intense. Unless the Fed, in its proper role as an independent central bank, reverts to an anti-inflationary course, we will soon be faced with a resurgence of inflation, resultant higher interest rates, a weaker economy and severe disincentives for capital formation.

Mr. Roos recently retired as president of the Federal Reserve Bank of St. Louis and is a special limited partner and adviser for monetary policy at Bear Stearns & Co.

ing and others who have to alert the West to the di- the problem haven't been any quarters. They have hooled as hysterical Red- . Sterling was sued in sts who disputed some of Network" conclusions; chical point, which re- attention in the press, the main issues, which libly, she has even been our own CIA in Rome to estigations into the Bul- ction, a local CIA enter- orth investigating.

n't the only country that ving the boot to Soviet y. Italy, Spain, Britain, any and others have ex- of so-called Soviet diplo- representatives and jour- tly, most often for trying h-tech military secrets. r William Webster has vief efforts "the most so- ssionage assault" in his-

SENATE TAXATION COMMITTEE  
EXHIBIT B  
April 8, 1983, a.m.  
HJR BILLS DU

the Fed this we- tial sou- because of es. The ms. A in- age ag- moun- ing for a (on East- the Bul- r plot on a dead w- o Soviet for spy the New a Bulga- confirmed

| SOURCE OF REVENUE         | OBPP ==><br>LFA ==><br>OBPP-LFA | ACTUAL<br>FY 82                | %<br>CHG         | ESTIMATE<br>FY 83                      | %<br>CHG         | ESTIMATE<br>FY 84                        | %<br>CHG         | ESTIMATE<br>FY 85                        | ESTIMATE<br>FY 84-85                     |
|---------------------------|---------------------------------|--------------------------------|------------------|----------------------------------------|------------------|------------------------------------------|------------------|------------------------------------------|------------------------------------------|
| Drivers' License Fees     |                                 | 916,652.14<br>916,652.14       | 1.71-<br>9.45-   | 901,000<br>830,000<br>71,000           | 2.00<br>1.93     | 919,000<br>846,000<br>73,000             | 1.96<br>2.01     | 937,000<br>863,000<br>74,000             | 1,856,000<br>1,709,000<br>147,000        |
| Insurance Tax             |                                 | 12,790,003.10<br>12,790,003.10 | 35.82<br>37.80   | 17,371,000<br>17,625,000<br>-254,000   | 18.01-<br>17.21- | 14,242,000<br>14,591,000<br>-349,000     | 4.53<br>4.80     | 14,887,000<br>15,292,000<br>-405,000     | 29,129,000<br>29,883,000<br>-754,000     |
| Beer License Tax          |                                 | 1,229,887.51<br>1,229,887.51   | .98<br>.25       | 1,242,000<br>1,233,000<br>9,000        | 1.05<br>.49      | 1,255,000<br>1,239,000<br>16,000         | .96<br>.48       | 1,267,000<br>1,245,000<br>22,000         | 2,522,000<br>2,484,000<br>38,000         |
| Coal Severance Tax        |                                 | 16,375,541.11<br>16,375,541.11 | 4.38-<br>9.33-   | 15,659,000<br>14,847,000<br>812,000    | 19.70<br>16.15   | 18,744,000<br>17,245,000<br>1,499,000    | 24.75<br>30.75   | 23,383,000<br>22,548,000<br>835,000      | 42,127,000<br>39,793,000<br>2,334,000    |
| Corporation Income Tax    |                                 | 26,234,449.29<br>26,234,449.29 | 13.08-<br>.47-   | 22,803,000<br>26,110,000<br>-3,307,000 | 8.91<br>4.26-    | 24,834,000<br>24,999,000<br>-165,000     | 17.82<br>9.72    | 29,259,000<br>27,429,000<br>1,830,000    | 54,093,000<br>52,428,000<br>1,665,000    |
| Electrical Energy Tax     |                                 | 1,753,172.79<br>1,753,172.79   | 1.99<br>13.81-   | 1,788,000<br>1,511,000<br>277,000      | 2.01<br>2.05     | 1,824,000<br>1,542,000<br>282,000        | 1.97<br>34.95    | 1,860,000<br>2,081,000<br>-221,000       | 3,684,000<br>3,623,000<br>61,000         |
| Freight Line Tax          |                                 | 1,344,760.70<br>1,344,760.70   | 10.50<br>9.98    | 1,486,000<br>1,479,000<br>7,000        | 10.50<br>10.01   | 1,642,000<br>1,627,000<br>15,000         | 10.54<br>10.02   | 1,815,000<br>1,790,000<br>25,000         | 3,457,000<br>3,417,000<br>40,000         |
| Individual Income Tax     |                                 | 92,034,567.79<br>92,034,567.79 | 6.20<br>6.47     | 97,742,000<br>97,993,000<br>-251,000   | 10.21<br>12.74   | 107,723,000<br>110,474,000<br>-2,751,000 | 6.79<br>5.98     | 115,038,000<br>117,075,000<br>-2,037,000 | 222,761,000<br>227,549,000<br>-4,788,000 |
| Inheritance Tax           |                                 | 7,680,529.22<br>7,680,529.22   | 17.56-<br>20.85- | 6,332,000<br>6,079,000<br>253,000      | 6.40<br>6.00     | 6,737,000<br>6,444,000<br>293,000        | 6.61<br>6.01     | 7,182,000<br>6,831,000<br>351,000        | 13,919,000<br>13,275,000<br>644,000      |
| Liquor Excise Tax         |                                 | 6,572,066.06<br>6,572,066.06   | 4.49<br>1.86     | 6,867,000<br>6,694,000<br>173,000      | 4.92<br>5.87     | 7,205,000<br>7,087,000<br>118,000        | 5.23<br>6.48     | 7,582,000<br>7,546,000<br>36,000         | 14,787,000<br>14,633,000<br>154,000      |
| Metal Mines Tax           |                                 | 1,861,207.67<br>1,861,207.67   | 21.61-<br>33.00- | 1,459,000<br>1,247,000<br>212,000      | 1.64<br>10.83-   | 1,483,000<br>1,112,000<br>371,000        | 29.27-<br>23.56- | 1,049,000<br>850,000<br>199,000          | 2,532,000<br>1,962,000<br>570,000        |
| Natural Gas Severance Tax |                                 | 2,474,810.72<br>2,474,810.72   | 11.00<br>12.86   | 2,747,000<br>2,793,000<br>-46,000      | 12.23<br>18.12   | 3,083,000<br>3,299,000<br>-216,000       | 11.64<br>21.76   | 3,442,000<br>4,017,000<br>-575,000       | 6,525,000<br>7,316,000<br>-791,000       |
| Oil Severance Tax         |                                 | 45,473,425.38<br>45,473,425.38 | 5.64-<br>7.44-   | 42,907,000<br>42,092,000<br>815,000    | 4.33<br>1.78-    | 44,766,000<br>41,344,000<br>3,422,000    | .89<br>5.18-     | 45,166,000<br>39,202,000<br>5,964,000    | 89,932,000<br>80,546,000<br>9,386,000    |

SENATE TAXATION COMMITTEE

EXHIBIT C

April 2, 1983, a.m.

HJR BILLING 33

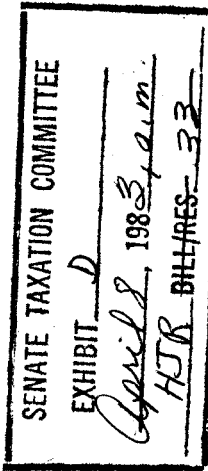
## - REVISED REVENUE ESTIMATES -

| SOURCE OF REVENUE          | ACTUAL<br>FY 82 | %<br>CHG | ESTIMATE<br>FY 83 | %<br>CHG | ESTIMATE<br>FY 84 | %<br>CHG | ESTIMATE<br>FY 85 | ESTIMATE<br>FY 84-85 |
|----------------------------|-----------------|----------|-------------------|----------|-------------------|----------|-------------------|----------------------|
| Telephone Tax              |                 |          |                   |          |                   |          |                   |                      |
| OBPP ==>                   | 2,167,814.60    | 8.50     | 2,352,000         | 8.46     | 2,551,000         | 8.47     | 2,767,000         | 5,318,000            |
| LFA ==>                    | 2,167,814.60    | 9.79     | 2,380,000         | .84      | 2,400,000         | 9.96-    | 2,161,000         | 4,561,000            |
| OBPP-LFA                   |                 |          | -28,000           |          | 151,000           |          | 606,000           | 757,000              |
| Wine Tax                   |                 |          |                   |          |                   |          |                   |                      |
| OBPP ==>                   | 715,245.87      | 27.09    | 909,000           | 1.87     | 926,000           | 1.73     | 942,000           | 1,868,000            |
| LFA ==>                    | 715,245.87      | 18.14    | 845,000           | .00      | 845,000           | .00      | 845,000           | 1,690,000            |
| OBPP-LFA                   |                 |          | 64,000            |          | 81,000            |          | 97,000            | 178,000              |
| Interest on Investments    |                 |          |                   |          |                   |          |                   |                      |
| OBPP ==>                   | 42,442,554.85   | 24.00-   | 32,255,000        | 17.99    | 38,057,000        | 6.65     | 40,587,000        | 78,644,000           |
| LFA ==>                    | 42,442,554.85   | 26.84-   | 31,050,000        | 11.47-   | 27,488,000        | 8.56-    | 25,135,000        | 52,623,000           |
| OBPP-LFA                   |                 |          | 1,205,000         |          | 10,569,000        |          | 15,452,000        | 26,021,000           |
| Coal Tax Trust Interest    |                 |          |                   |          |                   |          |                   |                      |
| OBPP ==>                   | 11,542,421.25   | 47.12    | 16,981,000        | 14.17    | 19,387,000        | 30.48    | 25,296,000        | 44,683,000           |
| LFA ==>                    | 11,542,421.25   | 41.22    | 16,300,000        | 13.04    | 18,426,000        | 31.20    | 24,175,000        | 42,601,000           |
| OBPP-LFA                   |                 |          | 681,000           |          | 961,000           |          | 1,121,000         | 2,082,000            |
| Institution Reimbursements |                 |          |                   |          |                   |          |                   |                      |
| OBPP ==>                   | 10,974,196.69   | 12.85    | 12,384,000        | .54      | 12,451,000        | 16.38    | 14,490,000        | 26,941,000           |
| LFA ==>                    | 10,974,196.69   | 49.13    | 16,366,000        | 26.71-   | 11,994,000        | 14.02    | 13,675,000        | 25,669,000           |
| OBPP-LFA                   |                 |          | -3,982,000        |          | 457,000           |          | 815,000           | 1,272,000            |
| Liquor Profits             |                 |          |                   |          |                   |          |                   |                      |
| OBPP ==>                   | 5,750,000.00    | 5.41-    | 5,439,000         | 4.93     | 5,707,000         | 4.92     | 5,988,000         | 11,695,000           |
| LFA ==>                    | 5,750,000.00    | 5.67-    | 5,424,000         | 6.93     | 5,800,000         | 4.91     | 6,085,000         | 11,885,000           |
| OBPP-LFA                   |                 |          | 15,000            |          | -93,000           |          | -97,000           | -190,000             |
| Other Sources              |                 |          |                   |          |                   |          |                   |                      |
| OBPP ==>                   | 9,719,818.72    | 2.59     | 9,972,000         | 7.75     | 10,745,000        | 7.77     | 11,580,000        | 22,325,000           |
| LFA ==>                    | 9,719,818.72    | 3.04     | 10,015,000        | 8.76     | 10,892,000        | 8.67     | 11,836,000        | 22,728,000           |
| OBPP-LFA                   |                 |          | -43,000           |          | -147,000          |          | -256,000          | -403,000             |
| Long Range Bond Excess     |                 |          |                   |          |                   |          |                   |                      |
| OBPP ==>                   | 20,450,000.00   | 16.26    | 23,776,000        | 10.17    | 26,193,000        | 8.83     | 28,506,000        | 54,699,000           |
| LFA ==>                    | 20,450,000.00   | 14.07    | 23,327,000        | 9.30     | 25,496,000        | 7.28     | 27,351,000        | 52,847,000           |
| OBPP-LFA                   |                 |          | 449,000           |          | 697,000           |          | 1,155,000         | 1,852,000            |
| TOTAL REVENUE              |                 |          |                   |          |                   |          |                   |                      |
| OBPP ==>                   | 320,503,125.46  | .90      | 323,372,000       | 8.38     | 350,474,000       | 9.29     | 383,023,000       | 733,497,000          |
| LFA ==>                    | 320,503,125.46  | 1.79     | 326,240,000       | 2.74     | 335,190,000       | 6.81     | 358,032,000       | 693,222,000          |
| OBPP-LFA                   |                 |          | -2,868,000        |          | 15,284,000        |          | 24,991,000        | 40,275,000           |

(Figures in million dollars)

BALANCE SHEET5 April 1983

|                                                            | <u>GOV. (OBPP)</u> | <u>LFA</u>     | <u>HOUSE</u>   | <u>TOWE</u>              |
|------------------------------------------------------------|--------------------|----------------|----------------|--------------------------|
| <u>REVENUE</u>                                             |                    |                |                |                          |
| General Fund                                               | \$733              | \$693          | \$713          | \$707 (733 less 26 int.) |
| Beginning Fund Balance                                     | 23                 | 21             | 23             | 21                       |
| Estimated Reversions                                       | 12                 | 10             | 12             | 12                       |
|                                                            | <u>768</u>         | <u>724</u>     | <u>748</u>     | <u>740</u>               |
| Less: 1. Investment Tax Credit                             | - 14               | - 22*          | - 14           | - 22*                    |
| 2. Baker Bk. Case                                          | - 2.5              | - 4*           | - 2.5          | - 4*                     |
| 3. Tax Credits(Elderly&HB685)                              | - 3                | - 3            | - 3            | - 3                      |
| Plus: 1. Metalliferous Mine License                        | + 1.8              | + 1.6          | + 1.8          | + 1.6                    |
|                                                            | <u>\$750.3</u>     | <u>\$696.3</u> | <u>\$730.3</u> | <u>\$712.6</u>           |
| <u>DISBURSEMENTS</u>                                       |                    |                |                |                          |
| 1. HB 1 Build Montana                                      | 4                  | 4              | 4              | 4                        |
| 2. HB 447 Appropriations                                   | 672.7              | 672.7          | 672.7          | 672.7                    |
| 3. HB 600 Block Grant                                      | 36                 | 33.8           | 36             | 36                       |
| 4. HB 798 Welfare                                          | 8                  | 8              | 8              | 8                        |
| 5. HB 902 Pay Plan                                         | 12.8               | 12.8           | 12.8           | 12.8                     |
| 6. HB 919 Foundation Prog. (4+0)<br>Net of SB 94, 413 & 95 | 4.0                | 4.0            | 4.0            | 4.0                      |
| 7. Others:                                                 |                    |                |                |                          |
| Water Adjudication                                         | 2.6                | 2.6            | 2.6            | 2.6                      |
| Tax Anticipation (Note interest)                           | 4.0                | 4.2            | 4.0            | 4.0                      |
| 85 Session                                                 | 4.0                | 4.0            | 4.0            | 4.0                      |
| Miscellaneous                                              | 1.0                | 1.0            | 1.0            | 1.0                      |
| 8. Ending Fund Balance                                     | 15.0               | 20.2           | 15.0           | 15.0                     |
| <b>TOTAL</b>                                               | <u>764.1</u>       | <u>767.3</u>   | <u>764.1</u>   | <u>764.1</u>             |
| <b>DEFICIT</b>                                             | - 13.8             | - 71.0         | - 33.8         | - 51.5                   |



|                                                                    |               |               |   |               |
|--------------------------------------------------------------------|---------------|---------------|---|---------------|
| Pay Plan 1.5% at Matrix &<br>2% step + \$10 per month<br>insurance | - 8           | - 2.7         | - | + 5.3 ***     |
| HB 454 Highway Bond Int.                                           | - 4           | - 4           | - | - 4           |
| HB 739 Limit Investment<br>Tax Credit                              | - 9.3         | - 9.3         | - | - 9.3         |
| HB 740 ACRS Add Back                                               | - 12.2        | - 12.2        | - | - 12.2        |
| Highway Patrol in Earmark<br>Fund                                  | - 12          | - 12          | - | - 12          |
|                                                                    | <u>45.5</u>   | <u>40.2</u>   |   | <u>32.2</u>   |
| Less deficit                                                       | 13.8          | 71.0          |   | 51.5          |
|                                                                    | <u>+ 31.7</u> | <u>- 30.8</u> |   | <u>- 19.3</u> |
| Plus Local Government                                              |               |               |   | - 9.4 **      |
|                                                                    |               |               |   | <u>- 28.7</u> |

\* Including 6.5% Foundation Program

\*\* 8.4 added to HB 600 (to offset business inventory tax) and  
1.0 to do appraisal of Burlington Northern

\*\*\* 18.0 at 3.5% vacancy savings everywhere except the University system

April 8, 1983, a.m.  
House Bill/Res. 637

The following amendments represent the action taken on  
HB 637 through Senate Taxation's April 6 meeting:

third reading copy, be amended as follows:

1. Title, line 5.

Following: "USE A"

Strike: "CAPITALIZED NET INCOME"

Insert: "CERTAIN"

2. Title, line 6.

Strike: "METHODOLOGY"

Insert: "METHOD"

3. Title, line 6 through line 8.

Following: "LAND;" on line 6

Strike: remainder of line 6 through "RULES;" on line 8

4. Page 1, line 21. through page 2, line 4.

Strike: subsections (2) and (3) in their entirety

Insert: "(2) Agricultural land shall be classified according to its use which classifications shall include but not be limited to irrigated use, non-irrigated use and grazing use.

(3) Within each class, land shall be assessed at a value that is fairly based on its ability to produce and where applicable using the Soil Conservation Service land classes under the U.S. Department of Agriculture.

(4) Capital costs such as improved water distribution, fertilizer and land shaping that increase productivity shall not be used in determining assessed values."

5. Page 2, line 6 through line 7.

Strike: ", except the addition of subsection (3) to 15-7-201,"

6. Page 2, line 8.

Strike: subsection (2) in its entirety