

MINUTES OF THE MEETING
TAXATION COMMITTEE
49TH LEGISLATURE
SPECIAL SESSION III
HOUSE OF REPRESENTATIVES

June 18, 1986

The first meeting of the taxation committee was called to order in room 312-1 of the capitol by chairman Gerry Devlin on June 18, 1986 at 4:15 p.m.

ROLL CALL: All members were present with the exception of Representative Schye, who was excused. Also present were Dave Bohyer, researcher for the legislative council, and Alice Omang, secretary.

CONSIDERATION OF HOUSE JOINT RESOLUTION 1: Representative Harp, house district 7, Kalispell, distributed to the committee a general fund revenue estimate comparison. See exhibit 1. He explained that this resolution was based on an assumption of slow economic growth and that the rate of inflation for 1986 will be 1.1% and a 2.9% inflation rate for 1989. He also indicated that they felt that interest rates would continue to drift downwards for the biennium. He referred to the chart and noted that under post session FY 86-87, they assumed \$774 million in revenue in the general fund and under the house tax column, which is second from the right, they assumed \$685,762,000 and they see a decline in the revenue estimates of \$89 million in the general fund. He also indicated that the LFA's figures were \$688 million and the governor's REAC totaled \$689,333 million, so the difference between them and the governor is \$3.5 million - \$2 million under the LFA and over \$3.5 million under the governor's estimate.

PROPONENTS: Terry Johnson, representing the office of the budget and planning of the governor's office, indicated that in terms of the foundation program, there are three source of revenue - (1) state equalization of revenue, such as individual income tax, corporation tax, coal taxes, etc. (2) county equalization revenue, which primarily consists of the 45 mill levy and (3) district revenue, which is dependent upon the taxable valuation in the districts.

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He advised that in terms of their revenue estimates, they have a projection of \$270 million in fiscal year 86 and there is an item listed as M.G.F. and that stands for maximum general fund and that is the cost of the foundation program for fiscal year 1986 and that particular number is almost \$282 million and the difference between that and the \$270 million is \$11 million that will be needed in the general fund support for the foundation program in 1986. He explained that REAC means revenue estimate advisory council and there is a grand total of district revenue, county revenue and state revenue of \$270.5 million. He continued that the cost of the foundation program is \$281.9 million and the difference between available revenue and the costs is the amount the general fund has to make up to fund the foundation program.

Chairman Devlin asked if that includes the first 4% increase and Mr. Johnson responded that it does.

Mr. Johnson further informed the committee that under the column labeled REAC 87, they are projecting that they will receive \$245.847 million and the cost for the 4% schedule increase in '87 is \$292 million, which includes the additional 4% that is in current law. He advised, that at that point, the general fund needs \$46 million. He continued that with the \$46 million and the \$11 million, gives them roughly about \$57 million from the general fund that is going to be needed in in the 1986 and 1987 biennium to fund the 4% scheduled increase in 1986 and the 4% scheduled increase in 1987.

OPPONENTS: There were none.

QUESTIONS FROM THE COMMITTEE: Chairman Devlin asked how much difference does the second 4% make on these figures.

Mr. Johnson replied that, based on their calculations and the calculations of the fiscal analyst, they are estimating that if they are not granted the 4% increase, that this would save \$11.2 million.

Representative Williams noted that he had some figures that showed in 1987 it was \$25 million.

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Mr. Johnson clarified that according to their calculations, their general fund need for 1986 and 1987 is roughly \$57 million; during the regular session, they appropriated \$32.5 million out of the general fund; the difference between the \$57 million and what they appropriated is now the supplemental that they need in addition to the \$32 million; and now they need another \$25 million on top of that.

Representative Raney asked if they were short \$25 million right now if they give the 4% and Mr. Johnson replied that that is correct.

Representative Raney asked if they do not give the 4%, they still will have to raise \$14 million, to which Mr. Johnson answered that is correct.

Representative Asay asked how long does it take for any effect to be felt.

Mr. Johnson responded that if they changed the distribution on the coal tax, that could be started immediately in 1987.

Representative Asay explained that he was curious to know how much time is necessary to realize any revenue enhancement.

Mr. Johnson replied that it depends on the particular tax source.

Representative Raney asked if they put on a snooz tax, how long would it be before they actually would realize the revenue.

Representative Devlin noted that something like this would go into effect on July 1 and would affect this fiscal year. He asked if something such as oil prices going up, would this not have an immediate impact, because production would have to follow.

Mr. Johnson replied that in the case of the oil revenue, that is critical because it has an effect on the general area of the severance tax, but it has an effect on the foundation program and net proceeds. He advised that

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there is a tremendous lag there and if production that is going on during the calendar period slides, this will affect the revenue and what happens right now will not have an impact until 1988.

Representative Ream asked if farm income would have an impact on government.

Representative Sands explained that the major area where their revenue estimates were below the governors were in the area of individual income tax and corporate income tax. He advised that the governor's projection for income growth were for about 6.7% income growth compared with an inflation rate of about 1.9% so the net income growth they projected in 1987 was just under 5% and when you look at what Montana has done for the last ten years, we have had a net decline in income for this time. He indicated that their projections were based upon recovering in one year the decline of real income that had occurred in ten years and they (in the committee) felt that was very optimistic.

Representative Williams advised the committee that there was a proposal to change the revenue estimating committee to a joint committee between the senate and house.

Representative Harp explained that there was a motion to form a joint senate and house committee wherein they would meet at the beginning of the regular session in 1987 and get the senate involved in early so they can get it out to the appropriation committee.


DISPOSITION OF HOUSE JOINT RESOLUTION 1: Representative Harp moved that this resolution BE CONCURRED IN. The motion carried unanimously.

Representative Devlin noted that the committee had worked very hard on this resolution and he thanked them again along with the LFA and the budget office.

Representative Harp informed the committee that the bill is being drafted and should be ready some time this week.

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ADJOURNMENT: There being no further business, the meeting adjourned at 4:51 p.m.


GERRY DEVLIN, Chairman


Alice Omang, Secretary

DAILY ROLL CALL

TAXATION

COMMITTEE

49th LEGISLATIVE SESSION -- 1986

Second Special

Date June 18, 1986

NAME	PRESENT	ABSENT	EXCUSED
DEVLIN, Gerry, Chairman	✓		
WILLIAMS, Mel, Vice-Chairman	✓		
ABRAMS, Hugh	✓		
ASAY, Tom	✓		
COHEN, Ben	✓		
ELLISON, Orval	✓		
GILBERT, Bob	✓		
HANSON, Marian	✓		
HARRINGTON, Dan	✓		
HARP, John	✓		
IVERSON, Dennis	✓		
KEENAN, Nancy	✓		
KOEHNKE, Francis	✓		
PATTERSON, John	✓		
RANEY, Bob	✓		
REAM, Bob	✓		
SANDS, Jack	✓		
SCHYE, Ted			✓
SWITZER, Dean	✓		
ZABROCKI, Carl	✓		

STANDING COMMITTEE REPORT

June 13, 19 86

Mr. Speaker: We, the committee on TAXATION

report HOUSE JOINT RESOLUTION 1

☒ do pass
☐ do not pass

☐ be concurred in
☐ be not concurred in

☐ as amended
☐ statement of intent attached

GERRY DEVLIN,

Chairman

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