

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

February 4, 1987

The meeting of the Revenue Estimating Subcommittee was called to order by Chairman Harp on February 4, 1987, at 11:30 a.m. in Room 312F of the State Capitol.

ROLL CALL: All members of the Subcommittee were present with the exception of Reps. Harrington and Sands, and Sens. Bishop and Hirsch. Also present was Dave Bohyer, Legislative Council.

FORECASTS FOR SELECTED GENERAL FUND CATEGORIES: Sen. Neuman made a motion to approve forecasts for selected general fund categories. The motion CARRIED unanimously (Exhibit #1).

DISCUSSION OF PUBLIC SCHOOL FOUNDATION PROGRAM: Terry Johnson advised he would have coal numbers for subcommittee members by February 6, 1987. (Exhibit #2)

INTEREST ON INVESTMENTS: Terry Johnson reported the OBPP projects a \$20 million income balance, and Judy Curtis Waldron reported the LFA projects a \$1 million balance. (Exhibit #3)

GAS TAX: Terry Johnson OBPP, reported base level indications for FY 86. Judy Curtis Waldron, LFA, reported her projections were adjusted downward for the highway account in the 89 biennium.

Chairman Harp asked what assumptions will be based upon, since there is no supplemental, or basic fund balance, and no budget cushion.


Terry Johnson reported he based bonds on a 90% factor, or low point for one year, because of the shortfall in bond issuance. Judy Curtis Waldron suggested a basic construction requirement on a balanced budget.

LONG TERM INTEREST RATES: Judy Curtis Waldron reported rate assumptions of 7.5-10% in 1987, and 8.75-9.5% on conventional mortgages.

AGRICULTURAL LEASES ON FOREST LAND: Chairman Harp advised that discussion will take place on how to handle such leases, dependent upon size of sale.

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ADJOURNMENT: There being no further business before the Subcommittee, the meeting was adjourned at 12:30 p.m.



Representative John Harp, Chairman

COMMENDED REVENUE FORECASTS FOR SELECTED GENERAL FUND CATEGORIES

Category	Actual FY1986	----- FY1987	Projected FY1988	----- FY1989
Cigarette Tax	\$9,942,291	\$9,221,000	\$8,699,000	\$8,207,000
Tobacco Products Tax	669,932	692,000	713,000	735,000
Electrical Energy Tax	2,530,403	2,515,000	2,539,000	2,608,000
Drivers License Fees	796,349	804,000	799,000	809,000
Telephone License Tax	3,243,935	3,340,000	3,352,000	3,406,000
Beer Tax	1,287,765	1,254,000	1,229,000	1,229,000
Freight Line Tax	1,195,066	1,337,000	1,339,000	1,365,000
Wine Tax	946,287	984,000	1,025,000	1,068,000
Total	\$20,612,028	\$20,147,000	\$19,695,000	\$19,427,000

Assumptions:

Pkgs. of cigarettes taxed	80,897,000	76,319,000	72,000,000	67,924,000
KWH of elec. (Millions)	14,538	14,845	15,195	15,540
Conservation loan credit	\$398,482	\$454,000	\$500,000	\$500,000
Barrels of beer taxed	727,000	697,000	683,000	683,000
Liters of wine taxed	5,899,000	6,148,000	6,407,000	6,677,000

PUBLIC SCHOOL FOUNDATION PROGRAM

Miscellaneous Revenues

The "miscellaneous" category of county equalization funds includes vehicle fees, local government block grant funds, and the portion of the corporate license tax paid by financial institutions and distributed to the counties.

The statute requires that counties distribute their vehicle fees, block grant revenues, and corporate license fees to the taxing jurisdictions in the proportion that the jurisdiction's mill levy bears to the total mill levy in a given tax district. For example, in a tax district that levies 225 mills for all purposes, the 45 mill levy receives 20 percent (45/225) of the combined revenues from vehicle fees, the block grant, and corporate license fees.

In order to project revenues in the miscellaneous category, the committee must first determine estimates for vehicle fee collections, corporate license taxes paid by financial institutions, and the level of funding for the local government block grant. Then a percentage needs to be chosen which represents the ratio of the 45 mill levy to total mill levies. This percentage will be used to determine the allocation of county revenues to the public school foundation program.

Calculation of Miscellaneous Revenues

	Motor Vehicle Fees
+	Local Government Block Grant
+	<u>80 % of Corporation License Tax Paid by Financial Institutions</u>
	Total County Funds to be Distributed
x	<u>Ratio of 45 mills to Total mills</u>
	Total Allocated to Public School Foundation Program

PUBLIC SCHOOL FOUNDATION PROGRAM
 County Equalization Funding

<u>Vehicle Fees</u>	<u>LFA</u>	<u>Executive</u>	<u>Committee</u>
Vehicle Registrations	644,373		
GNP Deflator PCE			
1981.1	93.4	93.4	
1986.2	113.4	113.4	
1987.2	117.8		
1988.2	123.4		
Collections (millions)			
FY 1987	\$30.037		
FY 1988	\$31.121		
FY 1989	\$32.393		

In January of each year, the Department of Justice, Registrar's Bureau, compiles a light vehicle count by weight and age of the vehicle. The following table shows the light vehicle counts as of January 1987.

January 1987 Light Vehicle Counts

<u>Weight</u>	<u>Age (Years)</u>	<u>Number</u>
Under 2,850 lbs	0-4	80,853
	5-7	56,774
	Over 8	77,573
Over 2,850 lbs	0-4	103,771
	5-7	72,572
	Over 8	296,254
Total		<u>678,797</u>

General License Tax Paid by Financial Institutions (Millions)

	LEA	Executive	Comptroller
Fiscal 1967	\$4.205		
Fiscal 1968	6.565		
Fiscal 1969	7.675		

Local Government Block Grant (Millions)

	LEA	Executive	Comptroller
Fiscal 1967	\$14.901		
Fiscal 1968			
Oil Severance Tax	\$ 6.416	\$6.404	
Vehicle Fees	2.313	2.422	
General Fund	<u>9.242</u>	<u>-0-</u>	
Total	\$17.972	\$8.826	
Fiscal 1969			
Oil Severance Tax	\$ 6.318	\$6.540	
Vehicle Fees	2.313	2.474	
General Fund	<u>9.722</u>	<u>-0-</u>	
Total	\$18.343	\$9.014	

Expenditures Allocated to Public School Education

	LEA	Executive	Comptroller
F29 Mills/Total Mills	13.44%		

Cash Re: Appropriated (Millions)

	LEA	Executive	Comptroller
Fiscal 1967	\$3.641	\$1.506	
Fiscal 1968	2.10	1.704	
Fiscal 1969	2.459	1.704	

EXHIBIT #3
 2-4-87
 H3 Rev Est Subd

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
 Interest on Investments Forecasts and Assumptions

	FY1987	FY1988	FY1989
General Fund Revenue from			
Interest on Investments			
LFA	\$15,042,000	\$14,190,000	\$15,119,000
Executive	\$15,357,000	\$15,707,000	\$17,474,000
Difference	(\$315,000)	(\$517,000)	(\$1,357,000)
Short-term Interest Rate			
LFA	5.96%	6.79%	8.02%
Executive	5.85%	6.39%	7.11%
Difference	0.11%	0.40%	0.91%
Subcommittee	5.85%	6.39%	7.11%
Average Treasury Cash Balance			
LFA	\$252,400,000	\$209,000,000	\$201,000,000
Executive	\$271,067,000	\$245,800,000	\$245,900,000
Difference	(\$18,667,000)	(\$36,800,000)	(\$44,900,000)
Tax Anticipation Notes Issued*			
LFA	\$88,200,000	\$40,000,000	\$40,000,000
Executive	\$88,200,000	\$68,000,000	\$68,000,000
Difference	\$0	(\$28,000,000)	(\$28,000,000)
Average Balance without TRANS			
LFA	\$176,117,000	\$162,980,000	\$150,980,000
Executive	\$194,800,000	\$194,800,000	\$194,800,000
Difference	(\$18,683,000)	(\$31,820,000)	(\$43,820,000)

*LFA assumes notes are outstanding for 12 months in FY 1988 and 1989, while the executive assumes 9 months.