MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON JOINT REVENUE ESTIMATING

Call to Order: By , Chairman Bob Ream on January 27th 1989, at 5:10 p.m.

ROLL CALL

Members Present: All members present

Members Excused: none

Members Absent: none

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

Announcements/Discussion: Whereas this was an organizational meeting, the Committee discussed what days and times would best suit all members. The options were either early morning, noon, or evenings. The Committee members discussed the possibilities and decided on appropriate times. See Attached.

It was noted that the report from the Committee would be due on the 40th legislative day. The agenda was outlined and copies of House Joint Resolution 13 were given to each member for review. The Committee agreed that at least three meetings per week would be required to complete the task.

Chairman Ream noted that there were several persons from various agencies and offices that would be invited to participate during the meetings. He also welcomed comments, suggestions and any other input from members.

Rep. Schye commented to the Committee that in the past the Committee has invited persons from different industries to come and speak with the Committee, especially in dealing with the price and production numbers for oil, coal, etc.

Chairman Ream asked the Committee if there were persons who should be invited to the first meeting, especially persons directly involved in establishing the economic assumptions.

Rep. Schye continued that the members provided to the governor by industry representatives often must be revised by the time the Committee sets to work. The governor develops his estimates based on information available in October and new information typically becomes available during the session.

Mr. Phil Brooks state economist, was present and recommended to the Committee that they use the most recent figures in their assumptions. New figures were especially important in the area of oil prices which seem to fluctuate all the time.

Mr. Terry Johnson, formerly of the Office of Budget and Program Planning, was present and recommended the Committee consider their major sources of revenue, those being oil and coal income, corporate taxes, etc. The five or six major revenue sources have a significant impact on the budget, while the minor sources are not as significant and the Committee may not want to spend as much time reviewing those figures.

Mr. Dave Bohyer offered his assistance to the Committee members, as well as did, Mr. Phil Brooks and Mr. Terry Johnson.

ADJOURNMENT

Adjournment At: 6:00 p.m.

Bob Ream
REP. BOB REAM, Chairman

BR/mc

SUB.1

House JOINT RESOLUTION NO. 13

INTRODUCED BY Ream Selby E. Olson Simonton Driscoll Pavlovich

BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

Ed Waller Mazurek Bob Brown Harp

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA ESTABLISHING AN OFFICIAL ESTIMATE OF THE STATE'S ANTICIPATED REVENUE FOR EACH YEAR OF THE 1990-91 BIENNIUM FOR THE PURPOSE OF ACHIEVING A BALANCED BUDGET AS MANDATED BY ARTICLE VIII, SECTION 9, OF THE MONTANA CONSTITUTION; ACCEPTING A JUNE 30, 1988, GENERAL FUND BALANCE THAT WAS ESTABLISHED BASED ON GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; REQUESTING THE GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING TO USE THE REVENUE ESTIMATES CONTAINED IN THIS RESOLUTION AS OFFICIAL REVENUE ESTIMATES FOR FISCAL YEARS 1989-90 AND 1990-91; AND ESTABLISHING AN ESTIMATE OF THE NONGENERAL FUND REVENUES FOR THE SCHOOL FOUNDATION PROGRAM.

WHEREAS, Article VI, section 9, of the Montana Constitution requires the Governor to submit to the Legislature a budget for the ensuing fiscal period, containing in detail the estimated revenue of the state; and

WHEREAS, Article VIII, section 9, of the Montana Constitution requires that the Legislature may not appropriate funds in excess of the anticipated revenue of the state; and

WHEREAS, section 5-12-302(2), MCA, requires the Office of the Legislative Fiscal Analyst to estimate revenue from existing and proposed taxes, and section 17-7-123(1), MCA, requires the Governor to submit a budget showing a balance between total proposed disbursements and total anticipated receipts; and

WHEREAS, due to the complexity of economic variables involved in revenue forecasting and the diversity of sources from which state revenues are obtained, it has become increasingly difficult to project revenues in order to prepare a balanced budget for the ensuing biennium; and

WHEREAS, past legislatures have not agreed on revenue projections until the last days of the session, when there is little time for comprehensive analysis or reasoned criticism; and

WHEREAS, it is in the best interests of the state that revenue forecasts be discussed and arrived at in public hearings at which all the people may attend and participate.

NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA:

That the state general fund revenue for fiscal years 1989, 1990, and 1991 is estimated to be $377,357,000, $369,008,000, and $380,150,000, respectively. The school foundation revenue for fiscal years 1989, 1990, and 1991 is estimated to be $287,217,000, $252,855,000, and $258,635,000, respectively.

BE IT FURTHER RESOLVED, that the Legislature accepts for budget purposes the unreserved fund balance for the general fund of $39,472,000, prepared according to generally accepted accounting principles as published in the audited state financial statements as of June 30, 1988.

BE IT FURTHER RESOLVED, that the Governor's Office of Budget and Program Planning use the revenue estimates contained in this resolution as the official revenue estimates for fiscal years 1989-90 and 1990-91.

GENERAL FUND REVENUE

The projections for total general fund revenue during the 1990-91 biennium are based on an assumption of a continuation of Montana law as it existed on January 1, 1989. It is also assumed that all public institutions currently certified for medicaid will remain certified.

The revenue estimates contained in the following tables are based on the assumptions stated previously herein and those listed in the following tables.

1		ECONOMIC ASSUMPTIONS				
2		Revenue Estimating Advisory Council				
3		Economic Assumptions				
4			CY/FY	CY/FY	CY/FY	CY/FY
5	Year	Assumption	88	89	90	91
6	CY	Oil Production (Millions)	22.500	21.500	20.000	19.000
7	CY	Oil Price	$14.500	$15.000	$15.500	$16.000
8	CY	Natural Gas Production (M MCF's)	40.420	39.447	38.524	38.135
9	CY	Natural Gas Production (M NGL)	9.666	9.433	9.212	9.119
10	CY	Natural Gas Price (MCF's)	$1.803	$1.792	$1.875	$1.980
11	CY	Natural Gas Price (NGL)	$0.225	$0.224	$0.234	$0.247
12	CY	Coal Production (Millions)	34.428	31.000	29.633	30.833
13	CY	Coal Price	$7.769	$7.687	$7.780	$7.780
14	CY	Coal Tax Credits (Millions)	$5.800	$4.357	$2.764	$1.842
15	CY	Copper Production (M lbs)	134.612	128.290	113.990	114.773
16	CY	Gold Production (M ozs)	0.264	0.302	0.300	0.302
17	CY	Silver Production (M ozs)	5.981	5.954	6.079	6.121
18	CY	Lead Production (M lbs)	15.400	15.400	15.400	15.506
19	CY	Zinc Production (M lbs)	53.000	53.000	53.000	53.364
20	CY	Molybdenum Production (M lbs)	11.426	11.898	12.074	12.157
21	CY	Palladium Production (M ozs)	0.160	0.150	0.182	0.183
22	CY	Platinum Production (M ozs)	0.047	0.044	0.054	0.054
23	CY	Copper Price	$0.850	$0.850	$0.600	$0.625
24	CY	Gold Price	$425.000	$425.000	$450.000	$450.000
25	CY	Silver Price	$5.900	$6.250	$6.500	$6.500

1			CY/FY	CY/FY	CY/FY	CY/FY
2	Year	Assumption	88	89	90	91
3	CY	Lead Price	$0.320	$0.320	$0.320	$0.320
4	CY	Zinc Price	$0.430	$0.420	$0.420	$0.420
5	CY	Molybdenum Price	$3.200	$3.300	$3.300	$3.300
6	CY	Palladium Price	$123.830	$124.400	$124.400	$124.400
7	CY	Platinum Price	$537.500	$550.000	$550.000	$550.000
8	FY	Forest Receipts (Millions)	$6.500	$6.892	$5.689	$5.391
9		MT Population July 1 (Thousands)	812.000	816.000	821.000	826.000
10		MT Population M= 16 July 1 (Thousands)	613.000	616.000	621.000	625.000
11		MT Population 18-24 July 1 (Thousands)	81.000	78.000	75.000	72.000
12	CY	CPI Percent Change	4.140%	4.650%	4.850%	5.320%
13	CY	GNPD Percent Change	3.140%	4.610%	4.490%	4.670%
14	CY	PCE Percent Change	4.100%	4.900%	4.900%	5.190%
15	CY	Short-Term Interest Rate	7.500%	7.500%	7.100%	6.800%
16	CY	Long-Term Interest Rate	10.140%	9.000%	8.750%	8.750%
17	CY	Prime Interest Rate	9.440%	11.240%	9.940%	8.900%
18	FY	Treasury Cash Average Balance (Millions)	$222.374	$190.993	$204.377	$205.489
19	FY	TRANS Issue (Millions)	$56.000	$0.000	$0.000	$0.000
20	FY	Permanent Trust Bond Calls (Millions)	$0.614	$0.000	$0.000	$0.000
21	FY	Education Trust Bond Calls (Millions)	$0.218	$0.000	$0.000	$0.000
22	FY	Common School Trust Bond Calls (Millions)	$0.527	$0.000	$0.000	$0.000
23	FY	Resource Ind. Trust Bond Calls (Millions)	$0.000	$0.000	$0.000	$0.000
24	FY	Park Acq. Trust Bond Calls (Millions)	$0.000	$0.000	$0.000	$0.000
25	CY	MT Personal Income (Billions)	$10.300	$11.000	$11.500	$12.000

per capita income

1			CY/FY	CY/FY	CY/FY	CY/FY
2	Year	Assumption	88	89	90	91
3	CY	MT Non-Farm Employment (Thousands)	275.500	277.100	278.600	280.400
4	FY	Income Tax Audits (Millions)		$10.307	$10.786	$11.266
5	CY	Individual Federal Tax Reform (Millions)	$39.233	$48.120	$58.079	$69.383
6	CY	MT Corporate Taxable Income (Millions)	$546.698	$559.286	$581.776	$641.576
7	CY	Corporate Federal Tax Reform (Millions)	$5.890	$6.350	$6.750	$7.175
8	FY	Corporation Tax Audits (Millions)	$9.203	$7.000	$7.000	$7.000
9	FY	Liquor Unit Sales (Millions)	5.094	4.723	4.379	4.060
10	FY	Wine Unit Sales (Millions)	0.180	0.160	0.142	0.126
11	FY	Liquor Cost Per Unit	$4.644	$4.700	$4.758	$4.816
12	FY	Wine Cost Per Unit	$3.161	$3.328	$3.471	$3.619
13	FY	Liquor Division Budget (% Change)	-5.100%	-5.310%	-1.900%	-1.250%
14	FY	Cigarette Packs (Millions)	72.909	69.194	65.956	63.033
15	FY	Tobacco Value (Millions)	$5.948	$6.152	$6.315	$6.469
16	FY	Net/Gross Proceeds (Millions)	$383.272	$410.315	$360.798	$309.763
17	FY	All Other Valuation (Millions)	$1,594.619	$1,532.599	$1,534.301	$1,540.088
18	FY	Institution Reimbursements (Millions)	$15.395	$16.090	$12.211	$12.352
19	FY	Insurance Revenue Growth (% Change)	60.360%	-27.610%	5.800%	5.800%
20	FY	Police & Firemen Retirement (Millions)	$5.626	$5.826	$5.989	$6.149
21	FY	Telephone Taxable Income (% Change)	4.880%	4.890%	4.520%	3.910%
22	FY	Kilowatt Hours Produced (Millions)	18,007.053	18,835.723	19,384.688	19,610.710
23	FY	Inheritance Tax (Millions)	$8.745	$8.727	$8.905	$9.151
24	FY	Drivers' License Fees (Millions)	$1.939	$1.972	$1.943	$1.997
25	FY	Barrels of Beer (Millions)	0.697	0.689	0.691	0.698

Year	Assumption	CY/FY 88	CY/FY 89	CY/FY 90	CY/FY 91
CY	Freight Line Earnings (Millions)	$22.357	$21.477	$20.308	$21.460
FY	Liters of Wine (Millions)	5.812	5.634	5.423	5.219
FY	Poker Total Receipts (Millions)	$7.684	$10.660	$10.766	$10.874
FY	Vehicle Total Receipts (Millions)	$32.173	$34,300	$37.138	$40.376
FY	Other Receipts (Millions)	$16.117	$15.807	$16.104	$16.554
FY	Interest & Income Receipts (Millions)	$34.079	$32.496	$33.699	$34.770

Current Law

General Fund Revenue Estimates

(In Millions)

Revenue Component	Estimated FY 1989	Estimated FY 1990	Estimated FY 1991
Individual Income Tax	$141.114000	$139.170000	$148.077000
Corporation License Tax	28.694000	28.855000	29.010000
Coal Severance Tax	8.918000	7.235000	6.249000
Oil Severance Tax	13.536000	14.439000	13.836000
Interest on Investments	14.324000	14.920000	14.282000
Long-Range Bond Excess	38.444000	37.760000	38.977000
Coal Trust Interest Income	39.002000	35.913000	37.510000
Insurance Premiums Tax	21.371000	22.187000	23.685000
Public Institutions Reimbursement	16.090000	12.211000	12.352000
Liquor Profits	3.623000	3.153000	2.680000
Liquor Excise Tax	4.998000	4.691000	4.402000
Inheritance Tax	8.727000	8.905000	9.151000
Metal Mines Tax	3.691000	4.145000	3.595000

Revenue Component	Estimated FY 1989	Estimated FY 1990	Estimated FY 1991
Electrical Energy Tax	3.389000	3.488000	3.528000
Drivers' License Tax	0.804000	0.791000	0.812000
Telephone License Tax	3.656000	3.821000	3.971000
Beer License Tax	1.242000	1.244000	1.260000
Natural Gas Severance Tax	1.143000	0.999000	1.035000
Freight Line Tax	1.181000	1.117000	1.180000
Wine Tax	0.901000	0.868000	0.835000
Other Revenue Sources	22.509000	23.096000	23.723000
GRAND TOTAL	$377.357000	$369.008000	$380.150000

Current Law

Foundation Program Revenue Estimates

(In Millions)

Revenue Component	Estimated FY 1989	Estimated FY 1990	Estimated FY 1991
State Revenue			
Income Tax	77.104000	76.042000	80.908000
Corporation Tax	11.209000	11.271000	11.332000
Coal Severance Tax	9.781000	2.010000	1.736000
Interest & Income	32.465000	33.485000	34.353000
U.S. Oil & Gas Royalties	23.524000	22.686000	23.494000
Education Trust Interest	0.825000	0.926000	1.148000
Miscellaneous Revenue	24.650000	0.000000	0.000000
County Levy Surplus	0.000000	0.000000	0.000000
Total State	$179.558000	$146.420000	$152.971000
Statewide Taxable Valuation	1942.914000	1899.969000	1869.831000

Revenue Component	Estimated FY 1989	Estimated FY 1990	Estimated FY 1991
County Revenue			
Mandatory Levy	87.431000	85.499000	84.142000
Elementary Transportation	-3.717000	-3.717000	-3.717000
Cash Reappropriated	1.566000	2.487000	3.126000
Forest Funds	1.465000	1.465000	1.465000
Taylor Grazing	0.102000	0.102000	0.102000
Miscellaneous Revenue	4.310000	4.310000	4.310000
High School Tuition	-0.838000	-0.838000	-0.838000
Total County	$90.319000	$89.308000	$88.590000
District Revenue			
Permissive Levy	16.113000	15.756000	15.507000
Miscellaneous Revenue	1.227000	1.371000	1.567000
Total District	$17.340000	$17.127000	$17.074000
Total State, County, District	$287.217000	$252.855000	$258.635000

Current Law

Other Revenue Estimates

(In Millions)

-End-