

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON JOINT REVENUE ESTIMATING COMMITTEE

Call to Order: By Chairman Bob Ream, on March 7th 1989, at 7:07 a.m.

ROLL CALL

Members Present: All with exception of:

Members Excused: Sen. Norman, Sen. Brown, Rep. Driscoll

Members Absent: none

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

Announcements/Discussion: Rep. Ream announced to the Committee that HJR13 would be heard on Thursday and that some modifications in the adopted figures should be addressed. The purpose of calling this final meeting was to discuss and revise the adopted figures.

TESTIMONY

Ms. Judith Curtis-Waldron/Legislative Fiscal Analyst: Gave copies of (Exhibit #1) to Subcommittee members, and quoted her general forecast with (Exhibits #2, #3) stating that this may be a new model to work from.

Mr. Terry Johnson/ Office of Budget and Program Planning: Reviewed figures on (Exhibit #4). Recommended changes to follow his figures on the handout. He noted that his revisions were taken from the actual figures that the Committee had previously adopted.

Questions were raised from Committee members, directed to Mr. Johnson about the projected estimates. Mr. Johnson responded: You can analyze and make certain assumptions, but to go into the 1987 calendar year data and determine what specific figures or which areas contributed to the changes would be difficult to segregate. I assume the changes in increased revenue from individual income taxes were due to tax reform.

SUBCOMMITTEE ON JOINT REVENUE ESTIMATING

March 7th 1989

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Rep. Ream asked Mr. Johnson why the difference in the figures between the LFA and his numbers. Mr. Johnson: The LFA and I use two different methodologies. I still feel comfortable with my forecast. Mr. Johnson also noted to the Committee that some of the figures for calendar years 1987-88 are still tentative. He recommended a careful approach to adopting figures.

Rep. Giacometto moved to adopt Mr. Johnson's figures as listed. Rep. Ream asked if Mr. Johnson would revise any of the appropriate figures. Mr. Johnson confirmed that the numbers would be revised if necessary.

The revised figures for the Joint Revenue Estimating Subcommittee were voted upon and passed. (Please refer to attached tables).

ADJOURNMENT

Adjournment At: 7:50 a.m.



REP. BOB REAM, Chairman

BR/mc

SUB.9



JUDY RIPPINGALE
LEGISLATIVE FISCAL ANALYST

STATE OF MONTANA

Office of the Legislative Fiscal Analyst

STATE CAPITOL
HELENA, MONTANA 59620
406/444-2986

exhibit #1
3/7/89

EXHIBIT #1
DATE 3/7/89
HB #1213

March 3, 1989

TO: Legislative Finance Committee

FROM: Judith Curtis Waldron, Senior Fiscal Analyst *JCW*
Madalyn Quinlan, Associate Fiscal Analyst *MQ*

SUBJECT: Revised General Fund and School Foundation Program Forecasts

During each legislative session, the Office of the Legislative Fiscal Analyst reviews its revenue forecasts for the general fund and the school foundation program in light of the most recent economic information available. The results of this year's review are upward revisions in the forecasts of general fund and school foundation program revenues. For the three years, fiscal 1989 through 1991, general fund revenue is now expected to be \$34.5 million higher than forecast in our Budget Analysis. Likewise, the forecast of school foundation revenue was increased by \$10.9 million for the same three years. The primary cause of the upward revision is the expectation that revenue from the individual income tax will now exceed our previous forecast. The upward revision in income taxes alone totals \$46.5 million for fiscal years 1989 through 1991. The following sections of this report provide more detail on the revised revenue forecasts.

GENERAL FUND REVENUE

In reviewing our forecasts, efforts were concentrated on the ten categories which account for approximately 90 percent of total general fund

revenue. Table 1 shows changes made in the individual categories. The bases for revising each of these forecasts is discussed below.

Individual Income Tax

Currently, 58.2 percent of total individual income tax collections are deposited directly in the general fund. The remaining revenue also impacts the general fund since 31.8 percent is distributed to the school foundation program, reducing the needed general fund appropriation, and 10.0 percent is deposited in the long-range building debt service account which is transferred to the general fund. Our forecast of general fund revenue from income taxes (i.e., the 58.2 percent of total revenue) was revised upward by \$4.1 million for fiscal 1989, \$12.1 million for fiscal 1990, and \$10.9 million for fiscal 1991. Combining the three year forecast and both the general fund and school foundation program revenues, individual income taxes were increased a total of \$46.5 million.

In late December 1988, the Department of Revenue made available to this office data from a sample of 1987 Montana income tax returns. Recall that 1987 was the first year for most of the changes brought about by federal tax reform. We have now used the data from those tax returns to forecast income tax revenue through the next biennium.

Our forecasting model applies a rate of change to the dollar amount on each line of the 1987 return to project the future value of each item and then calculates the tax liability for each 1988 through 1991. The rates of change used in the projections reflect income growth, inflation, changes in itemized deductions, and the behavioral responses of taxpayers to federal tax reform. Based on the nine months of 1988 Montana income data now available, nonfarm labor income in the state appears to have grown faster in 1988 than originally anticipated. Despite the drought, income increased at the rate of 5.5 percent, rather than the 2.5 percent used in

Table 1
Comparison of Revenue Forecasts
Fiscal Years 1989 through 1991
(Millions)

General Fund Category	Fiscal 1989			Fiscal 1990			Fiscal 1991			Fiscal 1989-91		
	Original	Revised	Difference	Original	Revised	Difference	Original	Revised	Difference	Original	Revised	Difference
Individual Income Tax	\$143,762	\$147,874	\$4,112	\$136,676	\$148,782	\$12,106	\$150,401	\$161,263	\$10,862	\$430,839	\$457,919	\$27,080
Corporation License Tax	29,554	29,814	0,160	29,660	30,064	0,404	30,567	29,841	(0,726)	89,881	89,719	(0,162)
Real Estate Tax	9,137	9,006	(0,131)	7,318	7,097	(0,221)	6,594	6,420	(0,174)	23,049	22,523	(0,526)
General Severance Tax	12,943	13,170	0,227	12,680	12,819	0,139	13,467	11,961	(1,506)	39,090	37,950	(1,140)
Interest on Investments	17,315	21,038	3,723	19,423	20,984	1,561	17,168	18,986	1,818	53,906	61,008	7,102
Land Transfer	39,636	40,370	0,734	38,461	40,610	2,149	41,010	42,571	1,561	119,107	123,551	4,444
Real Trust Interest Income	39,574	39,620	0,046	37,219	37,190	(0,029)	39,700	39,501	(0,199)	116,493	116,311	(0,182)
Insurance Premiums Tax	21,625	21,625	0,000	21,120	20,928	(0,192)	22,023	21,836	(0,187)	64,768	64,389	(0,379)
Public Inst Reimbursement*	16,255	16,255	0,000	12,610	12,012	(0,598)	12,958	12,045	(0,913)	41,823	40,312	(1,511)
Quorum Profits	3,524	3,524	0,000	3,714	3,714	0,000	3,942	3,942	0,000	11,180	11,180	0,000
Excise Tax	5,188	5,188	0,000	5,252	5,252	0,000	5,370	5,370	0,000	15,810	15,810	0,000
Heritage Tax	10,514	10,514	0,000	9,550	9,550	0,000	9,980	9,980	0,000	30,044	30,044	0,000
Coal Mines Tax	4,242	4,242	0,000	4,336	4,336	0,000	3,703	3,703	0,000	12,281	12,281	0,000
Electrical Energy Tax	3,632	3,632	0,000	3,221	3,221	0,000	3,221	3,221	0,000	10,074	10,074	0,000
Telecommunications License Fees	0,790	0,790	0,000	0,790	0,790	0,000	0,790	0,790	0,000	2,370	2,370	0,000
Telephone License Tax	3,560	3,560	0,000	3,720	3,720	0,000	3,803	3,803	0,000	11,083	11,083	0,000
Motor License Tax	1,228	1,228	0,000	1,228	1,228	0,000	1,240	1,240	0,000	3,696	3,696	0,000
Natural Gas Severance Tax	1,055	1,055	0,000	1,036	1,036	0,000	1,135	1,135	0,000	3,226	3,226	0,000
Right Line Tax	1,184	1,184	0,000	1,288	1,288	0,000	1,342	1,342	0,000	3,814	3,814	0,000
State Tax	0,833	0,833	0,000	0,794	0,794	0,000	0,794	0,794	0,000	2,421	2,421	0,000
Other Revenue Sources	23,797	25,311	1,514	23,558	22,897	(1,261)	24,618	23,937	(0,481)	71,773	71,545	(0,228)
TOTAL	\$389,448	\$399,833	\$10,385	\$373,654	\$387,712	\$14,058	\$393,626	\$403,681	\$10,055	\$1,156,728	\$1,191,226	\$34,498

The fiscal 1990 and 1991 original forecasts of public institutions reimbursement were adjusted for consistency with funding procedures now anticipated.

our previous forecast. Income forecasts for 1989 through 1991 were increased by an average of 0.3 percent to account for the current outlook which calls for slightly higher inflation than expected last fall. Because the largest revision occurred in 1988 which is the first year forecast, its impact carries through to the following three years and accounts for much of the upward revision for the three years forecast.

The current forecast for fiscal 1989 is supported by year-to-date collections which indicate revenue for the year will be higher than our previous forecast. Because the tendency of our previous model to underestimate fiscal 1989 revenue was apparent last fall, the forecast from the model for this year was adjusted upward at that time to match expected revenue based on actual year-to-date collections. Since that adjustment was made last fall, the current fiscal 1989 revision is smaller than those for fiscal years 1990 and 1991.

Corporation License Tax

State revenue from the corporation license tax is distributed 64 percent to the general fund, 25 percent to the school foundation program, and 11 percent to the long-range building debt service account. Our forecast of general fund revenue from the corporation tax (i.e., the 64 percent) was increased \$160,000 for fiscal 1989, raised \$404,000 for fiscal 1990, and lowered \$726,000 for fiscal 1991. For the three years forecast and for both the general fund and the school foundation program, the net change in the forecasts is a reduction of \$255,000.

Historically, Montana corporation license tax collections vary with U.S. corporate profits, oil prices, and long-term interest rates. Compared with the Budget Analysis forecasts, the current outlook is for higher corporate profits in 1988 and 1989 and lower profits in 1990. The 1988 profit figure is a preliminary estimate of actual profits which now appear

to be higher than originally anticipated. Currently, profits are expected to increase this year and next, but at a slower rate than forecast last fall due to gradually accelerating inflation.

Later sections of this report discuss changes made to the forecasts of oil prices and interest rates. The combined effects of adjusting U.S. corporate profits, oil prices, and interest rates are increases in expected corporation license tax collections for fiscal years 1989 and 1990 and a reduction for fiscal 1991, when the impacts of lower profits and oil prices combine to reduce anticipated tax collections.

Oil Severance Tax

Anticipated revenue from the oil severance tax was increased \$227,000 for fiscal 1989, raised \$139,000 for fiscal 1990, and decreased \$1.5 million for fiscal 1991. Compared with the Budget Analysis forecasts, we now expect lower oil prices and generally higher taxable production levels. Table 2 shows the original and revised forecasts of taxable production and oil prices.

Table 2
A Comparison of Oil Taxable Production and Price Forecasts
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Taxable Production (Barrels)			
Budget Analysis Forecast	18,560,000	17,772,000	18,187,000
Revised Forecast	<u>19,110,000</u>	<u>18,122,000</u>	<u>17,408,000</u>
Difference	<u>---550,000</u>	<u>---350,000</u>	<u>---(779,000)</u>
Average Montana Price			
Budget Analysis Forecast	\$14.03	\$14.36	\$14.90
Revised Forecast	<u>13.84</u>	<u>14.15</u>	<u>13.74</u>
Difference	<u>\$(0.19)</u>	<u>\$(0.21)</u>	<u>\$(1.16)</u>

Compared with last fall when an OPEC agreement was expected to exert steady upward pressure on prices, the expectation now is that cheating on production quotas and weak demand will lead to price declines over the next twelve months, followed by gradual increases.

Consistent with the lowered forecast of price, total crude oil production in Montana is anticipated to be generally lower than the Budget Analysis forecasts -- price now provides less incentive to maintain production. Tax return data from the first six months taxed in fiscal 1989 indicate that the decline in total production this year will be slightly less than originally anticipated. However, lower-than-expected prices over the next two years support downward revisions in total production for fiscal years 1990 and 1991. At the same time, additional experience with the tax exemptions granted by the 1987 legislature suggests that a larger proportion of total production than originally anticipated will be subject to taxation. For fiscal years 1989 and 1990, the combined effect of changes in total production and lower exemptions is higher taxable production. The continuing decline in total production for fiscal 1991 is not offset by a larger reduction in exempt production, yielding taxable production below the original forecast. Thus, for fiscal years 1989 and 1990, the lowered price is more than offset by higher taxable production, resulting in small upward revisions in the revenue forecasts. For fiscal 1991, lower price and taxable production work together to reduce expected revenue.

Interest on Investments

The expectation of a larger cash balance available for investment in fiscal 1989 and higher interest rates for all three years forecast lead to upward revisions in the forecasts of interest on investments. The increases were \$3.7 million for fiscal 1989, \$1.6 million for fiscal 1990, and

\$1.8 million for fiscal 1991. Table 3 compares the original and revised assumptions which led to the revenue adjustments.

Table 3
A Comparison of Interest on Investment Assumptions
Fiscal Years 1989 through 1991

	<u>Fiscal 1989</u>	<u>Fiscal 1990</u>	<u>Fiscal 1991</u>
Interest Rate			
Budget Analysis Forecast	8.18%	7.95%	7.14%
Revised Forecast	<u>8.49%</u>	<u>8.59%</u>	<u>7.89%</u>
Difference	<u>0.31%</u>	<u>0.64%</u>	<u>0.75%</u>
Fund Balance			
Budget Analysis Forecast	\$211,647,000	\$244,214,000	\$240,573,000
Revised Forecast	<u>247,900,000</u>	<u>244,214,000</u>	<u>240,573,000</u>
Difference	<u>\$ 36,253,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Currently, short-term interest rates are higher than they were forecast to be in early 1989 and anticipated to increase further. The expectation now is that the upward trend in interest rates will continue through 1989. Rising interest rates are attributed to the Federal Reserve's desire to restrain real growth and inflation. As shown in Table 3, the revised forecasts of interest rates are from 0.31 percent to 0.75 percent higher than anticipated last fall.

Through the first six months of fiscal 1989, the cash balance available for investment averaged \$241 million, compared with a forecasted balance for the year of \$212 million. At least some of the higher cash balance results from actual revenues exceeding forecasts, the case for both the general fund and the school foundation program. Based on the balances for the first six months of the year and the historic relationship between balances in those months and that for the year, the cash balance available

for investment in fiscal 1989 is forecast to total \$247.9 million or \$36.3 million more than expected last fall.

Bond Transfer

The expected transfers from the long-range building debt service account to the general fund were increased by \$0.7 million for fiscal 1989, \$2.1 million for fiscal 1990, and \$1.6 million for fiscal 1991. Because transfers from the debt service account depend on the amounts of individual and corporate income taxes deposited in that account, the revisions to the bond transfer are consistent with the changes made in the forecasts of income taxes.

Insurance Premiums Tax

The forecast of revenue from the insurance premium tax was revised downward by \$192,000 for fiscal 1990 and \$187,000 for fiscal 1991 to reflect the increased level of expenditure from the insurance regulatory account approved by the appropriations subcommittee. By spending more from the account, less will remain each year to be transferred to the general fund.

Public Institutions Reimbursement

To account for medicaid spending approved by the appropriations subcommittee, reimbursements to the state's institutions were reduced by \$598,000 for fiscal 1990 and \$913,000 for fiscal 1991.

Other Revenue

The other revenue category contains a large number of taxes, fees, and other types of revenue which typically contribute less revenue than those which are categorized separately. The largest individual components of the category are the tax on video gaming revenue, vehicle license fees,

and the PSC tax. Combined revenue from all other sources was increased \$1.5 million in fiscal 1989, reduced \$1.3 million in fiscal 1990, and decreased \$0.5 million in fiscal 1991.

The fiscal year 1989 and 1990 adjustments are largely the result of increasing expected revenue from the PSC tax by \$932,000 for fiscal 1989 and decreasing it \$819,000 for fiscal 1990. The PSC tax is assessed companies regulated by the Public Service Commission and generates funds for operation of the commission. Our original forecast assumed the rate of the tax would be lowered in fiscal 1989 to compensate for the overcollection of revenue, relative to PSC expenditures, which occurred in fiscal 1988. Instead, the rate adjustment is now expected in fiscal 1990.

Fiscal 1989 reimbursement for the costs of fighting forest fires is now expected to total \$1.8 million. Adjusting for this change adds \$1.0 million to the revenue forecast for this year.

Coal Severance Tax

Coal severance tax estimates have been revised downward for each of fiscal years 1989 through 1991.

Fiscal 1989 adjustments include a 1.68 million ton increase in production estimates accompanied by a 5 percent decline in the average contract sales price. The downward revision in the average price is explained by two factors: 1) declines in the selling price for individual coal producers; and 2) a shift in production toward lower-priced coal. The 1.68 million ton increase in the production forecast is expected to come from producers who sell at or below the average price. As the lower-priced coal gains a larger share of the coal market, the average price of Montana coal falls. The increase in the production forecast is not enough to offset the downward revision in the prices of individual producers; therefore, the

revised estimate of fiscal 1989 coal tax collections is \$0.86 million less than the original forecast, and the general fund share is \$0.13 million lower.

Fiscal 1990 adjustments include a 0.38 million ton downward revision in production forecasts with no significant change in the average price. The most significant factor in the fiscal 1990 revision is a \$0.96 million increase in the estimate of the incentive tax credit, which results in a \$0.96 million reduction in net severance tax collections. Twenty-seven percent, or 10.1 million tons, of Montana's taxable production qualified for the incentive tax credit in calendar 1988, which is 2.8 million tons more than was estimated pre-session.

Fiscal 1991 adjustments include a downward revision in production estimates of 1.27 million tons and a 1 percent price increase consistent with the shifts in production. The revised production forecast reflects coal company production estimates as of February 1989.

Table 4 shows pre-session and revised forecasts of price, production, incentive tax credit (ITC), and net coal tax collections for fiscal years 1989 through 1991.

Table 4
Comparison of Pre-Session and Revised Coal Severance Tax Estimates
Fiscal Years 1989 through 1991

	<u>Pre-Session</u>	<u>Revised</u>	<u>Difference</u>
<u>Fiscal 1989</u>			
Production (tons)	33,205,052	34,886,643	1,681,591
Price	\$7.44	\$7.04	\$(0.40)
ITC	\$4,919,166	\$5,279,818	\$360,652
Tax	\$59,666,515	\$58,809,735	\$(856,780)
<u>Fiscal 1990</u>			
Production (tons)	32,420,330	32,036,720	(383,610)
Price	\$7.36	\$7.37	\$0.01
ITC	\$6,004,401	\$6,692,931	\$958,530
Tax	\$53,492,221	\$51,882,068	\$(1,610,153)
<u>Fiscal 1991</u>			
Production (tons)	33,312,470	32,043,770	(1,268,700)
Price	\$7.46	\$7.53	\$0.07
ITC	\$4,498,774	\$4,177,176	\$(321,598)
Tax	\$48,202,081	\$46,927,684	\$(1,274,397)

Coal Trust Interest

Estimates of coal trust interest have been revised downward for fiscal years 1990 and 1991 to reflect revised coal tax estimates and slightly lower interest rate forecasts. The interest rates applied to new long-term investments in the coal trust are 10.73 percent and 10.11 percent for fiscal years 1990 and 1991, respectively. The net decrease in the general fund forecast for coal trust interest is \$228,000 over the 1991 biennium.

SCHOOL FOUNDATION PROGRAM REVENUE

Revisions in the public school revenue forecasts for the individual income tax, corporate license tax, and coal severance tax are consistent with general fund revenue forecasts for these same categories.

U.S. Mineral Royalties

Estimates of U.S. mineral royalties have been revised upward for fiscal 1989 and downward for each year of the 1991 biennium.

Fiscal 1989 adjustments reflect higher coal royalty payments than previously estimated. Royalty payments have been adjusted upward by \$1.8 million for fiscal 1989 despite a federal regulation, effective March 1, 1989, which exempts the assessment of federal royalties against state and federal production taxes. The Department of Revenue estimates that the state will lose \$4.1 million annually under this new regulation. The impact in fiscal 1989 is projected to be \$0.7 million on the royalty payments which the state will receive in the last two months of fiscal 1989.

Mineral royalty payments have been revised downward by \$1.0 million in fiscal 1990 and \$1.5 million in fiscal 1991. These adjustments are the net effect of higher coal production estimates coupled with changes in the federal regulations.

Common School Interest and Income

Common school interest and income revenues have been revised upward for fiscal 1989 by \$2.75 million in anticipation of a higher level of advance payments under the federal deficiency program for farmers. Offsetting the decline in agricultural rental payments caused by the drought of 1988, agricultural rental collections should climb in May and June 1989 as farmers sign up for the farm program. The state is paid directly by county Agricultural Soil and Conservation Service offices for its one-fourth share of the program payment.

Common school interest and income for the 1991 biennium has been revised downward by \$0.2 million to reflect the downward revision of our long-term interest rate forecasts. The revised forecasts are based on new long-term rates of 10.73 percent in fiscal 1990 and 10.11 percent in fiscal 1991, compared the 11.46 and 10.43 percent rates used in the pre-session forecasts.

Education Trust Interest

Estimates of education trust interest have been revised to be consistent with revised coal severance tax and interest rate forecasts.

The unexpended balance of the \$34 million education trust fund appropriation to schools for the 1989 biennium is now projected to be \$13.6 million as a result of the upward revision of other revenue estimates. Pre-session forecasts yielded an education trust fund reversion of \$7.3 million.

45 Mill Levy/ District Share of the Permissive

The forecast of revenue generated by the 45 mill levy statewide has been revised upward for the 1991 biennium, consistent with revised forecasts for coal and oil prices and production. None of the remaining property tax valuations (classes 3-20) has been revised.

The adjustments in statewide valuations generate \$0.18 million more under the 45 mill levy in fiscal 1990 and \$0.08 million in fiscal 1991.

The district share of the permissive, the majority of which is property taxes, has been revised to be consistent with these changes in the statewide valuation.

Other county equalization sources have been reviewed and updated to reflect final fiscal 1989 county reports. The fiscal 1989 cost of the foundation and permissive program has been adjusted to reflect the most recent reports of the Office of Public Instruction. The cost estimates of the maximum general fund budget without a vote are based on a 2 percent increase in each year of the 1991 biennium.

Table 5 shows the changes made in the individual school foundation revenue and cost estimates.

Table 5
Public School Foundation Program Revenue Comparison
Fiscal Years 1989 through 1991
(Millions)

	Fiscal 1989		Fiscal 1990		Fiscal 1991		Fiscal 1989-91	
	Original	Revised Difference	Original	Revised Difference	Original	Revised Difference	Original	Revised Difference
Beginning Balance	\$1.688	\$1.022 (\$0.666)	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
State Equalization								
31.8% Individual Income Tax	\$78.550	\$80.797	\$2.247	\$81.294	\$6.615	\$82.178	\$88.113	\$5.935
25% Corporate License Tax	11.583	11.666	\$0.083	11.744	\$0.158	11.940	11.657	(\$0.283)
Coal Severance Tax	10.022	9.878	(\$0.144)	1.972	(\$0.061)	1.832	1.783	(\$0.049)
Interest and Income	30.313	33.062	\$2.749	34.411	\$1.070	35.815	35.664	(\$0.151)
U.S. Mineral Royalties	19.044	20.864	\$1.820	17.594	(\$1.040)	19.213	17.746	(\$1.467)
Education Trust Interest	0.821	0.824	\$0.003	2.064	\$0.511	1.824	2.313	\$0.489
Education Trust Withdrawal	17.323	11.034	(\$6.289)	0.000	\$0.000	0.000	0.000	\$0.000
Total State Equalization	\$167.656	\$168.105	\$0.449	\$149.009	\$6.113	\$152.802	\$157.276	\$4.474
County Equalization								
45 Mill Levy	\$87.433	\$87.433	\$0.000	\$84.209	\$0.177	\$83.625	\$83.706	\$0.081
Miscellaneous	7.770	7.950	\$0.180	8.727	\$0.000	8.922	8.922	\$0.000
Forest Funds	1.163	1.163	\$0.000	1.163	\$0.000	1.163	1.163	\$0.000
Grazing Funds	0.108	0.108	\$0.000	0.108	\$0.000	0.108	0.108	\$0.000
Elem Transportation	(\$4.419)	(\$4.419)	\$0.000	(\$3.700)	\$0.000	(\$3.700)	(\$3.700)	\$0.000
High School Tuition	(\$0.759)	(\$0.759)	\$0.000	(\$0.759)	\$0.000	(\$0.759)	(\$0.759)	\$0.000
Total County Equalization	\$91.296	\$91.476	\$0.180	\$89.748	\$0.177	\$89.359	\$89.440	\$0.081
District Share of Permissive	\$18.880	\$18.880	\$0.000	\$18.217	\$0.035	\$18.179	\$18.195	\$0.016
TOTAL NON-GENERAL FUND	\$279.520	\$279.483	(\$0.037)	\$250.684	\$6.325	\$260.340	\$264.911	\$4.571
Less Formula-Driven Costs	\$279.520	\$279.483	(\$0.037)	\$284.290	\$0.090	\$288.450	\$288.530	\$0.080
GENERAL FUND REQUIRED	\$0.000	\$0.000	\$0.000	\$33.516	(\$6.235)	\$28.110	\$23.619	(\$4.491)
Total	\$306.285	\$306.285	\$0.000	\$306.285	\$0.000	\$306.285	\$306.285	\$0.000

SUMMARY

For the forecast period which includes fiscal years 1989 through 1991, general fund revenue has been revised upward by a total of \$34.5 million. Expected revenue to the school foundation program is now \$10.9 million more than included in the Budget Analysis. The largest component of the revisions is that of individual income taxes which were increased \$46.5 million. Based on our forecasting model which relies on data from 1987 income tax returns and actual income growth in 1988, we now expect substantially more revenue from income taxes than our original forecast. This expectation is supported by year-to-date income tax collections in fiscal 1989 which are higher than forecast last fall.

Exhibit #2
3/7/89
EXHIBIT #2
DATE 3/7/89
HB HJR 13

Public School Foundation Program Revenue Comparison
Fiscal Years 1989 through 1991
(Millions)

	Fiscal 1989		Fiscal 1990		Fiscal 1991		Fiscal 1989-91	
	LFA		LFA		LFA		LFA	
	HJR 13	Revised	HJR 13	Revised	HJR 13	Revised	HJR 13	Revised

Beginning Balance	\$1.022	\$1.022	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
State Equalization													
31.6% Individual Income Tax	\$78.577	\$80.797	\$2.220	\$81.294	\$3.883	\$82.320	\$88.113	\$5.793	\$238.308	\$250.204	\$11.896	\$250.204	\$11.896
25% Corporate License Tax	11.430	11.646	\$0.216	11.744	\$0.437	11.380	11.657	\$0.277	\$34.117	\$35.047	\$0.930	\$35.047	\$0.930
Coal Severance Tax	9.997	9.878	(\$0.119)	1.972	(\$0.038)	1.781	1.783	\$0.002	\$13.788	\$13.633	(\$0.155)	\$13.633	(\$0.155)
Interest and Income	32.496	33.062	\$0.566	34.341	\$0.642	34.770	35.664	\$0.894	\$100.965	\$103.067	\$2.102	\$103.067	\$2.102
U.S. Mineral Royalties	21.500	20.864	(\$0.636)	17.594	(\$2.906)	21.000	17.746	(\$3.254)	\$63.000	\$56.204	(\$6.796)	\$56.204	(\$6.796)
Education Trust Interest	0.848	0.824	(\$0.024)	2.064	\$0.500	1.831	2.313	\$0.482	\$4.243	\$5.201	\$0.958	\$5.201	\$0.958
Education Trust Withdrawal	13.220	11.034	(\$2.186)	0.000	\$0.000	0.000	0.000	\$0.000	\$13.220	\$11.034	(\$2.186)	\$11.034	(\$2.186)
Total State Equalization	\$168.068	\$168.105	\$0.037	\$149.009	\$2.518	\$153.082	\$157.276	\$4.194	\$467.641	\$474.390	\$6.749	\$474.390	\$6.749

County Equalization													
45 Mill Levy	\$87.433	\$87.433	\$0.000	\$84.209	(\$1.426)	\$84.699	\$83.706	(\$0.993)	\$257.767	\$255.348	(\$2.419)	\$255.348	(\$2.419)
Miscellaneous	7.950	7.950	\$0.000	8.727	\$1.813	7.265	8.922	\$1.657	\$22.129	\$25.599	\$3.470	\$25.599	\$3.470
Forest Funds	1.163	1.163	\$0.000	1.163	(\$0.302)	1.465	1.163	(\$0.302)	\$4.093	\$3.489	(\$0.604)	\$3.489	(\$0.604)
Grazing Funds	0.108	0.108	\$0.000	0.108	\$0.006	0.102	0.108	\$0.006	\$0.312	\$0.324	0.012	\$0.324	0.012
Elem Transportation	(\$4.419)	(\$4.419)	\$0.000	(\$3.700)	\$0.017	(\$3.717)	(\$3.700)	\$0.017	(\$11.853)	(\$11.819)	\$0.034	(\$11.819)	\$0.034
High School Tuition	(\$0.759)	(\$0.759)	\$0.000	(\$0.759)	\$0.079	(\$0.838)	(\$0.759)	\$0.079	(\$2.435)	(\$2.277)	(\$0.158)	(\$2.277)	(\$0.158)
Total County Equalization	\$91.476	\$91.476	\$0.000	\$89.748	\$0.187	\$88.976	\$89.440	\$0.464	\$270.013	\$270.664	\$0.651	\$270.664	\$0.651

District Share of Permissive	\$18.880	\$18.880	\$0.000	\$18.252	(\$0.285)	\$18.394	\$18.195	(\$0.199)	\$55.811	\$55.327	(\$0.484)	\$55.327	(\$0.484)
TOTAL NON-GENERAL FUND	\$279.446	\$279.483	\$0.037	\$254.589	\$2.420	\$260.452	\$264.911	\$4.459	\$793.465	\$800.381	\$6.879	\$800.381	\$6.879

EXHIBIT #3
 DATE 3/7/89
 HB WR 13

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
 Comparison of Revenue Forecasts
 Fiscal Years 1989 through 1991
 (Millions)

General Fund Category	-----Fiscal 1989-----			-----Fiscal 1990-----			-----Fiscal 1991-----			LFA	Revised	Difference	LFA	Revised	Difference	LFA	Revised	Difference
	HJR 13	Revised	Difference	HJR 13	Revised	Difference	HJR 13	Revised	Difference									
Individual Income Tax	\$143.810	\$147.874	\$4.064	\$141.677	\$148.782	\$7.105	\$150.661	\$161.263	\$10.602	\$436.148	\$457.919	\$21.771						
Corporation License Tax	29.262	29.814	0.552	28.946	30.064	1.118	29.134	29.841	0.707	87.342	89.719	2.377						
Coal Severance Tax	9.115	9.006	(0.109)	7.237	7.097	(0.140)	6.412	6.420	0.008	22.764	22.523	(0.241)						
Oil Severance Tax	13.536	13.170	(0.366)	13.165	12.819	(0.346)	12.613	11.961	(0.652)	39.314	37.950	(1.364)						
Interest on Investments	20.485	21.038	0.553	19.537	20.984	1.447	19.246	18.986	(0.260)	59.268	61.008	1.740						
Bond Transfer	39.525	40.370	0.845	39.124	40.610	1.486	38.646	42.571	3.925	119.369	123.551	4.182						
Coal Trust Interest Income	39.720	39.620	(0.100)	36.540	37.190	0.650	40.720	39.501	(1.219)	114.906	116.311	1.405						
Insurance Premiums Tax	21.371	21.625	0.254	22.187	20.928	(1.259)	23.685	21.836	(1.849)	67.243	64.389	(2.854)						
Public Inst Reimbursement	16.090	16.255	0.165	12.211	12.012	(0.199)	12.352	12.045	(0.307)	40.653	40.312	(0.341)						
Liquor Profits	3.524	3.524	0.000	3.714	3.714	0.000	3.942	3.942	0.000	11.180	11.180	0.000						
Liquor Excise Tax	5.188	5.188	0.000	5.252	5.252	0.000	5.370	5.370	0.000	15.810	15.810	0.000						
Inheritance Tax	10.514	10.514	0.000	9.550	9.550	0.000	9.980	9.980	0.000	30.044	30.044	0.000						
Metal Mines Tax	4.242	4.242	0.000	4.336	4.336	0.000	3.703	3.703	0.000	12.281	12.281	0.000						
Electrical Energy Tax	3.632	3.632	0.000	3.221	3.221	0.000	3.221	3.221	0.000	10.074	10.074	0.000						
Drivers' License Fees	0.804	0.790	(0.014)	0.791	0.790	(0.001)	0.812	0.790	(0.022)	2.407	2.370	(0.037)						
Telephone License Tax	3.656	3.560	(0.096)	3.821	3.720	(0.101)	3.971	3.803	(0.168)	11.448	11.083	(0.365)						
Beer License Tax	1.242	1.228	(0.014)	1.244	1.228	(0.016)	1.260	1.240	(0.020)	3.746	3.696	(0.050)						
Natural Gas Severance Tax	1.100	1.055	(0.045)	1.000	1.036	0.036	1.100	1.135	0.035	3.200	3.226	0.026						
Freight Line Tax	1.184	1.184	0.000	1.288	1.288	0.000	1.342	1.342	0.000	3.814	3.814	0.000						
Wine Tax	0.833	0.833	0.000	0.794	0.794	0.000	0.794	0.794	0.000	2.421	2.421	0.000						
Other Revenue Sources	22.509	25.311	2.802	23.096	22.297	(0.799)	23.732	23.937	0.205	69.337	71.545	2.208						
TOTAL	\$391.342	\$399.833	\$8.491	\$378.731	\$387.712	\$8.981	\$392.696	\$403.681	\$10.985	\$1,162.769	\$1,191.226	\$28.457						

EXHIBIT #4 Exhibit #4

3/7

Revenue Estimate Changes
General Fund & Foundation Program
In Millions

DATE 3/7/89
HB HJR 13

	Change FY 89	Change FY 90	Change FY 91	Change 3 Years	Sub-Cmt. FY 89	Sub-Cmt. FY 90	Sub-Cmt. FY 91	Sub-Cmt. 3 Years	Revised FY 89	Revised FY 90	Revised FY 91	
General Fund Categories to Change												
Income Tax	\$6.726	\$7.673	\$9.233	\$23.632	\$143.810	\$141.677	\$150.661	\$436.148	\$150.536	\$149.350	\$159.894	
Corporation Tax	\$0.922	\$0.986	\$1.032	\$2.940	\$29.262	\$28.946	\$29.134	\$87.342	\$30.184	\$29.932	\$30.166	
Bond Excess												
Income Tax	\$1.156	\$1.318	\$1.586	\$4.060	\$24.710	\$24.343	\$25.887	\$74.940	\$25.866	\$25.661	\$27.473	
Corporation Tax	\$0.158	\$0.169	\$0.177	\$0.504	\$5.029	\$4.975	\$5.007	\$15.011	\$5.187	\$5.144	\$5.184	
Cigs. & Tobacco	\$0.000	\$0.000	\$0.000	\$0.000	\$9.786	\$9.806	\$9.826	\$29.418	\$9.786	\$9.806	\$9.826	
Sub-Total	\$1.314	\$1.487	\$1.763	\$4.564	\$39.525	\$39.124	\$40.720	\$119.369	\$40.839	\$40.611	\$42.483	
Interest on Investments	\$0.595	\$0.560	\$0.560	\$1.715	\$20.485	\$19.537	\$19.246	\$59.268	\$21.080	\$20.097	\$19.806	
Other Receipts												
Poker Taxes	\$0.571	\$0.576	\$0.582	\$1.729	\$3.553	\$3.589	\$3.625	\$10.767	\$4.124	\$4.165	\$4.207	
Other Receipts	\$1.000	\$0.000	\$0.000	\$1.000	\$18.956	\$19.507	\$20.107	\$58.570	\$19.956	\$19.507	\$20.107	
Sub-Total	\$1.571	\$0.576	\$0.582	\$2.729	\$22.509	\$23.096	\$23.732	\$69.337	\$24.080	\$23.672	\$24.314	
Total General Fund	\$11.128	\$11.282	\$13.170	\$35.580	\$255.591	\$252.380	\$263.493	\$771.464	\$266.719	\$263.662	\$276.663	

Foundation Program Categories to Change												
Income Tax	\$3.675	\$4.193	\$5.045	\$12.913	\$78.577	\$77.411	\$82.320	\$238.308	\$82.252	\$81.604	\$87.365	
Corporation Tax	\$0.360	\$0.385	\$0.403	\$1.148	\$11.430	\$11.307	\$11.380	\$34.117	\$11.790	\$11.692	\$11.783	
Mineral Leasing	(\$0.545)	(\$3.381)	(\$3.596)	(\$7.522)	\$21.500	\$20.500	\$21.000	\$63.000	\$20.955	\$17.119	\$17.404	
Total Foundation	\$3.490	\$1.197	\$1.852	\$6.539	\$111.507	\$109.218	\$114.700	\$335.425	\$114.997	\$110.415	\$116.552	
Grand Total	\$14.618	\$12.479	\$15.022	\$42.119	\$367.098	\$361.598	\$378.193	\$1,106.889	\$381.716	\$374.077	\$393.215	