

SENATE SELECT COMMITTEE ON THE BUDGET

Wednesday, December 1, 1993

8:15 a.m.

Room 331, State Capitol

Call to Order: By Senator Judy Jacobson, Chair, on December 1, 1993, at 8:15 a.m.

Members

Senator Judy Jacobson, Chair
Senator Mike Halligan
Senator Eve Franklin
Senator Fred Van Valkenburg
Senator Greg Jergeson

Senator John Harp
Senator Gerry Devlin
Senator Gary Aklestad
Senator Del Gage
Senator Bob Brown

Excused: Senators Harp and Gage.

EXECUTIVE ACTION ON ADOPTION OF SENATE PROJECTED 1995 BIENNIUM

Motion: Senator Halligan made a motion to accept the figures removing \$8.145 million.

Senator Jacobson explained that would make the bottom line \$8 million bigger.

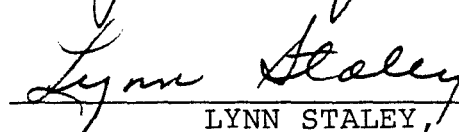
Senator Devlin asked how long they would have to reappeal. Senator Van Valkenburg said he thought it was 20 days, and 10 days have already passed.

Vote: The motion carried unanimously.

ADJOURNMENT

Adjournment: The meeting adjourned at 8:20 a.m.


SENATOR JUDY JACOBSON, Chair


LYNN STALEY, Secretary

Emergent Issues

Table 2 shows the potential impact of four emergent issues that have surfaced since the original projections were made. These issues include one resulting from revised estimates of public schools guaranteed tax base (GTB) aid in the SEA account, one from updated estimates of the required fund balance reserve for advances from the general fund, and two resulting from Montana Supreme Court decisions. As the table shows, the impact of these issues could increase the deficit by at least \$21 million, although refined estimates of each of the issues are still being developed.

Table 2 Projected General Fund/SEA Deficit - Revised 1995 Biennium (In Millions)				
	Executive Projected 1995 Biennium	Legislative Projected 1995 Biennium	House Projected 1995 Biennium	Senate Projected 1995 Biennium
Ending Fund Balance (See Table 1)	(\$14.920)	(\$25.575)	(\$19.453)	(\$17.325)
Ending Cash Balance (See Table 1)	(\$42.420)	(\$49.661)	(\$43.539)	(\$41.411)
Further Developments				
Public Schools GTB Increased Costs	(15.013)	(15.013)	(15.013)	(15.013)
Fund Balance Reserve For Advances	(11.100)	(11.100)	(11.100)	(11.100)
Retirement Benefit Court Decision	7.669	8.145	8.145	8.145
Sales Assessment Ratio Studies	<u>Pending</u>	<u>Pending</u>	<u>Pending</u>	<u>Pending</u>
Total Developments	(\$18.444)	(\$17.968)	(\$17.968)	(\$17.968)
Ending Fund Balance - Revised	(\$33.364)	(\$43.543)	(\$37.421)	(\$35.293)
Ending Cash Balance - Revised	(\$49.764)	(\$56.529)	(\$50.407)	(\$48.279)
Targeted Fund Balance			\$21.000	\$21.000
Required "Budget Balancers"			(\$58.421)	(\$56.293)

Gr FA
6 million
Local
State
2.5%
1.5m

SARS 57.793

As shown in Table 2, the emergent issues increase the projected deficit in the 1995 biennium general fund/SEA ending fund balance to at least \$37.4 million using House estimates, and \$35.3 million using Senate estimates. To achieve the targeted ending fund balance of \$21 million adopted by both the House and Senate Select Committees on the Budget, the amount of the required net "budget balancers" to achieve the targeted fund balance is \$58.4 million by House projections and \$56.3 million by Senate projections. The four issues and the potential impacts are discussed below.

Guaranteed Tax Base Aid

The 1993 Legislature enacted House Bill 667 (HB 667) which made major changes in the school equalization program and the way school districts budget. Since fiscal

FUND BALANCE UPDATE 11/28/93

House Select Committee 11/11/93 \$21 Million

Deductions

G.T.B.	-\$15 Mill.
Property Tax Rebates	- 5 Mill
Great Falls Case	- 1 Mill
Revenue Impacts of Arts Trust	- 1 Mill

Total Deductions -22 Million

Additions

Sheehy Ruling	+\$8 Mill
Cash Flow Bill	+ 5 Mill
School Reserves Cap	+ 9 Mill

Total Additions +22 Million

Revised fund balance \$21 Million

Office of Budget and Program Planning

Funding Sources for Governor Racicot's Property Tax Rebate

November 18, 1993

FY 94 Funding	
Source	Amount
Coal Severance Tax	5.0
Fund Balance Draw	8.0
Arts Trust	6.8
Total	19.8

FY 95 Funding	
Source	Amount
Coal Severance Tax	5.0
University Reduction	3.0
Property Tax Reimbursement	5.6
K-12 Reductions	4.6
Reappraisal Savings	2.0
Total	20.2

Estimated Property Tax Rebates 19.2

17.3

Funding Source Explanation

Coal Severance Tax --	The allocation of coal severance taxes to the Highway Program would be eliminated. Additional cash management options will be proposed that will allow DOT to absorb the revenue loss without reducing expenditures of the program.
Fund Balance Draw --	The projected FY 94 general fund balance would be reduced by \$8 million. In FY 95, \$3 million of the draw would be restored from excess revenues.
Arts Trust --	The Arts Trust would be eliminated and its assets transferred to the general fund. Program funding and grant authorizations would be "held harmless" through the use of the existing coal severance tax allocation and a new allocation of a portion of the earnings of the permanent coal trust.
Property Tax Reimbursement	The cost of the personal property tax reimbursement program would be reduced by \$5.6 million by reducing the payments to jurisdictions with large property tax increases. The proposed formula would not reduce allocations to the school equalization account.
University Reduction --	The general fund appropriation would be reduced.
K-12 Reduction --	The school foundation program statutes would be changed to limit state aid to high spending districts.
Reappraisal Savings --	The proposed changes in the reappraisal process would allow a reduction in the Department of Revenue's budget. Valuation updates would be limited to properties that have recently sold.