

HJR 41 INTRODUCED BY HARP, ET AL.
ESTIMATING REVENUES FOR THE 1988-1989 BIENNIUM
BY REQUEST OF OFFICE OF BUDGET AND PROGRAM PLANNING

2/23	INTRODUCED		
2/23	REFERRED TO TAXATION		
3/16	HEARING		
3/26	TAKEN FROM COMMITTEE		
3/26	2ND READING PASSED AS AMENDED	94	2
3/26	3RD READING PASSED	95	3

TRANSMITTED TO SENATE
3/27 REFERRED TO TAXATION
4/06 HEARING
DIED IN COMMITTEE

1 House JOINT RESOLUTION NO. 41
 2 INTRODUCED BY HARP NEUMAN M Williams Leuch Selbye

3 BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING Ellison
 4 Harrington Hag Severson Bishop Hirsch Lytvik

5 A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA
 6 ESTABLISHING AN ESTIMATE OF THE STATE'S ANTICIPATED REVENUE FOR EACH YEAR OF THE 1988-89 BIENNIUM
 7 FOR THE PURPOSE OF ACHIEVING A BALANCED BUDGET AS MANDATED BY ARTICLE VIII, SECTION 9, OF THE
 8 MONTANA CONSTITUTION; ACCEPTING A JUNE 30, 1986, GENERAL FUND BALANCE THAT WAS ESTABLISHED BASED ON
 9 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; REQUESTING THE GOVERNOR'S OFFICE OF BUDGET AND PROGRAM
 10 PLANNING TO USE THE REVENUE ESTIMATES CONTAINED IN THIS RESOLUTION AS OFFICIAL REVENUE ESTIMATES FOR
 11 FISCAL YEARS 1987-88 AND 1988-89; AND ESTABLISHING AN ESTIMATE OF THE NONGENERAL FUND REVENUES FOR
 12 THE SCHOOL FOUNDATION PROGRAM.

13
 14 WHEREAS, Article VI, section 9, of the Montana Constitution requires the Governor to submit to
 15 the Legislature a budget for the ensuing fiscal period containing in detail the estimated revenue of
 16 the state; and

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

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

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



INTRODUCED BILL
 HJR-41

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

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

5
6 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF
7 MONTANA:

8 That the state general fund revenue for fiscal years 1987, 1988, and 1989 is estimated to be
9 \$347,316,000, \$350,050,000, and \$388,563,000, respectively. The school foundation revenue for fiscal
10 years 1987, 1988, and 1989 is estimated to be \$255,547,000, \$233,101,000, and \$244,906,000,
11 respectively.

12 BE IT FURTHER RESOLVED, that the estimates of individual income tax revenue and corporation
13 license tax revenue include estimated increases in revenue due to federal tax reform. For individual
14 income tax revenue, the estimated increases are \$4.40 million, \$22.58 million, and \$39.83 million
15 for fiscal years 1987, 1988, and 1989, respectively. For corporation license tax revenue, the
16 estimated increases are \$1.07 million, \$4.72 million, and \$6.21 million for fiscal years 1987, 1988,
17 and 1989, respectively.

18 BE IT FURTHER RESOLVED, that the Legislature accepts for budget purposes the unreserved fund
19 balance for the general fund of \$16,002,000, prepared according to generally accepted accounting
20 principles as published in the audited state financial statements as of June 30, 1986.

21 GENERAL FUND REVENUE

22 The projections for total general fund revenue during the 1988-89 biennium are based on an
23 assumption of a continuation of Montana law as it existed on January 1, 1987. The effects of federal
24 tax reform have been incorporated into the revenue estimates where the effects can be estimated.
25 Other assumptions are that all public institutions currently certified for medicaid will remain

1 certified, that Westmoreland Resources will continue to protest a portion of the coal severance
 2 taxes due from them on behalf of the Crow Indian Tribe, and that property tax litigation being
 3 pursued by Burlington Northern will not be resolved by June 30, 1989.

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

6
 7 Revenue Estimate Assumptions

8	Oil	CY 86	CY 87	CY 88	CY 89
9	Production (Million bbls)	26.500	25.700	25.000	24.500
10	Price	\$13.700	\$14.120	\$15.500	\$18.000
11					
12		FY 87	FY 88	FY 89	Biennium
13	Increased County Production (Million bbls)		0.425	0.425	0.850
14					
15	Natural Gas	CY 86	CY 87	CY 88	CY 89
16	Production (Millions)				
17	MCF's	44.734	42.000	41.000	42.000
18	Price				
19	MCF's	\$1.972	\$1.972	\$2.254	\$2.451
20					
21	Increased County Production (Millions)	FY 87	FY 88	FY 89	Biennium
22	MCF's		3.400	3.900	7.300
23					
24	Coal	CY 86	CY 87	CY 88	CY 89
25	Production (Millions)	32.416	25.779	27.258	27.258

1	Price	\$8.387	\$7.511	\$7.506	\$7.580
2					
3		FY 87	FY 88	FY 89	Biennium
4	Incentive Tax Credit	\$1.397	\$1.793	\$0.284	\$2.077
5					
6	Metal	CY85/FY86	CY86/FY87	CY87/FY88	CY88/FY89
7	Production				
8	Copper (Million lbs)	43.823	61.526	90.423	100.244
9	Gold (Million ozs)	.158	.160	.210	.275
10	Silver (Million ozs)	5.215	4.823	6.101	7.000
11	Lead (Million lbs)	.136	.126	4.624	10.125
12	Zinc (Million lbs)			22.000	52.000
13	Molybdenum (Million lbs)		3.027	7.200	7.500
14	Palladium (Million ozs)			.038	.075
15	Platinum (Million ozs)			.013	.025
16	Price				
17	Copper	\$.556	\$.560	\$.560	\$.560
18	Gold	\$317.346	\$342.390	\$420.000	\$420.000
19	Silver	\$ 5.290	\$ 5.120	\$ 5.700	\$ 5.700
20	Lead	\$.189	\$.188	\$.190	\$.190
21	Zinc			\$.300	\$.300
22	Molybdenum		\$ 2.500	\$ 2.500	\$ 2.500
23	Palladium			\$125.000	\$125.000
24	Platinum			\$550.000	\$550.000
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1	Population (July 1 Thousands)	CY 85	CY 86	CY 87	CY 88
2	All Ages	826	829	832	835
3	Age 16 and greater	615	617	619	621
4	Age 18 to 24	96	98	100	103
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6	Inflation (% Change)	CY 86	CY 87	CY 88	CY 89
7	CPI	1.92	2.80	3.80	5.19
8	PCE	2.15	3.85	4.30	4.85
9					
10	Interest Rates (%)	FY 86	FY 87	FY 88	FY 89
11	Short-Term	6.46	5.85	6.39	7.11
12	Long-Term	9.78	7.98	8.46	9.21
13					
14		FY 86	FY 87	FY 88	FY 89
15	TCA Average Balance (Millions)	\$205.765*	\$176.117	\$168.980	\$160.980
16	TRANS Issue (Millions)	\$ 46.000	\$ 83.200	\$ 85.000	\$ 85.000
17	*Includes TRANS Issue				
18	Bond Calls (Millions)				
19	Permanent Trust	\$ 5.464	\$ 6.100	0	0
20	Education Trust	\$ 1.983	\$ 1.109	0	0
21	Common School Trust	\$ 3.353	\$ 1.968	0	0
22					
23	Personal Income	CY 86	CY 87	CY 88	CY 89
24	MT Total Personal Income (Billions)	\$9.550	\$10.000	\$10.500	\$11.000
25	Nonfarm Labor Income (Billions)	\$6.097	\$6.317	\$6.693	\$7.165

1					
2		FY 87	FY 88	FY 89	Biennium
3	Gain From Federal Tax Reform	\$4.400	\$22.580	\$39.830	\$66.810
4					
5	Corporation Tax	CY85/FY86	CY86/FY87	CY87/FY88	CY88/FY89
6	MT Corporate Taxable Income (Millions)	\$614.227	\$565.508	\$637.626	\$705.493
7	Total U.S. Corporate Profits (Billions)	NA	\$235.6	\$309.7	\$3.467
8					
9		FY 87	FY 88	FY 89	Biennium
10	Revenue Gain: Federal Tax Reform	\$1.070	\$4.720	\$6.210	\$10.930
11					
12	Department of Revenue	CY85/FY86	CY86/FY87	CY87/FY88	CY88/FY89
13	Audits (Millions)	\$10.312	\$5.650	\$5.000	\$5.000
14	Colstrip IV Sale (Millions)	\$7.600	-	-	-
15					
16	Liquor	FY 86	FY 87	FY 88	FY 89
17	Liquor Unit Sales (Millions)	5.988	5.749	5.576	5.465
18	Wine Unit Sales (Millions)	0.299	0.275	0.258	0.248
19	Liquor Division Budget Growth (%)	-0.85	0.0	0.0	0.0
20					
21	Cigarette	FY 86	FY 87	FY 88	FY 89
22	Packs (Millions)	80.897	76.319	72.000	67.924
23					
24	Property Tax Base (Millions)	FY 86	FY 87	FY 88	FY 89
25	Net/Gross Proceeds	\$ 768.271	\$ 705.064	\$ 391.857	\$ 361.771

1	All Other Valuation	\$1601.862	\$1555.698	\$1584.061	\$1612.099
2	Total Valuation	\$2370.133	\$2260.762	\$1975.918	\$1973.870
3					
4	Institutions Reimbursement	FY 86	FY 87	FY 88	FY 89
5	Revenue Growth Rate (%)	9.85	8.04	6.31	4.17
6					
7	Insurance Premiums Tax	FY 86	FY 87	FY 88	FY 89
8	Gross Revenue Growth (%)	12.41	6.50	6.50	6.50
9	Police & Firefighters' Retirement (Millions)	\$5.009	\$5.446	\$5.637	\$5.911
10					
11	Telephone Tax	FY 86	FY 87	FY 88	FY 89
12	Taxable Income Growth (%)	10.65	2.96	0.36	1.61
13					
14	Electrical Energy Tax	FY 86	FY 87	FY 88	FY 89
15	KWH Produced (Millions)	14538.496	14845.000	15195.000	15540.000
16	Interest Differential Credit	NA	\$0.454	\$0.500	\$0.500
17					
18	Inheritance Tax	FY 86	FY 87	FY 88	FY 89
19	Revenue Growth Rate	9.25	2.58	-15.96	3.31
20					
21	Other Revenue	FY 86	FY 87	FY 88	FY 89
22	Drivers' License Fee				
23	Revenue Growth Rate (%)	48.47	1.71	-1.64	1.27
24	Beer Tax				
25	Barrels (Thousands)	727	697	683	683

1	Freight Line Tax				
2	Revenue Growth Rate (%)	-13.36	11.88	.17	1.94
3	Wine Tax				
4	Liters (Millions)	5.899	6.148	6.407	6.677
5	Other Revenue Growth (%)	4.15	28.94	-21.60	4.24
6	(Excludes vehicle and poker fees and public contractors' gross receipts)				
7					
8	Foundation Program Revenues	FY86	FY87	FY88	FY89
9	Interest & Income				
10	Revenue Growth Rate (%)	-39.89	-8.57	-4.08	1.89
11	Mineral Leasing				
12	Oil, Coal, Natural Gas production at CV 85 levels; prices as forecast for severance				
13	taxes.				

Current Law

General Fund Revenue Estimates

(In Millions)

17		Estimated	Estimated	Estimated
18	<u>Source of Revenue</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
19	Individual Income Tax	\$120.007000	\$130.076000	\$149.495000
20	Corporation License Tax	28.815000	31.587000	37.428000
21	Coal Severance Tax	16.210000	9.286000	9.974000
22	Oil Severance Tax	10.328000	12.221000	13.032000
23	Interest on Investments	14.765000	14.871000	15.978000
24	Long-Range Bond Excess	35.492000	37.198000	41.063000
25	Coal Trust Fund Interest	34.375000	31.580000	34.039000

1	Insurance Premiums Tax	18.128000	19.141000	20.535000
2	Public Institution Reimb.	15.305000	16.270000	16.948000
3	Liquor Profits	4.425000	5.023000	5.641000
4	Liquor Excise Tax	5.825000	5.905000	6.048000
5	Inheritance Tax	8.580000	7.211000	7.450000
6	Metal Mines Tax	1.185000	2.295000	2.671000
7	Electrical Energy Tax	2.515000	2.539000	2.608000
8	Drivers' License Fees	0.804000	0.799000	0.809000
9	Telephone License Tax	3.348000	3.352000	3.406000
10	Beer License Tax	1.254000	1.229000	1.229000
11	Natural Gas Severance Tax	2.209000	2.103000	2.312000
12	Freight Line Tax	1.337000	1.339000	1.365000
13	Wine Tax	0.984000	1.025000	1.068000
14	Other Revenue Sources	21.433000	15.000000	15.500000
15	GRAND TOTAL	\$347.316000	\$350.050000	\$388.563000

Current Law

Foundation Program Revenue Estimates

(In Millions)

19		Estimated	Estimated	Estimated
20		<u>FY87</u>	<u>FY88</u>	<u>FY89</u>
21	STATE REVENUE			
22	Income Tax	46.878000	50.811000	58.382000
23	Corporation Tax	11.256000	12.339000	14.620000
24	Coal Tax	9.486000	2.160000	3.320000
25	Interest Income	34.104000	32.711000	33.328000

1	US Oil & Gas Royalties	15.637000	15.445000	16.634000
2	Education Trust Income	6.983000	6.350000	6.672000
3	TOTAL STATE	\$125.538000	\$119.816000	\$131.956000
4	COUNTY REVENUE			
5	45 Mills	\$101.734000	\$88.916000	\$88.824000
6	Elementary Transportation	-3.788000	-3.788000	-3.788000
7	Forest Fund	1.226000	1.226000	1.226000
8	Taylor Grazing	0.122000	0.122000	0.122000
9	Miscellaneous	11.915000	8.274000	7.967000
10	High School Tuition	-0.761000	-0.761000	-0.761000
11	TOTAL COUNTY	\$110.448000	\$93.989000	\$93.590000
12	% CHANGE	14.49%	-12.43%	0.25%
13	DISTRICT REVENUE			
14	Permissive Levy	19.561000	19.296000	19.360000
15	TOTAL STATE, COUNTY, DISTRICT	\$255.547000	\$233.101000	\$244.906000

-End-

LC 0919/01 COMMITTEE
ON TAXATION
WITHOUT RECOMMENDATION
MOTION TO MOVE FROM
COMMITTEE TO 2ND READING

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House JOINT RESOLUTION NO. *41*
INTRODUCED BY *HARP NEUMAN M Williams Sandoz Selze*
BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING *Ellison*
Haggen Severson Bishop Hirsch Lybuck

A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA ESTABLISHING AN ESTIMATE OF THE STATE'S ANTICIPATED REVENUE FOR EACH YEAR OF THE 1988-89 BIENNIUM FOR THE PURPOSE OF ACHIEVING A BALANCED BUDGET AS MANDATED BY ARTICLE VIII, SECTION 9, OF THE MONTANA CONSTITUTION; ACCEPTING A JUNE 30, 1986, 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 1987-88 AND 1988-89; 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

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HJR 41

SECOND READING

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23 assumption of a continuation of Montana law as it existed on January 1, 1987. The effects of federal
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11	Telephone Tax	FY 86	FY 87	FY 88	FY 89
12	Taxable Income Growth (%)	10.65	2.96	0.36	1.61
13					
14	Electrical Energy Tax	FY 86	FY 87	FY 88	FY 89
15	KWH Produced (Millions)	14538.496	14845.000	15195.000	15540.000
16	Interest Differential Credit	NA	\$0.454	\$0.500	\$0.500
17					
18	Inheritance Tax	FY 86	FY 87	FY 88	FY 89
19	Revenue Growth Rate	9.25	2.58	-15.96	3.31
20					
21	Other Revenue	FY 86	FY 87	FY 88	FY 89
22	Drivers' License Fee				
23	Revenue Growth Rate (%)	48.47	1.71	-.64	1.27
24	Beer Tax				
25	Barrels (Thousands)	727	697	683	683

1	Freight Line Tax				
2	Revenue Growth Rate (%)	-13.36	11.88	.17	1.94
3	Wine Tax				
4	Liters (Millions)	5.899	6.148	6.407	6.677
5	Other Revenue Growth (%)	4.15	28.94	-21.60	4.24
6	(Excludes vehicle and poker fees and public contractors' gross receipts)				
7					
8	Foundation Program Revenues	FY86	FY87	FY88	FY89
9	Interest & Income				
10	Revenue Growth Rate (%)	-39.89	-8.57	-4.08	1.89
11	Mineral Leasing				
12	Oil, Coal, Natural Gas production at CY 85 levels; prices as forecast for severance				
13	taxes.				

Current Law

General Fund Revenue Estimates

(In Millions)

17		Estimated	Estimated	Estimated
18	<u>Source of Revenue</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>
19	Individual Income Tax	\$120.007000	\$130.076000	\$149.495000
20	Corporation License Tax	28.815000	31.587000	37.428000
21	Coal Severance Tax	16.210000	9.286000	9.974000
22	Oil Severance Tax	10.328000	12.221000	13.032000
23	Interest on Investments	14.765000	14.871000	15.978000
24	Long-Range Bond Excess	35.492000	37.198000	41.063000
25	Coal Trust Fund Interest	34.375000	31.580000	34.039000

1	Insurance Premiums Tax	18.128000	19.141000	20.535000
2	Public Institution Reimb.	15.305000	16.270000	16.948000
3	Liquor Profits	4.425000	5.023000	5.641000
4	Liquor Excise Tax	5.825000	5.905000	6.048000
5	Inheritance Tax	8.580000	7.211000	7.450000
6	Metal Mines Tax	1.185000	2.295000	2.671000
7	Electrical Energy Tax	2.515000	2.539000	2.608000
8	Drivers' License Fees	0.804000	0.799000	0.809000
9	Telephone License Tax	3.348000	3.352000	3.406000
10	Beer License Tax	1.254000	1.229000	1.229000
11	Natural Gas Severance Tax	2.209000	2.103000	2.312000
12	Freight Line Tax	1.337000	1.339000	1.365000
13	Wine Tax	0.984000	1.025000	1.068000
14	Other Revenue Sources	21.433000	15.000000	15.500000
15	GRAND TOTAL	\$347.316000	\$350.050000	\$388.563000

Current Law

Foundation Program Revenue Estimates

(In Millions)

	Estimated	Estimated	Estimated	
	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	
21	STATE REVENUE			
22	Income Tax	46.878000	50.811000	58.382000
23	Corporation Tax	11.256000	12.339000	14.620000
24	Coal Tax	9.486000	2.160000	3.320000
25	Interest Income	34.104000	32.711000	33.328000

1	US Oil & Gas Royalties	15.637000	15.445000	16.634000
2	Education Trust Income	6.983000	6.350000	6.672000
3	TOTAL STATE	\$125.538000	\$119.816000	\$131.956000
4	COUNTY REVENUE			
5	45 Mills	\$101.734000	\$88.916000	\$88.824000
6	Elementary Transportation	-3.788000	-3.788000	-3.788000
7	Forest Fund	1.226000	1.226000	1.226000
8	Taylor Grazing	0.122000	0.122000	0.122000
9	Miscellaneous	11.915000	8.274000	7.967000
10	High School Tuition	-0.761000	-0.761000	-0.761000
11	TOTAL COUNTY	\$110.448000	\$93.989000	\$93.590000
12	% CHANGE	14.49%	-12.43%	0.25%
13	DISTRICT REVENUE			
14	Permissive Levy	19.561000	19.296000	19.360000
15	TOTAL STATE, COUNTY, DISTRICT	\$255.547000	\$233.101000	\$244.906000

-End-

1 HOUSE JOINT RESOLUTION NO. 41

2 INTRODUCED BY HARP, NEUMAN, M. WILLIAMS, SANDS, SCHYE,

3 HARRINGTON, ELLISON, HAGER, SEVERSON,

4 BISHOP, HIRSCH, LYBECK

5 BY REQUEST OF THE OFFICE OF BUDGET AND PROGRAM PLANNING

6

7 A JOINT RESOLUTION OF THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF MONTANA
8 ESTABLISHING AN ESTIMATE OF THE STATE'S ANTICIPATED REVENUE FOR EACH YEAR OF THE 1988-89 BIENNIUM
9 FOR THE PURPOSE OF ACHIEVING A BALANCED BUDGET AS MANDATED BY ARTICLE VIII, SECTION 9, OF THE
10 MONTANA CONSTITUTION; ACCEPTING A JUNE 30, 1986, GENERAL FUND BALANCE THAT WAS ESTABLISHED BASED ON
11 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES; REQUESTING THE GOVERNOR'S OFFICE OF BUDGET AND PROGRAM
12 PLANNING TO USE THE REVENUE ESTIMATES CONTAINED IN THIS RESOLUTION AS OFFICIAL REVENUE ESTIMATES FOR
13 FISCAL YEARS 1987-88 AND 1988-89; AND ESTABLISHING AN ESTIMATE OF THE NONGENERAL FUND REVENUES FOR
14 THE SCHOOL FOUNDATION PROGRAM.

15

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

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

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

25 WHEREAS, due to the complexity of economic variables involved in revenue forecasting and the

**THIRD READING HJR-41**

1 diversity of sources from which state revenues are obtained, it has become increasingly difficult to
2 project revenues in order to prepare a balanced budget for the ensuing biennium; and

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

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

7
8 NOW, THEREFORE, BE IT RESOLVED BY THE SENATE AND THE HOUSE OF REPRESENTATIVES OF THE STATE OF
9 MONTANA:

10 That the state general fund revenue for fiscal years 1987, 1988, and 1989 is estimated to be
11 \$347,316,000, \$350,050,000, and \$388,563,000, respectively. The school foundation revenue for fiscal
12 years 1987, 1988, and 1989 is estimated to be \$255,547,000, \$233,101,000, and \$244,906,000,
13 respectively.

14 BE IT FURTHER RESOLVED, that the estimates of individual income tax revenue and corporation
15 license tax revenue include estimated increases in revenue due to federal tax reform. For individual
16 income tax revenue, the estimated increases are \$4.40 million, \$22.58 million, and \$39.83 million
17 for fiscal years 1987, 1988, and 1989, respectively. For corporation license tax revenue, the
18 estimated increases are \$1.07 million, \$4.72 million, and \$6.21 million for fiscal years 1987, 1988,
19 and 1989, respectively.

20 BE IT FURTHER RESOLVED, that the Legislature accepts for budget purposes the unreserved fund
21 balance for the general fund of \$16,002,000, prepared according to generally accepted accounting
22 principles as published in the audited state financial statements as of June 30, 1986.

23 GENERAL FUND REVENUE

24 The projections for total general fund revenue during the 1988-89 biennium are based on an
25 assumption of a continuation of Montana law as it existed on January 1, 1987. The effects of federal

1 tax reform have been incorporated into the revenue estimates where the effects can be estimated.
 2 Other assumptions are that all public institutions currently certified for medicaid will remain
 3 certified, that Westmoreland Resources will continue to protest a portion of the coal severance
 4 taxes due from them on behalf of the Crow Indian Tribe, and that property tax litigation being
 5 pursued by Burlington Northern will not be resolved by June 30, 1989.

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

Revenue Estimate Assumptions					
8					
9					
10	Oil	CY 86	CY 87	CY 88	CY 89
11	Production (Million bbls)	26.500	25.700	25.000	24.500
12	Price	\$13.700	\$14.120	\$15.500	\$18.000
13					
14		FY 87	FY 88	FY 89	Biennium
15	Increased County Production (Million bbls)		0.425	0.425	0.850
16					
17	Natural Gas	CY 86	CY 87	CY 88	CY 89
18	Production (Millions)				
19	MCF's	44.734	42.000	41.000	42.000
20	Price				
21	MCF's	\$1.972	\$1.972	\$2.254	\$2.451
22					
23	Increased County Production (Millions)	FY 87	FY 88	FY 89	Biennium
24	MCF's		3.400	3.900	7.300
25					

1	Coal	CY 86	CY 87	CY 88	CY 89
2	Production (Millions)	32.416	25.779	27.258	27.258
3	Price	\$8.387	\$7.511	\$7.506	\$7.580
4					
5		FY 87	FY 88	FY 89	Biennium
6	Incentive Tax Credit	\$1.397	\$1.793	\$0.284	\$2.077
7					
8	Metal	CY85/FY86	CY86/FY87	CY87/FY88	CY88/FY89
9	Production				
10	Copper (Million lbs)	43.823	61.526	90.423	100.244
11	Gold (Million ozs)	.158	.160	.210	.275
12	Silver (Million ozs)	5.215	4.823	6.101	7.000
13	Lead (Million lbs)	.136	.126	4.624	10.125
14	Zinc (Million lbs)			22.000	52.000
15	Molybdenum (Million lbs)		3.027	7.200	7.500
16	Palladium (Million ozs)			.038	.075
17	Platinum (Million ozs)			.013	.025
18	Price				
19	Copper	\$.556	\$.560	\$.560	\$.560
20	Gold	\$317.346	\$342.390	\$420.000	\$420.000
21	Silver	\$ 5.290	\$ 5.120	\$ 5.700	\$ 5.700
22	Lead	\$.189	\$.188	\$.190	\$.190
23	Zinc			\$.300	\$.300
24	Molybdenum		\$ 2.500	\$ 2.500	\$ 2.500
25	Palladium			\$125.000	\$125.000

1	Platinum			\$550.000	\$550.000
2					
3	Population (July 1 Thousands)	CY 85	CY 86	CY 87	CY 88
4	All Ages	826	829	832	835
5	Age 16 and greater	615	617	619	621
6	Age 18 to 24	96	98	100	103
7					
8	Inflation (% Change)	CY 86	CY 87	CY 88	CY 89
9	CPI	1.92	2.80	3.80	5.19
10	PCE	2.15	3.85	4.30	4.85
11					
12	Interest Rates (%)	FY 86	FY 87	FY 88	FY 89
13	Short-Term	6.46	5.85	6.39	7.11
14	Long-Term	9.78	7.98	8.46	9.21
15					
16		FY 86	FY 87	FY 88	FY 89
17	TCA Average Balance (Millions)	\$205.765*	\$176.117	\$168.980	\$160.980
18	TRANS Issue (Millions)	\$ 46.000	\$ 83.200	\$ 85.000	\$ 85.000
19	*Includes TRANS Issue				
20	Bond Calls (Millions)				
21	Permanent Trust	\$ 5.464	\$ 6.100	0	0
22	Education Trust	\$ 1.983	\$ 1.109	0	0
23	Common School Trust	\$ 3.353	\$ 1.968	0	0
24	<u>RESOURCE INDEMNITY TRUST</u>	<u>\$ 0.644</u>	<u>\$ 1.400</u>	<u>0</u>	<u>0</u>
25					

1	Personal Income	CY 86	CY 87	CY 88	CY 89
2	MT Total Personal Income (Billions)	\$9.550	\$10.000	\$10.500	\$11.000
3	Nonfarm Labor Income (Billions)	\$6.097	\$6.317	\$6.693	\$7.165
4					
5		FY 87	FY 88	FY 89	Biennium
6	Gain From Federal Tax Reform	\$4.400	\$22.580	\$39.830	\$66.810
7					
8	Corporation Tax	CY85/FY86	CY86/FY87	CY87/FY88	CY88/FY89
9	MT Corporate Taxable Income (Millions)	\$614.227	\$565.508	\$637.626	\$705.493
10	Total U.S. Corporate Profits (Billions)	NA	\$235.6	\$309.7	\$346.7
11					<u>\$346.7</u>
12					
13		FY 87	FY 88	FY 89	Biennium
14	Revenue Gain: Federal Tax Reform	\$1.070	\$4.720	\$6.210	\$10.930
15					
16	Department of Revenue	CY85/FY86	CY86/FY87	CY87/FY88	CY88/FY89
17	Audits (Millions)	\$10.312	\$5.650	\$5.000	\$5.000
18	Colstrip IV Sale (Millions)	\$7.600	-	-	-
19					
20	Liquor	FY 86	FY 87	FY 88	FY 89
21	Liquor Unit Sales (Millions)	5.988	5.749	5.576	5.465
22	Wine Unit Sales (Millions)	0.299	0.275	0.258	0.248
23	Liquor-Division-Budget-Growth-(%)	-0:85	0:8	0:8	0:8
24					
25	Cigarette	FY 86	FY 87	FY 88	FY 89

1	Packs (Millions)	80.897	76.319	72.000	67.924
2					
3	Property Tax Base (Millions)	FY 86	FY 87	FY 88	FY 89
4	Net/Gross Proceeds	\$ 768.271	\$ 705.064	\$ 391.857	\$ 361.771
5	All Other Valuation	\$1601.862	\$1555.698	\$1584.061	\$1612.099
6	Total Valuation	\$2370.133	\$2260.762	\$1975.918	\$1973.870
7					
8	Institutions Reimbursement	FY 86	FY 87	FY 88	FY 89
9	Revenue Growth Rate (%)	9.85	8.04	6.31	4.17
10					
11	Insurance Premiums Tax	FY 86	FY 87	FY 88	FY 89
12	Gross Revenue Growth (%)	12.41	6.50	6.50	6.50
13	Police & Firefighters' Retirement (Millions)	\$5.009	\$5.446	\$5.637	\$5.911
14					
15	Telephone Tax	FY 86	FY 87	FY 88	FY 89
16	Taxable Income Growth (%)	10.65	2.96	0.36	1.61
17					
18	Electrical Energy Tax	FY 86	FY 87	FY 88	FY 89
19	KWH Produced (Millions)	14538.496	14845.000	15195.000	15540.000
20	Interest Differential Credit	NA	\$0.454	\$0.500	\$0.500
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22	Inheritance Tax	FY 86	FY 87	FY 88	FY 89
23	Revenue Growth Rate	9.25	2.58	-15.96	3.31
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25	Other Revenue	FY 86	FY 87	FY 88	FY 89

1	Drivers' License Fee				
2	Revenue Growth Rate (%)	48.47	1.71	-.64	1.27
3	Beer Tax				
4	Barrels (Thousands)	727	697	683	683
5	Freight Line Tax				
6	Revenue Growth Rate (%)	-13.36	11.88	.17	1.94
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10	(Excludes vehicle and poker fees and public contractors' gross receipts)				
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12	Foundation Program Revenues	FY86	FY87	FY88	FY89
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15	Mineral Leasing				
16	Oil, Coal, Natural Gas production at CY 85 levels; prices as forecast for severance				
17	taxes.				

18	Current Law				
19	General Fund Revenue Estimates				
20	(In Millions)				
21		Estimated	Estimated	Estimated	
22	<u>Source of Revenue</u>	<u>FY 1987</u>	<u>FY 1988</u>	<u>FY 1989</u>	
23	Individual Income Tax	\$120.007000	\$130.076000	\$149.495888	
24				<u>\$149.459000</u>	
25	Corporation License Tax	28.815000	31.587000	37.428000	

1	Coal Severance Tax	16.210000	9.286000	9.974000
2	Oil Severance Tax	10.328000	12.221000	13.032000
3	Interest on Investments	14.765000	14.871000	15.978000
4	Long-Range Bond Excess	35.492000	37.198000	41.063000
5	Coal Trust Fund Interest	34.375000	31.580000	34.039000
6	Insurance Premiums Tax	18.128000	19.141000	20.535000
7	Public Institution Reimb.	15.305000	16.270000	16.948000
8	Liquor Profits	4.425000	5.023000	5.641000
9	Liquor Excise Tax	5.825000	5.905000	6.048000
10	Inheritance Tax	8.580000	7.211000	7.450000
11	Metal Mines Tax	1.185000	2.295000	2.671000
12	Electrical Energy Tax	2.515000	2.539000	2.608000
13	Drivers' License Fees	0.804000	0.799000	0.809000
14	Telephone License Tax	3.348000	3.352000	3.406000
15	Beer License Tax	1.254000	1.229000	1.229000
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17	Freight Line Tax	1.337000	1.339000	1.365000
18	Wine Tax	0.984000	1.025000	1.068000
19	Other Revenue Sources	21.433000	15.000000	15.500000
20	GRAND TOTAL	\$347.316000	\$350.050000	\$388.563000
21	Current Law			
22	Foundation Program Revenue Estimates			
23	(In Millions)			
24	Estimated	Estimated	Estimated	
25	<u>FY87</u>	<u>FY88</u>	<u>FY89</u>	

1	STATE REVENUE			
2	Income Tax	<u>\$46.878000</u>	<u>\$50.811000</u>	<u>\$58.382000</u>
3	Corporation Tax	11.256000	12.339000	14.620000
4	Coal Tax	9.486000	2.160000	9.920000
5				<u>2.320000</u>
6	Interest Income	34.104000	32.711000	33.328000
7	US Oil & Gas Royalties	15.637000	15.445000	16.634000
8	Education Trust Income	6.983000	6.350000	6.672000
9	TOTAL STATE	\$125.550000	\$119.816000	\$131.956000
10		<u>\$124.344000</u>		
11	COUNTY REVENUE			
12	45 Mills	\$101.734000	\$88.916000	\$88.824000
13	Elementary Transportation	-3.788000	-3.788000	-3.788000
14	Forest Fund	1.226000	1.226000	1.226000
15	Taylor Grazing	0.122000	0.122000	0.122000
16	Miscellaneous	11.915000	8.274000	7.967000
17	High School Tuition	-0.761000	-0.761000	-0.761000
18	TOTAL COUNTY	\$110.448000	\$93.989000	\$93.590000
19	% CHANGE	14.49%	-12.43%	0.25%
20	DISTRICT REVENUE			
21	Permissive Levy	19.561000	19.296000	19.36000
22	TOTAL STATE, COUNTY, DISTRICT	\$255.547000	\$233.101000	\$244.906000
23		<u>CURRENT LAW</u>		
24		<u>OTHER REVENUE ESTIMATES</u>		
25		<u>(IN MILLIONS)</u>		

1	<u>SOURCE OF REVENUE</u>			
2	<u>RESOURCE INDEMNITY TRUST EARNINGS</u>	<u>\$7.459</u>	<u>\$6.375</u>	<u>\$6.722</u>

-End-