

MINUTES OF THE MEETING
JOINT SUBCOMMITTEES OF HOUSE APPROPRIATIONS
AND
SENATE FINANCE AND CLAIMS

January 21, 1985

The meeting of the Joint Subcommittee of House Appropriations and Senate Finance and Claims was called to order by Chairman Bardanouve on January 21, 1985 at 5:05 p.m. in Room 104 of the State Capitol.

ROLL CALL: Roll call was not taken. However, present were Representatives Bardanouve, Donaldson, Manuel, Thoft, Waldron, Winslow and Quilici and Senators Stimatz, VanValkenburg, Boylan, Bengtson and Regan.

(Tape 2: A:023)

REVENUE: Dave Hunter, Budget Director, Office of Budget and Program Planning (OBPP) presented committee members two sheets showing revised revenue estimates and expenditures (EXHIBITS 1 and 2). He said he also wants to provide committee members with a policy recommendation to assure a balanced budget is maintained, which policy the Governor provided to leadership this afternoon.

He said oil prices have significantly declined and interest rates have declined since his office made its revenue estimates. He said the Governor instructed his office to work with the committee and the Legislative Fiscal Analyst (LFA) to resolve differences in revenue estimates.

The revenue estimate changes are shown on Exhibit 1 and include adjustments to the following categories: individual income taxes, oil-related revenues, interest revenues, liquor revenues, interest & income income and forest funds, and other revenue.

Expenditures changes are shown on Exhibit 1 and include adjustments to the following categories: supplemental requests, legislative feed bill, Department of Social and Rehabilitation Services (SRS) reversion, classification enhancement, ending fund balance, and miscellaneous changes.

In summary, changes in revenue and expenditure estimates have resulted in a revised revenue estimate of approximately \$20 million less than that presented in the Executive Budget book.

Senator Regan (091) asked, pertaining to revised revenue estimates on individual income taxes, if the changes include the Social Security "windfall"; and should Social Security be excluded, by how much will the revised revenue estimate decrease.

Terry Johnson, OBPP, said the income tax revenue estimate incorporates three items: the impact of federal indexing, the taxing of Social Security benefits, and the increase in economic activity. The dollar impact associated with the Social Security factor is approximately \$1.4 to \$1.5 million each fiscal year.

In response to a request from the Chairman, Dave Hunter said there is a reversion from SRS of slightly more than \$4 million that his office did not know about when the budget was put together. He said the reversion is primarily federal reimbursements and because these are federal funds, SRS has requested a supplemental. Representative Winslow asked if this reversion is due to Medicaid. Representative Bardanouve said it is for various federal programs which were not calculated in the budget. Dave Hunter suggested Representative Winslow request Dave Lewis, Director, SRS, to give him a breakdown of these funds.

Dave Hunter (142) said the classification enhancement addition to the expenditure changes, in the amount of \$2 million, grew out of the "comparable worth" bill from last session. He said the Department of Administration feels the project isn't to the point where they can go forward with it at this time, so this gives an additional \$2 million to work with.

Representative Donaldson asked if the coal production figures presented in the Executive Budget are still holding. Dave said yes and that the estimates are based on known, existing, signed contracts.

In summary, Dave Hunter said the ending fund balance for fiscal year '84 is \$35.057 million (the unreserved cash balance) and is the figure which should be used.

Governor's Four Proposals for a Balanced Budget: Dave Hunter said the Governor is proposing four things so his administration can continue to present a balanced budget to the Legislature:

1. Delay the Legacy Program one year. This will provide \$500,000 for start-up in fiscal year '86 and start the program in fiscal year '87. This will save \$3.5 million and require the Legislature to appropriate this amount to the General Fund to maintain the ending fund balance. These are Resource Indemnity (RIT) monies.

2. Reduce appropriation requests 2 percent across-the-board. This will be for all agencies funded by the General Fund and the Earmarked Revenue Fund. Direct federal grants will not be reduced nor those programs where there are General Fund monies which are statutorily required to be expended. The Foundation Program will not be reduced nor the Pay Plan. The Governor has signed a negotiated agreement with a collective bargaining unit and this agreement requires that he continue to advocate this funding of the Pay Plan.

Appropriations/Finance and Claims Subcommittees
January 21, 1985

He said it is the intention of OBPP to provide subcommittees new bottom-line figures for the Governor's recommendation and it will be up to the subcommittees and the individual agencies whether or not these will be across-the-board cuts or cuts of one program or another.

Representative Waldron (281) said he is concerned about the 2 percent across-the-board cut and asked if a better proposal would be to eliminate certain programs. Dave Hunter said he is willing to accept these types of policy decisions and his recommendation is only that the bottom-line be cut 2 percent.

Representative Menahan asked if OBPP recommends cutting back on smaller things such as in the area of securities. Dave Hunter said subcommittees may want to move money around so they are more comfortable with the bottom-line cut of 2 percent.

Representative Winslow asked if agencies are aware of the recommended 2 percent cut. Dave said all agency directors have been contacted and are aware.

Senator Regan asked if agencies will be willing to prioritize programs. Dave said subcommittees will have to ask each agency. Representative Bardanouve said last summer the Governor asked agency directors what they would cut if they were asked to cut 10 percent from their budget requests. He said he has asked OBPP for these agency responses and has been assured OBPP will provide this information.

3. Federal mineral receipts, now allocated to the Department of Highways, be allocated to Local Government Block Grants and to the Foundation Program. The amount to Local Government Block Grants will be \$1.5 million and the remainder, in the amount of \$12.1 million, will go to the Foundation Program. He said when expected oil revenue is lowered, the amount of money for local governments is also lowered. The \$1.5 million will go about 2/3 of the way in funding Local Government Block Grants.

4. 3-cents-per-gallon increase in fuel tax. This will replace the loss of federal mineral receipts taken from the Department of Highways and off-set the effects of House Bill 19, which the Administration will recommend be no longer considered.

Cigarette Tax: Dave Hunter said the Governor's proposals assume the Legislature will pass the 8 cents cigarette tax effective October 1, 1985. If this tax is not passed, the Governor's recommendation is to pull \$1.5 million per year of General Fund commitment to Local Government Block Grants in order to maintain the ending fund balance in fiscal year '87 of \$14.886 million. Representative Bardanouve said if the federal government enacts adding the cigarette tax by 8 cents, there will be language in the bill preventing adding 8 cents on 8 cents. Dave Hunter said this could be done in the bill by making the tax conditional.

Appropriations/Finance and Claims Subcommittees
January 21, 1985

Representative Quilici (480) asked what will happen if the Legislature does not enact the 3-cents-per-gallon fuel tax. Representative Bardanouve said, "We will be back to square one."

Senator Van Valkenburg (585) asked if the 2 percent reduction assumes agencies such as the Legislature or the Supreme Court or the University System, which are somewhat independent of the Executive Branch, will be taking the cut also. Dave Hunter said yes.

Senator Van Valkenburg said there is still about \$20 million difference in the projected beginning fund balance on July 1, 1985 between the Executive Budget and the LFA figures. He said this is one area he expects there to be a request for a reconciliation. Representative Quilici concurred.

(Tape 2:B:068)

The Chairman asked Representative Vincent, Speaker of the House, if he had any questions or comments. He said no.

Senator Van Valkenburg asked Judy Rippingale if it is reasonable to ask her to provide a revised analysis of the revised Executive budget within three days of getting the details from OBPP. She said that in terms of the beginning fund balances and the differences in revenue projections, there is no problem; but to determine what the 2 percent reductions mean is not easily done in three days. She said this is more easily determined in subcommittees.

Representative Waldron (120) proposed that subcommittees continue to operate the way way they are now operating because he is uncomfortable with the concept of taking a 2 or 3 percent across-the-board cut. He suggested waiting until subcommittees are finished and then start looking toward eliminating entire programs or large "chunks" of programs. The Chairman said he recommends the subcommittees proceed as they are now proceeding and not consider the 2 percent cut at this time.

Adjourn: The meeting adjourned at 6 p.m.


FRANCIS BARDANOUE, Chairman >

January 21, 1985

GENERAL FUND SUMMARY
REVENUE & EXPENDITURE CHANGES
(Millions)

| | <u>Changes</u> |
|-------------------------------------|-----------------------------|
| Revenue Estimate Changes | |
| Individual Income Tax | + 8.919 |
| Federal Tax Changes | |
| Improved Economic Conditions | |
| Oil Related Revenues | - 15.182 |
| Lower Oil Prices | (\$26.46; \$25.00; \$25.00) |
| Lower Production | (28.458; 27.989; 27.791) |
| Interest Revenues | - 9.065 |
| Lower Interest Rates | (10.68; 10.83; 10.97) |
| Liquor Revenues | - 3.798 |
| Lower Consumption | |
| Interest & Income and Forest Funds | - 3.550 |
| Lower Interest Rates | |
| Known Amount for FY 85 & FY 86 | |
| Other Revenue | + 1.100 |
| FEMA Receipts in FY 86 | |
| Total Revenue Changes | <u>- 21.576</u> |
| Expenditure Changes | |
| Supplemental Requests | - 1.937 |
| Legislative Feed Bill | - .244 |
| SRS Reversion | + 4.000 |
| Classification Enhancement | + 2.000 |
| Ending Fund Balance Change | - 3.877 |
| Miscellaneous Changes | + 1.560 |
| Total Expenditure Changes | <u>+ 1.502</u> |
| Total Revenue & Expenditure Changes | <u>- 20.074</u> |

General Fund Summary
Revised Revenues & Expenditures
(Millions)

Cigarette Tax Excluded

| | FY 84 | FY 85 | FY 86 | FY 87 | FY 86 | FY 87 |
|-------------------------------------|---------|---------|---------|---------|---------|---------|
| | 63.193 | 35.057 | 21.820 | 22.277 | 21.820 | 18.284 |
| Beginning Fund Balance | | | | | | |
| Receipts | | | | | | |
| Estimated Revenue | 330.305 | 363.301 | 368.658 | 386.838 | 368.658 | 386.838 |
| Cigarette Tax (100%) | | 0.000 | 5.493 | 7.355 | 0.000 | 0.000 |
| Legacy Program Delay | | 0.000 | 3.500 | 0.000 | 3.500 | 0.000 |
| Total Receipts | 330.305 | 363.301 | 377.651 | 394.193 | 372.158 | 386.838 |
| Total Available | 393.498 | 398.358 | 399.471 | 416.470 | 393.978 | 405.122 |
| DISBURSEMENTS | | | | | | |
| Budgeted Disbursements | 345.127 | 360.786 | 368.205 | 367.895 | 368.205 | 367.895 |
| Less 2% Reductions | | | 6.500 | 6.500 | 6.500 | 6.500 |
| Less Local Government | | | | | 1.500 | 1.500 |
| Revised Disbursements | 345.127 | 360.786 | 361.705 | 361.395 | 360.205 | 359.895 |
| Foundation Program | 12.260 | 11.893 | 7.628 | 9.279 | 7.628 | 9.279 |
| Legislative Feed Bill | | 4.122 | | 4.122 | | 4.122 |
| Modifications | | | 7.411 | 10.690 | 7.411 | 10.690 |
| Elected Official Pool | | | 1.000 | 1.000 | 1.000 | 1.000 |
| Equal Worth Proposal | | | 0.000 | | 0.000 | |
| Pay Plan Proposal | | | 5.950 | 11.750 | 5.950 | 11.750 |
| Supplemental Requests | | 7.937 | | | | |
| Pay Plan Carryover | | 2.000 | | | | |
| Reversions | | -10.200 | -6.500 | -6.500 | -6.500 | -6.500 |
| Total Disbursements | 357.387 | 376.538 | 377.194 | 391.736 | 375.694 | 390.236 |
| Adjustments | -1.054 | | | | | |
| Ending Fund Balance | 35.057 | 21.820 | 22.277 | 24.734 | 18.284 | 14.886 |
| Surplus as % of Disbursements | 9.81% | 5.79% | 5.91% | 6.31% | 4.87% | 3.81% |
| Earmarked Revenue Account Proposals | | | | | | |
| Federal Mineral Receipts | | | 6.064 | 6.098 | | |
| Foundation Program | | | 1.500 | 1.500 | | |
| Local Government Block Grant | | | | | | |
| Total | | | 7.564 | 7.598 | | |
| Highway Construction | | | | | | |
| 3 Cent Fuel Tax | | | 15.000 | 15.000 | | |
| Less Federal Mineral Receipts | | | 7.564 | 7.598 | | |
| Net Gain | | | 7.436 | 7.402 | | |

TJ1:W:ea

