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## Revenue and Transportation Interim Committee

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### 61st Montana Legislature

#### SENATE MEMBERS

KIM GILLAN--Chair  
RON ERICKSON  
JEFF ESSMANN  
CHRISTINE KAUFMANN  
JIM PETERSON  
BRUCE TUTVEDT

#### HOUSE MEMBERS

ROY HOLLANDSWORTH--Vice Chair  
DICK BARRETT  
CYDNIE (CARLIE) BOLAND  
BRIAN HOVEN  
MIKE JOPEK  
BILL NOONEY

#### COMMITTEE STAFF

JEFF MARTIN, Research Analyst  
LEE HEIMAN, Staff Attorney  
FONG HOM, Secretary

# MINUTES

February 18, 2010

Room 137, Capitol Building  
Helena, Montana

Please note: These minutes provide abbreviated information about committee discussion, public testimony, action taken, and other activities. The minutes are accompanied by an audio recording. For each action listed, the minutes indicate the approximate amount of time in hours, minutes, and seconds that has elapsed since the start of the meeting. This time may be used to locate the activity on the audio recording.

An electronic copy of these minutes and the audio recording may be accessed from the Legislative Branch home page at <http://leg.mt.gov>. On the left-side column of the home page, select *Committees*, then *Interim*, and then the appropriate committee.

To view the minutes, locate the meeting date and click on minutes. To hear the audio recording, click on the Real Player icon. Note: You must have Real Player to listen to the audio recording.

### COMMITTEE MEMBERS PRESENT

SEN. KIM GILLAN, Chair  
REP. ROY HOLLANDSWORTH, Vice Chair

SEN. RON ERICKSON  
SEN. JEFF ESSMANN  
SEN. CHRISTINE KAUFMANN  
SEN. JIM PETERSON  
SEN. BRUCE TUTVEDT

REP. DICK BARRETT  
REP. CARLIE BOLAND  
REP. BRIAN HOVEN  
REP. MIKE JOPEK

### COMMITTEE MEMBERS EXCUSED

REP. BILL NOONEY

### STAFF PRESENT

JEFF MARTIN, Research Analyst  
LEE HEIMAN, Staff Attorney  
FONG HOM, Secretary

## Visitors

Visitors' list, Attachment #1.

## COMMITTEE ACTION

- The committee agreed that the general fund revenues have declined to the point that the "trigger" under 17-7-140, MCA, has been met and a letter from the committee to the Budget Office will state the text of the motion.

## CALL TO ORDER AND ROLL CALL

00:00:01 Sen. Gillan called the meeting to order at 1:03 p.m. The secretary called roll. Rep. Nooney was excused.

## AGENDA

### PROJECTED GENERAL FUND REVENUE SHORTFALL UNDER 17-7-140, MCA - David Ewer, Director, Office of Budget and Program Planning

00:03:53 Mr. Ewer said that because of declining revenues, Governor Schweitzer invoked 17-7-140, MCA. Mr. Ewer distributed and discussed charts (**Exhibit 1**) that showed cumulative withholding, cumulative income tax payments with returns, corporation tax cumulative estimated payments, current year returns processed, and average refund.

#### Questions

00:33:42 SEN. PETERSON asked what happens if corporate tax revenue doesn't more than double? **Mr. Ewer** said that corporations will have to pay estimated taxes and if they should be insufficient, the Budget Office could contemplate triggering again but not until late spring.

00:37:07 SEN. TUTVEDT said he is concerned about structural imbalance and the hemorrhaging of cash. **Mr. Ewer** said that he does not endorse the concept that the state is hemorrhaging cash, but he will endorse the fact that the spread between the cash balance and the revenue estimates is lower because the revenue is falling.

### LEGISLATIVE FISCAL DIVISION'S GENERAL FUND UPDATE - Terry Johnson, Principal Analyst, Legislative fiscal Division

00:45:54 Mr. Johnson gave an update on the General Fund (**Exhibit 2**). He discussed the trigger points and the structural balance or imbalance of the general fund.

**LEGISLATIVE FISCAL DIVISION'S GENERAL FUND REVENUE ESTIMATES VERSUS EXECUTIVE COMPARISON AND GENERAL FUND REVENUE ESTIMATE COMPARISON BY REVENUE CATEGORIES - Terry Johnson, LFD**

01:12:14 Mr. Johnson distributed and discussed the General Fund Revenue Estimates - LFD versus Executive Comparison (**Exhibit 3**) and the General Fund Revenue Estimate Comparison by Revenue Categories (**Exhibit 4**).

**Questions**

01:20:34 SEN. ERICKSON asked if Mr. Johnson would be willing to go to a different model that would work with what corporations are saying they are going to earn. **Mr. Johnson** said that he would work with the Budget Office.

01:48:14 SEN. TUTVEDT said because of the structural imbalance, we will have to fix the budget before the first of May when all the school budgets will have to be set. **Mr. Ewer** said that the Administration has taken steps where they have sufficient fund balance targeted for June 2011. **Mr. Johnson** pointed out that because Fiscal Year 2009's good cash position, they were able to absorb some of those cash deficiencies that are occurring now. The second point is that structural balance becomes an issue for the 2013 biennium budget.

01:56:55 SEN. PETERSON asked about the differences between LFD and the Executive for the rest of the fiscal year. **Mr. Johnson** said that for fiscal year 2010, the individual income taxes has a difference of \$28 million, and for corporate taxes, there is a difference of \$35 million. Between the two, there is about a \$63 million difference.

02:08:58 SEN. ERICKSON asked whether the amount that is outside of the trigger and the money that the state might get for Medicaid, would any of that money affect the structural balance? **Mr. Ewer** said if any of the recommendations have an impact on the challenges for 2013, the answer is yes. The long-range building and the computer issues are one time only and was done only for the trigger.

**Break**

**Public Comment**

None.

**ANALYSIS OF COMMITTEE REQUESTS FOR INFORMATION ON PROPERTY TAX  
CIRCUIT BREAKER PROGRAMS - Larson Silbaugh, Tax Policy Analyst, Department of  
Revenue**

**Reduced Notch Effects of PTAP and DAV Programs (Department of  
Revenue Report, Tab 3)**

02:41:55 Mr. Silbaugh provided the Department of Revenue's analysis of what the cost and the effects would be of reducing the notch effects of the existing Property Tax Assistance Programs (PTAP) and the Disabled American Veterans (DAV) Program.

**Continuously Increasing Threshold in Circuit Breaker (Department of  
Revenue Report, Tab 3)**

02:52:28 Mr. Silbaugh presented a report on threshold circuit breakers.

**Questions**

03:12:54 SEN. ERICKSON said that one of the programs he is interested in is for elderly homeowners. He said a large number of people are not currently receiving assistance. Who in particular are the people not receiving assistance? **Mr. Silbaugh** said that they don't have the extended property tax assistance program indicator in the property tax file that he used to do the modeling. Some of those 28,351 that are receiving assistance would be people who are eligible for EPTAP currently. The others are those, based on the thresholds and the property tax levels, people who have high property taxes relative to their income.

03:15:44 SEN. ERICKSON said that on the next handout is the total number of EPTAP applications. He asked if the EPTAP eligibility has anything to do with the other table? **Mr. Silbaugh** said that they are coming from two different databases. One is after it has been modeled and matched with income. Looking at the next handout, there are 8,000 people who have applied for that EPTAP program and they are part of the 28,000.

**2009 EPTAP Applications Mailed to Taxpayer (Tab 3, Exhibit 5).**

03:20:52 Mr. Silbaugh discussed the EPTAP applications.

**Questions**

03:22:00 REP. BARRETT asked if the number 35,487 represents all of the properties whose taxable value had changed by more than 24%. **Mr. Silbaugh** said that it is 24%. Their increase was large enough based on the 2008 mills. Those are properties that had high percentage change but it was from \$2,000 to \$8,000.

**Discussion of Revenue Estimates**

- 03:28:10 SEN. GILLAN said that 17-7-140, MCA, provides that "within 20 days of notification, the Revenue and Transportation Interim Committee shall provide the budget director with any recommendations concerning the amount." Her interpretation of that is that no recommendation is the same as any recommendation. Since there is a statutory deadline, she wanted to share that with the members.
- 03:29:59 SEN. PETERSON asked if the committee should respond to the budget office's revenue estimates.
- 03:31:29 SEN. GILLAN said that the committee might not be able to reach a consensus on changing those numbers.
- 03:33:50 SEN. TUTVEDT said that the committee could concur with the Budget Director that the statutory requirements of 17-7-140, MCA, have been met and that we support them going forth and cutting the budget.
- 03:36:09 SEN. ESSMANN said that he would like to have an opportunity to vote on a recommendation that would call on the Budget Director to be a little more pessimistic in terms of his long term outlook.
- 03:38:00 REP. BARRETT said that he agrees with Sen. Essmann that we are hoping for the best but he doesn't agree that we are not planning for the worst. The Budget Director is not talking about a plan to come up with an ending fund balance of \$36 million. He is talking about a plan that has an ending fund balance of \$90 million.

#### **MOTION**

- 03:49:17 SEN. TUTVEDT **moved** that the Revenue and Transportation Interim Committee acknowledge that the general fund revenues have declined to the point to meet the statutory trigger in section 17-7-104, MCA. The motion passed.
- 03:50:30 After some discussion, the committee requested that staff write a letter to the Office of Budget and Program Planning to include the text of the motion.

#### **RECESS**

- 03:59:30 Sen. Gillan recessed the meeting at 5:02 p.m., to reconvene at 8:00 a.m. on February 19, 2010.

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