

HISTORY

In 1989, the Montana Legislature established a process for the Legislature to develop revenue estimates for legislative appropriation. Senate Bill No. 341 directed the then-Revenue Oversight Committee to prepare the revenue estimates. The legislation also provided that the revenue estimating resolution introduced by the Committee and subsequent periodic reports issued by the Committee constitute the Legislature's current revenue estimate until final adoption of the resolution by both houses of the Legislature.

In 1991, the Legislature revised the procedures of estimating revenue by inserting the language that is now contained in 5-5-227(2)(a) and (3), MCA, including the language that the Committee's revenue estimates and underlying assumptions should be used by state agencies in the preparation of fiscal notes (Chapter 603, Laws 1991).

Because of disparities in the revenue estimates between the Legislative Fiscal Analyst (now the Legislative Fiscal Division) and the Department of Revenue during the 1997 session, House leadership requested that the Revenue Oversight Committee work with the Fiscal Analyst and the Department of Revenue to develop a process to resolve differences in revenue estimates before the 1999 legislative session.

RECENT PROCESS

In 1999, the Legislature revised the structure of interim committees and assigned the revenue estimating responsibilities to the Revenue and Transportation Interim Committee (Chapter 19, Laws 1999). In the past, the Revenue and Transportation Interim Committee has adopted the revenue estimates in November of the year preceding the next regular session. As a practical matter, the Committee cannot adopt the estimates much earlier than mid-November because the Department of Revenue's income tax data is not available until November 1 (October 15 is the general deadline for taxpayers who requested an extension of time for filing an income tax return).

Staff of the Legislative Fiscal Division and the Governor's Office of Budget and Program Planning each present assumptions and corresponding revenue estimates for the Committee's consideration. In the past, the Committee has initially adopted the revenue estimates of the Legislative Fiscal Division and may make changes to those estimates based on information presented by OBPP, economists from the Montana university system, and other experts.

Finally, the resolution containing the Committee's revenue estimates must be preintroduced by December 15, 2010 (see Rules of the Montana Legislature, Joint Rules 40-40(5)(a)). The Committee's estimate, as introduced in the Legislature, constituted the Legislature's current revenue estimate until amended or until final adoption of the estimate by both houses.

PATH THROUGH THE LEGISLATURE

In the 1999 through 2003 legislative sessions, both houses of the Legislature adopted the resolution, and it was filed with the Secretary of State.

During the last four sessions, the resolution has stalled at various stages of the legislative process.

In 2005, the House of Representatives did not concur in the Senate amendments to the resolution, and the resolution died in the process. As such, the Senate estimates were the Legislature's current revenue estimates.

In 2007, the resolution died in the House Taxation Committee. As such, the Revenue and Transportation Interim Committee's estimates were the Legislature's current revenue estimates.

On February 18, 2009, the House Taxation Committee amended House Joint Resolution No. 2 and adopted a committee report. The resolution was rereferred to the Committee. On March 21, 2009, the Committee again amended the resolution and adopted a committee report. In each instance, the House Taxation Committee estimates became the Legislature's current revenue estimate. The resolution died in the process.

On March 23, 2011, the House Taxation Committee amended House Joint Resolution No. 2 and adopted a committee report. The resolution was rereferred to the Committee on March 28th, where it died in process.

CURRENT PROCESS

On November 19th, 2012, the Revenue and Transportation Interim Committee met to review and adopt a revenue estimate recommendation, but were unable to agree on the estimate. Therefore, the committee did not introduce a resolution with the Committee's estimate. The Rules Committee subsequently met and adopted rules for the 63rd Legislative Session, including a requirement that the chair of the Senate Taxation Committee prepare a revenue estimate to be introduced in the Senate. The rules also provide that the Senate transmit the revenue estimate to the House no later than the 15th legislative day and that the Senate Joint Resolution does not constitute the Legislature's revenue estimate until passed by the House and any House amendments are concurred in by the Senate.

The estimate recommendations provided by the Legislative Fiscal Division are based on a wide variety of economic variables from IHS Global Insight for both the national and state economies. There are many other information sources that are contacted such as the Bureau of Business and Economic Research from Missoula, Montana State University Agriculture Economics department from Bozeman, numerous state agencies such as Department of Revenue, Department of Labor and Industry, and Department of Commerce and associations like the Montana Petroleum Association, Montana Society of Certified Public Accounts, and Montana Taxpayers Association. All of this information is utilized by staff to develop models that correlate state revenue collections with historical economic variables and project future collections based on forecast variables. Staff from the Legislative Fiscal Division is here to discuss the revenue estimating process in more detail.

PLAN

Today the Legislative Fiscal Division will discuss the models behind the individual estimates, and give a brief introduction on how to use the revenue book.

On Tuesday, there will be presentations from Pat Barkey of Bureau of Business and Economic Research at the University of Montana on the economy, David Pursell from Tudor, Pickering, Holt & Co. on the forecast price of oil, and Tom Richmond from the Montana Board of Oil & Gas on forecast oil production. LFD staff will address the underlying economic variables and give a measure of sensitivity of the overall estimate to certain economic drivers.

Next Thursday, the LFD staff will summarize year-to-date analysis and make any recommendations for updating the revenue estimate.

Next Friday, the committee will take executive action on SJ 2.