



## Revenue and Transportation Interim Committee

### 65th Montana Legislature

#### SENATE MEMBERS

MARK BLASDEL--Vice Chair  
DUANE ANKNEY  
DICK BARRETT  
CYDNIE (CARLIE) BOLAND  
JILL COHENOUR  
BRIAN HOVEN

#### HOUSE MEMBERS

TOM JACOBSON--Chair  
BECKY BEARD  
JIM HAMILTON  
GREG HERTZ  
ALAN REDFIELD  
BRIDGET SMITH

#### COMMITTEE STAFF

MEGAN MOORE, Lead Staff  
JARET COLES, Staff Attorney  
LAURA SHERLEY, Secretary

# MINUTES LOG

November 29, 2018  
Room 137, Capitol Building  
Helena, Montana

Please note: This document is a Minutes Log and provides a notation of the time elapsed between the beginning of the meeting and the time at which the item was presented or discussed, a motion was made, or a vote was taken. The narrative presented here is provided only as a guide to the audio or video record of the meeting. The official discussion, motion, or vote is available on the audio or video archive of this meeting. The Legislature does not prepare a transcript of meeting activities. The time designation may be used to locate the referenced discussion on the audio or video recording of this meeting.

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Please contact the Legislative Services Division at 406-444-3064 for more information.

#### **COMMITTEE MEMBERS PRESENT**

REP. TOM JACOBSON, Chair  
SEN. MARK BLASDEL, Vice Chair

SEN. DUANE ANKNEY  
SEN. DICK BARRETT  
SEN. CYDNIE (CARLIE) BOLAND  
SEN. JILL COHENOUR  
SEN. BRIAN HOVEN

REP. BECKY BEARD  
REP. JIM HAMILTON  
REP. ALAN REDFIELD  
REP. BRIDGET SMITH

#### **COMMITTEE MEMBERS EXCUSED**

REP. GREG HERTZ

## **STAFF PRESENT**

MEGAN MOORE, Lead Staff  
JARET COLES, Staff Attorney  
LAURA SHERLEY, Secretary

## **VISITORS' LIST (Attachment 1)**

## **AGENDA (Attachment 2)**

## **COMMITTEE ACTIONS**

- The committee adopted a revenue estimate for introduction to the 2019 Legislature and assigned Rep. Alan Redfield as the sponsor. The adopted estimate is the Legislative Fiscal Division estimate with an adjustment to the corporate income tax estimate. The adjustment attempts to model possible taxpayer behavior changes resulting from 2018 changes to federal tax law and uses LFD's "low estimate," which results in a \$23.5 million reduction in corporate income tax revenue over the three fiscal years.

## **CALL TO ORDER AND ROLL CALL**

10:03:12 Rep. Jacobson called the meeting to order at 10:03 a.m. The committee secretary took roll ([Attachment 3](#)). Rep. Hertz was excused and left his proxy with Rep. Redfield ([Attachment 4](#)).

## **AGENCY MONITORING: ADMINISTRATIVE RULE REVIEW**

### **Overview of administrative rule activity -- Mr. Coles**

10:04:02 Mr. Coles ([Exhibit 1](#))

### **Public comment**

10:07:13 Allen Olsen, Montana Petroleum Association ([Exhibit 2](#))

## **AGENCY MONITORING: DEPARTMENT OF REVENUE**

### **Required report on tax rates for upcoming property reappraisal cycle that will result in taxable value neutrality for each property class -- Gene Walborn, Director, Department of Revenue**

10:08:34 Director Walborn ([Exhibit 3](#))

### **Committee questions**

10:12:53 Sen. Blasdel asked what the cost would be for different tax rates.

10:13:35 Sen. Hoven asked if the current rates will stay in effect if no changes are made.

### **Public comment**

10:14:13 Bob Story, Montana Taxpayers Association ([Exhibit 4](#))

10:17:59 Sen. Barrett asked Mr. Story for clarification of the calculations used in his handout (see Exhibit 4).

## **REVENUE ESTIMATING AND MONITORING**

### **Statutory duty related to revenue estimate -- Ms. Moore**

10:18:36 Ms. Moore

**Revenue estimating error analysis -- Stephanie Morrison and Sam Schaefer, Legislative Fiscal Division (LFD)**

10:20:25 Ms. Morrison ([Exhibit 5](#))  
10:32:55 Mr. Schaefer

**Committee questions**

10:37:57 Sen. Barrett asked Ms. Morrison if the Individual Income Estimate is the November estimate and how it compares to the forecast in March, and asked if the evolution of forecasts have been considered in the calculations.  
10:42:01 Sen. Barrett asked Ms. Morrison for clarification on the modeling of income types versus growth rates.  
10:46:34 Rep. Hamilton asked Mr. Schaefer what years of estimates are considered in his calculations.  
10:47:31 Sen. Cohenour asked Ms. Morrison if she does a trend line comparison in previous years and if this is in the model.  
10:52:49 Sen. Cohenour asked Ms. Morrison what was the biggest driver of overall error.

**Introduction of revenue estimates and significance of revenue estimates to budget process**

Amy Carlson, Director, Legislative Fiscal Division (LFD)

10:56:36 Director Carlson ([Exhibit 6](#))

**Tom Livers, Director, Office of Budget and Program Planning (OBPP)**

11:15:17 Director Livers

**Overview of significant assumptions and comparison of revenue estimates -- LFD and OBPP**

11:19:46 Ms. Morrison ([Exhibit 7](#))  
11:32:53 Mr. Schaefer (see Exhibit 7)

**Committee questions for Ms. Morrison and Mr. Schaefer**

11:44:55 Sen. Cohenour asked Mr. Schaefer for clarification on his baseline estimate.  
11:45:20 Rep. Hamilton asked Mr. Schaefer to speak on the stressors to corporate profits and how they effect the estimate.  
11:48:37 Sen. Barrett asked Mr. Schaefer if the interest rate from IHS includes the anticipation of inflationary increases.  
11:49:10 Nick VanBrown, LFD (see Exhibit 7)

**Committee questions for Mr. VanBrown**

11:51:26 Sen. Hoven asked if statewide building permits are included in the estimate.  
11:52:21 Alice Hecht, LFD (see Exhibit 7)

**Committee questions for Ms. Hecht**

11:54:02 Sen. Cohenour asked for clarification on the estimate increase in 2020.  
11:55:47 Ms. Morrison (see Exhibit 7)

### **Committee questions**

11:58:52 Sen. Cohenour asked for clarification of the models used by LFD to calculate the estimate.

12:03:04 Ryan Evans, Assistant Director, OBPP (**Exhibit 8**) (**Exhibit 9**)

### **Committee questions for Mr. Evans**

12:28:49 Sen. Cohenour asked Mr. Evans to speak on the models used by OBPP to calculate the estimate.

12:31:42 Rep. Hamilton asked for clarification of the downward trend of pension and IRA income, social security income, and dividend income.

12:34:11 Ms. Moore reminded the committee of the public comment they requested from interested parties related to the revenue estimate. (**Exhibit 10**)

### **Public comment**

12:35:25 Bob Story, Montana Taxpayers Association (**Exhibit 11**)

**LUNCH** (Reconvened at 1:48 p.m.)

### **Motion to request revenue estimate and adopt LFD general fund and nongeneral fund assumptions and corresponding estimates -- Committee action**

01:48:15 Rep. Jacobson asked Ms. Moore how the committee should proceed with the action items

01:49:04 Sen. Blasdel asked Ms. Moore for clarification on the committee's action items.

### **Motion**

01:49:30 Sen. Blasdel moved to adopt the LFD baseline estimate recommendations with an adjustment to the corporate income tax estimate to account for federal tax law changes.

### **Discussion on the motion**

01:50:18 Rep. Hamilton

01:51:26 Sen. Barrett

### **Vote**

01:53:51 The motion passed on a 9-3 roll call vote, with Rep. Hamilton, Rep. Smith, and Sen. Boland voting 'no' (**Attachment 5**). Sen. Ankney voted "yes" by proxy (**Attachment 6**).

### **Motion to adopt preliminary ending general fund revenue sources -- LFD and OBPP**

01:54:38 Ms. Moore

### **Committee questions**

01:55:10 Sen. Blasdel asked for clarification on the committee's action item.

01:55:36 Sen. Barrett asked for clarification on the action item. The question was referred to Ms. Carlson.

**Motion**

01:56:10 Sen. Blasdel moved to adopt the preliminary ending general fund balance.

**Vote**

01:56:24 The motion passed unanimously on a voice vote.

**Assign revenue estimate sponsor -- Committee action**

01:56:52 Rep. Redfield agreed to sponsor the revenue estimating resolution.

**PUBLIC COMMENT ON ANY OTHER TOPIC WITHIN COMMITTEE'S JURISDICTION**

None

**ADJOURNMENT**

01:57:30 Rep. Jacobson adjourned the meet at 1:57 p.m.

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