



Revenue and Transportation Interim Committee

62nd Montana Legislature

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TO: Members of the Revenue and Transportation Interim Committee

FROM: Megan Moore, Legislative Services Division

RE: Revenue Estimating Process -- Consideration of Agenda Items

DATE: July 9, 2012

The purpose of this memorandum is to prepare the Committee to discuss what types of information are desired as part of the revenue estimating process by providing detail on the information received in past years.

The statute that outlines the duties of the Revenue and Transportation Interim Committee (RTIC), section 5-5-227, MCA, requires the Committee to "have prepared by December 1 for introduction during each regular session of the legislature in which a revenue bill is under consideration an estimate of the amount of revenue projected to be available for legislative appropriation." The initial estimate is important because it serves as the Legislature's current estimate until it is amended or adopted by both houses. The figures are used by agencies and for fiscal note preparation.

Before the 2009-2010 interim, RTIC received information about the revenue estimate only at the meeting at which the Committee adopted the revenue estimate. In 2010, items related to the revenue estimate appeared on the agendas for the final three meetings in August, September, and November.

Information presented at the August 2010 RTIC meeting related to economic forecasting and accuracy, which became an item of interest following the economic downturn in 2008-2009. The agenda items included the following:

- Economic information and forecasts, including accuracy of forecasts, used in developing revenue estimates -- Terry Johnson, Legislative Fiscal Division;
- Economic forecasts and revenue estimates -- Patrick Barkey, Bureau of Business and Economic Research, University of Montana, and Myles Watts, Department of Agriculture and Agricultural Economics, Montana State University;
- Other resources and entities for economic information and forecasting -- Cathy Duncan, Legislative Fiscal Division;
- Revenue estimating process, accuracy, and evaluation -- Terry Johnson.

Also in response to the economic downturn, the 2010 RTIC asked for and received from the

Legislative Council funds to purchase data from Moody's Economy.com. (The Legislative Fiscal Division already subscribed to data from IHS Global Insight.) A representative from Moody's attended the September 2010 RTIC meeting to present a national and Montana economic overview to the Committee before the vote on whether to subscribe to Moody's. IHS Global Insight also sent a representative to present similar information. There was no charge for the September 2010 IHS Global Insight presentation, likely because RTIC was considering subscribing to data from Moody's, a competitor of IHS Global Insight.

In 2008 and 2010, the November RTIC meetings to adopt the revenue estimating resolution included a few common informational items:

- an overview of oil and gas prices and how they affect the revenue estimate presented by industry representatives;
- a Montana economic outlook presented by a representative of the Bureau of Business and Economic Research at the University of Montana;
- an agricultural outlook presented by Myles Watts, an economist from Montana State University; and
- a presentation on the significance of the revenue estimate given by the Legislative Fiscal Analyst.

The oil and gas information and the agricultural outlook agenda items were not presented prior to the 2008 interim.

The Committee also requested two additional informational items in November 2010 that had not been a part of previous revenue estimating meeting agendas. The first item was an overview of Montana labor and business trends presented by Barbara Wagner of the Montana Department of Labor and Industry. The second new item was a perspective from the Chamber of Commerce on the state's economic outlook presented by Jon Bennion.

The Committee should consider what types of information are desired to inform the revenue estimating resolution and when this information should be received. After the July meeting, the next RTIC meeting is scheduled for September 13-14. The final RTIC meeting is the meeting at which the Committee will adopt a revenue estimate. That meeting is currently scheduled for November 16, but will likely need to be rescheduled due to conflicts with Legislator Orientation.