

MONTANA TAXPAYER



MONTANA TAXPAYERS ASSOCIATION

HELENA, MONTANA

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85th Annual Meeting of the Montana Taxpayers Association – Tuesday, December 5, Helena

Upcoming Meetings

June 29 and 30 – [Law and Justice](#), Butte

June 29 and 30 – [Revenue and Transportation](#)

July 14 – [Economic Affairs](#)

July 17 and 18 – [EQC](#)

August 14 – [Rail Service Competition Counsel, Shelby](#)

August 17 – [Education & Local Govt.](#)

August 18 – [Education & Local Govt.](#)

August 31 – [Law and Justice](#)

September 7 – [Energy and Telecommunications](#)

September 8 – [Revenue and Transportation](#)

September 11 and 12 – [Economic Affairs](#)

September 11 and 12 – [EQC](#)

September 11 – [State Administration & Veterans Affairs](#)

September 14 and 15 – [Children, Families, Health, & Human Services](#)

September 15 – [Legislative Council](#)

October 12 and 13 – [Legislative Finance](#)

Details on meetings are available on our calendar [website](#): or at [www.montax.org](#)

School Funding – Still Not “Adequate”

The Montana Quality Education Coalition (MQEC) filed a motion for supplemental relief and an order to show cause in the First Judicial District Court in Helena on June 13. They made this announcement to the Education and Local Government Committee at their meeting the same day.

The plaintiffs claim the "Legislature has not satisfied its constitutional responsibilities concerning funding for public elementary and secondary education. It has not determined the costs of providing a basic system of free quality public elementary and secondary schools. The Legislature has not, therefore, established a funding system that is based on the costs of delivering the services and programs that are part of the basic system of quality schools. Nor has the Legislature identified a plan for implementing the lasting reforms that are necessary to satisfy its constitutional responsibilities. Finally, and most significantly, as an inevitable consequence of these factors, funding for public

education in Montana remains inadequate to meet the quality standards that govern public schools." The plaintiffs are requesting the Court set a date following the adjournment of the 2007 Session, to ensure the Legislature "satisfies its constitutional obligations concerning funding for public education."

In their response to the Court on June 27, Ali Bovingdon, Assistant Attorney General, refuted the arguments and called the case moot since two legislative sessions have passed and a third will have taken place by the hearing date requested by the plaintiffs. The State argues that "the Supreme Court's opinion placed school funding reform squarely in the hands of the Legislature. The Legislature responded to the Court's decision by enacting changes to Montana's school funding system and appropriating significant dollars to implement those changes. If Plaintiffs still believe that the school funding system is unconstitutional after the work of the 2005 and 2007 legislative sessions has been fully implemented, they can file suit then."

The response also notes that as a result of the 2005 Regular and Special sessions, schools will be receiving \$81.4 million annually (\$162.8 for the biennium) in ongoing money as well as the \$159.5 million in one time money, over \$280 million in state spending. Most likely, additional money will be appropriated during the 2007 Session. (ed. Note: OPI has requested over \$100 million in additional spending for adjustments to present law and new programs – see article below on the Education and Local Government Interim Committee).

The plaintiffs have already hired a consulting firm to review the report by RC Woods, completed for the Quality Schools Interim Committee (QSIC) and to determine a remedy. Curiously, these are the same experts used in their original lawsuit against the state.

The top 5 concerns to be addressed in a remedy are:

- Unique needs of rural schools;
- teacher compensation (entire benefit package);
- at risk students;

Montana Taxpayer

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- low wealth districts; and
- school facilities.

Officials with MQEC stated the remedy discussions and information developed by their consultants will be open to legislators, the administration and the public. These discussions are tentatively scheduled to begin in September. An initial report is anticipated by October with final recommendations on a funding formula later in the fall. We will be following these discussions and keeping you informed of potential outcomes.

The Education and Local Government Interim committee will be asking MQEC to make another presentation at their next meeting. The tentative time for that presentation is 4:00 pm on August 17.

A link to the plaintiff’s motion for supplemental relief, the analysis of the report to the Quality Schools Interim Committee and the defendant’s response to the plaintiff’s can be found on our [website](#).

Education and Local Government

The Education and Local Government Committee met on June 13 in Helena to hear potential legislative proposals from stakeholders.

Montana Association of Counties

Harold Blattie, Executive Director of the Montana Association of Counties, reported on resolutions that are under consideration by the counties. The resolutions are currently under consideration at the district meetings and will be voted on at the annual meeting at the end of

September. **These resolutions are not final until adopted.**

- Enabling legislation that would allow both primary and general elections by mail ballot (MACO is working with the Clerk and Recorders on this resolution).
- Support efforts to create an Older Montanans Trust Fund and to increase state funding for aging services.
- A resolution identifying the potential negative effects on Aging Services provided by local governments that would occur with the passage of CI-97.
- Support efforts to repeal the provisions of Section 7-14-2205, MCA, requiring a county election be held to construct a bridge in a municipality, when the anticipated construction cost exceeds \$10,000.
- Support efforts to remove the current limit of \$500,000 as established in Section 7-14-2506, MCA for the County Road and Bridge Depreciation Reserve Fund.
- Support efforts to establish a compensated absence liability fund for counties, municipalities and special districts.
- Support legislation, consistent with the recommendations of the Montana 9-1-1 Advisory Council, to authorize a statewide, wireless E 9-1-1 emergency telephone system.
- Seek legislation to increase the current acreage threshold for solid waste disposal provided for in 75-10-214 MCA from 5 acres to 160 acres.
- Support a joint resolution to affirm the gray wolf is a predator species in need of management n Beaverhead, Carbon, Gallatin, Madison, Park, Stillwater, And Sweet Grass Counties.
- Seek legislation to clarify the responsibility for payment of assessments for noxious weed control.
- Seek legislation to provide counties with the same authority as municipalities currently have related to interim zoning.
- Seek legislation that will allow permanently registered vehicles to be disposed of under the junk vehicle program.
- Support legislation to amend Section 7-5-2411(b), MCA that requires county legal advertising and printing contracts be awarded only to newspapers with “paid” circulation.
- Support efforts to modify the date newly elected county officers take the oath of office.
- Seek legislation to conduct a legislative interim study to look at laws concerning the creation, alteration, dissolution, rights of protest and operation, funding and structure of special purpose districts and authorities.

- Support the creation of, and funding for, a summer youth employment program for low-income families.
- Support efforts for the state to assume all costs associated with Youth Court.

Montana League of Cities and Towns

Alec Hansen, Montana League of Cities and Towns, explained that labor costs account for nearly 70 percent of the general fund budgets and a large portion is attributable to health insurance costs. The League recently created their own pool and will see a rate increase of approximately 9 percent rather than the 12 to 15 percent most of the cities were experiencing.

Once again, the League's top legislative priority will be a push for a local option tax or expansion of the resort tax. Mr. Hansen told the committee his commitment to a local option tax "is as persistent as a hangover and as patient as a wolf." The League would like consideration of three potential committee bills: standards on sewer and water; legislative clarification requiring a portion of insurance claims to be used for cleanup of a site if the owner does not rebuild or clean the site, and echoed the support of an interim committee on special purposed districts as proposed by MACO.

Office of Public Instruction

Linda McCulloch, Superintendent of Public Schools, presented their proposals for the next session. Although OPI is not required to go through the Executive Planning Process (EPP), if they want a bill pre-introduced, they must go through an interim committee.

OPI's estimate of present law and inflation adjustments for the biennium is \$58.772 million. The total cost of new programs is \$40.339 million. New programs include full time kindergarten, payment of benefit costs for employees hired with federal dollars, and additional money for high cost special education students, gifted and talented programs and adult basic and literacy education. OPI is also requesting \$7 million in additional money for the agency budget. The total increase requested by OPI for the biennium is \$106 million. The proposed budget can be found at our website under the [2007 Regular Session](#).

Legal Analysis on Budget Limitations for Schools

Greg Petesch reported on an analysis he prepared for Senator Bob Story on the application of the statutory budget limit contained in section [20-9-308, MCA](#). The statute establishes the procedure for adopting a general fund budget for the school district. School districts "are authorized to adopt a general fund budget up to the maximum general fund budget amount or the previous year's general fund, whichever is greater. The statute also has specific provisions for schools whose budget

exceeded the maximum budget provided by law when the statute was adopted in 1993. The section was not amended by the SB1 in the Special Session to allow for districts to exceed the prior year's budget. According to Petesch, OPI had instructed districts to add the new special session general fund payments to the fiscal year 2006 budget prior to the calculation of the budget limit for fiscal year 2007. OPI's rationalization was the new financing represented an unfunded mandate and the schools should be allowed to add the additional money under [1-2-113, MCA](#). Mr. Petesch disagrees with this position in his analysis. OPI indicated to the committee they will not be changing their position.

Governor's Office on School Funding

Jan Lombardi, Policy Advisor for Education for the Governor, listed the top three priorities of the administration for education:

1. More assistance for at-risk students (including gifted and talented),
2. More scholarships for higher education; and
3. Addressing the retirement liability.

The Governor is addressing at-risk by proposing full time kindergarten that would be voluntary by district. He is establishing a Montana School Readiness Program (including stakeholders from Head Start, community leaders, and Indian Reservations) to identify ways of reaching the at-risk population.

The Governor wants to create a stronger bond between K-12 and higher education. Besides additional scholarships, he wants to address the current problem of credit transferability among the university units.

Their office continues to identify solutions to minimize the liability of the Teachers Retirement System (TRS). They are looking at one time infusion of funds similar to the actions during the Special Session and to avoid or minimize future increases in property taxes to make the system solvent.

Committee Structure

The members discussed the possibility of restructuring the committee. They believed that education should be a separate committee (would include K-12 and postsecondary education). They also discussed whether Transportation should be included with Local Government and Revenue be a unique committee. The Revenue and Transportation Committee will be discussing this at their June meeting.

Final Meeting – August 17 and 18

The subcommittees on Local Government and Postsecondary Education will meet both mornings and the full committee both afternoons.

Two Property Tax Reforms - "Square Deal" or a "Handshake with Montana"

The anticipated surplus has prompted proposals from both the Governor and the Republican Party for property tax relief. We have not seen the details of either proposal so will only provide information released by the parties. The Governor's initial property tax relief proposal is temporary and Republican's would be permanent.

The Governor has indicated he will be coming out with additional plans for the next session in the upcoming weeks. The Republicans released their plan, "A Handshake with Montana" earlier this year. Some of those proposals are listed in the next column.

Governor's Tax Proposal – Press release June 28, 2006

Governor Brian Schweitzer today announced he intends to propose to the 2007 Legislative Session a bill to rebate property taxes to Montana homeowners. The proposal will give \$100 million back to taxpayers, or about \$400 per homeowner. The Governor's proposal would give all the money to homeowners not to big corporations.

I want to give Montanans a square deal. Over the past decade property taxes have done nothing but go up for homeowners, said Governor Schweitzer. No more camouflage taxes. We have bills to pay but so do the citizens of this state; we are partners in our government. We need to be fiscally responsible and live within our means. We can do that and give homeowners some money back. Schweitzer also pointed out that like

Montanans the state has to pay for rising utility and gasoline costs. Everyday the hard working citizens of this state have to balance their checkbooks and account for rising costs.

The Governor's proposal: Property Tax Rebates totaling \$100 million of one-time money or about \$400 per homeowner.

The announcement today kicks off a series of announcements to come on Schweitzer's Square Deal with Montanans. The Schweitzer administration has not raised taxes and does not support raising taxes. In fact the business equipment tax was eliminated for 13,000 small businesses. Recently Montana was ranked number 9 in best tax code for business and 12th best in state and local tax burden by The Tax Foundation and has the third fastest growing economy.

Republican's Handshake with Montana

The Republican's proposal would reduce property taxes approximately 8 percent. One of the options they are looking at would reduce the 101 mills currently levied statewide. According to Senate Minority Whip, Corey Stapleton, the Republicans are also looking at other options for long term property tax relief, in addition to reducing statewide mills.

Other components of the "Handshake with Montana" include: use excess revenues for emergencies only or return the excess; increase K-12 spending in the classrooms and give teachers a \$250 tax credit for classroom supplies; invest in rural healthcare and healthcare institutions; support funding to reduce college tuition; investing in energy and job opportunities for our younger generation; strengthen private property rights; and pass a comprehensive ethics bill that defines and enforces acceptable behavior of elected and appointed officials as well as public and private sector lobbyists.