

Rep. Jim Peterson, Myles Watts, and Mary Whittinghill to discuss policy recommendations of the Taxation and Revenue Working Group

- Lt. Gov. Karl Ohs and Kirk Miller met later in the day with the Legislative Interim Tax Reform Study Committee for further discussions of the policy recommendations

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## Report to full Commission: School Taxation and Revenue Working Group of the Montana K-12 School Renewal Commission

May 17, 2004

*Consensus Recommendations from the Working Group, to be Considered by the Legislative Interim Tax Reform Study Committee*

### Mission Statement

“In order to develop a sustainable system that equalizes tax burdens and benefits while maintaining local control, reduces the barriers to school efficiency, and develops revenues for funding quality education; the School Taxation and Revenue working group proposes the following guidance concepts and policy recommendations:

### Policy Recommendations

1. Implement a statewide equalization plan with an emphasis on homeowner equity and uniform property taxation.
2. Fund the base budget using statewide equalization
3. Use weighted guaranteed tax base (GTB) or power equalization to fund 80-100% of budget.
4. A balanced taxation approach that includes existing statewide taxes such as property taxes, income taxes, and natural resource taxes and also considers new revenue such as a general statewide sales tax to be used as a mechanism for taxpayer equalization.
5. A balanced taxation approach that includes existing taxes such as property taxes, income taxes, and natural resource taxes and also considers new revenue such as a general statewide sales tax should be used as a mechanism for funding quality public schools.

### Guidance Concepts

1. Achieve homeowner tax equity.
2. Proposals must consider the definition of a basic quality system of elementary and secondary schools in Montana.
3. Equalized residential mill value. (Residential mills should be worth the same regardless of the location.
4. Proposals must retain the equity components and should simplify understanding for the public.
5. Proposals must take into consideration current and/or future tax burdens to avoid extreme tax increases on a particular subgroup.
6. Revenue recommendations must be sustainable and reliable and have a mechanism for adjusting the budget to inflationary increases.

7. Proposals should consider other revenue currently used by schools such as centrally assessed property, commercial property, agricultural property, natural resources revenue and resort revenue to be shared equitably amongst all public school districts.
8. Other district budgeted funds (transportation, capital projects, retirement, building reserve, building, and adult education) should be financed using an equalized revenue source.
9. Fund balance reappropriated remains with the district and an incentive mechanism is developed to allow the funds to be reserved for "appropriate" future use.
10. Develop a method to ensure that revenue from natural resource utilization becomes a sustainable and predictable way to finance quality public education.

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Resources/materials for the Revenue and Taxation Working Group:

"An Example of Power Equalization – Four Districts," Legislative Fiscal Division, State of Montana, 5/17/04

"FY 2004 BASE mills and state-funded BASE mills scenario per elementary, high school, and combined districts, Excel spreadsheet," Matt Bugni, Governor's Office of Budget and Program Planning , 2004

"Governor's K-12 Public School Funding Study Advisory Council, Report and Recommendations," Montana Governor's (Martz) Office, December 31, 2001

"How to Read a Property Tax Bill," Jim Standaert, Legislative Fiscal Division

Montana Maps: Natural Resource Information System, Montana State Library,

- BASE Mills for Elementary and High School Combined, FY2004, NRIS #04GOV0003a-1, 3/5/2004
- BASE Mills for Elementary FY2004, NRIS #04GOV0003a-2, 3/5/2004
- BASE Mills for High School Combined, FY2004, NRIS #04GOV0003a-3, 3/5/2004
- Change in Estimated Mills, Statewide Equalization of District Base Budgets (66.2 Mills) FY2004 EL and HS Districts combined, NRIS #04GOV0003a-4, 3/5/2004
- Change in Estimated Mills, Statewide Equalization of District Base Budgets (38.9 EL Mills) FY2004, NRIS #04GOV0003a-5, 3/5/2004
- Change in Estimated Mills, Statewide Equalization of District Base Budgets (27.6 HS Mills) FY2004, NRIS #04GOV0003a-6, 3/5/2004
- Change in Estimated BASE Mills Statewide Equalization of District BASE Budgets (64.3 mills), FY 2004 EL and HS Districts combined, NRIS #04GOV0005-1, 4/11/2004
- Change in Estimated BASE Mills Statewide Equalization of District BASE Budgets (70.2 mills), FY 2004 EL and HS Districts combined, NRIS #04GOV0005-2, 4/11/2004
- Change in Estimated Mills (BASE and over-BASE) FY2004 EL and HS Districts combined, NRIS #04GOV0005-3, 4/11/2004
- Mill value per Elementary ANB, FY2004, NRIS #04LEG0004-1, 4/21/2004

"Potential Uses of Sales Tax Revenue for School Funding," memorandum to Tax Reform Study Commission from Amy Carlson and Matt Bugni, Governor's Office of Budget and Program Planning, March 24, 2004

*Resource Adequacy Study for the New York State Commission on Education Reform, Abridged Version, Standard and Poor's School Evaluation Services, March 2004*

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