

Mr. Chairman and members of the Committee my name is Pat Wagman, I represent the Montana Family Foundation.

Mr. Chairman we specifically asked our supporters not to come to this hearing most of them would not be able to speak to the fiscal note and the state budget at the level the committee desires.

I would like to start with the "as introduced fiscal note" prior to the bill being amended. We believe the amendments from House Education should have reduced the fiscal impact by 1/3rd. Pass out the note.

Please look at page one "as introduced note" the last sentence: "For example, if a child's parents and both sets of grandparents each pay at least \$550 of tuition, there could be three credits claimed for that child." This was not our intent; we intended only one credit of \$550/student that could be split among taxpayers.

The effect on this assumption in the "as introduced note" is seen on page 2, #6 last sentence, Here the note assumes the number and amount of credits claimed is 50% higher than existing enrollment.

Now look at the "amended note" page 2, #5 and 6. When the bill was amended we intended the total credits to be \$2,065,114 as stated in #5 and we thought #6 would be zero. We believe the assumption in #6 is high. The way we read this assumption is that 1 out of 2 private school students would have a resident grandparent or friend of the family paying a portion of their tuition and believe this is unrealistic. The additional cost in this assumption is \$655,658.

We see the cost of this tuition credit at about 2 million annually on its face but let's look at the real cost. Mr. Chairman I have enrollment data from OPI to hand out, the first page has private school enrollment for 2007-2008 at 8,707 students. This enrollment was just prior to the start of the recession. The next page school year 2011-2012 shows private school enrollment at 7,347. Montana Private Schools lost 1360 students or 15.6% of their student population since the start of the recession. Look at the numbers for grades 9-12 they are virtually unchanged and home school numbers are almost constant. The movement in students was in grades K-8. These elementary private schools lost approximately 25% of their students since the start of the recession. I don't track private school enrollment by school but I do know St. Matt's in Kalispell had a 22% reduction in enrollment, St. Mary's in Livingston has historically been at around 100 students and is now about at 70 and the Montessori Island School in Livingston closed its grade school last spring.

Lets look at Montana Public school elementary enrollment for the same period 2007-2008 school year 96,428, 2011-2012 school year 99,725 an increase of 3,297 students. So since the start of the recession enrollment in private schools is declining and public school enrollment is increasing. The question is at what cost to the taxpayer and the state budget? Of the 1360 student decline in private school enrollment if only 1/3rd of them enrolled in a Montana public school the cost to the state budget would be about 2 million dollars. Look at Page 3, #15 \$4,248 per student and you can add on another \$2,000 per student in local property taxes. If all 1360 enrolled in a Montana Public school the cost is almost 6 million a year to the state budget and over 8 million a year to State and local taxpayers.

Plas look at page 5 number 1, "School districts that have lower enrollments because students move to private schools will have lower costs, lower spending caps and reduced state funding." This statement is only true if the school experiences declining enrollment. Elementary Public school enrollment has

increased by 1% this past year and 3.4% over the past 5 years. See the chart from the Legislature's home page.

Please look at the "as amended note" page 2 #8. There are some interesting statements here. Second sentence "full tuition appears to cover about 60% of private school costs in Montana. Since many students receive some kind of discount, actual tuition payments cover less than 60% of costs. Spending per student is about \$9,191, and non-tuition revenue per student is about \$3,631." Let's talk about private school funding. Many private schools use national companies to analyze family income and expense. Parents submit an application to these third party companies which includes detailed family expense and a copy of their most recent tax return. The companies determine the amount of family income available for private school tuition and make a report to the private school. I know of no regular non-boarding school in Montana that charges or spends \$9,000 per student. The schools I have talked to tell me their cost per student for elementary school is from \$4,200 to about \$5,200 per year and high schools 6 to \$7,000 per student. Tuition is set near and above the actual cost. Parents who have the financial ability to pay the full tuition do and in effect subsidize parents who cannot. Most families do not have the income available to pay the full tuition and are heavily subsidized by fundraisers and charitable giving to the school.

Back to the note again page 2 #8 last two sentences "Additional students attending private schools would pay tuition less than the costs of serving them" Most students attending private Montana schools pay less tuition than the cost of serving them. Last sentence "Private schools can accept these additional students and continue to meet all their expenses only if they raise tuition to capture part of the value of the tax credits and use these funds to subsidize the additional students." This simply not true, most private schools have small class sizes and adding few students actually lowers the cost per student of that classroom, by lowering the per student cost the school can maintain affordable tuition for all families.

Family incomes in Montana do not have Present Law Adjustments or 6 year reappraisal based on the most recent peak market year or income tax revenue from oil and gas production or even 3 year averaging for declining enrollment. A \$550 tuition credit does not sound like much but to many of these families who are paying tuition of 2 to \$4,000 it would mean one quarter to one eighth of their tuition payment.

The fact is by allowing parents a small tax credit for tuition paid and allowing them to keep money they would have sent to the state. You will give some parents the ability to choose a school which they decide is right for their child. For every student who stays in a private school or moves to a private school because of the credit the State budget saves \$3,698. Please look at page 3, #14 last sentence, "This number could grow to as many as 1% or 1500 over time,..." 1500 times \$3,698 equals 5.5 million in savings to the state budget. Please look at page 4 #5 under OPI expenditures K-12 base aid \$382,320 here represents the 87 students who would move to a private school because of the tax credit on page 3, #15. This assumption is static and does not grow over the four year period shown. We believe this is unrealistic given that private schools have lost 1360 students since the 07-08 school year.

To conclude we believe this tuition credit will initially cost about 2 million dollars but over time it will save the state several million dollars every year.