



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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DATE: June 16, 2004  
TO: Legislative Finance Committee  
FROM: Jim Standaert  
Senior Fiscal Analyst  
RE: Legislative Study Committees

K-12 renewal Commission – The K-12 Renewal Commission has met 13 times since July 2003. It has produced a vision statement, a mission statement, and is working on producing a definition of a quality education. The Montana K-12 Public School Renewal Commission will research and provide recommendations regarding the provision of a basic system of free, quality elementary and secondary schools.

### PROPOSED MISSION STATEMENT

The mission of the Montana K-12 Public School Renewal Commission is to make recommendations based on the following underlying values:

- o The Montana accreditation standards form the base of all schools programs;
- o Public school resources shall be allocated to enable our public schools to offer equitable educational programs for all Montana's students that meet their unique and diverse needs;
- o Public school resources shall be understandable and sufficient to ensure that schools are able to meet educational standards for every public school student in a safe and accessible manner; and
- o Public schools shall be funded in a predictable and sustainable manner.

The Commission has been engaged in defining the elements of a quality education. These elements are meant to supplement the requirements of the state's accreditation standards. The elements include full-day kindergarten, summer opportunities, extended day instruction, pre-school, funding the Indian Education Act for all, expanded funding for gifted and talented programs, increased funding for special ed students and at risk students. Each of these proposals will be costed out at the June 28<sup>th</sup> meeting.

In addition, the K-12 Renewal Commission will make a recommendation on regional service delivery methods, removing barriers to consolidation, as well as methods to increase the state share of K-12 funding. The Commission has looked at funding base budgets with a statewide mill levy, consolidating school district funds, funding the general fund OverBase budget with GTB or power equalized funds. The Commission has reported to the interim Tax Reform Study

Committee to elicit help in designing a new tax system. The next meeting is June 28<sup>th</sup> and the Commission's website is:

<http://www.discoveringmontana.com/gov2/css/boards/renewal/default.asp>

Tax Reform Study Committee – The Tax Reform Study Committee has met eight times and has finished its study of background topics. These included a comparison of revenues and expenditures in Montana for 1980, 1990, and 2000, as well as for Montana compared with other states in 2000. Also presented were a comparison of the MACO sales tax bill (from the 1997 session) with Rep. Peterson and Senator Mangan sales tax bills from the 2003 session, a report on progressive taxes, a report on a spreadsheet to design a sales tax, a compendium of business tax incentives in Montana and a report on the provisions on SB 407 and its impacts. The committee has met jointly with the Property Tax Reappraisal Committee in which information was provided regarding each Committee's activities and the constitutionality issues relating to property tax. Also presented have been reports on: 1) the definition of a fee vs. a tax; 2) income tax credits; 3) comparative tax rates across Western States; and 4) the exportability of state and local taxes.

Recent meetings have included the following topics:

- o A description of Montana's income tax credit for taxes paid to other states
- o Tying the income tax to federal tax liability
- o Soft drink taxes
- o New sales tax revenue estimates,
- o Potential uses of sales tax revenue to reduce other taxes and for school funding
- o Natural resource taxes in Montana and Wyoming
- o Impacts of eliminating the class 8 business equipment tax
- o Impacts of a sales tax on various income classes
- o Taxation of bentonite mines
- o Coal severance tax exemptions
- o Impacts of SB 407 on high income taxpayers
- o Participation in the national streamlined sales tax initiative

The Committee has available a model to view the impacts on the state budget of various sales, income and property tax proposals.

The next meeting will be held on July 12<sup>th</sup> and 13<sup>th</sup>, and its website is

<http://discoveringmontana.com/revenue/css/5foryourreference/studycommittees/taxreformcommittee.asp>

Property Tax Reappraisal Committee – The Property Tax Reappraisal Committee has met five times. It has completed informational background work on Montana's property tax system, review of property tax revenues for K-12 and for local governments, and a comparison of the importance of property taxes in Montana with other states. Other reports have included: 1) the current status and historic growth in property classes; 2) comparison of tax burdens in various cities compared with Billings; 3) impact of dropping the tax rate on business equipment to zero; 4) capping value growth on residential land; 5) land exemptions; and 6) reverse annuity programs in other states. The May 7<sup>th</sup> meeting looked at methods to cap increases in assessed

value due to reappraisal for residential property. The next meeting of the Tax Reappraisal Committee will be held July 15<sup>th</sup>, and its website is:

<http://discoveringmontana.com/revenue/css/5foryourreference/studycommittees/reappraisalcommittee.asp>

Property Tax Exemption Committee – The Property Tax Exemption Committee has met three times. It has heard presentations on: 1) a primer on state finances in general and the property tax system in particular; 2) origins of exempt classes of property; 3) current tax exemptions in Montana law; and 4) procedures and tests for qualifying for exemptions. The next meeting is to be announced. The Property Tax Exemption Committee's website is:

<http://discoveringmontana.com/revenue/css/5foryourreference/studycommittees/propertytaxexemptioncommittee.asp>

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