



MONTANA STATE SENATE

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LEGISLATIVE AUDIT DIV.

Angus Maciver, Legislative Auditor

Mr. Maciver,

I write to request that the Legislative Audit Committee give serious consideration to the following topic as a potential audit in the upcoming fiscal year.

OPI et al: Collection and disbursement of the 95 Mills Permissible to equalize educational opportunity in Montana.

Background: Under court order in 1989 the Montana legislature met in special session to equalize education funding. They adopted using a 55 mills county levy and a 40 mills state levy formula. \$1.9B is now collected from primarily property taxpayers for schools with roughly half of that from residential property taxpayers. The legislature has modified the formula several times but with varying benefit/detriment outcomes thus challenging the equitable distribution (X.5) requirement of the Montana Constitution.

Since 2001 property taxes paid to schools has increased 126%. This far outstrips all inflation and population growth. Property taxes have increased dramatically since 2017 due to higher appraisals. This seems to be greater than the cost increases to schools outside of voted levies.

A performance audit could explore if the fund has masked a tax shift in the last 34 years. Is the 95 Mills being used to backfill the preferential tax handling in Classifications 14 and 15? Further, the performance audit could explore the equalization funding mechanisms used in other states to accomplish equitable outcomes.

Thank you in advance to the Committee for its consideration of this important audit topic. The homeowners of Montana are under great tax pressure. Even small corrections for tax equity can result in great relief.

A handwritten signature in blue ink, appearing to read "Brad Molnar".

Senator Brad Molnar SD 28