



# Reasons to Support LC 132, Senator Jones, 2013

## Legislative Session

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## LC 132 Increases funding for schools to improve academic achievement for Montana's children

LC 132 proposes to:

1. Increase the use of data to drive increased student achievement, by enhancing the current statewide data system so that educators and families can use data collaboratively to improve opportunities for children in our public schools.
2. Provide inflationary adjustments to the formula to ensure schools can meet the rising costs of doing business.
3. Provide resources for schools to use in implementing the common core curriculum requirements recently adopted by the state of Montana.

## LC 132 reduces school district property taxes

1. LC 132 provides substantial tax relief where it is most deserved – to property taxpayers who have shouldered a disproportionate share of the costs of funding Montana's public schools over the last 20+ years. Did you know that school district property taxes for general fund budgets have increased from \$75 million in 1991 to \$286 million today? That is \$143 million higher than what taxes would be if they had increased by 3% inflation over this time span. It is time to give those who have supported Montana's public schools a well-deserved break.
2. LC 132 takes half of the state's current share of oil and gas revenues, which have been used to increase state general fund spending over the years and use it to provide permanent reductions in property taxes statewide.
3. The median **decrease** in district general fund mills from a combination of this tax relief and the increased funding of schools under LC 132 is 7 mills, although some districts will see reductions in excess of 12 mills, even after the increases in funding!

## LC 132 aligns the success of those who develop our natural resources with the success of our public schools

1. LC 132 proposes to use oil and natural gas production taxes in a responsible way to stabilize and reduce school district property taxes throughout the state.
  - a. Although oil and natural gas production taxes are a variable revenue source, revenues from such production have been on a sharp upward trend overall for the last 10 years, growing from \$43.7 million to \$215.1 million from 2000 to 2011. The state of Montana has used its portion (roughly half) of these revenues to support increased state general fund spending during that entire time frame. There was only one year in that time frame, during the middle of the Great Recession, when the state experienced a year-to-year reduction in revenues and that was following a highly unusual spike in such revenues in the prior year.
  - b. LC 132 uses oil and natural gas production taxes to reduce school district property taxes by known amounts each year, depending on the actual revenues

generated. By committing the oil and natural gas production revenues to tax relief only after the amount of revenue is known and received, rather than projected, the issue of mid-year cash shortfalls in the case of a market crash is resolved and prevented in LC 132. As oil and natural gas production taxes continue to grow as projected by the Legislative Fiscal Division, the extent of tax relief will grow as well. And no matter how variable the revenue source is, as long as there are any oil and natural gas production revenues generated, school district property taxes will be lower than they would be without commitment of this new funding source to offset property taxes used to support school district BASE budgets statewide.

2. LC 132 breaks the current cycle where unanticipated increases in revenues from state lands are used to supplant and reduce state general fund support of schools. No longer will state land revenues be raised in the name of public schools but spent on other priorities. Instead, increased revenues from state lands will be used to create a legacy of reduced school district property taxes and well maintained and repaired school facilities.
  - a. To give you an idea regarding how this works, this change, had it been in effect a couple of years ago, would have brought school districts \$40 million in increased funding to repair school facilities and \$40 million in district property tax relief when Otter Creek bonus payments were received by the state. Instead, under the old law, this money went into building the ending fund balance and was used to fund increased state general fund spending during the next legislative session.
3. LC 132 allocates unanticipated increases in state land revenues to be split equally between property tax relief and repair of school facilities. This will ensure that there is a cause and effect relationship between the success of those developing our natural resources and the success of our public schools and the property taxpayer that support them.

## **LC 132 ensures that school districts and taxpayers in oil and natural gas impacted areas have the resources needed to address such impacts**

1. With rapid oil and natural gas development occurring in eastern Montana, Montana's public schools in those areas have been significantly affected by the impacts of such development, including:
  - a. Rapid increases in student population for which funding is delayed by a year under current rules;
  - b. Students who come and go in a single year and are never counted in the funding formula at all;
  - c. A disproportionate number of students with learning disabilities and other special needs;
  - d. Staff that cannot find affordable housing;
  - e. Strains on existing water and sewer systems;
  - f. Recruitment and retention problems as cooks, bus drivers, maintenance workers and other staff are hired away by the oil and gas industry due to higher wages; and

- g. An insufficient pace of growth in the underlying property tax base to support the development impacts referenced above.
- 2. LC 132 proposes to:
  - a. Ensure that local oil and natural gas production revenues stay local, by removing such revenues from the state general fund and reallocating such revenues among school districts and taxpayers in oil and natural gas impacted areas.
  - b. Allow school districts with fast growing enrollments to receive funding to meet the needs of new students in the year that they arrive and to retain oil and natural gas revenues needed to construct new buildings or redesign existing buildings used for instruction.
  - c. Allow school districts in oil and natural gas impacted areas to use oil and natural gas revenues to repay bonds issued for construction.

## **LC 132 protects the public's investment in school facilities and provides a funding source to restore the public schools that will serve the next generation of Montana's children**

LC 132 proposes to use excess state land revenues to help school districts make progress on addressing a backlog of deferred maintenance across the state that has been documented through a rigorous analysis by the state of Montana as part of its K-12 Public Schools Facility Condition Assessment completed in 2008. That report found that the cost in 2007 dollars of bringing school buildings across the state up to the standards in effect at the time of construction was \$359 million. In spite of that finding, no appreciable funding source was ever committed to ensuring a solution. Although LC 132 will not solve this issue, it proposes an important first step in ensuring that state land revenues that are above the revenue estimate adopted by each Legislature will be committed in part to protecting the investments of taxpayers throughout the state and ensure that our public schools remain viable learning environments for this and future generations of Montana's children.

## **For all of the reasons above and more, if you are interested in a bright future for the State of Montana, LC 132 is a bill to support!**

LC 132 includes a balanced combination of:

1. Funding and increased flexibility for innovation, improved academic achievement and inflationary costs;
2. Significant school district property tax relief;
3. A solution to ensure that income generated off of school trust lands is exclusively devoted to meet the needs of K-12 public schools and the taxpayers that support our schools;
4. An alignment of the success of natural resource development and K-12 public schools; and
5. A solution for deferred maintenance in Montana's public schools.