

HOUSE TAXATION COMMITTEE
46th Legislature

Rep. Herb Huennekens, Chairman, called the committee to order at 8:30 a.m., February 15, 1979 in room 434, Capitol Building, Helena. All members finally were present. Randy McDonald, staff attorney was present.

House Bills 547, 592, and 604 were to be heard.

Rep. Fred Daily, District #87, Butte, chief sponsor of HB 547 is a teacher at the vo-tech center in Butte. There is a salary problem with vo-tech centers, 87% of monies come from the state. Appropriate budgets according to salaries established with state employees then go back to local dollars and negotiate with them for the balance. They are bound to give that 2% differential raise and have to take that 2% out of programs and consequently programs suffer. He wants to start additional salary level from this level. The federal government will start a program and cut that program off and the state will have to fund it. The state has been funding salaries and benefits at the state level and he thinks they should continue to do that. Have tied the additional levy request to the local level. This won't be a large amount of money - \$10-20,000 at the most. Have tied to high school mill levies.

If use adult education as an example, probably half the people in Butte have taken a class at the vo-tech center and have come away with a good feeling and so he thinks these people would help rather than hurt. If local school dollars want to maintain control of the vo-tech centers, they must put in a few more dollars. Wants to include this additional salary and think the local dollars should pick up that salary. Wants to give the local dollars a chance to run an additional mill levy with the consent of the local community if they want to. Vo-tech centers were not funded properly last time. If they could have been able to run an additional mill levy request, would have been able to keep the school open at Butte during the summer.

John Fitzpatrick, OBPP, Helena, explained the local board sets pay raises for vo-tech staff and has the option of granting less than and greater than the state. The local board can raise salaries above the state. Raised \$400,000 more than that granted by the state for pay raises. This is normally made up by laying off staff, cutting programs, etc., which jeopardizes vo-tech centers.

HB 547 would allow local communities to pick up the difference if they desire to do so. The school is caught in the crossfire between state and local boards. Limits contribution for employee raises and potentially saves the state some money. Voters may reject a proposed mill levy. The fiscal impact is not known.

There were no opponents.

Rep. Daily closed saying teachers at vo-tech centers get paid the same exact salary that other teachers get. The teachers at the local vo-tech will become state employees and will get inferior teachers at the vo-tech centers because teachers at vo-tech will transfer into the local district. All of the teachers who are teaching in the vo-tech centers could transfer into the local school districts.

Questions from the committee ~

Rep. Burnett remarked they can do this anyway. Rep. Daily said this isn't true. Have money from the state 85%; 1 mill in each county where centers are located, 10%; federal government 5%. Rep. Burnett thinks if a school district in that area wanted to pay more, they could put up a mill levy.

Dr. Larry Key, State Director of Vocational Education, advised the total budget is under the control of the Board of Education and is funded by appropriations from the state legislature. Rep. Burnett said teacher is hired by the local district. Any teacher hired can negotiate salary and they can put forth a levy to do this. He thinks this should be checked out. Dr. Key advised under present state laws the total budget is from the state general fund, student fees and local mill levies and federal dollars, but no other funds.

Rep. Fagg asked if this would be in terms of paying higher salaries than other teachers in the school district get. Dr. Key explained at the present time the teachers at vo-tech centers are school district employees and are on the same salary schedule. They have a mill levy for the high school and a mill levy for the elementary purposely for salary increases. Under the present system, if the high school mill levy failed, wouldn't get a raise - if mill levy failed, wouldn't get vo-tech salaries.

Rep. Underdal asked if instructors in vo-tech centers have to have special qualifications? Rep. Daily said they have to get people from industry to come in and teach and the number one requirement is not a degree, but job experience. They had 5 teachers leave the vo-tech because they felt it was going to become a state system and Butte vo-tech center had problems getting teachers. They were only able to pay their teachers \$8,000 compared to downtown teachers at \$20,000. The mill levy would be used only for salary increases.

Rep. Johnson asked Rep. Daily if he wanted to have a mill levy put into his bill for expanding? Program is to use mill levy for salary raise.

Rep. Williams asked if the levy proposition must be included as part of the high school mill levy? Rep. Daily said it could be separate, but would rather that it was included with the high school mill levy. Will not be a large sum of money.

Rep. Bertelsen remarked the teachers are being paid the same, but programs are being cut and Rep. Daily wants to use this mill levy for salary raises.

Rep. Underdal asked what impact does tuition have on this? The Board of Public Education sets the amount of fees that can be charged. Board of Public Education is the sole agency responsible for and has authority for vo-tech centers. Dr. Key advised \$40 per student set by the Board of Public Education - recommends increasing fees to \$80. Rep. Underdal said this is less than rates in Universities which are \$200 per quarter. Dr. Key said you are talking about two different kinds of people.

Rep. Fabrega said teachers at vo-tech centers have the same qualification range as high school teachers except for experience and they receive the same salary.

Rep. Reichert remarked high school teachers are receiving more than vo-tech teachers - state salaries are higher than teachers at vo-tech centers. If HB 450 passes the vo-tech center people will become state employees.

Rep. Jack Uhde, District #17, Kalispell, sponsor said HB 604 would exempt from Montana income tax all benefits derived from a teacher's retirement system in another state. This should be amended to tie it to other limits of exemption. Shouldn't have different levels of exemption.

HOUSE BILL

Howard O. Vralsted, DoR, is not opposed to HB 604, but propose an amendment to provide an effective date. Beginning after December 31, 1978, loss to the state would be about \$36,000 with an amendment not in excess of \$3,600.

Rep. Huennekens mentioned federal allows a \$5,500 deduction for a couple and there would be no tax. Montana starts very low, maybe \$1,300. Mr. Vralsted said started at \$1,440 plus exemptions for over 65.

Rep. Fabrega said in case of a person or persons receiving teachers retirement benefits (is it subject to tax by the state that is paying it?). Montanans can move anywhere and not pay it. Mr. Vralsted said California continues to tax retirement benefits. Non-resident is not taxed on bonds. A non-resident would not have to pay tax on retirement incomes.

Rep. Huennekens asked how many states exempt retirement incomes. Mr. Vralsted guessed about half.

Genevieve S. Adair, NRTA - AARP, thinks change in the bill is only fair to teachers who are retired and live in Montana. Supports HB 604, see testimony attached.

Rep. Kenneth L. Nordtvedt, District #77, Bozeman, chief sponsor explained HB 592 defines an education investment tax credit. Money invested for post-secondary to promote education investment, continuing education and job training. This bill is designed to give a tax credit to those who are continuing their education. Any fellowships or scholarships a student receives would be subtracted before allowing a credit against income tax equal to 20% of the cost of tuition, fees, and required books and supplies paid to certain postsecondary institutions.

Curt Johnson, Montana Student Lobby, Helena, supports HB 592. See testimony attached. He thinks the impact on the fiscal note is distorted. Reduction in fees will probably be mentioned, but this will not reach students investment credit tax will reach.

Bill Bronson, Associated Students, University of Montana, Helena, supports HB 592, but would qualify. Students are experiencing rising costs which are causing them problems. 63% of students do not receive help with educational costs. 37% find their aid less than adequate. Student fees are not going down because of inflation. If fees are increased, students will not be able to go and enrollments will decrease. Thinks HB 592 is the proper device to offer some kind of incentive. Loans and grants are not available to all students. Need to allow a certain degree of independence in providing for oneself. There is more complexity - you are building equity into the system. HB 592 is a start on this. Has a reservation as to whether the 2% credit will be large enough to achieve the goal of removing some of the financial barriers. A tax credit is an incentive of some sort. Urge to monitor those who go to out-of-state institutions. They should not be eligible.

Opponents -

Howard O. Vralsted, Department of Revenue, Helena, proposes that HB 592 be amended to provide an effective date to begin.

A letter from the Office of Public Instruction advises their opposition to HB 592 because of any impact it might have on the state's public school foundation program. Dr. Larry Key personally supports the bill.

Phil Campbell, Montana Education Association, opposes HB 592. They are not opposed to helping students, but do not think the tax credit is the method and proper way of doing this. Doesn't help the student pay for fees at the time they need it. Will get it later. Lowering fees by the same amount would be a direct benefit to the students. Oppose HB 592.

Rick Boylan, Student Representative, A.S.M.S.U., support HB 592. Feel this bill is an investment in student education. See testimony attached.

Rep. Nordtvedt closed, explained to Mr. Bronson the question of complexity - tax credit provision in our tax system now and everybody who wants to use that provision keeps records of his purchases. It is a standard part of existing tax code as such. He resists differentiating between different systems of education - vo-tech and universities.

Questions from the committee -

Rep. Huennekens asked Rep. Nordtvedt where a parent pays would the parent claim? Yes. Rep. Huennekens said a student paying his own way might not have to pay any income tax and if he didn't pay taxes, he would get no credit.

Rep. Williams asked what percentage of students come under parent-student funding. 63% do.

Rep. Vinger asked Mr. Bronson if he didn't think most students are getting some help from home.

Rep. Lien asked if you are entitled to the credit if the child is not your dependent? Rep. Nordtvedt said this is a credit for investing in someone's education.

Rep. Reichert mentioned the average credit would be between \$12 and \$15.

Rep. Bertelsen said reduction in student fees wouldn't reach some areas. They are affordable by higher income persons - more impact on middle income people. Lower income persons get some grants or loans or fees reduction. Investment credit in regular businesses are to provide capital for more investment - seems to be playing games here. Providing school and a certain set of fees are necessary and helpful in providing this, it is coming out of the same pocket.

Rep. Gilligan asked Mr. Campbell why the MEA oppose this bill. Mr. Campbell said the National Association has been on record a long time against a tax credit going to people in private schools and this money has to come from somewhere. Paying for it on one side and then a tax credit doesn't make a lot of sense. The money will come out of school monies in the end. Rep. Gilligan asked if that would include congressional education standing against this bill? Mr. Campbell said they don't take that position on this bill per se, but against the concept.

Rep. Fabrega feels should give credit for persons attending state schools, Should help Montana students and help Montana institutions - this should be considered. This gives a tax credit to promote a policy that induces people to spend their money wisely.

Rep. Sivertsen asked if you actually believe that this would be an incentive for more to attend college? Do you think that percent will be that advantageous? Mr. Bronson said would prefer a loan program and a low interest rate would be preferable. A tax credit would not do that. Rep. Sivertsen thinks this is a piecemeal approach. It would be better to make more loans available to those who cannot afford to do it with provisions that it be paid back in a number of years.

Rep. Dozier asked when Montana schools do not teach what a student wants to learn, would it not be unfair not to be allowed this credit for out-of-state education? Mr. Bronson said they don't want to send people out of Montana when we have a fine liberal arts school in Montana.

Rep. Nordtvedt asked how the foundation fund felt, Dr. Key said their office goes along with MEA on a tuition credit. This might have an impact of \$.8 million and if it was to come out of foundation funds, the legislature would have to fund out of some other money. They are in agreement with MEA.

EXECUTIVE SESSION

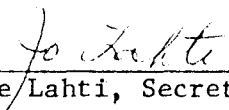
HOUSE BILL 371 - Rep. Dozier moved HB 371 DO PASS, Rep. Fabrega proposed amendments be adopted. (See standing committee report) After discussion, they were unanimously adopted. Reps. Gilligan and Reichert were absent. Rep. Dozier changed his motion to HB 371 DO PASS AS AMENDED. Motion carried unanimously with same representatives absent.

HOUSE BILL 543 - Rep. Vicki Johnson moved HB 543 DO PASS, Motion carried unanimously - Reps. Gilligan, Williams, Harrington were absent.

HOUSE BILL 523 - Rep. Fabrega moved HB 523 DO NOT PASS, He recommends keeping the existing 5-year tax incentive to get people to remodel old houses rather than destroying them. Motion carried with Rep. Hershel Robbins voting No. Reps. Gilligan, Harrington, Williams were absent.

Meeting adjourned at 11:15 a.m.


REP. HERB HUENNEKENS, Chairman


Josephine Lahti, Secretary