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### Minutes of the ninth meeting of the Revenue and Finance Committee

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## DISCUSSION:

Chairman Sterling Rygg called to order the ninth meeting of the Revenue and Finance Committee at 10:30 a.m., Thursday, January 27, in the Historical Society Building. The committee heard testimony from Chadwick Smith, legal counsel for the Montana School Boards Association, and Lloyd Markell of the Montana Education Association. Both discussed school finance. The committee recessed at 12:40 p.m.

In the afternoon session beginning at 1:30 p.m. in the Mitchell Building, the committee discussed the Department of Revenue's report to the Revenue and Finance Committee with department director Keith Colbo. They then listened to testimony from George Schotte, representing the Montana Automobile Association, on the anti-diversion amendment. Mr. Schotte was the first chairman of the interim highway committee of the legislative assembly and sponsored the anti-diversion amendment in the 1955 legislative session.

Members listened to members of the State Board of Equalization state their position on Article XI of the Constitution. Appearing on behalf of the Board were J. Morley Cooper, board chairman, and members John Alley and Ray Wayrynen. Mr. Driscoll asked that the minutes of the meeting read that both the Board of Equalization and the Department of Revenue opposed retention of the anti-diversion amendment. Discussion followed.

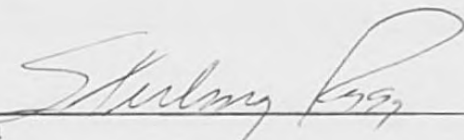
Under other business, Mr. Driscoll suggested that Chairman Rygg contact George Vucanovich and Senator Bill Bertsche to talk to the committee about the Montana Highway Department. Chairman Rygg agreed to do so.

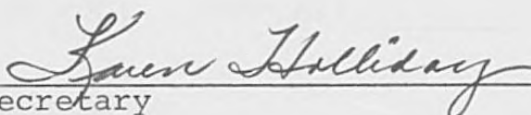
Mr. Rygg told the members that he thought the subcommittees should begin drafting their reports to the committee so that work can progress

on the committee's final draft. He reminded them that the deadline for delegate proposals is February 3, and the committee is expected to have a rough draft ready for the public hearing February 10.

The meeting was adjourned.

Time of Adjournment: 6:10 p.m.

  
Chairman

  
Secretary

TESTIMONY:

Mr. Billings told the committee that the State Superintendent's office believed that earmarking was not the most acceptable way of financing education, and that the 25% level is a statutory one set by the legislature.

He suggested that under Article XI, Section 6, the wording be changed to delete "3 months", with the time to be set by the legislature.

Under Article XII, Section 9, he recommended removal of the limit on the 2-mill statewide property tax.

Mr. Billings advised the Constitutional Convention to consider methods of assuring uniform assessment of property. He said that Section 15 does provide the means for doing this; the problem is in enforcement.

He told the committee that the public school fund comprises 94% of the money in the Montana Trust and Legacy Fund. School funds are now restricted to low-yield investments. The State Superintendent's office advocates a more flexible investment program for school funds. They would oppose a "prudent man" rule of investments, believing that investment restrictions should be regulated by the legislature; past legislative assemblies have been basically conservative and would not endanger school funds if they had the power to determine investment procedures.

The new Constitution should work toward more equality in assessments; this is vitally important as long as property taxes are the basis of education funding.

The state needs to maximize the growth of the permanent school fund at a minimum cost.

The State Superintendent's office also asks that the new Constitution retain the Supreme Court as the supervisor of investments; this extra check doesn't hurt.

TESTIMONY:

We recommend the following changes:

Article XI, Section 6; strike "taxation" and insert "a system of uniform statewide taxation."

Article XII, Section 2; no change in this article. SIDs for capital improvements could be included in this.

Article XII, Section 16; if amendment to Section 6, Article XI is adopted, this would have to be changed to conform.

Article XIII, Section 6; if amendment to Section 6, Article XI is adopted, there would be no need for school districts to borrow money under this uniform system.

Article XXI, Section 1; we agree with State Superintendent of Public Instruction that there is no need to include permanent school fund in the Montana Trust and Legacy Fund. This is a duplication of services, and is not necessary for the elementary and secondary schools to do so, although it may be necessary for the University System to continue in this manner.

Article XXI, Section 13; this should be retained if the permanent school fund is retained.