

HB 604. Rep. Cook. Transfer MTAP Funds

Hearing: Senate Finance & Claims
April 2, 2011

Montana Telecommunications Association
Talking Points

Bill Summary:

Sec. 1 transfers \$1.85 million from the special reserve account set aside for the Montana Telecommunications Access Program (MTAP), and moves it to the “guarantee account” in the state special revenue fund for Education Finance.

The MTAP special reserve account is specifically intended only for the purposes of implementing the Montana Telecommunications Access Program—to provide for services and equipment related to telecommunications for the deaf and hearing impaired.

A \$0.10 fee is collected on monthly telephone bills and remitted to the Department of Revenue for deposit into the MTAP special reserve account.

Because the fee and special reserve account are specifically intended only for MTAP implementation, authorizing legislation is needed to use or transfer funds for any purpose other than the statutory purpose of MTAP implementation.

HB 604 amends the statutory authorization and permits the Legislature in perpetuity to transfer funds at any time in any amount out of the MTAP account for any purpose.

MTA Opposes HB 604 for the following reasons:

HB 604 changes the MTAP fee into a new, hidden sales tax that will last forever. It doesn't matter if the money is to be used for education, prisons, health care, or whatever.

Consumers expect the fee collected on their phone bills to be spent for MTAP purposes. They did not vote for a new sales tax, and they are unlikely to support one. When they find out that their MTAP fee is actually being diverted to general fund expenditures, they likely will feel they're victims of a bait and switch.

The legislature has made a considerable effort to address our structural imbalance and not to transfer funds into the general fund, effectively masking the underlying structural imbalance. But HB 604 does just that: it transfers money from a financially sound special reserve account and creates a structural imbalance in the MTAP program.

HB 604 sets the MTAP account on a negative burn rate. The reserve account will run out of money in 2016 or 2017 according to legislative staff analysis.

To restore the MTAP account from the imbalance created by HB 604, the 2015 Legislature will need to transfer from the general fund, or the fee will need to be increased. Neither option will be politically attractive.

HB 604, if passed, creates a slippery slope. Will phone bills now become another means of imposing hidden sales taxes for any other purpose at any time?

Subjecting MTAP special reserve account to transfers *in perpetuity* removes any accountability for future legislatures and effectively turns the MTAP fee into a telecom sales tax, and turns the MTAP account into a slush fund for funding general fund expenditures.

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